Annual Report 2015

digia

Contents

About Digia

Ability with passion. Together. As promised.

Digia is a Finnish software and service provider that helps leading organisations to develop services, manage operations and utilise information – at home and abroad.

Our customer base consists of various players in industry, trade, logistics, the financial sector and the public sector. Our development is guided by the changing everyday lives of our customers.

Digia employs around one thousand experts in Finland, Sweden, Norway, Germany, Russia, China, South Korea and the United States. Our net sales in 2015 totalled EUR 107.9 million. Digia's business is divided into two segments: Domestic and Qt. Digia is listed on the NASDAQ OMX Helsinki exchange (DIG1V).

Our vision is to be the most highly recommended IT software and services company in Finland. We are also pursuing strong international growth in our Qt business.

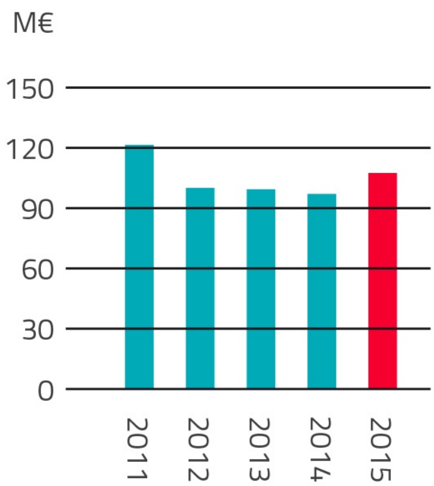
Key Figures

Key Figures, EUR 000	2011	2012	2013	2014	2015
Net sales	121,940	100,448	99,740	97,433	107,880
Operating profit [1]	8,084	8,196	4,549	4,461	8,399
Cash flow from operations	8,842	19,946	4,855	1,824	6,679
Earnings per share before extraordinary items, EUR [2]	0.32	0.26	0.15	0.14	0.29

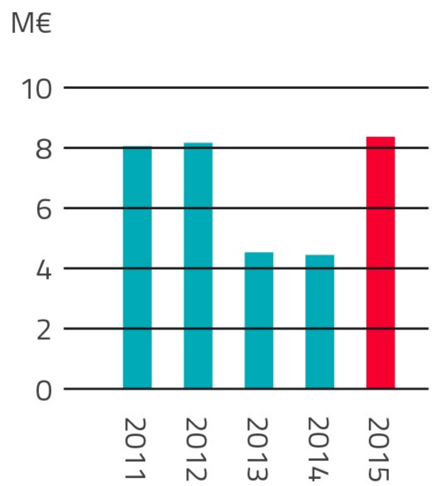
[1] Extraordinary items are not included in operating profit. A customer relationship and goodwill writedown of EUR 25.4 million and a restructuring provision of EUR 4.9 million were included in extraordinary items for 2011. Extraordinary items for 2012 comprised EUR 1.3 million in restructuring costs for reorganisation and personnel negotiations. Operating profit after extraordinary items for 2012 was EUR 6.9 million. In 2013, extraordinary items comprised a EUR 7.0 million writedown and EUR 0.4 million in restructuring costs for reorganisation purposes. Operating profit after extraordinary items for 2013 was EUR -2.8 million. In the financial year 2014, extraordinary items included EUR 0.2 million in restructuring costs. Operating profit after extraordinary items for 2014 was EUR 4.3 million. In the financial year 2015, extraordinary items included EUR 0.8 million in restructuring costs. Operating profit after extraordinary items for 2015 was EUR 7.6 million.

[2] Earnings per share before extraordinary items was calculated from earnings for the period before the deduction of extraordinary items. After extraordinary items, earnings per share totalled EUR -1.08 for 2011, EUR 0.19 for 2012, EUR -0.20 for 2013, EUR 0.14 for 2014 and EUR 0.25 for 2015.

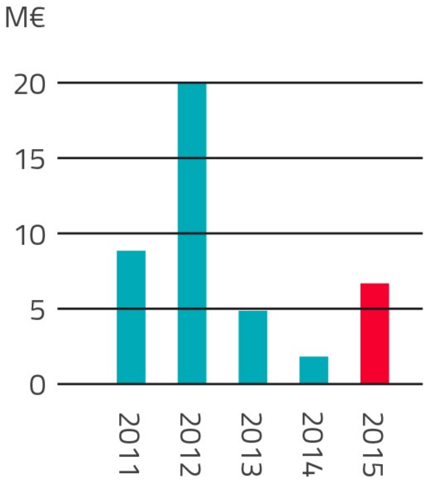
Net sales



Operating profit [1]



Cash flow from operations



Earnings per share before extraordinary items (2

A Year of Strong Growth

Despite the global economic uncertainty, 2015 marked a period of strong growth for Digia. Our objective was to achieve profitable growth in the selected product and service areas in Finland, and, in the Qt business, worldwide. The company's solid net sales and profit performance translated into positive share price development: Digia's share price rose almost by 150 per cent in 2015.

In the domestic business, we continued our efforts to build deeper customer understanding and better sales. We enjoyed a healthy demand in many sectors, particularly in integration and analytics services. Similarly, the demand for financial sector services continued to grow.

The Qt business recorded the highest growth: 32 per cent from the previous year, 25.5 per cent, excluding the impact of exchange rate fluctuations. Net sales growth prompted an improvement in operating profit, moving our business into the black. Measures taken to expand and optimise the sales and distribution network also contributed to sales growth.

A bright future ahead

The outlook for both of Digia's business segments is very promising. One of the major assets in domestic business is our profound knowledge and understanding of the core processes of local organisations, and of the supporting operational systems and integrations. As a digital business service provider, we can win a bigger role in our customers' value chains.

The positive growth outlook for embedded systems is creating excellent business opportunities for our international Qt business: the Internet of Things (IoT) brings intelligence to all devices people use on a daily basis, creating demand for easy-to-use graphic user interfaces, while the wide range of devices provides significant potential for platform-independent application development tools. These key technology trends together with the changes we have introduced to open source code licensing will drive our Qt licence sales in the automotive industry, household appliances and electronics, and various industrial applications.

We will also expand our Qt sales network by setting up our own business units in the largest market areas, namely the United States, Germany, China, South Korea and Japan, and by growing our distributor network with technology partners.

In domestic business we will continue to pursue significant organic growth, with our business growing faster than the Finnish ICT market on average, a healthy profit level and strong cash flow. We will actively explore opportunities to make carefully selected business acquisitions that support the company strategy.

We want to be the preferred partner for our customers. Our customer promise is the compass we use to steer towards this goal: ability with passion, working together with our customers and partners. The solutions and services we deliver work as promised.

A spin-off to split Digia into two public companies on the drawing board

In August 2015, we began to explore the possibilities of spinning off Digia's business to form two distinct listed companies.

The objective of the demerger is to enable the development of the Qt and Domestic operations as two listed companies focusing on distinct sectors. The demerger will also simplify the business structures, administration and financing arrangements.

The preparations for the demerger have proceeded as planned, and we intend to make a decision regarding the demerger in the Annual General Meeting to be held in March 2016. Approval by Digia's shareholders of the demerger and the demerger plan will make them shareholders of both Digia and Qt. As compensation, Digia's shareholders will be issued one Qt share for each Digia share they own.

If the demerger will be carried out, I will assume responsibility for the Qt business, and Timo Levoranta will take up the CEO position in a new Digia, which will focus on domestic business. I wish Timo a very warm welcome to Digia.

I am very proud of what Digia is today. I would like to thank our customers and shareholders for their continued trust in Digia. But most of all, special thanks to Digia's skilled and motivated personnel. We owe our success to your input and dedication.

With wholehearted thanks to you all for your cooperation,

Juha Varelius
President and CEO

Mission, Vision and Strategy

Mission: With our inventive solutions we bring success to people, businesses and communities in their everyday lives.

Our software and services form an important element within the society. We build these to help people expand the horizons of their daily lives and make the most of every day.

Vision: Successful and most recommended

- We are the most highly recommended IT software and services company in Finland, growing strongly both at home and abroad.
- Our development is guided by the changing everyday lives of our customers.
- We provide solutions that benefit our customers' businesses.
- We combine ability, passion and technology, and work together.
- The result is solutions that work as promised.

Strategy

- We supplement our existing product selection with scalable business models for accelerated growth, by turning services into replicable, sector-specific solutions and the related services. In addition, we develop software and services for international online sale.
- To ensure a steady cash flow and moderate growth, we take steps to keep our service business competitive and technologically advanced.
- We balance short-term earning power with long-term sustainable growth through careful investment management.
- We emphasise personnel motivation and commitment, and enhance the company's image as an attractive employer.

Changes in the Digital Dimension Drive Demand

Our customers are constantly looking for new and innovative ways of improving their customer experience, processes and competitiveness in the changing digital world. This creates demand for Digia's domestic service offering. One of our major assets is our profound knowledge and understanding of the core processes of various organisations, and of the supporting operational systems and integrations. By providing digital business services, we can win a bigger role in our customers' value chains.

Six key tech trends driving demand and growth in Digia's domestic business

1. Software as a Service increasingly popular

IT procurement used to be about projects and systems, or bigger outsourcing packages. Today, cloud services and consumerisation are driving change and boosting the popularity of SaaS solutions.

Business value and entire business process components are being bought as a service, based on which the technical systems are never operated or even directly used by the buyer. IT suppliers are transforming into service producers, who play a more important role in the chosen process component, while the buyer manages the overall process.

Since the services are more and more often being procured by someone other than an IT unit, the service provider is expected to have a deep understanding – far beyond technology expertise – of the customer's business.

2. With agility comes flexibility and adaptability

Long development projects have been replaced by more agile processes that allow design flexibility and adjustments and adaptations in the service, information system and architecture development. This enables early and cost-efficient testing of the services to be implemented, and modification of their implementation if necessary.

3. Experience-seeking consumers look for inspiration, information and peer support online

Mobile data and easy-to-use terminal devices have led to accelerating change in consumer behaviour.

Consumers are buying products and services online to a growing extent, and are turning to various networks for inspiration, information and peer support in their personal choices.

Changes in consumer behaviour determine what kinds of services will be offered to customers in the future. Service providers must be able to create winning services – services that include a strong experiential dimension – for increasingly small target groups. Consumer behaviour is also changing the way in which services are designed, with mobile user interfaces increasingly being the first priority.

4. Better customer experience is the goal of any organisation going digital

Technology continues to blend the physical with the digital world, placing new demands on the consistency of customer experiences.

Customers expect consistent, more specifically targeted and high quality service via every channel and at all hours. To cater for these needs, service providers need to ensure the continuity of the service process regardless of time and location, and a seamless and imperceptible switch from one service channel to another.

The customer's purchase process is no longer regarded as a linear process, but rather as a matrix with multiple stages and paths. There are as many paths leading to a purchase decision or another desired action as there are customers. Identifying these paths and understanding the needs, values and motives of customers is therefore paramount in the digital world.

5. Closer cooperation between the public and private sectors

One of the key themes in society today is the need to provide citizens, companies and organisations with easy and flexible access to services.

Public sector service provision and development is increasingly reliant on cooperation between the public and the private sectors. In the future, public sector organisations will mainly be tasked with organising services, in other words, identifying citizens' needs and making sure that services are available to customers when needed. The private sector will assume responsibility for actual service provision.

6. Ubiquitous networking

Intelligent terminal devices will be everywhere. Sensors that collect information everywhere in our physical environment enable the collection of more accurate and specific customer data, while extensive historical data allows greater predictability. Growing data volumes emphasise the importance of analytics and data visualisation. IoT offers incredible opportunities for the IT sector in analytics, integration and service design.

Sharp Rise in the Number of Display Screens and User Interfaces Around Us

Intelligent devices have pervaded every walk of life, with smart features now embedded in everything from coffee makers to cars, not to mention industrial applications. Qt technology provides tools for a wide range of UI requirements, from smart phones to embedded systems.

Three key tech trends driving Qt demand and growth

1. User experience sets the value

The value of a product is no longer defined by the related hardware or materials, but the software that controls it and the user experience it provides. This trend is driven by the growing popularity of touch-screen displays and the Internet of Things (IoT). The ability to create a competitive user experience in various environments is the key, and Qt technology provides the perfect solution for this.

2. Platform-independent software and applications

There is a growing need to make applications available on all devices and in all circumstances. For this to happen, the solutions used in the maze of devices and operating systems must be efficient and user-friendly. As the number of technologies continuously grows, it is increasingly important to discover tools for managing complexity. Qt technology is the perfect solution, as it enables access to a single implementation in several environments.

3. Growing popularity of open source code

Open source code is rapidly gaining in popularity. Companies today have no desire to be confined by a single provider's technology; instead, they want an alternative with a global ecosystem and a strong future outlook. Qt technology is available with an open-source and commercial licence. This allows us to offer our customers all the benefits of open source code and the flexibility of a commercial licence.

Business on a Growth Track in Domestic Operations and in Qt Business

Digia's net sales rose by 10.7 per cent from the previous year to EUR 107.9 million in 2015. Operating profit before extraordinary items almost doubled and totalled EUR 8.4 million.

Digia Group, € 000	2015	2014	Change%
Net sales	107,880	97,433	10.7%
Operating profit before extraordinary items	8,402	4,461	88.3%
Operating profit	7,641	4,310	77.3%

Digia conducts its business through two segments: Domestic and Qt. The Domestic segment represented 75 per cent and Qt 25 per cent of Digia's net sales in 2015.

Domestic operations

Digia's Domestic business involves helping its customers to develop services, manage operations and utilise information. Over the years, we have systematically developed and expanded our offering.

One of the major assets in domestic business is Digia's profound knowledge and understanding of the core processes of local organisations, and of the supporting operational systems and integrations. By providing digital business services, Digia is able to assume a greater role in its customers' value chains. The service model also includes consultation, service design, development partnership and continuous services.

Digia has solid industry expertise in commercial, logistics and industrial sectors, in the public sector, and in banking and insurance.

Domestic operations in 2015

The Domestic segment's net sales grew by 5.1 per cent to EUR 81 million in 2015. Although demand was healthy in many areas, integration and analytics services and solutions based on financial-sector software in particular outperformed general market growth.

Operating profit in the domestic business increased by 2.7 per cent from the previous year, with operating profit before extraordinary items totalling EUR 6.5 million. Profitability (EBIT%) was 8 per cent.

Domestic operations, € 000	2015	2014	Change%
Net sales	80,946	77,028	5.1%
Operating profit before extraordinary items	6,479	6,311	2.7%
Operating profit	5,585	6,311	-7.2%

Qt

International business focuses on the manufacture and sale of software development tools through the Qt business.

Qt is a software developer tool that allows the creation of desktop, embedded and mobile applications independent of the operating system.

In international Qt business, development efforts focus on embedded systems in automotive, digital TV and DTV receivers, and on expanding the sales network.

Qt's strengths include large target markets, growing popularity of embedded systems, a global clientele, technological excellence, and the Qt ecosystem.

Qt segment in 2015

The Qt segment's net sales were up by 32 per cent in 2015 and amounted to EUR 27 million.

This growth in the Qt segment stemmed from good sales combined with major contracts in automotive products and DTV receivers in particular. Favourable trends in net sales were also supported by the US dollar strengthening against the euro. The impact of exchange rate fluctuations on Qt's net sales growth amounted to a total of EUR 1.3 million during the review period. Measures taken to expand and optimise the sales and distribution network also contributed to sales growth.

Net sales growth prompted a year-on-year improvement in operating profit. Operating profit before extraordinary items totalled EUR 1.9 million. Profitability (EBIT%) was 7.1 per cent.

Qt, € 000	2015	2014	Change%
Net sales	26,934	20,406	32.0%
Operating profit before extraordinary items	1,923	-1,850	
Operating profit	1,786	-2,001	

Read more about Digia's financial performance in the Board of Directors' report.

Competitive Edge from Service Development

Everything that can go digital is going digital. This is forcing companies and public sector organisations to invest in electronic service channels, digital services, e-services, online shopping, and productivity improvement in information work. Such self-reinvention and service development is an ongoing process.

Our service portfolio comprises services for our customers' customer relationship management, service digitalisation, customised system and service provision, and service outsourcing. This business area represents a significant part of Digia's overall offering.

Service digitalisation is Digia's strategic cornerstone

Customer companies appreciate the support of a skilled, visionary partner with a proven track record in multichannel service development, customer experience enhancement, and digitalisation. Support is expected in development project preparation, multichannel service design, service concept development, and in the implementation and continuous development of services.

To help our customers build their customer relationships, we offer service map consultation and service design, and supply CRM systems. We are also our customer's trusted partner in customer service enhancement, and in business and service process digitalisation. Service digitalisation is in fact one of the cornerstones of Digia's strategy. To digitalise services, we set specific targets and then implement various eBusiness solutions integrated with the customer's system.

We offer our customers an extensive range of service outsourcing alternatives from operating services to cloud-based solutions, from application and service management and system administrator functions to end-user support, or even entire business process outsourcing services. In addition, we deliver systems and services individually customised to cater for the needs of various sectors of industry.

Digia's proven track record and strong competences make it a reliable service provider for multiple sectors, including deliveries requiring a special security classification. Our customers appreciate our ability to provide extensive consultation, delivery and integration services, and the productised solutions behind our deliveries and services. The ability to understand the customer's daily operations and their changing business environment is essential to the creation of new services and earning logics.

New mobile and multi-channel services

In 2015, service development focused on electronic services and mobile solutions.

Digia Ote is an application that provides easy and smart mobile access to a company's core services. Digia Salpa, in turn, is a mobile communications product for encrypting speech and messaging in phones, tablets and work stations.

An important launch of national significance was the 112 Suomi application, created together with the Emergency Response Centre Administration. The application, which uses satellite geolocation to locate the caller, has been integrated with the systems of the Emergency Response Centre Administration. This enables the automatic delivery of location information to the emergency service dispatcher and ensures a faster response to emergencies. By the end of 2015, the application had been downloaded more than 250,000 times.

Another major project for Digia was the digitalisation of the electronic service voucher and outsourcing service system. By the end of 2015, nine municipalities had adopted this national operating model.

Demand for digital services expected to grow

Demand in this service sector showed positive development in 2015. In the future, digital services will represent an increasingly large proportion of the services provided by companies and public sector organisations. To tap into the related opportunities, Digia must be able to develop different service centres and new service models. In addition to service management, key priority areas will include data security and transparency.

IoT is another area in which we expect to see dramatic growth in the future.

Steering Operations Adds Efficiency and Competitive Edge Across the Value Chain

Our customers want to offer products and services that deliver a better customer experience, while improving their own performance, cost-efficiency and predictability. Greater competitiveness is not always just about slicker processes; continuous readiness to adopt new operating models is also required, in business operations in general and in production, logistics and workforce management.

Steering Operations provides solutions for business operations, production and workforce management, investment and asset management, and NGO activities. Its offering includes Digia’s own software products, solutions based on third-party products, and end-to-end delivery and lifecycle services.

Efficiency gains and greater predictability

Digia's solutions help to secure operational reliability and a seamless customer experience. The aim is to achieve continuous operational and efficiency gains and greater predictability and transparency, while enabling flexible, customer-driven operating models in a multi-channel environment.

Steering Operations is Digia's largest product and service portfolio and accounts for a major portion of the company's net sales. It is also a major growth area in Digia's business strategy for domestic operations.

In addition to in-depth customer understanding, Digia's key competences include strong proprietary and third-party products, comprehensive solutions, and extensive services and service concepts.

New growth potential in service business

In 2015, the Steering Operations business was strongly focused on developing proprietary software products. This generated new customer cases and created growth potential for the future. Demand is growing strongly for integrated e-commerce, analytics and mobility solutions.

In 2015, demand for ERP systems was reasonably healthy, despite the fact that our sales cycles were prolonged by customer caution due to the general economic outlook. There were sectoral differences in demand. Demand for solutions based on financial-sector software was particularly good, and on the whole, Digia's Steering Operations business outperformed general market growth.

In 2016, the focus will be on changes in the earnings logic. We will build new service business activities and provide a wider range of commercialised, industry-specific solutions packages. We expect to see this line of business continue to outperform general market growth in 2016.

Information Utilisation Services Supports Decision-making

Digitalisation is transforming business activities in all sectors by reshaping business models, productivity, management practices, and competition for new markets and customer relationships. Digitalisation leads to growing data streams and advanced, affordable technologies, providing an opportunity to promote business and competitiveness with data processing and analysis.

The rapid changes under way in our customers' business environments are creating strong demand for Digia's information utilisation services. This growing area includes integration and analytics solutions and services, supported by consulting services. Information utilisation is an integral part of Digia's overall service and concept offering.

Strong integration skills a major asset

As an information utilisation partner, companies want a reliable, collaborative service provider which is able to use a range of analytics and integration solutions to generate measurable value.

Digia's integration and analytics solutions enable customers to identify cause-and-effect relationships amongst the growing data volume, to engage in extensive data analysis and to predict changes in the highly cyclical business environment. With our advanced solutions, our customers are able to enhance the efficiency of their operations, and to build new services and earning logics.

Our information utilisation services are backed up by in-depth customer understanding, strong expertise in integration and analytics, a productised offering and our service centre concepts. In response to changing customer needs, Digia uses scalable, flexible and agile development and delivery models.

Future growth potential

For Digia's Utilizing Information services, 2015 was a period of continued strong growth.

Key focus areas in 2015 included delivery capacity improvement and service centre concept development. A large number of skilled professionals were recruited, and existing competence was upgraded. Offering and services were developed and expanded to support changing customer needs. The key trends leading our development work included data visualisation, device independence, Big Data, cloud services, the Internet of Things and proactive analytics.

Growth in 2016 will be sought by expanding existing customer relationships and by providing solutions and services based on a more comprehensive delivery concept. Active development work on our offering and delivery models will continue in line with the short-term and long-term growth opportunities identified in the service business. Solutions and services designed to improve information quality and security will represent an increasingly important part of the service offering.

Brisk demand for integration and analytics solutions is set to continue in 2016, outgrowing the general IT service market.

Modern Applications to Embedded Devices and Different Operating Systems with Qt Technology

For Digia's international Qt business, 2015 marked a period of unprecedented growth: 32 per cent. Several changes in Qt's organisation and operating models were introduced during the year.

From Digia's perspective, international business is strongly focused on the production and sale of software development tools. A spin-off of the Qt business was completed at the beginning of 2015, and in 2015 the company generated 25 per cent of Digia's aggregate net sales.

Global market, broad clientele

The Qt Commercial development environment is actively used by more than 5,000 desktop and embedded software customers. These customers represent a wide variety of sectors, including consumer electronics, automotive industry, aeronautics, energy, defence and the media. In terms of licence sales, the major markets are the United States, Germany and Japan. The bulk of Qt's net sales comes from licence sales, which have been growing throughout 2015.

Embedded systems gaining importance

Digia believes there is a growing need for graphic user interface development tools in the embedded systems software development markets. Driven by the huge success of smartphones, the touch screen is now practically the industry standard for all devices. In response, in 2015 Digia focused on stepping up its Qt offering to meet the challenges of embedded system development.

Digia has invested significantly in Qt, believing it to be a competitive software development environment for all leading operating systems in all target markets. The Qt ecosystem has seen tremendous growth: the Qt 5.5 version released in May 2015 was downloaded more than a million times, and the qt.io website attracts 500,000 visitors monthly.

Focus on improving embedded software offering

In the Qt business, the market can be roughly divided into three areas: desktop software, embedded software and mobile applications. Digia's customer companies develop their own applications or products in these areas. In 2015, Digia improved its offering, particularly in embedded software. New product versions include features tailored exclusively for these special areas, as well as functionality exclusive to commercial licence holders.

More extensive changes were made to the open source code licensing model; these were introduced with the Qt 5.5 version released in July.

Other improvements to the Qt offering include the new Qt Application Development – a product that provides all the desktop and mobile platforms needed for state-of-the-art application development. These changes were also published in the digital sales channel (qt.io).

In addition to taking steps to improve basic products, we have pooled our resources with our partners to develop our offering in the automotive segment. In October 2015, we released the Qt Automotive Suite, which offers new features and tools to automotive manufacturers and provides faster market access for In-Vehicle-Infotainment (IVI) solutions. This product will be available in the second quarter of 2016.

Investments to expand sales and distributor network

Alongside product development, business development was a strong focus area in 2015. The objective was to expand Digia's own sales network and its distributor network. Digia currently has sales offices in Europe, North America and Asia. The Asian network expanded with an office in South Korea, which was opened on 1 October 2015. Our own sales office network is supported by distributors in Russia, Japan, Poland, China and India. New distributors joined the team in Turkey and Poland in 2015.

The year-on-year increase in Qt's net sales was 32 per cent in 2015. Much of this growth could be attributed to more extensive and more efficient sales operations.

Efforts to boost sales will continue in 2016. Further growth will be sought from business development in embedded systems, especially in the automotive industry and consumer electronics.

Digitality and Our Customers' Daily Business

Digitalisation has changed our everyday lives, at work and at leisure.

See what our customers think about digitalisation, and the effect it has had on their business and daily lives. Digia helps its customers to embrace the changes in our daily digital lives.

(To display subtitles in the videos, press the first of the four icons on the bottom right in the video or choose the language for subtitles from the settings.)

Case: Yara

Digitalisation and sustainability

Farming is a data-intensive sector, and farmers must be able to put the data obtained from the fields and studies into effective use. See how digitalisation can help to solve global challenges associated with food supply and climate change.

https://www.youtube.com/watch?v=_SerYgwGgdk

Case: Lojer

Digitalisation and health care technology

What role does digitalisation and IoT play in health care technology companies? See what opportunities and challenges digitalisation represents to Lojer.

https://www.youtube.com/watch?v=ucvubhswS3g

Case: The City of Espoo

Digitalisation and service provision in the public sector

How does digitalisation change the way municipalities work and organise their social and health care services? How does digitalisation promote citizens' freedom of speech? See how service vouchers and purchased services will affect the provision of social and health care services in the future.

https://www.youtube.com/watch?v=2YO8S6MeS4M

Case: Emergency Response Centre Administration

Digitalisation and emergency response

The Emergency Response Centre Administration takes continuous action to develop its services with the objective of keeping Finnish emergency services at the global cutting edge. See how digitalisation helps to respond to emergencies faster.

https://www.youtube.com/watch?v=Rr-nhuoUmSs

Case: Ilmarinen

Digitalisation and more diverse customer experience

Digitalisation is an important part of the services of Mutual Pension Insurance Company Ilmarinen as its customers want more diverse and multichannelled services. See how cost-efficient and flexible system integration improves customer experience.

https://www.youtube.com/watch?v=X9uS6WIk9vg

Customer Promise Leads the Way in Human Resources Development

Skilled and motivated personnel are the cornerstone of Digia's success. Our strategy-based customer promises – ability with passion, together, as promised – show the way for our human resources development efforts.

Digia Learning Academy focuses on competence development

The training programmes offered by Digia Learning Academy continued in 2015. The Academy offers training to personnel in support of operational and competence development. These training programmes promote expertise and knowledge sharing and a culture of doing things together. The Digia Learning Academy focuses on effective teamwork and successful projects.

The tools used in 2015 to support the culture of engagement and teamwork included facilitation, 360-degree feedback and DiSC profiling. The related training themes were linked to management, the ability to identify customer needs, and various situations involving interaction and communication.

Integration Academy promotes knowledge sharing and competence development

Digia Learning Academy organised two Integration Academies in 2015, one in the spring and the other in the autumn. Training was provided for more than twenty participants by Digia's integration specialists.

The training programme comprises an induction training package for new employees on integration services, and for Digia personnel from other sectors on the integration business and tools. The Academy also offers a channel for knowledge sharing, competence development and job rotation for seasoned Digia experts.

It also helps to ensure that Digia offers its customers cutting-edge integration in terms of competence, methods and technologies.

Digia Awards encourage staff to deliver on customer promises

At Digia, people are rewarded for good performances. The Digia Award constitutes recognition for having a positive can-do attitude, being a Digia value ambassador and delivering on customer promises in day-to-day work. In 2015, an award for excellent supervisor performance was made for the first time.

Such awards consist of varying sums of money at individual, team and project level. The candidates are nominated by the employees themselves – anyone can nominate any Digia employee for the Award.

Strong Supervisory Work Improves Wellbeing at Work

Good leadership and supervisory work has been proven to have a direct impact on staff motivation and wellbeing in the workplace and, consequently, an entire organisation's productivity and customer satisfaction. Supervisory work also plays a key role in working ability management.

Digia supervisors participate in coaching programmes, in order to improve their supervisory skills. Focus areas in 2015 included building a stronger role and skill set for supervisors in managing employment relationships, and situational leadership.

In addition, a supervisory services function was established which, together with HR, oversees the introduction of tools and processes under development in the business units.

HR systems and processes facilitate leadership and support supervisors within the daily digital environment

The HR systems were under development in 2015 and a new HR system called Sympa HR was introduced in early 2016. This system makes up-to-date employment relationship data easily available to supervisors and the employees themselves.

The Sympa HR system provides valuable information on the breakdown of personnel by job title, career path and salary. This information can be more effectively used for purposes such as recruitment. The new system gives supervisors access to real-time key HR indicators and increases personnel awareness of day-to-day management.

Meaningful Job Duties, Team Work and Supervisory Work Contribute to Job Satisfaction

Employee satisfaction is monitored regularly via an annual employee satisfaction survey. The results of the survey are used to build development plans for individual employees and teams.

According to the employee survey of 2015, Digia has succeeded in offering employees meaningful job duties and new challenges within their teams and across the organisation. Employees were generally satisfied with their colleagues, immediate supervisors and the workplace atmosphere.

The survey showed that more effort should be put into communicating the strategy and goals more clearly to personnel. Other areas in need of development included processes and resourcing.

Developments in internal communication: Intranet improvements, introduction of Yammer

The availability of information and timely communication make a major contribution to employee satisfaction. Given today's information overload, it is important to focus and target messages accurately. Interaction is a growing requirement in corporate communication. In 2015, steps were taken to upgrade internal communication in order to meet such needs.

Yammer, a social media application for corporate use, was introduced at Digia at the end of the first half of 2015. In a large organisation where not everyone knows each other, Yammer facilitates cooperation, exchanges of views, or finding the right person in one of Digia's locations. Yammer provides a channel for team work and intra-company communication, but also makes it easier to reach larger audiences.

Digia's new and improved intranet was launched in October 2015. The purpose of the overhaul was to increase interaction and encourage a larger number of Digia employees to post updates of their work and leisure time activities on the intranet.

A survey on the new intranet was conducted at the year-end, with the results showing that Digia personnel appreciated the visual elements and easy-to-use user interface. Users also said that information was now easier to find.

Development of the intranet and other internal communications channels will continue in 2016.

Many Opportunities for Experienced Professionals and Young Talents

Competition for skilled employees is tough in the IT sector. Digia needs to recruit application developers skilled in various technologies and industries on an ongoing basis, both to junior and senior level positions.

Recruiting supervisors bring more efficiency to the process

In 2015, recruiting supervisor teams were established in the various business areas to enhance the recruitment process. Improvements were made in the recruitment process and the teams were able to put together project teams with a skill set better suited to business needs. The teams have enhanced cooperation between recruiting supervisors and made it easier to train supervisors to adopt new tools and operating models.

New professionals recruited to support growth

Digia plans to recruit new specialists to support its growth. Given the significant recruitment need, the recruitment system has been revamped to better serve both job applicants and the recruiting supervisors. The new system also makes it much easier to select suitable candidates and make comparisons between different business areas.

Career families enable internal job rotation

Internal recruitment is an excellent way of finding people with the right skills and of offering job rotation and career opportunities at Digia. An employee bonus is available for persons whose internal recommendation leads to recruitment.

Digia's career families represent a unique channel for job rotation within Digia. Career paths may involve switching from one career level to another, switching to another business area in their current job role, or changing from one job role to another. In 2016, the HR system will be upgraded to support career paths and job rotation.

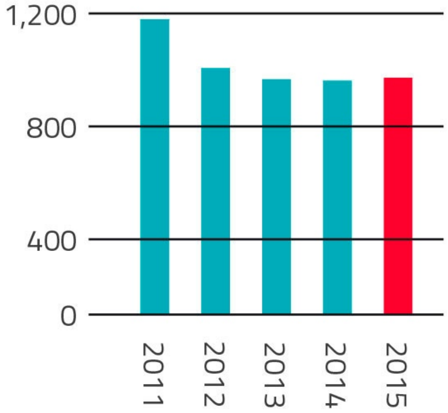
Digia Career Compass provides opportunities for young talents

Digia Career Compass is a recruitment programme for young people and recent graduates. In 2015, the programme helped Digia to recruit twenty talented young people. The programme also fostered Digia's employer image and its cooperation with educational institutions in various locations.

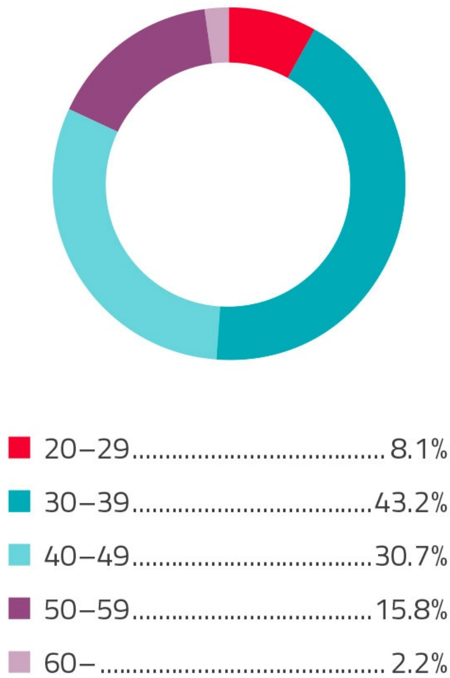
The objective of the programme is to offer flexible working time arrangements and employment contracts to students and recent graduates. These would include fixed-term employment, hourly work, and opportunities for students preparing their final thesis. Digia also offers career paths to young people in project management and in the Integration Academy.

Personnel in Figures

Changes in the number of personnel



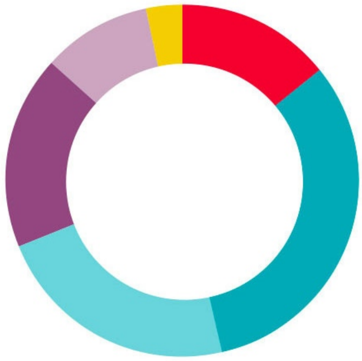
Personnel distribution by age



Personnel distribution by office

- Helsinki 484
- Oulu 51
- Jyväskylä 121
- Tampere 108
- Rauma 35
- Stockholm 11
- Saint-Petersburg 5
- Beijing and Shanghai 15
- Santa Clara 27
- Seoul 4
- Berlin 40
- Oslo 43

Personnel distribution by years of service



- <1 14.2%
- 1–5 32.3%
- 6–10 22.5%
- 11–15 17.9%
- 16–20 9.9%
- >20 3.3%

Distribution by gender

- Male....................................74.8%
- Female.................................25.2%

Share and Shareholders

Share capital and shares

On 31 December 2015, the number of Digia Plc shares totalled 20,875,645.

According to Finnish Central Securities Depository Ltd, Digia had 4,241 shareholders on 31 December 2015.

The ten major shareholders

Shareholder	Percentage of shares and votes
Ingman Development Oy Ab	20.6%
Ilmarinen Mutual Pension Insurance Company	14.6%
Jyrki Hallikainen	7.4%
Kari Karvinen	5.2%
Varma Mutual Pension Insurance Company	4.6%
Matti Savolainen	4.3%
Aktia Capital investment fund	1.4%
Fim Fenno Sek	1.4%
Investment Fund Säästöpankki Small Cap	1.3%
Aktia Nordic Small Cap investment fund	1.3%

Distribution of holdings by number of shares held on 31 Dec 2015

Number of shares	Shareholders	Percentage of shares and votes
1 – 100	25.9%	0.3%
101 – 1,000	56.3%	5.0%
1,001 – 10,000	15.6%	8.6%
10,001 – 100,000	1.6%	11.7%
100,001 – 1,000,000	0.5%	26.6%
1,000,001 – 4,000,000	0.1%	47.7%

Shareholding by sector on 31 December 2015

	Shareholders	Shares
Non-financial corporations	4.2%	27.6%
Financial and insurance corporations	0.4%	8.3%
General government	0.1%	19.2%
Not-for-profit institutions serving households	0.2%	2.2%
Households	94.5%	40.7%
Foreign holding	0.7%	2.0%

Information for Shareholders

The purpose of Digia's investor relations is to provide capital markets with open and reliable information on the company and its operating environment, in order to enable market participants to form an informed opinion on Digia as an investment.

Digia Plc shares are quoted on the Main List of the NASDAQ OMX Helsinki Ltd, in the Information Technology IT Services.

Investor relations

Tuula Haataja, CFO
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Saija Serpola, Communications Manager
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Financial information 2016

During the financial year 2016, Digia Plc will publish the following financial releases in Finnish and English:

Interim report 1–3/2016: 29 April 2016 at 9:00 a.m.
Interim report 1–6/2016: 12 August 2016 at 8:00 a.m.
Interim report 1–9/2016: 28 October 2016 at 8:00 a.m.

The Annual General Meeting 2016 will take place on Wednesday 16 March 2016 from 10 a.m. at the company's headquarters at Valimotie 21, 00380 Helsinki.

To order Annual Reports and other publications, please contact:

Digia Plc, Corporate Communications
Valimotie 21, FI-00380 Helsinki
Tel. +358 10 313 3000
invest@digia.com

The Annual Report, interim reports and stock exchange releases are available on our website at www.digia.com.

An online version of the Annual Report 2015 has been published. To download a PDF version of the Annual Report, click here. The Annual Report is also available as a printed PDF version on request.

Updating shareholder information

We kindly ask our shareholders to notify the bank, the brokerage firm or other book-entry register in which they have a book-entry securities account, of any change of address. This information cannot be updated through Digia.

Governance

Board of Directors

Pertti Kyttälä

b. 1950, M.Sc. (Econ.)

Digia Board member since 2005 and Chairman of the Board since 2010. Chairman of the Board's Audit Committee and member of the Nomination Committee. Managing Director of Peranit Ltd. His previous posts include CEO at Radiolinja Ltd (1999–2003), IT Director at Helsinki Telephone Company (1997–1999), Managing Director at Samlink Ltd (1994–1997) and Managing Director and Deputy Managing Director at Sp-palvelu Ltd (1991–1994). Member of the Directors’ Institute of Finland. Independent of the company and its major shareholders.

Robert Ingman

b. 1961, M.Sc. (Eng.), M.Sc. (Econ.)

Digia Board Member since 2010 and Vice Chairman of the Board since 2012. Chairman of the Board's Nomination Committee and member of the Compensation Committee. Full-time Chairman of the Board of Ingman Group Oy Ab. His previous posts include Managing Director at Arla Ingman Oy Ab (2007–2011) and Ingman Foods Oy Ab (1997–2006). Chairman of the Board of Etteplan Plc and Halti Ltd. Member of the Board at Arla Ltd., Evli Pankki Plc and M-Brain Ltd. Independent of the company.

Päivi Hokkanen

b. 1959, M.Sc. (Econ.)

Digia Board Member since 2012. Chairman of the Board's Compensation Committee. CIO and Executive Group member at A-Katsastus Group Oy since 1.9.2012. Her previous posts include CIO at Sanoma Plc (2009–2012) and at Stockmann Plc (2002–2009), Director at SysOpen Plc (1998–2002) and various positions at Cap Gemini Plc (1995–1998) and Kansallisrahoitus Ltd. (1984–1995). Member of the Directors' Institute of Finland. Member of the Board at the Finnish Information Processing Association (2010–2011). Independent of the company and its major shareholders.

Seppo Ruotsalainen

b. 1954, M.Sc. (Eng.), Lic. Tech.

Digia Board Member since 2012. Member of the Board's Audit Committee. Currently works as a board professional holding board chairman, board member, investor and strategic advisor roles in various technology and software companies. His previous assignments include President and CEO at Tekla Corporation (1998–2003), SVP at F-Secure Corporation (2008–2009), EVP at Oy LM Ericsson Ab (1994–1998) and Sales Director at Hewlett Packard (1982–1993) as well as Chairman of the Board at Commit Oy, AniLinker Oy, Fountain Park Oy and Finnish Information Association (2004–2006). Member of the Directors' Institute of Finland and FiBAN (Finnish Business Angels Network), Chairman of the Board at Mikkelin Puhelinosuuskunta MPY, member of the Board at Biisafe Ltd, Profict Partners Ltd. and Viabile Ltd. Independent of the company and its major shareholders.

Leena Saarinen

b. 1960, M.Sc. (Food technology)

Digia Board Member since 2012. Member of the Board's Compensation Committee and Audit Committee. Currently works as a board professional, holding Board chairman or Board member roles in various companies, including Helsingin Palvelut Ltd., Arla Ltd., Arcus-Gruppen AS and Etteplan Plc. Her previous posts include Managing Director at Suomen Lähikauppa Ltd. (2007–2010), President and CEO at Altia Corporation (2005–2007) and various positions at Unilever (1990–2005). Member of the Advisory Board of Varma Mutual Pension Insurance Company (2008–2012) and Luottokunta (2008–2011). Member of the Board at Outokumpu Plc (2003–2011) and Atria Plc (2006–2007). Independent of the company and major significant shareholders.

Tommi Uhari

b. 1971, M.Sc. (Eng.)

Digia Board Member since 2010. Member of the Board's Audit Committee and Nomination Committee. Currently holds board member and strategic advisor roles in various companies. Co-Founder and CEO at UROS Ltd. (2011–2015). His previous posts include management team member of ST Microelectronics (2006–2010), various managerial positions at ST's joint ventures ST-NXP Wireless and ST-Ericsson (2008–2010), head of ST's Wireless Business Unit (2006–2008) and Director of Nokia Wireless and SW platforms units at Nokia (1999–2006). Independent of the company and its major shareholders.

Kai Öistämö

b. 1964, Doctor of Technology, M.Sc. (Eng.)

Digia Board Member since 2015. Member of the Board's Compensation Committee. A professional board member, currently Chairman of the Board at Fastems Oy, Helvar Oy and University of Tampere and Board Member at InterDigital Technology Corporation and Sanoma Corporation. His previous posts include Chief Development Officer at Nokia until the autumn of 2014 and a member of the Nokia Group Executive Board in 2006–2014. Obtained his Doctorate in Technology (Signal Processing) from Tampere University of Technology in 1992. Independent of the company and its major shareholders.

Management

Juha Varelius

b. 1963, MBA

Digia's President, CEO and member of the Group Management Team since the beginning of 2008. Reporting to the Board of Directors, Varelius is responsible for the company's operative business. Previously, he has served as the President and CEO of the technology company Everypoint Inc of Boston (2006–2007). He has also held managerial positions at Yahoo! and Everypoint in London (2002–2006). Before this, he has served in various managerial positions at Sonera (1993–2002), acting as Managing Director of Sonera Zed and a member of the Sonera Management Team.

Tuula Haataja

b. 1964, M.Sc. (Econ.)

Chief Financial Officer and member of the Group Management Team since 2013. Responsible for the company's finances and governance. Prior to Digia, Tuula Haataja was employed by YIT as a CFO for Construction Services Finland, YIT Building Services segment and YIT Primatel (2002–2013) and by Sonera in various financial management roles (1995–2002). When she worked as an Auditor for PWC (1991–1995), her main areas of responsibility were in Finland, Russia and Baltic countries.

Tom Puusola

b. 1967, upper secondary school graduate in Technical Science

Senior Vice President, member of Domestic segment's Management Team and CEO's Deputy Chairman in Domestic segment since 2014. Member of the Group Management Team 2012–2014. Previously Head of Business Development (2010–2013) and Vice President, Integration Business Unit (2009). Held managerial positions in Integration business, strategic customerships and development at the Digia Industry & Trade Division (2006–2008), Sentera Plc (2003–2006), Iocore Plc (2000–2003) and Open Solutions Group (1998–2000). Before this, Puusola worked for TEK Academic Engineers and Architects in Finland in publications and internet (1992–1998) and for VTT Technical Research Centre of Finland in software development (1989–1992). Computer science studies at the Helsinki University of Technology.

Corporate Governance Statement

General issues

This Statement has been issued separately from the company's operating and financial review.

Digia Plc's ("Digia") corporate governance system is based on the Companies Act, the Securities Markets Act, general corporate governance recommendations, and the company's Articles of Association and in-company rules and regulations on corporate governance.

Digia's corporate governance principles are integrity, accountability, fairness and transparency. This means, inter alia, that:

- The company complies with the applicable laws, rules and regulations.
- The company organises, plans and manages its operations, and does business abiding by the applicable professional requirements approved by Board members, who demonstrate due care and responsibility in performing their duties.
- The company demonstrates special prudence with respect to the management of its capital and assets.
- The company's policy is to keep all market participants actively, openly and equitably informed of its business operations.
- The company's management, administration and personnel are subject to the appropriate internal and external audits and supervision.

Adherence to the Governance Code

Digia adheres to the Governance Code for Listed Finnish Companies issued by the Finnish Securities Market Association and entered into force on 1 January 2016.

The Governance Code can be read on the website of Finnish Securities Market Association at www.cgfinland.fi.

Shareholders’ Meeting

Digia's highest decision-making body is the Shareholders' Meeting at which shareholders exercise their voting rights regarding company matters. Each company share entitles the holder to one vote at the Shareholders' Meeting.

AGM will be held annually within three (3) months of the end of the financial year. An Extraordinary General Meeting will be held if the Board of Directors deems it necessary or if requested in writing by a company auditor or shareholders holding a minimum of 10 per cent (1/10) of the company's shares, for the purpose of discussing a specific issue.

The Finnish Limited Liability Companies Act and Digia’s Articles of Association define the responsibilities and duties of the Shareholders’ Meeting. Extraordinary General Meetings decide on the matters for which they have been specifically convened.

Board of Directors

Operations and duties

Elected by the Shareholders' Meeting, the Board of Directors is in charge of company administration and the appropriate organisation of company operations. Under the Articles of Association, the Board of Directors must consist of a minimum of five (5) and a maximum of eight (8) members. The Nomination Committee prepares a proposal for the Shareholders' Meeting regarding the composition of the new Board of Directors to be appointed.

The majority of Board members must be independent of the company and a minimum of two (2) of those members must also be independent of the company's major shareholders. The Managing Director or other company employees under the Managing Director's direction may not be elected members of the Board.

The term of all Board members expires at the end of the Annual General Meeting following their election. A Board member can be re-elected without limitations on the number of successive terms. The Board of Directors elects its Chairman and Vice Chairman from amongst its members.

The Board of Directors has determined the principles regarding the diversity of Digia's Board of Directors. Accordingly, the requirements of company size, market position and business industry should be duly reflected when composing the Board of Directors. When composing the Board of Directors, the objective is that the Board of Directors will always include necessary expertise especially in the following key areas:

- Company's field of business,
- Management of a similar sized company,
- Specific nature of a publicly listed company,
- Accounting,
- Risk management,
- Mergers and acquisitions, and
- Board activity.

The members of the Board of Directors shall consists of both genders. The defined diversity principles have been fulfilled well in Digia's Board of Directors during the fiscal year of 2015.

The Board has prepared and approved a written agenda for its work. In addition to Board duties prescribed by the Companies Act and other rules and regulations, Digia's Board of Directors is responsible for issues on its agenda, observing the following guidelines:

- Good board practices require that the Board of Directors, instead of needlessly interfering in the details involved in day-to-day operations, concentrate on elaborating the company's short- and long-term strategies.
- The Board's general duty is to steer the company's business with a view to maximizing shareholder value in the long term, while taking account of expectations set by various stakeholder groups; and
- Board members are required to perform on the basis of sufficient, relevant and updated information, in order to serve the company's interests.

In addition, the Board's agenda:

- defines the Board's annual action plan and provides a preliminary meeting schedule and framework agenda for each meeting;
- provides guidelines for the Board's annual self-assessment;
- provides guidelines for distributing notices of meetings and advance information to the Board and procedures for keeping and adopting minutes;
- defines job descriptions for the Chairman, members and secretary of the Board of Directors (the secretary is the Company's General Counsel or, if absent, the CEO); and
- defines the framework within which the Board may set up special committees or working groups.

During the 2015 financial year, the Board convened 17 times. The meeting attendance rate averaged 92 per cent.

The Board evaluates its activities and working methods annually, employing an external consultant for this evaluation, if necessary.

Board Members in 2015, the Digia Plc Board of Directors comprised:

Pertti Kyttälä, b. 1950, M.Sc. (Econ.)

Digia Board member since 2005 and Chairman of the Board since 2010. Chairman of the Board's Audit Committee and member of the Nomination Committee. Managing Director of Peranit Ltd. His previous posts include CEO at Radiolinja Ltd (1999–2003), IT Director at Helsinki Telephone Company (1997–1999), Managing Director at Samlink Ltd (1994–1997) and Managing Director and Deputy Managing Director at Sp-palvelu Ltd (1991–1994). Member of the Directors' Institute of Finland.

Robert Ingman, b. 1961, M.Sc. (Eng.), M.Sc. (Econ.)

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Digia Board Member since 2012. Chairman of the Board's Compensation Committee. CIO and Executive Group member at A-Katsastus Group Oy since 1.9.2012. Her previous posts include CIO at Sanoma Plc (2009–2012) and at Stockmann Plc (2002–2009), Director at SysOpen Plc (1998–2002) and various positions at Cap Gemini Plc (1995–1998) and Kansallisrahoitus Ltd. (1984–1995). Member of the Directors' Institute of Finland. Member of the Board at the Finnish Information Processing Association (2010–2011).

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Tommi Uhari, b. 1971, M.Sc. (Eng.)

Digia Board Member since 2010. Member of the Board's Audit Committee and Nomination Committee. Currently holds board member and strategic advisor roles in selected startups and public companies. Co-Founder and CEO at Uros Ltd. (2011–2015). His previous posts include management team member of ST Microelectronics (2006–2010), various managerial positions at ST's joint ventures ST-NXP Wireless and ST-Ericsson (2008–2010), head of ST's Wireless Business Unit (2006–2008) and Director of Nokia Wireless and SW platforms units at Nokia (1999–2006).

Kai Öistämö, b. 1964, D.Sc. (Tech.), M.Sc. (Eng.)

Digia Board Member since 2015. Member of the Board's Compensation Committee. A professional board member, currently Chairman of the Board at Fastems Oy, Helvar Oy and University of Tampere and Board Member at InterDigital Technology Corporation and Sanoma Corporation. His previous posts include Chief Development Officer at Nokia until the autumn of 2014 and a member of the Nokia Group Executive Board in 2006–2014. Obtained his Doctorate in Technology (Signal Processing) from Tampere University of Technology in 1992. Independent of the company and its major shareholders.

In addition, Kari Karvinen (b. 1959, MA) was the member of Digia Board of Directors until Annual General Meeting in 2015.

Of the aforementioned current members of the Board, Päivi Hokkanen, Pertti Kyttälä, Seppo Ruotsalainen, Leena Saarinen, Tommi Uhari and Kai Öistämö are independent of the company and its major shareholders. Robert Ingman is independent of the company.

Committees of the Board of Directors

The Digia Board of Directors had three (3) committees in 2015: the Compensation Committee, the Audit Committee, and the Nomination Committee. The working principles of the committees for year 2015 were confirmed by the Board in its meeting on 26 March 2015.

These committees do not hold powers of decision or execution. They assist the Board in decision-making concerning their own areas of expertise. The committees report regularly on their work to the Board, which governs and assumes collegiate responsibility for the committees' work.

Purpose of Digia's Compensation Committee is to prepare and follow up compensation and remuneration schemes in order to ensure that the company's targets are met, to guarantee the objectivity of decision-making, and to see to it that the schemes are transparent and systematic. In 2015, the members of the Compensation Committee were Päivi Hokkanen (Chairman), Robert Ingman, Leena Saarinen and Kai Öistämö. In 2015, the committee convened five (5) times with full attendance by all members.

Purpose of the Audit Committee is to assist the Board of Directors in ensuring that the company's financial reporting, accounting methods, financial statements and other reported financial information are legitimate, balanced, transparent and clear, as further specified in the agenda. In 2015 the Audit Committee was composed of Pertti Kyttälä (Chairman), Seppo Ruotsalainen, Leena Saarinen and Tommi Uhari. The committee convened four (4) times in 2015, with full attendance by all members.

Nomination Committee's duty is to prepare a proposal for the Annual General Meeting concerning the number of members of the Board of Directors, the members of the Board of Directors, the remuneration of the Chairman, Vice Chairman and members of the Board and the remuneration of the chairmen and members of the committees of the Board of Directors. In 2015, the members of the Nomination Committee were Robert Ingman (Chairman), Pertti Kyttälä and Tommi Uhari. The committee convened four (4) times in 2015, with full attendance by all members.

CEO

The company's Chief Executive Officer is appointed by the Board of Directors. The CEO is in charge of Digia's business operations and administration in accordance with the instructions and regulations issued by the Board of Directors, and as defined by the Finnish Limited Liability Companies Act. The CEO may take exceptional and far-reaching measures, in view of the nature and scope of the company's activities, only if so authorised by the Board of Directors. The CEO chairs the Group Management Team’s meetings. Moreover, the CEO is not a member of the Board of Directors, but attends Board meetings.

The CEO's service contract, approved by the Board of Directors, defines the key terms and conditions which govern his/her position, in writing.

MBA Juha Varelius (b. 1963) has been the company’s CEO since the beginning of 2008.

Internal Control and Risk Management Related to Financial Reporting

Control functions and control environment

The company has a controller function tasked with verifying monthly reports. This controller function reports to the management, the Board of Directors and the Board's Audit Committee regarding the financial performance of the company and its divisions.

The company uses a reporting system which compiles separate subsidiaries' reports into the consolidated financial statements. There are written directives for completing the financial reports of subsidiaries. Compliance with these directives is monitored by the controller function. The company also has the necessary, separate reporting facilities for monitoring business operations and asset management.

The Group's finance unit provides instructions for drawing up financial statements and interim financial statements, and compiles the consolidated financial statements. The finance unit has centralised control over the Group's funding and asset management, and is in charge of managing interest rate risk.

Internal risk control

As a general principle, authorisation is distributed in Digia in such a way that no individual may independently perform measures unbeknown to at least one other individual. For example, the company's bookkeeping and asset management are managed by separate persons, and two authorised persons are needed to sign on behalf of the company.

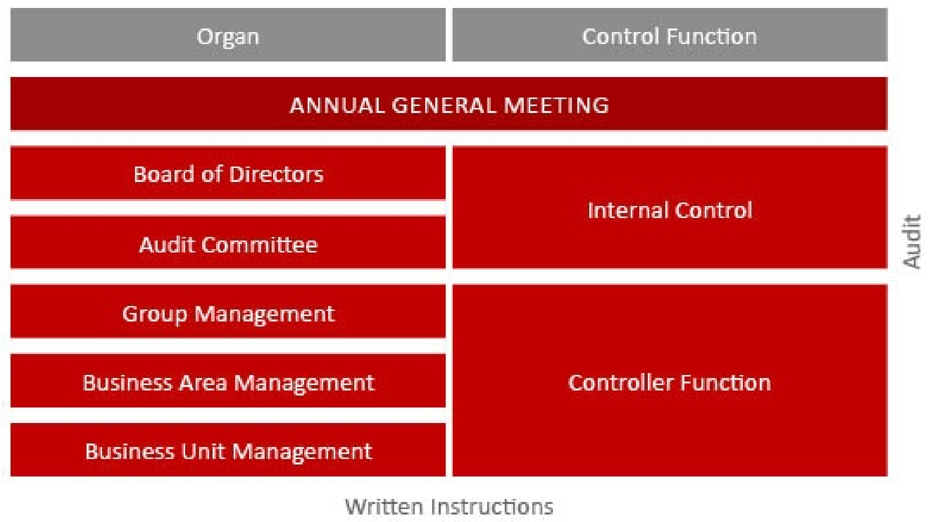
The Group's business is divided into business units lead by Senior Vice Presidents (SVPs) reporting to the CEO. Reporting and supervision are based on annual budgets that are reviewed monthly, on monthly income reporting and on updates of the latest forecasts.

The SVPs in charge of the divisions report to the Group Management Team on development matters, strategic and annual planning, business and income monitoring, investments, potential acquisition targets and internal organisation matters related to their areas of responsibility. Each division has its own management team.

Digia's operational management and supervision take place according to the corporate governance system described above.

The Group's administration unit is in charge of HR management and policy, as well as properties and the viability of working conditions in each facility. The legal affairs unit provides instructions for and monitors contracts made by the company and ensures the legality of the Group's operations.

Financial Control Environment



Communications

The Group's General Counsel is in charge of the company’s external communications and their correctness. External communications include financial reports and other stock exchange communications. The General Counsel is responsible for the publication of interim reports and financial statements, as well as for actions related to convening and holding Shareholders' Meetings. Most communications take place through the company’s website and using stock exchange releases.

Risk management

The purpose of the company’s risk management process is to identify and manage risks in such a way that the company is able to meet its strategic and financial targets. Risk management is a continuous process, by which the major risks are identified, listed and assessed, the key persons in charge of risk management are appointed and risks are prioritised according to an assessment scale in order to compare the effects and mutual significance of risks.

The main operational risks handled by Digia's risk management function are customer risk, personnel risk, project risk, data security risk, IPR risk and goodwill risk.

The company manages customer risk by actively developing its customer portfolio structure and avoiding any potential risk positions. Personnel risks are actively assessed and managed using a goal and development discussion process for key personnel. To improve personnel commitment, the company strives to improve the efficiency of internal communications systematically, using regular personnel events and increasing the visibility of management. Key project audits are carried out with a view to enhancing project risk management and securing the success of project deliveries to customers. In addition, the Group's certified quality systems are regularly evaluated and the Group has increased the efficiency of its project delivery reporting practices in relation to corporate governance and finance. Data security risk is managed through data security audits and continuous development of working models, security practices and processes. Risks associated with the integration of businesses, shared operating models and best practices, as well as their integrated development, are managed according to plan under the supervision of the Group Management Team. Risks typical to software business, especially to international product business, relating to appropriate protection of company's own IPRs and violation of IPRs of third parties are managed through extensive internal policies, standard contracts and appropriate follow-up and analysis. With respect to IFRS-compliant accounting policies, the Group actively monitors goodwill and the related impairment tests, as part of prudent and proactive risk management practices within financial management.

In addition to operational risks, the company is subject to financial risks. Digia Plc's internal and external financing and the management of financial risks are coordinated by the finance function of the Group's parent company. This function is responsible for the Group's liquidity, sufficiency of financing, and the management of interest rate and currency risk. The Group is exposed to several financial risks during the normal course of its business. The objective of the Group's risk management is to minimise the adverse effects of changes in the financial markets on the Group's earnings. The primary types of financial risks are interest rate risk, credit risk and funding risk. The general principles of risk management are approved by the Board of Directors, and the Group's finance function is responsible for their practical implementation together with the business divisions.

Statement on Digia Management Emoluments

This management emolument statement sets forth a summary of the financial benefits, remuneration system and thereto related decision-making pertaining to Board members and operative management of Digia Plc.

A) Description of the decision-making procedures concerning the remuneration of the Directors, the Managing Director, and the Other Executives

Board of Directors

Digia Plc's Nomination Committee prepares the emoluments payable to the Board of Directors and grounds for the compensation of expenses. The Shareholders' Meeting decides on emoluments payable to the Board of Directors and grounds for the compensation of expenses.

Managing Director and Other Executives

Digia Plc's Nomination Committee prepares the emoluments payable and other rewards and benefits for the Managing Director. Digia Plc's Nomination Committee prepares also, in co-operation with the Managing Director, the emoluments payable and other rewards and benefits for the Other Executives. If necessary, also outside experts and market surveys shall be used for the preparation. The Board of Directors decides on emoluments payable to the Managing Director and other rewards and benefits. The Board of Directors decides, based on Managing Director's proposal, on emoluments payable to the Other Executives and other rewards and benefits.

Digia's Annual General Meeting in 2015 has authorised the Board of Directors to decide on share issue and granting of special rights prescribed in the Companies Act, as decided by the Board of Directors. The authorisation includes the Board of Directors' right to decide on all terms relating to the share issue and granting of special rights. The authorisation is valid for 18 months from the issue date of the authorisation, i.e. until September 12, 2016. Digia's Board of Directors has not yet used the authorisation.

Digia Plc has conducted an agreement with Evli Alexander Management Ltd for coordination of company's share-based remuneration systems and related governance of shares and payment of rewards to the persons in question subject to the terms of the systems.

B) The most important principles regarding the remuneration of the Board of Directors, the Managing Director, and the Other Executives

Board Emoluments

The 2015 Annual General Meeting decided to pay monthly emoluments of EUR 2,500 to Board members, EUR 3,500 to the Vice Chairman and EUR 5,500 to the Chairman for their work on the Board. In addition, the AGM approved EUR 500 in fees per Board or committee meeting for all Board members. Moreover, the Shareholders' Meeting decided that standard and reasonable costs resulting from work on the Board would be reimbursed against invoice.

The company does not grant stock options or share-based remuneration for work on the Board.

Summary of the Managing Director (CEO) remuneration system

CEO Varelius's remuneration package comprises a monthly salary in accordance with his director agreement, a bonus payable on the basis of reaching the set targets and the share bonus payable pursuant to CEO's share incentive scheme. In 2015 the CEO was paid EUR 282,045 in salary and fringe benefits.

In addition to the monthly salary the CEO is paid a bonus which is based on bonus schemes confirmed to domestic and Qt segments.

Based on domestic bonus scheme the CEO is paid annually a bonus which equals 1.5 month base salary upon fulfilment of annual net sales and profit budget targets set by the Board of Directors. 70% of the bonus is attributable to net sales target and 30% to profit target. Upon exceeding the said targets, the bonus shall increase up to a maximum amount equal to four and half (4.5) months base salary. Maximum bonus shall become payable if the net sales target is exceeded by a minimum of 8.2% and the profit target is exceeded by a minimum of 19.3%. Both targets are evaluated biannually independently, irrespective of each other, provided however that in the event the profit remains below 70.2% of the set target, no bonus shall be paid, irrespective of the net sales outcome. CEO Varelius is eligible for bonus under the domestic bonus scheme for as long as he remains CEO of Digia Plc, before starting as CEO of the new Qt company to be established upon the contemplated demerger of Digia Plc taking effect.

As for the Qt segment bonus scheme the earning criteria for the bonus is the increase of Qt net sales. Upon fulfilment of set net sales target, the CEO is paid a bonus equaling 40% of his annual base salary. Upon exceeding said target, the bonus will increase in a way that half of each euro that exceeds the net sales target is used for CEO's and other Qt business personnel's bonus rewards including social costs. The maximum bonus for CEO under the Qt bonus scheme is 120% of his annual base salary. No bonus shall, however, be paid if the profit of Qt business falls more than one million euros short of the profit budget target set. Fulfilment of bonus criteria is evaluated and possible rewards are paid biannually. As long as CEO Juha Varelius is eligible for a bonus also under the Domestic segment bonus scheme, he shall be paid 50% of the above rewards under the Qt bonus scheme.

The share-based remuneration schemes for the top management of the Company were decided by the Board in a meeting held on 12 March 2015 pursuant to authority given by the AGM. According to Board's decision there will be two separate bonus schemes, one for the domestic business and another for the Qt business.

Based on the target outcome in fiscal year 2015, the CEO shall, under the domestic share bonus scheme, be entitled to a bonus equal to the value of 41,333 shares. Said bonus will be paid in a 50/50 combination of shares and cash after the adoption of the financial statements following the close of the respective earning period in spring 2016. Targets for the year 2016 under the current domestic share bonus scheme have not been set, as the Board has started preparations for an entirely new share bonus scheme for Digia.

Under the current Qt share bonus scheme, CEO Varelius is entitled to share bonus in the amount of the 36,000 shares, in case Digia share price reaches the minimum of EUR 4.50 at the end of the earning period in spring 2018. Bonus increases as the share price increases. Maximum bonus equal to the value of 180,000 shares will become payable if Digia's share price will at the end of the earning period reach EUR 8.50. Said share bonus scheme shall, under its terms, terminate prematurely upon Digia's contemplated demerger taking effect. Consequently, also the earning period for the rewards shall expire upon such termination of the bonus scheme and the rewards payable for CEO Varelius shall be evaluated based on the average of Digia share price as emphasised with trading volume over a period of two weeks period preceding the demerger. Possible share bonus shall be paid in cash within one month after the effective date of demerger. Upon the demerger taking effect, the current share bonus scheme is intended to be replaced by a new long-term share-based incentive scheme for Qt key persons. Preparations for said new scheme have already been started.

Relating to Juha Varelius's role as a CEO of the new Qt company to be established in connection with the contemplated demerger taking effect, it has been agreed with Mr. Varelius that in addition to the above bonus schemes, Mr. Varelius is also eligible for a personal share based bonus scheme whereunder a bonus starts to accrue in case the share price of the new Qt company shall, after three years from the effective date of demerger, reach the minimum level EUR 4.50 whereupon CEO Varelius would be entitled to a share bonus equal to the value of 18,000 Qt shares. The amount of bonus will increase in linear upon increase of share price such that the maximum reward of 90,000 shares is payable when Qt share price reaches the limit of EUR 8.50. Should the share price exceed the maximum value of EUR 8.50 at the time of evaluation, the reward shall nevertheless be capped to a maximum amount of EUR 765,000. Bonus will be paid in a 50/50 combination of shares and cash.

None of the above bonus schemes include any lock-up periods designed to restrict the disposal of shares already granted to the CEO.

The company may terminate the CEO's service contract with six (6) months' notice. Upon such termination, he will receive remuneration for the notice period plus severance pay equaling twelve (12) months' salary. The CEO's retirement age is as stipulated by law, and he has no supplementary pension agreement with the company.

Summary of the remuneration system of Other Executives

Company's top management consist of the CEO, the CFO who together with the CEO forms the Group Management Team (GMT) and the Head of Domestic Segment. During the fiscal year 2015, CEO Juha Varelius has been heading both Domestic segment and Qt segment, and Juha Varelius will continue to head the Qt segment also in year 2016. Timo Levoranta has started as the Head of Domestic Segment in January 2016, and it has been agreed that Mr. Levoranta shall become the new CEO for Digia upon the contemplated demerger of Digia taking effect. Regarding information given in this statement for year 2015, Other Executives is deemed to consist of the substitute for the Head of Domestic Segment.

Total remuneration package of said directors comprises a monthly salary and the bonus payable on the basis of reaching the set targets. Annual salaries including fringe benefits for the CFO and Head of Domestic Segment (without possible bonuses and share-based incentives) amount the total of EUR 387,566 for the year 2016.

CFO is entitled to a merit bonus on same terms as the CEO. CFO shall, however, be a part of Qt bonus scheme only until the contemplated demerger of Digia taking effect. As of the demerger taking effect, only the domestic bonus scheme shall apply for the CFO and the maximum bonus for the CFO thereunder shall annually amount to CFO's six (6) months' base salary. Bonuses payable to the Head of Domestic Segment are tied to reaching the targets of Domestic segment on the same terms as the CEO, the maximum bonus amounting annually his nine (9) months' base salary. Bonus shall remain the same upon Timo Levoranta becoming the new CEO of Digia.

In addition, Other Executives are a part of share bonus scheme applicable to company's top management. Based on results of Domestic segment in year 2015, CFO and the substitute Head of Domestic Segment will be paid a total bonus of 12,105 Digia's shares on the same terms as the CEO.

In addition, based on share bonus scheme applicable to the Qt Segment, the CFO will, upon the contemplated demerger of Digia taking effect, be paid a bonus amounting to maximum of 15,000 Digia shares on the same terms as the CEO.

Retirement age of the directors is stipulated by law, and no one has a supplementary pension agreement with the company.

C) Remuneration report; information on the remuneration paid during the previous financial period

Board Emoluments

In the 2015 financial year, emoluments to the members of the Board of Directors for their work on the Board and Committees, were paid as follows:

Name	Emoluments/EUR	Share benefits/EUR	Total/EUR
Päivi Hokkanen	39,500	-	39,500
Robert Ingman	55,000	-	55,000
Kari Karvinen*	9,250	-	9,250
Pertti Kyttälä	77,500	-	77,500
Seppo Ruotsalainen	38,500	-	38,500
Leena Saarinen	40,500	-	40,500
Tommi Uhari	40,000	-	40,000
Kai Öistämö**	28,250	-	28,250
Yhteensä	**328,500**	**-**	**328,500**

* Member of the Board of Directors until 12 March 2015
** Member of the Board of Directors from 12 March 2015 onwards

Emoluments of the CEO

In the 2015 financial year, emoluments and other benefits for the CEO for his work, were paid as follows:

Name	Salary (including fringe benefits)/EUR	Bonus/EUR	Share-based part of the bonus /EUR	Total/EUR
Juha Varelius	281,725	240,001	177,204	**521,726**

Emoluments of the Other Executives

In the 2015 financial year, emoluments and other benefits for the Other Executives for their work, were paid as follows:

Name	Salary (including fringe benefits)/EUR	Bonus/EUR	Share-based part of the bonus /EUR	Total/EUR
Other Executives (two (2) persons)	276,298	127,803	56,960	**404,101**

Share-based incentives paid during fiscal year 2015

Share-based incentives for the CEO and Other Executives during fiscal year 2015 have been paid in accordance with Digia Plc's agreement with Evli Alexander Management Ltd for management of company's share incentive systems and payment of rewards to the persons in question under the terms of such systems.

Markets and Digia's Business Operations

Domestic segment

Demand remained strong for integration and analytics services during the financial year. Digia's business outperformed general IT market growth, and profitability remained on a healthy level. Investments to enhance delivery and service capacity continued, and are expected to bolster net sales development in 2016. Meanwhile, continued major investments in the development of product and business models for site optimisation taxed the segment's overall profitability during the financial period.

On the whole, the ERP and MES business showed moderate development during the year, despite the seasonal fluctuations which are typical in this business area. The Microsoft technology based business grew briskly, with excellent profitability. Quarterly fluctuation was particularly strong in the ERP business based on Microsoft technologies. Significant new delivery and application management service agreements were signed in this business area, which contributed to a slight increase in net sales in the financial year and which will provide a firm foundation for 2016. Seasonal fluctuation was also notable in the ERP business based on Digia's own software. Net sales, which had been declining in the third quarter, took an upward turn in the final quarter, resulting in slight overall growth for the full year.

The business segment based on financial-sector software solutions showed growth throughout the review period. The segment will continue to invest in recruitment, and operations in Finland are forecast to grow faster than the general IT markets in 2016.

In the service business, demand and profitability showed a highly positive performance trend during the year, with the final quarter showing particularly strong net sales growth.

Qt segment

Qt business showed very strong growth throughout the period. Operating profit also improved on the back of net sales growth, and operations were in the black.

During the review period, the new Qt 5.5 version was launched. The www.qt.io website launched for the Qt segment has been well received. This website plays an extremely important role in managing the Qt ecosystem, and Digia will continue to make substantial developments in this channel. The Qt World Summit held in Berlin in October was an event where the global Qt community gathered to present and discuss current Qt technology issues. The event was a huge success. It attracted more than 1,000 visitors from all over the world: customers, partners, and members of the Qt developer community.

During the review period, a new office was opened in South Korea, and sales resources were strengthened, especially in Asia. Business development efforts were particularly focused on consumer electronics and automotive segments.

Financial Indicators

	2015	2014	2013	2012	2011
Net sales, € 000	107,880	97,433	99,740	100,448	121,940
Operating profit, € 000	7,641	4,310	-2,822	6,884	-22,168
Operating margin, %	7%	4%	-3%	7%	-18%
Return on equity, %	14%	8%	-10%	10%	-42%
Equity ratio, %	54%	51%	50%	53%	48%
Net gearing, %	17%	30%	29%	28%	34%

More detailed key figures for the last five years and the formulae for the key figures are provided in the notes to the financial statements (Note 28).

Net Sales

Digia's consolidated net sales for the financial year were EUR 107.9 (97.4) million, showing an increase of 10.7 per cent on the same period a year earlier.

Net sales from the domestic segment increased by 5.1 per cent to EUR 80.9 (77.0) million, while the Qt segment recorded an increase of 32.0 per cent to EUR 26.9 (20.4) million.

The increase in the Group's net sales could be largely attributed to the Qt segment's strong growth. This growth in the Qt segment stemmed from good sales combined with major contracts in automotive products and DTV receivers in particular. Favourable trends in net sales were also supported by the US dollar strengthening against the euro. The impact of exchange rate fluctuations on Qt's net sales growth amounted to a total of EUR 1.3 million during the year.

During the year, the product business accounted for EUR 46.6 million (1–12/2014: EUR 39.7 million), or 43.2 (40.7) per cent of consolidated net sales.

International operations accounted for EUR 28.2 million (1–12/2014: EUR 20.2 million), or 26.1 (20.7) per cent of consolidated net sales.

Profit Performance and Profitability

Digia's consolidated operating profit before extraordinary items for the reporting period was EUR 8.4 (4.5) million, up 88.3 per cent year on year. Profitability (EBIT%) before extraordinary items was 7.8 (4.6) per cent.

Digia's consolidated operating profit after extraordinary items for the review period was EUR 7.6 (4.3) million. Profitability (EBIT%) after extraordinary items was 7.1 (4.4) per cent. Extraordinary items include EUR 0.8 million in restructuring costs (1-12/2014: EUR 0.2 million).

In the domestic segment, operating profit before extraordinary items totalled EUR 6.5 (6.3) million, up 2.7 per cent, with profitability (EBIT%) at 8.0 (8.2) per cent. Operating profit after extraordinary items was EUR 5.9 (6.3) million and profitability (EBIT%) 7.2 (8.2) per cent.

The Qt business recorded an operating profit of EUR 1.9 (-1.9) million before extraordinary items for the financial year, and the segment's profitability (EBIT%) was 7.1 (-9.1) per cent. Qt's operating profit after extraordinary items was EUR 1.8 (-2.0) million and its profitability (EBIT%) stood at 6.6 (-9.8) per cent.

The increase in consolidated operating profit could be largely attributed to Qt's significant net sales growth and the resulting major profitability improvement in the Qt segment.

Consolidated earnings before tax for the year totalled EUR 6.9 (3.6) million, and net profit was EUR 5.2 (2.9) million.

The Group's net financial expenses during the financial year were EUR 0.7 (0.7) million.

Financial Position and Capital Expenditure

At the end of the reporting period, the Digia Group's consolidated balance sheet total stood at EUR 84.3 (12/2014: 80.4) million and the equity ratio was 53.7 (12/2014: 51.5) per cent. Net gearing was 16.6 per cent (12/2014: 30.3) per cent. Cash and cash equivalents at the end of the period totalled EUR 6.7 (12/2014: 5.1) million.

Interest-bearing liabilities at period end amounted to EUR 13.5 (12/2014: 16.2) million. These consisted of EUR 12.0 million in loans from financial institutions and EUR 1.5 million in financial leasing liabilities.

Consolidated net cash flow from operating activities for the financial year was EUR 6.7 million (1.8) million positive. Cash flow from investments for the year was negative by EUR 1.4 (1.2) million. Cash flow from finance for the year was negative by EUR 3.8 (2.2) million.

The Group's total investments into fixed assets were EUR 1.5 (1.1) million.

Return on investment (ROI) for the financial year was 15.6 (9.0) per cent and return on equity (ROE) was 13.5 (7.8) per cent.

The Group carries out annual impairment testing of goodwill and intangible assets with an indefinite useful life.

Impairment testing is described in more detail in the notes to the financial statements, under Note 14 Intangible assets.

Report on the Extent of Research and Development

The Group carried out research and development and engaged in product development in all of its divisions. For the 2015 fiscal year, the Group's R&D costs totalled EUR 13.8 million (2014: EUR 13.8 million and 2013: EUR 11.9 million), corresponding to 12.8 per cent of consolidated net sales (14.2 per cent in 2014 and 11.9 per cent in 2013).

Personnel, Management and Administration

Group personnel totalled 944 at the end of the period, representing an increase of 12 employees, or 1.3 per cent from the end of the 2014 fiscal year (12/2014: 932 employees). During the financial year, the number of employees averaged 932, a decrease of 3 employees, or -0.3 per cent, on the 2014 average (2014: 935).

Personnel indicators:

	2015	2014	2013
Average number of personnel	932	935	939
Wages and salaries, € 000	58,280	52,984	52,525

Employees by function, year-end 2015:

Domestic operations	76%
Qt segment	20%
Administration and management	4%

As of the end of the period, 145 (12/2014: 146) employees were working abroad.

The Digia Plc Annual General Meeting of 12 March 2015 re-elected Päivi Hokkanen, Robert Ingman, Pertti Kyttälä, Seppo Ruotsalainen, Leena Saarinen and Tommi Uhari as members of the Board. Kai Öistämö was elected as a new member. At the Board's organisation meeting, Pertti Kyttälä was elected Chairman of the Board and Robert Ingman was elected Vice Chairman.

Juha Varelius has been Digia Plc's President and CEO since 1 January 2008.

On 12 March 2015, KMPG Oy Ab, Authorised Public Accountants, was elected as the Group's new auditor with Authorised Public Accountant Virpi Halonen as the principal auditor.

Risks and Uncertainties

Short-term uncertainties are related to any major changes occurring in the company's core business areas.

If prolonged, the downward trend in the global economy may affect customers' investment decisions and liquidity, and thereby the company's sales and profits. Signs of the impact of the global economy on customers' investment decisions and the schedules of planned projects appeared steadily throughout the period under review.

Furthermore, the growth in customer project sizes is increasing the risks related to projects and their profitability.

Risks and their management are described on the company's website at www.digia.com.

The planned demerger of Digia and the stock exchange listing of Qt involve certain risks which, if materialised, may affect Digia's operations, financial position, financial result and share value. These risks will be discussed in more detail in a prospectus to be published.

Future Prospects

In 2016, Digia will invest in building better growth opportunities for both business segments. Besides pursuing organic growth, Digia will actively seek potential acquisitions to support its strategy and to accelerate domestic business growth.

Digia believes digitalisation, the growing popularity of multi-channel services and the revolution in business models involve major business opportunities. To fully tap into these opportunities, Digia will make determined investments in personnel recruitment and training, and in improving its offering. Overall, Digia expects to hire approximately 150 new employees, most of them in the domestic business.

Digia expects overall demand to remain moderate in the domestic segment and anticipates continued net sales growth in 2016. The outlook is considered particularly positive in the first half. Profit performance in domestic operations in 2016 is anticipated to remain on more or less the same level as last year.

Considering the time of year and general market situation, demand for the Qt segment's services is at a moderate level, and the long-term business outlook is promising. The company will continue to introduce changes to open source code licensing in forthcoming versions of its Qt software. These changes are aimed at promoting licence sales to commercial players.

Qt business development efforts will particularly focus on embedded systems in the automotive sector, digital TV and industrial automation. Areas targeted in product development include value-added features and tools required for building embedded systems.

The sales growth associated with embedded systems will also reflect on the earnings logic. Licence revenue from these sales accumulates over the long term, as opposed to one-off licence payments. Consequently, Digia anticipates no major impact from embedded systems sales growth on Qt's net sales in 2016.

Digia expects to see Qt's net sales growth in 2016 be at least in line with the general systems software development market growth rate, but growth is likely to slow down from the extremely strong figures recorded last year. In 2016, the exceptional licence deal agreed with Nokia Corporation in connection with the acquisition of the Qt business in 2012 will no longer generate any net sales for Digia, unlike in 2015 when approximately EUR 1.4 million was recorded in net sales.

Exchange rate fluctuations, particularly between the US dollar and euro, may have a large impact on Qt's net sales development in the future, but Digia estimates that this effect will be less significant in 2016 than a year earlier. Another factor contributing to considerable fluctuation in quarterly net sales and profitability in particular is contract turnaround times which, in the major customer segment, are very long at up to 18 months.

Digia's planned demerger and the resulting establishment of Qt as an independent, public listed company involves considerable expenses, some non-recurring and others continuing. If the demerger goes ahead, these will tax the profitability of the Qt business in the future. Digia estimates that, following the demerger, Qt will record a loss in 2016, but will gradually improve its performance, driven by positive net sales development. However, investments in sales work and thereby in better growth opportunities will continue to affect profit performance in the future.

Other Major Events during the Review Period

Digia Plc's Annual General Meeting (AGM) was held on 12 March 2015. The AGM adopted the financial statements for 2014, released the Board members and the CEO from liability, determined the Board and auditor fees, resolved to keep the number of Board members at seven (7), elected the company's Board of Directors for a new term, and elected a new auditor.

With regard to profit distribution for 2014, the AGM approved the Board's proposal to pay a dividend of EUR 0.05 per share to all shareholders listed in the shareholder register maintained by Euroclear Finland Ltd on the reconciliation date of 16 March 2015. The dividend payment date was set at 23 March 2015.

The AGM granted the following authorisations to the Board:

Authorisation of the Board of Directors to decide on buying back own shares and/or accepting them as collateral

The AGM authorised the Board to decide on the buyback and/or acceptance as collateral of no more than 2,000,000 shares in the company. This buyback can only be executed by means of the company's unrestricted equity. The Board shall decide on how these shares are to be bought. Own shares may be bought back in disproportion to the holdings of the shareholders. The authorisation also includes acquisition of shares through public trading organised by NASDAQ OMX Helsinki Oy in accordance with the rules and instructions of NASDAQ OMX Helsinki and Euroclear Finland Ltd, or through offers made to shareholders. Shares may be acquired in order to improve the company's capital structure, to fund acquisitions or other business transactions, for offering share-based incentive schemes, to sell on, or to be annulled. The shares must be acquired at the market price in public trading. This authorisation supersedes that granted by the AGM of 11 March 2014 and is valid for 18 months, i.e. until 12 September 2016.

Authorising the Board of Directors to decide on a share issue and granting of special rights

The AGM authorised the Board to decide on an ordinary or bonus issue of shares and the granting of special rights (as defined in Section 1, Chapter 10 of the Limited Liability Companies Act) in one or more instalments, as follows: The issue may total 4,000,000 shares at a maximum. The authorisation applies both to new shares and to treasury shares held by the company. By virtue of the authorisation, the Board has the right to decide on share issues and the granting of special rights, in deviation from the pre-emptive subscription rights of the shareholders (a directed issue). The authorisation may be used to fund or complete acquisitions or other business transactions, for offering share-based incentive schemes, to develop the company's capital structure, or for other purposes. The Board was authorised to decide on all terms related to the share issue or special rights, including the subscription price, its payment in cash or (partly or wholly) in capital contributed in kind or its being written off against the subscriber's receivables, and its recognition in the company's balance sheet. This authorisation supersedes that granted by the AGM of 11 March 2014 and is valid for 18 months, i.e. until 12 September 2016.

Digia explores the possibilities of a demerger to form two distinct listed companies

On 28 August 2015, Digia Plc announced that its Board of Directors had decided to explore a possible spin-off that would separate its domestic and Qt businesses and create two distinct companies, with identical ownership, listed on NASDAQ OMX Helsinki.

The purpose of the arrangement is to enable both businesses to focus on maximising their business potential in line with their strategy, thereby creating further added value for shareholders.

On 16 December 2015, Digia's Board of Directors approved the plan concerning the company's partial demerger. According to the plan, Digia will be divided so that all assets, liabilities and responsibilities related to Digia's Qt operations are transferred to the new company created by the division, to be called Qt Group Plc. Digia's Domestic operations will remain with Digia.

The demerger and demerger plan will be presented for approval at the Digia Plc Annual General Meeting, to be held on 16 March 2016.

The demerger will enter into force after the Annual General Meeting approves the demerger and the demerger plan, and the implementation is recorded in the trade register. The planned registration date is 1 May 2016. If the demerger enters into force, Digia's President and CEO Juha Varelius will become the President and CEO of Qt Group Plc. Digia Plc's new CEO will be Timo Levoranta (b. 1965), M.Sc. (Tech.), B.Sc. (Econ. & Bus. Adm.).

Group Structure and Organisation

At the end of the year, the Digia Group consisted of parent company Digia Plc and its subsidiaries Digia Finland Oy, The Qt Company Oy, Digia Sweden AB, Digia Estonia Oü, and Digia Hong Kong Ltd. All subsidiaries are 100% owned.

The Qt Company Oy has full ownership in the following subsidiaries: OOO The Qt Company, The Qt Company AS, The Qt Company, The Qt Company LLC, The Qt Company Ltd and The Qt Company GmbH.

Digia Hong Kong Ltd has a wholly owned subsidiary Digia Software (Chengdu) Co. Ltd in China. Digia Estonia Oü, Digia Hong Kong Ltd and Digia Software (Chengdu) Co. Ltd are inactive.

Share Capital and Shares

The nominal share price is EUR 0.10. The number of shares at the end of 2015 totalled 20,875,645. At the year-end, the company held 57,372 of its own shares.

According to Finnish Central Securities Depository Ltd, Digia had 4,241 shareholders on 31 December 2015. The ten major shareholders were:

Shareholder	Percentage of shares and votes
Ingman Group Oy Ab	20.6%
Ilmarinen Mutual Pension Insurance Company	14.6%
Jyrki Hallikainen	7.4%
Kari Karvinen	5.2%
Varma Mutual Pension Insurance Company	4.6%
Matti Savolainen	4.3%
Aktia Capital investment fund	1.4%
Fim Fenno Sek	1.4%
Investment Fund Säästöpankki Small Cap	1.3%
Aktia Nordic Small Cap investment fund	1.3%

Distribution of holdings by number of shares held on 31 Dec 2015

Number of shares	Percentage of holdings	Percentage of shares and votes
1 – 100	25.9%	0.3%
101 – 1,000	56.3%	5.0%
1,001 – 10,000	15.6%	8.6%
10,001 – 100,000	1.6%	11.7%
100,001 – 1,000,000	0.5%	26.6%
1,000,001 – 4,000,000	0.1%	47.7%

Shareholding by sector on 31 Dec 2015

	Percentage of holdings	Percentage of shares and votes
Non-financial corporations	4.2%	27.6%
Financial and insurance corporations	0.4%	8.3%
General government	0.1%	19.2%
Not-for-profit institutions serving households	0.2%	2.2%
Households	94.5%	40.7%
Foreign holding	0.7%	2.0%

Share-based Payments

Share incentive scheme and management ownership

The company has a share bonus system as a part of its key personnel commitment and incentive scheme.

On 12 March 2015, Digia Plc's Board of Directors decided to establish new share-based incentive schemes for the Chief Executive Officer and other members of senior management. According to the decision, there will be separate schemes for the company's domestic operations and for the Qt business. These schemes will replace the previous share-based incentive scheme effective until 2016. The share-based incentive schemes are described in more detail in Note 19 Share-based payments.

All bonuses are paid as a 50/50 combination of shares and cash. The cash portion of the bonus will primarily be used to cover taxes and other comparable costs of the scheme. The system involves no vesting periods limiting the sale of shares.

The payment of bonuses according to the share-based incentive schemes is subject to the employee in question being employed by the company on the payment date.

Digia's previous share-based incentive scheme covered the calendar years 2014–2016. The earnings principles are the consolidated earnings per share and consolidated net sales, according to formulae settled annually by the Board. Rewards were paid out in 2015 under this scheme.

According to the list of shareholders dated 31 December 2015, Digia's Board of Directors and CEO owned shares in the company as follows:

Pertti Kyttälä	0
Robert Ingman	20,000 [1]
Kai Öistämö	9,787
Tommi Uhari	0
Juha Varelius	204,258
Päivi Hokkanen	8,170
Seppo Ruotsalainen	0
Leena Saarinen	1,600

[1] Shares owned by Ingman Group Oy Ab are not included.

At the year-end, the shares held by the Board members and the CEO represented 1.1% of the company's shares and votes.

Reported Share Performance on NASDAQ OMX Helsinki in 2015

In the review period, Digia Plc shares were listed on the Nordic Exchange under Information Technology IT Services. The company's short name is DIG1V. The lowest reported share quotation was EUR 2.74 and the highest was EUR 7.47. The share closed at EUR 7.01 on the last trading day. The trade-weighted average was EUR 4.05. The Group’s market capitalisation totalled EUR 146,338,271 at the end of the financial year.

The company received the following flagging notifications during the reporting period:

On 26 February 2015, the Ingman Group announced that, as a result of internal restructuring, the Ingman Group had divested its entire holding in Digia Plc to Ingman Development Oy Ab. As a result of the transaction, the Ingman Group's holding in Digia Plc has fallen under the 5% flagging threshold and Ingman Development Oy Ab's holding has risen by a corresponding amount over the 20% flagging threshold, that is, to 20.21 per cent of the company's shares and voting rights.

Matti Ilmari Savolainen informed on 8 May 2015 that the amount of Digia Plc's shares and votes in his control has decreased under 5.0% of Digia Plc's shares and votes. Altogether Matti Ilmari Savolainen controls 970,659 shares of Digia, corresponding to 4.65% of Digia's all shares and votes.

Major Events after the Balance Sheet Date

There have been no significant events after the end of the financial year.

Board’s Dividend Proposal

On 31 December 2015, the distributable shareholders’ equity of Digia Plc was EUR 34,214,777, of which EUR 2,772,415 was the net profit for the year. At the Annual General Meeting, the Board of Directors will propose that a dividend of EUR 0.08 per share be paid according to the confirmed Balance Sheet for the fiscal year ending 31 December 2015. Shareholders listed on the shareholder register maintained by Euroclear Finland Ltd on the dividend reconciliation date, 18 March 2016, will be eligible for the payment of dividend. Dividends will be paid on 29 March 2016.

Financial Statements

Consolidated Income Statement (IFRS)

€	Note	1 Jan–31 Dec 2015	1 Jan–31 Dec 2014
Net sales	1, 2	107,880,098.18	97,433,472.70
Other operating income	3	2,248,237.42	1,302,926.24
Materials and services		-10,155,407.51	-9,501,137.28
Depreciation, amortisation and impairment	8	-2,561,159.35	-2,490,444.99
Personnel expenses	9	-71,746,242.73	-65,299,575.64
Other operating expenses	6	-18,024,770.25	-17,135,465.43
		-100,239,342.42	-93,123,697.10
Operating profit		**7,640,755.76**	**4,309,775.63**
Financial income	10	723,926.46	447,530.67
Financial expenses	10	-1,432,872.61	-1,123,136.85
		-708,946.15	-675,606.18
Earnings before tax		**6,931,809.61**	**3,634,169.45**
Income taxes	11	**-1,704,249.65**	**-783,756.43**
Net profit		**5,227,559.96**	**2,850,413.02**

Other comprehensive income		
Items which may subsequently be reclassified to profit or loss:		
Exchange differences on translating foreign operations	91,091.66	-116,613.26
Total comprehensive income	5,318,615.62	2,733,799.73
Distribution of net profit:		
Parent company shareholders	5,227,559.96	2,850,412.99
Distribution of total comprehensive income:		
Parent company shareholders	5,318,615.62	2,733,799.73
Basic earnings per share, undiluted	0.25	0.14
Diluted earnings per share	0.25	0.14

Consolidated Balance Sheet (IFRS)

€	Note	31 Dec 2015	31 Dec 2014
ASSETS			
Non-current assets			
Goodwill	14	44,549,716.77	44,549,716.77
Other intangible assets	14	6,485,718.65	7,759,278.89
Tangible assets	13	1,859,081.61	1,698,615.71
Available-for-sale investments	25	626,983.95	626,983.95
Long-term receivables		14,143.75	25,972.22
Long-term collateral for rents		15,517.00	0.00
Deferred tax assets	15	293,254.10	201,206.78
		53,844,415.83	54,861,774.32
Current assets			
Accounts receivable and other receivables	16	23,741,136.85	20,399,261.65
Cash and cash equivalents	17	6,709,753.90	5,132,030.52
		30,450,890.75	25,531,292.17
Total assets		**84,295,306.58**	**80,393,066.49**

€	Note	31 Dec 2015	31 Dec 2014
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity attributable to parent-company shareholders			
Share capital	18	2,087,564.50	2,087,564.50
Issue premium fund		7,899,485.80	7,899,485.80
Other reserves		5,203,821.24	5,203,821.24
Unrestricted shareholders' equity reserve		31,370,258.22	31,370,258.22
Translation difference		492,089.27	400,997.62
Retained earnings		-11,393,572.90	-13,093,830.18
Net profit		5,227,559.96	2,850,413.02
		40,887,206.09	36,718,710.22
Total shareholders' equity		**40,887,206.09**	**36,718,710.22**

Non-current liabilities			
Deferred tax liabilities	15	253,912.21	288,531.77
Financial liabilities	21	8,195,899.94	9,646,418.85
Other long-term liabilities		874,631.80	1,113,486.86
		9,324,443.95	11,048,437.48
Current liabilities			
Accounts payable and other liabilities		14,806,437.84	15,054,723.04
Income tax liabilities		1,005,440.71	15,740.45
Provisions	20	168,500.00	230,798.00
Accruals and deferred income		12,786,467.72	10,725,659.22
Interest-bearing liabilities	21	5,316,810.27	6,598,998.08
		34,083,656.54	32,625,918.79
Total liabilities		**43,408,100.49**	**43,674,356.27**
Total shareholders' equity and liabilities		**84,295,306.58**	**80,393,066.49**

Consolidated Cash Flow Statement (IFRS)

€ 000	1 Jan–31 Dec 2015	1 Jan–31 Dec 2014
Cash flow from operations:		
Net profit	5,228	2,850
Adjustments to net profit	3,254	1,054
Change in working capital	-1,200	-1,537
Interest paid	-375	-420
Interest income	5	0
Taxes paid	-223	-123
Net cash flow from operations	**6,679**	**1,824**
Cash flow from investments:		
Purchases of tangible and intangible assets	-1,420	-1,185
Cash flow from investments	**-1,420**	**-1,185**
Cash flow from financing:		
Repayments of current loans	-3,000	-
Repayments of non-current loans	-	-4,698
Withdrawals of current loans	-	3,000
Withdrawals of non-current loans	-	1,758
Repayments of finance lease liabilities	267	-137
Dividends paid and other profit distribution	-1,039	-2,078
Cash flow from financing	**-3,772**	**-2,155**

Change in liquid assets	**1,486**	-1,515

Liquid assets at beginning of period	**5,132**	6,454
Effects of changes in foreign exchange rates	91	194
Change in liquid assets	1,486	-1,515
Liquid assets at end of period	**6,710**	5,132

Changes in Shareholders' Equity

Proportion belonging to parent company shareholders

€ 000	Share capital	Premium fund	Unrestricted shareholders' equity reserve	Other reserves	Translation difference	Retained earnings	Total shareholders' equity
Shareholders' equity, 1 January 2014	2,088	7,899	33,448	5,204	518	-13,096	36,061
Net profit (+) / loss (-)	-	-	-	-	-	2,850	2,850
Total recognised income and expenses for the period	-	-	-	-	-	2,850	2,850
Repayment of capital	-	-	-2,078	-	-	-	-2,078
Share-based transactions settled in equity	-	-	-	-	-	2	2
Other comprehensive income	-	-	-	-	-117	-	-117
	-	-	-2,078	-	-117	2	-2,192
Shareholders' equity, 31 December 2014	2,088	7,899	31,370	5,204	401	-10,243	36,719

€ 000	Share capital	Premium fund	Unrestricted share-holders' equity reserve	Other reserves	Translation difference	Retained earnings	Total share-holders' equity
Shareholders' equity, 1 January 2015	**2,088**	**7,899**	**31,370**	**5,204**	**401**	**-10,243**	**36,719**
Net profit (+) / loss (-)	-	-	-	-	-	5,228	5,228
Total recognised income and expenses for the period	**-**	**-**	**-**	**-**	**-**	**5,228**	**5,228**
Dividends	-	-	-	-	-	-1,039	-1,039
Share-based transactions settled in equity	-	-	-	-	-	-111	-111
Other comprehensive income	-	-	-	-	91	-	91
	-	**-**	**-**	**-**	**91**	**-1,150**	**-1,059**
Shareholders' equity, 31 December 2015	**2,088**	**7,899**	**31,370**	**5,204**	**492**	**-6,166**	**40,887**

Distributable funds, 31 December

€ 000	2015 Parent	2014 Parent
Unrestricted shareholders' equity reserve	31,370	31,370
Retained earnings	72	-552
Net profit	2,772	1,774
Total	**34,215**	**32,593**

Basic Information on the Group and its Accounting Policies

Basic information on the company

Digia is a Finnish software and service provider that helps leading organisations to develop services, manage operations and utilise information – at home and abroad. Qt provides a tool for software developers that allows the creation of desktop software, embedded software and mobile applications with universal compatibility, regardless of the operating system.

Our customer base consists of various players in industry, trade, logistics, the financial sector and the public sector. Our development is guided by the changing everyday lives of our customers.

Digia employs around one thousand experts in Finland, Sweden, Norway, Germany, Russia, China, South Korea and the United States. Digia is listed on the NASDAQ OMX Helsinki exchange (DIG1V).

Our vision is to be the most highly recommended IT software and services company in Finland. We are also pursuing strong international growth in our Qt business. The Group's parent company is Digia Plc. The parent company is domiciled in Helsinki and its registered office is at Valimotie 21, 00380 Helsinki.

Accounting policies

Basis of preparation

The consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS), observing the IAS and IFRS standards, as well as SIC and IFRIC interpretations valid on 31 December 2015.

Consolidation principles

The consolidated financial statements include the parent company, Digia Plc, and all 100% owned subsidiaries. Acquired subsidiaries are consolidated using the cost method, according to which the assets and liabilities of the acquired entity are measured at fair value at the time of acquisition, and the remaining difference between the acquisition price and the acquired shareholders' equity constitutes goodwill. In accordance with the exemption permitted by IFRS 1, acquisitions prior to the IFRS transition date have not been adjusted to correspond to the IFRS principles. Their values remain unchanged from Finnish Accounting Standards. Subsidiaries acquired during the fiscal period are included in the consolidated financial statements as of the date of acquisition, while divested subsidiaries are included until the date of divestment. Intra-Group transactions, receivables, liabilities, unrealised margins and internal profit distribution are eliminated in the consolidated financial statements. The profit for the period is divided between the parent company shareholders and the minority. The minority interest is also presented as a separate item within shareholders' equity.

As of 1 January 2015, the Digia Group has applied the following new and amended standards:

- Amendments to IAS 19 Employee benefits – Defined Benefit Plans: Employee Contributions (to be applied to financial periods beginning on or after 1 July 2014): The objective of the amendments is to simplify accounting when contributions from employees or third parties to defined benefit plans are required. The amendments are not expected to have an effect on Digia's consolidated financial statements.
- Annual Improvements to IFRSs, collection of amendments 2011–2013 and 2010–2012 (to be applied to financial periods beginning on or after 1 July 2014): In the Annual Improvements procedure, all the minor and less urgent changes to the standards are gathered together and carried out once a year. The changes made in this procedure apply to four standards (2011–2013) and seven standards (2010–2012). The effects of the amendments vary depending on the standard but are not material.
- IFRIC 21 Levies (to be applied to financial periods beginning on or after 1 July 2014; in the EU no later than at the beginning of a financial period beginning on or after 17 June 2014): The interpretation provides more detailed guidance on the recognition of levies. A liability for a levy must be recognised when the obligating event specified in legislation occurs. IFRIC 21 does not cover income taxes, fines and other penalties or payments falling within the scope of other IFRS standards. The interpretation had no material effect on Digia's consolidated financial statements.

The preparation of financial statements under IFRS means that Group management must necessarily make certain estimates and judgements concerning the application of the accounting principles. Information about such considerations made by the management when applying the corporate accounting principles with the greatest influence on the figures presented in the financial statements are explained under the item 'Accounting policies requiring consideration by management and crucial factors of uncertainty associated with estimates'.

Segment reporting

Digia reports two business segments: Qt and Domestic. The Qt segment includes Digia's international Qt software business. The Domestic segments includes all other business operations in Finland and Sweden.

Foreign currency translation

Items referring to the earnings and financial position of the Group's units are recognised in the currency that is the main currency of the unit's primary operating environment ('functional currency'). The consolidated financial statements are given in euros, which is the operating and presentation currency of the parent company.

Receivables and liabilities denominated in foreign currencies have been converted into euro at the exchange rate in effect on the balance sheet date. Gains and losses arising from foreign currency transactions are recognised through profit or loss. Foreign exchange gains and losses from operations are included in the corresponding items above operating profit.

The income statements of non-Finnish consolidated companies have been converted into euro at the weighted average exchange rate for the period, and their balance sheets have been converted at the exchange rate quoted on the balance sheet date. Translation differences arising from the application of the cost method are treated as items adjusting consolidated shareholders' equity.

Tangible assets

Property, plant and equipment (PPE) are carried at cost less accumulated planned depreciation and impairment. Assets are depreciated over their estimated useful lives. Depreciation is not booked for land areas. Estimated useful lives are as follows:

Buildings and structures	25 years
Machinery and equipment	3–8 years
Leasehold improvements	3–5 years

The residual value and useful life of assets is reviewed on each balance sheet date and, if necessary, adjusted to reflect any changes in expected economic value.

Capital gains and losses on elimination and the transfer of tangible assets are included either in other operating income or expenses.

Government grants

Grants received as compensation for costs are recognised in the income statements at the same time as the expenses related to the target of the grant are recognised as expenses. Grants of this kind are presented under other operating income.

Intangible assets

Goodwill

Goodwill corresponds to the proportion of the acquisition cost of an entity acquired between 1 January 2004 and 31 December 2015 that exceeds the Group's share of the fair value of the entity's net assets on the date of acquisition.

Goodwill is defined according to IFRS 3, i.e. as the difference between points 1 and 2 below:

1. Sum of the following items:

- the fair value of the consideration paid at the time of acquisition
- the amount of any non-controlling interest in the object of acquisition
- the fair value of any previously held non-controlling interest in the object of acquisition, in the case of a phased business combination

2. The net sum of the acquisition date assets acquired and liabilities assumed.

The goodwill for business combinations prior to 2004 corresponds to goodwill in accordance with previous accounting standards that has been used as the deemed cost. A portion of the goodwill of acquired entities is allocated to customer relationships or products originating in acquisitions and recognised in intangible assets. The portions of acquisition cost recognised in intangible assets are amortised over their useful life.

No regular amortisation is booked on goodwill but it is tested annually for impairment. For this purpose, goodwill is allocated to cash generating units. Goodwill is recognised at the original cost from which the impairment is deducted. Any adjustments of acquisition cost are booked no later than 12 months after the date of acquisition.

Research and development costs

Research costs are recognised as expenses in the income statement. Development costs arising from the design of new products are capitalised as intangible assets in the statement of financial position, until the product is ready for commercial utilisation and future economic benefit is expected from the product. Depreciation begins once the product is ready for commercial utilisation. The useful life of capitalised development expenses is 2 to 5 years, during which time the capitalised assets will be recognised as expenses by straight-line depreciation.

Other intangible assets

Patents, trademarks and licences with a limited useful life are booked in the balance sheet and recognised as expenses in the income statement by straight-line depreciation over their useful life. Amortisation is not booked on intangible assets with an unlimited useful life but they are tested annually for impairment.

Leases

Leases on property, plant and equipment in which the Group bears a significant part of the risks and benefits characteristic of ownership are categorised as finance leases. A finance lease is recognised in the balance sheet at the fair value of the leased asset at the start of the lease period or at a lower current value of minimum lease payments. Assets acquired on finance leases are depreciated over the asset’s useful life or the lease period, whichever is shorter. Lease obligations are included in interest-bearing debt. Leases in which the risks and benefits characteristic of ownership remain with the lessor are treated as operating leases. Leases payable on the basis of other leases are recognised as expenses in the income statement in equal instalments over the lease period.

Financing assets and liabilities

Financing assets are divided into receivables and liabilities, either as held-to-maturity, held-for-trading, or available-for-sale. Loans are included under non-current and current liabilities. Interest expenses are recognised as expenses in the period during which they have arisen. Loan arrangement costs are periodised during the loan period using the effective interest method.

Accounts receivable and other receivables

Accounts receivable and other receivables are measured at nominal value. An impairment of accounts receivable is established when there is evidence based on a case-by-case risk assessment that the Group will not be able to collect all amounts due according to the original terms of receivables.

Cash and cash equivalents

Cash and cash equivalents consist of cash and withdrawable bank deposits and other short-term investments. Accounts with a credit facility are treated as short-term loans under current liabilities.

Amortisation

On each balance sheet date, the Group estimates whether there is evidence that the value of an asset may have been impaired. If there is evidence of impairment, the amount recoverable from the asset is estimated. In addition, the recoverable amount is estimated annually on the following assets regardless of whether there is an indication of impairment or not: goodwill, and intangible assets with an unlimited useful life. The need for impairment is reviewed at the level of cash generating units, which refers to the lowest level of unit that is mainly independent of other units and whose cash flows can be separated from other cash flows. If the carrying amount exceeds the recoverable amount, an impairment loss is recognised in the income statement. An impairment loss recognised for goodwill will not be reversed under any circumstances.

Employee benefits

Pension liabilities

The Group's pension schemes are arranged through a pension insurance company. The pension schemes are mainly defined contribution plans, and payments are recognised in the income statement during the period to which the payment applies. The Finnish Employees' Pensions Act (TyEL) pension scheme was treated as a defined contribution plan in 2014 and 2015.

Share-based payments

The Group has incentive schemes where payments are made either in equity instruments or in cash. The benefits granted through these arrangements are measured at fair value on the date of their being granted and recognised as expenses in the income statement evenly during the vesting period. Correspondingly, in arrangements where the payment is made in cash, the liability and the change in its fair value is recognised as a liability on an accrual basis. The impact of these arrangements on the financial results is shown in the income statements under the cost of employee benefits.

Provisions

A provision is recognised when the Group has a legal or factual obligation based on previous events, the realisation of a payment obligation is probable and the amount of the obligation can be reliably estimated.

A restructuring provision is recognised when the Group has prepared a detailed restructuring plan, begun its implementation and disclosed the matter. The provision is based on expected actual costs, such as agreed compensation for termination of employment.

The Group recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

A guarantee provision is recognised once a product or service subject to guarantee terms has been sold and the amount of potential guarantee costs can be estimated with sufficient accuracy.

Shares, dividends and shareholders' equity

Dividends proposed by the Board of Directors will not be deducted from distributable shareholders' equity before the Board's approval has been received. Immediate costs relating to the acquisition of Digia Plc's own shares are recognised as deductions in shareholders' equity.

Earnings per share

Earnings per share are calculated by dividing the period's earnings after tax belonging to the parent company's shareholders by the weighted average of shares outstanding during the fiscal period, excluding own shares acquired by Digia Plc. Diluted earnings per share are calculated assuming that all subscription rights and options have been exercised by the beginning of the next fiscal year. In addition to the weighted average of shares outstanding, the denominator also includes shares received from subscription rights and options assumed to have been exercised. The subscription rights and options assumed to have been exercised will not be taken into account in earnings per share if their actual price exceeds their average price during the fiscal year.

Income taxes

Taxes recognised in the income statement include taxes based on taxable income for the financial period, adjustments to taxes for previous periods, as well as changes in deferred taxes. Tax based on taxable income for the period is calculated using the corporate income tax rate applicable in each country. Deferred tax assets and liabilities are recognised for temporary differences between the taxable values and book values of asset and liability items. The biggest temporary differences arise from the depreciation of fixed assets and revaluation at fair value in connection with acquisitions. Deferred taxes are determined on the basis of the tax rate enacted by the balance sheet date. Deferred tax receivables are recognised up to the probable amount of taxable income in the future, against which the temporary difference can be utilised.

Revenue recognition

Work carried out by people is recognised monthly in accordance with progress. Long-term projects with a fixed price are recognised on the basis of their percentage of completion once the outcome of the project can be reliably estimated. The percentage of completion is determined as the proportion of costs arising from work performed for the project up to the date of review in the total estimated project costs. If estimates of the project change, the recognised sales and profit/margin are amended in the period during which the change becomes known and can be estimated for the first time. Any loss expected from a project is recognised as an expense immediately after the matter has been noted. Licensing income is recognised in accordance with the factual substance of the agreement. Income recognition requires a binding contract and complete delivery of the product. Depending on the type of the licence, income is recognised based on the time of delivery. Licence maintenance fees are allocated over the agreement period.

Accounting policies requiring consideration by management and crucial factors of uncertainty associated with estimates

Estimates and assumptions regarding the future have to be made during the preparation of the financial statements, and the outcome may differ from the estimates and assumptions. Furthermore, the application of accounting policies requires consideration. These estimates and assumptions are based on historical experience and other justifiable assumptions that are believed to be reasonable under the circumstances and that serve as a foundation for evaluating the items included in the financial statements. The estimates mainly concern the following items:

Impairment testing

The Group carries out annual impairment testing of goodwill and intangible assets with an unlimited useful life and evaluates any indications of impairment as described above in the accounting policies. Recoverable amounts from cash generating units are determined as calculations based on value in use. The preparation of these calculations requires the use of estimates.

Revenue recognition

As described in the revenue recognition policies, the revenue and costs of a long-term project are recognised as income and expenses, on the basis of percentage of completion once the outcome of the project can be reliably estimated. Recognition associated with the degree of completion is based on estimates of expected income and expenses of the project and reliable measurement and estimation of project progress. If estimates of the project's outcome change, the recognised sales and profit/margin are amended in the period during which the change becomes known and can be estimated for the first time. Any loss expected from a project is immediately recognised as an expense.

Financial risks

Financial risk management consists, for instance, of the planning and monitoring of solvency of liquid assets, the management of investments, receivables and liabilities denominated in a foreign currency, and the management of interest rate risks on non-current interest-bearing liabilities.

In accordance with the company’s investment policy, cash and cash equivalents are invested only in low-risk short rate funds and bank deposits. The Group’s policy defines creditworthiness requirements for customers in order to minimise the amount of credit losses. A sufficient provision was made for uncertain accounts receivable at the end of the fiscal period.

The most significant currency risks relating to accounts receivable or accounts payable are managed by means of forward foreign exchange contracts, when necessary. At the end of the fiscal year, the company did not have any such forward contract in force. Interest rate trends are monitored systematically in different bodies within the company, and possible interest rate risks hedges are made with the appropriate instruments. At the end of the fiscal year, the company had no such hedging instruments in force.

New and amended standards and interpretations to be applied in future financial periods

The Digia Group has not yet applied the following new or revised standards and interpretations published by the IASB. The Group will introduce each standard and interpretation as of its effective date or, if the effective date is some other date than the first day of the fiscal period, as of the beginning of the fiscal period following the effective date.

* = The regulation has not been approved for application within the EU on 31 December 2015.

- Amendment to IAS 1 Presentation of Financial Statements: Disclosure Initiative (effective for financial periods beginning on or after 1 January 2016). The objective of the amendments is to encourage entities to exercise their judgement in presenting their financial reports. The amendments provide guidance on issues such as the application of the concept of materiality and the use of discretion in determining the order of the notes to the financial statements. The amendments are not expected to have a material effect on Digia's consolidated financial statements.
- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation (effective for financial periods beginning on or after 1 January 2016): The amendments provide clarification to IAS 16 and IAS 38. Revenue-based depreciation methods are not applicable to property, plant and equipment, and only rarely to intangible assets. The amendments have no effect on Digia's consolidated financial statements.
- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates – Investment Entities: Applying the Consolidation Exception * (Effective from financial years beginning on or after 1 January 2016 with earlier application permitted): Narrow-scope amendments to IFRS 10, IFRS 12 and IAS 28 clarify the accounting requirements for investment entities. The amendments also provide for reliefs in certain conditions, which lower the expenses arising from the application of the standard. The amendments have no effect on Digia's consolidated financial statements.
- Amendments to IAS 27 Separate Financial Statements – Equity Method in Separate Financial Statements (effective for financial periods beginning on or after 1 January 2016): After the amendment, entities are able to account for investments in subsidiaries, associates and joint ventures at cost in separate financial statements. The amendments have no effect on Digia's consolidated financial statements.

- Annual Improvements to IFRSs, collection of amendments 2012–2014 (effective for financial periods beginning on or after 1 January 2016): In the Annual Improvements procedure, all the minor and less urgent changes to the standards are gathered together and carried out once a year. Changes apply to four standards. The effects of the amendments vary depending on the standard but are not material.
- New IFRS 15 Revenue from Contracts with Customers* (effective for financial periods beginning on or after 1 January 2018): IFRS 15 provides a comprehensive framework for determining if, how much and when sales revenue can be recognised as income. IFRS 15 will replace the existing income recognition guidelines such as IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. The core principle of IFRS 15 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group is assessing the effects of IFRS 15.
- New IFRS 9 Financial Instruments* (effective for financial periods beginning on or after 1 January 2018): The standard will entirely replace the current IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the recognition and measurement of financial instruments. It also incorporates a new expected loss impairment model to be used for specifying impairment recognised on financial assets. The general provisions regarding hedge accounting have also been revised. The provisions included in IAS 39 concerning the recognition and derecognition of financial instruments remain unchanged. The Group is assessing the effects of the standard.

Other new or amended standards and interpretations have no effect on the consolidated financial statements.

Notes to the Consolidated Financial Statements

1. Segment information

Digia reports two business segments: Qt and Domestic. The Qt segment consists of Digia's international Qt software business. The Domestic segments includes all other business operations in Finland and Sweden.

Net sales, € 000	2015	2014	Change %
Domestic operations	80,946	77,028	5.1%
Qt segment	26,934	20,406	32.0%
Digia Group	107,880	97,433	10.7%

Operating profit before extraordinary items, € 000	2015	2014	Change %
Domestic operations	6,479	6,311	2.7%
Qt segment	1,923	-1,850	
Digia Group	8,402	4,461	88.3%

Operating profit, € 000	2015	2014	Change %
Domestic operations	5,858	6,311	-7.2%
Qt segment	1,786	-2,001	
Digia Group	7,641	4,310	77.3%

Assets, € 000	31 Dec 2015	31 Dec 2014
Domestic operations	53,007	51,076
Qt segment	18,232	17,332
Unallocated	13,056	11,985
Digia Group	84,295	80,393

Net sales by geographical location of customers

€ 000	2015	2014
Finland	79,678	76,986
Other countries	28,207	20,447
Total	**107,880**	**97,433**

Net sales by function

€ 000	2015	2014
Work sales	57,878	53,848
Licence sales	46,440	39,661
Other sales	3,562	3,924
Total	**107,880**	**97,433**

Notes to the Consolidated Financial Statements

2. Long-term projects

The reported consolidated net sales include income recognised on long-term projects totalling EUR 16.5 million in 2015 (EUR 13.8 million in 2014). The consolidated income statement included income recognised on incomplete long-term projects totalling EUR 8.7 million on 31/12/2015 (EUR 11.8 million 31/12/2014). The statement of financial position includes advance payments recognised on incomplete long-term projects totalling EUR 0.3 million on 31/12/2015 (EUR 0.3 million on 31/12/2014).

Notes to the Consolidated Financial Statements

3. Other operating income

€ 000	2015	2014
Grants	1,491	773
Other income	757	530
Total	**2,248**	**1,303**

Notes to the Consolidated Financial Statements

4. Extraordinary items

Restructuring expenses of EUR 0.8 million related to the reorganisation carried out during the year were recorded as extraordinary items for 2015.

Notes to the Consolidated Financial Statements

5. Auditors' fees

€ 000	2015	2014
Audit	127	148
Other statutory duties	6	0
Tax counselling	30	31
Other services	66	55
Total	**230**	**234**

Notes to the Consolidated Financial Statements

6. Other operating expenses

The following table presents the five most significant items included in other operating expenses:

€ 000	2015	2014
Costs of premises	4,753	4,841
IT costs	2,466	3,222
Voluntary personnel expenses	3,130	3,179
Travel	1,767	1,696
External services	2,824	1,409
Other expenses	3,086	2,789
Total	**18,025**	**17,135**

Notes to the Consolidated Financial Statements

7. Product development expenses

€ 000	2015	2014
Product development expenses	13,827	13,810
Total	**13,827**	**13,810**

Notes to the Consolidated Financial Statements

8. Depreciation and amortisation

€ 000	2015	2014
Depreciation and amortisation by asset category		
Intangible assets	1,380	1,412
Property, plant and equipment		
Buildings	7	7
Machinery and equipment	1,174	1,072
Total	**1,181**	**1,078**
Total depreciation and amortisation	**2,561**	2,490

Notes to the Consolidated Financial Statements

9. Personnel expenses

€ 000	2015	2014
Wages and salaries	58,280	52,984
Pension costs, defined contribution plans	9,159	8,566
Share-based payments	796	310
Other personnel expenses	3,511	3,439
Total	**71,746**	**65,300**

Group personnel on average during the period	2015	2014
Business units	891	889
Administration and management	41	46
Total	**932**	**935**

Information on employee benefits and loans to the management are presented in Note 26, Related party transactions.

Notes to the Consolidated Financial Statements

10. Financial income and expenses

Financial income

€ 000	2015	2014
Interest income from cash and cash equivalents	2	6
Interest income from accounts receivable	2	5
Dividend income	10	10
Exchange rate gains	672	423
Other financial income	38	3
Total	**724**	**448**

Financial expenses

€ 000	2015	2014
Interest expenses for financing loans valued at accrued acquisition cost	337	389
Interest expenses for accounts payable	3	4
Loan administration fees	120	147
Exchange rate losses	848	451
Other financial expenses	125	132
Total	**1,433**	**1,123**

Notes to the Consolidated Financial Statements

11. Income taxes

€ 000	2015	2014
Current tax	1,626	973
Taxes from previous periods	19	-186
Other items	186	-
Deferred tax	-127	-3
Total	**1,704**	**784**

Reconciliation between the tax expenses in the income statement and taxes calculated at the tax rate valid in the Group's home country (20 per cent):

€ 000	2015	2014
Earnings before tax	6,932	3,634
Taxes calculated at the domestic corporation tax rate	1,386	727
Deviating tax rates of foreign subsidiaries	208	91
Income not subject to tax	-168	-2
Non-deductible expenses	168	215
Tax effect of dissolution losses	75	75
Other items	-43	-3
Taxes for the period in the income statement	-	-130
Total	**1,626**	**973**
Current tax	**1,626**	**973**

Notes to the Consolidated Financial Statements

12. Earnings per share

Basic earnings per share are calculated by dividing the earnings before tax for the accounting period attributable to the parent company's shareholders by the weighted average of shares outstanding during the accounting period. Own shares held by the company are not included in the calculation of the weighted average of shares outstanding.

	2015	2014
Profit for the period attributable to parent company shareholders (€ 000)	5,228	2,850
Weighted average number of shares during the period	20,768,097	20,780,221
Diluting effect of stock options	-	-
Diluted weighted average number of shares during the period	20,768,097	20,780,221
Basic earnings per share (EUR/share)	0.25	0.14
Diluted earnings per share (EUR/share)	0.25	0.14

Notes to the Consolidated Financial Statements

13. Property, plant and equipment

€ 000	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Total 2015	Total 2014
Acquisition cost, 1 January	17	162	19,113	84	19,376	18,585
Additions	-	-	1,368	-	1,368	792
Disposals	-	-	-25	-	-25	-1
Acquisition cost, 31 December	17	162	20,456	84	20,719	19,376
Accumulated depreciation and amortisation, 1 January	-	-92	-17,503	-83	-17,677	-16,599
Depreciation	-	-7	-1,176	-	-1,183	-1,078
Accumulated depreciation and amortisation, 31 December	-	-99	-18,679	-83	-18,860	-17,677
Book value, 1 January	17	71	1,610	1	1,699	1,986
Book value, 31 December	17	64	1,777	1	1,859	1,699

Property, plant and equipment include assets leased under finance lease as follows:

€ 000	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Total 2015	Total 2014
Acquisition cost and provisions	-	-	11,170	-	11,170	10,094
Accumulated depreciation	-	-	-9,657	-	-9,657	-8,827
Book value, 31 December	-	-	1,514	-	1,514	1,267

Notes to the Consolidated Financial Statements

14. Intangible assets

€ 000	Goodwill	Development costs	Other intangible assets	Total 2015	Total 2014
Acquisition cost, 1 January	95,944	2,487	34,070	132,501	132,107
Additions	-	-	140	140	752
Disposals	-	-	-33	-33	-358
Acquisition cost, 31 December	95,944	2,487	34,177	132,608	132,501
Accumulated depreciation and amortisation, 1 January	-51,394	-2,487	-26,311	-80,192	-78,780
Depreciation	-	-	-1,380	-1,380	-1,412
Accumulated depreciation and amortisation, 31 December	-51,394	-2,487	-27,691	-81,572	-80,192
Book value, 1 January	44,550	0	7,759	52,309	53,327
Book value, 31 December	44,550	0	6,486	51,036	52,309

Impairment testing

The Group carries out impairment testing of goodwill and intangible assets with an indefinite useful life. The table below shows the distribution of goodwill and values subject to testing at the end of the reporting period:

€ 000	Specified intangible assets	Amortisations during the reporting period	Goodwill	Other items	Total value subject to testing
Digia, domestic business	334	490	37,987	5,800	44,121

€ 000	Specified intangible assets	Amortisations during the reporting period	Goodwill	Other items	Total value subject to testing
Digia, Qt business	5,647	564	6,562	1,959	14,168

€ 000	Specified intangible assets	Amortisations during the reporting period	Goodwill	Other items	Total value subject to testing
Digia Group, total	5,981	1,053	44,550	7,759	58,289

Present values for domestic operations were calculated for the five-year forecast period based on the following assumptions: Net sales and operating profit for 2016 according to budget; in the five-year forecast period, annual growth in net sales of 3.0 per cent and 2.5 per cent thereafter, operating profit growth of 8.0 per cent, and a pre-tax discount rate of 8.5 per cent.

Present values for the Qt business were calculated for the five-year forecast period based on the following assumptions: Net sales and operating profit for 2016 according to budget; in the five-year forecast period, annual growth in net sales of 10.0 per cent and 5.5 per cent thereafter, operating profit growth of 3.0 per cent, and a pre-tax discount rate of 8.5 per cent.

Post-forecast-period cash flows for both the tested units were extrapolated using the same assumptions as for the forecast period.

According to a sensitivity analysis, the goodwill related to domestic operations requires either net sales to remain at the current level with profitability at 2.8 per cent, or a 3.0 per cent growth in net sales with profitability at 2.5 per cent.

According to a completed sensitivity analysis, the goodwill of the Qt business requires either net sales to remain at the current level with profitability at 5.0 per cent, or a 5.5 per cent growth in net sales with profitability at 0.0 per cent.

Notes to the Consolidated Financial Statements

15. Deferred tax assets and liabilities

Changes in deferred taxes during 2015:

€ 000	1 Jan 2015	Recognised in income statement	Recognised in equity	Exchange rate differences	Subsidiaries acquired/ divested	31 Dec 2015
Deferred tax assets:						
Provisions	48	-42	-	-	-	7
Other items	153	134	-	-	-	287
Total	**201**	**92**	**-**	**-**	**-**	**293**

€ 000	1 Jan 2015	Recognised in income statement	Recognised in equity	Exchange rate differences	Subsidiaries acquired/ divested	31 Dec 2015
Deferred tax liabilities:						
From business combinations	122	-86	-	-	-	36
Other items	167	51	-	-	-	218
Total	**289**	**-35**	**-**	**-**	**-**	**254**

Changes in deferred taxes during 2014:

€ 000	1 Jan 2014	Recognised in income statement	Recognised in equity	Exchange rate differences	Subsidiaries acquired/ divested	31 Dec 2014
Deferred tax assets:						
Provisions	55	-7	-	-	-	48
Other items	316	-163	-	-	-	153
Total	**371**	**-170**	-	-	-	**201**

€ 000	1 Jan 2014	Recognised in income statement	Recognised in equity	Exchange rate differences	Subsidiaries acquired/ divested	31 Dec 2014
Deferred tax liabilities:						
From business combinations	208	-86	-	-	-	122
Other items	253	-87	-	-	-	167
Total	**461**	**-172**	-	-	-	**289**

Notes to the Consolidated Financial Statements

16. Accounts receivable and other receivables

€ 000	2015	2014
Accounts receivable and other receivables		
Accounts receivable	18,345	14,400
Receivables from customers on long-term projects	1,219	2,009
Security deposit for rental due	160	291
Tax assets from the profit for the financial year	103	209
Prepayments and accrued income	2,897	2,258
Other receivables	1,016	1,232
Accounts receivable and other receivables	**23,741**	**20,399**

€ 000	2015	2014
Non-due accounts receivable	15,875	12,777
Accounts receivable due 1–30 days ago	1,706	802
Accounts receivable due 31–60 days ago	350	431
Accounts receivable due more than 60 days ago	415	390
Total	**18,345**	**14,400**

At the end of the fiscal year 2015, credit losses totalled EUR 0.2 million. At the end of the fiscal year 2014, credit losses totalled EUR 0.1 million. The book value of accounts receivable and security deposits for rental dues is a reasonable estimate of their fair value. Their balance sheet values best correspond with the sum of money that represents the maximum amount of credit risks. Essential items included in prepayments and accrued income are associated with the accrual of statutory insurance premiums and other accrued expenses.

Notes to the Consolidated Financial Statements

17. Cash and cash equivalents

€ 000	2015	2014
Financing assets recognised at fair value through profit and loss		
Mutual funds	331	329
Bank accounts	6,379	4,803
Total	**6,710**	**5,132**

Notes to the Consolidated Financial Statements

18. Notes on share capital

	Number of shares	Share capital (€ 000)
1 Jan 2014	20,875,645	2,088
31 Dec 2014	20,875,645	2,088

	Number of shares	Share capital (€ 000)
1 Jan 2015	20,875,645	2,088
31 Dec 2015	20,875,645	2,088

The maximum number of shares is 48 million (48 million in 2014). All shares grant equal rights to their holders. The nominal value of each share is EUR 0.1 and the Group's maximum share capital is EUR 4.8 million (EUR 4.8 million in 2014). All outstanding shares are paid in full. At the end of the financial year, the company held 134,501 of its own shares, or 0.6 per cent of all shares. In addition, Digia has financed the acquisition of 121,000 treasury shares for distribution through incentive schemes for key personnel. At the end of the period, 77,129 of these shares remained undistributed and were under the management of Evli Alexander Management Ltd.

The premium fund comprises the amount paid for shares in excess of the nominal value. The 'Other reserves' amount arises from fair valuation of acquired business operations in the consolidated financial statements. The translation differences reserve comprises translation differences arising from the translation of financial statements of non-Finnish units. The unrestricted shareholders' equity reserve comprises investments similar to shareholders' equity and the subscription price of shares when a specific decision is made not to enter it in shareholders' equity.

Notes to the Consolidated Financial Statements

19. Share-based payments

The Group offers share-based bonuses as part of its key personnel commitment and incentive scheme. The purpose of the system is to align the objectives of the company's shareholders and management in order to increase shareholder value, promote executive management commitment and to offer them a competitive incentive scheme based on shareholding in the company. The share-based bonus scheme offers the target group an opportunity to receive shares in Digia Plc as a reward for the achievement of specified goals set for an earning period. The Board of Directors decides the earning criteria for the scheme and specifies the targets, as well as the maximum remuneration for the earning period for each person belonging to the target group.

On 12 March 2015, Digia Plc's Board of Directors decided to establish new share-based incentive schemes for the Chief Executive Officer and other members of senior management. According to the decision, there will be separate schemes for the company's domestic operations and for the Qt business. These schemes will replace the previous share-based incentive scheme effective until 2016.

The domestic scheme comprises three earning periods, which are the calendar years 2015–2017. The earnings principles are the consolidated earnings per share and consolidated net sales, according to formulae settled annually by the Board. For each earnings period, the company CEO and other key personnel engaged in domestic business and included in the scheme are entitled to a reward whose value may not exceed the equivalent of 115,000 Digia Plc shares. Rewards under the scheme will be paid as a 50/50 combination of shares and cash. The cash portion of the bonus will primarily be used to cover taxes and other comparable costs of the scheme. During the year, the total number of shares issued as share-based bonuses was 112,499.

The Qt scheme has one earning period running until March 2018. Bonus payable under the scheme is tied to Digia Plc share price development by the end of the said earning period. If the share price fully meets the objectives set in the scheme, the President and CEO and other key Qt employees included in the scheme will be entitled to a bonus equivalent to a maximum of 985,000 Digia Plc shares. The bonus payable under the scheme is paid half in shares and half in cash such that an amount will be paid in cash from which all taxes and other payments under applicable law will be paid, and the remainder of the bonus will be paid in shares. The Qt scheme contains an exceptional condition according to which the scheme will terminate upon the entry into force of the possible demerger of Digia and Qt. In this case, the employees included in the scheme will be paid a bonus on the basis of share price at the time of the demerger. During the year, the total number of shares issued as share-based bonuses was 195,000.

Digia's previous share-based incentive scheme covered the calendar years 2014–2016. The earnings principles were the consolidated earnings per share and consolidated net sales, according to formulae settled annually by the Board. A total of 87,749 shares were issued under this scheme as share-based bonuses in 2015.

The basic details of the new schemes are listed in the table below.

Domestic scheme

	President and CEO's share-based incentive scheme 2015–2017	Key personnel's share-based incentive scheme 2015–2017
Granting date	12 March 2015	12 March 2015
Instrument	Shares and cash	Shares and cash
Target group	CEO	Key personnel
Maximum number of shares *	50,000	65,000
Beginning of the earning period	1 Jan 2015	1 Jan 2015
End of the earning period	31 Dec 2015 / 31 Dec 2016 / 31 Dec 2017	31 Dec 2015 / 31 Dec 2016 / 31 Dec 2017
Vesting condition	Earnings per share and net sales	Earnings per share and net sales
Maximum validity, years	2.8	2.8
Remaining validity, years	2.0	2.0
Number of persons (31 December 2015)	1	8

* In addition to the bonus payment in shares, a cash bonus is paid to cover the cost of taxes and similar expenses.

Qt scheme

	Qt's key personnel share-based incentive scheme 2015–2018
Granting date	12 March 2015
Instrument	Shares and cash
Target group	CEO
Maximum number of shares *	985,000
Beginning of the earning period	12 March 2015
End of the earning period	12 March 2018
Vesting condition	Digia Plc share price development
Maximum validity, years	3.0
Remaining validity, years	2.3
Number of persons (31 December 2015)	2

* In addition to the bonus payment in shares, a cash bonus is paid to cover the cost of taxes and similar expenses.

The items related to share-based incentive schemes in 2015 are given in the table below. Because the cash portion of the bonus payment is also recorded as a share-based expense, the sums below are gross, i.e. the bonuses include the shares and the equivalent cash sum.

Events in 2015 fiscal year	Senior management share-based incentive scheme 2014–2016	Domestic scheme 2015–2017	Qt scheme 2015–2018
Gross amounts, 1 January 2015 **			
Outstanding at beginning of period	600,000	-	-
Changes during the period			
Granted during the year	-	112,499	195,000
Forfeited during the year	512,251	-	-
Exercised during the year	87,749	-	-
Gross amounts, 31 December 2015 **			
Outstanding at end of period	0	112,499	195,000
Available for exercising at end of period	0	112,499	195,000

** The amounts include the cash portion (in shares) granted according to the terms of the incentive scheme.

Determination of fair value

The fair value of share-based payments is determined on the day on which the scheme is agreed between the company and the recipient group. As the share-based bonus is paid as a combination of shares and cash, the determination of its fair value is divided into two parts in accordance with the IFRS 2 standard: the part settled in shares and the part settled in cash. The part settled in shares is recognised as shareholders' equity and the part settled in cash as a liability. The fair value of the part settled in cash is revalued on each reporting date until the end of earning period, and thus the fair value of the liability changes in accordance with the price of the Digia share.

Expense effect of share-based incentive schemes on 2015 income statement

Effect on earnings and financial position, € 000	Senior management share-based incentive scheme 2014–2016	Domestic scheme 2015–2017	Qt scheme 2015–2017	Total
Share-based payment expense for the fiscal year	92	451	299	842
Share-based payments, shareholders' equity, 31 Dec 2015	14	167	113	294
Liabilities from share-based payments, 31 Dec 2015	78	284	187	548

Comparison data for 2014

Effect on earnings and financial position, € 000	Senior management share-based incentive scheme 2014–2016
Share-based payment expense for the fiscal year	310
Share-based payments, shareholders' equity, 31 Dec 2014	185
Liabilities from share-based payments, 31 Dec 2014	125

Notes to the Consolidated Financial Statements

20. Provisions

Changes in provisions during 2015:

€ 000	Restructuring provision	Unprofitable agreements	Total
1 Jan 2015	151	231	382
Increase in provisions	758	27	784
Provisions used	-773	-225	-998
31 Dec 2015	**136**	**33**	**169**

Changes in provisions during 2014:

€ 000	Restructuring provision	Unprofitable agreements	Total
1 Jan 2014	446	275	721
Increase in provisions	151	231	382
Provisions used	-446	-275	-721
31 Dec 2014	**151**	**231**	**382**

Restructuring provision

The restructuring provisions relate to organisational changes carried out during the year. They are included on the Balance Sheet under 'Accruals'.

Unprofitable agreements

A loss provision is created for fixed-price projects if it becomes apparent that the completion of the project will require significantly more work input than has been estimated in connection with selling the project and can be invoiced from the customer on the basis of the agreement.

On the balance sheet date of 31/12/2015, there were three fixed-price projects for which loss provisions had been recorded on the basis of remaining work.

Notes to the Consolidated Financial Statements

21. Financial liabilities

€ 000	2015 Fair values	2014 Fair values	2015 Balance sheet values	2014 Balance sheet values
Non-current				
Bank loan	7,500	9,000	7,500	9,000
Finance lease liabilities	696	646	696	646
Total	**8,196**	**9,646**	**8,196**	**9,646**
Current				
Bank loan	4,500	6,000	4,500	6,000
Finance lease liabilities	817	599	817	599
Total	**5,317**	**6,599**	**5,317**	**6,599**
Total	**13,513**	**16,245**	**13,513**	**16,245**

The loan covenants related to the company's solvency and liquidity comprised the following key figures: operating profit before depreciation and amortisation (EBITDA) in relation to net debt, equity ratio and net gearing. The company fulfilled the set loan covenants in 2015. The maximum and minimum values specified in the loan covenants, and the realised figures on 31/12/2015 were:

	Covenant value	Realised value
Net debt / EBITDA, max.	2.5	0.7
Solvency, min.	35%	54%
Net gearing, max.	60%	17%

During the financial year, the company repaid EUR 3.0 million in loans, reducing its interest-bearing liabilities to EUR 12.0 million at the year-end. The loans have floating interest rates tied to Euribor, plus a margin. The average interest rate of the loans in 2015 was 2.1% (2.1% in 2014). The shares of Digia Finland Oy and The Qt Company Oy are pledged as collateral for the loans. On 31/12/2015, the book value of pledged shares was EUR 111.5 million.

The effective interest rate on finance lease liabilities during the fiscal year 2015 was 2.74% (2.98% in 2014).

Interest-bearing liabilities fall due as follows:

Year, € 000	2015	2014
2015	-	6,599
2016	5,317	1,822
2017	7,979	7,786
2018	213	35
2019	4	2
Total	**13,513**	**16,245**

The tables below describe agreement-based maturity analysis results for 2015 and the 2014 comparison period. The figures are undiscounted and include interest payments and the repayment of loan capital:

€ 000 31 Dec 2015	Balance sheet values	Cash flow	Less than 1 year	1–2 years	2–5 years
Bank loans	12,000	12,159	4,649	7,510	0
Finance lease liabilities	1,513	1,513	817	479	217
Accounts payable and other liabilities	3,324	3,324	3,324	0	0
Total	**16,837**	**16,996**	**8,790**	**7,989**	**217**

€ 000 31 Dec 2014	Balance sheet values	Cash flow	Less than 1 year	1–2 years	2–5 years
Bank loans	15,000	15,547	6,312	1,718	7,516
Finance lease liabilities	1,245	1,245	599	322	323
Accounts payable and other liabilities	2,886	2,886	2,886	0	0
Total	**19,131**	**19,677**	**9,797**	**2,040**	**7,840**

Notes to the Consolidated Financial Statements

22. Due dates of finance lease liabilities

€ 000	2015	2014
Finance lease liabilities, total of minimum lease payments		
Within one year	835	625
Within more than one but less than five years	701	656
Finance lease liabilities, present value of minimum lease payments		
Within one year	817	599
Within more than one but less than five years	696	646
Financial expenses to be accrued in the future	42	35
Total amount of finance lease liabilities	**1,512**	**1,245**

Finance leases cover IT equipment and vehicles. The lease periods are 2–4 years.

Notes to the Consolidated Financial Statements

23. Operating leases

Minimum lease payments on the basis of other non-cancellable leases:

€ 000	2015	2014
Within one year	4,292	4,389
Within more than one but less than five years	8,200	3,890
After more than five years	931	309
Total	**13,423**	**8,589**

The Group leases all of its production facilities and office premises. The average duration of the leases is 1–5 years, and they normally include the option of extension after the original date of expiry. The Group has also leased motor vehicles on maintenance lease agreements. The normal duration of lease agreements is three years.

Notes to the Consolidated Financial Statements

24. Contingent liabilities

€ 000	2015	2014
Collateral pledged for own commitments		
Business mortgages	59,800	59,800
Other	1,426	727
Total	**61,194**	**60,527**

Other contingent liabilities are mostly related to bank guarantees on lease agreements.

In addition to the above, legal proceedings instituted by Digia Finland's former employee against Digia Finland Oy, a subsidiary of Digia Plc, concerning illegal termination of employment are pending in the District Court of Oulu, in which Digia Finland is demanded to pay compensation of EUR 0.15 million for illegal termination of employment and to pay for the costs of the legal proceedings. Digia has contested the claim in its entirety and believes it has a good chance of winning the case.

Furthermore, Digia Group's subsidiary has received a customer complaint and a notice of cancellation of a delivery agreement between the parties. In its notice of cancellation, the customer demands that the company refund payments made by the customer and pay a penalty interest on arrears of EUR 0.06 million, and reserves a right to demand compensation for damages if the customer deems it has suffered damages in connection with the case. Negotiations between the parties to settle the dispute amicably are under way, and the company is confident the matter will not require legal proceedings.

Notes to the Consolidated Financial Statements

25. The Group's shares and holdings

Group companies	Domicile	Domestic operations	Share of ownership	Share of votes
Digia Plc	Helsinki	Finland	Parent company	
Digia Estonia Oü *	Tallinn	Estonia	100%	100%
Digia Finland Oy	Helsinki	Finland	100%	100%
Digia Hong Kong Ltd *	Hong Kong	China	100%	100%
Digia Software (Chengdu) Co. Ltd *	Chengdu	China	100%	100%
Digia Sweden AB	Stockholm	Sweden	100%	100%
OOO The Qt Company	St. Petersburg	Russia	100%	100%
The Qt Company LLC	Seoul	South Korea	100%	100%
The Qt Company Ltd	Shanghai	China	100%	100%
The Qt Company GmbH	Berlin	Germany	100%	100%
The Qt Company AS	Oslo	Norway	100%	100%
The Qt Company Oy	Helsinki	Finland	100%	100%
The Qt Company	San Jose	USA	100%	100%

* The companies are inactive.

Other shares and holdings	€ 000
Keimola Golf Club Oy	7
Kiinteistö Oy Rukan Kuukkeli	62
Kytäjä Golf Oy	38
Vierumäki Golf Oy	17
Vierumäki Golf Club Oy	35
Vierumäen Loma-aika Oy	138
Vierumäen Kuntoharju Oy	270
Rikunniemen Huolto Oy	6
Tahko Golf Club Oy	39
Tahkovuorenpeikko Oy	11
Other	1
Total	**624**

Notes to the Consolidated Financial Statements

26. Related party transactions

Two parties are considered related if one party can exercise control or significant power in decision-making associated with the other party's finances and business operations. The Group's related parties include the parent company and subsidiaries, in addition to the members of the Board of Directors and the Management Team and their family members.

Remuneration paid to the CEO and Group management during the financial period, including fringe benefits, was as follows:

€ 000	2015	2014
Salaries and other short-term employee benefits	647	429
Share-based bonuses	146	0
Total	**792**	**429**

The salaries and fees paid in 2015 to the CEO and the members of the Board of Directors were as follows:

		€ 000
Kyttälä Pertti	Chairman of the Board of Directors	78
Ingman Robert	Vice Chairman of the Board	55
Ruotsalainen Seppo	Member of the Board	39
Saarinen Leena	Member of the Board	41
Karvinen Kari	Member of the Board	9
Uhari Tommi	Member of the Board	40
Hokkanen Päivi	Member of the Board	40
Öistämö Kari	Member of the Board	28
Varelius Juha	CEO	522
Total		**852**

The incentive schemes are described in Note 19 Share-based payments and in the separate report on corporate governance. Transactions related to the sale of services to related parties totalled EUR 7,200 (EUR 0 in 2014). Transactions associated with the purchase of goods or services totalled EUR 0 (EUR 0 in 2014). The Group has no related-party loans.

Notes to the Consolidated Financial Statements

27. Management of financing risks

Digia Plc's internal and external financing and the management of financing risks is concentrated in the finance function of the Group's parent company. The function is responsible for the Group's liquidity, sufficiency of financing, and the management of interest rate and currency risk. The Group is exposed to several financing risks in its normal course of business. The objective of the Group's risk management is to minimise the adverse effects of changes in the financial markets on the Group's earnings. The primary types of financing risks are interest rate risk, credit risk and funding risk. The general principles of risk management are approved by the Board of Directors, and the Group's finance function together with the business segments is responsible for their practical implementation.

Foreign exchange risks

The Group is exposed to foreign exchange risks in its operations. The Group's key foreign exchange risks involve the US dollar, Swedish krona, Norwegian krone, Russian rouble, South Korean won and Chinese yuan. The financial statements include foreign currency sales receivables of approx. EUR 3.1 million in Swedish kronas, US dollars, Norwegian krones and Russian roubles. Foreign currency accounts payable totalled approx. EUR 0.4 million, mainly being in Swedish kronas, Norwegian krones and US dollars. The most significant currency risks relating to accounts receivable and accounts payable can be managed by means of forward foreign exchange contracts when necessary. At the end of the fiscal year 2014, the company had no such forward contract in force.

Interest rate risk

The Group's interest rate risk is primarily associated with a long-term bank loan that has an interest rate linked to Euribor rates. Changes in market interest rates have a direct effect on the Group's future interest payments. During the financial period 2015, the interest rate on the long-term bank loan varied between 1.7% and 2.7% (2.0% – 2.6% in 2014). The impact of a +/-1% change in the loan's interest rate is EUR 0.1 million per annum. The Group's money market investments are a source of interest rate risk, but the overall impact of these investments is negligible. Interest rate developments are monitored systematically in different bodies within the company, and possible interest rate hedges will be made with the appropriate instruments.

Credit risk

The Group's customers are mostly well-known Finnish and foreign companies with well established credit, and thus the Group has no significant credit risks. The Group's policy defines creditworthiness requirements for customers, investment transactions and counterparties. Services and products are only sold to companies with a good credit rating. The counterparties in investment transactions are companies with a good credit rating. Credit risks associated with commercial operations are primarily the responsibility of operational units. The parent company's finance function provides customer financing services in a centralised manner and ensures that the principles of the financing policy are observed with regard to terms of payment and collateral required. At the end of the fiscal year 2015, credit losses totalled EUR 0.2 million (EUR 0.1 million in 2014). The maturity analysis of accounts receivable for 2015 and 2014 is presented in Note 16.

Liquidity risk

The Group aims to continuously estimate and monitor the amount of financing required for business operations in order to maintain sufficient liquid funds for financing operations and repaying loans falling due. The availability and flexibility of financing is ensured by maintaining an unused credit facility and using two major banks for financing. The amount of unused standby credit facility on 31 December 2015 was EUR 4.0 million, and the company has the ability to take out EUR 7 million in new loans.The Group maintains its immediate liquidity with the help of cash management solutions such as Group accounts and credit facilities at banks. Cash and cash equivalents on 31/12/2015 totalled EUR 6.7 million. An agreement-based maturity analysis on discounted equity and interest payments for the reporting periods 2015 and 2014 is presented in Note 21.

Management of the capital structure

The Group's capital management aims at supporting company business by means of optimal management of the capital structure, ensuring normal operating conditions and increasing shareholder value with a view to achieving the best possible profit. At the end of 2015, the Group's interest-bearing net liabilities were EUR 13.5 million (31 Dec 2014: EUR 11.1 million). When calculating gearing, the interest-bearing net liabilities are divided by shareholders' equity. Gearing includes interest-bearing net liabilities less cash and cash equivalents. Interest-bearing liabilities have mainly been used to finance the company's business acquisitions. Net gearing at the year-end 2015 was 17% (2014: 30%).

The share of liabilities of total shareholders' equity on 31 December 2015 and 31 Cecember 2014 was as follows:

€ 000	2015	2014
Interest-bearing liabilities	13,513	16,245
Cash and cash equivalents	6,710	5,132
Interest-bearing net liabilities	6,803	11,113
Total shareholders' equity	40,887	36,719
Net gearing	17%	30%

Notes to the Consolidated Financial Statements

28. The Group's key financial ratios

€ 000	2015	2014	2013	2012	2011
Extent of business					
Net sales, € 000	107,880	97,433	99,740	100,448	121,940
- change on previous year, %	10.7%	-2.3%	-0.7%	-17.6%	-6.8%
Gross capital expenditure, € 000	1,473	1,147	1,598	802	2,733
- % of net sales	1%	1%	2%	1%	2%
Capitalisation for research and development	-	-	-	-	-
- % of net sales	0%	0%	0%	0%	0%
Number of personnel, 31 December	944	932	938	982	1,175
Average number of personnel	932	935	939	1,025	1,453

Profitability					
Operating profit, € 000	7,641	4,310	-2,822	6,884	-22,168
- % of net sales	7%	4%	-3%	7%	-18%
Net profit, € 000	5,228	2,850	-4,067	4,024	-22,452
- % of net sales	5%	3%	-4%	4%	-18%
Return on equity, %	14%	8%	-10%	10%	-42%
Return on investment, %	16%	9%	-4%	11%	-29%

Financing and financial standing					
Loans from financial institutions, € 000	13,513	16,245	16,883	19,849	21,872
Cash and cash equivalents, € 000	6,710	5,132	6,454	8,283	8,170
Net gearing, %	17%	30%	29%	28%	34%
Equity ratio, %	54%	51%	50%	53%	48%
Cash flow from operations, € 000	6,679	1,824	4,855	19,946	8,842
Dividends (paid) *	1,039	2,082	2,082	2,077	5,577
Earnings per share, EUR undiluted	0.25	0.14	-0.20	0.19	-1.08
Earnings per share, EUR diluted	0.25	0.14	-0.20	0.19	-1.08
Equity per share	1.96	1.76	1.73	2.01	1.90
Dividend per share (proposal for 2015)	0.08	0.05	0.10	0.10	0.10
Dividend payout ratio	-	36%	-	53%	-
Effective dividend yield	-	2%	3%	4%	4%
Price/earnings ratio (P/E)	28.04	19.0	-	13.79	-
Lowest share price	2.74	2.66	2.65	2.28	2.30
Highest share price	7.47	4.59	4.34	3.30	5.79
Average share price	4.05	3.79	3.19	2.82	3.88
Market capitalisation	146,338	55,529	81,624	54,694	50,519
Trading volume, shares	7,652,995	3,864.505	4,095,297	1,652,971	7,135,305
Trading volume, %	37%	19%	20%	8%	34%

*In 2012 and 2014, repayment of capital instead of dividends.

The weighted average number of shares during the accounting period, adjusted for share issues, was 20,768,097. The diluted weighted average number of shares during the period was 20,768,097. The number of shares outstanding at the end of the accounting period was 20,741,144. At the year-end, the company held 57,372 of its own shares.

Calculation of Financial Ratios

Return on investment (ROI), %:

$$\frac{\text{(Profit or loss before taxes + interest and other financing costs) x 100}}{\text{Balance sheet total – non-interest bearing liabilities (average)}}$$

Return on equity (ROE), %:

$$\frac{\text{(Profit or loss before taxes – taxes) x 100}}{\text{Shareholders' equity + minority interest (average)}}$$

Equity ratio, %:

$$\frac{\text{(Shareholders' equity + minority interest) × 100}}{\text{Balance sheet total – advance payments received}}$$

Earnings per share:

$$\frac{\text{Earnings before extraordinary items and taxes – taxes +/- minority interest}}{\text{Average number of shares during the period, adjusted for share-issues}}$$

Dividend per share:

$$\frac{\text{Total dividend}}{\text{Number of shares at the end of the period, adjusted for share-issues}}$$

Dividend payout ratio, %:

$$\frac{\text{Dividend per share x 100}}{\text{Earnings per share}}$$

Net gearing:

$$\frac{\text{(Loans from financial institutions – cash, bank receivables and financial securities) × 100}}{\text{Shareholders' equity}}$$

Effective dividend yield, %:

$$\frac{\text{Dividend per share} \times 100}{\text{Last trading price for the period, adjusted for share issues}}$$

Price/earnings ratio (P/E):

$$\frac{\text{Last trading price for the period, adjusted for share issues}}{\text{Earnings per share}}$$

Parent Company's Income Statement (FAS)

€	Note	1 Jan–31 Dec 2015	1 Jan–31 Dec 2014
Net sales	1	7,920,000.00	6,724,226.00
Other operating income	2	30,960.00	29,650.00
Personnel expenses	3	-4,184,612.35	-3,676,981.00
Depreciation, amortisation and impairment	4	-276,247.07	-422,557.76
Other operating expenses	5	-2,912,572.54	-2,497,266.38
		-7,342,471.96	-6,567,155.14
Operating profit		**577,528.04**	**157,080.86**
Financial income and expenses	6	-189,383.40	-1,762,067.34
Earnings before extraordinary items and taxes		**388,144.64**	**-1,604,996.48**
Extraordinary items		3,000,000.00	3,800,000.00
Earnings before tax		**3,388,144.64**	**2,195,003.52**
Income taxes	7	-615,729.61	-420,520.88
Net profit		**2,772,415.03**	**1,774,482.64**

Parent Company's Balance Sheet (FAS)

€	Note	31 Dec 2015	31 Dec 2014
ASSETS			
FIXED ASSETS			
Intangible assets	8		
Intangible rights		324,554.36	546,965.27
Other long-term expenses		45,985.99	-
		370,540.35	546,965.27
Tangible assets	9		
Land and water areas		16,818.79	16,818.79
Buildings and structures		64,286.23	70,579.69
Machinery and equipment		129,674.13	51,476.46
Permanent fixed assets		1,210.95	1,210.95
		211,990.10	140,385.89
Financial assets	10		
Shares in Group companies		113,577,840.00	113,615,633.85
Other shares and holdings		606,292.32	606,292.32
		114,184,132.32	114,221,926.17
Total fixed assets		**114,766,662.77**	**114,909,277.33**

CURRENT ASSETS			
Current receivables	11		
Receivables from Group companies		1,053,198.66	1,753,876.23
Other receivables		96,751.53	183,965.33
Prepayments and accrued income		170,080.92	260,057.43
		1,320,031.11	2,197,898.99
Cash and cash equivalents		3,071,583.22	1,658,539.95
Total current assets		**4,391,614.33**	**3,856,438.94**
Total assets		**119,158,277.10**	**118,765,716.27**

€	Note	31 Dec 2015	31 Dec 2014
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Equity attributable to parent company shareholders	12		
Share capital		2,087,564.50	2,087,564.50
Issue premium fund		7,899,485.80	7,899,485.80
Unrestricted shareholders' equity reserve		31,370,258.22	31,370,258.22
Retained earnings		72,104.05	-552,222.85
Net profit		2,772,415.03	1,774,482.64
Total shareholders' equity		**44,201,827.60**	**42,579,568.31**
LIABILITIES			
Non-current liabilities			
Loans from financial institutions	13	7,500,000.00	9,000,000.00
		7,500,000.00	9,000,000.00
Current liabilities			
Accounts payable	14	237,374.15	159,513.14
Interest-bearing liabilities		4,500,000.00	6,000,000.00
Liabilities to Group companies		60,543,397.78	60,299,652.48
Other liabilities		512,933.55	85,938.37
Accruals and deferred income		1,257,439.79	641,043.9
Taxes based on the net result for the year		405,304.23	-
		67,456,449.50	67,186,147.96
Total liabilities		**74,956,449.50**	**76,186,147.96**
Total shareholders' equity and liabilities		**119,158,277.10**	**118,765,716.27**

Parent Company's Cash Flow Statement (FAS)

€ 000	1 Jan–31 Dec 2015	1 Jan–31 Dec 2014
Cash flow from operations:		
Net profit	3,388	2,195
Adjustments to net profit	-2,317	-1,746
Change in working capital	1,527	-416
Interest paid	-300	-420
Interest income	38	0
Taxes paid	-201	-192
Net cash flow from operations	**2,026**	**-578**
Cash flow from investments:		
Purchase of tangible and intangible assets	-134	-314
Acquisition of subsidiary, net of cash acquired	-868	-
Cash flow from investments	**-1,002**	**-314**
Cash flow from financing:		
Proceeds from share issue	-	-
Acquisition of own shares	-386	-183
Repayments of current loans	0	0
Repayments of non-current loans	-3,000	-4,797
Withdrawals of current loans	0	3,000
Withdrawals of non-current loans	0	1,297
Group financing items (1	4,813	3,591
Dividends paid and other profit distribution	-1,039	-2,077
Cash flow from financing	**388**	**830**

Change in liquid assets	**1,413**	-61

Liquid assets at beginning of period	**1,659**	1,720
Change in liquid assets	1,413	-61
Liquid assets at end of period	**3,072**	1,659

(1 Group financing items comprise changes in loans and receivables between the parent company and its subsidiaries.

Basic Information on the Parent Company and Accounting Policies (FAS)

Basic information on the company

Digia Plc is the parent company of the Digia Group. It is domiciled in Helsinki and its registered office is at Valimotie 21, 00380 Helsinki. Digia Plc's active subsidiaries are Digia Finland Oy, The Qt Company Oy and Digia Sweden AB.

Accounting policies

The parent company's financial statements have been prepared in accordance with Finnish Accounting Standards (FAS). The financial statements are based on original acquisition costs. Book values based on original costs have been reduced to correspond to fair value as necessary.

Since 1 June 2005, the parent company has operated as the Group's administrative company and charged the Group companies for services rendered.

Pension schemes

The Group's pension schemes are arranged through a pension insurance company. Pension premiums and expenses allocated to the financial period are based on confirmations received from the insurance company. Pension expenses are recognised as expenses for the year in which they arise.

Leasing payments

Leasing payments are recognised as annual expenses.

Extraordinary items

Extraordinary income and expenses include substantial non-recurring income and expenses not associated with actual business operations. In the reporting period 2015, Group contributions received were recognised as extraordinary items.

Fixed assets, depreciation and amortisation

Fixed assets are recognised in the balance sheet at immediate cost less planned depreciation and amortisation.

The economic lives underlying planned depreciation and amortisation are as follows:

Intangible assets	
Immaterial rights	3–5 years
Other long-term expenses	3–5 years

Tangible assets	
Buildings and structures	25 years
Machinery and equipment	3–8 years

Purchases of fixed assets with an economic life of less than three years are recognised as annual expenses.

Notes to the Parent Company's Financial Statement

1. Net sales

Net sales by segment

€ 000	2015	2014
Group administration services	7,920	6,724
Group total	**7,920**	**6,724**

Notes to the Parent Company's Financial Statement

2. Other operating income

€ 000	2015	2014
Other operating income	31	30

Notes to the Parent Company's Financial Statement

3. Information on personnel and governing bodies

€ 000	2015	2014
Board emoluments and remuneration and CEO's compensation	852	603
Other salaries and remunerations	2,803	2,512
Pension insurance premiums	433	462
Other personnel expenses	96	101
Total	**4,184**	**3,677**

Number of personnel, 31 December	2015	2014
Management and administration	34	34
Total	**34**	**34**

Notes to the Parent Company's Financial Statement

4. Depreciation, amortisation and impairment

€ 000	2015	2014
Planned depreciation and amortisation		
Property, plant, and equipment, and intangible assets	276	423
Total	**276**	**423**

Notes to the Parent Company's Financial Statement

5. Auditors' fees

€ 000	2015	2014
Audit	122	137
Other statutory duties	6	-
Tax counselling	1	5
Other services	66	48
Total	**194**	**187**

Notes to the Parent Company's Financial Statement

6. Financial income and expenses

Financial income

€ 000	2015	2014
Interest and financial income from Group companies	835	8
Interest and financial income from others	1	185
Total	**836**	**192**

Financial expenses

€ 000	2015	2014
Interest expenses to Group companies	536	643
Interest expenses to other companies	293	349
Loan administration fees	78	92
Impairment on investments in fixed assets	0	801
Other financial expenses	118	70
Total	**1,025**	**1,954**

Notes to the Parent Company's Financial Statement

7. Income taxes

€ 000	2015	2014
Income taxes on operations	16	-339
Income taxes on extraordinary operations	600	760
Total	**616**	**421**

Deferred tax assets arising from accrual differences and from temporary differences between book values and taxation values are unrecorded in the Statement of Financial Position, in accordance with the principle of materiality. Deferred tax assets totalled EUR 164,641.90 at the end of the fiscal year.

Notes to the Parent Company's Financial Statement

8. Intangible assets

€ 000	Intangible rights	Other long-term expenses	Total 2015	Total 2014
Acquisition cost, 1 January	5,223	655	5,878	5,627
Additions	10	51	61	607
Disposals	-	-	-	-356
Acquisition cost, 31 December	5,233	706	5,939	5,878
Accumulated depreciation and amortisation, 1 January	-4,676	-655	-5,331	-4,929
Depreciation	-233	-5	-238	-402
Accumulated depreciation and amortisation, 31 December	-4,909	-660	-5,569	-5,331
Book value, 1 January	547	-	547	697
Book value, 31 December	325	45	371	547

Notes to the Parent Company's Financial Statement

9. Property, plant and equipment

€ 000	Land and water areas	Buildings and structures	Machinery and equipment	Total 2015	Total 2014
Acquisition cost, 1 January	17	162	1,908	2,087	2,027
Additions	-	-	110	110	60
Acquisition cost, 31 December	17	162	2,018	2,197	2,087
Accumulated depreciation and amortisation, 1 January	-	-92	-1,856	-1,948	-1,927
Depreciation	-	-7	-32	-38	-21
Accumulated depreciation and amortisation, 31 December	-	-99	-1,888	-1,986	-1,948
Book value, 1 January	17	71	51	140	100
Book value, 31 December	17	64	130	211	140

Notes to the Parent Company's Financial Statement

10. Financial assets

€ 000	Investments in subsidiary shares	Other shares and holdings	Total 2015	Total 2014
Acquisition cost, 1 January	113,613	606	114,222	114,219
Additions	-	-	-	3
Disposals	-38	-	-38	-
Acquisition cost, 31 December	113,578	606	114,184	114,222
Book value, 1 January	113,613	606	114,222	114,219
Book value, 31 December	113,578	606	114,184	114,222

Itemisation of other shares and holdings

Group companies	Domicile	Domestic operations	Share of ownership	Share of votes
Digia Hong Kong Ltd	Hong Kong	China	100%	100%
Digia Estonia Oü	Tallinn	Estonia	100%	100%
Digia Sweden AB	Stockholm	Sweden	100%	100%
Digia Finland Oy	Helsinki	Finland	100%	100%
The Qt Company Oy	Helsinki	Finland	100%	100%

Other shares and holdings	€ 000
Kiinteistö Oy Rukan Kuukkeli	62
Kytäjä Golf Oy	39
Vierumäki Golf Oy	17
Vierumäki Golf Club Oy	35
Vierumäen Loma-aika Oy	138
Vierumäen Kuntoharju Oy	270
Rikunniemen Huolto Oy	6
Tahko Golf Club Oy	39
Total	**606**

Notes to the Parent Company's Financial Statement

11. Current receivables

€ 000	2015	2014
Receivables from Group companies		
Accounts receivable	186	41
Prepayments and accrued income	867	1,060
Borrowings	-	653
Other receivables	97	184
Prepayments and accrued income	170	260
Total	**1,320**	**2,198**

Notes to the Parent Company's Financial Statement

12. Shareholders' equity

€ 000	2015	2014
Share capital, 1 January	2,088	2,088
Share capital, 31 December	2,088	2,088
Premium fund, 1 January	7,899	7,899
Premium fund, 31 December	7,899	7,899
Total restricted shareholders' equity	9,987	9,987
Unrestricted shareholders' equity reserve, 1 January	31,370	33,448
Repayment of capital	-	-2,078
Unrestricted shareholders' equity reserve, 31 December	31,370	31,370
Accrued earnings, 1 January	1,406	-554
Dividends	-1,039	-
Own shares	-388	-183
Share-based payments	92	185
Accrued earnings, 31 December	72	-552
Net profit	2,772	1,774
Total unrestricted shareholders' equity	34,215	32,593
Total shareholders' equity	**44,202**	**42,580**

Distributable funds 31 December

€ 000	2015	2014
Unrestricted shareholders' equity reserve	31,370	31,370
Retained earnings	72	-552
Net profit	2,772	1,774
Total	**34,215**	**32,593**

Notes to the Parent Company's Financial Statement

13. Non-current liabilities

€ 000	2015	2014
Loans from financial institutions	7,500	9,000
Total	**7,500**	**9,000**

Notes to the Parent Company's Financial Statement

14. Current liabilities

€ 000	2015	2014
Interest-bearing		
Interest-bearing liabilities	4,500	6,000
Liabilities to Group companies		
Borrowings	57,417	57,350
Total interest-bearing current liabilities	**61,917**	**63,350**
Liabilities to Group companies		
Accounts payable	92	389
Accruals and deferred income	3,035	2,561
To others		
Accounts payable	237	160
Other liabilities	513	86
Accruals and deferred income	1,663	641
Total interest-free current liabilities	**5,540**	**3,836**
Total current liabilities	**67,456**	**67,186**

Material items included in accrued expenses arise from the accrual of holiday pay, accrued provisions for salaries and fees and allocation of tax on taxable income.

Notes to the Parent Company's Financial Statement

15. Contingent liabilities

Lease liabilities

€ 000	2015	2014
Due during the current financial period	197	187
Due later	137	188
Total	**334**	**375**

Other lease liabilities

€ 000	2015	2014
Due during the current financial period	2,746	3,404
Due later	7,351	3,064
Total	**10,097**	**6,468**

Mortgages and shares given as collateral

€ 000	2015	2014
Loans from financial institutions	12,000	15,000
Business mortgages	59,800	59,800
Pledged shares, book value	111,455	111,455

Other liabilities

€ 000	2015	2014
Collateral pledged for own commitments		
Other	1,024	317
Total	**1,024**	**317**

Signatures to the Board's Report and Financial Statement

Helsinki, 3 February 2016

Pertti Kyttälä
Chairman of the Board of Directors

Robert Ingman

Päivi Hokkanen

Seppo Ruotsalainen

Leena Saarinen

Tommi Uhari

Kai Öistämö

Juha Varelius
CEO

Auditor's note

A report of the audit has been submitted today.

Helsinki, 3 February 2016

KPMG Oy Ab

Virpi Halonen
Authorised Public Accountant

Auditor's Report

To the Annual General Meeting of Digia Plc

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Digia Plc for the year ended 31 December, 2015. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the company's financial statements and the report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki February 3, 2016

KPMG Oy Ab

Virpi Halonen
Authorized Public Accountant

List of Accounting Books

Accounting books	Storage method
Journals	Electronic archive
General ledger	Electronic archive
Accounts receivable	Electronic archive
Accounts payable	Electronic archive
Payroll	Electronic archive
Travel Invoices	Electronic archive
Balance sheet book	Separately bound
Itemisations of balance sheet	Electronic archive
Voucher types and method of storage	Until 1 January 2020
Eurocard vouchers	Paper documents
Accruals	Electronic archive
Bank receipts	Paper documents
Travel and expense invoices	Electronic archive
Sales invoices	Paper documents
Sales payments	Electronic archive
Memoranda	Paper documents
Purchasing invoices	Electronic archive
Payments of purchases	Electronic archive
Payroll receipts	Paper documents
Tax account receipts	Paper documents

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