

A photograph of three people in a modern office environment. A woman with blonde hair, wearing a black top and a grey patterned scarf, is sitting on a white-framed rocking chair with a dark grey seat, leaning forward and smiling. To her right, a man in a light grey sweater over a blue and white striped shirt is also sitting on a similar rocking chair, leaning forward and smiling. In the background, another man with glasses and a blue shirt is sitting on a rocking chair, looking towards the camera. The office has large windows, a red umbrella-shaped light fixture, and a small white table with a laptop and a cup. A glass of iced coffee is in the foreground on the right.

# Digital Business Innovator

Annual Report 2017

digia

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# A digital business innovator for a smoother running society

For Digia, 2017 was a year of renewal and accelerating growth. Our net sales rose by over 11 per cent. We implemented several outstanding projects with our customers. I would like to thank all of our customers, personnel and partners for this. Our aim is to keep growing and substantially improve our profitability. Our growth is being supported by both the digitalisation trend and Digia's unique market position.

**D**igitalisation is a significant change driver and an opportunity for our customers' business. It is not a new phenomenon, but part of a development arc leading towards a more seamless union of humans and technology. We can see a clear trend in the market – demand is increasingly shifting from the implementation of isolated services towards the provision of end-to-end service packages. Customers view digitalisation not just as the development of individual isolated services, but as a kickstarter for changing their entire business. Our customers want new services to be a seamless component in their IT system, and to feel secure in the knowledge that their systems are on the right development track and are covered by continual 24-7 maintenance support. Services are a critical aspect of business.

The aforementioned trend supports Digia's growth. In addition to our unique market position, Digia's status as a sufficiently large and broad-based expert gives us a solid foundation on which to nurture our existing and evolving customer relationships. Digia is a digital business innovator. We design services for our customers with a view to customer experience, agility, and sustainable development. It may be difficult to predict the future, but we are sure that the capacity for change will be a vital success factor in business. We can be of service to our customers in this, by providing them with digital agility: we have top experts and are a pioneer in flexible integration solutions.



During 2017, we continued to strengthen our market position by enhancing our operating models. Our objective is to be an even stronger, customer-oriented service provider and a long-term partner to our customers. The main changes we have made in our operating methods include a new company-wide account management model and restructuring the processes in our service business. These changes seek to further enhance our customer experience, quality, and cost-effectiveness. We also supported these changes to our operating model with organisational changes and new members in the Digia Management Team.

In addition to making continual developments to our product and service offering, we also strengthened our business via two corporate acquisitions during 2017. With the acquisition of Omni Partners Oy, we strengthened our position in the digital services market and bolstered our digital services resources to support service design and e-commerce. The acquisition of Integration House Oy strengthened our expertise in modern integration and API solutions. Smart integration is one of the keys to a company's capacity for technological change. We are a pioneer in integration solutions with a recognised status in the integration market.

During 2017, our payroll increased to over 1,000 professionals, which is a firm foundation for a reliable and broad-based digital business expert. Our skilled and motivated personnel are a prerequisite for success, and also give us a competitive edge. Competence development mainly occurs in conjunction with everyday work and is supported by training. We actively engage in training and, for example, organised over 200 different training events through the Digia Academy in 2017.

We are developing Finnish society together with our customers. In 2017, we participated in significant digitalisation projects in the public sector. We are proud of this ongoing work. An interesting example of everyday digital life is our 112 Finland app, which has been expanding rapidly with a total of about 1.5 million downloads to date.

It's great to be developing the future as a digital business innovator for a smoother running society. We will continue to innovate, design and implement technological solutions together with our customers. We offer versatility, compatibility and profound expertise in organisations' core processes and their supporting operational systems, and these are the factors that will make us stand out from our competitors – both now and in the future.



Timo Levoranta  
President and CEO

# Digia in brief

Digia is a digital business innovator. We innovate, design and implement technological solutions together with our customers. We provide expertise and products for digital services, e-commerce, enterprise resource planning, and the utilisation of information. Seamlessly integrated solution packages are our strength.

**D**igia's software and services play a major role in society. One of our major assets is our knowledge and understanding of the core processes of various organisations, and of their supporting operational systems and integrations. By providing digital business services, Digia is able to assume a greater role in customers' value chains.

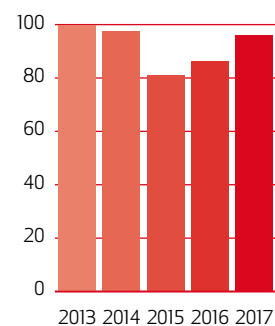
Our service model covers consultation, service design, development partnerships, continuous services, and more. We have industry expertise in commercial, logistics and industrial sectors, in the public sector, and in banking and insurance.

Digia's net sales totalled EUR 96.2 million in 2017. The project business accounted for 52 per cent and the service and maintenance business for 48 per cent of net sales. The product business accounted for 25 per cent of the company's net sales.

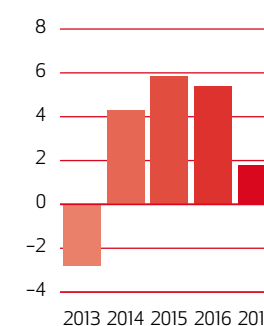
At the end of 2017, we had 1,005 employees working at seven locations in Finland (Helsinki, Jyväskylä, Oulu, Rauma, Tampere, Turku and Vaasa) and in Stockholm, Sweden. Our headquarters are located in Helsinki.



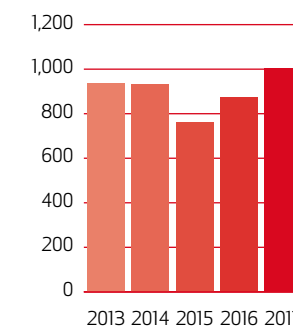
Net sales, EUR million



Operating result, EUR million



Number of employees 31.12.



The figures of 2013–2014 include the Qt business.

## Digia's service areas

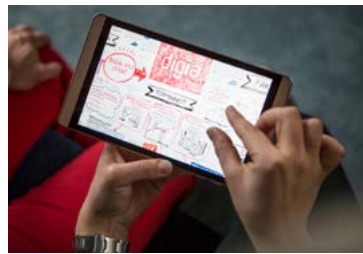
Our software and services play a major role in society. They have been designed to help people expand the horizons of their daily lives and make the most of every day. We play an active role in Finnish society and significant corporate projects. Digia's integration skills and services are extensively harnessed in both the public sector and, for instance, the retail and finance sectors.

Digia reports on one business segment. Digia comprises four service areas: Digital Services, Integration and Information Management Services, Industry Solutions, and Financial Sector. These service areas are supported by Horizontal Services.



### Digital Services

We help our customers do better business by generating productive and effective customer encounters, and implementing outstanding digital services complete with information systems to support them.



### Industry Solutions

We adapt our offering to the industry. Industry Solutions designs and develops products and customised solutions that have an intrinsic industry perspective. We have solid expertise, especially in the commercial, service, logistics and industrial sectors, and also in the public sector.



### Information Management Services

As one of Finland's top integration and API companies, we successfully harness our customers' data, and use our analytics solutions to refine it and reveal important details and entities. We speed up access to information, and make data available for utilisation in a controlled manner wherever it is needed. In this way, we ensure the successful development of our customers' businesses and new digital services.



### Financial Sector

We help our customers in the financial sector to develop and enhance their business with our innovative solutions. Our DIFs product family is the market-leading solution for management companies, asset managers and stockbrokers. Digia has 30 years' experience in the financial sector.

- » Our services
- » Our solutions
- » Our industries

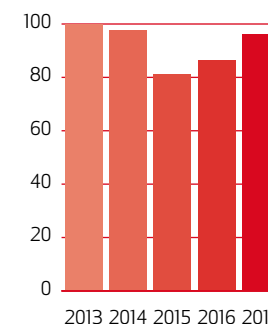
## Horizontal Services

Horizontal Services works across business-area borders to provide both Digia customers and our own organisation with efficient shared services and a good customer experience. Horizontal Services also seeks to accelerate change in Digia's operating methods, particularly with regard to our project and service business. Our horizontal services enable us to provide our customers with larger packages across business-area borders.

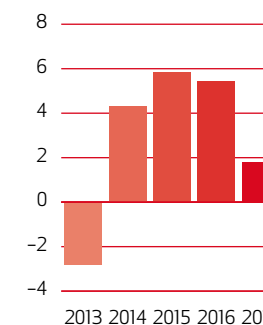
## Key indicators

EUR 1,000	2017	2016	Change, %
Net sales	96,221	86,463	11.3%
Operating result	1,846	5,419	-65.9%
– as a % of net sales	1.9%	6.3%	
Result for the period	968	4,064	-76.2%
– as a % of net sales	1.0%	4.7%	
Return on equity, %	2.5%	11.0%	
Return on investment, %	3.7%	11.0%	
Interest-bearing liabilities	16,630	13,686	21.5%
Cash and cash equivalents	11,858	1,994	494.6%
Net gearing, %	10.8%	35.6%	
Equity ratio, %	51.0%	49.8%	
Number of personnel, at period end	1,005	872	15.3%
Average number of personnel	954	810	17.7%
Shareholders' equity	44,130	32,814	34.5%
Balance sheet total	86,610	66,390	30.5%
Earnings per share	0.04	0.20	-79.2%

Net Sales, EUR million

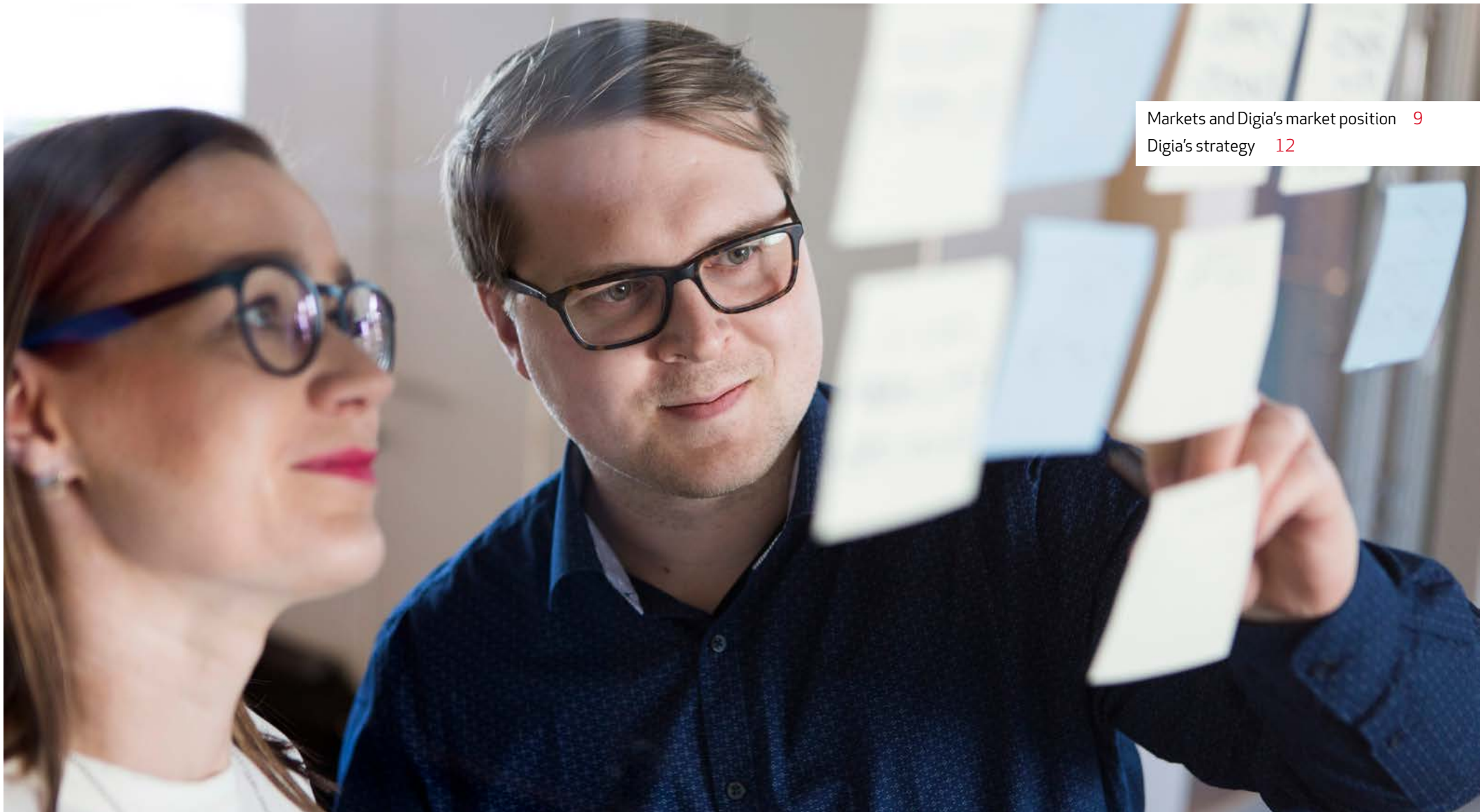


Operating profit, EUR million



The figures of 2013–2014 include the Qt business.

# Business environment and strategy



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# Markets and Digia's market position

Digia is a digital business innovator that primarily operates in the Finnish IT service and software market. Our customers are constantly looking for new ways to improve their customer experience and competitiveness. Digia stands out from its competitors by offering versatility, compatibility and profound expertise in organisations' core processes and their supporting operational systems.

In 2017, the Finnish IT service market had a total value of about EUR 3.6 billion and a growth rate of just under 2 per cent (source: Gartner Forecast, IT Services, Worldwide, 2015–2021, 2017/Q4 Update). Although Digia expects overall growth in the IT market to remain moderate, our major new service segments, such as digital services and e-commerce, are expected to grow significantly faster than the market as a whole.

The structure of the IT service market is undergoing a transition. As a consequence, IT investments are shifting from the upkeep and further development of traditional IT systems to the development of new digital services. The companies that generate added-value for their customers are those that not only understand their customer's business and earnings logic, but also have a strong understanding of their customer's industry and its trends. Service providers must likewise have credible and verified technical expertise and project management know-how. Therefore, being sufficiently large and having a good track record are vital competitive advantages.

Digia operates in this growing section of the IT market and primarily focuses on the delivery of new digital services, the integration of existing and new IT solutions, and industry-specific application solutions.



## Market trends support Digia's success

The key trends affecting Digia's business and the entire IT service market are digitalisation, more business-driven IT investments, and the growing importance of cloud services. These megatrends have given rise to many developmental trends that support our success.

### From experimentation to significant business

When working at the forefront of digitalisation, new ideas and technological opportunities are first tested with small, agile pilots. These experiments seek to ensure that these ideas are both functional and appealing to customers. However, an increasing number of organisations have already progressed from experimentation to overhauling their operative business to rely on new digital operating models, services and technical innovations. And this increasingly means more business-driven targets as well. The success of development projects is not evaluated solely on the basis of technical accomplishments – business indicators are instead used to evaluate the growth and profitability they have generated. The success of such projects plays a decisive role in a company's future success. Our industry expertise and profound understanding of our customers' business – right down to their core processes – give us the perfect resources to help our customers achieve their objectives.

### From individual services to complete business overhauls

As development projects that tackle digitalisation challenges shift from experiments to major business overhauls, the scope of projects widens from isolated services to a company's entire business and value chain. Companies must also be able to form complete packages with seamless connections between their own and their partners' services. Digia's services and solutions seamlessly integrate front-end 'customer experience' services with production systems and databases. We can also create digital business enablers, in the form of platforms and the interfaces that enable the formation of their ecosystems.

### IT services from the cloud like water from the tap

When it comes to resource, application and communications services, an increasing number of companies and organisations are shifting from their own IT infrastructure to the cloud. Cloud services provide more flexible and scalable solutions that can enable companies to save on costs and adopt new

services faster. These systems are therefore easier to maintain as well. Thanks to the cloud-based IT environment, the IT departments of the future will look entirely different. Digia's offering does not rely on traditional infrastructures – we are the natural partner for customers wishing to renew and adapt their IT environments as cloud-based services.

### Business-critical reliability and security

New services are becoming increasingly critical for business – for companies, the public sector and authorities alike. As sales and customer service move into digital channels, disturbances or service breaks in these systems can have a direct impact on sales or even prevent customers from receiving service. The requirements for operational reliability are increasing – service providers must offer more durable and higher-performance solutions, and be able to resolve unexpected disturbances 24-7. As these systems become more significant and more widely used, security also takes on increasing importance. Systems must be able to withstand intentional malicious attacks, comply with legislation, such as data protection requirements, and gain their users' confidence. Stolen digital property cannot be recovered and, once lost, neither can a customer's trust. Digia can ensure uninterrupted business-critical services every day of the year and every second of the day.

### Continual developments in a multi-vendor environment

A digital service is never finished and a customer experience can never be good enough. Rapidly advancing technology and changing customer preferences require the continual development of existing services and systems. Amid this slew of changing requirements, we keep our customers' systems and services up to date with continual service development based on the best possible management methods. Services are being even more closely integrated to provide seamless customer experiences, and this often requires cooperation between a number of different organisations, which in turn increases the complexity of the development management process. If you want to operate successfully in a multi-vendor environment such as this, choosing the correct provider is becoming increasingly vital. We believe that more and more customers are seeking a partner like Digia – a partner that can also coordinate and manage the developmental efforts of the entire provider base.

## Customer experience is key

The battle for the hearts and wallets of both consumers and corporate buyers is increasingly being fought with effortless and satisfying customer experiences. At Digia, we have a profound understanding of our customers' needs, and also the skills to shape this understanding into appealing solutions that effortlessly meet consumers' needs while also generating the desired business outcomes for service providers.

## Digia's market position

Digia's main competitors are system integrators with high net sales and an extensive range of services and end-to-end solutions. Our second set of major competitors are IT service providers that, while they have lower net sales, usually specialise and seek to claim market share from larger, established players by providing smaller and more customised partial solutions for major companies' IT packages.

Digia is more agile than the major system providers. Our competitive edge is based on our ability to provide a better overall service package than our smaller competitors while operating more agilely than our larger competitors. As a service provider, Digia operates between its main competitors with reliable resources, a comprehensive service offering, and the ability to react quickly to our customers' needs.

As a Finnish company, we can provide our customers with both the systems of a major company and help in adapting solutions and services to suit local conditions.



# Digia's strategy

As a visionary partner, Digia develops and innovates solutions that support business operations together with its customers. Our ability to provide solutions extends to our customers' core systems, enterprise resource planning, and the integration of business processes.

**D**igia published its growth strategy for 2016–2019 in spring 2016. This growth strategy seeks to strengthen the company's position, particularly in the growing markets for digital services, process digitalisation and the service business.

We want to grow at a significantly faster pace than the IT market, and are seeking average annual growth of 15 per cent during the strategy period. Digia is seeking growth both organically and inorganically from areas that are seeing stronger growth than the traditional IT market, such as digital services and process development. We are also expanding our international presence together with our customers. In addition to pursuing organic growth, Digia is also actively looking for other acquisition targets that would support its strategy.

Digia's long-term goal is to increase the service business's share of net sales through service contracts that track project phases.

The key themes of Digia's strategy for 2016–2019 are the digitalisation of services and processes, bolstering the service business, adapting our offering to selected industries, deep partnership with customers, and expert and enthusiastic employees.

## Digitalisation of services and processes

Digia combines customer knowledge and technological expertise to benefit its customers and develop business operations. We understand our customers' business and operating environment, and present visionary new ideas. We help our customers to create new operating methods and services.

## Service business

Digia forges long-term customer relationships and develops them innovatively with its customers. We commercialise purchased services, harmonise our offering, and create Digia-wide service models. Close and confidential cooperation enables our customer relationships to grow and evolve.

## Industry-specific portfolio

Digia commercialises industry-specific solutions from its own and third-party products. We create complete and tangible solutions that quickly generate value and are adapted to the needs of the industry in question.

## Customers

We continuously deepen our expertise in our customers' business operations. Digia fosters continuous and proactive dialogue with customers concerning different aspects of their business, with both IT and business management. We work with our customers with a view to innovation and development, seeking to ensure that our customers succeed in their own IT solutions.

## Digia employees

Digia has made personnel a key part of its strategy, as the best results are achieved by motivated professionals and effective teams. We support personal and team development. This is the basis for success, and bolsters an open and bold corporate culture that shoulders its responsibilities.

» You can read more about the progress of our strategy in 2017 in the Board of Directors' Report.



# Responsible Digia



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# Responsible Digia

Our responsible operations pay attention to the needs of customers, personnel, shareholders, and society. Digia's material areas of corporate responsibility are anti-bribery and corruption, employee wellbeing, retaining skilled personnel, data protection, and the environment.

**D**uring 2017, Digia defined the main spheres of influence in its corporate responsibility, and set targets for corporate responsibility. We have also assessed the corporate liability risks associated with our own operations and business relations, and have adequate and appropriate processes in place to predict and take precautions against these risks.

## The foundations of responsible operations

We regard corporate responsibility as a fixed aspect of our business, and seek to operate responsibly in all of our financial and social activities. Digia's responsibility is based on our own ethical principles, the UN's Universal Declaration of Human Rights, and the International Labour Organisation's (ILO) standards. However, in our changing business environment, responsibility is based above all else on the continual monitoring and improvement of our operations.

» Digia's report on non-financial information can be found in the Board of Directors' report



## Digia's ethical policy

### 1. Compliance with laws

We act in accordance with laws. We do not condone or participate in illegal activities of any kind.

### 2. Third party rights

We honor the proprietary rights of others as expressed in patents, copyrights, trademarks and industrial designs.

### 3. No corruption or bribery

We do not tolerate corruption or bribery of any kind.

### 4. Information security

We protect the safety and security of all information, materials, and equipment in our possession, whether our own, our customers' or our partners'.

### 5. Data privacy

We will protect the personal data of our employees, customers and partners.

### 6. Working conditions

We respect internationally proclaimed human- and labor rights. We care for the wellbeing of our employees. We uphold a safe and healthy working environment for all employees.

### 7. Care for the environment

We care for the environment. We encourage environmentally friendly solutions both in our business and in our working environment.

Each employee, regardless of their position in the organization, is expected to follow these guidelines and report any suspected violation.

# Ethical and transparent business

Awareness of, and compliance with, shared standards is an important element of Digia's responsibility. In 2017, we revised our ethical guidelines and drew up a new anti-bribery and corruption policy.

**D**igia does not condone bribery or corruption in any form. In late 2017, Digia published an internal anti-bribery and corruption policy that seeks to underline our serious take on bribery and corruption, and also to define rules and guidelines to promote ethical and legal business operations. We foster our reputation as an ethical company by creating awareness of the risks of bribery and corruption, such as their legal consequences, reputational risk, and the risk of exclusion from public-sector tenders.

Digia primarily operates in Finland and our operations mainly extend only to other low-risk countries as classified by Transparency International. However, Digia has foreign partners in countries where the risk of bribery and corruption has increased. We pay attention to bribery and corruption in our dealings with partners, and exercise extreme caution in the selection of our partners. We also require our partners to commit to compliance with anti-bribery and corruption legislation.

During 2018, Digia will organise training for personnel to help combat bribery and corruption. We will monitor the attendance rate for this training, and report further on it annually.

During 2017, Digia introduced a channel through which personnel can report any suspected violations related to bribery and corruption. These reports can also be made anonymously. All of the reports are forwarded to Digia's legal department for confidential handling.

Digia complies with legislation in its operations and neither condones nor participates in any kind of illegal activity. The company respects internationally recognised human and labour rights as well as cares for the wellbeing of its personnel, maintaining a safe and healthy working environment for all its employees. Digia has not performed a human rights assessment, but in the company's opinion there are no significant risks of human rights violations inherent in our own operations. Digia's supply chain does not, in the main, extend outside Finland.

## Data protection

Digia seeks a high level of data protection, data privacy and information security in all of its activities. This is also one of our customers' requirements. Digia is committed to protecting all of the data, materials and devices in our possession regardless of who they belong to – Digia, our customers or our partners. We respect the privacy of our personnel, customers and partners in everything we do. Protecting our customers' privacy is an important element of our customer relationships.

Digia has identified the following risks in its own operations with regard to privacy and data protection: reputational risk, contractual risk, and the risk of sanctions. We maintain a high level of data protection and information security by training our personnel, auditing our partners, and continually developing processes related to privacy and information security. Data protection and information security also form part of our personnel's induction training. In late 2017, Digia launched a separate, mandatory data protection training module on the EU General Data Protection Regulation for all personnel.

We continually supervise our privacy protection and information security practices, and update our operating models as required to counter threats and risks in the best possible way. Data protection is included in Digia's certified quality assurance system.

During 2017, we made a comprehensive analysis of the current state of our data protection with regard to products, services and internal processes. As a result of this analysis, we have revised our data protection policy and practices to meet the additional obligations brought by the EU General Data Protection Regulation (GDPR).

## Financial responsibility

Economic growth is achieved responsibly, fairly, and by taking environmental and social perspectives into consideration in our decision-making. For Digia, financial success is the basis of responsible action, as it creates the conditions necessary for social and environmental responsibility.

Sustainable and responsible financial management also enables us to safeguard and generate financial wellbeing for our stakeholders and Finnish society in the form of salaries, taxes and other payments. We foster long-term partnerships and supplier relationships. Digia is a significant employer in the Finnish ICT sector, employing 1,005 people on 31 December 2017. In addition to this, we worked with about 50 subcontractors, most of which operate in Finland.

Anti-bribery and corruption efforts also lie at the heart of financial responsibility, and likewise respecting human rights. Digia's Code of Conduct defines the shared operating principles by which every Digia employee is bound. More information about Digia's Code of Conduct can be found on page 16. We always comply with the legislation and regulations of the country in question. If our operating guidelines contain stricter requirements than those contained in a particular country's legislation, we will follow Digia's guidelines.

### Breakdown of economic benefits

The key direct cash flows in our business arise from salaries and social expenses, taxes, the procurement of goods and services, payments for financing companies and shareholders.

### Digia's tax footprint

A 'tax footprint' refers to the tax revenue and other tax-like payments accrued for society by a company's business. In addition to direct and indirect taxes,

Digia's tax footprint also includes the withholding tax and social security payments paid on employee salaries.

We comply with local legislation on the payment, collection, recognition and reporting of taxes. Filing accurate tax returns on time and handling our other statutory obligations both play a key role in this. Our tax footprint summary covers all tax and tax-like payments which Digia has a statutory obligation to either pay or collect.

Taxes and tax-like payments, EUR 1,000	2017	2016
Corporate tax	514	999
Indirect taxes	17,602	15,463
Withholding tax on salaries	15,360	14,240
Social security expenses	481	1,019
Total	33,957	31,721



# Heroes of the digital everyday putting their heart into making software

Skilled and motivated personnel are the cornerstone of Digia's success, and also give us a competitive edge. HR development is steered by our chosen strategy and the competence requirements arising from it. Digia's customer promises – together, with passion and as promised – also act as excellent principles for our personnel and a cornerstone for competence development.

**D**igia's success is based on skilled and motivated personnel who take good care of our customers. In 2017, we focused on making developments in areas such as competence, induction, workplace tribes, career paths, and task rotation.

We also introduced a new framework for coaching leadership in 2017. Coaching leadership provides support and training for Digia employees and, above all, supervisors in performance management, setting targets, overall competence development in business operations, and wellbeing in the workplace. The idea is to use models, processes and tools to help us further improve supervisory skills and personnel wellbeing, and to harmonise Digia's working environment.

At Digia, performance and wellbeing management are included in not only the early intervention model but also a variety of personnel plans, such as our training and equality plans. We support both our employees' and supervisors' ability to cope at work by monitoring working hours, through coaching and employee-supervisor discussions, and through close cooperation between supervisors and occupational healthcare. Through good supervisory work and regular target and development discussions, we seek to ensure a high level of both performance and work satisfaction. Successful leadership is also revealed by low sickness absence figures.

In order to meet our customers' requirements, we continued to develop competence at Digia Academies. Digia Academy organised more than 200 different training events during the year. When it comes to technical expertise, some of the most important channels for competence development are Digia's own competence development channels, particularly in our integration and analytics organisations.

There has been a strong upswing in API-based (Application Programming Interface) integrations and their versatile utilisation in a variety of sectors. The API Academy is a four-evening course arranged by Digia. In 2017, students and

experts worked in teams to plan solutions to current business challenges with the aid of API technology.

In our collaboration with shop stewards, we moved towards a form of cooperation that supports Digia's development on a united front. Regular cooperation meetings are held not only to fulfil statutory legislation but also to promote diversity and equality, fair and flexible working methods and conditions, and the development of both our organisation and our personnel experience.

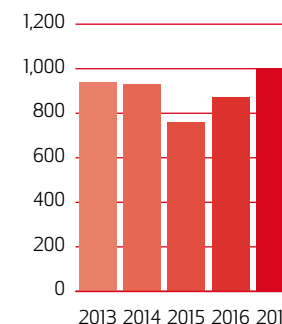
Induction was one of our top areas for development in 2017. On the basis of personnel feedback, and also to promote a smoothly running working environment, we paid particular attention to induction and everyday leadership. Digia personnel felt that target revision and sufficient one-to-one discussion were important.

## HR systems and models facilitate leadership and support supervisors in their daily digital tasks

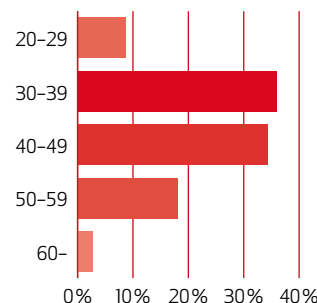
In 2017, we continued to develop our HR system to meet Digia's needs. This system makes up-to-date employment contract data more easily available to both supervisors and employees themselves. Supervisors are able to handle the entire lifecycle of an employment contract in cooperation with HR management and the IT organisation.

The data required for HR key indicators is transferred from the HR system to the reporting system, providing both supervisors and the IT organisation with up-to-date HR figures. Key indicators create transparency in routine management, and also enable our organisation to develop in cooperation with our business functions. Thanks to the new application, we have placed a variety of indicators at the disposal of our business functions, such as sickness absences and their warning limits, and the tracking of commitment and personnel turnover.

Number of employees  
31 December



Personnel distribution  
by age 31 December



## Employee satisfaction

Good leadership and supervisory work has been proven to have a direct impact on staff motivation and wellbeing in the workplace and, consequently, the entire organisation's productivity and customer satisfaction. Employee turnover in 2017 was 10.8%.

Personnel satisfaction surveys are conducted annually at Digia. The response rate to our personnel satisfaction survey was once again excellent, rising to 85 per cent in 2017 (2016: 83 per cent). Personnel satisfaction itself was also good, standing at 3.64 on a scale of 1–5 (2016: 3.60). Positive trends were seen in supervisory work, learning, and bold renewal in particular.

The 2017 personnel satisfaction survey showed an improvement in the overall scores for working together and supervisory work. At Digia, 'working together' means that we can always trust our colleagues to give us help and support; that employees consider their supervisors to be fair and find them easy to talk to; that we pull together to succeed in our own projects and generate success for customers; and that cooperation between Digia's various organisations and services is seamless. Supervisory work as a whole was also measured, including an evaluation of supervisors' interpersonal skills and decision-making. Successful target and competence development discussions were also assessed, and supervisors were expected to steer and encourage new ideas and approaches within their teams.

Compared to the 2016 survey, the greatest improvements and most favourable results were seen in areas relating to the working community. Our personnel feel that we successfully share expertise and knowledge, know how to identify and harness people's different abilities, are enthusiastic and take the initiative, and want to develop our operations.

## Recruitment and task rotation

The number of Digia employees rose to 133 in 2017. We published almost 100 job advertisements and received about 1,500 applications via our recruitment system. We also received numerous contacts both by email and through our networks and executive search partners. We contacted hundreds of candidates via social media and recommendations.

In 2016, we launched measures to develop our recruitment processes and promote Digia's recognition, and these continued in 2017. We studied factors relating to our employer image and launched measures to communicate them. We monitored our employer image in workshops and through our internal

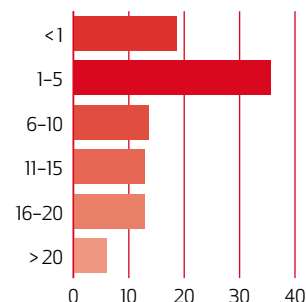
communications channel (Yammer) to find out why our employees like working for us. We then used this information to define Digia's EVP (Employee Value Proposition), that is, what our promise offers to both current and potential employees. The results can be summarised as follows: Digia is a flexible employer and we have room for different kinds of personalities. Digia also offers varied and diverse tasks that personnel can influence. These are the factors we highlighted in our recruitment communications, for example, our videos, blogs, articles and visual identity, and through our series of career stories, 'Digia's Everyday Heroes'.

During 2017, we introduced new recruitment channels, built a variety of websites targeted at software developers, and harnessed social media more effectively in our recruitment campaigns. We were involved in numerous recruitment events, trade fairs, meetups, training sessions, and hackathons. We also arranged campaigns, events, and training ourselves, such as the Integration Academy and API Hackathon, with recruitment in mind. We developed our applicant experience by gathering feedback and improving our communications with applicants. We also enhanced the efficiency of our internal recruitment and recruitment forecasting by introducing a recruitment 'ticket system' in conjunction with resourcing.

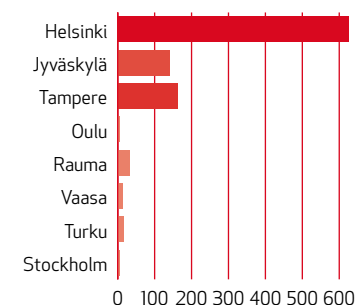
During 2017, we continued our active cooperation with institutions of higher education, particularly in Helsinki, Tampere and Jyväskylä. We signed new agreements with university guilds and student organisations, and the Aalto University Student Union. In addition to visibility, our cooperation also involved visiting establishments to give lectures, adapting curricula, marketing our open positions, and offering students trainee placements and thesis topics. We also arranged our traditional Career Compass breakfasts for students and recent graduates in Helsinki, Tampere and Jyväskylä.

Our goal for 2018 is to continue improving our personnel experience. The most important areas are: continuing to work together, successful leadership and further enhancing the quality of supervisory work, setting meaningful business goals for each Digia employee, sufficient and successful induction particularly in work and project management, and ensuring sufficient competence. Our near-future goals also include harnessing digitalisation in competence development, and particularly in supervisory work and induction.

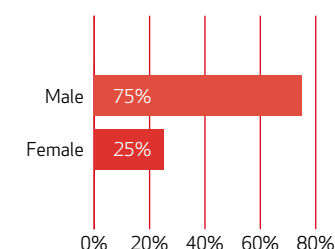
Personnel distribution by years of service 31 December



Personnel distribution by office 31 December



Distribution by gender 31 December



# We make our customers shine in digital environments

We want to be a reliable partner that genuinely cares for our customers. We seek long-term, evolving partnerships and deep collaboration – and the most satisfied customers in the sector. By combining an understanding of our customers' business and business environment with our technological expertise, we can generate visionary new ideas and achieve the benefits sought by our customers with the aid of technological solutions.

**D**igia's experienced, professional and customer-oriented personnel help to create new services and working methods for our customers. We are a partner to our customers in sectors such as energy, retail, labour unions and unemployment funds, the service industry, the manufacturing industry, the public sector, social and healthcare services, banking and investment services, wholesale, food, insurance, telecommunications and logistics.

Digia is seeking to forge long-term customer relationships that will evolve into partnerships. Close cooperation enables an even deeper understanding of our customers' business, and thereby also strategic development. As a Finnish company, we are familiar with our customers' business environment and are aware of the specific changes occurring within it. It is also easy for us to provide local assistance to implement solutions and services.

## Developing our customer experience

Our customer experience management seeks to improve customer satisfaction and loyalty, and to increase additional purchases and recommendations. These will enable us to grow our business and create even more profitable customer relationships.

We continually monitor developments in our customer satisfaction, and utilise feedback in the development of our services and operating methods. Rather than engaging in one-way communications, we seek to forge long-term partnerships based on mutual dialogue. Developing our customer experience is one of our most important strategic projects.

## Developing and revising our account management model

At the beginning of 2018, we introduced a new account management model that describes the key operating principles and practices that we apply when working with our customers. This update seeks improved customer satisfaction, higher quality, and greater efficiency.

Our new customer classification system and account management model clarify and unify responsibilities, and ensure that Digia's organisation, steering, decision-making and processes form a single uniform interface from our customers' perspective. This model will enable us to work together with our customers, with passion and as promised – that is, to further improve customer satisfaction.

## Measuring customer satisfaction and developing our customer experience

Measuring customer satisfaction is an important aspect of developing our customer experience. Digia measures customer satisfaction both face-to-face and via online questionnaires. We have been measuring customer satisfaction with project deliveries and customer service for years. In these customer surveys, success is mirrored against Digia's customer promises: expertise and passion, working together with a customer-oriented approach, and keeping our promises.

We further developed the measurement systematics for our customer experience during 2017. Since 2017, we have been splitting our surveys into those that concern customer relationships (Customer Relationship Satisfaction) and those that concern success in our practical cooperation (Delivery Satisfaction). A new form of measurement has also been introduced into the surveys, a Net Promoter Score (NPS), which reveals how likely a customer would be to recommend Digia to a friend or colleague on a scale of 0–10. Our NPS is monitored at half-yearly intervals.

Our process development target for 2018 is to increase the volume of survey responses and other feedback, and to further enhance the transparency of our reporting. We have used feedback to decide on appropriate development measures, and our 2018 surveys will now monitor both their progress and our customers' satisfaction with them.

## Digitality and our customers' daily business

In the examples below, our customers tell us what they think about digitalisation and the effect it has had on their business and daily lives. At Digia, we help our customers embrace the changes occurring in our digital daily lives.

### **Stl:** A fully cloud-based ERP solution provided as a service in Finland, Sweden and Norway – partnered with Digia

Thanks to the Dynamics 365 update Microsoft published at the end of last year, companies can now acquire their ERP system as a service. Stl is one of the early adopters of this new operating model. Stl's refinery in Gothenburg, Sweden will also use Dynamics 365 to procure spare parts and maintenance.

### **The Finnish Defence Forces:** The Finnish Defence Forces adopt Digia Salpa mobile communications encryption

Digia Salpa mobile communications encryption was installed and configured in line with the Defence Forces' demanding information security practices. Testing was carried out to ensure compliance. Digia Salpa was supplied to the Defence Forces as part of a solution package that also includes Bittium Tough Mobile smartphones and their related Bittium Secure Suite back-end system.

### **Hedengren:** When a varied assortment of systems becomes one

When Hedengren Oy modernised its ERP system, the company also took the opportunity to renew its business strategy, targets and processes. It was easy to include Digia Enterprise in these changes, and it now provides Hedengren with a single, versatile yet standardised system for all of the company's key functions.

### **Verisure:** Support when updating operating methods – a mobile app that increases customer understanding

Verisure, a company that provides home security services, wanted to increase its understanding of Finnish home security and provide an even better customer experience. Verisure worked with Digia to implement an app that supports wider-reaching changes in the company's operating method. Now Verisure receives valuable data that can be used to further enhance both its services and customer experience.

### **Vapo:** From theory to practice – a preliminary survey helped Vapo internalise the requirements of the GDPR

The EU's General Data Protection Regulation (GDPR) will enter into force in spring 2018. Vapo enlisted Digia's help to prepare for the obligations ushered in by the GDPR. The Digia Continuous Compliance Fast Track preliminary survey model yielded a comprehensive overview of all the data protection measures that Vapo would need to implement.

### **Halpa-Halli:** The steps to multi-channel retail

Halpa-Halli began charting the opportunities provided by the increasing pace of digitalisation and the importance of a multi-channel approach in the retail revolution. Digia built a multi-channel strategy and multi-channel business ecosystem for Halpa-Halli.

### **PAM:** A new member information system frees up employee resources to provide better service to members

Service Union United PAM set out to modernise its member information system due to the usability problems, outdated technology and integration challenges of its old system. PAM

also decided to take this opportunity to overhaul its operations. The new system was created in cooperation with PAM's long-term partner, Digia.

### **Bolt.Works:** A mobile app that changed an entire company

Briko Oy, a company specialising in labour hire for the construction industry, wanted to revolutionise the industry with a mobile app that would make it easier for employees and employers to find each other. The cooperation agreement signed with Digia resulted in the Bolt mobile app – which was so successful that the company rebranded itself as Bolt.Works Oy.

### **A-lehdet:** Additional resources for maintenance and development boost business growth

The A-lehdet Group wanted to both ease the pressure on their organisation and enable the growth of their digital business. They signed a cooperation agreement with Digia for a Support and Maintenance Service, and also for the minor and further development of their website. A total of 16 A-lehdet sites are now covered by Digia's support service.

### **Cloetta:** A mobile app speeds up and enhances quality in sales promotion

Cloetta needed to enhance automated reporting to include customer-specific tasks performed by occasional workers. The Digia Ote mobile app makes it a snap to report and monitor working hours and tasks. Wasting time filling out forms is a thing of the past.

)) You can read more customer stories on Digia's website, [www.digia.com](http://www.digia.com).



# Working with the best

Digia's products and services make extensive use of our partner network. This enables us to place the best technologies, tools and related expertise of our partner network at our customers' disposal.

**W**e cooperate with selected, leading technology partners. This enables us to provide the best solutions to meet our customers' needs. Our technology partners offer applications and products that work with Digia's own products and technologies. This cooperation enables our customers to reap even greater benefits from Digia products, services and solutions as they work seamlessly with our partners' technologies.

## Supported by an extensive network of partners

Microsoft has been one of Digia's key partners for more than a decade. Our partnership is actively steered and developed within the framework of Microsoft's partnership programme, so that Digia can offer its customers a selection of solutions that is as complete, comprehensive and updatable as possible.

IBM has also been Digia's technology partner for over a decade. Digia is an IBM Gold Business Partner, which means that we have demonstrated our expertise and success in delivering solutions. IBM technology is applied in many areas, such as multichannel e-service solutions, added value integration products and services, and industry-specific solutions that support business.

Our other partners include Amazon Web Services (cloud platforms), Progress (technology solutions) Magento (e-commerce platform), inRiver (product data management software), RichRelevance (webshop personalisation) and Episerver (software and publishing systems for network services and e-commerce).

Digia provides its partners reliable and wide-reaching expertise. When it comes to partnerships, Digia's ability to provide continuous services and SaaS-based solutions using partner technology makes Digia a very interesting player in the Finnish market. Digia invests in long-term partnerships, transparency, fair treatment, and commitment to achieving shared goals.



## Developing and updating our partnership model

We develop new, more effective ways for our customers to conduct their digital business and activities. We have the technologies, tools and related expertise afforded by our partner network at our disposal, and we harness this as required in the solutions we provide to our customers.

We engage in active, face-to-face dialogue with our partners to gather feedback and improve cooperation. Digia employs a multi-level partnership management model that includes strategic-level meetings and quarterly operative meetings. We also arrange weekly, commission-specific meetings whenever necessary. At these meetings, we run through our shared activities from the perspectives of both partners, and also decide on the launch and monitoring of any necessary follow-up measures.

During 2017, Digia has been analysing its partner network and charting its planned measures for 2018. Our target is to increase the volume of survey responses and other feedback, and to further enhance the transparency of our reporting. Particular attention will be paid to developing experience and operating methods, and feedback will play an important role in this.

## Subcontractors

Subcontractors play a significant role in Digia's business. We seek good, close relationships with our most important subcontractors, thereby ensuring that both parties enjoy a strong mutual understanding and are able to meet each other's expectations with regard to everything from processes to products and services. The majority of Digia's approximately 50 subcontractors operate in Finland.

In 2017, our subcontracting themes were making focused developments in subcontracting, providing better support for business requirements, the gradual consolidation of our subcontracting, and better monitoring of our subcontractors. Good progress was made in these areas during 2017. In 2017, we were able to harmonise our decentralised subcontractor management with the aid of contractual models, and by centralising procurements we were better able to make forecasts in our customer relationships. Using the nearshore model also helped us to consolidate our procurements in 2017. However, our development efforts are by no means over yet. We will continue these themes during 2018 with increased investments in centralised subcontractor management. One focal area for 2018 will be further improving our monitoring and measuring to create a more proactive model with better forecasting potential. Returning to the topic of centralisation, we will also be steering our subcontractor relations towards a partnership model instead of a transaction-based relationship.

We inform all of our suppliers, business partners and subcontractors of our zero tolerance for bribery and corruption at the outset of our business relations. Digia does not condone any kind of illegal activity. We assume that our subcontractors will comply with all of the appropriate legislation, and also take all of the necessary environmental, social, and occupational health and safety-related responsibilities. Digia already evaluates its major subcontractors on a regular basis. These assessments have not yet led to the implementation of any measures associated with environmental, social, or occupational health and safety-related responsibilities.

Subcontracting carries the personnel and expertise risks typical to Digia's business, as well as a delivery risk. These risks are managed in accordance with the procedures and processes described in Digia's routine risk management.

# We respect the environment

We are aware of, and concerned about, the welfare of our environment. We recognise the environmental effects of our operations and the measures required to improve the wellbeing of the environment. We encourage environmentally friendly choices in our business and working environments.

**D**igia cares for the environment and encourages environmentally friendly choices in its business operations and working environment. We strive to account for the environmental impact of our activities and to make environmentally friendly choices. We do not see any significant environmental risks associated with Digia's operations, and also consider ourselves a producer of added value in the area of environmental responsibility. The digital services and solutions provided by Digia help our customers to reduce their environmental impacts by, for example, enabling a paperless approach.

We offer our personnel the opportunity to impact the size of their own ecological footprint. We employ electronic communications to avoid unnecessary travel whenever possible, for instance, by using email and video or phone conferences to meet with customers, partners and other stakeholders.

Digia's premises are located next to good public transport connections. If travel is necessary, we encourage our employees to choose an environmentally friendly option. We also have HSL (Helsinki Regional Transport Authority) travel cards available for customer meetings in Helsinki. There are bike parks at all of Digia's premises and changing rooms at almost all of them.

## Procurement, waste, recycling, and electricity and water consumption

Whenever we are able to choose between an environmentally friendly or less ecological product, we favour the environmental option. We identify ways of decreasing our consumption of office supplies and other consumables, and increase recycling opportunities whenever possible. In our offices, we aim to recycle all recyclable materials, such as paper, cardboard, metals and organic waste. Our offices comply with local waste treatment regulations.

We have long been centralising our procurements, and purchases are only made when necessary. Our consumption of copy paper is relatively low.

As Digia's premises are located in leased properties, we do not monitor our electricity or water consumption.

## Increasing environmental awareness

Digia's headquarters in Helsinki is a WWF Green Office. The preliminary Green Office analysis was conducted in 2015. During this analysis, we studied areas such as environmental awareness, energy, traffic, procurement, waste, recycling, water, biodiversity, people, and environmental management. The office inspection went through additional areas, including Digia's Green Office targets and our action plan, and we also toured the office to see how Green Office principles had been taken into consideration. WWF granted Digia's Helsinki office the Green Office symbol in September 2016. Green Office status is granted for a period of three years at a time.

Digia has a Green Office intranet site aimed at all personnel and all locations. This site collates information about projects and targets, and also provides hints and tips for greener and more environmentally friendly daily life at the office. There are also links for our employees to test their consumption habits by answering the questions in our Consumption Barometer.

In 2017, our Green Office working group met quarterly to plan measures to boost environmental awareness. For instance, during the year we created clear guidelines for all our Finnish offices on which containers should be used for different types of waste, such as biowaste, glass and metal. We also arranged many different events and campaigns at our Helsinki office.

In 2018, we intend to increase our personnel's environmental awareness through a variety of campaigns.

# Corporate Governance



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# Digia Plc's Corporate Governance Statement 2017

## General

This Statement has been issued separately from the Report of the Board of Directors.

Digia Plc's (hereinafter "Digia") corporate governance system is based on the Companies Act, the Securities Markets Act, general corporate governance recommendations, the company's Articles of Association and its in-house rules and regulations on corporate governance. The company and this Statement adheres to the Governance Code for Listed Finnish Companies issued by the Finnish Securities Market Association, which entered into force on 1 January 2016. The Corporate Governance Code can be read on the Finnish Securities Market Association's website [www.cgfinland.fi](http://www.cgfinland.fi).

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

- The company complies with applicable legislation and regulations.
- When organising, planning, managing and running its business operations, the company abides by the applicable professional requirements that have been generally approved by its Board members, who demonstrate due care and responsibility in performing their duties.
- The company is prudent in the management of its capital and assets.
- The company's policy is to keep all parties in the market actively, openly and equitably informed of its businesses and operations.
- The company's management, administration and personnel are subject to the appropriate internal and external audits and supervision.

## General overview of governance

Responsibility for Digia's operations is held by the Shareholders' Meeting, Board of Directors, and the President and CEO assisted by the Group Management Team

Body		Control function	
SHAREHOLDERS' MEETING			
Board of Directors		Internal control	Audit
Audit Committee			
Group Management		Controller function	
Heads of business areas			
Written operating instructions			

## Shareholders' meetings

Digia's highest decision-making body is the Shareholders' Meeting at which shareholders exercise their voting rights on company matters. The Annual General Meeting (AGM) is held once a year before the end of June on a date set by the Board of Directors. Each company share entitles the holder to one vote at a Shareholders' Meeting.

The Annual General Meeting should convene annually within three months of the date on which the financial year ends. An Extraordinary General Meeting must 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 of the company's shares, for the purpose of discussing a specific issue.

The Finnish 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.

In order to participate in a Shareholder's Meeting, a shareholder must be entered in the Digia shareholder register maintained by Euroclear Finland Oy on the record date for the Shareholders' Meeting, and must also have registered for the meeting at the latest by the date given in the invitation.

The Chair of the Board, Members of the Board, auditor, anyone nominated for the Board, and the President and CEO should be present at Shareholders' Meetings.

The minutes of Shareholders' Meetings are available to shareholders on the company's website, [www.digia.com/en/investors/governance/annual-general-meeting](http://www.digia.com/en/investors/governance/annual-general-meeting) two weeks after the meeting. The decisions made at Shareholders' Meetings will also be published in a stock exchange release immediately after the meeting.

Shareholders have the right to add a relevant item (as specified in the Companies Act) to the agenda for the Shareholders' Meeting, as long as the request is made in writing to the Board of Directors in time for the item to be added to the notice of meeting. Digia will announce the date by which shareholders must present a requested AGM agenda item to the company's Board of Directors. This deadline will be published on Digia's website. The date will be announced at the latest by the end of the financial year preceding the Annual General Meeting.

The 2017 Annual General Meeting was held on 16 March 2017. More information about the decisions made at this meeting are available at [www.digia.com/en/investors/governance/annual-general-meeting](http://www.digia.com/en/investors/governance/annual-general-meeting). No Extraordinary General Meetings were held in 2017.

## Board of Directors

### Activities and tasks

The Board of Directors is elected by the Shareholders' Meeting, and is in charge of Digia's administration and the appropriate organisation of the company's operations. Under the Articles of Association, the Board of Directors must consist of a minimum of four and a maximum of eight members. The Nomination Committee will present the Shareholders' Meeting with its proposal for 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 of those members must also be independent of the company's

major shareholders. Neither the CEO nor other company employees working under the CEO's direction may 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 Chair and Vice Chair from amongst its members.

### Board Diversity Policy

The Board of Directors has defined a Board diversity policy. It states that the requirements of the company's size, market position and industry should be duly reflected in the Board's composition. The Board should include members of both genders. It should be ensured that the Board as a whole will always have sufficient expertise in the following areas in particular:

- the company's field of business;
- managing a company of similar size;
- the nature of a listed company's business operations;
- management accounting;
- risk management;
- mergers and acquisitions; and
- board work.

The composition of the 2017 Board of Directors was successfully in line with Digia's diversity policy.

### The Board of Directors' rules of procedure

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

- Good governance requires that, instead of needlessly interfering in routine operations, the Board of Directors should concentrate on furthering the company's short- and long-term strategies;

- The Board's general task is to steer the company's business with a view to maximising shareholder value over the long term, while taking account of the expectations of various stakeholder groups; and
- Board members are required to act on the basis of sufficient, relevant and up-to-date information in a manner that serves the company's interests.

The Board of Directors' rules of procedure cover the following tasks:

- 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 approving minutes;
- defines job descriptions for the Board's Chairperson, members and Secretary (the latter position is held by the General Counsel or, if absent, the CEO); and
- defines frameworks within which the Board may set up special committees or working groups.

The Board evaluates its activities and working methods each year, employing an external consultant to assist when necessary.

The Board convened a total of 16 times during 2017 with an attendance rate of 100 per cent.

### Independence of the members of the Board of Directors

The Board of Directors assesses the independence of its members on an annual basis. Of the aforementioned current members of the Board, Päivi Hokkanen, Martti Ala-Härkönen, Pertti Kyttälä and Seppo Ruotsalainen are independent of the company and its major shareholders. The last assessment noted Pertti Kyttälä's more than ten-year continuous membership of the Board. However, it was not deemed to affect his independence overall. Robert Ingman is independent of the company. Robert Ingman is not independent of the company's major shareholders due to his holdings in related parties.

## Board committees

During the 2017 financial year, Digia's Board of Directors had three (3) committees: the Compensation Committee, the Audit Committee, and the Nomination Committee.

These committees do not hold powers of decision or execution; their role is to assist the Board in decision-making concerning their areas of expertise. The committees report regularly on their work to the Board, which has decision-making and collegial responsibility over their actions.

### Audit Committee

The 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 any other financial information provided by the company comply with legislation and are balanced, transparent and clear. During the 2017 financial year, the Audit Committee consisted of Pertti Kyttälä (Chair), Seppo Ruotsalainen and Martti Ala-Härkönen. The committee convened four times during the year with full attendance.

### Compensation Committee

Digia's Compensation Committee is tasked with preparing and following management remuneration schemes in order to ensure that the company's targets are met, that the objectivity of decision-making is maintained, and that the schemes are transparent and systematic. During the 2017 financial year, the Compensation Committee comprised Päivi Hokkanen (Chair), Robert Ingman and Martti Ala-Härkönen. The committee convened four times during the financial year with full attendance.

### Nomination Committee

The Nomination Committee prepares proposals for the Annual General Meeting on the number of members of the Board of Directors, the members of the Board of Directors, the remuneration for the Chair, Vice Chair and members of the Board of Directors, and the remuneration for the Chair and members of the committees of the Board of Directors. During the 2017 financial year, the Nomination Committee consisted of Robert Ingman (Chair), Pertti Kyttälä and Seppo Ruotsalainen. The committee convened five times during the financial year with full attendance.

## The Members of Digia Plc's Board of Directors in 2017

Member of the Board	Born in	Education	Main occupation	Holding 31 Dec 2017*	Member since
Martti Ala-Härkönen	1965	DSc (Econ.), Lic.Sc. (Tech.)	CFO, Caverion Corporation	20,000	2016
Päivi Hokkanen	1959	MSc. (Econ.)	CEO, ITprofs Oy	10,833	2012
Robert Ingman, Vice Chair	1961	MSc. (Tech.), MSc. (Econ.)	Chair of the Board, Ingman Development Oy Ab	6,026,000	2010
Pertti Kyttälä, Chair	1950	MSc. (Econ.)	Managing Director, Peranit Ltd	18,978	2005
Seppo Ruotsalainen	1954	Lic.Sc. (Tech.)	Board professional	2,000	2012

\* Includes related parties and related party holdings

## The attendance of Board and Committee members at meetings in 2017

	Board meetings	Audit Committee	Compensation Committee	Nomination Committee
Martti Ala-Härkönen	16/16	4/4	4/4	
Päivi Hokkanen	16/16		4/4	
Robert Ingman	16/16		4/4	5/5
Pertti Kyttälä	16/16	4/4		5/5
Seppo Ruotsalainen	16/16	4/4		5/5

## President and 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. The CEO is not a member of the Board of Directors, but attends Board meetings.

The Board of Directors approves the CEO's service contract, which contains a written definition of the key terms and conditions of the CEO's employment. Timo Levonranta has been President and CEO of Digia Plc since 1 May 2016.

## Group Management Team

The Group Management Team supports the President and CEO in the routine management of the company. The CEO appoints Management Team members and decides on the terms and conditions of their service contracts.

The CEO chairs meetings of Digia's Management Team. On 31 December 2017, the Management Team comprised eight members. The Team meets once every two weeks to assist the CEO in strategic planning, strategy implementation, operative management, and preparing items for consideration by the Board of Directors. The Board draws up annual action and financial plans, sets their associated targets, and monitors their progress. It also prepares significant investments, mergers and acquisitions. The CEO is responsible for the Management Team's decisions. Members of the Management Team are tasked with implementing these decisions within their own areas of responsibility.



## Management Team members on 31 Dec 2017

Name	Born in	Education	Area of responsibility	Holding on 31 Dec 2017*	Member since
Timo Levoranta	1965	MSc. (Tech.), MSc. (Econ.)	President and CEO	48,607	2016
Kristiina Simola	1965	MSc. (Econ.)	CFO	0	2017
Mika Kervinen	1968	L.L.M, Trained on the bench	General Counsel	2,255	2016
Ari Rikkilä	1967	MSc. (Tech.)	Senior Vice President, Sales and Marketing	20	2017
Heikki Honkala	1968	Vocational Qualification in Business Information Technology	Senior Vice President, Industry Solutions	0	2017
Teemu Virtanen	1978	BSc.	Senior Vice President, Information Management Services	6,371	2016
Tuomo Niemi	1962	MSc. (Econ.), MSc. (Tech.)	Senior Vice President, Financial Sector	0	2017
Juhana Juppo	1971	MSc. (Computer Science)	CTO and Senior Vice President, Horizontal Services	0	2016

\* Includes related parties and related party holdings

## Internal control and risk management related to financial reporting

### Control functions and control environment

The company has a controller function that reports to the CFO and is tasked with ensuring the accuracy of monthly financial reporting. The CFO reports on the financial performance of the company and its divisions to Management, the Board of Directors, and the Board's Audit Committee.

The company uses a reporting system that compiles subsidiaries' reports into consolidated financial statements. There are also written directives for completing the financial reports of subsidiaries. The company's CFO monitors compliance with these instructions. The company also has the separate reporting facilities required for monitoring business operations and asset management.

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



## Internal control

Internal control helps to ensure the reliability of the Digia Group's financial reporting. Digia's financial administration unit provides guidance on financial reporting matters.

The Group's business is divided into areas of responsibility led 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 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 area of responsibility also has its own management team.

Digia's operational management and supervision adhere to the corporate governance system described above.

Digia has not established a separate function responsible for internal auditing. The need for an internal audit function is regularly assessed. With the company's current business volume, its legal and financial management functions are able to handle internal auditing tasks.

## Risk management and major risks

The purpose of the company's risk management process is to identify and manage risks in a way that enables the company to attain 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 that compares the effects and mutual significance of risks. Part of this process involves identifying, planning and implementing risk management measures, and then monitoring their impact.

The main operational risks monitored under Digia's risk management are related to customers, personnel, deliveries, IT, data security, immaterial rights, and goodwill.

The company manages customer risks by actively developing its customer portfolio structure and avoiding any potential risk positions.

Personnel risks are evaluated and managed using a quarterly performance review and development discussion process in which key personnel participate. To enhance personnel commitment, the company strives to systematically improve the efficiency of internal communications via regular personnel events

and by increasing the management's visibility. Two major personnel-related risks are competence development and finding the correct expertise. These risks are systematically managed by developing our personnel's competence and through continual recruitment management and subcontractor management.

Internal – and as required also external – audits of major projects and continuous services are conducted with a view to enhancing project and service risk management and securing the success of customer deliveries. The Group's certified quality systems are also regularly evaluated. During 2017, the Group increased the efficiency of its project delivery reporting practices with regard to both corporate governance and finance. Further enhancements to reporting and monitoring will be made in 2018.

Data security audits are carried out to manage data security risks, and the company also continually develops working models, practices and processes that promote data security. Security training for all personnel is organised as required.

The Management Team is tasked with systematically managing risks associated with business integration, shared operating models and best practices, as well as their integrated development. Typical risks in the software business relate to appropriate protection for the company's own immaterial property rights (IPRs) and violation of third parties' IPRs. These are managed through extensive internal policies, standard contracts, and appropriate supervision and analysis.

With respect to IFRS-compliant accounting policies, the Group actively monitors goodwill and its associated impairment tests as a part of prudent and proactive risk management practices within financial management.

Digia has assessed the corporate liability risks associated with its own operations and business relations, and has adequate and appropriate processes in place to predict and take precautions against these risks.

In addition to operational risks, the company is subject to financial risks. Digia Plc has centralised internal and external financing and the management of financial risks within the finance function of the Group's parent company. This function is responsible for the Group's liquidity, the sufficiency of financing, and the management of interest rate and currency risks. The Group is exposed to several financial risks in the normal course of business. The Group's risk management seeks to minimise the adverse effects of changes in 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 Digia's risk management are approved by the Board of Directors, and the Group's finance function and business divisions are jointly responsible for their practical implementation.

## Insider administration

Digia complies with the current Guidelines for Insiders issued by Nasdaq Helsinki. Digia also adheres to its own insider guidelines, which supplement Nasdaq Helsinki's guidelines. Digia's General Counsel is responsible for insider issues.

### Insiders

Digia's insiders are divided into:

1. permanent insiders, which include the CEO and members of Digia's Board of Directors and Management Team;
2. project-specific insiders, which include those who receive insider information relating to a specific project due to their position or tasks
3. a list of those who receive financial information.

Permanent insiders are not listed in project-specific insider registers.

### Management's business transactions

Members of Digia's Management and those in their close circle must report all business transactions involving Digia's financial instruments to both Digia and the Financial Supervisory Authority. The managerial positions covered by this obligation are: the CEO, members of the Management Team, and members of Digia's Board of Directors.

Digia will issue a stock exchange release on all personal business transactions made by members of Digia's Management and those in their close circle. These releases will be issued within three (3) days of the transaction. Digia also keeps a record of this information on the company's website.

### Closed window

Anyone working in a managerial position at Digia, or who otherwise receives financial information, may not trade in the company's securities during a period of 30 days before the publication of one of the company's business reviews, half-year reports or financial statement bulletins. Project-specific insiders may not trade in the company's securities whilst the project is ongoing.

### Reporting misconduct

Digia Plc has a 'whistle blowing' channel for reporting suspected market abuse. This channel seeks to promote compliance with good governance in the company's routine activities, and to prevent and detect misconduct.

It can be used to report market abuse and the violation of operating principles, regulations and instructions, either confirmed or suspected.

Anyone can make an anonymous report using the form on Digia's intranet. All reports are directed to Digia's legal unit.

All reports will be processed confidentially and professionally in accordance with the Personal Data Act, with regard to both the informant and suspect.

## Auditor and auditor's fees

### Auditor and auditor's fees

Digia has one official auditor, who must be a KHT auditor or KHT audit firm approved by the Auditing Board of the Central Chamber of Commerce. The auditor is elected until further notice.

The Annual General Meeting elects the auditor and decides on their fees.

KPMG Oy Ab, a firm of Authorised Public Accountants, is the Group's auditor. Virpi Halonen, Authorised Public Accountant, has been chief auditor since 2015.

### Auditors' fees in 2017

€	2017
Audit	78,628
Other statutory duties	24,180
Tax counselling	527
Other services	40,036
<b>Total</b>	<b>143,425</b>

# Digia's Board of Directors, 31 December 2017



**Pertti Kyttälä**

**Chair Of The Board**

b. 1950, MSc. (Econ.)

Digia Board member since 2005 and Chair of the Board since 2010. Chair of the Board's Audit Committee and member of the Nomination Committee.

Managing Director of Peranit Ltd.

His previous positions 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.

A Member of the Directors' Institute of Finland.

Independent of the company and its major shareholders.



**Robert Ingman**

**Vice Chair of The Board**

b. 1961, MSc. (Tech.), MSc. (Econ.)

Digia Board Member since 2010 and Vice Chair of the Board since 2012. Chair of the Board's Nomination Committee and member of the Compensation Committee.

Chair of the Board:

Ingman Group Oy Ab 2009–, Oy Ingman Finance Ab 2009–, Halti Ltd 2012–, Etteplan Plc 2009 and 2013–, Ingman Development Oy Ab 2013–, CRI Invest and Consulting OÜ 2014–, and Qt Group Plc 2016–

Member of the Board:

Evli Pankki Plc 2010–, M-Brain Ltd 2011–, Massby Facility and Services Ltd. Oy 2012–, PK Oliver AS 2013–, and Ingman Baltic Sea Finance OÜ 2015–

Independent of the company.



**Martti Ala-Härkönen**

**Member of the Board**

b. 1965, DSc (Econ.), Lic.Sc. (Tech.)

Digia Board member since 2016. Member of the Board's Audit Committee and Compensation Committee.

CFO of Caverion Plc.

He has previously worked as CFO for Cramo 2006–2016, Senior Vice President, Finance and Administration at WM-data Oy 2004–2006, Senior Vice President for Business Development and Chief Financial Officer at Novo Group Plc 1998–2004 and Finance Manager, Manager Corporate Finance at Postipankki Plc 1995–1998.

Independent of the company and its major shareholders.



# Digia's Board of Directors, 31 December 2017



**Päivi Hokkanen**

**Member of the Board**

b. 1959, MSc. (Econ.)

Digia Board member since 2012. Chair of the Board's Compensation Committee.

CEO at ITprofs Oy.

Her previous positions include CIO and Executive Group member at A-Katsastus Group Oy 2012–2017, CIO at Sanoma Plc 2009–2012 and Stockmann Plc 2002–2009, Director at SysOpen Plc 1998–2002 and various positions at Cap Gemini Plc 1995–1998 and Kansallisaika Ltd 1984–1995.

Member of the Board of Directors of MPY Palvelut Oy since November 2017, Member of the Board of Directors' Institute of Finland, and Member of ICT Leaders Finland ry since 2016.

Independent of the company and its major shareholders.



**Seppo Ruotsalainen**

**Member of the Board**

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

Digia Board member since 2012. Member of the Board's Audit Committee and Nomination Committee.

Currently works as a board professional holding board chair, board member, investor and strategic advisor roles in various technology and software companies.

His previous positions 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. He has also been Chair of the Board of Commit Oy, AniLinker Oy, Fountain Park Oy and the Finnish Information Association (TIVIA) 2004–2006.

Member of the Directors' Institute of Finland and FiBAN (Finnish Business Angels Network), and Chair of the Board at MPY, Softera Oy and Viabile Ltd.

Independent of the company and its major shareholders.

# Digia's Management Team on 31 December 2017



**Timo Levoranta**

**President and CEO**

b. 1965, MSc. (Tech.), MSc. (Econ.)

President and CEO, and Group Management Team Member since 1 May 2016.

Previously, Levoranta was Senior Vice President, Digia's domestic business 2016. Before joining Digia, he has served in many different managerial positions in the ICT industry, most recently as the CEO of TDC Finland Oy 2011–2014. He has also worked as Senior Vice President, Sales and Marketing, at Outokumpu Oyj 2008–2011 and in various managerial positions at TeliaSonera 2002–2008 and Sonera 1995–2002.



**Kristiina Simola**

**CFO**

b. 1965, MSc. (Econ.)

Digia Management Team member since 14 August 2017.

Her previous positions have included CFO at Digitalist Group Plc 2015–2017, Deputy Managing Director and Group CFO of Mirasys Oy 2012–2015, Senior Manager and Finance Transformation Business Lead at Deloitte Oy 2010–2012, and CFO at Profit Software Oy 2007–2010.



**Mika Kervinen**

**General Counsel**

b. 1968, LL.M., Master of Laws with court training

Digia Management Team member since 1 May 2016.

Before joining Digia, he was Senior Legal Counsel at Fondia 2015–2016 and director of the business support unit at TDC Finland Oy 2012–2014. He has also worked as an in-house counsel in various specialist and supervisory positions in Nokia's network business companies 2004–2012, Telia-Sonera Oyj 1998–2004 and Kesko Corporation 1996–1998.



**Ari Rikkilä**

**Senior Vice President, Sales and Marketing**

b. 1967, MSc. (Tech.)

Digia Management Team member since 16 May 2017.

Before joining Digia, Rikkilä worked for Accenture as a Nordic sales lead for cloud services 2017. He has also held leadership positions at other companies, such as Tieto 2016–2017 and ALSO Group 2014–2016, and been CEO of Nervogrid 2013–2014 and Efecte Corp 2010–2013. He was Country Manager at CA Technologies Inc 2006–2010, Sales Director at Cisco Systems Inc 1999–2006, and Sales Manager at Elisa 1995–1999.

# Digia's Management Team on 31 December 2017



**Heikki Honkala**

**Senior Vice President, Industry Solutions**

b. 1968, Vocational Qualification in Business Information Technology

Digia Management Team member since 1 April 2017.

Previously, Honkala was Head of Digia's Microsoft Business Solutions 2016–2017. Before joining Digia, he has been Sales Director of Horizontal Services 2015–2016 and Director of Integrations & CRM Business 2012–2014 at CGI Finland Oy, Service Director of Integrations & MDM unit 2010–2012 and Business Manager of Integration unit 2004–2010 at Logica Finland Oy, Project Manager at WM-data Oy 1998–2004, and Head of Design 1997–1998 and IT Planner 1990–1997 at Novo Group Oyj.



**Juhana Juppo**

**CTO and Senior Vice President, Horizontal Services**

b. 1971, MSc. (Computer Science)

Digia Management Team member since 19 September 2016.

Before joining Digia, his previous positions have included Director, Business Development at Finanssi-Kontio 2013–2016, Service Director at CGI Finland 2011–2013, and CTO at Capgemini 2005–2011.



**Tuomo Niemi**

**Senior Vice President, Financial Sector**

b. 1962, MSc. (Econ. and Bus. Adm.), MSc. (Tech.)

Digia Management Team member since 1 June 2017.

Before joining Digia, he served in leadership positions 2003–2017 and as a Senior Consultant 1996–2003 at Accenture. He has also worked in managerial positions at ICL Personal Systems 1992–1996, as a consultant at Andersen Consulting 1989–1991, and as Product Manager at Nokia Data 1988–1989.



**Teemu Virtanen**

**Senior Vice President, Information Management Services**

b. 1978, BSc.

Digia Management Team member since 1 May 2016. Member of the Domestic segment's management team 2015–2016.

Head of Digia's integration business 2013–2017, various managerial positions in the integration business sector of Digia's Digital Services unit 2010–2012 and Integration Solutions unit 2009–2010, and project management and supervisory duties in electronic services, communications systems and integration solutions in Digia's Industry and Trade division 2007–2008. He also worked for Sentera Plc 2005–2006 and Key Partners Oy 2005. Before joining Digia's predecessor, he held project management and specialist positions associated with publication systems at Casdev Active Oy 2001–2004.

# Digia's salary and remuneration report 2017

This salary and remuneration report contains a summary of the financial benefits, remuneration system and associated decision-making procedures pertaining to members of Digia Plc's Board of Directors, CEO and other executives.

## A) Decision-making procedures concerning remunerations

### Board of Directors

Digia Plc's Nomination Committee draws up a proposal for the emoluments to be paid to Board members and the grounds for reimbursement of expenses. The Shareholders' Meeting decides on the emoluments payable to Board members and the grounds for reimbursement of expenses.

### CEO and other executives

Digia Plc's Compensation Committee draws up a proposal for the CEO's salary, emoluments and other benefits. The Compensation Committee works with the CEO to draw up a proposal for the salaries, emoluments and other benefits payable to other executives. External experts and market analyses are employed whenever necessary. The Board of Directors decides on the salary, emoluments and other benefits payable to the CEO. The Board of Directors decides on the salaries, emoluments and other benefits payable to other executives on the basis of the CEO's proposal.

Digia has an agreement with Evli Awards Management Ltd for the coordination of the company's share-based incentive schemes, their associated share management, and the payment of incentives to individuals in accordance with the terms and conditions of the schemes. The share-based incentives paid to the CEO and other executives during the 2017 financial year were paid by Evli Awards Management Ltd in accordance with the aforementioned agreement, using Digia shares that were managed by Evli and acquired and financed by Digia for use in incentive schemes for the company's key personnel.

## B) Key remuneration principles

### Board remunerations

The 2017 Annual General Meeting decided on the paying of monthly remunerations of EUR 2,500 to Board members, EUR 3,500 to the Vice Chair and EUR 5,500 to the Chair for their work on the Board for the duration of the term expiring at the end of the 2018 Annual General Meeting. In addition, remunerations of EUR 1,000 to the chair and EUR 500 to other members are paid per each Board and Board Committee meeting.

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

### Management incentives

As of 3 February 2017, Digia Plc's Board of Directors decided to establish a new long-term share-based incentive scheme. In principle, the target group consists of the CEO and the management of the company. The scheme is designed to conjoin the goals of the company's owners and management in order to increase the value of the company and to commit the executive management to the company and its long-term objectives. The new scheme replaced the previous share-based incentive scheme, which ran until 2017.

The long-term incentive scheme covers the calendar years 2017–2019. It offers the participants the opportunity to earn company shares if the targets set by the Board of Directors for three-year bonus period are reached.

The targets are based on the company's revenue and earnings per share (EPS). The EPS meter has three earning periods, the years 2017, 2018 and 2019, for which the Board sets targets at the beginning of each earning period. The earning period of the Revenue meter is 2017–2019, and the target revenue has been set at the 2019 target revenue level. During the bonus period, the CEO of the company and other members of the scheme have the right to a bonus the total value of which may not exceed the equivalent of 500,000 Digia Plc shares. If the requirements are met, the share-based bonus based on the scheme is paid for both meters after the bonus period has ended in 2020. All bonuses under this scheme will be paid as a 50/50 combination of shares and cash. Primarily, the cash portion of the bonus will be used to cover taxes and other comparable costs arising from the scheme.



As a rule, the bonus is not paid if a member resigns or the member's employment or post is terminated prior to the date of payment of bonuses in accordance with the incentive scheme. Under certain conditions, the Board has the option to decide on possible bonuses already received and on bonuses for the current earnings period in accordance with the pro-rata principle.

### President and CEO

The remuneration package for Timo Levoranta comprises a monthly salary in accordance with his service contract, a bonus payable on the attainment of annually set targets, and potential share bonuses payable to the CEO in accordance with approved share-based incentive schemes.

- On the basis of the bonus scheme of 2017, the CEO will be paid an annual bonus equivalent to 3 times his monthly base salary upon the attainment of annual targets tied to net sales and operating profit budgets set by the Board of Directors. 70 per cent of this bonus is tied to the net sales targets and 30 per cent to operating profit targets. If these targets are exceeded, the bonus increases to a maximum amount equivalent to 9 times his monthly base salary. The maximum bonus is payable if the net sales target is exceeded by at least 8.2 per cent and the operating profit target by at least 19.3 per cent. Both targets are evaluated biannually, independently and irrespective of each other. However, if operating profit falls below 70.2 per cent of the set target, no bonus will be paid, irrespective of the net sales outcome.
- The long-term incentive scheme is described above.

The company may terminate the CEO's service contract with six (6) months' notice. Upon such termination, the CEO will receive remuneration for the notice period and severance pay equalling six (6) months' regular monthly salary. The CEO's retirement age is as stipulated by law, and the CEO is not covered by any separate pension agreements with the company.

The share bonus paid to the CEO therefore involves no vesting periods limiting the sale of share.

### Group Management Team

As of 31 December 2017, the Group Management Team consisted of eight persons: CEO, CFO, General Counsel, Senior Vice President of Sales and Marketing, and four Senior Vice Presidents of business segments. Further

information on the senior management is found on the company's website:

[www.digia.com/en/investors/governance/ceo-and-management](http://www.digia.com/en/investors/governance/ceo-and-management).

The total remuneration package for these executives comprises a monthly salary and a bonus payable on the attainment of annually set targets. The earnings criteria and terms and conditions governing the bonus for members of Digia's Management Team in 2017 are the same as those governing the bonus for the CEO, except that the maximum annual bonus for Management Team members is equivalent to six (6) months' base salary. In addition, the senior management is included in the long-term incentive scheme described above.

The retirement age of all executives is as stipulated by law, and no one has a supplementary pension agreement with the company.

## C) Remuneration report

### Board remunerations

The following emoluments were paid to members of Digia's Board of Directors for Board and Committee work during the 2017 financial year:

€	2017
Martti Ala-Härkönen	38,500
Päivi Hokkanen	38,500
Robert Ingman	50,500
Pertti Kyttälä	80,000
Seppo Ruotsalainen	38,000
<b>Total</b>	<b>245,500</b>

### President and CEO's remuneration

The President and CEO was paid the following as salary and other benefits during the 2017 financial year:

€	2017
Salary (including fringe benefits)	249,840
Bonuses	22,905
Share-based incentive	46,752
Monetary bonus from shares	46,016
<b>Total</b>	<b>365,513</b>

## Remunerations of other executives

Other executives were paid the following as salary and other benefits during the 2017 financial year:

€	2017
Salary (including fringe benefits)	1,309,429
Bonuses	78,960
Share-based incentive	58,285
Monetary bonus from shares	57,367
<b>Total</b>	<b>1,504,041</b>

As of 31 December 2017, this included the following persons:

- Mika Kervinen, General Counsel, Group Management Team Member since 1 May 2016
- Kristiina Simola, Chief Financial Officer, Management Team member since 14 August 2017
- Ari Rikkilä, Senior Vice President, Sales and Marketing since 16 May 2017
- Juhana Juppo, CTO, Senior Vice President, Horizontal Solutions, Group Management Team Member since 19 September 2016
- Heikki Honkala, Senior Vice President, Industry Solutions, Group Management Team Member since 3 April 2017
- Tuomo Niemi, Senior Vice President, Financial Sector, Group Management Team Member since 1 June 2017
- Teemu Virtanen, Senior Vice President, Information Management Services, Group Management Team Member since 1 May 2016

Membership in the Group Management Team ended during 2017 for the following persons:

- Samuli Aho, Senior Vice President, Customised Solutions, Group Management Team Member until 30 June 2017
- Tommi Flink, Senior Vice President, Financial Sector Solutions and Services, Group Management Team Member until 31 May 2017
- Tuula Haataja, CFO, Group Management Team Member until 12 August 2017
- Tom Puusola, Senior Vice President, Horizontal Solutions, Group Management Team Member until 5 June 2017
- Erkki Talvela, Commercial Director, Group Management Team Member until 15 May 2017
- Marko Saarinen, Senior Vice President, Digital Services, Group Management Team Member until 30 November 2017

## Auditor and auditor's fees

Digia has one official auditor, who must be a KHT auditor or KHT audit firm approved by the Auditing Board of the Central Chamber of Commerce. The auditor is elected until further notice.

The Annual General Meeting elects the auditor and determines their fees.

KPMG Oy Ab, a firm of Authorised Public Accountants, is the Group's auditor. Virpi Halonen, Authorised Public Accountant, has been chief auditor since 12 March 2015.

€	2017
Audit	78,682
Other statutory duties	24,180
Tax counselling	527
Other services	40,036
<b>Total</b>	<b>143,425</b>

# Board of Directors' Report



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**D**igia is a growth-focused, reliable and agile service company in the Finnish IT sector. During 2017, the key measures taken by the company's Board of Directors related to creating the foundations for profitable growth. The strong digitalisation trend in the market creates growth opportunities for Digia. Customers develop their own business operations by creating new services and modernising their operating models. In future, end-to-end management and the maintenance and continuous development of services will be emphasised further. Digia's capabilities and deep service offering are a good fit for this trend. Digia provides its customers with an extensive service portfolio that harnesses products and expertise in service design, network business, integration and ERP. The company's own products and secure software production are part of our offering.

On the basis of the share issue authorisation granted by the Annual General Meeting of 16 March 2017, Digia's Board of Directors launched a rights issue for the company's present shareholders to finance its growth strategy. When it ended in June, Digia's rights issue had generated gross proceeds of about EUR 12.5 million. Digia also signed an agreement on new long-term bank financing with Danske Bank Plc. This bank financing will be used to partly fund mergers and acquisitions that support Digia's growth strategy.

Digia seeks growth both organically and inorganically. The digitalisation of customers' business operations ushers in growing needs for state-of-the-art service development and the integration of service packages. Two acquisitions were carried out during the report year. On 28 April 2017, Digia acquired Omni Partners Oy and its wholly owned subsidiary Nord Software Oy Ltd. Omni Partners and Nord Software provide e-service solutions and customised online and mobile communications services based on open-source technologies. On 4 December 2017, Digia acquired the entire share capital of Integration House Oy, which specialises in modern integration solutions.

The key themes of Digia's strategy for 2016–2019 are the digitalisation of services and processes, bolstering the service business, adapting the offering for selected industries, deep partnership with customers as well as expert and enthusiastic employees.

During the review year, Digia renewed and simplified its operating model to ensure growth. As part of this change, Digia also restructured its organisation and the composition of its Group Management Team.

Unless otherwise stated, the comparison figures provided in parentheses always refer to the corresponding period of the previous year.

## Financial indicators

	2017	2016	2015	2014	2013
Net sales	96,221	86,463	80,946	97,433	99,740
Operating profit	1,846	5,419	5,854	4,310	-2,822
Operating margin, %	2%	6%	7%	4%	-3%
Return on equity, %	3%	11%	14%	8%	-10%
Equity ratio, %	51%	50%	54%	51%	50%
Net gearing, %	11%	36%	17%	30%	29%

2014 and 2013 include the figures for Qt Plc.

More detailed information on the Group's key figures and the formulae for the key figures are provided in the notes to the financial statements (Note 31).

## Net sales

Digia's consolidated net sales for the fiscal year were EUR 96.2 (86.5) million, representing a year-on-year increase of 11.3 per cent. Net sales growth was supported by good demand, particularly in Microsoft Dynamics 365 solutions and e-commerce solutions that support business operations, and also by progress in the Income Register project that is being implemented with the Tax Administration. Corporate acquisitions made during 2017 also contributed to year-on-year net sales growth.

The project business accounted for EUR 51.8 (44.2) per cent and the service and maintenance business for 48.2 (55.8) per cent of net sales. Digia's long-term goal is to increase the service business's share of net sales through service contracts that track project phases. The product business accounted for 25.3 (29.7) per cent of the company's net sales.

## Profit and profitability

Digia's operating profit in the fiscal year was EUR 1.8 (5.4) million with an operating margin of 1.9 (6.3) per cent. Operating profit was significantly burdened by delivery challenges in three projects (EUR 3.5 million loss in 2017) during the second half of 2017. Strong investments in the development of digital and financial services as well as in personnel competences also impacted the result.

Full-year earnings before taxes were EUR 1.2 (5.1) million, with earnings after taxes totalling EUR 1.0 (4.1) million.

Earnings per share were EUR 0.04 (0.20) in January–December 2017. Net financial expenses amounted to EUR 0.7 (0.3) million.



## Financing, cash flow and expenditure

On the balance sheet date at the end of 2017, Digia's balance sheet total stood at EUR 86.6 (66.4) million and its equity ratio at 51.0 (49.8) per cent. Net gearing was 10.8 (35.6) per cent. Liquid assets totalled EUR 11.9 (2.0) million. At the close of 21 June 2017, Digia's rights issue had generated gross proceeds of about EUR 12.5 million. On 28 April 2017, the company also signed an agreement on new long-term bank financing of EUR 12.5 million with Danske Bank Plc.

On the balance sheet date, Digia had EUR 16.6 (13.7) million in interest-bearing liabilities. These consisted of EUR 11.5 million in long-term and EUR 2.6 million in short-term loans from financial institutions, and EUR 2.5 million in financial leasing liabilities.

In the 2017 fiscal year, cash flow from operating activities totalled EUR 3.1 (3.8) million. Cash flow from investments came to EUR -7.0 (-4.5) million. The acquisitions of Omni Partners Oy, Oy Nord Software Ltd and Integration House Oy are included in the cash flow from investments. Cash flow from financing was EUR 13.7 (-1.5) million.

Total investments in fixed assets amounted to EUR 2.9 (1.7) million during the 2017 fiscal year. The return on investment (ROI) was 3.7 (11.0) per cent, and return on equity (ROE) was 2.5 (11.0) per cent.

## Research and development

Digia has invested in R&D and product development in all of its service areas. Research and development expenses totalled EUR 5.7 million in the 2017 fiscal year (2016: 5.8; 2015: 5.9) representing 5.9 per cent of net sales (2016: 6.7%; 2015: 7.3%).

More information about Digia's services and solutions can be found on the company's website: [www.digia.com/en/services](http://www.digia.com/en/services).

## Personnel, management and administration

At the end of the review period, the total comparable number of Group personnel was 1,005, representing an increase of 133 employees or 15.3 per cent since the end of the 2016 fiscal period (31 Dec. 2016: 872 employees). The average number of employees was 954, an increase of 143 employees, or 17.7 per cent, on the 2016 average (2016: 810).

52 employees transferred to Digia as a result of the Omni Partners transaction of 28 April 2017, and a further 21 employees joined the Group as a result of the Integration House transaction of 4 December 2017.

### Personnel indicators:

	31.12.2017	31.12.2016	Change, no. of employees
Helsinki	627	550	77
Jyväskylä	141	133	8
Tampere	164	123	41
Oulu	6	6	0
Rauma	33	33	0
Vaasa	13	12	1
Turku	16	5	11
Stockholm	5	10	-5
Total	1,005	872	133

Digia Plc's Annual General Meeting (AGM) of 16 March 2017 re-elected Martti Ala-Härkönen, Päivi Hokkanen, Robert Ingman, Pertti Kyttälä and Seppo Ruotsalainen as members of the Board. At its organisational meeting after the AGM, the Board of Directors elected Pertti Kyttälä as Chair and Robert Ingman as Vice Chair of the Board.

On 31 December 2017, Digia's Management Team consisted of:

- Timo Levoranta, President and CEO
- Heikki Honkala, Senior Vice President (as of 3 April 2017)
- Juhana Juppo, CTO and Senior Vice President
- Mika Kervinen, General Counsel
- Tuomo Niemi, Senior Vice President (as of 1 June 2017)
- Ari Rikkilä, Senior Vice President, Sales and Marketing (as of 16 May 2017)
- Kristiina Simola, CFO (as of 14 August 2017)
- Teemu Virtanen, Senior Vice President

You can read more about Digia's senior management on the company's website: [www.digia.com/en/investors/governance/ceo-and-management](http://www.digia.com/en/investors/governance/ceo-and-management).

KPMG Oy Ab, a firm of Authorised Public Accountants, is Digia's auditor. Virpi Halonen, Authorised Public Accountant, has been chief auditor since the 2015 Annual General Meeting.

## Strategy implementation and business development

Our growth strategy, which was published on 29 April 2016, seeks to strengthen the company's position, particularly in the growing market for digital services, process digitalisation and the service business. We want to grow at a significantly faster pace than the IT market and are seeking average annual growth of 15 per cent. Growth is being sought both organically and inorganically.

Digia is a profitably growing IT service company that helps its customers harness digitalisation opportunities. As a visionary partner, Digia develops and innovates solutions that support business operations together with its customers. Our ability to provide solutions extends to our customers' strategic systems, ERPs, and the integration of business processes.

The key themes of Digia's strategy for 2016–2019 are:

- digitalisation of services and processes
- bolstering the service business
- adapting our offering for selected industries
- deep partnership with our customers
- expert and enthusiastic employees

## Strategy implementation in 2017

Digia comprises four service areas: Digital Services, Information Management Services, Industry Solutions, and Financial Sector.

During 2017, Digia restructured its organisation and the composition of its Management Team. The purpose of the changes is to ensure that Digia is able to better respond to changing customers' needs and create a strong foundation for its business growth. Our shared sales function will enable us to take an even more customer-oriented approach. We have also enhanced our efficiency and service quality by consolidating our Horizontal Services.

We strengthened our business in the financial sector by establishing a new business area, Financial Sector. The new organisation came into force at the beginning of June. This change will support growth in our product and service

business in the financial sector. You can read about the composition of the Management Team and its new members in the section 'Personnel, Management and Administration', and also on Digia's website [www.digia.com/en/investors/governance/ceo-and-management](http://www.digia.com/en/investors/governance/ceo-and-management).

Digia continued to digitalise its customers' services and processes during 2017. Today's customer projects, such as ERP projects, no longer focus on digitising and boosting the efficiency of processes alone – digital services are also being harnessed to enable new processes and operating models. In 2017, this was particularly evident in the growing number of projects that combined continuous services with solutions from a variety of Digia's service areas to create an end-to-end customer solution. Digital services and processes require seamless data transfer between systems and services within our customers' business ecosystems. As part of our continual process development efforts, Digia analysed the skills and capacities required to provide digital services and processes, and then launched measures to further strengthen Digia's service's delivery capacity.

Digia continued to strengthen its service business in 2017. We consolidated our organisation and defined shared service processes, operating models and guidelines to boost the speed and effectiveness of development in our service business. Digia also launched an overhaul of the application and infrastructure services that form part of its extensive service provision processes. Thanks to this shared service model, Digia's customers now have an even higher-quality and more efficient service platform at their disposal.

Digia is seeking to forge long-term customer relationships that will evolve into partnerships. In 2017, Digia revised its customer care model to enhance both customer experience and customer satisfaction. Digia also paid particular attention to developing measurement systematics for customer satisfaction.

Digia supports personal and team development, as the company's success is based on expert and motivated personnel who take care of our customers. In 2017, Digia focused on developments in areas such as competence, induction, workplace tribes, career paths, and task rotation. We introduced a number of new things during the year, such as a framework for leadership coaching, and also revised our guidelines and practices for both employees and supervisors. We also continued to develop our HR systems to better meet the organisation's needs.

Digia made two strategic acquisitions in 2017. On 28 April 2017, Digia acquired Omni Partners Oy and its wholly owned subsidiary Nord Software Oy Ltd. Omni Partners and Nord Software provide e-service solutions and

customised online and mobile communications services based on open-source technologies. On 4 December 2017, Digia acquired the entire share capital of Integration House Oy, which specialises in modern integration solutions.

## Group structure

Digia operates in seven locations in Finland – Helsinki, Jyväskylä, Oulu, Rauma, Tampere, Turku and Vaasa – and in Stockholm, Sweden. Our headquarters are located in Helsinki. At the end of the 2017 financial year, the Digia Group consisted of the parent company, Digia Plc, and its subsidiaries Digia Finland Oy, Digia Commerce Oy (formerly Igence Ltd), Digia Nord Oy (formerly Omni Partners Oy) and its subsidiary Oy Nord Software Ltd, Integration House Ltd, and Digia Sweden AB. These subsidiaries are wholly owned by Digia.

In order to streamline our Group structure, Digia launched several subsidiary merger processes in late 2017. Oy Nord Software Ltd will first merge into Digia Nord Oy, after which both Digia Nord Oy and Commerce Oy will immediately merge into Digia Finland Oy. We expect to execute these mergers on 31 March 2018.

## Share capital and shares

On 31 December 2017, the number of Digia Plc shares totalled 26,823,723. The company had a total of 5,903 shareholders on 31 December 2017. Nominee-registered and foreign-held shares accounted for 2.2 per cent of all Digia Plc shares and votes.

## Ten largest shareholders on 31 Dec 2017

Shareholder	Percentage of shares and votes
Ingman Development Oy Ab	22.4%
Ilmarinen Mutual Pension Insurance Company	14.6%
Varma Mutual Pension Insurance Company	4.7%
Jyrki Hallikainen	4.5%
Tiiviste-Group Oy	3.7%
Matti Savolainen	3.5%
Aktia Capital investment fund	2.9%
Evli Finnish Small Cap investment fund	1.5%
Nordea Bank AB (publ), Finnish Branch	1.1%
Etola Oy	1.1%

## Shareholding by number of shares held on 31 December 2017

Number of shares	Percentage of holdingsjista	Percentage of shares and votes
1 – 100	21.1%	0.3%
101 – 500	37.3%	2.3%
501 – 1,000	17.4%	2.9%
1,001 – 5,000	19.5%	9.2%
5,000 – 10,000	2.4%	3.8%
10,001 – 50,000	1.5%	6.7%
50,000 – 100,000	0.3%	4.4%
100,001 – 500,000	0.3%	14.3%
500,000 –	0.1%	56.2%

## Shareholding by sector on 31 December 2017

	Percentage of holdingsjista	Percentage of shares and votes
Companies	3.8%	32.7%
Finance and insurance	0.3%	9.1%
Public-sector organisations	0.0%	19.2%
Non-profit associations	0.2%	0.6%
Households	95.5%	37.7%
Foreign holding	0.3%	0.7%

Digia Plc held 57,372 treasury shares on the 2017 year-end balance sheet date. The accounting counter value of these treasury shares is EUR 0.10 per share. The company held about 0.2 per cent of its capital stock on 31 December 2017.

41,844 shares were distributed as shared-based incentives during January–December 2017.

At the end of the period, a total of 49,591 company shares, previously funded by Digia for use in the incentive system for key personnel and under the management of Evli Awards Management Ltd, remained undistributed.

Up-to-date information about the company's major shareholders and the distribution of their shareholdings can be found on Digia's website: [www.digia.com/en/investors/shareholders](http://www.digia.com/en/investors/shareholders).

## Share-based payments

### Share incentive scheme and management ownership

On 2 February 2017, Digia Plc's Board of Directors decided to establish a new long-term share-based incentive scheme. The Board will confirm the target group for the long-term incentive scheme separately. In principle, the target group consists of the CEO and the company's management. The scheme is designed to conjoin the goals of the company's shareholders and management, in order to increase the company's value and to commit executive management to the company and its long-term objectives. The chosen scheme replaced the previous share-based incentive scheme, which ran until 2017.

The new long-term incentive scheme covers the calendar years 2017–2019. It offers participants the chance to earn company shares if the targets set by the Board of Directors for the three-year bonus period are reached.

These targets are based on the company's net sales and earnings per share (EPS). There are three earnings periods for the EPS indicator, 2017, 2018 and 2019, and the Board of Directors will set the criteria for each at the beginning of each period. The earnings period for the net sales indicator is 2017–2019. The target for net sales is the net sales target that will be set for 2019. During the bonus period, the company's CEO and other scheme participants are entitled to a bonus equivalent to a maximum of 500,000 new Digia Plc shares. If the terms are met, the bonuses based on the new scheme will be paid at the end of the reward period in 2020 for both indicators. All bonuses under this 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 arising from the scheme.

As a rule, the bonus will not be paid if a member resigns or if a member's employment or post is terminated prior to the bonus payment date specified in the incentive scheme. Under certain conditions, the Board has the option to make decisions on both received bonuses and those for the current earnings period in accordance with the pro-rata principle.

EUR 0.1 million in expenses were incurred by the new scheme during the 2017 financial year. During 2015–2017 in total of EUR 0.6 million were incurred by the old incentive scheme. The total cost impact of the share-based incentive programme for the years 2017–2019 is at the most EUR 1.3 million.

Digia has an agreement with Evli Awards Management Ltd for the coordination of the company's share-based incentive schemes, their associated share management, and the payment of incentives to individuals in accordance with the terms and conditions of the schemes.

According to the list of shareholders on 31 December 2017, Digia's Board of Directors and CEO owned shares in the company as follows (includes the holdings of related-parties and related-party organisations):

Board of Directors	no. of shares
Pertti Kyttälä, Chair of the Board	18,978
Robert Ingman, Vice Chair of the Board	6,026,000
Martti Ala-Härkönen	20,000
Päivi Hokkanen	10,833
Seppo Ruotsalainen	2,000
President & CEO Timo Levoranta	48,607

At year-end, the CEO and members of the Board of Directors held a total of 6,126,418 of the company's shares, representing 22.8 per cent of all shares and votes.

## Trading on the Helsinki Stock Exchange

Digia Plc's shares are listed on Nasdaq Helsinki under IT, IT Consulting & Other Services. The company's short name is DIGIA. The lowest reported share quotation in January–December 2017 was EUR 2.19 and the highest EUR 3.13. The share officially closed at EUR 2.35 on the last trading day of the year. The

trade-weighted average was EUR 2.55. The company's market capitalisation on 31 December 2017 was EUR 63,035,749.

### Flagging notifications

On 3 July 2017, Digia Plc was notified of a change in the company's ownership in accordance with Chapter 9, Section 10 of the Finnish Securities Market Act. Jyrki Hallikainen informed Digia that the number of Digia Plc shares and votes under his control had fallen to under 5 per cent of all Digia shares and votes. After the notification, Jyrki Hallikainen had a total of 1,275,995 Digia shares, corresponding to 4.76 per cent of all Digia shares and votes.

### Other major events during the 2017 financial year

Digia Plc's Annual General Meeting (AGM) was held on 16 March 2017. The AGM adopted the financial statements for 2016, released the Board members and the CEO from liability, determined Board emoluments and auditor fees, set the number of Board members at five (5), and elected the company's Board of Directors for a new term.

With regard to profit distribution for 2016, the AGM approved the Board's proposal to pay a dividend of EUR 0.08 per share to all shareholders listed in the shareholder register maintained by Euroclear Finland Ltd on the reconciliation date of 20 March 2017. The dividend payment date was 29 March 2017.

### The AGM granted the following authorisations to the Board:

#### Authorising the Board of Directors to decide on buying back treasury shares and/or accepting them as collateral

Digia Plc's AGM of 16 March 2017 authorised the Board of Directors to decide on the buyback and/or acceptance as collateral of no more than 2,000,000 company shares using the company's unrestricted equity. The Board will decide on how these shares are to be acquired. Treasury shares may be bought back in disproportion to shareholders' holdings. This authorisation also includes the acquisition of shares through public trading on Nasdaq OMX Helsinki 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 or complete acquisitions or other business transactions, to offer 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 16 March 2016 and is valid for 18 months, that is, until 16 September 2018. Digia's Board of Directors did not use its authorisation during 2017.

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

The AGM of 16 March 2017 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 a maximum of 6,000,000 shares. 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 preemptive subscription rights of the shareholders (a directed issue). The authorisation may be used to fund or complete acquisitions or other business transactions, to offer share-based incentive schemes, to develop the company's capital structure, or for other purposes decided by the Board. The Board was authorised to decide on all terms relating to the share issue or special rights, including the subscription price, its payment and its recognition in the company's balance sheet. This authorisation supersedes that granted by the AGM of 16 March 2016 and is valid for 18 months, that is, until 16 September 2018. During 2017, Digia's Board of Directors exercised its authorisation to organise a rights issue in which 5,948,078 shares were subscribed for.

More information about the AGM's decisions is available at [www.digia.com/en/investors/governance/annual-general-meeting/agm-2017](http://www.digia.com/en/investors/governance/annual-general-meeting/agm-2017).

#### Rights Issue

On 31 May 2017, Digia Plc decided to implement an approximately EUR 12.5 million rights issue with a subscription price of EUR 2.10 per share. A total of 6,817,824 shares were subscribed for during the rights issue, representing about 114.6 per cent of the 5,948,078 shares on offer. During the primary subscription, a total of 5,620,358 shares were subscribed for on the basis of shareholders' pre-emptive subscription rights, equating to about 94.5 per cent of the shares on offer. A total of 1,197,466 shares were subscribed for in the secondary subscription, representing about 20.1 per cent of all the shares on offer. A total of 327,720 offer shares were allocated in the secondary subscription in proportion with subscription rights exercised by the shareholders and other investors in the primary subscription, in accordance with the terms and conditions of the offering. Digia's Board of Directors approved all of



the subscriptions made on the basis of subscription rights, and also decided to approve all of the subscriptions made by shareholders and other investors during the secondary subscription in accordance with the terms and conditions of the rights issue.

Digia collected gross proceeds of approximately EUR 12.5 million from the rights issue. As a result of the rights issue, the total number of Digia Plc shares rose to 26,823,723. The newly issued shares granted full shareholder's rights in Digia as of 28 June 2017, when the new shares were entered into both the Trade Register and Digia's shareholder register.

Trading of the newly issued shares on the official list of the Helsinki Stock Exchange, along with Digia's existing shares, began on 29 June 2017.

### Mergers & Acquisitions

Digia Plc acquired the entire share capital of both Omni Partners Oy and its wholly owned subsidiary Oy Nord Software Ltd on 28 April 2017. In line with its strategy, this acquisition bolstered Digia's position in the digital services market. Omni Partners and Nord Software provide e-service solutions and customised online and mobile communications services based on open source technologies. 52 people transferred to Digia Plc as a result of the acquisition.

On 4 December 2017, Digia acquired the entire share capital of Integration House Ltd, thereby strengthening its position as an API and integration services provider in line with its strategy. Integration House has strong expertise, particularly in Dell Boomi technology and certain, open source-code integration technologies. Combined with experience of modern integration architectures, this expertise is the ideal complement for Digia's offering and ability to deliver. 21 people joined Digia Plc as a result of the acquisition.

### Restructured bank financing

On 28 April 2017, Digia agreed on new long-term bank financing with Danske Bank Plc to help finance acquisitions and support the company's growth strategy. The bank loan is for a maximum of EUR 12.5 million. The company did not raise this loan in 2017.

### Warning and fine issued by the Nasdaq Helsinki Disciplinary Committee

The Nasdaq Helsinki Disciplinary Committee issued Digia Plc with a warning and a fine of EUR 40,000 for violating the rules of the Exchange on 31 March 2017. Its decision relates to the Finnish Tax Administration's selection of a solution supplier for the National Income Register and communications associated

with this event. According to this decision, Digia Plc breached the sections of the Exchange's rules relating to misleading communications, the management of insider information, and the arrangement of corporate governance. More detailed information about the Disciplinary Committee's justifications for its decision can be found in a release issued by Nasdaq Helsinki Oy on 31 March 2017. Further information about this case was published in a stock exchange release on 31 March 2017.

### Events after the balance sheet date

On 24 January 2018, Digia Plc received notification of changes in the company's ownership in accordance with Chapter 9 Section 10 of the Finnish Securities Market Act. The combined holding of Tiiviste-Group Oy and Etola Oy, two companies controlled by Erkki Etola, exceeded the flagging limit of 5 per cent of Digia's shares and votes. Companies controlled by Erkki Etola now hold a total of 1,450,000 Digia Plc shares, corresponding to 5.41 per cent of all Digia shares and votes. This change in ownership occurred on 23 January 2018.

### Risks and uncertainties

There have been no substantial changes in Digia's major risks or operating environment over the past year.

The company's risks and uncertainty factors relate to increasing competition and potential significant changes in the company's operating environment and service areas. General economic trends and changes in our customers' operating environment may have an unfavourable impact on the company's business, financial position and result through slower decision-making and the postponement or cancellation of IT investments. Although our pricing models for the service business counteract such cycles, the pricing models for SaaS (Software as a Service) and other cloud-based services will alter the structure and timing of revenue streams.

Implementing our growth strategy will place new demands on both our organisation and its management. Our ability to recruit, retain and develop the correct competence – and also to correctly time our offering to meet demand – will play a vital role.

In line with our strategy, Digia is also seeking growth through acquisitions. However, we cannot be certain of locating suitable companies for acquisition or of successfully integrating them.

Digia has not performed a human rights assessment, but in the company's opinion there are no significant risks of human rights violations inherent in

our own operations. Digia's supply chain does not, in the main, extend outside Finland. Digia has not performed an environmental assessment, but in the company's opinion our operations have a minor impact on the environment and do not involve any significant environmental risk factors.

Major customer projects involve both business opportunities and risks. As customer projects increase in size, the risks associated with profitability management also grow, and there is a greater need to manage extensive contract and delivery packages.

### Outlook and guidance 2018

The digitalisation trend keeps gaining momentum, and Digia's customers have a strong need to develop multichannel business operations, digitalise their business operations and operating models, and expand their online operations in order to boost the efficiency of their processes and to create new products and services, and their related income flows.

Digia's strength is our deep understanding of the concrete benefits that digitalisation yields for our customers' business operations. Combined with our wide-ranging understanding of how different services and solutions are tangibly integrated into back-end systems and external data sources, this enables the comprehensive development of our customers' multichannel business operations. We are a reliable, agile and sufficiently large Finnish professional.

We continually strengthen, develop and renew our expertise and services. Our goal is to bolster our company's position, particularly in the growing markets for digital services, process digitalisation and the service business as well as to accelerate the growth of net sales and boost efficiency to improve profitability.

### Guidance for 2018

Digia's net sales continues to increase and operating profit improves significantly compared to 2017.

### Board of Directors' proposal for the distribution of profit

According to the updated balance sheet, Digia Plc's unrestricted shareholders' equity on 31 December 2017 was EUR 44,593,144, of which EUR 142,318 was profit for the financial year. At the Annual General Meeting, the Board of Directors will propose that a dividend of EUR 0.04 per share be paid according to the confirmed balance sheet for the fiscal year ending 31 December 2017. Shareholders listed in the shareholder register maintained by Euroclear Finland

Oy on the dividend reconciliation date, 19 March 2018, will be eligible for the dividend. Dividends will be paid on 28 March 2018.

### Non-financial reporting

During 2017, Digia defined the main spheres of influence in its corporate responsibility, and set targets for corporate responsibility. We have also assessed the corporate liability risks associated with our own operations and business relations, and have adequate and appropriate processes in place to predict and take precautions against these risks. Digia's material areas of corporate responsibility are anti-bribery and corruption, data protection, taking care of employees and taking environmental responsibility into consideration in its operations.

### Description of business model

Digia is an IT service company that helps its customers harness digitalisation opportunities. Together with its customers, Digia develops and innovates solutions that support their business. The company adapts its expertise to their specific industries to help them develop digital services, manage operations and utilise information. Digia commercialises industry-specific solutions from its own and third-party products. The company makes complete and tangible solutions that generate value fast and which are adapted to the needs of the industry in question. The company employs approximately 1,000 experts in Finland and Sweden. Digia is expanding its international presence together with its customers.

The company's service model includes, for instance, consultation, service design, development partnership and continuous services. Digia has industry expertise particularly in the commercial, logistics and industrial sectors, in the public sector, and in banking and insurance. Digia comprises four service areas: Digital Services, Information Management Services, Industry Solutions, and Financial Sector.

### The foundations of responsible operations

We regard corporate responsibility as a fixed aspect of our business, and seek to operate responsibly in all of our financial and social activities. Digia's responsibility is based on our own ethical principles, the UN's Universal Declaration of Human Rights, and the International Labour Organisation's (ILO) standards. However, in our changing business environment, responsibility is based above all else on the continual monitoring and improvement of our operations.

### Preventing corruption and bribery

Digia does not condone bribery or corruption in any form. In late 2017, Digia published an internal anti-bribery and corruption policy that seeks to underline our serious take on bribery and corruption, and also to define rules and guidelines to promote ethical and legal business operations. We foster our reputation as an ethical company by creating awareness of the risks of bribery and corruption, such as their legal consequences, reputational risk, and the risk of exclusion from public-sector tenders.

Digia primarily operates in Finland and our operations mainly extend only to other low-risk countries (as classified by Transparency International). However, Digia has foreign partners in countries where the risk of bribery and corruption has increased. We pay attention to bribery and corruption in our dealings with partners, and exercise extreme caution in the selection of our partners. We also require our partners to commit to compliance with anti-bribery and corruption legislation.

During 2018, Digia will organise training for personnel to help combat bribery and corruption. We will monitor the attendance rate for this training, and report further on it annually.

During 2017, Digia introduced a channel through which personnel can report any suspected violations related to bribery and corruption. These reports can also be made anonymously. All of the reports are forwarded to Digia's legal department for confidential handling.

### Data protection

Digia seeks a high level of data protection, data privacy and information security in all of its activities. This is also one of our customers' requirements. Digia is committed to protecting all of the data, materials and devices in our possession regardless of who they belong to – Digia, our customers or our partners. We respect the privacy of our personnel, customers and partners in everything we do. Protecting our customers' privacy is an important element of our customer relationships.

Digia has identified the following risks in its own operations with regard to privacy and data protection: reputational risk, contractual risk, and the risk of sanctions. We maintain a high level of data protection and information security by training our personnel, auditing our partners, and continually developing processes related to privacy and information security. Data protection and information security also form part of our personnel's induction training. In late

2017, Digia launched a separate, mandatory data protection training module on the EU General Data Protection Regulation for all personnel.

We continually supervise our data protection and information security practices, and update our operating models as required to counter threats and risks. Data protection is included in Digia's certified quality assurance system.

During 2017, we made a comprehensive analysis of the current state of our data protection with regard to products, services and internal processes. As a result of this analysis, we have revised our data protection policy and practices to meet the additional obligations brought by the EU General Data Protection Regulation (GDPR).

During 2017, we finalised the overhaul of our data protection organisation, which will come into force in early 2018. In the new setup, data protection and information security procedures and processes will fall under the umbrella of the Chief Security Officer's organisation. The Chief Security Officer reports to Digia's Chief Technology Officer. Every function has also appointed a person responsible for data protection.

### Social responsibility, employee matters and respecting human rights

Skilled and motivated personnel are the cornerstone of Digia's success, and also give us a competitive edge. HR development is steered by our chosen strategy and the competence requirements arising from it. An average of 40 hours of training per person were spent on competence development in 2017. Digia Academy organised more than 200 different training events during the year. The main focus of training was on organising coaching to support the technical and professional skills of experts. The Digia Academy was developed further with the introduction of Digia's in-house online learning environment towards the end of 2017.

Digia aims to ensure that a large share of learning takes place by trying out and practicing new things in day-to-day work as well as through learning from others. During 2017, Digia established workplace tribes, whose major task is to develop the competence of the tribe members and provide recommendations about company-level technology policies in the specialist area of the tribe.

Digia seeks to take care of the occupational wellbeing of Digia employees as well as to ensure good and consistent supervisory work. The supervisor training programme initiated in 2016 continued in 2017. Digia has a goal-oriented management framework that defines operating models for performance management in supervisory work and the management of occupational wellbeing. Digia focused particularly on induction and everyday leadership. Cooperation between occupational healthcare and supervisors was tightened.

Operating models for the management of occupational wellbeing were developed and a new working capacity index was created for management purposes to measure and monitor the correct timing of the measures taken. In addition, Digia developed cooperation with personnel representatives and created a bridge-builder operating model to strengthen the role of personnel representatives in promoting occupational wellbeing.

Digia acquired the expertise required by its growth strategy not only through recruitment and subcontracting, but also by means of corporate acquisitions. In 2017, Digia paid particular attention to internal resourcing and the task rotation of its own personnel. The aim was to elicit personnel commitment by offering them a wide range of new challenges and growth opportunities within the company. Employee turnover in 2017 was 10.8% (2016: 10.3%).

Job satisfaction surveys are conducted annually. Based on the results of the 2017 personnel survey, the operating methods of Digia and its businesses as well as the employer experience of personnel will be developed further. In 2017, overall personnel satisfaction was 3.64 on a scale of 1–5 (2016: 3.60).

Digia assesses that the major personnel risks concern occupational wellbeing and retaining competent employees. These themes will be prioritised in 2018.

Digia complies with legislation in its operations and neither condones nor participates in any kind of illegal activity. The company respects internationally recognised human and labour rights as well as cares for the wellbeing of its personnel, maintaining a safe and healthy working environment for all its employees. Digia has not performed a human rights assessment, but in the company's opinion there are no significant risks of human rights violations inherent in our own operations. Digia's supply chain does not, in the main, extend outside Finland.

### Environmental responsibility

Digia cares for the environment and encourages environmentally friendly choices in its business operations and working environment. We strive to account for the environmental impact of our activities and to make environmentally friendly choices. We do not see any significant environmental risks associated with Digia's operations.

We also consider ourselves a producer of added value in the area of environmental responsibility. The digital services and solutions provided by Digia help our customers to reduce their environmental impacts by, for example, enabling a paperless approach.

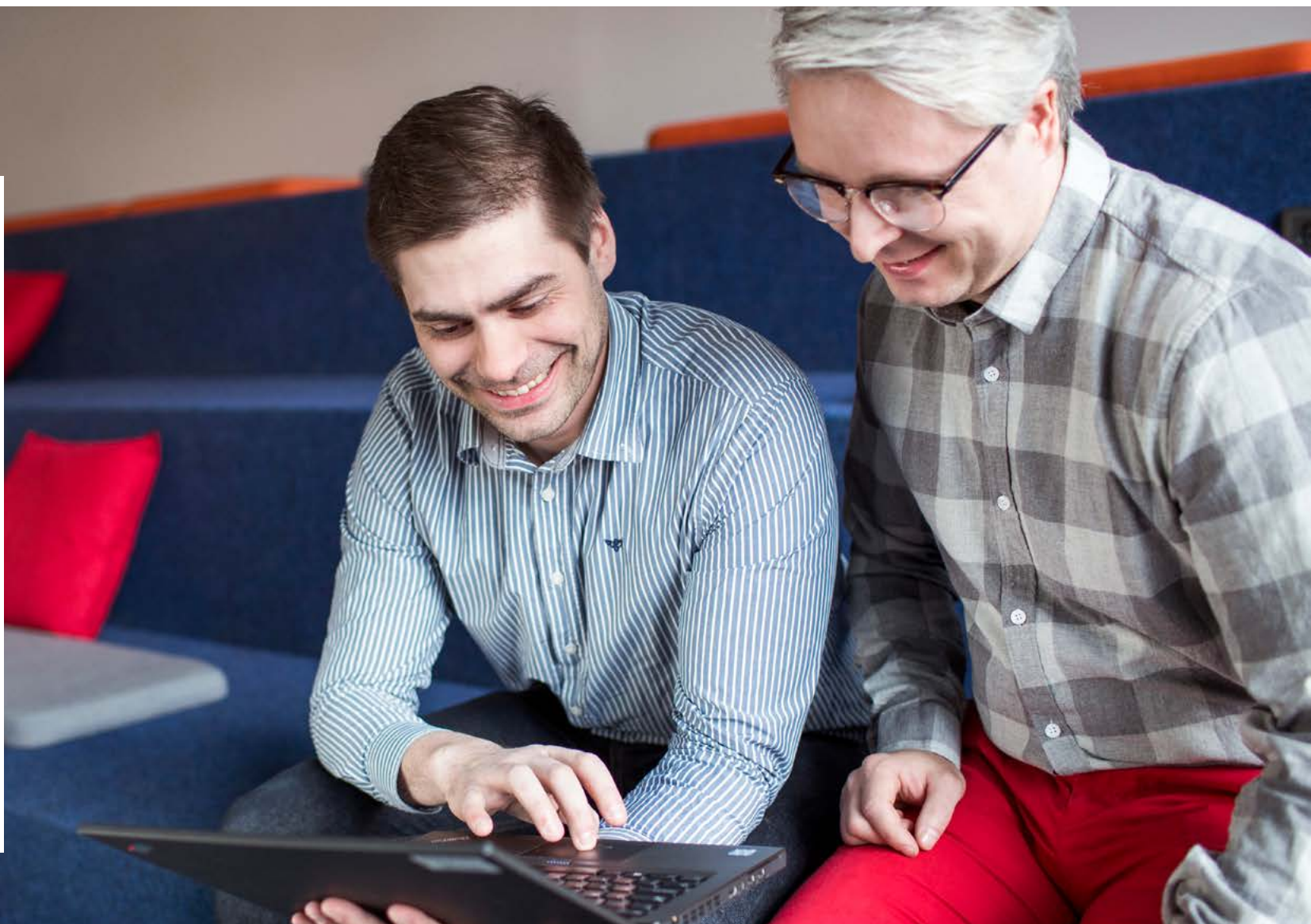
We intend to increase our personnel's environmental awareness through a variety of campaigns. Digia examines the environmental impacts of its own operations at its headquarters in Helsinki using the WWF Green Office system. After an office audit in 2016, Digia was granted a Green Office certificate.

Area	Operating principles and processes	Objective	Indicators	2017	Major risks
Anti-bribery and corruption	Policy, continuous education, whistleblowing channel	100% of salespeople trained	Salespeople trained, %	–	Digia's reputational risk, exclusions from public tenders
Employee well-being	Preventative measures Coaching leadership models and processes	Rising trend in the employee satisfaction indicator	Employee satisfaction, %	3.64/5	Working capacity risks, turnover
Retention of skilled employees	Coaching performance management Target and development discussions Quality of supervisory work Task rotation	Employee turnover does not jeopardise competitiveness	Employee turnover, %	10.8%	Digia's competitiveness weakens due to lack of skilled employees
Data protection	Training, audits of cooperation partners, continuously updating processes	No data protection violations	Number of violations	0	Risk to Digia's reputation, official sanctions, contractual risks
Environmental responsibility	Taking environmental impacts into consideration in operations	Increasing environmental awareness in day-to-day operations	Number of environmental awareness campaigns for personnel throughout the Group	1	No significant risks identified



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# Consolidated income statement (IFRS)

€ 000	Note	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
<b>Continuing operations</b>			
<b>Net sales</b>	1	96,221	86,463
Other operating income	3	906	743
Materials and services		-12,699	-11,195
Depreciation, amortisation and impairment	7	-1,669	-1,442
Personnel expenses	8	-67,533	-57,515
Other operating expenses	5	-13,380	-11,634
		-94,375	-81,043
<b>Operating profit</b>		<b>1,846</b>	<b>5,419</b>
Financial income	9	169	164
Financial expenses	9	-822	-463
		-653	-300
<b>Earnings before tax</b>		<b>1,193</b>	<b>5,120</b>
Income taxes	10	-225	-1,056
<b>Net profit, continuing operations</b>		<b>968</b>	<b>4,064</b>
<b>Net profit, discontinued operations</b>	27	<b>0</b>	<b>75,842</b>
<b>Net profit</b>		<b>968</b>	<b>79,906</b>
Distribution of income for the period:			
Parent company shareholders		968	79,906
Non-controlling interests		0	0
Earnings per share, EUR, continuing operations (basic and diluted EPS)		0.04	0.20
Earnings per share, EUR, discontinued operations (basic and diluted EPS)		0	3.63
Earnings per share, EUR, continuing and discontinued operations (basic and diluted EPS)		0.04	3.83

## Consolidated statement of comprehensive income

€ 000	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
Exchange differences on translating foreign operations	72	-142
Total comprehensive income	1,040	79,764
Distribution of total comprehensive income:		
Parent company shareholders	1,040	79,764
Non-controlling interests	0	0

# Consolidated balance sheet (IFRS)

€ 000	Note	31 Dec 2017	31 Dec 2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	13	45,715	40,559
Other intangible assets	13	2,243	1,286
Tangible assets	12	3,293	2,387
Available-for-sale investments	24	484	624
Long-term receivables		113	214
Long-term collateral for rents		0	0
Deferred tax assets	14	435	194
		52,283	45,264
<b>Current assets</b>			
Accounts receivable and other receivables	15	22,468	19,132
Cash and cash equivalents	16	11,858	1,994
		34,326	21,126
<b>Total assets</b>		<b>86,610</b>	<b>66,390</b>

€ 000	Note	31 Dec 2017	31 Dec 2016
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Equity attributable to parent-company shareholders</b>			
Share capital	17	2,088	2,088
Other reserves		5,204	5,204
Unrestricted shareholders' equity reserve		42,081	30,050
Translation difference		-296	-224
Retained earnings		-5,915	-84,210
Net profit		968	79,907
		44,130	32,814
<b>Total shareholders' equity</b>		<b>44,130</b>	<b>32,814</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	14	345	181
Financial liabilities	20	12,977	8,975
Other non-current liabilities		579	0
		13,902	9,156
<b>Current liabilities</b>			
Accounts payable and other liabilities		12,945	9,646
Income tax liabilities		239	421
Provisions	19	1,663	255
Accruals and deferred income		10,078	9,387
Financial liabilities	20	3,652	4,711
		28,578	24,420
<b>Total liabilities</b>		<b>42,480</b>	<b>33,576</b>
<b>Total shareholders' equity and liabilities</b>		<b>86,610</b>	<b>66,390</b>

# Consolidated cash flow statement (IFRS)

€ 000	Note	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
<b>Cash flow from operations:</b>			
Net profit		968	79,906
Adjustments to net profit		2,646	1,325
Change in working capital		905	870
Interest paid		-612	-270
Interest income		400	118
Taxes paid		-1,164	-1,603
Discontinued operations		0	-76,535
<b>Cash flow from operations</b>		<b>3,144</b>	<b>3,811</b>
<b>Cash flow from investments:</b>			
Purchases of tangible and intangible assets		-2,928	-2,158
Shares acquired in subsidiaries, net of cash and cash equivalents at the time of acquisition		-4,042	-2,099
Dividends received		15	0
Discontinued operations		0	-217
<b>Cash flow from investments</b>		<b>-6,955</b>	<b>-4,474</b>
<b>Cash flow from financing:</b>			
Repayments of finance lease liabilities	20	842	-747
Repayments of current loans	20	-8,000	-11,900
Withdrawals of current loans	20	4,000	4,000
Withdrawals of non-current loans	20	6,000	9,925
Dividends paid and other profit distribution		-1,658	-1,855
Share issue		12,491	
Discontinued operations		0	-951
<b>Cash flow from financing</b>		<b>13,675</b>	<b>-1,528</b>
<b>Change in liquid assets</b>		<b>9,864</b>	<b>-2,191</b>
<b>Liquid assets at beginning of period</b>		<b>1,994</b>	<b>6,710</b>
Effects of changes in foreign exchange rates		0	-224
Cash and cash equivalents transferred in the demerger		0	-2,301
Change in liquid assets		9,864	-2,191
<b>Liquid assets at end of period</b>		<b>11,858</b>	<b>1,994</b>

# Changes in shareholders' equity

€ 000	Proportion belonging to parent company shareholders						Total shareholders' equity
	Share capital	Premium fund	Unrestricted shareholders' equity reserve	Other reserves	Translation difference	Retained earnings	
<b>Shareholders' equity, 1 Jan 2016</b>	<b>2,088</b>	<b>7,899</b>	<b>31,370</b>	<b>5,204</b>	<b>492</b>	<b>-6,166</b>	<b>40,887</b>
Net profit (+) / loss (-)	-	-	-	-	-	79,907	79,907
<b>Total recognised income and expenses for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>73,741</b>	<b>120,794</b>
Dividends paid	-	-	-	-	-	-1,659	-1,659
Share-based transactions settled in equity	-	-	-	-	-	39	39
Other comprehensive income	-	-	-	-	-716	-	-716
Demerger consideration, fair value	-	-	-	-	-	-85,771	-85,771
Dissolution of premium fund <sup>"</sup>	-	-7,899	7,899	-	-	-	0
Effect of demerger	-	-	-9,220	-	-	9,220	0
Other items	-	-	-	-	-	128	128
	<b>-</b>	<b>-7,899</b>	<b>-1,321</b>	<b>-</b>	<b>-716</b>	<b>-78,043</b>	<b>-87,980</b>
<b>Shareholders' equity, 31 Dec 2016</b>	<b>2,088</b>	<b>0</b>	<b>30,050</b>	<b>5,204</b>	<b>-224</b>	<b>-4,303</b>	<b>32,814</b>
€ 000	Proportion belonging to parent company shareholders						Total shareholders' equity
	Share capital	Premium fund	Unrestricted shareholders' equity reserve	Other reserves	Translation difference	Retained earnings	
<b>Shareholders' equity, 1 Jan 2017</b>	<b>2,088</b>	<b>0</b>	<b>30,050</b>	<b>5,204</b>	<b>-224</b>	<b>-4,303</b>	<b>32,814</b>
Net profit (+) / loss (-)	-	-	-	-	-	968	968
<b>Total recognised income and expenses for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-3,335</b>	<b>33,782</b>
Share-based transactions settled in equity	-	-	-	-	-	47	47
Transactions with shareholders							
Dividends paid	-	-	-	-	-	-1,658	-1,658
Rights Issue	-	-	12,491	-	-	-	12,491
Costs of issuing equity	-	-	-460	-	-	-	-460
Other comprehensive income	-	-	-	-	-72	-	-72
	<b>-</b>	<b>-</b>	<b>12,031</b>	<b>-</b>	<b>-72</b>	<b>-1,612</b>	<b>10,348</b>
<b>Shareholders' equity, 31 Dec 2017</b>	<b>2,088</b>	<b>0</b>	<b>42,081</b>	<b>5,204</b>	<b>-296</b>	<b>-4,946</b>	<b>44,130</b>

<sup>"</sup> The demerger-related transfer of the issue premium fund to the unrestricted shareholders' equity reserve was carried out on 16 March 2016 following a decision made by the Annual General Meeting.



## Distributable funds, 31 December

€ 000	2017 Parent	2016 Parent
Unrestricted shareholders' equity reserve	42,540	30,050
Retained earnings	1,910	1,224
Net profit	142	2,298
Total	44,593	33,571

# Basic information on the Group and its accounting policies

## Basic information on the Group

Digia is a profitably growing IT service company that helps its customers harness digital opportunities. As a visionary partner, Digia develops and innovates solutions that support business operations together with its customers. The company adapts its expertise to their specific industries to help them develop digital services, manage operations and utilise information. Digia employs about 1,000 experts in Finland and Sweden, and is expanding its international presence together with its customers.

One of the company's major assets is its 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 has been able to assume a greater role in its customers' value chains. The company's services also include consultancy, service design, development partnerships and life-cycle services. Digia has strong industry expertise particularly in the commercial, logistics and industrial sectors, in the public sector, and in banking and insurance.

Digia operates in seven locations in Finland – Helsinki, Jyväskylä, Oulu, Rauma, Tampere, Turku and Vaasa – and in Stockholm, Sweden. The company is listed on Nasdaq Helsinki (DIGIA). Digia Plc is domiciled in Helsinki and its registered office is at Atomitie 2 A, 00370 Helsinki.

## Approval by the Board of Directors

The Board of Directors approved the financial statements for publication on 5 February 2018. According to the Finnish Companies Act, shareholders have the right to approve or reject the financial statements at the General Meeting held after publication. The General Meeting may also decide to revise the financial statements. Digia Plc's Annual General Meeting will be held on 15 March 2018.

## 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 2017.

The financial statements are presented in thousands of euros.

### 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. Subsidiaries acquired during the fiscal period are included in the consolidated financial statements as from when control was gained, while divested subsidiaries are included until the date of divestment. No subsidiaries were divested in the 2017 and 2016 fiscal periods.

The earnings for the period are divided between the shareholders in the parent company and non-controlling interests. Non-controlling interests, if any, are also presented as a separate item within shareholders' equity. There were no non-controlling interests in 2017 and 2016.

As of 1 January 2017, the Digia Group has applied the following new and amended standards:

Amendment to IAS 7 Statement of Cash Flows – Disclosure Initiative\* (effective for financial periods beginning on or after 1 January 2017). The amendments seek to enable users of financial statements to evaluate changes in liabilities – both those and those without an effect on cash flow – arising from financing activities. The amendment has affected the notes to Digia's consolidated financial statements.

Amendment to IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses\* (effective for financial periods

beginning on or after 1 January 2017). The amendments clarify that the existence of deductible temporary differences depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or how an amount equivalent to said carrying amount will be accrued in the future. The amendments had no effect on Digia's consolidated financial statements.

Other new or amended standards and interpretations have had no effect on the 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 on its business operations as one segment. Digia comprises four service areas: Digital Services, Information Management Services, Industry Solutions and Financial Sector.

### 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. The Group has one subsidiary abroad, in Sweden.

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 statement of the Swedish group company has been converted into euro at the weighted average exchange rate for the period, and its balance sheet has been converted at the exchange rate quoted on the balance sheet date. Translation differences arising from the application of the acquisition 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 2017 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.

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. Goodwill amounted to EUR 45,715 thousand at the end of the fiscal year.

### Research and development costs

The R&D spend is primarily recognised as expenses. R&D expenses are capitalised if they fulfil the IFRS capitalisation criteria for intangible assets. No R&D expenses were capitalised in 2017 and 2016.

### 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. After the demerger of Qt Group Plc, Digia does not have any other such intangible assets that would have an unlimited useful life.

## 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

Financial assets are loans and other receivables that are included in accounts receivable, current or noncurrent receivables, and other receivables. Available-for-sale financial assets recognised at fair value are also included in financial assets.

Financing liabilities are recognised at fair value. Liabilities are classified as non-current if they mature in more than 12 months and as current if they mature in less than 12 months. Interest expenses are recognised as expenses in the period during which they have arisen. Loan transaction 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 liquid investments with minor risk of changing in value. The Group has no liquid assets held to maturity. Accounts with a credit facility are treated as short-term loans under current liabilities.

### Amortisation

On each balance sheet date, Digia 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 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 has been treated as a defined contribution plan.

### Share-based payments

Digia 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, and is reversed when these costs have materialised.

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. Guarantee provisions are reversed as losses are incurred.

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. Guarantee provisions are reversed in step with costs over the guarantee period.

### 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.

#### Share-based incentive scheme

The targets of the share-based incentive scheme are based on the company's net sales and earnings per share (EPS). The accrual of expenses from the incentive scheme is recognised annually, assessing the total cost impact of the scheme at the level estimated by management. If estimates of the total cost impact of the scheme change, the cost is amended in the period during which the change becomes known for the first time.

#### Financial risks

Financial risk management is presented in Note 26. 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 2016.

- IFRS 15 **Revenue from Contracts with Customers** (effective for financial periods beginning on or after 1 January 2018): The new standard replaces the current IAS 18 and IAS 11 standards and their related interpretations. IFRS 15 includes a five-step model for the recognition of revenue with respect to the timing and amount. Revenue is recognised as control is passed, either over time or at a point in time. The standard also increases the amount of disclosures in the notes to the financial statements. The effects of IFRS 15 on Digia's consolidated financial statements have been assessed as follows:

- The key concepts of IFRS 15 have been analysed with respect to different revenue flows. These include own licences and their maintenance, third-party licences and their maintenance, and the sale of work and services.
- The standard will be adopted at the beginning of 2018, using a partly retroactive approach and practical tools. The company will apply this standard to each previous reporting period presented.
- Effects of IFRS 15 on consolidated net sales:



- The current revenue recognition principles will not change with regard to sales of work or services.
- The timing of revenue recognition from some of the company's own products will change. Earlier, the licences of these products were recognised as revenue for a delivery project, but in future they will be recognised upon installation in the customer environment. Licences comprise separate performance obligations that are recognised in one instalment, and the related delivery project will be recognised over time. This has an effect of EUR –6 thousand on net sales and operating result in 2017.
- For third-party products, Digia's role and responsibility with regard to the end customer are determined on an agreement-by-agreement basis. If Digia is responsible, revenue is recognised from these products in one instalment on a gross basis once the installation environment has been completed. Maintenance revenue will also be recognised on a gross basis, but over time. If a third party holds actual responsibility, Digia only recognises the margin or commission in net sales. The amended revenue recognition principle for 2017 has an impact of EUR –1,346,000 on net sales. It does not have any impact on the operating result.

Year-on-year impact of IFRS 15 on 2017 net sales and operating result:

Net sales	EUR –1,346,000
Operating result	EUR –6,000

IFRS 9 **Financial Instruments and its amendments** (effective for financial periods beginning on or after 1 January 2018): IFRS 9 replaces the current IAS 39. The new standard 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. IFRS 9 is expected to have minor effects for the company.

IFRS 16 **Leases\*** (effective for financial periods beginning on or after 1 January 2019): The new standard replaces IAS 17 and related interpretations. IFRS 16 requires lessees to recognise leases as lease payment obligations and related asset items in the balance sheet. Balance sheet entry is very similar to the accounting treatment of finance leases under IAS 17. There are two concessions with regard to recognition of leases in the balance sheet, relating to leases with a short term of less than 12 months and leases in respect of assets valued at no more than USD 5,000. For lessors, accounting treatment will largely remain the same as under the current IAS 17. The Group has started the assessment of the effects of the standard. Based on that, it is estimated that Digia's lease payment obligation to be recognised in the consolidated financial statements and balance sheet will amount to about EUR 8 million. The amount consists mainly of rental agreements for business premises and car service leasing agreements.

Amendments to IFRS 2 **Share-based Payment – Clarification and Measurement of Share-based Payment Transactions\*** (effective for financial periods beginning on or after 1 January 2018). The amendments clarify the accounting treatment of certain kinds of arrangements. They concern three subareas: measurement of cash-settled payment transactions; share-based payment transactions net of withholding tax; and modification of share-based payment transactions from cash-settled to equity-settled. Share-based payment expenses in 2018 and 2019 are expected to amount to about EUR 1.3 million at most.

Interpretation IFRIC 22 **Foreign Currency Transactions and Advance Consideration\*** (effective for financial periods beginning on or after 1 January 2018). When advance consideration denominated in foreign currency is paid or received for the related asset, income or expense, IAS 21 The Effects of Changes in Foreign Exchange Rates does not express an opinion on how the date of transaction should be determined for the purpose of

translating said item. The interpretation clarifies that the date of transaction is the date of initial recognition of the advance payment or deferred income. If there are multiple payments or receipts in advance, a date of transaction is established for each. The amendment has no effect on Digia's consolidated financial statements

**Annual Improvements to IFRSs, collection of amendments 2014–2016\*** (for IFRS 12, effective for financial periods beginning on or after 1 January 2017, and for IFRS 1 and IAS 28 for financial periods beginning on or after 1 January 2018): 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 three standards. The effects of the amendments vary depending on the standard but are not material.

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

# Notes to the consolidated financial statements

## 1. Net sales and long-term projects

Digia's net sales in the review period totalled EUR 96.2 (86.5) million. The net sales of the project business totalled EUR 49.9 million and accounted for 51.8% of total net sales. The net sales of the service and maintenance business totalled EUR 46.4 million, or 48.2% of net sales. The net sales of the product business generated 25.3 (29.7) per cent of the company's net sales. The product business includes licence maintenance, and it is included in both project and service operations.

Consolidated net sales in 2017 include income recognised on long-term projects totalling EUR 23.7 (20.4) million. The consolidated income statement includes income recognised on incomplete long-term projects to the amount of EUR 11.6 (10.7) million on 31 December 2017. The statement of financial position includes advance payments recognised on incomplete long-term projects totalling EUR 0.1 (0.4) million on 31 December 2017.

In 2017, no single customer accounted for a dominant share of consolidated net sales or more than 10%.

## 2. Acquired business operations

### Business operations acquired during the 2017 fiscal year

On 28 April 2017, the company acquired the entire share capital of Omni Partners Oy and, at the same time, Omni Partners' wholly owned subsidiary Oy Nord Software Ltd. This strategic acquisition bolstered Digia's position in the digital services market. Omni Partners and Nord Software provide e-service solutions and customised online and mobile communications services based on open source technologies. 52 people in Finland transferred to Digia Plc as a result of the acquisition.

On 4 December 2017, the company acquired the entire share capital of Integration House Oy, which specialises in modern integration solutions. 21 people in Finland transferred to Digia Plc as a result of the acquisition.

### Total values of the acquired businesses on the acquisition date:

Property, plant, and equipment, and intangible assets	117
Accounts receivable and other receivables	1,051
Cash and cash equivalents	462
Total assets	1,630

Accounts payable and other liabilities	1,125
Total liabilities	1,125

Net assets	505
Goodwill	5,156
Value of customer contracts	1,062

Acquisition cost	6,749
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### Cash flow effect of the acquired businesses:

Acquisition cost	-6,714
Cash and cash equivalents	462
Additional purchase price	1,785
Share of acquisition cost payable later	384
Acquisition-related costs and taxes	-47
Net cash flow of acquisition	-4,130

If the businesses acquired during the fiscal year had been included in Digia's consolidated accounts for the entire year, they would have accounted for about EUR 4.3 million in net sales in 2017.

### Business operations acquired during the 2016 fiscal year

On 1 July 2016, Digia acquired the entire share capital of Igence Oy Ab, a webshop expert. With this acquisition, Digia expanded its current offering and expertise, especially in solutions for webshops and commercial product data management. The figures for the acquired business have been consolidated with Digia's

result as from 1 July 2016. With the acquisition, 24 employees in Finland were transferred to the company's employ. The purchase price of EUR 2.1 million was paid in cash. The transaction also includes an additional purchase price of no more than EUR 1.5 million. The additional purchase price will be determined on the basis of the net sales of the acquired business in 2017. Management estimates that the additional purchase price will be paid in full. The value of customer contracts will be amortised over seven years from the date of acquisition.

### Values of the acquired businesses on the acquisition date:

Intangible assets	4
Accounts receivable and other receivables	361
Cash and cash equivalents	76
Total assets	440

Accounts payable and other liabilities	425
Total liabilities	425

Net assets	15
Goodwill	2,572
Value of customer contracts	940

Acquisition cost	3,527
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### Cash flow effect of the acquired businesses:

Acquisition cost	-3,527
Cash and cash equivalents	76
Additional purchase price	1,500
Acquisition-related costs and taxes	-52
Net cash flow of acquisition	-2,003

### 3. Other operating income

€ 000	2017	2016
Grants	305	396
Other income	601	347
Total	906	743

Grants were earmarked for product development and have been allocated to personnel expenses and external services.

Other income includes, for instance, EUR 0.4 million in commissions from sales of Microsoft licences.

### 4. Auditors' fees

€ 000	2017	2016
Audit	79	95
Other statutory duties	24	-
Tax counselling	1	-
Other services	40	108
Total	143	203

In 2017, KPMG Oy Ab invoiced EUR 76,648.01 for auditing and EUR 64,742.75 for other services.

### 5. Other operating expenses

€ 000	2017	2016
Rental costs of premises	2,758	1,767
Other costs of premises	457	505
IT costs	2,508	2,237
Voluntary personnel expenses	3,484	3,109
Travel	1,272	1,108
External services	1,493	1,309
Other expenses	1,408	1,599
Total	13,380	11,634

### 6. Product development expenses

€ 000	2017	2016
Product development expenses	5,712	5,781
Total	5,712	5,781

Product development expenses comprise the development of the company's own products. The R&D spend is primarily recognised as expenses. R&D expenses are capitalised if they fulfil the IFRS capitalisation criteria for intangible assets. In 2017 and 2016, all product development expenses have been recognised in the result for the fiscal year.

### 7. Depreciation and amortisation

€ 000	2017	2016
Depreciation and amortisation by asset category		
Intangible assets	500	537
Property, plant and equipment		
Buildings	7	7
Machinery and equipment	1,162	898
Total	1,169	905
Total depreciation and amortisation	1,669	1,442

### 8. Personnel expenses

€ 000	2017	2016
Wages and salaries	55,497	45,830
Pension costs, defined-contribution plans	9,803	8,700
Share-based payments	23	252
Other personnel expenses	2,210	2,733
Total	67,533	57,515
Group personnel on average during the period		
Business units	918	810
Administration and management	36	38
Total	954	848

Share-based payments include the annual costs of the management incentive scheme. Information on the employee benefits of the management are presented in Note 26, 'Related party transactions'.

## 9. Financial income and expenses

### Financial income

€ 000	2017	2016
Interest income from cash and cash equivalents	1	3
Interest income from accounts receivable	3	1
Dividend income	15	10
Exchange rate gains	75	149
Other financial income	74	-
<b>Total</b>	<b>169</b>	<b>164</b>

### Financial expenses

€ 000	2017	2016
Interest expenses for financing loans valued at accrued acquisition cost	438	273
Interest expenses for accounts payable	8	6
Loan administration fees	89	85
Impairment of shares and participations	141	-
Exchange rate losses	2	11
Other financial expenses	144	88
<b>Total</b>	<b>822</b>	<b>463</b>

## 10. Income taxes

€ 000	2017	2016
Current tax	541	1,038
Taxes from previous periods	-27	8
Deferred tax	-289	9
<b>Total</b>	<b>225</b>	<b>1,056</b>

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	2017	2016
Earnings before tax	1,193	80,963
Taxes calculated at the domestic corporation tax rate	239	16,193
Income not subject to tax *	-124	-15,375
Non-deductible expenses	112	97
Other items	287	124
Taxes from previous periods	27	-
<b>Total</b>	<b>541</b>	<b>1,038</b>
Current tax	541	1,038

\* Mainly comprises an item not subject to tax related to the demerger consideration for the demerger of Digia Plc and Qt Group Plc in 2016.

## 11. 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.

Profit for the period attributable to parent company shareholders (€ 000)	2017	2016
Continuing operations	968	4,064
Discontinued operations	0	75,842
Continuing and discontinued operations, total	968	79,906
Weighted average number of shares during the period	23,789,462	20,738,761
Earnings per share, EUR, continuing operations (basic and diluted EPS)	0.04	0.20
Earnings per share, EUR, discontinued operations (basic and diluted EPS)	0.00	3.63
Earnings per share, EUR, continuing and discontinued operations (basic and diluted EPS)	0.04	3.83

There was no dilution effect in 2017 and 2016.

## 12. Property, plant and equipment

€ 000	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Total 2017	Total 2016
Acquisition cost, 1 January	17	164	21,745	84	22,010	20,719
Acquisition cost transferred in the demerger			-		-	-622
Additions	-	-	2,125	-	2,125	1,921
Transferred in acquisitions of business operations			115		115	
Disposals	-	-	-163	-	-163	-8
Acquisition cost, 31 December	17	164	23,822	84	24,087	22,010
Accumulated depreciation and amortisation, 1 January	-	-106	-19,436	-83	-19,624	-18,860
Depreciation transferred in the demerger	-	-	-	-	-	219
Depreciation	-	-7	-1,162	-	-1,169	-983
Accumulated depreciation and amortisation, 31 December	-	-113	-20,598	-83	-20,793	-19,624
<b>Book value, 1 January</b>	<b>17</b>	<b>59</b>	<b>2,309</b>	<b>1</b>	<b>2,387</b>	<b>1,859</b>
<b>Book value, 31 December</b>	<b>17</b>	<b>51</b>	<b>3,224</b>	<b>1</b>	<b>3,293</b>	<b>2,387</b>

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 2017	Total 2016
Acquisition cost and additions			13,926	-	13,926	12,513
Demerger, 2 May 2016	-	-	-	-	-	-514
Accumulated depreciation	-	-	-11,428	-	-11,428	-10,556
<b>Demerger, 2 May 2016</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>219</b>
<b>Book value, 31 December</b>	<b>-</b>	<b>-</b>	<b>2,498</b>	<b>-</b>	<b>2,498</b>	<b>1,661</b>



## 13. Intangible assets

€ 000	Goodwill	Development costs	Other intangible assets	Total 2017	Total 2016
Acquisition cost, 1 January	91,954	2,487	28,037	122,478	132,608
Acquisition cost transferred in the demerger	-	-	-	-	-13,724
Additions	5,156	-	1,461	6,617	3,821
Transferred in acquisitions of business operations	-	-	2	2	-
Disposals	-	-	-5	-5	-227
Acquisition cost, 31 December	97,110	2,487	29,495	129,092	122,478
Accumulated depreciation and amortisation, 1 January	-51,394	-2,487	-26,751	-80,632	-81,572
Depreciation transferred in the demerger	-	-	-	-	1,510
Depreciation	-	-	-500	-500	-571
Accumulated depreciation and amortisation, 31 December	-51,394	-2,487	-27,251	-81,132	-80,632
<b>Book value, 1 January</b>	<b>40,559</b>	<b>0</b>	<b>1,286</b>	<b>41,844</b>	<b>51,036</b>
<b>Book value, 31 December</b>	<b>45,715</b>	<b>0</b>	<b>2,243</b>	<b>47,959</b>	<b>41,844</b>

### Goodwill impairment testing

Goodwill impairment is tested at Group level because the company reports on its business operations as one segment. The table below shows the distribution of goodwill and values subject to testing at the end of the reporting period:

€ 000	Specified intangible assets	Goodwill	Other items	Total value subject to testing
Digia	1,742	45,715	8,605	56,062

The goodwill of the businesses acquired in 2017 accounted for EUR 5,156 thousand and the goodwill of those acquired in 2016 to EUR 2,572 thousand.

The current values for Digia's operations were calculated for a five-year forecast period based on the following assumptions:

Net sales and operating profit for 2018 according to budget. In the five-year forecast period, annual growth in net sales is expected to be 10.0 per cent and 3.0 per cent thereafter, operating profit growth of 6.0 per cent and a pre-tax discount rate of 10.6 per cent. Post-forecast-period cash flows were extrapolated using the same assumptions as for the forecast period.

According to a sensitivity analysis, goodwill requires either net sales to remain at the current level with profitability of 4.6 per cent, or a 3.0 per cent growth in net sales with profitability of 4.1 per cent.

## 14. Deferred tax assets and liabilities

Changes in deferred taxes during 2017:

€ 000	1 Jan 2017	Recognised in income statement	Subsidiaries acquired/ divested	Discontinued operations	31 Dec 2017
Deferred tax assets:					
Provisions	51	282	-	-	333
Other items	143	-41	-	-	102
Total	194	241	-	-	435

€ 000	1 Jan 2017	Recognised in income statement	Subsidiaries acquired/ divested	Discontinued operations	31 Dec 2017
Deferred tax liabilities:					
From business combinations	175	-45	212	-	341
Other items	7	-3	-	-	4
Total	181	-48	212	-	345

Changes in deferred taxes during 2016:

€ 000	1 Jan 2016	Recognised in income statement	Subsidiaries acquired/ divested	Discontinued operations	31 Dec 2016
Deferred tax assets:					
Provisions	7	44	-	-	51
Other items	287	-120	-	-24	143
Total	293	-76	-	-24	194

€ 000	1 Jan 2016	Recognised in income statement	Subsidiaries acquired/ divested	Discontinued operations	31 Dec 2016
Deferred tax liabilities:					
From business combinations	36	-49	188	-	175
Other items	218	-17	-	-195	7
Total	254	-66	188	-195	181

## 15. Accounts receivable and other receivables

€ 000	2017	2016
Accounts receivable and other receivables		
Accounts receivable	15,050	14,320
Receivables from customers on long-term projects	4,126	1,452
Security deposit for rental due	44	29
Tax assets from the profit for the financial year	829	-
Prepayments and accrued income	2,161	3,223
Other receivables	257	108
Accounts receivable and other receivables	22,468	19,132

€ 000	2017	2016
Not due	13,435	12,763
Due 1–30 days ago	1,047	751
Due 31–60 days ago	279	352
Due 61–90 days ago	58	197
Due 91–180 days ago	54	99
Due more than 180 days ago	177	156
Total	15,050	14,320

At the end of the 2017 fiscal year, credit losses totalled EUR 0.04 million. At the end of the 2016 fiscal year, credit losses totalled EUR 0.02 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.

## 16. Cash and cash equivalents

€ 000	2017	2016
Mutual funds	335	334
Bank accounts	11,523	1,661
Total	11,858	1,994

## 17. Notes on share capital

	Number of shares	Share capital (€ 000)
1 Jan 2016	20,875,645	2,088
31 Dec 2016	20,875,645	2,088

	Number of shares	Share capital (€ 000)
1 Jan 2017	20,875,645	2,088
Rights issue 28 June 2017	5,948,078	2,088
31 Dec 2017	26,823,723	2,088

The maximum number of shares is 48 million (48 million in 2016). 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 2016). All outstanding shares are paid in full. At the end of the fiscal year, the company held 57,372 of its own shares, or 0.2 per cent of all shares. At the end of the review period, 49,591 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.

The EUR 7,889 thousand transfer of the issue premium fund to the unrestricted shareholders' equity reserve was made on the basis of a decision by the Annual General Meeting on 16 March 2016.

## 18. Share-based payments

On 3 February 2017, Digia Plc's Board of Directors decided to establish a new long-term share-based incentive scheme. The Board will confirm the target group for the long-term incentive scheme separately. In principle, the target group consists of the CEO and the company's management. The scheme is designed to conjoin the goals of the company's shareholders and management, in order to increase the company's value and to commit executive management to the company and its long-term objectives. The new scheme replaced the previous share-based incentive scheme, which ran until 2017.

The new long-term incentive scheme covers the calendar years 2017–2019. It offers participants the chance to earn company shares if the targets set by the Board of Directors for the three-year bonus period are reached.

These targets are based on the company's net sales and earnings per share (EPS). There are three earnings periods for the EPS indicator, 2017, 2018 and 2019, and the Board of Directors will set the

criteria for each at the beginning of each period. The earnings period for the net sales indicator is 2017–2019. The target for net sales is the net sales target set for 2019. During the bonus period, the company's CEO and other scheme participants are entitled to a bonus equivalent to a maximum of 500,000 new Digia Plc shares. If the terms are met, the bonuses based on the new scheme will be paid at the end of the reward period in 2020 for both indicators. All bonuses under this 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 arising from the scheme.

The ended scheme comprised three earning periods, which were the calendar years 2015–2017. The earnings principles were the consolidated earnings per share and consolidated net sales, according to formulae settled annually by the Board. For each earning period, the company CEO and other key personnel engaged in domestic business and included in the scheme were entitled to a reward whose value could not exceed the equivalent of 115,000 Digia Plc shares.

In 2018 and 2019, the maximum expenses of the incentive scheme will amount to EUR 1.3 million. The basic details of the scheme are listed in the table below.

President and CEO's share-based incentive scheme 2017–2019		Key personnel's share-based incentive scheme 2017–2019
Granting date	3 Feb 2017	3 Feb 2017
Implementation	Shares and cash	Shares and cash
Target group	President & CEO	Key personnel
Maximum number of shares *	150,000	350,000
Beginning of the earning period	1 Jan 2017	1 Jan 2017
End of the earning period	31 Dec 2017 / 31 Dec 2018 / 31 Dec 2019	31 Dec 2017 / 31 Dec 2018 / 31 Dec 2019
Vesting condition	Earnings per share and net sales Employment requirement	Earnings per share and net sales Employment requirement
Maximum validity, years	2.9	2.9
Remaining validity, years	2.2	2.2
Number of persons (31 Dec 2017)	1	9

\* 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 2017 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 2017 fiscal year	President and CEO's share-based incentive scheme 2017–2019	Key personnel's share-based incentive scheme 2017–2019
Gross amounts, 1 Jan 2017 **		
Outstanding at beginning of period	0	0
Changes during the period		
Granted during the year	150,000	243,000
Forfeited during the year	20,996	34,014
Exercised during the year	–	–
Gross amounts, 31 Dec 2017 **		
Outstanding at end of period	129,004	208,986
Available for exercising at end of period	–	–
Events in 2016 fiscal year	President and CEO's share-based incentive scheme 2015–2017	Key personnel's share-based incentive scheme 2015–2017
Gross amounts, 1 Jan 2016 **		
Outstanding at beginning of period	50,000	62,499
Changes during the period		
Granted during the year	–	–
Forfeited during the year	8,667	25,595
Exercised during the year	41,333	36,904
Gross amounts, 31 Dec 2016 **		
Outstanding at end of period	0	0
Available for exercising at end of period	0	0

\*\* 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. The fair value of the 2017–2019 share-based incentive scheme was determined on 3 February 2017 and is EUR 3.02 per share. 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 2017 income statement

Effect on earnings and financial position, € 000	President and CEO's share-based incentive scheme 2017–2019	Key personnel's share-based incentive scheme 2017–2019	Total
Share-based payment expense for the fiscal year	32	51	83
Share-based payments, shareholders' equity, 31 Dec 2017	18	29	47
Liabilities from share-based payments, 31 Dec 2017	14	22	36

Effect on earnings and financial position, € 000	President and CEO's share-based incentive scheme 2015–2017	Key personnel's share-based incentive scheme 2015–2017	Total
Share-based payment expense for the fiscal year	–25	–34	–60
Share-based payments, shareholders' equity, 31 Dec 2017	0	0	0
Liabilities from share-based payments, 31 Dec 2017	0	0	0

### Comparison data for 2016

Effect on earnings and financial position, € 000	President and CEO's share-based incentive scheme 2015–2017	Key personnel's share-based incentive scheme 2015–2017	Total
Share-based payment expense for the fiscal year	128	118	247
Share-based payments, shareholders' equity, 31 Dec 2016	67	85	152
Liabilities from share-based payments, 31 Dec 2016	51	65	116

## 19. Provisions

€ 000	Restructuring provision	Unprofitable agreements	Total
1 Jan 2017	0	255	255
Increase in provisions	0	1,820	1,820
Provisions used	0	–411	–411
31 Dec 2017	0	1,663	1,663

€ 000	Restructuring provision	Unprofitable agreements	Total
1 Jan 2016	136	33	169
Increase in provisions	0	587	587
Provisions used	–136	–365	–501
31 Dec 2016	0	255	255

### Restructuring provision

The restructuring provisions relate to organisational changes carried out during the year. They are included on the Balance Sheet under 'Accruals'. No restructuring provisions were recognised in the 2017 fiscal year.

### Unprofitable agreements

A loss provision is created for fixed-price projects if it becomes apparent that the obligatory expenditure on the fulfilment of project obligations will exceed the benefits to be gained from the agreement. The loss is recognised in the period when it becomes known and can be estimated for the first time. Loss provisions are reversed in accordance with the extent and timing of incurred expenses.

On the balance sheet date of 31 December 2017, there were seven fixed-price projects for which loss provisions had been recorded on the basis of remaining work.

## 20. Financial liabilities

€ 000	2017 Fair values	2016 Fair values	2017 Balance sheet values	2016 Balance sheet values
Non-current				
Bank loan	11,501	8,000	11,501	8,000
Finance lease liabilities	1,470	968	1,477	975
Total	12,971	8,968	12,978	8,975
Current				
Bank loan	2,600	4,000	2,600	4,000
Finance lease liabilities	1,042	709	1,052	711
Total	3,642	4,709	3,652	4,711
<b>Total</b>	<b>16,613</b>	<b>13,677</b>	<b>16,630</b>	<b>13,686</b>

The loan covenant related to the company's solvency and liquidity comprised the following key figure: operating profit before depreciation and amortisation (EBITDA) in relation to net debt. The company fulfilled the set loan covenants in 2017. The maximum and minimum values specified in the loan covenants, and the realised figures on 31 December 2017 were:

	Covenant value	31 Dec 2017
Net debt / EBITDA, max.	3.5	1.3

On 31 May 2017, Digia signed an agreement on new long-term bank financing of EUR 12.5 million with Danske Bank Plc. This bank financing will be used to partly fund mergers and acquisitions that support Digia's growth strategy. The company did not raise this loan in 2017. Both the new and earlier loans have floating interest rates tied to the six-month Euribor plus a margin. The average interest rate of the loans in 2017 was 1.2% (0.9% in 2016).

The effective interest rate on finance lease liabilities during the fiscal year was 2.28% (2016: 2.34%).

Interest-bearing liabilities fall due as follows:

Year, € 000	2017	2016
2017	–	4,711
2018	3,652	2,581
2019	7,405	6,277
2020	1,156	111
2021	4,390	56
2022	25	–
Total	16,629	13,686

The tables below describe agreement-based maturity analysis results for 2017 and the 2016 comparison period. The figures are undiscounted and include interest payments and the repayment of loan capital:

€ 000 31 Dec 2017	Balance sheet values	Cash flow	Less than 1 year	1-2 years	2-5 years
Bank loans	14,101	14,350	2,731	6,682	4,936
Finance lease liabilities	2,529	2,529	1,052	780	696
Accounts payable and other liabilities	7,259	7,259	7,259	0	0
Total	23,889	24,138	11,042	7,462	5,632

€ 000 31 Dec 2016	Balance sheet values	Cash flow	Less than 1 year	1-2 years	2-5 years
Bank loans	12,000	12,186	4,096	2,073	6,017
Finance lease liabilities	1,686	1,686	711	581	394
Accounts payable and other liabilities	5,063	5,063	5,063	0	0
Total	18,749	18,935	9,870	2,654	6,411

Accounts payable and other non-interest-bearing liabilities are recognised in the balance sheet at their original cost, which is equivalent to their fair value, because the effect of discounting is not material, considering the maturities of the liabilities.

## 21. Due dates of finance lease liabilities

€ 000	2017	2016
Finance lease liabilities, total of minimum lease payments		
Within one year	1,052	731
Within more than one but less than five years	1,476	992
Finance lease liabilities, present value of minimum lease payments		
Within one year	1,042	711
Within more than one but less than five years	1,470	975
Financial expenses to be accrued in the future	17	37
Total amount of finance lease liabilities	2,512	1,686

Finance leases cover IT equipment, furnishings and vehicles. The lease periods are 2-5 years.

## 22. Operating leases

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

€ 000	2017	2016
Within one year	2,700	2,937
Within more than one but less than five years	5,225	8,489
After more than five years	0	0
Total	7,925	11,426

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.

## 23. Contingent liabilities

€ 000	2017	2016
Collateral pledged for own commitments		
Other	547	539
<b>Total</b>	<b>547</b>	<b>539</b>

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

Disputes:

The company had no pending disputes on 31 December 2017. A customer complaint in the amount of EUR 0.4 million in 2016 has been resolved.

On 31 December 2016, the company received a customer complaint in the amount of EUR 0.4 million regarding a delivery agreement between the two parties. In its complaint, the customer stated that the project delivery was incomplete and defective. Digia considered that it had a fair chance of winning the case in court.

## 24. The group's shares and holdings

Group companies	Domicile	Domestic segment	Share of ownership	Share of votes
Digia Plc	Helsinki	Finland	Parent company	
Digia Finland Ltd	Helsinki	Finland	100%	100%
Digia Commerce Oy	Vaasa	Finland	100%	100%
Digia Nord Oy	Helsinki	Finland	100%	100%
Nord Software Oy	Helsinki	Finland	100%	100%
Digia Sweden Ab	Stockholm	Sweden	100%	100%
Integration House Oy	Turku	Finland	100%	100%

Other shares and holdings	31 Dec 2016	Change	31 Dec 2017
Other shares total	624	-141	484
<b>Total</b>	<b>624</b>	<b>-141</b>	<b>484</b>

Other shares include holiday cabins usable by personnel and golf shares.

## 25. 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	2017	2016
Salaries and other short-term employee benefits	1,478	1,316
Share-based bonuses	95	253
<b>Total</b>	<b>1,573</b>	<b>1,569</b>

The salaries and fees paid in 2017 to the CEO and the members of the Board of Directors were as follows:

		€ 000
Kyttälä Pertti	Chairman of the Board of Directors	80
Ingman Robert	Vice Chairman of the Board	51
Ala-Härkönen Martti	Member of the Board	39
Hokkanen Päivi	Member of the Board	39
Ruotsalainen Seppo	Member of the Board	38
Levoranta Timo	President & CEO	366
Total		611

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 (2016: EUR 7,200). Transactions associated with the purchase of goods or services totalled EUR 0 (2016: EUR 0). The Group has no related-party loans or voluntary pension arrangements.

## 26. Management of financing risks

Digia Plc's internal and external financing and the management of financing risks is concentrated in the finance and financial management unit of the Group's parent company. The unit 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 in the normal course of business. The Group's risk management seeks to minimise the adverse effects of changes in 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 and financial management unit together with the business segments is responsible for their practical implementation.

In accordance with the company's investment policy, cash and cash equivalents are invested only in low-risk short rate funds and bank deposits.

### Interest rate risks

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 2017 fiscal period, the interest rate on the long-term bank loan varied between 1.0% and 1.4% (in 2016, between 0.7% and 1.7%). 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 and reported on regularly in the Group. Possible interest rate hedges will be made with the appropriate instruments.

### Credit risks

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 and investment transactions with the aim of minimising credit losses. 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 and financial management unit provides customer financing services in a centralised manner and ensures that the guidelines are observed with regard to terms of payment and collateral required. At the end of the 2017 fiscal year, credit losses totalled EUR 0.04 million (EUR 0.02 million in 2016). The maturity analysis of accounts receivable for 2017 and 2016 is presented in Note 15.

### Foreign exchange risks

The Group's currency risks related to the receivables, liabilities and investments of the Swedish subsidiary as well as the Finnish companies' accounts receivable and payable denominated in foreign currency. In the 2017 financial statements, accounts receivable denominated in foreign currency amounted to EUR 0.1 million and accounts payable denominated in foreign currency to EUR 0.1 million.

### 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 Group maintains its immediate liquidity with the help of cash management solutions such as Group accounts and credit facilities at banks. The amount of unused standby credit facility on 31 December 2017 was EUR 3.0 million, and the company has the ability to take out EUR 12.5 million in new loans. Cash and cash equivalents on 31 December 2017 totalled EUR 11.9 million. An agreement-based maturity analysis on discounted equity and interest payments for the reporting periods 2017 and 2016 is presented in Note 20.

### 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 the year, the Group's interest-bearing net liabilities were EUR 4.8 million (31 Dec. 2016: EUR 11.7 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 2017 was 11% (2016: 36%).

The share of liabilities of total shareholders' equity was as follows on 31 December 2017 and 31 December 2016:

€ 000	2017	2016
Interest-bearing liabilities	16,630	13,686
Cash and cash equivalents	11,858	1,994
Interest-bearing net liabilities	4,772	11,692
Total shareholders' equity	44,150	32,814
Net gearing, %	11%	36%



## 27. Discontinued operations

No operations were discontinued in 2017.

In accordance with the decision of Digia Plc's Annual General Meeting of 16 March 2016, Digia's partial demerger came into force on 1 May 2016. Digia Plc was demerged such that all assets, liabilities and responsibilities related to its Qt business were transferred to Qt Group Plc, a new company established in the demerger. The table below presents the key financial figures for the Qt business as discontinued operations. In addition to Qt's net result, the reported figures for discontinued operations include demerger expenses and the difference between the fair values and carrying amounts of net assets transferred to Qt.

Discontinued operations	2016
Net sales	10,619
Operating profit	848 <sup>(1)</sup>
Effect of demerger on earnings	74,994
Net profit	75,842
Goodwill	6,562
Other intangible rights	5,742
Tangible assets	515
Accounts receivable	6,532
Cash and cash equivalents	2,301
Other receivables	1,058
Advance payments received	6,550
Other liabilities	4,947

<sup>(1)</sup> Includes EUR 0.4 million in demerger-related expenses

## 28. Events after the balance sheet date

On 24 January 2018, Digia Plc received notification of changes in the company's ownership in accordance with Chapter 9 Section 10 of the Finnish Securities Market Act. The combined holding of Tiiviste-Group Oy and Etola Oy, two companies controlled by Erkki Etola, exceeded the flagging limit of 5 per cent of Digia's shares and votes. Companies controlled by Erkki Etola now hold a total of 1,450,000 Digia Plc shares, corresponding to 5.41 per cent of all Digia shares and votes. This change in ownership occurred on 23 January 2018.

## 29. The group's key financial ratios

€ 000	2017	2016	2015
<b>Extent of business</b>			
Net sales, € 000	96,221	86,463	80,946
– change on previous year, comparable, %	11.3%	6.8%	–
Gross capital expenditure, € 000	2,928	1,660	1,473
– % of net sales	3.0%	1.9%	1.8%
Capitalisation for research and development	–	–	–
– % of net sales	0%	0%	0%
Comparable number of personnel, 31 Dec.	1,005	872	759
Average number of personnel	954	810	753
<b>Profitability</b>			
Operating profit, € 000	1,846	5,419	5,854
– % of net sales	1.9%	6.3%	7.1%
Net profit, € 000	968	4,064	4,246
– % of net sales	1.0%	4.7%	4.8%
Return on equity, %	2.5%	11.0%	13.5%
Return on investment, %	3.7%	11.0%	15.6%

€ 000	2017	2016	2015
<b>Financing and financial standing</b>			
Loans from financial institutions, € 000	16,630	13,686	13,513
Cash and cash equivalents, € 000	11,858	1,994	6,710
Net gearing, %	10.8%	35.6%	16.6%
Equity ratio, %	51.0%	49.8%	53.7%
Cash flow from operations, € 000	3,144	3,811	6,679
Dividends (paid)	1,658	1,059	1,039
Earnings per share, EUR, undiluted*	0.04	0.20	0.20
Earnings per share, EUR, diluted*	0.04	0.20	0.20
Equity per share**	1.65	1.57	1.96
Equity per share, adjusted for share issue***	1.65	1.57	1.96
Dividend per share (proposal for 2017)	0.04	0.08	0.08
Dividend payout ratio	–	40.0	40.0%
Effective dividend yield	–	2.5%	1.1%
Price/earnings ratio (P/E)	58.75	16.58	28.04
Lowest share price	2.19	2.81	2.74
Highest share price	3.13	7.40	7.47
Average share price	2.55	4.32	4.05
Market capitalisation	63,036	65,758	146,338
Trading volume, shares	7,524,604	4,200,698	7,652,995
Trading volume, %	30		37

\* Per-share key figures for 2017 have been adjusted for the share issue. The dilution-adjusted key figures account for the effect of the share-based incentive scheme for management.

\*\* Shareholders' equity divided by the undiluted number of shares on the closing date.

\*\*\* Shareholders' equity divided by the undiluted number of shares, adjusted for the share issue (2017), average

The weighted average number of shares during the review period, adjusted for share issues, was 23,789,462. The diluted weighted average number of shares during the period was 23,789,462. The number of outstanding shares totalled 26,716,760 at the end of the period. At the year-end, the company held 57,372 of its own shares. The comparison figures for earnings in 2016 have been adjusted.

As alternative performance measures, the company reports operating profit, return on equity, return on investment, net gearing and equity ratio, which are not defined in IFRS. The company presents the alternative performance measures to describe the financial situation and development of business operations. IFRS reconciliations of the key figures are presented in Note 30 and the formulae in Note 30.

## 30. Formulas for the indicators

### Return on investment (ROI), %:

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

### Return on equity (ROE), %:

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

### Equity ratio, %:

$$\frac{(\text{Shareholders' equity} + \text{minority interest})}{\text{Balance sheet total} - \text{advances received}} \times 100$$

### Earnings per share:

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

### Dividend per share:

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

### Dividend payout ratio, %:

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

### Net gearing:

$$\frac{(\text{Interest-bearing liabilities} - \text{cash and cash equivalents})}{\text{Shareholders' equity}} \times 100$$

### Effective dividend yield, %:

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

### Price/earnings (P/E):

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

## 30. Reconciliation of alternative performance measures

Return on equity, %	31 Dec 2017	31 Dec 2016
Net profit (2016 continuing services)	968	4,066
Shareholders' equity (average for the year)	38,472	36,850
<b>Return on equity, %</b>	<b>2.5%</b>	<b>11.0%</b>
Return on investment, %	31 Dec 2017	31 Dec 2016
Profit before taxes + financial expenses	2,015	5,582
Balance sheet total – non-interest bearing liabilities (average for the year)	54,589	50,593
<b>Return on investment, %</b>	<b>3.7%</b>	<b>11.0%</b>
Net gearing	31 Dec 2017	31 Dec 2016
Interest-bearing liabilities	16,630	13,686
Interest-bearing liabilities	11,858	1,994
Shareholders' equity	44,130	32,814
<b>Net gearing</b>	<b>10.8%</b>	<b>35.6%</b>
Equity ratio	31 Dec 2017	31 Dec 2016
Shareholders' equity	44,130	32,814
Balance sheet total	86,610	66,390
Advance payments received	148	512
<b>Equity ratio</b>	<b>51.0%</b>	<b>49.8%</b>

# Parent company's financial statements

## Parent company's income statement (FAS)

€ 000	Note	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
<b>Net sales</b>	<b>1</b>	<b>8,795</b>	<b>7,200</b>
Other operating income	2	61	232
Personnel expenses	3	-2,406	-3,022
Depreciation, amortisation and impairment	4	-363	-266
Other operating expenses	5	-5,629	-3,843
		-8,337	-6,899
<b>Operating profit</b>		<b>458</b>	<b>301</b>
Financial income and expenses	6	-1,128	-537
<b>Earnings before appropriations</b>		<b>-670</b>	<b>-235</b>
<b>Accumulated appropriations</b>			
Group contribution		800	3,000
<b>Earnings before tax</b>		<b>130</b>	<b>2,765</b>
Income taxes	7	12	-467
<b>Net profit</b>		<b>142</b>	<b>2,298</b>

# Parent company's balance sheet (FAS)

€ 000	Note	31 Dec 2017	31 Dec 2016
<b>ASSETS</b>			
<b>FIXED ASSETS</b>			
Intangible assets	8		
Intangible rights		172	119
Other long-term expenses		222	145
		395	264
Tangible assets	9		
Land and water areas		17	17
Buildings and structures		51	58
Machinery and equipment		570	590
Permanent fixed assets		1	1
		639	666
Investments	10		
Shares in Group companies		113,762	106,941
Other shares and holdings		480	606
		114,242	107,547
Total fixed assets		<b>115,276</b>	<b>108,478</b>
<b>CURRENT ASSETS</b>			
Current receivables	11		
Receivables from Group companies		2,783	35
Accounts receivable		12	8
Other receivables		187	58
Prepayments and accrued income		990	401
		3,972	503
Cash and cash equivalents		10,251	1,399
Total current assets		<b>14,224</b>	<b>1,902</b>
<b>Total assets</b>		<b>129,500</b>	<b>110,380</b>

€ 000	Note	31 Dec 2017	31 Dec 2016
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' EQUITY</b>			
<b>Equity attributable to parent-company shareholders</b>	12		
Share capital		2,088	2,088
Unrestricted shareholders' equity reserve		42,540	30,050
Retained earnings		1,910	1,224
Net profit		142	2,298
<b>Total shareholders' equity</b>		<b>46,681</b>	<b>35,659</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Loans from financial institutions	13	11,400	8,000
Other non-current liabilities		579	0
		11,979	8,000
<b>Current liabilities</b>			
Accounts payable		271	296
Interest-bearing liabilities	14	2,600	4,000
Liabilities to Group companies		63,176	59,717
Other liabilities		4,266	1,987
Accruals and deferred income		524	565
Taxes based on the net result for the year		3	156
		70,840	66,721
<b>Total liabilities</b>		<b>82,819</b>	<b>74,721</b>
<b>Total shareholders' equity and liabilities</b>		<b>129,500</b>	<b>110,380</b>



# Parent company's cash flow statement (FAS)

€ 000	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
<b>Cash flow from operations:</b>		
Net profit	142	2,297
Adjustments to net profit	725	-1,730
Change in working capital	2,182	1,455
Interest paid	-612	-352
Interest income	6	0
Taxes paid	-772	-716
<b>Cash flow from operations</b>	<b>1,671</b>	<b>955</b>
<b>Cash flow from investments:</b>		
Purchases of tangible and intangible assets	-466	-1,673
Acquisition of subsidiary, net of cash acquired	-4,603	-2,099
<b>Cash flow from investments</b>	<b>-5,069</b>	<b>-3,771</b>
<b>Cash flow from financing:</b>		
Proceeds from share issue	12,491	-
Repayments of current loans	-8,000	-13,000
Withdrawals of current loans	4,000	4,000
Withdrawals of non-current loans	6,000	9,000
Group financing items <sup>(1)</sup>	-582	3,000
Dividends paid and other profit distribution	-1,658	-1,855
<b>Cash flow from financing</b>	<b>12,251</b>	<b>1,145</b>
<b>Change in liquid assets</b>	<b>8,852</b>	<b>-1,672</b>
<b>Liquid assets at beginning of period</b>	<b>1,399</b>	<b>3,072</b>
Change in liquid assets	8,852	-1,672
<b>Liquid assets at end of period</b>	<b>10,251</b>	<b>1,399</b>

<sup>(1)</sup> 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 Atomitie 2, 00370 Helsinki. Digia Plc's active subsidiaries are Digia Finland Oy, Digia Commerce Oy, Digia Nord Oy, Nord Software Oy, Integration House 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.

## 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

Intangible 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.

## Board of Directors' proposal for the distribution of profit

According to the balance sheet dated 31 December 2017, Digia Plc's unrestricted shareholders' equity was EUR 44,593,144, of which EUR 142,318 was profit for the financial year. At the Annual General Meeting, the Board of Directors will propose that a dividend of EUR 0.04 per share be paid according to the confirmed balance sheet for the fiscal year ending 31 December 2017. Shareholders listed on the shareholder register maintained by Euroclear Finland Oy on the dividend reconciliation date, 19 March 2018, will be eligible for the payment of dividend. Dividends will be paid on 28 March 2018.

# Notes to the parent company's financial statements

## 1. Net sales

### Net sales by segment

€ 000	2017	2016
Group administration services	8,795	7,200
Total	8,795	7,200

## 2. Other operating income

€ 000	2017	2016
Rental income	27	30
Other operating income	34	202
Total	61	232

## 3. Information on personnel and governing bodies

€ 000	2017	2016
Board emoluments and remuneration and CEO's compensation	611	990
Other salaries and remunerations	1,462	1,545
Pension insurance premiums	313	392
Other personnel expenses	20	94
Total	2,406	3,022

Personnel, 31 Dec.	2017	2016
Management and administration	25	32
Total	25	32

## 4. Depreciation, amortisation and impairment

€ 000	2017	2016
Planned depreciation and amortisation		
Property, plant, and equipment, and intangible assets	363	266
Total	363	266

## 5. Auditors' fees

€ 000	2017	2016
Audit	61	92
Other statutory duties	12	-
Tax counselling	1	-
Other services	40	108
Total	113	200

## 6. Financial income and expenses

### Financial income

€ 000	2017	2016
Interest and financial income from others	80	128
Total	80	128

### Financial expenses

€ 000	2017	2016
Interest expenses to Group companies	358	380
Interest expenses to other companies	169	162
Loan administration fees	69	82
Impairment on investments in fixed assets	126	3
Costs of issuing equity	460	-
Other financial expenses	27	38
Total	1,208	665

## 7. Income taxes

€ 000	2017	2016
Income taxes on operations	12	-464
Income taxes for previous periods	-	-3
Total	12	-467

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 22,704.18 at the end of the fiscal year.

## 8. Intangible assets

€ 000	Intangible rights	Other long-term expenses	Total 2017	Total 2016
Acquisition cost, 1 January	5,150	842	5,992	5,939
Additions	131	174	305	257
Disposals	–	–5	–5	–204
Acquisition cost, 31 December	5281	1,011	6,292	5,992
Accumulated depreciation and amortisation, 1 January	–5,031	–697	–5,728	–5,569
Depreciation	–78	–92	–170	–159
Accumulated depreciation and amortisation, 31 December	–5,109	–789	–5,898	–5,728
Book value, 1 January	119	145	265	371
Book value, 31 December	172	222	395	265

## 9. Property, plant and equipment

€ 000	Land and water areas	Buildings and structures	Machinery and equipment	Total 2017	Total 2016
Acquisition cost, 1 January	17	162	2,579	2,758	2,197
Additions	–	–	166	166	561
Acquisition cost, 31 December	17	162	2,745	2,924	2,758
Accumulated depreciation and amortisation, 1 January	–	–105	–1,988	–2,093	–1,986
Depreciation	–	–7	–186	–193	–107
Accumulated depreciation and amortisation, 31 December	–	–112	–2,174	–2,286	–2,093
Book value, 1 January	17	58	590	665	211
Book value, 31 December	17	51	570	639	665

## 10. Financial assets

€ 000	Investments in subsidiary shares	Other shares and holdings	Total 2017	Total 2016
Acquisition cost, 1 January	106,941	606	107,547	114,184
Additions	6,821	-	6,821	3,623
Disposals	-	-	-	-3
Transferred in the demerger	-	-	-	-10,257
Acquisition cost, 31 December	113,762	606	114,369	107,547
Accumulated amortisation, 1 January	-	-	-	-
Amortisation	-	-126	-129	-
Accumulated amortisation, 31 December	-	-126	-129	-
Book value, 1 January	106,941	606	107,547	114,184
Book value, 31 December	113,762	480	114,242	107,547

### Itemisation of subsidiaries and other shares and holdings

Group companies	Domicile	Domestic segment	Share of ownership	Share of votes
Digia Sweden Ab	Stockholm	Sweden	100%	100%
Digia Finland Ltd	Helsinki	Finland	100%	100%
Digia Commerce Oy	Vaasa	Finland	100%	100%
Digia Nord Oy	Helsinki	Finland	100%	100%
Integration House Oy	Turku	Finland	100%	100%

## 11. Current receivables

€ 000	2017	2016
Receivables from Group companies		
Accounts receivable	1,956	-
Prepayments and accrued income	827	35
Accounts receivable	12	8
Other receivables	187	58
Prepayments and accrued income	990	401
Total	3,972	503

## 12. Shareholders' equity

€ 000	2017	2016
Share capital, 1 January	2,088	2,088
Share capital, 31 December	2,088	2,088
Premium fund, 1 January	0	7,899
Transfer to unrestricted shareholders' equity reserve	0	-7,899
Premium fund, 31 December	0	0
Total restricted shareholders' equity	2,088	2,088
Unrestricted shareholders' equity reserve, 1 January	30,050	31,370
Transfer from premium fund	0	7,899
Demerger consideration	0	-9,220
Rights issue	12,491	0
Unrestricted shareholders' equity reserve, 31 December	42,540	30,050
Retained earnings, 1 January	3,522	3,232
Dividends paid	-1,658	-1,659
Own shares	0	-204
Share-based payments	47	-145
Retained earnings, 31 December	1,910	1,224
Net profit	142	2,298
Total unrestricted shareholders' equity	44,593	33,571
Total shareholders' equity	46,681	35,659

### Distributable funds, 31 December

€ 000	2017	2016
Unrestricted shareholders' equity reserve	42,540	30,050
Retained earnings	1,910	1,224
Net profit	142	2,298
Total	44,593	33,571

## 13. Long-term liabilities

€ 000	2017	2016
Loans from financial institutions	11,400	8,000
Total	11,400	8,000

## 14. Current liabilities

€ 000	2017	2016
Interest-bearing		
Interest-bearing liabilities	2,600	4,000
Liabilities to Group companies		
Borrowings	56,643	57,299
Total interest-bearing current liabilities	59,243	61,299
Liabilities to Group companies		
Accruals and deferred income	6,533	2,419
To others		
Accounts payable	271	296
Other liabilities	4,266	1,987
Accruals and deferred income	527	721
Total interest-free current liabilities	11,597	5,422
Total current liabilities	70,840	66,721

Material items included in accrued expenses arise from the accrual of holiday pay, as well as accrued provisions for salaries and fees.



## 15. Contingent liabilities

### Lease liabilities

€ 000	2017	2016
Due during the current financial period	327	183
Due later	789	449
Total	1,117	632

### Other lease liabilities

€ 000	2017	2016
Due during the current financial period	2,440	2,712
Due later	5,112	8,398
Total	7,552	11,110

### Other liabilities

€ 000	2017	2016
Collateral pledged for own commitments		
Other	537	538
Total	537	538

# Signatures to the board's report and financial statements

Helsinki, 5 February 2018

Pertti Kyttälä  
Chairman of the  
Board of Directors

Robert Ingman

Martti Ala-Härkönen

Päivi Hokkanen

Seppo Ruotsalainen

Timo Levoranta  
President and CEO

## Auditor's note

A report of the audit has been submitted today.

Helsinki, 5 February 2018

KPMG Oy Ab

Virpi Halonen  
Authorised Public Accountant

# Auditor's Report

This document is an English translation of the Finnish auditor's report.  
Only the Finnish version of the report is legally binding.

To the Annual General Meeting of Digia Plc

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Digia Plc Oyj (business identity code 0831312-4) for the year ended 31 December, 2017. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

### Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have

fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 4 to the consolidated financial statements.

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

### Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

## The key audit matters

### Valuation of goodwill EUR 45.7 million - Accounting policies and Note 13 to the consolidated financial statements

#### The key audit matter

- Goodwill totaling EUR 45.7 million, has increased by EUR 5.1 million compared to previous financial year due to acquisitions during the financial year 2017.
- Goodwill represents 53 percent of the consolidated balance sheet and 104 percent of the total consolidated equity as at 31 December 2017, and is the most significant individual item in the consolidated balance sheet.
- Goodwill is tested for impairment annually, and more frequently if there is any indication of impairment.
- Preparation of impairment tests requires significant amount of management judgement and assumptions on future cash flows.

#### How the matter was addressed in the audit

- We have analyzed the reasonableness of the assumptions underlying the goodwill impairment tests compared to the market information and the technical accuracy of the impairment test. We involved KPMG valuation specialists when analyzing the goodwill impairment tests.
- We have compared the assumptions used in previous year's impairment tests, especially in respect of net sales and profitability, into performance in 2017, to assess the accuracy of Digia's estimation process.
- As part of our year-end audit procedures we considered the accuracy and adequacy of the notes provided on goodwill and impairment testing in the consolidated financial statements.

### Revenue recognition, project accounting and valuation of accounts receivable - Accounting policies and Note 1 and 15 to the consolidated financial statements

#### The key audit matter

- Digia recognizes revenue from fixed price contracts and contracts with target price based on percentage of completion method. 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.
- Revenue recognition for long-term projects requires management judgement, especially in respect of future costs and amount of work to complete a project. Regardless the monthly project review process applied by Digia there is a risk of estimation accuracy of both cost and required work forecasts for fixed price projects. This especially applies to new software products. If the forecasts are inaccurate, projects may become as a loss-making contracts.
- Accounts receivable, totaling EUR 15.1 million as at 31 December 2017, is a significant balance sheet item. Regardless the fact that there are no significant credit losses incurred in the past, there is a valuation risk associated with the accounts receivable as it is a major single balance sheet item.

#### How the matter was addressed in the audit

- We have assessed the appropriateness of the revenue recognition principles followed by Digia, and tested the effectiveness of the key internal controls in place over completeness and accuracy of revenues.
- We have also performed audit procedures to analyze the revenue recognition principles applied to most significant long-term projects accounted for using percentage of completion method, by comparing to IFRS standards, Digia's accounting practices and terms of sale in the contracts. As part of our audit we derived total revenue estimates for certain projects from the contract prices and price changes, as well as actual working hours from the employee time tracking system.
- Furthermore, we have analyzed most significant on-going projects and related work load estimates to identify any loss-making projects.
- We have evaluated monitoring routines for accounts receivable and tested the effectiveness of the key internal controls. We also analyzed the accounts receivable and assessed the payments received after the year-end to identify any receivables potentially impaired.

## Responsibilities of the Board of Directors and the President and CEO for the Financial Statements

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

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

## Auditor's Responsibilities for the Audit of Financial Statements

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

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Other Reporting Requirements

### Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 12.3.2015, and our appointment represents a total period of uninterrupted engagement. Virpi Halonen, Authorised Public Accountant, KHT has acted as the responsible auditor of the audit engagement.

### Other Information

The Board of Directors and CEO are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

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

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki 5 February 2018

KPMG OY AB

**Virpi Halonen**

Authorised Public Accountant, KHT