

Digia Plc
Stock exchange release
6 February 2018 at 8:00 am

Digia Plc's Financial Statement Bulletin 2017

Digia's growth accelerated – net sales up 18% in the fourth quarter

Unless otherwise stated, the comparison figures provided in parentheses always refer to the corresponding period of the previous year. The demerger of Digia Plc and Qt Group Plc came into force on 1 May 2016. This financial statement bulletin presents the business operations of Digia Plc, the former Domestic segment (continuing operations).

October-December

- Net sales EUR 28.0 (23.7) million, increase 18.0%
- Operating profit EUR 1.1 (1.6) million, 3.9% (6.6%) of net sales
- Earnings per share EUR 0.03 (0.05)

January-December

- Net sales EUR 96.2 (86.5 million, increase 11.3 %
- Operating profit EUR 1.8 (5.4) million, 1.9% (6.3%) of net sales
- Earnings per share EUR 0.04 (0.20)
- Rights issue generated gross proceeds of about EUR 12.5 million
- Digia's Board of Directors proposes the payment of a dividend of EUR 0.04 per share (EUR 0.08 in 2016)
- Guidance for 2018: Digia's net sales continues to increase and operating profit improves significantly compared to 2017

KEY FIGURES

EUR 1,000	10-12/ 2017	10-12/ 2016	Change %	1-12/ 2017	1-12/ 2016	Change %
Net sales	27,966	23,694	18.0%	96,221	86,463	11.3%
Operating profit	1,097	1,573	-30.2%	1,846	5,419	-65.9%
- as a % of net sales	3.9%	6.6%		1.9%	6.3%	
Result for the period	812	1,002	-19.0%	968	4,064	-76.2%
- as a % of net sales	2.9%	4.2%		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%	
Employees, end of period				1,005	872	15.3%
Employees, average	988	870	13.5%	954	810	17.7%
Total shareholders' equity				44,130	32,814	34.5%
Balance sheet total				86,610	66,390	30.5%
Earnings per share	0.03	0.05	-39.6%	0.04	0.20	-79.2%

DIGIA'S PRESIDENT & CEO TIMO LEVORANTA

"Digia's fourth-quarter net sales saw year-on-year growth of 18 per cent. Strong net sales growth was supported by good demand, particularly in e-commerce solutions, customised digital solutions, service monitoring solutions, and Microsoft Dynamics systems. Progress on the Income Register project that we are implementing with the Tax Administration also contributed to net sales growth.

Our long-term customer relationships and deliveries of more extensive project and service packages can be seen in our fourth-quarter net sales growth. Digia's customers are increasingly viewing service development and harnessing technology as a part of wider-reaching aspect of business development instead of developing single service or process. They are seeking a more comprehensive renewal of their business in which operating methods are remodelled to create a better customer experience and generate greater operational efficiency. The greatest benefits will be achieved through the systematic development of the whole, not just development projects as separate parts.

A more comprehensive view of digitalisation creates IT service companies a requirement to understand and deliver more extensive service packages, and to handle their continual development and maintenance. This trend is supporting growth in Digia's business. Digia stands out from its competitors by offering diversity and compatibility, and providing modern, continually developing expertise. We offer reliable and evolving partnerships in which we support our customers' business operations with continual service maintenance and their agile development.

The correct integration of digital services, such as web stores, into a company's back-end systems is a critical aspect of both service quality and flexibility for further development. Smart integration is one of the keys to a company's capacity for technological change. We are a pioneer in integration solutions and we have recognised status in the integration market. During the fourth quarter, we further strengthened our expertise as a supplier of modern integration solutions (such as APIs) with the acquisition of Integration House Oy. One of our competitive advantages is our ability to help our customers increase the smoothness of their operations.

Full-year net sales rose by 11 per cent in 2017. In line with our strategy, we are seeking growth in, for example, the delivery of end-to-end digital services. Net sales from end-to-end solutions have risen noticeably faster than Digia's net sales in general.

In order to improve profitability, we launched enhanced quality-improvement measures and changes to our operating methods during the third quarter. Fourth-quarter operating profit remained below the target, but improved clearly on the third quarter, and was EUR 1.1 million.

Digia's operating profit for 2017 totalled EUR 1.8 million, equivalent to 1.9 per cent of net sales. There were favourable trends in operating profit in all of the most important service areas. Operating profit was significantly burdened by delivery challenges in three projects (EUR 3.5 million loss in 2017) during the second half of the year. Strong investments in the development of digital and financial services as well as in personnel competences also impacted the result.

In 2017, we continued non-organic investments in two service areas: Digital Services, and Integration and Information Management. We strengthened our position in the digital services market with the acquisition of Omni Partners Oy, and bolstered our expertise in integration and API solutions with the acquisition of Integration House Oy. We also renewed and simplified the Digia operating model to safeguard growth. As part of this change, we restructured our organisation and the composition of our Management Team.

Digia is a reliable, agile and growth-focused professional in the Finnish IT sector. During 2017, we invested in creating the foundations for profitable growth. Our goal in 2018 is to further strengthen the company's position, particularly in the growing markets for digital services, process digitalisation and the service business. We are also actively seeking suitable acquisitions in order to accelerate our growth. We are expecting our operating profit to improve significantly compared to 2017."

CHANGE OF DIVIDEND POLICY

Digia's Board of Directors decided in 5 February 2018 to change the company's dividend policy. According to the renewed dividend policy, Digia goal is to distribute at least 30 per cent of the Group's annual result in dividends.

PROPOSAL FOR DIVIDEND DISTRIBUTION

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 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.

INVITATION TO THE FINANCIAL STATEMENT BULLETIN BRIEFING

Digia will hold a briefing for analysts on Tuesday 6 February 2018 at 11 am, in the Roba cabinet at Hotel Scandic Simonkenttä, Simonkatu 9, 00100 Helsinki, Finland. Welcome.

The material and presentation for the event will be available from 11 am on 6 February 2018 in the Investors section of the company's website: www.digia.com/en/investors/reports-and-presentations.

FINANCIAL STATEMENTS AND ANNUAL REPORT 2017

Digia Plc's 2017 Annual Report will be published on 22 February 2018 in electronic format on the company's website: www.digia.com.

The Report of the Board of Directors and the 2017 Financial Statements will be published as part of the Annual Report.

FURTHER INFORMATION

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DISTRIBUTION

Nasdaq Helsinki
Key media
www.digia.com

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. We adapt our expertise to their specific industries to help them develop digital services, manage operations and utilise information. We employ approximately 1,000 experts in Finland and Sweden. We are expanding our international presence together with our customers. Digia's net sales in 2017 totalled EUR 96,2 million. The company is listed on Nasdaq Helsinki (DIGIA). www.digia.com

Digia Plc's Financial Statement Bulletin 2017

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

NET SALES

October–December 2017

Digia's fourth-quarter net sales totalled EUR 28.0 (23.7) million, up 18 per cent on the corresponding period of the previous year. Net sales increased in several areas in particular – e-commerce solutions, customised digital solutions and service continuity management – and also in the Income Register project that is being implemented with the Tax Administration.

The project business accounted for 54.7 (46.0) per cent and the service and maintenance business for 45.3 (54.0) per cent of the company's net sales in the fourth quarter of 2017. The Income Register project provided an especial boost to the project business. The net sales of the product business generated 23.1 (26.8) per cent of the company's net sales. The product business includes licence maintenance. Project and service operations includes net sales of product business.

January–December 2017

Digia's net sales for the January–December period totalled 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

October–December 2017

Digia's operating profit for the fourth quarter of 2017 was EUR 1.1 (1.6) million, with an operating margin of 3.9 (6.6) per cent. Operating profit was weakened by several challenging delivery projects whose loss provisions mainly consist of personnel expenses.

Digia's earnings before taxes for the fourth quarter of 2017 were EUR 0.9 (1.5) million, with earnings after taxes totalling EUR 0.8 (1.0) million.

Earnings per share were EUR 0.03 (0.05) in the fourth quarter of 2017 Net financial expenses for the fourth quarter were EUR 0.2 (0.1) million.

January–December 2017

Digia's operating profit for 2017 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

At the end of December 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.

At the end of December 2017, 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.

Cash flow from operating activities in January–December 2017 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 January–December 2017. The return on investment was 3.7 (11.0) per cent, and the return on equity 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 January–December 2017 (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.

PERSONNEL, MANAGEMENT AND ADMINISTRATION

The number of Digia employees totalled 1,005 at the end of December 2017, showing an increase of 133 employees, or 15.3 per cent, on year-end 2016 (31 Dec 2016: 872 employees). During the reporting period, the number of employees averaged 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 distribution by office

	31 Dec 2017	31 Dec 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 & CEO
- Heikki Honkala, Senior Vice President, Industrial Solutions (as of 3 April 2017)
- Juhana Juppo, CTO and Senior Vice President, Horizontal Services
- Mika Kervinen, General Counsel
- Tuomo Niemi, Senior Vice President, Financial Sector (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, Information Management Services

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

KPMG Oy Ab, a firm of Authorised Public Accountants, is the Group'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, Integration and Information Management, 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.

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 shareholders	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 holdings	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.

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
 Timo Levoranta, President and CEO	 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.

REPORTED SHARE PERFORMANCE 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.

MAJOR EVENTS AFTER 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 pre-emptive 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.

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 CLOSE OF THE FINANCIAL YEAR

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.

There are no significant risks of human rights violations or environmental damage in Digia's own operations. 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 FOR 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

On 31 December 2017, the distributable shareholders' equity of Digia Plc was EUR 44,593,144, of which EUR 142,318 was the net profit for the 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.

Helsinki, 6 February 2018

Digia Plc

Board of Directors

CONDENSED FINANCIAL STATEMENTS AND NOTES

Consolidated Income Statement
Consolidated Balance Sheet
Consolidated Cash Flow Statement
Statement of Changes in Shareholders' Equity
Notes to the Financial Statement Bulletin

CONSOLIDATED INCOME STATEMENT

EUR 1,000	10-12/ 2017	10-12/ 2016	Change %	1-12/ 2017	1-12/ 2016	Change %
Continuing operations						
NET SALES	27,966	23,694	18.0%	96,221	86,463	11.3%
Other operating income	509	282	80.5%	906	743	21.9%
Materials and services	-3,877	-2,964	30.8%	-12,699	-11,195	13.4%
Depreciation, amortisation and impairment	-494	-372	32.9%	-1,669	-1,442	15.7%
Other operating expenses	-23,007	-19,067	20.7%	-80,914	-69,149	17.0%
Operating result	1,097	1,573	-30.2%	1,846	5,419	-65.9%
Financial expenses (net)	-203	-110		-653	-300	
Profit before taxes	894	1,463	-38.9%	1,193	5,120	-76.7%
Income taxes	-82	-461		-225	-1,056	
RESULT FOR THE PERIOD	812	1,002	-19.0%	968	4,064	-76.2%
Other comprehensive income						
Items that may later be reclassified as profit or loss						
Exchange differences on the translation of foreign currency	46	41	13.1%	72	-142	-150.4%
COMPREHENSIVE INCOME FOR THE PERIOD TOTAL	858	1,043	-17.7%	1,040	3,922	-73.5%
Distribution of net profit for the period						
Parent-company shareholders	812	1,002	-19.0%	968	4,064	-76.2%
Distribution of comprehensive income for the period, continuing operations						
Parent-company shareholders	858	1,043	-17.7%	1,040	3,922	-73.5%
Discontinued operations						
Result for the period	0	21		0	75,842	
Parent-company shareholders	0	21		0	75,842	

EUR 1,000	10-12/ 2017	10-12/ 2016	Change %	1-12/ 2017	1-12/ 2016	Change %
Continuing and discontinued operations, total						
Comprehensive income for the period	858	1,064		1,040	79,764	
Parent-company shareholders	858	1,064		1,040	79,764	
Earnings per share, EUR, continuing operations (basic and diluted EPS)	0.03	0.05		0.04	0.20	
Earnings per share, EUR, discontinued operations (basic and diluted EPS)	0.00	0.00		0.00	3.63	
Earnings per share, EUR, continuing and discontinued operations (basic and diluted EPS)	0.03	0.05		0.04	3.83	

CONSOLIDATED BALANCE SHEET

EUR 1,000	31 Dec 2017	31 Dec 2016
Assets		
Non-current assets		
Goodwill	45,715	40,559
Other intangible assets	2,243	1,286
Tangible assets	3,293	2,387
Available-for-sale investments	484	624
Long-term receivables	113	214
Deferred tax assets	435	194
Total non-current assets	52,283	45,264
Current assets		
Current receivables	22,468	19,132
Available-for-sale financial assets	335	334
Cash and cash equivalents	11,523	1,661
Total current assets	34,326	21,126
Total assets	86,610	66,390
Shareholders' equity and liabilities		
Share capital	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
Result for the period	968	79,907

EUR 1,000	31 Dec 2017	31 Dec 2016
Equity attributable to parent-company shareholders	44,130	32,814
Total shareholders' equity	44,130	32,814
Liabilities		
Non-current interest-bearing liabilities	12,977	8,975
Other non-current liabilities	579	0
Deferred tax liabilities	345	181
Total long-term liabilities	13,902	9,156
Current interest-bearing liabilities	3,652	4,711
Other short-term liabilities	24,926	19,709
Total short-term liabilities	28,578	24,420
Total liabilities	42,480	33,576
Shareholders' equity and liabilities	86,610	66,390

CONSOLIDATED CASH FLOW STATEMENT

EUR 1,000	1 Jan 2017–31 Dec 2017	1 Jan 2016–31 Dec 2016
Cash flow from operations:		
Profit for the period	968	79,907
Adjustments to net profit	2 646	1,324
Change in working capital	905	870
Interest paid	-612	-270
Interest income	400	118
Taxes paid	-1,165	-1,603
Discontinued operations	0	-76,535
Cash flow from operations	3,144	3,811
Cash flow from investments:		
Purchases of tangible and intangible assets	-2,928	-2,158
Acquisition of shares 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
Cash flow from investments	-6,955	-4,474
Cash flow from financing:		
Repayments of finance lease liabilities	842	-747
Repayments of current loans	-8,000	-11,900
Withdrawals of current loans	4,000	4,000
Withdrawals of non-current loans	6,000	9,925
Dividends paid and other profit distribution	-1,658	-1,855
Proceeds from share issue	12,491	0
Discontinued operations	0	-951
Cash flow from financing	13,675	-1,528

EUR 1,000	1 Jan 2017–31 Dec 2017	1 Jan 2016–31 Dec 2016
Change in cash and cash equivalents	9,864	-2,191
Cash and cash equivalents at beginning of period	1,994	6,710
Effects of changes in foreign exchange rates	0	-224
Cash and cash equivalents transferred in the demerger	0	-2,301
Change in cash and cash equivalents	9,864	-2,191
Cash and cash equivalents at end of period	11,858	1,994

CHANGES IN SHAREHOLDERS' EQUITY

EUR 1,000	a	b	c	d	e	f	g
Shareholders' equity, 1 Jan 2016	2,088	7,899	31,370	5,204	492	-6,166	40,887
Net profit						79,907	79,907
Other comprehensive income					-716		-716
Dividends paid						-1,659	-1,659
Share-based payments recognised against equity						39	39
Demerger consideration, fair value						-85,771	-85,771
Dissolution of share premium fund		-7,899	7,899				0
Transfers between items			-9,220			9,220	0
Other items						128	128
Shareholders' equity, 31 Dec 2016	2,088	0	30,050	5,204	-224	-4,303	32,814
Shareholders' equity, 1 Jan 2017	2,088	0	30,050	5,204	-224	-4,303	32,814
Net profit						968	968
Other comprehensive income					-72		-72
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
Shareholders' equity, 31 Dec 2017	2,088	0	42,081	5,204	-296	-4,946	44,130

a = share capital

b = share premium fund

c = unrestricted shareholders' equity reserve

d = other reserves

e = currency translation differences

f = retained earnings

g = total shareholders' equity

NOTES TO THE ACCOUNTS

Accounting principles:

This Financial Statement Bulletin has been prepared in compliance with IFRS and the IAS 34 standard. The same accounting principles have been applied as in the 2016 financial statements. The amendments to and interpretations of IFRS standards effective as of 1 January 2017 had no material impact on this financial statement bulletin.

Consolidated figures are presented in the income statement and balance sheet. The consolidated financial statements include the parent company, Digia Plc, and all of its wholly owned subsidiaries. Qt Group Plc is treated as discontinued operations due to the demerger.

Drawing up IFRS-compliant financial statements requires Digia's management to make estimates and assumptions that have an impact on the amounts reported under assets and liabilities on the balance sheet date, and also on earnings for the period. As these estimates and assumptions are based on assessments made on the financial statement bulletin's date of publication, they contain risks and uncertainties.

The impact of the IFRS 15 standard, which came into force on 1 January 2018, has been analysed for a number of income flows. These are Digia's own licences and their maintenance, third-party licences and their maintenance, and the sale of work and services. Third-party licences and their maintenance have the greatest impact on net sales. For these, Digia has evaluated what kind of role and responsibility Digia has with regard to the end customer. The amended revenue recognition principle for 2017 has an impact of EUR -1,3 million on net sales, but does not have any material impact on the operating result. IFRS 15 adjusted figures of the year 2017 will be reported in connection with the first quarter business review.

Digia Group's related parties include its Board of Directors, the CEO, and the Group Management Team, their related parties and their controlled entities. The Digia Group had no significant transactions with related parties during the reporting period.

The original Financial Statement Bulletin was written in Finnish. The English-language version is a translation from the original.

The figures in the bulletin have been rounded, which means that the sum of individual figures may differ from the totals given.

The Financial Statement Bulletin has been audited.

ABBREVIATED INCOME STATEMENT BY QUARTER

EUR 1,000	10-12/2017	7-9/2017	4-6/2017	1-3/2017	10-12/2016
Net sales	27,966	20,899	24,840	22,516	23,694
Other operating income	509	117	103	177	282
Materials and services	-3,877	-2,778	-3,225	-2,819	-2,964
Depreciation, amortisation and impairment	-494	-446	-370	-359	-372
Other operating expenses	-23,007	-18,484	-19,973	-19,449	-19,067
Operating result	1,097	-691	1,374	66	1,573
Financial expenses (net)	-203	-190	-147	-113	-110

EUR 1,000	10-12/2017	7-9/2017	4-6/2017	1-3/2017	10-12/2016
Profit before taxes	894	-881	1,227	-47	1,463
Income taxes	-82	76	-177	-42	-461
Result for the period	812	-805	1,050	-88	1,002
Distribution of net profit for the period					
Parent-company shareholders	812	-805	1,050	-88	1,002
Earnings/share, EUR (basic and diluted EPS)	0.03	-0.03	0.05	0.00	0.05

CONSOLIDATED KEY FIGURES (CONTINUING OPERATIONS UNLESS OTHERWISE STATED)

EUR 1,000	1-12/2017	1-12/2016
Extent of business		
Net sales	96,221	86,463
Average capital invested	54,589	50,593
Number of personnel	1,005	872
Average number of personnel	954	810
Profitability		
Operating result	1,846	5,419
- as a % of net sales	1.9%	6.3%
Profit before taxes	1,193	5,120
- as a % of net sales	1.2%	5.9%
Result for the period	968	4,064
as a % of net sales	1.0%	4.7%
Return on equity, %	2.5%	11.0%
Return on investment, %	3.7%	11.0%
Financing and financial standing		
Interest-bearing liabilities	16,630	13,686
Available-for-sale financial assets and cash and cash equivalents in the balance sheet	11,858	1,994
Net gearing	10.8%	35.6%
Equity ratio	51.0%	49.8%
Cash flow from operations	3,144	3,811
Earnings per share, EUR, undiluted (continuing operations)	0.04	0.20
Earnings per share, EUR, diluted (continuing operations)	0.04	0.20
Equity/share, EUR	1.65	1.57
Lowest share trading price, EUR	2.19	2.81
Highest share trading price, EUR	3.13	7.40
Average share price, EUR	2.55	4.32
Market capitalisation	63,036	65,758