

A full-page background image showing four people (three men and one woman) on a rooftop, jumping and celebrating with their arms raised. They are surrounded by a thick cloud of pink smoke. In the background, there are modern buildings with orange and grey facades. A white diagonal line runs from the top center towards the bottom right, separating the image from the text area.

digia

# Digitalisation that makes a difference

Annual Report 2020



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# Digitalisation that makes a difference in our increasingly data-driven world

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Digia is a growing software and service company that helps its customers to renew and develop data-driven business operations.

The world is becoming networked and the pace of development is accelerating. Companies and public-sector organisations must have the capacity for continuous renewal. We live in a digitalised world in which organisations' processes and services are already largely reliant on a variety of information systems. The ability to utilise data will determine success.

Digia is your partner for comprehensive digitalisation. We help our customers to build strong systems and translate the data they generate into business benefits. We provide all the layers of digitalisation from business systems to integrations, digital services and 24/7 monitoring and service management. Our Service Center ensures that our customers' business-critical systems and services remain operational – around the clock if necessary.

In order to renew your business, you have to win people over to the changes. Systems and services must be easy to use, and must also benefit their users. Digia helps its customers to create a human–software symbiosis in which automation and artificial intelligence handle rou-

tine operations so that people can focus on meaningful work. We connect humans with technology in a smart way.

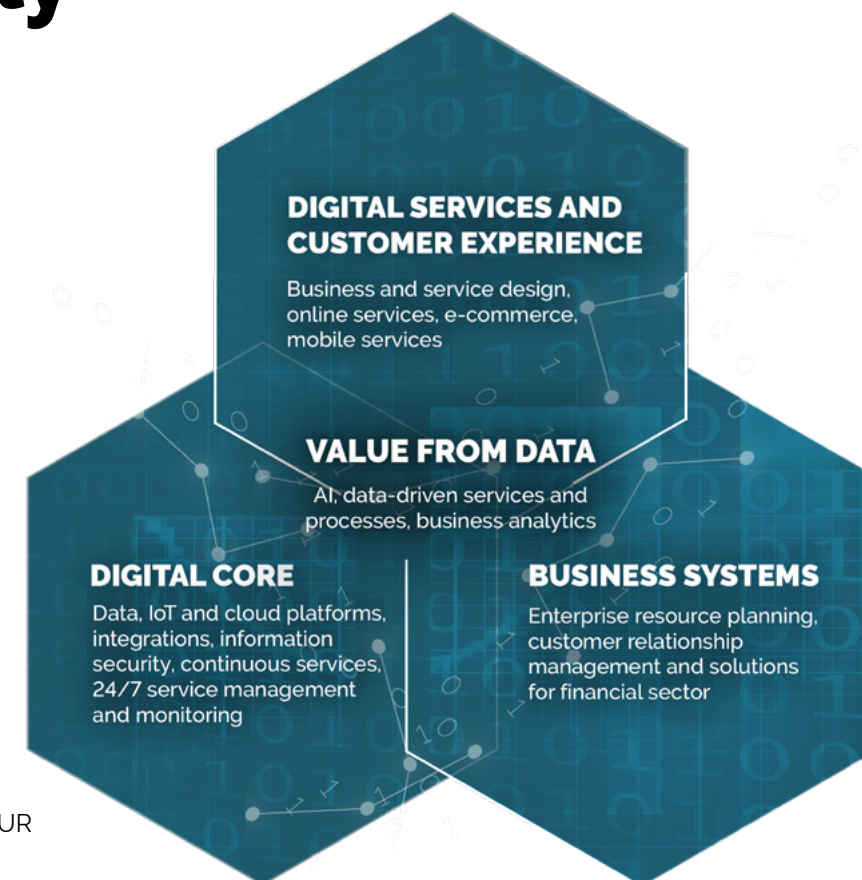
We are also developing our own operations. Our daily lives are guided by our cultural principles: learning, sharing, courage and professional pride.

We operate in eight locations in Finland – Helsinki, Tampere, Jyväskylä, Turku, Oulu, Rauma, Vaasa and Lahti – and in Stockholm, Sweden. Digia's net sales totalled EUR 139.0 million in 2020.

The company is listed on Nasdaq Helsinki (DIGIA).

We are building a world in which digitalisation makes a difference – together with our customers and partners.

Digia's offering





Digia's culture principles

Digia's direction

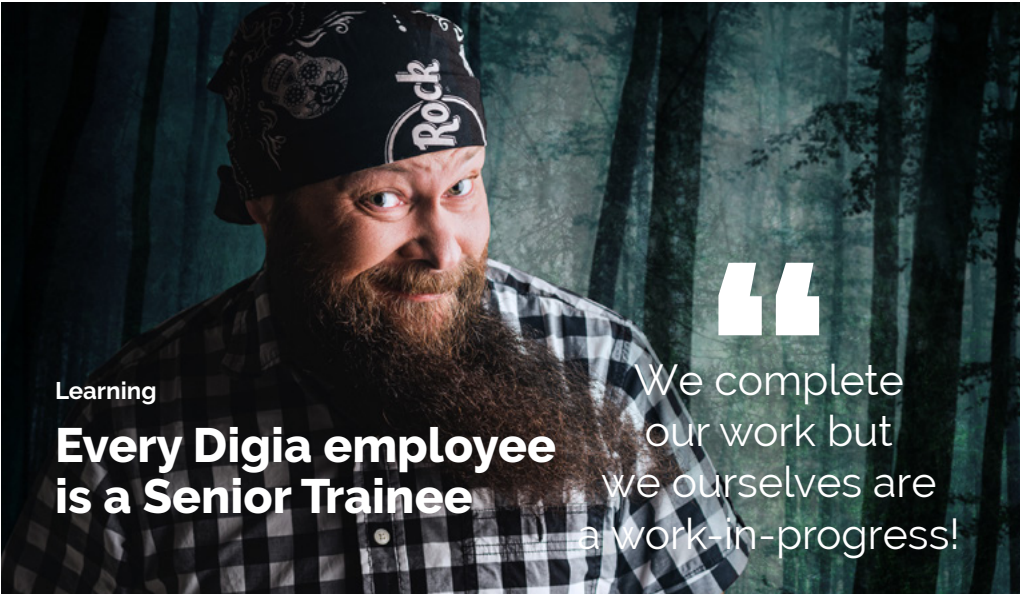
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Learning

**Every Digia employee is a Senior Trainee**

“ We complete our work but we ourselves are a work-in-progress! ”



Sharing

**Together we know more**

“ Shared information is double the information. Helping others saves time. ”



Courage

**It will not sting that bad**

“ I will choose whatever works the best. If I made a wrong call, I'll choose again. ”



Professional pride

**I will stand by my work**

“ What goes around doesn't surprisingly come around to bite us. ”



# An excellent year in spite of the exceptional circumstances

In spite of the unexpected changes in our business environment, we managed to safeguard the continuity of our customers' services and our personnel's employment, as well as to renew our strategy. Our net sales grew by 5.5% and our operating profit (EBITA) improved by 45.4%.



2020 was exceptional in many respects. The coronavirus changed our business environment in the early year, and Digia personnel spent almost the entire year working remotely. Our organisation demonstrated its strength in these exceptional times, and we have not only maintained our ability to operate but also developed our operations during the past year. In spite of the uncertain market situation, our net sales rose and our profitability improved. This gives us a good foundation for future growth.

The importance of responsible operations was highlighted during 2020. In the midst of the coronavirus pandemic, we ensured that our customers' services continued to operate without interruption and that our personnel could work safely. We also developed our corporate responsibility and updated its focal points.

At the beginning of the year, we published our Next Level strategy, which revolves around the smart utilisation of data in services and business processes. All companies

and public-sector actors are facing a learning journey in terms of the development of both operating culture and technological solutions. Digia is a visionary and reliable partner to our customers on this journey.

In line with our strategy, in 2020 we invested in developing both our operations and our personnel's competence. We have, for instance, developed remote management by coaching our supervisors and project managers on questions concerning leadership during the pandemic. In accordance with our cultural principles, we constantly provide a wide variety of training for our personnel.

The continual development of our operating models is part of our strategy. As part of this, we launched a project to modernise our own business platform. This modernisation seeks to support Digia's growth, data utilisation capabilities, operational efficiency and the smooth running of daily life. We started planning the project during 2020.

Over the course of the year, we strengthened our position with two strategic acquisitions. In October, we expanded the Digia Hub (our network of freelance developers) via the acquisition of NSD Consulting. In December, we signed an agreement to acquire Climber International AB, a company that specialises in business analytics. The transaction was completed on 7 January 2021.

At Digia, we believe in a world where business value is created by using data intelligently in digital ecosystems. We are a responsible and visionary partner to our customers in this world.

I would like to thank our customers, personnel, partners and other stakeholders for their responsible business activities in 2020. We have a firm foundation for moving our business to the next level.

**Timo Levoranta**  
CEO, Digia Plc

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# Data is the success factor of the future

The digitalisation trend shows no signs of stopping and is creating a strong growth market for Digia. Customer organisations are placing a clearer focus on data utilisation needs.

Companies and public-sector organisations are continuing to digitise their services. The further along organisations are on their digitalisation journey, the more clearly the focus of demand shifts to data utilisation.

We believe that the coronavirus pandemic will primarily accelerate developments in digitalisation, even though it will have different impacts on different sectors. Read more about the impacts of the coronavirus on Digia's business on [page 13](#).

We see the following strengthening trends in the market, both in the business and public sector:

- digitalisation is becoming an increasingly important part of organisations' core operations;
- smart and responsible data utilisation in business processes creates a competitive advantage;
- the world is becoming networked, and digital platforms enable new business models;
- a good user experience is a critical success factor for services;
- further growth in information security and protection requirements;
- the role of cloud technologies as a platform for developing and operating services is becoming the norm.

## Digitalisation is business critical

In many organisations, the digitalisation of operations has progressed so far in recent years that operations are almost entirely reliant on a variety of information systems. This means that digitalisation will no longer be a separate or one-off activity – it will instead play a key role in how an organisation implements its core tasks. That's why the uninterrupted operation of services and systems is becoming even more important. Digia meets these customer needs with its strong overall offering, its range of service management and monitoring options, and its Finland-based Service Center. We are able to generate significant value for our customers by ensuring the uninterrupted operation of their systems – even 24/7.

## Data as a business benefit

When processes are highly digitalised, organisations have access to data on practically all of their activities. That's why it is possible to make business even more data-driven. Data also enables the development of brand-new kinds of services and even new business models. In order for data to benefit your business, you need data-driven operating models combined with the capability to gather, manage, share and analyse data. Digia employs its comprehensive expertise to help its customers utilise

data. In addition to analytics, we pay attention to data utilisation needs in all of our deliveries, from ERPs to digital services.

## Digital platforms are changing business

In our networked world, digital platforms are becoming increasingly important in two ways. Firstly, every company and public-sector organisation must ensure that their own digital platform is in good working order. This means managing data and efficiently digitalising processes. Secondly, digital platforms enable new types of cooperation models (platform economies are a well-known example of this). Companies using more traditional operating models must also identify what kind of digital ecosystems they should join, and also ensure they have the capability to join these platforms and share data between platforms.

## User experience decisive for services

The benefits of digitalisation ultimately depend on whether users actually make good use of digital services. Services must be attractive and easy to use, and must benefit their users. Digital services are typically user interfaces for functions implemented by many other systems. Digia's strength in the competitive digital services market

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is our understanding of the entire package: we are able to implement services from business systems all the way up to the customer interface. This package is tied together with a customer-centric approach and service design. The services of the future will, above all, be data-driven.

**Increased importance of data security and protection**

The further we progress with digitalisation, more and more critical data of various types is being stored in systems. From the perspective of customer confidence, protecting this data is vital. Data leaks and other cyber threats are posing an increasingly critical risk to the activities of both companies and organisations. For this reason, customers are increasingly valuing partners, who are able to guarantee secure systems all the way from implementation to maintenance. Digia can safeguard system security from implementation to maintenance. Digia has a separate security organisation headed up by the CSO, which is responsible for continually developing our security practices. Our offering also includes high-security data services for a variety of official needs in particular.

**The cloud becomes a commonplace platform**

These days, the cloud is increasingly being used as a production platform at all levels of digitalisation, from business systems to data analytics and digital services – and its importance will only increase in the future. However, it is not always appropriate to migrate all operating and application environments to the cloud. This means that there is a need for a variety of cloud and data centre hybrid solutions. Digia is your comprehensive partner in the cloud. We can help design cloud architecture, implement cloud infrastructure, and provide continuous cloud-based services.

Digia's direction

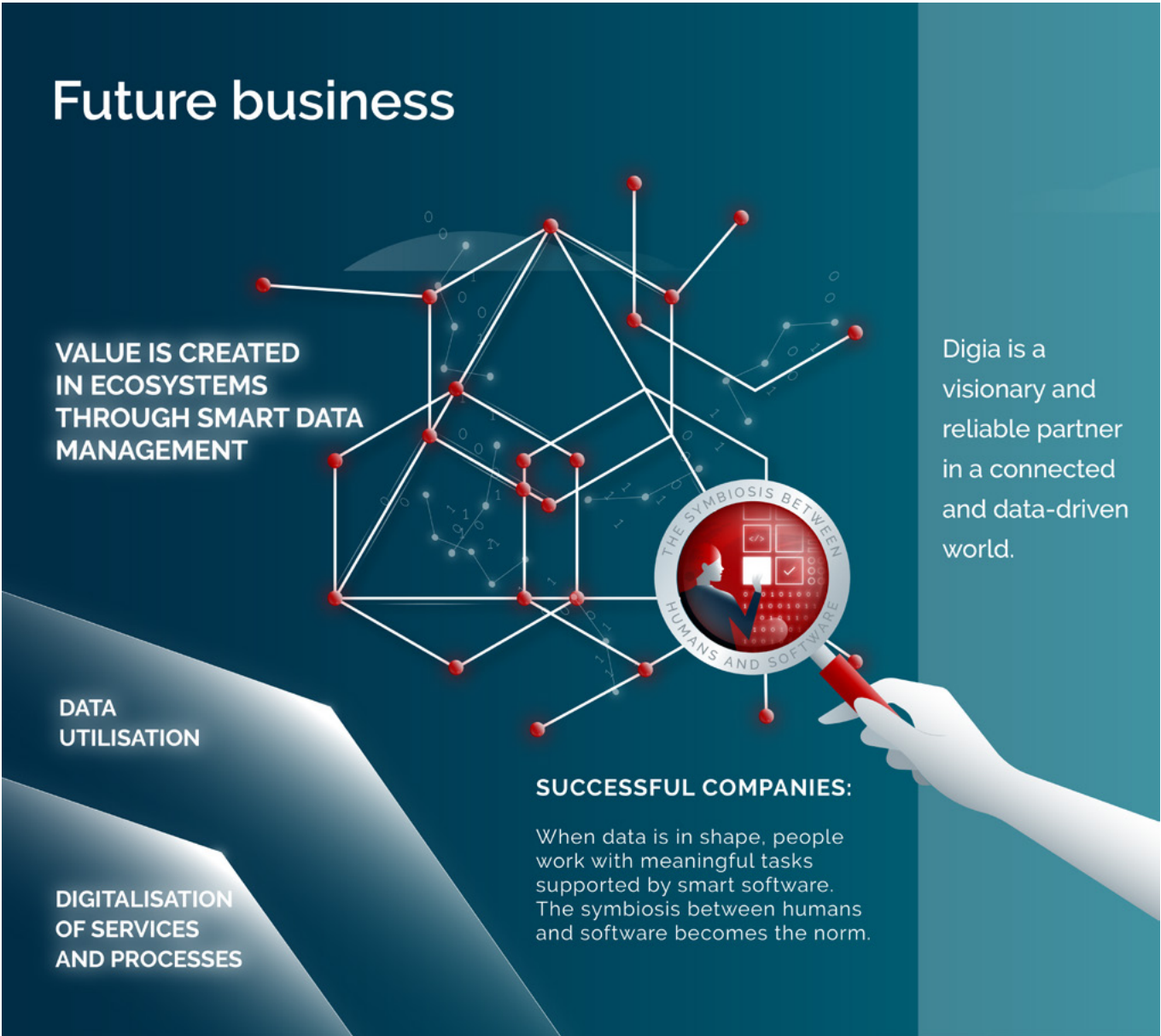
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Organisations are transitioning from service and process digitalisation to the next phase, which emphasises data utilisation.



# Strategy 2020–2022

On 7 February 2020, we published our Next Level strategy, which marks the next step in Digia’s growth journey. We will continue to renew our operations and strengthen the selected focus areas. In the strategy, we place particular emphasis on data utilisation in our customers’ services and business processes.

For its customers, Digia is a turnkey provider of smart solutions and a service company that manages the service lifecycle from implementation to maintenance and development. We provide our customers with a service package covering mobile and online services, data platforms and knowledge-based management, integrations and APIs, as well as business core systems including high-security solutions.

For all of these, we provide various levels of maintenance services to help our customers operate their business-critical systems and services around the clock.

During the 2020–2022 strategy period, we will be further strengthening this package and helping our customers to achieve business benefits through the smart utilisation of data.

Strategic implementation during 2020 in the Report of the Board of Directors on [page 46](#).

### Financial objectives

Digia is seeking annual net sales growth of more than 10 per cent including organic growth and acquisitions.

The target level of profitability improvement is an EBITA margin of 10 per cent by the end of the strategy period.

### Strategy is a growth journey for both customers and personnel

Digia delivers value to its customers by acting as a visionary and reliable partner in our networked and data-driven world. Strong customer relations, professionalism, corporate culture, product and service packages, a partnership network and responsibility form the basis for our operations.

Digia employees and the company’s cultural principles are at the core of this: courage, sharing, learning and professional pride. These cultural principles are everyday rules that help us renew our culture in a jointly defined direction that supports learning and renewal.

The world around is becoming more networked, and Digia is also gaining strength from partners and networks. We work with leading technology partners in the best interests of our customers. We are able to guarantee technological continuity and enable the provision of a first-class digital customer experience.

### Strategic focal points

- **Smart and responsible data utilisation.** We will bring data utilisation as a cross-cutting theme for all Digia’s service areas, from business systems to integrations and digital services.
- **Valued employer.** Skilled employees are the most important success factor for Digia. We are constantly developing Digia into a more desirable workplace by reinforcing our culture, at the heart of which is the continuous learning of every employee.
- **Service business.** We will deepen our customer relationships and further strengthen the share accounted for by the service business.
- **Productivity and scalability.** We will develop our operational models and solutions to improve our cost-competitiveness. An essential development project in the strategy period will be the reform of our own business platform.
- **Cloud technologies.** Cloud is the development and operating platform for future services. We will continue to strengthen our expertise in cloud services, taking into account security and key public cloud platforms (Microsoft Azure, Amazon Web Services and Google Cloud Platform).

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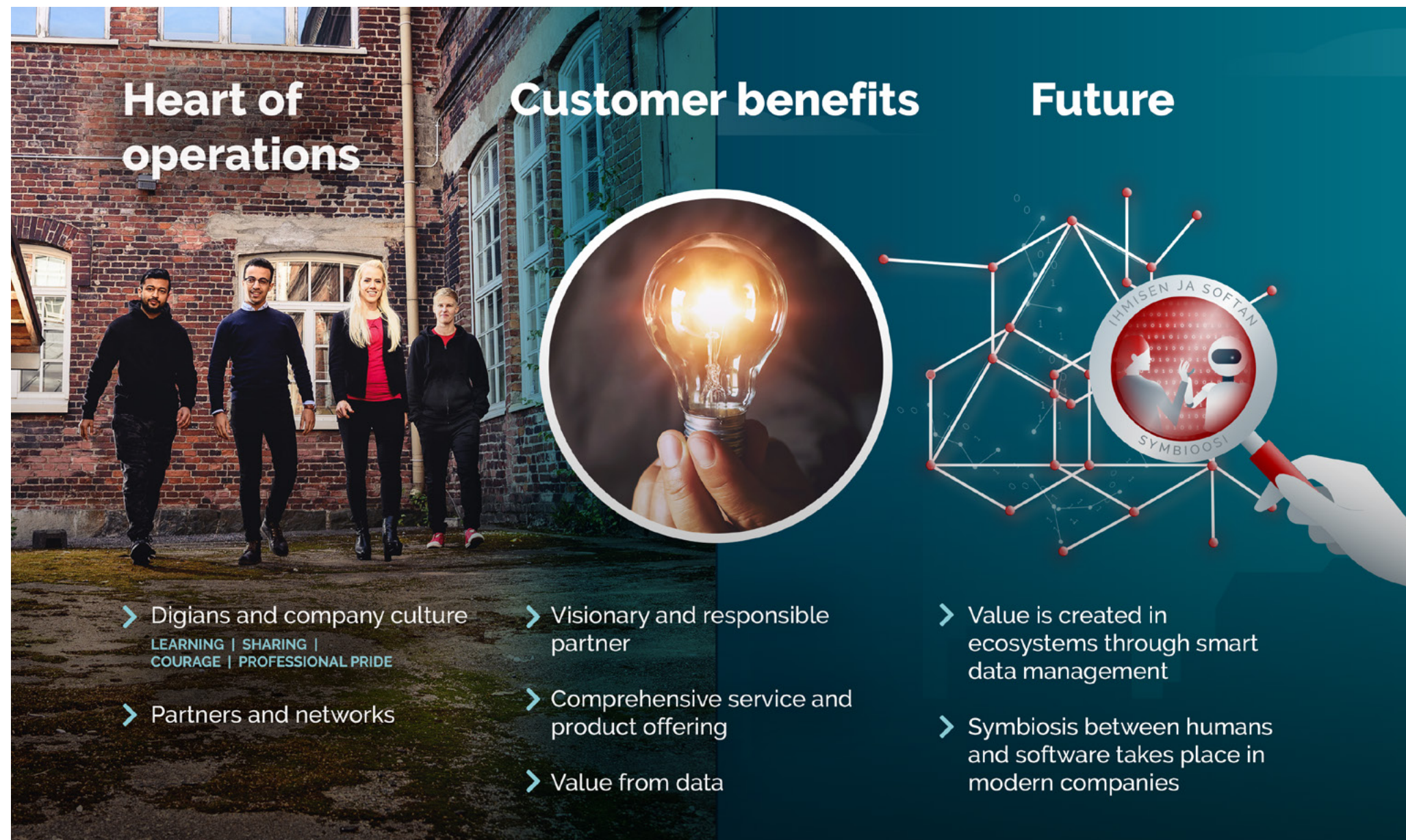
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## Cornerstones of Digia's strategy



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A person with short blonde hair, wearing a dark jacket, is sitting on a red metal staircase. They are looking towards the camera with a slight smile. The background is a blurred urban setting with buildings.

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# Digia 2020

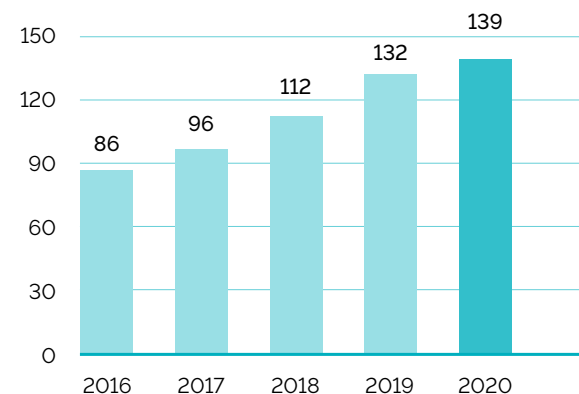
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# Digia in figures

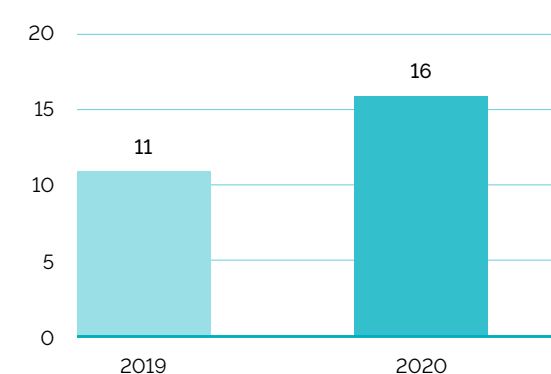
## Net sales

EUR million



## Operating result

EUR million



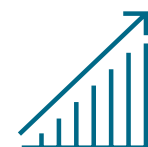
Digia proceeded to EBITA guidance in the beginning of 2020.



**EBITA  
operating profit  
+45.4%**



**Cash flow from  
operations  
23,589,000 €**



**Earnings  
per share  
0.40 €**



**Number of  
employees  
1,258**

## Key figures

EUR 1,000	2020	2019	Change, %
Net sales	139,049	131,824	5.5%
EBITA operating profit	16,000	11,003	45.4%
- as a % of net sales	11.5%	8.3%	
Operating profit (EBIT)	14,102	9,648	46.2%
- as a % of net sales	10.1%	7.3%	
Result for the period	10,627	7,090	49.9%
- as a % of net sales	7.6%	5.4%	
Return on equity, %	18.7%	14.0%	
Return on investment, %	16.5%	13.5%	
Cash-flow	23,589	12,294	91.9%
Interest-bearing net liabilities	10,531	22,616	-53.4%
Gearing, %	17.3%	42.5%	
Equity ratio, %	50.7%	47.2%	
Number of personnel by the end of the period	1,258	1,266	-0.6%
Average personnel	1,261	1,186	6.3%
Shareholder's equity	60,737	53,190	14.2%
Balance sheet total	121,078	114,116	6.1%
Earnings per share	0.40	0.27	49.4%

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# Main events of 2020

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## Digia Hub – a network of 1,800 professionals

In June 2020, we launched the Digia Hub network, which offers freelancers access to Digia's versatile projects in a wide range of fields. The network expanded in October when Digia acquired NSD Consulting Oy, and Digia Hub now offers a network of more than 1,800 professionals. Companies can acquire top-notch professionals for their own software development projects straight from this network.

## Next Level strategy

On 7 February 2020, we published our Next Level strategy, which marks the next step in Digia's growth journey. This strategy revolves around our comprehensive offering and the business benefits afforded by data. We will continue to renew our operations and strengthen selected focus areas. Read more about our strategy on page x.

## Towards more diverse working life

Diversity is an aspect of Digia's responsibility, and we want to make our workplace even more inclusive. In 2020, we joined the Inklusiiv community and organised diversity training for personnel. We are also actively involved in the Women in Tech network.



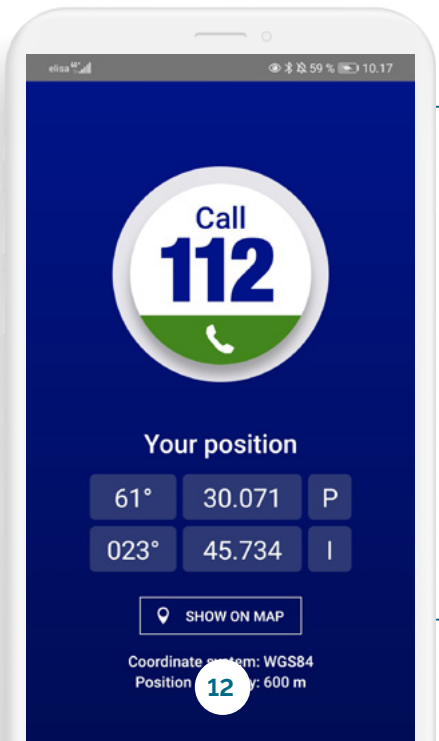
## A functional community – also remotely

In order to prevent the spread of the coronavirus, the majority of our experts have been working remotely since March. Digia's experts continued to work as usual from home, and we have been able to guarantee uninterrupted services for our customers even during these exceptional circumstances.

digia ♥ climber

## Climber joins Digia – boosts the provision of data-driven services

On 15 December 2020, Digia Plc and the Swedish company Climber International AB signed an agreement whereby Digia acquired Climber's entire share capital. The transaction was completed on 7 January 2021. After the acquisition, Digia now employs more than 300 professionals in the fields of data integration and business analytics.



## A responsible member of the society

During the year, we made our own contribution to society. We donated work to the value of EUR 100,000 to the winner of the DigiArvoa 2019 competition: the data-driven development project of the Finnish Red Cross, which was completed during spring 2020.

The 112 Suomi app developed by Digia and the Emergency Response Centre was renewed during 2020. New features included the sending of official bulletins, which can be particularly useful during exceptional circumstances.



# How the coronavirus has impacted Digia's business



In the midst of the coronavirus pandemic, we ensured that our customers' services continued to operate without interruption and that our personnel could work safely.

The market environment became more challenging in 2020 due to the coronavirus epidemic, as the crisis has affected many of our customers' business operations. In the short term, our customers' need to ensure the performance of their core business and enhance process efficiency was highlighted in service demand. In an uncertain market, customers were also typically more careful in evaluating the volume of development projects and project implementation schedules. This cautiousness was reflected in demand.

The coronavirus has forced many organisations to review their operating methods and assess opportunities to utilise digital solutions. The crisis has also revealed opportunities that have been opened up by digitalisation – in the best case scenario, the current crisis will accelerate the digitalisation trend in the years ahead. Clear

examples of this include remote work practices and the development of e-services. Many of the new operating methods and insights will benefit organisations and society even after the crisis is over. We are moving towards a world in which people and software collaborate in daily life.

During the coronavirus epidemic last year, our priorities were to ensure the safety of our employees and the uninterrupted operation of services for our customers, without neglecting continuous development. The majority of our employees have been working remotely throughout the pandemic. We introduced continuity plans for our continuous services in the very early stages of the pandemic, and these plans have helped to safeguard service levels and the continuity of our customers' business operations.

# Digia's service areas

Digia reports on one business segment that comprises of five service areas. Digia's service areas in 2020 were Digia Business Connect, Digia Digital, Digia Business Platforms, Digia Financial Platforms and Digia Customer Operations.

## Digia Business Platforms and Digia Financial Platforms



In these service areas, we provide business systems that help our customers to boost the efficiency of their core processes. These systems also act as a flexible platform for digital business development. **Digia Business Platforms** offers ERPs and extended CRM solutions for companies of all sizes. Our offering comprises Microsoft Dynamics 365 solutions, Oracle NetSuite solutions and our own Digia Enterprise ERP product, which has been awarded the Key Flag symbol. **Digia Financial Platforms** is based around our Digia Financial Solutions product family, which is a market-leading solution for fund management companies, asset management companies, and brokers.

## Digia Business Connect

This business area combines customer-centric, tailor-made platform solutions with Digia's solid expertise in integration. Digia is recognised as one of Finland's leading operators in integration and API solutions, and the network trend will further strengthen the importance of smooth and reliable integrations. This service area's key themes are interoperability, reliability, and data security.



## Digia Digital

We help our customers to utilise data and create an excellent digital customer experience through productive services that have been designed with a customer-centric approach. We provide business and service design, analytics, e-commerce solutions, and mobile and online services.



## Digia Customer Operations

This service area includes Digia's continuous services, support and maintenance, and cloud environment operation. Digia's own Service Center ensures that our customers' business-critical systems work 24/7 without interruption.



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### Liiga

The Finnish Elite League, Liiga is a pioneer in digital services for ice hockey – even on a global scale. Liiga's mobile apps are the very model of innovation.

An app developed by Digia is taking the fan experience to the next level by creating a brand-new kind of platform for clubs and their partners to reach audiences and sell services. Various versions of the app are being used exceptionally widely and innovatively.

[Read more](#) →



### Woikoski

Woikoski operates in the gas industry and was in need of a new start. Several years ago, the company realised that it was time for some bold new development – the digitisation of its business.

Woikoski worked with Digia to renew the company's entire business by building a digital platform for it. This large-scale project included a new ERP, an IoT solution, data analytics and several other systems.

[Read more](#) →



### HSL

Digital services, such as a mobile application, are a critical part of HSL's business, and uninterrupted service must be guaranteed around the clock. This is why HSL relies on Digia's service management and the Digia Iiris monitoring solution.

As part of this service management, Digia also coordinates troubleshooting with HSL's other partners.

[Read more](#) →

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Fira

Monitoring the situation on a construction site involves many challenges relating to transparency and information flow. Fira is aiming to resolve these issues through a variety of means, including digitalisation.

The company worked with Digia to create a real-time overview that collates information from different systems into a single display, thereby increasing transparency on construction sites.

Read more →



Finnish Red Cross

How to effectively organize volunteers when thousands of them can unexpectedly sign up at once? The Finnish Red Cross regularly encounters this positive but challenging dilemma.

Significant help came from a project with Digia, which combined service design and data utilisation. Now the Red Cross can guide and develop volunteer work with data, and more and more people are getting the help they need faster.

Read more →



FIM

The system that FIM was using in its fund value calculation had fallen badly behind the times and there was an obvious need to invest in a new system. Strictly regulated, routine back-office functions tie up resources, but it is difficult to make them generate added value.

FIM sought increased efficiency and cost benefits by outsourcing fund-related back-office functions to Digia.

Read more →



# Personnel

Skilled personnel who are committed to the objectives of our customers are the cornerstone of all our operations. We want to be a team of top professionals who are always learning and are both highly skilled and flexible.

Technological advancements are changing the world. Operating methods are changing and industry boundaries are breaking down. Our professionally skilled employees help our customers to navigate these changes and harness digitalisation opportunities.

Digia's key strength lies in its broad-ranging and profound technological expertise combined with an encouraging and evolving workplace culture. This is why we are able to provide our customers with an extensive range of solutions and our employees with varied and motivating tasks. We are making continual investments in the creation of a good employee experience, so as to develop a motivating workplace culture and a culture of lifelong learning.

## Culture and responsibility

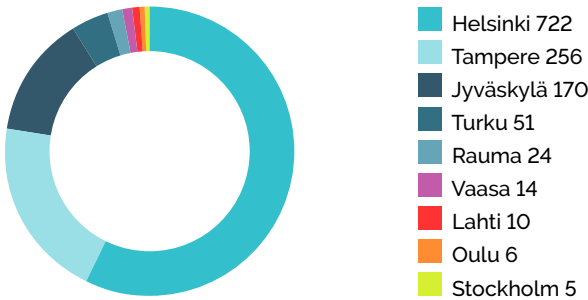
Culture is the ERP system of everyday life that guides our choices. Digia's cultural principles are learning, sharing, courage and professional pride. During 2020, we continued to integrate our cultural principles into our everyday work. We will continue to develop our corporate culture and build the best and most functional workplace possible in the spirit of continual improvement. Due to the coronavirus epidemic, the majority of Digia personnel began working from home. We are therefore seeking to maintain a sense of community with the aid of a variety of internal virtual events and content.

Diversity is part of Digia's corporate responsibility: our continual development efforts seek to make Digia an even more inclusive workplace – a place where everyone can be themselves. Psychological safety is one key aspect of an inclusive workplace, and studies have shown it to be a common factor among successful workplace communities. Continuous learning is one of our key cultural principles. In the spirit of Senior Trainee attitude, we believe that we can continuously develop as a workplace community with respect to how we take people's differences into account.

At the beginning of 2020, we joined the Inklusiiv community, which is also the umbrella organisation for Women in Tech. Inklusiiv seeks to promote greater diversity and inclusivity in the workplace. In cooperation with Inklusiiv, we organised diversity training for both management and personnel. Our tribal activities, which focus on the mutual sharing of information between personnel, also received a boost with the addition of a new tribe (the Diversity tribe) at the turn of the year 2019–2020. We have highlighted diversity internally in a number of ways, such as by and sharing Digia employees' everyday observations and stories about their workplace experiences from diverse perspectives.

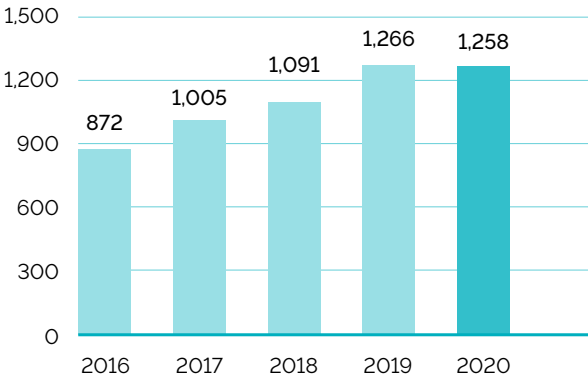
## Personnel by location 31 December

Number of personnel



## Employees 31 December

Number of employees



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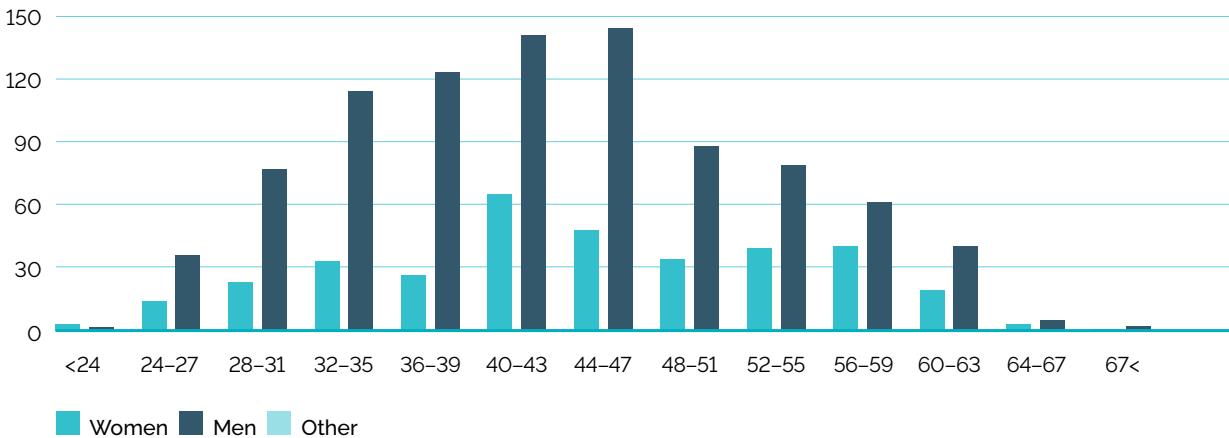
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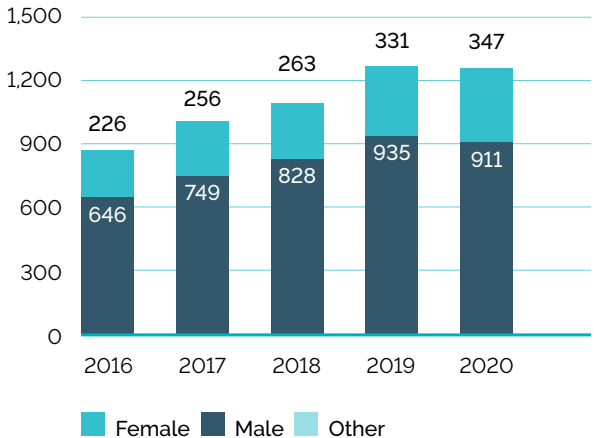
Personnel distribution by age 31 December

Number of persons



Employees by gender 31 December

Number of employees



Learning

We operate in an environment where everything is in constant motion. To keep up with the pace, we need to learn continuously – and help others learn, too. We seek to provide our employees with a range of opportunities for personal development, thereby ensuring that both the company and its employees maintain their competitiveness. We want to be a team of top professionals who are always learning. To ensure this, we develop Digia employees' competence in technology and other specialist areas through training and learning on the job and in networks.

An average of 51.8 hours of training per person were spent on competence development in 2020. The Digia Academy organised about 313 different training events during the year. Training mainly focused on organising coaching to support the technical and professional skills of experts.

In addition to competence development for Digia personnel, Digia also wants to train more experts to meet both its own and the sector's needs. In 2020, we collaborated with Vaasa Entrepreneurship Society (VES) to organise an e-commerce programming course that was attended by students from the Vaasa University of Applied Sciences and the University of Vaasa. We were also involved in the Academic Work Academy's intensive programme to train Microsoft Dynamics 365 experts.

Recruitment and networks

Successful recruitment that supports Digia's workplace culture is essential for competence development and business success. Induction for new employees is part of a successful recruiting process, and we therefore invest in this. Successful induction is the basis for a positive employee experience and success at work.

In 2020, Digia was able to continue recruiting in spite of the coronavirus pandemic. We offered students and career changers not only permanent positions, but also trainee placements and thesis-writing opportunities. In the early year, we organised our popular Career Compass recruitment breakfasts in Helsinki, Jyväskylä, Tampere and Turku – and received a record number of applications for the programme. Due to the coronavirus restrictions, our recruiting events moved online and we were actively involved in virtual events such as the Mimmit koodaa (Women Code) programme.

The ways in which work is done in the IT industry are changing quickly: small entrepreneurs are becoming increasingly prevalent alongside traditional employment relationships. In June 2020, Digia launched the Digia Hub network, which offers freelancers access to a broad variety of Digia projects. In October 2020, the Digia Hub



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expanded when Digia acquired NSD Consulting Oy. Digia Hub offers a network of more than 1,800 professionals. Companies in different fields of business can acquire top-notch professionals for their own software development projects straight from this network.

Employee satisfaction

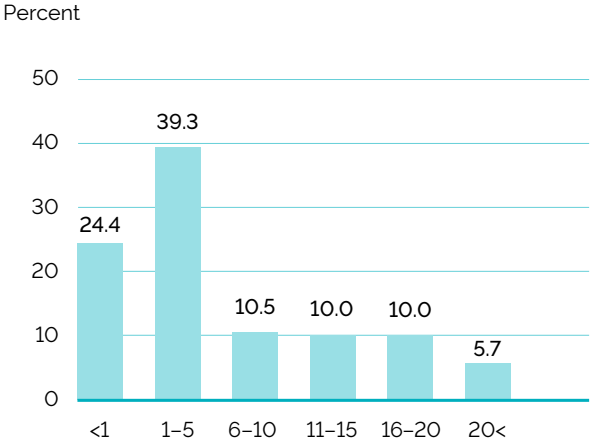
Continually monitoring and supporting the employee experience and personnel wellbeing play a key role. We do this by, for example, ensuring balanced workload distribution and support for competence development. Digia uses an early intervention model that supports success at work. Wellbeing is also supported with extensive benefits and flexible working arrangements.

Digia measures its employee experience and the pre-requisites for cooperation at regular intervals. In 2020, we introduced the Signi personnel survey to gain a better understanding of our employees, as understanding the employee experience on a more individual level is a key aspect of Digia's culture of continuous improvement. The survey revealed certain themes that are both valued by Digia personnel and have been successfully realised: meaningful tasks, professional colleagues, the freedom to work independently of time and place, and job security and continuity. Praise was also given for maintaining a good work-life balance and giving employees the opportunity to put their skills into practice on a daily basis.

Digia wants to be a pioneer in good leadership and workplace culture. We seek to provide a professional,

evolving, diverse, flexible and equal working community whose workplace culture respects expertise and is founded on providing the best possible support to employees to guarantee their success. For instance, in 2020 we developed remote management by coaching our supervisors and project managers on questions concerning leadership during the pandemic. We will continue to coach supervisors with the basic premise of developing a digital method of providing positive, goal-oriented leadership with a coaching approach. We also arranged customised virtual coaching for our experts with the aim of developing their ability to both build trust and manage and orchestrate cooperation.

Personnel by years of service 31 December



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# Sustainable digitalisation that makes a difference

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Digia's responsibility is based on our own Code of Conduct, the UN's Universal Declaration of Human Rights and Sustainable Development Goals, 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.

## The focal points of Digia's responsibility

During 2020, we continued to develop our corporate responsibility. We interviewed various stakeholders, such as our customers and personnel, in order to create a responsibility framework that genuinely promotes our efforts towards achieving sustainable digitalisation. On the basis of our work, we have specified the most essential topics in corporate responsibility and have defined the focus areas of corporate responsibility as well as objectives and indicators for them. Read more about Digia's corporate responsibility, objectives and indicators in the Report of the Board of Directors on [page 51](#).

## Sustainable digital value for our customers while building a functional society

Through digital solutions, Digia can influence the direction in which our digital society is developing. By ensuring that our solutions are functional, secure and easy to use, we also promote the responsible digitalisation of society.

Digia aims to act as a technological pioneer whose products and services promote the development and wellbeing of society and the environment. We seek to implement our solutions so that they promote our customers' responsibility. We help our customers to improve their responsible utilisation of data, and the availability and usability of their services. We also seek to promote the ethical use of data.

As a Finnish IT provider, we are firmly rooted in Finnish society and use our expertise to develop society in different ways. In addition to our customer work, we seek to contribute to building solutions that enhance environmental and social responsibility for both society and our customers.



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**Sustainable digital expertise for both our personnel and Finland as a whole**

There are more than 1,200 of us working at Digia. Our roots are in Finland and we work with our customers both in Finland and abroad. Our headquarters are in Helsinki and we have seven other locations in Finland: Tampere, Jyväskylä, Turku, Oulu, Rauma, Vaasa and Lahti. We also have an office in Stockholm, Sweden.

Skilled personnel who are committed to the objectives of our customers are the cornerstone of all our operations. Digia aims to be a desired employer in the technology sector – an employer that supports personnel wellbeing and competence development. Our goal is to increase the value of our personnel's expertise during their term of employment.

Digia recognises its role as a significant employer and operator in the IT sector. That's why we also have a responsibility to strengthen our technological expertise in Finland. We aim to train new digital experts every year, to meet both our own needs and those of the sector as a whole.

**Sustainable digital life in our own work with respect for the environment**

Digia wants to provide a safe and healthy working environment in which everyone is valued as themselves. Continually monitoring and supporting personnel wellbeing play a key role at Digia. When it comes to wellbeing, we want Digia to be among the best in the sector. We also aim to ensure diversity and inclusivity at all levels of our organisation. Digia is a member of the Inklusiiv community, whose mission is to promote increased diversity and inclusivity in the workplace.

Digia shoulders its responsibility for the environment in all its choices. We strive to take the environmental impacts

of our business into account, in both our own operations and procurement processes. The largest environmental impacts of Digia's operations are related to energy consumption and devices. We aim to be a carbon-neutral company.

Compliance with Digia's Code of Conduct is an essential aspect of our company's success. All of our personnel, including management and the Board of Directors, are responsible for complying with these principles in their work. This Code of Conduct also applies to Digia's subcontractors. Our goal is for our entire organisation to internalise and comply with these ethical practices.





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### 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 2020. The Corporate Governance Code can be read on the [Finnish Securities Market Association's](#) website.

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.

### Shareholders' Meeting

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 fiscal 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 Shareholders' 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 & CEO should be present at Shareholders' Meetings.

The minutes of Shareholders' Meetings will be available for shareholders to read on the [company's web site](#) within two weeks of 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 fiscal year preceding the Annual General Meeting.

The 2020 Annual General Meeting was held on 16 March 2020. More information about the decisions made at this meeting are available on the [company's web site](#). No Extraordinary General Meetings were held in 2020.



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General overview of governance

Responsibility of Digia's operations is held by the Shareholder's meeting, Board of Directors, and the President & CEO assisted by the Group Management Team.



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. Both genders should be represented on the Board. 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 2020 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:

- define the Board's annual action plan and provides a preliminary meeting schedule and framework agenda for each meeting;
- provide guidelines for the Board's annual self-assessment;
- provide guidelines for distributing notices of meetings and advance information to the Board, and procedures for keeping and approving minutes;
- define job descriptions for the Board's Chair, members and Secretary (the latter position is held by the General Counsel or, if absent, the CEO); and
- define 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 11 times during the 2020 fiscal year, with full attendance.

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 current members of the Board, Martti Ala-Härkönen, Santtu Elsinen, Päivi Hokkanen, Seppo Ruotsalainen and Outi Taivainen are independent of the company and its major shareholders.

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.

**Committees of the Board of Directors**

During the 2020 fiscal 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 without separate authorisation from the Board of Directors; 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. The Audit Committee also supervises and assesses internal control and auditing, the effectiveness of risk management systems, and how well agreements and other legal actions between the company and its related parties meet market conditions and the requirements for ordinary operations. The Audit Committee supervises and assesses the independence of the company's auditor and, in particular, the auditor's provision of non-audit services. The Audit Committee also supervises the company's audit and prepares a proposal for the choice of auditor. During the 2020 fiscal year, the Audit Committee consisted of Seppo Ruotsalainen (Chair), Santtu Elsinen and Martti Ala-Härkönen. The committee convened four times during the fiscal year, with full attendance.

**Compensation Committee**

Digia's Compensation Committee is tasked with preparing and monitoring remuneration policies for the company's governing bodies and management remuneration schemes in order to ensure that the company's targets are met, that decision-making is objective, and that remuneration schemes are transparent and systematic. In 2020, the Compensation Committee consisted of Päivi Hokkanen (Chair), Robert Ingman and Outi Taivainen. The committee convened five times during the fiscal year, with full attendance.

**Nomination Committee**

The Nomination Committee prepares proposals for the Annual General Meeting on (a) the number of members of the Board of Directors, (b) the members of the Board of Directors, (c) the remuneration for the Chair, Vice Chair and members of the Board of Directors, and (d) the remuneration for the Chair and members of the committees of the Board of Directors. During the 2020 fiscal year, the Nomination Committee consisted of Seppo Ruotsalainen (Chair), Martti Ala-Härkönen and Robert Ingman. The Nomination Committee convened three times during the fiscal year, with full attendance.

**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 Levoranta has been President & CEO of Digia Plc since 1 May 2016.

**Group Management Team**

The Group Management Team supports the President & CEO in the routine management of the company. As authorised by the Board of Directors, the Board's Compensation Committee approves the appointments of the members of the Group Management Team and decides on the terms and conditions of their service contracts on the basis of the CEO's proposal. Digia follows the one-over-one principle in Group Management Team and other appointments.

The CEO chairs meetings of Digia's Management Team. The Management Team consisted of nine members on 31 December 2020. The Team meets once every two weeks to assist the CEO in the preparation and implementation of strategy, operative management, and preparing items for consideration by the Board of Directors. The Team 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.

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## Members of Digia Plc's Board of Directors in 2020

Member of the Board	Born	Education	Main occupation	Holding on 31 Dec 2020*	Member since
Martti Ala-Härkönen	1965	KTT, TkL	CFO, Caverion	20,000	2016
Sanftu Elsinen	1972	Kyo	Senior Vice President & Chief Digital Officer, Alma Media	0	2018
Päivi Hokkanen	1959	KTT	CEO, ITprofs	10,833	2012
Robert Ingman, Chair	1961	DI, KTM	Chair of the Board, Ingman Group	7,530,000	2010
Seppo Ruotsalainen, Vice Chair	1954	TkL	Board professional	6,000	2012
Outi Taivainen	1968	KTM	HR Director, Aava Terveyspalvelut	723	2018

\* Includes related parties and related party holdings

## The attendance of Board and Committee members at meetings in 2020

	Board Meetings	Audit Committee	Compensation Committee	Nomination Committee
Martti Ala-Härkönen	11/11	4/4		3/3
Sanftu Elsinen	11/11	4/4		
Päivi Hokkanen	11/11		5/5	
Robert Ingman	11/11		5/5	3/3
Seppo Ruotsalainen	11/11	4/4		3/3
Outi Taivainen	11/11		5/5	

## Management Team members on 31 Dec 2020

Name	Born	Education	Area of responsibility	Holding on 31 Dec 2020*	Member since
Timo Levoranta	1965	MSc. (Tech.), MSc. (Econ.)	CEO	106,179	2016
Pia Huhdanmäki	1969	LLM	Senior Vice President, HR and Culture	6,277	2018
Juhana Juppo	1971	MSc. (Computer Science)	Chief Technology Officer (CTO)	7,676	2016
Mika Kervinen	1968	LLM, with court training	General Counsel	9,931	2016
Jukka Kotro	1961	Vocational Qualification in Business Information Technology	Senior Vice President, Digia Business Platforms	5,614	2017
Tuomo Niemi	1962	MSc. (Econ.), MSc. (Tech.)	Senior Vice President, Digia Financial Platforms	12,665	2017
Ari Rikkilä	1967	MSc. (Tech.)	Senior Vice President, Sales and Marketing	12,685	2017
Kristiina Simola	1965	MSc. (Econ.)	CFO	14,315	2017
Harri Vepsäläinen	1974	BBA	Senior Vice President, Digia Digital	10,044	2018

\* Includes related parties and related party holdings

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**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 prepares the consolidated interim reports and consolidated Financial Statements. This financial administration unit has centralised control over the Group's funding and asset management, and is in charge of managing financial 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 yet 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 and protection, 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 evaluated regularly. Digia uses an ISO 9001-certified quality management system (Core Process Model), and the processes described in this system are utilised in all operations with a view to providing an optimal customer experience.

Audits are carried out to manage data security and protection risks, and the company also continually develops working models, practices and processes that promote data security and protection. Security training is organised for all personnel. In 2020, we renewed our internal data security and data protection training package. This training must be retaken every year, not only by Digia personnel but also by any subcontractors working on Digia's premises.

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 include the appropriate protection of 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



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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 issues**

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 that involve Digia's financial instruments and are worth more than EUR 5,000 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 cases of bribery and corruption, market abuse, and violations of Digia's insider guidelines. 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 either Digia's intranet or its public website. All reports are directed to Digia's legal unit and the Chair of the Audit Committee of the Board of Directors. All reports will be processed confidentially and professionally in accordance with the Personal Data Act, with regard to both the informant and suspect.

**Related-party transactions**

According to the Corporate Governance Code, a company must evaluate and monitor business transactions with related parties and ensure that any potential conflicts of interest are duly taken into consideration in the company's decision-making. Here, "the company's related parties" refer to the related parties of listed companies as defined in the Companies Act (IAS24). Digia has issued Board members, the CEO and Management Team members with instructions concerning related parties. In order to enable the monitoring of related-party transactions, the company maintains an up-to-date register of companies and persons who are classified as related parties, including their grounds for being so classified.

It is executive management's task to identify related parties and related-party transactions before engaging in any business. The business function and the legal counsel should together determine whether related-party transactions form part of the company's ordinary business and whether they are subject to standard commercial terms and conditions.

If an intended related-party transaction would be significant for Digia and would either deviate from the company's ordinary business or not be subject to normal

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market conditions, then this business transaction must be decided upon by the company's Board of Directors.

Digia's related-party transactions are explained in more detail in the consolidated Financial Statements. The company has no significant related-party transactions. Its related-party transactions are carried out under normal market conditions and do not deviate from the company's ordinary business.

**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.

**Auditor's fees in 2020**

EUR 1,000	2020
Audit	104
Other statutory duties	4
Tax counselling	0
Other services	1
Total	109



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### Robert Ingman

Chair of the Board of Directors  
b. 1961, MSc. (Tech.), MSc. (Econ.)

Digia Board Member since 2010,  
Vice Chair of the Board 2012–2018,  
Chair of the Board since 2018.  
Member of the Board's Nomination  
Committee and Compensation  
Committee.

A Member of the Directors' Institute of Finland.

#### Chair of the Board of Directors

Qt Group Plc, 2016–

CRI Invest & Consulting Ltd, 2014–

Etteplan Plc, (2009) 2013–

Ingman Development Ltd, 2013–

Halti Ltd, 2012–

Ingman Group Ltd, 2009–

Ingman Finance Ltd, 2009–

M-Brain Ltd, 2018–2019,  
(Member of the Board 2011–2018)

#### Member of the Board

Ingman Baltic Sea Finance Ltd, 2015–

PK Oliver Ltd, 2013–

Massby Facility & Services Ltd, 2012–

Evli Bank Plc, 2010–

*Independent of the company.*



### Seppo Ruotsalainen

Vice Chair of the Board  
b. 1954, Lic.Sc. (Tech.), MSc. (Tech.)

Digia Board member since 2012.  
Vice Chair of the Board, and Chair  
of the Board's Audit Committee  
and Nomination Committee.

A member of the Directors' Institute  
of Finland and the Finnish Business Angels Network,  
and a founder member of the Startup Foundation.

#### Key work experience

Executive Director, Vigo Startup Accelerator Program,  
2010–2016

President & CEO, Tekla Plc, 1998–2003

Deputy CEO, F-Secure Plc, 2008–2009

Deputy CEO, LM Ericsson Ltd, 1994–1998

Sales Director, Hewlett Packard, 1982–1993

Head of Division, Teollisuuden Voima Ltd, 1977–1982

#### Chair of the Board

Softera Ltd, 2015–

Osuuskunta MPY, 2013–

Viabile Ltd, 2003–

Fountain Park Ltd, 2003–2013

Commit Ltd, 2003–2008

AniLinker Ltd, 2003–2007

#### Member of the Board

Profict Partners Ltd, 2004–2020

Biisafe Ltd, 2014–2016

Napakka Ltd, 1999–2013

Forte Netservices Ltd, 2007–2008

AtBusiness Communications, 2003–2006

3StepIT Group, 2003–2006

Aplac Ltd, 2003–2004

*Independent of the company and its major shareholders.*



### 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 Nomination  
Committee.

A Member of the Directors' Institute  
of Finland.

#### Key work experience

CFO (Finance, Strategy & IT), Caverion Corporation, 2016–

CFO, Cramo Plc, 2006–2016

CFO, WM-data Ltd, 2004–2006

CFO & Senior Vice President, Business Development,  
Novo Group Plc, 1998–2004

Manager, Corporate Finance & Finance Manager,  
Postipankki Plc, 1995–1998

#### Member of the Board

Purmo Group Ltd, 2018–

Pihlajalinna Ltd, 2015–2016

#### Member of the Supervisory Board

Elo Mutual Pension Insurance Company, 2020–

*Independent of the company and its major shareholders.*



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**Santtu Elsinen**

Member of the Board  
b. 1972, B.Sc.-level studies  
in economics

Digia Board member since 2018.  
Member of the Board's Audit  
Committee.

A Member of the Directors' Institute  
of Finland.

**Key work experience**

Senior Vice President, Chief Digital Officer,  
Alma Media Plc, 2016–

CEO, Winterfell Capital Ltd, 2014–

CEO, Quartal Ltd, 2011–

Director, Business Development,  
Talentum Plc, 2012–2015

Director, Business Development,  
Trainers' House/Satama Interactive Plc, 2005–2012

Creative Director & Business Development Director,  
Quartal Ltd, 1997–2005

**Member of the Board**

Etua Ltd, 2018–

Alma Mediapartners Ltd, 2017–

Arena Interactive Ltd, 2017–2020

Media Industry Research Foundation of Finland, 2016–

Fondia Tools Ltd, 2011–2012

Quartal Ltd, 1997–

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**Päivi Hokkanen**

Member of the Board  
b. 1959, DSc (Econ.)

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

A Member of the Directors' Institute  
of Finland.

**Key work experience**

CEO, ITprofs Ltd, 2017–

Development Director, SoteDigi Ltd, 2018–2020

CIO, A-Katsastus Group, 2012–2017

CIO, Sanoma Plc, 2009–2012

CIO, Stockmann Plc, 2002–2009

Director, SysOpen Plc, 1998–2002

Several positions, Cap Gemini Ltd, 1995–1998

Several positions, Kansallisrahoitus Ltd, 1984–1995

**Chair of the Board of Directors**

MPY Yrityspalvelut Ltd, 2019–

**Member of the Board**

Wointi Ltd, 2021–

ICT Leaders Finland, 2016–

MPY Palvelut Ltd, 2017–2019

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**Outi Taivainen**

Member of the Board  
b. 1968, MSc. (Econ.)

Digia Board member since 2018.  
Member of the Board's Compensation  
Committee.

**Key work experience**

HR Director, Aava Terveyspalvelut Ltd, 2019–

Partner, Rethink Leadership Ltd, 2019–

Executive Vice President, HR, OP Group, 2015–2018

Area HR Director, Central and North Europe,  
KONE Plc, 2011–2015

CEO, HR House, 2008–2011

Vice President, Human Resources, Nokia Plc, 2001–2008

Managerial positions, Nokia Plc, 1998–2001

**Chair of the Board of Directors**

OP Pension Fund, 2015–2018

**Member of the Board**

Helsinki Chamber of Commerce, 2009–2011

Henry ry, 2006–2008

Finnish Enterprise Agencies, 2006–2008

**Other positions of trust**

Helsinki Chamber of Commerce,  
HR Committee member, 2012–

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**Timo Levoranta**

President & CEO

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

President & CEO and Group Management Team Member since 1 May 2016

**Key work experience**

Senior Vice President, Digia Plc, 2016

CEO, TDC Ltd Finland, 2011–2015

SVP, Sales&Marketing, Outokumpu Plc, 2008–2011

Managerial positions, TeliaSonera Plc, 2002– 2008

Managerial positions, Sonera Plc, 1995–2002

Various positions, Consumer Mobile Communication Division, Telecom Finland Ltd, 1991–1995

**Member of the Board**

Technology Industries of Finland, Deputy Member, 2020–



**Kristiina Simola**

Chief Financial Officer

b. 1965, MSc. (Econ.)

Digia Management Team member since 14 August 2017.

**Key work experience**

CFO, Digitalist Group Plc, 2015–2017

Deputy Managing Director & CFO, Mirasys Ltd, 2012–2015

Senior Manager, Finance Transformation, Deloitte Finland, 2010–2012

CFO, Profit Software Ltd, 2007–2010

CFO, Foster Wheeler Energia Plc, 2005–2007

CFO, SysOpen Plc, 2001–2005



**Mika Kervinen**

General Counsel

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

Digia Management Team member since 1 May 2016.

**Key work experience**

Senior Legal Counsel, Fondia Ltd, 2015–2016

Director, Business Support, TDC Finland Ltd, 2012–2014

Senior Legal Counsel & Management and expert positions, Nokia Networks Ltd, 2004–2012

Senior Legal Counsel & Management and expert positions, TeliaSonera Plc, 1998–2004

Legal Counsel & expert positions, Kesko Plc, 1996–1998

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**Pia Huhdanmäki**

Senior Vice President, HR and Culture  
 b. 1969, LL.M.  
 Digia Management Team member since 1 February 2018.

**Key work experience**

Leading specialist (industrial policy & lobbying), Radio-Media and Finnish Media Federation, 2017–2018  
 HR Director/CHRO, Sanoma Media Finland Ltd, 2012–2016  
 Director: HR, legal and communications, Sanoma News and Sanoma Entertainment Ltd, 2010–2011  
 Director: HR, legal and communications, Sanoma Entertainment Ltd, 2007–2010  
 Legal Counsel & Management positions, Sanoma Group Plc, 1996–2006



**Ari Rikkilä**

Senior Vice President, Sales and Marketing  
 b. 1967, MSc. (Tech.)  
 Digia Management Team member since 16 May 2017.

**Key work experience**

Senior Sales Director, Accenture Ltd, 2017  
 Managerial positions, Tieto Plc, 2016–2017  
 Managerial positions, ALSO Group, 2014–2016  
 CEO, Nervogrid Ltd, 2013–2014  
 CEO, Efecte Plc, 2010–2013  
 Country Manager, CA Technologies Inc., 2006–2010



**Juhana Juppo**

Chief Technology Officer & Senior Vice President, Digia Common Services  
 b. 1971, MSc. (Computer Science)  
 Digia Management Team member since 19 September 2016.

**Key work experience**

Director, Business Development, Finanssi-Kontio Ltd, 2013–2016  
 Service Director, CGI Suomi Ltd, 2011–2013  
 CTO, Cap Gemini Finland Ltd, 2005–2011  
 Systems Architect, IT Optimo/Itella Plc, 2003–2005  
 Vice President, Development, Eigenvalue Ltd, 2000–2003  
 Project Manager, Cap Gemini Finland Ltd, 1999–2000

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**Jukka Kotro**

Senior Vice President, Digia Business Platforms  
 b. 1961, Vocational Qualification in Business Information Technology  
 Digia Management Team member since 9 August 2018.

**Key work experience**

Senior Vice President, various responsibilities, Digia Plc, 2018  
 Management Team member, various responsibilities, CGI Suomi Ltd, 2010–2018  
 Sales Director, Central Government, Logica Suomi Ltd, 2006–2010  
 Sales Director, Healthcare, WM-data Ltd, 2004–2006  
 Account Manager, Public Sector, Novo Group Plc, 1999–2004



**Tuomo Niemi**

Senior Vice President, Digia Financial Platforms  
 b. 1962, MSc. (Tech) , MSc. (Econ.)  
 Digia Management Team member since 1 June 2017.

**Key work experience**

Managing Director, Accenture Ltd, 2003–2017  
 Leading Consultant, Accenture Ltd, 1996–2003  
 Managerial positions in IT management, ICL Personal Systems Ltd, 1992–1996  
 Consultant, Andersen Consulting Ltd, 1989–1991  
 Product Manager, Nokia Data Ltd, 1988–1989



**Harri Vepsäläinen**

Senior Vice President, Digia Digital  
 b. 1974, BBA  
 Digia Management Team member since 1 April 2018.

**Key work experience**

Vice President, Consulting Services, CGI Suomi Ltd, 2017–2018  
 Business Unit Director (various units), Management Team member, Affecto Plc, 2009–2017  
 Business Director, Business Intelligence & Analytics, IBM Global Business Services, 2006–2009  
 Business Development Manager, IBM Global Business Services, 2005–2006  
 Business development and managerial positions, Elisa Plc, 2001–2005  
 Consultant/Project Manager 1998 –2001 ICL Data Ltd and Affecto Ltd

# Digia Plc Remuneration Report 2020

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This Remuneration Report describes how Digia Plc has applied its Remuneration Policy in the 2020 fiscal year. The Remuneration Report discloses the remuneration of Digia's Board of Directors and CEO in 1 January to 31 December 2020. The Remuneration Report has been drafted in compliance with the requirements of directive EU 2017/828 amending the Shareholder Rights Directive. The requirements of directive EU 2017/828 have been implemented in Finland mainly in the Limited Liability Companies Act (624/2006, as amended), Securities Markets Act (746/2012, as amended), Decree of the Ministry of Finance 608/2019 and the Corporate Governance Code 2020.

The Remuneration Committee of Digia's Board of Directors has prepared the Remuneration Report for review by the Board of Directors, which has approved it for presentation to the General Meeting.

# Introduction

## Summary of remuneration at Digia in the 2020 fiscal year

The remuneration of Digia's governing bodies is based on Digia Plc's Remuneration Policy, on which shareholders made an advisory decision at the Annual General Meeting on 16 March 2020. The Remuneration Policy will be in effect until the 2024 Annual General Meeting unless the Board of Directors decides to present changes to the Remuneration Policy to a General Meeting before that date for an advisory decision. The Remuneration Policy is available online [on the company's web site](#).

At the beginning of the 2020 fiscal year, we released a new strategy for the 2020–2022 period. During the strategy period Digia continues to renew operations and strengthen the selected focus areas. Digia places particular emphasis on the potential of data utilisation in customers' services and business processes. For more information on the strategy, see page 8, and on the implementation of the strategy, see page 46.

In spite of the coronavirus pandemic and the uncertain market situation it ushered in, Digia's net sales grew and profitability improved. In the short term, the customers' need to ensure the performance of their core business and enhance process efficiency was highlighted in service demand. In the uncertain market, customers were also typically more careful in evaluating the volume of development projects and project implementation schedules. This cautiousness was reflected in demand. The crisis has also revealed opportunities that have been opened up by digitalisation – most likely, the current crisis will accelerate the digitalisation trend in the years ahead. Read more about the impacts of the coronavirus on Digia's business on [page 13](#).

In general, the purpose of remunerations paid by the company is to support its business strategy and promote long-term financial success, competitiveness and the favourable development of shareholder value. In addition, the aim is to ensure that the company has access to the best possible individuals for its governing bodies and is able to retain their commitment and motivation. The structure of the remuneration of the company's Board of Directors and CEO and the decision-making order in the 2020 fiscal year complied with Digia's remuneration policy for governing bodies. There was no need for deviations from the policy or the clawback of remuneration.

In 2020, Board members were paid a fixed monthly fee and meeting fees. The amounts of the fees paid depended on the role in question – chair, vice chair and member of the Board and chair and member of a committee. The fees earned are disclosed below in section Board Remunerations.

The total remuneration paid to the CEO in 2020 consisted of a fixed salary including customary fringe benefits, bonuses paid on the basis of the short-term target bonus scheme, and bonuses paid on the basis of the 2017–2019 long-term share-based incentive scheme. The main emphasis of the short-term target bonus scheme is on the company's performance on the annual level. However, the goal is to set the indicators to also support the company's long-term success. The target bonus scheme for 2020 had the following indicators: net sales and operating profit (EBIT) and both personnel and customer satisfaction. The long-term share-based incentive scheme concluded at the end of 2019. The indicators of the bonus scheme are the three-year development of net sales (2017–2019) and annual trend in EPS (2017,

2018 and 2019). The incentive schemes and the total remuneration paid to the CEO are described in detail below in sections [CEO's Remuneration](#) and [Share-based incentive scheme 2020–2022](#).

## Development of Digia's financial performance and remuneration 2017–2020

The following section describes the development of the remuneration earned by the Board of Directors and remuneration paid to the CEO from 2017, compared to the development of the average remuneration of employees and the financial development of the company during the same period. Digia and Qt Group demerged 1.5.2016 and thus no consistently comparable data is available for that or previous years.

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I Financial performance of the company	2017	2018	2019	2020
Net sales (MEUR)	94,5	112,1	131,8	139,0
Development of net sales (%)	+18.0%	+18.6%	+17.6%	+5.5%
Operating profit (MEUR) (EBIT)	1,8	6,5	9,6	14,1
Development of operating profit (%)		+252%	+48.6%	+46.2%
Official closing rate of the share for the fiscal year (€)	2.35	2.85	3.99	7.52
Development of share price (%)		+21.3%	40.0%	88.5%
Dividends paid per share	0.04	0.07	0.10	0.15*
Market capitalisation	63,035,749	76,447,611	107,026,655	201,714,397
II Personnel salaries and remunerations (excluding the salary and remunerations of the CEO)	2017	2018	2019	2020
Salaries and remunerations (MEUR)	55,5	62,8	72,7	76,9
Development of total salary costs (%)		+13%	+16%	+6%
Average personnel during report year (FTE)	954	1,069	1,186	1,261
Average salary costs (total salary cost divided by average personnel)	57,887	58,479	60,918	61,000
Development of average salary costs (%) (average personnel)		+1%	+4%	-
Personnel at end of reporting year (FTE)	1,005	1,091	1,266	1,258
Average salary costs (total salary cost divided by personnel at end of review year)	54,857	57,300	57,069	61,129
Development of average salary costs (%) (personnel at end of review year)		+4.45%	-0.40%	+7.11%

\* Board's proposal to the Annual General Meeting.

With respect to the development of the average salary costs of all personnel, it must be kept in mind that new recruitments, acquired businesses and turnover affect the development of average salary. Average growth in the salaries of the company's employees outpaces salary increases under collective agreements.

Part of Digia's employees are also covered by a short-term target bonus scheme or other variable salary component. The figure for personnel salaries includes fixed salaries, variable salary components and any bonuses paid at three-year intervals on the basis of the long-term incentive scheme, excluding salaries and remunerations paid to the CEO. The participants of the long-term incentive scheme are primarily the CEO and the company's senior management. Long-term incentives have been paid in spring 2017 and spring 2020.

III Remunerations paid to the Board of Directors**	2017	2018	2019	2020
Annual fee of the Chair of the Board (fixed monthly fees + meeting fees) (€)	87,500	83,500	82,500	81,000
Development of the remunerations paid to the Chair of the Board (%)		-4.6%	-1.2%	-1.8%
Annual fees of other Board members (fixed monthly fees + meeting fees), total (€)	182,500	210,500	237,500	239,500
Development of the remunerations of other Board members (%)		+15.3%	+12.8%	+0.8%
Number of Board members during the calendar year (including Chair and Vice Chair)	5	6	6	6
IV Salary and remuneration of the President and CEO	2017	2018	2019	2020
Fixed total salary (incl. fringe benefits) (€)	249,840	252,200	271,704	295,702
Development of fixed salary (%)		+1%	+8%	+8.8%
Short-term incentives paid (€) (based partly on performance in year of payment and partly on previous year)	22,905	44,300	159,478	120,616
Long-term incentives paid (LTI) (€)***	92,768	0	0	409,930
Development of variable salary components paid, total (%)		-62%	+260%	+233%
CEO's salary and variable salary components, total (€)	365,513	296,500	431,182	826,248

\*\* For the sake of comparability, the table presents the fees earned by the Board during each fiscal period, that is, the fixed monthly fees earned for the fiscal year in question plus meeting fees for Board and committee meetings held during that year, regardless of whether the fees were paid during said fiscal year or partly later. Information on the 2017–2019 fiscal years previously published in connection with financial statements has been disclosed according to payment date.

\*\*\* Paid three times a year.

A heavy weight is assigned to the variable salary component of the total remuneration of the CEO through both the short- and long-term incentives in line with performance-based thinking. The development of the CEO's incentive schemes reflects the company's business success and creation of profitable growth.

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Board remunerations 2020

Fees earned by Digia's Board of Directors  
1 January–31 December 2020

The 2020 Annual General Meeting decided on the payment of monthly fees of EUR 3,000 to Board members, EUR 4,000 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 2021 Annual General Meeting. In addition, fees of EUR 1,000 to the Chair and EUR 500 to other members are paid per each Board and Board Committee meeting. The fees paid to the Board of Directors thus did not change from the fees decided on by the 2019 Annual General Meeting.

The table above discloses the fees that were paid or are to be paid to members of Digia's Board of Directors for Board and Committee work during the 2020 fiscal year. No other financial benefits were paid.

CEO's remuneration 2020

Application of performance criteria and remuneration payable for the 2020 fiscal year

The total remuneration paid to the CEO in 2020 consisted of a fixed salary, bonuses for July–December 2019 and January–June 2020 paid on the basis of the short-term target bonus scheme, and share-based bonuses paid on the basis of the long-term incentive scheme for 2017–2019. The bonus component of the short-term target bonus scheme, which is assessed on the basis of successful performance in the full year 2020, is paid in February 2021. The bonus component paid for January–June 2020 is deducted from the realised bonus for the full year. In addition, the CEO received the company's ordinary personnel and fringe benefits.

The earnings criteria of the 2020 short-term target bonus scheme of the CEO were based on the company's net sales and operating profit (EBIT) and both customer

*	Role and committees	Annual fee	Meeting fees for Board and Committee meetings	Total
Martti Ala-Härkönen	Member of the Board Member of the Nomination Committee Member of the Audit Committee	36,000	9,000	45,000
Santtu Elsinen	Member of the Board Member of the Audit Committee	36,000	7,500	43,500
Päivi Hokkanen	Member of the Board Chair of the Compensation Committee	36,000	10,500	46,500
Robert Ingman	Chair of the Board of Directors Member of the Nomination Committee Member of the Compensation Committee	66,000	15,000	81,000
Seppo Ruotsalainen	Vice Chair of the Board Chair of the Nomination Committee Chair of the Audit Committee	48,000	12,500	60,500
Outi Taivainen	Member of the Board Member of the Compensation Committee	36,000	8,000	44,000
Total		258,000	62,500	320,500

\* The table presents the fees paid for Board work in 2020.

and personnel satisfaction targets. The maximum bonus for the 2020 fiscal year corresponded to 75 per cent of the CEO's fixed salary for twelve months.

With respect to net sales and operating result, the targets had been set for the full year, but in such a way that the interim assessment and payment were made after the first half-year period (January–June) in accordance with the targets set for January–June. With respect to the targets for net sales and operating profit (EBIT), the bonus paid for January–June was an advance; that sum will be deducted from the bonus assessed for the full calendar year that will be paid in February 2021. The targets for customer and personnel satisfaction are annual level targets; the realisation of the customer satisfaction target was assessed at the end of the first half-year period (January–June) and the realisation of the personnel satisfaction target at the end of the second half-year period (July–December). All bonus indicators are assessed

independently of each other, but if the full-year operating profit had fallen short of the set EBIT threshold value, the bonus assessed after January–June would not have been paid.

The model aims to support Digia's profitable growth and ensure that, for example, growth through acquisitions is appropriately taken into consideration regardless of the implementation date of any acquisition. At the same time, the model accounts for a functional half-yearly bonus payment cycle.

In 2020, the CEO was paid a total salary (including fringe benefits) amounting to EUR 295,702.00 and target bonuses of EUR 120,616.00. The target bonus consisted of: realised target bonus for July–December 2019, 119.2%, for which the bonus of EUR 63,937.60 was paid in February 2020, and the realised target bonus for January–June 2020, 98.4%, for which the bonus of EUR 56,678.40 was



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paid in August 2020. The full-year target bonus for 2020 totalled 99.5%. The bonus component paid for January–June is deducted from the full-year target bonus. The remaining share of the CEO's target bonus, EUR 57,312.00, is paid in February 2021.

In addition, in the 2020 fiscal year, the CEO was paid a bonus from Digia's long-term share-based incentive scheme for 2017–2019. The bonus totalled EUR 409,930.55, which was paid as a combination of shares and cash.

Share-based incentive scheme 2020–2022

On 6 February 2020, Digia Plc's Board of Directors decided on a new three-year, long-term share-based incentive scheme. In principle, the target group consists of the CEO and the company's senior executives. The scheme is designed to align 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 was introduced after the earlier share-based incentive scheme that extended until 2019 ended.

This long-term incentive scheme covers the calendar years 2020–2022. 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 met. The targets are based on the company's net sales and total shareholder return (TSR). The earnings period for the net sales and TSR indicators is three years (2020–2022), and the targets for both indicators have been set for the final date of the earnings period. If the terms are met, the bonuses for both indicators based on the new scheme will be paid at the end of the reward period in spring 2023. 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 decide on possible bonuses in accordance with the pro-rata principle.

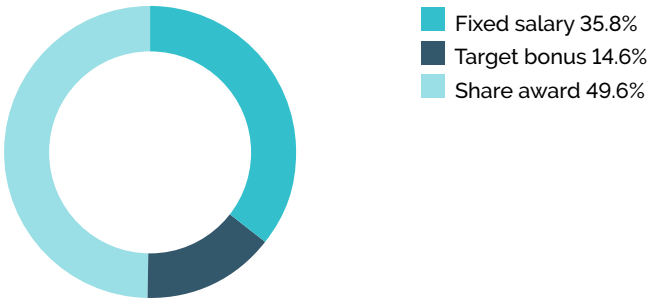
During the reward period, the CEO can earn a maximum bonus amounting to the value of 180,000 Digia Plc shares. The reward will be paid as a combination of shares and cash.

Salaries and remunerations paid to the CEO in the 2020 fiscal year

The CEO was paid the following as salary and other benefits during the 2020 fiscal year:

Remuneration component	Paid in 2020
Fixed monthly salary (incl. fringe benefits)	EUR 295,702.00
Bonuses	EUR 120,616.00
Long-term incentive scheme bonus (in accordance with the 2017–2019 incentive scheme)	EUR 409,930.55
Total	EUR 826,248.55

CEO's remuneration structure, paid 2020







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## Company

Digia is a growing software and service company that helps its customers to renew and develop data-driven business operations in our increasingly networked world. Digia is your partner for comprehensive digitalisation. We provide all the layers of digitalisation from business systems to integrations, digital services and 24/7 monitoring and service management. We help our customers to utilise data and harness it to renew their operations. The key actions of the Board of Directors in 2020 focused on maintaining profitability and strong cash flow in the exceptional circumstances ushered in by the coronavirus pandemic and on implementing the overhauled strategy.

Digia's new strategy for the 2020–2022 period, "Next Level", was published on 7 February 2020. Strong growth and profitability improvement remain our goals. In the strategy period, we emphasise the potential of data utilisation in our customers' services and business processes. As a company, we will advance to the next capability level to be an even stronger partner for our customers in the development of their business.

Digia seeks growth both organically and through acquisitions. Particularly strong growth was seen in the business systems and customised solutions service areas. In 2020, continuous services also demonstrated their strength with their large share of net sales.

We announced two acquisitions during the fiscal year. On 1 October 2020, the company acquired NSD Consulting Oy, substantially expanding Digia Hub. Going forward, Digia Hub will offer a network of more than 1,800 professionals. Companies in different fields of business can acquire top-notch professionals for their own software development projects straight from this network.

In addition, on 15 December 2020, we signed an agreement to acquire the entire share capital of Climber International AB. Climber International AB is a Swedish company that provides its customers with consulting and solutions for data-driven business development. The acquisition concerns Climber's operations in Sweden, Finland, Denmark and the Netherlands. The acquisition was carried out on 7 January 2021.

We continued to improve our profitability during the fiscal year thanks to our determined efforts to develop our service offering, organisation and operating methods. During the pandemic, Digia employees work almost entirely remotely, which has saved on the costs of travel, meetings and office work.



# Key figures

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EUR 1,000	2020	2019	2018
Extent of business			
Net sales	139,049	131,824	112,122
- net sales growth, %	5.5%	17.6%	18.6%
Gross capital expenditure <sup>1</sup>	1,268	213	647
- % of net sales	0.9%	0.2%	0.6%
Capitalisation for research and development	0	0	0
- % of net sales	0%	0%	0%
Number of personnel, 31 Dec	1,258	1,266	1,091
Average personnel	1,261	1,186	1,069
Profitability			
Operating profit plus purchase price allocation amortisation (EBITA)	16 000	11 003	7 283
- % of net sales <sup>2</sup>	11.5%	8.3%	6.5%
Operating profit (EBIT)	14 102	9 648	6 494
- % of net sales	10.1%	7.3%	5.8%
Net profit	10 627	7 090	4 704
- % of net sales	7.6%	5.4%	4.2%
Return on equity, %	18.7%	14.0%	10.2%
Return on investment, %	16.5%	13.5%	10.6%
Financing and financial standing			

EUR 1,000	2020	2019	2018
Interest-bearing net debt	10,531	22,616	22,616
Net gearing, %	17.3%	42.5%	42.5%
Equity ratio, %	50.7%	47.2%	47.2%
Cash flow from operations	23,589	12,294	12,294
Dividends (paid)	2,672	1,864	1,864
Earnings per share (EPS), EUR, undiluted <sup>3</sup>	0,40	0,27	0,27
Earnings per share (EPS), EUR, diluted <sup>3</sup>	0,39	0,26	0,26
Equity/share, EUR <sup>4</sup>	2,26	1,98	1 864
Equity/share, EUR	2,26	1,98	0,27
Dividend per share (2020 proposal), EUR	0,15	0,10	0,26
Dividend payout ratio	-	37.0%	1,78
Effective dividend yield	-	2.5%	1,78
Price/earnings ratio (P/E) <sup>3</sup>	18,80	14,78	0,07
Lowest share price	3,30	2,53	38,9%
Highest share price	7,80	4,08	2,5%
Average share price	5,47	3,21	15,83
Market capitalisation	201,714	107,027	2,10
Trading volume, shares	5,546 624	6,330 262	3,13
Trading volume,%	20.7%	23.6%	2,73

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

The weighted average number of shares during the fiscal year, adjusted for share issues, was 26,687,854. The diluted weighted average number of shares during the period was 26,926,305. The number of outstanding shares at the end of the review period was 26,678,129. At the year-end, the company held 57,372 of its own shares.

As alternative performance measures, the Group reports operating profit before purchase price allocation amortisation (EBITA), operating profit (EBIT), 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, as it considers this information necessary for investors. Formulas for the key figures are presented in [Note 8.1](#) and reconciliations in [Note 8.2](#).

<sup>1</sup> Gross capital expenditure includes gross investments in tangible and intangible assets.

<sup>2</sup> Foreign exchange gains and losses from operations are included in the corresponding items above EBIT. Purchase price allocation amortisation includes the amortisation on the transaction prices allocated to customer contracts and other intangible assets in business combinations.

<sup>3</sup> The dilution-adjusted key figures account for the effect of the share-based incentive scheme for management.

<sup>4</sup> Shareholders' equity divided by the undiluted number of shares on the closing date.

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**Net sales**

Digia's consolidated net sales for the fiscal year were EUR 139.0 (131.8) million, up 5.5 per cent on the previous year.

In the latter half of the year, the impact of the coronavirus epidemic was clearly reflected in some projects as delays and reductions in scope at the customer's request. However, net sales of business systems and customised solutions grew well during the fiscal year.

The service and maintenance business accounted for 64.8 (63.6) per cent and the project business for 35.2 (36.4) per cent of net sales. Digia's goal is to increase the service business's share of net sales through service support and maintenance agreements that track project phases. The product business accounted for 12.9 (14.7) per cent of the company's net sales.

**Profit and profitability**

Digia's operating profit for the fiscal year was EUR 14.1 (9.6) million with an operating margin (EBIT %) of 10.1 (7.3) per cent.

In 2020, our profitability was improved both by our determined efforts to develop our service offering, organisation and operating methods as well as coronavirus-related savings on travel, meeting expenses and marketing.

Earnings before taxes were EUR 13.5 (9.1) million, with earnings after taxes totalling EUR 10.6 (7.1) million.

Earnings per share were EUR 0.40 (0.27). Net financial expenses amounted to EUR -0.6 (-0.5) million.

**Financing, cash flow and expenditure**

On the balance sheet date at the end of 2020, Digia's balance sheet total stood at EUR 121.1 (114.1) million and its equity ratio at 50.7 (47.2) per cent. Net gearing was 17.3 (42.5) per cent.

On the balance sheet date, Digia had EUR 26.9 (28.5) million in interest-bearing liabilities. Interest-bearing liabilities consisted of EUR 8.6 million in long-term and EUR 8.2 million in short-term loans from financial institutions, and EUR 10.1 million in lease liabilities.

In the 2020 fiscal year, cash flow from operating activities totalled EUR 23.6 (12.3) million. Cash flow from investments came to EUR -4.8 (-10.2) million. Acquisitions of subsidiaries are included in cash flow from investments. Cash flow from financing was EUR -8.3 (2.0) million.

Total investments in tangible assets amounted to EUR 1.3 (0.2) million during the 2020 fiscal year. The return on investment (ROI) was 16.5 (13.5) per cent, and return on equity (ROE) was 18.7 (14.0) per cent.

**Report on the extent of research and development**

Digia constantly invests in enhancing its long-term competitiveness. Research and development expenses totalled EUR 6.0 million in the 2020 fiscal year (2019: 6.3; 2018: 6.1), representing 4.3 per cent of net sales (2019: 4.8%; 2018: 5.4%). The main focus of R&D remained on our own ERP systems (Digia Enterprise and ERPs for the financial and logistics sectors). In addition, the Digia Iiris monitoring solution for the continuous service needs of customers was developed.

More information about Digia's services and solutions can be found on the [company's website](#).

**Personnel, management and administration**

At the end of the review period, the total comparable number of Group personnel was 1,258, representing a decrease of 8 employees or -0.6 per cent since the end of the 2019 fiscal period (31 Dec. 2019: 1,266 employees). The average number of employees was 1,261, an increase of 75 employees, or 6.3 per cent, on the 2019 average (2019: 1,186).

Skilled and enthusiastic personnel who are committed to the objectives of our customers are behind the company's growth and customer satisfaction. During the fiscal year, we continued to invest in developing our culture and strong expertise. Due to the coronavirus epidemic, the majority of Digia personnel began working from home. We are therefore seeking to maintain a sense of community with the aid of a variety of internal virtual events and content.

We seek to provide a professional, evolving, diverse, flexible and equal working community whose workplace culture respects expertise and is founded on providing the best possible support to employees to guarantee their success. For instance, during the fiscal year, we developed remote management by coaching our supervisors and project managers on questions concerning leadership during the pandemic. We continued our Effective Manager leadership coaching with the basic premise of developing Digia's positive, goal-oriented leadership with a coaching approach. We also arranged customised virtual coaching for our experts with the aim of developing their ability to both build trust and manage and orchestrate cooperation. During the fiscal year, we introduced a personnel survey to gain a better understanding of our employees, as measuring the employee experience on a more individual level is a key aspect of Digia's culture of continuous improvement.

Fourteen people joined Digia as a result of the NSD Consulting Oy acquisition on 1 October 2020. In addition, the transaction gives our customers access to a network of more than 1,600 professionals.

Digia employees by location:

	31.12.2020	31.12.2019	Change, no. of employees
Helsinki	722	742	-20
Tampere	256	251	5
Jyväskylä	170	160	10
Turku	51	51	0
Rauma	24	28	-4
Vaasa	10	11	-1
Lahti	14	12	2
Oulu	6	6	0
Stockholm	5	5	0
Total	1,258	1,266	-8

Digia Plc's Annual General Meeting (AGM) of 16 March 2020 re-elected Martti Ala-Härkönen, Santtu Elsinen, Päivi Hokkanen, Robert Ingman, Seppo Ruotsalainen and Outi Taivainen as members of the Board. At its organisational meeting after the AGM, the Board of Directors elected Robert Ingman as Chair and Seppo Ruotsalainen as Vice Chair of the Board.

On 31 December 2020, Digia's Management Team consisted of

- » Timo Levoranta, President and CEO
- » Pia Huhdanmäki, Senior Vice President, HR and Culture
- » Juhana Juppo, CTO and Senior Vice President, Horizontal Services
- » Mika Kervinen, General Counsel
- » Jukka Kotro, Senior Vice President, Business Platforms
- » Tuomo Niemi, Senior Vice President, Financial Operations

- » Ari Rikkilä, Senior Vice President, Sales and Marketing
- » Kristiina Simola, Chief Financial Officer (CFO)
- » Harri Vepsäläinen, Senior Vice President, Digital Services

You can read more about Digia's Management Team on the [company's website](#).

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

In February, we announced Digia's new strategy for the 2020–2022 period. Our "Next Level" strategy revolves around smart digitalisation and continuous change in digital business. Digia enables its customers to take their digital business to the next level as a controlled whole. Smart and responsible data utilisation in both services and business processes comprises an important cornerstone of strategy implementation. Data utilisation already provides a competitive edge today – in the future, the importance of data will be increasingly emphasised. The core of Digia's service offering is a smart and functional package of digital services, business systems, integrations and analytics. Digia takes care of the life cycle of solutions from development to maintenance and also invests in the opportunities provided by data and analytics in its own operations.

In the strategy period 2020–2022, Digia seeks annual net sales growth exceeding 10 per cent including organic growth and acquisitions. The target level of profitability improvement is an EBITA margin of 10 per cent by the end of the strategy period.

The focus areas of Digia's strategy to increase customer benefits are:

**1) Smart data utilisation** We will bring data utilisation as a cross-cutting theme for all Digia's service areas from business systems to integrations and digital services.

**2) Service business** We will deepen our customer relationships and further strengthen the share accounted for by the service business.

**3) Productivity and scalability** We will develop our operational models and solutions to improve our cost-competitiveness. An essential development project in the strategy period will be the reform of our own business platform.

**4) Cloud technologies** Cloud is the development and operating platform for future services. We will continue to strengthen our expertise in cloud services, taking into account security and key public cloud platforms (Microsoft Azure, Amazon Web Services and Google Cloud Platform).

**5) Valued employer** Skilled employees are the most important success factor for Digia. We are constantly developing Digia into a more desirable workplace by reinforcing our culture, at the heart of which is the continuous learning of every employee.

Strategy implementation in 2020

Our major outlays on strategy implementation in 2020 were bolstering the product and service offering as well as promoting internal development projects.

In 2020, we overhauled our service offering in cloud platforms and stepped up our expertise by means of both recruitment and additional training. Digia's cloud offering is based on architecture and advisory services, implementing transitions to cloud services for customers and highly automated maintenance of cloud services. We utilise major public cloud platforms in our services: Microsoft Azure, Google Cloud and Amazon Web Ser-

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vices. In line with our strategy, analytics solutions and data warehouses on these platforms comprise a key element in our offering. We also implement high-security cloud solutions.

We launched the Digia Hub operating model towards the end of the first half of the year. Digia Hub is a network for small entrepreneurs in the IT sector, uniting small entrepreneurs, Digia and customers into an ecosystem that creates value. Through this network, we can provide small entrepreneurs with appealing tasks and our customers with even wider-ranging expertise under a flexible delivery model. The operating model was well received and we expanded it with an acquisition at the beginning of October. On 1 October 2020, the company acquired NSD Consulting Oy. Following the transaction, Digia Hub expanded significantly and will offer a network of more than 1,800 professionals going forward. Companies in different fields of business can acquire top-notch professionals for their own software development projects straight from this network. Following the acquisition, NSD Consulting Oy's 14 employees transferred into Digia Hub Oy's employment. About 40 consultants were working on projects at the time of the transaction.

In December 2020, Digia Plc and the Swedish company Climber International AB signed an agreement whereby Digia acquired Climber's entire share capital. The transaction was completed on 7 January 2021. After the acquisition, Digia now employs more than 300 professionals in the fields of data integration and business analytics. Advanced data analytics and knowledge-based management are key focus areas of the strategy, and the acquisition supports the implementation of Digia's growth strategy.

As part of our strategy, we develop our operational models and solutions to improve our cost-competitiveness. An essential development project in the strategy period will be the reform of our own business platform. Project design and the selection of the end-to-end solution were carried out during the fiscal year now ended.

Group structure

Digia operates in eight locations in Finland – Helsinki, Lahti, Jyväskylä, Oulu, Rauma, Tampere, Turku and Vaasa – and in Stockholm, Sweden. Our headquarters is located in Helsinki. At the end of the 2020 fiscal year, the Digia Group consisted of the parent company, Digia Plc, and its subsidiaries Digia Finland Oy, Digia Hub Oy and Digia Sweden AB. All subsidiaries are wholly owned by Digia.

In early 2020, to clarify its group structure, Digia started a subsidiary merger process in which Mirosys Oy was merged into Mavisystems Oy, which in turn was merged into Digia Finland Oy. The mergers came into effect on 29 February 2020.

Share capital and shares

On 31 December 2020, the number of Digia Plc shares totalled 26,823,723. The company had a total of 7,644 shareholders. Foreign shareholders accounted for 0.4 per cent of all Digia Plc shareholders and they held 0.2 per cent of all shares and votes. Nominee-registered shareholders accounted for 0.1 per cent of all Digia Plc shareholders and they held 4.1 per cent of all shares and votes.

Ten largest shareholders on 31 December 2020

Shareholder	Percentage of shares and votes
Ingman Development Oy Ab	28.1%
Ilmarinen Mutual Pension Insurance Company	12.6%
Etola Oy	6.0%
Tiiviste-Group Oy	4.9%
Varma Mutual Pension Insurance Company	4.6%
Matti Savolainen	3.3%
OP-Suomi Pienyhtiöt mutual fund	1.2%
Rausanne Oy	1.0%
Nordea Bank ABP (nominee-registered)	2.2%
Skandinaviska Enskilda Banken AB (nominee-registered)	1.6%

Shareholding by number of shares held on 31 December 2020

Number of shares	Percentage of shareholders	Percentage of shares and votes
1–100	30.7%	0.4%
101–500	38.0%	2.9%
501–1,000	14.9%	3.2%
1,001–5,000	13.2%	7.7%
5,001–10,000	1.6%	3.3%
10,001–50,000	11%	6.6%
50,001–100,000	0.2%	4.6%
100,001–500,000	0.2%	9.8%
500,001–	0.1%	61.6%

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Shareholding by sector on 31 December 2020

	Percentage of shareholders	Percentage of shares and votes
Companies	3.0%	43.1%
Households	96.1%	30.3%
Public-sector organisations	0.0%	17.3%
Financial and insurance institutions	0.3%	8.7%
Non-profit associations	0.1%	0.4%
Foreign holding	0.4%	0.2%

Digia Plc held a total of 57,372 treasury shares at the end of 31 December 2020. The company held about 0.2 per cent of its capital stock.

At the end of the period, a total of 88,222 company shares, previously funded by Digia for use in the incentive system for key personnel and owned by EAM Digia Holding Oy, remained undistributed.

Up-to-date information about the company's major shareholders and the distribution of their shareholdings can be found on [company's website](#).

Share-based payments

Share incentive scheme and management ownership

On 6 February 2020, Digia Plc's Board of Directors decided to establish a new long-term share-based incentive scheme. The Board will confirm the target group of the long-term incentive scheme at a later date. In principle, the target group consists of the CEO and the company's senior executives. The scheme is designed to align 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 long-term incentive scheme will run for 2020–2022. It offers its participants the chance to earn company shares if the targets set by the Board of Directors for the three-year bonus period are met.

The targets are based on the company's net sales and total shareholder return (TSR). The earnings period for the turnover and TSR indicators is three years (2020–2022), and the targets for both indicators have been set for the final date of the earnings period. During the bonus period, the company's CEO and other scheme participants are entitled to a bonus equivalent to a maximum of 525,000 new Digia Plc shares. If the terms are met, the bonuses for both indicators based on the new scheme will be paid at the end of the reward period in the spring of 2023. 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. The Board has the option, subject to certain conditions, to decide on possible bonuses for the reward period in accordance with the pro-rata principle.

EUR 0.35 million in expenses were incurred by the new scheme during the 2020 fiscal year.

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 2020, 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
Robert Ingman, Chair of the Board	7,530,000
Martti Ala-Härkönen	20,000
Sanfttu Elsinen	0
Päivi Hokkanen	10,833
Seppo Ruotsalainen, Vice Chair	6,000
Outi Taivainen	723
Timo Levoranta, President and CEO	106,179

At year-end, the CEO and members of the Board of Directors held a total of 7,673,735 of the company's shares, representing 28.6 per cent of all shares and votes.

Trading during the period

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 2020 was EUR 3.30 and the highest EUR 7.80. The share officially closed at EUR 7.52 on the last trading day of the year. The share's trade weighted average price was EUR 5.47. The company's market capitalisation totalled EUR 201,714,397 on 31 December 2020.

Flagging notifications

There were no flagging notifications during the fiscal year.

## Other major events during the 2020 fiscal year

Digia Plc's Annual General Meeting (AGM) was held on 16 March 2020. The AGM adopted the financial statements for 2019, released the Board members and the CEO from liability, determined Board emoluments and auditor fees, set the number of Board members at six, and elected the company's Board of Directors for a new term.

With regard to profit distribution for 2019, the AGM approved the Board's proposal to pay a dividend of EUR 0.10 per share to all shareholders listed in the shareholder register maintained by Euroclear Finland Ltd on the reconciliation date of 18 March 2020. The dividend payment date was 25 March 2020.

## The AGM granted the following authorisations to the Board

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

The Annual General Meeting authorised the Board to decide on the acquisition and/or pledging of treasury shares with the following terms and conditions: A maximum total of 2,000,000 shares may be bought back and/or pledged in one or more instalments. The proposed number is under 10 per cent of the company's total number of shares. Only unrestricted equity may be used to buy back treasury shares. The Board will decide on how these shares are to be acquired. Treasury shares may be bought back in disproportion to shareholders' holdings (directed acquisition). The authorisation also includes acquisition of shares through public trading organised by Nasdaq Helsinki Oy in accordance with the rules and instructions of Nasdaq 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. The minimum price of the shares to be acquired shall be the lowest quotation in public trading while the authorisation is in force and, correspondingly, the maximum price shall be the highest quotation in public trading while the authorisation is in force. The Board of Directors is otherwise authorised to decide on all terms relating to share buyback. This authorisation supersedes that granted by the AGM of 15 March 2019 and is valid for 18 months, that is, until 16 September 2021.

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

The AGM authorised the Board to decide on an ordinary or bonus issue of shares and the granting of special rights (as defined in Section 1, Chapter 10 of the Limited Liability Companies Act) in one or more instalments, as follows: The issue may total, at a maximum, 2,500,000 shares. The authorisation applies both to new shares and to treasury shares held by the company. The authorisation may be used to fund or complete acquisitions or other business transactions, for offering share-based incentive schemes, or for other purposes decided by the Board. It is proposed that this authorisation should include the right for the Board to decide on all terms related to the share issue or special rights, including the subscription price and its payment in cash or (partly or wholly) in capital contributed in kind or its being written off against the subscriber's receivables, and its recognition in the company's balance sheet. This authorisation supersedes that granted by the AGM of 15 March 2019 and is valid for 18 months, that is, until 16 September 2021.

More information about the AGM's decisions is available on the [company's website](#).

## Business combinations

On 1 October 2020, Digia Plc and the owners of NSD Consulting Oy signed an agreement whereby Digia Plc acquired NSD Consulting Oy's entire share capital. The NSD acquisition significantly expanded Digia Hub, Digia's free-

lancer network. Going forward, Digia Hub will offer a network of more than 1,800 professionals. Companies in different fields of business can acquire top-notch professionals for their own software development projects straight from this network. Following the acquisition, NSD Consulting Oy's 14 employees transferred into Digia's employ.

On 15 December 2020, Digia Plc and Climber International AB signed an agreement whereby Digia Plc acquired the share capital of the Swedish company Climber International AB.

## Events after the balance sheet date

The acquisition of the entire share capital of Climber International AB was carried out on 7 January 2021, when the terms and conditions for its completion were met and Climber International AB was transferred to Digia's ownership. Climber International AB is a Swedish company that provides its customers with consulting and solutions for data-driven business development. The acquisition concerns Climber's operations in Sweden, Finland, Denmark and the Netherlands. Climber will continue as a subsidiary with its own brand.

Climber International AB's net sales in 2019 totalled SEK 137.7 million (approx. EUR 13.4 million) and the company employed 83 people on 31 December 2019. On 1 December 2020, the company employed 77 people, of whom 54 were located in Sweden. The acquisition did not include the company's operations in the UK, which generated net sales of SEK 18.4 million in 2019 and employed 8 people on 31 December 2019.

The purchase price consisted of a fixed component of EUR 8.1 million plus an additional component of maximum EUR 5.4 million that is tied to targets. The net debt-free purchase price of EUR 8.1 million will be reconciled using the net cash on the transaction date. The transaction was primarily financed with a bank loan. A preliminary calculation of the allocation of the purchase price will be drafted after the completion of the transaction.

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Smart data utilisation is one of the main focal points of Digia's strategy. The acquisition of Climber will accelerate growth in Digia's data and analytics business, primarily by providing access to markets outside Finland.

## Risks and uncertainties

The main change in Digia's key risks and operating environment concerns the risks posed by the coronavirus epidemic to service demand, the health of the company's employees, and the valuation of trade receivables. The company estimates that no other great changes occurred in 2020.

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 customers' operating environment and financial position 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. Risks relating to short-term demand have significantly increased in Digia's business environment as a result of the coronavirus epidemic. If demand sees a sharp fall, price levels might also decline. Although the pricing models used in the service business balance out cyclical business, the recurring fees paid for the products are spread over a longer period of time than the one-off payments made for product licenses.

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

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

Digia has not performed human rights-related assessments, but in the company's opinion there are no significant risks of human rights violations inherent in its 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 its operations have a minor impact on the environment and do not involve any significant environmental risk factors.

Major customer projects – and fixed-price projects in particular – 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. Large customer projects typically involve delivery-related sanctions whose materialisation always poses a risk. Risks related to customer receivables are also growing. In addition, data security and protection risks comprise a significant risk area in the company's business operations.

## Outlook for 2021

### Markets and business environment

Digia primarily operates in the Finnish IT service and software market, and expects the IT service market to keep growing in the long term. Although we believe the market situation will remain somewhat uncertain in 2021, we expect to see recovery during the course of the year. Digitalisation using data will continue to be a strong trend even in exceptional circumstances. The coronavirus has forced many organisations to review their operating methods and assess opportunities to utilise digital solutions. The crisis has also highlighted the opportunities opened up by digitalisation – we believe that the current crisis will accelerate the digitalisation trend in the years ahead.

Digia sees the following strengthening trends in the market both in the business and public sector:

- » digitalisation is becoming an increasingly important part of our customers' core operations;

- » the world is becoming networked, and digital platforms enable new business models;
- » smart and responsible data utilisation in business processes creates a competitive advantage;
- » a good user experience is a critical success factor for services;
- » the role of cloud technologies as a platform for developing and operating services is becoming the norm;
- » a further rise in information security and protection requirements.

Digia has consistently built its market position as a turn-key solutions provider and service company. Our offering has successfully met market demand and has also demonstrated its strength during exceptional circumstances. We are supported by our extensive product and service portfolio, which is not tied to any single field of business or customer account, and by the fact that a significant share of our operations is accounted for by continuous services.

Continual developments in customers' needs coupled with the increasing pace of technological advancement will require continual investments in the service business, enhanced productivity, and technologies, such as in data utilisation and cloud technologies. Service provision requires combining technologies and people's professional skills. This is why Digia wants to be a desirable employer, and why the company will continue to invest in its corporate culture, lifelong learning, and operating methods to provide smart technological solutions that support everyday working life.

### Direction of development and the world of the future

Software, their growing intelligence and data are changing the world. Organisations' value creation models and people's work patterns are evolving. In the future digital world, we believe that corporate business value will be generated through the smart utilisation of data in networks and ecosystems. At the level of companies' inter-

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nal operations and individuals, we are moving towards a symbiosis between humans and software, where people focus on meaningful work while automation and software handle routine tasks.

As digital business becomes an ever-more critical aspect of our customers' business, this strengthens the need for reliable and flexible development partners. This trend supports Digia's growth opportunities. Digia has an extensive offering and expertise. We can provide continuous service maintenance and 24/7 support as necessary. Digia's market position supports continued growth.

**Profit guidance for 2021**

Profit guidance for 2021: Digia's net sales will grow at a faster rate than in the previous year (5.5% in 2020) and the EBITA margin will be about 10 per cent.

**Board's dividend proposal**

According to the balance sheet dated 31 December 2020, Digia Plc's distributable shareholders' equity was EUR 56,922,170, of which EUR 8,125,513 was profit for the fiscal year. At the Annual General Meeting, the Board of Directors will propose that a dividend of EUR 0.15 per share be paid according to the confirmed balance sheet for the fiscal year ending 31 December 2020. Shareholders listed on the shareholder register maintained by Euroclear Finland Oy on the dividend reconciliation date, 19 March 2021, will be eligible for the payment of dividend. Dividends will be paid on 26 March 2021.

**Non-financial reporting****Business model**

Digia is a software and service company whose service offering covers all layers of digitalisation: digital services, business systems, integration and API solutions and data utilisation and analytics solutions. We ensure the business and customer orientation of our implementations

through consulting and service design. We also ensure that business-critical solutions function 24/7 and are continuously developed.

In 2020, Digia consisted of five service areas: Digia Digital, Digia Business Platforms, Digia Financial Platforms, Digia Business Connect and Digia Customer Operations. Service areas are described on page 14.

**Focus areas, management and key figures of responsibility**

Society is going digital at a rapid pace. Most of the core functions of companies and public sector organisations are performed using a variety of information systems and digital services. Due to this development, IT solutions are increasingly business critical. When processes and services are digitalised, an ever-growing volume of data also becomes available on key functions, making it possible to steer, optimise and modernise processes.

Actors in the IT sector play a major role in safeguarding the operations and development of both society and companies. At the same time, data security requirements are on the rise. Due to the growing digitalisation trend, the IT industry is also a major employer both now and in the future.

Digia's aim is to build sustainable digitalisation that makes a difference. In 2020, Digia continued to develop its corporate responsibility and listened to its stakeholders. Based on this, the company has specified the most significant corporate responsibility topics, defined the focus areas of corporate responsibility and set both objectives and indicators for them. The selected objectives and indicators will be in effect until 2022.

Our responsibility is based on our own Code of Conduct, the UN's Universal Declaration of Human Rights and Sustainable Development Goals, 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.

# Focus areas, management and key figures of responsibility

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Focus area	Topic	Objective	Key indicators	2020
Sustainable digital value for our customers while building a functional society	Solutions that promote the responsibility of our customers	Improving the responsible use of data	Growth in data protection impacts and security analyses in customer orders, %	Reported as from 2021
			Activity in the ethical utilisation of data, examples	Reported as from 2021
		Improving availability and user-friendliness of services	Growth in accessibility design and testing, %	Reported as from 2021
	Promoting the sustainable digitalisation of society	Solutions that enhance environmental and social responsibility for society and our customers	Description of the solutions and their sustainable development impacts	See description on <a href="#">page 53</a> .
Sustainable digital expertise for both our personnel and Finland as a whole	A learning community for top digital experts	The value of our personnel's expertise increases during their term of employment.	Growth in certified expertise in the selected area, % (2020: cloud)	54.9%
			Employees for whom a learning target has been set, %	Reported as from 2021
Sustainable digital life in our own work with respect for the environment	Bolstering technological expertise in Finland	We train new digital experts every year, to meet both our own needs and those of the sector as a whole	Total annual number of participants in external and internal training programmes as well as trainees and students working on theses	65
	Employee well-being and diversity	Among the best in the sector in occupational wellbeing	Personnel satisfaction with team spirit and work-life balance (0–100)	Satisfaction with team spirit 75 Satisfaction with work-life balance 79
			Sick leave (days/person, average)	5.1
		Digia fosters diversity and inclusion at different levels of the organisation	Age and gender distribution of the Management Team, Board of Directors, supervisors and personnel	See figures for 2020 on <a href="#">page 56</a>
			Percentage of supervisors who have undergone training to promote diversity and inclusion	Reported as from 2021
	Carbon-neutral Digia	Reducing CO <sub>2</sub> emissions	CO <sub>2</sub> emissions	See 2020 calculation on <a href="#">page 57</a>
	Ethical operating culture	Entire organisation has adopted ethical ways of working	Percentage of employees who have completed Code of Conduct training	Reported as from 2021



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Digia's corporate responsibility efforts are guided by the following operating principles and management systems:

- » Code of Conduct
- » Ethical principles for utilising artificial intelligence
- » Anti-corruption and anti-bribery policy
- » ISO 9001 quality management system
- » Environmental policy

Digia's Corporate Governance Statement is presented on page 24.

The CEO is responsible for corporate responsibility and the CFO for responsibility reporting. The corporate responsibility working group heads up operational responsibility efforts, divided into separate focus areas. The Management Team monitors the development of key indicators of corporate responsibility.

The company's general risks and uncertainties are described on page 49.

Digia reports on responsibility to external stakeholders in connection with its annual reporting. The company complies with the requirements set for disclosure of non-financial information set in accounting legislation.

In this report, the following topics are dealt with in compliance with the requirements of the Accounting Act:

Accounting Act requirement	Location in this report
Description of business model	Business model
Environmental issues	Sustainable digital life
HR matters and social responsibility	Sustainable digital value, Sustainable digital expertise, Sustainable digital life
Human rights	Sustainable digital value, Sustainable digital life
Anti-corruption measures	Sustainable digital life

Sustainable digital value for our customers while building a functional society

Through digital solutions, Digia can influence the direction in which our society is developing. By ensuring that our solutions are functional, secure and easy to use, we also promote the responsible digitalisation of society.

Digia aims to act as a technological pioneer whose products and services promote the development and wellbeing of society and the environment. The most important sustainability topics in the "sustainable digital value" focus area are solutions that promote the responsibility of our customers and the sustainable digitalisation of society.

The utilisation of data and artificial intelligence in companies and society is increasing rapidly. This fast-paced development also raises fears and uncertainties concerning, for example, data storage and use as well as the fairness of the decisions made by artificial intelligence or the reliability of algorithms. Digia has defined ethical principles for utilising artificial intelligence which are available on our website.

We seek to implement our customer solutions so that they promote our customers' responsibility. We aim to improve the responsible utilisation of data. To this end, we monitor and report on the annual growth in data protection impacts and security analyses in customer orders (%). We also seek to proactively promote the ethical utilisation of data through various measures. We will report on these in connection with the 2021 annual reporting.

In addition, we aim to improve the accessibility and user-friendliness of services. At the annual level, we monitor and report on the growth in accessibility design and testing (%). We will report on this in connection with the 2021 annual reporting.

As a Finnish IT provider, we are firmly rooted in Finnish society and use our expertise to develop society in different ways. In addition to customer work, we seek to contribute to building solutions that enhance environmental and social responsibility for society and our customers.

In 2020, we carried out a project in cooperation with the Finnish Red Cross, the winner of the Digiarmo 2019 competition. This project harnessed data analytics in developing volunteer activities. The prize was EUR 100,000 worth of Digia's professional expertise to help implement the winning project. In this project, four types of volunteer personalities were identified using service design. These personality types were validated using data from the volunteer database of the Finnish Red Cross. The volunteer personality types created in this project will facilitate targeting specific volunteer tasks and training to the volunteers that would be most interested in and suitable for them. This will enable the Finnish Red Cross to get volunteers involved in its activities faster and more efficiently.

High-quality data protection and security plays a key role in building customer trust. 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.

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We respect the privacy of our personnel, customers and partners in all our operations. We are committed to protecting the data, materials and devices in our possession regardless of who they belong to – Digia, our customers or our partners. We maintain a high level of data protection and security by training our personnel, administrative and technical controls, audits, and continually developing processes related to data protection and security. Each Digia employee familiarises themselves with data security and protection procedures as part of their induction. In 2020, we renewed our internal data security and data protection training package. This training must be retaken every year, not only by Digia personnel but also any sub-contractors working on Digia's premises.

The data security process overhaul and its continuous development is part of a larger effort to develop security management for closer alignment with the ISO 27001 model. In addition to developing data security and protection at the Digia level, the data protection organisation works with our customers, helping them fulfil data security and protection obligations.

We assess our data security and protection practices from time to time, and update our operating models as required. The data protection organisation engages in continuous monitoring of the risk level and keeps the organisation informed as necessary. Data protection is included in Digia's certified quality assurance system. Digia also provides customers with services that meet particularly high data security/protection levels both on the customer's own premises and at our own officially-audited (Facility Security Clearance) premises. We have such premises at four locations. These premises and operations in them are described separately as part of the processes guiding Digia's operations.

Digia's responsibility in its operations is also assessed externally by EcoVadis. EcoVadis assessment of corporate social responsibility (CSR) indicates how well a company has integrated CSR principles into its business and management system. The assessment delves into questions

on CSR that are grouped into four themes: the environment, labour and human rights, ethics and fair business practices, and sustainable procurement.

In 2020, Digia received a rating of 48/100 from EcoVadis. We aim to significantly improve our rating.

### **Sustainable digital expertise for both our personnel and Finland as a whole**

There are more than 1,200 of us working at Digia. Our roots are in Finland and we work with our customers both in Finland and abroad. Our headquarters are in Helsinki and we have seven other locations in Finland: Tampere, Jyväskylä, Turku, Oulu, Rauma, Vaasa and Lahti. We also have an office in Stockholm, Sweden.

Skilled personnel who are committed to the objectives of our customers are the cornerstone of all our operations. Digia aims to be a desired employer in the technology sector – an employer that supports personnel wellbeing and competence development. The most important responsibility themes in the "sustainable digital expertise" focus area are providing a learning community for top digital experts and bolstering technological expertise in Finland.

Changes in the operating environment and society affect what kinds of expertise are required both now and in the future. We want to be a team of top professionals who are always learning and are both highly skilled and flexible. Our operating principle is to give employees opportunities to pursue career paths and personal development and to maintain their competence at a competitive level. For instance, Digia has active workplace tribes, whose major task is to develop the competence of the tribe members through peer activities and provide recommendations about company-level technology policies in the specialist area of the tribe.

Our goal is to increase the value of our personnel's expertise during their term of employment. At the annual level, we monitor and report on the percentage of employees for whom a personal competence target has

been set. We are starting this measurement and monitoring in 2021.

As part of the development of their expertise, Digia employees complete various certificates annually. To verify the growth in the expertise of Digia employees, we monitor and report on the growth in certified expertise in selected areas. In 2020, we particularly developed the cloud expertise of Digia employees and provided them with opportunities to keep their skills up to date. The cloud is also one of Digia's strategic focus areas. Our investments in increasing the cloud expertise of personnel will continue in 2021. We monitor and report on the year-on-year growth in certified cloud expertise. In 2020, the growth in certified expertise was 54.9 per cent.

Digia recognises its role as a significant employer and operator in the IT sector. That's why we also have a responsibility to strengthen technological expertise in Finland. We aim to train new digital experts every year, to meet both our own needs and those of the sector as a whole. To achieve this objective, we monitor and report on the total annual number of participants in training programmes organised by Digia alone or in cooperation with partners as well as trainees and students working on theses. The total number in 2020 was 65. In addition to training programmes, Digia engages in cooperation with educational institutions to support and round out their offering of IT courses in topics such as integration, API and e-commerce.

On the heels of digitalisation, the need for IT experts is growing, and the recruitment market in this field is highly competitive today. We estimate that the availability of new experts is one of the greatest employee-related risks, along with retention of employees.

The ways in which work is done in the IT industry are also changing quickly: small entrepreneurs are becoming increasingly prevalent alongside traditional employment relationships. In response to this, we launched the Digia Hub operating model in 2020. Digia Hub is a network for

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small entrepreneurs in the IT sector. Through it, we can provide small entrepreneurs with appealing tasks and our customers with even wider-ranging expertise under a flexible delivery model. We further expanded the network by acquiring the consulting firm NSD Consulting Oy. The Digia Hub network includes more than 1,800 IT professionals.

### **Sustainable digital life in our own work with respect for the environment**

In an industry with high employee turnover and a shortage of talent, taking care of employee well-being is particularly important. Digia wants to provide a safe and healthy working environment in which everyone is valued as themselves.

Employee well-being, equality and equal treatment of personnel are Digia's direct impacts on personnel, social responsibility and human rights. They are also issues that affect Digia's reputation as an employer and improve its ability to retain the best experts in its employ and recruit top professionals. Digia's employee turnover in 2020 was 10.1 per cent (2019: 9.7%).

The most important responsibility topics in the "sustainable digital life" focus area are employee well-being and diversity, carbon-neutral Digia and an ethical operating culture.

Continually monitoring and supporting personnel well-being play a key role at Digia. Well-being is supported by, among other things, ensuring a workload suitable for the life situation of the employee, a coaching leadership style and support for developing one's own competence. Digia uses an early intervention model that supports success at work. Wellbeing is also supported with extensive benefits and flexible working arrangements, for instance.

Our goal is that Digia is one of the best companies in its industry in terms of well-being at work. We monitor and report on the annual average days of sick leave per employee. In 2020, sick leave per employee averaged 5.1

days. In addition, we monitor and report on our employees' satisfaction with team spirit and work-life balance using a personnel survey. We aim to maintain this at a good level (over 80). In 2020, personnel satisfaction with team spirit was 75 on a scale of 0–100, and satisfaction with work-life balance was 79.

Digia is a flexible employer that gives space to diversity. We treat all employees equally regardless of their gender, ethnicity, religion, age, sexual orientation and other such factors. The diversity of the company and its inclusive, appreciative atmosphere support the well-being and productivity of Digia employees and their ability to renew themselves. Diversity has been featured in our internal communications in 2020 – we shed light on Digia's diversity through HR data and launched the Diverse Digia blog series, which highlights the individual experiences of Digia employees.

We aim to ensure diversity and inclusivity at all levels of our organisation. We monitor and report on the gender and age distribution of all employees, the Management Team, supervisors and the Board of Directors at an annual level.



# Gender and age breakdown of management and personnel in 2020

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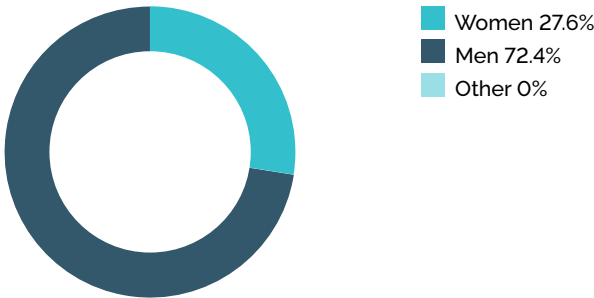
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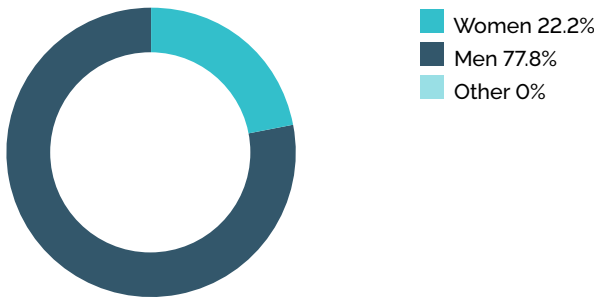
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Personnel distribution by gender 31 Dec  
Percent



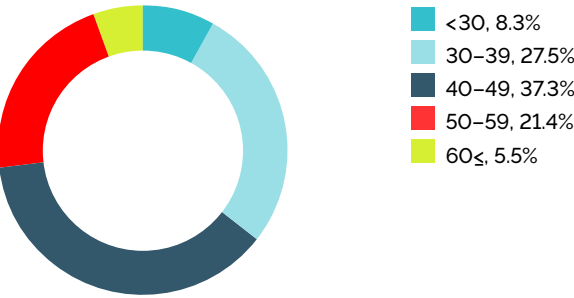
Group Management team distribution by gender 31 Dec  
Percent



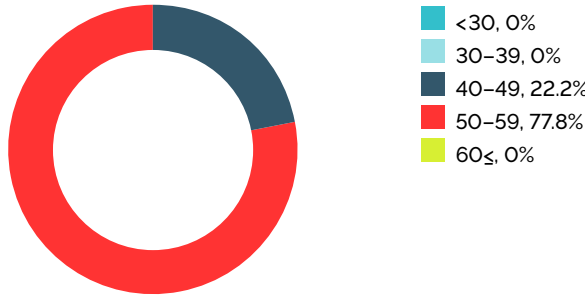
Supervisor distribution by gender 31 Dec  
Percent



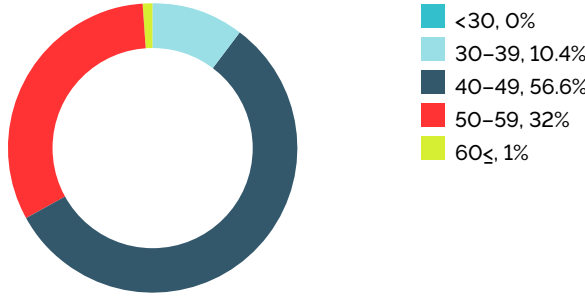
Personnel distribution by age 31 Dec  
Percent



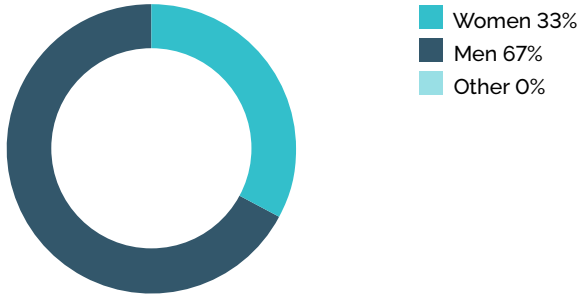
Group Management team distribution by age 31 Dec  
Percent



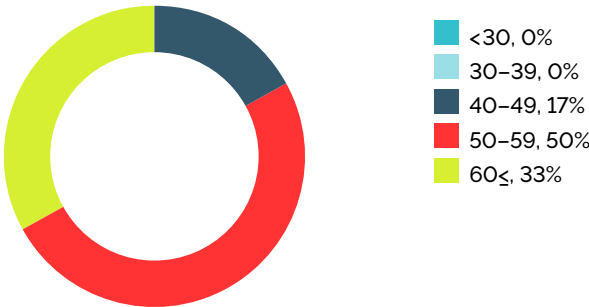
Supervisor distribution by age 31 Dec  
Percent



Board of Directors distribution by gender 31 Dec



Board of Directors distribution by age 31 Dec



In 2020, we joined the Inklusiiv community, whose mission is to promote increased diversity and inclusivity in the workplace. As part of this, we organise training on diversity and inclusion for management, supervisors and employees. We monitor and report on what percentage of our supervisors have completed this training each year. In 2020, 18.8 per cent of our supervisors completed the training.

Digia's 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. Both genders should be represented on the Board. More information about the Board Diversity Policy on [page 25](#).

Digia shoulders its responsibility for the environment in all its choices. We strive to take the environmental impacts of our business into account, in both our own operations and procurement processes. The CEO is always ultimately responsible for environmental issues at Digia. Practical environmental issues are promoted by the working group on corporate responsibility. Progress is monitored by the Management Team. Digia's environmental policy is available on the [company's website](#).

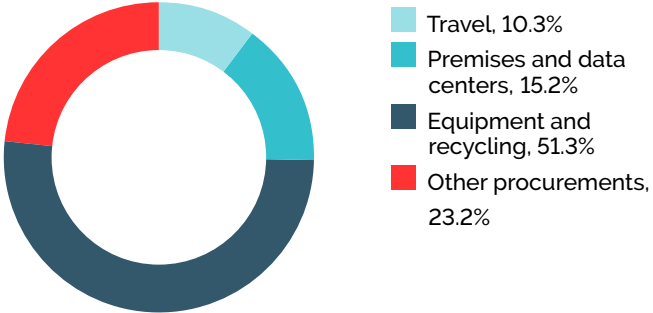
According to the final report of the working group preparing the climate and environmental strategy for the ICT sector (11/2020), greenhouse emissions in the ICT sector are generated indirectly by emissions from electricity generation for the sector and the extraction of raw materials for hardware, for instance. Digital services require ICT infrastructure, whose construction and use burden the climate and environment. Data transfer, processing and storage for different uses is surging and requires powerful servers and electrical energy. That said, the report also states that ICT solutions have great potential to reduce the carbon footprint and environmental impacts of other sectors.

We aim to be a carbon-neutral company. We monitor and report on our annual carbon dioxide emissions.

The carbon footprint of Digia's own operations in 2020 was 343 tonnes CO<sub>2</sub>e. This figure includes emissions from heating and cooling at all our locations in Finland and the emissions of the data centres used by the company. These are all included in Scope 2 of the GHG Protocol.

The carbon footprint – covering the entire value chain – is around 2,300 tonnes CO<sub>2</sub>e. The figure includes not only energy consumption, but also waste manage-

Digia's carbon footprint 2020



ment, commuting, equipment procurements and recycling, and emissions from other procurements, that is, Scopes 2 and 3 of the GHG Protocol. Emissions relative to personnel were about 1.8 tonnes/employee and relative to net sales 16.5 kg CO<sub>2</sub>e/€1,000.

The largest environmental impacts of Digia's operations are related to energy consumption and equipment. Office work typically poses a very low risk of environmental damage. About half of the carbon footprint is generated by production machinery, that is, equipment and recycling. In addition to energy consumption, the emissions of business premises include waste management emissions.

Compared to 2019, the carbon footprint changed by -40 per cent, largely due to the decrease in travel emissions. The changeover to district cooling at premises (in Tampere) also had an effect. Emissions from commuting were assessed with a personnel survey. The remote work arrangements introduced due to the pandemic led to a drop of more than 80 per cent. As a result of a permanent change in working methods, a part of this reduction will most likely be permanent.

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Carbon footprint indicators	2019	2020	Unit
Carbon footprint of own operations (Scope 2)	337	343	tonnes CO <sub>2</sub> e
Emissions per employee	3,0	1,8	tonnes CO <sub>2</sub> e/ employee
Emissions relative to net sales	29,1	16,5	kg CO <sub>2</sub> e/ €1000

Digia has compensated for the emissions of its own operations in 2020 by financing Hiilipörssi, which restores ditched peatlands in Finland. In 2021, the company will draft a roadmap for reducing emissions throughout the entire value. Alongside this, Digia will assess the scale of the reductions in emissions it produces for its customers – the handprint.

Compliance with Digia's **Code of Conduct** is an essential aspect of our company's success. All of our personnel, including management and the Board of Directors, are responsible for complying with these principles in their work. This Code of Conduct also applies to Digia's sub-contractors. In addition, Digia's anti-bribery and anti-corruption policy defines rules and guidelines for promoting ethical and legal activities. Unethical behaviour is not accepted or permitted under any circumstances. Each Digia employee and our subcontractors are expected to report abuses. By the end of 2020, 44 per cent of our subcontractors had signed Digia's Code of Conduct.

Our goal is for our entire organisation to internalise and comply with these ethical practices. We monitor and report on how many of our employees have completed training on the Code of Conduct each year. We are starting this measurement and monitoring in 2021.

Digia primarily operates in Finland. Our operations mainly extend to other countries where the risk of corruption is low (as classified by Transparency International). However, Digia has foreign partners in countries where the risk of bribery and corruption is high. 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.

Digia has a channel through which any Digia employee or external party 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 and the Audit Committee of the Board of Directors, which review them confidentially. The whistle-blowing channel can be found on the **company's website**.

Development of responsibility

In 2021, we will continue to develop the selected focus areas of responsibility and start monitoring and reporting on the aforementioned key indicators. We will also hone our objectives and key indicators if we see a need for improvement.

The topics, objectives and key indicators of responsibility reported on here comprise Digia's responsibility reporting for 2020–2022.



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# 1 Main statements in the consolidated financial statements (IFRS)

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## 1.1 Consolidated Income Statement

EUR 1,000	Note	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
Net sales	<u>3.2</u>	139,049	131,824
Other operating income	<u>3.4</u>	252	141
Materials and services		-15,257	-15,065
Depreciation and amortisation	<u>3.6</u>	-6,066	-5,496
Personnel expenses	<u>4.1, 4.2, 4.4, 7.6</u>	-90,597	-86,648
Other operating expenses	<u>3.7</u>	-13,279	-15,108
		-124,947	-122,176
Operating profit		14,102	9,648
Financial income	<u>6.5</u>	84	142
Financial expenses	<u>6.5</u>	-728	-682
		-644	-540
Profit before taxes		13,458	9,108
Income taxes	<u>3.8</u>	-2,830	-2,017
Net profit		10,627	7,090
Earnings per share, EUR (undiluted)	<u>3.10</u>	0,40	0,27
Earnings per share, EUR (diluted)		0,39	0,26
Distribution of income for the period:			
Parent company shareholders		10,627	7,090

## 1.2 Consolidated statement of comprehensive income

	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
Net profit	10,627	7,090
Other comprehensive income items:		
Items that may later be reclassified as profit or loss:	-80	38
Exchange differences on translation of foreign operations	10,547	7,128
Total comprehensive income		
Distribution of total comprehensive income:	10,547	7,128
Parent company shareholders		

### 1.3 Consolidated balance sheet

EUR 1,000	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Non-current assets			
Goodwill	<u>7.1</u>	61,478	57,771
Intangible assets	<u>7.3</u>	6,332	6,378
Tangible assets	<u>7.2</u>	987	894
Right-of-use assets	<u>7.4</u>	9,272	9,150
Financial assets recognised at fair value through profit or loss	<u>6.2</u>	484	484
Non-current receivables	<u>6.2</u>	2	94
Deferred tax assets	<u>3.9</u>	513	558
		79,067	75,328
Current assets			
Accounts receivable and other receivables	<u>5.1, 6.2</u>	25,600	32,950
Cash and cash equivalents	<u>6.2</u>	16,410	5,838
		42,010	38,787
Total assets		121,078	114,116

EUR 1,000	Note	31 Dec 2020	31 Dec 2019
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity attributable to parent-company shareholders			
Share capital		2,088	2,088
Other reserves		5,204	5,204
Unrestricted shareholders' equity reserve		42,081	42,081
Translation difference		-343	-422
Retained earnings		1,080	-2,850
Net profit		10,627	7,090
		60,737	53,190
Total shareholders' equity	<u>6.7</u>	60,737	53,190
Non-current liabilities			
Deferred tax liabilities	<u>3.9</u>	1,115	1,250
Non-current advances received		0	23
Financial liabilities	<u>6.3</u>	8,626	15,553
Lease liabilities	<u>6.4</u>	6,657	5,719
Other non-current liabilities	<u>3.5</u>	2,000	126
		18,399	22,671
Current liabilities			
Accounts payable and other liabilities	<u>5.2</u>	13,070	13,989
Income tax liabilities		790	1,315
Provisions	<u>3.3</u>	1,383	1,384
Accruals and deferred income		15,041	14,384
Lease liabilities	<u>6.4</u>	3,431	3,556
Other financial liabilities	<u>6.3</u>	8,226	3,626
		41,942	38,254
Total liabilities		60,341	60,925
Total shareholders' equity and liabilities		121,078	114,116

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## 1.4 Consolidated cash flow statement

EUR 1,000	Note	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
Cash flow from operations:			
Net profit		10,627	7,090
Adjustments to net profit	7.5	16,057	6,386
Change in working capital	5.1	2,815	-4,258
Change in other receivables and liabilities		-1,684	5,050
Interest paid		-457	-311
Interest income		32	-
Taxes paid		-3,801	-1,662
Cash flow from operations		23,589	12,294
Cash flow from investments:			
Purchases of tangible and intangible assets		-1,268	-213
Acquisition of subsidiaries, net of cash and cash equivalents at the time of acquisition	3.5	-3,591	-10,035
Dividends received		10	13
Divested business operations		60	-
Cash flow from investments		-4,789	-10,236

EUR 1,000	Note	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
Cash flow from financing:			
Repayment of lease liabilities	6.3	- 3,019	-3,577
Repayment of current loans	6.3	-2,326	-19,826
Withdrawals of current loans	6.3	-	14,200
Repayment of non-current loans	6.3	-	-4,800
Withdrawals of non-current loans	6.3	-	18,100
Acquisition of treasury shares		-301	-213
Dividends paid		-2,672	-1,864
Cash flow from financing		-8,317	2,020
Change in cash and cash equivalents			
		10,482	4,078
Cash and cash equivalents at beginning of period			
		5,838	1,733
Change in cash and cash equivalents			
		10,482	4,078
Effects of changes in foreign exchange rates			
		90	27
Cash and cash equivalents at end of period	6.2	16,410	5,838

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## 1.5 Changes in shareholders' equity

EUR 1,000	Notes	Share capital	Unrestricted shareholders' equity reserve	Other reserves	Translation difference	Retained earnings	Total share-holders' equity
Shareholders' equity, 1 Jan 2019		2,088	42,081	5,204	-384	-1,206	47,782
Comprehensive income							
Net profit (+) / loss (-)	11					7,090	7,090
Other comprehensive income items	12	-	-	-	-38	-	-38
Total comprehensive income		-	-	-	-38	7,090	7,052
Transactions with shareholders							
Share-based transactions settled in equity	4.4	-	-	-	-	434	434
Dividends		-	-	-	-	-1,864	-1,864
Acquisition of treasury shares		-	-	-	-	-213	-213
Transactions with shareholders, total						-1,644	-1,644
Shareholders' equity, 31 Dec 2019		2,088	42,081	5,204	-422	4,241	53,190

EUR 1,000	Notes	Share capital	Unrestricted shareholders' equity reserve	Other reserves	Translation difference	Retained earnings	Total share-holders' equity
Shareholders' equity, 1 Jan 2020		2,088	42,081	5,204	-422	4,241	53,190
Comprehensive income							
Net profit (+) / loss (-)	11					10,627	10,627
Other comprehensive income items	12	-	-	-	80	-	80
Total comprehensive income		-	-	-	80	10,627	10,707
Transactions with shareholders							
Share-based transactions settled in equity	4.4	-	-	-	-	-188	-188
Dividends		-	-	-	-	-2,672	-2,672
Acquisition of treasury shares		-	-	-	-	-301	-301
Transactions with shareholders, total						-3,161	-3,161
Shareholders' equity, 31 Dec 2020		2,088	42,081	5,204	-343	11,707	60,737

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# 2 General information

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## 2.1 Basic information on the Group

Digia is a software and service company that helps its customers renew themselves in the networked world. There are more than 1,200 of us working at Digia. Our roots are in Finland and we operate with our customers in Finland and abroad. We are building a world in which digitalisation makes a difference – together with our customers and partners.

The company's strengths are its good customer base, extensive product and service offering, 24/7 maintenance and support, and the credible size of its business. Based on these strengths, Digia can serve as a trusted partner to its customers in their digitalisation transformation. We forge long-term customer relationships and develop them to grow with our customers.

Digia operates in eight locations in Finland – Helsinki, Lahti, 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.

## 2.2 Approval by the Board of Directors

The Board of Directors approved the financial statements for publication on 9 February 2021. 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 17 March 2021.

## 2.3 Accounting policies

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 2020.

International Financial Reporting Standards refer to the standards and their interpretations approved for application in the EU in accordance with the procedure stipulated in EU regulation (EU) No. 1606/2002 and embodied in Finnish accounting legislation and the statutes enacted under it.

The consolidated financial statements are based on original acquisition costs, with the exception of short rate funds, which are measured at fair value. In the fair value hierarchy, the highest level is assigned to quoted (unadjusted) prices for identical assets or liabilities in active markets (Level 1 inputs), and the lowest to unobservable inputs (Level 3 inputs).

The consolidated financial statements include the parent company, Digia Plc, and all its subsidiaries, which are 100 per cent owned by the Group. Acquired subsidiaries are consolidated using the acquisition 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 2020 and 2019 fiscal periods.

The consolidated financial statements are primarily presented in thousands of euros and the figures have been rounded to the nearest thousand euro, which means that the sum of individual figures may differ from the totals given.

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 EBIT. 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 method are treated as items adjusting consolidated shareholders' equity.

In the 2020 and 2019 fiscal periods, the company had no non-controlling interests, so its earnings are attributable solely to the shareholders of the parent company.

Digia presents the other accounting principles applied in the financial statements in the notes to the financial statement items in question. The table below lists the Group's accounting policies, information about which note they are presented in and a reference to the relevant IFRS standard.



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Accounting policy	Note		IFRS standard
Segment reporting	3.1	Reportable segments	IFRS 8
Recognition of net sales	3.2	Net sales	IFRS 15
Provisions	3.3	Provisions	IAS 37
Government grants	3.4	Other operating income	IAS 20
Business combinations	3.5	Acquired business operations	IFRS 3, IFRS 10
Research and development costs	3.7	Other operating expenses	IAS 38
Current tax	3.8	Current tax	IAS 12
Deferred tax assets and liabilities	3.9	Deferred tax	IAS 12
Earnings per share	3.10	Earnings per share	IAS 33
Pension liabilities	4.2	Pension liabilities	IAS 19
Accounts receivable and other receivables	5.1, 6.2	Accounts receivable and other receivables	IFRS 9, IFRS 15
Financial assets	6.2	Financial assets recognised at fair value through profit or loss	IAS 32, IFRS 9, IFRS 7
Interest-bearing liabilities	6.3	Financial liabilities	IFRS 9, IFRS 13
Lease liabilities	6.4	Lease liabilities	IFRS 16
Share-based incentives	4.4, 6.7	Personnel expenses, Equity	IFRS 2
Goodwill	7.1	Goodwill	IFRS 3, IAS 36
Intangible assets	7.3	Intangible assets	IAS 38, IAS 36
Property, plant and equipment	7.2	Property, plant and equipment	IAS 16, IAS 36
Right-of-use assets	7.4	Lease obligations and commitments	IFRS 16
Impairment	7.5	Impairment of assets	IAS 36
Related party transactions	7.6	Related party information	IAS 24

No new or amended standards have been introduced in 2020.

Accounting estimates and judgements applied in the preparation of the financial statements

The preparation of financial statements in accordance with IFRS requires the Group's management to make accounting estimates and apply judgements and assumptions that have an effect on the application of the accounting principles and the carrying amounts of assets, liabilities, income and expenses. These estimates and assumptions are based on previous 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 are reviewed regularly, but the actual results may differ from the estimates and solutions.

The assumptions underlying management's estimates are presented in the following notes:

Note	
Revenue recognition: Degree of completion of a project recognised as revenue over time	3.2
Revenue recognition: Principal or agent	3.2
Fair values of net assets acquired in business combinations and additional purchase prices	3.5
Main assumptions used in impairment testing of goodwill	7.1
Leases	6.4 and 7.4

# 3 Financial development

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## 3.1 Reportable segments

Digia reports on its business operations as one segment. In 2020, management monitored five service areas: Digia Digital, Digia Business Platforms, Digia Financial Platforms, Digia Business Connect and Digia Customer Operations. These service areas have similar financial characteristics and are also similar in terms of the nature of product and service production processes, type of customer, and methods used in product or service distribution or service provision. For this reason, these service areas have been combined into a single reporting segment.

## 3.2 Net sales

Digia's net sales in the review period amounted to EUR 139.0 (131.8) million, of which Finland accounted for EUR 138.2 (130.9) million and other countries for EUR 0.9 (0.9) million. The net sales of the service and maintenance business totalled EUR 90.0 (83.8) million, or 64.8 (63.6) per cent of total net sales. The net sales of the project business totalled EUR 49.0 (48.0) million and accounted for 35.2 (36.4) per cent of total net sales. The net sales of the product business generated 12.9 (14.7) per cent of the company's net sales. The product business includes licence maintenance, and it is included in both project and service and maintenance operations. The net sales of the product business generated 74.3 (73.8) per cent of the company's net sales.

Of net sales, EUR 2.6 (3.3) million were recognised in one instalment and EUR 136.4 (128.5) million over time.

At the end of the reporting period, Digia reports the total transaction price of uncompleted performance obligations insofar as the agreement is for several years and not charged on an hourly basis. On 31 December 2020, Digia had an order book of EUR 2.4 (6.7) million for multi-year projects with a fixed or target price. The order book for service and maintenance agreements cannot be unambiguously determined and it is not reported because the agreements often include transaction-based items in addition to a fixed-price item.

On 31 December 2020, the balance sheet included EUR 0.1 (1.2) million in advance payments for projects in which income is recognised over time.

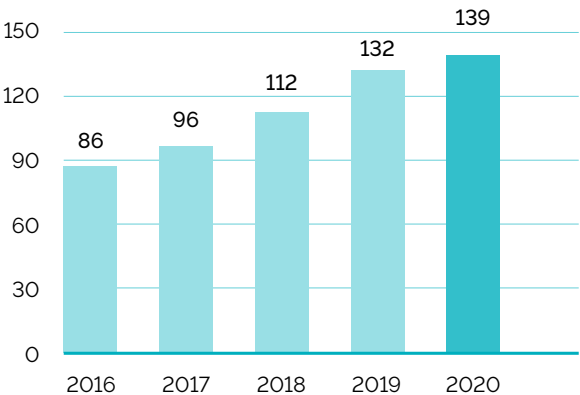
In 2020, no single customer accounted for more than 10 per cent of consolidated net sales.

### Accounting principle – recognition in net sales

Digia's performance obligations are work performed by people, licences of own products, maintenance of own products, third-party products, maintenance of third-party products as well as services. The typical payment term in all performance obligations is 14–60 days from the invoice date. The warranty period for customer-specific materials in all performance obligations is six months from the approval of the delivery. The cancellation term in agreements is typically the right of either party to cancel the agreement if a party commits a material breach of the agreement and has not remedied said breach within 30 days. When an agreement is cancelled, the parties are to return any deliverables received.

### Net sales

EUR million





Work performed by people

Work performed by people in specification and delivery projects is recognised as revenue over time in accordance with progress. Long-term projects with a fixed price are recognised over time 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.

Digia fulfils its performance obligation with respect to work performed by people in accordance with progress. The warranty period in expert service agreements is 30 days from service delivery.

Income from projects that include a specification phase after which the customer has the option of withdrawing from the project is recognised as revenue over time, but income from a delivery project will not be recognised as revenue until the specification project has been approved.

Own products

The licences of own products comprise a performance obligation that is to be recognised as revenue at a point in time. Revenue is recognised in one instalment when the product has been delivered, that is, when the licences have been installed in the customer's testing environment. Digia has fulfilled its performance obligation once installation has been completed.

SaaS (software as a service) agreements for the company's own products are recognised as revenue over time during the contract period.

Maintenance fees for Digia product licences are recognised as revenue over time during the contract period.

Digia provides a six-month warranty for its own products, effective as from the date when the delivery of the completed software has been approved.

Third-party products

With respect to third-party licences, the actual responsibility for the features, further development and maintenance of the product is specified in the agreement. If Digia is responsible, revenue from third-party products is recognised on a gross basis in one instalment once the product licence has been installed in the customer's test environment. If a third party holds actual responsibility for the aforementioned matters, revenue is recognised on a net basis, that is, the margin or commission is recognised in net sales upon installation.

Revenue accrued from maintenance of third-party products and from SaaS agreements is recognised over time either on a gross basis (Digia has actual responsibility for maintenance) or on a net basis (a third party is responsible for maintenance).

The warranty for third-party software is determined according to the terms of the third-party software.

Services

Revenue from service agreements is recognised over time during the agreement period. If a service agreement includes a ticket- or hour-based performance obligation, revenue is recognised over time in accordance with progress.

Significant judgement:

Revenue recognition: degree of completion of a project recognised as revenue over time

A project recognised as revenue over time is recognised as income and expenses on the basis of degree of completion once the outcome of the project can be reliably estimated. Recognition 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. An onerous contract is immediately recognised as an expense. Additional information is provided in Note 3.3 Provisions.

Recognition: principal or agent

Digia can act as either a principal or agent for third-party products. Whether the company is deemed to be acting as a principal or agent for third-party products is based on Digia management's analysis of the legal form and factual content of the agreements made between the company and its suppliers. With respect to factual content, the decisive factor is Digia's role and responsibility towards the end customer. 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.

3.3 Provisions

Unprofitable agreements

EUR 1,000	2020	2019
1.1.	1,384	214
Increase in provisions	1,224	1,365
Provisions used	-1,225	-195
31 Dec	1,383	1,384

On the balance sheet date of 31 December 2020, the Group had a total of seven fixed-price projects for which loss provisions had been recorded on the basis of remaining work. Loss provisions have been made on the basis of the estimated total workload. If the total workload changes as a project progresses, this impacts on the size of the loss provision.

Accounting principle – 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 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.

3.4 Other operating income

EUR 1,000	2020	2019
Government grants	130	35
Other income	122	107
Total	252	141

In 2020 and 2019, government grants were allocated for product development and these product development expenses are included in employee benefit expenses and external services.

Accounting principle – government grants

Government grants received as compensation for costs are recognised in the income statement 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.

3.5 Acquired business operations

Business operations acquired during the 2020 fiscal year

On 1 October 2020, Digia acquired the entire share capital of NSD Consulting Oy. With this acquisition, Digia bolstered its ability to provide its customers with first-rate expertise for demanding requirements. NSD is a consulting firm that specialises in demanding full-stack software development and, in particular, Java and .NET environments. A key element in NSD's operations is a professional network of more than 1,600 freelancers. The company's net sales totalled EUR 3.51 million in 2019. Following the acquisition, NSD Consulting Oy's 14 own employees transferred into Digia's employ. Forty consultants were working on projects at the time of the transaction.

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

Property, plant, and equipment, and intangible assets	14
Accounts receivable and other receivables	772
Cash and cash equivalents	1,489
Total assets	2,275
Accounts payable and other liabilities	711
Total liabilities	711
Value of customer contracts	1,223
Net assets	2,543
Goodwill	3,707
Acquisition cost	6,250

Cash flow effect of the acquired businesses:

Acquisition cost	-6,250
Cash and cash equivalents	1,489
Additional purchase price	2,000
Acquisition-related costs and taxes	-100
Net cash flow of acquisition	-2,862

The purchase price was paid at the time of acquisition in cash, with the exception of estimated additional contingent amounts subsequently payable in cash. The total purchase price of acquisitions in the 2020 fiscal year was EUR 6.3 million. The value of the net assets of the acquiree was estimated at EUR 2.5 million in the acquisition cost calculations. The acquired business had an impact of EUR 0.9 million on the Digia Group's net sales in the 2020 fiscal year and EUR 0.2 million on the result for the period.

Accounts receivable consist of the ordinary receivables of the acquired company, whose fair values are estimated to correspond to their book values. Digia's goodwill grew by EUR 3.7 million as a result of the acquisition. Goodwill consisted of the value of acquired market share, business expertise and expected synergies. Additional information on goodwill is presented in [Note 7.1](#).

The business acquired in 2020 was not of substantial relevance to the Group as a whole. If the business acquired during the fiscal year had been included in Digia's consolidated accounts for the entire year, net sales in 2020 would have been about EUR 142.9 million and operating result EUR 14.7 million.

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Business operations acquired during the 2019 fiscal year

On 31 January 2019, the company acquired the entire share capital of Starcut Oy. With this acquisition, Digia bolstered its Digia Digital service area, which comprises service design, analytics, e-commerce and agile application development. Starcut Oy's net sales in 2018 totalled EUR 1.3 million. Following the acquisition, Starcut's 19 employees transferred into Digia's employment.

On 1 August 2019, the company acquired the entire capital stock of Accountor Enterprise Solutions Oy. With this acquisition, Digia strengthened its Microsoft and Oracle ERP and CRM system service area. In 2018, Accountor Enterprise Solutions Oy's net sales amounted to EUR 12.7 million. Following the acquisition, Accountor Enterprise Solutions Oy's 113 employees transferred into Digia's employ.

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

Property, plant, and equipment, and intangible assets	68
Accounts receivable and other receivables	1,560
Cash and cash equivalents	3,279
Total assets	4,907
Accounts payable and other liabilities	3,319
Total liabilities	3,319
Net assets	1,588
Goodwill	7,308
Value of customer contracts	3,463
Value of technology and order book	950
Acquisition cost	12,427

Cash flow effect of the acquired businesses:

Acquisition cost	-12,427
Cash and cash equivalents	3,279
Additional purchase price	315
Acquisition-related costs and taxes	-199
Net cash flow of acquisition	-9,031

The purchase prices were paid at the time of acquisition in cash, with the exception of estimated additional contingent amounts subsequently payable in cash. The total purchase price of acquisitions in the 2019 fiscal year was EUR 12.4 million. The value of the net assets of the acquirees was estimated at EUR 1.6 million in the acquisition cost calculations. Acquisitions had an impact of EUR 6.9 million on the Digia Group's net sales in the 2019 fiscal year and EUR 1.5 million on the result for the period.

Accounts receivable consist of the ordinary receivables of the acquired companies, whose fair values are estimated to correspond to their book values. Digia's goodwill grew by EUR 7.3 million as a result of the acquisitions. Goodwill consisted of the value of acquired market shares, business expertise and expected synergies. Additional information on goodwill is presented in [Note 7.1](#).

The business operations acquired in 2019 were not of substantial relevance to the Group either individually or as a whole. 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 14.9 million in net sales and EUR 2.2 million in operating result in 2019.

Accounting principle – business combinations

All business combinations are accounted for using the acquisition method. The purchase price consists of a share paid at the time of acquisition and any additional purchase price payable later. Such additional purchase prices are paid in cash.

Identifiable assets acquired and liabilities assumed in business combinations are measured at their fair value at the time of acquisition. The amount of the purchase price that exceeds the fair value of acquired net assets is recognised as goodwill. Changes in the value of the additional purchase price (liability item) are recognised through profit or loss. The exception to this is a situation in which additional information has been received about the financial position at the time of acquisition and this has an effect on the acquisition price. In this case, the change in the acquisition price is recognised by adjusting the acquisition cost calculation. Acquisition-related costs are recognised as expenses when incurred and are presented under other operating expenses in the consolidated income statement.

Significant estimate

[Fair values of net assets acquired in business combinations and additional purchase prices](#)  
The purchase price, additional purchase price, if any, and net assets acquired in business combinations are measured at fair value.

The fair value of acquired net assets is determined based on the fair values of similar asset items, estimated expected cash flows from acquired assets or estimated payments required to fulfil the obligation. The fair value of the additional purchase price is determined based on a forecast of the parameters in accordance with the terms of the additional purchase price over the period defined in the terms.

In the view of management, the used estimates and assumptions are sufficiently reliable for determining fair value.



### 3.6 Depreciation and amortisation

EUR 1,000	2020	2019
Depreciation and amortisation by asset category		
Intangible assets		
Software and licences	107	144
Amortisation of acquisition costs	1,898	1,355
Property, plant and equipment		
Buildings	7	7
Improvements to premises	147	124
Machinery and equipment	373	350
Right-of-use assets	3,534	3,517
<b>Total</b>	<b>6,066</b>	<b>5,496</b>
<b>Total depreciation and amortisation</b>	<b>6,066</b>	<b>5,496</b>

In the fiscal years 2020 and 2019, the Group did not recognise impairment losses.

### 3.7 Other operating expenses

EUR 1,000	2020	2019
Cost of premises	1,112	1,198
IT costs	4,622	4,447
Voluntary personnel expenses	3,026	3,679
Travel	422	1,490
External services	1,414	1,488
Other expenses	2,683	2,806
<b>Total</b>	<b>13,279</b>	<b>15,108</b>

In addition to information technology, IT costs include the cost of communication solutions. Voluntary personnel expenses primarily include expenses tied to Digia's personnel benefits. Both expected and realised credit losses are recognised in other operating expenses.

### Auditors' fees

EUR 1,000	2020	2019
Audit, KPMG	104	88
Other statutory duties	4	10
Tax counselling	0	2
Other services	1	11
<b>Total</b>	<b>109</b>	<b>111</b>

In 2020, KPMG Oy Ab invoiced EUR 104.2 (88.2) thousand for auditing and EUR 4.7 (22.7) thousand for other services. Audit fees are included in other operating expenses.

### Research and development costs

EUR 1,000	2020	2019
Research and development costs	5,956	6,274
<b>Total</b>	<b>5,956</b>	<b>6,274</b>

The R&D spend includes the development of the company's own products carried out largely by in-house personnel and recognised in personnel expenses. When external services are used for this purpose, the expenses are recognised in other operating expenses. In 2020 and 2019, all R&D costs were recognised as expenses in the result for the fiscal year, as future economic benefit or useful life cannot be estimated with sufficient reliability during the development phase.

### 3.8 Income taxes

EUR 1,000	2020	2019
Current tax	3,178	2,548
Taxes from previous periods	-12	91
Deferred tax	-335	-621
<b>Total</b>	<b>2,830</b>	<b>2,017</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):

EUR 1,000	2020	2019
Profit before taxes	13,458	9,108
Taxes calculated at the domestic corporation tax rate	2,692	1,822
Income not subject to tax	-3	-3
Non-deductible expenses	45	68
Other items	97	131
<b>Total</b>	<b>2,830</b>	<b>2,017</b>
<b>Taxes in the income statement</b>	<b>2,830</b>	<b>2,017</b>

### Accounting principle – current tax

Income 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 (Finland and Sweden).

### 3.9 Deferred tax assets and liabilities

Changes in deferred taxes during 2020:

EUR 1,000	1 Jan 2020	Recognised in income statement	Acquired business operations	31 Dec 2020
Deferred tax assets:				
Provisions	277	-	-	277
Share-based payments	182	-112		70
Other items	99	68	-	167
<b>Total</b>	<b>558</b>	<b>-45</b>	<b>-</b>	<b>513</b>

EUR 1,000	1 Jan 2020	Recognised in income statement	Acquired business operations	31 Dec 2020
Deferred tax liabilities:				
Allocation of acquisitions	1,250	-380	245	1,115
<b>Total</b>	<b>1,250</b>	<b>-380</b>	<b>245</b>	<b>1,115</b>

Changes in deferred taxes during 2019:

EUR 1,000	1 Jan 2019	Recognised in income statement	Acquired business operations	31 Dec 2019
Deferred tax assets:				
Provisions	43	234	-	277
Share-based payments	96	87		182
Other items	70	28	-	99
<b>Total</b>	<b>209</b>	<b>349</b>	<b>-</b>	<b>558</b>

EUR 1,000	1 Jan 2019	Recognised in income statement	Acquired business operations	31 Dec 2019
Deferred tax liabilities:				
Allocation of acquisitions	639	-271	883	1,250
Other items	1	-1	-	0
<b>Total</b>	<b>640</b>	<b>-272</b>	<b>883</b>	<b>1,250</b>

#### Accounting principle – deferred taxes

Deferred tax receivables and liabilities are recognised for temporary differences between the taxable values and book values of asset and liability items. Temporary differences arise from obligatory provisions, the share-based incentive scheme, 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.

#### Accounting principle – 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. When calculating diluted earnings per share, the impact of the share-based incentive scheme is taken into consideration.

### 3.10 Earnings per share

	2020	2019
Profit for the period attributable to parent company shareholders (EUR 1,000)	10,627	7,090
Weighted average number of shares during the period	26,687,854	26,599,257
Earnings per share, EUR, undiluted	0,40	0,27
Earnings per share, EUR, diluted	0,39	0,26

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# 4 Human resources

Group personnel on average during the period	2020	2019
Business units	1,219	1,150
Administration and management	42	36
Total	1,261	1,186

## 4.1 Personnel expenses

EUR 1,000	2020	2019
Salaries and remunerations	76,933	72,680
Pension costs, defined-contribution plans	10,877	12,359
Share-based payments	350	-
Other personnel expenses	2,437	1,609
Total	90,597	86,648

The total remuneration Digia offers to employees consists of salaries, fringe benefits and short-term incentives (see 4.4). Share-based payments include the annual costs of the management incentive scheme. Information on share-based payments is provided in Note 4.4 Share-based payments. Additional information on the remuneration of key employees is also provided in Note 7.6 Related party transactions.

## 4.2 Pension liabilities

Digia's pension schemes are arranged through external pension insurance companies in both Finland and Sweden.

## Accounting principle – pension liabilities

The Group's pension schemes are defined contribution plans, and payments are recognised in the income statement during the period to which the payment applies.

## 4.3 Personnel remuneration

Employee remuneration is based on fixed monthly or hourly pay. Part of the employees are covered by target bonus schemes. The key indicators of the target bonus scheme for salespeople are the value of agreements or the value of agreements and net sales. The key indicators of the short-term target bonus scheme are consolidated net sales and operating profit. Employees have access to extensive occupational healthcare services. In addition, all employees have medical expenses insurance from an insurance company as well as telephone and fitness benefits.

## 4.4 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. The impact of these arrangements on the financial results is shown in the income statement under the cost of employee benefits and the impact on the balance sheet as a change in shareholders' equity.

On 6 February 2020, Digia Plc's Board of Directors decided to establish a new long-term share-based incentive scheme that covers the calendar years 2020–2022. The

scheme 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. In principle, the participants confirmed by the Board of Directors consists of the CEO and the company's senior executives. The scheme is designed to align 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 scheme replaced the previous share-based incentive scheme, which ran until 2019.

The targets of the scheme are based on the company's net sales and total shareholder return (TSR). The earnings period for the turnover and TSR indicators is three years (2020–2022), and the targets for both indicators have been set for the final date of the earnings period. During the bonus period, the company's CEO and other scheme participants are entitled to a bonus equivalent to a maximum of 525,000 new Digia Plc shares. If the terms are met, the bonuses for both indicators based on the new scheme will be paid at the end of the reward period in the spring of 2023. 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 decide on possible bonuses in accordance with the pro-rata principle.

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Basic information on the share incentive scheme is presented below.

	President and CEO's share-based incentive scheme 2020–2022	Key personnel's share-based incentive scheme 2020–2022
Granting date	7 Feb 2020	7 Feb 2020
Implementation	Shares and cash	Shares and cash
Target group	President & CEO	Key personnel
Maximum number of shares*	180,000	355,000
Beginning of the earning period	1 Jan 2020	1 Jan 2020
End of the earning period	31 Dec 2022	31 Dec 2022
Vesting condition	Net sales and TSR Employment requirement	Net sales and TSR Employment requirement
Maximum validity, years	2.9	2.9
Remaining validity, years	1.9	1.9
Number of persons (31 Dec 2020)	1	10

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

No transactions were carried out under the share-based incentive scheme in 2020. Shares have been handed over and cash portions paid on the basis of the earlier incentive scheme. Transactions carried out in the 2020 fiscal year are presented 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 2020 fiscal year	President and CEO's share-based incentive scheme 2017–2019	Key personnel's share-based incentive scheme
Gross amounts, 1 Jan 2020		
Outstanding at beginning of period	115,952	189,259
Changes during the period		
Granted during the year	-	505
Forfeited during the year	808	-
Exercised during the year	115,144	189,764
Gross amounts, 31 Dec 2020		
Outstanding at end of period	-	-
Available for exercising at end of period	-	-

#### Accounting principle – share-based incentive scheme

The targets of the share-based scheme are based on the Group's net sales and total shareholder return (TSR). 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.

Immediate costs relating to the acquisition of Digia Plc's own shares are recognised as deductions in shareholders' equity.

#### Expense effect of share-based incentive schemes on 2020 consolidated result

Effect on earnings and financial position, EUR 1,000	President and CEO's share-based incentive scheme 2020–2022	Key personnel's share-based incentive scheme 2020–2022	Total
Share-based payment expense for the fiscal year	190	161	350
Share-based payments, shareholders' equity, 31 Dec 2020	190	161	350

#### Comparison data for 2019

Effect on earnings and financial position, EUR 1,000	President and CEO's share-based incentive scheme 2020–2022	Key personnel's share-based incentive scheme 2017–2019	Total
Share-based payment expense for the fiscal year	164	270	434
Share-based payments, shareholders' equity, 31 Dec 2019	164	270	434

# 5 Working capital

Digia ensures optimal working capital through the turnover of accounts receivable and payable. Additional information on accounts receivable is provided in [Note 6.2](#).

## 5.1 Change in working capital

EUR 1,000	2020	2019
Change in accounts receivable	1,875	-4,769
Change in accounts payable	939	511
Total	2,815	-4,258

## 5.2 Accounts payable and other liabilities

EUR 1,000	2020	2019
Accounts payable	4,860	3,921
Other liabilities	8,210	10,068
Total	13,070	13,989

Accounts payable are non-interest-bearing and are paid mainly within 14–90 days. Other liabilities include project-related advance payments from customers.

### Accounting principle – accounts payable and other liabilities

The carrying amounts of accounts payable and other liabilities are considered to correspond to their fair values due to the short-term nature of these items..

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# 6 Capital structure

## 6.1 Capital management and net liabilities

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 10.5 million (31 Dec. 2019: EUR 22.6 million). When calculating net gearing, the interest-bearing net liabilities are divided by shareholders' equity as indicated in the consolidated balance sheet. Gearing includes interest-bearing net liabilities less cash and cash equivalents. Interest-bearing liabilities comprise loans from financial institutions and lease liabilities in accordance with IFRS 16. Net gearing at the year-end 2020 was 17 per cent (2019: 43%).

The share of liabilities of total shareholders' equity was as follows on 31 December 2020 and 31 December 2019:

EUR 1,000	2020	2019
Interest-bearing liabilities	26,941	28,454
Cash and cash equivalents	16,410	5,838
Interest-bearing net liabilities	10,531	22,616
Total shareholders' equity	60,737	53,190
Net gearing, %	17%	43%

Net gearing = Net liabilities/Total shareholders' equity

Additional information on shareholders' equity is presented in [Note 6.7](#) and [on interest-bearing liabilities in Note 6.3](#).

## 6.2 Financial assets

### Amortised cost:

Accounts receivable and other receivables

EUR 1,000	2020	2019
Accounts receivable and other receivables		
Accounts receivable	22,115	23,990
Receivables arising from customer agreements	1,240	6,601
Security deposit for rental due	28	29
Prepayments and accrued income	1,907	2,046
Other receivables	311	284
Accounts receivable and other receivables	25,600	32,950

EUR 1,000	2020	2019
Not yet due	19,896	20,964
Due 1–30 days ago	668	1,315
Due 31–90 days ago	108	639
Due more than 90 days ago	1,442	1,073
Total	22,115	23,990

Accounts receivable are mainly attributable to invoicing of Finnish companies and organisations. At the end of the 2020 fiscal year, credit losses totalled EUR 2 (1) thousand. Accounts receivable due more than 90 days ago include an amount of EUR 1,396 thousand for which a payment plan has been agreed with an individual customer. In the company's view, this receivable does not pose an elevated risk of credit losses.

The book value of accounts receivable, receivables from customer agreements 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. Receivables from customer agreements comprise completed work that has not been invoiced. Typically, these are fixed or target price projects in which it has been agreed that invoices will be sent after sub-deliveries are accepted. After invoicing, receivables from customer agreements are transferred to accounts receivable. Essential items included in prepayments and accrued income are associated with the accrual of statutory insurance premiums and other accrued expenses.

At fair value through profit or loss:

Other shares and holdings	31 Dec 2020	Change	31 Dec 2019
Other shares total	484	0	484
Total	484	0	484

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

### Accounting principle – financial assets

Financial assets are classified at amortised cost and as financial assets recognised at fair value through profit or loss. Classification is based on the business model objective and contractual cash flows of investments or by applying the fair value option at the time of initial acquisition. All purchases and sales of financial assets are recognised on the transaction date.

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Amortised cost:

Financial assets measured at amortised cost comprise accounts receivable and receivables from customer agreements. Due to their nature, the carrying amount of short-term accounts receivable and other prepayments and accrued income is their fair value minus the amount of credit losses.

At fair value through profit or loss:

Both realised and unrealised gains and losses due to fair value changes are recognised in the period in which they arise. Unlisted shares and participations owned by Digia are recognised at fair value through profit or loss.

Accounts receivable and receivables from customers on long-term projects

Accounts receivable and other receivables are measured at nominal value. The credit loss provision is based on management's estimate of expected credit losses in each accounts receivable category and contractual receivables.

Provision matrix for accounts receivable

Accounts receivable, EUR 1,000	Balance sheet values (gross)	Expected credit loss	Credit loss provision
Not yet due	19,896	0.1%	29
Due 1–30 days ago	668	0.2%	2
Due 31–90 days ago	108	1.5%	2
Due more than 90 days ago	1,442	2.5%	37
Total	22,115		69
Receivables related to customer contracts	1,782	0.1%	2

In addition to anticipated credit loss provisions, a customer-specific credit loss provision of EUR 0.3 million has been recognised.

Impairment of financial assets

The Group's credit loss provision is estimated based on expected credit losses on accounts receivable and receivables from customers in long-term projects over their entire period of validity (Note 5.2). Digia applies a simplified provision matrix to recognise the credit risk of accounts receivable. Thus the estimate of the credit loss provision is based on expected credit losses over the entire period of validity. The model based on expected credit losses is predictive and the expected loss share is based on previous loss amounts. The expected credit losses for the entire period are calculated by multiplying the gross carrying amount of unpaid accounts receivable and receivables from customers on long-term projects by the expected loss share in each age category. Changes in expected credit losses are recognised in other operating expenses through profit or loss.

Cash and other cash equivalents

EUR 1,000	2020	2019	Fair value hierarchy level
Bank accounts	16,410	5,838	-
Bank credit facilities	3,000	3,000	
Total	19,410	8,838	

Accounting principle – cash and cash equivalents

Cash and cash equivalents are recognised at fair value.

6.3 Financial liabilities

The Group's financial liabilities include accounts with a credit facility, bank loans from financial institutions, lease liabilities and accounts payable. Digia did not use derivative instruments in the 2019–2020 fiscal years. Loans from financial institutions are subject to covenant terms that are described in more detail below.

Interest-bearing liabilities

The Group's bank loans on 31 December 2020 amounted to EUR 16.9 (19.1) million. Bank loans have floating interest rates tied to six-month Euribor plus a margin. The average interest rate of the loans in 2020 was 1.1 per cent (1.2% in 2019). Interest-bearing liabilities also include lease liabilities in accordance with IFRS 16, which came into force on 1 January 2019. Total lease liabilities as at 31 Dec. 2020 amounted to EUR 10.1 (9.3) million. On 29 December 2020, Digia signed an agreement on new long-term bank financing of EUR 8.0 million with Danske Bank A/S. This loan was primarily used to finance the acquisition of the share capital of Climber International AB on 7 January 2021. The loan has a floating interest rate tied to 6-month Euribor plus a margin.

The loan covenant related to the Group'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 2019 and 2020. The maximum and minimum values specified in the loan covenants, and the realised figures on 31 December 2020 and 31 December 2019 were:

31 Dec 2020		
	Covenant value	Realised value
Net debt / EBITDA, max.	3.5	0.5
31 Dec 2019		
	Covenant value	Realised value
Net debt / EBITDA, max.	3.5	1.5

Credit facility

The company also has EUR 3 million in floating rate credit facilities at its disposal. More information on these facilities is provided in Note 6.7 on liquidity risk.

## Balance sheet values and fair values of financial liabilities

EUR 1,000	2020 Fair values	2019 Fair values	2020 Balance sheet values	2019 Balance sheet values	Fair value hierarchy level
Non-current					
Bank loans			8,626	15,553	3
Lease liabilities	6,657	5,719	6,657	5,719	3
<b>Total</b>	<b>6,657</b>	<b>5,719</b>	<b>15,284</b>	<b>21,272</b>	
Current					
Bank loans			8,226	3,626	
Lease liabilities	3,431	3,556	3,431	3,556	3
<b>Total</b>	<b>3,431</b>	<b>3,556</b>	<b>11,658</b>	<b>7,182</b>	
<b>Total</b>	<b>10,089</b>	<b>9,275</b>	<b>26,941</b>	<b>28,454</b>	

Accounts payable have not been included in the table above because the carrying amount of accounts payable is close to their fair value.

### Interest-bearing liabilities fall due as follows:

Year, EUR 1,000	2020	2019
2021	11,658	9,999
2022	4,686	4,216
2023	3,916	2,456
2024	6,157	4,600
2025	525	-
<b>Total</b>	<b>26,941</b>	<b>21,272</b>

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The tables below describe agreement-based maturity analysis results for 2020 and the 2019 comparison period. The figures are undiscounted and include interest payments and the repayment of loan capital:

### EUR 1,000

	Balance sheet values	Cash flow	Less than 1 year	1–2 years	2–5 years
31 Dec 2020					
Bank loans	16,853	17,145	8,357	2,100	6,687
Lease liabilities	10,089	10,089	3,431	2,659	3,998
Accounts payable	4,860	4,860	4,860	0	0
<b>Total</b>	<b>31,801</b>	<b>32,093</b>	<b>16,649</b>	<b>4,760</b>	<b>10,685</b>

### EUR 1,000

	Balance sheet values	Cash flow	Less than 1 year	1–2 years	2–5 years
31 Dec 2019					
Bank loans	19,179	19,686	3,804	7,067	8,816
Lease liabilities	9,275	9,275	3,556	3,073	2,646
Accounts payable	3,921	3,921	3,921	0	0
<b>Total</b>	<b>32,375</b>	<b>32,882</b>	<b>11,281</b>	<b>10,140</b>	<b>11,462</b>

Accounts payable 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.

### Changes in financial liabilities with an effect on cash flow and no effect on cash flow in 2020

	Changes with an effect on cash flow		Changes with no effect on cash flow	
EUR 1,000	1 Jan		Changes in leases	31 Dec
Non-current interest-bearing financial liabilities including a current component				
Loans from financial institutions	19,100	-2,300		16,800
Lease liabilities	9,275	-2,763	3,577	10,089
<b>Total</b>	<b>28,375</b>	<b>-5,063</b>	<b>3,577</b>	<b>26,889</b>
Current interest-bearing liabilities	53	-26		26

### Accounting principle – financial liabilities

The Group's financial liabilities are classified in two categories: measured at amortised cost and fair value through profit or loss. Financial liabilities are initially recognised in the accounts at fair value on the basis of the consideration received. Financial liabilities are included in non-current and current liabilities and may be interest-bearing or non-interest-bearing. Loans falling due in less than 12 months are presented under current financial liabilities.

## 6.4 Lease liabilities

A more detailed description of leases is provided in Note 7.4.

Lease liabilities (EUR 1,000)	31 Dec 2020	31 Dec 2019
Long-term	6,657	5,719
Short-term	3,431	3,556
<b>Lease liabilities, total</b>	<b>10,089</b>	<b>9,275</b>

Maturity distribution	31 Dec 2020	31 Dec 2019
Within one year	3,431	3,556
More than a year and within five years	6,657	5,719
Over five years	0	

<b>Interest expenses</b>	174	164
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### Exemptions on recognition and measurement

Costs of agreements on low-value asset items	1,050	1,073
Future cash flows from:		
Commitments to future agreements	701	386
Short-term lease commitments	-	40

## Contingent liabilities

EUR 1,000	2020	2019
Bank guarantees for lease agreements	634	634



## 6.5 Financial income and expenses

### Financial income

EUR 1,000	2020	2019
Interest income from accounts receivable	31	46
Dividend income	10	13
Exchange rate gains	0	42
Other financial income	43	41
<b>Total</b>	<b>84</b>	<b>142</b>

### Financial expenses

EUR 1,000	2020	2019
Interest expenses for financing loans valued at amortised cost	237	209
Interest expenses for leases	174	151
Interest expenses for accounts payable	3	4
Loan administration fees	25	85
Exchange rate losses	82	1
Other financial expenses	206	232
<b>Total</b>	<b>728</b>	<b>682</b>

## 6.6 Financial risks

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

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 liquidity risk. The general principles of risk management are approved by the parent company's Board of Directors, and the Group's finance and financial management unit together with the business segments is responsible for their practical implementation.

### Interest rate risks

The Group's interest rate risk is primarily associated with long-term bank loans whose interest rates are linked to Euribor rates. Changes in market interest rates have a direct effect on the Group's future interest payments. During the 2020 fiscal year, the interest rate on long-term bank loans varied between 0.95 per cent and 1.4 per cent (in 2019, between 0.95% and 1.6%). The impact of a +/-1% change in the loan's interest rate is EUR 0.2 million per annum. Interest rate developments are monitored and reported on regularly in the Group. Possible interest rate hedges will be made with the appropriate instruments. At the end of the 2019 and 2020 fiscal years, the Group did not have any hedging instruments in force.

### Credit loss risk

The Group's customers are mostly well-known Finnish and foreign companies with well-established credit, and thus the Group is deemed to have no significant credit loss risks. The Group continuously assesses the increase in credit risk after initial recognition on the basis of changes in the default risk.

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 loss 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 Group's guidelines are observed with regard to terms of payment and collateral required.

The credit loss provision totalled EUR 70 thousand on 31 Dec. 2020 (31 Dec. 2019: EUR 68 thousand). The maturity analysis of accounts receivable and receivables from customer agreements for 2019 and 2020 is presented in [Note 5.2](#). Credit loss risks increased slightly in 2020 as a result of disruptions in the business operations of some customers due to the pandemic. The Group has no identified risk concentrations.

### 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. On 31 December 2020, accounts receivable denominated in foreign currency amounted to EUR 25 thousand and accounts payable denominated in foreign currency to EUR 81 thousand (on 31 December 2019, accounts receivable amounted to EUR 44 thousand and accounts payable to EUR 55 thousand).

### 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 unwithdrawn standby credit on 31 December 2020 was EUR 3.0 million (31 December 2019: EUR 3.0 million), and the company has the ability to take out EUR 1.9 million in new loans. Cash and cash equivalents on 31 December 2020 amounted to a total of EUR 16.4 million (31 December 2019: EUR 5.8 million). The contractual maturity analysis of financial liabilities is presented in [Note 6.3](#).

### 6.7 Shareholders' equity

	Number of shares	Share capital (EUR 1,000)
1 Jan 2019	26,823,723	2,088
31 Dec 2019	26,823,723	2,088

	Number of shares	Share capital (EUR 1,000)
1 Jan 2020	26,823,723	2,088
31 Dec 2020	26,823,723	2,088

The accounting countervalue of the shares is EUR 0.10 per share and the maximum number of shares is 48 million (48 million in 2019). All shares grant equal rights to their holders. The Group's maximum share capital is EUR 4.8 million (EUR 4.8 million in 2019). All outstanding shares are paid in full. On 31 December 2020, the company held 57,372 of its own shares (31 December 2019: 57,372), or 0.2 per cent of all shares (31 December 2019: 0.2%). At the end of the fiscal year, 88,222 of these shares remained undistributed and were under the management of EAM Digia Holding Ltd (31 December 2019: 198,418).

#### Reserves

Other funds have consisted of M&A-related structural changes in previous years. Translation differences comprise 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.

#### Dividends

A dividend of EUR 0.15 per share is proposed for the 2020 fiscal year. A dividend of EUR 0.10/share was paid for the 2019 fiscal year, to a total of EUR 2,672,038.20. Dividends were paid on 25 March 2020.

#### Accounting principle – dividends

Dividends proposed by the Board of Directors will not be deducted from distributable shareholders' equity before the Board's decision has been received.

#### Calculation of the parent company Digia Plc's distributable funds, 31 Dec

EUR 1,000	2020	2019
Unrestricted shareholders' equity reserve	42,540	42,540
Retained earnings	6,256	3,837
Net profit	8,126	5,930
<b>Total</b>	<b>56,922</b>	<b>52,308</b>

# 7 Other items

## 7.1 Goodwill

### Goodwill and impairment testing

Digia's goodwill has been generated by several acquisitions. Goodwill amounted to EUR 61.5 million at the end of the 2020 fiscal year (31 December 2019: EUR 57.8 million). The goodwill of the businesses acquired in 2020 accounted for EUR 3.7 million and the goodwill of those acquired in 2019 for EUR 7.3 million.

	Goodwill 2020	Goodwill 2019
Acquisition cost, 1 Jan	109,165	101,857
Increases	3,707	7,308
Acquisition cost, 31 Dec	112,872	109,165
Accumulated amortisation, 1 Jan	-51,394	-51,394
Accumulated depreciation and amortisation, 31 Dec	-51,394	-51,394
Book value, 1 Jan	57,771	50,462
Book value, 31 Dec	61,478	57,771

### Accounting principle – goodwill

Goodwill is recognised from the acquisition as the difference between points 1 and 2 below:

- 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.

No 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.

### Impairment testing of assets

Goodwill impairment testing is performed at Group level, with the Group as the cash-generating unit. The tables below show the distribution of goodwill and balance sheet values of other asset items subject to testing at the end of the reporting period:

	Intangible assets	Goodwill	Other items	Balance sheet value of assets subject to testing, total
EUR 1,000				
31 Dec 2019	6,252	57,771	16,761	80,784
31 Dec 2020	5,576	61,478	17,968	85,022

The current values of the expected future cash flows of Digia's operations on 31 Dec. 2019 and 31 Dec. 2020 were calculated for a five-year forecast period based on the following assumptions:

In the five-year forecast period, annual growth in net sales is expected to be 8.0 per cent (2019:8) and 2 per cent (2019:2.0) thereafter, operating profit of 8.0 per cent (2019:8) and a pre-tax discount rate of 11 per cent (2019:11). Post-forecast-period cash flows were extrapolated using the same assumptions as for the forecast period. The discount rate used is the average cost of capital (WACC).

### Sensitivity analysis

Management tests the impacts of changes in the significant estimates used in forecasts with sensitivity analyses.

The most important factors in goodwill sensitivity analyses are not only the cash flow forecasts and their assumptions, but also the growth percentage of the terminal value and the discount rate used. If -21 per cent had been used as the growth percentage of the terminal value, instead of 2.0 per cent, the value in use would have corresponded to the value subject to testing. If 15.6 per cent had been used as the discount rate, instead of 11 per cent, the value in use would have corresponded to the value subject to testing. If the operating margin were 3.3 per cent, instead of 8 per cent, the value in use would correspond to the value subject to testing.

In addition, a sensitivity analysis of net sales growth and operating profit has been carried out. According to the sensitivity analysis, goodwill requires either net sales to remain at the current level with profitability of 5.9 per cent, or a 2.0 per cent growth in net sales with profitability of 4.5 per cent.

### Significant estimate – main assumptions used in impairment testing of goodwill

Management applies significant estimates and judgments in assessing the development of the Group's net sales and costs, the applicable tax rates, and the impact of changes in market conditions on the Group's earnings trend. Cash flow forecasts are based on the Group's actual result and management's best estimates of future financial performance. Cash flow forecasts include the budgeted figure for the next fiscal year and projected figures for the next five years. Growth rates are based on management's estimates of growth in future years.

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### Accounting principle – impairments

On the balance sheet date, it is estimated whether there is evidence that the value of a tangible or intangible 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 goodwill regardless of whether there is an indication of impairment or not. 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.

### 7.2 Property, plant and equipment

2020 EUR 1,000	Right-of-use fixed assets	Buildings and structures	Machinery and equipment	Other tangible assets	Total 2020
Acquisition cost, 1 Jan	12 667	162	23 152	340	36 322
Increases	3 767		222	383	4 373
Transferred through business combinations	-		14	-	14
Decreases	-111	-	-	-	-111
Acquisition cost, 31 Dec	16 322	162	23 389	724	40 598
Accumulated depreciation and amortisation, 1 Jan	- 3 517	-125	-22 429	-207	-26 278
Depreciation for the period	-3 534	-7	-373	-147	-4 061
Accumulated depreciation and amortisation, 31 Dec	-7 051	-132	-22 802	-354	-30 339
Book value, 1 Jan	9 150	38	723	133	10 044
Book value, 31 Dec	9 272	31	586	370	10 259

2019 EUR 1,000	Right- of-use fixed assets	Buildings and structures	Machinery and equipment	Other tangible assets	Total 2019
Acquisition cost, 1 Jan	-	162	25,822	101	26,085
IFRS 16 adoption	11,223		-2,900		8,324
Acquisition cost, 1 Jan	11,223	162	22,922	101	34,409
Increases	1,918		204	239	2,360
Transferred through business combinations	85		27	1	113
Decreases	-560	-	-	-	-560
Acquisition cost, 31 Dec	12,667	162	23,152	340	36,322
Accumulated depreciation and amortisation, 1 Jan	-	-119	-22,080	-83	-22,282
Depreciation for the period	-3,517	-7	-350	-124	-3,997
Accumulated depreciation and amortisation, 31 Dec	-3,517	-125	-22,429	-207	-26,278
Book value, 1 Jan	11,223	45	3,742	101	12,127
Book value, 31 Dec	9,150	38	723	133	10,044

Accounting principle – property, plant and equipment

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

Machinery and equipment	3–8 years
Leasehold improvement expenditure	3–5 years
Buildings and structures	25 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 property, plant and equipment are included either in other operating income or expenses.

7.3 Intangible assets

2020					
EUR 1,000	Goodwill	Development expenses	Other intangible assets	Asset items related to customer agreements	Total 2020
Acquisition cost, 1 Jan	109,165	2,487	27,544	8,691	147,887
Increases	3,707	-	736		4,443
Transferred through business combinations			-	1,223	1,223
Decreases	-	-	-	-	-
Acquisition cost, 31 Dec	112,872	2,487	28,280	9,914	153,553
Accumulated depreciation and amortisation, 1 Jan	-51,394	-2,487	-27,418	-2,439	-83,738
Depreciation for the period	-	-	-107	-1,898	-2,005
Accumulated depreciation and amortisation, 31 Dec	-51,394	-2,487	-27,525	-4,337	-85,743
Book value, 1 Jan	57,771	0	126	6,252	64,149
Book value, 31 Dec	61,478	0	755	5,576	67,810

2019					
EUR 1,000	Goodwill	Development expenses	Other intangible assets	Asset items related to customer agreements	Total 2019
Acquisition cost, 1 Jan	101,857	2,487	27,671	4,278	136,293
Increases	7,308	-	28		7,336
Transferred through business combinations			37	4,413	4,449
Decreases	-	-	-191	-	-191
Acquisition cost, 31 Dec	109,165	2,487	27,544	8,691	147,887
Accumulated depreciation and amortisation, 1 Jan	-51,394	-2,487	-27,274	-1,084	-82,239
Depreciation for the period	-	-	-144	-1,355	-1,499
Accumulated depreciation and amortisation, 31 Dec	-51,394	-2,487	-27,418	-2,439	-83,738
Book value, 1 Jan	50,462	0	397	3,194	54,054
Book value, 31 Dec	57,771	0	126	6,252	64,149

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Accounting principle – intangible assets

Asset items related to customer agreements comprise customer agreements and technologies with a limited useful life. They are entered in the balance sheet under intangible assets and recognised as expenses in the income statement by straight-line depreciation over their useful life, which is typically 2–8 years.

Other intangible assets comprise capitalised IT software licenses. The depreciation period of licences is three years.

Research costs are recognised as expenses. Development costs are capitalised if they fulfil the capitalisation criteria for development costs.

7.4 Right-of-use assets

Leases in the balance sheet:

EUR 1,000	1 Jan 2020	Depreciation	Increases	Decreases	31 Dec 2020
Business premises	7,929	-2,980	3,552	0	8,500
Cars	676	-267	215	-111	514
IT equipment	422	-205	0	0	216
equipment	123	-82	0	0	41
Right-of-use assets, total	9,150	-3,534	3,767	-111	9,272

EUR 1,000	1 Jan 2019	depreciation	increases	decreases	31 Dec 2019
Business premises	9,580	-2,939	1,671	-383	7,929
Cars	815	-282	320	-177	676
IT equipment	623	-214	12	0	422
equipment	205	-82	0	0	123
Right-of-use assets, total	11,223	-3,517	2,003	-560	9,150

Accounting principle – lease agreements

IFRS 16 sets out the requirements for the recognition, measurement, and disclosure of leases that have been complied with. Under the standard, the lessee shall recognise lease contracts in the balance sheet as a lease liability and related right-of-use asset. At the commencement date of the contract, the lessee recognises a liability for its obligation to make lease payments and an asset for its right to use the leased asset. Interest expenses must be recognised for the liability in the balance sheet and depreciation for the asset.

Digia leases its business premises, company cars, equipment and multifunction devices, and thus the adoption of the standard has had an impact on the accounting treatment of these items. The bulk of the lease liability and right-of-use asset in the balance sheet comprises lease contracts for offices. Digia has applied exemptions permitted under IFRS 16 for short-term lease contracts. Such lease contracts with a term of less than 12 months have not been recognised in the balance sheet. In addition, Digia does not recognise an asset and liability in the balance sheet for leases of low value assets.

Digia has adopted IFRS 16 Leases retrospectively as from 1 January 2019; comparative information has not been restated, but the impacts of the adoption of IFRS 16 have been recorded as adjustments in the opening balance sheet for 2019. Calculations of the right-of-use asset and corresponding lease liability are based on the company's estimate of the duration of current lease contracts and potential use of options to extend them.

7.5 Notes to the cash flow statement

Adjustments to net profit

EUR 1,000	2020	2019
Depreciation, amortisation and impairment	6,066	5,496
Transactions that do not involve a payment transaction	355	1,576
Change in receivables and liabilities related to customer agreements	5,827	-642
Financial income and expenses	644	540
Taxes	3,165	2,017
Other adjustments	-	-2,602
Total	16,057	6,386

7.6 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 related parties of the Group's parent company, Digia Plc, include the following entities:

- » subsidiaries
- » members of the Board of Directors and the Group's Management Team, including the CEO (key management)
- » the family members of said persons, and
- » companies under the control of related parties.

The amounts presented in the tables below correspond to the costs recognised as expenses in the fiscal years in question. Wages and salaries include any share-based incentive scheme benefits and fringe benefits.

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Remuneration paid to key management during the fiscal period, including fringe benefits, was as follows:

EUR 1,000	2020	2019
Salaries and other short-term employee benefits	1,572	1,505
Share-based bonuses	525	0
Cash bonus from the share bonus scheme	517	0
<b>Total</b>	<b>2,614</b>	<b>1,505</b>

The CEO and the Group's other management are provided with pension coverage under the Finnish Employees' Pension Act (TyEL).

The members of the Board of Directors and the CEO have received the following salaries and fees:

EUR 1,000		2020	2019
Ala-Härkönen Martti	Member of the Board	37	39
Elsinen Santtu	Member of the Board	36	38
Hokkanen Päivi	Member of the Board	38	40
Ingman Robert	Chair of the Board of Directors	77	81
Ruotsalainen Seppo	Member of the Board	51	53
Taivainen Outi	Member of the Board	36	38
Levoranta Timo	CEO	826	431
<b>Total</b>		<b>1,100</b>	<b>719</b>

The Group's incentive schemes are described in [Note 4.4](#) Share-based payments and in the separate report on corporate governance.

Transactions involving purchases of goods and services totalled EUR 213 thousand (2019: EUR 177 thousand) and consisted mainly of marketing services. Transactions involving sales totalled EUR 464 thousand (2019: EUR 153 thousand) and consisted mainly of expert services. Sales of services to related parties are based on the Group's current prices. The Group has no related-party loans or voluntary pension arrangements.

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 Hub Oy	Helsinki	Finland	100%	100%
Digia Sweden Ab	Stockholm	Sweden	100%	100%
Mirosys Oy	Finland	Finland	100%	100%

The streamlining of the Group's structure was completed in the first part of the year, when Mirosys Oy was merged into Mavisystems Oy, which in turn was merged into Digia Finland Oy. The mergers came into effect on 29 February 2020.

7.7 New and amended standards

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

7.8 Events after the balance sheet date

On 15 December 2020, Digia Plc and Climber International AB signed an agreement whereby Digia Plc acquired the share capital of the Swedish company Climber International AB. The transaction was carried out on 7 January 2021, when the terms and conditions for its completion were met and Climber International AB was transferred to Digia's ownership. The transaction was primarily financed with a bank loan.



# 8 Formulas for the indicators and reconciliations

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## 8.1 Formulas for the indicators

### Net sales growth, %:

$$\frac{\text{Net sales for the period} \times 100}{\text{Net sales for the comparison period}}$$

### Operating profit (EBIT):

$$\text{Profit for the period} + \text{income taxes} + \text{financial income and expenses}$$

### Operating profit (EBITA):

$$\text{Operating profit plus purchase price allocation amortisation}$$

### Operating profit (EBITA) margin, %

$$\frac{\text{Operating profit} + \text{purchase price allocation amortisation} \times 100}{\text{Net sales}}$$

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

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

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

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

### Equity ratio,%:

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

### Earnings per share (EPS), EUR:

$$\frac{\text{Profit for the period attributable to parent company shareholders}}{\text{Weighted average number of shares during the period}}$$

### Earnings per share (EPS), EUR, diluted:

$$\frac{\text{Profit for the period attributable to parent company shareholders}}{\text{Diluted weighted average number of shares during the period}}$$

### Dividend/share, EUR:

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

### Dividend payout ratio, %:

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

### Net Gearing, %:

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

### Effective dividend yield, %:

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

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

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

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### 8.2 Reconciliation of alternative performance measures

As alternative performance measures, the Group reports operating profit plus purchase price allocation amortisation (EBITA), operating profit (EBIT), 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, as it considers this information necessary for investors.

Operating profit (EBITA)	31 Dec 2020	31 Dec 2019
Operating profit	14,102	9,648
Purchase price allocation amortisation	1,898	1,355
Operating profit (EBITA)	16,000	11,003

Return on equity, %	31 Dec 2020	31 Dec 2019
Profit before taxes	13,458	9,108
Taxes	-2,830	-2,017
Profit after taxes	10,627	7,090
Shareholders' equity (average for the year)	56,964	50,486
Return on equity, %	18.7%	14.0%

Return on investment, %	31 Dec 2020	31 Dec 2019
Profit before taxes	13,458	9,108
Financial expenses	-728	-682
Profit before taxes + financial expenses	14,186	9,790
Balance sheet total (average for the period)	117,597	101,110
Non-interest-bearing liabilities (average for the year)	31,552	28,378
Balance sheet total – non-interest bearing liabilities	86,044	72,732
Return on investment, %	16.5%	13.5%

Net gearing, %	31 Dec 2020	31 Dec 2019
Interest-bearing liabilities	26,941	28,454
Cash and cash equivalents	16,410	5,838
Shareholders' equity	60,737	53,190
Net gearing, %	17.3%	42.5%

Equity ratio, %	31 Dec 2020	31 Dec 2019
Shareholders' equity	60,737	53,190
Balance sheet total	121,078	114,116
Advance payments received	1,345	1,324
Balance sheet total - advances received	119,733	112,791
Equity ratio, %	50.7%	47.2%

## 9 Parent company's financial statements (FAS)

### 9.1 Parent company's income statement

EUR	Note	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
Net sales	<u>1</u>	10,980,087.50	10,802,684.36
Other operating income	<u>2</u>	36,445.00	31,520.00
Materials and services		-22,087.50	-1,311.36
Personnel expenses	<u>3</u>	-3,149,665.32	-3,254,343.45
Depreciation, amortisation and impairment	<u>4</u>	-455,022.52	-455,541.38
Other operating expenses	<u>5</u>	-6,760,051.70	-6,998,516.24
		<b>-10,350,382.04</b>	<b>-10,678,192.43</b>
Operating profit		629,705.46	124,491.93
Financial income and expenses	<u>6</u>	-693,791.44	-577,549.31
Earnings before appropriations		-64,085.98	-453,057.38
Accumulated appropriations			
Group contribution		10,000,000.00	8,000,000.00
Profit before taxes		9,935,914.02	7,546,942.62
Income taxes	<u>7</u>	-1,810,400.80	-1,616,708.30
Net profit		<b>8,125,513.22</b>	<b>5,930,234.32</b>

### 9.2 Parent company balance sheet

EUR	Note	31 Dec 2020	31 Dec 2019
ASSETS			
FIXED ASSETS			
Intangible assets	<u>8</u>		
Intangible rights		7,544.10	53,135.97
Other long-term expenses		1,075,875.07	110,758.52
		<b>1,083,419.17</b>	<b>163,894.49</b>
Tangible assets	<u>9</u>		
Land and water areas		16,818.79	16,818.79
Buildings and structures		31,318.95	37,912.40
Machinery and equipment		507,277.51	600,426.71
Other fixed assets		1,210.95	1,210.95
		<b>556,626.20</b>	<b>656,368.85</b>
Investments	<u>10</u>		
Shares in Group companies		140,441,834.51	134,091,485.71
Other shares and holdings		480,004.54	480,004.54
Total fixed assets		<b>142,561,884.42</b>	<b>135,391,753.59</b>

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EUR	Note	31 Dec 2020	31 Dec 2019
CURRENT ASSETS			
Non-current receivables			
Prepayments and accrued income		1,851.72	59,977.60
Current receivables	11		
Receivables from Group companies		202,914.24	3,407,417.21
Other receivables		291,784.93	274,323.01
Prepayments and accrued income		360,468.73	286,580.14
		855,167.90	3,968,320.36
Cash and cash equivalents		8,332,394.96	4,062,132.81
Total current assets		9,189,414.58	8,090,430.77
<b>Total assets</b>		<b>151,751,299.00</b>	<b>143,482,184.36</b>

EUR	Note	31 Dec 2020	31 Dec 2019
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Equity attributable to parent-company shareholders	12		
Share capital		2,087,564.50	2,087,564.50
Unrestricted shareholders' equity reserve		42,540,499.12	42,540,499.12
Retained earnings		6,256,157.44	3,836,844.05
Net profit		8,125,513.22	5,930,234.32
<b>Total shareholders' equity</b>		<b>59,009,734.28</b>	<b>54,395,141.99</b>
LIABILITIES			
Non-current liabilities			
Loans from financial institutions	13	8,600,000.00	15,500,000.00
Other non-current liabilities		2,000,000.00	126,000.00
		10,600,000.00	15,626,000.00
Current liabilities			
Accounts payable		393,288.95	151,286.71
Interest-bearing liabilities	14	8,200,000.00	3,600,000.00
Liabilities to Group companies		72,599,547.35	67,269,113.03
Other liabilities		207,707.47	1,016,778.29
Accruals and deferred income		738,020.95	569,326.04
Taxes based on the net result for the year		3,000.00	854,538.30
		82,141,564.72	73,461,042.37
<b>Total liabilities</b>		<b>92,741,564.72</b>	<b>89,087,042.37</b>
<b>Total shareholders' equity and liabilities</b>		<b>151,751,299.00</b>	<b>143,482,184.36</b>



### 9.3 Parent company's cash flow statement

EUR	Note	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
Cash flow from operations:			
Net profit		8,125,513.22	5,930,234.31
Adjustments to net profit		-7,120,272.93	-4,799,930.87
Change in working capital		5,235,494.92	1,068,603.64
Interest paid		-603,883.68	-704,444.22
Interest income		22.96	34.53
Taxes paid		-2,667,538.32	-1,490,923.12
<b>Cash flow from operations</b>		<b>2,969,336.17</b>	<b>3,574.27</b>
Cash flow from investments:			
Purchases of tangible and intangible assets		-1,201,873.40	-225,895.38
Acquisition of subsidiary, net of cash acquired		-5,179,515.85	-13,555,461.26
<b>Cash flow from investments</b>		<b>-6,381,389.21</b>	<b>-13,781,356.64</b>
Cash flow from financing:			
Acquisition of treasury shares		-300,596.29	-212,812.88
Repayment of current loans		-2,300,000.00	-19,800,000.00
Repayments of non-current loans		-	-4,800,000.00
Withdrawals of current loans		-	14,200,000.00
Withdrawals of non-current loans		-	18,100,000.00
Group financing items <sup>1</sup>		-45,050.32	6,900,000.00
Group contribution		13,000,000.00	5,000,000.00
Dividends paid	12	-2,672,038.20	-1,864,231.81
<b>Cash flow from financing</b>		<b>7,682,315.19</b>	<b>17,522,955.31</b>
<b>Change in cash and cash equivalents</b>		<b>4,270,262.15</b>	<b>3,745,172.94</b>
Cash and cash equivalents at beginning of period		4,062,132.81	316,959.87
Change in cash and cash equivalents		4,270,262.15	3,745,172.94
<b>Cash and cash equivalents at end of period</b>		<b>8,332,394.96</b>	<b>4,062,132.81</b>

<sup>1</sup> Group financing items comprise changes in loans between the parent company and its subsidiaries.

### 9.4 Basic information on the parent company and accounting policies

#### 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 Hub 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. Pension expenses are recognised as expenses for the year in which they arise.

#### Leasing payments

Leasing payments are recognised as annual expenses.

#### Share-based payments

Digia has a share bonus scheme where payments are made either in equity instruments or in cash. In the treatment of benefits granted under the scheme, the company complies with Statement 1998 issued by the Accounting Board (KILA) on 15 January 2020. According to the statement, the terms and conditions of a share bonus scheme are irrevocably fulfilled only at the end of the bonus period. Therefore, the service commitment required of an employee under a share bonus scheme is indivisible by nature – the performance specified in the

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scheme is to be considered to have been rendered on the one hand and received on the other by the company at the end of the bonus period, at which point the employee shall have an irrevocable right to the shares specified in the scheme.

### 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's dividend proposal

According to the balance sheet dated 31 December 2020, Digia Plc's distributable shareholders' equity was EUR 56,922,169.78 of which EUR 8,125,513.223 was profit for the fiscal year. At the Annual General Meeting, the Board of Directors will propose that a dividend of EUR 0.15 per share be paid according to the confirmed balance sheet for the fiscal year ending 31 December 2020. Shareholders listed on the shareholder register maintained by Euroclear Finland Oy on the dividend reconciliation date, 19 March 2021, will be eligible for the payment of dividend. Dividends will be paid on 26 March 2021.

## 9.5 Notes to the parent company's financial statements

### 1. Net sales

#### Net sales by segment

EUR	2020	2019
Projects	22,087.50	0.00
Group administration services	10,958,000.00	10,802,684.36
<b>Total</b>	<b>10,980,087.50</b>	<b>10,802,684.36</b>

### 2. Other operating income

EUR	2020	2019
Rental income	36,445.00	31,520.00
<b>Total</b>	<b>36,445.00</b>	<b>31,520.00</b>

### 3. Information on personnel and governing bodies

EUR	2020	2019
Board emoluments and remuneration and CEO's compensation	1,100,248.55	719,181.84
Other salaries and remunerations	1,595,875.66	2,136,721.23
Pension insurance contributions	390,773.95	435,106.80
Other personnel expenses	62,767.16	-36,666.42
<b>Total</b>	<b>3,149,665.32</b>	<b>3,254,343.45</b>

Number of personnel, 31 Dec	2020	2019
Management and administration	35	28
<b>Total</b>	<b>35</b>	<b>28</b>

### 4. Depreciation, amortisation and impairment

EUR	2020	2019
Planned depreciation and amortisation		
Property, plant, and equipment, and intangible assets	455,022.52	455,541.38
<b>Total</b>	<b>455,022.52</b>	<b>455,541.38</b>

### 5. Auditors' fees

EUR	2020	2019
Audit	87,375.00	63,825.00
Other statutory duties	3,601.38	1,840.61
Tax counselling	-	1,880.00
Other services	1,125.00	8,034.89
<b>Total</b>	<b>92,101.38</b>	<b>75,580.50</b>

### 6. Financial income and expenses

Financial income		
EUR	2020	2019
Interest and financial income from others	42,168.09	75,761.24
<b>Total</b>	<b>42,168.09</b>	<b>75,761.24</b>

Financial expenses		
EUR	2020	2019
Interest expenses to Group companies	321,025.22	360,886.97
Interest expenses to other companies	236,362.73	196,655.23
Loan administration fees	25,394.88	80,749.67
Other financial expenses	153,176.70	15,150.56
<b>Total</b>	<b>735,959.53</b>	<b>653,442.43</b>

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### 7. Income taxes

EUR	2020	2019
Income taxes on operations	-1,810,400.78	-1,616,846.92
Income taxes for previous periods	-0.02	138.62
<b>Total</b>	<b>-1,810,400.80</b>	<b>-1,616,708.30</b>

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 119 thousand at the end of the fiscal year.

### 8. Intangible assets

EUR	Intangible rights	Other long-term expenses	Total 2020	Total 2019
Acquisition cost, 1 Jan	5,343,896.25	1,143,262.61	6,487,158.86	6,435,189.12
Increases	-	1,106,024.91	1,106,024.91	51,969.74
Decreases	-	-	-	-
Acquisition cost, 31 Dec	5,343,896.25	2,249,287.52	7,593,183.77	6,487,158.86
Accumulated depreciation and amortisation, 1 Jan	-5,290,760.28	-1,032,504.09	-6,323,264.37	-6,118,233.87
Depreciation	-45,591.87	-140,908.36	-186,500.23	-205,030.50
Accumulated depreciation and amortisation, 31 Dec	-5,336,352.15	-1,173,412.45	-6,509,764.60	-6,323,264.37
Book value, 1 Jan	53,135.97	110,758.52	163,894.49	316,955.25
Book value, 31 Dec	7,544.10	1,075,875.07	1,083,419.77	163,894.49

### 9. Property, plant and equipment

EUR	Land and water areas	Buildings and structures	Machinery and equipment	Total 2020	Total 2019
Acquisition cost, 1 Jan	16,818.79	162,905.90	3,254,758.65	3,434,483.34	3,260,557.70
Increases	-	-	168,779.64	168,779.64	173,925.64
Acquisition cost, 31 Dec	16,818.79	162,905.90	3,423,538.29	3,603,262.98	3,434,483.34
Accumulated depreciation and amortisation, 1 Jan	-	-124,993.50	-2,653,120.99	-2,778,114.49	-2,527,603.61
Depreciation	-	-6,593.45	-261,928.84	-268,522.29	-250,510.88
Accumulated depreciation and amortisation, 31 Dec	-	-131,586.95	-2,915,049.83	-3,046,636.78	-2,778,114.49
Book value, 1 Jan	16,818.79	37,912.40	601,637.66	656,368.85	732,954.09
Book value, 31 Dec	16,818.79	31,318.95	508,488.46	556,626.20	656,368.85

## 10. Investments

EUR	Investments in subsidiary shares	Other shares and holdings	Total 2020	Total 2019
Acquisition cost, 1 Jan	134,120,441.71	606,292.32	134,726,734.03	122,101,295.80
Increases	6,350,348.80	0.00	6,350,348.80	12,625,438.23
Decreases	-	-	-	-
Acquisition cost, 31 Dec	140,470,790.51	606,292.32	141,077,082.83	134,726,734.03
Accumulated amortisation, 1 Jan	-28,956.00	-126,287.78	-155,243.78	-155,243.78
Impairment	-	-	-	-
Accumulated amortisation, 31 Dec	-28,956.00	-126,287.78	-155,243.78	-155,243.78
Book value, 1 Jan	134,091,485.71	480,004.54	134,571,490.25	121,946,052.02
Book value, 31 Dec	140,441,834.51	480,004.54	140,921,839.05	134,571,490.25

### Itemisation of subsidiaries and other shares and holdings

Group companies	Domicile	Domestic segment	Share of ownership	Share of votes
Digia Finland Ltd	Helsinki	Finland	100%	100%
Digia Sweden Ab	Stockholm	Sweden	100%	100%
Digia Hub Oy	Helsinki	Finland	100%	100%

## 11. Current receivables

EUR	2020	2019
Receivables from Group companies		
Accounts receivable	167,404.24	349,747.97
Prepayments and accrued income	35,510.00	3,057,669.24
Other receivables	291,784.93	274,323.01
Prepayments and accrued income	360,468.73	286,580.14
Total	855,167.90	3,968,320.36

## 12. Shareholders' equity

EUR	2020	2019
Share capital, 1 Jan	2,087,564.50	2,087,564.50
Share capital, 31 Dec	2,087,564.50	2,087,564.50
Total restricted shareholders' equity	2,087,564.50	2,087,564.50
Unrestricted shareholders' equity reserve, 1 Jan	42,540,499.12	42,540,499.12
Unrestricted shareholders' equity reserve, 31 Dec	42,540,499.12	42,540,499.12
Accrued earnings, 1 Jan	9,767,078.37	5,480,374.74
Changes during the fiscal year		
Dividends	-2,672,038.20	-1,864,231.81
Acquisition of treasury shares	-300,596.29	-212,812.88
Share-based payments	-538,286.44	433,514.00
Accrued earnings, 31 Dec	6,256,157.44	3,836,844.05
Net profit	8,125,513.22	5,930,234.32
Total unrestricted shareholders' equity	56,922,169.78	52,307,577.49
Total shareholders' equity	59,009,734.28	54,395,141.99

### Calculation of distributable shareholders' equity, 31 Dec

EUR	2020	2019
Unrestricted shareholders' equity reserve	42,540,499.12	42,540,499.12
Retained earnings	6,256,157.44	3,836,844.05
Net profit	8,125,513.22	5,930,234.32
Total	56,922,169.78	52,307,577.49



### 13. Non-current liabilities

EUR	2020	2019
Loans from financial institutions	8,600,000.00	15,500,000.00
Other non-current liabilities	2,000,000.00	126,000.00
<b>Total</b>	<b>10,600,000.00</b>	<b>15,626,000.00</b>

### 14. Current liabilities

EUR	2020	2019
Interest-bearing		
Current interest-bearing liabilities	8,200,000.00	3,600,000.00
Liabilities to Group companies		
Borrowings	64,193,781.11	64,159,867.14
<b>Total interest-bearing current liabilities</b>	<b>72,393,871.11</b>	<b>67,759,867.14</b>
Liabilities to Group companies		
Accounts payable	76,303.21	45,136.00
Accruals and deferred income	8,329,373.03	3,064,109.89
To others		
Accounts payable	393,288.95	151,286.71
Other liabilities	207,707.47	1,016,778.29
Accruals and deferred income	741,020.95	1,423,864.34
<b>Total interest-free current liabilities</b>	<b>9,747,693.61</b>	<b>5,701,175.23</b>
<b>Total current liabilities</b>	<b>82,141,564.72</b>	<b>73,461,042.37</b>

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

EUR	2020	2019
Due during the current financial period	258,533.07	338,853.78
Due later	77,296.26	269,758.03
<b>Total</b>	<b>335,829.33</b>	<b>608,611.81</b>

#### Other lease liabilities

EUR	2020	2019
Due during the current financial period	2,809,252.27	2,878,454.89
Due later	6,594,815.56	5,262,456.81
<b>Total</b>	<b>9,404,067.83</b>	<b>8,140,911.70</b>

#### Other liabilities

EUR	2020	2019
Collateral pledged for own commitments		
Other	633,900.41	633,900.41
<b>Total</b>	<b>633,900.41</b>	<b>633,900.41</b>

### 16. Share bonus scheme

The purpose and key terms of the scheme are presented in section 4.4 of the consolidated financial statements.

The maximum number of shares promised as share rewards is 525,000. They represent 2.0 per cent of share capital and the total number of shares. The number of people participating in the scheme as at 31 December 2020 was 11, including the CEO. The fair value of the share bonus scheme on 31 December 2020 was EUR 1,238,393.

# Signatures to Annual Report and Financial Statements

Digia's direction

Helsinki, 9 February 2021

Digia 2020

Responsible Digia

Robert Ingman  
Chair of the Board of Directors

Martti Ala-Härkönen

Santtu Elsinen

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Päivi Hokkanen

Seppo Ruotsalainen

Outi Taivainen

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Timo Levoranta  
President & CEO

# Auditor's Note

Digia's direction

A report of the audit has been submitted today.

Digia 2020

Helsinki, 9 February 2021

Responsible Digia

KPMG Oy Ab

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Virpi Halonen  
Authorised Public Accountant

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List of accounting books and storage methods

Accounting books

Journals  
General ledger  
Accounts receivable  
Accounts payable  
Payroll  
Travel Invoices

Storage method

electronic archive  
electronic archive  
electronic archive  
electronic archive  
electronic archive  
electronic archive

Balance sheet book  
Itemisations of balance sheet

separately bound  
electronic archive

Voucher types and storage method

Eurocard vouchers  
Accruals  
Bank receipts  
Travel and expense invoices  
Sales invoices  
Sales payments  
Memoranda  
Purchasing invoices  
Payments of purchases  
Payroll receipts  
Tax account receipts

until 1 January 2026

paper documents  
electronic archive  
paper documents  
electronic archive  
electronic archive  
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paper documents

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# 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.

## Annual General Meeting of Digia Plc

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Digia Plc (business identity code 0831312-4) for the year ended December 31, 2020. 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 3.7 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 61.5 million – Note 7.1 to the consolidated financial statements

##### The key audit matter

Goodwill totaling EUR 61.5 million, has increased by EUR 3.7 million due to acquisition during the financial year 2020. Goodwill comprise a significant portion of 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 estimates and judgement in assessing the development of Group's net sales and costs as well as the changes of market condition on the Group's earnings trend.

Due the management judgment involved and significant carrying amount, valuation of goodwill is key audit matter.

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

Our audit procedures related to goodwill impairment tests included, among others:

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- we have analyzed the reasonable of assumptions underlying the goodwill impairment tests such as profitability, discount rate and forecasted growth rate.
- we have involved KPMG valuation specialists in audit. They have tested accuracy of the technical model and analyzed the reasonableness of the assumptions underlying the goodwill impairment tests compared to the market information.
- we have compared the assumptions used in previous year's impairment tests, especially in respect of net sales and profitability, into performance in 2020, to assess the accuracy of Digia's estimation process.
- we have considered the accuracy and adequacy of the disclosures in respect of goodwill and impairment testing.

### 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 compa-

ny 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

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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 the President 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 February 9, 2020

KPMG OY AB

Virpi Halonen

Authorised Public Accountant, KHT



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