

Digia Plc
Financial Statement Bulletin
7 February 2020 at 8:00 am

Digia Plc's Financial Statement Bulletin 2019

A strong close to a year of growth: October–December net sales rise by 20.8% and operating profit improves by 111.4%

October–December 2019

- Net sales: EUR 37.7 (31.2) million, up 20.8 per cent
- EBITA operating profit EUR 3.5 (1.7) million; up 108.6%, EBITA margin 9.2% (5.3%) of net sales
- Operating profit: EUR 3.0 (1.4) million, up 111.4 per cent, operating margin: 8.0 (4.6) per cent of net sales
- Earnings per share: EUR 0.08 (0.04)

January–December 2019

- Net sales: EUR 131.8 (112.1) million, up 17.6 per cent
- EBITA operating profit EUR 11.0 (7.3) million; up 51.1%, EBITA margin 8.3% (6.5%) of net sales
- Operating profit: EUR 9.6 (6.5) million, up 48.6 per cent, operating margin: 7.3 (5.8) per cent of net sales
- Earnings per share: EUR 0.27 (0.18)
- Return on investment: 13.5 (10.6) per cent
- Equity ratio: 47.2 (54.9) per cent
- Digia's Board of Directors proposes the payment of a dividend of EUR 0.10 per share (EUR 0.07 per share in 2018).
- Profit guidance for 2020: Digia's net sales will grow and operating profit (EBITA) will improve compared to 2019.

Unless otherwise stated, the comparison figures provided in parentheses refer to the corresponding period of the previous year. Going forward, in addition to operating profit (EBIT), Digia will also report its operating profit (EBITA), which is operating profit before amortisation of acquisition costs. From now on, Digia's profitability-related financial target and profit guidance will be based on operating profit (EBITA).

Digia's new strategy and financial objectives for 2020–2022

In the strategy period 2020–2022, Digia seeks annual net sales growth exceeding 10% 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.

Digia's new strategy for 2020–2022, Next Level, is the next logical step in the company's growth journey. In the strategy, we place particular emphasis on the potential of data utilisation in our customers' services and business processes. For more information, see the stock exchange release published on 7 February 2020.

GROUP KEY FIGURES

EUR 1,000	10-12/ 2019	10-12/ 2018	Change %	1-12/ 2019	1-12/ 2018	Change %
Net sales	37,680	31,181	20.8 %	131,824	112,122	17.6 %
Operating profit before amortisation of acquisition costs (EBITA)	3,469	1,663	108.6 %	11,003	7,283	51.1 %
- as a % of net sales	9.2 %	5.3 %		8.3 %	6.5 %	
Operating profit (EBIT)	3,001	1,419	111.4 %	9,648	6,494	48.6 %
- as a % of net sales	8.0 %	4.6 %		7.3 %	5.8 %	
Result for the period	2,236	1,157	93.3 %	7,090	4,704	50.7 %
- as a % of net sales	5.9 %	3.7 %		5.4 %	4.2 %	
Return on equity, %				14.0 %	10.2 %	
Return on investment, %				13.5 %	10.6 %	
Cash flow from operations				12,294	3,602	
Interest-bearing net liabilities				22,616	12,707	78.0 %
Gearing, %				42.5 %	26.6 %	
Equity ratio, %				47.2 %	54.9 %	
Number of personnel at period- end				1,266	1,091	16.0 %
Average personnel	1,270	1,090	16.5 %	1,186	1,069	11.0 %
Shareholder's equity				53,190	47,782	11.3 %
Balance sheet total				114,116	88,104	29.5 %
Earnings per share	0.08	0.04	94.0 %	0.27	0.18	51.3 %

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. The effect of IFRS 16 on the lease payment obligation recognised in Digia's balance sheet as at 1 January 2019 amounted to EUR 11.2 million. Right-of-use assets as per IFRS 16 amounted to EUR 11.2 million on 1 January 2019 and EUR 9.2 million on 31 December 2019. The adoption of IFRS 16 has impacted, for instance, on certain key figures calculated from the balance sheet and the cash flow statement. IFRS 16 does not have a material impact on the operating profit or result for the review period.

PRESIDENT & CEO TIMO LEVORANTA:

“I am pleased with the improvement in Digia’s performance and profitable growth in the 2019 fiscal year. In line with our objectives, Digia’s net sales experienced extremely vigorous growth in the last quarter, with strong growth being seen throughout the 2019 fiscal year. At the same time, both our operating profit and operating margin improved significantly in both the last quarter and the entire 2019 fiscal year. These results show that we are on the right path in implementing our strategy.

In the fourth quarter, our net sales rose to almost EUR 38 million, representing growth of 21 per cent on the previous year. Full-year net sales totalled about EUR 132 million, which is a year-on-year increase of 17.6 per cent. Organic growth amounted to 8.6 per cent during the fourth quarter and 8.4 per cent during the fiscal year. The acquisitions of Accountor Enterprise Solution Oy and Starcut Oy also contributed to net sales growth.

Both the service and maintenance business and the project business saw good growth. Services and maintenance accounted for about 62 per cent of full-year net sales and the project business for about 38 per cent.

In addition to net sales growth, I am also very satisfied with the development of our operating profit. Fourth-quarter operating profit (EBIT) totalled EUR 3.0 (1.4) million and full-year operating profit EUR 9.7 (6.5) million. The operating margin (EBIT-%) was 8.0 (4.6) per cent of total net sales for the fourth quarter and 7.3 (5.8) per cent for the fiscal year as a whole. The long-term, systematic development of our operations is the main reason for our strong earnings performance. I expect that our operating profit will also develop favourably in 2020.

Digia’s overall offering has been proven to work, as all five of our service areas increased their net sales both in the fourth quarter and during the year as a whole. Particularly strong growth was seen in Microsoft business systems, integrations and API (that is, application programme interfaces), and analytics. The growing need for cloud integration and API management solutions and, in the analytics business, knowledge-based management and data warehouse expertise was also evident in demand. The smart utilisation of data in business is both a strengthening trend and a key success factor for Digia.

Digital solutions have become an increasingly critical aspect of our customers’ core business. One clear indication of this is our customers’ growing need for round-the-clock (24/7) monitoring of business processes. For example, the number of customers using Digia liris – which is part of our monitoring service offering – doubled during 2019, while the number of measurement points also increased significantly. Digia liris extends monitoring to cover not only technical functionality but also processes relating to the customer experience. Digia liris utilises both commercial technologies and our own product development. This solution is used by companies such as HSL, for whom Digia Iris provides an operational view and visibility of the monitored systems, including 24/7 fault management.

Customer experience is a decisive factor in, for example, the customer loyalty app we provide for Stockmann; the Holiday Club and Etra webstores; and Helsinki Regional Transport Authority’s HSL app, which is one of Finland’s most popular apps.

Skilled personnel who are committed to the objectives of our customers form the cornerstone of our operations. During 2019 the number of Digia employees rose by 175 to an average of 1,186. During the year, we encapsulated the cultural principles that support both personal and business growth at Digia: learning, sharing, courage and professional pride.

Digia’s strength lies in its broad-ranging and profound technological expertise combined with an encouraging and evolving workplace culture. During the fiscal year, we continued to develop our culture and profound expertise through training programmes and by supporting job rotation opportunities and a variety of different ways of sharing knowledge. We also continued our Effective Manager leadership programme, which has received excellent feedback. I was also delighted to see that we scored our highest ever results in the Pulse survey, which measures the smoothness of cooperation.

We believe in a world in which value is created in ecosystems through smart data management.”

PROFIT GUIDANCE FOR 2020

Profit guidance for 2020: Digia's net sales will grow and operating profit (EBITA) will improve compared to 2019.

BRIEFING INVITATION

Digia will hold a briefing for analysts on Friday 7 February 2020 at 11 am at the Business Meeting Park, Helsinki (Forum, Mannerheimintie 20 B). Welcome.

The material and presentation for the event will be available from 11 am on 7 February 2019 on the company's website: www.digia.com/en/investors/reports-and-presentations.

FINANCIAL STATEMENTS AND ANNUAL REPORT 2019

Digia Plc's 2019 Annual Report will be published on 21 February 2020 in electronic format on the company's website digia.com/en/investors/reports-and-presentations.

The Board of Directors' report and the financial statements for 2019 will be published as part of the Annual Report.

FURTHER INFORMATION

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DISTRIBUTION

Nasdaq Helsinki
Key media
digia.com

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. Digia net sales were EUR 131.8 million in 2019. The company is listed on Nasdaq Helsinki (DIGIA). digia.com

Digia Plc's Financial Statement Bulletin 2019

Digia is a profitably growing IT service company that helps its customers harness digitalisation opportunities. We are esteemed as a visionary and reliable partner in the connected and data-driven world. We provide our customers with a comprehensive service package covering mobile and online services, data platforms and knowledge-based management, integrations and APIs (application programme interfaces), 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.

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

MARKETS AND BUSINESS ENVIRONMENT

Digia primarily operates in the Finnish IT service and software market, and expects continued growth in the IT service market. The underlying long-term trend is digitalisation which, in its various forms, supports demand. 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** in services is a critical success factor
- The role of **cloud technologies** as a platform for developing and operating services is becoming the norm
- **Data security requirements** are increasing

Digia has consistently built its market position as a turn-key solutions provider and service company. Our offering has successfully met market demand. However, continual developments in our 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 a combination of technologies and people's professional skills. This is why we want to be a desirable employer, and why we will continue to invest in our corporate culture, lifelong learning, and operating methods in which we provide smart technological solutions to support everyday working life.

Digitalisation is showing no signs of stopping. Software, data and increasingly smart solutions are changing the world. At the same time 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' internal operations and individuals, we are moving towards a symbiosis between humans and software, where people focus on meaningful tasks while automation and smart software handle part of the work.

NET SALES

October–December 2019

Digia's fourth-quarter net sales for 2019 totalled EUR 37.7 (31.2) million, up 20.8 per cent on the corresponding period of the previous year. Organic growth accounted for 8.6 per cent of net sales growth. Net sales growth was seen in Microsoft ERP systems and business analytics in particular. Digia's increased payroll and improved efficiency both helped to accelerate our net sales growth.

The service and maintenance business accounted for 60.6 (65.2) per cent and the project business for 39.4 (34.8) per cent of the company's net sales in the fourth quarter of 2019. The net sales of both the project and the service and

maintenance businesses include product business activities, which accounted for 13.4 (17.1) per cent of the entire company's net sales. The product business comprises the licence sales of both Digia and its partners, as well as licence maintenance. As purchasing behaviour has changed in the business, part of the net sales of the product business now fall within the scope of service contracts and are reported on as net sales for the service business.

January–December 2019

Digia's full-year net sales for 2019 totalled EUR 131.8 (112.1) million, representing a year-on-year increase of 17.6 per cent. Organic growth accounted for 8.4 per cent. Strong growth was seen in Microsoft ERP systems, integration and API, and analytics. Demand for Digia's own ERP systems has remained consistently good. Acquisitions made during the year also contributed to net sales growth.

The service and maintenance business accounted for 61.8 (62.6) per cent of net sales, while the project business accounted for 38.2 (37.4) per cent. The product business accounted for 14.7 (17.8) per cent of the company's net sales.

PROFIT AND PROFITABILITY

October–December 2019

Digia's operating profit (EBIT) for the fourth quarter of 2019 totalled EUR 3.0 (1.4) million with an operating margin (EBIT%) of 8.0 (4.6) per cent. Operating profit rose in all service areas thanks to both improved efficiency and the termination of some old, loss-making contracts. Earnings before taxes were EUR 2.9 (1.4) million, with earnings after taxes totalling EUR 2.2 (1.2) million. Earnings per share were EUR 0.08 (0.04). Net financial expenses amounted to EUR 0.1 (0.0) million.

January–December 2019

Digia's operating profit for 2019 was EUR 9.6 (6.5) million with an operating margin (EBIT-%) of 7.3 (5.8) per cent. Profitability improved in almost all of our service areas. Our profitability has been improved by our determined efforts to develop our service offering, organisation and operating methods. Full-year earnings before taxes were EUR 9.1 (6.0) million, with earnings after taxes totalling EUR 7.1 (4.7) million. Earnings per share were EUR 0.27 (0.18). Net financial expenses amounted to EUR 0.5 (0.5) million.

RESEARCH AND DEVELOPMENT

Digia continually invests in R&D that seeks to meet market demand. 2019 research and development expenses totalled EUR 6.3 (6.1) million, which represented 4.8 (5.4) per cent of net sales. The main focus of R&D is on our own ERP systems (Digia Enterprise, financial sector ERP and logistics ERP). Among other things, we also developed control and monitoring technologies and AI-based analytics solutions. Our R&D investments are being even more precisely targeted at selected areas, which is why they account for a relatively smaller percentage of net sales than in the comparison period.

FINANCING, CASH FLOW AND EXPENDITURE

At the end of 2019, Digia's balance sheet total stood at EUR 114.1 (88.1) million and its equity ratio at 47.2 (54.9) per cent. Net Gearing was 42.5 (26.6) per cent. The balance sheet and Net Gearing grew because lease contracts have been recognised as right-of-use assets and lease liabilities according to IFRS 16 as from 1 January 2019.

At the end of December 2019, Digia had EUR 28.5 (14.4) million in interest-bearing liabilities. These consisted of EUR 15.6 million in long-term and EUR 3.6 million in short-term loans from financial institutions, and EUR 9.3 million in lease liabilities. Cash flow from operating activities came to EUR 12.3 (3.6) million in 2019. Cash flow from investments was EUR -10.2 (-8.6) million. The acquisitions of Starcut Oy and Accountor Enterprise Solutions Oy are included in cash

flow from investments. Cash flow from financing was EUR 2.0 (-5.1) million. Digia financed the acquisition of Accountor Enterprise Solutions Oy with a bank loan, using a previously negotiated credit facility (RFI). During the last quarter, EUR 10.6 million of the short-term RFI loan was converted into a long-term loan. Digia has a long-term financing agreement with Danske Bank Plc.

Total investments in fixed assets amounted to EUR 0.2 (0.7) million in 2019. Return on investment (ROI) stood at 13.5 (10.6) per cent. Return on equity (ROE) was 14.0 (10.2) per cent.

HUMAN RESOURCES AND ADMINISTRATION

The number of Digia employees totalled 1,266 on 31 December 2019, showing an increase of 175 employees, or 16.0 per cent, on year-end 2018 (31 Dec 2018: 1,091 employees). During the fiscal year, the number of employees averaged 1,186, representing an increase of 117 employees, or 11.0 per cent, on the 2018 average (2018: 1,069).

19 employees transferred to Digia as a result of the acquisition of Starcut Oy on 1 February 2019, and 113 employees as a result of the acquisition of Accountor Enterprise Solutions Oy on 1 August 2019.

During the fiscal year, we continued to develop our culture and profound expertise through training programmes and by supporting job rotation opportunities and a variety of different ways of sharing knowledge. We continued the Digia Effective Manager leadership programme, which has received excellent feedback. We once again conducted a Pulse survey to measure the smoothness of cooperation and achieved the highest result ever.

Employees by location:

	31 Dec 2019	31 Dec 2018	Change, no. of employees
Helsinki	743	664	79
Tampere	251	178	73
Jyväskylä	160	152	8
Turku	51	33	18
Rauma	28	30	-2
Vaasa	11	13	-2
Lahti	11	10	1
Oulu	6	6	0
Stockholm	5	5	0
Total	1,266	1,091	175

On 31 December 2019, Digia's Management Team consisted of:

- Timo Levoranta, President and CEO
- Pia Huhdanmäki, Senior Vice President, HR and Culture
- Juhana Juppo, Chief Technology Officer (CTO)
- Mika Kervinen, General Counsel
- Jukka Kotro, Senior Vice President, Digia Business Platforms
- Tuomo Niemi, Senior Vice President, Digia Financial Platforms
- Ari Rikkilä, Senior Vice President, Sales and Marketing
- Kristiina Simola, Chief Financial Officer (CFO)
- Harri Vepsäläinen, Senior Vice President, Digia Digital
- Teemu Virtanen, Senior Vice President, Digia Business Connect

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

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

CHANGES IN THE GROUP STRUCTURE

In early 2019, to clarify its group structure, Digia started the merger process of its subsidiaries Avarea Oy and Starcut Oy into Digia Finland Oy. The merger of Avarea came into force on 31 May 2019 and the merger of Starcut on 31 August 2019. Digia Business Platforms Oy (formerly Accountor Enterprise Solutions Oy) was merged into Digia Finland Oy on 31 December 2019.

At the end of the fiscal year, the Digia Group included the parent company Digia Plc and its subsidiaries Digia Finland Oy, Mavisystems Oy, Mirosys Oy and Digia Sweden AB.

SHARE CAPITAL AND SHARES

On 31 December 2019, the number of Digia Plc shares totalled 26,823,723. The company had a total of 6,556 (5,907) shareholders.

Digia Plc held a total of 57,372 treasury shares at the end of 31 December 2019. The accounting counter value of these treasury shares is EUR 0.10 per share. The company held about 0.2 per cent of its capital stock.

At the end of the year, a total of 198,418 company shares, previously funded by Digia for use in the incentive system for key personnel and under the management of Evli Awards Management Ltd, remained undistributed.

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

According to the list of shareholders on 31 December 2019, 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	7,026,000
Martti Ala-Härkönen	20,000
Santtu Elsinen	0
Päivi Hokkanen	10,833
Seppo Ruotsalainen, Vice Chair	6,000
Outi Taivainen	289
Timo Levoranta, President and CEO	48,607

At year-end, the CEO and members of the Board of Directors held a total of 7,111,729 of the company's shares, representing 26.5 per cent of all shares and votes.

REPORTED SHARE PERFORMANCE ON THE HELSINKI STOCK EXCHANGE

Digia Plc's shares are listed on NASDAQ Helsinki under IT, IT Consulting & Other Services. The company's short name is DIGIA. The lowest reported share quotation in January–December 2019 was EUR 2.53 and the highest EUR 4.08. The share officially closed at EUR 3.99 on 31 December 2019. The share's trade weighted average price was EUR 3.21. The company's market capitalisation totalled EUR 107,026,655 on 31 December 2019.

FLAGGING NOTIFICATIONS

On 3 January 2019, Digia Plc was notified of a change in the company's ownership, in accordance with Chapter 9 section 10 of the Finnish Securities Market Act. Erkki Etola informed Digia that the combined holding of Tiiviste-Group Oy and Etola Oy, two companies under his control, exceeded the flagging limit of 10 per cent of Digia's shares and votes. After the change in shareholdings, companies controlled by Erkki Etola held a total of 2,930,495 Digia Plc shares, corresponding to 10.93 per cent of all Digia shares and votes. At the same time, Etola Oy's ownership exceeds 5 per cent of the flagging limit. After the change in holdings, Etola Oy owned 1,605,495 Digia Plc shares.

On 13 May 2019, Digia Plc was notified of a change in the company's ownership, in accordance with Chapter 9 section 10 of the Finnish Securities Market Act. Ingman Development Oy Ab informed Digia that its holding of Digia's shares and votes exceeded the flagging limit of 25 per cent. After the change in holdings, Ingman Development Oy Ab owned 7,000,000 Digia Plc shares, corresponding to 26.10 per cent of all Digia shares and votes.

DECISIONS OF THE ANNUAL GENERAL MEETING AND THE ORGANISATION OF THE BOARD OF DIRECTORS

Digia Plc's Annual General Meeting (AGM), held on 15 March 2019, adopted the company's annual accounts, including the consolidated annual accounts for 1 January-31 December 2018, and discharged the members of the Board and the President and CEO from liability.

Dividends

In accordance with the proposal of the Board of Directors, the Annual General Meeting decided that a dividend of EUR 0.07 per share be paid according to the confirmed balance sheet for the financial year ending 31 December 2018. It was decided that the dividend would be paid on 26 March 2019 to shareholders registered in the Register of Shareholders maintained by Euroclear Finland Oy on the record date of 19 March 2019.

Composition of the Board of Directors

The AGM decided to elect six members to the Board. Re-elected as Board members were: Martti Ala-Härkönen, Santtu Elsinen, Päivi Hokkanen, Robert Ingman, Seppo Ruotsalainen and Outi Taivainen. Robert Ingman was elected as Chairman of the Board and Seppo Ruotsalainen as Vice Chairman of the Board.

The Board decided on the composition of the Board's committees as follows:

Audit Committee: Seppo Ruotsalainen (Chairman), Martti Ala-Härkönen and Santtu Elsinen

Compensation Committee: Päivi Hokkanen (Chairman), Robert Ingman and Outi Taivainen

Nomination Committee: Seppo Ruotsalainen (Chairman), Martti Ala-Härkönen and Robert Ingman.

Remuneration of the members of the Board and the auditor

The AGM decided that the monthly remuneration payable to the Board Members shall be EUR 3,000, to the Vice Chairman of the Board EUR 4,000 and to the Chairman of the Board EUR 5,500. In addition, remunerations of EUR 1,000 to the Chairman and EUR 500 to other members are paid per each Board and Board Committee meeting. It was decided that Board members will be reimbursed for ordinary and reasonable expenses resulting from Board work against an invoice.

The AGM decided that the company's auditor will be paid according to the auditor's reasonable invoice approved by the company.

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

The AGM authorised the Board of Directors to decide on the buyback and/or acceptance as collateral of no more than 2,000,000 company shares using the company's unrestricted equity. The Board will decide on how these shares are to be acquired. Treasury shares may be bought back in disproportion to shareholders' holdings. This authorisation also includes the acquisition of shares through public trading on Nasdaq OMX Helsinki in accordance with the rules and instructions of Nasdaq OMX Helsinki and Euroclear Finland Ltd, or through offers made to shareholders. Shares may be acquired in order to improve the company's capital structure, to fund or complete acquisitions or other business transactions, to offer share-based incentive schemes, to sell on, or to be annulled. The shares must be acquired at the market price in public trading. This authorisation supersedes that granted by the AGM of 15 March 2018 and is valid for 18 months, that is, until 15 September 2020.

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, 4,000,000 shares. The authorisation applies both to new shares and to treasury shares held by the company. By virtue of the authorisation, the Board also has the right to decide on share issues and the granting of special rights, in deviation from the preemptive subscription rights of the shareholders (a directed issue); however, the issue may total 2,000,000 shares at a maximum. The authorisation may be used to fund or complete acquisitions or other business transactions, for offering share-based incentive schemes, to develop the company's capital structure, or for other purposes decided by the Board. The Board was authorised to decide on all terms relating to the share issue or special rights, including the subscription price, its payment and its recognition in the company's balance sheet. This authorisation supersedes that granted by the AGM of 15 March 2018 and is valid for 18 months, that is, until 15 September 2020.

More information about the AGM's decisions is available at www.digia.com/en/investors/governance/annual-general-meeting/agm-2019.

COMPANY ACQUISITIONS

On 31 January 2019, Digia Plc and the owners of Starcut Oy signed an agreement whereby Digia Plc acquired Starcut Oy's entire share capital. With this acquisition, Digia bolsters its Digia Digital service area, which comprises service design, analytics, e-commerce and agile application development. In 2018, Starcut Oy's net sales amounted to EUR 1.3 million. Following the acquisition, Starcut's 19 employees transferred into Digia's employ.

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.

EVENTS AFTER THE REVIEW PERIOD

There have been no major events since the end of the reporting period.

RISKS AND UNCERTAINTIES

According to the company's estimate, there have been no substantial changes in Digia's major risks or operating environment in 2019.

The company's risks and uncertainty factors relate to increasing competition and potential significant changes in the company's operating environment and service areas. General economic trends and changes in our customers' operating environment 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. Although

the pricing models of the service business balance out cyclical business, SaaS (Software as a Service) tends to involve longer-term revenue streams rather than one-off payments.

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

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

Digia has not performed human rights-related assessments, but in the company's opinion there are no significant risks of human rights violations inherent in our own operations. Digia's supply chain does not, in the main, extend outside Finland. Digia has not performed an environmental assessment, but in the company's opinion our operations have a minor impact on the environment and do not involve any significant environmental risk factors.

Major customer projects involve both business opportunities and risks. As customer projects increase in size, the risks associated with profitability management also grow, and there is a greater need to manage extensive contract and delivery packages. Large customer projects typically involve delivery-related sanctions whose materialisation always poses a risk, and the risks relating to customer receivables also increase. In addition, data security and protection risks comprise a significant risk area in the company's business operations.

OUTLOOK FOR 2020

Profit guidance for 2020: "Digia's net sales will grow and operating profit (EBITA) will improve on 2019."

BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF PROFIT

According to the balance sheet dated 31 December 2019, Digia Plc's unrestricted shareholders' equity was EUR 52,307,577, of which EUR 5,930,234 was profit for the fiscal year. At the Annual General Meeting, the Board of Directors will propose that a dividend of EUR 0.10 per share be paid according to the confirmed balance sheet for the fiscal year ending 31 December 2019. Shareholders listed on the shareholder register maintained by Euroclear Finland Oy on the dividend reconciliation date, 18 March 2020, will be eligible for the payment of dividend. Dividends will be paid on 25 March 2020.

Helsinki, 7 February 2020

Digia Plc

Board of Directors

TABLES SECTION

Accounting policies
Condensed consolidated income statement
Condensed consolidated balance sheet
Consolidated cash flow statement
Statement of changes in shareholders' equity
Notes to the Financial Statement Bulletin

ACCOUNTING POLICIES

This Financial Statement Bulletin has been prepared in compliance with IFRS and the IAS 34 standard. The financial statements have been audited. With the exception of the changes in accounting policies described below, the financial statements have been drafted in accordance with the accounting policies used in the financial statements for 31 December 2019.

Changes in accounting policies:

IFRS 16:

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.

IFRS 16 sets out requirements for the recognition, measurement, and disclosure of leases. 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 all its business premises, company cars, equipment and multifunction devices, and thus the adoption of the standard impacts on the accounting treatment of these items. The bulk of the lease liability and right-of-use asset in the balance sheet, about 85 per cent, 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.

The impacts of the adoption of IFRS 16 on the opening balance sheet dated 1 January 2019 are:

Assets:

Right-of-use assets plus EUR 11,223 thousand

Liabilities:

Long-term lease liability, interest-bearing: plus EUR 7,635 thousand

Short-term lease liability, interest-bearing: plus EUR 3,612 thousand

In addition, IFRS 16 affects the comparability of the following financial information:

- Depreciation according to plan has increased and lease expenses declined. Depreciation of right-of-use assets during the review period totalled EUR 3,517 thousand.

- The lease principal is presented in the cash flow from financing in the cash flow statement. During the fiscal year, repayments of the lease liability totalled EUR 1,972 thousand.
- Interest on lease liabilities during the fiscal year totalled EUR 164 thousand.
- IFRS 16 has impacts on key figures that have been calculated on the basis of the balance sheet total or interest-bearing liabilities.
- The change of standard has a significant effect on off-balance sheet commitments.

Right-of-use assets, 31 December 2019	EUR 1,000
Business premises	7,929
Cars	676
IT equipment	422
Equipment	123
Right-of-use assets, total	9,150

Lease liabilities 31 December 2019	EUR 1,000
Long-term	5,719
Short-term	3,556
Lease liabilities, total	9,275

CONDENSED FINANCIAL STATEMENTS AND NOTES

EUR 1,000	10-12/ 2019	10-12/ 2018	Change %	1-12/ 2019	1-12/ 2018	Change %
NET SALES	37,680	31,181	20.8%	131,824	112,122	17.6%
Other operating income	54	103	-47.5%	141	240	-41.0%
Materials and services	-4,344	-3,613	20.3%	-15,065	-12,595	19.6%
Depreciation, amortization and impairment*	-1,504	-718	109.5%	-5,496	-2,595	111.8%
Other operating expenses *	-28,885	-25,534	13.1%	-101,756	-90,677	12.2%
Operating profit (EBIT)	3,001	1,419	111.4%	9,648	6,494	48.6%
Financial expenses (net)	-103	-17	519.0%	-540	-526	2.6%
Profit before taxes	2,898	1,402	106.6%	9,108	5,968	52.6%
Income taxes	-662	-246	169.2%	-2,017	-1,264	59.6%
NET PROFIT	2,236	1,157	93.3%	7,090	4,704	50.7%
Other comprehensive income						

EUR 1,000	10-12/ 2019	10-12/ 2018	Change %	1-12/ 2019	1-12/ 2018	Change %
Items that may later be reclassified as profit or loss						
Exchange differences on the translation of foreign currency	-47	-12	302.0%	38	88	-56.8%
TOTAL COMPREHENSIVE INCOME	2,189	1,145	91.2%	7,128	4,792	48.7%
Distribution of net profit for the period						
Parent-company shareholders	2,236	1,157	93.3%	7,090	4,704	50.7%
Distribution of total comprehensive income:						
Parent-company shareholders	2,189	1,145	91.2%	7,128	4,792	48.7%
Earnings/share, EUR (basic and diluted EPS)	0.08	0.04	94.0%	0.27	0.18	51.3%

* Adoption of IFRS 16 had an impact of negative EUR 1,606 thousand on depreciation and positive EUR 1,523 thousand on other operating expenses.

CONDENSED CONSOLIDATED BALANCE SHEET

EUR 1,000	31 Dec 2019	31 Dec 2018
Assets		
Non-current assets		
Goodwill	57,771	50,462
Other intangible assets	6,378	3,592
Tangible assets	10,044	3,804
Investments	484	484
Non-current receivables	94	537
Deferred tax assets	558	209
Total non-current assets	75,328	59,088
Current assets		
Current receivables	32,950	27,282
Available-for-sale financial assets	0	334
Cash and cash equivalents	5,838	1,399
Total current assets	38,787	29,015
Total assets	114,116	88,104

EUR 1,000	31 Dec 2019	31 Dec 2018
Shareholders' equity and liabilities		
Share capital	2,088	2,088
Other reserves	5,204	5,204
Unrestricted shareholders' equity reserve	42,081	42,081
Translation difference	-422	-384
Retained earnings	-2,850	-5,910
Net profit	7,090	4,704
Equity attributable to parent-company shareholders	53,190	47,782
Total shareholders' equity	53,190	47,782
Liabilities		
Non-current interest-bearing liabilities	21,272	6,479
Non-current advances received	23	54
Other non-current liabilities	126	726
Deferred tax liabilities	1,250	640
Total non-current liabilities	22,671	7,899
Current interest-bearing liabilities	7,182	7,961
Other current liabilities	31,071	24,462
Total current liabilities	38,254	32,422
Total liabilities	60,925	40,322
Shareholders' equity and liabilities	114,116	88,104

CONSOLIDATED CASH FLOW STATEMENT

EUR 1,000	1 Jan 2019-31 Dec 2019	1 Jan 2018-31 Dec 2018
Cash flow from operations:		
Net profit	7,090	4,704
Adjustments to net profit	6,386	2,547
Change in working capital	-4,258	-5,766
Change in other receivables and liabilities	5,050	3,065
Interest paid	-311	-247
Interest income	0	3
Taxes paid	-1,662	-704
Cash flow from operations	12,294	3,602
Cash flow from investments:		
Purchases of tangible and intangible assets	-213	-647
Shares acquired in subsidiaries, net of cash and cash equivalents at the time of acquisition	-10,035	-7,979

Dividends received	13	10
Cash flow from investments	-10,236	-8,616
Cash flow from financing:		
Vuokrasopimusvelkojen lyhennykset (2018: Rahoitusleasing-velkojen lyhennykset)	-3,577	-1,204
Repayment of current loans	-19,826	-2,600
Withdrawals of current loans	14,200	0
Repayments of non-current loans	-4,800	-4,285
Withdrawals of non-current loans	18,100	4,289
Acquisition of treasury shares	-213	-243
Dividends paid	-1,864	-1,069
Cash flow financing	2 020	-5,112
Change in cash and cash equivalents	4,078	-10,125
Cash and cash equivalents at beginning of period	1,733	11,858
Change in cash and cash equivalents	4,078	-10,151
Effect of changes in foreign exchange rates	27	25
Cash and cash equivalents at end of period	5,838	1,733

CHANGES IN SHAREHOLDERS' EQUITY

EUR 1,000	a	b	c	d	e	f
Shareholders' equity 1 Jan 2018	2,088	42,081	5,204	-296	-4,941	44,136
Effect of IFRS 2 changes on shareholders' equity					36	36
Adoption of IFRS 9					-89	-89
Net profit					4,704	4,704
Other comprehensive income				-88		-88
Transactions with shareholders						
Dividends paid					-1,069	-1,069
Share-based payments recognised against equity					395	395
Redemption of own shares					-243	-243
Shareholders' equity 31 Dec 2018	2,088	42,081	5,204	-384	-1 206	47,782
Shareholders' equity 1 Jan 2019	2,088	42,081	5,204	-384	-1,206	47,782
Net profit					7,090	7,090
Other comprehensive income				-38		-38
Transactions with shareholders						
Dividends					-1,864	-1,864

EUR 1,000	a	b	c	d	e	f
Share-based payments recognised against equity					434	434
Redemption of own shares					-213	-213
Shareholders' equity 31 Dec 2019	2,088	42,081	5,204	-422	4,241	53,190

a = share capital

b = unrestricted shareholders' equity reserve

c = other reserves

d = currency translation differences

e = retained earnings

f = total shareholders' equity

PROPERTY, PLANT AND EQUIPMENT, AND INTANGIBLE ASSETS

31 Dec 2019 EUR 1,000	Tangible assets	Goodwill	Other intangible assets
Acquisition cost, 1 Jan 2019	26,085	101,856	34,436
IFRS 16 adoption	8,324	0	0
Acquisition cost, 1 Jan 2019	34,409	101,856	34,436
Transferred in acquisitions of business	113	0	4,449
Increases	2,360	7,308	28
Disposals	-560	0	-191
Acquisition cost 31 Dec 2019	36,322	109,165	38,722
Accumulated depreciation and amortisation, 1 Jan	-22,282	-51,394	-30,845
Depreciation (in income statement)	-3,997	0	-1,499
Accumulated depreciation and amortisation, 31 Dec 2019	-26,278	-51,394	-32,344
Book value, 1 Jan 2019	12,127	50,462	3,592
Book value, 31 Dec 2019	10,044	57,771	6,378
31 Dec 2018			
Acquisition cost, 1 Dec 2018	24,087	97,110	31,982
Transferred in acquisitions of business operations	19	0	0
Increases	2,046	4,747	2,465
Disposals	-67	0	-10
Acquisition cost 31 Dec 2018	26,085	101,857	34,436
Accumulated depreciation and amortisation 1 Jan 2018	-20,793	-51,394	-29,738
Depreciation (in income statement)	-1,489	0	-1,107
Accumulated depreciation and amortisation 31 Dec 2018	-22,282	-51,394	-30,845
Book value, 1 Jan 2018	3,293	45,715	2,243
Book value 31 Dec 2018	3,804	50,462	3,592

CONDENSED INCOME STATEMENT BY QUARTER

EUR 1,000	10-12/2019	7-9/2019	4-6/2019	1-3/2019	10-12/2018
Net sales	37,680	29,496	32,750	31,897	31,181
Other operating income	54	29	44	14	103
Materials and services	-4,344	-3,253	-3,773	-3,695	-3,613
Depreciation, amortisation and impairment	-1,504	-1,426	-1,290	-1,276	-718
Other operating expenses	-28,885	-23,055	-24,864	-24,951	-25,534
Operatin result	3,001	1,791	2,867	1,989	1,419
Financial expenses (net)	-103	-280	-45	-111	-17
Profit before taxes	2,898	1,511	2,822	1,878	1,402
Income taxes	-662	-390	-578	-388	-246
Net profit	2,236	1,121	2,244	1,489	1,157
Distribution of net profit for the period					
Parent-company shareholders	2,236	1,121	2,244	1,489	1,157
Earnings/share, EUR (basic and diluted EPS)	0.08	0.04	0.08	0.06	0.04

GROUP KEY FIGURES

EUR 1,000	1-12/2019	1-12/2018
Extent of business		
Net sales	131,824	112,122
Average capital invested	72,732	62,406
Number of personnel	1,266	1,091
Average personnel	1,186	1,069
Profitability		
Operating profit before amortisation of acquisition costs (EBITA)	11,003	7,283
- as a % of net sales	8.3%	6.5%
Operating profit (EBIT)	9,648	6,494
- as a % of net sales	7.3%	5.8%
Profit before taxes	9,108	5,968
- as a % of net sales	6.9%	5.3%
Net profit	7,090	4,704
- as a % of net sales	5.4%	4.2%
Return on equity, %	14.0%	10.2%
Return on investment, %	13.5%	10.6%
Financing and financial standing *		

Interest-bearing net liabilities	22,616	12,707
Net Gearing	42,5 %	26,6 %
Equity ratio	47,2 %	54,9 %
Cash flow from operations	12,294	3,602
Earnings per share, EUR, undiluted	0,27	0,18
Earnings per share, EUR, diluted	0,27	0,18
Equity/share, EUR	1,98	1,78
Lowest share trading price, EUR	2,53	2,10
Highest share trading price, EUR	4,08	3,13
Average share price, EUR	3,21	2,73
Market capitalisation	107,027	76 448

* Adoption of IFRS 16 has impacted on the key figures.

FORMULAS

Operating profit before amortisation of acquisition costs (EBITA):

Operating profit + amortisation of acquisition costs

Operating profit before amortisation of acquisition costs (EBITA) margin, %:

$$\frac{\text{Operating profit} + \text{amortisation of acquisition costs} \times 100}{\text{Net sales}}$$

Return on investment (ROI),%:

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

Return on equity (ROE),%:

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

Equity ratio (%):

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

Earnings per share:

$$\frac{\text{Profit before taxes} - \text{taxes} \pm \text{minority interest}}{\text{Average number of shares during the period, adjusted for share issues}}$$

Dividend per share:

$$\frac{\text{Total dividend}}{\text{Average number of shares during the period, adjusted for share issues}}$$

Number of shares at the end of the period, adjusted for share issues

Dividend payout ratio, %:

Dividend per share
Earnings per share

Net Gearing:

(Interest-bearing liabilities - cash and cash equivalents) x 100
Shareholders' equity

Effective dividend yield,%:

Dividend per share x 100
Last trading price for the period, adjusted for share issues

Price/earnings (P/E):

Last trading price for the period, adjusted for share issues

LARGEST SHAREHOLDERS, 31 DEC 2019

	Shareholders	Shares and votes	%
1.	Ingman Development Oy Ab	7,000,000	26.1
2.	Ilmarinen Mutual Pension Insurance Company	3,912,774	14.6
3.	Etola Oy	1,605,495	6.0
4.	Tiiviste-Group Oy	1,325,000	4.9
5.	Varma Mutual Pension Insurance Company	1,247,142	4.6
6.	Savolainen Matti Ilmari	883,959	3.3
7.	Skandinaviska Enskilda Banken AB (Publ), Helsinki branch office	431,823	1.6
8.	Nordea Bank Abp	413,684	1.5
9.	OP-Suomi Pienyhtiöt investment fund	350,015	1.3
10.	OP-Suomi Mikroyhtiöt special investment fund	317,179	1.2
	Total	17,487,071	65.2