

Digia Plc
 Financial Statement Bulletin
 3 February 2017 at 8:00 am

Digia Plc's Financial Statement Bulletin 2016

A year of laying the foundations for Digia's growth – full-year net sales up about 7 per cent

The demerger of Digia Plc and Qt Group Plc came into force on 1 May 2016. This financial statement bulletin presents the business operations of Digia Plc, the former Domestic segment (continuing operations). Qt Group's business operations are treated as discontinued operations. In addition to Qt's net result, the reported figures for discontinued operations include demerger expenses and the difference between the fair values and carrying amounts of net assets transferred to Qt.

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

October-December

- Net sales EUR 23.7 (23.2) million, up 2.2 per cent
- Operating profit EUR 1.6 (2.0) million, 6.6 (8.8) per cent of net sales
- Earnings per share EUR 0.05 (0.05)

January-December

- Net sales EUR 86.5 (80.9) million, up 6.8 per cent
- Operating profit EUR 5.4 (5.9) million, 6.3 (7.2) per cent of net sales
- Earnings per share EUR 0.20 (0.20)
- Earnings per share (discontinued operations) EUR 3.63
- Digia's Board of Directors proposes the payment of a dividend of EUR 0,08 per share (EUR 0.08 per share in 2015).
- Outlook for 2017: Digia's net sales growth is expected to accelerate in 2017 (2016: net sales up 6.8%). Operating profit in 2017 is estimated to remain on a par with the previous year.

GROUP KEY FIGURES

	10-12/ 2016	10-12/ 2015	Change, %	1-12/ 2016	1-12/ 2015	Change, %
Continuing operations						
Net sales	23,694	23,184	2.2%	86,463	80,946	6.8%
Operating profit	1,573	2,039	-22.8%	5,419	5,854	-7.4%
- as a % of net sales	6.6%	8.8%		6.3%	7.2%	
Profit for the period	1,002	1,285	-22.0%	4,064	4,246	-4.3%
- as a % of net sales	4.2%	5.5%		4.7%	4.8%	
Profit for the period, discontinued operations	21	381		75,843	981	
Total profit for the period, continuing and discontinued operations	1,023	1,666		79,907	5,228	
Return on equity, %	48.7%	14.4%		11.0%	13.5%	
Return on investment, %	34.5%	16.9%		11.0%	15.6%	
Interest-bearing	13,686	13,513	1.3%	13,686	13,513	1.3%

liabilities						
Cash and cash equivalents	1,994	6,710	-70.3%	1,994	6,710	-70.3%
Net gearing, %	35.6%	16.6%		35.6%	16.6%	
Equity ratio, %	49.8%	53.7%		49.8%	53.7%	
Earnings per share, EUR, undiluted	0.05	0.07		0.20	0.20	
Earnings per share, EUR, diluted	0.05	0.07		0.20	0.20	

DIGIA'S PRESIDENT & CEO TIMO LEVORANTA

“We revised our strategy in conjunction with the demerger of Digia and Qt. Our growth strategy, which was published in the spring, seeks to strengthen the company’s position, particularly in the growing market for digital services, process digitalisation and the service business. We want to significantly outpace IT market growth and are seeking average annual growth of 15 per cent. We are seeking growth both organically and inorganically.

2016 was a year of building our business and creating a foundation for growth. 2017 is a year of accelerating growth.

In order to support this growth, we restructured our organisation and began updating our operating models. Digia now comprises four service areas: Digital Services, Integration and Information Management, Industry Solutions, and Digia Financial Solutions and Services.

During the year, we grew both organically and through acquisitions. We enhanced and restructured our expertise, and also actively invested in recruitment. Digia’s payroll increased by 113 people in 2016, of whom 75 persons were hired during the second half of the year.

We made a strategic acquisition in June, bolstering our position in digital services and the growing e-commerce market by acquiring the entire share capital of Igence Oy Ab.

In Finance Solutions and Services, we launched a new business in which we offer a variety of services, such as back office functions for asset management. We launched cooperation with our first customer at the beginning of October.

In November, we signed a 15-year framework agreement with the Tax Administration to deliver, maintain and further develop the national income register solution. The project was launched in late 2016. At Digia, we are working to make Finnish society more competitive and functional through digitalisation.

Digia’s net sales for 2016 totalled EUR 86.5 (80.9) million, representing growth of 6.8 per cent on the previous year. Net sales growth was supported by growth in the integration business, the customised solutions service business, the ERP business based on the company’s own technologies, and the acquisition made in the digital services segment during the summer. In the last quarter, net sales growth slowed down due to certain challenging delivery projects.

Digia’s operating profit totalled EUR 5.4 (5.9) million in 2016. Operating profit was impacted by recruitment and sales outlays and the end of a long-term maintenance customer relationship in Financial Solutions and Services in Sweden.

In the view of the company’s management, digitalisation and the transformation of business models involve major opportunities. Demand for IT systems and software as services continued to become increasingly commonplace. This trend can be seen throughout Digia’s offering. To respond to these opportunities, Digia is continuing to make outlays on the renewal of its business models, personnel development and recruitment as well as bolstering its offering.

We estimate that market development will be favourable compared with 2016. Our key goal in 2017 is to accelerate our net sales growth.”

PROPOSAL FOR DIVIDEND DISTRIBUTION

The distributable shareholders' equity of Digia Plc totalled EUR 33,571,493 on 31 December 2016, of which EUR 2,297,693 was net profit for the year. At the Annual General Meeting, the Board of Directors will propose that a dividend of EUR 0,08 per share be paid according to the confirmed Balance Sheet for the fiscal year ending 31 December 2016. Shareholders listed in the shareholder register maintained by Euroclear Finland Oy on the dividend reconciliation date, 20 March 2017, will be eligible for the dividend. Dividends will be paid on 29 March 2017.

INVITATION TO THE BRIEFING ON THE FINANCIAL STATEMENT BULLETIN

Digia will hold a briefing for analysts on Friday 3 February 2017 at 11 am, in the Espa cabinet at Hotel Scandic Simonkenttä, Simonkatu 9, 00100 Helsinki, Finland. Welcome.

The presentation and materials for the event will be available from 11 am on 3 February 2017 in the Investors section of the company's website: www.digia.com/en/investors/reports-and-presentations.

FINANCIAL STATEMENTS AND ANNUAL REPORT 2016

Digia Plc's 2016 Annual Report will be published on 16 February 2017 in electronic format on the company's website: www.digia.com and vuosikertomus2016.digia.com.

The Report of the Board of Directors and the 2016 Financial Statements will be published as part of the Annual Report.

APPLICATION OF NEW ESMA GUIDELINES

Digia Plc has adjusted the terms used in its financial reporting in accordance with the new guidelines on Alternative Performance Measures (APM) issued by the European Securities and Markets Authority (ESMA).

FURTHER INFORMATION

President & CEO Timo Levoranta, tel. (exchange) +358 (0)10 313 3000

DISTRIBUTION

NASDAQ Helsinki
Key media
www.digia.com

Digia is a profitably growing IT service company that helps its customers harness digital opportunities. As a visionary partner, Digia develops and innovates solutions that support business operations together with its customers. We adapt our expertise to their specific industries to help them develop digital services, manage operations and utilise information. We operate in Finland and Sweden with our team of 872 experts. We are expanding our international presence together with our customers. Digia's net sales in 2016 (continuing operations) totalled EUR 86.5 million. The company is listed on NASDAQ Helsinki (DIG1V). www.digia.com

Digia Plc's Financial Statement Bulletin 2016

The demerger of Digia Plc and Qt Group Plc came into force on 1 May 2016. This financial statement bulletin presents the business operations of Digia Plc, that is, the former Domestic segment. Qt Group's business operations are treated as discontinued operations. In addition to Qt's net result, the reported figures for discontinued operations include demerger expenses and the difference between the fair values and carrying amounts of net assets transferred to Qt.

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

NET SALES

Digia's fourth-quarter net sales totalled EUR 23.7 (23.2) million, up 2.2 per cent year on the corresponding period of previous year. Net sales for January–December 2016 totalled EUR 86.5 (80.9) million, representing growth of 6.8 per cent on the previous year. Net sales growth was supported by growth in the integration business, the customised solutions service business, the ERP business based on the company's own technologies, and the acquisition made in the digital services segment during the summer.

Demand remained good in the Integration and Information Management service area during the fourth quarter, and net sales saw year-on-year growth. As predicted, there was particularly high demand for commercialised services for labour-intensive tasks. Demand remained good throughout the year. Our net sales for January–December 2016 saw year-on-year growth.

Fourth-quarter net sales in the Industry Solutions service area remained at the same level as in the previous year, particularly due to a slowdown in licence sales. Good development in net sales during January–December 2016 was supported by favourable trends in customised solutions and the ERP business based on the company's own technologies.

In Financial Solutions and Services, fourth-quarter net sales from product and service solutions fell on the corresponding period of the previous year. Net sales were down in Sweden in particular, where the previously announced end of a significant maintenance customer relationship can still be seen in the comparison figures. In addition, delays in deliveries of certain own products in Finland cut into net sales. Full-year net sales for January–December 2016 saw year-on-year growth in Finland, but fell short of the previous year in Sweden.

The fourth-quarter net sales of the product business totalled EUR 6.3 (6.0) million, or 26.8 (25.8) per cent of net sales. The net sales of the product business in January–December 2016 totalled EUR 25.7 (23.1) million, or 29.7 (28.6) per cent of net sales.

PROFIT AND PROFITABILITY

Digia's operating profit for the fourth quarter of 2016 was EUR 1.6 (2.0) million, with an operating margin (EBIT-%) of 6.6 (8.8) per cent. Operating profit for January–December 2016 totalled EUR 5.4 (5.9) million, or 6.3 (7.2) per cent of net sales. The fall in our operating profit stemmed from challenging delivery projects and the end of a long-term maintenance customer relationship in Financial Solutions and Services in Sweden. Investments in recruitment and sales also impacted profitability.

The profitability of the Integration and Information Management service area remained at a good level in both the fourth quarter and the January–December period of 2016 thanks to changes in net sales structure.

Profitability in the Industry Solutions service area was good during the fourth quarter and improved on the previous year. In particular, improved profitability was seen in the ERP business based on Microsoft technologies. Although the profitability of site optimisation also improved, investments in this business continued to burden its earnings. During

January–December 2016, profitability developed favourably especially thanks to good trends in both the customised solutions service business and the ERP business based on the company's own technologies.

In January-December 2016, the profitability of Digia Financial Solutions and Services fell on the previous year. Profitability was weakened by warranty work related to projects involving the delivery of Digia's own products, the ending of a significant long-term maintenance customer relationship in Sweden, and planned investments in the service business.

Digia's earnings before taxes for the fourth quarter were EUR 1.5 (1.9) million, with earnings after taxes totalling EUR 1.0 (1.3) million. Full-year earnings before taxes were EUR 5.1 (5.3) million, with earnings after taxes totalling EUR 4.1 (4.2) million.

Fourth-quarter earnings per share for continuing operations were EUR 0.05 (0.05). Full-year earnings per share were EUR 0.20 (0.20) for continuing operations and EUR 3.63 for discontinued operations.

Net financial expenses were EUR 0.1 (0.1) million for the fourth quarter and EUR 0.3 (0.5) million for January-December 2016.

FINANCING, CASH FLOW AND EXPENDITURE

At the end of December 2016, Digia's balance sheet total stood at EUR 66.4 million (12/2015: EUR 84.3 million) and the equity ratio at 49.8 (12/2015: 53.7) per cent. Net gearing was 35.6 (12/2015: 16.6) per cent. Cash and cash equivalents totalled EUR 2.0 million (12/2015: EUR 6.7 million). The balance sheet comparison figures presented above include the Qt business.

The Group's interest-bearing liabilities totalled EUR 13.7 million at the end of December 2016 (12/2015: EUR 13.5 million). These consisted of EUR 8.0 million in long-term and EUR 4.0 million in short-term loans from financial institutions, and EUR 1.7 million in financial leasing liabilities.

Cash flow from operating activities in January-December 2016 totalled EUR 3.8 (6.7) million. Cash flow from investments came to EUR -4.5 (-1.4) million. The Igence acquisition is included in the cash flow from investments. Cash flow from financing was EUR -1.5 (-3.8) million.

Total investments in fixed assets were EUR 1.7 (1.5) million during January–December 2016. The return on investment (ROI) was 11.0 (15.6) per cent, and return on equity (ROE) was 11.0 (13.5) per cent.

RESEARCH AND DEVELOPMENT

Digia has invested in R&D and product development in all of its service areas. Research and development expenses totalled EUR 5.8 million in January–December 2016 (2015: 5.9; 2014: 6.2) representing 6.7 per cent of net sales (2015: 7.3%; 2014: 8.1%).

More information about Digia's services and solutions can be found on the company's website under www.digia.com/en/services.

PERSONNEL, MANAGEMENT AND ADMINISTRATION

The number of Digia employees totalled 872 at the end of December 2016, showing an increase of 113 employees, or 14.9 per cent, on year-end 2015 (31 Dec 2015: 759 employees). During the reporting period, the number of employees averaged 810, an increase of 57 employees, or 7.6 per cent, on the 2015 average (2015: 753).

24 people transferred into Digia's employ when the Igence acquisition entered into force on 1 July. 213 employees transferred from Digia to Qt in conjunction with the demerger.

Employees by location, 31 Dec 2016

	31 Dec 2016	31 Dec 2015	Change, no. of employees
Helsinki	550	481	69
Jyväskylä	133	118	15
Tampere	123	104	19
Oulu	6	10	-4
Rauma	33	35	-2
Vaasa	12	-	12
Turku	5	-	5
Stockholm	10	11	-1
Total	872	759	113

Digia Plc's Annual General Meeting (AGM) of 16 March 2016 re-elected Päivi Hokkanen, Robert Ingman, Pertti Kyttälä and Seppo Ruotsalainen as members of the Board. Martti Ala-Härkönen was elected to the Board as a new member. At its organisational meeting after the AGM, the Board of Directors elected Pertti Kyttälä as Chair and Robert Ingman as Vice Chair of the Board.

Digia's President & CEO Timo Levoranta, as of 1 May 2016, and senior management were on 31 December 2016 as follows:

- Samuli Aho, Vice President, as of 1 May 2016
- Tommi Flink, Vice President, as of 1 May 2016
- Tuula Haataja, CFO, as of 19 August 2013
- Juhana Juppo, CTO, as of 19 September 2016
- Mika Kervinen, General Counsel, as of 1 May 2016
- Tom Puusola, Vice President, as of 1 January 2012
- Marko Saarinen, Vice President, as of 1 July 2016
- Erkki Talvela, Senior Vice President, Sales Marketing and Communications, as of 1 May 2016
- Teemu Virtanen, Vice President, as of 1 May 2016

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

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

STRATEGY IMPLEMENTATION AND BUSINESS DEVELOPMENT

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

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

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

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

Growth will primarily be sought from the most rapidly growing areas of the traditional IT market, such as digital services and process digitalisation. We are expanding our international presence together with our customers. In addition to pursuing organic growth, Digia is actively seeking potential strategic acquisitions.

Strategy implementation in 2016

In order to support growth, we restructured our organisation and updated our operating models. Digia now comprises four service areas: Digital Services, Integration and Information Management, Industry Solutions, and Digia Financial Solutions and Services.

In order to build a firm foundation for growth, we have been developing and renewing our competence, and actively recruiting. The number of employees increased by 113 during 2016, of whom 75 persons were hired during the second half of the year.

Digia made a strategic acquisition in June. We acquired the entire share capital of Igence Oy Ab, thereby bolstering our position in the growing e-commerce market. The acquisition was carried out on 1 July 2016.

We also strengthened our service business during the year by establishing a new business in the financial sector. This financial-sector service includes back office services for asset management, and cooperation with the first customer started in the beginning of October.

In October, the Tax Administration chose Digia to supply the national income register solution. The register is scheduled for launch in early 2019. The solution will be delivered as a fixed-price project worth EUR 13.7 million. The project was launched in late 2016. The package also includes maintenance and further development. Digia's share of the project's total value is about EUR 60 million over the 15-year contract period, including the fixed-price component of the project, provided that the solution is implemented in accordance with the assumptions made in the Tax Administration's call to tender.

GROUP STRUCTURE

Digia operates in seven locations in Finland – Helsinki, Jyväskylä, Oulu, Rauma, Tampere, Turku and Vaasa – and in Stockholm, Sweden. Our headquarters is located in Helsinki. At the end of the 2016 financial year, the Digia Group consisted of the parent company, Digia Plc, and its subsidiaries Digia Finland Oy, Digia Commerce Oy (formerly Igence Oy) and Digia Sweden AB. These subsidiaries are wholly owned by Digia.

Digia Plc's Annual General Meeting of 16 March 2016 approved Digia's demerger plan and decided on a partial demerger of Digia Plc in accordance with the said plan. Digia Plc was demerged such that all assets, liabilities and responsibilities related to its Qt business were transferred to Qt Group Plc, a new company established in the demerger. Digia Plc's Domestic business will remain with Digia. The partial demerger was registered in the Trade Register on 1 May 2016.

More information about the demerger can be found on the company's website under www.digia.com/en/investors/demerger.

SHARE CAPITAL AND SHARES

On 31 December 2016, the number of Digia Plc shares totalled 20,875,645. The company had a total of 4,617 shareholders on 31 December 2016.

Ten largest shareholders on 31 Dec 2016

	Shares and votes, %
Ingman Development Oy Ab	21.56
Ilmarinen Mutual Pension Insurance Company	14.58
Jyrki Hallikainen	6.64
Varma Mutual Pension Insurance Company	4.65
Savolainen Matti	4.27
Karvinen Kari Juhani	3.49
Aktia Capital investment fund	3.02
Aktia Nordic Small Cap investment fund	1.72
Evli Finnish Small Cap investment fund	1.57
Nordea Bank Finland Plc	1.11

Shareholding by number of shares held on 31 December 2016

	Shareholders, %	Shares and votes, %
1-100	26.53	0.37
101-500	39.77	2.55
501-1,000	15.83	2.86
1,001-5,000	13.93	6.78
5,001-10,000	1.82	2.86
10,001-50,000	1.30	5.91
50,001-100,000	0.32	5.66
100,001-500,000	0.35	14.83
500,001-	0.15	58.19

Shareholding by sector on 31 December 2016

	Shares and votes, %
Households	39.45
Companies	27.21
Public-sector organisations	19.22
Finance and insurance	10.85
Non-profit associations	1.22
Foreign holding	2.05

Digia Plc held a total of 57,372 treasury shares at the end of December 2016. The accounting counter value of these treasury shares is EUR 0.10 per share. The company held about 0.7 per cent of its capital stock on 31 December 2016. 39,116 of the said shares were distributed during January–December 2016 as bonuses. At the end of December 2016, 91,435 of these shares remained undistributed and were under the management of Evli Awards Management Ltd.

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

SHARE INCENTIVE SCHEME AND MANAGEMENT OWNERSHIP

On 12 March 2015, Digia Plc's Board of Directors decided to establish a new share-based incentive scheme for the CEO and other members of the company's senior management. The purpose of this scheme is to align the objectives of the company's shareholders and management in order to increase shareholder value, promote management commitment, and offer management a competitive incentive scheme based on shareholding in the company. The scheme chosen on 12 March 2015 replaced the previous share-based incentive scheme, which ran until 2016.

The new scheme comprises three earning periods, which are the calendar years 2015-2017. The earnings criteria are the consolidated earnings per share and consolidated net sales, according to formulae settled annually by the Board. For each earnings period, the CEO and other key personnel covered by the scheme are entitled to a bonus equivalent to a maximum total of 115,000 Digia Plc shares. 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. A maximum total of 112,499 shares have been granted as share bonuses from the scheme during the financial period. The payment of bonuses from the share-based incentive schemes is subject to the employee in question being employed by the company on the payment date.

EUR 0.2 million in expenses were incurred by the scheme during the 2016 financial year, and EUR 0.7 million in 2015–2016.

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 2016, Digia's Board of Directors and CEO owned shares in the company as follows (includes the holdings of related-parties and related-party organisations):

Board of Directors	No. of shares
Pertti Kyttälä, Chair of the Board	3,000
Robert Ingman, Vice Chair of the Board	4,520,000
Martti Ala-Härkönen	0
Päivi Hokkanen	8,170
Seppo Ruotsalainen	0

President & CEO	No. of shares
Timo Levoranta	70

At year-end 2016, the CEO and members of the Board of Directors held a total of 4,531,240 of the company's shares and votes, representing 21.7 per cent of all shares.

TRADING ON THE HELSINKI STOCK EXCHANGE

Digia Plc's shares are listed on NASDAQ Helsinki under IT, IT Consulting & Other Services. The company's short name is DIG1V. The lowest reported share quotation in January–December 2016 was EUR 2.81 and the highest EUR 7.40. The share officially closed at EUR 3.15 on the last trading day of the year. The trade-weighted average was EUR 4.32. The company's market capitalisation totalled EUR 65,758,282 on 31 December 2016.

FLAGGING NOTIFICATIONS

On 26 April 2016, 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. Kari Juhani Karvinen informed Digia that the number of Digia Plc's shares and votes under his control had fallen to under 5 per cent of Digia Plc's shares and votes. After the notification, Kari Karvinen had a total of 1,000,000 Digia shares, corresponding to 4.79 per cent of all of Digia's shares and votes.

MAJOR EVENTS AFTER THE 2016 FINANCIAL YEAR

Digia Plc's Annual General Meeting (AGM) was held on 16 March 2016. The AGM adopted the financial statements for 2015, released the Board members and the CEO from liability, determined Board emoluments, set the number of Board members at five (5), and elected the company's Board of Directors for a new term.

With regard to profit distribution for 2015, the AGM approved the Board's proposal to pay a dividend of EUR 0.08 per share to all shareholders listed in the shareholder register maintained by Euroclear Finland Ltd on the reconciliation date of 18 March 2016. The dividend payment date was 29 March 2016.

The AGM granted the following authorisations to the Board

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

Digia Plc's AGM of 16 March 2016 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 shall 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 12 March 2015 and is valid for 18 months, that is, until 16 September 2017. Digia's Board of Directors did not use its authorisation during 2016.

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

The AGM of 16 March 2016 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 has the right to decide on share issues and the granting of special rights, in deviation from the pre-emptive subscription rights of the shareholders (a directed issue). The authorisation may be used to fund or complete acquisitions or other business transactions, to offer share-based incentive schemes, to develop the company's capital structure, or for other purposes decided by the Board. The Board was authorised to decide on all terms relating to the share issue or special rights, including the subscription price, its payment and its recognition in the company's balance sheet. This authorisation supersedes that granted by the AGM of 12 March 2015 and is valid for 18 months, that is, until 16 September 2017. Digia's Board of Directors did not use its authorisation during 2016.

Demerger of Digia Plc to form two separate listed companies

In accordance with a proposal by the Board of Directors, Digia Plc's Annual General Meeting of 16 March 2016 approved the demerger plan signed by the Board on 16 December 2015, and decided to implement a partial demerger of Digia Plc. As set out in the demerger plan, Digia Plc was demerged such that all assets, liabilities and responsibilities related to its Qt business were transferred to a new company established in the demerger called Qt Group Plc. Digia Plc continued the operations of the domestic business.

Amendment to the Articles of Association

Digia's AGM of 16 March 2016 decided to amend Article 4 of the company's Articles of Association such that the Board of Directors shall henceforth have 4–8 members rather than 5–8 members. Article 4 remained otherwise unchanged. Article 4 in its entirety now reads as follows:

4§ Board of Directors

The Board of Directors shall have between four and eight (4–8) members. The term of all Board members expires at the end of the Annual General Meeting following their election. The Board of Directors elects its Chair and Vice Chair from among its members.

Approval of the demerger plan and deciding on a partial demerger

Digia Plc's Annual General Meeting approved the demerger plan and decided on a partial demerger of Digia Plc in accordance with the said plan. In accordance with the demerger plan, Digia Plc was demerged such that all assets, liabilities and responsibilities related to its Qt business were transferred to Qt Group Plc, a new company established in the demerger. Digia Plc's Domestic business will remain with Digia.

As part of the demerger, a decrease in Digia Plc's issue premium fund by its entire amount was approved, that is EUR 7,899,485.50. Any of the funds not used in the sharing out of assets to Qt Group Plc were transferred to Digia Plc's unrestricted shareholders' equity reserve.

More information about the AGM's decisions is available at www.digia.com/en/investors/governance/annual-general-meeting/agm-2016.

EVENTS AFTER THE FINANCIAL YEAR

On 2 February 2017, Digia Plc's Board of Directors decided to establish a new share-based incentive scheme. The Board of Directors will confirm the target group of this long-term incentive scheme separately. Principally the target group consists of the CEO and other members of the company's senior management. The purpose of this scheme is to align the objectives of the company's shareholders and management in order to increase shareholder value and promote management commitment to the company and its long-term objectives. This scheme replaces the earlier share-based incentive scheme that ran until 2017.

The new scheme comprises the calendar years 2017-2019. Scheme participants may earn shares in the company if the criteria set for the three-year earnings period by the Board of Directors are achieved.

The earnings criteria are net sales and earnings per share (EPS). There are three earnings periods for the EPS indicator, 2017, 2018 and 2019, and the Board of Directors will set the criteria for each at the beginning of each period. The earnings period for the net sales indicator is 2017-2019. The target for net sales is the net sales target set for 2019. During the bonus period, the company's CEO and other scheme participants are entitled to a bonus equivalent to a maximum of 500,000 new Digia Plc shares. If the terms are met, the bonuses based on the new scheme will be paid at the end of the reward period in 2020 for both indicators. All bonuses under this scheme will be paid as a 50/50 combination of shares and cash. The cash portion of the bonus will primarily be used to cover taxes and other comparable costs arising from the scheme.

The payment of bonuses from the share-based incentive schemes is subject to the employee in question being employed by the company on the payment date. Under certain conditions the Board of Directors may decide on potential bonuses on a pro rata basis for the current and completed earnings periods.

RISKS AND UNCERTAINTIES

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

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

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

Major customer projects involve both business opportunities and risks. As customer projects increase in size, so do the risks associated with profitability management. It is important for us to be able to handle extensive contract and delivery packages.

OUTLOOK AND GUIDANCE

Cloud services are rapidly increasing in significance in the IT market. At the same time, our project operations, which are based on traditional system deliveries, are moving towards services and agile projects.

The company's management sees major opportunities in digitalisation and the revolution in business models. To fully tap into these opportunities, Digia will continue to make investments in personnel development and recruitment, updating business models, and strengthening its offering.

Digia estimates that markets will develop favourably compared with 2016.

Digia's net sales growth is expected to accelerate in 2017 (2016: net sales up 6.8%). Operating profit is anticipated to remain on a par with the previous year.

BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF PROFIT

According to the updated balance sheet, Digia Plc's unrestricted shareholders' equity on 31 December 2016 was EUR 33,571,493, of which EUR 2,297,693 was profit for the financial year. At the Annual General Meeting, the Board of Directors will propose that a dividend of EUR 0,08 per share be paid according to the confirmed Balance Sheet for the fiscal year ending 31 December 2016. Shareholders listed in the shareholder register maintained by Euroclear Finland Oy on the dividend reconciliation date, 20 March 2017, will be eligible for the dividend. Dividends will be paid on 29 March 2017.

Helsinki, 3 February 2017

Digia Plc

Board of Directors

CONDENSED FINANCIAL STATEMENTS AND NOTES

Consolidated Income Statement
 Consolidated Balance Sheet
 Consolidated Cash Flow Statement
 Consolidated Statement of Changes in Shareholders' Equity
 Notes to the financial statement bulletin

CONSOLIDATED INCOME STATEMENT, EUR 1,000

	10-12/ 2016	10-12/ 2015	Change, %	1-12/ 2016	1-12/ 2015	Change, %
Continuing operations						
NET SALES	23,694	23,184	2.2%	86,463	80,946	6.8%
Other operating income	282	229	23.2%	743	428	73.8%
Materials and services	-2,964	-3,207	-7.6%	-11,195	-9,152	22.3%
Depreciation, amortisation and impairment	-372	-397	-6.3%	-1,442	-1,607	-10.3%
Other operating expenses	-19,067	-17,771	7.3%	-69,149	-64,761	6.8%
Operating profit	1,573	2,039	-22.8%	5,419	5,854	-7.4%
Financial expenses (net)	-110	-147		-300	-513	
Profit before taxes	1,463	1,891	-22.7%	5,120	5,341	-4.1%
Income taxes	-461	-607	-24.1%	-1,056	-1,095	-3.5%
NET PROFIT, CONTINUING OPERATIONS	1,002	1,285	-22.0%	4,064	4,246	-4.3%
Other comprehensive income:						
Items which may later be reclassified as profit or loss:						
Exchange differences on translation of foreign operations	41	-28	-244.1%	-142	-27	427.3%
TOTAL COMPREHENSIVE INCOME, continuing operations	1,043	1,256	-17.0%	3,922	4,219	-7.1%
Distribution of net profit:						
Parent-company shareholders	1,002	1,285	-22.0%	4,064	4,246	-4.3%
Distribution of comprehensive income for the review period, continuing operations						
Parent-company shareholders	1,043	1,256	-17.0%	3,922	4,219	-7.1%
Discontinued operations						
Income for the period	21	381		75,842	1,099	
Parent-company shareholders	21	381		75,842	1,099	
Continuing and discontinued						

operations, total						
Comprehensive income for the period	1,064	1,638		79,764	5,319	
Parent-company shareholders	1,064	1,638		79,764	5,319	
Earnings per share, EUR, continuing operations (basic and diluted EPS)	0.05	0.05		0.20	0.20	
Earnings per share, EUR, discontinued operations (basic and diluted EPS)	0.00	0.01		3.63	0.05	
Earnings per share, EUR, continuing and discontinued operations (basic and diluted EPS)	0.05	0.07		3.83	0.25	

CONSOLIDATED BALANCE SHEET, EUR 1,000

Assets	31 Dec 2016	31 Dec 2015
Non-current assets		
Goodwill	40,559	44,550
Other intangible assets	1,286	6,486
Tangible assets	2,387	1,859
Investments	624	627
Non-current receivables	214	30
Deferred tax assets	194	293
Total non-current assets	45,264	53,844
Current assets		
Current receivables	19,132	23,741
Available-for-sale financial assets	334	331
Cash and cash equivalents	1,661	6,379
Total current assets	21,126	30,451
Total assets	66,390	84,295

Shareholders' equity and liabilities	31 Dec 2016	31 Dec 2015
Share capital	2,088	2,088
Rights issue	0	0
Issue premium fund	0	7,899
Other reserves	5,204	5,204
Unrestricted shareholders' equity reserve	30,050	31,370
Translation difference	-224	492
Retained earnings	-84,210	-11,394
Net profit	79,907	5,228
Equity attributable to parent-company shareholders	32,814	40,887

Total shareholders' equity	32,814	40,887
Liabilities		
Long-term interest-bearing liabilities	8,975	8,196
Long-term advances received	0	875
Other long-term liabilities		0
Deferred tax liabilities	181	254
Total long-term liabilities	9,156	9,324
Short-term interest-bearing liabilities	4,711	5,317
Other short-term liabilities	19,709	28,767
Total short-term liabilities	24,420	34,084
Total liabilities	33,576	43,408
Shareholders' equity and liabilities	66,390	84,295

The comparison period figures presented in the balance sheet include Qt business-related assets and liabilities that were transferred to the Qt Group in the demerger on 1 May 2016.

CONSOLIDATED CASH FLOW STATEMENT, EUR 1,000

	1 Jan 2016- 31 Dec 2016	1 Jan 2015- 31 Dec 2015
Cash flow from operations:		
Profit for the period	79,907	4,247
Adjustments to net profit	1,324	1,317
Change in working capital	870	-345
Interest paid	-270	-179
Interest income	118	5
Taxes paid	-1,603	377
Discontinued operations	-76,535	1,257
Cash flow from operations	3,811	6,679
Cash flow from investments:		
Purchases of tangible and intangible assets	-2,158	-1,187
Shares acquired in subsidiaries	-2,099	-
Discontinued operations	-217	-233
Cash flow from investments	-4,474	-1,420
Cash flow from financing:		
Payments of finance lease liabilities	-747	294
Repayment of current loans	-11,900	-3,000
Withdrawals of current loans	4,000	276
Withdrawals of non-current loans	9,925	0
Dividends paid and other profit distribution	-1,855	-1,039
Discontinued operations	-951	-303
Cash flow from financing	-1,528	-3,772
Change in cash and cash equivalents	-2,191	1,486

Cash and cash equivalents at beginning of period	6,710	5,132
Net foreign exchange difference	-224	91
Cash and cash equivalents transferred in the demerger	-2,301	
Change in cash and cash equivalents	-2,191	1,486
Cash and cash equivalents at end of period	1,994	6,710

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, EUR 1 000

	a	b	c	d	e	f	g
SHAREHOLDERS' EQUITY, 1 Jan 2015	2,088	7,899	31,370	5,204	401	-10,243	36,719
Net profit						5,228	5,228
Other comprehensive income					91		91
Dividends paid						-1,039	-1,039
Share-based payments recognised against equity						-111	-111
SHAREHOLDERS' EQUITY 31 Dec 2015	2,088	7,899	31,370	5,204	492	-6,166	40,887
	a	b	c	d	e	f	g
SHAREHOLDERS' EQUITY, 1 Jan 2016	2,088	7,899	31,370	5,204	492	-6,166	40,887
Net profit						79,907	79,907
Other comprehensive income					-716		-716
Dividends paid						-1,659	-1,659
Share-based payments recognised against equity						39	39
Demerger consideration, fair value						-85,771	-85,771
Dissolution of issue premium fund ⁽¹⁾		-7,899	7,899				0
Effect of demerger			-9,220			9,220	0
Other items						128	128
SHAREHOLDERS EQUITY 31 Dec 2016	2,088	0	30,050	5,204	-224	-4,303	32,814

a = share capital

b = share premium fund

c = unrestricted invested shareholders' equity reserve

d = other reserves

e = currency translation differences

f = retained earnings

g = total shareholders' equity

(1) The demerger-related transfer of the issue premium fund to the unrestricted shareholders' equity reserve was carried out following a decision made by the Annual General Meeting.

NOTES TO THE FINANCIAL STATEMENT BULLETIN

Accounting principles:

This financial statement bulletin has been prepared in compliance with IFRS and the IAS 34 standard. The same accounting principles have been applied as in the 2015 financial statements. The amendments to and interpretations of IFRS standards effective as of 1 January 2016 had no material effect on this financial statement bulletin.

Seasonal nature of business:

The Group's business is affected by the number of workdays each month, as well as by holiday seasons.

Dividends paid:

Dividends paid during the reporting period totalled EUR 1,659,291.52.

Related-party transactions:

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

Acquisitions:

On 1 July 2016, the company carried out an acquisition whereby Digia Plc acquired the entire share capital of Igence Oy Ab from Transaktum Oy Ab in accordance with an agreement signed on 14 June 2016.

Digia's quarterly income statement for continuing operations:

	10-12 2016	7-9 2016	4-6 2016	1-3 2016	10-12 2015
Net sales	23,694	18,939	-22,397	21,432	23,184
Other operating income	282	86	254	121	229
Materials and services	-2,964	-2,341	-3,116	-2,688	-3,207
Depreciation, amortisation and impairment	-372	406	-371	-294	-397
Other operating expenses	-19,067	-15,147	-17,301	-17,635	-17,768
Operating profit	1,573	1,132	1,777	936	2,042
Financial expenses (net)	-110	-94	-38	-58	-210
Profit before taxes	1,463	1,038	-1,740	878	-1,832
Income taxes	-461	-220	-197	-179	-368
Profit for the period	1,002	818	1,543	699	1,464
Distribution of net profit:					
Parent-company shareholders	1,002	818	1,543	699	1,464
Earnings per share, EUR	0.05	0.04	0.07	0.03	0.07
Earnings per share (diluted), EUR	0.05	0.04	0.07	0.03	0.07

Group key figures (for continuing operations unless otherwise stated), EUR 1,000

EUR 1,000	1-12/2016	1-12/2015
Extent of business:		
Net sales	86,463	80,946
Average capital invested	50,593	53,698
Number of personnel	872	759
Average number of personnel	810	753
Profitability:		
Operating profit	5,419	5,854
- as a % of net sales	6.3%	7.2%
Earnings before tax	5,120	5,341
- as a % of net sales	5.9%	6.6%
Net profit	4,064	4,246
as a % of net sales	4.7%	4.8%
Return on equity, %	11.0%	13.5%
Return on investment, %	11.0%	15.6%
Financing and financial standing:		
Interest-bearing liabilities	13,686	13,513
Short-term investments & cash and bank receivables	1,994	6,710
Net gearing	35.6%	16.6%
Equity ratio	49.8%	53.7%
Cash flow from operations	3,811	6,764
Earnings per share, EUR, undiluted (continuing operations)	0.20	0.20
Earnings per share, EUR, diluted (continuing operations)	0.20	0.20
Equity/share, EUR	1.57	1.96
Lowest share trading price, EUR	2.81	2.74
Highest share trading price, EUR	7.40	7.47
Average share price, EUR	4.32	4.05
Market capitalisation	65,758	146,338

Formulae for key figures and ratios are presented in the 2015 financial statements. These remained unchanged during the reporting period. Key figures for comparison periods and the highest share trading price include the Qt business.

DISCONTINUED OPERATIONS

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

KEY FIGURES FOR DISCONTINUED OPERATIONS, EUR 1,000

	1-4/2016
Net sales	10,619
Operating profit	777 ⁽¹⁾
Effect of demerger on earnings	74,994
Profit for the period	-75,771
Goodwill	6,562
Other intangible rights	5,742
Tangible assets	515
Accounts receivable	6,532
Cash and cash equivalents	2,301
Other receivables	1,058
Advance payments received	6,550
Other liabilities	4,947

(1 Includes EUR 0.4 million in demerger-related expenses.