

Digia Plc
 Financial Statement Bulletin
 8 February 2019 at 8:00 am

Digia Plc's Financial Statement Bulletin 2018

Net sales for the year increased 18.6%, and the operating profit improved substantially, to EUR 6.5 million.

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

October-December

- Net sales EUR 31.2 (27.4) million, up 13.6 per cent
- Operating profit EUR 1.4 (1.2) million, 4.6 (4.3) per cent of net sales
- Earnings per share EUR 0.04 (0.03)

January-December

- Net sales EUR 112.1 (94.5) million, up 18.6 per cent. Organic growth 12.4 per cent
- Operating profit EUR 6.5 (1.9) million, 5.8 (2.0) per cent of net sales
- Earnings per share EUR 0.18 (0.04)
- Return on investment 10.6 (3.7) per cent
- Equity ratio 54.9 (51.0) per cent
- Digia's Board of Directors proposes the payment of a dividend of EUR 0.07 per share (EUR 0.04 per share in 2017).
- Profit guidance for 2019: Digia's net sales will continue to grow and operating profit will improve compared to 2018.

GROUP KEY FIGURES

EUR 1,000	10-12/ 2018	10-12/ 2017 adjusted	Change %	1-12/ 2018	1-12/ 2017 adjusted	Change %
Net sales	31,181	27,441	13.6%	112,122	94,537	18.6%
Operating profit	1,419	1,177	20.6%	6,494	1,852	250.6%
- as a % of net sales	4.6%	4.3%		5.8%	2.0%	
Result for the period	1,157	892	29.7%	4,704	974	382.9%
- as a % of net sales	3.7%	3.2%		4.2%	1.0%	
Return on equity, %				10.2%	2.5%	
Return on investment, %				10.6%	3.7%	
Interest-bearing net liabilities				12,707	4,772	166.3%
Net gearing, %				26.6%	10.8%	
Equity ratio, %				54.9%	51.0%	
Number of personnel at period-end				1,091	1,005	8.6%
Average number of personnel	1,090	988	10.4%	1,069	954	12.1%
Shareholders' equity				47,782	44,136	8.3%
Balance sheet total				88,104	86,616	1.7%
Earnings per share	0.04	0.03	30.0%	0.18	0.04	330.4%

PRESIDENT & CEO TIMO LEVORANTA

“Digia net sales continued to grow robustly in the last quarter of 2018, in keeping with our goals. Our Q4 net sales increased by 13.6%, to EUR 31.2 (27.4) million. Our net sales for the year increased by 18.6%, to EUR 112.1 (94.5) million. I am particularly pleased with the organic growth of our net sales, which stood at 12.4%. Strong growth was seen in the Integration and Information Management service area, and in digital services. The Incomes Register project implemented with the Tax Administration also supported net sales growth. Demand for ERP and financial sector systems remained steady during the entire year.

The operating profit for Q4 amounted to EUR 1.4 (1.2) million, which was 4.6 (4.2) per cent of net sales. Q4 operating profit was impacted by additional resourcing for a major customer project in order to ensure its successful implementation. In 2018, our profitability for the whole year improved substantially. The operating profit was EUR 6.5 (1.9) million, which was 5.8 (2.0) per cent of net sales. The profitability of the Integration and Information Management service area and digital services saw particularly favourable development in 2018. Profitability development measures in 2018 focused on project management and enhancing and harmonizing the efficiency of operating methods. Profitability enhancement actions will continue in 2019.

The service and maintenance business grew by 26 per cent in 2018 and rose to 50.7 (47.8) per cent of net sales. The project business accounted for 49.3 (52.2) per cent of net sales. Growth in the service and maintenance business was supported by both new service agreements and greater use of continuous services by our customers.

Digital solutions are becoming an increasingly important part of the core business of our customers, and this trend firmly supports Digia’s future growth potential. The focus of development is shifting from the implementation of separate, isolated projects towards the controlled renewal of business operations as a whole, involving the modernisation of the entire IT infrastructure of the company, from its back-end systems to state-of-the-art e-services and their integration. Also, our customers are building business platforms linked to an increasing number of external information systems.

In accordance with our strategy, we continued to reinforce our overall offering with complementary corporate acquisitions. In March, we acquired Avarea Oy, which specialises in advanced analytics solutions. Thanks to this acquisition, Digia can provide its customers with a unique and comprehensive offering for data analytics, artificial intelligence and necessary background integrations. In the course of the year, we also augmented our ERP systems offering by acquiring Mavisystems Oy, which specialises in Microsoft Dynamics ERP systems and in CRM solutions.

Skilled and motivated personnel are the cornerstone of all our operations. We offer our employees a wide range of interesting jobs in IT services along with potential for career development and learning at work. During the review period, our number of personnel grew by 86.

In addition, we restructured Digia’s organisation in the fourth quarter. This restructuring aims to further boost the cost-effectiveness of operations and enhance our capabilities to serve our customers better in the future market for digital ecosystems and data utilisation. Our new organisation came into force on 1 January 2019.

In 2018, we strengthened our position in several service areas in the Finnish IT services market. We developed and expanded our offering and fine-tuned our service portfolio to improve its effectiveness. Our efforts in 2018 laid the groundwork for successful further business development in 2019. Our objective for 2019 is to keep growing at a faster pace than the IT service market while improving our operating profit.”

CHANGE IN DIVIDEND POLICY

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

PROPOSAL FOR DIVIDEND DISTRIBUTION

At the end of 2018, the distributable shareholders' equity of Digia Plc was EUR 48,020,874, of which EUR 4,308,129 was the net profit for the year. At the Annual General Meeting, the Board of Directors will propose that a dividend of EUR 0.07 per share be paid according to the confirmed balance sheet for the fiscal year ending 31 December 2018. Shareholders listed on the shareholder register maintained by Euroclear Finland Oy on the dividend reconciliation date, 19 March 2019, will be eligible for the payment of dividend. Dividends will be paid on 26 March 2019.

INVITATION TO THE FINANCIAL STATEMENT BULLETIN BRIEFING

Digia will hold a briefing for analysts on Friday, 8 February 2019 at 11 am at the Business Meeting Park, Helsinki (Forum, Mannerheimintie 20 B). You are most welcome to attend the briefing.

You may also follow the briefing online via a live stream from 11.00 at: <https://www.inderes.fi/fi/videot/digia-q42018-tilinpaatostiedote-822019-klo-1100-alkaen>

The material and presentation for the event will be available from 11 am on 8 February 2019 on the company's website: digia.com/en/investors/reports-and-presentations.

FINANCIAL STATEMENTS AND ANNUAL REPORT 2018

Digia Plc's 2018 Annual Report will be published on 22 February 2019 in electronic format on the company's website: digia.com and digia.com/en/investors/reports-and-presentations.

The Board of Directors' report and the financial statements for 2018 will be published as part of the Annual Report.

FURTHER INFORMATION

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

DISTRIBUTION

Nasdaq Helsinki
Key media
digia.com

Digia is a profitably growing IT service company that helps its customers harness digitalisation opportunities. As a visionary partner, Digia develops and innovates solutions that support business operations together with its customers. We adapt our expertise to their specific industries to help them develop digital services, manage operations and utilise information. We employ approximately 1,100 experts in Finland and Sweden. We are expanding our international presence together with our customers. Digia's net sales in 2018 totalled EUR 112.1 million. The company is listed on NASDAQ Helsinki (DIGIA). digia.com

Digia Plc's Financial Statement Bulletin 2018

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

NET SALES

October–December 2018

Digia's Q4 net sales totalled EUR 31.2 (27.4) million, up 13.6 per cent on the corresponding period of the previous year. Net sales saw growth particularly in integration services, e-commerce solutions and customised digital solutions. Demand for Digia's own ERP system, Enterprise, also remained on a good level.

The service and maintenance business accounted for 51.1 (50.7) per cent and the project business for 48.9 (49.3) per cent of the company's net sales in the fourth quarter of 2018. The net sales of the product business generated 17.1 (21.7) per cent of the company's net sales. The product business includes net sales from projects and services, and also licence maintenance. We updated our product portfolio during the year, and this has been reflected as a fall in net sales in the product business. However, the product business now falls within the scope of service contracts and is reported on as net sales for the service business.

January–December 2018

Digia's net sales for the January–December period totalled EUR 112.1 (94.5) million, representing a year-on-year increase of 18.6 per cent. Organic growth of net sales was 12.4 per cent. Net sales in the entire review period were increased by the Integration and Information Management and the Digital Services service areas. The Incomes Register project implemented with the Tax Administration also supported net sales growth. Demand for ERP and financial sector systems remained steady during the entire year. Corporate acquisitions made during 2018 also contributed to year-on-year net sales growth.

The service and maintenance business accounted for EUR 50.7 (47.8) per cent and the project business for 49.3 (52.2) per cent of net sales. Digia's long-term goal is to further increase the service business's share of net sales through service contracts that follow project phases. The product business accounted for 17.8 (24.0) per cent of the company's net sales.

PROFIT AND PROFITABILITY

October–December 2018

Digia's operating profit for the fourth quarter of 2018 was EUR 1.4 (1.2) million, with an operating margin of 4.6 (4.3) per cent. Q4 operating profit was impacted by additional resourcing for a major customer project in order to ensure its successful implementation.

In Q4 2018, the company showed a profit before taxes of EUR 1.4 (1.0) million and profit after taxes of EUR 1.2 (0.9) million.

Earnings per share were EUR 0.04 (0.03) in the fourth quarter of 2018. Net financial expenses for the fourth quarter were EUR 0.0 (0.2) million.

January–December 2018

Digia's operating profit for 2018 was EUR 6.5 (1.9) million with an operating margin (EBIT %) of 5.8 (2.0) per cent. Profitability was boosted by increased efficiency in project management and investments in developing our operating model. Long-term contracts with small margins still burdened the company's financial performance.

Full-year earnings before taxes were EUR 6.0 (1.2) million, with earnings after taxes totalling EUR 4.7 (1.0) million.

Earnings per share were EUR 0.18 (0.04) in January–December 2018. Net financial expenses amounted to EUR 0.5 (0.7) million.

FINANCING, CASH FLOW AND EXPENDITURE

At the end of December 2018, Digia's balance sheet total stood at EUR 88.1 (86.6) million and its equity ratio at 54.9 (51.0) per cent. Net gearing was 26.6 (10.8) per cent. The change in net gearing is due to the fact that EUR 8.6 million in investments have been made in cash, and accounts receivables have risen by EUR 4.8 million during the year.

At the end of December 2018, Digia had EUR 14.4 (16.6) million in interest-bearing liabilities. These consisted of EUR 4.9 million in long-term and EUR 6.6 million in short-term loans from financial institutions, and EUR 2.9 million in financial leasing liabilities. Additional information about liabilities is available in the section 'Events after the close of the financial year'.

Cash flow from operating activities in January–December 2018 totalled EUR 3.6 (3.1) million. Cash flow from investments came to EUR -8.6 (-7.0) million. The acquisitions of Avarea Oy, Mavisystems Oy and Mirosys Oy, a wholly owned subsidiary of Mavisystems, are included in cash flow from investments. Cash flow from financing was EUR -5.1 (13.7) million.

Total investments in fixed assets were EUR 0.7 (2.9) million during January–December 2018. The return on investment (ROI) was 10.6 (3.7) per cent, and the return on equity (ROE) was 10.2 (2.5) 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 6.1 million in January–December 2018 (2017: 5.7; 2016: 5.8), representing 5.4 per cent of net sales (2017: 6.0%; 2016: 6.7%).

More information about Digia's services and solutions can be found on the company's website: digia.com.

PERSONNEL, MANAGEMENT AND ADMINISTRATION

The number of Digia employees totalled 1,091 at the end of December 2018, showing an increase of 86 employees, or 8.6 per cent, on year-end 2017 (31 Dec 2017: 1,005). During the review period, the number of employees averaged 1,069, an increase of 115 employees, or 12.1 per cent, on the 2017 average (2017: 954).

Thirty-seven employees transferred to Digia as a result of the Avarea Oy acquisition of 29 March 2018, and a further 34 employees joined the Group as a result of the Mavisystems Oy and Mirosys Oy transactions of 1 August 2018.

Employees by location	31 Dec. 2018	31 Dec. 2017	Change, no. of employees
Helsinki	664	627	37
Tampere	178	164	14
Jyväskylä	152	141	11
Turku	33	16	17
Rauma	30	33	-3
Vaasa	13	13	0
Lahti	10	-	10
Oulu	6	6	0
Stockholm	5	5	0
Total	1,091	1,005	86

Digia Plc's Annual General Meeting (AGM) of 15 March 2018 re-elected Martti Ala-Härkönen, Päivi Hokkanen, Robert Ingman and Seppo Ruotsalainen as members of the Board. Santtu Elsinen and Outi Taivainen were elected as new members. At its organisational meeting after the AGM, the Board of Directors elected Robert Ingman as Chair and Seppo Ruotsalainen as Vice Chair of the Board.

At the meeting, the Board of Directors decided as follows on the composition of the Board committees:

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

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

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

On 31 December 2018, Digia's Management Team consisted of:

- Timo Levoranta, President & CEO
- Pia Huhdanmäki, HR Director (as of 1 February 2018)
- Juhana Juppo, CTO and Senior Vice President
- Mika Kervinen, General Counsel
- Jukka Kotro, Senior Vice President (as of 9 August 2018)
- Tuomo Niemi, Senior Vice President
- Ari Rikkilä, Senior Vice President, Sales and Marketing
- Kristiina Simola, CFO
- Harri Vepsäläinen, Senior Vice President (as of 1 April 2018)
- Teemu Virtanen, Senior Vice President

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

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

STRATEGY IMPLEMENTATION AND BUSINESS DEVELOPMENT

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

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

Strategy implementation in 2018

Our major outlays on strategy implementation in 2018 were: Developing the expertise of personnel, bolstering the product and service offering and updating our operating models with a view to boosting operational efficiency and working even more effectively with our customers.

Skilled and motivated personnel are the cornerstone of Digia's success. We offer our employees potential for career development, innovation and on-the-job learning. To ensure a high-quality employee experience, we made outlays in 2018 on developing supervisory work and orientation training for new employees. We developed expertise with

workplace tribes, on-the-job learning, job rotation and training. In 2018, the Digia Academy offered just under 200 training events to our employees.

We strengthened our product and service offering in 2018 through both organic development and acquisitions. Our major focus areas were state-of-the-art integrations, analytics and artificial intelligence, ERP and continuous services, including 24/7 customer service.

We developed integration competence organically. Our focus points were in modern delivery models and cloud technologies. We want to secure our position as a leading supplier of integrations and API interfaces. We bolstered our expertise in analytics and artificial intelligence by acquiring Avarea Oy. In autumn 2018, we acquired Mavisystems Oy and Mirosys Oy, which rounded out our Microsoft ERP and CRM systems offering.

The importance of comprehensive and reliable 24/7 services for customers is increasing as digitalisation progresses. We have created a successful operating concept in this area; we invested in continuous service development in 2018 and will continue to do so in the near future.

At the beginning of 2018, we introduced a new customer account management model. The new model describes the principles and practices how we work with our customers. The model yields the greatest value when we can serve our customers with a wide range of services. The model seeks to ensure that our organisation and processes comprise a coordinated and cohesive interface for cooperation with our customers.

We aim to be a reliable long-term partner to our customers, generating added value. One example of our long-term cooperation is the partnership agreement we signed with the Finnish Defence Forces in the early months of the year. The partnership agreement will involve the development and strengthening of long-term cooperation between the Defence Forces and Digia.

Towards the end of 2018, we overhauled our organisation. The new organisation entered into force at the beginning of 2019. We will reform our operations to match the new organisation structure during the first quarter of 2019. Our overhauled organisation can operate more effectively in a market where the platform economy and ecosystems are increasingly important.

GROUP STRUCTURE

Digia operates in eight locations in Finland – Helsinki, Lahti, Jyväskylä, Oulu, Rauma, Tampere, Turku and Vaasa – and in Stockholm, Sweden. Our headquarters are located in Helsinki. At the end of the 2018 financial year, the Digia Group consisted of the parent company, Digia Plc, and its subsidiaries Avarea Oy, Digia Finland Oy, Digia Sweden AB, Mavisystems Oy and Mirosys Oy. All subsidiaries are wholly owned by Digia.

In order to streamline our Group structure, Digia launched several subsidiary merger processes in late 2017. Oy Nord Software Ltd was first merged into Digia Nord Oy, after which both Digia Nord Oy and Commerce Oy were immediately merged into Digia Finland Oy. The mergers came into effect on 31 March 2018. Integration House Oy merged into Digia Finland Oy on 30 June 2018.

SHARE CAPITAL AND SHARES

On 31 December 2018, the number of Digia Plc shares totalled 26,823,723. The company had a total of 5,907 shareholders on 31 December 2018. Foreign-held shares accounted for 0.5 per cent of all Digia Plc shares and 3.3 per cent of all votes. Nominee shareholding accounted for 0.1 per cent of all Digia Plc shares and 3.1 per cent of all votes.

Ten largest shareholders on 31 Dec 2018

Shareholder	Percentage of shares and votes
Ingman Development Oy Ab	22.4%
Ilmarinen Mutual Pension Insurance Company	14.6%
Tiiviste-Group Oy	4.9%
Varma Mutual Pension Insurance Company	4.6%
Etola Oy	3.9%
Jyrki Hallikainen	3.7%
Matti Savolainen	3.5%
Special Investment Fund Danske Invest Suomen Parhaat	1.7%
Nordea Bank ABP	1.6%
Rausanne Oy	1.2%

Shareholding by number of shares held on 31 December 2018

Number of shares	Percentage of shareholders	Percentage of shares and votes
1–100	22.8%	0.3%
101–500	38.1%	2.3%
501–1,000	16.6%	2.8%
1,001–5,000	18.2%	8.5%
5,001–10,000	2.0%	3.1%
10,001–50,000	1.6%	7.1%
50,001–100,000	0.3%	4.8%
100,001–500,000	0.3%	13.5%
500,001–	0.1%	57.6%

Shareholding by sector on 31 December 2018

	Percentage of shareholders	Percentage of shares and votes
Companies	3.8%	36.6%
Households	95.2%	34.3%
Public-sector organisations	0.0%	19.2%
Financial and insurance institutions	0.2%	6.0%
Non-profit associations	0.2%	0.6%
Foreign holding	0.5%	3.3%

Digia Plc held a total of 57,372 treasury shares at the end of 31 December 2018. The accounting counter value of these treasury shares is EUR 0.10 per share. The company held about 0.2 per cent of its capital stock on 31 December 2018.

At the end of the period, a total of 134,468 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: digia.com/en/investors/shareholders.

SHARE INCENTIVE SCHEME AND MANAGEMENT OWNERSHIP

Share incentive scheme and management ownership

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

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

These targets are based on the company's net sales and earnings per share (EPS). There are three earnings periods for the EPS indicator, 2017, 2018 and 2019, and the Board of Directors will set the criteria for each at the beginning of each period. The earnings period for the net sales indicator is 2017–2019. The target for net sales is the 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 524,900 Digia Plc shares. If the terms are met, the bonuses based on the new scheme will be paid at the end of the reward period in 2020 for both indicators. All bonuses under this scheme will be paid as a 50/50 combination of shares and cash. The cash portion of the bonus will primarily be used to cover taxes and other comparable costs arising from the scheme.

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

EUR 0.4 million in expenses were incurred by the new scheme during the 2018 fiscal year. During 2015–2017, a total of EUR 0.6 million in expenses were incurred by the old incentive scheme. The total cost impact of the share-based incentive programme for the years 2017–2019 is a maximum of EUR 1.3 million.

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

According to the list of shareholders on 31 December 2018, 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	6,026,000
Martti Ala-Härkönen	20,000
Santtu Elsinen	0
Päivi Hokkanen	10,833
Seppo Ruotsalainen, Vice Chair	3,000
Outi Taivainen	200
Timo Levoranta, President & CEO	48,607

At year-end, the CEO and members of the Board of Directors held a total of 6,108,640 of the company's shares, representing 22.8 per cent of all shares and votes.

REPORTED SHARE PERFORMANCE ON THE HELSINKI STOCK EXCHANGE

Digia Plc's shares are listed on NASDAQ Helsinki under IT, IT Consulting & Other Services. The company's short name is DIGIA. The lowest reported share quotation in January–December 2018 was EUR 2.10 and the highest EUR 3.13. The share officially closed at EUR 2.85 on the last trading day of the year on December 31, 2018. The share's trade weighted average price amounted to EUR 2.73. The company's market capitalisation totalled EUR 76,447,611 on 31 December 2018.

FLAGGING NOTIFICATIONS

On 24 January 2018, 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 5 per cent of Digia's shares and votes. Companies controlled by Erkki Etola now hold a total of 1,450,000 Digia Plc shares, corresponding to 5.41 per cent of all Digia shares and votes.

OTHER MAJOR EVENTS DURING THE 2018 FINANCIAL YEAR

Digia Plc's Annual General Meeting (AGM) was held on 15 March 2018. The AGM adopted the financial statements for 2017, released the Board members and the CEO from liability, determined Board emoluments and auditor fees, set the number of Board members at six (6), and elected the company's Board of Directors for a new term.

With regard to profit distribution for 2017, the AGM approved the Board's proposal to pay a dividend of EUR 0.04 per share to all shareholders listed in the shareholder register maintained by Euroclear Finland Ltd on the reconciliation date of 19 March 2018. The dividend payment date was 28 March 2018.

The AGM granted the following authorisations to the Board

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

Digia Plc's AGM of 15 March 2018 authorised the Board of Directors to decide on the buyback and/or acceptance as collateral of no more than 2,000,000 company shares using the company's unrestricted equity. The Board will decide on how these shares are to be acquired. Treasury shares may be bought back in disproportion to shareholders' holdings. This authorisation also includes the acquisition of shares through public trading on Nasdaq OMX Helsinki in accordance with the rules and instructions of Nasdaq OMX Helsinki and Euroclear Finland Ltd, or through offers made to shareholders. Shares may be acquired in order to improve the company's capital structure, to fund or complete acquisitions or other business transactions, to offer share-based incentive schemes, to sell on, or to be annulled. The shares must be acquired at the market price in public trading. This authorisation supersedes that granted by the AGM of 16 March 2017 and is valid for 18 months, that is, until 15 September 2019.

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

The AGM of 15 March 2018 authorised the Board to decide on an ordinary or bonus issue of shares and the granting of special rights (as defined in Chapter 10 section 1 of the Limited Liability Companies Act) in one or more instalments, as follows: The issue may total 4,000,000 shares at a maximum. 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 16 March 2017 and is valid for 18 months, that is, until 15 September 2019.

More information about the AGM's decisions is available at digia.com/en/investors/governance/annual-general-meeting/agm-2018.

Mergers & Acquisitions

On 29 March 2018, Digia acquired Avarea Oy, which specialises in advanced analytics solutions. As a result of the transaction, 37 employees transferred to Digia. Thanks to the acquisition, Digia will be able to provide customers with a unique and comprehensive set of services for data integration, analytics, artificial intelligence, machine learning and data visualisation.

On 1 August 2018, Digia acquired Mavisystems Oy and its wholly owned subsidiary Mirosys Oy, which specialise in demanding Microsoft Dynamics ERP systems and CRM solutions. The acquisition turned Digia into Finland's largest Microsoft Dynamics provider. Digia can provide customers with the full benefits of Microsoft Dynamics business systems. A total of 34 employees transferred into Digia's employ in the acquisition.

EVENTS AFTER THE CLOSE OF THE FINANCIAL YEAR

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. Companies controlled by Erkki Etola now hold 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% of the flagging limit. Etola Oy owns 1,605,495 Digia Plc shares.

On 31 January 2019, Digia Plc and the owners of Starcut Oy signed an agreement whereby Digia Plc will acquire 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. Demand for digital services has increasingly rapidly shifted to mobile-driven development. Starcut, which specialises in advanced mobile solutions, thus rounds out Digia's state-of-the-art offering excellently. As a result of the acquisition, Starcut's 19 top experts in Helsinki will transfer into Digia's employ.

Towards the end of the year, Digia entered into negotiations with Danske Bank Plc concerning the consolidation of two of its loans. According to the binding loan decision received, the new loan agreement will expire on 7 Jun 2021, and the short-term liabilities in 2019 will be EUR 2.6 million.

RISKS AND UNCERTAINTIES

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

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

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

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

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

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

OUTLOOK FOR 2019

Digitalisation is still a strong underlying trend. Constantly evolving and maturing technologies enable our customers to tap into new means of renewing their business. We believe that the focus of development is shifting from separate, isolated development projects towards the more comprehensive renewal of business operations. Digital business will become an increasingly important part of our customers' core business. Further benefits are sought from cost-effectiveness, the development of the end customer experience and networked business models. We envision a world in which value is created in ecosystems, making intelligent use of data. Business is becoming networked and the platform economy is increasingly important. In this development, we serve as a reliable partner to our customers.

The need for reliable development partners will grow as digital business becomes an increasingly critical part of our customers' business operations. This trend supports Digia's growth opportunities. Digia has an extensive offering and expertise. We can provide continuous service maintenance and 24/7 support as necessary. Digia's market position supports continued growth.

Profit guidance for 2019

Digia's net sales will continue to grow and operating profit will improve compared to 2018.

BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF PROFIT

According to the balance sheet dated 31 December 2018, Digia Plc's unrestricted shareholders' equity was EUR 48,020,874, of which EUR 4,308,129 was profit for the financial year. At the Annual General Meeting, the Board of Directors will propose that a dividend of EUR 0.07 per share be paid according to the confirmed balance sheet for the fiscal year ending 31 December 2018. Shareholders listed on the shareholder register maintained by Euroclear Finland Oy on the dividend reconciliation date, 19 March 2019, will be eligible for the payment of dividend. Dividends will be paid on 26 March 2019.

Helsinki, 8 February 2019

Digia Plc

Board of Directors

CONDENSED FINANCIAL STATEMENTS AND NOTES

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

CONDENSED CONSOLIDATED INCOME STATEMENT

EUR 1,000	10-12/ 2018	10-12/ 2017 adjusted	Change %	1-12/ 2018	1-12/ 2017 adjusted	Change %
Continuing operations						
NET SALES	31,181	27,441	13.6%	112,122	94,537	18.6%
Other operating income	103	509	-79.8%	240	906	-73.5%
Materials and services	-3,613	-3,271	10.4%	-12,595	-11,008	14.4%
Depreciation, amortisation and impairment	-718	-494	45.4%	-2,595	-1,669	55.5%
Other operating expenses	-25,534	-23,007	11.0%	-90,677	-80,914	12.1%
Operating result	1,419	1,177	20.6%	6,494	1,852	250.6%
Financial expenses (net)	-17	-203	-91.8%	-526	-653	-19.5%
Profit before taxes	1,402	974	44.0%	5,968	1,199	397.8%
Income taxes	-246	-82	199.5%	-1,264	-225	462.1%
RESULT FOR THE PERIOD	1,157	892	29.7%	4,704	974	382.9%
Other comprehensive income						
Items that may later be reclassified as profit or loss						
Exchange differences on the translation of foreign currency	-12	46	-125.2%	88	72	23.5%
COMPREHENSIVE INCOME FOR THE PERIOD TOTAL	1,145	938	22.1%	4,792	1,046	358.3%
Distribution of net profit for the period						
Parent-company shareholders	1,157	892	29.7%	4,704	974	382.9%
Distribution of comprehensive income for the period						
Parent-company shareholders	1,145	938	22.1%	4,792	1,046	358.3%

EUR 1,000	10-12/ 2018	10-12/ 2017 adjusted	Change %	1-12/ 2018	1-12/ 2017 adjusted	Change %
Earnings/share, EUR (basic and diluted EPS)	0.04	0.03	30.0%	0.18	0.04	330.4%

CONDENSED CONSOLIDATED BALANCE SHEET

EUR 1,000	31 Dec. 2018	31 Dec 2017 adjusted
Assets		
Non-current assets		
Goodwill	50,462	45,715
Other intangible assets	3,592	2,243
Tangible assets	3,804	3,293
Investments	484	484
Long-term receivables	537	113
Deferred tax assets	209	435
Total non-current assets	59,088	52,283
Current assets		
Current receivables	27,282	22,474
Available-for-sale financial assets	334	335
Cash and cash equivalents	1,399	11,523
Total current assets	29,015	34,332
Total assets	88,104	86,616
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	-384	-296
Retained earnings	-5,910	-5,915
Result for the period	4,704	974
Equity attributable to parent-company shareholders	47,782	44,136
Total shareholders' equity	47,782	44,136
Liabilities		
Non-current interest-bearing liabilities	6,479	12,977
Non-current advances received	54	0
Other non-current liabilities	726	579
Deferred tax liabilities	640	345
Total non-current liabilities	7,899	13,902

EUR 1,000	31 Dec. 2018	31 Dec 2017 adjusted
Current interest-bearing liabilities	7,961	3,652
Other short-term liabilities	24,462	24,926
Total short-term liabilities	32,422	28,578
Total liabilities	40,322	42,480
Shareholders' equity and liabilities	88,104	86,616

CONSOLIDATED CASH FLOW STATEMENT

EUR 1,000	1 Jan 2018–31 Dec 2018	1 Jan 2017 - 31 Dec 2017 adjusted
Cash flow from operations:		
Profit for the period	4,704	974
Adjustments to net profit	2,547	2,646
Change in working capital	-5,766	1,038
Change in other receivables and liabilities	3,065	-139
Interest paid	-247	-612
Interest income	3	400
Taxes paid	-704	-1,164
Cash flow from operations	3,602	3,144
Cash flow from investments:		
Purchases of tangible and intangible assets	-647	-2,928
Shares acquired in subsidiaries, net of cash and cash equivalents at the time of acquisition	-7,979	-4,042
Dividends received	10	15
Cash flow from investments	-8,616	-6,955
Cash flow from financing:		
Change in financial leasing liabilities	-1,204	842
Repayments of current loans	-2,600	-8,000
Withdrawals of current loans	0	4,000
Repayments of non-current loans	-4,285	0
Withdrawals of non-current loans	4,289	6,000
Dividends paid and other profit distribution	-1,069	-1,658
Acquisition of treasury shares	-243	0
Share issue	0	12,491
Cash flow from financing	-5,112	13,675
Change in cash and cash equivalents	-10,125	9,864
Cash and cash equivalents at beginning of period	11,858	1,994
Change in cash and cash equivalents	-10,125	9,864
Cash and cash equivalents at end of period	1,733	11,858

CHANGES IN SHAREHOLDERS' EQUITY

EUR 1,000	a	b	c	d	e	f	g
Shareholders' equity, 1 Jan 2017	2,088	0	30,050	5,204	-244	-4,303	32,814
Net profit						968	968
IFRS 15 adjustment						6	6
Other comprehensive income					-72		-72
Share-based payments recognised against equity						47	47
Transactions with shareholders							
Dividends paid						-1,658	-1,658
Rights Issue			12,491				12,491
Costs of issuing equity			-460				-460
Adjusted shareholders' equity, 31 Dec 2017	2,088	0	42,081	5,204	-296	-4,941	44,136
Shareholders' equity, 1 Jan 2018	2,088	0	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	0	42,081	5,204	-384	-1,206	47,782

a = share capital

b = share premium fund

c = unrestricted shareholders' equity reserve

d = other reserves

e = currency translation differences

f = retained earnings

g = total shareholders' equity

NOTES TO THE ACCOUNTS

Accounting principles:

This Financial Statement Bulletin has been prepared in compliance with IFRS and the IAS 34 standard. Otherwise, the same accounting principles have been applied as in the 2017 financial statements. The amendments to and interpretations of IFRS standards effective as of 1 January 2018 had no material effect on this Financial Statement Bulletin.

Consolidated figures are presented in the income statement and balance sheet. The consolidated financial statements include the parent company, Digia Plc, and all fully owned subsidiaries.

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

As from the beginning of 2018, Digia has applied the following new and amended standards:

IFRS 2 Share-based Payment

IFRS 9 Financial Instruments and

IFRS 15 Revenue from Contracts with Customers

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

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

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

The annual figures presented in this Financial Statement Bulletin have been audited.

IFRS 16 Leases will be adopted as from 1 January 2019. Following the adoption of the standard, Digia will recognise a lease payment obligation of EUR 9.7 million in the balance sheet. This amount primarily comprises lease agreements for business premises, IT equipment and car maintenance lease agreements. Digia will use the exemptions granted by the standard, which are estimated to amount to about EUR 1.5 million. Cumulative adjustment will be applied in the adoption of the standard; information on the comparison period will not be adjusted, but reported according to IAS 17. Existing finance lease liabilities will not be modified. Instead, the liabilities arising from existing lease agreements will be recognised using the alternative interest on additional credit at the time of transition and reporting the assets and liabilities of these lease agreements in the same amounts.

CONDENSED INCOME STATEMENT BY QUARTER

EUR 1,000	10-12/2018	7-9/2018	4-6/2018	1-3/2018	10-12/2017 adjusted
Net sales	31,181	25,200	28,860	26,882	27,441
Other operating income	103	55	11	71	509
Materials and services	-3,613	-2,653	-3,010	-3,320	-3,271

EUR 1,000	10-12/2018	7-9/2018	4-6/2018	1-3/2018	10-12/2017 adjusted
Depreciation, amortisation and impairment	-718	-700	-648	-529	-494
Other operating expenses	-25,534	-20,359	-23,269	-21,515	-23,007
Operating result	1,419	1,544	1,943	1,589	1,177
Financial expenses (net)	-17	-222	-127	-161	-203
Profit before taxes	1,402	1,322	1,816	1,428	974
Income taxes	-246	-368	-325	-326	-82
Result for the period	1,157	954	1,490	1,102	892
Distribution of net profit for the period					
Parent-company shareholders	1,157	954	1,490	1,102	892
Earnings/share, EUR (basic and diluted EPS)	0.04	0.04	0.06	0.04	0.03

GROUP KEY FIGURES

EUR 1,000	1-12/2018	1-12/2017 adjusted
Extent of business		
Net sales	112,122	94,537
Average capital invested	62,406	54,592
Number of personnel	1,091	1,005
Average number of personnel	1,069	954
Profitability		
Operating result	6,494	1,852
- as a % of net sales	5.8%	2.0%
Profit before taxes	5,968	1,199
- as a % of net sales	5.3%	1.3%
Result for the period	4,704	974
- as a % of net sales	4.2%	1.0%
Return on equity, %	10.2%	2.5%
Return on investment, %	10.6%	3.7%
Financing and financial standing		
Interest-bearing net liabilities	12,707	4,772
Net gearing	26.6%	10.8%
Equity ratio	54.9%	51.0%
Cash flow from operations	3,602	3,144
Earnings per share, EUR, undiluted (continuing operations)	0.18	0.04
Earnings per share, EUR, diluted (continuing operations)	0.18	0.04
Equity/share, EUR	1.78	1.65

EUR 1,000	1-12/2018	1-12/2017 adjusted
Lowest share trading price, EUR	2.10	2.19
Highest share trading price, EUR	3.13	3.13
Average share price, EUR	2.73	2.55
Market capitalisation	76,448	63,036