

Digia Plc  
Half Year Financial Report  
10 August 2018 at 8:00 am

## Digia Plc's Half Year Financial Report 2018

**Net sales were up 20% and operating profit improved 148% during the first half of the year**

### April-June 2018

- Net sales EUR 28.9 (24.4) million; increase 18.3%
- Operating profit EUR 1.9 (1.4) million; increase 38.8%, operating margin 6.7% (5.7%) of net sales
- Earnings per share EUR 0.06 (0.05)

### January-June 2018

- Net sales EUR 55.7 (46.5) million; increase 19.8%
- Operating profit EUR 3.5 (1.4) million; increase 147.5%, operating margin 6.3% (3.1%) of net sales
- Earnings per share EUR 0.10 (0.05)
- Return on investment 11.8 (5.0) per cent
- Equity ratio 52.5 (52.3) per cent
- Acquisition of Avarea Oy, which specialises in analytics solutions
- Profit guidance for 2018 remains unchanged: Digia's net sales will continue to grow and operating profit will improve significantly compared to 2017.

### GROUP KEY FIGURES

(Figures for 2017 adjusted)

EUR 1,000	4-6/2018	4-6/2017	Change, %	1-6/2018	1-6/2017	Change, %	2017
Net sales 1)	28,860	24,389	18.3%	55,741	46,548	19.8%	94,537
Operating profit 2)	1,943	1,399	38.8%	3,531	1,427	147.5%	1,852
- as a % of net sales	6.7%	5.7%		6.3%	3.1%		2.0%
Result for the period	1,490	1,075	38.7%	2,593	947	173.7%	974
- as a % of net sales	5.2%	4.4%		4.7%	2.0%		1.0%
Return on equity, %				11.6%	4.9%		2.5%
Return on investment, %				11.8%	5.0%		3.4%
Interest-bearing net liabilities				14,337	3,329	330.7%	4,772
Gearing, %				31.4%	7.5%		10.8%
Equity ratio, %				52.5%	52.3%		51.0%
Number of personnel at period-end				1,073	973	10.3%	1,005
Average number of personnel	1,069	960	11.4%	1,051	928	13.3%	954
Shareholders' equity				45,627	44,217	3.2%	44,130
Balance sheet total				87,315	84,816	2.9%	86,616
Earnings per share, EUR	0.06	0.05	11.6%	0.10	0.05	94.1%	0.04

Change % figures have been calculated from IFRS-adjusted figures.

1) IFRS 15 adjustment to consolidated net sales: 4-6/2017 EUR -451 thousand, 1-6/2017 EUR -808 thousand and full-year 2017 net sales EUR -1,685 thousand.

2) IFRS 15 adjustment to consolidated operating profit: 4-6/2017 EUR +25 thousand, 1-6/2017 EUR -14 thousand and full-year 2017 operating profit EUR 6 thousand.

## DIGIA'S PRESIDENT & CEO TIMO LEVORANTA

“Digia’s net sales developed strongly during the second quarter and the review period. Second quarter net sales saw year-on-year growth of 18.3 per cent and were EUR 28.9 million. Net sales for January-June were EUR 55.7 million and grew in the beginning of the year by 19.8 per cent, of which 12.6 per cent was organic growth. Demand and net sales developed favourably in all of Digia’s service areas during the review period, and the Income Register project that Digia is implementing with the Tax Administration supported net sales growth.

Second quarter operating profit amounted to EUR 1.9 (1.4) million and operating profit for January-June to EUR 3.5 (1.4) million. The second quarter operating margin was 6.7 (5.7) per cent and 6.3 (3.1) per cent in January-June. Operating profit was improved by efficiency measures launched at the end of last year and investments in project management.

Digia’s strategy is to renew its customers’ business operations through digitalisation. Our strength is to be able to offer comprehensive digital services for business systems and their integration. Our goal is profitable growth that is faster than the IT services market. During the review period, new customer deliveries of digital services progressed as planned, and we continued develop deliveries and collaboration models which are creating business-value for our customers. Demand has remained strong in both customised and e-commerce solutions.

Demand for our solutions for integration and data utilisation is supported by the growing role of data in building digital services. The networking of business operations and information exchange between organisations are on the rise, which increases demand for software interface solutions in particular. Integration and Information Management is one of our strongest-growing service areas. Avarea Oy, which we acquired in the first quarter, has continued to bolster our position in this growing demand area. Avarea specialises in analytics solutions.

Our customers are currently modernising their ERPs to support the digitalisation of their business in the customer interface. An extensive offering and in-depth knowledge are our strengths in this area. Microsoft selected Digia as its Digitalisation Partner of the Year, which shows that we’re the leading player in this area. After the end of the review period, we strengthened our expertise by agreeing on a deal in which Mavisystems Oy and its wholly-owned subsidiary Mirosys Oy were acquired by Digia Plc as from 1 August 2018. The companies are specialising in demanding Microsoft Dynamics ERP and CRM solutions.

Demand for Financial Sector’s solutions and services remained steady. Demand was maintained by the development of operating models and systems to respond to the changes in digitalisation, regulation in the sector and customer behaviour. We were also involved in many projects related to changes in the financial markets, such as Mifid II, T2S and the EU General Data Protection Regulation (GDPR).

In January-June the service and maintenance business grew by 9.4 per cent and accounted for 46.3 (49.8) per cent of net sales. Digia’s long-term goal is to increase the service business’s share of net sales through service contracts that involve the tracking of project phases and which cover the entire lifecycle of the service. During the review period, we signed multiyear agreements for continuous services with Gasum and St1, which supports the growth of the service business.

According to our strategy, our aim is further strengthen Digia’s position in the Finnish IT service market and to keep growing profitably at a faster rate than the IT service market. I believe that we are well-poised to do so thanks to the knowhow of Digia’s experts and extensive service offering and their continuous development.”

## NET SALES AND OPERATING PROFIT

Net sales for January–June 2018 totalled EUR 55.7 (46.5) million, up 19.8 per cent on the previous year. In January–June 2018, earnings after taxes were EUR 2.6 (0.9) million and earnings per share EUR 0.10 (0.05).

## **OUTLOOK 2018**

Profit guidance for 2018 remains unchanged: "Digia's net sales will continue to grow and operating profit will improve significantly compared to 2017."

## **BRIEFING INVITATION**

Digia will hold a briefing for analysts on Friday 10 August 2017 at 11 am, in the Tapiola cabinet at Hotel Scandic Simonkenttä, Simonkatu 9, 00100 Helsinki, Finland. Welcome.

The material and presentation for the event will be available from about 11 am on 10 August 2018 in the Investors section of the company's website: [www.digia.com/en/investors/reports-and-presentations](http://www.digia.com/en/investors/reports-and-presentations).

## **FURTHER INFORMATION**

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

## **DISTRIBUTION**

Nasdaq Helsinki  
Key media  
[www.digia.com](http://www.digia.com)

Digia is a profitably growing IT service company that helps its customers harness digital opportunities. As a visionary partner, Digia develops and innovates solutions that support business operations together with its customers. We adapt our expertise to their specific industries to help them develop digital services, manage operations and utilise information. We employ over 1,000 experts in Finland and Sweden. We are expanding our international presence together with our customers. Digia's net sales in 2017 totalled EUR 94.5 million. The company is listed on Nasdaq Helsinki (DIGIA). [www.digia.com](http://www.digia.com)

## Digia Plc's Half Year Financial Report 2018

Digia is a Finnish IT service company that helps its customers harness digital opportunities. As a visionary pioneer, Digia develops and innovates solutions that support business operations together with its customers. Digia's service offering comprises digital services, integration and data utilisation, and business systems such as ERP. The services are rounded out with 24/7 support.

### MARKETS AND BUSINESS ENVIRONMENT

Digia mainly operates in the Finnish IT services and software market. Digia estimates that the market will grow by about 4-5 per cent in 2018. In our view, growth is strong in modern application development, integration and implementation services as well as in cloud solutions, which are gaining ground from traditional data centre solutions. In these areas, market growth clearly outpaces the total market growth. The digitalisation of business operations is the engine of market growth. This creates demand for both the development of new services and the modernisation of the underlying business systems.

Harnessing the opportunities of digitalisation increasingly often requires among other things combining information from numerous sources, analysis, processing and reporting. Companies want to source information not only from their own databases and systems, but also exchange it between organisations. This increases the need for integration expertise, particularly Application Programming Interface (API) solutions.

Realising the benefits of digitalisation requires both a company and its IT service supplier to comprehend extensive solution packages. In order to efficiently utilise technologies, one must understand services, how to enhance their smart functionalities and integrate them into the company's business systems. In our view, demand will focus even more on the development of end-to-end systems for customers instead of separate individual projects.

Digia sees a trend in digitalisation development in which customers need a partner with sufficiently extensive delivery capabilities. At the same time, the need for continuous support (24/7) is emphasised, as services are an increasingly critical part of companies' business processes.

### COMPANY ACQUISITIONS

On 14 March 2018, Digia Plc and Avarea Oy signed an agreement whereby Digia Plc acquired Avarea's entire share capital. The acquisition was carried out on 29 March 2018. This acquisition is the next step in Digia's strategy implementation, in which data utilisation and modern analytics are in a key position. Specialising in advanced analytics solutions, Avarea's net sales came to some EUR 3.6 million at the end of their financial year on 30 September 2017. In the transaction, 41 top experts in analytics joined Digia in Helsinki.

On 5 July 2018, Digia Plc and Mavisystems Oy signed an agreement whereby Mavisystems Oy and its wholly-owned subsidiary Mirosys Oy will be acquired by Digia Plc. The transaction was completed on 1 August 2018. For more information on this transaction, see the "Events After the Review Period" section of this report and the press bulletin published on 5 July 2018.

### NET SALES

#### April-June

Second-quarter net sales saw year-on-year growth of 18.3 per cent and amounted to EUR 28.9 (24.4) million. Organic growth accounted for 12.0 per cent of the net sales growth. Acquisitions contributed EUR 1.5 million to net sales; that is, 6.3 per cent of growth came through acquisitions. Net sales growth was still supported by good demand for integration and data utilisation as well as e-commerce projects. Net sales of Digia's own ERP, Digia Enterprise, continued to grow, and the Income Register project being implemented with the Tax Administration also boosted net sales growth.

The net sales of the service business totalled EUR 13.1 (11.6) million in the second quarter of 2018, representing 45.5 (46.7) per cent of the company's net sales. The net sales of the project business totalled EUR 15.7 (13.2) million and accounted for 54.5 (53.3) per cent of net sales.

The net sales of the product business totalled EUR 4.7 (6.0) million in the second quarter of 2018, representing 16.2 (24.5) per cent of the company's net sales. The product business includes licence maintenance, and it is included in both project and service operations.

### **January-June**

Net sales for January–June 2018 totalled EUR 55.7 (46.5) million, up 19.8 per cent on the previous year. Organic growth accounted for 12.6 percentage points. Acquisitions contributed EUR 3.3 million to net sales and accounted for 7.1 percentage points of the growth.

In January–June 2018, the net sales of the service business totalled EUR 25.8 (23.6) million and accounted for 46.3 (49.8) per cent of the company's net sales. The net sales of the project business totalled EUR 30.0 (23.8) million and accounted for 53.7 (50.2) per cent of net sales.

In January–June 2018, the net sales of the product business totalled EUR 9.9 (11.5) million and accounted for 17.7 (24.6) per cent of the company's net sales. A significant part of the product business consisted of maintenance of own product licences.

Major customer agreements made in the first half of the year include an agreement to develop Stockmann's webshop, a partnership agreement with the Finnish Defence Forces Logistics Command, agreements on continuous services with St1, Gasum and Hankkija, and an IT service agreement with Indoor Group.

## **PROFIT AND PROFITABILITY**

### **April-June**

Digia's operating profit for the second quarter of 2018 totalled EUR 1.9 (1.4) million with an operating margin of 6.7 (5.7) per cent. Operating profit was improved by efficiency measures launched at the end of last year and investments in project management.

Digia's earnings before taxes for the second quarter were EUR 1.8 (1.3) million, with earnings after taxes totalling EUR 1.5 (1.1) million.

Earnings per share were EUR 0.06 (0.05) in the second quarter of 2018.

Net financial expenses amounted to EUR -0.1 (-0.1) million.

### **January-June**

Operating profit for January-June 2018 totalled EUR 3.5 (1.4) million, with an operating margin of 6.3 (3.1) per cent of net sales.

In January–June 2018, earnings before taxes were EUR 3.2 (1.2) million and earnings after taxes EUR 2.6 (0.9) million.

Earnings per share were EUR 0.10 (0.05) in January–June 2018.

Net financial expenses amounted to EUR -0.3 (-0.3) million.

## FINANCING, CASH FLOW AND EXPENDITURE

At the end of June, Digia's balance sheet total stood at EUR 87.3 (86.6) million and its equity ratio at 52.5 (52.3) per cent. Net gearing was 31.4 (7.5) per cent. Net gearing rose because the company financed its acquisitions primarily with cash reserves. Liquid assets totalled EUR 1.2 (13.6) million at the end of June.

At the end of June 2018, Digia had EUR 15.5 (17.0) million in interest-bearing liabilities. These consisted of EUR 5.4 million in long-term and EUR 7.6 million in short-term loans from financial institutions and EUR 2.5 million in financial leasing liabilities. Digia has a long-term financing agreement with Danske Bank Plc.

Cash flow from operating activities in January–June 2018 totalled EUR -1.2 (2.6) million. Cash flow from operating activities was negative due to growth in short-term receivables. Cash flow from investments came to EUR -7.0 (-4.7) million. Acquisitions are included in cash flow from investments. Cash flow from financing was EUR -2.2 (13.7) million. Bank financing was used to finance part of the acquisitions during the review period. Digia paid EUR 1.1 million in dividends in the first quarter.

Total investments in tangible assets amounted to EUR 0.5 (1.2) million during January–June 2018. The investments mainly consisted of procurements of furnishings and equipment. The return on investment (ROI) was 11.8 (5.0) per cent, and return on equity (ROE) 11.6 (4.9) per cent.

## HUMAN RESOURCES

The number of Digia employees totalled 1,073 at the end of June 2018, showing an increase of 68 employees, or 6.8 per cent, on year-end 2017. During the review period, the number of employees averaged 1,051, an increase of 123 employees, or 13.3 per cent, on the 2017 average.

Employees are behind our growth and customer satisfaction. Digia is making a concerted effort to ensure its employees' expertise, commitment and opportunities to succeed at work. The continuous development of the working culture and know-how capital are focus areas of Digia's strategy. The Avarea, Mavisystems and Mirosys acquisitions also play a key role in strengthening know-how capital. As a result of the Avarea Oy acquisition, 41 employees transferred to Digia. The number of personnel will rise by 34 following the Mavisystems and Mirosys acquisitions.

## CHANGES IN THE MANAGEMENT TEAM

Pia Huhdanmäki started out as the HR Director and a member of the Management Team on 1 February 2018. Pia Huhdanmäki, LL.M (b. 1969) transferred to Digia from RadioMedia and the Finnish Media Federation, before which she worked as the HR Director/CHRO of Sanoma Media Finland. The HR Director is a new member of Digia's Management Team.

Harri Vepsäläinen became Senior Vice President, Digital Services, and a member of the Management Team on 1 April 2018. Harri Vepsäläinen, BBA (b. 1974), transferred to Digia from CGI, prior to which he served at Affecto as the Business Unit Director of Finance, Media & Telecom and Retail & Services and as a member of the Management Group.

The members of the Management Team report to CEO Timo Levoranta. You can read about Digia's new Management Team members on the company's website: [www.digia.com/en/investors/governance/ceo-and-management](http://www.digia.com/en/investors/governance/ceo-and-management).

## CHANGES IN THE GROUP STRUCTURE

At the beginning of the 2018 financial year, the Digia Group consisted of the parent company, Digia Plc, and its subsidiaries Digia Finland Oy, Digia Commerce Oy (formerly Igence Oy), Digia Nord Oy (formerly Omni Partners Oy)

and its subsidiary Oy Nord Software Ltd, Integration House Ltd, and Digia Sweden AB. These subsidiaries are wholly owned by Digia.

In order to streamline our Group structure, Digia launched several subsidiary merger processes in late 2017. Oy Nord Software Ltd was first merged into Digia Nord Oy, after which both Digia Nord Oy and Commerce Oy were 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.

Avarea Oy, acquired on 29 March 2018, is a subsidiary of Digia Plc. At the end of the review period, the Digia Group includes the parent company Digia Plc and its subsidiaries Digia Finland Oy, Avarea Oy and Digia Sweden AB.

#### **CHANGES IN THE SHAREHOLDER BASE**

On 24 January 2018, Digia Plc received the following notification of changes in holdings: The combined holding of Tiiviste-Group Oy and Etola Oy, two companies controlled by Erkki Etola, exceeded the flagging limit of 5 per cent of Digia's shares and votes. Companies controlled by Erkki Etola on the day of the notification corresponded a total of 1,450,000 Digia Plc shares, corresponding to 5.41 per cent of all Digia shares and votes. The holdings changed on 23 January 2018.

#### **SHARE CAPITAL AND SHARES**

The total number of Digia Plc shares on 30 June 2018 amounted to 26,823,723 and the company had a total of 5,974 shareholders.

The weighted average number of shares during January–June 2018, adjusted for share issues, came to 26,716,760. The number of outstanding shares at the end of June 2018 was 26,716,760.

Digia Plc held a total of 57,372 treasury shares at the end of June 2018. The accounting counter value of these treasury shares is EUR 0.10 per share. The company held about 0.21 per cent of the capital stock as of 30 June 2018.

At the end of the period, a total of 49,591 company shares, previously funded by Digia for use in the incentive system for key personnel and under the management of Evli Awards Management Ltd, remained undistributed.

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

#### **REPORTED SHARE PERFORMANCE ON THE HELSINKI STOCK EXCHANGE**

Digia Plc's shares are listed on NASDAQ Helsinki under IT, IT Consulting & Other Services. The lowest reported share quotation in January–June 2018 was EUR 2.10 and the highest EUR 2.75. The share closed at EUR 2.66 on 30 June 2018. The trade-weighted average during the review period was EUR 2.45. The company's market capitalisation totalled EUR 71,351,103 on 30 June 2018.

#### **THE DECISIONS OF DIGIA PLC'S ANNUAL GENERAL MEETING AND THE ORGANISING MEETING OF THE COMPANY'S BOARD OF DIRECTORS**

Digia Plc's Annual General Meeting (AGM) held on 15 March 2018 adopted the company's annual accounts, including the consolidated annual accounts for 1 January–31 December 2017, and discharged the members of the Board and the President and CEO from liability.

### **Payment of dividend**

The AGM decided, in accordance with the Board's proposal, that based on the balance sheet to be adopted for the accounting period ended 31 December 2017 a dividend of EUR 0,04 per share will be paid. The dividend will be paid to shareholders registered in the Register of Shareholders held by Euroclear Finland Ltd on the record date 19 March 2018. The dividend was paid on 28 March 2018.

### **Composition of the Board of Directors**

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

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

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

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

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

### **Remuneration of the members of the Board**

The AGM decided that remuneration payable to the Board Members to be elected for the term until the close of Annual General Meeting 2019 shall be EUR 2,500, to the Vice Chairman of the Board EUR 3,500 and EUR 5,500 to the Chairman of the Board. In addition, Chairmen will receive a meeting fee of EUR 1,000 for every meeting and other members will receive a meeting fee of EUR 500 for every meeting, including the meetings of the committees set by the Board. None of the fees shall be paid to the Board Member, who will serve the company under a separate employment agreement. In addition to the above mentioned fees the ordinary and reasonable expenses of Board member will be remunerated according to the invoice.

### **Remuneration of the auditor**

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

### **Authorizing of the Board of Directors to decide on the repurchase and/or distress of the company's own shares**

The AGM authorized the Board to decide on the repurchase and/or distress of a maximum of 2,000,000 of company's own shares by using funds in the unrestricted equity. The Board shall decide on how the shares will be repurchased. The shares may be repurchased in another proportion than that of the shares held by the current shareholders. The authorization also includes the acquisition of shares through public trading organized by NASDAQ Helsinki Oy in accordance with its and Euroclear Finland Ltd's rules and instructions, or through offers made to shareholders. The shares may be repurchased in order to improve the capital structure of the company, finance or carry out acquisitions or other arrangements, to carry out company's share-based incentive schemes, or to be transferred for other purposes, or to be cancelled. The shares shall be repurchased for a price based on the fair value quoted in public trading. The authorization replaces the authorization granted by the Shareholders' Meeting on 16 March 2017 and shall be valid for 18 months from the issue date of the authorization, i.e. until 15 September 2019.

### **Authorizing the Board of Directors to decide on a share issue and granting of special rights entitling to shares**

The AGM authorized the Board to decide on share issue and granting of special rights prescribed in Chapter 10 Section 1 of the Companies Act, subject to or free of charge, in one or several instalments on the following terms: The maximum total number of shares to be issued by the virtue of the authorization is 4,000,000. The authorization concerns both the issuance of new shares as well as the transfer of treasury shares. By virtue of the authorization, the



Board of Directors is also entitled to decide on share issues and granting of special rights waiving the pre-emptive subscription rights of the shareholders (directed issue), however such directed issues shall not exceed 2,000,000 shares. The authorization may be used in order to finance or carry out acquisitions or other arrangements, to carry out company's share-based incentive schemes and to improve the capital structure of the company, or to be used for other purposes decided by the Board of Directors. The authorization includes the Board of Directors' right to decide on all terms relating to the share issue and granting of special rights, including subscription price, its payment and its entry into the company's balance sheet. The authorization replaces the authorization granted by the Shareholders' Meeting on 16 March 2017 and shall be valid for 18 months from the issue date of the authorization, i.e. until 15 September 2019.

#### **EVENTS AFTER THE REVIEW PERIOD**

On 5 July 2018, Digia Plc and Mavisystems Oy agreed on a transaction whereby Mavisystems Oy and its wholly-owned subsidiary Mirosys Oy will be acquired by Digia Plc effective 1 August 2018. The net sales of Mavisystems Oy, specialised in demanding Microsoft Dynamics ERP systems and CRM solutions, and Mirosys Oy totalled EUR 3.2 million in the financial period that ended in June 2017. The companies have a total of 34 employees.

#### **RISKS AND UNCERTAINTIES**

The company estimates that there have been no changes in Digia's short-term risks and uncertainties in 2018.

The company's major risks and uncertainty factors relate to changes in the company's general operating environment as well as the implementation of the growth strategy. 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.

The company's business risks are described in more detail in the 2017 Annual Report, available at [www.digia.com](http://www.digia.com).

#### **OUTLOOK 2018**

Profit guidance for 2018 remains unchanged: "Digia's net sales will continue to grow and operating profit will improve significantly compared to 2017."

Helsinki, 10 August 2018

Digia Plc

Board of Directors

## TABLES SECTION

### ACCOUNTING POLICIES

The half-year report was prepared in compliance with IFRS and the IAS 34 Interim Financial Reporting standard. The half-year report has not been audited. With the exception of the changes in accounting policies described below, the half-year report has been drafted in accordance with the accounting policies used in the financial statements for 31 December 2017.

#### Changes in accounting policies:

##### IFRS 2:

The amendment to IFRS 2 Share-based Payment concerns incentive schemes in which a share-based payment transaction is settled net of taxes and the employer has an obligation to withhold tax from the received benefit of the share-based payment. Prior to the amendment, the total reward was divided into an equity-settled component and a cash-settled component. According to the amended standard, share-based incentive schemes are treated as wholly equity-settled arrangements and the compensation cost is recognised based on the gross amount of shares awarded even though the employee only receives the net amount of shares and the Group pays the component required to fulfil withholding obligations to the tax authorities in cash. The withholding taxes paid by the Group to the tax authorities are recognised directly in shareholders' equity.

The Group's financial statements for 2017 included EUR 36 thousand in short-term liabilities related to the payment of the cash-settled component. Due to the amended standard, this component has been adjusted in the opening balance sheet from liabilities to retained earnings.

##### IFRS 15:

The IFRS 15 standard that came into force on 1 January 2018 has been adopted and the figures for 2017 have been adjusted retrospectively.

The amended revenue recognition principle of IFRS 15 has an impact of EUR -1,685 thousand on Digia Group's net sales for 2017. The primary reason for these changes is that for third-party products, the revenue recognition method is determined on an agreement-by-agreement basis. If Digia is responsible, revenue is recognised from these products in one instalment on a gross basis once the installation environment has been completed. Maintenance revenue will also be recognised on a gross basis, but over time. If a third party holds actual responsibility, Digia only recognises the margin or commission in net sales. The amended revenue recognition principle for 2017 has an impact of EUR -1,852,000 on net sales. The amended standard does not have any material impact on the operating result.

EUR 1,000	Q1/2017	Q2/2017	Q3/2017	Q4/2017	2017
Net sales, IFRS 15 adjusted	22,159	24,389	20,548	27,441	94,537
Operating profit, IFRS 15 adjusted	27	1,399	-751	1,177	1,852
Net sales, reported 2017	22,516	24,840	20,899	27,966	96,221
Operating profit, reported 2017	66	1,374	-691	1,097	1,846

#### Upcoming changes in accounting policies:

##### IFRS 16:

The effects of IFRS 16 Leases, which will come into force on 1 January 2019, on the company's result and balance sheet have been analysed with respect to each lease agreement. The company leases its business premises, company cars and multifunction devices. According to a preliminary analysis, the adoption of IFRS 16 will not have a material impact on the company's result. Its adoption will have an effect on the company's operating result and EBITDA, as lease expenses will be recognised as depreciation and financial expenses under IFRS 16. According to the preliminary estimate, tangible assets and lease agreement liabilities in the balance sheet will increase by about EUR 11 million, as

a result of which the balance sheet total will rise by about EUR 11 million. The figures will be specified on 1 January 2019 in the final analysis of the current leases.

**CONDENSED CONSOLIDATED INCOME STATEMENT**  
(Figures for 2017 adjusted)

EUR 1,000	4-6/2018	4-6/2017	Change, %	1-6/2018	1-6/2017	Change, %	2017
NET SALES	28,860	24,389	18.3%	55,741	46,548	19.8%	94,537
Other operating income	11	103	-89.8%	81	281	-71.0%	906
Materials and services	-3,010	-2,750	9.5%	-6,330	-5,250	20.6%	-11,008
Depreciation, amortisation and impairment	-648	-370	75.2%	-1,177	-729	61.5%	-1,669
Other operating expenses	-23,269	-19,973	16.5%	-44,784	-39,423	13.6%	-80,914
Operating result	1,943	1,399	38.8%	3,531	1,427	147.5%	1,852
Financial expenses (net)	-127	-147	-13.8%	-288	-260	10.5%	-653
Earnings before tax	1,816	1,252	45.0%	3,244	1,166	178.1%	1,199
Income taxes	-325	-177		-651	-219		-225
RESULT FOR THE PERIOD	1,490	1,075	38.7%	2,593	947	173.7%	974
<b>Other comprehensive income</b>							
<b>Items that may later be reclassified as profit or loss:</b>							
Exchange differences on translation of foreign operations	34	19	77.9%	128	23	467.5%	72
TOTAL COMPREHENSIVE INCOME	1,524	1,094	39.4%	2,721	970	180.5%	1,046
<b>Distribution of net profit for the period</b>							
Parent-company shareholders	1,490	1,075	38.7%	2,593	947	173.7%	974
<b>Distribution of total comprehensive income</b>							
Parent-company shareholders	1,524	1,094	39.4%	2,721	970	180.5%	1,046
Earnings/share, EUR (basic and diluted EPS)	0.06	0.05	8.3%	0.10	0.05	114.0%	0.04

**CONDENSED CONSOLIDATED BALANCE SHEET**  
(Figures for 2017 adjusted)

EUR 1,000	30 Jun 2018	30 Jun 2017	31 Dec 2017
<b>Assets</b>			
Non-current assets			
Goodwill	49,924	43,934	45,715
Other intangible assets	3,572	2,418	2,243
Tangible assets	3,534	2,788	3,293
Investments	484	624	484
Long-term receivables	91	161	113
Deferred tax assets	191	141	435
<b>Total non-current assets</b>	<b>57,797</b>	<b>50,067</b>	<b>52,283</b>
Current assets			
Current receivables	28,327	21,120	22,474
Available-for-sale financial assets	331	334	335
Cash and cash equivalents	860	13,295	11,523
<b>Total current assets</b>	<b>29,519</b>	<b>34,750</b>	<b>34,332</b>
<b>Total assets</b>	<b>87,315</b>	<b>84,816</b>	<b>86,616</b>
<b>Shareholders' equity and liabilities</b>	<b>30 Jun 2018</b>	<b>30 Jun 2017</b>	<b>31 Dec 2017</b>
Share capital	2,088	2,088	2,088
Other reserves	5,204	5,204	5,204
Unrestricted shareholders' equity reserve	42,081	42,091	42,081
Translation difference	-424	-247	-296
Retained earnings	-5,914	-5,880	-5,915
Result for the period	2,593	947	974
Equity attributable to parent-company shareholders	45,627	44,203	44,136
<b>Total shareholders' equity</b>	<b>45,627</b>	<b>44,203</b>	<b>44,136</b>
<b>Liabilities</b>			
Non-current interest-bearing liabilities	6,777	8,100	12,977
Non-current advances received	50	0	0
Other non-current liabilities	621	1,234	579
Deferred tax liabilities	628	312	345
<b>Total long-term liabilities</b>	<b>8,077</b>	<b>9,647</b>	<b>13,902</b>
Current interest-bearing liabilities	8,750	8,858	3,652
Other short-term liabilities	24,861	22,108	24,926

EUR 1,000	30 Jun 2018	30 Jun 2017	31 Dec 2017
Total short-term liabilities	33,611	30,966	28,578
<b>Total liabilities</b>	<b>41,688</b>	<b>40,613</b>	<b>42,480</b>
<b>Shareholders' equity and liabilities</b>	<b>87,315</b>	<b>84,816</b>	<b>86,616</b>

#### CONSOLIDATED CASH FLOW STATEMENT

EUR 1,000	1 Jan 2018 - 30 Jun 2018	1 Jan 2017 - 30 Jun 2017
Cash flow from operations:		
Net profit	2,593	947
Adjustments to net profit	-893	1,403
Change in working capital	-2,800	1,025
Interest paid	-120	-166
Interest income	1	0
Taxes paid	33	-564
Cash flow from operations	-1,186	2,646
Cash flow from investments:		
Purchases of tangible and intangible assets	-490	-1,216
Acquisition of shares in subsidiaries	-6,499	-3,449
Cash flow from investments	-6,989	-4,665
Cash flow from financing:		
Proceeds from share issue		12,041
Repayments of finance lease liabilities	-1	272
Repayments of current loans	1,300	0
Repayments of non-current loans	0	-1,000
Withdrawals of current loans	0	4,000
Withdrawals of non-current loans	198	0
Dividends paid and other profit distribution	-1,069	-1,658
Cash flow from financing	-2,171	13,655
Change in liquid assets	-10,346	11,635
Cash and cash equivalents at beginning of period	11,858	1,994
Effects of changes in foreign exchange rates	-60	0
Cash and cash equivalents of subsidiary at time of acquisition	-260	0
Change in liquid assets	-10,346	11,635
Cash and cash equivalents at end of period	1,191	13,630

## CHANGES IN SHAREHOLDERS' EQUITY

EUR 1,000	a	b	c	d	e	f	g
<b>Shareholders' equity, 1 Jan 2017</b>	<b>2,088</b>	<b>0</b>	<b>30,050</b>	<b>5,204</b>	<b>-224</b>	<b>-4,303</b>	<b>32,814</b>
Net profit						947	947
Other comprehensive income					-23		-23
Transactions with shareholders							
Dividends paid						-1,658	-1,658
Rights Issue			12,491				12,491
Costs of issuing equity			-450				-450
Share-based payments recognised against equity						81	81
<b>Shareholders' equity, 30 Jun 2017</b>	<b>2,088</b>	<b>0</b>	<b>42,091</b>	<b>5,204</b>	<b>-247</b>	<b>-4,933</b>	<b>44,203</b>
	a	b	c	d	e	f	g
<b>Shareholders' equity, 1 Jan 2018</b>	<b>2,088</b>	<b>0</b>	<b>42,081</b>	<b>5,204</b>	<b>-296</b>	<b>-4,910</b>	<b>44,166</b>
Net profit						2,593	2,593
Other comprehensive income					-128		-128
Transactions with shareholders							
Dividends paid						-1,069	-1,069
Share-based payments recognised against equity						65	65
<b>Shareholders' equity, 30 Jun 2018</b>	<b>2,088</b>	<b>0</b>	<b>42,081</b>	<b>5,204</b>	<b>-424</b>	<b>-3,321</b>	<b>45,627</b>

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

**DIGIA'S INCOME STATEMENT BY QUARTER**  
(Figures for 2017 adjusted)

EUR 1,000	4-6/2018	1-3/2018	10-12/2017	7-9/2017	4-6/2017
Net sales	28,860	26,882	27,441	20,548	24,389
Other operating income	11	71	509	117	103
Materials and services	-3,010	-3,320	-3,271	-2,487	-2,750
Depreciation, amortisation and impairment	-648	-529	-494	-446	-370
Other operating expenses	-23,269	-21,515	-23,007	-18,484	-19,973
Operating profit	1,943	1,589	1,177	-751	1,399
Financial expenses (net)	-127	-161	-203	-190	-147
Earnings before tax	1,816	1,428	974	-941	1,252
Income taxes	-325	-326	-82	76	-177
Result for the period	1,490	1,102	892	-865	1,075
<b>Distribution of net profit for the period</b>					
Parent-company shareholders	1,490	1,102	892	-865	1,075
Earnings/share, EUR (basic and diluted EPS)	0.06	0.04	0.03	-0.03	0.05

**GROUP KEY FIGURES**

(Figures for 2017 adjusted)

EUR 1,000	1-6/2018	1-6/2017
<b>Extent of business</b>		
Net sales	55,741	46,548
Average capital invested	61,933	54,010
Number of personnel	1,073	973
Average number of personnel	1,051	928
<b>Profitability</b>		
Operating result	3,531	1,427
- as a % of net sales	6.3%	3.1%
Earnings before tax	3,244	1,166
- as a % of net sales	5.8%	2.5%
Result for the period	2,593	947
- as a % of net sales	4.7%	2.0%
Return on equity, %	11.6%	4.9%
Return on investment, %	11.8%	5.0%
<b>Financing and financial standing</b>		
Interest-bearing net liabilities	14,337	3,329
Net gearing	31.4%	7.5%
Equity ratio	52.5%	52.3%
Cash flow from operations	-1,186	2,646
Earnings per share, EUR, undiluted	0.10	0.05
Earnings per share, EUR, diluted	0.10	0.05
Equity/share, EUR	1.70	1.65
Lowest share trading price, EUR	2.10	2.36
Highest share trading price, EUR	2.75	3.13
Average share price, EUR	2.45	2.65
Market capitalisation	71,351	64,377



**FORMULAS FOR THE INDICATORS****Return on investment (ROI), %**

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

**Return on equity (ROE), %**

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

**Equity ratio, %:**

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

**Earnings per share:**

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

**Dividend per share:**

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

**Dividend pay-out ratio, %:**

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

**Net gearing:**

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

**Effective dividend yield, %:**

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

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

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

**MAJOR SHAREHOLDERS, 30 JUNE 2018**

		<b>No. of shares and votes</b>	<b>Holding %</b>
1	Ingman Development Oy Ab	6,000,000	22.37
2	Ilmarinen Mutual Pension Insurance Company	3,912,774	14.59
3	Varma Mutual Pension Insurance Company	1,247,142	4.65
4	Tiiviste-Group Oy	1,200,000	4.47
5	Jyrki Hallikainen	1,000,000	3.73
6	Savolainen Matti	935,899	3.49
7	Sijoitusrahasto Aktia Capital	781,428	2.91
8	Evli Finnish Small Cap Fund	458,111	1.71
9	Etola Oy	300,000	1.12
10	Karvinen Kari Juhani	290,000	1.08
<b>Total</b>		<b>16,125,354</b>	<b>60.12</b>