

Digitalisation that makes a difference

Annual Report 2019

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A high-angle photograph of a group of approximately 12 people in a modern office space with large glass windows. The people are dressed in casual business attire, some wearing Digia-branded clothing. They are gathered around a laptop, looking at the screen and talking. The floor is dark and reflective, and the lighting is warm and modern.

Digia's direction

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We help our customers succeed in the networked and data-driven world

Digia is a software and service company that helps its customers renew themselves in the networked world. We work together to build a world where digitalisation makes a difference.

Success requires the capability to change. Today, the pace of change has accelerated even further. Technology is often the enabler: customers expect new kinds of digital services, processes run smoother when they are automated, and the utilisation of data opens up new kinds of business opportunities. In the digital world, you do not succeed by copying what has been done before – you must boldly seek new ways of operating and creating value.

We at Digia help our customers succeed in the networked and data-intensive world. Our operations are based on high-level professional expertise, reliable solutions and long customer relationships. We know all the

layers of digitalisation, from business systems to integrations, data analytics and digital services. We implement extensive end-to-end digital solutions for our customers, tackling all the layers of digitalisation.

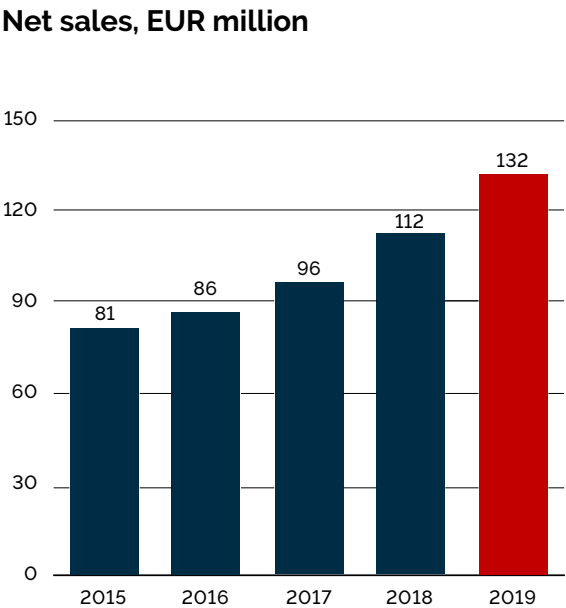
We can provide our customers with comprehensive maintenance, support and monitoring around the clock if necessary. We ensure that our services are updated and developed constantly.

Success hinges on renewal and learning, both for us and for our customers. Our number of personnel rose from about 1,000 to more than 1,200 during the past year. Today, Digia is a learning community with more than 1,200 members,

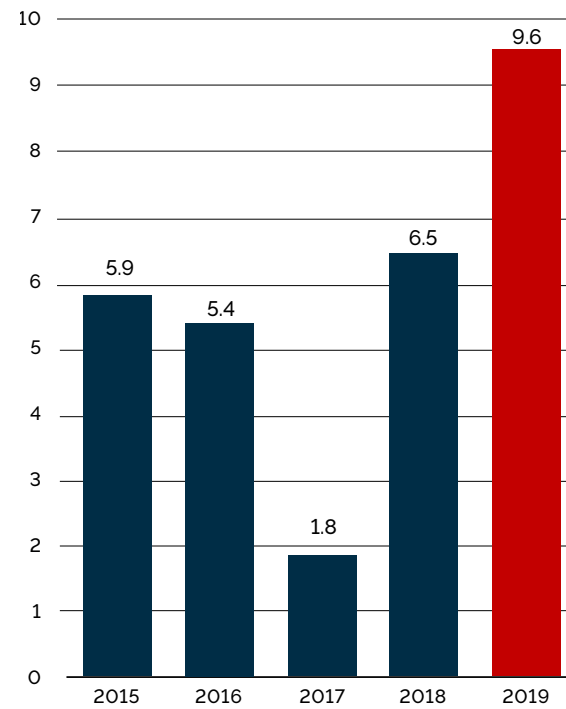
in which professionals in different fields share information and pull together to achieve peak performance.

We operate in eight locations in Finland – Helsinki, Tampere, Jyväskylä, Turku, Oulu, Rauma, Vaasa and Lahti – and in Stockholm, Sweden.

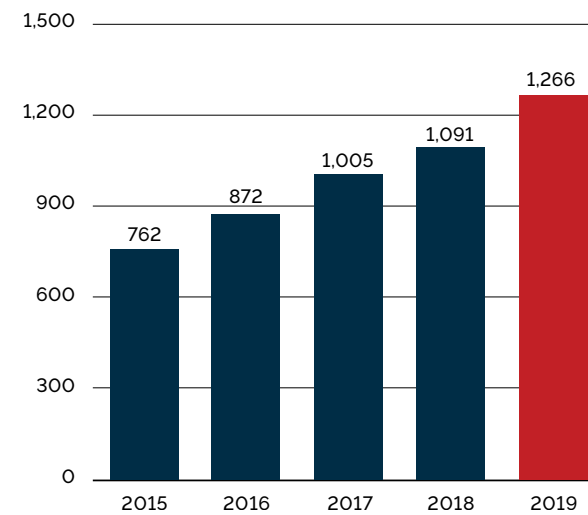
Digia's net sales totalled EUR 131.8 million in 2019. The company is listed on NASDAQ Helsinki (DIGIA).



Operating result, EUR million



Number of Employees, 31 Dec



Key figures

EUR 1,000	2019	2018	Change, %
Net sales	131,824	112,122	17.6%
Operating profit	9,648	6,494	48.6%
- as a % of net sales	7.3%	5.8%	
Result for the period	7,090	4,704	50.7%
- as a % of net sales	5.4%	4.2%	
Return on equity, %	14.0%	10.2%	
Return on investment, %	13.5%	10.6%	
Interest-bearing net liabilities	22,616	12,707	78.0%
Gearing, %	42.5%	26.6%	
Equity ratio, %	47.2%	54.9%	
Number of personnel, 31 Dec	1,266	1,091	16.0%
Average personnel	1,186	1,069	11.0%
Shareholders' equity	53,190	47,782	11.3%
Balance sheet total	114,116	88,104	29.5%
Earnings per share	0.27	0.18	51.3%



The President & CEO of Digia, Timo Levoranta

A year of growth and company culture

We create growth in our day-to-day work together with our customers. In 2019, we bolstered our offering and drafted Digia's cultural principles to guide our daily work. Our net sales grew by 17.6 per cent and our operating profit improved by 48.6 per cent in 2019.

Creating value through cooperation with customers and partners is the foundation of growth. In this effort, Digia's key strengths are its extensive offering and profound technological expertise, combined with an encouraging and evolving work culture. These were our key focus areas in 2019, too.

Culture is the ERP system of everyday life that guides our choices and lays the foundation for continuous renewal, both at the level of individuals and the Digia community as a whole. Digia's four cultural principles were crystallised in 2019: learning, sharing, courage and professional pride.

Digia's overall offering demonstrated its effectiveness in 2019, as all five of our service areas increased their net sales. Particularly strong growth was seen in data analytics and utilisation, Microsoft ERP systems, integrations and API management. In 2019, demand also continued to grow in both maintenance and 24/7 Service Center services.

In line with our strategy, we continued to systematically build our offering through both organic development and acquisitions. In January 2019, we acquired Starcut Oy, a specialist in mobile development. In August 2019, we bolstered our business systems offering by acquiring Accountor Enterprise Solutions Oy, which specialises in

Microsoft and Oracle ERP and CRM systems.

Responsibility starts from everyday work. For us, it means shouldering our responsibility for the functionality of the solutions we provide to customers and the meaningfulness of the work of Digia employees, while taking financial results, environmental issues and society into consideration.

To develop our society, we also wanted to spark discussion in 2019 about the opportunities opened up by digitalisation. As part of this discussion, we organised the DigiArvoa 2019 competition, which encouraged participants to come up with ideas for how to develop Finnish society with digital means. The prize was EUR 100,000 worth of professional expertise and work by Digia employees. The competition was won by the Finnish Red Cross. The idea behind its 'Kukaan ei jää yksin' service is to make it easier for volunteers to connect with people in need of help with the aid of smart software and services.

2019 marked the end of our previous strategy period. In 2016–2019, we strengthened our expertise and our overall offering and posted rapid growth. Digia's new strategy for 2020–2022, Next Level, is the next logical step in our growth journey.

In the strategy, we place particular emphasis on the potential of data utilisation in our customers' services and business processes.

At Digia, we believe in a world in which value is created in ecosystems through smart data management. We are moving towards a symbiosis between humans and software, where people work with meaningful tasks while automation and software do the rest. In this world, we are a trusted partner to our customers.

2019 was a year of company culture and growth for us. I would like to thank our customers, employees, partners and other stakeholders for this eventful year. We are well poised for 2020.



Timo Levoranta
President & CEO

Digia's service areas

Digia reports on one business segment that comprises of five service areas. Digia's service areas in 2019 were Digia Business Connect, Digia Digital, Digia Business Platforms, Digia Financial Platforms and Digia Customer Operations.

Digia Digital

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

Digia Business Connect

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

Digia Business Platforms and Digia Financial Platforms

In these service areas, we provide business systems that help our customers to boost

the efficiency of their core processes. These systems also act as a flexible platform for digital business development.

Digia Business Platforms offers ERPs and extended CRM solutions for companies of all sizes. Our offering comprises Microsoft D365 solutions, Oracle NetSuite solutions and our own Digia Enterprise ERP product, which has been awarded the Key Flag symbol.

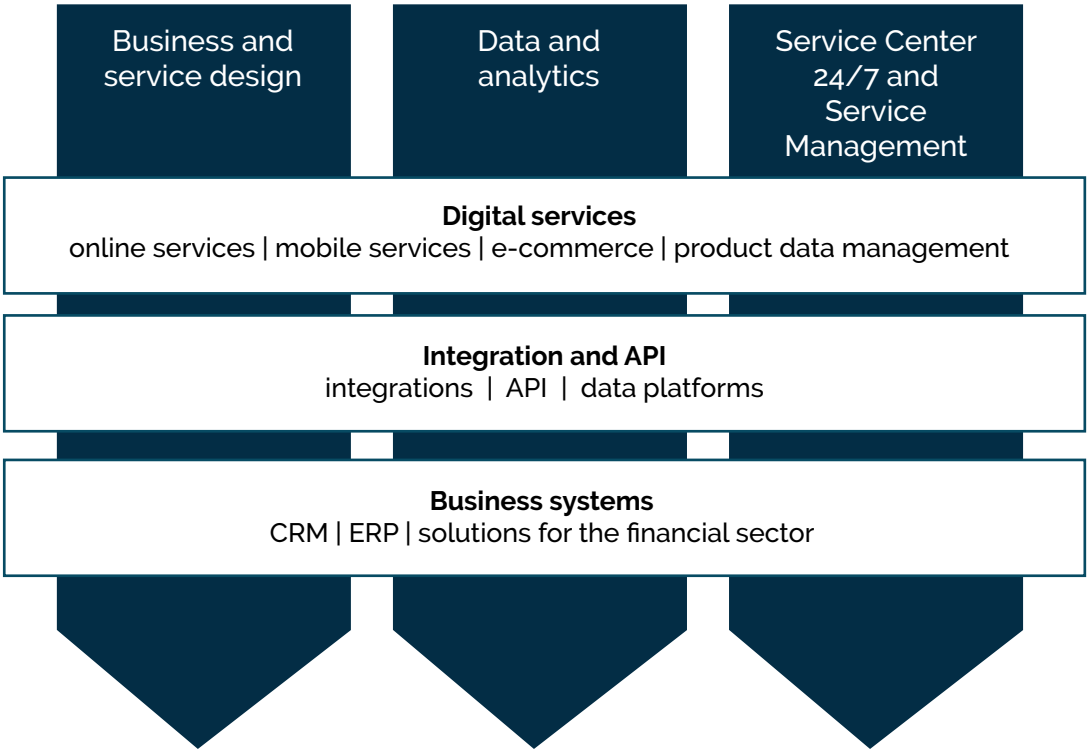
Digia Financial Platforms is based around our Digia Financial Solutions product family, which is a market-leading solution for fund management companies, asset management companies, and brokers.

Digia Customer Operations

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

Our services

To ensure that the whole package works involves going *beyond the surface*.



The cloud is often used as the development and operating platform.

Markets and Digia's market position

We expect the IT service market to continue to grow. Companies and public sector organisations are making the transition from discrete IT solutions to the era of digital platforms. At the same time, the requirements set for functionality and data security are growing. Data utilisation and a good customer experience are increasingly important. Cloud as the development and operating platform for services becomes the norm.

From separate projects to the digitalisation of the entire business

Most of the core functions of companies and public sector organisations are currently performed using a variety of information systems and digital services. Organisations no longer merely rely on isolated solutions for digitalisation – rather, it is core business.

Due to this development, IT solutions are increasingly business critical. The requirements set for functionality and data security are growing and the need for 24/7 incident management, maintenance and continuous development is emphasised.

For this reason, companies need to partner up with IT providers that understand the bigger picture and can guarantee functionality under all circumstances. In addition to services, Digia also provides its customers with system support and monitoring around the clock to ensure the continuity of business-critical processes.

The world is becoming networked and digital platforms enable renewal

Companies are transferring more of their business operations to digital platforms and the networks they form. This development enables Finnish companies and public sector organisations to tap into the opportunities of

the platform economy. It may be worthwhile for a company to provide its services via a third-party platform, or to attract more users to its own platform services by making them available to other service providers.

We believe that, in the future, business value will be created in these kinds of digital ecosystems. This means that companies must consider which ecosystems they want to operate in, and how they will go about it. In practice, they need to have the ability to build their own platform and join other platforms, taking data security requirements into consideration.

Digia's offering is well suited to all these market requirements. Our strength stems from our expertise in different levels of digitalisation. We help our customers to construct and develop their business systems, so that they provide a flexible yet stable platform on which to implement a variety of digital services and indeed an entire digital business. A controlled and comprehensive approach is essential for successful platform integrations. Digia is a solid and recognised market provider of integrations and open interfaces. There is growing demand for state-of-the-art cloud-based integration tools in particular.

Smart data utilisation provides a competitive edge

Utilising data in the networked world is a key competitive factor. When processes and services are digitalised, an ever-growing volume of data becomes available on key functions, making it possible to steer, optimise and modernise processes. An increasing number of companies are calibrating their

operations to be more data driven. Data is also valuable when it is shared with external parties: sharing and combining data in networks opens the door to providing new kinds of services to users.

Digia helps its customers to plan the use of data in business operations, find applications, and implement the technical solutions, smart algorithms and data warehouses required for data utilisation.

In data-driven business, Digia's particular strength is its robust expertise in data warehousing solutions. Modern data warehouses are increasingly often being implemented in the cloud. In data analysis, Digia helps companies gain a deeper understanding of customers and to both predict and improve their profitability. When it comes to secure data sharing, the creation and administration of open interfaces now play an important role.

Thanks to this expertise in analytics and data warehouse solutions, combined with strong integration capabilities, Digia has a strong offering that enables us to meet the constantly growing need for data utilisation solutions.

Good user experience in services is a critical success factor

Today, people are offered easier access to services in more channels than ever before. When trying to succeed in the face of this competition, customer experience is the decisive factor. The smarter the service, the more relevant and personalised the user experience.

We believe that, in the future, a winning customer experience will have to be consistent and inspiring. Digital services are typically user interfaces for functions implemented by many other systems, whether in the case of online store deliveries or the mobile purchase of a travel ticket.

Digital services are powered by business systems – integrations and APIs combine them into a seamless whole. Designing a functional digital service requires going beyond the surface and harnessing data utilisation solutions to make it smart.

For these reasons, in the field of digital services, demand is also shifting away from isolated system solutions to comprehensive system design. This trend is an opportunity for a company such as Digia – a company that knows how to create a customer experience in everything from digital services to integrations and business systems. This package is tied together with a customer-centric approach to design that is well served by our service design expertise. Our expertise in data utilisation ensures smart services.



Review of the 2016–2019 strategy period

On 29 April 2016, Digia published a growth strategy, according to which our goal is to strengthen the company's position, particularly in the growing markets for digital services and the service business. We announced that we are aiming for average annual growth of 15 per cent. In 2017–2019, average annual growth was 15.8 per cent.

During the strategy period, we have renewed Digia into its current shape through both acquisitions and the continuous modernisation of internal functions. We have developed our culture, offering and operating model.

Digia's employees are at the heart of the strategy. We have supported learning through training and on-the-job learning. Towards the end of the strategy period, we crystallised our cultural principles: learning, sharing, courage and professional pride. These principles lay a good foundation for the further development of our culture and working community during the next strategy period. Successful recruitment that supports Digia's workplace culture is also essential for competence development and business success. Since 2017, our number of employees has grown by almost 300 experts (2017: 1,005, 2019: 1,266).

One of the key focus areas during the strategy period was to systematically bolster our offering. As part of these efforts, we carried out seven acquisitions during the strategy period.

We have strengthened our digital services area with several acquisitions. Igence (2016) provided us with new expertise in online shop implementation. Omni Partners and Nord Software (2017) strengthened our customised online and mobile services based on open source code technologies. Starcut (2019) in turn bolstered our native mobile development.

Other areas of the offering have also been comprehensively strengthened with acquisitions. Integration House (2017) further enhanced Digia's strong integration and cloud integration capabilities. Avarea (2018) in turn brought in substantial new expertise in data analytics. Mavisystems and Mirosys (2018) and Accountor Enterprise Solutions (2019) strengthened our offering in Microsoft's cloud-based ERP and CRM systems. Accountor Enterprise Solutions also added the Oracle NetSuite solution to Digia's product range. The offering, bolstered with acquisitions and rounded out with Digia's own Digia Enterprise ERP system, gives Digia a comprehensive market position.

As digital services are part of core business, the need for continuous services is also on the rise. We have built our service business in many ways during the strategy period. During these three years, we have built and deployed service management processes, operating models and tools Digia-wide that comprise the foundation of our service business. In 2018, we introduced a customer care model that we have used to develop our customer service.

At the beginning of the strategy period, we started building a Service Center for Digia. The Service Center can now serve our customers 24/7 all year round. In this work, the Service Center makes use of Digia's own Digia Iiris service package for monitoring and service management. The number of Service Center customers grew from 250 to over 600 in three years.

Digia's journey of renewal, 1 May 2016–2019

Development of internal operations

Human resources	Offering	Operating model
» Continuous learning » Recruitment » Culture	» Strong whole » 24/7 monitoring and maintenance	» Account management model » Efficiency and quality

Company acquisitions



Strategy 2020–2022

On 7 February 2020, we released our strategy for the 2020–2022 period: we seek an annual net sales growth exceeding 10 per cent including organic growth and acquisitions. The target level of profitability improvement is an EBITA margin of 10 per cent by the end of the strategy period.

The Next Level strategy is the next step in Digia's growth journey. We will continue to renew our operations and strengthen the selected focus areas. In the strategy, we place particular emphasis on the potential of data utilisation in our customers' services and business processes.

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

For all of these, we provide various levels of maintenance services to help our customers operate their business-critical systems and services around the clock. In the 2020–2022 strategy period, we will continue to strengthen this offering.

Direction of development and the world of the future

Software, their growing intelligence and data are changing the world. Organisations' value creation models and people's work patterns are evolving.

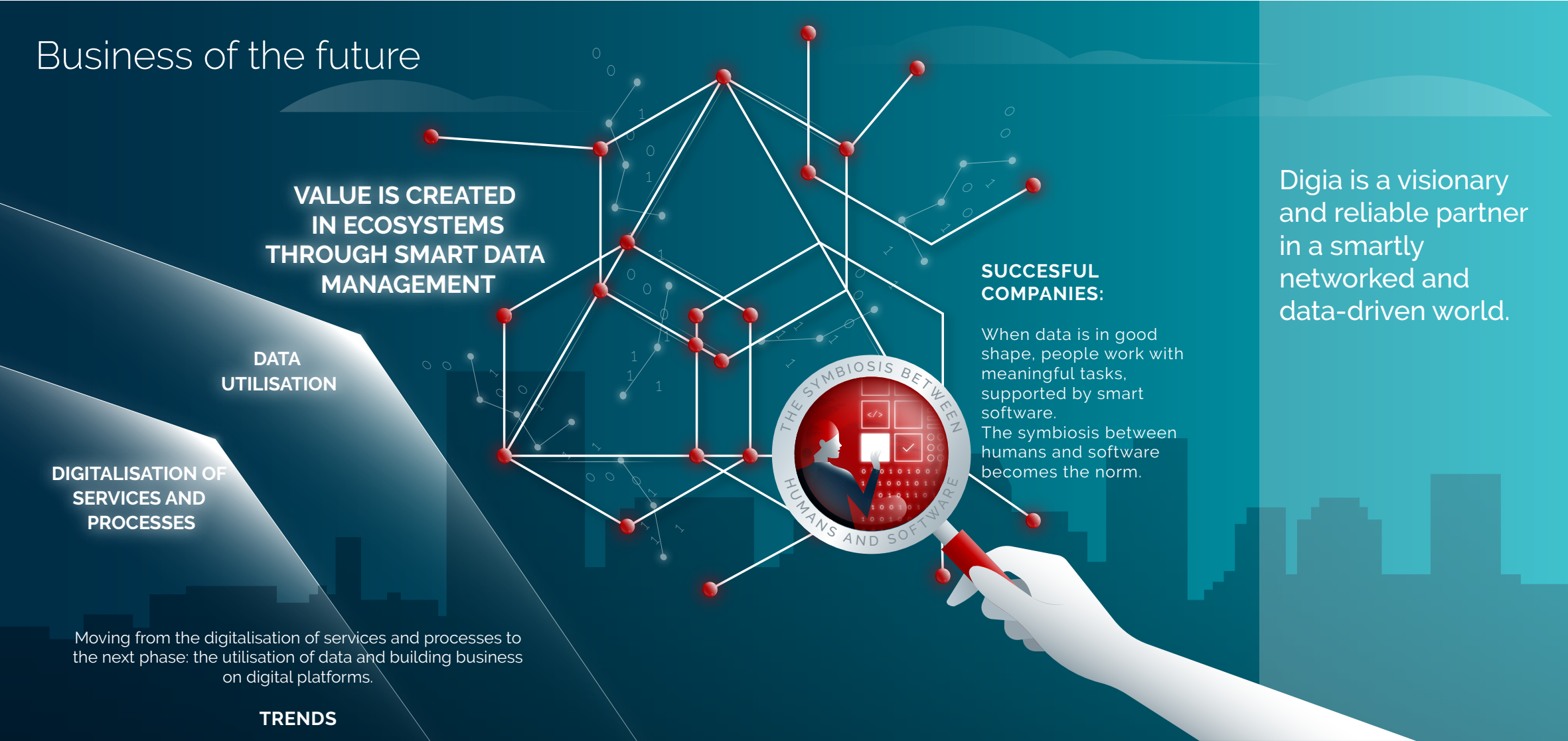
At business level this development means that value is created in networks and ecosystems, using data intelligently.

At the level of companies' internal operations and individuals, we are moving towards a symbiosis between humans and software, where people work with meaningful tasks while automation and software do the rest.

In this development, Digia is a visionary and reliable partner valued by its customers, as well as a responsible learning community valued by its employees.

Strategic priorities:

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



Responsible Digia

- 14 Ethical and transparent business
- 16 Financial responsibility
- 17 Human resources
- 20 Customers



Responsibility starts from everyday work

Responsibility is an element in our business success. We take account of the needs of both our most significant stakeholders and society as a whole. Digia's material areas of corporate responsibility are anti-bribery and corruption, data security and protection, customers, taking care of employees, diversity, technological solutions, and taking environmental responsibility into consideration.

We want to create value for our stakeholders by engaging in responsible and profitable business. Profitable operations enable us to invest in business growth and provide our financial stakeholders with income.

The foundations of responsible operations

We regard corporate responsibility as a fixed aspect of our business, and seek to operate responsibly in all of our financial and social activities. Digia's responsibility is based on our own Code of Conduct, the UN's Universal Declaration of Human Rights, and the International Labour Organisation's (ILO) standards. However, in our changing business environment, responsibility is based above all else on the continual monitoring and improvement of our operations.

Digia's Code of Conduct

- 1 **Compliance.** We shall comply with legislation in our business operations. We shall not condone or participate in illegal activities of any kind.
- 2 **Third-party rights.** We shall honour the proprietary rights of others as expressed in patents, copyrights, trademarks and industrial designs.
- 3 **Anti-bribery and anti-corruption policy.** We shall not condone bribery or corruption in any form.
- 4 **Data security.** We shall protect all of the data, materials and devices that belong to us, our customers or our partners.
- 5 **Data protection.** We shall protect the personal data of our personnel, customers and partners.
- 6 **Working conditions.** We shall respect internationally recognised human and labour rights. We shall care for our personnel's wellbeing. We shall maintain a safe and healthy working environment for all employees.
- 7 **Environmental responsibility.** We shall take care of the environment. We shall encourage environmentally friendly choices in our business and working environments.

Every Digia employee, regardless of their position, is required to comply with these principles and report any irregularities. We also require our subcontractors to comply with the Code of Conduct.



Ethical and transparent business

Digia does not condone bribery or corruption in any form. The anti-bribery and anti-corruption policy covers all of Digia's operations.

Digia's internal anti-bribery and anti-corruption policy underlines that Digia takes bribery and corruption seriously, and sets out rules and guidelines to promote ethical and lawful behaviour. We foster our reputation as an ethical company by creating awareness of the risks of bribery and corruption, such as their legal consequences, reputational risk, and the risk of exclusion from public-sector tenders.

Digia primarily operates in Finland and our operations mainly extend only to other low-risk countries (as classified by Transparency International). However, Digia has foreign partners in countries where the risk of bribery and corruption has increased. We pay attention to bribery and corruption in our dealings with partners, and exercise extreme caution in the selection of our partners. We also require our partners to commit to compliance with anti-bribery and corruption legislation.

Digia has organised training for personnel to help combat bribery and corruption. Digia has a channel through which personnel can report

any suspected violations related to bribery and corruption. These reports can also be made anonymously. All of the reports are forwarded to Digia's legal department for confidential handling.

Digia complies with legislation in its operations and neither condones nor participates in any kind of illegal activity. The company respects internationally recognised human and labour rights as well as cares for the wellbeing of its personnel, maintaining a safe and healthy working environment for all its employees. 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.

Data protection

Digia seeks a high level of data protection, data privacy and information security in all of its activities. Digia is committed to protecting the data, materials and devices in our possession regardless of who they belong to – Digia, our customers or our



partners. We respect the privacy of our personnel, customers and partners in all our operations. Protecting customers' privacy is an important element of our customer relationships.

Digia has identified the following risks in its own operations with regard to privacy and data protection: reputational risk, contractual risk, and the risk of sanctions. We maintain a high level of data protection and security by training our personnel, administrative and technical controls, audits, and continually developing processes related to data protection and security.

Digia's overhauled data protection organisation came into force at the beginning of 2018. The organisation was bolstered with new experts in 2019. The data protection organisation has improved practices and processes so that operations comply with the requirements of the EU General Data Protection Regulation. In addition, the company focused on internal and external technical data security and protection solutions in 2019.

With regard to audits of compliance with statutory data protection obligations, in 2019 audit activities changed over to continuous audits following an annual calendar. Data security and protection audits focused especially on new subareas of business and operational improvements.

In 2019, the training of persons appointed to be responsible for data security and protection in the company's business operations was developed further. The development of data security processes has continued and been mobilised at Digia level. Each Digia employee familiarises themselves with data security and protection procedures as part of the induction process. Mobilisation seeks to integrate data security and protection even more firmly into everyday activities.

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

We continually supervise our data security and protection practices, and update our operating models as required to counter threats and risks. The data protection organisation engages in continuous monitoring of the risk level and keeps the organisation informed as necessary. Data protection is included in Digia's certified quality assurance system.

Ethical principles for utilising artificial intelligence

The utilisation of artificial intelligence in companies and society is increasing rapidly. The rapid development also raises fears and uncertainties concerning, for example, the fairness of the decisions made by artificial intelligence or the reliability of algorithms.

In 2019, Digia was involved in the ethics challenge of the Ministry of Economic Affairs and Employment of Finland's Artificial Intelligence Programme in which companies committed to formulating ethical principles for the utilisation of artificial intelligence.

Digia's principles for the ethical utilisation of artificial intelligence are:

- 1 **Openness and responsibility.** We enable the assessment of the artificial intelligence we have developed by describing, together with our customers, what is the aim of the algorithms, what kind of material is collected and why.
- 2 **Transparency.** We are transparent in utilising artificial intelligence and enable the same for our customers. We support our customers in, among other things, determining the cleanliness and accuracy of the data on which artificial intelligence is based, tracing the grounds for decision-making and creating rules for the utilisation of artificial intelligence.

The rules can determine, for example, when artificial intelligence makes the actual decision and when it only supports people in decision-making with recommendations.
- 3 **Assessability of impacts.** We support our customers in the responsible utilisation of artificial intelligence and highlight the impact of choices related to our work.
- 4 **Respect for privacy.** We safeguard the privacy and personal data protection of the individuals represented in the data at our disposal in accordance with the information protection principles of our customer companies, partners and Digia as well as in compliance with the law.

By adhering to these principles, we support our customers in developing decision-making based on artificial intelligence so that it

- » does not threaten anyone's health or safety, individual data security and privacy protection
- » does not strengthen the structural inequalities in society
- » does not otherwise cause injustice, harm or suffering to individuals or groups of people.

Financial responsibility

Economic growth is achieved responsibly, fairly, and by taking environmental and social perspectives into consideration in our decision-making. For Digia, financial success is the basis of responsible action, as it creates the conditions necessary for social and environmental responsibility.

Sustainable and responsible financial management also enables us to safeguard and generate financial wellbeing for our stakeholders and Finnish society in the form of salaries, taxes and other payments. We foster long-term partnerships and supplier relationships. Digia is a significant employer in the Finnish ICT sector, employing 1,266 people on 31 December 2019. We also used about 70 subcontractors, the majority of whom operate in Finland.

Anti-bribery and corruption efforts also lie at the heart of financial responsibility, and likewise respecting human rights. Digia's Code of Conduct defines the shared operating principles by which every Digia employee is bound. [You can read about Digia's Code of Conduct on page 14.](#) We always comply with the legislation and regulations of the country in question. If our operating guidelines contain stricter requirements than those contained in a particular country's legislation, we will follow Digia's guidelines.

Breakdown of economic benefits

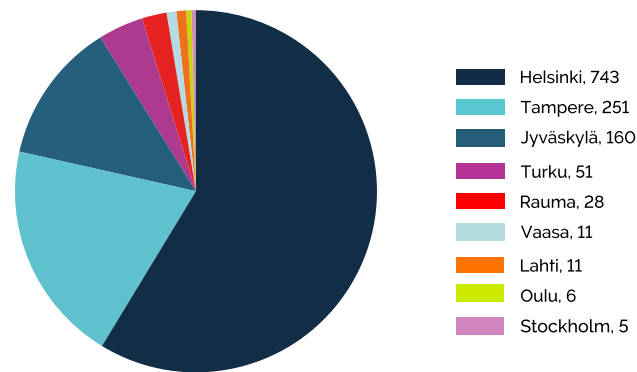
The key direct cash flows in our business arise from salaries and social expenses, taxes, the procurement of goods and services, and payments to financiers and shareholders.

Digia's tax footprint

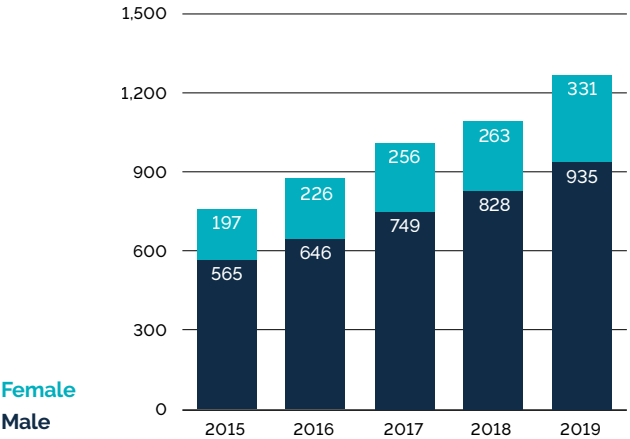
A 'tax footprint' refers to the tax revenue and other tax-like payments accrued for society by a company's business. In addition to direct and indirect taxes, Digia's tax footprint also includes the withholding tax and social security payments paid on employee salaries.

We comply with local legislation on the payment, collection, recognition and reporting of taxes. Filing accurate tax returns on time and handling our other statutory obligations both play a key role in this.

Personnel by location



Number of employees and distribution by gender 31 December



Human resources

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

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

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

Culture is the ERP system of everyday life that guides our choices. In 2018, we launched the #DigiaCulture project, which sought to strengthen and enhance everyday workplace culture in collaboration with Digia employees. These efforts continued in 2019 – for instance, we organised workshops to develop our culture with the participation of employees.

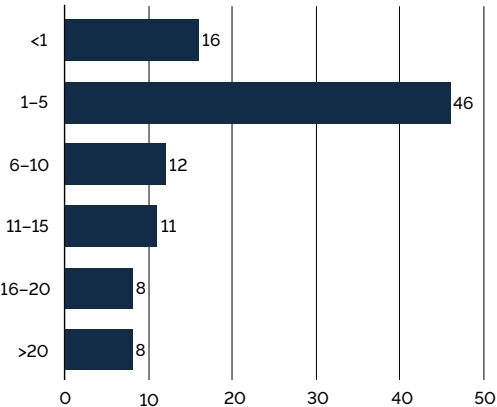
This work also led to the publication of Digia's four cultural principles: learning, sharing, courage and professional pride. The cultural principles are everyday rules that help us renew our culture in a jointly defined direction that supports learning and renewal. The principles are based on our strengths, but we have also chosen things we want to develop further.

We operate in an environment where everything is in constant motion. To keep up with the pace, we need to learn continuously – and help others learn, too. We want to be a team of top professionals who are always learning. To ensure this, we develop Digia employees' competence in technology and other specialist areas through a variety of methods, such as training and learning in networks and on the job.

We seek to provide our employees with opportunities for job rotation and personal development, thereby ensuring that both the company and its employees maintain their competitiveness. Digia has active workplace tribes that bring together Digia employees who

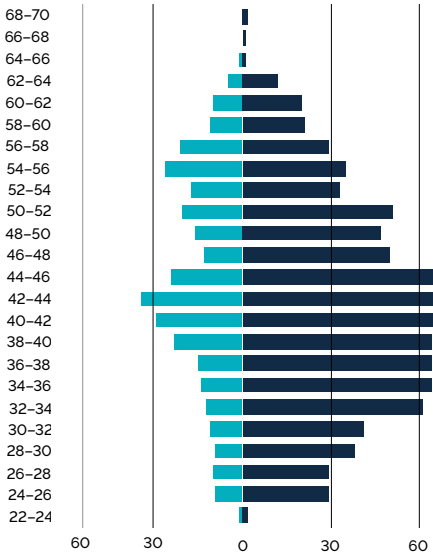


Personnel distribution by years of service 31 December (%)



Personnel distribution by age 31 December

Female
Male



are interested in the same topics and which promote learning new things. Workplace tribes develop members' competence in self-directed expert networks. The tribes also suggest technological policies in their own areas of expertise.

An average of 47 hours of training per person were spent on competence development in 2019. The Digia Academy organised about 217 different training events during the year. The main focus of training was on organising coaching to support the technical and professional skills of experts.

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

In 2019, Digia participated in several recruitment events in the industry and was both a participant and organiser in a variety of technology-focused MeetUps. In addition, we organised the free API Hackatemia training event in Helsinki and Career Compass recruitment breakfasts in Helsinki, Jyväskylä, Tampere and Turku. We offered students and career changers not only regular

jobs, but also trainee placements and thesis-writing opportunities.

Digia acquires the expertise required by its growth strategy not only through recruitment and subcontracting, but also by means of corporate acquisitions. In 2019, 132 new professionals transferred to the company due to the Starcut and Accountor Enterprise Solutions acquisitions.

Continually monitoring and supporting personnel wellbeing play a key role. We support wellbeing in a number of ways, such as the even distribution of workloads and support for competence development. In 2018, Digia invested in improving the transparency and effectiveness of resourcing by, for example, introducing a new resourcing system and operating model. The mobilisation of the new operating model and user training for the resourcing system continued during 2019. Digia uses an early intervention model that supports success at work. Wellbeing is also supported with extensive benefits and flexible working arrangements.

Digia measures personnel commitment and the prerequisites for cooperation at regular intervals. Since 2017, Digia has monitored the prerequisites for cooperation using the 'working together index'. We achieved the best-ever result in this index in 2019. Understanding the employee

experience on an even more individual level is a key aspect of Digia's culture of continuous improvement. The monitoring of personnel satisfaction will be expanded and developed further in 2020, such as by implementing the Signi personnel survey for enhanced effectiveness in measuring employee understanding. Digia's strengths include meaningful work, a safe and evolving working environment, and well-functioning teams with profound expertise.

Digia wants to be a pioneer in good leadership and workplace culture. We seek to provide a professional, evolving, diverse, flexible and equal working community whose workplace culture respects expertise and is founded on providing the best possible support to employees to guarantee their success. To achieve this objective, we invested in the development of our leadership culture in 2019, such as by organising supervisor training geared towards developing a Digia approach to management – goal-oriented and with a focus on coaching and positivity. This new model has received good feedback and coaching will continue in 2020.

In our estimation, the biggest employee-related risks are workforce retention and the availability of new professionals. Digia's employee turnover in 2019 was 9.7 per cent (2018%: 12.0%).

Digia's cultural principles



Learning

Every Digia employee is a Senior Trainee

“

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

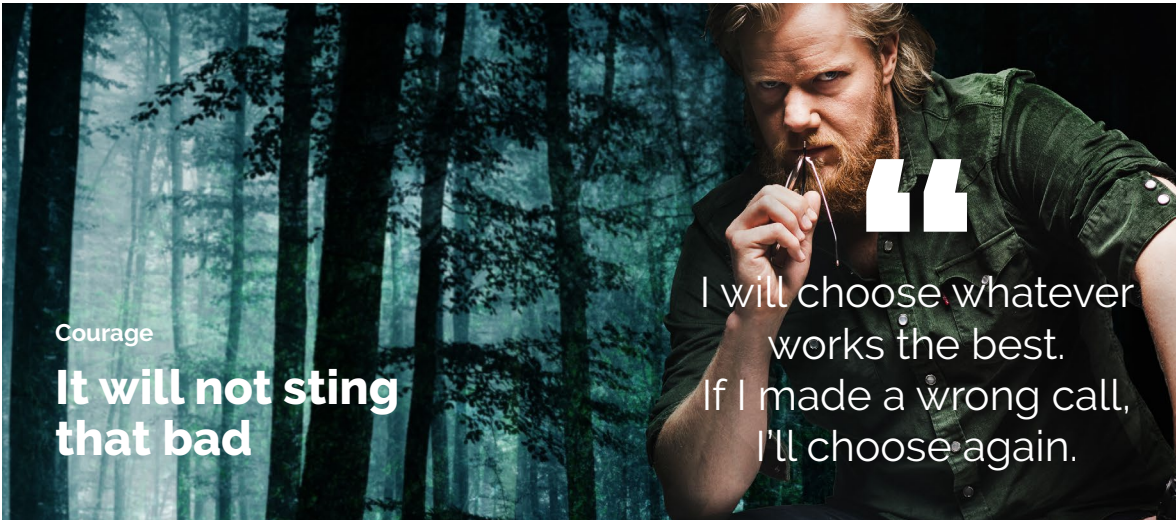


Sharing

Together we know more

“

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




Courage

It will not sting that bad

“

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



Professional pride

I stand by my work

“

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

Customers

We help our customers to renew themselves digitally in many fields of business. Our skilled and experienced specialists work with our customers to create new services and working methods in long-term partnerships.

Customers need the support of a partner with sufficiently extensive delivery capabilities. Solutions are not completed in one go – but are developed over their entire life cycle using agile operating models. The need for continuous support is emphasised, as services are an increasingly critical part of companies' business processes.

We understand the challenges of rapidly changing operating environments and the opportunities afforded by various technologies. We can combine our customers' business requirements with our technological expertise. We want to provide a deep customer experience, that is, to harness our ability to build digital services with the aid of service design and combine them with various back-end systems. 24/7 services are our strength – we provide support to our customers to keep their environments and services up and running as well as continuously develop them over their entire lifecycle.

We enable a variety of ecosystems to be built on digital platforms, which can then in turn be used as a foundation on which to develop services. We do not offer just separate, isolated solutions to

our customers – instead, we provide an effective, continuously developed package in which smart data utilisation is at the heart of business operations. We are also able to provide end-to-end solutions that support our customers' core business.

Developing our customer experience

In 2019, we continued to develop our account management model practices. The account management model describes the key operating principles and practices that are applied when Digia works with its customers. Our model seeks to ensure that Digia's organisation, steering, decision-making and processes constitute a uniform interface for customers.

In 2019, we also continued to measure customer relationship satisfaction and delivery satisfaction with surveys. We measure customer relationship satisfaction twice a year and delivery satisfaction each time a delivery project has been completed.

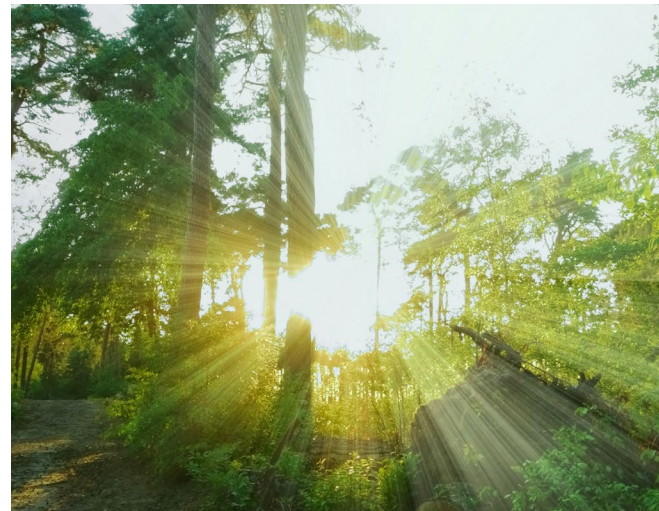
Customer stories



Etra

Digitalisation can easily remain superficial if it does not truly benefit core business operations. Etra – which is part of the Etola Group – is an example of a company that has taken a long-term and controlled approach to promoting digitalisation.

The company's latest step was the launch of a webstore that serves customers with as many as five different models – it's all based on Digia Enterprise ERP, which Etra has used since 2007.



Finnish Defence Forces

In the Finnish Defence Forces, up to 5,000 online support and service requests are made and resolved every month using a ticket-based system. However, service requests do not always get sent to the correct address.

With the aid of funding from the Ministry of Finance, Digia and the Finnish Defence Forces Service Centre implemented a pilot in which machine learning and text analysis were used to automatically resolve and categorise tickets.

[➔ Read more](#)

Veho

Many companies already harness data utilisation in their day-to-day business reporting. Forecasting applications are appearing on their design desks. Many companies are considering how to get even more out of data.

The car dealer Veho wanted to take its own analytics to the next level. It started up an advanced analytics trial with Digia. In addition to enhancing knowledge, the trial produced a forecasting model that facilitates pricing.



Holiday Club

With hundreds of customers booking accommodation and services for their holidays at the same time, a lot of muscle and speed is required from the service provider's webshop. Holiday Club Resorts Oy wants to keep up with developments by modernising its online services.

Holiday Club implemented a webshop revamp with Digia, the purpose of which was to make the webshop faster, more versatile and more reliable. Built on the preceding Episerver-based system, the modern solution allows for flexible content management and further development.



Kaukokiito

Kaukokiito, a company that provides transport services, did not previously have an HR system. Personnel-related information was scattered across the organisation, which made it difficult to get a proper overview of human resources.

Kaukokiito worked with Digia to introduce Microsoft Dynamics 365 for Talent, and also took this opportunity to revise its HR processes.



Voimatel

If you overhauled your systems, which services would you choose? Voimatel, a company constructing and operating electricity and telecom networks, overhauled its information systems.

As part of the overall system reform, Digia implemented an Enterprise Service Bus, a mobile application using the Digia Ote technology and portal services for subcontractors and customers.

 [Read more](#)



HSL

Many people use their mobile phones to ride public transport in the Greater Helsinki area – in just a few years, Helsinki Region Transport's (HSL) mobile app has become one of the most popular apps in Finland.

Digia has been involved in the development of the app since autumn 2017 and now serves as HSL's partner in its development and maintenance.



A-lehdet

A-lehdet wanted to create a technologically sustainable foundation for its digital media business and centralised its online services on the same state-of-the-art platform.

Together with A-lehdet, Digia implemented an extensive technological platform, Platta, which is largely based on open source code. Instead of having to use numerous separate services, Platta now makes it possible to maintain and develop an integrated solution that is both flexible and modern.



Corporate Governance

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Digia Plc's Corporate Governance Statement 2019

General

This Statement has been issued separately from the Report of the Board of Directors.

Digia Plc's (hereinafter "Digia") corporate governance system is based on the Companies Act, the Securities Markets Act, general corporate governance recommendations, the company's Articles of Association and its in-house rules and regulations on corporate governance. The company (and this Statement) adheres to the Governance Code for Listed Finnish Companies issued by the Finnish Securities Market Association, which entered into force on 1 January 2020. The Corporate Governance Code can be read on the Finnish Securities Market Association's website www.cgfinland.fi.

Digia's corporate governance principles are integrity, accountability, fairness, and transparency. This means that:

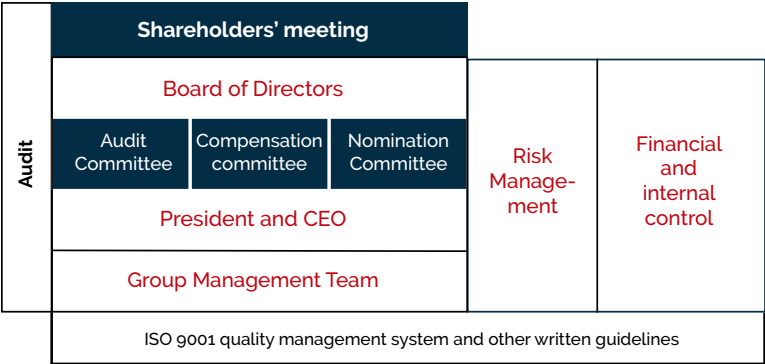
- » The company complies with applicable legislation and regulations.
- » When organising, planning, managing and running its business operations, the company abides by the applicable professional requirements that have been generally approved by its Board members, who demonstrate due care and responsibility in performing their duties.
- » The company is prudent in the management of its capital and assets.
- » The company's policy is to keep all parties in the market actively, openly and equitably informed of its businesses and operations.
- » The company's management, administration and personnel are subject to the appropriate internal and external audits and supervision.

Shareholders' Meeting

Digia's highest decision-making body is the Shareholders' Meeting at which shareholders exercise their voting rights on company matters. The Annual General Meeting (AGM) is held once a year before the end of June on a date

General Overview of Governance

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



set by the Board of Directors. Each company share entitles the holder to one vote at a Shareholders' Meeting.

The Annual General Meeting should convene annually within three months of the date on which the fiscal year ends. An Extraordinary General Meeting must be held if the Board of Directors deems it necessary or if requested in writing by a company auditor or shareholders holding a minimum of 10 per cent of the company's shares, for the purpose of discussing a specific issue.

The Finnish Companies Act and Digia's Articles of Association define the responsibilities and duties of the Shareholders' Meeting. Extraordinary General Meetings decide on the matters for which they have been specifically convened. In order to participate in a Shareholders' Meeting, a shareholder must be entered in the Digia shareholder register maintained by Euroclear Finland Oy on the record date for the Shareholders' Meeting, and must also have registered for the meeting at the latest by the date given in the invitation.

The Chair of the Board, Members of the Board, auditor, anyone nominated for the Board, and the President & CEO should be present at Shareholders' Meetings.

The minutes of Shareholders' Meetings will be available for shareholders to read on the company's Internet site at www.digia.com/en/investors/governance/annual-general-meeting/ within two weeks of the meeting. The decisions made at Shareholders' Meetings will also be published in a stock exchange release immediately after the meeting.

Shareholders have the right to add a relevant item (as specified in the Companies Act) to the agenda for the Shareholders' Meeting, as long as the request is made in writing to the Board of Directors in time for the item to be added to the notice of meeting. Digia will announce the date by which shareholders must present a requested AGM agenda item to the company's Board of Directors. This deadline will be published on Digia's website. The date will be announced at the latest by the end of the fiscal year preceding the Annual General Meeting.

The 2019 Annual General Meeting was held on 15 March 2019. More information about the decisions made at this meeting are available at www.digia.com/en/investors/governance/annual-general-meeting/agm-2019/. No Extraordinary General Meetings were held in 2019.

Board of Directors

Activities and tasks

The Board of Directors is elected by the Shareholders' Meeting, and is in charge of Digia's administration and the appropriate organisation of the company's operations. Under the Articles of Association, the Board of Directors must consist of a minimum of four and a maximum of eight members. The Nomination Committee will present the Shareholders' Meeting with its proposal for the composition of the new Board of Directors to be appointed.

The majority of Board members must be independent of the company and a minimum of two of those members must also be independent of the company's major shareholders. Neither the CEO nor other company employees working under the CEO's direction may be elected members of the Board.

The term of all Board members expires at the end of the Annual General Meeting following their election. A Board member can be re-elected without limitations on the number of successive terms. The Board of Directors elects its Chair and Vice Chair from amongst its members.



Board Diversity Policy

The Board of Directors has defined a Board diversity policy. It states that the requirements of the company's size, market position and industry should be duly reflected in the Board's composition. The Board should include members of both genders. It should be ensured that the Board as a whole will always have sufficient expertise in the following areas in particular:

- » the company's field of business;
- » managing a company of similar size;
- » the nature of a listed company's business operations;
- » management accounting;
- » risk management;
- » mergers and acquisitions; and
- » board work.

The composition of the 2019 Board of Directors was successfully in line with Digia's diversity policy.

The Board of Directors' rules of procedure

The Board has prepared and approved written rules of procedure for its work. In addition to the Board duties prescribed by the Companies Act and other rules and regulations, Digia's Board of Directors is responsible for the items in its rules of procedure, observing the following general guidelines:

- » Good governance requires that, instead of needlessly interfering in routine operations, the Board of Directors should concentrate on furthering the company's short- and long-term strategies;
- » The Board's general task is to steer the company's business with a view to maximising shareholder value over the long term, while taking account of the expectations of various stakeholder groups; and
- » Board members are required to act on the basis of sufficient, relevant and up-to-date information in a manner that serves the company's interests.

The Board of Directors' rules of procedure cover the following tasks:

- » Defines the Board's annual action plan and provides a preliminary meeting schedule and framework agenda for each meeting;
- » Provides guidelines for the Board's annual self-assessment;
- » Provides guidelines for distributing notices of meetings and advance information to the Board, and procedures for keeping and approving minutes;

- » Defines job descriptions for the Board's Chairperson, members and Secretary (the latter position is held by the General Counsel or, if absent, the CEO); and
- » defines frameworks within which the Board may set up special committees or working groups.

The Board evaluates its activities and working methods each year, employing an external consultant to assist when necessary.

The Board convened a total of 13 times during the 2019 fiscal year, with an attendance rate of 98.7 per cent.

Independence of the members of the Board of Directors

The Board of Directors assesses the independence of its members on an annual basis. Of the current members of the Board, Martti Ala-Härkönen, Santtu Elsinen, Päivi Hokkanen, Seppo Ruotsalainen and Outi Taivainen are independent of the company and its major shareholders. Robert Ingman is independent of the company. Robert Ingman is not independent of the company's major shareholders due to his holdings in related parties.

Committees of the Board of Directors

During the 2019 fiscal year, Digia's Board of Directors had three (3) committees: the Compensation Committee, the Audit Committee, and the Nomination Committee.

These committees do not hold powers of decision or execution; their role is to assist the Board in decision-making concerning their areas of expertise. The committees report regularly on their work to the Board, which has decision-making and collegial responsibility over their actions.

Audit Committee

The purpose of the Audit Committee is to assist the Board of Directors in ensuring that the company's financial reporting, accounting methods, financial statements and any other financial information provided by the company comply with legislation and are balanced, transparent and clear. In addition, the Audit Committee monitors and assesses the effectiveness of the risk management systems and the internal control and audit as well as how agreements and other legal matters between the company and its related parties comply with the requirements set for market terms and normal business operations. The Audit Committee monitors and assesses the independence of the auditor and particularly its provision of non-audit services. The Audit Committee also monitors the company's audit and prepares the selection of the company's auditor. During the 2019 fiscal year, the Audit

Committee consisted of Seppo Ruotsalainen (Chair), Santtu Elsinen and Martti Ala-Härkönen. The committee convened four times during the fiscal year, with full attendance.

Compensation Committee

Digia's Compensation Committee is tasked with preparing and following the remuneration policy for governance bodies and management remuneration schemes in order to ensure that the company's targets are met, that the objectivity of decision-making is maintained, and that the schemes are transparent and systematic. In 2019, the Compensation Committee consisted of Päivi Hokkanen (Chair), Robert Ingman and Outi Taivainen. The committee convened four times during the fiscal year, with full attendance.

Nomination Committee

The Nomination Committee prepares proposals for the Annual General Meeting on (a) the number of members of the Board of Directors, (b) the members of the Board of Directors, (c) the remuneration for the Chair, Vice Chair and members of the Board of Directors, and (d) the remuneration for the Chair and members of the committees of the Board of Directors. During the 2019 fiscal year, the Nomination Committee consisted of Seppo Ruotsalainen (Chair), Martti Ala-Härkönen and Robert Ingman. The committee convened three times during the fiscal year, with full attendance.

CEO

The company's Chief Executive Officer is appointed by the Board of Directors. The CEO is in charge of Digia's business operations and administration in accordance with the instructions and regulations issued by the Board of Directors, and as defined by the Finnish Limited Liability Companies Act. The CEO may take exceptional and far-reaching measures, in view of the nature and scope of the company's activities, only if so authorised by the Board of Directors. The CEO chairs the Group Management Team's meetings. The CEO is not a member of the Board of Directors, but attends Board meetings.

The Board of Directors approves the CEO's service contract, which contains a written definition of the key terms and conditions of the CEO's employment. Timo Levoranta has been President & CEO of Digia Plc since 1 May 2016.

Group Management Team

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

The CEO chairs meetings of Digia's Management Team. The Management Team consisted of ten members on 31 December 2019. The Team meets once every two weeks to assist the CEO in the preparation and implementation of strategy, operative management, and preparing items for consideration by the Board of Directors. The Team draws up annual action and financial plans, sets their associated targets, and monitors their progress. It also prepares significant investments, mergers and acquisitions. The CEO is responsible for the Management Team's decisions. Members of the Management Team are tasked with implementing these decisions within their own areas of responsibility.

Members of Digia Plc's Board of Directors in 2019

Member of the Board	Born	Education	Main occupation	Holding on 31 Dec 2019 *	Member since
Martti Ala-Härkönen	1965	DSc (Econ.), Lic.Sc. (Tech.)	CFO, Caverion	20,000	2016
Sanftu Elsinen	1972	BSc.-level studies in economics	Senior Vice President & Chief Digital Officer, Alma Media	0	2018
Päivi Hokkanen	1959	DSc (Econ.)	CEO, ITprofs Oy	10,833	2012
Robert Ingman, Chair	1961	MSc. (Tech.), MSc. (Econ.)	Chair of the Board, Ingman Group	7,026,000	2010
Seppo Ruotsalainen, Vice Chair	1954	Lic.Sc. (Tech.)	Board professional	6,000	2012
Outi Taivainen	1968	MSc. (Econ.)	Partner, Rethink Leadership	289	2018

* Includes related parties and related party holdings

The attendance of Board and Committee members at meetings in 2019

	Board Meetings	Audit Committee	Compensation Committee	Nomination Committee
Martti Ala-Härkönen	12/13	4/4		3/3
Sanftu Elsinen	13/13	4/4		
Päivi Hokkanen	13/13		4/4	
Robert Ingman	13/13		4/4	3/3
Seppo Ruotsalainen	13/13	4/4		3/3
Outi Taivainen	13/13		4/4	

Management Team members on 31 Dec 2019

Name	Born	Education	Area of responsibility	Holding on 31 Dec 2019 *	Member since
Timo Levoranta	1965	MSc. (Tech.), MSc. (Econ.)	President & CEO	48,607	2016
Pia Huhdanmäki	1969	LL.M.	Senior Vice President, HR and Culture	0	2018
Juhana Juppo	1971	MSc. (Computer Science)	Chief Technology Officer (CTO)	0	2016
Mika Kervinen	1968	LL.M., with court training	General Counsel	2,255	2016
Jukka Kotro	1961	Vocational Qualification in Business Information Technology	Senior Vice President, Digia Business Platforms	200	2017
Tuomo Niemi	1962	MSc. (Econ.), MSc. (Tech.)	Senior Vice President, Digia Financial Platforms	0	2017
Ari Rikkilä	1967	MSc. (Tech.)	Senior Vice President, Sales and Marketing	20	2017
Kristiina Simola	1965	MSc. (Econ.)	CFO	1,650	2017
Harri Vepsäläinen	1974	BBA	Senior Vice President, Digia Digital	0	2018
Teemu Virtanen	1978	BSc.	Senior Vice President, Digia Business Connect	6,371	2016

* Includes related parties and related party holdings

Internal control and risk management related to financial reporting

Control functions and control environment

The company has a controller function that reports to the CFO and is tasked with ensuring the accuracy of monthly financial reporting. The CFO reports on the financial performance of the company and its divisions to Management, the Board of Directors, and the Board's Audit Committee.

The company uses a reporting system that compiles subsidiaries' reports into consolidated financial statements. There are also written directives for completing the financial reports of subsidiaries. The company's CFO monitors compliance with these instructions. The company also has the separate reporting facilities required for monitoring business operations and asset management.

The Group's financial administration compiles interim financial statements and consolidated financial statements. This financial administration unit has centralised control over the Group's funding and asset management, and is in charge of managing interest rate risks.

Internal control

Internal control helps to ensure the reliability of the Digia Group's financial reporting. Digia's financial administration unit provides guidance on financial reporting matters. The Group's business is divided into areas of responsibility led by Senior Vice Presidents (SVPs) reporting to the CEO. Reporting and supervision are based on annual budgets that are reviewed monthly, on monthly income reporting, and on updates of the latest forecasts.

The SVPs report to the Group Management Team on development matters, strategic and annual planning, business and income monitoring, investments, potential acquisition targets and internal organisation matters related to their areas of responsibility. Each area of responsibility also has its own management team.

Digia's operational management and supervision adhere to the corporate governance system described above.

Digia has not yet established a separate function responsible for internal auditing. The need for an internal audit function is regularly assessed. With the company's current business volume, its legal and financial management functions are able to handle internal auditing tasks.

Risk management and major risks

The purpose of the company's risk management process is to identify and

manage risks in a way that enables the company to attain its strategic and financial targets. Risk management is a continuous process by which the major risks are identified, listed and assessed, the key persons in charge of risk management are appointed, and risks are prioritised according to an assessment scale that compares the effects and mutual significance of risks. Part of this process involves identifying, planning and implementing risk management measures, and then monitoring their impact.

The main operational risks monitored under Digia's risk management are related to customers, personnel, deliveries, IT, data security and protection, immaterial rights, and goodwill.

The company manages customer risks by actively developing its customer portfolio structure and avoiding any potential risk positions.

Personnel risks are evaluated and managed using a quarterly performance review and development discussion process in which key personnel participate. To enhance personnel commitment, the company strives to systematically improve the efficiency of internal communications via regular personnel events and by increasing the management's visibility. Two major personnel-related risks are competence development and finding the correct expertise. These risks are systematically managed by developing our personnel's competence and through continual recruitment management and subcontractor management.

Internal – and as required also external – audits of major projects and continuous services are conducted with a view to enhancing project and service risk management and securing the success of customer deliveries. The Group's certified quality systems are evaluated regularly. Delivery reporting practices and project management operating models have become an established part of quality operations in 2019. Digia uses an ISO 9001-certified quality management system (Core Process Model) whose processes are utilised in all operations with a view to providing an optimal customer experience.

Audits are carried out to manage data security and protection risks, and the company also continually develops working models, practices and processes that promote data security and protection. Security training for all personnel is organised as required.

The Management Team is tasked with systematically managing risks associated with business integration, shared operating models and best practices, as well as their integrated development. The typical risk in the software business relates to appropriate protection for the company's own immaterial property rights (IPRs) and violation of third parties' IPRs. These are managed through extensive internal policies, standard contracts, and appropriate supervision and analysis.

With respect to IFRS-compliant accounting policies, the Group actively monitors goodwill and its associated impairment tests as a part of prudent and proactive risk management practices within financial management.

Digia has assessed the corporate liability risks associated with its own operations and business relations, and has adequate and appropriate processes in place to predict and take precautions against these risks.

In addition to operational risks, the company is subject to financial risks. Digia Plc has centralised internal and external financing and the management of financial risks within the finance function of the Group's parent company. This function is responsible for the Group's liquidity, the sufficiency of financing, and the management of interest rate and currency risks. The Group is exposed to several financial risks in the normal course of business. The Group's risk management seeks to minimise the adverse effects of changes in financial markets on the Group's earnings. The primary types of financial risks are interest rate risk, credit risk, and funding risk. The general principles of Digia's risk management are approved by the Board of Directors, and the Group's finance function and business divisions are jointly responsible for their practical implementation.

Insider issues

Digia complies with the current Guidelines for Insiders issued by Nasdaq Helsinki. Digia also adheres to its own insider guidelines, which supplement Nasdaq Helsinki's guidelines. Digia's General Counsel is responsible for insider issues.

Insiders

Digia's insiders are divided into:

- 1. permanent insiders, which include the CEO and members of Digia's Board of Directors and Management Team;
- 2. project-specific insiders, which include those who receive insider information relating to a specific project due to their position or tasks;
- 3. a list of those who receive financial information.

Permanent insiders are not listed in project-specific insider registers.

Management's business transactions

Members of Digia's Management and those in their close circle must report all business transactions that involve Digia's financial instruments and are worth more than EUR 5,000 to both Digia and the Financial Supervisory Authority.



The managerial positions covered by this obligation are: the CEO, members of the Management Team, and members of Digia's Board of Directors.

Digia will issue a stock exchange release on all personal business transactions made by members of Digia's Management and those in their close circle. These releases will be issued within three (3) days of the transaction. Digia also keeps a record of this information on the company's website.

Closed window

Anyone working in a managerial position at Digia, or who otherwise receives financial information, may not trade in the company's securities during a period of 30 days before the publication of one of the company's business reviews, half-year reports or financial statement bulletins. Project-specific insiders may not trade in the company's securities whilst the project is ongoing.

Reporting misconduct

Digia Plc has a 'whistle blowing' channel for reporting suspected market abuse. This channel seeks to promote compliance with good governance in the company's routine activities, and to prevent and detect misconduct.

It can be used to report market abuse and the violation of operating principles, regulations and instructions, either confirmed or suspected.

Anyone can make an anonymous report using the form on Digia's intranet. All reports are directed to Digia's legal unit.

All reports will be processed confidentially and professionally in accordance with the Personal Data Act, with regard to both the informant and suspect.

Related party transactions

According to the Corporate Governance Code, the company must assess and monitor its business transactions with related parties and ensure that any conflicts of interest are taken appropriately into consideration in the company's decision-making. The company's related parties are defined in accordance with the Companies Act as the related parties of a listed company (IAS 24). Digia has issued related party guidelines to the CEO and the members of the Board of Directors and Management Team. The company maintains an up-to-date register of related party companies and persons and the grounds of the related party relationships in order to enable the monitoring of related party transactions.

Business managers are tasked with identifying related parties and related party transactions prior to undertaking them. Managers and the legal department together assess whether the related party transactions are part of

the company's normal business operations and whether ordinary commercial terms apply to them.

If the intended related party transactions are of material significance to Digia and deviate from Digia's normal business operations, or would be carried out in deviation from ordinary market terms, the decision on whether to go ahead with the transaction must be made by the company's Board of Directors.

Digia's related party transactions are disclosed in the notes to the consolidated financial statements. The related party transactions are not material from the perspective of the company, do not deviate from the normal business operations of the company and have been made under ordinary market terms.

Auditor and auditor's fees

Digia has one official auditor, who must be a KHT auditor or KHT audit firm approved by the Auditing Board of the Central Chamber of Commerce. The auditor is elected until further notice.

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

Auditor's fees in 2019

EUR 1,000	2019
Audit	88
Other statutory duties	10
Tax counselling	2
Other services	11
Total	111

Digia's Board of Directors on 31 Dec 2019

Robert Ingman

Chair of the Board of Directors

b. 1961, MSc. (Tech.), MSc. (Econ.)

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

Chair of the Board of Directors

M-Brain Ltd, 2018– (member of the board 2011–2018)
 Qt Group Plc, 2016–
 CRI Invest & Consulting Ltd, 2014–
 Etteplan Plc, (2009), 2013–
 Ingman Development Ltd, 2013–
 Halti Ltd, 2012–
 Ingman Group Ltd, 2009–
 Oy Ingman Finance Ltd, 2009–

Member of the Board

Ingman Baltic Sea Finance Ltd, 2015–, PK Oliver Ltd, 2013–, Massby Facility & Services Ltd, 2012–, Evli Bank Plc, 2010–
 Independent of the company.



Martti Ala-Härkönen

Member of the Board

b. 1965, DSc (Econ.), Lic.Sc. (Tech.)

Digia Board Member since 2016. Member of the Board's Audit Committee and Nomination Committee.

Key work experience

CFO (Finance, Strategy & IT), Caverion Corporation, 2016–
 CFO, Cramo Plc, 2006–2016
 CFO, WM-data Ltd, 2004–2006
 CFO & Senior Vice President, Business Development, Novo Group Plc, 1998–2004
 Manager, Corporate Finance & Finance Manager, Postipankki Plc, 1995–1998

Member of the Board

Purmo Group Ltd, 2018–
 Independent of the company and its major shareholders.



Santtu Elsinen

Member of the Board

b. 1972, B.Sc.-level studies in economics

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

Key work experience

Senior Vice President, Chief Digital Officer, Alma Media Plc, 2016–
 CEO, Winterfell Capital Ltd, 2014–
 Director, Business Development, Talentum Plc, 2012–2015
 CEO, Quartal Ltd, 2011–
 Director, Business Development, Trainers' House/Satama Interactive Plc, 2005–2012
 Creative Director & Business Development Director, Quartal Ltd, 1997–2005

Member of the Board

Etua Ltd, 2018–
 Alma Mediapartners Ltd, 2017–
 Arena Interactive Ltd, 2017–
 Media Industry Research Foundation of Finland, 2016–
 Fondia Tools Ltd, 2011–2012
 Quartal Ltd, 1997–

Independent of the company and its major shareholders.



Päivi Hokkanen

Member of the Board

b. 1959, DSc (Econ.)

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

Key work experience

CEO, ITprofs Ltd, 2017–
Development Director,
SoteDigi Ltd, 2018–2020
CIO, A-Katsastus Group,
2012–2017
CIO, Sanoma Plc, 2009–2012
CIO, Stockmann Plc, 2002–2009
Director, SysOpen Plc, 1998–2002
Several positions, Cap Gemini Ltd, 1995–1998
Several positions, Kansallisaikatus Ltd, 1984–1995

Chair of the Board of Directors

MPY Yrityspalvelut Plc, 2019–

Member of the Board

ICT Leaders Finland, 2016–,
MPY Palvelut Plc, 2017–2019
A Member of the Directors' Institute of Finland, 2016–2018,
Deputy Member 2019–

Independent of the company and its major shareholders.



Seppo Ruotsalainen

Member of the Board

b. 1954, Lic.Sc. (Tech.)

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

Seppo Ruotsalainen currently works as a Board professional, Board chair, Board member and investor, and in strategic advisor roles in various technology and software companies. He is a member of the Directors' Institute of Finland and the Finnish Business Angels Network (FiBAN) and a founding member of Startup Foundation.

Key work experience

Executive Director, Vigo Startup Accelerator Program, 2010–2016
President & CEO, Tekla Plc, 1998–2003
Deputy CEO, F-Secure Plc, 2008–2009
Deputy CEO, LM Ericsson Ltd, 1994–1998
Sales Director, Hewlett Packard, 1982–1993
Head of Division, Teollisuuden Voima Ltd, 1977–1982

Chair of the Board of Directors

Softera Ltd, 2015–, Osuuskunta MPY, 2013–, AniLinker Ltd, 2003–2007,
Commit Ltd, 2003–2008, Finnish Information Processing Association
(TIVIA), 2004–2006, Viabile Ltd, 2003–, Fountain Park Ltd, 2003–2013

Independent of the company and its major shareholders.



Outi Taivainen

Member of the Board

b. 1968, MSc. (Econ.)

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

Key work experience

HR Director, Aava
Terveyspalvelut Ltd, 2019–
Partner, Rethink Leadership
Ltd, 2019–
Executive Vice President, HR,
OP Financial Group, 2015–2018
Area HR Director, Central and North Europe, KONE Plc, 2011–2015
CEO, HR House Ltd, 2008–2011
Vice President, Human Resources, Nokia Plc, 2001–2008
Managerial and Executive level positions, Nokia Plc, 1998–2001

Chair of the Board of Directors

OP Pension Fund, 2015–2018

Member of the Board

Helsinki Chamber of Commerce, 2009–2011
Henry ry, 2006–2008
Finnish Enterprise Agencies, 2006–2008

Other positions of trust

EVA Business Fellows, member, 2010–
Helsinki Chamber of Commerce, HR Committee member, 2012–
Independent of the company and its major shareholders.





Digia's Management Team on 31 Dec 2019

Tuomo Niemi, Juhana Juppo, Mika Kervinen, Ari Rikkilä,
Harri Vepsäläinen, Teemu Virtanen, Jukka Kotro,
Kristiina Simola, Timo Levoranta, Pia Huhdanmäki

Digia's Management Team on 31 Dec 2019

<div>1</div> <div> <div>Timo Levoranta</div> <div>President & CEO</div> <div> b. 1965, MSc. (Tech.), MSc. (Econ.) President & CEO, and Group Management Team Member since 1 May 2016. <div>Key work experience</div> Senior Vice President, Digia Plc, 2016 CEO, TDC Ltd Finland, 2011–2015 SVP, Sales & Marketing, Outokumpu Plc, 2008–2011 Managerial positions, TeliaSonera Plc, 2002–2008 Managerial positions, Sonera Plc, 1995–2002 Various positions, Consumer Mobile Communication Division, Telecom Finland Ltd, 1991–1995 </div> </div>	<div>2</div> <div> <div>Pia Huhdanmäki</div> <div>Senior Vice President, HR and Culture</div> <div> b. 1969, LL.M. Digia Management Team member since 1 February 2018. <div>Key work experience</div> Leading specialist (industrial policy & lobbying), RadioMedia and Finnish Media Federation, 2017–2018 HR Director/CHRO, Sanoma Media Finland Ltd, 2012–2016 Director: HR, legal and communications, Sanoma News and Sanoma Entertainment Ltd, 2010–2011 Director:HR, legal and communications, Sanoma Entertainment Ltd, 2007–2010 Legal Counsel & Management positions, Sanoma Group Plc, 1996–2006 </div> </div>	<div>3</div> <div> <div>Juhana Juppo</div> <div>Chief Technology Officer</div> <div> b. 1971, MSc. (Computer Science) Digia Management Team member since 19 September 2016. <div>Key work experience</div> Director, Business Development, Finanssi-Kontio Ltd, 2013–2016 Service Director, CGI Suomi Ltd, 2011–2013 CTO, Capgemini Finland Ltd, 2005–2011 Systems Architect, IT Optimo/Itella Plc, 2003–2005 Vice President, Development, Eigenvalue Ltd, 2000–2003 Project Manager, Capgemini Finland Ltd, 1999–2000 Project Manager, Nokia Networks Ltd, 1995–1999 </div> </div>	<div>4</div> <div> <div>Mika Kervinen</div> <div>General Counsel</div> <div> b. 1968, LL.M., Master of Laws with court training Digia Management Team member since 1 May 2016. <div>Key work experience</div> Senior Legal Counsel, Fondia Ltd, 2015–2016 Director, Business Support, TDC Finland Ltd, 2012–2014 Senior Legal Counsel & Management and expert positions, Nokia Networks Ltd, 2004–2012 Senior Legal Counsel & Management and expert positions, TeliaSonera Plc, 1998–2004 Legal Counsel & expert positions, Kesko Plc, 1996–1998 </div> </div>	<div>5</div> <div> <div>Jukka Kotro</div> <div>Senior Vice President, Digia Business Platforms</div> <div> b. 1961, Vocational Qualification in Business Information Technology Digia Management Team member since 9 August 2018 <div>Key work experience</div> Senior Vice President, various responsibilities, Digia Plc, 2018 Management Team member, various responsibilities, CGI Suomi Ltd, 2010–2018 Sales Director, Central Government, Logica Suomi Ltd, 2006–2010 Sales Director, Healthcare, W/M-data Ltd, 2004–2006 Account Manager, Public Sector, Novo Group Plc, 1999–2004 </div> </div>
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Digia's salary and remuneration system for management

This salary and remuneration report contains a summary of the financial benefits, remuneration system and associated decision-making procedures pertaining to members of Digia Plc's Board of Directors, CEO and other executives.

A) Decision-making procedures concerning remuneration

Board of Directors

Digia Plc's Nomination Committee draws up a proposal for the emoluments to be paid to Board members and the grounds for reimbursement of expenses. The Shareholders' Meeting decides on the emoluments payable to Board members and the grounds for reimbursement of expenses.

CEO and other executives

Digia Plc's Compensation Committee draws up a proposal for the CEO's salary, emoluments and other benefits. The Compensation Committee works with the CEO to draw up a proposal for the salaries, emoluments and other benefits payable to other senior executives. External experts and market analyses are employed whenever necessary. The Board of Directors decides on the salary, emoluments and other benefits payable to the CEO. The Compensation Committee decides on the salaries, emoluments and other benefits payable to other senior executives on the basis of the CEO's proposal.

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. During the 2019 fiscal year, no share-based incentives were paid to the CEO or other executives.

B) Key remuneration principles

Board remunerations

The 2019 Annual General Meeting decided on the payment of monthly remunerations of EUR 3,000 to Board members, EUR 4,000 to the Vice Chair and EUR 5,500 to the Chair for their work on the Board for the duration of the term expiring at the end of the 2020 Annual General Meeting. In addition, remunerations of EUR 1,000 to the Chair and EUR 500 to other members are paid per each Board and Board Committee meeting.

The company does not grant stock options or share-based remuneration for work on the Board.

Management incentives

On 3 February 2017, Digia Plc's Board of Directors decided to establish a new long-term share-based incentive scheme. In principle, the target group consists of the CEO and the company's senior executives. The scheme is designed to 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 new scheme replaced the previous share-based incentive scheme, which ran until 2017.

This 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 achieved.

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 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 524,900 new Digia Plc shares. If the terms are met, the bonuses based on the scheme will be paid after 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 is not paid if a member resigns or the member's employment or post is terminated prior to the date of payment of bonuses in accordance with 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.

President & CEO

The remuneration package for Timo Levoranta comprises a monthly salary (in accordance with his service contract), a bonus payable on the attainment of annually set targets, and potential share bonuses payable to the CEO in accordance with approved share-based incentive schemes.

- » On the basis of the 2019 bonus scheme, the CEO will be paid a bonus that at the target level amounts to 40 per cent of the CEO's base salary for twelve (12) months (bonus equal to the base salary for 4.8 months) and at the maximum level to 75 per cent (bonus equal to the base salary for nine months). The bonus is tied to annual targets set by the Board of Directors, mainly connected to net sales and operating profit budgets. 45 per cent of the bonus is tied to net sales targets, 45 percent to operating profit targets, five per cent to customer satisfaction targets, and five per cent to personnel satisfaction targets. If these targets are exceeded, the bonus increases such that the maximum bonus (75 per cent of the base salary for 12 months) is payable if the net sales target

is exceeded by at least 5.5 per cent, the operating profit target by at least 15.9 per cent, the NPS target index (which measures customer satisfaction) by at least 15.4 per cent, and the personnel satisfaction target index by at least 2.3 per cent. All targets are evaluated biannually, independently and irrespective of each other. However, if operating profit falls below 75.2 per cent of the set target, no bonus will be paid.

» The long-term incentive scheme is described above.

The company may terminate the CEO's service contract with six (6) months' notice. Upon such termination, the CEO will receive remuneration for the notice period and severance pay equalling six (6) months' regular monthly salary. The CEO's retirement age is as stipulated by law, and the CEO is not covered by any separate pension agreements with the company.

The share bonus paid to the CEO therefore involves no vesting periods limiting the sale of shares.

Group Management Team

As of 31 December 2019, the senior management consisted of ten members: the CEO, CFO, General Counsel, SVP HR and Culture, SVP Sales and Marketing, CTO, and the four Senior Vice Presidents of our business segments. Further information on the senior management can be found on the company's website: www.digia.com/en/investors/governance/ceo-and-management.

The total remuneration package for these executives comprises a monthly salary and a bonus payable on the attainment of annually set targets. The earnings criteria and terms and conditions governing the bonus for members of Digia's Group Management Team in 2019 are the same as those governing the bonus for the CEO, except that at the target level the bonus amounts to 25 per cent of the base salary for twelve (12) months (bonus equal to base salary for three months) and at the maximum level to 50 per cent (bonus equal to the base salary for six months). Senior executives are also included in the long-term incentive scheme described above.

The retirement age of all executives is as stipulated by law, and no one has a supplementary pension agreement with the company.

C) Remuneration report

Board remunerations

The following emoluments were paid to members of Digia's Board of Directors for Board and Committee work during the 2019 fiscal year:

EUR	2019
Martti Ala-Härkönen	38,500
Sanftu Elsinen	38,000
Päivi Hokkanen	40,000
Robert Ingman	80,500
Seppo Ruotsalainen	53,000
Outi Taivainen	38,000
Total	288,000

CEO's remuneration

The CEO was paid the following as salary and other benefits during the 2019 fiscal year:

EUR	2019
Salary (including fringe benefits)	271,704
Bonuses	159,478
Total	431,182

Remunerations of other executives

Other executives were paid the following as salary and other benefits during the 2019 fiscal year:

EUR	2019
Salary (including fringe benefits)	1,233,658
Bonuses	445,217
Total	1,678,875

As of 31 December 2019, this included the following persons:

- » Pia Huhdanmäki, Senior Vice President, HR and Culture, Group Management Team member since 1 February 2018
- » Juhana Juppo, Chief Technology Officer (CTO), Group Management Team member since 19 September 2016
- » Mika Kervinen, General Counsel, Group Management Team member since 1 May 2016
- » Jukka Kotro, Senior Vice President, Digia Business Platforms, Group Management Team member since 10 August 2018
- » Tuomo Niemi, Senior Vice President, Digia Financial Platforms, Group Management Team member since 1 June 2017
- » Ari Rikkilä, Senior Vice President, Sales and Marketing, Group Management Team member since 16 May 2017
- » Kristiina Simola, CFO, Group Management Team member since 14 August 2017
- » Teemu Virtanen, Senior Vice President, Digia Business Connect, Group Management Team member since 1 May 2016
- » Harri Vepsäläinen, Senior Vice President, Digia Digital, Group Management Team member since 1 April 2018

Auditor and auditor's fees

Digia has one official auditor, who must be a KHT auditor or KHT audit firm approved by the Auditing Board of the Central Chamber of Commerce. The auditor is elected until further notice.

The Annual General Meeting elects the auditor and determines their fees.

KPMG Oy Ab, a firm of Authorised Public Accountants, is the Group's auditor. Virpi Halonen, Authorised Public Accountant, has been chief auditor since 12 March 2015.

EUR 1,000	2019
Audit	88
Other statutory duties	10
Tax counselling	2
Other services	11
Total	111



Report by the Board of Directors

Company, markets and business environment

Company

Digia is a software and service company that helps its customers renew themselves in the networked and data-driven world. We work together to build a world where digitalisation makes a difference. In 2019, the Board's key actions focused on the company's growth, the improvement of profitability and the preparation of strategy for the 2020–2022 period.

Digia seeks growth both organically and inorganically. In the 2019 fiscal year, all our service areas saw year-on-year growth, and we carried out two acquisitions. Particularly strong growth was seen in the business platforms, integration and API solution, and analytics service areas. In business platforms, demand for Microsoft ERP systems was notably good. The growing need for cloud integration and API management solutions, which are at the core of digitalisation, was particularly evident in the demand for integration and API solutions and services. Growth in the analytics business is driven by the increasing need for expertise in analytics and data warehouses. Demand is good in these service areas because the utilisation of data from different sources sets new requirements for business platforms and entails, for instance, functional and reliable APIs both between systems and the organisations that manage them.

During the past few years, we have systematically upgraded our expertise and developed our service offering with both acquisitions and development projects. Our performance in 2019 demonstrates the effectiveness of Digia's

overall offering. We provide our customers with an effective, continuously developed package with 24/7 service support in which smart data utilisation is at the heart of business operations.

Two acquisitions were carried out during the fiscal year. On 31 January 2019, the company acquired Starcut Oy, which specialises in mobile development. In addition, on 1 August 2019, the company acquired Accountor Enterprise Solutions Oy, a specialist in Microsoft and Oracle ERP and CRM systems. The number of personnel grew by a total of 132 people due to these acquisitions.

We continued to improve our profitability during the fiscal year. Our profitability has been improved by our determined efforts to develop our service offering, organisation and operating methods. These efforts will continue during the next strategy period 2020–2022, as our objective of profitability improvement is an EBITA margin of 10 per cent.

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

Key figures

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

EUR 1,000	2019	2018	2017 ⁶
Extent of business			
Net sales, EUR 1,000	131,824	112,122	94,537
- net sales growth, %	17.6%	18.6%	9.3%
Gross capital expenditure, EUR 1,000 ¹	213	647	2,928
- % of net sales	0.2%	0.6%	3.1%
Capitalisation for research and development	-	-	-
- % of net sales	0%	0%	0%
Number of personnel, 31 Dec	1,266	1,091	1,005
Average personnel	1,186	1,069	954
Profitability			
Operating profit before purchase price allocation amortisation (EBITA), EUR 1,000	11,003	7,283	2,074
- % of net sales ²	8.3%	6.5%	2.2%
Operating profit (EBIT), EUR 1,000	9,648	6,494	1,852
- % of net sales	7.3%	5.8%	2.0%
Net profit, EUR 1,000	7,090	4,704	974
- % of net sales	5.4%	4.2%	1.0%
Return on equity, %	14.0%	10.2%	2.5%
Return on investment, %	13.5%	10.6%	3.7%

EUR 1,000	2019	2018	2017 ⁶
Financing and financial standing			
Net debt, EUR 1,000	22,616	12,707	4,772
Net gearing, %	42.5%	26.6%	10.8%
Equity ratio, %	47.2%	54.9%	51.0%
Cash flow from operations, EUR 1,000	12,294	3,602	3,144
Dividends (paid), EUR 1,000	1,864	1,069	1,658
Earnings per share (EPS), EUR, undiluted ³	0.27	0.18	0.04
Earnings per share (EPS), EUR, diluted ³	0.27	0.18	0.04
Equity/share, EUR ⁴	1.98	1.78	1.65
Equity per share, adjusted for share issue, EUR ⁵	1.98	1.78	1.65
Dividend per share (2019 proposal), EUR	0.10	0.07	0.04
Dividend payout ratio	-	38.9%	100.0%
Effective dividend yield	-	2.5%	1.7%
Price/earnings ratio (P/E)	14.78	15.83	58.75
Lowest share price	2.53	2.10	2.19
Highest share price	4.08	3.13	3.13
Average share price	3.21	2.73	2.55
Market capitalisation, EUR 1,000	107,027	76,448	63,036
Trading volume, shares	6,330,262	7,174,515	7,524,604
Trading volume, %	23.6%	26.7%	28.1%

¹ Gross capital expenditure includes gross investments in tangible and intangible assets.

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

³ Per-share key figures for 2017 have been adjusted for the share issue. The dilution-adjusted key figures account for the effect of the share-based incentive scheme for management.

⁴ Shareholders' equity divided by the undiluted number of shares on the closing date.

⁵ Shareholders' equity divided by the undiluted number of shares, adjusted for the share issue (2017), average.

⁶ Per-share key figures for 2017 have been adjusted for the share issue.

The weighted average number of shares during the fiscal year, adjusted for share issues, was 26,599,257. The diluted weighted average number of shares during the period was 26,599,257. The number of outstanding shares at the end of the review period was 26,567,933. At the year-end, the company held 57,372 of its own shares.

As alternative performance measures, the Group reports operating profit before purchase price allocation amortisation (EBITA), operating profit (EBIT), return on equity, return on investment, net gearing and equity ratio, which are not defined in IFRS. The company presents the alternative performance measures to describe the financial situation and development of business operations, as it considers this information necessary for investors. Formulas for the key figures are presented in Note 8.



Net sales

Digia's consolidated net sales for the fiscal year were EUR 131.8 (112.1) million, up 17.6 per cent on the previous year. Net sales grew in all our service areas, with the exception of the Incomes Register project being implemented with the Tax Administration. Particularly strong growth was seen in Microsoft ERP systems, integration and API services, and analytics. Demand for our own ERP systems remained consistently good. Corporate acquisitions made during the year also contributed to year-on-year net sales growth.

The service and maintenance business accounted for 61.8 (62.6) per cent and the project business for 38.2 (37.4) per cent of net sales. Digia's goal is to increase the service business's share of net sales through service support and maintenance agreements that track project phases. The product business accounted for 14.7 (17.8) per cent of the company's net sales.

Profit and profitability

Digia's operating profit for the fiscal year was EUR 9.6 (6.5) million with an operating margin (EBIT %) of 7.3 (5.8) per cent. Our profitability in 2019 was improved by our determined efforts to develop our service offering, organisation and operating methods. Our profitability has improved in all service areas and we will continue to bolster it.

Full-year earnings before taxes were EUR 9.1 (6.0) million, with earnings after taxes totalling EUR 7.1 (4.7) million.
Earnings per share were EUR 0.27 (0.18). Net financial expenses amounted to EUR 0.5 (0.5) million.

Financing, cash flow and expenditure

On the balance sheet date at the end of 2019, Digia's balance sheet total stood at EUR 114.1 (88.1) million and its equity ratio at 47.2 (54.9) per cent. Net gearing was 42.5 (26.6) per cent.
On the balance sheet date, Digia had EUR 28.5 (14.4) million in interest-bearing liabilities. These consisted of EUR 15.6 million in long-term and EUR 3.6 million in short-term loans from financial institutions, and EUR 9.3 million in financial leasing liabilities. Due to the adoption of IFRS 16 in 2019, The figures for 2018 are not comparable.
In the 2019 fiscal year, cash flow from operating activities totalled EUR 12.3 (3.6) million. Cash flow from investments came to EUR -10.2 (-8.6) million.

The acquisitions of Starcut Oy and Accountor Enterprise Solutions Oy are included in cash flow from investments. Cash flow from financing was EUR 2.0 (-5.1) million.
Total investments in fixed assets amounted to EUR 0.2 (0.7) million during the 2019 fiscal year. The return on investment (ROI) was 13.5 (10.6) per cent, and return on equity (ROE) was 14.0 (10.2) per cent.

Report on the extent of research and development

Digia has invested in R&D in all of its service areas. Research and development expenses totalled EUR 6.3 million in the 2019 fiscal year (2018: 6.1; 2017: 5.7), representing 4.8 per cent of net sales (2018: 5.4%; 2017: 6.0%).
More information about Digia's services and solutions can be found on the company's website: www.digia.com/en/services.

Personnel, management and administration

At the end of the review period, the total comparable number of Group personnel was 1,266, representing an increase of 175 employees or 16.0 per cent since the end of the 2018 fiscal period (31 Dec. 2018: 1,091). The average number of employees was 1,186, an increase of 117 employees, or 11.0 per cent, on the 2018 average (2018: 1,069).
Skilled and enthusiastic personnel who are committed to the objectives of our customers are behind the company's growth and customer satisfaction. During the fiscal year, we continued to make outlays on the development of our culture and strong expertise in many ways, such as with training programmes and supporting job rotation opportunities and different means of sharing knowledge. We continued our Effective Manager leadership programme, which had received excellent feedback. Its basic idea is to develop a Digia approach to management – goal-oriented and with a focus on coaching and positivity. At the end of the fiscal year, we once again carried out our Pulse survey, which measures the smoothness of cooperation – the results were at an all-time high. Our culture is built on the concept of continuous learning: we complete our work, but we ourselves are a work-in-progress.
Nineteen employees transferred to Digia as a result of the Starcut acquisition of 31 January 2019, and a further 113 employees joined the Group as a result of the Accountor Enterprise Solutions Oy transaction of 1 August 2019.

Digia employees by location:

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

Digia Plc's Annual General Meeting (AGM) of 15 March 2019 re-elected Martti Ala-Härkönen, Santtu Elsinen, Päivi Hokkanen, Robert Ingman, Seppo Ruotsalainen and Outi Taivainen as members of the Board. At its organisational meeting after the AGM, the Board of Directors elected Robert Ingman as Chair and Seppo Ruotsalainen as Vice Chair of the Board..

- On 31 December 2019, Digia's Management Team consisted of:
- » Timo Levoranta, President and CEO
 - » Pia Huhdanmäki, Senior Vice President, HR and Culture
 - » Juhana Juppo, Chief Technology Officer (CTO)
 - » Mika Kervinen, General Counsel
 - » Jukka Kotro, Senior Vice President, Digia Business Platforms
 - » Tuomo Niemi, Senior Vice President, Digia Financial Platforms
 - » Ari Rikkilä, Senior Vice President, Sales and Marketing
 - » Kristiina Simola, Chief Financial Officer (CFO)
 - » Harri Vepsäläinen, Senior Vice President, Digia Digital
 - » Teemu Virtanen, Senior Vice President, Digia Business Connect

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



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

Strategy implementation and business development

Digia's growth strategy for 2016–2019 sought to strengthen the company's position, particularly in the growing markets for digital services, process digitalisation and the service business. The company aimed to grow significantly stronger than the IT market, with average annual growth of 15 per cent. Growth was sought both organically and inorganically.

The key themes of Digia's strategy for 2016–2019 were:

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

Strategy implementation in 2019

Our major outlays on strategy implementation in 2019 were: Bolstering the product and service offering, as well as developing our culture and strong expertise.

We strengthened our product and service offering in 2019 through both organic development and acquisitions. Our major focus areas were modern integrations, analytics and artificial intelligence, ERP as well as service and maintenance, including 24/7 customer service and a continuous overview of business platform performance.

Skilled personnel who are committed to the objectives of our customers are the cornerstone of all our operations. We want to be a team of top professionals who are always learning and are both highly skilled and flexible. During the review period, our personnel count grew by 175 and averaged 1,186. We proactively develop our culture and employee experience to provide our experts with the best possible framework to succeed in their work. During the year, we put our heads together to define the four core principles of our culture: learning, sharing, courage and professional pride.

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 2019 fiscal year, the Digia Group consisted of the parent company, Digia Plc, and its subsidiaries Digia Finland Oy, Digia Sweden AB and Mavisystems Oy. These subsidiaries are wholly owned by Digia.

In order to streamline the Group structure, Digia launched several subsidiary merger processes in early 2019. Avarea Oy was merged into Digia Finland Oy on 31 May 2019 and Starcut Oy was merged into Digia Finland Oy on 31 August 2019. Digia Business Platforms Oy (formerly Accountor Enterprise Solutions Oy) was merged into Digia Finland Oy on 31 December 2019.

Share capital and shares

On 31 December 2019, the number of Digia Plc shares totalled 26,823,723 and the company had a total of 6,556 shareholders. Foreign shareholders accounted for 0.3 per cent of all Digia Plc shareholders and they held 0.3 per cent of all shares and votes. Nominee-registered shareholders accounted for 0.1 per cent of all Digia Plc shareholders and they held 3.4 per cent of all shares and votes.

Ten largest shareholders on 31 December 2019

Shareholder	Percentage of shares and votes
Ingman Development Oy Ab	26.1%
Ilmarinen Mutual Pension Insurance Company	14.6%
Etola Oy	6.0%
Tiiviste-Group Oy	4.9%
Varma Mutual Pension Insurance Company	4.6%
Matti Savolainen	3.3%
Skandinaviska Enskilda Banken AB	1.6%
Nordea Bank ABP	1.5%
OP-Suomi Pienyhtiöt investment fund	1.3%
OP-Suomi Mikroyhtiöt special investment fund	1.2%

Shareholding by number of shares held on 31 December 2019

Number of shares	Percentage of shareholders	Percentage of shares and votes
1–100	25.6%	0.3%
101–500	38.2%	2.6%
501–1,000	16.3%	3.0%
1,001–5,000	16.1%	8.3%
5,001–10,000	1.9%	3.2%
10,001–50,000	1.3%	6.5%
50,001–100,000	0.2%	3.8%
100,001–500,000	0.2%	12.8%
500,001–	0.1%	59.6%

Shareholding by sector on 31 December 2019

	Percentage of holdings	Percentage of shares and votes
Companies	3.5%	42.0%
Households	95.7%	30.1%
Public-sector organisations	0.0%	19.3%
Financial and insurance institutions	0.3%	7.7%
Non-profit associations	0.2%	0.6%
Foreign holding	0.3%	0.3%

Digia Plc held a total of 57,372 treasury shares at the end of 31 December 2019. The company held about 0.2 per cent of its capital stock.

At the end of the period, a total of 198,418 company shares, previously funded by Digia for use in the incentive system for key personnel and owned by EAM Digia Holding 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.

Share-based payments

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.

This long-term incentive scheme covered the calendar years 2017–2019. It offered participants the chance to earn company shares if the targets set by the Board of Directors for the three-year bonus period were reached.

These targets were based on the company's net sales and earnings per share (EPS). There were three earnings periods for the EPS indicator, 2017, 2018 and 2019, and the Board of Directors set the criteria for each at the beginning of each period. The earnings period for the net sales indicator was 2017–2019. The target for net sales was the net sales target set for 2019. During the bonus period, the company's CEO and other scheme participants were entitled to a bonus equivalent to a maximum of 500,000 new Digia Plc shares. In accordance with the terms and conditions of the scheme, the issue-adjusted number of shares was 524,900 due to the 2017 share issue. The bonuses based on the scheme will be paid after 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 2019 fiscal year. The total cost impact of the share-based incentive scheme for the years 2017–2019 was EUR 0.9 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 2019, Digia's Board of Directors and CEO owned shares in the company as follows (includes the holdings of related-parties and related-party organisations):

Board of Directors	No. of shares
Robert Ingman, Chair of the Board	7,026,000
Martti Ala-Härkönen	20,000
Santtu Elsinen	0
Päivi Hokkanen	10,833
Seppo Ruotsalainen, Vice Chair	6,000
Ouți Taivainen	289
Timo Levoranta, President and CEO	48,607

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

Trading during the period

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

Flagging notifications

On 3 January 2019, Digia Plc was notified of a change in the company's ownership, in accordance with Chapter 9 section 10 of the Finnish Securities Market Act. Erkki Etola informed Digia that the combined holding of Tiiviste-Group Oy and Etola Oy, two companies under his control, exceeded the

flagging limit of 10 per cent of Digia's shares and votes. After the change in shareholdings, companies controlled by Erkki Etola held a total of 2,930,495 Digia Plc shares, corresponding to 10.93 per cent of all Digia shares and votes. At the same time, Etola Oy's ownership exceeded the five per cent flagging limit. After the change in shareholdings, Etola Oy's holding in Digia Plc amounted to 1,605,495 shares, corresponding to 5.99 per cent of all Digia shares and votes. The holdings changed on 3 January 2019.

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

Other major events during the 2019 fiscal year

Digia Plc's Annual General Meeting (AGM) was held on 15 March 2019. The AGM adopted the financial statements for 2018, released the Board members and the CEO from liability, determined Board emoluments and auditor fees, set the number of Board members at six, and elected the company's Board of Directors for a new term.

With regard to profit distribution for 2018, the AGM approved the Board's proposal to pay a dividend of EUR 0.07 per share to all shareholders listed in the shareholder register maintained by Euroclear Finland Ltd on the reconciliation date of 19 March 2019. The dividend payment date was 26 March 2019.

The AGM granted the following authorisations to the Board

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

The AGM authorised the Board of Directors to decide on the buyback and/or acceptance as collateral of no more than 2,000,000 company shares using the company's unrestricted equity. The Board will decide on how these shares are to be acquired. Treasury shares may be bought back in disproportion to shareholders' holdings. This authorisation also includes the acquisition of shares through public trading on Nasdaq OMX Helsinki in accordance with the rules and instructions of Nasdaq OMX Helsinki and Euroclear Finland Ltd, or through offers made to shareholders. Shares may be acquired in order to improve the company's capital structure, to fund or complete acquisitions or

other business transactions, to offer share-based incentive schemes, to sell on, or to be annulled. The shares must be acquired at the market price in public trading. This authorisation supersedes that granted by the AGM of 15 March 2018 and is valid for 18 months, that is, until 15 September 2020.

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

The AGM authorised the Board to decide on an ordinary or bonus issue of shares and the granting of special rights (as defined in Section 1, Chapter 10 of the Limited Liability Companies Act) in one or more instalments, as follows: The issue may total, at a maximum, 4,000,000 shares. The authorisation applies both to new shares and to treasury shares held by the company. By virtue of the authorisation, the Board also has the right to decide on share issues and the granting of special rights, in deviation from the pre-emptive subscription rights of the shareholders (a directed issue); however, the issue may total 2,000,000 shares at a maximum. The authorisation may be used to fund or complete acquisitions or other business transactions, for offering share-based incentive schemes, to develop the company's capital structure, or for other purposes decided by the Board. The Board was authorised to decide on all terms relating to the share issue or special rights, including the subscription price, its payment and its recognition in the company's balance sheet. This authorisation supersedes that granted by the AGM of 15 March 2018 and is valid for 18 months, that is, until 15 September 2020.

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

Business combinations

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

On 27 June 2019, Digia Plc and Accountor Holding Oy agreed on a transaction whereby Accountor Enterprise Oy was transferred into Digia Plc's ownership. The acquisition was carried out on 1 August 2019. With this acquisition, Digia strengthened its Microsoft and Oracle ERP and CRM system service area. Following the acquisition, Accountor Enterprise Solutions Oy's 113 employees transferred into Digia's employ.

Events after the balance sheet date

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

Risks and uncertainties

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

The company's risks and uncertainty factors relate to increasing competition and potential significant changes in the company's operating environment and service areas. General economic trends and changes in our customers' operating environment and financial position may have an unfavourable impact on the company's business, financial position and result through slower decision-making and the postponement or cancellation of IT investments. Although 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 demands on both our organisation and its management. Our ability to recruit, retain and develop the correct competence – and also to correctly time our offering to meet demand – will play a vital role.

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

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

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

Outlook for 2020

Markets and business environment

We expect the IT service market to continue to grow in spite of economic uncertainty. The underlying long-term trend is digitalisation, which in its various forms supports demand. We see the following strengthening trends in the market both in the business and public sectors:

- » Digitalisation is becoming an increasingly important part of our customers' core operations.
- » The world is becoming networked, and digital platforms enable new business models.
- » Smart data utilisation in business processes creates a competitive advantage.
- » Good user experience in services is a critical success factor.
- » The role of cloud technologies as a platform for developing and operating services is becoming the norm.

Digia's strategy for 2020–2022: Next Level

Financial objectives:

The company seeks annual net sales growth of more than 10 per cent including organic growth and acquisitions. The target level of profitability improvement is an EBITA margin of 10 per cent by the end of the strategy period.

Value for customers:

Digia delivers value to its customers by acting as a visionary and reliable partner in the connected and data-driven world. Strong customer relations, professionalism, product and service packages, a partnership network and responsibility form the basis for our operations. Our clientele consists of companies and public sector actors.

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



including high-security solutions. For all of these, we provide various levels of maintenance services to help our customers operate their business-critical systems and services around the clock. In the strategy period 2020–2022, we will further strengthen this offering.

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

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

Direction of development and the world of the future

Software, their growing intelligence and data are changing the world. Organisations' value creation models and people's work patterns are evolving. We envision a future digital world in which value is created in ecosystems, making intelligent use of data.
At the level of companies' internal operations and individuals, we are moving towards a symbiosis between humans and software, where people focus on meaningful work while automation and software handle routine tasks.

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

Profit guidance for 2020

Profit guidance for 2020: "Digia's net sales will continue to grow and operating profit before amortisation of acquisition costs (EBITA) will improve compared to 2019."

Board's dividend proposal

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

Non-financial reporting

Digia's CEO is responsible for corporate responsibility with the support of the Management Team and the Board of Directors approves a non-financial data report annually.
During 2019, Digia continued to report on non-financial information from the perspective of the major corporate responsibility themes – financial, social, environmental and sectoral – defined using a materiality matrix. Digia examined responsibility from financial, social and environmental perspectives, and also with regard to responsibility themes within its sector. Digia has also assessed the corporate liability risks associated with its own operations and business relations, and has adequate and appropriate processes in place to predict and take precautions against these risks.
Digia wants to create value for its stakeholders by engaging in responsible and profitable business. Profitable operations enable Digia to invest in business growth and provide its financial stakeholders with income.

Digia's material areas of corporate responsibility are anti-bribery and corruption, data security and protection, responsibility in customer relations, customers, taking care of employees, technological solutions, and taking environmental responsibility into consideration.

Description of business model

Digia is a software and service company whose service model includes, for instance, consultation, service design, development partnership and continuous services. Digia has industry expertise particularly in the commercial, logistics and industrial sectors, in the public sector, and in banking and insurance. In 2019, Digia consisted of five service areas: Digia Digital, Digia Business Platforms, Digia Financial Platforms, Digia Business Connect and Digia Customer Operations.

The foundations of responsible operations

Corporate responsibility is an integral part of Digia's business, and the company seeks to act responsibly in all its operations. Digia's responsibility is based on our own ethical principles, the UN's Universal Declaration of Human Rights, and the International Labour Organisation's (ILO) standards. However, in our changing business environment, responsibility is based above all else on the continual monitoring and improvement of our operations.

Preventing corruption and bribery

Digia takes bribery and corruption seriously and does not permit them in any form. The anti-bribery and anti-corruption policy covers all of Digia's operations. Digia's internal anti-bribery and anti-corruption policy underlines that Digia takes bribery and corruption seriously, and sets out rules and guidelines to promote ethical and lawful behaviour.
Digia primarily operates in Finland and our operations mainly extend only to other low-risk countries (as classified by Transparency International). However, Digia has foreign partners in countries where the risk of bribery and corruption has increased. We pay attention to bribery and corruption in our dealings with partners, and exercise extreme caution in the selection of our partners. We also require our partners to commit to compliance with anti-bribery and corruption legislation.
Digia has organised training for personnel to help combat bribery and corruption. Digia has a channel through which personnel can report any suspected violations related to bribery and corruption. These reports can also be made anonymously. All of the reports are forwarded to Digia's legal department for confidential handling.



Responsibility in customer relationships

Digia seeks to be a visionary and reliable partner that helps its customers to develop their own business in the networked, data-driven world. Digia works responsibly, helping its customers to find technologically suitable and secure solutions, and offers constant partnership to enable customers to ensure uninterrupted business continuity and to both predict and prevent any disturbances and operational interruptions.

Digia uses an ISO 9001-certified quality management system (Core Process Model) whose processes are utilised in all operations with a view to providing an optimal customer experience. The high quality of services and products is an essential part of Digia's business and the foundation for day-to-day operations. Digia's quality policy supports the implementation of the company's strategy and provides a common foundation for high-quality work in product and service development, delivery projects, continuous services, and support functions that increases customer satisfaction. Digia has defined company-level quality objectives and indicators for customer satisfaction, employee satisfaction, quality of projects and services and continuous process development. The system directs and provides guidelines for risk management at different levels of operations. Company-level risks are monitored and analysed on the basis of the guidelines.

Digia has an account management model that describes the operating principles and practices that are applied when Digia works with its customers. The account management model seeks to provide an even better customer experience, customer satisfaction, quality and efficiency – and thereby boost net sales growth and improve profitability.

In the account management model, the customer is at the heart of Digia's operations and development. The model has streamlined and harmonised responsibilities, and it has ensured that Digia's organisation, steering, decision-making and processes constitute a uniform interface for customers. Digia's Management Team monitors the functionality of the model and reports on performance to the Board of Directors.

Data protection and information security

Digia seeks a high level of data protection, data privacy and information security in all of its activities. Digia is committed to protecting the data, materials and devices in our possession regardless of who they belong to – Digia, our customers or our partners. We respect the privacy of our personnel, customers and partners in all our operations. Protecting customers' privacy is an important element of our customer relationships.

Digia has identified the following risks in its own operations with regard to privacy and data protection: reputational risk, contractual risk, and the risk of sanctions. We maintain a high level of data protection and information security by training our personnel, administrative and technical controls, audits, and continually developing processes related to privacy and information security.

Digia's overhauled data protection organisation came into force at the beginning of 2018. The organisation was bolstered with new experts in 2019. The data protection organisation has improved practices and processes so that operations comply with the requirements of the EU General Data Protection Regulation. In addition, the company focused on internal and external technical data security and protection solutions in 2019. With regard to audits of compliance with statutory data protection obligations, in 2019 audit activities changed over to continuous audits following an annual calendar. Data security and protection audits focused especially on new subareas of business and operational improvements.

In 2019, the training of persons appointed to be responsible for data security and protection in the company's business operations was developed further. The development of data security processes has continued and been mobilised at Digia level. Each Digia employee familiarises themselves with data security and protection procedures as part of the induction process. Mobilisation seeks to integrate data security and protection even more firmly into everyday activities.

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

We continually supervise our data security and protection practices, and update our operating models as required to counter threats and risks. Data protection is included in Digia's certified quality assurance system.

In addition to ordinary services, Digia provides customers with services that meet particularly high data security/protection levels both on the customer's own premises and at four locations in our officially audited (Facility Security Clearance) premises. These premises and operations in them are described separately as part of the processes guiding Digia's operations.

Human resources

Digia aims to be a desired employer in the technology sector that supports personnel wellbeing and development of expertise. Skilled and motivated personnel are the cornerstone of Digia's success.

Rapid technological development and digitalisation fuel competition for professionals. Digia aims to provide its employees with a positive employee experience, which paves the way for a good customer experience. The company makes outlays on developing high-quality supervisory work and the orientation training of new employees. In 2019, Digia launched the #DigiaCulture project, which seeks to strengthen and enhance everyday workplace culture in collaboration with Digia employees. Digia's policy is to provide its employees with opportunities for career rotation, personal development and the maintenance of their competitiveness.

Digia is a flexible employer that gives space to diversity. The company treats all employees equally regardless of their gender, ethnicity, religion, age and other such factors. The diversity of the company increases human capital, which supports Digia employees' occupational wellbeing, productivity and ability to renew themselves. The company's employees have deep professional expertise, enabling peer learning.

Personnel development is guided by changes in the operating environment and society. An average of 47 hours of training per person were spent on competence development in 2019. The Digia Academy organised 217 different training events during the year. The main focus of training was on organising coaching to support the technical and professional skills of experts. Digia aims to ensure that a large share of learning takes place by trying out and practicing new things in day-to-day work as well as through learning from others. Digia has active workplace tribes, whose major task is to develop the competence of the tribe members through peer activities and provide recommendations about company-level technology policies in the specialist area of the tribe.

Continually monitoring and supporting personnel wellbeing play a key role. We support wellbeing in a number of ways, such as the even distribution of workloads and support for competence development. In 2018, Digia invested in improving the transparency and effectiveness of resourcing by, for example, introducing a new resourcing system and operating model. The mobilisation of the new operating model and user training for the resourcing system continued in 2019. Digia uses an early intervention model that supports success at work. Wellbeing is also supported with extensive benefits and flexible working arrangements. Digia acquired the expertise required by its growth strategy not only through recruitment and subcontracting, but also by means of corporate acquisitions. In 2019, 132 new professionals joined Digia via corporate acquisitions. Digia's employee turnover in 2019 was 9.7 per cent (2018: 12.0%).

Job satisfaction surveys are conducted annually. Based on the results of the 2019 personnel survey, the operating methods of Digia and its businesses have been developed further to improve the employee experience. In 2019, overall personnel satisfaction was 3.9 on a scale of 1–5 (2018: 3.77). Digia assesses that the major personnel risks concern retaining competent employees. The company constantly invests in personnel commitment.

The company respects internationally recognised human and labour rights as well as cares for the wellbeing of its personnel, maintaining a safe and healthy working environment for all its employees. 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.

Technological solutions promoting society and the environment

Digia aims to act as a technological pioneer whose products and services promote the development and wellbeing of society and the environment. Technology is developing at an ever-faster pace. Digia keeps a close eye on megatrends and technological trends to acquire and maintain its technological capabilities.

Digia invests in new technologies that generate added value by developing them as part of its offering and by training personnel. In addition, Digia provides its employees with plenty of opportunities to develop their expertise. By doing so, Digia gives its customers access to state-of-the-art, technologically sustainable solutions and services that promote society and the environment. This is an essential aspect of Digia's competitiveness in the market.

In addition to investing in its own technology, Digia is involved in a variety of technology networks and cooperates with different technology suppliers. Digia has also organised Digia API Hackatemia events since 2017. Digia API Hackatemia is a training programme in which participants team up to brainstorm and plan solutions to topical business challenges using open interfaces (API) and artificial intelligence technologies.

Digia wants to provide its employees with a technologically smooth, safe and sustainable workplace by continuously modernising and developing its own systems and processes.

Environmental responsibility

Digia shoulders its responsibility for the environment in all its choices. The company strives to account for the environmental impact of its activities, such as in procurement processes, and to make environmentally friendly choices. We do not see any significant environmental risks associated with Digia's operations.

We also consider ourselves a producer of added value in the area of environmental responsibility. The digital services and solutions provided by Digia help our customers to reduce their environmental impacts by, for example, enabling a paperless approach.

We intend to increase our personnel's environmental awareness through a variety of campaigns. Digia examines the environmental impacts of its own operations at its headquarters in Helsinki using the WWF Green Office system. After an office audit in 2016, Digia was granted a Green Office certificate.

Areas of corporate responsibility

Area	Objective	Operating principles and processes	Key figures	2019	2018	Major risks
Customers	To act as a responsible, reliable and truly caring business partner that helps customers find sustainable, technologically suitable and information secure solutions to develop their operations and business.	Responsibility and progressive activities in all business operations and ensuring data protection and information security. Training and continuously updating processes.	Valid ISO 9001 certificate, net sales growth.	yes, 17.6%	yes, 18.6%	Digia's reputation risk and weakening of competitiveness.
Preventing corruption and bribery	Personnel awareness of ethical activities.	Policy, continuous education, whistleblowing channel.	No reported violations.	0	0	Digia's reputational risk, exclusions from public tenders.
Employee well-being and retention	To be a desired employer in the technology sector that supports the development of the expertise of its personnel. Enabler of a diverse and equal working community. Provider of a positive employee experience and occupational wellbeing.	Development of the leadership culture. Target and development discussions. Job rotation and employees' opportunities for development, innovation and utilisation of human capital. Competitive benefits. Preventative measures. Coaching leadership models and processes. Rising trend in the employee satisfaction indicator.	Employee satisfaction and turnover, %.	3.90/5 9.7%	3.77/5 12%	Working capacity risks, turnover. Digia's competitiveness weakens due to lack of skilled employees.
Data protection and information security	No data protection violations.	Training, audits of cooperation partners, continuously updating processes.	Number of violations.	0	0	Risk to Digia's reputation, official sanctions, contractual risks.
Environmental responsibility	Increasing environmental awareness in day-to-day operations.	Accounting for environmental impacts in day-to-day business.	Number of environmental awareness campaigns for personnel throughout the Group.	2	3	Risk to Digia's reputation.

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1 Main statements in the consolidated financial statements (IFRS)

1.1 Consolidated Income Statement

EUR 1,000	Note	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Net sales	3.2	131,824	112,122
Other operating income	3.4	141	240
Materials and services		-15,065	-12,595
Depreciation, amortisation and impairment	3.6	-5,496	-2,595
Personnel expenses	4.1. 4.2. 4.4. 7.6	-86,648	-76,467
Other operating expenses	3.7	-15,108	-14,210
		-122,176	-105,628
Operating profit		9,648	6,494
Financial income	6.5	142	114
Financial expenses	6.5	-682	-640
		-540	-526
Profit before taxes		9,108	5,968
Income taxes	3.8	-2,017	-1,264
Net profit		7,090	4,704
Earnings per share, EUR (undiluted and diluted)	3.10	0.27	0.18
Distribution of income for the period: Parent company shareholders		7,090	4,704

1.2 Consolidated statement of comprehensive income

	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Net profit	7,090	4,704
Other comprehensive income items:		
Items that may later be reclassified as profit or loss:		
Exchange differences on translation of foreign operations	38	88
Total comprehensive income	7,128	4,792
Distribution of total comprehensive income:		
Parent company shareholders	7,128	4,792

1.3 Consolidated balance sheet

EUR 1,000	Note	31 Dec 2019	31 Dec 2018
ASSETS			
Non-current assets			
Goodwill	7.1	57,771	50,462
Intangible assets	7.3	6,378	3,592
Tangible assets	7.2	894	3,804
Right-of-use assets	7.4	9,150	-
Financial assets recognised at fair value through profit or loss	6.2	484	484
Non-current receivables	6.2	94	537
Deferred tax assets	3.9	558	209
		75,328	59,088
Current assets			
Accounts receivable and other receivables	6.2	32,950	27,282
Cash and cash equivalents	6.2	5,838	1,733
		38,787	29,015
Total assets		114,116	88,104

EUR 1,000	Note	31 Dec 2019	31 Dec 2018
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity attributable to parent-company shareholders			
Share capital		2,088	2,088
Other reserves		5,204	5,204
Unrestricted shareholders' equity reserve		42,081	42,081
Translation difference		-422	-384
Retained earnings		-2,850	-5,910
Net profit		7,090	4,704
		53,190	47,782
Total shareholders' equity	6.7	53,190	47,782
Non-current liabilities			
Deferred tax liabilities	3.9	1,250	640
Non-current advances received		23	54
Financial liabilities	6.3	15,553	6,479
Lease liabilities		5,719	-
Other non-current liabilities		126	726
		22,671	7,899
Current liabilities			
Accounts payable and other liabilities	5.2	13,989	10,964
Income tax liabilities		1,315	799
Provisions	3.3	1,384	214
Accruals and deferred income		14,384	12,484
Lease liabilities	6.4	3,556	-
Other financial liabilities	6.3	3,626	7,961
		38,254	32,422
Total liabilities		60,925	40,322
Total shareholders' equity and liabilities		114,116	88,104

1.4 Consolidated cash flow statement

EUR 1,000	Note	31 Dec 2019	31 Dec 2018
Cash flow from operations:			
Net profit		7,090	4,704
Adjustments to net profit	7.5	6,386	2,547
Change in working capital	5.1	-4,258	-5,766
Change in other receivables and liabilities		5,050	3,065
Interest paid		-311	-247
Interest income		-	3
Taxes paid		-1,662	-704
Cash flow from operations		12,294	3,602
Cash flow from investments:			
Purchases of tangible and intangible assets		-213	-647
Acquisition of subsidiaries, net of cash and cash equivalents at the time of acquisition	3.5	-10,035	-7,979
Dividends received		13	10
Cash flow from investments		-10,236	-8,616

EUR 1,000	Note	31 Dec 2019	31 Dec 2018
Cash flow from financing:			
Repayment of lease liabilities (2018: Repayment of finance lease liabilities)	6.3	- 3,577	- 1,204
Repayment of current loans	6.3	-19,826	-2,600
Withdrawals of current loans	6.3	14,200	-
Repayment of non-current loans	6.3	-4,800	-4,285
Withdrawals of non-current loans	6.3	18,100	4,289
Acquisition of treasury shares		-213	-243
Dividends paid		-1,864	-1,069
Cash flow from financing		2,020	-5,112
Change in cash and cash equivalents		4,078	-10,125
Cash and cash equivalents at beginning of period		1,733	11,858
Change in cash and cash equivalents		4,078	-10,151
Net foreign exchange difference		27	25
Cash and cash equivalents at end of period	6.2	5,838	1,733

1.5 Changes in shareholders' equity

EUR 1,000	Notes	Share capital	Unrestricted shareholders' equity reserve	Other reserves	Translation difference	Retained earnings	Total shareholders' equity
Shareholders' equity, 1 Jan 2018		2,088	42,081	5,204	-296	-4,941	44,136
Effect of IFRS 2 changes on shareholders' equity						36	36
Adoption of IFRS 9						-89	-89
Adjusted shareholders' equity, 1 Jan 2018						-4,993	44,083
Comprehensive income							
Net profit (+) / loss (-)	1.1					4,704	4,704
Other comprehensive income items	1.2				-88		-88
Total comprehensive income		-	-	-	-88	4,704	4,615
Transactions with shareholders							
Share-based transactions settled in equity	4.4	-	-	-	-	395	395
Dividends		-	-	-	-	-1,069	-1,069
Redemption of own shares		-	-	-	-	-243	-243
Transactions with shareholders, total						-917	-917
Shareholders' equity, 31 Dec 2018		2,088	42,081	5,204	-384	-1,206	47,782

EUR 1,000	Notes	Share capital	Unrestricted shareholders' equity reserve	Other reserves	Translation difference	Retained earnings	Total shareholders' equity
Shareholders' equity, 1 Jan 2019		2,088	42,081	5,204	-384	-1,206	47,782
Comprehensive income							
Net profit (+) / loss (-)	1.1					7,090	7,090
Other comprehensive income items	1.2	-	-	-	-38	-	-38
Total comprehensive income		-	-	-	-38	7,090	7,052
Transactions with shareholders							
Share-based transactions settled in equity	4.4	-	-	-	-	434	434
Dividends		-	-	-	-	-1,864	-1,864
Redemption of own shares		-	-	-	-	-213	-213
Transactions with shareholders, total						-1,644	-1,644
Shareholders' equity, 31 Dec 2019		2,088	42,081	5,204	-422	4,241	53,190

2 General information

2.1 Basic information on the Group

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

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

Digia operates in eight locations in Finland – Helsinki, Jyväskylä, Lahti, Oulu, Rauma, Tampere, Turku and Vaasa – and in Stockholm, Sweden. The company is listed on NASDAQ Helsinki (DIGIA). Digia Plc is domiciled in Helsinki and its registered office is at Atomitie 2 A, 00370 Helsinki.

2.2 Approval by the Board of Directors

The Board of Directors approved the financial statements for publication on 6 February 2019. According to the Finnish Companies Act, shareholders have the right to approve or reject the financial statements at the General Meeting held after publication. The General Meeting may also decide to revise the financial statements. Digia Plc's Annual General Meeting will be held on 16 March 2019.

2.3 Accounting policies

The consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS), observing the IAS and IFRS standards, as well as SIC and IFRIC interpretations valid on 31 December 2019. International Financial Reporting Standards refer to the standards and their interpretations approved for application in the EU in accordance with the procedure stipulated in EU regulation (EU) No. 1606/2002 and embodied in Finnish accounting legislation and the statutes enacted under it.

The consolidated financial statements are based on original acquisition costs, with the exception of short rate funds, which are measured at fair value.

In the fair value hierarchy, the highest level is assigned to quoted (unadjusted) prices for identical assets or liabilities in active markets (Level 1 inputs), and the lowest to unobservable inputs (Level 3 inputs).

The consolidated financial statements include the parent company, Digia Plc, and all its subsidiaries, which are 100% owned by the Group. Acquired subsidiaries are consolidated using the acquisition method, according to which the assets and liabilities of the acquired entity are measured at fair value at the time of acquisition, and the remaining difference between the acquisition price and the acquired shareholders' equity constitutes goodwill. Subsidiaries acquired during the fiscal period are included in the consolidated financial statements as from when control was gained, while divested subsidiaries are included until the date of divestment. No subsidiaries were divested in the 2019 and 2018 fiscal periods.

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

Items referring to the earnings and financial position of the Group's units are recognised in the currency that is the main currency of the unit's primary operating environment ('functional currency'). The consolidated financial statements are given in euros, which is the operating and presentation currency of the parent company. The Group has one subsidiary abroad, in Sweden.

Receivables and liabilities denominated in foreign currencies have been converted into euro at the exchange rate in effect on the balance sheet date. Gains and losses arising from foreign currency transactions are recognised through profit or loss. Foreign exchange gains and losses from operations are included in the corresponding items above EBIT. The income statement of the Swedish group company has been converted into euro at the weighted average exchange rate for the period, and its balance sheet has been converted at the exchange rate quoted on the balance sheet date. Translation differences arising from the application of the acquisition method are treated as items adjusting consolidated shareholders' equity.

In the 2019 and 2018 fiscal periods, the company had no non-controlling interests, so the result has been distributed to parent company shareholders.

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

Accounting policy	Note		IFRS-standard
Segment reporting	3.1	Reportable segments	IFRS 8
Recognition of net sales	3.2	Net sales	IFRS 15
Provisions	3.3	Provisions	IAS 37
Government grants	3.4	Other operating income	IAS 20
Business combinations	3.5	Acquired business operations	IFRS 3, IFRS 10
Research and development costs	3.7	Other operating expenses	IAS 38
Current tax	3.8	Current tax	IAS 12
Deferred tax assets and liabilities	3.9	Deferred tax	IAS 12
Earnings per share	3.10	Earnings per share	IAS 33
Pension liabilities	4.2	Pension liabilities	IAS 19
Accounts receivable and other receivables	5.2	Accounts receivable and other receivables	IFRS 9, IFRS 15
Financial assets	6.2	Financial assets recognised at fair value through profit or loss	IAS 32, IFRS 9, IFRS 7
Interest-bearing liabilities	6.3	Financial liabilities	IFRS 9, IFRS 13
Lease liabilities (2018: Finance lease liabilities)	6.4	Lease liabilities	IFRS 16 (2018: IAS 17), IFRS 9
Share-based incentives	4.4, 6.7	Personnel expenses, Equity	IFRS 2
Goodwill	7.1	Goodwill	IFRS 3, IAS 36
Intangible assets	7.3	Intangible assets	IAS 38, IAS 36
Property, plant and equipment	7.2	Property, plant and equipment	IAS 16, IAS 36
Right-of-use assets	7.4	Lease obligations and commitments	IFRS 16
Impairment	7.5	Impairment of assets	IAS 36
Related party transactions	7.6	Related party information	IAS 24

As of 1 January 2019, the Digia Group has applied the following new and amended standards:

IFRS 16

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

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

Digia leases all its business premises, company cars, equipment and IT devices, and thus the adoption of the standard impacts on the accounting treatment of these items. Lease agreements are either for a fixed term or valid until further notice. Fixed-term leases are made for a period of three to five years. Digia is not a lessor. The bulk of the lease liability and right-of-use asset in the balance sheet comprises lease contracts for offices. Digia has applied exemptions permitted under IFRS 16 for short-term lease contracts. Such lease contracts with a term of less than 12 months have not been recognised in the balance sheet. In addition, Digia does not recognise an asset and liability in the balance sheet for leases of low value assets. In the case of office premises, other lease components, such as lobby services, cleaning and other services, have been separated out from the lease. IFRS 16 has impacts on key figures that have been calculated on the basis of the balance sheet total or interest-bearing liabilities. The change of standard has a significant effect on off-balance sheet commitments. Additional information is provided in Notes 6.4 and 7.4.

Effects of IFRS 16 on the Group's opening balance sheet:

EUR 1,000	Opening balance sheet, 1 Jan 2019	IFRS 16 effect	Opening balance sheet, 1 Jan 2019 adjusted
ASSETS			
Non-current assets			
Goodwill	50,462		50,462
Intangible assets	3,592		3,592
Tangible assets *	3,804	-2,900	905
Right-of-use assets	-	11,223	11,223
Financial assets	484		484
Long-term receivables	537		537
Deferred tax assets	209		209
	59,088	8,324	67,412
Current assets			
Accounts receivable and other receivables	27,282		27,282
Cash and cash equivalents	1,733		1,733
	29,015		29,015
Total assets	88,104	8,324	96,427

* Tangible assets have included items that were previously treated as finance leases that have been transferred to right-of-use assets.

EUR 1,000	Opening balance sheet, 1 Jan 2019	IFRS 16 effect	Opening balance sheet, 1 Jan 2019 adjusted
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity attributable to parent-company shareholders			
Share capital	2,088		2,088
Other reserves	5,204		5,204
Unrestricted shareholders' equity reserve	42,081		42,081
Translation difference	-384		-384
Retained earnings	-5,910		-5,910
Net profit	4,704	11	4,715
	47,782		47,793
Total shareholders' equity	47,782		47,793
Non-current liabilities			
Deferred tax liabilities	640		640
Non-current advances received	54		54
Financial liabilities *	6,479	-1,600	4,879
Lease liability	-	7,635	7,635
Other non-current liabilities	726		726
	7,899	6,035	13,934
Current liabilities			
Accounts payable and other liabilities	10,964		10,964
Income tax liabilities	799		799
Provisions	214		214
Accruals and deferred income	12,484		12,484
Financial liabilities *	7,961	-1,334	6,626
Lease liability	-	3,612	3,612
	32,422	2,278	34,700
Total liabilities	40,322		48,634
Total shareholders' equity and liabilities	88,104	8,324	96,427

* Financial liabilities have included items that were previously treated as finance leases that have been transferred to lease liabilities.

Reconciliation of lease obligations	
Obligations related to operational leases presented in Note 6.8, Lease obligation commitments, in the 2018 financial statements, 31 Dec. 2018	7,624
To be deducted: agreements for low-value IT equipment and devices expensed in equal instalments	-1,413
	6,211
Discounted with the weighted average interest on the Group's additional loan, 1.81%	6,001
To be added: finance lease liabilities in the balance sheet as at 31 Dec. 2018	2,934
To be added: Adjustments due to different treatment of extension options	2,396
To be added/deducted: other adjustments	-84
Lease liabilities recognised on 1 Jan. 2019	11,247

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

The preparation of financial statements in accordance with IFRS requires the Group's management to make accounting estimates and apply judgements and assumptions that have an effect on the application of the accounting principles and the carrying amounts of assets, liabilities, income and expenses. These estimates and assumptions are based on previous experience and other justifiable assumptions that are believed to be reasonable under the circumstances and that serve as a foundation for evaluating the items included in the financial statements.

The estimates are reviewed regularly, but the actual results may differ from the estimates and solutions.

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

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

3 Financial development

3.1 Reportable segments

Digia reports on its business operations as one segment. In 2019, management followed four service areas: Digital Services, Custom Solutions, Industry Solutions, and Digia Financial Solutions and Services. These service areas have similar financial characteristics and are also similar in terms of the nature of product and service production processes, type of customer, and methods used in product or service distribution or service provision. For this reason, these service areas have been combined into a single reporting segment.

3.2 Net sales

Digia's net sales in the review period amounted to EUR 131.8 (112.1) million, of which Finland accounted for EUR 130.9 (111.0) million and other countries for EUR 0.9 (1.1) million. The net sales of the service and maintenance business totalled EUR 81.5 (70.2) million, or 61.8 (62.6) per cent of total net sales. The net sales of the project business totalled EUR 50.3 (41.9) million and accounted for 38.2 (37.4) per cent of total net sales. The net sales of the product business generated 14.7 (17.8) per cent of the company's net sales. The product business includes licence maintenance, and it is included in both project and service and maintenance operations. The net sales of the work performed by people generated 73.8 (73.3) per cent of the company's net sales.

Of net sales, EUR 3.3 (2.4) million were recognised in one instalment and EUR 128.5 (109.7) thousand over time.

At the end of the reporting period, Digia reports the total transaction price of uncompleted performance obligations insofar as the agreement is for several years and not charged on an hourly basis. On 31 December 2019, Digia had an order book of EUR 6.7 (4.3) million for multiyear projects with a fixed or target price. The order book for service and maintenance agreements cannot be unambiguously determined and it is not reported because the agreements often include transaction-based items in addition to a fixed-price item.

On 31 December 2019, the balance sheet included EUR 1.2 (1.0) million in advance payments for projects in which income is recognised over time.

In 2019, no single customer accounted for more than 10% of consolidated net sales.

Accounting principle – recognition in net sales

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

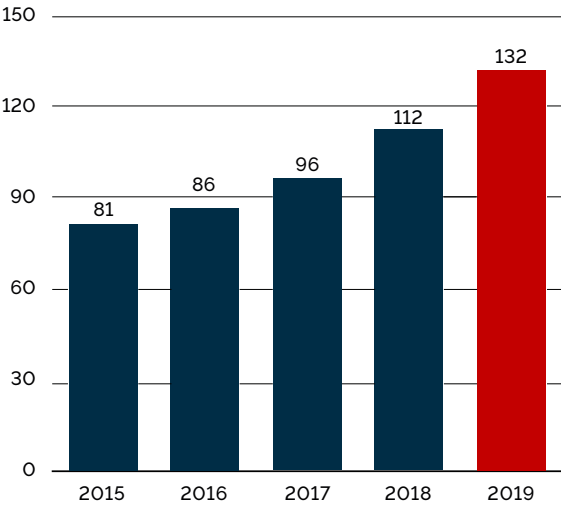
Work performed by people

Work performed by people in specification and delivery projects is recognised as revenue over time in accordance with progress. Long-term projects with fixed prices are recognised over time on the basis of their percentage of completion once the outcome of the project can be reliably estimated. The percentage of completion is determined as the proportion of costs arising from work performed for the project up to the date of review in the total estimated project costs. If estimates of the project change, the recognised sales and profit/margin are amended in the period during which the change becomes known and can be estimated for the first time.

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

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

Net sales, MEUR





Own products

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

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

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

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

Third-party products

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

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

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

Services

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

Significant judgement:

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

A project recognised as revenue over time is recognised as income and expenses on the basis of degree of completion once the outcome of the project can be reliably estimated. Recognition is based on estimates of expected income and expenses of the project and reliable measurement and estimation of project progress. If estimates of the project's outcome change, the recognised sales and profit/margin are amended in the period during which the change becomes known and can be estimated for the first time. An onerous contract is immediately recognised as an expense. Additional information is provided in Note 3.3 Provisions.

Recognition: principal or agent

Digia can act as either a principal or agent for third-party products. Whether the company is deemed to be acting as a principal or agent for third-party products is based on Digia management's analysis of the legal form and factual content of the agreements made between the company and its suppliers. With respect to factual content, the decisive factor is Digia's role and responsibility towards the end customer. If Digia is responsible, revenue is recognised from these products in one instalment on a gross basis once the installation environment has been completed. Maintenance revenue will also be recognised on a gross basis, but over time. If a third party holds actual responsibility, Digia only recognises the margin or commission in net sales.

3.3 Provisions

Unprofitable agreements

EUR 1,000	2019	2018
1 Jan	214	1,663
Increase in provisions	1,365	70
Provisions used	-195	-1,519
31 Dec	1,384	214

On the balance sheet date 31 December 2019, there were seven fixed-price projects for which loss provisions had been recorded on the basis of remaining work. Loss provisions have been made on the basis of the estimated total workload. If the total workload changes as a project progresses, this impacts on the size of the loss provision.

Accounting principle – provisions

A provision is recognised when the Group has a legal or factual obligation based on previous events, the realisation of a payment obligation is probable and the amount of the obligation can be reliably estimated.

A loss provision is created for fixed-price projects if it becomes apparent that the obligatory expenditure on the fulfilment of project obligations will exceed the benefits to be gained from the agreement. The loss is recognised in the period when it becomes known and can be estimated for the first time. Loss provisions are reversed in accordance with the extent and timing of incurred expenses.

3.4 Other operating income

EUR 1,000	2019	2018
Government grants	35	113
Other income	107	127
Total	141	240

In 2019 and 2018, government grants were allocated for product development and these product development expenses are included in employee benefit expenses and external services.

Accounting principle – government grants

Government grants received as compensation for costs are recognised in the income statement at the same time as the expenses related to the target of the grant are recognised as expenses. Grants of this kind are presented under other operating income.



3.5 Acquired business operations

Business operations acquired during the 2019 fiscal year

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

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

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

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

Cash flow effect of the acquired businesses:

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

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

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

The business operations acquired in 2019 were not of substantial relevance to the Group either individually or as a whole. If the businesses acquired during the fiscal year had been included in Digia's consolidated accounts for the entire year, they would have accounted for about EUR 14.9 million in net sales and EUR 2.2 million in operating result in 2019.

Business operations acquired during the 2018 fiscal year

29 March 2018: the company acquired the entire share capital of Avarea Oy. 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, 37 analytics personnel joined Digia in Helsinki.

1 August 2018: The company acquired the entire share capital of Mavisystems Oy and its wholly owned subsidiary Mirosys Oy. 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. In the transaction, 34 employees joined Digia in Helsinki, Tampere and Turku.

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

Property, plant, and equipment, and intangible assets	19
Accounts receivable and other receivables	1,023
Cash and cash equivalents	1,358
Total assets	2,400
Accounts payable and other liabilities	1,358
Total liabilities	1,358
Net assets	1,043
Goodwill	4,747
Value of customer contracts	2,276
Acquisition cost	7,611

Cash flow effect of the acquired businesses:

Acquisition cost	-7,611
Cash and cash equivalents	1,358
Additional purchase price	1,636
Acquisition-related costs and taxes	-131
Net cash flow of acquisition	-4,748

The purchase prices were paid at the time of acquisition in cash, with the exception of additional contingent amounts subsequently payable in cash. The total purchase price of acquisitions in the 2018 fiscal year was EUR 7.6 million. The value of the net assets of the acquirees was estimated at EUR 1.0 million in the acquisition cost calculations. Acquisitions had an impact of EUR 4.0 million on the Digia Group's net sales in the 2018 fiscal year and EUR 0.15 million on the result for the period.

Accounts receivable consist of the ordinary receivables of the acquired companies, whose fair values are estimated to correspond to their book values. Digia's goodwill grew by EUR 4.7 million as a result of the acquisitions. Goodwill consists of the value of acquired market shares, business expertise and expected synergies. Additional information on goodwill is presented in Note 7.1.

The business operations acquired in 2018 were not of substantial relevance to the Group either individually or as a whole. If the businesses acquired during the fiscal year had been included in Digia's consolidated accounts for the entire year, they would have accounted for about EUR 7.4 million in net sales and EUR 0.3 million in operating result in 2018.

Accounting principle – business combinations

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

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

Significant estimate

Fair values of net assets acquired in business combinations and additional purchase prices

The purchase price, additional purchase price, if any, and net assets acquired in business combinations are measured at fair value.

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

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

3.6 Depreciation, amortisation and impairment

EUR 1,000	2019	2018
Depreciation and amortisation by asset category		
Intangible assets		
Software and licences	144	156
Purchase price allocation Other intangible assets	1,355	789
Property, plant and equipment	-	35
Property, plant and equipment		
Buildings	7	7
Improvements to premises	124	127
Machinery and equipment	350	1,482
Right-of-use assets	3,517	-
Total	5,496	2,595
Total depreciation and amortisation	5,496	2,595

The comparative figures for 2018 do not include depreciation of right-of-use assets and thus the sum totals presented are not entirely comparable. The Group did not recognise impairment losses in the 2019 and 2018 fiscal years.

3.7 Other operating expenses

EUR 1,000	2019	2018
Costs of premises ¹	1,198	3,786
IT costs	4,447	2,832
Voluntary personnel expenses	3,679	3,403
Travel	1,490	1,421
External services	1,488	1,343
Other expenses	2,806	1,426
Total	15,108	14,210

¹ Comparative figures for the 2018 fiscal year have not been adjusted according to IFRS 16 and therefore the figures presented are not fully comparable.

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

Auditors' fees

EUR 1,000	2019	2018
Audit, KPMG	88	70
Other statutory duties	10	-
Tax counselling	2	-
Other services	11	14
Total	111	84

In 2019, KPMG Oy Ab invoiced EUR 88.2 (68.4) thousand for auditing and EUR 22.7 (13.9) thousand for other services.

Research and development costs

EUR 1,000	2019	2018
Research and development costs	6,274	6,077
Total	6,274	6,077

The R&D spend includes the development of the company's own products carried out largely by in-house personnel and recognised in personnel expenses. When external services are used for this purpose, the expenses are recognised in other operating expenses. In 2019 and 2018, all R&D costs were recognised as expenses in the result for the financial year, as future economic benefit or useful life cannot be estimated with sufficient reliability during the development phase.

3.8 Current tax

EUR 1,000	2019	2018
Current tax	2,548	1,168
Taxes from previous periods	91	30
Deferred tax	-621	65
Total	2,017	1,264

Reconciliation between the tax expenses in the income statement and taxes calculated at the tax rate valid in the Group's home country (20 per cent):

EUR 1,000	2019	2018
Profit before taxes	9,108	5,968
Taxes calculated at the domestic corporation tax rate	1,822	1,194
Income not subject to tax	-3	-42
Non-deductible expenses	68	90
Other items	131	23
Total	2,017	1,264
Current tax	2,017	1,264

Accounting principle – current tax

Income taxes recognised in the income statement include taxes based on taxable income for the financial period, adjustments to taxes for previous periods, as well as changes in deferred taxes. Tax based on taxable income for the period is calculated using the corporate income tax rate applicable in each country (Finland and Sweden).

3.9 Deferred tax assets and liabilities

Changes in deferred taxes during 2019:

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

EUR 1,000	1 Jan 2019	Recognised in income statement	Acquired business operations	31 Dec 2019
Deferred tax liabilities:				
From business combinations	639	-271	883	1,250
Other items	1	-1	-	0
Total	640	-272	883	1,250

Changes in deferred taxes during 2018:

EUR 1,000	1 Jan 2018	Recognised in income statement	Acquired business operations	31 Dec 2018
Deferred tax assets:				
Provisions	333	-290	-	43
Share-based payments	17	79		96
Other items	86	-15	-	70
Total	435	-226	-	209

EUR 1,000	1 Jan 2018	Recognised in income statement	Acquired business operations	31 Dec 2018
Deferred tax liabilities:				
From business combinations	341	-158	455	639
Other items	4	-3	-	1
Total	345	-160	455	640

Accounting principle – deferred taxes

Deferred tax receivables and liabilities are recognised for temporary differences between the taxable values and book values of asset and liability items. The biggest temporary differences arise from the depreciation of property, plant and equipment, and revaluation at fair value in connection with acquisitions. Deferred taxes are determined on the basis of the tax rate enacted by the balance sheet date. Deferred tax receivables are recognised up to the probable amount of taxable income in the future, against which the temporary difference can be utilised.

3.10 Earnings per share

	2019	2018
Profit for the period attributable to parent company shareholders (EUR 1,000)	7,090	4,704
Weighted average number of shares during the period	26,599,257	26,693,082
Earnings per share, EUR (undiluted and diluted)	0.27	0.18

Accounting principle – earnings per share

Basic earnings per share are calculated by dividing the earnings before tax for the accounting period attributable to the parent company's shareholders by the weighted average of shares outstanding during the accounting period. Own shares held by the company are not included in the calculation of the weighted average of shares outstanding.

4 Human resources

Group personnel on average during the period	2019	2018
Business units	1,150	1,031
Administration and management	36	38
Total	1,186	1,069

4.1 Personnel expenses

EUR 1,000	2019	2018
Salaries and remunerations	72,680	62,811
Pension costs, defined-contribution plans	12,359	10,977
Share-based payments	-	395
Other personnel expenses	1,609	2,284
Total	86,648	76,467

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

4.2 Pension liabilities

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

Accounting principle – pension liabilities

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

4.3 Personnel remuneration

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

4.4 Share-based payments

Digia has incentive schemes where payments are made either in equity instruments or in cash. The benefits granted through these arrangements are measured at fair value on the date of their being granted and recognised as expenses in the income statement evenly during the vesting period. The impact of these arrangements on the financial results is shown in the income statement under the cost of employee benefits and the impact on the balance sheet as a change in shareholders' equity.

On 3 February 2017, Digia Plc's Board of Directors decided to establish a new long-term share-based incentive scheme that covered the calendar years 2017–2019. The scheme offered participants the chance to earn company shares if the targets set by the Board of Directors for the three-year bonus period were reached. The target group confirmed by the Board of Directors comprised the CEO and other executives. The scheme was 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 scheme replaced the previous share-based incentive scheme, which ran until 2017.

The targets of the incentive scheme were based on the company's net sales and earnings per share (EPS). There were three earnings periods for the EPS indicator, 2017, 2018 and 2019, and the Board of Directors set the criteria for each at the beginning of each period. The earnings period for the net sales indicator was 2017–2019. The target for net sales was the net sales target set for 2019. During the bonus period, the company's CEO and other scheme participants were entitled to a bonus equivalent to a maximum of 500,000 new Digia Plc shares. In accordance with the terms and conditions of the scheme, the issue-adjusted number of shares is 524,900 due to the 2017 share issue. Insofar as the terms were met, the bonuses based on the scheme will be paid after 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 of the scheme.

The total cost impact of the share-based incentive scheme for the years 2017–2019 was EUR 0.9 million.

Basic information on the share incentive scheme is presented below.

	President and CEO's share-based incentive scheme 2017–2019	Key personnel's share-based incentive scheme 2017–2019
Granting date	3 Feb 2017	3 Feb 2017
Implementation	Shares and cash	Shares and cash
Target group	President & CEO	Key personnel
Maximum number of shares *	150,000	350,000
Beginning of the earning period	1 Jan 2017	1 Jan 2017
End of the earning period	31 Dec 2017 / 31 Dec 2018 / 31 Dec 2019	31 Dec 2017 / 31 Dec 2018 / 31 Dec 2019
Vesting condition	Earnings per share and net sales Employment requirement	Earnings per share and net sales Employment requirement
Maximum validity, years	2.9	2.9
Remaining validity, years	0	0
Number of persons (31 Dec 2019)	1	10

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

The items related to share-based incentive schemes in 2019 are given in the table below. Because the cash portion of the bonus payment is also recorded as a share-based expense, the sums below are gross, i.e. the bonuses include the shares and the equivalent cash sum.

Events in 2019 fiscal year	President and CEO's share-based incentive scheme 2017–2019	Key personnel's share-based incentive scheme 2017–2019
Gross amounts, 1 Jan 2019 *		
Outstanding at beginning of period	133,283	212,914
Changes during the period		
Granted during the year	-	-
Forfeited during the year	17,331	23,655
Exercised during the year	-	-
Gross amounts, 31 Dec 2019 *		
Outstanding at end of period	115,952	189,259
Available for exercising at end of period	-	-

* Gross amounts are adjusted for share issues

Events in 2018 fiscal year	President and CEO's share-based incentive scheme 2017–2019	Key personnel's share-based incentive scheme 2017–2019
Gross amounts, 1 Jan 2018		
Outstanding at beginning of period	136,474	221,087
Changes during the period		
Granted during the year	-	-
Share issue-adjusted number	3,191	8,174
Forfeited during the year		
Exercised during the year		
Gross amounts, 31 Dec 2018 *		
Outstanding at end of period	133,283	212,914
Available for exercising at end of period	-	-

* Gross amounts are adjusted for share issues

Accounting principle – share-based incentive scheme

The targets of the share-based incentive scheme are based on the Group's net sales and earnings per share (EPS). The accrual of expenses from the incentive scheme is recognised annually, assessing the total cost impact of the scheme at the level estimated by management. If estimates of the total cost impact of the scheme change, the cost is amended in the period during which the change becomes known for the first time.

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

Expense effect of share-based incentive schemes on 2019 income statement

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

Comparison data for 2018

Effect on earnings and financial position, EUR 1,000	President and CEO's share-based incentive scheme 2017–2019	Key personnel's share-based incentive scheme 2017–2019	Total
Share-based payment expense for the fiscal year	151	244	395
Share-based payments, shareholders' equity, 31 Dec 2018	183	295	478

5 Working capital

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

5.1 Change in working capital

EUR 1,000	2019	2018
Change in accounts receivable	- 4,769	- 4,170
Change in accounts payable	511	- 1,595
Total	- 4,258	- 5,766

5.2 Accounts payable and other liabilities

EUR 1,000	2019	2018
Accounts payable	3,921	3,410
Other liabilities	10,068	7,554
Total	13,989	10,964

Accounts payable are non-interest-bearing and are paid mainly within 14–90 days.

Other liabilities include project-related advance payments from customers.

Accounting principle – accounts payable and other liabilities

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

6 Capital structure

6.1 Capital management and net liabilities

The Group's capital management aims at supporting company business by means of optimal management of the capital structure, ensuring normal operating conditions and increasing shareholder value with a view to achieving the best possible profit. At the end of the year, the Group's interest-bearing net liabilities were EUR 22.6 million (31 Dec. 2018: EUR 12.7 million). When calculating net gearing, the interest-bearing net liabilities are divided by shareholders' equity as indicated in the consolidated balance sheet. Gearing includes interest-bearing net liabilities less cash and cash equivalents. Interest-bearing liabilities have mainly been used to finance the company's business acquisitions. Net gearing at the year-end 2019 was 43 per cent (2018: 27%).

The share of liabilities of total shareholders' equity was as follows on 31 December 2019 and 31 December 2018:

EUR 1,000	2019	2018
Interest-bearing liabilities	28,454	14,440
Cash and cash equivalents	5,838	1,733
Interest-bearing net liabilities	22,616	12,707
Total shareholders' equity	53,190	47,782
Net gearing, %	43%	27%

Comparative figures for the 2018 fiscal year have not been adjusted according to IFRS 16 and therefore the figures presented are not fully comparable.

Net gearing = Net liabilities/Total shareholders' equity

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

6.2 Financial assets

Amortised cost:

Accounts receivable and other receivables

EUR 1,000	2019	2018
Accounts receivable and other receivables		
Accounts receivable	23,990	19,221
Receivables arising from customer agreements	6,601	5,798
Security deposit for rental due	29	55
Tax assets from the profit for the financial year	-	689
Prepayments and accrued income	2,046	1,769
Other receivables	284	231
Accounts receivable and other receivables	32,950	27,762

EUR 1,000	2019	2018
Not yet due	20,964	17,347
Due 1–30 days ago	1,315	917
Due 31–90 days ago	639	844
Due more than 90 days ago	1,073	113
Total	23,990	19,221

Accounts receivable are mainly attributable to invoicing of Finnish companies and organisations. Impairment of accounts receivable has remained low. At the end of the 2019 fiscal year, credit losses totalled EUR 2 (2) thousand. The book value of accounts receivable, receivables from customer agreements and security deposits for rental dues is a reasonable estimate of their fair value. Their balance sheet values best correspond with the sum of money that represents the maximum amount of credit risks. Receivables from customer agreements comprise completed work that has not been invoiced. Typically, these are fixed or target price projects in which it has been agreed that invoices will be sent after sub-deliveries are accepted. After



invoicing, receivables from customer agreements are transferred to accounts receivable. Essential items included in prepayments and accrued income are associated with the accrual of statutory insurance premiums and other accrued expenses.

At fair value through profit or loss:

Other shares and holdings	31 Dec 2019	Change	31 Dec 2018
Other shares total	484	0	484
Total	484	0	484

Accounting principle – financial assets

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

Amortised cost:

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

At fair value through profit or loss:

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

Accounts receivable and receivables from customers on long-term projects

Accounts receivable and other receivables are measured at nominal value. The credit loss provision is based on management's estimate of expected credit losses in each accounts receivable category and contractual receivables. The credit loss provision is determined as described in Note 6.2.

Provision matrix for accounts receivable

Accounts receivable, EUR 1,000	Balance sheet values (gross)	Odottettu luottotappio	Credit loss provision
Not yet due	20,992	0.1%	21
Due 1–30 days ago	1,318	0.2%	3
Due 31–90 days ago	648	1.5%	10
Due more than 90 days ago	1,100	2.5%	28
Total	24,058		61
Receivables from customers on long-term projects	7,185	0.1%	7

Impairment of financial assets

The Group's credit loss provision is estimated based on expected credit losses on accounts receivable and receivables from customers in long-term projects over their entire period of validity (Note 5.2). Digia applies a simplified provision matrix to recognise the credit risk of accounts receivable, as the accounts receivable do not include a financing component. Thus, the estimate of the credit loss provision is based on expected credit losses over the entire period of validity. The model based on expected credit losses is predictive and the expected loss share is based on previous loss amounts. The expected credit losses for the entire period are calculated by multiplying the gross carrying amount of unpaid accounts receivable and receivables from customers on long-term projects by the expected loss share in each age category. Changes in expected credit losses are recognised in other operating expenses through profit or loss.

The impairment model has no effect on money market fund investments, as they are measured at fair value through profit or loss, already taking expected credit losses into account.

Cash and other cash equivalents

EUR 1,000	2019	2018	Fair value hierarchy level
Short rate funds	0	334	1
Bank accounts	5,838	1,399	-
Bank credit facilities	3,000	3,000	
Total	8,838	4,733	

Accounting principle – cash and cash equivalents

Cash and cash equivalents are recognised at fair value.

6.3 Financial liabilities

The Group's financial liabilities include accounts with a credit facility, bank loans from financial institutions, lease liabilities (2018: finance lease liabilities) and accounts payable. Digia did not use derivative instruments in the 2018–2019 fiscal years. Loans from financial institutions are subject to covenant terms that are described in more detail below.

Interest-bearing liabilities

The Group's bank loans on 31 December 2019 amounted to EUR 19.1 (11.5) million. Bank loans have floating interest rates tied to six-month Euribor plus a margin. The average interest rate of the loans in 2019 was 1.2 per cent (1.3% in 2018). Interest-bearing liabilities also include lease liabilities in accordance with IFRS 16, which came into force on 1 January 2019. Total lease liabilities as at 31 Dec. 2019 amounted to EUR 9.3 million.

The loan covenant related to the Group's solvency and liquidity comprised the following key figure: operating profit before depreciation and amortisation (EBITDA) in relation to net debt. The company fulfilled the set loan covenants in 2018 and 2019. The maximum and minimum values specified in the loan covenants, and the realised figures on 31 December 2019 and 31 December 2018 were:

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

	31 Dec 2018	
	Covenant value	Realised value
Net debt / EBITDA, max.	3.5	14

Credit facility

The company also has EUR 3 million in floating rate credit facilities at its disposal. More information on these facilities is provided in Note 6.6 on liquidity risk.

Balance sheet values and fair values of financial liabilities

EUR 1,000	2019 Fair values	2018 Fair values	2019 Balance sheet values	2018 Balance sheet values	Fair value hierarchy level
Non-current					
Bank loans	15,553	4,879	15,553	4,879	3
Lease liabilities (2018: Finance lease liabilities)		1,600	5,719	1,600	3
Total	15,553	6,479	21,272	6,479	
Current					
Bank loans	3,626	6,626	3,626	6,626	3
Lease liabilities (2018: Finance lease liabilities)		1,334	3,556	1,334	3
Total	3,626	7,961	7,182	7,961	
Total	19,179	14,440	28,454	14,440	

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

Interest-bearing liabilities fall due as follows:

Year, EUR 1,000	2019	2018
2020	7,182	1,649
2021	9,999	4,761
2022	4,216	700
2023	2,456	
2024	4,600	
Total	28,454	6,479

The tables below describe agreement-based maturity analysis results for 2019 and the 2018 comparison period. The figures are undiscounted and include interest payments and the repayment of loan capital:

EUR 1,000					
31 Dec 2019	Balance sheet values	Cash flow	Less than 1 year	1–2 years	2–5 years
Bank loans	19,179	19,686	3,804	7,067	8,816
Lease liabilities	9,275	9,275	3,556	3,073	2,646
Accounts payable	3,921	3,921	3,921	0	0
Total	32,375	32,882	11,281	10,140	11,462

EUR 1,000					
31 Dec 2018	Balance sheet values	Cash flow	Less than 1 year	1–2 years	2–5 years
Bank loans	11,505	11,710	6,708	693	4,309
Finance lease liabilities	2,934	2,934	1,334	1,015	585
Accounts payable	3,410	3,410	3,410	0	0
Total	17,850	18,055	11,452	1,708	4,894

Accounts payable are recognised in the balance sheet at their original cost, which is equivalent to their fair value, because the effect of discounting is not material, considering the maturities of the liabilities.

Cash impact and non-cash impact changes of financial liabilities 2019

EUR 1,000	1 Jan	Cash impact changes	Non-cash impact changes	31 Dec
			Changes in rent agreements	
Non-current interest-bearing financial liabilities including the current portion				
Loans from financial institutions	11,400	7,700		19,100
Finance lease liabilities	11,247	-3,577	1,605	9,275
Total	22,647	4,123	1,605	28,375
Current interest-bearing liabilities	79	-26		53

Accounting principle – financial liabilities

The Group's financial liabilities are classified in two categories: measured at amortised cost and fair value through profit or loss. Financial liabilities are initially recognised in the accounts at fair value on the basis of the consideration received. Transaction costs of financial liabilities measured at amortised cost are included in the original carrying amount of financial liabilities and are periodised as expenses in the income statement using the effective interest method. Financial liabilities are included in non-current and current liabilities and may be interest-bearing or non-interest-bearing. Loans falling due in less than 12 months are presented under current financial liabilities.

6.4 Lease liabilities

Lease liabilities (EUR 1,000)	1 Jan 2019	31 Dec 2019
Long-term	7,635	5,719
Short-term	3,612	3,556
Lease liabilities, total	11,247	9,275

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

Interest expenses	2019
	164

Exemptions on recognition and measurement	2019
Low-value asset item agreement-related costs	1,073
Future cash flows from:	
Commitments to future agreements	386
Short-term lease commitments	40

Finance lease liabilities – information on 2018

Finance leases cover IT equipment, furnishings and vehicles. The lease periods are 2–5 years.

The effective interest rate on finance lease liabilities during the 2018 fiscal year was 2.3 per cent.

EUR 1,000	2018
Finance lease liabilities, total of minimum lease payments	
Within one year	1,334
Within more than one but less than five years	1,600
Finance lease liabilities, present value of minimum lease payments	
Within one year	1,306
Within more than one but less than five years	1,594
Financial expenses to be accrued in the future	70
Total amount of finance lease liabilities	2,899

Leases on tangible assets in which the Group has a significant part of the risks and benefits characteristic of ownership were categorised as finance lease agreements. A finance lease agreement is recognised in the balance sheet at the fair value of the leased item in the start of the lease period or at a lower present value of minimum rents. Assets acquired on finance leases are depreciated over the asset's useful life or the lease period, whichever is shorter. Lease obligations are included in interest-bearing debt.

Other lease agreements – information on 2018

The Group has leased all of its business premises. The average duration of the leases is 1–5 years, and they normally include the option of extension after the original date of expiry. The Group has also leased motor vehicles on maintenance lease agreements. The normal duration of lease agreements is three years.

Minimum lease payments on the basis of other non-cancellable leases:

EUR 1,000	2018
Within one year	3,163
Within more than one but less than five years	4,461
After more than five years	-
Total	7,624

Contingent liabilities

EUR 1,000	2019	2018
Bank guarantees for lease agreements	634	622

6.5 Financial income and expenses**Financial income**

EUR 1,000	2019	2018
Interest income from accounts receivable	46	3
Dividend income	13	10
Exchange rate gains	42	98
Other financial income	41	2
Total	142	114

Financial expenses

EUR 1,000	2019	2018
Interest expenses for financing loans valued at amortised cost	209	371
Interest expenses from lease agreements	151	0
Interest expenses for accounts payable	4	12
Loan administration fees	85	87
Exchange rate losses	1	4
Other financial expenses	232	166
Total	682	640

6.6 Financial risks

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

Digia Plc's internal and external financing and the management of financing risks is concentrated in the finance and financial management unit of the Group's parent company. The unit is responsible for the Group's liquidity, sufficiency of financing, and the management of interest rate and currency risk. The Group is exposed to several financial risks in the normal course of business. The Group's risk management seeks to minimise the adverse effects of changes in financial markets on the Group's earnings. The primary types of financial risks are interest rate risk, credit risk, and liquidity risk. The general principles of risk management are approved by the parent company's Board of Directors, and the Group's finance and financial management unit together with the business segments is responsible for their practical implementation.

In accordance with the Group's investment policy, cash and cash equivalents are invested only in low-risk short rate funds and bank deposits.

Interest rate risks

The Group's interest rate risk is primarily associated with long-term bank loans whose interest rates are linked to Euribor rates. Changes in market interest rates have a direct effect on the Group's future interest payments. During the fiscal period 2019, the interest rate on the long-term bank loans



varied between 0.95–1.6 per cent. (1.0–1.6% in 2018). The impact of a +/-1 per cent change in the loan's interest rate is EUR 0.2 million per annum. The Group's money market investments are a source of interest rate risk, but the overall impact of these investments is negligible. Interest rate developments are monitored and reported on regularly in the Group. Possible interest rate hedges will be made with the appropriate instruments. At the end of the 2018 and 2019 fiscal years, the Group did not have any hedging instruments in force.

Credit loss risk

The Group's customers are mostly well-known Finnish and foreign companies with well-established credit, and thus the Group is deemed to have no significant credit loss risks. The Group continuously assesses the increase in credit risk after initial recognition on the basis of changes in the default risk. The Group's policy defines creditworthiness requirements for customers and investment transactions with the aim of minimising credit losses. Services and products are only sold to companies with a good credit rating. The counterparties in investment transactions are companies with a good credit rating. Credit loss risks associated with commercial operations are primarily the responsibility of operational units. The parent company's finance and financial management unit provides customer financing services in a centralised manner and ensures that the Group's guidelines are observed with regard to terms of payment and collateral required. The credit loss provision totalled EUR 68 thousand on 31 Dec. 2019 (31 Dec. 2018: EUR 41 thousand). The maturity analysis of accounts receivable and receivables from customer agreements for 2019 and 2018 is presented in Note 5.2. Credit loss risks did not increase significantly during 2019, and the Group has no known risk concentrations.

Foreign exchange risks

The Group's currency risks related to the receivables, liabilities and investments of the Swedish subsidiary as well as the Finnish companies' accounts receivable and payable denominated in foreign currency. On 31 December 2019, accounts receivable denominated in foreign currency amounted to EUR 44 thousand and accounts payable denominated in foreign currency to EUR 55 thousand (on 31 December 2018, accounts receivable amounted to EUR 110 thousand and accounts payable were small).

Liquidity risk

The Group aims to continuously estimate and monitor the amount of financing required for business operations in order to maintain sufficient liquid funds for

financing operations and repaying loans falling due. The Group maintains its immediate liquidity with the help of cash management solutions such as Group accounts and credit facilities at banks. The amount of unwithdrawn standby credit on 31 December 2019 was EUR 3.0 million (31 December 2018: EUR 3.0 million), and the company has the ability to take out EUR 1.9 million in new loans. Cash and cash equivalents on 31 December 2019 amounted to a total of EUR 5.8 million (31 December 2018: EUR 1.7 million). The contractual maturity analysis of financial liabilities is presented in Note 6.3.

6.7 Shareholders' equity

	Number of shares	Share capital (EUR 1,000)
1 Jan 2018	26,823,723	2,088
31 Dec 2018	26,823,723	2,088

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

The accounting countervalue of the shares is EUR 0.10 per share and the maximum number of shares is 48 million (48 million in 2018). All shares grant equal rights to their holders. The Group's maximum share capital is EUR 4.8 million (EUR 4.8 million in 2018). All outstanding shares are paid in full. On 31 December 2019, the company held 57,372 of its own shares (31 December 2018: 57,372), or 0.2 per cent of all shares (31 December 2018: 0.2%). At the end of the fiscal year, 198,418 of these shares remained undistributed and were under the management of Evli Alexander Management Ltd (31 December 2018: 134,468).

Reserves

Other reserves have been established due to structural changes related to M&As in earlier years. Translation differences comprise translation differences arising from the translation of financial statements of non-Finnish units. The unrestricted shareholders' equity reserve comprises investments similar to

shareholders' equity and the subscription price of shares when a specific decision is made not to enter it in shareholders' equity.

Dividends

A dividend of EUR 0.10 per share is proposed for the 2019 fiscal year. A dividend of EUR 0.07 per share was paid for the 2018 fiscal year, to a total of EUR 1,864,232. Dividends were paid on 26 March 2019.

Accounting principle – dividends

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

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

EUR 1,000	2019	2018
Unrestricted shareholders' equity reserve	42,540	42,540
Retained earnings	3,837	1,172
Net profit	5,930	4,308
Total	52,308	48,021



7 Other items

7.1 Goodwill

Goodwill and impairment testing

Digia's goodwill has been generated by several acquisitions. Goodwill amounted to EUR 57,771 thousand at the end of the 2019 fiscal year (31 December 2018: EUR 57,386 thousand). The goodwill of the businesses acquired in 2019 accounted for EUR 7,308 thousand and the goodwill of those acquired in 2018 for EUR 4,747 thousand.

	Goodwill 2019	Goodwill 2018
Acquisition cost, 1 Jan	101,857	97,110
Increases	7,308	4,747
Transferred through business combinations	-	-
Decreases	-	-
Acquisition cost , 31 Dec	109,165	101,857
Accumulated depreciation and amortisation, 1 Jan	-51,394	-51,394
Depreciation for the period	-	-
Accumulated depreciation and amortisation, 31 Dec	-51,394	-51,394
Book value, 1 Jan	50,462	45,715
Book value, 31 Dec	57,771	50,462

Accounting principle – goodwill

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

- Sum of the following items:
 - » the fair value of the consideration paid at the time of acquisition
 - » the amount of any non-controlling interest in the object of acquisition
 - » the fair value of any previously held non-controlling interest in the object of acquisition, in the case of a phased business combination

- The net sum of the acquisition date assets acquired and liabilities assumed.

No amortisation is booked on goodwill but it is tested annually for impairment. For this purpose, goodwill is allocated to cash generating units. Goodwill is recognised at the original cost from which the impairment is deducted.

Impairment testing of assets

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

	Intangible assets	Goodwill	Other items	Balance sheet value of assets subject to testing, total
EUR 1,000				
31 Dec 2018	3,194	50,462	9,808	63,464
31 Dec 2019	6,252	57,771	16,761	80,784

The current values of the expected future cash flows of Digia's operations on 31 Dec. 2019 and 31 Dec. 2018 were calculated for a five-year forecast period based on the following assumptions:

In the five-year forecast period, annual growth in net sales is expected to be 8.0 per cent (2018: 10) and 2 per cent (2018: 2.0) thereafter, operating profit of 8.0 per cent (2018: 7) and a pre-tax discount rate of 11 per cent (2018: 11). Post-forecast-period cash flows were extrapolated using the same assumptions as for the forecast period. The discount rate used is the average cost of capital (WACC).

Sensitivity analysis

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

The most important factors in goodwill sensitivity analyses are not only the cash flow forecasts and their assumptions, but also the growth percentage of the terminal value and the discount rate used. If -21,6 per cent had been used as the growth percentage of the terminal value, instead of 2.0 per cent, the value in use would have corresponded to the value subject to testing. If 15,6 per cent had been used as the discount rate, instead of 9 per cent, the value in use would have corresponded to the value subject to testing. If the operating margin were 3.2 per cent, instead of 8 per cent, the value in use would correspond to the value subject to testing.

In addition, a sensitivity analysis of net sales growth and profitability has been carried out. According to the sensitivity analysis, goodwill requires either net sales to remain at the current level with profitability of 4.87 per cent, or a 2.0 per cent growth in net sales with profitability of 3.7 per cent.

Significant estimate – main assumptions used in impairment testing of goodwill

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

Accounting principle – impairments

On the balance sheet date, it is estimated whether there is evidence that the value of a tangible or intangible asset may have been impaired. If there is evidence of impairment, the amount recoverable from the asset is estimated. In addition, the recoverable amount is estimated annually on goodwill regardless of whether there is an indication of impairment or not. The need for impairment is reviewed at the level of cash generating units, which refers to the lowest level of unit that is mainly independent of other units and whose cash flows can be separated from other cash flows. If the carrying amount exceeds the recoverable amount, an impairment loss is recognised in the income statement. An impairment loss recognised for goodwill will not be reversed under any circumstances.

7.2 Property, plant and equipment

2019

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

2018

EUR 1,000	Buildings and structures	Machinery and equipment	Other tangible assets	Total 2018
Acquisition cost, 1 Jan	164	23,822	101	24,087
Additions	-	2,046	-	2,046
Transferred through business combinations		19		19
Disposals	-2	-65	-	-67
Acquisition cost, 31 Dec	162	25,822	101	26,805
Accumulated depreciation and amortisation, 1 Jan	-113	-20,598	-83	-20,793
Depreciation for the period	-7	-1,482	-	-1,489
Accumulated depreciation and amortisation, 31 Dec	-119	-22,080	-83	-22,282
Book value, 1 Jan	51	3,224	18	3,293
Book value, 31 Dec	45	3,742	18	3,804

Property, plant and equipment included machinery and equipment leased under finance lease as follows:

EUR 1,000	Machinery and equipment 2018
Acquisition cost and provisions	15,533
Accumulated depreciation	- 12,633
Book value, 31 Dec	2,900

Accounting principle – property, plant and equipment

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

Machinery and equipment	3–8 years
Leasehold improvement expenditure	3–5 years
Buildings and structures	25 years

The residual value and useful life of assets is reviewed on each balance sheet date and, if necessary, adjusted to reflect any changes in expected economic value.

Capital gains and losses on elimination and the transfer of property, plant and equipment are included either in other operating income or expenses.

7.3 Intangible assets

2019

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

2018

EUR 1,000	Goodwill	Development expenses	Other intangible assets	Asset items related to customer agreements	Total 2019
Acquisition cost, 1 Jan	97,110	2,487	27,493	2,002	129,092
Increases	-	-	189	-	189
Transferred through business combinations	4,747	-	-	2,276	7,023
Decreases	-	-	-10	-	-10
Acquisition cost, 31 Dec	101,857	2,487	27,671	4,278	136,293
Accumulated depreciation and amortisation, 1 Jan	-51,394	-2,487	-26,957	-294	-81,132
Depreciation for the period		-	-317	-789	-1,107
Accumulated depreciation and amortisation, 31 Dec	-51,394	-2,487	-27,274	-1,084	-82,239
Book value, 1 Jan	45,715	0	536	1,707	47,959
Book value, 31 Dec	50,462	0	397	3,194	54,054

Accounting principle – intangible assets

Allocations of purchase prices to customer agreements with a limited useful life in business combinations are booked in the balance sheet under intangible assets and recognised as expenses in the income statement by straight-line amortisation over their useful life. The depreciation period of customer agreements is their period of validity, typically two to eight years.

Other intangible assets comprise capitalised expenses resulting from improvements to business premises as well as software licences. The depreciation period of licences is 3 years.

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

7.4 Right-of-use assets

Leases in the balance sheet:

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

Accounting principle – lease agreements

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

Digia leases its business premises, company cars, equipment and multifunction devices, and thus the adoption of the standard has had an impact on the accounting treatment of these items. The bulk of the lease liability and right-of-use asset in the balance sheet, about 85 per cent, comprises lease contracts for offices. Digia has applied exemptions permitted under IFRS 16 for short-term lease contracts. Such lease contracts with a term of less than 12 months have not been recognised in the balance sheet. In addition, Digia does not recognise an asset and liability in the balance sheet for leases of low value assets.

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

7.5 Notes to the cash flow statement

Adjustments to net profit

EUR 1,000	2019	2018
Depreciation, amortisation and impairment	5,496	2,595
Transactions that do not involve a payment transaction	313	-2,234
Financial income and expenses	540	526
Taxes	2,639	1,264
Other adjustments	-2,602	395
Total	6,386	2,547

7.6 Related party transactions

Two parties are considered related if one party can exercise control or significant power in decision-making associated with the other party's finances and business operations. The related parties of the Group's parent company, Digia Plc, include the following entities:

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

The amounts presented in the tables below correspond to the costs recognised as expenses in the fiscal years in question. Salary figures include any share-based bonuses and fringe benefits.

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

EUR 1,000	2019	2018
Salaries and other short-term employee benefits	1,505	1,404
Share-based bonuses	0	0
Total	1,505	1,404

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

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

EUR 1,000		2019	2018
Ala-Härkönen Martti	Member of the Board	39	44
Elsinen Santtu	Member of the Board	38	30
Hokkanen Päivi	Member of the Board	40	45
Ingman Robert	Chairman of the Board of Directors	81	83
Ruotsalainen Seppo	Member of the Board	53	56
Taivainen Outi	Member of the Board	38	30
Levoranta Timo	CEO	431	297
Total		719	610

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

Transactions involving purchases of goods and services totalled EUR 177 thousand (2018: EUR 0), consisting mainly of marketing services. Transactions involving sales of services totalled EUR 153 thousand (2018: EUR 9 thousand), consisting mainly of specialist services. Sales transactions to related entities are based on the Group's current prices. The Group has no related-party loans or voluntary pension arrangements.

Group companies	Domicile	Domestic segment	Share of ownership	Share of votes
Digia Plc	Finland	Finland	Parent company	
Digia Finland Ltd	Finland	Finland	100%	100%
Digia Sweden Ab	Sweden	Sweden	100%	100%
Mavisystems Oy	Finland	Finland	100%	100%
Mirosys Oy	Finland	Finland	100%	100%

In early 2019, to clarify its group structure, Digia started the merger process of its subsidiaries Avarea Oy and Starcut Oy into Digia Finland Oy. The merger of Avarea came into force on 31 May 2019 and the merger of Starcut on 31 August 2019. Digia Business Platforms Oy (formerly Accountor Enterprise Solutions Oy), acquired on 1 August 2019, was merged into Digia Finland Oy on 31 December 2019.

7.7 New and amended standards

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

7.8 Events after the balance sheet date

There is no material events after the balance sheet date.

8 Formulas for the indicators and reconciliations

8.1 Formulas for the indicators

Net sales growth, %:

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

Operating profit (EBIT):

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

Operating profit before purchase price allocation amortisation (EBITA):

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

Operating profit before purchase price allocation amortisation (EBITA) margin, %:

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

Return on investment (ROI), %:

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

Return on equity (ROE), %:

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

Equity ratio,%:

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

Earnings per share (EPS), EUR:

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

Dividend/share, EUR:

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

Dividend payout ratio, %:

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

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):

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

8.2 Reconciliation of alternative performance measures

Operating profit before purchase price allocation amortisation (EBITA)	31 Dec 2019	31 Dec 2018
Operating profit	9,648	6,494
Goodwill amortisation	1,355	789
Operating profit before purchase price allocation amortisation	11,003	7,283

Return on equity, %	31 Dec 2019	31 Dec 2018
Profit before taxes	9,108	5,968
Taxes	-2,017	-1,264
Profit after taxes	7,090	4,704
Shareholders' equity (average for the year)	50,486	45,932
Return on equity, %	14.0%	10.2%

Return on investment, %	31 Dec 2019	31 Dec 2018
Profit before taxes	9,108	5,968
Financial expenses	-682	-640
Profit before taxes + financial expenses	9,790	6,608
Balance sheet total (average for the period)	101,110	87,333
Non-interest-bearing liabilities (average for the year)	28,378	24,927
Balance sheet total – non-interest bearing liabilities	72,732	62,406
Return on investment, %	13.5%	10.6%

Net gearing, %	31 Dec 2019	31 Dec 2018
Interest-bearing liabilities	28,454	14,440
Cash and cash equivalents	5,838	1,733
Shareholders' equity	53,190	47,782
Net gearing, %	42.5%	26.6%

Equity ratio, %	31 Dec 2019	31 Dec 2018
Shareholders' equity	53,190	47,782
Balance sheet total	114,116	88,104
Advance payments received	1,324	1,114
Balance sheet total - advances received	112,791	86,989
Equity ratio, %	47.2%	54.9%

9 Parent company's financial statements (FAS)

9.1 Parent company's income statement

EUR 1,000	Note	1 Jan–31 Dec 2019	Jan–31 Dec 2018
Net sales	1	10,803	11,558
Other operating income	2	32	75
Materials and services		1	0
Personnel expenses	3	-3,254	-3,710
Depreciation, amortisation and impairment	4	-456	-462
Other operating expenses	5	-6,998	-6,374
		-10,678	-10,470
Operating profit		124	1,088
Financial income and expenses	6	-578	-541
Earnings before appropriations		-453	546
Accumulated appropriations			
Group contribution		8,000	5,000
Profit before taxes		7,547	5,546
Income taxes	7	-1,617	-1,238
Net profit		5,930	4,308

9.2 Parent company balance sheet

EUR 1,000	Note	31 Dec 2019	31 Dec 2018
ASSETS			
FIXED ASSETS			
Intangible assets	8		
Intangible rights		53	130
Other long-term expenses		111	187
		164	317
Tangible assets	9		
Land and water areas		17	17
Buildings and structures		38	45
Machinery and equipment		600	670
Other fixed assets		1	1
		656	733
Investments	10		
Shares in Group companies		134,091	121,466
Other shares and holdings		480	480
		134,571	121,946
Total fixed assets		135,392	122,996

EUR 1,000	Note	31 Dec 2019	31 Dec 2018
ASSETS			
CURRENT ASSETS			
Non-current receivables			
Prepayments and accrued income		60	0
Current receivables	11		
Receivables from Group companies		3,407	148
Other receivables		274	204
Prepayments and accrued income		287	441
		3,968	792
Cash and cash equivalents		4,062	317
Total current assets		8,090	1,109
Total assets		143,482	124,105

EUR 1,000	Note	31 Dec 2019	31 Dec 2018
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Equity attributable to parent-company shareholders	12		
Share capital		2,088	2,088
Unrestricted shareholders' equity reserve		42,540	42,540
Retained earnings		3,837	1,172
Net profit		5,930	4,308
Total shareholders' equity		54,395	50,108
LIABILITIES			
Non-current liabilities			
Loans from financial institutions	13	15,500	4,800
Other non-current liabilities		126	726
		15,626	5,526
Current liabilities			
Accounts payable		151	221
Interest-bearing liabilities	14	3,600	6,600
Liabilities to Group companies		67,269	58,745
Other liabilities		1,017	1,277
Accruals and deferred income		569	883
Taxes based on the net result for the year		855	745
		73,461	68,471
Total liabilities		89,087	73,997
Total shareholders' equity and liabilities		143,482	124,105

9.3 Parent company's cash flow statement

EUR 1,000	Note	1 Jan– 31 Dec 2019	1 Jan– 31 Dec 2018
Cash flow from operations:			
Net profit		5,930	4,308
Adjustments to net profit		-4,800	-2,070
Change in working capital		1,069	-4,382
Interest paid		-704	-502
Interest income		-	1
Taxes paid		-1,491	129
Cash flow from operations		4	-2,516
Cash flow from investments:			
Purchases of tangible and intangible assets		-226	-478
Acquisition of subsidiary, net of cash acquired		-13,555	-9,576
Cash flow from investments		-13,781	-10,054
Cash flow from financing:			
Acquisition of treasury shares		-213	-243
Repayment of short-term loans		-19,800	-2,600
Repayment of long-term loans		-4,800	-
Withdrawals of short-term loans		14,200	-
Withdrawals of long-term loans		18,100	-
Group financing items ¹		6,900	747
Group contribution		5,000	5,800
Dividends paid and other profit distribution	12	-1,864	-1,069
Cash flow from financing		17,523	2,635
Change in cash and cash equivalents		3,745	-9,934
Cash and cash equivalents at beginning of period		317	10,251
Change in cash and cash equivalents		3,745	-9,934
Cash and cash equivalents at end of period		4,062	317

¹ Group financing items comprise changes in loans and receivables between the parent company and its subsidiaries.

9.4 Basic information on the parent company and accounting policies

Basic information on the company

Digia Plc is the parent company of the Digia Group. It is domiciled in Helsinki and its registered office is at Atomitie 2, 00370 Helsinki. Digia Plc's active subsidiaries are Digia Finland Oy, Mavisystems Oy and its subsidiary Mirosys Oy as well as Digia Sweden Ab.

Accounting policies

The parent company's financial statements have been prepared in accordance with Finnish Accounting Standards (FAS). The financial statements are based on original acquisition costs. Book values based on original costs have been reduced to correspond to fair value as necessary.

Since 1 June 2005, the parent company has operated as the Group's administrative company and charged the Group companies for services rendered.

Pension schemes

The Group's pension schemes are arranged through a pension insurance company. Pension premiums and expenses allocated to the financial period are based on confirmations received from the insurance company. Pension expenses are recognised as expenses for the year in which they arise.

Leasing payments

Leasing payments are recognised as annual expenses.

Share-based payments

Digia has incentive schemes where payments are made either in equity instruments or in cash. The benefits granted through these arrangements are measured at fair value on the date of their being granted and recognised as expenses in the income statement evenly during the vesting period. The impact of these arrangements on the financial results is shown in the income statement under the cost of employee benefits and the impact on the balance sheet as a change in shareholders' equity.

Fixed assets, depreciation and amortisation

Fixed assets are recognised in the balance sheet at immediate cost less planned depreciation and amortisation.

The economic lives underlying planned depreciation and amortisation are as follows:

Intangible assets	
Intangible rights	3–5 years
Other long-term expenses	3–5 years
Tangible assets	
Buildings and structures	25 years
Machinery and equipment	3–8 years

Purchases of fixed assets with an economic life of less than three years are recognised as annual expenses.

Board's dividend proposal

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

9.5 Notes to the parent company's financial statements

1. Net sales

Net sales by segment

EUR 1,000	2019	2018
Group administration services	10,803	11,558
Total	10,803	11,558

2. Other operating income

EUR 1,000	2019	2018
Rental income	32	32
Other operating income	0	43
Total	32	75

3. Information on personnel and governing bodies

EUR 1,000	2019	2018
Board emoluments and remuneration and CEO's compensation	719	610
Other salaries and remunerations	2,137	2,622
Pension insurance premiums	435	385
Other personnel expenses	-37	94
Total	3,254	3,710

Number of personnel, 31 Dec	2019	2018
Management and administration	28	27
Total	28	27

4. Depreciation, amortisation and impairment

EUR 1,000	2019	2018
Planned depreciation and amortisation		
Property, plant, and equipment, and intangible assets	456	462
Total	456	462

5. Auditors' fees

EUR 1,000	2019	2018
Audit	64	64
Other statutory duties	2	-
Tax counselling	2	-
Other services	8	14
Total	76	77

6. Financial income and expenses

Financial income

EUR 1,000	2019	2018
Interest and financial income from others	76	93
Total	76	93

Financial expenses

EUR 1,000	2019	2018
Interest expenses to Group companies	361	357
Interest expenses to other companies	197	179
Loan administration fees	81	73
Other financial expenses	15	26
Total	653	635

7. Income taxes

EUR 1,000	2019	2018
Income taxes on operations	-1,617	-1,209
Income taxes for previous periods	-	-30
Total	-1,617	-1,238

Deferred tax assets arising from accrual differences and from temporary differences between book values and taxation values are unrecorded in the Statement of Financial Position, in accordance with the principle of materiality. Deferred tax assets totalled EUR 226.3 thousand at the end of the fiscal year.

8. Intangible assets

EUR 1,000	Intangible rights	Other long-term expenses	Total 2019	Total 2018
Acquisition cost, 1 Jan	5,336	1,098	6,434	6,292
Increases	7	45	52	142
Decreases	-	-	-	-
Acquisition cost, 31 Dec	5,343	1,143	6,486	6,434
Accumulated depreciation and amortisation, 1 Jan		-912	-6,118	-5,898
Depreciation		-121	-205	-220
Accumulated depreciation and amortisation, 31 Dec	-5,291	-1,032	6,323	-6,118
Book value, 1 Jan	130	187	316	395
Book value, 31 Dec	52	111	163	316

9. Property, plant and equipment

EUR 1,000	Land and water areas	Buildings and structures	Machinery and equipment	Total 2019	Total 2018
Acquisition cost, 1 Jan	17	162	3,080	3,259	2,924
Increases	-	-	174	174	335
Acquisition cost, 31 Dec	17	162	3,253	3,433	3,259
Accumulated depreciation and amortisation, 1 Jan		-119	-2,409	-2,527	-2,286
Depreciation		-7	-244	-251	-241
Accumulated depreciation and amortisation, 31 Dec	-	-125	-2,653	-2,777	-2,527
Book value, 1 Jan	17	45	670	732	639
Book value, 31 Dec	17	38	600	656	732

10. Investments

EUR 1,000	Investments in subsidiary shares	Other shares and holdings	Total 2019	Total 2018
Acquisition cost, 1 Jan	121,495	606	122,101	114,369
Increases	12,625	-	12,625	7,731
Decreases	-	-	-	-
Acquisition cost, 31 Dec	134,120	606	134,727	122,101
Accumulated amortisation, 1 Jan	-29	-126	-155	-126
Impairment	-	-	-	-29
Accumulated amortisation, 31 Dec	-29	-126	-155	-155
Book value, 1 Jan	121,466	480	121,946	114,242
Book value, 31 Dec	134,091	480	134,571	121,946

Itemisation of subsidiaries and other shares and holdings

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

11. Current receivables

EUR 1,000	2019	2018
Receivables from Group companies		
Accounts receivable	350	-
Prepayments and accrued income	3,058	48
Loan receivables	-	100
Other receivables	274	204
Prepayments and accrued income	287	441
Total	3,968	792

12. Shareholders' equity

EUR 1,000	2019	2018
Share capital, 1 Jan	2,088	2,088
Share capital, 31 Dec	2,088	2,088
Total restricted shareholders' equity	2,088	2,088
Unrestricted shareholders' equity reserve, 1 Jan	42,540	42,540
Unrestricted shareholders' equity reserve, 31 Dec	42,540	42,540
Accrued earnings, 1 Jan	5,480	2,053
Changes during the fiscal year		
Dividends	-1,864	-1,069
Own shares	-213	-243
Share-based payments	434	431
Accrued earnings, 31 Dec	3,837	1,172
Net profit	5,930	4,308
Total unrestricted shareholders' equity	52,308	48,021
Total shareholders' equity	54,395	50,108

Calculation of distributable shareholders' equity, 31 Dec

EUR 1,000	2019	2018
Unrestricted shareholders' equity reserve	42,540	42,540
Retained earnings	3,837	1,172
Net profit	5,930	4,308
Total	52,308	48,021

13. Non-current liabilities

EUR 1,000	2019	2018
Loans from financial institutions	15,500	4,800
Other non-current liabilities	126	726
Total	15,626	5,526

14. Current liabilities

EUR 1,000	2019	2018
Interest-bearing		
Interest-bearing liabilities	3,600	6,600
Liabilities to Group companies		
Borrowings	64,160	57,398
Total interest-bearing current liabilities	67,760	63,998
Liabilities to Group companies		
Accounts payable	45	-
Accruals and deferred income	3,064	1,347
To others		
Accounts payable	151	221
Other liabilities	1,017	1,285
Accruals and deferred income	1,424	1,620
Total interest-free current liabilities	5,701	4,473
Total current liabilities	73,461	68,471

Material items included in accrued expenses arise from the accrual of holiday pay, as well as accrued provisions for salaries and fees.

15. Contingent liabilities

Lease liabilities

EUR 1,000	2019	2018
Due during the current financial period	339	342
Due later	270	531
Total	609	874

Other lease liabilities

EUR 1,000	2019	2018
Due during the current financial period	2,878	2,887
Due later	5,262	4,352
Total	8,141	7,239

Other liabilities

EUR 1,000	2019	2018
Collateral pledged for own commitments		
Other	634	600
Total	634	600

Signatures to Annual Report and Financial Statements

Helsinki, 6 February 2019

Robert Ingman
Chair of the Board of Directors

Martti Ala-Härkönen

Santtu Elsinen

Päivi Hokkanen

Seppo Ruotsalainen

Outi Taivainen

Timo Levoranta
President & CEO



Auditor's Note

A report of the audit has been submitted today.

Helsinki, 6 February 2019

KPMG Oy Ab

Virpi Halonen
Authorised Public Accountant

List of accounting books and storage methods

Accounting books

Journals	electronic archive
General ledger	electronic archive
Accounts receivable	electronic archive
Accounts payable	electronic archive
Payroll	electronic archive
Travel Invoices	electronic archive

Balance sheet book	separately bound
Itemisations of balance sheet	electronic archive

Voucher types and storage method

	until 1 January 2025
Eurocard vouchers	paper documents
Accruals	electronic archive
Bank receipts	paper documents
Travel and expense invoices	electronic archive
Sales invoices	electronic archive
Sales payments	electronic archive
Memoranda	paper documents
Purchasing invoices	electronic archive
Payments of purchases	electronic archive
Payroll receipts	electronic archive
Tax account receipts	paper documents

Auditor's Report

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

Annual General Meeting of Digia Plc

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Digia Plc (business identity code 0831312-4) for the year ended December 31, 2019. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- » the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- » the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 3.7 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

The key audit matters

Valuation of goodwill EUR 57.8 million – Note 7.1 to the consolidated financial statements

The key audit matter

Goodwill totalling EUR 57.8 million, has increased EUR 7.3 million due to acquisitions during the financial year 2019 and represents a significant individual item in the consolidated balance sheet.

Goodwill is tested for impairment annually, and more frequently if there is any indication of impairment.

Preparation of impairment tests requires significant amount of management judgement and assumptions on future cash flows.

How the matter was addressed in the audit

Our audit procedures included, among others:

We have analyzed the reasonableness of the assumptions underlying the goodwill impairment tests compared to the market information and tested accuracy of the technical model. We have involved KPMG valuation specialists in our audit.

We have compared the assumptions used in previous year's impairment tests, especially in respect of net sales and profitability, into performance in 2019, to assess the accuracy of Digia's estimation process.

We have considered the accuracy and adequacy of the disclosures in respect of goodwill and impairment testing.



Responsibilities of the Board of Directors and the President and CEO for the Financial Statements

The key audit matter

Digia's net sales is generated through work performed by people, own and third party licenses and products as well as the services. A portion of the net sales consist of long-term projects with a fixed price or target price which are recognized over a time on the basis of their percentage of completion. The percentage of completion is determined based on costs from work performed for the project compared to the total estimated project costs.

Revenue recognition for long-term projects requires management judgement, especially in respect of future costs and amount of work to complete a project. Regardless the monthly project review process applied by Digia there is a risk of estimation accuracy of both cost and required work forecasts for fixed price and target price projects. If the forecasts are inaccurate, projects may become loss-making contracts.

Accounts receivables and other receivables from customer agreements are in total EUR 30.6 million as at 31 December 2019, which consist of significant part of the balance sheet. Regardless the fact that there are no significant credit losses incurred in the past, there may be a valuation risk associated with significant balance sheet item.

How the matter was addressed in the audit

Our audit procedures included, among others:

We have assessed the appropriateness of the revenue recognition principles followed by Digia, and tested the effectiveness of the key internal controls in place over completeness and accuracy of revenues.

We have performed audit procedures to analyze the revenue recognition principles applied to most significant long-term projects accounted for using percentage of completion method, by comparing to IFRS standards, Digia's accounting practices and terms of sale in the contracts. We have derived total revenue estimates for certain projects from the contract prices and price changes, as well as analyzed the actual working hours. In addition, we have analyzed most significant on-going projects and related work load estimates to identify potential loss-making projects.

We have evaluated monitoring routines for accounts receivable and tested the effectiveness of the key internal controls. We have also analyzed the accounts receivable and compared to receivables to the confirmation letters received from third parties.

Responsibilities of the Board of Directors and the President and CEO for the Financial Statements

The Board of Directors and the President and CEO are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the President and CEO are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the President and CEO are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- » Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- » Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- » Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- » Conclude on the appropriateness of the Board of Directors' and the President and CEO's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- » Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- » Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 12.3.2015, and our appointment represents a total period of uninterrupted engagement. Virpi Halonen, Authorised Public Accountant, KHT has acted as the responsible auditor of the audit engagement.

Other Information

The Board of Directors and the President and CEO are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki February 6, 2020

KPMG OY AB

VIRPI HALONEN

Authorised Public Accountant, KHT



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