

Digia Plc
Half Year Financial Report
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Digia Plc Half Year Financial Report 2021

January-June net sales up 9 per cent, operating profit (EBITA) improves by 20 per cent

April-June 2021

- Net sales: EUR 38.6 (35.2) million, up 9.8 per cent
- Operating profit (EBITA): EUR 3.5 (4.1) million, down 15.3 per cent; EBITA margin: 9.0 (11.7) per cent of net sales. Major investments in future competitiveness: Digia Business Engine, building cloud platform solution capabilities and recruitment
- Operating profit: EUR 2.7 (3.7) million, down 25.8 per cent; operating margin: 7.0 (10.4) per cent of net sales
- Earnings per share: EUR 0.08 (0.10)

January-June 2021

- Net sales: EUR 78.0 (71.8) million, up 8.7 per cent
- Operating profit (EBITA): EUR 8.7 (7.3) million, up 19.8 per cent; EBITA margin: 11.2 (10.2) per cent of net sales
- Operating profit: EUR 7.2 (6.4) million, up 12.3 per cent; operating margin: 9.2 (8.9) per cent of net sales
- Earnings per share: EUR 0.21 (0.18)
- Return on investment: 15.6 (15.3) per cent
- Equity ratio: 44.4 (44.9) per cent
- Acquisition of Climber International AB
- Profit guidance for 2021 remains unchanged: Growth in Digia's net sales will outpace the previous year (5.5% in 2020) and the EBITA margin will be at a level of about 10%.

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

GROUP KEY FIGURES

EUR 1,000	4-6/ 2021	4-6/ 2020	Change, %	1-6/ 2021	1-6/ 2020	Change, %	2020
Net sales	38,638	35,193	9.8%	77,995	71,758	8.7%	139,049
Operating profit (EBITA)	3,481	4,111	-15.3%	8,737	7,295	19.8%	16,000
- as a % of net sales	9.0%	11.7%		11.2%	10.2%		11.5%
Operating profit (EBIT)	2,711	3,655	-25.8%	7,167	6,384	12.3%	14,102
- as a % of net sales	7.0%	10.4%		9.2%	8.9%		10.1%
Result for the period	2,003	2,718	-26.3%	5,547	4,905	13.1%	10,627
- as a % of net sales	5.2%	7.7%		7.1%	6.8%		7.6%
Return on equity, %				18.1%	18.1%		18.7%
Return on investment, %				15.6%	15.3%		16.5%
Cash flow from operations				10,209	17,928	-43.1%	23,589
Interest-bearing net liabilities				16,828	11,553	45.7%	10,531
Net gearing, %				27.0%	21.0%		17.3%
Equity ratio, %				44.4%	44.9%		50.7%
Number of personnel at period-end				1,329	1,265	5.1%	1,258
Average number of personnel	1,331	1,265	5.3%	1,327	1,262	5.1%	1,261
Shareholders' equity				62,252	55,073	13.0%	60,737
Balance sheet total				141,291	124,294	13.7%	121,078
Earnings per share	0.08	0.10	-26.1%	0.21	0.18	13.1%	0.40
Earnings per share, diluted	0.07	0.10	-26.3%	0.21	0.18	12.6%	0.39

In April 2021, the IFRS Interpretations Committee issued its final agenda decision on the accounting treatment of configuration or customisation costs in a cloud computing arrangement (IAS 38 Intangible Assets). In this decision, the Interpretations Committee examined whether, applying IAS 38, configuration and customisation of software shall be recognised as an intangible asset and, if an intangible asset is not recognised, how these configuration and customisation costs are to be recognised. IFRIC agenda decisions do not have an effective date; it is expected that they are applied as soon as possible. As Digia is introducing cloud computing arrangements related to its new business platform (Digia Business Engine), it has started analysing whether this agenda decision has an effect on the accounting principles applied to the deployment costs of Digia's cloud services. Digia will carry out this analysis in autumn 2021 and any impacts will be taken into account retrospectively in the 2021 financial statements at the latest.

PRESIDENT & CEO TIMO LEVORANTA:

“Digia’s net sales were up 9.8 per cent in April-June and amounted to EUR 38.6 (35.2) million. Net sales growth gained momentum in the second quarter compared to the first months of the year. In January-June, our net sales grew by 8.7 per cent to EUR 78.0 (71.8) million.

In the second quarter, the pace of net sales growth was boosted by data utilisation solutions, customer-specific digital services and the renewal of business platforms. The use of in-house experts in the development of our internal business platform (Digia Business Engine) put the brakes on net sales growth, with an impact of about two percentage points on net sales in January–June. Our service and maintenance business generated about 67 (65) per cent of net sales in January-June, and the project business about 33 (35) per cent.

Operating profit (EBITA) totalled EUR 3.5 (4.1) million in April–June. The EBITA margin amounted to 9.0 (11.7) per cent of net sales. Second-quarter profitability was weakened by our major investments in Digia Business Engine, building up the capabilities of cloud platform solutions and recruitment. These investments had been decided on earlier. During the second quarter, we also bolstered our sales as part of our Next Level strategy. These investments will strengthen our future competitiveness. Recruitment costs were increased by tighter competition for experts in our field. Compared year-on-year, the positive effect of the coronavirus pandemic on expenses was minor during the second quarter.

Demand during the first half of 2021 reflected customers’ need to develop and renew their digital business, which also increased the need for business platform renewal. Data utilisation requirements had a particularly strong impact on business platform renewal. In line with our strategy, we offer applications to our customers and combine them with data utilisation solutions. A good example of our capabilities is that Microsoft chose Digia as its Smart Business Solutions / Dynamics 365 Partner of the Year in July. The main reasons for their choice were our strengths in providing wide-ranging service to our customers by combining Azure cloud, Dynamics technology and analytics utilisation with our extensive industry and development expertise.

In addition to our own expertise, we harness our Digia Hub network in our customer projects – more than 70 experts now work on Digia customer projects through this network. All in all, around 260 experts work on Digia projects alongside our own professionals. Our personnel at period-end amounted to 1,329.

In addition to continuous personnel expertise development, the Digia Business Engine is Digia’s most important strategic project for business renewal, in which we are building a smart technological growth platform and supporting Digia’s future growth and productivity development. During the first half of the year, an average of 20 full-time Digia employees worked on the project. In January–June, we capitalised EUR 1.4 million in costs from the project, which had an impact of approximately EUR -0.2 million on earnings. We have capitalised a total of EUR 2.1 million from this project to date. Digia Business Engine will be introduced in phases in 2022.

The use of cloud platforms is becoming commonplace and the public cloud has become an important development and production platform in almost all of our business functions. We have bolstered our offering and recruited more cloud sales and consulting experts. Our employees completed a significant number of new cloud technology certificates during the first half of the year. Sales opportunities and bid volumes in cloud platform services are surging. Our aim is to be a major supplier of hybrid cloud consulting and managed services in Finland as well as the main supplier to selected customers by the end of our strategy period (2020–2022).

The integration of the Climber Group, acquired in January, has progressed as planned and its business has developed in line with our expectations. [Climber’s](#) business is largely based on the business-driven use of advanced Qlik technologies. Demand for Climber’s services has remained strong in all of its market areas. During early 2021, we also updated our key principles, targets and indicators for responsibility. In addition to environmental responsibility and

digital expertise, our principles highlight the responsible utilisation of data. Through our customers, we want to promote the safe and sustainable digitalisation of society, while taking the environment into consideration.

Digia expects to see further growth in the Finnish IT service market in the long term. Data utilisation as part of day-to-day business and the digitalisation of business are strong trends that are picking up momentum. Organisations' value creation models and people's working methods are evolving. Uncertainty about 2021 is fading in the market.

Digia's offering has also demonstrated its competitiveness during exceptional circumstances. Our special strengths are various operational system solutions and data-driven business. Our success is supported by an extensive product and service portfolio, which is not tied to any single field of business or customer account, and by the fact that a significant share of our operations is accounted for by continuous services.

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

PROFIT GUIDANCE FOR 2021

Profit guidance for 2021 remains unchanged: Growth in Digia's net sales will outpace the previous year (5.5% in 2020) and the EBITA margin will be at a level of about 10%.

BRIEFING INVITATION

A briefing for analysts will be held at 10:00 am on Friday, 6 August 2021 as a Teams meeting. Attendance instructions have been emailed to participants.

The material and presentation for the event will be available from 10:00 am on 6 August 2021 on the company's website: www.digia.com/en/investors/reports-and-presentations.

FURTHER INFORMATION

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

DISTRIBUTION

Nasdaq Helsinki
Key media
digia.com

Digia is a software and service company that helps its customers renew themselves in the networked world. There are more than 1,300 of us working at Digia. Our roots are in Finland and we operate with our customers in Finland and abroad. We are building a world in which digitalisation makes a difference – together with our customers and partners. Digia's net sales totalled EUR 139 million in 2020. The company is listed on Nasdaq Helsinki (DIGIA).
digia.com

Digia Plc half-year report 2021

Digia is a growing software and service company that helps its customers to renew and develop data-driven business operations in our increasingly networked world. Digia is your partner for comprehensive digitalisation. We provide all the layers of digitalisation from business systems to integrations, digital services and 24/7 monitoring and service management. Unless otherwise stated, the comparison figures provided in parentheses refer to the corresponding period of the previous year.

MARKETS AND BUSINESS ENVIRONMENT

Digia expects to see further growth in the Finnish IT service market in the long term. Uncertainty about 2021 is fading in the market. Data utilisation as part of day-to-day business and the digitalisation of business are strong trends that are picking up momentum.

Digitalisation will accelerate after the crisis. Ever-smarter software and the increasing use of data are changing the world permanently – and competition is tightening in every industry. Renewal is continuous. Organisations' value creation models and people's working methods are evolving.

Digia believes that modern business digitalisation is built on three robust cornerstones – and data utilisation is strongly linked to all of them:

- Functionality of operational systems;
- Digital service packages for end customers;
- Smart interaction between people and software.

The development of modern digitalisation is supported by Digia's extensive product and service offering, which is customer- and industry-independent. Digia's offering has successfully met market demand and has also demonstrated its strength during exceptional circumstances; especially during the pandemic, the company's strengths have been various operational system solutions (incl. ERP) and data-driven business. As a result of the pandemic, many organisations have woken up to assessing their own operations and renewal, especially with respect to how data utilisation and digital solutions in general could yield greater customer benefits and efficiency as well as open up new business opportunities.

In the future digital world, Digia believes that corporate business value will be generated through the smart utilisation of data in networks and ecosystems; data use in day-to-day business is on the rise. At the level of companies' internal operations and individuals, we are moving towards a symbiosis between humans and software, where people focus on meaningful tasks while automation and smart software handle part of the work.

Digia sees the following strengthening trends in the market both in the business and public sector:

- Digitalisation is an increasingly important part of **the core operations of organisations and business processes**;
- The world is becoming networked, and **digital platforms** enable new business models;
- **Smart and responsible** data utilisation in business processes creates a competitive advantage;
- A **good user experience** is a critical success factor for digital services;
- The role of **cloud technologies** as a platform for developing and operating services is becoming the norm;
- Data utilisation leads to further increases in **data security and protection requirements**.

NET SALES

April-June 2021

Digia's net sales for the review period totalled EUR 38.6 (35.2) million, up 9.8 per cent on the corresponding period of the previous year. In the second quarter, net sales were increased by data utilisation solutions, customer-specific digital services (including data-secure solutions and Digia Hub) and the renewal of business platforms, including Digia's own product solutions (Digia Enterprise ERP, Digia Logistics and financial solutions). The pace of net sales growth was slowed down by the use of in-house experts in the development of Digia's internal business platform (Digia Business Engine).

The service and maintenance business accounted for 68.1 (67.8) per cent and the project business for 31.9 (32.2) per cent of the company's net sales during the review period. The net sales of both the project and the service and maintenance businesses include product business activities, which accounted for 16.5 (12.2) per cent of the Group's total net sales. The product business comprises Digia's own licences, the licence sales of its partners, as well as licence maintenance. As purchasing behaviour has changed in the business, part of the product business now falls within the scope of service contracts and is reported on as net sales for the service business.

January-June 2021

Digia's net sales for the January-June period totalled EUR 78.0 (71.8) million, representing a year-on-year increase of 8.7 per cent. Net sales grew especially in Microsoft ERP systems, data-driven solutions, Digia's own ERP systems and customers with classified projects. Growth was accelerated by acquisitions. Demand remained steady in the Intelligent Solutions business, integrations and API management. The Digia Business Engine project had a negative impact of around two percentage points on net sales, as we are using our in-house experts on this project.

The service and maintenance business accounted for 67.4 (67.4) per cent of net sales, while the project business accounted for 32.6 (32.6) per cent. The product business accounted for 13.3 (12.2) per cent of the company's total net sales.

PROFIT AND PROFITABILITY

April-June 2021

Operating profit (EBITA) for the review period amounted to EUR 3.5 (4.1) million with an EBITA margin (EBIT %) of 9.0 (11.7) per cent. The reasons behind the decline in operating profit (EBITA) were investments in the Digia Business Engine, cloud platform solutions, recruitments, and future growth. Earnings before taxes were EUR 2.5 (3.4) million, with earnings after taxes totalling EUR 2.0 (2.7) million. Earnings per share were EUR 0.08 (0.10). Net financial expenses amounted to EUR -0.2 (-0.2) million.

January-June 2021

Digia's operating profit (EBITA) for January-June was EUR 8.7 (7.3) million with an EBITA margin (EBIT %) of 11.2 (10.2) per cent.

Profitability has been improved by the development of operating methods and cost-conscious operations. However, profitability in 2021 is weakened by strategic development projects lasting the entire year. Earnings before taxes were EUR 6.9 (6.1) million, with earnings after taxes totalling EUR 5.5 (4.9) million. Earnings per share were EUR 0.21 (0.18). Net financial expenses amounted to EUR -0.3 (-0.2) million.

RESEARCH AND DEVELOPMENT

Digia constantly invests in enhancing its long-term competitiveness. In January-June, research and development expenses totalled EUR 3.2 (2.8) million, which represented 4.0 (3.9) per cent of net sales. The main focus of R&D remained on our own ERP systems (Digia Enterprise and ERPs for the financial and logistics sectors). In addition, we developed the AI capabilities of the business processes and data flows of the Digia Iiris monitoring solution – these are now ready for customer deployment.

FINANCING, CASH FLOW AND EXPENDITURE

At the end of June 2021, Digia's balance sheet total stood at EUR 141.3 (124.3) million. The increase in the balance sheet is primarily due to the acquisition of the Climber Group. Equity ratio was 44.4 (44.9) per cent and net gearing was 27.0 (21.0) per cent. At the end of June 2021, Digia had EUR 33.8 (29.5) million in interest-bearing liabilities. At the end of June, unused bank credit facilities amounted to EUR 3 million. Interest-bearing liabilities consisted of EUR 18.7 million in long-term and EUR 4.5 million in short-term loans from financial institutions, and EUR 10.6 million in lease liabilities.

During the review period, we restructured a loan of EUR 5.9 million that was about to fall due, and it now has a maturity of three years. Digia uses two major banks for financing: Danske Bank A/S and OP Corporate Bank Plc.

Cash flow from operating activities in January–June 2021 totalled EUR 10.2 (17.9) million. Cash flow from investments came to EUR -11.1 (-1.4) million. Cash flow from financing was EUR 1.5 (-4.4) million.

HUMAN RESOURCES AND ADMINISTRATION

Skilled personnel who are committed to the objectives of our customers are the cornerstone of all our operations. Digia aims to be a responsible, knowledge-driven learning community of top professionals that combines solid professionalism, a modern work culture and flexible operations. We believe that the next step in the transformation of work is a deepening symbiosis between humans and smart software – and this is also evident in the development of Digia's work culture. In the review period, the greatest outlays were made on Digia's business platform modernisation project, in which more than 60 Digia employees have participated. We also prepared ourselves for day-to-day life after the pandemic with the Future of Work project, whose guiding principle is to utilise data even more effectively in everyday work and a variety of means to increase flexibility for employees, such as greater freedom to choose when and where to work.

At the beginning of the year, we announced our new principles and objectives for corporate responsibility. Personnel – sustainable digital expertise and sustainable digital life – play a key role in our responsibility efforts. Early in the year, we carried out a Signi survey of our employee experience and in May conducted a trend survey assessing its development. In spite of the coronavirus spring, overall personnel satisfaction and Employee Net Promoter Score (eNPS) remained at a good level.

CHANGES IN THE GROUP STRUCTURE

During the review period, Digia acquired the entire share capital of Climber International AB and added Climber International AB and its subsidiaries to its group structure.

At the end of the review period, the Digia Group includes the parent company Digia Plc and its subsidiaries Digia Finland Oy, Digia Hub Oy, Digia Sweden AB and Climber International AB, with its subsidiaries Climber Oy, Climber Benelux AB, Climber Denmark ApS and Climber Holding AB.

SHARE CAPITAL AND SHARES

On 30 June 2021, the number of Digia Plc shares totalled 26,823,723. The company had a total of 8,282 shareholders.

Digia Plc held a total of 57,372 treasury shares at the end of 30 June 2021. The accounting counter value of these treasury shares is EUR 0.10 per share. The company held about 0.2 per cent of its capital stock.

At the end of the period, a total of 118,222 company shares, previously funded by Digia for use in the incentive system for key personnel and under the management of Evli Awards Management Ltd, remained undistributed.

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

REPORTED SHARE PERFORMANCE ON THE HELSINKI STOCK EXCHANGE

Digia Plc's shares are listed on Nasdaq Helsinki under IT, IT Consulting & Other Services. The company's short name is DIGIA. The lowest reported share quotation in January–June 2021 was EUR 6.96 and the highest EUR 9.46. The share officially closed at EUR 7.64 on 30 June 2021. The share's trade weighted average price was EUR 7.80. The company's market capitalisation totalled EUR 204,933,244 on 30 June 2021.

FLAGGING NOTIFICATIONS

There were no flagging notifications during the review period.

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

Digia Plc's Annual General Meeting (AGM), held on 17 March 2021, adopted the company's annual accounts, including the consolidated annual accounts for 1 January-31 December 2020, and discharged the members of the Board and the President and CEO from liability.

Dividends

In accordance with the proposal of the Board of Directors, the Annual General Meeting decided that a dividend of EUR 0.15 per share be paid according to the confirmed balance sheet for the financial year ending 31 December 2020. It was decided that the dividend would be paid to shareholders registered in the Register of Shareholders maintained by Euroclear Finland Oy on the record date of 19 March 2021. The dividend payout date decided on was 26 March 2021.

Composition of the Board of Directors

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

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

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

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

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

Remuneration of the members of the Board and the auditor

The AGM decided that the monthly remuneration payable to the Board Members shall be EUR 3,000, to the Vice Chairman of the Board EUR 4,000 and to the Chairman of the Board EUR 5,500. In addition, remunerations of EUR

1,000 to the Chairman and EUR 500 to other members are paid per each Board and Board Committee meeting. It was decided that Board members will be reimbursed for ordinary and reasonable expenses resulting from Board work against an invoice.

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

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

The Annual General Meeting authorised the Board to decide on the acquisition and/or pledging of treasury shares with the following terms and conditions: A maximum total of 2,000,000 shares may be bought back and/or pledged in one or more instalments. The proposed number is under 10 per cent of the company's total number of shares. Only unrestricted equity may be used to buy back treasury shares. The Board will decide on how these shares are to be acquired. Treasury shares may be bought back in disproportion to shareholders' holdings (directed acquisition). The authorisation also includes acquisition of shares through public trading organised by Nasdaq Helsinki Oy in accordance with the rules and instructions of Nasdaq 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. The minimum price of the shares to be acquired shall be the lowest quotation in public trading while the authorisation is in force and, correspondingly, the maximum price shall be the highest quotation in public trading while the authorisation is in force. The Board of Directors is otherwise authorised to decide on all terms relating to share buyback. This authorisation will supersede the authorisation granted by the AGM of 16 March 2020 and is valid for 18 months, that is, until 17 September 2022.

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, 2,500,000 shares. The authorisation applies both to new shares and to treasury shares held by the company. The authorisation may be used to fund or complete acquisitions or other business transactions, for offering share-based incentive schemes, or for other purposes decided by the Board. It is proposed that this authorisation should include the right for the Board to decide on all terms related to the share issue or special rights, including the subscription price and its payment in cash or (partly or wholly) in capital contributed in kind or its being written off against the subscriber's receivables, and its recognition in the company's balance sheet. This authorisation will supersede the authorisation granted by the AGM of 16 March 2020 and is valid for 18 months, that is, until 17 September 2022.

More information about the AGM's decisions is available at www.digia.com/en/investors/governance/annual-general-meeting/agm-2021.

COMPANY ACQUISITIONS

Digia acquired the entire share capital of the Swedish company Climber International AB on 7 January 2021. The acquisition concerned Climber's operations in Sweden, Finland, Denmark and the Netherlands. Climber's business is largely based on the use of advanced Qlik technologies and an operating model that strongly focuses on consulting. After the acquisition, Digia now employs more than 300 professionals in the fields of data integration and business analytics. A preliminary calculation of the allocation of the purchase price has been drafted and the impact of the acquisition on Digia's figures is reported in the tables section.

EVENTS AFTER THE REVIEW PERIOD

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

RISKS AND UNCERTAINTIES

According to the company's estimate, there have been no great changes in Digia's major risks in 2021.

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 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. There are still risks relating to short-term demand in Digia's business environment as a result of the coronavirus epidemic.

If demand sees a sharp fall, price levels might also decline. Although the pricing models used in the service business balance out cyclical business, products provided via SaaS (Software as a Service) involve longer-term revenue streams instead of the one-off payment of product licenses.

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

In line with its strategy, Digia is also seeking growth through acquisitions. However, Digia 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 its 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 its operations have a minor impact on the environment and do not involve any significant environmental risk factors.

Major customer projects – and fixed-price projects in particular – 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. Risks related to customer receivables are also growing. In addition, data security and protection risks comprise a significant risk area in the company's business operations.

OUTLOOK FOR 2021

Profit guidance for 2021: Growth in Digia's net sales will outpace the previous year (5.5% in 2020) and the EBITA margin will be at a level of about 10%.

Helsinki, 6 August 2021

Digia Plc
Board of Directors

TABLES SECTION

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

ACCOUNTING POLICIES

The half-year report has been prepared in accordance with IAS 34 Interim Financial Reporting, in line with the same accounting principles and calculation methods used in the previous financial statements. The presented figures have been rounded up or down. The figures in this report have not been audited.

In April 2021, the IFRS Interpretations Committee issued its final agenda decision on the accounting treatment of configuration or customisation costs in a cloud computing arrangement (IAS 38 Intangible Assets). In this decision, the Interpretations Committee examined whether, applying IAS 38, configuration and customisation of software shall be recognised as an intangible asset and, if an intangible asset is not recognised, how these configuration and customisation costs are to be recognised. IFRIC agenda decisions do not have an effective date; it is expected that they are applied as soon as possible. As Digia is introducing cloud computing arrangements related to its new business platform (Digia Business Engine), it has started analysing whether this agenda decision has an effect on the accounting principles applied to the deployment costs of Digia's cloud services. Digia will carry out this analysis in autumn 2021 and any impacts will be taken into account retrospectively in the 2021 financial statements at the latest.

CONDENSED CONSOLIDATED INCOME STATEMENT

EUR 1,000	4-6/ 2021	4-6/ 2020	Change, %	1-6/ 2021	1-6/ 2020	Change, %	2020
NET SALES	38,638	35,193	9.8%	77,995	71,758	8.7%	139,049
Other operating income	182	95	92.4%	299	121	146.7%	252
Materials and services	-5,235	-3,642	43.8%	-9,996	-7,557	32.3%	-15,257
Depreciation, amortisation and impairment	-1,897	-1,517	25.1%	-3,857	-3,028	27.4%	-6,066
Other operating expenses	-28,976	-26,475	9.4%	-57,274	-54,909	4.3%	-103,876
Operating profit (EBIT)	2,711	3,655	-25.8%	7,167	6,384	12.3%	14,102
Financial expenses (net)	-208	-237	-12.3%	-279	-237	17.5%	-644
Profit before taxes	2,504	3,419	-26.8%	6,889	6,147	12.1%	13,458
Income taxes	-504	-701	-28.1%	-1,338	-1,242	7.7%	-2,830
RESULT FOR THE PERIOD	2,003	2,718	-26.3%	5,547	4,905	13.1%	10,627

Other comprehensive income							
Items that may later be reclassified as profit or loss							
Exchange differences on translation of foreign operations	78	101	-22.9%	-22	-10	130.0%	80
TOTAL COMPREHENSIVE INCOME	2,081	2,819	-26.2%	5,525	4,895	12.9%	10,707
Distribution of net profit for the period							
Parent-company shareholders	2,000	2,718	-26.4%	5,550	4,905	13.2%	10,627
Non-controlling interests	3	0		-3	0		0
Distribution of total comprehensive income							
Parent-company shareholders	2,078	2,819	-26.3%	5,529	4,895	12.9%	10,707
Non-controlling interests	3	0		-3	0		0
Earnings per share, EUR (undiluted EPS)	0.08	0.10	-26.1%	0.21	0.18	13.1%	0.40
Earnings per share, EUR (diluted EPS)	0.07	0.10	-26.3%	0.21	0.18	13.1%	0.39

CONDENSED CONSOLIDATED BALANCE SHEET

EUR 1,000	30 Jun 2021	30 Jun 2020	31 Dec 2020
Assets			
Non-current assets			
Goodwill	71,225	57,771	61,478
Other intangible assets	11,101	5,402	6,332
Tangible assets	862	1,173	987
Right-of-use assets	9,632	10,132	9,272
Investments	484	484	484
Non-current receivables	153	34	2
Deferred tax assets	465	519	513
Total non-current assets	93,922	75,515	79,067
Current assets			
Current receivables	30,356	30,789	25,600
Cash and cash equivalents	17,013	17,990	16,410
Total current assets	47,369	48,779	42,010

Total assets	141,291	124,294	121,078
Shareholders' equity and liabilities			
Share capital	2,088	2,088	2,088
Other reserves	5,204	5,204	5,204
Unrestricted shareholders' equity reserve	42,081	42,081	42,081
Translation difference	-365	-432	-343
Retained earnings	7,694	1,228	1,080
Result for the period	5,547	4,905	10,627
Equity attributable to parent-company shareholders	62,249	55,073	60,737
Equity attributable to non-controlling interests	3	0	0
Total shareholders' equity	62,252	55,073	60,737
Liabilities			
Non-current interest-bearing liabilities	25,362	16,774	15,284
Other non-current liabilities	7,000	0	2,000
Deferred tax liabilities	1,962	1,068	1,115
Total non-current liabilities	34,323	17,842	18,399
Current interest-bearing liabilities	8,479	12,769	11,658
Other current liabilities	36,236	38,611	30,284
Total current liabilities	44,715	51,380	41,942
Total liabilities	79,038	69,222	60,341
Shareholders' equity and liabilities	141,291	124,294	121,078

CONSOLIDATED CASH FLOW STATEMENT

EUR 1,000	1 Jan 2021–30 Jun 2021	1 Jan 2020–30 Jun 2020
Cash flow from operations:		
Profit for the period	5,547	4,905
Adjustments to net profit	4,064	8,646
Change in working capital	-1,701	5,783
Change in other receivables and liabilities	4,550	875
Interest paid	-133	-133
Interest income	27	1
Taxes paid	-2,146	-2,149
Cash flow from operations	10,209	17,928
Cash flow from investments:		
Purchases of tangible and intangible assets	-1,570	-528
Acquisition of subsidiaries, net of cash and cash equivalents at the time of acquisition	-9,489	-829

Cash flow from investments	-11,059	-1,358
Cash flow from financing:		
Repayment of lease liabilities	-2,018	-1,750
Repayment of current loans	-7,726	-26
Withdrawals of current loans	3,000	-
Repayments of non-current loans	-49	-
Withdrawals of non-current loans	10,900	-
Repayments of non-current loan receivables	1,573	-
Acquisition of treasury shares	-225	-
Dividends paid	-4,002	-2,672
Cash flow from financing	1,452	-4,449
Change in cash and cash equivalents	602	12,122
Cash and cash equivalents at beginning of period	16,410	5,838
Effect of changes in foreign exchange rates	1	31
Change in cash and cash equivalents	602	12,122
Cash and cash equivalents at end of period	17,013	17,990

CHANGES IN SHAREHOLDERS' EQUITY

EUR 1,000	a	b	c	d	e	f
Shareholders' equity, 1 Jan 2020	2,088	42,081	5,204	-422	4,241	53,190
Net profit					4,905	4,905
Other comprehensive income				-10		-10
Transactions with shareholders						
Dividends					-2,672	-2,672
Share-based payments recognised against equity					-341	-341
Shareholders' equity, 30 Jun 2020	2,088	42,081	5,204	-432	6,132	55,073
Shareholders' equity, 1 Jan 2021	2,088	42,081	5,204	-343	11,707	60,737
Net profit					5,547	5,547
Other comprehensive income				-22		-22
Non-controlling interests					3	3
Transactions with shareholders						
Dividends					-4,002	-4,002
Share-based payments recognised against equity					214	214
Acquisition of treasury shares					-225	-225
Shareholders' equity, 30 Jun 2021	2,088	42,081	5,204	-365	13,245	62,252

a = share capital

b = unrestricted shareholders' equity reserve

c = other reserves
d = currency translation differences
e = retained earnings
f = total shareholders' equity

PROPERTY, PLANT AND EQUIPMENT, AND INTANGIBLE ASSETS

EUR 1,000	Tangible assets	Goodwill	Other intangible assets
30 Jun 2021			
Acquisition cost, 1 Jan 2021	40,598	112,872	40,681
Business acquisitions	1,881	9,747	4,928
Increases	939	0	1,425
Decreases	-312	0	0
Acquisition cost, 30 Jun 2021	43,105	122,619	47,034
Accumulated depreciation and amortisation, 1 Jan	-30,339	-51,394	-34,349
Depreciation (in income statement)	-2,273	0	-1,584
Accumulated depreciation and amortisation, 30 Jun 2021	-32,612	-51,394	-35,933
Book value, 1 Jan 2021	10,259	61,478	6,332
Book value, 30 Jun 2021	10,494	71,225	11,101
30 Jun 2020			
Acquisition cost, 1 Jan 2020	36,321	109,165	38,722
Increases	3,382	0	0
Decreases	-69	0	0
Acquisition cost, 30 Jun 2020	39,635	109,165	38,722
Accumulated depreciation and amortisation, 1 Jan 2020	-26,278	-51,394	-32,344
Depreciation (in income statement)	-2,052	0	-976
Accumulated depreciation and amortisation, 30 Jun 2020	-28,330	-51,394	-33,320
Book value, 1 Jan 2020	10,044	57,771	6,378
Book value, 30 Jun 2020	11,305	57,771	5,402

CONDENSED INCOME STATEMENT BY QUARTER

EUR 1,000	4-6/2021	1-3/2021	10-12/2020	7-9/2020	4-6/2020
Net sales	38,638	39,357	37,867	29,423	35,193
Other operating income	182	117	50	80	95
Materials and services	-5,235	-4,761	-4,473	-3,227	-3,642

Depreciation, amortisation and impairment	-1,897	-1,959	-1,553	-1,485	-1,517
Other operating expenses	-28,976	-28,298	-27,833	-21,134	-26,475
Operating result	2,711	4,456	4,060	3,658	3,655
Financial expenses (net)	-208	-71	-289	-118	-237
Profit before taxes	2,504	4,385	3,771	3,540	3,419
Non-controlling interests	3	-6	0	0	0
Income taxes	-504	-834	-810	-779	-701
Result for the period	2,003	3,544	2,961	2,761	2,718
Distribution of net profit for the period					
Parent-company shareholders	2,000	3,550	2,961	2,761	2,718
Non-controlling interests	3	-6	0	0	0
Earnings per share, EUR (basic)	0.08	0.13	0.11	0.10	0.10
Earnings per share, EUR (diluted)	0.07	0.13	0.11	0.10	0.10

GROUP KEY FIGURES

EUR 1,000	1-6/2021	1-6/2020
Extent of business		
Net sales	77,995	71,758
Average capital invested	92,799	84,605
Number of personnel	1,329	1,266
Average number of personnel	1,327	1,263
Profitability		
Operating profit before amortisation of acquisition costs (EBITA)	8,737	7,295
- as a % of net sales	11.2%	10.2%
Operating profit (EBIT)	7,167	6,384
- as a % of net sales	9.2%	8.9%
Profit before taxes	6,889	6,147
- as a % of net sales	8.8%	8.6%
Result for the period	5,547	4,905
- as a % of net sales	7.1%	6.8%
Return on equity, %	18.1%	18.1%
Return on investment, %	15.6%	15.3%
Financing and financial standing		
Interest-bearing net liabilities	16,828	11,553
Net gearing	27.0%	21.0%
Equity ratio	44.4%	44.9%
Cash flow from operations	10,209	17,928
Earnings per share, EUR, undiluted	0.21	0.18

Earnings per share, EUR, diluted	0.21	0.18
Equity/share, EUR	2.32	2.05
Lowest share trading price, EUR	6.96	3.30
Highest share trading price, EUR	9.46	5.40
Average share price, EUR	7.80	4.61
Market capitalisation	204,933	136,801

ACQUIRED BUSINESS OPERATIONS

The acquisition of the entire share capital of Climber International AB was carried out on 7 January 2021, when the terms and conditions for its completion were met and Climber International AB was transferred to Digia's ownership. Climber International AB is a Swedish company that provides its customers with consulting and solutions for data-driven business development. The acquisition concerns Climber's operations in Sweden, Finland, Denmark and the Netherlands. Climber will continue as a subsidiary with its own brand.

The purchase price consisted of a fixed component of EUR 8.1 million plus an additional component of maximum EUR 5.0 million that is tied to targets. The net debt-free purchase price of EUR 8.1 million will be reconciled using the net cash on the transaction date. The transaction was primarily financed with a bank loan. A preliminary calculation of the allocation of the purchase price has been drafted after the completion of the transaction.

Smart data utilisation is one of the main focal points of Digia's strategy. The acquisition of Climber will accelerate growth in Digia's data and analytics business, primarily by providing access to markets outside Finland.

EUR 1,000	
Total fair values of the acquired businesses on the acquisition date	
Property, plant, and equipment, and intangible assets	53
Accounts receivable and other receivables	9,024
Cash and cash equivalents	1,852
Total assets	10,929
Accounts payable and other liabilities	8,325
Total liabilities	8,325
Net assets	2,604
Goodwill	9,747
Value of customer contracts	3,450
Value related to the order book and trademark	1,478
Acquisition cost	16,294
Cash flow effect of the acquired businesses	
Acquisition cost	-16,294
Cash and cash equivalents	1,852
Additional purchase price	5,000
Net cash flow of acquisition	-9,442

The purchase price was paid at the time of acquisition in cash, with the exception of estimated additional contingent amounts subsequently payable in cash. The value of the net assets of the acquiree was estimated at EUR 2.6 million in

the acquisition cost calculations. The acquired business had an impact of EUR 6.7 million on the Digia Group's net sales in the 2021 fiscal year and EUR 0.9 million on the result for the period. On 30 June 2021, the Climber Group had 74 employees.

Accounts receivable consist of the ordinary receivables of the acquired company, whose fair values are estimated to correspond to their book values. Digia's goodwill grew by EUR 9.7 million as a result of the acquisition. Goodwill consisted of the value of acquired market share, business expertise and expected synergies.

FORMULAS

Operating profit (EBITA):

Operating profit + amortisation of acquisition costs

EBITA margin, %:

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

Return on investment (ROI),%:

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

Return on equity (ROE),%:

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

Equity ratio, %:

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

Earnings per share:

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

Earnings per share (diluted):

$$\frac{(\text{Profit before taxes} - \text{taxes} + / - \text{minority interest})}{\text{The average number of shares during the period, adjusted for share issues, includes shares and options issued through shared-based incentives schemes.}}$$

Dividend per share:

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

Dividend payout ratio, %:

$\frac{\text{Dividend per share} \times 100}{\text{Earnings per share}}$

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):

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

LARGEST SHAREHOLDERS, 30 JUNE 2021

	Shareholders	Shares and votes	%
1.	Ingman Development Oy Ab	7,500,000	28.0
2.	Ilmarinen Mutual Pension Insurance Company	3,342,774	12.5
3.	Etola Oy	1,605,495	6.0
4.	Tiiviste-Group Oy	1,325,000	4.9
5.	Varma Mutual Pension Insurance Company	1,247,142	4.6
6.	Savolainen Matti Ilmari	883,959	3.3
7.	Nordea Bank Abp	603,820	2.3
8.	Skandinaviska Enskilda Banken AB (Publ), Helsinki branch office	362,588	1.4
9.	OP-Suomi Pienyhtiöt investment fund	325,015	1.2
10.	Rausanne Oy	265,000	1.0
	Total	17,460,793	65.1