

Digia Plc  
Half Year Financial Report  
11 August 2020 at 8:00 am

## Digia Plc Half Year Financial Report 2020

**Strong earnings in exceptional circumstances: January-June net sales up 11 per cent, operating profit (EBITA) improves by 36 per cent**

### April-June 2020

- Net sales: EUR 35.2 (32.8) million, up 7.5 per cent
- Operating profit (EBITA): EUR 4.1 (3.1) million, up 31.6 per cent; EBITA margin: 11.7 (9.5) per cent of net sales
- Operating profit: EUR 3.7 (2.9) million, up 27.5 per cent; operating margin: 10.4 (8.8) per cent of net sales
- Earnings per share: EUR 0.10 (0.08)

### January-June 2020

- Net sales: EUR 71.8 (64.6) million, up 11.0 per cent
- Operating profit (EBITA): EUR 7.3 (5.4) million, up 35.9 per cent; EBITA margin: 10.2 (8.3) per cent of net sales
- Operating profit: EUR 6.4 (4.9) million, up 31.5 per cent; operating margin: 8.9 (7.5) per cent of net sales
- Earnings per share: EUR 0.18 (0.14)
- Return on investment: 15.3 (14.8) per cent
- Equity ratio: 44.9 (49.8) per cent
- Profit guidance for 2020 remains unchanged: Digia's net sales will grow and operating profit (EBITA) will improve compared to 2019.

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/ 2020	4-6/ 2019	Change %	1-6/ 2020	1-6/ 2019	Change %	2019
Net sales	35,193	32,750	7.5%	71,758	64,648	11.0%	131,824
Operating profit (EBITA)	4,111	3,124	31.6%	7,295	5,366	35.9%	11,003
- as a % of net sales	11.7%	9.5%		10.2%	8.3%		8.3%
Operating profit (EBIT)	3,655	2,867	27.5%	6,384	4,856	31.5%	9,648
- as a % of net sales	10.4%	8.8%		8.9%	7.5%		7.3%
Result for the period	2,718	2,244	21.1%	4,905	3,733	31.4%	7,090
- as a % of net sales	7.7%	6.9%		6.8%	5.8%		5.4%
Return on equity, %				18.1%	15.3%		14.0%
Return on investment, %				15.3%	14.8%		13.5%
Cash flow from operations				17,928	8,374	114.1%	12,294
Interest-bearing net liabilities				11,553	16,762	-31.1%	22,616
Gearing, %				21.0%	33.8%		42.5%
Equity ratio, %				44.9%	49.8%		47.2%
Number of personnel at period-end				1,266	1,144	10.7%	1,266
Average personnel	1,266	1,135	11.5%	1,263	1,124	12.3%	1,186
Shareholders' equity				55,073	49,651	10.9%	53,190
Balance sheet total				124,294	100,394	23.8%	114,116
Earnings per share	0.10	0.08	20.6%	0.18	0.14	31.2%	0.27

**PRESIDENT & CEO TIMO LEVORANTA:**

“Digia’s net sales and operating profit (EBITA) continued to grow in the second quarter in spite of the coronavirus crisis. Our net sales were up 7.5 per cent in April-June and amounted to EUR 35.2 (32.8) million. Operating profit (EBITA) for April-June rose by 32 per cent to EUR 4.1 (3.1) million. The EBITA margin increased to 11.7 (9.5) per cent of net sales. In January-June, our net sales grew by 11 per cent to EUR 71.8 (64.6) million. The EBITA margin for January-June also improved, amounting to 10.2 (8.3) per cent of net sales. The good trend in net sales and profitability demonstrates that Digia employees can work effectively and agilely even in these changed circumstances.

In the second quarter, net sales were boosted especially by ERP systems based on Microsoft technology and customised industry-independent solutions that we implement for a wide range of customers. In both of these areas, there is an even greater emphasis on the need for data utilisation, such as incorporating analytics features into solutions through integration interfaces. The EBITA margin increased due to not only growth in net sales, but also successful cost management. The restrictions imposed as a result of the state of emergency reduced our travel, meeting and marketing expenses, for example. In the second quarter, the new Digia posted the highest operating profit (EBITA) in its history (on 1 May 2016, Digia was split into Digia Plc and Qt Group Plc).

The improvement in our cash flow is also noteworthy. Our cash flow from operations in January-June improved to EUR 17.9 (8.4) million, including EUR 5.8 million in postponed TyeL insurance premiums in the first half of 2020. At the end of June, our interest-bearing net liabilities amounted to EUR 11.6 (16.8) million and our net gearing to 21.0 (33.8) per cent. Our liquidity is at a good level and our financial position is stable.

The exceptional business environment in the first half of the year impacted on customer demand. In their operations, customers focused especially on enhancing process efficiency, but also on developing long-term digital business. In an uncertain market, customers are typically more careful in evaluating the size of their development projects and project implementation schedules. This was evident in the second quarter in the form of project startup delays and a decrease in the volume of development activities among certain customers. In the current uncertain market, Digia is supported by our 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. Our service and maintenance business generated about 66 per cent of net sales in the first half of the year, and the project business about 34 per cent.

During the coronavirus epidemic, our priorities have been to ensure the safety of our employees and the uninterrupted operation of services for our customers, without neglecting continuous development. In March, almost all our employees started working remotely. As part of our work culture that bolsters a good employee experience, we developed our management and practices in line with the requirements of these exceptional times – on the whole, remote work has gone smoothly. To balance growth and profitability in these uncertain circumstances, we did not increase our number of personnel, but strengthened internal job rotation. At the end of the period, our personnel count had remained unchanged and amounted to 1,266. After the cautious spring, we have started up recruitment with an eye on growth and opened several new positions for applicants.

We deployed continuity plans for our continuous services in a very early stage of the coronavirus epidemic. These plans have helped us to maintain the agreed level of service and thereby safeguard the continuity of our customers’ business operations. Monitoring and management requirements increased during the review period, with the focus shifting increasingly from the monitoring of individual control points to entire packages. As part of our efforts to

develop our own operations, we completed the harmonisation of Digia-level service management during the review period. This enables us to provide our customers with a consistent overview of all Digia services. In the first part of the year, we also kicked off a project to modernise Digia's own business platform, which is an important element of building up long-term competitiveness.

As part of the implementation of our strategy, we launched the Digia Hub operating model towards the end of the review period. Digia Hub is a network for small entrepreneurs in the IT sector, uniting small entrepreneurs, Digia and customers to create value. Through this network, we can provide small entrepreneurs with appealing tasks and our customers with even wider-ranging expertise under a flexible delivery model. We seek to create an expanding and learning expert network that benefits all parties. We believe in a world in which value is created in networks through smart data management.

The coronavirus spring has forced many organisations to review their operating methods and assess opportunities to utilise digital solutions. Many of the new operating methods and insights will benefit organisations and society even after the crisis is over. We Digia employees have contributed to helping our society cope with the coronavirus crisis. For instance, we developed a Digia-sponsored data utilisation solution for the Finnish Red Cross that enables the organisation to connect volunteers with those in need of assistance. Development work on the 112 Suomi mobile app for the Emergency Response Centre proceeded at a rapid clip during the review period. Good examples of measures to boost process efficiency include robotics solutions implemented for unemployment funds, which speed up the processing of earnings-related allowance applications. The Finnish Transport Infrastructure Agency has also decided to continue its cooperation with Digia in SOA environment management and monitoring. According to the procurement notice released by the Finnish Transport Infrastructure Agency, the total value of the agreement is estimated to be EUR 4.5 million over a six-year period.

In the second half of 2020, we will step up our investments in the development of cloud-based business. Our aim is to create new offerings and more scalable business in public cloud solutions.

Market uncertainty will persist in the second half of the year – and possibly for even longer. It is difficult to anticipate the future impacts of the coronavirus crisis on the business operations and purchasing behaviour of our customers. Digia's extensive offering and the large share of operations accounted for by continuous services and maintenance have thus far cushioned the impacts of the coronavirus crisis, but the outlook for net sales and earnings for the current year involves more uncertainty than usual.

At Digia, we believe that the growth trend in digitalisation and data utilisation will remain strong in the long term."

## **PROFIT GUIDANCE FOR 2020**

Profit guidance for 2020 remains unchanged: Digia's net sales will grow and operating profit (EBITA) will improve compared to 2019.

## **BRIEFING INVITATION**

A briefing for analysts will be held at 11 am on Tuesday, 11 August 2020 as a Teams meeting. Attendance instructions have been emailed to participants.

CEO Timo Levoranta will give a webcast on the results in Finnish starting at 12:00 noon at <https://digia.videosync.fi/2020-q2>.

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The material and presentation for the event will be available from 11 am on 11 August 2020 on the company's website: [digia.com/en/investors/reports-and-presentations](https://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](https://digia.com)

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. Digia net sales were EUR 131.8 million in 2019. The company is listed on Nasdaq Helsinki (DIGIA). [digia.com](https://digia.com)

## Digia Plc half-year report 2020

Digia is a profitably growing IT service company that helps its customers harness digitalisation opportunities. Digia is esteemed as a visionary and reliable partner in the connected and data-driven world. Digia provides a comprehensive service portfolio covering mobile and online services, data platforms and knowledge-based management, integrations and APIs, as well as business core systems including high-security solutions. Digia provides a variety of maintenance services in line with the needs of customers to help them operate their business-critical systems and services around the clock.

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

### MARKETS AND BUSINESS ENVIRONMENT

Digia primarily operates in the Finnish IT service and software market and expects the IT service market to keep growing in the long term. In our view, the market situation in 2020 is more challenging than in the previous year, as the coronavirus crisis has impacted on customers' business operations. In the short term, customers' need to ensure the performance of their core business and enhance process efficiency will be highlighted in service demand. In an uncertain market, customers are also typically more careful in evaluating the volume of development projects and project implementation schedules. This cautiousness is reflected in demand. It is extremely difficult to assess how the situation will develop in the latter half of the year, as the impacts of the coronavirus crisis on the economy are unclear.

Digitalisation utilising data is a strong trend. The coronavirus crisis has highlighted the opportunities opened up by digitalisation – in the best case scenario, the current crisis will accelerate the digitalisation trend in the years ahead. Clear examples of this include remote work practices and the development of e-services. We are moving towards a world in which people and software collaborate in daily life.

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

- 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 and responsible data utilisation** in business processes creates a competitive advantage;
- a 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;
- further growth in **information security and protection requirements**.

Digia has consistently built its market position as a turn-key solutions provider and service company.

The company's offering has successfully met market demand. However, continual developments in customers' needs coupled with the increasing pace of technological advancement will require continual investments in the service business, enhanced productivity, and technologies, such as in data utilisation and cloud technologies. Service provision requires combining technologies and people's professional skills. This is why Digia wants to be a desirable employer, and why the company will continue to invest in its corporate culture, lifelong learning, and operating methods to provide smart technological solutions that support everyday working life.

Digitalisation is showing no signs of stopping. Software, their growing intelligence, and data are changing the world. Organisations' value creation models and people's working methods are evolving. In the future digital world, Digia believes that corporate business value will be generated through the smart utilisation of data in networks and ecosystems. 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.

## NET SALES

### April-June 2020

Digia's net sales for the review period totalled EUR 35.2 (32.8) million, up 7.5 per cent on the corresponding period of the previous year. Net sales growth was seen in Microsoft ERP systems and customised solutions in particular. The impacts of the coronavirus epidemic started to be felt during the review period in the form of delays in some projects and the downscaling of the scope of certain projects at the request of customers.

The service and maintenance business accounted for 65.6 (62.2) per cent and the project business for 34.4 (37.8) 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 12.2 (14.4) per cent of the company'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 net sales of the product business now fall within the scope of service contracts and are reported on as net sales for the service business.

### January-June 2020

Digia's net sales for the January-June period totalled EUR 71.8 (64.6) million, representing a year-on-year increase of 11 per cent. Strong net sales growth was seen in Microsoft ERP systems, customised solutions, and analytics in January-June. Demand for Digia's own ERP systems, digital services, integrations and API management remained steady.

The service and maintenance business accounted for 65.3 (63.7) per cent of net sales, while the project business accounted for 34.7 (36.3) per cent. The product business accounted for 12.2 (15.0) per cent of the company's total net sales.

## PROFIT AND PROFITABILITY

### April-June 2020

Operating profit (EBITA) for the review period amounted to EUR 4.1 (3.1) million with an EBITA margin (EBIT %) of 11.7 (9.5) per cent. Growth in the EBITA margin was largely due to coronavirus-related savings on travel, meeting expenses and marketing. Profitability was also affected by postponed recruitments. Earnings before taxes were EUR 3.4 (2.8) million, with earnings after taxes totalling EUR 2.7 (2.2) million. Earnings per share were EUR 0.10 (0.08). Net financial expenses amounted to EUR -0.2 (0.0) million.

### January-June 2020

Digia's operating profit (EBITA) for January-June was EUR 7.3 (5.4) million with an EBITA margin (EBIT %) of 10.2 (8.3) per cent. Profitability has been improved both by concerted efforts to develop operating methods and cost-conscious operations. Earnings before taxes were EUR 6.1 (4.7) million, with earnings after taxes totalling EUR 4.9 (3.7) million. Earnings per share were EUR 0.18 (0.14). Net financial expenses amounted to EUR -0.2 (-0.2) million.

## RESEARCH AND DEVELOPMENT

Digia constantly invests in enhancing its long-term competitiveness. In January-June, research and development expenses totalled EUR 2.8 (2.8) million, which represented 3.9 (4.3) per cent of net sales. The main focus of R&D remains on our own ERP systems (Digia Enterprise, financial sector ERP and logistics ERP). In addition, the Digia liris monitoring solution for the continuous service needs of customers was developed.

## FINANCING, CASH FLOW AND EXPENDITURE

At the end of June 2020, Digia's balance sheet total stood at EUR 124.3 (100.4) million and its equity ratio at 44.9 (49.8) per cent. Net gearing was 21.0 (33.8) per cent. At the end of June 2020, Digia had EUR 29.5 (20.5) million in interest-bearing liabilities. At the end of June, unused bank credit facilities amounted to EUR 3 million and unused RCF loans to EUR 1.9 million. Interest-bearing liabilities consisted of EUR 9.1 million in long-term and EUR 10.0 million in short-term loans from financial institutions, and EUR 10.4 million in lease liabilities. Repayments of bank loans due in the review period were rescheduled such that EUR 1 million will be repaid in October 2020 and EUR 0.8 million in June 2021.

Cash flow from operating activities in January–June 2020 totalled EUR 17.9 (8.4) million. In preparation for the coronavirus epidemic, Digia postponed TyeL insurance premium payments for March–June by four months. A total of EUR 5.8 million in TyeL payments were pushed back. Cash flow from investments came to EUR -1.4 (-1.0) million. Cash flow from financing was EUR -4.5 (-5.4) million.

The renegotiated lease agreement for the head office will improve cash flow in the second half of the year.

## HUMAN RESOURCES AND ADMINISTRATION

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

At the end of June 2020, the total number of personnel was 1,266, a year-on-year increase of 122 or 10.7 per cent. During the review period, the number of employees averaged 1,263, an increase of 77 employees, or 6.5 per cent, on the 2019 average (2019: 1,186). Due to the coronavirus epidemic, recruitments have been temporarily reduced in order to ensure meaningful work for the company's current employees. Recruitment will continue during the second half of the year.

In spite of the exceptional circumstances, Digia continued to develop its culture and strong expertise through means such as e-learning and job rotation. The employee experience survey conducted in early 2020 examined the aspects most significant to Digia employees. In the spring, the results were reviewed throughout the organisation and development actions were implemented to strengthen the employee experience in day-to-day operations.

## CHANGES IN THE GROUP STRUCTURE

The streamlining of the Group structure was completed in the first part of the year, when Mirosys Oy was merged into Mavisystems Oy, which in turn was merged into Digia Finland Oy. The mergers came into effect on 29 February 2020.

At the end of the review period, the Digia Group includes the parent company Digia Plc and its subsidiaries Digia Finland Oy and Digia Sweden AB.

## SHARE CAPITAL AND SHARES

On 30 June 2020, the number of Digia Plc shares totalled 26,823,723. The company had a total of 7,024 shareholders.

Digia Plc held a total of 57,372 treasury shares at the end of 30 June 2020. 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 45,969 company shares, previously funded by Digia for use in the incentive system for key personnel and under the management of Evli Awards Management Ltd, remained undistributed.

Up-to-date information about the company's major shareholders and the distribution of their shareholdings can be found on Digia's website: [digia.com/en/investors/shareholders](https://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 2020 was EUR 3.30 and the highest EUR 5.40. The share officially closed at EUR 5.10 on 30 June 2020. The share's trade weighted average price was EUR 4.61. The company's market capitalisation totalled EUR 136,800,987 on 30 June 2020.

## 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 16 March 2020, adopted the company's annual accounts, including the consolidated annual accounts for 1 January–31 December 2019, 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 0.10 per share be paid according to the confirmed balance sheet for the financial year ending 31 December 2019. 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 18 March 2020. The dividend payout date decided on was 25 March 2020.

### 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 OMX Helsinki Oy 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. 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 supersedes that granted by the AGM of 15 March 2019 and is valid for 18 months, that is, until 16 September 2021.

### **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 supersedes that granted by the AGM of 15 March 2019 and is valid for 18 months, that is, until 16 September 2021.

More information about the AGM's decisions is available at [digia.com/en/investors/governance/annual-general-meeting/agm-2019/](https://digia.com/en/investors/governance/annual-general-meeting/agm-2019/).

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

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

### **RISKS AND UNCERTAINTIES**

The major change in Digia's main risks and operating environment concerns the risks posed by the coronavirus epidemic to both service demand and possibly the company's own employees. The company estimates that no other great changes have occurred in 2020.

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. The risks posed by the impacts of the coronavirus epidemic on short-term demand have grown substantially in the business environment. If demand sees a sharp fall, price levels might also decline. Although the pricing models of the service business balance out cyclical business, SaaS (Software as a Service) involves longer-term revenue streams rather than one-off payments.

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 2020**

Profit guidance for 2020: "Digia's net sales will grow and operating profit (EBITA) will improve on 2019."

Helsinki, 11 August 2020

Digia Plc

Board of Directors

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## ACCOUNTING POLICIES

The half-year report was prepared in compliance with IFRS and the IAS 34 Interim Financial Reporting standard. The half-year report has not been audited. The half-year report has been prepared in accordance with the accounting policies presented in the financial statements dated 31 December 2019.

## CONDENSED CONSOLIDATED INCOME STATEMENT

EUR 1,000	4-6/ 2020	4-6/ 2019	Change %	1-6/ 2020	1-6/ 2019	Change %	2019
NET SALES	35,193	32,750	7.5%	71,758	64,648	11.0%	131,824
Other operating income	95	44	114.1%	121	58	107.5%	141
Materials and services	-3,642	-3,773	-3.5%	-7,557	-7,468	1.2%	-15,065
Depreciation, amortisation and impairment	-1,517	-1,290	17.5%	-3,028	-2,566	18.0%	-5,496
Other operating expenses	-26,475	-24,864	6.5%	-54,909	-49,816	10.2%	-101,756
Operating profit (EBIT)	3,655	2,867	27.5%	6,384	4,856	31.5%	9,648
Financial expenses (net)	-237	-45	424.4%	-237	-157	51.6%	-540
Profit before taxes	3,419	2,822	21.2%	6,147	4,699	30.8%	9,108
Income taxes	-701	-578	21.3%	-1,242	-966	28.6%	-2,017
RESULT FOR THE PERIOD	2,718	2,244	21.1%	4,905	3,733	31.4%	7,090
<b>Other comprehensive income</b>							
<b>Items that may later be reclassified as profit or loss</b>							
Exchange differences on translation of foreign operations	-101	32	-419.0%	10	60	-84.1%	38
TOTAL COMPREHENSIVE INCOME	2,617	2,275	15.0%	4,914	3,793	29.6%	7,128

EUR 1,000	4-6/ 2020	4-6/ 2019	Change %	1-6/ 2020	1-6/ 2019	Change %	2019
<b>Distribution of net profit for the period</b>							
Parent-company shareholders	2,718	2,244	21.1%	4,905	3,733	31.4%	7,090
<b>Distribution of total comprehensive income</b>							
Parent-company shareholders	2,617	2,275	15.0%	4,914	3,793	29.6%	7,128
<b>Earnings per share, EUR (diluted and undiluted EPS)</b>							
Earnings per share, EUR	0.10	0.08	20.6%	0.18	0.14	31.2%	0.27

#### CONDENSED CONSOLIDATED BALANCE SHEET

EUR 1,000	30 Jun 2020	30 Jun 2019	31 Dec 2019
<b>Assets</b>			
Non-current assets			
Goodwill	57,771	51,118	57,771
Other intangible assets	5,402	3,219	6,378
Tangible assets	11,305	11,411	10,044
Investments	484	484	484
Non-current receivables	34	57	94
Deferred tax assets	519	328	558
<b>Total non-current assets</b>	<b>75,515</b>	<b>66,617</b>	<b>75,328</b>
Current assets			
Current receivables	30,789	30,057	32,950
Available-for-sale financial assets	0	334	0
Cash and cash equivalents	17,990	3,385	5,838
<b>Total current assets</b>	<b>48,779</b>	<b>33,776</b>	<b>38,787</b>
<b>Total assets</b>	<b>124,294</b>	<b>100,394</b>	<b>114,116</b>
<b>Shareholders' equity and liabilities</b>			
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	-432	-444	-422
Retained earnings	1,228	-3,010	-2,850
Result for the period	4,905	3,733	7,090

EUR 1,000	30 Jun 2020	30 Jun 2019	31 Dec 2019
Equity attributable to parent-company shareholders	55,073	49,651	53,190
<b>Total shareholders' equity</b>	<b>55,073</b>	<b>49,651</b>	<b>53,190</b>
<b>Liabilities</b>			
Non-current interest-bearing liabilities	16,774	14,505	21,272
Non-current advances received	0	41	23
Other non-current liabilities	0	126	126
Deferred tax liabilities	1,068	580	1,250
Total non-current liabilities	17,842	15,251	22,671
Current interest-bearing liabilities	12,769	5,976	7,182
Other current liabilities	38,611	29,515	31,071
Total current liabilities	51,380	35,491	38,254
<b>Total liabilities</b>	<b>69,222</b>	<b>50,743</b>	<b>60,925</b>
<b>Shareholders' equity and liabilities</b>	<b>124,294</b>	<b>100,394</b>	<b>114,116</b>

#### CONSOLIDATED CASH FLOW STATEMENT

EUR 1,000	1 Jan 2020–30 Jun 2020	1 Jan 2019–30 Jun 2019
<b>Cash flow from operations:</b>		
Profit for the period	4,905	3,733
Adjustments to net profit	8,646	2,266
Change in working capital	5,783	651
Change in other receivables and liabilities	875	2,866
Interest paid	-133	-164
Interest income	1	1
Taxes paid	-2,149	-980
<b>Cash flow from operations</b>	<b>17,928</b>	<b>8,374</b>
<b>Cash flow from investments:</b>		
Purchases of tangible and intangible assets	-528	-196
Acquisition of subsidiaries, net of cash and cash equivalents at the time of acquisition	-829	-817
<b>Cash flow from investments</b>	<b>-1,358</b>	<b>-1,013</b>
<b>Cash flow from financing:</b>		
Repayment of lease liabilities	-1,750	-1,784
Repayment of current loans	-26	-7,926
Withdrawals of current loans	-	-
Repayments of non-current loans	-	-4,800
Withdrawals of non-current loans	-	11,100

Acquisition of treasury shares	-	-90
Dividends paid	-2,672	-1,864
<b>Cash flow from financing</b>	<b>-4,449</b>	<b>-5,365</b>
Change in cash and cash equivalents	<b>12,122</b>	<b>1,995</b>
Cash and cash equivalents at beginning of period	5,838	1,733
Effect of changes in foreign exchange rates	31	-9
Change in cash and cash equivalents	12,122	1,995
<b>Cash and cash equivalents at end of period</b>	<b>17,990</b>	<b>3,719</b>

#### CHANGES IN SHAREHOLDERS' EQUITY

EUR 1,000	a	b	c	d	e	f
<b>Shareholders' equity, 1 Jan 2019</b>	<b>2,088</b>	<b>42,081</b>	<b>5,204</b>	<b>-384</b>	<b>-1,206</b>	<b>47,782</b>
Net profit					3,733	3,733
Other comprehensive income				-60		-60
Transactions with shareholders						
Dividends					-1,864	-1,864
Share-based payments recognised against equity					151	151
Redemption of own shares					-90	-90
<b>Shareholders' equity, 30 Jun 2019</b>	<b>2,088</b>	<b>42,081</b>	<b>5,204</b>	<b>-444</b>	<b>723</b>	<b>49,651</b>
<b>Shareholders' equity, 1 Jan 2020</b>	<b>2,088</b>	<b>42,081</b>	<b>5,204</b>	<b>-422</b>	<b>4,241</b>	<b>53,190</b>
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
Redemption of own shares					0	0
<b>Shareholders' equity, 30 Jun 2020</b>	<b>2,088</b>	<b>42,081</b>	<b>5,204</b>	<b>-432</b>	<b>6,132</b>	<b>55,073</b>

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
<b>30 Jun 2020</b>			
Acquisition cost, 1 Jan 2020	36,321	109,165	38,722
Transferred in acquisitions of business operations	0	0	0
Increases	3,382	0	0
Decreases	-69	0	0
Acquisition cost, 30 Jun 2020	36,635	109,165	38,722
Accumulated depreciation and amortisation, 1 Jan	-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
<b>30 Jun 2019</b>			
Acquisition cost, 1 Jan 2019	26,085	101,856	34,438
IFRS 16 adoption	8 324	0	0
Acquisition cost, 1 Jan 2019	34,409	101,856	34,438
Transferred in acquisitions of business operations	3	0	2
Increases	1,708	656	275
Decreases	-511	0	0
Acquisition cost, 30 Jun 2019	35,609	102,512	34,714
Accumulated depreciation and amortisation, 1 Jan 2019	-22,281	-51,394	-30,846
Depreciation (in income statement)	-1,917	0	-649
Accumulated depreciation and amortisation, 30 Jun 2019	-24,198	-51,394	-31,495
Book value, 1 Jan 2019	3,804	50,462	3,592
Book value, 30 Jun 2019	11,411	51,118	3,219

**CONDENSED INCOME STATEMENT BY QUARTER**

EUR 1,000	4-6/2020	1-3/2020	10-12/2019	7-9/2019	4-6/2019
Net sales	35,193	36,565	37,680	29,496	32,750
Other operating income	95	27	54	29	44
Materials and services	-3,642	-3,916	-4,344	-3,253	-3,773



Depreciation, amortisation and impairment	-1,517	-1,512	-1,504	-1,426	-1,290
Other operating expenses	-26,475	-28,435	-28,885	-23,055	-24,864
Operating result	3,655	2,729	3,001	1,791	2,867
Financial expenses (net)	-237	0	-103	-280	-45
Profit before taxes	3,419	2,728	2,898	1,511	2,822
Income taxes	-701	-541	-662	-390	-578
Result for the period	2,718	2,187	2,236	1,121	2,244
<b>Distribution of net profit for the period</b>					
Parent-company shareholders	2,718	2,187	2,236	1,121	2,244
Earnings/share, EUR (basic and diluted EPS)	0.10	0.08	0.08	0.04	0.08

## GROUP KEY FIGURES

EUR 1,000	1-6/2020	1-6/2019
<b>Extent of business</b>		
Net sales	71,758	64,648
Average capital invested	84,605	66,618
Number of personnel	1,266	1,144
Average personnel	1,263	1,124
<b>Profitability</b>		
Operating profit before amortisation of acquisition costs (EBITA)	7,295	5,366
- as a % of net sales	10.2%	8.3%
Operating profit (EBIT)	6,384	4,856
- as a % of net sales	8.9%	7.5%
Profit before taxes	6,147	4,699
- as a % of net sales	8.6%	7.3%
Result for the period	4,905	3,733
- as a % of net sales	6.8%	5.8%
Return on equity, %	18.1%	15.3%
Return on investment, %	15.3%	14.8%
<b>Financing and financial standing</b>		
Interest-bearing net liabilities	11,553	16,762
Net gearing	21.0%	33.8%
Equity ratio	44.9%	49.8%
Cash flow from operations	17,928	8,374
Earnings per share, EUR, undiluted	0.18	0.14
Earnings per share, EUR, diluted	0.18	0.14

Equity/share, EUR	2.05	1.85
Lowest share trading price, EUR	3.30	2.53
Highest share trading price, EUR	5.40	3.39
Average share price, EUR	4.61	2.92
Market capitalisation	136,801	89,591

## 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:

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

### Dividend per share:

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

### Dividend payout ratio, %:

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

### Net gearing:

(Interest-bearing liabilities - cash and cash equivalents) x 100  
Shareholders' equity

**Effective dividend yield,%:**

Dividend per share x 100  
Last trading price for the period, adjusted for share issues

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

Last trading price for the period, adjusted for share issues  
Earnings per share

#### LARGEST SHAREHOLDERS, 30 JUN 2020

	Shareholders	Shares and votes	%
1.	Ingman Development Oy Ab	7,000,000	26.1
2.	Ilmarinen Mutual Pension Insurance Company	3,912,774	14.6
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.	Skandinaviska Enskilda Banken AB (Publ), Helsinki branch office	610,401	2.3
8.	Nordea Bank Abp	423,840	1.6
9.	OP-Suomi Pienyhtiöt investment fund	325,015	1.2
10.	Rausanne Oy	290,000	1.1
	<b>Total</b>	<b>17,623,626</b>	<b>65.7</b>