

Digia Plc
Financial Statement Bulletin
9 February 2021 at 3:00 pm

Digia Plc's Financial Statement Bulletin 2020

Strong performance during an exceptional year: January–December net sales up 5.5 per cent, operating profit (EBITA) improves by 45.4 per cent

October–December 2020

- Net sales: EUR 37.9 (37.7) million, up 0.5 per cent
- Operating profit (EBITA): EUR 4.6 (3.5) million, up 32.4 per cent; EBITA margin: 12.1 (9.2) per cent of net sales
- Operating profit: EUR 4.1 (3.0) million, up 35.3 per cent; operating margin: 10.7 (8.0) per cent of net sales
- Earnings per share: EUR 0.11 (0.08)
- Agreement on the acquisition of the share capital in Climber International AB

January–December 2020

- Net sales: EUR 139.0 (131.8) million, up 5.5 per cent
- Operating profit (EBITA): EUR 16.0 (11.0) million, up 45.4 per cent; EBITA margin: 11.5 (8.3) per cent of net sales
- Operating profit: EUR 14.1 (9.6) million, up 46.2 per cent; operating margin: 10.1 (7.3) per cent of net sales
- Earnings per share: EUR 0.40 (0.27)
- Return on investment: 16.5 (13.5) per cent
- Equity ratio: 50.7 (47.2) per cent
- Digia's Board of Directors proposes the payment of a dividend of EUR 0.15 per share (EUR 0.10 per share in 2019).
- 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%.

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

GROUP KEY FIGURES

EUR 1,000	10-12/ 2020	10-12/ 2019	Change, %	1-12/ 2020	1-12/ 2019	Change, %
Net sales	37,867	37,680	0.5%	139,049	131,824	5.5%
Operating profit (EBITA)	4,591	3,469	32.4%	16,000	11,003	45.4%
- as a % of net sales	12.1%	9.2%		11.5%	8.3%	
Operating profit (EBIT)	4,060	3,001	35.3%	14,102	9,648	46.2%
- as a % of net sales	10.7%	8.0%		10.1%	7.3%	
Result for the period	2,961	2,236	32.4%	10,627	7,090	49.9%
- as a % of net sales	7.8%	5.9%		7.6%	5.4%	
Return on equity, %				18.7%	14.0%	
Return on investment, %				16.5%	13.5%	
Cash flow from operations				22,926	12,294	86.5%
Interest-bearing net liabilities				10,531	22,616	-53.4%
Net gearing, %				17.3%	42.5%	
Equity ratio, %				50.7%	47.2%	
Number of personnel at period-end				1,258	1,266	-0.6%
Average number of personnel	1,266	1,270	-0.4%	1,261	1,186	6.3%
Shareholders' equity				60,737	53,190	14.2%
Balance sheet total				121,078	114,116	6.1%
Earnings per share	0.11	0.08	31.7%	0.40	0.27	49.4%
Earnings per share (diluted)	0.11	0.08	32.4%	0.39	0.26	53.0%

PRESIDENT & CEO TIMO LEVORANTA:

“Digia continued to grow profitably in 2020. Our full-year net sales grew by 5.5 per cent to EUR 139.0 (131.8) million. At the same time, our EBITA margin improved to 11.5 (8.3) per cent of net sales. We prioritised safeguarding the profitability of our business in the exceptional and in some respects uncertain operating environment – and were successful in this effort. Our operating profit (EBITA) saw year-on-year growth of 45.4 per cent. Our financial objectives for the strategy period (2020-2022) are to achieve annual net sales growth of more than 10 per cent and an EBITA margin of about 10 per cent. We fell slightly short of our financial objective for net sales growth, but reached our profitability target. It should be noted that Digia does not report separately adjusted figures; instead, non-recurring expenses are included in the profitability target.

Growth in operating profit (EBITA) remained strong in the last quarter and net sales during the period stayed on a par with the previous year. Our fourth-quarter net sales amounted to EUR 37.9 (37.7) million and operating profit (EBITA) to EUR 4.6 (3.5) million. The EBITA margin rose to 12.1 (9.2) per cent of net sales in the last quarter.

In 2020, our customers focused on securing their core business and the functionality of related digital services. I am especially satisfied that Digia’s delivery capabilities remained robust all year. As we had already foreseen in the spring, the economic uncertainty ushered in by the coronavirus started becoming evident in demand for our services in the latter half of the year. Some of our customers postponed projects and in some cases downscaled their service development.

On the other hand, some companies have considered that this is the right time to digitalise their business. The need to boost the efficiency of business processes and utilise data was also evident in the demand for Digia’s services. Customers modernised their core systems and automated their processes and applications. In particular, demand for Microsoft ERP systems and customised solutions remained strong during the entire fiscal year. Demand for Digia’s own ERP systems, digital services, integrations and API management also remained steady. Integrations and API management are key enablers of data-driven business.

Operating profit (EBITA) was increased by good project management and the decline in travel, meeting and office work costs due to the coronavirus epidemic. I believe that some of the cost-reducing changes in our operating methods are here to stay for a long time.

The service and maintenance business continued to account for around 65 per cent of our net sales and the project business for about 35 per cent.

I am especially pleased about our stronger cash flow and balance sheet position. Our cash flow from operations rose to EUR 23.6 (12.3) million during the fiscal year, up 91.9 per cent. Our interest-bearing net liabilities in turn declined to EUR 10.5 (22.6) million and our net gearing improved to 17.3 (42.5) per cent. Our liquidity is at a good level and our financial position is stable.

In February, we announced Digia’s new strategy for the 2020-2022 period. Our “Next Level” strategy revolves around continuous change in digital business and smart data utilisation. Digitalisation will become an ever more important part of our customers’ core business – in this change, they need a visionary and responsible partner like Digia. We create value for our customers by harnessing our strong expertise in data-producing back-end systems, management platforms, integrations and business analytics.

As part of the implementation of our growth strategy, we announced two acquisitions in the fourth quarter. Our Digia Hub network for freelance developers was rounded out in October with the acquisition of NSD Consulting. In December, we signed an agreement for the acquisition of Climber International AB, a Swedish company specialising in business analytics. The acquisition entered into force on 7 January 2021. It strengthens Digia’s expertise and position in business analytics and expands the company’s geographical market position.

In the fourth quarter, we also announced a procurement agreement we signed with the Finnish Transport and Communications Agency Traficom, under which Traficom will acquire experienced software developers from Digia for system development tasks. Traficom expects to procure a maximum of around 50,000 person-work-days of expert resources from Digia during the seven-year contract period.

Key focus areas in our research and development efforts during the year now ended were our own ERP systems, the Digia Iiris monitoring solution and integration products. In the latter half of the year, we developed our cloud-based business and own business platform in particular as well as overhauled our sales operating models.

Our operations are based on professionally skilled employees who are committed to the objectives of our customers. We have supported coping at work in these exceptional circumstances by means such as coaching supervisors and project managers on leadership issues during the coronavirus epidemic. Due to market uncertainty, we took a very restrained approach to hiring new professionals in line with customer demand, and thus our personnel strength remained at the same level as last year. At the end of 2020, we had 1,258 (1,266) employees.

The coronavirus caused uncertainty in the market and led customers to be cautious in their investments, which slowed down growth in our net sales during the review year – however, in our view, the digitalisation trend will remain strong and we believe that the epidemic will further accelerate demand for digitalisation services in the long term.

In 2021, our focus areas are organic growth and overhauling our own business platform, which seeks to not only promote growth but also support the utilisation of data in our operations and facilitate day-to-day work. As part of our growth target, we will also continue to develop our offering and assess acquirees that would be a suitable fit for our strategy.

Our success in the market is supported by our extensive product and service offering, 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 at Digia believe in a world in which business value is created in digital ecosystems, making intelligent and responsible use of data. The companies and public-sector organisations that will thrive are those that can harness data to benefit business in a networked world. In this world, we serve as a responsible and visionary partner to our customers.

PROFIT GUIDANCE 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%.

BRIEFING INVITATION

A briefing for analysts will be held at 4 pm on Tuesday, 9 February 2021 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 5 pm at <https://digia.videosync.fi/2020-q4-tulos>

The material and presentation for the event will be available from 4 pm on 9 February 2021 on the company's website: www.digia.com/en/investors/reports-and-presentations.

FINANCIAL STATEMENTS AND ANNUAL REPORT 2020

Digia Plc's 2020 Annual Report will be published in digital format on 22 February 2021 on the company's website: www.digia.com/en/investors/reports-and-presentations.

The Board of Directors' report and the financial statements for 2020 will be published as part of the Annual Report.

FURTHER INFORMATION

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DISTRIBUTION

Nasdaq Helsinki
Key media
www.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 139.0 million in 2020. The company is listed on Nasdaq Helsinki (DIGIA). digia.com

Digia Plc's Financial Statement Bulletin 2020

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. We help our customers to utilise data and harness it to renew their operations.

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. Although we believe the market situation will remain somewhat uncertain in 2021, we expect to see recovery during the course of the year. Digitalisation using data will continue to be a strong trend even in exceptional circumstances. The coronavirus has forced many organisations to review their operating methods and assess opportunities to utilise digital solutions. The crisis has also highlighted the opportunities opened up by digitalisation – most likely, the current crisis will accelerate the digitalisation trend in the years ahead.

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** is a critical success factor for services;
- the role of **cloud technologies** as a platform for developing and operating services is becoming the norm;
- a further rise in **information security and protection requirements**.

Digia has consistently built its market position as a turn-key solutions provider and service company. Our offering has successfully met market demand and has also demonstrated its strength during exceptional circumstances. Digia's strength is 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.

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. Ever-smarter software and the increasing use of 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

October–December 2020

Digia's net sales for the review period totalled EUR 37.9 (37.7) million, up 0.5 per cent on the corresponding period of the previous year. Net sales growth was seen in our own ERP systems, the Microsoft Business Central ERP and customised solutions in particular. During the review period, the impact of the coronavirus epidemic was clearly reflected in some projects as delays and reductions in scope at the customer's request.

The service and maintenance business accounted for 61.6 (62.4) per cent and the project business for 38.4 (37.6) 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 13.1 (13.4) 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.

January–December 2020

Digia's net sales for the January–December period totalled EUR 139.0 (131.8) million, representing a year-on-year increase of 5.5 per cent. Strong net sales growth was seen in Microsoft ERP systems and customised solutions in January–December. Demand for Digia's own ERP systems, digital services, integrations and API management remained steady.

The service and maintenance business accounted for 63.9 (63.6) per cent of net sales, while the project business accounted for 36.1 (36.4) per cent. The product business accounted for 12.9 (14.7) per cent of the company's total net sales.

PROFIT AND PROFITABILITY

October–December 2020

Operating profit (EBITA) for the review period amounted to EUR 4.6 (3.5) million with an EBITA margin (EBIT %) of 12.1 (9.2) per cent. Several factors contributed to our increased operating profit (EBITA). In addition to good project management, there were cost savings relating to travel, meetings and office use, mainly as a result of the coronavirus. We capitalised EUR 736 thousand in costs of renewing our own business platform during the review period. Our own work accounted for EUR 73 thousand. Earnings before taxes were EUR 3.8 (2.9) million, with earnings after taxes totalling EUR 3.0 (2.2) million. Earnings per share were EUR 0.11 (0.08). Net financial expenses amounted to EUR -0.3 (-0.1) million.

January–December 2020

Digia's operating profit (EBITA) for January–December was EUR 16.0 (11.0) million with an EBITA margin (EBIT %) of 11.5 (8.3) per cent. Profitability has improved thanks to the continual development of operating models, a cost-conscious approach, and cost savings arising from the epidemic. Earnings before taxes were EUR 13.5 (9.1) million, with earnings after taxes totalling EUR 10.6 (7.1) million. Earnings per share were EUR 0.40 (0.27). Net financial expenses amounted to EUR -0.6 (-0.5) million.

RESEARCH AND DEVELOPMENT

Digia constantly invests in enhancing its long-term competitiveness. In January–December, research and development expenses totalled EUR 6.0 (6.3) million, which represented 4.3 (4.8) 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). We also

developed the Digia Iris monitoring solution and integration products for the continuous service needs of customers.

FINANCING, CASH FLOW AND EXPENDITURE

At the end of December 2020, Digia's balance sheet total stood at EUR 121.1 (114.1) million and its equity ratio at 50.7 (47.2) per cent. Net gearing was 17.3 (42.5) per cent. At the end of December 2020, Digia had EUR 26.9 (28.5) million in interest-bearing liabilities. At the end of December, unused bank credit facilities amounted to EUR 3.0 million and unused RCF loans to EUR 1.9 million. Interest-bearing liabilities consisted of EUR 8.6 million in long-term and EUR 8.2 million in short-term loans from financial institutions, and EUR 10.1 million in lease liabilities.

Cash flow from operating activities in January–December 2020 totalled EUR 22.9 (12.3) million. Cash flow from investments came to EUR -4.1 (-10.2) million. Cash flow from financing was EUR -8.3 (2.0) million.

HUMAN RESOURCES AND ADMINISTRATION

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. Digia's key strength lies in its broad-ranging and profound technological expertise combined with an encouraging and evolving workplace culture. Our culture revolves around lifelong learning and continually updating our personnel's expertise to meet customer expectations. Diversity is part of Digia's corporate responsibility: our development efforts seek to make Digia an even more inclusive workplace – a place where everyone can be themselves.

The ways in which work is done in the IT industry are changing quickly: small entrepreneurs are becoming increasingly prevalent alongside traditional employment relationships. In June 2020, Digia launched the Digia Hub network, which offers freelancers access to a broad variety of Digia projects.

At the end of December 2020, Digia had 1,258 (1,266) employees. During the epidemic year, we made only a moderate number of new recruitments in line with customer demand, due to which our payroll decreased by eight persons, or 0.6 per cent, compared with the corresponding period of the previous year. The number of employees averaged 1,261 during the review period; an increase of 75 employees, or 6.3 per cent, on the 2019 average (2019: 1,186).

In 2020, Digia employees spent almost the entire year working remotely. Our organisation demonstrated its strength in these exceptional times, and we have not only maintained our ability to operate but also developed our operations during the financial year. Training was systematically organised as planned using e-learning and distance learning tools. The employee experience survey in November showed that we are at a good level – and the results even improved during this exceptional year.

Employees by location:

	31 Dec 2020	31 Dec 2019	Change, no. of employees
Helsinki	722	742	-20
Tampere	256	251	5
Jyväskylä	170	160	10
Turku	51	51	0
Rauma	24	28	-4
Vaasa	10	11	-1
Lahti	14	12	2
Oulu	6	6	0
Stockholm	5	5	0
Total	1,258	1,266	-8

On 31 December 2020, 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

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

CHANGES IN THE GROUP STRUCTURE

The streamlining of the Group's 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 Ltd. 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 Ltd, Digia Hub Oy, and Digia Sweden AB.

SHARE CAPITAL AND SHARES

On 31 December 2020, the number of Digia Plc shares totalled 26,823,723. The company had a total of 7,644 shareholders.

Digia Plc held a total of 57,372 treasury shares at the end of 31 December 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 88,222 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.

According to the list of shareholders on 31 December 2020, 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	7,530,000
Martti Ala-Härkönen	20,000
Santtu Elsinen	0
Päivi Hokkanen	10,833
Seppo Ruotsalainen, Vice Chair	6,000
Outi Taivainen	723
Timo Levoranta, President and CEO	106,179

At year-end, the CEO and members of the Board of Directors held a total of 7,673,735 of the company's shares, representing 28.6 per cent of all shares and votes.

REPORTED SHARE PERFORMANCE ON THE HELSINKI STOCK EXCHANGE

Digia Plc's shares are listed on Nasdaq Helsinki under IT, IT Consulting & Other Services. The company's short name is DIGIA. The lowest reported share quotation in January–December 2020 was EUR 3.30 and the highest EUR 7.80. The share officially closed at EUR 7.52 on 31 December 2020. The share's trade weighted average price was EUR 5.47. The company's market capitalisation totalled EUR 201,714,397 on 31 December 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 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 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 www.digia.com/en/investors/governance/annual-general-meeting/agm-2020.

COMPANY ACQUISITIONS

On 1 October 2020, Digia acquired the entire share capital of NSD Consulting Oy. NSD is a consulting firm that specialises in demanding fullstack software development and, in particular, Java and .NET environments. A key element in NSD's operations is a professional network of more than 1,600 freelancers through which NSD provides its customers with first-rate expertise for demanding requirements. The company's net sales totalled EUR 3.51 million in 2019. NSD has 14 of its own employees. About 40 consultants were working on projects at the time of the transaction. The NSD acquisition strengthens Digia's strategic ecosystem approach and enables us to provide our customers with a very extensive and solid network of experts.

On 15 December 2020, Digia Plc and Climber International AB signed an agreement whereby Digia Plc acquires the share capital of Climber International AB.

EVENTS AFTER THE REVIEW PERIOD

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 encompasses Climber's operations in Sweden, Finland, Denmark and the Netherlands. Climber will continue as a subsidiary with its own brand.

Climber International AB's net sales in 2019 totalled SEK 137.7 million (approx. EUR 13.4 million) and the company employed 83 people on 31 December 2019. On 1 December 2020, the company employed 77 people, of whom 54 were located in Sweden. The acquisition did not include the company's operations in the UK, which generated net sales of SEK 18.4 million in 2019 and employed 8 people on 31 December 2019.

The purchase price consisted of a fixed component of EUR 8.1 million plus an additional component of maximum EUR 5.4 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 will be 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.

RISKS AND UNCERTAINTIES

The main change in Digia's key risks and operating environment concerns the risks posed by the coronavirus epidemic to service demand, the health of the company's employees, and the valuation of trade receivables. The company estimates that no other great changes 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. Risks relating to short-term demand have significantly increased 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, the recurring service fees for the products are paid over a longer period of time compared to 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. Risks related to customer receivables are also growing. Large customer projects typically involve delivery-related sanctions whose materialisation always poses a risk. 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%.

BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF PROFIT

According to the balance sheet dated 31 December 2020, Digia Plc's unrestricted shareholders' equity was EUR 56,922,170, of which EUR 8,125,513 was profit for the fiscal year. At the Annual General Meeting, the Board of Directors will propose that a dividend of EUR 0.15 per share be paid according to the confirmed balance sheet for the fiscal year ending 31 December 2020. Shareholders listed on the shareholder register maintained by Euroclear Finland Oy on the dividend reconciliation date, 19 March 2021, will be eligible for the payment of dividend. Dividends will be paid on 26 March 2021.

Helsinki, 9 February 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

This Financial Statement Bulletin was prepared in compliance with IFRS and the IAS 34 Interim Financial Reporting standard. The financial statements have been audited.

CONDENSED CONSOLIDATED INCOME STATEMENT

EUR 1,000	10-12/ 2020	10-12/ 2019	Change, %	1-12/ 2020	1-12/ 2019	Change, %
NET SALES	37,867	37,680	0.5%	139,049	131,824	5.5%
Other operating income	50	54	-6.9%	252	141	77.9%
Materials and services	-4,473	-4,344	3.0%	-15,257	-15,065	1.3%
Depreciation, amortisation and impairment	-1,553	-1,504	3.2%	-6,066	-5,496	10.4%
Other operating expenses	-27,833	-28,885	-3.6%	-103,876	-101,756	2.1%
Operating profit (EBIT)	4,060	3,001	35.3%	14,102	9,648	46.2%
Financial expenses (net)	-289	-103	180.6%	-644	-540	19.3%
Profit before taxes	3,771	2,898	30.1%	13,458	9,108	47.8%
Income taxes	-810	-662	22.3%	-2,830	-2,017	40.3%
RESULT FOR THE PERIOD	2,961	2,236	32.4%	10,627	7,090	49.9%
Other comprehensive income						
Items that may later be reclassified as profit or loss						
Exchange differences on translation of foreign operations	-103	-47	120.7%	-80	38	-309.3%
TOTAL COMPREHENSIVE INCOME	2,858	2,189	30.6%	10,547	7,128	48.0%
Distribution of net profit for the period						

EUR 1,000	10-12/ 2020	10-12/ 2019	Change, %	1-12/ 2020	1-12/ 2019	Change, %
Parent-company shareholders	2,961	2,236	32.4%	10,627	7,090	49.9%
Distribution of total comprehensive income						
Parent-company shareholders	2,858	2,189	30.6%	10,547	7,128	48.0%
Earnings per share, EUR	0.11	0.08	31.7%	0.40	0.27	49.4%
Earnings per share (diluted), EUR	0.11	0.08	32.4%	0.39	0.26	53.0%

CONDENSED CONSOLIDATED BALANCE SHEET

EUR 1,000	31 Dec 2020	31 Dec 2019
Assets		
Non-current assets		
Goodwill	61,478	57,771
Other intangible assets	6,332	6,378
Tangible assets	987	894
Right-of-use assets	9,272	9,150
Investments	484	484
Non-current receivables	2	94
Deferred tax assets	513	558
Total non-current assets	79,067	75,328
Current assets		
Current receivables	25,600	32,950
Available-for-sale financial assets	0	0
Cash and cash equivalents	16,410	5,838
Total current assets	42,010	38,787
Total assets	121,078	114,116
Shareholders' equity and liabilities		
Share capital	2,088	2,088
Other reserves	5,204	5,204
Unrestricted shareholders' equity reserve	42,081	42,081
Translation difference	-343	-422
Retained earnings	1,080	-2,850
Result for the period	10,627	7,090
Equity attributable to parent-company shareholders	60,737	53,190

EUR 1,000	31 Dec 2020	31 Dec 2019
Total shareholders' equity	60,737	53,190
Liabilities		
Non-current interest-bearing liabilities	15,284	21,272
Non-current advances received	0	23
Other non-current liabilities	2,000	126
Deferred tax liabilities	1,115	1,250
Total non-current liabilities	18,399	22,671
Current interest-bearing liabilities	11,658	7,182
Other current liabilities	30,284	31,071
Total current liabilities	41,942	38,254
Total liabilities	60,341	60,925
Shareholders' equity and liabilities	121,078	114,116

CONSOLIDATED CASH FLOW STATEMENT

EUR 1,000	1 Jan 2020–31 Dec 2020	1 Jan 2019–31 Dec 2019
Cash flow from operations:		
Profit for the period	10,627	7,090
Adjustments to net profit	16,057	6,386
Change in working capital	2,815	-4,258
Change in other receivables and liabilities	-2,347	5,050
Interest paid	-457	-311
Interest income	32	0
Taxes paid	-3,801	-1,662
Cash flow from operations	22,926	12,294
Cash flow from investments:		
Purchases of tangible and intangible assets	-606	-213
Acquisition of subsidiaries, net of cash and cash equivalents at the time of acquisition	-3,591	-10,035
Dividends received	10	13
Divested business operations	60	
Cash flow from investments	-4,126	-10,236
Cash flow from financing:		
Repayment of lease liabilities	-3,019	-3,577
Repayments of current loans	-2,326	-19,826
Withdrawals of current loans		14,200
Repayments of non-current loans		-4,800
Withdrawals of non-current loans		18,100
Acquisition of treasury shares	-301	-213
Dividends paid	-2,672	-1,864
Cash flow from financing	-8,317	2,020

Change in cash and cash equivalents	10,482	4,078
Cash and cash equivalents at beginning of period	5,838	1,733
Effect of changes in foreign exchange rates	90	27
Change in cash and cash equivalents	10,482	4,078
Cash and cash equivalents at end of period	16,410	5,838

CHANGES IN SHAREHOLDERS' EQUITY

EUR 1,000	a	b	c	d	e	f
SHAREHOLDERS' EQUITY, 1 JAN 2019	2,088	42,081	5,204	-384	-1,206	47,782
Net profit					7,090	7,090
Other comprehensive income				-38		-38
Transactions with shareholders						
Dividends					-1,864	-1,864
Share-based payments recognised against equity					434	434
Redemption of own shares					-213	-213
SHAREHOLDERS' EQUITY, 31 DEC 2019	2,088	42,081	5,204	-422	4,241	53,190
SHAREHOLDERS' EQUITY, 1 JAN 2020	2,088	42,081	5,204	-422	4,241	53,190
Net profit					10,627	10,627
Other comprehensive income				80		80
Transactions with shareholders						
Dividends					-2,672	-2,672
Share-based payments recognised against equity					-188	-188
Redemption of own shares					-301	-301
SHAREHOLDERS' EQUITY, 31 DEC 2020	2,088	42,081	5,204	-343	11,707	60,737

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
31 Dec 2020			

EUR 1,000	Tangible assets	Goodwill	Other intangible assets
Acquisition cost, 1 Jan 2020	36,322	109,165	38,722
Transferred in acquisitions of business operations	14	0	1,223
Increases	4,373	3,707	736
Decreases	-111	0	0
Acquisition cost, 31 Dec 2020	40,598	112,872	40,681
Accumulated depreciation and amortisation, 1 Jan 2020	-26,278	-51,394	-32,344
Depreciation (in income statement)	-4,061	0	-2,005
Accumulated depreciation and amortisation, 31 Dec 2020	-30,339	-51,394	-34,349
Book value, 1 Jan 2020	10,044	57,771	6,378
Book value, 31 Dec 2020	10,259	61,478	6,331
31 Dec 2019			
Acquisition cost, 1 Jan 2019	26,085	101,857	34,436
IFRS 16 adoption	8,324	0	0
Acquisition cost, 1 Jan 2019	34,409	101,857	34,436
Transferred in acquisitions of business operations	113	7,308	4,449
Increases	2,360	0	28
Decreases	-560	0	-191
Acquisition cost, 31 Dec 2019	36,322	109,165	38,722
Accumulated depreciation and amortisation, 1 Jan 2019	-22,282	-51,394	-30,845
Depreciation (in income statement)	-3,997	0	-1,499
Accumulated depreciation and amortisation, 31 Dec 2019	-26,278	-51,394	-32,344
Book value, 1 Jan 2019	12,127	50,462	3,592
Book value, 31 Dec 2019	10,044	57,771	6,378

CONDENSED INCOME STATEMENT BY QUARTER

EUR 1,000	10-12/2020	7-9/2020	4-6/2020	1-3/2020	10-12/2019
Net sales	37,867	29,423	35,193	36,565	37,680
Other operating income	50	80	95	27	54
Materials and services	-4,473	-3,227	-3,642	-3,916	-4,344
Depreciation, amortisation and impairment	-1,553	-1,485	-1,517	-1,512	-1,504
Other operating expenses	-27,833	-21,134	-26,475	-28,435	-28,885

Operating result	4,060	3,658	3,655	2,729	3,001
Financial expenses (net)	-289	-118	-237	0	-103
Profit before taxes	3,771	3,540	3,419	2,728	2,898
Income taxes	-810	-779	-701	-541	-662
Result for the period	2,961	2,761	2,718	2,187	2,236
Distribution of net profit for the period					
Parent-company shareholders	2,961	2,761	2,718	2,187	2,236
Earnings per share, EUR (basic)	0.11	0.10	0.10	0.08	0.08

GROUP KEY FIGURES

EUR 1,000	1-12/2020	1-12/2019
Extent of business		
Net sales	139,049	131,824
Average capital invested	86,044	72,732
Number of personnel	1,258	1,266
Average number of personnel	1,261	1,186
Profitability		
Operating profit before amortisation of acquisition costs (EBITA)	16,000	11,003
- as a % of net sales	11.5%	8.3%
Operating profit (EBIT)	14,102	9,648
- as a % of net sales	10.1%	7.3%
Profit before taxes	13,458	9,108
- as a % of net sales	9.7%	6.9%
Result for the period	10,627	7,090
- as a % of net sales	7.6%	5.4%
Return on equity, %	18.7%	14.0%
Return on investment, %	16.5%	13.5%
Financing and financial standing		
Interest-bearing net liabilities	10,531	22,616
Net gearing	17.3%	42.5%
Equity ratio	50.7%	47.2%
Cash flow from operations	22,926	12,294
Earnings per share, EUR, undiluted	0.40	0.27
Earnings per share, EUR, diluted	0.39	0.26
Equity/share, EUR	2.26	1.98
Lowest share trading price, EUR	3.30	2.53
Highest share trading price, EUR	7.80	4.08
Average share price, EUR	5.47	3.21
Market capitalisation	201,714	107,027

FORMULAS**Operating profit (EBITA):**

Operating profit + amortisation of acquisition costs

EBITA margin, %:

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

Return on investment (ROI),%:

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

Return on equity (ROE),%:

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

Equity ratio, %:

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

Earnings per share:

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

Earnings per share (diluted):

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

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, 31 DEC 2020

	Shareholders	Shares and votes	%
1.	Ingman Development Oy Ab	7,500,000	28.0
2.	Ilmarinen Mutual Pension Insurance Company	3,370,774	12.6
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.	Nordea Bank Abp	588,058	2.2
8.	Skandinaviska Enskilda Banken AB (Publ), Helsinki branch office	429,347	1.6
9.	OP-Suomi Pienyhtiöt investment fund	325,015	1.2
10.	Rausanne Oy	280,000	1.0
	Total	17,554,790	65.4