



# digia

## Interim Report 1-9/2012

Juha Varelius, CEO

26 October 2012

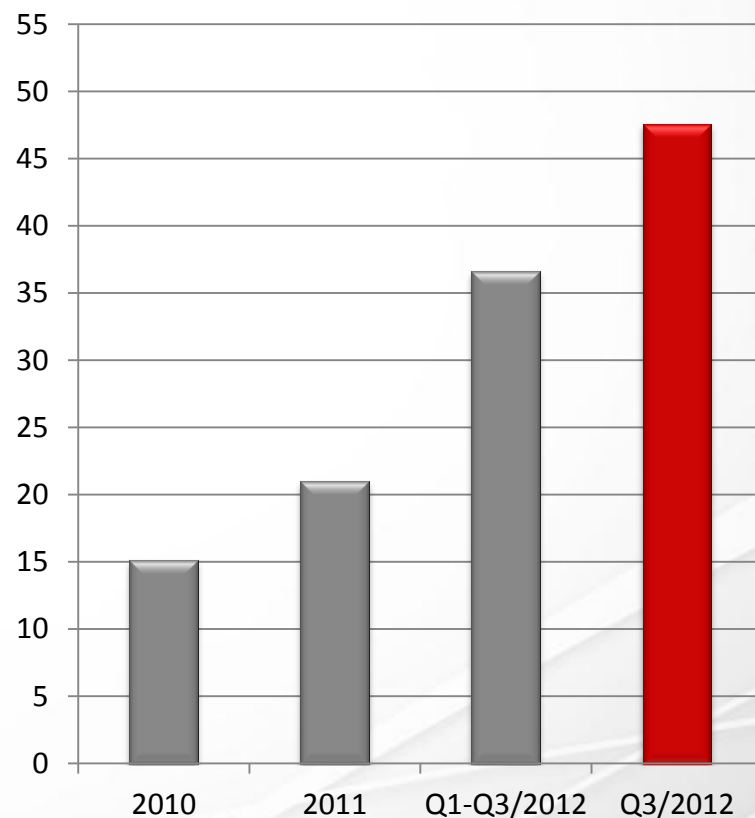
# SUMMARY FOR 1-9/2012

- ▶ Turnover decreased notably
  - ▶ Consolidated net sales EUR 75.0 (91.7) million
  - ▶ Q3 consolidated net sales EUR 24.4 (26.0) million
  - ▶ Decrease due to significant drop in the demand of contract engineering services
  - ▶ Qt deal generated temporary revenue of which 3,8 was recorded to Q3
  
- ▶ Operating profit increased notably
  - ▶ Profit before one-off items EUR 7.2 (5.6) million
  - ▶ Profit after one-off items EUR 6.6 (-23.6) million
  - ▶ One-off items (EUR 0.6 million) consisted of changes in the management team
  - ▶ Q3 profit EUR 4.5 (2.7) million
  - ▶ Revenue incurred in connection with Qt deal improved Q3 profit by EUR 3.2 million
  
- ▶ Profitability before one-off items
  - ▶ 9.6 (6.1) per cent in the reporting period
  - ▶ 18.6 (10.4) per cent in Q3
  
- ▶ Earnings per share before one-off items
  - ▶ EUR 0.23 (0.21) in the reporting period
  - ▶ EUR 0.15 (0.09) in Q3

# SUMMARY 1-9/2012

- ▶ Product business grew significantly
  - ▶ Product business accounted for EUR 27.4 (18.0) million and 36.6 (19.6) per cent, up 52.2 per cent
  - ▶ NOTE! Temporary effect of Qt deal

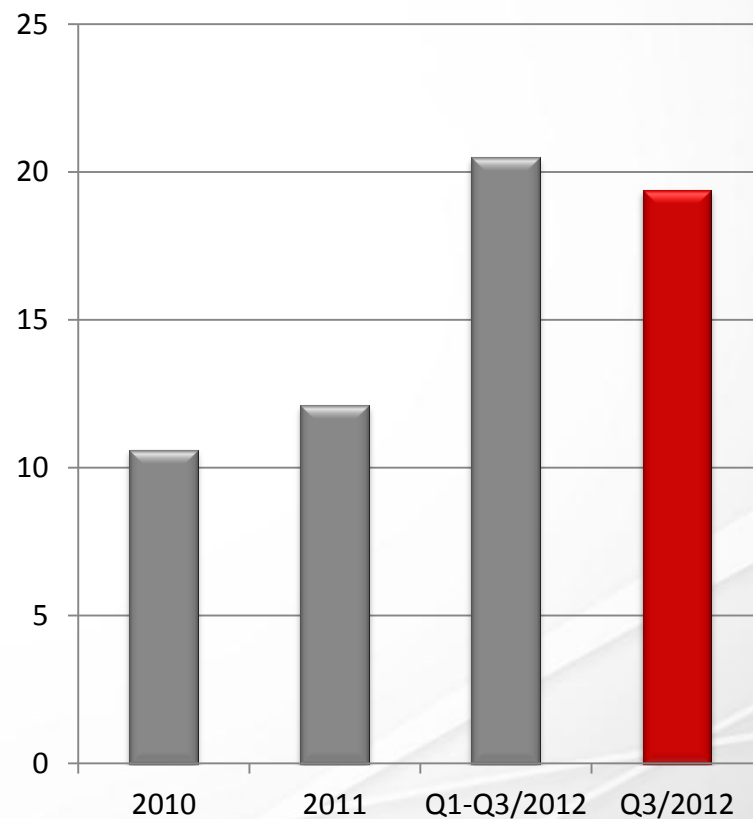
	Q3/ 2012	Q1-Q3/ 2012	2011	2010
<b>Digia Group</b>	<b>47.6%</b>	36.6%	21.0%	15.1%



# SUMMARY 1-9/2012

- ▶ International business grew significantly
  - ▶ International business accounted for EUR 15.4 (9.6) million and 20.5 (10.4) per cent, up 60.4 per cent

	Q3/ 2012	Q1-Q3/ 2012	2011	2010
<b>Digia Group</b>	<b>19.4%</b>	20.5%	12.1%	10.6%



# SUMMARY FOR 1-9/2012

- ▶ On 18 September 2012 the company initiated personnel negotiations with the aim of reorganising the Qt business and affecting
  - ▶ 88 employees
  - ▶ In Qt business and the remaining mobile contract engineering business
  - ▶ in the Helsinki, Tampere, Jyväskylä and Oulu offices.
- ▶ The negotiations are scheduled to end on week 44, when possible personnel measures will be announced
- ▶ Digia has consistently carried out significant activities to adjust its business and organisation to match the changed operating environment
- ▶ Despite the adjustment measures profitability challenges exist, although the trend has been positive towards the end of the reporting period
  - ▶ Cost structure relatively heavier than before
  - ▶ Nokia risk removed, but remaining of contract engineering services business turned unprofitable
  - ▶ In the beginning of the year the profitability burdened by temporarily risen attrition and investments into international business
  - ▶ In Q3 loss reservations made in the total amount of EUR 0,8 million regarding two customer deliveries



## MAIN FIGURES OF QT DEAL

- ▶ Transaction entered into force on 18 September 2012 with 88 new employees transferring to Digia in Norway, Germany and Finland
- ▶ Net purchase price EUR 4.0 million
  - ▶ Digia paid EUR 16.2 million for the purchased technology and business
  - ▶ Digia invoiced Nokia in the amount of EUR 12.2 million in connection with the deal
- ▶ Transaction generated good will in the amount of EUR 6.6 million
- ▶ Out of EUR 12.2 million Digia invoiced from Nokia a total of EUR 9.2 million will be reported as revenue during three years following the transaction
- ▶ Revenue generated in connection with the transaction improved also operating profit, in Q3 the recorded improvement was EUR 3.2 million

## MARKETS AND DIGIA'S BUSINESS

- ▶ IT-service demand relatively steady, economic threats can to some extent been seen as postponed projects and price consciousness from customers especially in the customer solutions business
- ▶ Shortage of experienced architecture and business professionals causes longer recruitment times and pressure for labour cost increase
- ▶ Demand for ERP and other operative systems as well as integration services in the reporting period was reasonable, although customers have become increasingly cautious and sales cycles have become longer
- ▶ Russian and Chinese units will be more strongly directed towards local customers; in China the focus is in Qt-business
- ▶ Qt business went well, net sales increased and profitability improved

# OUTLOOK

- ▶ Company expects IT market to remain in 2012-13 on 2011 level
- ▶ Company expects the demand for ERP, operative systems and integration services to remain on healthy level, although the increasing cautiousness among the customers creates uncertainty
- ▶ Company will continue activities to make low profitability business areas more efficient and will complete the adjustment of contract engineering business according to the market demand
- ▶ Company expects the Qt deal to further support the positive development of Qt business, and net sales from it to develop positively also in the future
- ▶ On the other hand, the increased personnel expenses arising from Qt deal combined with the take-over costs will have a significant negative impact on the operating profit and profitability of the Qt business and the company, especially in Q4/2012
- ▶ The company predicts that it may even make a temporary operating loss in Q4, but as the planned streamlining measures take effect and the Qt business develops, the profitability is expected to rise again to a good level in 2013



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