

Digia Plc
Stock exchange release
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Digia Plc's business review January–March 2018

Net sales were up by 21.3 per cent, operating profit improved by EUR 1.6 million

JANUARY-MARCH 2018 (2017)

- Net sales EUR 26.9 (22.2) million, increase 21.3 per cent
- Operating profit EUR 1.6 (0.0) million, 5.9 (0.1) per cent of net sales
- Earnings per share EUR 0.04 (-0.01)
- Return on investment 11.0 (0.5) per cent
- Equity ratio 51.6 (48.2) per cent
- Acquisition of Avarea Oy, which specialises in analytics solutions
- Profit guidance for 2018 remains unchanged: Digia's net sales will continue to grow and operating profit will improve significantly compared to 2017.

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

DIGIA'S PRESIDENT & CEO TIMO LEVORANTA COMMENTS ON THE FIRST QUARTER OF 2018

“During the review period, we bolstered our offering, particularly in the Integration and Information Management service area, by acquiring the entire share capital of the analytics company Avarea Oy. By joining forces, we have created a top team of more than 200 experts focusing on advanced data analytics, integration and visualisation of analytics results. The acquisition agreement with Avarea was made on 29 March 2018, and thus it did not increase Digia's net sales for the review period.

Net sales for the review period totalled EUR 26.9 (22.2) million, representing growth of 21.3 per cent on the previous year. Demand and growth focused on several of Digia's service offerings.

Growth was strongly driven by integration and data utilisation. Modern integration solutions provide flexibility in customers' business and accelerate the development and market launch of digital services. Well-implemented integration architecture, including interface management, also enables business networking with both partners and developers. These customer needs generated demand for API management solutions in particular.

As customers are transferring their business online, demand for Digia's e-commerce solutions was at a good level and saw growth in the first quarter. Online stores are an increasingly important element of customers' business and the requirements set for their operational reliability are rising. In addition to a good customer experience and data-driven functionality, solution implementation emphasises seamless integration with ERP systems and around-the-clock support.

Digia's strong role in the Microsoft 365 cloud service market contributed to net sales growth in the review period. In these projects related to end-to-end business solutions, the focus of customer work has shifted from project work to continuous services. In addition, sales of Digia's own ERP, Digia Enterprise, grew thanks to the expansion of customer segments. Net sales also grew due to our customers' additional investments in further system development. The Income Register project that Digia is implementing with the Tax Administration progressed according to plan and supported net sales growth.

The project business accounted for 52.9 (46.9) per cent of the company's net sales. The service and maintenance business grew by 6.0 per cent and accounted for 47.1 (53.1) per cent of net sales. Digia's long-term goal is still to

increase the service business's share of net sales through service contracts that involve the tracking of project phases and which cover the entire lifecycle of the service. The net sales of the product business amounted to EUR 5.2 (5.5) million, or 19.2 (24.7) per cent of net sales. The product business also includes licence maintenance.

Operating profit for the review period amounted to EUR 1.6 (0.0) million with an operating margin (EBIT %) of 5.9 (0.1) per cent. Operating profit was improved by both net sales growth and better project management. The risks involved in the three challenging projects, mentioned at the end of 2017, decreased significantly during the review period. The impact of these projects, for example, through the reversal of impairment losses, on the result for the period was EUR 332 thousand.

In order to implement our growth strategy, we continued to recruit and train professionals. We recruited about 60 new Digia employees during the review period. In addition, 41 employees joined Digia due to the Avarea acquisition. To support growth, we expanded our operations by establishing a business location in Lahti.

Going forward, customers want even more digitalisation solutions that cover the entire business value chain, instead of isolated and fragmented service development. Digia's offering includes services for the digitalisation of business operations. The company has the capabilities to customise solutions and the expertise to utilise both in-house and third-party platforms. Our digital services provide end customers with a pleasant and rich user experience. State-of-the-art integration services enable our customers to develop their business agilely. Drawing on our expertise in operational systems, we ensure that our customers have efficient core processes. We make use of advanced data analytics in all areas of our operations. This is a unique and continuously evolving solution package. 24/7 support is an integral part of our service business that is valued by our customers.

During 2017, we invested in creating the foundations for profitable growth. Our goal in 2018 is to bolster Digia's position in the domestic IT service market. We will continue to clarify and develop our offering and polish our services as a whole to ensure they are consistent and even more effective. Our goal is to continue profitable growth faster than the IT service market."

PROFIT GUIDANCE FOR 2018

Digia's profit guidance for 2018 remains unchanged: Digia's net sales will continue to grow and operating profit will improve significantly compared to 2017.

GROUP KEY FIGURES

EUR 1,000	1-3/2018	1-3/2017	Change	2017
Net sales 1)	26,882	22,159	21.3%	94,537
Operating profit 2)	1,589	27		1,852
- as a % of net sales	5.9%	0.1%		2.0%
Result for the period	1,102	-127		974
- as a % of net sales	4.1%	-0.6%		1.0%
Return on equity, %	10.0%	-1.6%		2.5%
Return on investment, %	11.0%	0.5%		3.7%
Interest-bearing liabilities	16,231	13,887	16.9%	16,630
Cash and cash equivalents	4,068	2,140	90.1%	11,858
Gearing, %	27.6%	37.8%		10.8%
Equity ratio, %	51.6%	48.2%		51.0%
Number of personnel at period-end	1,060	912	16.2%	1,005
Average number of personnel	1,033	896	15.3%	954
Shareholders' equity	44,102	31,114	41.7%	44,130

EUR 1,000	1-3/2018	1-3/2017	Change	2017
Balance sheet total	86,196	65,664	31.3%	86,610
Earnings per share, EUR	0.04	-0,01		0.04

1) IFRS 15 adjustment to consolidated net sales 1-3/2017 is EUR -357 thousand and to full-year 2017 net sales EUR -1,685 thousand.

2) IFRS 15 adjustment to consolidated operating profit 1-3/2017 is EUR -39 thousand and to full-year 2017 operating profit EUR 6 thousand.

IFRS 15 ADJUSTMENT TO 2017 NET SALES AND OPERATING PROFIT

Digia has analysed the impact of the IFRS 15 standard, which came into force on 1 January 2018, for a number of income flows. These include own licences and their maintenance, third-party licences and their maintenance, and the sale of work and services. Third-party licences and their maintenance have the greatest impact on net sales. For these, Digia has evaluated what kind of role and responsibility Digia has with regard to the end customer. Due to the adoption of IFRS 15, Digia is adjusting its 2017 net sales and operating result.

The amended revenue recognition principle of IFRS 15 has an impact of EUR -1,685 thousand on Digia Group's net sales for 2017, but does not have any material impact on the operating result.

EUR 1,000	Q1-2017	Q2-2017	Q3-2017	Q4-2017	2017
Net sales, IFRS 15 adjusted	22,159	24,389	20,548	27,441	94,537
Operating profit, IFRS 15 adjusted	27	1,399	-751	1,177	1,852
Net sales, reported in 2017	22,516	24,840	20,899	27,966	96,221
Operating profit, reported in 2017	66	1,374	-691	1,097	1,846

BRIEFING INVITATION

Digia will hold a briefing for analysts on Friday 27 April 2018 at 11 am, in the Tapiola cabinet at Hotel Scandic Simonkenttä, Simonkatu 9, 00100 Helsinki, Finland. Welcome.

The material and presentation for the event will be available from 11 am on 27 April 2018 in the Investors section of the company's website: www.digia.com/en/investors/reports-and-presentations.

FURTHER INFORMATION

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DISTRIBUTION

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Key media
www.digia.com

Digia is a profitably growing IT service company that helps its customers harness digital opportunities. As a visionary partner, Digia develops and innovates solutions that support business operations together with its customers. We adapt our expertise to their specific industries to help them develop digital services, manage operations and utilise information. We employ over 1,000 experts in Finland and Sweden. We are expanding our international presence together with our customers. Digia's net sales in 2017 totalled EUR 94.5 million. The company is listed on Nasdaq Helsinki (DIGIA). www.digia.com