



Digia Plc

HALF-YEAR FINANCIAL REPORT

January–June 2023 (unaudited)

January–June net sales up 16.9 per cent, operating profit (EBITA) for April–June sees year-on-year improvement

April–June 2023

- Net sales: EUR 47.8 (41.2) million, up 16.0 per cent
- Operating profit (EBITA): EUR 3.4 (2.1) million, up 58.2 per cent; EBITA margin: 7.1 (5.2) per cent of net sales
- Operating profit (EBIT): EUR 2.7 (1.5) million, up 73 per cent; EBIT margin: 5.6 (3.7) per cent of net sales
- Earnings per share: EUR 0.07 (0.06)

January–June 2023

- Net sales: EUR 97.9 (83.7) million, up 16.9 per cent
- Operating profit (EBITA): EUR 8.3 (7.3) million, up 13.5 per cent; EBITA margin: 8.4 (8.7) per cent of net sales
- Operating profit (EBIT): EUR 6.8 (6.1) million, up 11.7 per cent; EBIT margin: 6.9 (7.3) per cent of net sales
- Earnings per share: EUR 0.18 (0.19)
- Return on investment: 13.6 (12.6) per cent
- Equity ratio: 45.1 (44.2) per cent

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/ 2023	4-6/ 2022	Change, %	1-6/ 2023	1-6/ 2022	Change, %	1-12/2022
Net sales	47,847	41,240	16.0%	97,881	83,701	16.9%	170,754
Operating profit (EBITA)	3,390	2,143	58.2%	8,259	7,276	13.5%	15,733
- as a % of net sales	7.1%	5.2%		8.4%	8.7%		9.2%
Operating profit (EBIT)	2,664	1,540	73.0%	6,801	6,087	11.7%	12,727
- as a % of net sales	5.6%	3.7%		6.9%	7.3%		7.5%
Result for the period	1,859	1,474	26.1%	4,880	5,132	-4.9%	9,571
- as a % of net sales	3.9%	3.6%		5.0%	6.1%		5.6%

EUR 1,000	4-6/ 2023	4-6/ 2022	Change, %	1-6/ 2023	1-6/ 2022	Change, %	1-12/2022
Return on equity, %				14.0%	15.3%		13.8%
Return on investment, %				13.6%	12.6%		12.9%
Cash flow from operations				7,535	8,799	-14.4%	14,252
Interest-bearing net liabilities				21,901	15,681	39.7%	17,608
Net gearing, %				31.8%	23.6%		24.8%
Equity ratio, %				45.1%	44.2%		45.0%
Number of personnel at period-end				1,437	1,397	2.9%	1,426
Average number of personnel	1,443	1,386	4.1%	1,442	1,368	5.4%	1,399
Shareholders' equity				68,768	66,353	3.6%	71,087
Balance sheet total				157,510	154,590	1.9%	160,116
Earnings per share, EUR	0.07	0.06	25.1%	0.18	0.19	-5.5%	0.36
Earnings per share (diluted), EUR	0.07	0.06	25.0%	0.18	0.19	-5.5%	0.36

CEO's Review:

“Digia’s net sales were up 16.9 per cent in January–June and amounted to EUR 97.9 (83.7) million. Operating profit (EBITA) grew by 13.5 per cent and the EBITA margin was 8.4 (8.7) per cent.

Net sales growth remained strong in the second quarter. Our net sales were up 16.0 per cent in April–June and amounted to EUR 47.8 (41.2) million. Organic growth accounted for 9.3 per cent of net sales. Second-quarter operating profit (EBITA) saw a year-on-year improvement and amounted to EUR 3.4 (2.1) million. Operating profit (EBITA) grew by 58.2 per cent and the EBITA margin was 7.1 (5.2) per cent.

Digia’s business consists of service areas that provide specialised IT solutions: Digital Solutions, Business Platforms, Financial Platforms and Managed Solutions. I’m pleased that our net sales grew in all our service areas in April–May.

In the Digital Solutions service area, data utilisation solutions and CRM solutions saw strong growth in Microsoft Power Platform solutions, for instance. Our Digia Hub expert subcontracting network also grew strongly. On the other hand, the pace of growth slowed down in tailored software development.

Net sales grew slightly in our Business Platforms service area, which focuses on ERP, with the strongest growth being achieved in NetSuite ERP solutions. New sales of Microsoft solutions remained strong in the review period: for example, our cooperation with Kuntien Tiera Oy expanded with respect to the Microsoft Dynamics 365 ERP system, and Digia also assumed responsibility for Alko Oy's Microsoft Dynamics 365 ERP system.

Our service area that saw the strongest growth was Managed Solutions, whose core offering focuses on enhancing the business efficiency of customers in long-term customer relationships. One of the agreements we made during the review period was with a Finnish listed industrial company, involving integration environment takeover, further development and continuous services. Particularly strong growth was seen in Digia's smart automation platform – comparable net sales doubled compared to the corresponding quarter of the previous year. This is Digia's own product solution.

Growth in the Financial Platforms service area, which focuses on the financial sector, was supported by strategic change projects among our key customers.

Continuous service and maintenance business plays a significant role in Digia's business model and it partly balances out the effects of any market fluctuations in our operations. In the second quarter, the service and maintenance business grew by 9.7 per cent and accounted for 56.9 (60.2) per cent of net sales. The project business grew by 25.6 per cent and accounted for 43.1 (39.8) per cent of net sales.

In the second quarter, growth in operating profit (EBITA) was slowed down by tighter price competition, especially in the market for tailored software development, the pay settlement negotiated in the spring, and the general trend in inflation. We will continue to invest in enhancing the efficiency of our own operations to improve our profitability. In addition to traditional organisational development, we see new opportunities for productivity improvement through the use of automation and artificial intelligence.

Digia's exceptional Microsoft expertise was widely recognised by the principal, too. In July, after the end of the review period, Microsoft announced that it had selected Digia for its global Business Applications 2023/2024 Inner Circle partner network for the third time in a row. Only about one per cent of Microsoft's strategic partners around the world are selected for this network. In addition, Microsoft chose Digia as a Power Platform Partner of the Year.

During the review period, we conducted our annual NPS customer satisfaction survey. According to the survey, satisfaction is excellent, particularly among our key customers. One of our goals for the strategy period is to improve our NPS score by 25 per cent compared to the 2022 baseline.

Digia's own collective agreement entered into force at the beginning of May. It enables investments and flexibility that take Digia's culture into account better than a general agreement. The collective agreement introduced new elements, such as to the pay

settlement, in which salary adjustments are partly tied to the development of our profitability. Its primary aim is to ensure that the company's success benefits all Digia employees.

Market demand currently shows a significant need for solutions to enhance business efficiency. Our customers' goal is to step up the efficiency of their existing operations, which calls for investments in continuous digitalisation and, above all, artificial intelligence. Digia also seeks to improve the efficiency of its operations during the rest of the year."

Profit guidance for 2023 remains unchanged

Digia's profit guidance for 2023 remains unchanged: Digia's net sales (EUR 170.8 million in 2022) and operating profit (EBITA) (EUR 15.7 million in 2022) will increase compared to 2022.

Events after the review period

There have been no major events since the report period.

Briefing invitation

A briefing for analysts will be held at 4:00 pm EEST on Thursday, 10 August 2023 as a Teams meeting. Attendance instructions have been emailed to participants.

The material and presentation for the event will be available from 4:00 pm EEST on 10 August 2023 on the company's website: digia.com/en/investors/reports-and-presentations.

Financial reporting

Digia will publish its business review for January–September 2023 at 3:00 pm EEST on Friday 27 October 2023.

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Distribution

Nasdaq Helsinki
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Digia is a software and service company that combines technological possibilities and human capabilities to build intelligent business, society and a sustainable future. Our mission is to ensure that our customers are at the forefront of digital evolution. There are more than 1,400 of us working at Digia and we operate globally with our customers. Digia's net sales totalled EUR 171 million in 2022. The company is listed on Nasdaq Helsinki (DIGIA).

DIGIA PLC HALF-YEAR FINANCIAL REPORT 2023

Digia is a growing software and service company that combines technological possibilities and human capabilities to build intelligent business, society and a sustainable future. Digia is your partner for comprehensive digitalisation. We provide all the layers of digitalisation from business systems to integrations, digital services and 24/7 monitoring and service management.

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

Markets, business environment and Digia's market position

Digia's main market is Finland, and we also provide solutions internationally. In addition to Finland, Digia operates in Sweden and the Netherlands.

In Digia's view, the IT service market will continue to grow, even though risks related to short-term demand have increased in the operating environment, particularly due to the weaker macroeconomic outlook and high inflation, which is to some extent being reflected in customer behaviour.

The long-term trend in the demand for digital solutions is strong, and data utilisation harnessing smart technology both efficiently and securely is an increasingly essential success factor for all organisations. Our customers' goal is to streamline their existing operations, and thereby enable investments in continuous digitalisation and, above all, artificial intelligence. Digia's extensive offering – through both individual service areas and broader customer solutions – brings stability and balances out the effects of any market fluctuations in our business.

We believe that the IT service market will grow during the strategy period. Digitalisation is a strong underlying long-term trend. The increased use of automation and smart functionalities in solutions represents the next level in digital evolution.

We see the following trends:

- User-centred and secure solutions are gaining further ground. A good user experience for applications is of paramount importance.
- The level of automation and smart functionalities is growing. Digital evolution is trending towards automated and AI-assisted or controlled processes and services. These are based on reliable data, its secure availability, and the organisation's ability to refine and utilise data and technology.
- Instead of isolated solutions, the renewal of entire businesses as a whole is being considered. Application and IT system packages are becoming larger and more complex. Operational continuity, which is critical for organisations and business, emphasises the interoperability, reliability and security of system entities. When an overview and roadmap of the business have been drafted, system modernisation can be carried out in phases.

- Business operations are becoming networked both internally and externally. Secure and reliable integrations are at the heart of digital evolution. They enable the functionality of application packages and data availability.
- Sustainable development and the green transition are megatrends. The utilisation of digital technologies and data is key to solving sustainability challenges.

Digia combines technological possibilities and human capabilities to build intelligent business, society and a sustainable future. In line with our strategy, we develop and maintain high-quality business solutions for our customers, which we fine-tune with automation and smart technology. Our mission is to ensure that our customers are at the forefront of digital evolution, with an operational model and rhythm that are right for them.

Net sales

April–June 2023

Digia's net sales for the review period totalled EUR 47.8 (41.2) million, up 16.0 per cent on the corresponding period of the previous year. Organic growth accounted for 9.3% of net sales.

In particular, growth was seen in the net sales of open-source automation platform, data-utilisation solutions, NetSuite solutions, Microsoft Customer Apps and Power Platform, and the financial sector. This was also a strong quarter for our Digia Hub network.

The service and maintenance business accounted for 56.9 (60.2) per cent and the project business for 43.1 (39.8) 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 12.4 (12.2) per cent of the Group's total net sales. The product business comprises Digia's own licences, the licence sales of its partners, as well as licence maintenance.

January–June 2023

Digia's net sales for the January–June period totalled EUR 97.9 (83.7) million, representing a year-on-year increase of 16.9 per cent. Organic growth accounted for 9.9% of net sales.

Net sales growth was seen in NetSuite and data utilisation solutions in particular. The first half of the year was also a strong period for our Digia Hub network.

The service and maintenance business accounted for 57.0 (63.4) per cent of net sales, while the project business accounted for 43.0 (36.6) per cent. The product business accounted for 11.5 (12.7) per cent of the company's total net sales.

Profit and profitability

April–June 2023

Operating profit (EBITA) for the review period amounted to EUR 3.4 (2.1) million with an EBITA margin (EBITA %) of 7.1 (5.2) per cent. Digia's own collective agreement also came into force in

May, and included a new pay settlement for 2023–2024. The salary increases under this agreement were implemented as of May. Inflation has also affected other personnel-related costs. Earnings before taxes were EUR 2.4 (1.9) million, with earnings after taxes totalling EUR 1.9 (1.5) million. Earnings per share were EUR 0.07 (0.06). Net financial expenses amounted to EUR -0.3 (0.4) million.

January–June 2023

Digia's operating profit (EBITA) for January–June was EUR 8.3 (7.3) million with an EBITA margin (EBITA %) of 8.4 (8.7) per cent. Inflation has increased costs related to personnel and external services.

Earnings before taxes were EUR 6.3 (6.5) million, with earnings after taxes totalling EUR 4.9 (5.1) million. Earnings per share were EUR 0.18 (0.19). Net financial expenses amounted to EUR -0.5 (0.4) million.

Research and development

Digia constantly invests in enhancing its long-term competitiveness. In January–June, research and development expenses on Digia's own products totalled EUR 2.4 (2.9) million, which represents 2.5 (3.4) per cent of net sales. R&D mainly focused on the development of the Digia Envision ERP solution, which was updated last year, and the Digia OIVA Smart Automation platform. We also continued to develop ERP systems for the financial and logistics sectors.

Financing, cash flow and expenditure

At the end of June 2023, Digia's balance sheet total stood at EUR 157.5 (154.6) million. Balance sheet growth was largely due to acquisitions.

Equity ratio was 45.1 (44.2) per cent and net gearing was 31.8 (23.6) per cent. At the end of June 2023, Digia had EUR 32.5 (33.5) million in interest-bearing liabilities. At the end of June, unused bank credit facilities amounted to EUR 4.0 million. Interest-bearing liabilities consisted of EUR 18.2 million in long-term and EUR 8.6 million in short-term loans from financial institutions, and EUR 5.6 million in lease liabilities.

Cash flow from operating activities in January–June 2023 totalled EUR 7.5 (8.8) million. Cash flow from investments came to EUR -5.1 (-5.0) million. Cash flow from financing was EUR -6.2 (-4.0) million.

Human resources and management

Our goal is to build a workplace culture in which people enjoy working with us to create sustainable growth. We invest in an everyday work concept that simultaneously ensures continuous learning, smart and goal-oriented daily work, a people-friendly work environment,

and a strong community of Digia professionals. Digia's operations are built on our personnel, who are committed to the objectives of our customers and have strong, constantly developing professional skills.

During the review period, we made two significant investments in building our workplace culture and community. In March, we celebrated the start of Digia's new strategy period with a party at the Helsinki Exhibition and Convention Centre. This celebration brought together Digia personnel from our offices in Finland and, after the pandemic, enabled much-needed interaction between both new and existing colleagues.

Digia's own collective agreement entered into force on 1 May 2023, seeking flexibility and focus areas that take the needs of Digia and its personnel into account. For example, Digia already offers highly flexible working hours, a flexible hybrid model for remote and in-person work, and strong investments in wellbeing. These and other themes were assessed, and some were also included in our company-specific collective agreement. A pay settlement for 2023–2024 was also agreed on as part of this collective agreement package. A new kind of model was introduced in which salary adjustments are partly tied to trends in the company's profitability. Its primary aim is to ensure that the company's success benefits all Digia employees.

During the review period, we also introduced a feedback model supported by our new internal ERP system. It seeks to strengthen a culture of continuous feedback in our daily work and a spirit of continuous learning and improvement. We also continued to develop our salary and remuneration practices with the aim of increasing clarity, transparency, consistency and incentives in remuneration.

Recruitment progressed as planned during the review period. The number of Digia personnel grew organically during the review period, standing at 1,437 (1,397 on 30 June 2022). Personnel turnover decreased steadily at the Digia level during the review period. However, personnel growth is still being slowed down by the turnover that is typical to our industry.

We conducted an equality and non-discrimination survey during the review period. This survey is used to measure a number of things, such as how well our culture of mutual respect and equality is being realised in practice. These measurements are part of Digia's systematic social responsibility work. The majority of respondents gave positive feedback on our culture of mutual respect and Digia's commitment to equality and non-discrimination. The results and areas for development will be discussed in more detail in Digia's teams, and the lessons learned will be put into practice via the equality and non-discrimination plan.

The results of the Sinqi employee experience survey, which was conducted in December 2022, were also obtained in the beginning of the year. This survey analyses the issues that are most meaningful to Digia employees and their realisation in our everyday lives. The aim is to identify factors that will improve our employee experience. The survey's main index reached its highest level in our measurement history, and also earned Digia a Future Workplaces 2022 certificate. About 15 per cent of the companies who responded to the Sinqi survey received this certificate. Our eNPS score fell slightly to 20, and although this is still a good result, we are aiming for an upswing next time.

Changes in Group structure

During the review period, Digia started the process of merging its subsidiary Avalon Oy into Digia Finland Oy in order to clarify its group structure. The merger came into effect on 1 June 2023.

At the end of the review period, the Digia Group included the parent company Digia Plc and its subsidiaries Digia Finland Oy and its subsidiary Most Digital Sweden AB, Productivity Leap Oy, Solasys Oy, Digia Sweden AB and Climber International AB, with its subsidiaries Climber Finland Oy, Climber Benelux B.V. (80%), Climber Denmark ApS, Climber Holding AB and its subsidiary Climber AB.

Share capital and shares

On 30 June 2023, the number of Digia Plc shares totalled 26,823,723 and the company had a total of 8,157 shareholders.

Digia Plc held a total of 129,604 treasury shares on 30 June 2023. The accounting counter value of these treasury shares is EUR 0.10 per share. The company held about 0.5 per cent of its capital stock.

At the end of the period, a total of 216,789 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.

Trading on the Helsinki Exchanges

Digia Plc's share is listed on Nasdaq Helsinki Ltd in the Technology sector. The company's short name is DIGIA. The lowest reported share quotation in January–June 2023 was EUR 5.32 and the highest EUR 6.66. The share officially closed at EUR 5.96 on 30 June 2023. The share's trade weighted average price was EUR 6.12. The company's market capitalisation totalled EUR 159,869,389 on 30 June 2023.

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 23 March 2023, adopted the company's annual accounts, including the consolidated annual accounts for 1 January–31 December 2022, 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 0.17 per share be paid according to the confirmed balance sheet for the financial year ending 31 December 2022. Shareholders listed in the shareholders' register maintained by Euroclear Finland Oy on the dividend reconciliation date, 27 March 2023, will be eligible for the payment of dividend. Dividends will be paid on 3 April 2023.

Remuneration Report for Governing Bodies

The Annual General Meeting decided to adopt the Remuneration Report for Governing Bodies as presented.

Composition of the Board of Directors

The AGM decided to elect six members to the Board. Martti Ala-Härkönen, Santtu Elsinen, Robert Ingman, Sari Leppänen and Outi Taivainen were re-elected as Board members, and Henry Nieminen was elected as a new member. At its organisational meeting after the AGM, the Board of Directors elected Robert Ingman as Chair and Martti Ala-Härkönen as Vice Chair of the Board.

At the meeting, the Board of Directors decided as follows on the composition of the Board committees:

- Audit Committee: Martti Ala-Härkönen (Chair), Santtu Elsinen and Henry Nieminen
- Compensation Committee: Outi Taivainen (Chair), Robert Ingman and Sari Leppänen
- Nomination Committee: Santtu Elsinen (Chair), Robert Ingman and Martti Ala-Härkönen

Board members' emoluments

The Annual General Meeting decided on the payment of monthly remunerations of EUR 3,500 to Board members, EUR 4,500 to the Vice Chair and EUR 6,000 to the Chair for their work on the Board for the duration of the term expiring at the end of the 2024 Annual General Meeting. In addition, fees of EUR 1,000 to the Chair and EUR 500 to other members are paid per each Board and Board Committee meeting. In addition to the aforementioned remuneration, it was decided that Board members should be reimbursed for ordinary and reasonable expenses resulting from Board work against an invoice.

Auditor's fees

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). This authorisation also includes the acquisition of shares through public trading on Nasdaq OMX Helsinki 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 will supersede the authorisation granted by the AGM of 21 March 2022 and is valid for 18 months, that is, until 23 September 2024.

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, with the following conditions:

- This issue may total a maximum of 2,500,000 shares. The proposed number is under 10 per cent of the company's total number of shares. The authorisation applies to both new shares and 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, to develop the company's capital structure, 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, payment of the subscription price in cash or (partly or wholly) in capital contributed in kind or its being written off against the subscriber's receivables, and its recognition in the company's balance sheet.

This authorisation will supersede the authorisation granted by the AGM of 21 March 2022 and is valid for 18 months, that is, until 23 September 2024.

Amendment to the Articles of Association

The Annual General Meeting approved an amendment to Section 10 of the company's Articles of Association, which would allow General Meetings to take place entirely without a meeting venue if the Board so decides.

Changes highlighted below:

10 § Annual General Meeting

The Annual General Meeting shall be held annually in Helsinki, Espoo or Vantaa on a date determined by the Board of Directors within six months of the end of the financial year.

The Board of Directors may decide that a General Meeting (either Annual or Extraordinary) can be held entirely without a meeting venue, in a way that enables shareholders to fully exercise their right to speak and vote in real time during the meeting by way of a telecommunications connection or other technical means.

To be presented at the meeting:

1. Financial Statements, Consolidated Financial Statements, and the Report of the Board of Directors;

2. Auditor's Report

To be decided upon:

3. the adoption of the Financial Statements and the Consolidated Financial Statements

4. the disposal of profit according to the balance sheet

5. discharge of liability for the Members of the Board of Directors and the President & CEO

6. remuneration payable to the Board of Directors and grounds for compensation of expenses

7. the number of Members of the Board of Directors

To be elected:

8. the Members of the Board of Directors, and

9. the Auditor, if necessary

More information about the AGM's decisions is available at

digia.com/en/investors/governance/annual-general-meeting/agm-2023

Events after the review period

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

Risks and uncertainties

Digia's risk management has been implemented with risk management software. Risks are classified as strategic and operational risks, cyclical, hazard, and information security and protection risks, cyberthreat risks and risks related to customer deliveries. The latter include the impacts of global pandemics and economic cycles. The impacts and mitigation of risks have been described, and are continuously monitored and reported on to the company's Audit Committee every six months.

The company's strategic risks and uncertainty factors relate to increasing competition and potential significant changes in the company's operating environment and service areas. In operational risks, 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. According to the company's estimate, the uncertainty caused by the war in Ukraine and economic cycles may have a negative impact on business development.

Implementing the growth strategy places demands on both the organisation and its management. The company's ability to recruit, maintain 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.

Operational and cyclical risks largely involve short-term demand in the operating environment and remain in effect due to the uncertainty in the business climate. If demand sees a sharp fall, price levels might also decline. Although the pricing models used in the service business balance out cyclical business, products provided via SaaS (Software as a Service) involve longer-term revenue streams compared to the one-off payment of product licenses. In an inflationary environment, it is not certain how quickly and to what extent the rise in costs will be passed on to market prices.

Hazard risks are covered by insurance. Property and business interruption insurance policies have been taken out to protect against any property and business interruption risks.

Data security and protection risks comprise a significant risk area in the company's business operations. Organisations have more and more information that is critical to their operations. Threats to data security and protection, and their quality and quantity, have risen significantly during the past year. The company identifies, manages and prevents both internal and external threats. The company implements a regular ISO 27001-certified risk management process based on best practices in handling data security and protection risks. Risks are identified and their impact and significance are analysed. The risk level is reduced with appropriate measures where possible. Operational response and the handling of potential threats have also been planned, rehearsed and tested in practice. The risk status is reported on regularly and reviewed at the management level appropriate to the situation. The company's Board of Directors also regularly monitors the status of risks to data security and protection, along with other risks faced by the company. On a practical level, it is vital to continuously train the company's employees and proactively communicate about data security and protection issues both in-house and to partners and customers as necessary.

The company works in close cooperation with a variety of data security and protection authorities and networks. Physical security and personnel safety issues are managed using mechanisms similar to those employed in data security and data protection.

Data security and protection risks largely involve technology and personnel risks. Significant risk factors include, for instance, risks in high-security projects and the subcontracting chain. Due to the nature of its operations, the company is also the target of hostile influence. Digia has for a long time managed such risks to an acceptable level.

Software engineering also involves data security and data protection risks. Controls implemented in software engineering processes are used to manage risks.

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.

Digia has defined its sustainability risks as potential negative impacts on people and the environment both within its own organisation and in its value chain. Potential risks related to personnel are monitored on the basis of a human rights survey – these include experiences of overwork, occupational well-being, and discrimination and unequal treatment. The monitoring of procurements, in turn, involves potential human rights risks such as the use of forced labour in the manufacture of technological equipment and the sourcing of raw materials. Office work poses a rather low risk of environmental damage.

Outlook for 2023

Profit guidance for 2023: Digia's net sales (EUR 170.8 million in 2022) and operating profit (EBITA) (EUR 15.7 million in 2022) will increase compared to 2022.

Helsinki, 10 August 2023

Digia Plc

Board of Directors

TABLES SECTION

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- Notes to the accounts

Accounting policies

This Financial Statement Bulletin was prepared in compliance with IFRS and the IAS 34 Interim Financial Reporting standard. No significant changes have been made to the accounting policies in 2023. Costs arising from the acquisition of customer contracts, including compensation paid to sales personnel for service contracts, are recognised in the balance sheet when the required conditions are met. Expenses and sales are recognised on an accrual basis for the contract period when the services are handed over. The half-year report has not been audited.

Condensed consolidated income statement

EUR 1,000	4-6/ 2023	4-6/ 2022	Change, %	1-6/ 2023	1-6/ 2022	Change, %	1-12/2022
NET SALES	47,847	41,240	16.0%	97,881	83,701	16.9%	170,754
Other operating income	-464	70	-760.7%	61	120	-49.4%	248
Materials and services	-8,297	-7,059	17.5%	-16,831	-13,437	25.3%	-28,512
Depreciation, amortisation and impairment	-1,837	-1,782	3.1%	-3,695	-3,374	9.5%	-7,094
Other operating expenses	-34,586	-30,929	11.8%	-70,615	-60,923	15.9%	-122,671
Operating profit (EBIT)	2,664	1,540	73.0%	6,801	6,087	11.7%	12,727

EUR 1,000	4-6/ 2023	4-6/ 2022	Change, %	1-6/ 2023	1-6/ 2022	Change, %	1-12/2022
Financial expenses (net)	-260	357	172.7%	-493	396	224.5%	-677
Profit before taxes	2,404	1,897	26.7%	6,308	6,483	-2.7%	12,050
Income taxes	-545	-423	28.7%	-1,428	-1,351	5.7%	-2,479
RESULT FOR THE PERIOD	1,859	1,474	26.1%	4,880	5,132	-4.9%	9,571
Other comprehensive income							
Items that may later be reclassified as profit or loss:							
Exchange differences on translation of foreign operations	-702	-467	50.5%	-958	-536	78.8%	-1,721
TOTAL COMPREHENSIVE INCOME	1,157	1,007	14.8%	3,921	4,596	-14.7%	7,850
Distribution of net profit for the period							
Parent-company shareholders	1,865	1,464	27.4%	4,879	5,115	-4.6%	9,533
Non-controlling interests	-7	10	-170.4%	-1	17	-103.3%	39
Distribution of total comprehensive income							
Parent-company shareholders	1,164	997	16.7%	3,922	4,579	-14.3%	7,812
Non-controlling interests	-7	10	-170.4%	-1	17	-103.3%	39

EUR 1,000	4-6/ 2023	4-6/ 2022	Change, %	1-6/ 2023	1-6/ 2022	Change, %	1-12/2022
Earnings per share, EUR (undiluted EPS)	0.07	0.06	25.1%	0.18	0.19	-5.5%	0.36
Earnings per share, EUR (diluted EPS)	0.07	0.06	25.0%	0.18	0.19	-5.5%	0.36

Condensed consolidated balance sheet

EUR 1,000	30 Jun 2023	30 Jun 2022	31 Dec 2022
Assets			
Non-current assets			
Goodwill	85,319	76,740	85,829
Other intangible assets	12,380	14,810	14,389
Tangible assets	499	719	570
Right-of-use assets	5,219	6,373	5,957
Investments	483	484	483
Non-current receivables	479	445	372
Deferred tax assets	182	461	332
Total non-current assets	104,561	100,030	107,932
Current assets			
Current receivables	42,395	36,734	37,846
Cash and cash equivalents	10,554	17,825	14,338
Total current assets	52,949	54,560	52,184

EUR 1,000	30 Jun 2023	30 Jun 2022	31 Dec 2022
Total assets	157,510	154,590	160,116
Shareholders' equity and liabilities			
Share capital	2,088	2,088	2,088
Other reserves	5,204	5,204	5,204
Unrestricted shareholders' equity reserve	42,081	42,081	42,081
Translation difference	-3,220	-1,077	-2,261
Retained earnings	17,683	12,911	14,391
Result for the period	4,879	5,115	9,533
Equity attributable to parent-company shareholders	68,714	66,322	71,034
Equity attributable to non-controlling interests	53	31	53
Total shareholders' equity	68,768	66,353	71,087
Liabilities			
Non-current interest-bearing liabilities	20,934	23,911	20,302
Non-current advances received	61	107	107
Other non-current liabilities	4,830	5,577	5,232
Deferred tax liabilities	2,272	2,477	2,553
Total non-current liabilities	28,097	32,071	28,194
Current interest-bearing liabilities	11,521	9,595	11,644
Other current liabilities	49,124	46,571	49,191
Total current liabilities	60,646	56,166	60,834

EUR 1,000	30 Jun 2023	30 Jun 2022	31 Dec 2022
Total liabilities	88,742	88,237	89,028
Shareholders' equity and liabilities	157,510	154,590	160,116

Consolidated cash flow statement

EUR 1,000	1 Jan 2023–30 Jun 2023	1 Jan 2022–30 Jun 2022
Cash flow from operations:		
Profit for the period	4,880	5,132
Adjustments to net profit	5,203	3,722*
Change in working capital	-1,112	-17
Change in other receivables and liabilities	-837	2,949*
Interest paid	-447	-216
Interest income	110	-
Taxes paid	-262	-2,770
Cash flow from operations	7,535	8,799
Cash flow from investments:		
Purchases of tangible and intangible assets	-91	-1,213
Acquisition of subsidiaries, net of cash and cash equivalents at the time of acquisition		-3,834
Additional purchase prices of subsidiaries	-5,000	
Repayment of loans receivable	-	-
Dividends received	-	-
Cash flow from investments	-5,091	-5,047
Cash flow from financing:		

EUR 1,000	1 Jan 2023–30 Jun 2023	1 Jan 2022–30 Jun 2022
Repayment of lease liabilities	-1,814	-2,508
Repayment of current loans	-4,243	-2,526
Withdrawals of current loans	622	-
Repayments of non-current loans	-	-
Withdrawals of non-current loans	5,000	7,497
Repayments of non-current loan receivables		-
Acquisition of treasury shares	-1,237	-1,963
Dividends paid	-4,515	-4,478
Cash flow from financing	-6,186	-3,978
Change in cash and cash equivalents	-3,742	-226
Cash and cash equivalents at beginning of period	14,338	18,148
Effect of changes in foreign exchange rates	-42	-97
Change in cash and cash equivalents	-3,742	-226
Cash and cash equivalents at end of period	10,554	17,825

* The cash flow item has been adjusted to correspond to the accounting principles used in the 2022 financial statements and in 2023.

Statement of changes in shareholders' equity

EUR 1,000	a	b	c	d	e	f	g
Shareholders' equity, 1 Jan 2022	2,088	42,081	5,204	-541	19,226	14	68,072
Net profit					5,115	17	5,132
Other comprehensive income				-536			-536

EUR 1,000	a	b	c	d	e	f	g
Transactions with shareholders							
Dividends					-4,478		-4,478
Share-based payments recognised against equity					125		125
Acquisition of treasury shares					-1,963		-1,963
Shareholders' equity, 30 Jun 2022	2,088	42,081	5,204	-1,077	18,026	31	66,353
Shareholders' equity, 1 Jan 2023	2,088	42,081	5,204	-2,261	23,923	53	71,087
Net profit					4,879	1	4,880
Other comprehensive income				-958			-958
Transactions with shareholders							
Dividends					-4,515		-4,515
Share-based payments recognised against equity					-489		-489
Acquisition of treasury shares					-1,237		-1,237
Shareholders' equity, 30 Jun 2023	2,088	42,081	5,204	-3,220	22,562	53	68,768

a = share capital

b = unrestricted invested shareholders' equity reserve

c = other reserves

d = currency translation differences

e = retained earnings

f = non-controlling interests

g = total shareholders' equity

Property, plant, and equipment, and intangible assets

EUR 1,000	Tangible assets	Goodwill	Other intangible assets
30 Jun 2023			
Acquisition cost, 1 Jan 2023	45,116	137,223	55,026
Increases	1,539	0	0
Decreases	-432	0	0
Translation difference	-70	-510	-258
Acquisition cost, 30 Jun 2023	46,153	136,713	54,768
Accumulated depreciation and amortisation, 1 Jan 2023	-38,589	-51,394	-40,637
Depreciation (in income statement)	-1,861	0	-1,834
Translation difference	15	0	83
Accumulated depreciation and amortisation, 30 Jun 2023	-40,435	-51,394	-42,388
Book value, 1 Jan 2023	6,526	85,829	14,389
Book value, 30 Jun 2023	5,718	85,319	12,380
30 Jun 2022			
Acquisition cost, 1 Jan 2022	42,388	123,309	48,315
Increases	1,468	0	0
Decreases	-28	0	0

EUR 1,000	Tangible assets	Goodwill	Other intangible assets
Translation difference	-10	436	298
Transferred in acquisitions of business operations	12	4,389	3,992
Acquisition cost, 30 Jun 2022	43,829	128,134	53,618
Accumulated depreciation and amortisation, 1 Jan 2022	-34,734	-51,394	-37,438
Depreciation (in income statement)	-2,005	0	-1,363
Translation difference	0	0	-6
Accumulated depreciation and amortisation, 30 Jun 2022	-36,739	-51,394	-38,808
Book value, 1 Jan 2022	7,665	71,915	10,876
Book value, 30 Jun 2022	7,091	76,740	14,810

Condensed income statement by quarter

EUR 1,000	4-6/2023	1-3/2023	10-12/2022	7-9/2022	4-6/2022
Net sales	47,847	50,034	48,735	38,318	41,240
Other operating income	-464	525	104	24	70
Materials and services	-8,297	-8,534	-8,539	-6,535	-7,059
Depreciation, amortisation and impairment	-1,837	-1,858	-1,635	-2,084	-1,782
Other operating expenses	-34,586	-36,029	-34,443	-27,305	-30,929

EUR 1,000	4-6/2023	1-3/2023	10-12/ 2022	7-9/2022	4-6/2022
Operating result	2,664	4,137	4,222	2,418	1,540
Financial expenses (net)	-260	-233	-1,285	213	357
Profit before taxes	2,404	3,904	2,937	2,630	1,897
Income taxes	-545	-883	-624	-505	-423
Result for the period	1,859	3,021	2,313	2,126	1,474
Distribution of net profit for the period					
Parent-company shareholders	1,865	3,014	2,304	2,114	1,464
Non-controlling interests	-7	7	9	12	10
Earnings per share, EUR, undiluted	0.07	0.11	0.09	0.08	0.06
Earnings per share, EUR, diluted	0.07	0.11	0.09	0.08	0.06

Group key figures

EUR 1,000	1-6/2023	1-6/2022
Extent of business		
Net sales	97,881	83,701
Average capital invested	102,128	99,239
Number of personnel	1,437	1,397
Average number of personnel	1,442	1,368

EUR 1,000	1-6/2023	1-6/2022
Profitability		
Operating profit (EBITA)	8,259	7,276
- as a % of net sales	8.4%	8.7%
Operating profit (EBIT)	6,801	6,087
- as a % of net sales	6.9%	7.3%
Profit before taxes	6,308	6,483
- as a % of net sales	6.4%	7.7%
Result for the period	4,880	5,132
- as a % of net sales	5.0%	6.1%
Return on equity, %	14.0%	15.3%
Return on investment, %	13.6%	12.6%
Financing and financial standing		
Interest-bearing net liabilities	21,901	15,681
Net gearing	31.8%	23.6%
Equity ratio	45.1%	44.2%
Cash flow from operations	7,535	8,799
Earnings per share, EUR, undiluted	0.18	0.19
Earnings per share, EUR, diluted	0.18	0.19
Equity/share, EUR	2.56	2.47
Lowest share trading price, EUR	5.32	6.21
Highest share trading price, EUR	6.66	7.80
Average share price, EUR	6.12	7.30
Market capitalisation, EUR 1,000	159,869	182,401

Change in contingent liabilities

The company has recognised contingent liabilities from its acquisitions in 2021 and 2022. EUR 5.0 million of the payments made in 2023 are recognised in the cash flow from investments and EUR 400 thousand in the cash flow from operations.

EUR 1,000	2023	2022
Contingent liabilities 1 Jan	14,301.4	7,324.4
New acquisitions	0.0	3,250.0
Payments	-5,400.0	0.0
Increase in value	980.0	0.0
Decrease in value	-500.0	0.0
Contingent liabilities 30 Jun	9,381.4	10,574.4

Formulas

Operating profit (EBITA):

Operating profit + purchase price allocation amortisation and costs

EBITA margin, %:

$\frac{\text{Operating profit} + \text{purchase price allocation amortisation and costs}}{\text{Net sales}} \times 100$

Return on investment (ROI), %:

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

Return on equity (ROE), %:

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

Equity ratio, %:

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

Earnings per share:

(Profit before taxes - taxes +/- minority interest)

Average number of shares during the period, adjusted for share issues

Earnings per share (diluted):

(Profit before taxes - taxes +/- minority interest)

The average number of shares during the period, adjusted for share issues, includes shares and options issued through share-based incentives schemes.

Dividend per share:

Total dividend

Number of shares at the end of the period, adjusted for share issues

Net gearing, %:

(Interest-bearing liabilities - cash and cash equivalents) x 100

Shareholders' equity

Largest shareholders 30 June 2023

Shareholders	Shares and votes	%
1. Ingman Development Oy Ab	7,900,000	29.5%
2. Etola Oy	3,430,495	12.8%
3. Ilmarinen Mutual Pension Insurance Company	2,741,000	10.2%
4. Varma Mutual Pension Insurance Company	1,247,142	4.6%
5. Savolainen Matti Ilmari	883,959	3.3%
6. Rausanne Oy	237,057	0.9%
7. Varelius Juha Pekka	218,424	0.8%
8. EAM Digia Holding Oy	216,789	0.8%
9. Kohonen Jorma Tapani	215,658	0.8%

Shareholders	Shares and votes	%
10. Mandatum Life Insurance Company	199,086	0.7%
Total	17,289,610	64.5%