

An aerial photograph of a city, likely Helsinki, showing a large industrial building with a curved roof in the foreground, surrounded by residential buildings and a parking lot. The city extends to the water in the background under a clear blue sky.

Net sales growth over 11 per cent.
Operating profit in the domestic
business improved significantly and
Qt remained profitable.

Digia Plc
Interim Report Q1/2016
Juha Varelius
29 April, 2016

Summary for reporting period

- **During January-March, Digia's consolidated net sales grew over 11 per cent from the same period a year earlier and totalled 28.6 (25.7) MEUR.**
 - The rate of growth exceeded 10.5 per cent in the domestic business and totalled 21.4 (19.4) MEUR.
 - Net sales of Qt grew by 14.3 per cent and totalled 7.1 (6.3) MEUR.
- **As net sales grew, consolidated operating profit also improved substantially.**
 - Consolidated operating profit for the review period grew thanks to the increase in the domestic business's net sales and the improvement in its profitability.
 - Operating profit in the domestic business almost trebled compared with 2015.
 - The Qt business also remained profitable during the review period, even though its operating profit did see a year-on-year decrease. Qt's operating profit declined as a result of expenses incurred due to the demerger and setting up administrative functions required for the business to operate independently.

Consolidated net sales

+11.4 %

Consolidated operating
profit

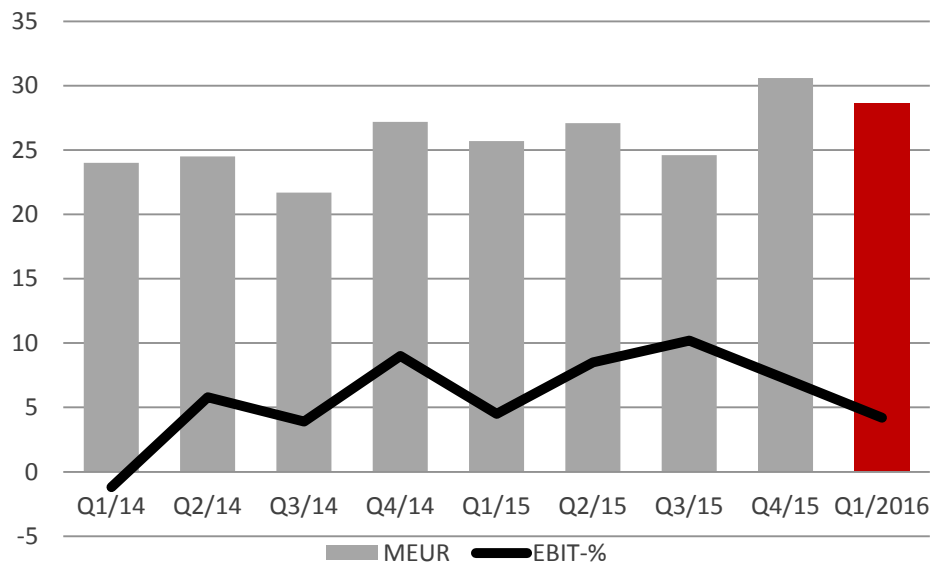
+72.4 %

Group key figures Q1/2016

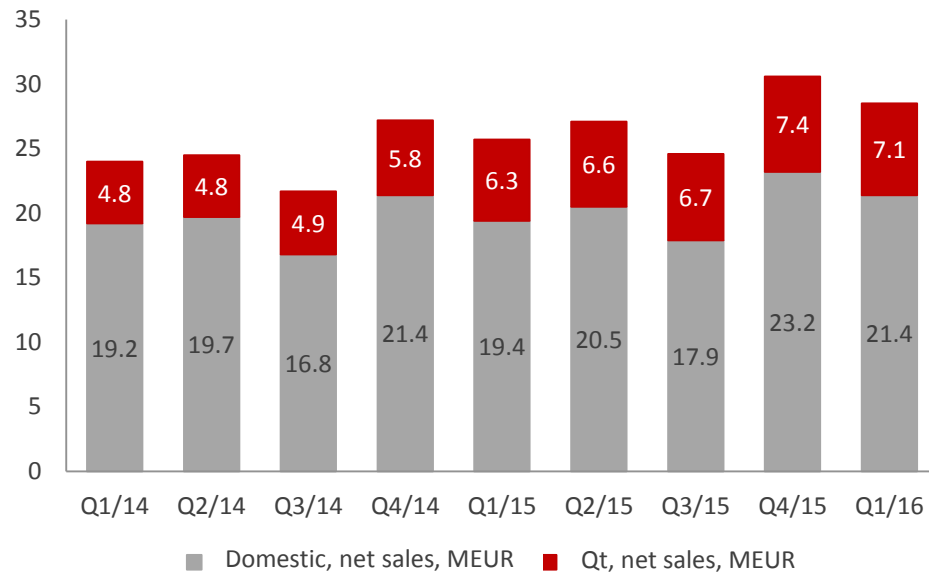
	1-3/2016	1-3/2015	Change%	2015
Net sales	28,580	25,652	11.4%	107,880
Operating profit	1,189	690	72.4%	7,641
- % of net sales	4.2%	2.7%		7.1%
Net profit	824	272	202.6%	5,228
- % of net sales	2.9%	1.1%		4.8%
Return on equity, %	8.1%	3.0%		13.5%
Return on capital invested, %	9.3%	7.0%		15.6%
Interest-bearing liabilities	13,613	16,468	-17.3%	13,513
Cash and cash equivalents	6,421	4,529	41.8%	6,710
Net gearing, %	17.9%	33.0%		16.6%
Equity ratio, %	53.2%	51.0%		53.7%
Earnings per share, EUR, undiluted	0.04	0.01		0.25
Earnings per share, EUR, diluted	0.04	0.01		0.25

Group key figures Q1/2016

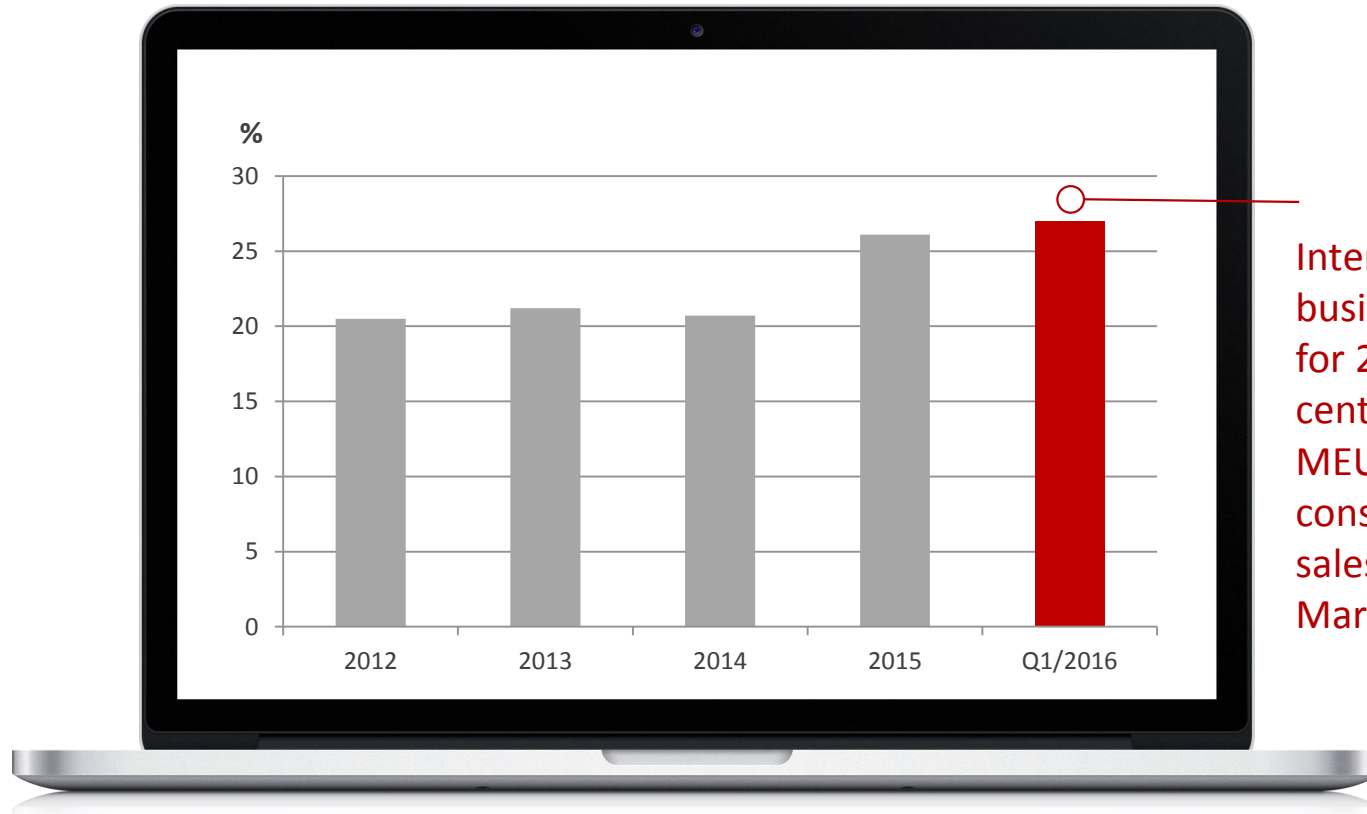
Net sales and EBIT-%



Distribution of net sales

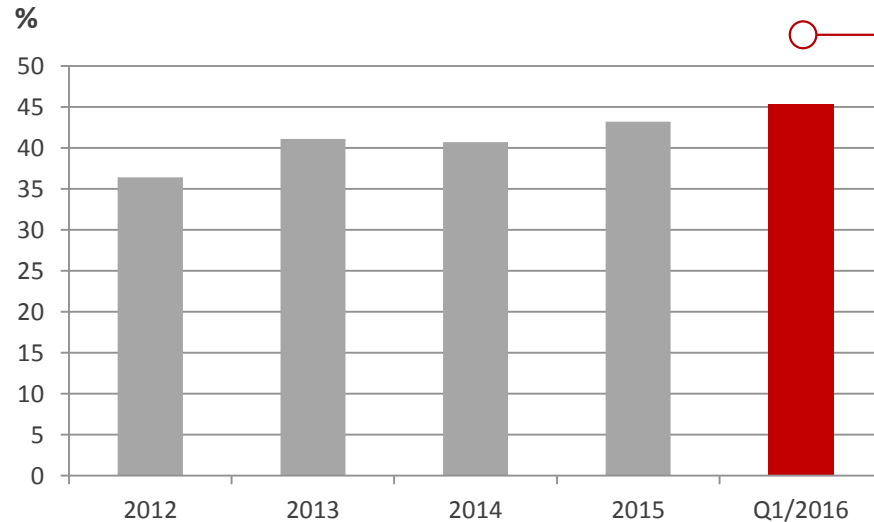


International business, net sales



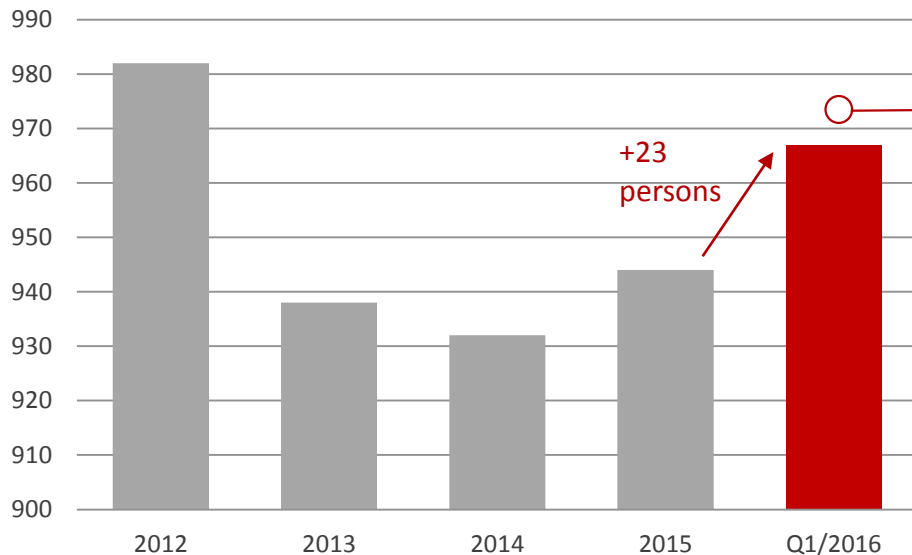
International business accounted for 27.0 (25.1) per cent or 7.7 (6.4) MEUR of consolidated net sales in January-March.

Product business, net sales



The product business accounted for 45.3 (40.1) per cent or 12.9 (10.3) MEUR of consolidated net sales in January-March.

Personnel



At the end of the period, the total number of Group personnel was 967.

Domestic	75%
Qt	20%
Administration and management	4%

Domestic business



DEVELOPING
SERVICES



UTILIZING
INFORMATION



STEERING
OPERATIONS

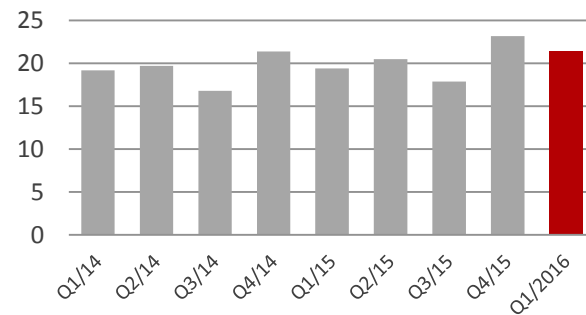
Domestic business

- Demand remained good and profitability was at a solid level for integration and analytics services during the review period.
 - Development investments were targeted at building new kinds of service packages enabled by digitisation and Digia's extensive offering. These investments are expected to enhance competitiveness in 2016.
 - Further major investments were made in the development of product and business models for site optimisation, which as expected weakened the segment's overall profitability.
- In ERP and MES, the company's ERP business based on Digia's own technologies developed as planned and grew faster than the market.
- The ERP business based on Microsoft technologies also saw growth, but delays in starting new projects burdened earnings.
- Net sales growth in the Microsoft-based solution business was negative due to the decline in the public sector project volume and challenges related to resource availability.
- The business segment based on financial-sector software solutions continued to grow vigorously throughout the review period and its profitability remained reasonable.
- The service business grew substantially during the review period and its profitability was good.

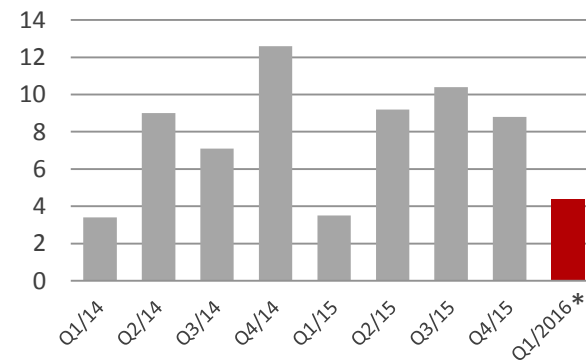
Domestic business Q1/2016

	1-3/2016	1-3/2015	Change %	2015
Net sales	21,432	19,399	10.5%	80,946
Operating profit	936	261	259.0%	5,854
- % of net sales	4.4%	1.3%		7.2%
Net profit	695	51	1,274.3%	4,246
- % of net sales	3.2%	0.3%		5.2%
Earnings per share, EUR, undiluted	0.03	0.00		0.20
Earnings per share, EUR, diluted	0.03	0.00		0.20

Net sales



EBIT-%



* comparable

A woman with short blonde hair, wearing a dark blue sweater, is shown in profile, looking at and pointing at a large digital screen. The screen displays a blue-toned interface with various data visualizations, including line graphs and circular markers. The background is dark with blurred city lights, suggesting an indoor setting at night. The text "Qt business" is overlaid on the left side of the image.

Qt business

Qt business

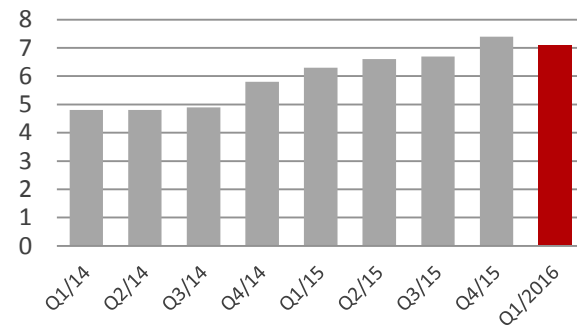
- The Qt business continued to grow throughout the period, although growth slowed down from the extremely strong figures recorded last year.
- Operations were slightly in the black.
- During the review period, the new Qt 5.6 version was launched.
- A new office was opened in Japan during the period and sales resources were strengthened, especially in Asia.
- Business development efforts were particularly focused on the consumer electronics and automotive segments.
- An ISO 9001:2008 certificate was granted to the Qt quality system during the review period.

Qt Q1/2016

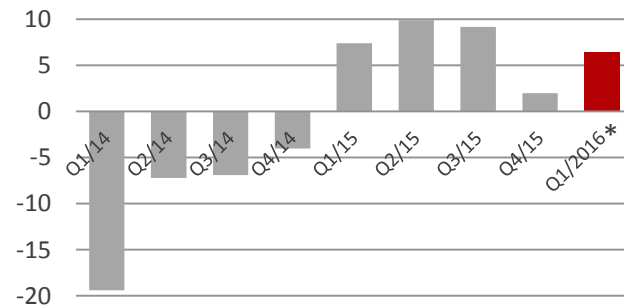
	1-3/2016	1-3/2015	Change %	2015
Net sales	7,148	6,253	14.3%	26,934
Operating profit	253	429	-41.0%	1,786
- % of net sales	3.5%	6.9%		6.6%
Net profit	129	222	-41.8%	981
- % of net sales	1.8%	3.5%		3.6%
Earnings per share, EUR, undiluted	0.01	0.01		0.05
Earnings per share, EUR, diluted	0.01	0.01		0.05

- Comparisons of the development of Qt's operating profit in 2016 with the previous year are significantly affected by the recognition of a total of EUR 1.4 million in net sales for the company in 2015 based on an exceptional licensing deal made with Nokia Corporation in 2012. In 2016, net sales will no longer be recognised from this deal.
- In addition, in 2015 Qt benefited substantially from the strengthening of the US dollar against the euro. In 2015, the effect of exchange rate changes on Qt's net sales growth amounted to a total of EUR 1.3 million, whereas in Q1/2016 this only amounted to EUR 0.05 million.

Net sales



EBIT-%



* comparable

An aerial photograph of a city, likely Stockholm, showing a large parking lot in the foreground with many cars. The city is densely packed with buildings, including several large, white, curved-roof structures. The sky is clear and blue, and the water is visible in the distance.

Demerger

Demerger plan

- On 16 March 2016, Digia's Annual General Meeting approved Digia's demerger plan.
- According to the plan, Digia will be divided so that all assets, liabilities and responsibilities related to Digia's Qt business are transferred to the new company created by the division, to be called Qt Group Plc.
 - Juha Varelius appointed as a President and CEO of Qt Group Plc.
- Digia's Domestic business will remain with Digia.
 - Timo Levoranta appointed as a President and CEO of Digia Plc.
- Digia's shareholders will be issued one Qt share for each Digia share they own as demerger consideration.

Desired Benefits of Demerger

- To enable the development of the Qt and domestic business as two listed companies focusing on distinct sectors.
- To clarify corporate structures, management and financing.
- To enable investments to be targeted at certain business operations, clarify the financial supervision and valuation of business operations, and increase the potential for higher share value for investors.

Digia's shareholders will be issued one Qt share for each Digia share they own as demerger consideration

OWNERSHIP PRIOR THE DEMERGER

Last day of trading
Friday 29 April, 2016

Digia's shareholder

The Digia logo, consisting of the word "digia" in white lowercase letters on a red square background.

OWNERSHIP AFTER THE DEMERGER

First day of trading
Monday 2 May, 2016

Digia's shareholder is
Digia's and Qt's shareholder

The Digia logo (red square with "digia" in white) and the Qt logo (green square with "Qt" in white).

After the demerger, valuation of both listed companies will develop independently at market prices.

No action is required from shareholders in relation to the receipt of the demerger consideration.

No demerger compensation has been granted for treasury shares held by Digia.

An aerial photograph of a city, likely Helsinki, showing a mix of urban architecture. In the foreground, there's a large, modern industrial or warehouse building with a curved roof. To its right are several multi-story residential buildings with colorful facades. The background shows a dense cityscape extending to the water, with a few tall industrial chimneys visible on the horizon. The sky is clear and blue.

Growth strategy for Digia's continuing operations

Growth Strategy 2016-2019

The aim is to strengthen the company's position, particularly in the growing markets for digital services, process digitisation and the service business.

The company wants to grow at a much faster pace than the IT market and seeks average annual growth of 15 per cent.

- Digia seeks growth from areas that are seeing stronger growth than the traditional IT market, such as digital services and process development.
- We are expanding our international presence together with our customers.
- Growth is sought both organically and inorganically.
- The company plans to hire about 100 new experts during the next year.

During the first part of the strategy period, the company will focus on strengthening the foundation.

Key themes of Digia's strategy :

- Digitalisation of services and processes
- Bolstering the service business
- Adapting the offering for selected industries
- Deep partnership with customers
- Expert and enthusiastic employees

An aerial photograph of a city, likely Helsinki, showing a large industrial building with a curved roof and a large parking lot in the foreground. The city is densely packed with buildings, and the water is visible in the background. The sky is clear and blue.

Future prospects

Future prospects: Domestic

- Besides pursuing organic growth, Digia will actively seek potential acquisitions to support its strategy and to accelerate domestic business growth.
- Digia believes that digitalisation, the growing popularity of multi-channel services and the revolution in business models involve major business opportunities.
 - To fully tap into these opportunities, Digia will make determined investments in personnel development and recruitment, and in bolstering its offering.
- Digia expects that demand in the domestic segment will remain reasonable and its net sales will continue to grow in 2016.
- The company expects that in 2016 the operating margin of the domestic business will remain on a par with the previous year, even though after the demerger the domestic business will be burdened by fixed costs that were earlier partly allocated to the Qt business.

Future prospects: Qt 1/2

- Considering the time of year and general market situation, demand for the Qt business's services is at a moderate level, and the long-term business outlook is promising.
- The company will continue to introduce changes to open source code licensing in forthcoming versions of its Qt software. These changes are aimed at promoting licence sales to commercial players.
- Qt's business development efforts will particularly focus on embedded systems in the automotive sector, digital TV and industrial automation. Areas targeted in product development include value-added features and tools required for building embedded systems.
 - Sales growth associated with embedded systems will also reflect on the earnings logic. Licence revenue from these sales accumulates over the long term, as opposed to one-off licence payments.
 - Consequently, Digia anticipates no major impact from embedded systems sales growth on Qt's net sales in 2016.

Future prospects: Qt 2/2

- The company estimates that substantial items will be recognised in net sales in the first half of 2016 from large sales made by the company, thanks to which Qt's net sales in the early part of the year will be significantly higher than the company's earlier forecast.
- Digia estimates that Qt's net sales will see year-on-year growth of more than 10 per cent in 2016.
- An exceptional licensing deal made with Nokia Corporation in 2012 in connection with the acquisition of the Qt business will no longer generate net sales in 2016. In 2015, net sales of a total of about EUR 1.4 million were still recognised from this deal.
- Exchange rate fluctuations, particularly between the US dollar and euro, may have a large impact on Qt's net sales development, but no such fluctuations are currently foreseen.
- Another factor contributing to considerable fluctuation in quarterly net sales and profitability in particular is contract turnaround times which, in the major customer segment, are very long at up to 18 months.
- Digia's demerger and the resulting establishment of Qt as an independent public listed company involve considerable expenses that will tax the profitability of the Qt business in the future. Due to these expenses and growth investments, the company estimates that Qt's operating profit will remain in the red in 2016.

Thank you!

Next in IR calendar:
Interim report Q2/2016
12 August 2016