



digia

Digia Plc

Financial Statement Bulletin 2022



A good fourth quarter – net sales rise by 8.9 per cent with an EBITA margin of 10.5 per cent

October–December 2022

- Net sales: EUR 48.7 (44.8) million, up 8.9 per cent
- Operating profit (EBITA): EUR 5.1 (5.0) million, change 3.1 per cent; EBITA margin: 10.5 (11.1) per cent of net sales
- Operating profit: EUR 4.2 (4.2) million, change 0.2 per cent; operating margin: 8.7 (9.4) per cent of net sales
- Earnings per share: EUR 0.09 (0.13)
- Acquisition of the entire share capital of Avalon Oy on 1 October 2022

January–December 2022

- Net sales: EUR 170.8 (155.9) million, up 9.5 per cent
- Operating profit (EBITA): EUR 15.7 (17.7) million, change -11.3 per cent; EBITA margin: 9.2 (11.4) per cent of net sales
- Operating profit (EBIT): EUR 12.7 (14.7) million, change -13.3 per cent; operating margin: 7.5 (9.4) per cent of net sales
- Earnings per share: EUR 0.36 (0.44)
- Return on investment: 12.9 (16.3) per cent
- Equity ratio: 45.9 (48.0) per cent
- Development and deployment of the Digia Business Engine system
- Acquisition of Most Digital Oy, Productivity Leap Oy and Avalon Oy
- The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.17 per share be paid (EUR 0.17 per share in 2021).
- Profit guidance for 2023: Digia's net sales (MEUR 170.8 in 2022) and operating profit (EBITA) (MEUR 15.7 in 2022) will grow year-on-year.

Updated strategy

The updated strategy and financial objectives will be published after the review period on 10 February 2023:

- Net sales growth: over 10 per cent annually, including organic and inorganic growth
- Operating profit (EBITA): over 12 per cent of net sales at the end of the strategy period

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/ 2022	10-12/ 2021	Change, %	1-12/ 2022	1-12/ 2021	Change, %
Net sales	48 735	44 751	8.9 %	170 754	155 939	9.5 %
Operating profit (EBITA)	5 103	4 949	3.1 %	15 733	17 739	-11.3 %
- as a % of net sales	10.5 %	11.1 %		9.2 %	11.4 %	
Operating profit (EBIT)	4 222	4 213	0,2 %	12 727	14 680	-13.3 %
- as a % of net sales	8.7 %	9.4 %		7.5 %	9.4 %	
Result for the period	2 313	3 469	-33.3 %	9 571	11 772	-18.7 %
- as a % of net sales	4.7 %	7.8 %		5.6 %	7.5 %	
Return on equity, %				13.8 %	18.3 %	
Return on investment, %				12.9 %	16.3 %	
Cash flow from operations				14 252	16 648	-14.4 %

EUR 1,000	10-12/ 2022	10-12/ 2021	Change, %	1-12/ 2022	1-12/ 2021	Change, %
Interest-bearing net liabilities				17 608	10 663	65.1 %
Net gearing, %				24.8 %	15.7 %	
Equity ratio, %				45.9 %	48.0 %	
Number of personnel at period-end				1 426	1 339	6.5 %
Average number of personnel	1 434	1 347	6.4 %	1 399	1 334	4.9 %
Shareholders' equity				71 087	68 072	4.4 %
Balance sheet total				160 116	143 040	11.9 %
Earnings per share, EUR	0.09	0.13	-33.1 %	0.36	0.44	-18.0 %
Earnings per share (diluted), EUR	0.09	0.13	-33,1 %	0.36	0.44	-17.6 %

Digia's updated strategy and financial objectives for 2023–2025

In the strategy period 2023–2025, Digia seeks annual net sales growth exceeding over 10 per cent including organic growth and acquisitions. The target is an EBITA margin of over 12 per cent by the end of the strategy period.

Digia also seeks to expand its international operations such that they will account for over 15 per cent (8%) of net sales by the end of the strategy period.

For more information on Digia's strategy for 2023–2025, see the stock exchange release published on 10 February 2023.

CEO's Review

"2022 was a year of renewal and growth investments at Digia. We carried out Digia's largest-ever modernisation in order to support our future growth – the Digia Business Engine – and successfully kept our net sales on a stable growth track and posted good profitability. Fourth-quarter net sales grew by 8.9 per cent to EUR 4 (44.8)8.7 million. Our full-year net sales grew by 9.5 per cent to EUR 170.8 (155.9) million.

Fourth-quarter operating profit (EBITA) was EUR 5.1 (5.0) million with an EBITA margin of 10.5 (11.1) per cent. Our full-year operating profit (EBITA) amounted to EUR 15.7 (17.7) million, which means an EBITA margin of 9.2 (11.4) per cent. Due to our growth investments, our profitability fell short of the previous year.

Mounting general economic uncertainty was reflected in both our profitability and net sales towards the end of the year – this uncertainty caused some of Digia's customers to delay projects that had been agreed on and were already in progress. I am very pleased that our profitability developed favourably and our net sales continued to grow in the fourth quarter in spite of market uncertainty. Furthermore, the trend in sales even exceeded expectations in the fourth quarter.

Full-year profitability was significantly impacted by the deployment of the Digia Business Engine (DBE), a strategic in-house system that boosts our growth. The core of DBE is a smart technology platform that supports our management system and renewal of operational models. The modernisation project had a cost impact of EUR 2.8 million during the fiscal period. A total of EUR 3.7 million has been capitalised on this project. The benefits of the modernisation project can be seen in the gradually rising efficiency of operations.

In all sectors, today's business is increasingly driven by knowledge-based management and reliable digital solutions that are being constantly enhanced in terms of automation and smart functionalities with a variety of technological means. Demand for implementations harnessing data utilisation as well as integration and API solutions remained strong during the entire year. This trend was also evident in the substantial growth in sales of cloud-based ERPs to small and medium-sized enterprises. The business operations of our subcontracting network Digia Hub also developed well.

Major customer agreements made in the fourth quarter include the development of customer relationship management with the City of Helsinki and the delivery of a grain trade solution to Lantmännen Agro Oy, which is based on Digia Envision ERP software. Digia was also selected to provide the Finnish Defence Forces with secure communication solutions. Visit Finland's project in which Digia and Positive Impact Oy are developing a carbon footprint calculator for sustainable tourism was also launched in the last quarter. In addition, we signed a cooperation agreement with Kuntien Tiera Oy for an open source, SaaS-based solution for robotic process automation.

During the fiscal year, we made further outlays on growth by carrying out acquisitions in three areas. In spring, we acquired MOST Digital Oy, which provides scalable robotic process automation services – a scalable platform was a natural step in enriching Digia's offering. As part of Digia, Most Digital's new sales of platform services were over twice as high as Most Digital's net sales for 2021. In summer, we expanded our expertise in knowledge management and the social welfare and healthcare sector with the acquisition of Productivity Leap Oy. We believe that growth in knowledge management will remain strong and that demand in the social welfare and healthcare market will increase as the wellbeing service counties are started up. The last acquisition of the fiscal year was carried out on 1 October 2022, when Avalon Oy, which focuses on digital marketing and customer experience development, joined the Digia Group.

During the fiscal year, we were heavily involved in ensuring the functionality of society's critical systems. For instance, during the year, we deepened our cooperation with customers in the energy, banking and social welfare and healthcare sectors as well as the defence administration. In December, the Finnish Defence Forces granted Digia national facility security clearance. Also in December, we were granted international ISO 27001 information security certification in recognition of our long-term information security work.

For the second year running, we were the only independent Finnish IT company chosen by Microsoft as a Smart Business Solutions/Dynamics 365 Partner of the Year and as a member of the Microsoft Business Applications Inner Circle partner network – this testifies to our strong Microsoft expertise.

2022 was the last year in our three-year strategy period. The main theme of the period was "renew and grow". In line with our strategic objectives, we continued to pursue profitable growth, bolstered our expertise and offering for the intelligent and

responsible utilisation of data and cloud technologies, and strengthened the share accounted for by our service business.

In the fourth quarter, our service business generated about 55.4 per cent of net sales, and the project business about 44.6 per cent. In the 2022 fiscal year, these figures were 60.3 and 39.7 per cent, correspondingly.

One of our strategic objectives is to be a desired workplace. We have continued to use our flexible hybrid working model while supporting communal interaction and developed Digia's approach to leadership. The most significant training package in 2022 covered the deployment of the Digia Business Engine. At year-end, there were 1,426 of us Digia employees – our personnel count grew by 87 during the year. In February, after the end of the review period, we published our strategy for 2023–2025. The updated strategy is based on our delivery capabilities that are valued by customers and our ability to engage in continuous renewal. 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. We seek to achieve further strong and profitable growth and internationalise our business. In early 2023, we invested in the operationalisation of our strategy among all of Digia's personnel.

In spite of the short-term macroeconomic uncertainty, we at Digia believe in the growth of the IT service market: Digitalisation is a vigorous long-term trend and greater automation and smart functionalities in solutions represents the next level in digital evolution. It is our task to ensure that our customers stay at the forefront of digital evolution, listening to their needs. Automated and AI-assisted processes and services are based on reliable data and its secure availability. In our view, user-oriented and secure solutions are still gaining ground. Instead of isolated solutions, the renewal of entire businesses as a whole is being considered. Business is becoming networked – and so, too, are applications and IT systems. The utilisation of digital technologies and data is also key to solving sustainability challenges.

I would like to warmly thank all Digia employees, customers, partners and investors for their good cooperation during 2022, a very busy year. The smart solutions of the future will be built together."

Profit guidance for 2023

Profit guidance for 2023: Digia's net sales (MEUR 170.8 in 2022) and operating profit (EBITA) (MEUR 15.7 in 2022) will grow year-on-year.

Events after the review period

There have been no significant events since the reporting period.

Briefing invitation

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

CEO Timo Levoranta will give a webcast on the results starting at 5:15 pm at digia.videosync.fi/2022-tilinpaatostiedote.

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

Financial reporting in 2023

In 2023, Digia will publish its Financial Statement Bulletin, two business reviews, and half-year interim report as follows:

- Business Review 1–3/2023: Thursday, 4 May 2023 at 3:00 pm
- Half-year Report 1–6/2023: Thursday, 10 August 2023 at 3:00 pm
- Business Review 1–9/2023: Friday, 27 October 2023 at 3:00 pm

The Annual Report will be published on the company's website on Wednesday, 1 March 2023.

Digia Plc's Annual General Meeting will be held on Thursday, 23 March 2023.

For further information, please contact:

President & CEO Timo Levoranta,
tel. (exchange) +358 (0)10 313 3000

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Key media

digia.com

Digia is a software and service company that helps its customers renew themselves in the networked world. There are more than 1,400 of us working at Digia. Our roots are in Finland and we operate both in our home country and internationally. We are building a world in which digitalisation makes a difference – together with our customers and partners. Digia's net sales totalled EUR 170.8 million in 2022. The company is listed on Nasdaq Helsinki (DIGIA). digia.com

Digia Plc's Financial Statement Bulletin 2022

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.

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 area is Finland. We also deliver solutions internationally. The Climber acquisition in 2021 increased the volume of international operations in Sweden and the Netherlands. One of the objectives set in the strategy for the 2023–2025 period, published on 10 February 2023, is to increase the share accounted for by international operations to over 15 per cent by the end of the strategy period.

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. Mounting uncertainty in the global economy might slow down the growth rate. The long-term trend in the demand for digital solutions remains strong, and data utilisation harnessing smart technology both efficiently and securely is an increasingly essential success factor for all organisations.

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

We see the following trends:

- User-centred and secure solutions are gaining further ground. Good usability of applications is of paramount importance.

- 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 it.
- 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 smarter businesses and societies – and a sustainable future. 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

October–December 2022

Digia's fourth-quarter net sales totalled EUR 48.7 (44.8) million, up 8.9 per cent on the corresponding period of the previous year. Net sales growth was boosted by data-driven implementations, our financial business and acquisitions.

The service and maintenance business accounted for 55.4 (63.8) per cent and the project business for 44.6 (36.2) per cent of net sales during the review period. The net sales of both the service and maintenance business and the project business include product business activities, which accounted for 12.8 (12.5) per cent of the Group's total net sales in the fourth quarter. The product business comprises Digia's own licences, the licence sales of its partners, as well as licence maintenance.

January–December 2022

Net sales for January–December were EUR 170.8 (155.9) million, up 9.5 per cent on the previous year. Net sales were increased particularly by Integration and API services, data utilisation solutions, our Digia HUB network and acquisitions.

Our service and maintenance business generated 60.3 (67.1) per cent of net sales during the period, and the project business 39.7 (32.9) per cent. The product business accounted for 12.9 (13.4) per cent of the company's total net sales.

PROFIT AND PROFITABILITY**October–December 2022**

Operating profit (EBITA) for the fourth quarter was EUR 5.1 (4.9) million with an EBITA margin (EBITA %) of 10.5 (11.1) per cent. Earnings before taxes were EUR 2.9 (4.3) million, with earnings after taxes totalling EUR 2.3 (3.5) million. Earnings per share were EUR 0.09 (0.13). Net financial expenses amounted to EUR -1.3 (0.0) million.

January–December 2022

Full-year 2022 operating profit (EBITA) was EUR 15.7 (17.7) million with an EBITA margin (EBITA %) of 9.2 (11.4) per cent. Profitability was affected by our Digia Business Engine project, which had a total impact of EUR -2.8 million on the result for the period. The company's earnings before taxes were EUR 12.0 (14.6) million, with earnings after taxes totalling EUR 9.6 (11.8) million. Earnings per share were EUR 0.36 (0.44). Net financial expenses amounted to EUR -0.7 (-0.1) million.

On 17 November 2022, the company issued a profit warning, in which it estimated that its operating margin for 2022 would fall short of the profit guidance issued on 8 February 2022. According to the new profit guidance released on 17 November 2022, Digia's net sales will grow year-on-year and its EBITA margin will be 9–10 per cent of net sales. The earlier profit guidance published on 8 February 2022 was: Digia's net sales will grow year-on-year and its EBITA margin will be over 10 per cent of net sales.

RESEARCH AND DEVELOPMENT

Digia constantly invests in enhancing its long-term competitiveness. In the 2022 fiscal year, research and development expenses on Digia's own products totalled EUR 5.5 (6.1) million, which represented 3.2 (3.9) per cent of net sales. During the year, we modernised our own product Enterprise ERP. It is now called Digia Envision ERP. We also continued to develop ERP systems for the financial and logistics sectors.

FINANCING, CASH FLOW AND EXPENDITURE

Digia's balance sheet total stood at EUR 160.1 (143.0) million at 31 December 2022. Balance sheet growth was largely due to acquisitions.

Equity ratio was 45.9 (48.0) per cent and net gearing was 24.8 (15.7) per cent. At the end of the 2022 fiscal year, Digia had EUR 31.9 (28.8) million in interest-bearing liabilities. At the end of the year, unused bank credit facilities amounted to EUR 4.5 million. Interest-bearing liabilities consisted of EUR 17.3 million in long-term and EUR 8.2 million in short-term loans from financial institutions, and EUR 6.4 million in lease liabilities.

In the first half of the year, we raised a new loan of EUR 7 million, which has a maturity of five years. Digia uses two major banks for financing: Danske Bank A/S and OP Corporate Bank Plc.

Cash flow from operating activities came to EUR 14.3 (16.6) million in 2022. Cash flow from investments was EUR -11.8 (-10.1) million. Cash flow from financing was EUR -6.1 (-4.8) million.

HUMAN RESOURCES AND ADMINISTRATION

Our company is designed for people – and we develop digitalisation together. Digia makes continual investments in a workplace culture that bolsters a good employee experience and lifelong learning. Personnel who are committed to the objectives of our customers and constantly hone their skills form the cornerstone of our operations.

In the year now ended, we continued to work according to Digia's hybrid model. Digia employees are free to choose where and how to work, flexibly adapted to their own situation and daily life. We believe that flexibility and work adaptability enhance wellbeing at work. Our appreciation for flexibility was evident in the excellent results in

our 2022 employee experience survey. Hybrid work plays a key role in building a sense of community. In 2022, we continued to emphasise a variety of virtual meetings, while gradually increasing live interactions.

A major investment in 2022 was the Digia Business Engine, deployed in the first half of the year – this new system extensively covers the company's internal operating processes. The related training and start-up of deployment represented the major investment in learning in 2022. That said, we also continued to invest in the development of Digia management during the review period with tailored supervisor coaching, a programme focusing on wellbeing and productivity management, and regular supervisor meetings. To provide support for career planning and personal everyday work management, we piloted our in-house Coaching model for all Digia employees as well as our virtual mental wellbeing service. These were extremely well-received and we will continue to invest in these services.

During the fiscal year, we also clarified and harmonised Digia's remuneration principles and practices. These development efforts are ongoing.

We monitor our success by means such as a survey of the employee experience at Digia. In the survey conducted towards the end of 2022, our employee experience index had risen further and was at a very good level overall.

Digia's number of employees rose to 1,426 during the review period. A year earlier, the personnel count stood at 1,339. Growth was primarily generated by acquisitions. In addition, 131 experts – calculated in terms of full-time employees (FTE) – were working as subcontractors on Digia projects at the end of the year.

Pasi Ropponen was appointed as the new Senior Vice President, Sales and Marketing and as a member of the Management Team as from 11 April 2022.

The members of Digia Plc's Group Management Team on 31 December 2022 were: Timo Levoranta, CEO; Kristiina Simola, CFO; Mika Kervinen, General Counsel; Pia Huhdanmäki, Senior Vice President, HR, Culture & Sustainability; Juhana Juppo, CTO & Senior Vice President, Business Services; Jukka Kotro, Senior Vice President, Business Platforms; Tuomo Niemi, Senior Vice President, Financial Platforms; Sami Paihonen, Senior Vice President, Intelligent Solutions; Pasi Ropponen, Senior Vice President, Sales and Marketing; and Janne Tuominen, Senior Vice President, Managed Digital Core.

CHANGES IN THE GROUP STRUCTURE

On 2 May 2022, Digia acquired the entire share capital of MOST Digital Oy and MOST Digital Sweden AB, which is part of the MOST Digital Group. In addition, Digia acquired the entire share capital of Productive Leap Oy on 1 July 2022 and Avalon Oy on 1 October 2022.

At the end of the fiscal year, the Digia Group included the parent company Digia Plc and its subsidiaries Digia Finland Oy, Digia Hub Oy, Digia Sweden AB, Solasys Oy, Most Digital Oy, Most Digital AB, Avalon Oy, Productivity Leap Oy, and Climber International AB, with its subsidiaries Climber Finland Oy, Climber Benelux B.V., Climber Denmark ApS and Climber Holding AB, and its subsidiary Climber Ab.

SHARE CAPITAL AND SHARES

On 31 December 2022, the number of Digia Plc shares totalled 26,823,723. The company had a total of 8,315 shareholders.

Digia Plc held a total of 129,604 treasury shares on 31 December 2022. 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 138,222 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.

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 2022 was EUR 5.62 and the highest EUR 7.80. The share officially closed at EUR 5.71 on 31 December 2022. The share's trade weighted average price was EUR 6.67. The company's market capitalisation totalled EUR 153,163,458 on 31 December 2022.

FLAGGING NOTIFICATIONS

On 6 October 2022, Digia received notification of changes in the company's ownership in accordance with Chapter 9 Section 10 of the Finnish Securities Market Act. According to the notification, Etola Oy, a company under the control of Erkki Etola, held a total of 2,930,495 Digia Plc shares and votes, corresponding to 10.93 per cent of all Digia shares and votes.

DECISIONS OF THE ANNUAL GENERAL MEETING AND THE ORGANISATION OF THE BOARD OF DIRECTORS

Digia Plc's Annual General Meeting (AGM), held on 21 March 2022, adopted the company's annual accounts, including the consolidated annual accounts for 1 January–31 December 2021, 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 for the fiscal year ending 31 December 2021.

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, Robert Ingman, Seppo Ruotsalainen and Outi Taivainen; Sari Leppänen was elected as a new member. 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: Outi Taivainen (Chairman), Robert Ingman and Sari Leppänen
- Nomination Committee: Martti Ala-Härkönen (Chairman), Robert Ingman and Seppo Ruotsalainen.

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.

Auditor and auditor's fees

In accordance with the recommendation of the Audit Committee of the Board of Directors, the Annual General Meeting decided to select a new auditor for the company. The auditing firm Ernst & Young Oy was chosen for this task. Ernst & Young Oy has announced that the chief auditor will be Terhi Mäkinen, Authorised Public Accountant.

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.
- 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 17 March 2021 and is valid for 18 months, that is, until 21 September 2023.

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:

- This issue may total a maximum of 2,500,000 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.
- The Board was authorised to decide on all terms related to the share issue or special rights, including the subscription price, 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.

COMPANY ACQUISITIONS

Digia acquired the entire share capital of MOST Digital on 2 May 2022. The MOST Digital Group includes MOST Digital Oy and MOST Digital Sweden AB. With this acquisition, Digia will grow its scalable services and bolster its expertise and growth in the integration and API business with automation platform services. MOST Digital had net sales of around EUR 2.8 million in the fiscal year ending in December 2021. MOST Digital's figures are included in the Digia Group's figures as from 1 May 2022.

Digia acquired the entire share capital of Productivity Leap Oy on 1 July 2022. With the acquisition, Digia strengthens its expertise in knowledge management, which is in increasingly high demand, and its ability to serve its customers in an ever more comprehensive way, particularly in the social welfare and healthcare sector. Productivity Leap's net sales for the fiscal period ending December 2021 amounted to approximately EUR 5.5 million. Productivity Leap's figures are included in the Digia Group's figures as from 1 July 2022.

Digia acquired the entire share capital of Avalon Oy on 1 October 2022. The acquisition further strengthens Digia's market position as a leading comprehensive digitalisation partner and improves its ability to serve both companies' customers in a wider way than ever. Avalon had net sales of around EUR 2.4 million in the fiscal year ending in December 2021. On the transaction date, it permanently employed 24 professionals in Helsinki and Oulu. Avalon's figures are included in the Digia Group's figures as from 1 October 2022.

EVENTS AFTER THE REVIEW PERIOD

There have been no significant events since the reporting period.

RISKS AND UNCERTAINTIES

Digia's risk management has been implemented with the Granite IS risk module. Risks are classified as strategic and operational risks, cyclical, hazard, and information security and protection risks, cyberthreat risks and risks related to customer deliveries, which include the impacts of global pandemics and economic cycles. The impacts and mitigation of risks have been described and their mitigation is monitored continuously. The status of risks is reported 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 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/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/protection issues both in-house and to partners and customers as necessary. The company works in close cooperation with a variety of data security/protection authorities and networks. Physical security and personnel safety issues are also managed using mechanisms similar to those employed for data security/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. During the fiscal year, controls were implemented to mitigate risks in both of these areas. 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/protection risks. Controls implemented in software engineering processes are used to manage risks. The war in Ukraine and the energy crisis that began during the fiscal year impact the company's risk map in many ways. With respect to energy availability, Digia has identified the key project risks in different business functions and drafted alternative plans to mitigate risks in exceptional circumstances. In addition, the company launched numerous additional projects in 2022 to reduce the risks posed by war and other hostile operations against the company.

During the fiscal year, Digia assessed the human rights risks of its operations and their impacts. This assessment was carried out in line with the UN Guiding Principles on Business and Human Rights. In Digia's view, its own operations do not involve significant risks related to human rights and the environment, but it is keeping a close eye on these issues.

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.

OUTLOOK FOR 2023

Profit guidance for 2023: Digia's net sales (MEUR 170.8 in 2022) and operating profit (EBITA) (MEUR 15.7 in 2022) will grow year-on-year.

Helsinki, 10 February 2023

Digia Plc
Board of Directors

Table section

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Accounting policies

This Financial Statement Bulletin was prepared in compliance with IFRS and the IAS 34 Interim Financial Reporting standard. The accounting policies have not been amended in 2022. The Financial Statement Bulletin has been audited.

Condensed consolidated income statement

EUR 1,000	10-12/ 2022	10-12/ 2021	Change, %	1-12/ 2022	1-12/ 2021	Change, %
NET SALES	48 735	44 751	8.9 %	170 754	155 939	9.5 %
Other operating income	104	122	-14.9 %	248	445	-44.1 %
Materials and services	-8 539	-6 235	36.9 %	-28 512	-21 674	31.5 %
Depreciation, amortisation and impairment	-1 635	-1 787	-8.5 %	-7 094	-7 485	-5.2 %
Other operating expenses	-34 443	-32 638	5.5 %	-122 671	-112 545	9.0 %
Operating profit (EBIT)	4 222	4 213	0.2 %	12 727	14 680	-13.3 %
Financial expenses (net)	-1 285	42	-3158.2 %	-677	-107	535.2 %
Profit before taxes	2 937	4 255	-31.0 %	12 050	14 573	-17.3 %
Income taxes	-624	-787	-20.7 %	-2 479	-2 801	-11.5 %
RESULT FOR THE PERIOD	2 313	3 469	-33.3 %	9 571	11 772	-18.7 %

Other comprehensive income

Items that may later be reclassified as profit or loss:

Exchange differences on translation of foreign operations	-1 145	-85	1248.6 %	-1 721	-198	769.2 %
TOTAL COMPREHENSIVE INCOME	1 168	3 384	-65.5 %	7 850	11 574	-32.2 %

Distribution of net profit for the period

Parent-company shareholders	2 304	3 462	-33.5 %	9 533	11 758	-18.9 %
Non-controlling interests	9	7	39.5 %	39	14	168.3 %

Distribution of total comprehensive income

Parent-company shareholders	1 159	3 377	-65.7 %	7 812	11 560	-32.4 %
Non-controlling interests	9	7	39.5 %	39	14	168.3 %

Earnings per share, EUR (undiluted EPS)	0,09	0.13	-33.1 %	0.36	0.44	-18.0 %
Earnings per share, EUR (diluted EPS)	0.09	0.13	-33.1 %	0.36	0.44	-17.6 %

Condensed consolidated balance sheet

EUR 1,000

31 Dec 2022

31 Dec 2021

Assets
Non-current assets

Goodwill	85,829	71,915
Other intangible assets	14,389	10,875
Tangible assets	570	686

Right-of-use assets	5,957	6,969
Investments	483	484
Non-current receivables	372	538
Deferred tax assets	332	640
Total non-current assets	107,932	92,107
Current assets		
Current receivables	37,846	32,785
Cash and cash equivalents	14,338	18,148
Total current assets	52,184	50,933
Total assets	160,116	143,040
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	-2,261	-541
Retained earnings	14,391	7,468
Result for the period	9,533	11,758
Equity attributable to parent-company shareholders	71,034	68,057
Equity attributable to non-controlling interests	53	14
Total shareholders' equity	71,087	68,072

Liabilities

Non-current interest-bearing liabilities	20,302	20,354
Non-current advances received	107	0
Other non-current liabilities	5,232	2,324
Deferred tax liabilities	2,553	1,877
Total non-current liabilities	28,194	24,554
Current interest-bearing liabilities	11,644	8,457
Other current liabilities	49,191	41,956
Total current liabilities	60,834	50,413
Total liabilities	89,028	74,968
Shareholders' equity and liabilities	160,116	143,040

Consolidated cash flow statement**EUR 1,000****1 Jan 2022–31 Dec 2022****1 Jan 2021–31 Dec 2021**

Cash flow from operations:		
Profit for the period	9,571	11,772
Adjustments to net profit	9,194	9,398
Change in working capital	-1,547	-3,204
Change in other receivables and liabilities	2,567	2,517
Interest paid	-308	-299

Interest income	16	43
Taxes paid	-5,242	-3,580
Cash flow from operations	14,252	16,648
Cash flow from investments:		
Purchases of tangible and intangible assets	-1,177	-1,768
Acquisition of subsidiaries, net of cash and cash equivalents at the time of acquisition	-10,646	-9,933
Repayment of loans receivable	-	1,573
Dividends received	-	5
Cash flow from investments	-11,823	-10,124
Cash flow from financing:		
Repayment of lease liabilities	-3,810	-4,085
Repayment of current loans	-5,000	-9,726
Withdrawals of current loans	-	3,000
Repayments of non-current loans	-	-271
Withdrawals of non-current loans	9,000	10,900
Acquisition of treasury shares	-1,963	-630
Sale of treasury shares	163	-
Dividends paid	-4,478	-4,002
Cash flow from financing	-6,087	-4,814
Change in cash and cash equivalents	-3,659	1,710
Cash and cash equivalents at beginning of period	18,148	16,410

Effect of changes in foreign exchange rates	-151	28
Change in cash and cash equivalents	-3,659	1,710
Cash and cash equivalents at end of period	14,338	18,148

Statement of changes in shareholders' equity

EUR 1,000	a	b	c	d	e	f	g
Shareholders' equity, 1 Jan 2021	2,088	42,081	5,204	-343	11,707	-	60,737
Net profit					11,758	14	11,758
Other comprehensive income				-198			-198
Transactions with shareholders							
Dividends					-4,002		-4,002
Share-based payments recognised against equity					392		392
Acquisition of treasury shares					-630		-630
Shareholders' equity, 31 Dec 2021	2,088	42,081	5,204	-541	19,226	14	68,072
Shareholders' equity, 1 Jan 2022	2,088	42,081	5,204	-541	19,226	14	68,072
Net profit					9,533	39	9,571
Other comprehensive income				-1,721			-1,721
Transactions with shareholders							

Dividends					-4,478		-4,478
Share-based payments recognised against equity					63		63
Acquisition of treasury shares					-420		-420
Shareholders' equity, 31 Dec 2022	2,088	42,081	5,204	-2,261	23,923	53	71,087

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
31 Dec 2022			
Acquisition cost, 1 Jan 2022	42,388	123,309	48,314
Business acquisitions			547
Increases	3,090	15,030	6,579
Decreases	-319		
Translation difference	-82	-1,116	-413
Transferred through business combinations	38		
Acquisition cost, 31 Dec 2022	45,116	137,223	55,026
Accumulated depreciation and amortisation, 1 Jan	-34,734	-51,394	-37,439
Depreciation (in income statement)	-3,875		-3,219
Translation difference	19		20
Accumulated depreciation and amortisation, 31 Dec 2022	-38,589		-40,637
Book value, 1 Jan 2022	7,655	71,915	10,875
Book value, 31 Dec 2022	6,527	85,829	14,389
31 Dec 2021			
Acquisition cost, 1 Jan 2021	40,598	112,872	40,681

Increases	1,318	10,254	2,769
Decreases	-1,489		-625
Translation difference		183	93
Transferred in acquisitions of business operations	1,962		5,397
Acquisition cost, 31 Dec 2021	42,388	123,309	48,314
Accumulated depreciation and amortisation, 1 Jan 2021	-30,339	-51,394	-34,349
Depreciation (in income statement)	-4,395	0	-3,070
Translation difference			-20
Accumulated depreciation and amortisation, 31 Dec 2021	-34,734	-51,394	-37,439
Book value, 1 Jan 2021	10,259	61,478	6,332
Book value, 31 Dec 2021	7,655	71,915	10,875

Condensed income statement by quarter

EUR 1,000	10-12/ 2022	7-9/ 2022	4-6/ 2022	1-3/ 2022	10-12/ 2021
Net sales	48,735	38,318	41,240	42,460	44,751
Other operating income	104	24	70	50	122
Materials and services	-8,539	-6,535	-7,059	-6,378	-6,235
Depreciation, amortisation and impairment	-1,635	-2,084	-1,782	-1,592	-1,787
Other operating expenses	-34,443	-27,305	-30,929	-29,993	-32,638

Operating result	4,222	2,418	1,540	4,547	4,213
Financial expenses (net)	-1,285	213	357	39	42
Profit before taxes	2,937	2,630	1,897	4,586	4,255
Income taxes	-624	-505	-423	-928	-787
Result for the period	2,313	2,126	1,474	3,658	3,469
Distribution of net profit for the period					
Parent-company shareholders	2,304	2,114	1,464	3,651	3,462
Non-controlling interests	9	12	10	7	7
Earnings per share, EUR (undiluted)	0.09	0.08	0.06	0.14	0.13
Earnings per share, EUR (diluted)	0.09	0.08	0.06	0.14	0.13

Group key figures

EUR 1,000

1-12/2022

1-12/2021

Extent of business		
Net sales	170,754	155,939
Average capital invested	100,575	97,159
Number of personnel	1,426	1,339
Average number of personnel	1,399	1,334
Profitability		
Operating profit (EBITA)	15,733	17,739
- as a % of net sales	9,2 %	11,4 %
Operating profit (EBIT)	12,727	14,680

- as a % of net sales	7.5 %	9.4%
Profit before taxes	12,050	14,573
- as a % of net sales	7.1 %	9.3%
Result for the period	9,571	11,772
- as a % of net sales	5.6 %	7.5%
Return on equity, %	13.8 %	18.3%
Return on investment, %	12.9 %	16.3%

Financing and financial standing

Interest-bearing net liabilities	17,608	10,663
Net gearing	24.8 %	15.7%
Equity ratio	45.9 %	48.0%
Cash flow from operations	14,252	16,648
Earnings per share, EUR, undiluted	0.36	0.44
Earnings per share, EUR, diluted	0.36	0.44
Equity per share, EUR	2.65	2.54
Lowest share trading price, EUR	5.62	6.30
Highest share trading price, EUR	7.80	9.46
Average share price, EUR	6.67	7.51
Market capitalisation, EUR 1,000	153,163	188,839

Acquired business operations

The acquisition of the entire share capital of Most Digital Oy was carried out on 2 May 2022, when the terms and conditions for its completion were met and Most Digital Oy and MOST Digital Sweden AB were transferred to Digia's ownership. With this acquisition, Digia will grow its scalable services and bolster its expertise and growth in the integration and API business with automation platform services.

The acquisition of the entire share capital of Productivity Leap Oy was carried out on 1 July 2022, when the terms and conditions for its completion were met. With the acquisition, Digia strengthens its expertise in knowledge management, which is in increasingly high demand, and its ability to serve its customers in an ever more comprehensive way, particularly in the social welfare and healthcare sector.

The acquisition of the entire share capital of Avalon Oy was carried out on 1 October 2022, when the terms and conditions for its completion were met. This acquisition further strengthens Digia's market position as a leading comprehensive digitalisation partner.

EUR 1,000

Total fair values of the acquired businesses on the acquisition date	
Property, plant, and equipment, and intangible assets	534
Accounts receivable and other receivables	1,591
Cash and cash equivalents	2,702
Total assets	4,827
Accounts payable and other liabilities	3,223
Total liabilities	3,223
Net assets	1,604
Goodwill	15,030
Value of technology	2,663
Value of customer contracts	2,776
Value of trademark	126
Acquisition cost	21,104
Cash flow effect of the acquired businesses	
Total purchase price	-21,104

Paid with shares	1,380
Cash and cash equivalents	2,702
Additional purchase price	6,376
Acquisition-related costs	-344
Net cash flow of acquisition	-10,991

The purchase prices were paid at the time of acquisition in cash and Digia Plc shares, with the exception of estimated additional contingent amounts subsequently payable in cash. The additional purchase price is measured at fair value (level 3). The value of the net assets of the acquirees was estimated at EUR 1.6 million in the acquisition cost calculations. Acquisitions had an impact of EUR 5.9 million on the Digia Group's net sales in 2022 and EUR 0.6 million on the result for the period. If the businesses acquired during the fiscal year had been included in Digia's consolidated accounts for the entire year, the consolidated net sales in 2022 would have amounted to about EUR 176.5 million and the operating result to EUR 13.1 million. The Most Digital Group had 34 employees on 1 May 2022, Productivity Leap Oy had 56 employees on 1 July 2022 and Avalon Oy had 24 employees on 1 October 2022.

Accounts receivable consist of the ordinary receivables of the acquired company, whose fair values are estimated to correspond to their book values. Digia's goodwill grew by EUR 15.0 million as a result of the acquisitions. Goodwill consisted of the value of acquired technology, market share, business expertise and expected synergies.

Formulas

Operating profit (EBITA):

Operating profit + purchase price allocation amortisation and costs

EBITA margin, %:

Operating profit + purchase price allocation amortisation and costs x 100

Net sales

Return on investment (ROI), %:

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

Return on equity (ROE), %:

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

Equity ratio, %:

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

Earnings per share:

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

Earnings per share (diluted):

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

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 December 2022

	Shareholders	Shares and votes	%
1.	Ingman Development Oy Ab	7 900 000	29.5
2.	Keskinäinen Eläkevakuutusyhtiö Ilmarinen	3 341 000	12.5
3.	Etola Oy	2 930 495	10.9
4.	Keskinäinen Työeläkevakuutusyhtiö Varma	1 247 142	4.6
5.	Savolainen Matti Ilmari	883 959	3.3
6.	Rausanne Oy	230 000	0.9
7.	Varelius Juha Pekka	218 424	0.8
8.	Kohonen Jorma Tapani	215 658	0.8

9.	Polvi Jere	140 000	0.5
10.	EAM Digia Holding Oy	138 222	0.5
Total		17,244,900	64.3