Annual Report 2012

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Digia's Annual Report 2012 is online at

annualreport2012.digia.com

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Key Figures

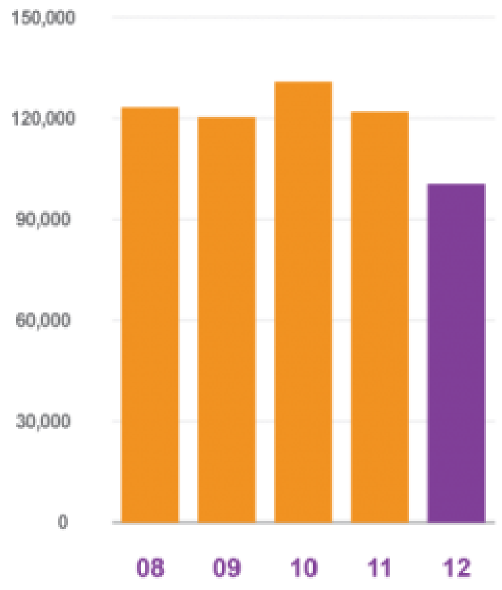
Key Figures, EUR 000

	2012	2011	2010	2009	2008
Net sales	100,488	121,940	130,825	120,335	123,203
Operating profit (¹	8,196	8,084	17,164	16,936	13,437
Cash flow from operations	19,946	8,842	11,066	20,232	15,473
Earnings per share before extraordinary items (²	0.26	0.32	0.56	0.53	0.36

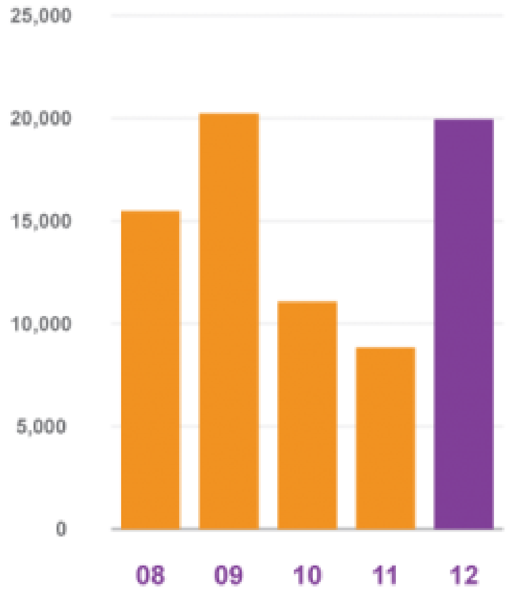
(¹ Extraordinary items are not included in operating profit for the segment. A goodwill writedown of EUR 23.8 million and a restructuring provision of EUR 0.9 million were included in extraordinary items for 2009. EBIT after extraordinary items totalled EUR -7.8 million in 2009. A customer relationship and goodwill writedown of EUR 25.4 million and a restructuring provision of EUR 4.9 million were included in extraordinary items for 2011. Extraordinary items for 2012 comprised EUR 1.3 million in restructuring costs for reorganisation and personnel negotiations. Operating profit after extraordinary items for 2012 was EUR 6.9 million.

(² Earnings per share before extraordinary items was calculated from earnings for the period before the deduction of extraordinary items. After extraordinary items, earnings per share totalled EUR -0.67 for 2009, EUR -1.08 for 2011 and EUR 0.19 for 2012.

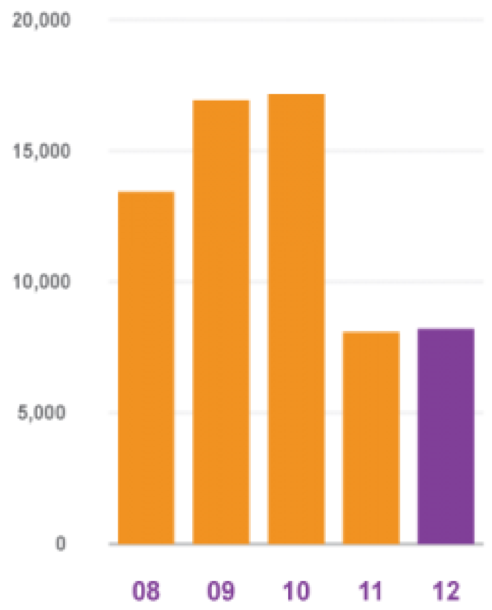
Net sales, EUR 000



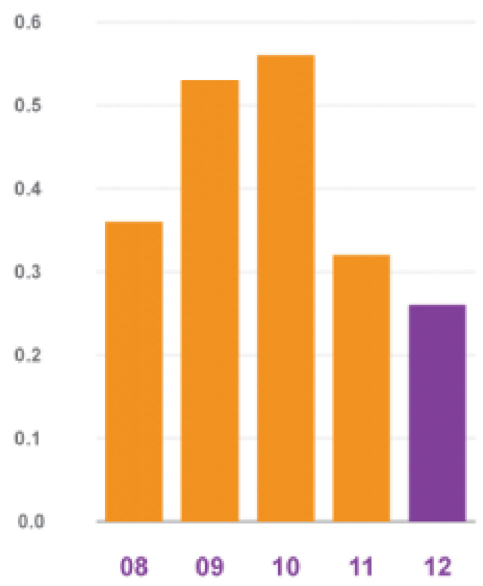
Cash flow from operations, EUR 000



Operating profit [1]**,** EUR 000



Earnings per share before extraordinary items [2]**,** EUR 000



CEO’s Review

Digia spent the year 2012 by laying a new path for itself. We have made major renewal efforts, and the company now looks completely different than it did before. Our new path stands on solid foundations and our future looks bright.

As a company, we have undergone a significant change as a consequence of the previous year’s powerful market changes. We have revised our strategy and gotten operations under our new organisation off to a great start. We have energetically started implementing our chosen strategy. With our persistence, we have made it through this huge transformation. 2012 was a year of success and new beginnings for us.

Making daily life easier for customers in Finland

Our Finnish operations developed positively in 2012. The key factors in our success are a customer-centric approach and in-depth industry knowledge. I am pleased to note that customer satisfaction was once again high. Behind the hundreds of projects completed last year stand our personnel, who possess not only top-level technology expertise but also innovation ability. Most importantly, we have added efficiency and fluency to our customers’ daily operations with our ERP systems, operational systems and integration services.

We want to prove our reliability as a partner to new customers and keep demonstrating it to our long-term customers, and to continue serving them as well as possible in the future. This is why we invest heavily into developing our competence and our service portfolio.

Increasing internationalisation

Digia has taken significant steps in terms of international expansion. One of the year’s major events was the acquisition of Qt software technology and the related business operations from Nokia Plc. With the deal, some top-level Qt experts transferred to Digia from the mobile phone giant. We opened a new office in Berlin and expanded our offices in the United States and Norway. In relation to this deal we had to finish carrying out the necessary steps to adapt our mobile business to the new scenario in Finland, which led to some unfortunate personnel streamlining.

As we built our new path, one of our main objectives was to increase the amount of the scalable product business in our operations. Thanks to the Qt business we have done well in meeting this objective. Significantly larger proportion of our operations than before is now scalable and product based.

Striding confidently into the new year

I wish to thank our customers for a successful year of cooperation in 2012, and our shareholders for the faith they have shown in our business development decisions. Warm thanks are also due to every Digia employee for the willingness and enthusiasm they have shown in pushing our operations forward. I look forward to the bright future that Digia is sure to reach on its chosen path.

Juha Varelius
President and CEO

Consumer needs guiding the transformation of many industries

Many Digia's customers experienced transformations in their operating environments in 2012. Common to a lot of industries was that the changes originated from the needs of customers and consumers. Multichannel solutions and services are now commonplace and consumers look for alternative service models, regardless of the sector.

The benefits of mobility for business are clearly recognised, and Digia's customers in diverse industries are increasingly looking to comprehensively develop the multichannel nature of their services. During 2012, Digia enhanced the efficiency, productivity and good customer experiences of many customers' operations using time- and place-independent multichannel solutions. Demand for these is growing sharply.

A digital revolution is taking place in the telecom sector. Consumers expect more and more comprehensive service experiences. Service providers are forced to react to these expectations and develop their offerings with quick turnaround times.

In trade and logistics, efficiency of the value chain is no longer enough to bring growth. The focus is now on consumer needs. The objective is to make purchasing easy for consumers via diverse service channels and in multichannel format.

In the public sector, demands for increased efficiency continue. The quality of public administration and public services can significantly be improved with IT solutions, and efficiency can be ensured by using compatible systems. The availability of e-services and the automation of background processes improve the availability of services.

In the finance industry, multichannel banking and investment have become commonplace and service providers have responded to this demand. Development of new multichannel consumer solutions that bring competitive advantages for financial operators continues at an ever faster pace. In 2012, the industry was challenged by swift regulatory changes, restructuring caused by market turbulence, and the aftermaths of the financial crisis.

From increasing efficiency to understanding consumer needs and habits

In 2012, revolution in the trade and logistics industry was driven not by the efficiency of the supply chain but by consumer needs – understanding customers as individuals and making shopping easier through diverse service channels.

The trade and logistics industry consists of a chain of functions through which products and services are refined so that they ultimately add value to the customer's life. Retail is the most essential link in the long value chain, as it is the meeting point between industrial production and the local outlet's customer information flow.

Competitive advantages have been achieved in retail until recent years by creating efficient procurement and order-supply processes. As a result, the delivery chain is nowadays very efficient. As the popular international online shopping and factory outlet concepts have become established in Finland, the focus of development has shifted to ensure customer loyalty and the ease of recommendations. Commercial operators are expecting that in the coming years consumers will increase the frequency of their visits and make more extensive use of multichannel services.

Revolution in consumer behaviour

Finns are happy with the state of Finnish retail, and their satisfaction has only increased during the past year. However, nearly 60 per cent of consumers will primarily take the advice of another consumer – not the retailer or product manufacturer – when making purchase decisions. In other words, customer relationship management will increasingly shift from the retail value chain to the customer, i.e. the consumer.

Additionally, the change in the spending behaviour of Finnish consumers is affected by the growing income gaps between social classes, the ageing of the population, better education levels and the new style of interaction permitted by multichannel services – that is, time- and place-independent consumer behaviour.

Digia’s inventive solutions as part of customers’ daily lives

Digia has been a part of daily trade and logistics operations through some of its key customers since 1994. Over the years, the focus of technological development has changed from operational management systems to building customer experiences in diverse service channels.

The change has created customer needs for integration services, business data management and digital service development, which affect the everyday operations of both retailers and consumers. In 2012, Digia’s key success factors were the customer-oriented approach, in-depth understanding of the sector, conceptualisation of product offerings and inventive solutions, which were provided in more than 400 customer projects both in Finland and in Russia.

Regulatory changes and market turbulence still shaping the finance industry

The finance industry is undergoing a period of significant change, which affects all levels all the way down to the consumer. Swift changes in the industry continued in 2012.

Traditionally the finance industry has been seen as a stable, conservative and predictable sector. The last few years, however, have proved this image to be out of date. Swift structural changes continued in the industry in 2012. Uncertainty spreading from the EU member states in need of economic assistance and the aftermaths of the financial crisis had a negative effect on stock prices, and the Eurozone interest rates fell to record lows.

In addition to these factors, the year was characterised by new regulatory moves in the industry. The Solvency II initiative, which will regulate the solvency of insurance companies from 2014 onwards, progressed, as did the similar Basel III in banking (to take effect in 2013–2019). Several new reporting and control requirements came into effect in the capital markets. Transaction taxes and deposit insurance payments received plenty of media attention, although the worst threats related to these aspects of the financial markets seem to have dissipated.

Multichannel business as a part of daily operations for financial consumers

Many private individuals have felt the effects of the changes in the financial sector, for instance in the form of rising loan margins. In the future, new regulations will be visible to consumers in measures such as increased information requirements and customer classification responsibilities for the service provider.

Multichannel banking and investment has become commonplace and service providers have responded to this demand. Development of new multichannel consumer solutions that bring competitive advantages for financial operators continues at an ever faster pace.

Digia supports financial industry customers in the period of change

The changes in the finance industry have lowered operators’ revenues and increased expenses, which has led to a need to cut costs. This has been evident in exceptionally extensive redundancy negotiations and the consolidation of operators in the capital markets.

Digia is a partner for financial institutions, insurance companies, fund management companies and asset managers in the Nordic finance industry. The company has responded to the current challenges in the sector by keeping an eye on official regulations and developing its solutions accordingly. Digia has strongly emphasised product development, responding to its customers’ cost-reduction pressures with measures such as new productised portal and mobile solutions. The company has helped customers increase their productivity by utilising its usability expertise and creating modern user interfaces. Digia is also an integration partner to an increasing number of operators in the financial industry.

Usability and cost effectiveness for public administration needs

Mutually compatible e-services and functional ICT are increasingly important in today's state administration and public services.

The quality of public administration and services can be significantly enhanced by developing application usability and system integration.

Ageing population and changes in the national dependency ratio are powerfully affecting demand for public services in Finland. More and more services are needed for the elderly, but at the same time the human resources available for providing the services are diminishing. This is a great challenge both for public finances and for those who supply the services.

Premise in Finland is that fully functional and secure public services must be equally available to all citizens. Finns are also used to conducting business online. The availability of e-services and automation of background processes improve the universal availability of services.

Digia has solid experience in public administration IT projects

Thanks to its long-lasting customer relationships and solid experience, Digia is a trusted expert in the public sector.

For Digia, the e-service and solution needs of the public administration are a great opportunity. Digia brings together cumulative competence in integration, analytics, app development and mobile solutions from various business areas, and creates successful user experiences for citizens, businesses and the authorities.

Tax Administration trusts Digia

Digia further reinforced its position as a trusted and competent partner in 2012. One example was a framework agreement made between Digia and the Finnish Tax Administration for the development of the latter's e-services.

According to the new agreement, Digia will continue to develop the diversity and quality of the e-filing service for tax forms. Digia was involved in creating the very popular service, and at the next stage the service is meant to serve business in addition to consumers.

In spring 2012, around 565,000 customers filed their tax forms online using the service, and a huge

76% of the feedback they provided was positive.

Increasing government efficiency

The public administration in Finland is looking to make annual savings of EUR 110 million within ICT by 2015. The target is to be met by centralising the use of shared services within the government, reducing the number of equipment rooms and gathering together industry-independent ICT services.

In August 2012 Digia was chosen as the new application provider for the government's Shared Integration Service. This is a centralised messaging service that allows different systems to communicate within and between organisations. With the service, government organisations can reduce the cost of connections between information systems and also monitor them more easily.

Digia speeds up business for Telecom customers

A digital revolution is under way in the telecom sector, affecting all aspects of customers' lives. Consumers are now the pioneers of technological advancement, demanding increasingly comprehensive service experiences. For service providers to respond to this demand, they must react daily to changes and realign their policies.

From data pipelines to service houses of the digital age

There is no further room for growth for telecom operators in traditional telephone and data services. Still, they have to invest ever greater amounts into their data services. Competition is fierce in these services, and the customer turnover is swift. Operators are seeking to strengthen their customer relationships and achieve growth by creating new products to match with their data services, and by expanding into entertainment and IT.

They have also put into action their words concerning improving the user experience. More and more comprehensive service experiences are now being offered to meet customers' daily needs and expectations. This customer-centric approach has blurred the boundaries between business areas.

Changes in digital life

In the consumer business, needs related to digital entertainment and life management have leapt to the forefront. It seems clear that the personal computer will in the future be replaced by individual cloud services. These services can be accessed from multiple terminals regardless of time and place. Smartphones, taken everywhere by their users, and home entertainment equipment will play an increasingly significant role.

Increasing productivity demands

As the nature of work alters and work time blends into leisure time, companies' expectations and purchasing behaviours are changing, because they must react to the needs of their own customers and employees. Earlier it was business systems that directed technological changes; now the pioneers are the consumers.

Additionally, the digital world gives rise to huge pressure to increase the productivity of work. Both the public and the private sector need new tools and work methods.

Digia involved in developing competitive, exciting services

Digia’s main customers in the telecom sector are Nordic operators, infrastructure builders and device manufacturers. In today’s changing operating environment, Digia’s customers must react daily and realign their policies. Digia is involved in improving the operators’ ability to offer increasingly interesting services to their customers. Digia also has the right expertise to respond to the changing digital needs of other sectors. This helps us to see things from the customer’s point of view. Digia’s competitiveness is based on our ability to integrate and develop multichannel user experiences.

Favourable development for service business: growth from product business and Qt

Domestic service business developed favourably in 2012. The product business significantly increased its share of net sales and further growth can be expected. The Qt business also grew in 2012.

Customer orientation and industry know-how as the foundations for Finnish operations

Digia's domestic operations experienced positive development in 2012. The customer's business is undergoing a period of continuous change. Technical solutions related to e-services, online services, case management and integration play a significant role in increasing business efficiency. There is even more emphasis than before on complete infrastructures and business process integration in each company's value network.

Business processes are also becoming mobile. Major technical developments took place in relation to diverse mobile devices, such as tablets and smartphones, in 2012. The significance of system usability has also grown. Good usability increases user loyalty and enhances efficiency.

Growth from the product business

Digia's principal objective for 2012 was to increase its scalable product business. The company did well in meeting this objective, as the share of the product business out of Digia's consolidated net sales rose sharply and further growth is expected in the future.

Digia's Industry Verticals division focuses on scalable business concepts and solutions in select industries.

Qt’s competitiveness continuing to grow

Digia’s Qt business grew significantly during 2012. The Qt business also developed structurally during the year, as Digia added to the Qt Commercial licensing operations it had previously bought from Nokia. Digia acquired the open source code licensing, product development and the copyrights to the entire Qt software technology in August 2012.

The Qt acquisition gave Digia an excellent opportunity to develop not only the technology but also the whole business and its wider ecosystem. Qt is a software developers’ tool that allows for efficient, operating system-independent development of programs. After these launches, Qt is considered to be a highly competitive software development environment for all the leading operating systems.

Digia's international product business growing and developing

Digia's Qt business grew significantly during 2012. The business also developed structurally, as Digia acquired the open source code licensing, product development and the copyrights to the entire Qt software technology in August 2012 from Nokia. This was an addition to the commercial Qt operations it had previously bought from Nokia.

One of Digia's strategic objectives is to grow as an international software house. Qt software technology is the spearhead of this internationalisation strategy. The Qt acquisition gave Digia an excellent opportunity to develop not only the technology but also the whole business and its wider ecosystem. Qt is a software developers' tool that allows for efficient operating system-independent development of programs. The same source code can easily be ported to work for example in Windows, Mac or Linux desktop environments.

Qt's competitiveness continuing to grow

Recent developments in the device sector indicate that the role of mobile platforms will only continue to grow. This is why Digia has made efforts to ensure that the new Qt5 environment, launched in December 2012, will also support the Google Android and Apple iOS operating systems. This will take place in 2013. After these launches, Qt is considered to be a highly competitive software development environment for all the leading operating systems.

The Qt Commercial development environment is actively used by around 3,500 desktop and embedded software customers. These customers represent a wide variety of sectors, including consumer electronics, finance, aeronautics, energy, defence and the media. In terms of licence sales, the major markets are the United States, Germany, Italy, the United Kingdom and Japan. Most of the revenue from Qt comes from licence sales, which started to grow during 2012.

Reinforced sales organisation and new office in Germany

The challenging international software market requires specialist competence and broad customer knowledge. To meet these challenges, during 2012 Digia added to its previous sales-oriented offices in Norway and the US a new office in Germany and reinforcing its Qt sales organisation in China and Russia. In addition to Digia's own sales network, customer service is provided by distributors in chosen markets, including India, Russia, Poland and Japan.

Digia’s strong international network of offices and highly experienced international sales force are major factors in the fulfilment of future growth targets.

Digia Ventures innovates the next generation of software solutions

The international software business offers growth opportunities but also requires investments into the future. Digia Ventures is developing the next generation of software solutions. Ventures approaches the market with easily scalable cloud solutions directly over the Internet. Browser-based and mobile products are available location- and time-independently. Even the business models are innovative: in addition to a small fixed charge, customers only pay for what they use. In general, start-up costs are either very low or non-existent.

Digia will continue investing in this area in the future. As a return on its investment, Digia seeks growth at rates significantly above the market average, without forgetting profitability.

Industry-specific software solutions duplicated to support diverse customers' critical processes

Typically system deliveries in the Industry Verticals business area facilitate and support the core processes of Digia's customers. In that sense, they play a critical role in their businesses. In these projects Digia's reliable deliveries and service ability guarantee customer satisfaction.

Digia's Industry Verticals division focuses on scalable business concepts and solutions in select industries. Digia's principal objective for 2012 was to increase its scalable product business. In line with this objective, the share of the product business out of Digia's consolidated net sales rose sharply and further growth is expected in the future.

Some of the chosen industries for the vertical products are wholesale and retail, the manufacturing industry, services, the financial sector and associations. In each sector, Digia offers to its customers a complete suite comprising both Digia's own products and products from suitable technology partners.

Digia's service portfolio encompasses high-quality implementation services, as well as comprehensive system life cycle services from support to maintenance and hosting.

For the retail industry, for example, Digia has developed the comprehensive Digia Smart Store concept that addresses the challenges brought on by growing competition.

Product-based architecture increases agility of system projects

The Industry Verticals business offers new and existing customers product-based software solutions and related services, all supported by in-depth knowledge of the industry in question. The portfolio is built upon a core of ERP systems, financial sector and association operative systems and related portal implementations and integration solutions.

The selection is flexibly supplemented with solutions and ERP sector verticals from technology partners, which makes the implementation projects quicker and less subject to risk.

Multichannel solutions increase operational efficiency and enhance the user experience

Digia’s product solutions increasingly support the implementation of multichannel aspects, meaning that services can also be accessed from mobile devices. Digia’s extensive competence in mobile technologies places the company in a unique position for the development of mobility in ERP systems.

Mobility plays a significant role in enhancing the use of modern information systems. It means the right information is in the right place at the right time. It also makes systems easier to use and user experiences possible to improve. The mobile aspect also allows for business process development, operating model modifications and, optimally, generation of new business. Mobility could be said to be an organic part of modern business operations, and thereby a visible element of a typical system delivery.

Digia's service business solutions increase efficiency of customers' processes

When businesses undergo operational changes and need to increase efficiency, they require a strong IT partner. Efficiency is born from a solution-centric approach and an understanding of the customer's business. Technological advances also make it increasingly possible to efficiently combine business processes.

Our customers operate in a state of continuous flux, and IT solutions play a significant role in increasing business efficiency. Because of this, Digia provides its customers comprehensive solutions for e-services, online service, case management and integration. We also offer maintenance, outsourcing and expert services.

A solution-centric approach is essential

In its solutions and services, Digia makes use of leading technological platforms such as Oracle, IBM, Microsoft and open-source technologies. As the platforms have advanced, they have in themselves increased their mutual compatibility, which has reduced the need for adaptation and the average size of projects. Digia always evaluates each customer's solution needs on a case-by-case basis. Digia adds effectiveness and competitiveness to its customers' businesses with concepts adapted to the operations and the sector.

Demand for information system solutions was good in 2012, growing particularly in the public sector. In the private sector, the global economic uncertainty was evident in some delays in customers' procurement decisions, especially in the second half of the year.

Integration seamlessly connects business processes

Business processes must work together seamlessly both inside the company and between value chain parties. Besides traditional data flow and system integration, attention is increasingly turning towards complete infrastructures and process integration. One of Digia's products is the SOA integration centre service, which experienced a significant growth in demand in 2012. The trend is expected to continue in 2013. Integration and its related analytics services are one of Digia's major areas of focus.

Efficiency for business processes through mobility

Major technical developments took place in relation to diverse mobile devices, such as tablets and smartphones, in 2012. Demand for ways to utilise mobility in business has increased. Instead of simply making information available in a mobile format, it is essential to ensure that mobility adds to the efficiency of processes. Digia offers its customers business-specific concept solutions and consulting to make sure this happens. Demand for mobile business solutions is expected to grow strongly in 2013.

Usability planning ensures effective system use

To ensure user commitment to systems and services, there must be a successful launch but also knowledge of the user experience. To help in creating successful user experiences, Digia offers usability planning services that ensure user satisfaction from the very early stages of a project. Separate usability projects can also be conducted to lengthen the lives of existing systems.

Case Gallery

Mobile solution boosts customer service efficiency

Case Elisa

Towards an interoperable information society

Case State Treasury

Qt enabling high quality marine electronics

Case Navico

Medicinal Business Intelligence usage

Case Imperia Pharma

Tax Returns Submitted Online

Case Tax Administration

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Case S Group

Automated investment operations

Case Etera

Elisa Contact Center: mobile solution boosts customer service efficiency

Digia and Elisa have collaborated for several years around diverse applications and implementations. Now, a mobile solution that responds to today's user needs has been included in Elisa's Orange Contact system for corporate clients. In the collaborative project, Elisa was in charge of the system implementation and Digia of the mobile solution.

Mobility breeds efficiency

The field personnel of Elisa's corporate clients have to be able to sign in as active to the Orange Contact system. It allows them to receive phone calls from the customer queue. The system lets corporate clients use the system also while on the move. For this purpose a mobile solution had to be developed that works on the most common modern mobile platforms.

Platform-independent solution

The design of the mobile solution took into account the functionality of the solution, which had previously worked on a single platform, as well as various user needs coming from customers and the comprehensive device selection offered by Elisa. With such a wide range, the diversity of smartphone platforms became a challenge. Platform and browser limitations were circumvented by creating a modern web-based solution which gives the same functionality for all users. Usability analysis was used to simplify the user interface and the visual image was polished to match Elisa's current look. The end result was a user-friendly, functional, platform-independent mobile solution.

The solution also has lower maintenance costs than platform-specific implementations. The two companies will continue collaborating on the mobile solution's maintenance and minor further development, in line with well-established operating models.

Elisa is a telecom and ICT service provider which provides experiences for Finnish consumers and productivity for corporate customers with its online and ICT services. Elisa's customers number around 2.2 million consumers, businesses and public organisations. Elisa also offers services internationally in collaboration with Vodafone and Telenor.

Towards an interoperable information society

Digia started as an application provider for the Finnish government's Shared Integration Service (VIA) on 1 August. The service is an essential component of the overall technological architecture used by the government, and it is one of the concrete outcomes of the Public Sector ICT project of the Ministry of Finance. The government's Shared ICT Services centre, operating in the State Treasury, chose the suppliers for the service through a tendering process, meaning that the different government bodies had no need to run separate tenders.

The Shared Integration Service (VIA) is a centralised messaging service that facilitates the management of system integration. VIA will bring multiple benefits once it is fully implemented. With it, public organisations can transfer data among their own systems and between their own and other organisations' systems.

In the spring of 2012, the State Treasury ran an open tender procedure for the provision of VIA in the next three to four years. The criteria in the bidding process particularly valued strong competence in Oracle technologies and integration solutions, and Digia was chosen as a supplier.

Secure, evolving service

VIA is an essential component of the overall technological architecture used by the government. The data security of the service is audited using the government's standards, according to an elevated security and preparedness level.

The service is under continuous development and has been in production use since 2011. Currently, VIA is used for example in the integration of the government's financial and human resources management system, Kieku, and customers from the Citizen's Account, as well as in the integration of the metsaan.fi portal of the Finnish Forest Centre. Soon, query interfaces connected to the basic official data records will be added to the service. The first connections will be to the Population Register and the Business Information System.

Shared ICT Services Centre

The government's Shared ICT Services centre, operating in the State Treasury, develops and produces ICT services shared by several government bodies. It organises, acquires and generates the services on behalf of the whole public administration. Some of them are also offered to local councils. As such, the centre is one of the implementers of the Finnish Public Sector ICT Strategy.

Qt enabling high quality marine electronics

Navico, the world's largest marine electronics company adopted Qt by Digia to reduce costs and development time. Qt also allows Navico to share code and development resources among multiple platforms simultaneously. Qt's cross-platform support was also very important for Navico's product development process.

Navico is the world's largest marine electronics company for brands such as Lowrance, Simrad Yachting and B&G. Navico has approximately 1,500 employees globally and distribution in more than 100 countries worldwide.

Marine navigation and information system

Typical Lowrance HDS (High Definition System) units include built-in sonar, GPS and detailed mapping of inland and coastal marine areas. Their applications include locating fish and identifying underwater structures; creation and marking of waypoints, routes and trails for fishing and navigational awareness and safety; and a variety of other tasks associated with monitoring and control of boats.

With the support of Digia's Qt, Navico developed a marine navigation and information system for recreational vessels. Qt's cross-platform application and UI framework support enabled Navico to reduce development time and costs.

Qt decreases development time

Navico chose Qt after researching a number of cross-platform windowing systems. Qt was selected because it provided not only a mature cross-platform graphical user interface API, but also cross-platform support for multi-threading, a number of valuable operating system-related features and OpenGL support, which is important for graphics.

For Navico's product development process, Qt's cross-platform support was extremely important. This allowed the team to share code and development resources among many platforms simultaneously. Code reusability avoided unnecessary duplication and reduced Navico's overall development time. Because of this, it also reduced costs in terms of man-hours.

Medicinal Business Intelligence usage

Digia delivered a Business Intelligence solution for Imperia-Pharma, one of the largest pharmaceutical distributors in Russia. The solution is based on Digia Retail Analytics, an industry BI-solution for wholesale and retail trade.

Imperia-Pharma is the largest pharmaceutical distributor in North-West region of Russia and one of the largest in the whole country. The Saint-Petersburg based company has operated on Russian market since 1996. Its main business is wholesale of pharmaceuticals, dietary supplements, cosmetics, and various medical products.

To keep track of sales data received from all offices for each item, to analyse results and plan activities to increase sales growth, the company decided to implement the BI-solution. After examining the Business Intelligence solutions represented on Russian market, Imperia-Pharma chose Digia Retail Analytics solution based on Microsoft BI. The project was implemented very fast and in full compliance with all customer requirements.

With the solution, Imperia-Pharma is able to define targets for sales, based on incidence and population data by regions. The company has also reduced its labour costs and minimized errors in producing analytical reporting for management use. Information transparency has improved and the company now has accurate view to its market share across regions, market segments and classes of drugs.

Digia delivered a solution that has proven to be an important part of Imperia-Pharma’s daily tool box. The BI solution acts as a basis for strategic planning and a source for new opportunities to increase sales. The system is also easy to use and very functional, which made it possible to implement the solution quickly and get positive results.

Tax Returns Submitted Online

In the spring of 2012, as many as 565,000 Finnish taxpayers – making up around 40% of all of those who returned their tax forms to the Tax Administration – filed their tax forms electronically. Users of the new online tax form service gave plenty of feedback on it, of which a huge 76% was positive, 17% comprised improvement suggestions, and only 7% was negative. Customers were particularly pleased with the clarity, simplicity and ease of use of the service.

Digia has been the Tax Administration's partner for e-services for several years, and was involved in creating the e-filing service. The project, which included several service providers, was very well received both by the Tax Administration and by the taxpayers using the service.

Online filing of tax returns saves tax officials a lot of time previously spent on routine filing tasks, which they can now dedicate to more demanding duties. This is a great step towards meeting the government's productivity targets. The forms are also more complete on arrival, which means less time spent requesting further information. For customers, the service makes submitting the tax return forms quicker and more comfortable to do at home.

The agreement between Digia and the Tax Administration was revised and extended on August 1st 2012. According to the new agreement, Digia will continue to develop the diversity and quality of the tax form e-filing service. The next stage of the service will encompass self-employed people and business owners.

Digia is also involved in building an income tax reporting service for companies, and in maintaining and developing the ALVEU service for companies. In the ALVEU service, businesses can request a VAT refund from another EU country.

S Group Personnel Enters into the Digital Age

Thanks to the Dooris self-service portal created for S Group personnel, staff in the retail consortium can now easily take care of their own work shifts and employment contracts. The portal provides real-time information on things such as available shifts, and simplifies and automates internal processes related to work schedule and contract management.

Dooris is a new, modern and efficient channel for personnel communications in the S Group. The portal is integrated into the shift planning system and the Tempus mobile work invitation system. Later it will be integrated into the SAP personnel management system. Development efforts have been and will continue to be based on the principles of increasing the efficiency of HR processes, allowing cross-resourcing between different workplaces, and improving employer-employee interaction.

Seamless integration between systems reduces adminstrative work for managers and increases opportunities for cross-resourcing. Currently, employees can check their shifts, days off and completed work hours online or using the Dooris app on their mobile phones, anywhere and at any time. Dooris reduces paperwork and saves time for everyone, which simplifies routines on both sides.

One manager of an S Group regional cooperative said “Dooris took our hearts and our Post-It notes,” appropriately describing the efficiency, user-friendliness and functionality of the system. The transparency and up-to-datedness of the system have increased job satisfaction among both workers and managers. Dooris and Tempus are available on PCs, tablets computers and mobile phones as a cloud service facilitated by Digia.

Combined with Tempus, Dooris has improved the ability of S Group employees to take part in planning their work schedules, as well as enhancing communication between managers and staff and making it easier to coordinate work.

Automated investment operations

Etera has been managing its investment assets with solutions from Digia’s Financial Systems product line for over a decade. The system has increased in complexity in line with growing official regulations and Etera’s expanding investment operations. Now that data collection is automated, there is more time to actually interpret the data.

Etera is a mutual employment pension company that looks after employee and entrepreneur pensions and promotes occupational welfare. Its customers are companies, organisations, entrepreneurs and households. Employment pensions form a part of social security in Finland. All salaried employees and entrepreneurs are included in the statutory employment pension system.

Etera has used solutions from Digia’s Financial Systems product line for managing its securities investments since the late 1990s. Before that its investment assets, which were mostly in debenture bonds, were managed using an in-house system. With the company’s expansion into equity investments and the advent of the Euro, a more comprehensive and powerful system was needed. The chosen solution was Samstock, which has since then been merged into Digia’s Financial Systems.

In autumn 2011, Bloomberg’s market information service provided information on closing stock prices, valuations, key figures, risk evaluations and corporate events such as dividends, splits and share issues was integrated into the package as an external service. This significantly enhanced the real-time data supplied by the system, as previously some of it had to be retrieved manually from multiple sources.

New investment products are continuously being created, especially in the derivatives market, and as the risk level rises the market must be more actively monitored. Having up-to-date information is the number one priority. There are even more diverse ways of examining and combining data.

Digia in Brief

Digia is a Finnish software solutions and service company. We have around 1,000 professionals creating inventive solutions and bringing success for people, businesses and communities in everyday life. We improve our customer's competitiveness with multi channelled enterprise solutions that improve effectiveness and customer experience. Our customers trust our insightful specialists, our deep industry comprehension and recognised wide-ranging technology know-how. Our innovative products are within reach of people around the world.

We deliver ICT solutions and services to various industries, focusing especially on finance, public sector, trade and services and telecommunications. Digia operates in Finland, Russia, China, Sweden, Norway, Germany and in the U.S. The company is listed on the NASDAQ OMX Helsinki exchange (DIG1V).

Digia's mission and vision for 2014

MISSION

Our inventive solutions bring success for people and businesses in everyday life.

The purpose of Digia’s existence – its mission – is born out of passion and ability to create everyday success for consumers and citizens. This generates added value for Digia’s customers and thereby justifies the company’s existence and maintains lasting partnerships.

VISION

Digia 2014: Successful and Most Recommended

We are the Finnish software solutions and services company of choice, growing strongly at home and abroad.

Our continuous success is based on inspired experts, skilled leadership and solutions which improve customer experience.

Our innovative products are within reach of people around the world.

Digia’s vision – i.e. what constitutes the company’s success in 2014 – is built upon the following intents:

Digia is the first choice and recommendation for customers looking for a provider of information system solutions, software and services. The company’s operation is increasingly international, but it is based in Finland. Growth is swift in chosen markets, taking place both by expanding the domestic market and through making products for a global user base.

Digia’s personnel enjoy working in the company, develop themselves, and assume and bestow responsibility. Activity is guided by a desire to evolve and produce sustainable results. Management is target-oriented and the ability to execute is first-rate. Knows also to listen. Solutions are inspiring and display exemplary usability.

Digia is a growth business with a good level of profitability. The company’s valuation and market value develop favourably and its shares are a highly regarded in trading. Personnel are committed to success.

Digia is a reliable innovator and an insightful problem-solver, which has the ability swiftly to harness new technologies to further the business growth, profitability and risk management of its customers. Delivery channels and revenue models have developed without prejudice.

How to achieve success: Digia’s strategy in brief

A strong cash flow will be achieved through competitive service operations. Growth will be reinforced thanks to the scalable software product business and the company’s new market areas. Continuity will be ensured by carefully balancing short-term earning power with long-term growth objectives, and by employing motivated personnel.

The fulfilment of Digia’s vision for 2014 is based on the following strategic cornerstones:

Maintaining competitive and evolving service operations that ensure a steady cash flow and moderate growth. The most important thing is to generate value for customers with a customer-centric operating and solution model.

Enhancing the existing product selection with scalable business models for accelerated growth. This is done by turning services into replicable, sector-specific packages of solutions and related services. In addition, the company will develop software and services for international online sale.

Increasing growth potential by expanding from the domestic market into new areas of rapid growth, such as Russia.

Balancing short-term earning power with long-term sustainable growth through careful investment management.

Emphasising personnel motivation and commitment, and enhancing the company's image as an attractive employer.

Ensuring that the company's management structure and operating models work harmoniously and support the achievement of strategic objectives.

From vision into action: implementing the strategy

Digia's business is subdivided into five strategic areas: Solutions and Services, Industry Verticals, Integration and Analytics Services, International Products and New Market Areas.

Solutions and Services

As the world becomes globalised and web services ubiquitous, Digia helps its customers to make use of IT solutions with which they can build superior personalised customer experiences, offer services 24 hours a day in a way that really speaks to the end customers, and stand out from the competition.

Long-term customer relationships, industry-specific expertise and mobile solutions are the strong pillars of Digia's innovative end-to-end service production. Operations are based on the use of leading technology platforms, solid technical competence, knowledge of the customers' business and conceptualisation.

Digia's portfolio consists of productised solutions and services that cover the entire cycle of system development – from architecture, concept and user interface design to software development, integration and maintenance.

Industry Verticals

The Industry Verticals business offers new and existing customers product-based software solutions and related services, all supported by in-depth knowledge of the sector in question. Some of the chosen sectors for the vertical products are wholesale and retail, the manufacturing industry, services, the financial sector and associations.

The portfolio is built upon a core of ERP systems, financial sector and association's operative systems and related portal implementations and integration solutions. Digia's service portfolio encompasses high-quality implementation services, as well as comprehensive system life cycle services, including support, maintenance and hosting.

Digia's product solutions increasingly support the implementation of multichannel aspects, meaning that services can also be accessed from mobile devices. Digia's extensive competence in mobile technologies places the company in a unique position for the development of mobility in ERP systems.

Integration and Analytics Services

The primary goal of Digia’s integration and analytics business is to develop and manage the integration services and business processes of major clients. Demand for store optimisation, analytics and integration solutions is strong and growing. Digia’s aim is to develop increasingly complex service concepts for its chosen primary markets, which are trade, the public sector, and the finance and insurance sector. With regard to store optimisation, target groups also include health care, transport and logistics, and the food industry.

Digia’s competitiveness in this business segment is mostly based on its understanding of clients’ needs and its service concept. Digia has strong relationships with several long-term clients in this segment. Both the service portfolio and the client portfolio are well balanced. Digia also offers its own integration and store optimisation solutions as turnkey services to a wide range of clients regardless of industry. Digia’s analytics solutions support the analytical solutions offered in the context of New Market Areas and vice versa in terms of both industry and technology.

Digia intends to develop its service offering in this segment by strengthening its industry know-how and understanding of clients’ needs as well as by becoming the best technological expert in the industry.

International Products

The objective of Digia’s International Products segment is to grow by developing its existing products and their sales, and by investing in new growth projects. The segment comprises the Qt Commercial business acquired from Nokia, and Digia Ventures.

Digia has Qt competence or sales centres in Finland, Norway (Oslo), Germany (Berlin), the United States (Santa Clara, CA), China (Beijing and Chengdu) and Russia (St. Petersburg and Moscow). Digia’s strong international network of offices and highly experienced international sales force will be a major factor in achieving future growth.

The Qt Commercial development environment is actively used by around 3,500 companies operating in such sectors as consumer electronics, finance, the aircraft industry, energy, the defence forces and the media. In terms of licence sales, the major markets are the United States, Germany, Italy, the United Kingdom and Japan. Most of the income related to Qt Commercial comes from licence sales.

The international software business offers growth opportunities but also requires investments into the future. Digia Ventures is developing the next generation of software solutions. Ventures approaches the market through easily scalable cloud solutions directly over the internet.

New Market Areas

Digia's aim is to generate growth by developing local operations in new markets. In the near future, the emphasis will be on the rapidly growing Russian market. The objective there is quick growth based primarily on vigorous acquisition of new customers, although carefully considered business acquisitions are not out of the question. There are good conditions for success, thanks to the combination of Russians' appreciation for Finnish quality, and Digia's local business competence, competitive portfolio and industry-specific knowledge.

Currently the core product portfolio consists of software-based solutions in analytics and supporting services aimed especially at the trade and logistics sectors. A new product selection is also being developed for the target market, making use of synergies with Digia's product portfolio as a whole. This means that it will also have market potential in Finland.

The focus of operations is on software solutions, but there will also be an emphasis on developing service operations in order to support recognition and market capture. Near shore services will be offered in order to ensure the competitiveness and resource availability of Finnish operations.

Successful projects require strong project management and customer relationship management

Digia’s training programmes form the basis for the continuity of staff competence. Effective human resources management helps to ensure that competence is shared internationally and across division boundaries.

Strong project management and customer relationship management as the cornerstones of success

Digia systematically develops its project management through both its internal development unit and external training partners. We work in close collaboration with customers to ensure that the targets of our projects remain clear even in periods of change, and that our customers receive the correct solutions for their business needs.

Training programmes form the basis of competence development

Training at Digia takes place through diverse programmes, for instance the highly praised integration competence academy. In 2012, personnel received training in diverse areas, such as Microsoft, IBM and Oracle. We certified several experts for each of these areas.

Training programmes will continue to play an important role. In order to maintain our position at the forefront of competence we train our personnel in line with business needs and technological developments.

International competence

In 2012, Digia strongly internationalised its competence, especially in the Qt business area. This has brought even deeper product marketing and technology competence into the company.

Diverse competences available across division boundaries

In addition to technology, competence development focused on sector, product and method expertise according to the various business divisions' needs. Digia's pool of experts is managed by a shared HR unit, which optimises the utilisation of the company's competence resources globally and throughout its various divisions.

Personnel implementing Digia's new path for 2012

International operations increased significantly during the year. The latest international office opened in Berlin. In Finland the focus was on implementing the new strategy and in developing operations.

The year 2012 started with the adoption of a new organisation and the communication of the company's updated strategy to personnel. The message to personnel comprised Digia's strategy and objectives, the business model and targets of the business area, and the significance and targets of each team as a part of the aforementioned entities. Particular emphasis was placed on open dialogue in small groups. Division leaders and managers were coached in change management. An employee survey conducted in the spring demonstrated a much higher level of satisfaction in the new strategy and in the workplace compared to the previous year.

Some of the key development areas that were identified were process and management competence, personnel commitment, managing the relevance and quantity of competence, and efficiency of operations. An important amount of work was done in these areas and improvements were achieved in each of them during the year. This partly resulted in new responsibilities being given to personnel and in further small-scale organisational changes during the year.

New office to Berlin, more employees to Oslo

In the early autumn the number of personnel employed outside of Finland grew significantly with new people joining Digia due to the Qt acquisition. A new office was opened in Berlin and there was a significant increase in the number of employees based in Oslo. The new functions were merged into the Qt organisation in late summer and early autumn, and the necessary administrative and service operations were initiated. Personnel negotiations had to be conducted in Finland due to the adoption of new operating principles and targets.

In Sweden and Russia employee numbers remained stable during the year. In China there was a gradual move towards local Qt operations and a consequent slight reduction in the number of employees. Conversely, the number of personnel employed in the United States grew slightly. A few employees transferred from Digia in Finland to the local subsidiary in the US.

At year-end, Digia employed 195 persons outside of Finland.

Theme year of occupational well-being

Digia's Good Work Ability model is one of the main initiatives for supporting occupational well-being at Digia. The model comprises mutually agreed rules for early intervention in challenging situations, and enables pushing matters forward in positive ways that suit all those concerned. In addition it works to reduce the unnecessary lengthening of sick leave periods and to safeguard employees' work ability through positive cooperation.

Occupational well-being is something that affects the whole workplace community: employees, managers, the executive management, Human Resources and the HSE organisation, that all work together efficiently and positively to achieve good results.

Competence development a continuous effort

Competence development is an essential part of everyday work and of the continuous development of personnel and the organisation at Digia. In addition to providing courses and training, Digia encourages its employees to enhance their own and their team's competence. Learning is a team effort related to identifying the best practices for improving customer satisfaction. Good examples of such actions in 2012 included project manager training, learning and networking meetings, a successful integration competence academy and the continuous development of operating models.

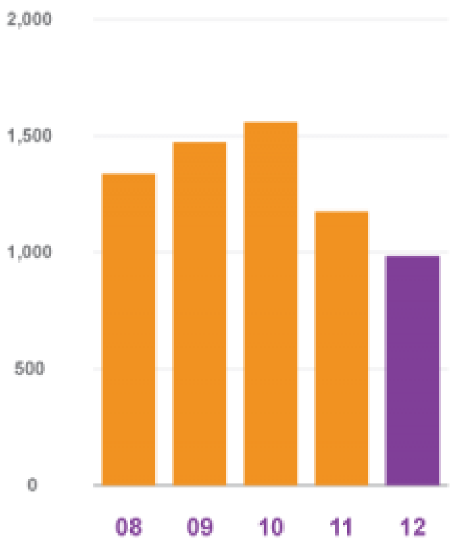
Personnel in figures

At year-end there were 982 employees, of whom 19.9% worked outside of Finland. This represented a slight increase in the total number of employees.

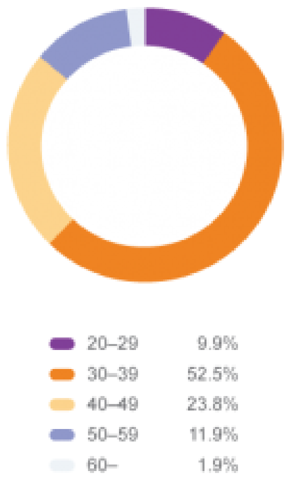
The average age of personnel at the end of the year was 38.9 years, which was slightly higher than the year before. Women accounted for 25% of personnel.

All the jobs that became available at Digia were primarily posted internally, and public recruitment processes were put in place for certain specialist positions. In addition to diverse electronic recruitment channels, social media was increasingly utilised in the process.

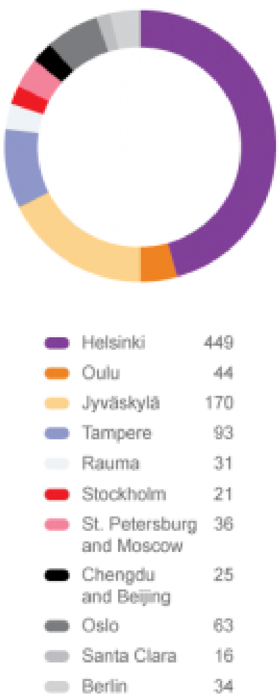
Amount of employees



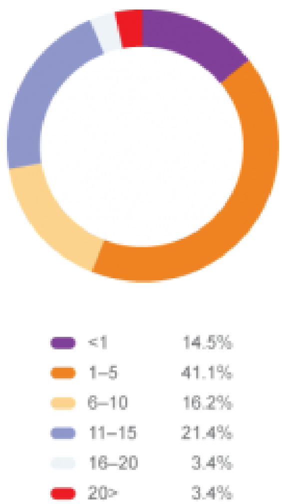
Personnel distribution by age group



Personnel distribution by Digia offices



Personnel distribution by employment year



Good work ability forms the basis for well-being at Digia

Investments were made during the year into adopting the Good Work Ability model and a new sick leave responsibility matrix. Well-being is also fostered by diverse leisure activities and comprehensive fringe benefits.

Digia’s Good Work Ability model is one of the main initiatives for supporting occupational well-being at Digia. Its main target is early intervention in problems so that they can be solved through collaboration.

The model strives to prevent unnecessary lengthening of sick leave and sets proactive measures that lead to a timely and safe return to work. Cooperation plays an important role, and the responsibilities of the various concerned parties are carefully defined. The occupational health care provider is an important partner in promoting well-being at work.

Employee benefits

A comprehensive package of fringe benefits was offered to personnel in 2012, as in previous years. Occupational health services were provided through partnering medical centres and health insurance. Preventive basic dental care was also offered as a benefit. Fitness and culture vouchers were supplied as a way to encourage exercise and recreation, and luncheon vouchers were provided to subsidise lunches.

Diverse leisure activities

Digia supports its employees’ leisure activities by facilitating club activities. OpenClubs operate around Finland in various fields of activity, such as orienteering, ice swimming, cycling, poker, running, photography, curling, bands, crafts, various cultural pursuits and even blood donation. Events for the whole family were organised in many locations.

During the year, Digia’s employees took part in various nationwide occupational well-being and fitness campaigns, such as a stair-walking campaign and a campaign to try three new sports. In fact, a women’s team from Digia won gold in the latter campaign run by Smartum.

Board of Directors

Pertti Kyttälä, b. 1950, M.Sc. (Econ.)

Digia Board member since 2005 and Chairman of the Board since 2010. Chairman of the Board's Audit Committee and member of the Nomination Committee. Managing Director of Peranit Ltd. His previous posts include CEO at Radiolinja Ltd (1999–2003), IT Director at Helsinki Telephone Company (1997–1999), Managing Director at Samlink Ltd (1994–1997) and Managing Director and Deputy Managing Director at Sp-palvelu Ltd (1991–1994). Chairman of the Board at ASAN Security Technologies Ltd and a Member of the Board at Ubisecure Solutions Ltd.

Independent of the company and its significant shareholders.

Robert Ingman, b. 1961, M.Sc. (Eng.), M.Sc. (Econ.)

Digia Board Member since 2010 and Vice Chairman of the Board since 2012. Chairman of the Board's Nomination Committee and member of the Compensation Committee. Full-time Chairman of the Board of Ingman Group Oy Ab. His previous posts include Managing Director at Arla Ingman Oy Ab (2007–2011) and Ingman Group Oy Ab and Ingman Foods Ab (1997–2006). Chairman of the Board of Halti Ltd. Member of the Board at Arla Ingman Ltd., Etteplan Plc, Evli Pankki Plc and M-Brain Ltd.

Independent of the company.

Päivi Hokkanen, b. 1959, M.Sc. (Econ.)

Digia Board Member since 2012. Member of the Board's Compensation Committee. CIO and Executive Group member at A-Katsastus Group Oy since 1.9.2012. Her previous posts include CIO at Sanoma Plc (2009–2012) and at Stockmann Plc (2002–2009), Director at SysOpen Plc (1998–2002) and various positions at Cap Gemini Plc (1995–1998) and Kansallisrahoitus Ltd. (1984–1995). Member of the Board at the Finnish Information Processing Association (2010–2011).

Independent of the company and its significant shareholders.

Kari Karvinen, b. 1959, MA

Digia Board Member since 1990. Member of the Board's Audit Committee and Nomination Committee. Currently works as a board professional and independent investor. CEO and Chairman at Tuulenhenki Ltd. His previous posts include Co-founder of SysOpen Plc (the predecessor of Digia Plc), full-time Chairman of the Board (2002–2004), Chairman of the Board (2004–2005), Vice Chairman of the Board (1999–2002, 2005–2007), Deputy Managing Director (1990–1999) and Director of Business Planning (1999–2000). Vice Chairman of the Board at NOMO Jeans Corporation Ltd. Member of the Directors' Institute of Finland and FiBAN (Finnish Business Angels Network).

Independent of the company and its significant shareholders.

Seppo Ruotsalainen, b. 1954, M.Sc (Eng), Lic. Tech.

Digia Board Member since 2012. Member of the Board's Audit Committee. Currently works as a board professional holding board chairman, board member, investor and strategic advisor roles in various technology and software companies. His previous assignments include President and CEO at Tekla Corporation (1998–2003), SVP at F-Secure Corporation (2008–2009), EVP at Oy LM Ericsson Ab (1994–1998) and Sales Director at Hewlett Packard (1982–1993) as well as Chairman of the Finnish Information Association (2004–2006). Member of the Directors' Institute of Finland and FiBAN (Finnish Business Angels Network).

Independent of the company and its significant shareholders.

Leena Saarinen, b. 1960, M.Sc. (Food technology)

Digia Board Member since 2012. Member of the Board's Audit Committee. Currently works as a board professional holding Board chairman or Board member roles in various companies including Arla Ingman Oy and as a chairman of the Supervisory Committee of I.G. Alita Ab. Her previous posts include Managing Director at Suomen Lähikauppa Ltd. (2007–2010), President and CEO at Altia Corporation (2005–2007) and various positions at Unilever (1990–2005). Member of the Advisory Board of Luottokunta (2008–2011) and Member of the Board at Outokumpu Plc (2003–2011) and Atria Plc (2006–2007).

Independent of the company and its significant shareholders

Tommi Uhari, b. 1971, M.Sc. (Eng.)

Digia Board Member since 2010. Chairman of the Board's Compensation Committee. Currently holds board member and strategic advisor roles in selected startups and public companies. His previous posts include management team member of ST Microelectronics (2006–2010), various managerial positions at ST's joint ventures ST-NXP Wireless and ST-Ericsson (2008–2010), head of ST's Wireless Business Unit (2006–2008) and Director of Nokia Wireless and SW platforms units at Nokia (1999–2006).

Independent of the company and its significant shareholders.

Group Management Team

Juha Varelius, b. 1963, M.B.A.

Digia's President and CEO as from the beginning of 2008. Reporting to the Board of Directors, Varelius is responsible for the company's operative business. Previously, he has served as the President and CEO of the technology company Everypoint Inc of Boston (2006–2007). He has also held managerial positions at Yahoo! and Everypoint in London (2002–2006). Moreover, he has served in various managerial positions at Sonera (1993–2002), acting in his last years there as Managing Director of Sonera Zed and a member of the Sonera Management Team.

Tommi Laitinen, b. 1968, vocational qualification in business and administration

Senior Vice President, Industry Verticals and International Products, Management Team member since 2005. Previously, he has served at Digia as SVP of Competence organisation (2009–2010), SVP of Telecommunication division (2007–2008) and SVP in charge of the company's strategy and development (2005–2007). His previous positions at Digia Inc. included Vice President, Engineering (2002–2004); Director, Quality and Processes (2001–2002); and Business Unit Manager (1999–2000). Prior to that (1991–1999), he was in charge of various project and product management duties and software development duties.

Tom Puusola, b. 1967, Secondary school graduate in Technical Science

Senior Vice President, strategy & business development, Management Team member since 2012. Responsible for new market areas, key customers, marketing, strategy and development, mergers and acquisitions and IT. Previously on Digia level head of business development (2010–2011) and vice president, integration business unit (2009). Prior to that held managerial positions in integration business, strategic customers and development at the Digia Industry & Trade Division (2006–2008), Sentera Plc (2003–2006), Iocore Plc (2000–2003) and Open Solutions Group (1998–2000). Before joining Digia's predecessor's worked for Tekniikan Akateemisten Liitto TEK with publications and internet (1992–1998) and for Valtion Teknillinen Tutkimuskeskus VTT with software development (1989–1992). Studied computer science at Helsinki University of Technology.

Mika Pälsi, b. 1970, LL.M.

General Counsel, Management Team member since 2009. In charge of legal matters and stock exchange communications at the company. Trained on the bench, post-graduate LL.M. studies at the Universities of Helsinki and Leicester (U.K.). Pälsi has over ten years' experience in international business law, both as an attorney and in-house counsel. Before joining Digia in 2009, Pälsi worked for Tieto Corporation, where he was in charge of providing legal counsel to one of their business units. Before moving into corporate practice, Pälsi worked as an attorney at Castrén & Snellman and as a solicitor at Allen & Gledhill Advocates & Solicitors (Singapore).

Kimmo Vainikainen, b. 1973, Engineer

Senior Vice President, solutions and services business and management of competences, Management Team member since 2012. Previously he has served as Director of project management office 2011, Managing Director in several competences and process development duties (2007–2010), Business Unit Director (2005–2006) and worked as project manager and consultant (2000–2004). Before Digia, Vainikainen has worked in development tasks for intensive care and anaesthetic software at Datex Ohmeda / Clinisoft Plc since 1998.

Anja Wasenius, b. 1968, M.B.A.

Chief Financial Officer, Management Team member since 2012. Wasenius is in charge of Group Finance and Administration. Prior to this position she held position of senior controller at Digia. Prior to joining Digia she worked for Kärkimedia Oy as a controller (2009–2011). Wasenius held several financial positions at Sun Microsystems Oy (1995–2009) having responsibility for accounting and management reporting as well as taking part of the international reporting development and employee training. Before joining Sun Microsystems in 1995 she worked at Compaq Computer Oy.

Corporate Governance Statement

General issues

This Statement has been issued separately from the company's operating and financial review.

Digia's corporate governance system is based on the Companies Act, the Securities Markets Act, general corporate governance recommendations, and the company's Articles of Association and in-company rules and regulations on corporate governance.

Digia's corporate governance principles are integrity, accountability, fairness and transparency. This means, inter alia, that:

- The company complies with the applicable laws, rules and regulations.
- The company organises, plans and manages its operations, and does business abiding by the applicable professional requirements approved by Board members, who demonstrate due care and responsibility in performing their duties.
- The company demonstrates special prudence with respect to the management of its capital and assets.
- The company's policy is to keep all market participants actively, openly and equitably informed of its business operations.
- The company's management, administration and personnel are subject to the appropriate internal and external audits and supervision.

Adherence to the Governance Code

Digia adheres to the Governance Code for Listed Finnish Companies issued by the Finnish Securities Market Association and entered into force on 1 October 2010.

The Governance Code can be read on the website of Finnish Securities Market Association at www.cgfinland.fi.

Shareholders’ Meeting

Digia's highest decision-making body is the Shareholders' Meeting at which shareholders exercise their voting rights regarding company matters. Each company share entitles the holder to one vote at the Shareholders' Meeting.

AGM will be held annually within three months of the end of the financial year. An Extraordinary General Meeting will be held if the Board of Directors deems it necessary or if requested in writing by a company auditor or shareholders holding a minimum of 10 per cent of the company's shares, for the purpose of discussing a specific issue.

The Finnish Limited Liability Companies Act and Digia’s Articles of Association define the responsibilities and duties of the Shareholders’ Meeting. Extraordinary General Meetings decide on the matters for which they have been specifically convened.

Board of Directors

Operations and duties

Elected by the Shareholders' Meeting, the Board of Directors is in charge of company administration and the appropriate organisation of company operations. Under the Articles of Association, the Board of Directors must consist of a minimum of five and a maximum of eight members. The Nomination Committee prepares a proposal for the Shareholders' Meeting regarding the composition of the new Board of Directors to be appointed.

The majority of Board members must be independent of the company and a minimum of two of those members must also be independent of the company's major shareholders. The Managing Director or other company employees under the Managing Director's direction may not be elected members of the Board.

The term of all Board members expires at the end of the Annual General Meeting following their election. A Board member can be re-elected without limitations on the number of successive terms. The Board of Directors elects its Chairman and Vice Chairman from amongst its members.

The Board has prepared and approved a written agenda for its work. In addition to Board duties prescribed by the Companies Act and other rules and regulations, Digia's Board of Directors is responsible for issues on its agenda, observing the following guidelines:

- Good board practices require that the Board of Directors, instead of needlessly interfering in the details involved in day-to-day operations, concentrate on elaborating the company's short- and long-term strategies
- The Board's general duty is to steer the company's business with a view to maximizing shareholder value in the long term, while taking account of expectations set by various stakeholder groups
- Board members are required to perform on the basis of sufficient, relevant and updated information, in order to serve the company's interests

In addition, the Board's agenda:

- Defines the Board's annual action plan and provides a preliminary meeting schedule and framework agenda for each meeting
- Provides guidelines for the Board's annual self-assessment
- Provides guidelines for distributing notices of meetings and advance information to the Board and procedures for keeping and adopting minutes

- Defines job descriptions for the Chairman, members and secretary of the Board of Directors (the secretary is the Company's General Counsel or, if absent, the CEO)
- Defines the framework within which the Board may set up special committees or working groups

During the 2012 financial year, the Board convened 18 times. The meeting attendance rate averaged 96 per cent.

The Board evaluates its activities and working methods annually, employing an external consultant for this evaluation, if necessary.

Board Members

In 2012, the Digia Plc Board of Directors comprised:

Pertti Kyttälä, b. 1950, M.Sc. (Econ.)
Digia Board member since 2005 and Chairman of the Board since 2010. Chairman of the Board's Audit Committee and member of the Nomination Committee.Managing Director of Peranit Ltd. His previous posts include CEO at Radiolinja Ltd (1999–2003), IT Director at Helsinki Telephone Company (1997–1999), Managing Director at Samlink Ltd (1994–1997) and Managing Director and Deputy Managing Director at Sp-palvelu Ltd (1991–1994). Chairman of the Board at ASAN Security Technologies Ltd and a Member of the Board at Ubisecure Solutions Ltd.

Robert Ingman, b. 1961, M.Sc. (Eng.), M.Sc. (Econ.)
Digia Board Member since 2010 and Vice Chairman of the Board since 2012. Chairman of the Board's Nomination Committee and member of the Compensation Committee. Full-time Chairman of the Board of Ingman Group Oy Ab. His previous posts include Managing Director at Arla Ingman Oy Ab (2007–2011) and Ingman Group Oy Ab and Ingman Foods Ab (1997–2006). Chairman of the Board of Halti Ltd. Member of the Board at Arla Ingman Ltd., Etteplan Plc, Evli Pankki Plc and M-Brain Ltd.

Päivi Hokkanen, b. 1959, M.Sc. (Econ.)
Digia Board Member since 2012. Member of the Board's Compensation Committee. CIO and Executive Group member at A-Katsastus Group Oy since 1.9.2012. Her previous posts include CIO at Sanoma Plc (2009–2012) and at Stockmann Plc (2002–2009), Director at SysOpen Plc (1998–2002) and various positions at Cap Gemini Plc (1995–1998) and Kansallisrahoitus Ltd. (1984–1995). Member of the Board at the Finnish Information Processing Association (2010–2011).

Kari Karvinen, b. 1959, MA
Digia Board Member since 1990. Member of the Board's Audit Committee and Nomination Committee. Currently works as a board professional and independent investor. CEO and Chairman at Tuulenhenki Ltd. His previous posts include Co-founder of SysOpen Plc (the predecessor of Digia Plc), full-time Chairman of the Board (2002–2004), Chairman of the Board (2004–2005), Vice Chairman of the Board (1999–2002, 2005–2007), Deputy Managing Director (1990–1999) and Director of Business Planning (1999–2000). Vice Chairman of the Board at NOMO Jeans Corporation Ltd. Member of the Directors' Institute of Finland and FiBAN (Finnish Business Angels Network).

Seppo Ruotsalainen, b. 1954, M.Sc (Eng), Lic. Tech.
Digia Board Member since 2012. Member of the Board's Audit Committee. Currently works as a board professional holding board chairman, board member, investor and strategic advisor roles in various technology and software companies. His previous assignments include President and CEO at Tekla Corporation (1998–2003), SVP at F-Secure Corporation (2008–2009), EVP at Oy LM Ericsson Ab (1994–1998) and Sales Director at Hewlett Packard (1982–1993) as well as Chairman of the Finnish Information Association (2004–2006). Member of the Directors' Institute of Finland and FiBAN (Finnish Business Angels Network).

Leena Saarinen, b. 1960, M.Sc. (Food technology)
Digia Board Member since 2012. Member of the Board's Audit Committee. Currently works as a board professional holding Board chairman or Board member roles in various companies including Arla Ingman Oy and as a chairman of the Supervisory Committee of I.G. Alita Ab. Her previous posts include Managing Director at Suomen Lähikauppa Ltd. (2007–2010), President and CEO at Altia Corporation (2005–2007) and various positions at Unilever (1990–2005). Member of the Advisory Board of Luottokunta (2008–2011) and Member of the Board at Outokumpu Plc (2003–2011) and Atria Plc (2006–2007).

Tommi Uhari, b. 1971, M.Sc. (Eng.)
Digia Board Member since 2010. Chairman of the Board's Compensation Committee. Currently holds board member and strategic advisor roles in selected startups and public companies. His previous posts include management team member of ST Microelectronics (2006–2010), various managerial positions at ST's joint ventures ST-NXP Wireless and ST-Ericsson (2008–2010), head of ST's Wireless Business Unit (2006–2008) and Director of Nokia Wireless and SW platforms units at Nokia (1999–2006).

Martti Mehtälä, b. 1957, M.Sc. (Tech.)
Digia Board member since 2007 and Vice Chairman of the Board since 2010 until the Annual General Meeting of 2012.

Pekka Sivonen, b. 1961, Secondary school graduate in Political Science
Member of the Board since 2005 until the Annual General Meeting of 2012.

Marjatta Virtanen, b. 1950, M.Sc. (Econ.)
Member of the Board since 2010 until the Annual General Meeting of 2012.

Of the aforementioned current members of the Board, Päivi Hokkanen, Pertti Kyttälä, Kari Karvinen, Seppo Ruotsalainen, Leena Saarinen and Tommi Uhari are independent of the company and its major shareholders. Robert Ingman is independent of the company.

Committees of the Board of Directors

The Digia Board of Directors had three committees in 2012: the Compensation Committee, the Audit Committee, and the Nomination Committee. The working principles of the committees for year 2012 were confirmed by the Board in its meeting on 29 March 2012.

These committees do not hold powers of decision or execution. They assist the Board in decision-making concerning their own areas of expertise. The committees report regularly on their work to the Board, which governs and assumes collegiate responsibility for the committees' work.

Purpose of Digia's Compensation Committee is to prepare and follow up compensation and remuneration schemes in order to ensure that the company's targets are met, to guarantee the objectivity of decision-making, and to see to it that the schemes are transparent and systematic. In 2012, the members of the Compensation Committee were Tommi Uhari (Chairman), Robert Ingman and Päivi Hokkanen. Until the Annual General Meeting of 2012 the members of the Compensation Committee were Martti Mehtälä (Chairman), Pekka Sivonen and Tommi Uhari. In 2012, the committee convened four times with full attendance by all members.

Purpose of the Audit Committee is to assist the Board of Directors in ensuring that the company's financial reporting, accounting methods, financial statements and other reported financial information are legitimate, balanced, transparent and clear, as further specified in the agenda. In 2012 the Audit Committee was composed of Pertti Kyttälä (Chairman), Kari Karvinen, Seppo Ruotsalainen and Leena Saarinen. Until the Annual General Meeting of 2012 the members of the Audit Committee were Pertti Kyttälä (Chairman), Kari Karvinen and Marjatta Virtanen. The committee convened five times in 2012, with full attendance by all members.

Nomination Committee's duty is to prepare a proposal for the Annual General Meeting concerning the number of members of the Board of Directors, the members of the Board of Directors, the remuneration of the Chairman, Vice Chairman and members of the Board and the remuneration of the chairmen and members of the committees of the Board of Directors. In 2012, the members of the Nomination Committee were Robert Ingman (Chairman), Kari Karvinen and Pertti Kyttälä. The committee convened four times in 2012, with full attendance by all members.

CEO

The company's Chief Executive Officer is appointed by the Board of Directors. The CEO is in charge of Digia's business operations and administration in accordance with the instructions and regulations issued by the Board of Directors, and as defined by the Finnish Limited Liability Companies Act. The CEO may take exceptional and far-reaching measures, in view of the nature and scope of the company's activities, only if so authorised by the Board of Directors. The CEO chairs the Group Management Team's meetings. Moreover, the CEO is not a member of the Board of Directors, but attends Board meetings.

The CEO's service contract, approved by the Board of Directors, defines the key terms and conditions which govern his/her position, in writing.

M.B.A. Juha Varelius (b. 1963) has been the company's CEO since the beginning of 2008.

Internal Control and Risk Management Related to Financial Reporting

Control functions and control environment

The company has a controller function tasked with verifying monthly reports. This controller function reports to the management, the Board of Directors and the Board's Audit Committee regarding the financial performance of the company and its divisions.

The company uses a reporting system which compiles separate subsidiaries' reports into the consolidated financial statements. There are written directives for completing the financial reports of subsidiaries. Compliance with these directives is monitored by the controller function. The company also has the necessary, separate reporting facilities for monitoring business operations and asset management.

The Group finance unit provides instructions for drawing up financial statements and interim financial statements, and compiles the consolidated financial statements. The finance unit has centralised control over the group's funding and asset management, and is in charge of managing interest rate risk.

Internal risk control

As a general principle, authorisation is distributed in Digia in such a way that no individual may independently perform measures unbeknown to at least one other individual. For example, the company's bookkeeping and asset management are managed by separate persons, and two authorised persons are needed to sign on behalf of the company.

The Group's business is divided into business units lead by Senior Vice Presidents (SVPs) reporting to the CEO. Reporting and supervision are based on annual budgets that are reviewed monthly, on monthly income reporting and on updates of the latest forecasts.

The SVPs in charge of the divisions report to the Group Management Team on development matters, strategic and annual planning, business and income monitoring, investments, potential acquisition targets and internal organisation matters related to their areas of responsibility. Each division has its own management team.

Digia’s operational management and supervision take place according to the corporate governance system described above.

The Group’s administration unit is in charge of HR management and policy, as well as properties and the viability of working conditions in each facility. The legal affairs unit provides instructions for and monitors contracts made by the company and ensures the legality of the Group’s operations.

Communications

The Group’s General Counsel is in charge of the company’s external communications and their correctness. External communications include financial reports and other stock exchange communications. The General Counsel is responsible for the publication of interim reports and financial statements, as well as for actions related to convening and holding Shareholders’ Meetings. Most communications take place through the company’s website and using stock exchange releases.

Risk management

The purpose of the company’s risk management process is to identify and manage risks in such a way that the company is able to meet its strategic and financial targets. Risk management is a continuous process, by which the major risks are identified, listed and assessed, the key persons in charge of risk management are appointed and risks are prioritised according to an assessment scale in order to compare the effects and mutual significance of risks.

The main operational risks handled by Digia’s risk management function are customer risk, personnel risk, project risk, data security risk, IPR risk and goodwill risk.

The company manages customer risk by actively developing its customer portfolio structure and avoiding any potential risk positions. Personnel risks are actively assessed and managed using a goal and development discussion process for key personnel. To improve personnel commitment, the company strives to improve the efficiency of internal communications systematically, using regular personnel events and increasing the visibility of management. Key project audits are carried out with a view to enhancing project risk management and securing the success of project deliveries to customers. In addition, the Group's certified quality systems are regularly evaluated and the Group has increased the efficiency of its project delivery reporting practices in relation to corporate governance and finance. Data security risk is managed through data security audits and continuous development of working models, security practices and processes. Risks associated with the integration of businesses, shared operating models and best practices, as well as their integrated development, are managed according to plan under the supervision of the Group Management Team. Risks typical to software business, especially to international product business, relating to appropriate protection of company's own IPRs and violation of IPRs of third parties are managed through extensive internal policies, standard contracts and appropriate follow-up and analysis. With respect to IFRS-compliant accounting policies, the Group actively monitors goodwill and the related impairment tests, as part of prudent and proactive risk management practices within financial management.

In addition to operational risks, the company is subject to financial risks. Digia Plc's internal and external financing and the management of financial risks are coordinated by the finance function of the Group's parent company. This function is responsible for the Group's liquidity, sufficiency of financing, and the management of interest rate and currency risk. The Group is exposed to several financial risks during the normal course of its business. The objective of the Group's risk management is to minimise the adverse effects of changes in the financial markets on the Group's earnings. The primary types of financial risks are interest rate risk, credit risk and funding risk. The general principles of risk management are approved by the Board of Directors, and the Group's finance function is responsible for their practical implementation together with the business divisions.

Statement on Digia Management Emoluments

This management emolument statement sets forth a summary of the financial benefits, remuneration system and thereto related decision-making pertaining to Board members and operative management of Digia Plc.

Board Emoluments

The Shareholders' Meeting decides on emoluments payable to the Board of Directors and grounds for the compensation of expenses. The 2012 AGM decided to pay monthly emoluments of EUR 2,500 to Board members, EUR 3,500 to the Vice Chairman and EUR 5,500 to the Chairman for their work on the Board. In addition, the AGM approved EUR 500 in fees per Board or committee meeting for all Board members. Moreover, the Shareholders' Meeting decided that standard and reasonable costs resulting from work on the Board would be reimbursed against invoice.

In the 2012 financial year, a total of EUR 338,000 was paid in emoluments to the members of the Board of Directors for their work on the Board, as follows:

Päivi Hokkanen	EUR 32,500
Robert Ingman	EUR 51,500
Kari Karvinen	EUR 42,500
Pertti Kyttälä	EUR 79,000
Martti Mehtälä	EUR 10,500
Seppo Ruotsalainen	EUR 33,500
Leena Saarinen	EUR 33,000
Pekka Sivonen	EUR 8,500
Tommi Uhari	EUR 39,500
Marjatta Virtanen	EUR 7,500

All emoluments were monetary. The company does not grant stock options or share-based remuneration for work on the Board.

Emoluments of the CEO and other management

Summary of the CEO remuneration system

The Board of Directors decides on the CEO's salary, and other remuneration and benefits.

CEO Varelius's remuneration package comprises a monthly salary in accordance with his director agreement, a bonus payable on the basis of reaching the set targets and the share bonus possibly payable pursuant to CEO's share incentive scheme.

In addition to the monthly salary the CEO is paid a bonus equal to three months' salary upon meeting the targets linked to the revenue and profit budgets set by the Board of Directors. In the event the revenue target is exceeded the bonus will increase up to a maximum amount equal to nine months' salary for 140% outcome of the revenue target, provided that also the profit target is met or exceeded. In the event the profit target is not met, any increments for exceeding the revenue target will not be paid. In the event the profit target outcome is less than 80%, no bonuses will be paid at all, irrespective of the revenue outcome.

The share-based remuneration scheme for the Group Management Team (GMT) was decided by the Board pursuant to authority given by the AGM in in Spring 2010.

The scheme has four earning periods, which are years 2010–2013. The scheme provides the CEO with a possibility to earn a maximum bonus equal to the value of 100.000 shares in each earning period respectively pursuant to the earning criteria to be annually decided by the Board for the respective earning period. Regarding year 2012 the bonus shall be determined based on the earning per share (EPS) and revenue of the company. The minimum bonus (5,000 shares) requires an EPS of EUR 0,21 and revenue of EUR 92,0 million. Maximum bonus (100,000 shares) will become payable if the EPS amounts to a EUR 0.32 accompanied by a revenue of EUR 100,0 million or if the EPS amounts to a EUR 0.23 accompanied by a revenue of EUR 122,0 million.

Under said share bonus scheme, in 2012 the CEO has been paid with a bonus equal to the value of 39,266 company shares based on the results of financial year 2011. The bonus has been paid with the treasury shares held by the Company.

Bonuses payable under said scheme will be paid in a 50/50 combination of shares and cash after the adoption of the financial statements following the close of the respective earning period. The cash payment is used primarily to cover taxes and other applicable fees and levies incurred from the bonus payment. The scheme includes no lock-up periods designed to restrict the disposal of shares already granted to the CEO.

CEO Financial benefits and main terms of service

In 2012 the CEO was paid EUR 427,900 in salary and benefits, of which salary and fringe benefits account for EUR 302,760 and bonuses for EUR 125,141.

The company may terminate the CEO's service contract with six months' notice. Upon such termination, he will receive remuneration for the notice period plus severance pay equalling 12 months' salary. The CEO's retirement age is as stipulated by law, and he has no supplementary pension agreement with the company.

Summary of the remuneration system of other management

Based on a proposal submitted by the CEO, the Board of Directors decides on the salary, other remuneration and other benefits to be paid to other members of the GMT.

GMT members' total remuneration package comprises a monthly salary and the bonus and share bonus payable on the same basis as with the CEO.

Under the prevailing GMT share bonus scheme the GMT members (other than the CEO) will, in aggregate, be paid with a total maximum bonus equal to the value of 100,000 shares. Under said share bonus scheme, in 2012 the GMT members have, in aggregate, been paid with a bonus equal to the value of 39,266 company shares based on the results of financial year 2011. The bonus has been paid with the treasury shares held by the Company and also in other respects pursuant to same terms as with the CEO's share bonus.

Each GMT members' retirement age is stipulated by law, and no member has a supplementary pension agreement with the company.

Markets and Digia’s business operations

The current weak economic prospects have from time to time caused delays in customers’ decision-making and therefore in the start-up of new projects. Additionally, constant cost pressures on customers are reflected in their procurement decisions.

The human resources situation has two quite different aspects. On the one hand, a large number of experts were released onto the job market from various contract engineering projects; on the other, there is a shortage of experienced architecture and business experts, which is causing lengthened recruitment processes and pressure for pay rises.

The company’s new organisation took effect at the beginning of 2012. It proved to be effective and worked according to plan. In some areas, operational efficiency will be enhanced further to improve profitability and develop the service portfolio.

The increased cost pressure on Digia’s customers particularly affected demand for customer-specific solutions and services during the financial year, especially in the private sector.

Demand for ERP systems and other operational systems was fair during the review period, although increased caution was evident in customers’ purchasing behaviour and sales cycles had become longer. The order intake book was still at a normal, healthy level.

The Qt business increased its net sales, with operations progressing according to plan during the period. The high profitability of the business fell towards the end of the review period, as expected, due to the Nokia Qt deal increasing the costs of the business. During the period the company revised some of its previously published plans related to Qt product development and its areas of focus. The new Qt message was positively received by the market and has opened significant new business opportunities, especially in the large customer segment.

In Digia’s Russian unit, the focus of business development was on ERP system solutions for local customers within the retail value chain. Besides offering services locally, the Russian unit also supports the company’s business in Finland by providing near shore services, particularly within ERP system solutions.

The focus of development of the Chinese unit was increasingly on Qt licence and consulting services offered to the local Chinese market. The completed Qt acquisition reinforced the company’s competitiveness in this area.

Financial Indicators

The group's operations were profitable, resulting in an operating profit of EUR 6.9 million. The group maintained good solvency and liquidity. Consolidated financial indicators are presented in the following table:

	2012	2011	2010	2009	2008
Net Sales	100,448	121,940	130,825	120,335	123,203
EBIT	6,884	-22,168	17,164	-7,796	13,437
Operating margin, %	7%	-18%	13%	-6%	11%
Return on equity, %	10%	-42%	18%	-21%	11%
Equity ratio, %	53%	48%	59%	52%	47%
Net gearing, %	28%	34%	20%	34%	53%

More detailed key figures for the last five years and the formulae for the key figures are provided in the notes to the financial statements (Note 30).

Net Sales

Digia's consolidated net sales for the fiscal year were EUR 100.4 (121.9) million, down 17.6 per cent on the previous year.

The decrease was due to a sharp fall in demand for mobile contract engineering services from Q2 2011 onwards, which continued through 2012. Net sales generated by the Qt business grew significantly from the comparison period, reaching EUR 18.3 million during the period under review. Of that figure, EUR 4.2 million came from the granting of rights of use of Qt technology to Nokia as part of the Qt business acquisition.

During the financial year, the product business accounted for EUR 36.5 (25.7) million or 36.4 (21.0) per cent of consolidated net sales.

International operations accounted for EUR 20.6 (14.7) million or 20.5 (12.1) per cent of consolidated net sales.

Profitability and Financial Performance

Digia's consolidated operating profit before extraordinary items for the reporting period was EUR 8.2 (8.1) million, up 1.4 per cent year on year. Profitability (EBIT%) before extraordinary items was 8.2 (6.6) per cent.

Digia's consolidated operating profit after extraordinary items for the review period was EUR 6.9 (-22.2) million. Profitability (EBIT%) after extraordinary items was 6.9 (-18.2) per cent. Extraordinary items comprised a EUR 1.3 million restructuring cost related to the personnel negotiations and reorganisations conducted during the year.

Operating profit and profitability were positively affected in the review period by income from the granting of rights of use of Qt technology to Nokia as part of the Qt deal. Conversely, the company's operating cost structure and profitability were negatively affected during the period by investments into the international product business and a relative increase in the proportion of fixed operating costs. There were also temporary negative effects from the additional costs caused by increased personnel turnover at the beginning of the year, and by loss provisions related to two customer projects in the third quarter. The profitability of the Solutions and Services business was lower than expected throughout the period.

Consolidated earnings before tax for the year totalled EUR 5.6 (-23.1) million, and net profit was EUR 4.0 (-22.5) million.

Consolidated earnings per share for the review period totalled EUR 0.26 (0.32) before extraordinary items and EUR 0.19 (-1.08) after extraordinary items.

The Group's net financial expenses for 2012 were EUR 1.3 (1.0) million.

Financial Position and Expenditure

At the end of the reporting period, Digia Group’s consolidated balance sheet total stood at EUR 92.4 million (12/2011: EUR 87.8 million), and the equity ratio was 52.6 (47.8) per cent. Net gearing was 27.5 (34.5) per cent. Period-end cash and cash equivalents totalled EUR 8.3 (8.2) million.

Interest-bearing liabilities amounted to EUR 19.8 (21.9) million at the period end. These consisted of EUR 18.5 million in loans from financial institutions and EUR 1.3 million in financial leasing liabilities.

To finance its Qt business acquisition, Digia took out EUR 4.0 million in a long-term loan on 17 September 2012. The loan covenants of the financing package agreed in 2011 remained unchanged. The loan covenants related to the company’s solvency and liquidity comprised the following key figures: operating profit before depreciation and amortisation (EBITDA) in relation to net debt, equity ratio and net gearing. The company may distribute a maximum of 50 per cent of the Group’s net profit for the year without separate agreement. The company fulfilled the set loan covenants in 2012. Further information on financing loans is presented in Note 22 to the financial statements.

The Group carries out quarterly impairment testing of goodwill and intangible assets with an indefinite useful life. Impairment testing is described in more detail in the notes to the financial statements, under Note 15 ‘Intangible assets’.

The company has financing, framework and delivery agreements with special terms and conditions for any situation in which control of the company changes hands.

The Group's cash flow from business operations for 2012 was positive by EUR 19.9 (8.8) million, cash flow from investments was negative by EUR 16.2 (2.7) million and cash flow from finance was negative by EUR 3.6 (7.6) million. Billing of EUR 12.2 million from Nokia in relation to the Qt acquisition deal had a positive impact on operational cash flow. Cash flow from finance was negatively affected by a repayment of loans totalling EUR 5.5 million, as well as by the payment of dividends with a total effect of EUR 2.1 million. Additionally, a long-term loan of EUR 4.0 million was taken out for the Qt acquisition.

The Group’s total investments into fixed assets were EUR 0.8 (2.7) million. Acquisitions of tangible fixed assets totalled EUR 0.7 (2.3) million.

Return on investment (ROI) for the financial year was 11.3 (-28.7) per cent and return on equity (ROE) was 9.8 (-41.9) per cent.

Extent of Research and Development

The Group made research and development efforts and engaged in product development in all of its divisions. In the 2012 fiscal year, the Group's R&D costs totalled EUR 4.3 million (2011: EUR 4.8 million and 2010: EUR 4.8 million), corresponding to 4.2 per cent of net sales (3.9 per cent and 2.3 per cent).

Personnel, Management and Administration

At the end of the period, the total number of Group personnel was 982, representing a decrease of 193 employees or 16.4 per cent compared to the end of 2011 (1,175). During the reporting period the number of employees averaged 1,025, a decrease of 428 employees or 29.5 per cent from the 2011 average (1,453).

Employee indicators:

	2012	2011	2010
Average number of personnel	1,025	1,453	1,508
Wages and salaries	54,028	68,564	65,172

Employees by function, year-end 2012:

Business units	96%
Administration and management	4%

As of the end of the period, 195 (12/2011: 161) employees were working abroad.

The Digia Plc Annual General Meeting of 13 March 2012 re-elected Robert Ingman, Kari Karvinen, Pertti Kyttälä and Tommi Uhari as members of the Board. Päivi Hokkanen, Seppo Ruotsalainen and Leena Saarinen were elected as new members. At the organisation meeting of the Board, Pertti Kyttälä was elected Chairman of the Board and Robert Ingman Vice Chairman.

Juha Varelius has been Digia Plc's President and CEO since 1 January 2008.

Anja Wasenius started as Acting CFO in June 2012.

In 2012, Digia's Board of Directors had three committees: the Compensation Committee, the Audit Committee, and the Nomination Committee. The Board approved the rules of procedure for 2012 of the committees in a meeting of 29 March 2012.

These committees do not hold powers of decision or execution; their role is to assist the Board in decision-making concerning their areas of expertise. The committees report regularly on their work to the Board, which has decision-making and collegial responsibility over their actions.

The Compensation Committee's task is to prepare and follow management remuneration schemes in order to ensure that the company's targets are met, that the objectivity of decision-making is maintained, and that the schemes are transparent and systematic. In 2012, the Compensation Committee comprised Tommi Uhari (chairman), Robert Ingman and Päivi Hokkanen. Until the 2012 AGM, the Committee’s members were Martti Mehtälä (chairman), Pekka Sivonen and Tommi Uhari. The committee convened four times in 2012, with full attendance.

The purpose of the Audit Committee is to assist the Board of Directors in ensuring that the company's financial reporting, accounting methods, financial statements and other financial information provided by the company are in accordance with the law, balanced, transparent and clear. In 2012 the Audit Committee was made up of Pertti Kyttälä (Chairman), Kari Karvinen, Seppo Ruotsalainen and Leena Saarinen. Until the AGM, the members were Pertti Kyttälä (Chairman), Kari Karvinen and Marjatta Virtanen. The committee convened five times in 2012, with full attendance.

The Nomination Committee will prepare proposals for the Annual General Meeting of the shareholders concerning (a) the number of members of the Board of Directors, (b) the members of the Board of Directors, (c) the remuneration for the Chairman, Vice Chairman and members of the Board of Directors and (d) the remuneration for the Chairman and members of the committees of the Board of Directors. In 2012, the Nomination Committee members were Robert Ingman (chairman), Kari Karvinen and Pertti Kyttälä. The committee convened four times with full attendance.

Ernst & Young Oy, authorised public accountants, are the Group’s auditors, with Authorised Public Accountant Heikki Ilkka as the principal auditor.

Digia adheres to the Governance Code for Listed Finnish Companies, issued on 1 October 2010 by the Finnish Securities Market Association. Digia’s corporate governance system is based on the Companies Act, the Securities Markets Act, general corporate governance recommendations, and the company’s Articles of Association and in-company rules and regulations on corporate governance. The Governance Code and a separate review of the Group's corporate governance and management system made for this annual report can be seen at www.digia.com.

Business Acquisitions

On 8 August the company made a deal to buy Qt software technology and the related business from Nokia Plc. With the acquisition, 88 employees in Norway, Germany and Finland were transferred to the company's employ. The deal became effective on 18 September 2012 and the net acquisition price was EUR 4.0 million, comprising the sale price of EUR 16.2 million related to the assets and business transferred, minus a bill of EUR 12.2 million from Digia to Nokia.

Of the sale price of EUR 16.2 million, EUR 6.6 million of goodwill pertained to intangible rights, EUR 2.9 million to the brand, EUR 4.1 million to technology and EUR 1.0 million to the customer relationship with Nokia. In line with the Finnish financial reporting standard, the recorded depreciation from goodwill is tax-deductible. Additionally, EUR 0.2 million was recorded as an expense and EUR 1.5 million as a loan repayment related to an expense from 2012 covered as a part of the deal.

Group Structure and Organisation

At the end of the year, the Digia Group consisted of parent company Digia Plc and its active subsidiaries Digia Finland Ltd (parent company holding 100%); Digia Sweden AB (100%); Digia Estonia Oü (100%), Digia Hong Kong Ltd (100%), Digia Norway AS (100%), Digia USA Inc. (100%), and Digia Germany GmbH (100%). Digia Partners Ltd (100%) merged into Digia Plc on 31 October 2012.

Digia Finland Ltd has one wholly owned active subsidiary, OOO Digia RUS. Digia Finland Ltd's former wholly owned subsidiaries Digia Financial Software Ltd, Digia Service Ltd and Microext Ltd merged into their parent on 31 October 2012.

Digia Hong Kong Ltd has the wholly owned subsidiary Digia Software (Chengdu) Co. Ltd (100%), with a registered branch in Beijing. Digia Estonia Oü and Digia Hong Kong Ltd are inactive.

Towards the end of 2011, the company carried out a reorganisation which came into effect at the start of 2012. In the new organisation, business is managed according to four strategic portfolios: Solutions and Services, Industry-Specific Growth Businesses, International Product Business, and New Markets (e.g. Russia).

Shareholders' Meetings

Convening on 13 March 2012, the Digia Plc Annual General Meeting (AGM) approved the financial statements for 2011, released the Board members and the CEO from liability, determined Board emoluments, resolved to keep the number of Board members at seven, and elected the Board of Directors for the new term.

With regard to profit distribution for 2011, the AGM approved the Board's proposal to make a repayment of capital of EUR 0.10 per share to all shareholders listed in the shareholder register maintained by Euroclear Finland Ltd on the reconciliation date of 16 March 2012. The date for the repayment of capital was 23 March 2012. The AGM granted the following authorisations to the Board:

Authorisation of the Board of Directors to decide on buying back own shares and/or accepting them as collateral

The AGM authorised the Board to decide on the buyback and/or acceptance as collateral of not more than 2,000,000 shares in the company. This buyback can only be executed by means of the company's unrestricted equity. The Board shall decide on how these shares are to be bought. Own shares may be bought back in disproportion to the holdings of the shareholders. The authorisation also includes acquisition of shares through public trading organised by NASDAQ OMX Helsinki Ltd in accordance with the rules and instructions of NASDAQ OMX Helsinki and Euroclear Finland Ltd, or through offersmade to shareholders. Shares may be acquired in order to improve the company's capital structure, to fund acquisitions or other business transactions, for offering share-based incentive schemes, to sell on, or to be annulled. The shares must be acquired at the market price in public trading. This authorisation supersedes that granted by the AGM of 16 March 2011 and is valid for 18 months, i.e. until 13 September 2013.

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: The issue may total, at a maximum, 4,000,000 shares. The authorisation applies both to new shares and to treasury shares held by the company. By virtue of the authorisation, the Board has the right to decide on share issues and the granting of special rights, in deviation from the pre-emptive subscription rights of the shareholders (a directed issue).

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. 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. This authorisation supersedes that granted by the AGM of 16 March 2011 and is valid for 18 months, i.e. until 13 September 2013.

Share Capital and Shares

The nominal share price is EUR 0.10. The number of shares at the end of 2012 totalled 20,875,645. At the year-end, the company held 103,122 of its own shares.

On 31 December 2012, according to Finnish Central Securities Depository Ltd, Digia had 5,770 shareholders.

The 10 biggest shareholders on 31 December 2012

Shareholder	Percentage of shares and votes
Ingman Group Oy Ab	16.8%
Jyrki Hallikainen	10.2%
Pekka Sivonen	8.8%
Kari Karvinen	6.3%
Matti Savolainen	6.1%
Ilmarinen Mutual Pension Insurance Company	4.8%
Varma Mutual Pension Insurance Company	3.6%
Nordea Bank Finland Plc (nominee-registered)	1.6%
Etola Oy	1.0%
Rausanne Oy	0.9%

Distribution of holdings by number of shares held on 31 December 2012

Number of shares	Percentage of holdings	Percentage of shares and votes
1 - 100	22.4%	0.4%
101 - 1,000	58.7%	7.4%
1,001 - 10,000	17.4%	12.9%
10,001 - 100,000	1.1%	8.8%
100,001 - 1,000,000	0.4%	22.4%
1,000,001 - 3,000,000	0.1%	48.1%

Shareholding by sector on 31 December 2012

	Percentage of holdings	Percentage of shares and votes
Non-financial corporations	4.5%	22.0%
Financial and insurance corporations	0.2%	4.8%
General government	0.1%	8.4%
Not-for-profit institutions serving households	0.2%	0.5%
Households	94.6%	63.2%
Rest of the world	0.4%	1.1%

Share-based Payments

Stock options

Digia Plc had no outstanding options at the time of writing.

Share incentive scheme and management ownership

The company has a share bonus system as a part of its key personnel commitment and incentive scheme. With authorisation received at the AGM, the Board made a decision on the CEO's share-based incentive scheme in spring 2010.

The scheme comprises four earning periods, which are the calendar years 2010–2013. According to the scheme, rewards totalling a maximum value equivalent to 100,000 shares will be paid for each of the earning periods from 2011 to 2013, based on the fulfilment of earning criteria set by the Board. For 2013 the reward will be determined based on the company's earnings per share and net sales, according to principles set separately by the Board.

Based on the aforementioned scheme, the CEO was paid a reward equivalent to the value of 39,266 shares in 2012, based on the results from 2011. The bonus was paid in the form of shares held by the company.

In addition to the CEO, the scheme applies to the company's other management team members, who are entitled to share the same share bonus that the CEO receives.

A sum equivalent to the value of 34,376 shares was paid to specified key personnel of the company during the financial year. The rewards are paid in four equal instalments between 2010 and 2013, based on the results from 2009.

All bonuses are paid as a 50/50 combination of shares and cash. The cash portion of the bonus is primarily used to cover taxes and other comparable costs of the scheme. The system involves no vesting periods limiting the sale of shares.

The payment of bonuses according to the share-based incentive schemes is subject to the employee in question being employed by the company on the payment date.

According to the list of shareholders dated 31 December 2012, Digia's Board of Directors and CEO owned shares in the company as follows:

Pertti Kyttälä	0
Robert Ingman	20,000
Kari Karvinen	1,309,912
Tommi Uhari	0
Juha Varelius	167,258
Päivi Hokkanen	8,170
Seppo Ruotsalainen	0
Leena Saarinen	0

At the year-end, the shares held by the Board members and the CEO represented 7.1% of the company's shares and votes.

Reported Share Performance on NASDAQ OMX Helsinki in 2012

Digia Plc shares were in 2012 listed on the Nordic Exchange under Information Technology IT Services. The company's short name is DIG1V. The lowest reported share quotation was EUR 2.28 and the highest was EUR 3.30. The share closed at EUR 2.62 on the last trading day. The trade-weighted average was EUR 2.82. The Group's market capitalisation at the year-end was EUR 54,694,190.

The company received no flagging notifications during the reporting period.

Risks and Uncertainties

The main operational risks monitored under Digia's risk management are related to customers, personnel, projects, data security, integration, incorporeal rights and goodwill.

Short-term uncertainties are related to any major changes occurring in the company's core business areas.

Contrary to previous years, the company no longer has any business risk related to mobile contract engineering services. Instead, the company made a significant investment into Qt technology and related business opportunities with the Qt business acquisition completed in 2012. If the Qt business fails to develop according to the company's expectations, the investments and related costs may have a significant impact on the company's short-term profitability. Possible changes in the competitive scenario or market for that business may also impact the company's future net sales and profitability.

If the Eurozone debt crisis and global economic recession continue, they may affect customers' investment decisions and liquidity, and thereby the company's sales and profits. Increased uncertainty has already been detected in customers' investment decisions, having delayed planned project schedules for a while, but recent developments have not been in any way alarming.

Furthermore, the growth in customer project sizes increases the risks related to projects and their profitability.

Risks and their management are described on the company's website at www.digia.com.

Future Prospects

The company is focusing heavily on paving the way for growth. Besides organic growth, the company will actively pursue opportunities to make carefully considered business acquisitions that support its strategy. The main cornerstones of the company's operations are still high profitability and a positive cash flow.

The company expects the IT market to remain at roughly the previous year's level in 2013.

Efforts will continue to be made to develop the company's sales and service portfolio to ensure that it can offer increasingly competitive services and solutions for boosting its customers' business efficiency.

The company expects demand for its ERP systems, operational systems and integration services to remain good, although increased caution on the customer side and lengthening sales cycles may have an effect on future order intake.

The company continues to seek growth in the expanding Russian market. The Chinese unit will focus on Qt licence sales and supporting service.

The company expects net sales from the Qt business to continue growing.

Operating profit is predicted to remain somewhat below normal or at most slightly positive through the first quarter of 2013, after which it should improve. Profitability is expected to return to a good level in the second half of 2013, thanks to completed streamlining measures and the development of the Qt business.

The company expects its net sales for 2013 to remain roughly at the 2012 level. Growth in net sales will be hampered by the cessation of mobile contract engineering operations.

Major Events after the Balance Sheet Date

There have been no significant events after the end of the financial year.

Board's Dividend Proposal

According to the financial statements for 31 December 2012, the distributable shareholders' equity of Digia Plc was EUR 36,643,688.90, of which EUR 3,558,364.21 was the net profit for the year. At the Annual General Meeting, the Board of Directors will propose that a dividend of EUR 0.10 per share be paid according to the confirmed statement of financial position for the fiscal year ending 31 December 2012. Shareholders listed in the shareholder register maintained by Euroclear Finland Ltd on the dividend reconciliation date, 15 March 2013, will be eligible for the payment of dividend. Dividends will be paid on 22 March 2013.

Consolidated Income Statement (IFRS)

€	Note	1/1/–31/12/2012	1/1/–31/12/2011
Net sales	1, 3	100,448,205.67	**121,939,859.61**
Other operating income	6	1,090,412.50	360,686.48
Materials and services		-9,194,415.94	-10,720,951.64
Depreciation, amortisation, and impairment	9	-3,318,647.75	-29,267,910.22
Other operating expenses	4, 5, 7, 8, 10	-82,141,332.25	-104,479,707.34
		-94,654,395.94	-144,107,882.72
Operating profit		**6,884,222.23**	**-22,168,123.11**
Financial income	11	119,454.51	294,711.71
Financial expenses	11	-1,400,355.80	-1,257,847.04
		-1,280,901.29	-963,135.33
Earnings before tax		**5,603,320.94**	**-23,131,157.44**
Income taxes	12	-1,579,009.83	679,523.90
Net profit		**4,024,311.11**	**-22,451,634.54**

Other comprehensive income:		
Exchange differences on translating foreign operations	345,409.77	42,128.23
Total comprehensive income	4,369,721.73	-22,409,506.31

Distribution of net profit:		
Parent company shareholders	4,024,311.11	-22,451,634.54
Minority interest	-	-
	4,024,311.11	-22,451,634.54

Distribution of total comprehensive income:		
Parent company shareholders	4,369,721.73	-22,409,506.31
Minority interest	-	-
	4,369,721.73	-22,409,506.31

Basic earnings per share, undiluted	0.19	-1.08
Diluted earnings per share	0.19	-1.08

Consolidated Statement of Financial Position (IFRS)

€	Note	31/12/2012	31/12/2011
ASSETS			
Non-current assets			
Goodwill	15	51,105,021.75	44,542,601.76
Other intangible assets	15	10,159,951.89	3,944,064.46
Tangible assets	14	2,152,252.65	3,156,451.96
Available-for-sale investments	27	626,983.95	626,983.95
Inventories		25,257.78	-
Long-term receivables		69,520.23	60,253.05
Deferred tax assets	16	534,969.47	789,920.06
		64,673,957.72	53,120,275.24
Current assets			
Accounts receivable and other receivables	17	19,418,533.20	26,523,003.08
Cash and cash equivalents	18	8,283,211.67	8,170,023.36
		27,701,744.87	34,693,026.44
Total assets		**92,375,702.59**	**87,813,301.69**

€	Note	31/12/2012	31/12/2011
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity attributable to parent-company shareholders			
Share capital	19	2,087,564.50	2,087,564.50
Rights issue		-	-
Issue premium fund		7,899,485.80	7,899,485.80
Other reserves		5,203,821.24	5,203,821.24
Unrestricted invested shareholders' equity		33,447,785.52	35,525,037.82
Translation difference		553,838.71	208,429.18
Retained earnings		-11,153,742.19	11,279,866.64
Net profit		4,024,311.11	-22,451,626.51
		42,063,064.69	39,752,578.89
Total shareholders' equity		**42,063,064.69**	**39,752,578.89**

Non-current liabilities			
Deferred tax liabilities	16	639,353.99	772,021.00
Financial liabilities	22	13,026,618.97	15,441,727.64
Other long-term liabilities	24	4,192,740.13	674,000.00
		17,858,713.09	16,887,748.64

Current liabilities			
Accounts payable and other liabilities	24	14,237,839.15	12,268,915.89
Income tax liabilities		821,693.21	99,819.04
Provisions	21	559,410.00	748,080.24
Accruals and deferred income	24	10,012,481.65	11,625,936.55
Interest-bearing liabilities	22	6,822,500.80	6,430,222.66
		32,453,924.81	31,172,974.38

Total liabilities		**50,312,637.90**	**48,060,723.02**

Total shareholders' equity and liabilities		**92,375,702.59**	**87,813,301.69**

Consolidated Cash Flow Statement (IFRS)

€ 000	1/1/–31/12/2012	1/1/–31/12/2011
Cash flow from operations:		
Net profit	4,024	-22,452
Adjustments to net profit	8,176	34,780
Change in working capital	8,072	2,791
Interest paid	-728	-781
Interest income	7	35
Taxes paid	395	-5,532
Net cash flow from operations	**19,946**	**8,842**
Cash flow from investments:		
Purchases of tangible and intangible assets	-16,210	-2,733
Cash flow from investments	**-16,210**	**-2 733**

Cash flow from financing:		
Proceeds from share issue	-	-
Acquisition of own shares	-	-
Repayment of current loans	-5,544	-19,044
Repayments of non-current loans	-	-
Withdrawals of current loans	500	3,500
Withdrawals of non-current loans	3,500	13,500
Dividends paid and other profit distribution	-2,078	-5,577
Cash flow from financing	**-3,623**	**-7,621**

Change in liquid assets	**113**	**-1,512**

Liquid assets at beginning of period	**8,170**	**9,682**
Change in liquid assets	113	-1,512
Liquid assets at end of period	**8,283**	**8,170**

Changes in Shareholders' Equity

Proportion belonging to parent company shareholders

€ 000	Share capital	Rights issue	Share premium	Unrestricted invested shareholders’ equity reserve	Other reserves	Translation difference	Retained earnings	Total share-holders' equity
Shareholders’ equity, 1 January 2011	**2,086**	**40**	**7,899**	**35,486**	**5,204**	**166**	**16,529**	**67,411**
Available-for-sale investments								
Gains/losses on fair valuation	-	-	-	-	-	-	-	-
Amount recognised through profit or loss	-	-	-	-	-	-	-	-
Taxes associated with items recognised or derecognised in shareholders' equity	-	-	-	-	-	-	-	-
Net profit (+) / loss (-)	-	-	-	-	-	-	-22,452	-22,452
Total income and expenses recognised during the period	**-**	**-**	**-**	**-**	**-**	**-**	**-22,452**	**-22,452**
Increase in share capital	-	-	-	-	-	-		
Dividends	-	-	-	-	-	-	-5,577	-5,577
Share-based transactions settled in equity	1	-40	-	39	-	-	171	171
Stock options exercised	-	-	-	-	-	-	-	-

Other comprehensive income	-	-	-	-	-	42	-	42
Other items	-	-	-	-	-	-	157	157
	1	**-40**	**-**	**39**	**-**	**42**	**-5,249**	**-5,207**
Shareholders' equity, 31 December 2011	**2,088**	**0**	**7,899**	**35,525**	**5,204**	**208**	**-11,172**	**39,753**

€ 000	Share capital	Rights issue	Share premium	Unrestricted invested shareholders' equity reserve	Other reserves	Translation difference	Retained earnings	Total share-holders' equity
Shareholders' equity, 1 January 2012	**2,088**	**0**	**7,899**	**35,525**	**5,204**	**208**	**-11,172**	**39,753**
Available-for-sale investments								
Gains/losses on fair valuation	-	-	-	-	-	-	-	-
Amount recognised through profit or loss	-	-	-	-	-	-	-	-
Taxes associated with items recognised or derecognised in shareholders' equity	-	-	-	-	-	-	-	-
Net profit (+) / loss (-)	-	-	-	-	-	-	4,024	4,024
Total income and expenses recognised during the period	**-**	**-**	**-**	**-**	**-**	**-**	**4,024**	**4,024**
Increase in share capital	-	-	-	-	-	-		

Repayment of capital	-	-	-	-2,077	-	-	-	-2,077
Share-based transactions settled in equity			-		-	-	33	33
Stock options exercised	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	345	-	345
Other items	-	-	-	-	-	-	-15	-15
	-	**-**	**-**	**-2,077**	**-**	**345**	**18**	**-1,714**
Shareholders' equity, 31 December 2012	**2,088**	**0**	**7,899**	**33,448**	**5,204**	**554**	**-7,129**	**42,063**

Distributable funds, 31 December

€ 000	**2012** Parent	**2011** Parent
Unrestricted invested shareholders' equity	33,448	35,525
Retained earnings	-362	1,027
Net profit	3,558	-1,409
Total	**36,664**	**35,143**

Basic Information on the Group and its Accounting Policies

Basic information on the company

Digia is a Finnish software solutions and service company, whose top professionals create inventive solutions and bring success for people, businesses and communities in everyday life. Digia delivers ICT solutions and services to various industries, focusing especially on finance, public sector, trade, services and telecommunications.

Registered in Finland, with a 1,000-strong personnel, the company operates in Finland, Russia, China, Sweden, Norway, Germany and the United States. Digia is listed on NASDAQ OMX Helsinki.

The Group's parent company is Digia Plc. The parent company is domiciled in Helsinki and its registered office is at Valimotie 21, 00380 Helsinki.

Accounting policies

Basis of preparation

The consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS), observing the IAS and IFRS standards, as well as SIC and IFRIC interpretations valid on 31 December 2012.

Consolidation principles

The consolidated financial statements include the parent company Digia Plc and subsidiaries in which the parent company directly or indirectly controls more than 50 per cent of the votes associated with shares or over which the parent company otherwise exercises control. Acquired subsidiaries are consolidated using the cost method, according to which the assets and liabilities of the acquired entity are measured at fair value at the time of acquisition, and the remaining difference between the acquisition price and the acquired shareholders' equity constitutes goodwill. In accordance with the exemption permitted by IFRS 1, acquisitions prior to the IFRS transition date have not been adjusted to correspond to the IFRS principles. Their values remain unchanged from Finnish Accounting Standards. Subsidiaries acquired during the fiscal period are included in the consolidated financial statements as of the date of acquisition, while divested subsidiaries are included until the date of divestment. Intra-Group transactions, receivables, liabilities, unrealised margins and internal profit distribution are eliminated in the consolidated financial statements. The profit for the period is divided between the parent company shareholders and the minority. The minority interest is also presented as a separate item within shareholders' equity.

As of 1 January 2012, the Group has applied the following new or amended standards and interpretations:

- Amendment: IFRS 7 Financial Instruments. Disclosures – Transfers of Financial Assets. The change is designed to improve the transparency of off-balance sheet transfers of financial asset. The changes will help users of financial statements to understand the relationship between transferred financial assets that are not derecognised in their entirety and the associated liabilities; and to evaluate the nature of and risks associated with the entity's continuing involvement in derecognised financial assets. The Group does not consider the changes to have a significant effect on the consolidated financial statements.

- Amendment: IFRS 1 First-Time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters. The amendment adds a deemed cost exemption that an entity can apply at the date of transition to IFRS, after being subject to severe hyperinflation. The Group does not consider the changes to have a significant effect on the consolidated financial statements.

- Amendment: IAS 12 Income Taxes: Effect of the earnings model on the calculation of deferred tax on investment properties and intangible assets measured using a revaluation model. Deferred tax on investment properties and intangible assets measured using a fair value or revaluation model is determined based on the assumption that the carrying amount of the underlying asset will be recovered entirely through sale. The Group does not consider the changes to have a significant effect on the consolidated financial statements.

- The following standards and interpretations are not considered to affect the Group:

  - Changes to IFRIC 14 – IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

  - IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments.

The preparation of financial statements under IFRS means that Group management must necessarily make certain estimates and judgments concerning the application of the accounting principles. Information about such considerations made by the management when applying the corporate accounting principles with the greatest influence on the figures presented in the financial statements are explained under the item 'Accounting policies requiring consideration by management and crucial factors of uncertainty associated with estimates'.

Segment reporting

Towards the end of 2011, the company carried out a reorganisation which came into effect at the start of 2012. In the new organisation, business is managed according to four strategic portfolios: Solutions and Services, Industry-Specific Growth Businesses, International Product Business, and New Markets (e.g. Russia).

Based on this reorganisation, Digia will employ single-segment reporting from the beginning of 2012. This means that Digia's operations and resources will be managed as a single entity.

Foreign currency translation

Items referring to the earnings and financial position of the Group's units are recognised in the currency that is the main currency of the unit's primary operating environment ('functional currency'). The consolidated financial statements are given in euros, which is the operating and presentation currency of the parent company.

Receivables and liabilities denominated in foreign currency have been converted into euros at the exchange rate in effect on the balance sheet date. Gains and losses arising from foreign currency transactions are recognised through profit or loss. Foreign exchange gains and losses from operations are included in the corresponding items above operating profit.

The income statements of non-Finnish consolidated companies have been converted into euros at the weighted average exchange rate for the period, and their balance sheets have been converted at the exchange rate quoted on the balance sheet date. Translation differences arising from the application of the cost method are treated as items adjusting consolidated shareholders' equity.

Tangible assets

Property, plant and equipment (PPE) is carried at cost, less accumulated planned depreciation and impairment. Assets are depreciated over their estimated useful lives. Depreciation is not booked for land areas. Estimated useful lives are as follows:

Buildings and structures 25 years
Machinery and equipment 3–8 years

The residual value and useful life of assets is reviewed on each balance sheet date and, if necessary, adjusted to reflect any changes in expected economic value.

Capital gains and losses on elimination and the transfer of tangible assets are included either in other operating income or expenses.

Government grants

Grants received as compensation for costs are recognised in the income statements at the same time as the expenses related to the target of the grant are recognised as expenses. Grants of this kind are presented under other operating income.

Intangible assets

Goodwill

Goodwill corresponds to the proportion of the acquisition cost of an entity acquired between 1 January 2004 and 31 December 2012 that exceeds the Group's share of the fair value of the entity's net assets on the date of acquisition. The acquisition cost also includes other direct expenses related to the acquisition, such as professionals' fees.

Goodwill is defined according to IFRS 3, i.e. as the difference between points 1 and 2 below:

1. Sum of the following items:

    1.1 the fair value of the consideration paid at the time of acquisition

    1.2 the amount of any non-controlling interest in the object of acquisition

    1.3 the fair value of any previously held non-controlling interest in the object of acquisition, in the case of a phased business combination

2. The net sum of the acquisition date assets acquired and liabilities assumed.

The goodwill for business combinations prior to 2004 corresponds to goodwill in accordance with previous accounting standards that has been used as the deemed cost. A portion of the goodwill of acquired entities is allocated to customer relationships or products originating in acquisitions and recognised in intangible assets. The portions of acquisition cost recognised in intangible assets are amortised over their useful life.

No regular amortisation is booked on goodwill but it is tested quarterly for impairment. For this purpose, goodwill is allocated to cash generating units. Goodwill is recognised at the original cost from which the impairment is deducted. Any adjustments of acquisition cost are booked no later than 12 months after the date of acquisition.

Research and development costs

Research costs are recognised as expenses in the income statement. Development costs arising from the design of new products are capitalised as intangible assets in the statement of financial position, until the product is ready for commercial utilisation and future economic benefit is expected from the product. Depreciation begins once the product is ready for commercial utilisation. The useful life of capitalised development expenses is 2 to 5 years, during which time the capitalised assets will be recognised as expenses by straight-line depreciation.

Other intangible assets and long-term expenses

Patents, trademarks and licences with a limited useful life are booked in the statement of financial position and recognised as expenses in the income statement by straight-line depreciation over their useful life. Amortisation is not booked on intangible assets with an unlimited useful life but they are tested annually for impairment.

Long-term expenses are capitalised and depreciated over their financial lifetime, which is defined as 3 to 5 years.

Leases

Leases on property, plant and equipment in which the Group bears a significant part of the risks and benefits characteristic of ownership are categorised as finance leases. A finance lease is recognised in the balance sheet at the fair value of the leased asset at the start of the lease period or at a lower current value of minimum lease payments. Assets acquired on finance leases are depreciated over the asset's useful life or the lease period, whichever is shorter. Lease obligations are included in interest-bearing debt. Leases in which the risks and benefits characteristic of ownership remain with the lessor are treated as operating leases. Leases payable on the basis of other leases are recognised as expenses in the income statement in equal instalments over the lease period.

Financing assets and liabilities

Financing assets are divided into receivables and liabilities, either as held-to-maturity, held-for-trading, or available-for-sale. Financial instruments are at first measured at fair value, with any fees deducted. Usually, the fair value corresponds with the sum paid or received for the instrument. Loans are included under non-current and current liabilities. Interest expenses are recognised as expenses in the period during which they have arisen. Loan arrangement costs are periodised during the loan period using the effective interest method.

Accounts receivable and other receivables

Accounts receivable and other receivables are measured at nominal value. A provision for impairment of accounts receivable is established when there is evidence based on a case-by-case risk assessment that the Group will not be able to collect all amounts due according to the original terms of receivables.

Cash and cash equivalents

Cash and cash equivalents consist of cash and withdrawable bank deposits and other short-term investments. Accounts with a credit facility are treated as short-term loans under current liabilities.

Amortisation

On each balance sheet date, the Group estimates whether there is evidence that the value of an asset may have been impaired. If there is evidence of impairment, the amount recoverable from the asset is estimated. In addition, the recoverable amount is estimated annually on the following assets regardless of whether there is an indication of impairment or not: goodwill, and intangible assets with an unlimited useful life. The need for impairment is reviewed at the level of cash generating units, which refers to the lowest level of unit that is mainly independent of other units and whose cash flows can be separated from other cash flows. If the carrying amount exceeds the recoverable amount, an impairment loss is recognised in the income statement. An impairment loss recognised for goodwill will not be revoked under any circumstances.

Employee benefits

Pension liabilities

The Group’s pension schemes are arranged through a pension insurance company. The pension schemes are mainly defined contribution plans, and payments are recognised in the income statement during the period to which the payment applies. The Finnish Employees' Pensions Act (TyEL) pension scheme was treated as a defined contribution plan in 2011 and 2012.

Share-based payments

The Group has incentive schemes where payments are made either in equity instruments or in cash. The benefits granted through these arrangements are measured at fair value on the date of their being granted and recognised as expenses in the income statement evenly during the vesting period. Correspondingly, in arrangements where the payment is made in cash, the liability and the change in its fair value is recognised as a liability on an accrual basis. The impact of these arrangements on the financial results is shown in the income statements under the cost of employee benefits.

Provisions

A provision is recognised when the Group has a legal or factual obligation based on previous events, the realisation of a payment obligation is probable and the amount of the obligation can be reliably estimated.

A restructuring provision is recognised when the Group has prepared a detailed restructuring plan, begun its implementation and disclosed the matter. The provision is based on expected actual costs, such as agreed compensation for termination of employment.

The Group recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

A guarantee provision is recognised once a product or service subject to guarantee terms has been sold and the amount of potential guarantee costs can be estimated with sufficient accuracy.

Shares, dividends and shareholders’ equity

Dividends proposed by the Board of Directors will not be deducted from distributable shareholders’ equity before the Board’s approval has been received. Immediate costs relating to the acquisition of Digia Plc’s own shares are recognised as deductions in shareholders’ equity.

Earnings per share

Earnings per share are calculated by dividing the period’s earnings after tax belonging to the parent company’s shareholders by the weighted average of shares outstanding during the fiscal period, excluding own shares acquired by Digia Plc. Diluted earnings per share are calculated assuming that all subscription rights and options have been exercised by the beginning of the next fiscal year. In addition to the weighted average of shares outstanding, the denominator also includes shares received from subscription rights and options assumed to have been exercised. The subscription rights and options assumed to have been exercised will not be taken into account in earnings per share if their actual price exceeds their average price during the fiscal year.

Income taxes

Taxes recognised in the income statement include taxes based on taxable income for the financial period, adjustments to taxes for previous periods, as well as changes in deferred taxes. Tax based on taxable income for the period is calculated using the corporate income tax rate applicable in each country. Deferred tax assets and liabilities are recognised for temporary differences between the taxable values and book values of asset and liability items. The biggest temporary differences arise from depreciation of fixed assets, unused tax losses, and the revaluation of financial and derivative instruments at the fair price resulting from the purchase. Deferred taxes are determined on the basis of the tax rate enacted by the balance sheet date. Deferred tax receivables are recognised up to the probable amount of taxable income in the future, against which the temporary difference can be utilised.

Income recognition

Work carried out by people is recognised monthly in accordance with progress. Long-term projects with a fixed price are recognised on the basis of their percentage of completion once the outcome of the project can be reliably estimated. The percentage of completion is determined as the proportion of costs arising from work performed for the project up to the date of review in the total estimated project costs. If estimates of the project change, the recognised sales and profit/margin are amended in the period during which the change becomes known and can be estimated for the first time. Any loss expected from a project is recognised as an expense immediately after the matter has been noted. Licensing income is recognised in accordance with the factual substance of the agreement. Depending on the nature of the licence, recognition is based on either the installation date, the delivery date, or the degree of completion. Maintenance fees are allocated over the agreement period.

One-off items

Items recorded as one-off items are ones which occur only once or very rarely. These may include business divestments, reorganisations and goodwill write-downs.

Accounting policies requiring consideration by management and crucial factors of uncertainty associated with estimates

Estimates and assumptions regarding the future have to be made during the preparation of the financial statements, and the outcome may differ from the estimates and assumptions. Furthermore, the application of accounting policies requires consideration. These estimates and assumptions are based on historical experience and other justifiable assumptions that are believed to be reasonable under the circumstances and that serve as a foundation for evaluating the items included in the financial statements. The estimates mainly concern the following items:

Impairment testing

The Group carries out annual impairment testing of goodwill and intangible assets with an unlimited useful life and evaluates any indications of impairment as described above in the accounting policies. Recoverable amounts from cash generating units are determined as calculations based on value in use. The preparation of these calculations requires the use of estimates.

Entry as income

As described in the revenue recognition policies, the revenue and costs of a long-term project are recognised as income and expenses, on the basis of percentage of completion once the outcome of the project can be reliably estimated. Recognition associated with the degree of completion is based on estimates of expected income and expenses of the project and reliable measurement and estimation of project progress. If estimates of the project’s outcome change, the recognised sales and profit/margin are amended in the period during which the change becomes known and can be estimated for the first time. Any loss expected from a project is immediately recognised as an expense.

Management of financing risks

Financial risk management consists, for instance, of the planning and monitoring of solvency of liquid assets, the management of investments, receivables and liabilities denominated in a foreign currency, and the management of interest rate risks on non-current interest-bearing liabilities.

In accordance with the company’s investment policy, cash and cash equivalents are invested only in low-risk short rate funds and bank deposits. The Group’s policy defines creditworthiness requirements for customers in order to minimise the amount of credit losses. A sufficient provision was made for uncertain accounts receivable at the end of the fiscal period.

The most significant currency risks relating to accounts receivable or accounts payable are managed by means of forward foreign exchange contracts, when necessary. At the end of the fiscal year, the company did not have any such forward contract in force. Interest rate trends are monitored systematically in different bodies within the company, and possible interest rate risks hedges are made with the appropriate instruments. At the end of the fiscal year, the company had no such hedging instruments in force.

Application of new and amended IFRS standards

The IASB has published the following new or amended standards and interpretations that are not yet effective and thus have not yet been applied by the Group. The Group will introduce each standard and interpretation as of its effective date or, if the effective date is some other date than the first day of the fiscal period, as of the beginning of the fiscal period following the effective date.

- Amendment: IAS 1 Presentation of Other Comprehensive Income. Items of other comprehensive income will in future be classified as those which can be reclassified subsequently to profit or loss and those which can never be reclassified to profit or loss. The Group does not expect the changes to have a significant effect on upcoming consolidated financial statements.
- Amendment: IFRS 1 Government Loans. Based on the amendment, first-time adopters of IFRS do not have to apply IAS 30 Financial Instruments: Recognition and Measurement retrospectively to government loans with a below-market rate of interest. The Group does not expect the changes to have a significant effect on upcoming consolidated financial statements.
- Amendment: IFRS 7 Financial Instruments: Disclosures and IAS 32 Financial Instruments: Offsetting Financial Assets and Financial Liabilities. The aim is to improve the disclosure in the financial statements of how the offsetting of assets and liabilities in the balance sheet has affected the company's balance sheet, rights and responsibilities. The Group does not expect the changes to have a significant effect on upcoming consolidated financial statements.
- IFRS 10 Consolidated Financial Statements and revised IAS 27 Separate Financial Statements. The new IFRS 10 Consolidated Financial Statements replaces the rules concerning consolidated financial statements in the existing IAS 27 Consolidated and Separate Financial Statements and the interpretation SIC 12 Consolidation – Special Purpose Entities. IFRS 10 does not affect how a company is consolidated into the group but whether it is consolidated according to the new definition of control. The standard redefines the concept of control and may affect the consolidation of come companies and structured entities. The Group does not expect the changes to have a significant effect on upcoming consolidated financial statements.
- IFRS 11 Joint Arrangements and revised IAS 28 Investments in Associates and Joint Ventures. The standard replaces IAS 31 Interests in Joint Ventures and the interpretation SIC 13 Jointly Controlled Entities – Non-monetary Contributions. According to the new standards, recognition of joint ventures must pay closer attention to the true nature of the arrangement, rather than its legal form. A significant new feature concerning joint arrangements is that joint arrangements in which the party has a share of net assets may no longer be consolidated proportionately but must use the equity method. The Group does not expect the changes to have a significant effect on upcoming consolidated financial statements.
- IFRS 12 Disclosure of Interests in Other Entities. This standard brings together all the requirements concerning the notes to consolidated financial statements. The Group does not expect the changes to have a significant effect on upcoming consolidated financial statements.
- IFRS 13 Fair Value Measurement. The standard proposes a single definition of fair value to apply to all IFRS standards, and a shared approach to measuring fair value. The Group does not expect the changes to have a significant effect on upcoming consolidated financial statements.

- Revised IAS 19 Employee Benefits. The revised standard contains several changes concerning the accounting of defined benefit pension plans to make it more uniform and comparable. The Group does not expect the changes to have a significant effect on upcoming consolidated financial statements.
- The interpretation IFRIC 20 Stripping Costs in Production Phase of a Surface Mine has had no bearing on the Group's consolidated financial statements.

Annual updates to IFRS

The following standards are not considered to affect the Group:

- IFRS 1 First-time Adoption of IFRS. The amendment specifies how IFRS 1 is to be applied by companies which have previously stopped applying IFRS and are adopting it again.
- IAS 1 Presentation of Financial Statements. The amendment specifies some of the requirements for presenting comparative information.
- IAS 16 Property, Plant and Equipment. The amendment clarifies the definition of property, plant and equipment.
- IAS 32 Financial Instruments: Presentation. The amendment removes the specifications concerning income tax on dividends and specifies that IAS 12 Income Taxes applies.
- IAS 34 Interim Financial Reporting. The amendment clarifies the information to be presented on segment-specific assets and liabilities in interim reporting, making it in line with the requirements of IFRS 8 Operating Segments.

Amendments coming into effect subsequently

The following standards are not considered to affect the Group:

- IFRS 9 Financial Instruments. IFRS 9 will entirely replace the current IAS 39 Financial Instruments: Recognition and Measurement. The Group does not expect the changes to have a significant effect on upcoming consolidated financial statements.
- IFRS 10 Consolidated Financial Statements, IASB amendment from October 2012.

Notes to the Consolidated Financial Statements

1. Segment information

Digia adopted single-segment reporting at the beginning of 2012.

Net sales by geographical location of customers

€ 000	2012	2011
Finland	79,831	107,243
Other countries	20,617	14,697
Total	**100,448**	**121,940**

Notes to the Consolidated Financial Statements

2. Acquired business operations

Acquired business operations in 2012

On 8 August 2012, the company made a deal to buy Qt software technology and the related business from Nokia Plc. With the acquisition, 88 employees in Norway, Germany and Finland were transferred to the company's employ. The deal became effective on 18 September 2012 and the net acquisition price was EUR 4.0 million, comprising the sale price of EUR 16.2 million related to the assets and business transferred, minus a bill of EUR 12.2 million from Digia to Nokia.

Of the sale price of EUR 16.2 million, EUR 6.6 million of goodwill pertained to intangible rights, EUR 2.9 million to the brand, EUR 4.1 million to technology and EUR 1.0 million to the customer relationship with Nokia. In line with the Finnish financial reporting standard, the recorded depreciation from goodwill is tax-deductible. Additionally, EUR 0.2 million was recorded as an expense and EUR 1.5 million as a loan repayment related to an expense from 2012 covered as a part of the deal.

The aforementioned bill from Digia to Nokia related to the granting to Nokia of the right to continue using Qt in its own business, to a three-year competition and transfer restriction applying to the technology acquired by Digia, and to Nokia's fixed-term obligation to provide Digia with services facilitating the takeover of the acquired business, which were valued in total at EUR 12.2 million. Of the total sum, EUR 9.2 million was related to the right of use granted to Nokia and is considered as income for the company. Of this, EUR 3.8 million was allocated to the period under review and the other EUR 5.4 million will be recognised evenly over the next three years.

Acquired business operations in 2011

On 7 March 2011, Digia concluded an agreement with Nokia Plc for the acquisition of its commercial Qt business. The acquisition came into effect on 22 March 2011. This transaction included a right to sell commercial software licences for Qt technology, as exclusive supplier for the first three years.

The purchase price for the business acquired includes fixed and variable components. Fixed components amount to EUR 150,000, which was paid with the company's cash reserves. In addition to fixed components, the seller was entitled to an additional purchase price in the event that the sales targets agreed upon for said business for 2011–2013 were met. For 2011 the additional purchase price came to EUR 1.0 million, which was EUR 0.8 million higher than the original estimate. The additional price was to be paid in cash. Due to the higher-than-expected sales of 2011, the additional purchase price was estimated at EUR 1.5 million.

On the basis of the initial purchase price allocation, the majority of the acquisition price (EUR 0.8 million) is related to the exclusive sales rights and customer relationships acquired. The transaction carried no goodwill subject to testing.

Notes to the Consolidated Financial Statements

3. Long-term projects

Consolidated net sales include income recognised on long-term projects totalling EUR 11.5 million in 2012 (EUR 17.1 million in 2011). The consolidated income statement included income recognised on incomplete long-term projects totalling EUR 10.5 million on 31 December 2012 (EUR 11.3 million on 31 December 2011). The statement of financial position includes advance payments recognised on incomplete long-term projects totalling EUR 2.7 million on 31 December 2012 (EUR 0.3 million on 31 December 2011).

Notes to the Consolidated Financial Statements

4. One-off expenses

The extraordinary items for the 2012 fiscal year comprised EUR 1.3 million in restructuring costs related to personnel negotiations and reorganisations conducted during the year.

Notes to the Consolidated Financial Statements

5. Auditors' fees

€ 000	2012	2011
Audit	171	111
Other statutory duties	1	4
Tax counselling	26	4
Other services	123	11
Total	**321**	**130**

Notes to the Consolidated Financial Statements

6. Other operating income

€ 000	2012	2011
Grants	858	253
Other income	233	107
Total	**1,090**	**361**

Notes to the Consolidated Financial Statements

7. Other operating expenses

The following table presents the five most significant items included in other operating expenses:

€ 000	2012	2011
Costs of premises	4,483	6,206
IT costs	3,268	3,985
Voluntary personnel expenses	3,024	3,867
Travel	1,866	2,152
Sales and marketing	1,085	1,093
Total	**13,726**	**17,302**

Notes to the Consolidated Financial Statements

8. Product development expenses

€ 000	2012	2011
Product development expenses	4,256	4,798
Total	**4,256**	**4,798**

Notes to the Consolidated Financial Statements

9. Depreciation, amortisation and impairment

€ 000	2012	2011
Depreciation and amortisation by asset category		
Intangible assets	1,810	1,845
Property, plant and equipment		
Buildings	7	7
Machinery and equipment	1,502	2,056
Total	**1,509**	**2,063**
Amortisation		
Goodwill impairment	0	25,360
Depreciation, amortisation and impairment, total	**3,319**	**29,268**

Notes to the Consolidated Financial Statements

10. Personnel expenses

€ 000	2012	2011
Wages and salaries	54,028	68,564
Pension costs, defined-contribution plans	8,361	11,915
Share-based payments	133	296
Other personnel expenses	2,889	3,766
Total	**65,411**	**84,541**

Group personnel on average during the period	2012	2011
Business units	981	1,406
Administration and management	44	47
Total	**1,025**	**1,453**

Information on employee benefits and loans to the management are presented in Note 28, 'Related party transactions'.

Notes to the Consolidated Financial Statements

11. Financial income and expenses

Financial income

€ 000	2012	2011
Interest income from cash and cash equivalents	29	51
Interest income from accounts receivable	5	0
Dividend income	10	10
Exchange rate gains	47	170
Other financial income	28	64
Total	**119**	**295**

Financial expenses

€ 000	2012	2011
Interest expenses for financing loans valued at accrued acquisition cost	646	731
Interest expenses for accounts payable	4	1
Loan administration fees	235	239
Exchange rate losses	360	24
Other financial expenses	156	263
Total	**1,400**	**1,258**

Notes to the Consolidated Financial Statements

12. Income taxes

€ 000	2012	2011
Current tax	1,473	642
Taxes from previous periods	-16	-2
Deferred tax	122	-1,320
Total	**1,579**	**-680**

Reconciliation between the tax expenses in the income statement and taxes calculated at the tax rate valid in the Group's home country (24.50 per cent):

€ 000	2012	2011
Earnings before tax	5,603	-23,131
Taxes calculated at the domestic corporation tax rate	1,373	-6,014
Deviating tax rates of foreign subsidiaries	60	80
Income not subject to tax	-33	-162
Non-deductible expenses	136	5,533
Tax effect of dissolution losses	-	-101
Other items	60	-13
Taxes for the period in the income statement	-16	-2
Total	**1,579**	**-680**
Taxes for the period in the income statement	**1,579**	**-680**

Notes to the Consolidated Financial Statements

13. Earnings per share

Basic earnings per share are calculated by dividing the earnings before tax for the accounting period attributable to the parent company's shareholders by the weighted average of shares outstanding during the accounting period. Own shares possessed by the company are not included in the calculation of the weighted average of shares outstanding. The calculation of diluted earnings per share includes consideration of the diluting effect of stock options on the weighted average number of shares. Stock options have a diluting effect if their exercise price is lower than the fair value of the share.

	2012	2011
Profit for the period attributable to parent company shareholders (€ 000)	4,024	-22,452
Weighted average number of shares during the period	20,763,388	20,701,877
Diluting effect of stock options	-	-
Diluted weighted average number of shares during the period	20,763,388	20,701,877
Basic earnings per share (EUR/share)	0.19	-1.08
Diluted earnings per share (EUR/share)	0.19	-1.08

Notes to the Consolidated Financial Statements

14. Property, plant and equipment

€ 000	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Total 2012	Total 2011
Acquisition cost, 1 January	17	162	16,769	84	17,032	14,739
Additions	-	-	539	-	539	2,300
Acquisition of subsidiary	-	-	-	-	-	-
Disposals	-	-	-34	-	-34	-7
Acquisition cost, 31 December	17	162	17,274	84	17,537	17,032
Accumulated depreciation and amortisation, 1 January	-	-71	-13,721	-83	-13,876	-11,813
Depreciation	-	-7	-1,502	-	-1,509	-2,063
Amortisation	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Accumulated depreciation and amortisation, 31 December	-	-78	-15,223	-83	-15,384	-13,876
Book value, 1 January	17	91	3,047	1	3,156	2,926
Book value, 31 December	17	84	2,050	1	2,152	3,156

Property, plant and equipment include assets leased under finance lease as follows:

€ 000	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Total 2012	Total 2011
Acquisition cost and provisions	-	-	8,511	-	8,511	8,067
Accumulated depreciation	-	-	-7,260	-	-7,260	-6,441
Book value, 31 December	-	-	1,251	-	1,251	1,626

Notes to the Consolidated Financial Statements

15. Intangible assets

€ 000	Goodwill	Development costs	Other intangible assets	Total 2012	Total 2011
Acquisition cost, 1 January	89,382	2,487	24,826	116,695	115,518
Capitalised development costs	-	-	-	-	-
Additions	6,562	-	8,058	14,620	1,177
Disposals	-	-	-32	-32	-
Acquisition of subsidiary	-	-	-	-	-
Acquisition cost, 31 December	95,944	2,487	32,852	131,283	116,695
Accumulated depreciation and amortisation, 1 January	-44,839	-2,487	-20,882	-68,208	-41,003
Depreciation	-	-	-1 810	-1 810	-1,845
Amortisation	-	-	-	-	-25,360
Accumulated depreciation and amortisation, 31 December	-44,839	-2,487	-22,692	-70,018	-68,208
Book value, 1 January	44,543	0	3,944	48,486	74,514
Book value, 31 December	51,105	0	10,160	61,265	48,486

The Group carries out annual impairment tests for goodwill and intangible assets with an indefinite useful life, in accordance with the IAS 36 standard.

Impairment testing

The Group carries out quarterly impairment testing of goodwill and intangible assets with an indefinite useful life.

Present values were calculated for a five-year forecast period based on the following assumptions: consolidated net sales and operating profit for 2013 according to budget; after this, annual growth in net sales of 3 per cent and in operating profit of 10 per cent, and a discount rate of 9.4 per cent. Cash flows after the forecast period were estimated by means of cash-flow extrapolation, applying the assumptions given above.

According to a completed sensitivity analysis, the goodwill requires either net sales to remain at the current level with profitability of 5.9 per cent, or a 3.0 per cent growth in net sales with profitability of 3.4 per cent. The management sees no risk of goodwill impairment.

Notes to the Consolidated Financial Statements

16. Deferred tax assets and liabilities

Changes in deferred taxes during 2012:

€ 000	1.1.2012	Recognised in income statement	Recognised in equity	Exchange rate differences	Subsidiaries acquired/ divested	31.12.2012
Deferred tax assets:						
Provisions	213	-81	-	-	-	132
Confirmed losses	432	-426	-	-	-	6
Other items	145	252	-	-	-	397
Total	**790**	**-255**	-	-	-	**535**

€ 000	1.1.2012	Recognised in income statement	Recognised in equity	Exchange rate differences	Subsidiaries acquired/ divested	31.12.2012
Deferred tax liabilities:						
From business combinations	529	-127	-	-	-	402
Other items	243	-5	-	-	-	237
Total	**772**	**-133**	-	-	-	**639**

Changes in deferred taxes during 2011:

€ 000	1.1.2011	Recognised in income statement	Recognised in equity	Exchange rate differences	Subsidiaries acquired/ divested	31.12.2011
Deferred tax assets:						
Provisions	35	178	-	-	-	213
Confirmed losses	690	-258	-	-	-	432
Other items	151	-6	-	-	-	145
Total	**876**	**-86**	-	-	-	**790**

€ 000	1.1.2011	Recognised in income statement	Recognised in equity	Exchange rate differences	Subsidiaries acquired/ divested	31.12.2011
Deferred tax liabilities:						
From business combinations	1,989	-1,459	-	-	-	529
Other items	189	54	-	-	-	243
Total	**2,178**	**-1,406**	-	-	-	**772**

Notes to the Consolidated Financial Statements

17. Accounts receivable and other receivables

€ 000	2012	2011
Accounts receivable and other receivables		
Accounts receivable	13,760	18,750
Receivables from customers on long-term projects	1,440	1,518
Security deposit for rental due	373	402
Tax assets from the profit for the financial year	1,192	2,065
Prepayments and accrued income	2,434	3,383
Other receivables	220	405
Accounts receivable and other receivables	**19,419**	**26,523**

€ 000	2012	2011
Non-due accounts receivable	12,299	16,348
Accounts receivable due 1–30 days ago	972	1,579
Accounts receivable due 31–60 days ago	257	416
Accounts receivable due more than 60 days ago	232	406
Total	**13,760**	**18,750**

At the end of the fiscal year 2012, credit loss provisions totalled EUR 0.1 million (2011: EUR 0.02 million). The book value of accounts receivable and security deposits for rental dues is a reasonable estimate of their fair value. Their balance sheet values best correspond with the sum of money that represents the maximum amount of credit risks. Essential items included in prepayments and accrued income are associated with the accrual of statutory insurance premiums and other accrued expenses.

Notes to the Consolidated Financial Statements

18. Cash and cash equivalents

€ 000	2012	2011
Financing assets recognised at fair value through profit and loss		
Mutual funds	319	303
Bank accounts	7,965	7,867
Total	**8,283**	**8,170**

Notes to the Consolidated Financial Statements

19. Notes on share capital

	Number of shares	Share capital (€ 000)
1.1.2011	20,864,645	2,086
Rights issue	11,000	1
31.12.2011	20,875,645	2,088

	Number of shares	Share capital (€ 000)
1.1.2012	20,875,645	2,088
Rights issue	-	-
31.12.2012	20,875,645	2,088

The maximum number of shares is 48 million (48 million in 2011). The nominal value of each share is EUR 0.1 and the Group's maximum share capital is EUR 4.8 million (EUR 4.8 million in 2011). All outstanding shares are paid in full. At the end of the fiscal year, the company held 103,122 of its own shares, corresponding to 0.5 per cent of all shares.

The premium fund comprises the amount paid for shares in excess of the nominal value. The 'Other reserves' amount arises from fair valuation of acquired business operations in the consolidated financial statements. The translation differences reserve comprises exchange rate differences arising from the translation of financial statements of non-Finnish units. The unrestricted invested shareholders' equity reserve comprises investments similar to shareholders' equity and the subscription price of shares when a specific decision is made not to enter it in shareholders' equity.

Notes to the Consolidated Financial Statements

20. Share-based payments

The Group offers share-based bonuses as part of the key personnel commitment and incentive scheme. The share-based bonus scheme offers the target group an opportunity to receive shares in Digia Plc shares as a reward for the achievement of specified goals set for an earning period. The Board of Directors decides the earning criteria for the scheme and specifies the targets, as well as the maximum remuneration for the earning period for each person belonging to the target group.

On 30 September 2009, the Board of Directors made the following decisions regarding share-based bonus systems for management and key personnel:

The CEO's share-based incentive scheme covers the earnings periods 2009 and 2010. It entitles the CEO to a maximum bonus equal to the value of 160,000 company shares according to the terms of the scheme, based on the company's EPS. The bonus is payable 50/50 in shares and cash and is made available to the CEO annually after the financial statements are approved.

In a system directed at key personnel, a maximum bonus totalling the value of 200,000 shares will be payable as a 50/50 combination of shares and cash. The earnings periods are 2009, 2010, 2011 and 2012. The bonus will be paid annually, without any disposition restrictions, beginning on 30 January 2010, depending on the fulfilment of certain goals set by the Board and on the condition that the recipient is still employed by the company on the payment date.

On 27 May 2010, the Board of Directors decided on a new share incentive scheme for the CEO and other members of the Group Management Team, as follows:

The scheme comprises four earning periods, which are the calendar years 2010–2013.The earnings principles are the consolidated earnings per share and the growth in consolidated net sales compared to the budget, according to formulae settled separately by the Board.

According to the scheme, rewards totalling a maximum value equivalent to 40,000 shares will be paid for the 2010 earning period, and a maximum value of 200,000 shares will be paid for each of the earning periods from 2011 to 2013. Of the rewards paid, one half will be awarded to the CEO and one half to the other management team members in total. The reward will be paid as a 50/50 combination of shares and cash. The cash portion of the bonus is primarily used to cover taxes and other comparable costs of the scheme.

The scheme is a continuation of the management share incentive scheme initiated in 2009, which remains effective as planned.

The basic details of the schemes are listed in the table below.

	Management group share-based incentive scheme 2010–2013	Key personnel share-based incentive scheme 2009–2010
Granting date	27/05/2010	30/09/2009
Instrument	Shares and cash	Shares and cash
Target group	Management group	Key personnel
Maximum number of shares *	640,000	200,000
Beginning of the earning period	28/05/2010	1/10/2009
End of the earning period	31/3/2011 / 31/3/2012 / 31/3/2013 / 31/3/2014	30/1/2010 / 30/1/2011 / 30/1/2012 / 30/1/2013
Vesting condition	Earnings per share, net sales growth and employment requirement	Earnings criterion, employment requirement
Maximum validity, years	3.2	3.3
Remaining validity, years	1.2	0.1
Number of persons (31 December 2012	5	17

* In addition to the bonus payment in shares, a cash bonus is paid to cover the cost of taxes and similar expenses.

The items related to share-based incentive schemes in 2012 are given in the table below. Because the cash portion of the bonus payment is also recorded as a share-based expense, the sums below are gross, i.e. the bonuses include the shares and the equivalent cash sum.

Events in 2012 fiscal year	Management group share-based incentivescheme 2010–2013	Key personnel share-based incentive scheme 2009–2010	Total
Gross amounts, 1 January 2012 **			
Outstanding at beginning of period	600,000	100,000	700,00
Changes during the period			
Forfeited during the year	121,470	15,624	137,094
Exercised during the year	78,530	34,376	112,906
Gross amounts, 31 December 2012 **			
Outstanding at end of period	400,000	50,000	450,000
Available for exercising at end of period	400,000	50,000	450,000

** The amounts include the cash portion (in shares) granted according to the terms of the incentive scheme.

Determination of fair value

The fair value of share-based payments is determined on the day on which the scheme is agreed between the company and the recipient group. As the share-based bonus is paid as a combination of shares and cash, the determination of its fair value is divided into two parts in accordance with the IFRS 2 standard: the part settled in shares and the part settled in cash. The part settled in shares is recognised as shareholders' equity and the part settled in cash as a liability. The fair value of the part settled in cash is revalued on each reporting date until the end of earning period, and thus the fair value of the liability changes in accordance with the price of the Digia share.

Expense effect of share-based incentive schemes on 2012 income statement

Effect on earnings and financial position, € 000	Management group share-based incentive scheme 2010–2013	Key personnel share-based incentive scheme 2009–2010	Total
Share-based payment expense for the fiscal year	95	39	133
Share-based payment expense for the fiscal year, shareholders' equity, 31 December 2012	0	33	33
Liabilities from share-based payments, 31 December 2012	0	27	27

Comparison data for 2011

Effect on earnings and financial position, € 000	Management group share-based incentive scheme 2010–2013	CEO’s share-based incentive scheme 2009–2010	Key personnel share-based incentive scheme 2009–2010	Total
Share-based payment expense for the fiscal year	160	48	87	296
Share-based payment expense for the fiscal year, shareholders' equity, 31 December 2011	153	0	61	214
Liabilities from share-based payments, 31 December 2011	82	0	35	117

Notes to the Consolidated Financial Statements

21. Provisions

Changes in provisions during 2012:

€ 000	Restructuring provision	Unprofitable agreements	Total
1.1.2012	1,967	382	2,349
Increase in provisions	1,312	482	1,793
Provisions used	-2,552	-326	-2,878
Reversals of unused provisions	-	-	-
31.12.2012	727	538	1 264

Changes in provisions during 2011:

€ 000	Restructuring provision	Unprofitable agreements	Total
1.1.2011	0	133	133
Increase in provisions	4,874	365	5,239
Provisions used	-2,907	-116	-3,023
Reversals of unused provisions	-	-	-
31.12.2011	1,967	382	2,349

Restructuring provision

The restructuring provisions are related to personnel negotiations conducted during the financial year.

Unprofitable agreements

A loss provision is created for fixed-price projects if it becomes apparent that the completion of the project will require significantly more work input than has been estimated in connection with selling the project and can be invoiced from the customer on the basis of the agreement.

On the balance sheet date of 31 December 2012, there were six fixed-price projects for which loss provisions had been recorded on the basis of remaining work.

Notes to the Consolidated Financial Statements

22. Financial liabilities

€ 000	2012 Fair values	2011 Fair values	2012 Balance sheet values	2011 Balance sheet values
Non-current				
Bank loan	12,500	14,500	12,500	14,500
Finance lease liabilities	514	942	514	942
Total	**13,014**	**15,442**	**13,014**	**15,442**
Current				
Bank loan	6,000	5,500	6,000	5,500
Subordinated loan	-	44	-	44
Finance lease liabilities	797	886	797	886
Total	6,797	6,429	6,797	6,430
Total	**19,811**	**21,871**	**19,811**	**21,871**

To finance its Qt business acquisition, Digia took out EUR 4.0 million in a long-term loan on 17 September 2012. The covenants of the financing package agreed in 2011 remained unchanged. The loan covenants related to the company's solvency and liquidity comprised the following key figures: operating profit before depreciation and amortisation (EBITDA) in relation to net debt, equity ratio and net gearing. The company may distribute a maximum of 50 per cent of the Group's net profit for the year without separate agreement. The company fulfilled the set loan covenants in 2012. The maximum and minimum values specified in the loan covenants, and the realised figures on 31 December 2012 were:

	Covenant value	Realised value
Net debt / EBITDA, max.	2.5	1.1
Solvency, min.	35%	53%
Net gearing, max.	60%	27%

During the financial year, the company repaid EUR 5.5 million in loans, reducing its interest-bearing liabilities to EUR 17.0 million. The loans have floating interest rates tied to Euribor, plus a margin. The average interest rate of the loans in 2012 was 2.9% (3.2% in 2011). The shares of Digia Finland Ltd are pledged as collateral for the loans. On 31 December 2012, the book value of the pledged shares was EUR 107.4 million.

Additionally, the company had EUR 2.5 million in re-borrowing of pension contributions at a fixed interest rate of 2.5% at the year-end.

The effective interest rate on finance lease liabilities during the fiscal year was 4.25% (4.51%).

Interest-bearing liabilities fall due as follows:

Year, € 000	2012	2011
2013	6,797	5,689
2014	12,853	9,752
2015	97	-
2016	64	-
Later	-	-
Total	**19,811**	**15,422**

The tables below describe agreement-based maturity analysis results for 2012 and the 2011 comparison period. The figures are undiscounted and include interest payments and the repayment of loan capital:

€ 000 31.12.2012	Balance sheet values	Cash flow	Less than 1 year	1–2 years	2–5 years
Bank loans	18,500	19,166	6,428	12,738	0
Finance lease liabilities	1,311	1,311	797	353	161
Accounts payable and other liabilities	2,189	2,189	2,189	0	0
Total	**22,000**	**22,666**	**9,414**	**13,091**	**161**

€ 000 31.12.2011	Balance sheet values	Cash flow	Less than 1 year	1–2 years	2–5 years
Bank loans	22,000	21,165	6,055	5,395	9,714
Subordinated loans	44	44	44	0	0
Finance lease liabilities	1,828	1,828	886	689	252
Accounts payable and other liabilities	3,618	3,618	3,071	282	265
Total	**25,490**	**26,655**	**10,057**	**6,366**	**10,232**

Notes to the Consolidated Financial Statements

23. Due dates of finance lease liabilities

€ 000	2012	2011
Finance lease liabilities, total of minimum lease payments		
Within one year	829	942
Within more than one but less than five years	527	965
After more than five years	-	-
Finance lease liabilities, present value of minimum lease payments		
Within one year	797	885
Within more than one but less than five years	514	941
After more than five years	-	-
Financial expenses to be accrued in the future	45	80
Total amount of finance lease liabilities	**1,311**	**1,826**

The finance leases concern IT equipment and have durations of two to four years.

Notes to the Consolidated Financial Statements

24. Non-interest bearing liabilities

€ 000	2012	2011
Non-current		
Deferred tax liabilities	639	772
Other long-term liabilities	4,193	674
Total	**4,832**	**1,446**
Current		
Accounts payable	1,779	1,961
Total	**1,779**	**1,961**
Other non-interest bearing current liabilities		
Advance payments received	8,204	4,585
Accruals and deferred income	10,012	11,626
Statutory provisions	559	748
Income tax liabilities	822	100
Other liabilities	4,255	5,722
Total	23,852	**22,781**
Total non-interest bearing liabilities	**30,464**	**26,189**

The book value of non-interest bearing current liabilities represents a reasonable estimate of their fair value. Material items included in accrued expenses arise from the accrual of holiday pay, as well as accrued provisions for salaries and fees.

Notes to the Consolidated Financial Statements

25. Operating leases

Minimum lease payments on the basis of other non-cancellable leases:

€ 000	2012	2011
Within one year	3,468	3,413
Within more than one but less than five years	2,833	2,198
After more than five years	-	-
Total	**6,301**	**5,611**

The Group leases all of its production facilities and office premises. The average duration of the leases is one to three years, and they normally include the option of extension after the original date of expiry. The Group has also leased motor vehicles on maintenance lease agreements. The normal duration of maintenance lease agreements is three years.

Notes to the Consolidated Financial Statements

26. Contingent liabilities

€ 000	2012	2011
Collateral pledged for own commitments		
Other	2,518	3,625
Total	**2,518**	**3,625**

Other contingent liabilities are mostly related to the guarantee liability for the pension contribution loan, and to security deposits given.

Notes to the Consolidated Financial Statements

27. The group's shares and holdings

Group companies	Domicile	Home country	Share of ownership	Share of votes
Digia Plc	Helsinki	Finland	Parent company	
Digia Estonia Oü *)	Tallinn	Estonia	100%	100%
Digia Finland Ltd	Helsinki	Finland	100%	100%
Digia Germany GmbH	Berlin	Germany	100%	100%
Digia Hong Kong Ltd *)	Hong Kong	China	100%	100%
Digia Software (Chengdu) Co. Ltd	Chengdu	China	100%	100%
Digia Sweden Ab	Stockholm	Sweden	100%	100%
OOO Digia RUS	St. Petersburg	Russia	100%	100%
Digia Norway AS	Oslo	Norway	100%	100%
Digia USA Inc.	San Jose	USA	100%	100%

*) The company is inactive.

Other shares and holdings	€ 000
Keimola Golf Club Oy	7
Kiinteistö Oy Rukan Kuukkeli	62
Kytäjä Golf Oy	38
Vierumäki Golf Oy	17
Vierumäki Golf Club Oy	35
Vierumäen Loma-aika Oy	138

Vierumäen Kuntoharju Oy	270
Rikunniemen Huolto Oy	6
Tahko Golf Club Oy	39
Tahkovuorenpeikko Oy	11
Other	1
Total	**624**

Notes to the Consolidated Financial Statements

28. Related party transactions

Two parties are considered related if one party can exercise control or significant power in decision-making associated with the other party's finances and business operations. The Group's related parties include the parent company and subsidiaries, in addition to the members of the Board of Directors and the Management Team.

Remuneration paid to the CEO and Group management during the financial period, including fringe benefits, was as follows:

€ 000	2012	2011
Salaries and other short-term employee benefits	957	1,599
Share-based bonuses	86	194
Total	**1,043**	**1,793**

The salaries and fees paid in 2012 to the CEO and the members of the Board of Directors were as follows:

		€ 000
Kyttälä Pertti	Chairman of the Board of Directors	79
Ingman Robert	Vice Chairman of the Board	52
Ruotsalainen Seppo	Member of the Board	34
Saarinen Leena	Member of the Board	33
Karvinen Kari	Member of the Board	43
Uhari Tommi	Member of the Board	40
Hokkanen Päivi	Member of the Board	33
Sivonen Pekka	Member of the Board (until 13 March 2012)	9
Mehtälä Martti	Member of the Board (until 13 March 2012)	11

Virtanen Marjatta	Member of the Board (until 13 March 2012)	8
Varelius Juha	CEO	428
Total		**766**

The incentive schemes are described in Note 20 Share-based payments and in the separate report on corporate governance. Transactions related to the sale of services to related parties totalled EUR 25,700 (EUR 9,300 in 2011). Transactions associated with the purchase of goods or services totalled EUR 0 (EUR 93,900). The Group has no related-party loans.

Notes to the Consolidated Financial Statements

29. Management of financing risks

Digia Plc's internal and external financing and the management of financing risks is concentrated in the finance function of the Group's parent company. The function is responsible for the Group's liquidity, sufficiency of financing, and the management of interest rate and currency risk. The Group is exposed to several financing risks in its normal course of business. The objective of the Group's risk management is to minimise the adverse effects of changes in the financial markets on the Group's earnings. The primary types of financing risks are interest rate risk, credit risk and funding risk. The general principles of risk management are approved by the Board of Directors, and the Group's finance function together with the business segments is responsible for their practical implementation.

Foreign exchange risks

The Group is not significantly exposed to foreign exchange risk in its operations. The Group's key foreign exchange risks involve the US dollar, Swedish krona, Norwegian krone, Russian rouble and Chinese yuan. The financial statements include foreign currency sales receivables of approx. EUR 2.2 million in Swedish kronas, US dollars, Russian roubles and Chinese yuan. Foreign currency accounts payable totalled approx. EUR 0.5 million, mainly being in Swedish kronas, Norwegian krones, US dollars, Russian roubles and Chinese yuan. The most significant currency risks relating to accounts receivable and accounts payable can be managed by means of forward foreign exchange contracts when necessary. At the end of the fiscal year 2009, the company had no such forward contract in force.

Interest rate risks

The Group's interest rate risk is primarily associated with a long-term bank loan that has an interest rate linked to Euribor rates. Changes in market interest rates have a direct effect on the Group's future interest payments. During the financial period 2012, the interest rate on the long-term bank loan varied between 2.7% and 3.2% (2.8%–3.7% in 2011). The impact of a +/-1% change in the loan's interest rate would be EUR 0.15 million per annum. The Group's money market investments are a source of interest rate risk, but the overall impact of these investments is negligible. Interest rate developments are monitored systematically in different bodies within the company, and possible interest rate hedges will be made with the appropriate instruments.

Credit risks

The Group's customers are mostly well-known Finnish and foreign companies with well-established credit, and thus the Group has no significant credit risks. The Group's policy defines creditworthiness requirements for customers, investment transactions and counterparties. Services and products are only sold to companies with a good credit rating. The counterparties in investment transactions are companies with a good credit rating. Credit risks associated with commercial operations are primarily the responsibility of operational units. The parent company's finance function provides customer financing services in a centralised manner and ensures that the principles of the financing policy are observed with regard to terms of payment and collateral required. At the end of the fiscal year 2012, credit loss provisions totalled EUR 0.1 (EUR 0.02) million. The maturity analysis of accounts receivable for 2012 and 2011 is presented in Note 17.

Liquidity risk

The Group aims to continuously estimate and monitor the amount of financing required for business operations in order to maintain sufficient liquid funds for financing operations and repaying loans falling due. The availability and flexibility of financing is ensured by maintaining an unused credit facility and using several banks for financing. The amount of unused standby credit facility on 31 December 2012 was EUR 4.0 million, and the company has the ability to take out EUR 8 million in new loans. The Group maintains its immediate liquidity with the help of cash management solutions such as Group accounts and credit facilities at banks. Cash and cash equivalents on 31 December 2012 totalled EUR 8.3 million. An agreement-based maturity analysis on discounted equity and interest payments for the reporting periods 2012 and 2011 is presented in Note 22.

Management of the capital structure

The Group's capital management aims at supporting company business by means of optimal management of the capital structure, ensuring normal operating conditions and increasing shareholder value with a view to achieving the best possible profit. At the end of the period, the Group's interest-bearing net liabilities were EUR 11.6 (13.7) million. When calculating gearing, the interest-bearing net liabilities are divided by shareholders' equity. Gearing includes interest-bearing net liabilities less cash and cash equivalents. Interest-bearing liabilities have mainly been used to finance the company's business acquisitions. Net gearing at the year-end 2012 was 28% (34%).

The share of liabilities of total shareholders' equity on 31 December 2012 and 31 December 2011 was as follows:

€ 000	2012	2011
Interest-bearing liabilities	19,849	21,872
Cash and cash equivalents	8,283	8,170
Interest-bearing net liabilities	11,566	13,702
Total shareholders' equity	42,063	39,753
Gearing,%	28%	34%

Notes to the Consolidated Financial Statements

30. The group's key financial ratios

€ 000	2012	2011	2010	2009	2008
Extent of business					
Net sales, € 000	100,448	121,940	130,825	120,335	123,203
- change on previous year, %	-17,6%	-6.8%	9%	-2%	16%
Gross capital expenditure, € 000	802	2,733	1,965	1,342	2,512
- % of net sales	1%	2%	2%	1%	2%
Capitalisation for research and development	-	-	-	-	-
- % of net sales	0%	0%	0%	0%	0%
Number of personnel, 31 December	982	1,175	1,558	1,471	1,337
Average number of personnel	1,025	1,453	1,508	1,387	1,314
Profitability					
Operating profit, € 000	6,884	-22,168	17,164	-7,796	13,437
- % of net sales	7%	-18%	13%	-6%	11%
Net profit, € 000	4,024	-22,452	17,164	-13,664	7,409
- % of net sales	4%	-18%	13%	-11%	6%
Return on equity, %	10%	-42%	18%	-21%	11%
Return on investment, %	11%	-29%	19%	-7%	11%
Financing and financial standing					
Loans from financial institutions, € 000	19,849	21,872	23,316	30,429	56,950

Cash and cash equivalents, € 000	8,823	8,170	9,682	10,469	18,879
Gearing, %	28%	34%	20%	34%	53%
Equity ratio, %	53%	48%	59%	52%	47%
Cash flow from operations, € 000	19,946	8,842	11,066	20,232	15,473
Dividends (paid), € 000	2,077	5,577	2,885	1,025	2,041
Earnings per share, EUR undiluted	0.19	-1.08	0.56	-0.67	0.36
Earnings per share, EUR diluted	0.19	-1.08	0.56	-0.67	0.36
Equity per share	2.01	1.90	3.23	2.79	3.46
Dividend per share (proposal for 2012)	0.10	0.10	0.27	0.14	0.05
Dividend payout ratio	53%	-	48%	-	14%
Effective dividend yield	4%	4%	5%	4%	3%
Price/earnings ratio (P/E)	13.79	-	8.98	-	5.17
Lowest share price	2.28	2.30	3.38	1.39	1.73
Highest share price	3.30	5.79	5.89	3.88	3.35
Average share price	2.82	3.88	5.01	2.72	2.83
Market capitalisation	54,694	50,519	104,949	71,528	38,788
Trading volume, shares	1,652,971	7,135,305	7,260,278	9,123,589	7,321,002
Trading volume, %	8%	34%	35%	45%	36%

The weighted average number of shares during the accounting period, adjusted for share issues, was 20,763,388. The diluted weighted average number of shares during the period was 20,763,388. The number of shares outstanding at the end of the accounting period was 20,772,523. At the end of the fiscal year the company held 103,122 own shares.

The company had financed the purchase of 300,000 own shares for use in the incentive schemes for key personnel. At the end of the review period, Evli Bank held 12,424 of these shares. The buyback programme was terminated by the Board at its meeting on 3 February 2009.

Calculation of Financial Ratios

Return on investment (ROI), %:

(Profit or loss before extraordinary items and taxes + interest and other financing costs) x 100

Balance sheet total – non-interest bearing liabilities (average)

Return on equity (ROE), %:

(Profit or loss before extraordinary items and taxes – taxes) x 100

Shareholders' equity + minority interest (average)

Equity ratio, %:

(Shareholders' equity + minority interest) × 100

Balance sheet total – advance payments received

Earnings per share:

(Earnings before extraordinary items and taxes – taxes +/- minority interest

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

Dividend per share:

Total dividend

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

Dividend payout ratio, %:

Dividend per share x 100

Earnings per share

Net gearing:

(Loans from financial institutions – cash, bank receivables and financial securities) × 100

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 ratio (P/E):

$$\frac{\text{Last trading price for the period, adjusted for share issues}}{\text{Earnings per share}}$$

Parent Company's Income Statement (FAS)

€	Note	1/1–31/12/2012	1/1–31/12/2011
Net sales	1	**9,159,000.00**	**8,010,000.00**
Other operating income	2	33,545.00	37,375.01
Personnel expenses	3	-3,840,315.70	-4,089,316.81
Depreciation, amortisation, and impairment	4	-1,005,585.11	-599,935.72
Other operating expenses	5	-2,561,244.22	-2,766,584.92
		-7,373,600.03	-7,418,462.44
Operating profit		**1,785,399.97**	**591,537.56**
Financial income and expenses	6	-1,628,534.60	-2,000,625.47
Earnings before extraordinary items and taxes		**156,865.37**	**-1,409,087.91**
Extraordinary items		3,997,876.52	0.00
Earnings before tax		**4,154,741.89**	**-1,409,087.91**
Income taxes	7	-596,377.68	-10.40
Net profit		**3,558,364.21**	**-1,409,098.31**

Parent Company's Balance Sheet (FAS)

€	Note	31/12/2012	31/12/2011
ASSETS			
FIXED ASSETS			
Intangible assets	8		
Intangible rights		1,428,978.79	1,376,466.39
		1,428,978.79	1,376,466.39
Tangible assets	9		
Land and water areas		16,818.79	16,818.79
Buildings and structures		84,066.61	90,660.07
Machinery and equipment		9,232.45	22,806.50
Permanent fixed assets		1,210.95	1,210.95
		111,328.80	131,496.31
Financial assets	10		
Shares in Group companies		114,118,133.85	114,091,160.50
Other shares and holdings		606,292.32	606,292.32
		114,724,426.17	114,697,452.82
Total fixed assets		**116,264,733.76**	**116,205,415.52**
CURRENT ASSETS			
Current receivables	11		
Receivables from Group companies		5,547,698.94	5,135,345.19
Other receivables		290,954.38	244,560.61
Prepayments and accrued income		360,946.24	1,407,443.32

		6,199,599.56	6,787,349.12
Cash and cash equivalents		4,121,675.73	2,895,936.28
Total current assets		**10,321,275.29**	**9,683,285.40**
Total assets		**126,586,009.05**	**125,888,700.92**

€	Note	31/12/2012	31/12/2011
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Equity attributable to parent company shareholders	12		
Share capital		2,087,564.50	2,087,564.50
Rights issue		-	-
Issue premium fund		7,899,485.80	7,899,485.80
Unrestricted invested shareholders' equity reserve		33,447,785.52	35,525,037.82
Retained earnings		-362,460.83	1,026,629.00
Net profit		3,558,364.21	-1,409,098.31
Total shareholders' equity		**46,630,739.20**	**45,129,618.81**

LIABILITIES			
Non-current liabilities			
Loans from financial institutions	13	12,000,000.00	13,000,000.00
Other non-current debts	13	-	674,000.00
		12,000,000.00	13,674,000.00
Current liabilities	14		
Accounts payable		159,835.92	82,237.82
Interest-bearing liabilities		5,000,000.00	4,000,000.00
Liabilities to Group companies		61,572,717.55	60,458,783.05
Other liabilities		70,982.84	1,736,121.89
Accrued and deferred income		1,151,733.54	807,939.35
		67,955,269.85	67,085,082.11
Total liabilities		**79,955,269.85**	**80,759,082.11**
Total shareholders' equity and liabilities		**126,586,009.05**	**125,888,700.92**

Parent Company's Cash Flow Statement (FAS)

€ 000	1/1/–31/12/2012	1/1/–31/12/2011
Cash flow from operations:		
Net profit	3,558	-1,409
Adjustments to net profit	-771	2,607
Change in working capital	-3,540	-419
Interest paid	-659	-728
Interest income	3	29
Taxes paid	1,079	-1,265
Net cash flow from operations	**-330**	**-1,183**
Cash flow from investments:		
Purchase of tangible and intangible assets	-1,065	-209
Acquisition of subsidiary, net of cash acquired	-	-
Cash flow from investments	**-1,065**	**-209**
Cash flow from financing:		
Proceeds from share issue	-	-
Acquisition of own shares	-	-
Repayment of current term loans	-4,000	-17,000
Repayments of non-current loans	-	-
Withdrawals of current loans	500	4,000
Withdrawals of non-current loans	3,500	13,000
Group financing items (1	4,699	1,730
Dividends paid and other profit distribution	-2,078	-5,577

Cash flow from financing	**2,621**	**-3,847**
Change in liquid assets	**1,226**	**-5,239**
Liquid assets at beginning of period	**2,896**	**8,135**
Change in liquid assets	1,226	-5,239
Liquid assets at end of period	**4,122**	**2,896**

([1] Group financing items comprise changes in loans and receivables between the parent company and its subsidiaries.

Basic Information of the Parent Company and Accounting Policies (FAS)

Basic information on the company

Digia Plc is the parent company of the Digia Group. It is domiciled in Helsinki and its registered office is at Valimotie 21, 00380 Helsinki. Digia Plc's active subsidiaries are Digia Finland Ltd (with the wholly owned subsidiary OOO Digia RUS Ltd), Digia Sweden AB, Digia Software (Chengdu) Co. Ltd, Digia USA Inc., Digia Norway AS and Digia Germany GmbH.

Accounting policies

The parent company's financial statements have been prepared in accordance with Finnish Accounting Standards (FAS). The financial statement is based on original acquisition costs. Book values based on original costs have been reduced to correspond to fair value as necessary.

Since 1 June 2005, the parent company has operated as the Group's administrative company and charged the Group companies for services rendered.

Pension schemes

The Group's pension schemes are arranged through a pension insurance company. Pension premiums and expenses allocated to the financial period are based on confirmations received from the insurance company. Pension expenses are recognised as expenses for the year in which they arise.

Leasing payments

Leasing payments are recognised as annual expenses.

Extraordinary items

Extraordinary income and expenses include substantial non-recurring income and expenses not associated with actual business operations. In the 2012 fiscal year, extraordinary item included received group contributions and a merger loss realised on the merger of a subsidiary.

Fixed assets, depreciation and amortisation

Fixed assets are recognised in the balance sheet at immediate cost less planned depreciation and amortisation.

The economic lives underlying planned depreciation and amortisation are as follows:

Intangible assets	
Intangible rights	3–5 years
Other long-term expenses	3 years
Tangible assets	
Buildings and structures	25 years
Machinery and equipment	3–8 years

Purchases of fixed assets with an economic life of less than three years are recognised as annual expenses.

Notes to the Parent Company's Financial Statement

1. Net sales

Net sales by segment

€ 000	2012	2011
Group administration services	9,159	8,010
Group total	**9,159**	**8,010**

Notes to the Parent Company's Financial Statement

2. Other operating income

€ 000	2012	2011
Other	34	37
Total	**34**	**37**

Notes to the Parent Company's Financial Statement

3. Information on personnel and governing bodies

€ 000	2012	2011
Board emoluments and remuneration and CEO's compensation	766	913
Other salaries and remunerations	2,504	2,466
Pension insurance premiums	482	570
Other personnel expenses	88	141
Total	**3,840**	**4,090**

Number of personnel, 31 December	2012	2011
Management and administration	37	45
Total	**37**	**45**

Notes to the Parent Company's Financial Statement

4. Depreciation, amortisation and impairment

€ 000	2012	2011
Planned depreciation and amortisation		
Property, plant, and equipment, and intangible assets	1,006	600
Amortisation	-	-
Total	**1,006**	**600**

Notes to the Parent Company's Financial Statement

5. Auditors' fees

€ 000	2012	2011
Audit	139	106
Other statutory duties	-	4
Tax counselling	5	4
Other services	95	11
Total	**239**	**125**

Notes to the Parent Company's Financial Statement

6. Financial income and expenses

Financial income

€ 000	2012	2011
Interest and financial income from Group companies	14	18
Interest and financial income from others	11	73
Total	**25**	**90**

Financial expenses

€ 000	2012	2011
Interest expenses to Group companies	750	1,206
Interest expenses to other companies	531	585
Loan administration fees	88	222
Other financial expenses	285	78
Total	**1,653**	**2,091**

Notes to the Parent Company's Financial Statement

7. Income taxes

€ 000	2012	2011
Income taxes on operations	-	-
Income taxes on extraordinary operations	596	-
Total	**596**	**0**

Deferred tax assets arising from accrual differences and from temporary differences between book values and taxation values are unrecorded in the Statement of Financial Position, in accordance with the principle of materiality. Deferred tax assets totalled EUR 169,346.45 at the end of the 2012 fiscal year.

Notes to the Parent Company's Financial Statement

8. Intangible assets

€ 000	Intangible rights	Other long-term expenses	Total 2012	Total 2011
Acquisition cost, 1 January	3,525	655	4,180	2,499
Additions	1,038	-	1,038	1,681
Disposals	-	-	-	-
Acquisition cost, 31 December	4,563	655	5,218	4,180
Accumulated depreciation and amortisation, 1 January	-2,149	-655	-2,804	-2,226
Depreciation	-985	-	-985	-579
Amortisation	-	-	-	-
Accumulated depreciation and amortisation, 31 December	-3,134	-655	-3,789	-2,804
Book value, 1 January	1,376	-	1,376	274
Book value, 31 December	1,429	-	1,429	1,376

Notes to the Parent Company's Financial Statement

9. Property, plant and equipment

€ 000	Land and water areas	Buildings and structures	Machinery and equipment	Total for 2012	Total for 2011
Acquisition cost, 1 January	17	162	1,848	2,027	2,032
Additions	-	-	-	-	2
Disposals	-	-	-	-	-7
Acquisition cost, 31 December	17	162	1,848	2,027	2,027
Accumulated depreciation and amortisation, 1 January	-	-72	-1,824	-1,896	-1,874
Depreciation	-	-7	-14	-22	-22
Amortisation	-	-	-	0	-
Disposals	-	-	-	0	-
Accumulated depreciation and amortisation, 31 December	-	-79	-1,838	-1,918	-1,896
Book value, 1 January	17	91	24	131	158
Book value, 31 December	17	84	9	111	130

Notes to the Parent Company's Financial Statement

10. Financial assets

€ 000	Investments in subsidiary shares	Other shares and holdings	Total for 2012	Total for 2011
Acquisition cost, 1 January	114,091	606	114,697	114,685
Additions	30	-	30	13
Disposals	3	-	3	-
Acquisition cost, 31 December	114,118	606	114,724	114,697
Book value, 1 January	114,091	606	114,697	114,685
Book value, 31 December	114,118	606	114,724	114,697

Itemisation of other shares and holdings

Group companies	Domicile	Home country	Share of ownership	Share of votes
Digia Hong Kong Ltd	Hong Kong	China	100%	100%
Digia Estonia Oü	Tallinn	Estonia	100%	100%
Digia Sweden AB	Stockholm	Sweden	100%	100%
Digia Finland Ltd	Helsinki	Finland	100%	100%
Digia Norway AS	Oslo	Norway	100%	100%
Digia USA Inc.	San Jose	USA	100%	100%
Digia Germany GmbH	Berlin	Germany	100%	100%

Other shares and holdings	€ 000
Kiinteistö Oy Rukan Kuukkeli	62
Kytäjä Golf Oy	39
Vierumäki Golf Oy	17
Vierumäki Golf Club Oy	35
Vierumäen Loma-aika Oy	138
Vierumäen Kuntoharju Oy	270
Rikunniemen Huolto Oy	6
Tahko Golf Club Oy	39
Total	**606**

Notes to the Parent Company's Financial Statement

11. Current receivables

€ 000	2012	2011
Receivables from Group companies		
Accounts receivable	48	2,293
Prepayments and accrued income	4,046	52
Borrowings	1,454	2,791
Other receivables	291	245
Prepayments and accrued income	361	1,407
Total	**6,200**	**6,788**

Notes to the Parent Company's Financial Statement

12. Shareholders' equity

€ 000	2012	2011
Share capital, 1 January	2,088	2,086
Rights issue	-	1
Reduction of nominal value	-	-
Share capital, 31 December	2,088	2,088
Premium fund, 1 January	7,899	7,899
Transfer to unrestricted shareholders' equity	-	-
Premium fund, 31 December	7,899	7,899
Rights issue	-	-
Total restricted shareholders' equity	9,987	9,987
Unrestricted shareholders' equity reserve, 1 January	35,525	35,486
Increase in share capital	-	39
Repayment of capital	-2,077	-
Unrestricted shareholders' equity reserve, 31 December	33,488	35,525
Accrued earnings, 1 January	-382	6,433
Dividends	-13	-5,577

Own shares	-	-
Share-based transactions settled in equity	33	171
Accrued earnings, 31 December	-362	1,027
Net profit	3,558	-1,409
Total unrestricted shareholders' equity	36,644	35,143
Total shareholders' equity	**46,631**	**45,130**

Distributable funds 31 December

€ 000	2012	2011
Unrestricted invested shareholders' equity	33,488	35,525
Retained earnings	-362	1,027
Net profit	3,558	-1,409
Total	**36,644**	**35,143**

Notes to the Parent Company's Financial Statement

13. Non-current liabilities

€ 000	2012	2011
Loans from financial institutions	12,000	13,000
Other long-term liabilities	-	674
Total	**12,000**	**13,674**

Notes to the Parent Company's Financial Statement

14. Current liabilities

€ 000	2012	2011
Interest-bearing		
Interest-bearing liabilities	5,000	4,000
Liabilities to Group companies		
Borrowings	56,057	56,276
Total interest-bearing current liabilities	**61,057**	**60,276**
Liabilities to Group companies		
Accounts payable	-	209
Accruals and deferred income	5,515	3,974
To others		
Accounts payable	160	82
Other liabilities	71	1,736
Accruals and deferred income	1,152	808
Total interest-free current liabilities	**6,898**	**6,809**
Total current liabilities	**67,955**	**67,085**

Material items included in accrued expenses arise from the accrual of holiday pay, as well as accrued provisions for salaries and fees and the deferred tax liability calculated based on the profit for the year.

Notes to the Parent Company's Financial Statement

15. Contingent liabilities

Lease liabilities

€ 000	2012	2011
Due during the current financial period	254	215
Due later	342	242
Total	**596**	**458**

Other lease liabilities

€ 000	2012	2011
Due during the current financial period	2,589	2,063
Due later	2,424	1,418
Total	**5,013**	**3,482**

Other liabilities

€ 000	2012	2011
Other	656	500
Total	**656**	**500**

Signatures to the Board's Report and Financial Statement

Helsinki, 31 January 2013

Pertti Kyttälä
Chairman of the Board of Directors

Robert Ingman

Päivi Hokkanen

Kari Karvinen

Seppo Ruotsalainen

Leena Saarinen

Tommi Uhari

Juha Varelius
CEO

Auditor's note

A report of the audit has been submitted today.

Helsinki, 31 January 2013

Ernst & Young Ltd
Authorised Public Accounting Firm

Heikki Ilkka
Authorised Public Accountant

Auditor's report

To the Annual General Meeting of Digia Plc

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Digia Plc for the year ended 31 December, 2012. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

The responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the company's financial statements and the report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

In Helsinki on January 31, 2013

Ernst & Young Ltd Authorized Public Accountant Firm	Heikki Ilkka Authorized Public Accountant

List of Accounting Books

Accounting books	
Journals	Electronic archive e-Office
General ledger	Electronic archive e-Office
Accounts receivable	Computerised partial accounting
Accounts payable	Computerised partial accounting
Payroll	Computerised partial accounting
Balance sheet book	Separately bound
Itemisations of balance sheet	Separately bound

Voucher types and method of storage	Until 31 December 2018
Eurocard vouchers	Paper documents
Accruals	Paper printouts in the journal
Bank receipts	Paper documents
Travel and expense invoices	Paper documents
Sales invoices	Paper documents
Sales payments	Paper documents
Memoranda	Paper documents
Purchasing invoices	Electronic archive e-Office
Payments of purchases	Paper printouts in the journal
Payroll receipts	Paper documents
Tax account receipts	Paper documents

Information for Shareholders

The purpose of Digia's investor relations is to provide capital markets with open and reliable information on the company and its operating environment in order to give market participants a factual overview of Digia as an investment.

Digia Plc shares are quoted on the Main List of the NASDAQ OMX Helsinki Ltd, in the Information Technology IT Services.

Investor Relations

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Financial Releases 2013

During the financial year 2013, Digia Plc will publish the following financial releases in Finnish and in English:

Q1/2013 Interim Report: Tuesday 30 April 2013 at 9:00
Q2/2013 Interim Report: Tuesday 13 August 2013 at 9:00
Q3/2013 Interim Report: Friday 1 November 2013 at 9:00

Digia Plc will hold its Annual General Meeting for 2013 on Tuesday, 12 March 2013, starting at 10:00 at the headquarters of the company. Address Valimotie 21, 00380 Helsinki, Finland.

To order Annual Reports and other publications, please contact:

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Tel. +358 10 313 3000
invest(at)digia.com

The Annual Report, interim reports, and stock exchange releases are available on our website at www.digia.com.

The Annual Report 2012 has been published in electronic form. You can download the Annual Report as a PDF version here. The Annual Report can also be ordered as a printed PDF version.

Updating Shareholder Information

We kindly ask the shareholders to notify the bank, the brokerage firm or other book-entry register in which they have a book-entry securities account of any change of address. This information cannot be updated through Digia.

Shared Capital and Shares

The nominal share price is EUR 0.10. On 31st of December 2012, the total number of Digia shares was 20,875,645.

According to the Finnish Central Securities Depository Ltd, on 31st of December 2012 Digia had 5,770 shareholders.

The ten major shareholders on 31 December 2012

Shareholder	Shares and votes
Ingman Group Oy Ab	16,8%
Jyrki Hallikainen	10,2%
Pekka Sivonen	8,8%
Kari Karvinen	6,3%
Matti Savolainen	6,1%
Ilmarinen Mutual Pension Insurance Company	4,8%
Varma Mutual Pension Insurance Company	3,6%
Nordea Bank Finland Plc (nominee registered)	1,6%
Etola Oy	1,0%
Rausanne Oy	0,9%

Distribution of holdings by number of shares held on 31 December 2012

Number of shares	Percentage of holdings	Percentage of shares and votes
1 - 100	22.4%	0.4%
101 - 1,000	58.7%	7.4%
1,001 - 10,000	17.4%	12.9%
10,001 - 100,000	1.1%	8.8%
100,001 - 1,000,000	0.4%	22.4%
1,000,001 - 3,000,000	0.1%	48.1%

Shareholding by sector on 31 December 2012

	Percentage of holdings	Percentage of shares and votes
Non-financial corporations	4.5%	22.0%
Financial and insurance corporations	0.2%	4.8%
General government	0.1%	8.4%
Not-for-profit institutions serving households	0.2%	0.5%
Households	94.6%	63.2%
Rest of the world	0.4%	1.1%

Digia offices

Digia switchboard number is +358 10 313 3000.

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