Annual Report 2011

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Table of contents

Consolidated Income Statement (IFRS)

€	Note	1/1–31/12/2011	1/1–31/12/2010
Net sales	1, 3	121,939,859.61	130,825,208.92
Other operating income	6	360,686.48	317,471.09
Materials and services		-10,720,951.64	-10,156,889.49
Depreciation, amortisation, and impairment	9	-29,267,910.22	-3,719,067.09
Other operating expenses	4, 5, 7, 8, 10	-104,479,707.34	-100,102,287.26
		-144,107,882.72	-113,660,772.75
Operating profit		**-22,168,123.11**	**17,164,436.16**
Financial income	11	294,711.71	126,541.87
Financial expenses	11	-1,257,847.04	-1,565,317.44
		-963,135.33	-1,438,775.57
Earnings before tax		**-23,131,157.44**	**15,725,660.59**
Income taxes	12	679,523.90	-4,251,316.59
Net profit		**-22,451,634.54**	**11,474,344.00**
Other comprehensive income:			
Exchange differences on translating foreign operations		42,128.23	292,272.49
Total comprehensive income		-22,409,506.31	11,766,616.49
Distribution of net profit:			
Parent company shareholders		-22,451,634.54	11,474,344.00
Minority interest		-	-
		-22,451,634.54	11,474,344.00
Distribution of total comprehensive income:			
Parent company shareholders		-22,409,506.31	11,766,616.49
Minority interest		-	-
		-22,409,506.31	11,766,616.49
Basic earnings per share, undiluted		-1.08	0.56
Diluted earnings per share		-1.08	0.56

Consolidated Statement of Financial Position (IFRS)

€	Note	31/12/2011	31/12/2010
ASSETS			
Non-current assets			
Goodw ill	15	44,542,601.76	65,544,601.75
Other intangible assets	15	3,944,064.46	8,969,615.85
Tangible assets	14	3,156,451.96	2,925,938.19
Available-for-sale investments	27	626,983.95	627,964.34
Long-term receivables		60,253.05	13,996.95
Deferred tax assets	16	789,920.06	875,669.02
		53,120,275.24	78,957,786.10
Current assets			
Accounts receivable and other receivables	17	26,523,003.08	26,798,906.70
Cash and cash equivalents	18	8,170,023.36	9,681,630.64
		34,693,026.44	36,480,537.34
Total assets		**87,813,301.69**	**115,438,323.44**

€	Note	31/12/2011	31/12/2010
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity attributable to parent-company shareholders			
Share capital	19	2,087,564.50	2,086,464.50
Rights issue		-	39,710.00
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		35,525,037.82	35,486,427.82
Translation difference		208,429.18	166,300.95
Retained earnings		11,279,866.64	5,054,438.38
Net profit		-22,451,626.51	11,474,344.00
		39,752,578.89	67,410,992.69
Total shareholders' equity		**39,752,578.89**	**67,410,992.69**

Non-current liabilities			
Deferred tax liabilities	16	772,021.00	2,177,566.16
Financial liabilities	22	15,441,727.64	16,609,379.77
		16,887,748.64	18,786,945.93
Current liabilities			
Accounts payable and other liabilities	24	12,268,915.89	9,462,612.75
Income tax liabilities		99,819.04	1,368,676.49
Provisions	21	748,080.24	133,452.00
Accruals and deferred income	24	11,625,936.55	11,569,401.32
Interest-bearing liabilities	22	6,430,222.66	6,706,242.26
		31,172,974.38	29,240,384.82
Total liabilities		**48,060,723.02**	**48,027,330.75**
Total shareholders' equity and liabilities		**87,813,301.69**	**115,438,323.44**

Consolidated Cash Flow Statement (IFRS)

€ 000	1/1/–31/12/2011	1/1/–31/12/2010
Cash flow from operations:		
Net profit	-22,452	11,474
Adjustments to net profit	34,780	9,409
Change in w orking capital	2,791	-5,828
Interest paid	-781	-703
Interest income	35	21
Taxes paid	-5,532	-3,306
Net cash flow from operations	**8,842**	**11,066**
Cash flow from investments:		
Purchases of tangible and intangible assets	-2,733	-1,965
Cash flow from investments	**-2 733**	**-1,965**
Cash flow from financing:		
Proceeds from share issue	-	79
Acquisition of ow n shares	-	-
Repayment of current loans	-19,044	-6,082
Repayments of non-current loans	-	-1,000
Withdraw als of current loans	3,500	-
Withdraw als of non-current loans	13,500	-
Dividends paid and other profit distribution	-5,577	-2,885
Cash flow from financing	**-7,621**	**-9,887**
Change in liquid assets	**-1,512**	**-786**
Liquid assets at beginning of period	**9,682**	**10,469**
Change in liquid assets	-1,512	-786
Liquid assets at end of period	**8,170**	**9,682**

Changes in Shareholders' Equity

€ 000	Share capital	Rights issue	Share premium	Unrestricted invested share-holders' equity reserve	Other reserves	Translation difference	Retained earnings	Total share-holders' equity
	Proportion belonging to parent company shareholders							
Shareholders' equity, 1 January 2010	**2,085**	**0**	**7,899**	**35,448**	**5,204**	**-126**	**7,673**	**58,184**
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 (-)	-	-	-	-	-	-	11,474	11,474
Total income and expenses recognised during the period	**-**	**-**	**-**	**-**	**-**	**-**	**11,474**	**11,474**
Increase in share capital	-	-	-	-	-	-		
Dividends	-	-	-	-	-	-	-2,885	-2,885
Share-based transactions settled in equity	1	40	-	39	-	-	267	346
Stock options exercised	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	292	-	292
	1	**40**	**-**	**39**	**-**	**292**	**-2,619**	**-2,247**
Shareholders' equity, 31 December 2010	**2,086**	**40**	**7,899**	**35,486**	**5,204**	**166**	**16,529**	**67,411**

€ 000	Share capital	Rights issue	Share premium	Unrestricted invested share-holders' 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**

Distributable funds, 31 December

€ 000	**2011** Parent	**2010** Parent
Unrestricted invested shareholders' equity	35,525	35,486
Retained earnings	1,027	3,487
Net profit	-1,409	2,946
Total	35,143	41,919

Basic Information on the Group and its Accounting Policies

Basic information on the company

Digia Plc is a modern, agile software company providing and implementing ICT products, services and technologies for its customers to improve their competitive advantage – solutions for the needs of a transforming world.

Solutions that are independent of the terminals and technologies used provide true freedom and enable the right information to reach the right people in the right place at the right time.

As a comprehensive solution provider and system integrator, Digia provides its customers with an extensive range of IT products and services, strong software expertise in mobile environments and extensive industry knowledge.

The company is based in Finland, operating globally and employing nearly 1,200 professionals. 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 2011.

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 2011, the Group has applied the following new or amended standards and interpretations:

- **Changes to IAS 24, Related Party Disclosures. The purpose of the changes is to clarify and simplify the definition of related parties, especially as regards significant influence or shared control of parties. The Group does not expect the change to have a significant effect on upcoming consolidated financial statements.**
- **Changes to IAS 32, Financial Instruments: Classification of Rights Issues. The change applies especially to the handling of share issues in foreign currencies. In future, subscription rights related to share issues in foreign currencies can under certain conditions be classified as shareholders' equity rather than derivative instruments. The Group does not expect the change to have a significant effect on upcoming consolidated financial statements.**
- **IFRS Annual Improvements 2011, changes to several standards.The changes for 2011 apply to six standards and one interpretation. The Group does not expect the change to have a significant effect on upcoming consolidated financial statements.**
- **The following interpretations have not been significant for the group:**
IFRIC 12: Service Concession Arrangements
IFRIC 15: Agreements for the Construction of Real Estate
IFRIC 16: Hedges of a Net Investment in a Foreign Operation
IFRIC 17: Distributions of Non-cash Assets to Owners
IFRIC 18: Transfers of Assets from Customers

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

Digia's business operations were in 2011 still divided into two main business segments: Enterprise Solutions and Mobile Solutions. Enterprise Solutions comprised ERP and Financial Administration, Digital Services and Integration Solutions. The Mobile Solutions segment comprised Contract Engineering Services and User Experience Services. The divisions have been specified as primary reporting segments in accordance with IFRS 8 Segment Reporting. Geographical areas have been specified as secondary segments.

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 euro 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 euro 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. Government grants attributable to fixed assets are recognised as deductions in the value of intangible fixed assets. The grants are recognised as income over the life of the asset through reduced amortisation.

Intangible assets

Goodwill

Goodwill corresponds to the proportion of the acquisition cost of an entity acquired after the period between 1 January 2004 and 31 December 2011 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.

As of the beginning of the 2010 fiscal year, goodwill has been 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 somewhere between 3 and 7 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 2010 and 2011.

Stock options granted

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.

Revenue 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, the recognition is based on either the installation 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.

Financial 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 company maintained a positive cash flow from operations despite the readjustment actions taken during the year, and thereby its liquidity also remained good. 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: 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 expect the changes to have a significant effect on upcoming 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.**
- **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 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**

Notes to the Consolidated Financial Statements

1. Segment information

Digia's business segments are Enterprise Solutions and Mobile Solutions.

Net sales

€ 000	2011	2010
Enterprise Solutions	82,659	75,674
Mobile Solutions	39,281	55,152
Group total	121,940	130,825

In the Enterprise Solutions segment, no single customer accounted for more than 10 per cent of the consolidated net sales. The Mobile Solutions segment’s major customer is Nokia, which accounted for more than 10 per cent of the consolidated net sales in the fiscal year.

Operating profit before extraordinary items

€ 000	2011	2010
Enterprise Solutions	8,365	11,001
Mobile Solutions	-280	6,164
Group total	8,084	17,164

Digia’s consolidated profitability for 2011 was significantly affected by extraordinary non-recurrent items comprising a EUR 25.4 million goodwill writedown and a EUR 4.9 million restructuring provision related to the closure of sites. The goodwill writedown was entirely attributable to the Mobile Solutions segment. EUR 4.4 million of the restructuring provision was attributable to Mobile Solutions and EUR 0.5 million to Enterprise Solutions. Operating profit before extraordinary items is an indicator of the company’s operational profitability.

Operating profit (EBIT)

€ 000	2011	2010
Enterprise Solutions	7,895	11,001
Mobile Solutions	-30,063	6,164
Group total	-22,168	17,164

Assets

€ 000	2011	2010
Enterprise Solutions	69,744	63,762
Mobile Solutions	8,422	40,491
Unallocated	9,647	11,185
Group total	87,813	115,438

The assets of the Enterprise Solutions segment include goodwill arising from the acquisition of Digia Sweden AB (formerly Capital C AB), Samstock Ltd and Sentera Plc, as well as the part of the goodwill arising from the acquisition of Yomi Software Ltd that is attributable to the operations of the segment. The assets of the Mobile Solutions segment include goodwill arising from the acquisition of Digia Inc. and Sunrise Resources Ltd, as well as the part of the goodwill arising from the acquisition of Yomi Software Ltd that is attributable to the operations of the segment. A EUR 25.4 million writedown applied to the goodwill of the Mobile Solutions segment during the year. The goodwill items are described in more detail in Note 15.

The most significant unallocated asset item comprises investments and cash and cash equivalents treated from the viewpoint of the Group level.

Liabilities

€ 000	2011	2010
Enterprise Solutions	19,016	12,270
Mobile Solutions	6,401	10,264
Unallocated	22,644	25,493
Group total	48,061	48,027

The most significant item within unallocated liabilities consists of a long-term bank loan.

Depreciation, amortisation, and impairment

€ 000	2011	2010
Enterprise Solutions	2,702	1,671
Mobile Solutions	26,565	2,048
Group total	29,268	3,719

Capital expenditure

€ 000	2011	2010
Enterprise Solutions	2,026	1,023
Mobile Solutions	707	942
Group total	2,733	1,965

Geographical distribution of net sales

€ 000	2011	2010
Finland	120,196	120,196
Other countries	14,697	10,629
Total	121,940	130,825

Notes to the Consolidated Financial Statement

2. Acquired business operations

Acquired business operations in 2011 and 2010

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 is entitled to an additional purchase price in the event that the sales targets agreed upon for said business for 2011–2013 are met. For 2011 the additional purchase price came to EUR 1.0 million, which is EUR 0.8 million higher than the original estimate. The additional price will be paid in cash as agreed. Due to the higher-than-expected sales of 2011, the additional purchase price is now estimated to total 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.

No business operations were acquired in the 2010 fiscal year.

Notes to the Consolidated Financial Statement

3. Long-term projects

Consolidated net sales include income recognised on long-term projects totalling EUR 17.1 million in 2011 (EUR 17.7 million in 2010). The consolidated income statement includes income recognised on incomplete long-term projects totalling EUR 11.3 million on 31 December 2011 (EUR 14.3 million on 31 December 2010).The statement of financial position includes advance payments recognised on incomplete long-term projects totalling EUR 0.3 million on 31 December 2011 (EUR 0.8 million on 31 December 2010).

Notes to the Consolidated Financial Statement

4. One-off expenses

The one-off expenses for the fiscal year 2011 totalled EUR 30.3 million, comprising EUR 25.4 million in a goodwill writedown and EUR 4.9 million in a restructuring provision.

Notes to the Consolidated Financial Statement

5. Auditors' fees

€ 000	2011	2010
Audit	111	80
Other statutory duties	4	1
Tax counselling	4	10
Other services	11	12
Total	130	103

Notes to the Consolidated Financial Statement

6. Other operating income

€ 000	2011	2010
Grants	253	249
Other income	107	68
Total	361	317

Notes to the Consolidated Financial Statement

7. Other operating expenses

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

€ 000	2011	2010
Costs of premises	6,206	6,144
IT costs	3,985	4,119
Voluntary personnel expenses	3,867	3,384
Travel	2,152	2,367
External services	1,075	1,041
Total	17,284	17,056

Notes to the Consolidated Financial Statement

8. Product development expenses

€ 000	2011	2010
Product development expenses	4,798	3,003
Total	4,798	3,003

Notes to the Consolidated Financial Statement

9. Depreciation, amortisation and impairment

€ 000	2011	2010
Depreciation and amortisation by asset category		
Intangible assets	1,845	2,162
Property, plant and equipment		
Buildings	7	7
Machinery and equipment	2,056	1,550
Total	2,063	1,557
Amortisation		
Goodw ill impairment	25,360	0
Depreciation, amortisation and impairment, total	29,268	3,719

Notes to the Consolidated Financial Statement

10. Personnel expenses

€ 000	2011	2010
Wages and salaries	68,564	65,172
Pension costs, defined-contribution plans	11,915	11,339
Share-based payments	296	720
Other personnel expenses	3,766	3,343
Total	84,541	80,573

Group personnel on average during the period	2011	2010
Enterprise Solutions	607	689
Mobile Solutions	799	768
Group management and administration	47	51
Total	1,453	1,508

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

Notes to the Consolidated Financial Statement

11. Financial income and expenses

Financial income

€ 000	2011	2010
Interest income from cash and cash equivalents	51	23
Interest income from accounts receivable	0	6
Dividend income	10	10
Exchange rate gains	170	87
Other financial income	64	1
Total	295	127

Financial expenses

€ 000	2011	2010
Interest expenses for financing loans valued at accrued acquisition cost	731	727
Interest expenses for accounts payable	1	1
Loan administration fees	239	322
Exchange rate losses	24	290
Other financial expenses	263	225
Total	1,258	1,565

Notes to the Consolidated Financial Statement

12. Income taxes

€ 000	2011	2010
Current tax	642	4,362
Taxes from previous periods	-2	48
Deferred tax	-1,320	-159
Total	-680	4,251

Reconciliation between the tax expenses in the income statement and taxes calculated at the tax rate valid in the Group's home country (26 per cent):

€ 000	2011	2010
Earnings before tax	-23,131	15,726
Taxes calculated at the domestic corporation tax rate	-6,014	4,089
Deviating tax rates of foreign subsidiaries	80	-1
Income not subject to tax	-162	-21
Non-deductible expenses	5,533	49
Tax effect of dissolution losses	-101	219
Other items	-13	-131
Taxes for the period in the income statement	-2	48
Total	-680	4,251
Taxes for the period in the income statement	-680	4,251

Notes to the Consolidated Financial Statement

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.

	2011	2010
Profit for the period attributable to parent company shareholders (€ 000)	-22,452	11,474
Weighted average number of shares during the period	20,701,877	20,626,817
Diluting effect of stock options	-	5,187
Diluted w eighted average number of shares during the period	20,701,877	20,632,004
Basic earnings per share (EUR/share)	-1.08	0.56
Diluted earnings per share (EUR/share)	-1.08	0.56

Notes to the Consolidated Financial Statement

14. Property, plant and equipment

€ 000	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Total 2011	Total 2010
Acquisition cost, 1 January	17	162	14,476	84	14,739	12,865
Additions	-	-	2,300	-	2,300	2,018
Acquisition of subsidiary	-	-	-	-	-	-
Disposals	-	-	-7	-	-7	-144
Acquisition cost, 31 December	17	162	16,769	84	17,032	14,739
Accumulated depreciation and amortisation, 31 December	-	-65	-11,665	-83	-11,813	-10,248
Depreciation	-	-7	-2,056	-	-2,063	-1,565
Amortisation	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Accumulated depreciation and amortisation, 31 December	-	-71	-13,721	-83	-13,876	-11,813
Book value, 1 January	17	97	2,811	1	2,926	2,617
Book value, 31 December	17	91	3,047	1	3,156	2,926

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 2011	Total 2010
Acquisition cost	-	-	8,067	-	8,067	6,519
Accumulated depreciation	-	-	-6,441	-	-6,441	-5,318
Book value	-	-	1,626	-	1,626	1,202

Notes to the Consolidated Financial Statement

15. Intangible assets

€ 000	Goodwill	Development costs	Other intangible assets	Total 2011	Total 2010
Acquisition cost, 1 January	89,382	2,487	23,649	115,518	115,419
Capitalised development costs	-	-	-	-	-
Additions	-	-	1,177	1,177	244
Disposals	-	-	-	-	-145
Acquisition of subsidiary	-	-	-	-	-
Acquisition cost, 31 December	89,382	2,487	24,826	116,695	115,518
Accumulated depreciation and amortisation, 31 December	-23,837	-2,487	-14,679	-41,003	-38,841
Depreciation	-	-	-1,845	-1,845	-2,162
Amortisation	-21,002	-	-4,358	-25,360	-
Accumulated depreciation and amortisation, 31 December	-44,839	-2,487	-20,882	-68,208	-41,003
Book value, 1 January	65,545	0	8,970	74,514	76,578
Book value, 31 December	44,543	0	3,944	48,486	74,514

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

The distribution of goodwill and values subject to testing between divisions on the balance sheet date was as follows:

€ 000	Specified intangible assets	Unallocated goodwill	Other items	Total value subject to testing
Enterprise Solutions	3,419	43,244	6,975	53,638
Mobile Solutions	0	1,299	2,803	4,102
Total	3,419	44,543	9,779	57,740

The goodwill in the Enterprise Solutions segment was mainly associated to the acquisition of Sentera Plc and Digia Sweden Ab and Samstock Ltd. The goodwill in the Mobile Solutions division was mainly associated with the combination of Digia Inc. and SysOpen Plc, as well as the acquisition of Yomi Software Ltd and Sunrise Resources Ltd. Allocated goodwill is presented in the intangible asset group ‘Other intangible assets’ and amortised over a period of 5-10 years.

The other items include the estimated working capital and fixed assets of the divisions.

Impairment testing

The Group has defined its business segments as cash-generating units (CGU). Goodwill impairment is tested by comparing the CGU fair value to the book value. The use values are based on the continuous use of an asset as well as on the financial plans and estimates of the CGU’s future development, approved by the relevant CGU management.

Present values for the Enterprise Solutions segment were calculated for the forecast period, based on the following assumptions: annual growth in net sales 3 per cent; operating profit 10 per cent; discount rate 8.9 per cent. Cash flows after the forecast period are estimated by means of cash-flow extrapolation that applies the assumptions given above.

Present values for the Mobile Solutions segment were calculated for the forecast period, based on the following assumptions: annual growth in net sales 2 per cent; operating profit 10 per cent; discount rate 10.9 per cent. Cash flows after the forecast period are estimated by means of cash-flow extrapolation that applies the assumptions given above.

Net sales growth is deemed the most critical factor in calculating the present values of cash flows. The amount of goodwill for Enterprise Solutions requires average annual growth of 0.9 per cent for business operations and 4.0 per cent profitability. The goodwill for Mobile Solutions requires net sales to remain constant and 3.7 per cent profitability.

In the second quarter of 2011, the company recorded a EUR 25.4 million writedown attributable to the goodwill and customer relations of the Mobile Solutions segment. This writedown was based on the company's revision of the segment's long-term income expectations, as the applicable legislation requires. The revised expectation is due to a sudden and radical transition in the business environment for contract engineering services. In the company's view, this has markedly and permanently reduced demand for Symbian and MeeGo services.

On the balance sheet date, the Enterprise Solutions segment's use value was EUR 137.5 million higher than the segment's book value. The Mobile Solutions segment's use value was EUR 9.1 million higher than the book value.

Notes to the Consolidated Financial Statement

16. Deferred tax assets and liabilities

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

Changes in deferred taxes during 2010:

€ 000	1.1.2010	Recognised in income statement	Recognised in equity	Exchange rate differences	Subsidiaries acquired/ divested	31.12.2010
Deferred tax assets:						
Provisions	76	-41	-	-	-	35
Confirmed losses	827	-138	-	-	-	690
Other items	309	-157	-	-	-	151
Total	1,212	-336	-	-	-	876

€ 000	1.1.2010	Recognised in income statement	Recognised in equity	Exchange rate differences	Subsidiaries acquired/ divested	31.12.2010
Deferred tax liabilities:						
From business combinations	2,438	-449	-	-	-	1,989
Other items	234	-45	-	-	-	189
Total	2,672	-495	-	-	-	2,178

Notes to the Consolidated Financial Statement

17. Accounts receivable and other receivables

€ 000	2011	2010
Accounts receivable and other receivables		
Accounts receivable	18,750	21,919
Security deposit for rental dues	402	374
Receivables from customers on long-term projects	1,518	1,023
Tax assets from the profit for the financial year	2,065	-
Prepayments and accrued income	3,383	2,902
Other receivables	405	581
Accounts receivable and other receivables	26,523	26,799

€ 000	2011	2010
Non-due accounts receivable	16,348	20,470
Accounts receivable due 1–30 days ago	1,579	1,132
Accounts receivable due 31–60 days ago	416	162
Accounts receivable due more than 60 days ago	406	154
Total	18,750	21,919

At the end of the fiscal year 2011, credit loss provisions totalled EUR 0.02 million. At the end of the fiscal year 2010, credit loss provisions totalled EUR 0.1 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 Statement

18. Cash and cash equivalents

€ 000	2011	2010
Financing assets recognised at fair value through profit and loss		
Mutual funds	303	300
Bank accounts	7,867	9,382
Total	8,170	9,682

Notes to the Consolidated Financial Statement

19. Notes on share capital

	Number of shares	Share capital (€ 000)
1.1.2010	20,853,645	2,085
Rights issue	11,000	1
31.12.2010	20,864,645	2,086

	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	2,087

The maximum number of shares is 48 million (48 million in 2010). 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 2010). All outstanding shares are paid in full. At the end of the fiscal year, the company held 159,576 own shares, or 0.8 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 translation 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 Statement

20. Share-based payments

The Group has had stock option schemes in place since 15 September 1999 and has also offered share-based bonuses as part of the key personnel commitment and incentive scheme as of 31 May 2007. Options granted after 2003 have been recognised in the financial statements for 2005 in accordance with the standard IFRS 2 Share-based Payment.

At the end of the financial year, all A options in the 2005 scheme had expired. The Group operated the stock option scheme described below in the 2011 financial year:

Option scheme 2005

There were 900,000 options in the 2005 option scheme, entitling holders to subscribe a maximum of 900,000 shares in Digia Plc. The warrants marked 2005A expired on 30 November 2009, the warrants marked 2005B expired on 30 November 2010, and the warrants marked 2005C expired on 30 November 2011.

The options and related transactions are presented in full below:

		Warrants 2005	
2011	**2005 A**	**2005 B**	**2005 C**
Maximum number of options	300,000	300,000	300,000
Shares available for subscription per option	1	1	1
Original subscription price*	€4.33	€3.98	€3.93
Dividend adjustment	Yes	Yes	Yes
Subscription price, 31 December 2008	€4.10	€3.80	€3.83
Subscription price, 31 December 2009	expired	€3.75	€3.78
Subscription price, 31 December 2010	expired	€3.61	€3.64
Subscription price, 31 December 2011	expired	expired	expired
Vesting date	1/11/2007	1/11/2008	1/11/2009
Expiry date	30/11/2009	30/11/2010	30/11/2011
Exercise period, years	expired	expired	expired
Persons at end of financial period	expired	expired	expired

Events in 2011 fiscal year			
Amounts 1 January 2011			
Options in reserve	-	-	300,000
Changes during the period			
Options expired	-	-	300,000
Amounts 31 December 2011			
Options in reserve	-	-	-

* At the end of the fiscal year, the subscription price for warrants in force was determined as follows:
2005A: Trading-weighted average share price on the Helsinki Stock Exchange calculated for the 20 days following the publication of Digia's Interim Report Q1/2005.
2005B: Trading-weighted average share price on the Helsinki Stock Exchange calculated for the 20 days following the publication of Digia's Interim Report Q1/2006.
2005C: Trading-weighted average share price on the Helsinki Stock Exchange calculated for the 20 days following the publication of Digia's Interim Report Q1/2007.

On the recorded date for each distribution of dividends, the share subscription price will be deducted by the amount of dividends for which the decision to distribute has been made between the beginning of the price-setting period and the date of subscription.

Determination of fair value

The fair value of the options is determined using the Black-Scholes option pricing model. A fair value is determined for the date of granting the options and charged to personnel expenses over the vesting period. The granting date is the date of the decision by Board of Directors. The company incurred no expenses from share options or from the conversion offer made as a part of the scheme in 2011 or 2010.

Comparison data for 2010

The following table presents the situation on 31 December 2010 as comparative data:

	Option scheme			
2010	2005 A	2005 B	2005 C	Total
Amounts, 1 January 2010	-			
Options granted	-	148,000	60,000	208,000
Options returned	-	126,000	60,000	186,000
Shares subscribed using options	-	-	-	-
Options outstanding	-	22,000	0	22,000
Options in reserve	-	278,000	300,000	578,000
Changes during the period				
Shares subscribed using options	-	11,000	-	11,000
Amounts, 31 December 2010				
Options granted	-	148,000	60,000	208,000
Options returned	-	126,000	60,000	186,000
Shares subscribed with options (not yet registered)	-	11,000	-	11,000
Options outstanding	-	-	-	-
Options in reserve	-	278,000	300,000	578,000

Share-based bonuses

In addition to stock option schemes, the company offers share-based bonuses as part of its 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 will primarily be 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	CEO's share-based incentive scheme 2009–2010	Key personnel share-based incentive scheme 2009–2010
Granting date	27/05/2010	30/09/2009	30/09/2009
Instrument	Shares and cash	Shares and cash	Shares and cash
Target group	Management group	CEO	Key personnel
Maximum number of shares *	640,000	160,000	200,000
Beginning of the earning period	28/05/2010	1/10/2009	1/10/2009
End of the earning period	31/3/2011 / 31/3/2012/ 31/3/2013 /31/3/2014	30/3/2010 / 30/3/2011	30/1/2010 / 30/1/2011/ 30/1/2012 /30/1/2013
Vesting condition	Earnings per share, net sales grow th and employment requirement	Earnings per share, employment requirement	Earnings criterion, employment requirement
Maximum validity, years	3.2	1.5	3.3
Remaining validity, years	2.2	0.0	1.1
Number of persons (31 December 2011)	7	1	22

* 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 2011 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 2011 fiscal year	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
Gross amounts, 1 January 2011 **				
Outstanding at beginning of period	640,000	80,000	150,000	870,000
Changes during the period				
Forfeited during the year	12,500	26,000	9,248	47,748
Exercised during the year	27,500	54,000	40,752	122,252
Gross amounts, 31 December 2011 **				
Outstanding at end of period	600,000	0	100,000	700,000
Available for exercising at end of period	600,000	0	100,000	700,000

** 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 2011 income statement

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	122	23	54	199
Liabilities from share-based payments, 31 December 2011	38	25	34	97

Comparison data for 2010

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	156	295	268	720
Share-based payment expense for the fiscal year, shareholders' equity	72	96	100	267
Liabilities from share-based payments, 31 December 2010	84	101	114	299

Notes to the Consolidated Financial Statement

21. Provisions

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

Changes in provisions during 2010:

€ 000	Restructuring provision	Unprofitable agreements	Total
1.1.2010	895	157	1,052
Increase in provisions	-	79	79
Provisions used	-895	-103	-998
Reversals of unused provisions	-	-	-
31.12.2010	0	133	133

Restructuring provision

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

Realigned technology-platform strategies and changes in the competitive situation for phone manufacturers markedly changed the business environment for the company’s Mobile Solutions segment. As a result of the changes and the ensuing reduction in contract engineering orders, the Mobile Solutions segment’s consolidated net sales and profitability fell significantly throughout the financial year. This had a major negative impact on the whole company’s consolidated net sales and operating profit compared to the previous year. For this reason, the company conducted four rounds of personnel negotiations during the period, leading to the closure of the Pori and Lappeenranta offices and the dismissal of 344 employees.

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 2011, there were six fixed-price projects for which loss provisions had been recorded on the basis of remaining work.

Notes to the Consolidated Financial Statement

22. Financial liabilities

€ 000	2011 Fair values	2010 Fair values	2011 Balance sheet values	2010 Balance sheet values
Non-current				
Bank loan	13,028	14,701	14,500	16,000
Subordinated loan	0	41	0	44
Finance lease liabilities	868	507	942	565
Total	13,896	15,249	15,442	16,609
Current				
Bank loan	5,320	5,797	5,500	6,000
Subordinated loan	44	41	44	44
Finance lease liabilities	851	636	886	662
Total	6,215	6,474	6,430	6,706
Total	**20,111**	**21,723**	**21,872**	**23,316**

The fair value of loans has been calculated by discounting the loan capital on the balance sheet date using a discount rate of 6.71%, which has been determined with regard to the industry's general risk level.

On 31 October 2011, Digia revised its three-year loan arrangements, replacing the company's old loan portfolio totalling EUR 17 million. The loan agreement is financed by Pohjola Bank and Nordea Bank. The total sum of the new loan was EUR 22 million, of which the company withdrew EUR 17 million. As a part of the financing package, the company committed to covenants concerning the maintenance of the company's financial standing and liquidity. The loan covenants comprise the following key figures: operating profit before depreciation and amortisation (EBITDA) in relation to net debt, equity ratio and net gearing. The company can now distribute a maximum of 50 per cent (previously 30%) of the Group's net profit for the year, without separate agreement. The company fulfilled the set loan covenants in 2011.

During the financial year, the company repaid EUR 2.0 million in loans, reducing its interest-bearing liabilities to EUR 20.0 million. The loans have floating interest rates tied to Euribor, plus a margin. The average interest rate of the loans in 2011 was 3.2% (2.8% in 2010). The shares of Digia Finland Ltd and Digia Financial Software Ltd are pledged as collateral for the loans. On 31 December 2011, the book value of pledged shares was EUR 109.4 million.

A subordinated loan has been granted by TEKES for product development. The loan has a fixed interest rate, which was 1.0% until 31 December 2011. The effective interest rate on finance lease liabilities during the fiscal year was 4.51% (4.48%).

Interest-bearing liabilities fall due as follows:

Year, € 000	2011	2010
2011	-	6,706
2012	6,430	14,886
2013	5,689	1,194
2014	9,752	530
Later	-	-
Total	21,872	23,316

The tables below describe agreement-based maturity analysis results for 2011 and the 2010 comparison period. The figures are undiscounted and include interest payments and the repayment of loan capital:

€ 000 31.12.2011	Balance sheet values	Cash flow	Less than 1 year	1–2 years	2–5 years
Bank loans	20,000	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
Total	**21,872**	**23,037**	**6,986**	**6,084**	**9,967**

€ 000 31.12.2010	Balance sheet values	Cash flow	Less than 1 year	1–2 years	2–5 years
Bank loans	22,000	22,658	6,514	14,616	1,528
Subordinated loans	89	89	45	44	0
Finance lease liabilities	1,227	1,227	662	342	223
Total	**23,316**	**23,975**	**7,221**	**15,002**	**1,751**

Notes to the Consolidated Financial Statement

23. Due dates of finance lease liabilities

€ 000	2011	2010
Finance lease liabilities, total of minimum lease payments		
Within one year	942	695
Within more than one but less than five years	965	580
After more than five years	-	-
Finance lease liabilities, present value of minimum lease payments		
Within one year	885	662
Within more than one but less than five years	941	565
After more than five years	-	-
Financial expenses to be accrued in the future	80	48
Total amount of finance lease liabilities	1,826	1,227

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

Notes to the Consolidated Financial Statement

24. Non-interest bearing liabilities

€ 000	2011	2010
Non-current		
Deferred tax liabilities	772	2,178
Other long-term liabilities	674	0
Total	1,446	2,178
Current		
Accounts payable	1,961	2,353
Total	1,961	2,353
Other non-interest bearing current liabilities		
Advance payments received	4,585	769
Accruals and deferred income	11,626	11,569
Provisions	748	133
Income tax liabilities	100	1,369
Other liabilities	5,722	6,340
Total	22,781	20,181
Total non-interest bearing liabilities	26,189	24,712

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 Statement

25. Operating leases

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

€ 000	2011	2010
Within one year	3,413	3,988
Within more than one but less than five years	2,198	2,412
After more than five years	-	-
Total	5,611	6,400

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 Statement

26. Contingent liabilities

€ 000	2011	2010
Collateral pledged for own commitments		
Other	1,125	767
Total	1,125	767

Other contingent liabilities are associated with guarantee deposits or are units in fixed-income mutual funds pledged as collateral for the credit limit. The credit limit is used as security for office leases. Furthermore, the item includes a guarantee deposit pledged as collateral.

Notes to the Consolidated Financial Statement

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 Financial Software Oy	Jyväskylä	Finland	100%	100%
Digia Finland Oy	Helsinki	Finland	100%	100%
Digia Hong Kong Ltd *	Hong Kong	China	100%	100%
Digia Service Oy	Jyväskylä	Finland	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%
Digia Partners Oy *	Helsinki	Finland	100%	100%
Microext Oy *	Helsinki	Finland	100%	100%

* The companies are not engaged in business operations.

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 Statement

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	2011	2010
Salaries and other short-term employee benefits	1,599	1,893
Share-based bonuses	194	285
Total	1,793	2,178

The salaries and fees paid in 2011 to the CEO and the members of the Board of Directors were as follows:

		€ 000
Kyttälä Pertti	Chairman of the Board of Directors	75
Mehtälä Martti	Vice Chairman of the Board	50
Ingman Robert	Member of the Board	37
Karvinen Kari	Member of the Board	39
Sivonen Pekka	Member of the Board	38
Uhari Tommi	Member of the Board	38
Virtanen Marjatta	Member of the Board	39
Varelius Juha	CEO	596
Total		913

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 9,300 (EUR 14,700 in 2010). Transactions associated with the purchase of goods or services totalled EUR 93,900 (EUR 16,200 in 2010). The Group has no related-party loans.

Notes to the Consolidated Financial Statement

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 2.3 million in Swedish kronas, US dollars, Russian roubles and Chinese yuan. Foreign currency accounts payable totalled approx. EUR 0.8 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 2011, the interest rate on the long-term bank loan varied between 2.8% and 3.7% (2.3%–2.9% in 2010). The impact of a +/-1% change in the loan's interest rate is EUR 0.2 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 2011, credit loss provisions totalled EUR 0.02 (EUR 0.1) million. The maturity analysis of accounts receivable for 2011 and 2010 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 unwithdrawn standby credit on 31 December 2011 was EUR 4.0 million. 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 2011 totalled EUR 8.2 million. An agreement-based maturity analysis on discounted equity and interest payments for the fiscal years 2011 and 2010 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 13.7 (13.6) 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 net liabilities have primarily been used for financing the Group's company acquisitions, and at the end of the fiscal year, gearing stood at 34% (20%).

The share of liabilities of total shareholders' equity on 31 December 2011 and 31 December 2010 was as follows:

€ 000	2011	2010
Interest-bearing liabilities	21,872	23,316
Cash and cash equivalents	8,170	9,682
Interest-bearing net liabilities	13,702	13,634
Total shareholders' equity	39,753	67,411
Gearing,%	34%	20%

Notes to the Consolidated Financial Statement

30. The group's key financial ratios

€ 000	2011	2010	2009	2008	2007
Extent of business					
Net sales, € 000	121,940	130,825	120,335	123,203	105,839
- change on previous year, %	-6.8%	9%	-2%	16%	25%
Gross capital expenditure, € 000	2,733	1,965	1,342	2,512	1,979
- % of net sales	2%	2%	1%	2%	2%
Capitalisation for research and development	-	-	-	-	-
- % of net sales	0%	0%	0%	0%	0%
Number of personnel, 31 December	1,175	1,558	1,471	1,337	1,155
Average number of personnel	1,453	1,508	1,387	1,314	1,116
Profitability					
Operating profit, € 000	-22,168	17,164	-7,796	13,437	11,080
- % of net sales	18%	13%	-6%	11%	10%
Net profit, € 000	-22,452	17,164	-13,664	7,409	5,871
- % of net sales	-18%	13%	-11%	6%	6%
Return on equity, %	-42%	18%	-21%	11%	9%
Return on investment, %	-29%	19%	-7%	11%	9%
Financing and financial standing					
Loans from financial institutions, € 000	21,872	23,316	30,429	56,950	56,413
Cash and cash equivalents, € 000	8,170	9,682	10,469	18,879	11,739
Gearing, %	34%	20%	34%	53%	65%
Equity ratio, %	48%	59%	52%	47%	47%
Cash flow from operations, € 000	8,842	11,066	20,232	15,473	6,157
Dividends (paid), € 000	5,577	2,885	1,025	2,041	1,625
Earnings per share, EUR undiluted	-1.08	0.56	-0.67	0.36	0.29
Earnings per share, EUR diluted	-1.08	0.56	-0.67	0.36	0.29
Equity per share	1.90	3.23	2.79	3.46	3.32
Dividend per share (2012 proposal) *	0.10	0.27	0.14	0.05	0.10
Dividend payout ratio	-	48%	-	14%	35%
Effective dividend yield	4%	5%	4%	3%	3%
Price/earnings ratio (P/E)	-	8.98	-	5.17	10.39
Lowest share price	2.30	3.38	1.39	1.73	2.93
Highest share price	5.79	5.89	3.88	3.35	4.26
Average share price	3.88	5.01	2.72	2.83	3.77
Market capitalisation	50,519	104,949	71,528	38,788	61,079
Trading volume, shares	7,135,305	7,260,278	9,123,589	7,321,002	9,583,795
Trading volume, %	34%	35%	45%	36%	47%

* Dividends for 2011 will be paid in 2012 in the form of a repayment of capital.

The weighted average number of shares during the accounting period, adjusted for share issues, was 20,701,877. The diluted weighted average number of shares during the period was 20,701,877. The number of shares outstanding at the end of the accounting period was 20,716,069. At the end of the fiscal year the company held 159,576 own shares. The company has 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 29,612 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 × 100
______
Earnings per share

Net gearing:

Loans from financial institutions – cash, bank receivables and financial securities × 100
______
Shareholders' equity

Effective dividend yield, %:

Dividend per share × 100
______
Last trading price for the period, adjusted for share issues

Price/earnings ratio (P/E):

Last trading price for the period, adjusted for share issues
______
Earnings per share

Parent Company's Income Statement (FAS)

€	Note	1/1–31/12/2011	1/1–31/12/2010
Net sales	1	8,010,000.00	7,971,700.00
Other operating income	2	37,375.01	36,975.00
Personnel expenses	3	-4,089,316.81	-4,674,170.53
Depreciation, amortisation, and impairment	4	-599,935.72	-236,026.63
Other operating expenses	5	-2,766,584.92	-2,836,101.90
		-7,418,462.44	-7,646,299.06
Operating profit		**591,537.56**	**262,375.94**
Financial income and expenses	6	-2,000,625.47	-1,666,790.36
Earnings before extraordinary items and taxes		**-1,409,087.91**	**-1,404,414.42**
Extraordinary items		0.00	5,500,000.00
Earnings before tax		**-1,409,087.91**	**4,095,585.58**
Income taxes	7	-10.40	-1,149,554.11
Net profit		**-1,409,098.31**	**2,946,031.47**

Parent Company's Balance Sheet (FAS)

€	Note	31/12/2011	31/12/2010
ASSETS			
FIXED ASSETS			
Intangible assets	8		
Intangible rights		1,376,466.39	273,675.61
		1,376,466.39	273,675.61
Tangible assets	9		
Land and w ater areas		16,818.79	16,818.79
Buildings and structures		90,660.07	97,253.53
Machinery and equipment		22,806.50	44,322.44
		131,496.31	158,394.76
Financial assets	10		
Shares in Group companies		114,091,160.50	114,078,367.38
Other shares and holdings		606,292.32	606,292.32
		114,697,452.82	114,684,659.70
Total fixed assets		**116,205,415.52**	**115,307,252.68**
CURRENT ASSETS			
Current receivables	11		
Receivables from Group companies		5,135,345.19	6,335,115.00
Other receivables		244,560.61	212,120.54
Prepayments and accrued income		1,407,443.32	272,595.74
		6,787,349.12	6,819,831.28
Cash and cash equivalents		2,895,936.28	8,134,952.75
Total current assets		**9,683,285.40**	**14,954,784.03**
Total assets		**125,888,700.92**	**130,071,514.10**

€	Note	31/12/2011	31/12/2010
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Equity attributable to parent company shareholders	12		
Share capital		2,087,564.50	2,086,464.50
Rights issue		-	39,710.00
Issue premium fund		7,899,485.80	7,899,485.80
Unrestricted invested shareholders' equity reserve		35,525,037.82	35,486,427.82
Retained earnings		1,026,629.00	3,486,757.45
Net profit		-1,409,098.31	2,946,031.47
Total shareholders' equity		**45,129,618.81**	**51,944,877.04**
LIABILITIES			
Non-current liabilities	13		
Loans from financial institutions		13,000,000.00	13,000,000.00
Other non-current debts		674,000.00	0.00
		13,674,000.00	13,000,000.00
Current liabilities	14		
Accounts payable		82,237.82	88,141.00
Interest-bearing liabilities		4,000,000.00	4,000,000.00
Liabilities to Group companies		60,458,783.05	59,928,367.18
Other liabilities		1,736,121.89	280,365.50
Accrued liabilities		807,939.35	829,763.38
		67,085,082.11	65,126,637.06
Total liabilities		**80,759,082.11**	**78,126,637.06**
Total shareholders' equity and liabilities		**125,888,700.92**	**130,071,514.10**

Parent Company's Cash Flow Statement (FAS)

€ 000	1/1/–31/12/2011	1/1/–31/12/2010
Cash flow from operations:		
Net profit	-1,409	2,946
Adjustments to net profit	2,607	-2,448
Change in working capital	-419	4,711
Interest paid	-728	-621
Interest income	29	11
Taxes paid	-1,265	-1,495
Net cash flow from operations	**-1,183**	**3,104**
Cash flow from investments:		
Purchase of tangible and intangible assets	-209	-46
Acquisition of subsidiary, net of cash acquired	-	-
Cash flow from investments	**-209**	**-46**
Cash flow from financing:		
Proceeds from share issue	-	79
Acquisition of own shares	-	-
Repayment of current term loans	-17,000	-4,000
Repayments of non-current loans	-	-1,000
Withdrawals of current loans	4,000	-
Withdrawals of non-current loans	13,000	-
Group financing items *	1,730	4,537
Dividends paid and other profit distribution	-5,577	-2,885
Cash flow from financing	**-3,847**	**-3,269**
Change in liquid assets	**-5,239**	**-211**
Liquid assets at beginning of period	**8,135**	**8,345**
Change in liquid assets	-5,239	-211
Liquid assets at end of period	**2,896**	**8,135**

* 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 subsidiaries Digia Financial Software Oy, Digia Service Oy and OOO Digia RUS Ltd.), Digia Sweden Ab, Digia USA, Inc. and Digia Norway AS. The Digia Plc subsidiary Sunrise Resources Oy (100%) merged into Digia Finland Oy on 31 March 2011.

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 fiscal year 2010, Group contributions received were recognised as extraordinary items.

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	5 years
Other long-term expenses	5 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	2011	2010
Group administration services	8,010	7,972
Group total	8,010	7,972

Notes to the Parent Company's Financial Statement

2. Other operating income

€ 000	2011	2010
Other	37	37
Total	37	37

Notes to the Parent Company's Financial Statement

3. Information on personnel and governing bodies

€ 000	2011	2010
Board emoluments and remuneration and CEO's compensation	913	764
Other salaries and remunerations	2,466	3,260
Pension insurance premiums	570	532
Other personnel expenses	141	118
Total	4,090	4,674

Number of personnel, 31 December	2011	2010
Management and administration	45	47
Total	45	47

Notes to the Parent Company's Financial Statement

4. Depreciation, amortisation and impairment

€ 000	2011	2010
Planned depreciation and amortisation		
Property, plant, and equipment, and intangible assets	600	236
Amortisation	-	-
Total	600	236

Notes to the Parent Company's Financial Statement

5. Auditors' fees

€ 000	2011	2010
Audit	106	80
Other statutory duties	4	1
Tax counselling	4	10
Other services	11	12
Total	125	103

Notes to the Parent Company's Financial Statement

6. Financial income and expenses

Financial income

€ 000	2011	2010
Interest and financial income from Group companies	18	-
Interest and financial income from others	73	11
Total	90	11

Financial expenses

€ 000	2011	2010
Interest expenses to Group companies	1,206	765
Interest expenses to other companies	585	513
Loan administration fees	222	80
Other financial expenses	78	320
Total	2,091	1,678

Notes to the Parent Company's Financial Statement

7. Income taxes

€ 000	2011	2010
Income taxes on operations	-	-280
Income taxes on extraordinary operations	-	1,430
Total	0	1,150

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 436,188.64 at the end of the fiscal year.

Notes to the Parent Company's Financial Statement

8. Intangible assets

€ 000	Intangible rights	Other long-term expenses	Total 2011	Total 2010
Acquisition cost, 1 January	1,844	655	2,499	2,464
Additions	1,681	-	1,681	35
Disposals	-	-	-	-
Acquisition cost, 31 December	3,525	655	4,180	2,499
Accumulated depreciation and amortisation, 1 January	-1,571	-655	-2,226	-2,042
Depreciation	-578	-	-579	-184
Amortisation	-	-	-	-
Accumulated depreciation and amortisation, 31 December	-2,149	-655	-2,804	-2,226
Book value, 1 January	274	0	274	422
Book value, 31 December	1,376	0	1,376	274

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 2011	Total for 2010
Acquisition cost, 1 January	17	162	1,853	2,032	2,022
Additions	-	-	2	2	10
Disposals	-	-	-7	-7	-
Acquisition cost, 31 December	17	162	1,848	2,027	2,032
Accumulated depreciation and amortisation, 1 January	-	-66	-1,808	-1,874	-1,821
Depreciation	-	-7	-15	-22	-53
Amortisation	-	-	-	0	-
Disposals	-	-	-	0	-
Accumulated depreciation and amortisation, 31 December	-	-72	-1,824	-1,896	-1,874
Book value, 1 January	17	97	44	158	201
Book value, 31 December	17	91	24	131	158

Notes to the Parent Company's Financial Statement

10. Financial assets

€ 000	Investments in subsidiary shares	Other shares and holdings	Total for 2011	Total for 2010
Acquisition cost, 1 January	114,078	606	114,685	114,685
Additions	13	-	13	-
Disposals	-	-	-	-
Acquisition cost, 31 December	114,091	606	114,697	114,685
Book value, 1 January	114,078	606	114,685	114,685
Book value, 31 December	114,091	606	114,697	114,685

Itemisation of other shares and holdings

Group companies	Domicile	Home country	Share of ow nership	Share of votes
Digia Hong Kong Ltd	Hong Kong	China	100%	100%
Digia Estonia Oü	Tallinn	Estonia	100%	100%
Digia Sw eden AB	Stockholm	Sw eden	100%	100%
Digia Finland Oy	Helsinki	Finland	100%	100%
Digia Norw ay AS	Oslo	Norw ay	100%	100%
Digia USA, Inc.	San Jose	USA	100%	100%
Digia Partners Oy	Helsinki	Finland	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	2011	2010
Receivables from Group companies		
Accounts receivable	2,293	-
Prepayments and accrued income	52	5,534
Borrow ings	2,791	801
Other receivables	245	212
Prepayments and accrued income	1,407	273
Total	6,788	6,820

Notes to the Parent Company's Financial Statement

12. Shareholders' equity

€ 000	2011	2010
Share capital, 1 January	2,086	2,085
Rights issue	1	1
Reduction of nominal value	-	-
Share capital, 31 December	2,088	2,086
Premium fund, 1 January	7,899	7,899
Transfer to unrestricted shareholders' equity	-	-
Premium fund, 31 December	7,899	7,899
Rights issue	-	40
Total restricted shareholders' equity	9,987	10,026
Unrestricted shareholders' equity reserve, 1 January	35,486	35,448
Increase in share capital	39	39
Own shares	-	-
Unrestricted shareholders' equity reserve, 31 December	35,525	35,486
Accrued earnings, 1 January	6,433	6,106
Dividends	-5,577	-2,885
Own shares	-	-
Share-based transactions settled in equity	171	85
Accrued earnings, 31 December	1,027	3,487
Net profit	-1,409	2,946
Total unrestricted shareholders' equity	35,143	41,919
Total shareholders' equity	**45,130**	**51,945**

Distributable funds 31 December

€ 000	2011	2010
Unrestricted invested shareholders' equity	35,525	35,486
Retained earnings	1,027	3,487
Net profit	-1,409	2,946
Total	35,143	41,919

Notes to the Parent Company's Financial Statement

13. Non-current liabilities

€ 000	2011	2010
Loans from financial institutions	13,000	13,000
Other long-term liabilities	674	0
Total	13,674	13,000

Notes to the Parent Company's Financial Statement

14. Current liabilities

€ 000	2011	2010
Interest-bearing		
Interest-bearing liabilities	4,000	4,000
Liabilities to Group companies		
Borrow ings	56,276	59,201
Total interest-bearing current liabilities	60,276	63,201
Interest-free		
Liabilities to Group companies		
Accounts payable	209	284
Accruals and deferred income	3,974	443
To others		
Accounts payable	82	88
Other liabilities	1,736	280
Accruals and deferred income	808	830
Total interest-free current liabilities	6,809	1,925
Total current liabilities	67,085	65,127

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 Parent Company's Financial Statement

15. Contingent liabilities

Lease liabilities

€ 000	2011	2010
Due during the current financial period	215	150
Due later	242	148
Total	458	298

Other lease liabilities

€ 000	2011	2010
Due during the current financial period	2,063	2,036
Due later	1,418	835
Total	3,482	2,872

Other liabilities

€ 000	2011	2010
Other	500	140
Total	500	140

Signatures to the Board's Report and Financial Statement

Helsinki, 2 February 2012

Pertti Kyttälä Chairman of the Board of Directors	Robert Ingman	Kari Karvinen
Martti Mehtälä	Pekka Sivonen	Tommi Uhari
Marjatta Virtanen	Juha Varelius CEO	

Auditor's note

A report of the audit has been submitted today.

Helsinki, 2 February 2012

Ernst & Young Oy
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 Oyj for the year ended 31 December, 2011. 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 February 2, 2012

Ernst & Young Oy	Heikki Ilkka
Authorized Public Accountant Firm	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 2017
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