Digia Plc Financial Statement Bulletin 2009: Digia achieves its best-ever operative result

Summary

Financial Statement 2009

- Consolidated net sales EUR 120.3 million, down 2.3 per cent year on year
- Operating profit before one-off items EUR 16.9 million, up 26.0 per cent
- One-off items comprised a fourth-quarter goodwill writedown of EUR -23.8 million (no effect on cash flow), as well as a restructuring provision of EUR -0.9 million related to the closure of offices.
- Consolidated operating profit EUR -7.8 million (EUR 13.4 million in 2008)
- Profitability before one-off items 14.1 per cent (10.9 per cent 2008) and after one-off items (EBIT%) -6.5 per cent (10.9 per cent in 2008)
- Product business accounted for 15.4 per cent (14.4 per cent in 2008)
- Earnings per share EUR -0.67, (EUR 0.36 in 2008), before one-off items EUR 0.53
- Dividend proposal EUR 0,14 per share

October-December

- Consolidated net sales EUR 33.2 million, up 1.3 per cent year on year
- Operating profit before one-off items EUR 5.4 million, up 85.1 per cent
- Consolidated operating profit EUR -19.3 million (EUR 2.9 million in 10-12/2008)
- Profitability before one-off items 16.3 per cent (8.9 per cent in 10-12/2008) and after one-off items (EBIT%) -58.3 per cent (8.9 per cent in 10-12/2008)
- Product business accounted for 12.5 per cent (14.1 per cent in 10-12/2008)
- Earnings per share EUR -1.01, (EUR 0.07 in 10-12/2008), before one-off items EUR 0.18

During the reporting period, the company met with success in achieving its objectives by maintaining good operative profitability and a strong positive cash flow, as well as by lowering its gearing ratio. Despite the challenging market, the company maintained stable net sales while significantly improving its operative profitability even so that the operative operating profit was company’s all time best.

Profitability was good throughout the reporting period, particularly in the Enterprise Solutions segment. That segment also increased its net sales year on year.

The Mobile Solutions segment, on the other hand, was affected by structural changes ongoing in the business environment during the period, as well as by increasing price competition. Consequently, the segment did not meet its targets for service demand and operative profitability. Having followed developments in the business environment during the reporting period, the Board re-evaluated the long-term risks related to the Mobile Solutions segment and decided to make a non-recurrent EUR 23.8 million writedown of goodwill in relation to that segment.

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In order to improve long-term operating conditions, the company launched measures aimed at rationalising its sites in line with market requirements and concentrating its expertise into fewer but larger units. In this way, customers' needs will be met more effectively. Cooperation negotiations related to these streamlining measures were completed in November. The negotiations involved 110 employees from five different locations, and led to the termination of 46 employees' employment contracts. The streamlining measures should have a positive impact from the first quarter of 2010 onwards.

The company repaid EUR 26.3 million in interest-bearing liabilities during the period, after which loans from financial institutions stood at a total of EUR 29.0 million. Having reduced its interest-bearing liabilities, the group also had significantly lower net financial expenses.

The fourth quarter showed signs of a break in the prevailing market uncertainty. This led the company back to a growth trend, and enabled the company to achieve its best-ever operative operating profit in both the last quarter as well as in the entire reporting period.

The company expects overall demand for IT services to increase moderately in 2010 from the previous year's levels. The company will continue to develop its sales and increase its operational efficiency, aiming for organic growth in sales at a rate equalling or exceeding the general market rate. In addition to growth in sales, operative profitability is also expected to remain high.

Proposal for Dividend Distribution

The unrestricted equity in the balance sheet of the Company as per December 31, 2009 amounted to EUR 41 553 350,95 of which the net result for the financial year amounts to EUR 3 927 765,97. The Board proposes to the Annual General Meeting that based on the balance sheet to be adopted for the accounting period ended December 31, 2009 a dividend of EUR 0,14 per share will be paid. The dividend will be paid to shareholders registered in the Register of Shareholders held by Euroclear Finland Ltd on the record date March 8, 2010. The dividend will be paid on 15.3.2010.

GROUP KEY FIGURES AND RATIOS

	10-12/2009	10-12/2008	Change %	2009	2008	Change %
Net sales	33 189	32 762	1%	120 335	123 203	-2%
Operating profit before one-off items	5 396	2 916	85%	16 936	13 437	26%
- % of net sales	16%	9%		14%	11%	
Operating profit	-19 335	2 916	-763%	-7 796	13 437	-158%
- % of net sales	-58%	9%		-6%	11%	
Profit for the period	-20 850	1 349	-1645%	-13 664	7 409	-284%
- % of net sales	-63%	4%		-11%	6%	
Return on equity, %	-122%	8%		-21%	11%	
Return on investment, %	-74%	10%		-7%	11%	
Interest-bearing liabilities	30 429	56 950	-47%	30 429	56 950	-47%
Cash and cash equivalents	10 469	18 879	-45%	10 469	18 879	-45%
Net gearing, %	34%	53%		34%	53%	
Equity ratio, %	52%	47%		52%	47%	
Earnings per share, EUR, undiluted	-1.01	0.07	-1,543%	-0.67	0.36	-286%
Earnings per share, EUR, diluted	-1.01	0.07	-1,543%	-0.67	0.36	-286%

MARKETS AND DIGIA'S BUSINESS

The reporting period was characterised by widespread uncertainty in the markets, which had an impact on demand for the company's services and the development of net sales. The decrease in net sales evened out by the middle of the period and returned to growth in the fourth quarter.

Despite the challenging market, the company was successful in achieving its objectives by maintaining good operative profitability and a strongly positive cash flow, and by reducing gearing throughout the reporting period. The fourth quarter's operating profit before one-off items, and the earnings per share calculated from it, grew significantly from the same period previous year. Both figures were at a very good level, and company's best-ever quarterly results.

The company's success was driven by agile adoption of new technologies, an effective new organisation, high-quality project management and active customer relationship management and development.

Thanks to its robust cash flow, the company was able to substantially reduce its gearing ratio during the reporting period. The company repaid EUR 26.3 million in loans during the period, after which loans from financial institutions stood at a total of EUR 29.0 million.

During the reporting period, the company's international operations focused on China. In addition to the Chengdu office opened in 2008, the company established a new office in Beijing in the second quarter of 2009. Chinese operations have progressed according to plan and now form an important part of the company's service strategy.

One of the major events in the reporting period was the Board's decision in December to record a EUR 23.8 million writedown of goodwill of the Mobile Solutions segment, which made the company's operating profit negative for the period. The writedown was based on the company's view on increased risks relating to the Mobile Solutions segment on long-term, as the evaluation is to be carried out according to applicable legislation.

To improve its long-term operating conditions, the company launched measures in November for rationalising its site network in line with market requirements, and concentrating its expertise into fewer but larger units. In this way, customers' needs will be met more effectively. The measures encompassed the closure of the company's offices in Kuopio, Turku, Lahti and Vaasa, and the reduction of personnel in certain departments of the Pori unit. During the related cooperation negotiations, the company offered replacement positions in alternative locations to all personnel of the offices to be closed. Ultimately, 37 employees decided to move permanently or temporarily to another location; 32 others were dismissed and six terminated their own employment at Digia. In addition to these, eight employees were dismissed in Pori from service segments in which demand has permanently fallen. Due to the closure measures, the company's financial statement for the reporting period include a EUR 0.9 million operational restructuring provision.

As a part of its geographical streamlining measures, the company also closed a nine-employee site in Yaroslavl, Russia.

Enterprise Solutions:

The beginning of the year was challenging for the Enterprise Solutions segment, as demand slowed down considerably, especially from industrial and financial market customers. Despite this, the segment was able to maintain good profitability throughout the reporting period, considerably exceeding the previous year's figures in each quarter. Also net sales grew slightly year on year throughout the reporting period.

In the second half of the year, the amount of tenders made grew, and success in the challenging market was accelerated by the company's extensive industry-specific competence and insightful solutions, which led to good sales of Internet-based systems and ERP systems that increase the efficiency of customers' operations. In ERP systems, demand grew especially in systems related to service and customer experience management.

Mobile Solutions:
Ongoing technological changes in the market and the introduction of new technologies have led to the fragmentation of demand into a larger number of specialist areas within the Mobile Solutions segment. In certain service and competence fields, demand has decreased and in part shifted to low-cost countries. In addition, price competition in the service sector has seen continual growth. This, coupled with the general global recession, led to the failure of the Mobile Solutions segment to meet its targets for net sales and profitability. The beginning of the year, and particularly the second quarter, were very difficult with a large drop in demand. Thanks to competence development, an efficient site network and enlivened demand, however, the end of the year was slightly more positive. On the whole, the net sales for the period were, however, significantly lower than previous year.

On the other hand, in terms of profitability, the success of the final quarter led to higher operative operating profit than expected for the fourth quarter. This raised operative profitability for the entire period to roughly the previous year's level, even though set targets were not met.

Due to the radical changes in the market, the company re-evaluated the operations and related long-term risks of the Mobile Solutions segment in December, which led to a writedown of EUR 23.8 million in the segment's goodwill.

In terms of operations, the Mobile Solutions segment successfully implemented an extensive project for the adoption of Linux-based software development and new methods, as well as related training. Thanks to competence and operational development progressing according to plan, traditional Symbian development is now equalled by other technologies in the company.

RISKS AND UNCERTAINTIES

The key risks and uncertainties of the company's business remained unchanged.

Short-term uncertainties are related to any major changes occurring in the company's core markets. The economic recession, although it is showing signs of yielding, may still have an impact on customers' investment decisions and liquidity, and therefore also on the company's net sales and profit. Furthermore, the growth in customer project sizes increases the risks related to projects and their profitability.

PROSPECTS FOR THE FUTURE

The company's main objective for 2010 is to focus strongly on creating growth conditions while maintaining a strong positive cash flow and a good level of operative profitability.

The company will continue to pursue the conservative internationalisation of its business operations, making a concerted effort to seek opportunities for enlarging and developing its product business. Furthermore, the company will step up its operations in countries with favourable cost levels, especially China.

The company expects the global economic uncertainty to recede gradually, and the IT market to grow moderately as compared to 2009. The company predicts organic growth of its net sales, at a rate at least equal to the general market rate, and the maintenance of solid operative profitability.

Digia's long-term focus is first and foremost on strengthening its organic growth and maintaining good cash flow. The company will continue to work on improving sales and invest into further increasing the efficiency of operations.

NET SALES

Digia's consolidated net sales for the 2009 reporting period were EUR 120.3 million, representing a decrease of 2.3 per cent (EUR 123.2 million in 2008).

The Enterprise Solutions segment posted net sales of EUR 70.8 million during the reporting period, up 1.5 per cent (EUR 69.8 million in 2008). The net sales of the Mobile Solutions segment were EUR 49.5 million, down 7.3 per cent (EUR 53.4 million in 2008).

During the reporting period, the product business accounted for EUR 18.5 million (EUR 17.7 million in 2008) of consolidated net sales, or 15.4 per cent (14.4 per cent).

International operations accounted for EUR 9.7 million (EUR 14.2 million in 2008) of consolidated net sales during the reporting period, or 8.1 per cent (11.6 per cent). The 2008 comparison period includes EUR 5.4 million in net sales from the Swedish software company UIQ, which was declared bankrupt in early 2009.

Digia's fourth quarter consolidated net sales were EUR 33.2 million, up 1.3 per cent (EUR 31.0 million in 10-12/2008).

The fourth-quarter net sales of the Enterprise Solutions segment were EUR 19.2 million, up 1.8 per cent (EUR 18.9 million in 10-12/2008). The fourth-quarter net sales of the Mobile Solutions segment totalled EUR 14.0 million, up 0.7 per cent (EUR 13.9 million in 10-12/2008).

During the fourth quarter, the product business accounted for EUR 4.2 million (EUR 4.6 million in 10-12/2008) of consolidated net sales, or 12.5 per cent (14.1 per cent).

International operations accounted for EUR 2.5 million (EUR 3.7 million in 10-12/2008) of consolidated fourth-quarter net sales, or 7.6 per cent (11.3 per cent in 10-12/2008). The 10-12/2008 comparison period includes EUR 0.7 million in net sales from the Swedish software company UIQ.

PROFIT PERFORMANCE AND PROFITABILITY

Digia's consolidated profit performance and profitability were significantly affected during the 2009 financial year, and especially in the fourth quarter, by one-off items. These comprised of a EUR 23.8 million goodwill writedown and a EUR 0.9 million restructuring provision related to the closure of sites, both made in the last quarter. The goodwill writedown was entirely attributable to the Mobile Solutions segment. EUR 0.8 million of the restructuring provision was attributable to Mobile Solutions and EUR 0.1 million to Enterprise Solutions. The operating profit before one-off items is an indicator of the company's operative profitability.

Digia's consolidated operating profit before one-off items for the period amounted to EUR 16.9 million, up 26.0 per cent year on year (EUR 13.4 million in 2008). Profitability before one-off items was 14.1 per cent (10.9 per cent in 2008).

Digia's consolidated operating profit (EBIT) for the reporting period was EUR -7.8 million, a decrease of 158.0 per cent year on year (EUR 13.4 million in 2008). Profitability (EBIT%) was -6.5 per cent (10.9 per cent in 2008).

The Enterprise Solutions segment recorded an operating profit before one-off items of EUR 12.3 million for the reporting period, up 39.5 per cent (EUR 8.8 million in 2008). Mobile Solutions recorded an operating profit before one-off items of EUR 4.6 million, which was level with the previous year (EUR 4.6 million in 2008). The 2008 comparison figures for Mobile Solutions are negatively affected by a default credit recorded for UIQ Technologies, which had a EUR -1.8 million effect on the segment's profitability.

The Enterprise Solutions segment recorded an operating profit of EUR 12.2 million for the reporting period, up 38.4 per cent (EUR 8.8 million in 2008). The operating profit of the Mobile Solutions segment was EUR -20.0 million, which was a significant reduction year on year due to the impact of the goodwill writedown and the restructuring provision (EUR 4.6 million in 2008).

Digia's consolidated operating profit before one-off items for the fourth quarter was EUR 5.4 million, an 85.1 per cent year-on-year increase (EUR 2.9 million in 10-12/2008). Profitability before one-off items was 16.3 per cent (8.9 per cent in 10-12/2008).

The consolidated operating profit (EBIT) was EUR -19.3 million, which was a significant reduction year on year due to the impact of the goodwill writedown and the restructuring provision (EUR 2.9 million in 10-12/2008). Profitability (EBIT%) was -58.3 per cent (8.9 per cent in 10-12/2008).

The Enterprise Solutions segment recorded an operating profit before one-off items in the fourth quarter of EUR 3.5 million, up 11.3 per cent (EUR 3.1 million in 10-12/2008). Mobile Solutions recorded an operating profit before one-off items in the fourth quarter of EUR 1.9 million, up significantly from the previous year (EUR -0.2 million in 10-12/2008). The 2008 comparison figures for Mobile Solutions are negatively affected by a default credit recorded for UIQ Technologies, which had a EUR -1.3 million effect on the segment's profitability.

The Enterprise Solutions segment recorded an operating profit of EUR 3.4 million for the fourth quarter, up 8.4 per cent (EUR 3.1 million in 10-12/2008). The Mobile Solutions segment's operating profit (EBIT) was EUR -22.7 million, which was a significant reduction year on year due to the impact of the goodwill writedown and the restructuring provision (EUR -0.2 million in 10-12/2008).

Consolidated earnings before tax totalled EUR -10.1 million for the financial year (EUR 10.4 million in 2008), and net profit totalled EUR -13.7 million (EUR 7.4 million in 2008). Consolidated earnings before tax for the fourth quarter totalled EUR -19.8 million for the period (EUR 2.1 million in 10-12/2008), and net profit totalled EUR -20.9 million (EUR 7.4 million in 10-12/2008).

Consolidated earnings per share before one-off items were EUR 0.53. Net consolidated earnings per share for the financial year were EUR -0.67 (EUR 0.36 in 2008). In the fourth quarter, consolidated earnings per share before one-off items were EUR 0.18. Net consolidated earnings per share for the fourth quarter were EUR -1.01 (EUR 0.07 in 2008).

The Group's net financial expenses for the reporting period were EUR 2.3 million (EUR 3.0 million in 2008) and for the fourth quarter EUR 0.5 million (EUR 0.8 million in 10-12/2008).

FINANCIAL POSITION AND CAPITAL EXPENDITURE

At the end of the reporting period, the Digia Group's consolidated balance sheet total stood at EUR 112.8 million (EUR 153.4 million in 2008) and the equity ratio was 52.3 per cent (47.1 per cent in 2008). Net gearing was 34.3 per cent (52.8 per cent in 2008). The period-end cash and cash equivalents totalled EUR 10.5 million (EUR 18.9 million in 2008).

Interest-bearing liabilities amounted to EUR 30.4 million (EUR 56.9 million in 2008). Interest-bearing liabilities comprised EUR 29.0 million in loans from financial institutions, EUR 1.3 million in financial leasing liabilities and EUR 0.2 million in product development loans. During the reporting period, the company repaid EUR 26.3 million in loans, reducing interest-bearing liabilities to EUR 29.0 million. Loan covenant terms were modified during the reporting period to stipulate that regardless of the earnings reported for 2009, the company is allowed to distribute a maximum of EUR 3 million in dividends in 2010. In future years, the maximum dividend sum will be 30 per cent of the previous year's net operating profit.

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

As from 1 January 2009, the allocation of goodwill was changed in line with the new segment structure. Goodwill is now allocated to Enterprise Solutions and to Mobile Solutions.

The table below shows, by business segment, goodwill and values subject to testing at the end of the reporting period:

EUR 1,000	Specified intangible assets	Depreciation during the reporting period	Goodwill	Other items	Total value subject to testing
Enterprise Solutions	4 230	843	43 244	4 129	51 602
Mobile Solutions	6 108	1 167	22 301	4 132	32 541
Group total	10 338	2 010	65 545	8 261	84 143

In the fourth quarter of 2009, the company recorded a EUR 23.8 million goodwill writedown attributable to the Mobile Solutions segment. The writedown was based on the company's view on increased risks relating to the Mobile Solutions segment on long-term, as the evaluation is to be carried out according to applicable legislation. The increased risks are due to pricing pressure generated by continuously increasing competition in contract engineering and, especially, the transfer of low-grade manufacturing and customers' decision-making functions to low-cost countries. The company does not expect the current target market for Mobile Solutions to grow significantly as a whole from current levels. The Mobile Solutions business will in future focus on technologies and services in which the company can maintain at least a reasonable level of profitability.

Present values were calculated for a five-year forecast period using the following assumptions related to the Mobile Solutions segment: annual growth in net sales 0 per cent; operating profit in 2010 9 per cent and thereafter 8 per cent; discount rate 14.7 per cent. The assumptions for calculating present values for the Enterprise Solutions segment for the forecast period did not change and were: annual growth in net sales 3 per cent; operating profit 10 per cent; discount rate 11.2 per cent. Cash flows following the forecast period were estimated by extrapolating the cash flows, using the assumptions given above.

Net sales growth is reckoned to constitute the most critical factor in calculating the present values of cash flows. The amount of goodwill for Enterprise Solutions requires an average annual growth of 2 per cent for business operations and 6 per cent profitability. For Mobile Solutions, the goodwill requires for business to be maintained at the current level, with 8 per cent profitability.

After the writedown made in the fourth quarter of 2009, the Board did not foresee a need for impairment in either segment.

The Group's cash flow from business operations for the period was positive by EUR 20.2 million (positive by EUR 15.5 million in 2008), cash flow from investments was negative by EUR 1.3 million (negative by EUR 5.3 million in 2008) and cash flow from finance was negative by EUR 27.3 million (negative by EUR 3.0 million in 2008). Cash flow from finance was negatively affected by a substantial repayment of loans totalling EUR 26.3 million, as well as by the payment of dividends, the effect of which amounted to EUR 1.0 million.

Gross capital expenditure during the period totalled EUR 1.3 million (EUR 2.5 million in 2008). Acquisitions of tangible fixed assets totalled EUR 1.1 million (EUR 2.0 million in 2008).

Return on investment (ROI) for the period was -7.1 per cent (11.3 per cent in 12/2008) and return on equity (ROE) was -21.0 per cent (10.5 per cent in 12/2008).

HUMAN RESOURCES, MANAGEMENT AND ADMINISTRATION

At the end of the period, the number of Group personnel totalled 1,471, representing an increase of 134 employees or 10.0 per cent since the end of 2008 (2008: 1,337). During the reporting period, the number of employees averaged 1,387, an increase of 73 employees or 5.6 per cent compared to 2008 (2008: 1,314).

Employees by function at the end of the period:

Enterprise Solutions	44%
Mobile Solutions	53%
Administration and Management	3%

As of the end of the period, a total of 219 employees were working outside of Finland (2008: 123).

Digia Plc's Annual General Meeting of 10 March 2009 re-elected Pekka Sivonen, Pertti Kyttälä, Kari Karvinen and Martti Mehtälä as members of the Board, and elected Heikki Mäkijärvi and Jari Pasanen as new members. At the organisation meeting of the Board, Pekka Sivonen was elected as the full-time Chairman of the Board and Pertti Kyttälä as the Vice Chairman.

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

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

RELATED PARTY TRANSACTIONS

The Digia Group's related parties include the CEO and the members of the Board of Directors and the Group Management Team. The Digia Group had no significant transactions with related parties during the reporting period.

GROUP STRUCTURE AND ORGANISATION

At the end of the period, the Digia Group consisted of parent company Digia Plc and its active subsidiaries: Digia Finland Ltd (parent company holding 100%), Digia Sweden AB (100%), Digia Estonia Oü (100%), Digia Hong Kong Ltd (100%) and Sunrise Resources Oy (100%).

Digia Finland Ltd has the wholly owned active subsidiaries Digia Financial Software Ltd (100%) and Digia Service Ltd (100%).

Digia Hong Kong Ltd has a wholly owned subsidiary, Digia Software (Chengdu) Co. Ltd (100%), operating in China, which registered a branch in Beijing during the reporting period (18 June 2009).

Sunrise Resources Ltd has a wholly owned subsidiary, OOO Digia RUS (100%), in Russia, whose name was changed towards the end of 2009 (previously Sunrise-r Spb).

SHAREHOLDERS' MEETINGS

Annual General Meeting on 10 March 2009

Convening on 10 March 2009, Digia Plc's Annual General Meeting (AGM) adopted the financial statements for 2008, released the Board members and the CEO from liability, determined Board emoluments, resolved to raise the number of

Board members to six (6), and elected the company's Board of Directors for a new term. The AGM granted the following authorisations to the Board:

Authorising the Board of Directors to decide on the payment of dividends

The AGM authorised the Board of Directors to decide at its discretion, and if the financial situation of the company is favourable, on the payment of a dividend for 2008 such that:
- The dividend shall amount to no more than EUR 0.05 per share;
- The Board of Directors shall decide on the record date for the dividend and its payment date, which can at the earliest be the fifth banking day from the record date; and
- The authorisation shall be valid until the beginning of the next AGM.

Authorising the Board of Directors to decide on a share issue and granting of special rights

The AGM authorised the Board of Directors to decide on a rights issue or a capitalisation issue and on granting option rights and other special rights as set forth in Section 1, Chapter 10 of the Companies Act, subject to the following conditions:
- On the basis of the authorisation, the Board of Directors can decide on the conveyance in one or more instalments of a maximum total of 4,000,000 new or own shares held by the company;
- The Board of Directors is also entitled to decide on the sale of own shares in public trading. By virtue of the authorisation, the Board of Directors has the right to decide on share issues and the granting of special rights, waiving the pre-emptive subscription rights of the shareholders (directed issue);
- The Board of Directors is otherwise authorised to decide on all terms relating to the share issue, including the subscription price, its payment and its recognition in the company's balance sheet; and
- The authorisation replaces the authorisation granted by the Shareholders' Meeting on 11 March 2008 and shall be valid for 18 months from the issue date of the authorisation, i.e. until 10 September 2010.

Authorisation of the Board of Directors to decide on the buyback of own shares

The AGM authorised the Board of Directors to decide on the buyback of the company's own shares subject to the following conditions:
- A maximum total of 2,000,000 shares may be bought back in one or more installments;
- The Board shall decide on how the shares are acquired. Own shares can be bought back in disproportion to the holdings of the shareholders. The authorisation also includes the acquisition of shares through public trading organised by NASDAQ OMX Helsinki Oy in accordance with its rules and instructions or through offers made to shareholders;
- The shares shall be acquired at the going price in public trading. The minimum price of the shares to be acquired shall be the lowest quotation in public trading while the authorisation is in force and, correspondingly, the maximum price shall be the highest quotation in public trading while the authorisation is in force;
- Own shares can be bought back only with non-restricted equity. Share buyback thus reduces the company's distributable funds;
- The Board of Directors is otherwise authorised to decide on all terms relating to share buyback; and
- The authorisation replaces the authorisation granted by the Shareholders' Meeting on 11 March 2008 and shall be valid for 18 months from the issue date of the authorisation, i.e. until 10 September 2010.

On the basis of the authorisations granted by the AGM, the Board of Directors decided:
- At its meeting on 10 March 2009 to convey own shares as the additional purchase price agreed for Sunrise Resources Oy. The additional purchase price was EUR 576,413, which was paid by conveying 198,080 of the company's shares; and
- At its meeting on 12 June 2009 to pay a dividend of EUR 0.05 per share on shares not owned by the company, to a maximum of EUR 1,024,289.55; The Board of Directors decided to set 26 June 2009 as the record date for the dividend and 3 July 2009 as its payment date; and

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- At its meeting on 30 September, on the following incentive schemes based on a directed share issue without payment and treasury shares held by the company to the management and key employees of the company:
    - The President and CEO Juha Varelius and a total of 15 other key employees of the company will be offered a share bonus system, whereunder such key employees are entitled to convert their existing option rights under option scheme 2005A-C into a maximum total of 51,900 company shares and a cash bonus of equal amount;
    - A new share-based incentive system will be created for the company's key employees other than the CEO, whereunder such key employees are entitled to a bonus to be decided by the Board each year on the basis of the company's performance and fulfilment of the objectives set by the Board during the respective accounting period preceding the Board's decision. Regarding the year 2009, this bonus amounts to the value of a maximum of 200,000 company shares paid in equal instalments over a period of four years as of 30 January 2010 onwards, provided that the employment of the respective key employee is in force on the date when the respective payment is due; The bonus will be paid as a 50/50 combination of shares and cash;
    - The CEO's current share incentive scheme agreed in 2007 will be terminated and replaced with a new scheme, pursuant to which:
        - the CEO will be awarded a bonus equal to the value of 100,000 company shares payable in a 50/50 combination of shares and cash in October 2009, without any disposition restrictions. Such a bonus will be paid on the basis of the CEO's good work performance during the year 2008 and, so far in 2009, the challenging market situation; and
        - a new share bonus system will be launched for the CEO, covering two earning periods (years 2009 and 2010), whereunder the CEO is entitled to a maximum bonus equal to the value of 80,000 company shares for each earning period depending on the earning per share (EPS) value reached during said earning period. The maximum total bonus available for the CEO under the scheme thus equals the value of 160,000 shares. The bonus will begin to accrue when the EPS amounts to 0.41 EUR (entitling the CEO to a bonus at a value of 20,000 shares) for an earning period, whereafter the bonus will increase in steps so that the maximum bonus will become payable if the EPS amounts to 0.69 EUR for the earning period. The bonus will be paid in a 50/50 combination of shares and cash, without any disposition restrictions, after the adoption of the financial statements following the close of the respective earning period.

SHARE CAPITAL AND SHARES

As of the end of the period, the number of Digia Plc shares totalled 20,853,645.

According to Finnish Central Securities Depository Ltd, Digia had 3,974 shareholders on 31 December 2009. The ten major shareholders were:

Shareholder	Shares and votes
Pekka Sivonen	14.4%
Ingman Group Oy Ab	10.6%
Jyrki Hallikainen	10.2%
Kari Karvinen	7.6%
Matti Savolainen	6.3%
Varma Mutual Pension Insurance Company	3.6%
Veikko Laine Oy	2.8%
Nordea Bank Finland Plc (nominee-registered)	1.6%
Skandinaviska Enskilda Banken (nominee-registered)	1.3%
Etra Trading Oy	1.0%

Distribution of holdings by number of shares held on 31 December 2009

Number of shares	Holding (%)	Shares and votes
1 – 100	20.3%	0.3%
101 – 1,000	55.1%	5.0%
1,001 – 10,000	21.6%	11.6%
10,001 – 100,000	2.4%	12.9%
100,001 – 1,000,000	0.5%	21.1%
1,000,001 – 3,000,000	0.1%	49.1%

Shareholding by sector on 31 December 2009

	Holding (%)	Shares (%)
Companies	5.2%	19.5%
Financial institutions and insurance companies	0.3%	4.8%
Non-corporate public sector	0.1%	3.7%
Non-profit organisations	0.3%	0.4%
Households	93.6%	70.2%
Foreign ownership	0.5%	1.4%

REPORTED SHARE PERFORMANCE ON THE HELSINKI STOCK EXCHANGE

Digia Plc shares are listed on the Nordic Exchange under Information Technology IT Services. The company's short name is DIG1V. The lowest reported share quotation was EUR 1.39 and the highest was EUR 3.88. The share closed at EUR 3.43 on the last trading day. The trade-weighted average was EUR 2.72. The Group's market capitalisation totalled EUR 71,528,002 at the end of the period.

The company received the following flagging notifications during the reporting period:

- Jyrki Hallikainen announced on 6 March 2009 that his holding in the company had exceeded the 5% flagging threshold and amounted to 9.12% of the company's shares and votes.
- Jyrki Hallikainen announced on 27 March 2009 that his holding in the company had exceeded the 10% flagging threshold and amounted to 10.24% of the company's shares and votes.
- Pekka Sivonen announced on 9 November 2009 that his holding in the company had fallen below the 15 flagging threshold and amounted to 14.37% of the company's shares and votes.
- The Ingman Group announced on 9 November 2009 that the total holding of the Group and its controlled entities had exceeded the 10% flagging threshold and was 10.48% of the company's shares and votes.

STOCK OPTION SCHEMES

During the reporting period, Digia Plc had a stock option scheme from 2005 as a part of its key personnel incentive scheme. The number of warrants under that scheme totalled 900,000, of which 300,000 were marked as 2005A, 300.000 as 2005B and 300,000 as 2005C. The warrants entitled their holders to subscribe a maximum total of 900,000 Digia Plc shares.

At its meeting on 30 September 2009, the Board of Directors decided to entitle the company's key employees to exchange their stock options for shares in the company. The Board decided not to establish any new option-based incentive schemes. According to the Board's conversion offer, one Digia share and an equivalent cash sum would be provided in exchange for twenty (20) A options, for four (4) B options or for two and two-thirds (2 2/3) C options. The conversion offer was made to the holders of warrants under the 2005 scheme. The conversion offer was approved fully, and a total of 276,000 warrants held by key personnel were converted into 51,900 Digia shares and the equivalent cash amount in order to cover the tax cost of the incentive. The conversion was done using the company's own shares.

At the end of the financial year, all A options in the 2005 scheme had expired. 22,000 B options were held by previous employees of the company, while all the rest had been returned to the company. All C options had been returned. The returned options will not be exercised. The maximum dilution effect of the outstanding options was 0.1 per cent on 31 December 2009.

Helsinki, 3 February 2010

Digia Plc

Board of Directors

BRIEFING FOR MEDIA AND ANALYSTS

Digia will hold a briefing on its Financial Statement for analysts and the media on Thursday 4 February 2010 at 10 am, at WTC Sodexo in the Marski cabinet of the World Trade Center, Aleksanterinkatu 17, 00100 Helsinki, Finland. All are welcome.

FURTHER INFORMATION

Juha Varelius, President and CEO, Mobile: +358 400 855849, E-mail: juha.varelius@digia.com

Kjell Lindqvist, CFO, Mobile: +358 40 8230733, E-mail: kjell.lindqvist@digia.com

The Financial Statement Bulletin and access to the related live briefing for the media and analysts (in Finnish) will be available in the Investors section at www.digia.fi from 11 am on 4 February 2010.

DISTRIBUTION
NASDAQ OMX Helsinki
Key media

ATTACHMENTS
Consolidated income statement
Consolidated statement of financial position
Consolidated cash flow statement
Consolidated statement of changes in shareholders' equity
Notes to the accounts

The Financial Statement has been prepared in compliance with IFRS and standard IAS 34. This Financial Statement is based on unaudited figures.

CONSOLIDATED INCOME STATEMENT, EUR 1,000

	10-12/2009	10-12/2008	Change %	2009	2008	Change %
NET SALES	33 189.4	32 761.6	1.3%	120 335.2	123 203.4	-2.3%
Other operating income	90.6	32.9	175.6%	219.7	59.6	268.7%
Materials and services	-2 041.9	-1 958.5	4.3%	-7 996.5	-10 048.7	-20.4%
Depreciation and impairment	-24 826.4	-1 169.7	2022.5%	-28 051.3	-4 762.6	489.0%
Other operating expenses	-25 747.1	-26 750.8	-3.8%	-92 303.1	-95 014.3	-2.9%
Operating profit	-19 335.4	2 915.5	-763.2%	-7 796.1	13 437.4	-158.0%
Financial expenses (net)	-477.8	-820.6	-41.8%	-2 323.2	-3 031.3	-23.4%
Pre-tax profit	-19 813.1	2 094.9	-1045.8%	-10 119.3	10 406.1	-197.2%
Direct tax	-1 037.1	-745.5	39.1%	-3 544.6	-2 997.1	18.3%
NET PROFIT	-20 850.3	1 349.4	-1645.2%	-13 663.9	7 409.0	-284.4%
Components of statement of comprehensive income:						
Exchange differences on translating foreign operations	-0.7	-181.7	-99.6%	128.3	-242.4	-152.9%
TOTAL COMPREHENSIVE INCOME	-20 850.9	1 167.7	-1885.6%	-13 535.6	7 166.6	-288.9%
Distribution of net profit:						
Parent company shareholders	-20 850.3	1 349.4	-1645.2%	-13 663.9	7 409.0	-284.4%
Minority shareholders	0.0	0.0		0.0	0.0	
Distribution of comprehensive income:						
Parent company shareholders	-20 850.9	1 167.7	-1885.6%	-13 535.6	7 166.6	-288.9%
Minority shareholders	0.0	0.0		0.0	0.0	
Earnings per share, EUR	-1.01	0.07	-1542.9%	-0.67	0.36	-286.1%
Earnings per share, EUR, diluted	-1.01	0.07	-1542.9%	-0.67	0.36	-286.1%

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION, EUR 1,000

Assets	31 Dec. 2009	31 Dec.2008	Change %
Fixed and other non-current assets			
Intangible assets	76 577.3	103 045.2	-26%
Tangible assets	2 616.7	3 125.6	-16%
Financial assets	628.0	628.0	0%
Long-term receivables	202.9	0.0	
Deferred tax assets	1 211.6	1 756.1	-31%
Total fixed and other non-current assets	81 236.6	108 554.9	-25%
Current assets			
Current receivables	21 048.3	25 957.4	-19%
Available-for-sale financial assets	293.4	273.2	7%
Cash and cash equivalents	10 175.2	18 605.6	-45%
Total current assets	31 517.0	44 836.3	-30%
Total assets	112 753.5	153 391.2	-26%

Shareholders' equity and liabilities	31 Dec. 2009	31 Dec. 2008	Change %
Share capital	2 085.4	2 085.4	0%
Issue premium fund	7 899.5	7 899.5	0%
Other reserves	5 203.8	5 203.8	0%
Unrestricted invested shareholders' equity	35 447.8	34 938.2	1%
Translation difference	-126.0	-254.3	-50%
Retained earnings/loss	21 337.1	14 801.0	44%
Net profit	-13 663.9	7 409.0	-284%
Equity attributable to parent company shareholders	58 183.7	72 082.6	-19%
Minority interest	0.0	0.0	
Total shareholders' equity	58 183.7	72 082.6	-19%
Liabilities			
Long-term interest-bearing liabilities	23 601.3	935.2	2423.5%
Deferred tax liabilities	2 672.3	3 137.8	-15%
Total long-term liabilities	26 273.7	4 073.0	545%
Current interest-bearing liabilities	6 827.4	56 014.8	-88%
Other short-term debt	21 468.7	21 220.8	1%
Total short-term liabilities	28 296.1	77 235.6	-63%
Total liabilities	54 569.8	81 308.6	-33%
Shareholders' equity and liabilities	112 753.5	153 391.2	-26%

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CONSOLIDATED CASH FLOW STATEMENT, EUR 1,000

Cash flow from business operations:	1 Jan. 2009 - 31 Dec. 2009	1 Jan. 2008 - 31 Dec.2008
Net profit	-13 664	7 409
Adjustments to net profit	33 919	10 821
Change in working capital	6 817	1 321
Interest paid	-1 929	-3 533
Interest received	91	596
Income tax paid	-5 002	-1 141
Net cash flow from operations	20 232	15 473
Cash flow from investments:		
Purchase of property, plant and equipment, and intangible assets	-1 342	-2 512
Acquisition of subsidiary, net of cash acquired	-	-2 803
Cash flow from investments	-1 342	-5 315
Cash flow from financing:		
Proceeds from share issue	-	7
Acquisition of own shares	-33	-951
Repayment of current loans	-58 242	-33
Repayments of non-current loans	-18 000	-
Withdrawals of current loans	5 000	-
Withdrawals of non-current loans	45 000	-
Dividends paid and other profit distribution	-1 024	-2 041
Cash flow from financing	-27 300	-3 019
Change in cash and cash equivalents	-8 410	7 140
Cash and cash equivalents at beginning of period	18 879	11 739
Change in fair value	-	-
Change in cash and cash equivalents	-8 410	7 140
Cash and cash equivalents assets at end of period	10 469	18 879

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CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, EUR 1,000

	a	b	c	d	e	f	g
SHAREHOLDERS' EQUITY, 1 Jan. 2008	2 085	7 893	38 111	5 204	-12	15 322	68 602
Net profit						7 409	7 409
Other comprehensive income					-242		-242
Increase in share capital		7					7
Dividends			-2 041				-2 041
Own share redemption fund			-1 131			169	-962
Share-based payments recognised against equity						-690	-690
SHAREHOLDERS' EQUITY, 31 Dec. 2008	2 085	7 899	34 938	5 204	-254	22 210	72 083

	a	b	c	d	e	f	g
SHAREHOLDERS' EQUITY, 1 Jan. 2008	2 085	7 899	34 938	5 204	-254	22 210	72 083
Net profit						-13 664	-13 664
Other comprehensive income					128		128
Dividends						-1 024	-1 024
Own share redemption fund			510			-169	340
Share-based payments recognised against equity						321	321
SHAREHOLDERS' EQUITY, 31 Dec. 2008	2 085	7 899	35 448	5 204	-126	7 673	58 184

a = share capital
b = share premium
c = unrestricted invested shareholders' equity reserve
d = other reserves
e = currency translation differences
f = retained earnings
g = total shareholders' equity

NOTES TO THE ACCOUNTS

Accounting principles:
The Financial Statement has been drafted in line with IFRS. As from 1 January 2009, the Group has applied the following new and revised standards: IFRS 8 Operating Segments and IAS 1 Presentation of Financial Statements. In other respects, the same accounting principles have been applied as in the 2008 financial statements. The accounting principles and formulas for the calculation of key figures and ratios are unchanged and are presented in the 2008 financial statements.

Seasonal nature of business:
The Group's business is affected by the number of workdays each month as well as by holiday seasons.

Dividends paid:
Dividends paid during the reporting period totalled EUR 1,024,289.55.

Events after the balance sheet date:
There have been no major events since the end of the reporting period.

Segment information:
Since the beginning of 2009, a new organisation has been in force, merging the company's sales, products, services and competencies. Digia's business operations are now divided into two main business segments: Enterprise Solutions and

Mobile Solutions. Enterprise Solutions is divided into ERP and Financial Administration, Digital Services and Integration Solutions. The Mobile Solutions segment is divided into Contract Engineering Services and User Experience Services.

NET SALES, EUR 1,000	10-12/2009	10-12/2008	Change %	2009	2008	Change %
Enterprise Solutions	19 226	18 890	1.8%	70 841	69 796	1.5%
Mobile Solutions	13 962	13 872	0.7%	49 494	53 408	-7.3%
Digia Group	33 189	32 762	1.3%	120 335	123 203	-2.3%

Operating profit before one-off items, EUR 1,000	10-12/2009	10-12/2008	Change %	2009	2008	Change %
Enterprise Solutions	3 477	3 124	11.3%	12 301	8 821	39.5%
Mobile Solutions	1 919	-209	-1019,0%	4 634	4 617	0.4%
Digia Group	5 396	2 916	85.1%	16 936	13 437	26.0%

OPERATING PROFIT, EUR 1,000	10-12/2009	10-12/2008	Change %	2009	2008	Change %
Enterprise Solutions	3 387	3 124	8.4%	12 211	8 821	38.4%
Mobile Solutions	-22 722	-209	10781.2%	-20 007	4 617	-533.3%
Digia Group	-19 335	2 916	-763.2%	-7 796	13 437	-158.0%

ASSETS, EUR 1,000	31 Dec. 2009	31 Dec.2008
Enterprise Solutions	61 240	64 777
Mobile Solutions	39 205	67 349
Unallocated	12 308	21 266
Digia Group	112 753	153 391

Consolidated income statement by quarter:

EUR 1,000	10-12/2009	7-9/2009	4-6/2009	1-3/2009	10-12/2008
Net sales	33 189.4	25 281.5	31 017.9	30 846.4	32 761.6
Other operating income	90.6	81.7	44.1	3.3	32.9
Materials and services	-2 041.9	-1 496.0	-2 737.3	-1 721.4	-1 958.5
Depreciation and impairment	-24 826.4	-1 012.8	-1 107.3	-1 104.9	-1 169.7
Other operating expenses	-25 747.1	-19 426.2	-22 779.4	-24 350.5	-26 750.8
Operating profit	-19 335.4	3 428.3	4 438.1	3 672.9	2 915.5
Financial expenses (net)	-477.8	-669.5	-522.8	-653.2	-820.6
Pre-tax profit	-19 813.1	2 758.8	3 915.3	3 019.7	2 094.9
Direct tax	-1 037.1	-617.5	-1 055.3	-834.6	-745.5
Net profit	-20 850.3	2 141.3	2 859.9	2 185.1	1 349.4
Allocation:					
Parent company shareholders	-20 850.3	2 141.3	2 859.9	2 185.1	1 349.4
Minority shareholders	0	0.0	0.0	0.0	0.0
Earnings per share, EUR	-1.01	0.10	0.14	0.11	0.07
Earnings per share, EUR, diluted	-1.01	0.10	0.14	0.11	0.07

Group key figures and ratios:

	2009	2008	2007
Extent of business			
Net sales	120 335	123 203	105 839
- change from previous year	-2%	16%	25%
Average capital invested	108 823	127 023	123 994
Personnel at period-end	1 471	1 337	1 155
Average number of personnel	1 387	1 314	1 116
Profitability			
Operating profit before one-off items and impairment	16 936	13 437	11 080
- -% of net sales	14%	11%	10%
Operating profit	-7 796	13 437	11 080
- -% of net sales	-6%	11%	10%
Pre-tax profit	-10 119	10 406	7 898
- -% of net sales	-8%	8%	7%
Net profit	-13 664	7 409	5 871
-% of net sales	-11%	6%	6%
Return on equity, %	-21%	11%	9%
Return on investment, %	-7%	11%	9%
Financing and financial position			
Interest-bearing liabilities	30 429	56 950	56 413
Short-term investments & cash and bank receivables	10 469	18 879	11 739
Net gearing, %	34%	53%	65%
Equity ratio	52%	47%	47%
Net cash flow from operating activities	20 232	15 473	6 157
Basic earnings per share (EUR)	-0.67	0.36	0.29
Earnings per share (EUR), diluted	-0.67	0.36	0.29
Equity per share	2.79	3.46	3.32
Lowest share price	1.39	1.73	2.93
Highest share price	3.88	3.35	4.26
Average share price	2.72	2.83	3.77
Market capitalisation	71 528	38 788	61 079

The formulae for the key figures and ratios are available in the financial statements section. These formulae remained unchanged during the reporting period.

The weighted average number of shares during the reporting period, adjusted for share issues, totalled 20,853,645. The weighted average number of shares during the reporting period, adjusted for dilution, totalled 20,853,645. The number of outstanding shares totalled 20,587,691 at the end of the reporting period.

The company held a total of 129,964 treasury shares at the end of reporting period.
The accounting counter value of own shares is EUR 0.10 per share. The company held about 0.6 per cent of the capital stock as of 30 December 2009. The buyback program was terminated by the Board at its meeting on 3 February 2009.

Relating to the company's performance-based incentive system, Digia has financed the acquisition of 300,000 own shares. Said shares were not distributed at the end of the review period and Evli Alexander Management Ltd holds 135,990 shares.