Third quarter 2011: Net sales meet targets, Enterprise Solutions' profitability exceeds expectations

Summary

January–September

- Consolidated net sales: EUR 91.7 (94.8) million, down 3.2 per cent
- Operating profit before extraordinary items: EUR 5.6 (12.4) million, down 54.8 per cent
- Among extraordinary items, a restructuring provision of EUR 3.8 million and a writedown of EUR 25.4 million for customer relationships and goodwill
- Operating profit after extraordinary items: EUR -23.6 (12.4) million, down 290.2 per cent
- Profitability (EBIT %): 6.1 (13.1) per cent before extraordinary items and -25.7 (13.1) per cent after extraordinary items
- Product business accounting for 19.6 (15.6) per cent of EBIT
- Earnings per share: EUR 0.21 (0.40) before extraordinary items and EUR -1.14 (0.40) after extraordinary items

July–September

- Consolidated net sales: EUR 26.0 (27.0) million, down 3.4 per cent
- Operating profit before extraordinary items: EUR 2.7 (2.9) million, down 7.2 per cent
- Extraordinary items that include a restructuring provision of EUR 0.6 million related to personnel negotiations concluded in the third quarter
- Operating profit after extraordinary items: EUR 2.1 (2.9) million, down 29.2 per cent
- Profitability (EBIT %): 10.4 (10.9) per cent before extraordinary items and 8.0 (10.9) per cent after extraordinary items
- Product business accounting for 23.4 (15.5) per cent of the latter
- Earnings per share: EUR 0.09 (0.10) before extraordinary items and EUR 0.06 (0.10) after extraordinary items

The net sales of the Enterprise Solutions segment grew organically in the review period, in line with the overall development of the IT market. Taking into account the Qt business acquired in March, the segment's growth rate exceeded market growth. Operational profitability improved continuously toward the end of the period. Profitability in the third quarter was 14.9 per cent, not including the Qt business.

Realigned technology-platform strategies and changes in the competitive situation for phone manufacturers markedly changed the business environment for the Mobile Solutions segment. As a consequence, the segment experienced a significant reduction in net sales and operating profit, in comparison to the equivalent period last year.

The negative impact of the change in the business environment became gradually stronger as the review period progressed. For this reason, the company conducted three rounds of personnel negotiations during the period, resulting in the decision to close down the Pori and Lappeenranta units and to lay off, at maximum, 414 employees, mainly from the Mobile Solutions segment, by year-end 2011. These actions caused non-recurrent costs totalling around EUR 3.8 million during the review period, of which items of approximately EUR 0.6 million were incurred in the third quarter.

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On 29 September 2011, the company initiated a fourth round of personnel negotiations, with the aim of adapting its entire organisation, its cost structure, and all operations to the new market situation and to the company's long-term strategic objectives. The company expects these negotiations, which apply to all Finnish functions, to lead to a maximum staff reduction of 80 employees.

As a consequence of the permanent change in the operating environment of the Mobile Solutions segment, and of the downward revision of long-term profit expectations for mobile operations in general, the company made a one-off writedown of EUR 25.4 million in relation to the segment's customer relations and goodwill.

For the fourth quarter, the company expects the net sales and operating profit of Mobile Solutions to decrease slightly from the results of the third quarter. For 2012 the company predicts a further significant reduction in the segment's net sales and operating profit. Continued uncertainty surrounding the Mobile Solutions segment is hampering reliable business forecasting.

As for Enterprise Solutions, the company expects the organic growth in net sales to level out in the fourth quarter and in the first half of 2012, to a level roughly equivalent to the previous year's figures. While operational profitability exceeded expectations in the third quarter of 2011, the company predicts that it will decrease somewhat but still remain sound.

GROUP KEY FIGURES AND RATIOS

	7–9/2011	7–9/2010	Change, %	1–9/2011	1–9/2010	Change, %	2010
Net sales	26,027	26,951	-3.4%	91,743	94,800	-3.2%	130,825
Operating profit before extraordinary items	2,716	2,927	-7.2%	5,602	12,384	-54.8%	17,164
- % of net sales	10.4%	10.9%		6.1%	13.1%		13.1%
Operating profit	2,073	2,927	-29.2%	-23,554	12,384	-290.2%	17,164
- % of net sales	8.0%	10.9%		-25.7%	13.1%		13.1%
Net profit	1,146	2,065	-44.5%	-23,669	8,200	-388.6%	11,474
- % of net sales	4.4%	7.7%		-25.8%	8.7%		8.8%
Return on equity, %	12.1%	13.1%		-59.7%	17.9%		18.3%
Return on capital invested, %	14.8%	13.7%		-41.2%	18.9%		19.3%
Interest-bearing liabilities	21,934	23,321	-5.9%	21,934	23,321	-5.9%	23,316
Cash and cash equivalents	2,925	3,677	-20.4%	2,925	3,677	-20.4%	9,682
Net gearing, %	49.6%	30.7%		49.6%	30.7%		20.2%
Equity ratio, %	47.4%	58.7%		47.4%	58.7%		58.8%
Earnings per share, EUR, undiluted	0.06	0.10	-44.7%	-1.14	0.40	-385.9%	0.56
Earnings per share, EUR, diluted	0.06	0.10	-44.7%	-1.14	0.40	-385.9%	0.56

The figures for 2011 include extraordinary items comprising a writedown for customer relationships and goodwill of EUR 25.4 million, as well as a restructuring provision of EUR 3.8 million.

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MARKETS AND DIGIA'S BUSINESS

On 29 September 2011, the company initiated personnel negotiations with the aim of adapting the company's organisation, cost structure, and operations to the new market situation. This comes as a result of the radical change in the operating conditions of the Mobile Solutions segment, caused by realignment of technology-platform strategies and changes in the competition playing field among phone manufacturers, which indirectly affects the whole company's operations. The negotiations concern around 770 Digia employees. The company estimates that the need to downsize staffing will affect, at most, 80 people, to whom the company cannot assign any work in line with the planned new organisation.

Earlier in the review period, the company conducted three rounds of personnel negotiations, resulting in the decision to close down the Pori and Lappeenranta units and to lay off, at maximum, 414 employees, mainly from the Mobile Solutions segment, by year end 2011. These actions caused non-recurring costs of around EUR 3.8 million during the review period, of which costs of approximately EUR 0.6 million were incurred in the third quarter.

Digia's Chinese unit generates product development and maintenance services. This enables the company to serve customers at various points in their product development cycle. The unit's capacity is utilised both in projects within China and for global customer relationships. The reduction in demand for Symbian and MeeGo services resulting from the changes in the business environment also affect the operations of the Chinese unit.

The Russian unit operates as a near-shore resource for Digia's Finnish customers. It also sells services directly to local customers, an operation that Digia is working actively to develop and increase. During the review period, the Russian unit's operations progressed as expected.

Enterprise Solutions:

Demand for ERP systems, e-business, and customer experience management solutions remained at a reasonable level during the review period. The company delivered its first SmartStore systems.

Purchased in March, the Qt commercial licensing and services business was launched as planned. With this new business taken into account, the Enterprise Solutions business grew more rapidly than the IT market average.

During the review period, the company continued productising its multichannel and wireless solutions. In addition, the company invested in the development and international sale of a licence-based toolkit for user experience development.

Digia considers its competencies in smartphone application development and enterprise applications a huge asset for strengthening its position as a provider of multichannel and wireless system solutions.

Mobile Solutions:

In view of the radical changes in the business environment, the company re-evaluated the operations and related long-term expectations of Mobile Solutions. This led to a writedown of EUR 25.4 million related to the segment's customer relationships and goodwill.

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NET SALES

During the reporting period, Digia's consolidated net sales totalled EUR 91.7 (94.8) million, down 3.2 per cent from the same period in 2010.

The Enterprise Solutions segment's net sales for the period totalled EUR 59.7 (54.9) million, up 8.7 per cent. The Mobile Solutions segment posted net sales of EUR 32.0 (39.9) million, down 19.7 per cent. The lower-than-expected growth in Enterprise Solutions net sales was due to lower licence sales, reflected in the volume of work invoicing. However, from the second quarter onwards, the Qt business boosted the net sales of the Enterprise Solutions segment by, in total, EUR 3.2 million. In Mobile Solutions, net sales fell because of a sudden and considerable decline in demand for services, following a change in the business environment.

During the reporting period, the product business accounted for EUR 18.0 million (EUR 14.8 million) or 19.6 per cent (15.6 per cent) of consolidated net sales.

International operations accounted for EUR 9.6 (8.0) million, or 10.4 (8.5) per cent of consolidated net sales.

For the third quarter, Digia's consolidated net sales came to EUR 26.0 (27.0) million, down 3.4 per cent in year-on-year terms.

Third-quarter net sales for the Enterprise Solutions segment totalled EUR 18.6 (15.6) million, up 18.7 per cent. The Qt business accounted for EUR 2.1 million. Third-quarter net sales for Mobile Solutions totalled EUR 7.5 (11.3) million, down 34 per cent.

During the quarter, the product business accounted for EUR 6.1 (4.2) million of consolidated net sales, or 23.4 (15.5) per cent.

International operations accounted for EUR 3.9 (2.1) million of the consolidated net sales, or 14.9 (7.7) per cent.

PROFIT PERFORMANCE AND PROFITABILITY

During the reporting period, extraordinary items had a significant impact on Digia's consolidated profit performance and profitability. These items comprised a EUR 3.2 million restructuring provision related to the closure of sites and a EUR 25.4 million writedown for customer relationships and goodwill, both in the second quarter, as well as a EUR 0.6 million restructuring provision in the third quarter. The extraordinary items were entirely attributable to the Mobile Solutions segment. The operating profit before extraordinary items is an indicator of the company's operational profitability.

Digia's consolidated operating profit for the reporting period was EUR 5.6 (12.4) million, down 54.8 per cent in year-on-year terms. Profitability (EBIT %) before extraordinary items was 6.1 (13.1) per cent.

During the reporting period, Digia's consolidated operating profit after extraordinary items came to EUR -23.6 (12.4) million, down 290.2 per cent year on year. Profitability (EBIT %) after extraordinary items was -25.7 (13.1) per cent.

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During the period under review, the operating profit of the Enterprise Solutions segment was EUR 6.1 (8.2) million, down 26.4 per cent, while profitability (EBIT %) came to 10.1 per cent. Excluding its Qt business, the Enterprise Solutions segment's operating profit totalled EUR 6.2 million and profitability stood at (EBIT %) 11.0 per cent. The decrease in the Enterprise Solutions segment's net sales was caused by lower-than-expected Finnish licence sales and, at the same time, higher operating expenses. In addition to the launch expenses for the Qt business, the period saw the cost structure particularly burdened by personnel turnover and recruitment, subcontracting, and training expenses related to resolution of resource shortages in certain areas of competence.

For the Mobile Solutions segment, operating profit totalled EUR -0.5 (4.2) million, down 110.8 per cent, with profitability (EBIT %) being -1.4 per cent. The lower profitability for the Mobile Solutions segment was due to recruitment carried out in late 2010 and early 2011 to meet earlier growth targets. In consequence of the sudden and significant decrease in service demand, Digia has been unable to provide enough work for all of the new employees, and the increased salary costs were a financial burden.

Digia's consolidated third-quarter operating profit before extraordinary items was EUR 2.7 (2.9) million, representing a year-on-year decrease of 7.2 per cent. Profitability (EBIT %) was 10.4 (10.9) per cent.

After extraordinary items, Digia's consolidated operating profit for the quarter came to EUR 2.1 (2.9) million, down 29.2 per cent in year-on-year terms. Profitability (EBIT %) was 8.0 (10.9) per cent.

Third-quarter operating profit for the Enterprise Solutions segment totalled EUR 2.6 (2.4) million, up 8.0 per cent. Profitability (EBIT %) was 14.0 per cent. Not including the Qt business, the segment's operating profit was EUR 2.5 million and its profitability (EBIT %) was 14.9 per cent.

The operating profit of the Mobile Solutions segment was EUR 0.1 (0.5) million, down 77.6 per cent, and profitability (EBIT %) was 1.6 per cent.

Consolidated earnings before tax for the period totalled EUR -24.2 (11.2) million, and net profit was EUR -23.7 (8.2) million. Consolidated earnings before tax for the third quarter were EUR 2.0 (2.6) million, and net profit totalled EUR 1.1 (2.1) million.

Consolidated earnings per share for the period came to EUR -1.14 (0.40) after extraordinary items and 0.21 (0.40) before extraordinary items. For the third quarter, consolidated earnings per share were EUR 0.06 (0.10) after extraordinary items and 0.09 (0.10) before extraordinary items.

The Group's net financial expenses for the reporting period were EUR 0.6 (1.2) million and for the third quarter EUR 0.1 (0.4) million.

FINANCIAL POSITION AND EXPENDITURE

At the end of the reporting period, the Digia Group's consolidated balance sheet total stood at EUR 84.8 million (12/2010: EUR 115.4 million) and the equity ratio was 47.4 (12/2010: 58.8) per cent. Net gearing was 49.6 (12/2010: 20.2) per cent. The period-end cash and cash equivalents totalled EUR 2.9 (12/2010: 9.7) million.

Interest-bearing liabilities amounted to EUR 21.9 (12/2010: 23.3) million. These consisted of EUR 20.0 million in loans from financial institutions and EUR 1.9 million in financial leasing liabilities.

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The Group's cash flow from operations for the period was positive by EUR 3.2 (4.2) million, cash flow from investments was negative by EUR 2.4 (1.1) million, and cash flow from financing was negative by EUR 7.6 (9.9) million. Cash flow from financing was negatively affected by the repayment of loans for a total sum of EUR 2.0 million, as well as the payment of EUR 5.6 million in dividends.

The Group's investments in fixed assets during the review period totalled EUR 2.1 (1.1) million. Acquisitions of tangible fixed assets totalled EUR 1.8 (0.9) million. The main differences in tangible fixed assets from the equivalent period in the previous year arose from finance lease agreements and purchases of equipment and furnishings.

Return on investment (ROI) for the period was -41.2 (18.9) per cent, and return on equity (ROE) was -59.7 (17.9) per cent.

The Group carries out quarterly impairment testing of goodwill and intangible assets with an indefinite useful life. The table below shows, by business segment, the goodwill and values subject to testing at the end of the reporting period:

EUR 1,000	Specified intangible assets	Amortisations during the reporting period	Goodwill	Other items	Total value subject to testing
Mobile Solutions	0	4,941	1,299	3,183	4,482
Enterprise Solutions	3,781	673	43,244	7,073	54,097
Group total	3,781	5,614	44,543	10,256	58,580

In the second quarter, the company recorded a EUR 25.4 million goodwill writedown for its Mobile Solution segment's customer relationships and goodwill. 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. In future, the Mobile Solutions business will focus on technologies and services for which the company can maintain at least a reasonable level of profitability.

Present values for the Enterprise Solutions segment were calculated for the forecast period on the following assumptions: net sales for 2011 in line with the latest forecast, after which annual growth of three per cent; operating profit for 2011 in accordance with the latest forecast and after that 10 per cent, with discount rates of 11.2 per cent. Cash flows beyond the forecast period are estimated through extrapolation applying the assumptions given above.

The amount of goodwill for Enterprise Solutions requires average annual growth of two per cent for business operations and five-per-cent profitability. The management sees no risk of goodwill impairment for Enterprise Solutions.

Present values for the Mobile Solutions segment were calculated for the forecast period on the following assumptions: 2011 and 2012 net sales that are in line with the latest forecast, after which annual growth of two per cent; operating profit for 2011 in accordance with the latest forecast and then 11 per cent, with discount rates of 14.7 per cent. Cash flows after the forecast period are estimated by means of cash-flow extrapolation that applies the assumptions given above. The management does not expect there to be any need for further goodwill impairment in the Mobile Solutions segment, after the writedowns of the second quarter.

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HUMAN RESOURCES, MANAGEMENT, AND ADMINISTRATION

At the end of the period, the total number of Group personnel was 1,388, representing a decrease by 170 employees, or 10.9 per cent, since the end of 2010 (when there were 1,558). During the reporting period, the number of employees averaged 1,519, an increase of 11 employees, or 0.7 per cent, from the 2010 average (1,508).

Employees, by function, at the end of the period:

Enterprise Solutions	61%
Mobile Solutions	36%
Administration and management	3%

As of the end of the period, 191 employees were working abroad (12/2010: 196).

The Digia Plc Annual General Meeting of 16 March 2011 re-elected Robert Ingman, Kari Karvinen, Pertti Kyttälä, Martti Mehtälä, Pekka Sivonen, Tommi Uhari, and Marjatta Virtanen as members of the Board. At the organisational meeting of the Board, Kyttälä was elected Chairman of the Board and Mehtälä as Vice Chairman.

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

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

RISKS AND UNCERTAINTIES

The company's short-term business risks and uncertainties were described in the 2010 Financial Statements. These are mainly unchanged. The business risk associated with the mobile market was realised during the period, fundamentally changing the operating environment. Forecasting developments in the mobile market remains subject to pronounced uncertainty and risks.

In addition, the euro-area debt crisis has deepened and the risk of economic recession has grown, which may affect the company's customers' investment decisions and liquidity, and thereby the company's sales and profits. There have already been signs of the effect of increased uncertainty on customers' investment decisions, and some planned projects have been delayed.

PROSPECTS

The company is conducting a reorganisation. With the changes, it aims to adapt its organisation, cost structure, and operations to the new market situation and to its long-term strategic objectives. The purpose of the reform is to ensure the continuity of the company's current, sound core business while also promoting the development of the scalable product business into an integral part of the company's offerings. Digia will also continue to develop its international operations, particularly in Russia.

The company expects the IT market to continue growing moderately from 2010 levels. However, risks associated with the euro-area debt crisis and general inflation may affect demand for IT services and the development of business profitability. Therefore, there is somewhat increased uncertainty as to the prospects for the rest of 2011 and, particularly, for 2012.

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The company expects the net sales and operating profit of Mobile Solutions to decrease slightly in the fourth quarter from the Q3 results. For 2012, the company predicts a further significant reduction in the segment's net sales and operating profit. Continued uncertainty surrounding the Mobile Solutions segment is hampering reliable business forecasting.

As for Enterprise Solutions, the company expects the organic growth in net sales to level out in the fourth quarter and in the first half of 2012, to a level roughly equivalent to the previous year's figures. While operational profitability exceeded expectations in the third quarter of 2011, the company predicts that it will decrease somewhat but still remain sound. Union negotiations have indicated pressure to increase salaries and personnel costs, which may affect the company's future profitability. On the other hand, the Qt commercial licensing and service business that Digia acquired in spring 2011 is expected to have a favourable impact on the company's net sales and profitability.

The long-term cornerstones of Digia's success will be strengthening organic growth and maintaining good cash flows and profitability.

OTHER EVENTS DURING THE REVIEW PERIOD

Convening on 16 March 2011, the Digia Plc Annual General Meeting (AGM) approved the financial statements for 2010, released the Board members and the CEO from liability, determined Board emoluments, resolved to raise the number of Board members to seven, and elected the Board of Directors for a new term.

With regard to profit distribution for 2010, the AGM approved the Board's proposal to pay a dividend of EUR 0.27 per share to all shareholders listed on the shareholder list maintained by Euroclear Finland Ltd on the reconciliation date of 21 March 2011. The dividend payment date was 28 March 2011.

The AGM granted the following authorisations to the Board:

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

The AGM authorised the Board to decide on the buyback and/or acceptance as collateral of not more than 2,000,000 shares in the company. This buyback can only be executed by means of the company's unrestricted equity. The Board shall decide on how these shares are to be bought. Own shares may be bought back in disproportion to the holdings of the shareholders. The authorisation also includes acquisition of shares through public trading organised by NASDAQ OMX Helsinki Oy in accordance with the rules and instructions of NASDAQ OMX Helsinki and Euroclear Finland Ltd, or through offers made to shareholders. Shares may be acquired in order to improve the company's capital structure, to fund acquisitions or other business transactions, for offering share-based incentive schemes, to sell on, or to be annulled. The shares must be acquired at the market price in public trading. This authorisation replaces the authorisation granted by the Shareholders' Meeting on 3 March 2010 and is valid for 18 months – i.e., until 16 September 2012.

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

The AGM authorised the Board to decide on an ordinary or bonus issue of shares and the granting of special rights (as defined in Section 1, Chapter 10 of the Limited Liability Companies Act) in one or more instalments, as follows: The issue may total, at maximum, 4,000,000 shares. The authorisation applies both to new shares and to treasury shares held by the company. By virtue of the authorisation, the Board has the right to decide on share issues and the granting of special rights, in deviation from the pre-emptive subscription rights of the shareholders (a directed issue). The authorisation may be used to fund or complete acquisitions or other business transactions, for offering share-based incentive schemes, to develop the company's capital structure, or for other purposes. The Board was authorised to decide on all terms related to the share issue or special rights, including the subscription price, its

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payment in cash or (partly or wholly) in capital contributed in kind or its being written off against the subscriber's receivables, and its recognition in the company's balance sheet. This authorisation supersedes that granted by the Shareholders' Meeting on 3 March 2010 and is valid for 18 months – i.e., until 16 September 2012.

SHARE CAPITAL AND SHARES

On 30 September 2011, the total number of Digia Plc shares was 20,875,645.

At the end of the period, according to Finnish Central Securities Depository Ltd, Digia had 6,473 shareholders.

The 10 biggest shareholders were:

Shareholder	Shares and votes
Ingman Group Oy Ab	15.3%
Pekka Sivonen	12.6%
Jyrki Hallikainen	10.2%
Kari Karvinen	6.5%
Matti Savolainen	6.1%
Varma Mutual Pension Insurance Company	3.6%
Nordea Bank Finland Plc (nominee-registered)	1.7%
Etola Oy	1.0%
OMXBS / Skandinaviska Enskilda Banken (nominee-registered)	0.9%
Olli Ahonen	0.9%

Distribution of holdings, by number of shares held on 30 September 2011:

Number of shares	Shareholders	Shares and votes
1–100	21.9%	0.5%
101–1,000	59.3%	8.5%
1,001–10,000	17.4%	14.9%
10,001–100,000	1.0%	9.1%
100,001–1,000,000	0.3%	16.3%
1,000,001–	0.1%	50.7%

Shareholding by sector on 30 September 2011:

	Shareholders	Shares
Non-financial corporations	4.6%	20.6%
Financial and insurance corporations	0.2%	3.5%
General government	0.0%	3.6%
Not-for-profit institutions serving households	0.2%	0.5%
Households	94.4%	70.5%
Rest of the world	0.4%	1.1%

The weighted average number of shares during the reporting period, adjusted for share issues, came to 20,696,845 in total. The number of outstanding shares came to 20,716,069 in total at the end of the review period.

The company held, in total, 159,576 treasury shares at period end. The accounting counter value of these treasure shares is EUR 0.10 per share. In relation to the company's performance-based incentive system, Digia has financed the acquisition of 300,000 own shares. At the end of the review period, some of these shares remained undistributed and Evli Alexander Management Ltd held 29,612 shares. The company held about 0.8 per cent of the capital stock as of 30 September 2011.

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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 2.30 and the highest was EUR 5.79. The value of a share officially closed at EUR 2.56 on the last day of trading. The trade-weighted average was EUR 4.24. The Group's market capitalisation totalled EUR 53,441,651 at the end of the period.

The company received the following flagging notifications during the reporting period:
The Ingman Group announced on 16 August 2011 that the total holding of said group and entities under its control had grown to exceed the 15% flagging threshold and was 15.15% of the company's shares and votes.

STOCK OPTION SCHEMES

Digia Plc had no outstanding options.

Helsinki, 28 October 2011

Digia Plc

Board of Directors

BRIEFING FOR ANALYSTS

Digia will hold a briefing on its financial statement for analysts and the media on Friday, 28 October 2011, at 11am, at WTC Sodexo, in the Marski cabinet of the World Trade Center, Aleksanterinkatu 17, 00100 Helsinki, Finland. All are welcome.

SOURCES OF FURTHER INFORMATION

President and CEO Juha Varelius, mobile number +358 400 855 849, e-mail address juha.varelius@digia.com

The Interim Report and access to the related live briefing for the media and analysts (in Finnish) will be available via www.digia.fi, in the 'Investors' section, from 11am.

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Key media

ABBREVIATED FINANCIAL STATEMENTS AND ATTACHMENTS

Consolidated Income Statement
Consolidated Balance Sheet
Consolidated Cash Flow Statement
Consolidated Statement of Changes in Shareholders' Equity
Notes to the Accounts

The interim report has been prepared in compliance with IFRS and the IAS 34 standard.
This interim report is based on unaudited figures.

CONSOLIDATED INCOME STATEMENT, EUR 1,000

	7–9/2011	7–9/2010	Change, %	1–9/2011	1–9/2010	Change, %	2 010
NET SALES	26,027.5	26,951.0	-3.4%	91,742.5	94,799.8	-3.2%	130,825.2
Other operating income	47.0	184.8	-74.6%	99.7	285.2	-65.0%	317.5
Materials and services	-1,761.9	-1,689.6	4.3%	-8,152.1	-7,407.9	10.0%	-10,156.9
Depreciation, amortisation, and impairment	-858.1	-922.8	-7.0%	-28,172.1	-2,764.5	919.1%	-3,719.1
Other operating expenses	-21,381.8	-21,596.0	-1.0%	-79,072.1	-72,529.0	9.0%	-100,102.3
Operating profit	2,072.7	2,927.5	-29.2%	-23,554.0	12,383.6	-290.2%	17,164.4
Financial expenses (net)	-116.6	-350.1	-66.7%	-644.9	-1,152.3	-44.0%	-1,438.8
Earnings before tax	1,956.2	2,577.4	-24.1%	-24,198.8	11,231.3	-315.5%	15,725.7
Income taxes	-810.5	-512.1	58.3%	529.7	-3,031.0	-117.5%	-4,251.3
NET PROFIT	1,145.6	2,065.3	-44.5%	-23,669.1	8,200.3	-388.6%	11,474.3
Other comprehensive income:							
Exchange differences on translation of foreign operations	-110.4	114.4	-196.5%	-111.0	294.4	-137.7%	292.3
TOTAL COMPREHENSIVE INCOME	1,035.2	2,179.7	-52.5%	-23,780.1	8,494.7	-379.9%	11,766.6
Distribution of net profit:							
Parent-company shareholders	1,145.6	2,065.3	-44.5%	-23,669.1	8,200.3	-388.6%	11,474.3
Minority interest	0.0	0.0		0.0	0.0		0.0
Distribution of total comprehensive income:							
Parent-company shareholders	1,035.2	2,179.7	-52.5%	-23,780.1	8,494.7	-379.9%	11,766.6
Minority interest	0.0	0.0		0.0	0.0		0.0
Earnings per share, EUR	0.06	0.10	-44.7%	-1.14	0.40	-385.9%	0.56
Earnings per share (diluted), EUR	0.06	0.10	-44.7%	-1.14	0.40	-385.9%	0.56

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CONSOLIDATED BALANCE SHEET, EUR 1,000

Assets	30/9/2011	31/12/2010	Change, %
Non-current assets			
Intangible assets	48,901.3	74,514.2	-34.4%
Tangible assets	3,592.3	2,925.9	22.8%
Financial assets	640.8	628.0	2.0%
Long-term receivables	0.0	14.0	-100.0%
Deferred tax assets	1,220.1	875.7	39.3%
Total non-current assets	54,354.5	78,957.8	-31.2%
Current assets			
Current receivables	27,495.8	26,798.9	2.6%
Available-for-sale financial assets	304.2	299.6	1.5%
Cash and cash equivalents	2,620.8	9,382.1	-72.1%
Total current assets	30,420.9	36,480.5	-16.6%
Total assets	84,775.3	115,438.3	-26.6%

Shareholders' equity and liabilities	30/9/2011	31/12/2010	Change, %
Share capital	2,087.6	2,086.5	0.1%
Rights issue	0.0	39.7	
Issue premium fund	7,899.5	7,899.5	0.0%
Other reserves	5,203.8	5,203.8	0.0%
Unrestricted invested shareholders' equity	35,525.0	35,486.4	0.1%
Translation difference	55.3	166.3	-66.7%
Retained earnings	11,225.4	5,054.4	122.1%
Net profit	-23,669.1	11,474.3	-306.3%
Equity attributable to parent-company shareholders	38,327.5	67,411.0	-43.1%
Minority interest	0.0	0.0	
Total shareholders' equity	38,327.5	67,411.0	-43.1%
Liabilities			
Long-term interest-bearing liabilities	2,078.5	16,609.4	-87.5%
Other long-term liabilities	611.3		
Deferred tax liabilities	896.9	2,177.6	-58.8%
Total long-term liabilities	3,586.6	18,786.9	-80.9%
Short-term interest-bearing liabilities	19,855.8	6,706.2	196.1%
Other short-term liabilities	23,005.4	22,534.1	2.1%
Total short-term liabilities	42,861.2	29,240.4	46.6%
Total liabilities	46,447.8	48,027.3	-3.3%
Shareholders' equity and liabilities	84,775.3	115,438.3	-26.6%

CONSOLIDATED CASH FLOW STATEMENT, EUR 1,000

	1/1/2011–30/9/2011	1/1/2010–30/9/2010	1/1/2010–31/12/2010
Cash flow from operations:			
Net profit	-23,669	8,200	11,474
Adjustments to net profit	32,043	6,947	9,409
Change in working capital	544	-7,640	-5,828
Interest paid	-505	-582	-703
Interest income	27	6	21
Taxes paid	-5,203	-2,700	-3,306
Net cash flow from operations	3,237	4,233	11,066
Cash flow from investments:			
Purchases of tangible and intangible assets	-2,373	-1,116	-1,965
Cash flow from investments	-2,373	-1,116	-1,965
Cash flow from financing:			
Proceeds from share issue	0	40	79
Acquisition of own shares	0	0	0
Repayment of current loans	-2,044	-6,063	-6,082
Repayments of non-current loans	0	-1,000	-1,000
Withdrawals of current loans	0	0	0
Withdrawals of non-current loans	0	0	0
Dividends paid and other profit distribution	-5,577	-2,885	-2,885
Cash flow from financing	-7,621	-9,908	-9,887
Change in liquid assets	-6,757	-6,792	-786
Liquid assets at beginning of period	9,682	10,469	10,469
Change in fair value			
Change in liquid assets	-6,757	-6,792	-786
Liquid assets at end of period	2,925	3,677	9,682

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

2010	a)	b)	c)	d)	e)	f)	g)	h)
Shareholders' equity, 1 January 2010	2,085	0	7,899	35,448	5,204	-126	7,673	58,184
Net profit							8,200	8,200
Other comprehensive income						294		294
Dividends							-2,885	-2,885
Share-based payments recognised against equity	40						197	236
Shareholders' equity, 30 September 2010	2,125	0	7,899	35,448	5,204	168	13,185	64,029

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2011	a)	b)	c)	d)	e)	f)	g)	h)
Shareholders' equity, 1 January 2011	2,086	40	7,899	35,486	5,204	166	16,529	67,411
Net profit							-23,669	-23,669
Other comprehensive income						-111		-111
Dividends							-5,577	-5,577
Share-based payments recognised against equity	1	-40		39			273	273
Shareholders' equity, 30 September 2011	2,088	0	7,899	35,525	5,204	55	-12,444	38,327

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

NOTES TO THE ACCOUNTS

Accounting principles:
The interim report has been drafted in line with IFRS, applying the same accounting principles as in the 2010 financial statements. The accounting principles and formulae for the calculation of key figures and ratios are unchanged and are presented in the 2010 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 5,576,834.34.

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

M&A transactions completed:
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 annually payable purchase price in the event that the sales targets agreed upon for said business for 2011–2013 are met. The estimated additional purchase price for year 2011 is EUR 0,7 million, to be paid in cash as realised.

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.

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Segment information:

Digia's business operations are 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	7-9/2011	7-9/2010	Change, %	1-9/2011	1-9/2010	Change, %	2010
Enterprise Solutions	18,563	15,641	18.7%	59,728	54,929	8.7%	75,674
Mobile Solutions	7,464	11,310	-34.0%	32,014	39,870	-19.7%	55,152
Digia Group	26,027	26,951	-3.4%	91,743	94,800	-3.2%	130,825

OPERATING PROFIT BEFORE EXTRAORDINARY ITEMS, EUR 1,000	7-9/2011	7-9/2010	Change, %	1-9/2011	1-9/2010	Change, %	2010
Enterprise Solutions	2,599	2,407	8.0%	6,052	8,219	-26.4%	11,001
Mobile Solutions	117	520	-77.6%	-450	4,165	-110.8%	6,164
Digia Group	2,716	2,927	-7.2%	5,602	12,384	-54.8%	17,164

OPERATING PROFIT, EUR 1,000	7-9/2011	7-9/2010	Change, %	1-9/2011	1-9/2010	Change, %	2010
Enterprise Solutions	2,599	2,409	7,9%	6,052	8,219	-26,4%	11,001
Mobile Solutions	-526	520	-201,2%	-29,606	4,165	-810,8%	6,164
Digia Group	2,073	2,929	-29,2%	-23,554	12,384	-290,2%	17,164

ASSETS, EUR 1,000	30/9/2011	31/12/2010
Enterprise Solutions	69,526	63,762
Mobile Solutions	10,464	40,491
Unallocated	4,786	11,185
Digia Group	84,775	115,438

Consolidated income statement by quarter:

EUR 1,000	7-9/2011	4-6/2011	1-3/2011	10-12/2010	7-9/2010
Net sales	26,027.5	32,358.3	33,356.7	36,025.4	26,951.0
Other operating income	47.0	28.5	24.2	32.3	184.8
Materials and services	-1,761.9	-3,906.6	-2,483.6	-2,749.0	-1,689.6
Depreciation, amortisation, and impairment	-858.1	-26,387.2	-926.8	-954.6	-922.8
Other operating expenses	-21,381.8	-29,979.1	-27,711.1	-27,573.3	-21,596.0
Operating profit	2,072.7	-27,886.1	2,259.5	4,780.9	2,927.5
Financial expenses (net)	-116.6	-185.6	-342.7	-286.5	-350.1
Earnings before tax	1,956.2	-28,071.8	1,916.8	4,494.3	2,577.4
Income taxes	-810.5	1,809.2	-468.9	-1,220.3	-512.1
Net profit	1,145.6	-26,262.6	1,447.9	3,274.1	2,065.3
Allocation:					
Parent-company shareholders	1,145.6	-26,262.6	1,447.9	3,274.1	2,065.3
Minority interest			0	0	0
Earnings per share, EUR	0.06	-1.27	0.07	0.16	0.10
Earnings per share (diluted), EUR	0.06	-1.27	0.07	0.16	0.10

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Group key figures and ratios:

	1–9/2011	1–9/2010	2 010
Extent of business:			
Net sales	91,743	94,800	130,825
- change from previous year	-3.2%	8.8%	8.7%
Average capital invested	75,494	87,981	89,700
Personnel at period end	1,388	1,514	1,558
Average number of personnel	1,519	1,496	1,508
Profitability:			
Operating profit before extraordinary items and impairment	5,602	12,384	17,164
- % of net sales	6.1%	13.1%	13.1%
Operating profit	-23,554	12,384	17,164
- % of net sales	-25.7%	13.1%	13.1%
Earnings before tax	-24,199	11,231	15,726
- % of net sales	-26.4%	11.8%	12.0%
Net profit	-23,669	8,200	11,474
% of net sales	-25.8%	8.7%	8.8%
Return on equity, %	-59.7%	17.9%	18.3%
Return on investment, %	-41.2%	18.9%	19.3%
Financing and financial standing:			
Interest-bearing liabilities	21,934	23,321	23,316
Short-term investments, and cash and bank receivables	2,925	3,677	9,682
Net gearing	49.6%	30.7%	20.2%
Equity ratio	47.4%	58.7%	58.8%
Net cash flow from operations	3,237	4,233	11,066
Earnings per share, undiluted (EUR)	-1.14	0.40	0.56
Earnings per share, diluted (EUR)	-1.14	0.40	0.56
Equity per share	1.84	3.07	3.23
Lowest share price	2.30	3.36	3.36
Highest share price	5.79	5.89	5.89
Average share price	4.24	4.96	5.01
Market capitalisation	53,442	112,818	104,949

Formulae for key figures and ratios are presented in the 2010 financial statements. These formulae remained unchanged during the reporting period.

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