



Digia's first quarter 2013: Closure of contract engineering business continued to affect the net sales, leading to slightly negative operating profit

Summary

January-March

- Consolidated net sales: EUR 23.5 (26.1) million, down 9.8 per cent
- Consolidated operating profit: EUR -0.5 (1.4) million
- Profitability (EBIT %): -2.0 (5.4) per cent
- Product business accounted for 37.5 (27.0) per cent
- Earnings per share: EUR -0.02 (0.04)

The company's net sales and especially its operating profit fell clearly from the comparison period in the previous year.

The decline in net sales was due to the fact that the company had no more mobile contract engineering operations during the period under review, as they ceased at the end of 2012. Excluding the mobile contract engineering operations the net sales levelled the comparison period in the previous year.

The Qt business was relatively successful during the reporting period, with net sales growing compared to the same period last year. Demand and bid volumes were both good. The development of new business opportunities in the large global customers was favourable, although lengthened decision-making has slowed down growth also in this area.

The Qt business acquisition completed in Q3 2012 is still burdening the business unit with heavy expenses, which means that a weaker operating profit for the whole company was to be expected for the period under review. The slightly below-expectations net sales also had a direct effect on operating profit, making it negative and slightly below the targeted level.

The company expects the operating loss of the review period to be temporary. Consolidated net sales are expected to grow compared to the first quarter and operational profitability is expected to return to a reasonable level during the second quarter of the year. In the second half of the year the company expects its profitability to continue improving to a good level.

GROUP KEY FIGURES AND RATIOS

	1-3/2013	1-3/2012	Change, %
Net sales	23,513	26,064	-9.8%
Operating profit before extraordinary items	-473	1,419	
- % of net sales	-2.0%	5.4%	
EBIT	-473	1,419	
- % of net sales	-2.0%	5.4%	
Net profit	-472	798	
- % of net sales	-2.0%	3.1%	
Return on equity, %	-9.8%	8.1%	
Return on capital invested, %	-2.7%	9.5%	
Interest-bearing liabilities	19,114	20,619	-7.3%
Cash and cash equivalents	6,617	6,151	7.6%
Net gearing	31.3%	37.4%	
Equity ratio, %	50.3%	48.8%	
Earnings per share, EUR, undiluted	-0.02	0.04	
Earnings per share, EUR, diluted	-0.02	0.04	

MARKETS AND DIGIA'S BUSINESS OPERATIONS

Caution arising from the global economic situation occasionally lengthened customers' decision-making processes and delayed the start of new projects. Continuing cost pressures felt by customers during the review period affected their procurement decision, especially in bespoke solutions and services business.

The integration business developed favourably and even exceeded expectations thanks to new customer relationships and existing key accounts.

Demand for ERP systems and other operational systems was relatively good during the review period. Customers continued displaying caution in their purchasing behaviour and sales cycles were still long. Order and bid volumes remained at a normal, healthy level, but with significant sector-specific differences in demand.

The Qt business was relatively successful during the reporting period, with net sales growing compared to the same period last year. Demand and bid volumes were both good. The development of new business opportunities in the large global customers was favourable, although lengthened decision-making has slowed down growth also in this area. During the period, the company continued fulfilling previously reported plans related to Qt product development and areas of focus. New Qt releases have been well received in the market.

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

The focus of development of the Chinese unit is on Qt licence and consulting services offered to the local Chinese market.

NET SALES

Digia's consolidated net sales for the reporting period totalled EUR 23.5 (26.1) million, down 9.8 per cent from the same period in 2012.

The decline in net sales was mostly due to the fact that the company had no more mobile contract engineering operations during the period under review, as they ceased at the end of 2012. Excluding the mobile contract engineering operations the net sales levelled the comparison period in the previous year.

During the reporting period, the product business accounted for EUR 8.8 (7.0) million or 37.5 (27.0) per cent of consolidated net sales.

International operations accounted for EUR 4.4 (5.2) million or 18.6 (19.9) per cent of consolidated net sales.

PROFIT PERFORMANCE AND PROFITABILITY

Digia's consolidated operating profit for the reporting period was EUR -0.5 (1.4) million. Profitability (EBIT %) was -2.0 (5.4) per cent.

The company's operating cost structure and profitability were negatively affected during the period by investments into the international product business. With slightly below-expectations net sales, the cost structure caused the company to make a minor operating loss.

Consolidated earnings before tax for the period totalled EUR -0.7 (1.1) million, and net profit was EUR -0.5 (0.8) million.

Consolidated earnings per share were EUR -0.02 (0.04).

The Group's net financial expenses were EUR 0.3 (0.3) million.

FINANCIAL POSITION AND EXPENDITURE

At the end of the reporting period, Digia Group's consolidated balance sheet total stood at EUR 91.8 million (12/2012: EUR 92.4 million), and the equity ratio was 50.3 (12/2012: 52.6) per cent. Net gearing was 31.3 (12/2012: 27.5) per cent. Period-end cash and cash equivalents totalled EUR 6.6 (12/2012: 8.3) million.

Interest-bearing liabilities amounted to EUR 19.1 (12/2012: 19.8) million at the period end. These consisted of EUR 18.0 million in loans from financial institutions and EUR 1.1 million in financial leasing liabilities.

The Group's cash flow from operations for the period was positive by EUR 0.9 (2.0) million, cash flow from investments was negative by EUR 0.03 (0.9) million, and cash flow from financing was negative by EUR 2.6 (3.1) million. Cash flow from finance was negatively affected by the payment of dividends totalling EUR 2.1 million and by the repayment of loans totalling EUR 0.5 million during the reporting period.

The Group has made no material investments in fixed assets during the review period (Q1/2012: EUR 0.9 million).

Return on investment (ROI) for the period was -2.7 (9.5) per cent, and return on equity (ROE) was -9.8 (8.1) per cent.

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

The table below shows the distribution of 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
Group total	9,448	372	51,105	7,157	67,710

Present values were calculated for the forecast period based on the following assumptions: Net sales and operating profit for the first quarter of the forecast period according to the confirmed figures for the latest quarter, and for the following three quarters according to budget. After this, annual growth in net sales of 3.0 per cent and in operating profit of 10.0 per cent, and a pre-tax discount rate of 9.4 per cent. Cash flows after the forecast period were estimated by means of cash-flow extrapolation, applying the assumptions given above.

According to a completed sensitivity analysis, the goodwill requires either net sales to remain at the current level with profitability of 5.7 per cent, or a 3.0 per cent growth in net sales with profitability of 3.2 per cent. The management sees no risk of goodwill impairment.

PERSONNEL, MANAGEMENT AND ADMINISTRATION

At the end of the period, the total number of Group personnel was 943, representing a decrease of 39 employees or 4.0 per cent since the end of 2012 (982). During the reporting period the number of employees averaged 947, a decrease of 78 employees or 7.6 per cent from the 2012 average (1,025).

Employees by function at the end of the period

Business units	95%
Administration and management	5%

As of the end of the period, 180 (12/2012: 195) employees were working abroad.

The Digia Plc Annual General Meeting of 12 March 2013 re-elected Päivi Hokkanen, Robert Ingman, Kari Karvinen, Pertti Kyttälä, Seppo Ruotsalainen, Leena Saarinen and Tommi Uhari as members of the Board. At the organisation meeting of the Board, Pertti Kyttälä was elected Chairman of the Board and Robert Ingman Vice Chairman.

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

Anja Wasenius started as Acting CFO in June 2012.

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 2012 Financial Statement Bulletin. These are unchanged.

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

FUTURE PROSPECTS

The company is focusing heavily on paving the way for growth. Besides organic growth, the company will actively pursue opportunities to make carefully considered business acquisitions that support its strategy.

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

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

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

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

The company expects net sales from the Qt business to continue growing, leading to an improvement in operational profitability.

The company expects the operating loss of the review period to be temporary. Consolidated net sales are expected to grow compared to the first quarter and operational profitability is expected to return to a reasonable level during the second quarter of the year. In the second half of the year the company expects its profitability to continue improving to a good level.

OTHER EVENTS DURING THE REVIEW PERIOD

Convening on 12 March 2013, the Digia Plc Annual General Meeting (AGM) approved the financial statements for 2012, released the Board members and the CEO from liability, determined Board emoluments, resolved to keep the number of Board members at seven (7), and elected the Board of Directors for the new term.

With regard to profit distribution for 2012, the AGM approved the Board's proposal to pay a dividend of EUR 0.10 per share to all shareholders listed in the shareholder register maintained by Euroclear Finland Ltd on the reconciliation date of 15 March 2013. The dividend payment date was 22 March 2013.

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 supersedes that granted by the AGM of 13 March 2012 and is valid for 18 months, i.e. until 12 September 2014.

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

The AGM authorised the Board to decide on an ordinary or bonus issue of shares and the granting of special rights (as defined in Section 1, Chapter 10 of the Limited Liability Companies Act) in one or more instalments, as follows: The issue may total, at a maximum, 4,000,000 shares. The authorisation applies both to new shares and to treasury shares held by the company. By virtue of the authorisation, the Board has the right to decide on share issues and the granting of special rights, in deviation from the pre-emptive subscription rights of the shareholders (a directed issue). The authorisation may be used to fund or complete acquisitions or other business transactions, for offering share-based incentive schemes, to develop the company's capital structure, or for other purposes. The Board was authorised to decide on all terms related to the share issue or special rights, including the subscription price, its payment in cash or (partly or wholly) in capital contributed in kind or its being written off against the subscriber's receivables, and its recognition in the company's balance sheet. This authorisation supersedes that granted by the AGM of 13 March 2012 and is valid for 18 months, i.e. until 12 September 2014.

Based on the authorisation received, the Board decided on 12 March 2013 to make a directed share issue of 33,326 to the company's management, in accordance with Section 4 of Chapter 9 of the Limited Liability Companies Act, as part of the payments related to the share-based incentive scheme for 2012.

SHARE CAPITAL AND SHARES

On 31 March 2013, the number of Digia Plc shares totalled 20,875,645.

At the end of the period, according to Finnish Central Securities Depository Ltd, Digia had 5,573 shareholders.

The 10 biggest shareholders were

Shareholder	Shares and votes
Ingman Group Oy Ab	18.3%
Jyrki Hallikainen	10.2%
Ilmarinen Mutual Pension Insurance Company	9.1%
Kari Karvinen	6.3%
Matti Savolainen	6.1%
NASDAQ OMXBS/Skandinaviska Enskilda Banken AB	4.7%
Varma Mutual Pension Insurance Company	3.6%
Nordea Bank Finland Plc (nominee-registered)	1.5%
Etola Oy	1.0%
Juha Varelius	0.9%

Distribution of holdings by number of shares held on 31 March 2013

Number of shares	Shareholders	Shares and votes
1–100	22.3%	0.4%
101–1,000	59.1%	7.1%
1,001–10,000	17.1%	12.2%
10,001–100,000	1.1%	8.5%
100,001–1,000,000	0.4%	21.8%
1,000,001–4,000,000	0.1%	50.0%

Shareholding by sector on 31 March 2013

	Shareholders	Shares
Non-financial corporations	4.4%	23.0%
Financial and insurance corporations	0.1%	1.9%
General government	0.1%	12.8%
Not-for-profit institutions serving households	0.2%	0.4%
Households	94.7%	54.5%
Rest of the world	0.5%	7.4%

Shareholding by sector reporting has since the previous report been changed so that shareholding of the holders of nominee registered shares is reported as shareholding of the rest of the world.

The weighted average number of shares during the reporting period, adjusted for share issues, was 20,779,690. The number of outstanding shares was 20,818,273 in total at the end of the review period.

The company held a total of 57,372 treasury shares at the end of the reporting period. The accounting counter value of these treasury shares is EUR 0.10 per share. The company held about 0.3 per cent of the capital stock as of 31 March 2013.

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 2.65 and the highest was EUR 3.18. The share officially closed at EUR 2.95 on the last trading day. The trade-weighted average was EUR 3.00. The Group's market capitalisation totalled EUR 61,583,153 at the end of the period.

The company received the following flagging notifications during the reporting period

- Ilmarinen Mutual Pension Insurance Company announced on 22 February 2013 that its holding in the company had risen above the 5% flagging threshold, to 9.12% of all shares and votes in the company.
- Pekka Päiviö Sivonen announced on 25 February 2013 that his holding in the company had fallen below the 5% flagging threshold, to 0.85% of the company's shares and votes.

STOCK OPTION SCHEMES

Digia Plc had no outstanding options.

Helsinki, 30 April 2013

Digia Plc

Board of Directors



COMMUNICATIONS

Digia will hold a briefing on its Interim Report for analysts on Tuesday 30 April 2013 at 11 am, at WTC Sodexo in the Marski cabinet of the World Trade Center, Aleksanterinkatu 17, 00100 Helsinki, Finland. All are welcome.

FURTHER INFORMATION

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The Interim Report and presentation thereof will be available at the company's website at www.digia.com in the 'Investors' section, from 11 am.

DISTRIBUTION

NASDAQ OMX Helsinki
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 was prepared in compliance with IFRS and the IAS 34 standard.
The Interim Report is unaudited.

CONSOLIDATED INCOME STATEMENT, EUR 1,000

EUR 1,000	1-3/2013	1-3/2012	Change, %
NET SALES	23,512.9	26,064.4	-9.8%
Other operating income	291.7	202.2	44.2%
Materials and services	-2,311.8	-2,544.3	-9.1%
Depreciation, amortisation and impairment	-731.5	-648.0	12.9%
Other operating expenses	-21,234.0	-21,655.8	-1.9%
EBIT	-472.8	1,418.5	
Financial expenses (net)	-267.5	-347.7	-23.1%
Earnings before tax	-740.2	1,070.8	
Income taxes	268.6	-273.1	
NET PROFIT	-471.7	797.7	
Other comprehensive income:			
Items which may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	-116.4	125.1	
Total comprehensive income	-588.1	922.8	
Distribution of net profit:			
Parent-company shareholders	-471.7	797.7	
Minority interest	0.0	0.0	
Distribution of total comprehensive income:			
Parent-company shareholders	-588.1	922.8	
Minority interest	0.0	0.0	
Earnings per share, EUR	-0.02	0.04	
Earnings per share (diluted), EUR	-0.02	0.04	

CONSOLIDATED BALANCE SHEET, EUR 1,000

Assets	31/3/2013	31/12/2012	Change, %
Non-current assets			
Intangible assets	60,824.4	61,265.0	-0.7%
Tangible assets	1,878.0	2,152.3	-12.7%
Financial assets	627.0	627.0	0.0%
Inventories	0.0	25.3	-100.0%
Long-term receivables	69.5	69.5	0.0%
Deferred tax assets	925.1	535.0	72.9%
Total non-current assets	64,324.0	64,674.0	-0.5%
Current assets			
Current receivables	20,862.4	19,418.5	7.4%
Available-for-sale financial assets	320.1	318.7	0.5%
Cash and cash equivalents	6,296.7	7,964.5	-20.9%
Total current assets	27,479.2	27,701.7	-0.8%
Total assets	91,803.2	92,375.7	-0.6%
Shareholders' equity and liabilities	31/3/2013	31/12/2012	Change, %
Share capital	2,087.6	2,087.6	0.0%
Rights issue	0.0	0.0	
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	33,447.8	33,447.8	0.0%
Translation difference	670.2	553.8	21.0%
Retained earnings	-8,937.2	-11,153.7	
NET PROFIT	-471.7	4,024.3	
Equity attributable to parent-company shareholders	39,900.0	42,063.1	-5.1%
Minority interest	0.0	0.0	
Total shareholders' equity	39,900.0	42,063.1	-5.1%
Liabilities			
Long-term interest-bearing liabilities	12,378.2	13,026.6	-5.0%
Received long-term advances	3,583.7	4,192.7	-14.5%
Other long-term liabilities	0.0	0.0	
Deferred tax liabilities	737.1	639.4	15.3%
Total long-term liabilities	16,699.0	17,858.7	-6.5%
Short-term interest-bearing liabilities	6,736.1	6,822.5	-1.3%
Other short-term liabilities	28,468.0	25,631.4	11.1%
Total short-term liabilities	35,204.1	32,453.9	8.5%
Total liabilities	51,903.1	50,312.6	3.2%
Shareholders' equity and liabilities	91,803.2	92,375.7	-0.6%

CONSOLIDATED CASH FLOW STATEMENT, EUR 1,000

	1/1/2013-31/3/2013	1/1/2012-31/03/2012
Cash flow from operations:		
Net profit	-472	798
Adjustments to net profit	179	1,680
Change in working capital	1,402	797
Interest paid	-141	-233
Interest income	0	2
Taxes paid	-28	-1,006
Net cash flow from operations	941	2,038
Cash flow from investments:		
Purchases of tangible and intangible assets	-25	-934
Cash flow from investments	-25	-934
Cash flow from financing:		
Proceeds from share issue	0	0
Acquisition of own shares	0	0
Repayment of current loans	-500	-1,044
Repayments of non-current loans	0	0
Withdrawals of current loans	0	0
Withdrawals of non-current loans	0	0
Dividends paid and other profit distribution	-2,082	-2,078
Cash flow from financing	-2,582	-3,123
Change in liquid assets	-1,666	-2,019
Liquid assets at beginning of period	8,283	8,170
Change in fair value		
Change in liquid assets	-1,666	-2,019
Liquid assets at end of period	6,617	6,151

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

	a	b	c	d	e	f	g	h
Shareholders' equity, 1 January 2012	2,088	0	7,899	35,525	5,204	208	-11,172	39,753
Net profit							798	798
Other comprehensive income						125		125
Repayment of capital				-2,077				-2,077
Share-based payments recognised against equity							110	110
Shareholders' equity, 31 March 2012	2,088	0	7,899	33,448	5,204	333	-10,264	38,708
	a	b	c	d	e	f	g	h
Shareholders' equity, 1 January 2013	2,088	0	7,899	33,448	5,204	554	-7,129	42,063
Net profit							-472	-472
Other comprehensive income						116		116
Dividends							-2,082	-2,082
Share-based payments recognised against equity							274	274
Shareholders' equity, 31 March 2013	2,088	0	7,899	33,448	5,204	670	-9,409	39,900

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

This Interim Report was drawn up in accordance with IAS 34, Interim Financial Reporting. At the beginning of the fiscal year, the company adopted certain new or updated IFRS standards and IFRIC interpretations, as described in the 2012 Annual Report. These changes have not yet had any visible effect on the reported figures. Otherwise, the same accounting policies and calculation methods have been applied as in the previous annual financial statements. The formulae for the calculation of key figures and ratios are unchanged and were presented in the 2012 Annual Report.

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 2,081,827.30.

Related-party transactions

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

Consolidated income statement by quarter

EUR 1,000	1-3/2013	10-12/2012	7-9/2012	4-6/2012	1-3/2012
Net sales	23,512.9	25,451.2	24,439.2	24,493.4	26,064.4
Other operating income	291.7	380.2	256.4	251.6	202.2
Materials and services	-2,311.8	-2,502.1	-1,963.1	-2,184.9	-2,544.3
Depreciation, amortisation and impairment	-731.5	-886.3	-1,086.8	-697.5	-648.0
Other operating expenses	-21,234.0	-22,198.5	-17,100.8	-21,186.2	-21,655.8
EBIT	-472.8	244.4	4,544.9	676.4	1,418.5
Financial expenses (net)	-267.5	-265.2	-378.9	-289.1	-347.7
Earnings before tax	-740.2	-20.8	4,166.0	387.3	1,070.8
Income taxes	268.6	-103.9	-1,094.4	-107.6	-273.1
Net profit	-471.7	-124.7	3,071.6	279.7	797.7
Allocation:					
Parent-company shareholders	-471.7	-124.7	3,071.6	279.7	797.7
Minority interest	0.0	0.0	0.0	0.0	0.0
Earnings per share, EUR	-0.02	-0.01	0.15	0.01	0.04
Earnings per share (diluted), EUR	-0.02	-0.01	0.15	0.01	0.04

Group key figures and ratios

EUR 1,000	1-3/2013	1-3/2012
Extent of business:		
Net sales	23,513	26,064
- change from previous year	-9.8%	-21.9%
Average capital invested	60,463	60,476
Personnel at period end	943	1,047
Average number of personnel	947	1,078
Profitability:		
Operating profit before extraordinary items and impairment	-473	1,419
- % of net sales	-2.0%	5.4%
EBIT	-473	1,419
- % of net sales	-2.0%	5.4%
Earnings before tax	-740	1,071
- % of net sales	-3.1%	4.1%
Net profit	-472	798
% of net sales	-2.0%	3.1%
Return on equity, %	-9.8%	8.1%
Return on investment, %	-2.7%	9.5%
Financing and financial standing:		
Interest-bearing liabilities	19,114	20,619
Short-term investments & cash and bank receivables	6,617	6,151
Net gearing	31.3%	37.4%
Equity ratio	50.3%	48.8%
Net cash flow from operations	941	2,038
Earnings per share, undiluted (EUR)	-0.02	0.04
Earnings per share, diluted (EUR)	-0.02	0.04
Equity/share, EUR	1.91	1.85
Lowest share trading price, EUR	2.65	2.45
Highest share trading price, EUR	3.18	3.30
Average share price, EUR	3.00	3.04
Market capitalisation	61,583	63,044

Formulae for key figures and ratios are presented in the 2012 financial statements. These remained unchanged during the reporting period.