

Annual Report 2012

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insight, globally.



Index

Governance

Board of Directors	1
Group Management Team	5
Corporate Governance Statement	8
Statement on Digia Management Emoluments	18

Board of Directors

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

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

Independent of the company and its significant shareholders.



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

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

Independent of the company.



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

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

Independent of the company and its significant shareholders.



Kari Karvinen, b. 1959, MA

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

Independent of the company and its significant shareholders.



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

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

Independent of the company and its significant shareholders.



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

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

Independent of the company and its significant shareholders



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

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

Independent of the company and its significant shareholders.



Group Management Team

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

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



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

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



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

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



Mika Pälsi, b. 1970, LL.M.

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



Kimmo Vainikainen, b. 1973, Engineer

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

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

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





Corporate Governance Statement

General issues

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

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

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

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

Adherence to the Governance Code

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

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



Shareholders' Meeting

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

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

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

Board of Directors

Operations and duties

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

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

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

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

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

In addition, the Board's agenda:

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

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

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

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

Board Members

In 2012, the Digia Plc Board of Directors comprised:

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

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

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

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

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Martti Mehtälä, b. 1957, M.Sc. (Tech.)

Digia Board member since 2007 and Vice Chairman of the Board since 2010 until the Annual General Meeting of 2012.

Pekka Sivonen, b. 1961, Secondary school graduate in Political Science

Member of the Board since 2005 until the Annual General Meeting of 2012.

Marjatta Virtanen, b. 1950, M.Sc. (Econ.)

Member of the Board since 2010 until the Annual General Meeting of 2012.

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

Committees of the Board of Directors

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

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

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

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

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



CEO

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

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

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



Internal Control and Risk Management Related to Financial Reporting

Control functions and control environment

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

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

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

Internal risk control

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

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

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

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

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

Financial Control Environment



Communications

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

Risk management

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

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

The company manages customer risk by actively developing its customer portfolio structure and



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

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

Statement on Digia Management Emoluments

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

Board Emoluments

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

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

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

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

Emoluments of the CEO and other management

Summary of the CEO remuneration system

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

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

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

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

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

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

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

CEO Financial benefits and main terms of service

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



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

Summary of the remuneration system of other management

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

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

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

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

Digia Plc

Valimotie 21
FI-00380 Helsinki, Finland
www.digia.com