

Annual Report 2012

Digia - with new  
insight, globally.



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## Digia in Brief

Digia is a Finnish software solutions and service company. We have around 1,000 professionals creating inventive solutions and bringing success for people, businesses and communities in everyday life. We improve our customer's competitiveness with multi channelled enterprise solutions that improve effectiveness and customer experience. Our customers trust our insightful specialists, our deep industry comprehension and recognised wide-ranging technology know-how. Our innovative products are within reach of people around the world.

We deliver ICT solutions and services to various industries, focusing especially on finance, public sector, trade and services and telecommunications. Digia operates in Finland, Russia, China, Sweden, Norway, Germany and in the U.S. The company is listed on the NASDAQ OMX Helsinki exchange (DIG1V).



## Digia's mission and vision for 2014

### MISSION

*Our inventive solutions bring success for people and businesses in everyday life.*

The purpose of Digia's existence – its mission – is born out of passion and ability to create everyday success for consumers and citizens. This generates added value for Digia's customers and thereby justifies the company's existence and maintains lasting partnerships.

### VISION

*Digia 2014: Successful and Most Recommended*

*We are the Finnish software solutions and services company of choice, growing strongly at home and abroad.*

*Our continuous success is based on inspired experts, skilled leadership and solutions which improve customer experience.*

*Our innovative products are within reach of people around the world.*

### **Digia's vision – i.e. what constitutes the company's success in 2014 – is built upon the following intents:**

Digia is the first choice and recommendation for customers looking for a provider of information system solutions, software and services. The company's operation is increasingly international, but it is based in Finland. Growth is swift in chosen markets, taking place both by expanding the domestic market and through making products for a global user base.

Digia's personnel enjoy working in the company, develop themselves, and assume and bestow responsibility. Activity is guided by a desire to evolve and produce sustainable results. Management is target-oriented and the ability to execute is first-rate. Knows also to listen. Solutions are inspiring and display exemplary usability.

Digia is a growth business with a good level of profitability. The company's valuation and market value develop favourably and its shares are a highly regarded in trading. Personnel are committed to success.

Digia is a reliable innovator and an insightful problem-solver, which has the ability swiftly to harness new technologies to further the business growth, profitability and risk management of its customers. Delivery channels and revenue models have developed without prejudice.



## How to achieve success: Digia's strategy in brief

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A strong cash flow will be achieved through competitive service operations. Growth will be reinforced thanks to the scalable software product business and the company's new market areas. Continuity will be ensured by carefully balancing short-term earning power with long-term growth objectives, and by employing motivated personnel.

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### **The fulfilment of Digia's vision for 2014 is based on the following strategic cornerstones:**

Maintaining competitive and evolving service operations that ensure a steady cash flow and moderate growth. The most important thing is to generate value for customers with a customer-centric operating and solution model.

Enhancing the existing product selection with scalable business models for accelerated growth. This is done by turning services into replicable, sector-specific packages of solutions and related services. In addition, the company will develop software and services for international online sale.

Increasing growth potential by expanding from the domestic market into new areas of rapid growth, such as Russia.

Balancing short-term earning power with long-term sustainable growth through careful investment management.

Emphasising personnel motivation and commitment, and enhancing the company's image as an attractive employer.

Ensuring that the company's management structure and operating models work harmoniously and support the achievement of strategic objectives.



# From vision into action: implementing the strategy

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Digia's business is subdivided into five strategic areas: Solutions and Services, Industry Verticals, Integration and Analytics Services, International Products and New Market Areas.

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## Solutions and Services

As the world becomes globalised and web services ubiquitous, Digia helps its customers to make use of IT solutions with which they can build superior personalised customer experiences, offer services 24 hours a day in a way that really speaks to the end customers, and stand out from the competition.

Long-term customer relationships, industry-specific expertise and mobile solutions are the strong pillars of Digia's innovative end-to-end service production. Operations are based on the use of leading technology platforms, solid technical competence, knowledge of the customers' business and conceptualisation.

Digia's portfolio consists of productised solutions and services that cover the entire cycle of system development – from architecture, concept and user interface design to software development, integration and maintenance.

## Industry Verticals

The Industry Verticals business offers new and existing customers product-based software solutions and related services, all supported by in-depth knowledge of the sector in question. Some of the chosen sectors for the vertical products are wholesale and retail, the manufacturing industry, services, the financial sector and associations.

The portfolio is built upon a core of ERP systems, financial sector and association's operative systems and related portal implementations and integration solutions. Digia's service portfolio encompasses high-quality implementation services, as well as comprehensive system life cycle services, including support, maintenance and hosting.

Digia's product solutions increasingly support the implementation of multichannel aspects, meaning that services can also be accessed from mobile devices. Digia's extensive competence in mobile technologies places the company in a unique position for the development of mobility in ERP systems.



### Integration and Analytics Services

The primary goal of Digia's integration and analytics business is to develop and manage the integration services and business processes of major clients. Demand for store optimisation, analytics and integration solutions is strong and growing. Digia's aim is to develop increasingly complex service concepts for its chosen primary markets, which are trade, the public sector, and the finance and insurance sector. With regard to store optimisation, target groups also include health care, transport and logistics, and the food industry.

Digia's competitiveness in this business segment is mostly based on its understanding of clients' needs and its service concept. Digia has strong relationships with several long-term clients in this segment. Both the service portfolio and the client portfolio are well balanced. Digia also offers its own integration and store optimisation solutions as turnkey services to a wide range of clients regardless of industry. Digia's analytics solutions support the analytical solutions offered in the context of New Market Areas and vice versa in terms of both industry and technology.

Digia intends to develop its service offering in this segment by strengthening its industry know-how and understanding of clients' needs as well as by becoming the best technological expert in the industry.

### International Products

The objective of Digia's International Products segment is to grow by developing its existing products and their sales, and by investing in new growth projects. The segment comprises the Qt Commercial business acquired from Nokia, and Digia Ventures.

Digia has Qt competence or sales centres in Finland, Norway (Oslo), Germany (Berlin), the United States (Santa Clara, CA), China (Beijing and Chengdu) and Russia (St. Petersburg and Moscow). Digia's strong international network of offices and highly experienced international sales force will be a major factor in achieving future growth.

The Qt Commercial development environment is actively used by around 3,500 companies operating in such sectors as consumer electronics, finance, the aircraft industry, energy, the defence forces and the media. In terms of licence sales, the major markets are the United States, Germany, Italy, the United Kingdom and Japan. Most of the income related to Qt Commercial comes from licence sales.

The international software business offers growth opportunities but also requires investments into the future. Digia Ventures is developing the next generation of software solutions. Ventures approaches the market through easily scalable cloud solutions directly over the internet.



## New Market Areas

Digia's aim is to generate growth by developing local operations in new markets. In the near future, the emphasis will be on the rapidly growing Russian market. The objective there is quick growth based primarily on vigorous acquisition of new customers, although carefully considered business acquisitions are not out of the question. There are good conditions for success, thanks to the combination of Russians' appreciation for Finnish quality, and Digia's local business competence, competitive portfolio and industry-specific knowledge.

Currently the core product portfolio consists of software-based solutions in analytics and supporting services aimed especially at the trade and logistics sectors. A new product selection is also being developed for the target market, making use of synergies with Digia's product portfolio as a whole. This means that it will also have market potential in Finland.

The focus of operations is on software solutions, but there will also be an emphasis on developing service operations in order to support recognition and market capture. Near shore services will be offered in order to ensure the competitiveness and resource availability of Finnish operations.



# Successful projects require strong project management and customer relationship management

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Digia's training programmes form the basis for the continuity of staff competence. Effective human resources management helps to ensure that competence is shared internationally and across division boundaries.

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## **Strong project management and customer relationship management as the cornerstones of success**

Digia systematically develops its project management through both its internal development unit and external training partners. We work in close collaboration with customers to ensure that the targets of our projects remain clear even in periods of change, and that our customers receive the correct solutions for their business needs.

## **Training programmes form the basis of competence development**

Training at Digia takes place through diverse programmes, for instance the highly praised integration competence academy. In 2012, personnel received training in diverse areas, such as Microsoft, IBM and Oracle. We certified several experts for each of these areas.

Training programmes will continue to play an important role. In order to maintain our position at the forefront of competence we train our personnel in line with business needs and technological developments.

## **International competence**

In 2012, Digia strongly internationalised its competence, especially in the Qt business area. This has brought even deeper product marketing and technology competence into the company.



## **Diverse competences available across division boundaries**

In addition to technology, competence development focused on sector, product and method expertise according to the various business divisions' needs. Digia's pool of experts is managed by a shared HR unit, which optimises the utilisation of the company's competence resources globally and throughout its various divisions.

## Personnel implementing Digia's new path for 2012

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International operations increased significantly during the year. The latest international office opened in Berlin. In Finland the focus was on implementing the new strategy and in developing operations.

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The year 2012 started with the adoption of a new organisation and the communication of the company's updated strategy to personnel. The message to personnel comprised Digia's strategy and objectives, the business model and targets of the business area, and the significance and targets of each team as a part of the aforementioned entities. Particular emphasis was placed on open dialogue in small groups. Division leaders and managers were coached in change management. An employee survey conducted in the spring demonstrated a much higher level of satisfaction in the new strategy and in the workplace compared to the previous year.

Some of the key development areas that were identified were process and management competence, personnel commitment, managing the relevance and quantity of competence, and efficiency of operations. An important amount of work was done in these areas and improvements were achieved in each of them during the year. This partly resulted in new responsibilities being given to personnel and in further small-scale organisational changes during the year.

### **New office to Berlin, more employees to Oslo**

In the early autumn the number of personnel employed outside of Finland grew significantly with new people joining Digia due to the Qt acquisition. A new office was opened in Berlin and there was a significant increase in the number of employees based in Oslo. The new functions were merged into the Qt organisation in late summer and early autumn, and the necessary administrative and service operations were initiated. Personnel negotiations had to be conducted in Finland due to the adoption of new operating principles and targets.

In Sweden and Russia employee numbers remained stable during the year. In China there was a gradual move towards local Qt operations and a consequent slight reduction in the number of employees. Conversely, the number of personnel employed in the United States grew slightly. A few employees transferred from Digia in Finland to the local subsidiary in the US.

At year-end, Digia employed 195 persons outside of Finland.



## **Theme year of occupational well-being**

Digia's Good Work Ability model is one of the main initiatives for supporting occupational well-being at Digia. The model comprises mutually agreed rules for early intervention in challenging situations, and enables pushing matters forward in positive ways that suit all those concerned. In addition it works to reduce the unnecessary lengthening of sick leave periods and to safeguard employees' work ability through positive cooperation.

Occupational well-being is something that affects the whole workplace community: employees, managers, the executive management, Human Resources and the HSE organisation, that all work together efficiently and positively to achieve good results.

## **Competence development a continuous effort**

Competence development is an essential part of everyday work and of the continuous development of personnel and the organisation at Digia. In addition to providing courses and training, Digia encourages its employees to enhance their own and their team's competence. Learning is a team effort related to identifying the best practices for improving customer satisfaction. Good examples of such actions in 2012 included project manager training, learning and networking meetings, a successful integration competence academy and the continuous development of operating models.



## Personnel in figures

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At year-end there were 982 employees, of whom 19.9% worked outside of Finland. This represented a slight increase in the total number of employees.

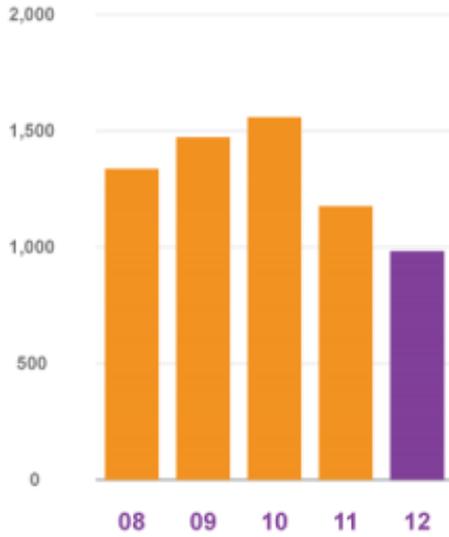
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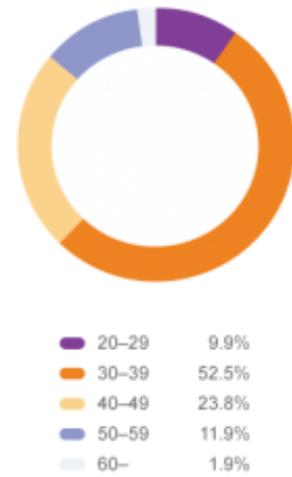
The average age of personnel at the end of the year was 38.9 years, which was slightly higher than the year before. Women accounted for 25% of personnel.

All the jobs that became available at Digia were primarily posted internally, and public recruitment processes were put in place for certain specialist positions. In addition to diverse electronic recruitment channels, social media was increasingly utilised in the process.

## Amount of employees



## Personnel distribution by age group



## Personnel distribution by Digia offices



Helsinki	449
Oulu	44
Jyväskylä	170
Tampere	93
Rauma	31
Stockholm	21
St. Petersburg and Moscow	36
Chengdu and Beijing	25
Oslo	63
Santa Clara	16
Berlin	34

## Personnel distribution by employment year



<1	14.5%
1-5	41.1%
6-10	16.2%
11-15	21.4%
16-20	3.4%
20>	3.4%

## Good work ability forms the basis for well-being at Digia

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Investments were made during the year into adopting the Good Work Ability model and a new sick leave responsibility matrix. Well-being is also fostered by diverse leisure activities and comprehensive fringe benefits.

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Digia's Good Work Ability model is one of the main initiatives for supporting occupational well-being at Digia. Its main target is early intervention in problems so that they can be solved through collaboration.

The model strives to prevent unnecessary lengthening of sick leave and sets proactive measures that lead to a timely and safe return to work. Cooperation plays an important role, and the responsibilities of the various concerned parties are carefully defined. The occupational health care provider is an important partner in promoting well-being at work.

### Employee benefits

A comprehensive package of fringe benefits was offered to personnel in 2012, as in previous years. Occupational health services were provided through partnering medical centres and health insurance. Preventive basic dental care was also offered as a benefit. Fitness and culture vouchers were supplied as a way to encourage exercise and recreation, and luncheon vouchers were provided to subsidise lunches.

### Diverse leisure activities

Digia supports its employees' leisure activities by facilitating club activities. OpenClubs operate around Finland in various fields of activity, such as orienteering, ice swimming, cycling, poker, running, photography, curling, bands, crafts, various cultural pursuits and even blood donation. Events for the whole family were organised in many locations.

During the year, Digia's employees took part in various nationwide occupational well-being and fitness campaigns, such as a stair-walking campaign and a campaign to try three new sports. In fact, a women's team from Digia won gold in the latter campaign run by Smartum.

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