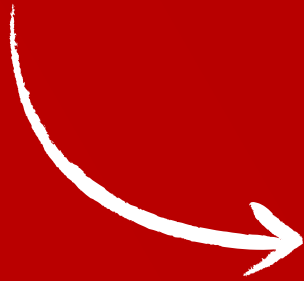


**digia**



Annual Report 2011

Digia's Annual Report 2011 is online at  
[annualreport2011.digia.com](http://annualreport2011.digia.com)

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<p>"Success lies in the ability to understand customer's business needs"</p>	<p>"We focus on employee motivation and commitment"</p>
<p><b>CASE:</b> <b>OJALA GROUP</b> </p>	
	<p>"Scalable product-based business and new market areas support our growth"</p>

## Digia in brief

Digia is a Finnish software solutions and services company. Our nearly 1,200 professionals create inventive solutions and bring success for people, businesses and communities in everyday life. We improve our customers 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 and in the U.S. The company is listed on the NASDAQ OMX Helsinki exchange (DIG1V).

[www.digia.com](http://www.digia.com)

## How success is created: Digia's strategy in brief

- Competitive service business creates a strong cash flow
- Scalable software-based product business and new market areas motivate growth
- Continuity is guaranteed by motivated personnel and a healthy balance between short-term earning power and future growth

### Fulfillment of Digia's vision for 2014 is based on these strategic cornerstones:

Maintaining competitive and innovative service operations, which ensure a steady cash flow and moderate growth. The key is to create value for the customer's business through customer-based operating models and solutions.

Scalable business models will be developed alongside the current portfolio, for accelerated growth. To achieve this, services will be productised into duplicable, industry specific packages of solutions and the related services. In addition, software and services will be developed for international online distribution.

Growth potential will be increased by expanding the domestic market into new areas of rapid growth such as Russia. Short-term earning power will be balanced with long-term sustainable growth through steady investment management.

Employee motivation and commitment will be a focus. The company's image as an attractive employer will be developed.

It will be ensured that the company's management, structure and operating models create a parallel support in order to achieve the strategic goals.

### Digia's mission

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

### Digia's 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.

## From vision into action: implementing the strategy

- Understanding customers' needs and creating value
- Strategic portfolios and different business models
- Organisation and management focus

Success lies in the ability to understand customer needs and respond by creating value. Nevertheless, the value creation method varies.

Some solutions are carefully tailored to their unique operating model. On the other hand, some solutions include established industry models and practices, tailored whenever necessary. Some benefit from quickly adopted software or services, delivered online.

Ability to understand customers' needs and produce just the right solutions is critical to sustainable and profitable growth, as well as for greater shareholder value.

### Strategic focuses

In order to ensure the fulfillment of its strategy, to secure a promise-fulfillment-chain optimised for various business models, and to provide a return on its investments, Digia has divided its business into four strategic focuses. These form Digia's business units from the beginning of 2012:

- **Solutions & Services business unit: Customer specific solutions and services**
- **Industry Verticals business unit: Industry specific, duplicable software solutions**
- **International Products business unit: International product business**
- **New Market Areas business unit**

Support operations such as key customer industries and marketing, expertise and capacity management, strategic development, and business support will be led horizontally across all business units.

## Customer specific solutions and services

- Architectures and technologies that conform to changing business needs
- Digia's in-depth technological expertise and comprehensive services support the entire system development cycle
- Innovative mobile and online solutions satisfy multiple customers' need

Digia's Solutions & Services business unit delivers technological applications and services that support the customers' business.

As the business environment becomes global, and web services increase Digia helps its customers to build highly competitive and personalised customer experiences, and offer 24/7 services that are valued by end customers, therefore they stand out from the competition.

### Architectures and technologies lasting long into the future

To meet the fast technological changes and the needs of businesses, users and customers, IT systems must enable integration, data security and personalisation. Users should have access to relevant information on various devices, independent of time and place.

Based on services and off-the-shelf products, Digia's solutions link the customer's business strategy to a supportive IT solution. This means success in flexible information sharing between users and systems, and in leveraging new channels such as social media.

Digia aims at producing and commercialising leading technological platforms that allow systems to be connected to new electronic services, through standard interfaces.

### Services for the whole system development cycle

Digia's portfolio includes solutions and services that cover the entire system development cycle from architecture, concept and user interface design in to software development, integration and maintenance. Digia's portfolio specialises in:

- Product creation services and technology or customer-specific centres of expertise
- User experience services and conceptualisation
- Consulting and architecture services
- Mobile and online solutions

### Digia offers innovative mobile and online solutions for customers

Long-term customer relationships, industry-specific expertise and mobile solutions; this combination provides a strong platform for Digia's innovative, end-to-end service production. Operations are based on leading technology platforms, strong technical expertise, knowledge of the customers' business, and conceptualisation.

Digia's productised design process covers user, business and technology needs. It combines these with the opportunities created by rapidly changing markets. Digia innovates successful solutions for its customers' needs.

## **Industry specific, duplicable software solutions**

- Duplicable business concepts and solutions introduced to chosen industries
- Multichannel capability in ERP and operating systems, as well as portal and integration solutions increase efficiency
- Deep knowledge of industries facilitate project implementation

Digia's Industry Verticals business focuses on duplicable business concepts and solutions, in chosen industries. For retail, Digia has developed the comprehensive Digia Smart Store concept. This solution will solve the challenges posed by growing competition.

### **Complete system portfolio based on own and third-party products**

Wholesale and retail, manufacturing industry, services, financial sector and associations are among the chosen sectors. In each sector, Digia offers customers a complete system suite. Digia's own products and those from suitable technology partners are included. Digia's service range covers high-quality implementation services and comprehensive system life cycle services, from support services to maintenance and hosting.

### **Product based system projects are easier to implement**

Industry Verticals offers product-based software solutions and related services to new and current customers. This is supported by in-depth industry knowledge. The portfolio's core comprises ERP systems, financial sector and associations operative systems, and related portals and integration solutions.

Technology partner solutions and ERP sector verticals flexibly supplement the portfolio, which means faster implementation and less risk in system implementation projects.

### **Multichannel solutions improve efficiency and user experience**

Because Digia's product solutions increasingly support multichannel use, they can be used on mobile terminals where needed. Mobile technology expertise makes Digia a unique developer of mobility in corporate ERP systems.

System mobility will be important in the future and will allow more-efficient system use. The objective is that the right information will be in the right place at the right time. In addition, systems will become more user friendly and the overall user experience will be significantly improved.



## International product business

- Development of existing products, and new investments are the basis for growth
- A strong international office network contributes to growth
- Digia Ventures develops easily scalable cloud solutions,  
Qt Commercial produces licences and services for 3,500 businesses

Digia's International Products aims to grow by developing existing products and their sales, and by investing in new growth projects. The backbones of this business unit are the Qt Commercial business, acquired in March 2011, and Digia Ventures.

In a challenging international software market, specialised expertise and broad customer knowledge are needed. During 2011, Digia responded to these challenges by opening new branches in Norway and the United States. These new offices are located in Oslo and Santa Clara, California. For Digia, an international office network and experienced international sales force will be major factors in achieving strong growth.

### Broad client-base for Qt Commercial

The Qt Commercial development environment is actively used by some 3,500 desktop and integrated software customers. These customers represent a wide variety of sectors, including consumer electronics, finance, aeronautics, energy, defence and media. The main markets for the licence sales are the United States, Germany, Italy, United Kingdom and Japan. The majority of the Qt Commercial turnover is generated by licence sales.

Digia has invested in Qt Commercial licensing and service operations. This forms a solid operational basis and speeds up development of business solutions using Qt. It also means that more and more customers can benefit from Digia's services.

The growing use of Qt has increased the need for reliable commercial support and services. As well as avoiding the restrictions of open-source licences, many Qt Commercial customers appreciate a business relationship offering professional, efficient support and services. These ensure the success of the customer's own software-intensive business solutions.

### Digia Ventures innovate in next-generation software solutions

A source of growth opportunities, the international software business also needs investment in the future. Digia Ventures is developing the next generation of software solutions.

Digia Ventures is approaching the market through easily scalable cloud solutions, which are provided directly online. Its browser-based and mobile products are independent of place and time. The business models are also innovative: aside from a small fixed charge, customers only pay for what they use. Start-up costs are generally very low, or non-existent.

### International product business as a growth driver

Digia's strategic objective is to be an internationally operating growth company. It will continue investing in this area in the future. As a return on its investment, Digia seeks growth clearly above market average, while keeping profitability in focus.

## **New Market Areas**

- Rapidly growing markets constitute the main focus for the future
- ERP system solutions and services are tailored for specific groups
- Local market solutions are being aligned with overall product portfolio

Digia's New Market Areas segment seeks growth, by expanding local business into new markets. The short-term emphasis will be on business development in the rapidly growing Russian market.

The people from Russia value Finnish quality. Knowledge of the local business culture, and the ability to network in a new market are the key factors for success in that market.

Software-based solutions adapted to the local market, and the related support services, lie at the unit's core. A new offering is also being developed for the target market that has synergies with Digia's general offering. This provides market potential in Finland too.

### **Service operations and duplicable software solutions**

The operational focus is on duplicable, industry-specific software solutions. Nevertheless, service operations that support recognition and market capture will also be developed. Nearshore services will also be offered to ensure the competitive edge and resource availability of Finnish operations.

In particular, the unit offers ERP and BI solutions aimed at the retail, distribution and logistics sectors. It also provides software development services for operators and other selected focus groups.

### **Growth based on active customer gain**

New Market Areas aims at rapid organic growth, mainly by developing new customer relationships. It will also achieve this by expanding its product range for existing customers. Carefully considered mergers and acquisitions are another way of achieving this objective. An initial, small-scale acquisition was made in 2011.

Digia's Russian branches are located in St. Petersburg and Moscow. At the end of 2011, they employed 48 persons.

## Creating value by understanding changes in the customer's industry

- Creating efficiency, productivity and competitive edge as change accelerates
- Understanding industry changes leads to value-generating solutions
- During change, commitment to value creation requires partnership

Information system investments are made to improve efficiency or productivity. Specific competitive edge, or support for deep operational change are also sought after from these investments.

Digia is known for its ability to listen to customers. The company is also valued for its agility. This agility is often seen in the way Digia swiftly adapts and changes direction, according to customer's needs.

### Digia is a reliable partner during customer's industry changes

Digia's customers face new, rapidly changing challenges in the fast-changing global economy and competitive environment. For example, a swift change forces a company to re-examine its vision and update its strategy at shorter intervals.

Through industry leadership, Digia aims to be a reliable partner for its customers during their industry change. For this, Digia must be able to identify with the customers' vision and understand its strategy, from the perspective of industry change. Together with the customer, Digia seeks answers to the following questions: How to support efficiency, productivity and competitiveness? How to achieve fundamental business transformations with a modern IT strategy and information systems?

### Growth partner for telecom operators

In general, the telecom industry faces the challenge of growing in highly competitive markets. Consumer behaviour has changed: customers change operator at will and no longer settle for basic subscriber services. The range of handsets is growing fast. While offering new possibilities, this challenges operators to develop innovative service concepts.

Digia's long history, as an expert in mobile technology and enterprise solutions, is an excellent basis for solid telecom partnerships. It enables Digia to create value for customers through new services and systems.

### Better services for financial industry, at lower costs

Recent years have seen significant changes in the banking and insurance industry. The market is consolidating, as companies merge. At the same time, new operators and services are appearing, alongside new modes of service provision. Industry change drivers include global economic uncertainty, increased regulation and capital requirements.

Digia has a long history in providing financial management solutions. In recent years, its solutions have expanded into banking systems and online services. For Digia's customers, these increase cost efficiency, make winning new customers easier, and enable excellent customer experiences.

### Digia as a gateway to public services

Public sector cooperation is intensifying, as management centralises. Public service users are growing in number, but there are shrinking resources for producing them.

Digia provides a firm basis for deepening cooperation, through its solid experience of the public sector and its changes, and its ability to produce e-service solutions.

### Digia optimises all parts of the retail value chain

The retail industry is continually changing. Fiercer competition, globalisation, the need for greater efficiency throughout the value chain and new consumer expectations – these are putting change pressure on retailers.

Already a renowned partner of retailers, Digia provides solutions for multichannel service provision, and value chain integration and optimisation. Digia's Smart Store concept rises to today's retail industry challenges, all the way to store automation.

## Competence and teamwork as basis of success

- Holistic grip on competence development supports high-quality solutions
- Effective teamwork guarantees quality in customer solutions
- Strong project expertise ensures holistic control in customer projects

### Holistic competence development

Strong industry specific expertise and understanding of customer needs through the delivery chain gives Digia a solid base for operation. Digia will strongly invest in customer, industry, technology, usability and project management expertise to ensure value-added, high-quality solutions for customers.

Our new organisation seamlessly supports competence development. Teams are built by business areas, based on competence areas.

### Training programmes as basis for career development

The work of Digia's experts was recognised by several technology certificates, for example in IBM, Microsoft and Oracle partnerships. Globally, Digia was among the first companies to obtain Microsoft Mobility Gold Competency certification.

In a rapidly changing business environment, Digia secures a competitive edge through strong internal and external training programmes. Besides expertise oriented training, change training is also organised in order to diversify competencies.

### Effective project management and delivery capability create reliability

Digia is continuously developing its project management expertise. Our centralised project management unit continually trains project managers, in both traditional and agile project management methods. This is accompanied by the required certification. We have certified project managers in areas such as Microsoft Surestep.

We are developing our training to cover the whole delivery chain, from initial sales to project maintenance. The objective is to guarantee higher quality customer solutions.

### Professional Digia

Digia staff form a unique group of professionals. Looking after them is extremely important to us. In all operations, the starting point is direct interaction throughout the organisation. We will continue our long-term focus on comprehensive operational development and systematic management training.

## A year of changes from personnel perspective

- Due to market changes Digia was forced to reduce its mobile business experts by a significant number of people. Around 100 employees were relocated from the mobile business area to the enterprise business area
- Overseas operations were strengthened
- Following this year of upheaval, employee commitment will be emphasised

Market changes in the Mobile Solutions segment had a major impact on Digia's personnel. To adjust the size of the staff to demand, Digia conducted four rounds of cooperation negotiations. During the year 2011 Digia's personnel was reduced by 344 employees (a reduction of 24.6%).

After the downsizing, at the end of year 2011, Digia employed 1,175 persons including overseas divisions. Additionally, some of the employee reductions agreed in 2011 will be effective in early 2012.

### Internal job transfers

During the negotiations, some employees were successfully relocated within Digia. Acquired last spring, the Qt Commercial business employed nearly 50 people at the end of the year. All of these are former experts from the Mobile Solutions division.

Suitable jobs were also found for more than 50 employees, elsewhere in the Enterprise Solutions segment.

Supportive actions were carried out during the year, for those that stayed and those laid off. In addition, in this difficult situation, support was provided for managers to improve their ability to cope and fully utilise their expertise.

### New branches in Norway and the United States

The company's overseas functions grew in scope and relevance. With the Qt Commercial acquisition, Digia opened new offices and welcomed new staff in Oslo and Santa Clara, California. Business was transferred and offices opened with commendable ease in just a few months. After the initial phase, product development and support functions were started in Finland.

Digia significantly strengthened its presence in Russia, recruiting new employees for its operations in that important market. In China, staff numbers fell slightly due to the reduction in product creation services.

### Resurgence in 2012

Digia has revised its strategy and towards the end of the year, it also renewed its organisation to support the strategic objectives. The reorganisation and new approach will reinforce good practices and processes. Where necessary, they will also lead to improved methods.

Process and management competence, employee commitment, managing the fit and amount of expertise, and operational efficiency were identified as key areas of leadership. Digia aims at improving these areas in particular.

In 2012, the focus will be on employee motivation and commitment. Digia will also further develop its image as an attractive employer.

## Personnel in figures

- Total number of employees: 1,175
- Average age of employees: 37.9
- Emphasis on internal transfers rather than recruitment

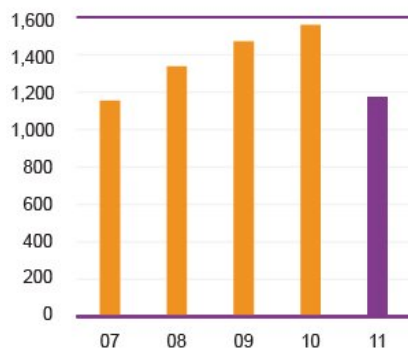
At year-end there were 1,175 employees, of whom 13.6% worked outside Finland.

The average age of the personnel was 37.9 years – slightly higher than the year before. Women accounted for 25.6% of the personnel.

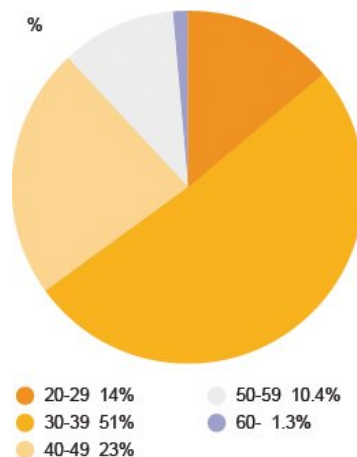
Due to the readjustment measures, there was little recruitment. Instead, the emphasis lay on internal transfers from the Mobile Solutions segment to the Enterprise Solutions segment.

Regarding recruitment, increasing use was made of social media, as well as online advertising. However, all open posts were first advertised internally, excluding some specialist positions that were also publicly announced.

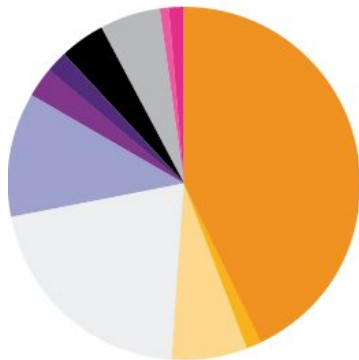
## Amount of employees



## Personnel distribution by age group



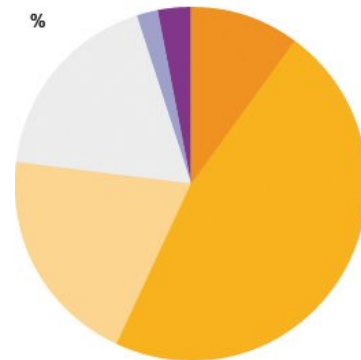
Personnel distribution  
by Digia offices



- Helsinki 504
- Lappeenranta 16
- Oulu 81
- Jyväskylä 245
- Tampere 134
- Pori and Rauma 34
- Stockholm 22
- St. Petersburg and Moscow 48
- Chengdu and Beijing 65
- Oslo 12
- Santa Clara 14

Pori and Lappeenranta offices closed

Personnel distribution  
by employment year



- < 1 10%
- 1-5 47%
- 6-10 20%
- 11-15 18%
- 16-20 2%
- >20 3%

## **Operational readjustment due to reduced demand for product creation services**

- Personnel readjustment measures were implemented in stages
- Four rounds of co-operation negotiations were conducted, beginning in March
- The first three negotiation rounds aimed at downsizing and the fourth round concerned reorganisation

During the year, a major customer's change of strategy had a fundamental impact on jobs within the Mobile Solutions segment. The reduction in product creation services work forced Digia to adjust its staff numbers accordingly.

The customer's decision-making progressed in stages, with Digia making adjustments in step with this. Digia engaged in its first round of personnel negotiations in March, deciding to close the Pori office. At the beginning of the negotiations, the Pori branch employed around 70 people. Some were offered positions in Digia's Rauma office, with around 15 transferring there.

The second negotiation round began in August. This led to the closure of the Lappeenranta office and product creation staff reductions in other offices. When the negotiations began, the Lappeenranta branch employed around 75 persons. Digia was able to re-employ only a few of these in other offices.

The third round of negotiations began in May, and the fourth and final round in September. As a result, staff numbers in 2012 will match the expected business volume. However, some contracts will not be terminated until the end of certain projects in spring 2012.

A buoyant job market in the sector and the long schedule and geographical distribution of the layoffs, made job finding easier.



## **Employee support during a transition year**

- To support faster re-employment for laid off personnel, Digia worked together with Finland's Centres for Economic Development, Transport and the Environment
- Other staff were offered help to cope, for instance through the Proactive care model
- Leisure activities were supported through employee benefits and club activities

Together with local Centres for Economic Development, Transport and the Environment, Digia obtained change coaching for laid-off personnel. This coaching was provided by Saranen Consulting. The aim was to enable swift re-employment in similar ICT jobs, or completely new careers. The coaching covered the job market and employment situation in the ICT sector, various opportunities for employment, and the recruitment needs of companies in all sectors, efficient job-seeking, personal career planning and motivation for swift action.

Regarding Pori and Lappeenranta, it is estimated that approximately 70% of those laid off were reemployed by September.

Those laid off retained access to their employee benefits during the notice period; for example, above-average use was made of dental services. The obligation to complete the notice period was minimised whenever possible.

### **Training to cope with a challenging situation**

Support was provided for staff in difficult times through the 'Proactive care model'. Managers and project leaders were coached by the occupational health care provider on how to perform management work and apply the Proactive care model during a change situation. Managers were further supported, through training on how to cope with challenging interaction during radical change. This training was highly praised and was valued useful by attendees.

In addition, depending on demand, the occupational healthcare arranged psychology sessions on coping with difficult transition.

### **Employee benefits**

Through various benefits, such as luncheon and meal vouchers for daily dining, Digia encouraged staff to strive for healthy lifestyles and well-being. Occupational health care was offered, as either health insurance or agreements with health clinics. Dentistry services were another employee benefit. Fitness and culture vouchers were also offered as a means to encourage exercise and recreation.

### **Various leisure activities**

Digia supports employee leisure activities through clubs. Through OpenClub, various free-time activities are arranged locally.

As an example, Digia's support of musical activities can be mentioned; OpenStones, a band integrated by Digia employees reached the final stage of the national 2011 Firmarock competition.