# IT development in Latvia 1990-2004

Dzintars Zarins
The Association of Computer
Technologies of Latvia
Executive Director

**GLOBAL FORUM 2004**
*Shaping the Future*

NOVEMBER, THURSDAY 4TH & FRIDAY 5TH, 2004
MALMÖ – SWEDEN

---

## Overview

- Baltic economy in short
- Periods of development
  - 1990-1994
  - 1995-2000
  - 2001-2004
- Success stories
  - MicroLink/Saf
  - Lursoft IT
- Current issues

# Baltic economies

- 7.2 m inhabitants
  - Bigger than Finland, Norway or Denmark
- GDP 36.2 m USD (2003)
  - 22% of Finnish GDP
- GDP per capita 2-2.5 lower than in Nordic countries
- GDP growth 5-9% p.a.
  - Set to continue over coming years
  - The fastest-growing region in EU
- Tight integration with Nordic region
  - Foreign trade equals to GDP
  - Nordic countries are the main trade partners
  - Whole branches of economy are owned by and integrated with Nordic companies
- Liberal economic policies

# Piracy level in the Baltic states

*Source: BSA*
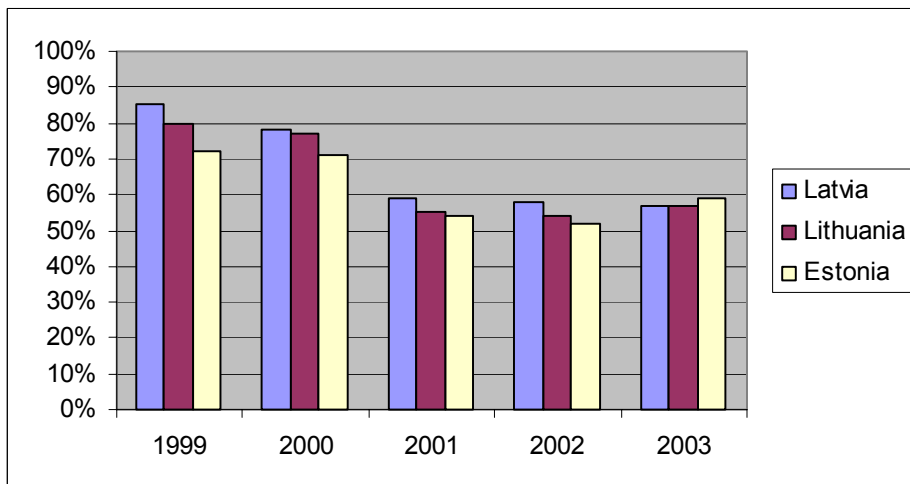
# Years 1990 - 1994

- A lot of companies that distribute IT products and service were established; there was a great margin of hardware products.
- Equipment delivery to governmental and private sector
  - Great "Black" market share
  - Small distribution of legal software
  - Missing of the greatest international whole sellers, great proportion of OEM computers.
- Direct company contact with USA, Taiwan and China
- Telecomunications monopoly, small internet capacity, expensive service

# Years 1990 - 1994

- Software and data base development for governmental and private sector
  - Small proportion of international business and accounting software
  - Many local accounting programmes
- Beginning of international projects and success of a/s SWH Riga in software development; development of:
  - SWH technology, today known as A/S "Exigen Latvia"
  - DATI group

## Years 1995 - 2000

**International whole sellers start work**

- Soft-tronik (Elko group)          1992
- Elko Group                              1993
- Scribona (ex. Instru Data)      1994
- CHS Rīga (GNT)                      1995
- Computer 2000 Latvia (TD )  1995

## International brand representatives start work

- HP                  May, 1992
- IBM                January, 1992
- SIEMENS      Year 1996
- NAVISION     Year 1998
- Microsoft       April, 1999
- CISCO           Year, 2000
- BSA               January, 2001
- Oracle           September, 2002

# Foundation of the branch asociations

- **Association of Computer Technologies of Latvia (LDTA),** Founded in September, 1997. www.itnet.lv (members: 17 juridical)
- **Latvian Electronical Engineering and electronics industry association (LETRA),** Founded in June, 1995 www.letera.lv (members: 45 juridical)
- **Latvian Information Technology and Telecommunications Association (LITTA),** Founded in Novemeber, 1998 www.litta.lv (members: 66 juridical, 150 physical),
- **Internet Association of Latvia (LIA),** Founded in August, 2000 www.lia.lv (members: 36 members),
- **Latvian Association of Cable Telecommunication Operators** (LKOTA), Founded in September, 1999
- **Telecommunication Association of Latvia (LTA),** Founded in December, 1998 www.lta.lv (members: 27 juridical, 11 physical)

# Association of Computer Technologies of Latvia (LDTA),

Founded in September, 1997. www.itnet.lv

Members: 18 juridical persons: IT whole sellers, IT system integrators, also software developers.

The major goals of LDTA are:

- Representation of the IT industry in the governmental and international institutions
- Support of the beneficial infrastructure of IT development.
- Taking part in educational program elaboration and implementation.
- Realization of basic approaches of Information Society.
- Close cooperation with other associations and state's institutions in order to meet the goals and tasks desired

# ITTE ALLIANCE

On September 12, 2000 the contract is signed between:
- LDTA
- LITTA
- LTA
- LEtERA

Later joined by LTA and LKOTA

**OBJECTIVES**:
- Exchange of information, work coordination
- Organisation of shared events
- Branch representative for shared interest achievement
- Consensus principle in decision taking

# IT branch peculiarities of the period

- Government increases investments in the IT branch
- The enterprises are restructured and their specification grows
- More computers are sold in supermarkets
- The major IT companies receive ISO 9000 and ISO 9001 quality certificates
- Hardware product profit percentage decreases
- Distribution of illegal software decreases
- The "black market" share decreases
- Investor' involvement begins, companies unite
- Many companies are re-sold to foreign businesses
- IT industry becomes a leader in developing e-commerce principles

# Year 2001-2004

- The end of telecomunication monopoly (January 1, 2002), the beginning of a fast internet development
- Continues investor interest about Latvian IT companies
- IT branch export increases, especially the one of software products
- Increases whole branch turnower
- IT enterprises actively take part in the development of Information society
- The competition between the local and incoming foreign companies (mainly Lithuanian firms) grows
- IT enterprises agree on development of the branch cluster
- Possibility of taking part in EC financed projects and programmes increases

# Major SW Development Companies in Latvia

*Source: Latvian Information Technology and Telecommunications Associations (LITTA)*

- **DATI Group** *www.dati.lv*
  (430 employees)Design, development, independent software testing, company operation analysis, simulation and improvement.
- **Exigen** *www.exigen.lv*
  (292 employees)Software development, project management.
- **Microlink Systems (former Fortech)** *www.microlink.lv*
  (185 employees) Integration of complex IT systems; IT infrastructure solutions, software development, finance management solutions, enterprise applications, training.
- **IT ALISE** *www.alise.lv*
  (120 employees) IT solutions development, integration; Oracle E-business Suite implementation,.
- **TietoEnator Financial Solutions** *www.tietoenator.lv*
  (111 employees) Software and consulting, development and implementation of payment card data processing systems and banking IT services. The company provides up-to-date education and training on the payment card business
- .**DataPro Group** *www.datapro.lv*
  (90 employees) Software development;
- **Tilde** *www.tilde.lv*
  (90 employees) Tilde is the leader in software product development solving the specific needs of Baltic customers determined by local language, culture bussines
  **Lursoft** *www.lursoft.lv*
  (53 employees) Largest private information provider (resource point) via Internet in Latvia.

# Baltic IT markets

- Estimated size of Baltic IT markets – 1.2-1.4 b EUR
  - Services and software – 25-35%
  - Hardware 65-75%
- Growth ~10% p.a.
  - Standstill in Estonia in 2002-2003 has ended
  - High growth in Lithuania has slowed to moderate
- Market leaders:
  - Corporate solutions and services: MicroLink
  - PC assembly: Sonex
  - Distributors: GNT, Tech Data
  - Outsourced SW development: Exigen+Dati
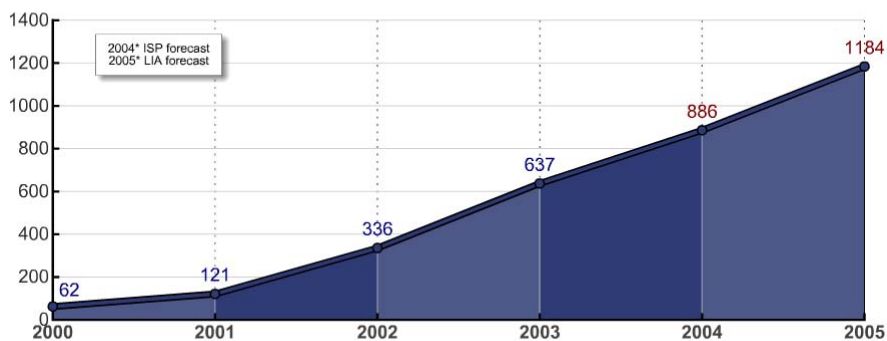
# International capacity market in Latvia

*Source: Latvian Internet Associations (LIA)*

**Total ISP International capacity, Mb/s**

2004* ISP forecast
2005* LIA forecast

| Year | Capacity |
|------|----------|
| 2000 | 62 |
| 2001 | 121 |
| 2002 | 336 |
| 2003 | 637 |
| 2004 | 886 |
| 2005 | 1184 |

# Internet users in Latvia

## Internet users, thousands

---
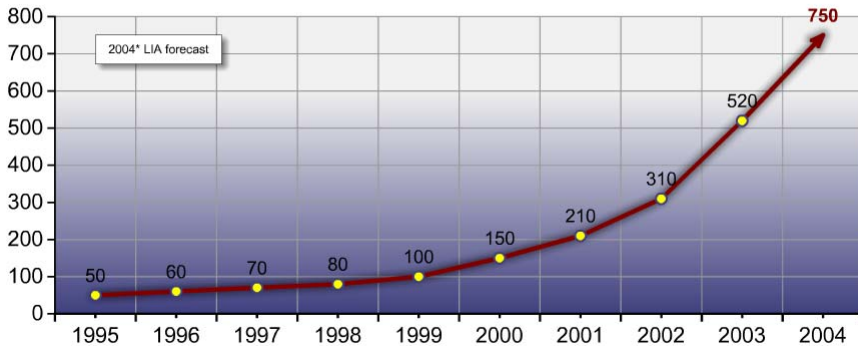
# MicroLink - Baltic IT leader

- 530-strong, >40 m EUR systems house
- The largest IT solutions and services company in the Baltics
- Focuses on full services to large and medium corporate and government accounts
- The only local IT services company with real pan-Baltic coverage
- Strong profits and balance sheet
- One of the oldest IT companies in the Baltics, founded in 1991
- In the past has been parent of the most succesful technology companies in the region

# Microlink – the most succesful technology investor in the Baltics

- Over 13 years of history, MicroLink has created or participated in creation of
    - The largest IT services company in the region (current Microlink)
    - The most succesful listed technology enterprise in the Baltics (SAF Tehnika)
    - The leading new media company in the region (Delfi portals)
    - The leading PC assembly company (ML Arvutid)
    - The leading IT distributor in the region (GNT)
    - The leading network building company (Eltel Networks/Connecto)

# SAF Tehnika – most successful High Tech enterprise in Baltic

**SAF Tehnika is founded in 1999, have been growing from 10+ to 120 employees in less than 5 years;**

- To provide high quality, affordable fixed wireless solutions for data and voice connectivity
- Core competence – microwave radio and communications hardware/software for the products
- 120 highly qualified employees, 30+ engineers in R&D department
- Year 2004 - SAF Tehnika acquires Viking Microwave in Sweden, company developing SDH radio systems

•Revenues by financial year (M EUR)

19.2

0.1

| FY 99/00 | FY 00/01 | FY 01/02 | FY 02/03 | FY 03/04 |
| 0.1M | 1.4 M | 2.4 M | 7.4 M | 19.2M |
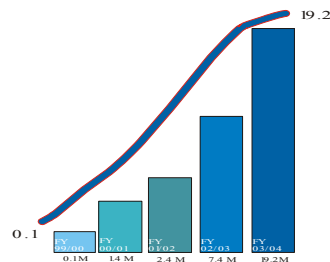
## Activities worldwide SAF Tehnika is active in more than 40 countries:

**Western Europe**
- Type approvals in 10+ countries,
- Installations in Iceland, Norway, Sweden, Denmark, UK, France, Austria, Germany, Spain, Portugal and Italy

**Eastern Europe**
- Type approvals in ~10 countries,
- Installations in Baltic's, Poland, Romania, Hungary, Czech, Slovak Republics, Croatia and Bulgaria
- Outside Baltic`s largest base operating in Poland, over 1000 radios

**CIS**
- Type approvals in Russia, Ukraine, Kazakhstan and Belarus
- Installations in Russia, Kazahstan, Uzbekistan, Azarbaidzjan, Tajikistan, Ukraine

**ASIA**
- Installed base in China – 6000+ radios
- Installations in Indonesia, Pakistan, Iran and Philippines
- Partners and trial equipment in India, Seyshel Islands

**South America**
- Installations in Columbia, Peru, Paraguay
- Partners and trial equipment in Argentina, Chile, Brazil

**Africa**
- Installations in Libya, Nigeria and Republic of South Africa

**In total terminals installed – more than 14 000+ radios (2004 Q4)**

---

# LURSOFT Ltd. Latvia

- Founded 1992
- Employees- 53
- Turnover of the company- 2 331 200 EUR
- More than 70 000 registered users of Lursoft information systems.
- Since 2001 Lursoft IT was regularly included in Fast50 and Fast500 nominations of the most rapidly growing technology companies in Central Europe.   In 2003 Lursoft IT was also included among 'All-stars' ranking by Deloitte&Touche.

## LURSOFT Ltd. Latvia

Latvian enterprise register data base. Information about all Latvian Companies. **www.lursoft.lv**

European Business Register- Easy access to reliable information          on companies all over Europe. **www.ebr.lv**

Lursoft Newspaper Library- 28 largest Latvian daily and regional newspapers since 1994. **www.news.lv**

SIETS Server is the next generation content based data storage and retrieval system whose main role is to serve as the enterprise search engine. **www.siets.lv**

---

# General conclusions for Latvia

- State's investments into IT infrastructure E-government should be implemented faster
- School and education informatization system financing must be continued as well as higher education financing must be increased
- Internet penetration should be enlarged
- Copy right protection must get promoted

# Current issues of LDTA

- Levies in a Digital Enviroment
- Electronic waste management
- Software Patentability
- Internet

# Thank you for your attention!

**Dzintars Zariņš,** executive director of the
Association of Computer Technologies of Latvia

www.itnet.lv,
dzintars.zarins@dozimetrs.lv