



Q4 2017

Financial Statement Release

January–December

Solid performance continues in the fourth quarter – strong full year 2017

- Strong cash flow and good profitability
- Order backlog provides healthy foundation for 2018
- Accelerated growth in Sweden – Avega acquisition completed
- Dividend proposal of EUR 1.40

tieto

Key figures for the fourth quarter

IT services

- Sales growth totalled 0.8%, sales in local currencies up by 1.7%
- Adjusted operating profit amounted to EUR 45.7 (45.9) million, 12.2% (12.3) of sales

The Group

- Sales growth totalled 1.5%, sales in local currencies up by 2.4%
- Adjusted operating profit amounted to EUR 49.3 (49.5) million, 12.0% (12.3) of sales
- Order intake (Total Contract Value) at EUR 543 (613) million – book-to-bill 1.3 (1.5)

Key figures for the full year

IT services

- Sales growth totalled 3.0%, sales in local currencies up by 3.6%
- Adjusted operating profit amounted to EUR 148.9 (141.1) million, 10.5% (10.3) of sales

The Group

- Sales growth totalled 3.4%, sales in local currencies up by 4.1%
- Adjusted operating profit amounted to EUR 161.5 (152.2) million, 10.5% (10.2) of sales
- Proposed dividend EUR 1.40 per share, including base dividend of EUR 1.20 (1.15) and an additional dividend of EUR 0.20 (0.22), representing dividend yield of 5.4%

M&A impact visible in the tables on page 9.

	10–12/2017	10–12/2016	1–12/2017	1–12/2016
Net sales, EUR million	409.6	403.6	1 543.2	1 492.6
Change, %	1.5	2.0	3.4	2.2
Change in local currencies, %	2.4	3.5	4.1	3.2
Operating profit (EBITA), EUR million	51.7	49.0	154.3	154.9
Operating margin (EBITA), %	12.6	12.1	10.0	10.4
Operating profit (EBIT), EUR million ¹⁾	48.0	45.1	139.2	140.8
Operating margin (EBIT), % ¹⁾	11.7	11.2	9.0	9.4
Adjusted ^{1) 2)} operating profit (EBIT), EUR million	49.3	49.5	161.5	152.2
Adjusted ^{1) 2)} operating margin (EBIT), %	12.0	12.3	10.5	10.2
Profit after taxes, EUR million	36.8	34.2	107.8	107.2
EPS, EUR	0.50	0.46	1.46	1.46
Net cash flow from operations, EUR million	66.6	50.2	151.0	97.2
Return on equity, 12-month rolling, %	22.4	22.1	22.4	22.1
Return on capital employed, 12-month rolling, %	20.5	21.6	20.5	21.6
Capital expenditure, EUR million	11.4	24.4	50.8	61.6
Acquisitions, EUR million	49.3	0.3	49.3	37.6
Interest-bearing net debt, EUR million	155.7	109.7	155.7	109.7
Net debt/EBITDA	0.8	0.6	0.8	0.6
Book-to-bill	1.3	1.5	1.0	1.1
Order backlog	1 860	1 847	1 860	1 847
Personnel on 31 December	14 329	13 876	14 329	13 876

¹⁾ the fourth quarter includes EUR 1.2 (1.1) million and the full year EUR 4.3 (3.3) million in amortization of acquisition-related intangible assets

²⁾ adjusted for restructuring costs, capital gains/losses, goodwill impairment charges and other items (see page 20)

Full-year outlook for 2018

Tieto expects its adjusted¹⁾ full-year operating profit (EBIT) to increase from the previous year's level (EUR 161.5 million²⁾ in 2017).

¹⁾ adjusted for restructuring costs, capital gains/losses, goodwill impairment charges and other items

²⁾ subject to revision according to IFRS 15 restatement

CEO's comment

Comment regarding the interim report by Kimmo Alkio, President and CEO:

"We are pleased to have ended a strong year with a solid last quarter. Performance highlights are in the Public, Healthcare & Welfare and Product Development businesses which achieved the strongest growth. Our business accelerated in Sweden with 8% growth and in December, we had the pleasure of welcoming 350 new colleagues from Avega, enabling us to further take advantage of the consulting-led Swedish market.

2017 as a whole was a good year for Tieto, as we were able to provide strong value to all our key stakeholders. We achieved major improvement and record results in customer experience and continued to enhance employee engagement and motivation. I am also pleased that we delivered revenue growth that outperformed the market, strong cash flow progress and good profitability – total performance supporting the Board's proposal to increase the dividend payout. Our long-term initiatives to drive innovation, performance and social responsibility have been recognized by Tieto's nomination to Thomson Reuters Top 100 Global Tech Leaders. This prominent list includes a total of 14 European and three Nordic companies.

We continue to be inspired by the dynamic market, driven by data-driven opportunities and customers' healthy investment appetite. Tieto actively drives innovation, especially around data-intensive services and technologies, such as artificial intelligence, to accelerate growth across markets and customer segments. Amongst our global Tieto community of 14 000 employees we will actively promote our Open Source culture with focus particularly on equality, diversity and inclusion. We expect that 2018 will be another year of driving competitiveness and attractive value creation for all our stakeholders."

IT market development

- The total market is expected to remain dynamic and to see further growth. In 2018, the Nordic market is anticipated to grow by 2%.

Digitalization of customers' business is accelerating in support of a twofold agenda of growing revenue through innovation and reducing costs by improving efficiency. Customers focus on enhancing digital capabilities, such as analytics, to expand their existing product and service portfolios and improve user experience. A new generation of digital platforms is being built – and at the same time, existing legacy systems are being modernized.

Emerging services based on new technologies such as the cloud, software robotics, artificial intelligence and blockchain are expected to experience double-digit growth and the decline in traditional services (traditional application and infrastructure services) will continue. Artificial intelligence and machine learning, for example, help detect patterns in vast volumes of data, and hence provide improved insight into potential outcomes. Consequently, enterprises will be able to provide customers with personalized, predictive experiences and increase the automation and accuracy of processes.

Blockchain and distributed ledger technologies enable businesses, public organizations and individuals to form trust relationships and transact over the Internet more efficiently, without involving middlemen. Tieto established a new Blockchain Solutions business unit in 2017. The purpose is to help organizations in various industries to renew their business by providing technology consulting and a variety of services through an extensive ecosystem of partners. One of the first steps is to introduce a global identity network for Nordic customers together with Evernym – a leading developer of self-sovereign identity technologies.

It is estimated that currently around 20–25% of global infrastructure services are represented by cloud, predominantly private cloud. While most organizations use cloud services to some extent, fewer than 20% are currently cloud mature. The total infrastructure cloud (Infrastructure as a Service and Platform as a Service) market is expected to grow by 15–20% annually. This comprises

- public cloud adoption – expected market growth 25–30%
- private/enterprise cloud – expected growth 10–15%.

Future cloud market growth will extensively be driven by multi-cloud solutions integrating public cloud, private cloud and traditional technologies for customers to enable cost-efficient business innovation and agility. Tieto's focus and growth since 2014 have mainly been based on its private cloud offerings. In 2017, Tieto expanded its cloud portfolio to include public cloud services through the launch of OneCloud. OneCloud is a multi-cloud solution seamlessly orchestrating workloads across private and public clouds.

There is an accelerated need for customers to quickly roll out new digital services. The trend involves moving to automated application development and maintenance, as well as adoption of multicloud strategies, requiring strong service orchestration capabilities. In line with these trends, traditional development programmes are cut into smaller projects. The IT industry is also continuing to shift from traditional large outsourcing agreements towards agile methods and consumption-based business models.

Customers' competitive landscape is changing fast with new technology-based companies entering the market, in some cases from outside clients' own industry. This trend, visible across all industries, is calling for an active innovation agenda for current actors to remain competitive. Currently, this has the greatest impact on the financial services and retail sectors.

The new EU General Data Protection Regulation, taking effect in May 2018, has an impact on IT markets. This regulation will open up new opportunities for Tieto's security and application services.

Sweden continues to be the fastest-growing of Tieto's core markets, which is also reflected in active recruitment of IT talent in all industries. In Finland, the economic outlook has improved, and this will gradually also support the IT services market.

Industry sector drivers

- In the **financial services** sector, there is still a rather high level of activity with several large programmes ongoing, driven by digital transformation, core system renewal and regulation. However, many programmes are divided into smaller projects to better control performance and costs. The market is currently capability driven, as many of the larger programmes are managed by customers and require a broad range of competences across markets. Many new smaller players (Fintech) are still entering the market, continuing to challenge traditional IT service providers. Regulatory changes such as PSD2 (Payment Services Directive) and GDPR (General Data Protection Regulation) are creating new opportunities within Financial Services, but also pose a degree of uncertainty and postpone larger customer transformation projects. Interest in business process outsourcing and software as a service delivered on secure cloud platforms continues to grow.
- In the **public** sector, the digitalization of services and processes will continue with a focus on cost reductions and citizen-centric services. There is healthy demand for consulting services and solutions such as digitalized learning and planning for the education segment and mobile solutions for elderly care. Due to recent security incidents, mainly in Sweden, there is some cautiousness related to outsourcing of IT services, and clients seek to ensure that data is stored and services operated within their jurisdiction. In Finland, Tieto is actively participating in the Government development programme in order to facilitate digitalization in the public sector.
- In the **healthcare and welfare** sector, the digitalization trend will continue to support easier and faster access to healthcare for citizens and compensate for the anticipated shortage of care workers. There are large development projects planned across all Nordic markets and the prevailing trend is to move towards integrated healthcare and welfare systems supporting seamless care. Large-scale Electronic Medical Record procurements are ongoing in all Nordic countries. In Finland, it is anticipated that the ongoing healthcare and social welfare reform will provide growth opportunities in the coming years. The first regional proposals were submitted during 2017; due to delays in legislation, customers will focus on smaller modernization activities.
- In the **manufacturing, forest and paper sector**, the strong digitalization trend continues and clients are seeking ways to deploy IoT in production as well as new smart services and products to ensure steady revenues and to improve service experience. At the same time, core process renewals to deploy cloud-enabled ERP solutions are ongoing. Preventive maintenance continues to drive digitalization in the manufacturing sector and customer experience is a strong driver. In the case of wood and production equipment, there is increased interest in digital twins of assets, using data from sensors installed to represent their current status. In the paper industry, the need to lower production costs continues to drive the adoption of new digital solutions, such as IoT and Smart Manufacturing. The market for consulting and business transformation is active.
- In the **retail and logistics** sector, enterprises are investing in more advanced solutions and eCommerce platforms to be able to provide a unified customer experience in all interaction across different touchpoints, including brick and mortar. Along with the omnichannel transformation, enterprises need to tightly integrate their customer interface solutions with their core supply chain solutions and seamless mobile payments. In addition, B2B enterprises are expanding from transactional digital services to enhanced user experience.

- In the **energy** utility sector, automation and digitalization is needed to improve efficiency and customer care, and differentiation is increasingly based on improved customer interaction. In the Nordic countries, common electricity hubs and the implementation of a supplier centric model will continue to drive the market for customer information and billing solutions in 2018. In Finland and Sweden, the next generation of smart meters will open new opportunities for Advanced Meter Infrastructure services. In the oil & gas market, there is healthy demand for Tieto's solution.
- The **media** sector is continuing to undergo a change with increased deployment of digital services. Advertising continues to shift from traditional media to digital channels and related solutions are being renewed. While there are opportunities related to renewal and automation of sales processes, price pressure is high, as many companies need to reduce costs.
- In the **telecom** sector, demand for IT services is driven by modernization of existing legacy systems as well as transformation towards new platforms that create additional business value. Customers are increasingly utilizing agile development methodologies to quickly launch and manage new services. The regulatory requirements in the EU are creating a positive business environment for service providers.

Strategy implementation

In its strategy for 2016–2020, Tieto aims to address its customers' dual agenda: to run their existing businesses efficiently while innovating new services. Tieto is enhancing its competitiveness and growth through three strategic choices:

- Services to accelerate customer value
- Nordic leadership and international expansion
- Active participation in open ecosystems and co-innovation.

Focusing on Nordic enterprises and the public sector, Tieto seeks to grow by further increasing its market share in the Nordics. Growth will also be supported by international expansion of selected industry solutions that have proven to be effective in current markets.

Tieto's strategy and financial objectives remain unchanged and as stated in the strategy launch in 2016. Tieto continues to drive shareholder returns above industry average. Positive financial development and attractive dividend policy are expected to continue while the company has increased its investments to support innovation and growth.

Strategy implementation in 2017 and 2018

Tieto continued to consistently execute its strategy based on the objectives set for the year. In 2017, the focus was on issues such as innovation and growth, quality and customer experience, productivity and ensuring future skills.

Tieto's growth of 4% in local currencies exceeded market growth and was supported by acquisitions. Emric, acquired in 2016 to accelerate growth in Industry Solutions, and Avega, a consulting company acquired to strengthen Tieto's foothold in Sweden, both contributed to growth in 2017. In line with the objectives set for the year, growth in Sweden rose to 8% and also organically sales were up by 5%.

To ensure the company's position as customers' first choice for business renewal and help increase the company's Nordic market share by 1–2 percentage points by 2020, investments in offering development were maintained at an elevated level of close to EUR 75 million, representing 5% of sales. The largest portion of investments are targeted at selected industry solutions, including the use cases in Tieto's Data-Driven Businesses, with a view to gaining momentum towards the end of the strategy period. Tieto aims to raise the share of Industry Solutions close to 40% of the Group sales by 2020. In 2017, Tieto continued to follow the roadmap for the company's software renewal while Industry Solutions' growth in 2017, totalling 5%, was somewhat below the long-term target. With important launches planned for 2018, investments are anticipated to yield results during the second half of the 2016–2020 strategy period.

The 2017 automation programme aiming to ensure constant productivity improvement and competitiveness has been thoroughly implemented. Additionally, the company's ambition to reduce sales & administrative costs has progressed, decreasing the share accounted for by these costs from around 15% to 13–14% of sales.

Overall, 2017 was a strong year for all key stakeholder groups, including:

- Employees: improvement in employee experience, measured by the annual employee engagement survey
- Customers: all-time high customer experience based on Net Promoter Score – customer-centricity coupled with systematic practices help Tieto restore and further improve quality
- Shareholders: healthy returns maintained with strong dividend payout while innovation and investments in selected solutions continued to ensure future growth.

Tieto was recognized for its achievements during the year, which will provide a good basis for strategy execution in 2018. In its research published in 2017, Forrester named Tieto a Strong Performer in hosted private cloud services in

Europe. In addition, Thomson Reuters recognized the company's continued focus on innovation, good performance and social responsibility, and selected Tieto for its Top 100 Global Tech Leaders list.

In 2018, Tieto will continue to invest in accelerating growth based on selected high-growth businesses. The focus will be on growth in Sweden, proven scalability in Data-Driven Businesses and key launches in Industry Solutions, including Transaction Banking and Hospital Information System solutions.

Growth businesses

Tieto is seeking to grow faster than the market in the long term. The company aims to accelerate customer value with end-to-end industry solutions and active modernization of customers' technology landscapes. Additionally, data-driven businesses help Tieto and its customers to capture the opportunities provided by the data-driven economy and artificial intelligence.

Tieto drives scale and repeatability through investments in software businesses, including start-up businesses with strong growth potential. Industry solutions based on leading industry-specific software products, system integration capabilities and partnerships form the basis for Tieto's differentiation.

Growth will be based on a strong solution foundation built on a dynamic portfolio with selected industry solutions and growth services. The company has increased investments mainly in the following growth businesses during the past two years:

- Selected industry solutions and Data-Driven Businesses with aggregated annual sales of around EUR 340 million in 2017
 - Lifecare (Healthcare and welfare)
 - Case management (Public sector)
 - Banking solutions (Financial services)
 - Payments (Financial services)
 - Data-Driven Businesses – started in July 2016 and reported within selected industry solutions
- Selected growth services with annual sales of around EUR 190 million in 2017
 - Cloud services
 - Customer Experience Management
 - Security Services.

In 2017, sales of the growth businesses amounted to around EUR 530 million and the increase totalled 8%, comprising growth of 6% in the selected industry solutions and Data-Driven Businesses and 13% in selected growth services.

Tieto's start-ups, Security Services and Customer Experience Management, were the strongest growing businesses. Security Services, launched in late 2015, completed its year with double-digit growth in the fourth quarter and saw a full-year sales increase of 19%. Increasing awareness of cyber security and the need for protection continues to accelerate the demand for security services. Tieto anticipates that the EU General Data Protection Regulation will open new opportunities during the first half of 2018. Customer Experience Management (CEM) posted full-year growth of 26%. Tieto continued to develop omnichannel capabilities as well as agile customer-driven solutions enhancing personalized user experiences based on data and intelligence. The focus has been on the development of a next-generation customer experience solution built on new microservices architecture combining business knowledge, design, software development and rapid deployment. The solution is targeted at omnichannel marketing, sales and service. Cloud services posted growth of 10% ¹⁾. There is strong interest in shifting from current service environments to Tieto's OneCloud solution. The solution, launched in early 2017, is a dynamic solution that enables customers to efficiently manage multiple cloud services through one platform.

Growth solutions within Data-Driven Businesses, such as Intelligent Wellbeing and Empathic Building, and their expansion from Finland to other Nordic countries, have developed favourably and have received good customer feedback. Also, Tieto is implementing Digital Data PaaS (Platform as a Service) solution for customers in a number of industries and the good momentum is expected to continue. In 2018, the focus will be on acceleration and scale.

¹⁾ Cloud services growth of 10% includes both infrastructure cloud and selected services such as cloud-enabled consulting and shared integration services. Infrastructure cloud (Infrastructure as a Service and Platform as a Service) sales in the full year were up by over 15%.

Performance drivers 2018

In IT services, Tieto aims to grow faster than the market during the year. To support this ambition, Tieto is committed to actions driving competitiveness and will continue its investments in innovation and growth. In line with its aim of accelerating growth in the consulting-driven Swedish market, Tieto completed the acquisition of Avega Group AB in December 2017. This will also affect sales in 2018. Avega's annual sales amount to around EUR 45 million, of which around EUR 4 million was recognized in 2017. IT services' performance drivers also include

- solution launches contributing to growth
- offering development
- recruitments in new service areas and related competence development

- automation and industrialization in service deliveries
- salary inflation.

The company will continue to renew and strengthen its service and solution portfolio with a special focus on selected industry solutions driving growth. Offering development costs at the Group level in 2018 are anticipated to remain at the 2017 level close to 5% of Group sales.

Capital expenditure (CAPEX) is anticipated to remain below 4% of Group sales.

In line with the market change, competence renewal will continue. In addition to close to 450 employees from acquisitions and new outsourcing agreements, Tieto recruited close to 250 new employees in 2017, mainly in new competence areas. As part of its long-term renewal and the need to increase productivity and price competitiveness, Tieto initiated actions to optimize its productivity and cost structure globally in 2017. Redundancies implemented during 2017 amounted to over 500 and the actions altogether resulted in gross savings of around EUR 20 million in 2017. The company expects that the actions will result in additional gross savings of around EUR 20 million in 2018, mainly in the first half. Around half of the total redundancies affect the Technology Services and Modernization service line.

Tieto currently estimates that its full-year restructuring costs in 2018 will represent 1–2% of Group sales. Overall, Tieto's restructuring needs will be based on automation, other productivity improvements and the need to align the company's competence base with market demand.

Salary inflation is anticipated to amount to close to EUR 30 million in 2018.

At the annual level, Tieto anticipates positive growth and profitability development to continue while financial development is anticipated to experience a degree of quarterly variations during the year. The first quarter will be affected by a lower number of working days whereas the second quarter is expected to be stronger. Additionally, first-quarter currency effects will be negative based on year-end exchange rates. Further details on currency sensitivity are available at www.tieto.com/currency-impact. The market for Industry Solutions is expected to remain good, especially in the financial services and healthcare and welfare segments, and Tieto's product launches during the year are anticipated to accelerate growth towards the second half of the year.

Financial performance in October–December

Fourth-quarter net sales increased by 1.5% to EUR 409.6 (403.6) million, growth of 2.4% in local currencies. In IT services, net sales were up by 0.8%, in local currencies up by 1.7%. In Product Development Services, sales in local currencies increased by 10.7%. Acquisitions added EUR 4 million in sales, affecting Business Consulting and Implementation. Currency fluctuations had a negative impact of EUR 4 million on sales, mainly due to the weaker Norwegian Krona.

Fourth-quarter operating profit (EBIT) amounted to EUR 48.0 (45.1) million, representing a margin of 11.7% (11.2). Adjusted¹⁾ operating profit stood at EUR 49.3 (49.5) million, or 12.0% (12.3) of net sales. Further details on fourth-quarter adjustments are available in a table on page 20.

The efficiency improvement programme had a positive impact of close to EUR 8 million on the cost base during the quarter while profitability was affected by salary inflation of around EUR 5 million. Offering development costs were down by EUR 2 million. Currency changes had a negative impact of around EUR 1 million on operating profit.

Depreciation and amortization amounted to EUR 13.8 (13.9) million, including EUR 1.2 (1.1) million in amortization of acquisition-related intangible assets. Net financial expenses stood at EUR 1.6 (0.8) million in the fourth quarter. Net interest expenses were EUR 0.6 (0.5) million and net losses from foreign exchange transactions EUR 0.7 (0.1) million. Other financial income and expenses amounted to EUR -0.3 (-0.2) million.

Earnings per share (EPS) totalled EUR 0.50 (0.46). Adjusted¹⁾ earnings per share amounted to EUR 0.51 (0.51).

¹⁾ adjusted for restructuring costs, capital gains/losses, goodwill impairment charges and other items

Financial performance by service line

EUR million	Customer sales 10–12/2017	Customer sales 10–12/2016	Change, %	Operating profit 10–12/2017	Operating profit 10–12/2016
Technology Services and Modernization	199	197	1	24.7	26.2
Business Consulting and Implementation	42	38	10	2.4	2.0
Industry Solutions	135	138	-2	23.2	19.7
Product Development Services	34	31	10	3.5	3.3
Support Functions and Global Management				-5.9	-6.2
Total	410	404	1	48.0	45.1

Operating margin by service line

%	Operating margin 10–12/2017	Operating margin 10–12/2016	Adjusted ¹⁾ operating margin 10–12/2017	Adjusted ¹⁾ operating margin 10–12/2016
Technology Services and Modernization	12.4	13.3	13.2	14.1
Business Consulting and Implementation	5.7	5.3	4.8	1.8
Industry Solutions	17.2	14.3	15.8	15.5
Product Development Services	10.3	10.6	10.3	11.3
Total	11.7	11.2	12.0	12.3

¹⁾ adjusted for restructuring costs, capital gains/losses, goodwill impairment charges and other items

For a comprehensive set of service line and industry group figures, see the tables section.

In **Technology Services and Modernization**, sales in local currencies were up by 1%. Development in traditional services has remained twofold. Application services saw growth of 4% while the decline in traditional infrastructure services was 6%. Cloud services' sales continued to grow and full-year cloud sales were up by 10% ¹⁾. Operating margin remained at a good level due to continued service standardization and automation as well as strong add-on sales during the quarter. First-quarter growth and profitability will be strained by the lower number of working days, affecting application services. Additionally, the first quarter is seasonally lower. Adjusted operating margin is expected to be below the level of the first quarter in 2017.

In **Business Consulting and Implementation**, sales growth of 10% was supported by the acquisition of Avega as well as good performance in Customer Experience Management with double-digit growth. Adjusted operating profit improved due to the higher billing rate and lower offering development investments. First-quarter growth and profitability will be strained by the lower number of working days. First-quarter adjusted operating margin is expected to remain at the level of the full-year figure for 2017.

In **Industry Solutions**, sales in local currencies were down by 1%. The decline was attributable to the development in Tieto's Intelligent Transportation Solution area and the high comparison number in Financial Services. The fourth quarter in 2016 included a large delivery related to the Intelligent Transportation Solution and this had an impact of around EUR 5 million. Growth remained good in the Industrial and Consumer Services segment with healthy development in the energy and manufacturing segments. Solutions such as Lifecare and SmartUtility remained strong with growth of 7% and over 20%, respectively. Adjusted operating profit was affected by negative sales development and remained at the previous year's level. Tieto anticipates that 2018 outlook will be supported by the strong order backlog and key launches open new opportunities towards the end of 2018. However, first-quarter growth is expected to remain at a relatively low level, partly due to the anticipated negative currency effects. Of service lines, Industry Solutions is affected most by currency changes. First-quarter adjusted operating margin is anticipated to remain at the previous year's level.

In **Product Development Services (PDS)**, sales growth in local currencies remained strong at 11%. Growth was attributable to strong volume development with the largest key customer. Additionally, new openings, especially in the automotive segment, continued to contribute to growth. Development was strong, especially in the Radio and Smart Traffic areas. Operating margin, excluding the negative working day impact, remained at the strong level of the corresponding quarter in 2016. First-quarter profitability will be affected by the lower number of working days and the adjusted operating margin is anticipated to stay close to 10%.

¹⁾ Cloud services growth of 10% includes both infrastructure cloud and selected services such as cloud-enabled consulting and shared integration services. Infrastructure cloud (Infrastructure as a Service and Platform as a Service) sales in the full year were up by over 15%.

Customer sales by industry group

EUR million	Customer sales 10–12/2017	Customer sales 10–12/2016	Change, %
Financial Services	100	101	-1
Public, Healthcare and Welfare	135	135	1
Industrial and Consumer Services	140	137	3
IT services	376	373	1
Product Development Services	34	31	10
Total	410	404	1

In [Financial Services](#), sales in local currencies were down by 1 percentage point. Positive development in Application Services was not sufficient to offset the decline in Industry Solutions, which was affected by a high comparison number. In the Transaction Banking area, Tieto's transition to a new product family will open new opportunities.

In [Public, Healthcare and Welfare](#), healthy development continued in Finland and Sweden while growth was affected by a high comparison number related to a large Intelligent Transportation Solution delivery in the fourth quarter of 2016. This had an impact of around EUR 5 million. Overall, the market is active with several digitalization initiatives and transition projects ongoing in infrastructure services.

In [Industrial and Consumer Services](#), growth was supported by the acquisition of Avega and good development in Customer Experience Management. Development in Sweden was healthy also organically. In energy utilities, good demand in the billing area continued due to regulatory changes and investments in digitalized customer services.

M&A impact in October–December

In IT services, fourth-quarter organic growth in local currencies was 0.6%. At Group level, fourth-quarter sales in local currencies were organically up by 1.4%. Acquisitions added EUR 4 million in sales, affecting Business Consulting and Implementation.

M&A impact by service line

	Growth, % (in local currencies) 10–12/2017	Organic growth, % (in local currencies) 10–12/2017
Technology Services and Modernization	1.4	1.4
Business Consulting and Implementation	11.0	1.0
Industry Solutions	-0.6	-0.6
IT services	1.7	0.6
Product Development Services	10.7	10.7
Total	2.4	1.4

M&A impact by industry group

	Growth, % (in local currencies) 10–12/2017	Organic growth, % (in local currencies) 10–12/2017
Financial Services	-0.7	-1.2
Public, Healthcare and Welfare	1.4	1.0
Industrial and Consumer Services	3.7	1.7
IT services	1.7	0.6
Product Development Services	10.7	10.7
Total	2.4	1.4

Financial performance in January–December

Net sales increased by 3.4% to EUR 1 543.2 (1 492.6) million, growth of 4.1% in local currencies. In IT services, net sales were up by 3.0%, in local currencies up by 3.6%. In Product Development Services, sales increased by 7.9%, in local currencies up by 9.6%. Acquisitions added EUR 17 million in sales, affecting Industry Solutions and Business Consulting and Implementation. Currency fluctuations had a negative impact of EUR 10 million on sales, mainly due to the weaker Swedish Krona.

Operating profit (EBIT) amounted to EUR 139.2 (140.8) million, representing a margin of 9.0% (9.4). Operating profit was strained by restructuring costs related to the automation and efficiency improvement programme initiated in January 2017. Adjusted¹⁾ operating profit stood at EUR 161.5 (152.2) million, or 10.5% (10.2) of net sales. Further details on adjustments are available in a table on page 20.

The efficiency improvement programme had an impact of around EUR 20 million on the cost base in the full year, whereas improvement was curbed by salary inflation of around EUR 18 million. The performance-based incentive accruals, including both short-term and long-term incentives, were EUR 37.6 (25.6) million. Offering development costs remained at the previous year's level at close to EUR 75 million.

Depreciation and amortization amounted to EUR 54.7 (53.9) million, including EUR 4.3 (3.3) million in amortization of acquisition-related intangible assets. Net financial expenses stood at EUR 3.4 (4.0) million in the full year. Net interest expenses were EUR 2.1 (2.1) million and net losses from foreign exchange transactions EUR 0.2 (1.1) million. Other financial income and expenses amounted to EUR -1.1 (-0.8) million.

Earnings per share (EPS) totalled EUR 1.46 (1.46). Adjusted¹⁾ earnings per share amounted to EUR 1.69 (1.58).

¹⁾ adjusted for restructuring costs, capital gains/losses, goodwill impairment charges and other items

Financial performance by service line

EUR million	Customer sales 1–12/2017	Customer sales 1–12/2016	Change, %	Operating profit 1–12/2017	Operating profit 1–12/2016
Technology Services and Modernization	771	762	1	84.8	89.0
Business Consulting and Implementation	150	139	8	8.0	4.1
Industry Solutions	496	475	5	55.4	55.2
Product Development Services	127	117	8	12.3	10.9
Support Functions and Global Management				-21.2	-18.5
Total	1 543	1 493	3	139.2	140.8

Operating margin by service line

%	Operating margin 1–12/2017	Operating margin 1–12/2016	Adjusted ¹⁾ operating margin 1–12/2017	Adjusted ¹⁾ operating margin 1–12/2016
Technology Services and Modernization	11.0	11.7	12.4	12.1
Business Consulting and Implementation	5.3	3.0	4.8	1.2
Industry Solutions	11.2	11.6	11.8	12.5
Product Development Services	9.7	9.3	10.0	9.4
Total	9.0	9.4	10.5	10.2

¹⁾ adjusted for restructuring costs, capital gains/losses, goodwill impairment charges and other items

Customer sales by industry group

EUR million	Customer sales 1–12/2017	Customer sales 1–12/2016	Change, %
Financial Services	385	370	4
Public, Healthcare and Welfare	502	479	5
Industrial and Consumer Services	531	527	1
IT services	1 416	1 376	3
Product Development Services	127	117	8
Total	1 543	1 493	3

M&A impact by service line

	Growth, % (in local currencies) 1–12/2017	Organic growth, % (in local currencies) 1–12/2017
Technology Services and Modernization	1.8	1.8
Business Consulting and Implementation	8.7	5.9
Industry Solutions	5.2	2.5
IT services	3.6	2.4
Product Development Services	9.6	9.6
Total	4.1	3.0

M&A impact by industry group

	Growth, % (in local currencies) 1–12/2017	Organic growth, % (in local currencies) 1–12/2017
Financial Services	4.4	1.1
Public, Healthcare and Welfare	5.6	5.4
Industrial and Consumer Services	1.3	0.6
IT services	3.6	2.4
Product Development Services	9.6	9.6
Total	4.1	3.0

Cash flow and financing

Fourth-quarter net cash flow from operations amounted to EUR 66.6 (50.2) million, including the decrease of EUR 13.5 (4.4) million in net working capital. Payments for restructuring amounted to EUR 3.5 (3.4) million.

Full-year net cash flow from operations amounted to EUR 151.0 (97.2) million, including the increase of EUR 15.4 (51.6) million in net working capital.

Full-year tax payments were EUR 16.9 (37.6) million, including a tax refund of EUR 4.8 million received during the fourth quarter. The refund was related to a tax reassessment decision in 2015 regarding the company's transfer-pricing audit in Finland.

The equity ratio was 42.6% (47.3). Gearing increased to 32.7% (22.5). Interest-bearing net debt totalled EUR 155.7 (109.7) million, including EUR 234.7 (166.9) million in interest-bearing debt, EUR 2.5 (5.5) million in finance lease liabilities, EUR 2.8 (5.7) million in finance lease receivables, EUR 0.5 (0.3) million in other interest-bearing receivables and EUR 78.2 (56.7) million in cash and cash equivalents.

The EUR 100 million bond matures in May 2019 and it carries a coupon of fixed annual interest of 2.875%. Interest-bearing long-term loans amounted to EUR 102.5 million at the end of December. Interest-bearing short-term loans amounted to EUR 134.6 million, mainly related to commercial paper issues and joint venture cash pool balances. The syndicated revolving credit facility of EUR 150 million maturing in May 2021 was not in use at the end of December. The EUR 85 million financing agreement, concluded with the European Investment Bank in June, was not utilized at the end of December. The agreement is a committed credit facility where Tieto has a possibility to withdraw funding for up to nine years.

Investments and development

The company has maintained its investment levels to accelerate innovation through offering development for high-growth businesses as well as acquisitions. Additionally, the company will continue to invest in standardization and automation to drive improvements in productivity and quality.

Full-year capital expenditure totalled EUR 50.8 (61.6) million, of which paid EUR 47.0 (61.7) million. Capital expenditure represented 3.3% (4.1) of net sales and was mainly related to data centres. Net payments for acquisitions totalled EUR 49.3 (37.6) million.

Tieto's offering development costs remained at the previous year's level at close to EUR 75 million, representing 5.0% of Group sales (EUR 75 million in 2016, representing 5.0% of net sales). These costs comprise service and solution development focusing on, for example, industry-specific software, Customer Experience Management and Security Services, as well as cloud services. Additionally, the costs for related internal development, such as automation in infrastructure services, are included in this amount. No development costs were capitalized for either 2017 or 2016.

Order backlog

In line with the emerging market trend, binding durations and values in new contracts are decreasing while frame agreements provide revenue opportunities. This market change is affecting both the order backlog and Total Contract Value, but has no impact on the market growth outlook. If the average contract duration had remained unchanged, Tieto's book-to-bill would be 0.2 higher than the reported figure (rolling 12 months compared with the base line in 2015).

Fourth-quarter Total Contract Value (TCV) amounted to EUR 543 (613) million and book-to-bill was 1.3 (1.5).

In the full year, Total Contract Value (TCV) amounted to EUR 1 575 (1 669) million and book-to-bill stood at 1.0 (1.1).

The order backlog continues to be healthy and amounted to EUR 1 860 (1 847) million. Of the backlog, 52% (49) is expected to be invoiced during 2018, representing annualized revenue value of EUR 974 (913) million for 2018.

The total value, including the part beyond the notice period and estimation related to consumption-based contracts, is included in the TCV. Order backlog includes all signed customer orders that have not been recognized as revenue, including the estimates of the value of consumption-based contract.

Major agreements in January–December

During the year, Tieto signed a number of new agreements with customers across all the industry groups. However, according to the terms and conditions of these agreements, Tieto is not able to disclose most of the contracts.

In January, a collaboration group of Norwegian municipalities (DGI) selected Tieto as its supplier of a new delivery platform for the six owner municipalities. In September, Norwegian municipalities initiated negotiations to review the scope of the agreement, and the parties decided to terminate the agreement in the fourth quarter. Its total value of approximately EUR 22 million has been deducted from Tieto's order intake and order backlog.

In January, Tieto signed an agreement to digitalize Region Blekinge's document and case management system with a new cloud-based service, Public 360°. The digitalization will result in faster, more efficient and more flexible information management and will pave the way for Region Blekinge's integration into the Blekinge County Council in 2019.

In January, Tieto took over the full responsibility for the next development phase of the eCommerce and omnichannel operations solution of Granngården, a major retail chain in Sweden. With this new solution, Granngården aims to develop their customer experience and to lay the basis for online revenue growth and seamless omnichannel experience.

In February, Tieto signed an outsourcing agreement with the municipality of Järfälla in the Stockholm region. The purpose is to provide future-proof application and IT services that will ensure a smooth digital transition and make everyday life for citizens easier. The contract is initially for four years, including two extension options for a total period of up to eight years, with a value of approximately EUR 14 million.

In February, Tieto signed a four-year deal with Swedish engineering and consultancy firm ÅF to modernize the company's IT infrastructure around the world. The contract extends Tieto's strategic partnership with ÅF and will help the firm pursue its aggressive growth targets with the help of cutting-edge cloud services and workplace solutions. Tieto will upgrade ÅF's IT infrastructure in offices across six different service areas, including Server and Storage through Tieto OneCloud.

In February, the Finnish Prime Minister's Office, Government ICT Centre (Valtori) and Tieto signed an agreement to digitalize case and document management within the ministries and governmental agencies in Finland. The assignment is one of the most significant digitalization projects in the country, supporting the nationwide transformation of central government administration. The agreement with Tieto is valid to the year 2020 and is intended to enable a gradual transition toward digital management of everything from case and document processes to electronic archiving.

In February, Tieto signed a three-year contract with SCA, Europe's largest private forest owner, to handle SAP Application Lifecycle Management Services, whereby Tieto will be responsible for application management and development. The aim is to help SCA follow industry best practices and at the same time ensure business continuity and lower application maintenance costs.

In March, Apoteket Group, a state-owned pharmaceuticals retailer in Sweden, extended their current Application Service Management contract with Tieto for an additional period of three years. The agreement provides Apoteket with a cost-effective solution combined with high availability to applications. The contract has an estimated value of EUR 4 million.

In March, Tieto signed an outsourcing agreement with Folksam, an insurance company in Sweden. Folksam and Tieto continue to develop their partnership with this outsourcing agreement under which Tieto takes over the responsibility for Folksam's IT operations in Östersund, Sweden. Based on the agreement, Folksam IT operations' employees in Östersund will be offered employment at Tieto. This will further strengthen Tieto's position in the Swedish market and will add valuable expertise in application management and consulting services.

In March, HSB and Tieto concluded a new three-year agreement on infrastructure services with an estimated contract value of EUR 7.8 million. HSB, the largest Swedish housing cooperative, was looking for an IT partner to help the organization build a coordinated IT infrastructure for its affiliated regional associations. Tieto's solution, based on SPOC Service Desk, OneCloud services, network services, application operations and customized infrastructure services, facilitates collaboration based on flexible standards while achieving a 30% reduction in costs for IT operations in a pay-as-you-use model.

In March, Tieto signed a five-year contract with Outokumpu whereby Tieto will supply Outokumpu with next generation infrastructure services. Tieto provides Outokumpu with multi-cloud capabilities based on its OneCloud solution, a combination of public and private cloud capacity platforms with a unified service experience. With Tieto's solution, Outokumpu enhances its competitiveness by improving operational efficiency through global standardization and decreased time-to-market.

In April, the energy company Vattenfall selected Tieto to deliver its Tieto Smart Utility for Vattenfall Distribution and Vattenfall Retail in Sweden based on two separate procurement processes. The new system will increase efficiency by digitalizing and automating the customer's core business processes, such as sales, customer services, work flow management and billing.

In April, Turku Energia, one of Finland's largest energy companies, selected the Tieto Smart Utility cloud service solution to support its energy retail and distribution businesses and its district heating, steam and cooling businesses. Tieto's Smart Utility will increase efficiency by digitalizing and automating the client's key processes and enabling seamless connection with the datahub, a forthcoming centralized information exchange solution for energy companies.

In May, the Finnish Transport Safety Agency, Trafi, signed a framework agreement to purchase information system services from Tieto. Tieto's experts will develop and maintain Trafi's information systems for road traffic, maritime, boating and information services. The contract period is valid from 2017 to 2021.

In May, Tieto and Fora, a service company that offers administrative solutions for collective insurance agreements and fees for parties on the labour market, signed an agreement extension on cloud and capacity services. The extended agreement continues to entail flexible and secure cloud solutions with high availability for both infrastructure capacity

and business-critical ERP systems. The solutions will help Fora strengthen continuity in operations as well as improve IT processes, resulting in reduced costs and increased flexibility.

In May, Tieto signed an outsourcing agreement with Inwido AB, Europe's largest supplier of windows and a leading door supplier, to deliver service desk, end user and infrastructure services. The contract is for five years and has a total value of EUR 6 million. The first signed agreement covers Sweden and several global services.

In June, Tieto signed an agreement with Lecta, one of the leading manufacturers and distributors of specialty papers for labels and flexible packaging, coated paper for publishing and other high value-added print media, to deliver the implementation of Tieto's paper solution template, integrating SAP with TIPS, Tieto's Mill Execution System product. During 2016 and the beginning of 2017, Tieto successfully completed a blueprint for streamlining and harmonizing Lecta's business processes based on Tieto's industry-specific Paper Solution Template. Tieto will by April 2018 implement the defined processes in SAP to create a common template for seven paper mills and support the rollout process. This will further strengthen Tieto's position as a preferred partner utilizing IT to drive and enable business change and to address the fast-changing market requirements.

In June, Tieto signed an agreement with Qliro, a Nordic company within the FinTech industry, specializing in eCommerce payments, consumer financing and savings accounts, to deliver a digital service for savings accounts. Emric, acquired by Tieto in September 2016, will deliver the underlying system (Emric's Managed Services solution) for the entire deposit value chain from automated customer registration to administration. The solution includes the core system that comprises not only a digital self-service platform, verification through BankID, and accounting, but also staffing for general administration. The agreement has a term of three years.

In June, Tieto signed an agreement with international media group Modern Times Group (MTG) to standardize, integrate and modernize MTG's IT infrastructure by delivering data centre, end-user, service desk, security and network services. The contract is for three years.

In June, Södertälje municipality chose Tieto as its supplier of end-user IT services and the underlying infrastructure, which will take the municipality's digitalization to the next level. Tieto will also provide the customer with service integration and management (SIAM) solutions to develop the municipality's IT services and coordinate suppliers. The contract is for five years with an option for an additional four years, and is worth approximately SEK 140 million. As part of the deal, Tieto will deliver end-user services such as IT workplaces, service desk, e-mail and printing services, as well as infrastructure including networks, internet connections, security services and an integration platform.

In June, Tieto signed a three-year contract with Mutual Pension Insurance Company Ilmarinen to digitalize and renew insurance services and processes. Tieto is delivering competences for insurance consulting, design thinking, service design, application and front-end development, testing and a SAFe framework.

In June, Tieto signed an agreement with Keva and Varma, two large Finnish pension providers, to deliver a new pension payment system. The three-year renewal project will create a platform for automated and modern payments. DevOps methods and automated solutions are used for system development. The new pension payment system will replace the current aging systems and will connect seamlessly to tax authorities, banks and the public pension system. Modern technologies and modularity will enable flexible developments in the future, allowing the system to adapt to new regulations in a cost-efficient way.

In June, Tieto signed an agreement with Stockholm County Council to provide application management services. This four-year contract with an option to extend by three more years has a total value of EUR 17 million.

In June, HERE, the Open Location Platform company, selected Tieto as one of their strategic outsourcing vendors. This long-term R&D cooperation contributes to HERE's fast growth strategies and strengthens Tieto's position as one of the leading vendors for product development services in automotive, smart traffic and IoT domains.

In September, Tieto signed an agreement with Arek, a service provider for pension companies in Finland, for a development project that is part of the customer's programme related to the National Income Register.

In September, Nævnenes Hus, a Danish Appeals Boards Authority (part of the Ministry of Industry, Business and Financial Affairs), signed a four-year contract with Tieto. Nævnenes Hus aims to create Europe's best complaint centre within a few years. With Tieto's Public 360° Process Engine, Nævnenes Hus will gain an improved overview, enhance its management of cases and automate manual processes. Furthermore, the client will combine historical databases with Tieto's eArchive 360°.

In September, Cargotec and Tieto entered into a partnership in which Tieto will take over Cargotec's overall IT service management and a major part of its solution expertise services. Tieto will take the responsibility for continuously modernizing and securing IT services and offering application development and lifecycle management services. Around 50 employees from Cargotec transferred to Tieto on 1 November 2017.

In September, the Ministry of Agriculture and Forestry together with the Agency for Rural Affairs, the Finnish Food Safety Authority and the Natural Resources Institute Finland signed a four-year contract with Tieto for continuous services and development of a shared eService environment. The provided services require very high availability and performance as well as high information security. The contract is based on the Hansel frame agreement and has an estimated value of EUR 6 million.

In September, Göteborg Energi, one of Sweden's leading energy companies, chose Tieto Smart Utility for its distribution and retail business. The system increases efficiency by digitalizing and automating core business processes such as sales, customer services, workflow and output management and billing. This will help improve the experience for approximately 600 000 energy retail and distribution customers. Tieto Smart Utility complies with regulatory requirements in the energy market and provides a seamless transition to the coming supplier centric model. The initial contract has a duration of five years, with an extension option for another five years.

In October, the Swedish municipality of Haninge selected Tieto to supply it with user-friendly IT services. Under the agreement, Tieto will deliver a modern IT workplace to facilitate the work of both school students and the municipality's administrative staff. The new solutions are in line with Haninge's overall digitalization strategy and will render the municipality's current work processes more efficient and enable the municipality's staff to better communicate with citizens. The two-year agreement has an estimated value of SEK 32 million and includes an extension option for another two years.

In October, Tieto and Tampere with municipalities in the region signed a three-year agreement on Service Integration and Management (SIAM) covering major incident situations in the complex multi-vendor environment. The goal is to improve coordination and quality assurance management in IT. The agreement includes SIAM Ticket Lifecycle Management, where Tieto takes responsibility for the coordination of solving tickets across all IT suppliers in the Tampere region. Additionally, the solution includes SIAM MIM Service, including 24/7 leadership in MIM situations in Finnish, coordination of problem solving together with all Tampere IT suppliers, coordination of root cause analysis and continuous improvement of the knowledge and instructions between parties.

In October, Tieto signed an agreement with the Norwegian Data Protection Agency to develop a national registry of Data Protection Officers (DPOs). Based on the new EU General Data Protection Regulation (GDPR), many organizations and businesses must appoint a DPO to ensure compliance with the legislation. The Norwegian Data Protection Agency is the supervisory body for the establishment of the DPOs, and the registry will be developed based on Tieto's standardized eArchive solution.

In November, Elo, a Finnish mutual pension insurance company, and Tieto prolonged their existing contract. Under the five-year agreement, Tieto will provide Elo with infrastructure and cloud services, and create a scalable modern platform to help increase cost-efficiency and streamline operations as well as create favourable conditions for Elo's future business and an efficient value chain.

In November, Tieto signed an agreement with the City of Stockholm to provide next-generation IT services for the city's administration and the companies owned by the municipality. The procurement includes workplace services, server and application management and service desk. The annual value of the tender was initially estimated to be approx. SEK 330 million (EUR 33 million). The contract value booked in 2017 was around EUR 80 million while the company expects the total value of the volume-based agreement to be higher than this. After the transition period in 2018, the contract is expected to have a full impact on sales as from 2019. The agreement is valid until 31 December 2023 and includes an option to extend by a maximum of six years.

In December, Tieto signed a contract with Martela, a Nordic company supplying furniture and interior solutions, whereby Tieto will deliver its Empathic Building workplace solution to Martela's head offices in Helsinki and Stockholm. Martela is harnessing its user-friendly features to improve the workplace experience of its personnel, while ensuring efficient use of its premises. Real-time data and visualized analytics dashboards add value for workplace users and provide a basis for new optimization services.

Business transactions in January–December

Based on a recommended public offer, Tieto Sweden AB acquired Avega Group AB, a Swedish consulting company in December. The acquisition will accelerate Tieto's growth areas and strengthen its footprint in the Swedish consulting-led market. Avega is planned to take a lead role in driving Tieto's business renewal agenda for Swedish customers and it will form the core of Tieto's Business Consulting and Implementation in Sweden. Avega has approximately 350 employees and its net sales amounted EUR 45.2 million (SEK 428 million) in 2016. Avega has been consolidated into Tieto as from 1 December.

Personnel

The number of full-time employees amounted to 14 329 (13 876) at the end of December. The number of full-time employees in the global delivery centres totalled 6 979 (6 643), or 48.7% (47.9) of all personnel.

In the full year, the number of full-time employees was up by a net amount of around 450, including the acquisition of Avega. In IT services, the number of employees increased by over 150, including over 500 redundancies and close to 250 recruitments (net). Acquisitions and outsourcing agreements added close to 450 employees. Product Development Services recruited close to 300 employees, mainly in offshore locations.

The 12-month rolling employee turnover stood at 11.3% (10.5) at the end of December.

Salary inflation is somewhat on the rise, especially in Sweden. In offshore countries, salary inflation is clearly above the average. Group-level salary inflation is expected to be close to 4% on average in 2018. Tieto anticipates that more than half of the salary inflation will be offset by greater offshoring and management of the age pyramid.

In Finland, Tieto reached an agreement on the national Competitiveness Pact, effective 13 January 2017. Based on the agreement, annual working time increased by around two working days in Finland.

Shareholders' Nomination Board

In September, the shareholders who wished to participate in the work of the Shareholders' Nomination Board nominated the following members:

- Martin Oliw, Partner, Cevian Capital AB
- Antti Mäkinen, Managing Director, Solidium Oy
- Timo Ritakallio, President and CEO, Ilmarinen Mutual Pension Insurance Company
- Satu Huber, Chief Executive Officer, Elo Mutual Pension Insurance Company
- Kurt Jofs, Chairman of the Board of Directors, Tieto Corporation.

The largest shareholders were determined on the basis of the shareholdings registered in the Finnish and Swedish book-entry systems on 31 August 2017.

Management

In September, Tieto announced changes in its Leadership Team and the Financial Services industry group. Per Johanson, Executive Vice President, Financial Services, decided to pursue new opportunities outside Tieto. Christian Segersven was appointed Executive Vice President to lead Financial Services and be a member of Tieto's Leadership Team as of 1 October 2017.

Shares

The number of Tieto shares amounted to 74 109 252 at the end of December. On 31 December, Tieto's holding amounted to a total of 386 127 own shares, representing 0.5% of the total number of shares and voting rights. The number of outstanding shares, excluding the treasury shares, was 73 723 125 at the end of the year. There were no flagging announcements during 2017.

Additional information regarding shares and shareholders is available at www.tieto.com/investors/shares.

Dividend

The distributable funds of the parent company amount to EUR 585.5 million, of which net profit for the current year amounts to EUR 103.5 million. The Board of Directors proposes a dividend of EUR 1.20 (1.15) per share for 2017. In light of the company's strong cash flow and targeted capital structure, an additional dividend of EUR 0.20 (0.22) is proposed. Tieto will maintain its capacity to invest in growth both organically and inorganically after dividends. The proposed dividend payout does not endanger the solvency of the company.

The dividend shall be paid to shareholders who are recorded in the shareholders' register held by Euroclear Finland Ltd or the register of Euroclear Sweden AB on the proposed dividend record date, 26 March 2018.

Near-term risks and uncertainties

Consolidated net sales and profitability are sensitive to volatility in exchange rates, especially that of the Swedish Krona and Norwegian Krona. Sales to Sweden and Norway represent close to half of the Group's sales. Further details on management of currency risks are provided in the Financial Statements and on currency impacts at www.tieto.com/currency-impact.

Tieto's ambition to drive customer transformation also poses a risk of lower prices in existing services while it is also anticipated to expand the company's sales opportunities. At the same time, new disruptive technologies, such as cloud computing, drive customer demand towards standardized and less labour-intensive solutions. These changes might result in the need for continuous restructuring and the need to recruit new competences. That may lead to temporarily overlapping personnel costs and uncertainty among personnel.

The new EU General Data Protection Regulation will take effect in May 2018. The new GDPR-based requirements may result in an incremental increase in offering development costs for Tieto's software-based solutions, while based on

several customer agreements Tieto is entitled to invoice its customers for additional development work. Additionally, the new regulation is opening up new opportunities, such as for Tieto's security and application services.

The company's development is relatively sensitive to changes in the demand from large customers as Tieto's top 10 customers currently account for 31% of its net sales, with Product Development Services having the highest customer concentration in the company. However, the share has decreased by several percentage points during the past years.

Typical risks faced by the IT service industry relate to the development and implementation of new technologies and software. In Tieto's case these relate to both own software development and implementation of third-party software for service delivery. Furthermore, additional technology licence fees, the quality of deliveries and related project overruns and penalties pose potential risks.

Companies around the world are facing new risks arising from tax audits and some countries may introduce new regulation. Additionally, changes in the tax authorities' interpretations could have unfavourable impacts on taxpayers.

Full-year outlook for 2018

Tieto expects its adjusted¹⁾ full-year operating profit (EBIT) to increase from the previous year's level (EUR 161.5 million²⁾ in 2017).

¹⁾ adjusted for restructuring costs, capital gains/losses, goodwill impairment charges and other items

²⁾ subject to revision according to IFRS 15 restatement

Auditing

The full-year figures in this report are audited.

Financial calendar 2018

By 28 February	Annual Report 2017 on Tieto's website
22 March	Annual General Meeting

Tieto will publish three interim reports:

26 April	Interim report 1/2018 (8.00 am EET)
20 July	Interim report 2/2018 (8.00 am EET)
24 October	Interim report 3/2018 (8.00 am EET)

Accounting policies 2017

The interim report has been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the EU. The accounting policies adopted are consistent with those used in the annual financial statements for the year ended on 31 December 2017. The standards, amendments and interpretations which are effective 1 January 2017 are not material to the Group.

The accounting policies will be described in more detail in the annual financial statements for the year ended on 31 December 2017.

The Group's assessment of the impact of the new standards IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' are described below and assessment of the impact of IFRS 16 'Leases' is described in the annual financial statements for the year ended on 31 December 2017.

New and amended standards adopted as of 1 January 2018

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 is based on the principle that revenue is recognized when control of a good or service transfers to a customer.

IFRS 15 is mandatory for financial years commencing on or after 1 January 2018. The Group will adopt IFRS 15 in its consolidated financial statements for the year ending 31 December 2018, using the retrospective approach.

The business models consist of continuous services, software solutions, projects and consulting. Goods mainly include sales of software licences. Revenue comprises the fair value for the sale of IT services and goods, net of value-added tax, discounts and exchange rate differences.

Management has assessed the effects of applying the new standard and does not expect it to have a material impact on the Group's financial statements. The impacts on 2017 net sales are expected to be less than EUR 0.5 million.

The assessment focused on the following areas that were expected to be affected by IFRS 15:

Continuous services

- Transition revenue and costs incurred in the initial phase of continuous operating service contracts. Currently revenue is recognized during transition and costs are expensed as they arise. Under IFRS 15 set-up activities do not result in the transfer of a promised good or service and are not identified as a performance obligation to the customer. The costs of set-up activities are not expensed but recognized as an asset under IFRS 15, provided that the defined criteria are met. Based on the assessment, the proportion of set-up activities in current transition contracts is not significant, and therefore the impact on the Group's financial statements is not expected to be material.

Software solutions

- Software licences and other goods. Currently sales of goods are recognized when the decisive risks and rewards that are connected with the ownership of the goods sold are transferred to the buyer and the seller retains neither a continuing right to dispose of the goods nor effective control of those goods. In product business the contracts with customers typically include software licences, implementation and maintenance. Depending on the customization and integration level the software licences are currently recognized separately at transfer of risks and rewards to the buyer, or together with the implementation service when customization is significant and the licence is not functional apart from service. The application of IFRS 15 may result in some alignments in identification of performance obligations that could partly affect the timing of the recognition of licence revenue, but no material impact is expected.
- Software as a service (SaaS). The Group has recently signed several SaaS contracts with customers. The contracts comprise implementation project and continuing service contracts. Based on the assessment, the implementation projects for these contracts include set-up activities and implementation services covering customer onboarding to a standardized, module-based software with some customization that is not regarded as significant. The implementation services are identified as distinct performance obligations from continuing SaaS service. Set-up activities are accounted for similarly as for transition in connection to the operating services. Set-up in current SaaS contracts is not expected to have a material impact on the Group's financial statements.

Projects

- Warranty obligations. The Group provides warranties for software or application delivery projects and does not provide extended warranties with services in its contracts with customers. Based on the assessment, the warranties are assurance-type warranties. Currently the warranties for time- and material-based contracts are accounted for as deferred revenue over the project period. Under IFRS 15 the warranties will be accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The impact on the Group's financial statements will not be material.

Common for all business models

- Variable consideration. Under IFRS 15 the variable consideration will be required to be estimated at contract inception. IFRS 15 requires the estimated variable consideration to be constrained to prevent over-recognition of revenue. The most usual variable elements in the transaction price consist of different types of discounts. Based on the assessment, no major change in timing of the revenue is expected.

Overall, the timing of revenue recognition is not expected to change significantly. Revenue from service contracts is currently based on service volumes or time and materials and recognized over the accounting period in which the service is rendered or project completed. The Group will account for continuous services in a contract as a series of distinct goods or services, as one performance obligation, when the criteria defined in IFRS 15 are met.

Under IFRS 15 revenue will be recognized over time provided that the defined criteria in IFRS 15 are met. The Group has assessed that the services are generally satisfied over time given that either the customer simultaneously receives and consumes the benefits provided by the Group, or the Group's performance does not create an asset with an alternative use for the Group, in which case there is an enforceable right to payment for work completed to date.

When using the retrospective approach, the Group will apply the requirements of IFRS 15 to each comparative period presented and adjust its consolidated financial statements. The Group plans to use the practical expedients permitted by IFRS 15 when an entity applies the standard retrospectively.

IFRS 9 'Financial Instruments'

IFRS 9 addresses the following aspects of Financial Instruments accounting:

- Recognition and derecognition
- Classification and measurement, including impairment
- Hedge accounting

The Group has adopted the standard on its mandatory date at 1 January 2018.

The Group does not expect IFRS 9 implementation to have a material impact on its Statement of Financial Position or Statement of Profit or Loss and Other Comprehensive Income.

With respect to classification and measurement, the Group has evaluated the asset groups within the scope of IFRS 9 using both business model and contractual cash flow tests. Due to the results of these tests, the Group does not expect to change its accounting treatment for most of its assets, except for trade account receivables sold via non-recourse factoring, which are held to sell within the business model and hence will be accounted at fair value through profit or loss (FVTPL), instead of amortized cost, and presented separately in the Statement of Financial Position.

There will be no impact on the Group's accounting for financial liabilities.

With regards to the new impairment methodology (from incurred to expected credit losses), the Group has preliminarily estimated that if the IFRS 9 methodology had already been implemented in the 2016 reporting period, the overall result at last year-end would have been as follows:

EUR million	As reported in 2016 Financial Statement	If IFRS 9 had been applied to the same balances ^{*)}
Expected credit losses on trade receivables	1.5	~0.9
Expected credit losses on contract assets	-	~0.2

^{*)}using only historical loss experience, since making any further adjustments would be using hindsight

The Group has no open cash flow hedge relationships with changes in fair value accounted in equity. Accordingly, the Group does not expect a significant impact on the accounting for its hedging relationships.

The Group plans to take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 will generally be recognized in retained earnings as at 1 January 2018.

Reported alternative performance measures

Tieto uses "Adjusted operating profit (EBIT)" as an alternative performance measure to better reflect its operational business performance and to enhance comparability between financial periods. This alternative performance measure is reported in addition to, but not as a substitute for, the performance measures reported in accordance to IFRS. Adjusted items include restructuring costs, capital gains/losses, goodwill impairment charges and other items.

Adjusted operating profit (EBIT)

EUR million	2017 10-12	2016 10-12	2017 7-9	2017 4-6	2017 1-3	2017 1-12	2016 1-12
Operating profit (EBIT)	48.0	45.1	41.1	28.2	21.9	139.2	140.8
+ restructuring costs	3.7	7.8	0.2	5.3	13.5	22.7	14.8
+ capital losses	0.3	-	-	-	-	0.3	0.2
+/- M&A related items	-0.2	-0.6	0.0	0.0	0.0	-0.2	-1.9
+/- other	-2.5 ^{****)}	-2.8 ^{**)}	-0.1	2.1 ^{*)}	-	-0.5 ^{*) ****)}	-1.7 ^{**) ****)}
Adjusted operating profit (EBIT)	49.3	49.5	41.2	35.6	35.4	161.5	152.2

^{*)} In Sweden, one pension plan treated as a defined benefit plan was closed and a new contribution plan was established. Due to this, net costs of EUR 1.1 million have been recognized.

Includes also EUR 1.0 million write-off related to obsolete assets replaced by new technologies.

^{**) value added tax correction from previous years EUR -1.1 million in Russia.}

^{****)} In Finland, around 250 active employees have been included in the defined benefit pension plans. Based on negotiations with the insurance company, Tieto closed its defined benefit plan for future pension accrual. As a consequence, a settlement gain of EUR 4.6 million has been recognized in personnel expenses in December 2016. More information is available in the 2016 Annual Report. "Other items" also includes EUR 1.5 million in one-off write-offs related to obsolete assets replaced by new technologies.

^{****)} In Finland, active employees having defined benefit pension plans have, as of 1 Jan 2017, had the option to transfer their defined benefit pensions to the defined contribution plan, and some active employees decided to make that change. Due to this, a settlement gain of EUR 2.4 million has been recognized in personnel costs in December 2017. More information will be available in the 2017 Annual Report.

Key figures

	2017 10–12	2016 10–12	2017 7–9	2017 4–6	2017 1–3	2017 1–12	2016 1–12
Earnings per share, EUR							
Basic	0.50	0.46	0.46	0.28	0.21	1.46	1.46
Diluted	0.50	0.46	0.46	0.28	0.21	1.46	1.46
Equity per share, EUR	6.45	6.62	6.06	5.60	5.44	6.45	6.62
Return on equity, 12-month rolling, %	22.4	22.1	23.6	23.6	25.3	22.4	22.1
Return on capital employed, 12-month rolling, %	20.5	21.6	21.0	21.0	25.8	20.5	21.6
Equity ratio, %	42.6	47.3	44.5	40.6	39.2	42.6	47.3
Interest-bearing net debt, EUR million	155.7	109.7	161.4	164.6	38.0	155.7	109.7
Gearing, %	32.7	22.5	36.1	39.8	9.5	32.7	22.5
Capital expenditure, EUR million	11.4	24.4	9.1	21.0	9.3	50.8	61.6
Acquisitions, EUR million	49.3	0.3	-	-	-	49.3	37.6

Number of shares

	2017 10–12	2017 7–9	2017 4–6	2017 1–3	2017 1–12	2016 10–12	2016 1–12
Outstanding shares, end of period							
Basic	73 723 125	73 723 125	73 723 125	73 723 125	73 723 125	73 697 570	73 697 570
Diluted	73 723 125	73 723 125	73 723 125	73 723 125	73 723 125	73 697 570	73 697 570
Outstanding shares, average							
Basic	73 723 125	73 723 125	73 723 125	73 720 853	73 722 565	73 697 570	73 660 433
Diluted	73 723 125	73 723 125	73 723 125	73 720 853	73 722 565	73 697 570	73 678 634
Company's possession of its own shares							
End of period	386 127	386 127	386 127	386 127	386 127	411 682	411 682
Average	386 127	386 127	386 127	388 399	386 687	411 682	421 604

Income statement, EUR million

	2017 10–12	2016 10–12	2017 1–12	2016 1–12	Change %
Net sales	409.6	403.6	1 543.2	1 492.6	3
Other operating income	6.8	7.6	17.4	19.8	-12
Employee benefit expenses	-219.6	-216.2	-873.1	-827.1	6
Depreciation, amortization and impairment charges	-13.8	-13.9	-54.7	-53.9	1
Other operating expenses	-136.0	-137.1	-496.8	-493.8	1
Share of profit from investments accounted for using the equity method	1.0	1.1	3.2	3.2	0
Operating profit (EBIT)	48.0	45.1	139.2	140.8	-1
Interest and other financial income	0.2	0.4	1.5	2.1	-29
Interest and other financial expenses	-1.1	-1.1	-4.7	-5.0	-6
Net exchange gains/losses	-0.7	-0.1	-0.2	-1.1	-82
Profit before taxes	46.4	44.3	135.8	136.8	-1
Income taxes	-9.6	-10.1	-28.0	-29.6	-5
Net profit for the period	36.8	34.2	107.8	107.2	1
Net profit for the period attributable to					
Shareholders of the Parent company	36.8	34.2	107.8	107.2	1
Non-controlling interest	0.0	0.0	0.0	0.0	-
	36.8	34.2	107.8	107.2	1
Earnings per share attributable to the shareholders of the Parent company, EUR					
Basic	0.50	0.46	1.46	1.46	0
Diluted	0.50	0.46	1.46	1.46	0
Statement of comprehensive income, EUR million					
Net profit for the period	36.8	34.2	107.8	107.2	1
Items that may be reclassified subsequently to profit or loss					
Translation differences	-8.3	2.1	-19.0	-2.1	-
Cash flow hedges (net of tax)	-	0.0	-	-0.2	-
Items that will not be reclassified subsequently to profit or loss					
Actuarial gain/loss on post-employment benefit obligations (net of tax)	-0.7	5.4	-2.4	-2.1	-
Total comprehensive income	27.8	41.7	86.4	102.8	-16
Total comprehensive income attributable to					
Shareholders of the Parent company	27.8	41.7	86.4	102.8	-16
Non-controlling interest	0.0	0.0	0.0	0.0	-
	27.8	41.7	86.4	102.8	-16

Balance sheet, EUR million

	2017 31 Dec	2016 31 Dec	Change %
Goodwill	441.3	409.7	8
Other intangible assets	51.1	52.3	-2
Property, plant and equipment	94.9	94.0	1
Investments accounted for using the equity method	16.3	16.5	-1
Deferred tax assets	25.7	29.9	-14
Finance lease receivables	0.8	2.2	-64
Other interest-bearing receivables	0.4	0.0	-
Available-for-sale financial assets	0.5	0.7	-29
Total non-current assets	631.0	605.3	4
Trade and other receivables	420.7	390.3	8
Pension benefit assets	7.4	7.4	0
Finance lease receivables	2.0	3.5	-43
Other interest-bearing receivables	0.0	0.3	-100
Current income tax receivables	8.7	11.0	-21
Cash and cash equivalents	78.2	56.7	38
Total current assets	517.0	469.2	10
Total assets	1 148.0	1 074.5	7
Share capital, share issue premiums and other reserves	119.2	120.0	-1
Retained earnings	356.0	368.1	-3
Parent shareholders' equity	475.2	488.1	-3
Non-controlling interest	0.4	-	-
Total equity	475.6	488.1	-3
Loans	102.5	103.8	-1
Deferred tax liabilities	38.3	34.9	10
Provisions	2.6	5.4	-52
Pension obligations	11.9	13.9	-14
Other non-current liabilities	3.8	0.2	-
Total non-current liabilities	159.1	158.2	1
Trade and other payables	362.5	344.6	5
Current income tax liabilities	5.9	3.5	69
Provisions	10.3	11.5	-10
Loans	134.6	68.6	96
Total current liabilities	513.3	428.2	20
Total equity and liabilities	1 148.0	1 074.5	7

Net working capital in the balance sheet, EUR million

	2017 31 Dec	2016 31 Dec	Change %	2017 30 Sep	2017 30 Jun	2017 31 Mar
Accounts receivable	309.3	282.4	10	265.7	265.3	263.7
Other working capital receivables	111.4	107.9	3	123.1	131.5	130.9
Working capital receivables included in assets	420.7	390.3	8	388.8	396.8	394.6
Accounts payable	104.2	96.3	8	84.0	98.2	95.9
Personnel related accruals	155.0	137.6	13	132.9	151.3	159.0
Provisions	12.9	16.9	-24	15.0	21.1	24.1
Other working capital liabilities	99.0	100.3	-1	97.1	105.0	125.3
Working capital liabilities included in liabilities	371.1	351.1	6	329.0	375.6	404.3
Net working capital in the balance sheet	49.6	39.2	27	59.8	21.2	-9.7

Cash flow, EUR million

	2017 10–12	2016 10–12	2017 7–9	2017 4–6	2017 1–3	2017 1–12	2016 1–12
Cash flow from operations							
Net profit	36.8	34.2	34.3	21.0	15.7	107.8	107.2
Adjustments							
Depreciation, amortization and impairment charges	13.8	13.9	13.6	13.6	13.7	54.7	53.9
Share-based payments	0.4	0.2	0.5	0.6	0.4	1.9	1.3
Profit/loss on sale of fixed assets and shares	0.3	0.0	-0.2	-0.1	0.0	0.0	0.1
Share of profit from investments accounted for using the equity method	-1.0	-1.1	-0.8	-0.7	-0.7	-3.2	-3.2
Other adjustments	-5.4	-4.5	0.5	0.0	-0.5	-5.4	-7.7
Net financial expenses	1.6	0.8	0.2	0.6	1.0	3.4	4.0
Income taxes	9.6	10.1	6.6	6.6	5.2	28.0	29.6
Change in net working capital	13.5	4.4	-40.1	-36.0	47.2	-15.4	-51.6
Cash generated from operations	69.6	58.0	14.6	5.6	82.0	171.8	133.6
Net financial expenses paid	-2.8	1.1	0.4	-5.6	0.6	-7.4	-2.6
Dividends received from investments accounted for using the equity method	-	-	-	-	3.5	3.5	3.8
Income taxes paid	-0.2	-8.9	-4.2	-6.1	-6.4	-16.9	-37.6
Net cash flow from operations	66.6	50.2	10.8	-6.1	79.7	151.0	97.2
Cash flow from investing activities							
Acquisition of Group companies and business operations, net of cash acquired	-43.3	-0.1	-	-	-0.4	-43.7	-32.3
Capital expenditures	-11.6	-24.3	-9.2	-16.9	-9.3	-47.0	-61.7
Disposal of Group companies and business operations, net of cash disposed	-0.3	-	-	-	-	-0.3	0.0
Sales of fixed assets	0.2	0.0	0.0	0.2	0.0	0.4	0.1
Sales of available-for-sale financial assets	-	-	0.0	-	-	0.0	-
Change in loan receivables	0.5	0.8	0.8	1.3	0.1	2.7	2.5
Net cash used in investing activities	-54.5	-23.6	-8.4	-15.4	-9.6	-87.9	-91.4
Cash flow from financing activities							
Dividends paid	-	-	-	-101.0	-	-101.0	-99.3
Exercise of stock options	-	-	-	-	-	-	0.8
Payments of finance lease liabilities	-0.2	-0.4	-0.2	-0.3	-0.3	-1.0	-1.3
Change in interest-bearing liabilities	28.9	-42.1	-11.0	95.3	-51.4	61.8	-4.4
Net cash used in financing activities	28.7	-42.5	-11.2	-6.0	-51.7	-40.2	-104.2
Change in cash and cash equivalents	40.8	-15.9	-8.8	-27.5	18.4	22.9	-98.4
Cash and cash equivalents at the beginning of period	41.9	71.7	51.3	76.9	56.7	56.7	156.2
Foreign exchange differences	-4.5	0.9	-0.6	1.9	1.8	-1.4	-1.1
Change in cash and cash equivalents	40.8	-15.9	-8.8	-27.5	18.4	22.9	-98.4
Cash and cash equivalents at the end of period	78.2	56.7	41.9	51.3	76.9	78.2	56.7

Statement of changes in shareholders' equity, EUR million

	Parent shareholders' equity								Non- control- ing inter- est	Total equity	
	Share cap- ital	Share issue premi- ums and other re- ser- ves	Share issue based on stock options	Own shares	Trans- lation differ- ences	Cash flow hedges	In- vest- ed unre- strict- ed equity re- serve	Re- tained earn- ings	Total		
At 31 Dec 2015	76.6	44.6	0.0	-11.6	-49.2	0.2	12.1	410.1	482.8	0.1	482.9
Comprehensive income											
Net profit for the period								107.2	107.2	0.0	107.2
Other comprehensive income											
Actuarial loss on post- employment benefit obligations (net of tax)								-2.1	-2.1		-2.1
Translation difference		-1.2			-3.1			2.2	-2.1		-2.1
Cash flow hedges (net of tax)						-0.2			-0.2		-0.2
Total comprehensive income		-1.2			-3.1	-0.2		107.3	102.8	0.0	102.8
Transactions with owners											
Share-based payments recognized against equity								1.1	1.1		1.1
Dividend								-99.4	-99.4		-99.4
Share subscriptions based on stock options			0.0				0.7		0.7		0.7
Non-controlling interest								0.1	0.1	-0.1	-
Total transactions with owners	0.0	0.0	0.0				0.7	-98.2	-97.5	-0.1	-97.6
Impact on investments accounted for using the equity method								0.0	0.0		0.0
At 31 Dec 2016	76.6	43.4	0.0	-11.6	-52.3	-	12.8	419.2	488.1	-	488.1

	Parent shareholders' equity								Non- control- ling inter- est	Total equity	
	Share capi- tal	Share issue premi- ums and other re- ser- ves	Share issue based on stock op- tions	Own shares	Trans- lation differ- ences	Cash flow hedges	In- vest- ed unre- strict- ed equity re- serve	Re- tained earn- ings	Total		
At 31 Dec 2016	76.6	43.4	0.0	-11.6	-52.3	-	12.8	419.2	488.1	-	488.1
Comprehensive income											
Net profit for the period								107.8	107.8	0.0	107.8
Other comprehensive income											
Actuarial loss on post-employment benefit obligations (net of tax)								-2.4	-2.4		-2.4
Translation difference from the net investment in Swedish subsidiaries (net of tax)								0.4	0.4		0.4
Translation difference		-0.8			-26.2			7.6	-19.4		-19.4
Cash flow hedges (net of tax)									-		-
Total comprehensive income		-0.8			-26.2	-		113.4	86.4	0.0	86.4
Transactions with owners											
Share-based payments recognized against equity								1.7	1.7		1.7
Dividend								-101.0	-101.0		-101.0
Non-controlling interest										0.4	0.4
Total transactions with owners	0.0	0.0	0.0				0.0	-99.3	-99.3	0.4	-98.9
Impact on investments accounted for using the equity method											
								0.0	0.0		0.0
At 31 Dec 2017	76.6	42.6	0.0	-11.6	-78.5	-	12.8	433.3	475.2	0.4	475.6

Segment information

Customer sales by service line, EUR million

	2017 10–12	2016 10–12	Change %	2017 1–12	2016 1–12	Change %
Technology Services and Modernization	199	197	1	771	762	1
Business Consulting and Implementation	42	38	10	150	139	8
Industry Solutions	135	138	-2	496	475	5
Product Development Services	34	31	10	127	117	8
Group total	410	404	1	1 543	1 493	3

No internal sales occur between service lines as in the management accounting, revenue and costs are booked directly to the respective customer projects in the service lines.

Customer sales by country, EUR million

	2017 10–12	2016 10–12	Change %	2017 1–12	Change %	Share %	2016 1–12	Share %
Finland	177	182	-3	676	0	44	674	45
Sweden	162	151	8	599	6	39	566	38
Norway	40	46	-13	161	2	10	159	11
Other	30	25	20	107	15	7	94	6
Group total	410	404	1	1 543	3	100	1 493	100

In Finland, IT services sales decreased with 2.5% during the fourth quarter and grew by 0.2% in the full year.

In Sweden, growth in local currencies was 8.2% during the fourth quarter and 7.7% in the full year. IT services grew in local currencies by 8.8% during the fourth quarter and 8.0% in the full year.

In Norway, sales decreased in local currencies with 7.6% during the fourth quarter and grew by 2.0% during the full year.

Customer sales by industry group, EUR million

	2017 10–12	2016 10–12	Change %	2017 1–12	2016 1–12	Change %
Financial Services	100	101	-1	385	370	4
Public, Healthcare and Welfare	135	135	1	502	479	5
Industrial and Consumer Services	140	137	3	531	527	1
Product Development Services	34	31	10	127	117	8
Group total	410	404	1	1 543	1 493	3

Customer sales to the telecom sector were EUR 240 (232) million during January–December.

Revenues derived from any single external customer during January–December 2017 or 2016 did not exceed the 10% level of the total net sales of the Group.

Operating profit (EBIT) by service line, EUR million

	2017 10–12	2016 10–12	Change %	2017 1–12	2016 1–12	Change %
Technology Services and Modernization	24.7	26.2	-5.8	84.8	89.0	-4.8
Business Consulting and Implementation	2.4	2.0	17.8	8.0	4.1	93.0
Industry Solutions	23.2	19.7	17.9	55.4	55.2	0.2
Product Development Services	3.5	3.3	7.2	12.3	10.9	13.3
Support Functions and Global Management	-5.9	-6.2	4.2	-21.2	-18.5	-14.7
Operating profit (EBIT)	48.0	45.1	6.4	139.2	140.8	-1.1

Operating margin (EBIT) by service line, %

	2017 10–12	2016 10–12	Change pp	2017 1–12	2016 1–12	Change pp
Technology Services and Modernization	12.4	13.3	-0.9	11.0	11.7	-0.7
Business Consulting and Implementation	5.7	5.3	0.4	5.3	3.0	2.3
Industry Solutions	17.2	14.3	2.9	11.2	11.6	-0.5
Product Development Services	10.3	10.6	-0.3	9.7	9.3	0.5
Operating margin (EBIT)	11.7	11.2	0.5	9.0	9.4	-0.4

Adjusted operating profit (EBIT) by service line, EUR million

	2017 10–12	2016 10–12	Change %	2017 1–12	2016 1–12	Change %
Technology Services and Modernization	26.3	27.7	-5.2	95.8	92.4	3.7
Business Consulting and Implementation	2.0	0.7	198.2	7.2	1.7	316.9
Industry Solutions	21.3	21.5	-0.8	58.7	59.2	-0.9
Product Development Services	3.5	3.5	-0.2	12.6	11.1	14.1
Support Functions and Global Management	-3.8	-4.0	4.2	-12.8	-12.2	-5.2
Adjusted operating profit (EBIT)	49.3	49.5	-0.3	161.5	152.2	6.1

Adjusted operating margin (EBIT) by service line, %

	2017 10–12	2016 10–12	Change pp	2017 1–12	2016 1–12	Change pp
Technology Services and Modernization	13.2	14.1	-0.9	12.4	12.1	0.3
Business Consulting and Implementation	4.8	1.8	3.0	4.8	1.2	3.5
Industry Solutions	15.8	15.5	0.2	11.8	12.5	-0.6
Product Development Services	10.3	11.3	-1.0	10.0	9.4	0.5
Adjusted operating margin (EBIT)	12.0	12.3	-0.2	10.5	10.2	0.3

Personnel by service line

	End of period			Average		
	2017 1–12	Change %	Share %	2016 1–12	2017 1–12	2016 1–12
Technology Services and Modernization	6 108	-4	43	6 338	6 144	6 159
Business Consulting and Implementation	1 728	26	12	1 376	1 422	1 367
Industry Solutions	4 070	1	28	4 024	4 029	3 813
Product Development Services	1 532	23	11	1 243	1 414	1 222
Service lines total	13 438	4	94	12 981	13 009	12 560
Industry groups	279	7	2	260	261	272
Support Functions and Global Management	612	-4	4	635	619	641
Group total	14 329	3	100	13 876	13 889	13 472

Personnel by country

	End of period			Average		
	2017 1–12	Change %	Share %	2016 1–12	2017 1–12	2016 1–12
Finland	3 364	-5	23	3 552	3 395	3 586
Sweden	3 036	13	21	2 698	2 733	2 583
India	2 571	3	18	2 503	2 514	2 379
Czech Republic	2 254	0	16	2 247	2 243	2 145
Latvia	612	-6	4	649	629	664
Norway	600	-6	4	636	611	607
Poland	538	30	4	413	482	394
China	460	51	3	305	387	280
Estonia	274	-2	2	280	291	256
Austria	134	-3	1	138	135	130
Lithuania	106	7	1	99	98	111
Other	381	7	3	357	370	337
Group total	14 329	3	100	13 876	13 889	13 472
Onshore countries	7 350	2	51	7 233	7 086	7 117
Offshore countries	6 979	5	49	6 643	6 803	6 355
Group total	14 329	3	100	13 876	13 889	13 472

Non-current assets by country, EUR million

	2017 31 Dec	2016 31 Dec	Change %
Finland	84.6	85.9	-2
Sweden	42.8	39.3	9
Norway	12.0	15.4	-22
Other	6.5	5.7	14
Total non-current assets	145.9	146.4	0

Goodwill is allocated to the Cash Generating Units, which include several countries and therefore goodwill is not included in the country specific non-current assets shown above.

Depreciation by service line, EUR million

	2017 10–12	2016 10–12	Change %	2017 1–12	2016 1–12	Change %
Technology Services and Modernization	8.2	8.6	-5	32.7	35.2	-7
Business Consulting and Implementation	0.0	0.0	-	0.1	0.1	57
Industry Solutions	0.2	0.2	-15	0.9	0.8	15
Product Development Services	0.0	0.0	-	0.1	0.0	-
Support Functions and Global Management	1.6	1.1	42	5.7	3.7	56
Group total	10.0	10.0	0	39.5	39.8	-1

Amortization on allocated intangible assets from acquisitions by service line, EUR million

	2017 10–12	2016 10–12	Change %	2017 1–12	2016 1–12	Change %
Technology Services and Modernization	-	-	-	-	-	-
Business Consulting and Implementation	0.2	0.1	95	0.5	0.4	23
Industry Solutions	1.0	1.0	0	3.7	2.8	32
Product Development Services	-	-	-	-	-	-
Support Functions and Global Management	-	-	-	-	-	-
Group total	1.2	1.1	10	4.3	3.3	31

Amortization on other intangible assets by service line, EUR million

	2017 10–12	2016 10–12	Change %	2017 1–12	2016 1–12	Change %
Technology Services and Modernization	2.2	2.3	-4	8.8	8.9	-2
Business Consulting and Implementation	0.0	0.0	-	0.1	0.1	-14
Industry Solutions	0.1	0.1	4	0.6	0.2	142
Product Development Services	0.0	0.0	-	0.0	0.0	-
Support Functions and Global Management	0.2	0.4	-49	1.5	1.6	-10
Group total	2.6	2.8	-10	10.9	10.8	1

Acquisitions

Tieto completed the following acquisition during 2017:

* **Avega Group AB**, acquisition date 1 December 2017

On 23 October, 2017, Tieto offered to acquire all of Avega Group AB's shares and subscription rights in a voluntary public offer. The initial offer period ended 28 November 2017 and on 1 December 2017 (being the acquisition date) Tieto announced that it will consummate the exchange offer. During the offer period and until 31 December 2017 Tieto had acquired in total 96,7 % of Avega Group AB shares. Tieto has submitted a compulsory redemption proceeding for the remaining part of the shares and subscription rights. Therefore Avega Group AB has been consolidated in full as of the acquisition date.

Avega is a Swedish consultancy company specialized in digital transformation. The acquisition supports Tieto's ambition to accelerate growth and become the preferred business renewal partner in Sweden, where the market is very consulting-led.

The following table summarizes the consideration paid, the fair value of assets acquired and liabilities assumed at the acquisition date.

The following table summarizes the consideration paid, the fair value of assets acquired and liabilities assumed at the acquisition date.

The purchase price allocation is provisional due to ongoing identification and valuation of the underlying assets and liabilities.

Consideration

EUR million

Paid in cash	45.0
Unpaid consideration	2.4
Total consideration	47.4

Recognized amounts of identifiable assets acquired and liabilities assumed

EUR million	Recognized on acquisition
Property, plant and equipment	0.0
Intangible assets	6.2
Deferred tax assets	0.3
Trade and other receivables	10.5
Cash and cash equivalents	3.0
Loans	-1.3
Deferred tax liabilities	-1.4
Trade and other payables	-10.2
Non-controlling interests in subsidiaries	-0.3
Goodwill	40.6
Total	47.4

The identified intangible assets relate to customer relationships.

The goodwill is attributable to market share and new competencies. It will not be deductible for tax purposes.

The non-controlling interests in the subsidiaries of Avega Group has been recognized at its proportionate share of the acquired net identifiable assets.

Acquisition-related costs of EUR 1.0 million are included in other expenses in the income statement and in cash flow from operations.

Since the date of acquisition, the acquired unit has contributed about EUR 4 million to the revenue and EUR 0 million to the operating profit of the Group.

If the combinations had taken place at the beginning of the year, the revenue for the Group would have been about EUR 47 million and profit about EUR 3 million.

Change in contingent consideration from acquisitions completed in 2015 and 2016

Contingent consideration related to 2015 and 2016 acquisitions and respective contingent liability decreased with EUR 4.5 million.

EUR million

Contingent consideration on 1 Jan 2017	8.3
Change recognized in 2017	-4.5
Remaining contingent consideration	3.8

Commitments and contingencies, EUR million

	2017 31 Dec	2016 31 Dec
For Tieto obligations		
Pledges	1.6	-
Mortgages	3.4	-
Guarantees		
Performance guarantees	0.9	4.0
Lease guarantees	8.6	8.9
Other	0.5	1.5
Other Tieto obligations		
Rent commitments due in one year	41.6	39.7
Rent commitments due in 1–5 years	98.0	95.3
Rent commitments due after 5 years	17.9	31.4
Operating lease commitments due in one year	10.9	8.3
Operating lease commitments due in 1–5 years	12.0	8.1
Operating lease commitments due after 5 years	0.4	0.6
Commitments to purchase assets	7.4	6.2
Other	1.6	-
On behalf of joint ventures	-	-
On behalf of others		
Guarantees	-	0.1

Derivatives, EUR million

Notional amounts of derivatives

Includes the gross amount of all notional values for contracts that have not yet been settled or closed. The amount of notional value outstanding is not necessarily a measure or indication of market risk, as the exposure of certain contracts may be offset by other contracts.

	2017 31 Dec	2016 31 Dec
Foreign exchange forward contracts	179.6	198.7
Electricity price futures contracts	0.9	0.5

Fair values of derivatives

The net fair values of derivative financial instruments at the balance sheet date	2017 31 Dec	2016 31 Dec
Foreign exchange forward contracts	0.8	1.2
Electricity price futures contracts	0.1	0.1

Derivatives are used for economic hedging purposes only.

Gross positive fair values of derivatives	2017 31 Dec	2016 31 Dec
Foreign exchange forward contracts	1.7	2.3
Electricity price futures contracts	0.1	0.1

Gross negative fair values of derivatives	2017 31 Dec	2016 31 Dec
Foreign exchange forward contracts	-0.9	-1.1
Electricity price futures contracts	0.0	0.0

Foreign exchange derivatives' fair values are calculated according to FX and interest rates on the closing date.

Fair value measurement of financial assets and liabilities**EUR million**

31 Dec 2017	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Derivatives	-	1.8	-	1.8
Available-for-sale investments	-	-	0.5	0.5
Financial liabilities at fair value through profit or loss				
Derivatives	-	-0.9	-	-0.9

EUR million

31 Dec 2016	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Derivatives	-	2.4	-	2.4
Available-for-sale investments	-	-	0.7	0.7
Financial liabilities at fair value through profit or loss				
Derivatives	-	-1.1	-	-1.1

Available-for-sale investments' fair value measurement is based on their initial value. The fair market value cannot be reliably estimated, due to lack of proper market for the assets.

Quarterly figures

Key figures

	2017 10–12	2017 7–9	2017 4–6	2017 1–3	2016 10–12	2016 7–9	2016 4–6	2016 1–3
Earnings per share, EUR								
Basic	0.50	0.46	0.28	0.21	0.46	0.37	0.33	0.29
Diluted	0.50	0.46	0.28	0.21	0.46	0.37	0.33	0.29
Equity per share, EUR	6.45	6.06	5.60	5.44	6.62	6.05	5.67	5.46
Return on equity, 12-month rolling, %	22.4	23.6	23.6	25.3	22.1	24.4	26.2	25.7
Return on capital employed, 12-month rolling, %	20.5	21.0	21.0	25.8	21.6	22.6	25.9	27.2
Equity ratio, %	42.6	44.5	40.6	39.2	47.3	44.4	42.2	38.9
Interest-bearing net debt, EUR million	155.7	161.4	164.6	38.0	109.7	136.4	103.3	-21.3
Gearing, %	32.7	36.1	39.8	9.5	22.5	30.6	24.7	-5.3
Capital expenditure, EUR million	11.4	9.1	21.0	9.3	24.4	16.0	11.8	9.4
Acquisitions, EUR million	49.3	-	-	-	0.3	37.3	-	-

Income statement, EUR million

	2017 10–12	2017 7–9	2017 4–6	2017 1–3	2016 10–12	2016 7–9	2016 4–6	2016 1–3
Net sales	409.6	354.9	385.5	393.2	403.6	340.5	381.0	367.5
Other operating income	6.8	3.2	4.3	3.1	7.6	5.2	2.8	4.2
Employee benefit expenses	-219.6	-189.8	-223.9	-239.8	-216.2	-183.1	-213.8	-214.0
Depreciation, amortization and impairment charges	-13.8	-13.6	-13.6	-13.7	-13.9	-13.6	-13.1	-13.3
Other operating expenses	-136.0	-114.4	-124.8	-121.6	-137.1	-114.7	-125.5	-116.5
Share of profit from investments accounted for using the equity method	1.0	0.8	0.7	0.7	1.1	0.8	0.9	0.4
Operating profit (EBIT)	48.0	41.1	28.2	21.9	45.1	35.1	32.3	28.3
Financial income and expenses	-1.6	-0.2	-0.6	-1.0	-0.8	-1.0	-1.6	-0.6
Profit before taxes	46.4	40.9	27.6	20.9	44.3	34.1	30.7	27.7
Income taxes	-9.6	-6.6	-6.6	-5.2	-10.1	-6.8	-6.5	-6.2
Net profit for the period	36.8	34.3	21.0	15.7	34.2	27.3	24.2	21.5

Balance sheet, EUR million

	2017 31 Dec	2017 30 Sep	2017 30 Jun	2017 31 Mar	2016 31 Dec	2016 30 Sep	2016 30 Jun	2016 31 Mar
Goodwill	441.3	405.8	405.0	409.5	409.7	414.0	383.5	385.2
Other intangible assets	51.1	48.5	50.5	47.3	52.3	50.0	39.5	40.1
Property, plant and equipment	94.9	92.9	97.1	94.1	94.0	79.7	79.0	79.9
Investments accounted for using the equity method	16.3	15.3	14.4	13.8	16.5	15.4	14.6	13.7
Other non-current assets	27.4	31.3	31.1	32.2	32.8	37.1	36.0	37.1
Total non-current assets	631.0	593.8	598.1	596.9	605.3	596.2	552.6	556.0
Trade receivables and other current assets	438.8	412.3	421.9	417.4	412.5	389.6	402.9	403.9
Cash and cash equivalents	78.2	41.9	51.3	76.9	56.7	71.7	93.2	144.6
Total current assets	517.0	454.2	473.2	494.3	469.2	461.3	496.1	548.5
Total assets	1 148.0	1 048.0	1 071.3	1 091.2	1 074.5	1 057.5	1 048.7	1 104.5
Total equity	475.6	447.1	413.2	401.1	488.1	446.2	417.7	401.7
Non-current loans	102.5	102.1	103.7	104.0	103.8	104.1	104.4	104.7
Other non-current liabilities	56.6	50.5	53.6	55.3	54.4	56.4	54.6	53.0
Total non-current liabilities	159.1	152.6	157.3	159.3	158.2	160.5	159.0	157.7
Trade payables and other current liabilities	368.4	330.8	368.1	495.8	348.1	330.9	360.3	500.3
Provisions	10.3	12.4	16.0	18.3	11.5	9.1	12.1	18.2
Current loans	134.6	105.1	116.7	16.7	68.6	110.8	99.6	26.6
Total current liabilities	513.3	448.3	500.8	530.8	428.2	450.8	472.0	545.1
Total equity and liabilities	1 148.0	1 048.0	1 071.3	1 091.2	1 074.5	1 057.5	1 048.7	1 104.5

Cash flow, EUR million

	2017 10–12	2017 7–9	2017 4–6	2017 1–3	2016 10–12	2016 7–9	2016 4–6	2016 1–3
Cash flow from operations								
Net profit	36.8	34.3	21.0	15.7	34.2	27.3	24.2	21.5
Adjustments	19.3	20.4	20.6	19.1	19.4	20.0	17.6	21.0
Change in net working capital	13.5	-40.1	-36.0	47.2	4.4	-26.5	-47.3	17.8
Cash generated from operations	69.6	14.6	5.6	82.0	58.0	20.8	-5.5	60.3
Net financial expenses paid	-2.8	0.4	-5.6	0.6	1.1	-0.9	-2.0	-0.8
Dividends received from investments accounted for using the equity method	-	-	-	3.5	-	-	-	3.8
Income taxes paid	-0.2	-4.2	-6.1	-6.4	-8.9	-6.1	-6.2	-16.4
Net cash flow from operations	66.6	10.8	-6.1	79.7	50.2	13.8	-13.7	46.9
Net cash used in investing activities	-54.5	-8.4	-15.4	-9.6	-23.6	-45.8	-11.9	-10.1
Net cash used in financing activities	28.7	-11.2	-6.0	-51.7	-42.5	10.9	-25.9	-46.7
Change in cash and cash equivalents	40.8	-8.8	-27.5	18.4	-15.9	-21.1	-51.5	-9.9
Cash and cash equivalents at the beginning of period	41.9	51.3	76.9	56.7	71.7	93.2	144.6	156.2
Foreign exchange differences	-4.5	-0.6	1.9	1.8	0.9	-0.4	0.1	-1.7
Change in cash and cash equivalents	40.8	-8.8	-27.5	18.4	-15.9	-21.1	-51.5	-9.9
Cash and cash equivalents at the end of period	78.2	41.9	51.3	76.9	56.7	71.7	93.2	144.6

Quarterly figures by segments

Customer sales by service line, EUR million

	2017 10–12	2017 7–9	2017 4–6	2017 1–3	2016 10–12	2016 7–9	2016 4–6	2016 1–3
Technology Services and Modernization	199	180	194	198	197	179	196	190
Business Consulting and Implementation	42	32	38	39	38	30	37	35
Industry Solutions	135	114	122	125	138	106	117	113
Product Development Services	34	29	31	32	31	26	31	29
Group total	410	355	386	393	404	341	381	367

Customer sales by industry group, EUR million

	2017 10–12	2017 7–9	2017 4–6	2017 1–3	2016 10–12	2016 7–9	2016 4–6	2016 1–3
Financial Services	100	92	97	96	101	88	93	88
Public, Healthcare and Welfare	135	112	127	128	135	106	120	118
Industrial and Consumer Services	140	122	132	138	137	121	138	132
Product Development Services	34	29	31	32	31	26	31	29
Group total	410	355	386	393	404	341	381	367

Operating profit (EBIT) by service line, EUR million

	2017 10–12	2017 7–9	2017 4–6	2017 1–3	2016 10–12	2016 7–9	2016 4–6	2016 1–3
Technology Services and Modernization	24.7	25.0	20.5	14.5	26.2	24.2	20.9	17.7
Business Consulting and Implementation	2.4	0.7	2.6	2.2	2.0	-0.2	1.2	1.1
Industry Solutions	23.2	16.6	9.3	6.3	19.7	13.0	11.1	11.5
Product Development Services	3.5	2.2	2.4	4.2	3.3	1.7	3.3	2.6
Support Functions and Global Management	-5.9	-3.4	-6.6	-5.3	-6.2	-3.5	-4.2	-4.6
Operating profit (EBIT)	48.0	41.1	28.2	21.9	45.1	35.1	32.3	28.3

Operating margin (EBIT) by service line, %

	2017 10–12	2017 7–9	2017 4–6	2017 1–3	2016 10–12	2016 7–9	2016 4–6	2016 1–3
Technology Services and Modernization	12.4	13.9	10.5	7.3	13.3	13.5	10.6	9.4
Business Consulting and Implementation	5.7	2.3	7.0	5.7	5.3	-0.6	3.3	3.2
Industry Solutions	17.2	14.5	7.6	5.0	14.3	12.3	9.5	10.1
Product Development Services	10.3	7.6	7.6	13.1	10.6	6.4	10.7	9.0
Operating margin (EBIT)	11.7	11.6	7.3	5.6	11.2	10.3	8.5	7.7

Adjusted operating profit (EBIT) by service line, EUR million

	2017 10–12	2017 7–9	2017 4–6	2017 1–3	2016 10–12	2016 7–9	2016 4–6	2016 1–3
Technology Services and Modernization	26.3	24.9	23.1	21.5	27.7	24.0	21.3	19.4
Business Consulting and Implementation	2.0	0.9	1.5	2.8	0.7	-1.5	1.2	1.3
Industry Solutions	21.3	16.5	11.0	9.9	21.5	13.2	12.8	11.7
Product Development Services	3.5	2.2	2.6	4.3	3.5	1.7	3.4	2.4
Support Functions and Global Management	-3.8	-3.2	-2.6	-3.1	-4.0	-2.0	-2.8	-3.4
Adjusted operating profit (EBIT)	49.3	41.2	35.6	35.4	49.5	35.4	35.8	31.5

Adjusted operating margin (EBIT) by service line, %

	2017 10–12	2017 7–9	2017 4–6	2017 1–3	2016 10–12	2016 7–9	2016 4–6	2016 1–3
Technology Services and Modernization	13.2	13.8	11.9	10.9	14.1	13.4	10.8	10.2
Business Consulting and Implementation	4.8	2.8	4.0	7.1	1.8	-4.9	3.3	3.7
Industry Solutions	15.8	14.4	9.0	8.0	15.5	12.5	10.9	10.4
Product Development Services	10.3	7.5	8.3	13.6	11.3	6.5	11.1	8.4
Adjusted operating margin (EBIT)	12.0	11.6	9.2	9.0	12.3	10.4	9.4	8.6

Major shareholders on 31 December 2017

	Shares	%
1 Cevian Capital *)	11 066 684	14.9
2 Solidium Oy	7 415 418	10.0
3 Silchester International Investors LLP **)	7 401 027	10.0
4 Swedbank Robur fonder	1 883 968	2.5
5 Ilmarinen Mutual Pension Insurance Co.	1 571 423	2.1
6 Elo Pension Co.	838 648	1.1
7 The State Pension fund	773 000	1.0
8 Nordea Funds	758 259	1.0
9 OP-Finland Value Fund	675 050	0.9
10 Svenska litteratursällskapet i Finland r.f.	541 345	0.7
Top 10 shareholders total	32 924 822	44.4
- of which nominee registered	20 351 679	27.5
Nominee registered other	24 968 124	33.7
Others	16 216 306	21.9
Total	74 109 252	100.0

Based on the ownership records of Euroclear Finland Oy and Euroclear Sweden AB.

*) Based on the ownership records of Euroclear Finland Oy, Cevian Capital's holding on 31 August 2017 was 11 066 684 shares, representing 14.9 % of the shares and voting rights.

**) On 23 June 2015, Silchester International Investors LLP announced that its holding in Tieto Corporation was 7 401 027 shares, which represents 10.0% of the shares and voting rights.

For further information, please contact:

Lasse Heinonen, CFO, tel. +358 2072 66329, +358 50 393 4950, [lasse.heinonen \(at\) tieto.com](mailto:lasse.heinonen@tieto.com)

Tanja Lounevirta, Head of Investor Relations, tel. +358 2072 71725, +358 50 321 7510, [tanja.lounevirta \(at\) tieto.com](mailto:tanja.lounevirta@tieto.com)

A **teleconference for analysts and media** will be held on Tuesday 6 February 2018 at **10.00 am EET** (9.00 am CET, 8.00 am UK time). Analysts and media are also welcome to participate in the conference at Tieto's office in Espoo, address: Keilalahdentie 2-4.

Kimmo Alkio, President and CEO, and Lasse Heinonen, CFO, will present the results online in English. **The presentation** can be followed on **Tieto's website**, for which attendees need Adobe Flash plugin version 10.1.0 or newer. The teleconference details can be found below.

Teleconference numbers

Finland: +358 (0)9 7479 0361

Sweden: +46 (0)8 5033 6574

UK: +44 (0)330 336 9105

US: +1 719 457 1036

Conference code: 4404154

To ensure that you are connected to the conference call, please dial in a few minutes before the start of the press and analyst conference. The teleconference is recorded and it will be available on demand later during the day.

Tieto publishes its financial information in English and Finnish.

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Tieto aims to capture the significant opportunities of the data-driven world and turn them into lifelong value for people, business and society. We aim to be customers' first choice for business renewal by combining our software and services capabilities with a strong drive for co-innovation and ecosystems.

Headquartered in Finland, Tieto has over 13 000 experts in close to 20 countries. Tieto's turnover is approximately EUR 1.5 billion and shares listed on NASDAQ in Helsinki and Stockholm. www.tieto.com.

Tieto Corporation

Business ID: 0101138-5

Keilahdentie 2-4

PO Box 2

FI-02101 ESPOO, FINLAND

Tel +358 207 2010

Registered office: Espoo

E-mail: [ir \(at\) tieto.com](mailto:ir@tieto.com)

www.tieto.com

