



Q4 2018

Financial Statement Release

January–December

Solid performance in the fourth quarter with strong growth and cash flow

- Growth in local currencies 5% in the fourth quarter, 7% for the full year
- Fourth-quarter operating margin 11%, long-term target of 10% reached for the full year
- Dividend of EUR 1.45 proposed
- New strategy launched and financial objectives upgraded

tieto

Key figures for the fourth quarter

Figures for 2017 in this interim report have been restated due to the adoption of IFRS 15.

IT services

- Sales growth totalled 2.7%, sales in local currencies up by 4.8%
- Adjusted operating profit amounted to EUR 50.6 (49.4) million, 13.1% (13.2) of sales

The Group

- Sales growth totalled 3.0%, sales in local currencies up by 5.3%
- Adjusted operating profit amounted to EUR 49.8 (49.2) million, 11.8% (12.0) of sales
- Net cash flow from operations amounted to EUR 81.7 (66.6) million

Key figures for the full year

IT services

- Sales growth totalled 3.3%, sales in local currencies up by 6.1%
- Adjusted operating profit amounted to EUR 162.1 (162.6) million, 11.1% (11.5) of sales

The Group

- Sales growth totalled 3.6%, sales in local currencies up by 6.6%
- Adjusted operating profit amounted to EUR 162.8 (161.4) million, 10.2% (10.5) of sales
- Net cash flow from operations amounted to EUR 174.2 (151.0) million
- Proposed dividend EUR 1.45 per share, including base dividend of EUR 1.25 (1.20) and an additional dividend of EUR 0.20 (0.20), representing dividend yield of 6.1%

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

	10–12/2018	10–12/2017	1–12/2018	1–12/2017
Net sales, EUR million	421.9	409.6	1 599.5	1 543.4
Change, %	3.0	1.5	3.6	3.4
Change in local currencies, %	5.3	2.4	6.6	4.1
Operating profit (EBITA), EUR million	46.1	51.6	167.6	154.3
Operating margin (EBITA), %	10.9	12.6	10.5	10.0
Operating profit (EBIT), EUR million ¹⁾	45.7	47.9	154.7	139.1
Operating margin (EBIT), % ¹⁾	10.8	11.7	9.7	9.0
Adjusted ^{1) 2)} operating profit (EBIT), EUR million	49.8	49.2	162.8	161.4
Adjusted ^{1) 2)} operating margin (EBIT), %	11.8	12.0	10.2	10.5
Profit after taxes, EUR million	35.6	36.7	123.2	107.7
EPS, EUR	0.48	0.50	1.67	1.46
Net cash flow from operations, EUR million	81.7	66.6	174.2	151.0
Return on equity, 12-month rolling, %	25.7	22.3	25.7	22.3
Return on capital employed, 12-month rolling, %	20.9	20.5	20.9	20.5
Capital expenditure, EUR million	16.7	11.4	45.0	50.8
Acquisitions, EUR million	4.3	49.3	14.5	49.3
Interest-bearing net debt, EUR million	137.4	155.7	137.4	155.7
Net debt/EBITDA	0.7	0.8	0.7	0.8
Order backlog	1 698	1 860	1 698	1 860
Personnel on 31 December	15 190	14 329	15 190	14 329

¹⁾ the fourth quarter includes EUR 1.2 (1.2) million in amortization of acquisition-related intangible assets, EUR 5.2 (4.3) in the full year

²⁾ adjusted for restructuring costs, capital gains/losses, goodwill impairment charges and other items affecting comparability (see page 39)

Full-year outlook for 2019

Tieto expects its full-year adjusted¹⁾ operating profit (EBIT) to increase from the previous year's level (EUR 168.0 million²⁾ in 2018). The definition of adjusted operating profit has been revised to improve comparability of operating profit also in light of the company's acquisitions.

¹⁾ adjusted for amortization of acquisition-related intangible assets, restructuring costs, capital gains/losses, goodwill impairment charges and other items affecting comparability

²⁾ not restated for IFRS 16

CEO's comment

[Comment regarding the interim report by Kimmo Alkio, President and CEO:](#)

"We are pleased with our year-end performance with good growth, 11% profitability and strong cash flow. The year now ended demonstrated the continuation of our multi-year performance improvement with growth accelerating to 7% in local currencies and profitability reaching a level of 10% – all supported by our strongest-ever customer experience (rNPS) results. While we have maintained our investment agenda for future competitiveness, strong overall performance continued in our Technology Services and Modernization and Product Development Service businesses.

During the past year, as we celebrated our 50th anniversary as a company, Tieto was recognized as a Top 100 Global Technology Leader thanks to our employees' long-term commitment to innovation, performance, quality and social responsibility. In addition, Equileap ranked us among the Top 25 companies globally in gender equality – the highest-ranked technology company on their list. At Tieto, we are proud of these recognitions and continue to reinforce our open source culture and ecosystem-based innovations as well as enhance continuous learning opportunities and employee experience. We continue to be inspired by opportunities to contribute to society-level advancement through smarter use of data and technology.

Today, we are launching our new strategy, aiming to further accelerate our competitiveness and enhance value creation for our customers, shareholders and employees. Innovation and business creation opportunities in the expanding data-rich world open up new avenues for business and profitability expansion. We will embrace and expand design and data-led consulting services, create new capabilities for customer engagement, simplify our operations into networked ways of working, and once again set our financial ambitions higher for the upcoming years."

IT market development

Operational agility and innovation of new data-driven business models are high on customers' agenda. Enterprises and public institutions are increasing their investments in innovating new data-rich services and differentiating experiences for their customers.

Data is the prime enabler of this change and the use cases cross over traditional industry boundaries, utilizing multiple sources of data and data-rich platforms. A large-scale revamp of business models is needed across industries, while ensuring business continuity.

Due to customers' need for business renewal and adoption of new technologies, the market remains dynamic. In 2019, the Nordic market is anticipated to grow by 2–3%. The mix is continuing to see a major shift, with reduced spending on basic infrastructure services and increased spending on consulting and application services that can unleash value from data. Investments in co-creating data-driven value propositions and utilizing data assets are increasing. Over 70% of customers' IT budgets are spent on business-led renewal to ensure competitiveness, and this provides a significant opportunity for IT service providers to support this renewal to derive value from data. The market for new services built around new cloud-native applications, design and data is anticipated to grow by over 20%.

Value creation for customers requires continuous renewal and innovation, including:

- Design of service experiences and defining the business models
- Building and accessing the data assets needed for the new business models and experiences
- Adapting the enterprise architecture
- Rationalization of the application portfolio – renew, refactor, retire, rewrite and develop new applications to realize new business models

Technology forms the backbone of the pursuit of this agenda. It is assumed that well-orchestrated hybrid infrastructure will ensure business agility and optimize costs. The technology architectures remain hybrid across public cloud, private cloud and on-premise platforms. Public cloud is assuming a greater significance while demand for private

cloud and traditional infrastructure services is expected to remain good. Spending on public cloud is expected to grow annually by 25–30% and private cloud by 10–15% in the coming years.

Industry sector drivers

- In the **financial services** sector, the digital transformation and core system renewals continue. Compliance with new regulations, open banking digitalization and real-time payments are driving fundamental changes in the sector. The rapid market changes have also increased demand for a variety of competences, resulting in temporarily increased cost inflation pressures across the Nordic countries. In Industry Solutions, there is a clear shift towards Software as a Service delivered on secure cloud platforms and consumption-based models. In infrastructure services, price pressure has remained strong and there is a clear trend for demand to shift towards the public cloud.
- In the **public** sector, the digitalization of services and processes will continue with efficiency and citizen experience as key drivers. High demand for consulting services and system administration is attributable to the fact that many customers are experiencing a shortage of skilful competences. In Finland, Tieto is actively participating in Government development programmes and demand is good for case management solutions and new data-driven offerings, for example.
- In the **healthcare and welfare** sector, the digitalization trend will continue to support easier and faster access to healthcare for citizens. All the Nordic countries are planning ambitious large-scale projects to enhance eHealth. The prevailing trend is to move towards integrated healthcare and welfare systems supporting seamless care. Additionally, there is increased interest in artificial intelligence-based solutions, which is also attracting new startups into the market. In Finland, the social and healthcare reform has been postponed, resulting in some delays in the large-scale renewal of the Electronic Health Record; however, the reform is expected to provide good opportunities in the coming years. In Sweden, the focus is on the ongoing procurement of the Electronic Health Record.
- The Nordic **manufacturing** sector continues to experience a shift from traditional production and distribution models to a more service-driven business model, and clients are seeking ways to adapt their ways of working accordingly. This is leading to the renewal of core business processes and systems as well as increased investments in intelligent data-driven solutions. Customer experience is becoming increasingly important in the B2B segment, while at the same time there is a continuous focus on efficiency improvements.
- In the **forest** sector, there is a greater focus on finding new innovative applications for wood-based products as an alternative to fossil-based materials. In the paper industry, the need to lower production costs continues to drive the adoption of new digital solutions, such as Smart Manufacturing using IoT, advanced robotics and analytics. Companies in the **pulp and paper** sector in the Nordics are starting to prepare for the modernization of their enterprise applications in the coming years to enable themselves to be more agile and adaptive to market demands.
- In the **retail and logistics** sector, enterprises are investing in new digital commerce, marketing and payment capabilities to be able to provide a seamless customer experience in all interaction across different touchpoints. In logistics, smart turnkey delivery solutions and new legislation supporting peer-to-peer logistic solutions is poised to revolutionize consumer deliveries in the Nordics, particularly in the urban landscape. The instore experience is increasing its importance as a means of differentiation in online retail competition. Retailers use data and analytics to better understand and predict consumer demand and plan their assortments accordingly.
- The **energy utility** market is going through many changes, mainly driven by regulatory requirements. The Advanced Meter Infrastructure market is preparing for the second generation of Smart Meters, helping consumers increase awareness of their energy consumption. The first signs of a more dynamic market are evident, with consumers starting to play an active role in the distributed energy market. In the **oil & gas** market, the market for new development projects is experiencing continued recovery, and demand for solutions that target increased productivity is improving.
- In the **telecom** sector, new opportunities based on 5G will enable telecom providers to diversify into new value-added services and provide key platforms for IoT- and cognitive automation-based innovations. Telecom service providers continue to explore new areas and services to generate additional revenue. The sector continues to pursue increased efficiency through automation and cloudification of core operations. Closer co-operation between telecom and media companies with a view to providing convenient consumer-specific content is anticipated to provide growth opportunities in both segments. Additionally, data and consumer insight is expected to be a growth driver for both the telecom and media sector.

Strategy

Based on the strategy launched in 2016, Tieto aims to accelerate value to customers through the co-creation of new data-driven experience and business models, end-to-end industry-specific software and solutions, and modernization of customers' technology architecture (applications and infrastructure). Tieto continued to consistently execute the strategy based on the objectives set for the year. In 2018, the focus was on areas such as innovation with a special emphasis on the renewal of industry solutions, accelerating the company's data-driven businesses, customer experience, productivity and ensuring future skills.

Tieto's growth of 7% in local currencies clearly exceeds market growth and was supported by acquisitions, including Avega (December 2017), Petrostreamz (February 2018), NSEC (April 2018) and Meridium (November 2018). Growth in Sweden was strong, 11% in local currencies.

Active investments in improving the functionality and technological renewal of industry solutions continued during the year, and a number of important launches were completed. Related development investments increased by EUR 10 million during 2018. Tieto has pursued significant renewal to enable standardized software products, open technologies and scalable architectures, especially in the case of Payments, Lifecare and SmartUtilities products. The renewal will enable faster development of functionality, access to a larger customer base and future growth. It proceeded according to plan, with a focus on the following solutions:

- **Payments:** The main investments have been made in renewing the architecture and technology platform of Tieto's Virtual Account Management solution, which will enable further scalability, better functionality and more flexible integration. The modernization of the product was completed during the summer and rollout to existing customers and onboarding new customers on the product are ongoing.
- **Lifecare:** The main investments are made in the development of the Healthcare Information System, which will also be compliant with open Electronic Health Records specifications. Several launches took place during the autumn and further development of functionalities in the renewed product will continue.
- **SmartUtilities:** The investments involve creating a standard Nordic platform for customer engagement for Nordic utility companies, building on the knowledge in the industry and consolidating multiple customized products in a common SmartUtility platform that can be delivered as a service. Initial releases of the product were made available to pilot customers during 2018. The development of the platform will continue during 2019.

Growth businesses

In 2018, Tieto continued to invest in accelerating growth based on selected businesses. The largest portion of investments was targeted at selected industry solutions, including the use cases in Tieto's Data-Driven Businesses. The large-scale renewal in 2018 provides a good foundation for accelerated growth in the coming years. The focus is on the following solutions and services:

- Selected industry solutions with aggregated annual sales of around EUR 410 million in 2018
 - Lifecare (Healthcare and welfare)
 - Case Management (Public sector)
 - Credit solutions (Financial services)
 - Payments (Financial services)
 - Hydrocarbon Management (Oil and gas segment)
 - Production Excellence (Manufacturing sector)
 - SmartUtilities (Energy)
- Selected growth services with annual sales of around EUR 200 million in 2018
 - Data-Driven Businesses (annual sales around EUR 5 million)
 - Cloud services (annual sales around EUR 125 million¹⁾)
 - Customer Experience Management (annual sales close to EUR 60 million)
 - Security Services (annual sales over EUR 10 million).

In the full year, sales of the growth businesses increased by around 7% in local currencies, comprising growth of 3% in the selected industry solutions and 17% in selected growth services.

In Data-Driven Businesses, several artificial intelligence-related projects for diverse uses are ongoing across industries. Tieto engages in intensive co-creation activities with customers through a well-tested process and technology stack. The focus has been on driving scale for solutions such as Intelligent Wellbeing, enabling predictive treatment models using healthcare and welfare data, and Empathic Building, utilizing IoT, analytics and system integration to ensure employee wellbeing and efficient workspaces. Additionally, Tieto's Digital Data Platform (Platform as a Service) solution contributed to the significant growth of this business. The Digital Data Platform processes massive amounts of data scattered across several sources, and has been well received by customers in a number of industries. Tieto together with its clients has achieved good results, for example, from combining data from the healthcare, social welfare and education segments with a view to preventing social exclusion.

Sales of Tieto's infrastructure cloud¹⁾ (Infrastructure as a Service and Platform as a Service), mainly comprising the company's private cloud offerings, increased by 15% in local currencies in the full year. In addition to its infrastructure

cloud, Tieto provides public cloud services through its OneCloud infrastructure solution as well as through several other public cloud-enabled service practices, including cloud native development, the company's Datalake solution and Software as a Service, provided by both Tieto and its partners. Tieto is forging ahead with its initiatives to ensure the leading position as a cloud service provider for both application renewal and infrastructure optimization. The implementation of the Public Cloud Programme and the internal training programme to scale up public cloud-certified professionals across service practices continues.

Customer Experience Management (CEM) posted growth of 16% in local currencies in the full year. There is an increasing need for partners that can combine strategy, design and technology in a cost-efficient way. Tieto has gained a strong position due to its holistic, agile and technology-agnostic approach combined with its global delivery capabilities. In November, Tieto acquired Meridium AB, a Swedish company employing about 60 digital customer experience professionals.

Security Services' growth accelerated further in the fourth quarter with growth of over 50% in local currencies. In the full year, net sales increased by 16% in local currencies. Demand for security services is good due to customers' increased use of cloud as well as regulatory requirements. Along with the integration of NSEC, acquired in April, Tieto is able to serve customers with demanding requirements related to Nordic cybersecurity services.

¹⁾ Based on infrastructure cloud (Infrastructure as a Service and Platform as a Service), excl. selected services such as cloud-enabled consulting and shared integration services, previously included in cloud services sales.

New strategy and financial objectives launched

On 6 February 2019, Tieto launched a new strategy to take advantage of the rapidly developing opportunities in the data-rich world – and to continue to elevate financial performance and shareholder value.

The cornerstones of the renewed strategy are to

- significantly grow design- and data-led services, driving customers' innovation and modernization,
- simplify operations, as well as
- continue to focus on the Software, Infrastructure and Product Development Services businesses.

Implementation of the new strategy will gradually begin during the second quarter. More details available at

www.tieto.com/investors.

Accelerated value creation is reflected in Tieto's updated financial objectives:

- Growth over 5% (CAGR 2019–2022) – with continued active M&As supporting growth
- Adjusted operating margin 13%¹⁾ – main drivers include growth, simplified operations and automation
- Net debt/EBITDA below 2.0 in the long term²⁾
- Aim is to increase base dividend annually in absolute terms

¹⁾ Adjusted for amortization of acquisition-related intangible assets, restructuring costs, capital gains/losses, goodwill impairment charges and other items affecting comparability

In accordance with IFRS16, taking effect on 1 Jan 2019

²⁾ In accordance with IFRS16, taking effect on 1 Jan 2019 – equals around 1.5 prior to IFRS 16

Performance drivers 2019

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 2019, acquisitions will support the ambition of accelerating growth. Aggregated annual sales of the companies acquired in 2018 amounted to around EUR 13 million, of which EUR 4 million was included in Tieto's sales in 2018.

Performance drivers also include:

- investments in offering development
- recruitments in new service areas and related competence development
- salary inflation
- continued drive for competitiveness and efficiency.

At the Group level, full-year offering development costs are anticipated to remain at around 5% of Group sales.

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

Tieto continues to invest in new capabilities and competencies. In 2018, Tieto recruited around 850 employees (net amount, including attrition), which will also affect the cost base in 2019. Salary inflation is anticipated to amount to over EUR 30 million in 2019, partly offset by increasing offshoring and the management of the competence pyramid.

The new strategy aims to enhance Tieto's competitiveness with targeted investments in high-growth digital services and software, increased activity in customer engagement and agile teams functioning with higher autonomy. The simplified operations will ensure faster access to relevant capabilities for customers while reducing need for internal coordination and administration. Tieto currently anticipates that operational simplification will affect around 700 roles globally and result in annualized gross savings of EUR 30–35 million, which will already partially affect performance in 2019. The design of operations will continue over the upcoming months and the impact on each business and country

will be specified during the process. In parallel, Tieto will increase investments in design and data-centric capabilities and anticipates that the company will add 2 500–3 000 competences for these roles during the strategy period.

Financial performance in October–December

Fourth-quarter net sales increased by 3.0% to EUR 421.9 (409.6) million, growth of 5.3% in local currencies. Acquisitions added EUR 11 million in sales, mainly affecting Business Consulting and Implementation, and the impact of divestments on sales was EUR 2 million. Currency fluctuations had a negative impact of EUR 9 million on sales, mainly due to the weaker Swedish Krona.

Fourth-quarter operating profit (EBIT) amounted to EUR 45.7 (47.9) million, representing a margin of 10.8% (11.7). Adjusted¹⁾ operating profit stood at EUR 49.8 (49.2) million, or 11.8% (12.0) of net sales. Further details on fourth-quarter adjustments are available in a table on page 39. At the Group level, offering development investments were up by EUR 1 million and Tieto capitalized EUR 1.9 million of the development costs (net impact on operating profit close to EUR 1 million positive). Additionally, profitability was affected by salary inflation and currency changes had a negative impact of around EUR 1 million on operating profit.

Depreciation and amortization amounted to EUR 13.0 (13.8) million, including EUR 1.2 (1.2) million in amortization of acquisition-related intangible assets. Net financial expenses stood at EUR 0.8 (1.6) million in the fourth quarter. Net interest expenses were EUR 0.7 (0.6) million and net gains from foreign exchange transactions EUR 0.1 (-0.7) million. Other financial income and expenses amounted to EUR -0.2 (-0.3) million.

Earnings per share (EPS) totalled EUR 0.48 (0.50). Adjusted¹⁾ earnings per share amounted to EUR 0.52 (0.50).

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

Financial performance by service line

EUR million	Customer sales 10–12/2018	Customer sales 10–12/2017	Change, %	Operating profit 10–12/2018	Operating profit 10–12/2017
Technology Services and Modernization	190.3	189.5	0	20.6	22.7
Business Consulting and Implementation	66.6	53.5	24	5.1	4.8
Industry Solutions	128.7	132.5	-3	22.9	22.7
Product Development Services	36.2	34.2	6	3.6	3.5
Support Functions and Global Management	-	-	-	-6.4	-5.8
Total	421.9	409.6	3	45.7	47.9

Operating margin by service line

%	Operating margin 10–12/2018	Operating margin 10–12/2017	Adjusted ¹⁾ operating margin 10–12/2018	Adjusted ¹⁾ operating margin 10–12/2017
Technology Services and Modernization	10.8	12.0	13.0	12.8
Business Consulting and Implementation	7.6	9.0	8.2	8.1
Industry Solutions	17.8	17.1	15.8	15.7
Product Development Services	9.9	10.1	10.1	10.1
Total	10.8	11.7	11.8	12.0

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

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 2%. Strong growth of application services and infrastructure cloud¹⁾ continued. In the full year, sales of infrastructure cloud were up by 15% and application services by 7% in local currencies. The decline in traditional infrastructure services continued and amounted to 3% in the full year. The decline in operating profit was attributable to a joint venture impairment of EUR 2.9 million.

However, adjusted operating margin somewhat improved, partly due to good volume development. First-quarter adjusted operating margin is anticipated to be below the previous year's corresponding quarter, which was supported by the efficiency programme.

In **Business Consulting and Implementation**, the acquisition of Avega supported strong growth, while sales were up by 9% organically as well. The acquisition of Avega implemented in 2017 has strengthened Tieto's market position in business consulting in Sweden. Additionally, the acquisition of Meridium supports Tieto's role in Customer Experience Management and strong development continued across the markets. Adjusted operating profit improved, mainly due to good volume development and the acquisitions. First-quarter adjusted operating margin is anticipated to be at or above the level of the previous year's corresponding quarter.

In **Industry Solutions**, sales in local currencies were down by 1%, organically up by 1%. The Hydrocarbon Management and Payments solutions posted strong growth while the architectural renewal affected growth in SmartUtilities, Tieto's solution for the energy utility segment. Growth of Lifecare is somewhat affected by the ongoing reform in the Finnish healthcare segment as well as the solution renewal ongoing during the autumn. Operating profit included an increase of close to EUR 3 million in offering development costs and remained at the previous year's level. In the first quarter, adjusted operating margin is expected to be close to the level of the previous year's corresponding quarter.

In **Product Development Services**, sales growth in local currencies was 10%. Growth was attributable to strong volume development with the largest key customers and good development in the automotive segment. Operating margin remained at a healthy level while the improvement was somewhat curbed by negative currency effects. First-quarter adjusted operating margin is anticipated to be below the level of the corresponding quarter of the previous year.

¹⁾ Based on infrastructure cloud (Infrastructure as a Service and Platform as a Service), excl. selected services such as cloud-enabled consulting and shared integration services, previously included in cloud services sales.

Customer sales by industry group

EUR million	Customer sales 10–12/2018	Customer sales 10–12/2017	Change, %
Financial Services	97.7	99.9	-2
Public, Healthcare and Welfare	144.0	135.4	6
Industrial and Consumer Services	143.9	140.1	3
IT services	385.7	375.4	3
Product Development Services	36.2	34.2	6
Total	421.9	409.6	3

In **Financial Services**, sales in local currencies remained at the previous year's level due to delays related to large customers' transformation programmes and price erosion. The development in Industry Solutions was positive with strong growth in the Payments area.

In **Public, Healthcare and Welfare**, sales in local currencies were up by 9%. Growth was mainly driven by the Public sector, especially in Finland. Overall, the market is active with several digitalization initiatives and transition projects ongoing.

In **Industrial and Consumer Services**, sales in local currencies were up by 4%, supported by the acquisition of Avega. Hydrocarbon Management experienced particularly good development, whereas sales development in SmartUtilities was negative due to the ongoing large-scale renewal.

M&A impact by service line

	Sales growth, % (in local currencies) 10–12/2018	Organic growth, % (in local currencies) 10–12/2018
Technology Services and Modernization	2	2
Business Consulting and Implementation	27	9
Industry Solutions	-1	1
IT services	5	2
Product Development Services	10	10
Total	5	3

M&A impact by industry group

	Sales growth, % (in local currencies) 10–12/2018	Organic growth, % (in local currencies) 10–12/2018
Financial Services	0	-1
Public, Healthcare and Welfare	9	7
Industrial and Consumer Services	4	-1
IT services	5	2
Product Development Services	10	10
Total	5	3

Financial performance in January–December

Full-year net sales increased by 3.6% to EUR 1 599.5 (1 543.4) million, growth of 6.6% in local currencies. Acquisitions added EUR 45 million in sales, mainly affecting Business Consulting and Implementation, and the impact of divestments on sales was EUR 7 million. Currency fluctuations had a negative impact of EUR 47 million on sales, mainly due to the weaker Swedish Krona.

Operating profit (EBIT) amounted to EUR 154.7 (139.1) million, representing a margin of 9.7% (9.0). Adjusted¹⁾ operating profit stood at EUR 162.8 (161.4) million, or 10.2% (10.5) of net sales. Further details on adjustments are available in a table on page 39. At the Group level, offering development costs were up by EUR 6 million, of which EUR 3.6 million were capitalized (net impact on operating profit over EUR 2 million). With respect to investments in Industry Solutions, part of development costs related to the Healthcare Information System platform are capitalized, according to the company's accounting policies. Additionally, currency changes had a negative impact of around EUR 8 million on operating profit, and profitability was also affected by salary inflation.

Depreciation and amortization amounted to EUR 55.0 (54.7) million, including EUR 5.2 (4.3) million in amortization of acquisition-related intangible assets. Net financial expenses stood at EUR 1.9 (3.4) million in the full year. Net interest expenses were EUR 2.1 (2.1) million and net gains from foreign exchange transactions EUR 1.0 (-0.2) million. Other financial income and expenses amounted to EUR -0.8 (-1.1) million.

Earnings per share (EPS) totalled EUR 1.67 (1.46). Adjusted¹⁾ earnings per share amounted to EUR 1.76 (1.69).

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

Financial performance by service line

EUR million	Customer sales 1–12/2018	Customer sales 1–12/2017	Change, %	Operating profit 1–12/2018	Operating profit 1–12/2017
Technology Services and Modernization	740.0	735.4	1	85.4	78.5
Business Consulting and Implementation	244.6	195.9	25	18.9	16.1
Industry Solutions	478.9	486.0	-1	54.4	54.4
Product Development Services	135.8	126.1	8	13.9	12.0
Support Functions and Global Management	-	-	-	-18.1	-21.9
Total	1 599.5	1 543.4	4	154.7	139.1

Operating margin by service line

%	Operating margin 1–12/2018	Operating margin 1–12/2017	Adjusted ¹⁾ operating margin 1–12/2018	Adjusted ¹⁾ operating margin 1–12/2017
Technology Services and Modernization	11.5	10.7	12.5	12.1
Business Consulting and Implementation	7.7	8.2	7.6	8.3
Industry Solutions	11.4	11.2	10.7	11.9
Product Development Services	10.2	9.5	10.4	9.7
Total	9.7	9.0	10.2	10.5

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

Customer sales by industry group

EUR million	Customer sales 1–12/2018	Customer sales 1–12/2017	Change, %
Financial Services	377.6	384.4	-2
Public, Healthcare and Welfare	530.8	501.7	6
Industrial and Consumer Services	554.9	531.2	4
IT services	1 463.7	1 417.3	3
Product Development Services	135.8	126.1	8
Total	1 599.5	1 543.4	4

M&A impact by service line

	Sales growth, % (in local currencies) 1–12/2018	Organic growth, % (in local currencies) 1–12/2018
Technology Services and Modernization	3	3
Business Consulting and Implementation	28	5
Industry Solutions	2	3
IT services	6	3
Product Development Services	13	13
Total	7	4

M&A impact by industry group

	Sales growth, % (in local currencies) 1–12/2018	Organic growth, % (in local currencies) 1–12/2018
Financial Services	1	-1
Public, Healthcare and Welfare	9	8
Industrial and Consumer Services	7	1
IT services	6	3
Product Development Services	13	13
Total	7	4

Cash flow and financing

Fourth-quarter net cash flow from operations amounted to EUR 81.7 (66.6) million, including a decrease of EUR 25.9 (13.5) million in net working capital. The change in net working capital was affected by the fact that the due date at the end of the third quarter transferred a substantial amount of cash flow to the first week of October. Payments for restructuring amounted to EUR 1.8 (3.5) million.

Full-year net cash flow from operations amounted to EUR 174.2 (151.0) million, including an increase of EUR 3.2 (15.3) million in net working capital. Payments for restructuring amounted to EUR 8.4 (21.3) million.

Full-year tax payments were EUR 21.4 (16.9) million.

The equity ratio was 41.3% (42.5). Gearing decreased to 28.5% (32.7). Interest-bearing net debt totalled EUR 137.4 (155.7) million, including EUR 302.4 (234.7) million in interest-bearing debt, EUR 1.7 (2.5) million in finance lease liabilities, EUR 1.6 (2.8) million in finance lease receivables, EUR 0.5 (0.5) million in other interest-bearing receivables and EUR 164.6 (78.2) million in cash and cash equivalents.

Interest-bearing long-term loans amounted to EUR 185.5 (102.5) million at the end of December. Tieto's EUR 100 million bond will mature in September 2024 and it carries a coupon of fixed annual interest of 1.375%. A loan of EUR 85 million was drawn from the European Investment Bank in November 2018 and it will be amortized within nine years.

Interest-bearing short-term loans amounted to EUR 118.6 (134.6) million, including the EUR 100 million bond maturing in May 2019. The syndicated revolving credit facility of EUR 150 million expiring in May 2021 was not in use at the end of December.

Investments and development

Tieto is seeking to grow faster than the market in the long term. Tieto will accelerate future growth through offering development and new competencies 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 45.0 (50.8) million. Capital expenditure represented 2.8% (3.3) of net sales and was mainly related to data centres. Net payments for acquisitions totalled EUR 14.5 (49.3) million.

Tieto's offering development costs amounted to around EUR 80 million in 2018, representing 5.0% of Group sales (EUR 75 million in 2017, representing 5.0% of net sales). These costs comprise service and product development, which in 2018 focused especially on large-scale technology renewal in industry solutions. Additionally, the costs for related internal development, e.g. automation in infrastructure services, are included in this amount. In 2018, Tieto capitalized EUR 3.6 million of the development costs (in 2017, no development costs were capitalized).

Order backlog

The significance of traditional measures for the order backlog is impacted by the shift from traditional large outsourcing agreements towards agile methods and consumption-based business models. Additionally, traditional development programmes are cut into smaller projects. While this change in customer behaviour affects the order backlog levels, it is not expected to have any significant impact on Tieto's market opportunities and business outlook.

The order backlog was impacted by a negative currency effect and amounted to EUR 1 698 (1 860) million. Of the backlog, 54% (52) is expected to be invoiced during 2019. The order backlog includes all signed customer orders that have not been recognized as revenue, including estimates of the value of consumption-based contracts.

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, Tieto signed a new agreement with Nynäshamn municipality under which it will provide IT services to support the municipality's digitalization journey. The four-year contract is worth around SEK 43 million and includes an option to extend for up to five years.

In February, Posti, Finland's postal service, and Tieto agreed on a partnership covering data centre and cloud services with the objective of modernizing Posti's IT infrastructure. Responding to a changing industry landscape, Posti focuses on improving both quality and customer experience. The co-operation supports Posti's business-oriented solutions.

In February, Värmdö municipality selected Tieto's cloud-based solution to modernize its document and case management. The solution is based on Tieto's leading and standardized public sector solution, Public 360° Online, which includes all core processes such as billing, domain management and plan management. The system enables a more efficient way of working and improves the service provided to citizens. The contract period extends over four years, with the possibility of renewal for another three years.

In February, Suomen Osuuskauppojen Keskuskunta (SOK) Corporation, a Finnish network of retail and service companies, chose Tieto to modernize its IT infrastructure by integrating legacy applications into a SAP environment. With the solution SOK Corporation focuses on modernizing legacy applications.

In February, Asfinag, an Austrian publicly owned corporation that plans, finances, builds and maintains Austrian autobahns and handles their toll collection, signed an agreement with Tieto on IT service delivery for 2018, which contains, for example, services for SAP and software development. As the main full-service IT partner for Asfinag, Tieto will contribute to sustainable improvement and increase efficiency in the customer's processes. The agreement has an estimated value of EUR 7 million.

In March, Högland Såg & Hyvleri, a family-owned sawmill and wood processing company in Sweden, signed an agreement with Tieto to replace its present wood supply system with Tieto's TIFF solution. TIFF, a Software-as-a-Service (SaaS) solution, optimizes wood and fibre supply operations with a comprehensive set of industry-specific modules that digitalize the processes from contract signing to invoicing and from harvesting to mill delivery.

In March, Kraft Bank, a new Norwegian bank that was launched in spring 2018 to help customers with financial difficulties, chose Tieto's AI solution for core banking to offer end-to-end automated loan processing. Tieto's solution includes processing for home loans, unsecured loans, debit cards and savings accounts, including Vipps and direct withdrawal. The engine for credit rating analysis has built-in machine learning and will provide more accurate decisions. Through open APIs, Kraft will have the opportunity to make use of a wide range of channels, such as financial institutions and partner banks, and also to utilize third-party FinTech partners. The five-year contract is worth around NOK 20 million.

In March, Tieto signed a contract extension with Sodexo, one of the world's largest multinational corporations providing the on-site business community and public sector with support services. Based on the contract, Tieto will provide service desk and data centre services to support Sodexo's digitalization journey. The five-year contract extension is worth around SEK 120 million.

In March, Tieto signed a new agreement, following a public procurement, with Haninge municipality for the delivery of IT services as part of the municipality's continued digitalization journey. The agreement includes application management, server capacity, cloud services and system operation, as well as consulting services for further development. It also gives the municipality increased access to cost-effective services on Tieto's platforms. The three-year contract is worth approximately SEK 18 million, with an option to extend it with three additional years.

In April, Tieto signed a contract with Suomen voimatieto (SVT) and SPS Energiapalvelut (SPS) to deliver the Tieto SmartUtilities solution for Billing and Customer Management. Tieto SmartUtilities is a modular Software as a Service solution designed for Nordic energy companies. The scalable cloud service meets strict information security requirements. The contract is for four years with an option to extend it with additional years.

In April, Tieto signed a contract with Palm Paper Group to deliver ProductionExcellence services for six corrugated packaging mills. Based on the solution, Palm Paper Group will harmonize sales, warehouse and logistic processes, running on a centralized Business and Production platform. The three-year contract is worth approximately EUR 2 million, with an option to roll out the solution at Palm Paper Group's 20 other corrugated packaging mills.

In May, Singapore LNG Corporation (SLNG) chose Tieto to provide the Transport and Revenue modules of Tieto Energy Components to manage hydrocarbon accounting for the entire LNG import value chain. Energy Components takes care of business processes for planning, unloading, inventory control, re-gasification, gas sales and gas delivery.

In May, the Finnish Border Guard chose Tieto to provide a new maritime search and rescue (SAR) command and control system. The system is scheduled for commissioning by the end of 2020. It will digitalize the exchange of

information between maritime SAR command centres and search and rescue units and make it more effective. The command and control system will also offer a variety of ready-made interfaces to connect new, external services and functions to the management of maritime SAR operations.

In June, Tieto signed a comprehensive agreement with Region Skåne to deliver IT services that support the region's continued digitalization journey. The goal is to support the region's efforts to create safer and more equal healthcare services. The agreement is for four years with the option to extend until 2031. The contract is worth SEK 410 million.

In June, Wiener Netze, one of the biggest energy distribution companies in Europe, accepted the bid submitted by a consortium consisting of Siemens, Landis+Gyr and Iskraemeco. Wiener Netze will implement the rollout of 1.6 million smart meters in Vienna and its surroundings jointly with Siemens as the prime contractor supported by the consortium and technology partners, with Tieto as one key contributor. The Tieto SmartUtilities solution enables Siemens to manage a fully digitalized flow from planning to installation of smart meters with a high degree of automation and security.

In July, Facevalue, a business banking platform company that specializes in working capital solutions and electronic invoicing, selected Tieto to provide Card Suite software services. Tieto Card Suite will enable Facevalue to manage multiple card programmes in collaboration with different banks in key regions as part of its networked banking application for businesses and individuals across Europe. As one of the first organizations to use Tieto Card Suite in SaaS, Facevalue will gain benefits from the service, as it is not only efficient, resilient and open, but also complies with the Payment Card Industry Data Security Standard (PCI DSS).

In July, Tieto and FläktGroup, the European market leader for energy efficient indoor air technology solutions, signed a five-year extension agreement on OneCloud IaaS Onsite. Based on the agreement, Tieto provides FläktGroup with a platform for the applications running in the customer's premises. The extension is part of a prior significant agreement under which Tieto provides OneCloud datacenter and cloud services to modernize and harmonize FläktGroup's infrastructure services.

In July, OTP Bank, a significant financial services provider in Central and Eastern Europe, selected Tieto to replace its legacy card back-office system in Hungary. The modernization will streamline and improve the bank's card issuing and merchant management services. Through a single platform, Tieto will automate the bank's new business and card management systems, and enable a faster time to market for launching new payment products and services.

In August, Automatia Pankkiautomaatit renewed its service agreement with Tieto. The length of the renewed agreement is five years. The agreement covers ICT infrastructure services, including production, development and test environments. Automatia delivers high-quality services to its customers based on 100% availability.

In September, APA, Australia's largest natural gas infrastructure business, partnered with Tieto to implement the Capacity Trading and Auctioning functionality. In addition to the upgrade, implementation and test automation services, Tieto will provide deliverables and consulting services to help APA adapt to the changes in the capacity trading reform package recommended by the Australian Energy Market Commission (AEMC) and achieve business value.

In September, Tieto signed an agreement to provide Nynäshamn municipality with a digitalized document and case management system. The solution, based on Tieto's new version 5.0 of Public 360°, enables more efficient and digitalized work flows for the municipality's operations, which will in turn produce better services for citizens. Hence, it supports Nynäshamn's goal to be an innovative municipality that digitally handles central processes such as cases, registers, documents and committees. The agreement is for four years with an option to extend.

In October, Tieto extended its collaboration with Skellefteå municipality through a new agreement for the delivery of an operational system for social services that will simplify everyday tasks for employees and help the municipality offer better e-services to citizens. The system is based on the Tieto Lifecare solution and will support the management of processes within healthcare, social care and family care. The contract is worth around SEK 20 million and runs over six years, with three optional periods of three years each.

In November, Tieto signed a new infrastructure contract for a front-end environment with International Card Service B.V., the leading Dutch credit card issuer. In combination with the new contract, ICS B.V. extended its current agreement for back-end infrastructure services with two years. Based on the contract, Tieto will provide PCI-DSS compliant infrastructure services and cloud solutions for both front- and back-end until 2022 with an option to extend with two additional years.

In November, SSAB and Tieto renewed their service agreement as a continuation of their long-term cooperation. The renewal is based on the contract signed in 2015. The contract covers a wide range of services from capacity services to application development for business-critical manufacturing, logistics and sales operations worldwide. Tieto is providing SSAB with an attractive model for productivity improvement and modernizing IT operations in the mainframe environment.

In December, the Scandinavian finance company EnterCard Group AB expanded and renewed its existing outsourcing agreement with Tieto. The new contract includes continuous modernization of EnterCard's IT environment with new technical solutions based on Tieto's OneCloud and Tieto Compliance Cloud. With these solutions EnterCard's modernized environment will be more efficient, secure and suitable for future business needs. The contract runs for five years with an option to extend.

In December, Tieto signed a three-year contract with Volvo Car Dealers and TANKA in Sweden. Based on the contract, Tieto will provide Network and End User Service to Volvo Car Dealers across Sweden. The services enable Volvo Car Dealers to adopt a more efficient way of working and improve the service provided to customers. The contract is worth around SEK 30 million and includes an option to extend it with one to two additional years.

In December, Tieto signed a contract extension with Region Skåne, one of Sweden's largest county councils. Based on the contract, Tieto will take full responsibility for delivering user-friendly IT to Region Skåne's 35 000 employees. The

services cover a number of areas such as printing, workplace support, multimedia and video conferencing as well as service desk and local service with related accessories and extra technician support. The two-year contract extension is worth around SEK 300 million and includes an option to extend for another six years.

In December, If Insurance, the leading property and casualty insurer in the Nordic region, extended its IT infrastructure agreement with Tieto for a fourth period. Based on the agreement, Tieto will help If on its journey to modernize the holistic IT infrastructure by exploiting the best technologies, and provide access to modern and cost-effective cloud services to support its hybrid infrastructure transformation. The new contract runs for five years with an option for two more years.

Changes in Group structure in January–December

In January, Tieto divested its ProArc unit with a solution for technical document management to Constellation Software Inc. The unit was part of Software Innovation and focused on enterprise content management. Sales of the disposed business were around EUR 7 million.

In February, Tieto signed an agreement to acquire Petrostreamz AS, a rapidly growing provider of advanced software and services for integrated asset modelling (IAM) in the oil and gas industry. By combining Tieto's solution Energy Components with Pipe-It, Petrostreamz software, into a forward-looking decision-making tool, the company will be better positioned to help upstream and midstream oil and gas clients derive value from data.

In April, Tieto announced the acquisition of NSEC AB, a Swedish security services company employing about 30 security professionals. The acquisition further strengthens Tieto's cybersecurity capabilities and adds to Tieto's growing portfolio of security services. Headquartered in Stockholm, NSEC brings Tieto further capabilities in managed security operations, security consulting, as well as product resell and deployment services, and thereby strengthens Tieto's position as a leading Nordic best of suite security services provider. Net sales of the acquired company amounted to EUR 4 million in 2017.

In August, Tieto divested the assets and rights of its cross-advertising services to Atex Media Command AB due to limited synergies with its businesses. Cross-advertising is a cloud-based solution that provides end-to-end multi-channel advertising management, covering the whole process from sales, CRM and booking to production and invoicing. The divested business had annual sales of around EUR 2 million and was part of Industry Solutions.

In November, Tieto acquired Meridium AB, a Swedish company employing about 60 digital customer experience professionals. With the acquisition of Meridium AB, Tieto strengthens its presence in Sweden and enhances its capabilities to serve Nordic customers in developing ways to interact with their customers in the digital world.

Personnel

The number of full-time employees amounted to 15 190 (14 329) at the end of December. The number of full-time employees in the global delivery centres totalled 7 690 (6 979), or 50.6% (48.7) of all personnel.

In the full year, the number of full-time employees was up by a net amount of around 900, including net recruitments of around 750 in IT services, close to 100 in Product Development Services. Additionally, acquisitions added around 50 employees (net of acquisitions and divestments).

Attrition was on the rise during 2018 across Tieto's markets. The company, however, has been very successful in attracting and retaining talent. The 12-month rolling employee turnover stood at 12.2% (11.3) at the end of December. Group-level salary inflation is expected to be close to 4% on average in 2019.

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,
- Petter Söderström, Investment Director, Solidium Oy,
- Mikko Mursula, Chief Investment Officer, Ilmarinen Mutual Pension Insurance Company,
- Satu Huber, Chief Executive Officer, Elo Mutual Pension Insurance Company and
- 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 2018.

Management

Tieto announced the following changes in its Leadership Team during the year:

- Ari Järvelä was appointed as Head of Business Consulting and Implementation service line as from 1 April. He also continues in his role as head of Data-Driven Businesses and as a member of Tieto's Leadership Team.
- In July, Tieto appointed Tomi Hyryläinen (M.Sc., Econ.) as Chief Financial Officer (CFO) and a member of the company's Leadership Team as of February 2019. Janne Salminen, currently Head of Treasury and Group reporting, took on the role of acting CFO as of 17 July 2018.
- In November, Tieto appointed Julius Manni (M.Sc., Economics and Business Administration) as Chief Experience Officer and a member of the company's Leadership Team as of 1 March 2019. Manni will be responsible for driving holistic customer experience and identity development, taking an active role in the company's innovation agenda and leading marketing and communications.
- In March, Tieto appointed Markus Suomi (M.Sc., Software Engineering and Industrial Economics) as Chief Technology Officer (CTO) and a member of the company's Leadership Team as of 1 April. Suomi will drive collaboration and co-innovation with global technology partners as well as fast adoption of the latest technologies for the benefit of Tieto and its Nordic customers.

Auditors

On 29 November, the Finnish Patent and Registration Office designated Deloitte Oy, Authorized Public Accountants, as the company's statutory auditor for the financial year 2018, with the role taking effect immediately. Deloitte Oy has notified that APA Jukka Vattulainen will act as the auditor with principal responsibility.

Shares

The number of Tieto shares amounted to 74 109 252 at the end of December. At the end of 2018, the number of shares in the company's or its subsidiaries' possession totalled 282 903, representing 0.4% of the total number of shares and voting rights. Related to the company's share-based reward plan, a total of 103 224 shares held by Tieto were transferred to the participants of the plan during 2018. The number of outstanding shares, excluding the treasury shares, was 73 826 349 at the end of the year. There were no flagging announcements during the year.

Dividend

The distributable funds of the parent company amount to EUR 624.7 million, of which net profit for the current year amounts to EUR 139.6 million. The Board of Directors proposes a dividend of EUR 1.25 (1.20) per share for 2018. In light of the company's strong cash flow and targeted capital structure, the Board of Directors proposes an additional dividend of EUR 0.20 (0.20). 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, 25 March 2019.

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.

Tieto's ambition to drive customer transformation poses a risk of lower prices in existing services while it also expands 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.

The transformation to the new operating model, announced on 6 February, may affect performance in the short term while the impact of the simplified structure on the full-year results is anticipated to be positive.

The company's development is relatively sensitive to changes in the demand from large customers as Tieto's top 10 customers currently account for 29% 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.

The new EU General Data Protection Regulation took effect in May 2018. Tieto is well prepared for the new regulation although there is increased uncertainty with regards to how the authorities will interpret the regulation. As many customers still continue to finalize their preparations for the regulation changes, Tieto can tap into opportunities in businesses such as security and application services.

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.

Events after the period

On 6 February, Tieto launched a new strategy to take advantage of the rapidly developing opportunities in the data-rich world – and to continue to elevate financial performance and shareholder value. More details available at www.tieto.com/investors.

Full-year outlook for 2019

Tieto expects its full-year adjusted¹⁾ operating profit (EBIT) to increase from the previous year's level (EUR 168.0 million²⁾ in 2018). The definition of adjusted operating profit has been revised to improve comparability of operating profit also in light of the company's acquisitions.

¹⁾ adjusted for amortization of acquisition-related intangible assets, restructuring costs, capital gains/losses, goodwill impairment charges and other items affecting comparability

²⁾ not restated for IFRS 16

Auditing

The figures in this report are unaudited.

Financial calendar 2019

By 28 February	Annual Report 2018 on Tieto's website
21 March	Annual General Meeting

Tieto will publish three interim reports in 2019:

25 April	Interim report 1/2019 (8.00 am EET)
19 July	Interim report 2/2019 (8.00 am EET)
24 October	Interim report 3/2019 (8.00 am EET)

Key figures for the fourth quarter

Figures for 2017 in this interim report have been restated due to the adoption of IFRS 15.

Income statement, EUR million

	2018 10–12	2017 10–12	2018 1–12	2017 1–12	Change %
Net sales	421.9	409.6	1 599.5	1 543.4	4
Other operating income	8.0	6.8	22.0	17.4	26
Employee benefit expenses	-239.7	-219.7	-905.0	-873.3	4
Depreciation and amortization	-13.0	-13.8	-55.0	-54.7	1
Impairment losses	-2.9	-	-2.9	-	-
Other operating expenses	-130.9	-136.1	-509.7	-496.9	3
Share of results in joint ventures	2.4	1.0	5.8	3.2	81
Operating profit (EBIT)	45.7	47.9	154.7	139.1	11
Interest and other financial income	0.6	0.2	2.3	1.5	53
Interest and other financial expenses	-1.5	-1.1	-5.2	-4.7	11
Net foreign exchange gains/losses	0.1	-0.7	1.0	-0.2	> -100
Profit before taxes	44.8	46.4	152.8	135.7	13
Income taxes	-9.2	-9.6	-29.6	-28.0	6
Net profit for the period	35.6	36.7	123.2	107.7	14
Net profit for the period attributable to					
Owners of the Parent company	35.6	36.7	123.2	107.7	14
Non-controlling interest	0.0	0.0	0.0	0.0	-
	35.6	36.7	123.2	107.7	14
Earnings per share attributable to owners of the Parent company, EUR per share					
Basic	0.48	0.50	1.67	1.46	14
Diluted	0.48	0.50	1.66	1.46	14

Statement of other comprehensive income, EUR million

	2018 10–12	2017 10–12	2018 1–12	2017 1–12	Change %
Net profit for the period	35.6	36.7	123.2	107.7	14
Items that may be reclassified subsequently to profit or loss					
Translation differences	-1.0	-8.3	-15.9	-19.0	-16
Items that will not be reclassified subsequently to profit or loss					
Remeasurements of the defined benefit plans, net of tax	0.3	-0.7	-0.5	-2.4	-79
Total comprehensive income	34.9	27.7	106.8	86.3	24
Total comprehensive income attributable to					
Owners of the Parent company	34.9	27.7	106.8	86.3	24
Non-controlling interest	0.0	0.0	0.0	0.0	-
	34.9	27.7	106.8	86.3	24

Statement of financial position, EUR million

	2018 31 Dec	2017 31 Dec	Change %
Goodwill	442.6	441.3	0
Other intangible assets	45.6	51.1	-11
Property, plant and equipment	92.3	94.9	-3
Interests in joint ventures	16.0	16.3	-2
Deferred tax assets	23.6	25.7	-8
Defined benefit plan assets ¹⁾	5.5	7.4	-26
Finance lease receivables	0.7	0.8	-13
Other financial assets at amortized cost	0.5	0.4	25
Other financial assets at fair value through profit or loss	0.5	0.5	0
Other non-current receivables ¹⁾	14.9	8.9	67
Total non-current assets	642.3	647.4	-1
Trade and other receivables ¹⁾	382.9	413.6	-7
Finance lease receivables	0.9	2.0	-55
Current tax assets	6.9	8.7	-21
Cash and cash equivalents	164.6	78.2	110
Total current assets	555.3	502.5	11
Total assets	1 197.6	1 149.9	4
Share capital, share issue premiums and other reserves	118.0	119.2	-1
Retained earnings	364.5	356.6	2
Equity attributable to owners of the Parent company	482.5	475.8	1
Non-controlling interest	0.0	0.4	-
Total equity	482.5	476.1	1
Loans	185.5	102.5	81
Deferred tax liabilities	38.0	38.5	-1
Provisions	3.3	2.6	27
Defined benefit obligations	9.9	11.9	-17
Other non-current liabilities	3.2	4.5	-29
Total non-current liabilities	240.0	160.0	50
Trade and other payables	340.1	362.9	-6
Current tax liabilities	8.9	5.9	51
Provisions	7.4	10.3	-28
Loans	118.6	134.6	-12
Total current liabilities	475.0	513.7	-8
Total equity and liabilities	1 197.6	1 149.9	4

¹⁾ Comparative figures reclassified from current to non-current assets.

Statement of changes in shareholders' equity, EUR million

	Owens of the Parent company						Non- control- ling inter- est	Total equity	
	Share capital	Share premium and other reserves	Own shares	Trans- lation differ- ences	Invested unre- stricted equity reserve	Retained earnings	Total		
31 Dec 2017	76.6	42.6	-11.6	-78.5	12.8	433.8	475.8	0.4	476.1
Adjustment on initial application of IFRS 9, net of tax	-	-	-	-	-	-0.4	-0.4	-	-0.4
Adjustment on initial application of IFRS 2 amendment	-	-	-	-	-	4.0	4.0	-	4.0
Other adjustment	-	-	3.9	-	-	-3.9	0.0	-	0.0
1 Jan 2018	76.6	42.6	-7.7	-78.5	12.8	433.5	479.4	0.4	479.7
Comprehensive income									
Net profit for the period	-	-	-	-	-	123.2	123.2	0.0	123.2
Other comprehensive income, net of tax									
Remeasurements of the defined benefit plans, net of tax	-	-	-	-	-	-0.5	-0.5	-	-0.5
Translation differences	-	-1.1	-	-14.8	-	0.0	-15.9	-	-15.9
Total comprehensive income	-	-1.1	-	-14.8	-	122.7	106.8	0.0	106.8
Transactions with owners									
Contributions and distributions									
Share-based incentive plans	-	-	2.6	-	-	0.1	2.7	-	2.7
Dividends	-	-	-	-	-	-103.4	-103.4	-	-103.4
Changes in ownership interests									
Acquisition of non-controlling interest without change in control	-	-	-	-	-	-2.9	-2.9	-0.4	-3.3
Total transactions with owners	-	-	2.6	-	-	-106.2	-103.6	-0.4	-104.0
31 Dec 2018	76.6	41.5	-5.1	-93.3	12.8	450.0	482.5	0.0	482.5

	Owners of the Parent company						Non-controlling interest	Total equity	
	Share capital	Share premium and other reserves	Own shares	Translation differences	Invested unrestricted equity reserve	Retained earnings			Total
31 Dec 2016	76.6	43.4	-11.6	-52.3	12.8	419.2	488.1	-	488.1
Adjustment on initial application of IFRS 15, net of tax	-	-	-	-	-	0.6	0.6	-	0.6
1 Jan 2017	76.6	43.4	-11.6	-52.3	12.8	419.8	488.7	-	488.7
Comprehensive income									
Net profit for the period	-	-	-	-	-	107.7	107.7	0.0	107.7
Other comprehensive income, net of tax									
Remeasurements of the defined benefit plans, net of tax	-	-	-	-	-	-2.4	-2.4	-	-2.4
Translation differences	-	-0.8	-	-26.2	-	8.0	-19.0	-	-19.0
Total comprehensive income	-	-0.8	-	-26.2	-	113.3	86.3	0.0	86.3
Transactions with owners									
Contributions and distributions									
Share-based incentive plans	-	-	-	-	-	1.7	1.7	-	1.7
Dividends	-	-	-	-	-	-101.0	-101.0	-	-101.0
Acquisition of non-controlling interest without change in control	-	-	-	-	-	-	-	0.4	0.4
Total transactions with owners	-	-	-	-	-	-99.3	-99.3	0.4	-98.9
31 Dec 2017	76.6	42.6	-11.6	-78.5	12.8	433.8	475.8	0.4	476.1

Statement of cash flows, EUR million

	2018 10–12	2017 10–12	2018 1–12	2017 1–12
Cash flow from operating activities				
Net profit for the period	35.6	36.7	123.2	107.7
Adjustments				
Depreciation, amortization and impairment losses	15.9	13.8	57.9	54.7
Profit/loss on sale of property, plant and equipment, subsidiaries and business operations	-0.3	0.3	-5.0	0.0
Share of results in joint ventures	-2.4	-1.0	-5.8	-3.2
Other adjustments	-1.3	-5.0	-0.1	-3.5
Net financial expenses	0.8	1.6	1.9	3.4
Income taxes	9.2	9.6	29.6	28.0
Change in net working capital	25.9	13.5	-3.2	-15.3
Cash generated from operating activities before interests and taxes	83.6	69.6	198.6	171.8
Net financial expenses paid	0.3	-2.8	-6.1	-7.4
Dividends received	-	-	3.2	3.5
Income taxes paid	-2.2	-0.2	-21.4	-16.9
Cash flow from operating activities	81.7	66.6	174.2	151.0
Cash flow from investing activities				
Acquisition of subsidiaries and business operations, net of cash acquired	-4.3	-43.3	-14.5	-43.7
Capital expenditure	-16.7	-11.6	-45.0	-47.0
Disposal of subsidiaries and business operations, net of cash disposed	-	-0.3	8.4	-0.3
Proceeds from sale of property, plant and equipment	0.5	0.2	0.6	0.4
Change in loan receivables	0.3	0.5	1.2	2.7
Cash flow from investing activities	-20.2	-54.5	-49.3	-87.9
Cash flow from financing activities				
Dividends paid	-	-	-103.4	-101.0
Repayments of finance lease liabilities	-0.2	-0.2	-0.8	-1.0
Change in interest-bearing liabilities	51.3	28.9	66.5	61.8
Other financing cash flow	-0.2	-	-3.5	-
Cash flow from financing activities	50.9	28.7	-41.2	-40.2
Change in cash and cash equivalents	112.4	40.8	83.7	22.9
Cash and cash equivalents at the beginning of period	51.0	41.9	78.2	56.7
Foreign exchange differences	1.3	-4.5	2.7	-1.4
Change in cash and cash equivalents	112.4	40.8	83.7	22.9
Cash and cash equivalents at the end of period	164.6	78.2	164.6	78.2

Notes to the condensed financial statements

Basis of preparation

This interim report is unaudited and it is prepared in accordance with 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, except for the adoption of IFRS 15, IFRS 9 and the amendment to IFRS 2, as described below.

All presented figures in this interim report have been rounded and consequently, the sum of individual figures can deviate from the presented sum figure. Key figures have been calculated using exact figures.

The sales and profitability of Tieto are subject to seasonal variations. Usually, the third-quarter sales are affected by vacation period and the reversal of vacation accruals has a positive effect on profitability. Typically, the fourth-quarter sales and margins are positively affected by higher licence sales for Tieto's industry-specific software.

Adoption of new and amended IFRS standards and interpretations

IFRS 15 'Revenue from Contracts with Customers'

Starting from 1 January 2018, the Group applies IFRS 15 Revenue from Contracts with Customers as issued in May 2014. The adoption of IFRS 15 resulted in changes in accounting policies and adjustments to the amounts recognized in the financial statements. In accordance with the transition provisions in IFRS 15, the new principles have been adopted retrospectively and comparatives for the 2017 financial year have been restated.

According to IFRS 15, the set-up costs related to transition projects are capitalized and amortized during the period when the revenue for related continuous service contract is recognized. This resulted to EUR 0.6 million change on opening retained earnings as of 1 January 2017. The net impact on 2017 net sales is EUR 0.2 million, on costs EUR 0.3 million and on operating profit EUR -0.1 million.

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

Revenue from each of the business models is recognized as follows:

Continuous services

- Revenue from contracts for continuous services is based on service volumes and recognized over the accounting period in which the services are rendered. The Group accounts 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. Transition costs incurred in the initial phase of continuous operating service contracts usually include set-up activities that 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, provided the criteria defined in IFRS 15 are met.

Software solutions

- 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 either distinct or not distinct performance obligations and accordingly, are recognized either separately when control is transferred to the customer or together with the implementation. Revenue from maintenance services is recognized over the agreed maintenance period.
- Software as a service (SaaS). SaaS contracts comprise implementation projects and continuing service contracts. The implementation projects for these contracts include set-up activities and implementation services covering customer onboarding to 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.

Projects and consulting

- Revenue from service contracts is based on fixed prices or time and materials and recognized over the accounting period in which the service is rendered or project completed.
- Warranty obligations. The Group provides assurance-type warranties for software or application delivery projects and does not provide extended warranties with services in its contracts with customers. The warranties are accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Revenue is recognized over time provided the defined criteria in IFRS 15 are met. The services sold to customers 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. Recognition at a point in time mostly relates to distinct licences, and represents a minor portion of total revenue.

IFRS 9 'Financial Instruments'

Tieto Group started applying IFRS 9 on 1 January 2018. The Group applies the exemption, as allowed by the standard, not to restate comparative periods. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 have been recognized as a decrease of EUR 0.4 million (net of tax) in opening retained earnings for 1 January 2018.

IFRS 9 implementation also resulted in changes in the accounting policies applied to financial instruments.

Classification and Measurement

According to IFRS 9, the financial instrument category already describes what measurement method is employed. The Group has evaluated the asset groups within the scope of IFRS 9 using both business model and contractual cash flow tests, resulting in the following changes:

- Available-for-sale category assets are presented under the non-current assets category "Other financial assets at fair value through profit or loss" (no change in measurement).
- Trade receivables sold under non-recourse factoring agreements are classified as financial assets at fair value through profit or loss and presented separately from other trade receivables in disclosures. Not subject to impairment.
- Other interest-bearing receivables will be presented under the assets category "Other financial assets at amortized cost".

No changes in classification and measurement of other financial assets and financial liabilities.

Impairment of financial assets

Financial assets subject to impairment calculations under IFRS 9 are: trade receivables, contract assets, finance lease receivables, cash and cash equivalents.

In the case of finance lease receivables, impairment will be evaluated on an individual case-by-case basis, at least on each reporting date. For Cash and cash equivalents Tieto Group considers these not to be subject to impairment unless unexpected circumstances occur.

For all the named assets, Tieto has elected to apply the simplified option and always calculates lifetime expected credit losses (ECL).

The Group has elected to use the practical expedient and calculate ECL based on a pre-defined provision matrix. Therefore, the Group has performed its external customer segmentation so that each customer segment would bear similar credit characteristics, based on the following criteria:

- Country Group (Finland, Sweden, Norway, Other European Union countries, Other countries)
- Industry Group (Financial Services, Public Healthcare & Welfare, Industrial Customer Services, Product Development Services)
- Balance due status (Not yet due, overdue 1–7 days, 8–30 days, 31–60 days, 61–90 days, over 90 days)

For each segment, the ECL rate (expressed as a percentage) indicates the historical average defaults identified during the past three years and also Tieto's assessment of the possible impact from changes in the overall economic environment in which its customers operate.

These general provisions can be increased if the customer has filed for bankruptcy but has not yet registered the fact or if there are any facts or circumstances indicating that the customer's credit risk is above industry/country average.

When calculating ECL for contract assets, the ECL rate set for "not yet due" invoices in the provision matrix is to be used.

Hedge accounting

Tieto had no open hedge accounting relationships as of either 31 December 2017 or 31 December 2018, and therefore there was no impact upon transition. Similarly, the new rules introduced by IFRS 9 had no impact on the Q4 result.

Amendments to IFRS 2 'Share-based Payments – Classification and Measurement of Share-based Payment Transactions'

The Group adopted the Amendment to IFRS 2 Share-based Payments on 1 January 2018. The amendments clarify the accounting for certain types of arrangements. Three accounting areas are covered: measurement of cash-settled share-based payments, classification of share-based payments settled net of tax withholdings, and accounting for a modification of a share-based payment from cash-settled to equity-settled.

The Group has share-based incentive plans for key employees for which more information is disclosed in the 2017 financial statements. The amendment regarding the classification of share-based payments settled net of tax withholdings had an impact on the consolidated financial statements of the Group. As Tieto's share-based payment plans will according to the amendment be fully accounted for as equity-settled, the fair values of the programmes over the vesting period will be fully determined based on the share price at the grant date. On transition, the Group has reclassified EUR 4.0 million from liabilities to equity.

IFRS 16 Leases

The Group will adopt IFRS 16 Leases on 1 January 2019. It will result in almost all leases being recognized on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized in the statement of financial position. The Group will apply exceptions allowed by the standard for short-term and low-value leases. The accounting for lessors will not significantly change.

The Group will adopt the modified retrospective approach upon transition, resulting with all transition impact being reported as adjustment to opening retained earnings and comparative periods are not restated. The Group will use practical expedient not to reassess definition of a lease and apply IFRS 16 to all existing operating leases as of 31 Dec 2018. On the reporting date, the Group has non-cancellable operating lease commitments of EUR 182.0 million. It is estimated that IFRS 16 has the following impact on the Group financial statements:

Income Statement (EUR million)

	As reported in 2018	IFRS 16 Impact
Employee benefit expenses (currently including car benefit expenses)	-905.0	decrease of <1%
Depreciation, amortization and impairment losses	-55.0	increase of ~90%
Other operating expenses	-261.8	decrease of ~20%
EBIT	154.7	increase of ~2.5–3.0%
Interest expenses	-5.2	increase of 100–115%
Profit before taxes	152.8	decrease of ~1%

Statement of financial position (EUR million)

Lessee reporting ¹⁾	IFRS 16 Impact ²⁾
Right of use assets (increase)	EUR 155–165 million
Lease liabilities (increase)	EUR 158–168 million
Deferred rent and Accrued lease payments as of 31 Dec 2018	decrease of EUR 1.5–2.0 million

¹⁾ Impact on Lessor accounting not material.

²⁾ Impacts premises, cars and equipment.

Key figures	As reported in 2018	IFRS 16 Impact
Net debt	137.4	increase of 115–125%
Net debt/EBITDA	0.7	increase of ~0.5

Critical accounting estimates and assumptions

The preparation of the financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from the estimates. The critical accounting estimates and assumptions are disclosed in the 2017 financial statements.

Segment information

Customer sales by service line, EUR million

	2018 10-12	2017 10-12	Change %	2018 1-12	2017 1-12	Change %
Technology Services and Modernization	190.3	189.5	0	740.0	735.4	1
Business Consulting and Implementation	66.6	53.5	24	244.6	195.9	25
Industry Solutions	128.7	132.5	-3	478.9	486.0	-1
Product Development Services	36.2	34.2	6	135.8	126.1	8
Group total	421.9	409.6	3	1 599.5	1 543.4	4

Customer sales by country, EUR million

	2018 10-12	2017 10-12	Change %	2018 1-12	Share %	2017 1-12	Share %	Change %
Finland	180.2	177.2	2	692.7	43	675.9	44	2
Sweden	162.9	162.1	1	625.1	39	599.0	39	4
Norway	43.2	39.9	8	155.9	10	161.2	10	-3
Other	35.6	30.6	16	125.9	8	107.4	7	17
Group total	421.9	409.6	3	1 599.5	100	1 543.4	100	4

Customer sales by industry group, EUR million

	2018 10-12	2017 10-12	Change %	2018 1-12	2017 1-12	Change %
Financial Services	97.7	99.9	-2	377.6	384.4	-2
Public, Healthcare and Welfare	144.0	135.4	6	530.8	501.7	6
Industrial and Consumer Services	143.9	140.1	3	554.9	531.2	4
Product Development Services	36.2	34.2	6	135.8	126.1	8
Group total	421.9	409.6	3	1 599.5	1 543.4	4

Tieto does not have individual significant customers as defined in IFRS 8.

Customer sales from long-term fixed-price contracts by segment

	2018 10-12	2018 1-12
Technology Services and Modernization	-0.5	4.4
Business Consulting and Implementation	1.1	3.6
Industry Solutions	3.0	19.2
Product Development Services	0.0	0.2
Group total	3.6	27.5

Comparative information not available.

Operating profit (EBIT) by service line, EUR million

	2018 10–12	2017 10–12	Change %	2018 1–12	2017 1–12	Change %
Technology Services and Modernization	20.6	22.7	-9	85.4	78.5	9
Business Consulting and Implementation	5.1	4.8	5	18.9	16.1	17
Industry Solutions	22.9	22.7	1	54.4	54.4	0
Product Development Services	3.6	3.5	4	13.9	12.0	16
Support Functions and Global Management	-6.4	-5.8	-11	-18.1	-21.9	17
Operating profit (EBIT)	45.7	47.9	-5	154.7	139.1	11

Operating margin (EBIT) by service line, %

	2018 10–12	2017 10–12	Change pp	2018 1–12	2017 1–12	Change pp
Technology Services and Modernization	10.8	12.0	-1	11.5	10.7	1
Business Consulting and Implementation	7.6	9.0	-1	7.7	8.2	0
Industry Solutions	17.8	17.1	1	11.4	11.2	0
Product Development Services	9.9	10.1	0	10.2	9.5	1
Operating margin (EBIT)	10.8	11.7	-1	9.7	9.0	1

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

	2018 10–12	2017 10–12	Change %	2018 1–12	2017 1–12	Change %
Technology Services and Modernization	24.8	24.3	2	92.4	88.6	4
Business Consulting and Implementation	5.5	4.3	26	18.6	16.3	14
Industry Solutions	20.4	20.8	-2	51.1	57.7	-11
Product Development Services	3.7	3.5	6	14.1	12.3	14
Support Functions and Global Management	-4.5	-3.6	-23	-13.4	-13.4	0
Adjusted operating profit (EBIT)	49.8	49.2	1	162.8	161.4	1

Adjusted operating margin (EBIT) by service line, %

	2018 10–12	2017 10–12	Change pp	2018 1–12	2017 1–12	Change pp
Technology Services and Modernization	13.0	12.8	0	12.5	12.1	0
Business Consulting and Implementation	8.2	8.1	0	7.6	8.3	-1
Industry Solutions	15.8	15.7	0	10.7	11.9	-1
Product Development Services	10.1	10.1	0	10.4	9.7	1
Adjusted operating margin (EBIT)	11.8	12.0	0	10.2	10.5	0

Personnel by service line

	End of period			Average		
	2018 1–12	Change %	Share %	2017 1–12	2018 1–12	2017 1–12
Technology Services and Modernization	6 123	6	40	5 757	5 973	5 792
Business Consulting and Implementation	2 404	8	16	2 224	2 319	1 921
Industry Solutions	4 081	4	27	3 925	4 075	3 882
Product Development Services	1 608	5	11	1 532	1 573	1 414
Service lines total	14 217	6	94	13 438	13 941	13 009
Industry groups	345	24	2	279	340	261
Support Functions and Global Management	628	3	4	612	626	619
Group total	15 190	6	100	14 329	14 907	13 889

Personnel by country

	End of period			Average		
	2018 1–12	Change %	Share %	2017 1–12	2018 1–12	2017 1–12
Finland	3 392	1	22	3 364	3 396	3 395
Sweden	3 106	2	20	3 036	3 078	2 733
India	2 721	6	18	2 571	2 697	2 514
Czech Republic	2 538	13	17	2 254	2 421	2 243
Latvia	671	10	4	612	638	629
Norway	607	1	4	600	601	611
Poland	662	23	4	538	632	482
China	497	8	3	460	483	387
Estonia	301	10	2	274	293	291
Austria	162	21	1	134	149	135
Lithuania	115	9	1	106	112	98
Other	418	10	3	381	407	370
Group total	15 190	6	100	14 329	14 907	13 889
Onshore countries	7 498	2	49	7 350	7 451	7 086
Offshore countries	7 692	10	51	6 979	7 456	6 803
Group total	15 190	6	100	14 329	14 907	13 889

Non-current assets by country, EUR million

	2018 31 Dec	2017 31 Dec	Change %
Finland	81.4	84.6	-4
Sweden	39.7	42.8	-7
Norway	8.1	12.0	-32
Other	8.8	6.5	35
Total non-current assets	137.9	145.9	-5

Non-current assets include property, plant and equipment and intangible assets excluding goodwill.

Depreciation by service line, EUR million

	2018 10-12	2017 10-12	Change %	2018 1-12	2017 1-12	Change %
Technology Services and Modernization	7.6	8.1	-7	31.2	32.5	-4
Business Consulting and Implementation	0.0	0.1	-35	0.2	0.2	-
Industry Solutions	0.2	0.2	7	0.8	0.9	-9
Product Development Services	0.0	0.0	-	0.0	0.1	-58
Support Functions and Global Management	1.8	1.6	12	6.9	5.7	21
Group total	9.7	10.0	-4	39.2	39.5	-1

Amortization on intangible assets recognized at fair value from acquisitions by service line, EUR million

	2018 10-12	2017 10-12	Change %	2018 1-12	2017 1-12	Change %
Technology Services and Modernization	-	-	-	-	-	-
Business Consulting and Implementation	0.4	0.2	93	1.6	0.5	> 100
Industry Solutions	0.8	1.0	-21	3.6	3.7	-5
Product Development Services	-	-	-	-	-	-
Support Functions and Global Management	-	-	-	-	-	-
Group total	1.2	1.2	1	5.2	4.3	22

Amortization on other intangible assets by service line, EUR million

	2018 10-12	2017 10-12	Change %	2018 1-12	2017 1-12	Change %
Technology Services and Modernization	1.9	2.1	-11	9.0	8.5	6
Business Consulting and Implementation	0.1	0.1	7	0.4	0.3	3
Industry Solutions	0.1	0.1	-49	0.4	0.6	-27
Product Development Services	-	-	-	-	-	-
Support Functions and Global Management	0.1	0.2	-48	0.8	1.5	-42
Group total	2.2	2.6	-16	10.6	10.9	-3

Acquisitions in 2018

Tieto completed the following acquisition during 2018:

- * **Petrostreamz AS**, ownership 100% of the shares, effective from 1 February 2018
- * **NSEC AB**, ownership 100% of the shares, effective from 1 May 2018
- * **Meridium AB**, ownership 100% of the shares, effective from 1 November 2018

Petrostreamz AS

Petrostreamz AS is a growing provider of advanced software and services for integrated asset modeling (IAM) onshore and offshore in the oil and gas industry. The acquisition further expands Tieto's portfolio of advanced solutions and capabilities in the upstream business of oil and gas industry. Petrostreamz AS is part of Industry Solutions segment.

The following table summarizes the acquisition date fair values of the consideration transferred as well as the recognized amounts of assets acquired and liabilities assumed.

Consideration

EUR million	
Paid in cash	3.4
Contingent consideration	3.7
Total	7.1

Recognized amounts of identifiable assets acquired and liabilities assumed

EUR million	
Property, plant and equipment	0.0
Intangible assets	1.3
Deferred tax assets	0.5
Trade and other receivables	0.9
Cash and cash equivalents	0.1
Loans	-1.3
Deferred tax liabilities	-0.3
Trade and other payables	-0.5
Goodwill	6.3
Total	7.1

Contingent consideration is mainly determined by the margin development of the acquired and combined business during 3-year period starting from the acquisition date.

The identified intangible assets relate to customer relationships and technology. Goodwill is attributable to market share, synergies and new competencies. It will not be deductible for tax purposes. Acquisition-related costs of EUR 0.1 million are included in other operating expenses in the income statement and in cash flow from operating activities.

Since the date of acquisition, the acquired entity has contributed approximately EUR 0.9 million to the revenue and EUR -0.9 million to the operating profit of the Group. If the business combination had taken place at the beginning of the year, the revenue for the Group would have been approximately EUR 1.0 million and profit approximately EUR -0.9 million.

NSEC AB and Meridium AB

The acquisitions of NSEC AB and Meridium AB are not individually material to the consolidated financial statements. Consequently, combined information is presented from these acquisitions.

NSEC AB was a Swedish security services company, currently merged to Tieto Sweden AB. The acquisition will further enlarge Tieto's capabilities in managed security operations, security consulting, as well as product resell and deployment services.

Meridium AB is a focused player in the customer experience area in the Swedish market with Episerver technology as its core. With the acquisition of Meridium AB, Tieto strengthens its presence in Sweden and enhances its capabilities to serve Nordic customers in developing ways to interact with their customers in the digital world.

The following table summarizes the acquisition date fair values of the consideration transferred as well as the recognized amounts of assets acquired and liabilities assumed.

Consideration

EUR million	
Paid in cash	8.1
Contingent consideration	0.7
Total	8.8

Recognized amounts of identifiable assets acquired and liabilities assumed

EUR million	
Property, plant and equipment	0.1
Intangible assets	1.0
Trade and other receivables	1.6
Cash and cash equivalents	1.6
Deferred tax liabilities	-0.4
Trade and other payables	-1.7
Goodwill	6.5
Total	8.8

Contingent consideration is mainly determined by retention of key-employees.

The identified intangible assets relate to customer relationships and technology. Goodwill is attributable to market share, synergies and new competencies. It will not be deductible for tax purposes. Acquisition-related costs of EUR 0.1 million are included in other operating expenses in the income statement and in cash flow from operating activities.

Since the date of acquisition, the acquired entities have contributed approximately EUR 2.8 million to the revenue and EUR 0.2 million to the operating profit of the Group. If the business combinations had taken place at the beginning of the year, the revenue for the Group would have been approximately EUR 9.2 million and profit approximately EUR 0.7 million.

Acquisition of non-controlling interest in subsidiaries of Avega

During 2018, Tieto increased its ownership in the Avega Group by acquiring non-controlling interests with a total amount of EUR 3.0 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 3.8 million.

EUR million	
Contingent consideration on 1 Jan 2018	3.8
Change recognized in 2018	-3.8
Remaining contingent consideration	-

Disposals in 2018

Tieto disposed of the following businesses during 2018:

- * **ProArc business** in Norway, as of January 2018
- * **Cross-advertising business** in the Nordic countries, as of August 2018

ProArc

ProArc is a technical document management solution with focus mainly on oil, gas and engineering. The unit was part of Software Innovation focused on enterprise content management. Sales of the disposed business were around EUR 7 million. ProArc was part of Industry Solutions segment. The capital gain related to the disposed businesses is specified below.

EUR million	
Intangible assets	1.7
Deferred tax liabilities	-0.4
Current liabilities	-0.3
Fair value of net assets	1.0
Goodwill allocation on disposals	3.1
Total net asset allocation on disposals	4.1
Transaction costs	0.7
Received in cash	7.8
Capital gain	3.0

Transaction costs are included in the cash flow from investing activities.

Cross-advertising

Cross-advertising is an advertising order management platform. It is a cloud-based solution that provides end-to-end multi-channel advertising management, covering the whole process from sales, CRM, booking to production and invoicing. The business was part of Industry Solutions segment. The capital gain recognized on the disposal is EUR 1.6 million. The disposal is not significant and, therefore, no separate disclosures are presented.

Net working capital in the statement of financial position, EUR million

	2018 31 Dec	2017 31 Dec	Change %
Trade receivables	294.9	309.3	-5
Other working capital receivables	102.8	113.2	-9
Working capital receivables included in assets	397.7	422.5	-6
Trade payables	101.5	104.2	-3
Personnel related accruals	140.9	155.0	-9
Provisions	10.8	12.9	-16
Other working capital liabilities	93.5	100.0	-7
Working capital liabilities included in liabilities	346.7	372.1	-7
Net working capital in the statement of financial position	51.0	50.4	1

Derivatives, EUR million

Nominal amounts of derivatives

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

	2018 31 Dec	2017 31 Dec
Foreign exchange forward contracts	170.0	179.6
Electricity price future contracts	-	0.9

Fair values of derivatives

The net fair values of derivative financial instruments at the end of the reporting period	2018 31 Dec	2017 31 Dec
Foreign exchange forward contracts	2.2	0.8
Electricity price future contracts	-	0.1

Derivatives are used for economic hedging purposes only.

Gross positive fair values of derivatives	2018 31 Dec	2017 31 Dec
Foreign exchange forward contracts	2.6	1.7
Electricity price future contracts	-	0.1

Gross negative fair values of derivatives	2018 31 Dec	2017 31 Dec
Foreign exchange forward contracts	-0.4	-0.9
Electricity price future contracts	-	0.0

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

Fair value measurement of financial assets and liabilities

EUR million				
31 Dec 2018	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Derivatives	-	2.6	-	2.6
Other	-	-	0.5	0.5
Financial liabilities at fair value through profit or loss				
Derivatives	-	-0.4	-	-0.4

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

Other financial assets at fair value through profit or loss' (Available-for-sale investments in 2017) 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.

Trade receivables sold under non-recourse factoring agreements (EUR 0.9 million on 31 Dec 2018) are classified as Financial assets at fair value through profit or loss and presented separately from other trade receivables. Group estimates that the carrying amount approximates the fair value due to their short-term nature.

Commitments and contingencies, EUR million

	2018 31 Dec	2017 31 Dec
For Tieto obligations		
Pledges ¹⁾	-	1.6
Mortgages ¹⁾	-	3.4
Guarantees ²⁾		
Performance guarantees	26.5	0.9
Lease guarantees	8.1	8.6
Other	0.8	0.5
Other Tieto obligations		
Rent commitments due in one year	39.6	41.6
Rent commitments due in 1–5 years	113.7	98.0
Rent commitments due after 5 years	8.3	17.9
Operating lease commitments due in one year	8.8	10.9
Operating lease commitments due in 1–5 years	11.6	12.0
Operating lease commitments due after 5 years	0.0	0.4
Commitments to purchase assets	5.3	7.4
Other	0.8	1.6

¹⁾ The Group has cancelled local credit facilities (EUR 1.0 million) of group companies that were acquired shortly before the year-end 2017. As a collateral for the facilities, companies had pledged subsidiary shares (carrying value of those shares were EUR 1.6 million) and in addition, a General Business mortgage of EUR 3.4 million.

²⁾ In addition commitments of EUR 8.0 (8.6) million related to liabilities in the consolidated statement of financial position.

Number of shares

	2018 10–12	2017 10–12	2018 1–12	2017 1–12
Outstanding shares, end of period				
Basic	73 826 349	73 723 125	73 826 349	73 723 125
Effect of dilutive share-based incentive plans	176 231	183 383	189 324	184 114
Diluted	74 002 580	73 906 508	74 015 673	73 907 239
Outstanding shares, average				
Basic	73 826 349	73 723 125	73 809 855	73 722 565
Effect of dilutive share-based incentive plans	176 231	183 383	189 324	184 114
Diluted	74 002 580	73 906 508	73 999 179	73 906 679
Company's possession of its own shares				
End of period	282 903	386 127	282 903	386 127
Average	282 903	386 127	303 555	386 687

Key figures

	2018 10-12	2017 10-12	2018 1-12	2017 1-12
Earnings per share, EUR				
Basic	0.48	0.50	1.67	1.46
Diluted	0.48	0.50	1.66	1.46
Equity per share, EUR	6.54	6.46	6.54	6.46
Return on equity, 12-month rolling, %	25.7	22.3	25.7	22.3
Return on capital employed, 12-month rolling, %	20.9	20.5	20.9	20.5
Equity ratio, %	41.3	42.5	41.3	42.5
Interest-bearing net debt, EUR million	137.4	155.7	137.4	155.7
Gearing, %	28.5	32.7	28.5	32.7
Capital expenditure, EUR million	16.7	11.4	45.0	50.8
Acquisitions, EUR million	4.3	49.3	14.5	49.3

Adjusted operating profit (EBIT)

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. Adjustments include restructuring costs, capital gains/losses, goodwill impairment charges and other items affecting comparability.

EUR million	2018 10–12	2017 10–12	2018 1–12	2017 1–12
Operating profit (EBIT)	45.7	47.9	154.7	139.1
+ restructuring costs	4.0	3.7	9.3	22.7
+ premises related expenses	0.2	-	0.3	-
- capital gains	-	-	-4.6	-
+ capital losses	-	0.3	-	0.3
+/- M&A related items	0.2	-0.2	1.4	-0.2
+/- other items	-0.3	-2.5	1.8	-0.5
Adjusted operating profit (EBIT)	49.8	49.2	162.8	161.4

Quarterly figures

Key figures

	2018 10–12	2018 7–9	2018 4–6	2018 1–3	2017 10–12	2017 7–9	2017 4–6	2017 1–3
Earnings per share, EUR								
Basic	0.48	0.45	0.33	0.41	0.50	0.46	0.28	0.22
Diluted	0.48	0.45	0.33	0.41	0.50	0.46	0.28	0.22
Equity per share, EUR	6.54	6.03	5.55	5.29	6.46	6.07	5.61	5.45
Return on equity, 12-month rolling, %	25.7	27.8	30.5	30.7	22.3	23.5	23.6	25.3
Return on capital employed, 12-month rolling, %	20.9	23.5	24.1	29.2	20.5	21.0	21.0	25.8
Equity ratio, %	41.3	41.9	38.2	36.3	42.5	44.5	40.6	39.2
Interest-bearing net debt, EUR million	137.4	199.7	209.2	100.7	155.7	161.4	164.6	38.0
Gearing, %	28.5	44.8	51.1	25.8	32.7	36.1	39.8	9.5
Capital expenditure, EUR million	16.7	8.7	11.4	8.2	11.4	9.1	21.0	9.3
Acquisitions, EUR million	4.3	-	2.3	9.9	49.3	-	-	-

Income statement, EUR million

	2018 10–12	2018 7–9	2018 4–6	2018 1–3	2017 10–12	2017 7–9	2017 4–6	2017 1–3
Net sales	421.9	367.1	404.1	406.3	409.6	355.0	385.6	393.1
Other operating income	8.0	3.3	3.5	7.2	6.8	3.2	4.3	3.1
Employee benefit expenses	-239.7	-199.6	-231.5	-234.2	-219.7	-190.0	-224.0	-239.7
Depreciation, amortization and impairment losses	-15.9	-13.0	-15.2	-13.8	-13.8	-13.6	-13.6	-13.7
Other operating expenses	-130.9	-118.5	-130.9	-129.3	-136.1	-114.4	-124.9	-121.5
Share of results in joint ventures	2.4	1.1	1.3	1.0	1.0	0.8	0.7	0.7
Operating profit (EBIT)	45.7	40.4	31.3	37.3	47.9	41.1	28.1	22.0
Financial income and expenses	-0.8	0.3	-0.6	-0.7	-1.6	-0.2	-0.6	-1.0
Profit before taxes	44.8	40.7	30.6	36.7	46.4	40.8	27.5	21.0
Income taxes	-9.2	-7.7	-5.9	-6.8	-9.6	-6.6	-6.6	-5.2
Net profit for the period	35.6	33.0	24.7	29.9	36.7	34.2	20.9	15.9

Statement of financial position, EUR million

	2018 31 Dec	2018 30 Sep	2018 30 Jun	2018 31 Mar	2017 31 Dec	2017 30 Sep	2017 30 Jun	2017 31 Mar
Goodwill	442.6	439.7	437.5	437.4	441.3	405.8	405.0	409.5
Other intangible assets	45.6	43.2	43.7	46.1	51.1	48.5	50.5	47.3
Property, plant and equipment	92.3	88.9	90.4	92.2	94.9	92.9	97.1	94.1
Interests in joint ventures	16.0	16.5	15.4	14.2	16.3	15.3	14.4	13.8
Other non-current assets ¹⁾	45.7	46.9	41.5	44.3	43.9	44.1	44.8	45.7
Total non-current assets	642.3	635.3	628.5	634.2	647.4	606.5	611.9	610.5
Trade receivables and other current assets ¹⁾	390.7	413.5	418.3	444.0	424.3	401.5	410.3	406.0
Cash and cash equivalents	164.6	51.0	67.4	53.9	78.2	41.9	51.3	76.9
Total current assets	555.3	464.5	485.7	497.9	502.5	443.4	461.5	482.9
Total assets	1 197.6	1 099.8	1 114.3	1 132.1	1 149.9	1 049.9	1 073.4	1 093.5
Total equity	482.5	445.3	409.5	390.7	476.1	447.7	413.9	401.9
Non-current loans	185.5	100.7	1.7	101.7	102.5	102.1	103.7	104.0
Other non-current liabilities	54.5	54.1	54.7	55.0	57.5	51.5	54.7	56.5
Total non-current liabilities	240.0	154.8	56.5	156.8	160.0	153.6	158.4	160.5
Trade payables and other current liabilities	349.0	341.2	364.8	521.1	368.8	331.2	368.3	496.1
Provisions	7.4	6.2	5.9	7.8	10.3	12.4	16.0	18.3
Current loans	118.6	152.3	277.6	55.7	134.6	105.1	116.7	16.7
Total current liabilities	475.0	499.7	648.3	584.6	513.7	448.6	501.1	531.1
Total equity and liabilities	1 197.6	1 099.8	1 114.3	1 132.1	1 149.9	1 049.9	1 073.4	1 093.5

¹⁾ Quarterly figures updated due to reclassification of defined benefit plan assets and other non-current receivables from current to non-current assets.

Statement of cash flows, EUR million

	2018 10–12	2018 7–9	2018 4–6	2018 1–3	2017 10–12	2017 7–9	2017 4–6	2017 1–3
Cash flow from operating activities								
Net profit for the period	35.6	33.0	24.7	29.9	36.7	34.2	20.9	15.9
Adjustments	21.9	16.9	19.9	19.5	19.3	20.4	20.6	19.1
Change in net working capital	25.9	-24.7	-22.4	18.0	13.5	-40.0	-35.9	47.1
Cash generated from operating activities before interests and taxes	83.6	25.2	22.2	67.5	69.6	14.6	5.6	82.0
Net financial expenses paid	0.3	-1.1	-3.0	-2.3	-2.8	0.4	-5.6	0.6
Dividends received	-	0.0	0.0	3.2	-	-	-	3.5
Income taxes paid	-2.2	-5.4	-6.9	-6.9	-0.2	-4.2	-6.1	-6.4
Cash flow from operating activities	81.7	18.7	12.3	61.5	66.6	10.8	-6.1	79.7
Cash flow from investing activities	-20.2	-7.8	-13.6	-7.6	-54.5	-8.4	-15.4	-9.6
Cash flow from financing activities	50.9	-25.4	14.3	-81.0	28.7	-11.2	-6.0	-51.7
Change in cash and cash equivalents	112.4	-14.5	13.0	-27.1	40.8	-8.8	-27.5	18.4
Cash and cash equivalents at the beginning of period	51.0	67.4	53.9	78.2	41.9	51.3	76.9	56.7
Foreign exchange differences	1.3	-1.9	0.5	2.8	-4.5	-0.6	1.9	1.8
Change in cash and cash equivalents	112.4	-14.5	13.0	-27.1	40.8	-8.8	-27.5	18.4
Cash and cash equivalents at the end of period	164.6	51.0	67.4	53.9	78.2	41.9	51.3	76.9

Quarterly figures by segments

Customer sales by service line, EUR million

	2018 10-12	2018 7-9	2018 4-6	2018 1-3	2017 10-12	2017 7-9	2017 4-6	2017 1-3
Technology Services and Modernization	190.3	173.4	186.8	189.5	189.5	171.8	185.6	188.5
Business Consulting and Implementation	66.6	51.5	64.3	62.1	53.5	42.3	48.9	51.2
Industry Solutions	128.7	110.1	119.4	120.7	132.5	112.1	119.8	121.6
Product Development Services	36.2	31.9	33.7	34.0	34.2	28.8	31.3	31.8
Group total	421.9	367.1	404.1	406.3	409.6	355.0	385.6	393.1

Customer sales by industry group, EUR million

	2018 10-12	2018 7-9	2018 4-6	2018 1-3	2017 10-12	2017 7-9	2017 4-6	2017 1-3
Financial Services	97.7	88.2	95.3	96.4	99.9	92.2	96.4	95.9
Public, Healthcare and Welfare	144.0	120.8	133.2	132.9	135.4	112.3	126.5	127.4
Industrial and Consumer Services	143.9	126.2	141.9	143.0	140.1	121.7	131.5	137.9
Product Development Services	36.2	31.9	33.7	34.0	34.2	28.8	31.3	31.8
Group total	421.9	367.1	404.1	406.3	409.6	355.0	385.6	393.1

Operating profit (EBIT) by service line, EUR million

	2018 10–12	2018 7–9	2018 4–6	2018 1–3	2017 10–12	2017 7–9	2017 4–6	2017 1–3
Technology Services and Modernization	20.6	23.5	20.7	20.7	22.7	23.0	19.1	13.8
Business Consulting and Implementation	5.1	1.6	7.1	5.3	4.8	3.6	4.8	2.9
Industry Solutions	22.9	15.7	5.0	10.9	22.7	15.8	9.6	6.2
Product Development Services	3.6	3.1	2.9	4.3	3.5	2.1	2.3	4.1
Support Functions and Global Management	-6.4	-3.5	-4.4	-3.8	-5.8	-3.5	-7.6	-5.0
Operating profit (EBIT)	45.7	40.4	31.3	37.3	47.9	41.1	28.1	22.0

Operating margin (EBIT) by service line, %

	2018 10–12	2018 7–9	2018 4–6	2018 1–3	2017 10–12	2017 7–9	2017 4–6	2017 1–3
Technology Services and Modernization	10.8	13.6	11.1	10.9	12.0	13.4	10.3	7.3
Business Consulting and Implementation	7.6	3.1	11.0	8.5	9.0	8.4	9.9	5.7
Industry Solutions	17.8	14.2	4.2	9.0	17.1	14.1	8.0	5.1
Product Development Services	9.9	9.7	8.7	12.7	10.1	7.3	7.3	12.9
Operating margin (EBIT)	10.8	11.0	7.7	9.2	11.7	11.6	7.3	5.6

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

	2018 10–12	2018 7–9	2018 4–6	2018 1–3	2017 10–12	2017 7–9	2017 4–6	2017 1–3
Technology Services and Modernization	24.8	23.9	22.9	20.8	24.3	23.1	21.6	19.6
Business Consulting and Implementation	5.5	1.5	6.3	5.4	4.3	3.5	3.8	4.7
Industry Solutions	20.4	15.8	5.9	9.0	20.8	15.8	11.2	9.9
Product Development Services	3.7	3.2	2.9	4.3	3.5	2.1	2.5	4.3
Support Functions and Global Management	-4.5	-2.7	-3.2	-3.0	-3.6	-3.3	-3.6	-2.9
Adjusted operating profit (EBIT)	49.8	41.6	34.8	36.6	49.2	41.1	35.5	35.6

Adjusted operating margin (EBIT) by service line, %

	2018 10–12	2018 7–9	2018 4–6	2018 1–3	2017 10–12	2017 7–9	2017 4–6	2017 1–3
Technology Services and Modernization	13.0	13.8	12.3	11.0	12.8	13.5	11.7	10.4
Business Consulting and Implementation	8.2	2.8	9.8	8.7	8.1	8.2	7.7	9.2
Industry Solutions	15.8	14.3	4.9	7.5	15.7	14.1	9.4	8.1
Product Development Services	10.1	9.9	8.7	12.7	10.1	7.2	8.0	13.4
Adjusted operating margin (EBIT)	11.8	11.3	8.6	9.0	12.0	11.6	9.2	9.0

Major shareholders on 31 December 2018

	Shares	%
1 Cevian Capital ¹⁾	11 066 684	14.9
2 Solidium Oy	7 415 418	10.0
3 Silchester International Investors LLP ²⁾	7 401 027	10.0
4 Ilmarinen Mutual Pension Insurance Co.	1 443 415	1.9
5 Swedbank Robur fonder	1 423 054	1.9
6 Elo Pension Co.	810 000	1.1
7 The State Pension fund	773 000	1.0
8 Svenska litteratursällskapet i Finland r.f.	636 345	0.9
9 Åbo Akademi University Foundation	495 500	0.7
10 Nordea Funds	383 816	0.5
Top 10 shareholders total	31 848 259	43.0
- of which nominee registered	18 467 711	24.9
Nominee registered other	29 901 319	40.3
Others	12 359 674	16.7
Total	74 109 252	100.0

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

¹⁾ Based on the ownership records of Euroclear Finland Oy, Cevian Capital's holding on 31 August 2018 was 11 066 684 shares, representing 14.9 % of the shares and voting rights.

²⁾ 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:

Janne Salminen, Acting CFO, tel. +358 2072 70707, +358 50 359 8521, [janne.salminen \(at\) tieto.com](mailto:janne.salminen@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 Wednesday 6 February 2019 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 Janne Salminen, Acting 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: +1 929 477 0324

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.

TIETO CORPORATION

DISTRIBUTION

NASDAQ Helsinki

Principal Media

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 around 15 000 experts in close to 20 countries. Tieto's turnover is approximately EUR 1.6 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