# Q4 2016
# Financial Statement Release
January–December

## Year of increased investments ends with solid performance

- Strong order intake with fourth-quarter book-to-bill 1.5
- Sales growth 2% in the fourth quarter, IT services up by 3%
- Adjusted operating margin over 12%
- Increased competitiveness driven by investments, continued automation and efficiency programme
- Dividend of EUR 1.37 proposed

tieto

# Key figures for the fourth quarter

### IT services

- Sales growth totalled 2.7%, sales in local currencies up by 3.9%
- Adjusted operating profit amounted to EUR 45.9 (48.6) million, 12.3% (13.4) of sales

### The Group

- Sales growth totalled 2.0%, sales in local currencies up by 3.5%
- Adjusted operating profit amounted to EUR 49.5 (51.4) million, 12.3% (13.0) of sales
- Order intake (Total Contract Value) at EUR 613 (641) million, order backlog at EUR 1 847 (2 030) million – book-to-bill 1.5

# Key figures for the full year

### IT services

- Sales growth totalled 4.3%, sales in local currencies up by 5.3%
- Adjusted operating profit amounted to EUR 141.1 (136.4) million, 10.3% (10.3) of sales

### The Group

- Sales growth totalled 2.2%, sales in local currencies up by 3.2%
- Adjusted operating profit amounted to EUR 152.2 (150.8) million, 10.2% (10.3) of sales
- Proposed dividend EUR 1.37 per share, including base dividend of EUR 1.15 (1.10) and an additional dividend of EUR 0.22 (0.25), representing dividend yield of 5.3%

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

| | 10–12/2016 | 10–12/2015 | 1–12/2016 | 1–12/2015 |
|---|---|---|---|---|
| Net sales, EUR million | 403.6 | 395.6 | 1 492.6 | 1 460.1 |
| Change, % | 2.0 | -1.8 | 2.2 | -4.1 |
| Change in local currencies, % | 3.5 | -2.9 | 3.2 | -2.6 |
| Operating profit (EBITA), EUR million [1)] | 49.0 | 50.1 | 154.9 | 138.0 |
| Operating margin (EBITA), % | 12.1 | 12.7 | 10.4 | 9.5 |
| Operating profit (EBIT), EUR million [2)] | 45.1 | 46.8 | 140.8 | 125.2 |
| Operating margin (EBIT), % | 11.2 | 11.8 | 9.4 | 8.6 |
| Adjusted[2) 3)] operating profit (EBIT), EUR million | 49.5 | 51.4 | 152.2 | 150.8 |
| Adjusted[2)] operating margin (EBIT), % | 12.3 | 13.0 | 10.2 | 10.3 |
| Profit after taxes, EUR million | 34.2 | 34.4 | 107.2 | 90.5 |
| EPS, EUR | 0.46 | 0.47 | 1.46 | 1.23 |
| Net cash flow from operations, EUR million | 50.2 | 67.1 | 97.2 | 132.6 |
| Return on equity, 12-month rolling, % | 22.1 | 19.0 | 22.1 | 19.0 |
| Return on capital employed, 12-month rolling, % | 21.6 | 20.4 | 21.6 | 20.4 |
| Capital expenditure and acquisitions, EUR million | 24.7 | 32.7 | 99.2 | 136.7 |
| Interest-bearing net debt, EUR million | 109.7 | 13.2 | 109.7 | 13.2 |
| Net debt/EBITDA | 0.6 | 0.1 | 0.6 | 0.1 |
| Book-to-bill | 1.5 | 1.6 | 1.1 | 1.3 |
| Order backlog | 1 847 | 2 030 | 1 847 | 2 030 |
| Personnel on 31 December | 13 876 | 13 083 | 13 876 | 13 083 |

1) amortization of all intangible items; previously, only acquisition-related intangible items
2) includes EUR 3.3 (1.2) million in allocated acquisition-based amortization in the full year, EUR 1.1 (0.6) million in the fourth quarter
3) adjusted for restructuring costs, capital gains/losses, goodwill impairment charges and other items (see page 17)

# Full-year outlook for 2017

Tieto expects its adjusted[1)] full-year operating profit (EBIT) to increase from the previous year's level (EUR 152.2 million in 2016).

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

# CEO's comment

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

"We are pleased to be back to growth and to have ended the year with solid performance also in terms of order intake and profitability. While our total revenues for the full year grew by 2% – and by 4% in IT services – our aim is to grow faster, which is supported by our investments in new services and technologies.

The IT software and services industry is continuing to undergo significant change globally, which requires a simultaneous focus on future innovation and constant productivity improvement in our operations. For example, we have increased investments in our software products, start-ups and new data-driven businesses based on artificial intelligence. To enable continued investments in innovation and growth, we have also decided to take further actions to drive our competitiveness by continuing to step up automation and growing our less labour-intensive solutions.

In this rapidly changing world of digitalization, the required skills and competences are evolving fast. We encourage all our employees to pursue personal development and actively support everyone to acquire new skills that fit the market demands. With this in mind we have recently launched a "Learning as a Lifestyle" initiative for all employees to provide insights on emerging skills and technologies in the areas of Advanced Analytics, Design Thinking and DevOps for agile development.

We are excited about the opportunities the world of digitalization brings to society and our customers, business and employees. With this in mind, we are looking forward to another exciting year in our continuous renewal and expansion."

# IT market development

- Customers increasingly combine private and public cloud to enable business innovation and agility in a cost efficient way.
- Solutions supporting automated end-to-end application lifecycle management are gaining ground. These solutions enable faster-paced innovation and reduced cost and time for the process to launch new products and services.
- New technologies will enable a new data-centric ecosystem where customers are provided with personalized experiences – in many cases, by new service providers utilizing automated service deliveries.

It is estimated that in2016 the market Tieto operates in grew by around 2%. In 2017, the market is anticipated to grow by 2–3%. Emerging services are expected to experience double-digit growth and the decline in traditional services will continue. Sweden is expected to be the fastest-growing market. In Finland, the outlook has somewhat improved while the slow growth of the economy will continue to affect the IT services market.

Digitalization of customers' business – with a twofold agenda of growing revenue through innovation and reducing costs by improved efficiency – continues to drive IT market growth. The majority of organizations are still in the early stages of their digital journey. Many clients already provide digitally enabled customer experiences but integration of services is at a low level. With greater maturity, companies can provide innovative services and even remake the existing markets and create new ones. Customer experience has become one of the most important investment areas while at the same time enterprises put more focus on rebuilding their back-end business processes.

To enhance business value, IT partners need to have strong industry and business insight, technology understanding and the ability to orchestrate new digital services for clients. In line with the changing requirements, SIAM (Service Integration and Management) adoption is accelerating. The SIAM market is moving from customer-managed integrations to a model where the extensive responsibility for integrations is shared by the customer and IT partners.

The cloud becomes the vital underpinning for digital transformation and customers are increasingly combining private and public cloud solutions to enable business innovation and agility in a cost-efficient way. It is estimated that currently around 20–25% of infrastructure services are represented by cloud, predominantly private, with public cloud as an option. Annual growth in the cloud services market is estimated to be around 30%.

Technologies such as the cloud, software robotics, artificial intelligence and blockchain will enable a new data-centric ecosystem where individuals are provided with personalized, predictive experiences. The role of current service providers in multiple industries may radically change and services provided by them may be replaced by automated computer execution, ruled by a business network driven by new vendors. New opportunities arise not only within industries but also in new ecosystems in the intersection of multiple industries, and consequently traditional industry boundaries will be blurred.

Co-creation with partners and customers is becoming more important in order to provide customers with best-of-breed technologies. This trend is accelerated by increasing openness, as open APIs (application programming interface) and open data make collaborative innovation possible.

In IT spending, emerging services are gaining ground while traditional services, such as infrastructure services, are seen as a source of cost reductions. Going forward, IT service providers will continue their investments in service delivery standardization, automation and productivity improvements.

## Industry sector drivers

- In the financial services sector, the market continues to be active with many large transformation programmes ongoing and planned. After a period of longer decision cycles, demand is picking up in both the Nordic countries and global banking markets. The market is mainly driven by a combination of digital transformation, core system modernization and regulatory changes. There is growing interest in business process outsourcing and software as a service delivered on secure cloud platforms. The market in the Finnish pension segment is active due to the pension legislation reform in 2017.

- In the public sector, the digitalization of services and processes will continue with a focus on cost reductions and citizen-centric services. There is also healthy demand for solutions such as digitalized learning and planning for the education segment. In Finland, Tieto is actively participating in the Government development programme in order to facilitate digitalization in the public sector. In Sweden, the outsourcing trend continues to be strong and there is robust demand for Tieto's cloud services. Demand for consultancy services has also remained strong in Sweden.

- In the healthcare and welfare sector, the digitalization trend will continue to support easier and faster access to healthcare for citizens and compensate for the anticipated shortage of care workers. In Sweden and Norway, plans to further develop electronic health records are in progress. In Finland, it is anticipated that the ongoing healthcare and welfare reform will provide growth opportunities while in the short term, only necessary investments are being started.

- In the manufacturing, forest and paper sector, there is a strong digitalization trend and clients are seeking new business and service models to ensure steady revenues, often based on Industry 4.0/Internet of Things. The market for consulting and business transformation is active. Preventive maintenance is driving digitalization in the manufacturing sector and customer experience can be seen as a strong driver, especially in the forest sector. At the same time, only projects with high business value are initiated and clients seek cost savings and automation in traditional IT services. The core process renewals for improved efficiency are moving towards cloud-enabled ERP solutions.

- In the retail and logistics sector, enterprises are investing in more advanced solutions to be able to provide a unified customer experience in all interaction across different touchpoints. In addition to consultancy and implementation capabilities to renew eCommerce channels, demand for improving tools for service personnel has remained good. Along with the omnichannel transformation, enterprises need to tightly integrate their customer interface solutions with their core supply chain solutions. In addition, B2B enterprises are expanding from transactional digital services to enhanced user experience.

- In the energy utility sector, differentiation is increasingly based on improved customer interaction. Furthermore, a strong focus on efficiency due to low energy prices continues. As a result, there is interest in investing in customer experience management and modern software-based systems. In the oil & gas market, investment levels have remained low and the focus in the entire industry is still on lower cost. However, due to a global shift towards lower consumption of carbon fuels, the natural gas segment is gradually picking up.

- The media sector is undergoing a huge change with increased deployment of digital services. Advertising is one of the main sources for revenue and related solutions call for renewal. While there are opportunities related to renewal and automation of sales processes, price pressure is high as many companies need to reduce costs.

- In the telecom sector, IT transformation programmes are driven by the need to simplify legacy systems and cut costs as well as by the potential to create additional business value. Telecom operators are moving from customized solutions to sourcing of standardized packaged solutions. IT service providers are experiencing aggressive competition in this sector.

# New strategy and implementation

As digitalization gains speed, demand for new data-driven innovations and the renewal of customers' business and IT increases rapidly. Tieto's customers are faced with a dual agenda: to run their existing businesses efficiently while innovating new services.

According to Tieto's new strategy for 2016–2020, announced in March 2016, the company will enhance its competitiveness and growth through three strategic choices:

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

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

Tieto continues to drive shareholder returns above industry average. Positive financial development and attractive dividend policy are expected to continue while the company increases its investments to support innovation and growth.

## New operating structure

Tieto's operating model and structure have been aligned with the strategy launched in March 2016. The new structure, effective as from 1 July, will support Tieto's ambition to be customers' first choice for business renewal. The structure is based on industry groups driving go-to-market activities and service lines as the reportable segments.

Industry groups

- Financial Services
- Public, Healthcare and Welfare
- Industrial and Consumer Services

Service lines

- Technology Services and Modernization
- Industry Solutions, including data-driven businesses organized independently of other businesses
- Business Consulting and Implementation
- Product Development Services.

## Growth businesses

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

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

Growth will be based on a strong solution foundation built on a dynamic portfolio, starting with around ten solutions proven in current markets. The portfolio includes the following high-growth businesses, in which the company has increased its investments during the past two years:

- Lifecare, Tieto's solution for the healthcare and welfare sector
- Cloud services
- Customer Experience Management
- Data-Driven Businesses and
- Security Services.

In 2016, aggregated sales of these businesses amounted to around EUR 330 million and growth totalled 18%. Cloud services continued to be the strongest area with full-year growth of 36%. During the fourth quarter, Tieto launched OneCloud, a dynamic solution allowing customers to efficiently manage multiple cloud services through one platform.

Security Services focused on enhancing its service portfolio, including own software as well as integration of third-party products, with a focus on providing customers with end-to-end asset visibility and protection with simplicity. Security Services saw full-year sales increase by 16% with growth accelerating in the second half of the year. In Customer Experience Management (CEM), the new Industrial Experience offering has been well received. Industrial Experience, targeted at business-to-business clients, is helping customers expand from transactional digital services to solutions providing improved user experience. CEM posted full-year growth of around 35%, supported by the acquisition of Smilehouse in December 2015. Lifecare's full-year growth was 6%.

Data-Driven Businesses have started to generate and deploy data-driven ideas together with customers and the Nordic start-up ecosystem. The business currently employs around thirty talents and the focus is on building the innovation and incubation pipeline. By the end of 2016, the unit had brought a few of its cases into commercialization mode. Tieto's data-driven solution in the healthcare and welfare sector drives personalized and efficient healthcare and health management by maximizing the wellbeing of individuals while reducing the costs of public health and social care operations. Tieto's Intelligent Building is a human-centric, data-driven concept that provides customers with benefits such as improved working experience and better utilization of assets.

Additionally, Tieto has increased its investments in industry solutions targeted at Nordic markets, such as

- Banking (Financial Services)
- SmartUtility (Energy)
- Case management solution (Public sector),

as well as spearhead solutions driving international expansion

- Payments (Financial Services)
- Production Excellence (Manufacturing) and
- Hydrocarbon Accounting (Oil & Gas).

### Performance drivers

The simultaneous market requirements for extreme productivity and innovation are increasing. To manage this dual challenge and support its customers in their business renewal, Tieto will continue actions to drive its competitiveness and to enable continued investments in innovation and growth.

In IT services, Tieto aims to grow faster than the market in 2017. In 2016, Tieto completed the acquisition of Emric, the Nordic market leader in software and services for credit processing, which will also affect sales in 2017. Emric's annual sales amount to around EUR 20 million, of which around EUR 7 million was visible in 2016.

In addition to sales growth, performance drivers in 2017 include

- recruitments in new service areas and related competence development
- salary inflation
- offering development
- automation and industrialization in service deliveries.

Investments in high-growth businesses and automation are expected to support profit improvement in the mid term while resulting in short-term pressure on the margin. Recruitments of new talent within growth areas include industry and solution consultants, architects and software developers. During 2016, Tieto added around 800 new competences in IT services while reductions based on efficiency programmes amounted to close to 200. Personnel costs related to recruitments during the year, driving mid- and long-term growth for Tieto, resulted in an increase of around EUR 20 million in aggregated personnel expenses in 2016. Salary inflation amounted to around EUR 18 million in 2016.

As a part of its long-term renewal and the need to increase its productivity and price competitiveness, Tieto has initiated actions to optimize its productivity and cost structure globally. In Finland, Tieto started personnel negotiations affecting up to 250 employees, of which up to 180 in the Transformation Services and Modernization service line and the remainder mainly in the Public, Healthcare and Welfare industry group and Support Functions. The company expects that the actions altogether, including the anticipated reductions in Finland, will result in annualized gross savings of close to EUR 40 million. It is estimated that over EUR 20 million in savings will affect the cost base for 2017, mainly in the second half.

In 2017 overall, Tieto's restructuring needs will be based on automation, other productivity improvements and the need to align the company's competence base with market demand. Tieto currently estimates that its full-year restructuring costs in 2017 will represent 1–2% of Group sales.

The company will continue to renew and strengthen its service and solution portfolio in promising growth areas during the year with a special focus on software-based industry solutions. In 2016, offering development costs amounted to around EUR 75 million, up by EUR 15 million, and totalled 5.0% of sales. EUR 12 million of the increase is attributable to Industry Solutions, including new data-driven businesses. Offering development costs in 2017 are anticipated to remain at the 2016 level and at around 5% of Group sales. Capital expenditure (CAPEX) is anticipated to remain below 4% of Group sales.

# Financial performance in October–December

Fourth-quarter net sales increased by 2.0% to EUR 403.6 (395.6) million, growth of 3.5% in local currencies. In IT services, net sales were up by 2.7%, in local currencies up by 3.9%. In Product Development Services, sales were down by 4.9%, in local currencies down by 0.9%. The acquisitions added EUR 8 million in sales, affecting Industry Solutions (EUR 5 million) and Business Consulting and Implementation (EUR 3 million). Currency fluctuations had a negative impact of EUR 6 million on sales, mainly due to the weaker Swedish Krona.

Fourth-quarter operating profit (EBIT) amounted to EUR 45.1 (46.8) million, representing a margin of 11.2% (11.8). Adjusted[1)] operating profit stood at EUR 49.5 (51.4) million, or 12.3% (13.0) of net sales. Further details on fourth-quarter adjustments are available in a table on page 17. For IT services, adjusted operating profit was down to EUR 45.9 (48.6) million mainly due to investments in future growth.

Cost savings, related to the automation and industrialization programme in Technology Services and Modernization, had a positive effect of around EUR 4 million on IT services' operating profit compared with the fourth quarter of 2015 while the positive impact of gross savings was curbed by salary inflation of around EUR 4 million and a EUR 6 million increase in offering development. Additionally, recruitments in support of growth businesses affected profitability. Currency changes had a negative impact of over EUR 1 million on operating profit. The negative effect was mainly attributable to the Swedish Krona.

Depreciation and amortization amounted to EUR 13.9 (13.7) million. Net financial expenses stood at EUR 0.8 (1.0) million in the fourth quarter. Net interest expenses were EUR 0.5 (0.6) million and net losses from foreign exchange transactions EUR 0.1 (0.2) million. Other financial income and expenses amounted to EUR -0.2 (-0.2) million.

Earnings per share (EPS) totalled EUR 0.46 (0.47). Adjusted[1)] earnings per share amounted to EUR 0.51 (0.51).

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

# Financial performance by service line

| EUR million | Customer sales 10–12/2016 | Customer sales 10–12/2015 | Change, % | Operating profit 10–12/2016 | Operating profit 10–12/2015 |
|---|---|---|---|---|---|
| Technology Services and Modernization | 197 | 196 | 1 | 26.2 | 30.3 |
| Business Consulting and Implementation | 38 | 34 | 10 | 2.0 | 1.3 |
| Industry Solutions | 138 | 132 | 4 | 19.7 | 20.8 |
| Product Development Services | 31 | 33 | -5 | 3.3 | 2.8 |
| Support Functions and Global Management | | | | -6.2 | -8.3 |
| **Total** | **404** | **396** | **2** | **45.1** | **46.8** |

# Operating margin by service line

| % | Operating margin 10–12/2016 | Operating margin 10–12/2015 | Adjusted[1)] operating margin 10–12/2016 | Adjusted[1)] operating margin 10–12/2015 |
|---|---|---|---|---|
| Technology Services and Modernization | 13.3 | 15.5 | 14.1 | 15.8 |
| Business Consulting and Implementation | 5.3 | 3.7 | 1.8 | 5.7 |
| Industry Solutions | 14.3 | 15.7 | 15.5 | 16.2 |
| Product Development Services | 10.6 | 8.4 | 11.3 | 9.4 |
| **Total** | **11.2** | **11.8** | **12.3** | **13.0** |

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

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

In Technology Services and Modernization, sales of cloud services were up by 23% compared with the corresponding quarter in 2015 and represented 22% of infrastructure services sales. Additionally, shared standardized workspace services and Tieto's solutions supporting automated end-to-end application lifecycle management posted strong growth. At the same time, the market for traditional infrastructure and application services continued to decline. Service standardization and automation continued, reflecting the shift from traditional services to emerging services. Operating profit was somewhat down due to an exceptionally strong fourth quarter in 2015. The measures to ensure continued competitiveness will affect the operating margin mainly in the second half of 2017. The first-quarter adjusted operating margin is expected to remain at the level of the corresponding quarter of 2016.

In Business Consulting and Implementation, sales growth was supported by the acquisitions of Smilehouse and Imano, implemented in 2015. Demand was strongest in Customer Experience Management and consulting services. Operating profit was affected by continued overcapacity in Enterprise Applications. Additionally, investments in growth areas, including recruitments for the eCommerce area, impacted profitability. The utilization rate is anticipated to improve due to the efficiency improvement programme announced in January. Improvement in adjusted operating margin is anticipated to materialize as from the second quarter of 2017.

In Industry Solutions, sales were up 4%, as the acquisition of Emric supported the sales of Financial Services. In the Public, Healthcare and Welfare segment, sales were organically up by 4%, supported strong development of maintenance sales in the healthcare and welfare segment. Lifecare, Tieto's solution for the healthcare and welfare sector, posted growth of 5%, with the strongest development being seen in Finland. The quarter ended with strong order intake in all main businesses. While operational efficiency has improved, adjusted operating profit remained at the previous year's level due to investments in growth businesses. The investments comprise an increase of around EUR 5 million in offering development costs, including new data-driven businesses, and recruitments during the year. Further investments will be made in high-growth solutions and the first-quarter adjusted operating margin is expected to remain at the level of the corresponding quarter of 2016.

In Product Development Services (PDS), sales in local currencies remained at the previous year's level. Business with the largest key customers grew mainly due to good development in the Radio area, while growth did not fully compensate for the anticipated end-of-life projects. Fourth-quarter operating margin improved clearly due to the higher utilization rate and healthy cost structure. In the first quarter, adjusted operating margin is anticipated to be at or above the level of the corresponding quarter in 2016.

# Customer sales by industry group

| EUR million | Customer sales 10–12/2016 | Customer sales 10–12/2015 | Change, % |
|---|---|---|---|
| Financial Services | 101 | 92 | 10 |
| Public, Healthcare and Welfare | 135 | 133 | 1 |
| Industrial and Consumer Services | 137 | 137 | 0 |
| **IT services** | **373** | **363** | **3** |
| Product Development Services | 31 | 33 | -5 |
| **Total** | **404** | **396** | **2** |

In Financial Services, the acquisition of Emric had a positive impact of EUR 5 million on sales an additionally, volumes with largest the customers were on the rise. New projects driving IT efficiency and digital services, especially in Finland, were the main contributor to fourth-quarter organic growth of 6%.

In Public, Healthcare and Welfare, sales in local currencies were up by 3%. Growth was strongest in industry-specific solutions, which posted organic growth of around 4%. Additionally, transition projects in infrastructure services in Finland contributed to growth.

In Industrial and Consumer Services, sales remained at the previous year's level. Organically, sales were down by 2% due to anticipated lower project business volumes for one customer in the telecom sector. Demand in the energy utilities segment remained good.

# M&A impact in October–December

In IT services, fourth-quarter organic growth in local currencies was 1.6%. At Group level, fourth-quarter sales in local currencies were organically up by 1.4%. The acquisitions added EUR 8 million in sales, affecting Industry Solutions (EUR 5 million) and Business Consulting and Implementation (EUR 3 million).

## M&A impact by service line

| | Growth, % (in local currencies) 10–12/2016 | Organic growth, % (in local currencies) 10–12/2016 |
|---|---|---|
| Technology Services and Modernization | 2.2 | 2.2 |
| Business Consulting and Implementation | 11.9 | 2.0 |
| Industry Solutions | 5.0 | 1.2 |
| **IT services** | **3.9** | **1.6** |
| Product Development Services | -0.9 | -0.9 |
| **Total** | **3.5** | **1.4** |

## M&A impact by industry group

| | Growth, % (in local currencies) 10–12/2016 | Organic growth, % (in local currencies) 10–12/2016 |
|---|---|---|
| Financial Services | 11.0 | 5.6 |
| Public, Healthcare and Welfare | 2.6 | 2.4 |
| Industrial and Consumer Services | 0.2 | -2.0 |
| **IT services** | **3.9** | **1.6** |
| Product Development Services | -0.9 | -0.9 |
| **Total** | **3.5** | **1.4** |

# Financial performance in January–December

Tieto's new operating structure, effective from 1 July, will support Tieto's strategy execution. This report is based on the new structure, comprising service lines and industry groups. New comparison figures and additional material bridging the current structure with the prior one are available at www.tieto.com/investors.

Full-year net sales increased by 2.2% to EUR 1 492.6 (1 460.1) million, growth of 3.2% in local currencies. In IT services, net sales were up by 4.3%, in local currencies up by 5.3%. In Product Development Services, sales were down by 17.3% partly due to insourcing by one key customer whose projects ended after the first quarter of 2015. The acquisitions added EUR 50 million in sales, affecting Industry Solutions (EUR 34 million) and Business Consulting and Implementation (EUR 16 million). Divestments implemented in 2015 had a negative impact of EUR 5 million, affecting Industry Solutions. Currency fluctuations had a negative impact of EUR 15 million on sales, mainly due to the weaker Swedish and Norwegian Krona.

Full-year operating profit (EBIT) amounted to EUR 140.8 (125.2) million, representing a margin of 9.4% (8.6). Adjusted[1)] operating profit stood at EUR 152.2 (150.8) million, or 10.2% (10.3) of net sales. Further details on the adjustments are available in a table on page 17. For IT services, adjusted operating profit rose to EUR 141.1 (136.4) million, mainly due to the automation and industrialization programme in Technology Services and Modernization. Operating profit included allocated acquisition-based amortization of EUR 3.3 million. Additionally, customer debt restructurings had a negative impact of EUR 1.7 million.

Cost savings, mainly related to the automation programme and industrialization of application management services, had a positive effect of around EUR 29 million on IT services' operating profit while the positive impact of gross savings was curbed by around EUR 18 million in salary inflation, around EUR 20 million in costs for recruitments in new service areas and the increase of EUR 15 million in offering development costs. The performance-based incentive accruals, including both short-term and long-term incentives, were EUR 25.6 (32.4) million. Currency changes had a negative impact of over EUR 3 million on operating profit. The negative effect was mainly attributable to the Swedish and Norwegian Krona.

Depreciation and amortization amounted to EUR 53.9 (56.6) million. Net financial expenses stood at EUR 4.0 (5.9) million in the full year. Net interest expenses were EUR 2.1 (2.2) million and net losses from foreign exchange transactions EUR 1.1 (2.4) million. Other financial income and expenses amounted to EUR -0.8 (-1.3) million.

Full-year earnings per share (EPS) totalled EUR 1.46 (1.23). Adjusted[1)] earnings per share amounted to EUR 1.58 (1.51).

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

# Financial performance by service line

| EUR million | Customer sales 1–12/2016 | Customer sales 1–12/2015 | Change, % | Operating profit 1–12/2016 | Operating profit 1–12/2015 |
|---|---|---|---|---|---|
| Technology Services and Modernization | 762 | 755 | 1 | 89.0 | 65.5 |
| Business Consulting and Implementation | 139 | 125 | 12 | 4.1 | 1.5 |
| Industry Solutions | 475 | 439 | 8 | 55.2 | 65.4 |
| Product Development Services | 117 | 142 | -17 | 10.9 | 15.6 |
| Support Functions and Global Management | | | | -18.5 | -22.8 |
| **Total** | **1 493** | **1 460** | **2** | **140.8** | **125.2** |

# Operating margin by service line

| % | Operating margin 1–12/2016 | Operating margin 1–12/2015 | Adjusted[1)] operating margin 1–12/2016 | Adjusted[1)] operating margin 1–12/2015 |
|---|---|---|---|---|
| Technology Services and Modernization | 11.7 | 8.7 | 12.1 | 11.7 |
| Business Consulting and Implementation | 3.0 | 1.2 | 1.2 | 2.5 |
| Industry Solutions | 11.6 | 14.9 | 12.5 | 14.0 |
| Product Development Services | 9.3 | 11.0 | 9.4 | 10.3 |
| **Total** | **9.4** | **8.6** | **10.2** | **10.3** |

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

In Technology Services and Modernization, sales of cloud services were up by 36% and represented 22% of infrastructure services sales. Additionally, shared, standardized workspace services posted strong growth. At the same time, the market for traditional infrastructure and application services continued to decline. Service standardization and automation continued, reflecting the shift from traditional services to emerging services. Adjusted operating profit was up due to the savings related to the automation programme, initiated in 2015.

In Business Consulting and Implementation, sales growth of 12% is supported by the acquisition of Smilehouse and Imano. Demand remained strongest in Customer Experience Management and consulting services. Organically, sales remained at the previous year's level, partly due to some delays in decision making and lower project business volumes for one customer in the telecom sector, which resulted in an unsatisfactory utilization rate, especially in the Enterprise Applications area. Operating profit was also affected by investments in growth areas, comprising mainly increased sales costs.

In Industry Solutions, sales growth of 8% was driven by the acquisition of Software Innovation and Emric. Organically, sales were up by over 6% in the Public, Healthcare and Welfare segment and by 4% in the Financial Services segment. In the oil and gas segment, market conditions remained challenging. Operating profit was down due to investments in growth businesses, including an increase of close to EUR 12 million in offering development costs as well as recruitments.

In Product Development Services (PDS), sales were down due to insourcing by one key customer whose projects ended after the first quarter of 2015 and a few anticipated end-of-life projects while Tieto has won new agreements in new growing areas. Operating profit was down due to the fact that the figure for the first quarter in 2015 was exceptionally high, as it included income related to temporary commercial terms. The utilization rate improved from the previous year and the existing business has a healthy cost structure.

## Customer sales by industry group

| EUR million | Customer sales 1–12/2016 | Customer sales 1–12/2015 | Change, % |
|---|---|---|---|
| Financial Services | 370 | 347 | 7 |
| Public, Healthcare and Welfare | 479 | 439 | 9 |
| Industrial and Consumer Services | 527 | 533 | -1 |
| **IT services** | **1 376** | **1 318** | **4** |
| Product Development Services | 117 | 142 | -17 |
| **Total** | **1 493** | **1 460** | **2** |

In Financial Services, volumes with the largest customers were on the rise. New projects driving IT efficiency and digital services, especially in Finland, were the main contributor to the growth. Additionally, the acquisition of Emric had a positive impact of EUR 7 million on sales.

In Public, Healthcare and Welfare, growth was supported by the acquisition of Software Innovation. Industry Solutions posted growth of around 19%, organically 6%. Additionally, transition projects in infrastructure services in Finland contributed to growth.

In Industrial and Consumer Services, sales were down due to lower project business volumes for one customer in the telecom sector and lower sales in the challenging oil and gas segment. Development in energy utilities was positive. The acquisition of Smilehouse and Imano had a positive impact of EUR 19 million on sales.

## M&A impact by service line

| | Growth, % (in local currencies) 1–12/2016 | Organic growth, % (in local currencies) 1–12/2016 |
|---|---|---|
| Technology Services and Modernization | 1.5 | 1.5 |
| Business Consulting and Implementation | 12.3 | -0.6 |
| Industry Solutions | 9.8 | 3.1 |
| **IT services** | **5.3** | **1.9** |
| Product Development Services | -16.1 | -16.1 |
| **Total** | **3.2** | **0.1** |

## M&A impact by industry group

| | Growth, % (in local currencies) 1–12/2016 | Organic growth, % (in local currencies) 1–12/2016 |
|---|---|---|
| Financial Services | 7.3 | 5.3 |
| Public, Healthcare and Welfare | 9.9 | 4.3 |
| Industrial and Consumer Services | -0.4 | -3.1 |
| **IT services** | **5.3** | **1.9** |
| Product Development Services | -16.1 | -16.1 |
| **Total** | **3.2** | **0.1** |

# Cash flow and financing

Fourth-quarter net cash flow from operations amounted to EUR 50.2 (67.1) million, including the decrease of EUR 4.4 (decrease 15.0) million in net working capital. Payments for restructuring amounted to EUR 3.4 (11.8) million.

Full-year net cash flow from operations amounted to EUR 97.2 (132.6) million, including the increase of EUR 51.6 (15.0) million in net working capital. The increase in net working capital is mainly attributable to increased accounts receivable and other receivables, and lower level of restructuring-related provisions. Accounts receivable was at a high level as the due date at the turn of the year transferred a substantial amount of cash flow to the first week of 2017.

Tax payments were EUR 37.6 (20.4) million in the full year. In January 2016, Tieto paid EUR 6.0 million based on the transfer pricing audit for tax years 2009–2013 in Finland. The decision has been appealed.

The equity ratio was 47.3% (46.2). Gearing increased to 22.5% (2.7). Interest-bearing net debt totalled EUR 109.7 (13.2) million, including EUR 166.9 (171.3) million in interest-bearing debt, EUR 5.5 (6.7) million in finance lease liabilities, EUR 5.7 (8.1) million in finance lease receivables, EUR 0.3 (0.5) million in other interest-bearing receivables and EUR 56.7 (156.2) million in cash and cash equivalents.

The EUR 100 million bond matures in May 2019 and it carries a coupon of fixed annual interest of 2.875%. Interest-bearing long-term loans amounted to EUR 103.8 million at the end of December. Interest-bearing short-term loans amounted to EUR 68.6 million, mainly related to commercial papers and joint venture cash pool balances. The syndicated revolving credit facility of EUR 150 million maturing in May 2020 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 its high-growth businesses through investments in offering development and new competencies as well as acquisitions. In the full year, the number of full-time employees rose by a net amount of around 800. Additionally, the company will continue to invest in standardization and automation to drive improvements in productivity and quality.

Full-year capital expenditure totalled EUR 61.6 (50.5) million, of which paid EUR 61.7 (43.7) million. Capital expenditure represented 4.1% (3.5) of net sales and was mainly related to data centres. Net payments for acquisitions totalled EUR 32.3 (73.7) million.

Capital expenditure also included EUR 9.6 million in Tieto's head office. Costs related to premises, however, are expected to decline due to improved premise efficiency. The rental agreement for one large office in the capital area ended on 31 December 2016.

Tieto's offering development costs amounted to around EUR 75 million in 2016, representing 5.0% of Group sales (EUR 60 million in 2015, representing 4.1% of net sales). These costs comprise service and product development focusing on, for example, industry solutions, Customer Experience Management and Security Services, as well as cloud services. Additionally, the costs for related internal development, e.g. automation in infrastructure services, are included in this amount. No development costs were capitalized for either 2016 or 2015.

# Order backlog

Total Contract Value (TCV) amounted to EUR 613 (641) million in the fourth quarter. Fourth-quarter book-to-bill stood at 1.5 (1.6). The total value, including the part beyond the notice period, is included in the TCV.

In the full year, Total Contract Value (TCV) amounted to EUR 1 669 (1 902) million. Full-year book-to-bill stood at 1.1 (1.3).

The order backlog rose from the third-quarter level of EUR 1 722 million to EUR 1 847 (2 030) million. A growing part of Tieto's business is based on subscription-based sales, which also affects the order backlog. Of the backlog, 49% (46) is expected to be invoiced during the current year.

# Major agreements in January–December

During the year, Tieto signed a solid 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 February, Tieto signed a five-year agreement with Skandiabanken ASA to provide funds and securities solutions. The agreement is an important business enabler to Skandiabanken ASA as an independent Norwegian bank and a step in strengthening both companies' foothold in Norway.

In February, Scandinavia's largest online fashion store Nelly.com turned to Tieto to help it provide a better customer experience. Through Tieto's Customer Care as a Service (CCaaS), Nelly.com will be able to offer personal shopping service. The three-year contract comprises a cloud-based solution covering all channels: web, voice, chat, email and social media. CCaaS is a complete customer service solution based on the industry-leading Genesys platform.

In February, Tieto signed an agreement with leading Nordic metals company Boliden to deliver a solution for end-user services that will standardize the company's global IT workplace processes. The standardized platform will be based on Tieto Energized Workplace, a comprehensive set of tools that give users easier access to applications, ensure secure data and help enable a more mobile workforce. The contract is valid for three years with an option to extend by two additional years.

In February, the Swedish Research Council, a public agency that advises the government on scientific research, chose Tieto as its partner to modernize IT operations with cloud-based services and solutions. The deal is valid for four years and has an estimated value of SEK 20 million.

In March, Tieto signed an agreement with Volvo Car Retail Solutions (VCRS) to provide the company with cloud services. The three-year agreement covers the Nordic countries and has a total value of over EUR 3 million.

In May, Tieto signed an agreement with the Municipality of Bergen to provide a case and records management solution. The solution provides a platform for offering extended and improved digital services to citizens, businesses and employees. The agreement has a term of 12 years and a total value of NOK 24 million.

In May, Tieto signed an agreement with Sparbanken Syd for the bank's securities business. The agreement is valid for five years and covers IT systems, operations and back office services. The new solutions support the entire process from order to settlement of securities, enabling Sparbanken Syd to provide future-oriented funds and securities offerings while ensuring cost-efficient and secure operations to its customers.

In May, Tieto signed an agreement with Ahlstrom, the global fibre-based materials company, to deliver a manufacturing execution system and order-to-cash ERP system. With the agreement, Ahlstrom aims for improved and more effective end-to-end service management. The agreement has a total value of EUR 4.8 million.

In June, the Finnish Government ICT Centre Valtori and Tieto signed a frame agreement extension on data centre and capacity services. Tieto has been delivering data centre and capacity services to Valtori since 2014. The agreement has a term of five years and a total value of EUR 15.1 million.

In September, Tieto entered into a strategic partnership with Lyse, a leading Norwegian energy and technology group. Tieto was selected to deliver cloud solutions, infrastructure operations and data centre services to the client. The agreement also includes the transfer of 25 IT professionals from Lyse Link. Furthermore the agreement involves significant R&D and innovation initiatives in a number of relevant areas. The scope of the agreement is a minimum of EUR 30 million in a period of over five years, of which the last two are optional.

In September, Kesko and Tieto signed a significant agreement whereby Tieto will modernize a large part of Kesko's application and infrastructure services. The aim is to accommodate Kesko's strategic priorities for growth and efficiency. The contract covers a wide range of services, including application management of Kesko's business critical applications, business integration and project services, lifecycle management of SAP applications, end-user services and infrastructure services.

In September, S Group chose Tieto to fully modernize and standardize its retail information system by 2020. With the agreement, S Group aims for improved retail trade and development of digital services. The agreement has a total contract value of EUR 20 million.

In September, Tieto signed an agreement with the world-leading air filter manufacturer Camfil to take over a significant part of their infrastructure for their European business. Tieto will deliver a standardized cloud-based solution including infrastructure and application operations. This will enable Camfil to grow fast and reduce capital expenditure. The agreement has a term of three years with an option of two additional years. The order value is estimated to amount to SEK 40 million during the first three years.

In September, Tieto signed a five-year agreement with the Church of Sweden to digitalize the organization's document and case management. The new solution will enable employees to work in a more mobile, structured and efficient manner. Tieto's solution, Public 360, will enable a gradual transition toward digital management of everything from registering incoming cases to handling documents.

In October, Tieto was chosen as Kalmar's partner to expand and enhance its future B2B eCommerce platform. The new solution from Tieto forms an integrated selling platform for Kalmar with better collaboration and enhanced user experience for customers worldwide. With this implementation, Kalmar seeks to increase their online sales and reduce sales administration.

In November, Tieto signed a five-year agreement with COOP Mitt & Väst, one of the largest food retailer chains in Sweden. The scope of services includes End User Support, Workplace, Network, Print and Cloud. The agreement has a total value of EUR 6 million.

In November, energy company Fortum chose Tieto Smart Utility to support its Swedish operations. Tieto's Software as a Service (SaaS) solution optimizes the company's core business activities in billing, customer service and sales. The new system will serve approximately 1.5 million customers in total.

In December, Tieto and Folksam, signed a three-year extension of their existing Application Operations agreement. The total value of the agreement is SEK 330 million, including the one-year extension signed in August. The agreement includes two optional years. The focus will be on continuing the modernization of Folksam's infrastructure as well as application operations.

In December, Tieto signed an agreement with Arek, a service provider for pension companies in Finland, to provide infrastructure services. The six-year agreement includes a one-year transition part in addition to infrastructure services.

In December Tieto signed an extension to the existing agreement with Etera for infrastructure services. The agreement is valid for five years.

In December, Tieto signed an agreement with Marginalen Bank to provide PCI DSS certified end-to-end card services. The card solution will be provided as a service using cloud-enabled technology and will also include business process outsourcing. The agreement is valid for five years and will provide the bank with a scalable and cost-efficient solution that complies with the regulatory requirements.

# Business transactions in January–December

In May, Tieto acquired all shares in Tieto Estonia Services OÜ, a subsidiary previously owned by Tieto (60%), SEB (20%) and Swedbank (20%).

In September, Tieto signed an agreement to acquire Emric, the Nordic market leader in software and services for credit processing. The acquisition will strengthen Tieto's position as a business renewal partner for Nordic financial services customers. Tieto expects the transaction to contribute to the company's ambition to accelerate its scalable software business and to be accretive to the company's growth and profit targets as from 2017. In 2015, Emric's net sales amounted to around EUR 20 million and the number of employees to around 200.

In September, Tieto acquired the software assets and related rights from Oppad, a provider of administrative solutions for schools and daycare in Norway. The aim is to strengthen the company's digital offering in the education sector.

# Personnel

The number of full-time employees amounted to 13 876 (13 083) at the end of December. The number of full-time employees in the global delivery centres totalled 6 643 (6 039), or 47.9% (46.2) of all personnel.

In the full year, the number of full-time employees rose by a net amount of around 800. Acquisitions added close to 200 employees, recruitments increased the number of personnel by a net of around 800 and redundancies amounted to around 200.

The 12-month rolling employee turnover stood at 10.5% (9.9) at the end of December.

Salary inflation is expected to remain at around 3% on average in 2017. In offshore countries, salary inflation is clearly above the average. In Finland, Tieto reached an agreement on the national Competitiveness Pact, effective 13 January 2017. Based on the agreement, annual working time will increase by around two working days in Finland.

Tieto's Human Resources continued to support the company renewal in 2016. Employee experience has become a vital part of Tieto's Open Source culture. The move to the new, highly collaborative and activity-based head office in Keilalahti, Espoo and the decision to adopt a new Human Capital Management tool are examples of this development. The Keilalahti building also applies Tieto's own Intelligent Building concept.

# Shareholders' Nomination Board

The largest shareholders were determined on the basis of the shareholdings registered in the Finnish and Swedish book-entry systems on 31 August 2016. The shareholders who wished to participate in the work of the Shareholders' Nomination Board nominated the following members:

Martin Oliw, Partner, Cevian Capital AB
Kari Järvinen, Managing Director, Solidium Oy
Timo Ritakallio, President and CEO, Ilmarinen Mutual Pension Insurance Company
Satu Huber, Chief Executive Officer, Elo Mutual Pension Insurance Company and
Markku Pohjola, Chairman of the Board of Directors, Tieto Corporation.

# Shares and share-based incentives

The number of Tieto shares amounted to 74 109 252 at the end of December. On 31 December, Tieto's holding amounted to a total of 411 682 own shares, representing 0.6% of the total number of shares and voting rights. There were no flagging announcements during 2016.

The subscription period for the company's option programmes ended on 31 March 2016. Currently, Tieto has no option programmes.

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

# Dividend

The distributable funds of the parent company amount to EUR 582.4 million, of which net profit for the current year amounts to EUR 49.4 million. The Board of Directors proposes a dividend of EUR 1.15 (1.10) per share for 2016. In light of the company's strong cash flow and targeted capital structure, an additional dividend of EUR 0.22 (0.25) is proposed. Tieto will maintain its capacity to invest in growth both organically and inorganically after dividends. The proposed dividend payout does not endanger the solvency of the company.

The dividend shall be paid to shareholders who are recorded in the shareholders' register held by Euroclear Finland Ltd or the register of Euroclear Sweden AB on the proposed dividend record date, 27 March 2017.

# Near-term risks and uncertainties

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

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

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

As is typical of Product Development Services, visibility is limited due to the short order backlog. PDS booked goodwill impairment in 2014 due to the reduction in business volumes and has efficiently adjusted its cost base. Overall, volatility in the operating environment might lead to potential goodwill impairments also going forward.

Typical risks faced by the IT service industry involve additional technology licence fees, the quality of deliveries and related project overruns. The transition related to the automation programme, increasing use of global delivery centres as well as the ongoing organizational change pose risks of project losses and penalties.

Economic growth might be affected by recent uncertainty, for example, related to Brexit and the election in the USA. The direct impact on Tieto is anticipated to be marginal, but slower growth in Europe might indirectly lead to weakness in the IT services market as well. The share of sales in the USA and Russia is less than 1%.

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

# Events after the period

As part of its long-term renewal and in response to the need to increase its productivity and price competitiveness, Tieto initiated personnel negotiations in Finland on 17 January. The negotiations affect up to 250 employees. These actions are based on increased service standardization and a continuation to the global automation programme initiated in 2015. The company additionally seeks to optimize its productivity and cost structure globally. The company expects that the actions altogether, including the anticipated reductions in Finland, will result in annualized gross savings of close to EUR 40 million. It is estimated that over EUR 20 million in savings will affect the cost base for 2017.

On 9 January, a total of 25 555 Tieto treasury shares were transferred as part of the allocations related to the company's share-based reward plan. After the transfer of the shares, Tieto holds a total of 386 127 own shares.

# Full-year outlook for 2017

Tieto expects its adjusted[1)] full-year operating profit (EBIT) to increase from the previous year's level (EUR 152.2 million in 2016).

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

# Auditing

The full-year figures in this report are audited.

# Financial calendar 2017

| | |
|---|---|
| By 1 March | Annual Report 2016 on Tieto's website |
| 23 March | Annual General Meeting |

Tieto will publish three interim reports in 2017:

| | |
|---|---|
| 27 April | Interim report 1/2017 (8.00 am EET) |
| 21 July | Interim report 2/2017 (8.00 am EET) |
| 24 October | Interim report 3/2017 (8.00 am EET) |

# Accounting policies 2016

The interim report has been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the EU. The accounting policies adopted are consistent with those used in the annual financial statements for the year ended on 31 December 2016. The standards, amendments and interpretations which are effective 1 January 2016 are not material to the Group.

The accounting policies will be described in more detail in the annual financial statements for the year ended on 31 December 2016.

# Reported alternative performance measures

In accordance with the new guidelines on alternative performance measures issued by the European Securities and Markets Authority (ESMA) Tieto has revised the terminology used in its financial reporting. The term "adjusted items" has replaced the term "one-off items". Adjusted items include restructuring costs, capital gains/losses, goodwill impairment charges and other items.

Tieto uses alternative performance measures to better reflect its operational business performance and to enhance comparability between financial periods. They are reported in addition to, but not as a substitute for, the performance measures reported in accordance to IFRS.

## Adjusted operating profit (EBIT)

| EUR million | 2016 10–12 | 2015 10–12 | 2016 7–9 | 2016 4–6 | 2016 1–3 | 2016 1–12 | 2015 1–12 |
|---|---|---|---|---|---|---|---|
| Operating profit (EBIT) | 45.1 | 46.8 | 35.1 | 32.3 | 28.3 | 140.8 | 125.2 |
| + restructuring costs | 7.8 | 4.4 | 1.6 | 2.2 | 3.2 | 14.8 | 29.6 |
| + impairment losses | - | - | - | - | - | - | - |
| - capital gains | - | - | - | - | - | - | -6.1 |
| + capital losses | - | - | - | 0.2 | - | 0.2 | - |
| +/- M&A related items | -0.6 | 0.2 | -1.3 | - | - | -1.9 | 1.0 |
| +/- other | -2.8 **) | - | - | 1.1 *) | - | -1.7 *) **) | 1.1 ***) |
| Adjusted operating profit (EBIT) | 49.5 | 51.4 | 35.4 | 35.8 | 31.5 | 152.2 | 150.8 |

*) Value added tax correction from previous years EUR -1.1 million in Russia
**) In Finland, around 250 active employees have been included in the defined benefit pension plans. Based on negotiations with the insurance company, Tieto closed its defined benefit plan for future pension accrual. As a consequence, of a settlement gain of EUR 4.6 million has been recognized in personnel expenses in December 2016. More information available in the Annual report 2016. “Other items” also includes EUR 1.5 million in one-off write-offs related to obsolete assets replaced by new technologies.
***) of which costs of EUR 1.1 million related to the restructuring of a subcontractor agreement

# Key figures

| | 2016 10–12 | 2015 10–12 | 2016 7–9 | 2016 4–6 | 2016 1–3 | 2016 1–12 | 2015 1–12 |
|---|---|---|---|---|---|---|---|
| Earnings per share, EUR | | | | | | | |
| Basic | 0.46 | 0.47 | 0.37 | 0.33 | 0.29 | 1.46 | 1.23 |
| Diluted | 0.46 | 0.47 | 0.37 | 0.33 | 0.29 | 1.46 | 1.23 |
| Equity per share, EUR | 6.62 | 6.57 | 6.05 | 5.67 | 5.46 | 6.62 | 6.57 |
| | | | | | | | |
| Return on equity, 12-month rolling, % | 22.1 | 19.0 | 24.4 | 26.2 | 25.7 | 22.1 | 19.0 |
| Return on capital employed, 12-month rolling, % | 21.6 | 20.4 | 22.6 | 25.9 | 27.2 | 21.6 | 20.4 |
| Equity ratio, % | 47.3 | 46.2 | 44.4 | 42.2 | 38.9 | 47.3 | 46.2 |
| Interest-bearing net debt, EUR million | 109.7 | 13.2 | 136.4 | 103.3 | -21.3 | 109.7 | 13.2 |
| Gearing, % | 22.5 | 2.7 | 30.6 | 24.7 | -5.3 | 22.5 | 2.7 |
| Capital expenditure and acquisitions, EUR million | 24.7 | 32.7 | 53.3 | 11.8 | 9.4 | 99.2 | 136.7 |

# Number of shares

| | 2016 10–12 | 2016 7–9 | 2016 4–6 | 2016 1–3 | 2016 1–12 | 2015 10–12 | 2015 1–12 |
|---|---|---|---|---|---|---|---|
| **Outstanding shares, end of period** | | | | | | | |
| Basic | 73 697 570 | 73 697 570 | 73 697 570 | 73 601 411 | 73 697 570 | 73 544 869 | 73 544 869 |
| Diluted | 73 697 570 | 73 697 570 | 73 697 570 | 73 664 930 | 73 697 570 | 73 611 908 | 73 611 908 |
| | | | | | | | |
| **Outstanding shares, average** | | | | | | | |
| Basic | 73 697 570 | 73 697 570 | 73 684 890 | 73 560 885 | 73 660 433 | 73 536 143 | 73 426 563 |
| Diluted | 73 697 570 | 73 697 570 | 73 693 262 | 73 625 716 | 73 678 634 | 73 606 896 | 73 553 478 |
| | | | | | | | |
| **Company's possession of its own shares** | | | | | | | |
| End of period | 411 682 | 411 682 | 411 682 | 411 682 | 411 682 | 465 084 | 465 084 |
| Average | 411 682 | 411 682 | 411 682 | 451 587 | 421 604 | 465 084 | 471 140 |

# Income statement, EUR million

| | 2016 10–12 | 2015 10–12 | 2016 1–12 | 2015 1–12 | Change % |
|---|---|---|---|---|---|
| Net sales | 403.6 | 395.6 | 1 492.6 | 1 460.1 | 2 |
| Other operating income | 7.6 | 10.5 | 19.8 | 30.5 | -35 |
| Employee benefit expenses | -216.2 | -216.6 | -827.1 | -828.3 | 0 |
| Depreciation, amortization and impairment charges | -13.9 | -13.7 | -53.9 | -56.6 | -5 |
| Other operating expenses | -137.1 | -130.1 | -493.8 | -484.7 | 2 |
| Share of profit from investments accounted for using the equity method | 1.1 | 1.1 | 3.2 | 4.2 | -24 |
| Operating profit (EBIT) | 45.1 | 46.8 | 140.8 | 125.2 | 12 |
| Interest and other financial income | 0.4 | 0.3 | 2.1 | 1.9 | 11 |
| Interest and other financial expenses | -1.1 | -1.1 | -5.0 | -5.4 | -7 |
| Net exchange gains/losses | -0.1 | -0.2 | -1.1 | -2.4 | -54 |
| Profit before taxes | 44.3 | 45.8 | 136.8 | 119.3 | 15 |
| Income taxes | -10.1 | -11.4 | -29.6 | -28.8 | 3 |
| **Net profit for the period** | **34.2** | **34.4** | **107.2** | **90.5** | **18** |
| | | | | | |
| **Net profit for the period attributable to** | | | | | |
| Shareholders of the Parent company | 34.2 | 34.4 | 107.2 | 90.5 | 18 |
| Non-controlling interest | 0.0 | 0.0 | 0.0 | 0.0 | - |
| | **34.2** | **34.4** | **107.2** | **90.5** | **18** |
| | | | | | |
| **Earnings per share attributable to the shareholders of the Parent company, EUR** | | | | | |
| Basic | 0.46 | 0.47 | 1.46 | 1.23 | 19 |
| Diluted | 0.46 | 0.47 | 1.46 | 1.23 | 19 |
| | | | | | |
| **Statement of comprehensive income, EUR million** | | | | | |
| Net profit for the period | 34.2 | 34.4 | 107.2 | 90.5 | 18 |
| Items that may be reclassified subsequently to profit or loss | | | | | |
| Translation differences | 2.1 | 4.5 | -2.1 | 2.3 | - |
| Cash flow hedges (net of tax) | 0.0 | -0.1 | -0.2 | 0.5 | -140 |
| Items that will not be reclassified subsequently to profit or loss | | | | | |
| Actuarial gain/loss on post-employment benefit obligations (net of tax) | 5.4 | 10.0 | -2.1 | 9.5 | - |
| **Total comprehensive income** | **41.7** | **48.8** | **102.8** | **102.8** | **0** |
| | | | | | |
| **Total comprehensive income attributable to** | | | | | |
| Shareholders of the parent company | 41.7 | 48.8 | 102.8 | 102.8 | 0 |
| Non-controlling interest | 0.0 | 0.0 | 0.0 | 0.0 | - |
| | **41.7** | **48.8** | **102.8** | **102.8** | **0** |

# Balance sheet, EUR million

| | 2016<br>31 Dec | 2015<br>31 Dec | Change<br>% |
|---|---|---|---|
| Goodwill | 409.7 | 384.9 | 6 |
| Other intangible assets | 52.3 | 41.0 | 28 |
| Property, plant and equipment | 94.0 | 83.0 | 13 |
| Investments accounted for using the equity method | 16.5 | 17.2 | -4 |
| Deferred tax assets | 29.9 | 31.6 | -5 |
| Finance lease receivables | 2.2 | 4.6 | -52 |
| Other interest-bearing receivables | 0.0 | 0.1 | - |
| Available-for-sale financial assets | 0.7 | 0.7 | 0 |
| Total non-current assets | 605.3 | 563.1 | 7 |
| | | | |
| Trade and other receivables | 390.3 | 353.9 | 10 |
| Pension benefit assets | 7.4 | 6.6 | 12 |
| Finance lease receivables | 3.5 | 3.5 | 0 |
| Other interest-bearing receivables | 0.3 | 0.4 | -25 |
| Current income tax receivables | 11.0 | 2.6 | 323 |
| Cash and cash equivalents | 56.7 | 156.2 | -64 |
| Total current assets | 469.2 | 523.2 | -10 |
| | | | |
| **Total assets** | **1 074.5** | **1 086.3** | **-1** |
| | | | |
| Share capital, share issue premiums and other reserves | 120.0 | 121.2 | -1 |
| Share issue based on stock options | - | 0.0 | - |
| Retained earnings | 368.1 | 361.6 | 2 |
| Parent shareholders' equity | 488.1 | 482.8 | 1 |
| Non-controlling interest | - | 0.1 | - |
| Total equity | 488.1 | 482.9 | 1 |
| | | | |
| Loans | 103.8 | 105.0 | -1 |
| Deferred tax liabilities | 34.9 | 28.7 | 22 |
| Provisions | 5.4 | 6.1 | -11 |
| Pension obligations | 13.9 | 16.7 | -17 |
| Other non-current liabilities | 0.2 | 1.5 | -87 |
| Total non-current liabilities | 158.2 | 158.0 | 0 |
| | | | |
| Trade and other payables | 344.6 | 334.6 | 3 |
| Current income tax liabilities | 3.5 | 14.9 | -77 |
| Provisions | 11.5 | 22.9 | -50 |
| Loans | 68.6 | 73.0 | -6 |
| Total current liabilities | 428.2 | 445.4 | -4 |
| | | | |
| **Total equity and liabilities** | **1 074.5** | **1 086.3** | **-1** |

# Net working capital in the balance sheet, EUR million

| | 2016 31 Dec | 2015 31 Dec | Change % | 2016 30 Sep | 2016 30 Jun | 2016 31 Mar |
|---|---|---|---|---|---|---|
| Accounts receivable | 282.4 | 255.4 | 11 | 246.9 | 265.8 | 267.9 |
| Other working capital receivables | 107.9 | 98.3 | 10 | 122.2 | 117.8 | 117.8 |
| **Working capital receivables included in assets** | **390.3** | **353.7** | **10** | **369.1** | **383.6** | **385.7** |
| | | | | | | |
| Accounts payable | 96.3 | 78.7 | 22 | 73.5 | 88.8 | 86.5 |
| Personnel related accruals | 137.6 | 143.4 | -4 | 125.5 | 144.9 | 159.8 |
| Provisions | 16.9 | 29.0 | -42 | 15.5 | 18.7 | 24.4 |
| Other working capital liabilities | 100.3 | 105.0 | -4 | 109.1 | 111.0 | 135.4 |
| **Working capital liabilities included in liabilities** | **351.1** | **356.1** | **-1** | **323.6** | **363.4** | **406.1** |
| | | | | | | |
| **Net working capital in the balance sheet** | **39.2** | **-2.4** | **-** | **45.5** | **20.2** | **-20.4** |

# Cash flow, EUR million

| | 2016 10–12 | 2015 10–12 | 2016 7–9 | 2016 4–6 | 2016 1–3 | 2016 1–12 | 2015 1–12 |
|---|---|---|---|---|---|---|---|
| **Cash flow from operations** | | | | | | | |
| Net profit | 34.2 | 34.4 | 27.3 | 24.2 | 21.5 | 107.2 | 90.5 |
| Adjustments | | | | | | | |
| Depreciation, amortization and impairment charges | 13.9 | 13.7 | 13.6 | 13.1 | 13.3 | 53.9 | 56.6 |
| Share-based payments | 0.2 | 0.3 | 0.6 | -0.2 | 0.7 | 1.3 | 1.0 |
| Profit/loss on sale of fixed assets and shares | 0.0 | -0.5 | 0.0 | 0.1 | 0.0 | 0.1 | -6.8 |
| Share of profit from investments accounted for using the equity method | -1.1 | -1.1 | -0.8 | -0.9 | -0.4 | -3.2 | -4.2 |
| Other adjustments | -4.5 | -2.2 | -1.2 | -2.6 | 0.6 | -7.7 | -2.0 |
| Net financial expenses | 0.8 | 1.0 | 1.0 | 1.6 | 0.6 | 4.0 | 5.9 |
| Income taxes | 10.1 | 11.4 | 6.8 | 6.5 | 6.2 | 29.6 | 28.8 |
| Change in net working capital | 4.4 | 15.0 | -26.5 | -47.3 | 17.8 | -51.6 | -15.0 |
| **Cash generated from operations** | 58.0 | 72.0 | 20.8 | -5.5 | 60.3 | 133.6 | 154.8 |
| Net financial expenses paid | 1.1 | -0.6 | -0.9 | -2.0 | -0.8 | -2.6 | -7.2 |
| Dividends received from investments accounted for using the equity method | - | - | - | - | 3.8 | 3.8 | 5.4 |
| Income taxes paid | -8.9 | -4.3 | -6.1 | -6.2 | -16.4 | -37.6 | -20.4 |
| **Net cash flow from operations** | **50.2** | **67.1** | **13.8** | **-13.7** | **46.9** | **97.2** | **132.6** |
| | | | | | | | |
| **Cash flow from investing activities** | | | | | | | |
| Acquisition of Group companies and business operations, net of cash acquired | -0.1 | -10.8 | -30.4 | -0.4 | -1.4 | -32.3 | -73.7 |
| Capital expenditures | -24.3 | -12.9 | -16.1 | -11.9 | -9.4 | -61.7 | -43.7 |
| Disposal of Group companies and business operations, net of cash disposed | - | 0.3 | - | - | 0.0 | 0.0 | 8.3 |
| Sales of fixed assets | 0.0 | 0.2 | 0.1 | 0.0 | 0.0 | 0.1 | 0.6 |
| Sales of available-for-sale financial assets | - | 0.5 | - | - | - | - | 0.5 |
| Change in loan receivables | 0.8 | 1.2 | 0.6 | 0.4 | 0.7 | 2.5 | 2.7 |
| **Net cash used in investing activities** | **-23.6** | **-21.5** | **-45.8** | **-11.9** | **-10.1** | **-91.4** | **-105.3** |
| | | | | | | | |
| **Cash flow from financing activities** | | | | | | | |
| Dividends paid | - | - | - | -99.3 | - | -99.3 | -95.2 |
| Exercise of stock options | - | 0.1 | - | 0.8 | 0.0 | 0.8 | 3.6 |
| Payments of finance lease liabilities | -0.4 | -0.1 | -0.3 | -0.3 | -0.3 | -1.3 | -0.3 |
| Change in interest-bearing liabilities | -42.1 | -5.3 | 11.2 | 72.9 | -46.4 | -4.4 | 57.9 |
| **Net cash used in financing activities** | **-42.5** | **-5.3** | **10.9** | **-25.9** | **-46.7** | **-104.2** | **-34.0** |
| | | | | | | | |
| **Change in cash and cash equivalents** | **-15.9** | **40.3** | **-21.1** | **-51.5** | **-9.9** | **-98.4** | **-6.7** |
| | | | | | | | |
| Cash and cash equivalents at the beginning of period | 71.7 | 115.9 | 93.2 | 144.6 | 156.2 | 156.2 | 160.6 |
| Foreign exchange differences | 0.9 | 0.0 | -0.4 | 0.1 | -1.7 | -1.1 | 2.3 |
| Change in cash and cash equivalents | -15.9 | 40.3 | -21.1 | -51.5 | -9.9 | -98.4 | -6.7 |
| **Cash and cash equivalents at the end of period** | **56.7** | **156.2** | **71.7** | **93.2** | **144.6** | **56.7** | **156.2** |

# Statement of changes in shareholders' equity, EUR million

| | Parent shareholders' equity | | | | | | | | | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Share issue premiums and other reserves | Share issue based on stock options | Own shares | Translation differences | Cash flow hedges | Invested unrestricted equity reserve | Retained earnings | Total | | |
| **At 31 Dec 2014** | **76.6** | **43.9** | **0.5** | **-11.6** | **-51.0** | **-0.3** | **8.5** | **404.5** | **471.1** | **0.1** | **471.2** |
| **Comprehensive income** | | | | | | | | | | | |
| Net profit for the period | | | | | | | | 90.5 | 90.5 | 0.0 | 90.5 |
| **Other comprehensive income** | | | | | | | | | | | |
| Actuarial gain on post-employment benefit obligations (net of tax) | | | | | | | | 9.5 | 9.5 | | 9.5 |
| Translation difference | | 0.7 | | | 1.8 | | | -0.2 | 2.3 | | 2.3 |
| Cash flow hedges (net of tax) | | | | | | 0.5 | | | 0.5 | | 0.5 |
| **Total comprehensive income** | | **0.7** | | | **1.8** | **0.5** | | **99.8** | **102.8** | **0.0** | **102.8** |
| **Transactions with owners** | | | | | | | | | | | |
| Share-based payments recognized against equity | | | | | | | | 1.0 | 1.0 | | 1.0 |
| Dividend | | | | | | | | -95.2 | -95.2 | | -95.2 |
| Share subscriptions based on stock options | | | -0.5 | | | | 3.6 | | 3.1 | | 3.1 |
| Share subscriptions based on stock options, not yet registered | | | 0.0 | | | | | | 0.0 | | 0.0 |
| Non-controlling interest | | | | | | | | | | | 0.0 |
| **Total transactions with owners** | **0.0** | **0.0** | **-0.5** | | | | **3.6** | **-94.2** | **-91.1** | **0.0** | **-91.1** |
| **Impact on investments accounted for using the equity method** | | | | | | | | **0.0** | **0.0** | | **0.0** |
| **At 31 Dec 2015** | **76.6** | **44.6** | **0.0** | **-11.6** | **-49.2** | **0.2** | **12.1** | **410.1** | **482.8** | **0.1** | **482.9** |

| | Parent shareholders' equity | | | | | | | | | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Share issue premiums and other reserves | Share issue based on stock options | Own shares | Translation differences | Cash flow hedges | Invested unrestricted equity reserve | Retained earnings | Total | | |
| **At 31 Dec 2015** | **76.6** | **44.6** | **0.0** | **-11.6** | **-49.2** | **0.2** | **12.1** | **410.1** | **482.8** | **0.1** | **482.9** |
| **Comprehensive income** | | | | | | | | | | | |
| Net profit for the period | | | | | | | | 107.2 | 107.2 | 0.0 | 107.2 |
| **Other comprehensive income** | | | | | | | | | | | |
| Actuarial loss on post-employment benefit obligations (net of tax) | | | | | | | | -2.1 | -2.1 | | -2.1 |
| Translation difference | | -1.2 | | | -3.1 | | | 2.2 | -2.1 | | -2.1 |
| Cash flow hedges (net of tax) | | | | | | -0.2 | | | -0.2 | | -0.2 |
| **Total comprehensive income** | | **-1.2** | | | **-3.1** | **-0.2** | | **107.3** | **102.8** | **0.0** | **102.8** |
| **Transactions with owners** | | | | | | | | | | | |
| Share-based payments recognized against equity | | | | | | | | 1.1 | 1.1 | | 1.1 |
| Dividend | | | | | | | | -99.4 | -99.4 | | -99.4 |
| Share subscriptions based on stock options | | | 0.0 | | | | 0.7 | | 0.7 | | 0.7 |
| Non-controlling interest | | | | | | | | 0.1 | 0.1 | -0.1 | - |
| **Total transactions with owners** | **0.0** | **0.0** | **0.0** | | | | **0.7** | **-98.2** | **-97.5** | **-0.1** | **-97.6** |
| **Impact on investments accounted for using the equity method** | | | | | | | | **0.0** | **0.0** | | **0.0** |
| **At 31 Dec 2016** | **76.6** | **43.4** | **0.0** | **-11.6** | **-52.3** | **-** | **12.8** | **419.2** | **488.1** | **-** | **488.1** |

# Segment information

**Customer sales by service line, EUR million**

| | 2016 10–12 | 2015 10–12 | Change % | 2016 1–12 | 2015 1–12 | Change % |
|---|---|---|---|---|---|---|
| Technology Services and Modernization | 197 | 196 | 1 | 762 | 755 | 1 |
| Business Consulting and Implementation | 38 | 34 | 10 | 139 | 125 | 12 |
| Industry Solutions | 138 | 132 | 4 | 475 | 439 | 8 |
| Product Development Services | 31 | 33 | -5 | 117 | 142 | -17 |
| **Group total** | **404** | **396** | **2** | **1 493** | **1 460** | **2** |

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

**Customer sales by country, EUR million**

| | 2016 10–12 | 2015 10–12 | Change % | 2016 1–12 | Change % | Share % | 2015 1–12 | Share % |
|---|---|---|---|---|---|---|---|---|
| Finland | 182 | 179 | 2 | 674 | 1 | 45 | 669 | 46 |
| Sweden | 151 | 146 | 3 | 566 | 2 | 38 | 553 | 38 |
| Norway | 46 | 41 | 11 | 159 | 13 | 11 | 140 | 10 |
| Other | 25 | 30 | -16 | 94 | -5 | 6 | 99 | 7 |
| **Group total** | **404** | **396** | **2** | **1 493** | **2** | **100** | **1 460** | **100** |

In Finland, IT services sales grew by 1.8% in 2016.

In Sweden, growth in local currencies was 3.8%. IT services grew by 7.4% in local currencies.

In Norway, growth in local currencies was 16.9%.

**Customer sales by industry group, EUR million**

| | 2016 10–12 | 2015 10–12 | Change % | 2016 1–12 | 2015 1–12 | Change % |
|---|---|---|---|---|---|---|
| Financial Services | 101 | 92 | 10 | 370 | 347 | 7 |
| Public, Healthcare and Welfare | 135 | 133 | 1 | 479 | 439 | 9 |
| Industrial and Consumer Services | 137 | 137 | 0 | 527 | 533 | -1 |
| Product Development Services | 31 | 33 | -5 | 117 | 142 | -17 |
| **Group total** | **404** | **396** | **2** | **1 493** | **1 460** | **2** |

Customer sales to the telecom sector were EUR 232 (275) million during January–December.

Revenues derived from any single external customer during January–December 2016 or 2015 did not exceed the 10% level of the total net sales of the Group.

**Operating profit (EBIT) by service line, EUR million**

| | 2016 10–12 | 2015 10–12 | Change % | 2016 1–12 | 2015 1–12 | Change % |
|---|---|---|---|---|---|---|
| Technology Services and Modernization | 26.2 | 30.3 | -13.4 | 89.0 | 65.5 | 36.0 |
| Business Consulting and Implementation | 2.0 | 1.3 | 57.7 | 4.1 | 1.5 | 167.0 |
| Industry Solutions | 19.7 | 20.8 | -5.5 | 55.2 | 65.4 | -15.5 |
| Product Development Services | 3.3 | 2.8 | 19.6 | 10.9 | 15.6 | -30.5 |
| Support Functions and Global Management | -6.2 | -8.3 | 25.8 | -18.5 | -22.8 | 19.0 |
| **Operating profit (EBIT)** | **45.1** | **46.8** | **-3.8** | **140.8** | **125.2** | **12.5** |

**Operating margin (EBIT) by service line, %**

| | 2016 10–12 | 2015 10–12 | Change pp | 2016 1–12 | 2015 1–12 | Change pp |
|---|---|---|---|---|---|---|
| Technology Services and Modernization | 13.3 | 15.5 | -2.2 | 11.7 | 8.7 | 3.0 |
| Business Consulting and Implementation | 5.3 | 3.7 | 1.6 | 3.0 | 1.2 | 1.7 |
| Industry Solutions | 14.3 | 15.7 | -1.5 | 11.6 | 14.9 | -3.2 |
| Product Development Services | 10.6 | 8.4 | 2.2 | 9.3 | 11.0 | -1.8 |
| **Operating margin (EBIT)** | **11.2** | **11.8** | **-0.7** | **9.4** | **8.6** | **0.9** |

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

| | 2016 10–12 | 2015 10–12 | Change % | 2016 1–12 | 2015 1–12 | Change % |
|---|---|---|---|---|---|---|
| Technology Services and Modernization | 27.7 | 30.9 | -10.1 | 92.4 | 88.6 | 4.3 |
| Business Consulting and Implementation | 0.7 | 2.0 | -65.8 | 1.7 | 3.1 | -43.8 |
| Industry Solutions | 21.5 | 21.5 | -0.1 | 59.2 | 61.3 | -3.5 |
| Product Development Services | 3.5 | 3.1 | 14.2 | 11.1 | 14.7 | -24.5 |
| Support Functions and Global Management | -4.0 | -6.0 | 33.7 | -12.2 | -16.8 | 27.6 |
| **Adjusted operating profit (EBIT)** | **49.5** | **51.4** | **-3.8** | **152.2** | **150.8** | **0.9** |

**Adjusted operating margin (EBIT) by service line, %**

| | 2016 10–12 | 2015 10–12 | Change pp | 2016 1–12 | 2015 1–12 | Change pp |
|---|---|---|---|---|---|---|
| Technology Services and Modernization | 14.1 | 15.8 | -1.7 | 12.1 | 11.7 | 0.4 |
| Business Consulting and Implementation | 1.8 | 5.7 | -3.9 | 1.2 | 2.5 | -1.2 |
| Industry Solutions | 15.5 | 16.2 | -0.7 | 12.5 | 14.0 | -1.5 |
| Product Development Services | 11.3 | 9.4 | 1.9 | 9.4 | 10.3 | -0.9 |
| **Adjusted operating margin (EBIT)** | **12.3** | **13.0** | **-0.7** | **10.2** | **10.3** | **-0.1** |

**Personnel by service line**

| | End of period | | | | Average | |
|---|---|---|---|---|---|---|
| | 2016 | Change | Share | 2015 | 2016 | 2015 |
| | 1–12 | % | % | 1–12 | 1–12 | 1–12 |
| Technology Services and Modernization | 6 338 | 8 | 46 | 5 881 | 6 159 | 6 044 |
| Business Consulting and Implementation | 1 376 | 2 | 10 | 1 349 | 1 367 | 1 220 |
| Industry Solutions | 4 024 | 10 | 29 | 3 668 | 3 813 | 3 469 |
| Product Development Services | 1 243 | -3 | 9 | 1 279 | 1 222 | 1 488 |
| **Service lines total** | **12 981** | **7** | **94** | **12 178** | **12 560** | **12 222** |
| Industry groups | 260 | -4 | 2 | 272 | 272 | 295 |
| Support Functions and Global Management | 635 | 0 | 5 | 634 | 641 | 667 |
| **Group total** | **13 876** | **6** | **100** | **13 083** | **13 472** | **13 184** |

**Personnel by country**

| | End of period | | | | Average | |
|---|---|---|---|---|---|---|
| | 2016 | Change | Share | 2015 | 2016 | 2015 |
| | 1–12 | % | % | 1–12 | 1–12 | 1–12 |
| Finland | 3 552 | -2 | 26 | 3 612 | 3 586 | 3 846 |
| Sweden | 2 698 | 8 | 19 | 2 490 | 2 583 | 2 496 |
| India | 2 503 | 12 | 18 | 2 230 | 2 379 | 2 137 |
| Czech Republic | 2 247 | 11 | 16 | 2 025 | 2 145 | 2 037 |
| Latvia | 649 | -4 | 5 | 678 | 664 | 690 |
| Norway | 636 | 6 | 5 | 600 | 607 | 479 |
| Poland | 413 | -2 | 3 | 421 | 394 | 450 |
| China | 305 | 18 | 2 | 258 | 280 | 285 |
| Estonia | 280 | 43 | 2 | 196 | 256 | 169 |
| Austria | 138 | 11 | 1 | 124 | 130 | 119 |
| Lithuania | 99 | -14 | 1 | 115 | 111 | 117 |
| Other | 357 | 7 | 3 | 335 | 337 | 358 |
| **Group total** | **13 876** | **6** | **100** | **13 083** | **13 472** | **13 184** |
| Onshore countries | 7 233 | 3 | 52 | 7 045 | 7 117 | 7 125 |
| Offshore countries | 6 643 | 10 | 48 | 6 039 | 6 355 | 6 058 |
| **Group total** | **13 876** | **6** | **100** | **13 083** | **13 472** | **13 184** |

**Non-current assets by country, EUR million**

| | 2016<br>31 Dec | 2015<br>31 Dec | Change<br>% |
|---|---|---|---|
| Finland | 85.9 | 81.7 | 5 |
| Sweden | 39.3 | 24.3 | 61 |
| Other | 21.2 | 18.0 | 18 |
| **Total non-current assets** | **146.4** | **124.0** | **18** |

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

**Depreciation by service line, EUR million**

| | 2016 10–12 | 2015 10–12 | Change % | 2016 1–12 | 2015 1–12 | Change % |
|---|---|---|---|---|---|---|
| Technology Services and Modernization | 8.6 | 9.2 | -6 | 35.2 | 38.7 | -9 |
| Business Consulting and Implementation | 0.0 | 0.0 | 0 | 0.1 | 0.0 | - |
| Industry Solutions | 0.2 | 0.2 | 34 | 0.8 | 0.6 | 43 |
| Product Development Services | 0.0 | 0.0 | -34 | 0.0 | 0.3 | -85 |
| Support Functions and Global Management | 1.1 | 1.1 | 6 | 3.7 | 4.2 | -13 |
| **Group total** | **10.0** | **10.5** | **-4** | **39.8** | **43.8** | **-9** |

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

| | 2016 10–12 | 2015 10–12 | Change % | 2016 1–12 | 2015 1–12 | Change % |
|---|---|---|---|---|---|---|
| Technology Services and Modernization | - | - | - | - | - | - |
| Business Consulting and Implementation | 0.1 | 0.0 | 195 | 0.4 | 0.2 | 151 |
| Industry Solutions | 1.0 | 0.5 | 73 | 2.8 | 1.0 | 183 |
| Product Development Services | - | - | - | - | - | - |
| Support Functions and Global Management | - | - | - | - | - | - |
| **Group total** | **1.1** | **0.6** | **81** | **3.3** | **1.2** | **178** |

**Amortization on other intangible assets by service line, EUR million**

| | 2016 10–12 | 2015 10–12 | Change % | 2016 1–12 | 2015 1–12 | Change % |
|---|---|---|---|---|---|---|
| Technology Services and Modernization | 2.3 | 2.3 | 0 | 8.9 | 9.2 | -3 |
| Business Consulting and Implementation | 0.0 | 0.0 | 0 | 0.1 | 0.0 | - |
| Industry Solutions | 0.1 | 0.1 | 139 | 0.2 | 0.1 | 111 |
| Product Development Services | 0.0 | -0.1 | -109 | 0.0 | -0.1 | -84 |
| Support Functions and Global Management | 0.4 | 0.4 | 0 | 1.6 | 2.4 | -31 |
| **Group total** | **2.8** | **2.7** | **7** | **10.8** | **11.6** | **-7** |

# Acquisitions in 2016

Tieto completed the following acquisition during 2016:

* Emric Partners AB, ownership 100% of the shares, acquisition date 31 August 2016.

Emric is the Nordic market leader in software and services for credit processing. The transaction supports the company's financial services business expansion in the Nordic countries and internationally. Furthermore, it accelerates Tieto's Banking as a Service offering through new competencies and software products within loan origination, lending and leasing.

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

**Consideration**

| EUR million | |
|---|---|
| Paid in cash | 31.7 |
| Escrow amount | 0.5 |
| Contingent consideration | 5.4 |
| **Total consideration** | **37.7** |

**Recognized amounts of identifiable assets acquired and liabilities assumed**

| EUR million | Recognized on acquisition |
|---|---|
| Property, plant and equipment | 0.4 |
| Intangible assets | 14.5 |
| Deferred tax assets | 0.8 |
| Trade and other receivables | 2.8 |
| Cash and cash equivalents | 1.5 |
| Deferred tax liabilities | -3.3 |
| Trade and other payables | -5.2 |
| Goodwill | 26.2 |
| **Total** | **37.7** |

Contingent consideration is mainly determined by growth of the acquired business during years 2017 and 2018.

The identified intangible assets relate to technology and customer relationships.

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

Acquisition-related costs of EUR 0.3 million are included in other expenses in the income statement and in cash flow from operations.

Since the date of acquisition, the acquired unit has contributed about EUR 6.6 million to the revenue and EUR -1.0 million to the operating profit of the Group.

If the combinations had taken place at the beginning of the year, the revenue for the Group would have been about EUR 19 million and profit about EUR -1.4 million.

**Change in contingent consideration from acquisitions completed in 2015**

Contingent consideration related to 2015 acquisitions and respective contingent liability decreased by EUR 2.6 million.

| EUR million | |
|---|---|
| Contingent consideration recognized in 2015 | 5.7 |
| Change recognized in 2016 | -2.6 |
| **Remaining contingent consideration** | **3.0** |

# Commitments and contingencies, EUR million

| | 2016 31 Dec | 2015 31 Dec |
|---|---|---|
| For Tieto obligations | | |
| Guarantees | | |
| Performance guarantees | 4.0 | 10.1 |
| Lease guarantees | 8.9 | 9.1 |
| Other | 1.5 | 4.3 |
| Other Tieto obligations | | |
| Rent commitments due in one year | 39.7 | 41.4 |
| Rent commitments due in 1–5 years | 95.3 | 100.9 |
| Rent commitments due after 5 years | 31.4 | 21.2 |
| Operating lease commitments due in one year | 8.3 | 8.2 |
| Operating lease commitments due in 1–5 years | 8.1 | 12.0 |
| Operating lease commitments due after 5 years | 0.6 | 0.7 |
| Commitments to purchase assets | 6.2 | 8.5 |
| On behalf of joint ventures | - | - |
| On behalf of others | | |
| Guarantees | 0.1 | 0.4 |

There is an ongoing activity to cancel a local credit facility of recently acquired group company (facility was not in use as at end of December). As a a collateral for the facility, company has pledged shares of one of its subsidiaries (carrying value of those shares were EUR 14 million. In addition, there is General Business mortgage of EUR 2 million.

# Derivatives, EUR million

### Notional amounts of derivatives

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

| | 2016 31 Dec | 2015 31 Dec |
|---|---|---|
| Foreign exchange forward contracts | 198.7 | 294.5 |
| Forward contracts outside hedge accounting | 198.7 | 281.9 |
| Forward contracts within hedge accounting | - | 12.6 |
| Electricity price futures contracts | 0.5 | 0.3 |

### Fair values of derivatives

| The net fair values of derivative financial instruments at the balance sheet date | 2016 31 Dec | 2015 31 Dec |
|---|---|---|
| Foreign exchange forward contracts | 1.2 | 0.3 |
| Electricity price futures contracts | 0.1 | -0.1 |

Derivatives are used for economic hedging purposes only.

| Gross positive fair values of derivatives | 2016 31 Dec | 2015 31 Dec |
|---|---|---|
| Foreign exchange forward contracts | 2.3 | 1.6 |
| Forward contracts outside hedge accounting | 2.3 | 1.4 |
| Forward contracts within hedge accounting *) | - | 0.2 |
| Electricity price futures contracts | 0.1 | - |

| Gross negative fair values of derivatives | 2016 31 Dec | 2015 31 Dec |
|---|---|---|
| Foreign exchange forward contracts | -1.1 | -1.3 |
| Forward contracts outside hedge accounting | -1.1 | -1.3 |
| Forward contracts within hedge accounting *) | - | - |
| Electricity price futures contracts | - | -0.1 |

| | | |
|---|---|---|
| *) Forward contracts within hedge accounting (net) | - | 0.2 |
| The amount recognized in equity | - | 0.2 |
| Net periodic interest rate difference recognized in interest income/expenses | - | - |

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

As of 31 December 2016, there are no open hedges for highly probable forecast transactions denominated in foreign currency. Gains and losses recognized in hedging reserve in equity (note Other reserves) on forward foreign exchange contracts for 31 December 2015 amounted to EUR 0.2 million.

The efficient portion of cash flow hedges recognized in net sales at 31 December 2016 amounted to a gain of EUR 0.2 million (EUR 0.6 million on 31 December 2015) and a loss of EUR 0.0 million (EUR 0.2 million on 31 December 2015) including the interest rate difference.

There were no inefficient portion recognized in other operating income or other operating expenses at 31 December 2016 (EUR 0.0 million on 31 December 2015).

**Other reserves**

**Cash flow hedges**

| EUR million | Hedging reserve |
|---|---|
| Balance at 1 Jan 2015 | -0.3 |
| Fair value gains in year | 1.1 |
| Fair value losses in year | -0.5 |
| Tax on fair value gains | 0.2 |
| Tax on fair value losses | -0.3 |
| Balance at 31 Dec 2015 | 0.2 |
| | |
| Balance at 1 Jan 2016 | 0.2 |
| Fair value gains in year | - |
| Fair value losses in year | -0.2 |
| Tax on fair value gains | - |
| Tax on fair value losses | - |
| Balance at 31 Dec 2016 | - |

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

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

| EUR million<br>31 Dec 2015 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets at fair value through profit or loss | | | | |
| Derivatives | - | 1.6 | - | 1.6 |
| Available-for-sale investments | - | - | 0.7 | 0.7 |
| | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| Derivatives | - | 1.4 | - | 1.4 |

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

# Quarterly figures

### Key figures

| | 2016 10–12 | 2016 7–9 | 2016 4–6 | 2016 1–3 | 2015 10–12 | 2015 7–9 | 2015 4–6 | 2015 1–3 |
|---|---|---|---|---|---|---|---|---|
| Earnings per share, EUR | | | | | | | | |
| Basic | 0.46 | 0.37 | 0.33 | 0.29 | 0.47 | 0.40 | 0.24 | 0.12 |
| Diluted | 0.46 | 0.37 | 0.33 | 0.29 | 0.47 | 0.40 | 0.24 | 0.12 |
| Equity per share, EUR | 6.62 | 6.05 | 5.67 | 5.46 | 6.57 | 5.90 | 5.69 | 5.45 |
| Return on equity, 12-month rolling, % | 22.1 | 24.4 | 26.2 | 25.7 | 19.0 | 13.8 | 4.5 | 4.5 |
| Return on capital employed,12-month rolling, % | 21.6 | 22.6 | 25.9 | 27.2 | 20.4 | 14.8 | 7.5 | 7.7 |
| Equity ratio, % | 47.3 | 44.4 | 42.2 | 38.9 | 46.2 | 44.3 | 44.8 | 39.6 |
| Interest-bearing net debt, EUR million | 109.7 | 136.4 | 103.3 | -21.3 | 13.2 | 57.7 | 5.3 | -85.9 |
| Gearing, % | 22.5 | 30.6 | 24.7 | -5.3 | 2.7 | 13.3 | 1.3 | -21.5 |
| Capital expenditure and acquisitions, EUR million | 24.7 | 53.3 | 11.8 | 9.4 | 32.7 | 81.8 | 10.6 | 11.6 |

### Income statement, EUR million

| | 2016 10–12 | 2016 7–9 | 2016 4–6 | 2016 1–3 | 2015 10–12 | 2015 7–9 | 2015 4–6 | 2015 1–3 |
|---|---|---|---|---|---|---|---|---|
| Net sales | 403.6 | 340.5 | 381.0 | 367.5 | 395.6 | 335.1 | 363.8 | 365.6 |
| Other operating income | 7.6 | 5.2 | 2.8 | 4.2 | 10.5 | 10.2 | 4.8 | 5.0 |
| Employee benefit expenses | -216.2 | -183.1 | -213.8 | -214.0 | -216.6 | -174.4 | -212.2 | -225.1 |
| Depreciation, amortization and impairment charges | -13.9 | -13.6 | -13.1 | -13.3 | -13.7 | -14.0 | -14.4 | -14.5 |
| Other operating expenses | -137.1 | -114.7 | -125.5 | -116.5 | -130.1 | -116.3 | -120.0 | -118.3 |
| Share of profit from investments accounted for using the equity method | 1.1 | 0.8 | 0.9 | 0.4 | 1.1 | 0.8 | 1.1 | 1.2 |
| Operating profit (EBIT) | 45.1 | 35.1 | 32.3 | 28.3 | 46.8 | 41.4 | 23.1 | 13.9 |
| Financial income and expenses | -0.8 | -1.0 | -1.6 | -0.6 | -1.0 | -1.9 | -1.3 | -1.7 |
| Profit before taxes | 44.3 | 34.1 | 30.7 | 27.7 | 45.8 | 39.5 | 21.8 | 12.2 |
| Income taxes | -10.1 | -6.8 | -6.5 | -6.2 | -11.4 | -9.9 | -4.4 | -3.1 |
| **Net profit for the period** | **34.2** | **27.3** | **24.2** | **21.5** | **34.4** | **29.6** | **17.4** | **9.1** |

**Balance sheet, EUR million**

| | 2016 31 Dec | 2016 30 Sep | 2016 30 Jun | 2016 31 Mar | 2015 31 Dec | 2015 30 Sep | 2015 30 Jun | 2015 31 Mar |
|---|---|---|---|---|---|---|---|---|
| Goodwill | 409.7 | 414.0 | 383.5 | 385.2 | 384.9 | 362.9 | 327.5 | 327.0 |
| Other intangible assets | 52.3 | 50.0 | 39.5 | 40.1 | 41.0 | 45.8 | 30.4 | 32.3 |
| Property, plant and equipment | 94.0 | 79.7 | 79.0 | 79.9 | 83.0 | 81.8 | 78.3 | 80.4 |
| Investments accounted for using the equity method | 16.5 | 15.4 | 14.6 | 13.7 | 17.2 | 16.0 | 16.3 | 15.1 |
| Other non-current assets | 32.8 | 37.1 | 36.0 | 37.1 | 37.0 | 41.6 | 33.3 | 35.7 |
| Total non-current assets | 605.3 | 596.2 | 552.6 | 556.0 | 563.1 | 548.1 | 485.8 | 490.5 |
| | | | | | | | | |
| Trade receivables and other current assets | 412.5 | 389.6 | 402.9 | 403.9 | 367.0 | 364.5 | 393.3 | 394.7 |
| Cash and cash equivalents | 56.7 | 71.7 | 93.2 | 144.6 | 156.2 | 115.9 | 112.2 | 184.8 |
| Total current assets | 469.2 | 461.3 | 496.1 | 548.5 | 523.2 | 480.4 | 505.5 | 579.5 |
| | | | | | | | | |
| **Total assets** | **1 074.5** | **1 057.5** | **1 048.7** | **1 104.5** | **1 086.3** | **1 028.5** | **991.3** | **1 070.0** |
| | | | | | | | | |
| Total equity | 488.1 | 446.2 | 417.7 | 401.7 | 482.9 | 433.5 | 418.2 | 399.5 |
| | | | | | | | | |
| Non-current loans | 103.8 | 104.1 | 104.4 | 104.7 | 105.0 | 105.9 | 100.2 | 100.5 |
| Other non-current liabilities | 54.4 | 56.4 | 54.6 | 53.0 | 53.0 | 64.6 | 59.7 | 63.2 |
| Total non-current liabilities | 158.2 | 160.5 | 159.0 | 157.7 | 158.0 | 170.5 | 159.9 | 163.7 |
| | | | | | | | | |
| Trade payables and other current liabilities | 348.1 | 330.9 | 360.3 | 500.3 | 349.5 | 322.9 | 352.3 | 461.0 |
| Provisions | 11.5 | 9.1 | 12.1 | 18.2 | 22.9 | 24.3 | 33.4 | 36.7 |
| Current loans | 68.6 | 110.8 | 99.6 | 26.6 | 73.0 | 77.3 | 27.5 | 9.1 |
| Total current liabilities | 428.2 | 450.8 | 472.0 | 545.1 | 445.4 | 424.5 | 413.2 | 506.8 |
| | | | | | | | | |
| **Total equity and liabilities** | **1 074.5** | **1 057.5** | **1 048.7** | **1 104.5** | **1 086.3** | **1 028.5** | **991.3** | **1 070.0** |

**Cash flow, EUR million**

| | 2016 10–12 | 2016 7–9 | 2016 4–6 | 2016 1–3 | 2015 10–12 | 2015 7–9 | 2015 4–6 | 2015 1–3 |
|---|---|---|---|---|---|---|---|---|
| Cash flow from operations | | | | | | | | |
| Net profit | 34.2 | 27.3 | 24.2 | 21.5 | 34.4 | 29.6 | 17.4 | 9.1 |
| Adjustments | 19.4 | 20.0 | 17.6 | 21.0 | 22.6 | 19.0 | 20.6 | 17.1 |
| Change in net working capital | 4.4 | -26.5 | -47.3 | 17.8 | 15.0 | -26.7 | -16.2 | 12.9 |
| Cash generated from operations | 58.0 | 20.8 | -5.5 | 60.3 | 72.0 | 21.9 | 21.8 | 39.1 |
| Net financial expenses paid | 1.1 | -0.9 | -2.0 | -0.8 | -0.6 | -3.0 | -3.1 | -0.5 |
| Dividends received from investments accounted for using the equity method | - | - | - | 3.8 | - | - | - | 5.4 |
| Income taxes paid | -8.9 | -6.1 | -6.2 | -16.4 | -4.3 | -2.5 | -6.3 | -7.3 |
| **Net cash flow from operations** | **50.2** | **13.8** | **-13.7** | **46.9** | **67.1** | **16.4** | **12.4** | **36.7** |
| | | | | | | | | |
| **Net cash used in investing activities** | **-23.6** | **-45.8** | **-11.9** | **-10.1** | **-21.5** | **-62.7** | **-10.1** | **-11.0** |
| | | | | | | | | |
| **Net cash used in financing activities** | **-42.5** | **10.9** | **-25.9** | **-46.7** | **-5.3** | **48.2** | **-74.3** | **-2.6** |
| | | | | | | | | |
| **Change in cash and cash equivalents** | **-15.9** | **-21.1** | **-51.5** | **-9.9** | **40.3** | **1.9** | **-72.0** | **23.1** |
| | | | | | | | | |
| Cash and cash equivalents at the beginning of period | 71.7 | 93.2 | 144.6 | 156.2 | 115.9 | 112.2 | 184.8 | 160.6 |
| Foreign exchange differences | 0.9 | -0.4 | 0.1 | -1.7 | 0.0 | 1.8 | -0.6 | 1.1 |
| Change in cash and cash equivalents | -15.9 | -21.1 | -51.5 | -9.9 | 40.3 | 1.9 | -72.0 | 23.1 |
| **Cash and cash equivalents at the end of period** | **56.7** | **71.7** | **93.2** | **144.6** | **156.2** | **115.9** | **112.2** | **184.8** |

# Quarterly figures by segments

**Customer sales by service line, EUR million**

| | 2016 10–12 | 2016 7–9 | 2016 4–6 | 2016 1–3 | 2015 10–12 | 2015 7–9 | 2015 4–6 | 2015 1–3 |
|---|---|---|---|---|---|---|---|---|
| Technology Services and Modernization | 197 | 179 | 196 | 190 | 196 | 177 | 192 | 190 |
| Business Consulting and Implementation | 38 | 30 | 37 | 35 | 34 | 28 | 33 | 30 |
| Industry Solutions | 138 | 106 | 117 | 113 | 132 | 101 | 105 | 101 |
| Product Development Services | 31 | 26 | 31 | 29 | 33 | 29 | 33 | 47 |
| **Group total** | **404** | **341** | **381** | **367** | **396** | **335** | **364** | **366** |

**Customer sales by industry group, EUR million**

| | 2016 10–12 | 2016 7–9 | 2016 4–6 | 2016 1–3 | 2015 10–12 | 2015 7–9 | 2015 4–6 | 2015 1–3 |
|---|---|---|---|---|---|---|---|---|
| Financial Services | 101 | 88 | 93 | 88 | 92 | 83 | 88 | 84 |
| Public, Healthcare and Welfare | 135 | 106 | 120 | 118 | 133 | 98 | 107 | 101 |
| Industrial and Consumer Services | 137 | 121 | 138 | 132 | 137 | 126 | 136 | 135 |
| Product Development Services | 31 | 26 | 31 | 29 | 33 | 29 | 33 | 47 |
| **Group total** | **404** | **341** | **381** | **367** | **396** | **335** | **364** | **366** |

**Operating profit (EBIT) by service line, EUR million**

| | 2016 10–12 | 2016 7–9 | 2016 4–6 | 2016 1–3 | 2015 10–12 | 2015 7–9 | 2015 4–6 | 2015 1–3 |
|---|---|---|---|---|---|---|---|---|
| Technology Services and Modernization | 26.2 | 24.2 | 20.9 | 17.7 | 30.3 | 22.9 | 11.1 | 1.2 |
| Business Consulting and Implementation | 2.0 | -0.2 | 1.2 | 1.1 | 1.3 | -0.5 | 0.5 | 0.2 |
| Industry Solutions | 19.7 | 13.0 | 11.1 | 11.5 | 20.8 | 22.7 | 10.9 | 11.0 |
| Product Development Services | 3.3 | 1.7 | 3.3 | 2.6 | 2.8 | 0.6 | 5.7 | 6.5 |
| Support Functions and Global Management | -6.2 | -3.5 | -4.2 | -4.6 | -8.3 | -4.3 | -5.1 | -5.1 |
| **Operating profit (EBIT)** | **45.1** | **35.1** | **32.3** | **28.3** | **46.8** | **41.4** | **23.1** | **13.9** |

**Operating margin (EBIT) by service line, %**

| | 2016 10–12 | 2016 7–9 | 2016 4–6 | 2016 1–3 | 2015 10–12 | 2015 7–9 | 2015 4–6 | 2015 1–3 |
|---|---|---|---|---|---|---|---|---|
| Technology Services and Modernization | 13.3 | 13.5 | 10.6 | 9.4 | 15.5 | 12.9 | 5.8 | 0.7 |
| Business Consulting and Implementation | 5.3 | -0.6 | 3.3 | 3.2 | 3.7 | -1.6 | 1.5 | 0.8 |
| Industry Solutions | 14.3 | 12.3 | 9.5 | 10.1 | 15.7 | 22.3 | 10.4 | 10.9 |
| Product Development Services | 10.6 | 6.4 | 10.7 | 9.0 | 8.4 | 2.1 | 17.1 | 14.0 |
| **Operating margin (EBIT)** | **11.2** | **10.3** | **8.5** | **7.7** | **11.8** | **12.4** | **6.3** | **3.8** |

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

| | 2016 10–12 | 2016 7–9 | 2016 4–6 | 2016 1–3 | 2015 10–12 | 2015 7–9 | 2015 4–6 | 2015 1–3 |
|---|---|---|---|---|---|---|---|---|
| Technology Services and Modernization | 27.7 | 24.0 | 21.3 | 19.4 | 30.9 | 23.4 | 17.9 | 16.4 |
| Business Consulting and Implementation | 0.7 | -1.5 | 1.2 | 1.3 | 2.0 | 0.0 | 0.6 | 0.5 |
| Industry Solutions | 21.5 | 13.2 | 12.8 | 11.7 | 21.5 | 16.6 | 12.1 | 11.1 |
| Product Development Services | 3.5 | 1.7 | 3.4 | 2.4 | 3.1 | 1.8 | 3.2 | 6.5 |
| Support Functions and Global Management | -4.0 | -2.0 | -2.8 | -3.4 | -6.0 | -3.2 | -3.7 | -3.9 |
| **Adjusted operating profit (EBIT)** | **49.5** | **35.4** | **35.8** | **31.5** | **51.4** | **38.6** | **30.1** | **30.7** |

**Adjusted operating margin (EBIT) by service line, %**

| | 2016 10–12 | 2016 7–9 | 2016 4–6 | 2016 1–3 | 2015 10–12 | 2015 7–9 | 2015 4–6 | 2015 1–3 |
|---|---|---|---|---|---|---|---|---|
| Technology Services and Modernization | 14.1 | 13.4 | 10.8 | 10.2 | 15.8 | 13.2 | 9.3 | 8.7 |
| Business Consulting and Implementation | 1.8 | -4.9 | 3.3 | 3.7 | 5.7 | -0.1 | 1.8 | 1.8 |
| Industry Solutions | 15.5 | 12.5 | 10.9 | 10.4 | 16.2 | 16.4 | 11.5 | 11.0 |
| Product Development Services | 11.3 | 6.5 | 11.1 | 8.4 | 9.4 | 6.2 | 9.6 | 14.0 |
| **Adjusted operating margin (EBIT)** | **12.3** | **10.4** | **9.4** | **8.6** | **13.0** | **11.5** | **8.3** | **8.4** |

# Major shareholders on 31 December 2016

| | | Shares | % |
|---|---|---|---|
| 1 | Cevian Capital *) | 11 066 684 | 14.9 |
| 2 | Solidium Oy | 7 415 418 | 10.0 |
| 3 | Silchester International Investors LLP **) | 7 401 027 | 10.0 |
| 4 | Swedbank Robur fonder | 2 130 655 | 2.9 |
| 5 | Ilmarinen Mutual Pension Insurance Co. | 1 419 183 | 1.9 |
| 6 | Elo Pension Co. | 838 648 | 1.1 |
| 7 | The State Pension fund | 673 000 | 0.9 |
| 8 | Folketrygdfondet | 570 000 | 0.8 |
| 9 | Danske funds | 560 172 | 0.8 |
| 10 | Svenska litteratursällskapet i Finland r.f. | 541 345 | 0.7 |
| | Top 10 shareholders total | 32 616 132 | 44.0 |
| | - of which nominee registered | 20 598 366 | 27.8 |
| | | | |
| | Nominee registered other | 25 073 277 | 33.8 |
| | Others | 16 419 843 | 22.2 |
| | **Total** | **74 109 252** | **100.0** |

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

*) Based on the ownership records of Euroclear Finland Oy, Cevian Capital's holding on 31 August 2016 was 11 066 684 shares, representing 14.9 % of the shares and voting rights.

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

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Press conference for analysts and media will be held at Tieto's premises in Espoo, address: Keilalahdentie 2-4, on 2 February at 11.00 am EET (10.00 am CET, 9.00 am UK time). The results will be presented in English by Kimmo Alkio, President and CEO, and Lasse Heinonen, CFO

The conference will be webcasted and can be viewed live on Tieto's website. To join the conference, attendees need Adobe Flash plugin version 10.1.0 or newer. The meeting participants can also join a telephone conference that will be held at the same time. The telephone conference details can be found below.

Telephone conference numbers
Finland: +358 (0)9 7479 0361
Sweden: +46 (0)8 5033 6574
UK: +44 (0)330 336 9105
US: +1 719 457 1036
Conference code: 4404154

To ensure that you are connected to the conference call, please dial in a few minutes before the start of the press and analyst conference. An on-demand video will be available after the conference.

Tieto publishes financial information in English and Finnish.

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