Q1 2017
Interim Report
January–March

Strong growth contributing to good performance

- Sales growth of 7% – all businesses performing well
- Good profitability and strong cash flow
- Next phase of the automation and efficiency improvement programme started

Key figures for the first quarter

IT services
- Sales growth totalled 6.8%, sales in local currencies up by 6.5%
- Adjusted operating profit amounted to EUR 31.1 (29.1) million, 8.6% (8.6) of sales

The Group
- Sales growth totalled 7.0%, sales in local currencies up by 6.9%
- Adjusted operating profit amounted to EUR 35.4 (31.5) million, 9.0% (8.6) of sales
- Order intake (Total Contract Value) at EUR 389 (325) million – book-to-bill 1.0 (0.9)

M&A impact visible in the tables on page 8.

	1–3/2017	1–3/2016
Net sales, EUR million	393.2	367.5
Change, %	7.0	0.5
Change in local currencies, %	6.9	1.4
Operating profit (EBITA), EUR million	25.6	31.6
Operating margin (EBITA), %	6.5	8.6
Operating profit (EBIT), EUR million [1]	21.9	28.3
Operating margin (EBIT), %	5.6	7.7
Adjusted [1] [2] operating profit (EBIT), EUR million	35.4	31.5
Adjusted [1] operating margin (EBIT), %	9.0	8.6
Profit after taxes, EUR million	15.7	21.5
EPS, EUR	0.21	0.29
Net cash flow from operations, EUR million	79.7	46.9
Return on equity, 12-month rolling, %	25.3	25.7
Return on capital employed, 12-month rolling, %	25.8	27.2
Capital expenditure, EUR million	9.3	9.4
Interest-bearing net debt, EUR million	38.0	-21.3
Net debt/EBITDA	0.2	-0.1
Book-to-bill	1.0	0.9
Order backlog	1 864	1 907
Personnel on 31 March	13 822	13 200

[1] includes EUR 1.1 (0.7) million in amortization of acquisition-related intangible assets
[2] adjusted for restructuring costs, capital gains/losses, goodwill impairment charges and other items (see page 12)

Full-year outlook for 2017 unchanged

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 had a strong start to the year with sales growth of 7% for the Group and improved profitability – all of our businesses performed solidly. During the first quarter, we were also able to increase our growth rate in Sweden to 10%. Our recent customer wins are encouraging as we have been able to expand our operations with new services across the Nordics.

Our investments, in terms of both new services and competencies, play a fundamental role in our long-term renewal. Given the global nature of our business, continued attention on innovation, competitiveness and efficiency remain important to our future success. During the first quarter, we continued to increase investments in Industry Solutions and started the next phase of our automation programme which is a key element in efficiency improvement. One of the highlights in our investment portfolio is the recently launched OneCloud, a highly competitive solution that allows customers to efficiently manage both private and public cloud services.

In 2017 Tieto is taking part in Finland's centennial celebration. We honour our Finnish heritage by activating a discussion on the impacts of technology on the future of work. As digitalization accelerates, learning as a lifestyle is increasingly important for both our employees and Tieto’s competitiveness.”

IT market development

- The amount of data is growing exponentially and mastering this is one of the key success factors for enterprises. Future market leaders will increasingly have their management focus on leading the company and its people based on precise, intelligent and processed data and automated processes.
- Customers combine private and public cloud to enable business innovation and agility in a cost efficient way.

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 with growth being driven by continued initiatives to improve user experience as well as outsourcing and cloud transformation. 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. Customer experience is one of the most important investment areas while at the same time enterprises put more focus on rebuilding their back-end business processes. In the near term, the new EU General Data Privacy Regulation, taking effect in May 2018 will have an impact on IT markets, opening new opportunities, for example, for Tieto’s security and technology services.

Reflecting the accelerated need for customers to quickly roll out new services, the trend is to move application lifecycle management to solutions supporting automated end-to-end development and maintenance. These solutions enable faster-paced innovation and reduce the cost and time required for the process to launch new products and services.

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. Artificial intelligence and machine learning are outcomes of the need to master the exponentially growing amount of data. The role of current service providers in multiple industries may radically change and the services they provide may be replaced by automated computer execution, ruled by a business network driven by new vendors. Companies can provide new innovative services and even reshape the existing markets and create new ones. 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. At the same time, new smaller players are driving faster transformation with sharper customer value and simplified operations. While the outsourcing market remains active, the market is driven by a combination of digital transformation and core system modernization as well as regulation. Regulatory changes such as PSD2 (Payment Services Directive) and GDPR (General Data Protection Regulation) are opening up new opportunities for Tieto within Financial Services. 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. Demand for consultancy services has 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. The related proposals are being submitted in the spring. During the current year, customers will focus on smaller modernization activities.

- 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. Preventive maintenance is driving digitalization in the manufacturing sector and customer experience can be seen as a strong driver, especially in the forest sector. The core process renewals for improved efficiency are moving towards cloud-enabled ERP solutions. The market for consulting and business transformation is active and there is good demand for a Hackathon approach to innovatíon.

- 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, including brick and mortar. In addition to consultancy and implementation capabilities to renew eCommerce platforms, demand for improving mobile 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 and seamless mobile payments. 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.

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

- In the telecom sector, demand for IT services is driven by modernization of existing legacy systems as well as transformation towards new platforms that create additional business value. Customers are increasingly utilizing agile development methodologies to quickly launch and manage new services. The regulatory requirements in the EU are creating a positive business environment for service providers.

Strategy implementation

In its strategy, launched in 2016, Tieto aims to address its customers' dual agenda: to run their existing businesses efficiently while innovating new services. Tieto 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.

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 with selected high-growth industry solutions and high-growth services. The company has increased invesments mainly in the following high-growth businesses during the past two years:

- Selected high-growth industry solutions with annual sales of around EUR 320 million in 2016
    - Lifecare (Healthcare and welfare)
    - Case management solution (Public sector)
    - Banking solutions (Financial services)
    - Payments (Financial services)
- Data-Driven Businesses – started in July 2016 and reported within selected industry solutions
- Selected high-growth services with annual sales of around EUR 160 million in 2016
    - Cloud services
    - Customer Experience Management
    - Security Services.

In the first quarter, sales of the high-growth businesses amounted to around EUR 130 million and the increase totalled 13%, comprising growth of 12% in the selected industry solutions and 15% in selected high-growth services.

Tieto's start-ups, Security Services and Customer Experience Management, were the strongest growing businesses. Security Services has continued to enhance its resources in all core countries to drive scale. Security Services' portfolio, including both own software and integration of third-party products, provides customers with end-to-end asset visibility and protection with simplicity. First-quarter growth was 28% due to the increase in companies' interest in protecting their assets and increasing compliancy needs across different verticals. In Customer Experience Management (CEM), the customer focus has been on the development of omni-channel capabilities as well as agile customer-driven solutions enhancing personalized user experiences based on data and intelligence. CEM posted growth of 36% in the first quarter with Sweden posting strongest growth.

Cloud services with first OneCloud wins posted growth of 11%. OneCloud, launched in late 2016, is a dynamic solution that enables customers to efficiently manage multiple cloud services through one platform.

Data-Driven Businesses have started to generate and deploy data-driven ideas together with customers and the Nordic start-up ecosystem. Tieto's platform including technologies, processes and partners has been established according to plan and a few cases have already advanced into the commercialization phase. New cases, such as Intelligent Building, Industrial Equipment and Tieto's data-driven solution in the healthcare and welfare sector, have been well received in the market. The healthcare and welfare solution 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. In addition, the number of cases in the innovation or incubation stage is currently well above ten and is continuing to grow. In the next phase, the focus will be on acceleration and scale.

Performance drivers 2017

Tieto will continue its actions to drive competitiveness and to enable continued investments in innovation and growth. In IT services, Tieto aims to grow faster than the market during the year. 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 is affected by

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

Tieto increased its investments in high-growth businesses in 2016, which will result in a slight negative carry over effect in the first half of 2017 while automation is expected to support second-half profit improvement.

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 high-growth industry solutions. Offering development costs in 2017 are anticipated to remain at the 2016 level (EUR 75 million in 2016) and close to 5% of Group sales. In the first quarter, offering development costs were up by around EUR 2 million.

During 2016, Tieto added around 800 new competences in IT services and recruitments continued in 2017. In the first quarter, net recruitments amounted to over 100. As part of its long-term renewal and the need to increase productivity and price competitiveness, Tieto launched the next phase of its automation programme and in January 2017 initiated actions to optimize its productivity and cost structure globally. Redundancies implemented towards the end of the first quarter amounted to around 210, of which around half in Finland. In Finland, personnel negotiations concluded in March will result altogether in a maximum of 178 redundancies and more than 35 temporary layoffs, of which large portion in the second quarter. Actions in other countries include reductions in both onshore countries, of which the largest share will be implemented in Sweden, and offshore locations. The company expects that the actions altogether 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. Around half of the total redundancies are expected to affect the Technology Services and Modernization service line.

Salary inflation is anticipated to amount to around EUR 20 million in 2017.

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.

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

Financial performance in January–March

First-quarter net sales increased by 7.0% to EUR 393.2 (367.5) million, growth of 6.9% in local currencies. Growth was supported by the number of working days, up by more than two days compared with the corresponding quarter of 2016 due to the timing of Easter. In IT services, net sales were up by 6.8%, in local currencies up by 6.5%. In Product Development Services, sales increased by 9.5%. The acquisitions added EUR 5 million in sales, affecting Industry Solutions. Currency fluctuations had a positive impact of EUR 1 million on sales, mainly due to the stronger Norwegian Krona.

First-quarter operating profit (EBIT) amounted to EUR 21.9 (28.3) million, representing a margin of 5.6% (7.7). Operating profit was strained by restructuring costs related to the automation and efficiency improvement programme initiated during the quarter. Adjusted[1)] operating profit stood at EUR 35.4 (31.5) million, or 9.0% (8.6) of net sales. Further details on first-quarter adjustments are available in a table on page 12.

Profitability was supported by strong growth whereas improvement was curbed by salary inflation of around EUR 4 million and a EUR 2 million increase in offering development. Additionally, recruitments in support of growth businesses affected profitability. The positive impact of the efficiency improvement programme will start to gradually affect the cost base during the second quarter.

Depreciation and amortization amounted to EUR 13.7 (13.3) million, including EUR 1.1 (0.7) million in amortization of acquisition-related intangible assets. Net financial expenses stood at EUR 1.0 (0.6) million in the first quarter. Net interest expenses were EUR 0.5 (0.6) million and net losses from foreign exchange transactions EUR 0.2 (gain 0.2) million. Other financial income and expenses amounted to EUR -0.3 (-0.2) million.

Earnings per share (EPS) totalled EUR 0.21 (0.29). Adjusted[1)] earnings per share amounted to EUR 0.36 (0.33).

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

Financial performance by service line

EUR million	Customer sales 1–3/2017	Customer sales 1–3/2016	Change, %	Operating profit 1–3/2017	Operating profit 1–3/2016
Technology Services and Modernization	198	190	4	14.5	17.7
Business Consulting and Implementation	39	35	13	2.2	1.1
Industry Solutions	125	113	10	6.3	11.5
Product Development Services	32	29	10	4.2	2.6
Support Functions and Global Management				-5.3	-4.6
Total	**393**	**367**	**7**	**21.9**	**28.3**

Operating margin by service line

%	Operating margin 1–3/2017	Operating margin 1–3/2016	Adjusted[1)] operating margin 1–3/2017	Adjusted[1)] operating margin 1–3/2016
Technology Services and Modernization	7.3	9.4	10.9	10.2
Business Consulting and Implementation	5.7	3.2	7.1	3.7
Industry Solutions	5.0	10.1	8.0	10.4
Product Development Services	13.1	9.0	13.6	8.4
Total	**5.6**	**7.7**	**9.0**	**8.6**

[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, widespread growth was attributable to both strong volume development in existing agreements and new contracts. Cloud services' sales of around EUR 36 million were up by 11%. Currently, Value Networks, our solution for the management of financial value chain, which was transferred to Technology Services and Modernization in connection with the operating structure change, is included in sales for cloud services. Sales of traditional services' were slightly up, partly due to the impact of the greater number of working days compared with the previous year's corresponding quarter, which was visible mainly in application services. Service standardization and automation continues, reflecting the shift from traditional services to emerging services. The measures to ensure continued competitiveness will contribute to the operating margin in 2017, mainly in the second half, while they did not have any impact in the first quarter. The second-quarter adjusted operating margin is expected to be at the level of the corresponding quarter of 2016.

In Business Consulting and Implementation, increased demand in consulting across all industry groups as well as strong growth in Customer Experience Management were the largest contributors to sales growth. Additionally, the higher number of working days contributed to growth. Operating profit was attributable to sales growth coupled with improved utilization rates and the somewhat lower level of offering development costs. Adjusted operating margin is expected to remain at improved levels also in the second quarter.

In Industry Solutions, sales were up 10%, as the acquisition of Emric supported the sales of Financial Services. Organically, growth was strongest in the Public, Healthcare and Welfare segment, with sales increasing by 8%. Lifecare, Tieto's solution for the healthcare and welfare sector, posted growth of 7%. While operational efficiency has improved, adjusted operating profit was down from the previous year's level due to investments in growth businesses. The investments comprise an increase of around EUR 4 million in offering development costs, including new data-driven businesses, and recruitments during the past year. The second-quarter adjusted operating margin is expected to remain at or above the level of the corresponding quarter of 2016.

In Product Development Services (PDS), sales growth was attributable to strong volume development with the largest key customers. Development remained strong especially in the Radio area, in which Tieto has increased its resources in offshore locations to meet demand. Additionally, the higher number of working days contributed to both growth and profitability. First-quarter operating margin improved clearly due to the high utilization rate and efficient, lean operations. In the second quarter, adjusted operating margin is anticipated to be close to normalized levels.

Customer sales by industry group

EUR million	Customer sales 1–3/2017	Customer sales 1–3/2016	Change, %
Financial Services	96	88	9
Public, Healthcare and Welfare	128	118	8
Industrial and Consumer Services	138	132	5
IT services	**361**	**338**	**7**
Product Development Services	32	29	10
Total	**393**	**367**	**7**

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

In Public, Healthcare and Welfare, sales were up by 8%. Growth was healthy across all business logics with Finland being the strongest market. Growth in Finland was supported by the active market, with several digitalization initiatives and transition projects in infrastructure services.

In Industrial and Consumer Services, sales growth of 5% was driven by both new agreements won during 2016 and volume increase in existing agreements. Industrial and Consumer Services saw positive development in both the energy and telecom sector.

M&A impact in January–March

In IT services, first-quarter organic growth in local currencies was 5.0%. At Group level, first-quarter sales in local currencies were organically up by 5.5%. Acquisitions added EUR 5 million in sales, affecting Industry Solutions.

M&A impact by service line

	Growth, % (in local currencies) 1–3/2017	Organic growth, % (in local currencies) 1–3/2017
Technology Services and Modernization	4.6	4.6
Business Consulting and Implementation	13.1	13.1
Industry Solutions	8.3	3.8
IT services	**6.5**	**5.0**
Product Development Services	11.1	11.1
Total	**6.9**	**5.5**

M&A impact by industry group

	Growth, % (in local currencies) 1–3/2017	Organic growth, % (in local currencies) 1–3/2017
Financial Services	8.0	2.9
Public, Healthcare and Welfare	7.9	7.9
Industrial and Consumer Services	3.9	3.6
IT services	**6.5**	**5.0**
Product Development Services	11.1	11.1
Total	**6.9**	**5.5**

Cash flow, financing and investments

First-quarter net cash flow from operations amounted to EUR 79.7 (46.9) million, including the decrease of EUR 47.2 (17.8) million in net working capital. The decrease in net working capital is mainly attributable to the decline in accounts receivable and received advance payments, typically materializing in the first quarter. Accounts receivable was at a high level at the start of the period as the due date at the turn of the year transferred a substantial amount of cash flow to the first week of 2017. Payments for restructuring amounted to EUR 4.7 (7.8) million.

Tax payments were EUR 6.4 (16.4 including a EUR 6.0 million payment based on the transfer pricing audit for tax years 2009–2013 in Finland) million in the first quarter.

Capital expenditure totalled EUR 9.3 (9.4) million, of which paid EUR 9.3 (9.4) million. Capital expenditure represented 2.4% (2.6) of net sales and was mainly related to data centres. Net payments for acquisitions totalled EUR 0.4 (1.4) million.

The equity ratio was 39.2% (38.9). Gearing increased to 9.5% (-5.3). Interest-bearing net debt totalled EUR 38.0 (-21.3) million, including EUR 115.5 (124.8) million in interest-bearing debt, EUR 5.2 (6.4) million in finance lease liabilities, EUR 5.1 (7.4) million in finance lease receivables, EUR 0.7 (0.5) million in other interest-bearing receivables and EUR 76.9 (144.6) 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 104.0 million at the end of March. Interest-bearing short-term loans amounted to EUR 16.7 million, mainly related to 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 March.

Order backlog

Total Contract Value (TCV) amounted to EUR 389 (325) million in the first quarter. First-quarter book-to-bill stood at 1.0 (0.9). The total value, including the part beyond the notice period, is included in the TCV.

The order backlog amounted to EUR 1 864 (1 907) million. Of the backlog, 43% (42) is expected to be invoiced during the current year.

Major agreements in January–March

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

In January, a collaboration group of Norwegian municipalities (DGI) selected Tieto as its supplier of a new delivery platform for the six owner municipalities. The main objective of the agreement is to create the foundation to meet future needs by digitalizing citizen services, streamlining processes, and ensuring round-the-clock administration and flexible access for citizens. The agreement has a value of approximately EUR 22 million over four years with an option for an additional four years.

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

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

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

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

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

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

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

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

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

Personnel

The number of full-time employees amounted to 13 822 (13 200) at the end of March. The number of full-time employees in the global delivery centres totalled 6 722 (6 159), or 48.6% (46.7) of all personnel.

In the first quarter, the number of full-time employees was down by a net amount of around 50. In IT services, the number of employees decreased by close to 150, including around 250 redundancies and over 100 recruitments (net). Additionally, Product Development Services recruited close to 100 employees, mainly in offshore locations.

The 12-month rolling employee turnover stood at 10.7% (9.7) at the end of March.

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.

Annual General Meeting

Tieto's Annual General Meeting held on 23 March approved the financial statements for 2016, decided to distribute a dividend of EUR 1.37 per share (ordinary dividend of EUR 1.15 and additional dividend of EUR 0.22) and discharge the company's officers from liability for the financial year 2016. The meeting decided that the Board of Directors shall consist of eight members and re-elected the Board's current members Kurt Jofs, Johanna Lamminen, Harri-Pekka Kaukonen, Sari Pajari, Endre Rangnes and Jonas Synnergren. Timo Ahopelto and Jonas Wiström were elected as new members. Kurt Jofs was elected as the Chairman of the Board of Directors.

Markku Pohjola and Lars Wollung, previously members of the Board of Directors, informed Tieto that they are not available for re-election. Wollung was proposed as a new member of Nordea's Board of Directors. To comply with the regulation on the maximum number of Board assignments, he decided to leave his position in Tieto Corporation and resigned from the Board of Directors as of 1 March 2017.

Shares

The number of Tieto shares amounted to 74 109 252 at the end of March. On 31 March, Tieto's holding amounted to a total of 386 127 own shares, representing 0.5% of the total number of shares and voting rights.

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

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 with customer concentration in Product Development Services being highest in the company. 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. 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 general political situation. 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.

Full-year outlook for 2017 unchanged

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 figures in this report are unaudited.

Financial calendar 2017

21 July	Interim report 2/2017 (8.00 am EET)
24 October	Interim report 3/2017 (8.00 am EET)

Accounting policies 2017

The interim report has been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the EU. The accounting policies adopted are consistent with those used in the annual financial statements for the year ended on 31 December 2016. The standards, amendments and interpretations which are effective 1 January 2017 are not material to the Group.

The Group's assessment of the impact of the new standards IFRS 9 'Financial Instruments', IFRS 15 'Revenue from Contracts with Customers' and IFRS 16 'Leases' are described in the annual financial statements for the year ended on 31 December 2016.

Reported alternative performance measures

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

Adjusted operating profit (EBIT)

EUR million	2017 1–3	2016 1–3	2016 1–12
Operating profit (EBIT)	21.9	28.3	140.8
+ restructuring costs	13.5	3.2	14.8
+ capital losses	-	-	0.2
+/- M&A-related items	0.0	-	-1.9
+/- other	-	-	-1.7 *)
Adjusted operating profit (EBIT)	35.4	31.5	152.2

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

Key figures

	2017 1–3	2016 1–3	2016 1–12
Earnings per share, EUR			
Basic	0.21	0.29	1.46
Diluted	0.21	0.29	1.46
Equity per share, EUR	5.44	5.46	6.62
Return on equity, 12-month rolling, %	25.3	25.7	22.1
Return on capital employed, 12-month rolling, %	25.8	27.2	21.6
Equity ratio, %	39.2	38.9	47.3
Interest-bearing net debt, EUR million	38.0	-21.3	109.7
Gearing, %	9.5	-5.3	22.5
Capital expenditure, EUR million	9.3	9.4	61.6
Acquisitions, EUR million	-	-	37.6

Number of shares

	2017 1–3	2016 1–3	2016 1–12
Outstanding shares, end of period			
Basic	73 723 125	73 601 411	73 697 570
Diluted	73 723 125	73 664 930	73 697 570
Outstanding shares, average			
Basic	73 720 853	73 560 885	73 660 433
Diluted	73 720 853	73 625 716	73 678 634
Company's possession of its own shares			
End of period	386 127	411 682	411 682
Average	388 399	451 587	421 604

Income statement, EUR million

	2017 1–3	2016 1–3	Change %	2016 1–12
Net sales	393.2	367.5	7	1 492.6
Other operating income	3.1	4.2	-26	19.8
Employee benefit expenses	-239.8	-214.0	12	-827.1
Depreciation, amortization and impairment charges	-13.7	-13.3	3	-53.9
Other operating expenses	-121.6	-116.5	4	-493.8
Share of profit from investments accounted for using the equity method	0.7	0.4	75	3.2
Operating profit (EBIT)	21.9	28.3	-23	140.8
Interest and other financial income	0.4	0.7	-43	2.1
Interest and other financial expenses	-1.2	-1.5	-20	-5.0
Net exchange gains/losses	-0.2	0.2	-200	-1.1
Profit before taxes	20.9	27.7	-25	136.8
Income taxes	-5.2	-6.2	-16	-29.6
Net profit for the period	**15.7**	**21.5**	**-27**	**107.2**
Net profit for the period attributable to				
Shareholders of the Parent company	15.7	21.5	-27	107.2
Non-controlling interest	-	0.0	-	0.0
	15.7	**21.5**	**-27**	**107.2**
Earnings per share attributable to the shareholdersof the Parent company, EUR				
Basic	0.21	0.29	-28	1.46
Diluted	0.21	0.29	-28	1.46
Statement of comprehensive income, EUR million				
Net profit for the period	15.7	21.5	-27	107.2
Items that may be reclassified subsequently to profit or loss				
Translation differences	0.5	-1.2	-	-2.1
Cash flow hedges (net of tax)	-	-0.2	-	-0.2
Items that will not be reclassified subsequently to profit or loss				
Actuarial gain/loss on post-employment benefit obligations (net of tax)	-2.6	-3.4	-	-2.1
Total comprehensive income	**13.6**	**16.7**	**-19**	**102.8**
Total comprehensive income attributable to				
Shareholders of the Parent company	13.6	16.7	-19	102.8
Non-controlling interest	-	0.0	-	0.0
	13.6	**16.7**	**-19**	**102.8**

Balance sheet, EUR million

	2017 31 Mar	2016 31 Mar	Change %	2016 31 Dec
Goodwill	409.5	385.2	6	409.7
Other intangible assets	47.3	40.1	18	52.3
Property, plant and equipment	94.1	79.9	18	94.0
Investments accounted for using the equity method	13.8	13.7	1	16.5
Deferred tax assets	29.4	32.2	-9	29.9
Finance lease receivables	1.6	4.1	-61	2.2
Other interest-bearing receivables	0.5	0.1	-	0.0
Available-for-sale financial assets	0.7	0.7	0	0.7
Total non-current assets	596.9	556.0	7	605.3
Trade and other receivables	394.7	386.4	2	390.3
Pension benefit assets	5.3	4.6	15	7.4
Finance lease receivables	3.5	3.4	3	3.5
Other interest-bearing receivables	0.2	0.4	-50	0.3
Current income tax receivables	13.7	9.1	51	11.0
Cash and cash equivalents	76.9	144.6	-47	56.7
Total current assets	494.3	548.5	-10	469.2
Total assets	**1 091.2**	**1 104.5**	**-1**	**1 074.5**
Share capital, share issue premiums and other reserves	120.1	121.0	-1	120.0
Share issue based on stock options	-	0.8	-	-
Retained earnings	281.0	279.8	0	368.1
Parent shareholders' equity	401.1	401.6	0	488.1
Non-controlling interest	-	0.1	-	-
Total equity	401.1	401.7	0	488.1
Loans	104.0	104.7	-1	103.8
Deferred tax liabilities	33.9	27.9	22	34.9
Provisions	5.8	6.2	-6	5.4
Pension obligations	14.8	18.2	-19	13.9
Other non-current liabilities	0.8	0.7	14	0.2
Total non-current liabilities	159.3	157.7	1	158.2
Trade and other payables	491.2	488.8	0	344.6
Current income tax liabilities	4.6	11.5	-60	3.5
Provisions	18.3	18.2	1	11.5
Loans	16.7	26.6	-37	68.6
Total current liabilities	530.8	545.1	-3	428.2
Total equity and liabilities	**1 091.2**	**1 104.5**	**-1**	**1 074.5**

Net working capital in the balance sheet, EUR million

	2017 31 Mar	2016 31 Mar	Change %	2016 31 Dec
Accounts receivable	263.7	267.9	-2	282.4
Other working capital receivables	130.9	117.8	11	107.9
Working capital receivables included in assets	**394.6**	**385.7**	**2**	**390.3**
Accounts payable	95.9	86.5	11	96.3
Personnel related accruals	159.0	159.8	-1	137.6
Provisions	24.1	24.4	-1	16.9
Other working capital liabilities	125.3	135.4	-7	100.3
Working capital liabilities included in liabilities	**404.3**	**406.1**	**0**	**351.1**
Net working capital in the balance sheet	**-9.7**	**-20.4**	**-52**	**39.2**

Cash flow, EUR million

	2017 1–3	2016 1–3	2016 1–12
Cash flow from operations			
Net profit	15.7	21.5	107.2
Adjustments			
Depreciation, amortization and impairment charges	13.7	13.3	53.9
Share-based payments	0.4	0.7	1.3
Profit/loss on sale of fixed assets and shares	0.0	0.0	0.1
Share of profit from investments accounted for using the equity method	-0.7	-0.4	-3.2
Other adjustments	-0.5	0.6	-7.7
Net financial expenses	1.0	0.6	4.0
Income taxes	5.2	6.2	29.6
Change in net working capital	47.2	17.8	-51.6
Cash generated from operations	82.0	60.3	133.6
Net financial expenses paid	0.6	-0.8	-2.6
Dividends received from investments accounted for using the equity method	3.5	3.8	3.8
Income taxes paid	-6.4	-16.4	-37.6
Net cash flow from operations	**79.7**	**46.9**	**97.2**
Cash flow from investing activities			
Acquisition of Group companies and business operations, net of cash acquired	-0.4	-1.4	-32.3
Capital expenditures	-9.3	-9.4	-61.7
Disposal of Group companies and business operations, net of cash disposed	-	0.0	0.0
Sales of fixed assets	0.0	0.0	0.1
Change in loan receivables	0.1	0.7	2.5
Net cash used in investing activities	**-9.6**	**-10.1**	**-91.4**
Cash flow from financing activities			
Dividends paid	-	-	-99.3
Exercise of stock options	-	0.0	0.8
Payments of finance lease liabilities	-0.3	-0.3	-1.3
Change in interest-bearing liabilities	-51.4	-46.4	-4.4
Net cash used in financing activities	**-51.7**	**-46.7**	**-104.2**
Change in cash and cash equivalents	**18.4**	**-9.9**	**-98.4**
Cash and cash equivalents at the beginning of period	56.7	156.2	156.2
Foreign exchange differences	1.8	-1.7	-1.1
Change in cash and cash equivalents	18.4	-9.9	-98.4
Cash and cash equivalents at the end of period	**76.9**	**144.6**	**56.7**

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 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								21.5	21.5	0.0	21.5
Other comprehensive income											
Actuarial loss on post-employment benefit obligations (net of tax)								-3.4	-3.4		-3.4
Translation difference		-0.2			0.6			-1.6	-1.2		-1.2
Cash flow hedges (net of tax)						-0.2			-0.2		-0.2
Total comprehensive income		**-0.2**			**0.6**	**-0.2**		**16.5**	**16.7**	**0.0**	**16.7**
Transactions with owners											
Share-based payments recognized against equity								0.7	0.7		0.7
Dividend								-99.4	-99.4		-99.4
Share subscriptions based on stock options			0.0				0.0		0.0		0.0
Share subscriptions based on stock options, not yet registered			0.8						0.8		0.8
Non-controlling interest											0.0
Total transactions with owners	**0.0**	**0.0**	**0.8**				**0.0**	**-98.7**	**-97.9**	**0.0**	**-97.9**
Impact on investments accounted for using the equity method								**0.0**	**0.0**		**0.0**
At 31 Mar 2016	**76.6**	**44.4**	**0.8**	**-11.6**	**-48.6**	**0.0**	**12.1**	**327.9**	**401.6**	**0.1**	**401.7**

	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 2016	**76.6**	**43.4**	**0.0**	**-11.6**	**-52.3**	**-**	**12.8**	**419.2**	**488.1**	**-**	**488.1**
Comprehensive income											
Net profit for the period								15.7	15.7	-	15.7
Other comprehensive income											
Actuarial loss on post-employment benefit obligations (net of tax)								-2.6	-2.6		-2.6
Translation difference		0.1			0.0			0.4	0.5		0.5
Cash flow hedges (net of tax)									-		-
Total comprehensive income		**0.1**			**0.0**	**-**		**13.5**	**13.6**	**-**	**13.6**
Transactions with owners											
Share-based payments recognized against equity								0.4	0.4		0.4
Dividend								-101.0	-101.0		-101.0
Non-controlling interest									-		-
Total transactions with owners	**0.0**	**0.0**	**0.0**				**0.0**	**-100.6**	**-100.6**	**-**	**-100.6**
Impact on investments accounted for using the equity method								**0.0**	**0.0**		**0.0**
At 31 Mar 2017	**76.6**	**43.5**	**0.0**	**-11.6**	**-52.3**	**-**	**12.8**	**332.1**	**401.1**	**-**	**401.1**

Segment information

Customer sales by service line, EUR million

	2017 1–3	2016 1–3	Change %	2016 1–12
Technology Services and Modernization	198	190	4	762
Business Consulting and Implementation	39	35	13	139
Industry Solutions	125	113	10	475
Product Development Services	32	29	10	117
Group total	**393**	**367**	**7**	**1 493**

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

Customer sales by country, EUR million

	2017 1–3	2016 1–3	Change %	Share %	2016 1–12	Share %
Finland	173	166	4	44	674	45
Sweden	151	140	8	38	566	38
Norway	44	37	17	11	159	11
Other	25	24	5	6	94	6
Group total	**393**	**367**	**7**	**100**	**1 493**	**100**

In Finland, IT services sales grew by 4.3% in the first quarter.

In Sweden, growth in local currencies was 9.7%. IT services grew by 9.5% in local currencies.

In Norway, growth in local currencies was 10.4%.

Customer sales by industry group, EUR million

	2017 1–3	2016 1–3	Change %	2016 1–12
Financial Services	96	88	9	370
Public, Healthcare and Welfare	128	118	8	479
Industrial and Consumer Services	138	132	5	527
Product Development Services	32	29	10	117
Group total	**393**	**367**	**7**	**1 493**

Customer sales to the telecom sector were EUR 61 (60) million during January–March.

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

Operating profit (EBIT) by service line, EUR million

	2017 1–3	2016 1–3	Change %	2016 1–12
Technology Services and Modernization	14.5	17.7	-18.2	89.0
Business Consulting and Implementation	2.2	1.1	102.5	4.1
Industry Solutions	6.3	11.5	-45.3	55.2
Product Development Services	4.2	2.6	59.6	10.9
Support Functions and Global Management	-5.3	-4.6	-14.2	-18.5
Operating profit (EBIT)	**21.9**	**28.3**	**-22.6**	**140.8**

Operating margin (EBIT) by service line, %

	2017 1–3	2016 1–3	Change pp	2016 1–12
Technology Services and Modernization	7.3	9.4	-2.0	11.7
Business Consulting and Implementation	5.7	3.2	2.5	3.0
Industry Solutions	5.0	10.1	-5.1	11.6
Product Development Services	13.1	9.0	4.1	9.3
Operating margin (EBIT)	**5.6**	**7.7**	**-2.1**	**9.4**

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

	2017 1–3	2016 1–3	Change %	2016 1–12
Technology Services and Modernization	21.5	19.4	11.2	92.4
Business Consulting and Implementation	2.8	1.3	114.5	1.7
Industry Solutions	9.9	11.7	-15.5	59.2
Product Development Services	4.3	2.4	77.1	11.1
Support Functions and Global Management	-3.1	-3.4	6.5	-12.2
Adjusted operating profit (EBIT)	**35.4**	**31.5**	**12.5**	**152.2**

Adjusted operating margin (EBIT) by service line, %

	2017 1–3	2016 1–3	Change pp	2016 1–12
Technology Services and Modernization	10.9	10.2	0.7	12.1
Business Consulting and Implementation	7.1	3.7	3.4	1.2
Industry Solutions	8.0	10.4	-2.4	12.5
Product Development Services	13.6	8.4	5.2	9.4
Adjusted operating margin (EBIT)	**9.0**	**8.6**	**0.4**	**10.2**

Personnel by service line

	End of period					Average	
	2017	Change	Share	2016	2016	2017	2016
	1–3	%	%	1–3	1–12	1–3	1–3
Technology Services and Modernization	6 208	4	45	5 993	6 338	6 259	5 947
Business Consulting and Implementation	1 402	4	10	1 349	1 376	1 419	1 340
Industry Solutions	4 009	8	29	3 705	4 024	4 031	3 714
Product Development Services	1 328	8	10	1 228	1 243	1 299	1 256
Service lines total	**12 948**	**5**	**94**	**12 275**	**12 981**	**13 008**	**12 257**
Industry groups	253	-8	2	275	260	259	275
Support Functions and Global Management	622	-4	4	650	635	631	640
Group total	**13 822**	**5**	**100**	**13 200**	**13 876**	**13 899**	**13 173**

Personnel by country

	End of period					Average	
	2017	Change	Share	2016	2016	2017	2016
	1–3	%	%	1–3	1–12	1–3	1–3
Finland	3 447	-4	25	3 585	3 552	3 503	3 597
Sweden	2 682	7	19	2 516	2 698	2 720	2 514
India	2 492	8	18	2 311	2 503	2 501	2 280
Czech Republic	2 257	10	16	2 049	2 247	2 257	2 043
Latvia	633	-5	5	667	649	638	673
Norway	622	3	4	605	636	626	606
Poland	445	10	3	404	413	430	407
China	340	28	2	265	305	327	264
Estonia	299	33	2	226	280	297	221
Austria	138	11	1	124	138	136	122
Lithuania	95	-21	1	121	99	97	117
Other	372	13	3	328	357	366	329
Group total	**13 822**	**5**	**100**	**13 200**	**13 876**	**13 899**	**13 173**
Onshore countries	7 101	1	51	7 041	7 233	7 197	7 050
Offshore countries	6 722	9	49	6 159	6 643	6 702	6 122
Group total	**13 822**	**5**	**100**	**13 200**	**13 876**	**13 899**	**13 173**

Non-current assets by country, EUR million

	2017 31 Mar	2016 31 Mar	Change %	2016 31 Dec
Finland	82.6	78.1	6	85.9
Sweden	38.2	24.6	55	39.3
Norway	15.0	13.2	14	15.4
Other	5.6	4.1	37	5.7
Total non-current assets	**141.5**	**120.0**	**18**	**146.4**

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

Depreciation by service line, EUR million

	2017 1–3	2016 1–3	Change %	2016 1–12
Technology Services and Modernization	8.4	9.0	-7	35.2
Business Consulting and Implementation	0.0	0.0	678	0.1
Industry Solutions	0.3	0.2	65	0.8
Product Development Services	0.0	0.0	165	0.0
Support Functions and Global Management	1.3	0.9	47	3.7
Group total	**10.0**	**10.0**	**0**	**39.8**

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

	2017 1–3	2016 1–3	Change %	2016 1–12
Technology Services and Modernization	-	-	-	-
Business Consulting and Implementation	0.1	0.1	-1	0.4
Industry Solutions	1.0	0.6	61	2.8
Product Development Services	-	-	-	-
Support Functions and Global Management	-	-	-	-
Group total	**1.1**	**0.7**	**52**	**3.3**

Amortization on other intangible assets by service line, EUR million

	2017 1–3	2016 1–3	Change %	2016 1–12
Technology Services and Modernization	2.2	2.2	-1	8.9
Business Consulting and Implementation	0.0	0.0	-39	0.1
Industry Solutions	0.2	0.0	527	0.2
Product Development Services	0.0	0.0	137	0.0
Support Functions and Global Management	0.3	0.4	-36	1.6
Group total	**2.6**	**2.6**	**0**	**10.8**

Commitments and contingencies, EUR million

	2017 31 Mar	2016 31 Dec
For Tieto obligations		
Guarantees		
Performance guarantees	1.2	4.0
Lease guarantees	8.9	8.9
Other	1.4	1.5
Other Tieto obligations		
Rent commitments due in one year	41.4	39.7
Rent commitments due in 1–5 years	94.8	95.3
Rent commitments due after 5 years	34.2	31.4
Operating lease commitments due in one year	7.6	8.3
Operating lease commitments due in 1–5 years	8.1	8.1
Operating lease commitments due after 5 years	0.7	0.6
Commitments to purchase assets	4.2	6.2
Other	3.0	-
On behalf of joint ventures	-	-
On behalf of others		
Guarantees	0.1	0.1

Derivatives, EUR million

Notional amounts of derivatives

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

	2017 31 Mar	2016 31 Dec
Foreign exchange forward contracts	250.2	198.7
Electricity price futures contracts	0.5	0.5

Fair values of derivatives

The net fair values of derivative financial instruments at the balance sheet date	2017 31 Mar	2016 31 Dec
Foreign exchange forward contracts	0.0	1.2
Electricity price futures contracts	0.0	0.1

Derivatives are used for economic hedging purposes only.

Gross positive fair values of derivatives	2017 31 Mar	2016 31 Dec
Foreign exchange forward contracts	1.4	2.3
Electricity price futures contracts	0.0	0.1

Gross negative fair values of derivatives	2017 31 Mar	2016 31 Dec
Foreign exchange forward contracts	-1.4	-1.1
Electricity price futures contracts	-	0.0

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

As of 31 March 2017, there are no open hedges for highly probable forecast transactions denominated in foreign currency. There were no gains and losses recognized in hedging reserve in equity (note Other reserves) on forward foreign exchange contracts as of 31 March 2017 and comparative period 31 Dec 2016.

Fair value measurement of financial assets and liabilities

EUR million 31 Mar 2017	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Derivatives	-	1.4	-	1.4
Available-for-sale investments	-	-	0.7	-
Financial liabilities at fair value through profit or loss				
Derivatives	-	-1.4	-	-1.4

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

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

Quarterly figures

Key figures

	2017 1–3	2016 10–12	2016 7–9	2016 4–6	2016 1–3
Earnings per share, EUR					
Basic	0.21	0.46	0.37	0.33	0.29
Diluted	0.21	0.46	0.37	0.33	0.29
Equity per share, EUR	5.44	6.62	6.05	5.67	5.46
Return on equity, 12-month rolling, %	25.3	22.1	24.4	26.2	25.7
Return on capital employed,12-month rolling, %	25.8	21.6	22.6	25.9	27.2
Equity ratio, %	39.2	47.3	44.4	42.2	38.9
Interest-bearing net debt, EUR million	38.0	109.7	136.4	103.3	-21.3
Gearing, %	9.5	22.5	30.6	24.7	-5.3
Capital expenditure, EUR million	9.3	24.4	16.0	11.8	9.4
Acquisitions, EUR million	-	0.3	37.3	-	-

Income statement, EUR million

	2017 1–3	2016 10–12	2016 7–9	2016 4–6	2016 1–3
Net sales	393.2	403.6	340.5	381.0	367.5
Other operating income	3.1	7.6	5.2	2.8	4.2
Employee benefit expenses	-239.8	-216.2	-183.1	-213.8	-214.0
Depreciation, amortization and impairment charges	-13.7	-13.9	-13.6	-13.1	-13.3
Other operating expenses	-121.6	-137.1	-114.7	-125.5	-116.5
Share of profit from investments accounted for using the equity method	0.7	1.1	0.8	0.9	0.4
Operating profit (EBIT)	21.9	45.1	35.1	32.3	28.3
Financial income and expenses	-1.0	-0.8	-1.0	-1.6	-0.6
Profit before taxes	20.9	44.3	34.1	30.7	27.7
Income taxes	-5.2	-10.1	-6.8	-6.5	-6.2
Net profit for the period	**15.7**	**34.2**	**27.3**	**24.2**	**21.5**

Balance sheet, EUR million

	2017 31 Mar	2016 31 Dec	2016 30 Sep	2016 30 Jun	2016 31 Mar
Goodwill	409.5	409.7	414.0	383.5	385.2
Other intangible assets	47.3	52.3	50.0	39.5	40.1
Property, plant and equipment	94.1	94.0	79.7	79.0	79.9
Investments accounted for using the equity method	13.8	16.5	15.4	14.6	13.7
Other non-current assets	32.2	32.8	37.1	36.0	37.1
Total non-current assets	596.9	605.3	596.2	552.6	556.0
Trade receivables and other current assets	417.4	412.5	389.6	402.9	403.9
Cash and cash equivalents	76.9	56.7	71.7	93.2	144.6
Total current assets	494.3	469.2	461.3	496.1	548.5
Total assets	**1 091.2**	**1 074.5**	**1 057.5**	**1 048.7**	**1 104.5**
Total equity	401.1	488.1	446.2	417.7	401.7
Non-current loans	104.0	103.8	104.1	104.4	104.7
Other non-current liabilities	55.3	54.4	56.4	54.6	53.0
Total non-current liabilities	159.3	158.2	160.5	159.0	157.7
Trade payables and other current liabilities	495.8	348.1	330.9	360.3	500.3
Provisions	18.3	11.5	9.1	12.1	18.2
Current loans	16.7	68.6	110.8	99.6	26.6
Total current liabilities	530.8	428.2	450.8	472.0	545.1
Total equity and liabilities	**1 091.2**	**1 074.5**	**1 057.5**	**1 048.7**	**1 104.5**

Cash flow, EUR million

	2017 1–3	2016 10–12	2016 7–9	2016 4–6	2016 1–3
Cash flow from operations					
Net profit	15.7	34.2	27.3	24.2	21.5
Adjustments	19.1	19.4	20.0	17.6	21.0
Change in net working capital	47.2	4.4	-26.5	-47.3	17.8
Cash generated from operations	82.0	58.0	20.8	-5.5	60.3
Net financial expenses paid	0.6	1.1	-0.9	-2.0	-0.8
Dividends received from investments accounted for using the equity method	3.5	-	-	-	3.8
Income taxes paid	-6.4	-8.9	-6.1	-6.2	-16.4
Net cash flow from operations	**79.7**	**50.2**	**13.8**	**-13.7**	**46.9**
Net cash used in investing activities	**-9.6**	**-23.6**	**-45.8**	**-11.9**	**-10.1**
Net cash used in financing activities	**-51.7**	**-42.5**	**10.9**	**-25.9**	**-46.7**
Change in cash and cash equivalents	**18.4**	**-15.9**	**-21.1**	**-51.5**	**-9.9**
Cash and cash equivalents at the beginning of period	56.7	71.7	93.2	144.6	156.2
Foreign exchange differences	1.8	0.9	-0.4	0.1	-1.7
Change in cash and cash equivalents	18.4	-15.9	-21.1	-51.5	-9.9
Cash and cash equivalents at the end of period	**76.9**	**56.7**	**71.7**	**93.2**	**144.6**

Quarterly figures by segments

Customer sales by service line, EUR million

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

Customer sales by industry group, EUR million

	2017 1–3	2016 10–12	2016 7–9	2016 4–6	2016 1–3
Financial Services	96	101	88	93	88
Public, Healthcare and Welfare	128	135	106	120	118
Industrial and Consumer Services	138	137	121	138	132
Product Development Services	32	31	26	31	29
Group total	**393**	**404**	**341**	**381**	**367**

Operating profit (EBIT) by service line, EUR million

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

Operating margin (EBIT) by service line, %

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

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

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

Adjusted operating margin (EBIT) by service line, %

	2017 1–3	2016 10–12	2016 7–9	2016 4–6	2016 1–3
Technology Services and Modernization	10.9	14.1	13.4	10.8	10.2
Business Consulting and Implementation	7.1	1.8	-4.9	3.3	3.7
Industry Solutions	8.0	15.5	12.5	10.9	10.4
Product Development Services	13.6	11.3	6.5	11.1	8.4
Adjusted operating margin (EBIT)	**9.0**	**12.3**	**10.4**	**9.4**	**8.6**

Major shareholders on 31 March 2017

		Shares	%
1	Cevian Capital	11 066 684	14.9
2	Solidium Oy	7 415 418	10.0
3	Silchester International Investors LLP *)	7 401 027	10.0
4	Swedbank Robur fonder	2 060 655	2.8
5	Ilmarinen Mutual Pension Insurance Co.	1 682 598	2.3
6	Elo Pension Co.	838 648	1.1
7	The State Pension fund	773 000	1.0
8	Svenska litteratursällskapet i Finland r.f.	541 345	0.7
9	Danske funds	496 972	0.7
10	OP-Finland Small Firms Fund	427 000	0.6
	Top 10 shareholders total	32 703 347	44.1
	- of which nominee registered	9 461 682	12.8
	Nominee registered other	25 332 034	34.2
	Others	16 073 871	21.7
	Total	**74 109 252**	**100.0**

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

*) 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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A teleconference for analysts and media will be held on Thursday 27 April 2017 at **10.00 am EET** (9.00 am CET, 8.00 am UK time). Analysts and media are also welcome to participate in the conference at Tieto's office in Stockholm, address: Fjärde Bassängvägen 15.

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

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

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

Tieto publishes its financial information in English and Finnish.

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

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