

# Q2 2017 Interim Report

January–June

## **Solid business performance continues**

- Encouraging order intake with new customer wins in all businesses, especially in Sweden
- Healthy profitability driven by Technology Services and Modernization
- Automation programme and targeted investments in software businesses support further profit improvement

**tieto**

## Key figures for the second quarter

### IT services

- Sales growth totalled 1.0%, sales in local currencies up by 2.5%
- Adjusted operating profit amounted to EUR 33.0 (32.4) million, 9.3% (9.3) of sales

### The Group

- Sales growth totalled 1.2%, sales in local currencies up by 2.8%
- Adjusted operating profit amounted to EUR 35.6 (35.8) million, 9.2% (9.4) of sales
- Order intake (Total Contract Value) at EUR 371 (326) million – book-to-bill 1.0 (0.9)

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

	4–6/2017	4–6/2016	1–6/2017	1–6/2016
Net sales, EUR million	385.5	381.0	778.7	748.5
Change, %	1.2	4.7	4.0	2.6
Change in local currencies, %	2.8	5.9	4.8	3.6
Operating profit (EBITA), EUR million	32.0	35.7	57.6	67.3
Operating margin (EBITA), %	8.3	9.4	7.4	9.0
Operating profit (EBIT), EUR million <sup>1)</sup>	28.2	32.3	50.1	60.6
Operating margin (EBIT), % <sup>1)</sup>	7.3	8.5	6.4	8.1
Adjusted <sup>1) 2)</sup> operating profit (EBIT), EUR million	35.6	35.8	71.0	67.3
Adjusted <sup>1) 2)</sup> operating margin (EBIT), %	9.2	9.4	9.1	9.0
Profit after taxes, EUR million	21.0	24.2	36.7	45.7
EPS, EUR	0.28	0.33	0.50	0.62
Net cash flow from operations, EUR million	-6.1	-13.7	73.6	33.2
Return on equity, 12-month rolling, %	23.6	26.2	23.6	26.2
Return on capital employed, 12-month rolling, %	21.0	25.9	21.0	25.9
Capital expenditure, EUR million	21.0	11.8	30.3	21.2
Interest-bearing net debt, EUR million	164.6	103.3	164.6	103.3
Net debt/EBITDA	0.9	0.5	0.9	0.5
Book-to-bill	1.0	0.9	1.0	0.9
Order backlog	1 817	1 757	1 817	1 757
Personnel on 30 June	13 754	13 381	13 754	13 381

<sup>1)</sup> the second quarter includes EUR 1.0 (0.7) million and the first half EUR 2.1 (1.4) million in amortization of acquisition-related intangible assets

<sup>2)</sup> adjusted for restructuring costs, capital gains/losses, goodwill impairment charges and other items (see page 15)

## Full-year outlook for 2017 unchanged

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

<sup>1)</sup> 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 another solid quarter with good underlying growth in all the service lines. Our adjusted profit was healthy at 9% level while growth and profitability were somewhat affected by negative currency impacts and the shorter quarter. Highlights in the second quarter included several important customer wins across all key markets, especially in Sweden. I am pleased to see that we are actively contributing to the digitalization of Nordic society – across all our markets.

We continue to foresee exciting business and innovation opportunities through co-innovation with our customers. We maintain our total investment level with an increased focus on software-centric industry solutions – and foresee strong opportunities particularly in the financial services, healthcare and welfare, and energy sectors. These investments will also support our competitiveness and performance objectives in the second half of this year.

We are participating in a number of exciting initiatives to leverage the use of data in an intelligent way to improve wellbeing and the quality of everyday life through personalized predictive healthcare and social inclusion. Tieto will continue to focus on attractive opportunities to participate in the creation of new data-centric ecosystems."

## IT market development

- In the near term, the new EU General Data Protection Regulation, taking effect in May 2018, will have an impact on IT markets. This regulation is opening up new opportunities, such as for Tieto's security and application services.
- Customers' competitive landscape is changing as new technology-based companies are entering the market, in some cases from outside clients' own industry.

In 2017, the Nordic market is anticipated to grow by 2–3%. 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. Emerging services (consisting primarily of new services, such as cloud and security services, analytics and industry-specific software) are expected to experience double-digit growth and the decline in traditional services (traditional application and infrastructure services) will continue. Sweden is expected to be the fastest-growing of Tieto's core markets. Growth is driven by continued initiatives to improve user experience as well as outsourcing and cloud transformation. In Finland, the economic outlook has improved, which gradually also supports the IT services market.

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

Reflecting the accelerated need for customers to quickly roll out new services, the trend involves moving 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.

Infrastructure cloud services become a vital underpinning for digital transformation to enable scale and dynamic access to global resources. It is estimated that currently around 20–25% of global infrastructure services are represented by cloud, predominantly private cloud. While most organizations use cloud services to some extent, significantly fewer than 20% are currently cloud mature. Total infrastructure cloud market is expected to annually grow by 15–20%. This comprises

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

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

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.

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, there is still a rather high level of activity with several large transformation programmes ongoing or planned. However, many programmes are divided into smaller projects to better control performance and costs. The market is currently capability driven, as many of the larger programmes are managed by customers and require a broad range of competences across markets. Many new smaller players (Fintech) are still entering the market, continuing to challenge traditional IT service providers. Regulatory changes such as PSD2 (Payment Services Directive) and GDPR (General Data Protection Regulation) are creating new opportunities for Tieto within Financial Services, but also pose a degree of uncertainty in customer transformation projects. Interest in business process outsourcing and software as a service delivered on secure cloud platforms continues to grow with the market being driven by a combination of digital transformation, core system renewal and regulation.
- 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. Demand for cloud services has remained strong in Sweden. In Finland, Tieto is actively participating in the Government development programme in order to facilitate digitalization in the public sector.
- In the **healthcare and welfare** sector, the digitalization trend will continue to support easier and faster access to healthcare for citizens and compensate for the anticipated shortage of care workers. There are large development projects planned across all Nordic markets and the prevailing trend is to move towards integrated healthcare and welfare systems supporting seamless care. In Finland, it is anticipated that the ongoing healthcare and welfare reform will provide growth opportunities in the coming years. The first proposals are being submitted during the summer while during the current year, customers will focus on smaller modernization activities.
- In the **manufacturing, forest and paper sector**, the strong digitalization trend continues and clients are seeking new business and service models to ensure steady revenues and to improve service experience. At the same time, core process renewals to deploy cloud-enabled ERP solutions are ongoing. Preventive maintenance continues to drive digitalization in the manufacturing sector and customer experience is a strong driver. In the case of wood and production equipment, there is increased interest in digital twins of assets, using data from sensors installed to represent their current status. The market for consulting and business transformation is active and there is good demand for a Hackathon type of an approach to innovation.
- 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. In the Nordic countries, common electricity hubs will provide new opportunities towards the year end; for example, Norway is starting to create its national hub during 2017. As a result, there is interest in investing in customer experience management and modern software-based systems as well as building new ecosystems. 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 has increased 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 strong growth potential. Industry solutions based on leading industry-specific software products, system integration capabilities and partnerships form the basis for Tieto's differentiation.

Growth will be based on a strong solution foundation built on a dynamic portfolio with selected high-growth industry solutions and high-growth services. The company has increased investments 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 (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 half of 2017, sales of the high-growth businesses amounted to around EUR 260 million and the increase totalled 10%, comprising growth of 8% in the selected industry solutions and 13% 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 drive scale and posted growth of 30% in the first half of 2017. Awareness of cyber threats is increasing and continues to accelerate demand for security services. Additionally, the EU General Data Protection Regulation will start to provide new opportunities. Customer Experience Management (CEM) posted growth of 27% in the first half. The development of omnichannel capabilities as well as agile customer-driven solutions enhancing personalized user experiences based on data and intelligence has continued. In the second quarter, the focus has been on the development of next-generation customer experience solution built on new microservices architecture combining business knowledge, design, software development and rapid deployment. The solution is targeted at omnichannel marketing, sales and service. Cloud services posted growth of 10%. There is strong interest in shifting from current service environments to Tieto's OneCloud solution. The solution, launched in late 2016, is a dynamic solution that enables customers to efficiently manage multiple cloud services through one platform.

In Tieto's Data-Driven Businesses, a number of cases have already advanced into the commercialization phase. Tieto has signed several agreements for solutions, such as Intelligent Building, Industrial Equipment, Intelligent Wellbeing and Data Lake and good momentum is expected to continue. 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 Emeric, the Nordic market leader in software and services for credit processing, which will also affect sales in 2017. Emeric's annual sales amount to around EUR 20 million, of which around EUR 7 million was visible in 2016.

In addition to sales growth, IT services' 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 has resulted 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 half, offering development costs were up by around EUR 2 million.

Tieto has continued to recruit new competences. In the first half of the year, net recruitments for IT services amounted to over 100. As part of its long-term renewal and the need to increase productivity and price competitiveness, Tieto initiated actions to optimize its productivity and cost structure globally in January 2017. Redundancies implemented during the first half amounted to around 450. The company expects that the actions altogether will result in annualized gross savings of close to EUR 40 million. It is estimated that around EUR 20 million in savings will affect the cost base for 2017, of which close to EUR 5 million materialized in the second quarter and around EUR 15 million is expected to materialize 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 April–June

Second-quarter net sales increased by 1.2% to EUR 385.5 (381.0) million, growth of 2.8% in local currencies. Growth was affected by the number of working days, down by two days compared with the corresponding quarter of 2016 due to the timing of Easter. In IT services, net sales were up by 1.0%, in local currencies up by 2.5%. In Product Development Services, sales in local currencies increased by 6.3%. Acquisitions added EUR 5 million in sales, affecting Industry Solutions. Currency fluctuations had a negative impact of EUR 6 million on sales, mainly due to the weaker Swedish Krona.

Second-quarter operating profit (EBIT) amounted to EUR 28.2 (32.3) million, representing a margin of 7.3% (8.5). Operating profit was strained by restructuring costs related to the automation and efficiency improvement programme initiated in January 2017. Adjusted<sup>1)</sup> operating profit stood at EUR 35.6 (35.8) million, or 9.2% (9.4) of net sales. Further details on second-quarter adjustments are available in a table on page 15.

Operating profit was affected by the number of working days. Additionally, the impact of the negative currency effect amounted to EUR 1.5 million. The efficiency improvement programme had a positive impact of close to EUR 5 million on the cost base during the quarter while profitability was affected by salary inflation of around EUR 4 million. Offering development costs were maintained at the previous year's level.

Depreciation and amortization amounted to EUR 13.6 (13.1) million, including EUR 1.0 (0.7) million in amortization of acquisition-related intangible assets. Net financial expenses stood at EUR 0.6 (1.6) million in the second quarter. Net interest expenses were EUR 0.5 (0.4) million and net gains from foreign exchange transactions EUR 0.2 (loss 1.0) million. Other financial income and expenses amounted to EUR -0.3 (-0.2) million.

Earnings per share (EPS) totalled EUR 0.28 (0.33). Adjusted<sup>1)</sup> earnings per share amounted to EUR 0.36 (0.37).

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

## Financial performance by service line

EUR million	Customer sales 4–6/2017	Customer sales 4–6/2016	Change, %	Operating profit 4–6/2017	Operating profit 4–6/2016
Technology Services and Modernization	194	196	-1	20.5	20.9
Business Consulting and Implementation	38	37	2	2.6	1.2
Industry Solutions	122	117	4	9.3	11.1
Product Development Services	31	31	3	2.4	3.3
Support Functions and Global Management				-6.6	-4.2
<b>Total</b>	<b>386</b>	<b>381</b>	<b>1</b>	<b>28.2</b>	<b>32.3</b>

## Operating margin by service line

%	Operating margin 4–6/2017	Operating margin 4–6/2016	Adjusted <sup>1)</sup> operating margin 4–6/2017	Adjusted <sup>1)</sup> operating margin 4–6/2016
Technology Services and Modernization	10.5	10.6	11.9	10.8
Business Consulting and Implementation	7.0	3.3	4.0	3.3
Industry Solutions	7.6	9.5	9.0	10.9
Product Development Services	7.6	10.7	8.3	11.1
<b>Total</b>	<b>7.3</b>	<b>8.5</b>	<b>9.2</b>	<b>9.4</b>

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

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

In [Technology Services and Modernization](#), sales in local currencies were up slightly despite negative currency effects and the lower number of working days. In line with the market trend, sales of traditional services were slightly down while sales for Application Services were growing. Cloud services' sales continued to grow and in the first half, cloud sales were up by 10% and security services by 30%. Service standardization and automation continues, reflecting the shift from traditional services to emerging services. The measures to ensure continued competitiveness contributed to the operating margin. The third-quarter adjusted operating margin is expected to be strong at the level of the corresponding quarter of 2016.

In [Business Consulting and Implementation](#), sales growth in local currencies was 3%, driven by good performance in Customer Experience Management with growth of over 20% and increased demand in consulting. The lower number of working days had a negative impact on growth and profit. Adjusted operating profit improved slightly due to the higher utilization rate and lower offering development investments. Improvement was curbed by several agreements with low margins. Third-quarter adjusted operating margin is expected to clearly improve from the previous year's low level.

In [Industry Solutions](#), favourable business performance continued in most businesses. Financial Services, specifically the payments area, experienced challenges as some licence sales were postponed to the second half. Additionally, the transition to a new product family in Payments impacts on growth and requires higher mid-term investments. The acquisition of Emric contributed to growth. Organically, growth was strongest in the Public, Healthcare and Welfare segment, up by 5%. Adjusted operating profit was down from the previous year's level due to an increase in investments in growth businesses. The investments comprise an increase of around EUR 2 million in offering development costs, including new data-driven businesses, and recruitments during the past year. The second half is expected to see a year-on-year improvement in adjusted operating margin due to licence sales growth contributing to a business mix with a higher than average margin in Industry Solutions. Additionally, it is anticipated that the execution of the efficiency programme started in January will support performance.

In [Product Development Services \(PDS\)](#), sales growth in local currencies was 6%. 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. Operating margin excluding the negative working day impact remained at the strong level of the corresponding quarter in 2016. In the third quarter, adjusted operating margin is anticipated to be seasonally weaker, at the previous year's level.

## Customer sales by industry group

EUR million	Customer sales 4–6/2017	Customer sales 4–6/2016	Change, %
Financial Services	97	93	4
Public, Healthcare and Welfare	127	120	5
Industrial and Consumer Services	132	138	-5
<b>IT services</b>	<b>355</b>	<b>350</b>	<b>1</b>
Product Development Services	31	31	3
<b>Total</b>	<b>386</b>	<b>381</b>	<b>1</b>

In **Financial Services**, the acquisition of Emric and projects driving IT efficiency and digital services, especially in Finland, contributed to growth of 6% in local currencies. Growth was curbed by challenges in Industry Solutions in the payments area, where some licence sales were postponed to the second half of the year. Investments to support transition to a new product family in the payments solution are in place.

In **Public, Healthcare and Welfare**, sales in local currencies were up by 7%. Growth was healthy across all business logics with Finland and Norway being the strongest markets. Growth was also supported by good licence sales in Industry Solutions. The market is active with several digitalization initiatives and transition projects in infrastructure services.

In **Industrial and Consumer Services**, sales were down due to expiring contracts, price erosion and a lower number of working days, while new contracts are expected to contribute to growth in the second half. In energy utilities, good demand in the billing area continued due to regulatory changes and investment in digitalized customer services. Industry Consulting and Customer Experience Management saw strong demand.

## M&A impact in April–June

In IT services, second-quarter organic growth in local currencies was 1.1%. At Group level, second-quarter sales in local currencies were organically up by 1.6%. Acquisitions added EUR 5 million in sales, affecting Industry Solutions.

## M&A impact by service line

	Growth, % (in local currencies) 4–6/2017	Organic growth, % (in local currencies) 4–6/2017
Technology Services and Modernization	0.4	0.4
Business Consulting and Implementation	3.1	3.1
Industry Solutions	5.9	1.8
<b>IT services</b>	<b>2.5</b>	<b>1.1</b>
Product Development Services	6.3	6.3
<b>Total</b>	<b>2.8</b>	<b>1.6</b>

## M&A impact by industry group

	Growth, % (in local currencies) 4–6/2017	Organic growth, % (in local currencies) 4–6/2017
Financial Services	5.6	0.9
Public, Healthcare and Welfare	7.3	7.3
Industrial and Consumer Services	-3.2	-3.5
<b>IT services</b>	<b>2.5</b>	<b>1.1</b>
Product Development Services	6.3	6.3
<b>Total</b>	<b>2.8</b>	<b>1.6</b>

## Financial performance in January–June

First-half net sales increased by 4.0% to EUR 778.7 (748.5) million, growth of 4.8% in local currencies. In IT services, net sales were up by 3.9%, in local currencies up by 4.5%. In Product Development Services, sales increased by 6.1%, in local currencies up by 8.7%. Acquisitions added EUR 10 million in sales, affecting Industry Solutions. Currency fluctuations had a negative impact of EUR 6 million on sales, mainly due to the weaker Swedish Krona.

First-half operating profit (EBIT) amounted to EUR 50.1 (60.6) million, representing a margin of 6.4% (8.1). Operating profit was strained by restructuring costs related to the automation and efficiency improvement programme initiated in January 2017. Adjusted<sup>1)</sup> operating profit stood at EUR 71.0 (67.3) million, or 9.1% (9.0) of net sales. Further details on adjustments are available in a table on page 15.

The efficiency improvement programme had an impact of around EUR 5 million on the cost base during the first half, whereas improvement was curbed by salary inflation of around EUR 8 million and a EUR 2 million increase in offering development.

Depreciation and amortization amounted to EUR 27.3 (26.4) million, including EUR 2.1 (1.4) million in amortization of acquisition-related intangible assets. Net financial expenses stood at EUR 1.6 (2.2) million in the first half. Net interest expenses were EUR 1.0 (1.0) million and net losses from foreign exchange transactions EUR 0.0 (0.8) million. Other financial income and expenses amounted to EUR -0.6 (-0.4) million.

Earnings per share (EPS) totalled EUR 0.50 (0.62). Adjusted<sup>1)</sup> earnings per share amounted to EUR 0.72 (0.69).

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

## Financial performance by service line

EUR million	Customer sales 1–6/2017	Customer sales 1–6/2016	Change, %	Operating profit 1–6/2017	Operating profit 1–6/2016
Technology Services and Modernization	392	386	2	35.0	38.6
Business Consulting and Implementation	77	72	7	4.8	2.3
Industry Solutions	247	231	7	15.6	22.6
Product Development Services	63	60	6	6.6	5.9
Support Functions and Global Management				-11.9	-8.8
<b>Total</b>	<b>779</b>	<b>748</b>	<b>4</b>	<b>50.1</b>	<b>60.6</b>

## Operating margin by service line

%	Operating margin 1–6/2017	Operating margin 1–6/2016	Adjusted <sup>1)</sup> operating margin 1–6/2017	Adjusted <sup>1)</sup> operating margin 1–6/2016
Technology Services and Modernization	8.9	10.0	11.4	10.5
Business Consulting and Implementation	6.3	3.2	5.6	3.5
Industry Solutions	6.3	9.8	8.5	10.6
Product Development Services	10.4	9.9	10.9	9.8
<b>Total</b>	<b>6.4</b>	<b>8.1</b>	<b>9.1</b>	<b>9.0</b>

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

## Customer sales by industry group

EUR million	Customer sales 1–6/2017	Customer sales 1–6/2016	Change, %
Financial Services	193	181	6
Public, Healthcare and Welfare	254	238	7
Industrial and Consumer Services	270	270	0
<b>IT services</b>	<b>716</b>	<b>689</b>	<b>4</b>
Product Development Services	63	60	6
<b>Total</b>	<b>779</b>	<b>748</b>	<b>4</b>

## M&A impact by service line

	Growth, % (in local currencies) 1–6/2017	Organic growth, % (in local currencies) 1–6/2017
Technology Services and Modernization	2.4	2.4
Business Consulting and Implementation	8.0	8.0
Industry Solutions	7.1	2.8
<b>IT services</b>	<b>4.5</b>	<b>3.1</b>
Product Development Services	8.7	8.7
<b>Total</b>	<b>4.8</b>	<b>3.5</b>

## M&A impact by industry group

	Growth, % (in local currencies) 1–6/2017	Organic growth, % (in local currencies) 1–6/2017
Financial Services	6.8	1.9
Public, Healthcare and Welfare	7.6	7.6
Industrial and Consumer Services	0.3	0.0
<b>IT services</b>	<b>4.5</b>	<b>3.1</b>
Product Development Services	8.7	8.7
<b>Total</b>	<b>4.8</b>	<b>3.5</b>

## Cash flow, financing and investments

Second-quarter net cash flow from operations amounted to EUR -6.1 (-13.7) million, including the increase of EUR 36.0 (47.3) million in net working capital. The second quarter is seasonally weaker and the main contributors to the increase in net working capital were changes in advance payments due to timing of customer agreements and payments for personnel-related accruals (bonuses and restructuring). Payments for restructuring amounted to EUR 7.4 (6.5) million.

First-half net cash flow from operations amounted to EUR 73.6 (33.2) million, including the decrease of EUR 11.2 (increase 29.5) million in net working capital.

Tax payments were EUR 12.5 (22.6 including a EUR 6.0 million payment based on the transfer pricing audit for tax years 2009–2013 in Finland) million in the first half.

First-half capital expenditure totalled EUR 30.3 (21.2) million, of which paid EUR 26.2 (21.3) million. Capital expenditure represented 3.9% (2.8) of net sales and was mainly related to data centres. Capital expenditure in the second half is expected to be below the level of the corresponding period of 2016 and in the full-year to remain below 4% of Group sales. Net payments for acquisitions totalled EUR 0.4 (1.8) million.

The equity ratio was 40.6% (42.2). Gearing increased to 39.8% (24.7). Interest-bearing net debt totalled EUR 164.6 (103.3) million, including EUR 215.6 (197.9) million in interest-bearing debt, EUR 4.8 (6.1) million in finance lease liabilities, EUR 4.2 (7.1) million in finance lease receivables, EUR 0.5 (0.4) million in other interest-bearing receivables and EUR 51.3 (93.2) 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 103.7 million at the end of June. Interest-bearing short-term loans amounted to EUR 116.7 million, mainly related to commercial paper issues and joint venture cash pool balances. In the second quarter, Tieto prolonged the maturity of its syndicated revolving credit facility of EUR 150 million by one year. The credit facility maturing in May 2021 was not in use at the end of June.

In June, Tieto signed an EUR 85 million financing agreement with the European Investment Bank for Tieto's planned research, development, innovation and infrastructure investments. The loan was extended under the European Fund for Strategic Investments (EFSI). The agreement is a committed credit facility where Tieto has a possibility to withdraw funding for up to nine years.

## Order backlog

Total Contract Value (TCV) amounted to EUR 371 (325) million in the second quarter. Second-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.

In the first half, Total Contract Value (TCV) amounted to EUR 760 (652) million. First-half book-to-bill stood at 1.0 (0.9).

The order backlog amounted to EUR 1 817 (1 757) million. Of the backlog, 33% (34) is expected to be invoiced during the current year.

## Major agreements in January–June

During the first six 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 eCommerce and omnichannel operations solution of Granngården, a major retail chain in Sweden. With this new solution, Granngården aims to develop their customer experience and to lay the basis for online revenue growth and seamless omnichannel experience.

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

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

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

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

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

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

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

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

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

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

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

In May, Tieto and Fora, a service company that offers administrative solutions for collective insurance agreements and fees for parties on the labour market, signed an agreement extension on cloud and capacity services. The extended agreement continues to entail flexible and secure cloud solutions with high availability for both infrastructure capacity and business-critical ERP systems. The solutions will help Fora strengthen continuity in operations as well as improve IT processes, resulting in reduced costs and increased flexibility.

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

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

In June, Tieto signed an agreement with Qliro, a Nordic company within the FinTech industry, specialising in eCommerce payments, consumer financing and savings accounts, to deliver a digital service for savings accounts. Emric, acquired by Tieto in September 2016, will deliver the underlying system (Emric's Managed Services solution) for

the entire deposit value chain from automated customer registration to administration. The solution includes the core system that comprises not only a digital self-service platform, verification through BankID, and accounting, but also staffing for general administration. The agreement has a term of three years.

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

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

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

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

In June 2017, Tieto signed an agreement with Stockholm County Council to provide application management services. The four-year contract with an option to extend by three more years has a total value of EUR 17 million.

## Personnel

The number of full-time employees amounted to 13 754 (13 381) at the end of June. The number of full-time employees in the global delivery centres totalled 6 733 (6 321), or 49.0% (47.2) of all personnel.

In the first half, the number of full-time employees was down by a net amount of over 100. In IT services, the number of employees decreased by around 300, including around 450 redundancies and over 100 recruitments (net). Additionally, new outsourcing agreements added over 30 employees. Product Development Services recruited close to 200 employees, mainly in offshore locations.

The 12-month rolling employee turnover stood at 11.4% (9.8) at the end of June.

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.

## Shares

The number of Tieto shares amounted to 74 109 252 at the end of June. On 30 June, 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](http://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](http://www.tieto.com/currency-impact).

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

The new EU General Data Protection Regulation will take effect in May 2018. The new GDPR-based requirements result in an increase in offering development costs for Tieto's software-based solutions while based on several customer agreements Tieto is entitled to invoice its customers for additional development work. Additionally, the new regulation is opening up new opportunities, such as for Tieto's security and application services.

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

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

Economic growth might be affected by uncertainty related to 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<sup>1)</sup> full-year operating profit (EBIT) to increase from the previous year's level (EUR 152.2 million in 2016).

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

## Auditing

The figures in this report are unaudited.

## Financial calendar 2017

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 4–6	2016 4–6	2017 1–3	2017 1–6	2016 1–6	2016 1–12
Operating profit (EBIT)	28.2	32.3	21.9	50.1	60.6	140.8
+ restructuring costs	5.3	2.2	13.5	18.7	5.4	14.8
+ capital losses	-	0.2	-	-	0.2	0.2
+/- M&A related items	0.0	-	0.0	0.1	-	-1.9
+/- other	2.1 <sup>’)</sup>	1.1 <sup>’’)</sup>	-	2.1 <sup>’)</sup>	1.1 <sup>’’)</sup>	-1.7 <sup>’’)</sup> <sup>’’’’)</sup>
Adjusted operating profit (EBIT)	35.6	35.8	35.4	71.0	67.3	152.2

<sup>’)</sup> In Sweden, one defined benefit pension plan was closed and a new contribution pension plan was established. Consequently, net costs of EUR 1.1 million have been recognized. EUR 1.0 million in write-offs related to obsolete assets replaced by new technologies are also included.

<sup>’’)</sup> Value added tax correction from previous years EUR -1.1 million in Russia.

<sup>’’’’)</sup> 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.

## Key figures

	2017 4-6	2016 4-6	2017 1-3	2017 1-6	2016 1-6	2016 1-12
Earnings per share, EUR						
Basic	0.28	0.33	0.21	0.50	0.62	1.46
Diluted	0.28	0.33	0.21	0.50	0.62	1.46
Equity per share, EUR	5.60	5.67	5.44	5.60	5.67	6.62
Return on equity, 12-month rolling, %	23.6	26.2	25.3	23.6	26.2	22.1
Return on capital employed, 12-month rolling, %	21.0	25.9	25.8	21.0	25.9	21.6
Equity ratio, %	40.6	42.2	39.2	40.6	42.2	47.3
Interest-bearing net debt, EUR million	164.6	103.3	38.0	164.6	103.3	109.7
Gearing, %	39.8	24.7	9.5	39.8	24.7	22.5
Capital expenditure, EUR million	21.0	11.8	9.3	30.3	21.2	61.6
Acquisitions, EUR million	-	-	-	-	-	37.6

## Number of shares

	2017 4–6	2017 1–3	2017 1–6	2016 1–6	2016 1–12
<b>Outstanding shares, end of period</b>					
Basic	73 723 125	73 723 125	73 723 125	73 697 570	73 697 570
Diluted	73 723 125	73 723 125	73 723 125	73 697 570	73 697 570
<b>Outstanding shares, average</b>					
Basic	73 723 125	73 720 853	73 721 995	73 622 887	73 660 433
Diluted	73 723 125	73 720 853	73 721 995	73 659 489	73 678 634
<b>Company's possession of its own shares</b>					
End of period	386 127	386 127	386 127	411 682	411 682
Average	386 127	388 399	387 257	431 634	421 604

## Income statement, EUR million

	2017 4–6	2016 4–6	2017 1–6	2016 1–6	Change %	2016 1–12
Net sales	385.5	381.0	778.7	748.5	4	1 492.6
Other operating income	4.3	2.8	7.4	7.0	6	19.8
Employee benefit expenses	-223.9	-213.8	-463.7	-427.8	8	-827.1
Depreciation, amortization and impairment charges	-13.6	-13.1	-27.3	-26.4	3	-53.9
Other operating expenses	-124.8	-125.5	-246.4	-242.0	2	-493.8
Share of profit from investments accounted for using the equity method	0.7	0.9	1.4	1.3	8	3.2
Operating profit (EBIT)	28.2	32.3	50.1	60.6	-17	140.8
Interest and other financial income	0.4	0.5	0.8	1.2	-33	2.1
Interest and other financial expenses	-1.2	-1.1	-2.4	-2.6	-8	-5.0
Net exchange gains/losses	0.2	-1.0	-0.0	-0.8	-100	-1.1
Profit before taxes	27.6	30.7	48.5	58.4	-17	136.8
Income taxes	-6.6	-6.5	-11.8	-12.7	-7	-29.6
<b>Net profit for the period</b>	<b>21.0</b>	<b>24.2</b>	<b>36.7</b>	<b>45.7</b>	<b>-20</b>	<b>107.2</b>
<b>Net profit for the period attributable to</b>						
Shareholders of the Parent company	21.0	24.2	36.7	45.7	-20	107.2
Non-controlling interest	-	0.0	-	0.0	-	0.0
	<b>21.0</b>	<b>24.2</b>	<b>36.7</b>	<b>45.7</b>	<b>-20</b>	<b>107.2</b>
<b>Earnings per share attributable to the shareholders of the Parent company, EUR</b>						
Basic	0.28	0.33	0.50	0.62	-19	1.46
Diluted	0.28	0.33	0.50	0.62	-19	1.46
<b>Statement of comprehensive income, EUR million</b>						
Net profit for the period	21.0	24.2	36.7	45.7	-20	107.2
Items that may be reclassified subsequently to profit or loss						
Translation differences	-10.5	-3.2	-10.0	-4.4	-	-2.1
Cash flow hedges (net of tax)	-	0.0	-	-0.2	-	-0.2
Other changes	-	-0.4	-	-0.4	-	-
Items that will not be reclassified subsequently to profit or loss						
Actuarial gain/loss on post-employment benefit obligations (net of tax)	1.1	-4.2	-1.5	-7.6	-	-2.1
<b>Total comprehensive income</b>	<b>11.6</b>	<b>16.4</b>	<b>25.2</b>	<b>33.1</b>	<b>-24</b>	<b>102.8</b>
<b>Total comprehensive income attributable to</b>						
Shareholders of the Parent company	11.6	16.4	25.2	33.1	-24	102.8
Non-controlling interest	-	0.0	-	0.0	-	0.0
	<b>11.6</b>	<b>16.4</b>	<b>25.2</b>	<b>33.1</b>	<b>-24</b>	<b>102.8</b>

## Balance sheet, EUR million

	2017 30 Jun	2016 30 Jun	Change %	2016 31 Dec
Goodwill	405.0	383.5	6	409.7
Other intangible assets	50.5	39.5	28	52.3
Property, plant and equipment	97.1	79.0	23	94.0
Investments accounted for using the equity method	14.4	14.6	-1	16.5
Deferred tax assets	28.8	31.7	-9	29.9
Finance lease receivables	1.1	3.6	-69	2.2
Other interest-bearing receivables	0.5	0.0	-	0.0
Available-for-sale financial assets	0.7	0.7	0	0.7
<b>Total non-current assets</b>	<b>598.1</b>	<b>552.6</b>	<b>8</b>	<b>605.3</b>
Trade and other receivables	396.7	384.2	3	390.3
Pension benefit assets	6.0	2.0	200	7.4
Finance lease receivables	3.1	3.5	-11	3.5
Other interest-bearing receivables	0.0	0.4	-100	0.3
Current income tax receivables	16.1	12.8	26	11.0
Cash and cash equivalents	51.3	93.2	-45	56.7
<b>Total current assets</b>	<b>473.2</b>	<b>496.1</b>	<b>-5</b>	<b>469.2</b>
<b>Total assets</b>	<b>1 071.3</b>	<b>1 048.7</b>	<b>2</b>	<b>1 074.5</b>
Share capital, share issue premiums and other reserves	119.8	120.4	0	120.0
Retained earnings	293.4	297.3	-1	368.1
Parent shareholders' equity	413.2	417.7	-1	488.1
Non-controlling interest	-	-	-	-
<b>Total equity</b>	<b>413.2</b>	<b>417.7</b>	<b>-1</b>	<b>488.1</b>
Loans	103.7	104.4	-1	103.8
Deferred tax liabilities	33.9	27.2	25	34.9
Provisions	5.1	6.6	-23	5.4
Pension obligations	13.8	20.3	-32	13.9
Other non-current liabilities	0.8	0.5	60	0.2
<b>Total non-current liabilities</b>	<b>157.3</b>	<b>159.0</b>	<b>-1</b>	<b>158.2</b>
Trade and other payables	360.7	350.4	3	344.6
Current income tax liabilities	7.4	9.9	-25	3.5
Provisions	16.0	12.1	32	11.5
Loans	116.7	99.6	17	68.6
<b>Total current liabilities</b>	<b>500.8</b>	<b>472.0</b>	<b>6</b>	<b>428.2</b>
<b>Total equity and liabilities</b>	<b>1 071.3</b>	<b>1 048.7</b>	<b>2</b>	<b>1 074.5</b>

## Net working capital in the balance sheet, EUR million

	2017 30 Jun	2016 30 Jun	Change %	2017 31 Mar	2016 31 Dec
Accounts receivable	265.3	265.8	0	263.7	282.4
Other working capital receivables	131.5	117.8	12	130.9	107.9
<b>Working capital receivables included in assets</b>	<b>396.8</b>	<b>383.6</b>	<b>3</b>	<b>394.6</b>	<b>390.3</b>
Accounts payable	98.2	88.8	11	95.9	96.3
Personnel related accruals	151.3	144.9	4	159.0	137.6
Provisions	21.1	18.7	13	24.1	16.9
Other working capital liabilities	105.0	111.0	-5	125.3	100.3
<b>Working capital liabilities included in liabilities</b>	<b>375.6</b>	<b>363.4</b>	<b>3</b>	<b>404.3</b>	<b>351.1</b>
<b>Net working capital in the balance sheet</b>	<b>21.2</b>	<b>20.2</b>	<b>5</b>	<b>-9.7</b>	<b>39.2</b>

## Cash flow, EUR million

	2017 4-6	2016 4-6	2017 1-3	2017 1-6	2016 1-6	2016 1-12
<b>Cash flow from operations</b>						
Net profit	21.0	24.2	15.7	36.7	45.7	107.2
Adjustments						
Depreciation, amortization and impairment charges	13.6	13.1	13.7	27.3	26.4	53.9
Share-based payments	0.6	-0.2	0.4	1.0	0.5	1.3
Profit/loss on sale of fixed assets and shares	-0.1	0.1	0.0	-0.1	0.1	0.1
Share of profit from investments accounted for using the equity method	-0.7	-0.9	-0.7	-1.4	-1.3	-3.2
Other adjustments	0.0	-2.6	-0.5	-0.5	-2.0	-7.7
Net financial expenses	0.6	1.6	1.0	1.6	2.2	4.0
Income taxes	6.6	6.5	5.2	11.8	12.7	29.6
Change in net working capital	-36.0	-47.3	47.2	11.2	-29.5	-51.6
<b>Cash generated from operations</b>	<b>5.6</b>	<b>-5.5</b>	<b>82.0</b>	<b>87.6</b>	<b>54.8</b>	<b>133.6</b>
Net financial expenses paid	-5.6	-2.0	0.6	-5.0	-2.8	-2.6
Dividends received from investments accounted for using the equity method	-	-	3.5	3.5	3.8	3.8
Income taxes paid	-6.1	-6.2	-6.4	-12.5	-22.6	-37.6
<b>Net cash flow from operations</b>	<b>-6.1</b>	<b>-13.7</b>	<b>79.7</b>	<b>73.6</b>	<b>33.2</b>	<b>97.2</b>
<b>Cash flow from investing activities</b>						
Acquisition of Group companies and business operations, net of cash acquired	-	-0.4	-0.4	-0.4	-1.8	-32.3
Capital expenditures	-16.9	-11.9	-9.3	-26.2	-21.3	-61.7
Disposal of Group companies and business operations, net of cash disposed	-	-	-	-	-	0.0
Sales of fixed assets	0.2	0.0	0.0	0.2	0.0	0.1
Change in loan receivables	1.3	0.4	0.1	1.4	1.1	2.5
<b>Net cash used in investing activities</b>	<b>-15.4</b>	<b>-11.9</b>	<b>-9.6</b>	<b>-25.0</b>	<b>-22.0</b>	<b>-91.4</b>
<b>Cash flow from financing activities</b>						
Dividends paid	-101.0	-99.3	-	-101.0	-99.3	-99.3
Exercise of stock options	-	0.8	-	-	0.8	0.8
Payments of finance lease liabilities	-0.3	-0.3	-0.3	-0.6	-0.6	-1.3
Change in interest-bearing liabilities	95.3	72.9	-51.4	43.9	26.5	-4.4
<b>Net cash used in financing activities</b>	<b>-6.0</b>	<b>-25.9</b>	<b>-51.7</b>	<b>-57.7</b>	<b>-72.6</b>	<b>-104.2</b>
<b>Change in cash and cash equivalents</b>	<b>-27.5</b>	<b>-51.5</b>	<b>18.4</b>	<b>-9.1</b>	<b>-61.4</b>	<b>-98.4</b>
Cash and cash equivalents at the beginning of period	76.9	144.6	56.7	56.7	156.2	156.2
Foreign exchange differences	1.9	0.1	1.8	3.7	-1.6	-1.1
Change in cash and cash equivalents	-27.5	-51.5	18.4	-9.1	-61.4	-98.4
<b>Cash and cash equivalents at the end of period</b>	<b>51.3</b>	<b>93.2</b>	<b>76.9</b>	<b>51.3</b>	<b>93.2</b>	<b>56.7</b>

## Statement of changes in shareholders' equity, EUR million

	Parent shareholders' equity								Non-control- ling inter- est	Total equity	
	Share capi- tal	Share issue premi- ums and other re- ser- ves	Share issue based on stock options	Own shares	Trans- lation differ- ences	Cash flow hedges	In- vest- ed unre- strict- ed equity re- serve	Re- tain- ed earn- ings	Total		
<b>At 31 Dec 2015</b>	<b>76.6</b>	<b>44.6</b>	<b>0.0</b>	<b>-11.6</b>	<b>-49.2</b>	<b>0.2</b>	<b>12.1</b>	<b>410.1</b>	<b>482.8</b>	<b>0.1</b>	<b>482.9</b>
<b>Comprehensive income</b>											
Net profit for the period								45.7	45.7	0.0	45.7
<b>Other comprehensive income</b>											
Actuarial loss on post-employment benefit obligations (net of tax)								-7.6	-7.6		-7.6
Translation difference		-0.8			-3.8			0.2	-4.4		-4.4
Cash flow hedges (net of tax)						-0.2			-0.2		-0.2
Other changes								-0.4	-0.4		-0.4
<b>Total comprehensive income</b>		<b>-0.8</b>			<b>-3.8</b>	<b>-0.2</b>		<b>37.9</b>	<b>33.1</b>	<b>0.0</b>	<b>33.1</b>
<b>Transactions with owners</b>											
Share-based payments recognized against equity								0.4	0.4		0.4
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	0.0
<b>Total transactions with owners</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>				<b>0.7</b>	<b>-98.9</b>	<b>-98.2</b>	<b>-0.1</b>	<b>-98.3</b>
<b>Impact on investments accounted for using the equity method</b>								<b>0.0</b>	<b>0.0</b>		<b>0.0</b>
<b>At 30 Jun 2016</b>	<b>76.6</b>	<b>43.8</b>	<b>0.0</b>	<b>-11.6</b>	<b>-53.0</b>	<b>0.0</b>	<b>12.8</b>	<b>349.1</b>	<b>417.7</b>	<b>0.0</b>	<b>417.7</b>

	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		
<b>At 31 Dec 2016</b>	<b>76.6</b>	<b>43.4</b>	<b>0.0</b>	<b>-11.6</b>	<b>-52.3</b>	<b>-</b>	<b>12.8</b>	<b>419.2</b>	<b>488.1</b>	<b>-</b>	<b>488.1</b>
<b>Comprehensive income</b>											
Net profit for the period								36.7	36.7	-	36.7
<b>Other comprehensive income</b>											
Actuarial loss on post-employment benefit obligations (net of tax)								-1.5	-1.5		-1.5
Translation difference		-0.2			-13.6			3.8	-10.0		-10.0
Cash flow hedges (net of tax)									-		-
<b>Total comprehensive income</b>		<b>-0.2</b>			<b>-13.6</b>	<b>-</b>		<b>39.0</b>	<b>25.2</b>	<b>-</b>	<b>25.2</b>
<b>Transactions with owners</b>											
Share-based payments recognized against equity								0.9	0.9		0.9
Dividend								-101.0	-101.0		-101.0
Non-controlling interest									-		-
<b>Total transactions with owners</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>				<b>0.0</b>	<b>-100.1</b>	<b>-100.1</b>	<b>-</b>	<b>-100.1</b>
<b>Impact on investments accounted for using the equity method</b>								<b>0.0</b>	<b>0.0</b>		<b>0.0</b>
<b>At 30 Jun 2017</b>	<b>76.6</b>	<b>43.2</b>	<b>0.0</b>	<b>-11.6</b>	<b>-65.9</b>	<b>-</b>	<b>12.8</b>	<b>358.1</b>	<b>413.2</b>	<b>-</b>	<b>413.2</b>

## Segment information

### Customer sales by service line, EUR million

	2017 4–6	2016 4–6	Change %	2017 1–6	2016 1–6	Change %	2016 1–12
Technology Services and Modernization	194	196	-1	392	386	2	762
Business Consulting and Implementation	38	37	2	77	72	7	139
Industry Solutions	122	117	4	247	231	7	475
Product Development Services	31	31	3	63	60	6	117
<b>Group total</b>	<b>386</b>	<b>381</b>	<b>1</b>	<b>779</b>	<b>748</b>	<b>4</b>	<b>1 493</b>

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 4–6	2016 4–6	Change %	2017 1–6	2016 1–6	Change %	Share %	2016 1–12	Share %
Finland	172	173	-1	345	339	2	44	674	45
Sweden	148	146	1	299	286	4	38	566	38
Norway	41	39	4	84	77	10	11	159	11
Other	26	23	12	51	47	9	7	94	6
<b>Group total</b>	<b>386</b>	<b>381</b>	<b>1</b>	<b>779</b>	<b>748</b>	<b>4</b>	<b>100</b>	<b>1 493</b>	<b>100</b>

In Finland, IT services sales decreased with 0.6% during the second quarter and grew by 1.8% in the six-month period.

In Sweden, growth in local currencies was 5.4% during the second quarter and 7.5% in the six-month period. IT services grew in local currencies by 5.8% during the second quarter and 7.6% in the six-month period.

In Norway, growth in local currencies was 4.3% during the second quarter and 7.3% during the six-month period.

### Customer sales by industry group, EUR million

	2017 4–6	2016 4–6	Change %	2017 1–6	2016 1–6	Change %	2016 1–12
Financial Services	97	93	4	193	181	6	370
Public, Healthcare and Welfare	127	120	5	254	238	7	479
Industrial and Consumer Services	132	138	-5	270	270	0	527
Product Development Services	31	31	3	63	60	6	117
<b>Group total</b>	<b>386</b>	<b>381</b>	<b>1</b>	<b>779</b>	<b>748</b>	<b>4</b>	<b>1 493</b>

Customer sales to the telecom sector were EUR 119 (121) million during January–June.

Revenues derived from any single external customer during January–June 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	2016	Change	2017	2016	Change	2016
	4-6	4-6	%	1-6	1-6	%	1-12
Technology Services and Modernization	20.5	20.9	-1.9	35.0	38.6	-9.4	89.0
Business Consulting and Implementation	2.6	1.2	118.2	4.8	2.3	110.7	4.1
Industry Solutions	9.3	11.1	-16.2	15.6	22.6	-31.0	55.2
Product Development Services	2.4	3.3	-26.9	6.6	5.9	11.7	10.9
Support Functions and Global Management	-6.6	-4.2	-58.8	-11.9	-8.8	-35.3	-18.5
<b>Operating profit (EBIT)</b>	<b>28.2</b>	<b>32.3</b>	<b>-12.7</b>	<b>50.1</b>	<b>60.6</b>	<b>-17.3</b>	<b>140.8</b>

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

	2017	2016	Change	2017	2016	Change	2016
	4-6	4-6	pp	1-6	1-6	pp	1-12
Technology Services and Modernization	10.5	10.6	-0.1	8.9	10.0	-1.1	11.7
Business Consulting and Implementation	7.0	3.3	3.7	6.3	3.2	3.1	3.0
Industry Solutions	7.6	9.5	-1.9	6.3	9.8	-3.5	11.6
Product Development Services	7.6	10.7	-3.1	10.4	9.9	0.5	9.3
<b>Operating margin (EBIT)</b>	<b>7.3</b>	<b>8.5</b>	<b>-1.2</b>	<b>6.4</b>	<b>8.1</b>	<b>-1.7</b>	<b>9.4</b>

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

	2017	2016	Change	2017	2016	Change	2016
	4-6	4-6	%	1-6	1-6	%	1-12
Technology Services and Modernization	23.1	21.3	8.7	44.6	40.6	9.8	92.4
Business Consulting and Implementation	1.5	1.2	24.3	4.3	2.5	71.2	1.7
Industry Solutions	11.0	12.8	-14.2	20.9	24.5	-14.8	59.2
Product Development Services	2.6	3.4	-23.2	6.9	5.8	19.0	11.1
Support Functions and Global Management	-2.6	-2.8	7.9	-5.8	-6.2	7.1	-12.2
<b>Adjusted operating profit (EBIT)</b>	<b>35.6</b>	<b>35.8</b>	<b>-0.6</b>	<b>71.0</b>	<b>67.3</b>	<b>5.5</b>	<b>152.2</b>

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

	2017	2016	Change	2017	2016	Change	2016
	4-6	4-6	pp	1-6	1-6	pp	1-12
Technology Services and Modernization	11.9	10.8	1.1	11.4	10.5	0.9	12.1
Business Consulting and Implementation	4.0	3.3	0.7	5.6	3.5	2.1	1.2
Industry Solutions	9.0	10.9	-1.9	8.5	10.6	-2.2	12.5
Product Development Services	8.3	11.1	-2.8	10.9	9.8	1.2	9.4
<b>Adjusted operating margin (EBIT)</b>	<b>9.2</b>	<b>9.4</b>	<b>-0.2</b>	<b>9.1</b>	<b>9.0</b>	<b>0.1</b>	<b>10.2</b>

## Personnel by service line

	End of period			Average			
	2017	Change	Share	2016	2016	2017	2016
	1-6	%	%	1-6	1-12	1-6	1-6
Technology Services and Modernization	6 096	-1	44	6 170	6 338	6 196	6 020
Business Consulting and Implementation	1 381	1	10	1 364	1 376	1 401	1 352
Industry Solutions	4 022	7	29	3 742	4 024	4 016	3 711
Product Development Services	1 388	18	10	1 178	1 243	1 330	1 222
<b>Service lines total</b>	<b>12 886</b>	<b>3</b>	<b>94</b>	<b>12 454</b>	<b>12 981</b>	<b>12 942</b>	<b>12 305</b>
Industry groups	253	-12	2	288	260	257	279
Support Functions and Global Management	614	-4	4	639	635	622	645
<b>Group total</b>	<b>13 754</b>	<b>3</b>	<b>100</b>	<b>13 381</b>	<b>13 876</b>	<b>13 821</b>	<b>13 229</b>

## Personnel by country

	End of period			Average			
	2017	Change	Share	2016	2016	2017	2016
	1-6	%	%	1-6	1-12	1-6	1-6
Finland	3 369	-6	24	3 594	3 552	3 449	3 595
Sweden	2 706	7	20	2 535	2 698	2 710	2 517
India	2 489	3	18	2 419	2 503	2 488	2 319
Czech Republic	2 233	6	16	2 117	2 247	2 246	2 068
Latvia	630	-5	5	663	649	634	670
Norway	601	2	4	591	636	616	601
Poland	460	25	3	368	413	441	393
China	385	44	3	267	305	346	264
Estonia	286	10	2	259	280	292	235
Austria	134	3	1	129	138	135	125
Lithuania	94	-18	1	114	99	97	117
Other	367	13	3	325	357	367	326
<b>Group total</b>	<b>13 754</b>	<b>3</b>	<b>100</b>	<b>13 381</b>	<b>13 876</b>	<b>13 821</b>	<b>13 229</b>
Onshore countries	7 021	-1	51	7 060	7 233	7 121	7 048
Offshore countries	6 733	7	49	6 321	6 643	6 700	6 181
<b>Group total</b>	<b>13 754</b>	<b>3</b>	<b>100</b>	<b>13 381</b>	<b>13 876</b>	<b>13 821</b>	<b>13 229</b>

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

	2017	2016	Change	2016
	30 Jun	30 Jun	%	31 Dec
Finland	90.4	77.2	17	85.9
Sweden	37.9	24.1	57	39.3
Norway	13.6	12.8	6	15.4
Other	5.7	4.4	29	5.7
<b>Total non-current assets</b>	<b>147.6</b>	<b>118.5</b>	<b>25</b>	<b>146.4</b>

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	2016	Change	2017	2016	Change	2016
	4-6	4-6	%	1-6	1-6	%	1-12
Technology Services and Modernization	8.1	8.7	-7	16.5	17.7	-7	35.2
Business Consulting and Implementation	0.0	0.0	20	0.0	0.0	109	0.1
Industry Solutions	0.2	0.2	2	0.5	0.4	37	0.8
Product Development Services	0.0	0.0	-20	0.1	0.0	-	0.0
Support Functions and Global Management	1.4	0.8	69	2.7	1.7	58	3.7
<b>Group total</b>	<b>9.7</b>	<b>9.8</b>	<b>0</b>	<b>19.8</b>	<b>19.8</b>	<b>0</b>	<b>39.8</b>

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

	2017	2016	Change	2017	2016	Change	2016
	4-6	4-6	%	1-6	1-6	%	1-12
Technology Services and Modernization	-	-	-	-	-	-	-
Business Consulting and Implementation	0.1	0.1	-2	0.2	0.2	-1	0.4
Industry Solutions	0.9	0.6	57	1.9	1.2	59	2.8
Product Development Services	-	-	-	-	-	-	-
Support Functions and Global Management	-	-	-	-	-	-	-
<b>Group total</b>	<b>1.0</b>	<b>0.7</b>	<b>48</b>	<b>2.1</b>	<b>1.4</b>	<b>50</b>	<b>3.3</b>

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

	2017	2016	Change	2017	2016	Change	2016
	4-6	4-6	%	1-6	1-6	%	1-12
Technology Services and Modernization	2.1	2.2	-3	4.3	4.4	-2	8.9
Business Consulting and Implementation	-	-	-	-	-	-	0.1
Industry Solutions	0.1	-	-	0.3	0.1	406	0.2
Product Development Services	-	-	-	-	-	-	0.0
Support Functions and Global Management	0.5	0.4	43	0.8	0.8	2	1.6
<b>Group total</b>	<b>2.8</b>	<b>2.6</b>	<b>8</b>	<b>5.4</b>	<b>5.3</b>	<b>4</b>	<b>10.8</b>

## Commitments and contingencies, EUR million

	2017 30 Jun	2016 31 Dec
For Tieto obligations		
Guarantees		
Performance guarantees	1.3	4.0
Lease guarantees	8.8	8.9
Other	1.3	1.5
Other Tieto obligations		
Rent commitments due in one year	39.1	39.7
Rent commitments due in 1–5 years	91.7	95.3
Rent commitments due after 5 years	27.6	31.4
Operating lease commitments due in one year	8.0	8.3
Operating lease commitments due in 1–5 years	8.4	8.1
Operating lease commitments due after 5 years	0.4	0.6
Commitments to purchase assets	14.6	6.2
Other	2.0	-
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 30 Jun	2016 31 Dec
Foreign exchange forward contracts	211.7	198.7
Electricity price futures contracts	0.4	0.5

### Fair values of derivatives

The net fair values of derivative financial instruments at the balance sheet date	2017 30 Jun	2016 31 Dec
Foreign exchange forward contracts	-0.3	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 30 Jun	2016 31 Dec
Foreign exchange forward contracts	1.3	2.3
Electricity price futures contracts	0.0	0.1

Gross negative fair values of derivatives	2017 30 Jun	2016 31 Dec
Foreign exchange forward contracts	-1.6	-1.1
Electricity price futures contracts	0.0	0.0

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

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

<b>30 Jun 2017</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through profit or loss				
Derivatives	-	1.3	-	1.3
Available-for-sale investments	-	-	0.7	-
Financial liabilities at fair value through profit or loss				
Derivatives	-	-1.6	-	-1.6

**EUR million**

<b>31 Dec 2016</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
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 4-6	2017 1-3	2016 10-12	2016 7-9	2016 4-6	2016 1-3
Earnings per share, EUR						
Basic	0.28	0.21	0.46	0.37	0.33	0.29
Diluted	0.28	0.21	0.46	0.37	0.33	0.29
Equity per share, EUR	5.60	5.44	6.62	6.05	5.67	5.46
Return on equity, 12-month rolling, %	23.6	25.3	22.1	24.4	26.2	25.7
Return on capital employed, 12-month rolling, %	21.0	25.8	21.6	22.6	25.9	27.2
Equity ratio, %	40.6	39.2	47.3	44.4	42.2	38.9
Interest-bearing net debt, EUR million	164.6	38.0	109.7	136.4	103.3	-21.3
Gearing, %	39.8	9.5	22.5	30.6	24.7	-5.3
Capital expenditure, EUR million	21.0	9.3	24.4	16.0	11.8	9.4
Acquisitions, EUR million	-	-	0.3	37.3	-	-

### Income statement, EUR million

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

## Balance sheet, EUR million

	2017 30 Jun	2017 31 Mar	2016 31 Dec	2016 30 Sep	2016 30 Jun	2016 31 Mar
Goodwill	405.0	409.5	409.7	414.0	383.5	385.2
Other intangible assets	50.5	47.3	52.3	50.0	39.5	40.1
Property, plant and equipment	97.1	94.1	94.0	79.7	79.0	79.9
Investments accounted for using the equity method	14.4	13.8	16.5	15.4	14.6	13.7
Other non-current assets	31.1	32.2	32.8	37.1	36.0	37.1
<b>Total non-current assets</b>	<b>598.1</b>	<b>596.9</b>	<b>605.3</b>	<b>596.2</b>	<b>552.6</b>	<b>556.0</b>
Trade receivables and other current assets	421.9	417.4	412.5	389.6	402.9	403.9
Cash and cash equivalents	51.3	76.9	56.7	71.7	93.2	144.6
<b>Total current assets</b>	<b>473.2</b>	<b>494.3</b>	<b>469.2</b>	<b>461.3</b>	<b>496.1</b>	<b>548.5</b>
<b>Total assets</b>	<b>1 071.3</b>	<b>1 091.2</b>	<b>1 074.5</b>	<b>1 057.5</b>	<b>1 048.7</b>	<b>1 104.5</b>
Total equity	413.2	401.1	488.1	446.2	417.7	401.7
Non-current loans	103.7	104.0	103.8	104.1	104.4	104.7
Other non-current liabilities	53.6	55.3	54.4	56.4	54.6	53.0
<b>Total non-current liabilities</b>	<b>157.3</b>	<b>159.3</b>	<b>158.2</b>	<b>160.5</b>	<b>159.0</b>	<b>157.7</b>
Trade payables and other current liabilities	368.1	495.8	348.1	330.9	360.3	500.3
Provisions	16.0	18.3	11.5	9.1	12.1	18.2
Current loans	116.7	16.7	68.6	110.8	99.6	26.6
<b>Total current liabilities</b>	<b>500.8</b>	<b>530.8</b>	<b>428.2</b>	<b>450.8</b>	<b>472.0</b>	<b>545.1</b>
<b>Total equity and liabilities</b>	<b>1 071.3</b>	<b>1 091.2</b>	<b>1 074.5</b>	<b>1 057.5</b>	<b>1 048.7</b>	<b>1 104.5</b>

## Cash flow, EUR million

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

## Quarterly figures by segments

### Customer sales by service line, EUR million

	2017 4-6	2017 1-3	2016 10-12	2016 7-9	2016 4-6	2016 1-3
Technology Services and Modernization	194	198	197	179	196	190
Business Consulting and Implementation	38	39	38	30	37	35
Industry Solutions	122	125	138	106	117	113
Product Development Services	31	32	31	26	31	29
<b>Group total</b>	<b>386</b>	<b>393</b>	<b>404</b>	<b>341</b>	<b>381</b>	<b>367</b>

### Customer sales by industry group, EUR million

	2017 4-6	2017 1-3	2016 10-12	2016 7-9	2016 4-6	2016 1-3
Financial Services	97	96	101	88	93	88
Public, Healthcare and Welfare	127	128	135	106	120	118
Industrial and Consumer Services	132	138	137	121	138	132
Product Development Services	31	32	31	26	31	29
<b>Group total</b>	<b>386</b>	<b>393</b>	<b>404</b>	<b>341</b>	<b>381</b>	<b>367</b>

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

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

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

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

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

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

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

	2017 4-6	2017 1-3	2016 10-12	2016 7-9	2016 4-6	2016 1-3
Technology Services and Modernization	11.9	10.9	14.1	13.4	10.8	10.2
Business Consulting and Implementation	4.0	7.1	1.8	-4.9	3.3	3.7
Industry Solutions	9.0	8.0	15.5	12.5	10.9	10.4
Product Development Services	8.3	13.6	11.3	6.5	11.1	8.4
<b>Adjusted operating margin (EBIT)</b>	<b>9.2</b>	<b>9.0</b>	<b>12.3</b>	<b>10.4</b>	<b>9.4</b>	<b>8.6</b>

## Major shareholders on 30 June 2017

	Shares	%
1 Cevian Capital *)	11 066 684	14.9
2 Solidium Oy	7 415 418	10.0
3 Silchester International Investors LLP **)	7 401 027	10.0
4 Swedbank Robur fonder	1 860 655	2.5
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 OP-Finland Small Firms Fund	450 736	0.6
10 Tieto Oyj	386 127	0.5
Top 10 shareholders total	32 416 238	43.7
- of which nominee registered	20 328 366	27.4
Nominee registered other	14 465 350	19.5
Others	27 227 664	36.7
<b>Total</b>	<b>74 109 252</b>	<b>100.0</b>

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 March 2017 was 11 066 684 shares, representing 14.9 % of the shares and voting rights.

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

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A **teleconference for analysts and media** will be held on Friday 21 July 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 Espoo, address: Keilalahdentie 2-4.

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

**Teleconference numbers**

Finland: +358 (0)9 7479 0361

Sweden: +46 (0)8 5033 6574

UK: +44 (0)330 336 9105

US: +1 719 457 1036

Conference code: 4404154

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

Tieto publishes its financial information in English and Finnish.

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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](http://www.tieto.com).

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