Q3 2017
Interim Report
January–September

Good third-quarter performance – strong improvement in customer experience results

- Revenue growth over 4% – continued solid market demand
- Operating margin close to 12% – improvement in all businesses with Industry Solutions' margin rising to over 14%
- All-time high Net Promoter Score as customer experience initiatives paying off
- Public offer to acquire Avega announced in October – to accelerate growth in Sweden

tieto

Key figures for the third quarter

IT services
- Sales growth totalled 3.8%, sales in local currencies up by 4.0%
- Adjusted operating profit amounted to EUR 39.0 (33.7) million, 12.0% (10.7) of sales

The Group
- Sales growth totalled 4.2%, sales in local currencies up by 4.5%
- Adjusted operating profit amounted to EUR 41.2 (35.4) million, 11.6% (10.4) of sales
- Order intake (Total Contract Value) at EUR 271 (406) million – book-to-bill 0.8 (1.2)

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

	7–9/2017	7–9/2016	1–9/2017	1–9/2016
Net sales, EUR million	354.9	340.5	1 133.6	1 089.0
Change, %	4.2	1.6	4.1	2.3
Change in local currencies, %	4.5	2.2	4.7	3.1
Operating profit (EBITA), EUR million	45.0	38.6	102.6	105.9
Operating margin (EBITA), %	12.7	11.3	9.1	9.7
Operating profit (EBIT), EUR million [1]	41.1	35.1	91.2	95.7
Operating margin (EBIT), % [1]	11.6	10.3	8.0	8.8
Adjusted [1] [2] operating profit (EBIT), EUR million	41.2	35.4	112.2	102.7
Adjusted [1] [2] operating margin (EBIT), %	11.6	10.4	9.9	9.4
Profit after taxes, EUR million	34.3	27.3	71.0	73.0
EPS, EUR	0.46	0.37	0.96	0.99
Net cash flow from operations, EUR million	10.8	13.8	84.4	47.0
Return on equity, 12-month rolling, %	23.6	24.4	23.6	24.4
Return on capital employed, 12-month rolling, %	21.0	22.6	21.0	22.6
Capital expenditure, EUR million	9.1	16.0	39.4	37.2
Interest-bearing net debt, EUR million	161.4	136.4	161.4	136.4
Net debt/EBITDA	0.8	0.7	0.8	0.7
Book-to-bill	0.8	1.2	0.9	1.0
Order backlog	1 689	1 722	1 689	1 722
Personnel on 30 September	13 851	13 758	13 851	13 758

1) the third quarter includes EUR 1.0 (0.8) million and the nine-month period EUR 3.1 (2.2) million in amortization of acquisition-related intangible assets
2) adjusted for restructuring costs, capital gains/losses, goodwill impairment charges and other items (see page 18)

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 are really pleased with the strong third-quarter performance – especially as all businesses developed favourably. We had solid growth of over 4% and healthy profitability with an operating margin close to 12%. Our recent performance confirms that our focus on selective solutions and strategy implementation is creating greater value to our customers and a more competitive company overall.

During the past quarter, as expected, our industry solutions businesses delivered good performance with 8% growth and solid profitability of over 14%. These solutions are a clear market differentiator for Tieto and we continue to invest in attractive software-centric growth opportunities. Of our high-growth businesses, we are especially pleased with the development in Customer Experience Management related solutions, which saw growth of over 30%.

As announced on 23 October, we have made a public offer to acquire Avega, a Swedish consulting company with around 350 employees, which would strengthen our advisory capabilities in the Swedish consulting-led market. This is a logical step in our strategy of aiming to accelerate our role as the preferred partner for business renewal for our customers. This announced transaction is expected to close during the latter part of the fourth quarter.

We saw strong improvement in our recent annual customer experience results with our Net Promoter Score reaching an all-time high. It is positive to see that our multi-year attention to quality and customer experience is starting to pay off. This lays a good foundation for continuing our efforts to improve our customer satisfaction and competitiveness as well as drive longer-term market share gains."

IT market development

- The total market is expected to remain dynamic and to see further growth. In 2017, the Nordic market is anticipated to grow by 2–3%.
- The IT industry is continuing to shift from traditional large outsourcing agreements towards agile methods and consumption-based business model. Traditional development programmes are cut into smaller projects. These emerging trends reduce binding durations and values in new contracts while frame agreements yield revenue opportunities. These trends are also impacting the significance of traditional measures for order intake and backlog.

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. Growth is driven by continued initiatives to drive customers' business renewal in terms of improving both their user experience and efficiency. Sweden is expected to be the fastest-growing of Tieto's core markets, which is also reflected in active recruitment of IT talent in all industries. In Finland, the economic outlook has improved, and this will gradually also support the IT services market.

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 digital 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 have 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. The total infrastructure cloud market is expected to grow by 15–20% annually. This comprises

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

Future cloud market growth will extensively be driven by multi-cloud solutions integrating public cloud, private cloud and traditional technologies for customers to enable cost-efficient business innovation and agility. Tieto's focus and growth since 2014 have mainly been based on its private cloud offerings. In its research published in July 2017, Forrester named Tieto a Strong Performer in hosted private cloud services in Europe. Forrester's evaluation looked at the seven most significant providers of hosted private cloud in the European market. Earlier this year, Tieto expanded its cloud portfolio to include public cloud services through the launch of OneCloud. OneCloud is a multi-cloud solution seamlessly orchestrating workloads across private and public clouds.

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

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 within Financial Services, but also pose a degree of uncertainty and postpone larger customer transformation projects. Interest in business process outsourcing and software as a service delivered on secure cloud platforms continues to grow 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 healthy demand for consulting services and solutions such as digitalized learning and planning for the education segment and mobile solutions for elderly care. Due to recent security incidents, mainly in Sweden, there is some cautiousness related to outsourcing of IT services, and clients seek to ensure that data is stored and services operated within their jurisdiction. In Finland, Tieto is actively participating in the Government development programme in order to facilitate digitalization in the public sector.

- In the healthcare and welfare sector, the digitalization trend will continue to support easier and faster access to healthcare for citizens and compensate for the anticipated shortage of care workers. There are large development projects planned across all Nordic markets and the prevailing trend is to move towards integrated healthcare and welfare systems supporting seamless care. Large-scale Electronic Medical Record procurements are ongoing in all Nordic countries. In Finland, it is anticipated that the ongoing healthcare and welfare reform will provide growth opportunities in the coming years. The first regional proposals were 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 ways to deploy IoT in both production and new service models to ensure steady revenues and to improve service experience based on smart products. 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, low energy prices have resulted in increased competition. Automation and digitalization is needed to improve efficiency and customer care, and differentiation is increasingly based on improved customer interaction. In the Nordic countries, common electricity hubs will provide new opportunities towards the year end; for example, Norway is starting to create its national hub during 2017. Regulation is also driving energy efficiency improvements. In the oil & gas market, investment levels have remained low and cost-reducing initiatives and services are in high demand.

- The media sector is continuing to undergo a huge change with increased deployment of digital services. Advertising continues to shift from traditional media to digital channels and related solutions are being renewed. While there are opportunities related to renewal and automation of sales processes, price pressure is high, as many companies need to reduce costs.

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

Strategy implementation

In its strategy, 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, data-driven businesses help Tieto and its customers to capture the opportunities provided by the data-driven economy and artificial intelligence.

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

Growth will be based on a strong solution foundation built on a dynamic portfolio with selected 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 140 million in 2016
  - Cloud services
  - Customer Experience Management
  - Security Services.

In the nine-month period of 2017, sales of the high-growth businesses amounted to around EUR 370 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 24% in the nine-month period. Awareness of cyber threats is increasing and continues to accelerate demand for security services. Additionally, the EU General Data Protection Regulation provides new opportunities. Customer Experience Management (CEM) posted growth of 30% in the nine-month period. The development of omnichannel capabilities as well as agile customer-driven solutions enhancing personalized user experiences based on data and intelligence has continued. The focus has been on the development of a next-generation customer experience solution built on new microservices architecture combining business knowledge, design, software development and rapid deployment. The solution is targeted at omnichannel marketing, sales and service. Cloud services posted growth of 10%. There is strong interest in shifting from current service environments to Tieto's OneCloud solution. The solution, launched in early 2017, is a dynamic solution that enables customers to efficiently manage multiple cloud services through one platform.

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 addition to sales growth, IT services' performance is affected by

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

Tieto's commitment to quality is reflected in the reduced number of incidents and less system downtime in infrastructure services. Furthermore, the company's long-term attention to quality and customer experience was evident in the strong results of a survey conducted during the third quarter. Tieto's Net Promoter Score reached its all-time-high level.

The company will continue to renew and strengthen its service and solution portfolio 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 nine-month period, offering development costs were up by around EUR 1 million.

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

Tieto has continued to recruit new competences. In the nine-month period, net recruitments for IT services amounted to over 200. 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 nine-month period amounted to around 500. The company expects that the actions altogether will result in annualized gross savings of around EUR 40 million. It is estimated that around EUR 20 million in savings will affect the cost base for 2017, of which around EUR 12 million materialized in the first nine months and around EUR 8 million is expected to materialize in the fourth quarter. Around half of the total redundancies affect the Technology Services and Modernization service line.

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.

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

While efficiency measures are expected to contribute to Tieto's profitability also in the fourth quarter, the comparable period included over EUR 5 million in positive factors not contributing to operating profit this year:

- Tieto's personnel costs are affected by incentive provisions booked throughout the year in accordance with the company's performance. Full-year incentive provisions are anticipated to be above the 2016 level. This is anticipated to be visible especially in the fourth quarter due to the previous year's lower comparison figure.
- In Technology Services and Modernization, fourth-quarter operating margin in 2016 was exceptionally strong and included other income related to periodic Government grant.

Financial performance in July–September

Third-quarter net sales increased by 4.2% to EUR 354.9 (340.5) million, growth of 4.5% in local currencies. In IT services, net sales were up by 3.8%, in local currencies up by 4.0%. In Product Development Services, sales in local currencies increased by 10.5%. Acquisitions added EUR 3 million in sales, affecting Industry Solutions. Currency fluctuations had a negative impact of EUR 1 million on sales, mainly due to the weaker Swedish Krona.

Third-quarter operating profit (EBIT) amounted to EUR 41.1 (35.1) million, representing a margin of 11.6% (10.3). Adjusted[1)] operating profit stood at EUR 41.2 (35.4) million, or 11.6% (10.4) of net sales. Further details on third-quarter adjustments are available in a table on page 18.

The efficiency improvement programme had a positive impact of close to EUR 7 million on the cost base during the quarter while profitability was affected by salary inflation of around EUR 5 million. Offering development costs were down by EUR 1 million. Currency impact on operating profit was insignificant.

Depreciation and amortization amounted to EUR 13.6 (13.6) million, including EUR 1.0 (0.8) million in amortization of acquisition-related intangible assets. Net financial expenses stood at EUR 0.2 (1.0) million in the third quarter. Net interest expenses were EUR 0.5 (0.6) million and net gains from foreign exchange transactions EUR 0.5 (loss 0.2) million. Other financial income and expenses amounted to EUR -0.2 (-0.2) million.

Earnings per share (EPS) totalled EUR 0.46 (0.37). Adjusted[1)] earnings per share amounted to EUR 0.46 (0.38).

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

Financial performance by service line

EUR million	Customer sales 7–9/2017	Customer sales 7–9/2016	Change, %	Operating profit 7–9/2017	Operating profit 7–9/2016
Technology Services and Modernization	180	179	1	25.0	24.2
Business Consulting and Implementation	32	30	7	0.7	-0.2
Industry Solutions	114	106	8	16.6	13.0
Product Development Services	29	26	10	2.2	1.7
Support Functions and Global Management				-3.4	-3.5
Total	**355**	**341**	**4**	**41.1**	**35.1**

Operating margin by service line

%	Operating margin 7–9/2017	Operating margin 7–9/2016	Adjusted[1)] operating margin 7–9/2017	Adjusted[1)] operating margin 7–9/2016
Technology Services and Modernization	13.9	13.5	13.8	13.4
Business Consulting and Implementation	2.3	-0.6	2.8	-4.9
Industry Solutions	14.5	12.3	14.4	12.5
Product Development Services	7.6	6.4	7.5	6.5
Total	**11.6**	**10.3**	**11.6**	**10.4**

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

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

In Technology Services and Modernization, sales in local currencies were up slightly. Development in traditional services was two-fold as application services saw growth of 6% while the decline in traditional infrastructure services was 3%. Cloud services' sales continued to grow and in the nine-month period, cloud sales were up by 10%. 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 is typically the strongest for this business. The fourth-quarter adjusted operating margin is expected to remain at around the first-half level. The fourth-quarter margin in 2016 was exceptionally strong and included other income related to periodic Government grant.

In Business Consulting and Implementation, sales growth in local currencies was 7%, driven by good performance in Customer Experience Management with growth of over 30% and increased demand in consulting. Adjusted operating profit improved due to the higher billing rate and lower offering development investments. Typically, third-quarter profitability is affected by the vacation period. Fourth-quarter adjusted operating margin is expected to clearly improve from the previous year's low level.

In Industry Solutions, sales were up by 8%, organically by 6%. All Industry Groups saw good growth. In Financial Services, organic growth of 5% was partly attributable to significant licence sales in the payments area. Growth was strongest in the Industrial and Consumer Services segment with strong development in the manufacturing and energy segments. Adjusted operating profit improved due to growth, partly driven by licence sales, and better efficiency. Offering development costs remained at the previous year's level. Fourth-quarter sales are anticipated to temporarily slightly decline due to the high comparison figure. The fourth quarter in 2016 included a large delivery related to Tieto's Intelligent Transportation Solution and this will have an impact of around EUR 5 million on year-on-year comparison. Also, the comparison number for sales in Financial Services was high. The fourth quarter is expected to see a year-on-year improvement in adjusted operating profit and margin.

In Product Development Services (PDS), sales growth was 10%. Growth was attributable to strong volume development with the largest key customers. Development was strong especially in the Radio and Smart Traffic areas, in which Tieto continues to increase its resources in offshore locations to meet demand. Operating margin improvement is attributable to improved billing ratio driven by growth. Third-quarter profitability is seasonally lower and in the fourth quarter, adjusted operating margin is anticipated to be at normalized levels of close to 10%.

Customer sales by industry group

EUR million	Customer sales 7–9/2017	Customer sales 7–9/2016	Change, %
Financial Services	92	88	5
Public, Healthcare and Welfare	112	106	6
Industrial and Consumer Services	122	121	0
IT services	**326**	**315**	**4**
Product Development Services	29	26	9
Total	**355**	**341**	**4**

In Financial Services, growth was strongest in Tieto's industry solutions. The acquisition of Emric and a significant agreement contributing to licence sales growth in the payments area contributed to growth of 5%. Additional investments are being made to support the transition to a new product family in payment solutions.

In Public, Healthcare and Welfare, sales in local currencies were up by 7%. Growth was driven by Tieto's industry solutions, with Healthcare and Welfare being the strongest segment. Finland was the strongest market. Overall, the market is active with several digitalization initiatives and transition projects ongoing in infrastructure services.

In Industrial and Consumer Services, sales remained at the previous year's level. New contracts contributed to growth while the positive impact was offset by expiring contracts and price erosion. 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 July–September

In IT services, third-quarter organic growth in local currencies was 3.1%. At Group level, third-quarter sales in local currencies were organically up by 3.7%. Acquisitions added EUR 3 million in sales, affecting Industry Solutions.

M&A impact by service line

	Growth, % (in local currencies) 7–9/2017	Organic growth, % (in local currencies) 7–9/2017
Technology Services and Modernization	0.8	0.8
Business Consulting and Implementation	7.3	7.3
Industry Solutions	8.6	6.0
IT services	**4.0**	**3.1**
Product Development Services	10.5	10.5
Total	**4.5**	**3.7**

M&A impact by industry group

	Growth, % (in local currencies) 7–9/2017	Organic growth, % (in local currencies) 7–9/2017
Financial Services	5.2	2.2
Public, Healthcare and Welfare	6.5	6.4
Industrial and Consumer Services	0.7	0.6
IT services	**4.0**	**3.1**
Product Development Services	10.5	10.5
Total	**4.5**	**3.7**

Financial performance in January–September

Nine-month net sales increased by 4.1% to EUR 1 133.6 (1 089.0) million, growth of 4.7% in local currencies. In IT services, net sales were up by 3.8%, in local currencies up by 4.3%. In Product Development Services, sales increased by 7.2%, in local currencies up by 9.2%. Acquisitions added EUR 13 million in sales, affecting Industry Solutions. Currency fluctuations had a negative impact of EUR 7 million on sales, mainly due to the weaker Swedish Krona.

Nine-month operating profit (EBIT) amounted to EUR 91.2 (95.7) million, representing a margin of 8.0% (8.8). Operating profit was strained by restructuring costs related to the automation and efficiency improvement programme initiated in January 2017. Adjusted[1)] operating profit stood at EUR 112.2 (102.7) million, or 9.9% (9.4) of net sales. Further details on adjustments are available in a table on page 18.

The efficiency improvement programme had an impact of around EUR 12 million on the cost base during the nine-month period, whereas improvement was curbed by salary inflation of around EUR 13 million. Offering development costs were up by EUR 1 million.

Depreciation and amortization amounted to EUR 40.9 (40.0) million, including EUR 3.1 (2.2) million in amortization of acquisition-related intangible assets. Net financial expenses stood at EUR 1.8 (3.2) million in the nine-month period. Net interest expenses were EUR 1.5 (1.6) million and net gains from foreign exchange transactions EUR 0.5 (loss 1.0) million. Other financial income and expenses amounted to EUR -0.8 (-0.6) million.

Earnings per share (EPS) totalled EUR 0.96 (0.99). Adjusted[1)] earnings per share amounted to EUR 1.18 (1.07).

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

Financial performance by service line

EUR million	Customer sales 1–9/2017	Customer sales 1–9/2016	Change, %	Operating profit 1–9/2017	Operating profit 1–9/2016
Technology Services and Modernization	572	565	1	60.0	62.8
Business Consulting and Implementation	109	101	7	5.6	2.1
Industry Solutions	361	336	7	32.1	35.5
Product Development Services	92	86	7	8.8	7.6
Support Functions and Global Management				-15.3	-12.3
Total	**1 134**	**1 089**	**4**	**91.2**	**95.7**

Operating margin by service line

%	Operating margin 1–9/2017	Operating margin 1–9/2016	Adjusted[1] operating margin 1–9/2017	Adjusted[1] operating margin 1–9/2016
Technology Services and Modernization	10.5	11.1	12.2	11.4
Business Consulting and Implementation	5.1	2.1	4.8	1.0
Industry Solutions	8.9	10.6	10.3	11.2
Product Development Services	9.5	8.8	9.9	8.7
Total	**8.0**	**8.8**	**9.9**	**9.4**

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

Customer sales by industry group

EUR million	Customer sales 1–9/2017	Customer sales 1–9/2016	Change, %
Financial Services	285	269	6
Public, Healthcare and Welfare	367	344	7
Industrial and Consumer Services	391	391	0
IT services	**1 042**	**1 003**	**4**
Product Development Services	92	86	7
Total	**1 134**	**1 089**	**4**

M&A impact by service line

	Growth, % (in local currencies) 1–9/2017	Organic growth, % (in local currencies) 1–9/2017
Technology Services and Modernization	1.9	1.9
Business Consulting and Implementation	7.8	7.8
Industry Solutions	7.6	3.8
IT services	**4.3**	**3.1**
Product Development Services	9.2	9.2
Total	**4.7**	**3.6**

M&A impact by industry group

	Growth, % (in local currencies) 1–9/2017	Organic growth, % (in local currencies) 1–9/2017
Financial Services	6.3	2.0
Public, Healthcare and Welfare	7.3	7.2
Industrial and Consumer Services	0.4	0.2
IT services	**4.3**	**3.1**
Product Development Services	9.2	9.2
Total	**4.7**	**3.6**

Cash flow, financing and investments

Third-quarter net cash flow from operations amounted to EUR 10.8 (13.8) million, including the increase of EUR 40.1 (26.5) million in net working capital. The third quarter is seasonally weaker and the main contributors to the increase in net working capital were higher accounts receivable and payments for personnel-related accruals (bonuses and restructuring). Accounts receivable was at a high level as the due date at the turn of the quarter transferred a substantial amount of cash flow to the first week of October. Payments for restructuring amounted to EUR 5.7 (3.4) million.

Nine-month net cash flow from operations amounted to EUR 84.4 (47.0) million, including the increase of EUR 28.9 (56.0) million in net working capital.

Tax payments were EUR 16.7 (28.7 including a EUR 6.0 million payment based on the transfer pricing audit for tax years 2009-2013 in Finland) million in the nine-month period.

Nine-month capital expenditure totalled EUR 39.4 (37.2) million, of which paid EUR 35.4 (37.4) million. Capital expenditure represented 3.5% (3.4) of net sales and was mainly related to data centres. Capital expenditure for the full year will remain below 4% of Group sales. Net payments for acquisitions totalled EUR 0.4 (32.2) million.

The equity ratio was 44.5% (44.4). Gearing increased to 36.1% (30.6). Interest-bearing net debt totalled EUR 161.4 (136.4) million, including EUR 204.5 (209.1) million in interest-bearing debt, EUR 2.6 (5.8) million in finance lease liabilities, EUR 3.3 (6.5) million in finance lease receivables, EUR 0.5 (0.3) million in other interest-bearing receivables and EUR 41.9 (71.7) million in cash and cash equivalents.

The EUR 100 million bond matures in May 2019 and it carries a coupon of fixed annual interest of 2.875%. Interest-bearing long-term loans amounted to EUR 102.1 million at the end of September. Interest-bearing short-term loans amounted to EUR 105.1 million, mainly related to commercial paper issues and joint venture cash pool balances. The syndicated revolving credit facility of EUR 150 million maturing in May 2021 was not in use at the end of September. The EUR 85 million financing agreement, concluded with the European Investment Bank in June, was not utilized at the end of September. The agreement is a committed credit facility where Tieto has a possibility to withdraw funding for up to nine years.

Order backlog

In line with the emerging market trend, binding durations and values in new contracts are decreasing while frame agreements provide revenue opportunities. This market change is affecting both order backlog and Total Contract Value, while it does not impact the market growth outlook. If the average contract duration had not changed, Tieto's book-to-bill would have been 0.2 higher than the reported figure (rolling 12 months compared with the base line in 2015).

Third-quarter Total Contract Value (TCV) of EUR 271 (406) million was affected by several large contracts being postponed, including two delays based on appeal processes in Sweden. Third-quarter book-to-bill was 0.8 (1.2). Comparison number for 2016 included a large agreement with value of over EUR 100 million. The total value, including the part beyond the notice period, is included in the TCV.

In the nine-month period, Total Contract Value (TCV) amounted to EUR 1 031 (1 059) million. Nine-month book-to-bill stood at 0.9 (1.0).

The order backlog continues to be healthy and amounted to EUR 1 689 (1 722) million, affected by the afore-mentioned market changes and the timing of some large contract signings. Of the backlog, 19% (at the previous year's level) is expected to be invoiced during the current year.

Major agreements in January–September

During the first nine 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 September, Norwegian municipalities initiated negotiations to review the scope of the agreement and discontinue service deliveries.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In June, Tieto signed an agreement with Lecta, one of the leading manufacturers and distributors of specialty papers for labels and flexible packaging, coated paper for publishing and other high value-added print media, to deliver the implementation of Tieto's paper solution template, integrating SAP with TIPS, Tieto's Mill Execution System product. During 2016 and the beginning of 2017, Tieto successfully completed a blueprint for streamlining and harmonizing

Lecta’s business processes based on Tieto’s industry-specific Paper Solution Template. Tieto will by April 2018 implement the defined processes in SAP to create a common template for seven paper mills and support the rollout process. This will further strengthen Tieto's position as a preferred partner utilizing IT to drive and enable business change and to address the fast-changing market requirements.

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

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

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

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

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

In June 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.

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

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

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

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

Personnel

The number of full-time employees amounted to 13 851 (13 758) at the end of September. The number of full-time employees in the global delivery centres totalled 6 877 (6 520), or 49.6% (47.4) of all personnel.

In the nine-month period, the number of full-time employees was down by a net amount of around 100. In IT services, the number of employees decreased by close to 300, including around 500 redundancies and over 200 recruitments (net). Additionally, new outsourcing agreements added over 30 employees. Product Development Services recruited over 200 employees, mainly in offshore locations.

The 12-month rolling employee turnover stood at 11.2% (10.3) at the end of September.

Salary inflation is somewhat on the rise, especially in Sweden. In offshore countries, salary inflation is clearly above the average. Group-level salary inflation is expected to be 3–4% on average in 2017 and 2018. Tieto anticipates that more than half of the salary inflation will be offset by greater offshoring and management of the age pyramid.

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

Shareholders’ Nomination Board

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

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

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

Management

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

Shares

The number of Tieto shares amounted to 74 109 252 at the end of September. On 30 September, 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 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.

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

Full-year outlook for 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

Events after the period

In December 2015, Tieto received a tax reassessment decision regarding its transfer-pricing audit for tax years 2009-2013 in Finland. In October 2017, Tieto received a Board of Adjustment decision that reversed the initial EUR 6.0 million tax reassessment. The decision is line with Tieto's view and therefore does not have any significant impact on the financial statements. A tax refund of EUR 4.8 million was received in October and will affect the fourth-quarter cash flow.

On 23 October, Tieto Group announced a recommended public offer for all shares in Avega Group AB, a Swedish consulting company. The acquisition will accelerate Tieto's growth areas and strengthen its footprint in the Swedish consulting-led market. Avega is planned to take a lead role in driving Tieto's business renewal agenda for customers in Sweden. Avega's customer base consists of a balanced and attractive customer portfolio and revenue of the company with approximately 350 employees was EUR 45.2 million (SEK 428 million) in 2016. Further information is available at www.tieto.com/Avega.

Auditing

The figures in this report are unaudited.

Financial calendar 2018

6 February	Interim report 4/2017 and financial statements bulletin for 2017 (8.00 am EET)
By 28 February	Annual Report 2017 on Tieto's website
22 March	Annual General Meeting

Tieto will publish three interim reports:

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

Accounting policies 2017

The interim report has been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the EU. The accounting policies adopted are consistent with those used in the annual financial statements for the year ended on 31 December 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' and IFRS 15 'Revenue from Contracts with Customers' are described below and assessment of the impact of IFRS 16 'Leases' is described in the annual financial statements for the year ended on 31 December 2016.

New and amended standards adopted as of 1 January 2018

IFRS 15 'Revenue from Contracts with Customers'

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

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

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

Management has assessed the effects of applying the new standard and does not expect it to have a material impact on the Group's financial statements. The impacts on 2017 net sales, costs and operating profit are expected to be less than EUR 2 million.

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

Continuous services

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

Software solutions

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

Projects

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

Common for all business models

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

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

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

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

IFRS 9 'Financial Instruments'

IFRS 9 addresses the following aspects of Financial Instruments accounting:

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

The Group will adopt the standard on its mandatory date at 1 January 2018.

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

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

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

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

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

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

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

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

Reported alternative performance measures

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

Adjusted operating profit (EBIT)

EUR million	2017 7–9	2016 7–9	2017 4–6	2017 1–3	2017 1–9	2016 1–9	2016 1–12
Operating profit (EBIT)	41.1	35.1	28.2	21.9	91.2	95.7	140.8
+ restructuring costs	0.2	1.6	5.3	13.5	18.9	7.0	14.8
+ capital losses	-	-	-	-	-	0.2	0.2
+/- M&A related items	0.0	-1.3	0.0	0.0	0.0	-1.3	-1.9
+/- other	-0.1	-	2.1 *)	-	2.1 *)	1.1 **)	-1.7 **) ***)
Adjusted operating profit (EBIT)	41.2	35.4	35.6	35.4	112.2	102.7	152.2

*) In Sweden, one pension plan treated as a defined benefit plan was closed and a new contribution plan was established. Due to this, net costs of EUR 1.1 million have been recognized.
Also includes a EUR 1.0 million write-off related to obsolete assets replaced by new technologies.
**) Value-added tax correction from previous years: EUR -1.1 million in Russia.
***) In Finland, around 250 active employees have been included in the defined benefit pension plans. Based on negotiations with the insurance company, Tieto closed its defined benefit plan for future pension accrual. As a consequence, a settlement gain of EUR 4.6 million has been recognized in personnel expenses in December 2016. More information is available in the 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 7–9	2016 7–9	2017 4–6	2017 1–3	2017 1–9	2016 1–9	2016 1–12
Earnings per share, EUR							
Basic	0.46	0.37	0.28	0.21	0.96	0.99	1.46
Diluted	0.46	0.37	0.28	0.21	0.96	0.99	1.46
Equity per share, EUR	6.06	6.05	5.60	5.44	6.06	6.05	6.62
Return on equity, 12-month rolling, %	23.6	24.4	23.6	25.3	23.6	24.4	22.1
Return on capital employed, 12-month rolling, %	21.0	22.6	21.0	25.8	21.0	22.6	21.6
Equity ratio, %	44.5	44.4	40.6	39.2	44.5	44.4	47.3
Interest-bearing net debt, EUR million	161.4	136.4	164.6	38.0	161.4	136.4	109.7
Gearing, %	36.1	30.6	39.8	9.5	36.1	30.6	22.5
Capital expenditure, EUR million	9.1	16.0	21.0	9.3	39.4	37.2	61.6
Acquisitions, EUR million	-	37.3	-	-	-	37.3	37.6

Number of shares

	2017 7–9	2017 4–6	2017 1–3	2017 1–9	2016 1–9	2016 1–12
Outstanding shares, end of period						
Basic	73 723 125	73 723 125	73 723 125	73 723 125	73 697 570	73 697 570
Diluted	73 723 125	73 723 125	73 723 125	73 723 125	73 697 570	73 697 570
Outstanding shares, average						
Basic	73 723 125	73 723 125	73 720 853	73 722 376	73 647 963	73 660 433
Diluted	73 723 125	73 723 125	73 720 853	73 722 376	73 672 275	73 678 634
Company's possession of its own shares						
End of period	386 127	386 127	386 127	386 127	411 682	411 682
Average	386 127	386 127	388 399	386 876	424 935	421 604

Income statement, EUR million

	2017 7–9	2016 7–9	2017 1–9	2016 1–9	Change %	2016 1–12
Net sales	354.9	340.5	1 133.6	1 089.0	4	1 492.6
Other operating income	3.2	5.2	10.6	12.2	-13	19.8
Employee benefit expenses	-189.8	-183.1	-653.5	-610.9	7	-827.1
Depreciation, amortization and impairment charges	-13.6	-13.6	-40.9	-40.0	2	-53.9
Other operating expenses	-114.4	-114.7	-360.8	-356.7	1	-493.8
Share of profit from investments accounted for using the equity method	0.8	0.8	2.2	2.1	5	3.2
Operating profit (EBIT)	41.1	35.1	91.2	95.7	-5	140.8
Interest and other financial income	0.5	0.5	1.3	1.7	-24	2.1
Interest and other financial expenses	-1.2	-1.3	-3.6	-3.9	-8	-5.0
Net exchange gains/losses	0.5	-0.2	0.5	-1.0	-150	-1.1
Profit before taxes	40.9	34.1	89.4	92.5	-3	136.8
Income taxes	-6.6	-6.8	-18.4	-19.5	-6	-29.6
Net profit for the period	**34.3**	**27.3**	**71.0**	**73.0**	**-3**	**107.2**
Net profit for the period attributable to						
Shareholders of the Parent company	34.3	27.3	71.0	73.0	-3	107.2
Non-controlling interest	-	0.0	-	0.0	-	0.0
	34.3	**27.3**	**71.0**	**73.0**	**-3**	**107.2**
Earnings per share attributable to the shareholders of the Parent company, EUR						
Basic	0.46	0.37	0.96	0.99	-3	1.46
Diluted	0.46	0.37	0.96	0.99	-3	1.46
Statement of comprehensive income, EUR million						
Net profit for the period	34.3	27.3	71.0	73.0	-3	107.2
Items that may be reclassified subsequently to profit or loss						
Translation differences	-0.7	0.2	-10.7	-4.2	-	-2.1
Cash flow hedges (net of tax)	-	0.0	-	-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)	-0.2	0.1	-1.7	-7.5	-	-2.1
Total comprehensive income	**33.4**	**27.6**	**58.6**	**61.1**	**-4**	**102.8**
Total comprehensive income attributable to						
Shareholders of the Parent company	33.4	27.6	58.6	61.1	-4	102.8
Non-controlling interest	-	0.0	-	0.0	-	0.0
	33.4	**27.6**	**58.6**	**61.1**	**-4**	**102.8**

Balance sheet, EUR million

	2017 30 Sep	2016 30 Sep	Change %	2016 31 Dec
Goodwill	405.8	414.0	-2	409.7
Other intangible assets	48.5	50.0	-3	52.3
Property, plant and equipment	92.9	79.7	17	94.0
Investments accounted for using the equity method	15.3	15.4	-1	16.5
Deferred tax assets	29.5	33.4	-12	29.9
Finance lease receivables	0.8	3.0	-73	2.2
Other interest-bearing receivables	0.4	0.0	-	0.0
Available-for-sale financial assets	0.6	0.7	-14	0.7
Total non-current assets	593.8	596.2	0	605.3
Trade and other receivables	388.9	369.4	5	390.3
Pension benefit assets	5.3	0.9	-	7.4
Finance lease receivables	2.5	3.6	-31	3.5
Other interest-bearing receivables	0.0	0.3	-100	0.3
Current income tax receivables	15.6	15.4	1	11.0
Cash and cash equivalents	41.9	71.7	-42	56.7
Total current assets	454.2	461.3	-2	469.2
Total assets	**1 048.0**	**1 057.5**	**-1**	**1 074.5**
Share capital, share issue premiums and other reserves	119.7	119.9	0	120.0
Retained earnings	327.4	326.3	0	368.1
Parent shareholders' equity	447.1	446.2	0	488.1
Non-controlling interest	-	-	-	-
Total equity	447.1	446.2	0	488.1
Loans	102.1	104.1	-2	103.8
Deferred tax liabilities	34.0	30.8	10	34.9
Provisions	2.6	6.4	-59	5.4
Pension obligations	13.2	18.8	-30	13.9
Other non-current liabilities	0.7	0.4	75	0.2
Total non-current liabilities	152.6	160.5	-5	158.2
Trade and other payables	320.8	319.2	1	344.6
Current income tax liabilities	10.0	11.7	-15	3.5
Provisions	12.4	9.1	36	11.5
Loans	105.1	110.8	-5	68.6
Total current liabilities	448.3	450.8	-1	428.2
Total equity and liabilities	**1 048.0**	**1 057.5**	**-1**	**1 074.5**

Net working capital in the balance sheet, EUR million

	2017 30 Sep	2016 30 Sep	Change %	2017 30 Jun	2017 31 Mar	2016 31 Dec
Accounts receivable	265.7	246.9	8	265.3	263.7	282.4
Other working capital receivables	123.1	122.2	1	131.5	130.9	107.9
Working capital receivables included in assets	**388.8**	**369.1**	**5**	**396.8**	**394.6**	**390.3**
Accounts payable	84.0	73.5	14	98.2	95.9	96.3
Personnel related accruals	132.9	125.5	6	151.3	159.0	137.6
Provisions	15.0	15.5	-3	21.1	24.1	16.9
Other working capital liabilities	97.1	109.1	-11	105.0	125.3	100.3
Working capital liabilities included in liabilities	**329.0**	**323.6**	**2**	**375.6**	**404.3**	**351.1**
Net working capital in the balance sheet	**59.8**	**45.5**	**31**	**21.2**	**-9.7**	**39.2**

Cash flow, EUR million

	2017 7–9	2016 7–9	2017 4–6	2017 1–3	2017 1–9	2016 1–9	2016 1–12
Cash flow from operations							
Net profit	34.3	27.3	21.0	15.7	71.0	73.0	107.2
Adjustments							
Depreciation, amortization and impairment charges	13.6	13.6	13.6	13.7	40.9	40.0	53.9
Share-based payments	0.5	0.6	0.6	0.4	1.5	1.1	1.3
Profit/loss on sale of fixed assets and shares	-0.2	0.0	-0.1	0.0	-0.3	0.1	0.1
Share of profit from investments accounted for using the equity method	-0.8	-0.8	-0.7	-0.7	-2.2	-2.1	-3.2
Other adjustments	0.5	-1.2	0.0	-0.5	0.0	-3.2	-7.7
Net financial expenses	0.2	1.0	0.6	1.0	1.8	3.2	4.0
Income taxes	6.6	6.8	6.6	5.2	18.4	19.5	29.6
Change in net working capital	-40.1	-26.5	-36.0	47.2	-28.9	-56.0	-51.6
Cash generated from operations	14.6	20.8	5.6	82.0	102.2	75.6	133.6
Net financial expenses paid	0.4	-0.9	-5.6	0.6	-4.6	-3.7	-2.6
Dividends received from investments accounted for using the equity method	-	-	-	3.5	3.5	3.8	3.8
Income taxes paid	-4.2	-6.1	-6.1	-6.4	-16.7	-28.7	-37.6
Net cash flow from operations	**10.8**	**13.8**	**-6.1**	**79.7**	**84.4**	**47.0**	**97.2**
Cash flow from investing activities							
Acquisition of Group companies and business operations, net of cash acquired	-	-30.4	-	-0.4	-0.4	-32.2	-32.3
Capital expenditures	-9.2	-16.1	-16.9	-9.3	-35.4	-37.4	-61.7
Disposal of Group companies and business operations, net of cash disposed	-	-	-	-	-	0.0	0.0
Sales of fixed assets	0.0	0.1	0.2	0.0	0.2	0.1	0.1
Sales of available-for-sale financial assets	0.0	-	-	-	0.0	-	-
Change in loan receivables	0.8	0.6	1.3	0.1	2.2	1.7	2.5
Net cash used in investing activities	**-8.4**	**-45.8**	**-15.4**	**-9.6**	**-33.4**	**-67.8**	**-91.4**
Cash flow from financing activities							
Dividends paid	-	-	-101.0	-	-101.0	-99.3	-99.3
Exercise of stock options	-	-	-	-	-	0.8	0.8
Payments of finance lease liabilities	-0.2	-0.3	-0.3	-0.3	-0.8	-0.9	-1.3
Change in interest-bearing liabilities	-11.0	11.2	95.3	-51.4	32.9	37.7	-4.4
Net cash used in financing activities	**-11.2**	**10.9**	**-6.0**	**-51.7**	**-68.9**	**-61.7**	**-104.2**
Change in cash and cash equivalents	**-8.8**	**-21.1**	**-27.5**	**18.4**	**-17.9**	**-82.5**	**-98.4**
Cash and cash equivalents at the beginning of period	51.3	93.2	76.9	56.7	56.7	156.2	156.2
Foreign exchange differences	-0.6	-0.4	1.9	1.8	3.1	-2.0	-1.1
Change in cash and cash equivalents	-8.8	-21.1	-27.5	18.4	-17.9	-82.5	-98.4
Cash and cash equivalents at the end of period	**41.9**	**71.7**	**51.3**	**76.9**	**41.9**	**71.7**	**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								73.0	73.0	0.0	73.0
Other comprehensive income											
Actuarial loss on post-employment benefit obligations (net of tax)								-7.5	-7.5		-7.5
Translation difference		-1.3			-4.4			1.5	-4.2		-4.2
Cash flow hedges (net of tax)						-0.2			-0.2		-0.2
Total comprehensive income		**-1.3**			**-4.4**	**-0.2**		**67.0**	**61.1**	**0.0**	**61.1**
Transactions with owners											
Share-based payments recognized against equity								0.9	0.9		0.9
Dividend								-99.4	-99.4		-99.4
Share subscriptions based on stock options			0.0				0.7		0.7		0.7
Non-controlling interest								0.1	0.1	-0.1	-
Total transactions with owners	**0.0**	**0.0**	**0.0**				**0.7**	**-98.4**	**-97.7**	**-0.1**	**-97.8**
Impact on investments accounted for using the equity method								**0.0**	**0.0**		**0.0**
At 30 Sep 2016	**76.6**	**43.3**	**0.0**	**-11.6**	**-53.6**	**-**	**12.8**	**378.7**	**446.2**	**-**	**446.2**

	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								71.0	71.0	-	71.0
Other comprehensive income											
Actuarial loss on post-employment benefit obligations (net of tax)								-1.7	-1.7		-1.7
Translation difference		-0.3			-15.4			5.0	-10.7		-10.7
Cash flow hedges (net of tax)									-		-
Total comprehensive income		**-0.3**			**-15.4**	**-**		**74.3**	**58.6**	**-**	**58.6**
Transactions with owners											
Share-based payments recognized against equity								1.4	1.4		1.4
Dividend								-101.0	-101.0		-101.0
Non-controlling interest									-		-
Total transactions with owners	**0.0**	**0.0**	**0.0**				**0.0**	**-99.6**	**-99.6**	**-**	**-99.6**
Impact on investments accounted for using the equity method								**0.0**	**0.0**		**0.0**
At 30 Sep 2017	**76.6**	**43.1**	**0.0**	**-11.6**	**-67.7**	**-**	**12.8**	**393.9**	**447.1**	**-**	**447.1**

Segment information

Customer sales by service line, EUR million

	2017 7–9	2016 7–9	Change %	2017 1–9	2016 1–9	Change %	2016 1–12
Technology Services and Modernization	180	179	1	572	565	1	762
Business Consulting and Implementation	32	30	7	109	101	7	139
Industry Solutions	114	106	8	361	336	7	475
Product Development Services	29	26	10	92	86	7	117
Group total	**355**	**341**	**4**	**1 134**	**1 089**	**4**	**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 7–9	2016 7–9	Change %	2017 1–9	2016 1–9	Change %	Share %	2016 1–12	Share %
Finland	154	154	0	499	492	1	44	674	45
Sweden	138	129	7	437	416	5	39	566	38
Norway	37	36	2	121	113	7	11	159	11
Other	26	21	21	77	68	13	7	94	6
Group total	**355**	**341**	**4**	**1 134**	**1 089**	**4**	**100**	**1 493**	**100**

In Finland, IT services sales remained at the previous year's level during the third quarter and grew by 1.3% in the nine-month period.

In Sweden, growth in local currencies was 7.5% during the third quarter and 7.5% in the nine-month period. IT services grew in local currencies by 8.0% during the third quarter and 7.7% in the nine-month period.

In Norway, growth in local currencies was 2.3% during the third quarter and 5.7% during the nine-month period.

Customer sales by industry group, EUR million

	2017 7–9	2016 7–9	Change %	2017 1–9	2016 1–9	Change %	2016 1–12
Financial Services	92	88	5	285	269	6	370
Public, Healthcare and Welfare	112	106	6	367	344	7	479
Industrial and Consumer Services	122	121	0	391	391	0	527
Product Development Services	29	26	9	92	86	7	117
Group total	**355**	**341**	**4**	**1 134**	**1 089**	**4**	**1 493**

Customer sales to the telecom sector were EUR 177 (170) million during January–September.

Revenues derived from any single external customer during January–September 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 7–9	2016 7–9	Change %	2017 1–9	2016 1–9	Change %	2016 1–12
Technology Services and Modernization	25.0	24.2	3.6	60.0	62.8	-4.4	89.0
Business Consulting and Implementation	0.7	-0.2	489.8	5.6	2.1	164.5	4.1
Industry Solutions	16.6	13.0	27.7	32.1	35.5	-9.6	55.2
Product Development Services	2.2	1.7	31.2	8.8	7.6	16.0	10.9
Support Functions and Global Management	-3.4	-3.5	3.7	-15.3	-12.3	-24.2	-18.5
Operating profit (EBIT)	**41.1**	**35.1**	**17.2**	**91.2**	**95.7**	**-4.7**	**140.8**

Operating margin (EBIT) by service line, %

	2017 7–9	2016 7–9	Change pp	2017 1–9	2016 1–9	Change pp	2016 1–12
Technology Services and Modernization	13.9	13.5	0.4	10.5	11.1	-0.6	11.7
Business Consulting and Implementation	2.3	-0.6	3.0	5.1	2.1	3.1	3.0
Industry Solutions	14.5	12.3	2.2	8.9	10.6	-1.7	11.6
Product Development Services	7.6	6.4	1.3	9.5	8.8	0.7	9.3
Operating margin (EBIT)	**11.6**	**10.3**	**1.3**	**8.0**	**8.8**	**-0.7**	**9.4**

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

	2017 7–9	2016 7–9	Change %	2017 1–9	2016 1–9	Change %	2016 1–12
Technology Services and Modernization	24.9	24.0	3.7	69.5	64.6	7.6	92.4
Business Consulting and Implementation	0.9	-1.5	161.9	5.2	1.1	392.1	1.7
Industry Solutions	16.5	13.2	25.0	37.4	37.7	-0.9	59.2
Product Development Services	2.2	1.7	27.2	9.1	7.5	20.8	11.1
Support Functions and Global Management	-3.2	-2.0	-62.3	-9.0	-8.2	-9.7	-12.2
Adjusted operating profit (EBIT)	**41.2**	**35.4**	**16.3**	**112.2**	**102.7**	**9.2**	**152.2**

Adjusted operating margin (EBIT) by service line, %

	2017 7–9	2016 7–9	Change pp	2017 1–9	2016 1–9	Change pp	2016 1–12
Technology Services and Modernization	13.8	13.4	0.4	12.2	11.4	0.7	12.1
Business Consulting and Implementation	2.8	-4.9	7.7	4.8	1.0	3.7	1.2
Industry Solutions	14.4	12.5	1.9	10.3	11.2	-0.9	12.5
Product Development Services	7.5	6.5	1.0	9.9	8.7	1.1	9.4
Adjusted operating margin (EBIT)	**11.6**	**10.4**	**1.2**	**9.9**	**9.4**	**0.5**	**10.2**

Personnel by service line

	End of period					Average	
	2017	Change	Share	2016	2016	2017	2016
	1–9	%	%	1–9	1–12	1–9	1–9
Technology Services and Modernization	6 066	-4	44	6 301	6 338	6 157	6 098
Business Consulting and Implementation	1 384	0	10	1 389	1 376	1 394	1 360
Industry Solutions	4 043	2	29	3 957	4 024	4 019	3 747
Product Development Services	1 485	23	11	1 209	1 243	1 381	1 219
Service lines total	**12 978**	**1**	**94**	**12 856**	**12 981**	**12 951**	**12 424**
Industry groups	258	-2	2	263	260	256	275
Support Functions and Global Management	615	-4	4	640	635	620	641
Group total	**13 851**	**1**	**100**	**13 758**	**13 876**	**13 827**	**13 339**

Personnel by country

	End of period					Average	
	2017	Change	Share	2016	2016	2017	2016
	1–9	%	%	1–9	1–12	1–9	1–9
Finland	3 312	-8	24	3 581	3 552	3 409	3 590
Sweden	2 701	0	20	2 710	2 698	2 705	2 541
India	2 530	5	18	2 405	2 503	2 500	2 346
Czech Republic	2 232	0	16	2 231	2 247	2 241	2 112
Latvia	623	-6	4	661	649	632	667
Norway	611	2	4	601	636	613	600
Poland	520	34	4	388	413	467	392
China	424	44	3	295	305	368	272
Estonia	295	5	2	282	280	293	249
Austria	139	6	1	132	138	136	127
Lithuania	97	-8	1	106	99	96	114
Other	368	1	3	366	357	367	329
Group total	**13 851**	**1**	**100**	**13 758**	**13 876**	**13 827**	**13 339**
Onshore countries	6 975	-4	50	7 239	7 233	7 074	7 068
Offshore countries	6 877	5	50	6 520	6 643	6 753	6 271
Group total	**13 851**	**1**	**100**	**13 758**	**13 876**	**13 827**	**13 339**

Non-current assets by country, EUR million

	2017 30 Sep	2016 30 Sep	Change %	2016 31 Dec
Finland	86.5	77.7	11	85.9
Sweden	35.9	33.4	7	39.3
Norway	13.2	14.1	-6	15.4
Other	5.8	4.5	29	5.7
Total non-current assets	**141.4**	**129.7**	**9**	**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 7–9	2016 7–9	Change %	2017 1–9	2016 1–9	Change %	2016 1–12
Technology Services and Modernization	8.0	9.0	-10	24.5	26.6	-8	35.2
Business Consulting and Implementation	0.0	0.0	-	0.1	0.0	-	0.1
Industry Solutions	0.2	0.2	7	0.7	0.6	27	0.8
Product Development Services	0.0	0.0	-	0.1	0.0	-	0.0
Support Functions and Global Management	1.4	0.8	72	4.1	2.5	62	3.7
Group total	**9.7**	**10.0**	**-3**	**29.4**	**29.8**	**-1**	**39.8**

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

	2017 7–9	2016 7–9	Change %	2017 1–9	2016 1–9	Change %	2016 1–12
Technology Services and Modernization	-	-	-	-	-	-	-
Business Consulting and Implementation	0.1	0.1	0	0.3	0.3	-1	0.4
Industry Solutions	0.9	0.7	29	2.8	1.9	48	2.8
Product Development Services	-	-	-	-	-	-	-
Support Functions and Global Management	-	-	-	-	-	-	-
Group total	**1.0**	**0.8**	**25**	**3.1**	**2.2**	**41**	**3.3**

Amortization on other intangible assets by service line, EUR million

	2017 7–9	2016 7–9	Change %	2017 1–9	2016 1–9	Change %	2016 1–12
Technology Services and Modernization	2.3	2.3	0	6.6	6.7	-1	8.9
Business Consulting and Implementation	0.0	0.0	-	0.0	0.1	-	0.1
Industry Solutions	0.2	0.1	197	0.5	0.1	306	0.2
Product Development Services	0.0	0.0	-	0.0	0.0	-	0.0
Support Functions and Global Management	0.4	0.4	15	1.3	1.2	6	1.6
Group total	**2.9**	**2.7**	**6**	**8.3**	**8.0**	**4**	**10.8**

Commitments and contingencies, EUR million

	2017 30 Sep	2016 31 Dec
For Tieto obligations		
Guarantees		
Performance guarantees	1.0	4.0
Lease guarantees	8.6	8.9
Other	1.4	1.5
Other Tieto obligations		
Rent commitments due in one year	39.5	39.7
Rent commitments due in 1–5 years	89.8	95.3
Rent commitments due after 5 years	20.9	31.4
Operating lease commitments due in one year	8.9	8.3
Operating lease commitments due in 1–5 years	7.8	8.1
Operating lease commitments due after 5 years	0.4	0.6
Commitments to purchase assets	10.5	6.2
Other	1.8	-
On behalf of joint ventures	-	-
On behalf of others		
Guarantees	0.0	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 Sep	2016 31 Dec
Foreign exchange forward contracts	199.8	198.7
Electricity price futures contracts	0.3	0.5

Fair values of derivatives

The net fair values of derivative financial instruments at the balance sheet date	2017 30 Sep	2016 31 Dec
Foreign exchange forward contracts	-1.1	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 Sep	2016 31 Dec
Foreign exchange forward contracts	1.0	2.3
Electricity price futures contracts	0.0	0.1

Gross negative fair values of derivatives	2017 30 Sep	2016 31 Dec
Foreign exchange forward contracts	-2.1	-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 30 Sep 2017	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Derivatives	-	1.0	-	1.0
Available-for-sale investments	-	-	0.6	-
Financial liabilities at fair value through profit or loss				
Derivatives	-	-2.1	-	-2.1

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

Income statement, EUR million

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

Balance sheet, EUR million

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

Cash flow, EUR million

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

Quarterly figures by segments

Customer sales by service line, EUR million

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

Customer sales by industry group, EUR million

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

Operating profit (EBIT) by service line, EUR million

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

Operating margin (EBIT) by service line, %

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

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

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

Adjusted operating margin (EBIT) by service line, %

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

Major shareholders on 30 September 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	Nordea Funds	538 517	0.7
10	OP-Finland Small Firms Fund	479 466	0.6
	Top 10 shareholders total	32 597 358	44.0
	- of which nominee registered	20 328 366	27.4
	Nominee registered other	25 921 288	35.0
	Others	15 590 606	21.0
	Total	**74 109 252**	**100.0**

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

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

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

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A teleconference for analysts and media will be held on Tuesday 24 October 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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