Q1 2013

Interim Report 1/2013
January–March

Business focus and efficiency drive profitability

- Execution of the competitive cost structure programme continued well – mitigating the anticipated weakness in the telecom sector
- New operating model in place, taking the strategy forward
- Cost savings in Product Development Services paying off, strategy defined

Key figures

EUR million	1-3/2013	1-3/2012	1-12/2012
Net sales, EUR million	444.8	467.1	1 825.3
Change, %	-5	1	0
Organic change, %	-2		
Operating profit (EBITA), EUR million	31.1	43.6	68.3
Operating margin (EBITA), %	7.0	9.3	3.7
Operating profit (EBIT) [1], EUR million	30.1	42.1	63.0
Operating margin (EBIT) [1], %	6.8	9.0	3.5
Operating profit (EBIT) excl. one-off items [1] [2], EUR million	32.0	28.4	138.8
Operating margin (EBIT) excl. one-off items [1] [2], %	7.2	6.1	7.6
Profit after taxes, EUR million	21.4	32.0	29.4
EPS, EUR	0.30	0.45	0.41
Net cash flow from operations, EUR million	41.2	68.8	161.9
Return on equity, 12-month rolling, %	3.7	15.4	5.5
Return on capital employed, 12-month rolling, %	11.7	21.7	13.2
Investments, EUR million	17.3	14.4	62.9
Interest-bearing net debt, EUR million	6.9	11.7	23.9
Net debt/EBITDA	0.0	0.1	0.2
Book-to-bill	0.8	1.0	1.0
Order backlog	1 627	1 719	1 703
Personnel on 31 March	16 354	18 121	16 537

Full-year outlook for 2013 unchanged

Tieto expects its organic net sales to develop in line with the growth in the market for IT services, with the exception of the weaker outlook in the telecom sector.

Tieto expects its profitability to continue to improve and full-year operating profit (EBIT) excluding one-off items to increase from the previous year's level (EUR 138.8 million in 2012).

[1] Due to the amendment of IAS 19 'Employee benefits', there will be a change in the calculation of pension liability. The related finance costs are calculated on a net funding basis and presented in financial items. This change has an impact of EUR 1.7 million on the company's annual-level operating profit. On the other hand, this amount will increase finance costs. Based on the change, Tieto has restated its operating profit (EBIT) for 2012 as EUR 63.0 million (previously EUR 61.3 million) and operating profit (EBIT) excl. one-off items for 2012 as EUR 138.8 million (previously EUR 137.1 million). The net result remains unchanged.

[2] Excl. capital gains, impairments and restructuring costs

CEO's comment

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

"I'm pleased to see the continued improvement in our profitability, driven primarily by the cost-efficiency measures we initiated last year. We expected the first quarter to be challenging, as we implemented a major structural change in our operations. Now that the structural changes are behind us and the transparency of our businesses has improved, we can concentrate on the implementation of our chosen strategy. Price competitiveness has become increasingly important as customers actively drive transformation programmes to improve cost-efficiency.

The Nordic IT services market continues to be dynamic with enterprises actively adopting new technologies. This transformation-centric customer agenda fits well with our priorities. Our focus remains on innovation, solution packaging and a global delivery scale – all of which improve competitiveness. As an example, our recently launched cloud services have received a positive response during the first quarter with customers signing up to this highly efficient and flexible service concept.

I'm also pleased that our Product Development Services is ready to begin implementation of its recently decided strategy, which focuses on global customers in the communications and embedded technologies segment. Implementation of the refined strategy enhances our ability to become the number one product development partner to our targeted customers."

Market development

The Nordic IT services market continues to experience a high level of interest in IT development projects, but decision-making cycles are becoming longer. There are several longer-term opportunities for transformation to new scalable and flexible IT environments providing both business benefits and cost savings. The focus is currently on mobility, enterprise content management and enterprise resource planning (ERP) as well as new "as a service" delivery models. Customers' continuing cost-savings agendas drive the transformation of business systems and the renewal of old legacy systems. As a result, the outsourcing market has remained active. Areas like mobility and cloud services are expected to see double-digit growth rates while the market for traditional IT services is likely to decline.

Competition has intensified during 2013 and some vendors are actively seeking to strengthen their market position with relatively aggressive pricing. Tieto expects overall market growth of around 2% for the Nordic IT services market in the full year with IT outsourcing as the main source of growth. Due to its refined strategy Tieto is able to provide the full stack of integration and operations management services complemented with its own products. As a result of this total service offering coupled with strong offshore capability and continued improvements in cost structure, the company is well competitive in its target markets.

Pockets of growth

- Mobility is a core driver of the future IT landscape as it changes the way enterprises interact with customers, partners and suppliers and empower their workforce with access to information and services. The growth trend is expected to further accelerate during the year, as mobility is gradually becoming an integrated component in traditional IT projects. Tieto has aligned its capabilities, solutions and partnerships in mobility into the Enterprise Mobility Solution Framework, in order to ensure customer satisfaction, fast time to market and repeatability. Tieto has also launched new mobile services for the healthcare sector. During the first quarter, the company concluded a number of large mobility projects, such as fieldworker services and mobile banking.
- Cloud: Customers are increasingly transferring their operations into scalable and flexible cloud environments where customer payments are based on the actual volumes. In this environment, capacity provisioning takes only a few minutes while it previously took several days. Due to the increased efficiency resulting from a higher level of automation, the profitability of cloud services is higher than that of traditional services which are now being cannibalized. Tieto has responded to this transformation path by launching a new cloud services portfolio in 2012 and has several ongoing automation projects to enable cloud-based ecosystems. Based on the agreements Tieto had concluded by the end of March, more than 5% of the existing server capacity will be transferred to a cloud environment and the company expects that share to increase to around 20% during 2013.
- Big data is expected to be one of the fastest growing areas of IT services in the longer term. It is utilized when massive amounts of data, such as information on customer behaviour or a large quantity of sensor measurements, are stored and analysed, making it possible to develop applications to solve new kinds of business problems. Big data currently represents around 1% of the IT services market and the share is expected to grow to around 5% by 2016. Today, Tieto runs a programme to further develop new services, including industry-specific big data solutions.

A rapidly expanding area is the incorporation of business intelligence and analytics as part of full life-cycle services and mobile solutions, supporting the company's growth in this area

Industry sector drivers

Additionally, industry-specific drivers affect the IT service market:

- In the **finance** sector, cost pressure and regulatory changes drive IT transformation programmes and the market is active, especially in outsourcing, although larger IT investments are progressing slowly.
- In the **public** sector in Finland, the government will launch an office for shared ICT infrastructure services to promote the government's efficiency initiatives.
- In the **healthcare** sector, there is increasing activity in Finland and Sweden, partly due to national programmes. There is also healthy demand for eServices and mobile solutions in the sector.
- In the **manufacturing** sector, the market is active. Customers are consolidating and actively transferring production to Asia, providing IT service vendors with good business opportunities.
- The **energy** utilities sector is affected by regulation favouring flexible demand, energy efficiency and the use of sustainable energy sources. The global **oil & gas** market is very active and new hydrocarbon sources enhance sales opportunities for Tieto's products.
- The drop in ad-based revenue in the **media** sector has had a negative impact on IT investments. Media companies are actively seeking new revenue sources, opening up new opportunities for IT service providers.
- In the **telecom** sector, cost pressure has resulted in tight price competition, but on the other hand, supplier consolidation may open up new opportunities for Tieto in the Nordic countries.
- In the **telecom product development market**, demand for new technologies to handle the traffic from a growing number of connected devices will continue to increase, as will the appetite for a diverse range of end-user devices. However, the fierce competition and telecom operators' reduced spending has resulted in a decline in telecom R&D spending in the short term.

Company strategy

Tieto's new operating model took effect on 1 January 2013, and the new Leadership Team became fully operational. By strengthening the industry-driven structure, its service offerings and the transparency of the company's business practices, the company is well positioned to increase its profitability and drive long-term growth. The new structure is based on service lines and industry groups. In line with the new operating model, Tieto changed its financial reporting at the beginning of 2013.

The service lines, constituting the main operating segments, are:
- Managed Services
- Consulting and System Integration
- Industry Products
- Product Development Services.

Tieto's industry groups are:
- Financial Services
- Manufacturing, Retail and Logistics
- Public, Healthcare and Welfare
- Telecom, Media and Energy.

The company's key targets include geographical focus and improved profitability. The company implemented several divestments in 2012 with a total negative impact of around EUR 35 million on 2013 sales. In February 2013, the company concluded an agreement on the divestment of German and Dutch operations. Annual sales of these businesses amounted to over EUR 110 million in 2012. The transaction will be completed towards the end of the second quarter. Tieto will continue to monitor its businesses with the long-term target of increasing scalability and efficiency within the company.

The IT market is seeing pockets of growth and Tieto has continued to invest in offerings for areas like enterprise mobility, cloud transformation and big data. The Tieto Cloud Server launch in Finland was followed by a successful launch in Sweden in the first quarter. Tieto has also complemented its existing service offering with Google Apps, a public cloud based productivity suite. The cooperation complements Tieto's existing services in the office productivity and collaboration area to drive mobile ways of working and efficiency. As a full IT services partner, Tieto integrates cloud services into its customers' existing IT systems and business processes. Another development focus has been CSI practices, such as enterprise content management, transformation consulting and intelligent transportation systems.

Product Development Services

Tieto has revised its strategy for Product Development Services (PDS), previously known as Product Engineering Services (PES). According to the new strategy, PDS will focus on the full product life-cycle of the product development process in communications and embedded technologies. Services will be provided for the following customer sectors globally:

- communications infrastructure companies
- mobile device and consumer electronics companies
- semiconductor companies.

The addressable market in terms of external product development spend is estimated to be EUR 3 to 4 billion. PDS aims to achieve the position of a strategic partner within the existing customer base and beyond. The target is to expand the customer base globally. PDS seeks to improve profitability through repeatable, high-quality service offerings. By combining its deep customer process knowledge with technical expertise, it is able to improve customer productivity with faster time-to-market operations and high quality. Global services are currently provided from the centres in China, the Czech Republic, Denmark, Finland, Germany, India, Philippines, Poland, Sweden and the USA.

Implementation of the competitive cost structure programme

The programme to create a competitive cost structure continued in the first quarter and the company anticipates that the net impact of the programme on operating profit will amount to some EUR 60 million in 2013. The full net savings of over EUR 60 million are expected to materialize in 2014.

The net impact of the programme on the company’s operating profit was around EUR 15 million in the first quarter. Since the launch of the programme in March 2012, Tieto has reduced a total of 1 600 positions, of which around 500 in Finland, around 400 in Sweden, around 180 in Germany and the rest in other countries. Of these redundancies, Product Development Services accounts for around 640. Around 60% of the redundancies are accounted for by job cuts in businesses with a low utilization rate and around 40% by the reduction in overhead costs.

Tieto booked the restructuring costs related to the programme in its 2012 results, including provisions for additional redundancies of close to 200 people implemented during the first quarter of 2013. In 2013, the company continues to drive actions to further improve its competitive cost structure. Restructuring costs are expected to be far lower, around half of the previous year’s level.

Financial performance in January–March

First-quarter net sales were down by 5% and amounted to EUR 444.8 (467.1) million. The divestments had a negative impact of EUR 14 million and organically, net sales declined by 2%. This was driven mainly by the drop in the telecom sector. Outside the telecom sector, net sales saw slight organic growth. Overall, sales development reflects cautiousness in starting new projects and lower prices in contract renewals. In the telecom sector, Product Development Services performed well while IT services saw lower volumes, especially in Sweden. The development in this sector was also reflected as a sales decline in Consulting and System Integration. Sales were also affected by currency fluctuations (EUR 7 million positive) and the number of working days (around EUR 10 million negative).

First-quarter operating profit (EBIT) amounted to EUR 30.1 (42.1) million, representing a margin of 6.8% (9.0). Operating profit includes restructuring costs of EUR 1.9 million. Operating profit excl. one-off items[1)] stood at EUR 32.0 (28.4) million, or 7.2% (6.1) of net sales. Despite salary inflation, personnel costs were down by around EUR 15 million. Improvement in operating profit was curbed by the negative impact of the lower number of working days, as this affected net sales while the impact on the cost base was marginal.

Depreciation and amortization amounted to EUR 21.2 (20.7) million. Net financial expenses stood at EUR 1.5 (2.5) million in the first quarter. Net interest expenses were EUR 1.2 (1.8) million and net gains from foreign exchange transactions EUR 0.0 (negative 0.5) million. Other financial income and expenses amounted to EUR -0.3 (-0.2) million.

First-quarter earnings per share (EPS) totalled EUR 0.30 (0.45). Earnings per share excluding one-off items[1)] amounted to EUR 0.32 (0.25).

[1)] Excl. capital gains, impairments and restructuring costs

Financial performance by service line

EUR million	Customer sales 1–3/2013	Customer sales 1–3/2012	Change, %	Operating profit 1–3/2013	Operating profit 1–3/2012
Managed Services	125	124	1	1.3	-2.5
Consulting and System Integration	108	127	-15	3.8	12.7
Industry Products	126	130	-3	18.5	32.4
Product Development Services	86	86	1	9.3	2.5
Steering Functions and Global Management				-2.7	-3.0
Total	**445**	**467**	**-5**	**30.1**	**42.1**

Operating margin by service line

%	Operating margin 1–3/2013	Operating margin 1–3/2012	Operating margin excl. one-off items[1)] 1–3/2013	Operating margin excl. one-off items[1)] 1–3/2012
Managed Services	1.0	-2.0	0.7	-1.7
Consulting and System Integration	3.5	9.9	4.7	10.0
Industry Products	14.6	24.9	14.8	13.1
Product Development Services	10.8	3.0	11.6	4.1
Total	**6.8**	**9.0**	**7.2**	**6.1**

[1)] Excl. capital gains, impairments and restructuring costs

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

In Managed Services, the flow of new deals and renewals is good, but the price levels are lower. The Financial Services and the Public, Healthcare and Welfare industry groups enjoyed the strongest growth. Following the successful launches of the Tieto Cloud Server in Finland and Sweden, the share of cloud services has risen to around 3%. Profitability improvement was attributable mainly to the cost-savings programme. Profitability in the first half is seasonally weaker in Managed Services than in the second half.

In Consulting and System Integration, the divestment of businesses in Italy and Spain had a negative impact of EUR 8 million. Additionally, the sales decline was attributable mainly to the drop in the telecom sector and reduced number of working days. The cost savings programme contributed to profitability and utilization rates continued to improve. However, that was not sufficient to offset the negative impact of the revenue decline. Actions to improve profitability are ongoing. Demand in enterprise mobility and business intelligence remained good and volumes are clearly growing.

In Industry Products, sales adjusted for the divestment of the financial services business in the UK were at the previous year's level. Sales to the financial services, healthcare and oil & gas sectors were growing while other sectors experienced lengthier sales and project start-up cycles. Tieto's Cards suite is seeing healthy growth in Russia and Latvia. Good development in maintenance and licence sales contributed to profitability improvement. Sales of Tieto's joint ventures remained at the previous year's level.

In Product Development Services (PDS), sales remained at the previous year's level. The networks area enjoyed healthy demand whereas sales to one key customer in the mobile devices area are at a clearly lower level than in the second half. However, sales development of PDS continues to be volatile. PDS has adjusted its operations throughout 2012 and, as a result, utilization rate and profitability clearly improved.

Customer sales by industry group

EUR million	Customer sales 1-3/2013	Customer sales 1-3/2012	Change, %
Financial Services	94	94	0
Manufacturing, Retail and Logistics	76	82	-7
Public, Healthcare and Welfare	114	112	1
Telecom, Media and Energy	74	93	-20
Product Development Services	86	86	1
Total	**445**	**467**	**-5**

Financial Services' sales, adjusted for the divestment in the UK, were up by 6%. Managed Services saw growth, with strong development in both Finland and Sweden. Industry Products experienced healthy growth in Finland and, especially in the cards business, in Russia, the Baltic countries and Eastern Europe. Despite strong cost pressure, the banking and finance sector continues to offer good opportunities in outsourcing and "as a Service" deliveries.

In Manufacturing, Retail and Logistics, customers have initiated cost-savings programmes, affecting both the flow of new deals and price pressure in contract renewals. This is particularly evident in the forest and retail segments, whereas sales to the manufacturing sector are still growing.

In Public, Healthcare and Welfare, healthcare product sales experienced healthy growth and the sales pipeline for the sector has remained at a good level. Sales to the public sector were slightly up and there is a lot of interest in outsourcing and cloud services in both Finland and Sweden.

Telecom, Media and Energy was affected by the divestment of businesses in Italy and Spain and the drop in the telecom and energy utilities sector. The telecom segment was affected by lower volumes in the European telecom operator business. The sales drop in the energy sector is attributable mainly to the cost-cutting programmes of energy utilities companies. Tieto's product for hydrocarbon accounting, developed for oil and gas companies, continued to experience healthy growth.

Cash flow, financing and investments

First-quarter net cash flow from operations, including the increase of EUR 1.1 (decrease 16.8) million in net working capital, amounted to EUR 41.2 million (68.8). The comparison figure includes a tax refund of EUR 15.9 million. Additionally, 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 April.

Tax payments were EUR 4.7 million (positive 6.4 due to a refund in Finland).

There were neither acquisitions (EUR 0.3 million in 2012) nor divestments (EUR 17.7 million) in the first quarter.

First-quarter investments totalled EUR 17.3 (14.4) million, of which paid EUR 13.3 million (14.2).

The equity ratio was 42.8% (42.4). Gearing decreased to 1.4% (2.2). Net debt totalled EUR 6.9 (11.7) million, including EUR 111.2 million in interest-bearing debt, EUR 6.8 million in finance lease liabilities, EUR 7.8 million in finance lease receivables, EUR 3.0 million in other interest-bearing receivables and EUR 100.3 million in cash and cash equivalents.

Interest-bearing long-term loans amounted to EUR 0.4 million. The majority of the short-term, interest-bearing debt consisted of a EUR 100 million bond, maturing in December 2013. Other short-term, interest-bearing loans of EUR 10.7 million were mainly related to an agreement for mainframes and software.

The syndicated revolving credit facility of EUR 100 million maturing in May 2016 was not in use and there were no commercial papers issued under the EUR 250 million commercial paper programme at the end of March. Tieto had committed, unused guarantee facilities for EUR 100 million that can be used for pension reborrowing purposes (TyEL). The commitment lasts until the end of 2013 and allows Tieto to withdraw pension loans with a maturity of up to two years.

Order backlog

First-quarter order intake was EUR 368 (468) million and book-to-bill stood at 0.8 (1.0). Order intake in the first quarter fell slightly short of expectations. Customers' decision-making cycles have become longer, resulting in fewer large new projects.

The order backlog only comprises services ordered with binding contracts. At the end of the period, the backlog amounted to EUR 1 627 (1 719) million. The divestments had a negative impact of around EUR 27 million on the order backlog. In total, 50% of the backlog is expected to be invoiced during 2013.

Business transactions in January–March

On 6 February, Tieto agreed on a divestment of the majority of its operations in Germany and the Netherlands. Closing is expected to take place during the second quarter of 2013. Net sales of the divested businesses amounted to over EUR 110 million in 2012. The German businesses were loss-making in 2012. The divested business operations, including around 900 employees in total, will be transferred to the new owner at the time of closing.

Major agreements in January–March

Financial Services

Automatia Pankkiautomaatit Oy has renewed its service agreement with Tieto for the next five years. The agreement covers ICT infrastructure services, including production, development and test environments as well as customer support services.

Tieto and Smolensky Bank (Russia) signed a deal to develop the bank's payment card business by implementing a full in-house solution based on Tieto's Card Suite products.

Tieto is intensifying its cooperation with FOREX Bank, entering a five-year agreement on supplying its basic application for banking services to the bank's Finnish operation.

Manufacturing, Retail and Logistics

Swedish pharmaceutical company Apoteket AB extended its contract with Tieto for operation, application management and workstation solutions. The three-year contract has an option of a further two years. The order value amounts to approximately EUR 43 million during the three years.

Tieto and Kesko signed a four-year continuation agreement on the supply of IT services. Tieto will continue as the supplier of Kesko Group's infrastructure services, such as capacity, workstation and integration services. In addition, Tieto and Kesko have agreed to expand their cooperation on SAP services, including the development of Kesko Group's SAP services and the maintenance of the main system supporting Anttila's business operations.

Telecom, Media and Energy

In March, Tieto renewed its agreement with TeliaSonera for mainframe production and application operations. The contract is valid until autumn 2016. The order value during the period amounts to approximately EUR 25 million.

Personnel

The number of full-time employees amounted to 16 354 (18 121) at the end of March. At the end of March, the number of full-time employees in the global delivery centres totalled 6 826 (7 377), or 41.7% (40.7) of personnel. In Product Development Services, the offshore rate was 58%. In IT services, the offshore rate continued to rise and stood at 36% at the end of March.

Year-on-year, the number of full-time employees decreased by a net amount of close to 1 800. In addition to 1 600 job cuts, divestments decreased the number of employees by around 600. On the other hand, new outsourcing deals added more than 300 employees and Tieto’s net recruitments included some 100 new competences.

The 12-month rolling employee turnover stood at 9.9% (12.0) at the end of March. The average number of full-time employees was 16 426 (18 139) in the first quarter.

Salary inflation is expected to be around 3% on average. In offshore countries, salary inflation is clearly above the average. Markets like India may see double-digit salary hikes.

Annual General Meeting

The Annual General Meeting approved the financial statements for 2012, decided to distribute a dividend of EUR 0.83 per share and discharged the company's officers from liability for the financial year 2012.

The meeting decided that the Board of Directors shall consist of eight members and re-elected the Board's current members Kurt Jofs, Eva Lindqvist, Sari Pajari, Risto Perttunen, Markku Pohjola, Teuvo Salminen, Ilkka Sihvo and Jonas Synnergren.

The meeting re-elected the firm of authorized public accountants PricewaterhouseCoopers Oy as the company's auditor for the financial year 2013.

The Board of Directors was authorized to decide on the repurchase of the company's own shares. However, the amount of own shares to be repurchased shall not exceed 7 200 000 shares, which currently corresponds to approximately 10% of all the shares in the company. The Board of Directors was also authorized to decide on the issuance of shares as well as on the issuance of option rights and other special rights entitling to shares referred to in Chapter 10, Section 1 of the Companies Act. The amount of shares to be issued based on the authorization shall not exceed 7 200 000 shares, which currently corresponds to approximately 10% of all the shares in the company. However, out of the above maximum amount of shares to be issued no more than 700 000 shares, currently corresponding to less than 1% of all of the shares in the company, may be issued as part of the company’s share-based incentive programmes.

Shares and share-based incentives

Tieto’s share price rose by 7% during January–March.

Following the subscriptions made with stock options during December, the number of Tieto shares increased to 72 492 559 and the share capital rose to EUR 76 064 020.00. The shares subscribed were registered in the Trade Register on 18 January 2013.

At the end of March, the number of shares in the company’s or its subsidiaries’ possession totalled 553 700, representing 0.8% of the total number of shares and voting rights. The number of outstanding shares, excluding the treasury shares, was 71 938 859. There have not been any changes in the number of shares in the company’s possession during 2013.

On 25 March, the Board of Directors decided on a directed share issue related to the reward payment for the performance period 2012 of Tieto’s Long-Term Incentive Programme 2012–2014. In the share issue, 13 398 Tieto shares held by the company will be conveyed without consideration to the Leadership Team members participating in the Long-Term Incentive Programme. According to the terms and conditions of the programme, shares will be delivered to key employees participating in the programme in spring 2014.

Events after the period

In April, Tieto announced an agreement with Google. The company is expanding its service offering with Google Apps, a public cloud-based productivity suite. Tieto's productivity and collaboration offering portfolio now includes a comprehensive set of cloud services delivered in either private, public or hybrid clouds.

Near-term risks and uncertainties

The slowdown of European economies might lead to a downturn in the IT services market as well. Although the share of the company’s net sales accounted for by certain large customers has decreased somewhat during 2012, the company’s net sales development is still relatively sensitive to changes in the demand from these customers.

In the telecom sector, demand is relatively weak due to budget cuts made by some of Tieto’s key customers. The challenging business environment in this area might have a negative impact on the company going forward. However, the company has a proven track record of being agile in adjusting its operations when necessary.

The ongoing organizational changes and restructuring within the company might create uncertainty among the company’s personnel and pose risks related to the company’s performance.

Price pressure might lead to weak profitability for IT service companies. Additionally, as is typical of the industry, the large size of individual deals may have a strong effect on growth. Negative development of prices and volumes might result in the need for further redundancies.

Typical risks faced by the IT service industry involve the quality of deliveries and related project overruns. Transitions to offshore delivery centres as well as the ongoing organizational change pose risks of project losses and penalties.

Full-year outlook for 2013

Tieto expects its organic net sales to develop in line with the growth in the market for IT services, with the exception of the weaker outlook in the telecom sector.

Tieto expects its profitability to continue to improve and full-year operating profit (EBIT) excluding one-off items to increase from the previous year's level (EUR 138.8 million in 2012).

The figures in this report are unaudited.

Financial calendar 2013

19 July	Interim report 2/2013 (8.00 am EET)
23 October	Interim report 3/2013 (8.00 am EET)

Accounting policies in 2013

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 2012. The accounting policies, standards, interpretations and amendments taken into use in 2013 are described in the annual financial statements.

The IAS 19 (Amendment), 'Employee benefits' eliminates the corridor approach and calculates finance costs on a net funding basis. All actuarial profits and losses must be accounted for immediately in other comprehensive income. The balance sheet for 2012 is restated correspondingly by increasing, at the end of December 2012, the net pension liability by EUR 39 million, increasing the net deferred tax asset by EUR 7 million and decreasing the equity by EUR 32 million. The restated operating profit (EBIT) increased in Steering Functions and Global Management by EUR 1.7 million as the interest part of the pension costs for defined benefit plans is regrouped to financial items. The restatement does not impact the net profit.

Other IFRS changes do not currently have any material impact on the Group's financial statements.

The new operating model taken into use in 2013 is steered based on project performance and direct costs are linked to deliveries in services lines, which constitute the main operating segments. In the follow-up of the customer projects, the project is considered as loss-making when the total direct costs exceed the total expected revenue and a provision corresponding to the uncovered direct costs is immediately recognized. In previous years the provision has been calculated at a full cost rate. The impact of the changes is not considered to be material.

Key figures

	2013 1–3	2012 1–3	2012 1–12
Earnings per share, EUR			
- basic	0.30	0.45	0.41
- diluted	0.30	0.45	0.41
Equity per share, EUR	6.79	7.27	7.30
Return on equity, 12-month rolling, %	3.7	15.4	5.5
Return on capital employed, 12-month rolling, %	11.7	21.7	13.2
Equity ratio, %	42.8	42.4	46.9
Interest-bearing net debt, EUR million	6.9	11.7	23.9
Gearing, %	1.4	2.2	4.5
Investments, EUR million	17.3	14.4	62.9

Number of shares

	2013 1–3	2012 1–3	2012 1–12
Outstanding shares, end of period			
Basic	71 938 859	71 469 473	71 823 513
Diluted	72 542 945	71 873 088	72 532 449
Outstanding shares, average			
Basic	71 917 071	71 469 473	71 659 278
Diluted	72 562 559	71 873 088	72 009 960
Company's possession of its own shares			
End of period	553 700	553 700	553 700
Average	553 700	553 700	553 700

Income statement, EUR million

	2013 1–3	2012 1–3	Change %	2012 1–12
Net sales	444.8	467.1	-5	1 825.3
Other operating income	2.5	17.0	-85	27.2
Employee benefit expenses	259.2	274.3	-6	1 089.0
Depreciation, amortization and impairment charges	21.2	21.2	0	119.1
Other operating expenses	136.8	146.5	-7	581.4
Operating profit (EBIT)	30.1	42.1	-29	63.0
Interest and other financial income	1.3	2.8	-54	9.6
Interest and other financial expenses	-2.8	-4.8	-42	-16.4
Net exchange losses/gains	0.0	-0.5	-100	0.5
Profit before taxes	28.6	39.6	-28	56.7
Income taxes	-7.2	-7.6	-5	-27.3
Net profit for the period	**21.4**	**32.0**	**-33**	**29.4**
Net profit for the period attributable to				
Shareholders of the Parent company	21.4	32.0	-33	29.4
Non-controlling interest	0.0	0.0	-	0.0
	21.4	**32.0**	**-33**	**29.4**
Earnings per share attributable to the shareholders of the Parent company, EUR				
Basic	0.30	0.45	-33	0.41
Diluted	0.30	0.45	-33	0.41
Statement of comprehensive income, EUR million				
Net profit for the period	21.4	32.0	-33	29.4
Actuarial loss on post employment benefit obligations (net of tax)	0.0	-12.5	-100	-13.9
Translation difference from net investment in subsidiaries (net of tax)	-	1.3	-	6.9
Translation differences	2.4	2.2	9	0.6
Cash flow hedges	-0.7	1.6	-144	1.9
Total comprehensive income	**23.1**	**24.6**	**-6**	**24.9**
Total comprehensive income attributable to				
Shareholders of the Parent company	23.1	24.6	-6	24.9
Non-controlling interest	0.0	0.0	-	0.0
	23.1	**24.6**	**-6**	**24.9**

Balance sheet, EUR million

	2013 31 Mar	2012 31 Mar	Change %	2012 31 Dec
Goodwill	394.2	415.3	-5	391.6
Other intangible assets	51.4	72.4	-29	55.5
Property, plant and equipment	100.8	101.8	-1	99.3
Deferred tax assets	29.9	50.1	-40	30.4
Finance lease receivables	4.6	3.2	44	5.5
Other interest-bearing receivables	1.8	-	-	0.9
Available-for-sale financial assets	0.7	0.7	0	0.8
Total non-current assets	*583.4*	*643.5*	*-9*	*584.0*
Trade and other receivables	476.5	470.3	1	456.2
Finance lease receivables	3.2	1.6	100	2.8
Other interest-bearing receivables	1.2	-	-	1.1
Current income tax receivables	5.2	8.3	-37	4.0
Cash and cash equivalents	100.3	162.9	-38	86.7
Total current assets	*586.4*	*643.1*	*-9*	*550.8*
Assets classified as held for sale	54.8	25.6	-	44.8
Total assets	**1 224.6**	**1 312.2**	**-7**	**1 179.6**
Share capital, share issue premiums and other reserves	119.3	115.4	3	117.3
Share issue based on stock options	-	-	-	1.2
Retained earnings	369.2	403.7	-9	405.8
Parent shareholders' equity	*488.5*	*519.1*	*-6*	*524.3*
Non-controlling interest	0.2	0.2	0	0.2
Total equity	***488.7***	***519.3***	***-6***	***524.5***
Loans	3.7	114.3	-97	4.0
Deferred tax liabilities	25.5	36.2	-30	25.3
Provisions	6.0	7.0	-14	6.0
Pension obligations	26.0	51.8	-50	28.0
Other non-current liabilities	4.0	4.7	-15	4.1
Total non-current liabilities	*65.2*	*214.0*	*-70*	*67.4*
Trade and other payables	471.5	466.5	1	377.5
Current income tax liabilities	7.2	11.2	-36	5.1
Provisions	26.7	19.6	36	32.8
Loans	114.3	65.1	76	116.8
Total current liabilities	*619.7*	*562.4*	*10*	*532.2*
Liabilities classified as held for sale	51.0	16.5	-	55.5
Total equity and liabilities	**1 224.6**	**1 312.2**	**-7**	**1 179.6**

Net working capital in the balance sheet, EUR million

	2013 31 Mar	2012 31 Mar	Change %	2012 31 Dec
Accounts receivable	345.5	335.4	3	340.6
Other working capital receivables	118.3	119.7	-1	103.5
Working capital receivables included in assets	**463.8**	**455.1**	**2**	**444.1**
Accounts payable	79.7	81.5	-2	86.6
Personnel related accruals	174.9	159.7	10	157.3
Other working capital liabilities	189.3	197.0	-4	173.5
Working capital liabilities included in current liabilities	**443.9**	**438.2**	**1**	**417.4**
Net working capital in the balance sheet	**19.9**	**16.9**	**18**	**26.7**

Working capital receivables EUR 38.1 million (36.5) and working capital liabilities EUR 28.6 million (32.9) are classified as held for sale end March 2013 (December 2012).

Cash flow, EUR million

	2013 1–3	2012 1–3	2012 1–12
Cash flow from operations			
Net profit	21.4	32.0	29.4
Adjustments			
Depreciation, amortization and impairment charges	21.2	21.2	119.1
Share-based payments	0.4	0.8	1.9
Profit/loss on sale of fixed assets and shares	0.1	-15.4	-14.4
Other adjustments	-1.8	-1.8	-3.3
Net financial expenses	1.5	2.5	6.3
Income taxes	7.2	7.6	27.3
Change in net working capital	-1.1	16.8	11.5
Cash generated from operations	48.9	63.7	177.8
Net financial expenses paid	-3.0	-1.3	-5.2
Income taxes paid	-4.7	6.4	-10.7
Net cash flow from operations	**41.2**	**68.8**	**161.9**
Cash flow from investing activities			
Acquisition of Group companies and business operations, net of cash acquired	-0,0	-0.3	-0.5
Capital expenditures	-13.3	-14.2	-59.1
Disposal of Group companies and business operations, net of cash disposed	-0,0	17.7	18.7
Sales of fixed assets	0.0	0.0	-0.3
Change in loan receivables	-0.4	0.3	-5.1
Net cash used in investing activities	**-13.7**	**3.5**	**-46.3**
Cash flow from financing activities			
Dividends paid	-	-	-53.7
Exercise of stock options	1.2	0.5	2.8
Payments of finance lease liabilities	-2.8	-0.6	-4.3
Change in interest-bearing liabilities	-3.6	-3.6	-62.7
Net cash used in financing activities	**-5.2**	**-3.7**	**-117.9**
Change in cash and cash equivalents	**22.3**	**68.6**	**-2.3**
Cash and cash equivalents at the beginning of period	86.7	95.8	95.8
Foreign exchange differences	2.0	0.0	-2.2
Assets classified as held for sale	-10.7	-1.5	-4.6
Change in cash and cash equivalents	22.3	68.6	-2.3
Cash and cash equivalents at the end of period	**100.3**	**162.9**	**86.7**

Statement of changes in shareholders' equity, EUR million

	Parent shareholders' equity								Non-controlling interest	Total equity
	Share capital	Share issue premiums and other reserves	Own shares	Translation differences	Cash flow hedges	Invested unrestricted equity reserve	Retained earnings	Total		
At 31 Dec 2011	**75.8**	**39.0**	**-11.6**	**19.6**	**-1.8**	**0.6**	**425.1**	**546.7**	**0.2**	**546.9**
Comprehensive income										
Net profit for the period							32.0	32.0	0.0	32.0
Other comprehensive income										
Actuarial loss on post employment benefit obligations (net of tax)							-12.5	-12.5		-12.5
Translation difference from net investment in subsidiaries (net of tax)							1.3	1.3		1.3
Translation difference		0.2		4.7			-2.7	2.2		2.2
Cash flow hedges					1.6			1.6		1.6
Total comprehensive income		**0.2**		**4.7**	**1.6**		**18.1**	**24.6**	**0.0**	**24.6**
Transactions with owners										
Share-based payments recognized against equity							0.8	0.8		0.8
Dividend							-53.6	-53.6		-53.6
Share subscriptions based on stock options		0.4				0.2		0.6		0.6
Non-controlling interest										0.0
Total transactions with owners		**0.4**				**0.2**	**-52.8**	**-52.2**	**0.0**	**-52.2**
At 31 Mar 2012	**75.8**	**39.6**	**-11.6**	**24.3**	**-0.2**	**0.8**	**390.4**	**519.1**	**0.2**	**519.3**

	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 2012	**75.9**	**41.4**	**1.2**	**-11.6**	**8.4**	**0.1**	**2.2**	**406.7**	**524.3**	**0.2**	**524.5**
Comprehensive income											
Net profit for the period								21.4	21.4	0.0	21.4
Other comprehensive income											
Actuarial loss on post employment benefit obligations (net of tax)								0.0	0.0		0.0
Translation difference		0.8			-1.7			3.3	2.4		2.4
Cash flow hedges						-0.7			-0.7		-0.7
Total comprehensive income		**0.8**			**-1.7**	**-0.7**		**24.7**	**23.1**	**0.0**	**23.1**
Transactions with owners											
Share-based payments recognized against equity								0.8	0.8		0.8
Dividend								-59.7	-59.7		-59.7
Share subscriptions based on stock options	0.1	1.1	-1.2				0.0		0.0		0.0
Non-controlling interest											0.0
Total transactions with owners	**0.1**	**1.1**	**-1.2**				**0.0**	**-58.9**	**-58.9**	**0.0**	**-58.9**
At 31 Mar 2013	**76.0**	**43.3**	**0.0**	**-11.6**	**6.7**	**-0.6**	**2.2**	**372.5**	**488.5**	**0.2**	**488.7**

Segment information

Customer sales by service line, EUR million

	2013 1–3	2012 1–3	Change %	2012 1–12
Managed Services	125	124	1	484
Consulting and System Integration	108	127	-15	500
Industry Products	126	130	-3	510
Product Development Services	86	86	1	331
Group total	**445**	**467**	**-5**	**1 825**

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

	2013 1–3	Change %	Share %	2012 1–3	Share %	2012 1–12
Finland	210	0	47	211	45	830
Sweden	143	-2	32	145	31	580
Other	92	-17	21	111	24	415
Group total	**445**	**-5**	**100**	**467**	**100**	**1 825**

Customer sales by industry group, EUR million

	2013 1–3	2012 1–3	Change %	2012 1–12
Financial Services	94	94	0	368
Manufacturing, Retail and Logistics	76	82	-7	322
Public, Healthcare and Welfare	114	112	1	439
Telecom, Media and Energy	74	93	-20	364
Product Development Services	86	86	1	331
Group total	**445**	**467**	**-5**	**1 825**

Customer sales to the telecom sector was EUR 126 (145) million during January–March.

Revenues derived from any single external customer during January–March do not exceed the 10% level of the total net sales of the Group (no excess either in 2012).

Operating profit (EBIT) by service line, EUR million

	2013 1–3	2012 1–3	Change %	2012 1–12
Managed Services	1.3	-2.5	150.7	6.4
Consulting and System Integration	3.8	12.7	-70.2	34.0
Industry Products	18.5	32.4	-43.0	65.2
Product Development Services	9.3	2.5	266.8	-24.9
Steering Functions and Global Management	-2.7	-3.0	8.9	-17.8
Operating profit (EBIT)	**30.1**	**42.1**	**-28.6**	**63.0**

Operating margin (EBIT) by service line, %

	2013 1–3	2012 1–3	Change	2012 1–12
Managed Services	1.0	-2.0	3.0	1.3
Consulting and System Integration	3.5	9.9	-6.5	6.8
Industry Products	14.6	24.9	-10.2	12.8
Product Development Services	10.8	3.0	7.8	-7.5
Operating margin (EBIT)	**6.8**	**9.0**	**-2.3**	**3.4**

The new operating model taken into use 2013 is steered based on project performance and direct costs are linked to the deliveries in the service lines. The calculation of operating margin percentages is based on only customer sales by service lines as the internal invoicing between the legal entities based on transfer pricing requirements is reported within Steering Functions and Global Management.

Operating profit (EBIT) excl. one-off items by service line, EUR million

	2013 1–3	2012 1–3	Change %	2012 1–12
Managed Services	0.9	-2.1	143.7	24.3
Consulting and System Integration	5.1	12.7	-59.9	56.1
Industry Products	18.6	17.1	9.2	62.5
Product Development Services	10.0	3.5	183.3	9.7
Steering Functions and Global Management	-2.7	-2.9	7.2	-13.8
Operating profit (EBIT)	**32.0**	**28.4**	**12.6**	**138.8**

Operating margin (EBIT) excl. one-off items by service line, %

	2013 1–3	2012 1–3	Change	2012 1–12
Managed Services	0.7	-1.7	2.4	5.0
Consulting and System Integration	4.7	10.0	-5.3	11.2
Industry Products	14.8	13.1	1.7	12.3
Product Development Services	11.6	4.1	7.4	2.9
Operating margin (EBIT)	**7.2**	**6.1**	**1.1**	**7.6**

Personnel by service line

	End of period					Average	
	2013	Change	Share	2012	2012	2013	2012
	1–3	%	%	1–3	1–12	1–3	1–3
Managed Services	3 145	-9	19	3 448	3 228	3 152	3 406
Consulting and System Integration	4 289	-11	26	4 800	4 104	4 297	4 786
Industry Products	3 560	-2	22	3 621	3 550	3 546	3 699
Product Development Services	4 113	-12	25	4 694	4 310	4 200	4 668
Service Lines total	**15 107**	**-9**	**92**	**16 564**	**15 192**	**15 195**	**16 559**
Industry Groups	430	-40	3	722	607	440	733
Steering Functions and Global Management	817	-2	5	835	738	792	847
Group total	**16 354**	**-10**	**100**	**18 121**	**16 537**	**16 426**	**18 139**

Personnel by country

	End of period					Average	
	2013	Change	Share	2012	2012	2013	2012
	1–3	%	%	1–3	1–12	1–3	1–3
Finland	5 275	-5	32	5 530	5 266	5 294	5 507
Sweden	2 846	-11	17	3 190	2 962	2 878	3 155
Czech Republic	1 913	-3	12	1 977	1 918	1 911	2 032
India	1 590	-4	10	1 656	1 523	1 570	1 662
China	1 104	-22	7	1 413	1 185	1 129	1 409
Poland	1 026	-14	6	1 195	1 084	1 042	1 193
Germany	638	-21	4	812	659	645	820
Latvia	648	3	4	627	638	643	616
Norway	438	-7	3	469	444	438	470
Philippines	183	395	1	37	165	179	28
Lithuania	133	-10	1	147	143	136	148
Other	560	-47	3	1 067	552	560	1 099
Group total	**16 354**	**-10**	**100**	**18 121**	**16 537**	**16 426**	**18 139**
Onshore countries	9 528	-11	58	10 744	9 658	9 584	10 792
Offshore countries	6 826	-7	42	7 377	6 879	6 842	7 347
Group total	**16 354**	**-10**	**100**	**18 121**	**16 537**	**16 426**	**18 139**

Non-current assets by country, EUR million

	2013 31 Mar	2012 31 Mar	Change %	2012 31 Dec
Finland	105.2	124.6	-16	111.3
Sweden	35.0	32.2	9	31.5
Other	12.0	17.5	-31	12.0
Total countries	**152.2**	**174.2**	**-13**	**154.8**
Non-current assets classified as held for sale	54.8	1.1	4 894	44.8
Total non-current assets	**207.0**	**175.3**	**18**	**199.6**

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

	2013 1–3	2012 1–3	Change %	2012 1–12
Managed Services	17.3	16.2	7	67.0
Consulting and System Integration	0.2	0.2	-3	1.0
Industry Products	0.3	0.2	13	1.1
Product Development Services	0.2	0.2	-15	0.9
Steering Functions and Global Management	2.4	2.4	-1	9.6
Group total	**20.2**	**19.2**	**5**	**79.7**

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

	2013 1–3	2012 1–3	Change %	2012 1–12
Managed Services	0.5	0.7	-24	2.6
Consulting and System Integration	0.2	0.2	2	0.6
Industry Products	0.2	0.5	-46	1.5
Product Development Services	0.1	0.2	-52	0.6
Steering Functions and Global Management	0.0	0.0	-	0.0
Group total	**1.0**	**1.5**	**-32**	**5.3**

Impairment losses by service line, EUR million

	2013 1–3	2012 1–3	Change %	2012 1–12
Managed Services	0.0	0.5	-100	1.0
Consulting and System Integration	0.0	0.0	-	11.5
Industry Products	0.0	0.0	-	6.5
Product Development Services	0.0	0.0	-	15.1
Steering Functions and Global Management	0.0	0.0	-	0.0
Group total	**0.0**	**0.5**	**-100**	**34.1**

Commitments and contingencies, EUR million

	31 Mar 2013	31 Dec 2012
For Tieto obligations		
Pledges	-	-
On behalf of joint ventures	-	-
Other Tieto obligations		
Rent commitments due in one year	53.3	53.6
Rent commitments due in 1-5 years	129.6	134.2
Rent commitments due after 5 years	14.9	19.4
Operating lease commitments due in one year	6.7	7.0
Operating lease commitments due in 1-5 years	5.9	6.8
Operating lease commitments due after 5 years	0.0	0.0
Other commitments		
Performance guarantees	43.7	42.8
Lease guarantees	10.9	10.4
Other	4.2	4.1

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.

	31 Mar 2013	31 Dec 2012
Foreign exchange forward contracts	253.7	250.2
Forward contracts outside hedge accounting	185.9	187.7
Forward contracts within hedge accounting	67.8	62.6
Electricity price futures contracts	2.0	2.0
Interest rate swap	200.0	200.0
Currency options	-	-

Fair values of derivatives

The net fair values of derivative financial instruments at the balance sheet date were:

	31 Mar 2013	31 Dec 2012
Foreign exchange forward contracts	-1.6	0.3
Electricity price futures contracts	-0.3	-0.3
Interest rate swaps	-0.2	-0.2
Currency options	-	-
Derivatives are used for economic hedging purposes only.		

Gross positive fair values of derivatives:	Positive 31 Mar 2013	Positive 31 Dec 2012
Foreign exchange forward contracts	0.9	1.6
Forward contracts outside hedge accounting	0.5	0.6
Forward contracts within hedge accounting *)	0.4	1.0
Electricity price futures contracts	-	-
Interest rate swaps	2.4	2.4
Currency options	-	-

Gross negative fair values of derivatives:	Negative 31 Mar 2013	Negative 31 Dec 2012
Foreign exchange forward contracts	-2.4	-1.3
Forward contracts outside hedge accounting	-1.6	-0.8
Forward contracts within hedge accounting *)	-0.8	-0.5
Electricity price futures contracts	-0.1	-0.3
Interest rate swaps	-2.6	-2.6
Currency options	-	-
*) Forward contracts within hedge accounting (net)	-0.4	0.5
The amount recognized in equity	-0.7	0.3
Net periodic interest rate difference recognized in interest income/expenses	0.2	0.3

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

Interest rate swaps are valued according to the present value of their cash flows, supported by all relevant market data.

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.

Fair value measurement of financial assets and liabilities

EUR million

31 Mar 2013	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss				
Derivatives	-	3.3	-	3.3
Available-for-sale investments	-	-	0.7	0.7
Financial liabilities at fair value through profit or loss				
Derivatives	-	5.1	-	5.1

EUR million

31 Dec 2012	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss				
Derivatives	-	4.0	-	4.0
Available-for-sale investments	-	-	0.7	0.7
Financial liabilities at fair value through profit or loss				
Derivatives	-	4.2	-	4.2

QUARTERLY FIGURES

Key figures

	2013 1–3	2012 10–12	2012 7–9	2012 4–6	2012 1–3
Earnings per share, EUR					
- basic	0.3	-0.26	0.32	-0.10	0.45
- diluted	0.3	-0.26	0.32	-0.10	0.45
Equity per share, EUR	6.8	7.30	7.62	7.18	7.27
Return on equity, 12-month rolling, %	3.7	5.5	11.2	11.7	15.4
Return on capital employed,12-month rolling, %	11.7	13.2	18.5	18.2	21.7
Equity ratio, %	42.8	46.9	47.9	43.4	42.4
Interest-bearing net debt, EUR million	6.9	23.9	59.0	80.0	11.7
Gearing, %	1.4	4.5	10.8	15.5	2.2
Investments, EUR million	17.3	19.3	15.6	13.6	14.4

Income statement, EUR million

	2013 1–3	2012 10–12	2012 7–9	2012 4–6	2012 1–3
Net sales	444.8	478.6	423.5	456.1	467.1
Other operating income	2.5	5.3	1.8	3.1	17.0
Employee benefit expenses	259.2	281.9	233.9	298.9	274.3
Depreciation, amortization and impairment charges	21.2	55.1	21.8	21.0	21.2
Other operating expenses	136.8	154.7	137.6	142.6	146.5
Operating profit (EBIT)	30.1	-7.8	32.0	-3.3	42.1
Financial income and expenses	-1.5	-1.2	-0.5	-2.1	-2.5
Profit before taxes	28.6	-9.0	31.5	-5.4	39.6
Income taxes	-7.2	-9.5	-8.8	-1.4	-7.6
Net profit for the period	**21.4**	**-18.5**	**22.7**	**-6.8**	**32.0**

Balance sheet, EUR million

	2013 31 Mar	2012 31 Dec	2012 30 Sep	2012 30 Jun	2012 31 Mar
Goodwill	394.2	391.6	423.3	416.6	415.3
Other intangible assets	51.4	55.5	61.8	67.3	72.4
Property, plant and equipment	100.8	99.3	99.7	99.2	101.8
Other non-current assets	37.0	37.6	58.8	55.8	54.0
Total non-current assets	*583.4*	*584.0*	*643.6*	*638.9*	*643.5*
Trade receivables and other current assets	486.1	464.1	492.5	514.6	480.2
Cash and cash equivalents	100.3	86.7	55.9	91.1	162.9
Total current assets	*586.4*	*550.8*	*548.4*	*605.7*	*643.1*
Assets classified as held for sale	54.8	44.8	18.5	17.8	25.6
Total assets	**1 224.6**	**1 179.6**	**1 210.5**	**1 262.4**	**1 312.2**
Total equity	*488.7*	*524.5*	*547.3*	*514.9*	*519.3*
Non-current loans	3.7	4.0	107.2	110.3	114.3
Other non-current liabilities	61.5	63.4	101.0	99.3	99.7
Total non-current liabilities	*65.2*	*67.4*	*208.2*	*209.6*	*214.0*
Trade payables and other current liabilities	478.7	382.6	387.2	416.0	477.7
Provisions	26.7	32.8	38.2	42.7	19.6
Current loans	114.3	116.8	16.1	65.3	65.1
Total current liabilities	*619.7*	*532.2*	*441.5*	*524.0*	*562.4*
Liabilities classified as held for sale	51.0	55.5	13.5	13.9	16.5
Total equity and liabilities	**1 224.6**	**1 179.6**	**1 210.5**	**1 262.4**	**1 312.2**

Cash flow, EUR million

	2013 1–3	2012 10–12	2012 7–9	2012 4–6	2012 1–3
Cash flow from operations					
Net profit	21.4	-18.5	22.7	-6.8	32.0
Adjustments	28.6	64.3	32.4	25.3	14.9
Change in net working capital	-1.1	27.0	-14.3	-18.0	16.8
Cash generated from operations	**48.9**	**72.8**	**40.8**	**0.5**	**63.7**
Net financial expenses paid	-3.0	-4.5	0.2	0.4	-1.3
Income taxes paid	-4.7	-7.7	-4.7	-4.7	6.4
Net cash flow from operations	**41.2**	**60.6**	**36.3**	**-3.8**	**68.8**
Net cash used in investing activities	**-13.7**	**-22.4**	**-15.8**	**-11.6**	**3.5**
Net cash used in financing activities	**-5.2**	**-2.7**	**-55.3**	**-56.2**	**-3.7**
Change in cash and cash equivalents	**22.3**	**35.5**	**-34.8**	**-71.6**	**68.6**
Cash and cash equivalents at the beginning of period	86.7	55.9	91.1	162.9	95.8
Foreign exchange differences	2.0	-1.2	-0.7	-0.3	0.0
Assets classified as held for sale	-10.7	-3.5	0.3	0.1	-1.5
Change in cash and cash equivalents	22.3	35.5	-34.8	-71.6	68.6
Cash and cash equivalents at the end of period	**100.3**	**86.7**	**55.9**	**91.1**	**162.9**

QUARTERLY FIGURES BY SEGMENTS

Customer sales by service line, EUR million

	2013 1–3	2012 10–12	2012 7–9	2012 4–6	2012 1–3
Managed Services	125	127	112	121	124
Consulting and System Integration	108	131	116	125	127
Industry Products	126	134	118	127	130
Product Development Services	86	87	77	83	86
Group total	**445**	**479**	**424**	**456**	**467**

Customer sales by industry group, EUR million

	2013 1–3	2012 10–12	2012 7–9	2012 4–6	2012 1–3
Financial Services	94	97	85	92	94
Manufacturing, Retail and Logistics	76	85	75	81	82
Public, Healthcare and Welfare	114	115	102	110	112
Telecom, Media and Energy	74	96	85	91	93
Product Development Services	86	87	77	83	86
Group total	**445**	**479**	**424**	**456**	**467**

Operating profit (EBIT) by service line, EUR million

	2013 1–3	2012 10–12	2012 7–9	2012 4–6	2012 1–3
Managed Services	1.3	5.1	7.5	-3.7	-2.5
Consulting and System Integration	3.8	4.5	13.0	3.9	12.7
Industry Products	18.5	11.4	13.0	8.4	32.4
Product Development Services	9.3	-23.9	0.4	-3.9	2.5
Steering Functions and Global Management	-2.7	-5.0	-1.8	-8.0	-3.0
Operating profit (EBIT)	**30.1**	**-7.8**	**32.0**	**-3.3**	**42.1**

Operating margin (EBIT) by service line, %

	2013 1–3	2012 10–12	2012 7–9	2012 4–6	2012 1–3
Managed Services	1.0	4.1	6.6	-3.1	-2.0
Consulting and System Integration	3.5	3.4	11.2	3.1	9.9
Industry Products	14.6	8.5	11.0	6.6	24.9
Product Development Services	10.8	-27.7	0.5	-4.7	3.0
Operating margin (EBIT)	**6.8**	**-1.7**	**7.6**	**-0.7**	**9.0**

Operating profit (EBIT) excl. one-off items by service line, EUR million

	2013 1–3	2012 10–12	2012 7–9	2012 4–6	2012 1–3
Managed Services	0.9	9.9	9.3	7.2	-2.1
Consulting and System Integration	5.1	18.5	13.6	11.3	12.7
Industry Products	18.6	18.6	14.2	12.6	17.1
Product Development Services	10.0	2.3	1.6	2.2	3.5
Steering Functions and Global Management	-2.7	-5.1	-1.2	-4.7	-2.9
Operating profit (EBIT)	**32.0**	**44.2**	**37.5**	**28.6**	**28.4**

Operating margin (EBIT) excl. one-off items by service line, %

	2013 1–3	2012 10–12	2012 7–9	2012 4–6	2012 1–3
Managed Services	0.7	7.8	8.3	5.9	-1.7
Consulting and System Integration	4.7	14.0	11.6	9.0	10.0
Industry Products	14.8	13.9	12.0	9.9	13.1
Product Development Services	11.6	2.7	2.1	2.6	4.1
Operating margin (EBIT)	**7.2**	**9.2**	**8.9**	**6.3**	**6.1**

Major shareholders on 31 March 2013

		Shares	%
1	Cevian Capital	11 073 614	15.3
2	Solidium Oy	7 415 418	10.2
3	Etera Mutual Pension Insurance Co.	3 000 000	4.1
4	Ilmarinen Mutual Pension Insurance Co.	2 452 862	3.4
5	OP-Pohjola Group Central Cooperative	2 259 575	3.1
6	Swedbank Robur fonder	2 070 705	2.9
7	Varma Mutual Pension Insurance Co.	1 543 488	2.1
8	The State Pension fund	823 000	1.1
9	Danske funds	685 410	0.9
10	Svenska Litteratursällskapet i Finland	641 345	0.9
		31 965 417	44.1
	Nominee registered	25 295 086	34.9
	Others	15 230 756	21.0
	Total	**72 492 559**	**100.0**

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

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Press conference for analysts and media will be held at Tieto's premises in Stockholm (address: Fjärde Bassängvägen 15) at 11.30 am EET (10.30 am CET, 9.30 am UK time). The results will be presented in English by Kimmo Alkio, President and CEO.

The conference will be **webcasted** and published live on Tieto's website www.tieto.com and there will be a possibility to present questions online. An on-demand video will be available after the conference.

Tieto publishes financial information in English, Finnish and Swedish. As from the first quarter of 2013, the full interim report with tables will be available only in English and Finnish.

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Founded 1968, headquartered in Helsinki, Finland and with approximately 17 000 experts, the company operates in over 20 countries with net sales of approximately EUR 1.8 billion. Tieto's shares are listed on NASDAQ OMX in Helsinki and Stockholm. Please visit www.tieto.com for more information.

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