

Q3 2016

Interim Report

January–September

Solid profitability – well positioned for future growth and competitiveness

- Modest growth – good order intake with significant contracts won towards the end of the quarter
- Operating structure aligned with the new strategy – temporary transition impact addressed
- Investments in automation and future high-growth businesses continued



tieto

Key figures for the third quarter

IT services

- Sales growth totalled 2.6%, sales in local currencies up by 3.1%
- Adjusted operating profit amounted to EUR 33.7 (36.8) million, 10.7% (12.0) of sales

The Group

- Sales growth totalled 1.6%, sales in local currencies up by 2.2%
- Adjusted operating profit amounted to EUR 35.4 (38.6) million, 10.4% (11.5) of sales
- Order intake (Total Contract Value) at EUR 406 (490) million, order backlog at EUR 1 722 (1 864) million – book-to-bill 1.2

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

	7–9/2016	7–9/2015	1–9/2016	1–9/2015
Net sales, EUR million	340.5	335.1	1 089.0	1 064.5
Change, %	1.6	-3.2	2.3	-4.9
Change in local currencies, %	2.2	-0.6	3.1	-2.4
Operating profit (EBITA), EUR million ¹⁾	38.6	44.5	105.9	87.9
Operating margin (EBITA), %	11.3	13.3	9.7	8.3
Operating profit (EBIT), EUR million	35.1	41.4	95.7	78.4
Operating margin (EBIT), %	10.3	12.4	8.8	7.4
Adjusted ²⁾ operating profit (EBIT), EUR million	35.4	38.6	102.7	99.4
Adjusted ²⁾ operating margin (EBIT), %	10.4	11.5	9.4	9.3
Profit after taxes, EUR million	27.3	29.6	73.0	56.1
EPS, EUR	0.37	0.40	0.99	0.76
Net cash flow from operations, EUR million	13.8	16.4	47.0	65.5
Return on equity, 12-month rolling, %	24.4	13.8	24.4	13.8
Return on capital employed, 12-month rolling, %	22.6	14.8	22.6	14.8
Capital expenditure and acquisitions, EUR million	53.3	81.8	74.5	104.0
Interest-bearing net debt, EUR million	136.4	57.7	136.4	57.7
Net debt/EBITDA	0.7	0.4	0.7	0.4
Book-to-bill	1.2	1.5	1.0	1.2
Order backlog	1 722	1 864	1 722	1 864
Personnel on 30 September	13 758	13 179	13 758	13 179

¹⁾ amortization of all intangible items; previously, only acquisition-related intangible items

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

Full-year outlook for 2016 unchanged

Tieto expects its adjusted¹⁾ full-year operating profit (EBIT) to increase from the previous year's level (EUR 150.8 million in 2015).

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 ended the third quarter with good order intake and solid profitability while growth was modest. The significant agreements won during the quarter well demonstrate our competitiveness and support our growth ambition.

Our aim is to help customers renew their business: to provide truly innovative services and to constantly increase operational efficiency. As part of our renewed strategy, we adopted a new operating structure in July. While we transitioned to a new operating model and experienced temporarily lower efficiency, I am pleased how swiftly this was addressed. We believe that the new strategy combined with targeted investments will accelerate our performance and help us achieve our long-term financial objectives. To further strengthen our position in the attractive financial services market, we are pleased to have completed the acquisition of Emric, the Nordic market leader in software and services for credit processing. We are happy to welcome our new colleagues to join Tieto to accelerate our customers' business renewal.

I believe that our existing investments, close co-innovation with our customers and continuous productivity improvements will provide us with a good basis for competitiveness and value creation in the future as well."

IT market development in 2016

- Ability to drive large transformation programmes and to support customers in the multivendor environment has become increasingly important.
- Digitalization is increasingly affecting all industries. Many clients already provide digitally enabled customer experiences but, consistency and integration of services are still at a low level overall.

The market Tieto operates in is estimated to grow by around 2% in 2016. Emerging services are estimated to experience double-digit growth while the decline in traditional services will continue. The Swedish market has remained active. In Finland, the challenging macroeconomic environment will continue to affect the IT services market.

Digitalization enabled by new technologies is increasingly affecting all industries and industrial processes. The majority of organizations are still in the early stages of their digital journey. Many clients already provide digitally enabled customer experiences but, consistency and integration of services are at a low level overall. With greater maturity, companies can provide innovative services and even remake the existing markets and create new ones. There is healthy demand for support to shape digital strategies for customers to ensure their position in the rapidly changing markets as well as to increase their operational efficiency. Customer experience has become one of the most important investment areas.

For IT partners, it is increasingly important to have strong industry and business insight, technology understanding and the ability to orchestrate new digital services for clients. In case of most Nordic organizations, maturity in integrating and managing their IT supplier ecosystem is still low. In line with the changing requirements, the SIAM (Service Integration and Management) trend is an accelerating. In the SIAM, IT vendors take extensive responsibility for integration of customers' service portfolios including private and public cloud. While it is a profound trend, a relatively small number of large organizations with several suppliers are using formalized SIAM, providing new opportunities for IT vendors.

Based on the number of people with access to the internet, the amount of data is increasing exponentially. Coupled with technologies such as the cloud, big data, Internet of Things and robotics, this will lead to a new data-centric ecosystem where individuals are provided with personalized, predictive experiences. New opportunities arise not only within industries but also in new ecosystems in the intersection of multiple industries, and consequently traditional industry boundaries will be blurred.

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

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

Industry sector drivers

- In the **financial services** sector, the market continues to be active with many large transformation programmes ongoing and planned. The market is mainly driven by customer experience management, service digitalization, process automation and regulation. There is growing interest in business process outsourcing and software as a

service delivered on secure cloud platforms, especially in the SME segment. The market for business and technology-based consulting continues to be good across all key countries. The market in the Finnish pension segment is active due to the pension legislation reform in 2017.

- In the **public** sector, the digitalization of services and processes will continue with a focus on cost reductions and citizen-centric services. There is also healthy demand for solutions such as digitalized learning and planning for the education segment. In Finland, Tieto is actively participating in the Government development programme in order to facilitate digitalization in the public sector. In Sweden, the outsourcing trend continues to be strong and there is robust demand for Tieto's cloud services. Demand for consultancy services remained strong in the quarter.
- In the **healthcare and welfare** sector, the digitalization trend will continue to support easier and faster access to healthcare for the citizens and anticipated lack of care workers. In Sweden and Norway, plans to further develop electronic health records are in progress. In Finland, it is anticipated that the modernization of the hospital resource planning system outside the capital area will enter the tendering phase in 2016. These plans provide growth opportunities for 2017 while in the short term, only necessary investments are being started.
- In the **manufacturing and forest** sector, there is a strong digitalization trend and clients are seeking new business and service models to ensure steady revenues, often based on Industry 4.0/Internet of Things. The market for consulting and business transformation is active. At the same time, only projects with high business value are initiated and clients seek cost savings and automation in traditional IT services. The core process renewals for improved efficiency are moving towards cloud-enabled ERP solutions.
- In the **retail and logistics** sector, enterprises are investing in more advanced solutions to be able to provide a unified customer experience in all interaction across different touchpoints. In addition to consultancy and implementation capabilities to renew eCommerce channels, demand for improving tools for service personnel has remained good. Along with the omnichannel transformation, enterprises need to tightly integrate their customer interface solutions with their core supply chain solutions. In addition B2B enterprises are expanding from transactional digital services to enhanced user experience.
- In the **energy** utility sector, differentiation in the current competitive environment is increasingly based on improved customer interaction. As a result, there is interest in investing in customer experience management. In the oil & gas market, investment levels have remained low and customers are requesting price reductions in continuous services as well.
- The **media** sector is undergoing a huge change with increased deployment of digital services. Advertising is one of the main sources for revenue and related solutions call for renewal. While there are opportunities related to renewal and automation of sales processes, price pressure is high as many companies need to reduce costs.
- In the **telecom** sector, IT transformation programmes are driven by the need to simplify legacy systems and cut costs as well as by the potential to create additional business value. Telecom operators are moving from customized solutions to sourcing of standardized packaged solutions. IT service providers are experiencing aggressive competition in this sector.

New strategy and implementation

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

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

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

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

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

New operating structure

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

Industry groups

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

Service lines

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

Growth businesses

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

Tieto drives scale and repeatability through investments in software businesses, with start-up businesses providing exponential growth. Industry solutions based on leading industry-specific software products, system integration capabilities and partnerships form the basis for Tieto's differentiation. Additionally, the company will continue to invest in standardization and automation to drive constant improvements in productivity and quality.

Growth will be based on a strong solution foundation built on a dynamic portfolio, starting with around ten solutions proven in current markets, including the following high-growth businesses:

- Lifecare, Tieto's solution for the healthcare and welfare sector
- Cloud services
- Customer Experience Management
- Industrial Internet as the basis for data-driven businesses and
- Security services.

In the first nine months, aggregated sales of these businesses amounted to around EUR 243 million and growth totalled 20%. In the third quarter, cloud services continued to be the strongest area with year-on-year growth of 29%. Security services saw growth of 18%. Growth was supported by enhanced offering portfolio while investments in new offerings to combat cyberthreats continue. In Customer Experience Management (CEM), new Industrial Experience and Integrated Marketing offerings have been well received. CEM posted growth of over 40%, supported by the acquisition of Smilehouse. Lifecare's growth was 4%.

Data-driven businesses have started to generate and deploy data-driven ideas together with customers and the Nordic start-up ecosystem. The business currently employes around twenty talents and the focus is on building the innovation and incubation pipeline with a view to bringing a few of cases into commercialization mode by the turn of the year.

Additionally, the portfolio includes industry solutions targeted at Nordic markets such as

- Banking (Financial Services)
- SmartUtility (Energy)
- Case management solution (Public sector)
as well as spearhead solutions driving international expansion
- Payments (Financial Services)
- Production Excellence (Manufacturing) and
- Hydrocarbon Accounting (Oil & Gas)

High-growth services and solutions, including both current and new focus businesses, currently represent in total around one third and traditional infrastructure and application management services around half of Tieto's IT services sales. The rest is accounted for by integration and other services.

Performance drivers in 2016

To execute its strategy, the company has continued its investments in high-growth businesses. To support Tieto's ambition to be customers' first choice for business renewal, the company adopted a new operating structure in July 2016. The transition to the new structure was reflected in third-quarter performance. Tieto estimates that the transition impact on profit was a few million euros, reflected mainly in a lower level of add-on sales and increased business expenses.

In IT services, Tieto aims to grow faster than the market in 2016. In the nine-month period, sales grew by 5%, organically 2%. After a temporary slow down in the third quarter with modest organic growth, several significant agreements were won towards the end of the period, supporting Tieto's longer-term growth ambitions.

In 2015, Tieto completed three acquisitions that will also affect sales in 2016. The sales for the acquired companies amounted to a total of EUR 57 million in 2015, of which EUR 17 million was visible in 2015. In September, Tieto signed an agreement to acquire Emric, the Nordic market leader in software and services for credit processing. The acquisition will strengthen Tieto's position as a business renewal partner for Nordic financial services customers. Tieto expects the transaction to contribute to the company's ambition to accelerate its scalable software business and to be accretive to the company's growth and profit targets as from 2017. In 2015, Emric's net sales amounted to around EUR 20 million.

In addition to sales growth, performance drivers in 2016 include

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

Investments in high-growth businesses and automation are expected to support profit improvement in the mid term while resulting in short-term pressure on the margin. The company continues to drive productivity through continued automation and to renew and strengthen its service portfolio and competencies. Recruitments of new talent within growth areas include software developers, technical specialists, service desk specialists, ERP specialists and solution consultants. During the first nine months, Tieto added around 650 new competences in IT services while reductions based on the automation programme in 2015 amounted to around 100. Personnel costs related to recruitments during the year, driving mid- and long-term growth for Tieto, resulted in an increase of around EUR 18 million in aggregated personnel expenses in the nine-month period. In the third quarter, the increase amounted to EUR 9 million in support of growth businesses. Additionally, related competence development costs were on the rise.

During 2016, the reductions related to the automation programme announced in 2015 are anticipated to result in gross savings of close to EUR 30 million, of which around EUR 25 million materialized in the first nine months. Tieto will continue to drive efficiency through adjustments in line with continuing automation via self-service channels. In the nine-month period, restructuring costs amounted to EUR 7.0 million. Tieto expects the full-year restructuring costs to be less than 1% of sales in 2016 while restructuring is anticipated to increase in 2017 from the low levels of 2016.

Tieto has continued to increase its investments in offering development in promising growth areas during the year with a special focus on software-based industry solutions. Offering development costs are anticipated to increase from 2015 while remaining below 5% of Group sales in 2016. In 2015, offering development costs totalled 4.1% of sales. In the nine-month period, development costs were up by around EUR 9 million. Capital expenditure (CAPEX) is anticipated to remain below 4% of Group sales.

Financial performance in July–September

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

Third-quarter net sales increased by 1.6% to EUR 340.5 (335.1) million, growth of 2.2% in local currencies. In IT services, net sales were up by 2.6%, in local currencies up by 3.1%. In Product Development Services, sales were down by 9.0%. The acquisitions added EUR 11 million in sales, affecting Industry Solutions (EUR 8 million) and Business Consulting and Implementation (EUR 3 million). Divestments implemented in 2015 had a negative impact of EUR 2 million, affecting Industry Solutions. Currency fluctuations had a negative impact of EUR 2 million on sales, mainly due to the weaker Swedish Krona.

The transition to the new structure was reflected in third-quarter performance. Tieto estimates that the transition impact on profit was a few million euros, reflected mainly in a lower level of add-on sales and increased business expenses.

Third-quarter operating profit (EBIT) amounted to EUR 35.1 (41.4) million, representing a margin of 10.3% (12.4). Operating profit included EUR 1.6 million in restructuring costs and EUR 1.3 million in gains from M&A related adjustments of contingent considerations. Adjusted¹⁾ operating profit stood at EUR 35.4 (38.6) million, or 10.4% (11.5) of net sales. For IT services, adjusted operating profit was down to EUR 33.7 (36.8) million mainly due to the decline in Industry Solutions affected by investments in future growth. Additionally, debt restructuring of one customer had a negative impact of EUR 0.9 million on operating profit.

Cost savings, related to the automation and industrialization programme in Technology Services and Modernization, had a positive effect of around EUR 5 million on IT services' operating profit compared with the third quarter of 2015 while the positive impact of gross savings was curbed by salary inflation of around EUR 4 million and a EUR 3 million increase in offering development. Currency changes had a negative impact of less than EUR 1 million on operating profit. The negative effect was mainly attributable to the Swedish Krona.

Depreciation and amortization amounted to EUR 13.6 (14.0) million. Net financial expenses stood at EUR 1.0 (1.9) million in the third quarter. Net interest expenses were EUR 0.6 (0.3) million and net losses from foreign exchange transactions EUR 0.2 (1.5) million. Other financial income and expenses amounted to EUR -0.2 (-0.1) million.

Earnings per share (EPS) totalled EUR 0.37 (0.40). Adjusted¹⁾ earnings per share amounted to EUR 0.38 (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 7–9/2016	Customer sales 7–9/2015	Change, %	Operating profit 7–9/2016	Operating profit 7–9/2015
Technology Services and Modernization	179	177	1	24.2	22.9
Business Consulting and Implementation	30	28	5	-0.2	-0.5
Industry Solutions	106	101	4	13.0	22.7
Product Development Services	26	29	-9	1.7	0.6
Support Functions and Global Management				-3.5	-4.3
Total	341	335	2	35.1	41.4

Operating margin by service line

%	Operating margin 7–9/2016	Operating margin 7–9/2015	Adjusted ¹⁾ operating margin 7–9/2016	Adjusted ¹⁾ operating margin 7–9/2015
Technology Services and Modernization	13.5	12.9	13.4	13.2
Business Consulting and Implementation	-0.6	-1.6	-4.9	-0.1
Industry Solutions	12.3	22.3	12.5	16.4
Product Development Services	6.4	2.1	6.5	6.2
Total	10.3	12.4	10.4	11.5

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

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

In [Technology Services and Modernization](#), sales of cloud services were up by 29% compared with the corresponding quarter in 2015 and represented 22% of infrastructure services sales. Additionally, shared, standardized workspace services posted strong growth. At the same time, the market for traditional infrastructure and application services continued to decline. Automation and recruitments in offshore centres continued, reflecting the shift from traditional services to emerging services. Adjusted operating profit was slightly up. The savings related to the automation programme, completed in 2015, were partly offset by the negative impact of price reductions in some agreements. Additionally, debt restructuring of one customer had a negative impact of EUR 0.9 million on operating profit. Operating margin in the third quarter was seasonally strongest and fourth-quarter margin is expected to be at or above the first-half level.

In [Business Consulting and Implementation](#), sales growth of 5% is supported by the acquisition of Smilehouse and Imano. Organically, sales were down due to some delays in decision making, affecting mainly the Enterprise Applications area. Demand remained strongest in Customer Experience Management and consulting services. The third quarter is seasonally weak and additionally, operating profit weakened due to high free capacity in the Enterprise Applications area and investments in growth areas. Significant agreements were won during the quarter and clear improvement is expected for the fourth quarter. Revenue and operating margin is anticipated to exceed the level of the corresponding quarter in 2015.

In [Industry Solutions](#), sales growth of 4% was driven by the acquisition of Software Innovation and Emeric. In the Public, Healthcare and Welfare segment, underlying good growth continued and organically sales were up by 6%. Growth was

affected by unfavourable timing of licence sales. Healthcare and Welfare solutions (Lifecare) posted growth of 4% in local currencies and experienced lower level of licence sales due to some slipping to the fourth quarter. In Financial Services, comparison number was exceptionally high as the third quarter of 2015 included around EUR 2 million in advance licence sales, typically coming in the fourth quarter. In the oil and gas segment, market conditions remained challenging. Operating profit was down due to investments in growth businesses, including an increase of close to EUR 3 million in offering development costs as well as recruitments during the year and the related competence development. The fourth quarter is expected to be seasonally strong with healthy revenue growth and profit margin at or above the level of the corresponding quarter in 2015.

In **Product Development Services (PDS)**, the business with largest key customers remained stable and Tieto has won new agreements in new growing areas. The decline in sales compared with the third quarter of 2015 was mainly due to a few anticipated end-of-life projects. Third-quarter adjusted operating margin was somewhat up due to improved efficiency while profitability was seasonally lower and affected by anticipated project ramp-ups. Sales are anticipated to stabilize and performance is expected to follow the previous year's trend.

Customer sales by industry group

EUR million	Customer sales 7–9/2016	Customer sales 7–9/2015	Change, %
Financial Services	88	83	6
Public, Healthcare and Welfare	106	98	8
Industrial and Consumer Services	121	126	-4
IT services	315	306	3
Product Development Services	26	29	-9
Total	341	335	2

In **Financial Services**, new projects driving IT efficiency and digital services, especially in Finland, were the main contributor to growth in the third quarter. Additionally, the acquisition of Emric had a positive impact of EUR 2 million on sales. For industry solutions, comparison number was exceptionally high as the third quarter of 2015 included around EUR 2 million in advance licence sales, typically coming in the fourth quarter.

In **Public, Healthcare and Welfare**, sales were up by 8%, supported by the acquisition of Software Innovation. Growth was strongest in industry-specific solutions, which posted growth of around 19%, or 6% in organic terms. Additionally, transition projects in infrastructure services in Finland contributed to growth.

In **Industrial and Consumer Services**, sales were down due to lower project business volumes for one customer in the telecom sector and the expiry of one outsourcing contract in the media sector. Positive development in the energy utilities and manufacturing segments continued.

M&A impact in July–September

In IT services, third-quarter organic growth in local currencies was 0.1%. At Group level, third-quarter sales in local currencies were organically down by 0.6%. The acquisitions added EUR 11 million in sales, affecting Industry Solutions (EUR 8 million) and Business Consulting and Implementation (EUR 3 million). Divestments implemented in 2015 had a negative impact of EUR 2 million, affecting Industry Solutions.

M&A impact by service line

	Growth, % (in local currencies) 7–9/2016	Organic growth, % (in local currencies) 7–9/2016
Technology Services and Modernization	1.3	1.3
Business Consulting and Implementation	5.4	-6.2
Industry Solutions	5.0	-1.0
IT services	3.1	0.1
Product Development Services	-7.9	-7.9
Total	2.2	-0.6

M&A impact by industry group

	Growth, % (in local currencies) 7–9/2016	Organic growth, % (in local currencies) 7–9/2016
Financial Services	6.8	4.7
Public, Healthcare and Welfare	8.1	3.5
Industrial and Consumer Services	-3.5	-6.0
IT services	3.1	0.1
Product Development Services	-7.9	-7.9
Total	2.2	-0.6

Financial performance in January–September

Nine-month net sales increased by 2.3% to EUR 1 089.0 (1 064.5) million, growth of 3.1% in local currencies. In IT services, net sales were up by 5.0%, in local currencies up by 5.9%. In Product Development Services, sales were down by 20.6%. The acquisitions added EUR 43 million in sales, affecting Industry Solutions (EUR 29 million) and Business Consulting and Implementation (EUR 14 million). Divestments implemented in 2015 had a negative impact of EUR 5 million. Currency fluctuations had a negative impact of EUR 9 million on sales, mainly due to the weaker Norwegian Krona.

Nine-month operating profit (EBIT) amounted to EUR 95.7 (78.4) million, representing a margin of 8.8% (7.4). Operating profit included EUR 7.0 million in restructuring costs, EUR 0.2 million in capital loss, EUR 1.3 million gain from M&A related adjustments of contingent considerations and a EUR -1.1 million correction to Russian value added tax from previous years. Adjusted¹⁾ operating profit stood at EUR 102.7 (99.4) million, or 9.4% (9.3) of net sales. For IT services, adjusted operating profit rose to EUR 95.2 (87.9) million, mainly due to the automation and industrialization programme in Technology Services and Modernization.

Cost savings, mainly related to the automation programme and industrialization of application management services, had a positive effect of around EUR 25 million on IT services' operating profit compared with the corresponding period in 2015 while the positive impact of gross savings was curbed by salary inflation of around EUR 14 million, recruitments in new service areas and the increase of EUR 9 million in offering development costs. Currency changes had a negative impact of EUR 2 million on operating profit. The negative effect was mainly attributable to the Norwegian Krona.

Depreciation and amortization amounted to EUR 40.0 (42.9) million. Net financial expenses stood at EUR 3.2 (4.9) million in the nine-month period. Net interest expenses were EUR 1.6 (1.6) million and net losses from foreign exchange transactions EUR 1.0 (2.2) million. Other financial income and expenses amounted to EUR -0.6 (-1.1) million.

Earnings per share (EPS) totalled EUR 0.99 (0.76). Adjusted¹⁾ earnings per share amounted to EUR 1.07 (1.00).

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

Financial performance by service line

EUR million	Customer sales 1–9/2016	Customer sales 1–9/2015	Change, %	Operating profit 1–9/2016	Operating profit 1–9/2015
Technology Services and Modernization	565	559	1	62.8	35.2
Business Consulting and Implementation	101	90	12	2.1	0.3
Industry Solutions	336	307	10	35.5	44.5
Product Development Services	86	109	-21	7.6	12.9
Support Functions and Global Management				-12.3	-14.5
Total	1 089	1 065	2	95.7	78.4

Operating margin by service line

%	Operating margin 1–9/2016	Operating margin 1–9/2015	Adjusted ¹⁾ operating margin 1–9/2016	Adjusted ¹⁾ operating margin 1–9/2015
Technology Services and Modernization	11.1	6.3	11.4	10.3
Business Consulting and Implementation	2.1	0.3	1.0	1.2
Industry Solutions	10.6	14.5	11.2	13.0
Product Development Services	8.8	11.7	8.7	10.6
Total	8.8	7.4	9.4	9.3

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

Customer sales by industry group

EUR million	Customer sales 1–9/2016	Customer sales 1–9/2015	Change, %
Financial Services	269	255	6
Public, Healthcare and Welfare	344	306	12
Industrial and Consumer Services	391	396	-1
IT services	1 003	956	5
Product Development Services	86	109	-21
Total	1 089	1 065	2

M&A impact by service line

	Growth, % (in local currencies) 1–9/2016	Organic growth, % (in local currencies) 1–9/2016
Technology Services and Modernization	1.3	1.3
Business Consulting and Implementation	12.5	-3.4
Industry Solutions	11.9	4.0
IT services	5.9	2.0
Product Development Services	-20.6	-20.6
Total	3.1	-0.3

M&A impact by industry group

	Growth, % (in local currencies) 1–9/2016	Organic growth, % (in local currencies) 1–9/2016
Financial Services	5.9	5.8
Public, Healthcare and Welfare	13.1	5.2
Industrial and Consumer Services	-0.7	-3.9
IT services	5.9	2.0
Product Development Services	-20.6	-20.6
Total	3.1	-0.3

Cash flow, financing and investments

Third-quarter net cash flow from operations amounted to EUR 13.8 (16.4) million, including the increase of EUR 26.5 (26.7) million in net working capital. The increase in net working capital is mainly attributable to the change in vacation payment accruals. Net working capital is typically impacted by vacation payments in the third quarter. Payments for restructuring amounted to EUR 3.4 (10.6) million.

Nine-month net cash flow from operations amounted to EUR 47.0 (65.5) million, including the increase of EUR 56.0 (30.0) million in net working capital.

Tax payments were EUR 28.7 (16.1) million in the nine-month period. In January 2016, Tieto paid EUR 6.0 million based on the transfer pricing audit for tax years 2009–2013 in Finland. The decision has been appealed.

Nine-month capital expenditure totalled EUR 37.2 (37.4) million, of which paid EUR 37.4 (30.8) million. Capital expenditure represented 3.4% (3.5) of net sales and was mainly related to data centres. Net payments for acquisitions totalled EUR 32.2 (62.9) million.

The equity ratio was 44.4% (44.3). Gearing increased to 30.6% (13.3). Interest-bearing net debt totalled EUR 136.4 (57.7) million, including EUR 209.1 (176.5) million in interest-bearing debt, EUR 5.8 (6.8) million in finance lease liabilities, EUR 6.5 (9.1) million in finance lease receivables, EUR 0.3 (0.6) million in other interest-bearing receivables and EUR 71.7 (115.9) million in cash and cash equivalents.

The EUR 100 million bond matures in May 2019 and it carries a coupon of fixed annual interest of 2.875%. Interest-bearing long-term loans amounted to EUR 104.1 million at the end of September. Interest-bearing short-term loans amounted to EUR 110.8 million, mainly related to commercial papers and joint venture cash pool balances. The syndicated revolving credit facility of EUR 150 million maturing in May 2020 was not in use at the end of September.

Order backlog

Total Contract Value (TCV) amounted to EUR 406 (490) million in third quarter. The third quarter of 2015 included an exceptionally large contract renewal. Third-quarter book-to-bill stood at 1.2 (1.5). 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 1 059 (1 261) million. Nine-month book-to-bill stood at 1.0 (1.2).

The order backlog amounted to EUR 1 722 (1 864) million. Of the backlog, less than 21% (18) is expected to be invoiced during the current year.

Major agreements and business transactions in January–September

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

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

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

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

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

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

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

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

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

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

In August, Tieto and Folksam signed a prolongation to the existing agreement, including an optional year, regarding Application Operations. The prolongation has a term of one year and a total value of approximately SEK 100 million.

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

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

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

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

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

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

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

Personnel

The number of full-time employees amounted to 13 758 (13 179) at the end of September. The number of full-time employees in the global delivery centres totalled 6 520 (6 042), or 47.4% (45.8) of all personnel.

In the nine-month period, the number of full-time employees rose by a net amount of close to 600. In PDS, the number of personnel decreased by around 150. In IT services, acquisitions added close to 200 employees, recruitments increased the number of personnel by a net of around 650 and reductions amounted to around 100.

The 12-month rolling employee turnover stood at 10.3% (10.1) at the end of September.

Salary inflation is expected to remain at around 3% on average in 2016. In offshore countries, salary inflation is clearly above the average.

Shareholders' Nomination Board

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

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

Shares and share-based incentives

The number of Tieto shares amounted to 74 109 252 at the end of September. There were no changes in the number of Tieto's own shares during the third quarter. On 30 September, Tieto's holding amounted to a total of 411 682 own shares, representing 0.6% of the total number of shares and voting rights.

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

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.

Slow growth in Europe might lead to weakness in the IT services market as well. The company's development is relatively sensitive to changes in the demand from large customers as Tieto's top 10 customers currently account for 30% of its net sales. However, the share has decreased by several percentage points during the past years.

The major transformation of the IT industry may result in continuous actions to renew competences. This change coupled with the offshoring trend may drive continued restructuring within companies as well as the need to recruit new competences. That may lead to temporarily overlapping personnel costs and uncertainty among personnel.

As is typical of the industry, the large size of individual deals may have a strong effect on growth. The ambition to drive business renewal for customers also poses a risk of lower prices in existing services while it also is anticipated to expand sales opportunities for Tieto. At the same time, new 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.

The risks related to Russia are limited as the share of sales in Russia is less than 1%. Brexit is anticipated to have marginal impact on Tieto, primarily in Financial Services.

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

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

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

Full-year outlook for 2016 unchanged

Tieto expects its adjusted¹⁾ full-year operating profit (EBIT) to increase from the previous year's level (EUR 150.8 million in 2015).

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

Auditing

The figures in this report are unaudited.

Financial calendar 2017

2 February	Interim report 4/2016 and financial statements release for 2016 (8.00 am EET)
By 1 March	Annual Report 2016 on Tieto's website
23 March	Annual General Meeting

Tieto will publish three interim reports in 2017:

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

Accounting policies 2016

The interim report has been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the EU. The accounting policies adopted are consistent with those used in the annual financial statements for the year ended on 31 December 2015. The accounting policies are described in more detail in the annual financial statements. The standards, amendments and interpretations effective on 1 January 2016 are not material to the Group.

Reported alternative performance measures

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

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

Adjusted operating profit (EBIT)

EUR million	2016 7-9	2015 7-9	2016 4-6	2016 1-3	2016 1-9	2015 1-9	2015 1-12
Operating profit (EBIT)	35.1	41.4	32.3	28.3	95.7	78.4	125.2
+ restructuring costs	1.6	2.8	2.2	3.2	7.0	25.2	29.6
+ impairment losses	-	-	-	-	-	-	-
- capital gains	-	-6.1	-	-	-	-6.1	-6.1
+ capital losses	-	-	0.2	-	0.2	-	-
+/- M&A related items	-1.3	0.5	-	-	-1.3	0.8	1.0
+/- other	-	-	1.1 *)	-	1.1 *)	1.1 **)	1.1 **)
Adjusted operating profit (EBIT)	35.4	38.6	35.8	31.5	102.7	99.4	150.8

*) Value added tax correction from previous years EUR -1.1 million in Russia

**) of which costs of EUR 1.1 million related to restructuring of subcontractor agreement

Key figures

	2016 7-9	2015 7-9	2016 4-6	2016 1-3	2016 1-9	2015 1-9	2015 1-12
Earnings per share, EUR							
Basic	0.37	0.40	0.33	0.29	0.99	0.76	1.23
Diluted	0.37	0.40	0.33	0.29	0.99	0.76	1.23
Equity per share, EUR	6.05	5.90	5.67	5.46	6.05	5.90	6.57
Return on equity, 12-month rolling, %	24.4	13.8	26.2	25.7	24.4	13.8	19.0
Return on capital employed, 12-month rolling, %	22.6	14.8	25.9	27.2	22.6	14.8	20.4
Equity ratio, %	44.4	44.3	42.2	38.9	44.4	44.3	46.2
Interest-bearing net debt, EUR million	136.4	57.7	103.3	-21.3	136.4	57.7	13.2
Gearing, %	30.6	13.3	24.7	-5.3	30.6	13.3	2.7
Capital expenditure and acquisitions, EUR million	53.3	81.8	11.8	9.4	74.5	104.0	136.7

Number of shares

	2016 7–9	2016 4–6	2016 1–3	2016 1–9	2015 1–9	2015 1–12
Outstanding shares, end of period						
Basic	73 697 570	73 697 570	73 601 411	73 697 570	73 530 002	73 544 869
Diluted	73 697 570	73 697 570	73 664 930	73 697 570	73 602 176	73 611 908
Outstanding shares, average						
Basic	73 697 570	73 684 890	73 560 885	73 647 963	73 389 635	73 426 563
Diluted	73 697 570	73 693 262	73 625 716	73 672 275	73 535 477	73 553 478
Company's possession of its own shares						
End of period	411 682	411 682	411 682	411 682	465 084	465 084
Average	411 682	411 682	451 587	424 935	473 181	471 140

Income statement, EUR million

	2016 7-9	2015 7-9	2016 1-9	2015 1-9	Change %	2015 1-12
Net sales	340.5	335.1	1 089.0	1 064.5	2	1 460.1
Other operating income	5.2	10.2	12.2	20.0	-39	30.5
Employee benefit expenses	-183.1	-174.4	-610.9	-611.7	0	-828.3
Depreciation, amortization and impairment charges	-13.6	-14.0	-40.0	-42.9	-7	-56.6
Other operating expenses	-114.7	-116.3	-356.7	-354.6	1	-484.7
Share of profit from investments accounted for using the equity method	0.8	0.8	2.1	3.1	-32	4.2
Operating profit (EBIT)	35.1	41.4	95.7	78.4	22	125.2
Interest and other financial income	0.5	0.7	1.7	1.6	6	1.9
Interest and other financial expenses	-1.3	-1.1	-3.9	-4.3	-9	-5.4
Net exchange gains/losses	-0.2	-1.5	-1.0	-2.2	-55	-2.4
Profit before taxes	34.1	39.5	92.5	73.5	26	119.3
Income taxes	-6.8	-9.9	-19.5	-17.4	12	-28.8
Net profit for the period	27.3	29.6	73.0	56.1	30	90.5
Net profit for the period attributable to						
Shareholders of the Parent company	27.3	29.6	73.0	56.1	30	90.5
Non-controlling interest	0.0	0.0	0.0	0.0	-	0.0
	27.3	29.6	73.0	56.1	30	90.5
Earnings per share attributable to the shareholders of the Parent company, EUR						
Basic	0.37	0.40	0.99	0.76	30	1.23
Diluted	0.37	0.40	0.99	0.76	30	1.23
Statement of comprehensive income, EUR million						
Net profit for the period	27.3	29.6	73.0	56.1	30	90.5
Items that may be reclassified subsequently to profit or loss						
Translation differences	0.2	-12.0	-4.2	-2.2	-	2.3
Cash flow hedges (net of tax)	0.0	-0.0	-0.2	0.6	-133	0.5
Items that will not be reclassified subsequently to profit or loss						
Actuarial gain/loss on post-employment benefit obligations (net of tax)	0.1	-2.4	-7.5	-0.5	-	9.5
Total comprehensive income	27.6	15.2	61.1	54.0	13	102.8
Total comprehensive income attributable to						
Shareholders of the Parent company	27.6	15.2	61.1	54.0	13	102.8
Non-controlling interest	0.0	0.0	0.0	0.0	-	0.0
	27.6	15.2	61.1	54.0	13	102.8

Balance sheet, EUR million

	2016 30 Sep	2015 30 Sep	Change %	2015 31 Dec
Goodwill	414.0	362.9	14	384.9
Other intangible assets	50.0	45.8	9	41.0
Property, plant and equipment	79.7	81.8	-3	83.0
Investments accounted for using the equity method	15.4	16.0	-4	17.2
Deferred tax assets	33.4	35.6	-6	31.6
Finance lease receivables	3.0	5.1	-41	4.6
Other interest-bearing receivables	0.0	0.2	-100	0.1
Available-for-sale financial assets	0.7	0.7	0	0.7
Total non-current assets	596.2	548.1	9	563.1
Trade and other receivables	369.4	354.1	4	353.9
Pension benefit assets	0.9	-	-	6.6
Finance lease receivables	3.6	4.0	-10	3.5
Other interest-bearing receivables	0.3	0.4	-25	0.4
Current income tax receivables	15.4	6.0	157	2.6
Cash and cash equivalents	71.7	115.9	-38	156.2
Total current assets	461.3	480.4	-4	523.2
Total assets	1 057.5	1 028.5	3	1 086.3
Share capital, share issue premiums and other reserves	119.9	120.5	0	121.2
Share issue based on stock options	-	-	-	0.0
Retained earnings	326.3	312.9	4	361.6
Parent shareholders' equity	446.2	433.4	3	482.8
Non-controlling interest	-	0.1	-	0.1
Total equity	446.2	433.5	3	482.9
Loans	104.1	105.9	-2	105.0
Deferred tax liabilities	30.8	26.7	15	28.7
Provisions	6.4	12.8	-50	6.1
Pension obligations	18.8	23.5	-20	16.7
Other non-current liabilities	0.4	1.6	-75	1.5
Total non-current liabilities	160.5	170.5	-6	158.0
Trade and other payables	319.2	307.7	4	334.6
Current income tax liabilities	11.7	15.2	-23	14.9
Provisions	9.1	24.3	-63	22.9
Loans	110.8	77.3	43	73.0
Total current liabilities	450.8	424.5	6	445.4
Total equity and liabilities	1 057.5	1 028.5	3	1 086.3

Net working capital in the balance sheet, EUR million

	2016 30 Sep	2015 30 Sep	Change %	2016 30 Jun	2016 31 Mar	2015 31 Dec
Accounts receivable	246.9	245.2	1	265.8	267.9	255.4
Other working capital receivables	122.2	108.2	13	117.8	117.8	98.3
Working capital receivables included in assets	369.1	353.4	4	383.6	385.7	353.7
Accounts payable	73.5	76.9	-4	88.8	86.5	78.7
Personnel related accruals	125.5	120.0	5	144.9	159.8	143.4
Provisions	15.5	37.1	-58	18.7	24.4	29.0
Other working capital liabilities	109.1	110.5	-1	111.0	135.4	105.0
Working capital liabilities included in liabilities	323.6	344.5	-6	363.4	406.1	356.1
Net working capital in the balance sheet	45.5	8.9	411	20.2	-20.4	-2.4

Cash flow, EUR million

	2016 7–9	2015 7–9	2016 4–6	2016 1–3	2016 1–9	2015 1–9	2015 1–12
Cash flow from operations							
Net profit	27.3	29.6	24.2	21.5	73.0	56.1	90.5
Adjustments							
Depreciation, amortization and impairment charges	13.6	14.0	13.1	13.3	40.0	42.9	56.6
Share-based payments	0.6	0.3	-0.2	0.7	1.1	0.7	1.0
Profit/loss on sale of fixed assets and shares	0.0	-6.3	0.1	0.0	0.1	-6.3	-6.8
Share of profit from investments accounted for using the equity method	-0.8	-0.8	-0.9	-0.4	-2.1	-3.1	-4.2
Other adjustments	-1.2	0.0	-2.6	0.6	-3.2	0.2	-2.0
Net financial expenses	1.0	1.9	1.6	0.6	3.2	4.9	5.9
Income taxes	6.8	9.9	6.5	6.2	19.5	17.4	28.8
Change in net working capital	-26.5	-26.7	-47.3	17.8	-56.0	-30.0	-15.0
Cash generated from operations	20.8	21.9	-5.5	60.3	75.6	82.8	154.8
Net financial expenses paid	-0.9	-3.0	-2.0	-0.8	-3.7	-6.6	-7.2
Dividends received from investments accounted for using the equity method	-	-	-	3.8	3.8	5.4	5.4
Income taxes paid	-6.1	-2.5	-6.2	-16.4	-28.7	-16.1	-20.4
Net cash flow from operations	13.8	16.4	-13.7	46.9	47.0	65.5	132.6
Cash flow from investing activities							
Acquisition of Group companies and business operations, net of cash acquired	-30.4	-62.7	-0.4	-1.4	-32.2	-62.9	-73.7
Capital expenditures	-16.1	-8.7	-11.9	-9.4	-37.4	-30.8	-43.7
Disposal of Group companies and business operations, net of cash disposed	-	8.0	-	0.0	0.0	8.0	8.3
Sales of fixed assets	0.1	0.3	0.0	0.0	0.1	0.4	0.6
Sales of available-for-sale financial assets	-	-	-	-	-	0.0	0.5
Change in loan receivables	0.6	0.4	0.4	0.7	1.7	1.5	2.7
Net cash used in investing activities	-45.8	-62.7	-11.9	-10.1	-67.8	-83.8	-105.3
Cash flow from financing activities							
Dividends paid	-	-	-99.3	-	-99.3	-95.2	-95.2
Exercise of stock options	-	0.2	0.8	0.0	0.8	3.5	3.6
Payments of finance lease liabilities	-0.3	0.1	-0.3	-0.3	-0.9	-0.2	-0.3
Change in interest-bearing liabilities	11.2	47.9	72.9	-46.4	37.7	63.2	57.9
Net cash used in financing activities	10.9	48.2	-25.9	-46.7	-61.7	-28.7	-34.0
Change in cash and cash equivalents	-21.1	1.9	-51.5	-9.9	-82.5	-47.0	-6.7
Cash and cash equivalents at the beginning of period	93.2	112.2	144.6	156.2	156.2	160.6	160.6
Foreign exchange differences	-0.4	1.8	0.1	-1.7	-2.0	2.3	2.3
Change in cash and cash equivalents	-21.1	1.9	-51.5	-9.9	-82.5	-47.0	-6.7
Cash and cash equivalents at the end of period	71.7	115.9	93.2	144.6	71.7	115.9	156.2

Statement of changes in shareholders' equity, EUR million

	Parent shareholders' equity								Non- control- ling inter- est	Total equity	
	Share cap- ital	Share issue premi- ums and other re- ser- ves	Share issue based on stock op- tions	Own shares	Trans- lation differ- ences	Cash flow hedges	In- vest- ed unre- strict- ed equity re- serve	Re- tain- ed earn- ings	Total		
At 31 Dec 2014	76.6	43.9	0.5	-11.6	-51.0	-0.3	8.5	404.5	471.1	0.1	471.2
Comprehensive income											
Net profit for the period								56.1	56.1	0.0	56.1
Other comprehensive income											
Actuarial loss on post-employment benefit obligations (net of tax)								-0.5	-0.5		-0.5
Translation difference		-0.0			-4.9			2.7	-2.2		-2.2
Cash flow hedges (net of tax)						0.6			0.6		0.6
Total comprehensive income		0.0			-4.9	0.6		58.3	54.0	0.0	54.0
Transactions with owners											
Share-based payments recognized against equity								0.6	0.6		0.6
Dividend								-95.2	-95.2		-95.2
Share subscriptions based on stock options			-0.5				3.4		2.9		2.9
Non-controlling interest											0.0
Total transactions with owners	0.0	0.0	-0.5				3.4	-94.6	-91.7	0.0	-91.7
Impact on investments accounted for using the equity method											
								0.0	0.0		0.0
At 30 Sep 2015	76.6	43.9	0.0	-11.6	-55.9	0.3	11.9	368.2	433.4	0.1	433.5

	Parent shareholders' equity								Non- control- ling inter- est	Total equity	
	Share capi- tal	Share issue premi- ums and other re- ser- ves	Share issue based on stock op- tions	Own shares	Trans- lation differ- ences	Cash flow hedges	In- vest- ed unre- strict- ed equity re- serve	Re- tain- ed earn- ings	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

Segment information

Customer sales by service line, EUR million

	2016	2015	Change	2016	2015	Change	2015
	7-9	7-9	%	1-9	1-9	%	1-12
Technology Services and Modernization	179	177	1	565	559	1	755
Business Consulting and Implementation	30	28	5	101	90	12	125
Industry Solutions	106	101	4	336	307	10	439
Product Development Services	26	29	-9	86	109	-21	142
Group total	341	335	2	1 089	1 065	2	1 460

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

Customer sales by country, EUR million

	2016	2015	Change	2016	2015	Change	Share	2015	Share
	7-9	7-9	%	1-9	1-9	%	%	1-12	%
Finland	154	153	0	492	490	0	46	669	46
Sweden	129	126	3	416	407	2	38	553	38
Norway	36	34	6	113	99	14	9	140	10
Other	21	22	-4	68	68	0	6	99	7
Group total	341	335	2	1 089	1 065	2	100	1 460	100

In Finland, IT services sales grew by 2% in the nine-month period.

In Sweden, growth in local currencies was 2%. IT services grew by 7% in local currencies.

In Norway, growth in local currencies was 21%.

Customer sales by industry group, EUR million

	2016	2015	Change	2016	2015	Change	2015
	7-9	7-9	%	1-9	1-9	%	1-12
Financial Services	88	83	6	269	255	6	347
Public, Healthcare and Welfare	106	98	8	344	306	12	439
Industrial and Consumer Services	121	126	-4	391	396	-1	533
Product Development Services	26	29	-9	86	109	-21	142
Group total	341	335	2	1 089	1 065	2	1 460

Customer sales to the telecom sector were EUR 170 (208) million during January–September.

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

Operating profit (EBIT) by service line, EUR million

	2016	2015	Change	2016	2015	Change	2015
	7-9	7-9	%	1-9	1-9	%	1-12
Technology Services and Modernization	24.2	22.9	5.6	62.8	35.2	78.5	65.5
Business Consulting and Implementation	-0.2	-0.5	58.0	2.1	0.3	685.2	1.5
Industry Solutions	13.0	22.7	-42.8	35.5	44.5	-20.2	65.4
Product Development Services	1.7	0.6	165.7	7.6	12.9	-41.3	15.6
Support Functions and Global Management	-3.5	-4.3	18.7	-12.3	-14.5	15.1	-22.8
Operating profit (EBIT)	35.1	41.4	-15.2	95.7	78.4	22.1	125.2

Operating margin (EBIT) by service line, %

	2016	2015	Change	2016	2015	Change	2015
	7-9	7-9	pp	1-9	1-9	pp	1-12
Technology Services and Modernization	13.5	12.9	0.6	11.1	6.3	4.8	8.7
Business Consulting and Implementation	-0.6	-1.6	1.0	2.1	0.3	1.8	1.2
Industry Solutions	12.3	22.3	-10.1	10.6	14.5	-3.9	14.9
Product Development Services	6.4	2.1	4.3	8.8	11.7	-2.9	11.0
Operating margin (EBIT)	10.3	12.4	-2.0	8.8	7.4	1.4	8.6

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

	2016	2015	Change	2016	2015	Change	2015
	7-9	7-9	%	1-9	1-9	%	1-12
Technology Services and Modernization	24.0	23.4	2.5	64.6	57.7	12.0	88.6
Business Consulting and Implementation	-1.5	0.0	-4 383.5	1.1	1.1	-4.9	3.1
Industry Solutions	13.2	16.6	-20.8	37.7	39.9	-5.4	61.3
Product Development Services	1.7	1.8	-4.6	7.5	11.6	-34.8	14.7
Support Functions and Global Management	-2.0	-3.2	37.3	-8.2	-10.8	24.2	-16.8
Adjusted operating profit (EBIT)	35.4	38.6	-8.3	102.7	99.4	3.3	150.8

Adjusted operating margin (EBIT) by service line, %

	2016	2015	Change	2016	2015	Change	2015
	7-9	7-9	pp	1-9	1-9	pp	1-12
Technology Services and Modernization	13.4	13.2	0.2	11.4	10.3	1.1	11.7
Business Consulting and Implementation	-4.9	-0.1	-4.8	1.0	1.2	-0.2	2.5
Industry Solutions	12.5	16.4	-3.9	11.2	13.0	-1.8	14.0
Product Development Services	6.5	6.2	0.3	8.7	10.6	-1.8	10.3
Adjusted operating margin (EBIT)	10.4	11.5	-1.1	9.4	9.3	0.1	10.3

Personnel by service line

	End of period			Average			
	2016	Change	Share	2015	2015	2016	2015
	1-9	%	%	1-9	1-12	1-9	1-9
Technology Services and Modernization	6 301	6	46	5 957	5 881	6 098	6 088
Business Consulting and Implementation	1 389	18	10	1 182	1 349	1 360	1 208
Industry Solutions	3 957	6	29	3 722	3 668	3 747	3 403
Product Development Services	1 209	-12	9	1 372	1 279	1 219	1 552
Service lines total	12 856	5	93	12 234	12 178	12 424	12 252
Industry groups	263	-12	2	297	272	275	301
Support Functions and Global Management	640	-1	5	648	634	641	677
Group total	13 758	4	100	13 179	13 083	13 339	13 230

Personnel by country

	End of period			Average			
	2016	Change	Share	2015	2015	2016	2015
	1-9	%	%	1-9	1-12	1-9	1-9
Finland	3 581	-3	26	3 708	3 612	3 590	3 922
Sweden	2 710	9	20	2 486	2 490	2 541	2 504
India	2 405	8	17	2 231	2 230	2 346	2 109
Czech Republic	2 231	12	16	2 001	2 025	2 112	2 044
Latvia	661	-5	5	693	678	667	694
Norway	601	-1	4	605	600	600	438
Poland	388	-13	3	447	421	392	458
China	295	15	2	257	258	272	294
Estonia	282	46	2	193	196	249	159
Austria	132	12	1	118	124	127	118
Lithuania	106	-1	1	106	115	114	119
Other	366	10	3	333	335	329	371
Group total	13 758	4	100	13 179	13 083	13 339	13 230
Onshore countries	7 239	1	53	7 137	7 045	7 068	7 162
Offshore countries	6 520	8	47	6 042	6 039	6 271	6 068
Group total	13 758	4	100	13 179	13 083	13 339	13 230

Non-current assets by country, EUR million

	2016	2015	Change	2015
	30 Sep	30 Sep	%	31 dec
Finland	77.7	82.2	-5	81.7
Sweden	33.4	22.0	52	24.3
Other	18.6	23.3	-20	18.0
Total non-current assets	129.7	127.5	2	124.0

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

Depreciation by service line, EUR million

	2016	2015	Change	2016	2015	Change	2015
	7-9	7-9	%	1-9	1-9	%	1-12
Technology Services and Modernization	11.2	11.9	-6	33.3	36.5	-9	47.9
Business Consulting and Implementation	0.0	0.0	1 374	0.1	0.0	880	0.0
Industry Solutions	0.3	0.2	32	0.7	0.5	52	0.7
Product Development Services	0.0	0.1	-63	0.0	0.3	-100	0.2
Support Functions and Global Management	1.2	1.5	-18	3.7	5.1	-27	6.6
Group total	12.8	13.7	-7	37.8	42.3	-11	55.4

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

	2016	2015	Change	2016	2015	Change	2015
	7-9	7-9	%	1-9	1-9	%	1-12
Technology Services and Modernization	-	-	-	-	-	-	-
Business Consulting and Implementation	0.1	0.0	222	0.3	0.1	140	0.2
Industry Solutions	0.7	0.3	129	1.9	0.5	315	1.0
Product Development Services	-	-	-	-	-	-	-
Support Functions and Global Management	-	-	-	-	-	-	-
Group total	0.8	0.3	138	2.2	0.6	274	1.2

Acquisitions during July–September in 2016

Tieto completed the following acquisition during the third quarter:

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

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

The following table summarizes the consideration paid, the fair value of assets acquired and liabilities assumed at the acquisition date. The purchase price allocation is provisional due to ongoing identification and valuation of the underlying assets and liabilities.

Consideration

EUR million

Paid in cash	31.7
Escrow amount	0.5
Contingent consideration	5.4
Total consideration	37.7

Recognized amounts of identifiable assets acquired and liabilities assumed

EUR million

	Recognized on acquisition
Property, plant and equipment	0.4
Intangible assets	8.4
Deferred tax assets	0.8
Trade and other receivables	2.8
Cash and cash equivalents	1.5
Deferred tax liabilities	-2.0
Trade and other payables	-5.2
Goodwill	31.0
Total	37.7

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

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

Acquisition-related costs of EUR 0.2 million are included in other expenses in the income statement and in cash flow from operations.

Since the date of acquisition, the acquired unit has contributed about EUR 1.6 million to the revenue and EUR -0.2 million to the operating profit of the Group.

If the combinations had taken place at the beginning of the year, the revenue for the Group would have been about EUR 14 million and profit about EUR -0.7 million.

Change in contingent consideration from acquisitions completed in 2015

Contingent consideration related to 2015 acquisitions and respective contingent liability decreased by EUR 1.3 million.

EUR million

Contingent consideration recognized in 2015	5.7
Change recognized in 2016	-1.3
Remaining contingent consideration	4.4

Commitments and contingencies, EUR million

	2016 30 Sep	2015 31 Dec
For Tieto obligations		
Guarantees		
Performance guarantees	4.1	10.1
Lease guarantees	9.1	9.1
Other	7.4	4.3
Other Tieto obligations		
Rent commitments due in one year	41.6	41.4
Rent commitments due in 1–5 years	91.2	100.9
Rent commitments due after 5 years	20.3	21.2
Operating lease commitments due in one year	8.3	8.2
Operating lease commitments due in 1–5 years	8.8	12.0
Operating lease commitments due after 5 years	0.7	0.7
Commitments to purchase assets	7.4	8.5
On behalf of joint ventures	-	-
On behalf of others		
Guarantees	0.2	0.4

As a security for Credit facility, which is not in use as at end of September, one of the group companies has pledged shares of one of its subsidiaries (current value of 14 MEUR). In addition, there is General Business mortgage of 1.5 MEUR.

Derivatives, EUR million

Notional amounts of derivatives

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

	2016 30 Sep	2015 31 Dec
Foreign exchange forward contracts	222.7	294.5
Forward contracts outside hedge accounting	222.7	281.9
Forward contracts within hedge accounting	0.0	12.6
Electricity price futures contracts	0.5	0.3

Fair values of derivatives

The net fair values of derivative financial instruments at the balance sheet date	2016 30 Sep	2015 31 Dec
Foreign exchange forward contracts	2.1	0.3
Electricity price futures contracts	0.1	-0.1

Derivatives are used for economic hedging purposes only.

Gross positive fair values of derivatives	2016 30 Sep	2015 31 Dec
Foreign exchange forward contracts	3.3	1.6
Forward contracts outside hedge accounting	3.3	1.4
Forward contracts within hedge accounting ¹⁾	-	0.2
Electricity price futures contracts	0.1	-

Gross negative fair values of derivatives	2016 30 Sep	2015 31 Dec
Foreign exchange forward contracts	-1.2	-1.3
Forward contracts outside hedge accounting	-1.2	-1.3
Forward contracts within hedge accounting ¹⁾	-	-
Electricity price futures contracts	-	-0.1

¹⁾ Forward contracts within hedge accounting (net)	-	0.2
The amount recognized in equity	-	0.2
Net periodic interest rate difference recognized in interest income/expenses	-	-

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

As of 30 September 2016, there are no open hedges for highly probably forecast transactions denominated in foreign currency. Gains and losses recognized in hedging reserve in equity (note Other reserves) on forward foreign exchange contracts for 31 December 2015 amounted to EUR 0.2.

The efficient portion of cash flow hedges recognized in net sales at 30 September 2016 amounted to a gain of EUR 0.2 million (EUR 0.6 million on 31 December 2015) and a loss of EUR 0.0 million (EUR 0.2 million on 31 December 2015) including the interest rate difference.

There were no inefficient portion recognized in other operating income or other operating expenses at 30 September 2016 (EUR 0.0 million on 31 December 2015).

Other reserves

Cash flow hedges

EUR million	Hedging reserve
Balance at 1 Jan 2015	-0.3
Fair value gains in year	1.1
Fair value losses in year	-0.5
Tax on fair value gains	0.2
Tax on fair value losses	-0.3
Balance at 31 Dec 2015	0.2
Balance at 1 Jan 2016	0.2
Fair value gains in year	-
Fair value losses in year	-0.2
Tax on fair value gains	-
Tax on fair value losses	-
Balance at 30 Sep 2016	-

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

30 Sep 2016	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Derivatives	-	3.4	-	3.4
Available-for-sale investments	-	-	0.7	0.7
Financial liabilities at fair value through profit or loss				
Derivatives	-	1.2	-	1.2

EUR million

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

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

Quarterly figures

Key figures

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

Income statement, EUR million

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

Balance sheet, EUR million

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

Cash flow, EUR million

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

Quarterly figures by segments

Customer sales by service line, EUR million

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

Customer sales by industry group, EUR million

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

Operating profit (EBIT) by service line, EUR million

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

Operating margin (EBIT) by service line, %

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

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

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

Adjusted operating margin (EBIT) by service line, %

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

Major shareholders on 30 September 2016

	Shares	%
1 Cevian Capital *)	11 073 614	14.9
2 Solidium Oy	7 415 418	10.0
3 Silchester International Investors LLP **)	7 401 027	10.0
4 Swedbank Robur fonder	1 872 491	2.5
5 Ilmarinen Mutual Pension Insurance Co.	1 208 840	1.6
6 Elo Pension Co.	838 648	1.1
7 The State Pension fund	673 000	0.9
8 Svenska litteratursällskapet i Finland r.f.	541 345	0.7
9 Evli funds	522 193	0.7
10 Danske funds	437 448	0.6
Top 10 shareholders total	31 984 024	43.2
- of which nominee registered	20 347 132	27.5
Nominee registered other	27 559 428	37.2
Others	14 565 800	19.7
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 March 2016 was 11 073 614 shares, representing 14.9 % of the shares and voting rights.

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

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[Press conference for analysts and media](#) will be held at Tieto's premises in Stockholm, address: Fjärde Bassänvägen 15, on 25 October at 11.00 am EET (10.00 am CET, 9.00 am UK time). The results will be presented in English by Kimmo Alkio, President and CEO, and Lasse Heinonen, CFO

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

Telephone conference numbers

Finland: +358 (0)9 7479 0361

Sweden: +46 (0)8 5033 6574

UK: +44 (0)203 043 2002

US: +1 719 325 2131

Conference code: 6304748

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

Tieto publishes financial information in English and Finnish.

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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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