

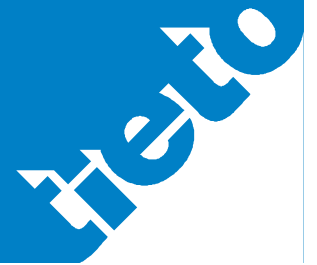
Q4 2014



Interim Report 4/2014 January–December

Solid profitability and strong cash flow

- Growth emerging in IT services driven by cloud services
- Increased investments in growth businesses
- High one-off restructuring costs in Product Development Services as guided



Key figures for the fourth quarter

- Organic growth in local currencies was 0.9%
- In IT services organic growth in local currencies was 3.5%
- Order intake (Total Contract Value) amounted to EUR 672 (551) million and order backlog was EUR 1 784 (1 540) million
- Fourth-quarter operating profit excl. one-off items rose to EUR 44.4 (42.0) million, 11.0% (10.4) of sales
- Cash flow rose to EUR 90.2 (57.5) million

Key figures for the full year

- Organically, net sales in local currencies were down by 1.1%
- In IT services, organic growth in local currencies was 2.6%
- Full-year operating profit excl. one-off items rose to EUR 150.2 (141.2) million, 9.9% (8.8) of sales
- Proposed dividend EUR 1.00 (0.90) per share, up by 11%, and an additional dividend of EUR 0.30
- Dividend yield of 6%, or close to 5% excluding additional dividend

	10–12/2014	10–12/2013 ²⁾	1–12/2014	1–12/2013 ²⁾
Net sales, EUR million	402.9	405.1	1 522.5	1 606.8
Change, %	-0.6	n/a	-5.3	n/a
Organic change in local currencies, %	0.9	n/a	-1.1	n/a
Operating profit (EBITA), EUR million	9.7	18.2	62.1	89.4
Operating margin (EBITA), %	2.4	4.5	4.1	5.6
Operating profit (EBIT), EUR million	9.5	17.3	61.1	85.7
Operating margin (EBIT), %	2.4	4.3	4.0	5.3
Operating profit (EBIT) excl. one-off items ¹⁾ , EUR million	44.4	42.0	150.2	141.2
Operating margin (EBIT) excl. one-off items ¹⁾ , %	11.0	10.4	9.9	8.8
Profit after taxes, EUR million	6.7	15.0	35.0	62.2
EPS, EUR	0.09	0.21	0.48	0.86
Net cash flow from operations, EUR million	90.2	57.5	167.9	159.0
Return on equity, 12-month rolling, %	7.1	12.0	7.1	12.0
Return on capital employed, 12-month rolling, % ³⁾	9.8	13.5	9.8	13.5
Investments, EUR million	12.9	23.6	43.5	71.7
Interest-bearing net debt, EUR million	-59.2	15.5	-59.2	15.5
Net debt/EBITDA	-0.4	0.1	-0.4	0.1
Book-to-bill	1.7	1.4	1.2	1.1
Order backlog	1 784	1 540	1 784	1 540
Personnel on 31 Dec	13 720	14 318	13 720	14 318

1) Excl. capital gains, goodwill impairment charges and restructuring costs

2) Figures restated according to IFRS 11 'Joint arrangements'

3) The figure for 2013 has been restated. The new calculation formula is on page 19.

Full-year outlook for 2015

Tieto expects its full-year operating profit (EBIT) excluding one-off items to increase from the previous year's level (EUR 150.2 million in 2014).

CEO's comment

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

"We are pleased with the performance improvement of our IT services business throughout 2014. Our quality and efficiency measures progressed well during the year and supported the improvement in underlying margins, which was also visible in our fourth-quarter performance.

During 2014, our IT services business grew by nearly 3% in local currencies while order intake growth was 5% and further accelerated in the fourth quarter. Underlying profitability of IT services continued to improve despite increased investments in new services. Simultaneously, our Product Development Services underwent significant changes due to external market conditions. I'm also pleased with the progress of our start-up operations – they drive innovation with our customers and provide highly agile ways of working. These serve as good role models to reinvent the culture within Tieto.

The global IT services market continues to change at a fast pace, driven primarily by our customers' digitalization agenda. This rapid pace of change provides ample new business opportunities, while requiring us to continuously renew our own operations. The actions that we announced in early January 2015 regarding our service portfolio and competence renewal are proactive measures to take Tieto into a market leading position. It has been exciting to shift our attention towards new services and growth acceleration, as visible in increased investments towards the year end. The next stage of our strategy combines efficiency, innovation and growth, which I expect to be highly beneficial and inspiring to our customers and employees."

Market development

Adoption of emerging technologies and new ways to consume IT accelerated during 2014, witnessed by strong growth in cloud services. However, the decline in traditional services coupled with the challenging macroeconomic environment, especially in Finland, affected the overall market growth which remained modest in Tieto's main markets throughout the year.

The overall IT services market in the Nordic countries is expected to grow by around 2% in 2015. GDP growth in Tieto's Nordic core countries is forecasted to be less than 2%, with Sweden achieving the highest increase. Finland is expected to experience slightly negative GDP growth, which might mean that IT market development will be somewhat slower than in the rest of the core markets. The shift from traditional IT to emerging services, such as cloud computing and customer experience management, will continue. The industrial internet market will also start to build up in the Nordic countries.

Clients continue to look for ways to stay competitive in their businesses and they continuously seek to differentiate themselves from their competitors with a superior customer experience, enabled by digital technologies and business models. Digital technologies are anticipated to disrupt clients' business and it will be critical for enterprises to have digital strategy in place and the right competences to make it through the transformation.

- **Customer experience management** provides companies with means to differentiate themselves from their competitors by excelling in digitally empowered experience and utilizing advanced user behaviour analysis. Enterprises such as traditional retailers and banks need to invest in ensuring customer loyalty and new revenue streams through services that provide a seamless customer experience across multiple channels. The Nordic market is expected to grow by an annual rate of around 20% in the coming years.
- In **industrial internet**, clients utilize new ways to connect devices, collect and handle data and distribute intelligence and autonomy among devices. Clients are able to increase efficiency and to create entirely new businesses based on intelligent automated services. In these services, smart connected devices can be used in monitoring, optimization and self-coordination of operations and in taking predictive action. Benefits include increased availability and utilization of assets, lower maintenance costs and improved customer service. Industrial internet can be utilized, for example, in remote diagnostics and operations, maintenance execution, supply chain management and service analytics. The Nordic market is expected to grow by an annual rate of around 50% (CAGR) to over EUR 5 billion by 2020.
- **Cloud services**: The market for transferring operations into scalable and flexible cloud environments is growing fast. Cloud-based technologies combined with global delivery and industrialized processes also enable enterprises to lower the total cost of ownership. Currently, cloud services are a standard part of new offers. The cloud market, including public and private cloud, is expected to grow annually by around 30% (CAGR 2013–2018) during the coming years. Private clouds are typically used as platforms for business critical core processes and are one of Tieto's focus areas. Due to the greater demand for standardized environments, Tieto is able to utilize automation. As a result, services are becoming less labour-intensive and more scalable due to the 1-to-many service model.

Industry sector drivers

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

- In the **financial services** sector, customer experience and digitalization, both in the front end and back office operations, remain focus areas for the banking and insurance sectors across all markets while some cautiousness to start new larger projects is evident. At the same time, cost savings pressure drives demand for infrastructure and application modernization and interest towards outsourcing and cloud services. In the small and medium-sized business segment, the market is dominated by the “as a service” model and there is also growing interest in the “business process as a service” models.
- In the **manufacturing and forest** sectors, cloud services continue to drive growth. Digitalization of manufacturing with embedded advanced analytics is accelerating, providing new opportunities, e.g. for industrial internet solutions in the long term. Cost savings and efficiency improvements in the demand supply chain are important drivers for initiating new IT projects.
- In the **retail and logistics sector**, changes in consumer behaviour continue to drive investments. Enterprises are investing in more advanced commerce solutions in order to achieve better consumer understanding, customer engagement, loyalty and increased revenue. This trend is creating higher demand for Customer Experience Management solutions for brick-and-mortar stores with online sales. Customers’ ongoing cost cutting programmes also create demand for outsourcing and infrastructure services that enable them to reduce costs.
- In the **public** sector, the weak financial outlook affects IT spending in Finland. However, cost cutting increases the pressure to deploy shared IT services and utilize existing frame agreements. Tieto sees relatively healthy demand for data centre and capacity services in Finland. In Sweden, the outsourcing trend continues to be strong and there is robust demand for cloud services.
- In the **healthcare and welfare** sector in Finland, deliveries related to national interoperability have continued in the healthcare sector. Based on current estimates, healthcare customers in the public sector will be connected to the national archive during spring 2015. In 2015, deliveries will also continue to the healthcare customers in the private sector, as they are required to connect to the archive by the end of the year. The reform of healthcare and welfare services may be delaying some decisions. Increasing regulation and digitalization of healthcare and welfare processes are expected to keep activity at a good level in all Nordic countries.
- In the **energy** utilities sector, clients are starting preparatory activities related to regulatory changes and the harmonization of the Nordic markets prior to making further IT investments. The market for advanced metering infrastructure in Norway is progressing well. In the **oil & gas** market, investment levels are down due to ongoing cost cutting in this segment.
- In the **media** sector, customers are driving business transformation reflecting the increased deployment of digital services. Due to clients’ tight budgets, investment decisions are driven by cost reductions. This is expected to result in new outsourcing opportunities in the mid-term.
- In the **telecom** sector, telecom operators remain under pressure and consolidation continues. Large transformation programmes are divided into smaller projects and customers have tightened the requirements for additional business value. Additionally, IT service providers are experiencing aggressive competition in this sector.
- In the market for **telecom product development**, the share of software development in overall product design is increasing as the telecom and mobile area is going through many sweeping technology shifts. The communications infrastructure market is likely to experience a disruptive change over the next few years, as the network infrastructure may gradually go through a transition to cloud solutions. At the same time, semiconductor vendors are increasing their share in the value chain by offering ready-made solutions to infrastructure and device manufacturers.

Company strategy

Tieto provides a full range of IT services comprising integration and operations management services complemented with its own products. The company aims to be at the forefront of efficient delivery of high-quality services and pursue new service models enabled by the ongoing market change. Digitalization is currently the biggest change driver, providing opportunities for enterprises, including IT service providers, who play a critical role in this transformation. The company proactively renews and strengthens its service portfolio and competencies in order to be a preferred digitalization partner to customers.

Product Development Services (PDS) is the largest Nordic provider of product development services in the telecom sector. PDS continues to increase efficiency and maintain profitability within its existing business operations. In addition, PDS aims to build its scale globally.

To grow faster than the market in the longer term, Tieto will continue to invest in its high-growth services and new talent. The company has defined its future key offerings, compensating for the decline of traditional IT services. The selected offerings and the company's measures to increase the industrialization of its services are expected to contribute to growth and the long-term operating margin (EBIT) target of 10% towards 2016.

Investments in future high-growth offerings driving significant growth over the following few years

- Customer Experience Management – providing Tieto's customers in the financial services and retail sectors with a competitive advantage by excelling in customer interaction and service
- Lifecare – the leading Nordic industry-specific solution for the healthcare and welfare sector
- Industrial Internet – supporting customers' business beyond pure equipment sales by extending to services, especially in the manufacturing sector.

Investments in other key services to enhance scalability of selected key offerings

- Selected offerings in Industry Products to further strengthen well-performing solutions in the areas of financial services, hydrocarbon accounting and supply chain management
- Standardization of services in application management and automation in infrastructure management to drive quality, speed, efficiency and customer experience
- Cloud services, mainly in Managed Services, to further drive growth of existing services, e.g. Tieto Cloud Server and Tieto Productivity Cloud, and to launch new services.

Customer Experience Management (CEM) as well as Business and IT Transformation practices are segments with attractive double-digit growth potential for CSI. In the CEM area, Tieto has won new cases, e.g. in the finance and retail sectors, providing customers with improved business value by opening new opportunities to attract customers and accelerate revenue growth. Examples of Tieto's role in this area include serving as an advisor for digital customer experience innovations and providing an online and mobile bank as a Service.

The market for Lifecare has remained good due to the ongoing digitalization of the healthcare and welfare sector. Further investments will be made in the suite of applications, with a number of new launches being expected also in 2015 and 2016. In 2014, the number of Lifecare applications and interfaces launched by Tieto rose to over 30, of which around half in the fourth quarter. Key applications are designed for areas such as national interoperability, mobile homecare and eServices for citizens. The market for Finnish national interoperability has been active in 2014. Currently, over 90% of Tieto's healthcare customers in the public sector have been connected to the national archive. In 2015, preparations to connect healthcare customers in the private sector are ongoing. In the Finnish market, Tieto's applications in this area represent a substantial share of customer solutions.

In Industrial Internet, Tieto's growth-stage investment, the focus has been on the design of offerings and the partner network. The first pilot cases and negotiations on continuing activities are currently ongoing. In 2014, Tieto and Cisco announced that they will collaborate on the Internet of Everything solutions, which will help various industries, e.g. manufacturing, to take advantage of data being generated by machines and derive more value from their existing networks. In 2014, Tieto focused on the development of offerings for various sectors and won new customers in the areas of manufacturing and welfare. In 2015, the company will focus on creating scale and growth.

Tieto provides a variety of services, including cloud-related consulting and integrations in addition to cloud-based capacity services. In Managed Services, Tieto Cloud Server and Tieto Productivity Cloud continue to see strong demand. The service line also continues to invest in user interface development and self-services as well as industry-specific offerings combining the company's technological competences with industry expertise, e.g. in the public and healthcare sector. Fourth-quarter growth of cloud offerings totalled 184% compared with the corresponding quarter in 2013. In the full year, cloud services grew by 153%. Cloud offerings currently represent close to 10% of Managed Services' sales.

Tieto has increased standardization and automation in application and infrastructure management. This enables Managed Services to further automate deliveries and reduce system downtime. Investments in increasing competitiveness are already paying off. In both application management and managed services areas, Tieto has won large agreements that will be based on global delivery capability and industrialized processes.

To stay competitive, Tieto plans to continue to recruit new competences and retrain existing employees to match its needs in new service areas. New roles include data analysts, industry consultants, system architects and technical specialists, among others. As new services are less labour-intensive and automation via self-service channels will reduce the need for certain existing roles, Tieto announced personnel adjustments in January.

Performance improvement in 2015

The company seeks organic growth in its full-year sales of IT services in 2015 in line with the market, and the trend in IT services profitability is expected to remain favourable. Sales growth in early 2015 may be slower than that expected for the full-year. New contracts visible in the year-end strong order backlog are expected to start contributing to sales growth later during the year. In IT services, the reductions initiated in 2014 and 2015 are anticipated to result in gross cost savings of around EUR 35 million in 2015, largely in the second half. However, the impact of savings on the IT services

cost base will be partly offset by recruitments of new talent within growth areas. During 2015, the company expects to add several hundred positions in new competence areas. The company continues to invest in its high-growth businesses and new service innovation. Offering development costs are expected to be at least at the level of 2014. In early 2015, currency fluctuations are anticipated to have a negative impact on sales and operating profit compared with corresponding period in the previous year.

In Product Development Services (PDS), 950 of the redundancies are related to the business volume decline caused by the insourcing decision made by one key customer. As a result of this decision, sales for PDS are anticipated to decline as from the first quarter of 2015. Full-year sales related to this customer represented around 5% of Group sales in 2014 but the share is anticipated to decline to less than 2% in the first quarter. Tieto plans to adjust its cost base in parallel with the reduction in business volumes. Measures to lower the cost base will include personnel reductions, initiated in 2014, as well as reduced subcontracting, facility and other operational costs. The total net cash flow impact of the measures related to the insourcing is expected to be slightly positive during 2015, as the release of working capital will offset the negative impact of reduced business volumes.

Tieto aims to proactively manage its competence structure and continuously follows changes in the operating environment. In 2014, Tieto announced efficiency measures in both IT services (160 employees in CSI) and Product Development Services (1 200 employees). In January 2015, Tieto initiated personnel negotiations related to the company's service and competence renewal. The planned reductions will affect the Managed Services (up to 650) and Consulting and System Integration (up to 190) service lines.

Tieto's investments (OPEX) in offering development and innovation increased in 2014 from the 2013 level of EUR 40 million to around EUR 50 million. The increase was visible mainly in Industry Products and Consulting and System Integration. In 2015, investments are expected to be at least at the 2014 level. A greater proportion of offering development will be directed at high-growth offerings, including Customer Experience Management, Industrial Internet, Lifecare, cloud services and selected industry-specific products. Additionally, investments in the industrialization of services will continue. Capital expenditure (CAPEX) in 2014 declined to EUR 42.4 (68.3) million and is anticipated to remain at the level of 3–4% of sales which is below the current depreciation level (EUR 63.4 million in 2014).

Related to measures initiated in January 2015, Tieto will book restructuring costs of some EUR 35 million. Currently, there are no other major restructuring plans while the company continuously monitors the changes in the demand for its services.

Financial performance in October–December

Comparison figures in this report have been restated according to the new standard IFRS 11, 'Joint arrangements'.

Fourth-quarter net sales amounted to EUR 402.9 (405.1) million. Sales were down by 0.6% while organically, net sales in local currencies were up by 0.9%. The divestments executed in 2013 did not have any material impact on the quarter, only EUR 1 million, while acquisitions added EUR 7 million to sales. Currency fluctuations had a negative impact of EUR 9 million on sales, mainly due to the weaker Swedish Krona. In IT services, net sales in local currencies were organically up by 3.5%.

Fourth-quarter operating profit (EBIT) amounted to EUR 9.5 (17.3) million, representing a margin of 2.4% (4.3). Operating profit included EUR 34.9 million in restructuring costs. Operating profit excl. one-off items¹⁾ stood at EUR 44.4 (42.0) million, or 11.0% (10.4) of net sales. Operating profit for Product Development Services included substantial non-recurring income related to some temporary commercial terms. Additionally, the efficiency measures taken in 2013 and 2014 had a positive effect of around EUR 12 million on operating profit compared with the fourth quarter of 2013. On the other hand, personnel expenses were strained by salary inflation of around EUR 6 million and the increase in bonus accruals of around EUR 10 million. Additionally, Tieto increased its investments in offering development by EUR 6 million in the fourth quarter. Currency changes had a negative impact of EUR 3 million on operating profit.

Depreciation, impairment and amortization amounted to EUR 18.0 (20.6) million. The decrease is mainly due to a major mainframe and software agreement. Due to this agreement, depreciation is decreasing while software costs are up. Net financial expenses stood at EUR 0.9 (1.6) million in the fourth quarter. Net interest expenses were EUR 0.5 (1.7) million and net losses from foreign exchange transactions EUR 0.1 (positive 0.2) million. Other financial income and expenses amounted to EUR -0.3 (-0.1) million.

Earnings per share (EPS) totalled EUR 0.09 (0.21). Earnings per share excluding one-off items¹⁾ amounted to EUR 0.47 (0.48). The non-recurring taxes related to the divestment are excluded from the 2013 figure.

¹⁾ Excl. capital gains, goodwill impairment charges and restructuring costs

Financial performance by service line

EUR million	Customer sales 10–12/2014	Customer sales 10–12/2013	Change, %	Operating profit 10–12/2014	Operating profit 10–12/2013
Managed Services	131	129	1	8.2	0.4
Consulting and System Integration	107	102	5	10.4	-1.6
Industry Products	107	111	-4	17.4	28.3
Product Development Services	58	63	-8	-4.4	-1.3
Support Functions and Global Management				-22.1	-8.5
Total	403	405	-1	9.5	17.3

Operating margin by service line

%	Operating margin 10–12/2014	Operating margin 10–12/2013	Operating margin excl. one-off items ¹⁾ 10–12/2014	Operating margin excl. one-off items ¹⁾ 10–12/2013
Managed Services	6.2	0.3	6.9	6.9
Consulting and System Integration	9.8	-1.6	9.5	7.6
Industry Products	16.3	25.5	18.3	25.7
Product Development Services	-7.5	-2.0	20.5	4.2
Total	2.4	4.3	11.0	10.4

¹⁾ Excl. capital gains, impairments and restructuring costs

Organic change in local currency by service line

EUR million	Customer sales adj. for acquisitions and currency 10–12/2014	Customer sales adj. for divestments 10–12/2013	Change, %
Managed Services	134	130	4
Consulting and System Integration	108	101	8
Industry Products	110	111	-1
IT services	353	341	4
Product Development Services	55	63	-13
Total	408	404	1

Fourth-quarter sales were affected by the divestment of the security solutions business in Denmark. Additionally, the acquisitions of part of Siemens Convergence Creators' business are eliminated.

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

In **Managed Services**, sales in local currencies grew organically by 4%. The market for projects to transform ICT infrastructure to cloud-based environments remained strong and sales of cloud services amounted to EUR 17 million, up by 184% compared with the corresponding quarter in 2013. Solid development in the underlying operating margin continued and operating profit excl. one-off items remained at the previous year's level as the comparison figure for the fourth quarter in 2013 was relatively high. In January, the service line initiated a service competitiveness and automation programme, which is planned to be finalized by the end of the second quarter.

In **Consulting and System Integration**, good demand for Customer Experience Management services and industry consulting continued while traditional application management experienced price erosion and reduced revenues. Organic growth of 8% was partly attributable to non-recurring items and comparable growth was around 2%. Further investments were made to increase standardization and efficiency in application management and offering development for Customer

Experience Management. Healthy development in the underlying operating margin continued despite increased offering development costs. In the first quarter, investments in offering development are expected to remain at the fourth-quarter level. The year-end order backlog was strong and this is expected to contribute to growth later during 2015.

In **Industry Products**, sales in local currencies were somewhat down. Sales of Financial Services in Eastern Europe were substantially down from the fourth quarter of 2013, which included a relatively large delivery in Ukraine. Additionally, sales development in oil & gas reflected weaker demand in that segment. Sales for the healthcare and welfare sector continued to grow. Profitability of the underlying business declined from exceptionally strong levels in the fourth quarter of 2013. The development was attributable to a sales decline, investments in offering development as well as negative currency effects. Offering development accelerated in the fourth quarter and investments will remain at a higher level in early 2015. Challenging market conditions for products, mainly in the finance and the oil and gas sectors, may continue in the early part of 2015.

In **Product Development Services (PDS)**, sales continued to decrease mainly due to insourcing by one key customer. The new customer wins are promising, but their overall financial impact is still limited. The fourth-quarter underlying profit is driven by certain temporary commercial terms while the normalized margin is expected to be below 10%. The first-quarter sales for 2015 will include some remaining project revenues related to the closing contract. Sales to this customer are expected to account for less than 2% of the Group revenue in the first quarter. PDS is anticipated to align the cost base in parallel with the reduction in business volumes.

Customer sales by industry group

EUR million	Customer sales 10–12/2014	Customer sales 10–12/2013	Change, %
Financial Services	90	89	2
Manufacturing, Retail and Logistics	82	81	1
Public, Healthcare and Welfare	115	105	9
Telecom, Media and Energy	59	68	-14
IT services	345	342	1
Product Development Services	58	63	-8
Total	403	405	-1

Organic change in local currency by industry group

EUR million	Customer sales adj. for acquisitions and currency 10–12/2014	Customer sales adj. for divestments 10–12/2013	Change, %
Financial Services	92	89	4
Manufacturing, Retail and Logistics	83	80	3
Public, Healthcare and Welfare	118	105	12
Telecom, Media and Energy	60	68	-11
IT services	353	341	4
Product Development Services	55	63	-13
Total	408	404	1

Fourth-quarter sales were affected by the divestment of the security solutions business in Denmark. Additionally, the acquisitions of part of Siemens Convergence Creators' business are eliminated.

In **Financial Services**, sales in local currencies grew organically by 4% mainly due to good development in Consulting and System Integration and Managed Services with several large customers, both existing and new. In Industry Products, Financial Services sales in Eastern Europe were down from the fourth quarter of 2013, which included a relatively large delivery in Ukraine.

In **Manufacturing, Retail and Logistics**, sales in local currencies grew organically by 3% with growth mainly coming from outsourcing services. The manufacturing sector saw healthy development due to the new agreements concluded during the year. Growth was somewhat curbed by some expiring contracts, especially in the retail sector.

In **Public, Healthcare and Welfare**, sales in local currencies were organically up by 12%. Both the public sector in Finland and Sweden and the healthcare and welfare sector posted healthy growth. Growth was partly attributable to non-recurring items and comparable growth was around 10%.

In **Telecom, Media and Energy**, sales in local currencies were down by 11%. In the telecom, media and energy segment, expiring projects affect volumes, as few new projects are being started up. The energy utilities segment won a number of new customers whereas demand in the oil and gas segment has remained weak.

Financial performance in January–December

Comparison figures in this report have been restated according to the new standard IFRS 11, 'Joint arrangements'.

Full-year net sales were down by 5.3% and amounted to EUR 1 522.5 (1 606.8) million. Divestments had a negative impact of EUR 43 million and acquisitions added EUR 17 million to sales. Currency fluctuations had a negative impact of EUR 42 million on sales. Organically, net sales in local currencies declined by 1.1%. In IT services, net sales in local currencies were organically up by 2.6%. Clients in Product Development Services continued to cut external spending.

Operating profit (EBIT) amounted to EUR 61.1 (85.7) million, representing a margin of 4.0% (5.3). Operating profit included EUR 39.6 million in goodwill impairment charges, EUR 49.8 million in restructuring costs and EUR 0.3 million in capital gains. Operating profit excl. one-off items¹⁾ stood at EUR 150.2 (141.2) million, or 9.9% (8.8) of net sales. The efficiency measures taken in 2013 and 2014 had a positive effect of around EUR 47 million on operating profit compared with 2013. On the other hand, personnel expenses were strained by salary inflation of around EUR 21 million and the increase in bonus accruals of around EUR 18 million. Additionally, Tieto increased its investments in offering development by EUR 10 million. Currency changes had a negative impact of EUR 6 million on operating profit.

Depreciation, impairment and amortization amounted to EUR 104.0 (89.7) million. The figure includes goodwill impairment of EUR 39.6 (8.0) million. The decrease in depreciation is mainly due to a major mainframe and software agreement. Due to this agreement, depreciation is decreasing while software costs are up. Net financial expenses stood at EUR 4.5 (6.6) million in the full year. Net interest expenses were EUR 2.8 (6.5) million and net losses from foreign exchange transactions EUR 0.8 (positive 0.8) million. Other financial income and expenses amounted to EUR -0.9 (-0.9) million.

Full-year earnings per share (EPS) totalled EUR 0.48 (0.86). Earnings per share excluding one-off items¹⁾ amounted to EUR 1.56 (1.48). The non-recurring taxes related to the divestment are excluded from the 2013 figure.

Financial performance by service line

EUR million	Customer sales 1–12/2014	Customer sales 1–12/2013	Change, %	Operating profit 1–12/2014	Operating profit 1–12/2013
Managed Services	512	492	4	37.6	10.2
Consulting and System Integration	387	410	-6	34.9	9.0
Industry Products	395	416	-5	68.1	81.2
Product Development Services	229	289	-21	-42.9	8.4
Support Functions and Global Management				-36.5	-23.0
Total	1 522	1 607	-5	61.1	85.7

Operating margin by service line

%	Operating margin 1–12/2014	Operating margin 1–12/2013	Operating margin excl. one-off items ¹⁾ 1–12/2014	Operating margin excl. one-off items ¹⁾ 1–12/2013
Managed Services	7.3	2.1	7.5	4.3
Consulting and System Integration	9.0	2.2	9.9	7.8
Industry Products	17.3	19.5	17.8	19.9
Product Development Services	-18.7	2.9	9.5	6.7
Total	4.0	5.3	9.9	8.8

¹⁾ Excl. capital gains, goodwill impairment charges and restructuring costs

Organic change in local currency by service line

EUR million	Customer sales adj. for acquisitions and currency 1–12/2014	Customer sales adj. for divestments 1–12/2013	Change, %
Managed Services	525	491	7
Consulting and System Integration	390	394	-1
Industry Products	412	406	1
IT services	1 326	1 292	3
Product Development Services	222	272	-19
Total	1 548	1 564	-1

The following divestments affected sales: local businesses in Germany and the Netherlands and the security solutions business in Denmark. Additionally, the acquisitions of Canvisa Consulting and part of Siemens Convergence Creators' business are eliminated.

In **Managed Services**, sales in local currencies grew organically by 7%. The market for projects to transform IT infrastructure to cloud-based environments remained strong and sales of cloud services amounted to EUR 48 million, up by 153%. Growth is partly attributable to revenue recognized from equipment sales Tieto being the lessor and an internal transfer of some business operations in Tieto's joint venture. Comparable growth was around 5%. Solid development in underlying operating margin was attributable to improved efficiency.

In **Consulting and System Integration**, good demand for Customer Experience Management services and industry consulting continued throughout the year while traditional application management experienced price erosion and reduced revenues. Further investments were made to increase standardization and efficiency in application management and offering development for Customer Experience Management. Healthy development in underlying operating margin was attributable mainly to improved efficiency.

In **Industry Products**, the healthcare and welfare sector was the strongest growing sector. Sales in the financial services sector were down, partly due to the negative development in Eastern Europe. Demand in the oil and gas sector also weakened towards the year end. Profitability of the underlying business declined mainly due to investments in offering development as well as negative currency effect.

In **Product Development Services (PDS)**, sales decreased in 2014 mainly due to insourcing by one key customer. The new customer wins are promising, but their overall financial impact is still limited. PDS adjusted resources to the decline in business volumes during the year to improve profitability. Profit improvement is driven by certain temporary commercial terms in the fourth quarter.

Customer sales by industry group

EUR million	Customer sales 1–12/2014	Customer sales 1–12/2013	Change, %
Financial Services	335	331	1
Manufacturing, Retail and Logistics	311	305	2
Public, Healthcare and Welfare	410	403	2
Telecom, Media and Energy	238	279	-15
IT services	1 293	1 318	-2
Product Development Services	229	289	-21
Total	1 522	1 607	-5

Organic change in local currency by industry group

EUR million	Customer sales adj. for acquisitions and currency 1–12/2014	Customer sales adj. for divestments 1–12/2013	Change, %
Financial Services	342	328	4
Manufacturing, Retail and Logistics	315	301	5
Public, Healthcare and Welfare	428	393	7
Telecom, Media and Energy	248	270	-8
IT services	1 326	1 292	3
Product Development Services	222	272	-19
Total	1 548	1 564	-1

The following divestments affected sales: local businesses in Germany and the Netherlands and the security solutions business in Denmark. Additionally, the acquisitions of Canvisa Consulting and part of Siemens Convergence Creators' business are eliminated.

In **Financial Services**, sales in local currencies grew organically by 4% mainly due to good development in Consulting and System Integration and Managed Services with several large existing as well as new customers. Around half of growth is attributable to revenue recognized from equipment sales Tieto being the lessor and an internal transfer of some business operations in Tieto's joint venture. In Industry Products, comparable sales remained at the previous year's level due to negative development in Eastern Europe.

In **Manufacturing, Retail and Logistics**, sales in local currencies grew organically by 5% growth mainly coming from outsourcing services. Both the manufacturing and retail sector saw healthy development due to several new agreements concluded during the year.

In **Public, Healthcare and Welfare**, sales in local currencies were organically up by 7%. The healthcare and welfare segment and the Swedish public sector posted strong growth. In Finland, the initiative to create national interoperability in the healthcare and welfare sector proceeded well during the year and created new cases for Tieto.

In **Telecom, Media and Energy**, sales in local currencies were down by 8%. In the telecom, media and energy segment, expiring projects affect volumes, as few new projects are being started up. Growth in the oil and gas segment also turned negative due to reduced investment levels. Advanced metering infrastructure in Norway was progressing well with a number of additional new agreements.

Cash flow, financing and investments

Fourth-quarter net cash flow from operations amounted to EUR 90.2 million (57.5), including the decrease of EUR 66.0 (36.2) million in net working capital. The decrease in net working capital was partly attributable to an increase in accounts

payable, which resulted from temporarily higher purchasing volumes, increase in accrued vacation payments and restructuring provisions.

Payments for restructuring, which have a negative impact on cash flow, amounted to about EUR 9.2 (8.3) million in the fourth quarter. The restructuring-related cash flow in the first quarter is anticipated to remain at the fourth-quarter level.

Full-year net cash flow from operations amounted to EUR 167.9 million (159.0), including the decrease of EUR 17.4 (24.0) million in net working capital. The decrease in net working capital was mainly attributable to a decrease in accounts receivable. Payments for restructuring amounted to about EUR 40.5 (37.3) million in the full year.

Tax payments declined to EUR 7.0 (18.8) million in the full year due to refunds of EUR 8.2 million in the second quarter and EUR 4.1 million in the fourth quarter in Finland.

Impact of acquisitions on cash flow in the full year was positive, EUR 3.7 million (-1.7 in 2013).

Full-year capital expenditure totalled EUR 43.5 (71.7) million, of which paid EUR 43.0 (58.5) million. Capital expenditure, including EUR 1.1 million (3.4) in investments in shares, represented 2.9% (4.5) of net sales and was mainly related to data centres.

The equity ratio was 47.8% (49.3). Gearing decreased to -12.6% (3.0). Net debt totalled EUR -59.2 (15.5) million, including EUR 112.4 million in interest-bearing debt, EUR 0.3 million in finance lease liabilities, EUR 10.1 million in finance lease receivables, EUR 1.2 million in other interest-bearing receivables and EUR 160.6 million in cash and cash equivalents.

The EUR 100 million bond matures in May 2019 and it carries a coupon of fixed annual interest of 2.875%. Interest-bearing long-term loans amounted to EUR 100.8 million at the end of December. Interest-bearing short-term loans amounted to EUR 11.5 million, mainly related to joint venture cash pool balances and an agreement for software licence financing. The syndicated revolving credit facility of EUR 100 million maturing in May 2016 was not in use at the end of December.

Order backlog

Total Contract Value (TCV) amounted to EUR 672 (551) million in the fourth quarter. According to the current definition for TCV, the total value, including the part beyond the notice period, is included in the TCV. Tieto estimates that the change in the definition has not had any significant impact on the figure. Book-to-bill stood at 1.7 (1.4). For IT services, book-to-bill was 1.8 (1.4).

TCV for the deals signed in the full year amounted to EUR 1 867 (1 747) million and book-to-bill stood at 1.2 (1.1). The order backlog rose to EUR 1 784 (1 540) million. The strong backlog is expected to start contributing to growth later during 2015. During the current year, 50% (56) of the backlog is expected to be invoiced.

Business transactions in January–December

In January, Tieto signed an agreement with Siemens to acquire part of Siemens Convergence Creators' Network Directory Server (NDS), IP Multimedia Systems (IMS), Home Location Register (HLR) and Radio Access (RA) businesses. The transaction will strengthen Tieto Product Development Services' (PDS) portfolio in the voice and IP transformation area.

As part of the acquisition, approximately 220 employees transferred to Tieto. Based on the acquisition, new business related to a significant customer will also be transferred to Tieto PDS. The final transition to Tieto took place on 1 April 2014.

In the first quarter, Tieto divested its PKI security solutions business in Denmark. The annual sales of the divested business amounted to around EUR 2 million.

In December, Tieto acquired all the shares in FD Finanssidata, joint venture previously owned by OP-Pohjola, Ilmarinen and Tieto. In connection with the acquisition, approximately 50 employees were transferred to Tieto. The arrangement does not have any material impact on Tieto's Group results.

Major agreements in January–December

Financial Services

In March, Tieto and LähiTapiola decided to expand their collaboration and have now signed a five-year framework agreement with an option of two additional years on application maintenance and development. The agreement covers key financial and personnel management systems and implementation of SAP software.

In March, OP-Pohjola selected Tieto as the provider of a new platform for its customer services. The platform is provided "as a Service". The total value of the agreement running over two years is close to EUR 6 million.

In June, Tieto and Arek concluded an agreement on maintenance, development and project services. The agreement runs for four and a half years.

In June, ELO selected Tieto as its infrastructure renewal partner with a total contract value of over EUR 13 million. The agreement runs for four years with an option for one additional year. Tieto and ELO also concluded a frame agreement on IT services.

In June, Ilmarinen selected Tieto as its partner for front-end renewal and maintenance.

In August, Tieto and EnterCard agreed on an extension of the existing outsourcing agreement with Tieto. The new contract is worth approximately SEK 200 million and involves the modernization of EnterCard's IT environment with new technical solutions based on cloud and capacity services. The contract runs for five years with an option for two additional years.

In September, Tieto and Varma Mutual Pension Insurance Company signed a contract for the delivery of operations management services. In addition to the traditional capacity, communication and network solutions, the five-year contract covers cloud services. The contract is an extension of the service contract signed in 2009.

In September, FOREX Bank chose Tieto to develop and renew the customer experience in their digital channels. The new delivery will provide FOREX Bank with a modern IT environment and a complete end-to-end banking solution delivered as a service. The new contract complements Tieto's current core banking installation, which FOREX Bank has used by for seven years.

In October, If Insurance extended its IT infrastructure agreement with Tieto. The new contract will run for four years with an option for two additional years.

In October, SBAB, a Swedish state-owned mortgage lender, extended its IT operation agreement with Tieto to continue modernization and improve efficiency with new capacity and cloud solutions. The agreement is valid for five years.

In December, Tieto and Veritas Pension Insurance agreed to continue cooperating on infrastructure services. In addition to capacity, telecommunications and network solutions, the seven-year contract includes application management services and Tieto's cloud services. The agreement is an extension of the service contract signed in 2009.

Manufacturing, Retail and Logistics

In January, Metso and Valmet signed an extensive five-year contract with Tieto on IT capacity services. The cloud-based solution is expected to bring significant cost savings and long-term flexibility for Metso and Valmet.

In January, Mondi selected Tieto as the provider of Holistic Manufacturing Intelligence for Advanced Process Control, a sustainable performance solution for paper and board production. The project is expected to be finalized in 2016 and the total value of the agreement is around EUR 3 million.

In March, HSB and Tieto concluded a new three-year agreement on infrastructure services with a total contract value of EUR 5 million. In April, the agreement was expanded to cover additional services in the cloud and workplace area.

In June, Tieto and Lemminkäinen concluded a four-year agreement on infrastructure outsourcing.

In June, Onninen chose Tieto as a provider of SAP-related infrastructure services and cloud services. The agreement runs for three years.

In July, Volvo Finance and Tieto concluded an agreement on infrastructure outsourcing. The value of the five-year contract is around EUR 7 million.

In September, Tieto and UPM agreed to expand their partnership in the application management services area. The three-year agreement – with an option to extend by two years – has significant contract value. As part of the agreement, it is planned that 47 employees from UPM will transfer to Tieto.

In September, S Group chose Tieto to be one of its main partners for data centre and capacity services. The multiyear agreement holds significant value. Tieto will provide S Group with standardized modern services harnessing the benefits of the company's latest cloud and hybrid solutions.

In December, Tieto expanded its business intelligence and application management agreement with Kesko covering two existing and two new applications. The contract is valid until June 2017.

In December, Tieto and RAY concluded the prolongation of a SAP lifecycle management contract. The agreement is valid for three years.

Public, Healthcare and Welfare

In January, Nacka municipality extended its outsourcing agreement on infrastructure services with Tieto. The contract value is SEK 45 million and is valid until 2017.

In February, Stockholm County Council concluded an outsourcing agreement on infrastructure services with Tieto. The contract value is close to EUR 7 million and is valid until 2015.

In February, Tietokarhu, a joint venture of Tieto and the Finnish state, signed a contract extension enabling the Finnish Tax Administration to continue to use Tietokarhu's services in a flexible manner during 2017–2019. The value of the agreement is estimated to be around EUR 9–10 million annually.

In March, the Finnish Transport Safety Agency and Tieto concluded an agreement on infrastructure services as part of the large frame agreement with Hansel, signed in May 2013. The agreement is valid until 2021 and the contract value is around EUR 14 million.

In June, Region Skåne decided on a two-year extension to its existing contract. The contract value is EUR 11 million.

Based on the Hansel frame agreement concluded in May 2013, the Finnish Transport Safety Agency chose Tieto as a partner for managed services in the second quarter. The total value of the contract is EUR 8 million.

In June, Tieto, the Finnish National Police Board and the Finnish ICT Agency Haltik decided to terminate the agreement on the inter-government IT system project Vitja. The parties mutually agreed that Tieto will pay a one-time fee of EUR 7.5 million to the Finnish National Police Board. In addition to the provisions reported earlier, the company booked a loss of around EUR 3 million in the second quarter. A cash flow effect of EUR 7.5 million materialized in the third quarter.

In September, Tieto and Valtori, the Finnish Government ICT Centre, signed a multi-annual agreement on data centre and capacity services. The agreement is based on the framework agreement concluded with Hansel in 2013, and it covers a significant part of the framework agreement's full potential. Based on the agreement, Valtori may acquire IT services for its own use or for its customers' use. Some of these agreements also include options to extend by additional years.

In November, the Finnish Parliament signed an agreement with Tieto in the application management services area. The agreement started in 2014 and will run for three years.

In November, Tieto concluded a new agreement with Jämtland County Council on IT infrastructure services, including service desk, server operations and network operations. The deal is valued at SEK 80 million and is valid from April 2015 to December 2019. It includes an option to extend the partnership for another four years.

In December, the Ministry of Justice, decided to prolong its existing application management agreement with Tieto for 2015.

In December, the municipalities of Haninge, Nynäs and Södertälje in Sweden prolonged their infrastructure service agreement for two years. The contract value is EUR 12 million.

In December, Tieto renewed its agreement with Aditro in Sweden for at least three additional years. Based on the agreement, Tieto will continue to deliver IT services for Aditro's payroll application. The agreement is valid from January 2015 and its value is EUR 5 million.

Telecom, Media and Energy

Telecom, Media and Energy experienced a solid inflow of new contracts, mainly in the telecom and energy sectors. However, according to the terms and conditions of these agreements, Tieto is not able to disclose the contracts in most cases.

In July, Vattenfall selected Tieto to deliver its Energy Utilities Industry Software as a Service solution (SaaS) for Vattenfall Finland. Tieto will deliver the latest cloud solutions to support Vattenfall's retail business in the Finnish market. The contract runs for five years with an option for two additional years.

Personnel

The number of full-time employees amounted to 13 720 (14 318) at the end of December. The number of full-time employees in the global delivery centres totalled 6 334 (6 483), or 46.2% (45.3) of all personnel. In Product Development Services, the offshore ratio was 62.0% (60.2). In IT services, the offshore ratio continued to rise and stood at 43.8% (41.3) at the end of December.

During the full year, the number of full-time employees decreased by a net amount of around 600. Acquisitions and outsourcing agreements added around 300 employees and net recruitments around 100 employees while job cuts reduced the number of personnel by around 1 000. More than 300 of the job cuts were related to the 2013 efficiency programme, which was concluded in the first quarter of 2014. The 12-month rolling employee turnover stood at 10.5% (9.3) at the end of December. The average number of full-time employees was 14 007 (15 170).

Wages and salaries for 2014 were EUR 631.6 (674.0) million. In 2014, 72% (72) of personnel were male and 28% (28) female. Salary inflation was over 3% in 2014 and is expected to remain at that level on average in 2015. In offshore countries, salary inflation is clearly above the average. Markets like India may see double-digit salary hikes.

Development

Tieto's offering development costs totalled around EUR 50 million in 2014, representing 3.2% of net sales (EUR 40 million in 2013, representing 2.4% of net sales). These costs comprise service and product development with the focus, for example, on Customer Experience Management, Industrial Internet and Lifecare, Tieto's product for the healthcare and welfare sector, as well as cloud services and selected industry products. Additionally, the costs related to

standardization in application management and automation in managed services are included in this amount. Development costs for major new business concepts and software products are capitalized as intangible assets if they fulfil the requirements stated in the accounting principles. No development costs were capitalized for either 2014 or 2013.

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 2014. The shareholders who wished to participate in the work of the Shareholders' Nomination Board have nominated the following members:

Martin Oliw, Partner, Cevian Capital AB,
Kari Järvinen, Managing Director, Solidium Oy,
Lauri Vaittinen, Chief Securities Officer, Etera Mutual Pension Insurance Company,
Timo Ritakallio, CEO, Ilmarinen Mutual Pension Insurance Company, and
Markku Pohjola, Chairman of the Board of Directors, Tieto Corporation.

Board of Directors

The Annual General Meeting 2014 re-elected the Board's current members Kurt Jofs, Eva Lindqvist, Sari Pajari, Risto Perttunen, Markku Pohjola, Teuvo Salminen and Jonas Synnergren. Endre Rangnes was elected as a new member.

Shares and share-based incentives

Tieto's share price rose by 32% in Helsinki and 41% in Stockholm during the year. At the same time, the OMX Helsinki Price Index rose by 6%. The OMX Stockholm Price Index was up by 11% in 2014. The company had 25 430 registered shareholders at the end of 2014. Based on the ownership records of the Finnish and Swedish central securities depositories, 42.7% of Tieto's shares were held by Finnish and 3% by Swedish investors. In total, there were 23 916 retail investors in Finland and Sweden and they held 13% of Tieto's shares.

Between 9 September and 10 November 2014, a total of 16 001 new Tieto shares were subscribed for with the company's stock options 2009B and a total of 1 500 new shares with stock options 2009C. The shares subscribed for were registered in the Trade Register on 25 November 2014.

Tieto's issued and registered share capital on 31 December 2014 totalled EUR 76 555 412.00 and the number of shares was 73 675 903.

Between 11 November and 31 December 2014, a total of 26 663 new Tieto shares were subscribed for with the company's stock options 2009B and a total of 10 401 new shares with stock options 2009C. The shares subscribed for were registered in the Trade Register on 20 January 2015. On that date, the number of Tieto shares increased to 73 712 967.

On 31 December, the company held a total of 510 819 own shares, representing 0.7% of the total number of shares and voting rights. The number of outstanding shares, excluding the treasury shares, was 73 165 084 at the end of the year.

In 2014, there were no announcements of changes in the company's shareholding.

Dividend

The distributable funds of the Parent company amount to EUR 674.9 million, of which net profit for the current year amounts to EUR 48.2 million. The Board of Directors proposes a dividend of EUR 1.00 (0.90) per share for 2014. In light of the company's strong cash flow and targeted capital structure, an additional dividend of EUR 0.30 is proposed. Tieto will maintain its capacity to invest in growth both organically and inorganically after dividends.

The dividend shall be paid to shareholders who are recorded in the shareholders' register held by Euroclear Finland Ltd or the register of Euroclear Sweden AB on the proposed dividend record date, 23 March 2015. The proposed dividend payout does not endanger the solvency of the company.

Events after the period

On 13 January, Tieto initiated personnel negotiations affecting up to 500 positions in Finland and 340 in other countries, mainly in Sweden and the Czech Republic. These negotiations are related to the company's service and competence renewal. The planned reductions will affect the Managed Services (up to 650) and Consulting and System Integration (up to 190) service lines. It is expected that the reductions will be implemented during 2015.

Near-term risks and uncertainties

Slow growth in Europe might lead to weakness in the IT services market as well. As Tieto's top 10 customers account for 34% of its net sales, the company's development is relatively sensitive to changes in the demand from large customers.

The risks related to Russia are limited as the share of sales in Russia is less than 1%. However, if the crisis were to affect the Finnish economy, it would have an indirect impact on the IT services market in Finland.

As is typical of Product Development Services, visibility is weak due to the short order backlog. The insourcing decision made by one large customer is anticipated to have a negative impact on the company in 2015. However, it is expected that planned cost adjustments will to a large extent compensate for this impact. Overall, the growth in insourcing in the telecom sector and the challenging business environment might affect the company also going forward.

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. This might create uncertainty among personnel and pose risks related to the company's performance.

As is typical of the industry, the large size of individual deals may have a strong effect on growth, and price pressure might lead to weak profitability. Additionally, new technologies, such as cloud computing, drive customer demand towards standardized and less labour-intensive solutions. All these changes might result in the need for continuous restructuring.

Typical risks faced by the IT service industry involve additional technology licence fees, 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.

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.

Consolidated net sales and profitability are sensitive to volatility in exchange rates, especially that of the Swedish Krona. Further details on management of currency risks will be provided in the Financial Statements.

Full-year outlook for 2015

Tieto expects its full-year operating profit (EBIT) excluding one-off items to increase from the previous year's level (EUR 150.2 million in 2014).

Auditing

The full-year figures in this report are audited.

Financial calendar 2015

Week 8/2015	Annual Report 2014 on Tieto's website
19 March 2015	Annual General Meeting

Tieto will publish three interim reports in 2015:

28 April	Interim report 1/2015 (8.00 am EET)
22 July	Interim report 2/2015 (8.00 am EET)
22 October	Interim report 3/2015 (8.00 am EET)

Accounting policies 2014

When preparing these financial statements, the Group has followed the same accounting policies as in the annual financial statements for 2013 except for the effect of changes required by the adoption of the following new standards, interpretations and amendments to existing standards and interpretations on 1 January 2014.

- IFRS 11, 'Joint arrangements'. The standard is a more realistic reflection of joint arrangements as it focuses on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its share of assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has a right to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. Tieto reports the results as one line above operating profit (EBIT). The equity accounting decreased the Group's annual net sales 2013 by around 4%. The change mainly affected the Industry Products (around 12% negative) and Managed Services (around 2% negative) service lines. Of the industry groups, the change mainly affected Financial Services (around 10% negative) and Public Healthcare and Welfare (around 7% negative). EBIT is affected by the amount corresponding to Tieto's share of joint ventures' financial items and taxes. The company's net profit for the period is not affected. Adjusted comparative information has been provided for the preceding comparative period.
- IFRS 10, 'Consolidated financial statements'. The objective of the standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. It defines the principle of control, and establishes controls as the basis for consolidation and sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. The standard does not currently have any impact on the Group's financial statements.
- IFRS 12, 'Disclosures of interests in other entities'. The standard includes the disclosure requirements for all forms of interest in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The standard increased disclosed information of joint ventures.
- Other standards, amendments and interpretations which are effective 1 January 2014 are not material to the Group.

New relevant standards not yet effective:

- IFRS 15, 'Revenue from contracts with customers' replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognizes revenue in accordance with that core principle by applying the following steps:
 - Step 1: Identify the contract(s) with a customer
 - Step 2: Identify the performance obligations in the contracts
 - Step 3: Determine the transaction price
 - Step 4: Allocate the transaction price to the performance obligations in the contracts
 - Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation
 IFRS 15 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with the customers. The standard is effective 1 January 2017 and earlier application is permitted. The management is assessing the impact of the change on the Group's financial statements.
- IFRS 9, 'Financial instruments', replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through OCI and fair value through P&L. The

basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. The standard is effective 1 January 2018. Early adoption is permitted. The management is assessing the impact of the change on the Group's financial statements.

- There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

The accounting policies will be described in more detail in the annual financial statements for the year ended on 31 December 2014.

Key figures

	2014 10-12	2013 10-12	2014 7-9	2014 4-6	2014 1-3	2014 1-12	2013 1-12
Earnings per share, EUR							
Basic	0.09	0.21	-0.17	0.23	0.34	0.48	0.86
Diluted	0.09	0.21	-0.17	0.23	0.34	0.48	0.86
Equity per share, EUR	6.44	7.08	6.52	6.70	6.56	6.44	7.08
Return on equity, 12-month rolling, %	7.1	12.0	8.7	15.3	13.5	7.1	12.0
Return on capital employed, 12-month rolling, % ¹⁾	9.8	13.5	10.4	14.8	15.3	9.8	13.5
Equity ratio, %	47.8	49.3	51.4	48.7	44.9	47.8	49.3
Interest-bearing net debt, EUR million	-59.2	15.5	25.7	30.3	-20.5	-59.2	15.5
Gearing, %	-12.6	3.0	5.4	6.2	-4.3	-12.6	3.0
Investments, EUR million	12.9	23.6	10.1	7.1	13.4	43.5	71.7

¹⁾ When calculating Return on capital employed the negative net impact on interest rate swaps and exchange differences are now considered as other financial expenses. The key figure for year 2013 has been correspondingly restated.

The balance sheet items concerning year 2012 in the 12-month average denominator are not restated according to the IFRS 11 'Joint arrangements'.

Number of shares

	2014 10-12	2014 7-9	2014 4-6	2014 1-3	2014 1-12	2013 10-12	2013 1-12
Outstanding shares, end of period							
Basic	73 165 084	73 147 583	73 059 467	72 632 648	73 165 084	72 590 573	72 590 573
Diluted	73 418 924	73 384 103	73 360 108	73 087 532	73 418 924	72 887 720	72 894 452
Outstanding shares average							
Basic	73 154 621	73 071 918	72 929 898	72 613 122	72 944 228	72 580 167	72 369 221
Diluted	73 383 366	73 344 858	73 245 193	73 042 223	73 221 816	72 870 930	72 677 909
Company's possession of its own shares							
End of period	510 819	510 819	510 819	510 819	510 819	541 794	541 794
Average	510 819	510 819	510 819	528 372	515 147	540 513	543 402

Income statement, EUR million

	2014 10-12	2013 10-12	2014 1-12	2013 1-12	Change %
Net sales	402.9	405.1	1 522.5	1 606.8	-5
Other operating income	7.0	6.5	18.1	18.1	0
Employee benefit expenses	226.5	230.7	846.0	923.7	-8
Depreciation amortization and impairment charges	18.0	20.6	104.0	89.7	16
Other operating expenses	157.2	144.4	534.8	533.1	0
Share of profit from investments accounted for using the equity method	1.3	1.4	5.3	7.3	-27
Operating profit (EBIT)	9.5	17.3	61.1	85.7	-29
Interest and other financial income	0.4	1.4	1.2	5.3	-77
Interest and other financial expenses	-1.2	-3.2	-4.9	-12.7	-61
Net exchange gains/losses	-0.1	0.2	-0.8	0.8	-
Profit before taxes	8.6	15.7	56.6	79.1	-28
Income taxes	-1.9	-0.7	-21.6	-16.9	28
Net profit for the period	6.7	15.0	35.0	62.2	-44
Net profit for the period attributable to					
Shareholders of the Parent company	6.7	15.0	35.0	62.2	-44
Non-controlling interest	0.0	0.0	0.0	0.0	-
	6.7	15.0	35.0	62.2	-44
Earnings per share attributable to the shareholders of the Parent company, EUR					
Basic	0.09	0.21	0.48	0.86	-44
Diluted	0.09	0.21	0.48	0.86	-44
Statement of comprehensive income, EUR million					
Net profit for the period	6.7	15.0	35.0	62.2	-44
Items that may be reclassified subsequently to profit or loss					
Translation differences	-10.4	-5.9	-10.1	-21.2	-52
Cash flow hedges (net of tax)	-0.1	-1.6	1.4	-1.8	-
Items that will not be reclassified subsequently to profit or loss					
Actuarial gain/loss on post employment benefit obligations (net of tax)	-2.8	-6.9	-10.3	3.3	-
Total comprehensive income	-6.6	0.6	16.0	42.5	-62
Total comprehensive income attributable to					
Shareholders of the Parent company	-6.6	0.6	16.0	42.5	-62
Non-controlling interest	0.0	0.0	0.0	0.0	-
	-6.6	0.6	16.0	42.5	-62

Balance sheet, EUR million

	2014 31 Dec	2013 31 Dec	Change %
Goodwill	323.7	372.3	-13
Other intangible assets	32.8	44.1	-26
Property plant and equipment	82.2	94.6	-13
Investments accounted for using the equity method	19.3	21.5	-10
Deferred tax assets	27.9	27.3	2
Finance lease receivables	5.4	1.9	184
Other interest-bearing receivables	0.9	1.6	-44
Available-for-sale financial assets	0.7	0.7	0
Total non-current assets	492.9	564.0	-13
Trade and other receivables	371.2	395.9	-6
Pension benefit assets	-	5.8	-
Finance lease receivables	4.7	4.3	9
Other interest-bearing receivables	0.3	0.3	0
Current income tax receivables	1.8	10.2	-82
Cash and cash equivalents	160.6	114.1	41
Total current assets	538.6	530.6	2
Total assets	1 031.5	1 094.6	-6
Share capital share issue premiums and other reserves	120.5	122.3	-1
Share issue based on stock options	0.5	0.1	-
Retained earnings	350.1	391.7	-11
Parent shareholders' equity	471.1	514.1	-8
Non-controlling interest	0.1	0.1	0
Total equity	471.2	514.2	-8
Loans	100.8	103.1	-2
Deferred tax liabilities	22.9	25.6	-11
Provisions	15.2	9.1	67
Pension obligations	24.0	19.1	26
Other non-current liabilities	2.1	3.0	-30
Total non-current liabilities	165.0	159.9	3
Trade and other payables	339.9	334.8	2
Current income tax liabilities	12.3	7.0	76
Provisions	31.3	44.2	-29
Loans	11.8	34.5	-66
Total current liabilities	395.3	420.5	-6
Total equity and liabilities	1 031.5	1 094.6	-6

Net working capital in the balance sheet, EUR million

	2014 31 Dec	2013 31 Dec	Change %	2014 30 Sep	2014 30 Jun	2014 31 Mar
Accounts receivable	279.9	299.1	-6	273.1	286.0	291.1
Other working capital receivables	87.1	87.6	-1	98.0	100.6	114.8
Working capital receivables included in assets	367.0	386.7	-5	371.1	386.6	405.9
Accounts payable	91.0	84.4	8	60.3	74.8	74.1
Personnel related accruals	140.8	131.4	7	122.3	142.1	148.2
Other working capital liabilities	153.9	172.5	-11	133.7	151.3	184.2
Working capital liabilities included in current liabilities	385.7	388.3	-1	316.3	368.2	406.5
Net working capital in the balance sheet	-18.7	-1.6	-	54.8	18.4	-0.6

Cash flow, EUR million

	2014 10-12	2013 10-12	2014 7-9	2014 4-6	2014 1-3	2014 1-12	2013 1-12
Cash flow from operations							
Net profit	6.7	15.0	-12.8	16.5	24.6	35.0	62.2
Adjustments							
Depreciation amortization and impairment charges	18.0	20.6	55.0	15.6	15.4	104.0	89.7
Share-based payments	0.0	0.2	0.1	0.0	0.0	0.1	0.8
Profit/loss on sale of fixed assets and shares	-0.1	-0.2	0.0	-0.1	-0.2	-0.4	-1.4
Share of profit from investments accounted for using the equity method	-1.3	-1.4	-1.6	-1.3	-1.1	-5.3	-7.3
Other adjustments	-1.1	-5.2	-0.2	-0.7	-0.1	-2.1	-9.2
Net financial expenses	0.9	1.6	1.4	1.0	1.2	4.5	6.6
Income taxes	1.9	0.7	7.5	4.0	8.2	21.6	16.9
Change in net working capital	66.0	36.2	-32.7	-18.6	2.7	17.4	24.0
Cash generated from operations	91.0	67.5	16.7	16.4	50.7	174.8	182.3
Net financial expenses paid	-2.3	-6.1	-0.1	-3.1	-0.3	-5.8	-12.1
Dividends received from investments accounted for using the equity method	-	-	-	-	5.9	5.9	7.6
Income taxes paid	1.5	-3.9	-5.5	3.3	-6.3	-7.0	-18.8
Net cash flow from operations	90.2	57.5	11.1	16.6	50.0	167.9	159.0
Cash flow from investing activities							
Acquisition of Group companies and business operations net of cash acquired	3.7	-	-	-	-	3.7	-1.7
Capital expenditures	-12.8	-17.8	-9.6	-7.2	-13.4	-43.0	-58.5
Disposal of Group companies and business operations net of cash disposed	-	1.7	2.6	0.1	0.6	3.3	-17.3
Sales of fixed assets	0.1	0.9	0.0	0.5	0.0	0.6	1.2
Change in loan receivables	0.6	0.8	-0.1	-4.7	0.7	-3.5	2.1
Net cash used in investing activities	-8.4	-14.4	-7.1	-11.3	-12.1	-38.9	-74.2
Cash flow from financing activities							
Dividends paid	-	-	-	-65.4	-	-65.4	-59.7
Exercise of stock options	0.3	0.2	1.0	4.0	0.1	5.4	7.1
Payments of finance lease liabilities	-0.9	-0.9	-0.9	-1.0	-0.9	-3.7	-5.4
Change in interest-bearing liabilities	-8.0	-79.9	-19.2	19.7	-13.6	-21.1	6.0
Net cash used in financing activities	-8.6	-80.6	-19.1	-42.7	-14.4	-84.8	-52.0
Change in cash and cash equivalents	73.2	-37.5	-15.1	-37.4	23.5	44.2	32.8
Cash and cash equivalents at the beginning of period	84.4	150.6	99.6	136.3	114.1	114.1	75.8
Foreign exchange differences	3.0	1.0	-0.1	0.7	-1.3	2.3	5.5
Change in cash and cash equivalents	73.2	-37.5	-15.1	-37.4	23.5	44.2	32.8
Cash and cash equivalents at the end of period	160.6	114.1	84.4	99.6	136.3	160.6	114.1

Statement of changes in shareholders' equity, EUR million

	Parent shareholders' equity								Non- control- ling inter- est	Total equity	
	Share capi- tal	Share issue premi- ums and other re- ser- ves	Share issue based on stock opti- ons	Own shares	Trans- lation differ- ences	Cash flow hedges	In- vest- ed unre- strict- ed equity re- serve	Re- tained earn- ings	Total		
At 1 Jan 2013	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								62.2	62.2	0.0	62.2
Other comprehensive income											
Actuarial gain on post employment benefit obligations (net of tax)								3.3	3.3		3.3
Translation difference		-1.2			-35.0			15.0	-21.2		-21.2
Cash flow hedges (net of tax)						-1.8			-1.8		-1.8
Total comprehensive income		-1.2			-35.0	-1.8		80.5	42.5	0.0	42.5
Transactions with owners											
Share-based payments recognized against equity								1.0	1.0		1.0
Dividend								-59.7	-59.7		-59.7
Share subscriptions based on stock options	0.7	5.5	-1.2				0.9		5.9		5.9
Share subscriptions based on stock options, not yet registered			0.1						0.1		0.1
Non-controlling interest										-0.1	-0.1
Total transactions with owners	0.7	5.5	-1.1				0.9	-58.7	-52.7	-0.1	-52.8
Impact on investments accounted for using the equity method											
								0.0	0.0		0.0
At 31 Dec 2013	76.6	45.7	0.1	-11.6	-26.6	-1.7	3.1	428.5	514.1	0.1	514.2

	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- tained earn- ings	Total		
At 31 Dec 2013	76.6	45.7	0.1	-11.6	-26.6	-1.7	3.1	428.5	514.1	0.1	514.2
Comprehensive income											
Net profit for the period								35.0	35.0	0.0	35.0
Other comprehensive income											
Actuarial loss on post employment benefit obligations (net of tax)								-10.3	-10.3		-10.3
Translation difference		-1.8			-24.4			16.1	-10.1		-10.1
Cash flow hedges (net of tax)						1.4			1.4		1.4
Total comprehensive income		-1.8			-24.4	1.4		40.8	16.0	0.0	16.0
Transactions with owners											
Share-based payments recognized against equity								0.6	0.6		0.6
Dividend								-65.4	-65.4		-65.4
Share subscriptions based on stock options			-0.1				5.4		5.3		5.3
Share subscriptions based on stock options, not yet registered			0.5						0.5		0.5
Non-controlling interest											0.0
Total transactions with owners	0.0	0.0	0.4				5.4	-64.8	-59.0	0.0	-59.0
Impact on investments accounted for using the equity method											
								0.0	0.0		0.0
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

Segment information

Customer sales by service line, EUR million

	2014	2013	Change	2014	2013	Change
	10-12	10-12	%	1-12	1-12	%
Managed Services	131	129	1	512	492	4
Consulting and System Integration	107	102	5	387	410	-6
Industry Products	107	111	-4	395	416	-5
Product Development Services	58	63	-8	229	289	-21
Group total	403	405	-1	1 522	1 607	-5

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

	2014	Change	Share	2013	Share
	1-12	%	%	1-12	%
Finland	711	-3	47	729	45
Sweden	548	-1	36	555	35
Other	264	-18	17	322	20
Group total	1 522	-5	100	1 607	100

In Finland, IT services sales grew by 2% in 2014.

In Sweden, growth in local currencies was 4%. IT services grew by 6% in local currencies.

In Norway, growth in local currencies was 5%.

Customer sales by industry group, EUR million

	2014	2013	Change	2014	2013	Change
	10-12	10-12	%	1-12	1-12	%
Financial Services	90	89	2	335	331	1
Manufacturing Retail and Logistics	82	81	1	311	305	2
Public Healthcare and Welfare	115	105	9	410	403	2
Telecom Media and Energy	59	68	-14	238	279	-15
Product Development Services	58	63	-8	229	289	-21
Group total	403	405	-1	1 522	1 607	-5

Customer sales to the telecom sector were EUR 370 (445) million during January-December.

Revenues derived from any single external customer during January–December 2014 or 2013 did not exceed the 10% level of the total net sales of the Group.

Operating profit (EBIT) by service line, EUR million

	2014	2013	Change	2014	2013	Change
	10-12	10-12	%	1-12	1-12	%
Managed Services	8.2	0.4	2 191.0	37.6	10.2	269.9
Consulting and System Integration	10.4	-1.6	734.8	34.9	9.0	289.3
Industry Products	17.4	28.3	-38.5	68.1	81.2	-16.1
Product Development Services	-4.4	-1.3	-237.5	-42.9	8.4	-613.0
Support Functions and Global Management	-22.1	-8.5	-160.9	-36.5	-23.0	-58.5
Operating profit (EBIT)	9.5	17.3	-44.7	61.1	85.7	-28.7

Operating margin (EBIT) by service line, %

	2014	2013	Change	2014	2013	Change
	10-12	10-12		1-12	1-12	
Managed Services	6.2	0.3	5.9	7.3	2.1	5.3
Consulting and System Integration	9.8	-1.6	11.4	9.0	2.2	6.8
Industry Products	16.3	25.5	-9.2	17.3	19.5	-2.3
Product Development Services	-7.5	-2.0	-5.5	-18.7	2.9	-21.6
Operating margin (EBIT)	2.4	4.3	-1.9	4.0	5.3	-1.3

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

	2014	2013	Change	2014	2013	Change
	10-12	10-12	%	1-12	1-12	%
Managed Services	9.0	9.0	0.2	38.4	21.0	82.8
Consulting and System Integration	10.2	7.7	31.4	38.3	32.0	19.4
Industry Products	19.6	28.5	-31.3	70.3	82.8	-15.1
Product Development Services	11.9	2.7	347.5	21.7	19.4	11.6
Support Functions and Global Management	-6.3	-5.8	-7.3	-18.5	-14.2	-30.6
Operating profit (EBIT)	44.4	42.0	5.5	150.2	141.2	6.4

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

	2014	2013	Change	2014	2013	Change
	10-12	10-12		1-12	1-12	
Managed Services	6.9	6.9	-0.1	7.5	4.3	3.2
Consulting and System Integration	9.5	7.6	1.9	9.9	7.8	2.1
Industry Products	18.3	25.7	-7.4	17.8	19.9	-2.1
Product Development Services	20.5	4.2	16.3	9.5	6.7	2.7
Operating margin (EBIT)	11.0	10.4	0.6	9.9	8.8	1.1

Personnel by service line

	End of period			Average		
	2014	Change	Share	2013	2014	2013
	1-12	%	%	1-12	1-12	1-12
Managed Services	3 321	7	24	3 090	3 162	3 112
Consulting and System Integration	3 953	-1	29	3 986	3 903	4 192
Industry Products	3 181	9	23	2 919	3 033	2 996
Product Development Services	2 114	-34	15	3 193	2 761	3 673
Service Lines total	12 568	-5	92	13 188	12 859	13 973
Industry Groups	415	6	3	390	408	418
Support Functions and Global Management	738	0	5	740	740	780
Group total	13 720	-4	100	14 318	14 007	15 170

Personnel by country

	End of period			Average		
	2014	Change	Share	2013	2014	2013
	1-12	%	%	1-12	1-12	1-12
Finland	4 122	-7	30	4 409	4 265	4 678
Sweden	2 548	-6	19	2 701	2 586	2 811
Czech Republic	2 077	7	15	1 940	2 002	1 920
India	1 979	24	14	1 591	1 752	1 579
China	379	-60	3	949	694	1 041
Latvia	680	-1	5	689	687	671
Poland	507	-30	4	722	606	884
Norway	417	-5	3	438	424	444
Philippines	227	-2	2	231	235	197
Lithuania	122	-5	1	129	127	132
Other	662	28	5	519	630	813
Group total	13 720	-4	100	14 318	14 007	15 170
Onshore countries	7 386	-6	54	7 835	7 574	8 513
Offshore countries	6 334	-2	46	6 483	6 433	6 657
Group total	13 720	-4	100	14 318	14 007	15 170

Non-current assets by country, EUR million

	2014	2013	Change
	31 Dec	31 Dec	%
Finland	84.6	101.5	-17
Sweden	24.6	28.0	-12
Other	5.8	9.2	-37
Total non-current assets	115.0	138.7	-17

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

	2014	2013	Change	2014	2013	Change
	10-12	10-12	%	1-12	1-12	%
Managed Services	12.7	16.9	-25	50.8	67.1	-24
Consulting and System Integration	0.2	0.3	-33	0.7	1.0	-31
Industry Products	0.1	0.1	24	0.4	0.5	-19
Product Development Services	0.7	0.1	358	1.0	0.7	41
Support Functions and Global Management	4.2	2.3	82	10.7	8.8	21
Group total	17.9	19.7	-10	63.5	78.1	-19

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

	2014	2013	Change	2014	2013	Change
	10-12	10-12	%	1-12	1-12	%
Managed Services	-	0.4	-	0.2	1.8	-88
Consulting and System Integration	0.1	0.2	-30	0.5	0.6	-21
Industry Products	0.1	0.2	-67	0.3	0.9	-66
Product Development Services	-	0.1	-	-	0.4	-
Support Functions and Global Management	-	-	-	-	-	-
Group total	0.2	0.9	-80	1.0	3.7	-74

Impairment losses by service line, EUR million

	2014	2013	Change	2014	2013	Change
	10-12	10-12	%	1-12	1-12	%
Managed Services	-	-	-	-	0.1	-
Consulting and System Integration	-	-	-	-	2.6	-
Industry Products	-	-	-	-	1.3	-
Product Development Services	-	-	-	39.6	3.6	1 014
Support Functions and Global Management	-	-	-	-	0.4	-
Group total	-	-	-	39.6	8.0	398

Commitments and contingencies, EUR million

	31 Dec 2014	31 Dec 2013
For Tieto obligations		
Guarantees		
Performance guarantees	27.3	39.3
Lease guarantees	9.9	11.1
Other	0.2	0.4
Other Tieto obligations		
Rent commitments due in one year	44.7	52.7
Rent commitments due in 1–5 years	100.3	117.8
Rent commitments due after 5 years	11.3	24.8
Operating lease commitments due in one year	6.5	5.3
Operating lease commitments due in 1–5 years	8.6	5.7
Operating lease commitments due after 5 years	0.7	0.8
Commitments to purchase assets	12.6	17.5
On behalf of joint ventures	-	-
On behalf of others		
Guarantees	0.7	1.0

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 Dec 2014	31 Dec 2013
Foreign exchange forward contracts	160.1	180.6
Forward contracts outside hedge accounting	115.7	129.5
Forward contracts within hedge accounting	44.4	51.1
Electricity price futures contracts	0.8	1.7

Fair values of derivatives

The net fair values of derivative financial instruments at the balance sheet date	31 Dec 2014	31 Dec 2013
Foreign exchange forward contracts	-0.4	-3.3
Electricity price futures contracts	-0.1	-0.3

Derivatives are used for economic hedging purposes only.

Gross positive fair values of derivatives	31 Dec 2014	31 Dec 2013
Foreign exchange forward contracts	1.4	0.6
Forward contracts outside hedge accounting	1.4	0.4
Forward contracts within hedge accounting ¹⁾	-	0.2
Electricity price futures contracts	-	-

Gross negative fair values of derivatives	31 Dec 2014	31 Dec 2013
Foreign exchange forward contracts	-1.8	-3.9
Forward contracts outside hedge accounting	-1.4	-1.6
Forward contracts within hedge accounting ¹⁾	-0.4	-2.3
Electricity price futures contracts	-0.1	-0.3

¹⁾ Forward contracts within hedge accounting (net)	-0.4	-2.1
The amount recognized in equity	-0.4	-2.1
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.

The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 12 months. Gains and losses recognized in the hedging reserve in equity (note Other reserves) on forward foreign exchange contracts as of 31 December 2014 amounted to net EUR -0.4 million (EUR -2.1 in 31 December 2013). These are recognized in the income statement in the current period or periods during which the hedged forecast transactions affect the income statement. This is usually within 12 months of the end of the reporting period. The hedged cash flows are expected to expire monthly within 12 months.

The efficient portion of cash flow hedges recognized in net sales at 31 December 2014 amounted to a gain of EUR 0.5 million (EUR 0.7 million in 31 December 2013) and a loss of EUR 2.5 million (EUR 1.6 million in 31 December 2013) including the interest rate difference.

The inefficient portion recognized in the other operating income that arises from cash flow hedges amounts to a gain of EUR 0.0 million at 31 December 2014 (EUR 0.3 million gain in 31 December 2013). The inefficient portion recognized in other operating expenses that arises from cash flow hedges amounts to a loss of EUR 0.3 million at 31 December 2014 (EUR 0.2 million in 31 December 2013).

Other reserves

Cash flow hedges

EUR million	Hedging reserve
Balance at 1 Jan 2013	0.2
Fair value gains in year	1.6
Fair value losses in year	-4.0
Tax on fair value gains	0.5
Tax on fair value losses	0.0
Balance at 31 Dec 2013	-1.7
Balance at 1 Jan 2014	-1.7
Fair value gains in year	2.0
Fair value losses in year	-0.3
Tax on fair value gains	0.0
Tax on fair value losses	-0.3
Balance at 31 Dec 2014	-0.3

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

31 Dec 2014	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Derivatives	-	1.4	-	1.4
Available-for-sale investments	-	-	0.7	0.7
Financial liabilities at fair value through profit or loss				
Derivatives	-	1.9	-	1.9

EUR million

31 Dec 2013	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Derivatives	-	0.6	-	0.6
Available-for-sale investments	-	-	0.7	0.7
Financial liabilities at fair value through profit or loss				
Derivatives	-	4.2	-	4.2

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

	2014 10-12	2014 7-9	2014 4-6	2014 1-3	2013 10-12	2013 7-9	2013 4-6	2013 1-3
Earnings per share, EUR								
Basic	0.09	-0.17	0.23	0.34	0.21	0.25	0.10	0.30
Diluted	0.09	-0.17	0.23	0.34	0.21	0.25	0.10	0.30
Equity per share, EUR	6.44	6.52	6.70	6.56	7.08	7.08	6.67	6.79
Return on equity 12-month rolling, %	7.1	8.7	15.3	13.5	12.0	5.4	6.6	3.7
Return on capital employed 12-month rolling, % ¹⁾	9.8	10.4	14.8	15.3	13.5	9.0	10.3	8.1
Equity ratio, %	47.8	51.4	48.7	44.9	49.3	46.7	44.0	43.2
Interest-bearing net debt, EUR million	-59.2	25.7	30.3	-20.5	15.5	52.6	81.1	18.3
Gearing, %	-12.6	5.4	6.2	-4.3	3.0	10.2	16.8	3.7
Investments, EUR million	12.9	10.1	7.1	13.4	23.6	15.5	15.3	17.3

¹⁾ When calculating Return on capital employed the negative net impact on interest rate swaps and exchange differences are now considered as other financial expenses. The key figure for year 2013 has been correspondingly restated.

The balance sheet items concerning year 2012 in the 12-month average denominator are not restated according to the IFRS 11 'Joint arrangements'.

Income statement, EUR million

	2014 10-12	2014 7-9	2014 4-6	2014 1-3	2013 10-12	2013 7-9	2013 4-6	2013 1-3
Net sales	402.9	346.2	386.4	387.0	405.1	361.1	416.7	423.9
Other operating income	7.0	3.5	3.8	3.8	6.5	4.5	3.1	4.0
Employee benefit expenses	226.5	182.8	219.3	217.4	230.7	199.8	244.7	248.5
Depreciation amortization and impairment charges	18.0	55.0	15.6	15.4	20.6	19.3	28.6	21.2
Other operating expenses	157.2	117.4	135.1	125.1	144.4	123.5	133.8	131.4
Share of profit from investments accounted for using the equity method	1.3	1.6	1.3	1.1	1.4	1.3	2.1	2.5
Operating profit (EBIT)	9.5	-3.9	21.5	34.0	17.3	24.3	14.8	29.3
Financial income and expenses	-0.9	-1.4	-1.0	-1.2	-1.6	-1.7	-1.8	-1.5
Profit before taxes	8.6	-5.3	20.5	32.8	15.7	22.6	13.0	27.8
Income taxes	-1.9	-7.5	-4.0	-8.2	-0.7	-4.2	-5.6	-6.4
Net profit for the period	6.7	-12.8	16.5	24.6	15.0	18.4	7.4	21.4

Balance sheet, EUR million

	2014 31 Dec	2014 30 Sep	2014 30 Jun	2014 31 Mar	2013 31 Dec	2013 30 Sep	2013 30 Jun	2013 31 Mar
Goodwill	323.7	329.5	367.5	371.1	372.3	376.7	374.8	383.9
Other intangible assets	32.8	39.5	41.3	43.2	44.1	40.3	45.9	51.1
Property, plant and equipment	82.2	82.2	85.4	93.2	94.6	96.4	98.1	100.3
Investments accounted for using the equity method	19.3	19.7	18.1	16.7	21.5	20.2	20.2	18.1
Other non-current assets	34.9	31.2	33.9	30.5	31.5	34.6	38.1	36.6
Total non-current assets	492.9	502.1	546.2	554.7	564.0	568.2	577.1	590.0
Trade receivables and other current assets	378.0	390.4	411.7	437.5	416.5	439.8	463.1	482.6
Cash and cash equivalents	160.6	84.4	99.6	136.3	114.1	150.6	126.4	93.1
Total current assets	538.6	474.8	511.3	573.8	530.6	590.4	589.5	575.7
Assets classified as held for sale	-	-	-	-	-	2.0	-	47.3
Total assets	1 031.5	976.9	1 057.5	1 128.5	1 094.6	1 160.6	1 166.6	1 213.0
Total equity	471.2	477.0	489.8	476.2	514.2	513.5	483.9	488.7
Non-current loans	100.8	101.7	101.6	102.1	103.1	101.0	102.1	3.8
Other non-current liabilities	64.2	56.8	54.3	56.5	56.8	58.5	58.0	61.2
Total non-current liabilities	165.0	158.5	155.9	158.6	159.9	159.5	160.1	65.0
Trade payables and other current liabilities	352.2	297.4	346.6	439.1	341.8	343.9	379.8	468.6
Provisions	31.3	23.5	25.1	33.6	44.2	32.5	28.3	26.6
Current loans	11.8	20.5	40.1	21.0	34.5	111.0	114.5	118.5
Total current liabilities	395.3	341.4	411.8	493.7	420.5	487.4	522.6	613.7
Liabilities classified as held for sale	-	-	-	-	-	0.2	-	45.6
Total equity and liabilities	1 031.5	976.9	1 057.5	1 128.5	1 094.6	1 160.6	1 166.6	1 213.0

Cash flow, EUR million

	2014	2014	2014	2014	2013	2013	2013	2013
	10–12	7–9	4–6	1–3	10–12	7–9	4–6	1–3
Cash flow from operations								
Net profit	6.7	-12.8	16.5	24.6	15.0	18.4	7.4	21.4
Adjustments	18.3	62.2	18.5	23.4	16.3	22.4	29.1	28.3
Change in net working capital	66.0	-32.7	-18.6	2.7	36.2	7.6	-19.6	-0.2
Cash generated from operations	91.0	16.7	16.4	50.7	67.5	48.4	16.9	49.5
Net financial expenses paid	-2.3	-0.1	-3.1	-0.3	-6.1	-1.1	-1.9	-3.0
Dividends received from investments accounted for using the equity method	-	-	-	5.9	-	-	-	7.6
Income taxes paid	1.5	-5.5	3.3	-6.3	-3.9	-6.5	-4.3	-4.1
Net cash flow from operations	90.2	11.1	16.6	50.0	57.5	40.8	10.7	50.0
Net cash used in investing activities	-8.4	-7.1	-11.3	-12.1	-14.4	-12.3	-33.8	-13.7
Net cash used in financing activities	-8.6	-19.1	-42.7	-14.4	-80.6	-4.6	40.5	-7.3
Change in cash and cash equivalents	73.2	-15.1	-37.4	23.5	-37.5	23.9	17.4	29.0
Cash and cash equivalents at the beginning of period	84.4	99.6	136.3	114.1	150.6	126.4	93.1	75.8
Foreign exchange differences	3.0	-0.1	0.7	-1.3	1.0	0.3	2.2	2.0
Assets classified as held for sale	-	-	-	-	-	-	13.7	-13.7
Change in cash and cash equivalents	73.2	-15.1	-37.4	23.5	-37.5	23.9	17.4	29.0
Cash and cash equivalents at the end of period	160.6	84.4	99.6	136.3	114.1	150.6	126.4	93.1

QUARTERLY FIGURES BY SEGMENTS

Customer sales by service line, EUR million

	2014 10-12	2014 7-9	2014 4-6	2014 1-3	2013 10-12	2013 7-9	2013 4-6	2013 1-3
Managed Services	131	121	132	127	129	117	125	120
Consulting and System Integration	107	84	97	100	102	92	108	108
Industry Products	107	91	97	100	111	91	105	109
Product Development Services	58	51	60	60	63	60	79	86
Group total	403	346	386	387	405	361	417	424

Customer sales by industry group, EUR million

	2014 10-12	2014 7-9	2014 4-6	2014 1-3	2013 10-12	2013 7-9	2013 4-6	2013 1-3
Financial Services	90	77	84	83	89	77	84	80
Manufacturing Retail and Logistics	82	73	78	79	81	70	78	76
Public Healthcare and Welfare	115	91	104	100	105	90	102	107
Telecom Media and Energy	59	54	60	65	68	63	74	74
Product Development Services	58	51	60	60	63	60	79	86
Group total	403	346	386	387	405	361	417	424

Operating profit (EBIT) by service line, EUR million

	2014 10-12	2014 7-9	2014 4-6	2014 1-3	2013 10-12	2013 7-9	2013 4-6	2013 1-3
Managed Services	8.2	11.0	7.6	10.9	0.4	3.7	5.4	0.7
Consulting and System Integration	10.4	7.2	6.1	11.1	-1.6	4.0	2.8	3.8
Industry Products	17.4	20.3	15.0	15.5	28.3	19.9	15.4	17.6
Product Development Services	-4.4	-37.4	-2.3	1.1	-1.3	3.0	-2.6	9.3
Support Functions and Global Management	-22.1	-5.0	-4.8	-4.6	-8.5	-6.3	-6.1	-2.1
Operating profit (EBIT)	9.5	-3.9	21.5	34.0	17.3	24.3	14.8	29.3

Operating margin (EBIT) by service line, %

	2014 10-12	2014 7-9	2014 4-6	2014 1-3	2013 10-12	2013 7-9	2013 4-6	2013 1-3
Managed Services	6.2	9.0	5.8	8.5	0.3	3.2	4.3	0.6
Consulting and System Integration	9.8	8.6	6.3	11.1	-1.6	4.3	2.6	3.5
Industry Products	16.3	22.4	15.3	15.4	25.5	21.9	14.7	16.1
Product Development Services	-7.5	-73.0	-3.8	1.9	-2.0	5.0	-3.4	10.8
Operating margin (EBIT)	2.4	-1.1	5.6	8.8	4.3	6.7	3.5	6.9

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

	2014 10-12	2014 7-9	2014 4-6	2014 1-3	2013 10-12	2013 7-9	2013 4-6	2013 1-3
Managed Services	9.0	11.1	7.6	10.7	9.0	6.0	5.7	0.3
Consulting and System Integration	10.2	9.7	7.2	11.2	7.7	9.6	9.6	5.1
Industry Products	19.6	20.2	15.2	15.4	28.5	20.1	16.6	17.6
Product Development Services	11.9	4.6	3.7	1.6	2.7	4.8	2.0	10.0
Support Functions and Global Management	-6.3	-4.2	-3.7	-4.4	-5.8	-3.0	-3.3	-2.0
Operating profit (EBIT)	44.4	41.3	30.0	34.5	42.0	37.5	30.6	31.0

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

	2014 10-12	2014 7-9	2014 4-6	2014 1-3	2013 10-12	2013 7-9	2013 4-6	2013 1-3
Managed Services	6.9	9.1	5.8	8.4	6.9	5.1	4.6	0.3
Consulting and System Integration	9.5	11.6	7.4	11.2	7.6	10.4	8.9	4.7
Industry Products	18.3	22.3	15.6	15.4	25.7	22.1	15.8	16.1
Product Development Services	20.5	8.9	6.1	2.6	4.2	7.9	2.6	11.6
Operating margin (EBIT)	11.0	11.9	7.8	8.9	10.4	10.4	7.3	7.3

Major shareholders on 30 December 2014

	Shares	%
1 Cevian Capital *)	11 073 614	15.0
2 Solidium Oy	7 415 418	10.1
3 Silchester International Investors LLP **)	3 666 901	5.0
4 Ilmarinen Mutual Pension Insurance Co.	2 166 998	2.9
5 OP-Pohjola Group Central Cooperative	2 160 000	2.9
6 Etera Mutual Pension Insurance Co.	1 646 953	2.2
7 Swedbank Robur fonder	1 573 449	2.1
8 Nordea funds	834 166	1.1
9 The State Pension fund	823 000	1.1
10 Varma Mutual Pension Insurance Co.	793 488	1.1
Top 10 shareholders total	32 153 987	43.6
- of which nominee registered	16 313 964	22.1
Nominee registered other	25 763 042	35.0
Others	15 758 874	21.4
Total	73 675 903	100.0

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

*) Based on the ownership records of Euroclear Finland Oy, Cevian Capital's holding on 31 August 2014 was 11 073 614 shares, representing 15.0% of the shares and voting rights.

**) On 17 December 2013 Silchester International Investors LLP announced that its holding in Tieto Corporation was 3 666 901 shares, which represents 5.0% of the shares and voting rights.

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Press conference for analysts and media will be held at Tieto's premises in Helsinki, address: Aku Korhosen tie 2–6, on Thursday 5 February 2015 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 6937 9590

Sweden: +46 (0)8 5065 3937

UK: +44 (0)20 3427 1909

US: +1212 444 0896

Conference code: 8765732

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.

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