TIETO's interim report 4/2012 (January–December) – Strong improvement in underlying profitability, strategy execution on schedule

October–December highlights

- Net sales totalled EUR 478.6 (489.7) million, down by 2%.
- Book-to-bill at 1.1 (1.2). Order backlog amounted to EUR 1 703 (1 719) million.
- Operating profit (EBIT) amounted to EUR -8.3 (26.1) million including a net amount of EUR 52.1 million (negative) in one-off items. One-off items include impairments of EUR 33.6 million and restructuring costs of EUR 18.5 million. Operating margin stood at -1.7% (5.3).
- Operating profit excluding one-off items stood at EUR 43.8 (34.2) million, representing an operating margin of 9.2% (7.0).
- Profit after taxes was EUR -18.5 (12.5) million.
- Net cash flow from operations amounted to EUR 60.6 (43.7) million.
- Strategy implementation proceeded on schedule, cost reductions ahead of plan.

January–December highlights

- Net sales amounted to EUR 1 825.3 (1 828.1) million.
- Book-to-bill at 1.0 (1.1).
- Operating profit (EBIT) amounted to EUR 61.3 (98.1) million, including a net amount of EUR 75.8 million (negative) in one-off items. Operating margin stood at 3.4% (5.4).
- Operating profit, excluding one-off items, amounted to EUR 137.1 (117.1) million, up by 17%. Operating margin excluding one-off items stood at 7.5% (6.4) of net sales.
- Profit after taxes was EUR 29.4 (59.9) million.
- Net cash flow from operations amounted to EUR 161.9 (123.2) million.

- Dividend proposal: EUR 0.83 (0.75) per share.

Full-year outlook for 2013

Tieto expects its organic net sales development to be at the level of the IT services market growth, with the exception of weaker outlook in the telecom sector.

Tieto expects its profitability to continue to improve and full-year operating profit (EBIT) excluding one-off items to increase from the previous year's level (EUR 137.1 million in 2012).

	10–12/ 2012	10–12/ 2011	**1–12/ 2012**	1–12/ 2011
Net sales, EUR million	**478.6**	489.7	**1 825.3**	1 828.1
Change in net sales, %	**-2**	4	**0**	7
Operating profit (EBITA), EUR million	**-7.3**	27.9	**66.6**	105.4
Operating margin (EBITA), %	**1.5**	5.7	**3.7**	5.8
Operating profit (EBIT), EUR million	**-8.3**	26.1	**61.3**	98.1
Operating margin (EBIT), %	**-1.7**	5.3	**3.4**	5.4
Operating profit (EBIT) excl. one-off items, EUR million	**43.8**	34.2	**137.1**	117.1
Operating margin (EBIT) excl. one-off items, %	**9.2**	7.0	**7.5**	6.4
Profit after taxes, EUR million	**-18.5**	12.5	**29.4**	59.9
Net cash flow from operations, EUR million	**60.6**	43.7	**161.9**	123.2
EPS, EUR	**-0.26**	0.18	**0.41**	0.84
EPS excl. one-off items, EUR	**0.41**	0.28	**1.30**	1.07
Return on equity, 12-month rolling, %	**5.3**	10.7	**5.3**	10.7
Return on capital employed, 12-month rolling, %	**12.5**	18.3	**12.5**	18.3
Investments, EUR million	**19.3**	13.8	**62.9**	103.6
Interest-bearing net debt, EUR million	**23.9**	82.7	**23.9**	82.7
Gearing, %	**4.3**	14.6	**4.3**	14.6
Net debt/EBITDA	**0.2**	0.4	**0.2**	0.4
Personnel on 31 Dec	**16 537**	18 123	**16 537**	18 123

Comment regarding the interim report by **Kimmo Alkio**, President and CEO:
"I am pleased with our overall operational performance in the fourth quarter. Operating profit for the quarter reflects high one-off items resulting from restructuring activities and divestments, which were necessary steps in creating a scalable and competitive company. The profitability of our underlying business, excluding one-off items, has been improving consistently throughout the year, with a further boost in the fourth quarter. This development was also reflected in our strong cash flow. During the past year, we have taken major steps forward in transforming Tieto into a more customer-centric, agile and cost-efficient company.

During the past quarter, we launched highly attractive and competitive cloud capacity services, which deliver rapid returns for our customers and support our intent of adopting the best technologies for our customers' benefit. This is a good step forward in becoming a proactive partner for our customers.

In the latter part of the year, we were able to complete two significant divestments in Italy and Spain and prepared the divestment of our German and Dutch operations, which will contribute to creating a more focused Tieto.

During 2013, we look forward to continued solid execution of our strategy and strengthening our position as a highly trusted partner both in IT services and product engineering."

MARKET DEVELOPMENT

The growth rates of the Nordic economies were down in 2012, but the IT services market in Tieto's core countries remained relatively stable. Analysts' expectations of flat IT services did not materialize, and it is currently estimated that the IT services market in the Nordic countries grew by 1–2% in 2012, with IT outsourcing as the main source of growth.

The slowdown of economies is expected to affect the IT services market also in 2013. The market for project services is anticipated to remain weak, while activity in outsourcing services is picking up as customers are seeking to cut costs and improve productivity. The overall IT services market may reflect cautiousness at the beginning of 2013, and the company expects overall market growth of around 2% for the Nordic IT services market in the full year. However, the telecom market is expected to remain sluggish in 2013 due to customers' cost savings programmes. IT outsourcing, especially infrastructure as a service, is expected to remain the strongest-growing area.

One of the major on-going trends is the adoption of mobile services. Mobile services are supporting the increasing need for enterprises to cater to a more mobile user base, including business-to-business, business-to-consumer and business-to-employee environments. Another rapidly expanding area is the incorporation of business intelligence and analytics as part of full life-cycle services. For example, enterprises are increasingly looking to leverage analytics to mine data in order to improve the end customer experience, carry out real-time promotional campaigns and identify new market opportunities.

Applications and ICT infrastructure are increasingly moving towards web-based scalable delivery models. Many businesses are taking a hybrid approach to cloud services, i.e. combining so-called private and public clouds, as well as combining cloud services with a variety of older systems that continue to support mission-critical processes. Support for the implementation of cloud technologies at large enterprises opens up opportunities for IT service companies in consulting and systems integration and managed services businesses.

Reducing the cost of IT is on customers' agendas, and there is pressing demand for differentiating services with measurable business value, leading to a shift to "as a service" solutions and fully packaged predefined solutions bundling infrastructure, software and services. IT as a Service delivery models are starting to gradually replace traditional IT projects and with this change services are provided over several years and payments are scheduled over time. In the short term, solutions provided to customers as a service may generate lower revenue than traditional projects. In service-based models, profitability either remains at the same level or improves over time as volumes grow.

The financial services sector is still under pressure, and customers are maintaining a focus on their cost structures. Customers focus only on their on-going and most important projects and tend to harmonize existing applications instead of replacing them. On the other hand, the need to cut spending and to harmonize existing IT systems maintains high interest in outsourcing and IT as a Service delivery models. Increased demand is anticipated for transformational services assisting customer to move from old applications and infrastructure to the latest technologies, e.g. cloud services.

The telecom sector is affected by budget cuts made by some vendors, intensifying the offshoring and supplier consolidation trends. The market for mobile devices is still affected by fierce competition between device manufacturers seeking to gain market share and launch attractive new products with the latest technology platforms. In the network equipment manufacturers segment, the main driver is the increase in wireless traffic. Innovativeness and productivity combined with cost efficiency have remained two of the key drivers for telecom R&D. Some R&D service providers are still pricing their services aggressively to defend their position.

The manufacturing sector is sensitive to economic downturns. Until now, demand for IT services in Finland has remained relatively stable, whereas there are signs of weakness in Sweden. Demand is based on the need to cut costs and improve business processes and service deliveries. In the healthcare and welfare sector, there is strong demand for new solutions helping to meet increasing service demand and integration of health and social care systems across primary care, hospital care and welfare services. Despite tight budgets, demand in the public sector has remained healthy.

In **Finland and the Baltic countries**, the IT services market is stable. In the public sector, the expected decrease in IT spending has not materialized, but the market outlook has remained positive as productivity improvements will be sought from IT development and outsourcing. Demand in the healthcare sector and the manufacturing sector has remained at a healthy level. The financial sector continues to face challenges due to cost savings programmes. These programmes also open up new opportunities as customers seek cost cuts from new IT business models.

In **Scandinavia**, the growth rate in 2012 was down from the previous year due to cost cutting and prolonged decision-making, especially in the financial sector. Healthy demand for IT services is expected to continue in the public and energy sectors. Price pressure has remained strong in basic services, particularly in large centralized procurement processes. In Norway, the IT market has remained active, fuelled by the energy sector. Advanced metering infrastructure is a growth driver, although the large-scale procurement process in Norway has been pushed back and will be started again in 2013.

In **Central Europe & Russia**, the IT services market has been affected by the economic downturn, but demand for services driving cost reductions and efficiency improvements has remained stable. The Russian market is expected to enjoy double-digit growth. The main drivers are business process automation, new services for end-users, mobile applications and information security, however, the market for outsourcing remains undeveloped.

COMPANY STRATEGY AND FINANCIAL TARGETS

In March 2012, Tieto revised its strategy for 2012–2016. The company's strategic core choices, as communicated at the time of strategy launch, are:

- Reinforcing industry expertise – Building on the company's long customer relationships and understanding of the core process of customers
- Expanding to provide full life-cycle IT services – Investments in Consulting and System Integration (CSI) capabilities
- Focusing on markets where Tieto can be in the Top 3. The Nordic countries are Tieto's current core market, building on the company's strengths in Finland and Sweden. In other countries the company will pursue focused operations based on selected industries, repeatable solutions and profitable operations.

In connection with the strategy revision, Tieto defined its financial targets for 2012–2016 and launched a programme to simplify its operations and achieve a competitive cost structure with a view to gaining annualized net savings of EUR 50 million by 2014. In November, Tieto raised the target to EUR 60 million. The financial targets are described in detail at www.tieto.com/Investors. One of the targets is to reach an operating margin (EBIT) of 10% during the strategy period 2012–2016. Key means of achieving the target level are described below.

Margin improvement enablers during 2012–2016

- the EUR 60 million cost programme to create a competitive cost structure, which is anticipated to drive an improvement of more than 3 percentage points
- increase in the share of high-margin business
- improvements in quality
- increase in offshoring
- efficiency improvement in managed services through automation

- rationalization of the business portfolio

Factors straining margins during 2012–2016
- additional investments in the development of CSI business, offerings and the automation and industrialization of managed services
- price pressure
- salary inflation

Price pressure and salary inflation are anticipated to be offset by growing use of offshore resources as well as efficiency improvements in managed services.

With these measures, Tieto expects to achieve an EBIT margin of 10% during the strategy period.

IMPLEMENTATION OF STRATEGY
During 2012, Tieto launched a new operating model comprising Industry Groups and Service Lines, representing go-to-market activities and quality as well as IT offerings, respectively. Tieto New Markets strives to create scale and profitability for Tieto Industry Groups and Services Lines outside Finland and Sweden. By strengthening Tieto's industry-driven structure and repeatable IT service offering, the company is well positioned to increase its profitability and drive long-term growth.

The company's key targets include geographical focus and improved profitability. Tieto carried out several divestments during the year:
- In the first quarter, Tieto agreed to divest its financial services products business based in the UK and its Danish unions business.
- In the second quarter, the company decided to close down its global delivery centre for R&D services in Bangalore, India. Going forward, operations in India will be based on the company's site for IT services in Pune.
- In the fourth quarter, Tieto agreed to sell its business operations in Italy and Spain. The business operations, including around 300 employees, were transferred to the new owner during December. Additionally, the company sold the shares of its Belarus operations. The unit in Belarus has acted as a near-shore development centre for various Tieto businesses.
- During the second half of 2012, the company also prepared for the divestment of German and Dutch operations. The agreement was concluded in February 2013.

More details about these divestments are provided in the sections entitled "Business transactions" and "Events after the period". Tieto will continue to evaluate its operations with a priority to create scale for the company's full life-cycle services. Due to its streamlined operations, the company is well positioned to over time seek growth outside the current core markets, Finland and Sweden.

The company has been preparing for the full implementation of the new operating model, effective as of the beginning of 2013. In August, Tieto made management appointments in order to ensure the execution of the strategy based on this new model. The roles became effective as of 1 January 2013. The composition of the new Leadership Team is described in the section entitled "Management".

IMPLEMENTATION OF THE COMPETITIVE COST STRUCTURE PROGRAMME
During 2012, the focus has been on the programme to create a competitive cost structure. Group-wide actions to reduce non-customer-centric work, cut overlapping tasks and improve productivity and the utilization rate were carried out during the reporting year and continuing during the first quarter of 2013. The related personnel negotiations launched in March were expected to lead to a reduction of about 1 300 employees. On top of this, the savings target launched in November will result in further redundancies. The negotiations will be completed during the first quarter of 2013.

Owing to the actions taken during 2012, Tieto has reduced a total of close to 1 400 positions, of which around 450 in Finland, around 300 in Sweden, around 180 in Germany and the rest in other countries. Of these redundancies, Product Engineering Solutions accounts for around 640. During 2012, the number of full-time employees decreased by a net amount of around 1 600. In addition to 1 400 job cuts, divestments decreased the number of employees by around 600. On the other hand, new outsourcing deals added more than 300 employees and Tieto recruited some key competences, mainly in offshore locations.

The programme has progressed ahead of the plan and the impact on the company's operating profit was around EUR 25 million in 2012. Around 60% of the redundancies are accounted for by job cuts in businesses with a low utilization rate and around 40% by the reduction in overhead costs. The company currently anticipates that the impact of the programme on operating profit will amount to more than EUR 50 million in 2013. The full net savings of EUR 60 million are expected to materialize in 2014. However, salary inflation and price erosion are expected to offset part of the benefits.

Growing use of offshore resources, especially in IT services, as well as further improvements in efficiency and productivity, are expected to contribute to improved profitability during the strategy period. Additionally, industrialization and automation in managed services and a new operating model supporting efficient staffing of projects, for example, are expected to contribute to the company's productivity and utilization rate improvements. Further automation in managed services is expected to materialize largely during late 2013 and in 2014. Tieto is actively seeking to develop its operations during the strategy period in all of these areas to offset the negative impact of factors straining the margins, such as salary inflation and price erosion.

In 2012, Tieto booked a net amount of EUR 75.8 million (negative) in one-off items, including EUR 15.4 million in capital gains related to the divestment in the UK and EUR 34.1 million in impairments, mainly related to the divestment in Germany. Additionally, Tieto booked EUR 57.1 million in restructuring costs related to programmes targeting at net savings totalling EUR 60 million. In addition to costs related to 1 400 redundancies implemented by the end of 2012, restructuring costs cover provision for additional close to 200 redundancies to be implemented mainly during the first quarter of 2013. Costs were recognized mainly in personnel costs. In 2013, restructuring costs are expected to be far lower, around half of the previous year's level.

ORDER BACKLOG

The order backlog, which only comprises services ordered with binding contracts, is solid. At the end of the period, the backlog amounted to EUR 1 703 (1 719) million. The divestments had a negative impact of around EUR 55 million on the order backlog. In total, 57% of the backlog is expected to be invoiced during 2013. Fourth-quarter order intake was EUR 550 (601) million and book-to-bill stood at 1.1 (1.2). Full-year order intake amounted to EUR 1 854 (1 974) million and book-to-bill stood at 1.0 (1.1).

FINANCIAL PERFORMANCE IN OCTOBER–DECEMBER

Fourth-quarter net sales amounted to EUR 478.6 (489.7) million. Currency changes had a positive impact of EUR 11 million on fourth-quarter net sales. On the other hand, the divestments had a negative impact of around EUR 11 million on net sales. Tieto divested the financial services products business in the UK and the unions business in Denmark during the first quarter and the Italian and Spanish businesses during the fourth quarter. Excluding currency effects and divestments, net sales were down by 2%. Weak development was mainly due to declining Global Accounts sales.

Fourth-quarter operating profit (EBIT) amounted to EUR -8.3 (26.1) million, representing a margin of -1.7% (5.3). Operating profit includes EUR 18.5 (8.1) million in restructuring costs and EUR 33.6 million in impairments, which are mainly related to the divestment in Germany.

Operating profit excluding one-off items stood at EUR 43.8 (34.2) million, or 9.2% (7.0) of net sales.

Personnel expenses excluding restructuring costs and currency effects were down by 4%, despite the fact that salary inflation and incentive accruals partly offset the positive impact of redundancies implemented during 2012. Additionally, subcontracting costs were down by around EUR 7 million, or by 15%. Part of the improvement is attributable to the weak comparison figure. In 2011, the fourth-quarter results included costs and provisions related to the data centre incident in Sweden.

Depreciation and amortization amounted to EUR 21.5 (22.7) million. Net financial expenses stood at EUR 0.7 (2.1) million in the fourth quarter. Net interest expenses were EUR 0.7 (1.4) million and net gains from foreign exchange transactions EUR 0.2 (negative 0.4) million. Other financial income and expenses amounted to EUR -0.2 (-0.3) million.

Fourth-quarter earnings per share (EPS) totalled EUR -0.26 (0.18). Earnings per share excluding one-off items amounted to EUR 0.41 (0.28).

Financial performance by market unit

	Net sales Q4/2012, EUR million	Net sales Q4/2011, EUR million	Change, %	**Operating margin Q4/2012, %**	Operating margin Q4/2011, %
Finland and the Baltic countries	**205**	202	2	**10.3**	11.9
Scandinavia	**143**	147	-2	**5.4**	1.6
Central Europe & Russia	**31**	36	-13	**-71.7**	-18.9
Global Accounts	**166**	185	-10	**-6.1**	5.2
Group elimination	**-67**	-80			
Total	**479**	490	-2	**-1.7**	5.3

Operating profit excluding one-off items by market unit

	Operating profit excl. one-off items Q4/2012, EUR million	Operating profit excl. one-off items Q4/2011, EUR million	**Operating margin excl. one-off items Q4/2012, %**	Operating margin excl. one-off items Q4/2011, %
Finland and the Baltic countries	**24.7**	24.6	**12.0**	12.2
Scandinavia	**11.5**	2.4	**8.0**	1.6
Central Europe & Russia	**-2.7**	-5.3	**-8.5**	-14.7
Global Accounts	**15.1**	15.3	**9.1**	8.3
Steering Functions and Group Management	**-4.8**	-2.8		
Total	**43.8**	34.2	**9.2**	7.0

In **Finland and the Baltic countries**, positive sales development continued in most sectors, with the finance and public sector enjoying the strongest growth. Fourth-quarter operating profit amounted to EUR 21.1 (23.9) million, or 10.3% (11.9) of net sales. Operating profit excluding one-off items amounted to EUR 24.7 (24.6) million, or 12.0% (12.2) of net sales. The cost savings programme contributed to continued profit improvement.

In **Scandinavia**, net sales were down by EUR 4 million. The stronger currencies had a positive impact of EUR 6 million on fourth-quarter net sales. On the other hand, the divestment of the unions business in Denmark had a negative impact of around EUR 2 million on net sales. Excluding currency effects and the divestment, net sales were down by 4%, mainly due to decreased internal sales to Global Accounts. Both Sweden and Norway saw growth in external sales, especially in the healthcare and welfare solutions as well as the media and the energy sectors. Operating profit amounted to EUR 7.7 (2.4) million, or 5.4% (1.6) of net sales. Operating profit excluding one-off items rose to EUR 11.5 (2.4) million, or 8.0% (1.6) of net sales. Profit development was partly attributable to the weak comparison figure. In 2011, the fourth-quarter results included costs and provisions related to the data centre incident in Sweden. Additionally, subcontracting costs declined substantially.

In **Central Europe & Russia**, net sales declined by 13%. However, due to internal business transfers, sales figures are not fully comparable. External sales remained at the previous year's level. The impact of currency changes was insignificant. The largest increase was seen in Russia, where strong demand was experienced in the Cards area, but negative development continued in Product Engineering Solutions. Profitability in Russia saw a positive turn, but that of German operations remained unsatisfactory in the fourth quarter. In Germany, weak profitability is attributable mainly to Product Engineering Solutions. The negotiations to divest German operations, on-going in 2012, were concluded in February 2013.

Operating profit amounted to EUR -22.4 (-6.8) million, or -71.7% (-18.9) of net sales. Operating profit includes impairment of EUR 17.6 million related to the divestment agreed on in Germany and restructuring costs of EUR 2.1 (1.5) million. Operating profit excluding one-off items amounted to EUR -2.7 (-5.3) million, or -8.5% (-14.7) of net sales.

In **Global Accounts**, net sales declined by 10%. The divestments in the UK, Italy and Spain had a negative impact of around EUR 9 million on net sales. Excluding the divestment and currency fluctuations, net sales were down by 7%. The decline is attributable to the development of Industry Solutions and Enterprise Solutions, which suffered from key customers' cautiousness regarding new investments. Product Engineering Solutions accounted for EUR 2 million of the drop in Global Accounts sales. Profitability continued to improve in the fourth quarter as the company successfully adjusted its operations to demand. This is particularly evident in the substantially lower subcontracting costs. Fourth-quarter operating profit amounted to EUR -10.1 (9.6) million, or -6.1% (5.2) of net sales. Operating profit includes impairment of EUR 16.1 million related to the divestments in Germany, Italy and Spain and restructuring costs of EUR 9.2 (1.5) million. Operating profit excluding one-off items amounted to EUR 15.1 (15.3) million, or 9.1% (8.3) of net sales.

Customer sales by business line

The comparison figures for 2011 have changed from the figures published for 2011 due to the transfer of businesses between the business lines at the beginning of 2012.

	Customer sales Q4/2012, EUR million	Customer sales Q4/2011, EUR million	Change, %
Industry Solutions	**148**	147	1
Enterprise Solutions	**71**	71	0
Managed Services and Transformation	**175**	182	-4
Product Engineering Solutions	**85**	90	-6
Total	**479**	490	-2

In **Industry Solutions**, sales were strained by the divestment of the financial services products business in the UK and the Italian and Spanish businesses, but this was partly offset by the currency impact. Excluding divestments and currency effects, net sales grew by 5%. In the healthcare and welfare sector, strong growth continued with good sales pipeline for Tieto's Lifecare solutions. The energy sector saw good growth as well. Sales to the finance sector continued to decline. The typical year-end licence sales peak did not materialize as sales were distributed more evenly over the year. Underlying profitability improved further, mainly due to the cost savings programme.

In **Enterprise Solutions**, customer sales remained at the previous year's level. The positive impact of currency changes was less than EUR 1 million. Finland was the strongest market with healthy sales to the finance, retail and public sectors, whereas sales to Global Accounts customers were declining. Customers' focus was on extending existing applications and smaller development projects. Profitability improved substantially, mainly due to the cost savings programme.

In **Managed Services and Transformation**, sales were strained by the divestment of the unions business in Denmark, but the negative impact was offset by currency changes. Excluding divestments and currency effects, net sales declined by 5%. Customer sales were down partly due to the ending of some large transformation projects that had been implemented with subcontractors in Sweden. Profitability improved substantially in the fourth-quarter. Part of the improvement is attributable to the weak comparison figure. In 2011, the fourth-quarter results included costs and provisions related to the data centre incident in Sweden. Additionally, the cost savings programme contributed to improvement.

Product Engineering Solutions continued to see two-fold development. Sales to one key customer in the mobile device manufacturers' segment continued to slide. On the other hand, the network equipment manufacturers' segment continued to see strong growth and sales growth to some new customers remained solid. In total, major key customers accounted for around half of the reduction in sales. The decline is partly attributable to the German product engineering business that will now be divested. The business line has actively reduced capacity during 2012 by cutting around 640 positions, but there is still potential to improve the utilization rate.

FINANCIAL PERFORMANCE IN JANUARY–DECEMBER

Full-year net sales remained at the previous year's level and amounted to EUR 1 825.3 (1 828.1) million. The divestments had a negative impact of around EUR 26 million on net sales. Tieto divested the financial services products business in the UK and the unions business in Denmark during the first quarter and the Italian and Spanish businesses during the fourth quarter. On the other hand, currency changes had a positive impact of EUR 29 million in the full year. Net sales remained at the previous year's level also when excluding the currency effect and divestments.

Operating profit (EBIT) amounted to EUR 61.3 (98.1) million, representing a margin of 3.4% (5.4). Operating profit includes EUR 15.4 million in capital gains related to the divestment of the financial services products business in the UK and EUR 34.1 million in impairments, mainly related to the divestment in Germany. Additionally, Tieto booked EUR 57.1 (12.9) million in restructuring costs. Operating profit excluding one-off items stood at EUR 137.1 (117.1) million, or 7.5% (6.4) of net sales.

The programme to create a competitive cost structure progressed ahead of the initial plan. However, personnel expenses excluding restructuring costs and currency effects remained at the previous year's level, mainly due to salary inflation and incentive accruals, which partly offset the positive impact of redundancies implemented during 2012. As planned, the second phase of the programme was started in the second half of 2012 to achieve further improvements in the cost structure and utilization rate.

Profit improvement was partly attributable to lower subcontracting costs and currency changes. Subcontracting costs decreased by EUR 24 million, or 14%. Currency changes had a positive impact of around EUR 8 million on operating profit.

Net financial expenses stood at EUR 4.6 (6.8) million in the full year. Net interest expenses were EUR 4.3 (5.8) million and net gains from foreign exchange transactions EUR 0.5 (0.4) million. Other financial income and expenses amounted to EUR -0.8 (-1.4) million.

Full-year earnings per share (EPS) totalled EUR 0.41 (0.84). Earnings per share excluding one-off items amounted to EUR 1.30 (1.07).

Financial performance by market unit

	Net sales 1–12/2012, EUR million	Net sales 1–12/2011, EUR million	Change, %	**Operating margin 1–12/2012, %**	Operating margin 1–12/2011, %
Finland and the Baltic countries	**763**	733	4	**8.6**	8.0
Scandinavia	**547**	548	0	**3.4**	3.4
Central Europe & Russia	**126**	131	-4	**-32.1**	-16.0
Global Accounts	**661**	729	-9	**5.6**	7.6
Group elimination	**-272**	-313	-13		
Total	**1 825**	1 828	0	**3.4**	5.4

Operating profit excluding one-off items by market unit

	Operating profit excl. one-off items 1–12/2012, EUR million	Operating profit excl. one-off items 1–12/2011, EUR million	**Operating margin excl. one-off items 1–12/2012, %**	Operating margin excl. one-off items 1–12/2011, %
Finland and the Baltic countries	**76.8**	61.7	**10.1**	8.4
Scandinavia	**36.1**	25.5	**6.6**	4.7
Central Europe & Russia	**-13.6**	-19.2	**-10.8**	-14.7
Global Accounts	**53.4**	61.7	**8.1**	8.5
Steering Functions and Group Management	**-15.5**	-12.6		
Total	**137.1**	117.1	**7.5**	6.4

In **Finland and the Baltic countries**, higher volumes in outsourcing and the new deals made during the first half of 2012 contributed to growth. Positive sales development continued in most sectors, with the manufacturing, finance and public sectors enjoying the strongest growth. Operating profit amounted to EUR 65.3 (58.8) million, or 8.6% (8.0) of net sales. Operating profit excluding one-off items amounted to EUR 76.8 (61.7) million, or 10.1% (8.4) of net sales. Higher net sales, the cost savings programme and improved quality contributed to good profitability.

In **Scandinavia**, net sales remained at the previous year's level at EUR 547 million. The stronger currencies had a positive impact of around EUR 20 million on full-year net sales. On the other hand, the divestment of the unions business in Denmark had a negative impact of around EUR 4 million on net sales. Excluding currency effects and the divestment, net sales were down by 3%, partly due to the ending of some large transformation projects that had been implemented with subcontractors. In local currency, Norway saw healthy growth, especially in the energy sector, the retail and logistics sector and healthcare and welfare solutions.

Operating profit amounted to EUR 18.8 (18.7) million, or 3.4% (3.4) of net sales. Operating profit excluding one-off items rose to EUR 36.1 (25.5) million, or 6.6% (4.7) of net sales. Profit development was partly attributable to the weak comparison figure. In 2011, the fourth-quarter results included costs and provisions related to the data centre incident in Sweden. Additionally, subcontracting costs declined substantially. Managed Services and Industry Solutions improved their performance, whereas the profitability of Enterprise Solutions has further improvement potential.

In **Central Europe & Russia**, net sales declined by 4%. However, due to internal business transfers, the sales figures are not fully comparable. External sales were up by 7%. The largest increase was seen in the financial services sector where Enterprise Solutions and Industry Solutions saw strong demand for Cards and Digital Business Solutions. Operating profit amounted to EUR -40.3 (-21.0) million, or -32.1% (-16.0) of net sales. Operating profit includes impairment of EUR 17.6 million related to the divestment agreed on in Germany and restructuring costs of EUR 9.1 million. Operating profit excluding one-off items rose to EUR -13.6 (-19.2) million, or -10.8% (-14.7) of net sales.

Profitability in Germany and Russia was unsatisfactory. In Russia, Tieto's objective is to focus on selected products and industries. The healthy Russian IT market has supported Tieto's growth, especially in the Cards business, which represents one of the selected target industries. Profitability saw a positive turn towards the year end. Profitability in Germany remained unsatisfactory throughout the year and the negotiations to divest German operations, on-going in 2012, were concluded in February 2013. In Germany, weak profitability is attributable mainly to Product Engineering Solutions.

In **Global Accounts**, net sales declined by 9%. The divestments in the UK, Italy and Spain had a negative impact of around EUR 22 million on net sales. Excluding the divestment and currency fluctuations, net sales were down by 7%. Most of the decline is attributable to Managed Services and Industry Solutions, which suffered from key clients' savings programmes. Sales of Product Engineering Solutions were down as well, but stabilized during the second half of the year. Lower volumes resulted in weaker profitability. However, capacity adjustments led to substantial improvement in the second half of 2012. Full-year operating profit amounted to EUR 36.7 (55.3) million, or 5.6% (7.6) of net sales. Operating profit includes capital gains of EUR 15.4 million related to the divestment in the UK, impairment of EUR 16.1 million related to the divestments in Germany, Italy and Spain and restructuring costs of EUR 16.1 million. Operating profit excluding one-off items amounted to EUR 53.4 (61.7) million, or 8.1% (8.5) of net sales.

The Global Accounts segment includes approximately 20 accounts, sales offices in Italy, Spain, the UK and the USA/Canada as well as the offshore countries China, the Czech Republic, India and Philippines. In December, however, Tieto divested its businesses in Italy and Spain.

Customer sales by business line

The comparison figures for 2011 have changed from the figures published for 2011 due to the transfer of businesses between the business lines at the beginning of 2012.

	Customer sales 1–12/2012, EUR million	Customer sales 1–12/2011, EUR million	Change, %
Industry Solutions	**555**	534	4
Enterprise Solutions	**268**	249	7
Managed Services and Transformation	**675**	693	-3
Product Engineering Solutions	**328**	351	-7

Total	**1 825**	1 828	0

In **Industry Solutions**, demand for product-based solutions remained solid in all markets. Sales were strained by the divestments of the financial services products business in the UK and Italian and Spanish businesses, but this was partly offset by the currency impact. In the healthcare and welfare sector, strong growth continued with good sales pipeline for Tieto's Lifecare solutions. The energy sector saw good growth as well, as did the manufacturing sector, boosted by good demand for Tieto's Integrated Paper Solution, whereas sales to the finance sector declined. Profitability improved from the previous year and is solid.

In **Enterprise Solutions**, Finland was the strongest market with healthy sales to the retail, public and forest sectors, whereas sales to Global Accounts customers were declining. Customers' focus during the year was on extending existing applications and smaller development projects. Profitability improved substantially towards the year end, but is still below the company's target.

In **Managed Services and Transformation**, customer sales were down partly due to the ending of some large transformation projects in Sweden that had been implemented with subcontractors and the lower sales to customers in Global Accounts. Sales were also strained by the divestment of the unions business in Denmark, but the negative impact was offset by currency changes. The development was partly attributable to the weak comparison figure. In 2011, the fourth-quarter results included costs and provisions related to the data centre incident in Sweden. The cost savings programme and actions to improve quality contributed to improvement towards the year end.

In **Product Engineering Solutions**, sales were down mainly due to one large customer. Growth in sales to some new customers compensated for part of this and sales stabilized towards the end of the year. The network equipment manufacturers' segment saw healthy growth whereas the mobile device manufacturers' segment suffered from weak demand. Profitability was unsatisfactory, which is partly attributable to the German product engineering business that will now be divested. The business line actively reduced capacity during 2012 by cutting around 640 positions. This resulted in improved profitability during the second half of the year, but there is still potential to improve the utilization rate.

CASH FLOW AND FINANCING

Fourth-quarter net cash flow from operations, including the decrease of EUR 27.0 (increase 5.1) million in net working capital, amounted to EUR 60.6 million (43.7). The decrease in net working capital was mainly due to higher accounts payable and personnel-related accruals.

Full-year net cash flow from operations amounted to EUR 161.9 (123.2) million. Net cash flow from operations includes a decrease of EUR 11.5 (increase of 40.5) million in net working capital.

Tax payments were EUR 10.7 (27.3 million) million in the full year due to a refund in Finland in the second quarter.

Payments for acquisitions totalled EUR 0.5 (0.5) million and divestments amounted to EUR 18.7 (0.0) million in the full year.

The equity ratio was 49.5% (46.4). Gearing decreased to 4.3% (14.6). Net debt totalled EUR 23.9 (82.7) million, including EUR 114.8 million in interest-bearing debt, EUR 6.0 million in finance lease liabilities, EUR 8.3 million in finance lease receivables, EUR 1.9 million in other interest-bearing receivables and EUR 86.7 million in cash and cash equivalents.

The interest-bearing short-term debt includes a EUR 100 million bond, maturing in December 2013. The bond of EUR 50 million (private placement) matured in July 2012 and due to the company's good liquidity, the bond was not refinanced. The syndicated revolving credit facility of

EUR 100 million maturing in May 2016 was not in use and there were no commercial papers issued under the EUR 250 million commercial paper programme at the end of the year. In December, Tieto signed committed guarantee facilities for EUR 100 million that can be used for pension re-borrowing purposes (TyEL). The commitment lasts until the end of 2013 and allows Tieto to withdraw pension loans with a maturity of up to two years. Other long-term interest-bearing loans of EUR 0.9 million and short-term interest-bearing loans of EUR 13.9 million were mainly related to an agreement for mainframes and software.

INVESTMENTS

Full-year investments totalled EUR 62.9 (103.6) million. The decline in investments is mainly attributable to the high comparison figure due to one major mainframe and software agreement in 2011. Capital expenditure accounted for EUR 62.6 (103.6) million. Full-year investments in shares were EUR 0.3 million.

Tieto has decided to invest EUR 10 million in its data centre in Espoo, which is one of the most energy efficient data centres in the world. The investment will materialize in 2013.

BUSINESS TRANSACTIONS IN JANUARY–DECEMBER

In February, Tieto agreed to sell its financial services products business, with 145 employees, based in the UK to Sopra Group, a global technical consulting company. Net sales of the divested business amounted to EUR 22 million in 2011. Tieto booked capital gains of EUR 15.4 million in its first-quarter results.

In March, Tieto agreed to divest its Danish unions business with 36 employees to Netcompany, an IT solutions and consulting company in Denmark. In 2011, net sales of the divested business amounted to EUR 5.4 million. Tieto booked EUR 0.5 million in impairment in its first-quarter results.

In November, Tieto announced the divestment of its Belarus operations to ScienceSoft, and all 90 employees of Tieto Belarus were transferred to the buyer. The unit in Minsk, Belarus was established in 2007 to act as near-shore development centre for various Tieto businesses.

In November, Tieto agreed to sell its business operations in Italy and Spain to GEA Enterprise S.R.L., a company owned by the current management of the divested businesses. The business operations, including around 300 employees, were transferred to the new owner during December. Net sales of the divested businesses amounted to EUR 32 million in 2011. The divestment does not have a significant impact on Tieto’s profitability.

MAJOR AGREEMENTS IN JANUARY–DECEMBER

In January, Helsinki Region Transport (HSL/HRT) selected Tieto as the supplier of its new ticket and information system. The contract, signed in May, covers the delivery of the ticketing and information system as well as support and maintenance services for a period of five years. The total contract value including the delivery and five years of support and maintenance is approximately EUR 90 million.

In March, Tieto and Nokia Siemens Networks signed an agreement on the outsourcing of part of the maintenance, technical support and R&D for Nokia Siemens Networks’ mobile network Operations Support System (OSS) and Subscriber Data Management (SDM) activities in Finland. As part of the outsourcing, approximately 240 employees have transferred to Tieto as existing employees.

In May, Tieto announced the delivery of a contactless technology solution for the mobile NFC project of MTS and MasterCard in Russia. Tieto has provided an advanced Tieto Card Suite Contactless host solution for MTS Bank, an issuer and acquirer of payment cards. The delivery is part of the Near Field Communication (NFC) project implemented by telecommunications operator MTS and MasterCard.

In May, Tieto announced a mobile application launched for the Finnish retail company Ruokakesko. Tieto created a Pirkka recipe and shopping list mobile application that can be downloaded from the Apple App Store and Google Play. The application runs on iPhones, iPads and Android devices.

In May, Tieto, the Finnish Federation of the Local Insurance Group and Tapiola signed a five-year agreement concerning the infrastructure services connected with the solutions for the information technology environment of the Local Insurance and Tapiola. The value of the agreement is approximately EUR 35 million. In connection with the arrangements, 34 employees of the Local Insurance and Tapiola have transferred to Tieto Finland.

In May, Tieto closed a five-year operating agreement with the Swedish Governmental Service Center (Statens Servicecenter, SSC). The contract is valid for five years and may be extended by two years. The order value during the five-year period amounts to approximately EUR 7.8 million.

In June, Sollentuna Municipality in Sweden decided to exercise its option on a three-year extension of the agreement entered into with Tieto in February 2010. The value of the order over the next three years will be around EUR 8.5 million (SEK 75 million). The agreement relates to operational services, support services via a Service Desk and consultancy services.

In June, Apotekens Service in Sweden, which is responsible for IT deliveries to all players in the deregulated pharmacy market, extended its partnership with Tieto as a supplier of IT services. The original agreement was signed in 2009 and includes operational services and consultancy support. The one-year extension represents an order value of around EUR 6.3 million (SEK 56 million).

In June, Tieto and Nordea signed a framework agreement for using Tieto's IT service offshore centre. The signed agreement enables Tieto to offer and provide project deliveries, application service management and expert services from Tieto's offshore centre.

In July, Tieto and ÅF signed a new global three-year agreement regarding IT services. The agreement represents an order value of around EUR 10 million and it includes an option of two additional years.

In August, Tieto and Green Investment Holding in Poland agreed on CSI services related to LTE (Long-Term Evolution) equipment. The agreement has an order value of around EUR 3 million and covers solution integration from the design to the testing and maintenance of the software.

In September, Tieto and Continental in Germany agreed on co-operation covering R&D services. The order value of the contract amounts to around EUR 2 million.

In September, Tieto and Itella signed a contract for SAP Dynamic Landscape services with an order value of more than EUR 4 million.

In October, Tieto and the City of Stockholm agreed on the operation and administration of the city's central business systems covering the city's approximately 80 central business systems for core activities with an emphasis on healthcare, schools and care services as well as Service Desk support. The total value of the contract is approximately SEK 180 million per year, with a contract term of four years and the option to extend it by two plus two years.

In October, Tieto and Mondi in Austria concluded a two-year agreement on co-operation covering production process analyses, simulation, optimization and data mining as well as application development and business intelligence. The order value of the contract amounts to close to EUR 4 million.

In November, Tieto was entrusted with managing the Swedish Motor Vehicle Inspection Company's (Bilprovningen) IT environment. The contract runs for two years, with an estimated order value of around EUR 8.5 million (SEK 73 million).

In December, the Swedish insurance company Folksam decided to outsource the application management of all its central business systems to Tieto. The agreement will run for four years, with the option of a two-year extension. The total order value during the four-year period is estimated at approximately EUR 39 million.

At the end of December, Apoteket AB entrusted Tieto with its operation, application management and IT workspaces by renewing an agreement for 2013–2015 with an option for a further two years. The total order value for the three-year period is EUR 40 million.

PERSONNEL

As a result of personnel negotiations implemented in 2012, the number of personnel is down. In addition to 1 400 job cuts, divestments have decreased the number of employees by around 600. On the other hand, new outsourcing deals have added more than 300 employees. At the end of December, the number of full-time employees amounted to 16 537 (18 123).

The number of full-time employees in the global delivery centres totalled 6 879 (7 250), or 41.6% (40.0) of personnel. In Product Engineering Solutions, the offshore rate was 59%, temporarily down by around 1 percentage point from the beginning of the year. In IT services, the offshore rate rose by more than 2% and stood at 35% at the end of December.

The 12-month rolling employee turnover stood at 9.9% (12.5) at the end of December. The average number of full-time employees was 17 646 (18 098) in the full year.

Wages and salaries for 2012 were EUR 779.3 (772.4) million. In 2012, 73% (73) of personnel were male and 27% (27) female. At the group level, salary inflation is expected to be above 3% on average. In markets like India, China and Russia, salary inflation is forecast to remain in the double-digits.

DEVELOPMENT

Tieto's offering development costs totalled EUR 38 million in 2012, representing 2.1% of net sales (EUR 41 million in 2011, representing 2.2% of net sales). These costs comprise service development and product development with the focus, for example, on the healthcare and welfare products and managed services. Additionally, the costs related to internal development, including processes and tools, amounted to EUR 12 (7) million. 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 2012 or 2011.

SHAREHOLDERS' NOMINATION BOARD

Tieto's Shareholders' Nomination Board comprises four members who are annually nominated by the largest shareholders and the Chairman of the Board of Directors of the company. The largest shareholders were determined on the basis of the shareholdings registered in the Finnish and Swedish book-entry systems on 31 August 2012. The following members have been nominated to the Shareholders' Nomination Board:

Lars Förberg, Managing Partner, Cevian Capital AG,
Kari Järvinen, Managing Director, Solidium Oy,
Timo Ritakallio, Deputy CEO, Ilmarinen Mutual Pension Insurance Company,
Pekka Pajamo, Chief Financial Officer, Varma Mutual Pension Insurance Company,
Markku Pohjola, Chairman of the Board of Directors, Tieto Corporation.

BOARD OF DIRECTORS

The Annual General Meeting 2012 re-elected Kurt Jofs, Eva Lindqvist, Risto Perttunen, Markku Pohjola and Teuvo Salminen. In addition, Sari Pajari, Ilkka Sihvo and Jonas Synnergren were elected as new Board members.

MANAGEMENT

Tieto revised its strategy in March 2012 and in the second half of 2012 made management appointments in order to ensure the execution of the strategy based on its new operating model. The composition of the new Leadership Team as of 1 January 2013 is the following:

Kimmo Alkio, President and CEO
Per Johanson, Financial Services Industry Group
Eva Gidlöf, Telecom, Media, Energy and Utilities Industry Group (also acting as legal country head for Sweden)
Ari Järvelä, Manufacturing, Retail and Logistics Industry Group (also acting as legal country head for Finland)
Satu Kiiskinen, Public, Healthcare and Welfare Industry Group (joined the company on 1 January, member of the Leadership Team as of 1 March)
Ari Karppinen, Managed Services Service Line
Henrik Sund, Consulting and System Integration Service Line
Kolbjørn Haarr, New Markets (previously known as Central Europe and Russia)
Antti Vasara, Product Engineering Services
Lasse Heinonen, CFO
Katariina Kravi, Human Resources

SHARES AND SHARE-BASED INCENTIVES

In 2012, a total of 222 497 Tieto new shares were subscribed for with the company's stock options 2006C, and a total of 246 889 shares with stock options 2009A. However, a total of 115 346 of the shares subscribed were registered on 18 January 2013. As a result of the subscriptions, the number of Tieto shares, registered by 31 December 2012, increased to 72 377 213 and the share capital to EUR 75 952 174.00.

The company had 25 642 registered shareholders at the end of 2012. Based on the ownership records of the Finnish and Swedish central securities depositories, 54% of Tieto's shares were held by Finnish and 4% by Swedish investors. In total, there were 23 928 retail investors in Finland and Sweden and they held 13.96% of Tieto's shares.

At the end of 2012, the number of shares in the company's possession totalled 553 700, representing 0.8% of the total number of shares and voting rights. The number of outstanding shares, excluding the treasury shares, was 71 823 513. There were no changes in the number of shares in the company's possession during 2012.

The share price rose by 35% in Helsinki and 31% in Stockholm during the year. At the same time, the OMX Helsinki Price Index rose by 8%. The OMX Stockholm Price Index was up by 12% in 2012. The total shareholder return totalled 41%.

In 2012, there were no announcements of changes in the company's shareholding.

Additional information regarding shares and shareholders is available at www.tieto.com/Investors/Shares.

DIVIDEND PROPOSAL

The distributable funds of the Parent company amount to EUR 705 378 263.62, of which net profit for the current year amounts to EUR -13 394 243.31. The Board of Directors proposes a dividend of EUR 0.83 (0.75) per share for 2012. The dividend shall be paid to shareholders who on the proposed dividend record date, 28 March 2013, are recorded in the shareholders' register held by Euroclear Finland Ltd or the register of Euroclear Sweden AB. The proposed dividend payout does not endanger the solvency of the company.

EVENTS AFTER THE PERIOD

In February, Tieto agreed to sell the majority of its operations in Germany and Netherlands to the German industrial group Aurelius. Closing is expected to take place during the second quarter of 2013. Net sales of the divested businesses amounted to over EUR 110 million in 2012. German businesses were loss-making in 2012 and the divestment will improve Tieto's operating margin of underlying business by some 0.5 percentage points based on 2012 performance. Tieto booked about EUR 30 million in impairment in the fourth-quarter 2012. The divested business operations, including around 900 employees in total, will be transferred to the new owner at the time of closing. The divestment excludes Tieto´s global businesses and customers, i.e. the forest-industry business in Germany, the energy-industry business in Netherlands, Product Engineering resources for global customers and selective other global roles.

Between 7 December and 31 December 2012, a total of 111 846 Tieto Corporation new shares have been subscribed for with the company's stock options 2006C, and a total of 3 500 shares with stock options 2009A. As a result of the subscriptions, the number of Tieto shares increased to 72 492 559 and the share capital to EUR 76 064 020.00. The shares subscribed for under the stock options were registered in the Trade Register on 18 January 2013.

NEAR-TERM RISKS AND UNCERTAINTIES

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

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

The on-going organizational changes and restructuring within the company might create uncertainty among the company's personnel and pose risks related to the company's performance.

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

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

FULL-YEAR OUTLOOK FOR 2013

Tieto expects its organic net sales development to be at the level of the IT services market growth, with the exception of weaker outlook in the telecom sector.

Tieto expects its profitability to continue to improve and full-year operating profit (EBIT) excluding one-off items to increase from the previous year's level (EUR 137.1 million in 2012).

Auditing

The full-year figures in this report are audited.

Financial calendar 2013

Week 8/2013	Annual Report 2012 on Tieto's website
25 March 2013	Annual General Meeting
25 April 2013	Interim report 1/2013 (8.00 am EET)
19 July 2013	Interim report 2/2013 (8.00 am EET)
23 October 2013	Interim report 3/2013 (8.00 am EET)

Accounting policies in 2012

When preparing these financial statements, the Group has followed the same accounting policies as in the annual financial statements for 2011 except for the effect of changes required by the adoption of the following amendments to existing standards, which have no material impact on the Group's financial statements:

- IFRS 7 (Amendments), 'Disclosures – Transfers of financial assets'.
- IAS 12 (Amendment), 'Income taxes'.

The following new standards, amendments and interpretations will be adopted by the Group in 2013:

- IAS 1 (Amendment), 'Financial statement presentation' regarding other comprehensive income.
- IAS 19 (Amendment), 'Employee benefits'. This amendment eliminates the corridor approach and calculates finance costs on a net funding basis. All actuarial profits and losses must be accounted for immediately in other comprehensive income. The management estimates the net pension liability to increase by around EUR 39 million, but with only a minor impact on operating margin (EBIT).
- The following changes will not currently have any impact on the Group's financial statements
    - IFRS 7 (Amendment) 'Financial instruments: Disclosures of offsetting financial assets and financial liabilities
    - IFRS 13, 'Fair value measurement'.
    - IFRIC 20, 'Stripping costs in the production phase of a surface mine'.

The following new standards and amendments will be adopted by the Group in 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. The equity accounting will decrease the Group net sales by around 5% and the operating margin (EBIT) will slightly increase, but the net profit for the period will not be impacted.
- The following changes do not currently have any impact on the Group's financial statements:
    - IFRS 10, 'Consolidated financial statements'.
    - IFRS 12, 'Disclosures of interests in other entities'.
    - IAS 27 (revised 2011), 'Separate financial statements'.
    - IAS 28 (revised 2011), 'Associates and joint ventures'.
    - Amendments to IFRSs 10, 11 and 12 on transition guidance for limiting the requirement to provide adjusted comparative information to only the preceding comparative period.
    - IAS 32 (Amendment) 'Offsetting financial assets and financial liabilities'

The following new standard will be adopted by the Group in 2015. However, the standard is still subject to EU endorsement. The management is assessing the impact of the change on the Group's financial statements.

- IFRS 9, ‘Financial instruments’. IFRS 9 is the first standard issued as part of a wider project to replace IAS 39. The standard retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply.

The accounting policies will be described in more detail in the annual financial statements for the year ended on 31 December 2012.

Key figures

	2012 10-12	2011 10-12	2012 7-9	2012 4-6	2012 1-3	**2012 1-12**	2011 1-12
Earnings per share, EUR							
- basic	**-0.26**	0.18	0.32	-0.10	0.45	**0.41**	0.84
- diluted	**-0.26**	0.18	0.32	-0.10	0.45	**0.41**	0.84
Equity per share, EUR	**7.75**	7.90	8.06	7.60	7.69	**7.75**	7.90
Return on equity, rolling 12 month, %	**5.3**	10.7	10.7	11.2	14.7	**5.3**	10.7
Return on capital employed, rolling 12 month, %	**12.5**	18.3	17.6	17.4	20.8	**12.5**	18.3
Equity ratio, %	**49.5**	46.4	50.4	45.8	44.7	**49.5**	46.4
Interest-bearing net debt, EUR million	**23.9**	82.7	59.0	80.0	11.7	**23.9**	82.7
Gearing, %	**4.3**	14.6	10.2	14.7	2.1	**4.3**	14.6
Investments, EUR million	**19.3**	13.8	15.6	13.6	14.4	**62.9**	103.6

Number of shares

	2012 10-12	2012 7-9	2012 4-6	2012 1-3	**2012 1-12**
Outstanding shares, end of period					
Basic	**71 823 513**	71 784 293	71 721 167	71 469 473	**71 823 513**
Diluted	**72 579 951**	72 067 408	71 966 580	71 873 088	**72 532 449**
Outstanding shares, average					
Basic	**71 789 409**	71 723 225	71 652 870	71 469 473	**71 659 278**
Diluted	**72 177 229**	72 025 634	71 954 736	71 873 088	**72 009 960**
Company's possession of its own shares					
End of period	**553 700**	553 700	553 700	553 700	**553 700**
Average	**553 700**	553 700	553 700	553 700	**553 700**

	2011 10-12	2011 1-12
Outstanding shares, end of period		
Basic	71 469 473	71 469 473
Diluted	71 623 329	71 656 129
Outstanding shares, average		
Basic	71 469 473	71 469 473
Diluted	71 623 329	71 656 129
Company's possession of its own shares		
End of period	553 700	553 700
Average	553 700	553 700

Income statement, EUR million

	2012 10-12	2011 10-12	**2012 1-12**	2011 1-12	Change %
Net sales	**478.6**	489.7	**1 825.3**	1 828.1	0
Other operating income	**5.3**	2.9	**27.2**	9.0	202
Employee benefit expenses	**282.4**	268.8	**1 090.7**	1 028.7	6
Depreciation, amortization and impairment charges	**55.1**	28.7	**119.1**	96.5	23
Other operating expenses	**154.7**	169.0	**581.4**	613.8	-5
Operating profit (EBIT)	**-8.3**	26.1	**61.3**	98.1	-38
Interest and other financial income	**1.7**	2.4	**9.6**	9.9	-3
Interest and other financial expenses	**-2.6**	-4.1	**-14.7**	-17.1	-14
Net exchange losses/gains	**0.2**	-0.4	**0.5**	0.4	25
Profit before taxes	**-9.0**	24.0	**56.7**	91.3	-38
Income taxes	**-9.5**	-11.5	**-27.3**	-31.4	-13
Net profit for the period	**-18.5**	12.5	**29.4**	59.9	-51
Net profit for the period attributable to					
Shareholders of the Parent company	**-18.5**	12.5	**29.4**	59.9	-51
Non-controlling interest	**0.0**	0.0	**0.0**	0.0	-
	-18.5	12.5	**29.4**	59.9	-51

Earnings per share attributable to the shareholders of the Parent company, EUR

Basic	**-0.26**	0.18	**0.41**	0.84	-51
Diluted	**-0.26**	0.18	**0.41**	0.84	-51

Statement of comprehensive income, EUR million

Net profit for the period	**-18.5**	12.5	**29.4**	59.9	-51
Translation difference from net investment in subsidiaries (net of tax)	**-2.4**	6.2	**6.9**	1.0	590
Translation differences	**-2.8**	-1.0	**0.6**	-4.9	-112
Cash flow hedges	**-0.4**	-1.3	**1.9**	-1.7	-212
Total comprehensive income	**-24.1**	16.4	**38.8**	54.3	-29
Total comprehensive income attributable to					
Shareholders of the Parent company	**-24.1**	16.4	**38.8**	54.3	-29
Non-controlling interest	**0.0**	0.0	**0.0**	0.0	-
	-24.1	16.4	**38.8**	54.3	-29

Balance sheet, EUR million

	2012 31 Dec	2011 31 Dec	Change %
Goodwill	**391.6**	413.2	-5
Other intangible assets	**55.5**	77.1	-28
Property, plant and equipment	**99.3**	103.2	-4
Deferred tax assets	**25.5**	49.4	-48
Finance lease receivables	**5.5**	3.4	62
Other interest-bearing receivables	**0.9**	-	-
Available-for-sale financial assets	**0.8**	0.8	0
Total non-current assets	***579.1***	*647.1*	-11
Trade and other receivables	**456.2**	469.6	-3
Pension benefit assets	**10.9**	9.5	15
Finance lease receivables	**2.8**	1.7	65
Other interest-bearing receivables	**1.1**	-	-
Current income tax receivables	**4.0**	14.8	-73
Cash and cash equivalents	**86.7**	95.8	-9
Total current assets	***561.7***	*591.4*	*-5*
Assets classified as held for sale	**44.8**	41.4	-
Total assets	**1 185.6**	1 279.9	-7
Share capital, share issue premiums and other reserves	**117.3**	114.8	2
Share issue based on stock options	**1.2**	-	-
Retained earnings	**437.6**	449.8	-3
Parent shareholders' equity	***556.1***	*564.6*	*-2*
Non-controlling interest	**0.2**	0.2	0
Total equity	***556.3***	*564.8*	*-2*
Loans	**4.0**	117.9	-97
Deferred tax liabilities	**27.7**	37.9	-27
Provisions	**6.0**	7.0	-14
Pension obligations	**6.8**	23.4	-71
Other non-current liabilities	**4.1**	4.9	-16
Total non-current liabilities	***48.6***	*191.1*	*-75*
Trade and other payables	**377.5**	390.4	-3
Current income tax liabilities	**5.1**	9.2	-45
Provisions	**32.8**	30.1	9
Loans	**116.8**	65.7	78
Total current liabilities	***532.2***	*495.4*	*7*
Liabilities classified as held for sale	**48.5**	28.6	-
Total equity and liabilities	**1 185.6**	1 279.9	-7

Net working capital in the balance sheet, EUR million

	2012 31 Dec	2011 31 Dec	Change %	2012 30 Sep	2012 30 Jun	2012 31 Mar
Accounts receivable	**340.6**	354.7	-4	339.5	355.6	335.4
Other working capital receivables	**103.5**	111.8	-7	124.1	130.9	119.7
Working capital receivables included in assets	**444.1**	466.5	-5	463.6	486.5	455.1
Accounts payable	**86.6**	96.9	-11	75.7	83.6	81.5
Personnel related accruals	**157.3**	144.6	9	141.2	163.6	159.7
Other working capital liabilities	**173.5**	186.8	-7	192.2	201.3	197.0
Working capital liabilities included in current liabilities	**417.4**	428.3	-3	409.1	448.5	438.2
Net working capital in the balance sheet	**26.7**	38.2	-30	54.5	38.0	16.9

Working capital receivables EUR 36.5 million and working capital liabilities EUR 32.9 million are classified as held for sale end December 2012.

Cash flow, EUR million

	2012 10-12	2011 10-12	2012 7-9	2012 4-6	2012 1-3	**2012 1-12**	2011 1-12
Cash flow from operations							
Net profit	**-18.5**	12.5	22.7	-6.8	32.0	**29.4**	59.9
Adjustments							
Depreciation. amortization and impairment charges	**55.1**	28.7	21.8	21.0	21.2	**119,1**	96.5
Share-based payments	**0.3**	0.7	0.2	0.6	0.8	**1.9**	2,9
Profit/loss on sale of fixed assets and shares	**1.0**	0.5	0.0	0.0	-15.4	**-14.4**	1.1
Other adjustments	**-2.3**	2.2	1.5	0.6	-1.4	**-1.6**	0.3
Net financial expenses	**0.7**	2.1	0.1	1.7	2.1	**4.6**	6.8
Income taxes	**9.5**	11.5	8.8	1.4	7.6	**27.3**	31.4
Change in net working capital	**27.0**	-5.1	-14.3	-18.0	16.8	**11.5**	-40.5
Cash generated from operations	**72.8**	53.1	40.8	0.5	63.7	**177.8**	158.4
Net financial expenses paid	**-4.5**	-5.2	0.2	0.4	-1.3	**-5.2**	-7.9
Income taxes paid	**-7.7**	-4.2	-4.7	-4.7	6.4	**-10.7**	-27.3
Net cash flow from operations	**60,6**	43.7	36.3	-3.8	68.8	**161.9**	123.2
Cash flow from investing activities							
Acquisition of Group companies and business operations, net of cash acquired	-	-	-0.1	-0.1	-0.3	**-0.5**	-0,5
Capital expenditures	**-19.4**	-13.5	-12.1	-13.4	-14.2	**-59.1**	-56.1
Disposal of Group companies and business operations, net of cash disposed	**-0.5**	0.0	0.0	1.5	17.7	**18.7**	0,0
Sales of fixed assets	**-0.6**	0.0	0.1	0.2	0.0	**-0.3**	0,1
Change in loan receivables	**-1.9**	2.2	-3.7	0.2	0.3	**-5.1**	1.4
Net cash used in investing activities	**-22.4**	-11.3	-15.8	-11.6	3.5	**-46.3**	-55.1
Cash flow from financing activities							
Dividends paid	-	-0.0	-	-53.7	-	**-53.7**	-50.0
Exercise of stock options	**0.4**	-	0.6	1.3	0.5	**2.8**	-
Payments of finance lease liabilities	**-0.6**	-0.5	-2.6	-0.5	-0.6	**-4.3**	-5.8
Change in interest-bearing liabilities	**-2.5**	-3.4	-53.3	-3.3	-3.6	**-62.7**	-13,4
Net cash used in financing activities	**-2,7**	-3.9	-55.3	-56.2	-3.7	**-117.9**	-69.2
Change in cash and cash equivalents	**35.5**	28.5	-34.8	-71.6	68.6	**-2.3**	-1.1
Cash and cash equivalents at the beginning of period	**55.9**	69.4	91.1	162.9	95.8	**95.8**	98.0
Foreign exchange differences	**-1.2**	-0.6	-0.7	-0.3	0.0	**-2.2**	0.4
Assets classified as held for sale	**-3.5**	-1.5	0.3	0.1	-1.5	**-4.6**	-1.5
Change in cash and cash equivalents	**35.5**	28.5	-34.8	-71.6	68.6	**-2.3**	-1.1
Cash and cash equivalents at the end of period	**86.7**	95.8	55.9	91.1	162.9	**86.7**	95.8

Statement of changes in shareholders' equity, EUR million

	Parent shareholders' equity								Non-controlling interest	Total equity
	Share capital	Share issue premiums and other reserves	Own shares	Translation differences	Cash flow hedges	Invested unrestricted equity reserve	Retained earnings	Total		
At 31 Dec 2010	**75.8**	**38.8**	**-11.6**	**21.5**	**-0.1**	**0.6**	**432.4**	**557.4**	**0.1**	**557.5**
Comprehensive income										
Net profit for the period							59.9	59.9	0.0	59.9
Other comprehensive income										
Translation difference from net investment in subsidiaries (net of tax)							1.0	1.0		1.0
Translation difference		0.2		-1.9			-3.2	-4.9		-4.9
Cash flow hedges					-1.7			-1.7		-1.7
Total comprehensive income		**0.2**		**-1.9**	**-1.7**		**57.7**	**54.3**	**0.0**	**54.3**
Transactions with owners										
Share-based payments recognized against equity							2.9	2.9		2.9
Dividend							-50.0	-50.0		-50.0
Non-controlling interest									0.1	0.1
Total transactions with owners							**-47.1**	**-47.1**	**0.1**	**-47.0**
At 31 Dec 2011	**75.8**	**39.0**	**-11.6**	**19.6**	**-1.8**	**0.6**	**443.0**	**564.6**	**0.2**	**564.8**

	Parent shareholders' equity									Non-controlling interest	Total equity
	Share capital	Share issue premiums and other reserves	Share issue based on stock options	Own shares	Translation differences	Cash flow hedges	Invested unrestricted equity reserve	Retained earnings	Total		
At 31 Dec 2011	**75.8**	**39.0**		**-11.6**	**19.6**	**-1.8**	**0.6**	**443.0**	**564.6**	**0.2**	**564.8**
Comprehensive income											
Net profit for the period								29.4	29.4	0.0	29.4
Other comprehensive income											
Translation difference from net investment in subsidiaries (net of tax)								6.9	6.9		6.9
Translation difference		1.3			-11.2			10.5	0.6		0.6
Cash flow hedges						1.9			1.9		1.9
Total comprehensive income		**1.3**			**-11.2**	**1.9**		**46.8**	**38.8**	**0.0**	**38.8**
Transactions with owners											
Share-based payments recognized against equity								2.3	2.3		2.3
Dividend								-53.6	-53.6		-53.6
Share subscriptions based on stock options	0.1	1.1					1.6		2.8		2.8
Share subscriptions based on stock options, not yet registered			1.2						1.2		1.2
Non-controlling interest											0.0
Total transactions with owners	**0.1**	**1.1**	**1.2**				**1.6**	**-51.3**	**-47.3**	**0.0**	**-47.3**
At 31 Dec 2012	**75.9**	**41.4**	**1.2**	**-11.6**	**8.4**	**0.1**	**2.2**	**438.5**	**556.1**	**0.2**	**556.3**

Net sales by market unit, EUR million

	2012 10-12	2011 10-12	Change %	**2012 1-12**	2011 1-12	Change %
Finland and the Baltic countries	**205**	202	2	**763**	733	4
Scandinavia	**143**	147	-2	**547**	548	0
Central Europe & Russia	**31**	36	-13	**126**	131	-4
Global Accounts	**166**	185	-10	**661**	729	-9
Group elimination	**-67**	-80	-17	**-272**	-313	-13
Group total	**479**	490	-2	**1 825**	1 828	0

Customer sales by market unit, EUR million

	2012 10-12	2011 10-12	Change %	**2012 1-12**	2011 1-12	Change %
Finland and the Baltic countries	**184**	176	5	**676**	629	8
Scandinavia	**126**	125	1	**477**	467	2
Central Europe & Russia	**28**	28	1	**110**	102	7
Global Accounts	**141**	161	-13	**563**	629	-11
Group total	**479**	490	-2	**1 825**	1 828	0

Internal sales by market unit, EUR million

	2012 10-12	2011 10-12	Change %	**2012 1-12**	2011 1-12	Change %
Finland and the Baltic countries	**21**	26	-18	**87**	104	-16
Scandinavia	**17**	22	-20	**70**	80	-12
Central Europe & Russia	**3**	8	-62	**16**	29	-46
Global Accounts	**25**	24	5	**98**	100	-3
Group total	**67**	80	-17	**272**	313	-13

Sales between segments are carried out at arm's length.

Net sales by country, EUR million

	2012 1-12	Change %	Share %	2011 1-12	Share %
Finland	**830**	1	45	823	45
Sweden	**580**	3	32	565	31
Other	**415**	-6	23	440	24
Group total	**1 825**	0	100	1 828	100

Customer sales by business line, EUR million

	2012 10-12	2011 10-12	Change %	**2012 1-12**	2011 1-12	Change %
Industry Solutions	**148**	147	1	**555**	534	4
Enterprise Solutions	**71**	71	0	**268**	249	7
Managed Services and Transformation	**175**	182	-4	**675**	693	-3
Product Engineering Solutions	**85**	90	-6	**328**	351	-7
Group total	**479**	490	-2	**1 825**	1 828	0

The comparison figures for 2011 have changed due to the transfer of businesses between the business lines at the beginning of 2012.

Net sales by customer sector, EUR million

	2012 10-12	2011 10-12	Change %	**2012 1-12**	2011 1-12	Change %
Telecom	**140**	152	-8	**563**	579	-3
Finance	**94**	98	-4	**364**	374	-3
Industry sectors	**245**	240	2	**899**	875	3
Group total	**479**	490	-2	**1 825**	1 828	0

Revenues derived from any single external customer during January–December in 2012 do not exceed the 10% level of the total net sales of the Group (EUR 220.4 million in 2011).

Operating profit (EBIT) by market unit, EUR million

	2012 10-12	2011 10-12	Change %	**2012 1-12**	2011 1-12	Change %
Finland and the Baltic countries	**21.1**	23.9	-11.8	**65.3**	58.8	11.2
Scandinavia	**7.7**	2.4	222.9	**18.8**	18.7	0.8
Central Europe & Russia	**-22.4**	-6.8	-228.6	**-40.3**	-21.0	-91.9
Global Accounts	**-10.1**	9.6	-206.0	**36.7**	55.3	-33.6
Steering Functions and Global Management	**-4.6**	-2.9	-57.9	**-19.2**	-13.7	-40.1
Operating profit (EBIT)	**-8.3**	26.1	-131.8	**61.3**	98.1	-37.5

Operating margin (EBIT) by market unit, %

	2012 10-12	2011 10-12	Change	**2012 1-12**	2011 1-12	Change
Finland and the Baltic countries	**10.3**	11.9	-1.6	**8.6**	8.0	0.5
Scandinavia	**5.4**	1.6	3.8	**3.4**	3.4	0.0
Central Europe & Russia	**-71.7**	-18.9	-52.8	**-32.1**	-16.0	-16.1
Global Accounts	**-6.1**	5.2	-11.3	**5.6**	7.6	-2.0
Operating margin (EBIT)	**-1.7**	5.3	-7.1	**3.4**	5.4	-2.0

Operating profit (EBIT) excl. one-off items by market unit, EUR million

	2012 10-12	2011 10-12	Change %	**2012 1-12**	2011 1-12	Change %
Finland and the Baltic countries	**24.7**	24.6	0.4	**76.8**	61.7	24.3
Scandinavia	**11.5**	2.4	375.7	**36.1**	25.5	41.6
Central Europe & Russia	**-2.7**	-5.3	49.7	**-13.6**	-19.2	29.4
Global Accounts	**15.1**	15.3	-1.2	**53.4**	61.7	-13.5
Steering Functions and Global Management	**-4.8**	-2.8	-70.3	**-15.5**	-12.6	-23.2
Operating profit (EBIT)	**43.8**	34.2	28.2	**137.1**	117.1	17.1

Operating margin (EBIT) excl. one-off items by market unit, %

	2012 10-12	2011 10-12	Change	**2012 1-12**	2011 1-12	Change
Finland and the Baltic countries	**12.0**	12.2	-0.1	**10.1**	8.4	1.6
Scandinavia	**8.0**	1.6	6.4	**6.6**	4.7	1.9
Central Europe & Russia	**-8.5**	-14.7	6.2	**-10.8**	-14.7	3.8
Global Accounts	**9.1**	8.3	0.8	**8.1**	8.5	-0.4
Operating margin (EBIT)	**9.2**	7.0	2.2	**7.5**	6.4	1.1

Personnel by market unit

	End of period				Average	
	2012	Change	Share	2011	**2012**	2011
	1-12	%	%	1-12	**1-12**	1-12
Finland and the Baltic countries	**4 663**	-4	28	4 843	**4 813**	4 972
Scandinavia	**2 454**	-8	15	2 672	**2 574**	2 716
Central Europe & Russia	**1 021**	-24	6	1 340	**1 127**	1 306
Global Accounts	**7 641**	-9	46	8 426	**8 331**	8 289
Steering Functions and Global Management	**758**	-10	5	842	**801**	814
Group total	**16 537**	-9	100	18 123	**17 646**	18 098

Personnel by country

	End of period				Average	
	2012	Change	Share	2011	**2012**	2011
	1-12	%	%	1-12	**1-12**	1-12
Finland	**5 266**	-4	32	5 512	**5 478**	5 683
Sweden	**2 962**	-5	18	3 121	**3 100**	3 099
Czech Republic	**1 918**	-2	12	1 957	**1 954**	1 931
India	**1 523**	-7	9	1 646	**1 590**	1 611
China	**1 185**	-15	7	1 395	**1 306**	1 262
Poland	**1 084**	-9	7	1 191	**1 166**	1 109
Germany	**659**	-24	4	867	**749**	952
Latvia	**638**	8	4	589	**630**	581
Norway	**444**	-5	3	470	**456**	480
Italy	**0**	-100	0	276	**253**	257
Lithuania	**143**	-6	1	152	**147**	158
Netherlands	**109**	-11	1	122	**113**	125
Denmark	**68**	-48	0	131	**89**	158
Other	**541**	-22	3	696	**617**	692
Group total	**16 537**	-9	100	18 123	**17 646**	18 098
Onshore countries	**9 658**	-11	58	10 873	**10 477**	11 098
Offshore countries	**6 879**	-5	42	7 250	**7 170**	7 000
Group total	**16 537**	-9	100	18 123	**17 646**	18 098

Non-current assets by country, EUR million

	2012 31 Dec	2011 31 Dec	Change %
Finland	**111.3**	128.0	-13
Sweden	**31.5**	33.9	-7
Other	**12.0**	18.5	-35
Total countries	**154.8**	180.3	-14
Non-current assets classified as held for sale	**44.8**	3.1	1 337
Total non-current assets	**199.6**	183.4	9

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.

Capital expenditure by market unit, EUR million

	2012 10-12	2011 10-12	Change %	**2012 1-12**	2011 1-12	Change %
Finland and the Baltic countries	**13.1**	8.8	49	**44.3**	85.8	-48
Scandinavia	**4.9**	2.8	76	**14.5**	9.4	54
Central Europe & Russia	**0.9**	0.3	191	**1.8**	3.9	-55
Global Accounts	**0.6**	1.9	-67	**2.3**	3.9	-42
Steering Functions and Global Management	**0.0**	0.0	-	**0.0**	0.5	-100
Group total	**19.5**	13.8	42	**62.9**	103.6	-39

Depreciation by market unit, EUR million

	2012 10-12	2011 10-12	Change %	**2012 1-12**	2011 1-12	Change %
Finland and the Baltic countries	**14.1**	14.9	-5	**59.0**	61.7	-4
Scandinavia	**4.5**	2.6	72	**13.3**	11.6	15
Central Europe & Russia	**0.6**	1.5	-59	**2.7**	3.7	-29
Global Accounts	**0.9**	1.5	-39	**3.6**	4.1	-13
Steering Functions and Global Management	**0.3**	0.4	-28	**1.2**	2.1	-44
Group total	**20.5**	20.9	-2	**79.7**	83.2	-4

Amortization on allocated intangible assets from acquisitions by market unit, EUR million

	2012 10-12	2011 10-12	Change %	**2012 1-12**	2011 1-12	Change %
Finland and the Baltic countries	**0.1**	0.1	-16	**0.4**	0.4	-14
Scandinavia	**0.2**	0.3	-13	**1.0**	1.2	-17
Central Europe & Russia	**0.2**	0.3	-40	**1.1**	1.4	-24
Global Accounts	**0.5**	1.1	-55	**2.9**	4.3	-32
Steering Functions and Global Management	**0.0**	0.0	-	**0.0**	0.0	-
Group total	**1.0**	1.8	-42	**5.3**	7.3	-27

Impairment losses by market unit, EUR million

	2012 10-12	2011 10-12	Change %	**2012 1-12**	2011 1-12	Change %
Finland and the Baltic countries	**0.0**	0.0	-115	**0.0**	0.0	-215
Scandinavia	**0.0**	0.2	-125	**0.4**	0.2	172
Central Europe & Russia	**17.6**	0.0	-	**17.6**	0.0	-
Global Accounts	**16.1**	5.8	176	**16.1**	5.8	176
Steering Functions and Global Management	**0.0**	0.0	-	**0.0**	0.0	-
Group total	**33.6**	6.0	460	**34.1**	6.0	468

Commitments and contingencies, EUR million

	31 Dec 2012	31 Dec 2011
For Tieto obligations		
Pledges	**-**	-
On behalf of joint ventures	**-**	-
Other Tieto obligations		
Rent commitments due in one year	**53.6**	53.7
Rent commitments due in 1-5 years	**134.2**	118.3
Rent commitments due after 5 years	**19.4**	42.4
Operating lease commitments due in one year	**7.0**	8.2
Operating lease commitments due in 1-5 years	**6.8**	8.5
Operating lease commitments due after 5 years	**0.0**	0.0
Other commitments		
Performance guarantees	**42.8**	39.3
Lease guarantees	**10.4**	10.4
Other	**4.1**	0.8

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 2012	31 Dec 2011
Foreign exchange forward contracts	**250.2**	235.6
Forward contracts outside hedge accounting	**187.7**	187.2
Forward contracts within hedge accounting	**62.6**	48.5
Electricity price futures contracts	**2.0**	3.4
Interest rate swap	**200.0**	250.0
Currency options	**-**	-

Fair values of derivatives

The net fair values of derivative financial instruments at the balance sheet date were:	**31 Dec 2012**	31 Dec 2011
Foreign exchange forward contracts	**0.3**	-5.1
Electricity price futures contracts	**-0.3**	-0.7
Interest rate swaps	**-0.2**	-0.6
Currency options	**-**	-

Derivatives are used for economic hedging purposes only.

Gross positive fair values of derivatives:	**Positive 31 Dec 2012**	Positive 31 Dec 2011
Foreign exchange forward contracts	**1.6**	0.9
Forward contracts outside hedge accounting	**0.6**	0.8
Forward contracts within hedge accounting *)	**1.0**	0.1
Electricity price futures contracts	**-**	-
Interest rate swaps	**2.4**	2.5
Currency options	**-**	-

Gross negative fair values of derivatives:	**Negative 31 Dec 2012**	Negative 31 Dec 2011
Foreign exchange forward contracts	**-1.3**	-5.9
Forward contracts outside hedge accounting	**-0.8**	-3.5
Forward contracts within hedge accounting *)	**-0.5**	-2.4
Electricity price futures contracts	**-0.3**	-0.7
Interest rate swaps	**-2.6**	-3.1
Currency options	**-**	-
*) Forward contracts within hedge accounting (net)	**0.5**	-2.3
The amount recognized in equity	**0.3**	-2.2
Net periodic interest rate difference recognized in interest income/expenses	**0.3**	-0.1

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 2012 amounted to net EUR 0.3 million (EUR -2.2 million in 2011). These are recognised 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 in 2013.

The efficient portion of cash flow hedges recognized in net sales at 31 December 2012 amounted to a gain of EUR 0.3 million (EUR 1,0 million in 2011) and a loss of EUR 1,3 million (EUR 0,2 million in 2011) 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 2012 (EUR 0.0 million in 2011). The inefficient portion recognized in other operating expenses that arises from cash flow hedges amounts to a loss of EUR 0.0 million at 31 December 2012 (EUR 0.0 million in 2011).

Other reserves

Cash flow hedges

EUR million	Hedging reserve
Balance at 1 Jan 2011	-0.1
Fair value gains in year	0.1
Fair value losses in year	-2.2
Tax on fair value gains	0.0
Tax on fair value losses	0.4
Balance at 31 Dec 2011	-1.8
Balance at 1 Jan 2012	**-1.8**
Fair value gains in year	4.4
Fair value losses in year	-2.4
Tax on fair value gains	-0.1
Tax on fair value losses	0.0
Balance at 31 Dec 2012	**0.2**

QUARTERLY FIGURES

Key figures

	2012 10-12	2012 7-9	2012 4-6	2012 1-3
Earnings per share, EUR				
- basic	**-0.26**	0.32	-0.10	0.45
- diluted	**-0.26**	0.32	-0.10	0.45
Equity per share, EUR	**7.75**	8.06	7.60	7.69
Return on equity, rolling 12 month, %	**5.3**	10.7	11.2	14.7
Return on capital employed, rolling 12 month, %	**12.5**	17.6	17.4	20.8
Equity ratio, %	**49.5**	50.4	45.8	44.7
Interest-bearing net debt, EUR million	**23.9**	59.0	80.0	11.7
Gearing, %	**4.3**	10.2	14.7	2.1
Investments, EUR million	**19.3**	15.6	13.6	14.4

	2011 10-12	2011 7-9	2011 4-6	2011 1-3
Earnings per share, EUR				
- basic	0.18	0.31	0.16	0.19
- diluted	0.18	0.31	0.16	0.19
Equity per share, EUR	7.90	7.66	7.40	7.28
Return on equity, rolling 12 month, %	10.7	8.9	9.6	9.9
Return on capital employed, rolling 12 month, %	18.3	16.1	14.9	16.1
Equity ratio, %	46.4	47.7	46.4	43.3
Interest-bearing net debt, EUR million	82.7	111.9	136.4	76.2
Gearing, %	14.6	20.4	25.8	14.6
Investments, EUR million	13.8	11.2	13.3	65.3

Income statement, EUR million

	2012 10-12	2012 7-9	2012 4-6	2012 1-3
Net sales	**478.6**	423.5	456.1	467.1
Other operating income	**5.3**	1.8	3.1	17.0
Employee benefit expenses	**282.4**	234.3	299.3	274.7
Depreciation, amortization and impairment charges	**55.1**	21.8	21.0	21.2
Other operating expenses	**154.7**	137.6	142.6	146.5
Operating profit (EBIT)	**-8.3**	31.6	-3.7	41.7
Financial income and expenses	**-0.7**	-0.1	-1.7	-2.1
Profit before taxes	**-9.0**	31.5	-5.4	39.6
Income taxes	**-9.5**	-8.8	-1.4	-7.6
Net profit for the period	**-18.5**	22.7	-6.8	32.0

	2011 10-12	2011 7-9	2011 4-6	2011 1-3
Net sales	489.7	414.5	462.3	461.6
Other operating income	2.9	1.6	2.8	1.7
Employee benefit expenses	268.8	223.7	270.9	265.3
Depreciation, amortization and impairment charges	28.7	22.1	22.8	22.9
Other operating expenses	169.0	141.1	152.2	151.5
Operating profit (EBIT)	26.1	29.2	19.2	23.6
Financial income and expenses	-2.1	-1.3	-1.4	-2.0
Profit before taxes	24.0	27.9	17.8	21.6
Income taxes	-11.5	-5.4	-6.4	-8.1
Net profit for the period	12.5	22.5	11.4	13.5

Balance sheet, EUR million

	2012 31 Dec	2012 30 Sep	2012 30 Jun	2012 31 Mar
Goodwill	**391.6**	423.3	416.6	415.3
Other intangible assets	**55.5**	61.8	67.3	72.4
Property, plant and equipment	**99.3**	99.7	99.2	101.8
Other non-current assets	**32.7**	53.4	50.5	48.7
Total non-current assets	***579.1***	*638.2*	*633.6*	*638.2*
Trade receivables and other current assets	**475.0**	503.9	525.1	490.2
Cash and cash equivalents	**86.7**	55.9	91.1	162.9
Total current assets	***561.7***	*559.8*	*616.2*	*653.1*
Assets classified as held for sale	**44.8**	18.5	17.8	25.6
Total assets	**1 185.6**	1 216.5	1 267.6	1 316.9
Total equity	***556.3***	*578.4*	*545.4*	*549.7*
Non-current loans	***4.0***	107.2	110.3	114.3
Other non-current liabilities	**44.6**	75.9	74.0	74.0
Total non-current liabilities	***48.6***	*183.1*	*184.3*	*188.3*
Trade payables and other current liabilities	**382.6**	387.2	416.0	477.7
Provisions	**32.8**	38.2	42.7	19.6
Current loans	**116.8**	16.1	65.3	65.1
Total current liabilities	***532.2***	*441.5*	*524.0*	*562.4*
Liabilities classified as held for sale	**48.5**	13.5	13.9	16.5
Total equity and liabilities	**1 185.6**	1 216.5	1 267.6	1 316.9

	2011 31 Dec	2011 30 Sep	2011 30 Jun	2011 31 Mar
Goodwill	413.2	416.6	418.0	421.3
Other intangible assets	77.1	82.3	88.1	93.4
Property, plant and equipment	103.2	109.7	116.0	119.5
Other non-current assets	53.6	64.3	66.7	67.4
Total non-current assets	*647.1*	*672.9*	*688.8*	*701.6*
Trade receivables and other current assets	495.6	479.8	488.5	494.7
Cash and cash equivalents	95.8	69.4	47.4	113.4
Total current assets	*591.4*	*549.2*	*535.9*	*608.1*
Assets classified as held for sale	41.4	-	-	-
Total assets	1 279.9	1 222.1	1 224.7	1 309.7
Total equity	*564.8*	*547.4*	*528.9*	*520.3*
Non-current loans	117.9	122.7	176.4	185.6
Other non-current liabilities	73.2	74.4	72.2	66.7
Total non-current liabilities	*191.1*	*197.1*	*248.6*	*252.3*
Trade payables and other current liabilities	399.6	384.5	396.1	486.3
Provisions	30.1	27.4	35.7	37.7
Current loans	65.7	65.7	15.4	13.1
Total current liabilities	*495.4*	*477.6*	*447.2*	*537.1*
Liabilities classified as held for sale	28.6	-	-	-
Total equity and liabilities	1 279.9	1 222.1	1 224.7	1 309.7

Cash flow, EUR million

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

	2011 10-12	2011 7-9	2011 4-6	2011 1-3
Cash flow from operations				
Net profit	12.5	22.5	11.5	13.5
Adjustments	45.7	28.5	30.2	34.5
Change in net working capital	-5.1	-2.4	-34.2	1.2
Cash generated from operations	53.1	48.6	7.5	49.2
Net financial expenses paid	-5.2	-0.8	0.6	-2.5
Income taxes paid	-4.2	-7.1	-8.1	-7.9
Net cash flow from operations	43.7	40.7	0.0	38.8
Net cash used in investing activities	-11.3	-10.3	-13.7	-19.8
Net cash used in financing activities	-3.9	-3.3	-56.2	-5.8
Change in cash and cash equivalents	28.5	27.1	-69.9	13.2
Cash and cash equivalents at the beginning of period	69.4	47.4	113.4	98.0
Foreign exchange differences	-0.6	-5.1	3.9	2.2
Assets classified as held for sale	-1.5	-	-	-
Change in cash and cash equivalents	28.5	27.1	-69.9	13.2
Cash and cash equivalents at the end of period	95.8	69.4	47.4	113.4

QUARTERLY FIGURES BY SEGMENTS

Net sales by market unit, EUR million

	2012 10-12	2012 7-9	2012 4-6	2012 1-3	2011 10-12	2011 7-9	2011 4-6	2011 1-3
Finland and the Baltic countries	**205**	176	190	193	202	169	178	184
Scandinavia	**143**	129	135	141	147	120	140	141
Central Europe & Russia	**31**	30	31	34	36	31	33	31
Global Accounts	**166**	150	170	175	185	162	193	190
Group elimination	**-67**	-61	-69	-75	-80	-68	-80	-85
Group total	**479**	423	456	467	490	415	462	462

Customer sales by business line, EUR million

	2012 10-12	2012 7-9	2012 4-6	2012 1-3	2011 10-12	2011 7-9	2011 4-6	2011 1-3
Industry Solutions	**184**	126	138	143	147	119	138	130
Enterprise Solutions	**126**	58	67	72	71	59	53	67
Managed Services and Transformation	**28**	163	166	172	182	159	179	172
Product Engineering Solutions	**141**	76	86	81	90	77	92	92
Group total	**479**	423	456	467	490	415	462	462

The comparison figures for 2011 have changed due to transfer of businesses between the business lines at the beginning of 2012.

Net sales by customer sector, EUR million

	2012 10-12	2012 7-9	2012 4-6	2012 1-3	2011 10-12	2011 7-9	2011 4-6	2011 1-3
Telecom	**140**	135	143	145	152	129	151	147
Finance	**94**	85	88	96	98	85	95	96
Industry sectors	**245**	204	223	226	240	200	216	219
Group total	**479**	423	456	467	490	415	462	462

Operating profit (EBIT) by market unit, EUR million

	2012 10-12	2012 7-9	2012 4-6	2012 1-3	2011 10-12	2011 7-9	2011 4-6	2011 1-3
Finland and the Baltic countries	**21.1**	19.0	7.9	17.3	23.9	17.3	4.2	13.4
Scandinavia	**7.7**	8.1	- 2.5	5.5	2.4	6.0	5.1	5.2
Central Europe & Russia	**- 22.4**	- 4.2	- 9.5	- 4.2	- 6.8	- 3.6	- 5.6	- 5.0
Global Accounts	**- 10.1**	11.6	5.1	30.2	9.6	11.9	18.5	15.4
Steering Functions and Global Management	**- 4.6**	- 2.9	- 4.7	- 7.0	- 2.9	- 2.3	- 3.1	- 5.4
Operating profit (EBIT)	**-8.3**	31.6	-3.7	41.7	26.1	29.2	19.2	23.6

Operating margin (EBIT) by market unit, %

	2012 10-12	2012 7-9	2012 4-6	2012 1-3	2011 10-12	2011 7-9	2011 4-6	2011 1-3
Finland and the Baltic countries	**10.3**	10.8	4.2	9.0	11.9	10.2	2.4	7.3
Scandinavia	**5.4**	6.3	-1.9	3.9	1.6	5.0	3.7	3.7
Central Europe & Russia	**-71.7**	-14.0	-31.1	-12.5	-18.9	-11.5	-17.1	-15.9
Global Accounts	**-6.1**	7.7	3.0	17.3	5.2	7.4	9.6	8.1
Operating margin (EBIT)	**-1.7**	7.5	-0.8	8.9	5.3	7.1	4.1	5.1

Operating profit (EBIT) excl. one-off items by market unit, EUR million

	2012 10-12	2012 7-9	2012 4-6	2012 1-3	2011 10-12	2011 7-9	2011 4-6	2011 1-3
Finland and the Baltic countries	**24.7**	19.3	15.6	17.2	24.6	19.4	4.1	13.6
Scandinavia	**11.5**	10.7	7.7	6.2	2.4	8.6	9.2	5.2
Central Europe & Russia	**- 2.7**	- 3.2	- 3.7	- 4.1	- 5.3	- 3.6	- 5.4	- 5.0
Global Accounts	**15.1**	12.9	9.8	15.6	15.3	12.5	18.5	15.4
Steering Functions and Global Management	**- 4.8**	- 2.5	- 1.3	- 7.0	- 2.8	- 2.4	- 2.1	- 5.3
Operating profit (EBIT)	**43.8**	37.1	28.2	28.0	34.2	34.5	24.5	23.9

Operating margin (EBIT) excl. one-off items by market unit, %

	2012 10-12	2012 7-9	2012 4-6	2012 1-3	2011 10-12	2011 7-9	2011 4-6	2011 1-3
Finland and the Baltic countries	**12.0**	11.0	8.2	8.9	12.2	11.5	2.3	7.4
Scandinavia	**8.0**	8.3	5.7	4.4	1.6	7.2	6.6	3.7
Central Europe & Russia	**-8.5**	-10.6	-11.9	-12.1	-14.7	-11.4	-16.5	-15.8
Global Accounts	**9.1**	8.6	5.7	8.9	8.3	7.7	9.6	8.1
Operating margin (EBIT)	**9.2**	8.8	6.2	6.0	7.0	8.3	5.3	5.2

Major shareholders on 31 December 2012

		Shares	%
1	Cevian Capital *)	11 073 614	15.3
2	Solidium Oy	7 415 418	10.2
3	Etera Mutual Pension Insurance Co.	3 000 000	4.1
4	Varma Mutual Pension Insurance Co.	2 859 749	4.0
5	Ilmarinen Mutual Pension Insurance Co.	2 697 859	3.7
6	OP-Pohjola Group Central Cooperative	2 278 495	3.1
7	Swedbank Robur fonder	1 985 941	2.7
8	Svenska Litteratursällskapet i Finland	1 041 345	1.4
9	The State Pension fund	873 000	1.2
10	SEB Investment Funds in Finland	743 208	1.0
		33 968 629	46.9
	Nominee registered	33 478 261	46.3
	Others	4 930 323	6.8
	Total	**72 377 213**	**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 2012 was 11 073 614 shares, representing 15.3% 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) at 2.30 pm EET (1.30 pm CET 12.30 pm UK time). The results will be presented in English by Kimmo Alkio, President and CEO.

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

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