TIETO's interim report 1/2010 (January–March): Profitability improves, sales slightly down

Highlights: January–March

- Net sales totalled EUR 422.9 (438.0) million, down 3%.
- Operating profit amounted to EUR 18.8 (4.9) million, representing an operating margin of 4.5% (1.1).
- Operating profit excluding one-off items was EUR 26.6 (14.8) million, representing an operating margin of 6.3% (3.4).
- Profit after taxes was EUR 12.0 (1.0) million.
- Net cash flow from operations amounted to EUR 27.9 (38.7) million.
- The company's outlook remains unchanged.

	Q1/2010	Q1/2009
Net sales, EUR million	**422.9**	438.0
Change in net sales, %	**-3**	-6
Operating profit, EUR million	**18.8**	4.9
Operating margin, %	**4.5**	1.1
Operating profit excluding one-off items, EUR million	**26.6**	14.8
Operating margin excluding one-off items, %	**6.3**	3.4
Profit after taxes, EUR million	**12.0**	1.0
Net cash flow from operations, EUR million	**27.9**	38.7
EPS, EUR	**0.17**	0.01

Hannu Syrjälä, President and CEO:
"Our business environment has continued to improve and our execution was solid in the first quarter of 2010. Sales were slightly down, and profitability improved as a result of successful cost savings actions implemented in 2009. Operating margin excluding one-off items almost doubled to 6.3% from last year.

The turnaround in Tieto Sweden is well on its way. The good profitability development that started in the latter part of 2009 has continued. In Finland, sales were down a bit but profitability remained at the 10% level. Tieto International's profitability was strained by few divestments, but excluding these, profitability was up substantially.

The first half of 2010 is still characterized by sluggish market, and modest growth is expected in the latter half of the year. Our volumes have developed favourably, but our sales are affected by lower price levels due to increased use of offshore resources. Tieto is investing in growth initiatives, but at the same time, we continue to manage our cost base tightly. We have achieved excellent results from our increased offshore capabilities and this will have a positive impact on our performance."

MARKET DEVELOPMENT

The IT services market in the Nordic countries has stabilized at the beginning of 2010. Activity in the market has picked up, and companies' efforts to achieve cost savings and improve productivity have opened up new business opportunities. These have not yet translated to growth, except in the service sectors, such as public, healthcare, retail and logistics.

In 2010, IT spending in Europe is driven by replacement investments in hardware and software as well as growing spending on cloud services, such as Software as a Service.

The Nordic IT services market is expected to start growing in the second half of 2010. Growth estimates for the full year provided by market analysts vary from 0% to 2%. The market for the telecom sector is expected to remain challenging during 2010. The market development is twofold; volumes are going up but at the same time, offshoring will continue to lower market prices. The outsourcing market and the demand for new service models are expected to remain robust, whereas the project services market continues to slide in the first half of 2010.

Price pressure persists, especially in agreement renewals. The changing delivery mix – which makes greater use of offshore resources – is leading to lower average unit prices.

In the **telecom** sector, the transformation towards offshore-based operations has accelerated. It is expected that transfers will curbe market growth in euros, although volumes in terms of manhours are on the rise. The network equipment manufacturers segment has continued to be challenging. The mobile device manufacturers segment has picked up, boosted by new technologies, and the operator segment is expected to follow suit later in 2010. Decision-making cycles have remained relatively long.

In the **finance** sector, the market has stabilized, but competition is fierce and decisions-making processes are slow. Outsourcing is the main source of growth, especially in Sweden, but activity in the products area has also picked up. In the Finnish finance sector, the pension insurance segment has slowed down after a long investment cycle, whereas the banking segment is expected to grow. In the UK, the finance sector has remained challenging.

Market development by country
In **Finland,** the outsourcing market continues to grow, but project business is expected to remain at a modest level. Demand for IT services is expected to continue at a good level in the utilities, healthcare and welfare sectors. In the public sector, IT budgets will be cut and the plan is to re-allocate parts of the budget from ministries to centralized IT procurement units in 2010.

In **Sweden**, the IT market is picking up. New outsourcing-related opportunities have opened up, especially in the finance and public sectors. The number of customer leads is growing. Price competition remains hard in agreement renewals. In the manufacturing industry, there are no signs of recovery yet.

Outside Finland and Sweden, the development of the IT markets varies country by country. In general, telecom is the most challenging sector.

Germany is expected to recover slowly in 2010. The markets for local automotive and telecom R&D have continued to deteriorate and demand for IT services in these sectors has been weak. In 2010, outsourcing remains the growth area, as the economic situation is forcing companies to improve the efficiency of their operations. The healthcare sector is expected to see positive development.

In **Norway**, demand is gradually picking up. Interest in restarting IT projects has increased in the oil & gas segment, thanks to higher oil prices. The utilities segment is stable, automatic meter reading being one of the future drivers. The finance market in Norway follows the common industry trends, capital market solutions being the strongest area.

BUSINESS TRANSACTIONS AND MAJOR AGREEMENTS IN JANUARY–MARCH

In January, Legal, Financial and Administrative Services Agency in Sweden, Kammarkollegiet, chose Tieto as one of its ten IT-suppliers. The framework agreements with the chosen suppliers cover IT management services in the public sector and will affect all government agencies, 232 municipalities as well as 19 county councils and regions.

In March, Tieto Russia acquired T&T Telecom, an IT and consultancy company specializing in services for telecom operators. The company employs approximately 70 people and has offices in St. Petersburg and Moscow**.**

In March, Tieto divested the shares of TietoEnator Majiq, previously responsible for the company’s pulp and paper operations in North America. The company employed close to 60 people. In the forest sector, Tieto now focuses on Europe and the growth markets in China and Russia.

In March, Tieto and Yleisradio (YLE) agreed that Tieto will acquire 20% of Tieto Broadcasting IT Oy’s share capital. Tieto Broadcasting IT was previously owned by Tieto (80%) and YLE (20%). In 2009, Tieto Broadcasting IT’s net sales amounted to EUR 22.7 million.

Tieto also concluded several other important agreements during the quarter, such as for global communication and collaboration services with Cargotec, IT operations with the municipality of Sollentuna and the outsourcing of the majority of IT activities with the Swedish Motor Vehicle Inspection Company.

ORDER BACKLOG

The order backlog, which only comprises services ordered with binding contracts, amounted to EUR 1 208 (1 084) million at the end of the period. In total, 60% (59) of the backlog is expected to be invoiced during the current year. Order intake in the first quarter saw the strongest growth in Telecom Sweden and in all industry segments in Tieto International.

FINANCIAL PERFORMANCE IN JANUARY–MARCH

First-quarter net sales declined by 3% and amounted to EUR 422.9 (438.0) million. The stronger currencies, especially the Swedish krona, had a positive EUR 13 million impact on net sales. First-quarter net sales in 2009 included one-off income of EUR 7.7 million. Excluding one-off income and currency impacts, net sales declined by 5%.

In most industries, good outsourcing activity in the IT market and the strong sales pipeline did not translate to growth yet. Net sales in the healthcare, public, retail and logistics sectors are growing, but the telecom and manufacturing sectors saw a decline in net sales. Outsourcing-related sales grew during the first quarter, but that did not compensate for the decline in project-based business.

Business transfers to offshore countries are straining net sales, but at the same time they contribute to improved profitability. On one hand, the changing delivery mix – which makes greater use of offshore resources – is leading to lower average unit prices. On the other, average unit costs are declining as well.

Thanks to to improved efficiency and the positive impacts of the streamlining actions that were implemented during 2009, Tieto’s profitability improved from the first quarter of 2009. In the first quarter, the company achieved EUR 28 million in cost savings, exclusive of currency effects. Tieto booked EUR 1.7 million in restructuring costs. The company continues to drive its structural improvements and transfer of operations to offshore countries. These actions are expected to result in EUR 10–15 million in one-off costs in 2010.

First-quarter operating profit amounted to EUR 18.8 (4.9) million, representing a margin of 4.5% (1.1). Operating profit includes one-off costs of EUR 1.7 million related to the streamlining actions, mainly in Sweden, impairment losses of EUR 6.6 million related to the divestment of the pulp and paper operations in North America and assets held for sale in connection with the divestment of Tieto's French subsidiary, and a capital gain of EUR 0.5 million. Operating profit excluding one-off items amounted to EUR 26.6 (14.8) million, or 6.3% (3.4) of net sales.

Net financial expenses stood at EUR 1.1 (2.8) million in the first quarter. Net interest expenses were EUR 1.7 (1.8) million and net gains from foreign exchange transactions EUR 0.7 (negative 1.3) million, of which EUR 1.7 million were unrealized net losses. Other financial income and expenses amounted to EUR 0.1 (positive 0.3) million.

First-quarter earnings per share (EPS) totalled EUR 0.17 (0.01).

The 12-month rolling return on capital employed (ROCE) was 19.6% and the return on shareholders' equity (ROE) 13.6%.

Financial performance by country

	Net sales in Q1/2010, EUR million	Net sales in Q1/2009, EUR million	Change, %	**EBIT margin in Q1/2010, %**	EBIT margin in Q1/2009, %
Finland	**222**	227	-2	**10.2**	10.0
Sweden	**119**	119	0	**4.9**	-7.4
International	**135**	141	-4	**-1.0**	-2.6
Group elimination	**-52**	-48			
Total	**423**	438	-3	**4.5**	1.1

In **Finland**, net sales were down by 2%. The manufacturing, telecom and finance sectors were challenging, whereas the energy, public, healthcare, retail and logistics sectors saw healthy growth. Net sales were also strained by lower prices. Due to the improved utilization rate, operating profit remained at the previous year's level. First-quarter operating profit amounted to EUR 22.6 (22.7) million and the operating margin was 10.2% (10.0).

In **Sweden**, net sales remained flat. In local currency, the decline was 9%. The finance, public, healthcare, retail and logistics sectors performed strongly. Net sales in the telecom sector declined, partly due to ongoing offshore transitions with some key customers. Thanks to the implementation of streamlining actions, operating profit improved to EUR 5.8 (-8.8) million, or EUR 6.8 (0.8) million excluding one-off items. Operating margin was 4.9% (-7.4), or 5.7% (0.7) excluding one-off items.

In **International**, net sales declined by 4%. First-quarter net sales in 2009 included an one-off income of EUR 7.7 million. Excluding currency effects and one-off income, net sales remained flat. Net sales in Germany and France were dropping off due to their large exposure in the telecom sector, whereas sales in Asian and Eastern European countries were rising. First-quarter operating profit amounted to EUR -1.4 (-3.7) million and included EUR 6.6 million in impairment losses and a net amount of EUR 0.2 million (negative) in other one-off items. Due to cost savings and good performance in delivery countries, operating profit excluding one-off items rose to EUR 5.4 (-5.6) million. Operating margin was -1.0% (-2.6), or 4.0% (-4.0) excluding one-off items.

Net sales by customer sector

	Net sales in Q1/2010, EUR million	Net sales in Q1/2009, EUR million	Change, %
Telecom	**142**	153	-7
Finance	**88**	89	0
Industry sectors	**193**	197	-2
Total	**423**	438	-3

In the **telecom** sector, Tieto's net sales fell by 7%. The drop was mainly attributable to customers' delayed investment decisions and a strong offshore transition trend, especially in the network equipment manufacturers segment. Ongoing transitions to offshore countries account for more than half of the drop. Due to lower costs and improved efficiency, however, profitability improved.

In the **finance** sector, net sales remained flat. Excluding the positive currency effect, net sales declined around 4% due to the drop in Finland and the UK. In Finland, net sales in the pension insurance segment shrunk after a relatively long and strong investment cycle. All other major markets saw positive change in net sales. Profitability improved substantially due to cost savings and the downsizing of underperforming businesses.

In the **industry sectors**, net sales declined by 2%. Excluding currency effects and one-off income in 2009, net sales remained at the same level as in the first quarter of 2009. Profitability remained at a healthy level. In Tieto's reporting, the industry sectors cover customers in healthcare and welfare, forest, energy, manufacturing, automotive, public, retail and logistics.

CASH FLOW AND FINANCING

First-quarter net cash flow from operations, including the increase of EUR 9.9 (decrease 24.8) million in net working capital, amounted to EUR 27.9 million (38.7).

Tax payments amounted to EUR 6.6 (6.4) million.

Payments for acquisitions totalled EUR 0.4 (2.4) million in the first quarter. Divestments amounted to EUR 5.3 (none) million.

The equity ratio was 45.8% (40.0). Gearing decreased to 10.2% (17.5). Net debt totalled EUR 51.9 (79.2) million, including EUR 150.3 million in interest-bearing debt, EUR 8.2 million in finance lease liabilities, EUR 8.2 million in finance lease receivables and EUR 98.4 million in cash and cash equivalents.

The interest-bearing long-term debt consists of EUR 150 million in bonds, of which EUR 100 million will mature in December 2013 and EUR 50 million (private placement) in July 2012. The EUR 250 million syndicated revolving credit facility maturing in November 2011 was not in use and there were no commercial papers issued under the EUR 250 million Commercial Paper Programme at the end of March. Other short-term credit lines were utilized for EUR 0.3 million.

INVESTMENTS

Investments totalled EUR 23.3 (16.1) million for the period. This comprises EUR 21.6 (15.9) million in capital expenditure including financial leasing, and EUR 1.7 (0.2) million in investments in shares.

PERSONNEL

The number of full-time employees rose to 16 880 (16 638) at the end of March. The rise has resulted from twofold development. To boost its offshore ratio, Tieto has actively been ramping up its capacity in global delivery centres. At the end of March, the number of full-time employees in the global delivery centres had increased by 27% year on year and totalled 5 431 (4 293), or 32% (26) of personnel. In onshore locations, the number of personnel has decreased, mainly due to terminations. Starting in 2010, the company uses full-time employees as the basis for reporting of offshore resources. In previous reports, Tieto has reported total headcount.

During the first quarter, Tieto accelerated competence transformation with a view to better meeting needs in growing specialist areas. The company has also invested in building more effective tools for project staffing.

Based on the national salary raises agreed in collective labour agreements in Finland and Sweden, wages are expected to increase by 1–2%. In some specialist areas, the first signs of a lack of resources and growing attrition rates can be seen, and therefore the rise in personnel expenses might be higher.

The 12-month rolling employee turnover stood at 6.7% at the end of March. The average number of full-time employees was 16 799 (16 718) in the first quarter.

ANNUAL GENERAL MEETING

Tieto's Annual General Meeting on 26 March re-elected the Board's former members: Kimmo Alkio, Risto Perttunen, Markku Pohjola and Olli Riikkala. In addition, the meeting elected Christer Gardell, Kurt Jofs, Eva Lindqvist and Teuvo Salminen as new members. In addition, the company's personnel shall appoint two members, each with a personal deputy, to the Board of Directors. The personnel representatives on the Board are Anders Eriksson (deputy: Bo Persson) and Jari Länsivuori (deputy: Esa Koskinen).

The Board of Directors elected Markku Pohjola as its Chairman and Olli Riikkala as its Vice Chairman. The Board also appointed a Remuneration and Nomination Committee comprising Markku Pohjola (Chairman), Kimmo Alkio, Christer Gardell and Eva Lindqvist, and an Audit and Risk Committee comprising Olli Riikkala (Chairman), Kurt Jofs, Risto Perttunen and Teuvo Salminen.

The meeting re-elected the firm of authorized public accountants PricewaterhouseCoopers Ltd. as the company's auditor for the financial year 2010.

The meeting authorized the Board to repurchase the company's own shares. Under the authorization, up to 7 200 000 shares, corresponding to approximately 10% of the aggregate number of shares, may be purchased.

The meeting decided to establish a Shareholders' Nomination Committee to prepare proposals for the election and remuneration of the members of the Board of Directors to the next Annual General Meeting and to adopt a charter for the Shareholders' Nomination Committee.

DIVIDEND

The Annual General Meeting resolved to distribute a dividend of EUR 0.50 (0.50) per share. Dividends totalling EUR 35.7 million were paid out on 14 April.

SHARES AND SHARE-BASED INCENTIVES

At the end of March, the total number of shares amounted to 72 023 173 and the share capital to EUR 75 841 523.

On 31 March, a total of 4 400 Tieto's shares were returned free of consideration to the company. The transaction is related to the company's Share Ownership Plan 2006–2008. At the end of the quarter, the number of shares in the company's possession totalled 545 900, representing 0.8% of the total number of shares and voting rights. The outstanding number of shares, excluding the shares in the company's possession, was 71 477 273.

FLAGGING ANNOUNCEMENTS

On 26 January, OP-Pohjola Group announced that its group holding in Tieto had fallen to 4.14%. On 23 March, Goldman Sachs announced that its group holding had increased to 5.05%.

EVENTS AFTER THE PERIOD

On 8 April, Goldman Sachs announced that it no longer has a notifiable interest in Tieto shares, and Solidium announced that its holding has increased to 5.02%.

In April, Tieto announced that the share subscription price for Tieto Stock Option 2009 B is EUR 16.87 per share (the trade volume weighted average quotation of the share on NASDAQ OMX Helsinki during 11 February–9 April 2010).

In April, Tieto decided to focus its business in India on two main sites: Pune and Bangalore. The operations of the Hyderabad site will be moved to the other locations by the end of June.

In April, Tieto agreed to sell its French subsidiary to the French IT company Devoteam. In 2009, net sales from the sold entity were EUR 28.5 million. Tieto booked EUR 5.2 million in impairment loss and EUR 0.4 million in restructuring costs related to the divestment in its first-quarter results.

NEAR-TERM RISKS AND UNCERTAINTIES

In some specialist areas, the first signs of a lack of resources and rising attrition can be seen. Therefore, the rise in personnel expenses might be higher than agreed in the collective labour agreements. In Asia, salaries are on the rise, in some areas even at a double-digit rate.

Weak demand for IT services might lead to lower utilization of resources and hence lower profitability if the company is not able to adjust its cost base fast enough to new negative changes in the market.

The ongoing transformation of the IT sector towards offshore production might create uncertainty among the company's personnel and poses risks related to the company's market position, prices and quality of deliveries. On the other hand, Tieto has steadily increased its offshore resources during the past several years, and is currently the leading European based company providing substantial offshore capabilities. The company expects the growing offshore operations to lead to lower average costs as well, offsetting negative price effects. Special attention has been placed on ensuring the quality of deliveries.

A comprehensive description of the major long-term risks is available on the company's website.

OUTLOOK FOR 2010

Tieto anticipates that the IT markets have bottomed out. In 2010, Tieto expects its net sales to develop in line with the IT services market relevant to Tieto and its operating profit to be higher than in 2009.

Financial calendar
Second-quarter interim report on 21 July 2010
Third-quarter interim report on 27 October 2010
Fourth-quarter interim report and financial statements bulletin for 2010 on 10 February 2011

Accounting policies in 2010

The interim report has been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the EU.

Tieto has started to apply hedge accounting for selected hedging transactions, such as foreign exchange hedging transactions between EUR and CZK after 1 March 2010. Excluding this change, the accounting policies adopted are consistent with those used in the annual financial statements for the year ended on 31 December 2009. The accounting policies as well as the effect of changes required by the adoption of standards, interpretations and amendments taken into use in 2010 are described in the annual financial statements.

The figures in this report are unaudited.

Key figures

	2010 1-3	2009 1-3	2009 1-12
Earnings per share, EUR			
- basic	**0.17**	0.01	0.77
- diluted	**0.17**	0.01	0.77
Equity per share, EUR	**7.10**	6.31	7.25
Return on equity rolling 12 month, %	**13.6**	10.2	11.0
Return on capital employed rolling 12 month, %	**19.6**	25.3	16.8
Equity ratio %	**45.8**	40.0	46.0
Net interest-bearing liabilities, EUR million	**51.9**	79.2	66.0
Gearing, %	**10.2**	17.5	12.7
Investments, EUR million	**23.3**	16.1	58.9

Number of shares

	2010 1-3	2009 1-3	2009 1-12
Outstanding shares, end of period			
Basic	**71 408 913**	71 661 523	71 408 913
Diluted	**71 691 433**	71 739 083	71 481 673
Outstanding shares, average			
Basic *)	**71 408 913**	71 661 523	71 499 888
Diluted	**71 691 433**	71 739 083	71 574 507
Company's possession of its own shares,			
End of period	**545 900**	361 650	541 500
Average	**541 549**	361 650	473 315

*) Number of shares included in the calculation of basic Earnings per share. Shares conveyed in 2009 are excluded as they can be returned until end of 2010.

Income statement, EUR million

	2010 1-3	2009 1-3	Change %	**2009 1-12**
Net sales	**422.9**	438.0	-3	**1 706.3**
Other operating income	**7.0**	2.9	141	**17.5**
Employee benefit expenses	**254.5**	266.9	-5	**986.7**
Depreciation, amortization and impairment charges	**23.0**	17.3	33	**70.7**
Other operating expenses	**133.6**	151.8	-12	**591.1**
Operating profit (EBIT)	**18.8**	4.9	284	**75.3**
Interest and other financial income	**3.8**	0.8	375	**5.8**
Interest and other financial expenses	**-5.6**	-2.3	143	**-13.7**
Net exchange losses/gains	**0.7**	-1.3	-	**2.9**
Profit before taxes	**17.7**	2.1	743	**70.3**
Income taxes	**-5.7**	-1.1	418	**-15.2**
Net profit for the period	**12.0**	1.0	1 100	**55.1**
Net profit for the period attributable to				
Shareholders of the Parent company	**11.9**	0.8	1 388	**54.8**
Minority interest	**0.1**	0.2	-50	**0.3**
	12.0	1.0	1 100	**55.1**

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

Basic	**0.17**	0.01	1 600	**0.77**
Diluted	**0.17**	0.01	1 600	**0.77**

Statement of comprehensive income, EUR million

Net profit for the period	**12.0**	1.0	1 100	**55.1**
Translation difference from the net investment in Swedish subsidiaries (net of tax)	**8.0**	8.8	-9	**8.2**
Translation differences	**3.7**	-6.4	-	**7.2**
Total comprehensive income	**23.7**	3.4	597	**70.5**
Total comprehensive income attributable to				
Shareholders of the Parent company	**23.6**	3.2	638	**70.2**
Minority interest	**0.1**	0.2	-50	**0.3**
	23.7	3.4	597	**70.5**

Balance sheet, EUR million

	2010 31 Mar	2009 31 Mar	Change %	2009 31 Dec
Goodwill	**411.5**	391.4	5	402.0
Other intangible assets	**45.0**	49.2	-9	42.8
Property, plant and equipment	**104.7**	103.2	1	100.1
Deferred tax assets	**60.3**	67.3	-10	66.9
Loan receivables	**5.0**	5.0	0	5.0
Other non-current assets	**0.8**	1.4	-43	0.8
Total non-current assets	***627.3***	*617.5*	*2*	*617.6*
Trade and other receivables	**450.5**	488.3	-8	444.1
Loan receivables	**3.2**	4.5	-29	3.9
Current income tax receivables	**7.7**	16.3	-53	6.4
Cash and cash equivalents	**98.4**	94.6	4	123.3
Total current assets	***559.8***	*603.7*	*-7*	*577.7*
Assets classified as held for sale	**4.4**	-	-	-
Total assets	**1 191.5**	1 221.2	-2	1 195.3
Share capital, share issue premiums and other reserves	**112.2**	108.9	3	110.6
Retained earnings	**394.5**	341.5	16	407.0
Parent shareholders' equity	***506.7***	*450.4*	*13*	*517.6*
Minority interest	**0.5**	1.7	-71	0.7
Total equity	***507.2***	*452.1*	*12*	*518.3*
Finance lease liability	**8.2**	13.2	-38	9.5
Loans	**150.0**	150.0	0	150.0
Deferred tax liabilities	**35.0**	22.6	55	33.6
Pension obligations	**20.4**	18.3	11	18.9
Other non-current liabilities	**2.6**	1.6	63	1.4
Total non-current liabilities	***216.2***	*205.7*	*5*	*213.4*
Trade and other payables	**420.2**	486.9	-14	370.1
Current income tax liabilities	**7.3**	19.2	-62	8.2
Provisions	**36.6**	37.2	-2	46.5
Loans	**0.3**	20.1	-99	38.8
Total current liabilities	***464.4***	*563.4*	*-18*	*463.6*
Liabilities classified as held for sale	**3.7**	-	-	-
Total equity and liabilities	**1 191.5**	1 221.2	-2	1 195.3

Trade and other payables at the end of March include EUR 35.7 (35.8) million in unpaid dividends.

Net working capital in the balance sheet, EUR million

	2010 31 Mar	2009 31 Mar	Change %	2009 31 Dec
Accounts receivable	**296.5**	336.4	-12	313.9
Other working capital receivables	**149.7**	151.3	-1	129.4
Working capital receivables included in assets	**446.2**	487.7	-9	443.3
Operative accruals	**154.3**	197.1	-22	149.1
Other working capital liabilities	**224.9**	250.5	-10	219.6
Pension obligations and provisions	**57.0**	55.5	3	65.4
Working capital liabilities included in current liabilities	**436.2**	503.1	-13	434.1
Net working capital in the balance sheet	**10.0**	-15.4	-165	9.2

Cash flow, EUR million

	2010 1-3	2009 1-3	2009 1-12
Cash flow from operations			
Net profit	**12.0**	1.0	55.1
Adjustments			
Depreciation, amortization and impairment charges	**23.0**	17.3	70.7
Share-based payments	**1.2**	1.0	3.8
Profit/loss on sale of fixed assets and shares	**-0.5**	0.0	-6.1
Other adjustments	**0.0**	0.1	0.2
Net financial expenses	**1.1**	2.8	5.0
Income taxes	**5.7**	1.1	15.2
Change in net working capital	**-9.9**	24.8	-3.9
Cash generated from operations	**32.6**	48.1	140.0
Net financial expenses paid	**1.9**	-3.0	0.8
Income taxes paid	**-6.6**	-6.4	-14.4
Net cash flow from operations	**27.9**	38.7	126.4
Cash flow from investing activities			
Acquisition of Group companies and business operations, net of cash acquired	**-0.4**	-2.4	-4.6
Capital expenditures	**-21.4**	-15.9	-58.0
Disposal of business operations	**5.1**	-	5.7
Sales of fixed assets	**0.3**	0.0	2.9
Change in loan receivables	**0.7**	0.1	0.8
Net cash used in investing activities from operations	**-15.7**	-18.2	-53.2
Cash flow from financing activities			
Dividends paid	**-0.3**	-	-36.3
Repurchase of own shares	**-**	-	-2.6
Payment of finance lease liabilities	**-1.3**	1.3	-5.1
Change in interest-bearing liabilities	**-38.4**	-46.6	-27.9
Net cash used in financing activities from operations	**-40.0**	-45.3	-71.9
Change in cash and cash equivalents	**-27.8**	-24.8	1.3
Cash and cash equivalents at beginning of period	**-123.3**	-120.2	-120.2
Foreign exchange differences	**-2.9**	0.8	-1.8
Cash and cash equivalents at end of period	**98.4**	94.6	123.3
	-27.8	-24.8	1.3

Statement of changes in shareholders' equity, EUR million

	Parent shareholders' equity						Minority interest	Total equity
	Share capital	Share issue premiums and other reserves	Own shares	Trans-lation diffe-rencies	Retained earnings	Total		
Balance at 31 Dec 2008	**75.8**	**33.2**	**-9.0**	**-76.1**	**458.1**	**482.0**	**1.6**	**483.6**
Comprehensive income								
Net profit for the period					0.8	0.8	0.1	0.9
Other comprehensive income								
Translation difference from the net investment in Swedish subsidiaries (net of tax)					8.8	8.8		8.8
Translation difference		-0.1		-4.5	-1.8	-6.4		-6.4
Total comprehensive income		**-0.1**		**-4.5**	**7.8**	**3.2**	**0.1**	**3.3**
Transactions with owners								
Share-based payments recognized against equity					1.0	1.0		1.0
Dividend					-35.8	-35.8		-35.8
Minority interest								0.0
Total transactions with owners		**0.0**	**0.0**		**-34.8**	**-34.8**	**0.0**	**-34.8**
At 31 March 2009	**75.8**	**33.1**	**-9.0**	**-80.6**	**431.1**	**450.4**	**1.7**	**452.1**
Balance at 31 Dec 2009	**75.8**	**34.8**	**-11.6**	**-44.8**	**463.4**	**517.6**	**0.7**	**518.3**
Comprehensive income								
Net profit for the period					11.9	11.9	0.1	12.0
Other comprehensive income								
Translation difference from the net investment in Swedish subsidiaries (net of tax)					8.0	8.0		8.0
Translation difference		1.5		27.5	-25.3	3.7		3.7
Total comprehensive income		**1.5**		**27.5**	**-5.4**	**23.6**	**0.1**	**23.7**
Transactions with owners								
Share-based payments recognized against equity					1.2	1.2		1.2

Dividend					-35.7	-35.7		-35.7
Minority interest							-0.3	-0.3
Total transactions with owners		**0.0**	**0.0**		**-34.5**	**-34.5**	**-0.3**	**-34.8**
At 31 March 2010	**75.8**	**36.3**	**-11.6**	**-17.3**	**423.5**	**506.7**	**0.5**	**507.2**

Net sales by country, EUR million

	2010 1-3	2009 1-3	Change %	2009 1-12
Finland	**222**	227	-2	888
Sweden	**119**	119	0	462
International	**135**	141	-4	553
Group elimination	**-52**	-48	9	-197
Group total	**423**	438	-3	1 706

Internal sales by country, EUR million

	2010 1-3	2009 1-3	Change %	2009 1-12
Finland	**17**	18	-4	73
Sweden	**6**	10	-39	27
International	**29**	21	42	96
Group total	**52**	48	9	197

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

Net sales according to customer location, EUR million

	2010 1-3	Change %	Share %	2009 1-3	Share %	2009 1-12
Finland	**199**	-4	47	207	47	806
Sweden	**112**	4	26	107	24	431
Other	**113**	-9	27	124	28	470
Group total	**423**	-3	100	438	100	1 706

Net sales by customer sector, EUR million

	2010 1-3	2009 1-3	Change %	2009 1-12
Telecom	**142**	153	-7	582
Finance	**88**	89	0	359
Industry sectors	**193**	197	-2	766
Group total	**423**	438	-3	1 706

Revenues of approximately EUR 56.5 million (EUR 57.4 million in 2009) are derived from a single external customer. These revenues are attributable to all reportable segments.

Operating profit (EBIT) by country, EUR million

	2010 1-3	2009 1-3	Change %	2009 1-12
Finland	**22.6**	22.7	-0.4	110.3
Sweden	**5.8**	-8.8	pos	-3.0
International	**-1.4**	-3.7	61.6	-6.7
Group operations	**-8.2**	-5.3	-53.2	-25.4
Operating profit (EBIT)	**18.8**	4.9	284.1	75.3

Operating margin (EBIT) by country, %

	2010 1-3	2009 1-3	Change	2009 1-12
Finland	**10.2**	10.0	0.2	12.4
Sweden	**4.9**	-7.4	12.3	-0.6
International	**-1.0**	-2.6	1.6	-1.2
Operating margin (EBIT)	**4.5**	1.1	3.3	4.4

Personnel by country

	End of period					Average	
	2010	Change	Share	2009	2009	**2010**	2009
	1-3	%	%	1-3	1-12	**1-3**	1-3
Finland	**5 773**	-4	34	6 036	5 757	**5 783**	6 034
Sweden	**2 988**	-8	18	3 257	3 103	**2 995**	3 284
Czech	**1 717**	15	10	1 494	1 656	**1 699**	1 541
Germany	**1 040**	-6	6	1 104	1 047	**1 037**	1 110
India	**1 112**	45	7	769	1 009	**1 078**	771
Latvia	**591**	-6	4	629	588	**590**	633
Poland	**720**	26	4	570	676	**708**	567
Norway	**532**	-16	3	634	561	**533**	634
China	**727**	107	4	352	590	**686**	345
Great Britain	**265**	-11	2	299	274	**270**	328
Italy	**270**	3	2	263	266	**269**	262
Denmark	**213**	-29	1	299	226	**219**	297
Lithuania	**180**	-5	1	189	177	**176**	189
Netherlands	**131**	-12	1	148	133	**131**	148
France	**132**	-6	1	140	134	**130**	142
Estonia	**120**	-3	1	123	118	**119**	120
Other	**370**	11	2	332	349	**379**	312
Group total	**16 880**	1	100	16 638	16 663	**16 799**	16 718

Total assets by country, EUR million

	2010	2009	Change	2009
	31 Mar	31 Mar	%	31 Dec
Finland	**454.2**	444.6	2	442.1
Sweden	**261.3**	265.9	-2	261.3
International	**320.3**	363.8	-12	310.8
Country elimination	**-18.0**	-15.4	17	-21.4
Countries total	**1 017.8**	1 059.0	-4	992.7
Group Operations	**173.7**	162.3	7	202.5
Total assets	**1 191.5**	1 221.2	-2	1 195.3

Non-current assets according to asset location, EUR million

	2010	2009	Change	2009
	31 Mar	31 Mar	%	31 Dec
Finland	**256.3**	241.9	6	252.0
Sweden	**148.3**	133.4	11	138.6
Other	**156.7**	168.5	-7	154.4
Total non-current assets	**561.3**	543.8	3	545.0

Capital expenditure by country, EUR million

	2010 1-3	2009 1-3	Change %	2009 1-12
Finland	**13.6**	12.8	6	41.2
Sweden	**5.1**	2.4	111	9.4
International	**1.1**	0.0	-	4.2
Group Operations	**1.8**	0.7	157	2.8
Group total	**21.6**	15.9	36	57.5

Depreciation by country, EUR million

	2010 1-3	2009 1-3	Change %	2009 1-12
Finland	**10.6**	10.4	1	41.7
Sweden	**2.0**	2.1	-1	8.3
International	**1.5**	1.7	-8	8.8
Group Operations	**0.4**	0.7	-44	2.6
Group total	**14.5**	14.9	-2	61.4

Amortization on allocated intangible assets from acquisitions, EUR million

	2010 1-3	2009 1-3	Change %	2009 1-12
Finland	**0.1**	0.1	-23	0.5
Sweden	**0.7**	0.8	-5	2.9
International	**1.0**	1.4	-32	5.9
Group Operations	**0.0**	0.0	0	0.0
Group total	**1.8**	2.3	-23	9.3

Impairment losses, EUR million

	2010 1-3	2009 1-3	Change %	2009 1-12
Finland	**0.0**	0.0	0	0.0
Sweden	**0.0**	0.0	0	0.0
International	**6.6**	0.0	-	0.0
Group Operations	**0.0**	0.0	0	0.0
Group total	**6.6**	0.0	-	0.0

Commitments and contingencies, EUR million

	31 Mar 2010	31 Dec 2009	Change %
For Tieto obligations			
Pledges	**0.0**	0.0	0
On behalf of joint ventures	**0.5**	0.0	0
Other Tieto obligations			
Rent commitments due in one year	**54.8**	52.1	5
Rent commitments due in 1-5 years	**86.0**	86.9	-1
Rent commitments due after 5 years	**19.6**	21.4	-9
Operating lease commitments due in one year	**11.1**	11.3	-2
Operating lease commitments due in 1-5 years	**8.0**	8.8	-9
Operating lease commitments due after 5 years	**0.0**	0.0	0
Other commitments 1)	**30.7**	28.2	9

1) In addition, commitments of EUR 9.2 million (EUR 7.6 million in Dec 2009) related to liabilities in the Group balance sheet
Operating lease commitments are principally three-year lease agreements that do not include buyout clauses.

Derivatives, EUR million

Notional amounts of derivatives, EUR million	**31 Mar 2010**	31 Dec 2009
Foreign exchange forward contracts	**208.5**	196.5
Interest rate swap	**250.0**	250.0

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.

Fair values of derivatives

The net fair values of derivative financial instruments at the balance sheet date were:	**31 Mar 2010**	31 Dec 2009
Foreign exchange forward contracts	**0.6**	-0.6
Interest rate swaps	**-0.9**	-1.4

Derivatives are used for economic hedging purposes only.

QUARTERLY FIGURES

Key figures

	2010 1-3	2009 10-12	2009 7-9	2009 4-6	2009 1-3
Earnings per share, EUR					
- basic	**0.17**	0.36	0.25	0.14	0.01
- diluted	**0.17**	0.36	0.25	0.14	0.01
Equity per share, EUR	**7.10**	7.25	6.82	6.46	6.31
Return on equity rolling 12 month, %	**13.6**	11.0	6.3	7.8	10.2
Return on capital employed rolling 12 month, %	**19.6**	16.8	18.6	18.5	25.3
Equity ratio %	**45.8**	46.0	43.2	40.7	40.0
Net interest-bearing liabilities, EUR million	**51.9**	66.0	118.9	139.2	79.2
Gearing, %	**10.2**	12.7	24.4	30.1	17.5
Investments, EUR million	**23.3**	15.7	12.7	14.4	16.1

Income statement, EUR million

	2010 1-3	2009 10-12	2009 7-9	2009 4-6	2009 1-3
Net sales	**422.9**	440.6	382.9	444.8	438.0
Other operating income	**7.0**	4.7	2.8	7.1	2.9
Employee benefit expenses	**254.5**	243.3	210.7	265.8	266.9
Depreciation, amortization and impairment charges	**23.0**	17.5	16.9	19.0	17.3
Other operating expenses	**133.6**	150.8	131.8	156.7	151.8
Operating profit (EBIT)	**18.8**	33.7	26.3	10.4	4.9
Financial income and expenses	**-1.1**	-1.5	0.9	-1.6	-2.8
Profit before taxes	**17.7**	32.2	27.2	8.8	2.1
Income taxes	**-5.7**	-6.5	-8.8	1.2	-1.1
Net profit for the period	**12.0**	25.7	18.4	10.0	1.0

Balance sheet, EUR million

	2010 31 Mar	2009 31 Dec	2009 30 Sep	2009 30 Jun	2009 31 Mar
Goodwill	**411.5**	402.0	398.2	392.7	391.4
Other intangible assets	**45.0**	42.8	44.1	46.1	49.2
Property, plant and equipment	**104.7**	100.1	99.0	100.8	103.2
Other non-current assets	**66.1**	72.7	68.7	75.3	68.7
Total non-current assets	***627.3***	*617.6*	*610.0*	*614.9*	*612.5*
Trade receivables and other current assets	**461.4**	454.4	495.0	495.5	514.1
Cash and cash equivalents	**98.4**	123.3	105.6	101.7	94.6
Total current assets	***559.8***	*577.7*	*600.6*	*597.2*	*608.7*
Assets classified as held for sale	**4.4**	-	-	-	-
Total assets	**1 191.5**	1 195.3	1 210.6	1 212.1	1 221.2
Total equity	***507.2***	*518.3*	*487.8*	*462.0*	*452.1*
Non-current loans	**158.2**	159.5	160.6	161.9	163.2
Other non-current liabilities	**58.0**	53.9	48.9	46.9	42.5
Total non-current liabilities	***216.2***	*213.4*	*209.5*	*208.8*	*205.7*
Trade payables and other current liabilities	**427.5**	378.3	390.0	396.3	506.1
Provisions	**36.6**	46.5	49.3	54.5	37.2
Current loans	**0.3**	38.8	74.0	90.5	20.1
Total current liabilities	***464.4***	*463.6*	*513.3*	*541.3*	*563.4*
Liabilities classified as held for sale	***3.7***	-	-	-	-
Total equity and liabilities	**1 191.5**	1 195.3	1 210.6	1 212.1	1 221.2

Cash flow, EUR million

	2009 1-3	2009 10-12	2009 7-9	2009 4-6	2009 1-3
Cash flow from operations					
Net profit	**12.0**	25.7	18.4	10.0	1.0
Adjustments	**30.5**	25.4	25.9	15.2	22.3
Change in net working capital	**-9.9**	24.0	-26.4	-26.3	24.8
Cash generated from operations	**32.6**	75.1	17.9	-1.1	48.1
Net financial expenses paid	**1.9**	0.1	5.0	-1.3	-3.0
Income taxes paid	**-6.6**	-3.5	5.7	-10.2	-6.4
Net cash flow from operations	**27.9**	71.7	28.6	-12.6	38.7
Net cash used in investing activities from operations	**-15.7**	-17.9	-8.3	-8.8	-18.2
Net cash used in financing activities from operations	**-40.0**	-36.4	-17.8	27.6	-45.3
Change in cash and cash equivalents	**-27.8**	17.4	2.5	6.2	-24.8
Cash and cash equivalents at beginning of period	**-123.3**	-105.6	-101.7	-94.6	-120.2
Foreign exchange differences	**-2.9**	-0.3	-1.4	-0.9	0.8
Cash and cash equivalents at end of period	**98.4**	123.3	105.6	101.7	94.6
	-27.8	17.4	2.5	6.2	-24.8

Tieto has made minor adjustments in the quarterly segment figures for 2009 in the tables below. For comparison with the figures announced earlier, visit Tieto's website www.tieto.com/Investors/Financials

Net sales by country, EUR million

	2010 1-3	2009 10-12	2009 7-9	2009 4-6	2009 1-3
Finland	**222**	233	199	230	227
Sweden	**119**	125	103	116	119
International	**135**	139	130	143	141
Group elimination	**-52**	-56	-48	-45	-48
Group total	**423**	441	383	445	438

Net sales by customer sector, EUR million

	2010 1-3	2009 10-12	2009 7-9	2009 4-6	2009 1-3
Telecom	**142**	149	132	149	153
Finance	**88**	89	87	94	89
Industry sectors	**193**	203	165	201	197
Group total	**423**	441	383	445	438

Operating profit (EBIT) by country, EUR million

	2010 1-3	2009 10-12	2009 7-9	2009 4-6	2009 1-3
Finland	**22.6**	33.9	28.1	25.6	22.7
Sweden	**5.8**	7.9	4.1	- 6.2	- 8.8
International	**- 1.4**	2.4	0.9	- 6.2	- 3.7
Group operations	**- 8.2**	- 10.5	- 6.8	- 2.8	- 5.3
Operating profit (EBIT)	**18.8**	33.7	26.3	10.4	4.9

Operating margin (EBIT) by country, %

	2010 1-3	2009 10-12	2009 7-9	2009 4-6	2009 1-3
Finland	**10.2**	14.6	14.1	11.1	10.0
Sweden	**4.9**	6.3	4.0	-5.3	-7.4
International	**-1.0**	1.7	0.7	-4.3	-2.6
Operating margin (EBIT)	**4.5**	7.7	6.9	2.3	1.1

Major shareholders 31 March 2010

		Shares	%
1	Swedbank Robur fonder	3 689 284	5.1
2	Ilmarinen Mutual Pension Insurance Co.	2 972 367	4.1
3	OP-Pohjola Group	2 587 963	3.6
4	Svenska Litteratursällskapet i Finland	1 567 000	2.2
5	Tapiola Pension	1 530 000	2.1
6	Varma Mutual Pension Insurance Co.	1 249 749	1.7
7	The State Pension Fund	1 190 634	1.7
8	Didner & Gerge Aktiefond	971 296	1,3
9	Skandinaviska Enskilda Banken AB	870 000	1.2
10	SEB Investment Management	742 473	1.0
		17 370 766	24.1
	Nominee registered	43 705 921	60.7
	Others	10 946 486	15.2
	Total	**72 023 173**	**100.0**

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

Based on the latest information (15 March 2010), Cevian Capital´s holding was 4 969 385 shares, which represent 6.8% of the shares and voting rights.

On 23 March 2010, Goldman Sachs announced that its holding was 3 640 745 shares, which represents 5.0% of the shares and voting rights.

On 8 April 2010, Solidium announced that its holding was 3 616 863 shares, which represents 5.0% of the shares and voting rights.

On 8 April 2010, Goldman Sachs announced that its group holding has fallen below 5.0% threshold.

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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 9.30 am EET (8.30 am CET, 7.30 am UK time). The results will be presented in English by Hannu Syrjälä, President and CEO. Notification of attendance to sirpa.salo@tieto.com, tel. +358 2072 68714.

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

Conference call hosted by the management starting at 2.30 pm EET (1.30 pm CET, 12.30 am UK time), will also be available as a live audio webcast at www.tieto.com. Callers may access the conference directly at the following telephone numbers: US callers **+1 212 444 0413**, non-US callers **+44 20 7806 1955**, no code. Lines are to be reserved ten minutes before the start of the conference call.

An on-demand audiocast of the conference will also be published on Tieto's website later during the day. A replay will be available until 2 May 2010 at the following numbers: US callers: **+1 347 366 9565**, non-US callers: **+44 20 7111 1244**, callers in Finland: +358 (0)9 2310 1650, access code: **7578843#**.

Tieto publishes financial information in English, Finnish and Swedish. All releases are posted in full on Tieto's website as soon as they are published.

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