Financial Review
2012

Table of Contents

CEO's review

Year 2012 is best characterized as a year of beginning a new chapter of Tieto. This re-shaping of the company is taking place as we now start our 45th year in serving our customers with a broad array of IT services.

While we experience macroeconomic uncertainty on a global scale, the IT sector continues a vibrant path both in terms of innovation and solid financial performance. At Tieto, we are committed to develop enterprises and society through IT. I feel privileged and eager to be in the forefront providing customers with new technologies and applying new business models, as IT can bring concrete benefits and increase competitiveness for those who have realized IT's true potential. It is also the dynamisms of our industry that make the IT professionals lives very exciting: new technologies such as cloud computing, big data, enterprise social media and the continuing evolution of "taking everything mobile" have opened up for new experiences and learning opportunities both for our employees and customers.

I'm gratified by the close collaboration between our customers and Tieto professionals in running high-quality day-to-day IT services and complex transformation projects for the benefit of the enterprises as well as the society at large. In our continuous learning journey it is valuable to extend our networks with customers, strategic global partners and our employees. Our customers have also participated in our strategic journey during the past year, which has already impacted our future course of action.

Clear choices and focused implementation

The starting point for the year 2012 was a challenging one – with urgency to significantly re-shape Tieto, as we needed to clarify our identity and focus, simplify our structures and decision making, improve quality and begin a major transformation in financial performance. Therefore, we in the Tieto Leadership Team also approached the year with a high sense of urgency and passion to bring long-term success for our customers, employees and shareholders. We were also pleased to experience an increased level of employee and customer satisfaction.

The year 2012 ended up being a good year for the company. It was a year of clear choices, open collaboration, good implementation, and rapid impact on financial performance. At the end of the first quarter we revised our strategy for 2012–2016. The revised strategy is built on further adding industry expertise, expanding full life-cycle IT services and having a clear geographical focus in selected markets.

In line with our strategy, we will focus on the Nordic markets and want to be the preferred IT transformation partner for private and public sector customers, while Product Engineering Services will pursue global opportunities. We continue to further strengthen our global delivery capability by developing the delivery centre operations in Eastern Europe and Asia.

A year of restructuring

Clear financial objectives and related implementation steps are an integral part of our strategy. Our target is to reach a profitability (EBIT) level of 10% during the strategy period, which will bring Tieto to a well-respected level in this globally competitive industry. In order to achieve these targets we launched a competitive cost structure programme in early 2012. As part of this initiative we also had to make the tough decision to reduce company workforce by close to 1 400. The aim of the programme is to reduce the overhead costs of the company, improve price competitiveness, divest businesses with limited synergies and to invest in higher value operations in consulting and system integration.

In order to execute our focused strategy, we also needed to pursue several divestments of non-synergistic businesses, including local operations in the UK, Denmark, Spain, Italy, the Netherlands and Germany. Also a smaller delivery centre for R&D services in Bangalore was closed, and the operations thus centralized to Pune also in India, and a sub-scale delivery centre in Belarus divested.

Financially the year was well according to our expectations, with the underlying profitability for the full year (EBIT excluding one-off items) improving to EUR 137 million, corresponding to a 17% improvement from 2011. Our operating profit including one-off items was naturally impacted by exceptional re-structuring charges and divestment costs of EUR 76 million, resulting in an operating profit of EUR 61 million for the year. Based on Tieto's strong cash flow and balance sheet, the Board proposed to increase the dividend by 10% to EUR 0.83.

Co-creating a common future

Despite continued price pressure and macroeconomic uncertainties, the year 2013 has started with a positive view of our business opportunities and our operational capabilities to take the company forward. We are inspired by the feedback from both our customers and employees confirming that the roadmap we have chosen for Tieto is the right one. In 2013 our key priorities are to enhance transformation driven customer value, provide high quality project based operations and truly becoming the employer of choice.

Our passion is to support our customers to excel in their businesses by applying the best possible technologies and IT services. This is a highly inspiring journey and I would like to thank our customers, partners, employees and shareholders in making this journey both possible and a long term success!

Kimmo Alkio
President and CEO
Tieto Corporation

Corporate Governance Statement

Tieto is committed to good corporate governance. In addition to the relevant legislation and rules of the Helsinki and Stockholm stock exchanges, Tieto fully complies with the Finnish Corporate Governance Code issued by the Securities Market Association of Finland in 2010.

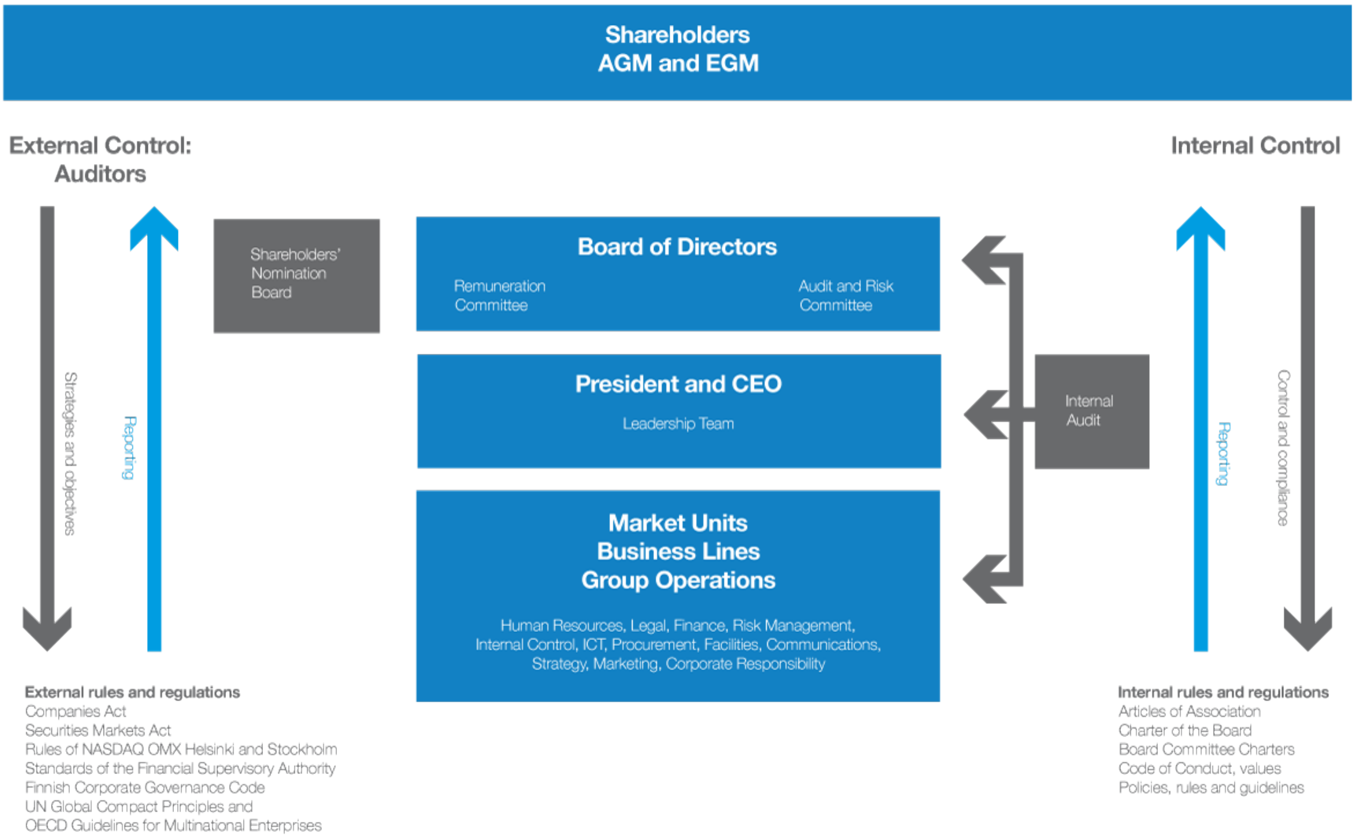
This Corporate Governance Statement has been prepared in accordance with the Finnish Corporate Governance Code. The code is available at www.cgfinland.fi. This statement has been issued separately from the report by the Board of Directors and included in the Financial Review 2012.

Tieto's Audit and Risk Committee has reviewed this statement and independent external auditor, PricewaterhouseCoopers Oy, has checked that the statement has been duly issued and that the description of the main features of the internal control and risk management systems related to the financial reporting process is consistent with the financial statements of the company.

This document and previous statements have been published on company's website (www.tieto.com/Investors). Updated and additional information is also available on the website. The Governance section of the website provides further information on matters such as the Annual General Meeting (AGM), Articles of Association, Board of Directors, Leadership Team and auditors, as well as remuneration.

The below chart describes Tieto's organization during the financial year 2012. The new organization as of 1 January 2013 is described at our website.

Governance at Tieto



The Annual General Meeting

Tieto's supreme decision-making body is the AGM. Every shareholder has a right to participate in the AGM and each share in Tieto entitles its holder to one vote. However, no shareholder is allowed to vote at a General Meeting with more than one fifth (1/5) of the votes represented at the meeting.

The AGM elects the members of the Board of Directors and appoints auditors, decides on their compensation and discharges the members of the Board and President and CEO from liability. The AGM's approval is required for option programmes as well as Board authorizations for matters like share repurchases and share issues. The meeting also makes the decision on the Board's annual dividend proposal.

The following persons are present at Tieto's AGM

- Board of Directors: Chairman, proposed new members and usually the majority of other Board members
- Leadership Team: President and CEO, CFO
- Auditors

For more information regarding the AGM 2013 and previous meetings, shareholders and participation possibilities please visit the company's website.

Tieto's AGM 2012

- In 2012, the AGM convened on 22 March at Finlandia Hall in Helsinki, Finland. Altogether 568 shareholders and 44 286 921 shares (61.5% of the total outstanding shares) were represented at the meeting.
- No Extraordinary General Meetings were held in 2012.

Shareholders’ Nomination Board (SNB)

Tieto’s AGM decided in 2010 to establish a Shareholders’ Nomination Board, which is a body of shareholders responsible for preparing the proposals to the AGM for the election and remuneration of the members of Board of Directors.

The SNB consists of five members. Four members represent the four shareholders who on 31 August represent the largest number of votes conferred by all shares in the company and who wish to participate in the nomination process. The fifth member is the Chairman of the Board of Directors of Tieto Corporation.

The term of the office of the SNB members expires when a new SNB has been appointed. The SNB itself is an organ that has been established for the time being.

The SNB preparing the proposals to the AGM 2013 consists of the following representatives announced by Tieto’s four largest shareholders:

Nominated by Cevian Capital Partners Ltd.:
Lars Förberg
Main occupation: Managing Partner, Cevian Capital AG
Year of birth: 1965
Nationality: Swedish
Education: MSc. (Econ.)

Nominated by Solidium Oy:
Kari Järvinen
Main occupation: Managing Director, Solidium Oy
Year of birth: 1962
Nationality: Finnish
Education: MSc. (Eng.), MBA

Nominated by Ilmarinen Mutual Pension Insurance Company:
Timo Ritakallio
Main occupation: Deputy CEO, Chief Investment Officer, Ilmarinen Mutual Pension Insurance Company
Year of birth: 1962
Nationality: Finnish
Education: LL.M., MBA

Nominated by Varma Mutual Pension Insurance Company:
Pekka Pajamo
Main occupation: CFO, Varma Mutual Pension Insurance Company
Year of birth: 1962
Nationality: Finnish
Education: MSc. (Econ.)

Representing the Board of Directors of Tieto Corporation:
Markku Pohjola

The committee decided that Lars Förberg shall act as Chairman. The SNB convened 3 times and provided Tieto’s Board of Directors with its proposals for the AGM 2013 on 27 January 2013. The SNB proposes that the Board of Directors shall have eight members and that all current Board members Kurt Jofs, Eva Lindqvist, Sari Pajari, Risto Perttunen, Markku Pohjola, Teuvo Salminen, Ilkka Sihvo and Jonas Synnergren be re-elected. All the proposed candidates have given their consent to being elected.

The SNB proposes that the remuneration of the Board of Directors will consist of annual fees and remain unchanged: EUR 31 500 to the ordinary members of the Board of Directors, EUR 48 000 to the Deputy Chairman and EUR 72 000 to the Chairman. The same fee as to the Board Deputy Chairman will be paid to the Chairman of Board Committee unless the same individual is also the Chairman or Deputy Chairman of the Board. In addition to these fees it is proposed that the members of the Board of the Directors be paid a remuneration of EUR 800 for each Board meeting and for each permanent or temporary committee meeting. It is the company’s practice not to pay fees to Board members who are also employees of the Tieto Group.

Further, the SNB proposes that 40% of the fixed annual remuneration be paid in Tieto Corporation's shares purchased from the market. The shares will be purchased within two weeks from the release of the interim report 1 January–31 March, 2013. According to the proposal, the Annual General Meeting will resolve to acquire the shares directly on behalf of the members of the Board which is an approved manner to acquire the company's shares in accordance with the applicable insider rules. The SNB is of the opinion that increasing long-term shareholding of the Board members will benefit all the shareholders.

The biographical details of the candidates, their independence and information on their holdings in Tieto are available on the company's website.

The Board of Directors

It is the general obligation of Tieto's Board of Directors to safeguard the interests of the company and its shareholders.

Composition and election of Tieto's Board of Directors

According to Tieto's Articles of Association, the Board of Directors shall consist of at least six but no more than twelve members. Board members have a term of office of one year. Tieto's Board members shall be professionally competent and as a group have sufficient knowledge of and competence in, inter alia, the company's field of business and markets.

The SNB, which consists of representatives nominated by the company's largest shareholders, prepares a proposal on the composition of the Board to be presented to the AGM for its decision.

In addition to the members proposed by the SNB and elected by the AGM, Tieto's personnel elects two members and two deputy members to the Board of Directors. The personnel representation has been agreed in a Personnel Representation Cooperation Agreement between Tieto Corporation and the personnel of the Group.

The objectives of personnel representation are, inter alia, to provide opportunities for the personnel to influence and affect the organization, to improve communication and decision-making within the Group, to increase mutual trust and confidence between corporate management and the personnel as well as to increase and develop the feeling of security among the personnel. The personnel representatives, however, are not entitled to participate in the handling of matters that concern the appointment or dismissal of corporate management, the contractual terms of the management, the terms of employment of staff or matters related to industrial actions.

The term of office for the personnel representatives is two years. Anders Eriksson (deputy Ingela Öhlund) and Jari Länsivuori (deputy Esa Koskinen) were appointed to the Board until the Annual General Meeting 2014.

Board of Directors as at 31 December 2012

Name	Born	Nationality	Education	Main occupation
Markku Pohjola (Chairman)	1948	Finnish	BSc. (Econ.)	Professional Board member
Kurt Jofs (Deputy Chairman)	1958	Swedish	MSc. (Eng.)	Entrepreneur, investor and Board member
Eva Lindqvist	1958	Swedish	MSc. (Eng.), MBA	Professional Board member
Sari Pajari	1968	Finnish	MSc. (Eng.)	SVP, Supply Chain and Business Development, Metsä Board Oyj
Risto Perttunen	1954	Finnish	MSc. (Eng.), BSc. (Econ.), MBA	Entrepreneur, investor and Board member
Teuvo Salminen	1954	Finnish	MSc. (Econ.), Authorized Public Accountant	Professional Board member
Ilkka Sihvo	1962	Finnish	MSc. (Eng.), MSc. (Econ.)	Professional Board member
Jonas Synnergren	1977	Swedish	MSc. (Econ.)	Partner, Cevian Capital AB
Anders Eriksson (Personnel representative)	1963	Swedish	MSc. (Computer Engineering and Computer Science)	Quality Partner
Jari Länsivuori (Personnel representative)	1949	Finnish	Fire safety supervisor	Facility security specialist

Independency and attendance at Board and its Committees' meetings in 2012

	Member since	Independent	Board	Audit & Risk Committee	Remuneration Committee
Markku Pohjola	2009	Yes	12/12	-	7/7
Kurt Jofs[1)]	2010	Yes	11/12	2/2	4/5
Eva Lindqvist	2010	Yes	11/12	8/8	-
Sari Pajari	2012	Yes	8/8	-	5/5
Risto Perttunen[2)]	2008	Yes	12/12	1/2	5/5
Teuvo Salminen[3)]	2010	Yes	12/12	8/8	2/2
Ilkka Sihvo	2012	Yes	8/8	5/6	-
Jonas Synnergren	2012	Yes	8/8	6/6	-
Anders Eriksson	2006	-	12/12[4)]	-	-
Jari Länsivuori	2006	-	12/12[5)]	-	-
Christer Gardell[6)]			4/4	-	1/2
Olli Riikkala[7)]			4/4		2/2

1) Member of the Audit and Risk Committee until 8 February 2012 and member of the Remuneration Committee as of 15 May 2012
2) Member of the Audit and Risk Committee until 8 February 2012 and member of the Remuneration Committee as of 15 May 2012
3) Member of the Remuneration Committee until 22 March 2012
4) Substituted by his deputy member Ingela Öhlund in one meeting
5) Substituted by his deputy member Esa Koskinen in two meetings
6) Board member until AGM on 22 March 2012
7) Board member until AGM on 22 March 2012

All Board members of Tieto are independent both of the company and its significant shareholders. The independence of the members is evaluated at the Board's constitutive meeting. The Board members shall inform the Board if any changes in these circumstances occur, in which case their independence will be re-evaluated.

More detailed background information regarding the Board members, such as working experience, past and present positions of trust and the Remuneration Statement, is presented on the company's website.

Tasks of Tieto's Board

The main duties and working principles of the Board have been defined in written Working Orders. Additionally, the work of the Board is based on an annual action plan.

More specifically, the Board:

- approves the company's values, strategy and organizational structure
- defines the company's dividend policy
- approves the company's annual plan and budget and supervises their implementation
- monitors management succession issues, appoints and discharges the President and CEO
- decides on the President and CEO's compensation, sets annual targets and evaluates their accomplishment
- decides on the compensation of the President and CEO's immediate subordinates
- addresses the major risks and their management at least once a year
- reviews and approves interim reports, annual reports and financial statements
- reviews and approves the company's key policies
- meets the company's auditors at least once a year without the company's management
- appoints the members and Chairmen of the Board's committees and defines their charters
- reviews assessments of its committees as well as the President and CEO
- evaluates its own activities.

Work of Tieto's Board

The Board has scheduled meetings every one to two months. Besides the Board members, the meetings are attended by the President and CEO, the Chief Financial Officer (CFO) and the General Counsel, who acts as secretary of the meetings. In addition to the scheduled meetings, the Chairman shall convene the Board whenever needed as well as at the request of any of its members or the President and CEO.

Matters to be handled are prepared by the Board committees and the President and CEO. The Board receives information on the company's financial performance monthly and more detailed financial reports quarterly. Any material related to issues to be handled by the Board is provided five days prior to the meeting. Other case-specific materials are delivered at the management's initiative or the Board's request. Board members shall be informed about all significant company events immediately.

Work of Tieto's Board in 2012

- The Board convened 12 times in 2012 and the average attendance rate was 98%.
- The Board met a few times during the year without the management present.
- The Board held one joint meeting with the auditors.
- The Board met the auditors once without the presence of the management.
- In addition to the regular items, the main issues considered by the Board were the revised strategy and changes in organization and operating model.

Assessment of the Board

The performance of Tieto's Board is assessed annually; the latest assessment was carried out as a self-assessment in late 2012. In the assessments, the Board's knowledge of the company's operations and management and understanding of the field of business is reviewed. Additionally, the effectiveness of the Board work is evaluated. The SNB is informed of the results, which are also taken into consideration when the Board draws up its next annual plan.

Board committees

Tieto's Board is assisted by two permanent committees that prepare matters for which the Board is responsible. The Board defines the charters of the committees and decides on their composition.

The entire Board remains responsible for the duties assigned to the committees. The Audit and Risk Committee, however, independently prepares a proposal on the nomination of the company's auditors for the AGM on behalf of the whole Board and assesses their compensation as well as arranges the tender process.

Remuneration Committee (RC)

The RC comprises at least three non-executive directors elected by the Board. The majority of the members shall be independent of the company. The head of Tieto's Human Resources (HR) acts as secretary of the meetings.

In 2012, all committee members were non-executive directors and independent of the company. Based on the Board's decision, the RC consisted of:

- Markku Pohjola (Chairman)
- Kurt Jofs
- Sari Pajari
- Risto Perttunen.

The committee meets regularly and at least twice a year. The Chairman of the committee reports to the Board when applicable. The main tasks of the committee are to:

- monitor the targets of the compensation schemes, implementation of the compensation schemes, performance assessment and compensation determination
- ensure that the targets set for earning the bonuses defined in the compensation scheme are met
- prepare a proposal for the Chairman and Deputy Chairman of the Board
- prepare a proposal on the committee members and Chairmen, and the duties and responsibilities of these committees
- monitor corporate governance
- prepare a compensation proposal concerning the President and CEO and his immediate subordinates, and the principles of personnel compensation
- prepare for the Board option schemes and other share-based incentive schemes
- evaluate the performance of the President and CEO
- prepare the assessment of the Leadership Team
- prepare a proposal on the Board's Working Orders.

Work of Tieto's RC in 2012

- The committee convened seven times in 2012 and the average attendance rate was 93%.
- The main issues considered by the RC were approving the short-term incentive (STI) results for 2011, reviewing the remuneration for the Leadership Team, approving the STI framework design for 2013 and approving the Long-Term Incentive Programme (LTI) 2012–2014 nominations.

Audit and Risk Committee (ARC)

The ARC comprises at least three non-executive directors who are independent of the company and out of whom at least one member shall be independent of the significant shareholders. The Chairman and the members are elected by the Board. At least one committee member must have expertise in accounting, bookkeeping or auditing. One of Tieto's Legal Counsels acts as secretary of the meetings.

In 2012, all committee members were non-executive directors who were independent of the company and significant shareholders. All members have extensive experience in corporate management and financial issues and therefore have the required expertise. Based on the Board's decision, the ARC consisted of

- Teuvo Salminen (Chairman)
- Eva Lindqvist
- Ilkka Sihvo
- Jonas Synnergren.

The committee convenes regularly at least four times a year and meets the company's auditors, also without the company's management present. The Chairman of the committee reports to the Board when applicable. The main tasks of the committee are to:

- review and supervise internal control – particularly the financial reporting process – and risk management issues
- discuss and review the interim and annual reports and the financial statements
- assess compliance with legislation, official regulations and the company's code of conduct
- evaluate the sufficiency of internal control and the internal audit
- examine, assess and approve the internal audit plan
- assess the appropriate coverage of risk management and monitor the efficiency of risk management
- review significant risks and unusual business events
- prepare a proposal for the AGM on the nomination of external auditors and their compensation
- evaluate the external auditors' independence, assess the audit plan and examine the audit reports
- monitor the statutory audit and consult with the auditors regarding matters that should be brought to the Board's attention.

Work of Tieto's ARC in 2012

- The committee convened eight times in 2012 and the attendance rate was 94%.
- In addition to its regular agenda items, the committee worked on the changes for the financial model in the new organization.

The President and CEO and operative management

During 2012, Tieto Group's operative management consisted of the President and CEO, the Leadership Team, the Extended Leadership Team and the Market Unit, Business Line and Product Engineering Solutions (PES) organizations. The President and CEO is appointed by the Board and responsible for the Group's operative management, internal efficiency and quality.

In the organization of 2012, the President and CEO was assisted by the Leadership Team, which included the heads of Market Units, the head of Strategy, the head of Operations, the CFO and the head of HR. Appointments of Leadership Team members are approved by the Chairman of the Board based on the President and CEO's proposal. The Leadership Team members were accountable for the performance and development of their management areas and they supervised the operations of the units belonging to their areas.

Tieto's new operative management as of 1 January 2013 can be found at the company's website.

Members of the Leadership Team as at 31 December 2012

Kimmo Alkio
President and CEO
Born 1963
Nationality Finnish
BBA and Executive MBA
Joined the company in 2011

Eva Gidlöf
Executive Vice President, Scandinavia
Born 1957
Nationality Swedish
MSc. (Econ.)
Joined the company in 2008

Kolbjørn Haarr[8)]
Executive Vice President, Central, Eastern Europe and Russia
Born 1960
Nationality Norwegian
Engineer in Electronics with biomedical specialization
Joined the company in 2009

Lasse Heinonen
Chief Financial Officer (CFO), Executive Vice President
Born 1968
Nationality Finnish
Education MSc. (Econ.)
Joined the company in 2011

Ari Järvelä
Executive Vice President, Finland and the Baltic countries
Born 1969
Nationality Finnish
MSc. (Eng.)
Joined the company in 2001

Ari Karppinen
Executive Vice President, Operations and Managed Services and Transformation Business Line
Born 1957
Nationality Finnish
MSc. (Eng.)
Joined the company in 1987

Katariina Kravi[9)]
Executive Vice President, Human Resources
Born 1967
Nationality Finnish
LL.M.
Joined the company in 2012

Henrik Sund[10)]
Executive Vice President, Consulting and System Integration
Born 1961
Nationality Swedish
MSc.
Joined the company in 2012

Ari Vanhanen[11)]
Executive Vice President (acting), Global Accounts and Customer and Market Operations (CMO)
Born 1961
Nationality Finnish
MSc. (Eng.)
Joined the company in 1994

Antti Vasara[12)]
Executive Vice President, Product Engineering Services
Born 1965
Nationality Finnish
Doctor of Technology
Joined the company in 2012

8) Leadership Team member as from 27 June 2012

9) Leadership Team member as from 1 April 2012

10) Leadership Team member as from 23 April 2012

11) Employed by the company until 15 January 2013

12) Leadership Team member as from 1 November 2012

The remuneration of the Leadership Team is presented in the Remuneration Statement. More detailed background information, such as full CVs of the Leadership Team, is presented on the company's website.

Wim Huisman[13)]
Executive Vice President, Central Europe & Russia
Born 1957
Nationality Dutch
BSc. (Health)
Joined the company in 2010

Kavilesh Gupta[14)]
Executive Vice President, Strategy and Corporate Planning
Born 1968
Nationality Indian
BSc. (Physics)
Joined the company in 2008

Until the end of 2012, the company has also had an Extended Leadership Team. The purpose of this team was to strengthen operational focus and to provide Tieto's top management with a forum for planning the company's operations, aligning business targets and sharing information. This team comprised the Leadership Team members and six other key persons. The heads of Business Lines among others were members of this team.

13) Leadership Team member until 26 June 2012

14) Leadership Team member until 4 December 2012

Internal control, risk management and internal audit

Internal control and risk management framework

Tieto's internal control framework supports the execution of the strategy and ensures regulatory compliance. The foundation for internal control is set by internal financial control, internal audit, risk management, and governance policies as well as Tieto's values and Code of Conduct.

The aim of Tieto's internal control framework is to assure that operations are effective and efficiently aligned with the strategic goals and to ensure reliable, complete and timely financial reporting and management information as well as compliance with applicable legislation and regulations. The framework endorses ethical values, good corporate governance and risk management practices.

Tieto's risk management follows an annual cycle in sync with the reporting responsibilities to ARC:

CRO: Chief Risk Officer
CAE: Chief Audit Executive
IA: Internal Audit

Tieto uses risk management as a means of preventing unexpected incidents that may have severe impact on our business and achievement of the strategic goals. It also contributes to developing business operations and their profitability and ensuring the continuity of successful business operations. The role of risk management is to maintain the company's risk management framework and report risk exposures consisting of strategic, financial, compliance and operational risks.

The CFO and CRO have the joint responsibility to arrange and lead Tieto's risk management. The ARC monitors the efficiency of the company's internal control, and risk management. The internal audit assures that the control framework is functional and effectively implemented.

Internal control and risk management pertaining to financial reporting

The purpose of internal control over financial reporting is to ensure the correctness of financial reporting, including interim and annual reports, and the compliance of financial reporting with regulatory requirements. Tieto's ARC has the oversight role in Tieto's external financial reporting.

Financial reporting process and responsibilities

Tieto has a common accounting and reporting platform, Tieto ERP. Group consolidation and reporting are based on the reporting system, which facilitates common control requirements for all cost centres and legal entities reporting to the Group. Financial reporting consists of monthly performance reports, including all the key performance indicators, rolling forecasts and interim financial reports.

Tieto has documented the key financial process flows, such as order to cash, purchase to pay, record to report, master data management and accounting system access and role management. Processes are headed by a process owner.

Tieto has organized its finance functions under Global Services, Country Units and Group Reporting. The Global Services function is in charge of centralized shared finance operations and the development of common finance processes and tools. It also has the ownership of finance policies and rules as well as the responsibility for process performance and operational compliance.

Finance Country Units are responsible for implementing global practices, processes, tools, policies and rules in local operations. They are also responsible for executing local requirements set by the authorities.

Tieto's Group Reporting function leads and coordinates financial reporting and ensures that accounting procedures conform to generally accepted accounting principles. It serves as the key legislative liaison for the Group's financial issues and executes operative follow-up of the adequacy and effectiveness of control activities.

Information and releases concerning the internal financial guidelines and schedules are available on Tieto's intranet to all employees concerned. All the financial processes described are available in the company's Way to Excellence (W2E) business system.

Monitoring activities of financial reporting

Financial reports are regularly reviewed by the Leadership Team and the Board of Directors. The follow-up is based on a thorough comparison of the actual figures with the set objectives, forecasts and previous periods. If the figures deviate, the Leadership Team members are responsible for initiating corrective actions.

The ARC can assign individual audit engagements to the company's internal audit function related to the internal control and risk management systems of the financial reporting process. The committee also reviews interim and annual reports. Tieto's Board of Directors approves the financial reports.

Internal audit

Tieto's internal audit function carries out both business and internal control audit activities. Business audits aim to ensure the efficiency and appropriateness of Tieto's business operations. Internal control audit activities are intended to assess and assure the adequacy and effectiveness of internal controls within Tieto.

The internal audit is carried out independently and it reports to the CFO, President and CEO and to the ARC. The charter, annual report and annual internal audit plan are approved by the ARC.

Tieto's risk management, internal audit and internal control in 2012

Tieto's major risks are addressed in the company's strategy and the operating model. In 2012, Tieto developed the revised strategy and new operating model to be taken into use in the beginning of 2013. Tieto's risk management framework, consisting of risk management policies, risk classifications and ratings as well as the risk register tool with risk consolidation and mapping functionalities were updated accordingly. During the year, risk management concentrated on mapping out the strategic, financial, operational, and compliance risks throughout the organization.

As one of the main achievement of the year, all Finance process controls were catalogued and analysed from a risk mitigation perspective during the year. Embedding the risk management activities in organizational governance and business processes is an on-going activity continuing in coming years.

Further, during 2012, the main focus of Tieto's risk management, internal audit and internal control was on

- development of the risk management framework
- configuration of the tools and registers
- analysis on the efficiency of risk management in service deliveries
- business integration in various countries of operation
- the business impact analysis in data centres, and
- business continuity planning.

Auditors

The ARC independently prepares a proposal on the compensation and appointment of Tieto's auditors, which is then presented to the AGM for its decision. The compensation paid to the auditors is decided by the AGM and assessed annually by the ARC.

Auditing

The 2012 AGM re-elected the firm of authorized public accountants PricewaterhouseCoopers Oy as the company's auditor for the financial year 2012. PricewaterhouseCoopers Oy notified the company that authorized public accountant Kim Karhu acts as chief auditor. In 2012, Tieto Group paid the auditors a total of EUR 1.2 (1.3) million in audit fees, of which EUR 1.1 (1.2) million to the Group's auditor PricewaterhouseCoopers Oy, and a total of EUR 0.6 (0.5) million for consulting, of which EUR 0.6 (0.4) to the Group's auditor.

Remuneration Statement

The aim of Tieto's remuneration principles is to attract and retain talent, motivate key people and align the goals of the company's shareholders and executives in order to enhance the value of the company.

Rules for how the company shall compensate its employees are defined in Tieto's Compensation & Benefits policy. The policy is globally applied at all Tieto entities and units to support the company's strategy, objectives and values.

Remuneration of the Board of Directors is decided by the AGM based on a proposal by the SNB. The RC is responsible for planning the remuneration of the Leadership Team members and preparing the principles underlying the remuneration of Tieto personnel. The Board of Directors decides on the remuneration of the President and CEO and other members of the Leadership Team based on a proposal by the RC.

Remuneration of the Board

According to the decision of AGM 2012, the annual remuneration of the Board of Directors is the following:

- EUR 31 500 to the ordinary members of the Board of Directors,
- EUR 48 000 to the Deputy Chairman and
- EUR 72 000 to the Chairman.

The same fee as to the Board Deputy Chairman will be paid to the Chairman of a Board Committee unless the same individual is also the Chairman or Deputy Chairman of the Board. In addition, a remuneration of EUR 800 is paid for each Board meeting and for each permanent or temporary committee meeting.

Further, the AGM 2012 decided that 40% of the fixed annual remuneration will be paid in Tieto Corporation's shares purchased from the market. No restrictions have been set on Board members concerning how they may assign these shares, but the company recommends that Board members should retain ownership of all the shares they have received as remuneration for as long as they serve on Tieto's Board.

In addition to the aforementioned share remuneration, the Board members do not belong to or are not compensated with other share-based arrangements, nor do the members have any pension plans at Tieto. Tieto executives or employees are not entitled to compensation for their Board positions or meeting attendance in the Group companies. None of the Board members, except the personnel representatives, have an employment relationship or service contract with Tieto.

Compensation of individual Board members and Board in 2012[15)]

	Annual remuneration		Meeting based, EUR[16)]
	EUR (60%)[17)]	**Shares (40%)[18)]**	
Markku Pohjola (Board chairman, RC chairman)	43 200	2 208	14 400
Kurt Jofs (Deputy chairman)	28 800	1 472	12 000
Teuvo Salminen (ARC chairman)	28 800	1 472	16 000
Eva Lindqvist	18 900	966	13 600
Sari Pajari	18 900	966	10 400
Risto Perttunen	18 900	966	12 800
Ilkka Sihvo	18 900	966	10 400
Jonas Synnergren	18 900	966	11 200
Christer Gardell[19)]	N/A	N/A	3 200
Olli Riikkala[20)]	N/A	N/A	4 000
In total	**EUR 195 300**	**Shares 9 982**	**EUR 108 000**

15) The Board members have not received any other benefits

16) In 2012, both the Board and ARC held one per capsulam meeting. No compensation is paid for per capsulam meetings

17) Gross compensation before taxes

18) Shares were purchased and delivered in May 2012

19) Board member until AGM on 22 March 2012

20) Board member until AGM on 22 March 2012

Board of Directors' shareholdings in Tieto as at 31 December 2012

Shareholding of the Board members

Name	**At 31 Dec 2012**	At 31 Dec 2011
Markku Pohjola (Board chairman, RC chairman)	**18 000**	15 000
Kurt Jofs (Deputy chairman)	**8 439**	6 967
Teuvo Salminen (ARC chairman)	**7 219**	3 747
Eva Lindqvist	**2 133**	1 167
Sari Pajari	**966**	N/A[21)]
Risto Perttunen	**4 933**	3 967
Ilkka Sihvo	**15 466**	N/A[21)]
Jonas Synnergren	**966**	N/A[21)]
Christer Gardell[22)]	**N/A**	967
Olli Riikkala[23)]	**N/A**	5 471

21) Elected to the Board by the AGM on 22 March 2012

22) Board member until the AGM on 22 March 2012

23) Board member until the AGM on 22 March 2012

Remuneration of the Leadership Team

Remuneration of the Leadership Team members consists of

- base salary and benefits
- short-term incentives: an annual bonus
- long-term incentives, such as option or other share-based programmes and pension plans.

Short-term incentives

The purpose of the annual bonuses is to reward performance that exceeds expectations. Tieto's bonus system is based on clear and measurable targets set for the company's financial performance (external revenue and profit). Weighting of the reward factors for the President and CEO and other Leadership Team members is described in a separate table.

The reward targets are set annually by the Board of Directors. The bonus for the President and CEO as well as other Leadership Team members is 30% of the annual base salary when the targets are met; the maximum bonus is 60%. The amount of bonuses is decided by the Board of Directors after the financial statements have been prepared and the bonuses are paid by the end of May.

Share-based long-term incentives

Tieto has two types of share-based long-term incentive arrangements: the Long-Term Incentive Programme and option programmes. Tieto has not established new option plans since 2009.

The terms and conditions of the share-based plans are approved by the Board of Directors. Long-Term Incentive Programme 2012–2014 currently covers the Leadership Team members and approximately 140 key employees. The first performance period began on 1 January 2012 and the final performance period will end on 31 December 2014. Individual performance periods are followed by a restriction period of two years for the executive management or one year for the other participants, during which the earned shares are not disposable.

The authorizations required by the Board to perform repurchase of the company's own shares and to issue shares shall be proposed to be approved at the AGM on an annual basis. The key principles of Tieto's share plans, such as the basis and size of rewards, are described on company's website.

The terms and conditions of option programmes (2006 C, 2009 A, 2009 B and 2009 C) were approved by the AGM and option allocations were approved by the Board of Directors with a view to reward individual performance. The current programmes cover Leadership Team and around 500 employees. Further information about Tieto's option programmes is available on the company's website.

Pension plans

Tieto operates a number of different pension plans in accordance with national requirements and practices. In addition to statutory pension plans, most Leadership Team members are provided with additional pension schemes.

Most of the additional schemes are classified as defined contribution plans[24)]. In contribution-based plans, the payments to the plans are recognized as expenses for the period to which they relate. After the payment of the contribution, the company has no further obligations in respect of such plans.

In the arrangements for most Finnish members, annual payments to the plans managed by a pension insurance company amount to 15% or 23% of the participant's annual base salary. The accumulated pension, including return on capital investment, is paid to the participant during a period starting at the age of 60–70, as individually decided by the participant. The annual expenditure related to the pension plans of the President and CEO and CFO amounts to 23% of their annual base salary, while that of other Finnish Leadership Team members covered by the plans amounts to 15% of their annual base salary.

The company provides Leadership Team members based outside Finland with individual pension plans according to local practices.

24) The exception is the scheme of one member who is covered by a fund-based pension system previously adopted by Tieto. Tieto will not establish any new fund-based pension plans.

Remuneration of the President and CEO

The table below summarizes the remuneration and the main terms and conditions of the President and CEO's employment.

President and CEO

Kimmo Alkio	
Salary	EUR 500 000/year (EUR 41 667/month) including car benefit.
Additional success-based incentive	The additional success-based incentive is based on reaching, by the end of 2014, the challenging targets set by the Board of Directors in accordance with the company's strategic and financial objectives. The success bonus including tax implications is paid in Tieto shares and amounts to EUR 1 000 000. In order to receive the bonus, the CEO must remain in the continuous employment of the company without receiving notice of termination until the beginning of January 2015.
Bonus 2012	Not yet determined (In 2011: N/A).
Basis of bonus	Target 30% of base salary based on the Group's external revenue, profit and strategy implementation when achievements meet the targets. Maximum 60% of base salary based on the Group's external revenue, profit and strategy implementation when achievements exceed the targets. Weighting of the reward factors: EBIT of the company 70% External revenue of the company 30%
Options	2006 C option programme: right to subscribe for 120 000 shares. In accordance with the director's agreement, the options 2006 C allocated to the President and CEO are subject to a transfer restriction until 2 January 2013. The fair value of the option rights is EUR 183 600.[25)] 2009 A option programme: right to subscribe for 30 000 shares. In accordance with the director's agreement, the options 2009 A allocated to the President and CEO are subject to a transfer restriction until 2 January 2014. The fair value of the option rights is EUR 138 300.[26)] 2009 C option programme: right to subscribe for 30 000 shares. In accordance with the director's agreement, the options 2009 C allocated to the President and CEO have a transfer restriction until 2 January 2015. The fair value of the option rights is EUR 106 800.[27)] The options allocated to the President and CEO have a lock-up period as follows: 2006 C: until 2 January 2013 2009 A: until 2 January 2014 2009 C: until 2 January 2015 Terms and conditions of the option programmes are available on company's website (www.tieto.com/Investors).
Long-Term Incentive Programme 2012–2014	The reward to be paid to the President and CEO at target corresponds to 50% of annual gross salary and at maximum 120% of annual gross salary. Further information is available on company's website (www.tieto.com/Investors).
Share ownership guideline	The recommended minimum investment in the company's shares corresponds to the executive's one time annual gross base salary.
Expenditures related to share-based incentives (including option programmes)	EUR 378 958
Retirement age	63
Pension expenditure	In addition to the statutory pension provision: a defined contribution pension plan where the expenditure is 23% of the annual base salary.[28)]

Period of notice	If the agreement is terminated by Tieto, the period of notice is 12 months. If the agreement is terminated by the President and CEO, the period of notice is 6 months.
Severance payment	If the agreement is terminated by Tieto, the company shall pay a severance payment equivalent to the base salary and the short-term incentive for 6 months in addition to the salary for the notice period of 12 months.
	If the agreement is terminated by the President and CEO, the severance payment shall not be paid.

25) The value for one option on the grant date 30 November 2011 is EUR 1.53.

26) The grant value of 2009 A options is calculated with the Black & Scholes method and the value for one option is EUR 4.61 on the grant date 30 November 2011. Calculated on the basis of the fair market value of one Tieto 2009 A stock option on 28 December 2012, EUR 4.01.

27) The grant value of 2009 C options is calculated with the Black & Scholes method and the value for one option is EUR 2.98 on the grant date 15 August 2011 and EUR 3.56 on the grant date 30 November 2011.

28) Payments to defined contribution plans are recognized as expenses for the period to which they relate. After payment of the contribution the Group has no further obligations in respect of such plans.

Updated information on the shares and options held by the President and CEO is available on the company's website.

Remuneration of Leadership Team members

The table below summarizes the remuneration of the Leadership Team members (excluding the President and CEO).

Leadership Team (excluding the President and CEO)

Total salaries	EUR 2 357 782
Total benefits	EUR 390 608
Special payments	EUR 315 690
Total bonuses 2012	Not yet determined (In 2011: EUR 28 000)
Basis of bonus	The basis of bonus as well as target and maximum amounts for bonuses vary between the Leadership Team members. CFO: weighting of the reward factors is as follows: EBIT of the company 60% Cash flow predictability 20% Strategy related criteria 20% Other LT members: weighting of the reward factors is as follows: For most LT member's, company and/or own Market Unit or Business Line related performance criteria (EBIT) with different weightings ranging between 20% and 60%. Various criteria with different weightings ranging between 10% and 30% 2009 A option programme: right to subscribe for 31 250 shares. The fair value of the option rights is EUR 125 313.[29] 2009 B option programme: right to subscribe for 37 000 shares. The fair value of the option rights is EUR 187 220.[30] 2009 C option programme: right to subscribe for 77 000 shares. The computational value of the option rights is EUR 229 460.[31] Terms and conditions of the option programmes are available on company's website.

Long-term Incentive Programme 2012–2014	The reward to be paid to other members of the Leadership Team on the basis of the Long-Term Incentive Programme 2012–2014 at target corresponds to 30–40% of the annual gross salary and at maximum 60–80% of the annual gross salary. Further information is available on company's website (www.tieto.com/Investors).
Expenditures related to share-based incentives (including option programmes)	EUR 447 143
Share ownership guideline	The recommended minimum investment in the company's shares corresponds to the executive's one-time annual gross base salary.
Retirement age	According to applicable local regulations.
Pension expenditure	CFO: In addition to the statutory pension provision: a defined contribution pension plan where the expenditure is 23% of the annual base salary.[32)] Most other Leadership Team members based in Finland with no pension plans implemented earlier: In addition to the statutory pension provision: defined contribution pension plans where the expenditure is 15% of the annual base salary.[32)] The company provides Leadership Team members based outside Finland with individual pension plans according to local practices.
Period of notice	Various terms, between 4 and 12 months.
Severance payment	Various terms, amounts corresponding to the period of notice.

[29)] The grant value of 2009 A options is calculated with the Black & Scholes method and the value for one option is EUR 4.61 on the grant date 30 November 2011. Calculated on the basis of the fair market value of one Tieto 2009 A stock option on 28 December 2012, EUR 4.01.

[30)] The grant value of 2009 B options is calculated with the Black & Scholes method and the value for one option is EUR 5.06 on the grant date 9 August 2010.

[31)] The grant value of 2009 C options is calculated with the Black & Scholes method and the value for one option is EUR 2.98 on the grant date 15 August 2011 and EUR 3.56 on the grant date 30 November 2011.

[32)] Payments to defined contribution plans are recognized as expenses for the period to which they relate. After payment of the contribution the Group has no further obligations in respect of such plans.

Shareholdings of the Leadership Team

	Shares at 31 Dec 2012	Shares at 31 Dec 2011	**Options at 31 Dec 2012**	Options at 31 Dec 2011
Kimmo Alkio	**5 367**	5 367	**180 000**	180 000
Eva Gidlöf	**3 260**	3 260	**15 500**	33 000
Kavilesh Gupta[33)]	**N/A**	0	**3 750**	19 000
Kolbjørn Haarr[34)]	**0**	N/A	**21 000**	N/A
Lasse Heinonen	**5 000**	5 000	**25 000**	25 000
Wim Huisman[35)]	**N/A**	0	**10 000**	10 000
Ari Järvelä	**1 500**	1 500	**18 000**	27 150
Ari Karppinen	**5 000**	5 000	**31 000**	62 500
Katariina Kravi[36)]	**0**	N/A	**0**	N/A
Henrik Sund[37)]	**0**	N/A	**0**	N/A
Ari Vanhanen	**10 710**	10 710	**21 000**	49 000
Antti Vasara[38)]	**3 000**	N/A	**0**	N/A

[33)] Information as per 4 December 2012; the person is no longer entered into Tieto's statutory insider register

[34)] Leadership Team member as from 27 June 2012

[35)] Information as per 26 June 2012; the person is no longer entered into Tieto's statutory insider register

[36)] Leadership Team member as from 1 April 2012

[37)] Leadership Team member as from 23 April 2012

[38)] Leadership Team member as from 1 November 2012

The compensation of the whole Leadership Team in 2012 is also summarized in note 7 of the consolidated financial statements. The remuneration statement is available on the company's website.

Financials

Highlights in 2012

- Net sales remained at the previous year's level at EUR 1 825.3 (1 828.1) million.
- 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 programme has progressed ahead of plan.
- The company's key targets include geographical focus and improved profitability. To serve this end, Tieto implemented several divestments during the year.
- Operating profit excluding one-off items rose by 17% to EUR 137.1 million. One-off items include EUR 15.4 million in capital gains 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.

Key figures

	2012	2011
Net sales, EUR million	**1 825.3**	1 828.1
Operating profit (EBIT), EUR million	**61.3**	98.1
Operating margin, %	**3.4**	5.4
Operating profit (EBIT) excl. one-off items, EUR million	**137.1**	117.1
Operating margin excl. one-off items, %	**7.5**	6.4
Profit before taxes, EUR million	**56.7**	91.3
Earnings per share, EUR	**0.41**	0.84
Earnings per share excl. one-off items, EUR	**1.30**	1.07
Equity per share, EUR	**7.75**	7.90
Dividend per share, EUR	**0.83**	0.75
Investments, EUR million	**62.9**	103.6
Return on equity, %	**5.3**	10.7
Return on capital employed, %	**12.5**	18.3
Gearing, %	**4.3**	14.6
Equity ratio, %	**49.5**	46.4
Personnel on average	**17 646**	18 098
Personnel on 31 Dec	**16 537**	18 123

Report by the Board of Directors

Highlights in 2012

- The growth rates of the Nordic economies were down in 2012, but the IT services market in Tieto's core countries remained relatively stable.
- In March 2012, Tieto revised its strategy for 2012–2016. The company will build its competitiveness and future growth through industry expertise, geographical focus and simplified 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 programme has progressed ahead of plan.
- The company's key targets include geographical focus and improved profitability. To serve this end, Tieto implemented several divestments during the year.
- Net sales remained at the previous year's level at EUR 1 825.3 (1 828.1) million.
- Operating profit (EBIT) amounted to EUR 61.3 (98.1) million, representing a margin of 3.4% (5.4).
- Operating profit excluding one-off items rose by 17% to EUR 137.1 (117.1) million, representing a margin of 7.5 (6.4). One-off items include EUR 15.4 million in capital gains 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.

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 socalled 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 ongoing 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 next.

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 %-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 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 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

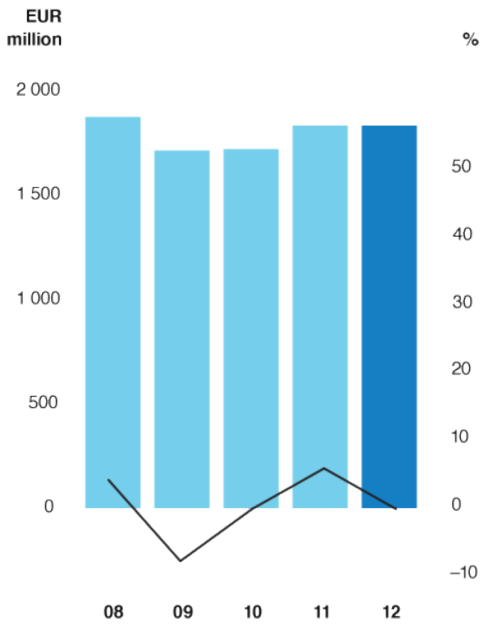
The order backlog, which only comprises services ordered with binding contracts, is solid. At the end of the period, the backlog amounted to EUR 1 703 (1 719) million. The divestments had a negative impact of around EUR 55 million on the order backlog. In total, 57% of the backlog is expected to be invoiced during 2013.

Full-year order intake amounted to EUR 1 854 (1 974) million and book-to-bill stood at 1.0 (1.1).

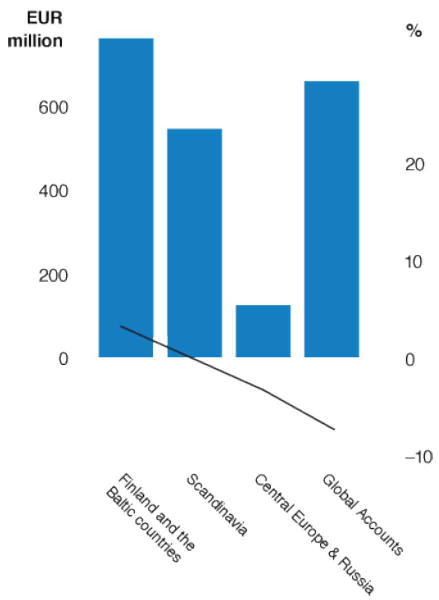
Financial performance

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.

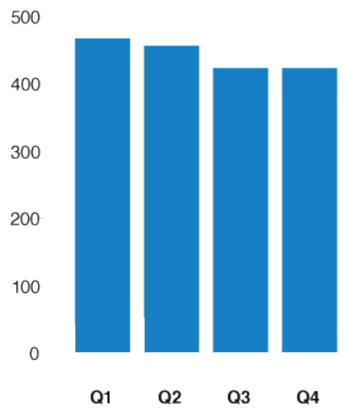
Net sales and growth



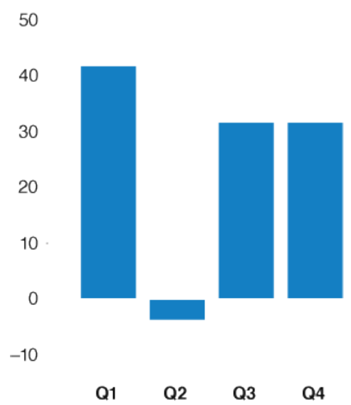
Net sales and growth by market unit



Net sales by quarter, EUR million

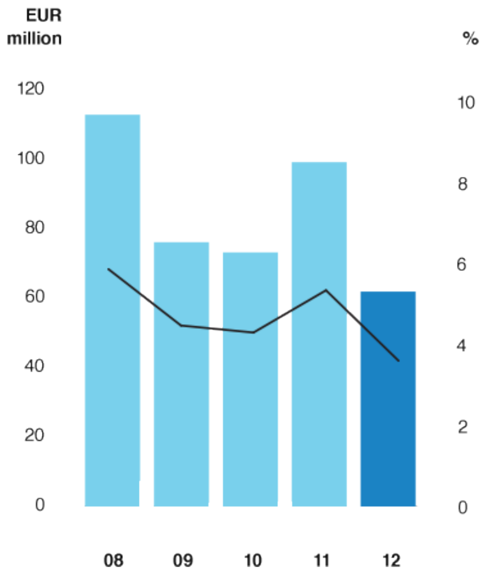


Operating profit (EBIT) by quarter, EUR million

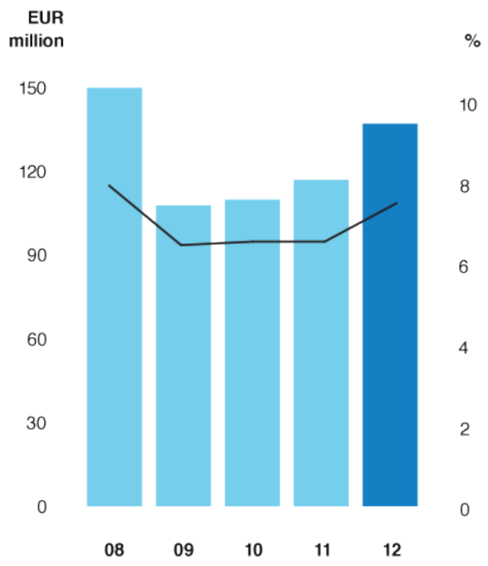


Operating profit (EBIT) amounted to EUR 61.3 (98.1) million, representing a margin of 3.4% (5.4). Operating profit includes EUR 15.4 million in capital gains related to the divestment of the financial services products business in the UK and EUR 34.1 million in impairments, mainly related to the divestment 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.

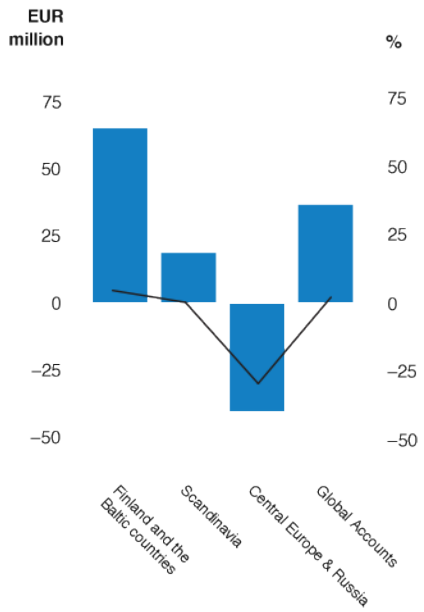
Operating profit (EBIT) and margin



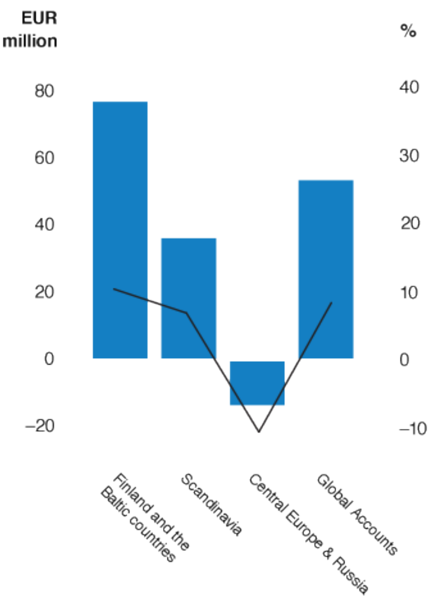
Operating profit (EBIT) and margin excl. one-off items



Operating profit and margin by market unit



Operating profit and margin excl. one-off items by market unit



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, ongoing 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

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.

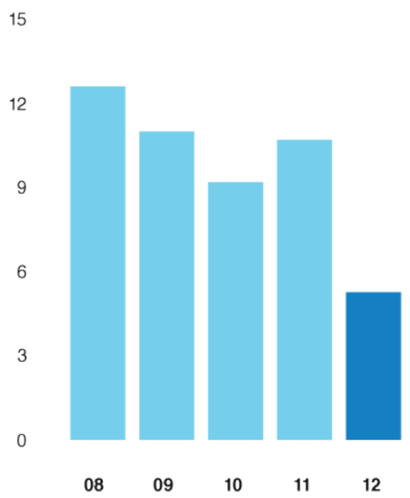
Tax payments were down to EUR 10.7 (27.3 million) million in the full year due to a refund in Finland in the second quarter.

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

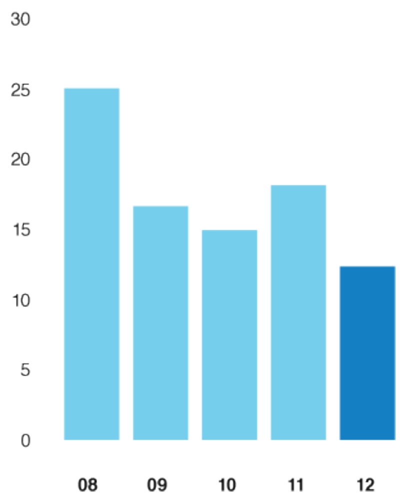
The equity ratio was 49.5% (46.4). Gearing decreased to 4.3% (14.6). Net debt totalled EUR 23.9 (82.7) million, including EUR 114.8 million in interest-bearing debt, EUR 6.0 million in finance lease liabilities, EUR 8.3 million in finance lease receivables, EUR 1.9 million in other interest-bearing receivables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

Return on equity, %



Return on capital employed, %



Investments

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 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, 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 EUR 21 million (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.

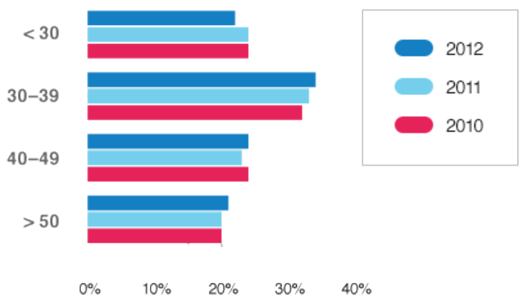
Personnel

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).

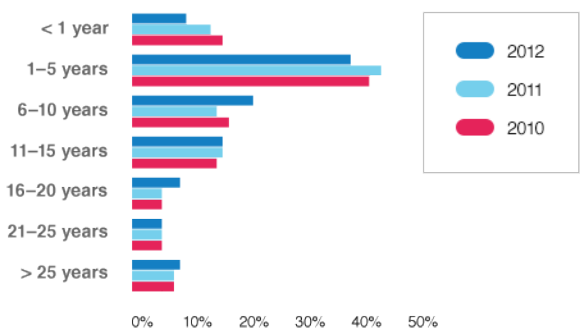
The number of full-time employees in the global delivery centres totalled 6 879 (7 250), or 41.6% (40.0) of personnel. In Product Engineering Solutions, the offshore rate was 59%, temporarily down by around 1 percentage point from the beginning of the year. In IT services, the offshore rate rose by more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

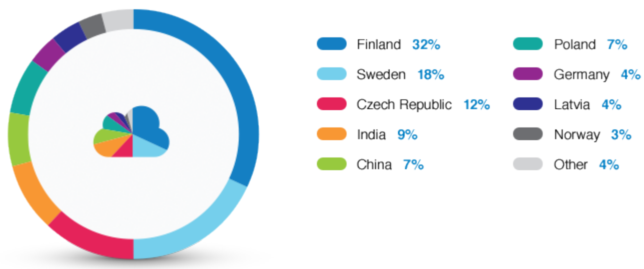
Personnel by age



Length of employment



Personnel by country



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.

The focus areas for Human Resources (HR) in 2012 were supporting the organizational change and the design of the new operating model. For example, HR assisted the business operations in the definition of criteria and qualifications for key leadership positions in the company. HR ensured that recruiting managers had maximum visibility to the best talent available for the positions by conducting a series of resourcing workshops. In leadership nominations, special attention was paid to leadership qualities and the ability to drive strategic transformation. HR was also actively involved in restructuring activities which took place in several countries. Additionally, competence development and the redesign of incentive structures were two of the focus areas in 2012. The HR function itself went through a transitional period, as a new head was appointed for the function and its core team was enhanced.

During the year, several training and competence development activities were carried out to ensure good preconditions for the company's key roles, such as project managers. Tieto continued the development of competence networks and knowledge-sharing communities, such as "Quantum Leap", which currently has more than 1 000 participants, and related tools with a view to sharing best practices as well as supporting project planning and management.

Tieto's incentive structures were being revamped with a view to creating a clear connection between compensation, individual performance and the company's financial performance. In line with Tieto's performance culture, the key elements are clearly defined goals for each employee and performance-based evaluation.

Tieto conducted its annual employee satisfaction survey in autumn 2012 with a high response rate of 86%. The results were significantly better than in previous years and improvements were seen across the board, especially in leadership and working environment. Given the organizational change and cost savings programme launched in March, the improvement in the results is noteworthy.

The transformation from a country-based organization to an industry-driven company calls for excellent capability to lead change. Going forward, HR will continue its work on unifying the corporate culture and leadership as well as supporting the company's target to become the employer of choice – to attract and retain talents meeting Tieto's strategy and business needs.

To meet the company's strategic targets as well as the target of becoming the employer of choice, investments in consulting capabilities and developing or hiring other selected strategic competences will be needed. These hires will be implemented as part of Tieto's site and competence strategy, one of the focus areas for 2013, assigning the right people to the right locations.

Environment

Tieto supports a preventative approach to environmental challenges and a responsible way of conducting business operations. The company is included in selected sustainability indexes and certified according to international standards.

In 2012, the company renewed its commitment to the Global Compact. The United Nations Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption.

Tieto's environmental impact is mainly related to energy consumption for running data centres, offices and other facilities (heating, electricity), business travel and use of paper and other consumables. In accordance with the company's environmental management system (EMS), a systematic method is used to identify and evaluate the main environmental aspects. The company's EMS is compliant with ISO14001.

In 2012, the programme for Green Offices continued and two new offices were certified. The Green Office criteria include efficient use of energy, environmentally friendly office material and advanced sorting of waste for recycling. The certification is subject to an audit conducted by an auditor from WWF.

Data centres account for a great part of Tieto's energy consumption. The energy needed for running servers and computers in data centres, including the additional energy consumed for cooling, usually represents 20–30% of the total energy consumption.

The company works in a number of ways to improve energy efficiency in the data centres, e.g. generating energy through recycling and reuse. In December 2012, Tieto announced new investments of EUR 10 million in its internationally awarded data centre in Espoo. These investments double the capacity in Tieto's greenest data centre and make it possible to close down two data centres that are becoming outdated. Replacing old technology with a state-of-the-art and energy-efficient solution will make Tieto's capacity services even more environmentally friendly.

To avoid environmental risks and reduce the environmental impacts from purchased goods and services, Tieto is continuing its dialogue with suppliers, subcontractors and partners. The aim is to ensure that they fulfil high ethical and environmental requirements. Tieto created a new supplier code at the end of 2011 and implemented it during 2012.

The code requires all suppliers and partners to follow the UN Global Compact Initiative and to have an environmental management system compliant with ISO14001 or the Eco-Management and Audit Scheme (EMAS) in place. To reduce greenhouse gas emissions and other environmental impacts, Tieto aims to cut down travelling as much as possible.

The company's travel policy encourages minimizing travel to internal meetings and favouring the use of digital tools such as video and teleconferences or live meetings. Tieto has also designed a Future Office solution that helps to reduce travelling and increase productivity. The Future Office concept – featuring advanced technology for virtual meetings and videoconferences, IP telephony, document sharing and internal social media tools – is implemented in all Tieto offices. The solution is also included in Tieto's offerings to customers.

Tieto is currently calculating the reductions in greenhouse gas emissions its customers have achieved through its services. Based on the company's electronic transaction services alone the reductions of carbon dioxide emissions are well above the emissions caused by our own operations.

Tieto published its third GRI-based Corporate Responsibility (CR) report in 2012. This report, including an overview of Tieto's environmental, social and economic performance during 2011, followed the GRI framework level A+ and was externally audited according to the AA1000 standard. An overview of Tieto's performance in 2012 will be published in a separate CR report.

In 2012, for the second consecutive year Tieto was included in the Carbon Disclosure Leadership Index (CDLI) and Carbon Performance Leadership Index (CPLI) with a score of 96 A. CDLI is a key component of CDP's annual Nordic 260 Climate Change Report and highlights the companies listed on Nordic stock exchanges that have demonstrated the most professional approach to corporate governance in their climate change disclosure practices. Companies in the CPLI typically show a deeper understanding of, and address more pro-actively, the risks and opportunities presented by climate change. They highlight good practices in reporting, governance, verification and emissions reduction activities toward climate change adaptation and mitigation.

CDP is the largest environmental rating institute and represents approximately 650 investors with assets of more than USD 70 trillion. The institute ranks more than 3 000 companies globally.

Major risks

Risks at Tieto are categorized as strategic, operational, financial and compliance risks.

Strategic risks are related to market volatility, large-scale transformation and change management, ability and speed to reskill, attract and retain talent, agility in response to new entrants in the market, customer dependencies, and stabilizing delivery quality in the dynamic business environment.

Operational risks are related to business model changes, risk and continuity management, customer bidding, and maintaining a high professional standard in deliveries.

Financial risks are linked to macroeconomic factors and consist mainly of credit risks, currency risks, interest rate risks and liquidity risks.

Complying with a great number of requirements poses a challenge to operational management. Compliance risks arise from: compliance with laws, external and internal regulations, or policies and guidelines, ethics and integrity, anti-corruption, anti-bribery, insider matters (e.g. trading), and trade legislation compliance requirements.

Risks are aggregated into corporate risk maps, which are reviewed by the Audit and Risk Committee on an annual basis. Tieto's major risks under this classification as well as the measures for their mitigation are described below.

Market volatility

Volatile external market conditions may turn unfavourable, the market growth may not develop as expected, and the costs of offshore locations might become higher than expected. Changes in the economic environment and customer demand affect both business volumes and price levels.

These impacts are partly mitigated through multi-year contracts for continuous services. Tieto also aims to foster long-term business relations and to be a preferred supplier to its key customers. The company requires tighter cost and investment control with continuous investment performance monitoring, accompanied with clear and agile decision making.

Change and transformation

In a large-scale organizational change, transformation and right-sizing with limited change management capacity, standard tools and systems, or a mindset that resists change may prolong the transition period and affect operational efficiency long after the change has been carried out. Tieto's approach to managing organizational change is to deploy a common programme management to govern tools and system development, change management including communication, target setting, and training for the transition period in strategy execution. The scheme can also be used to plan reskilling and staff retention in response to challenges from new entrants in the market.

Dependency on customers and markets or industries

Close to 40% of Tieto's sales and the majority of its profits are generated in Finland, where Tieto's high market share makes it challenging to achieve further growth. Sweden is another important market with growth potential. The telecom and financial services customer sectors are substantial to the company's sales. Additionally, substantial part of the company's current services are continuous services. Sudden changes in the market environment, customer demand and customer strategies or the competitive landscape in these areas might affect Tieto's operations and profitability.

Delivery failure

This risk has management's highest attention with numerous controls in place. The company continuously follows risk indicators, analyses the market and frequently benchmarks its services against the competition in order to enhance them and maintain their quality at a high level. Tieto's aim is to steadily increase resources in the global delivery centres, certify the quality systems, and aim at the highest maturity level.

Competence development has a high priority in ensuring the fulfilment of the customers' requirements and the provision of top-notch services globally. The Service Line driven global delivery model will ensure faster and more efficient ramp-up of additional resources when necessary.

Service continuity and risk management

Business continuity planning has a very high priority in Tieto's operational management. In the new business model, and along with growing importance of cloud technology, impact analysis and interrelations analysis play the key role in mitigating the risks related to the single points of failures and their impact on the business. To reduce the service continuity risk and better understand the interdependencies in data centres, configuration management and monitoring systems are constantly updated. Tieto has recovery procedures and backup systems in place to handle potential service interruptions. Incident analysis, best practices and experiences from previous incidents help in preparing for and mitigating service continuity risk.

Tieto's entire Risk Management Framework – including policy updates, practical guides and assessment tools and the corporate-wide risk register and risk mapping tools – has been harnessed to mitigate the continuity risk.

Customer bidding and delivery management

An inability to appropriately understand and analyse customers' changing needs, their business processes and the exact requirements can lead to misjudgements in setting the scope of projects or services and, consequently, difficulties in meeting the specifications of customer agreements. This in turn can result in project overruns, operating losses or termination of customer contracts. In some cases, even the company's brand might be tarnished.

Tieto continuously gathers customer feedback and improves the bidding risk management, requirement analysis, delivery management and quality assurance of deliveries. Specific risk assessment tools were developed to improve end-to-end understanding of customer bidding and management of risks, from sales to the closure of the delivery. In case of changes in customers' business requirements, it is contractually agreed that the consequent changes in project deliveries are managed throughout the project organization in a standard manner.

Retention of employees

Tieto's success builds on the skills, experience and performance of its employees and key managers both locally and in its delivery centres worldwide. Inability to retain key employees and to recruit new talent with the required competence might have a negative impact on the company's performance and strategy implementation. High employee turnover might also cause delays in customer projects, leading to penalties or loss of customer accounts.

To reduce these risks, Tieto offers its employees challenging jobs, diverse development and training opportunities as well as interesting career paths through job rotation. The company has competitive compensation packages, including company-wide bonus and incentive systems. Talent management and competence development have a high strategic priority at Tieto. The company also has an Employer Branding programme to motivate employees and to build and strengthen Tieto's image as an attractive employer.

Credit risks

Changes in the general market environment and global economy can usher in additional financial risks. Credit risks might arise if customers or financial counterparties are not able to fulfil their commitments towards Tieto.

Under Tieto's Credit Policy, the finance department together with the business organization is responsible for assessing customers' creditworthiness, taking into account past experience, their financial position and other relevant factors. Credit risk regarding financial counterparties is managed by using counterparty limits, as set out in Tieto's Treasury Policy. A special focus has been put on raising awareness of credit risks with additional reporting and training processes. The collection process has been designed to better correspond to higher credit risks.

Currency risks

Tieto's currency transaction exposure arises from foreign trade, cash management and internal funding in foreign currencies. Translating the balance sheets and income statements of Group companies into euros creates a translation exposure.

As a substantial proportion of the Group's consolidated revenues are generated in Sweden, fluctuations of the Swedish krona against the euro may have an impact on the consolidated financial statements. Tieto's Treasury Policy defines the principles and risk limits under which Group Treasury manages Tieto's currency risks.

Liquidity risks

Exceptional market conditions in the financial market, such as the recent euro crisis, might impose temporary limitations on raising new funding and lead to an increase in funding costs.

Group Treasury monitors and manages the liquidity position of Tieto by maintaining an appropriate loan portfolio. Analyses of alternative financing sources for the company and their pricing are continuously updated. Tieto's financial risks are described in full in the notes to the financial statements.

Governance risk and compliance

In Tieto, governance, risk and compliance are closely linked and consistently defined in corporate policies and guidelines with proper controls. In the finance function, for example, financial reporting, compliance and risk monitoring are efficiently integrated into daily operations. Thanks to automated processes Tieto can readily adapt to changes in business conditions, regulations or corporate policy with the necessary risk management controls.

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 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 the following persons to the Board of Directors:

- **Kurt Jofs**
- **Eva Lindqvist**
- **Risto Perttunen**
- **Markku Pohjola and**
- **Teuvo Salminen.**

In addition, the following persons were elected as new Board members:

- **Sari Pajari**
- **Ilkka Sihvo and**
- **Jonas Synnergren.**

Management

Tieto revised its strategy in March 2012 and made management appointments in the second half of 2012 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 and Energy 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 & 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 14% 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 -13 394 242.31. 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 ongoing organizational changes and restructuring within the company might create uncertainty among the company's personnel and pose risks related to the company's performance.

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

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

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

13 March 2013: Record date for the AGM
25 March 2013: Annual General Meeting
28 March 2013: Record date for dividend payment
As from 15 April 2013: Dividend payment
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)

Five-year figures

	2012	2011	2010	2009	2008
Net sales, EUR million	**1 825.3**	1 828.1	1 713.7	1 706.3	1 865.7
Operating profit (EBIT), EUR million	**61.3**	98.1	72.4	75.3	111.6
Operating margin, %	**3.4**	5.4	4.2	4.4	6.0
Profit before taxes, EUR million	**56.7**	91.3	66.1	70.3	82.4
% of net sales	**3.1**	5.0	3.9	4.1	4.4
Earnings per share, EUR					
basic	**0.41**	0.84	0.69	0.77	0.83
diluted	**0.41**	0.84	0.69	0.77	0.83
Equity per share, EUR	**7.75**	7.90	7.80	7.25	6.75
Total assets, EUR million	**1 185.6**	1 279.9	1 240.6	1 195.3	1 254.5
Return on equity, 12-month rolling, %	**5.3**	10.7	9.2	11.0	12.6
Return on capital employed, 12-month rolling, %	**12.5**	18.3	15.1	16.8	25.2
Equity ratio, %	**49.5**	46.4	47.6	46.0	41.1
Gearing, %	**4.3**	14.6	9.3	12.7	21.0
Investments, EUR million	**62.9**	103.6	101.4	58.9	97.9
% of net sales	**3.4**	5.7	5.9	3.5	5.2
Average number of employees	**17 646**	18 098	17 097	16 568	16 397

See calculation of key figures on page Calculation of key figures

Key figures by quarter

Unaudited	2012 1) 1–12	2012 10–12	2012 7–9	2012 4–6	2012 1–3	2011 1) 1–12	2011 10–12	2011 7–9	2011 4–6	2011 1–3
Net sales, EUR million	**1 825.3**	478.6	423.5	456.1	467.1	1 828.1	489.7	414.5	462.3	461.6
Operating profit (EBIT), EUR million	**61.3**	-8.3	31.6	-3.7	41.7	98.1	26.1	29.2	19.2	23.6
Profit before taxes, EUR million	**56.7**	-9.0	31.5	-5.4	39.6	91.3	24.0	27.9	17.8	21.6
Earnings per share, EUR										
basic	**0.41**	-0.26	0.32	-0.10	0.45	0.84	0.18	0.31	0.16	0.19
diluted	**0.41**	-0.26	0.32	-0.10	0.45	0.84	0.18	0.31	0.16	0.19
Equity per share, EUR	**7.75**	7.90	8.06	7.60	7.69	7.90	7.90	7.66	7.40	7.28
Equity ratio, %	**49.5**	49.5	50.4	45.8	44.7	46.4	46.4	47.7	46.4	43.3
Interest-bearing net debt, EUR million	**23.9**	23.9	59.0	80.0	11.7	82.7	82.7	111.9	136.4	76.2
Gearing, %	**4.3**	4.3	10.2	14.7	2.1	14.6	14.6	20.4	25.8	14.6
Investments, EUR million	**62.9**	19.3	15.6	13.6	14.4	103.6	13.8	11.2	13.3	65.3
Personnel										
at end of period	**16 537**	16 537	17 404	17 723	18 121	18 123	18 123	18 145	18 071	18 136
average, cumulative	**17 646**	17 646	17 873	18 050	18 139	18 098	18 098	18 096	18 086	18 085

1) Audited

See calculation of key figures on the page Calculation of key figures

Income statement (IFRS)

EUR million	Note	**1 Jan–31 Dec 2012**	1 Jan–31 Dec 2011
Net sales	1	**1 825.3**	1 828.1
Other operating income	3	**27.2**	9.0
Cost of sales		**290.3**	307.2
Employee benefit expenses	6, 7	**1 090.7**	1 028.7
Depreciation and amortization	11, 12	**85.0**	90.5
Impairment loss	1	**34.1**	6.0
Other operating expenses	4	**291.1**	306.6
Operating profit		**61.3**	98.1
Interest and other financial income	8	**9.6**	9.9
Interest and other financial expenses	8	**-14.7**	-17.1
Net exchange losses and gains	8	**0.5**	0.4
Profit before taxes		**56.7**	91.3
Income taxes	9	**-27.3**	-31.4
Net profit for the period		**29.4**	59.9
Net profit for the period attributable to			
Shareholders of the Parent company		**29.4**	59.9
Non-controlling interest		**0.0**	0.0
		29.4	59.9
Earnings per share attributable to the shareholders of the Parent company, EUR	10		
basic		**0.41**	0.84
diluted		**0.41**	0.84

Statement of comprehensive income, EUR million

Net profit for the period	**29.4**	59.9
Translation difference from the net investment in Swedish subsidiaries (net of tax)	**6.9**	1.0
Translation difference	**0.6**	-4.9
Cash flow hedges	**1.9**	-1.7
Total comprehensive income	**38.8**	54.3
Total comprehensive income attributable to		
Shareholders of the Parent company	**38.8**	54.3
Non-controlling interest	**0.0**	0.0
	38.8	54.3

Notes are an integral part of these consolidated financial statements.

Comments to the income statement

In 2012, Tieto's net sales 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 agreed on in Germany. Additionally, Tieto booked EUR 57.1 (12.9) million in one-off costs related to the streamlining actions. Operating profit excluding one-off items stood at EUR 137.1 (117.1) million, or 7.5% (6.4) of net sales.

Employee benefit expenses rose by 6% and represented 60% (56) of net sales. Employee benefit expenses include costs from personnel restructuring of EUR 57.1 (9.0) million.

The result-based bonuses were EUR 27.1 (10.7) million. The average number of full-time employees was 17 646 (18 098). Depreciation amounted to EUR 85.0 million, down by EUR 5.5 million

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.

Tax expenses reported for the year include EUR 21.8 million payable on the profit for the year and EUR 10.4 million negative from the change in deferred taxes. Tax rate was 24.5% in Finland and 26.3% in Sweden. Net profit amounted to EUR 29.4 (59.9) million.

Cost structure, %	**2012**	2011
Cost of sales	**16.2**	17.7
Employee benefit expenses	**60.9**	59.2
Other operating expenses	**16.3**	17.6
Impairment loss	**1.9**	0.3
Depreciation and amortization	**4.7**	5.2
Total	**100.0**	100.0

Cost structure in 2012

Balance sheet (IFRS)

EUR million	Notes	**31 Dec 2012**	31 Dec 2011
ASSETS			
Non-current assets			
Goodwill	11, 14, 15	**391.6**	413.2
Other intangible assets	11	**55.5**	77.1
Property, plant and equipment	12	**99.3**	103.2
Deferred tax assets	17	**25.5**	49.4
Finance lease receivables	24	**5.5**	3.4
Other interest-bearing receivables		**0.9**	-
Available-for-sale financial assets	13	**0.8**	0.8
Total non-current assets		**579.1**	647.1
Current assets			
Trade and other receivables	18	**456.2**	469.6
Pension benefit assets	22	**10.9**	9.5
Finance lease receivables	24	**2.8**	1.7
Other interest-bearing receivables		**1.1**	-
Current income tax receivables		**4.0**	14.8
Cash and cash equivalents	19	**86.7**	95.8
Total current assets		**561.7**	591.4
Assets classified as held for sale	14	**44.8**	41.4
Total assets		**1 185.6**	1 279.9
EQUITY AND LIABILITIES			
Equity			
Share capital	20	**75.9**	75.8
Share issue premiums and other reserves	20	**41.4**	39.0
Share issue based on stock options	20	**1.2**	-
Retained earnings		**437.6**	449.8
Parent shareholders' equity		**556.1**	564.6
Non-controlling interest		**0.2**	0.2
Total equity		**556.3**	564.8
Non-current liabilities			
Loans	24, 25	**4.0**	117.9
Deferred tax liabilities	17	**27.7**	37.9
Provisions	23	**6.0**	7.0
Pension obligations	22	**6.8**	23.4
Other non-current liabilities		**4.1**	4.9
Total non-current liabilities		**48.6**	191.1
Current liabilities			
Trade and other payables	26	**377.5**	390.4
Current income tax liabilities		**5.1**	9.2
Provisions	23	**32.8**	30.1
Loans	24, 25	**116.8**	65.7
Total current liabilities		**532.2**	495.4
Liabilities classified as held for sale	14	**48.5**	28.6
Total equity and liabilities		**1 185.6**	1 279.9

Notes are an integral part of these consolidated financial statements.

Comments to the balance sheet

Assets

The consolidated balance sheet totalled EUR 1 185.6 (1 279.9) million, a decrease of 7.4% compared with 2011. Goodwill decreased to EUR 391.6 (413.2) million. The reduction was due to the divestments implemented and agreed in 2012. Direct capital expenditure on fixed assets including new finance lease agreements amounted to 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.

Distribution of total assets

31 Dec, %	**2012**	2011
Goodwill	**33.0**	32.3
Other intangible assets	**4.7**	6.0
Tangible assets	**8.4**	8.1
Other assets	**46.6**	46.1
Cash and cash equivalents	**7.3**	7.5
Total	**100.0**	100.0

Equity and liabilities

The total equity amounted to EUR 556.3 (564.8) million. The net profit for the year increased equity by EUR 29.4 million and dividend payment decreased equity by EUR 53.6 million. 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 long-term debt includes a EUR 100 million bond, maturing in December 2013. 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 December. In December, Tieto signed committed guarantee facilities for EUR 100 million that can be used for pension re-borrowing purposes (TyEL). Commitment lasts until the end of 2013 and allows Tieto to withdraw pension loans up to two years' maturity. 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.

Distribution of total equity and liabilities

31 Dec, %	**2012**	2011
Share capital	**6.4**	5.9
Other parent shareholders' equity	**40.5**	38.2
Interest-bearing liabilities	**10.2**	14.3
Non-interest-bearing debt	**42.9**	41.6
Total	**100.0**	100.0

Statement of cash flow (IFRS)

EUR million	Note	**1 Jan–31 Dec 2012**	1 Jan–31 Dec 2011
Cash flow from operations			
Net profit		**29.4**	59.9
Adjustments			
Depreciation, amortization and impairment	11, 12	**119.1**	96.5
Share-based payments		**1.9**	2.9
Profit/loss on sales of fixed assets and shares	3, 4	**-14.4**	1.1
Other adjustments		**-1.6**	0.3
Net financial expenses	8	**4.6**	6.8
Income taxes	9	**27.3**	31.4
Change in net working capital			
Change in current receivables		**-3.8**	-36.7
Change in inventories		**0.3**	-0.5
Change in current non-interest-bearing liabilities		**15.0**	-3.3
Cash generated from operations		**177.8**	158.4
Financing income received under leases		**0.2**	0.2
Interest income received		**9.2**	8.6
Interest expenses paid		**-15.7**	-15.0
Other financial income received		**12.9**	16.0
Other financial expenses paid		**-11.8**	-17.7
Income taxes paid		**-10.7**	-27.3
Net cash flow from operations		**161.9**	123.2
Cash flow from investing activities			
Acquisition of Group companies and business operations, net of cash acquired	14	**-0.5**	-0.5
Capital expenditure		**-59.1**	-56.1
Disposal of business operations, net of cash disposed		**18.7**	0.0
Sales of fixed assets		**-0.3**	0.1
Change in loan receivables		**-5.1**	1.4
Total net cash used in investing activities		**-46.3**	-55.1
Cash flow from financing activities			
Dividends paid		**-53.7**	-50.0
Exercise of stock options		**2.8**	-
Payments of finance lease liabilities		**-4.3**	-5.8
Proceeds from short-term borrowings		**88.0**	150.3
Repayments of short-term borrowings		**-91.0**	-154.3
Proceeds from long-term borrowings		**0.9**	0.0
Repayments of long-term borrowings		**-60.6**	-9.4
Total net cash used in financing activities		**-117.9**	-69.2
Change in cash and cash equivalents		**-2.3**	-1.1
Cash and cash equivalents at the beginning of period	19	**95.8**	98.0
Foreign exchange differences		**-2.2**	0.4
Assets classified as held for sale	14	**-4.6**	-1.5
Change in cash and cash equivalents		**-2.3**	-1.1
Cash and cash equivalents at the end of period	19	**86.7**	95.8

Notes are an integral part of these consolidated financial statements.

Statement of changes in equity (IFRS)

											Non-controlling interest	**Total equity**
		Parent shareholders' equity										
EUR million	Note	Share capital	Share issue premiums and other reserves	Share issue based on stock options	Own shares	Translation differencies	Cash flow hedges	Invested unrestricted equity reserve	Retained earnings	Total		
Balance 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	28						-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	6								2.9	2.9		2.9
Dividend									-50.0	-50.0		-50.0
Non-controlling interest											0.1	0.1
Total transactions with owners			0.0		0.0				-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

EUR million	Note	Parent shareholders' 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	Non-controlling interest	Total equity
Balance 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	28						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	6								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	0.0			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**

Notes are an integral part of these consolidated financial statements.

Accounting policies for the consolidated accounts

Corporate information

Tieto Corporation is a Finnish public limited company organized under the laws of Finland and domiciled in Helsinki. The company is listed on NASDAQ OMX in Helsinki and Stockholm. The Board of Directors approved the consolidated financial statements to be published on 6 February 2013. According to the Limited Liability Companies Act, the shareholders have the right at the Annual General Meeting to approve, disapprove or change the consolidated financial statements after the publication.

Basis of preparation

These consolidated financial statements of Tieto Corporation are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The consolidated financial statements are presented in millions of euros and have been prepared under historical cost conventions, unless otherwise stated in these accounting policies.

New and amended standards and interpretations

In 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, but with no material impact on the Group's financial statements:

- IFRS 7 (Amendments), 'Disclosures – Transfers of financial assets'. The amendment adds disclosure requirements related to risk exposures derived from transferred assets.

- IAS 12 (Amendment), ' Income taxes'. The standard currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value.

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. The amendment requires entities to group items presented in 'other comprehensive income ' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

- 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 minor impact on operating margin (EBIT).

- IFRS 7 (Amendment) 'Financial instruments: Disclosures of offsetting financial assets and financial liabilities'. The amendment will not currently have any impact on the Group's financial statements.

- IFRS 13, 'Fair value measurement'. The standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The standard will not currently have any impact on the Group's financial statements.

- IFRIC 20, 'Stripping costs in the production phase of a surface mine'. The intrerpretation will not have any impact on Group's financial statements.

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 by focusing 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 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 with around 5% and the operating margin (EBIT) will slightly increase, but the net profit for the period will not be impacted.

- IFRS 10, 'Consolidated financial statements'. The objective of the standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities to present consolidated financial statements. It defines the principle of control, and establishes controls as the basis for consolidation and sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. The standard does not currently have any impact on the Group's financial statements.

- IFRS 12, 'Disclosures of interests in other entities'. The standard includes the disclosure requirements for all forms of interest in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The standard does not currently have any impact on the Group's financial statements.

- IAS 27 (revised 2011), 'Separate financial statements'. IAS 27 (revised 2011) includes the requirements relating to separate financial statements. The change does not currently have any impact on the Group's financial statements.

- IAS 28 (revised 2011), 'Associates and joint ventures'. IAS 28 (revised 2011) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11. The change does not currently have any impact on the Group's financial statements.

- 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. The change does not currently have any impact on the Group's financial statements.

- IAS 32 (Amendment) 'Offsetting financial assets and financial liabilities'. The change does not currently have any impact on the Group's financial statements.

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.

Consolidation principles

The consolidated financial statements include the Parent company Tieto Corporation and all subsidiaries over which the Parent company has direct or indirect control generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are consolidated from the date of acquisition until the date of divestment.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the statement of comprehensive income.

Tieto Corporation holds interests in companies for which it has assumed management responsibility and which are jointly controlled. Such companies have been consolidated by using the proportional method. Tieto Corporation's shares of the assets, liabilities, income and expenses have been included in the consolidated financial statements.

Intra-group receivables, payables and transactions including dividends and internal profit are eliminated on consolidation.

Non-controlling interests are shown separately under consolidated shareholders' equity.

Segment reporting

The Group's operating model comprises of a matrix structure of market units and business lines, of which the market unit dimension constitutes the main operating segments. The reportable operating segments in market unit dimension are Finland and the Baltic countries, Scandinavia, Central Europe & Russia and Global Accounts. The operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Leadership Team that makes strategic decisions.

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 presented in the segment information.

Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in the euro, which is the company's functional and the Group's presentation currency.

Foreign currency transactions are recorded at the exchange rate prevailing on the transaction date. The foreign currency monetary items at the end of the financial period are valued at the closing rates on the balance sheet date. The foreign currency non-monetary items held at fair value are translated into the functional currency using the exchange rate prevailing at the date when the fair value was determined. Other non-monetary items are recorded at the exchange rate prevailing on the transaction date.

Foreign exchange gains and losses related to business operations are included in operating profit except when deferred in other comprehensive income as qualifying cash flow hedges. Foreign exchange gains and losses associated with financing are reported in financial income and expenses.

Internal, long-term loans to subsidiaries can be classified as a net investment in a foreign operation according to IAS 21. Consequently, all related unrealized foreign exchange gains and losses from the net investment are recognized directly in shareholders' equity. The realization of these differences through the income statement will follow the same practice as with the other translation differences.

In the consolidated financial statements, the income statements of subsidiaries whose functional currencies are not the euro are translated into euros using the average rates for the accounting period. Their balance sheets are translated using the closing rate on the balance sheet date.

Translation differences arising from the consolidation are disclosed separately in consolidated equity. When a subsidiary is sold, any translation differences are recognized in the consolidated income statement as part of the gain or loss on the sale.

Revenue recognition

Revenue is recognized in accordance with the requirements of IAS 11 and 18. Revenue comprises the fair value for the sale of IT services and goods, net of value-added tax, discounts and exchange rate differences. Services mainly include the development of customized software solutions, maintenance of software solutions, and processing and network services. Goods mainly include sales of software licences.

Sales of services are recognized in the accounting period in which the service is rendered. Revenue from fixed price projects and similar types of customer agreements is recognized according to the stage-of-completion method, which is calculated monthly by comparing completed work hours against total estimated work hours to finalize the project. Stage-of-completion method is used provided that the degree of completion can be assessed reliably and the amount of the income and costs related to the service contract can be estimated reliably. If these conditions are not met, revenue only equal to costs incurred to date is recognized to the extent that such costs are expected to be recovered. Provisions are made for losses in connection with long-term contracts when these losses are identified and amounts can be reliably estimated.

Sales of goods are recognized when the decisive risks and rewards that are connected with the ownership of the goods sold are transferred to the buyer and the seller retains neither a continuing right to dispose of the goods, nor effective control of those goods.

Transition costs incurred in the initial phase of continuous operating service contracts are expensed as they arise. Revenue from the operating service contracts is based on service volumes and is recognized when the services are rendered.

Order Backlog

The reported order backlog includes all signed customer orders that have not been recognized as revenue.

Other operating income

Other operating income mainly includes gains from both asset and business disposals, rental income and government grants. Gains from discontinued operations are included in the net profits of the discontinued operations.

Government grants

Government grants relating to costs are deferred and recognized as other operating income over the period necessary to match them with the costs that they are intended to compensate.

Research and development costs

Research costs are expensed as incurred. Development expenditures related to major new business concepts and software products are capitalized as intangible assets when their future recoverability can reasonably be established and the following criteria can be demonstrated: the technical feasibility of completing the intangible asset so that it will be available for sale and use, the intention to complete the intangible asset and use or sell it, the ability to use or sell the intangible asset, the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset. In addition, the ability to demonstrate how the intangible asset will generate future economic benefits is required and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Intangible assets are carried at cost less any accumulated amortizations and accumulated impairment losses.

Income taxes

The tax expense for the period includes current taxes of the Group companies based on taxable profit for the year, together with tax adjustments for previous years and changes in deferred taxes. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using the tax rates and laws which have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. The most significant temporary differences arise from tax losses carried forward, depreciation differences and intangible assets. Deferred taxes are accounted for temporary differences except for the following: goodwill not deductible for taxation purposes, the initial recognition of an asset or liability in a transaction other than a business combination that affect neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that they will probably not be reversed in the foreseeable future.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. The deferred tax assets and liabilities arising from consolidation are recognized in the consolidated balance sheet if it is probable that the related tax effects will occur.

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over Tieto´s interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

Impairment testing of goodwill

Goodwill acquired in a business combination is tested for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of impairment testing goodwill is allocated to each of the cash-generating units (CGU) or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. If the carrying amount of goodwill exceeds its recoverable amount an impairment loss equal to the difference is recognized.

The recoverable amount is the higher of value in use represented by the net present value of future cash flows and the fair value less costs to sell.

Intangible assets

Acquired intangible assets are capitalized at cost. Intangible assets acquired in business combinations are capitalized at fair value at the acquisition date. The useful lives of the intangible assets are assessed to be either finite or indefinite. Intangible assets with finite useful lives are amortized over their useful lives. Intangible assets with indefinite useful lives are tested for impairment annually or if events or changes in circumstances indicate that such carrying amount may not be recoverable. Intangible assets recognized by the Group in business combinations are usually customer or technology related and have finite useful lives. Marketing related intangible assets are not generally recognized by Tieto because normally the value of acquired business constitutes of customer relationships, technologies and personnel (which is included in goodwill) and therefore the marketing related intangible assets do not generally have separately recognizable fair value.

Property, plant and equipment

Land is not depreciated. Other fixed assets are carried at cost less accumulated depreciation. Depreciation is charged according to plan based on the estimated economic lives of the individual assets and accounted for in accordance with the straight-line method. The assets' residual useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The Group applies the following economic lives:

	Years
Buildings	25-40
Data processing equipment [1)]	1-4
Other machinery and equipment	5-8
Other tangible assets	10

[1)] Purchases of personal computers are expensed immediately.

Lease agreements

• Leases of lessees

Lease agreements are classified as finance and operating leases. Assets procured under finance lease agreements are capitalized as fixed assets and depreciated during the estimated useful lives. The annual rents are disclosed as amortization of the finance lease liability and interest expenses.

Leases in which a significant portion of the risks and rewards of ownership is retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

• Leases of lessors

If an arrangement conveys a right to use a specific asset to a purchaser, often together with related services the assets, mainly technical equipment, are classified as embedded finance leases. Sales derived from these embedded finance leases are recognized at the beginning of the agreement period. The annual payments are disclosed as amortization of the finance lease loan receivable and interest income.

Financial instruments

Financial assets are classified into the following categories: at fair value through profit or loss, loans and receivables and available-for-sale financial assets. Financial liabilities are classified into categories: at fair value through profit or loss and financial liabilities measured at amortized cost. Financial assets are no longer recorded into the balance sheet, when the period of validity of a contract has been terminated or when the asset's rights have been assigned to another party. Financial liabilities are no longer recorded into the balance sheet, when the commitments have been fulfilled.

Financial instruments are recorded initially at fair value.Transaction costs are included in the carrying value if the financial instrument is not recorded at fair value through profit or loss. Usually the fair value equals amount received or paid. Subsequent measurement of financial instruments depends on the designation of the instruments.

• Financial assets and liabilities at fair value through profit or loss

Derivatives, comprising foreign exchange forward contracts, currency options, power derivatives and interest rate swaps (and embedded derivatives), are held for trading and valued at fair value. The valuation method is described in the footnote of Note 27. Related valuation changes are reported, depending on their nature, in the income statement in the financial income and expenses, in other income from operations and other operating expenses in exchange rate gains and losses (foreign exchange forward contracts) and in other financial income and expenses (currency options). The rest of the valuation changes are shown in interest income and expenses (interest rate swaps) and in other operating expenses (power derivatives), except for when applying hedge accounting. Correspondingly, in the balance sheet the valuations are shown in trade and other receivables or trade and other payables (asset or liability due in less than 12 months) or other non-current assets and liabilities in the balance sheet.

• Loans and receivables

Fixed-term deposits, principally comprising funds held with banks and other financial institutions, and short-term and long-term loan receivables, as well as trade and other receivables, are classified as loans and receivables and held at amortized cost, using the effective interest method. In the balance sheet, they are reported according to their nature either in trade and other receivables, loan receivables or cash and cash equivalents (current assets) or in loan receivables or other non-current assets (non-current assets). Investments in money market instruments are reported as short-term deposits under cash and cash equivalents.

• Available-for-sale financial assets

Investments in equity instruments, except for investments in associated companies and joint ventures, are classified as assets available-for-sale. They are measured at fair value if fair value can be measured reliably and unrealized gains and losses are recognized to shareholders' equity. If fair value is not available, the assets are held at initial value. The available-for-sale assets are reported in other non-current assets in the balance sheet. When the investment is sold, the accumulated fair value adjustment is recognized in the income statement.

• Financial liabilities measured at amortized cost

Short-term borrowings and overdrafts as well as long-term loans and trade and other payables are classified as financial liabilities measured at amortized cost. Loans are included in non-current and current liabilities. Interest expense and transaction costs are amortized in the income statement over the maturity of the loan using the effective interest method.

Impairment of financial assets

• Assets carried at amortized cost

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of assets is impaired. A financial asset is regarded impaired if one or more of the following events have occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset:

1. significant financial difficulty of the issuer or obligor
2. a breach of contract such as default in interest or principal payments
3. it becomes probable that the borrower will enter bankruptcy or other financial reorganisation
4. the disappearance of an active market for that financial asset because of financial difficulties.

Possible impairment is booked in the income statement.

• Assets classified as available for sale

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of assets is impaired. For debt securities the Group uses the criteria above. In the case of equity investments classified as available for sale, the Group evaluates whether there is any evidence of prolonged decline in the fair value of the security, thus justifying the assets are impaired. If such evidence exists, the impairmaint is booked in the income statement.

Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The Group designates certain derivatives as hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge).

The Group documents the relationship between the hedging instrument and the underlying risk at the time of hedging transaction. The Group also documents its assessment, both at hedge inception and on ongoing basis, of wheather the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 28. Movements on the hedging reserve in other comprehensive income are also attached to the note 28.

The effective portion of changes in fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion of cash flow hedge is recognized immediately in the income statement within the operating income and expenses. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (e.g. when the forecast sale that is hedged takes place).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within other gain/losses – net.

Trade and other receivables

Trade and other receivables are carried at their nominal value or original amount due from customers, which is considered to be fair value, less a provision for doubtful receivables. The provision for doubtful accounts is recorded in the income statement and measured based on the principles defined in the Corporate credit policy. The provision is an accounting estimate of the amount of receivables with a high probability to be written off as uncollectable. The accounting estimate is based on the amount of receivables overdue for a period of time defined in the credit policy. The final write off decision is made based on individual assessment of the potential collectability risk involved.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with banks and other liquid investments with a maturity of less than 3 months. Bank overdrafts are included in short-term borrowings under current liabilities.

Provisions

A provision is a liability of uncertain timing or amount, which should be recognized when the entity has a present legal or constructive obligation as a result of a past event and it is more likely than not that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Employee benefits

The Group operates a number of different pension plans in accordance with national requirements and practices. The majority of the plans are classified as defined contribution plans. Payments to defined contribution plans are recognized as employee benefit expenses when the contributions are due. The Group has no further payment obligations once the contributions have been paid.

For defined benefit pension plans the liability equals the present value of the defined benefit obligation less the fair value of the plan assets adjusted for unrecognized actuarial gains and losses and unrecognized past service costs. The cost of providing pensions is computed and charged to the income statement. The Group applies the corridor approach under IAS 19 to actuarial gains and losses.

Share-based payments

Tieto uses in its incentive programmes share options classified as being paid equity as well as rewards, which can either be paid in the form of shares, in the form of a cash payment or as a combination thereof. The fair value of the employee services received in exchange for the grant of the stock options and shares is recognized as an expense during the vesting period. The cost of such services is measured by reference to the fair value of the options at the grant date. Terms and conditions which are not on market terms (e.g. targets related to the financial results and the duration of the employment relationship) are taken into account in the number of the share options, which the employees are expected to become entitled to. The amount to be booked as an expense will be allocated to the period of time, during which all the criteria for the generation of the right are to be fullfilled. An estimate of the number of share options to which a right is expected to be generated based on the terms and conditions not being on market terms, is checked on each financial statement date. The possible effect of the readjustments made to the original estimates is recorded in the income statement and a corresponding adjustment is made to the equity.

The rewards granted in the form of shares are booked as an employee benefit expense and as an increase in the equity. Share-based compensation is recognized as an expense in the income statement over the service period. The fair value of the amount payable to the employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities over the period in which the employees become unconditionally entitled to the payment. The liability is measured at each reporting date and at the settlement day. Any changes in the fair value of the liability are recognized as employee benefit expenses in the income statement.

The level of the realization of the set financial targets influences the amount in which rewards are to be booked and paid.

Equity, dividends and own shares

Dividends proposed by the Board of Directors are not deducted from distributable equity until approved by the shareholders at the Annual General Meeting.

When Tieto Corporation’s own shares are repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a deduction in equity.

Earnings per share

Earnings per share (EPS) is calculated by dividing the net profit attributable to the shareholders of the company by the weighted average number of shares in issue during the year, excluding shares purchased by Tieto Corporation.

Diluted earnings per share is calculated as if the warrants and options were exercised at the beginning of the period. In addition to the weighted average number of shares outstanding, the denominator includes the incremental shares obtained through the assumed exercise of the warrants and options. The assumption of exercise is not reflected in earnings per share when the exercise price of the warrants and options exceeds the average market price of the shares during the period. The warrants and options have a diluting effect only when the average market price of the share during the period exceeds the exercise price of the warrants and options.

One-off items

In the analysis on financial performance, items that are material either because of their size or their nature, or that are non-recurring are considered as one-off items. Such items are e.g. impairment losses, capital gains and losses on disposals and major restructuring programmes.

Critical accounting estimates and assumptions

The preparation of the financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from the estimates.

Critical accounting estimates and assumptions are presented in the following disclosures:

	Note
Revenue recognition	1
Impairment of goodwill	15
Income taxes	17
Share-based payments	21
Employee benefits	22
Fair value of derivatives and other financial instruments	27–28

1. Segment information

The operating segments constitute the structure in which the Leadership Team makes strategic decisions and whose reports are regularly reviewed by the Leadership Team.

The Leadership Team considers and evaluates the business as a matrix structure comprising market units and business lines. In a matrix organisation, the company shall determine the reportable operating segments so that the company can provide sufficient information to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. In Tieto the market unit dimension constitutes the main operating segments and the economic environments in which it operates. In Tieto the market unit dimension constitutes the main operating segments in which the strategic decisions are made and thus form a basis for defining the reportable segments according to IFRS 8.

The business line subunits of the reportable market unit segments constitute the structure for cash-generating units, to which the goodwill acquired in business combinations has been reallocated.

The reportable operating segments based on market unit dimension are Finland and the Baltic countries, Scandinavia, Central Europe & Russia and Global Accounts.

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

Group level costs like the costs related to Group management, Group's share of support functions and other non-allocated costs are not included in the market unit segments but are reported under Steering Functions and Group Management in the segment reporting.

Net sales of the business lines are reported as presenting the products and services of Tieto.

The Leadership Team assesses the performance of the operating segments based on operating profit (EBIT) which corresponds to the operating profit in the Income statement according to IFRS.

In 2013 the reportable operating segments will change due to the change in the operating model. The new operating model comprises of a matrix structure of Service Lines and Industry Groups, of which the Service Line dimension constitutes the main operating segments.

The reportable operating segments in the Service Line dimension are Consulting and System Integration, Managed Services, Industry Products and Product Engineering Services.

The net sales of Service Lines will also present the reporting of products and services of Tieto.

Net sales by market unit

EUR million	**2012 1–12**	2011 1–12	Change %
Finland and the Baltic countries	**763**	733	4
Scandinavia	**547**	548	-0
Central Europe & Russia	**126**	131	-4
Global Accounts	**661**	729	-9
Group elimination	**-272**	-313	-13
Group total	**1 825**	1 828	-0

Customer sales by market unit

EUR million	**2012 1–12**	2011 1–12	Change %
Finland and the Baltic countries	**676**	629	8
Scandinavia	**477**	467	2
Central Europe & Russia	**110**	102	7
Global Accounts	**563**	629	-11
Group total	**1 825**	1 828	-0

Internal sales by market unit

EUR million	**2012 1–12**	2011 1–12	Change %
Finland and the Baltic countries	**87**	104	-16
Scandinavia	**70**	80	-12
Central Europe & Russia	**16**	29	-46
Global Accounts	**98**	100	-3
Group total	**272**	313	-13

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

Net sales by country

EUR million	**2012 1–12**	2011 1–12	Change %
Finland	**830**	823	1
Sweden	**580**	565	3
Other	**415**	440	-6
Group total	**1 825**	1 828	-0

Customer sales by business line

EUR million	**2012 1–12**	2011 1–12	Change %
Industry Solutions	**555**	534	4
Enterprise Solutions	**268**	249	7
Managed Services and Transformation	**675**	693	-3
Product Engineering Solutions	**328**	351	-7
Group total	**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 1–12**	2011 1–12	Change %
Telecom	**563**	579	-3
Finance	**364**	374	-3
Industry sectors	**899**	875	3
Group total	**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 1–12**	2011 1–12	Change %
Finland and the Baltic countries	**65.3**	58.8	11.2
Scandinavia	**18.8**	18.7	0.8
Central Europe & Russia	**-40.3**	-21.0	-91.9
Global Accounts	**36.7**	55.3	-33.6
Steering Functions and Group Management	**-19.2**	-13.7	-40.1
Operating profit (EBIT)	**61.3**	98.1	-37.5

Operating margin (EBIT) by market unit

%	**2012 1–12**	2011 1–12	Change
Finland and the Baltic countries	**8.6**	8.0	0.5
Scandinavia	**3.4**	3.4	0.0
Central Europe & Russia	**-32.1**	-16.0	-16.1
Global Accounts	**5.6**	7.6	-2.0
Operating margin (EBIT)	**3.4**	5.4	-2.0

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

EUR million	**2012 1–12**	2011 1–12	Change %
Finland and the Baltic countries	**76.8**	61.7	24.3
Scandinavia	**36.1**	25.5	41.6
Central Europe & Russia	**-13.6**	-19.2	29.4
Global Accounts	**53.4**	61.7	-13.5
Steering Functions and Group Management	**-15.5**	-12.6	-23.2
Operating profit (EBIT)	**137.1**	117.1	17.1

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

%	**2012 1–12**	2011 1–12	Change
Finland and the Baltic countries	**10.1**	8.4	1.6
Scandinavia	**6.6**	4.7	1.9
Central Europe & Russia	**-10.8**	-14.7	3.8
Global Accounts	**8.1**	8.5	-0.4
Operating margin (EBIT)	**7.5**	6.4	1.1

Personnel by market unit

	End of period				**Average**	
	2012 1–12	Change %	Share %	2011 1–12	**2012 1–12**	2011 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 1–12	Change %	Share %	2011 1–12	**2012 1–12**	2011 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 1–12**	2011 1–12	Change %
Finland and the Baltic countries	**44.3**	85.8	-48
Scandinavia	**14.5**	9.4	54
Central Europe & Russia	**1.8**	3.9	-55
Global Accounts	**2.3**	3.9	-42
Steering Functions and Group Management	**0.0**	0.5	-100
Group total	**62.9**	103.6	-39

Depreciation by market unit

EUR million	**2012 1–12**	2011 1–12	Change %
Finland and the Baltic countries	**59.0**	61.7	-4
Scandinavia	**13.3**	11.6	15
Central Europe & Russia	**2.7**	3.7	-29
Global Accounts	**3.6**	4.1	-13
Steering Functions and Group Management	**1.2**	2.1	-44
Group total	**79.7**	83.2	-4

Amortization on allocated intangible assets from acquisitions by market unit

EUR million	**2012 1–12**	2011 1–12	Change %
Finland and the Baltic countries	**0.4**	0.4	-14
Scandinavia	**1.0**	1.2	-17
Central Europe & Russia	**1.1**	1.4	-24
Global Accounts	**2.9**	4.3	-32
Steering Functions and Group Management	**0.0**	0.0	-
Group total	**5.3**	7.3	-27

Impairment losses by market unit

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

EUR million	**31 Dec 2012**	31 Dec 2011

2. Percentage of completion

Income statement related items		
Contract sales recognized under percentage of completion accounting during the financial year	**281.0**	251.0
Other sales	**1 544.3**	1 577.1
Net sales	**1 825.3**	1 828.1
Accumulated amount recognized from percentage of completion based contract sales since inception for contracts open at the end of the financial year	**326.4**	313.9
Balance sheet related items		
Accounts receivables related to percentage of completion based contract sales	**83.4**	63.1
Unbilled related to percentage of completion based contract sales less recognized losses	**32.4**	24.1
Gross amounts due from customers related to work in progress contracts	**115.8**	87.2
Unearned related to percentage of completion based contract sales less recognized losses	**28.3**	23.7

Presented figures include assets classified as held for sale.

EUR million	Note	**1 Jan–31 Dec 2012**	1 Jan–31 Dec 2011

3. Other operating income

Gain on sales of fixed assets and shares		**15.5**	0.2
Rental income		**1.4**	1.3
Government grants released		**3.8**	1.4
Non-controlling interest share of joint ventures service fees		**1.6**	1.6
Ineffectiveness on cash flow hedges	28	**-**	0.0
Other exchange rate gains on derivatives		**0.8**	0.9
Other operating income		**4.1**	3.6
		27.2	9.0

EUR million	Note	**1 Jan–31 Dec 2012**	1 Jan–31 Dec 2011

4. Other operating expenses

Rents, licences and maintenance related to software		**45.9**	45.8
Data and phone communication		**19.2**	21.4
ICT purchases and services		**21.7**	22.9
Advertising and marketing		**10.7**	9.9
Travelling		**29.2**	26.8
Training		**14.1**	14.1
Consulting		**22.2**	17.5
Fees to auditors		**1.8**	1.8
Premises related		**93.7**	94.4
Ineffectiveness on cash flow hedges	28	**-**	0.0
Other exchange rate losses on derivatives		**1.5**	5.4
Loss on sales of fixed assets and shares		**1.2**	1.3
Other operating expenses		**29.9**	45.3
		291.1	306.6

Fees to auditors

Authorized Public Accountants PricewaterhouseCoopers		
Audit fees	**1.1**	1.2
Tax consultation	**0.2**	0.2
Other services	**0.4**	0.2
	1.7	1.6

Other auditing firms		
Audit fees	**0.1**	0.1
Other services	**0.0**	0.1
	0.1	0.2

5. Development costs

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.

6. Employee benefit expenses

EUR million	**1 Jan–31 Dec 2012**	1 Jan–31 Dec 2011
Wages and salaries	**779.3**	772.4
Pension costs - defined contribution plans	**85.8**	82.3
Pension costs - defined benefit plans	**9.9**	9.5
Other pay-related statutory social costs	**136.1**	131.6
Share-based payments		
Stock option related costs	**2.1**	3.3
Performance Share Plan costs	**1.0**	-
Reversal of Performance Share Plan costs from previous years	**-**	-1.8
Other personnel costs	**76.5**	31.4
	1 090.7	1 028.7

Employee benefit expenses include restructuring costs and other termination benefits EUR 57 (9) million. Equity settled share-based payment transactions recognized in the income statement are based on the fair value of the instrument which is measured using the Black & Scholes option pricing model. The counter-entry to the expense entered in the income statement is retained earnings, and therefore the expense has no effect on total equity.

7. Management remuneration in 2012

Total Management remuneration, EUR	**2012**	2011
Total Compensation to the Boards of Directors	**433 500**	464 048
Salary	**2 857 782**	2 138 399
Benefits	**394 327**	136 784
Special payments	**65 690**	313 146
Severance payments	**250 000**	1 098 000
Bonus	**729 934**	28 000
Share-based payment costs	**826 101**	586 812
Total	**5 557 334**	4 765 189

Board of Directors

According to the decision by the AGM executives are compensated in cash and shares. Chairman EUR 72 000/year, Deputy Chairman EUR 48 000/year, member EUR 31 500/year, Committee Chairman EUR 48 000/year and EUR 800 for each board meeting.

Total compensation to the Board of Directors, EUR	**433 500**	464 048
Chairman of the Board	**86 400**	94 792
Deputy Chairman	**60 000**	69 598
Members	**287 100**	299 657

President and CEO

Salary	EUR 500 000	
Benefits	EUR 3 719	
Special payments	EUR 0	
Bonus	EUR 173 147	
Bonus principles	Maximum 60 % of base salary based on Group's external revenue and profit when achievements exceed the targets.	
Options and warrants	2006 C option program: right to subscribe 120 000 shares	The fair value of these warrants amounts to EUR 183 600 [1)]
	2009 A option program: rigtht to subscribe 30 000 shares	The fair value of these warrants amounts to EUR 138 300 [2)]
	2009 C option program: right to subscribe 30 000 shares	The fair value of these warrants amounts to EUR 106 800 [4)]
Long-Term Incentive Programme 2012-2014	The reward to be paid at target corresponds to 50% annual gross salary and at maximum 120% annual gross salary.	The fair value of these allocations amounts to EUR 449 130 [5)]
Share-based payment costs	EUR 378 958 (including option and Long Term Incentive program costs)	
Retirement age	63	
Pension level	Annual fee (in addition to statutory pension provision): 23% of the annual base salary (defined contribution plan)	
Period of notice	12 months	
Severance payment	Equivalent to 12–18 months' salary.	

Leadership Team

Excluding President and CEO		
Salaries	EUR 2 357 782	(2011: EUR 1 726 751)
Benefits	EUR 390 608	(2011: EUR 122 668)
Special payments	EUR 315 690 (including severance payment of EUR 250 000)	(2011: EUR 301 325 including severance payment of EUR 198 000)
Total bonuses	EUR 556 787	(2011: EUR 28 000)
Bonus principles	The basis of bonus as well as target and maximum amounts for bonuses vary between the Leadership Team members.	
Options and warrants	2009 A option program: right to subscribe 31 250 shares	The fair value of these warrants amounts to EUR 125 313 [2)]
	2009 B option program: right to subscribe 37 000 shares	The fair value of these warrants amounts to EUR 187 220 [3)]
	2009 C option program: right to subscribe 77 000 shares	The fair value of these warrants amounts to EUR 229 460 [4)]
Long Term Incentive programme 2012–2014	The reward to be paid to other members of the Leadership Team on the basis of the Long-Term Incentive Programme 2012–2014 at target corresponds to 30–40% of the annual gross salary and at maximum 60–80% of the annual gross salary.	The fair value of these allocations amounts to EUR 976 928 [5)]
Share-based payment costs	EUR 447 143	(2011: EUR 349 983)
Retirement age	According to national standards	
Pension level	Annual fee (in addition to statutory pension provision): 15% and 23% (for one executive member) of annual base salary (Defined contribution and defined benefit arrangements)	
Period of notice	Varies between 6 and 12 months	
Severance payment	Various terms, amounts corresponding to the periods of notice	
There were no loans to executive management on 31 December 2011 nor on 31 December 2012.		
There are no guarantees on behalf of key management.		

1) The value for one option on the grant date 30 November 2011 is EUR 1.53.

2) The grant value of 2009 A options is calculated with the Black & Scholes method and the value for one option is EUR 4.61 on the grant date 30 November 2011. Calculated on the basis of the fair market value of one Tieto 2009 A stock option on 28 December 2012, EUR 4.01.

3) The grant value of 2009 B options is calculated with the Black & Scholes method and the value for one option is EUR 5.06 on the grant date 9 August 2010.

4) The grant value of 2009 C options is calculated with the Black & Scholes method and the value for one option is EUR 2.98 on the grant date 15 August 2011 and EUR 3.56 on the grant date 30 November 2011.

5) The fair market value for Long-Term Incentive Programme 2012–2014 is the estimated total value of current grants and 31 December 2012 estimates. The number of shares this percentage allocation gives entitlement to will be confirmed after each earning period.

8. Financial income and expenses according to IAS 39 classification

31 Dec 2012

EUR million	Interest income	Interest expenses	Exchange rate gains and losses	Other financial income	Other financial expenses	Total
Financial assets at fair value through profit or loss [1)]	**7.7**	**-7.7**	**2.1**	**-**	**-**	**2.0**
Loans and receivables	**1.8**	**-**	**-1.6**	**0.2**	**-**	**0.4**
Available-for-sale fin. assets	**-**	**-**	**-**	**-**	**-**	**0.0**
Financial liabilities measured at amortized cost	**-**	**-6.3**	**-**	**-**	**-0.7**	**-7.0**
Total	**9.5**	**-14.0**	**0.5**	**0.2**	**-0.7**	**-4.6**

31 Dec 2011

EUR million						Total
Financial assets at fair value through profit or loss [1)]	8.4	-8.0	-1.9	0.1	-0.1	-1.5
Loans and receivables	1.3	-	2.3	0.1	-0.1	3.6
Available-for-sale fin. assets	-	-	-	-	-	0.0
Financial liabilities measured at amortized cost	-	-7.5	-	-	-1.4	-8.9
Total	9.7	-15.5	0.4	0.2	-1.7	-6.8

[1)] Interest income and interest expenses include the financial income and expenses from the interest rate swap used for hedging the interest rate risk.

Exchange rate gains and losses included in the operating profit were EUR 1.7 million in 2012 (EUR -2.2 million in 2011).

9. Income taxes

EUR million	1 Jan–31 Dec 2012	1 Jan–31 Dec 2011
Current taxes	**21.8**	19.6
Change of deferred taxes	**10.4**	12.0
Taxes for prior years	**-4.9**	-0.2
Total taxes in income statement	**27.3**	31.4

Income tax reconciliation		
Profit before taxes	**56.7**	91.3
Tax calculated at the domestic corporation tax rate of 24.5% (26% 2011)	**13.9**	23.7
Effect of different tax rates in foreign subsidiaries	**0.7**	0.6
Taxes for prior years	**-4.9**	-0.2
Income not subject to tax	**-7.5**	-3.0
Expenses not deductible for tax purposes	**10.9**	3.6
Unrecognized tax losses for the period	**5.8**	3.1
Reassessment of deferred tax asset	**4.7**	3.4
Deferred tax resulting from change in tax rate	**-1.4**	0.6
Other items	**5.1**	-0.4
Income taxes in the consolidated income statement	**27.3**	31.4
Effective tax rate	**48.1**	34.4

The tax effect of EUR 3.7 million on the capital gain from the divestment of Financial services products business in the UK is presented in Income not subject to tax, and the tax effect of EUR 8.4 million from the impairment loss related to non-core assets held for sale is presented in Expenses not deductible for tax purposes.

10. Earnings per share

	1 Jan–31 Dec 2012	1 Jan–31 Dec 2011
Net profit for the period attributable to the shareholders of the Parent company (EUR million)	**29.4**	59.9
Earnings per share (EUR)		
Basic	**0.41**	0.84
Diluted	**0.41**	0.84
Number of shares during the year (1 000 shares)		
Basic		
Weighted average shares	**71 659**	71 469
Effect of dilutive stock options and shares	**351**	187
Diluted		
Adjusted weighted average shares and assumed conversions	**72 010**	71 656

Basic earnings per share is computed using the weighted average number of shares outstanding during the period. Diluted earnings per share is computed using the weighted average number of shares outstanding during the period plus the dilutive effect of stock options and shares.

EUR million	**31 Dec 2012**	31 Dec 2011

11. Intangible assets

Goodwill		
At 1 Jan, net of accumulated impairment	**413.2**	422.9
Increases	**-**	-
Decreases	**-28.3**	-8.8
Exchange difference	**6.7**	-0.9
At 31 Dec, net of accumulated impairment	**391.6**	413.2

Intangible rights		
At 1 Jan, net of accumulated amortization	**42.0**	27.1
Increases	**4.0**	42.1
Decreases	**-0.9**	-0.5
Transfers	**1.3**	0.0
Exchange difference	**0.3**	-1.2
Amortization in the period	**-22.2**	-25.5
At 31 Dec, net of accumulated amortization	**24.5**	42.0
At 1 Jan		
Cost	**180.9**	123.6
Accumulated amortization and impairment	**-138.9**	-96.5
Net carrying amount	**42.0**	27.1
At 31 Dec		
Cost	**176.2**	180.9
Accumulated amortization and impairment	**-151.7**	-138.9
Net carrying amount	**24.5**	42.0

Other capitalized expenditure		
At 1 Jan, net of accumulated amortization	**34.3**	23.3
Increases	**3.9**	7.4
Decreases	**-1.1**	-0.8
Transfers	**0.4**	11.4
Exchange difference	**0.3**	-0.2
Amortization in the period	**-7.4**	-6.8
At 31 Dec, net of accumulated amortization	**30.4**	34.3
At 1 Jan		
Cost	**57.1**	39.1
Accumulated amortization and impairment	**-22.8**	-15.8
Net carrying amount	**34.3**	23.3
At 31 Dec		
Cost	**56.8**	57.1
Accumulated amortization and impairment	**-26.4**	-22.8
Net carrying amount	**30.4**	34.3

Advance payments, intangibles		
At 1 Jan, net of accumulated amortization	**0.8**	1.0
Increases	**0.6**	0.8
Transfers	**-0.8**	-1.0
At 31 Dec	**0.6**	0.8

Net carrying amount of intangible assets, total 31 Dec	**447.1**	490.3

EUR million	31 Dec 2012	31 Dec 2011

12. Property, plant and equipment

Land		
At 1 Jan	**1.2**	1.2
At 31 Dec	**1.2**	1.2
At 1 Jan		
Cost	**1.2**	1.2
Net carrying amount	**1.2**	1.2
At 31 Dec		
Cost	**1.2**	1.2
Net carrying amount	**1.2**	1.2

Buildings and structures		
At 1 Jan, net of accumulated depreciation	**2.9**	3.1
Decreases	**-**	-0.1
Depreciation in the period	**-0.1**	-0.1
At 31 Dec, net of accumulated depreciation	**2.8**	2.9
At 1 Jan		
Cost	**4.8**	4.8
Accumulated depreciation and impairment	**-1.9**	-1.7
Net carrying amount	**2.9**	3.1
At 31 Dec		
Cost	**3.8**	4.8
Accumulated depreciation and impairment	**-1.0**	-1.9
Net carrying amount	**2.8**	2.9

Machinery and equipment		
At 1 Jan, net of accumulated depreciation	**88.7**	96.0
Increases	**47.7**	39.6
Decreases	**-2.4**	-1.7
Transfers	**2.5**	7.0
Exchange difference	**0.7**	-0.1
Depreciation in the period	**-51.6**	-52.1
At 31 Dec, net of accumulated depreciation	**85.6**	88.7
At 1 Jan		
Cost	**391.4**	360.9
Accumulated depreciation and impairment	**-302.7**	-264.9
Net carrying amount	**88.7**	96.0
At 31 Dec		
Cost	**377.6**	391.4
Accumulated depreciation and impairment	**-292.0**	-302.7
Net carrying amount	**85.6**	88.7

Capitalized finance lease

At 1 Jan, net of accumulated depreciation	**7.5**	4.7
Increases	**3.5**	8.6
Decreases	**-**	-0.8
Transfers	**-**	-0.1
Exchange difference	**0.0**	0.0
Depreciation in the period	**-3.2**	-4.9
At 31 Dec, net of accumulated depreciation	**7.8**	7.5
At 1 Jan		
Cost	**52.2**	46.2
Accumulated depreciation and impairment	**-44.7**	-41.5
Net carrying amount	**7.5**	4.7
At 31 Dec		
Cost	**56.6**	52.2
Accumulated depreciation and impairment	**-48.8**	-44.7
Net carrying amount	**7.8**	7.5

Other tangible assets

At 1 Jan, net of accumulated depreciation	**1.7**	2.2
Increases	**0.2**	0.7
Decreases	**-0.1**	-0.4
Transfers	**-0.2**	0.3
Exchange difference	**0.0**	0.0
Depreciation in the period	**-0.5**	-1.1
At 31 Dec, net of accumulated depreciation	**1.1**	1.7
At 1 Jan		
Cost	**4.8**	5.9
Accumulated depreciation and impairment	**-3.1**	-3.7
Net carrying amount	**1.7**	2.2
At 31 Dec		
Cost	**4.0**	4.8
Accumulated depreciation and impairment	**-2.9**	-3.1
Net carrying amount	**1.1**	1.7

Advance payments and work in progress

At 1 Jan	**1.2**	14.0
Increases	**2.9**	5.0
Transfers	**-3.3**	-17.7
Exchange difference	**0.0**	-0.1
At 31 Dec	**0.8**	1.2

Net carrying amount of tangible assets, total 31 Dec	**99.3**	103.2

EUR million	31 Dec 2012 Book value

13. Available-for-sale financial assets

Other shares and securities owned by the Parent company

Lifeit Oy	**0.1**
Tapiolan Monitoimiareena Oy	**0.1**
Other shares and securities	**0.1**
	0.3

Other shares and securities owned by subsidiaries

Fimecc Oy	**0.1**
Vierumäen Kuntorinne Oy	**0.2**
Other shares and securities	**0.1**
	0.4

14. Acquisitions and disposals

Acquisitions in 2012

Tieto made the following acquisition during 2012:

*Energimarknadens Informationsväxel i Sverige AB, ownership 100%, effective March 2012

The total fair value of the identifiable assets and liabilities of the acquired business above at the date of acquisition were:

EUR million	Recognized on acquisition	Carrying value
Receivables	0.1	0.1
Cash and cash equivalents	0.2	0.2
	0.3	0.3
Current liabilities	0.2	0.2
	0.2	0.2
Fair value of net assets	0.1	0.1
Goodwill arising on acquisition	0.0	
	0.1	

The total consideration transferred was EUR 0.1 million and comprised cash paid.

Cash inflow on the acquisition:

EUR million	
Net cash acquired in the business combinations	0.2
Cash paid	0.1
Net cash inflow	0.1

Since the date of acquisition, the acquired unit has contributed about EUR 0.4 million to the revenue and EUR 0.0 million to the operating profit of the Group. If the combination had taken place at the beginning of the year, the revenue for the Group would have been EUR 0.4 million and profit EUR 0.0 million.

Disposals in 2012

Tieto made the following disposals during 2012:

In Scandinavia
*Shares in Tieto Denmark A/S, effective April 2012
In Global Accounts
*Shares in Tieto UK Ltd, Great-Britain, effective March 2012
*Shares in JLLC Tieto, Belarus, effective November 2012
*Shares in Tieto Italy S.p.A and Tieto Spain S.A., effective December 2012

The total net capital gains related to the disposed businesses at the date of disposal is specified below:

EUR million	Recognized on disposal	Carrying value
Intangible assets	1.8	0.7
Goodwill	0.0	4.5
Property, plant and equipment	1.5	1.4
Deferred tax assets	0.9	0.9
Receivables	22.9	27.3
Cash and cash equivalents	12.7	12.7
	39.7	47.5
Other non-current liabilities	1.6	1.3
Current liabilities	24.2	24.2
Interest-bearing liabilities	1.4	5.5
	27.1	30.9
Fair value of net assets	12.6	16.6
Goodwill allocation on disposals	7.4	
Total net asset allocation on disposals	20.0	
Transaction costs	1.3	
Received in cash	33.7	
Total capital gain, net	12.4	

Disposal groups classified as held for sale

The assets and liabilities of businesses where disposal is expected within one year, have been presented as held for sale.

Assets of the disposal groups classified as held for sale

EUR million	
Goodwill	1.0
Other intangible assets	1.4
Property, plant and equipment	1.7
Deferred tax assets	2.5
Trade and other receivables	33.6
Cash and cash equivalents	4.6
Total	44.8

Liabilities of the disposal groups classified as held for sale

EUR million	
Deferred tax liabilities	1.8
Pension benefit liability	13.7
Provisions	11.1
Trade and other payables	21.8
Current income tax liabilities	0.1
Total	48.5

15. Impairment testing of goodwill

General principles

Goodwill acquired in business combinations is allocated to cash-generating units (CGU), which are business line subunits of the reportable market unit segments in segment reporting.

The recoverable amounts of all CGUs are determined based on value-in-use calculations. The cash flow projections covering the initial three-year period have been based on financial forecasts approved by senior management supported by industry growth forecasts obtained from external sources. The growth rates used to extrapolate the cash flows for the subsequent two-year period vary between 1% and 11%, which partly reflect the management's estimate of the industry's long-term average growth rate and partly the growth expectations due to the investments in recent years. Subsequent to the five-year projection period the growth rate used is 2%, which does not exceed the expectations of growth in real terms.

Forecasted profit margins are based on actual performance in prior years adjusted for expected efficiency improvements.

The discount rate applied to cash flow projections is the weighted average pre-tax cost of capital. The discount rate is based on the weighted average of 10-year government bond rates in the countries where the CGUs operate. The bond rates are adjusted for the general market risk and the business risk of the separate service lines included in the CGUs. The pre-tax discount rates for the CGUs are approximately 9% (between 8% and 11% in 2011). The calculated weighted average pre-tax cost of capital for Tieto has increased approximately with 0.3%-unit from 2011 due to increase in the equity market risk premium, although the general interest rate level decreased.

Carrying amount of goodwill allocated to CGUs and segments

The total goodwill at 31 December 2012 was EUR 391.6 million. The decrease compared to 31 December 2011 is EUR 21.6 million, of which EUR 28.2 million was regrouped to assets held for sale. Rest of the change is mainly due to currency effects.

The CGU Product Engineering Solutions in Global Accounts contain goodwill that may be considered significant in comparison with the Group's total carrying amount of goodwill. The CGU is a business operation providing services to selected customers in it's market segment. The carrying amount of goodwill allocated to the CGU at 31 December 2012 was EUR 105.2 million (114.1 million in 2011). The recoverable amount of the CGU has been calculated in accordance with the general principles described above. The growth rate for the initial three-year period varies between 1% and 4% and EBITDA margin between 8% and 8.5%. The growth rate used to extrapolate the cash flows subsequent to the initial three-year period is 1%. The discount rate applied to the cash flow projections is 8.8%.

As a result of the impairment testing no impairment was identified. Value-in-use calculation for each CGU is sensitive to changes in growth assumptions, EBIT margin assumptions and interest rates. The Group would have identified a goodwill impairment of EUR 1–11 million in one CGU of Central Europe & Russia in case of 1%-unit unfavourable change in one or more of the parameters to which the value-in-use calculation is sensitive to.

The carrying amounts of the goodwill allocated to the CGUs are disclosed by segment below:

Carrying amount of goodwill

EUR million	**31 Dec 2012**	31 Dec 2011
Finland and the Baltic countries	**101.4**	101.4
Scandinavia	**92.5**	88.5
Central Europe & Russia	**8.5**	23.3
Global Accounts	**189.2**	199.9
Total	**391.6**	413.2

In 2013 the CGU structure will change due to the change in the operating model and the operating segments. The new CGUs are the reportable service line segments in segment reporting. Goodwill will be reallocated to the new CGUs and impairment test will be performed during the first quarter in 2013.

EUR million	**31 Dec 2012**	31 Dec 2011

16. Interest in joint ventures

Share of the assets, liabilities, net sales and expenses of the joint ventures are as follows at 31 Dec:

EUR million	**31 Dec 2012**	31 Dec 2011
Current assets	**32.6**	31.4
Non-current assets	**1.7**	1.9
	34.3	33.3
Current liabilities	**20.0**	19.4
Non-current liabilities	**1.5**	0.9
	21.5	20.3
Net sales	**115.6**	110.3
Expenses	**-106.1**	-100.7
Financial income and expenses	**0.0**	0.1
Profit before income tax	**9.5**	9.7
Income tax expense	**-2.3**	-2.5
Net profit	**7.2**	7.2

Joint ventures at 31 Dec 2012

	Number of shares	**Share %**	**Voting right %**	**Book value EUR million**
Fidenta Oy	8 000	80.0	40.0	**1.1**
FD Finanssidata Oy	60 000	60.0	42.9	**2.0**
Tieto Esy Oy	7 300	80.0	34.0	**2.6**
TietoIlmarinen Oy	3 570	70.0	30.0	**1.8**
Tietokarhu Oy	8 000	80.0	20.0	**0.3**
				7.8

Tieto Corporation holds interest in companies for which it has assumed management responsibility and which are jointly controlled. All joint ventures are located in Finland.

EUR million	**31 Dec 2012**	31 Dec 2011

17. Deferred income tax

The analysis of deferred tax assets and deferred tax liabilities is as follows:

Deferred tax assets		
Deferred tax asset to be recovered after more than 12 months	**4.4**	39.0
Deferred tax asset to be recovered within 12 months	**21.1**	10.4
Total	**25.5**	49.4
Deferred tax liabilities		
Deferred tax liability to be recovered after more than 12 months	**26.1**	32.4
Deferred tax liability to be recovered within 12 months	**1.6**	5.5
Total	**27.7**	37.9
Net deferred tax	**-2.2**	11.5

The movement in deferred income tax assets and liabilities on gross basis during the year is as follows:

	1 Jan 2012	Charged to income statement	Charged in equity	Aquisitions and disposals	Other changes	**31 Dec 2012**
Deferred tax asset						
Restructuring costs	2.2	-0.5	-	-	-	**1.7**
Other provisions	2.0	0.3	-	-	-	**2.3**
Employee benefits	8.8	-4.8	-	-1.9	-0.3	**1.8**
Depreciation difference	15.1	-6.8	-		-0.1	**8.2**
Other temporary difference	9.6	-5.4	-	-0.6	0.6	**4.2**
Fair value adjustment	0.4	-	-0.4	-	-	**0.0**
Tax losses carried forward	11.3	-4.5	-	-	0.5	**7.3**
Total	49.4	-21.7	-0.4	-2.5	0.7	**25.5**
Deferred tax liability						
Depreciation difference	0.1	-0.1	-	-	-	**0.0**
Intangible assets	25.4	-2.3	-	-	0.6	**23.7**
Employee benefits	2.6	1.4	-	-1.7	0.1	**2.4**
Finance Lease	0.5	-0.3	-	-	-	**0.2**
Fair value adjustment	-	-	0.1	-	-	**0.1**
Other temporary difference	9.3	-10.0	2.3	-0.1	-0.2	**1.3**
Total	37.9	-11.3	2.4	-1.8	0.5	**27.7**
Net deferred tax liability	11.5	-10.4	-2.8	-0.7	0.2	**-2.2**

The movement in deferred income tax assets and liabilities on gross basis during the year is as follows:

	1 Jan 2011	Charged to income statement	Charged in equity	Aquisitions and disposals	Other changes	31 Dec 2011
Deferred tax asset						
Restructuring costs	4.2	-2.0	-	-	-	2.2
Other provisions	1.8	0.3	-	-0.1	-	2.0
Employee benefits	5.7	3.1	-	0.1	-0.1	8.8
Depreciation difference	16.2	-0.3	-	-0.8	-	15.1
Other temporary difference	16.7	-6.6	-	-0.2	-0.3	9.6
Fair value adjustment	-	-	0.4	-	-	0.4
Tax losses carried forward	18.4	-7.0	-	-	-0.1	11.3
Total	63.0	-12.5	0.4	-1.0	-0.5	49.4
Deferred tax liability						
Depreciation difference	0.2	-0.1	-	-	-	0.1
Intangible assets	26.2	-0.8	-	-	-	25.4
Employee benefits	1.6	1.0	-	-	-	2.6
Finance Lease	0.5	0.1	-	-0.1	-	0.5
Other temporary difference	9.6	-0.6	0.3	-	-	9.3
Total	38.1	-0.4	0.3	-0.1	0.0	37.9
Net deferred tax asset	24.9	-12.1	0.1	-0.9	-0.5	11.5

At 31 December 2012 the Group had deferred tax assets on recognized tax losses carried forward totalling EUR 7.3 million (EUR 11.3 million in 2011) of which EUR 6.7 million had no expiry date and EUR 0.2 million will expire during the years 2013–2017 and the remainder thereafter.

At 31 December 2012 the Group had deferred tax assets on operational tax losses carried forward totalling EUR 19.1 million (EUR 23.2 million in 2011) which were not recognized due to uncertainty of utilization.

The Group does not provide for deferred taxes on undistributed earnings of subsidiaries to the extent such earnings are intended to be permanently reinvested in those companies or if such earnings may be transferred to the Parent Company without any tax consequences.

18.Trade and other receivables

EUR million	31 Dec 2012	31 Dec 2011
Trade receivables	**340.6**	355.1
Prepaid expenses and accrued income		
Unbilled earned net sales	**56.7**	52.8
Licence fees	**14.1**	11.4
Rents	**6.5**	8.3
Social costs	**2.6**	6.3
Accrued interest income	**2.7**	2.5
Mainframe computer costs	**-**	0.4
Receivables on stock options	**1.2**	-
Other prepaid expenses	**19.3**	23.2
Other	**12.6**	9.6
	456.2	469.6

Aging and provision for doubtful trade receivables

EUR million	31 Dec 2012	31 Dec 2011
Not past due	**259.5**	294.4
Past due 1–30 days	**68.9**	52.5
Past due 31–60 days	**8.7**	6.0
Past due 61–90 days	**3.2**	2.4
Past due 91–180 days	**2.2**	1.2
Past due 180+ days	**1.2**	0.9
Provision for doubtful receivables	**-3.2**	-2.3
	340.6	355.1
Provision for doubtful receivables, of which		
Past due less 91 days	**-0.2**	-0.5
Past due 91–180 days	**-1.9**	-0.9
Past due 181+ days	**-1.1**	-0.9
	-3.2	-2.3

19. Cash and cash equivalents

EUR million	31 Dec 2012	31 Dec 2011
Cash in hand and at bank	**75.0**	42.8
Short-term deposits	**11.6**	53.0
Cash and cash equivalents	**86.7**	95.8

Short-term deposits are with maturities up to and including three months. Cash and cash equivalents are carried at nominal value, which corresponds to their fair value.

20. Issued capital and reserves

EUR million	Number of shares	Share capital	Share issue premiums and other reserves	Share issue based on stock options	Total
1 Jan 2011	72 023 173	75.8	38.8		114.6
Translation difference			0.2		0.2
Transfer from/to retained earnings			-		0.0
31 Dec 2011	72 023 173	75.8	39.0	0.0	114.8
Translation difference			1.3		1.3
Share subscriptions based on stock options	354 040	0.1	1.1		1.2
Share subscriptions based on stock options, not yet registered				1.2	1.2
Transfer from/to retained earnings			-		-
31 Dec 2012	**72 377 213**	**75.9**	**41.4**	**1.2**	**118.5**

At the end of 2012, Tieto Corporation's total authorized number of shares was 72 377 213 (72 023 173). The company has one class of shares, with each share conferring equal dividend rights and one vote. The company's Articles of Association include a restriction on voting at the Annual General Meeting, where no-one is allowed to vote with more than one-fifth of the votes represented at the meeting. Tieto's shares have no par value and have a book counter-value of one euro. All issued shares are fully paid.

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.

Share issue premiums and other reserves include share issue premium of Parent company and statutory reserve fund of Tieto Sweden AB.

21. Stock options and share incentives

2006 B Stock Options

Initial number of Stock Options		600 000
Number of stock options outstanding on	31 December 2011	502 600
Number of stock options granted during the year		0
Number of stock options forfeited during the year		0
Number of stock options annulled during the year		0
Number of stock options exercised during the year		0
Number of stock options expired during the year		502 600
Number of stock options converted during the year		0
Total number of stock options outstanding on	31 December 2012	0
Number of stock options held by Tieto Corporation on	31 December 2012	0
Total number of stock options exercisable on	31 December 2012	0

Share subscription period	1 March 2010–31 March 2012
Share subscription terms	1 share in exchange for 1 stock option The share subscription price is EUR 21.49.[1)] The amount of the dividend decided after the beginning of the share subscription price determination period but before the share subscription will be deducted from the share subscription price of stock options as per the dividend record date.

[1)] For Stock Option 2006 B, the share subscription price is the trade volume weighted average quotation of the Tieto share, rounded off to the nearest cent, on NASDAQ OMX Helsinki during the two month period immediately following the announcement day of the financial statements for the year 2006.

2006 C Stock Options

Initial number of Stock Options		600 000
Number of stock options outstanding on	31 December 2011	739 530
Number of stock options granted during the year		0
Number of stock options forfeited during the year		0
Number of stock options annulled during the year		0
Number of stock options exercised during the year		222 497
Number of stock options expired during the year		0
Number of stock options converted during the year		0
Total number of stock options outstanding on	31 December 2012	517 033
Number of stock options held by Tieto Corporation on	31 December 2012	13 920
Total number of stock options exercisable on	31 December 2012	397 033

Share subscription period	1 March 2011–31 March 2013
Share subscription terms	1 share in exchange for 1 stock option. The share subscription price is EUR 13.36.[1)] The amount of the dividend decided after the beginning of the share subscription price determination period but before the share subscription will be deducted from the share subscription price of stock options as per the dividend record date. At the end of year 2012 the share subscription price was EUR 10.91.

[1)] For Stock Option 2006 C, the share subscription price is the trade volume weighted average quotation of the Tieto share, rounded off to the nearest cent, on NASDAQ OMX Helsinki during the two month period immediately following the announcement day of the financial statements for the year 2007.

Tieto 2009 Stock Options

2009 A Stock Options

Initial number of Stock Options		600 000
Number of stock options outstanding on	31 December 2011	562 300
Number of stock options granted during the year		0
Number of stock options forfeited during the year		8 000
Number of stock options annulled during the year		0
Number of stock options exercised during the year		246 889
Number of stock options expired during the year		0
Number of stock options converted during the year		0
Total number of stock options outstanding on	31 December 2012	307 411
Number of stock options held by Tieto Corporation on	31 December 2012	45 700
Total number of stock options exercisable on	31 December 2012	277 411

Share subscription period	1 March 2012–31 March 2014
Share subscription terms	1 share in exchange for 1 stock option. The share subscription price is EUR 8.46.[1)] The amount of the dividend or funds distributed through a distribution of funds from the distributable equity fund decided after the beginning of the share subscription price determination period but before the share subscription will be deducted from the share subscription price of stock options as per the relevant record date. At the end of year 2012 the share subscription price was EUR 6.51.

[1)] For Stock Option 2009 A, the share subscription price is the trade volume weighted average quotation of the Tieto share in continuous trading, rounded off to the nearest cent, on NASDAQ OMX Helsinki during the two month period immediately following the announcement day of the financial statements for the year 2008.

2009 B Stock Options

Initial number of Stock Options		600 000
Number of stock options outstanding on	31 December 2011	542 000
Number of stock options granted during the year		0
Number of stock options forfeited during the year		55 250
Number of stock options annulled during the year		0
Number of stock options exercised during the year		0
Number of stock options expired during the year		0
Number of stock options converted during the year		0
Total number of stock options outstanding on	31 December 2012	486 750
Number of stock options held by Tieto Corporation on	31 December 2012	113 250
Total number of stock options exercisable on	31 December 2012	0

Share subscription period	1 March 2013–31 March 2015
Share subscription terms	1 share in exchange for 1 stock option. The share subscription price is EUR 16.87.[1)] The amount of the dividend or funds distributed through a distribution of funds from the distributable equity fund decided after the beginning of the share subscription price determination period but before the share subscription will be deducted from the share subscription price of stock options as per the relevant record date. At the end of year 2012 the share subscription price was EUR 14.92.

[1)] For Stock Option 2009 B, the share subscription price is the trade volume weighted average quotation of the Tieto share in continuous trading, rounded off to the nearest cent, on NASDAQ OMX Helsinki during the two month period immediately following the announcement day of the financial statements for the year 2009.

2009 C Stock Options

Initial number of Stock Options		600 000
Number of stock options outstanding on	31 December 2011	561 600
Number of stock options granted during the year		0
Number of stock options forfeited during the year		42 700
Number of stock options annulled during the year		0
Number of stock options exercised during the year		0
Number of stock options expired during the year		0
Number of stock options converted during the year		0
Total number of stock options outstanding on	31 December 2012	518 900
Number of stock options held by Tieto Corporation on	31 December 2012	81 100
Total number of stock options exercisable on	31 December 2012	0

Share subscription period	1 March 2014–31 March 2016
Share subscription terms	1 share in exchange for 1 stock option. The share subscription price is EUR 12.91.[1)] The amount of the dividend or funds distributed through a distribution of funds from the distributable equity fund decided after the beginning of the share subscription price determination period but before the share subscription will be deducted from the share subscription price of stock options as per the relevant record date. At the end of year 2012 the share subscription price was EUR 12.16.

[1)] For Stock Option 2009 C, the share subscription price is the trade volume weighted average quotation of the Tieto share in continuous trading, rounded off to the nearest cent, on NASDAQ OMX Helsinki during the two month period immediately following the announcement day of the financial statements for the year 2010.

Information related to stock options 2012

		Number of shares	Weighted average exercise price
Shares under option at	31 December 2011	2 908 030	12.9
Granted		0	0.0
Exercised [1)]		469 386	8.6
Forfeited		105 950	13.2
Expired		502 600	17.3
Shares under option at	31 December 2012	1 830 094	11.7

Based on the outstanding options 31 December 2012, the total number of shares may increase, at the maximum, as follows:

Stock option series	**Maximum of new shares based on outstanding options**	**Subscription period**	**Exercise price, EUR**
Stock option 2006 C	517 033 [1)]	01.03.2011–31.03.2013	10.91
Stock option 2009 A	307 411 [1)]	01.03.2012–31.03.2014	6.51
Stock option 2009 B	486 750	01.03.2013–31.03.2015	14.92
Stock option 2009 C	518 900	01.03.2014–31.03.2016	12.16
Total	1 830 094		

[1)] Regarding 2006C options 111 846 shares were subscribed during 2012 but they were registered in 2013 and similarly 3 500 shares were subscribed for with 2009A options. These share subscriptions are reduced from these figures.

Tieto Corporation holds 13 920 options under the 2006 C stock options scheme, 45 700 options under the 2009 A stock options scheme, and 113 250 options under the 2009 B stock options scheme. The company also has 81 100 stock options 2009 C. The board of Directors shall decide on the allocation of these options to key employees of the Group at a later date. If all option rights in the company's possession are also taken into account, the number of shares could increase by a maximum of 2 084 064. In all the current option schemes, the persons covered by the scheme receive the options if they are employed by Tieto on the starting date of the subscription period. Under the terms of both the 2006 option scheme and the 2009 option scheme, the subscription price will be reduced annually by the amount of dividend per share.

The share subscription period of 2006 C stock options started on 1 March 2011 and of 2009 A stock options on 1 March 2012. A total of 469 386 shares were subscribed for with stock options during 2012.

The options outstanding by range of exercise prices at 31 December 2012

	Options outstanding			Vested options outstanding	
Exercise price EUR	Number of shares	Weighted average remaining contractual life in years	Weighted average exercise price EUR	Number of shares	Weighted average exercise price EUR
6.51–14.92	1 830 094	1.7	11.70	674 444	9.10

Assumptions made in determining the fair value of the Stock Options

The fair grant value of the stock options has been determined using the Black & Scholes method.
No options were granted during 2012

Tieto Phantom Options 2012

In the autumn 2009 the Board of Directors decided to implement a synthetic option programme (Tieto Corporation Phantom Options 2009). Phantom Options 2009 are allocated to key employees of the Tieto Group based on performance in those countries where stock options may not be granted. The maximum number of Phantom Options 2009 is 200 000 and they will be granted under series 2009 A, 2009 B and 2009 C. Phantom Options 2009 entitle their holders to a cash reward based on the total share return of the underlying shares during 2009–2012 (2009 A), years 2010–2013 (2009 B) and years 2011–2014 (2009 C). However, the reward payable on the basis of the Phantom Options, if any, may not exceed a Phantom Option holder's annual salary. Phantom options 2009 A were exercised during 2012 and the exercise price was EUR 6.34.

2009 A Phantom options

Initial number of Phantom Options [1)]		31 000
Number of Phantom Options outstanding on	31 December 2011	23 500
Number of Phantom Options granted during the year		0
Number of Phantom Options forfeited during the year		1 000
Number of Phantom Options annulled during the year		0
Number of Phantom Options exercised during the year		22 500
Number of Phantom Options expired during the year		0
Number of Phantom Options converted during the year		0
Total number of Phantom Options outstanding on	31 December 2012	0
Number of Phantom Options held by Tieto Corporation on	31 December 2012	0
Total number of Phantom Options exercisable on	31 December 2012	0

Exercise date	1 March 2012
Exercise of the Phantom Options	Phantom Options 2009 A were exercised automatically on the exercise date 1 March 2012 [2)]
	Phantom Options entitle their holder to a cash reward provided that the volume-weighted average price of the Tieto share in continuous trading on NASDAQ OMX Helsinki exceeds the base price on the exercise date.
	The base price of Phantom Options 2009 A is EUR 8.46.[3)] From the base price of the Phantom Options shall, before the exercise date, be deducted the amount of the dividend or funds distributed through a distribution of funds from the distributable equity fund decided after the beginning of the period for determination of the base price but before the exercise date.

2009 B Phantom options

Initial number of Phantom Options [1)]		29 500
Number of Phantom Options outstanding on	31 December 2011	22 500
Number of Phantom Options granted during the year		0
Number of Phantom Options forfeited during the year		15 500
Number of Phantom Options annulled during the year		0
Number of Phantom Options exercised during the year		0
Number of Phantom Options expired during the year		0
Number of Phantom Options converted during the year		0
Total number of Phantom Options outstanding on	31 December 2012	7 000
Number of Phantom Options held by Tieto Corporation on	31 December 2012	22 500
Total number of Phantom Options exercisable on	31 December 2012	0

Exercise date	1 March 2013
Exercise of the Phantom Options	Phantom Options 2009 B will be exercised automatically on the exercise date 1 March 2013 [2)]
	Phantom Options entitle their holder to a cash reward provided that the volume-weighted average price of the Tieto share in continuous trading on NASDAQ OMX Helsinki exceeds the base price on the exercise date.
	The base price of Phantom Options 2009 B is EUR 16.87.[3)] From the base price of the Phantom Options shall, before the exercise date, be deducted the amount of the dividend or funds distributed through a distribution of funds from the distributable equity fund decided after the beginning of the period for determination of the base price but before the exercise date.
	At the end of the year 2012 the base price was EUR 14.92.

2009 C Phantom options

Initial number of Phantom Options [1)]		22 500
Number of Phantom Options outstanding on	31 December 2011	17 900
Number of Phantom Options granted during the year		0
Number of Phantom Options forfeited during the year		6 300
Number of Phantom Options annulled during the year		0
Number of Phantom Options exercised during the year		0
Number of Phantom Options expired during the year		0
Number of Phantom Options converted during the year		0
Total number of Phantom Options outstanding on	31 December 2012	11 600
Number of Phantom Options held by Tieto Corporation on	31 December 2012	10 900
Total number of Phantom Options exercisable on	31 December 2012	0

Exercise date	1 March 2014
Exercise of the Phantom Options	Phantom Options 2009 C will be exercised automatically on the exercise date 1 March 2014 [2)]
	Phantom Options entitle their holder to a cash reward provided that the volume-weighted average price of the Tieto share in continuous trading on NASDAQ OMX Helsinki exceeds the base price on the exercise date.
	The base price of Phantom Options 2009 C is EUR 12.91.[3)] From the base price of the Phantom Options shall, before the exercise date, be deducted the amount of the dividend or funds distributed through a distribution of funds from the distributable equity fund decided after the beginning of the period for determination of the base price but before the exercise date.
	At the end of the year 2012 the base price was EUR 12.16.

1) The maximum total number of Phantom Options 2009 is 200 000. The Phantom Options will be granted under series 2009 A, 2009 B, and 2009 C as decided by the Board of Directors.

2) If this date is not a trading day on NASDAQ OMX Helsinki, the Phantom Options will be exercised on the first trading day on NASDAQ OMX Helsinki immediately following the aforementioned date If the financial statements for the preceding financial year have not been published prior to the exercise date, the Board of Directors will decide on a later exercise date.

3) For Phantom Option 2009 A, 2009 B and 2009 C, the base price of the Phantom Option is the trade volume weighted average quotation of the Tieto share, rounded off to the nearest cent, in continuous trading on NASDAQ OMX Helsinki during the two month period immediately following the announcement day of the financial statements for the year 2008, 2009 and 2010.

Determination of the fair value of the Phantom Options

The fair value of the Phantom Options is remeasured at each balance sheet date based on the positive difference between the price of the Tieto share and the base price.

The fair value of Phantom Options 2009 B was EUR 0.00 and 2009 C was EUR 2.73 on 31 December 2012.

Share-based incentive plans

Long-Term Incentive Programme 2012–2014

On 15 December 2011 the Board of Directors decided to establish a new share-based incentive plan, The Long-Term Incentive Programme 2012–2014. The Programme contains three annual performance periods based on EPS (Earnings per Share) measurement and one parallel three-year period based on relative TSR (Total Shareholder Return) measurement. The first performance period begun on 1 January 2012 and the final performance period will end on 31 December 2014. For the first EPS period the amount of the reward will be determined on the basis of the achievement of the EPS target after the financial statements for the financial year 2012. The reward will be paid in the executive management programme in spring 2013 and in spring 2014 for other participants. The reward will be paid in the form of Tieto shares and a cash payment to cover taxes. The estimated maximum number of shares to be delivered to participants as a reward is 1.6 million gross shares. The share rewards delivered under the programme will entitle to dividends or the value thereof beginning from the dividend payout in 2013. The share rewards are to be acquired from the market and hence, the incentive programme will have no dilutive effect. Individual performance periods are followed by a lock-up period of two years for the executive management or one year for the other participants.

Stock Options, Phantom Options and Share-based Incentives effect on the result and financial position

EUR million	**2012**
Expenses for the financial year, share-based payments	3.1
Expenses for the financial year, share-based payments, equity-settled	2.3
Liabilities arising from share-based payments 31 December 2012	0.8

EUR million	31 Dec 2012	31 Dec 2011

22. Pension plans

Pension benefit plans		
Present value of funded pension obligations	**146.8**	163.1
Fair value of plan assets	**-116.8**	-123.4
	30.0	39.7
Present value of unfunded pension obligations	**0.5**	0.4
Pension obligations less plan assets	**30.5**	40.1
Unrecognized past service cost	**0.0**	0.0
Unrecognized net actuarial gains/losses	**-35.2**	-26.2
Provisions for pension benefit obligations	**-4.7**	13.9
Pension contribution plans		
Other pension commitments		
Sweden	**-2.3**	-1.8
Finland	**2.9**	1.9
Provisions for pension contribution obligations	**0.6**	0.1
Total provisions for pension obligations	**-4.1**	14.0

Pension benefit plans amounts recognized in profit and loss

Current service cost	**3.4**	6.9
Interest cost	**5.2**	6.4
Expected return on plan assets	**-4.2**	-5.6
Gains and losses on curtailments and settlements	**0.9**	0.0
Amortization of actuarial gains/losses	**1.2**	1.8
Remeasurement	**3.4**	-
Pension expenses	**9.9**	9.5
Actual return on plan assets	**4.4**	1.5

Amounts recognized in balance sheet

Present value of pension obligations		
Opening balance	**163.6**	148.5
Current service cost	**3.4**	6.9
Interest cost	**5.2**	6.4
Benefits paid	**-2.0**	-2.1
Operations acquired/divested	**-0.1**	0.0
Curtailment and settlement	**-44.6**	-5.8
Remeasurement	**13.7**	0.0
Actuarial gains/losses	**17.7**	9.2
Exchange rate difference	**4.1**	0.5
Classified as held for sale	**-13.7**	-
Closing balance	**147.3**	163.6

Plan assets		
Opening balance	**123.3**	118.2
Expected return on plan assets	**4.2**	5.6
Contribution to pension fund	**8.0**	9.7
Benefits paid	**-1.1**	-
Curtailment and settlement	**-31.2**	-6.4
Remeasurement	**10.3**	-
Operations acquired/divested	**0.0**	0.0
Actuarial gains/losses	**0.2**	-4.2
Exchange rate difference	**3.2**	0.4
Classified as held for sale	**-0.1**	-
Closing balance	**116.8**	123.3

	31 Dec 2012		31 Dec 2011	
	EUR million	**%**	EUR million	%
Plan assets are comprised as follows				
Equity instruments	**17.7**	**15**	22.7	19
Debt instruments	**20.6**	**18**	32.6	27
Property	**4.8**	**4**	9.3	8
Other	**73.8**	**63**	58.7	47
	116.9	**100**	123.4	100

Actuarial calculation assumptions	**31 Dec 2012**	31 Dec 2011
Discount rate	**3.0–3.9**	3.3–4.9
Expected return on plan assets	**2.5–3.0**	2.5–4.8
Future salary increases	**1.5–3.5**	1.0–4.0
Future pension increases	**2.0–2.1**	2.0–3.8
Inflation rate	**2.0**	1.3–2.0

Actuarial calculation assumptions by country

Finland		
Discount rate	**3.0**	4.3
Expected return on plan assets	**3.0**	4.3
Future salary increases	**3.5**	3.5
Future pension increases	**2.1**	2.2
Inflation rate	**2.0**	2.0

Sweden		
Discount rate	**3.0**	3.4
Expected return on plan assets	**3.0**	4.6
Future salary increases	**3.5**	3.5
Future pension increases	**2.0**	2.0
Inflation rate	**2.0**	2.0

Norway		
Discount rate	**-**	3.3
Expected return on plan assets	**-**	4.8
Future salary increases	**-**	4.0
Future pension increases	**-**	3.8
Inflation rate	**-**	1.3

Germany		
Discount rate	**3.9**	4.9
Expected return on plan assets	**2.5**	2.5
Future salary increases	**1.5**	1.0
Future pension increases	**2.0**	2.0
Inflation rate	**2.0**	2.0

The expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy.

Expected contributions to post-employment benefit plans for the year ending 31 December 2013 are EUR 9.4 million.

The ITP pension plans operated by Alecta in Sweden are multi-employer defined benefit pension plans which pool the assets contributed by various entities that are not under common control and the assets provide benefits to employees of more than one entity. It has not been possible to get sufficient information for the calculation of obligations and assets by employer from Alecta, and therefore this plan has been accounted for as a defined contribution plan in the financial statements.

The defined benefit plans in Norway were terminated 2012 and collective transition to defined contribution plans was made.

EUR million	**31 Dec 2012**	31 Dec 2011

23. Provisions

Provisions for restructuring		
At 1 Jan	**20.1**	34.3
Exchange difference	**0.2**	0.0
New provision	**53.8**	13.6
Use of provision	**-33.8**	-23.5
Reversal of provision	**-2.0**	-4.0
Presented as liabilities held for sale	**-10.5**	-0.3
At 31 Dec	**27.8**	20.1
of which		
long-term	**1.4**	0.2
short-term	**26.4**	19.9
Total	**27.8**	20.1

Provisions for loss-making contracts		
At 1 Jan	**9.9**	7.5
Exchange difference	**0.1**	0.0
New provision	**11.9**	17.6
Use of provision	**-11.7**	-11.2
Reversal of provision	**-1.9**	-3.9
Presented as liabilities held for sale	**-0.3**	-0.1
At 31 Dec	**8.1**	9.9
of which		
long-term	**3.8**	6.2
short-term	**4.3**	3.7
Total	**8.1**	9.9

Other provisions		
At 1 Jan	**7.1**	1.2
Exchange difference	**0.3**	0.0
Acquisition and disposal	**-0.3**	-
New provision	**6.9**	6.9
Use of provision	**-9.6**	-0.3
Reversal of provision	**-1.3**	-0.4
Presented as liabilities held for sale	**-0.3**	-0.3
At 31 Dec	**2.8**	7.1
of which		
long-term	**0.8**	0.6
short-term	**2.0**	6.5
Total	**2.8**	7.1

Major part of the new restructuring costs 2012 are related to streamlining actions in Finland, Sweden and Germany. The major part of the other provisions at the end of December 2011 was related to data centre incident in Sweden.

EUR million	**31 Dec 2012**	31 Dec 2011

24. Finance leases

Finance lease receivables

Amortization periods of finance lease gross receivables		
Within one year	**3.0**	1.8
Between one and five years	**5.6**	3.5
Gross investment	**8.6**	5.3
Unearned future finance income	**0.3**	0.2
Net investment	**8.3**	5.1

Present value of minimum lease payment receivables		
Within one year	**2.8**	1.7
Between one and five years	**5.5**	3.4
Net investment	**8.3**	5.1

Finance lease liabilities

Future minimum lease payments and their present value under finance lease agreements were as follows:

Finance lease future payments		
Within one year	**3.2**	2.5
Between one and five years	**3.2**	4.7
	6.4	7.2

Present value of future minimum lease payments		
Within one year	**3.0**	2.2
Between one and five years	**3.0**	4.5
	6.0	6.7

Future interest charge	**0.4**	0.5

Tieto has finance leases for IT equipment and software. Certain leases include purchase options. Renewals are subject to separate negotiations. Interest rates of financial lease liabilities as of 31 Dec 2012 were between 3.8–7.2 %.

25. Interest-bearing loans and borrowings

EUR million	**31 Dec 2012**	31 Dec 2011
Long-term		
Bonds	**-**	100.0
Other loans	**0.9**	13.4
Finance lease liabilities	**3.0**	4.5
	4.0	117.9
Short-term		
Bonds	**100.0**	50.0
Other loans	**13.9**	13.6
Finance lease liabilities	**3.0**	2.2
	116.8	65.7

26. Trade and other payables

EUR million	**31 Dec 2012**	31 Dec 2011
Trade payables	**86.6**	96.9
Advances received and deferred income	**61.5**	63.9
Accrued liabilities		
Vacation pay and related social costs	**91.4**	92.1
Other accrued payroll and related social costs	**39.6**	28.0
Interest	**3.0**	4.1
Other accrued expenses	**34.2**	41.7
Value added tax debt	**35.5**	39.2
Payroll tax debt	**25.6**	24.5
	377.5	390.4

27. Carrying amounts and fair values of financial assets and financial liabilities classification based on IAS 39

EUR million	**31 Dec 2012** Carrying amounts	**31 Dec 2012** Fair values	31 Dec 2011 Carrying amounts	31 Dec 2011 Fair values
Financial assets at fair value through profit or loss				
Trade and other receivables				
Other				
Non-current derivative receivables	**-**	**-**	2.5	2.5
Current derivative receivables [1]	**4.0**	**4.0**	0.9	0.9
Loans and receivables				
Non-current loan receivables	**6.4**	**6.4**	3.4	3.4
Current loan receivables	**3.9**	**3.9**	1.7	1.7
Trade and other receivables				
Trade receivables	**338.7**	**338.7**	354.7	354.7
Unbilled earned net sales	**56.7**	**56.7**	52.8	52.8
Accrued interest income	**0.3**	**0.3**		
Cash and cash equivalents	**86.7**	**86.7**	95.8	95.8
Available-for-sale investments				
Other non-current assets	**0.7**	**0.7**	0.8	0.8
Financial assets total	**497.3**	**497.3**	512.6	512.6
Financial liabilities at fair value through profit or loss				
Current liabilities				
Trade and other payables				
Other accrued expenses				
Non-current derivative liabilities	**-**	**-**	3.1	3.1
Current derivative liabilities [1]	**4.2**	**4.2**	6.6	6.6
Financial liabilities measured at amortized cost				
Non-current liabilities				
Finance lease liability, non-current	**3.0**	**3.0**	4.5	4.5
Finance lease liability, current	**3.0**	**3.0**	2.2	2.2
Loans	**0.9**	**0.9**	113.4	113.6
Other non-current liabilities	**4.1**	**4.1**	4.9	4.9
Current liabilities				
Trade and other payables				
Trade payables	**86.6**	**86.6**	96.9	96.9
Interest	**0.4**	**0.4**	1.1	1.1
Loans	**113.9**	**116.9**	51.1	51.1
Financial liabilities total	**216.1**	**219.2**	283.7	284.0

[1] The net fair value of Cash flow hedge derivatives was EUR 0.5 million EUR in 2012 (EUR -2.3 million in 2011) (Note 28)

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

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

Loans and receivables and financial liabilities are held at amortized cost using the effective interest rate method. Their carrying amounts are considered to approximate their fair value, except for the fixed rate bond which have been revalued.

Finance leases have been shown separately as they remain within the scope of IFRS 7, although they are outside the scope of IAS 39.

Available-for-sale investments' fair value measurement is based on their initial value.

Currently the company holds no assets in held-to-maturity category.

FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

31 Dec 2012

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

31 Dec 2011

EUR million	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Derivatives	-	3.4	-	3.4
Available-for-sale investments	-	-	0.8	0.8
Financial liabilities at fair value through profit or loss				
Derivatives	-	9.7	-	9.7

28. Derivatives

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.

EUR million	**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 swaps	**200.0**	250.0

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

Derivatives are used for economic 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]	**1.0**	0.1
Electricity price futures contracts	**-**	-
Interest rate swaps	**2.4**	2.5

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 [1]	**-0.5**	-2.4
Electricity price futures contracts	**-0.3**	-0.7
Interest rate swaps	**-2.6**	-3.1

[1] 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 (see Cash flow hedges below) on foreign exchange forward contracts as at 31 December 2012 amounted to net EUR 0.3 million (EUR -2.2 million in 2011). These are recognized in the income statement in the current period or periods during which the hedged forecast transactions affect the income statement. This is usually within 12 months from 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 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) (Note 3). 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) (Note 4).

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**

29. Commitments and contingencies

EUR million	**31 Dec 2012**	31 Dec 2011
For Tieto obligations		
Pledges	**-**	-
On behalf of joint ventures	**-**	-
On behalf of other companies		
Guarantees	**0.2**	-
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 [1)]		
Performance guarantees	**42.8**	39.3
Lease guarantees	**10.3**	10.4
Other	**4.1**	0.8

[1)] In addition commitments of EUR 11.4 million (EUR 13.0 million in 2011) related to liabilities in the Group balance sheet.

EUR million	31 Dec 2012	31 Dec 2011

30. Future rental income

Within one year	**0.5**	0.6
After one year but not more than five years	**0.0**	0.3
After five years	**0.0**	0.0

Future rental income includes the external sublease payments from premises.

31. Related party transactions

The related parties of Tieto are its Board of Directors, President and CEO, the Leadership Team and the Group's joint ventures.

Transactions and balances with joint ventures

EUR million	2012	2011
Sales	**50.4**	44.4
Purchases	**2.7**	2.4
Receivables	**10.8**	9.6
Liabilities	**0.2**	0.2

The above figures are presented as gross values, but in the consolidated financial statements the internal transactions and balances have been eliminated in proportion to Tieto Corporation's ownership in each joint venture.

Sales to and purchases from related parties are made on normal market terms and conditions and at market prices.

Commitments and contingencies on behalf of joint ventures are presented in note 29.

In the case of some joint ventures, Tieto Corporation has committed together with the other owners to contribute to financing arrangements when necessary, in proportion to ownership and on the basis of the approved strategy plans.

Key management compensation

Tieto's key management comprises of the Board of Directors, President and CEO and the Leadership Team.

See note 7 in the Notes to the consolidated financial statements.

32. Events after the balance sheet date

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.

Subsidiary shares

	Share %	31 Dec 2012 Book value EUR million
Subsidiary shares owned by the Parent company		
Tieto Austria GmbH, Austria	100.0	0.0
Tieto Belgium N.V., Belgium	100.0	260.1
Tieto Canada Inc., Canada	100.0	0.1
Tieto China Co., Ltd., China	100.0	3.1
Tieto Czech s.r.o., Czech Republic	100.0	8.0
Tieto Denmark Business Line A/S, Denmark	100.0	0.1
Tieto Deutschland GmbH, Germany	100.0	46.3
Tieto DK A/S, Denmark	100.0	1.5
Tieto Estonia AS, Estonia	100.0	3.0
Tieto Estonia Services OÜ, Estonia	60.0	0.2
Tieto Finland Oy, Finland	100.0	171.5
Tieto Global Oy, Finland	100.0	9.6
Tieto Great Britain Ltd, Great-Britain	100.0	18.7
Tieto Healthcare & Welfare Oy, Finland	100.0	2.6
Tieto IT and R&D Services India Pvt. Ltd., India	100.0	1.4
Tieto Latvia SIA, Latvia	100.0	10.3
Tieto Lietuva UAB, Lithuania	100.0	2.6
Tieto Netherlands Holding B.V., Netherlands	100.0	0.0
Tieto Norway AS, Norway	100.0	105.9
Tieto Poland sp. z o.o, Poland	100.0	3.3
Tieto Sdn Bhd, Malaysia	100.0	0.2
Tieto Sweden Professional Services AB, Sweden	100.0	549.3
TietoEnator Inc., USA	100.0	7.1
TietoEnator OOO, Russia	100.0	0.0
Dormant subsidiaries (6 in total)		0.0
		1 204.9
Shares in Group companies owned by subsidiaries		
Abaris AB, Sweden	100.0	3.8
Energimarknadens Informationsväxel i Sverige AB, Sweden	100.0	0.1
Tieto ES GmbH, Germany	100.0	1.6
Tieto Netherlands B.V., Netherlands	100.0	0.0
Tieto Netherlands Healthcare B.V., Netherlands	100.0	0.0
Tieto Rus OOO, Russia	100.0	10.8
Tieto Software Technologies Pvt. Ltd, India	100.0	0.0
Tieto Sweden AB, Sweden	100.0	268.4
Tieto Sweden Healthcare & Welfare AB, Sweden	100.0	4.9
Tieto U.S. Inc., USA	100.0	0.1
TietoEnator AttentiV Systems Ltd, Great-Britain	100.0	22.9
TietoEnator Finance Partner AB, Sweden	100.0	1.0
Dormant subsidiaries (6 in total)		0.1
		313.7

Calculation of key figures

Earnings per share $= \dfrac{\text{Net profit for the period}}{\text{Adjusted average number of shares}}$

Equity per share $= \dfrac{\text{Total equity}}{\text{Adjusted number of shares at the year end}}$

Return on equity, % $= \dfrac{\text{Profit before taxes and minority interests – income taxes}}{\text{Total equity (12-month average)}} * 100$

Return on capital employed, % $= \dfrac{\text{Profit before taxes and minority interests + interest and other financial expenses}}{\text{Total assets – non-interest-bearing liabilities (12-month average)}} * 100$

Equity ratio, % $= \dfrac{\text{Total equity}}{\text{Total assets – advance payments}} * 100$

Interest-bearing net debt = Interest-bearing liabilities – interest-bearing receivables – cash and cash equivalents – securities carried as current assets

Gearing, % $= \dfrac{\text{Interest-bearing net debt}}{\text{Total equity}} * 100$

Management of financial risks

The operative management of the treasury activities of Tieto is centralized into Group Treasury. The Group Treasury is responsible for managing the Group's financial risk position and maintaining adequate liquidity. The Treasury Policy defines the principles for measuring and managing liquidity risk, interest rate risk, foreign exchange risks and counterparty risk of the Group. The Treasury Policy also defines the division of responsibilities with regard to financial risk management. The Group reviews and monitors financial risks on a regular basis.

Currency risk management

Transaction risk

Foreign trade, Group internal transactions and liquidity management in non-euro countries generate transaction exposure to the Group. Treasury Policy defines the approved hedging instruments for Tieto, and the company's policy is to hedge all identified currency exposures within the limits defined in the Policy. The underlying exposure includes financial items such as foreign currency accounts receivables and payables of operating companies, internal funding and foreign currency bank account balances, and estimated cashflows such as firm commitments.

Swedish krona, Norwegian krona, Czech koruna, Polish zloty and Pound Sterling are the largest currencies in the exposure. During 2012 Tieto used currency forward contracts and swaps to mitigate the risks. Gains and losses from foreign exchange contracts are accounted in Group EBIT, except for contracts in Czech koruna and Polish zloty, where hedge accounting is applied and for which the result of unrealised contracts is booked into Group equity. Currency derivatives have a maturity of less than 12 months. The overall operational hedging ratio at the end of December 2012 was 95%.

EUR million	Financial items exposure [3]	Estimated cash flows	Total FX exposure	External FX hedges	Financial items sensitivity [1]	FX hedge sensitivity [1]	Net effect gain/(loss)
SEK							
31 Dec 2012	**63.5**	**10.6**	**74.1**	**-71.0**	**-6.35**	**7.10**	**0.75**
31 Dec 2011	18.4	26.9	45.3	-43.1	-1.84	4.31	2.47
NOK							
31 Dec 2012	**-51.3**	**-0.1**	**-51.4**	**49.1**	**5.13**	**-4.91**	**0.22**
31 Dec 2011	-56.3	-1.7	-58.0	55.9	5.63	-5.59	0.04
PLN [2]							
31 Dec 2012	**8.4**	**-9.1**	**0.7**	**0.7**	**-0.84**	**-0.07**	**-0.91**
31 Dec 2011	5.2	-11.6	-6.4	6.7	-0.52	-0.67	-1.19
CZK [2]							
31 Dec 2012	**-3.3**	**-56.2**	**-59.5**	**58.0**	**0.33**	**-5.80**	**-5.47**
31 Dec 2011	-3.7	-52.6	-56.3	56.1	0.37	-5.61	-5.24
GBP [4]							
31 Dec 2012	**-22.1**	**0.0**	**-22.1**	**22.1**	**2.21**	**-2.21**	**0.00**
31 Dec 2011	-1.1	0.0	-1.1	1.1	0.11	-0.11	0.00
Other							
31 Dec 2012	**-6.1**	**-5.5**	**-11.6**	**5.2**	**0.61**	**-0.52**	**0.09**
31 Dec 2011	-7.8	-16.7	-24.5	8.9	0.78	-0.89	-0.11

[1] The maximum pre-tax effect (EUR million) of 10% negative change in exchange rates on the Group's foreign exchange position over the following year. The table includes the effect from swap contracts.

[2] Hedge accounting principles in accordance with IAS 39 are applied to Czech koruna and Polish zloty contracts against EUR. Unrealised exchange gains and losses on these derivatives are recognized in Group equity.

[3] The comparison figures for Financial items exposure have been adjusted for 2011.

[4] GBP was a material currency in 2012, instead of USD, which is now shown within Other currencies.

Translation risk

According to Treasury Policy, hedging translation exposure is subject to Board decision. Exposure includes the acquisition price, share capital and restricted and non-restricted reserves of subsidiaries in non-euro countries, as well as the result of the period. Translation exposure may also include monetary items for which the exchange difference is booked against equity, such as internal loans treated as net investments for accounting purposes. At year end the Group had no such internal loans (EUR 224.4 million in 2011). The translation position was unhedged at the end of 2012.

Interest rate risk management

The objective of interest rate risk management is to minimize the effect of interest rate fluctuations on Tieto's annual results and economic positions. Group Treasury is responsible for the monitoring and operative management of the Group's interest rate position. Interest rate position includes loans, financial investments and derivative contracts. Treasury Policy defines the interest rate risk management principles and allowed interest rate hedging instruments for the Group. According to Treasury Policy 12 months is defined as a benchmark for the Group's interest rate position, in terms of weighted average time to re-pricing. At the end of 2012 Tieto had swapped EUR 100 million of its short-term funding to fixed rate, and a large majority of the other loans were also at a fixed rate. Consequently, the average time to repricing for the interest position was 12 months.

31 Dec 2012

EUR million	**Amount**	**Duration**	**Average rate, %**	**Rate sensitivity [5)]**
Capital markets	**-100.0**	**1.0**	**4.50**	**-**
Money markets	**86.7**	**-**	**-**	**0,9**
Other loans	**-14.8**	**0.5**	**3.67**	**0.0**
Other receivables	**1.8**	**2.8**	**6.81**	**-**

31 Dec 2011

EUR million	**Amount**	**Duration**	**Average rate, %**	**Rate sensitivity [5)]**
Capital markets	-150.0	1.5	3.88	0.0
Money markets	95.8	-	0.20	1.0
Other loans	-27.0	0.9	3.76	0.0
Other receivables	-	-	-	-

[5)] The maximum pre-tax effect (EUR million) of 1% rise in interest rates on the Group's net interest expenses over the following year. The rate sensitivity in the table includes the effect from swap contracts.

Commodity risk management

Power procurement risk is the only identified commodity risk in the Group. Risk management principles and limits are defined in the Treasury Policy. The goal of the Group's power procurement risk management is to reduce the uncertainty relating to the cost of power, to the extent commercially reasonable. Currently the policy is applied only to the hedging of Finnish data center electricity consumption. Group Treasury is responsible for the monitoring and operative management of commodity risk, based on the consumption estimates provided by the facilities organization. According to the policy, at least 40% of the identified exposure of the current year and at least 20% of the following year need to be hedged. As of the year end, the hedging ratio for 2013 consumption was 63%, and for 2014 it was 43%.

Liquidity risk management and funding

Liquidity risk management and funding principles are defined in Treasury Policy. One of the key tasks of Group Treasury is to secure adequate funding for the Group. The Group has a committed EUR 100 million credit facility, which matures in 2016. At the beginning of 2012 the Group had bonds of EUR 100 million and EUR 50 million (a private placement). The private placement matured in July 2012 and was not refinanced due to a good liquidity situation. The EUR 100 million bond is due to mature in December 2013 and it will be refinanced in 2013. The Group has entered into committed guarantee facilities totalling EUR 100 million. These facilities act as back-up facilities and can be used as security for a pension re-borrowing facility. The Group has also overdraft facilities and a EUR 250 million commercial paper programme available to maintain flexibility in funding. Additionally there is a EUR 50 million sale of receivables facility of which none was in use at the end of 2012.

Debt structure

31 Dec 2012				**Maturity structure**					
EUR million		**Amount drawn**	**Amount available**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018–**
Loans	Bond	**100.0**		**100.0**					
	Commercial paper programme		**250.0**						
	Revolving credit facility		**100.0**						
	Committed guarantee facilities for pension re-borrowing		**100.0**						
	Other loans	**13.1**		**13.1**					
		113.1	**450.0**	**113.1**					
	Interest payments			**4.6**					
Derivative liabilities/ assets	Forward contracts outflow			**250.2**					
	Forward contracts Inflow			**-250.2**					
	Interest rate swap outflow			**6.4**					
	Interest rate swap inflow			**-6.2**					
	Derivatives net flow			**0.2**					
Trade payables	Outflow	**86.6**		**86.6**					
Other liabilities	Financial lease liability	**6.0**		**3.0**	**3.0**				
	Other (debt)	**1.7**		**0.8**		**0.9**			
Total		**207.4**	**450.0**	**208.3**	**3.0**	**0.9**			

31 Dec 2011				Maturity structure					
EUR million		Amount drawn	Amount available	2012	2013	2014	2015	2016	2017–
Loans	Bond	100.0			100.0				
	Private Placement	50.0		50.0					
	Commercial paper programme	0.0	250.0						
	Revolving credit facility	0.0	100.0						
	Other loans	25.5		12.4	13.1				
		175.5	350.0	62.4	113.1				
	Interest payments			5.7	5.1	0.0			
Derivative liabilities/ assets	Forward contracts outflow			234.8	0.8				
	Forward contracts Inflow			-234.8	-0.8				
	Interest rate swap outflow			-8.9	-7.7				
	Interest rate swap inflow			8.4	7.6				
	Derivatives net flow			-0.5	-0.1				
Trade payables	Outflow	96.9		96.9					
Other liabilities	Financial lease liability	6.7		2.2	2.2	2.3			
	Other (debt)	1.5		1.1			0.4		
Total		280.6	350.0	167.8	120.3	2.3	0.4		

Credit risk management

Credit risk is managed on Group level. Credit risk is derived from financial investments, derivative contracts and customer-related risks, such as accounts receivable. Group Treasury maintains a list of approved counterparties for commercial paper investment and other financial transactions in accordance with limits set in the Treasury Policy. According to the Treasury Policy, core banks of the Group should have a minimum long-term rating of Baa3 or BBB-. The credit policy defines the limits for the acceptable level of credit risk. Customer-related credit risks are assessed based on payment history and financial strength. During 2012 a provision of EUR 1.1 million was made for bad debts (EUR -0.7 million in 2011). The maximum exposure to customer related credit risk at the reporting date is the carrying value of trade receivables. The Group holds no collateral as a security for this credit risk. The Group has a Sale of Receivables facility with one of its core banks in 2012. The total facility size is EUR 50 million, and at the end of 2012 none of it was yet utilized. There are no major concentrations of credit risk in the Group.

Capital management

The capital structure of the Group is being continuously monitored through gearing. Gearing level is calculated by dividing interest-bearing net debt with total equity. The target is to keep the capital structure on a level securing adequate financial flexibility for the operations. The net debt of the Group was EUR 23.9 million at the end of 2012 (EUR 82.7 million in 2011). The gearing at the end of 2012 was at 4.3% (14,6% in 2011).

Income statement (FAS)

EUR 1 000	Note	**1 Jan–31 Dec 2012**	1 Jan–31 Dec 2011
Net sales		**-**	-
Other operating income	1	**218 576**	214 257
Materials and services		**2 752**	3 534
Personnel expenses	2	**22 526**	20 530
Depreciation and reduction of values	8, 9	**4 028**	4 452
Other operating expenses	3	**209 352**	204 104
Operating profit (loss)		**-20 082**	-18 362
Financial income and expenses	5	**-27 131**	3 937
Profit (loss) before extraordinary items		**-47 213**	-14 426
Extraordinary items	6	**42 670**	31 139
Profit (loss) before taxes		**-4 543**	16 713
Taxes	7	**8 851**	5 957
Profit (loss) for the period		**-13 394**	10 756

Balance sheet (FAS)

EUR 1 000	Note	**31 Dec 2012**	31 Dec 2011
ASSETS			
Non-current assets			
Intangible assets	8	**5 742**	6 038
Tangible assets	9	**4 441**	4 922
Investments	10	**1 213 074**	1 023 477
Total non-current assets		**1 223 257**	1 034 437
Current assets			
Long-term receivables			
Receivables from Group companies	11	**36 344**	16 686
Other receivables	11	**90**	735
		36 434	17 422
Current receivables			
Accounts receivable		**100**	240
Receivables from Group companies	12, 13	**137 298**	92 935
Receivables from associated companies	12, 13	**224**	150
Other receivables		**4 768**	20 864
Prepaid expenses and accrued income	13	**10 499**	10 207
		152 890	124 395
Cash and cash equivalents		**36 770**	43 828
Total current assets		**226 093**	185 645
TOTAL ASSETS		**1 449 351**	1 220 081

EUR 1 000	Note	**31 Dec 2012**	31 Dec 2011
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	14		
Share capital		**75 952**	75 842
Share subscriptions based on stock options		**1 243**	-
Share issue premiums		**8 219**	7 123
Invested unrestricted equity reserve		**2 217**	625
Retained earnings		**716 556**	759 402
Net profit (loss) for the current year		**-13 394**	10 756
		790 793	853 748
Provisions	15	**1 897**	1 731
Liabilities			
Non-current liabilities			
Bonds	16	**-**	99 993
Other non-current liabilities	16	**946**	-
		946	99 993
Current liabilities			
Loans from financial institutions		**99 972**	49 952
Accounts payable		**8 187**	11 681
Liabilities to Group companies	17, 18	**524 202**	175 257
Liabilities to associated companies	17, 18	**7 133**	7 241
Other current liabilities		**2 153**	6 741
Accrued liabilities and deferred income	18	**14 067**	13 739
		655 715	264 611
Total liabilities		**656 661**	364 603
TOTAL EQUITY AND LIABILITIES		**1 449 351**	1 220 081

Statement of cash flows (FAS)

EUR 1 000	1 Jan–31 Dec 2012	1 Jan–31 Dec 2011
Cash flow from operations		
Profit before extraordinary items	**-47 213**	-14 426
Adjustments		
Depreciation, amortization and impairment	**4 028**	4 452
Financial income and expenses	**27 131**	-3 937
Other non-cash items	**3 210**	-324
Cash generated from operations before net working capital	**-12 844**	-14 234
Change in working capital		
Change in current receivables	**34 584**	-9 696
Change in current non-interest-bearing liabilities	**-17 642**	3 692
Cash generated from operations	**4 097**	-20 238
Interest expenses paid and other financial expenses	**-30 201**	-35 763
Interest income received	**34 363**	29 204
Dividend received	**33 447**	98 257
Income taxes paid	**-24 585**	769
Net cash flow from operations	**17 121**	72 229
Cash flow from investing activities		
Purchase of tangible and intangible assets	**-3 552**	-2 933
Proceeds from sale of tangible and intangible assets	**-**	59
Acquisition of Group companies and business operations	**-261 099**	-6 678
Proceeds from sale of Group companies and business operations	**4 971**	-
Loans granted	**-33 809**	-13 737
Proceeds from repayments of loans	**15 515**	13 430
Total net cash used in investing activities	**-277 973**	-9 858
Cash flow from financing activities		
Dividends paid	**-53 587**	-50 047
Proceeds from issuance of share capital	**2 799**	-
Proceeds from long-term borrowings	**946**	-
Repayments of long-term borrowings	**-**	352
Proceeds from short-term borrowings	**255 988**	9 064
Repayments in short-term borrowings	**-352**	-15 672
Change in intercompany cash pool, net	**16 861**	-43 587
Group contributions received	**31 200**	36 000
Group contributions paid	**-61**	-
Total net cash used in financing activities	**253 795**	-63 890
Change in cash and cash equivalents	**-7 058**	-1 519
Cash and cash equivalents at beginning of period	**43 828**	45 346
Cash and cash equivalents at end of period	**36 770**	43 828
	-7 058	-1 519

Parent company accounting principles

The financial statements of the Parent company Tieto Corporation are prepared in accordance with Finnish Accounting Standards (FAS).

Tieto Corporation is a Finnish public limited company organized under the laws of Finland and domiciled in Helsinki. The company is listed on NASDAQ OMX in Helsinki and Stockholm. The Board of Directors approved the financial statements to be published 6 February 2013. According to the Limited Liability Companies Act the shareholders have at the Annual General Meeting the right to approve, disapprove or change the financial statements after the publication.

Foreign currency items

Foreign currency transactions are recorded at the exchange rate prevailing on the transaction date. Foreign currency items at the end of the financial period are valued at the average exchange rates on the balance sheet date. Foreign currency items are hedged using derivative contracts.

Exchange gains and losses on net financial liabilities are reported in the income statement under financial items, while other exchange gains or losses are included in operating profit. Gains and losses arising from revaluation of derivative contracts are, depending on their nature, reported either under financial items or operating profit.

Other operating income

Other operating income mainly includes internal service fees, rental income and gains from asset disposals.

Pension arrangements

The company’s pension obligations are administered through pension insurance institutions. Pension obligations are fully covered.

Financial instruments

Financial assets are classified into the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. Financial liabilities are classified into categories: at fair value value through profit or loss and financial liabilities measured at amortized cost.

The company applies the Finnish Accounting Act chapter 5 section 2A and records financial instruments initially at fair value. Transaction costs are included if the financial instrument is not recorded at fair valued through profit or loss. Usually the fair value equals amount received or paid. Subsequent measurement of financial instruments depends on the designation of the instruments.

- Financial assets and liabilities at fair value through profit or loss

  Derivatives, comprising foreign exchange forward contracts, currency options, power derivatives and interest rate swaps (and embedded derivatives), are held for trading and valued at fair value. Foreign exchange derivatives' fair values are calculated according to closing date's foreign exchange and interest rates. Interest rate swaps are valued according to present value of their cash flows, supported by all relevant market data. Related valuation changes are reported in the income statement and in current assets or liabilities (asset or liability due in less than 12 months) or non-current assets and liabilities in the balance sheet.

- Loans and receivables

  Fixed deposits, principally comprising funds held with banks and other financial institutions, and short-term and long-term loan receivables, as well as trade and other receivables, are classified as loans and receivables and held at amortized cost. In the balance sheet, they are reported according to their nature either in current or non-current assets. Investments in money market instruments are reported as short-term deposits under cash and cash equivalents.

- Available for sale

  Investments in equity instruments, except for investments in associated companies and joint ventures, are classified as assets available-for-sale. They are measured at fair value if fair value can be measured reliably and unrealized gains and losses are recognized to shareholders’ equity. If fair value is not available, the assets are held at initial value. The available-for-sale assets are reported in non-current assets in the balance sheet. When the investment is sold, the accumulated fair value adjustment is recognized in the income statement.

- Financial liabilities measured at amortized cost

  Short-term borrowings and overdrafts as well as long-term loans and trade and other payables are classified as financial liabilities measured at amortized cost. Loans are included in non-current and current liabilities. Interest expense and transaction costs are amortized in the income statement over the maturity of the loan using the effective interest method.

The company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of assets is impaired. Possible impairment is booked in the income statement.

Extraordinary items

Significant items not related to the regular business operations of the Group such as Group contributions are included in extraordinary items.

Valuation of fixed assets

Fixed assets are carried at cost less accumulated depreciation. Depreciation is charged according to plan based on the estimated economic lives of the individual assets and accounted for in accordance with the straight-line method.

The company applies the following economic lives:

	Years
Intangible assets (software)	1-3
Goodwill from operations	3-5
Other capitalized expenditure	5-10
Buildings	40
Data processing equipment [1)]	1-4
Other machinery and equipment	5-8
Other tangible assets	10

[1)] Purchases of personal computers are expensed immediately.

Leases of equipment are classified as operating leases.

Income taxes

The income statement includes the company’s income taxes based on taxable profit for the period according to local tax regulations as well as adjustments to prior-year taxes. The information related to deferred tax items is included in the notes.

EUR 1 000	**1 Jan–31 Dec 2012**	1 Jan–31 Dec 2011

1. Other operating income

Gain from sale of other fixed assets and shares	**4**	-
Rental income	**45 496**	44 170
Internal service fees	**172 106**	169 170
Other income	**970**	918
	218 576	214 257

2. Personnel expenses

Payroll costs	**16 569**	17 907
Pension expenses	**5 120**	2 228
Other pay-related statutory social costs	**837**	395
	22 526	20 530

The parent company had an average of 221 employees during 2012 and 216 employees in 2011.

3. Other operating expenses

Voluntary personnel expenses	**1 275**	4 004
Licenses and maintenance	**10 374**	8 303
ICT and data communication expenses	**19 415**	19 209
Administrative expenses	**118 082**	115 187
Rents and other premises expenses	**39 794**	38 488
Other operating expenses	**20 411**	18 913
	209 352	204 104

4. Management remuneration

See Note 7 in Notes to the consolidated financial statements.

EUR 1 000	**1 Jan–31 Dec 2012**	1 Jan–31 Dec 2011

5. Financial income and expenses

Dividend income		
Dividend income from Group companies	**26 064**	90 762
Dividend income from associated companies	**7 382**	7 494
Dividend income from other companies	**1**	-
	33 447	98 256
Other interest and financial income		
From Group companies	**21 049**	6 177
From other companies	**24 901**	28 431
	45 951	34 608
Investment write-downs	**-67 636**	-88 269
Interest and other financing expenses		
To Group companies	**-9 569**	-5 747
To other companies	**-29 324**	-34 912
	-38 893	-40 659
Total financial income and expenses	**-27 131**	3 937

6. Extraordinary items

Group contributions received	**42 670**	31 200
Group contributions given	**-**	-61
	42 670	31 139

7. Taxes

Taxes for the financial period / extraordinary items	**10 454**	8 096
Taxes for the financial period / reqular operations	**-1 582**	-6 525
Taxes for the previous years	**-21**	4 386
	8 851	5 957

EUR 1 000	31 Dec 2012	31 Dec 2011

8. Intangible assets

Intangible rights		
Acquisition cost, 1 Jan	**10 744**	10 725
Increases	**701**	74
Decreases	**-**	-55
Transfers	**527**	-
Acquisition cost, 31 Dec	**11 973**	10 744
Accumulated amortization, 1 Jan	**9 980**	8 632
Accumulated amontization for decreases and transfers	**-**	-9
Amortization for the period	**780**	1 357
Accumulated amortization, 31 Dec	**10 759**	9 980
Book value, 31 Dec	**1 213**	764

Other capitalized expenditures		
Acquisition cost, 1 Jan	**8 791**	7 805
Increases	**1 366**	989
Decreases	**-371**	-3
Acquisition cost, 31 Dec	**9 786**	8 791
Accumulated amortization, 1 Jan	**4 349**	3 094
Accumulated amortization for decreases and transfers	**92**	22
Amortization for the period	**1 394**	1 233
Accumulated amortization, 31 Dec	**5 834**	4 349
Book value, 31 Dec	**3 952**	4 442

Advance payments		
Acquisition cost, 1 Jan	**832**	-
Increases	**598**	832
Transfers	**-853**	-
Acquisition cost, 31 Dec	**577**	832

Book value of intangible assets, 31 Dec total	**5 742**	6 038

EUR 1 000	31 Dec 2012	31 Dec 2011

9. Tangible assets

Land		
Acquisition cost, 1 Jan	**60**	60
Acquisition cost, 31 Dec	**60**	60
Buildings and structures		
Acquisition cost, 1 Jan	**861**	861
Acquisition cost, 31 Dec	**861**	861
Accumulated depreciation, 1 Jan	**749**	721
Depreciation for the period	**28**	28
Accumulated depreciation, 31 Dec	**777**	749
Book value, 31 Dec	**84**	112
Machinery and equipment		
Acquisition cost, 1 Jan	**22 847**	21 878
Increases	**1 484**	1 033
Decreases	**-221**	-65
Acquisition cost, 31 Dec	**24 110**	22 847
Accumulated depreciation, 1 Jan	**18 157**	16 381
Accumulated depreciation for decreases	**-133**	-58
Depreciation for the period	**1 827**	1 834
Accumulated depreciation, 31 Dec	**19 850**	18 157
Book value, 31 Dec	**4 260**	4 690
Other tangible assets		
Acquisition cost, 1 Jan	**37**	37
Acquisition cost, 31 Dec	**37**	37
Book value, 31 Dec	**37**	37
Advance payments		
Acquisition cost, 1 Jan	**23**	-
Increases	**-**	23
Transfers	**-23**	-
Acquisition cost, 31 Dec	**-**	23
Book value of tangible assets, 31 Dec total	**4 441**	4 922

10. Investments

EUR 1 000	**31 Dec 2012**	31 Dec 2011
Subsidiary shares		
Acquisition cost, 1 Jan	**1 015 262**	1 090 257
Increases	**261 099**	8 411
Decreases	**-4 959**	-369
Write-downs	**-66 463**	-83 037
Acquisition cost, 31 Dec	**1 204 940**	1 015 262
Book value, 31 Dec	**1 204 940**	1 015 262
Shares in associated companies		
Acquisition cost, 1 Jan	**7 842**	7 842
Acquisition cost, 31 Dec	**7 842**	7 842
Book value, 31 Dec	**7 842**	7 842
Other shares and interests		
Acquisition cost, 1 Jan	**373**	373
Decreases	**-81**	-
Acquisition cost, 31 Dec	**292**	373
Book value, 31 Dec	**292**	373
Investments, 31 Dec total	**1 213 074**	1 023 477

Subsidiary shares

See page Subsidiary shares

Associated companies owned and managed by the parent company

See Note 16 in Notes to the consolidated financial statements.

Other shares and securities

See Note 13 in Notes to the consolidated financial statements.

EUR 1 000	**31 Dec 2012**	31 Dec 2011

11. Non-current receivables

Loan receivable from Group companies	**36 344**	16 686
Other receivables	**90**	735
	36 434	17 422

12. Current intercompany receivables

Receivables from Group companies		
Accounts receivable	**35 627**	26 758
Loan receivables	**46 217**	25 613
Other receivables	**12 265**	8 414
Group contributions receivable	**42 670**	31 200
Prepaid expenses and accrued income	**519**	950
	137 298	92 935
Receivables from associated companies		
Accounts receivable	**200**	94
Prepaid expenses and accrued income	**24**	56
	224	150

13. Prepaid expenses and accrued income

Prepaid expenses and accrued income from Group companies		
Other	**519**	950
Prepaid expenses and accrued income from associated companies	**24**	56
Prepaid expenses and accrued income from other companies		
Licence fees	**2 905**	2 951
Social costs	**981**	988
Rents	**3 357**	2 780
Receivables on stock options	**1 243**	-
Other	**2 012**	3 488
Total	**10 499**	10 207
Prepaid expenses and accrued income, total	**11 042**	11 214

EUR 1 000	31 Dec 2012	31 Dec 2011

14. Changes in shareholders' equity

Restricted equity		
Share capital, 1 Jan	**75 842**	75 842
Share subscriptions based on stock options	**111**	-
Share capital, 31 Dec	**75 952**	75 842
Share subscriptions based on stock options, not yet registered		
Will be entered in the share capital	**112**	-
Will be entered in the share premium reserve	**1 108**	-
Share subscriptions based on stock options, not yet registered,31 Dec	**1 220**	-
Share issue premiums, 1 Jan	**7 123**	7 123
Share subscriptions based on stock options	**1 097**	-
Share issue premiums, 31 Dec	**8 219**	7 123
Restricted equity total	**85 391**	82 964
Unrestricted equity		
Invested unrestricted equity reserve, 1 Jan	**625**	625
Share subscriptions based on stock options	**1 591**	-
Share subscriptions based on stock options, not yet registered	**23**	-
Invested unrestricted equity reserve, 31 Dec	**2 240**	625
Retained earnings, 1 Jan	**770 158**	809 427
Dividend distributions	**-53 602**	-50 029
Retained earnings, 31 Dec	**716 556**	759 402
Net profit (loss) for the period	**-13 394**	10 756
Unrestricted equity total	**705 402**	770 784
Shareholders' equity, total	**790 793**	853 748
Distributable funds		
Invested unrestricted equity reserve	**2 240**	625
Retained earnings	**716 556**	759 402
Net profit (loss) for the period	**-13 394**	10 756
Total	**705 402**	770 784
Breakdown of the parent's share capital		
Number of shares	**72 377 213**	72 023 173
Euros	**75 952**	75 842

EUR 1 000	**31 Dec 2012**	31 Dec 2011

15. Provisions

Pension commitments	**58**	52
Restructuring commitments	**421**	648
Costs related to divestments	**320**	320
Rent commitment	**98**	711
Other provisions	**1 000**	-
	1 897	1 731

16. Non-current liabilities

Bonds	**-**	99 993
Other non-current liabilities	**946**	-
	946	99 993

17. Current intercompany liabilities

Debts to Group companies		
Accounts payable	**18 253**	22 219
Other debt including cash pool	**503 207**	148 582
Group contributions debts	**-**	61
Accrued liabilities and deferred income	**2 743**	4 395
	524 202	175 257
Debts to associated companies		
Accounts payable	**8**	2
Other debt	**7 125**	7 235
Accrued liabilities and deferred income	**-**	4
	7 133	7 241

EUR 1 000	**31 Dec 2012**	31 Dec 2011

18. Accrued liabilities and deferred income

Accrued liabilities and deferred income from Group companies		
Personnel related expenses	**87**	788
Service fee	**2 452**	2 329
Interest	**194**	236
Other	**10**	1 041
Total	**2 743**	4 395
Accrued liabilities and deferred income from associated companies	**-**	4
Accrued liabilities and deferred income from other companies		
Vacation pay and related social costs	**2 612**	2 690
Other accrued payroll and related social costs	**1 674**	547
Interest	**2 856**	3 835
Other social costs	**14**	8
Other	**6 912**	6 659
Total	**14 067**	13 738
Accrued liabilities and deferred income, total	**16 810**	18 146

19. Deferred tax assets and liabilities

Deferred tax assets		
From temporary differences	**398**	265
From appropriations	**898**	975
Total	**1 296**	1 240
Deferred tax liabilities		
From temporary differences	**-**	-258

Deferred tax items are not included in the balance sheet.

EUR 1 000	**31 Dec 2012**	31 Dec 2011

20. Contingent liabilities

For Tieto's obligations		
Pledges	**-**	-
On behalf of Group companies		
Guarantees	**55 416**	60 654
On behalf of joint ventures	**-**	2 400
On behalf of other companies		
Guarantees	**150**	-
Other Tieto obligations		
Rent commitments due in 2013 (2012)	**22 689**	22 713
Rent commitments due later	**71 989**	83 782
Lease commitments due in 2013 (2012)	**341**	391
Lease commitments due later	**342**	545

Lease commitments are principally three-year lease agreements that do not include buyout clauses. The parent company's lease commitments include finance lease agreements that on a consolidated basis are capitalised as fixed assets.

In addition to the above mentioned contingent liabilities, the Parent company has provided security relating to certain major contracts, regarding IPR indemnity clauses. The maximum amount of these liabilities does not exceed EUR 220 million.

EUR 1 000	**31 Dec 2012**	31 Dec 2011

21. Derivative contracts

Foreign exchange forward contracts, nominal value	**706 203**	552 786
Electricity price futures contracts	**1 953**	3 398
Interest rate swaps, nominal value	**200 000**	250 000

Fair values of derivatives

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

Foreign exchange forward contracts	**4 506**	1 259
Electricity price futures contracts	**-305**	-666
Interest rate swaps	**-163**	-582

Gross positive fair values of derivatives:	**Positive 31 Dec 2012**	Positive 31 Dec 2011
Foreign exchange forward contracts	**11 573**	7 053
Electricity price futures contracts	**-**	-
Interest rate swaps	**2 429**	2 491

Gross negative fair values of derivatives:	**Negative 31 Dec 2012**	Negative 31 Dec 2011
Foreign exchange forward contracts	**-7 067**	-5 794
Electricity price futures contracts	**-305**	-666
Interest rate swaps	**-2 592**	-3 073

Shares and shareholders

Share capital and shares

Tieto Corporation's issued and registered share capital on 31 December 2012 totalled EUR 75 952 174 and the number of shares was 72 377 213.

Tieto's shares have no par value and their book countervalue is one euro. Tieto's shares are listed on NASDAQ OMX in Helsinki and Stockholm. The company has one class of shares, with each share conferring equal dividend rights and one vote. The company's Articles of Association include a restriction on voting at the Annual General Meeting, where no-one is allowed to vote with more than one-fifth of the votes represented at the meeting. The Articles of Association are available at www.tieto.com/investors.

Shareholders and holding of own shares

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 14% of Tieto's shares.

The members of the Board of Directors, the President and CEO and their close associates together held 0.1% of the shares and votes, and 8.2% of the option rights registered in the book-entry system on 31 December 2012. Based on current shareholdings and total number of stock options, they can increase their aggregate holding to at most 0.3% of the shares and votes. The President and CEO is also participating Tieto's Long-Term Incentive Programme 2012–2014 and he may be entitled to an additional success-based incentive which, if any, will be paid in Tieto shares. As the number of additional shares related to these incentives is dependent on the company's share price at the time of potential delivery these are not included in this aggregate number. The company has not issued any bonds with warrants.

Tieto has two major shareholders: Cevian Capital Partners Ltd and Solidium Oy. Based on the latest information (31 August 2012), Cevian Capital's holding was 11 073 614 shares, representing 15.3% of the shares and voting rights. Solidium Oy held 10.2% of Tieto's shares on 31 December. In 2012, there were no announcements of changes in the company's shareholding.

Tieto is not aware of any shareholder agreements or cross shareholdings which would limit the amount of shares available for trading. Additionally, since the existing stock option programmes and the share-based incentive plan represent limited dilution potential, the free float of the shares can be considered to be 100% excluding the treasury shares currently held by the company.

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.

Stock options and share-based incentives

Tieto has seven series of options issued for its key personnel. Out of these, three are synthetic options that are to be granted in countries where stock options may not be used. Four stock option series entitle their holders to subscribe for one share (1:1). The following table is based on the bookentry system on 31 December 2012:

Stock option	Company's ownership	Ownership of other holders	Maximum number of new shares*	% of shares and votes after dilution	Subscription period	Exercise price, EUR
2006 C	13 920	628 879	642 799	0.86%	1.3.2011–31.3.2013	10.91
2009 A	45 700	310 911	356 611	0.48%	1.3.2012–31.3.2014	6.51
2009 B	98 750	501 250	600 000	0.80%	1.3.2013–31.3.2015	14.92
2009 C	68 600	531 400	600 000	0.80%	1.3.2014–31.3.2016	12.16
Total	226 970	1 972 440	2 199 410	2.95%		

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. At the end of the year, the total number of stock options, i.e. the maximum number of potential new shares, had decreased to 2 199 410. On 18 January 2013, the total number of stock options decreased to 2 084 064. In 2012, a total of 105 950 stock options were returned to the company and as a result, the company's possession of stock options rose to 226 970.

The Board of Directors shall decide on measures concerning the unsubscribed options held by the company at a later date. In all the current share option schemes, the persons covered by the scheme receive the options if they are employed by the Tieto Group on the starting date of the subscription period. Under the terms and conditions of both the 2006 option scheme and the 2009 option scheme, the subscription price will be reduced annually by the amount of dividend per share.

In the company's synthetic option programme, Phantom Options 2009 are allocated to key employees of the Group based on performance in those countries where stock options may not be used. The maximum number of Phantom Options 2009 is 200 000 and they have been granted under series 2009 A, 2009 B and 2009 C. Phantom Options 2009 may entitle their holders to a cash reward based on the total share return of the underlying shares during 2009–2012 (2009 A), 2010–2013 (2009 B) and 2011–2014 (2009 C).

No reward was paid in 2012 based on the share-based incentive plan (Performance Share Plan 2009–2011) as the EPS target for 2011 was not met. The amount of the reward was determined on the basis of the financial statements for 2011.

The new share-based incentive plan, Long-Term Incentive Programme for 2012–2014, established in December 2011 contains three annual periods based on EPS (Earnings per Share) measurement and one parallel three-year period based on relative TSR (Total Shareholder Return) measurement. The first performance period began on 1 January 2012 and the final performance period will end on 31 December 2014. The estimated maximum number of shares to be delivered to participants as a reward is 1.6 million gross shares. The share rewards are to be acquired from the market and hence, the incentive plan will have no dilutive effect. Individual performance periods are followed by a lock-up period of two years for the executive management or one year for the other participants.

Board authorizations

The 2012 Annual General Meeting authorized the Board of Directors to repurchase the company's own shares or derivatives. The number of shares repurchased shall not exceed 7 200 000, which corresponds to approximately 10% of all of the shares in the company. The authorization is intended to be used to develop the company's capital structure.

The Board of Directors was also authorized to decide on the issuance of shares and option rights. The amount of shares to be issued based on the authorization, including shares to be issued based on the special rights, shall not exceed 7 200 000 shares. However, out of the maximum amount of shares above to be issued, no more than 2 000 000 shares, currently corresponding to approximately 2.8% of the shares in the company, may be issued as part of the company's share-based incentive programmes.

Share performance and trading

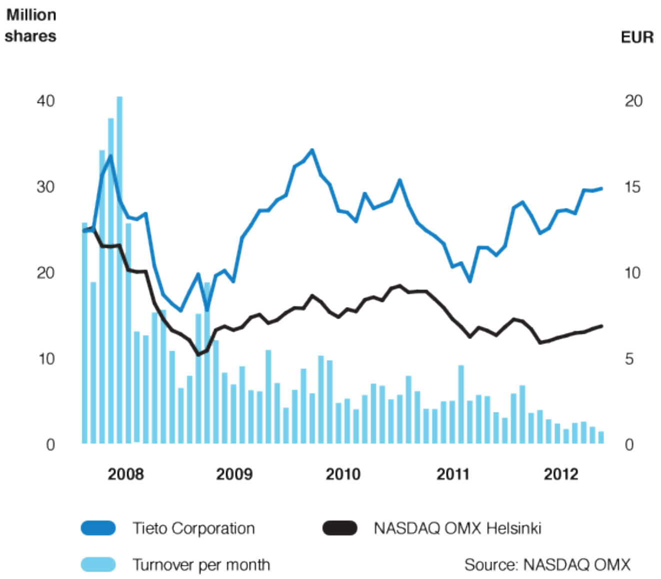
In 2012, the turnover of Tieto's shares totalled EUR 524.8 million (38 797 365 shares) in Helsinki and SEK 554.6 million (4 635 237 shares) in Stockholm, representing 60% of the shares. On NASDAQ OMX Helsinki, the volume weighted average share price in 2012 was EUR 13.53. At the end of the year, the share price was EUR 14.89. The highest price was EUR 15.78 and the lowest EUR 11.01. At the end of the year, the company's market capitalization totalled EUR 1 077.7 (792.3) million. 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.

In addition to NASDAQ OMX Helsinki and Stockholm, Tieto's share is traded on multilateral trading facilities (MTF). Shares were traded at least on Chi-X, Turquoise, Burgundy and BATS Europe. The aggregate number of Tieto's shares traded on these marketplaces was 14 270 824 shares, or approximately 25% of the total trading volume.

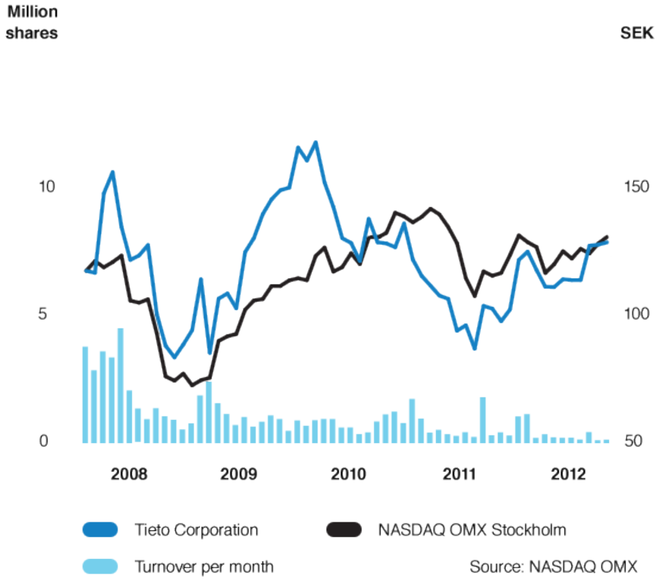
For additional information on shares and shareholders, see www.tieto.com/Investors/Shares.

	2012	2011	2010	2009	2008
SHARE INFORMATION					
Changes in share capital					
Share capital at year end, EUR	**75 952 174**	75 841 523	75 841 523	75 841 523	75 841 523
Number of shares	**72 377 213**	72 023 173	72 023 173	72 023 173	72 023 173
Adjusted number of shares at year end	**72 377 213**	72 023 173	72 023 173	72 023 173	72 023 173
Adjusted average for the year	**71 659 278**	71 469 473	71 408 913	71 499 888	71 661 523
Per share data					
Earnings per share, EUR					
basic	**0.41**	0.84	0.69	0.77	0.83
diluted	**0.41**	0.84	0.69	0.77	0.83
Equity per share, EUR	**7.75**	7.90	7.80	7.25	6.75
Share price performance and trading volumes					
NASDAQ OMX Helsinki					
Highest price of share, EUR	**15.78**	15.99	18.40	15.80	17.20
Lowest price of share, EUR	**11.01**	8.39	12.50	7.31	6.98
Average price of share, EUR	**13.53**	11.97	15.02	10.72	13.47
Turnover, number of shares	**38 797 365**	67 249 460	79 932 379	113 213 499	257 653 127
Turnover, %	**53.6**	93.4	111.0	158.2	359.6
NASDAQ OMX Stockholm					
Highest price of share, SEK	**139.50**	142.20	175.00	161.50	161.50
Lowest price of share, SEK	**97.55**	78.65	118.30	80.75	70.75
Average price of share, SEK	**119.50**	113.76	142.72	112.92	129.66
Turnover, number of shares	**4 635 237**	8 349 881	9 656 550	13 559 080	26 279 993
Turnover, %	**6.4**	11.6	13.4	19.0	36.7
Market capitalization, EUR million	**1 077.7**	792.3	1 019.8	1 044.3	559.6
Dividends					
Dividend, EUR 1 000	**59 709**	53 602	50 029	35 741	35 831
Dividend per share, EUR	**0.83**	0.75	0.70	0.50	0.50
Payout ratio, %	**202.4**	89.3	101.4	64.9	60.2
Price-weighted ratios					
NASDAQ OMX Helsinki					
Price per earnings ratio (P/E)	**18**	15	21	19	9
Dividend yield, %	**5.6**	6.8	4.9	3.5	6.4
NASDAQ OMX Stockholm					
Price per earnings ratio (P/E)	**18**	15	20	19	10
Dividend yield, %	**5.6**	6.8	4.9	3.4	6.1

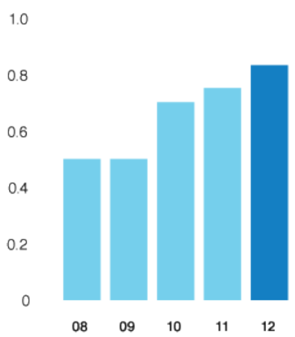
Share price development and turnover, Helsinki



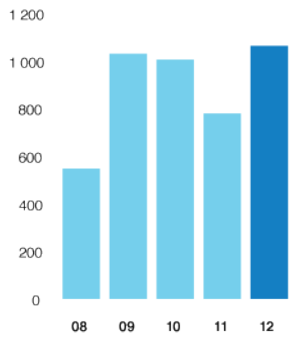
Share price development and turnover, Stockholm



Dividend / share, EUR



Market capitalization, EUR million



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 Gyllenberg funds	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.

Ownership structure on 31 December 2012, % of shares

Division of shares on 31 December 2012

Number of shares	Shareholders		Shares	
	No	%	No	%
1 - 100	5 094	32.9	311 437	0.4
101 - 500	6 352	41.0	1 732 335	2.4
501 - 1 000	1 986	12.8	1 549 537	2.1
1 001 - 5 000	1 724	11.1	3 671 775	5.1
5 001 - 10 000	165	1.1	1 200 757	1.7
10 001 - 50 000	122	0.8	2 481 652	3.4
50 001 - 100 000	19	0.1	1 338 876	1.9
100 001 - 500 000	29	0.2	5 426 646	7.5
500 001 -	12	0.1	54 653 638	75.5

Based on the ownership records of Euroclear Finland Oy.

Changes in share capital

(1 share = 1 vote)	Shares	Share capital, EUR
Total on 31 December 2006	75 841 462	75 841 462
Nullifying of the company's own shares, registered in 2007	1 883 350	0
Bonds with options subscribed, registered in 2007	61	61
Nullifying of the company's own shares, registered in 2008	1 935 000	0
Total on 31 December 2011	72 023 173	75 841 523
Subscriptions with stock options, registered in 2012	354 040	110 651
Total on 31 December 2012	**72 377 213**	**75 952 174**

Tieto, trading codes

NASDAQ OMX Helsinki	TIEV
NASDAQ OMX Stockholm	TIEN
Thomson Reuters, Helsinki	TIE1V.HE
Thomson Reuters, Stockholm	TIEN.ST
Bloomberg, Helsinki	TIE1V FH
Bloomberg, Stockholm	TIEN SS
ISIN Code	FI0009000277

Proposal of the Board of Directors

Distributable funds in the parent company	705 378 263.62
of which net result for the current year	-13 394 242.31

The Board of Directors proposes that the distributable funds mentioned above be used as follows:

- a dividend of EUR 0.83 per share be paid to shareholders	59 709 252.97
- the remainder be carried forward	645 669 010.65

In the opinion of the Board of Directors the proposed dividend distribution does not endanger the solvency of the company.

Helsinki, 5 February 2013

Markku Pohjola
Chairman

Kurt Jofs
Vice Chairman

Eva Lindqvist

Jari Länsivuori

Sari Pajari

Risto Perttunen

Teuvo Salminen

Ilkka Sihvo

Jonas Synnergren

Ingela Öhlund

Kimmo Alkio
President and CEO

Auditor's report

(Translation from the Finnish Original)

To the Annual General Meeting of Tieto Corporation

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Tieto Corporation for the year ended 31 December, 2012. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Consolidated Financial Statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the Company's Financial Statements and the Report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki February 5, 2013

PricewaterhouseCoopers Oy
Authorised Public Accountants

Kim Karhu
Authorised Public Accountant

Information for shareholders

Shareholder calendar 2013

- Record date for the AGM 13 March
- Registration period 14 February–18 March 4 pm EET
- Annual General Meeting 25 March
- Ex-dividend date 26 March
- Record date for dividend payment 28 March
- Payment of the dividend as from 15 April
- Interim report 1/2013 25 April
- Interim report 2/2013 19 July
- Interim report 3/2013 23 October

Annual General Meeting

Tieto Corporation's Annual General Meeting (AGM) will be held on Monday 25 March 2013 at 3.00 pm (EET) at Finlandia hall (Helsinki hall), address Mannerheimintie 13 e, 00100 Helsinki, Finland.

Documents of the AGM

The documents of the AGM are available on the company's website www.tieto.com/agm.

The right to participate and registration

Each shareholder, who is registered on 13 March 2013 in the shareholders' register of the company, has the right to participate in the AGM. A shareholder, whose shares are registered on his/her Finnish book-entry account, is registered in the shareholders' register of the company.

A shareholder, who wishes to participate in the AGM, may register for the AGM by giving a prior notice of participation no later than 18 March 2013 at 4.00 pm (EET) by which time the registration needs to arrive in the company. Such notice can be given:

- through Tieto's website at www.tieto.com/agm
- by e-mail agm@tieto.com
- by phone +358 20 770 6863 (Mon–Fri 9.00–16.00 (EET))
- by telefax +358 20 602 0232 or
- by mail Tieto, Legal/AGM, P.O. Box 38, FI-00441 Helsinki, Finland

Holders of nominee registered shares

A holder of nominee registered shares is advised without delay to request from his/her custodian bank necessary instructions regarding the registration in the temporary shareholder's register of the company, the issuing of proxy documents and registration for the AGM. The account management organization of the custodian bank will register a holder of nominee registered shares, who wants to participate in the AGM, into the temporary shareholders' register of the company at the latest by 20 March 2013 by 10 am (EET).

Dividend payment

The Board of Directors proposes to the AGM that a dividend of EUR 0.83 per share be paid on the financial year 2012. The dividend will be paid to shareholders who are registered in the shareholder's register of the company maintained by the Euroclear Finland Ltd, or in the register maintained by Euroclear Sweden AB, on the record date for dividend payment, which is 28 March 2013. It is proposed that the dividend be paid out as from 15 April 2013.

Further information on the AGM at www.tieto.com/agm.