Q3 2014

Interim Report 3/2014

January–September

Strong underlying operating profit and IT services order intake

- Underlying operating margin close to 12% mainly due to continued efficiency improvement
- Strong order intake driven by the manufacturing and retail industries as well as continued strong performance in Managed Services
- In Product Development Services, capacity adjustments initiated due to the insourcing decision taken by one key customer – one-off goodwill impairment charges impacting operating profit

Key figures

- Net sales in local currencies were organically down by 2.6%
- In IT services, organic growth in local currencies was 1.0%
- Order intake (Total Contract Value) amounted to EUR 395 (299) million and order backlog was EUR 1 558 (1 421) million
- Third-quarter operating profit excl. one-off items rose to EUR 41.3 (37.5) million, margin increased to 11.9% (10.4)
- Operating profit includes goodwill impairment charges of EUR 40 million

	7–9/2014	7–9/2013 2)	1–9/2014	1–9/2013 2)
Net sales, EUR million	346.2	361.1	1 119.6	1 201.7
Change, %	-4.1	n/a	-6.8	n/a
Organic change in local currencies, %	-2.6	n/a	-1.7	n/a
Operating profit (EBITA), EUR million	-3.7	25.2	52.4	71.2
Operating margin (EBITA), %	-1.1	7.0	4.7	5.9
Operating profit (EBIT), EUR million	-3.9	24.3	51.6	68.4
Operating margin (EBIT), %	-1.1	6.7	4.6	5.7
Operating profit (EBIT) excl. one-off items 1), EUR million	41.3	37.5	105.8	99.1
Operating margin (EBIT) excl. one-off items 1), %	11.9	10.4	9.5	8.2
Profit after taxes, EUR million	-12.8	18.4	28.3	47.2
EPS, EUR	-0.17	0.25	0.39	0.65
Net cash flow from operations, EUR million	11.1	40.8	77.7	101.5
Return on equity, 12-month rolling, %	8.7	5.4	8.7	5.4
Return on capital employed, 12-month rolling, % 3)	10.4	9.0	10.4	9.0
Investments, EUR million	10.1	15.5	30.6	48.1
Interest-bearing net debt, EUR million	25.7	52.6	25.7	52.6
Net debt/EBITDA	0.2	0.2	0.2	0.2
Book-to-bill	1.1	0.8	1.1	1.0
Order backlog	1 558	1 421	1 558	1 421
Personnel on 30 Sep	13 878	14 778	13 878	14 778

1) Excl. capital gains, goodwill impairment charges and restructuring costs
2) Figures restated according to IFRS 11 'Joint arrangements'
3) The figure for 2013 has been restated. The new calculation formula is on page 16.

Full-year outlook for 2014 unchanged

Tieto expects its full-year operating profit (EBIT) excluding one-off items to increase from the previous year's level (EUR 141.2 million in 2013).

CEO's comment

Comment regarding the interim report by Kimmo Alkio, President and CEO:
"We are pleased to see the continued performance improvement in both our core IT services business and the underlying profitability of the Group. I'm also satisfied with the healthy order intake in many of our businesses, especially in the manufacturing and retail industries as well as the Managed Services business as a whole.

The market environment for our Product Development Services business remains challenging due to the recent insourcing decision made by one of our large customers. Consequently, we have initiated actions to reduce the cost base and to improve our performance in this area within our existing customer base. Additionally, we continue to seek growth for Product Development Services through new customers globally.

At Tieto, we continue to invest in several business areas that are expected to drive future growth of the company. Cloud services have been successful for our customers and have delivered over 100% cloud services growth for Tieto during the last nine months. Momentum remains high in our start-up operations for both Industrial Internet and Customer Experience Management. I remain optimistic that our investments will continue to deliver double-digit growth in the chosen areas."

Market development

The IT services market in the Nordic countries experienced two-fold development in the third quarter. Clients continue to look for ways to achieve additional cost savings and to become more competitive in their businesses. On the other hand, enterprises also continuously seek new ways to grow and differentiate themselves from their competitors.

Cloud-based technologies combined with global delivery and industrialized processes provide enterprises with lower total cost of ownership, opening up good opportunities for providers of IT services. At the same time, with the help of new technologies enterprises can innovate and create competitive advantage.

Tieto expects the Nordic market to grow by around 2% in 2014. However, it is possible that growth may slow down towards the year-end, especially in Finland, due to the somewhat weaker financial outlook. Growth in the second half may be slower than in the first half. In the longer term, growing trends like mobility, cloud, big data and social features enable the emergence of new services providing a high-level digital experience and efficiency of back-end processes. Tieto sees customer experience management, industrial internet and cloud services, among others, as future sources of high growth.

- Customer experience management provides companies with means to differentiate themselves from their competitors by excelling in digitally empowered experience and utilizing insights on customer behaviour. Enterprises such as traditional retailers and banks need to invest in ensuring customer loyalty and new revenue streams through services that provide a seamless customer experience across multiple channels. The Nordic market is expected to grow by an annual rate of around 20% in the coming years.
- In Industrial internet, the market is getting poised to harness the advantages of new technologies. By utilizing new ways to connect devices, handle data and distribute intelligence and autonomy among devices, customers are able to not only increase efficiency, but also to create entirely new businesses and improve the service experience for end customers. Interest in the "as a service" model provides IT vendors with a good opportunity to create substantial business. The Nordic market is expected to grow by an annual rate of around 50% (CAGR) to over EUR 5 billion by 2020.
- Cloud services: The market for transferring operations into scalable and flexible cloud environments is growing fast. Currently, cloud services are a standard part of new offers as customers seek ways to reduce the total cost of ownership. Due to greater automation, services are becoming less labour-intensive and more cost-efficient, helping service providers to remain competitive. Additionally, scalability related to the 1-to-many service model enabled by the cloud and better server capacity utilization support good profitability for cloud services.

Industry sector drivers

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

- In the **finance** sector, front-end services and customer experience management remain focus areas for both the banking and insurance sectors across all markets while some cautiousness to start new projects is evident in the market. At the same time, cost savings pressure drives demand for infrastructure renewals and interest towards outsourcing and cloud services. In the small and medium-sized business segment, the activity level has increased and the market is dominated by the "as a service" model and there is growing interest in "business process as a service" models.

- In the **public** sector, the weak financial outlook has affected IT spending in Finland. However, cost cutting increases the pressure to deploy shared IT services and utilize existing frame agreements, and Tieto sees relatively healthy demand for data centre and capacity services. In Sweden, the outsourcing trend continues to be strong and there is strong demand for cloud services.

- In the **healthcare and welfare** sector in Finland, deliveries related to national interoperability are well on track in the healthcare sector and around 60% of Tieto's healthcare customers in the public sector have been connected to the national archive. In 2015, deliveries will also continue to the healthcare customers in the private sector. The reform of healthcare and welfare services may be delaying some decisions. Increasing regulation and digitalization of healthcare and welfare processes are expected to keep activity at a good level in all Nordic countries.

- In the **manufacturing and forest** sectors, demand for outsourcing services is good and cloud services continue to drive growth. Cost savings and efficiency improvements in the demand supply chain are important drivers for initiating new IT projects. Interest in business intelligence and advanced analytics is on the rise. In the forest sector, interest in customer experience management and end user services is also increasing.

- In the **retail & logistics sector**, changes in consumer behaviour continue to drive the needs for change and transformation. Retailers and service providers are investing in more advanced commerce solutions in order to achieve better consumer understanding, customer engagement, loyalty as well as increased revenue. Customers' ongoing cost cutting programmes also create demand for outsourcing and infrastructure services that enable them to reduce costs.

- In the **energy** utilities sector, clients are awaiting regulatory changes related to the harmonization of the Nordic markets prior to making further IT investments. The market for advanced metering infrastructure in Norway is progressing well. In the **oil & gas** market, the activity level is decreasing as cost cutting is currently on the agenda for oil & gas companies as well.

- In the **media** sector, customers are driving business transformation reflecting the increased deployment of digital services. Due to clients' tight budgets, investment decisions are driven by cost reductions which is expected to result in new outsourcing opportunities in the mid-term.

- In the **telecom** sector, telecom operators remain under pressure and consolidation continues. Large transformation programmes are divided into smaller projects and customers have tightened the requirements for additional business value. Additionally, IT service providers are experiencing aggressive competition in this sector.

- In the market for **telecom product development**, the share of software development in overall product design is increasing. However, the insourcing trend has resulted in reduced external R&D spending and outsourced software development continues to hold a relatively small share.

Company strategy

Tieto provides a full range of IT services comprising integration and operations management services complemented with its own products. Due to its total service offering, strong offshore capability and continued improvements in cost structure, the company is well positioned in its target markets. In the long run, Tieto's ambition is to grow faster than the market in IT services, with growth mainly coming from services driving end-customer experience and cloud services as well as selected industry products.

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

The company has defined its future investments in key offerings, partly compensating for the decline of traditional IT services. The selected offerings and the company's measures to increase the industrialization of its services are expected to contribute to growth and the long-term operating margin (EBIT) target of 10% towards 2016.

Investments in future high-growth offerings driving significant growth over the following few years from the 2013 sales level of around EUR 200 million

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

Investments in other key services to enhance scalability of selected key offerings
- Selected offerings in Industry Products to further strengthen well-performing solutions in the areas of financial services, hydrocarbon accounting and supply chain management
- Modernization of services in application management and infrastructure management to drive simplification, speed and efficiency
- Cloud services, mainly in Managed Services, to further drive growth of existing services, e.g. Tieto Cloud Server and Tieto Productivity Cloud, and to launch new services.

Customer Experience Management (CEM) as well as Business and IT Transformation practices are segments with attractive double-digit growth potential for CSI. In the CEM area, Tieto has won a number of cases, especially in the finance sector. Examples of Tieto's role in this area include serving as an advisor for digital customer experience innovations, a partner for large CEM-driven transformations, and a provider of a SaaS-based online and mobile bank.

The market for Lifecare has remained good due to the ongoing digitalization of the healthcare and welfare sector. Further investments will be made in the suite of applications, with a number of new launches being expected also in 2015 and 2016. In the third quarter, Tieto launched seven new Lifecare applications in areas such as interoperability, mobile homecare and children's day care. The market for the Finnish national interoperability has been active in 2014. In the Finnish market, Tieto's applications in this area represent a substantial share of customer solutions.

In Industrial Internet, Tieto's growth-stage investment, the focus has been on the design of offerings and the partner network. The first pilot cases and negotiations on continuing activities are currently ongoing. Tieto and Cisco have recently announced that they will collaborate on the Internet of Everything solutions, which will help various industries, e.g. manufacturing and healthcare, to take advantage of data being generated by machines and derive more value from their existing networks.

Tieto is in the process of increasing industrialization in application management and infrastructure management. Investments in increasing competitiveness are already paying off and, in these areas, Tieto has won large agreements that will be based on global delivery capability and industrialized processes.

Tieto's cloud-related sales including all service lines account for a high-single-digit percentage point share of the company's net sales. Tieto provides a variety of services, including cloud-related consulting and integrations in addition to cloud-based capacity services. In Managed Services, Tieto Cloud Server and Tieto Productivity Cloud continue to see strong demand. The service line is also preparing for the launch of industry-specific offerings combining the company's technological competences with industry expertise, e.g. in the public and healthcare sector. Cloud offerings were growing by 38% in the third quarter compared with the previous quarter. In the nine-month period, cloud services grew by 131% compared with the previous year. Cloud offerings currently represent around 12% of Managed Services' sales.

Performance improvement

Sales in 2014 are affected by the implementation of several divestments. The 2013 sales of the divested businesses amounted to around EUR 43 million. The divestments affect comparability with 2014 sales, mainly in the first half. Organically, the company aims to grow its full-year sales of IT services in 2014 in line with the market. In Product Development Services (PDS), full-year sales are anticipated to decline in 2014 due to the continued insourcing trend.

Tieto has earlier anticipated that investments (OPEX) in offering development and innovation will increase from the 2013 level of EUR 40 million to around EUR 50 million in 2014. In the nine-month period, development costs have been around EUR 4 million higher. The company currently anticipates the development costs in 2014 to be in the range of EUR 45–50 million. Capital expenditure (CAPEX) in 2014 is anticipated to remain at the level of 3–4% of sales – at the lower end of the range – which is below the current depreciation level (EUR 78.1 million in 2013).

The trend in the company's profitability has remained favourable and with its efficiency programmes the company has succeeded in more than compensating for the negative effect of salary inflation. The programme launched in 2013 has been concluded and the company is expected to see over EUR 50 million in savings in 2014. Of the targeted savings of EUR 50 million, around EUR 10 million was visible already in the results for 2013 and in 2014, the programme has proceeded according to plan.

In 2014, Tieto has announced efficiency measures in both IT services (160 employees in CSI) and PDS (1 200 employees). In PDS, 250 of the planned redundancies were announced during May and June and 950 of the redundancies were announced in October, following the insourcing decision made by one key customer in the R&D business.

In 2014, the efficiency measures initiated during the year are anticipated to have a positive effect of around EUR 10 million on operating profit, mainly in the fourth quarter. Of this amount, EUR 5 million is expected to materialize in IT services and EUR 5 million in PDS. The estimate for the impact of efficiency measures in 2015 will be specified later.

To ensure that Tieto can profitably deliver high-quality services at competitive prices, the company will continue to focus on competence renewal and improving efficiency. New technologies and standardization will drive industry changes towards less labour-intensive solutions, especially in areas where automation and industrialization yield greater efficiency.

PDS unit sales and operating profit will be affected in 2015 by the insourcing decision made by one key customer. The insourcing is anticipated to materialize mainly during the first quarter of 2015. Sales related to this customer represent around 5% of Group sales. The total net cash flow impact of the measures during 2014 and 2015 is expected to be minor, as the release of working capital will offset the negative impact of restructuring costs and reduced business volumes. In the fourth quarter, underlying profitability is anticipated to improve due to higher operational efficiency and some temporary commercial terms. Restructuring costs related to these measures may rise up to EUR 20 million, which will be booked mainly in the fourth quarter pending employee negotiations. Including the earlier anticipated restructuring costs, full-year restructuring costs are estimated to be in the range of EUR 45–50 million in total for the company. The estimate also includes one-off costs related to site consolidation to be implemented in the Helsinki capital area.

Going forward, efficiency measures and restructuring needs will be based on potential overcapacity in selected businesses, automation and the need to realign the company's competence base.

Financial performance in July–September

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

Third-quarter net sales were down by 4.1% and amounted to EUR 346.2 (361.1) million. The divestments executed in 2013 did not have any material impact on the quarter, only EUR 1 million, while acquisitions added EUR 5 million to sales. Currency fluctuations had a negative impact of EUR 9 million on sales, mainly due to the weaker Swedish Krona. Organically, net sales in local currencies declined by 2.6%. In IT services, net sales in local currencies were organically up by 1.0%. Clients in Product Development Services continued to cut external spending, reflecting an intensified insourcing trend.

Third-quarter operating profit (EBIT) amounted to EUR -3.9 (24.3) million, representing a margin of -1.1% (6.7). Operating profit included EUR 5.6 million in restructuring costs and EUR 39.6 million in goodwill impairment charges. Operating profit excl. one-off items[1)] stood at EUR 41.3 (37.5) million, or 11.9% (10.4) of net sales.

The efficiency measures taken in 2013 and 2014 had a positive effect of over EUR 13 million on operating profit compared with the third quarter of 2013. Salary inflation amounted to around EUR 5 million. Currency changes had a negative of EUR 2 million on operating profit.

Depreciation, impairment and amortization amounted to EUR 55.0 (19.3) million. The figure for 2014 includes goodwill impairment of EUR 39.6 million. The remaining part of the decrease is mainly due to a major mainframe and software agreement. Due to this agreement, depreciation is decreasing while software costs are up. Net financial expenses stood at EUR 1.4 (1.7) million in the third quarter. Net interest expenses were EUR 0.8 (1.9) million and net losses from foreign exchange transactions EUR 0.6 (positive 0.4) million. Other financial income and expenses amounted to EUR -0.0 (-0.2) million.

The third-quarter tax rate was exceptionally high, mainly due to the fact that the impairment charges are not tax deductible. Earnings per share (EPS) totalled EUR -0.17 (0.25). Earnings per share excluding one-off items[1)] amounted to EUR 0.43 (0.38). The non-recurring taxes related to the divestment are excluded from the 2013 figure.

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

Financial performance by service line

EUR million	Customer sales 7–9/2014	Customer sales 7–9/2013	Change, %	Operating profit 7–9/2014	Operating profit 7–9/2013
Managed Services	121	117	3	11.0	3.7
Consulting and System Integration	84	92	-9	7.2	4.0
Industry Products	91	91	0	20.3	19.9
Product Development Services	51	60	-15	-37.4	3.0
Support Functions and Global Management				-5.0	-6.3
Total	346	361	-4	-3.9	24.3

Operating margin by service line

%	Operating margin 7–9/2014	Operating margin 7–9/2013	Operating margin excl. one-off items[1)] 7–9/2014	Operating margin excl. one-off items[1)] 7–9/2013
Managed Services	9.0	3.2	9.1	5.1
Consulting and System Integration	8.6	4.3	11.6	10.4
Industry Products	22.4	21.9	22.3	22.1
Product Development Services	-73.0	5.0	8.9	7.9
Total	-1.1	6.7	11.9	10.4

[1)] Excl. capital gains, impairments and restructuring costs

Organic change in local currency by service line

EUR million	Customer sales adj. for acquisitions and currency 7–9/2014	Customer sales adj. for divestments 7–9/2013	Change, %
Managed Services	125	117	7
Consulting and System Integration	85	91	-7
Industry Products	94	91	4
IT services	**303**	**300**	**1**
Product Development Services	48	60	-21
Total	351	360	-3

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

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

In Managed Services, sales in local currencies grew organically by 7%. The market for projects to transform ICT infrastructure to cloud-based environments remained strong and sales of cloud services amounted to EUR 15 million, up by 38% compared with the previous quarter. Revenue recognized from equipment sales accounted for less than one percentage point of growth. Growth was partly attributable to an internal transfer of some business in Tieto's joint venture in the finance sector. Comparable sales growth was around 4%. Good volume development coupled with higher efficiency resulted in profitability improvement. Personnel costs remained at the previous year's level due to higher offshoring. Operating margin was seasonally high. In the fourth quarter, the margin is typically lower.

In Consulting and System Integration, good profitability development continued. The business mix comprises both growth segments, such as Customer Experience Management, and legacy business areas. Traditional application management continued to experience price erosion and reduced revenues. Further investments were made to increase efficiency and automation in application management and the first large agreement based on industrialized processes was concluded during the quarter. Sales for customer experience management and transformation consulting saw healthy growth. The telecom sector continued to experience negative development, whereas sales were up in the finance sector. Underlying profit remained at the previous year's level despite lower volumes. Due to personnel adjustments and improved efficiency, utilization rate and operating margin were up. The quarter ended with healthy book-to-bill. However, the fourth quarter will be affected by somewhat higher offering development costs.

In Industry Products, sales in local currencies were organically up by 4%. Licence sales and maintenance experienced good growth while implementation of new solutions was down due to lower interest in starting new development projects. Growth was mainly attributable to the healthcare and welfare sector which posted 9% growth. Profitability of the underlying business rose from the first-half levels, as is typical of the third quarter. Operating margin remained healthy at the previous year's level. The situation in Eastern Europe may impact Financial Services' license revenues in the near term while the overall exposure of the Group to this region is limited.

In Product Development Services (PDS), sales continued to decrease. The acquisition closed in April, the new customer wins in the semiconductor area and some new openings with existing customers in the mobile devices area are promising, but their overall financial impact is still limited. The adjustment of operations has continued and the profitability of the underlying business improved. Based on the insourcing decision made by one key customer, Tieto booked goodwill impairment charges of around EUR 40 million that affected third-quarter operating profit. In the fourth quarter, restructuring costs will be high while underlying profitability is anticipated to improve due to higher operational efficiency and some temporary commercial terms.

Customer sales by industry group

EUR million	Customer sales 7–9/2014	Customer sales 7–9/2013	Change, %
Financial Services	77	77	0
Manufacturing, Retail and Logistics	73	70	5
Public, Healthcare and Welfare	91	90	1
Telecom, Media and Energy	54	63	-14
IT services	**295**	**300**	**-2**
Product Development Services	51	60	-15
Total	346	361	-4

Organic change in local currency by industry group

EUR million	Customer sales adj. for acquisitions and currency 7–9/2014	Customer sales adj. for divestments 7–9/2013	Change, %
Financial Services	79	77	3
Manufacturing, Retail and Logistics	74	69	7
Public, Healthcare and Welfare	94	90	4
Telecom, Media and Energy	56	63	-11
IT services	**303**	**300**	**1**
Product Development Services	48	60	-21
Total	351	360	-3

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

In Financial Services, sales in local currencies grew organically by 3% with all service lines posting growth. Industry Products experienced good licence sales growth in the Cards area. The activity level also remained good in CSI and Managed Services. Sales in both Finland and Sweden were growing.

In Manufacturing, Retail and Logistics, sales in local currencies grew organically by 7% with growth mainly coming from outsourcing services. The industry group has concluded several new agreements in the nine-month period, reflected in strong book-to-bill. Both the manufacturing and retail sectors posted growth. Sales in all Nordic countries were growing.

In Public, Healthcare and Welfare, sales in local currencies were organically up by 4%. The healthcare and welfare segment and the Swedish public sector posted strong growth, 9% and 13% respectively. In Finland, the initiative to create national interoperability in the healthcare and welfare sector has proceeded well and has created new cases for Tieto.

In Telecom, Media and Energy, sales in local currencies were down by 11%. In the telecom, media and energy segment, expiring projects affect volumes, as few new projects are being started up. Advanced metering infrastructure in Norway is progressing well with additional new agreements during the quarter. Order intake was somewhat up in the third quarter.

Financial performance in January–September

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

Nine-month net sales were down by 6.8% and amounted to EUR 1 119.6 (1 201.7) million. Divestments had a negative impact of EUR 42 million and acquisitions added EUR 12 million to sales. Currency fluctuations had a negative impact of EUR 33 million on sales. Organically, net sales in local currencies declined by 1.7%. In IT services, net sales in local currencies were organically up by 2.3%. Clients in Product Development Services continued to cut external spending.

Nine-month operating profit (EBIT) amounted to EUR 51.6 (68.4) million, representing a margin of 4.6% (5.7). Operating profit included EUR 39.6 million in goodwill impairment charges, EUR 14.8 million in restructuring costs and EUR 0.2 million in capital gains. Operating profit excl. one-off items[1)] stood at EUR 105.8 (99.1) million, or 9.5% (8.2) of net sales. The efficiency measures taken in 2013 and 2014 had a positive effect of over EUR 35 million on operating profit compared with 2013. Currency changes had a negative of EUR 3 million on operating profit.

Depreciation, impairment and amortization amounted to EUR 86.0 (69.1) million. The figure includes goodwill impairment of EUR 39.6 (8.0) million. The decrease in depreciation is mainly due to a major mainframe and software agreement. Due to this agreement, depreciation is decreasing while software costs are up. Net financial expenses stood at EUR 3.6 (5.0) million in the nine-month period. Net interest expenses were EUR 2.3 (4.8) million and net losses from foreign exchange transactions EUR 0.7 (positive 0.6) million. Other financial income and expenses amounted to EUR -0.6 (-0.8) million.

Nine-month earnings per share (EPS) totalled EUR 0.39 (0.65). Earnings per share excluding one-off items[1)] amounted to EUR 1.09 (1.00). The non-recurring taxes related to the divestment are excluded from the 2013 figure.

Financial performance by service line

EUR million	Customer sales 1–9/2014	Customer sales 1–9/2013	Change, %	Operating profit 1–9/2014	Operating profit 1–9/2013
Managed Services	380	362	5	29.4	9.8
Consulting and System Integration	281	309	-9	24.5	10.6
Industry Products	288	305	-5	50.7	52.9
Product Development Services	171	225	-24	-38.6	9.7
Support Functions and Global Management				-14.4	-14.6
Total	1 120	1 202	-7	51.6	68.4

Operating margin by service line

%	Operating margin 1–9/2014	Operating margin 1–9/2013	Operating margin excl. one-off items[1)] 1–9/2014	Operating margin excl. one-off items[1)] 1–9/2013
Managed Services	7.7	2.7	7.7	3.3
Consulting and System Integration	8.7	3.4	10.0	7.9
Industry Products	17.6	17.4	17.6	17.8
Product Development Services	-22.5	4.3	5.7	7.4
Total	4.6	5.7	9.5	8.2

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

Organic change in local currency by service line

EUR million	Customer sales adj. for acquisitions and currency 1–9/2014	Customer sales adj. for divestments 1–9/2013	Change, %
Managed Services	391	362	8
Consulting and System Integration	282	293	-4
Industry Products	302	295	2
IT services	**974**	**950**	**2**
Product Development Services	167	209	-20
Total	1 140	1 160	-2

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

Customer sales by industry group

EUR million	Customer sales 1–9/2014	Customer sales 1–9/2013	Change, %
Financial Services	245	242	1
Manufacturing, Retail and Logistics	230	224	2
Public, Healthcare and Welfare	295	298	-1
Telecom, Media and Energy	179	211	-15
IT services	**949**	**975**	**-3**
Product Development Services	171	225	-24
Total	1 120	1 202	-7

Organic change in local currency by industry group

EUR million	Customer sales adj. for acquisitions and currency 1–9/2014	Customer sales adj. for divestments 1–9/2013	Change, %
Financial Services	250	239	5
Manufacturing, Retail and Logistics	233	221	6
Public, Healthcare and Welfare	304	288	6
Telecom, Media and Energy	187	202	-7
IT services	**974**	**950**	**2**
Product Development Services	167	209	-20
Total	1 140	1 160	-2

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

Cash flow, financing and investments

Third-quarter net cash flow from operations amounted to EUR 11.1 million (40.8), including the increase of EUR 32.7 (decrease 7.6) million in net working capital. The increase in net working capital was partly attributable to a decrease in accounts payable, which resulted from temporarily lower purchasing volumes. Additionally, the payment related to the termination of the Vitja project reduced accrued liabilities. Vacation payments have a negative impact on net working capital in the third quarter.

Payments for restructuring, which have a negative impact on cash flow, amounted to about EUR 7.0 (7.1) million in the third quarter. The restructuring-related cash flow in the fourth quarter is anticipated to be slightly higher than in the third quarter.

Nine-month net cash flow from operations amounted to EUR 77.7 million (101.5), including the increase of EUR 48.6 (12.2) million in net working capital. The increase in net working capital was attributable to a decrease in accounts payable and provisions, mainly related to restructuring. Payments for restructuring amounted to about EUR 31.3 (29.0) million in the nine-month period.

Tax payments declined to EUR 8.5 (14.9) million in the nine-month period due to a refund of EUR 8.2 million in Finland in the second quarter.

There were no payments for acquisitions in the nine-month period of 2014 (1.7 in 2013).

Nine-month capital expenditure totalled EUR 30.6 (48.1) million, of which paid EUR 30.2 (40.7) million. Capital expenditure represented 2.7% (4.0) of net sales and was mainly related to data centres.

The equity ratio was 51.4% (46.7). Gearing decreased to 5.4% (10.2). Net debt totalled EUR 25.7 (52.6) million, including EUR 120.3 million in interest-bearing debt, EUR 1.9 million in finance lease liabilities, EUR 10.7 million in finance lease receivables, EUR 1.4 million in other interest-bearing receivables and EUR 84.4 million in cash and cash equivalents.

The EUR 100 million bond matures in May 2019 and it carries a coupon of fixed annual interest of 2.875%. Interest-bearing long-term loans amounted to EUR 101.2 million at the end of September. Interest-bearing short-term loans amounted to EUR 19.1 million, including EUR 10 million in commercial papers issued under the EUR 250 million commercial paper programme. Other short-term interest-bearing loans of EUR 9.1 million were mainly related to joint venture cash pool balances and an agreement for software licence financing. The syndicated revolving credit facility of EUR 100 million maturing in May 2016 was not in use at the end of September.

Order backlog

Total Contract Value (TCV) amounted to EUR 395 (299) million in the third quarter. According to the current definition for TCV, the total value, including the part beyond the notice period, is included in the TCV. Tieto estimates that the change in the definition has not had any significant impact on the figure. Book-to-bill stood at 1.1 (0.8). For IT services, book-to-bill was 1.2 (0.7).

TCV for the deals signed in the nine-month period amounted to EUR 1 206 (1 206) million and book-to-bill stood at 1.1 (1.0). The order backlog rose to EUR 1 558 (1 421) million. In total, 21% (23) of the backlog is expected to be invoiced during 2014.

Business transactions in January–September

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

As part of the acquisition, approximately 220 employees transferred to Tieto. Based on the acquisition, new business related to a significant customer will also be transferred to Tieto PDS. Over time, the transaction is expected to contribute in excess of EUR 15 million to annual sales. In addition, it is anticipated to improve PDS' profit. The final transition to Tieto took place on 1 April 2014.

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

Major agreements in January–September

Financial Services

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

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

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

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

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

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

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

Manufacturing, Retail and Logistics

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

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

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

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

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

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

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

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

Public, Healthcare and Welfare

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

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

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

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

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

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

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

In September, Tieto and Valtori, the Finnish Government ICT Centre, signed a multi-annual agreement on data centre and capacity services. The agreement is based on the framework agreement concluded with Hansel in 2013, and it covers a significant part of the framework agreement's full potential. Based on the agreement, Valtori may acquire IT services for its own use or for its customers' use. In the third quarter, the value of the agreements on data centre and capacity services concluded was over EUR 10 million. These agreements also include options to extend by additional years.

Telecom, Media and Energy

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

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

Personnel

The number of full-time employees amounted to 13 878 (14 778) at the end of September. The number of full-time employees in the global delivery centres totalled 6 429 (6 522), or 46.3% (44.1) of all personnel. In Product Development Services, the offshore ratio was 61.3% (60.8). In IT services, the offshore ratio continued to rise and stood at 43.5% (39.8) at the end of September.

During the nine-month period, the number of full-time employees decreased by a net amount of around 440. Acquisitions and outsourcing agreements added around 250 employees and net recruitments around 70 employees while job cuts reduced the number of personnel by around 750. More than 300 of the job cuts were related to the 2013 efficiency programme, which was concluded in the first quarter of 2014. The 12-month rolling employee turnover stood at 10.0% (9.5) at the end of September. The average number of full-time employees was 14 105 (15 416) in the nine-month period.

Salary inflation is expected to be around 3% on average in 2014. In offshore countries, salary inflation is clearly above the average. Markets like India may see double-digit salary hikes.

Shares and share-based incentives

Between 3 June and 8 September 2014, a total of 56 656 new Tieto Corporation shares were subscribed for with the company's stock options 2009B and a total of 31 460 new shares with stock options 2009C. The shares subscribed for under the stock options were registered in the Trade Register on 18 September 2014. As a result of the subscriptions, the number of Tieto shares increased to 73 658 402.

On 30 September, the company held a total of 510 819 own shares, representing 0.7% of the total number of shares and voting rights. The number of outstanding shares, excluding the treasury shares, was 73 147 583 at the end of the period.

Events after the period

On 1 October, Product Development Services announced that it will start personnel negotiations in Europe and Asia. Business volumes in Product Development Services will decline due to an insourcing decision made by one key customer and Tieto will adapt its development resources and sites accordingly.

In Finland, a maximum of 350 persons may be affected. Additionally, negotiations affect a maximum of 600 positions in Central European and Asian locations. Related to the measures, Tieto booked a goodwill impairment charge of EUR 39.6 million in its third-quarter operating profit. Additionally, restructuring costs related to these reductions may rise up to EUR 20 million, which will be booked mainly in the fourth quarter pending employee negotiations.

Total net cash flow impact of the measures during 2014 and 2015 is expected to be minor, as the release of working capital will offset the negative impact of restructuring costs and reduced business volumes. Impairment charges will have no cash flow effect.

Near-term risks and uncertainties

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

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

As is typical of Product Development Services, visibility is weak due to the short order backlog. The insourcing decision made by one large customer is anticipated to have a negative impact on the company in 2015. Overall, the growth in insourcing in the telecom sector and the challenging business environment might affect the company also going forward. The company has initiated efficiency measures to adjust its resources and is closely monitoring the development of demand.

The major transformation of the IT industry may result in continuous actions to renew competences. This change coupled with the offshoring trend may drive continued restructuring within companies. This might create uncertainty among personnel and pose risks related to the company's performance.

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

Typical risks faced by the IT service industry involve additional technology licence fees, the quality of deliveries and related project overruns. Transitions to offshore delivery centres as well as the ongoing organizational change pose risks of project losses and penalties.

Full-year outlook for 2014 unchanged

Tieto expects its full-year operating profit (EBIT) excluding one-off items to increase from the previous year's level (EUR 141.2 million in 2013).

Auditing

The figures in this report are unaudited.

Financial calendar 2015

5 February 2015	Interim report 4/2014 and financial statements bulletin for 2014 (8.00 am EET)
Week 8/2015	Annual Report 2014 on Tieto's website
19 March 2015	Annual General Meeting

Tieto will publish three interim reports in 2015:

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

Accounting policies 2014

The interim report has been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the EU. The accounting policies adopted are consistent with those used in the annual financial statements for the year ended on 31 December 2013. The accounting policies, standards, interpretations and amendments taken into use in 2014 are described in the annual financial statements.

IFRS 11 ‘Joint arrangements’ focuses on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its share of assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has a right to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. Tieto reports the results as one line above operating profit (EBIT). Adjusted comparative information is provided concerning the preceding period. Equity accounting decreased the Group’s annual net sales 2013 by around 4%. The change mainly affected the Industry Products (around 12% negative) and Managed Services (around 2% negative) service lines. Of the industry groups, the change mainly affected Financial Services (around 10% negative) and Public Healthcare and Welfare (around 7% negative). EBIT is affected by the amount corresponding to Tieto’s share of joint ventures’ financial items and taxes. The company’s net profit for the period is not affected.

Other IFRS changes do not currently have any material impact on the Group’s financial statements.

Key figures

	2014 7–9	2013 7–9	2014 4–6	2014 1–3	2014 1–9	2013 1–9	2013 1–12
Earnings per share, EUR							
Basic	-0.17	0.25	0.23	0.34	0.39	0.65	0.86
Diluted	-0.17	0.25	0.23	0.34	0.39	0.65	0.86
Equity per share, EUR	6.52	7.08	6.70	6.56	6.52	7.08	7.08
Return on equity, 12-month rolling, %	8.7	5.4	15.3	13.5	8.7	5.4	12.0
Return on capital employed, 12-month rolling, % *)	10.4	9.0	14.8	15.3	10.4	9.0	13.5
Equity ratio, %	51.4	46.7	48.7	44.9	51.4	46.7	49.3
Interest-bearing net debt, EUR million	25.7	52.6	30.3	-20.5	25.7	52.6	15.5
Gearing, %	5.4	10.2	6.2	-4.3	5.4	10.2	3.0
Investments, EUR million	10.1	15.5	7.1	13.4	30.6	48.1	71.7

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

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

Number of shares

	2014 7–9	2014 4–6	2014 1–3	2014 1–9	2013 1–9	2013 1–12
Outstanding shares, end of period						
Basic	73 147 583	73 059 467	72 632 648	73 147 583	72 572 865	72 590 573
Diluted	73 384 103	73 360 108	73 087 532	73 384 103	72 830 857	72 894 452
Outstanding shares, average						
Basic	73 071 918	72 929 898	72 613 122	72 873 327	72 298 132	72 369 221
Diluted	73 344 858	73 245 193	73 042 223	73 169 560	72 603 683	72 677 909
Company's possession of its own shares						
End of period	510 819	510 819	510 819	510 819	540 302	541 794
Average	510 819	510 819	528 372	516 606	544 375	543 402

Income statement, EUR million

	2014 7–9	2013 7–9	2014 1–9	2013 1–9	Change %	2013 1–12
Net sales	346.2	361.1	1 119.6	1 201.7	-7	1 606.8
Other operating income	3.5	4.5	11.1	11.6	-4	18.1
Employee benefit expenses	182.8	199.8	619.5	693.0	-11	923.7
Depreciation, amortization and impairment charges	55.0	19.3	86.0	69.1	24	89.7
Other operating expenses	117.4	123.5	377.6	388.7	-3	533.1
Share of profit from investments accounted for using the equity method	1.6	1.3	4.0	5.9	-32	7.3
Operating profit (EBIT)	-3.9	24.3	51.6	68.4	-25	85.7
Interest and other financial income	0.3	1.3	0.8	3.9	-79	5.3
Interest and other financial expenses	-1.1	-3.4	-3.7	-9.5	-61	-12.7
Net exchange gains/losses	-0.6	0.4	-0.7	0.6	-	0.8
Profit before taxes	-5.3	22.6	48.0	63.4	-24	79.1
Income taxes	-7.5	-4.2	-19.7	-16.2	22	-16.9
Net profit for the period	**-12.8**	**18.4**	**28.3**	**47.2**	**-40**	**62.2**
Net profit for the period attributable to						
Shareholders of the Parent company	-12.8	18.4	28.3	47.2	-40	62.2
Non-controlling interest	0.0	0.0	0.0	0.0	-	0.0
	-12.8	**18.4**	**28.3**	**47.2**	**-40**	**62.2**
Earnings per share attributable to the shareholders of the Parent company, EUR						
Basic	-0.17	0.25	0.39	0.65	-40	0.86
Diluted	-0.17	0.25	0.39	0.65	-40	0.86
Statement of comprehensive income, EUR million						
Net profit for the period	-12.8	18.4	28.3	47.2	-40	62.2
Items that may be reclassified subsequently to profit or loss						
Translation differences	5.6	-3.6	0.3	-15.3	-	-21.2
Cash flow hedges (net of tax)	0.5	0.9	1.5	-0.2	-	-1.8
Items that will not be reclassified subsequently to profit or loss						
Actuarial gain/loss on post employment benefit obligations (net of tax)	-7.5	13.6	-7.5	10.2	-	3.3
Total comprehensive income	**-14.2**	**29.3**	**22.6**	**41.9**	-46	**42.5**
Total comprehensive income attributable to						
Shareholders of the Parent company	-14.2	29.3	22.6	41.9	-46	42.5
Non-controlling interest	0.0	0.0	0.0	0.0	-	0.0
	-14.2	**29.3**	**22.6**	**41.9**	**-46**	**42.5**

Balance sheet, EUR million

	2014 30 Sep	2013 30 Sep	Change %	2013 31 Dec
Goodwill	329.5	376.7	-13	372.3
Other intangible assets	39.5	40.3	-2	44.1
Property, plant and equipment	82.2	96.4	-15	94.6
Investments accounted for using the equity method	19.7	20.2	-2	21.5
Deferred tax assets	23.4	28.7	-18	27.3
Finance lease receivables	6.0	3.6	67	1.9
Other interest-bearing receivables	1.1	1.6	-31	1.6
Available-for-sale financial assets	0.7	0.7	0	0.7
Total non-current assets	502.1	568.2	-12	564.0
Trade and other receivables	374.9	417.1	-10	395.9
Pension benefit assets	1.6	10.5	-	5.8
Finance lease receivables	4.7	3.2	47	4.3
Other interest-bearing receivables	0.3	0.4	-25	0.3
Current income tax receivables	8.9	8.6	3	10.2
Cash and cash equivalents	84.4	150.6	-44	114.1
Total current assets	474.8	590.4	-20	530.6
Assets classified as held for sale	-	2.0	-	-
Total assets	**976.9**	**1 160.6**	**-16**	**1 094.6**
Share capital, share issue premiums and other reserves	121.4	123.1	-1	122.3
Share issue based on stock options	-	-	-	0.1
Retained earnings	355.5	390.2	-9	391.7
Parent shareholders' equity	476.9	513.3	-7	514.1
Non-controlling interest	0.1	0.2	-50	0.1
Total equity	477.0	513.5	-7	514.2
Loans	101.7	101.0	1	103.1
Deferred tax liabilities	24.9	27.9	-11	25.6
Provisions	6.3	6.4	-2	9.1
Pension obligations	23.2	20.9	11	19.1
Other non-current liabilities	2.4	3.3	-27	3.0
Total non-current liabilities	158.5	159.5	-1	159.9
Trade and other payables	286.0	334.4	-14	334.8
Current income tax liabilities	11.4	9.5	20	7.0
Provisions	23.5	32.5	-28	44.2
Loans	20.5	111.0	-82	34.5
Total current liabilities	341.4	487.4	-30	420.5
Liabilities classified as held for sale	-	0.2	-	-
Total equity and liabilities	**976.9**	**1 160.6**	**-16**	**1 094.6**

Net working capital in the balance sheet, EUR million

	2014 30 Sep	2013 30 Sep	Change %	2014 30 Jun	2014 31 Mar	2013 31 Dec
Accounts receivable	273.1	295.7	-8	286.0	291.1	299.1
Other working capital receivables	98.0	107.7	-9	100.6	114.8	87.6
Working capital receivables included in assets	**371.1**	**403.4**	**-8**	**386.6**	**405.9**	**386.7**
Accounts payable	60.3	70.6	-15	74.8	74.1	84.4
Personnel related accruals	122.3	122.9	0	142.1	148.2	131.4
Other working capital liabilities	133.7	173.7	-23	151.3	184.2	172.5
Working capital liabilities included in current liabilities	**316.3**	**367.2**	**-14**	**368.2**	**406.5**	**388.3**
Net working capital in the balance sheet	**54.8**	**36.2**	**51**	**18.4**	**-0.6**	**-1.6**

Cash flow, EUR million

	2014 7–9	2013 7–9	2014 4–6	2014 1–3	2014 1–9	2013 1–9	2013 1–12
Cash flow from operations							
Net profit	-12.8	18.4	16.5	24.6	28.3	47.2	62.2
Adjustments							
Depreciation, amortization and impairment charges	55.0	19.3	15.6	15.4	86.0	69.1	89.7
Share-based payments	0.1	0.1	0.0	0.0	0.1	0.6	0.8
Profit/loss on sale of fixed assets and shares	0.0	-1.3	-0.1	-0.2	-0.3	-1.2	-1.4
Share of profit from investments accounted for using the equity method	-1.6	-1.3	-1.3	-1.1	-4.0	-5.9	-7.3
Other adjustments	-0.2	-0.3	-0.7	-0.1	-1.0	-4.0	-9.2
Net financial expenses	1.4	1.7	1.0	1.2	3.6	5.0	6.6
Income taxes	7.5	4.2	4.0	8.2	19.7	16.2	16.9
Change in net working capital	-32.7	7.6	-18.6	2.7	-48.6	-12.2	24.0
Cash generated from operations	16.7	48.4	16.4	50.7	83.8	114.8	182.3
Net financial expenses paid	-0.1	-1.1	-3.1	-0.3	-3.5	-6.0	-12.1
Dividends received from investments accounted for using the equity method	-	-	-	5.9	5.9	7.6	7.6
Income taxes paid	-5.5	-6.5	3.3	-6.3	-8.5	-14.9	-18.8
Net cash flow from operations	**11.1**	**40.8**	**16.6**	**50.0**	**77.7**	**101.5**	**159.0**
Cash flow from investing activities							
Acquisition of Group companies and business operations, net of cash acquired	-	-1.7	-	-	-	-1.7	-1.7
Capital expenditures	-9.6	-11.7	-7.2	-13.4	-30.2	-40.7	-58.5
Disposal of Group companies and business operations, net of cash disposed	2.6	0.5	0.1	0.6	3.3	-19.0	-17.3
Sales of fixed assets	0.0	0.3	0.5	0.0	0.5	0.3	1.2
Change in loan receivables	-0.1	0.3	-4.7	0.7	-4.1	1.3	2.1
Net cash used in investing activities	**-7.1**	**-12.3**	**-11.3**	**-12.1**	**-30.5**	**-59.8**	**-74.2**
Cash flow from financing activities							
Dividends paid	-	-	-65.4	-	-65.4	-59.7	-59.7
Exercise of stock options	1.0	0.0	4.0	0.1	5.1	6.9	7.1
Payments of finance lease liabilities	-0.9	-1.1	-1.0	-0.9	-2.8	-4.5	-5.4
Change in interest-bearing liabilities	-19.2	-3.5	19.7	-13.6	-13.1	85.9	6.0
Net cash used in financing activities	**-19.1**	**-4.6**	**-42.7**	**-14.4**	**-76.2**	**28.6**	**-52.0**
Change in cash and cash equivalents	**-15.1**	**23.9**	**-37.4**	**23.5**	**-29.0**	**70.3**	**32.8**
Cash and cash equivalents at the beginning of period	99.6	126.4	136.3	114.1	114.1	75.8	75.8
Foreign exchange differences	-0.1	0.3	0.7	-1.3	-0.7	4.5	5.5
Change in cash and cash equivalents	-15.1	23.9	-37.4	23.5	-29.0	70.3	32.8
Cash and cash equivalents at the end of period	**84.4**	**150.6**	**99.6**	**136.3**	**84.4**	**150.6**	**114.1**

Statement of changes in shareholders' equity, EUR million

	Parent shareholders' equity									Non-controlling interest	Total equity
	Share capital	Share issue premiums and other reserves	Share issue based on stock options	Own shares	Translation differences	Cash flow hedges	Invested unrestricted equity reserve	Retained earnings	Total		
At 1 Jan 2013	**75.9**	**41.4**	**1.2**	**-11.6**	**8.4**	**0.1**	**2.2**	**406.7**	**524.3**	**0.2**	**524.5**
Comprehensive income											
Net profit for the period								47.2	47.2	0.0	47.2
Other comprehensive income											
Actuarial gain on post employment benefit obligations (net of tax)								10.2	10.2		10.2
Translation difference		-0.4			-23.8			8.9	-15.3		-15.3
Cash flow hedges (net of tax)						-0.2			-0.2		-0.2
Total comprehensive income		**-0.4**			**-23.8**	**-0.2**		**66.3**	**41.9**	**0.0**	**41.9**
Transactions with owners											
Share-based payments recognized against equity								1.0	1.0		1.0
Dividend								-59.7	-59.7		-59.7
Share subscriptions based on stock options	0.6	5.6	-1.2				0.8		5.8		5.8
Non-controlling interest											0.0
Total transactions with owners	**0.6**	**5.6**	**-1.2**				**0.8**	**-58.7**	**-52.9**	**0.0**	**-52.9**
Impact on investments accounted for using the equity method								**0.0**	**0.0**		**0.0**
At 30 Sep 2013	**76.5**	**46.6**	**0.0**	**-11.6**	**-15.4**	**-0.1**	**3.0**	**414.3**	**513.3**	**0.2**	**513.5**

	Parent shareholders' equity									Non-controlling interest	Total equity
	Share capital	Share issue premiums and other reserves	Share issue based on stock options	Own shares	Translation differences	Cash flow hedges	Invested unrestricted equity reserve	Retained earnings	Total		
At 31 Dec 2013	**76.5**	**45.8**	**0.1**	**-11.6**	**-26.6**	**-1.7**	**3.1**	**428.5**	**514.1**	**0.1**	**514.2**
Comprehensive income											
Net profit for the period								28.3	28.3	0.0	28.3
Other comprehensive income											
Actuarial gain on post employment benefit obligations (net of tax)								-7.5	-7.5		-7.5
Translation difference		-0.9			-5.1			6.3	0.3		0.3
Cash flow hedges (net of tax)						1.5			1.5		1.5
Total comprehensive income		**-0.9**			**-5.1**	**1.5**		**27.1**	**22.6**	**0.0**	**22.6**
Transactions with owners											
Share-based payments recognized against equity								0.6	0.6		0.6
Dividend								-65.4	-65.4		-65.4
Share subscriptions based on stock options			-0.1				5.1		5.0		5.0
Non-controlling interest											0.0
Total transactions with owners	**0.0**	**0.0**	**-0.1**				**5.1**	**-64.8**	**-59.8**	**0.0**	**-59.8**
Impact on investments accounted for using the equity method								**0.0**	**0.0**		**0.0**
At 30 Sep 2014	**76.5**	**44.9**	**0.0**	**-11.6**	**-31.7**	**-0.2**	**8.2**	**390.8**	**476.9**	**0.1**	**477.0**

Segment information

Customer sales by service line, EUR million

	2014 7–9	2013 7–9	Change %	2014 1–9	2013 1–9	Change %	2013 1–12
Managed Services	121	117	3	380	362	5	492
Consulting and System Integration	84	92	-9	281	309	-9	410
Industry Products	91	91	0	288	305	-5	416
Product Development Services	51	60	-15	171	225	-24	289
Group total	**346**	**361**	**-4**	**1 120**	**1 202**	**-7**	**1 607**

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

The comparison figures 2013 have changed from the figures published initially due to adoption of the new IFRS 11, 'Joint arrangements' as of 1 January 2014.

Customer sales by country, EUR million

	2014 1–9	Change %	Share %	2013 1–9	Share %	2013 1–12
Finland	520	-4	46	541	45	729
Sweden	403	-2	36	409	34	555
Other	197	-22	18	251	21	322
Group total	**1 120**	**-7**	**100**	**1 202**	**100**	**1 607**

In Finland, IT services sales in the nine-month period remained at the previous year's level.

In Sweden, organic growth in local currencies was 4%. IT services grew organically by 8% in local currencies.

In Norway, organic growth in local currencies was 5%.

Customer sales by industry group, EUR million

	2014 7–9	2013 7–9	Change %	2014 1–9	2013 1–9	Change %	2013 1–12
Financial Services	77	77	0	245	242	1	331
Manufacturing, Retail and Logistics	73	70	5	230	224	2	305
Public, Healthcare and Welfare	91	90	1	295	298	-1	403
Telecom, Media and Energy	54	63	-14	179	211	-15	279
Product Development Services	51	60	-15	171	225	-24	289
Group total	**346**	**361**	**-4**	**1 120**	**1 202**	**-7**	**1 607**

Customer sales to the telecom sector were EUR 275 (343) million during January-September.

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

Operating profit (EBIT) by service line, EUR million

	2014 7–9	2013 7–9	Change %	2014 1–9	2013 1–9	Change %	2013 1–12
Managed Services	11.0	3.7	192.6	29.4	9.8	200.1	10.2
Consulting and System Integration	7.2	4.0	80.5	24.5	10.6	130.7	9.0
Industry Products	20.3	19.9	1.8	50.7	52.9	-4.2	81.2
Product Development Services	-37.4	3.0	-	-38.6	9.7	-	8.4
Support Functions and Global Management	-5.0	-6.3	20.8	-14.4	-14.6	1.0	-23.0
Operating profit (EBIT)	**-3.9**	**24.3**	**-116.1**	**51.6**	**68.4**	**-24.6**	**85.7**

Operating margin (EBIT) by service line, %

	2014 7–9	2013 7–9	Change	2014 1–9	2013 1–9	Change	2013 1–12
Managed Services	9.0	3.2	5.8	7.7	2.7	5.0	2.1
Consulting and System Integration	8.6	4.3	4.3	8.7	3.4	5.3	2.2
Industry Products	22.4	21.9	0.5	17.6	17.4	0.2	19.5
Product Development Services	-73.0	5.0	-78.0	-22.5	4.3	-26.8	2.9
Operating margin (EBIT)	**-1.1**	**6.7**	**-7.9**	**4.6**	**5.7**	**-1.1**	**5.3**

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

	2014 7–9	2013 7–9	Change %	2014 1–9	2013 1–9	Change %	2013 1–12
Managed Services	11.1	6.0	84.7	29.4	12.0	144.5	21.0
Consulting and System Integration	9.7	9.6	0.9	28.1	24.3	15.6	32.0
Industry Products	20.2	20.1	0.5	50.7	54.3	-6.6	82.8
Product Development Services	4.6	4.8	-4.3	9.8	16.8	-41.6	19.4
Support Functions and Global Management	-4.2	-3.0	-38.8	-12.3	-8.3	-46.9	-14.2
Operating profit (EBIT)	**41.3**	**37.5**	**10.4**	**105.8**	**99.1**	**6.7**	**141.2**

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

	2014 7–9	2013 7–9	Change	2014 1–9	2013 1–9	Change	2013 1–12
Managed Services	9.1	5.1	4.0	7.7	3.3	4.4	4.3
Consulting and System Integration	11.6	10.4	1.2	10.0	7.9	2.1	7.8
Industry Products	22.3	22.1	0.2	17.6	17.8	-0.2	19.9
Product Development Services	8.9	7.9	1.0	5.7	7.4	-1.7	6.7
Operating margin (EBIT)	**11.9**	**10.4**	**1.6**	**9.5**	**8.2**	**1.2**	**8.8**

Personnel by service line

	End of period					Average	
	2014	Change	Share	2013	2013	2014	2013
	1–9	%	%	1–9	1–12	1–9	1–9
Managed Services	3 198	2	23	3 147	3 090	3 129	3 115
Consulting and System Integration	3 894	-6	28	4 152	3 986	3 894	4 238
Industry Products	3 113	6	22	2 928	2 919	2 990	3 022
Product Development Services	2 527	-25	18	3 360	3 193	2 947	3 827
Service Lines total	**12 732**	**-6**	**92**	**13 588**	**13 188**	**12 960**	**14 201**
Industry Groups	403	-1	3	408	390	406	426
Support Functions and Global Management	742	-5	5	782	740	739	789
Group total	**13 878**	**-6**	**100**	**14 778**	**14 318**	**14 105**	**15 416**

Personnel by country

	End of period					Average	
	2014	Change	Share	2013	2013	2014	2013
	1–9	%	%	1–9	1–12	1–9	1–9
Finland	4 173	-11	30	4 666	4 405	4 319	4 744
Sweden	2 565	-9	18	2 833	2 701	2 597	2 835
Czech Republic	2 023	5	15	1 935	1 940	1 984	1 916
India	1 870	20	13	1 564	1 591	1 685	1 576
China	551	-44	4	985	949	791	1 071
Latvia	685	0	5	684	689	687	665
Poland	566	-27	4	775	722	632	935
Norway	417	-5	3	441	438	427	444
Philippines	234	11	2	210	231	236	189
Lithuania	130	-1	1	131	129	127	133
Other	664	20	5	554	523	618	907
Group total	**13 878**	**-6**	**100**	**14 778**	**14 318**	**14 105**	**15 416**
Onshore countries	7 449	-10	54	8 257	7 835	7 884	8 700
Offshore countries	6 429	-1	46	6 522	6 483	6 221	6 716
Group total	**13 878**	**-6**	**100**	**14 778**	**14 318**	**14 105**	**15 416**

Non-current assets by country, EUR million

	2014 30 Sep	2013 30 Sep	Change %	2013 31 Dec
Finland	88.1	96.9	-9	101.5
Sweden	25.8	29.7	-13	28.0
Other	7.8	10.0	-22	9.2
Total non-current assets	**121.7**	**136.7**	**-11**	**138.7**

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

Depreciation by service line, EUR million

	2014 7–9	2013 7–9	Change %	2014 1–9	2013 1–9	Change %	2013 1–12
Managed Services	12.7	15.9	-20	38.0	50.1	-24	67.1
Consulting and System Integration	0.2	0.3	-36	0.5	0.8	-31	1.0
Industry Products	0.1	0.1	14	0.3	0.4	-30	0.5
Product Development Services	0.1	0.2	-43	0.3	0.5	-42	0.7
Support Functions and Global Management	2.2	2.0	8	6.5	6.5	0	8.8
Group total	**15.2**	**18.4**	**-17**	**45.6**	**58.3**	**-22**	**78.1**

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

	2014 7–9	2013 7–9	Change %	2014 1–9	2013 1–9	Change %	2013 1–12
Managed Services	-	0.5	-100	0.2	1.4	-84	1.8
Consulting and System Integration	0.1	0.1	4	0.3	0.4	-18	0.6
Industry Products	0.1	0.2	-67	0.2	0.7	-65	0.9
Product Development Services	-	0.1	-100	-	0.3	-100	0.4
Support Functions and Global Management	-	-	-	-	-	-	-
Group total	**0.2**	**0.9**	**-79**	**0.8**	**2.8**	**-72**	**3.7**

Impairment losses by service line, EUR million

	2014 7–9	2013 7–9	Change %	2014 1–9	2013 1–9	Change %	2013 1–12
Managed Services	-	-	-	-	0.1	-100	0.1
Consulting and System Integration	-	-	-	-	2.6	-100	2.6
Industry Products	-	-	-	-	1.3	-100	1.3
Product Development Services	39.6	-	-	39.6	3.6	1 014	3.6
Support Functions and Global Management	-	-	-	-	0.4	-100	0.4
Group total	**39.6**	**-**	**-**	**39.6**	**8.0**	**398**	**8.0**

Commitments and contingencies, EUR million

	30 Sep 2014	31 Dec 2013
For Tieto obligations		
Guarantees		
Performance guarantees	27.7	39.3
Lease guarantees	10.5	11.1
Other	0.0	0.4
Other Tieto obligations		
Rent commitments due in one year	46.2	52.7
Rent commitments due in 1–5 years	120.7	117.8
Rent commitments due after 5 years	14.0	24.8
Operating lease commitments due in one year	5.2	5.3
Operating lease commitments due in 1–5 years	7.3	5.7
Operating lease commitments due after 5 years	0.7	0.8
Commitments to purchase assets	4.5	17.5
On behalf of joint ventures	-	-
On behalf of others		
Guarantees	0.7	1.0

Derivatives, EUR million

Notional amounts of derivatives

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

	30 Sep 2014	31 Dec 2013
Foreign exchange forward contracts	149.4	180.6
Forward contracts outside hedge accounting	107.2	129.5
Forward contracts within hedge accounting	42.2	51.1
Electricity price futures contracts	0.9	1.7

Fair values of derivatives

The net fair values of derivative financial instruments at the balance sheet date were:	30 Sep 2014	31 Dec 2013
Foreign exchange forward contracts	0.4	-3.3
Electricity price futures contracts	0.0	-0.3

Derivatives are used for economic hedging purposes only.

Gross positive fair values of derivatives:	Positive 30 Sep 2014	Positive 31 Dec 2013
Foreign exchange forward contracts	1.1	0.6
Forward contracts outside hedge accounting	1.0	0.4
Forward contracts within hedge accounting *)	0.1	0.2
Electricity price futures contracts	-	-

Gross negative fair values of derivatives:	Negative 30 Sep 2014	Negative 31 Dec 2013
Foreign exchange forward contracts	-0.7	-3.9
Forward contracts outside hedge accounting	-0.3	-1.6
Forward contracts within hedge accounting *)	-0.4	-2.3
Electricity price futures contracts	0.0	-0.3

*) Forward contracts within hedge accounting (net)	-0.3	-2.1
The amount recognized in equity	-0.3	-2.1
Net periodic interest rate difference recognized in interest income/expenses	-	-

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

The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 12 months. Gains and losses, recognized in the hedging reserve in equity (note Other reserves) on forward foreign exchange contracts as of 30 September 2014 amounted to net EUR -0.3 million (EUR -2.1 in 31 December 2013). These are recognized in the income statement in the current period or periods during which the hedged forecast transactions affect the income statement. This is usually within 12 months of the end of the reporting period. The hedged cash flows are expected to expire monthly within 12 months.

The efficient portion of cash flow hedges recognized in net sales at 30 September 2014 amounted to a gain of EUR 0.5 million (EUR 0.7 million in 31 December 2013) and a loss of EUR 2.2 million (EUR 1.6 million in 31 December 2013) including the interest rate difference.

The inefficient portion recognized in the other operating income that arises from cash flow hedges amounts to a gain of EUR 0.0 million at 30 September 2014 (EUR 0.3 million gain in 31 December 2013). The inefficient portion recognized in other operating expenses that arises from cash flow hedges amounts to a loss of EUR 0.3 million at 30 September 2014 (EUR 0.2 million in 31 December 2013).

Other reserves

Cash flow hedges

EUR million	Hedging reserve
Balance at 1 Jan 2013	0.2
Fair value gains in year	1.6
Fair value losses in year	-4.0
Tax on fair value gains	0.5
Tax on fair value losses	0.0
Balance at 31 Dec 2013	-1.7
Balance at 1 Jan 2014	-1.7
Fair value gains in year	1.8
Fair value losses in year	0.0
Tax on fair value gains	-0.3
Tax on fair value losses	0.0
Balance at 30 Sep 2014	-0.2

Fair value measurement of financial assets and liabilities

EUR million 30 Sep 2014	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Derivatives	-	1.1	-	1.1
Available-for-sale investments	-	-	0.7	0.7
Financial liabilities at fair value through profit or loss				
Derivatives	-	0.7	-	0.7

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

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

QUARTERLY FIGURES

Key figures

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

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

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

Income statement, EUR million

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

Balance sheet, EUR million

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

Cash flow, EUR million

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

QUARTERLY FIGURES BY SEGMENTS

Customer sales by service line, EUR million

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

The comparison figures 2013 have changed from the figures published initially due to adoption of the new IFRS 11, 'Joint arrangements' as of 1 January 2014.

Customer sales by industry group, EUR million

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

Operating profit (EBIT) by service line, EUR million

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

Operating margin (EBIT) by service line, %

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

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

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

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

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

Major shareholders on 30 September 2014

		Shares	%
1	Cevian Capital *)	11 073 614	15.0
2	Solidium Oy	7 415 418	10.1
3	Silchester International Investors LLP **)	3 666 901	5.0
4	Etera Mutual Pension Insurance Co.	2 179 000	3.0
5	OP-Pohjola Group Central Cooperative	2 160 000	2.9
6	Ilmarinen Mutual Pension Insurance Co.	1 655 871	2.2
7	Swedbank Robur fonder	1 573 449	2.1
8	The State Pension fund	823 000	1.1
9	Varma Mutual Pension Insurance Co.	793 488	1.1
10	Evli funds	651 029	0.9
	Top 10 shareholders total	31 991 770	43.4
	- of which nominee registered	16 313 964	22.1
	Nominee registered other	25 083 392	34.1
	Others	16 583 240	22.5
	Total	**73 658 402**	**100.0**

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

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

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

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Press conference for analysts and media will be held at Tieto's premises in Stockholm, address: Fjärde Bassängvägen 15, on Thursday 23 October 2014 at 11.00 am EET (10.00 am CET, 9.00 am UK time). The results will be presented in English by Kimmo Alkio, President and CEO, and Lasse Heinonen, CFO.

The conference will be **webcasted** and can be viewed live on Tieto's website. Tieto currently provides only Adobe Flash -based webcast and to join the conference, attendees need Adobe Flash plugin version 10.1.0 or newer. In order to ensure access, attendees are requested to test compatibility beforehand. In case problems exist, please contact tieto@reloadmedia.fi.

The meeting participants can also join a telephone conference that will be held at the same time. The telephone conference details can be found below.

Telephone conference numbers:
Finland: +358 (0)9 6937 9590
Sweden: +46 (0)8 5065 3937
UK: +44 (0)20 3427 1909
US: +1212 444 0896
Conference code: 8765732

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

Tieto publishes financial information in English, Finnish and Swedish. The full interim report with tables is available only in English and Finnish.

TIETO CORPORATION

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Tieto is the largest Nordic IT services company providing full life-cycle services for both the private and public sectors and product development services in the field of communications and embedded technologies. The company has global presence through its product development business and global delivery centres. Tieto is committed to developing enterprises and society through IT by realizing new opportunities in customers' business transformation. At Tieto, we believe in professional development and results.

Founded 1968, headquartered in Helsinki, Finland and with approximately 14 000 experts, the company operates in over 20 countries with net sales of approximately EUR 1.6 billion. Tieto's shares are listed on NASDAQ OMX in Helsinki and Stockholm. Please visit www.tieto.com for more information.

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