

# Q3 2015

## Interim Report 3/2015

January–September

### Solid performance and accelerated growth in IT services

- Organic growth in IT services 5% - Industry Products and add-on sales as key drivers
- Solid profitability in IT services while investing in new services and competences
- Product Development Services business successfully stabilized



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## Key figures for the third quarter

### IT services

- Organic growth in local currencies was 5.1%
- Operating profit excl. one-off items amounted to EUR 36.8 (36.8) million, 12.0% (12.5) of sales

### The Group

- Organic growth in local currencies was -0.6% – affected by lower business volumes in Product Development Services as announced in 2014
- Third-quarter operating profit excl. one-off items amounted to EUR 38.6 (41.3) million, 11.5% (11.9) of sales
- Order intake (Total Contract Value) amounted to EUR 490 (395) million and order backlog was EUR 1 864 (1 558) million

	7–9/2015	7–9/2014	1–9/2015	1–9/2014
Net sales, EUR million	335.1	346.2	1 064.5	1 119.6
Change, %	-3.2	-4.1	-4.9	-6.8
Organic change in local currencies, %	-0.6	-2.6	-2.4	-1.7
Operating profit (EBITA), EUR million	41.7	-3.7	79.0	52.4
Operating margin (EBITA), %	12.4	-1.1	7.4	4.7
Operating profit (EBIT), EUR million	41.4	-3.9	78.4	51.6
Operating margin (EBIT), %	12.4	-1.1	7.4	4.6
Operating profit (EBIT) excl. one-off items <sup>1)</sup> , EUR million	38.6	41.3	99.4	105.8
Operating margin (EBIT) excl. one-off items <sup>1)</sup> , %	11.5	11.9	9.3	9.5
Profit after taxes, EUR million	29.6	-12.8	56.1	28.3
EPS, EUR	0.40	-0.17	0.76	0.39
Net cash flow from operations, EUR million	16.4	11.1	65.5	77.7
Return on equity, 12-month rolling, %	13.8	8.7	13.8	8.7
Return on capital employed, 12-month rolling, %	14.8	10.4	14.8	10.4
Investments, EUR million	81.8	10.1	104.0	30.6
Interest-bearing net debt, EUR million	57.7	25.7	57.7	25.7
Net debt/EBITDA	0.4	0.2	0.4	0.2
Book-to-bill	1.5	1.1	1.2	1.1
Order backlog	1 864	1 558	1 864	1 558
Personnel on 30 September	13 179	13 878	13 179	13 878

## Full-year outlook for 2015 unchanged

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

<sup>1)</sup> Excl. capital gains, goodwill impairment charges and restructuring costs

## CEO's comment

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

"We have good reasons to be satisfied with our third-quarter performance. This was the highest growth quarter in many years in our main business of IT services. The combination of 5% growth and strong order intake demonstrates our current competitiveness all across the Nordics. In the recent quarter, especially our software product businesses and Consulting & System Integration services grew faster than the market. Furthermore, our Product Development Services business has stabilized and we have won new business in the semiconductor area and identified several interesting new opportunities.

We are also pleased to continue pursuing new service areas and thereby capture the opportunities provided by digitalization. We have maintained our investments into our start-up operations and related recruitments at a somewhat higher level to accelerate growth of new services and innovations. Our Managed Services automation programme, initiated earlier in the year, is also well on track and has already contributed to our intended efficiency improvement. Our financial performance continues to develop favourably even with higher, fully expensed investments in service development and currency headwinds – these combined totalled over EUR 20 million during the first nine months of the current year.

In the past quarter, we concluded both our annual customer satisfaction and employee engagement surveys, whose results confirmed the positive renewal of Tieto. I'm particularly pleased with the significant improvement in employee engagement, which gives us a strong foundation to provide exciting professional opportunities and drive innovation with our customers."

## Market development

- There is an increasing need for customers to modernize their application suites and to efficiently manage their application lifecycles in the combined cloud and traditional IT environments – this is well addressed in Tieto's new cloud service platform, Tieto Enterprise Cloud Orchestrator (TECO), launched at the end of the third quarter.

Digital technologies are anticipated to disrupt clients' businesses in the coming years and it will be critical for enterprises to have a digital strategy in place and the right competences to implement their transformation. The adoption of emerging technologies is driven by the changing behaviour of both consumers and corporate clients.

Customers continue to look for ways to stay competitive in their businesses. IT is becoming a key tool for enterprises as they continuously seek to differentiate themselves from their competitors with a superior customer experience, enabled by digital technologies and business models. For IT service providers, the importance of strong industry and business insight, technology understanding and the ability to orchestrate new digital services for clients has increased.

The shift from traditional IT to emerging services, such as cloud computing, will continue and demand for solutions provided "as a service" will accelerate. Standardization and industrialization of service deliveries have a key role in the continuous pursuit of better productivity. Application services are also affected by the change as customers are increasingly transforming customized solutions into solutions based on packaged software platforms.

Clients need to manage heterogeneous IT landscapes consisting of traditional, customized IT environments and "software as a service" solutions. This creates a new type of demand for tools supporting application management in a multi-vendor environment. Customers are facing greater pressure to be able to flexibly develop and release new applications and manage the availability of services in automated environments.

The decline in traditional services coupled with the challenging macroeconomic environment, especially in Finland, will affect overall market growth, which is anticipated to remain modest in Tieto's main markets. The overall IT services market in the Nordic countries is expected to grow by around 2% in 2015. GDP growth in the Nordic countries is forecasted to be less than 2%, with Sweden achieving the highest increase. Finland is expected to experience sluggish GDP growth, which might mean that IT market development will be somewhat slower than in the rest of the core markets.

## Industry sector drivers

- In the [financial services](#) sector, customer experience, digitalization and regulation, remain focus areas for both the banking and insurance sectors across all markets. The market for core system renewal is active in both sectors and customers are moving from customized solutions to global standard solutions. Interest in business process outsourcing is growing in connection with modernization and digitalization. In Sweden, the market for consultancy related to issues such as IT transformation and regulatory changes is strong. The renewal of the pension system in Finland is expected to generate demand in the pension segment during 2016.

- In the **manufacturing and forest** sector, uncertainty has somewhat increased while the ERP market has remained active. While cost savings and automation in the demand supply chain are important drivers for initiating new IT projects, enterprises increasingly seek to enhance their business through new services enabled by industrial internet solutions.
- In the **retail and logistics** sector, enterprises are investing in more advanced solutions in order to achieve better consumer understanding, customer engagement and loyalty. Through digitalization, retailers can provide a unified customer experience in all interaction across different touchpoints. Demand for renewing eCommerce capabilities has remained good, and lately interest in digitalizing stores and store workers has been on the rise. This creates a need for visionary consultancy and implementation capabilities to look across the channels and underlying processes.
- In the **public** sector, the digitalization of services and processes will continue with a focus on cost reductions and citizen-centric services. In Sweden, the outsourcing trend continues to be strong and there is robust demand for Tieto's cloud services. IT spending in Finland is anticipated to remain relatively stable.
- In the **healthcare and welfare** sector, the key growth driver is the digitalization of services and processes. There is healthy demand for solutions such as mobile services for elderly people and eServices for welfare. In Finland, the reform in the healthcare and welfare sector will materially affect the sector, both opening up new opportunities and posing risks for IT service providers.
- In the **energy** utility sector, the market for advanced metering infrastructure in energy distribution is growing, especially in Norway. In the oil & gas market, investment levels have remained low and customers are requesting price reductions in continuous services 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. This is expected to result in new outsourcing opportunities in the mid-term.
- In the **telecom sector**, IT transformation programmes are driven by the need to simplify legacy systems and cut costs as well as by the potential to create additional business value. Telecom operators are moving from customized solutions to sourcing of standardized packaged solutions. IT service providers are experiencing aggressive competition in this sector.

## Strategy implementation and performance improvement in 2015

The company provides a full range of IT services comprising integration and operations management services complemented with its own products. Digitalization is currently the biggest change driver for enterprises, providing new opportunities also for IT service providers. The company proactively renews and strengthens its service portfolio and competencies in order to be a preferred digitalization partner to customers.

### Divestments and acquisitions

In line with its target to reinforce the focus of operations, Tieto has agreed to sell its Lean System business in Finland. The divested business with its close to 40 employees offers services mainly to Finnish SME segment customers and as such was not a good fit for Tieto's strategy of focusing on medium-sized and large enterprises and customers in the public sector.

In August, Tieto completed the agreement to acquire Software Innovation, a leading software company in the Enterprise Content Management (ECM) business in the Nordic countries. The transaction strengthens Tieto's presence especially in Norway and expands the company's scalable software-driven business. In addition, Tieto sees attractive opportunities to provide Tieto's current broad set of services to new customers. Software Innovation has approximately 350 employees, and in 2014 the company's net sales amounted to around NOK 364 million (EUR 41 million) and operating margin (EBIT) to 12.5%. Currently, around 75% of its sales come from Norway and the rest mainly from Sweden and Denmark. An agreement with State Treasury in Finland to implement Software Innovation's Public 360°, concluded in September, was an opening in this area. In 2015, the contribution of Software Innovation to Tieto's profit is anticipated to be limited.

## Service and competence renewal

Tieto aims to be at the forefront of efficient delivery of high-quality services and pursue new service models enabled by the ongoing market change. The company continues to renew and strengthen its service portfolio and competencies in order to be a preferred digitalization partner to customers. In 2015, Tieto has recruited new competences to match its needs in new service areas. New roles include industry consultants, digital architects, user experience designers and software developers, among others. The company expects to add several hundred positions in new competence areas during 2015. By the end of September, Tieto had recruited over 400 new employees. Recruitments were mainly implemented in the first half. On the other hand, new services are less labour-intensive and automation via self-service channels will reduce the need for certain existing roles. Tieto has also invested in sales by recruiting new sales people. This has somewhat increased sales costs in IT services.

Tieto stepped up its investments in offering development in 2015 with a view to ensuring its position as a preferred digitalization advisor and enhancing scalability. By industrializing its application management services, the company drives quality, speed, efficiency and customer experience. Full-year offering development costs are expected to exceed the previous year's level. In the nine-month period, offering development costs were up by around EUR 10 million, of which EUR 2 million materialized during the third quarter. In the fourth quarter, development costs are anticipated to remain at the previous year's level. Additionally, the full-year results are affected by costs related to the automation programme in Managed Services. The increase of EUR 5 million in costs materialized in the first half of 2015.

Tieto has targeted its most extensive offering development measures at the following high-growth services, seeking to grow faster than the market in the longer term:

- Customer Experience Management
- Lifecare
- Industrial Internet
- Cloud services.

Annual sales of emerging services amounts to over EUR 230 million, and in the nine-month period, growth totalled 22%.

### Customer Experience Management

Tieto has increased its investments in this area and recruited new talent to strengthen its thought leadership position in its home markets. New services provide enterprises with means to differentiate themselves from their competitors by excelling in digitally empowered experience and utilizing advanced user behaviour analysis. Customers focus on the holistic use of digital services, enabling better marketing, sales and service across all digital channels. This drives demand for customer insight and commerce solutions as well as digital self-services and tools for creating a comprehensive overview of the customer situation for service personnel. Tieto's focus on strong sales activities and new co-creation and innovation concepts is paying off. The quarter ended with a strong sales pipeline. The Nordic market is expected to grow by an annual rate of around 20% in the coming years.

### Lifecare

Lifecare is the leading Nordic industry-specific solution for the healthcare and welfare sector. This is a focus area in offering development in 2015 and Tieto has also recruited more personnel to support its growth ambitions. Key applications are designed for areas such as mobile homecare, education and eServices for citizens. The market for digitalization in the healthcare and welfare sector has remained strong. There is strong demand for new solutions helping to meet increasing service demand, partly related to the growth of the elderly population, coupled with the need to cut costs.

### Industrial Internet

Industrial Internet applications are rapidly gaining ground, integrating the internet into a wide range of everyday devices. Aside from improving automation and providing savings, new applications also provide new business opportunities for enterprises, including IT service providers. Industrial Internet can be used for monitoring equipment, homes, cars and human beings, to mention a few examples. Based on the data analyzed, a multitude of new services can be designed in all industries, e.g. manufacturing, construction, healthcare and telecom. Benefits include increased utilization of assets, lower maintenance costs and improved customer service. At Tieto, solution productization is being completed with the focus in the third quarter on M2M in a box, Real Time Factory, Vital (fleet maintenance management) and eSense (solution for smart homes and welfare services). Co-innovation with customers continue and focus will be on gaining market share. 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 standardized cloud environments is growing fast. Cloud-based technologies combined with global delivery and industrialized processes also enable enterprises to lower the total cost of ownership. Currently, cloud services are a standard part of new offers. The cloud market, including public and private cloud, is expected to grow annually by around 30% (CAGR 2013–2018) during the coming years.

In Managed Services, Tieto Cloud Server and Tieto Productivity Cloud continue to see strong demand. Cloud offerings currently represent around 17% of Managed Services' sales. In 2015, the development focus has been on the development of a new cloud service platform, Tieto Enterprise Cloud Orchestrator (TECO), launched at the end of the third quarter. TECO automates customers' end-to-end application lifecycle management and the deployment of infrastructure and thereby helps customers innovate and deploy new digital products and services in a more agile way. As TECO speeds up the development and release of applications in a multi-vendor environment, it enables companies and organizations to significantly reduce the time needed to deploy new services while at the same time cutting costs. Tieto's enhanced cloud portfolio with the latest launches is very competitive.

## Performance drivers in 2015

Tieto seeks organic growth in its full-year sales for IT services in line with the market, and the trend in profitability is expected to remain favourable. In IT services, Organic sales growth in local currencies in the first nine months was 2.7% and in the third quarter, accelerated to 5.1%. Third-quarter growth was supported by add-on sales and some billing-through licence sales and might therefore not remain at this high level during the rest of the year.

In addition to offering development and recruitments in new service areas, performance drivers in 2015 include

- automation in Managed Services and industrialization in application management – major contributor to anticipated margin improvement in 2015
- currency fluctuations – in the nine-month period, currency changes had a negative impact of EUR 8 million.

The redundancies related to the ongoing service and competence renewal, announced in January have proceeded according to plan. Of the planned reductions, 650 were anticipated to affect the Managed Services and 190 the Consulting and System Integration service lines. By the end of September, Managed Services had implemented over 500 of the planned 650 reductions. In Consulting and System Integration, around 70 reductions had materialized by the end of September, including voluntary leaves and internal mobility and measures will continue in the fourth quarter.

In the first nine months, reductions initiated in 2014 and 2015 have resulted in total gross cost savings of around EUR 20 million, of which close to EUR 10 million materialized in the third quarter. Measures initiated in January 2015 are anticipated to result in additional gross savings of over EUR 10 million in the fourth quarter and close to EUR 30 million in 2016. However, the impact of savings on the IT services cost base will be partly offset by recruitments of new talent within growth areas.

Related to the measures initiated mainly in January 2015, Tieto will book restructuring costs of some EUR 35 million, of which EUR 27.1 million materialized in the nine-month period.

In PDS, efficiency measures were taken mainly to align the cost base to the reduction in business volumes.

Currency fluctuations had a negative impact on sales and operating profit. The negative impact on sales and operating profit is mainly attributable to the Swedish Krona. Operating profit is also affected by the Norwegian Krona. Further details on currency impacts at [www.tieto.com/currency-impact](http://www.tieto.com/currency-impact).

Capital expenditure (CAPEX) is anticipated to remain at around of 3–4% of sales, which is below the current depreciation level (EUR 63.4 million in 2014).

## Financial performance in July–September

Third-quarter net sales amounted to EUR 335.1 (346.2) million, down by 3.2%. Organically, net sales in local currencies were down by 0.6%. The decline was attributable to large projects that were concluded in Product Development Services, as announced in October 2014. The acquisition of Software Innovation added EUR 3 million in sales whereas the discontinuation of part of Siemens-related business in PDS had a negative impact of EUR 5 million. Currency fluctuations had a negative impact of EUR 8 million on sales, mainly due to the weaker Swedish Krona. In IT services, net sales in local currencies were organically up by 5.1%.

Third-quarter operating profit (EBIT) amounted to EUR 41.4 (-3.9) million, representing a margin of 12.4% (-1.1). Operating profit included EUR 3.3 million in restructuring costs and EUR 6.1 million in capital gains related to the divestment of the Lean System business. Operating profit excl. one-off items<sup>1)</sup> stood at EUR 38.6 (41.3) million, or 11.5% (11.9) of net sales. Currency changes had a negative impact of EUR 3 million on operating profit. The negative effect was mainly attributable to the Swedish Krona and Norwegian Krona. Operating profit excl. one-off items for IT

services remained at the previous year's level at EUR 36.8 (36.8) million despite currency effects and an increase of EUR 2 million in offering development costs.

Cost savings, mainly related to the automation programme, had a positive effect of close to EUR 10 million on operating profit compared with the third quarter of 2014 while the positive impact of gross savings was curbed by salary inflation of around EUR 5 million and recruitments in new service areas. Underlying personnel expenses (excl. cost savings and salary inflation) were on the rise in the third quarter due to recruitments in emerging service areas. Tieto has recruited over 400 new competences during 2015.

In PDS, efficiency measures were taken mainly to align the cost base to the reduction in business volumes.

Depreciation, impairment and amortization amounted to EUR 14.0 (55.0) million. Comparison figure includes goodwill impairment of EUR 39.6 million. Net financial expenses stood at EUR 1.9 (1.4) million in the third quarter. Net interest expenses were EUR 0.3 (0.8) million and net loss from foreign exchange transactions EUR 1.5 (0.6) million. Other financial income and expenses amounted to EUR -0.1 (-0.0) million.

Earnings per share (EPS) totalled EUR 0.40 (-0.17). Earnings per share excluding one-off items<sup>1)</sup> amounted to EUR 0.38 (0.43).

<sup>1)</sup> Excl. capital gains, goodwill impairment charges and restructuring costs

## Financial performance by service line

EUR million	Customer sales 7-9/2015	Customer sales 7-9/2014	Change, %	Operating profit 7-9/2015	Operating profit 7-9/2014
Managed Services	122	121	1	16.7	11.0
Consulting and System Integration	88	84	5	4.4	7.2
Industry Products	96	91	6	24.0	20.3
Product Development Services	29	51	-43	0.6	-37.4
Support Functions and Global Management				-4.2	-5.0
<b>Total</b>	<b>335</b>	<b>346</b>	<b>-3</b>	<b>41.4</b>	<b>-3.9</b>

## Operating margin by service line

%	Operating margin 7-9/2015	Operating margin 7-9/2014	Operating margin excl. one-off items <sup>1)</sup> 7-9/2015	Operating margin excl. one-off items <sup>1)</sup> 7-9/2014
Managed Services	13.7	9.0	13.8	9.1
Consulting and System Integration	5.0	8.6	5.9	11.6
Industry Products	24.9	22.4	18.7	22.3
Product Development Services	2.1	-73.0	6.2	8.9
<b>Total</b>	<b>12.4</b>	<b>-1.1</b>	<b>11.5</b>	<b>11.9</b>

<sup>1)</sup> Excl. capital gains, impairments and restructuring costs

## Organic change in local currency by service line

	Customer sales adj. for acquisitions and currency 7-9/2015	Customer sales adj. for divestments 7-9/2014	Change, %
Managed Services	124	121	2
Consulting and System Integration	90	84	7
Industry Products	97	91	8
<b>IT services</b>	<b>310</b>	<b>295</b>	<b>5</b>
Product Development Services	29	47	-37
<b>Total</b>	<b>339</b>	<b>342</b>	<b>-1</b>

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

In **Managed Services**, sales of cloud services continued to grow while the market for traditional services was down. Sales of cloud services were up by 45% compared with the corresponding quarter in 2014 and represented 17% of Managed Services sales. Operating profit excl. one-off items rose to EUR 16.8 (11.1) million, mainly due to the savings related to the automation programme aiming at improving customer experience, competitiveness and efficiency of delivery. Savings from personnel reductions related to the programme are expected to be the main contributor to the fourth-quarter performance as well.

**Consulting and System Integration** continued to have emphasis on investing in services in new areas as well as application management industrialization. With these, CSI experienced temporary somewhat lower profitability in the third quarter. Investments are geared towards a combination of digital services, business consulting and further strengthening its ERP practice across all Nordic countries. Tieto has additionally implemented in-advance recruitments related to service delivery industrialization in application management while related redundancies are anticipated to materialize in the fourth quarter and early 2016. Demand remained strongest in industry consulting and ERP-based solutions. Around one third of growth is attributable to non-recurring add-on sales and billing-through licence sales. Operating profit excl. one-off items amounted to EUR 5.3 (9.7) million. Although the fourth quarter is expected to see some positive impact from redundancies savings are anticipated to materialize mainly as from the beginning of 2016. Operating margin is expected to remain close to the previous year's level. The longer-term aim is to deliver margin above Tieto average.

**Industry Products** saw strong growth with the strongest development in Financial Services and Lifecare, up by 13% and 8%, respectively. Additionally, the acquisition of Software Innovation added more than EUR 3 million to sales. Demand in the oil and gas segment remained weak and sales continued to decline. Offering development costs, which were mainly related to Industrial Internet and Lifecare continued to rise. In addition to an increase of EUR 2 million in development costs, operating profit was affected by negative currency effects. The quarter ended with a good order backlog, and profitability in the fourth quarter is expected to be seasonally strong.

In **Product Development Services (PDS)**, business development with the current customer base has remained stable. Combined sales to the current largest customers were at the previous year's level, while in the semiconductor segment sales were growing. Furthermore, there is accelerated interest and increased demand in telecom cloud network function virtualization and PDS gained new wins in this area. The sales decline compared to previous quarters was attributable to insourcing by one key customer whose projects ended in the first quarter. The third quarter is typically seasonally weaker due to the vacation period. Efficiency measures undertaken in 2014 have resulted in a healthy cost structure for the existing business. While operating margin excl. one-off items was 6.2% (8.9) the normalized underlying on-going operating margin is expected to level out in a range below 10%.



## Customer sales by industry group

EUR million	Customer sales 7-9/2015	Customer sales 7-9/2014	Change, %
Financial Services	83	77	7
Manufacturing, Retail and Logistics	73	73	0
Public, Healthcare and Welfare	98	91	8
Telecom, Media and Energy	53	54	-2
<b>IT services</b>	<b>306</b>	<b>295</b>	<b>4</b>
Product Development Services	29	51	-43
<b>Total</b>	<b>335</b>	<b>346</b>	<b>-3</b>

## Organic change in local currency by industry group

EUR million	Customer sales adj. for acquisitions and currency 7-9/2015	Customer sales adj. for divestments 7-9/2014	Change, %
Financial Services	85	78	10
Manufacturing, Retail and Logistics	74	73	1
Public, Healthcare and Welfare	97	91	6
Telecom, Media and Energy	55	54	2
<b>IT services</b>	<b>310</b>	<b>295</b>	<b>5</b>
Product Development Services	29	47	-37
<b>Total</b>	<b>339</b>	<b>342</b>	<b>-1</b>

In **Financial Services**, sales saw strong growth as demand was healthy across all service lines, Industry Products, CSI and Managed Services. Both existing large customers and a number of Industry Products' customers outside the Nordic countries contributed to growth. Sales in Eastern Europe were still down due to the challenging market conditions.

In **Manufacturing, Retail and Logistics**, sales in local currencies were somewhat up on the previous year's level. The manufacturing and forest sectors saw strong development due to several new agreements while the retail sector continued to experience negative development due to the expiry of some large contracts.

In **Public, Healthcare and Welfare**, sales in local currencies were organically up by 6%. Additionally, the acquisition of Software Innovation added more than EUR 3 million to sales. Organic growth was mainly attributable to the healthcare and welfare sector and the public sector in Sweden.

In **Telecom, Media and Energy**, sales in local currencies turned to growth due to positive development in the telecom and energy utilities segments. Sales in the media segment as well as the oil and gas segment continued to slide due to challenging market conditions.

## Financial performance in January–September

Nine-month net sales amounted to EUR 1 064.5 (1 119.6) million, down by 4.9%. Organically, net sales in local currencies were down by 2.4%. The decline was attributable to large projects that were concluded in Product Development Services, as announced in October 2014. The acquisition of Software Innovation added EUR 3 million in sales whereas the discontinuation of part of Siemens-related business in PDS had a negative impact of EUR 10 million. Currency fluctuations had a negative impact of EUR 24 million on sales, mainly due to the weaker Swedish Krona. In IT services, net sales in local currencies were organically up by 2.7%.

Nine-month operating profit (EBIT) amounted to EUR 78.4 (51.6) million, representing a margin of 7.4% (4.6). Operating profit includes EUR 27.1 million in restructuring costs and EUR 6.1 million in capital gain related to the divestment of the Lean System business. Operating profit excl. one-off items<sup>1)</sup> stood at EUR 99.4 (105.8) million, or 9.3% (9.5) of net sales. Currency changes had a negative impact of EUR 8 million on operating profit. The negative effect was mainly attributable to the Swedish Krona and Norwegian Krona. Operating profit excl. one-off items for IT services amounted to EUR 87.9 (96.0) million.

Profitability development was affected by Tieto's investments in growth businesses and costs related to automation in Managed Services. Costs, including development and temporary overlapping costs due to the transition related to the automation programme in Managed Services, increased by EUR 15 million in the nine-month period.

The efficiency measures taken in 2014 had a positive effect of around EUR 20 million on operating profit compared with the corresponding period of 2014 while salary inflation strained personnel costs by around EUR 15 million.

In PDS, efficiency measures were taken mainly to align the cost base to the reduction in business volumes.

Depreciation, impairment and amortization amounted to EUR 42.9 (86.0) million. Comparison figure includes goodwill impairment of EUR 39.6 million. Net financial expenses stood at EUR 4.9 (3.6) million in the nine-month period. Net interest expenses were EUR 1.6 (2.3) million and net losses from foreign exchange transactions EUR 2.2 (0.7) million. Other financial income and expenses amounted to EUR -1.1 (-0.6) million.

Nine-month earnings per share (EPS) totalled EUR 0.76 (0.39). Earnings per share excluding one-off items<sup>1)</sup> amounted to EUR 1.00 (1.09).

<sup>1)</sup> Excl. capital gains, impairments and restructuring costs

## Financial performance by service line

EUR million	Customer sales 1–9/2015	Customer sales 1–9/2014	Change, %	Operating profit 1–9/2015	Operating profit 1–9/2014
Managed Services	379	380	0	11.5	29.4
Consulting and System Integration	289	281	3	21.1	24.5
Industry Products	289	288	0	47.3	50.7
Product Development Services	109	172	-36	12.9	-38.6
Support Functions and Global Management				-14.2	-14.4
<b>Total</b>	<b>1 065</b>	<b>1 120</b>	<b>-5</b>	<b>78.4</b>	<b>51.6</b>

## Operating margin by service line

%	Operating margin 1–9/2015	Operating margin 1–9/2014	Operating margin excl. one-off items <sup>1)</sup> 1–9/2015	Operating margin excl. one-off items <sup>1)</sup> 1–9/2014
Managed Services	3.0	7.7	8.3	7.7
Consulting and System Integration	7.3	8.7	8.5	10.0
Industry Products	16.4	17.6	14.8	17.6
Product Development Services	11.8	-22.5	10.6	5.7
<b>Total</b>	<b>7.4</b>	<b>4.6</b>	<b>9.3</b>	<b>9.5</b>

<sup>1)</sup> Excl. capital gains, impairments and restructuring costs

## Organic change in local currency by service line

EUR million	Customer sales adj. for acquisitions and currency 1–9/2015	Customer sales adj. for divestments 1–9/2014	Change, %
Managed Services	386	381	1
Consulting and System Integration	293	281	4
Industry Products	297	288	3
<b>IT services</b>	<b>974</b>	<b>948</b>	<b>3</b>
Product Development Services	109	162	-33
<b>Total</b>	<b>1 083</b>	<b>1 110</b>	<b>-2</b>

## Customer sales by industry group

EUR million	Customer sales 1–9/2015	Customer sales 1–9/2014	Change, %
Financial Services	255	245	4
Manufacturing, Retail and Logistics	228	230	-1
Public, Healthcare and Welfare	306	295	4
Telecom, Media and Energy	168	179	-6
<b>IT services</b>	<b>956</b>	<b>948</b>	<b>1</b>
Product Development Services	109	172	-36
<b>Total</b>	<b>1 065</b>	<b>1 120</b>	<b>-5</b>

## Organic change in local currency by industry group

EUR million	Customer sales adj. for acquisitions and currency 1–9/2015	Customer sales adj. for divestments 1–9/2014	Change, %
Financial Services	262	245	7
Manufacturing, Retail and Logistics	231	230	0
Public, Healthcare and Welfare	309	295	5
Telecom, Media and Energy	174	179	-3
<b>IT services</b>	<b>974</b>	<b>948</b>	<b>3</b>
Product Development Services	109	162	-33
<b>Total</b>	<b>1 083</b>	<b>1 110</b>	<b>-2</b>

## Cash flow, financing and investments

Third-quarter net cash flow from operations amounted to EUR 16.4 million (11.1), including the increase of EUR 26.7 (32.7) million in net working capital. Nine-month net cash flow from operations amounted to EUR 65.5 million (77.7), including the increase of EUR 30.0 (48.6) million in net working capital.

Payments for restructuring, which have a negative impact on cash flow, amounted to EUR 10.6 (7.0) million in the third quarter. The restructuring-related payments in the fourth quarter are anticipated to remain at the third-quarter level.

Tax payments were EUR 16.1 (8.5 including a refund of EUR 8.2 million in Finland) million in the nine-month period.

Nine-month capital expenditure totalled EUR 37.4 (30.6) million, of which paid EUR 30.8 (30.2) million. Capital expenditure represented 3.5% (2.7) of net sales and was mainly related to data centres. Payments for acquisitions totalled EUR 62.9 million in the nine-month period. The divestment of Lean Systems had a positive effect of EUR 8 million on the nine-month cash flow from investing activities.

The equity ratio was 44.3% (51.4). Gearing increased to 13.3% (5.4). Net debt totalled EUR 57.7 (25.7) million, including EUR 176.5 million in interest-bearing debt, EUR 6.8 million in finance lease liabilities, EUR 9.1 million in finance lease receivables, EUR 0.6 million in other interest-bearing receivables and EUR 115.9 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 99.8 million at the end of September. Interest-bearing short-term loans amounted to EUR 76.7 million, mainly related to commercial papers, joint venture cash pool balances and an agreement for software licence financing. Tieto's syndicated revolving credit facility was refinanced in May 2015 by a new five-year EUR 150 million unsecured syndicated revolving credit facility with two one-year extension options. The credit facility was not in use at the end of September.

## Order backlog

Total Contract Value (TCV) amounted to EUR 490 (395) million in the third quarter. The total value, including the part beyond the notice period, is included in the TCV. Third-quarter book-to-bill stood at 1.5 (1.1). TCV for the deals signed in the nine-month period amounted to EUR 1 261 (1 195) million and book-to-bill stood at 1.2 (1.1).

The order backlog rose to EUR 1 864 (1 558) million. Due to the fact that the average agreement period has been on the rise, a smaller share, 18% (21), of the backlog is expected to be invoiced during the current year.

## Major agreements in January–September

During the first half of the year, Tieto signed a solid number of new agreements with customers across all the industry groups. However, according to the terms and conditions of these agreements, Tieto is not able to disclose most of the contracts.

In March, Tieto and Etera signed a three-year contract on infrastructure services. The contract value is over EUR 5 million.

In March, Tieto agreed on a contract to become the turnkey IT supplier for Region Skåne, one of Sweden's largest regional councils. The deal is valid for four years and includes an extension option for another eight years. The four-year contract will enter into force on 1 October 2015 and is valued at EUR 70 million. Tieto will be responsible for the operation, maintenance, coordination and development of user-related IT in order to supply Region Skåne's 32 000 employees with modern services and new technology.

In March, ECHA awarded to Tieto a service contract for the provision of technical IT consulting in the area of Enterprise Content Management Services. The contract was awarded within the Hansel Framework Agreement for IT Consulting Services and is valid until the end of February 2017. The estimated value of the ECHA contract is up to a maximum of EUR 3 million.

In March, Tieto signed a new agreement with International Card Services (ICS), the largest credit card issuing business in the Netherlands, to deliver an end-to-end industry-specific cloud-based IT solution. The new, private cloud solution is developed with focus on the financial industry, meeting the high security and regulatory demands of businesses. The contract will last until December 2020.

In April, Tieto and Cerdo signed a contract on outsourcing of administrative payments and savings services for the banking and financial sector. Based on the agreement, Tieto will be able to provide an attractive outsourcing solution for the Nordic financial market.

In April, Hurtigruten, a leading Norwegian tourism company, chose Tieto as its strategic hosting partner to deliver modern and holistic IT services. The new agreement includes full life-cycle commercial and administrative applications. The contract duration is 5 years and the value is up to EUR 15 million.

In August, Tieto signed an agreement with Sollentuna municipality in the Stockholm region, to continue supplying IT services for three additional years. The agreement is worth approximately EUR 8 million.

In September Tieto and Region Västra Götaland (RVG) signed an agreement on digitalization of RVG's pathology processes by implementing its comprehensive Patos solution. The agreement is valid for 10 years and is worth EUR 46 million. It includes an option for RVG to extend the deal for another 10 years.

In September, Tieto signed a framework agreement with Sweden's Legal, Financial and Administrative Services Agency, Kammarkollegiet, to provide information management and eGovernment services to the public sector. The framework agreement comprises seven different providers and has an estimated total value of about SEK 400 million per year over the next four years. The agreement comes into force in November 2015 and is a continuation of the government's efforts to increase the digitalization of society.

In September, State Treasury in Finland chose Tieto as a supplier for its case and document management system. The implementation will be based on Software Innovation's Public 360°. Delivery will take place early 2016 and the agreement is valid for five years. The new solution will be used in all of State Treasury's digital service processes in the future, supporting State Treasury's digitalization goals.

## Business transactions in January–September

In August, Tieto completed the agreement to acquire Software Innovation, a leading software company in the Enterprise Content Management (ECM) business in the Nordic countries. Software Innovation has approximately 350 employees, and in 2014 the company's net sales amounted to around NOK 364 million (EUR 41 million). Currently, around 75% of its sales come from Norway and the public sector represents around 70% of sales.

In September, Tieto agreed to sell its Lean System business to Palvelurahasto I Ky, a private equity fund managed by Finnish Korona Invest and management. It was operating as a separate business unit inside Tieto and employs 38 experts located mainly in the Helsinki region, Finland.

## Personnel

The number of full-time employees amounted to 13 179 (13 878) at the end of September. The number of full-time employees in the global delivery centres totalled 6 042 (6 429), or 45.8% (46.3) of all personnel.

In the nine-month period, the number of full-time employees decreased by a net amount of around 700. In PDS, the number personnel decreased by over 700 whereas in IT services, number of personnel increased. Recruitments added over 400 and acquisitions over 300 employees while job cuts reduced the number of personnel by over 600. The 12-month rolling employee turnover stood at 10.1% (10.0) at the end of September.

Salary inflation was over 3% and is expected to remain at that level on average throughout 2015. In offshore countries, salary inflation is clearly above the average.

## Shareholders' Nomination Board

The largest shareholders were determined on the basis of the shareholdings registered in the Finnish and Swedish book-entry systems on 31 August 2015. The shareholders who wished to participate in the work of the Shareholders' Nomination Board have nominated the following members:

Martin Oliw, Partner, Cevian Capital AB,  
Kari Järvinen, Managing Director, Solidium Oy,  
Timo Ritakallio, President and CEO, Ilmarinen Mutual Pension Insurance Company,  
Timo Sallinen, Head of Listed Securities, Varma Mutual Pension Insurance Company and  
Markku Pohjola, Chairman of the Board of Directors, Tieto Corporation.

## Shares and share-based incentives

Between 4 June and 8 September 2015, a total of 18 285 Tieto new shares were subscribed for with the company's stock options 2009C. As a result of the subscriptions, the number of Tieto shares increases to 73 995 086. The shares subscribed for under the stock options were registered in the Trade Register on 22 September 2015,

On 30 September, the company held a total of 465 084 own shares, representing 0.6% of the total number of shares and voting rights. The number of outstanding shares, excluding the treasury shares, was 73 530 002.

## Near-term risks and uncertainties

Consolidated net sales and profitability are sensitive to volatility in exchange rates, especially that of the Swedish Krona and Norwegian Krona. Sales for Sweden and Norway represent 47% of the Group sales. Further details on management of currency risks are provided in the Financial Statements and on currency impacts at [www.tieto.com/currency-impact](http://www.tieto.com/currency-impact).

Slow growth in Europe might lead to weakness in the IT services market as well. The company's development is relatively sensitive to changes in the demand from large customers as Tieto's top 10 customers currently account for 31% of its net sales. However, the share has decreased by around three percentage points from 2014.

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 as well as the need to recruit new competences. That may lead to temporarily overlapping personnel costs and uncertainty among personnel.

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.

The risks related to Russia are limited as the share of sales in Russia is less than 1%. However, if the instability was 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. PDS booked goodwill impairment in 2014 due to the reduction in business volumes and has efficiently adjusted its cost base. Overall, the growth in insourcing in the telecom sector and the challenging operating environment might lead to volatility and potential goodwill impairments also going forward.

Typical risks faced by the IT service industry involve additional technology licence fees, the quality of deliveries and related project overruns. The transition related to the Managed Services automation programme, increasing use of global delivery centres as well as the ongoing organizational change pose risks of project losses and penalties.

Companies around the world are facing new risks arising from tax audits. Should the macroeconomic environment remain weak, some countries may introduce new regulation. Additionally, changes in the tax authorities' interpretations could have unfavourable impacts on tax-payers.

## Full-year outlook for 2015 unchanged

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

## Auditing

The figures in this report are unaudited.

## Financial calendar

4 February 2016	Interim report 4/2015 and financial statements bulletin for 2015 (8.00 am EET)
Week 8/2016	Annual Report 2015 on Tieto's website
22 March 2016	Annual General Meeting

Tieto will publish three interim reports in 2016

26 April	Interim report 1/2016 (8.00 am EET)
22 July	Interim report 2/2016 (8.00 am EET)
25 October	Interim report 3/2016 (8.00 am EET)

## Accounting policies 2015

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 2014. The accounting policies, standards, interpretations and amendments are described in the annual financial statements. There are no changes with any material impact on the Group's financial statements.

## Key figures

	2015 7-9	2014 7-9	2015 4-6	2015 1-3	2015 1-9	2014 1-9	2014 1-12
Earnings per share, EUR							
Basic	0.40	-0.17	0.24	0.12	0.76	0.39	0.48
Diluted	0.40	-0.17	0.24	0.12	0.76	0.39	0.48
Equity per share, EUR	5.90	6.52	5.69	5.45	5.90	6.52	6.44
Return on equity, 12-month rolling, %	13.8	8.7	4.5	4.5	13.8	8.7	7.1
Return on capital employed, 12-month rolling, %	14.8	10.4	7.5	7.7	14.8	10.4	9.8
Equity ratio, %	44.3	51.4	44.8	39.6	44.3	51.4	47.8
Interest-bearing net debt, EUR million	57.7	25.7	5.3	-85.9	57.7	25.7	-59.2
Gearing, %	13.3	5.4	1.3	-21.5	13.3	5.4	-12.6
Investments, EUR million	81.9	10.1	10.6	11.6	104.1	30.6	43.5



## Number of shares

	2015 7-9	2015 4-6	2015 1-3	2015 1-9	2014 1-9	2014 1-12
<b>Outstanding shares, end of period</b>						
Basic	73 530 002	73 511 717	73 247 883	73 530 002	73 147 583	73 165 084
Diluted	73 602 176	73 590 366	73 463 736	73 602 176	73 384 103	73 418 924
<b>Outstanding shares, average</b>						
Basic	73 513 506	73 436 627	73 215 497	73 389 635	72 873 327	72 944 228
Diluted	73 595 806	73 557 549	73 451 489	73 535 477	73 169 560	73 221 816
<b>Company's possession of its own shares</b>						
End of period	465 084	465 084	465 084	465 084	510 819	510 819
Average	465 084	465 084	489 646	473 181	516 606	515 147

## Income statement, EUR million

	2015 7–9	2014 7–9	2015 1–9	2014 1–9	Change %	2014 1–12
Net sales	335.1	346.2	1 064.5	1 119.6	-5	1 522.5
Other operating income	10.2	3.5	20.0	11.1	80	18.1
Employee benefit expenses	-174.4	-182.8	-611.7	-619.5	-1	-846.0
Depreciation, amortization and impairment charges	-14.0	-55.0	-42.9	-86.0	-50	-104.0
Other operating expenses	-116.3	-117.4	-354.6	-377.6	-6	-534.8
Share of profit from investments accounted for using the equity method	0.8	1.6	3.1	4.0	-23	5.3
<b>Operating profit (EBIT)</b>	<b>41.4</b>	<b>-3.9</b>	<b>78.4</b>	<b>51.6</b>	<b>52</b>	<b>61.1</b>
Interest and other financial income	0.7	0.3	1.6	0.8	100	1.2
Interest and other financial expenses	-1.1	-1.1	-4.3	-3.7	16	-4.9
Net exchange gains/losses	-1.5	-0.6	-2.2	-0.7	214	-0.8
Profit before taxes	39.5	-5.3	73.5	48.0	53	56.6
Income taxes	-9.9	-7.5	-17.4	-19.7	-12	-21.6
<b>Net profit for the period</b>	<b>29.6</b>	<b>-12.8</b>	<b>56.1</b>	<b>28.3</b>	<b>98</b>	<b>35.0</b>
<b>Net profit for the period attributable to</b>						
Shareholders of the Parent company	29.6	-12.8	56.1	28.3	98	35.0
Non-controlling interest	0.0	0.0	0.0	0.0	-	0.0
	<b>29.6</b>	<b>-12.8</b>	<b>56.1</b>	<b>28.3</b>	<b>98</b>	<b>35.0</b>
<b>Earnings per share attributable to the shareholders of the Parent company, EUR</b>						
Basic	0.40	-0.17	0.76	0.39	95	0.48
Diluted	0.40	-0.17	0.76	0.39	95	0.48
<b>Statement of comprehensive income, EUR million</b>						
Net profit for the period	29.6	-12.8	56.1	28.3	98	35.0
Items that may be reclassified subsequently to profit or loss						
Translation differences	-12.0	5.6	-2.2	0.3	-	-10.1
Cash flow hedges (net of tax)	-0.0	0.5	0.6	1.5	-60	1.4
Items that will not be reclassified subsequently to profit or loss						
Actuarial gain/loss on post-employment benefit obligations (net of tax)	-2.4	-7.5	-0.5	-7.5	-93	-10.3
<b>Total comprehensive income</b>	<b>15.2</b>	<b>-14.2</b>	<b>54.0</b>	<b>22.6</b>	<b>139</b>	<b>16.0</b>
<b>Total comprehensive income attributable to</b>						
Shareholders of the Parent company	15.2	-14.2	54.0	22.6	139	16.0
Non-controlling interest	0.0	0.0	0.0	0.0	-	0.0
	<b>15.2</b>	<b>-14.2</b>	<b>54.0</b>	<b>22.6</b>	<b>139</b>	<b>16.0</b>

## Balance sheet, EUR million

	2015 30 Sep	2014 30 Sep	Change %	2014 31 Dec
Goodwill	362.9	329.5	10	323.7
Other intangible assets	45.8	39.5	16	32.8
Property, plant and equipment	81.8	82.2	0	82.2
Investments accounted for using the equity method	16.0	19.7	-19	19.3
Deferred tax assets	35.6	23.4	52	27.9
Finance lease receivables	5.1	6.0	-15	5.4
Other interest-bearing receivables	0.2	1.1	-82	0.9
Available-for-sale financial assets	0.7	0.7	0	0.7
<b>Total non-current assets</b>	<b>548.1</b>	<b>502.1</b>	<b>9</b>	<b>492.9</b>
Trade and other receivables	354.1	374.9	-6	371.2
Pension benefit assets	-	1.6	-	-
Finance lease receivables	4.0	4.7	-15	4.7
Other interest-bearing receivables	0.4	0.3	33	0.3
Current income tax receivables	6.0	8.9	-33	1.8
Cash and cash equivalents	115.9	84.4	37	160.6
<b>Total current assets</b>	<b>480.4</b>	<b>474.8</b>	<b>1</b>	<b>538.6</b>
<b>Total assets</b>	<b>1 028.5</b>	<b>976.9</b>	<b>5</b>	<b>1 031.5</b>
Share capital, share issue premiums and other reserves	120.5	121.4	-1	120.5
Share issue based on stock options	-	-	-	0.5
Retained earnings	312.9	355.5	-12	350.1
Parent shareholders' equity	433.4	476.9	-9	471.1
Non-controlling interest	0.1	0.1	0	0.1
<b>Total equity</b>	<b>433.5</b>	<b>477.0</b>	<b>-9</b>	<b>471.2</b>
Loans	105.9	101.7	4	100.8
Deferred tax liabilities	26.7	24.9	7	22.9
Provisions	12.8	6.3	103	15.2
Pension obligations	23.5	23.2	1	24.0
Other non-current liabilities	1.6	2.4	-33	2.1
<b>Total non-current liabilities</b>	<b>170.5</b>	<b>158.5</b>	<b>8</b>	<b>165.0</b>
Trade and other payables	307.7	286.0	8	339.9
Current income tax liabilities	15.2	11.4	33	12.3
Provisions	24.3	23.5	3	31.3
Loans	77.3	20.5	277	11.8
<b>Total current liabilities</b>	<b>424.5</b>	<b>341.4</b>	<b>24</b>	<b>395.3</b>
<b>Total equity and liabilities</b>	<b>1 028.5</b>	<b>976.9</b>	<b>5</b>	<b>1 031.5</b>

## Net working capital in the balance sheet, EUR million

	2015 30 Sep	2014 30 Sep	Change %	2015 30 Jun	2015 31 Mar	2014 31 Dec
Accounts receivable	245.2	273.1	-10	247.6	274.7	279.9
Other working capital receivables	108.2	98.0	10	135.7	112.4	87.1
<b>Working capital receivables included in assets</b>	<b>353.4</b>	<b>371.1</b>	<b>-5</b>	<b>383.3</b>	<b>387.1</b>	<b>367.0</b>
Accounts payable	76.9	60.3	28	92.4	82.3	91.0
Personnel related accruals	120.0	122.3	-2	138.4	156.5	140.8
Provisions	37.1	29.8	24	47.8	51.5	46.5
Other working capital liabilities	110.5	103.9	6	113.3	116.4	107.4
<b>Working capital liabilities included in current liabilities</b>	<b>344.5</b>	<b>316.3</b>	<b>9</b>	<b>391.9</b>	<b>406.7</b>	<b>385.7</b>
<b>Net working capital in the balance sheet</b>	<b>8.9</b>	<b>54.8</b>	<b>-84</b>	<b>-8.6</b>	<b>-19.6</b>	<b>-18.7</b>

## Cash flow, EUR million

	2015 7-9	2014 7-9	2015 4-6	2015 1-3	2015 1-9	2014 1-9	2014 1-12
<b>Cash flow from operations</b>							
Net profit	29.6	-12.8	17.4	9.1	56.1	28.3	35.0
Adjustments							
Depreciation, amortization and impairment charges	14.0	55.0	14.4	14.5	42.9	86.0	104.0
Share-based payments	0.3	0.1	0.3	0.1	0.7	0.1	0.1
Profit/loss on sale of fixed assets and shares	-6.3	0.0	0.0	0.0	-6.3	-0.3	-0.4
Share of profit from investments accounted for using the equity method	-0.8	-1.6	-1.1	-1.2	-3.1	-4.0	-5.3
Other adjustments	0.0	-0.2	1.3	-1.1	0.2	-1.0	-2.1
Net financial expenses	1.9	1.4	1.3	1.7	4.9	3.6	4.5
Income taxes	9.9	7.5	4.4	3.1	17.4	19.7	21.6
Change in net working capital	-26.7	-32.7	-16.2	12.9	-30.0	-48.6	17.4
<b>Cash generated from operations</b>	<b>21.9</b>	<b>16.7</b>	<b>21.8</b>	<b>39.1</b>	<b>82.8</b>	<b>83.8</b>	<b>174.8</b>
Net financial expenses paid	-3.0	-0.1	-3.1	-0.5	-6.6	-3.5	-5.8
Dividends received from investments accounted for using the equity method	-	-	-	5.4	5.4	5.9	5.9
Income taxes paid	-2.5	-5.5	-6.3	-7.3	-16.1	-8.5	-7.0
<b>Net cash flow from operations</b>	<b>16.4</b>	<b>11.1</b>	<b>12.4</b>	<b>36.7</b>	<b>65.5</b>	<b>77.7</b>	<b>167.9</b>
<b>Cash flow from investing activities</b>							
Acquisition of Group companies and business operations, net of cash acquired	-62.7	-	-0.2	-	-62.9	-	3.7
Capital expenditures	-8.7	-9.6	-10.5	-11.6	-30.8	-30.2	-43.0
Disposal of Group companies and business operations, net of cash disposed	8.0	2.6	-	-	8.0	3.3	3.3
Sales of fixed assets	0.3	0.0	0.0	0.1	0.4	0.5	0.6
Sales of available-for-sale financial assets	-	-	0.0	-	0.0	-	-
Change in loan receivables	0.4	-0.1	0.6	0.5	1.5	-4.1	-3.5
<b>Net cash used in investing activities</b>	<b>-62.7</b>	<b>-7.1</b>	<b>-10.1</b>	<b>-11.0</b>	<b>-83.8</b>	<b>-30.5</b>	<b>-38.9</b>
<b>Cash flow from financing activities</b>							
Dividends paid	-	-	-95.2	-	-95.2	-65.4	-65.4
Exercise of stock options	0.2	1.0	2.8	0.5	3.5	5.1	5.4
Payments of finance lease liabilities	0.1	-0.9	-0.1	-0.2	-0.2	-2.8	-3.7
Change in interest-bearing liabilities	47.9	-19.2	18.2	-2.9	63.2	-13.1	-21.1
<b>Net cash used in financing activities</b>	<b>48.2</b>	<b>-19.1</b>	<b>-74.3</b>	<b>-2.6</b>	<b>-28.7</b>	<b>-76.2</b>	<b>-84.8</b>
<b>Change in cash and cash equivalents</b>	<b>1.9</b>	<b>-15.1</b>	<b>-72.0</b>	<b>23.1</b>	<b>-47.0</b>	<b>-29.0</b>	<b>44.2</b>
Cash and cash equivalents at the beginning of period	112.2	99.6	184.8	160.6	160.6	114.1	114.1
Foreign exchange differences	1.8	-0.1	-0.6	1.1	2.3	-0.7	2.3
Change in cash and cash equivalents	1.9	-15.1	-72.0	23.1	-47.0	-29.0	44.2
<b>Cash and cash equivalents at the end of period</b>	<b>115.9</b>	<b>84.4</b>	<b>112.2</b>	<b>184.8</b>	<b>115.9</b>	<b>84.4</b>	<b>160.6</b>

## Statement of changes in shareholders' equity, EUR million

	Parent shareholders' equity								Non- control- ing inter- est	Total equity	
	Share capi- tal	Share issue premi- ums and other re- ser- ves	Share issue based on stock op- tions	Own shares	Trans- lation differ- ences	Cash flow hedges	In- vest- ed unre- strict- ed equity re- serve	Re- tain- ed earn- ings	Total		
<b>At 31 Dec 2013</b>	<b>76.6</b>	<b>45.7</b>	<b>0.1</b>	<b>-11.6</b>	<b>-26.6</b>	<b>-1.7</b>	<b>3.1</b>	<b>428.5</b>	<b>514.1</b>	<b>0.1</b>	<b>514.2</b>
<b>Comprehensive income</b>											
Net profit for the period								28.3	28.3	0.0	28.3
<b>Other comprehensive income</b>											
Actuarial loss 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
<b>Total comprehensive income</b>		<b>-0.9</b>			<b>-5.1</b>	<b>1.5</b>		<b>27.1</b>	<b>22.6</b>	<b>0.0</b>	<b>22.6</b>
<b>Transactions with owners</b>											
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
<b>Total transactions with owners</b>	<b>0.0</b>	<b>0.0</b>	<b>-0.1</b>				<b>5.1</b>	<b>-64.8</b>	<b>-59.8</b>	<b>0.0</b>	<b>-59.8</b>
<b>Impact on investments accounted for using the equity method</b>											
								0.0	0.0		0.0
<b>At 30 Sep 2014</b>	<b>76.6</b>	<b>44.8</b>	<b>0.0</b>	<b>-11.6</b>	<b>-31.7</b>	<b>-0.2</b>	<b>8.2</b>	<b>390.8</b>	<b>476.9</b>	<b>0.1</b>	<b>477.0</b>

	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		
<b>At 31 Dec 2014</b>	<b>76.6</b>	<b>43.9</b>	<b>0.5</b>	<b>-11.6</b>	<b>-51.0</b>	<b>-0.3</b>	<b>8.5</b>	<b>404.5</b>	<b>471.1</b>	<b>0.1</b>	<b>471.2</b>
<b>Comprehensive income</b>											
Net profit for the period								56.1	56.1	0.0	56.1
<b>Other comprehensive income</b>											
Actuarial loss on post-employment benefit obligations (net of tax)								-0.5	-0.5		-0.5
Translation difference		-0,0			-4.9			2.7	-2.2		-2.2
Cash flow hedges (net of tax)						0.6			0.6		0.6
<b>Total comprehensive income</b>		<b>-0,0</b>			<b>-4.9</b>	<b>0.6</b>		<b>58.3</b>	<b>54.0</b>	<b>0.0</b>	<b>54.0</b>
<b>Transactions with owners</b>											
Share-based payments recognized against equity								0.6	0.6		0.6
Dividend								-95.2	-95.2		-95.2
Share subscriptions based on stock options			-0.5				3.4		2.9		2.9
Non-controlling interest											0.0
<b>Total transactions with owners</b>	<b>0.0</b>	<b>0.0</b>	<b>-0.5</b>				<b>3.4</b>	<b>-94.6</b>	<b>-91.7</b>	<b>0.0</b>	<b>-91.7</b>
<b>Impact on investments accounted for using the equity method</b>											
								0.0	0.0		0.0
<b>At 30 Sep 2015</b>	<b>76.6</b>	<b>43.9</b>	<b>0.0</b>	<b>-11.6</b>	<b>-55.9</b>	<b>0.3</b>	<b>11.9</b>	<b>368.2</b>	<b>433.4</b>	<b>0.1</b>	<b>433.5</b>

## Segment information

### Customer sales by service line, EUR million

	2015 7–9	2014 7–9	Change %	2015 1–9	2014 1–9	Change %	2014 1–12
Managed Services	122	121	1	379	380	0	512
Consulting and System Integration	88	84	5	289	281	3	387
Industry Products	96	91	6	289	288	0	395
Product Development Services	29	51	-43	109	172	-36	229
<b>Group total</b>	<b>335</b>	<b>346</b>	<b>-3</b>	<b>1 065</b>	<b>1 120</b>	<b>-5</b>	<b>1 522</b>

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

### Customer sales by country, EUR million

	2015 1–9	Change %	Share %	2014 1–9	Share %	2014 1–12
Finland	490	-6	46	520	46	711
Sweden	407	1	38	403	36	548
Other	167	-15	16	197	18	264
<b>Group total</b>	<b>1 065</b>	<b>-5</b>	<b>100</b>	<b>1 120</b>	<b>100</b>	<b>1 522</b>

In Finland, IT services sales grew by 2% in the nine-month period.

In Sweden, growth in local currencies was 5% organically. IT services grew organically by 4% in local currencies.

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

### Customer sales by industry group, EUR million

	2015 7–9	2014 7–9	Change %	2015 1–9	2014 1–9	Change %	2014 1–12
Financial Services	83	77	7	255	245	4	335
Manufacturing, Retail and Logistics	73	73	0	228	230	-1	311
Public, Healthcare and Welfare	98	91	8	306	295	4	410
Telecom, Media and Energy	53	54	-2	168	179	-6	238
Product Development Services	29	51	-43	109	172	-36	229
<b>Group total</b>	<b>335</b>	<b>346</b>	<b>-3</b>	<b>1 065</b>	<b>1 120</b>	<b>-5</b>	<b>1 522</b>

Customer sales to the telecom sector were EUR 208 (275) million during January–September.

Revenues derived from any single external customer during January–September 2015 or 2014 did not exceed the 10% level of the total net sales of the Group.



## Operating profit (EBIT) by service line, EUR million

	2015	2014	Change	2015	2014	Change	2014
	7-9	7-9	%	1-9	1-9	%	1-12
Managed Services	16.7	11.0	52.3	11.5	29.4	-60.8	37.6
Consulting and System Integration	4.4	7.2	-39.3	21.1	24.5	-13.5	34.9
Industry Products	24.0	20.3	18.2	47.3	50.7	-6.7	68.1
Product Development Services	0.6	-37.4	101.7	12.9	-38.6	133.4	-42.9
Support Functions and Global Management	-4.2	-5.0	15.3	-14.2	-14.4	1.0	-36.5
<b>Operating profit (EBIT)</b>	<b>41.4</b>	<b>-3.9</b>	<b>1 168.9</b>	<b>78.4</b>	<b>51.6</b>	<b>51.9</b>	<b>61.1</b>

## Operating margin (EBIT) by service line, %

	2015	2014	Change	2015	2014	Change	2014
	7-9	7-9		1-9	1-9		1-12
Managed Services	13.7	9.0	4.7	3.0	7.7	-4.7	7.3
Consulting and System Integration	5.0	8.6	-3.7	7.3	8.7	-1.4	9.0
Industry Products	24.9	22.4	2.5	16.4	17.6	-1.2	17.3
Product Development Services	2.1	-73.0	75.1	11.8	-22.5	34.3	-18.7
<b>Operating margin (EBIT)</b>	<b>12.4</b>	<b>-1.1</b>	<b>13.5</b>	<b>7.4</b>	<b>4.6</b>	<b>2.8</b>	<b>4.0</b>

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

	2015	2014	Change	2015	2014	Change	2014
	7-9	7-9	%	1-9	1-9	%	1-12
Managed Services	16.8	11.1	51.1	31.3	29.4	6.6	38.4
Consulting and System Integration	5.3	9.7	-46.0	24.7	28.1	-12.1	38.3
Industry Products	18.0	20.2	-11.0	42.7	50.7	-15.9	70.3
Product Development Services	1.8	4.6	-60.7	11.6	9.8	17.9	21.7
Support Functions and Global Management	-3.0	-4.2	28.4	-10.5	-12.3	14.3	-18.5
<b>Operating profit (EBIT)</b>	<b>38.6</b>	<b>41.3</b>	<b>-6.6</b>	<b>99.4</b>	<b>105.8</b>	<b>-6.0</b>	<b>150.2</b>

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

	2015	2014	Change	2015	2014	Change	2014
	7-9	7-9		1-9	1-9		1-12
Managed Services	13.8	9.1	4.7	8.3	7.7	0.6	7.5
Consulting and System Integration	5.9	11.6	-5.7	8.5	10.0	-1.5	9.9
Industry Products	18.7	22.3	-3.6	14.8	17.6	-2.8	17.8
Product Development Services	6.2	8.9	-2.7	10.6	5.7	4.9	9.5
<b>Operating margin (EBIT)</b>	<b>11.5</b>	<b>11.9</b>	<b>-0.4</b>	<b>9.3</b>	<b>9.5</b>	<b>-0.1</b>	<b>9.9</b>

## Personnel by service line

	End of period			Average			
	2015	Change	Share	2014	2014	2015	2014
	1-9	%	%	1-9	1-12	1-9	1-9
Managed Services	3 033	-5	23	3 198	3 321	3 200	3 129
Consulting and System Integration	4 161	7	32	3 894	3 953	4 143	3 894
Industry Products	3 495	12	27	3 113	3 181	3 189	2 990
Product Development Services	1 372	-46	10	2 527	2 114	1 552	2 947
<b>Service Lines total</b>	<b>12 061</b>	<b>-5</b>	<b>92</b>	<b>12 732</b>	<b>12 568</b>	<b>12 084</b>	<b>12 960</b>
Industry Groups	470	16	4	403	415	469	406
Support Functions and Global Management	648	-13	5	742	738	677	739
<b>Group total</b>	<b>13 179</b>	<b>-5</b>	<b>100</b>	<b>13 878</b>	<b>13 720</b>	<b>13 230</b>	<b>14 105</b>

## Personnel by country

	End of period			Average			
	2015	Change	Share	2014	2014	2015	2014
	1-9	%	%	1-9	1-12	1-9	1-9
Finland	3 708	-11	28	4 173	4 122	3 922	4 319
Sweden	2 486	-3	19	2 565	2 548	2 504	2 597
Czech Republic	2 001	-1	15	2 023	2 077	2 044	1 984
India	2 231	19	17	1 870	1 979	2 109	1 685
China	257	-53	2	551	379	294	791
Latvia	693	1	5	685	680	694	687
Poland	447	-21	3	566	507	458	632
Norway	605	45	5	417	417	438	427
Philippines	0	-100	0	234	227	44	236
Lithuania	119	-8	1	130	122	119	127
Other	632	-5	5	664	662	604	618
<b>Group total</b>	<b>13 179</b>	<b>-5</b>	<b>100</b>	<b>13 878</b>	<b>13 720</b>	<b>13 230</b>	<b>14 105</b>
Onshore countries	7 137	-4	54	7 449	7 386	7 162	7 643
Offshore countries	6 042	-6	46	6 429	6 334	6 068	6 462
<b>Group total</b>	<b>13 179</b>	<b>-5</b>	<b>100</b>	<b>13 878</b>	<b>13 720</b>	<b>13 230</b>	<b>14 105</b>

**Non-current assets by country, EUR million**

	2015 30 Sep	2014 30 Sep	Change %	2014 31 Dec
Finland	82.2	88.1	-7	84.6
Sweden	22.0	25.8	-15	24.6
Other	23.3	7.8	200	5.8
<b>Total non-current assets</b>	<b>127.5</b>	<b>121.7</b>	<b>5</b>	<b>115.0</b>

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

	2015	2014	Change	2015	2014	Change	2014
	7-9	7-9	%	1-9	1-9	%	1-12
Managed Services	11.7	12.7	-8	35.9	38.3	-6	50.8
Consulting and System Integration	0.2	0.2	36	0.6	0.5	16	0.7
Industry Products	0.2	0.1	101	0.5	0.3	66	0.4
Product Development Services	0.1	0.1	1	0.3	0.3	-10	1.0
Support Functions and Global Management	1.5	2.1	-30	5.1	6.2	-18	10.7
<b>Group total</b>	<b>13.7</b>	<b>15.2</b>	<b>-10</b>	<b>42.3</b>	<b>45.6</b>	<b>-7</b>	<b>63.5</b>

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

	2015	2014	Change	2015	2014	Change	2014
	7-9	7-9	%	1-9	1-9	%	1-12
Managed Services	-	-	-	-	0.2	-	0.2
Consulting and System Integration	-	0.1	-	0.1	0.3	-61	0.5
Industry Products	0.3	0.1	315	0.5	0.2	102	0.3
Product Development Services	-	-	-	-	-	-	-
Support Functions and Global Management	-	-	-	-	-	-	-
<b>Group total</b>	<b>0.3</b>	<b>0.2</b>	<b>76</b>	<b>0.6</b>	<b>0.8</b>	<b>-25</b>	<b>1.0</b>

## Impairment losses by service line, EUR million

	2015	2014	Change	2015	2014	Change	2014
	7-9	7-9	%	1-9	1-9	%	1-12
Managed Services	-	-	-	-	-	-	-
Consulting and System Integration	-	-	-	-	-	-	-
Industry Products	-	-	-	-	-	-	-
Product Development Services	-	39.6	-	-	39.6	-	39.6
Support Functions and Global Management	-	-	-	-	-	-	-
<b>Group total</b>	<b>-</b>	<b>39.6</b>	<b>-</b>	<b>-</b>	<b>39.6</b>	<b>-</b>	<b>39.6</b>

## Acquisitions during July–September in 2015

Tieto completed the following acquisition during the third quarter:

\* Software Innovation AS, ownership 100% of the shares, effective from September 2015

Software Innovation is a software company in the Enterprise Content Management (ECM) business in the Nordic countries. The acquisition strengthens Tieto's presence in Norway and expands the company's scalable software-driven business. As a result of the acquisition, Tieto's market share in the Nordic enterprise content management business will increase from its current level of around 7% to some 20%. In addition, Tieto sees opportunities to provide Tieto's broad set of services covering outsourcing, consulting and system integration, as well as other Tieto software products.

The following table summarizes the consideration paid, the fair value of assets acquired and liabilities assumed at the acquisition date. The purchase price allocation is provisional due to ongoing identification and valuation of the underlying assets and liabilities.

### Consideration

#### EUR million

Paid in cash	66.6
<b>Total consideration</b>	<b>66.6</b>

### Recognized amounts of identifiable assets acquired and liabilities assumed

#### EUR million

	Recognized on acquisition
Property, plant and equipment	0.3
Intangible assets	18.7
Deferred tax assets	11.6
Trade and other receivables	9.8
Cash and cash equivalents	3.9
Deferred tax liabilities	-4.9
Other non-current liabilities	-0.2
Trade and other payables	-12.5
Loans	-3.6
Goodwill	43.6
<b>Total identifiable net assets</b>	<b>66.6</b>

The goodwill is attributable to market share, expert knowledge and workforce. It will not be deductible for tax purposes.

Acquisition-related costs of EUR 0.3 million are included in other expenses in the income statement and in cash flow from operations.

Since the date of acquisition, the acquired unit has contributed about EUR 3.5 million to the revenue and EUR 0.1 million to the operating profit of the Group.

If the combinations had taken place at the beginning of the year, the revenue for the Group would have been about EUR 29 million and profit about EUR 0.3 million.

## Disposals during July–September in 2015

As of September 2015 Tieto disposed of the Lean System business in Finland.

Lean System business offers enterprise resource planning services in manufacturing. It was operating as a separate business unit inside Tieto located mainly in the Helsinki region, Finland.

The capital gain related to the disposed businesses at the date of disposal is specified below:

EUR million	Recognized on disposal
Current liabilities	0.3
<b>Fair value of net assets</b>	<b>-0.3</b>
Goodwill allocation on disposals	1.9
<b>Total net asset allocation on disposals</b>	<b>1.6</b>
Transaction costs	0.3
Received in cash	8.0
<b>Capital gain</b>	<b>6.1</b>

## Commitments and contingencies, EUR million

	2015 30 Sep	2014 31 Dec
For Tieto obligations		
Guarantees		
Performance guarantees	27.1	27.3
Lease guarantees	9.1	9.9
Other	1.4	0.2
Other Tieto obligations		
Rent commitments due in one year	41.8	44.7
Rent commitments due in 1–5 years	91.7	100.3
Rent commitments due after 5 years	16.9	11.3
Operating lease commitments due in one year	7.2	6.5
Operating lease commitments due in 1–5 years	12.6	8.6
Operating lease commitments due after 5 years	0.7	0.7
Commitments to purchase assets	9.6	12.6
On behalf of joint ventures	-	-
On behalf of others		
Guarantees	0.6	0.7

## 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.

	2015 30 Sep	2014 31 Dec
Foreign exchange forward contracts	254.2	160.1
Forward contracts outside hedge accounting	231.1	115.7
Forward contracts within hedge accounting	23.1	44.4
Electricity price futures contracts	0.7	0.8

### Fair values of derivatives

<b>The net fair values of derivative financial instruments at the balance sheet date</b>	2015 30 Sep	2014 31 Dec
Foreign exchange forward contracts	-1.4	-0.4
Electricity price futures contracts	-0.1	-0.1

Derivatives are used for economic hedging purposes only.

<b>Gross positive fair values of derivatives</b>	2015 30 Sep	2014 31 Dec
Foreign exchange forward contracts	0.9	1.4
Forward contracts outside hedge accounting	0.5	1.4
Forward contracts within hedge accounting <sup>1)</sup>	0.4	-
Electricity price futures contracts	-	-

<b>Gross negative fair values of derivatives</b>	2015 30 Sep	2014 31 Dec
Foreign exchange forward contracts	-2.3	-1.8
Forward contracts outside hedge accounting	-2.2	-1.4
Forward contracts within hedge accounting <sup>1)</sup>	-0.1	-0.4
Electricity price futures contracts	-0.1	-0.1

<sup>1)</sup> Forward contracts within hedge accounting (net)	0.3	-0.4
The amount recognized in equity	0.4	-0.4
Net periodic interest rate difference recognized in interest income/expenses	-0.1	-

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 7 months. Gains and losses, recognized in the hedging reserve in equity (note Other reserves) on forward foreign exchange contracts as of 30 September 2015 amounted to net EUR 0.4 million (EUR -0.4 in 31 December 2014). 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 7 months.

The efficient portion of cash flow hedges recognized in net sales at 30 September 2015 amounted to a gain of EUR 0.4 million (EUR 0.5 million on 31 December 2014) and a loss of EUR 0.2 million (EUR 2.5 million on 31 December 2014) 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 2015 (EUR 0.0 million gain on 31 December 2014). The inefficient portion recognized in other operating expenses that arises from cash flow hedges amounts to a loss of EUR 0.0 million at 30 September 2015 (EUR 0.3 million on 31 December 2014).

## Other reserves

### Cash flow hedges

EUR million	Hedging reserve
Balance at 1 Jan 2014	-1.7
Fair value gains in year	2.0
Fair value losses in year	-0.3
Tax on fair value gains	0.0
Tax on fair value losses	-0.3
Balance at 31 Dec 2014	-0.3
Balance at 1 Jan 2015	-0.3
Fair value gains in year	1.1
Fair value losses in year	-0.4
Tax on fair value gains	-
Tax on fair value losses	-0.1
Balance at 30 Sep 2015	0.3

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

EUR million

<b>30 Sep 2015</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through profit or loss				
Derivatives	-	0.9	-	0.9
Available-for-sale investments	-	-	0.7	0.7
Financial liabilities at fair value through profit or loss				
Derivatives	-	2.3	-	2.3

EUR million

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

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

	2015 7-9	2015 4-6	2015 1-3	2014 10-12	2014 7-9	2014 4-6	2014 1-3
Earnings per share, EUR							
Basic	0.40	0.24	0.12	0.09	-0.17	0.23	0.34
Diluted	0.40	0.24	0.12	0.09	-0.17	0.23	0.34
Equity per share, EUR	5.90	5.69	5.45	6.44	6.52	6.70	6.56
Return on equity, 12-month rolling, %	13.8	4.5	4.5	7.1	8.7	15.3	13.5
Return on capital employed, 12-month rolling, %	14.8	7.5	7.7	9.8	10.4	14.8	15.3
Equity ratio, %	44.3	44.8	39.6	47.8	51.4	48.7	44.9
Interest-bearing net debt, EUR million	57.7	5.3	-85.9	-59.2	25.7	30.3	-20.5
Gearing, %	13.3	1.3	-21.5	-12.6	5.4	6.2	-4.3
Investments, EUR million	81.9	10.6	11.6	12.9	10.1	7.1	13.4

### Income statement, EUR million

	2015 7-9	2015 4-6	2015 1-3	2014 10-12	2014 7-9	2014 4-6	2014 1-3
Net sales	335.1	363.8	365.6	402.9	346.2	386.4	387.0
Other operating income	10.2	4.8	5.0	7.0	3.5	3.8	3.8
Employee benefit expenses	-174.4	-212.2	-225.1	-226.5	-182.8	-219.3	-217.4
Depreciation, amortization and impairment charges	-14.0	-14.4	-14.5	-18.0	-55.0	-15.6	-15.4
Other operating expenses	-116.3	-120.0	-118.3	-157.2	-117.4	-135.1	-125.1
Share of profit from investments accounted for using the equity method	0.8	1.1	1.2	1.3	1.6	1.3	1.1
Operating profit (EBIT)	41.4	23.1	13.9	9.5	-3.9	21.5	34.0
Financial income and expenses	-1.9	-1.3	-1.7	-0.9	-1.4	-1.0	-1.2
Profit before taxes	39.5	21.8	12.2	8.6	-5.3	20.5	32.8
Income taxes	-9.9	-4.4	-3.1	-1.9	-7.5	-4.0	-8.2
<b>Net profit for the period</b>	<b>29.6</b>	<b>17.4</b>	<b>9.1</b>	<b>6.7</b>	<b>-12.8</b>	<b>16.5</b>	<b>24.6</b>

**Balance sheet, EUR million**

	2015 30 Sep	2015 30 Jun	2015 31 Mar	2014 31 Dec	2014 30 Sep	2014 30 Jun	2014 31 Mar
Goodwill	362.9	327.5	327.0	323.7	329.5	367.5	371.1
Other intangible assets	45.8	30.4	32.3	32.8	39.5	41.3	43.2
Property, plant and equipment	81.8	78.3	80.4	82.2	82.2	85.4	93.2
Investments accounted for using the equity method	16.0	16.3	15.1	19.3	19.7	18.1	16.7
Other non-current assets	41.6	33.3	35.7	34.9	31.2	33.9	30.5
<b>Total non-current assets</b>	<b>548.1</b>	<b>485.8</b>	<b>490.5</b>	<b>492.9</b>	<b>502.1</b>	<b>546.2</b>	<b>554.7</b>
Trade receivables and other current assets	364.5	393.3	394.7	378.0	390.4	411.7	437.5
Cash and cash equivalents	115.9	112.2	184.8	160.6	84.4	99.6	136.3
<b>Total current assets</b>	<b>480.4</b>	<b>505.5</b>	<b>579.5</b>	<b>538.6</b>	<b>474.8</b>	<b>511.3</b>	<b>573.8</b>
<b>Total assets</b>	<b>1 028.5</b>	<b>991.3</b>	<b>1 070.0</b>	<b>1 031.5</b>	<b>976.9</b>	<b>1 057.5</b>	<b>1 128.5</b>
Total equity	433.5	418.2	399.5	471.2	477.0	489.8	476.2
Non-current loans	105.9	100.2	100.5	100.8	101.7	101.6	102.1
Other non-current liabilities	64.6	59.7	63.2	64.2	56.8	54.3	56.5
<b>Total non-current liabilities</b>	<b>170.5</b>	<b>159.9</b>	<b>163.7</b>	<b>165.0</b>	<b>158.5</b>	<b>155.9</b>	<b>158.6</b>
Trade payables and other current liabilities	322.9	352.3	461.0	352.2	297.4	346.6	439.1
Provisions	24.3	33.4	36.7	31.3	23.5	25.1	33.6
Current loans	77.3	27.5	9.1	11.8	20.5	40.1	21.0
<b>Total current liabilities</b>	<b>424.5</b>	<b>413.2</b>	<b>506.8</b>	<b>395.3</b>	<b>341.4</b>	<b>411.8</b>	<b>493.7</b>
<b>Total equity and liabilities</b>	<b>1 028.5</b>	<b>991.3</b>	<b>1 070.0</b>	<b>1 031.5</b>	<b>976.9</b>	<b>1 057.5</b>	<b>1 128.5</b>

## Cash flow, EUR million

	2015 7–9	2015 4–6	2015 1–3	2014 10–12	2014 7–9	2014 4–6	2014 1–3
Cash flow from operations							
Net profit	29.6	17.4	9.1	6.7	-12.8	16.5	24.6
Adjustments	19.0	20.6	17.1	18.3	62.2	18.5	23.4
Change in net working capital	-26.7	-16.2	12.9	66.0	-32.7	-18.6	2.7
Cash generated from operations	21.9	21.8	39.1	91.0	16.7	16.4	50.7
Net financial expenses paid	-3.0	-3.1	-0.5	-2.3	-0.1	-3.1	-0.3
Dividends received from investments accounted for using the equity method	-	-	5.4	-	-	-	5.9
Income taxes paid	-2.5	-6.3	-7.3	1.5	-5.5	3.3	-6.3
<b>Net cash flow from operations</b>	<b>16.4</b>	<b>12.4</b>	<b>36.7</b>	<b>90.2</b>	<b>11.1</b>	<b>16.6</b>	<b>50.0</b>
<b>Net cash used in investing activities</b>	<b>-62.7</b>	<b>-10.1</b>	<b>-11.0</b>	<b>-8.4</b>	<b>-7.1</b>	<b>-11.3</b>	<b>-12.1</b>
<b>Net cash used in financing activities</b>	<b>48.2</b>	<b>-74.3</b>	<b>-2.6</b>	<b>-8.6</b>	<b>-19.1</b>	<b>-42.7</b>	<b>-14.4</b>
<b>Change in cash and cash equivalents</b>	<b>1.9</b>	<b>-72.0</b>	<b>23.1</b>	<b>73.2</b>	<b>-15.1</b>	<b>-37.4</b>	<b>23.5</b>
Cash and cash equivalents at the beginning of period	112.2	184.8	160.6	84.4	99.6	136.3	114.1
Foreign exchange differences	1.8	-0.6	1.1	3.0	-0.1	0.7	-1.3
Change in cash and cash equivalents	1.9	-72.0	23.1	73.2	-15.1	-37.4	23.5
<b>Cash and cash equivalents at the end of period</b>	<b>115.9</b>	<b>112.2</b>	<b>184.8</b>	<b>160.6</b>	<b>84.4</b>	<b>99.6</b>	<b>136.3</b>

## QUARTERLY FIGURES BY SEGMENTS

### Customer sales by service line, EUR million

	2015 7-9	2015 4-6	2015 1-3	2014 10-12	2014 7-9	2014 4-6	2014 1-3
Managed Services	122	131	126	131	121	132	127
Consulting and System Integration	88	101	99	107	84	97	100
Industry Products	96	98	94	107	91	97	100
Product Development Services	29	33	47	58	51	60	60
<b>Group total</b>	<b>335</b>	<b>364</b>	<b>366</b>	<b>403</b>	<b>346</b>	<b>386</b>	<b>387</b>

### Customer sales by industry group, EUR million

	2015 7-9	2015 4-6	2015 1-3	2014 10-12	2014 7-9	2014 4-6	2014 1-3
Financial Services	83	88	84	90	77	84	83
Manufacturing, Retail and Logistics	73	77	78	82	73	78	79
Public, Healthcare and Welfare	98	107	101	115	91	104	100
Telecom, Media and Energy	53	58	57	59	54	60	65
Product Development Services	29	33	47	58	51	60	60
<b>Group total</b>	<b>335</b>	<b>364</b>	<b>366</b>	<b>403</b>	<b>346</b>	<b>386</b>	<b>387</b>

**Operating profit (EBIT) by service line, EUR million**

	2015 7-9	2015 4-6	2015 1-3	2014 10-12	2014 7-9	2014 4-6	2014 1-3
Managed Services	16.7	3.1	-8.3	8.2	11.0	7.6	10.9
Consulting and System Integration	4.4	8.5	8.2	10.4	7.2	6.1	11.1
Industry Products	24.0	10.8	12.6	17.4	20.3	15.0	15.5
Product Development Services	0.6	5.7	6.5	-4.4	-37.4	-2.3	1.1
Support Functions and Global Management	-4.2	-5.0	-5.0	-22.1	-5.0	-4.8	-4.6
<b>Operating profit (EBIT)</b>	<b>41.4</b>	<b>23.1</b>	<b>13.9</b>	<b>9.5</b>	<b>-3.9</b>	<b>21.5</b>	<b>34.0</b>

**Operating margin (EBIT) by service line, %**

	2015 7-9	2015 4-6	2015 1-3	2014 10-12	2014 7-9	2014 4-6	2014 1-3
Managed Services	13.7	2.4	-6.6	6.2	9.0	5.8	8.5
Consulting and System Integration	5.0	8.4	8.3	9.8	8.6	6.3	11.1
Industry Products	24.9	11.0	13.3	16.3	22.4	15.3	15.4
Product Development Services	2.1	17.1	14.0	-7.5	-73.0	-3.8	1.9
<b>Operating margin (EBIT)</b>	<b>12.4</b>	<b>6.3</b>	<b>3.8</b>	<b>2.4</b>	<b>-1.1</b>	<b>5.6</b>	<b>8.8</b>

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

	2015 7-9	2015 4-6	2015 1-3	2014 10-12	2014 7-9	2014 4-6	2014 1-3
Managed Services	16.8	9.9	4.6	9.0	11.1	7.6	10.7
Consulting and System Integration	5.3	8.7	10.8	10.2	9.7	7.2	11.2
Industry Products	18.0	12.0	12.7	19.6	20.2	15.2	15.4
Product Development Services	1.8	3.2	6.5	11.9	4.6	3.7	1.6
Support Functions and Global Management	-3.0	-3.6	-3.9	-6.3	-4.2	-3.7	-4.4
<b>Operating profit (EBIT)</b>	<b>38.6</b>	<b>30.1</b>	<b>30.7</b>	<b>44.4</b>	<b>41.3</b>	<b>30.0</b>	<b>34.5</b>

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

	2015 7-9	2015 4-6	2015 1-3	2014 10-12	2014 7-9	2014 4-6	2014 1-3
Managed Services	13.8	7.6	3.6	6.9	9.1	5.8	8.4
Consulting and System Integration	5.9	8.6	10.8	9.5	11.6	7.4	11.2
Industry Products	18.7	12.2	13.4	18.3	22.3	15.6	15.4
Product Development Services	6.2	9.6	14.0	20.5	8.9	6.1	2.6
<b>Operating margin (EBIT)</b>	<b>11.5</b>	<b>8.3</b>	<b>8.4</b>	<b>11.0</b>	<b>11.9</b>	<b>7.8</b>	<b>8.9</b>

## Major shareholders on 30 September 2015

	Shares	%
1 Cevian Capital <sup>*)</sup>	11 073 614	15.0
2 Solidium Oy	7 415 418	10.0
3 Silchester International Investors LLP <sup>**)</sup>	7 401 027	10.0
4 Ilmarinen Mutual Pension Insurance Co.	1 858 840	2.5
5 Swedbank Robur fonder	1 703 347	2.3
6 The State Pension fund	823 000	1.1
7 Varma Mutual Pension Insurance Co.	793 488	1.1
8 Nordea funds	683 938	0.9
9 Svenska litteratursällskapet i Finland r.f.	541 345	0.7
10 Etera Mutual Pension Insurance Co.	540 809	0.7
Top 10 shareholders total	32 834 826	44.4
- of which nominee registered	20 177 988	27.3
Nominee registered other	26 340 944	35.6
Others	14 819 316	20.0
<b>Total</b>	<b>73 995 086</b>	<b>100.0</b>

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

<sup>\*)</sup> Based on the ownership records of Euroclear Finland Oy, Cevian Capital's holding on 31 August 2015 was 11 073 614 shares, representing 15.0% of the shares and voting rights.

<sup>\*\*)</sup> On 23 June 2015, Silchester International Investors LLP announced that its holding in Tieto Corporation was 7 401 027 shares, which represents 10.0% of the shares and voting rights.

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**Press conference for analysts and media** will be held on 22 October 2015, at Tieto's premises in Stockholm, address: Fjärde Bassängvägen 15, at 11.00 am EET (10.00 am CET, 9.00 am UK time). The results will be presented in English by Kimmo Alkio, President and CEO, and Lasse Heinonen, CFO.

The conference will be [webcasted](#) and can be viewed live on [Tieto's website](#). To join the conference, attendees need Adobe Flash plugin version 10.1.0 or newer. The meeting participants can also join a telephone conference that will be held at the same time. The telephone conference details can be found below.

Telephone conference numbers

Finland: +358 (0)9 6937 9590

Sweden: +46 (0)8 5065 3937

UK: +44 (0)20 3427 1909

US: +1212 444 0896

Conference code: 8765732

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

Tieto publishes financial information in English and Finnish.

#### TIETO CORPORATION

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**Tieto Corporation**

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