Financial Review

2010

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Tieto is the leading IT service company in Northern Europe providing IT and product engineering services. Our highly specialized IT solutions and services complemented by a strong technology platform create tangible business benefits for our local and global customers. As a trusted transformation partner, we are close to our customers and understand their unique needs. With more than 17 000 experts, we aim to become a leading service integrator creating the best service experience in IT.

Key figures	**2010**	2009
Net sales, EUR million	**1 713.7**	1 706.3
Operating profit (EBIT), EUR million	**72.4**	75.3
Operating margin, %	**4.2**	4.4
Operating profit (EBIT) excl. one-off items, EUR million	**110.0**	108.0
Operating margin excl. one-off items, %	**6.4**	6.3
Profit before taxes, EUR million	**66.1**	70.3
Earnings per share, EUR	**0.69**	0.77
Equity per share, EUR	**7.80**	7.25
Dividend per share, EUR	**0.70**	0.50
Investments, EUR million	**101.4**	58.9
Return on equity, %	**9.2**	11.0
Return on capital employed, %	**15.1**	16.8
Gearing, %	**9.3**	12.7
Equity ratio, %	**47.6**	46.0
Personnel on average	**17 097**	16 568
Personnel on 31 Dec	**17 757**	16 663

Best service experience leading to growth

The IT services market has gone through tough times during the past years. The global downturn that started in late 2007 has impacted the whole sector, resulting in tougher competition, price pressure, adoption of new delivery models and the need to change business models. All of this is true for Tieto as well, and we have worked hard to tackle the challenges posed by the economic development in our main markets. This has meant both changes in our operating model as well as restructuring the whole company.

Market recovery started in 2010

The year 2010 can be described as the beginning of the recovery – the IT services market bottomed out and demand started to pick up, albeit slowly. At the beginning of the year, growth expectations were quite high – customers were starting to talk about new investments and the economy seemed to be recovering.

Later in the year, these expectations were somewhat hampered by the suffering economies of some EU countries, worries about the future of the euro, and concerns over the recovery of the US economy. But despite these worries, it seems that the most difficult times in the IT industry are now behind us.

In 2010, Tieto signed a number of important new customer contracts, leading to a book-to-bill ratio of 1.18 for the full year. On a full-year basis, our sales were flat, but growth started to pick up towards the end of the year, which is very encouraging. Our EBIT margin, however, was a disappointment as our profitability was hampered by the substantial restructurings in our international businesses. One of our key targets in 2011 is to fix the underperforming businesses as that will help us improve our profitability and ability to invest in our future.

Outsourcing is still the main growth driver

We see continued good demand for outsourcing, and demand for project services is also gradually picking up. New service models such as IT as a service are gaining momentum and Tieto is well-prepared to increase its offerings and services in this area. We have fully upgraded our data centres with new energy-efficient units in Finland, Sweden and Russia. At the same time, we have continued to develop our global delivery model and now 37% of our employees are located in offshore countries. We are truly a top European IT services company in this respect.

We see good growth opportunities in our selected markets and expect volumes to grow in 2011. On the other hand, the increasing use of offshore resources coupled with price pressure will strain top-line development, and our sales growth expectations for 2011 are therefore in line with the estimated market growth of 2–4%.

Mobility + IT as a Service = ease of use

One of our targets is to provide our customers with "the Best Service Experience in IT" – in other words services that improve our customers' competitiveness and efficiency. Tieto offers a wide range of services and solutions in many industry sectors. Despite the differing needs of various industries, there are two common themes for all businesses: IT as a service and mobility.

Cloud computing or IT as a service means lower costs and more flexibility. Customers do not need to invest in hardware or reserve capacity just in case. Instead, they buy scalable capacity, use applications and services over the Internet and are charged on a pay as you go basis.

New devices such as tablets and smart phones usher in great deal of new business opportunities for us and our customers. Ease of use means not being tied to a place or time – modern consumers and business leaders want flexibility, speed and, at the end of the day, also excitement.

Tieto has already developed a sound portfolio of mobile applications – such as a mobile insurance service solution targeted at car owners for car crash situations or iPad solutions that enable doctors to access their ERP systems while on patient rounds. In addition to these, there are many more areas where similar applications are being developed or already in use. This is the future and we want to be the leader in this area.

New operating model – speed and efficiency

Tieto's strategy drives for sharper differentiation and specialization. We're placing a greater focus on productizing high value adding services. Combining advanced technology with innovations and our deep understanding of customers' businesses are clear competitive advantages for us. We want to support our customers in transforming their current IT operations to reflect the new demands of agility, innovations and cloud-based computing. We want to be a market leader in IT services in Northeast Europe, and become a strong player in new markets such as Russia and Poland.

To support this, we revised our operating model at the beginning of 2011, aiming for a leaner structure that results in faster decision making, efficiency, and increased customer and market focus. The new structure reflects the company's strategic priorities in terms of both markets and solutions, and enables us to accelerate our own journey towards becoming the IT service company that provides "the Best Service Experience in IT".

Focus on improving business performance and driving growth

After the exceptionally difficult times in the overall operating environment, we now aim to grow our revenues and improve our profitability. The main growth drivers are still our strong offering in outsourcing areas and specific industry solutions, which are the areas Tieto has traditionally excelled in. We aim to strengthen our enterprise services – horizontal IT offerings – to build real competitive advantage and differentiation, and use our innovation power to help our customers harness the many benefits of modern IT. Our product engineering business has gone through a major transformation and now many of these services are produced globally and cost-efficiently.

Sustainability will be an integral element in everything we do whether we talk about internal operations, offerings or data centre operations. In 2010, two of our offices in Finland received WWF's Green Office certifications and we have plans to spread the Green Office concept throughout the whole company.

The world of IT is in continuous transformation and we at Tieto need to be ready to reinvent ourselves every day in line with the market trends and customer demand. This is a big challenge, but also an opportunity – and we are ready for it!

My warmest thanks to all Tieto employees for your excellent work during the past year, and equally sincere thanks to our customers and shareholders for good collaboration, trust and support. Let's continue the good work and dialogue to make the most of the opportunities that the new world of IT offers to all of us.

Helsinki, Finland
February 2011

Hannu Syrjälä
President and CEO

Corporate Governance Statement

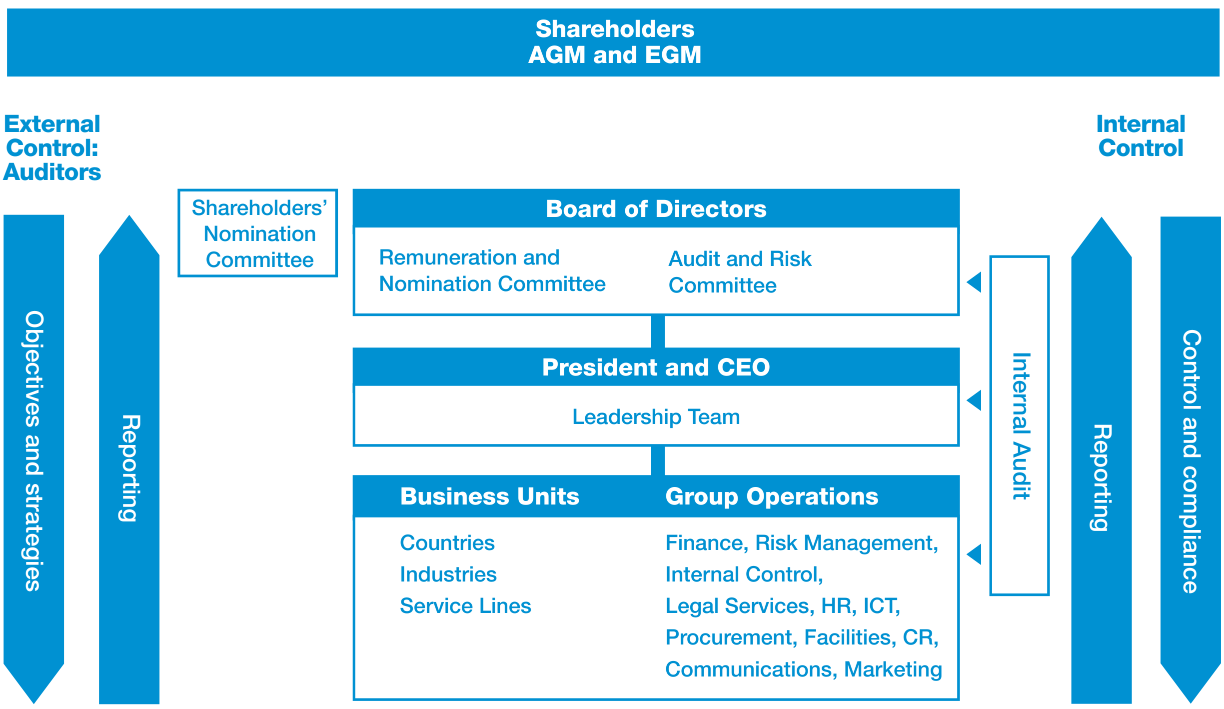
Tieto is committed to good corporate governance. In addition to the relevant legislation and the rules of the Helsinki and Stockholm stock exchanges, Tieto fully complies with the Finnish Corporate Governance Code issued by the Securities Market Association of Finland in 2010.

This Corporate Governance Statement has been prepared in accordance with the Finnish Corporate Governance Code. The code is available at www.cgfinland.fi. This statement has been issued separately from the report by the Board of Directors and included in the Financial Review 2010.

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

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

Governance at Tieto



External rules and regulations
Companies Act
Securities Markets Act
Rules of NASDAQ OMX Helsinki and Stockholm
Standards of the Financial Supervisory Authority
Finnish Corporate Governance Code

Internal rules and regulations
Articles of Association
Charter of the Board
Board Committee Charters
Code of Conduct, values
Policies, rules and guides

The Annual General Meeting

Tieto's supreme decision-making body is the AGM. Every shareholder has a right to participate in the AGM and each share in Tieto entitles its holder to one vote.

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

The following persons are present at Tieto's AGM

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

For more information regarding the AGM, shareholders and participation possibilities please visit Tieto's website (www.tieto.com/Investors).

Shareholders' Nomination Board

Tieto's AGM 2010 decided to establish a Shareholders' Nomination Board (SNB), which is a body responsible for preparing the proposals to the AGM for the election and remuneration of the members of the Board of Directors.

Tieto's 2010 AGM

In 2010, the AGM convened on 25 March at the company's headquarters in Helsinki, Finland. Altogether 619 shareholders and 36 519 479 shares (50.7% of the total outstanding shares) were represented at the meeting. All decisions were made unanimously without voting. No Extraordinary General Meetings were held in 2010.

The SNB consists of five members. Four members shall represent the four shareholders who on 30 September represent the largest number of votes conferred by all shares in the company and who wish to participate in the nomination process. The fifth member is the Chairman of the Board of Directors of Tieto Corporation.

The term of office of the SNB members ends at the closing of the first AGM following their appointment. The SNB itself is a body that has been established for the time being.

Tieto's four largest shareholders on 30 September 2010 announced the following representatives for the SNB:

- Kari Järvinen, Managing Director, Solidium Oy
- Jonas Synnergren, Partner, Cevian Capital AB
- Heikki Vitie, Chief Administrative Officer, OP-Pohjola Group Central Cooperative
- Marianne Nilsson, Head of Corporate Governance, Swedbank Robur funds.

The committee decided that Kari Järvinen shall act as Chairman. Markku Pohjola, the Chairman of the Board of Directors of Tieto, served as the fifth member.

The SNB convened three times. On 14 January 2011, it submitted its proposals for the AGM 2011 to Tieto's Board of Directors. The SNB proposes that the Board of Directors shall have eight members and that all the current members – Kimmo Alkio, Christer Gardell, Kurt Jofs, Eva Lindqvist, Risto Perttunen, Markku Pohjola, Olli Riikkala and Teuvo Salminen – be re-elected.

The SNB proposes that the remuneration of the Board of Directors be unchanged, but that annual fees be reported instead of monthly fees. Furthermore, the SNB is of the opinion that increasing the long-term shareholding of the Board members would benefit all the shareholders and thus proposes that 40% of the fixed annual remuneration be paid in Tieto Corporation's shares purchased from the market.

The Board of Directors

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

Composition and election of Tieto's Board of Directors

The SNC, which consists of representatives nominated by the company's largest shareholders, prepares a proposal on the composition of the Board to be presented to the AGM for its decision. According to Tieto's Articles of Association, the Board of Directors shall consist of at least six and no more than twelve members. Board members have a term of office of one year. Tieto's Board members shall be professionally competent and as a group have sufficient knowledge of and competence, inter alia, in the company's field of business and markets.

Board of Directors as at 31 December 2010

	Born	Nationality	Education	Main occupation
Markku Pohjola	1948	Finnish	BSc. (Econ.)	Professional Board member
Olli Riikkala	1951	Finnish	MSc. (Eng.), BSc. (Econ.), MBA	Professional Board member
Kimmo Alkio	1963	Finnish	BBA and Executive MBA	President and CEO, F-Secure Corporation
Christer Gardell	1960	Swedish	MSc. (Econ.)	Managing Director, Cevian Capital AB
Kurt Jofs	1958	Swedish	MSc. (Tech.)	Entrepreneur, investor and Board member
Eva Lindqvist	1958	Swedish	MSc. (Eng.), MBA	Professional Board member
Risto Perttunen	1954	Finnish	MSc. (Eng.), BSc. (Econ.), MBA	Entrepreneur, investor and Board member
Teuvo Salminen	1954	Finnish	MSc. (Econ.), Authorised Public Accountant	CapMan Advisor
Anders Eriksson (Personnel representative)	1963	Swedish	MSc. (Computer Engineering and Computer Science)	Operational developer
Jari Länsivuori (Personnel representative)	1949	Finnish	Fire safety supervisor	Facility security specialist

				Attendance at meetings in 2010		
	Position	Member since	Independent	Board meetings	Audit and Risk Committee meetings	Remuneration and Nomination Committee meetings
Markku Pohjola	Chairman	2009	•	14/15	-	10/10
Olli Riikkala	Deputy Chairman	2004	•	14/15	9/9	-
Kimmo Alkio	Board member	2009	•	15/15	-	8/10
Christer Gardell	Board member	2010	•	11/11	-	7/7
Kurt Jofs	Board member	2010	•	10/11	5/7	-
Eva Lindqvist	Board member	2010	•	9/11	-	7/7
Risto Perttunen	Board member	2008	•	13/15	9/9	-
Teuvo Salminen	Board member	2010	•	10/11	6/7	-
Anders Eriksson	Personnel representative	2006		15/15	-	-
Jari Länsivuori	Personnel representative	2006		15/15	-	-
Bruno Bonati [1]				3/4	2/2	-
Mariana Burenstam Linder [2]				4/4	-	3/3
Anders Ullberg [3]				4/4	2/2	3/3

[1)-3)] Member of the Board until 25 March 2010.
[1)-3)] Biographical details are available on Tieto's Corporate Governance Statement 2009 available on our website.

The share ownerships and remuneration of the Board of Directors are presented in the table on page 11 and in note 6 of the financial statements.

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

In addition to the members elected by the AGM, Tieto's personnel elects two members and two deputy members to the Board of Directors. This is done in accordance with the Personnel Representation Cooperation Agreement. In 2010, Anders Eriksson (deputy Bo Persson) and Jari Länsivuori (deputy Esa Koskinen) continued as personnel representatives.

More detailed background information regarding the Board members, such as working experience, other positions of trust and the Remuneration Statement, is presented on our website (www.tieto.com/Investors).

Tasks of Tieto's Board

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

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

Work of Tieto's Board

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

Matters to be handled are prepared by the Board committees and the President and CEO. The Board receives information on the company's financial performance monthly

Work of Tieto's Board

The Board convened 15 times in 2010 and the average attendance was 91.3%. The Board met few times during the year without the management present. The Board held one joint meeting with the auditors and the Leadership Team members. The Board met the auditors once without the presence of the management.

Work of Tieto's RNC

The committee convened 11 times in 2010 and average attendance was 95.5%. The main issues considered by the Remuneration and Nomination Committee were compensation of the executive management and evaluation of the leadership capabilities in the company.

Work of Tieto's ARC

The committee convened 11 times in 2010 and attendance was 92.5%. In 2010, the work of the committee focused on internal control – particularly the financial reporting process – and risk management issues.

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

Assessment of the Board

The performance of Tieto's Board is assessed annually; the latest assessment was carried out by an external partner in late 2010. Assessments review the Board's knowledge of the company's operations and management as well as its understanding of the field of business. Additionally, the effectiveness of the Board work is evaluated. The SNC is informed of the results and they are also taken into consideration when the Board draws up its next annual plan.

Board committees

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

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

Remuneration and Nomination Committee (RNC)

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

In 2010, all committee members were non-executive directors and independent of the company. Based on the Board's decision, the RNC was composed of:

- Markku Pohjola (Chairman)
- Kimmo Alkio
- Christer Gardell
- Eva Lindqvist.

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

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

Audit and Risk Committee (ARC)

The ARC comprises at least three non-executive directors who are independent of the company and out of whom at least one member shall be independent of significant shareholders. The Chairman and the members are elected by the Board. At least one committee member must have expertise in accounting, bookkeeping or auditing. The Chief Risk Officer (CRO) acts as a secretary of the meetings.

In 2010, all committee members were non-executive directors who were independent of the company and significant shareholders. All four members have extensive experience in corporate management and therefore have the financial expertise required by the code. Based on the Board's decision, the ARC was composed of

- Olli Riikkala (Chairman)
- Kurt Jofs
- Risto Perttunen
- Teuvo Salminen.

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

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

The President and CEO and operative management

Tieto Group's operative management consists of the President and CEO, the Leadership Team, the industry and country organizations and the service lines. The President and CEO is appointed by the Board and he is responsible for the Group's operative management, internal efficiency and quality.

Tieto's President and CEO is assisted by the Leadership Team, which includes the heads of country and industry organizations, the head of Global Service Lines, the CFO, the head of Customer and Market Operations and the head of HR. Appointments of Leadership Team members are approved by the Chairman of the Board based on the President and CEO's proposal.

The Leadership Team members are accountable for the performance and development of their management areas and they supervise the operations of the units belonging to their areas. As a general rule, the business units in each management dimension (industries, countries and service lines) make their own operative decisions and are responsible for conducting their operative duties. The country organizations, industry organizations and service lines have a profit and loss responsibility.

The remuneration of the Leadership Team is presented in the tables on pages 12–13. More detailed background information, such as full CVs of the Leadership Team members, is presented on our website (www.tieto.com/Investors).

The President and CEO and operative management as at 31 December 2010

	Position	Born	Nationality	Education	Joined the company in
Hannu Syrjälä	The President and CEO	1966	Finnish	MSc. (Econ.)	2008
Eva Gidlöf	Executive Vice President, Country head of Sweden	1957	Swedish	MSc. (Econ.)	2008
Kavilesh Gupta	Executive Vice President, Strategy and Corporate Development	1968	Indian	BSc. (Physics)	2008
Seppo Haapalainen	Executive Vice President, Chief Financial Officer (CFO)	1961	Finnish	MSc. (Econ.)	1990
Willem Hendrickx [4]	Executive Vice President, Telecom & Media and Tieto International	1968	Belgian	Master in Economics	2010
Per Johanson	Executive Vice President, Financial Services	1962	Swedish	BA, Marketing and MBA	2009
Ari Karppinen	Executive Vice President, Country head of Finland	1957	Finnish	MSc. (Eng.)	1987
Johanna Pyykönen-Walker	Executive Vice President, Human Resources	1966	Finnish	Master of Education (M.Ed.), MSc. (Econ.)	2008
Sampo Salonen	Executive Vice President, Global Service Lines	1954	Finnish	MSc. (Econ.)	2005
Ari Vanhanen	Executive Vice President, Industry Group	1961	Finnish	MSc. (Eng.)	1994
Bengt Möller [5]	Executive Vice President, Telecom and Media	1959	Swedish	MSc. (Eng.)	1996
Pekka Viljakainen [6]	Executive Vice President, Tieto International	1972	Finnish	Engineering studies	2000

[4] Leadership Team Member as of 8 September 2010.
[5] Leadership Team Member until 8 September 2010.
[6] Leadership Team Member until 31 October 2010.

Internal control, risk management and internal audit

Internal control and risk management framework

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

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

Tieto uses risk management as a means of developing business operations and their profitability and ensuring the continuity of successful business operations. The role of risk management is to maintain the company's risk management framework and report risk exposures consisting of strategic, financial and operational risks.

Tieto's internal control

In 2010, Tieto's risk management has concentrated on strategic risks related to the changed market situation. The main focus of Tieto's Internal Audit has been on project deliveries and business continuity. In addition, all finance process controls have been analyzed from the risk mitigation perspective during the year. The next step is to embed the risk management activities into organizational governance.

Auditing

The 2010 AGM re-elected the firm of authorized public accountants PricewaterhouseCoopers Oy as the company's auditor for the financial year 2010. PricewaterhouseCoopers Oy notified the company that authorized public accountant Kim Karhu acts as chief auditor. In 2010, Tieto Group paid the auditors for auditing a total of EUR 1.4 (1.4) million, of which EUR 1.3 (1.3) million to the Group's auditor PricewaterhouseCoopers Oy, and for consulting a total of EUR 0.9 (0.5) million, of which EUR 0.7 million to the Group's auditor.

The activities related to internal control and risk management are part of Tieto's management practices and integrated into the business and planning processes defined in the company's W2E (Way to Excellence) business system. The framework consists of Tieto's policies, procedures, operating principles and guidelines. The owner of each process is responsible for the continuous development of the established procedures, including internal control and risk management. Tieto's risk management is headed by the CRO, who reports to the CFO. The ARC monitors the efficiency of the company's internal control, risk management and internal audit.

Internal control and risk management pertaining to financial reporting

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

Financial reporting process and responsibilities

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

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

Tieto has organised its finance functions to global services, country units and group reporting. The Global Services function is in charge of centralized shared finance operations and the development of common finance processes and tools. It also has the ownership of finance policies and rules as well as the responsibility for process performance and operational compliance.

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

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

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

Monitoring activities of financial reporting

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

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

Internal audit

Tieto's Internal Audit function carries out both business and internal audit activities. Business audit activities aim to ensure the efficiency and appropriateness of Tieto's operations. Internal audit activities are intended to assess and assure the adequacy and effectiveness of internal controls within Tieto. Internal audit is carried out independently and it reports to the President and CEO and to the ARC. The charter and annual internal audit plan are approved by the ARC.

Auditors

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

Remuneration

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

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

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

Remuneration of the Board

According to the decision of the AGM, the Board members and the Chairman of each Board committee receive fixed monthly cash compensation. In addition, the Board members will be paid remuneration for each Board meeting and for the meetings of all permanent or temporary Board committees.

Board remuneration does not include any shares or share-based arrangements, nor do the members have any pension plans at Tieto. Tieto executives or employees are not entitled to compensation for their Board meeting attendance. None of the Board members, except the personnel representatives, have an employment relationship or service contract with Tieto.

Board remuneration in 2010

Board members received cash compensation as follows:

	EUR /month
Chairman	5 700
Deputy Chairman	3 800
Member	2 500
Committee Chairman/month	3 800 [7]

[7] Provided that she or he is not the Chairman or the Deputy Chairman of the Board.

Attendance at the meetings is presented on page 6 of this Corporate Governance Statement.

Additionally, the members received EUR 800 for each Board and committee meeting.

Remuneration of the Leadership Team

Remuneration of the Leadership Team members consists of

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

Short-term incentives

The purpose of the annual bonuses is to reward performance that surpasses expectations. Tieto's bonus system is based on clear measurable targets set for net sales and operating profit as well as factors measuring success in the company's transformation, e.g. employee and customer satisfaction and quality improvements. Weighting of the reward factors for the President and CEO and other Leadership Team members is described in a separate table.

Shareholdings and remuneration of the Board in 2010

	Shareholding at 31 Dec		Remuneration, EUR	
EUR	**2010**	2009	**2010**	2009
Markku Pohjola	**11 000**	1 000	**76 400**	34 500
Olli Riikkala	**4 000**	4 000	**62 400**	64 000
Kimmo Alkio	**0**	0	**46 800**	32 100
Christer Gardell	**0**	-	**35 300**	-
Kurt Jofs	**6 000**	-	**33 700**	-
Eva Lindqvist	**200**	-	**34 500**	-
Risto Perttunen	**3 000**	3 000	**46 000**	47 600
Teuvo Salminen	**2 200**	-	**34 500**	-
Anders Eriksson	**0**	0	**-**	-
Jari Länsivuori	**0**	0	**-**	-
Bruno Bonati [1]	**-**	0	**10 700**	49 200
Mariana Burenstam Linder [2]	**-**	100	**12 300**	46 800
Anders Ullberg [3]	**-**	5 000	**23 500**	92 400

[1)-3)] Member of the Board until 25 March 2010.
[1)-3)] Biographical details are available on Tieto's Corporate Governance Statement 2009.

The reward targets are set annually by the Board of Directors. The bonus for the President and CEO is 50% of the annual base salary when the targets are met. The maximum bonus is 100%. For other Leadership Team members, the bonus stands at 30% of the annual base salary at the target, and the maximum bonus is 60%. The amount of bonuses is decided by the Board of Directors after the financial statements have been prepared. The bonuses are paid by the end of April.

Share-based long-term incentives

Tieto has two types of share-based long-term incentive arrangements: the Performance Share Plan and option programmes.

The terms and conditions of the share plan are approved by the Board of Directors and the current plan covers the Leadership Team members. Key principles of Tieto's share plan, such as the basis and size of rewards, are described on our website (www.tieto.com/Investors).

The terms and conditions of option programmes are approved by the AGM and option allocations are approved by the Board of Directors with a view to reward individual performance. The current programmes cover the Leadership Team and around 500 other employees. Further information about Tieto's option programmes is available on our website (www.tieto.com/Investors).

Pension plans

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

The additional schemes are classified as defined contribution plans, except for the scheme of one member who is covered by a fund-based pension system previously adopted by Tieto. In contribution-based plans, the payments to the plans are recognized as expenses for the period to which they relate. After the payment of the contribution, the company has no further obligations in respect of such plans.

In the case of the Finnish members with no earlier additional pension plans, annual payments to the plans managed by a pension insurance company amount to 15% or 23% of the participant's annual base salary. The accumulated pension, including return on capital investment, is paid to the participant during 20 years starting at the age of 60–70 depending on individual choice.

The annual expenditure related to the pension plans of the President and CEO and CFO amounts to 23% of their annual base salary, while that of other Finnish Leadership Team members with no earlier pension plans amounts to 15% of their annual base salary.

The company provides the Swedish members and one non-Finnish member with individual contribution-based pension plans in accordance with local practices.

Remuneration of the Leadership Team

Hannu Syrjälä, the President and CEO	
Salary and benefits	EUR 35 000/month + car benefit
Basis of bonus	Maximum 100% of base salary based on the Group's net sales and profit. Weighting of the reward factors: - EBIT of the company 70% - Net sales of the company (organic and acquisitive) 30%.
Options	2006 B option programme: right to subscribe for 35 000 shares 2006 C option programme: right to subscribe for 80 000 shares 2009 A option programme: right to subscribe for 15 000 shares 2009 B option programme: right to subscribe for 17 500 shares Terms and conditions of the option programmes are available on our website (www.tieto.com/Investors).
Performance Share Plan 2009–2011	The reward to be paid to the President and CEO on the basis of the Performance Share Plan 2009–2011 corresponds to a maximum of 90 000 shares. Further information is available on our website (www.tieto.com/Investors).
Share ownership guideline	The recommended minimum investment in the company's shares corresponds to the executive's one time annual gross base salary.
Retirement age	60
Pension expenditure	Annual fee in addition to statutory pension provision: 23% of the annual base salary (defined contribution plan [8])
Period of notice	12 months
Severance payment	In addition to the 12 months' salary for the notice period, the President and CEO is entitled to a severance payment equivalent to 12–18 months' salary.

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

Updated information on the shares and options held by the President and CEO is available on our website (www.tieto.com/Investors) under the insider register.

Other Leadership Team members

Basis of bonus	Maximum 60% of base salary based on the Group's net sales and profit as well as annual performance index of transformation. CFO: weighting of the reward factors is following - EBIT of the company 50% - Total net sales of the company (organic and acquisitive) 20% - Annual performance index of transformation 30% Other: weighting of the reward factors is following - EBIT of the company 34% - Total net sales of the company (organic and acquisitive) 33% - Annual performance index of transformation 33%
Options	Terms and conditions of the option programmes are available on Tieto's website. See the insider register on our website for updated information on the options held by each member.
Performance Share Plan 2009–2011	The reward to be paid to the other members of the Leadership Team corresponds to a maximum of 400 000 shares. Further information is available on our website (www.tieto.com/Investors).
Share ownership guideline	The recommended minimum investment in the company's shares corresponds to the executive's one time annual gross base salary.
Pension expenditure	CFO: Annual fee equals to 23% of annual base salary (defined contribution plan) [9] Other Finnish Leadership Team members with no pension plans implemented earlier: Annual fee equals to 15% of annual base salary (defined contribution plan). The company provides most non-Finnish members individual contribution-based pension plans accordant with local practices. [9]

The compensation of the whole Leadership Team in 2010 is also summarized in note 6 of the financial statements. Remuneration statement is available on our website (www.tieto.com/Investors).

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

Shareholdings and remuneration of the Leadership Team in 2010

	Shareholding at 31 Dec		**Options held at 31 Dec**	
EUR	**2010**	2009	**2010**	2009
Hannu Syrjälä	**30 400**	22 300	**147 500**	115 000
Eva Gidlöf	**3 260**	3 260	**23 000**	10 000
Kavilesh Gupta	**0**	0	**13 000**	0
Seppo Haapalainen	**5 500**	4 500	**32 330**	16 330
Willem Hendrickx [4]	**12 500**	-	**8 500**	-
Per Johanson	**0**	0	**16 000**	0
Ari Karppinen	**5 000**	5 000	**52 500**	32 000
Johanna Pyykönen-Walker	**1 500**	1 500	**18 000**	5 000
Sampo Salonen	**900**	-	**25 250**	-
Ari Vanhanen	**10 710**	10 710	**49 000**	36 000
Bengt Möller [5]	**-**	1 500	**-**	12 700
Pekka Viljakainen [6]	**-**	653 647	**-**	36 000

Remuneration in 2010, EUR	**2010**	2009
President and CEO		
Salary and benefits	**854 949**	857 956
Bonus	**112 504**	0
Other Leadership Team members		
Salary and benefits	**2 265 372**	2 773 487
Bonus	**237 218**	0

[4] Leadership Team Member as of 8 September 2010.
[5] Leadership Team Member until 8 September 2010.
[6] Leadership Team Member until 31 October 2010.

Report by the Board of Directors

NEW COMPANY STRUCTURE BASED ON REVISED STRATEGY

Tieto revised its strategy during 2010 as part of an annual strategy process. Tieto's strategy seeks higher differentiation and specialization. IT is increasingly packaged and consumed as a service and therefore a greater focus is placed on productizing the company's high value adding services and offerings. Combining advanced technology with innovations and a deep understanding of customers' businesses differentiates the company from its competitors. Tieto aims to be a market leader in IT services in North-East Europe and to expand operations in new markets such as Russia and Poland.

To ensure efficient execution of the strategy, Tieto decided to adjust its operating model and made new appointments in the company management. The new structure reflects the company's strategic priorities in terms of both markets and offerings. The two dimensions of the new structure are Market Units and Business Lines. Market Units drive sales to their assigned customers and within their geographical markets and develop both customer relationships and Tieto's local position. Business Lines develop and deliver Tieto's offerings to customers, drive delivery efficiency and take part in sales. Business Lines are managed as global units. The new structure and appointments became effective on 1 January 2011.

STREAMLINING ACTIONS

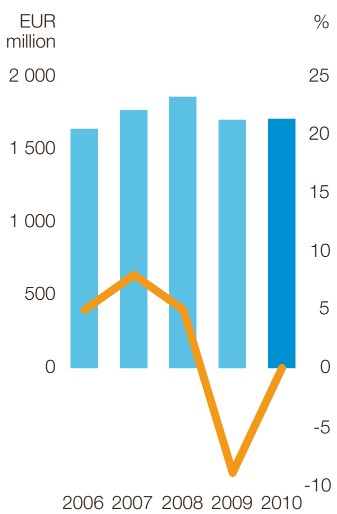
In 2010, Tieto continued the transfer of operations to offshore countries and the streamlining of the company to improve its performance, especially in Tieto International. These actions included the renewal of business structures and strategy in Germany, office consolidations and personnel-related measures in selected countries. The total one-off costs related to the restructuring actions during 2010 amounted to EUR 30.4 million. The majority of the cash flow effect is expected to materialize in the second half of 2011. A considerable part of the one-off costs concerns Germany. During the year, Tieto also booked impairment losses of EUR 7.6 million related to the divestment of its operations in France and the USA, and a capital gain of EUR 0.4 million.

MARKET DEVELOPMENT

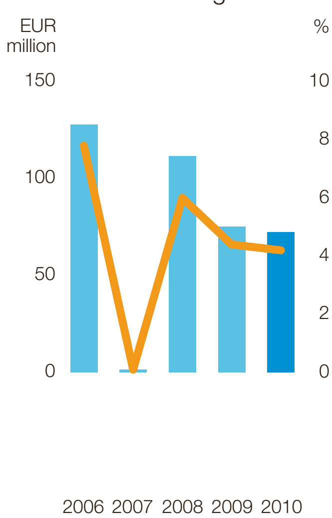
The IT services market in Western Europe was flat in 2010. Outsourcing of ICT infrastructure and application management as well as business process outsourcing were active throughout the year whereas demand for project services was stagnant. Buying patterns in the IT sector were back-end loaded, supported by year-end sales of new software licenses.

For 2011, industry analysts' estimates indicate growth of 2–4% for the IT services market in Western Europe. The overall global IT market is expected to see even greater growth due to rising demand, especially in the emerging markets. Demand for new development projects aiming at growth or enhanced customer services is picking up, for example in the finance, industrial manufacturing, media and telecom sectors. Going forward, mobile applications comprise a clear growth area. Price pressure continues and improvements in productivity and efficiency remain among key the drivers in buying IT. Hence, outsourcing of IT is expected to be the strongest growth area in 2011 as well. The outsourcing trend is now extending from large companies to

Net sales and growth



Operating profit (EBIT) and margin



small and medium-sized companies. Customers emphasize offshoring in their sourcing strategies, putting pressure on prices.

Going forward, new service models have a key role in customers' IT strategies. The transition from traditional IT projects to models where customers buy IT, or functionality, as a service is accelerating. Companies worldwide indicate that service-based IT – or cloud services – is a key initiative for them, and budgets in this area for 2011 are expected to grow by double-digit numbers, albeit from low levels. In 2015, cloud services are forecast to account for 20% of the IT market. At Tieto, cloud services currently account for less than 5% of net sales.

As customers are now choosing to have IT delivered as a service via the internet instead of investing in their own IT systems, IT ties up less capital. Thanks to its scalability, this service is more affordable, attracting new user groups to utilize IT. Customers are billed based on time consumed or number of transactions or users. As cloud applications need only an internet connection and they also work on mobile devices, they are expected to attract more users and lead to higher business volumes.

In the telecom sector, companies have gradually started investing. Both the operator segment and the mobile device manufacturers segment picked up in the first half of 2010, boosted by new technologies. Positive development is now visible also in the network equipment manufacturers segment. Offshore-based operations are a crucial part of service provision in the telecom sector. Demand for spearhead competences in some hype areas has increased, resulting in resource shortage.

In the finance sector, the market is growing and Sweden is currently the strongest market for Tieto. In Finland, the pension insurance segment was declining in 2010 but bottomed out towards the year end. The mortgages market in the UK has also begun to recover. The IT outsourcing market remained strong. Banks have also started to invest in their existing IT systems by consolidating their current systems as well as in new applications, as they are seeking to transfer more services to the internet.

Market development by country

In Finland, the outsourcing market continued to grow throughout the year. Project business remained at a modest level, although the number of development initiatives increased towards the year end. Demand for IT services is expected to continue at a good level in the energy, healthcare and welfare sectors. Positive development is also expected in the finance sector and the industrial manufacturing sector in 2011. In the public sector, Tieto expects moderate growth to continue.

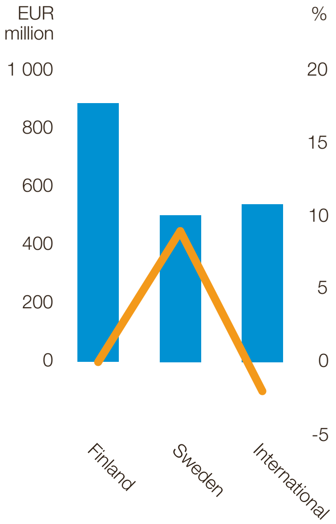
In Sweden, demand for IT services, especially the outsourcing of IT, is at a healthy level. Despite higher volumes, the total value of the Swedish IT services market did not grow in 2010 due to price competition, which has remained hard. Growth expectations for the Swedish IT market in 2011 are slightly higher than those for Finland, but on the other hand, vendors in Sweden are facing resource shortages within some key competence areas, such as project management.

In Russia, the IT market started to recover in 2010. In 2011, demand is expected to grow for project services driving cost-efficiency and customer satisfaction, especially in consumer-driven businesses like retail banking, retail and telecom. Demand is expected to grow also in the manufacturing, oil & gas and food industries. The emergence of the outsourcing market is slower than was earlier estimated by analysts.

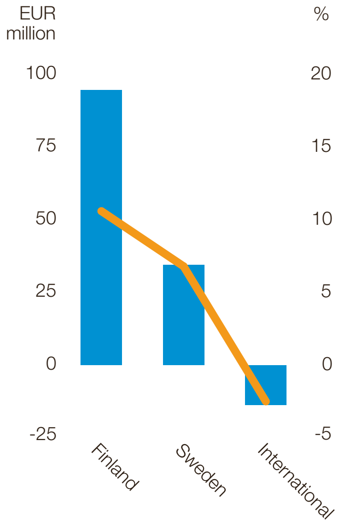
In Germany, the IT market started to recover in the second half of 2010 and is expected to remain active in 2011. The markets for local telecom R&D are weak, but demand in the healthcare sector is brisk. The manufacturing market has recovered and investment planning has been started.

In Norway, demand is picking up and interest in restarting IT projects has increased. A strong outlook is indicated by companies in the oil & gas segment. Positive development is also expected in the healthcare sector.

Net sales and growth by geography



Operating profit and margin by geography



BUSINESS TRANSACTIONS AND MAJOR AGREEMENTS IN JANUARY–DECEMBER

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

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

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

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

In April, Tieto agreed to sell its French subsidiary to the French IT company Devoteam. In 2009, net sales from the sold entity were EUR 28.5 million. Altogether Tieto has booked EUR 7.3 million in impairment losses and EUR 0.4 million in restructuring costs related to the divestment.

In June, Tieto and the City of Stockholm decided to continue cooperation in IT and telephony services and concluded an agreement that runs from August 2012 until July 2014. The order value during the extension period is more than SEK 600 million (approximately EUR 60 million), of which Tieto's proportion is about SEK 300 million (approximately EUR 30 million). The delivery will be made in cooperation with SiriusIT, Aditro, Agresso and TeliaSonera.

In June, Skåne Regional Council chose Tieto as its outsourcing partner. The deal is valued at SEK 516 million (approximately EUR 50 million) during five years.

In June, Tieto and the Finnish State Treasury concluded an agreement on operating services. Tieto delivers IT operating services to the Finnish State Treasury and the related Government IT Shared Service Centre until 2016. The delivery also includes an extensive operating service development plan for the whole contract period. The value of the contract is approximately EUR 20 million.

In June, If P&C Insurance concluded a new five-year IT services agreement with Tieto as a one-stop supplier. The contract includes operations management services for If's IT systems in the Nordic countries. The total value of the contract is approximately EUR 160 million.

In June, Tieto acquired the business of the Finnish healthcare IT solutions provider Intensium Oy to strengthen its position in the healthcare market. The business was transferred to Tieto on 1 July 2010. Intensium's 17 employees joined Tieto.

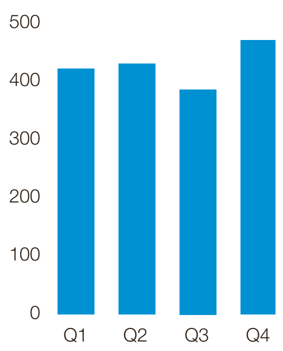
In September, Tieto announced the signing of a share purchase agreement concerning a majority ownership in TrustInfo, a Russian company currently providing a full range of data centre services in Russia. The Russian Federal Antimonopoly Service approved the transaction in January 2011, and the agreement is expected to be signed during the first quarter of 2011. After the signing, a holding company fully owned by Tieto will own 70% of the shares in TrustInfo. I-Teco, a leading Russian IT service and consulting company, owns the remaining 30%. The initial investment amounts to approximately EUR 17 million.

In September, Tieto and Sanoma signed a significant agreement on centralizing administrative IT services to Tieto starting from 2 September 2010. The agreement covers among others the financial systems, e-mail and intranet solutions of the Sanoma Group in Finland and as an option, partially in the Baltic countries.

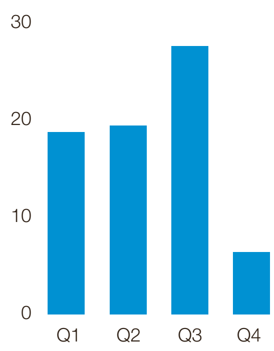
In November, Tapiola, a Finnish customer-owned group offering insurance, bank, savings and investment services, decided to centralize selected ICT operating services to Tieto. The total value of the five-year agreement is approximately EUR 23 million. The service agreement will commence after the migration phase in autumn 2011.

In December, Hafslund ASA, one of the leading Nordic energy companies, signed an agreement to purchase a new billing system from Tieto Norway AS. The system is designed to handle the next generation advanced meter and control systems (AMS) that all energy companies in Norway will

Net sales by quarter, EUR million



Operating profit (EBIT) by quarter, EUR million



be required to implement. The total value of the agreement amounts to around EUR 14 million.

In December, the Swedish Legal, Financial and Administrative Services Agency and Tieto signed a frame agreement for services supporting e-government at municipalities, county councils and government agencies. The agreement covers six suppliers and is estimated to result in call-offs equivalent to SEK 200 million per year over a five-year period.

In December, Tieto announced that it has made an agreement with Nokia Siemens Networks on outsourcing part of the device management software development related to base station products to Tieto. As a result, more than 30 persons have joined Tieto.

ORDER BACKLOG

The order backlog, which only comprises services ordered with binding contracts, amounted to EUR 1 574 (1 258) million at the end of the period. In total, 60% (63) of the backlog is expected to be invoiced during 2011. Order intake in 2010 saw the strongest growth in Sweden.

FINANCIAL PERFORMANCE IN JANUARY–DECEMBER

Full-year net sales amounted to EUR 1 713.7 (1 706.3) million. The increase in net sales was curbed by the divestments of the pulp and paper operations in North America and Tieto's French subsidiary in 2010 and the one-off income of EUR 13.2 million included in net sales for 2009. The divestments had a negative EUR 30.1 million impact on full-year net sales. On the other hand, the stronger currencies, especially the Swedish krona, had a positive EUR 60 million impact on net sales. When eliminating currency effects, the impacts of the divestments and one-off income on net sales of the underlying business declined by 1%.

In 2010, growth came mainly from the outsourcing of ICT infrastructure and application management. Demand for new development projects aiming at growth or enhanced customer services was weak, although it picked up towards the year end.

Price pressure remained strong throughout the year. Volumes in terms of man-hours were up by around 6% but that has not translated into net sales growth due to the fact that offshoring is in many cases leading to lower average unit prices. At the same time, however, average unit costs are down. The net impact of lower prices and lower average costs on operating profit is slightly positive. In this calculation, the impact of one-off items and currency effects is eliminated.

Full-year operating profit (EBIT) amounted to EUR 72.4 (75.3) million, representing a margin of 4.2% (4.4). Tieto booked a net amount of EUR 30.4 million (negative) in restructuring costs, EUR 7.6 million in impairment losses related to the divestment of its operations in France and the USA, and a capital gain of EUR 0.4 million. Operating profit excluding one-off items stood at EUR 110.0 (108.0) million, or 6.4% (6.3) of net sales.

Savings achieved in subcontracting costs, business expenses and premises were offset by investments in global delivery capacity, growth initiatives in Russia and offerings such as cloud services. At the corporate level, personnel costs excluding currency effects and restructuring remained at the same level as in 2009.

Net financial expenses stood at EUR 6.3 (5.0) million in the full-year. Net interest expenses were EUR 5.6 (7.3) million and net losses from foreign exchange transactions EUR 0.0 (positive 2.9) million. Other financial income and expenses amounted to EUR 0.7 (0.6) million.

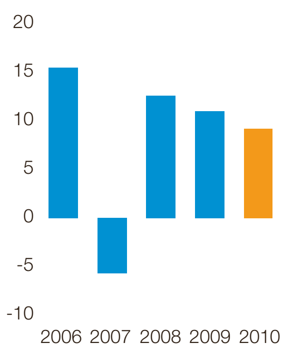
The Supreme Administrative Court in Finland has ruled that a merger loss of EUR 27.6 million related to the merger of Tieto Financial Solutions Oy in 2003 is tax-deductible. Recognition of a deferred tax asset related to this item had a positive net profit effect of EUR 7.2 million in 2010.

Earnings per share (EPS) totalled EUR 0.69 (0.77).

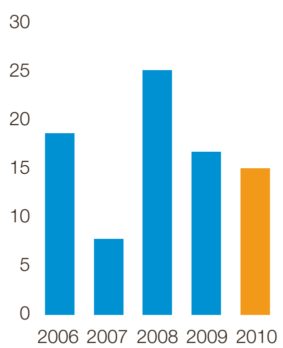
The 12-month rolling return on capital employed (ROCE) was 15.1% and the return on shareholders' equity (ROE) 9.2%.

In Finland, net sales remained flat. The drop in the finance sector offset the growth in other sectors. In the Finnish finance sector, the pension insurance segment was weak after a long investment cycle. Tieto's performance was strong in the energy, healthcare and welfare and the manufacturing sectors. The company made greater use of external resources due to the short-term shortage of staff, especially in the second half of 2010. This, coupled with lower prices, resulted in weaker profitability. Operating profit amounted to EUR 94.6

Return on equity, %



Return on capital employed, %



Financial performance by country

	Net sales in Jan–Dec/2010, EUR million	Net sales in Jan–Dec/ 2009, EUR million	Change, %	**Operating margin in Jan–Dec 2010, %**	Operating margin in Jan–Dec 2009, %
Finland	**889**	888	0	**10.6**	12.4
Sweden	**504**	462	9	**6.8**	-0.6
International	**542**	553	-2	**-2.5**	-1.2
Group elimination	**-220**	-197			
Total	**1 714**	1 706	0	**4.2**	4.4

(110.3) million, or EUR 100.9 (112.5) million excluding one-off items. Operating margin was 10.6% (12.4), or 11.3% (12.7) excluding one-off items.

In Sweden, net sales grew by 9%. In local currency, net sales declined by 2%. The public, finance and healthcare and welfare sectors were growing, but in the telecom and manufacturing sectors, Tieto's performance was weak. All main cost items, e.g. personnel and subcontracting costs and operating and business expenses, excluding one-off items, were down in 2010, resulting in a substantial improvement in profitability. Operating profit rose to EUR 34.4 (-3.0) million, or 6.8% (-0.6.) of net sales. Operating profit excluding one-off items amounted to EUR 35.2 (17.9) million, or 7.0% (3.9) of net sales.

In International, net sales declined by 2%. The decline was reinforced by divestments in 2010 and one-off income of EUR 13.2 million in 2009 that affected the comparison figures. The divestments of operations in North America and France had a negative EUR 30.1 million impact on net sales. On the other hand, the stronger currencies had a positive EUR 12 million impact. When eliminating divestments, one-off items and changes in currencies, net sales grew by 4%. Growth is mainly attributable to growing operations in Asia and Eastern Europe, e.g. China, India, Poland and the Czech Republic.

Despite cost savings and good performance in delivery countries, operating profit was unsatisfactory partly due to business development costs in Russia. Full-year operating profit of Tieto International amounted to EUR -13.7 (-6.7) million and included EUR 21.2 million in restructuring costs, impairment losses of EUR 7.6 million related to the divestments, and a capital gain of EUR 0.4 million. Operating profit excluding one-off items rose to EUR 15.0 (1.4) million. Operating margin was -2.5% (-1.2), or 2.8% (0.3) excluding one-off items.

Net sales by customer sector

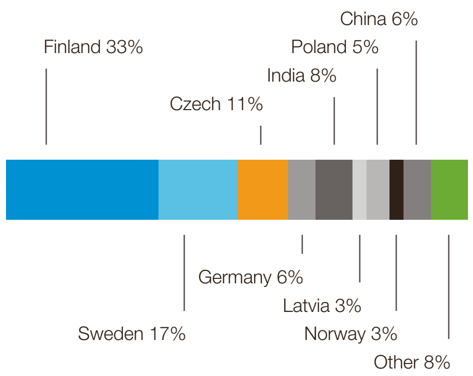
	Net sales in Jan–Dec /2010, EUR million	Net sales in Jan–Dec / 2009, EUR million	Change, %
Telecom	**571**	582	-2
Finance	**358**	359	0
Industry sectors	**785**	766	3
Total	**1 714**	1 706	0

In the telecom sector, Tieto's net sales declined by 2%. The divestment in France had a negative EUR 23.2 million impact on net sales. When eliminating the divestment and the positive currency effects, net sales declined by 1%. The decline was mainly attributable to lower prices and lower delivery volumes to a few customers facing business challenges in their own operations. Profitability improved in 2010 due to lower costs and improved efficiency.

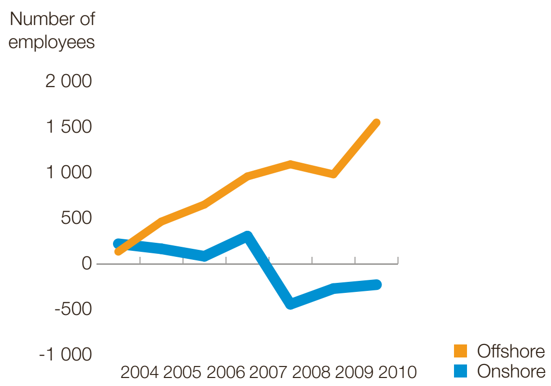
In the finance sector, net sales remained flat. Excluding the positive currency effect, net sales declined by around 4% mainly due to the drop in Finland, where net sales in the pension insurance segment were at a low level. In Sweden, net sales in local currency turned to growth towards the year end. Profitability improved to a satisfactory level.

In the industry sectors, net sales rose by 3%. The comparison figure in 2009 included one-off income of EUR 13.2 million. Excluding one-off items, currency effects and the di-

Personnel by country



Net recruitment



vestment of the pulp and paper operations in North America, net sales rose by around 2%. Net sales were growing in all sectors, except for the industrial manufacturing sector, which suffered from low performance in Sweden. Profitability was at a healthy level. In Tieto's reporting, the industry sectors cover customers in healthcare and welfare, forest, energy, manufacturing, automotive, public, retail and logistics.

CASH FLOW AND FINANCING

Full-year net cash flow from operations increased to EUR 142.9 (126.4) million. Net cash flow from operations includes a decrease of EUR 12.6 (increase 3.9) million in net working capital.

Tax payments amounted to EUR 18.1 (14.4) million in the full year.

Payments for acquisitions totalled EUR 2.6 (4.6) million in the full year. Divestments amounted to EUR 3.6 (5.7) million.

Dividends of EUR 35.7 (35.8) million were paid in April.

At the end of 2010, the consolidated balance sheet totalled EUR 1 240.6 (1 195.3) million, a 3.8% increase compared with 2009. The equity ratio was 47.6% (46.0). Gearing decreased to 9.3% (12.7). Net debt totalled EUR 51.8 (66.0) million, including EUR 152.0 million in interest-bearing debt, EUR 4.3 million in finance lease liabilities, EUR 6.5 million in finance lease receivables and EUR 98.0 million in cash and cash equivalents.

The interest-bearing long-term debt consists of EUR 150 million in bonds, of which EUR 100 million will mature in December 2013 and EUR 50 million (private placement) in July 2012. The EUR 250 million syndicated revolving credit facility maturing in November 2011 was not in use and there were no commercial papers issued under the EUR 250 million Commercial Paper Programme at the end of December. Other short-term credit lines were utilized for EUR 1.1 million.

INVESTMENTS

Investments totalled EUR 101.4 (58.9) million for the full year. Capital expenditure, including financial leasing, accounted for EUR 99.5 (57.5) million and investments in subsidiary and associated company shares for EUR 1.9 (1.4) million. Investments in new data centres in Finland, Sweden and Russia amounted to EUR 24.8 million.

PERSONNEL

The number of full-time employees amounted to 17 757 (16 663) at the end of December. Tieto has actively been increasing its capacity in global delivery centres. At the end of December, the number of full-time employees in the global delivery centres totalled 6 565 (4 996), or 37% (30) of personnel. Global operations have grown fast, especially in China and India. In onshore locations, the number of personnel has decreased by close to 500 employees year-on-year.

The 12-month rolling employee turnover stood at 9.5% (6.3) at the end of December. The average number of fulltime employees was 17 097 (16 568) in the full year. Wages and salaries for 2010 were EUR 763.6 (739.4) million. In 2010, 73% (73) of personnel were male and 27% (27) female. Due to rising attrition rates, salary inflation is expected to rise. Emerging focus markets like India, China and Russia may see double-digit salary hikes. Salary inflation is expected to be 2–3% on average.

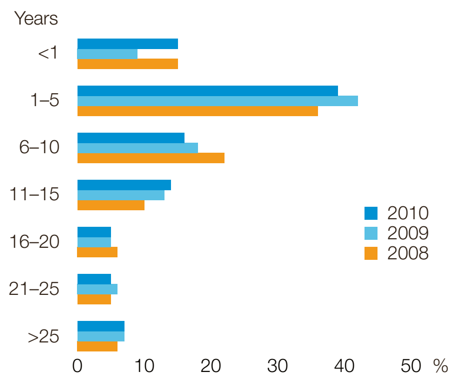
The greater requirements of customers and rapidly changing operating environment coupled with continuing transformation within the company pose challenges for human resources management and the development of personnel.

In 2010, Tieto continued building a global HR function that supports the strategy implementation by efficiently combining business goals with individual level objectives. To achieve this target, the company focused in 2010 on the Success for People process as well as further development of compensation and HR information systems.

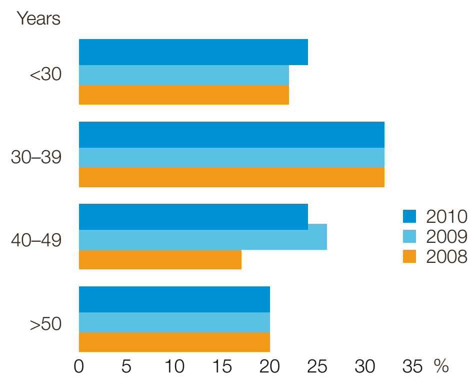
The global rollout of the Success for People process, launched in 2009, was completed during the year. It is designed to facilitate the translation of business goals into individual level objectives that define more clearly what is expected from each employee. Success for People includes processes and tools for goal and performance management, competence evaluation and development planning, talent management, compensation management as well as individual and company incentives.

In the talent management area, the company conducted the annual talent evaluation process based on Tieto's global career path framework. In 2010, Tieto concentrated on managers, project managers and young talents. The career path

Length of employment



Personnel by age



framework was developed further to address the strategic competence areas.

Tieto's compensation system aims to create a clear connection between compensation, personal performance and the company's financial position. The key elements are clearly defined goals and performance-based compensation. In 2010, Tieto started streamlining and renewing its sales compensation programmes to boost sales performance. In line with the objectives for short-term incentives in general, the weighting of individual performance is on the rise. Competitive compensation supports the company's bid to become the employer of choice, as well as ensures that it can retain its skilled professionals and attract new talents.

Development of Tieto's HR information systems covered, for example, tools for employment life- cycle management. In 2010, Tieto focused on the development of the automated global solution. It was taken into pilot use at the end of 2010. The global roll-out will continue during 2011.

The company also invested in the transformation of competences to increase the agility of its operations. In this process, the work concentrated on defining the strategic competences and continues with business-focused capability building and transformation projects in 2011.

Tieto conducts an annual employee engagement survey. 2010 once again saw an all-time high response rate, 89%, showing that personnel around the world consider the annual survey to be an important feedback channel. The overall satisfaction level remained relatively stable, but there is still room for improvement. However, satisfaction improved in many areas, such as focus on customer satisfaction, stronger leadership, better communication and follow-up on goals as well as understanding of Tieto's strategy and values. One key area of improvement was the overall loyalty and relationship to Tieto as an employer. The company has used the results of this survey to define key development areas for 2011. These development areas relate to the implementation of a new, simplified operating model and organizational design that aims to increase efficiency and clarify accountabilities across the organization.

Tieto's Code of Conduct and anti-corruption policy were renewed in 2010 and communicated to all employees. By the end of the year, close to 90% of employees had confirmed their commitment to the Code of Conduct by signing it. The purpose of these instructions is to communicate a common set of ethical and business principles to the company's stakeholders and to guide employees' daily work. Suppliers and other business partners are also expected to adopt the principles of Tieto's Code of Conduct.

ENVIRONMENT

Tieto supports a preventative approach to environmental challenges and a responsible way of conducting our business operations. The company is included in selected sustainability indexes and certified according to international standards. In 2010, the company became a member of the United Nations Global Compact, which is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption.

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

In 2010, the programme for Green Offices continued and business travelling was reduced, supported by greater reliance on video conferences and other types of virtual meetings. Tieto signed an agreement with the WWF with the aim of applying WWF's Green Office standard in 2009. In 2010, the head office in Helsinki and another office in Espoo, Finland were certified. The Green Office criteria include efficient use of energy and well-developed sorting of waste for recycling. The certification is subject to an audit conducted by an auditor from WWF.

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

In 2010, Tieto opened a new energy-efficient data centre in Sweden. In addition, the company has made substantial environmental investments in new data centres in Finland and Russia. The company works in a number of ways to improve energy efficiency in the data centres, e.g. generating energy through recycling and reuse.

To reduce greenhouse gas emissions and other environmental impacts, Tieto aims to cut down travelling as much as possible. Our travel policy states that travelling to internal meetings should be minimized, and that digital tools such as video- and teleconferences or live meetings should be used instead. During 2010, travel expenses were slightly down despite the higher level of business activity.

Tieto has also designed a Future Office solution, with the ambition to reduce travelling and increase productivity. The Future Office concept – featuring advanced technology for virtual meetings and videoconferences, IP telephony, document sharing and internal social media tools – is implemented in all Tieto offices. The solution is also included in Tieto's offerings to customers.

To avoid environmental risks and reduce environmental impacts from purchased goods and services, Tieto requires that all suppliers and sub-contractors follow the Global Compact principles. From 2010, all new suppliers and partners will be sent a self-assessment document with questions regarding their code of conduct and level of environmental work. The signed self-assessment document is binding and shall constitute a part of any contract with Tieto.

MAJOR RISKS

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

Strategic risks are related to Tieto's desired position, strategic targets and the threats resulting from the company's operating environment or management of its intangible assets, e.g. strategic capabilities and brand.

Operational risks are related to core business activities, such as sales and deliveries, the development of offerings as well as the management of human resources, intellectual property rights, information security, uninterrupted operation of ICT infrastructure and the terms and conditions of the agreements made with the customers or suppliers or addressed by various regulators.

Tieto's financial risks consist mainly of credit risks, currency risks, interest rate risks and liquidity risks.

The company's main strategic, operational and financial risks as well as the measures for their mitigation are described below.

Impacts of changes in the global economy

The general market environment in customer industries and the development of the world economy influence demand for IT services and solutions. Changes in the economic environment and customer demand affect business volumes and price levels. These impacts are partly mitigated through multi-year contracts for continuous infrastructure services. Tieto also aims to foster long-term business relations and to be a preferred supplier to its key customers.

Dependence on few markets or industries

Close to 50% of Tieto's sales and the majority of profits are generated in Finland. Telecom and Financial Services customer sectors account for more than half of the company's sales. Sudden changes in the market environment, customer demand and customer strategies, or competitive landscape in these areas might harm the Group's operations and profitability.

Expanding business outside Finland is one of the company's key targets for the future. Special growth plans have been made for countries such as Sweden, Russia and Poland but Tieto also aims to achieve growth in its other main markets in Northeast Europe. Tieto provides services for a number of different industries. Strengthening the company's position in these segments with both current and new customers and focusing the offerings reduce the risk of being dependent on one or few specific industries or customers.

Cost competition and global delivery model

Global service capabilities are a must in the IT industry. Global competition in the IT sector and tough price competition are the other drivers for the development of the global delivery model. A right balance between resources in the home markets and in emerging markets is essential. Inability to respond to this need fast enough might lead to a decline in Tieto's growth and customer demand.

Tieto's aim is to steadily increase the amount of its employees working in the global delivery centres. Resources will be increased, especially in China and India. Competence development has also been given a high priority to ensure that customers get high-quality services globally. The new business line-driven global delivery model will ensure faster and efficient ramp-up of needed resources.

Delivery risks

Inability to meet the specifications of customer agreements in delivering projects or services can lead to project overruns, operating losses or termination of customer contracts. These can have a negative impact on the company's growth and profitability, and in some cases, the company's brand might be tarnished.

Tieto continuously carries out delivery quality improvements. The implemented quality programmes – covering the most critical processes to ensure successful deliveries, including enhanced risk management procedures and delivery portfolio management – have systematically improved delivery quality.

Retention of employees

Tieto's success builds on the competence, experience and performance of its employees and key managers. Inability to retain key employees and to recruit new talents with the necessary competence might have a significant negative impact on the company's performance and strategy implementation. High employee turnover might cause delays in customer projects, leading to penalties or loss of customer accounts.

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

Credit risks

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

Under Tieto's Credit Policy, the finance department together with the business functions are responsible for assessing customers' creditworthiness, taking into account past experience, their financial position and other relevant factors. Credit risk regarding financial counterparties is managed by using counterparty limits, as set out in Tieto's Treasury Policy.

A special focus has been put on raising awareness of credit risks with additional reporting and training. The collection process has been designed to better correspond to higher credit risks.

Currency risks

The Groups's transaction exposure arises from foreign trade, cash management and internal funding. Translating the balance sheets and income statements of Group companies into euros causes a translation exposure. Treasury policy defines the principles and risk limits under which Group Treasury manages Tieto's currency risks.

As a substantial proportion of the Group's consolidated revenues are generated in Sweden, fluctuations of the Swedish krona against the euro may have an impact on the consolidated financial statements.

Liquidity risks

Exceptional market conditions in the financial market may cause temporary limitations for raising new funding and/or an increase in the funding costs. Group Treasury monitors and manages the liquidity position of Tieto by maintaining an appropriate loan portfolio. Analyses of alternative financing sources for the company and their pricing are continuously updated.

Tieto's financial risks are described in full in the notes to the financial statements and the principles of Tieto's risk management are described at www.tieto.com.

DEVELOPMENT

Tieto's development costs totalled EUR 44.2 million in 2010, representing 2.6% of net sales (EUR 53.1 million in 2009, representing 3.1% of net sales). These development costs are mostly related to the development of Tieto's offerings, own software products, data centre services and global delivery platform as well as quality. Development costs for major new business concepts and software products are capitalized as intangible assets if they fulfil the requirements stated in the accounting principles. No development costs were capitalized for either 2010 or 2009.

BOARD OF DIRECTORS AND MANAGEMENT

Based on the proposal by the Board's Remuneration and Nomination Committee, the 2010 AGM re-elected the Board's current members Kimmo Alkio, Risto Perttunen and Olli Riikkala. In addition, the meeting elected Christer Gardell, Kurt Jofs, Eva Lindqvist and Teuvo Salminen as new members. Anders Eriksson and Jari Länsivuori stayed on as personnel representatives. At its constitutive meeting, the Board elected Markku Pohjola as its Chairman and Olli Riikkala as its Vice Chairman. Anders Eriksson and Jari Länsivuori continued as personnel representatives.

The 2010 AGM decided to establish a Shareholders' Nomination Board to prepare proposals for the election and remuneration of the members of the Board of Directors to the next Annual General Meeting. The Shareholders' Nomination Board comprises four members nominated by the largest shareholders and the Chairman of the Board of Directors. Shareholders may also propose Board members to be elected by the AGM.

The largest shareholders of the company were determined on the basis of the shareholdings registered in the Finnish and Swedish book-entry systems on 30 September 2010. The composition of the Shareholders' Nomination Board is the following:

- Kari Järvinen, Solidium Oy,
- Jonas Synnergren, Cevian Capital II Master Fund L.P.,
- Heikki Vitie, OP-Pohjola Group Central Cooperative,
- Marianne Nilsson, Swedbank Robur Fonder AB, and
- Markku Pohjola, Chairman of the Board of Directors of Tieto Corporation.

The Board has two committees. The Remuneration and Nomination Committee is composed of Markku Pohjola (Chairman), Kimmo Alkio, Christer Gardell and Eva Lindqvist. The Audit and Risk Committee is composed of Olli Riikkala (Chairman), Kurt Jofs, Risto Perttunen and Teuvo Salminen.

In June, Willem Hendrickx was appointed Executive Vice President, Telecom & Media and member of Tieto's Leadership Team as of 9 August 2010.

In October, Pekka Viljakainen, head of Tieto International, decided to leave Tieto, and Willem Hendrickx was appointed the head of Tieto International. Hendrickx also continued in his role as the head of Telecom & Media.

In December 2010, a new Leadership Team was appointed. The composition as of 1 January 2011 is the following:

- Hannu Syrjälä, President and CEO
- Eva Gidlöf, Executive Vice President, Scandinavia
- Kavilesh Gupta, Executive Vice President, Strategy and Corporate Planning
- Seppo Haapalainen, Executive Vice President, Chief Financial Officer (CFO)
- Willem Hendrickx, Executive Vice President, Global Accounts and Customer and Market Operations (CMO)
- Wim Huisman, Executive Vice President, Central Europe & Russia
- Ari Järvelä, Executive Vice President, Finland and the Baltic countries
- Ari Karppinen, Executive Vice President, Operations and Managed services and transformation Business Line
- Johanna Pyykönen-Walker, Executive Vice President, Human Resources.

The company has also decided to set an Extended Leadership Team as of 1 January. The Extended Leadership Team comprises the Leadership Team members and the following persons:

- Per Johanson, Executive Vice President, Industry Solutions Business Line
- Krister Högne, Executive Vice President, Enterprise Solutions Business Line.

- Jouko Lonka, General Counsel
- Sampo Salonen, Executive Vice President, Global Delivery & Quality
- Antti Ritvos, Executive Vice President, Chief Technology Officer (CTO)
- Ari Vanhanen, Executive Vice President, Product Engineering Solutions Business Line.

The related parties of Tieto are its Board of Directors, President and CEO, the Leadership Team and the Group's joint ventures. The transactions with the Group's joint ventures are specified in note 30 and the compensation for the Board and the Leadership Team in note 6 of the Financial Statements for the year ended at 31 December 2010.Tieto is committed to good corporate governance and in addition to the relevant legislation fully complies with the Finnish Corporate Governance Code issued by the Securities Market Association of Finland in 2010. In accordance with the Finnish Corporate Governance Code, the company has prepared a separate Corporate Governance Statement, which is available on the company's website www.tieto.com.

SHARES AND SHARE-BASED INCENTIVES

Tieto Corporation's issued and registered share capital on 31 December 2010 totalled EUR 75 841 523 and the number of shares was 72 023 173.

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

The company had 29 327 registered shareholders at the end of 2010. Based on the ownership records of the Finnish and Swedish central securities depositories, 56% of the shares were held by Finnish and 11% by Swedish investors. In total, there were 26 857 retail investors in Finland and Sweden and they held 16% of shares.

The members of the Board of Directors, the President and CEO and their close associates together held 0.08% of the shares and votes, and 4.15% of the option rights registered in the book-entry system on 31 December 2010. Based on current shareholdings, share-based incentive plan 2009–2011 and total number of stock options, they can increase their aggregate holding to at most 0.41% of the shares and votes. The company has not issued any bonds with warrants.

Tieto has two major shareholders: Solidium Oy and Cevian Capital II Master Fund L.P. Solidium Oy held 10.3% of Tieto's shares on 31 December. The holding of Cevian Capital II Master Fund L.P. is nominee registered and was between 5–10% of shares on 31 December. Tieto Corporation is not aware of any shareholder agreements or cross shareholdings which would limit the amount of shares available for trading. Additionally, since the existing stock option programmes and the share-based incentive plan represent limited dilution potential, the free float of the shares can be considered to be 100% excluding the treasury shares currently held by the company.

On 1 January 2010, Tieto held 541 500 own shares. Related to the Share Ownership Plan 2006–2008, a total of 12 200 shares were returned to the company free of consideration in 2010 due to the fact that the terms regarding the service conditions of the holders were not fully met. At the end of 2010, the company held a total of 553 700 shares, representing 0.77% of the shares and voting rights. The number of outstanding shares, excluding the shares in the company's possession, was 71 469 473 at the end of 2010.

Tieto currently has nine series of stock options issued for its key personnel. Out of these, three are synthetic options and are to be granted in countries where stock options may not be used. Six natural stock option series entitle their holders to subscribe for one share (1:1).

A total of 84 700 stock options 2006 B were cancelled in June 2010, and a total of 592 000 stock options 2009 B were subscribed by 219 key employees of the Tieto Group in August 2010. Later in the year, 6 000 stock options 2009 B were returned to the company. As a result of potential share subscriptions, the number of shares may increase by a maximum of 3 466 400. The Board of Directors shall decide on measures concerning the unsubscribed options held by the company at a later date. In all the current physical option schemes, the persons covered by the scheme receive the options if they are employed by the Tieto Group on the starting date of the subscription period. Under the terms and conditions of both the 2006 option scheme and the 2009 option scheme, the subscription price will be reduced annually by the amount of dividend per share.

No options were used for share subscription during 2010. The highest price of the Tieto share in 2010 was EUR 18.40 on NASDAQ OMX Helsinki, which was lower than the exercise price of the 2006 A and 2006 B option programmes, EUR 27.02 and EUR 18.79, respectively.

In the company's synthetic option programme, Phantom Options 2009 are allocated to key employees of the Group based on performance in those countries where stock options are not practical to be used. The maximum number of Phantom Options 2009 is 200 000 and they will be granted under series 2009 A, 2009 B and 2009 C. Phantom Options 2009 may entitle their holders to a cash reward based on the total share return of the underlying shares during 2009–2012 (2009 A), 2010–2013 (2009 B) and 2011–2014 (2009 C). A total of 28 000 Phantom Options 2009 B were allocated to 10 key employees in 2010.

The share-based incentive plan (Performance Share Plan 2009–2011) offered to the President and CEO and other members of the Leadership Team includes one three-year earning period, which began on 1 January 2009 and will end on 31 December 2011. The potential reward from the plan is based on the earnings per share (EPS) of Tieto in 2011. The rewards to be paid on the basis of the plan will correspond to a maximum of 540 000 Tieto shares. In addition, accumulated dividends during 2009–2011 related to the shares to be delivered will be compensated to the participants in cash. The amount of the reward will be determined and paid on the basis of the achievement of the EPS target after the financial statements have been prepared before the end of April 2012. No new shares will be issued in connection with the plan.

The Share Ownership Plan 2006–2008 ended in April 2009. The shares of earnings period 2008 were restricted from trading until 1 January 2011. Other incentive programmes do not include any lock-up period, i.e. a period during which participants are not entitled to sell or transfer the shares.

The 2010 Annual General Meeting authorized the Board of Directors to repurchase the company's own shares or derivatives. The number of shares repurchased shall not exceed 10% of the company's aggregate number of shares. The authorization is intended to be used to develop the company's capital structure. The authorization shall be in force until the close of the next Annual General Meeting, however, until 25 September 2011 at the latest. The authorization was not used in 2010.

Additional information regarding shares and shareholders is available at www.tieto.com/Investors/Shares and in the Shares and shareholders section on pages 86–89.

FLAGGING ANNOUNCEMENTS

In 2010, there were six announcements of changes in the company's shareholding. Solidium announced on 8 April that its holding had increased above 5% and on 28 May that the holding exceeded 10%. On 26 January, OP Pohjola Group announced that its holding had decreased to 4.14% and on 14 December that the holding had increased to 5.07%. Goldman Sachs announced on 23 March that its holding had increased above 5% and on 8 April that the holding had decreased below the 5% threshold.

DIVIDEND PROPOSAL

The distributable funds of the Parent company amount to EUR 810 052 826.20 of which net profit for the current year amounts to EUR 26 816 984.75. The Board of Directors proposes a dividend of EUR 0.70 (0.50) per share for 2010. The proposed dividend payout does not endanger the solvency of the company.

EVENTS AFTER THE PERIOD

On 17 January, the Shareholders' Nomination Board announced its proposals to the Annual General Meeting. The committee proposes that the Board of Directors shall have eight members and that all the current Board members – Kimmo Alkio, Christer Gardell, Kurt Jofs, Eva Lindqvist, Risto Perttunen, Markku Pohjola, Olli Riikkala and Teuvo Salminen – be re-elected. Additionally, the Shareholders' Nomination Board proposes that the remuneration of the Board of Directors be unchanged, but that annual fees be reported instead of monthly fees as follows: EUR 30 000 to the ordinary members of the Board of Directors, EUR 45 600 to the Deputy Chairman and EUR 68 400 to the Chairman. In addition to these fees, it is proposed that the members of the Board of Directors be paid a remuneration of EUR 800 for each Board meeting and for each permanent or temporary committee meeting.

OUTLOOK FOR 2011

The IT services market started to recover in the latter part of 2010. For 2011, industry analysts expect growth of 2–4% for the IT services market in Western Europe.

In 2011, Tieto expects its net sales to develop in line with the Western European IT services market. Full-year operating profit excluding one-off items is expected to be better than in 2010 (EUR 110.0 million in 2010).

Financial figures

FIVE-YEAR FIGURES	2010	2009	2008	2007	2006 [1]
Net sales, EUR million	**1 713.7**	1 706.3	1 865.7	1 772.4	1 646.5
Operating profit (EBIT), EUR million	**72.4**	75.3	111.6	1.3	127.7
Operating margin, %	**4.2**	4.4	6.0	0.1	7.8
Profit before taxes, EUR million	**66.1**	70.3	82.4	-8.6	124.5
% of net sales	**3.9**	4.1	4.4	-0.5	7.6
Total assets, EUR million	**1 240.6**	1 195.3	1 254.5	1 282.7	1 374.7
Return on equity, %	**9.2**	11.0	12.6	-5.7	15.5
Return on capital employed, %	**15.1**	16.8	25.2	7.8	18.7
Equity ratio, %	**47.6**	46.0	41.1	40.2	48.4
Gearing, %	**9.3**	12.7	21.0	34.4	14.9
Investments, EUR million	**101.4**	58.9	97.9	87.7	77.9
% of net sales	**5.9**	3.5	5.2	5.0	4.7
Average number of employees	**17 097**	16 568	16 397	15 588	14 414

[1] Represented for continuing operations

Per share data for 2006–2010 on page 88.

KEY FIGURES BY QUARTER Unaudited	2010 [1] 1–12	2010 10–12	2010 7–9	2010 4–6	2010 1–3	2009 [1] 1–12	2009 10–12	2009 7–9	2009 4–6	2009 1–3
Net sales, EUR million	**1 713.7**	472.2	387.1	431.5	422.9	1 706.3	440.6	382.9	444.8	438.0
Operating profit, EUR million	**72.4**	6.4	27.7	19.5	18.8	75.3	33.7	26.3	10.4	4.9
Profit before taxes, EUR million	**66.1**	5.7	24.3	18.4	17.7	70.3	32.2	27.2	8.8	2.1
Earnings per share, EUR										
- basic	**0.69**	0.02	0.34	0.17	0.17	0.77	0.36	0.25	0.14	0.01
- diluted	**0.69**	0.02	0.34	0.17	0.17	0.77	0.36	0.25	0.14	0.01
Equity per share, EUR	**7.80**	7.80	7.72	7.33	7.10	7.25	7.25	6.82	6.46	6.31
Equity ratio, %	**47.6**	47.6	51.1	48.0	45.8	46.0	46.0	43.2	40.7	40.0
Net interest-bearing liabilities, EUR million	**51.8**	51.8	96.4	89.6	51.9	66.0	66.0	118.9	139.2	79.2
Gearing %	**9.3**	9.3	17.5	17.1	10.2	12.7	12.7	24.4	30.1	17.5
Investments, EUR million	**101.4**	29.3	23.6	25.2	23.3	58.9	15.7	12.7	14.4	16.1
Personnel										
- at end of period	**17 757**	17 757	17 313	16 885	16 880	16 663	16 663	16 215	16 195	16 638
- average, cumulative	**17 097**	17 097	16 934	16 817	16 799	16 568	16 568	16 577	16 650	16 718

[1] Audited

See calculation of key figures on page 71.

Income statement (IFRS)

EUR million	Note	**1 Jan–31 Dec 2010**	1 Jan–31 Dec 2009
Net sales	1	**1 713.7**	1 706.3
Other operating income	2	**17.5**	17.5
Cost of sales		**262.8**	277.2
Employee benefit expenses	5, 6	**1 017.1**	986.7
Depreciation and amortization	10, 11	**70.9**	70.7
Impairment loss	10, 13	**7.6**	-
Other operating expenses	3	**300.4**	313.9
Operating profit		**72.4**	75.3
Interest and other financial income	7	**10.6**	5.8
Interest and other financial expenses	7	**-16.9**	-13.7
Net exchange losses and gains	7	**0.0**	2.9
Profit before taxes		**66.1**	70.3
Income taxes	8	**-16.6**	-15.2
Net profit for the period		**49.5**	55.1
Net profit for the period attributable to			
Shareholders of the Parent company		**49.5**	54.8
Non-controlling interest		**0.0**	0.3
		49.5	55.1
Earnings per share attributable to the shareholders of the Parent company, EUR	9		
Basic		**0.69**	0.77
Diluted		**0.69**	0.77

Statement of comprehensive income, EUR million

Net profit for the period	**49.5**	55.1
Translation difference from the net investment in Swedish subsidiaries (net of tax)	**20.7**	8.2
Translation difference	**1.5**	7.2
Cash flow hedges	**-0.1**	-
Total comprehensive income	**71.6**	70.5
Total comprehensive income attributable to		
Shareholders of the Parent company	**71.6**	70.2
Non-controlling interest	**0.0**	0.3
	71.6	70.5

Notes are an integral part of these consolidated financial statements.

Comments to the income statement

In 2010, Tieto's net sales amounted to EUR 1 713.7 (1 706.3) million. The increase in net sales was curbed by the divestments of the pulp and paper operations in North America and Tieto's French subsidiary in 2010 and the one-off income of EUR 13.2 million included in the net sales in 2009. The divestments had a negative EUR 30.1 million impact on net sales in the full year. On the other hand, the stronger currencies, especially the Swedish krona, had a positive EUR 60 million impact on net sales. When eliminating currency effects, the impacts of the divestments and one-off income net sales of the underlying business declined by 1%.

Full-year operating profit (EBIT) amounted to EUR 72.4 (75.3) million, representing a margin of 4.2% (4.4). Tieto booked a net amount of EUR 30.4 million (negative) in restructuring costs, EUR 7.6 million in impairment losses related to the divestment of its operations in France and the USA, and a capital gain of EUR 0.4 million. Operating profit excluding one-off items stood at EUR 110.0 (108.0) million, or 6.4% (6.3) of net sales.

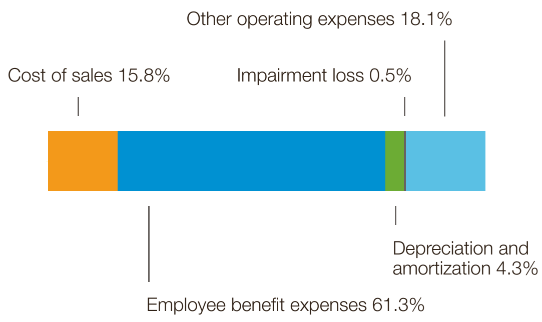
Employee benefit expenses rose by 3% and represented 59% (58) of net sales. Employee benefit expenses include costs from personnel restructuring of EUR 27.5 (34.7) million. The result-based bonuses were EUR 21.1 (0.2) million. The average number of full-time employees was 17 097 (16 568).

Net financial expenses stood at EUR 6.3 (5.0) million. Net interest expenses were EUR 5.6 (7.3) million. Other financial income and expenses amounted to EUR 0.7 (0.6) million.

Tax expenses reported for the year include EUR 19.1 million payable on the profit for the year and EUR 3.1 million positive from the change in deferred taxes. Tax rate was 26.0% in Finland and 26.3% in Sweden. Net profit amounted to EUR 49.5 (55.1) million. In 2010, the Supreme Administrative Court in Finland ruled that a merger loss of EUR 27.6 million related to the merger of Tieto Financial Solutions Oy in 2003 is tax-deductible. Recognition of a deferred tax asset related to this item had a positive net profit effect of EUR 7.2 million in 2010.

Cost structure, %	**2010**	2009
Cost of sales	**15.8**	16.8
Employee benefit expenses	**61.3**	59.9
Other operating expenses	**18.1**	19.0
Impairment loss	**0.5**	0.0
Depreciation and amortization	**4.3**	4.3
Total	**100.0**	100.0

Cost structure in 2010



Balance sheet (IFRS)

EUR million	Note	**31 Dec 2010**	31 Dec 2009
ASSETS			
Non-current assets			
Goodwill	10, 13, 14	**422.9**	402.0
Other intangible assets	10	**51.4**	42.8
Property, plant and equipment	11	**121.2**	100.1
Deferred tax assets	16	**63.0**	66.9
Loan receivables	23	**3.4**	5.0
Available-for-sale financial assets	12	**0.8**	0.8
Total non-current assets		**662.7**	617.6
Current assets			
Trade and other receivables	17	**465.2**	441.3
Pension benefit assets	21	**5.2**	2.8
Loan receivables	23	**3.1**	3.9
Current income tax receivables		**6.4**	6.4
Cash and cash equivalents	18	**98.0**	123.3
Total current assets		**577.9**	577.7
Total assets		**1 240.6**	1 195.3
EQUITY AND LIABILITIES			
Equity			
Share capital	19	**75.8**	75.8
Share issue premiums and other reserves	19	**38.8**	34.8
Retained earnings		**442.8**	407.0
Parent shareholders' equity		**557.4**	517.6
Non-controlling interest		**0.1**	0.7
Total equity		**557.5**	518.3
Non-current liabilities			
Loans	23, 24	**151.4**	154.2
Deferred tax liabilities	16	**38.1**	33.6
Provisions	22	**2.9**	3.3
Pension obligations	21	**20.7**	18.9
Other non-current liabilities		**3.8**	1.4
Total non-current liabilities		**216.9**	211.4
Current liabilities			
Trade and other payables	25	**411.1**	370.1
Current income tax liabilities		**10.1**	8.2
Provisions	22	**40.1**	43.2
Loans	23, 24	**4.9**	44.1
Total current liabilities		**466.2**	465.6
Total equity and liabilities		**1 240.6**	1 195.3

Notes are an integral part of these consolidated financial statements.

Comments to the balance sheet

Assets

The consolidated balance sheet totalled EUR 1 240.6 (1 195.3) million, an increase of 3.8% compared with 2009.

Goodwill increased to EUR 422.9 (402.0) million. The increase was mainly attributable to changes in exchange rates. Direct capital expenditure on fixed assets including new finance lease agreements amounted to EUR 99.5 (57.5) million. Investments in new data centres in Finland, Sweden and Russia amounted to EUR 24.8 million.

Distribution of total assets on 31 Dec, %	**2010**	2009
Goodwill	**34.1**	33.6
Other intangible assets	**4.1**	3.6
Tangible assets	**9.8**	8.4
Other assets	**44.1**	44.1
Cash and cash equivalents	**7.9**	10.3
Total	**100.0**	100.0

Equity and liabilities

The total equity amounted to EUR 557.5 (518.3) million. The net profit for the year increased equity by EUR 49.5 million and dividend payment decreased equity by EUR 35.7 million. The equity ratio was 47.6% (46.0). Gearing decreased to 9.3% (12.7). Net debt totalled EUR 51.8 (66.0) million, including EUR 152.0 million in interest-bearing debt, EUR 4.3 million in finance lease liabilities, EUR 6.5 million in finance lease receivables and EUR 98.0 million in cash and cash equivalents. Trade and other payables increased mainly due to higher business volumes.

The interest-bearing long-term debt consists of EUR 150 million in bonds, of which EUR 100 million will mature in December 2013 and EUR 50 million (private placement) in July 2012. The EUR 250 million syndicated revolving credit facility maturing in November 2011 was not in use and there were no commercial papers issued under the EUR 250 million Commercial Paper Programme at the end of December. Other short-term credit lines were utilized for EUR 1.1 million.

Distribution of total equity and liabilities 31 Dec, %	**2010**	2009
Share capital	**6.4**	6.4
Other parent shareholders' equity	**37.0**	37.0
Interest-bearing liabilities	**12.6**	18.4
Non-interest-bearing debt	**42.5**	43.0
Total	**100.0**	100.0

Statement of cash flow (IFRS)

EUR million	Note	**1 Jan–31 Dec 2010**	1 Jan–31 Dec 2009
Cash flow from operations			
Net profit		**49.5**	55.1
Adjustments			
Depreciation, amortization and impairment		**78.5**	70.7
Share-based payments		**4.4**	3.8
Profit/loss on sale of fixed assets and shares		**1.2**	-6.1
Other adjustments		**-1.3**	0.2
Net financial expenses		**6.3**	5.0
Income taxes		**16.6**	15.2
Change in net working capital			
Change in current receivables		**-8.3**	73.8
Change in inventories		**0.5**	-0.1
Change in current non-interest-bearing liabilities		**20.4**	-77.6
Cash generated from operations		**167.8**	140.0
Financing income received under leases		**0.3**	0.4
Interest income received		**6.2**	4.8
Interest expenses paid		**-11.8**	-10.6
Other financial income received		**14.4**	22.4
Other financial expenses paid		**-15.9**	-16.2
Income taxes paid		**-18.1**	-14.4
Net cash flow from operations		**142.9**	126.4
Cash flow from investing activities			
Acquisition of Group companies and business operations, net of cash acquired	13	**-2.6**	-4.6
Capital expenditure		**-95.8**	-58.0
Disposal of business operations		**3.6**	5.7
Change in loan receivables		**2.4**	0.8
Sales of fixed assets		**0.5**	2.9
Total net cash used in investing activities		**-91.9**	-53.2
Cash flow from financing activities			
Dividends paid		**-36.0**	-36.3
Repurchase of own shares		**-**	-2.6
Payment of finance lease liabilities		**-5.3**	-5.1
Proceeds from short-term borrowings		**210.3**	274.6
Repayments of short-term borrowings		**-248.0**	-302.5
Proceeds from long-term borrowings		**1.0**	0.0
Total net cash used in financing activities		**-78.0**	-71.9
Change in cash and cash equivalents		**-27.0**	1.3
Cash and cash equivalents at the beginning of period		**-123.3**	-120.2
Foreign exchange differences		**-1.7**	-1.8
Cash and cash equivalents at the end of period	18	**98.0**	123.3
		-27.0	1.3

Interests and other financial items included in net cash flow from operations have been regrouped in year 2009 figures.

Notes are an integral part of these consolidated financial statements.

Statement of changes in equity

	Parent shareholders' equity							Non-controlling interest	Total equity
EUR million	Share capital	Share issue premiums and other reserves	Own shares	Translation differences	Cash flow hedges	Retained earnings	Total		
Balance at 31 Dec 2008	75.8	33.2	-9.0	-76.1	0.0	458.1	482.0	1.6	483.6
Comprehensive income									
Net profit for the period						54.8	54.8	0.3	55.1
Other comprehensive income									
Translation difference from the net investment in Swedish subsidiaries (net of tax)						8.2	8.2		8.2
Translation difference		1.6		31.3		-25.7	7.2		7.2
Total comprehensive income		1.6		31.3	0.0	37.3	70.2	0.3	70.5
Transactions with owners									
Share-based payments recognized against equity						3.8	3.8		3.8
Dividend						-35.8	-35.8		-35.8
Own shares purchased			-2.6				-2.6		-2.6
Transfer between restricted and non-restricted reserves		0.0				0.0	0.0		0.0
Non-controlling interest								-1.2	-1.2
Total transactions with owners		0.0	-2.6			-32.0	-34.6	-1.2	-35.8
At 31 Dec 2009	75.8	34.8	-11.6	-44.8	0.0	463.4	517.6	0.7	518.3
Balance at 31 Dec 2009	75.8	34.8	-11.6	-44.8	0.0	463.4	517.6	0.7	518.3
Comprehensive income									
Net profit for the period						49.5	49.5	0.0	49.5
Other comprehensive income									
Translation difference from the net investment in Swedish subsidiaries (net of tax)						20.7	20.7		20.7
Translation difference		4.0		62.8		-65.3	1.5		1.5
Cash flow hedges					-0.1		-0.1		-0.1
Total comprehensive income		4.0		62.8	-0.1	4.9	71.6	0.0	71.6
Transactions with owners									
Share-based payments recognized against equity						4.4	4.4		4.4
Dividend						-35.7	-35.7		-35.7
Changes due to business combinations						-0.5	-0.5	-0.2	-0.7
Non-controlling interest								-0.4	-0.4
Total transactions with owners		0.0	0.0			-31.8	-31.8	-0.6	-32.4
At 31 Dec 2010	**75.8**	**38.8**	**-11.6**	**18.0**	**-0.1**	**436.5**	**557.4**	**0.1**	**557.5**

Notes are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements (IFRS)

ACCOUNTING POLICIES FOR THE CONSOLIDATED ACCOUNTS

Corporate information

Tieto Corporation is a Finnish public limited company organized under the laws of Finland and domiciled in Helsinki. The company is listed on NASDAQ OMX in Helsinki and Stockholm. The Board of Directors approved the consolidated financial statements to be published on 10 February 2011. According to the Limited Liability Companies Act, the shareholders have the right at the Annual General Meeting to approve, disapprove or change the consolidated financial statements after the publication.

Basis of preparation

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

New and amended standards and interpretations

In preparing these financial statements, the Group has followed the same accounting policies as in the annual financial statements for 2009 except for the effect of changes required by the adoption of the following new standards, interpretations and amendments to existing standards and interpretations on 1 January 2010:

- IFRS 3 (Revised), ‘Business combinations’. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net assets. All acquisition-related costs should be expensed. The Group has applied the revised standard on the accounting of all business combinations from 1 January 2010.
- IAS 27 (Revised), ‘Consolidated and separate financial statements’. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value and a gain or loss is recognized in profit or loss. The Group has applied IAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 January 2010.
- IFRIC 12 ‘Service Concession Arrangements’. The interpretation applies to contractual arrangement whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. The interpretation does not have any impact on the Group’s financial statements.
- IFRIC 15 ‘Agreements for the Construction of Real estate’. The interpretation provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of IAS 11 Construction Contracts or IAS 18 Revenue. The interpretation does not have any impact on the Group’s financial statements.
- IFRIC 16 ‘Net investment in a foreign operation’. The interpretation clarifies the accounting for the hedge of a net investment in a foreign operation in an entity’s consolidated financial statements. The interpretation does not have any impact on the Group’s financial statements.
- IFRIC 17, ‘Distribution of non-cash assets to owners’. The interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation does not have any impact on the Group’s financial statements.
- IFRIC 18, ‘Transfers of Assets from Customers’. The interpretation clarifies the requirements of IFRS standards for agreements in which an entity receives from a customer an item of property, plant and equipment or cash to be invested in such an item that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services. The interpretation does not have any impact on the Group’s financial statements.
- IFRIC 9 (Amendment) ‘Reassessment of Embedded Derivatives’ and IAS 39, ‘Financial Instruments: Recognition and Measurement’ (Amendment) – Embedded Derivatives. The amendments to IFRIC 9 and IAS 39 clarify that on reclassification of a financial asset out of the ‘at fair value through profit or loss’ category all embedded derivatives have to be assessed and, if necessary, separately accounted for in financial statements. The amendment

does not have any impact on the Group's financial statements.

- IAS 39 (Amendment) 'Financial instruments: Recognition and measurement- Eligible hedged Items'. The amendment prohibits designating inflation as a hedgeable component of a fixed rate debt. It also prohibits including time value in the one-sided hedged risk when designating options as hedges. The amendment does not have any impact on the Group's financial statements.
- IFRS 2 (Amendment), 'Share-based Payment' – Group Cash-settled Share-based Payment Transactions. The amendment to IFRS 2 clarifies that an entity that receives goods or services from its suppliers must apply IFRS 2 even though the entity has no obligation to make the required share-based cash payments. The amendment does not have any impact on the Group's financial statements.

IASB published changes to 12 standards or interpretations in April 2009 as part of the annual improvements to IFRS project. The changes do not currently have any impact on the Group's financial statements:

- IFRS 2 (Amendment), 'Share-based Payment'. The amendment to confirm that, in addition to business combinations as defined by IFRS 3 (revised) 'Business combinations', contributions of a business on formation of a joint venture and common control transactions are excluded from the scope of IFRS 2, 'Share-based payment'.
- IFRS 5 (Amendment), 'Non-current Assets Held for Sale and Discontinued Operations'. The amendment clarifies that IFRS 5, 'Non-current assets held for sale and discontinued operations', specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirements of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1.
- IFRS 8 (Amendment), 'Operating Segments'. Minor textual amendment to the standard, and amendment to the basis for conclusions, to clarify that an entity is required to disclose a measure of segment assets only if that measure is regularly reported to the chief operating decision-maker.
- IAS 1 (Amendment), 'Presentation of Financial Statements'. Clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.
- IAS 7 (Amendment), 'Statement of Cash Flows'. The amendment is to require that only expenditures that result in a recognized asset in the statement of financial position can be classified as investing activities.
- IAS 17 (Amendment), 'Leases'. Deletion of specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating using the general principles of IAS 17.
- IAS 18 (Amendment), 'Revenue'. Additional guidance added to the appendix to IAS 18 Revenue regarding the determination as to whether an entity is acting as a principal or an agent.
- IAS 36 (Amendment), 'Impairment of Assets'. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment as defined by paragraph 5 of IFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics permitted by IFRS 8).
- IAS 38 (Amendment), 'Intangible Assets'. The amendment clarifies the requirements under IFRS 3 (2008) regarding accounting for intangible assets acquired in a business combination.
- IAS 38 (Amendment), 'Intangible Assets'. The amendment clarifies the description of valuation techniques commonly used by entities when measuring the fair value of intangible assets acquired in a business combination that are not traded in active markets.
- IAS 39 (Amendment), 'Financial Instruments: Recognition and Measurement'. The amendment clarifies that prepayment options, the exercise price of which compensates the lender for loss of interest by reducing the economic loss from reinvestment risk should be considered closely related to the host debt contract.
- IAS 39 (Amendment), 'Financial Instruments: Recognition and Measurement'. The amendment clarifies that: (a) it only applies to binding (forward) contracts between an acquirer and a vendor in a business combination to buy an acquiree at a future date; (b) the term of the forward contract should not exceed a reasonable period normally necessary to obtain any required approvals and to complete the transaction; and (c) the exemption should not be applied to option contracts (whether or not currently exercisable) that on exercise will result in control of an entity, nor by analogy to investments in associates and similar transactions.
- IAS 39 (Amendment), 'Financial Instruments: Recognition and Measurement'. The amendment clarifies when to recognize gains or losses on hedging instruments as a reclassification adjustment in a cash flow hedge of a forecast transaction that results subsequently in the recognition of a financial instrument. The amendment clarifies that gains or losses should be reclassified from equity to

profit or loss in the period in which the hedged forecast cash flow affects profit or loss.

- IFRIC 9 (Amendment), 'Reassessment of Embedded Derivatives'. The amendment to the scope paragraph of IFRIC 9 clarifies that it does not apply to possible reassessment, at the date of acquisition, to embedded derivatives in contracts acquired in a combination between entities or businesses under common control or the formation of a joint venture.
- IFRIC 16 (Amendment), 'Hedges of a net investment in a foreign operation'. The amendment states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the Group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of IAS 39 that relate to a net investment hedge are satisfied.

The following new standards, interpretations and amendments to existing standards and interpretations issued during the year 2010 will be adopted by the Group in 2011 and the management is assessing the impact of these interpretations on the Group's financial statements.

- IAS 24 (Revised) 'Related Party Disclosures' simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. The revised standard still requires disclosures that are important to users of financial statements but eliminates requirements to disclose information that is costly to gather and of less value to users. It achieves this balance by requiring disclosure about these transactions only if they are individually or collectively significant.
- IAS 32 (Amendment), 'Financial Instruments: Presentation' – Classification of Rights Issues. The amendment addresses the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously such rights issues were accounted for as derivative liabilities.
- IFRIC 19, 'Extinguishing Financial Liabilities with Equity Instruments', clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor. IFRIC 19 requires a gain or loss to be recognized in profit or loss when a liability is settled through the issuance of the entity's own equity instruments. The amount of the gain or loss recognized in profit or loss will be the difference between the carrying value of the financial liability and the fair value of the equity instruments issued.
- IFRIC 14 (Amendment) 'Prepayments of a minimum funding requirement'. Without the amendments, entities are not permitted to recognize as an asset some voluntary prepayments for minimum funding contributions.

IASB published changes to 7 standards or interpretations in July 2010 as part of the annual improvements to IFRS project, which will be adopted by the Group in 2011. The changes are still subject to endorsement by the European Union and the managements is assessing the impact of the changes on the Group's financial statements:

- IFRS 3 (Amendment)

a) Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS. Clarifies that the amendments to IFRS 7, 'Financial instruments: Disclosures', IAS 32, 'Financial instruments: Presentation', and IAS 39, 'Financial instruments: Recognition and measurement, that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008).

b) Measurement of non-controlling interests. The choice of measuring non-controlling interests at fair value or at the proportionate share of the acquiree's net assets applies only to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation. All other components of non-controlling interest are measured at fair value unless another measurement basis is required by IFRS.

c) Unreplaced and voluntarily replaced share-based payment awards. The application guidance in IFRS 3 applies to all share-based payment transactions that are part of a business combination, including unreplaced and voluntarily replaced share-based payment awards.

- IFRS 7 (Amendment) 'Financial instruments: Financial statement disclosures'. The amendment emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments.
- IAS 1 (Amendment) 'Presentation of financial statements – statements of changes in equity'. Clarifies that an entity shall present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.
- IAS 27 (Amendment) 'Consolidated and separate financial statements'. Clarifies that the consequential amendments from IAS 27 made to IAS 21, 'The effect of changes in foreign exchange rates', IAS 28, 'Investments in associates' and IAS 31 'Interests in joint ventures', apply prospectively for annual periods beginning on or after 1 July 2009.
- IAS 34 (Amendment) 'Interim financial reporting'. Provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements around: a) The circumstances likely to affect their fair values of financial instruments and their classification b) Transfers of financial

instruments between different levels of the fair value hierarchy c) Changes in classification of financial assets d) Changes in contingent liabilities and assets.
- IFRIC 13 (Amendment) 'Customer loyalty programmes'. The meaning of 'fair value' is clarified in the context of measuring award credits under customer loyalty programs.

The following standards, interpretations and amendments will be adopted in 2012 or later. The management is assessing the impact of these changes on the Group's financial statements.
- IFRS 9, Financial Instruments is the first step in the process to replace IAS 39. IFRS 9 introduces new requirements for classifying and measuring financial assets.
- IFRS 7 (Amendments) 'Disclosures – Transfers of financial assets'. The amendment adds disclosure requirements related to risk exposures derived from transferred assets.

Consolidation principles

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

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

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

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

Subsidiaries acquired prior to 1 January 2004 are consolidated in accordance with the originally applied accounting and consolidation principles pursuant to the exemption under IFRS 1. The purchase method of accounting is used to account for all acquisitions of subsidiaries except of one where the pooling-method is used. Subsidiaries acquired between 1 January 2004 and 31 December 2009 are consolidated in accordance with IFRS 3 – Business Combinations. The cost of an acquisition is measured as the fair value of the assets given or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Tieto Corporation holds interests in companies for which it has assumed management responsibility and which are jointly controlled. Such companies have been consolidated by using the proportional method in accordance with IAS 31 – Interests in Joint Ventures. Tieto Corporation's shares of the assets, liabilities, income and expenses have been included in the consolidated financial statements.

Interests in associated companies with significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights are consolidated in accordance with the equity method, under which they are carried at cost plus post-acquisition changes in the Group's share of the company's net assets. Goodwill arising on acquisition is included in the carrying amounts of the investments and tested for impairment as part of the investments. Goodwill is not amortized.

The Group's share of the results of operations of the associated companies is shown separately and included in the operating profit.

At the moment, Tieto Corporation does not have interests in any associated companies.

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

Minority interests are shown separately under consolidated shareholders' equity.

Segment reporting

According to the Group's financial reporting structure the countries are the main operating segments and its reporting covers Finland, Sweden and International. The operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Leadership Team that makes strategic decisions.

Deviating from IFRS 8, 'Operating segments', Tieto will start to report the Group's net sales by products and services in 2011.

Foreign currency transactions

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

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

Foreign exchange gains and losses related to business operations are included in operating profit, and foreign exchange gains and losses associated with financing are reported in financial income and expenses. Tieto has classified all internal long-term loans to Swedish subsidiaries as a net investment in a foreign operation according to IAS 21. All related unrealized foreign exchange gains and losses from the net investment are recognized directly in shareholders' equity.

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

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

Revenue recognition

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

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

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

Other operating income

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

Research and development costs

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

Income taxes

Income taxes include the current taxes of the Group companies based on taxable profit for the year, together with tax adjustments for previous years and the change in deferred taxes. Income tax which relates to items recognized directly in equity is recognized directly in equity as well.

A deferred tax asset and liability have been determined for temporary differences between the tax bases and book values of assets and liabilities by using the tax rates and -laws which have been enacted or in practice accepted by closing date or are anticipated to be used when deferred tax asset or liability is realised. The most significant temporary differences arise from tax losses carried forward, depreciation differences and intangible assets. Deferred taxes are not accounted for the following: goodwill not deductible for taxation purposes, the initial recognition of an asset or liability in a transaction other than a business combination that affect neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that they will probably not be reversed in the foreseeable future.

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

Goodwill

Goodwill arising from acquisitions prior to 1 January 2004 has been recognized in accordance with the accounting and consolidation principles applicable at the date of acquisition. The carrying value of goodwill on 1 January 2004 has been stated at cost less accumulated amortization and impairment losses. The carrying value has been tested for impairment in accordance with the requirements of IFRS 1. Goodwill arising from acquisitions on or after 1 January 2004 represents the excess of the cost of the business combination over the Group's interest in the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is initially measured at cost. Subsequently goodwill is measured at cost less any accumulated impairment losses. Impairment losses on goodwill are not reversed.

The carrying value of goodwill on 1 January 2004 and the cost of goodwill arising from acquisitions on or after 1 January 2004 is not amortized. Such goodwill is tested for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Intangible assets

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

Impairment testing of goodwill

Goodwill acquired in a business combination is tested for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of impairment testing goodwill is allocated to cash-generating units (CGU) based on the Group's management reporting structure used for monitoring business operations. If the carrying amount of a CGU exceeds its recoverable amount an impairment loss equal to the difference is recognized.

The recoverable amount of a CGU is determined as its value in use represented by the net present value of its future cash flows.

Property, plant and equipment

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

The Group applies the following economic lives:

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

[1] Purchases of personal computers are expensed immediately.

Leases of lessees

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

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

Leases of lessors

In accordance with the criteria set out in IFRIC 4, certain assets, mainly technical equipment, are classified as "embedded finance leases". Sales derived from these embedded finance leases are recognized at the beginning of the agreement period. The annual payments are disclosed as amortization of the finance lease loan receivable and interest income.

Financial instruments

Financial assets are classified into the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. Currently the company holds no assets in held to maturity category. Financial liabilities are classified into categories: at fair value through profit or loss and financial liabilities measured at amortized cost.

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

› Financial assets and liabilities at fair value through profit or loss
  Derivatives, comprising foreign exchange forward contracts, currency options and interest rate swaps (and embedded derivatives), are held for trading and valued at fair value. The valuation method is described in the footnote of Note 26. Related valuation changes are reported in the income statement in exchange rate gains and losses (foregin exchange forward contracts), in other financial income and expenses (currency options) and in interest income and expenses (interest rate swaps). Correspondingly, in the balance sheet the valuations are shown in trade and other receivables or trade and other payables

(asset or liability due in less than 12 months) or other non-current assets and liabilities in the balance sheet.

- Loans and receivables
  Fixed-term deposits, principally comprising funds held with banks and other financial institutions, and short-term and long-term loan receivables, as well as trade and other receivables, are classified as loans and receivables and held at amortized cost, using the effective interest method. In the balance sheet, they are reported according to their nature either in trade and other receivables, loan receivables or cash and cash equivalents (current assets) or in loan receivables or other non-current assets (non-current assets). Investments in money market instruments are reported as short-term deposits under cash and cash equivalents.
- Available-for-sale financial assets
  Investments in equity instruments, except for investments in associated companies and joint ventures, are classified as assets available-for-sale. They are measured at fair value if fair value can be measured reliably and unrealized gains and losses are recognized to shareholders' equity. If fair value is not available, the assets are held at initial value. The available-for-sale assets are reported in other non-current assets in the balance sheet. When the investment is sold, the accumulated fair value adjustment is recognized in the income statement.
- Financial liabilities measured at amortized cost
  Short-term borrowings and overdrafts as well as long-term loans and trade and other payables are classified as financial liabilities measured at amortized cost. Loans are included in non-current and current liabilities. Interest expense and transaction costs are amortized in the income statement over the maturity of the loan using the effective interest method.

Impairment of financial assets

- Assets carried at amortized cost
  The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of assets is impaired. A financial asset is regarded impaired if one or more of the following events have occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset:
  1. significant financial difficulty of the issuer or obligor
  2. a breach of contract such as default in interest or principal payments
  3. it becomes probable that the borrower will enter bankruptcy or other financial reorganisation
  4. the disappearance of an active market for that financial asset because of financial difficulties

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

Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The Group designates certain derivatives as hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge). The Group documents the relationship between the hedging instrument and the underlying risk at the time of hedging transaction. The effectiveness or ineffectiveness of cash flow hedge is being regularly monitored.

The effective portion of changes in cash flow hedge is recognized in other comphrehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the income statement within other gains/losses – net. Amounts accumulated in equity are reclassified to profit and loss in the periods when the hedged item affects profit or loss.

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

Trade and other receivables

Trade and other receivables are initially measured at cost. A provision is made for doubtful receivables and recorded in the income statement based on the principles defined in the Corporate credit policy. The provision is an accounting estimate of the amount of receivables with a high probability to be written off as uncollectable. The accounting estimate is based on amount of receivables overdue for a period of time defined in the credit policy. The final write off decision is made based on individual assessment of potential risk.

Cash and cash equivalents

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

Provisions

The provisions are recognized in accordance with the requirements of IAS 37. A provision is a liability of uncertain timing or amount, which should be recognized when the entity has a present legal or constructive obligation as a result of a past event and it is more likely than not that an outflow of economic benefits will be required to settle the obligation. An entity should also be able to make a reliable estimate of the obligation.

Employee benefits

The Group operates a number of different pension plans in accordance with national requirements and practices. The majority of the plans are classified as defined contribution plans. Payments to defined contribution plans are recognized as expenses for the period to which they relate. After payment of the contribution the Group has no further obligations in respect of such plans.

For defined benefit pension plans, the liability equals the present value of the defined benefit obligation less the fair value of the plan assets adjusted for unrecognized actuarial gains and losses and unrecognized past service costs. The cost of providing pensions is computed and charged to the income statement in accordance with the requirements of IAS 19 – Employee Benefits. The corridor approach under IAS 19 is applied to actuarial gains and losses.

Share-based payments

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

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

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

Equity, dividends and own shares

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

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

Earnings per share

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

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

Changes in accounting policies

After March 2010, Tieto has started to apply hedge accounting for selected hedging transactions, such as foreign hedging transactions between EUR and CZK.

Critical accounting estimates and assumptions

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

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

	Note
Revenue recognition	1
Impairment of goodwill	14
Income taxes	16
Share-based payments	20
Employee benefits	21
Fair value of derivatives and other financial instruments	26

1. SEGMENT INFORMATION

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

The reportable operating segments based on country dimension are Finland, Sweden and International. International consists of 22 countries outside Finland and Sweden. Group level costs like the costs related to Group management, Group's share of support functions and other non-allocated costs are not included in the country segments but are reported under Group Operations in the segment reporting.

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

In 2011, the reportable operating segments will change due to the change in the operating model. The new operating model comprises of a matrix structure of Market Units and Business Lines, of which the Market Unit dimension constitutes the main operating segments. The reportable operating segments in market unit dimension are Finland & Baltic, Scandinavia, Central Europe & Russia and Global Accounts. Net sales of Business Lines will be reported as presenting the products and services of Tieto.

Net sales by country	**2010**	2009	Change
EUR million	**1–12**	1–12	%
Finland	**889**	888	0
Sweden	**504**	463	9
International	**542**	553	-2
Group elimination	**-220**	-197	12
Group total	**1 714**	1 706	0

Internal sales by country	**2010**	2009	Change
EUR million	**1–12**	1–12	%
Finland	**63**	73	-14
Sweden	**25**	27	-8
International	**132**	96	37
Group total	**220**	197	12

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

Net sales according to customer location	**2010**	2009	Change
EUR million	**1–12**	1–12	%
Finland	**820**	806	2
Sweden	**473**	431	10
Other	**420**	470	-11
Group total	**1 714**	1 706	0

Net sales by customer sector	**2010**	2009	Change
EUR million	**1–12**	1–12	%
Telecom	**571**	582	-2
Finance	**358**	359	0
Industry sectors	**785**	766	3
Group total	**1 714**	1 706	0

Revenues of EUR 230.8 million (EUR 229.3 million in 2009) are derived from a single external customer. These revenues are attributable to all reportable segments.

Operating profit (EBIT) by country	**2010**	2009	Change
EUR million	**1–12**	1–12	%
Finland	**94.6**	110.3	-14.3
Sweden	**34.4**	-3.0	pos.
International	**-13.7**	-6.7	-105.8
Group operations	**-42.9**	-25.4	-69.0
Operating profit (EBIT)	**72.4**	75.3	-3.9

Operating margin (EBIT) by country	**2010**	2009	Change
%	**1-12**	1-12	
Finland	**10.6**	12.4	-1.8
Sweden	**6.8**	-0.6	7.5
International	**-2.5**	-1.2	-1.3
Operating margin (EBIT)	**4.2**	4.4	-0.2

	End of period				**Average**	
Personnel by country	**2010**	Change	Share	2009	**2010**	2009
	1–12	%	%	1–12	**1–12**	1–12
Finland	**5 776**	0	33	5 758	**5 780**	5 932
Sweden	**3 023**	-3	17	3 102	**2 967**	3 202
Czech	**1 886**	14	11	1 656	**1 785**	1 544
India	**1 499**	49	8	1 009	**1 218**	829
Germany	**1 010**	-4	6	1 047	**1 028**	1 078
China	**1 096**	86	6	590	**870**	425
Poland	**950**	41	5	676	**806**	609
Latvia	**582**	-1	3	588	**593**	617
Norway	**500**	-11	3	561	**519**	602
Italy	**232**	-13	1	266	**258**	262
Great Britain	**211**	-23	1	274	**232**	292
Denmark	**190**	-16	1	226	**204**	263
Lithuania	**169**	-4	1	177	**177**	182
Netherlands	**132**	-1	1	133	**131**	139
Russia	**130**	160	1	50	**123**	45
Estonia	**106**	-10	1	118	**116**	120
Other	**265**	-39	1	433	**292**	425
Group total	**17 757**	7	100	16 663	**17 097**	16 568

Total assets by country	**2010**	2009	Change
EUR million	**31 Dec**	31 Dec	%
Finland	**469.1**	442.1	6
Sweden	**325.5**	261.3	25
International	**309.9**	310.8	0
Country elimination	**-21.8**	-21.4	2
Countries total	**1 082.7**	992.7	9
Group Operations	**157.9**	202.5	-22
Total assets	**1 240.6**	1 195.3	4

Non-current assets according to asset location	**2010**	2009	Change
EUR million	**31 Dec**	31 Dec	%
Finland	**271.5**	252.0	8
Sweden	**166.3**	138.6	20
Other	**157.8**	154.4	2
Total non-current assets	**595.6**	545.0	9

Capital expenditure by country	**2010**	2009	Change
EUR million	**1–12**	1–12	%
Finland	**59.4**	41.2	44
Sweden	**21.8**	9.4	133
International	**9.9**	4.2	137
Group Operations	**8.4**	2.8	206
Group total	**99.5**	57.5	73

Depreciation by country	**2010**	2009	Change
EUR million	**1–12**	1–12	%
Finland	**44.6**	41.7	7
Sweden	**9.6**	8.3	16
International	**7.0**	8.8	-21
Group Operations	**2.1**	2.6	-19
Group total	**63.3**	61.4	3

Amortization on allocated intangible assets from acquisitions	**2010**	2009	Change
EUR million	**1–12**	1–12	%
Finland	**0.5**	0.5	-1
Sweden	**3.1**	2.9	7
International	**4.0**	5.9	-32
Group Operations	**0.0**	0.0	300
Group total	**7.6**	9.3	-18

EUR million	**31 Dec 2010**	31 Dec 2009

2. OTHER OPERATING INCOME

Sales of fixed assets and shares	**0.5**	6.2
Rental income	**2.2**	1.2
Government grants released	**4.2**	2.7
Settlement of terminated contract	**-**	1.8
Non-controlling interest share of joint ventures service fees	**1.5**	1.4
Exchange rate gains on derivatives	**4.9**	1.9
Other operating income	**4.2**	2.3
	17.5	17.5

3. OTHER OPERATING EXPENSES

Rents, licences and maintenance related to software	**59.4**	58.7
Data and phone communication	**18.1**	21.7
Advertising and marketing	**11.2**	10.8
Travelling	**26.3**	26.7
Training	**13.8**	15.3
Consulting	**21.6**	21.8
Premises related	**93.3**	103.9
Exchange rate losses on derivatives	**1.7**	4.9
Other operating expenses	**55.0**	50.1
	300.4	313.9

Year 2009 figures have been changed due to the regrouping between cost of sales and other operating expenses.

4. DEVELOPMENT COSTS

The income statement includes development costs EUR 44.2 million for year 2010 corresponding to 2.6% of net sales (EUR 53.1 million for year 2009 corresponding to 3.1% of net sales).

5. EMPLOYEE BENEFIT EXPENSES

Wages and salaries	**763.6**	739.4
Pension costs – defined contribution plans	**82.0**	85.3
Pension costs – defined benefit plans	**8.6**	10.1
Other pay-related statutory social costs	**123.7**	116.7
Social costs for personnel warrants	**0.0**	0.3
Share-based payments	**4.7**	4.6
Other personnel costs	**34.5**	30.3
	1 017.1	986.7

Employee benefit expenses include restructuring costs and other termination benefits amounting to EUR 27.5 (34.7) million. Equity settled share-based payment transactions recognized in the income statement are based on the fair value of the instrument which is measured using the Black & Scholes option pricing model. The counter-entry to the expense entered in the income statement is retained earnings, and therefore the expense has no effect on total equity. Share-based payments include the share ownership plan costs of EUR 0.7 million. The counter-entry for EUR 0.3 million is retained earnings and for EUR 0.4 million accruals.

6. MANAGEMENT REMUNERATION IN 2010

Board of Directors

According to the decision by the AGM, executives are compensated in cash only.	
Chairman EUR 5 700/month, Deputy Chairman EUR 3 800/month, member EUR 2 500/month, Comittee Chairman EUR 3 800/month and EUR 800 for each board meeting.	
Total cash compensation	To the Board of Directors in 2010 EUR 416 100
Chairman of the Board	EUR 88 400
Deputy Chairman	EUR 62 400
Members	EUR 265 300

President and CEO

Salary and benefits	EUR 854 949	
Bonus	EUR 112 504 (2009 EUR 0)	
Bonus principles	Maximum 100% of yearly base salary based on Group's net sales and profit	
Options and warrants	2006 B option programme: right to subscribe 35 000 shares	The fair value of these warrants amounts to EUR 31 850 [2)]
	2006 C option programme: right to subscribe 80 000 shares	The fair value of these warrants amounts to EUR 610 400 [3)]
	2009 A option programme: right to subscribe 15 000 shares	The fair value of these warrants amounts to EUR 121 650 [4)]
	2009 B option programme: right to subscribe 17 500 shares	The fair value of these warrants amounts to EUR 88 550 [5)]
	The reward to be paid to the President and CEO on the basis of the Performance Share Plan 2009–2011 corresponds to a maximum of 90 000 shares. In addition, the participants will receive cash compensation for dividends accumulated on the shares during 2009–2011.	
Share-based payment costs	EUR 395 430 (including option plan and share plan costs)	
Retirement age	60	
Pension level	Annual fee (in addition to statutory pension provision): 23% of the annual base salary (defined contribution plan)	
Period of notice	12 months	
Severance payment	Equivalent to 12–18 months´ salary.	

Leadership Team

Excluding President and CEO		
Total salaries and benefits	EUR 2 265 372	
Total bonuses	EUR 237 218 (2009 EUR 0)	
Bonus principles	The reward factors are primarily based on EBIT and net sales. The relative weight of the reward factors is decided each year. Only improvement is rewarded.	
Options and warrants	2006 A option programme: right to subscribe 20 000 shares	The fair value of these warrants amounts to EUR 200 [1)]
	2006 B option programme: right to subscribe 21 500 shares	The fair value of these warrants amounts to EUR 19 565 [2)]
	2006 C option programme: right to subscribe 67 080 shares	The fair value of these warrants amounts to EUR 511 820 [3)]
	2009 A option programme: right to subscribe 60 000 shares	The fair value of these warrants amounts to EUR 486 600 [4)]
	2009 B option programme: right to subscribe 69 000 shares	The fair value of these warrants amounts to EUR 349 140 [5)]
	The reward to be paid to the members of the Leadership Team on the basis of the Performance Share Plan 2009–2011 correspond to a maximum of 400 000 shares. In addition, the participants will receive cash compensation for dividends accumulated on the shares during 2009–2011.	
Share-based payment costs	EUR 977 552 (including option plan and share plan costs)	
Retirement age	According to national standards	
Pension level	Annual fee (in addition to statutory pension provision): 15% and 23% (for one executive member) of the annual base salary (Defined contribution and defined benefit arrangements)	
Period of notice	Varies between 6 and 12 months	
Severance payment	0 for 11 executives members	
There were no loans to executive management on 31 December 2009 nor on 31 December 2010.		
There are no guarantees on behalf of key management.		

1) Calculated on the basis of the fair market value of one Tieto 2006 A stock option on December 31, 2010. The quotation in NASDAQ OMX Helsinki on 31 December 2010 was EUR 0.01.
2) Calculated on the basis of the fair market value of one Tieto 2006 B stock option on December 31, 2010. The quotation in NASDAQ OMX Helsinki on 31 December 2010 was EUR 0.91.
3) The grant value of 2006 C options is calculated with the Black & Scholes method and the value for one option is EUR 7.63 on the grant date 23 April 2008.
4) The grant value of 2009 A options is calculated with the Black & Scholes method and the value for one option is EUR 7.64 on the grant date 6 November 2008 and EUR 8.11 on the grant date 31 December 2009.
5) The grant value of 2009 B options is calculated with the Black & Scholes method and the value for one option is EUR 5.06 on the grant date 9 August 2010.

7. FINANCIAL INCOME AND EXPENSES ACCORDING TO IAS 39 CLASSIFICATION

31 Dec 2010 EUR million	Interest income	Interest expenses	Exchange rate gains and losses	Other financial income	Other financial expenses	Total
Financial assets at fair value through profit or loss [1]	8.9	-9.9	0.4	0.2	-0.3	**-0.7**
Loans and receivables	1.2	0.0	-0.5	0.3	0.0	**1.1**
Available-for-sale financial assets	0.0	0.0	0.0	0.0	0.0	**0.0**
Financial liabilities measured at amortized cost	0.0	-5.8	0.0	0.0	-0.8	**-6.6**
Total	10.1	-15.7	0.0	0.5	-1.2	**-6.3**

31 Dec 2009 EUR million						
Financial assets at fair value through profit or loss [1]	3.8	-4.3	8.3	0.1	-0.1	7.8
Loans and receivables	1.8	0.0	-5.4	0.1	0.0	-3.5
Available-for-sale financial assets	0.0	0.0	0.0	0.0	0.0	0.0
Financial liabilities measured at amortized cost	0.0	-8.6	-0.1	0.0	-0.7	-9.4
Total	5.6	-12.8	2.9	0.2	-0.8	-5.0

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

Exchange rate gains and losses included in the operating profit were EUR 1.3 million in 2010 (EUR -5.6 million in 2009).

EUR million	**1 Jan–31 Dec 2010**	1 Jan–31 Dec 2009

8. INCOME TAXES

Current taxes	**19.1**	15.1
Change of deferred taxes	**-3.1**	0.7
Taxes for prior years	**0.5**	-0.6
Total taxes in income statement	**16.6**	15.2

Income tax reconciliation		
Profit before taxes	**66.1**	70.3
Tax calculated at the domestic corporation tax rate of 26%	**17.2**	18.3
Effect of different tax rates in foreign subsidiaries	**0.3**	0.2
Taxes for prior years	**0.5**	-0.6
Income not subject to tax	**-3.1**	-5.0
Expenses not deductible for tax purposes	**2.5**	1.1
Unrecognized tax losses for the period	**6.3**	4.3
Utilization of previously unrecognized tax losses	**-0.3**	-2.9
Recognized previously unrecognized deferred tax assets	**-5.0**	-
Other items	**-1.8**	-0.2
Income Taxes in the Consolidated Income Statement	**16.6**	15.2
Effective tax rate	**25.1**	21.6

	1 Jan–31 Dec 2010	1 Jan–31 Dec 2009

9. EARNINGS PER SHARE

	1 Jan–31 Dec 2010	1 Jan–31 Dec 2009
Net profit for the period attributable to the shareholders of the Parent company (EUR million)	**49.6**	54.8
Earnings per share (EUR)		
Basic	**0.69**	0.77
Diluted	**0.69**	0.77
Number of shares during the year (1 000 shares)		
Basic [1]		
Weighted average shares	**71 409**	71 500
Effect of dilutive stock options and shares	**282**	75
Diluted		
Adjusted weighted average shares and assumed conversions	**71 691**	71 575

Under IAS 33, basic Earnings per share is computed using the weighted average number of shares outstanding during the period. Diluted earnings per share is computed using the weighted average number of shares outstanding during the period plus the dilutive effect of stock options and shares.

[1] Number of shares included in the calculation of basic Earnings per share. Shares conveyed in 2009 are excluded for the whole year as they could be returned until end of 2010.

10. INTANGIBLE ASSETS

EUR million	Note	**31 Dec 2010**	31 Dec 2009
Goodwill			
At 1 Jan, net of accumulated impairment		**402.0**	389.3
Increases		**1.6**	0.2
Decreases		**-1.9**	-1.4
Acquisitions through business combinations		**-**	-
Impairment		**-**	-
Exchange difference		**21.2**	13.9
At 31 Dec, net of accumulated impairment		**422.9**	402.0
At 1 Jan			
Cost		**402.0**	389.3
Accumulated impairment		**-**	-
Net carrying amount		**402.0**	389.3
At 31 Dec			
Cost		**422.9**	402.0
Accumulated impairment		**-**	-
Net carrying amount		**422.9**	402.0
Capitalized development costs			
At 1 Jan, net of accumulated amortization		**0.0**	3.1
Increases		**-**	-
Exchange difference		**0.0**	0.1
Amortization in the period		**0.0**	-3.2
At 31 Dec, net of accumulated amortization		**0.0**	0.0
At 1 Jan			
Cost		**3.9**	3.7
Accumulated amortization and impairment		**-3.9**	-0.6
Net carrying amount		**0.0**	3.1
At 31 Dec			
Cost		**4.1**	3.9
Accumulated amortization and impairment		**-4.1**	-3.9
Net carrying amount		**0.0**	0.0

EUR million	Note	**31 Dec 2010**	31 Dec 2009
Intangible rights			
At 1 Jan, net of accumulated amortization		**31.7**	44.3
Increases		**6.4**	2.8
Decreases		**-0.9**	-0.1
Acquisitions through business combinations	13	**1.7**	0.2
Exchange difference		**2.0**	1.2
Amortization in the period		**-13.8**	-16.7
At 31 Dec, net of accumulated amortization		**27.1**	31.7
At 1 Jan			
Cost		**116.3**	134.0
Accumulated amortization and impairment		**-84.6**	-89.7
Net carrying amount		**31.7**	44.3
At 31 Dec			
Cost		**123.6**	116.3
Accumulated amortization and impairment		**-96.5**	-84.6
Net carrying amount		**27.1**	31.7
Other capitalised expenditure			
At 1 Jan, net of accumulated amortization		**9.8**	4.5
Increases		**18.8**	7.4
Decreases		**-1.5**	0.0
Exchange difference		**0.4**	0.1
Amortization in the period		**-4.2**	-2.2
At 31 Dec, net of accumulated amortization		**23.3**	9.8
At 1 Jan			
Cost		**22.3**	14.5
Accumulated amortization and impairment		**-12.5**	-10.0
Net carrying amount		**9.8**	4.5
At 31 Dec			
Cost		**39.1**	22.3
Accumulated amortization and impairment		**-15.8**	-12.5
Net carrying amount		**23.3**	9.8
Advance payments, intangibles			
At 1 Jan, net of accumulated amortization		**1.3**	1.2
Increases		**1.5**	1.2
Transfers		**-1.8**	-1.1
At 31 Dec		**1.0**	1.3
Net carrying amount of intangible assets, total 31 Dec		**474.3**	444.8

EUR million	Note	**31 Dec 2010**	31 Dec 2009
11. PROPERTY, PLANT AND EQUIPMENT			
Land			
At 1 Jan		**1.2**	0.1
Increases		**-**	1.1
Decreases		**-**	-
At 31 Dec		**1.2**	1.2
At 1 Jan			
Cost		**1.2**	0.1
Net carrying amount		**1.2**	0.1
At 31 Dec			
Cost		**1.2**	1.2
Net carrying amount		**1.2**	1.2
Buildings and structures			
At 1 Jan, net of accumulated depreciation		**3.0**	0.4
Increases		**0.1**	2.8
Decreases		**0.0**	-0.1
Depreciation in the period		**0.0**	-0.1
At 31 Dec, net of accumulated depreciation		**3.1**	3.0
At 1 Jan			
Cost		**4.7**	1.9
Accumulated depreciation and impairment		**-1.7**	-1.5
Net carrying amount		**3.0**	0.4
At 31 Dec			
Cost		**4.8**	4.7
Accumulated depreciation and impairment		**-1.7**	-1.7
Net carrying amount		**3.1**	3.0
Machinery and equipment			
At 1 Jan, net of accumulated depreciation		**81.2**	76.4
Increases		**63.2**	45.8
Decreases		**-2.7**	-0.2
Acquisitions through business combinations	13	**-**	0.1
Exchange difference		**1.1**	1.4
Depreciation in the period		**-46.8**	-42.3
At 31 Dec, net of accumulated depreciation		**96.0**	81.2
At 1 Jan			
Cost		**326.9**	298.5
Accumulated depreciation and impairment		**-245.7**	-222.1
Net carrying amount		**81.2**	76.4
At 31 Dec			
Cost		**360.9**	326.9
Accumulated depreciation and impairment		**-264.9**	-245.7
Net carrying amount		**96.0**	81.2

EUR million	Note	**31 Dec 2010**	31 Dec 2009
Capitalised finance lease			
At 1 Jan, net of accumulated depreciation		**10.0**	15.1
Increases		**0.2**	0.3
Decreases		**-**	-
Exchange difference		**0.0**	-
Depreciation in the period		**-5.5**	-5.4
At 31 Dec, net of accumulated depreciation		**4.7**	10.0
At 1 Jan			
Cost		**45.9**	51.5
Accumulated depreciation and impairment		**-35.9**	-36.4
Net carrying amount		**10.0**	15.1
At 31 Dec			
Cost		**46.2**	45.9
Accumulated depreciation and impairment		**-41.5**	-35.9
Net carrying amount		**4.7**	10.0
Other tangible assets			
At 1 Jan, net of accumulated depreciation		**2.3**	5.0
Increases		**0.7**	1.6
Decreases		**-0.4**	-3.7
Acquisitions through business combinations		**-**	0.0
Exchange difference		**0.2**	0.2
Depreciation in the period		**-0.6**	-0.8
At 31 Dec, net of accumulated depreciation		**2.2**	2.3
At 1 Jan			
Cost		**3.0**	7.3
Accumulated depreciation and impairment		**-0.7**	-2.3
Net carrying amount		**2.3**	5.0
At 31 Dec			
Cost		**5.9**	3.0
Accumulated depreciation and impairment		**-3.7**	-0.7
Net carrying amount		**2.2**	2.3
Advance payments and work in progress			
At 1 Jan		**2.4**	3.5
Increases		**21.3**	2.2
Transfers		**-9.9**	-3.3
Exchange difference		**0.2**	-
At 31 Dec		**14.0**	2.4
Net carrying amount of tangible assets, total 31 Dec		**121.2**	100.1

EUR million	31 Dec 2010 Book value
12. AVAILABLE-FOR-SALE FINANCIAL ASSETS	
Other shares and securities owned by the Parent company	
LifeIT Oyj	**0.1**
Right of residence Almen 10, Solna	**0.1**
Tapiolan Monitoimiareena Oy	**0.1**
Other shares and securities	**0.1**
	0.4
Other shares and securities owned by subsidiaries	
Fimecc Oy	**0.1**
Vierumäen Kuntorinne Oy	**0.2**
Other shares and securities	**0.1**
	0.4

13.ACQUISITIONS AND DISPOSALS

Acquisitions in 2010

Tieto made the following acquisitions during 2010 which are all individually considered immaterial:

- T&T Telecom, IT and consultancy company in Russia specializing in services for telecom operators, ownership 100%, effective January 2010
- The entire share capital of Tieto Broadcasting IT Oy, a company previously owned by Tieto (80%) and other parties (20%), effective June 2010
- Business operations of the Finnish healthcare IT solutions provider Intensium Oy, effective July 2010

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

EUR million	Recognized on acquisition	Carrying value
Intangible assets	1.7	0.0
Property, plant and equipment	0.0	0.0
Receivables	0.0	0.0
Cash and cash equivalents	0.1	0.1
	1.8	0.1
Other non-current liabilities	0.0	0.0
Deferred tax liabilities	0.4	0.0
Current liabilities	0.1	0.0
	0.5	0.0
Fair value of net assets	1.4	0.1
Goodwill arising on acquisition	1.6	
	3.0	

The total cost of combinations was EUR 3.0 million and comprised cash paid and contingent consideration:

EUR million	
Paid in cash	1.6
Contingent consideration	1.4
Total cost of business combinations	3.0

Cash outflow on the acquisitions:

EUR million	
Net cash acquired in the business combinations	0.1
Cash paid	1.6
Net cash outflow	-1.5

Since the date of acquisition, the acquired units have contributed about EUR 2.6 million to the revenue and EUR -3.3 million to the operating profit of the Group after amortization on the fair value of intangible assets.

If the combinations had taken place at the beginning of the year, their contribution to the revenue for the Group would have been about EUR 3 million and profit about EUR -3 million.

In September 2010, Tieto announced the signing of a share purchase agreement concerning a majority ownership of 70% in TrustInfo, a Russian company currently providing a full range of data centre services in Russia.

The Russian Federal Antimonopoly Service approved the transaction in January 2011, and the agreement is expected to be signed during the first quarter of 2011. After the signing, a holding company fully owned by Tieto will own 70% of the shares in TrustInfo. I-Teco, a leading Russian IT service and consulting company, owns the remaining 30%. The initial investment amounts to approximately EUR 17 million.

No disclosures about the business combination can be made, as the initial accounting for the business combination including the value of total consideration and net assets is incomplete.

Disposals in 2010

Tieto made the following disposals during 2010:

- TietoEnator Majiq Inc., effective March 2010
- TietoEnator Canada Inc. and related businesses in Finland and Sweden, effective March 2010
- Tieto France S.A., effective April 2010

The total impairment loss related to TietoEnator Majiq and Tieto France at the date of disposal is specified below:

EUR million	Recognized on disposal	Carrying value
Intangible assets	0.0	0.0
Property, plant and equipment	0.4	0.4
Deferred tax assets	4.1	4.1
Receivables	10.5	10.5
Cash and cash equivalents	4.7	4.7
	19.6	19.6
Other non-current liabilities	0.5	0.5
Current liabilities	6.5	6.8
Interest-bearing liabilities	0.0	5.0
	7.0	12.2
Fair value of net assets	12.6	7.4
Goodwill allocation on disposals	2.1	
Total net asset allocation on disposals	14.7	
Transaction costs	0.7	
Received in cash	7.8	
Total impairment loss	7.6	

Disposal of TietoEnator Canada and related businesses resulted to a capital gain of EUR 0.4 million.

14. IMPAIRMENT TESTING OF GOODWILL

General principles

Goodwill acquired in business combinations is allocated to cash-generating units (CGU) which are industry based subunits of the reportable country segments in the segment reporting.

The recoverable amounts of all CGUs are determined based on value-in-use calculations. The cash flow projections covering the initial three-year period have been based on financial forecasts approved by senior management supported by industry growth forecasts obtained from external sources. The growth rate used to extrapolate the cash flows for the subsequent two-year period is 1–5%, which reflects the management's estimate of the industry's long-term average growth rate. Subsequent to the five-year projection period expectations of growth in real terms are not included in the cash flow projections.

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

The discount rate applied to cash flow projections is the weighted average pre-tax cost of capital. The discount rate is based on the weighted average of 10-year government bond rates in the countries where the CGUs operate. The bond rates are adjusted for the general market risk and the business risk of the separate service lines included in the CGUs. The pre-tax discount rates for the CGUs vary between 9% and 11% (between 9% and 11% in 2009). The calculated weighted average pre-tax cost of capital for Tieto has decreased approximately with 0.5%-unit from 2009 due to decrease in general interest rate level.

Carrying amount of goodwill allocated to CGUs and segments

The total goodwill at 31 December 2010 was EUR 422.9 million. The increase compared to 31 December 2009 is EUR 20.9 million.

Four individual CGUs, Finland Telecom, Finland Industry Group, Sweden Telecom and International Telecom, contain goodwill that may be considered significant in comparison with the Group's total carrying amount of goodwill. Each of these CGUs is a business operation providing services to selected customers in their market segments.

In Finland Telecom, the carrying amount of goodwill allocated to the CGU at 31 December 2010 was EUR 64.2 million. The recoverable amount of the CGU has been calculated in accordance with the general principles described above. The growth rate for the initial three-year period varies between -7% and 1% and EBITDA margin is 10%. The growth rate used to extrapolate the cash flows subsequent to the initial three-year period varies between 2% and 4%. The discount rate applied to the cash flow projections is 9.0%.

In Finland Industry Group, the carrying amount of goodwill allocated to the CGU at 31 December 2010 was EUR 63.1 million. The recoverable amount of the CGU has been calculated in accordance with the general principles described above. The growth rate for the initial three-year period varies between 4% and 5% and EBITDA margin between 14% and 15%. The growth rate used to extrapolate the cash flows subsequent to the initial three-year period varies between 3% and 4%. The discount rate applied to the cash flow projections is 8.8%.

In Sweden Telecom, the carrying amount of goodwill allocated to the CGU at 31 December 2010 was EUR 77.8 million. The recoverable amount of the CGU has been calculated in accordance with the general principles described above. The growth rate for the initial three-year period is 1% and EBITDA margin is 10%. The growth rate used to extrapolate the cash flows subsequent to the initial three-year period is 1%. The discount rate applied to the cash flow projections is 9.0%.

In International Telecom, the carrying amount of goodwill allocated to the CGU at 31 December 2010 was EUR 64.8 million. The recoverable amount of the CGU has been calculated in accordance with the general principles described above. The growth rate for the initial three-year period varies between 2% and 6% and EBITDA margin is 7%. The growth rate used to extrapolate the cash flows subsequent to the initial three-year period is 2%. The discount rate applied to the cash flow projections is 10.8%.

As a result of the impairment testing, no impairment was identified. Value-in-use calculation for each CGU is sensitive to changes in short and medium term growth assumptions and in short, medium and long term EBIT margin assumptions and interest rates. If the EBIT margins used in the value-in-use calculations were one per cent unit lower than management's estimates, the Group would have identified a goodwill impairment of EUR 13 million in International Telecom CGU. If the interest rates were one per cent unit higher, the goodwill impairment identified in International Telecom CGU would have been EUR 2 million.

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

EUR million	**31 Dec 2010**	31 Dec 2009
Finland	**164.9**	163.2
Sweden	**127.4**	111.4
International	**130.6**	127.4
Total	**422.9**	402.0

In 2011, the CGU structure will change due to the change in the operating model and the operating segments. The new CGUs are Business Line subunits of the reportable Market Unit segments in segment reporting. Goodwill will be reallocated to the new CGUs and impairment test will be performed during the first quarter in 2011.

EUR million	**31 Dec 2010**	31 Dec 2009

15. INTEREST IN JOINT VENTURES

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

EUR million	**31 Dec 2010**	31 Dec 2009
Current assets	**29.8**	28.0
Non-current assets	**1.4**	2.6
	31.2	30.6
Current liabilities	**17.4**	15.5
Non-current liabilities	**0.6**	0.3
	18.0	15.8
Net sales	**113.9**	123.2
Expenses	**-104.0**	-109.5
Financial income and expenses	**0.0**	0.2
Profit before income tax	**9.9**	13.9
Income tax expense	**-2.7**	-3.7
Net profit	**7.2**	10.2

Joint ventures at 31 Dec 2010

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

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

16. DEFERRED INCOME TAX

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

EUR million	**2010**	2009
Deferred tax assets		
Deferred tax asset to be recovered after more than 12 months	**47.4**	33.9
Deferred tax asset to be recovered within 12 months	**15.6**	33.0
Total	**63.0**	66.9
Deferred tax liabilities		
Deferred tax liability to be recovered after more than 12 months	**27.9**	24.2
Deferred tax liability to be recovered within 12 months	**10.2**	9.4
Total	**38.1**	33.6
Deferred tax assets (net)	**24.9**	33.3

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

Changes in deferred tax assets and liabilities during 2010	1 Jan 2010	Charged to Income Statement	Charged in equity	Acquisitions and disposals	Other changes	**31 Dec 2010**
Deferred tax asset						
Restructuring costs	2.7	1.5	-	-	-	**4.2**
Other provisions	1.6	0.2	-	-	-	**1.8**
Employee benefits	4.7	1.0	-	-	-	**5.7**
Depreciation difference	17.5	-1.5	-	-0.1	0.3	**16.2**
Other temporary difference	14.4	1.9	-	-	0.4	**16.7**
Tax losses carried forward	26.0	-5.4	-	-4.0	1.8	**18.4**
Total	66.9	-2.3	0.0	-4.1	2.5	**63.0**
Deferred tax liability						
Depreciation difference	0.2	-	-	-	-	**0.2**
Intangible assets	22.7	1.0	-	0.4	2.1	**26.2**
Employee benefits	1.0	0.5	-	-	0.1	**1.6**
Finance lease	0.7	-0.2	-	-	-	**0.5**
Other temporary difference	9.0	-6.7	7.3	-	-	**9.6**
Total	33.6	-5.4	7.3	0.4	2.2	**38.1**
Net deferred tax asset	33.3	3.1	-7.3	-4.5	0.3	**24.9**

Changes in deferred tax assets and liabilities during 2009	1 Jan 2009	Charged to Income Statement	Charged in equity	Acquisitions and disposals	Other changes	31 Dec 2009
Deferred tax asset						
Restructuring costs	1.9	0.8	-	-	-	2.7
Other provisions	0.9	0.6	-	-	0.1	1.6
Employee benefits	5.0	0.1	-	-	-0.4	4.7
Depreciation difference	17.2	1.0	-	-	-0.7	17.5
Other temporary difference	10.2	4.0	-	-	0.2	14.4
Tax losses carried forward	32.6	-2.7	-4.0	-	0.1	26.0
Total	67.8	3.8	-4.0	-	-0.7	66.9
Deferred tax liability						
Depreciation difference	-	0.2	-	-	-	0.2
Intangible assets	20.2	3.1	-	-	-0.6	22.7
Employee benefits	-	0.5	-	-	0.5	1.0
Finance lease	0.4	0.3	-	-	-	0.7
Other temporary difference	8.6	0.4	-	-	-	9.0
Total	29.2	4.5	-	-	-0.1	33.6
Net deferred tax asset	38.6	-0.7	-4.0	-	-0.6	33.3

At 31 December 2010, the Group had deferred tax assets on recognized tax losses carried forward totalling EUR 18.4 million (EUR 26.0 million in 2009) of which EUR 17.4 million had no expiry date and EUR 0.1 million will expire during the years 2011–2015 and the remainder thereafter.

At 31 December 2010, the Group had deferred tax assets on operational tax losses carried forward totalling EUR 16.5 million (EUR 13.8 million in 2009) which were not recognized due to uncertainty of utilization.

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

EUR million	**31 Dec 2010**	31 Dec 2009

17. TRADE AND OTHER RECEIVABLES

Trade receivables	**367.2**	313.9
Prepaid expenses and accrued income		
Unbilled earned net sales	**40.6**	52.3
Licence fees	**17.7**	16.9
Rents	**2.8**	2.5
Social costs	**7.2**	4.0
Accrued interest income	**2.1**	0.0
Mainframe computer costs	**0.5**	6.8
Other prepaid expenses	**12.5**	10.5
Other	**14.6**	34.4
	465.2	441.3

Aging and provision for doubtful trade receivables

Not past due	**299.7**	238.4
Past due 1–30 days	**56.4**	57.1
Past due 31–60 days	**8.8**	10.4
Past due 61–90 days	**1.9**	5.1
Past due 91–180 days	**1.6**	4.0
Past due 180+ days	**1.4**	3.8
Provision for doubtful receivables	**-2.6**	-4.9
	367.2	313.9

Provision for doubtful receivables, of which		
Past due 91–180 days	**-1.2**	-2.0
Past due 181+ days	**-1.4**	-2.9
Total	**-2.6**	-4.9

EUR million	**31 Dec 2010**	31 Dec 2009
18. CASH AND CASH EQUIVALENTS		
Cash in hand and at bank	**41.3**	40.8
Short-term deposits	**56.7**	82.6
Cash and cash equivalents	**98.0**	123.3

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

EUR million	Number of shares	Share capital	Share issue premiums and other reserves	Total
19. ISSUED CAPITAL AND RESERVES				
1 Jan 2009	72 023 173	75.8	33.2	109.0
Translation difference			1.6	1.6
Transfer from/to retained earnings			0.0	0.0
31 Dec 2009	72 023 173	75.8	34.8	110.6
Translation difference			4.0	4.0
Transfer from/to retained earnings			-	-
31 Dec 2010	**72 023 173**	**75.8**	**38.8**	**114.6**

At the end of 2010, Tieto Corporation's total authorised number of shares was 72 023 173 (2009: 72 023 173 shares). The company has one class of shares, with each share conferring equal dividend rights and one vote. The company's Articles of Association include a restriction on voting at the Annual General Meeting, where no-one is allowed to vote with more than one-fifth of the votes represented at the meeting. Tieto's shares have no par value and have a book counter-value of one euro. All issued shares are fully paid.

On 1 January 2010, Tieto held 541 500 own shares. Related to the Share Ownership Plan 2006–2008, a total of 12 200 of shares were returned, free of consideration, to the company due to the fact that the term regarding service conditions of the holders were not fully met. At the end of 2010, the company held a total of 553 700 shares, representing 0.77% of the shares and voting rights. The number of outstanding shares, excluding the shares in the company's possession, was 71 469 473 at the end of 2010.

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

20. STOCK OPTIONS AND SHARE INCENTIVES

Tieto 2006 Stock Options

2006 A Stock Options

Initial number of Stock Options		600 000
Number of stock options outstanding on	31 December 2009	410 350
Number of stock options granted during the year		0
Number of stock options forfeited during the year		0
Number of stock options annulled during the year		0
Number of stock options exercised during the year		0
Number of stock options expired during the year		0
Number of stock options converted during the year		0
Total number of stock options outstanding on	31 December 2010	410 350
Number of stock options held by Tieto Corporation on	31 December 2010	0
Total number of stock options exercisable on	31 December 2010	410 350

Share subscription period	1 March 2009–31 March 2011
Share subscription terms	1 share in exchange for 1 stock option The share subscription price is EUR 29.72 [1]. The amount of the dividend decided after the beginning of the share subscription price determination period but before the share subscription will be deducted from the share subscription price of stock options as per the dividend record date. At the end of the year 2010, the share subscription price was EUR 27.02.

[1] For Stock Option 2006A, the share subscription price is the trade volume weighted average quotation of the Tieto share, rounded off to the nearest cent, on NASDAQ OMX Helsinki during the two month period immediately following the announcement day of the financial statements for the year 2005.

2006 B Stock Options

Initial number of Stock Options		600 000
Number of stock options outstanding on	31 December 2009	513 250
Number of stock options granted during the year		0
Number of stock options forfeited during the year		10 650
Number of stock options annulled during the year		84 700
Number of stock options exercised during the year		0
Number of stock options expired during the year		0
Number of stock options converted during the year		0
Total number of stock options outstanding on	31 December 2010	502 600
Number of stock options held by Tieto Corporation on	31 December 2010	0
Total number of stock options exercisable on	31 December 2010	502 600

Share subscription period	1 March 2010–31 March 2012
Share subscription terms	1 share in exchange for 1 stock option The share subscription price is EUR 21.49 [1]. The amount of the dividend decided after the beginning of the share subscription price determination period but before the share subscription will be deducted from the share subscription price of stock options as per the dividend record date. At the end of year 2010, the share subscription price was EUR 18.79.

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

2006 C Stock Options

Initial number of Stock Options		600 000
Number of stock options outstanding on	31 December 2009	668 910
Number of stock options granted during the year		0
Number of stock options forfeited during the year		34 930
Number of stock options annulled during the year		0
Number of stock options exercised during the year		0
Number of stock options expired during the year		0
Number of stock options converted during the year		0
Total number of stock options outstanding on	31 December 2010	633 980
Number of stock options held by Tieto Corporation on	31 December 2010	119 470
Total number of stock options exercisable on	31 December 2010	0

Share subscription period	1 March 2011–31 March 2013
Share subscription terms	1 share in exchange for 1 stock option. The share subscription price is EUR 13.36 [1]. The amount of the dividend decided after the beginning of the share subscription price determination period but before the share subscription will be deducted from the share subscription price of stock options as per the dividend record date. At the end of year 2010, the share subscription price was EUR 12.36.

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

Tieto 2009 Stock Options

2009 A Stock Options

Initial number of Stock Options		600 000
Number of stock options outstanding on	31 December 2009	588 200
Number of stock options granted during the year		0
Number of stock options forfeited during the year		21 600
Number of stock options annulled during the year		0
Number of stock options exercised during the year		0
Number of stock options expired during the year		0
Number of stock options converted during the year		0
Total number of stock options outstanding on	31 December 2010	566 600
Number of stock options held by Tieto Corporation on	31 December 2010	33 400
Total number of stock options exercisable on	31 December 2010	0

Share subscription period	1 March 2012–31 March 2014
Share subscription terms	1 share in exchange for 1 stock option. The share subscription price is EUR 8.46 [1]. The amount of the dividend or funds distributed through a distribution of funds from the distributable equity fund decided after the beginning of the share subscription price determination period but before the share subscription will be deducted from the share subscription price of stock options as per the relevant record date. At the end of year 2010, the share subscription price was EUR 7.96.

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

2009 B Stock Options

Initial number of Stock Options		600 000
Number of stock options outstanding on	31 December 2009	0
Number of stock options granted during the year		597 000
Number of stock options forfeited during the year		11 000
Number of stock options annulled during the year		0
Number of stock options exercised during the year		0
Number of stock options expired during the year		0
Number of stock options converted during the year		0
Total number of stock options outstanding on	31 December 2010	586 000
Number of stock options held by Tieto Corporation on	31 December 2010	14 000
Total number of stock options exercisable on	31 December 2010	0

Share subscription period	1 March 2013–31 March 2015
Share subscription terms	1 share in exchange for 1 stock option. The share subscription price is EUR 16.87 [1]. The amount of the dividend or funds distributed through a distribution of funds from the distributable equity fund decided after the beginning of the share subscription price determination period but before the share subscription will be deducted from the share subscription price of stock options as per the relevant record date. At the end of year 2010, the share subscription price was EUR 16.37.

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

Information related to stock options during 2003–2010

		Number of shares	Weighted average exercise price
Shares under option at	31 December 2003	5 605 509	45.0
Granted		491 400	25.2
Exercised		0	0.0
Forfeited		9 260	25.2
Expired		175 874	29.5
Shares under option at	31 December 2004	5 911 775	43.8
Granted		476 700	24.2
Exercised		1 950	24.2
Forfeited		15 320	24.2
Expired		1 958 440	36.3
Shares under option at	31 December 2005	4 412 765	44.8
Granted		487 900	29.7
Exercised		1 250	23.4
Forfeited		78 300	23.5
Expired		3 028 245	54.5
Shares under option at	31 December 2006	1 817 870	25.1
Granted		564 800	20.3
Exercised		61	22.2
Forfeited		42 050	25.0
Expired		0	0.0
Shares under option at	31 December 2007	2 340 559	23.0
Granted		757 300	13.7
Exercised		0	0.0
Forfeited		103 950	22.7
Expired		0	0.0
Shares under option at	31 December 2008	2 993 909	20.3
Granted		588 200	8.5
Exercised		0	0.0
Forfeited		68 190	16.3
Expired		1 333 209	21.2
Shares under option at	31 December 2009	2 180 710	15.9
Granted		597 000	16.4
Exercised		0	0.0
Forfeited		78 180	12.5
Expired		0	0.0
Shares under option at	31 December 2010	2 699 530	15.7

Based on the outstanding options on 31 December 2010, the total number of shares may increase, at the maximum, as follows:

Stock option series	Maximum of new shares	Subscription period	Exercise price, EUR
Stock option 2006 A	410 350	1.3.2009–31.3.2011	27.02
Stock option 2006 B	502 600	1.3.2010–31.3.2012	18.79
Stock option 2006 C	633 980	1.3.2011–31.3.2013	12.36
Stock option 2009 A	566 600	1.3.2012–31.3.2014	7.96
Stock option 2009 B	586 000	1.3.2013–31.3.2015	16.37
Total	2 699 530		

Tieto Corporation holds 119 470 options under the 2006 C stock options scheme, 33 400 options under the 2009 A stock options scheme, and 14 000 options under the 2009 B stock options scheme. The company also has 600 000 stock options 2009 C. The Board of Directors shall decide on the allocation of these options to key employees of the Group at a later date. If all option rights in the company's possession are also taken into account, the number of shares could increase by a maximum of 3 446 400. In all the current option schemes, the persons covered by the scheme receive the options if they are employed by Tieto on the starting date of the subscription period. Under the terms of both the 2006 option scheme and the 2009 option scheme, the subscription price will be reduced annually by the amount of dividend per share.

The share subscription period of 2006 B stock options ended on 1 March 2010. No options were used for share subscription during the year 2010. The Annual General Meeting of Tieto decided on 26 March 2009 to offer a maximum total of 1 800 000 stock options 2009 to the key personnel of the Group. The stock options have been issued under the series 2009 A, 2009 B, and 2009 C. Stock options 2009 B were allocated to key employees of the Group during the autumn 2010.

The options outstanding by range of exercise prices at 31 December 2010

Options outstanding				Vested options outstanding	
Exercise price EUR	Number of shares	Weighted average remaining contractual life in years	Weighted average exercise price EUR	Number of shares	Weighted average exercise price EUR
7.96–27.02	2 699 530	2.4	15.74	912 950	22.49

Assumptions made in determining the fair value of the Stock Options

The fair grant value of the stock options has been determined using the Black & Scholes method.
The volatility used in determining the value of the 2009 B options and 2009 B Phantom options is calculated on the basis of the actual volatility for the period prior to grant equalling the length of the contractual life time of the options.
The risk-free interest rate is the yield on a government benchmark bond with equal time to maturity as stock options on the grant date.

The fair values for the 2009 stock options have been calculated on the basis of the following weighted average assumptions:

	2010
Subscription price of the underlying share	16.87
Fair market value of the underlying share	13.91
Expected volatility %	44.2
Risk-free interest %	4.0
Expected contractual life in years	4.6
Expected dividends %	0.0

The weighted average grant date fair value of the stock options was EUR 5.06 in 2010.

Tieto Phantom Options 2010

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

2009 A Phantom Options

Initial number of Phantom Options [1)		31 000
Number of Phantom Options outstanding on	31 December 2009	25 500
Number of Phantom Options granted during the year		0
Number of Phantom Options forfeited during the year		0
Number of Phantom Options annulled during the year		0
Number of Phantom Options exercised during the year		0
Number of Phantom Options expired during the year		0
Number of Phantom Options converted during the year		0
Total number of Phantom Options outstanding on	31 December 2010	25 500
Number of Phantom Options held by Tieto Corporation on	31 December 2010	5 500
Total number of Phantom Options exercisable on	31 December 2010	0

Exercise date	1 March 2012
Exercise of the Phantom Options	Phantom Options 2009 A will be exercised automatically on the exercise date 1 March 2012 [2).
	Phantom Options entitle their holder to a cash reward provided that the volume-weighted average price of the Tieto share in continuous trading on NASDAQ OMX Helsinki exceeds the base price on the exercise date.
	The base price of Phantom Options 2009 A is EUR 8.46 [3). From the base price of the Phantom Options shall, before the exercise date, be deducted the amount of the dividend or funds distributed through a distribution of funds from the distributable equity fund decided after the beginning of the period for determination of the base price but before the exercise date.
	At the end of the year 2010, the base price was EUR 7.96.

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

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

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

2009 B Phantom Options

Initial number of Phantom Options [1]		29 500
Number of Phantom Options outstanding on	31 December 2009	0
Number of Phantom Options granted during the year		28 000
Number of Phantom Options forfeited during the year		0
Number of Phantom Options annulled during the year		0
Number of Phantom Options exercised during the year		0
Number of Phantom Options expired during the year		0
Number of Phantom Options converted during the year		0
Total number of Phantom Options outstanding on	31 December 2010	28 000
Number of Phantom Options held by Tieto Corporation on	31 December 2010	1 500
Total number of Phantom Options exercisable on	31 December 2010	0

Exercise date	1 March 2013
Exercise of the Phantom Options	Phantom Options 2009 B will be exercised automatically on the exercise date 1 March 2013 [2].
	Phantom Options entitle their holder to a cash reward provided that the volume-weighted average price of the Tieto share in continuous trading on NASDAQ OMX Helsinki exceeds the base price on the exercise date.
	The base price of Phantom Options 2009 B is EUR 16.87 [3]. From the base price of the Phantom Options shall, before the exercise date, be deducted the amount of the dividend or funds distributed through a distribution of funds from the distributable equity fund decided after the beginning of the period for determination of the base price but before the exercise date.
	At the end of the year 2010, the base price was EUR 16.37.

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

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

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

Determination of the fair value of the Phantom Options

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

The fair value of Phantom Options 2009 B was EUR 0.0 on 31 December 2010.

Share-based incentive plans

Tieto Share Ownership Plan 2006–2008

The company has two share-based incentive plans. In the Share Ownership Plan 2006–2008, rewards can be paid either as shares or in cash during 2007–2009. The cash payment covers taxes and tax-related costs. The share part of the programme has a maximum scope of 200 000 shares for the whole three-year period. The amount of rewards allocated each year depends on the achievement of the targets for earnings per share (EPS) that are set by the Board of Directors annually. In 2008, the target was achieved and a total of 74 260 shares were allocated to the entitled employees in April 2009. According to the terms and conditions of the scheme, the restriction period of the shares received from the last earning period, 2008, ended on 1 January 2011.

Tieto Performance Share Plan 2009–2011

The Performance Share Plan 2009–2011 includes one three-year earning period, which began on 1 January 2009 and will end on 31 December 2011. The potential reward from the plan is based on the earnings per share of the company in 2011. The amount of the reward will be determined and paid to the participants of the plan on the basis of the achievement of the EPS target after the financial statements have been prepared before the end of April 2012. The reward will be paid in the form of Tieto shares. The rewards to be paid will correspond to a maximum of 540 000 shares and the participants will receive cash compensation for dividends accumulated on the shares during 2009–2011. No new shares will be issued in connection with the Performance Share Plan.

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

EUR million	**2010**
Expenses for the financial year, share-based payments	4.7
Expenses for the financial year, share-based payments, equity-settled	4.3
Liabilities arising from share-based payments on 31 December 2010	0.4

EUR million	31 Dec 2010	31 Dec 2009

21. PENSION PLANS

Pension benefit plans		
Present value of funded pension obligations	148.0	125.0
Fair value of plan assets	-118.2	-96.0
	29.8	29.0
Present value of unfunded pension obligations	0.3	0.2
Pension obligations less plan assets	30.1	29.2
Unrecognized past service cost	0.0	0.0
Unrecognized net actuarial gains/losses	-15.0	-13.6
Provisions for pension benefit obligations	15.1	15.6

Pension contribution plans		
Other pension commitments		
Sweden	-1.2	-1.1
Finland	1.6	1.6
Provisions for pension contribution obligations	0.4	0.5

Total provisions for pension obligations	15.5	16.1

Pension benefit plans amounts recognized in profit and loss

Current service cost	6.9	7.6
Interest cost	6.0	6.2
Expected return on plan assets	-5.6	-5.2
Gains and losses on curtailments and settlements	0.4	0.4
Amortization of actuarial gains/losses	0.9	1.1
Pension expenses	8.6	10.1

Actual return on plan assets	10.1	-2.0

Amounts recognized in balance sheet

Present value of pension obligations		
Opening balance	125.2	123.7
Current service cost	6.9	7.6
Interest cost	6.0	6.2
Benefits paid	-1.0	-1.2
Operations acquired/divested	0.4	-0.3
Curtailment and settlement	-3.0	-4.1
Actuarial gains/losses	6.0	-14.6
Exchange rate difference	8.0	7.9
Closing balance	148.5	125.2

Plan assets		
Opening balance	96.0	87.6
Expected return on plan assets	5.6	5.2
Contribution to pension fund	9.2	9.2
Curtailment and settlement	-4.3	-4.4
Operations acquired/divested	0.8	0.2
Actuarial gains/losses	4.5	-7.2
Exchange rate difference	6.4	5.4
Closing balance	118.2	96.0

	31 Dec 2010		31 Dec 2009	
	EUR million	**%**	EUR million	%
Plan assets are comprised as follows:				
Equity instruments	**22.4**	**19**	15.2	16
Debt instruments	**33.2**	**28**	46.6	48
Property	**8.9**	**8**	7.4	8
Other	**53.7**	**45**	26.8	28
	118.2	**100**	96.0	100

	31 Dec 2010	31 Dec 2009
Actuarial calculation assumptions		
Discount rate	**3.9–5.5**	3.9–6.0
Expected return on plan assets	**2.5–5.4**	5.0–6.0
Future salary increases	**1.0–4.0**	1.0–4.5
Future pension increases	**2.0–3.8**	2.0–4.0
Inflation rate	**2.0**	1.5–2.0

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

Expected contributions to post-employment benefit plans for the year ending on 31 December 2011 are EUR 11.1 million.

The ITP pension plans operated by Alecta in Sweden are multi-employer defined benefit pension plans. It has not been possible to get sufficient information for the calculation of obligations and assets by employer from Alecta, and therefore this plan has been accounted for as a defined contribution plan in the financial statements.

EUR million	**31 Dec 2010**	31 Dec 2009

22. PROVISIONS

Provisions for restructuring		
At 1 Jan	**36.2**	19.0
New provision	**27.5**	42.9
Use of provision	**-29.0**	-18.8
Reversal of provision	**-0.4**	-6.9
At 31 Dec	**34.3**	36.2
of which		
long-term	**1.1**	1.1
short-term	**33.2**	35.1
Total	**34.3**	36.2
Provisions for loss-making contracts		
At 1 Jan	**7.7**	8.4
New provision	**10.2**	7.3
Use of provision	**-7.2**	-5.5
Reversal of provision	**-3.2**	-2.5
At 31 Dec	**7.5**	7.7
of which		
long-term	**1.5**	1.9
short-term	**6.0**	5.8
Total	**7.5**	7.7

EUR million	**31 Dec 2010**	31 Dec 2009
Other provisions		
At 1 Jan	**2.6**	1.2
New provision	**0.0**	2.6
Use of provision	**-0.3**	-0.8
Reversal of provision	**-1.1**	-0.4
At 31 Dec	**1.2**	2.6
of which		
long-term	**0.3**	0.3
short-term	**0.9**	2.3
Total	**1.2**	2.6

Major part of the new restructuring costs are related to strengthening and reorganizing the operations in Tieto International. Additionally Tieto's new operating model simplifies the organization structure and reduces number of layers. This streamlining extends to all segments.

23. FINANCE LEASES

Finance lease receivables

Amortization periods of finance lease gross receivables		
Within one year	**3.3**	4.2
Between one and five years	**3.5**	5.2
After five years	**-**	-
Gross investment	**6.8**	9.4
Unearned future finance income	**0.3**	0.5
Net investment	**6.5**	8.9
Present value of minimum lease payment receivables		
Within one year	**3.1**	3.9
Between one and five years	**3.4**	5.0
After five years	**-**	-
Net investment	**6.5**	8.9

Finance lease liabilities

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

Finance lease future payments		
Within one year	**4.2**	5.6
Between one and five years	**0.5**	4.2
After five years	**0.0**	0.1
	4.7	9.9
Present value of future minimum lease payments		
Within one year	**3.8**	5.3
Between one and five years	**0.5**	4.1
After five years	**0.0**	0.1
	4.3	9.5
Future interest charge	**0.4**	0.5

Tieto has finance leases for real estate, IT equipment and software. Certain leases include purchase options. Renewals are subject to separate negotiations. Interest rates of financial lease liabilities as of 31 December 2010 were between 1.9–7.7%.

EUR million	**31 Dec 2010**	31 Dec 2009

24. INTEREST-BEARING LOANS AND BORROWINGS

Long-term		
Bonds	**149.9**	149.9
Other loans	**1.0**	0.1
Finance lease liabilities	**0.5**	4.2
	151.4	154.2
Short-term		
Bank loans	**-**	35.0
Finance lease liabilities	**3.8**	5.3
Commercial papers	**-**	3.0
Other loans	**1.1**	0.8
	4.9	44.1

25. TRADE AND OTHER PAYABLES

Trade payables	**92.4**	73.0
Advances received and deferred income	**69.6**	73.1
Accrued liabilities		
Vacation pay and related social costs	**95.7**	92.6
Other accrued payroll and related social costs	**39.0**	23.4
Interest	**4.3**	0.9
Other accrued expenses	**42.0**	31.5
Value added tax debt	**43.0**	51.3
Payroll tax debt	**25.1**	24.3
	411.1	370.1

26. CARRYING AMOUNTS AND FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES CLASSIFICATION BASED ON IAS 39

	31 Dec 2010		31 Dec 2009	
EUR million	**Carrying amounts**	**Fair values**	Carrying amounts	Fair values
Financial assets at fair value through profit or loss				
Trade and other receivables				
Other				
Non-current derivative receivables	**2.2**	**2.2**	0.3	0.3
Current derivative receivables [1)]	**3.7**	**3.7**	0.6	0.6
Loans and receivables				
Non-current loan receivables	**3.6**	**3.6**	5.0	5.0
Current loan receivables	**2.9**	**2.9**	3.9	3.9
Trade and other receivables				
Trade receivables	**367.2**	**367.2**	313.9	313.9
Unbilled earned net sales	**40.6**	**40.6**	52.3	52.3
Accrued interest income	**0.0**	**0.0**	0.0	0.0
Cash and cash equivalents	**98.0**	**98.0**	123.3	123.3
Available-for-sale investments				
Other non-current assets	**0.8**	**0.8**	0.8	0.8
Financial assets total	**519.0**	**519.0**	500.1	500.1

EUR million	**31 Dec 2010** Carrying amounts	**31 Dec 2010** Fair values	31 Dec 2009 Carrying amounts	31 Dec 2009 Fair values
Financial liabilities at fair value through profit or loss				
Current liabilities				
Trade and other payables				
Other accrued expenses				
Non-current derivative liabilities	**3.7**	**3.7**	1.6	1.6
Current derivative liabilities [1)]	**1.9**	**1.9**	1.2	1.2
Financial liabilities measured at amortized cost				
Non-current liabilities				
Finance lease liability, non-current	**0.5**	**0.5**	4.2	4.2
Finance lease liability, current	**3.8**	**3.8**	5.3	5.3
Loans	**150.9**	**156.6**	150.0	160.0
Other non-current liabilities	**3.8**	**3.8**	1.4	1.4
Current liabilities				
Trade and other payables				
Trade payables	**92.4**	**92.4**	73.0	73.0
Interest	**0.6**	**0.6**	0.9	0.9
Loans	**1.1**	**1.1**	38.8	38.8
Financial liabilities total	**258.7**	**264.3**	276.4	286.4

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

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

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

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

Available-for-sale investments' fair value can't be reliably measured.

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

1) Includes EUR 0.4 million derivatives relating to cash flow hedge

FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

31 Dec 2010 EUR million	Level 1	Level 2	Level 3	**Total**
Financial assets at fair value through profit or loss				
Derivatives	0.0	5.9	0.0	**5.9**
Financial liabilities at fair value through profit or loss				
Derivatives	0.0	5.6	0.0	**5.6**

31 Dec 2009 EUR million				
Financial assets at fair value through profit or loss				
Derivatives	0.0	0.9	0.0	0.9
Financial liabilities at fair value through profit or loss				
Derivatives	0.0	2.8	0.0	2.8

Available-for-sale investments are not included as fair value can't be reliably measured.

EUR million	**31 Dec 2010**	31 Dec 2009

27. DERIVATIVES

Notional amounts of derivatives

Foreign exchange forward contracts	**286.5**	196.5
Forward contracts outside hedge accounting	**239.6**	196.5
Forward contracts within hedge accounting	**46.9**	0.0
Interest rate swap	**250.0**	250.0
Currency options	**12.3**	0.0

Includes the gross amount of all notional values for contracts that have not yet been settled or closed.

The amount of notional value outstanding is not necessarily a measure or indication of market risk, as the exposure of certain contracts may be offset by other contracts.

Fair values of derivatives

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

Foreign exchange forward contracts	**2.0**	-0.6
Interest rate swaps	**-1.7**	-1.4
Currency options	**0.0**	0.0

Gross positive fair values of derivatives:	**Positive 31 Dec 2010**	Positive 31 Dec 2009
Foreign exchange forward contracts	**3.9**	0.7
Forward contracts outside hedge accounting	**3.5**	0.7
Forward contracts within hedge accounting [1]	**0.4**	0.0
Interest rate swaps	**2.1**	0.2
Currency options	**0.0**	0.0

Gross negative fair values of derivatives:	**Negative 31 Dec 2010**	Negative 31 Dec 2009
Foreign exchange forward contracts	**-1.9**	-1.2
Forward contracts outside hedge accounting	**-1.5**	-1.2
Forward contracts within hedge accounting [1]	**-0.4**	0.0
Interest rate swaps	**-3.7**	-1.6
Currency options	**0.0**	0.0

[1] The amount recognised in equity	**-0.1**	0.0
The amount that has been booked in the income statement as a result of ineffectiveness of cash flow hedge	**0.0**	0.0

The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 12 months.

EUR million	**31 Dec 2010**	31 Dec 2009

28. COMMITMENTS AND CONTINGENCIES

For Tieto obligations		
Pledges	**0.0**	0.0
On behalf of joint ventures	**0.0**	0.0
Other Tieto obligations		
Rent commitments due in one year	**51.4**	52.1
Rent commitments due in 1–5 years	**117.6**	86.9
Rent commitments due after 5 years	**41.6**	21.4
Operating lease commitments due in one year	**5.5**	11.3
Operating lease commitments due in 1–5 years	**5.3**	8.8
Operating lease commitments due after 5 years	**0.0**	0.0
Other commitments [1)]	**42.7**	28.2

[1)] In addition commitments of EUR 9.8 million (EUR 7.6 million in 2009) related to liabilities in the Group balance sheet

Operating lease commitments are principally three-year lease agreements that do not include buyout clauses.

29. FUTURE RENTAL INCOME

Within one year	**1.0**	1.0
After one year but not more than five years	**0.4**	1.2
After five years	**0.0**	0.0

Future rental income includes the external sublease payments from premises.

30. RELATED PARTY TRANSACTIONS

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

Transactions and balances with joint ventures

EUR million	**2010**	2009
Sales	**44.1**	36.1
Purchases	**3.1**	3.9
Receivables	**7.5**	3.9
Liabilities	**0.5**	0.3

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

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

Commitments and contingencies on behalf of joint ventures are presented in note 28.

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

Key management compensation

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

See note 6 in the Notes to the consolidated financial statements.

31. EVENTS AFTER THE BALANCE SHEET DATE

On 17 January, the Shareholders' Nomination Committee announced its proposals to the Annual General Meeting. The committee proposes that the Board of Directors shall have eight members and that all the current Board members Kimmo Alkio, Christer Gardell, Kurt Jofs, Eva Lindqvist, Risto Perttunen, Markku Pohjola, Olli Riikkala and Teuvo Salminen be re-elected. Additionally, the Shareholders' Nomination Committee proposes that the remuneration of the Board of Directors be unchanged, but instead of monthly fees is notified as annual fees as follows: EUR 30 000 to the ordinary members of the Board of Directors, EUR 45 600 to the Vice Chairman and EUR 68 400 to the Chairman. In addition to these fees, it is proposed that the member of the Board of Directors be paid a remuneration of EUR 800 for each Board meeting and for each permanent or temporary committee meeting.

Subsidiary shares

	Share %	31 Dec 2010 Book value EUR million
SUBSIDIARY SHARES		
Subsidiary shares owned by the Parent company		
C and SAA Oy, Finland	100.0	0.0
PT Tieto Indonesia, Indonesia	100.0	0.8
Tieto Austria GmbH, Austria	100.0	0.0
Tieto Belgium N.V., Belgium	100.0	220.1
Tieto Canada Inc., Canada	100.0	0.1
Tieto China Co., Ltd., China	100.0	3.1
Tieto Czech s.r.o., Czech Republic	100.0	8.0
Tieto Denmark A/S, Denmark	100.0	20.8
Tieto Deutschland GmbH, Germany	100.0	120.3
Tieto Estonia AS, Estonia	100.0	1.4
Tieto Estonia Services OÜ, Estonia	60.0	0.2
Tieto Finland Oy, Finland	100.0	171.5
Tieto Healthcare & Welfare Oy, Finland	100.0	2.6
Tieto Holding Lietuva UAB, Lithuania	100.0	0.2
Tieto Global Oy, Finland	100.0	2.9
Tieto Italy S.p.A, Italy	100.0	12.4
Tieto Latvia SIA, Latvia	100.0	6.3
Tieto Lietuva UAB, Lithuania	100.0	2.6
Tieto Norway AS, Norway	100.0	105.9
Tieto Poland sp. z o.o, Poland	100.0	3.3
Tieto Sdn Bhd, Malaysia	100.0	0.2
Tieto Spain S.A., Spain	100.0	0.1
Tieto Sweden Professional Services AB, Sweden	100.0	338.1
Tieto Telecom R&D Services India Pvt. Ltd., India	100.0	20.4
TietoEnator AB, Sweden	100.0	12.6
TietoEnator Consulting B.V., Netherlands	100.0	1.8
TietoEnator Financial Solutions UK Ltd, Great-Britain	100.0	18.3
TietoEnator Healthcare B.V., Netherlands	100.0	1.4
TietoEnator Inc., USA	100.0	7.1
TietoEnator OOO, Russia	100.0	3.4
TietoEnator SIA, Latvia	100.0	4.0
TietoEnator UK Ltd, Great-Britain	100.0	0.4
Dormant subsidiaries (5 in total)		0.0
		1 090.3

	Share %	31 Dec 2010 Book value EUR million
Shares in Group companies owned by subsidiaries		
Abaris AB, Sweden	100.0	7.4
Banxolutions (UK) Ltd., Great-Britain	100.0	0.0
JLLC Tieto, Belarus	99.0	0.0
Teledynamics B.V., Netherlands	100.0	0.0
Tieto Rus OOO, Russia	100.0	2.9
Tieto Software Technologies Pvt. Ltd, India	100.0	0.1
Tieto Sweden AB, Sweden	100.0	249.1
Tieto Sweden Healthcare & Welfare AB, Sweden	100.0	4.7
Tieto UK Ltd, Great-Britain	100.0	5.6
TietoEnator AttentiV Systems Ltd, Great-Britain	100.0	21.7
TietoEnator Energy Inc., USA	100.0	0.1
TietoEnator Finance Partner AB, Sweden	100.0	0.9
Dormant subsidiaries (7 in total)		0.1
		292.6

Calculation of key figures

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

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

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

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

$$\text{Equity ratio \%} = \frac{\text{Total equity}}{\text{Total assets – advance payments}} \times 100$$

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

$$\text{Gearing \%} = \frac{\text{Net interest-bearing liabilities}}{\text{Total equity}} \times 100$$

Management of financial risks

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

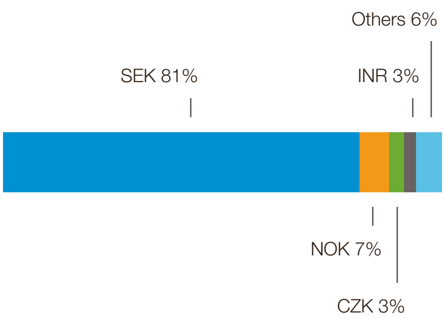
Currency risk management – transaction exposure

Foreign trade, Group's internal transactions and liquidity management in the non-euro countries generate transaction exposure to the Group. Exposure includes firm commitments as signed contracts, accounts receivables and payables of operative companies in foreign currency, bank account balances in non-home currency accounts and internal funding. Swedish krona, Czech koruna, Polish zloty and Norwegian krona are the largest currencies in the exposure. The company's policy is to hedge all identified currency exposures within the limits, defined in the Treasury Policy. The operational hedging ratio at the end of December was 97%. During 2010, Tieto used currency forward contracts, swaps and options for hedging. Treasury Policy defines the approved hedging instruments for Tieto. Currency derivatives have a maturity of less than 12 months.

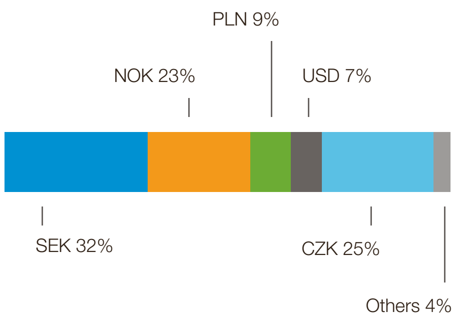
EUR million	Net position	External FX hedges	Total net exposure	Sensitivity [1]	Effect in P/L
SEK					
31 Dec 2010	**76.5**	**-68.1**	**8.4**	**-0.84**	**-0.84**
31 Dec 2009	5.7	-10.7	-5.0	0.50	0.50
NOK					
31 Dec 2010	**-55.3**	**53.6**	**-1.7**	**0.17**	**0.17**
31 Dec 2009	-45.9	41.8	-4.1	0.41	0.41
PLN					
31 Dec 2010	**-21.2**	**21.5**	**0.3**	**-0.03**	**-0.03**
31 Dec 2009	0.0	24.5	24.5	-2.45	-2.45
USD					
31 Dec 2010	**-16.4**	**18.2**	**1.8**	**-0.18**	**-0.18**
31 Dec 2009	0.2	0.0	0.2	-0.02	-0.02
Internal Group loan between American and Belgium entities					
31 Dec 2010	**0.0**	**0.0**	**0.0**	**0.00**	**0.00**
31 Dec 2009	13.8	0.0	13.8	-1.38	-1.38
CZK					
31 Dec 2010	**-59.9**	**59.9**	**0.0**	**0.00**	**0.00**
31 Dec 2009	0.5	43.5	44.0	-4.40	-4.40
Other					
31 Dec 2010	**9.9**	**-4.1**	**5.8**	**-0.58**	**-0.58**
31 Dec 2009	7.9	-4.7	3.2	-0.32	-0.32

[1] The maximum effect (EUR million) of ten percentage negative change in exchange rates on the Group's foreign exchange position over the following year.

Translation exposure 31 Dec 2010



Transaction exposure 31 Dec 2010



Currency risk management – translation exposure

At the end of 2010, the currency denominated translation exposure of Tieto's shareholders' equity was approximately EUR 414 million. Exposure includes the acquisition price, share capital, restricted and non-restricted reserves as well as the result of the period for subsidiaries in non-euro countries. Translation exposure also includes such monetary items for which the exchange difference shall be booked against the equity. Group has internal loans of SEK 2.0 billion which are included in the translation position. According to the Treasury Policy, hedging translation exposure is subject to Board decision. Translation position was unhedged at the end of 2010.

EUR million	Exposure
SEK	
31 Dec 2010	**113.8**
31 Dec 2009	91.1
Internal Group loan between Swedish and Belgium entities	
31 Dec 2010	**223.1**
31 Dec 2009	195.1
NOK	
31 Dec 2010	**28.0**
31 Dec 2009	29.0
CZK	
31 Dec 2010	**14.0**
31 Dec 2009	8.0
INR	
31 Dec 2010	**11.1**
31 Dec 2009	4.4
Other	
31 Dec 2010	**24.4**
31 Dec 2009	41.5

Interest rate risk management

The objective of interest rate risk management is to minimise the effect of interest rate fluctuations on Tieto's annual results and economic positions. Group Treasury is responsible for the monitoring and operative management of the Group's interest rate position. Interest rate position includes loans, financial investments and derivative contracts. Treasury Policy defines the interest rate risk management principles for the Group. According to Treasury Policy, 12 months is defined as a benchmark for Group's interest rate position, in terms of average time to re-pricing. At the end of 2010, Tieto had swapped EUR 150 million of its long-term funding to fixed rate. Consequently, the average time to repricing for the interest position was 30 months. Treasury policy defines the allowed interest rate hedging instruments for the Group.

Following tables show only interest rate risk on liabilities as assets have no significance from the Group perspective.

31 Dec 2010 EUR million	Amount	Duration	Average rate %	Rate sensitivity [2]
Capital markets	150.0	2.5	3.88	0.0
Money markets	0.0	0.0	0.00	0.0
Other	2.0	2.7	2.83	0.0

31 Dec 2009 EUR million	Amount	Duration	Average rate %	Rate sensitivity [2]
Capital markets	150.0	3.5	3.88	0.0
Money markets	38.0	0.1	1.8	0.4

[2] The maximum pre-tax effect (EUR million) of a one percentage point rise in interest rates on the Group's net interest expenses over the following year. The table includes the effect from swap contracts.

Liquidity risk management and funding

Liquidity risk management and funding principles are defined in the Treasury Policy. One of Group Treasury's main tasks is to secure adequate funding for the Group. The Group has committed EUR 250 million credit facility maturing November 2011 (to be refinanced in spring 2011), EUR 100 million bond and EUR 50 million private placement programme. The Group has also overdraft facilities and a EUR 250 million commercial paper programme available to maintain flexibility in funding.

Credit risk management

Credit risk is being managed on a Group level. The credit risk derives from financial investments, derivative contracts and customer-related risks, such as accounts receivable. Group Treasury maintains a counterparty list for commercial papers and other financial transactions according to the limits set in the Treasury Policy. According to the Treasury Policy, core banks of the Group should have a minimum long-term rating of Baa3 or BBB-. The credit policy defines the limits for the acceptable credit risk level. Customer-related credit risks are monitored based on their payment history and financial strength. During 2010, there was EUR 0.0 million bad debt provision (0.6 million in 2009). The maximum exposure to credit risk at the reporting date is the carrying value of trade receivables. The Group holds no collateral as a security for this credit risk.

Capital management

The capital structure of the Group is being continuously monitored through gearing. Gearing level is calculated by dividing interest-bearing net debt with total equity. The target is to keep the capital structure on a level securing adequate means for the operations. The net debt of the Group was EUR 51.8 million at the end of 2010 (EUR 66.0 million in 2009). The target-level for gearing is 40% and at the end of 2010, the level was 9.3% (12.7% in 2009).

Debt structure

31 Dec 2010 EUR million		Amount drawn	Amount available	Maturity structure 2011	2012	2013	2014	2015	2016–
Loans	Bond	100.0				100.0			
	Private Placement	50.0			50.0				
	Commercial Paper Programme	0.0	250.0						
	Revolving credit facility	0.0	250.0						
	Interest payments			5.8	5.2	4.3	0.0	0.0	0.0
Derivative	Forward contracts outflow			285.0	0.8	0.8			
liabilities/assets	Forward contracts inflow			-285.0	-0.8	-0.8			
	Interest rate swap outflow			2.1	1.3	0.3			
	Interest rate swap inflow			-1.5	-1.0	-0.3			
Trade payables	Outflow	92.4		92.4					
Other liabilities	Financial lease liability	4.3		3.8	0.5				
	Other (debt)	2.1		1.1				1.0	
Total		248.7	500.0	103.6	56.0	104.3	0.0	1.0	0.0

31 Dec 2009 EUR million		Amount drawn	Amount available	Maturity structure 2010	2011	2012	2013	2014	2015–
Loans	Bond	100.0					100.0		
	Private Placement	50.0	0.0			50.0			
	Commercial Paper Programme	3.0	247.0	3.0					
	Revolving credit facility	35.0	215.0	35.0					
	Interest payments			5.6	5.5	5.9	4.4	0.0	0.0
Derivative	Forward contracts outflow			194.7	0.8	0.8	0.8		
liabilities/assets	Forward contracts inflow			-194.7	-0.8	-0.8	-0.8		
	Interest rate swap outflow			2.3	0.7	0.4	0.7		
	Interest rate swap inflow			-1.6	-0.4	-0.3	-0.5		
Trade payables	Outflow	73.0		73.0					
Other liabilities	Financial lease liability	9.5		5.3	1.0	1.0	1.0	1.0	0.1
	Other (debt)	0.8		0.8					
Total		271.2	462.0	123.4	6.8	56.9	105.6	1.0	0.1

Income statement (FAS)

EUR 1 000	Note	**1 Jan–31 Dec 2010**	1 Jan–31 Dec 2009
Net sales		**-**	-
Other operating income	1	**179 819**	175 057
Materials and services		**3 123**	6 491
Personnel expenses	2	**21 366**	21 320
Depreciations and reduction of values	8, 9	**2 958**	2 011
Other operating expenses	3	**175 981**	161 390
Operating profit		**-23 608**	-16 154
Financial income and expenses	5	**14 751**	-4 685
Profit before extraordinary items		**-8 857**	-20 839
Extraordinary items	6	**36 000**	75 800
Profit before taxes		**27 143**	54 961
Taxes	7	**326**	0
Profit for the period		**26 817**	54 961

Balance sheet (FAS)

EUR 1 000	Note	**31 Dec 2010**	31 Dec 2009
ASSETS			
Non-current assets			
Intangible assets	8	**6 804**	2 929
Tangible assets	9	**5 734**	3 808
Investments	10	**1 098 472**	1 143 498
Total non-current assets		**1 111 010**	1 150 236
Current assets			
Long-term receivables			
Receivables from Group companies	11	**30 926**	17 263
Other receivables	11	**657**	657
		31 583	17 920
Current receivables			
Accounts receivable		**31**	34
Receivables from Group companies	12, 13	**98 665**	157 889
Receivables from associated companies	12, 13	**169**	302
Other receivables		**13 656**	15 312
Prepaid expenses and accrued income	13	**6 657**	3 140
		119 178	176 677
Cash and cash equivalents		**45 346**	68 405
Total current assets		**196 107**	263 001
		1 307 117	1 413 237
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	14		
Share capital		**75 842**	75 842
Share issue premiums		**7 123**	7 123
Invested unrestricted equity reserve		**625**	679
Retained earnings		**782 610**	763 393
Net profit for the current year		**26 817**	54 961
		893 017	901 998
Provisions	15	**2 482**	2 202
Liabilities			
Non-current liabilities			
Bonds	16	**149 917**	149 891
Current liabilities			
Loans from financial institutions		**0**	35 000
Accounts payable		**6 492**	2 668
Liabilities to Group companies	17, 18	**231 943**	307 052
Liabilities to associated companies	17, 18	**8 308**	1 897
Other current liabilities		**2 944**	4 716
Accrued liabilities and deferred income	18	**12 013**	7 812
		261 701	359 146
Total liabilities		**411 618**	509 037 463
		1 307 117	1 413 237

Statement of cash flows (FAS)

EUR 1 000	**1 Jan–31 Dec 2010**	1 Jan–31 Dec 2009
Cash flow from operations		
Net profit	**-8 857**	-20 839
Adjustments:		
Depreciation, amortization and impairment	**2 958**	2 011
Financial income and expenses	**-14 751**	4 685
Other adjustments	**10 276**	-1 559
Cash generated from operations before net working capital	**-10 374**	-15 702
Change in working capital:		
Change in current receivables	**-11 999**	50 690
Change in current non-interest-bearing liabilities	**-11 772**	-86 088
Cash generated from operations	**-34 145**	-51 100
Interest paid and other financial expenses	**-41 888**	-80 678
Interest received	**94 276**	65 401
Dividend received	**37 343**	18 242
Taxes	**1 924**	-
Net cash flow from operations	**57 511**	-48 135
Cash flow from investing activities		
Capital expenditure paid	**-9 971**	-2 826
Proceeds from sale of tangible and intangible assets	**890**	4 137
Proceeds from sale of investments	**1**	884
Acquisition of Group companies and business operations	**-8 181**	-37 622
Proceeds from sale of Group companies	**18 389**	-
Change in long-term loan receivables	**-13 494**	-5 508
Change in short-term loan receivables	**4 163**	-5 377
Total net cash used in investing activities	**-8 203**	-46 312
Cash flow from financing activities		
Dividends paid	**-35 741**	-35 831
Purchase of own shares	**-**	-2 568
Repayments of long-term borrowings	**9**	-5 538
Change in short-term borrowings	**-53 561**	20 850
Change in intercompany cash pool, net	**-58 874**	40 684
Group contributions received	**75 800**	87 600
Group contributions paid	**-**	-1 200
Total net cash used in financing activities	**-72 366**	103 997
Change in cash and cash equivalents	**-23 058**	9 550
Cash and cash equivalents at beginning of period	**68 405**	58 855
Cash and cash equivalents at end of period	**45 346**	68 405
	-23 058	9 550

Notes to the Parent company's financial statements (FAS)

PARENT COMPANY ACCOUNTING PRINCIPLES

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

Tieto Corporation is a Finnish public limited company organized under the laws of Finland and domiciled in Helsinki. The company is listed on NASDAQ OMX in Helsinki and Stockholm. The Board of Directors approved the financial statements to be published 10 February 2011. According to the Limited Liability Companies Act the shareholders have the right at the Annual General Meeting to approve, disapprove or change the financial statements after the publication.

Foreign currency items

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

Exchange gains and losses on net financial liabilities are reported in the income statement under financial items, while other exchange gains or losses are included in operating profit.

Other operating income

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

Pension arrangements

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

Financial instruments

Financial assets are classified into the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. Currently the company holds no assets in held to maturity category. Financial liabilities are classified into categories: at fair value value through profit or loss and financial liabilities measured at amortized cost.

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

- Financial assets and liabilities at fair value through profit or loss
  Derivatives, comprising foreign exchange forward contracts, currency options and interest rate swaps (and embedded derivatives), are held for trading and valued at fair value. Foreign exchange derivatives' fair values are calculated according to closing date's foreign exchange and interest rates. Interest rate swaps are valued according to present value of their cash flows, supported by all relevant market data. Related valuation changes are reported in the income statement and in current assets or liabilities (asset or liability due in less than 12 months) or non-current assets and liabilities in the balance sheet. Derivatives are used for economic hedging purposes only. Hedge accounting according to IAS 39 was used on a small extent in 2010.
- Loans and receivables
  Fixed deposits, principally comprising funds held with banks and other financial institutions, and short-term and long-term loan receivables, as well as trade and other receivables, are classified as loans and receivables and held at amortized cost. In the balance sheet, they are reported according to their nature either in current or non-current assets. Investments in money market instruments are reported as short-term deposits under cash and cash equivalents.
- Available for sale
  Investments in equity instruments, except for investments in associated companies and joint ventures, are classified as assets available-for-sale. They are measured at fair value if fair value can be measured reliably and unrealized gains and losses are recognized to shareholders' equity. If fair value is not available, the assets are held at initial value. The available-for-sale assets are reported in non-current assets in the balance sheet. When the investment is sold, the accumulated fair value adjustment is recognized in the income statement.
- Finance liabilities measured at amortized cost
  Short-term borrowings and overdrafts as well as long-term loans and trade and other payables are classified as finance liabilities measured at amortized cost. Loans are included in non-current and current liabilities. Interest expense and transaction costs are amortized in the income statement over the maturity of the loan using the effective interest method.

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

Extraordinary items

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

Valuation of fixed assets

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

The company applies the following economic lives:

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

[1] Purchases of personal computers are expensed immediately.

Leases of equipment are classified as operating leases.

Income taxes

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

EUR 1 000	**31 Dec 2010**	31 Dec 2009
1. OTHER OPERATING INCOME		
Gain from sale of other fixed assets and shares	**1**	876
Rental income	**45 413**	47 195
Internal service fees	**127 575**	118 991
Other income	**6 830**	7 996
	179 819	175 057
2. PERSONNEL EXPENSES		
Payroll costs	**17 803**	16 911
Pension expenses	**2 499**	3 904
Other pay-related statutory social costs	**1 064**	506
	21 366	21 320

The Parent company had an average of 228 employees during 2010 and 219 employees in 2009.

3. OTHER OPERATING EXPENSES		
Volyntary personnel expenses	**2 586**	2 366
Licenses and maintenance	**8 456**	7 418
ICT and data communication expenses	**25 963**	23 953
Administrative expenses	**58 448**	57 133
Rents and other premises expenses	**41 882**	43 055
Other operating expenses	**38 647**	27 464
	175 981	161 390

4. MANAGEMENT REMUNERATION

See Note 6 in Notes to the consolidated financial statements.

EUR 1 000	**31 Dec 2010**	31 Dec 2009

5. FINANCIAL INCOME AND EXPENSES

Dividend income		
Dividend income from Group companies	**28 716**	4 911
Dividend income from associated companies	**8 626**	13 330
	37 342	18 242
Other interest and financial income		
From Group companies	**45 009**	99 461
From other companies	**31 690**	40 353
	76 699	139 814
Investment write-downs	**-43 179**	-28 201
Interest and other financing expenses		
To Group companies	**-17 531**	-88 704
To other companies	**-38 581**	-45 836
	-56 111	-134 540
Total financial income and expenses	**14 751**	-4 685

6. EXTRAORDINARY INCOME

Group contributions received	**36 000**	75 800

7. TAXES

Taxes for the financial period	**1 099**	-
Taxes for the previous years	**-773**	-
	326	-

8. INTANGIBLE ASSETS

Intangible rights		
Acquisition cost, 1 Jan	**8 304**	8 304
Increases	**2 421**	-
Transfers from advance payments	**-**	-
Decreases	**-**	-
Acquisition cost, 31 Dec	**10 725**	8 304
Accumulated amortisation, 1 Jan	**7 977**	7 657
Accumulated depreciation for decreases and transfers	**-**	-
Amortisation for the period	**655**	320
Accumulated amortisation, 31 Dec	**8 632**	7 977
Book value, 31 Dec	**2 093**	327

Other capitalised expenditures		
Acquisition cost, 1 Jan	**4 865**	2 620
Increases	**4 087**	1 685
Transfers from advance payments and work in process	**-**	581
Decreases	**-1 148**	-22
Acquisition cost, 31 Dec	**7 805**	4 865
Accumulated amortisation, 1 Jan	**2 263**	1 984
Accumulated depreciation for decreases and transfers	**-126**	-14
Amortisation for the period	**958**	293
Accumulated amortisation, 31 Dec	**3 094**	2 263
Book value, 31 Dec	**4 711**	2 602

EUR 1 000	**31 Dec 2010**	31 Dec 2009
Advance payments and work in progress		
Acquisition cost, 1 Jan	**0**	581
Increases	**-**	-
Transfers	**-**	-581
Acquisition cost, 31 Dec	**0**	0
Book value of intangible assets, total 31 Dec	**6 804**	2 929

9. TANGIBLE ASSETS

Land		
Acquisition cost, 1 Jan	**60**	60
Increases	**-**	-
Decreases	**-**	-
Acquisition cost and book value, 31 Dec	**60**	60
Buildings and structures		
Acquisition cost, 1 Jan	**861**	861
Increases	**-**	-
Decreases	**-**	-
Acquisition cost, 31 Dec	**861**	861
Accumulated depreciation, 1 Jan	**693**	664
Accumulated depreciation for decreases and transfers	**-**	-
Depreciation for the period	**28**	28
Accumulated depreciation, 31 Dec	**721**	693
Book value, 31 Dec	**140**	168
Machinery and equipment		
Acquisition cost, 1 Jan	**18 833**	19 549
Increases	**3 463**	1 096
Decreases	**-418**	-1 811
Acquisition cost, 31 Dec	**21 878**	18 833
Accumulated depreciation, 1 Jan	**15 290**	15 136
Accumulated depreciation for decreases and transfers	**-226**	-1 215
Depreciation for the period	**1 318**	1 369
Accumulated depreciation, 31 Dec	**16 381**	15 290
Book value, 31 Dec	**5 496**	3 543
Other tangible assets		
Acquisition cost, 1 Jan	**37**	37
Increases	**-**	-
Decreases	**-**	-
Acquisition cost, 31 Dec	**37**	37
Accumulated depreciation, 1 Jan	**-**	-
Accumulated depreciation for decreases and transfers	**-**	-
Depreciation for the period	**-**	-
Accumulated depreciation, 31 Dec	**-**	-
Book value, 31 Dec	**37**	37
Book value of tangible assets, total 31 Dec	**5 734**	3 808

EUR 1 000	**31 Dec 2010**	31 Dec 2009

10. INVESTMENTS

Shares in Group companies		
Acquisition cost, 1 Jan	**1 135 281**	1 115 555
Increases	**19 443**	43 807
Decreases	**-21 287**	-
Transfers	**-**	4 121
Write-downs	**-43 179**	-28 201
Acquisition cost, 31 Dec	**1 090 257**	1 135 281
Book value, 31 Dec	**1 090 257**	1 135 281

Shares in associated companies		
Acquisition cost, 1 Jan	**7 842**	11 971
Increases	**-**	-
Decreases	**-**	-8
Transfers	**-**	-4 121
Acquisition cost, 31 Dec	**7 842**	7 842
Book value, 31 Dec	**7 842**	7 842

Other shares and interests		
Acquisition cost, 1 Jan	**375**	375
Increases	**-**	-
Decreases	**-2**	-
Acquisition cost, 31 Dec	**373**	375
Write-downs	**-**	-
Book value, 31 Dec	**373**	375

Investments, total 31 Dec	**1 098 472**	1 143 498

Subsidiary shares

See page 69.

Associated companies owned and managed by the Parent company

See Note 15 in Notes to the consolidated financial statements.

Other shares and securities

See Note 12 in Notes to the consolidated financial statements.

11. NON-CURRENT RECEIVABLES

Loan receivable from Group companies	**30 926**	17 263
Other receivables	**657**	657
	31 583	17 920

12. CURRENT INTERCOMPANY RECEIVABLES

Receivables from Group companies		
Accounts receivable	**22 546**	14 798
Loan receivables	**26 353**	57 444
Other receivables	**12 931**	8 960
Group contributions receivable	**36 000**	75 800
Prepaid expenses and accrued income	**835**	887
	98 665	157 889
Receivables from associated companies		
Accounts receivable	**167**	163
Prepaid expenses and accrued income	**2**	138
	169	302

EUR 1 000	**31 Dec 2010**	31 Dec 2009

13. PREPAID EXPENSES AND ACCRUED INCOME

Prepaid expenses and accrued income from Group companies		
Other	**835**	887
Prepaid expenses and accrued income from associated companies	**2**	138
Prepaid expenses and accrued income from other companies		
Licence fees	**3 379**	2 198
Social costs	**373**	164
Other	**2 905**	778
Total	**6 657**	3 140
Prepaid expenses and accrued income, total	**7 494**	4 165

14. CHANGES IN SHAREHOLDERS´ EQUITY

Restricted equity		
Share capital, 1 Jan	**75 842**	75 842
Share capital, 31 Dec	**75 842**	75 842
Share issue premiums, 1 Jan	**7 123**	7 123
Share issue premiums, 31 Dec	**7 123**	7 123
Restricted equity total	**82 965**	82 965
Unrestricted equity		
Invested unrestricted equity reserve, 1 Jan	**679**	-
Shares distributed to personnel	**-54**	679
Invested unrestricted equity reserve, 31 Dec	**625**	679
Retained earnings, 1 Jan	**819 033**	801 791
Dividend distributions	**-35 741**	-35 831
Transfer to invested unrestricted equity	**-683**	-
Purchase of own shares	**-**	-2 567
Retained earnings, 31 Dec	**782 610**	763 393
Net profit for the period	**26 817**	54 961
Unrestricted equity, total	**810 052**	819 033
Shareholders' equity, total	**893 017**	901 998

15. PROVISIONS

Pension commitments	**68**	68
Restructuring commitments	**146**	341
Costs related to divestments	**320**	320
Rent commitment	**1 948**	1 474
	2 482	2 202

EUR 1 000	**31 Dec 2010**	31 Dec 2009

16. NON-CURRENT LIABILITIES

Bonds	**149 917**	149 891

Debts falling due after five years		
Bonds	**-**	-
Loan from Group companies	**-**	-

Other current liabilities include commercial papers EUR 0 million (EUR 3.0 million in 2009).

17. CURRENT INTERCOMPANY LIABILITIES

Debts to Group companies		
Accounts payable	**8 637**	5 793
Other debt including cash pool	**207 115**	300 032
Accrued liabilities and deferred income	**16 191**	1 227
	231 943	307 052
Debts to associated companies		
Accounts payable	**1**	-110
Other debt	**8 304**	2 000
Accrued liabilities and deferred income	**4**	7
	8 308	1 897

18. ACCRUED LIABILITIES AND DEFERRED INCOME

Accrued liabilities and deferred income from Group companies		
Personnel related expenses	**432**	656
Service fee	**202**	451
Interest	**11 648**	60
Other	**3 910**	59
Total	**16 191**	1 227
Accrued liabilities and deferred income from associated companies	**4**	7
Accrued liabilities and deferred income from other companies		
Vacation pay and related social costs	**2 892**	2 797
Other accrued payroll and related social costs	**1 110**	65
Interest	**4 305**	2 525
Other social costs	**510**	572
Other	**3 196**	1 853
Total	**12 013**	7 812
Accrued liabilities and deferred income, total	**28 208**	9 046

EUR 1 000	**31 Dec 2010**	31 Dec 2009

19. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets		
From losses carried forward	**0**	4 777
From temporary differences	**2 092**	585
From appropriations	**1 072**	1 273
Total	**3 163**	6 635

Deferred tax items are not included in the balance sheet.

20. CONTINGENT LIABILITIES

For Tieto's obligations		
Pledges	**-**	-
On behalf of Group companies		
Guarantees	**49 938**	37 757
On behalf of joint ventures	**2 400**	0
Other Tieto obligations		
Rent commitments due in 2010 (2009)	**20 101**	25 580
Rent commitments due later	**94 579**	71 932
Lease commitments due in 2010 (2009)	**424**	419
Lease commitments due later	**502**	545
Other commitments	**-**	-

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

21. DERIVATIVES CONTRACTS

Foreign exchange forward contracts, nominal value	**603 586**	1 296 382
Interest rate swaps, nominal value	**250 000**	250 000
Currency options, nominal value	**12 311**	0

Fair values of derivatives

The net fair values of derivative financial instruments at the balance sheet date were:		
Foreign exchange forward contracts	**13 767**	5 799
Interest rate swaps	**-1 676**	-1 361
Currency options	**45**	0

Derivatives are used for economic hedging purposes only.

Gross positive fair values of derivatives:	**Positive 31 Dec 2010**	Positive 31 Dec 2009
Foreign exchange forward contracts	**16 440**	29 693
Interest rate swaps	**2 051**	226
Currency options	**47**	0

Gross negative fair values of derivatives:	**Negative 31 Dec 2010**	Negative 31 Dec 2009
Foreign exchange forward contracts	**-2 673**	-23 894
Interest rate swaps	**-3 727**	-1 587
Currency options	**-1**	0

Shares and shareholders

Share capital and shares

Tieto Corporation's issued and registered share capital on 31 December 2010 totalled EUR 75 841 523 and the number of shares was 72 023 173.

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

Shareholders and holding of own shares

The company had 29 327 registered shareholders at the end of 2010. Based on the ownership records of the Finnish and Swedish central securities depositories, 56% of Tieto's shares were held by Finnish and 11% by Swedish investors. In total, there were 26 857 retail investors in Finland and Sweden and they held 16% of Tieto's shares.

The members of the Board of Directors, the President and CEO and their close associates together held 0.08% of the shares and votes, and 4.15% of the option rights registered in the book-entry system on 31 December 2010. Based on current shareholdings, share-based incentive plan 2009–2011 and total number of stock options, they can increase their aggregate holding to at most 0.41% of the shares and votes. The company has not issued any bonds with warrants.

Tieto has two major shareholders: Solidium Oy and Cevian Capital II Master Fund L.P. Solidium Oy held 10.3% of Tieto's shares on 31 December. The holding of Cevian Capital II Master Fund L.P. is nominee registered and was between 5–10% of shares on 31 December. Tieto Corporation is not aware of any shareholder agreements or cross shareholdings which would limit the amount of shares available for trading. Additionally, since the existing stock option programmes and the share-based incentive plan represent limited dilution potential, the free float of the shares can be considered to be 100% excluding the treasury shares currently held by the company.

In 2010, there were six announcements of changes in the company's shareholding. Solidium announced on 8 April that its holding had increased above 5% and on 28 May that the holding exceeded 10%. On 26 January OP Pohjola Group announced that its holding had decreased to 4.14% and on 14 December that the holding had increased to 5.07%. Goldman Sachs announced on 23 March that its holding had increased above 5% and on 8 April that the holding had decreased below the 5% threshold.

On 1 January 2010, Tieto held 541 500 own shares. Related to the Share Ownership Plan 2006–2008, a total of 12 200 of the shares were returned to the company free of consideration in 2010 due to the fact that the terms regarding the service conditions of the holders were not fully met. At the end of 2010, the company held a total of 553 700 shares, representing 0.77% of the shares and voting rights. The number of outstanding shares, excluding the shares in the company's possession, was 71 469 473 at the end of 2010.

Stock options and share-based incentives

Tieto currently has nine series of options issued for its key personnel. Out of these, three are synthetic options that are to be granted in countries where stock options may not be used. Six stock option series entitle their holders to subscribe for one share (1:1). The following table is based on the book-entry system on 31 December 2010:

Stock option series	Company's ownership	Ownership of other holders	Maximum number of new shares	Dilution, %	Subscription period	Exercise price, EUR
2006 A	0	410 350	410 350	0.54	1 Mar 2009–31 Mar 2011	27.02
2006 B	0	502 600	502 600	0.67	1 Mar 2010–31 Mar 2012	18.79
2006 C	119 470	633 980	753 450	1.00	1 Mar 2011–31 Mar 2013	12.36
2009 A	33 400	566 600	600 000	0.79	1 Mar 2012–31 Mar 2014	7.96
2009 B	14 000	586 000	600 000	0.79	1 Mar 2013–31 Mar 2015	16.37
2009 C	600 000	0	600 000	0.79	1 Mar 2014–31 Mar 2016	-
Total	766 870	2 699 530	3 466 400	4.59		

A total of 84 700 stock options 2006 B were cancelled in June 2010, and a total of 597 000 stock options 2009 B were subscribed by 219 key employees of the Tieto Group in August 2010. Later in the year, a total of 11 000 stock options 2009 B were returned to the company. As a result of potential share subscriptions, the number of shares may increase by a maximum of 3 466 400. The Board of Directors shall decide on measures concerning the unsubscribed options held by the company at a later date. In all the current share option schemes, the persons covered by the scheme receive the options if they are employed by the Tieto Group on the starting date of the subscription period. Under the terms and conditions of both the 2006 option scheme and the 2009 option scheme, the subscription price will be reduced annually by the amount of dividend per share.

No options were used for share subscription during 2010. The highest price of the Tieto share in 2010 was EUR 18.40 on NASDAQ OMX Helsinki, which was lower than the exercise price of the 2006 A and 2006 B option programmes, EUR 27.02 and EUR 18.79, respectively.

In the company's synthetic option programme, Phantom Options 2009, are allocated to key employees of the Group based on performance in those countries where stock options may not be used. The maximum number of Phantom Options 2009 is 200 000 and they will be granted under series 2009 A, 2009 B and 2009 C. Phantom Options 2009 may entitle their holders to a cash reward based on the total share return of the underlying shares during 2009–2012 (2009 A), 2010–2013 (2009 B) and 2011–2014 (2009 C). A total of 28 000 Phantom Options 2009 B were allocated to 10 key employees in 2010.

The share-based incentive plan (Performance Share Plan 2009–2011) offered to the President and CEO and other members of the Leadership Team includes one three-year earning period, which began on 1 January 2009 and will end on 31 December 2011. The potential reward from the plan is based on the earnings per share (EPS) of Tieto in 2011. The rewards to be paid on the basis of the plan will correspond to a maximum of 540 000 Tieto shares. In addition, accumulated dividends during 2009–2011 related to the shares to be delivered will be compensated to the participants in cash. The amount of the reward will be determined and paid on the basis of the achievement of the EPS target after the financial statements have been prepared before the end of April 2012. No new shares will be issued in connection with the plan. This programme does not include any lock-up period, i.e. a period during which participants are not entitled to sell or transfer the shares.

The Share Ownership Plan 2006–2008 ended in April 2009. The shares of earnings period 2008 were restricted from trading until 1 January 2011.

Board authorizations

The 2010 Annual General Meeting authorized the Board of Directors to repurchase the company's own shares or derivatives. The number of shares repurchased shall not exceed 10% of the company's aggregate number of shares. The authorization is intended to be used to develop the company's capital structure. The authorization shall be in force until the close of the next Annual General Meeting, however, until 25 September 2011 at the latest. The authorization was not used in 2010.

Share performance and trading

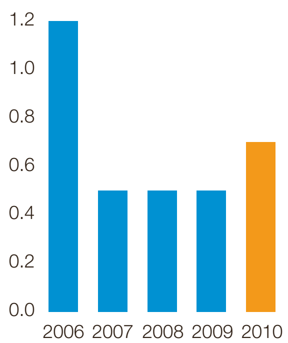
In 2010, the turnover of Tieto's shares totalled EUR 1 202.4 million (79 932 379 shares) in Helsinki and SEK 1 390.6 million (9 656 550 shares) in Stockholm. The total number of shares traded represented 124% of the shares. On NASDAQ OMX Helsinki, the volume weighted average share price in 2010 was EUR 15.02. At the end of the year, the share price was EUR 14.16. The highest price was EUR 18.40 and the lowest EUR 12.50. At the end of the year, the company's market capitalization totalled EUR 1 019.8 million. The share price decreased by 2% in Helsinki and 15% in Stockholm during the year. At the same time, the OMX Helsinki All Share Index rose by 19% and the OMX Helsinki Cap Index by 30%. The OMX Stockholm All Share Index was up by 23% in 2010.

In addition to NASDAQ OMX Helsinki and Stockholm, Tieto's share is traded on multilateral trading facilities (MTF). According to Bloomberg, it is traded at least on Chi-X, Turquoise, Burgundy and BATS Europe. The aggregate number of Tieto's Finnish shares traded on these marketplaces was 12 307 263 shares.

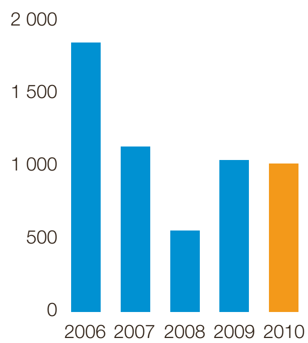
For additional information on shares and shareholders, see www.tieto.com/Investors/Shares.

	2010	2009	2008	2007	2006
SHARE INFORMATION					
Changes in share capital					
Share capital at year end, EUR	**75 841 523**	75 841 523	75 841 523	75 841 523	75 841 462
Number of shares	**72 023 173**	72 023 173	72 023 173	73 958 173	75 841 462
Adjusted number of shares at year end	**72 023 173**	72 023 173	72 023 173	73 958 173	75 841 462
Adjusted average for the year	**71 408 913**	71 499 888	71 661 523	72 941 089	74 963 658
Per share data					
Earnings per share, EUR					
- basic	**0.69**	0.77	0.83	-0.44	3.25
- diluted	**0.69**	0.77	0.83	-0.44	3.25
Equity per share, EUR	**7.80**	7.25	6.75	6.67	8.51
Share price performance and trading volumes					
NASDAQ OMX Helsinki					
Highest share price, EUR	**18.40**	15.80	17.20	25.20	32.88
Lowest share price, EUR	**12.50**	7.31	6.98	13.70	17.48
Average share price, EUR	**15.02**	10.72	13.47	19.97	23.98
Turnover, number of shares	**79 932 379**	113 213 499	257 653 127	310 031 655	217 734 156
Turnover, %	**111.0**	158.2	359.6	425.0	290.5
NASDAQ OMX Stockholm					
Highest share price, SEK	**175.00**	161.5	161.50	231.00	307.00
Lowest share price, SEK	**118.30**	80.75	70.75	128.25	160.50
Average share price, SEK	**142.72**	112.92	129.66	186.42	218.30
Turnover, number of shares	**9 656 550**	13 559 080	26 279 993	57 572 330	41 054 225
Turnover, %	**13.4**	19.0	36.7	78.9	54.8
Market capitalization, EUR million	**1 019.8**	1 044.3	559.6	1 136.0	1 853.6
Dividends					
Dividend, EUR 1 000	**50 029**	35 741	35 831	35 831	88 316
Dividend per share, EUR	**0.70**	0.50	0.50	0.50	1.20
Payout ratio, %	**101.4**	64.9	60.2	-113.6	36.9
Price-weighted ratios					
NASDAQ OMX Helsinki					
Price per earnings ratio (P/E)	**21**	19	9	-35	8
Dividend yield, %	**4.9**	3.5	6.4	3.3	4.9
NASDAQ OMX Stockholm					
Price per earnings ratio (P/E)	**20**	19	10	-35	8
Dividend yield, %	**4.9**	3.4	6.1	3.3	4.8

Dividend / Share, EUR



Market capitalization, EUR million



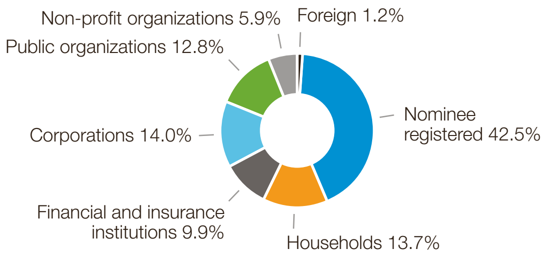
Major shareholders on 31 December 2010

	Shares	%
1 Solidium Oy	7 415 418	10.3
2 OP-Pohjola Group	4 061 278	5.6
3 Swedbank Robur fonder	3 785 902	5.3
4 Ilmarinen Mutual Pension Insurance Co.	3 154 367	4.4
5 Varma Mutual Pension Insurance Co.	2 099 749	2.9
6 Tapiola Pension	1 830 000	2.5
7 Svenska Litteratursällskapet i Finland	1 737 000	2.4
8 The State Pension Fund	873 167	1.2
9 Nordea funds	695 220	1.0
10 Pekka Viljakainen	646 447	0.9
	26 298 548	36.5
Nominee registered	30 575 898	42.5
Others	15 148 727	21.0
Total	72 023 173	100.0

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

According to the latest information, Cevian Capital´s holding on 30 Sep 2010 was 5 546 191 shares which represent 7.7% of the shares and voting rights.

Ownership structure on 31 December 2010, % of shares



Based on the ownership records of Euroclear Finland Oy.

Tieto, trading codes

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

Division of shares on 31 December 2010

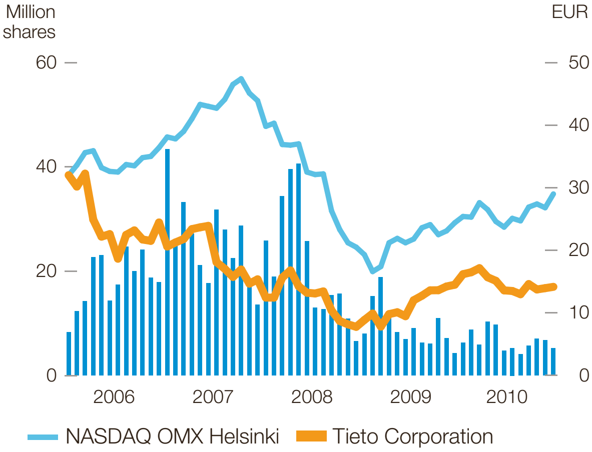
Number of shares	Shareholders		Shares	
	No	%	No	%
1–100	5 265	29.9	328 077	0.5
101–500	7 303	41.5	2 009 939	2.8
501–1 000	2 559	14.5	1 994 719	2.8
1 001–5 000	2 084	11.8	4 433 844	6.2
5 001–10 000	193	1.1	1 400 255	1.9
10 001–50 000	133	0.8	2 600 801	3.6
50 001–100 000	27	0.2	1 904 887	2.6
100 001–500 000	27	0.2	5 473 030	7.6
500 001–	14	0.1	51 858 701	72.0
Joint-book entry account			18 920	
Total	17 605	100.0	72 023 173	100.0
Nominee registered	16		30 575 898	42.5

Based on the ownership records of Euroclear Finland Oy

Changes in share capital

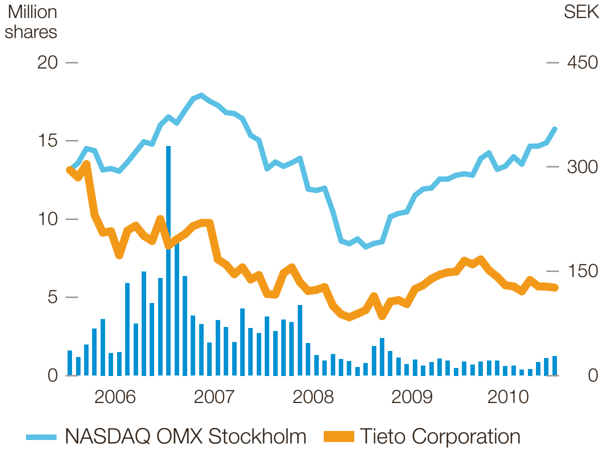
(1 share = 1 vote)	Shares	Share capital, EUR
Total on 31 December 2005	78 743 322	78 743 322
Bonds with options subscribed, registered on 12 January 2006	750	750
Bonds with options subscribed, registered on 5 April 2006	50	50
Nullifying of the company’s own shares, 10 April 2006	2 903 860	2 903 860
Bonds with options subscribed, registered on 13 June 2006	1 200	1 200
Total on 31 December 2006	75 841 462	75 841 462
Nullifying of the company’s own shares, 19 Dec 2006, registered on 25 January 2007	1 745 000	0
Nullifying of the company’s own shares, 26 Jun 2007, registered on 30 July 2007	138 350	0
Bonds with options subscribed, registered on 8 August 2007	61	61
Nullifying of the company’s own shares, 20 Dec 2007, registered on 9 January 2008	1 935 000	0
Total on 31 December 2010	72 023 173	75 841 523

Share price development and turnover, Helsinki



Source: Bloomberg

Share price development and turnover, Stockholm



Source: Bloomberg

Proposal of the Board of Directors

	EUR
Distributable funds in the Parent company	810 052 826.20
of which net profit for the current year	26 816 984.75

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

- a dividend of EUR 0.70 per share be paid to shareholders	50 028 631.10
- the remainder be carried forward	760 024 195.10

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

Helsinki, Finland
9 February 2011

Markku Pohjola
Chairman

Olli Riikkala
Deputy Chairman

Kimmo Alkio

Christer Gardell

Anders Eriksson

Kurt Jofs

Eva Lindqvist

Jari Länsivuori

Risto Perttunen

Teuvo Salminen

Hannu Syrjälä
President and CEO

Auditors' report

To the Annual General Meeting of Tieto Corporation

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Tieto Oyj for the period 1 January–31 December 2010. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

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

Auditor's Responsibility

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

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

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

Opinion on the Consolidated Financial Statements

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

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

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

Helsinki, 9 February 2011

PricewaterhouseCoopers Oy
Authorized Public Accountants

Kim Karhu
Authorized Public Accountant

Information for shareholders

Annual General Meeting

Tieto Corporation's Annual General Meeting (AGM) will be held on Thursday 24 March 2011 at 5.00 pm (EET) at Finlandia hall, address Mannerheimintie 13 e, 00100 Helsinki, Finland.

The right to participate and registration

Each shareholder, who is registered on 14 March 2011 in the shareholder's register of the company held by Euroclear Finland Ltd, has the right to participate in the AGM. A shareholder, whose shares are registered on a personal book-entry account at Euroclear Finland Ltd is registered in the shareholder's register of the company. A shareholder, who wants to participate in the AGM, shall register for the AGM by giving a prior notice of participation no later than on 21 March 2011 at 4.00 pm (EET) by which time the registration needs to arrive in the company.

Such notice can be given:

- online www.tieto.com/agm
- by e-mail agm@tieto.com
- by phone +358 2072 68140
- by telefax +358 2060 20232 or
- by mail Tieto, Legal/AGM, P.O. Box 38, FI-00441 Helsinki, Finland

Holders of nominee registered shares

A holder of nominee registered shares is advised without delay to request from his/her custodian bank necessary instructions regarding the registration in the temporary shareholder's register of the company, the issuing of proxy documents and registration for the AGM. The account management organization of the custodian bank will register a holder of nominee registered shares, who wants to participate in the AGM, to be temporarily entered into the shareholder's register of the company at the latest on 21 March 2011 by 10 am (EET). As regards nominee registered shares this constitutes due registration for the AGM.

Further information on these matters can also be found on the company's website www.tieto.com/agm.

Proxy representative and powers of attorney

A shareholder may participate in the AGM and exercise his/her rights at the AGM by way of proxy representation. A proxy representative shall produce a dated proxy document or otherwise in a reliable manner demonstrate his/her right to represent the shareholder at the AGM. When a shareholder participates in the AGM by means of several proxy representatives representing the shareholder with shares at different securities accounts, the shares by which each proxy representative represents the shareholder shall be identified in connection with the registration for the AGM.

Possible proxy documents should be delivered in originals to the address Tieto, Legal/AGM, P.O.Box 38, FI-00441 Helsinki, Finland before 21 March 2011.

Dividend payment

The Board of Directors proposes to the AGM that a dividend of EUR 0.70 per share be paid on the financial year 2010. The dividend will be paid to shareholders who are registered in the shareholder's register of the company maintained by the Euroclear Finland Ltd, or in the register maintained by Euroclear Sweden AB, on the record date for dividend payment, which is 29 March 2011. It is proposed that the dividend be paid out as from 13 April 2011.

Contact information

All addresses are available at www.tieto.com.

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