tietoevry

Reinventing the world for good

Financial Review

2021

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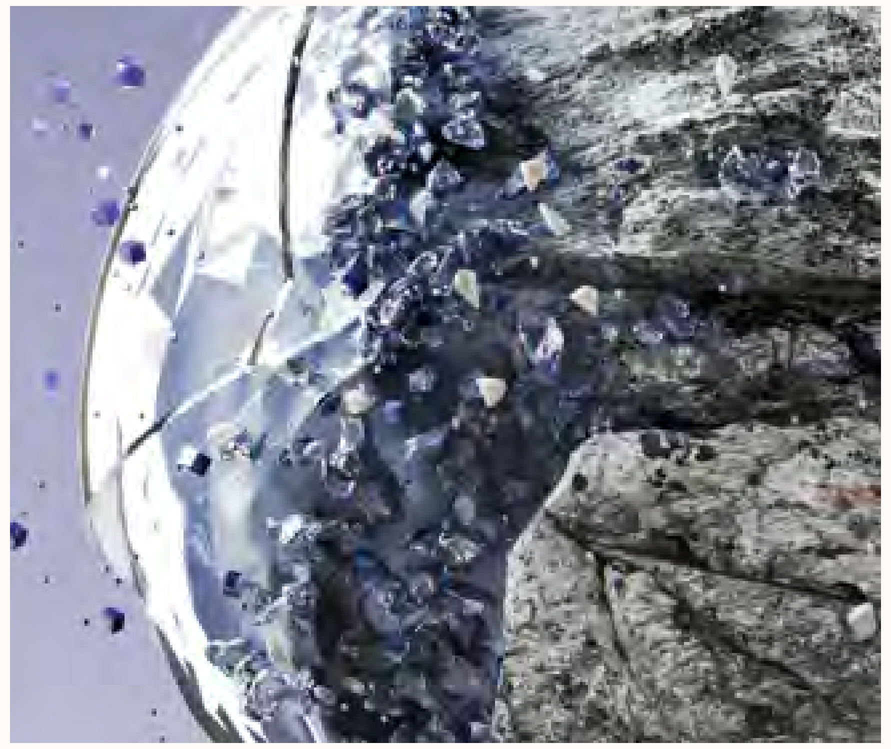


Tietoevry 2021

Enabling digital futures – with a new strategy and renewed identity

The year 2021 marks yet another exciting milestone for Tietoevry; we completed our two-year integration programme, announced a new direction for the company with a new strategy, and unveiled a renewed brand and identity. We achieved all this in extraordinary circumstances, with the new waves of the pandemic and large-scale remote work continuing worldwide – underlining the importance of a reliable digital backbone and services across businesses and societies.

Positioning for growth

The post-merger integration has been central in our activities during the past two years. After building the basic operational capabilities for the combined company in 2020, the work during 2021 centered on enhancing the common ways of working through launch of core processes, focusing on employee growth and leadership through MyGrowth dialogues – our new development and performance management framework. The work for company culture and renewal of the brand and identity continued during the year. Considering the global pandemic and majority of the employees working remotely, we can be proud of the achievement and the successful completion of our corporate-wide integration program.

As the natural next step, we announced during the autumn a new strategy that focuses on driving customer value and growth through specialization. The technology industry is being reshaped with cloud as a foundation, providing expansion opportunities for the company, especially in areas of cloud-native services, data, software engineering and scalable software businesses. To capture this momentum, we established six specialized end-to-end businesses with full operational responsibility, including go-to-market, service portfolio, investments and partnerships. The service businesses; Tietoevry Create, Tietoevry Transform and Tietoevry Connect as well as the software businesses; Tietoevry Banking, Tietoevry Care and Tietoevry Industry started their operations 1 January 2022. Reflecting the distinct market dynamics of each, the individual businesses will have the optionality to scale and prioritize their investments for growth.

Our financial performance developed favorably during the year, with revenue turning to growth in the second half of the year. The reported growth was 1% and organically revenue remained at the previous year's level. Operating profit (EBIT) rose to EUR 382.0 (146.7) million, including substantial capital gains of EUR 104.0 million from the divestments implemented during the year. Adjusted operating profit (EBITA) improved to EUR 367.8 (355.0) million, representing 13.0% (12.7) of revenue. Merger synergies materialized well according to the plan and profitability improved. Total performance of the company was driven especially by strong software businesses, Product Development Services, and International Operations – forming solid ground for our future focus in cloud, data and software engineering. Organic growth in International Operations and software businesses was solid, 22% and 8%, respectively. Full-year operating cash flow was at record levels at EUR 367.5 (354.7) million, which enabled us to deleverage ahead of schedule. Based on our strong balance sheet, we are able to continue with attractive dividend levels as defined in our financial targets.

Employee wellbeing and customer experience – drivers of the hybrid work

The unusual past two years led us to rethink our future ways of working also post-pandemic. Staying true to our values of openness, trust and diversity, we invited all our 24,000 employees globally to co-create the "new normal" for us at Tietoevry. During spring, employees were invited to share their views and wishes through virtual ideation workshops and surveys. Through crowdsourcing, we received around 43,000 ideas on how to create a strong company culture, how to utilize digital collaboration tools for more efficient remote work, and what is the role of offices in the future.

Our employees' input was utilized in the Hybrid Working guidelines which outline the principles for our new ways of working. We want to allow our employees to combine work at the office and from home – considering the diverse needs and preferences of individuals, teams and our customers. We believe that flexibility encourages everyone to give their best, contributes positively to both employee and customer experience as well as our company culture – and supports our sustainability ambitions.

Ability to provide meaningful assignments and attractive career opportunities is essential in our dynamic and talent-intensive global industry. During the year, we were pleased to welcome around 5,700 new experts join the company to support our growth ambitions. The commitment and dedication of our employees was also demonstrated by our internal engagement scores, which continued to develop favorably throughout the year.

Towards more equal and sustainable societies

In 2020, we launched our Sustainability 2023 game plan outlining the company's key priorities for ethical conduct, climate actions and creating an exciting place to work. In 2021, we uplifted our ambitions, aligned our carbon reduction targets with the Paris agreement and made our commitments to the Science Based Targets initiative.

Building an inclusive and diverse workplace is a business imperative for us at Tietoevry; we develop new digital services for diverse users and as there is a shortage of key talent, utilization of the full potential of our markets is essential. When competing for the best talent, the company culture plays a vital role. Our culture is built on our core values of openness, trust and diversity – and we see that as an advantage for us in this industry with global competition. Achieving gender balance in the company is our long-term ambition, and in 2021 we took the first steps towards the target by looking into our recruitment and successor practices. While the development during the first year was moderate, we saw some units standing out as good examples. In 2022, we maintain our focus even stronger with new initiatives across all our new businesses.

We have been proceeding well towards our carbon reduction ambitions and in 2021, embarked on the work for circular economy practices, i.e., recycling of the hardware, laptops and mobile phones.

Our sustainability work was also recognized for the long-term commitments especially in CO_2 reductions and gender balance ambitions with a platinum level on EcoVadis rating as well as A-list by CDP, the Carbon Disclosure Project.

We have started to implement the new EU taxonomy – assessing eligibility of our solutions and preparing for alignment reporting as the next step.

Sustainability is becoming increasingly important for all key stakeholders, employees, customers and investors alike. We recognize the opportunities digitalization is bringing to significantly reduce emissions and environmental burden for our customers and for the society at large.

Market outlook

Creating superior experiences enabled by data continues to be a strong driver for investments across industries. This change is enabled by a number of technology-led advancements and new applications, including ones that utilize artificial intelligence and machine learning. The divide between traditional managed services and cloud-native services and software is widening and the polarized market calls for specialization.

Innovations driving digital experiences are enabled by cloud technologies. Coupled with cloud enablement, agile development methods, DevOps, are becoming a standard way of delivering services faster. In parallel with cloud-native development, our customers are continuing the modernization of their business processes, applications and infrastructure.

The exceptional past years have continued to accelerate the digitalization of our societies. We believe that with our new strategy and the six specialized businesses, we are well positioned to take advantage of the opportunities in the market and further support our customers advancing their digital agendas.

Creating purposeful technology

To accelerate our renewal, we also unveiled a refreshed brand and identity, and a company purpose: Creating purposeful technology that reinvents the world for good. Our new purpose reflects the company values, as well as the direction the world around us is taking. Now more than ever it matters for companies to be active on societal issues. At Tietoevry, we want to be the company that develops digital futures where technology, humanity and responsibility are at the core. We will focus on making our new identity come to life in 2022.

I strongly believe that the foundation we built and the new era we have started for the company in 2021 will offer inspiring opportunities and enhanced learning for our employees, and long-term value for our customers, partners and shareholders. We look forward to 2022 with a clear strategic focus and a great deal of enthusiasm and confidence. I want to sincerely thank all our stakeholders for a successful 2021 and look forward to continuing close collaboration in the years ahead.

Kimmo Alkio
President and CEO

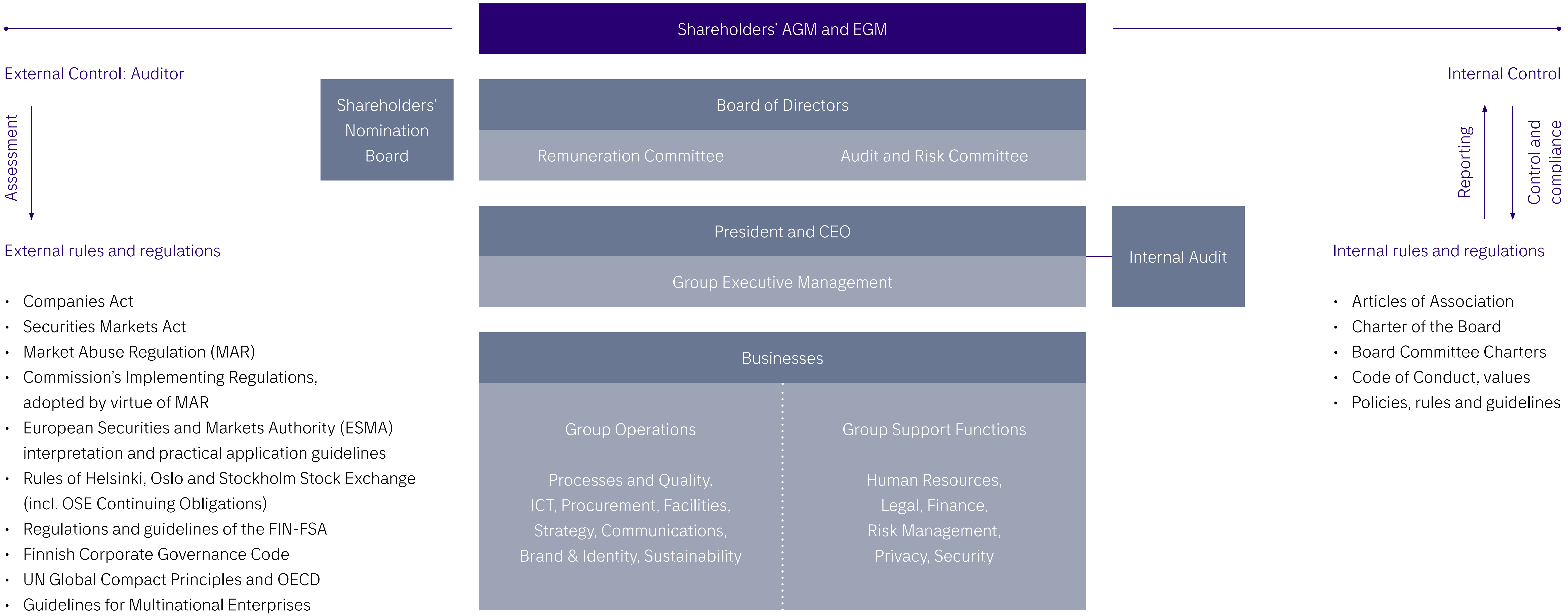
Governance

Remuneration

Corporate Governance Statement

Tietoevry is committed to good corporate governance. In addition to the relevant legislation and rules of the Helsinki, Oslo and Stockholm stock exchanges, Tietoevry complies with the Finnish Corporate Governance Code issued by the Securities Market Association of Finland in 2020 with the exception of the appointment procedure for electing personnel representatives to the Board of Directors (Recommendation 5) as described in detail in The Board of Directors section.

This Corporate Governance Statement has been prepared in accordance with the Finnish Corporate Governance Code 2020. The code is available at www.cgfinland.fi. This statement has been issued separately from the report by the Board of Directors and is included in the Financial Review 2021.



Annual General Meeting

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

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

The following persons are usually present at Tietoevry's AGM:

- Board of Directors: Chairperson, Board members and new Board member candidates
- Group Leadership: President and CEO, CFO
- Auditors

For more information regarding the AGM 2022 and previous meetings, shareholders and participation possibilities, please visit www.tietoevry.com/agm.

AGM 2021

- In 2021, Tietoevry's AGM convened on 25 March at Tietoevry's headquarters in Espoo, Finland. To limit the spread of the Covid-19 pandemic, the company complied with the Act on Temporary Deviation from the Companies Act, under which shareholders were only allowed to participate in the AGM and exercise their shareholder rights by voting, submitting questions and making counterproposals in advance. Altogether 321 shareholders and 70,388,307 shares (59.4% of the total outstanding shares) participated in the advance voting.

Shareholders' Nomination Board

The company's AGM decided in 2010 to establish a Shareholders' Nomination Board (SNB), which is a body of shareholders responsible for preparing the proposals to the AGM for the election and remuneration of the members of the Board of Directors (including employee representatives).

The SNB consists of five members. Four of the members represent the four major shareholders who on 31 August held the largest number of votes conferred by all shares in the company and who wished to participate in the nomination process. The fifth member is the Chairperson of the company's Board of Directors. The term of office of the SNB members expires when a new SNB has been appointed. The SNB itself is an organ that has been established for the time being. The charter of the SNB is available on the company's website.

The SNB based on shareholdings as at 31 August 2021 consisted of the following representatives announced by Tietoevry's shareholders:

Nominated by Solidium Oy:
Petter Söderström
Main occupation: Investment Director, Solidium Oy
Born: 1976
Nationality: Finnish
Education: MSc. (Econ.)

Nominated by Cevian Capital Partners Ltd:
Gustav Moss
Main occupation: Vice President, Cevian Capital AB
Born: 1988
Nationality: Swedish
Education: MSc. (Econ.)

Nominated by Incentive AS:
Alexander Kopp
Main occupation: Investment Manager, Incentive AS
Born: 1981
Nationality: Norwegian
Education: A.B. (Econ.) Harvard College

Nominated by Ilmarinen Mutual Pension Insurance Company:
Mikko Mursula
Main occupation: Chief Investment Officer, Ilmarinen Mutual Pension Insurance Company
Born: 1966
Nationality: Finnish
Education: MSc. (Econ.)

Representing the Board of Directors:
Tomas Franzén

The SNB convened four times and provided Tietoevry's Board of Directors on 31 January 2022 with its proposals to the AGM 2022. The SNB proposes to the AGM that the Board of Directors shall have eight members and that the current Board members Timo Ahopelto, Tomas Franzén, Liselotte Hägertz Engstam, Harri-Pekka Kaukonen, Angela Mazza Teufer, Katharina Mosheim, Niko Pakalén and Endre Rangnes be re-elected. Leif Teksum has informed that he is not available for re-election. The Shareholders' Nomination Board proposes that Tomas Franzén shall be re-elected as the Chairperson of the Board of Directors.

The biographical details of the candidates and information on their holdings in Tietoevry are available on the company's website at www.tietoevry.com/en/investors/governance/board of directors.

The Shareholders' Nomination Board proposes that the remuneration of the members of the Board of Directors elected by the Annual General Meeting be annual fees and increased by approximately 3%: EUR 128 500 to the Chairperson (2021: EUR 125 000), EUR 72 000 to the Deputy Chairperson (2021: EUR 70 000) and EUR 54 500 to the other members (2021: EUR 53 000).

In addition to these fees, it is proposed that the Chairperson of a permanent Board Committee receives an annual fee of EUR 20 000, and a member of a permanent Board Committee receives an annual fee of EUR 10 000. It is also proposed that the members elected by the Annual General meeting will be paid EUR 800 for each Board meeting and for each permanent or temporary committee meeting. Further, it is proposed that the remuneration of the employee representatives elected as members of the Board of Directors will be an annual fee of EUR 15 000.

The Shareholders' Nomination Board is of the opinion that further increasing the long-term shareholding of the Board members will benefit all the shareholders. Every member of the Board of Directors elected by the Annual General Meeting is expected to over a five-year period accumulate a shareholding in the company that exceeds his/her one-time annual remuneration.

The Shareholders' Nomination Board therefore proposes that part of the annual remuneration may be paid in the company's shares purchased from the market. An elected member of the Board of Directors may, at his/her discretion, choose from the following five alternatives:

No cash, 100% in shares
25% in cash, 75% in shares
50% in cash, 50% in shares
75% in cash, 25% in shares, or
100% in cash, no shares.

The shares will be acquired directly on behalf of the members of the Board within two weeks from the release of the company's interim report 1 January–31 March 2022. If the remuneration cannot be delivered at that time due to insider regulation or other justified reason, the company shall deliver the shares later or pay the remuneration fully in cash.

The remuneration of the employee representatives elected as members in the Board of Directors will be paid in cash.

The Board of Directors

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

Composition and election

According to Tietoevry's Articles of Association, the Board of Directors elected by the shareholders shall consist of at least six and no more than twelve members. Board members have a term of office of one year, expiring at the closing of the first AGM following the election.

The company has defined as an objective that in addition to professional competence, Tietoevry's Board members shall be diversified in terms of gender, occupational and professional background and that the Board as a group shall have sufficient knowledge of and competence in, inter alia, the company's field of business and markets.

The SNB, which consists of representatives nominated by the company's largest shareholders, prepares a proposal on the composition of the Board to be presented to the AGM for its decision. The company has ensured that the principles have been included in the charter of the SNB and charter of the Board and taken into account in the SNB work and candidate search. Three out of eleven members elected by the AGM during 2021 were female. After Salim Nathoo and Rohan Haldea left the Board, there were three female and six male members. Gender diversity is continuously on the SNB's agenda.

In addition to the members proposed by the SNB and elected by the AGM, Tietoevry's personnel elected four members and four deputy members to the Board of Directors. The term of office for the personnel representatives is two years. This special appointment procedure is a departure from Recommendation 5 "Election of the Board of Directors" of the Corporate Governance Code. Personnel representation is based on the Finnish Act on Personnel Representation in the Administration of Undertakings and was originally agreed between the company and personnel of the Group by way of a Personnel Representation Cooperation Agreement in 2001.

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

Board of Directors as at 31 December 2021[1)]

Name	Born	Nationality	Education	Main occupation
Tomas Franzén (Board and RC Chairperson)	1962	Swedish	MSc. (Eng.)	Professional Board member
Timo Ahopelto (Deputy Chairperson)[2)]	1975	Finnish	MSc. (Tech.)	Entrepreneur, investor and professional Board member
Harri-Pekka Kaukonen (ARC Chairperson)	1963	Finnish	DSc. (Tech.)	Professional Board member
Liselotte Hägertz Engstam	1960	Swedish	MSc. (Civ. Eng.)	Expert advisor, professional Board member
Angela Mazza Teufer[3)]	1973	Italian and Swiss	Master of Business Adm.	Managing Director, Ambulatory Information Systems DACH
Katharina Mosheim	1976	Austrian	Ph.D. (Econ.)	CEO, Alpha Pianos AS
Niko Pakalén	1986	Finnish and Swedish	MSc. (Econ.)	Partner, Cevian Capital AB
Endre Rangnes	1959	Norwegian	BBA (Econ.)	CEO, Zolva Group, professional Board member
Leif Teksum	1952	Norwegian	MSc. (Econ.)	Partner, Vest Corporate Advisor AS, professional Board member
Tommy Sander Aldrin (personnel representative)	1965	Norwegian	BSc. (Comp.)	Chief Consultant
Ola Hugo Jordhøy (personnel representative)	1956	Norwegian	MSc. (Eng.), PGCE	Chief Consultant
Anders Palklint (personnel representative)	1967	Swedish	MSc. (Eng.)	Senior Project Manager
Ilpo Waljus (personnel representative)	1974	Finnish	BBA	Test Manager

1) During 2021, Salim Nathoo (until 19 July) and Rohan Haldea (until 7 September) also served as Board members.
2) Deputy Chairperson as of 25 March 2021. Salim Nathoo was the Deputy Chairperson until 24 March 2021.
3) Board member as of 25 March 2021.

Independence and attendance in meetings of the Board and its committees in 2021

Name	Member since	Independent of company	Independent of shareholder	Board [4) 5)]	Audit and risk committee	Remuneration committee
Tomas Franzén	2019	yes	yes	12/12		6/6
Timo Ahopelto	2017	yes	no	12/12	6/6	
Harri-Pekka Kaukonen	2016	yes	yes	11/12	6/6	6/6
Rohan Haldea[1)]	2019	yes	no	6/8		
Liselotte Hägertz Engstam	2018	yes	yes	12/12	6/6	
Angela Mazza Teufer[2)]	2021	yes	yes	10/10		
Katharina Mosheim	2020	yes	yes	12/12		
Salim Nathoo[3)]	2019	yes	no	5/7		2/2
Niko Pakalén	2019	yes	yes	12/12	6/6	
Endre Rangnes	2014	yes	yes	12/12		6/6
Leif Teksum	2019	yes	yes	11/12	5/6	
Ilpo Waljus	2014	no	yes	11/12		
Anders Palklint	2014	no	yes	12/12		
Tommy Sander Aldrin	2019	no	yes	12/12		
Ola Hugo Jordhøy	2019	no	yes	12/12		

1) Board member until 7 September 2021.
2) Board member as from 25 March 2021.
3) Board member until 19 July 2021.
4) Additionally there were three informal Board meetings. Meeting fees were paid for these meetings.
5) Two temporary committees met seven and three times. Meeting fees were paid for these meetings.

All Board members elected by the AGM of Tietoevry are independent of the company and eight out of nine members elected by the AGM are independent of the company's significant shareholders. The independence of the members is evaluated at the Board's constitutive meeting. The Board members shall inform the Board if any changes in these circumstances occur, in which case their independence will be re-evaluated.

More detailed background information regarding the Board members, such as working experience, past and present positions of trust and remuneration, is presented on the company's website at www.tietoevry.com/investors.

Tasks

The main duties and working principles of the Board have been defined in a written charter. 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 consolidated financial statements
- reviews and approves the company's key policies
- is accountable for guiding the organization's strategy on environmental and social topics
- meets the company's auditors at least once a year without the company's management
- appoints the members and Chairpersons 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

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

Matters to be handled are prepared by the Board committees and the President and CEO. The Board receives information on the company's financial performance monthly and more detailed financial reports quarterly. Any material related to issues to be handled by the Board is provided four 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.

2021

- The Board convened 12 times in 2021 and the average attendance was 94.8%.
- The Board met six times during the year without the management present.
- The Board held one joint meeting with the auditors.
- The Board met the auditors once without the presence of the management.

Assessment

The performance of Tietoevry's Board is assessed annually; the latest assessment was carried out by self-evaluation during autumn 2021. 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 SNB is informed of the results, which are also taken into consideration when the Board draws up its next annual plan.

Committees

Tietoevry'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 Board establishes temporary committees whenever a subgroup is needed to prepare a specific topic. The entire Board remains responsible for the duties assigned to the committees.

Remuneration Committee

Composition

The Remuneration Committee (RC) comprises at least three non-executive directors elected by the Board. The majority of the members shall be independent of the company. The Head of HR acts as secretary of the meetings.

Based on the Board's decision, the RC was composed of the following non-executive directors who were independent of the company and of significant shareholders, except for Salim Nathoo who was independent of the company and non-independent of a significant shareholder:

- Tomas Franzén (Chairperson)
- Harri-Pekka Kaukonen
- Salim Nathoo (member until 19 July 2021)
- Endre Rangnes.

Work

The committee meets regularly and at least twice a year. The Chairperson 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 Deputy Chairperson of the Board
- prepare a proposal on the committees (members and Chairpersons, and the duties and responsibilities of the 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 Group Leadership
- prepare a proposal on the Board's charter.

2021

- The committee convened six times in 2021 and the average attendance was 100%.
- In addition to its normal responsibilities within the scope of its charter, the committee followed the functioning of short- and long-term incentive plans to ensure that they supported the achievement of the objectives.
- The committee concentrated on reviewing and developing the remuneration of the Leadership team.

Audit and Risk Committee

Composition

The Audit and Risk Committee (ARC) comprises at least three non-executive directors who are independent of the company and out of whom at least one member shall be independent of the significant shareholders. The Chairperson and the members are elected by the Board. At least one committee member must have expertise in accounting, bookkeeping or auditing. Tietoevry's Deputy General Counsel acts as secretary of the meetings.

In 2021, all committee members were non-executive directors who were independent of the company and of significant shareholders, except for Timo Ahopelto who is independent of the company and non-independent of a significant shareholder. All members have extensive experience in corporate management and financial issues and therefore have the required expertise.

Based on the Board's decision, the ARC was composed of

- Harri-Pekka Kaukonen (Chairperson)
- Timo Ahopelto
- Liselotte Hägertz Engstam
- Niko Pakalén
- Leif Teksum

Work

The committee convenes regularly at least four times a year and meets the company's auditors, also without the company's management present. The Chairperson 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
- discuss and review the interim and annual reports and the consolidated 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 for the Board's decision 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.

2021

- The committee convened six times in 2021 and attendance was 96.6%.
- In addition to its regular agenda, the committee followed up progress in project and delivery management and quality issues as well as development in areas of risk management, privacy and cybersecurity.

The President and CEO and operative management

Members of the Leadership Team as at 31 December 2021[1)]

Kimmo Alkio
President and CEO
Born: 1963
Nationality: Finnish
Education: BBA and Executive MBA
Joined Tietoevry in 2011

Malin Fors-Skjæveland
Integration Officer
Born: 1970
Nationality: Swedish
Education: MSc. (Tech.)
Joined Tietoevry in 2018

Kishore Ghadiyaram
Head of Strategy
Born: 1972
Nationality: Indian
Education: BSc. (Tech.)
Joined Tietoevry in 2008

Tomi Hyryläinen
Chief Financial Officer
Born: 1970
Nationality: Finnish
Education: MSc. (Econ.)
Joined Tietoevry in 2018

Ari Järvelä
Head of Operations
Born: 1969
Nationality: Finnish
Education: MSc. (Eng.)
Joined Tietoevry in 2001

Satu Kiiskinen
Managing Partner, Finland
Born: 1965
Nationality: Finnish
Education: MSc. (Econ.)
Joined Tietoevry in 2013

Thomas Nordås
Head of Digital Consulting
Born: 1971
Nationality: Norwegian
Education: MSc. (Math.)
Joined Tietoevry in 2019

Christian Pedersen
Managing Partner, Norway
Born: 1974
Nationality: Norwegian
Education: MSc. (Tech.)
Joined Tietoevry in 2014

Harri Salomaa
Head of Product Development Services
Born: 1961
Nationality: Finnish
Education: BSc. (Eng.)
Joined Tietoevry in 2020

Christian Segersven
Head of Industry Software
Born: 1975
Nationality: Finnish
Education: MSc. (Tech.)
Joined Tietoevry in 2013

Johan Torstensson
Head of Cloud & Infra
Born: 1969
Nationality: Swedish
Education: MBA in Finance and Management
Joined Tietoevry in 2019

Trond Vinje
Head of HR
Born: 1968
Nationality: Norwegian
Education: MSc. (Pol. Sci.)
Joined Tietoevry in 2015

The remuneration and more detailed background information, such as full CVs of the Group Leadership, are presented on the company's website.

[1)] Karin Schreil acted as Managing Partner, Sweden until 30 November 2021.

Shareholdings of the Group Leadership

Name	Shares at 31 Dec 2021	Shares at 31 Dec 2020
Kimmo Alkio	58 439	60 683
Malin Fors-Skjæveland	3 552	1 776
Kishore Ghadiyaram	12 829	11 049
Tomi Hyryläinen	4 120	2 356
Ari Järvelä	15 064	18 488
Satu Kiiskinen	25 598	22 567
Thomas Nordås	2 019	1 063
Christian Pedersen	6 321	3 622
Harri Salomaa	0	0
Karin Schreil[1)]	N/A	0
Christian Segersven	0	4 000
Johan Torstensson	1 059	0
Trond Vinje	33 518	36 562

[1)] Employment ended on 30 November 2021.

Internal control and risk management

Tietoevry's internal control framework supports the execution of the strategy and ensures regulatory compliance. The foundation for internal control is set by the risk management framework, financial control, internal audit and supporting policies.

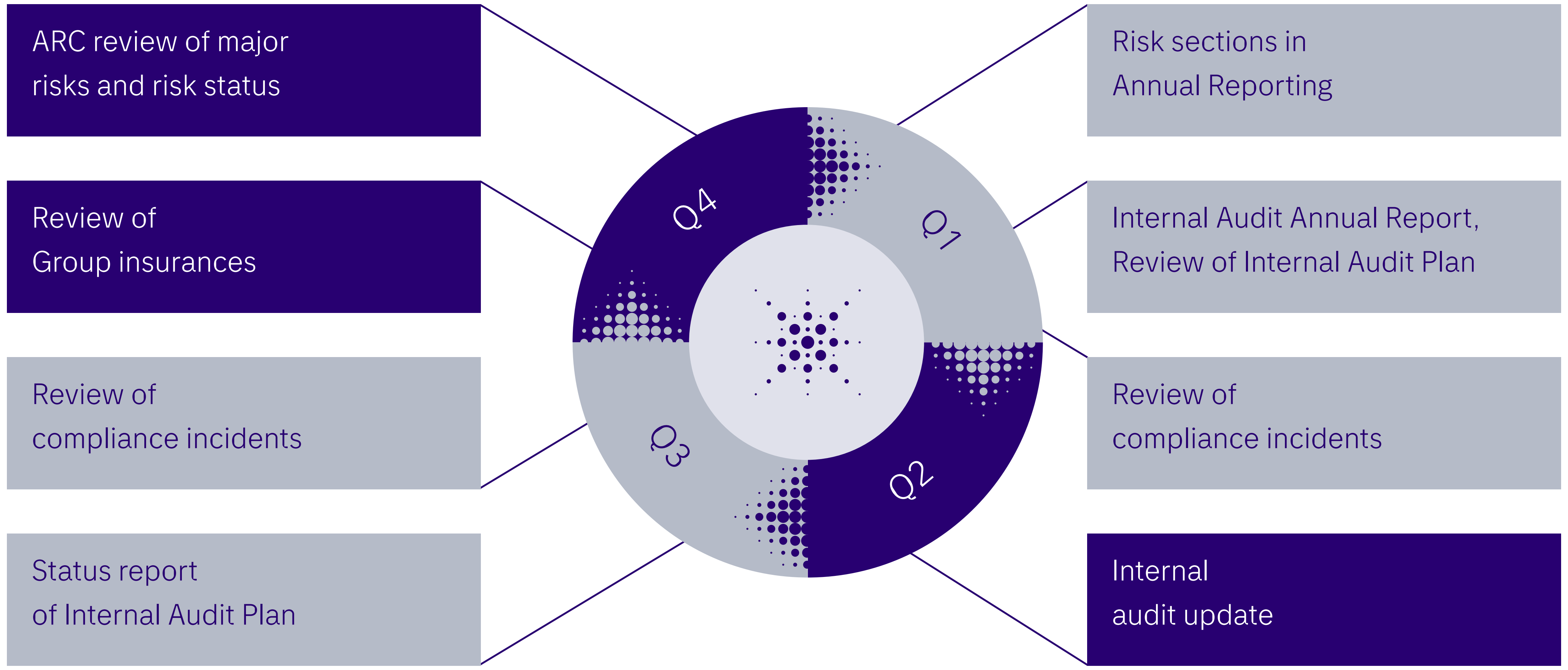
The aim of Tietoevry's internal control framework is to assure that operations are effective and well aligned with the strategic goals. The internal control framework is intended to ensure correct, reliable, complete and timely financial reporting and management information.

The framework endorses ethical values, good corporate governance and risk management practices. The activities related to internal control and risk management are part of Tietoevry's management practices and integrated into the business and planning processes.

Risk management framework

Tietoevry uses systematic risk management to develop the efficiency and control of business operations as well as their profitability and continuity.

Review of project and delivery risks in each ARC meeting



The risk management framework consists of the risk management organization, related policies, processes, tools and common ways of working. The risk management organization develops and maintains the company's risk management framework, including risk reporting, risk management governance and follow-up of risk exposures consisting of strategic, financial, operational, compliance and people risks.

The risk management organization consists of the Corporate Risk Management unit, nominated Risk Managers and Business Continuity Managers in the units and key stakeholders in functions. A group-wide Risk Manager Forum and Business Continuity Forum have been established for information sharing, setting direction of risk and continuity management, as well as crisis management, collaboration between units and reviewing steering documents. In addition, the forums align group-wide Risk Management Business Continuity and Crisis management activities and ensure company-wide deployment of the frameworks.

Tietoevry has also specified its compliance management system, including the compliance organization, steering model and annual plan for compliance-related activities. The Compliance Officer is responsible for maintaining the whistleblowing channel and coordinating investigations as well as ensuring the effectiveness and functionality of the governance model for compliance work.

Governance of risk and compliance

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

Tietoevry has invested in process automation, which is seen as a way to improve quality and reduce costs. Well-drafted policies and rules are made available to assure that the implications of automation on risk and compliance are fully understood by all parties in the organization.

Continuous development of the risk framework

The development and integration of the Tietoevry GRC (Governance, Risk & Compliance) platform with its related framework continued during 2021. Its effectiveness is validated in business operations by means of active risk assessments of the company's assets, resulting in measurable risk reductions.

The Tietoevry GRC platform now comprises the following functionalities:

- Business Reporting Dashboards
- Risk management and improvement opportunity
- Project risk management
- Privacy risk assessments
- Security incident management
- Audit management
- Business continuity management

The GRC platform enables online visibility to the information, with automated notifications to stakeholders and systematic follow-up of actions.

The development of the GRC platform, risk management framework and other frameworks is carried out in close cooperation with the nominated Risk, Continuity, Security and Privacy Managers and the Quality Partners in the units, and they are approved by the Tietoevry Group Leadership and validated by the ARC.

Financial control

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.

The ARC has the oversight role in Tietoevry's external financial reporting.

Financial reporting process and responsibilities

Tietoevry has a common accounting and reporting platform. Group consolidation and reporting are based on the reporting system, which facilitates common control requirements for all legal entities reporting to the Group. Tietoevry does continuous improvements to the common accounting and reporting platform to accommodate internal needs and new regulatory requirements.

Financial reporting consists of monthly performance reports, including all the key performance indicators, rolling forecasts and interim financial reports.

Financial reports are regularly reviewed by the Head of Business Finance in the units, the Group Leadership 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 Group Leadership members are responsible for initiating corrective actions.

Internal audit

The purpose of Tietoevry's Internal Audit function is to assure Quality and Trust all the way to the Customer. Internal Audit functionally reports to the Audit and Risk Committee (ARC) and administratively to the Chief Financial Officer (CFO).

Core services aim at assessing and assuring the adequacy and effectiveness of risk management and internal control within Tietoevry's ecosystem. Assurance and Advice is delivered via data-driven business partnering, enabling digital end-to-end assurance and assurance by design.

Internal Audit applies quarterly planning and delivery cycles, approved by the ARC. This ensures that changes affecting the risk landscape can be addressed when needed. Main input sources for planning are Enterprise Risk Management, Legal and Compliance functions, Operational Excellence, external auditors as well as business management and the ARC. Services are delivered via co-sourcing with adjacent functions and area subject matter experts. This enables relevance and effectiveness, positively impacting behaviour across Tietoevry's ecosystem.

Related-party transactions

Tietoevry maintains a list of its related parties in accordance with IAS24 and discloses the required information concerning related-party transactions in the report by the Board of Directors and notes to the consolidated financial statements.

Further, the company evaluates and monitors transactions concluded between the company and its related parties and seeks to ensure that any conflicts of interest shall be taken into account in decision making. The Board of Directors has the overall responsibility to monitor the company's measures and evaluate that related-party transactions are entered into the ordinary course of business and concluded on normal market terms.

Reporting to the Board of Directors takes place at the meeting where the financial statements are approved. The related-party transactions are summarized in note 29 of the consolidated financial statements.

Furthermore, the company has added controls into its processes and decision-making policies to identify and duly handle any transactions with related parties. Testing of customer and supplier transactions is carried out by both the company and its external auditors.

Insider administration

Tietoevry follows the EU Market Abuse Regulation (MAR) and rules of Nasdaq Helsinki and Oslo Børs. In addition, Tietoevry's Board of Directors has adopted an internal Tietoevry Insider Rule.

Tietoevry has specified that the Board of Directors and the President and CEO of the parent company TietoEVRY Corporation are subject to the requirement to notify their transactions. In addition, Tietoevry has set restrictions on trading for the members of the Group Leadership, persons participating in the preparation of interim reports and consolidated financial statements as well as other persons who are considered to receive information of a confidential and sensitive nature in their position or service.

The managers and other persons subject to trading restrictions are prohibited from dealing in Tietoevry's shares or other financial instruments during the closed period. The closed period covers 30 calendar days before the disclosure of an interim financial report or a financial statement release including the date of disclosure (= 30 + 1 days).

Tietoevry's General Counsel is in charge of insider administration and Group Legal and Compliance team monitors compliance with the insider regulation and takes care of necessary guidance and training.

Auditors

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

The Board of Directors proposes to the AGM, in accordance with the recommendation of the ARC, that the auditor to be elected at the AGM 2022 be reimbursed according to the auditor's invoice and in compliance with the purchase principles approved by the Committee.

The Board of Directors proposes to the AGM, in accordance with the recommendation of the ARC, that the firm of authorized public accountants Deloitte Oy be re-elected as the company's auditor for the financial year 2022. The firm of authorized public accountants Deloitte Oy has notified that APA Jukka Vattulainen will act as the auditor with principal responsibility.

Auditing

The AGM 2021 elected the firm of authorized public accountants Deloitte Oy as the company's auditor for the financial year 2021. Deloitte Oy notified the company that Authorized Public Accountant Jukka Vattulainen acts as principal auditor.

In 2021, Tietoevry Group paid the auditors a total of EUR 1.3 (1.3) million in audit fees, and a total of EUR 0.5 (0.7) million for other services.

Remuneration Report

The aim of Tietoevry'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. We reward our employees for high performance in achieving both individual and company objectives, thus linking remuneration to the successful execution of our strategy and to long-term shareholder value creation.

The principles on how the company shall compensate its employees are defined in Tietoevry's Remuneration Policy and HR Policy. The policy is globally applied to all Tietoevry entities and units to support the company's strategy, objectives and values.

Remuneration of the Board of Directors is decided by the AGM based on a proposal by the Shareholders' Nomination Board. The Remuneration Committee is responsible for planning the remuneration of the Group Leadership members and preparing the principles underlying the remuneration of Tietoevry personnel. The Board of Directors decides on the remuneration of the President and CEO and other members of the Group Leadership based on a proposal by the Remuneration Committee.

Summary of the Remuneration of Tietoevry's President and CEO

Element	Purpose	Description	Execution 2021
Salary	Recognition for continuous daily contribution and provides core remuneration for the role.	Fixed compensation for performing defined job responsibilities. In addition to monthly salary, the President and CEO can be paid car and mobile phone benefits as per company policy. Salary is reviewed annually based on the individual's performance and salary market conditions. Weighting of the reward factors for the President and CEO is described in a separate table. The reward targets are set annually by the Board of Directors.	There were no changes done to the base salary of the CEO during 2021.
Short-term incentive plan	Incentivizes delivery of the company's annual financial and operational goals.	Cash-based plan that rewards the short-term (12-month) success of the company and the individual. The bonus for the President and CEO is 75% of the annual base salary when the performance is at expected level; the maximum bonus for the President and CEO is 150%[1]. The amount of bonuses is decided by the Board of Directors after the consolidated financial statements have been prepared.	Short-term incentives were paid in 2021 based on 2020 performance. The CEO's short-term incentives are connected to the company's total performance by plan KPIs; their achievement was 104.97%. Payment was made in March after Board approval.
Long-term incentive plan	Rewards for sustained increase in shareholder value and encourages ownership culture.	Share-based plans reward leadership and key employees for company growth and achievement of defined strategic goals. LTI plans are annually commencing plans with a three-year performance period. Key principles of Tietoevry's share plans – such as the basis and size of rewards – are described on the company's website.	In spring 2021, the 2018–2020 LTI plan share delivery was conducted based on the achievement of plan KPIs. The target achievement was 80%. Shares were delivered after the Board approval. The KPIs and weights used in this plan were EPS 30%, TSR 20% and growth 50% weight.
Additional pension	Provides appropriate retirement benefits.	President and CEO: defined contribution (DC) plan where the expenditure is 23% of the annual base salary. Retirement age is 63.	The company paid the agreed contribution to the pension plan.
Clawback	Protects company interests in case of misconduct, restatement or misstatement of results.	Clawback provisions apply to STI and LTI plan rewards in exceptional circumstances such as misconduct or misstatement of financial results.	
Share ownership	Encourages building a meaningful shareholding in Tietoevry, ensuring alignment with shareholders.	The recommended minimum investment in the company's shares corresponds to the executive's one-time annual gross base salary.	The amount of shares owned by the CEO at the end of 2021 was 58 439.
Service contracts and severance pay	Provides for clear contractual terms.	President and CEO: if the agreement is terminated by Tietoevry, the notice period is twelve months. In the event of termination, the company shall pay a severance payment equivalent to the base salary and the short-term target incentive for six months in addition to the salary for the notice period. If the agreement is terminated by the President and CEO, the notice period is six months. Change of control terms are the same as in termination except for the monetary value of the maximum amount of shares granted to him in the most recent long-term incentive plan in addition to the salary for the notice period.	

[1] Short-term incentive target and maximum value valid as of 5 Dec 2019

President and CEO

Kimmo Alkio	
Salary 2021	EUR 807 300
Benefits 2021	EUR 34 670
Bonus 2020	EUR 847 424, paid in 2021 based on performance in 2020
Bonus 2021	EUR 484 380 paid in 2022 based on performance in 2021
Basis of bonus 2021	Target 75% of base salary based on the Group's external revenue and profit, PDS external revenue and profit and strategy implementation when achievements meet the targets. Maximum 150% of base salary based on the Group's external revenue, profit and strategy implementation when achievements exceed the targets. Weighting of the reward factors: • Group revenue 30% • Group adjusted profit 30% • Adjusted free cash flow 10% • Strategic and operational goals 30%
Long-Term Incentive Plan 2018–2020	In March 2021, a total of 9 729 shares were transferred to the CEO based on criteria attainment. In addition, a cash portion corresponding to a value of 8 576 shares was paid. The total value of the paid gross reward was EUR 509 814.
Pension expenditure, voluntary defined contribution (DC) plan	EUR 205 054[1)]
Share ownership in Tietoevry on 31 December	58 439

[1)] 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.

Plan period	Unvested Long-Term Incentives
Long-Term Incentive Plan 2019–2021	Entitled to 29 433 Performance Shares if the target levels of the performance metrics are met, and to 58 866 shares at maximum. The performance period of the plan is 2019-2021. The share allocation at target level equalled 100% of annual base salary at the time of grant. The fair value of the allocation amounts to EUR 800 731[2)].
Long-Term Incentive Plan 2020–2022	Entitled to 40 600 Performance Shares if the target levels of the performance metrics are met, and to 101 500 shares at maximum. The performance period of the plan is 2020-2022. The share allocation at target level equalled 125% of annual base salary at the time of grant. The fair value of the allocation amounts to EUR 792 138[2)].
Long-Term Incentive Plan 2021–2023	Entitled to 37 900 Performance Shares if the target levels of the performance metrics are met, and to 75 800 shares at maximum. The performance period of the plan is 2021-2023. The share allocation at target level equalled 125% of annual base salary at the time of grant. The fair value of the allocation amounts to EUR 979 002[2)].

[2)] The fair market value for the Long-term Incentive Plans is calculated using the latest performance estimates and the value of the Tietoevry share on 31 December 2021, EUR 27.48

Updated information on the shares and options held by the President and CEO is available on the company's website at www.tietoevry.com/investors under the insider register.

Remuneration of the Board

According to the decision of Tietoevry's AGM 2021, the annual remuneration of the Board of Directors is the following:

- EUR 125 000 to the Chairperson,
- EUR 70 000 to the Deputy Chairperson and
- EUR 53 000 to the ordinary members of the Board of Directors.

In addition to these fees, the Chairperson of a permanent Board Committee receives an annual fee of EUR 20 000 and a member of a permanent Board Committee receives an annual fee of EUR 10 000. In addition, remuneration of EUR 800 is paid to the Board members elected by the Annual General Meeting for each permanent or temporary committee meeting. Further, remuneration for employee representatives elected as ordinary members of the Board of Directors will be an annual fee of EUR 15 000, which is paid in cash only.

Further, the AGM 2021 decided that part of the fixed annual remuneration may be paid in the company's shares purchased from the market. An elected member of the Board of Directors may, at his/her discretion, choose to receive the fee from the following alternatives:

1. No cash, 100% in shares
2. 25% in cash, 75% in shares
3. 50% in cash, 50% in shares
4. 75% in cash, 25% in shares
5. 100% in cash, no shares.

No restrictions have been set on Board members concerning how they may assign these shares, but the company recommends that Board members should retain ownership of all the shares they have received as remuneration for as long as they serve on Tietoevry's Board.

In addition to the share remuneration, the Board members do not belong to or are not compensated with other share-based arrangements, nor do the members have any pension plans at Tietoevry. Tietoevry executives or employees are not entitled to compensation for their Board positions or meeting attendance in the Group companies, with the exception of the employee representatives elected as ordinary members to the parent company's Board of Directors. None of the Board members, except the personnel representatives, have an employment relationship or service contract with Tietoevry.

Compensation of individual Board members and the Board in 2021[1)]

	Annual remuneration		
Name	EUR[2)]	Shares[3)]	Meeting based, EUR
Tomas Franzén, Chairperson Board and RC[4)]	72 515	2 484	23 200
Timo Ahopelto, Deputy Chairperson[4)]	40 023	1 370	18 400
Harri-Pekka Kaukonen, Chairperson ARC[4)]	41 505	1 422	26 400
Rohan Haldea[5) 9)]	53 000	—	7 200
Liselotte Hägertz Engstam[6)]	47 272	539	22 400
Angela Mazza Teufer[7) 8)]	13 256	1 362	8 800
Katharina Mosheim[6)]	39 752	454	17 600
Salim Nathoo[5) 10)]	63 000	—	7 200
Niko Pakalén[6)]	47 272	539	19 200
Endre Rangnes[4)]	31 514	1 079	16 800
Leif Teksum[6)]	47 272	539	15 200
Tommy Sander Aldrin, personnel rep.	15 000		
Ola Hugo Jordhoy, personnel rep.	15 000		
Anders Palklint, personnel rep.	15 000		
Ilpo Waljus, personnel rep.	15 000		
In total	**556 380**	**9 788**	**189 600**

1) The Board members have not received any other benefits.
2) Gross compensation before taxes.
3) Shares were purchased and delivered in May 2021.
4) 50% in cash, 50% in shares.
5) 100% in cash.
6) 75% in cash, 25% in shares
7) 25% in cash, 75% in shares.
8) Board member as of 25 March 2021.
9) Board member until 7 September 2021.
10) Board member until 19 July 2021.

Board of Directors' shareholdings in Tietoevry[11)]

Name	At 31 Dec 2021	At 31 Dec 2020
Tomas Franzén, Chairperson Board and RC	7 408	4 924
Timo Ahopelto, Deputy Chairperson	5 424	4 054
Harri-Pekka Kaukonen, Chairperson ARC	7 893	6 471
Rohan Haldea [9)]	N/A	—
Liselotte Hägertz Engstam	3 381	2 842
Angela Mazza Teufer	1 362	N/A
Katharina Mosheim	1 052	598
Salim Nathoo [10)]	N/A	—
Niko Pakalén	2 786	2 247
Endre Rangnes	6 274	5 195
Leif Teksum (partly via Teklei Consulting AS)	8 448	7 909

11) Corporations over which the Board members exercise control did not have shares or share-based rights on 31 December 2021, except Teklei Consulting AS of Leif Teksum.

Comparative remuneration data

Information in the next table is based on Tieto's data for 2016–2018. Years 2019 to 2021 include combined data for Tieto and EVRY. In 2021, Tietoevry's operating profit includes EUR 104.0 million in capital gains from divestments, whereas in 2020, adjustment items included substantial costs related to integration. Eliminating all non-recurring items, adjusted[3] operating profit (EBITA) stood at EUR 367.8 (355.0) million.The demographics of the workforce changed and the number of employees increased significantly following the merger of Tieto and EVRY on 5 December 2019. CEO remuneration consists of gross rewards paid during the reported year. 2019 and 2020 include a merger success bonus related to the merger of Tieto and EVRY. Personnel attrition rates were on the rise across the industry during 2021. While talent attraction has been high at Tietoevry, productivity in the consulting business has been somewhat impacted by high attrition. As a result, the average salary level has been on the rise. Employee average compensation in 2020 and 2021 is based on personnel expenses divided by the average number of employees.

[1] Years 2019 to 2021 include combined data for Tieto and EVRY
[2] For the years 2020 and 2021 we use the average number of employees; for the other years, the end-of-year employee figures are used
[3] Adjusted for restructuring costs, capital gains/losses, goodwill impairment charges and other items affecting comparability

	2017	2018	2019[1]	2020[1]	2021[1]
Revenue, EUR million	1 543.4	1 599.5	1 734.0	2 786.4	2 823.4
Operating profit (EBIT), EUR million	139.1	154.7	124.2	146.7	382.0
Board remuneration, EUR	518 000	450 800	613 500	641 300	556 380
CEO remuneration, EUR	1 160 985	1 788 302	2 589 032	2 636 446	2 404 562
Employee remuneration, EUR, average per employee	59 551	60 710	62 155	62 452[2]	64 084[2]

Financials

1) Unaudited

About Tietoevry

TietoEVRY Corporation ("Tietoevry") is a Finnish public limited liability company. Headquartered in Finland, Tietoevry is a leading Nordic digital services and software company that employs around 24 000 experts globally. Tietoevry serves thousands of enterprise and public sector customers in more than 90 countries. The company's shares are listed on the NASDAQ in Helsinki and Stockholm and the Oslo Børs.

In 2021, the Group comprised six operating segments: Digital Consulting, Cloud & Infra, Industry Software, Financial Services Solutions, International Operations and Product Development Services. The Group's new segments effective as from 1 January 2022 are described in the Strategy section.

Highlights of 2021

- The company's growth agenda materialized during the second half of 2021. Tietoevry saw strong performance in its software businesses as well as Product Development Services and International Operations.
- The two-year integration programme was completed with successful operational integration and synergy realization. The company achieved a run-rate of EUR 97 million by the year-end. The total cost synergy target of EUR 100 million is anticipated to be achieved during 2022.
- Tietoevry divested its oil & gas software business and three smaller software businesses during the year, resulting in capital gains of EUR 104.0 million.
- Tietoevry announced a new strategy in October 2021, driving growth and expansion through specialization. To capture the momentum of the cloud-native and software market, Tietoevry has established six specialized end-to-end businesses, which took effect on 1 January 2022.
- The talent market was active. Over 5 700 recruitments (gross) during the year demonstrated the strong employer attractiveness of the company.
- In the full year, revenue was up by 1.3%. Adjusted operating profit[1)] (EBITA) was up to EUR 367.8 (355.0) million, representing a margin of 13.0% (12.7). Profitability was somewhat affected by higher salary inflation.
- Operating profit (EBIT) was up to EUR 382.0 (146.7) million.

[1)] Adjustment items include restructuring costs, capital gains/losses, impairment charges and other items affecting comparability.

Five-year key figures

	2021	2020	2019	2018	2017
Revenue, EUR million	2 823.4	2 786.4	1 734.0	1 599.5	1 543.4
Operating profit (EBIT), EUR million	382.0	146.7	126,8	154.7	139.1
Operating margin (EBIT), %	13.5	5.3	7.3	9.7	9.0
Adjusted[1] operating profit (EBITA[2]), EUR million	367.8	355.0	199.4	168.0	161.4
Adjusted[1] operating margin (EBITA[2]), %	13.0	12.7	11.5	10.5	10.5
Profit before taxes, EUR million	353.8	122.4	100.8	152.8	135.7
Earnings per share, EUR					
Basic	2.46	0.80	1.02	1.67	1.46
Diluted	2.46	0.80	1.02	1.66	1.46
Equity per share, EUR	15.38	13.73	14.27	6.54	6.46
Dividend per share, EUR	1.40	1.32	0.64	1.45	1.40
Capital expenditure, EUR million	80.8	83.5	51.4	45.0	50.8
Acquisitions, EUR million	—	0.6	175.7	14.5	49.3
Return on equity, 12-month rolling, %	16.9	5.7	7.3	25.7	22.3
Return on capital employed, 12-month rolling, %	13.7	5.2	6.9	20.9	20.5
Gearing, %	33.5	54.3	63.4	28.5	32.7
Interest-bearing net debt, EUR million	610.6	883.3	1 070.0	137.4	155.7
Equity ratio, %	51.6	45.9	44.5	41.3	42.5
Personnel on average	23 824	23 788	15 950	14 907	13 889
Personnel on 31 Dec	24 389	23 632	24 322	15 190	14 329

[1] Adjustment items include restructuring costs, capital gains/losses, impairment charges and other items affecting comparability.
[2] Profit before interests, taxes and amortization of acquisition-related intangible assets.

See calculation of key figures on page Alternative performance measures.

IT market development

The rapidly changing market provides significant growth opportunities for Tietoevry. Creating superior experiences enabled by hyperconnected data continues to be a strong driver for investments across industries. Customers are considering how to utilize the benefits of data even faster to be able to launch highly advanced digital experiences supported by real-time and personalized services.

Innovations driving digital experiences are enabled by cloud technologies. Cloud enablement and agile development methods, DevOps, are becoming a standard way of delivering services. The focus is clearly geared towards cloud-native development, with investments in data and analytics, data management, data engineering and data platforms on the one hand, and investments in cloud-native application development on the other.

In parallel with cloud-native development, customers will continue the modernization of their business processes, applications and infrastructure. Hence, investments are also being geared towards the market with modernization programmes. As price erosion in these traditional segments will accelerate further, competitiveness requires scale.

The overall addressable market for Tietoevry is anticipated to grow by around 3% during 2022, impacted by an estimated decline of 5–10% in traditional managed services. The market for software and cloud-native services is anticipated to grow by around 10%. This polarized market is calling for specialization reflecting a distinctive competitive advantage in each service segment in order to capture the identified opportunities.

New strategy launched in 2021 – growth through specialization

Tietoevry announced a new strategy in October 2021, driving growth and expansion through specialization. Investments will be focused on businesses where the company sees competitive advantages and sustainable growth:

- cloud-native services
- data and software engineering
- scalable software businesses,

including their global expansion potential.

In the areas of traditional managed application and infrastructure services, the company sees new partnerships as potential means to build scale and pursue joint investments.

Six specialized businesses established

To capture the momentum of the cloud-native and software market, Tietoevry has established six specialized end-to-end businesses. These businesses have full operational responsibility, including go-to-market, service portfolio, investments and partnerships. Reflecting the distinct market dynamics of each, the individual businesses have optionality to build scale and prioritize investments.

The businesses – and their new names as from January 2022 – forming the reportable segments as from the first quarter of 2022 are described below:

Tietoevry Create accelerates customers' digital agenda to create competitive products and data-driven businesses utilizing design, data and cloud technologies. This is a global business with software and data engineering at its core.

Tietoevry Transform drives enterprise-wide transformation across customers' business processes, applications and infrastructure. Deep customer knowledge, global cloud & data competencies and automated operations form its foundation.

Tietoevry Connect is a multi-cloud platform provider with a full range of infrastructure choices at scale – ensuring security, resilience and compliance for the customer's business.

Tietoevry Banking aims to be the market-leading financial-software products, platform and services partner in the Nordics and beyond.

Tietoevry Care aims to reinvent the Nordic health and social care sector with modular, open and interoperable software – enhancing care personnel and citizen experience.

Tietoevry Industry is a portfolio of distinct competitive software and data solutions across a wide variety of industry domains. These include the public sector, pulp & paper and utilities.

Scalable common functions, such as Finance, Strategy and HR, continue to support the businesses in driving portfolio development, performance management and efficiency across the company. The new structure took effect on 1 January 2022.

Investment priorities to support scale in distinct businesses

The following investment priorities will drive competitiveness and value creation in each business:

- **Invest to expand** in Tietoevry Create, Tietoevry Care and Tietoevry Banking – invest to accelerate products, services and capabilities; prioritized M&A.
- **Partner to scale** in Tietoevry Transform and Tietoevry Connect – invest in capabilities to drive scale and automated managed services; seek partners (operational and structural) to jointly invest and build scale.
- **Focus for value** in Tietoevry Industry – optimized investments for selected businesses and develop portfolio to increase focus.

Long-term financial targets

The financial targets announced in December 2020 have been maintained while the new strategy supports potential for enhanced performance. The targets include:

- Growth accelerating to 5% by 2023
- Adjusted EBITA 15% by 2023
- Net debt/EBITDA below 2 by the end of 2022
- One-time items around 1% of revenue post 2021
- Dividends increased annually.

In 2022, one-time costs are expected to be around 1.5% to 2.0% of revenue, primarily driven by the turnaround programme in Cloud & Infra.

Performance in 2022

Strong order backlog and a healthy market are anticipated to contribute to growth ambitions for 2022. Tietoevry estimates its full-year organic growth1) to be 2% to 4%. Good business performance momentum in software businesses is anticipated to continue. In Cloud & Infra, the decline in traditional infrastructure services is anticipated to continue while the negative impact from the customer contracts lost prior to the merger ended in the fourth quarter. Hence, the company has initiated performance acceleration to drive cloud growth and achieve further profit improvement. Cost savings programme with a view to achieving around EUR 50 million in annual savings was announced in February 2022 and it is expected to contribute to performance in the second half of the year.

High personnel attrition is anticipated to continue, impacting the speed of performance improvement in 2022. Personnel costs are affected by salary inflation, expected to be around 3% in the full year 2022. However, salary inflation is partly offset by price increases in some service areas, offshoring and management of the competence pyramid.

[1)] Adjusted for currency effects, acquisitions and divestments

Merger-related synergies

Tietoevry anticipates that the total cost synergy target of EUR 100 million will be achieved by the end of 2022. The company achieved a run-rate of EUR 97 million at the end of 2021. By the end of 2021, accumulated integration costs amounted to EUR 110 million. The total integration costs are expected to be EUR 117 million, well in line with the previously estimated total integration costs of EUR 110–120 million.

Adjustment items

In 2022, one-time costs are expected to be around 1.5% to 2.0% of revenue, primarily driven by turnaround measures initiated in Cloud & Infra, as announced in February 2022. One-time costs also include the remaining integration costs, mainly related to the brand and identity programme.

Financial performance

Full-year revenue increased by 1.3% to EUR 2 823.4 (2 786.4) million. Organically, revenue remained at the previous year's level. Growth was impacted by the decline in Cloud & Infra whereas software businesses as well as International Operations saw strong growth. Positive currency changes had an impact of EUR 78 million on revenue while the impact of divestments was EUR 33 million. Full-year operating profit (EBIT) amounted to EUR 382.0 (146.7) million, representing a margin of 13.5% (5.3). Merger-related synergies supported profit improvement during the year.

Depreciation and amortization amounted to EUR 170.1 (175.8) million, including EUR 71.2 (72.7) million in depreciation of right of use assets (IFRS 16 impact) and EUR 47.3 (45.5) million in amortization of acquisition-related intangible assets. Net financial expenses stood at EUR 28.1 (24.4) million. Net interest expenses were EUR 21.1 (22.3) million and net losses from foreign exchange transactions EUR 4.8 (gains 0.8) million. Other financial income and expenses amounted to EUR -2.3 (-2.9) million.

Earnings per share (EPS) totalled EUR 2.46 (0.80).

[1)] Adjustment items include restructuring costs, capital gains/losses, impairment charges and other items affecting comparability.

Adjusted[1)] results

Operating profit includes EUR 61.5 (-162.8) million in adjustment items, mainly related to capital gains from divestments and integration costs. In 2020, adjustment items included substantial costs related to integration, the ending of the SmartUtilities platform and redefined IBM partnership. Adjusted[1)] operating profit (EBITA) stood at EUR 367.8 (355.0) million, or 13.0% (12.7) of revenue. Further details on adjusted items are available in the Alternative Performance measures paragraph. Adjusted[1)] earnings per share amounted to EUR 2.20 (2.16).

Financial performance by segment

EUR million	Revenue 1–12/2021	Revenue 1–12/2020	Change %	Operating profit 1–12/2021	Operating profit 1–12/2020
Digital Consulting	667.5	662.0	1	82.4	70.8
Cloud & Infra	853.8	931.6	-8	30.0	36.6
Industry Software	522.7	501.1	4	223.4	38.8
Financial Services Solutions	471.0	418.8	12	43.2	10.0
Product Development Services	153.3	142.4	8	17.3	17.7
Other	155.1	130.5	19	-14.1	-27.2
Group total	**2 823.4**	**2 786.4**	**1**	**382.0**	**146.7**

Operating margin by segment

%	Operating margin 1–12/2021	Operating margin 1–12/2020	Adjusted[2] operating margin 1–12/2021	Adjusted[2] operating margin 1–12/2020
Digital Consulting	12.3	10.7	13.9	14.0
Cloud & Infra	3.5	3.9	7.2	10.0
Industry Software	42.7	7.7	24.0	18.3
Financial Services Solutions	9.2	2.4	13.8	13.0
Product Development Services	11.3	12.4	11.5	12.7
Total	**13.5**	**5.3**	**13.0**	**12.7**

[2] Adjustment items include restructuring costs, capital gains/losses, impairment charges and other items affecting comparability.

In **Digital Consulting**, revenue was organically[1] down by 2%. Growth remained healthy in areas such as Cloud and Data & Analytics while traditional application services continued to decline. At the beginning of the year, growth was negatively impacted by the pandemic. Adjusted operating margin remained at the previous year's level at 13.9% (14.0), impacted by higher salary inflation and an increase in attrition during the year.

In **Cloud & Infra**, revenue was organically[1] down by 11%, mainly driven by contracts lost prior to the merger in 2019. Adjusted operating margin was down to 7.2% (10.0). The turnaround programme focusing on delivery capacity reduction in legacy services and the high automation level are expected to support profit improvement.

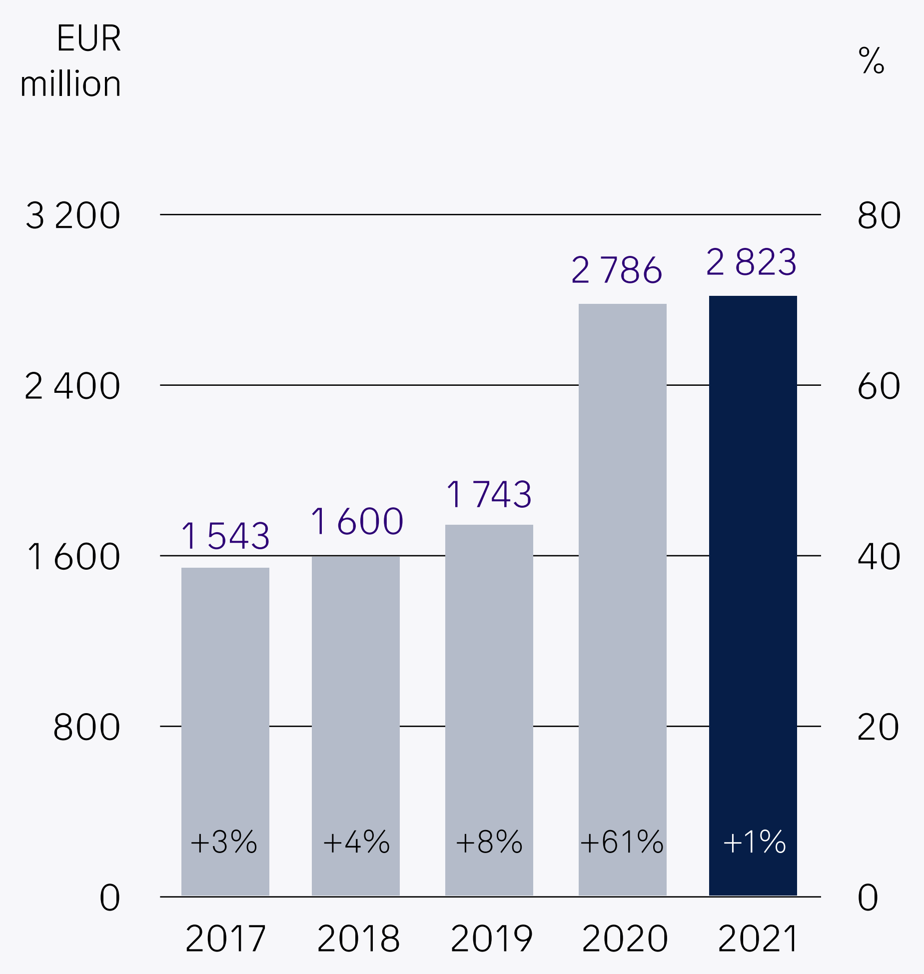
In **Industry Software**, revenue was organically[1] up by 8%. Industry Software saw strong growth across the businesses, including Health & Care. Adjusted operating margin improved to 24.0% (18.3), mainly driven by revenue growth and continuous efficiency improvement.

In **Financial Services Solutions**, revenue was organically[1] up by 8%, driven by the core banking, credit and cards businesses. Adjusted operating margin improved to 13.8% (13.0), mainly driven by revenue growth and continuous efficiency improvement.

In **Product Development Services**, revenue was organically[1] up by 5%. Growth was driven by the Mobile Networks and Automotive industries. Adjusted operating margin was 11.5% (12.7), somewhat down due to high attrition, increased subcontracting and salary inflation. New customers in the electronics and automotive segments coupled with an extended partnership with Ericsson and the R&D centre built in Nanjing, China, are supporting future growth.

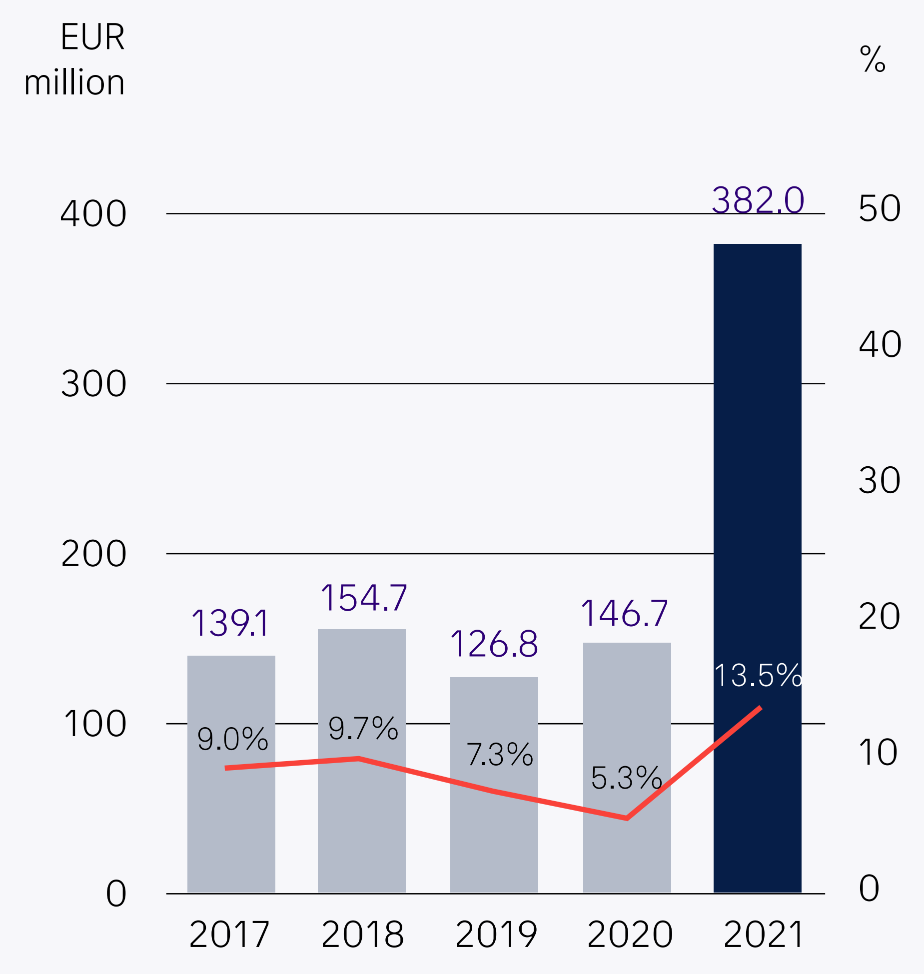
[1] Adjusted for currency effects, acquisitions and divestments.

Revenue and growth



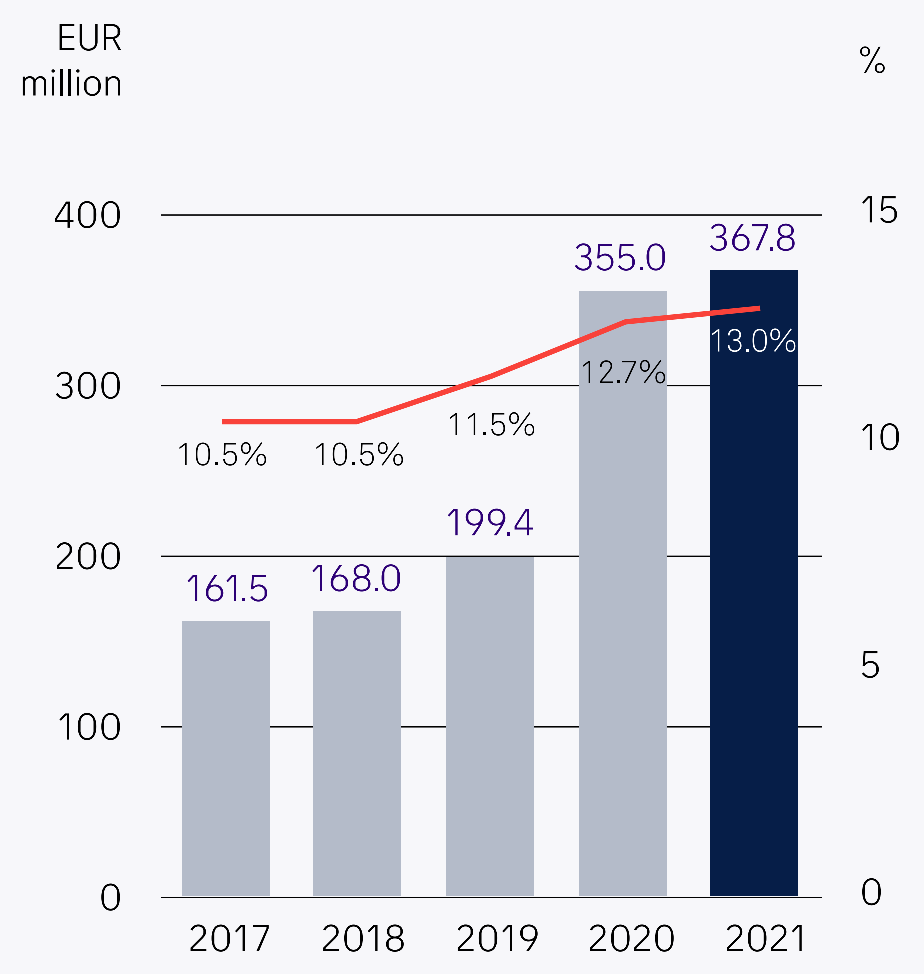
EVRY consolidated as from 5 Dec 2019

Operating profit (EBIT) and margin



EVRY consolidated as from 5 Dec 2019

Adjusted operating profit (EBITA) and margin



EVRY consolidated as from 5 Dec 2019

Cash flow and financing

Full-year net cash flow from operations amounted to EUR 367.5 (354.7) million, including an increase of EUR 26.9 (decrease of 67.2) million in net working capital.

Payments for restructuring amounted to EUR 21.1 (29.6) million.

Full-year tax payments were EUR 40.6 (28.9) million. Tax rate was 17.6%, mainly due to tax exempt income.

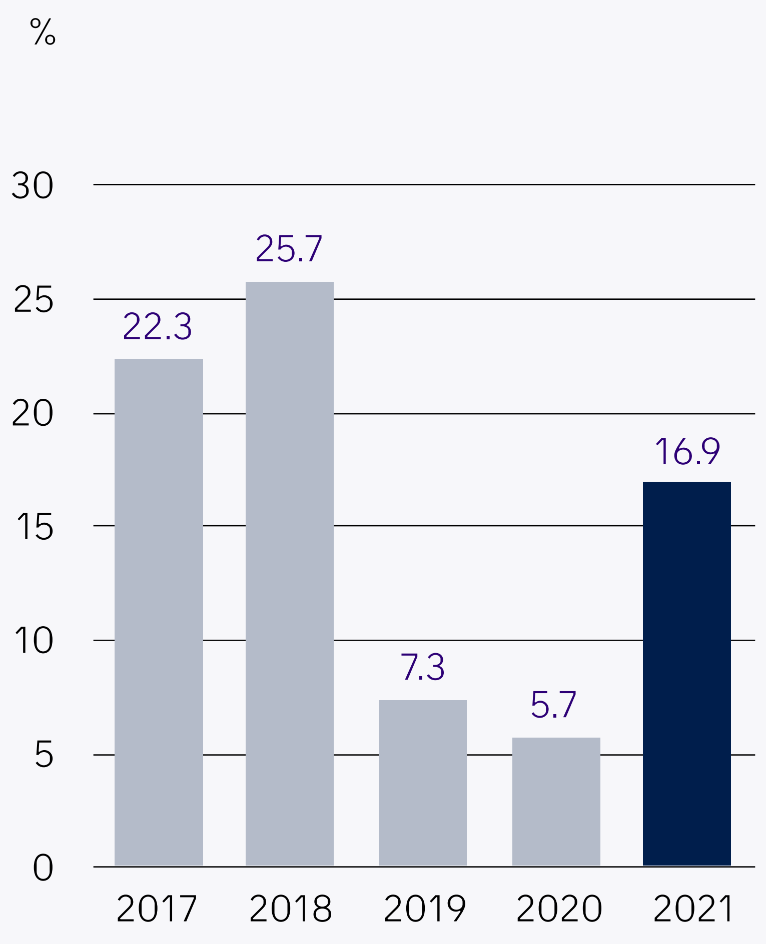
Capital expenditure totalled EUR 80.8 (83.5) million, mainly consisting of investments in data centres and the capitalized costs for the development of software. Capitalized costs for industry-specific software amounted to EUR 42.6 (51.0) million. Capital expenditure represented 2.9% (3.0) of revenue.

The equity ratio was 51.6% (45.9). Gearing decreased to 33.5% (54.3). Interest-bearing net debt totalled EUR 610.6 (883.3) million, including EUR 763.1 (925.5) million in interest-bearing debt, EUR 206.5 (243.1) million in lease liabilities, EUR 5.6 (5.2) million in finance lease receivables, EUR 29.5 (27.9) million in other interest-bearing receivables and EUR 323.8 (252.3) million in cash and cash equivalents.

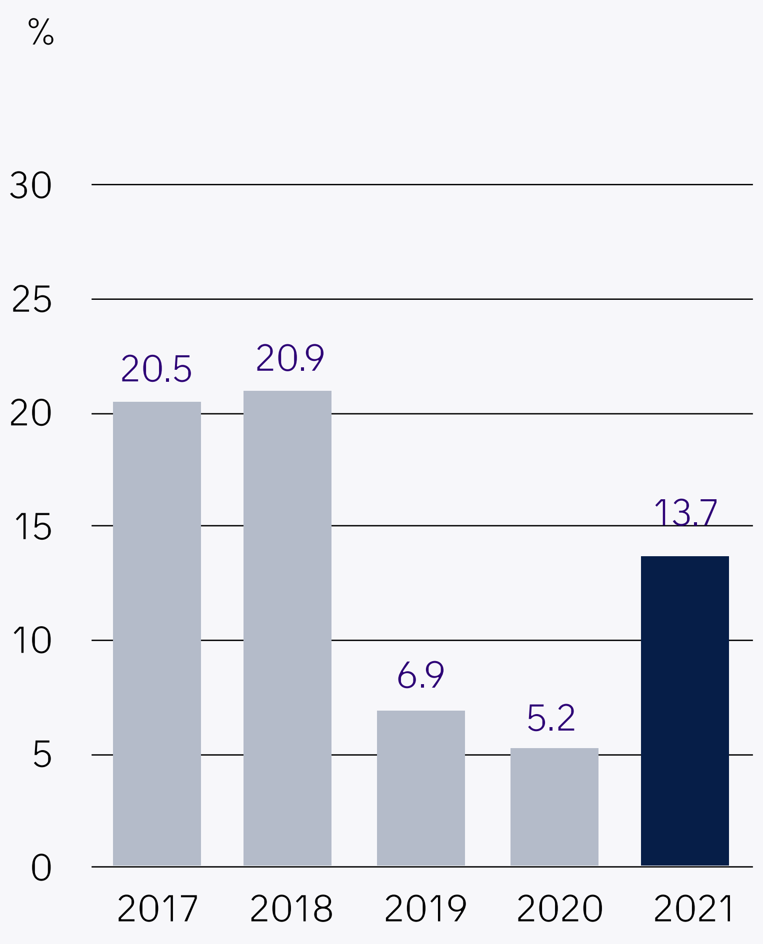
Interest-bearing long-term liabilities amounted to EUR 875.6 (1 056.9) million at the end of December. The company has two bonds outstanding, EUR 100 million maturing in September 2024 and EUR 300 million in June 2025. Additionally, interest-bearing long-term liabilities primarily consist of a syndicated term loan, a loan from the European Investment Bank and lease liabilities of EUR 144.0 million.

Interest-bearing short-term liabilities amounted to EUR 94.0 (111.7) million, mainly related to leasing liabilities. The committed revolving credit facility of EUR 250 million expiring in September 2024 was not in use at the end of December.

Return on equity, %



Return on capital employed, %



Investments and development

Tietoevry is seeking to achieve a growth rate of 5% by 2023. A significant part of the company's investments will be made in areas such as its own industry-specific software, data & analytics and cloud services.

Tietoevry's offering development costs amounted to around EUR 127 (2020: 135 and 2019[1)]: 80) million, representing 4.5% (2020: 4.8% and 2019[1)]: 4.6%) of the Group's revenue. Of these costs, EUR 42.6 (51.0) million were capitalized.

Capital expenditure totalled EUR 80.8 (83.5) million, mainly consisting of investments in data centres and the capitalized costs for the development of software. Capitalized costs for industry-specific software amounted to EUR 42.6 (51.0) million. Capital expenditure represented 2.9% (3.0) of revenue.

[1)] Includes only development costs of Tieto

Order backlog

The significance of traditional measures for the order backlog is impacted by the shift from traditional large outsourcing agreements towards agile methods and consumption-based business models. Additionally, traditional development programmes are cut into smaller projects. While this change in customer behaviour affects the order backlog levels, it is not expected to have any significant impact on Tietoevry's market opportunities and business outlook.

Tietoevry's order backlog amounted to EUR 3 513 (3 350) million at the end of December. Of the backlog, 50% (49) is expected to be invoiced during 2022. The order backlog includes all signed customer orders that have not been recognized as revenue, including estimates of the value of consumption-based contracts.

Major agreements

Tietoevry has signed a number of new agreements during the period with customers across all the businesses. However, according to the terms and conditions of these agreements, Tietoevry is not able to disclose most of the contracts.

In January, Arva AS chose Tietoevry as its partner to implement Microsoft Dynamics 365 business solutions as part of its ARVAneXT initiative to become one of the most efficient energy companies in Norway. By virtue of its ability to attract leading talents in the market, nomination as Microsoft's Partner of the Year 2020 and industry knowledge, Tietoevry as a leading player in the Nordics is in a unique position to help Arva realize its ambitions. This four-year agreement has a contract value of NOK 27 million and includes an option to extend the delivery by another two years.

In February, Tietoevry and LocalTapiola signed a contract on new co-operation that expands the use of cloud services. In addition, Tietoevry provides support to LocalTapiola within end-user services and application development. Moving to a public and multi-cloud environment supports the implementation of LocalTapiola's strategy and provides speed and flexibility to the company's business development. The three-year contract, including an option for a two-year extension, is worth EUR 45 million.

In February, KEHA Centre – the Development and Administrative Services Centre for the Centre for Economic Development, Transport and the Environment – chose Tietoevry as its partner for development and expert services for extensive development packages. The aim is to modernize and streamline the case management of government agencies, as well as to make the daily life of citizens easier with more efficient services and better data utilization. The KEHA Centre procurement consisted of two separate tenders. It selected Tietoevry as its main partner in permit and monitoring services.

In February, Systembolaget chose Tietoevry as a partner in the roll-out of new hardware for around 2 000 point-of-sale equipment in 450 stores. The roll-out started in the second quarter and lasted until the fourth quarter of 2021. By replacing hardware, the customer can take full advantage of its new applications, including touch screens and better security, and at the same time manage the life cycle of its infrastructure. Tietoevry and its subcontractors handled all logistics, installations and recycling of the current hardware.

In February, the municipality of Uddevalla signed an agreement with Tietoevry for eCompanion, an end-to-end, user-friendly digital solution for municipal HR and payroll. The solution will be delivered as a cloud service that includes consulting and system support for all HR and payroll processes. The contract is valued at SEK 43 million and covers a period of 16 years, including optional year extension.

In March, Lyse decided to extend its agreement with Tietoevry with another three years and an option for a further two years. Tietoevry will transform Lyse to the new Hybrid Cloud (HIaaS), securing Lyse the best solution from both public cloud and private cloud and ensuring effective and smooth operation for end-users. Tietoevry is providing Lyse with the full stack including infrastructure, consultancy, security, end user, data management, UX and ERP services. The agreement has a value of approximately EUR 18 million.

In March, Valmet Automotive, one of the largest vehicle contract manufacturers in the world, extended its agreement with Tietoevry with the objective of modernizing Valmet Automotive's IT infrastructure. The contract period is four years and has an option of one additional year. The extension has an estimated value of over EUR 10 million.

In March, IF Insurance and Tietoevry extended their collaboration into the application development and maintenance space. Tietoevry was chosen as IF's partner to provide Cobol experts to secure the need for competences in business-critical applications in a technology area with scarce market availability. The agreement is estimated to be valid for over five years and have a value of approximately EUR 5 million.

In March, Ellevio and Tietoevry concluded a software management agreement regarding Tietoevry's energy utilities products. The agreement worth SEK 25 million is a continuation to their co-operation – Tietoevry has been working with Ellevio on engineering data regarding Ellevio's customers and invoicing since 2019.

In April, Tietoevry and DNB entered into a strategic agreement which will provide the client with innovative, future-oriented solutions and access to high-tech expertise that meets the needs of a modern and digital bank. The agreement represents a contract framework with a value of around EUR 200 million over three years and serves to strengthen Tietoevry's position as a leading Nordic supplier of banking technology.

In April, the Helsinki and Uusimaa Hospital District (HUS), the main hospital district in Finland, chose Tietoevry to develop digital health services and the Digital Health Village project. The partnership aims to design better seamless web and mobile healthcare services for Finnish citizens. The e-Health services developed in 2020 include pandemic guidance for citizens and professionals on testing and vaccination, as well as the development of infection-tracking software. Tietoevry is also a strategic partner for HUS in developing data-driven healthcare services, supporting preventive care and more comprehensive care overall. The contract is valid on an ongoing basis and has a maximum annual value of EUR 10 million. The procurement decision comes into effect at the end of the appeal period as set out in the Act on Public Procurement.

In May, Tietoevry and Lowell, an international credit management company, decided to extend their partnership. Lowell has previously been utilizing Tietoevry’s Collection platform, which is now being transitioned to a software-as-a-service solution. With this new agreement, Lowell will be able to improve agility, time to market and efficiency by consolidating services and platforms across markets. They will also secure access to a scalable competence pool of people that can support them to better meet market needs. The agreement initially spans over three years and includes services for Lowell Sweden and Norway.

In May, Tietoevry and The Farmers’ Social Insurance Institution Mela signed a six-year contract on infrastructure services, including data centre services as well as back-up and cybersecurity services. In addition, the agreement covers load balancing, monitoring and data communication services. With this agreement, Tietoevry provides Mela with high-quality, cost-efficient and reliable services supporting business operations.

In June, Visma Finance, one of the leading Nordic ERP providers, chose Tietoevry’s platform for factoring in Norway to be able to scale up its factoring operations in that market. The modular build of Tietoevry's factoring platform will bring a new level of automation to their Norwegian operations, improving operational efficiency and the user experience.

Nordea has appointed Tietoevry as the bank’s provider of a complete set of payment card production and personalization services in Finland, Sweden and Norway. The agreement provides the bank’s customers with quicker access to new card features provided by Tietoevry, such as cards made of sustainable material, eco-friendly designs, biometric fingerprint payments or metal cards. Tietoevry makes use of its extensive partner network of card technology providers for the benefit of its issuer customers. The agreement runs for five years. Nordea’s extensive card portfolio has already been successfully migrated to Tietoevry’s personalization sites in Finland and Norway in a very short period of time.

In June, Tietoevry’s Card Issuing and Financial Crime Prevention reached an important agreement with Bank Norwegian to follow the bank on their journey to Europe by expanding into Germany and Spain. Bank Norwegian’s customers in those countries will get access to market leading credit cards, also covering fraud prevention. The agreement is an extension of their existing partnership, in which Tietoevry is delivering state-of-the-art Software-as-a-Service (SaaS) card services to Bank Norwegian in Norway, Sweden, Finland and Denmark.

In June, Region Skåne prolonged its partnership with Tietoevry in end-user services. Tietoevry will continue to have the full responsibility for delivering all the services required for a modern workplace, including service desk and end-user support. Region Skåne is one of Sweden’s largest county councils. The three-year contract is worth EUR 60 million.

In June, Tietoevry entered into a strategic agreement with the Norwegian Oil and Gas Association (Norog) for the modernization and further development of License2Share. By adopting cloud solutions, modern collaboration technology and seamless integration with other digital work tools, the new solution will simplify the day-to-day work processes of more than 5 000 users across 500 exploration and extraction licences on the Norwegian continental shelf. By combining innovation with new technology, the new solution will also help increase knowledge sharing and will facilitate faster and better decisions.

In July, Tietoevry concluded a continuation to a contract, initially agreed in 2015, with Valtori, the Finnish Government ICT Centre. The new agreement, covering data centre and capacity services, has a contract value of EUR 98 million.

In July, Telia Company and Tietoevry concluded a multi-year agreement. Tietoevry continues to serve Telia as a strategic IT partner, supporting the company in its digital transformation and cloud-first strategy.

In August, Aibel chose Tietoevry to support its digitalization to further accelerate the transformation towards renewable energy solutions. The comprehensive technology agreement with a contract value of around EUR 26 million covers infrastructure and cloud-based services in Europe, Singapore and Thailand. Modern and environmentally friendly technology from Tietoevry will ensure that Aibel will harness the potential of modern cloud solutions to facilitate innovation and provide a high degree of security and scalability.

In August, Ilmarinen, Finland’s largest private earnings-related pension insurance company, and Tietoevry agreed on a strategic partnership in the area of insurance processes. The co-operation commenced in September and it will cover the development of insurance processes and related solutions as well as a wider scope of application maintenance services across a variety of Ilmarinen’s other processes, and support functions. With this new partnership, Tietoevry commits to support Ilmarinen’s business targets and holds the key role in the planning and implementing of the client’s digitalization strategy.

In September, OP Financial Group and Tietoevry signed a multi-year agreement on renewal and modernization of application development, and maintenance collaboration in digital services. The agreement is valid for over five years and has a value of approximately EUR 16 million for maintenance services.

In September, Tietoevry announced that it will build an R&D centre in Nanjing, China. Through its extended competences and capabilities in China, the company aims to scale up its activities in the development of the latest Automotive, Smart Electronics, and Telecommunication Software technologies and related services. This establishment followed an extended partnership with Ericsson. Related revenue contribution started in November with 330 employees having joined the company. The two-year agreement represents value of around EUR 30 million.

In October, Tietoevry extended its collaboration with MedMera Bank through the deployment of advanced AI and Machine Learning solutions. The new technology supports fast, evidence-based decision-making based on profit scoring, which ultimately reduces customer churn.

In November, the City of Stockholm and Tietoevry concluded a long-term contract on next-generation IT services. The contract covers the development, administration and operation of IT systems. Tietoevry will provide the City of Stockholm with an IT environment covering state-of-the-art digital services, including automation and AIOps (AI within IT operations), to modernize an application and infrastructure landscape meeting high regulatory requirements and standards. The agreement initially runs for a period of seven years and includes options for extension to a maximum of eight years. The agreement is expected to represent a potential total contract value of approximately SEK 4 billion over 15 years.

In November, SEB and Tietoevry prolonged their strategic collaboration within Cards. The agreement covers the production and personalization of cards for SEB Group in a cost-efficient and sustainable way for the Swedish, Norwegian, Finnish and Danish markets.

In December, Equinor, one of the long-term key customers in Digital Consulting in Norway, extended its partnership with Tietoevry even further. Tietoevry will deliver more services in new areas. The company’s services strongly contribute to Equinor's business optimization, digitalization and ambitions for sustainable growth.

In December, Länsförsäkringar extended its collaboration with Tietoevry within card services. Tietoevry will deliver card services, including fraud detection and prevention, to Länsförsäkringar's banking and Wasa Kredit operations in Sweden. The contract is valued at over EUR 30 million and is an extension until the end of 2026.

In December, Bankomat and Tietoevry renewed their agreement on IT services for ATMs. This includes all Bankomat’s ATMs and cash recyclers in Sweden. The ATM service delivery covers a wide range of services such as withdrawal and deposit of cash, cash administration, second-line maintenance of the ATMs and recyclers, first-line help desk for Bankomat’s users, network services connecting all the ATMs and a cash depot system that was launched in 2021. The co-operation has been ongoing since 2011, and this extension is valid for three years until the end of March 2025 at a value of EUR 29.6 million.

In December, Systembolaget extended its strategic collaboration for Tietoevry to deliver IT operations, including infrastructure, service desk, application operations, CaaS (Client as a Service) and mobility services for Systembolaget in Sweden. The co-operation started in 2011 and the contract has now been prolonged until May 2025 at a value of EUR 28 million. With its simplified and reliable service delivery, Tietoevry will continue to support Systembolaget in its digital and sustainable transformation.

In December, Region Västernorrland renewed its collaboration with Tietoevry. Following a procurement process, Tietoevry was chosen to deliver services for data centres, communications and networks. These services cover core infrastructure, service desk, application operations and infrastructure consulting. The services help approximately 6 000 users in hospitals and health centres in all locations in the region, and are delivered primarily in the client's data centre. The contract with a value of approximately EUR 18 million is valid for four years and includes an option to extend by two years.

In December, The Finnish Posti Group and Tietoevry signed a three-year contract covering a new SAP S/4HANA implementation on Microsoft Azure. The implementation will accelerate the client's digital transformation and bring scalability and flexibility to Posti's core business areas.

In December, Hospital District of Helsinki (HUS) and Tietoevry agreed on continued support for HUS Health Village, a digital service platform for specialized health care that offers information and support to citizens, care for patients and tools for healthcare professionals. The platform has been produced in collaboration with experts and patients, making health care services available to everyone, regardless of where they live.

In December, Tietoevry announced that it will help the city of Gothenburg drive for greener and fossil-free operations in an eight-year partnership. Göteborgs Stads Leasing (GSL) is driving change with the goal of transitioning the city's vehicles into a fully fossil-free fleet by 2023. With the migration to Tietoevry's leasing and asset finance SaaS platform, GSL is provided with a modern scalable solution enabling highly automated processes and end-to-end support from Tietoevry. The full-service contract is valid for eight years.

In December, Tietoevry announced that the company was chosen by the Swedish Maritime Administration to implement and develop the client's ERP systems. Tietoevry's private cloud solutions and expert teams will respond to the Swedish Maritime Administration's strict requirements for security and accessibility in all parts of its operations. The agreement with an estimated contract value of SEK 100 million initially covers six years and has an option to extend up to twelve additional years.

In December, the Norwegian Digitalization Agency (Digdir) chose Tietoevry as a partner for its transition to a cloud-based architecture. Tietoevry will deliver the scalability and flexibility Digdir requires for a future cloud-based operating platform, which will also be ready for operation in the public cloud. Digdir's joint solutions are part of the numerous business and public sector digital services that are critical for society. Digdir's ambition is to move the platform to the public Microsoft Azure within three years from the delivery date.

Changes in Group structure

On 15 February 2021, Tietoevry announced that it had reached an agreement with Aucerna, a Quorum Software affiliate, to sell its Oil & Gas software business. The conditions required to complete the divestment were fulfilled and the transaction was closed on 7 June. Revenue of the businesses to be divested amounted to around EUR 50 million in 2020 and the number of employees to around 430.

On 13 October 2021, Tietoevry announced that it had signed an agreement to sell its software businesses Alystra, Jydacom and TRYGG/2000 to EG, a Nordic software company. Revenue of the businesses to be divested amounted to around EUR 13 million in 2020. The divestment was closed on 1 December.

Branches

The Group has branches in France, Latvia, Norway, Ukraine and Sweden.

Personnel

The number of full-time employees amounted to 24 389 (23 632) at the end of December. The number of full-time employees in the global delivery centres totalled 12 197 (11 225), or 50.0% (47.5) of all personnel.

The 12-month rolling employee turnover stood at 14.6% (9.7) at the end of December. Group-level salary inflation is expected to be around 3% on average in 2022. Salary inflation is partly offset by price increases in some service areas, offshoring and management of the competence pyramid.

Group personnel and remuneration

	2021	2020	2019
Number of full-time employees, 31 December	24 389	23 632	24 322
Average number of full-time employees	23 824	23 788	15 950
12-month rolling employee turnover, %	14.3	9.7	12.6
Employee benefit expenses, EUR million	1 527	1 486	990

Following the year of integration, 2021 has been a year of building on the foundations of future success – and the common culture. In this year marked by the pandemic, the company continued to focus on the well-being of employees. Tietoevry has successfully adopted new hybrid ways of working – a combination of working remotely and from the office, and launched Hybrid Working Guidelines during the year.

Tietoevry's Human Resources (HR) function is facilitating and enabling the development of our workforce. It also ensures that the company's practices and employee experience improve along with market change. The function is led by our Chief HR Officer, while the HR leads are responsible for country-specific and business-specific HR operations.

The company supports freedom of association and collective bargaining as defined in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work and stated in Tietoevry's Code of Conduct. In addition, the company supports and respects the principles set out in the United Nations' Universal Declaration of Human Rights.

European Works Councils (EWC) are bodies representing European employees. Tietoevry's management works constructively with the employee organizations through both the EWC and local works councils and unions to consult on any significant decision at a European level.

Tietoevry invests in the competence development of its employees. Curiosity and lifelong learning are crucial aspects of the company's culture and success. During 2021, Tietoevry launched a new development and performance management framework, MyGrowth, to drive personal and professional growth by focusing on dynamic goal setting and continuous feedback.

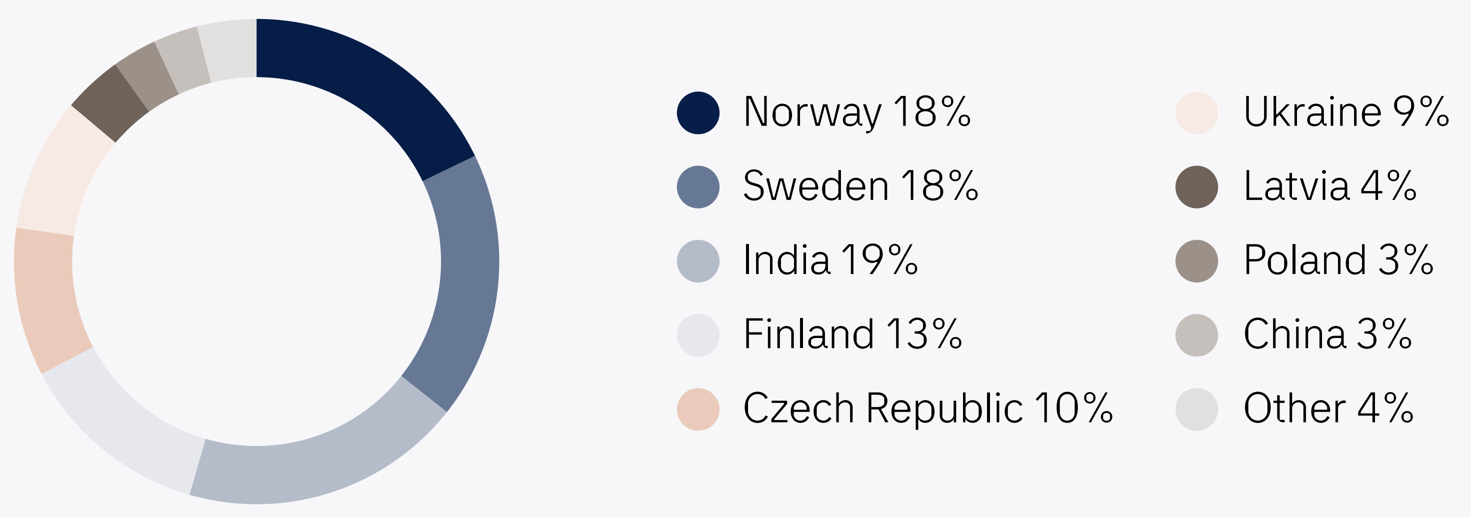
Employee engagement activities are followed up through OurVoice, an employee engagement survey where employees give feedback in key areas. The result of the Tietoevry Engagement Index was 78/100, up from 76 in 2020. Following the strategy update during the year, understanding of the direction as a company was one of the categories that improved during the year.

Diversity and inclusion is a key area in Tietoevry's long-term sustainability plan. The Code of Conduct and the Diversity and Inclusion Charter outline the principles for diversity and inclusion at Tietoevry. Each manager is responsible for ensuring diverse teams, which includes a balanced gender composition that reflects the markets Tietoevry operates in, as well as for engaging their team members to promote inclusive behaviour.

Talent acquisition is based on a global talent pool and, additionally, the company aims to ensure a good blend of age groups. Tietoevry's aspirational goal is to have 40% female employees by 2026 and an equal gender split by 2030. The company successfully increased the percentage of female applicants in the Nordics. The share of female employees of the workforce was 29% and the share of females hired was up by 4 %-points. The Group Executive Management is provided with quarterly updates on development within prioritized areas and specific targets set as part of the inclusion and diversity charter.

Tietoevry contributes to transparency in gender equality by participating in the SHE Index, a voluntary measurement of how companies perform on gender balance, gender equality policies, and diversity and inclusion. Since 2020, Tietoevry has been included in the index for Norway. During 2021, Sweden and Finland have also been included.

Personnel by country



Non-financial information

This section describes Tietoevry's sustainability activities as required in Chapter 3a of the Finnish Accounting Act on non-financial information (NFI). The linkages between NFI areas and Tietoevry's sustainability focus areas are identified in the chart describing policies and processes. More information is available in the Sustainability Report, assured by an external partner.

Description of Tietoevry's business model

Tietoevry is one of the largest digital services and software companies in the Nordics. The company's value-adding services comprise new data-driven and cloud-native services, business-critical software solutions, managed services, product development services and related capabilities to support customers' business renewal, innovation and efficient operations. Tietoevry's role varies from consulting and advisory, designing and building solutions to running IT operations. Our ambition is to co-create new solutions and innovate new data-driven business models with our customers and partners. Value creation and competitiveness are based on solutions combining best-of-breed technologies with integration capabilities, industrialized service delivery and strong global delivery capability.

To capture the momentum of the cloud-native and software market, Tietoevry has established six specialized end-to-end businesses, effective from 1 January 2022. These businesses have full operational responsibility, including go-to-market, service portfolio, investments and partnerships. Built on the solid foundation of the current service lines, these businesses are: Tietoevry Create, Tietoevry Transform, Tietoevry Connect, Tietoevry Banking, Tietoevry Care and Tietoevry Industry.

Description of management of NFI topics

Tietoevry's sustainability work is facilitated by the company's Sustainability Team and supported by the Sustainability Steering Group, chaired by the Vice President, Communication and Sustainability. The Sustainability Steering Group advises the Group Executive Management and Board of Directors and approves the sustainability section of the integrated annual report. The Sustainability Steering Group represents different functions and units of Tietoevry, and many of its members are part of the Group Executive Management. Tietoevry's management and the Board of Directors formally reviewed sustainability matters on two occasions during 2021. The topics included a review of the sustainability strategy 2023, review of NFI information, including sustainability-related risks and the company's societal engagements in 2021, among other things. Operational and business-oriented sustainability topics are delegated to Tietoevry's Sustainability Steering Group, which meets on a bimonthly basis.

In 2020, Tietoevry launched its sustainability strategy 2023. A materiality analysis was used to identify and prioritize the most important topics; this analysis forms the basis of our sustainability strategy and sustainability reporting in accordance with GRI Standards, option Core.

The sustainability strategy is twofold: part of it focuses on the continuous development of the company's responsible operations and the other part on the business impact opportunities we have with our customers. Responsible operations consist of three key themes – climate action, ethical conduct and exciting place to work. Each responsible area has publicly stated goals, and their action plans, implementation and reporting are run by nominated responsible area owners and data partners. The goals and results for responsible operations in 2021 are presented in the table in this section. The business impact opportunities include a range of solutions and services that can improve our customers' sustainability performance and create a positive impact for society. These business opportunities are driven by our cross-service line network consisting of sustainability and technology consultants.

During 2021, the work towards the goals defined in the sustainability strategy continued according to our plan. The pandemic has had no material adverse impact on the company's ability to pursue its sustainable development. The work has continued in the flexible hybrid working mode adopted during the year.

The sustainability strategy 2023 is managed according to Tietoevry's sustainability management process, which follows the United Nations Global Compact Management Model and GRI Standards. Linkages to United Nations Sustainable Development Goals, which are considered a strategic tool enabling corporations to contribute to a more sustainable society, are established by applying principled prioritization. The management of the responsible areas – including policies, processes, due diligence and escalation channels – is illustrated in the chart in this section.

Tietoevry's ethical guidelines are summarized in the Code of Conduct Policy, which applies to all Tietoevry employees, and a separate Supplier Code of Conduct Rule applied to any third party contributing to the company's services, products and other business activities. Both documents are based on the United Nations Global Compact, OECD Guidelines for Multinational Enterprises, ILO Declaration on Fundamental Principles and Rights at Work, the International Bill of Human Rights, UN Rio Declaration on Environment and Development, the UN Convention against Corruption, UK Bribery Act, and US Foreign Corrupt Practices. The policies cover all responsible areas, which are also linked to other, topic-specific policies and more detailed rules. The policies cover the relevant legal, certification and other best practice requirements and are reviewed annually.

Tietoevry has a group-wide whistleblowing channel which is also available on the company's external website. Whistleblowing notifications concerning matters such as possible Code of Conduct violations are investigated by the Group Compliance Officer confidentially through a predefined process. Cases of a severe or sensitive character can also be referred to the Escalation Committee, which consists of the Group Compliance Officer, Head of Corporate Governance and Compliance, Head of Legal, Head of Internal Audit and Head of HR. If a whistleblower notification relates to managers who are members of Group Executive Management, including the CEO, the Chair of the Audit and Risk Committee of the Board of Directors shall be informed. If a whistleblower notification involves managers who directly report to Group Executive Management, the CEO shall be informed.

In the case of serious or specifically sensitive whistleblowing cases, the Group Compliance Officer shall prepare a report for submission to the Audit and Risk Committee. For each such case, the Escalation Committee shall consider whether the CEO or Board of Directors should also be informed. Bi-annual reports shall be prepared for the Audit and Risk Committee covering aggregated information about notifications received through the whistleblowing channel, cases under investigation, cases closed, and rectifying measures taken. In addition, responsible areas have separate channels for incident reporting and continuous improvement.

Main risks of negative impacts in the operating environment

The aim of Tietoevry's internal control framework is to assure that operations are effective and well aligned with the strategic goals. This also includes identifying the potential negative impacts the company might have on its operating environment and escalating its mitigation measures if necessary. The internal control framework is intended to ensure correct, reliable, complete and timely financial reporting and management information. The framework endorses ethical values, good corporate governance and risk management practices. Risk management and major risks are described in detail in the Corporate Governance Statement.

Tietoevry uses systematic risk management to develop the efficiency and control of business operations as well as their continuity and profitability.

The risk management framework consists of the risk management organization, related policies, processes, tools and common ways of working. The risk management organization develops and maintains the company's risk management framework, including risk reporting, risk management governance and follow-up of risk exposures consisting of strategic, financial, operational and compliance risks.

The risk management organization consists of the Corporate Risk Management unit and nominated Risk Managers in the business units. A group-wide Risk Manager Forum has been established for information sharing, setting direction for risk management, collaboration between units and reviewing steering documents. In addition, the forum co-ordinates Group-wide risk management activities and ensures company-wide deployment of the risk management framework.

Tietoevry defines its sustainability risks as the negative impact on people and the planet that might be caused by our activities within our organization or the value chain. Sustainability risks include a reputational factor, which in addition to negative publicity could lead to a decrease in scores in sustainability indices and deviations from audits conducted by independent parties. Severe breaches in these areas could also lead to loss of customers' trust and the imposition of penalties.

Failing to comply with regulations, such as GDPR, may subject the company to regulatory interventions or penalties, or sanctions from customers.

Fraudulent, unethical, or even illegal actions by individuals in areas such as corruption or conflict of interest can occur if the company controls are not adequate or anticorruption awareness and team culture are not at a sufficiently high level. Such situations can have negative consequences ranging from disqualification from public tenders to sanctions. Compliance training, improvements of controls, audits and follow-up are used to mitigate these risks.

Stress-related health issues as well as discrimination and harassment are human and labour rights-related risks. Working proactively to mitigate these risks is essential, and we have a systematic approach to this, including our whistleblowing channel and regular employee surveys to monitor employee satisfaction and engagement. From an operational perspective, deliveries could be compromised if key resources go on long sick leaves. Employee health, safety and well-being have been addressed especially due to the ongoing Covid-19 pandemic. All employees were invited to co-create the future ways of working for the company through virtual ideation. The global and local hybrid working guidelines provide clarity on matters such as the support available for good working conditions.

Both health issues and discrimination and harassment can lead to environments where employees are unable to reach their full potential. Tietoevry believes that diversity in personnel, whether in terms of gender, age or cultural background, is needed to stay competitive in the fast-paced technology industry. Diversity and inclusion are therefore an integral part of the company's culture as well as human resources activities.

Tietoevry's supplier base consists of direct and indirect suppliers. We are aware that our supply chain might include risks related to the environment, human and labour rights or even corruption. Our ambition is to ensure a fair and green supply chain in which we neither cause nor contribute to negative impacts on people and the planet. Severe breaches against international conventions in the supply chain could lead to customers deciding to terminate contracts or sanctions from authorities. Tietoevry mitigates these risks through its supplier sustainability programme and onboarding practices, consisting of both compliance and audit activities. As there have been limited possibilities to carry out on-premises audits of our suppliers during the pandemic, we have provided training focusing on the key elements of our Supplier Code with selected suppliers.

Environmental risks are identified and handled within Tietoevry's Environmental Management System and include, for example, risks related to our offices, equipment, waste handling and business travel. The environmental aspects and associated impacts are assessed two times a year. Environmental risk analysis describes how significant environmental aspects are identified, evaluated, and summarized in an environmental matrix – that is, the environmental aspect register. Environmental aspects can create both risks and opportunities impacting Tietoevry's overall performance. Proper handling of these issues is a prerequisite for the ISO certificate (ISO14001) and our attractiveness as a supplier, partner and employer.

We strive to mitigate our contribution to climate change by means such as reducing our own carbon emissions, increasing energy efficiency and helping our customers to reduce their carbon emissions through our technology solutions. During the year, we have aligned our emission reduction ambitions with Science Based Targets and are waiting for formal validation by the Science Based Targets initiative.

Physical climate change impacts such as changes in precipitation, snow and ice, sea level rise, hurricanes, and cyclones as well as access to natural resources may have an impact on Tietoevry or on strategic partners in our supply chain. Geotechnical assessments are part of the preliminary work prior to any new construction of offices and datacentres. Back-up centres ensure continuity of customer operations even when climate change has severe consequences. During 2021, Tietoevry initiated a process to review sustainability-related risks and their management with the aim of ensuring that the processes and procedures are up-to-date.

Policies and processes on NFI matters

Sustainability areas

Ethical conduct	Climate action	Exciting place to work
1. Business ethics and anti-corruption	5. Energy usage and greenhouse gas emissions	7. Diversity and inclusion
2. Human rights	6. Circular economy practices	8. Employee experience
3. Cyber security and privacy		
4. Responsible sourcing		

Policies

POLICIES, RULES AND GUIDELINES

Code of Conduct (1,2), Internal audit policy (2,3),
Anti-corruption rule (2), Whistleblowing rule (1,2,3,7,8), Competition compliance rule (2), Procurement policy (4),
Supplier Code of Conduct (1, 2, 4, 5), Environmental Rule (4, 5, 6), Information classification rule (3),
Data transfer rule (3), Security Policy (3), Security Rule (3), User Security Rule (3),
Privacy Policy (3), AI ethics guideline (1,3), Occupational Health and Safety Policy (1, 8),
HR Policy (1, 7, 8), Insider Rule (2), Public Authority Request Rule (1,3)

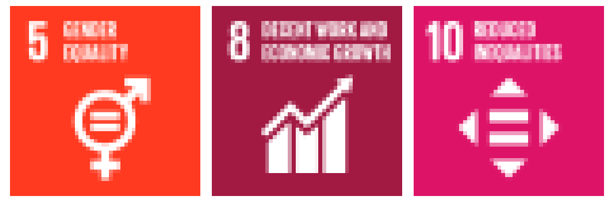
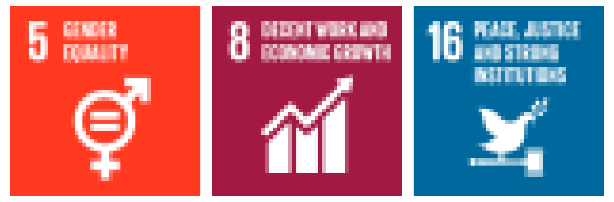
Due dilligence processes

Internal and external audits (1, 2), Governance, risk and compliance management (2,3), Sourcing to pay (4),
Supplier self assessment (4), Environmental management process (EMS) ISO14001 (4, 5, 6), ISO27001 (3), ISO31000 (3),
ISAE3402 audits in Data Centers (3), ISAE 3000 Assurance over non-financial information (1, 2, 3, 4, 5, 7, 8),
Information and cyber security audits and assessments (3), CDP Climate Change program (4, 5, 6),
HR processes (1, 7, 8), Employee engagement survey (8)

SUSTAINABILITY MANAGEMENT PROCESS, SUSTAINABILITY MATERIALITY ASSESSMENT FOR SUSTAINABILITY GAME PLAN 2023

WHISTLEBLOWING CHANNEL

Goals and results for each sustainability area

Responsible area	Goal	Result 2020	Result 2021	UN Sustainable Development Goal
ETHICAL CONDUCT				
Human rights	2021: Conduct a formal Human Rights Impact Assessment for a business entity	Assessment to be conducted in 2021	Corporate-wide Human Rights Impact Assessment initiated during FY21	
Cybersecurity and privacy	2023: Zero substantiated complaints concerning breaches of customer privacy and losses of customer data[1]	Zero	Zero	
Business ethics and anti-corruption	2023: 90% completion of ethics training (CoC e-learning)[1]	91%	93%	
	2023: 100% confirmation of receipt of a whistleblowing notification within four business days of receipt	100%	100%	
Responsible sourcing	2023: 100% of new or renewed suppliers agreeing to Tietoevry's Supplier Code of Conduct[2]	100%	99%	

1) Measured on an annual basis
2) Scope: Agreements made through Procurement function. Note that scope also includes supplier's versions of Code of Conducts agreed by our Head of Sustainability.
3) Baseline FY20.
4) Scope: result based on reuse of returned devices (mainly laptops). Data accuracy: data is based on our main hardware supplier's reports. This supplier provides close to 75% of our devices.

Responsible area	Goal	Result 2020	Result 2021	UN Sustainable Development Goal
CLIMATE ACTION				
Energy usage and GHG emissions	2023: 80% reduction of scope 1 and 2 GHG emissions by 2023[3)]	Baseline is FY20 and reductions against baseline will be available from 2021	44% reduction	
	2023: 100% carbon free electricity in all data centers and offices	80%	92%	
Circular economy practices	2023: 100% reuse and recycling of hardware[4)]	Baseline set during FY21	Internal: 70% Customer: 86%	
EXCITING PLACE TO WORK				
Diversity and inclusion	2026: 40% female employees by 2026, 2030: 50% female employees by 2030	29% female employees	29% female employees	
Employee experience	2023: Employee engagement score >75	76/100	78/100	

[1)] Measured on an annual basis
[2)] Scope: Agreements made through Procurement function. Note that scope also includes supplier's versions of Code of Conducts agreed by our Head of Sustainability.
[3)] Baseline FY20.
[4)] Scope: result based on reuse of returned devices (mainly laptops). Data accuracy: data is based on our main hardware supplier's reports. This supplier provides close to 75% of our devices.

EU Taxonomy reporting

Mobilizing sustainable investments towards a low-carbon and resilient economy

The European Union has set a clear target of becoming the world's first climate-neutral continent by 2050. The digital transition as well as smarter and greener use of technologies are described as key enablers for achieving this.

To support investment into sustainable projects, the EU has launched a classification system for sustainable business activities, the EU Taxonomy. By establishing a common language between investors, issuers, project promoters and policy makers, the taxonomy aims to help navigate the transition towards a low-carbon, resource-efficient and resilient economy.

In June 2021, the European Commission formally adopted the Climate Delegated Act, containing the two first environmental objectives: climate change mitigation and climate change adaptation. The remaining four objectives are expected to follow in 2022.

Companies that fall under the EU's Non-Financial Reporting Directive must report how well their operations match the current scope of the EU Taxonomy – that is, whether they are taxonomy eligible – already for the financial year 2021. Taxonomy eligibility means that the activity is described in the taxonomy and that a certain activity might make a substantial contribution to at least one of the six environmental objectives of the taxonomy.

For the reporting of the financial year 2022, for an activity to be classified as environmentally sustainable, it must be taxonomy aligned, that is, comply with technical screening criteria for that specific activity. According to technical screening criteria, an activity should substantially contribute to at least one environmental objective, avoid causing significant harm to any of the other five objectives and comply with minimum safeguards.

For 2021, Tietoevry is obliged to disclose the proportion of taxonomy-eligible and taxonomy non-eligible activities in Group-level revenue, capital and operating expenditure, as well as provide qualitative information relevant for these disclosures.

Tietoevry's offerings fully in the scope of the taxonomy – 20% of revenue eligible

Tietoevry has implemented the requirements of the EU Taxonomy Regulation in its reporting for 2021. As a first step, an assessment was done to conclude whether Tietoevry's operations were in the scope of the current taxonomy. The assessment concluded that all the company's operations were in the scope, primarily under sector 8 Information and communication. A majority of the company's offerings fall under economic activities 8.1 Data processing and hosting and related activities (climate change mitigation) and 8.2 Computer programming, consultancy and related activities (climate change adaptation).

The European Commission's notice draft on the interpretation, published on 2 February 2022 has not been taken into consideration.

Taxonomy-eligible KPIs in 2021 for the first two environmental objectives

	Total (EUR million)	Proportion of taxonomy-eligible economic activities (%)	Proportion of taxonomy non-eligible economic activities (%)
Revenue	2 823.4	20.2	79.8
Capital expenditure	128.1	98.7	1.3
Operating expenditure	90.0	99.8	0.2

ACCOUNTING POLICIES FOR EU TAXONOMY REPORTING

The required key performance indicators have been determined based on the company's financial reporting prepared in accordance with IFRS. Further details about the Group's accounting policies are described in the notes to the consolidated financial statements.

Revenue

At Group level, revenue comprises reportable segments' revenue. Segment reporting is prepared according to IFRS accounting principles. To assess the proportion of eligible revenue, an identification process for eligible revenues was established. A Group-wide decision was taken to assess Tietoevry's revenue on an aggregated lead offering level, which is a key dimension in the company's internal operative accounting. This decision was made to ensure tracking of revenue streams in a consistent way throughout the organization. However, this also meant that some solutions and services below the lead offering level, if analysed individually, might have eligible revenues that are now not identified in this taxonomy reporting. Revenue for such solutions and services represents a smaller proportion and is therefore not deemed to be material this year. Approaching the reporting through the assessment of each lead offering also meant that there was no risk of double counting when producing the simplified reporting required for 2021.

Capital expenditure

Capital expenditure is defined as additions to tangible and intangible assets during the financial year considered before depreciation, amortization and any remeasurements (including those resulting from revaluations and impairments) and excluding fair value changes. It also includes additions to right-of-use assets from lease contracts.

Capital expenditure in this taxonomy reporting section includes additions to right-of-use assets, reported in Note 20 in the Financial Statements, while this is excluded from capital expenditure presented in the Group's key figures in this Report by the Board of Directors. The share of capital expenditure related to support functions has not been assessed due to its low materiality and is fully excluded from this calculation. Identification of eligible capital expenditure was made based on Group-level reporting and thus there was no risk of double counting when producing the simplified reporting required for 2021.

Operating expenditure

Operating expenditure is defined as expenditure related to research and development, building renovation measures, short-term lease, maintenance and repair, and any other direct expenditures relating to the servicing of assets of property, plant and equipment by Tietoevry or a third party to which activities are outsourced as necessary to ensure the continued and effective functioning of such assets. Only direct costs are included.

Operating expenditure consists of the following items

- expensed offering and internal development for eligible activities. In the financial reporting, related costs are included in employee benefit expenses
- costs for maintenance and short-term lease. In the financial reporting, related costs are included in other operating expenses.

The share of operating expenditure related to support functions has not been assessed due to its low materiality and is fully excluded from this calculation. Identification of eligible operating expenditure was made based on Group-level reporting and thus there was no risk of double counting when producing the simplified reporting required for 2021.

Taxonomy-eligible revenue

Tietoevry has great potential to facilitate customers' transition to a low-carbon and circular economy. However, while the company's products and services have positive effects on environmental sustainability, climate change mitigation or adaptation is not the predominant aim of many offerings, or at the core of services and solutions in the manner expected in the taxonomy regulation for eligible activities. Therefore, only a smaller portion of Tietoevry's revenue is considered eligible. Most of the eligible revenue comes from infrastructure services, considered under activity 8.1 Data processing and hosting and related activities. Some taxonomy-eligible revenue for the environmental objective of climate change mitigation is also generated by selected software-based solutions.

For activities in the scope of the environmental objective of climate change adaptation, only the expenditures related to making the activity climate resilient are included in the KPIs, not the revenue. At Tietoevry, as the objective of increasing customers' resilience to physical climate risks is not at the core of offerings, no revenue is currently eligible for economic activities contributing to climate change adaptation.

Tietoevry's revenue in 2021 amounted to EUR 2 823 million, of which the proportion of taxonomy-eligible revenue was 20.2%.

Taxonomy-eligible capital expenditure

For the financial year 2021, Tietoevry has considered all capital expenditure related to offerings in the taxonomy scope (i.e. eligible activities) as eligible. Capital expenditure amounted to EUR 128.1 million, comprising EUR 80.8 million in additions to tangible and intangible assets (see Notes 11 and 12 to the Financial Statements) and EUR 47.3 million in additions to right-of-use assets (see Note 20 to the Financial Statements). The proportion of taxonomy-eligible capital expenditure was 98.7%. The share mainly consists of capitalized investments related to eligible activities, including data centres and the development of software, which are IPR of Tietoevry. Furthermore, expenditure for right-of-use assets in eligible activities is included and mainly relates to the company's premises, vehicles and data centre equipment.

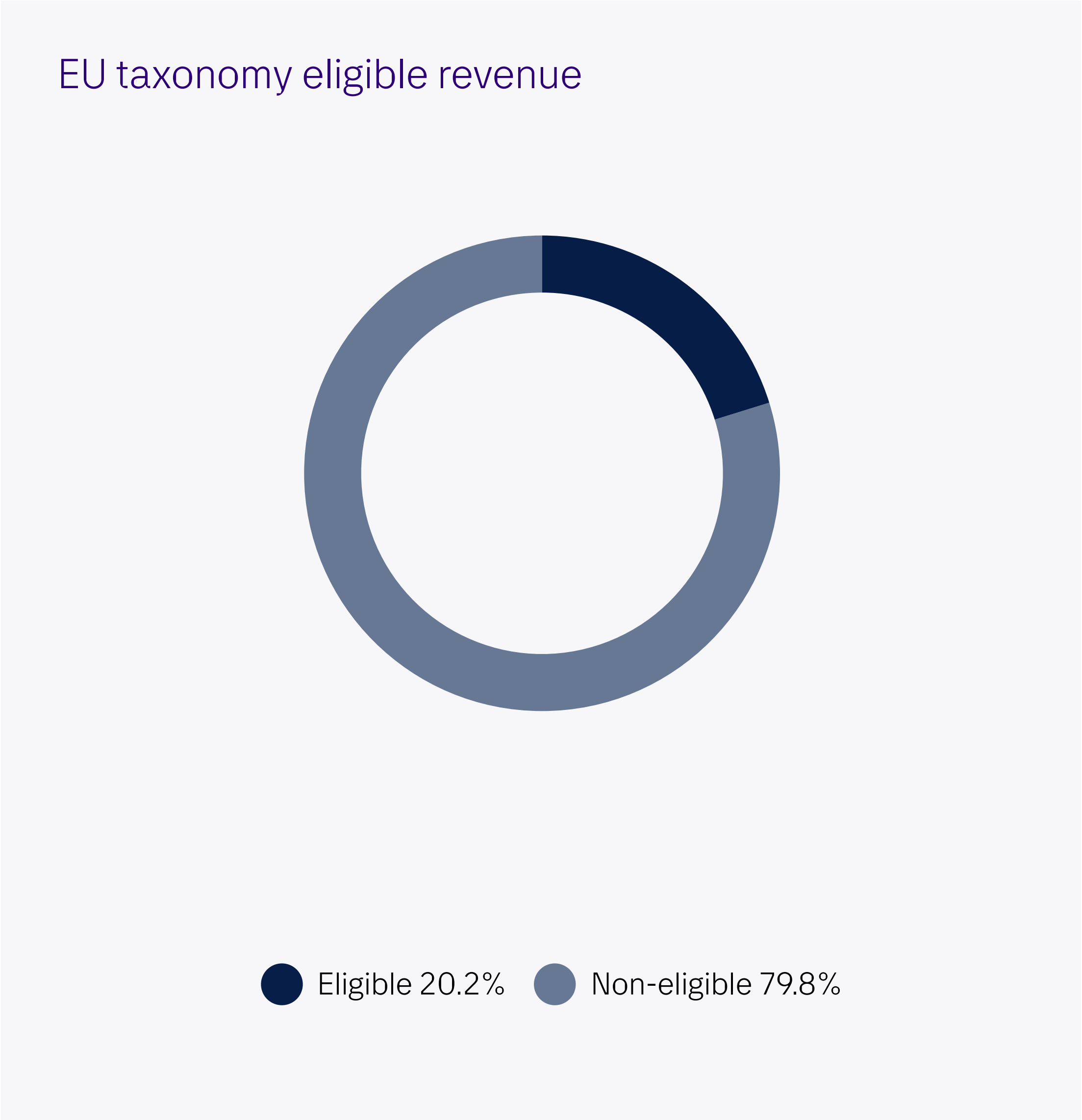
Taxonomy-eligible operating expenditure

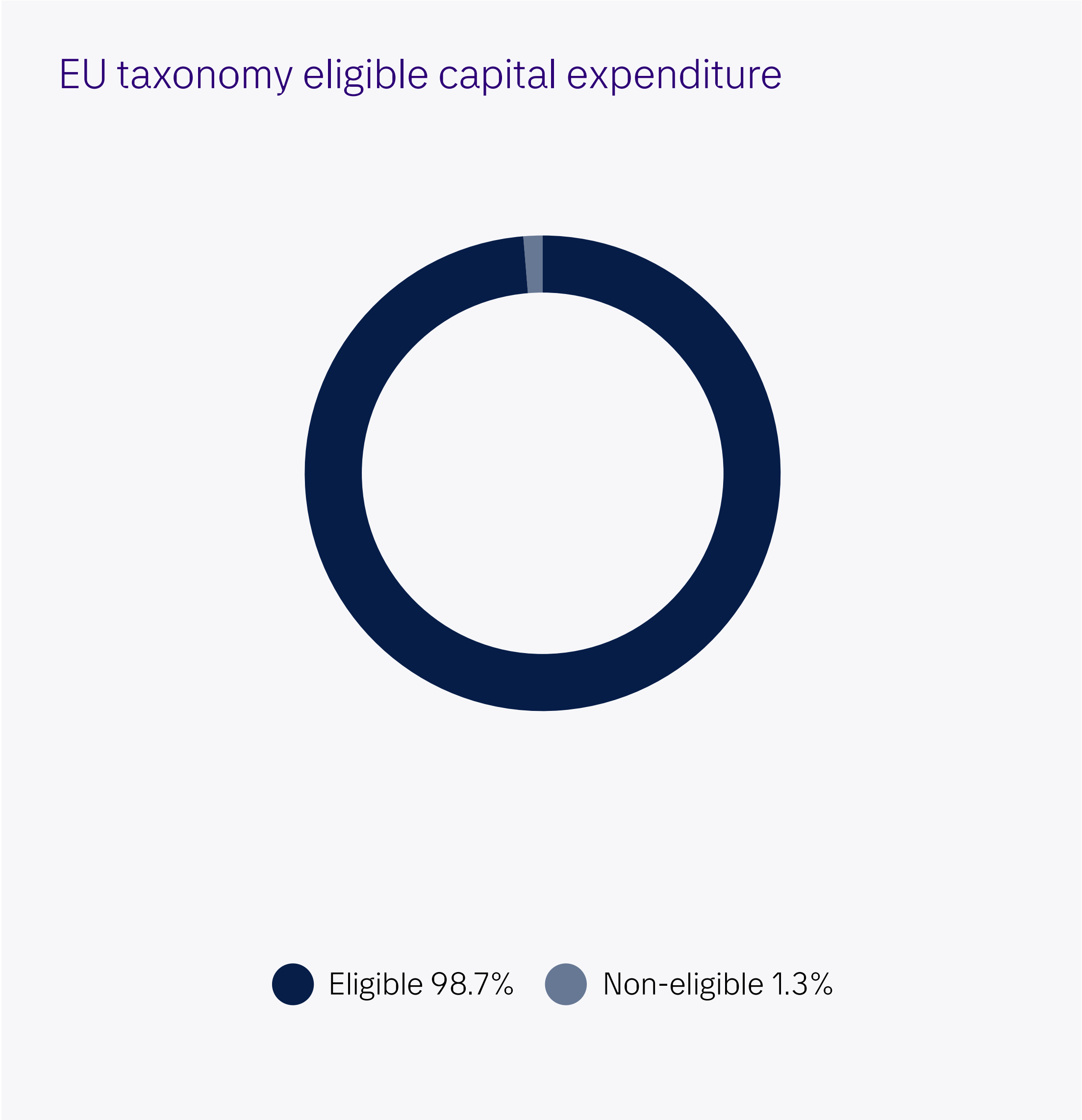
For the financial year 2021, Tietoevry has considered all operating expenditure related to offerings in the taxonomy scope (i.e. eligible activities) as eligible. Operating expenditure amounted to EUR 90.0 million, comprising expensed offerings and internal development as well as short-term lease and maintenance costs. The share of taxonomy-eligible operating expenditure was 99.8%.

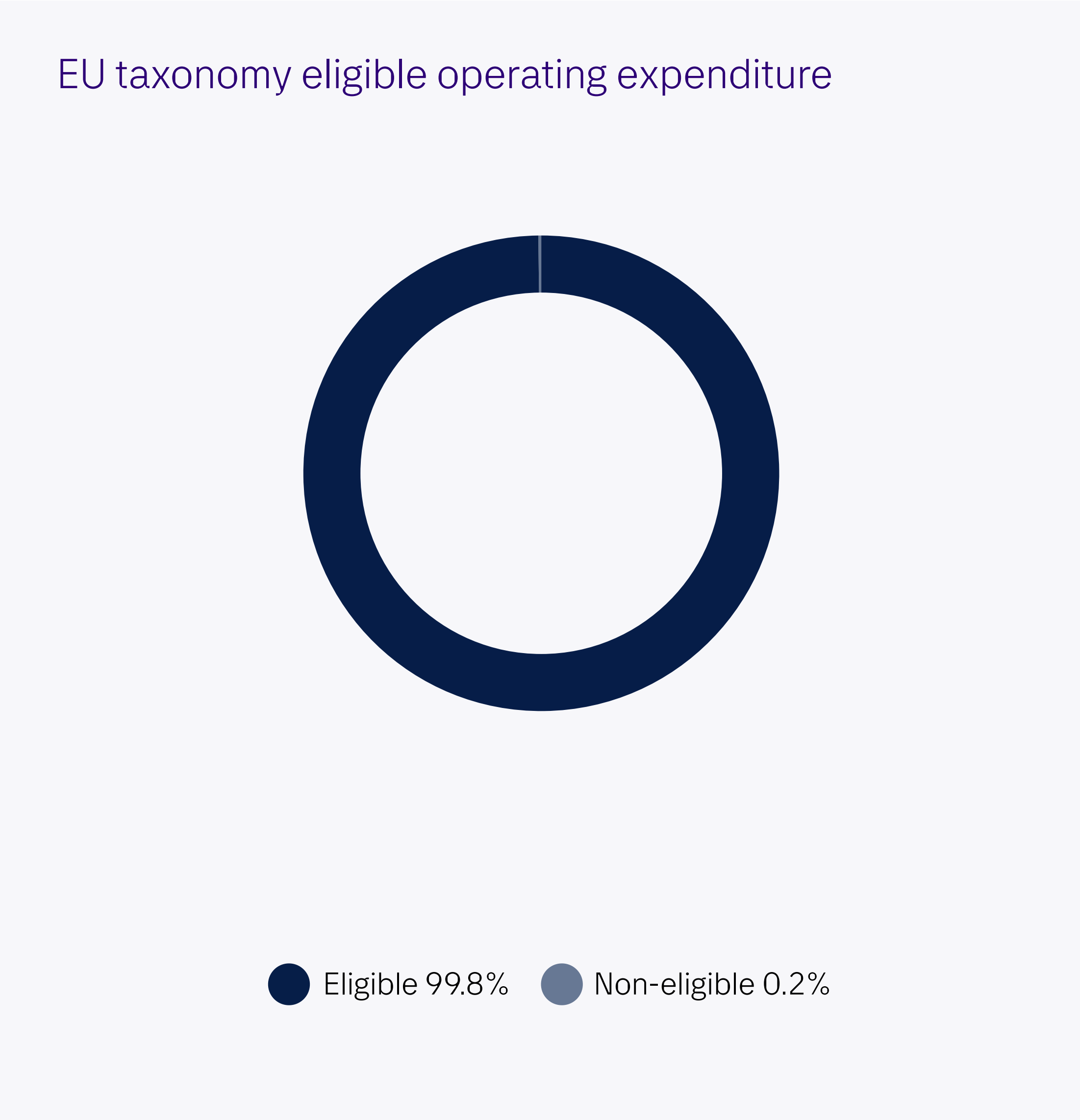
Going forward

Going forward, Tietoevry seeks to analyse its offerings on a more granular level. Also, preparations for the second delegated act for the remaining four environmental objectives, which are to be published by the EU during 2022, have been initiated. To be able to comply with the reporting requirements in 2022, the fulfilment of technical screening criteria regarding substantial contribution, followed by criteria for doing no significant harm and minimum social safeguards need to be further assessed. Alignment assessment has already been initiated and actions taken to ensure fulfilment. Tietoevry will furthermore assess the possibility to increase its share of eligible and aligned revenue in the future.

Mitigation and the ability to adapt to climate change are growing in importance and impacting customers' decision making. To support this development, Tietoevry aims to improve the quantification of the environmental impacts of its services and solutions.


EU taxonomy eligible revenue
Eligible 20.2%
Non-eligible 79.8%


EU taxonomy eligible capital expenditure
Eligible 98.7%
Non-eligible 1.3%


EU taxonomy eligible operating expenditure
Eligible 99.8%
Non-eligible 0.2%

Shareholders' meetings

TietoEVRY Corporation's Annual General Meeting held on 25 March approved the financial statements 2020 and discharged the company's officers from liability for the financial year 2020. The meeting also approved the Remuneration Report. The Annual General Meeting decided on a total dividend of EUR 1.32 per share, paid in two instalments.

The Board's prior members Tomas Franzén, Salim Nathoo, Harri-Pekka Kaukonen, Timo Ahopelto, Rohan Haldea, Liselotte Hägertz Engstam, Katharina Mosheim, Niko Pakalén, Endre Rangnes and Leif Teksum were reelected to the Board, and Angela Mazza Teufer was elected as a new member. Tomas Franzén was elected as the Chairperson of the Board of Directors.

Shareholders' Nomination Board

The composition of the Shareholders' Nomination Board for TietoEVRY Corporation was determined based on holdings on 31 August 2021 in the Finnish, Norwegian and Swedish shareholders' registers and received evidence thereof. The shareholders who wished to participate in the work of the Shareholders' Nomination Board nominated the following members:

- Petter Söderström, Investment Director, Solidium Oy
- Gustav Moss, Vice President, Cevian Capital AB
- Alexander Kopp, Investment Manager, Incentive AS
- Mikko Mursula, Deputy CEO, Ilmarinen Mutual Pension Insurance Company and
- Tomas Franzén, Chairperson of the Board of Directors, TietoEVRY Corporation.

The Board of Directors

31 December 2021[1)]

Name	Born	Nationality	Education	Main occupation
Tomas Franzén (Board and RC Chairperson)	1962	Swedish	MSc. (Eng.)	Professional Board member
Timo Ahopelto (Deputy Chairperson)[2)]	1975	Finnish	MSc. (Tech.)	Entrepreneur, investor and professional Board member
Harri-Pekka Kaukonen (ARC Chairperson)	1963	Finnish	DSc. (Tech.)	Professional Board member
Liselotte Hägertz Engstam	1960	Swedish	MSc. (Civ. Eng.)	Expert advisor, professional Board member
Angela Mazza Teufer[3)]	1973	Italian and Swiss	Master of Business Adm.	Managing Director, Ambulatory Information Systems DACH
Katharina Mosheim	1976	Austrian	Ph.D. (Econ.)	CEO, Alpha Pianos AS
Niko Pakalén	1986	Finnish and Swedish	MSc. (Econ.)	Partner, Cevian Capital AB
Endre Rangnes	1959	Norwegian	BBA (Econ.)	CEO, Zolva Group, professional Board member
Leif Teksum	1952	Norwegian	MSc. (Econ.)	Partner, Vest Corporate Advisor AS, professional Board member
Tommy Sander Aldrin (personnel representative)	1965	Norwegian	BSc. (Comp.)	Chief Consultant
Ola Hugo Jordhøy (personnel representative)	1956	Norwegian	MSc. (Eng.), PGCE	Chief Consultant
Anders Palklint (personnel representative)	1967	Swedish	MSc. (Eng.)	Senior Project Manager
Ilpo Waljus (personnel representative)	1974	Finnish	BBA	Test Manager

1) During 2021, Salim Nathoo (until 19 July) and Rohan Haldea (until 7 September) also served as Board members.
2) Deputy Chairperson as of 25 March 2021. Salim Nathoo was the Deputy Chairperson until 24 March 2021.
3) Board member as of 25 March 2021.

The President and CEO and operative management

Members of the Leadership Team as at 31 December 2021[1)]

Kimmo Alkio
President and CEO
Born: 1963
Nationality: Finnish
Education: BBA and Executive MBA
Joined Tietoevry in 2011

Malin Fors-Skjæveland
Integration Officer
Born: 1970
Nationality: Swedish
Education: MSc. (Tech.)
Joined Tietoevry in 2018

Kishore Ghadiyaram
Head of Strategy
Born: 1972
Nationality: Indian
Education: BSc. (Tech.)
Joined Tietoevry in 2008

Tomi Hyryläinen
Chief Financial Officer
Born: 1970
Nationality: Finnish
Education: MSc. (Econ.)
Joined Tietoevry in 2018

Ari Järvelä
Head of Operations
Born: 1969
Nationality: Finnish
Education: MSc. (Eng.)
Joined Tietoevry in 2001

Satu Kiiskinen
Managing Partner, Finland
Born: 1965
Nationality: Finnish
Education: MSc. (Econ.)
Joined Tietoevry in 2013

Thomas Nordås
Head of Digital Consulting
Born: 1971
Nationality: Norwegian
Education: MSc. (Math.)
Joined Tietoevry in 2019

Christian Pedersen
Managing Partner, Norway
Born: 1974
Nationality: Norwegian
Education: MSc. (Tech.)
Joined Tietoevry in 2014

Harri Salomaa
Head of Product Development Services
Born: 1961
Nationality: Finnish
Education: BSc. (Eng.)
Joined Tietoevry in 2020

Christian Segersven
Head of Industry Software
Born: 1975
Nationality: Finnish
Education: MSc. (Tech.)
Joined Tietoevry in 2013

Johan Torstensson
Head of Cloud & Infra
Born: 1969
Nationality: Swedish
Education: MBA in Finance and Management
Joined Tietoevry in 2019

Trond Vinje
Head of HR
Born: 1968
Nationality: Norwegian
Education: MSc. (Pol. Sci.)
Joined Tietoevry in 2015

The remuneration and more detailed background information, such as full CVs of the Group Leadership, are presented on the company's website.

[1)] Karin Schreil acted as Managing Partner, Sweden until 30 November 2021.

Auditors

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

The Board of Directors proposes to the AGM, in accordance with the recommendation of the ARC, that the auditor to be elected at the AGM 2022 be reimbursed according to the auditor's invoice and in compliance with the purchase principles approved by the Committee.

The Board of Directors proposes to the AGM, in accordance with the recommendation of the ARC, that the firm of authorized public accountants Deloitte Oy be re-elected as the company's auditor for the financial year 2022. The firm of authorized public accountants Deloitte Oy has notified that APA Jukka Vattulainen will act as the auditor with principal responsibility.

Auditing

The AGM 2021 elected the firm of authorized public accountants Deloitte Oy as the company’s auditor for the financial year 2021. Deloitte Oy notified the company that Authorized Public Accountant Jukka Vattulainen acts as principal auditor.

In 2021, Tietoevry Group paid the auditors a total of EUR 1.3 (1.3) million in audit fees, and a total of EUR 0.5 (0.7) million for other services.

Major risks

Tietoevry has five risk categories: strategic, operational, financial, people, and compliance risks.

Strategic risks are related to market volatility, IT market transformation to new technologies (including the rapid digitalization and automatization of society), change management, reskilling ability and speed, ability to respond to competition and new entrants in the market, dependencies on few big customers in some business areas and ensuring delivery quality in the dynamic business environment.

Operational risks refer e.g. to changing the business model in business units, risk and continuity management, customer bidding and requirement analysis, and maintaining a high professional standard in delivery management and quality assurance.

Financial risks mainly consist of credit risks, currency risks, interest rate risks, and funding and liquidity risks.

Compliance risks are connected to the organization failing to recognize or meet the requirements in the areas of legislation or other mandatory regulation (e.g. General Data Protection Regulation (GDPR), Schrems II, anti-corruption, anti-bribery, insider matters, sanctions and trade compliance), internal policies and rules or ethics and integrity.

People risks can be driven by Tietoevry's needs to build a market leading workforce for high performance in terms of delivering projects and customer services; people risks are also related to quality of life, human rights, and the safety of people.

Risks are aggregated by utilizing the corporate GRC platform, resulting in risk maps and Risk KPIs that are reviewed by leadership teams in the units and the ARC. Tietoevry's major risks and the measures for their mitigation are described below.

Market volatility

Changes in the Nordic core markets have a direct effect on market conditions and result in volatility that might have a negative impact on Nordic market growth. Changes in the economic environment and customer demand can affect both business volumes and price levels, which might result in lower revenue or slower revenue growth than expected.

These potential risks are mitigated through multi-year contracts for continuous services. Tietoevry also aims to maintain long-term business relations and to be a preferred supplier to its customers. The company executes tight cost and investment control with continuous investment performance monitoring, accompanied with a clear structure for decision rights, which are defined in the Decision Making Authority (DMA) Policy.

Global service capabilities, cross-selling and tough price competition are the main drivers in the IT sector for the development of the global delivery model. Tietoevry's position as a leading IT service provider in the Nordics is supported by existing and enhanced competencies, and by the choice of right partners.

Change and transformation

Tietoevry announced its new strategy to drive customer value and growth through specialization. The technology industry is being reshaped with cloud as the foundation, providing expansion opportunities for the company. Expansion will focus on cloud-native services, data & software engineering and scalable software businesses. In managed application and infrastructure services, the company will seek partnerships to invest and build scale.

In large-scale adaptation to the market by organizational transformation and right-sizing, resistance to change can prolong the transition, which may affect operational efficiency.

Change management is steered by the company-wide Program Management Office, which provides standard tools and systems for the change, including communication, target setting and training for the New Strategy implementation.

The Group Project Excellence unit sets common standards for project management to ensure proper project risk management and compliance in project financials management and follow-up.

Sudden changes in the market environment, customer demand and customer strategies or the competitive landscape in these areas might harm Tietoevry's operations and profitability. To diversify the business, Tietoevry provides services to several different industries and markets. The company develops its business mix to provide new industry software solutions, digital consulting, new hybrid cloud solutions and broader R&D capabilities to strengthen its position amongst both current and new customers. An industrialized and standardized way of providing services and solutions, employing automated processes, improves competitiveness and reduces risk.

Service continuity

Close to 100% availability of the services is the basis of trust among customers, stakeholders and society.

A service continuity disruption can be caused, for instance, by hardware or software failures, power outages, natural disasters and different types of intentional or unintentional actions by people.

Risks related to malfunctions of systems could seriously affect Tietoevry's ability to provide its services and have an adverse impact on the company's financials and reputation.Thus, business continuity planning is a high priority in Tietoevry's operational management in order to ensure that redundancy and fault tolerance are at the appropriate level.

To reduce the service continuity risk and to better understand the interdependencies in solutions and data centers, Tietoevry constantly reviews, maintains and improves its IT asset management, configuration management and monitoring systems. In addition to a balanced global portfolio, Tietoevry has recovery procedures and backup systems in place to handle potential service interruptions. Root cause analysis, best practices and experiences from previous incidents help in preparing for and mitigating the service continuity risk.

Also, a comprehensive and robust Major Incident & Escalation process and crisis management process reduce service interruptions.

Cybersecurity

Tietoevry's business operations involve processing and storing large amounts of confidential data of public and private sector customers, business partners and own data, including sensitive personal data.

The threat landscape is constantly growing and evolving – e.g. criminal hackers, hacktivists, human errors or misconduct, and state-sponsored organizations – and may cause malfunctions or cybersecurity breaches of information against Tietoevry, its customers, subcontractors or other third parties.

At least the following threats are risk factors that could lead to loss, misuse, destruction of data or system malfunction, compromising Tietoevry's ability to support, manage or develop services:

- Enterprise ransomware
- Supply chain attacks
- Critical vulnerabilities
- Targeted attacks
- Digital fraud
- Denial of service attacks
- Data breaches and data leaks
- Insider threats

Such events could have an adverse impact on the company's financials and reputation.

To detect and investigate cybersecurity incidents, Tietoevry has implemented a comprehensive and robust Major Incident & Escalation process, a crisis management process as well as efficient cybersecurity defence with high-class detection and response capabilities to reduce service interruptions.

We regularly review our risk management and cybersecurity framework, train our employees to increase their awareness of cyber threats and continuously measure our cybersecurity maturity.

Quality costs related to customer bidding and delivery management

Inability to appropriately understand and analyse customers' changing needs, their business processes and the exact requirements can lead to misjudgements in setting the scope of projects or services and, consequently, difficulties in meeting the specifications of customer agreements.

Tietoevry is committed to actively verifying that business processes from sales to delivery are designed, implemented and embedded to deliver customer value and actively mitigate end-to-end risk exposure along full contract life cycles. Internal and external quality assessments and audits are used to verify the effectiveness and efficiency of ways of working as well as to control the quality of outcomes through measurable and actionable KPIs (Key Performance Indicators) and key controls. At the same time, customer feedback management is an integral part of how we drive performance and safeguard quality assurance at both the operational and strategic level. As part of this, we actively ask customers for feedback to understand how well we perform individual deliveries. In addition, we engage with customers to understand how well we support them in meeting their changing business objectives through our portfolio of deliveries. Insights and actions resulting from customer feedback are prioritized and followed up regularly at all levels of the organization and integrated into change management efforts.

Retention and attrition of employees

The competition in the market and demand for new services require ability and speed to reskill, attract new and retain existing competences and business knowledge for new services, new service models and offerings. Tietoevry's success builds on attracting talent, skills renewal, business knowledge and the maturity of the organization.

Inability to retain key employees and to recruit new talent with the required competence might have a negative impact on the company's performance. High employee turnover might also cause delays in customer projects, leading to penalties or loss of customers.

To reduce these risks, Tietoevry implements unified delivery models across sites and offers its employees challenging jobs, diverse development possibilities, social recognition and training opportunities as well as interesting career paths through job rotation. Furthermore, the company has competitive compensation packages, including a company-wide incentive system. Attractive recruitment tools, strategies, talent management and competence development have a high strategic priority at Tietoevry. The company also focuses on employer branding to build and strengthen Tietoevry's image as an attractive employer both internally and externally.

Credit risks

Changes in the general market environment and global economy can result in additional financial risks. Credit risks might arise if customers or financial counterparties become unable to fulfil their commitments towards Tietoevry.

Tietoevry's Credit Policy defines the principles for customer credit risk management to be applied in all lines of business and controlled by a centralized credit management team. The risk assessment utilizes external risk databases and past experience as a reference. Credit risk regarding financial counterparties is managed through counterparty limits, as set out in the Tietoevry Treasury Policy.

Currency risks

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

Tietoevry's Treasury Policy defines the principles for managing currency risks within the Group.

Interest rate risks

Tietoevry's interest rate risk consists mainly of short- and long-term loans, cash positions and derivative contracts. Fluctuations in interest rates can impact Tietoevry's financial result or economic situation.

Tietoevry's Treasury Policy defines the principles for managing interest rate risks within the Group.

Funding and liquidity risks

Exceptional market conditions in the financial market might impose temporary limitations on raising new funding and/or lead to an increase in funding costs.

Group Treasury monitors and manages Tietoevry’s funding structure and liquidity by maintaining a sufficiently diversified loan portfolio and liquidity position. Analyses of alternative financing sources, maturities and pricing for the company are continuously updated. Tietoevry’s financial risks are described in full in the notes to the consolidated financial statements.

Legal, regulatory and compliance risks

Tietoevry operates in multiple jurisdictions and is required to comply with a wide range of laws and regulations enacted both at the European and national level, e.g. data protection and privacy laws, public procurement, anti-corruption, anti-bribery, regulations restricting competitive trading conditions, health and safety regulations, environmental regulations, labour regulations, competition regulations as well as securities markets, corporate and tax laws. Failing to comply with the regulations may subject the company to regulatory interventions or penalties, or a slowing or even halting of the development of its activities.

Tietoevry functions as a data processor for customers and as a data controller for its internal personal data. Failing to comply with the EU General Data Protection Regulation (GDPR) and its related judgement on data transfers, Schrems II might result in negative reputation, significant fines or other expenses if a solution or service needs to be redesigned or redeveloped.

The risk is mitigated by company-wide privacy work. Tietoevry has a privacy governance model, which ensures that a privacy organization and resources, continuous follow up and reporting, proactive privacy development and active employee communication and training are in place. Privacy governance also ensures that the GDPR requirements are appropriately embedded as practical rules and instructions into corporate core business processes such as offering and software development, sales and marketing, program and project delivery, continuous service delivery and Tietoevry’s internal service.

Supply chain risk

Tietoevry's ability to perform its obligations to customers can be affected by a failure by any significant supplier or partner to fulfil its obligations. Such failure may expose Tietoevry to liabilities and impact the profitability of the company. The company has, for example, outsourced certain infrastructure operations, and a potential failure in deliveries by a supplier could cause disturbances to customers. These risks are managed by partner contract management, contract renewal negotiations and continuous evaluation of the partner delivery quality.

Global pandemic: Covid-19

The Covid-19 pandemic still creates uncertainty in the market and for the company. During the year, Tietoevry continued to identify, evaluate, and manage risks that could have significant financial, operating, or reputational impact on the company both on a short- and long-term basis. Enterprise risk management, crisis management and business continuity have been vital in handling the effect of the pandemic on our employees, portfolio and customers. Tietoevry follows country-specific government and healthcare guidelines for personal health and the prevention of the spread of Covid-19.

Geopolitical instability

Geopolitical instability might result in disruption in areas where Tietoevry operates. This instability might impact the company's operations, despite careful scenario planning and mitigation plans to ensure business continuity.

Climate change

Physical climate change impacts may pose a risk for both Tietoevry and its customers. Tietoevry strives to mitigate its contribution to climate change by reducing carbon emissions and increasing energy efficiency in its own operations. Geotechnical assessments are part of the prospecting prior to any new construction of offices or datacenters, and back-up centers ensure continuity of customer operations also in case of severe climate change implications. The ability to mitigate the impacts and adapt to the climate change is becoming increasingly important factor impacting customers' decision making. Tietoevry can help its customers to reduce their carbon emissions through its technology solutions and facilitate customers' transition to a low-carbon and circular economy.

Shares and shareholders

Tietoevry's issued and registered share capital amounts to EUR 76 555 412.00 and on 31 December , the number of shares totalled 118 425 771. Tietoevry's shares have no par value and their book counter value is one euro. The company's shares are listed on NASDAQ in Helsinki and Stockholm and Oslo Børs. The company has one class of shares, with each share conferring equal dividend rights and one vote.

The company had around 60 480 registered shareholders at the end of 2021 based on the ownership records of the Finnish, Swedish and Norwegian central securities depositories. Tietoevry received the following flagging announcements during the year:

- According to the announcements on 11 March, 28 July and 8 September, the combined holding of Lyngen Holdco S.à r.l. and Apax Global Alpha Limited has fallen below the 5% threshold.
- On 17 September, the holding of Incentive Investment Funds ICAV exceeded the 5% threshold and amounted to 6 041 221 shares, corresponding to a holding of 5.10% in Tietoevry shares. According to its announcement on 6 July, Incentive AS' holding of 6 082 829 shares (5.14% of shares and votes) were held by several funds, including sub-funds of Incentive Investment Funds ICAV.

On 31 December, TietoEVRY had one shareholder holding 10% or more of the shares: Solidium Oy.

In February, Tietoevry purchased 140 000 own shares (0.12% of the total number of shares) in trading organized by Nasdaq Helsinki Ltd. The average purchase price was EUR 27.0787 per share. Related to the company's share-based reward plans, a total of 143 391 shares held by Tietoevry (0.12% of the total number of shares) were transferred to the participants of the plan during the second quarter. At the end of the year, the number of shares in the company's or its subsidiaries' possession totalled 7 587, representing 0.01% of the total number of shares and voting rights. The number of outstanding shares, excluding the treasury shares, was 118 418 184.

The members of the Board of Directors, the President and CEO and their close associates together held 0.08% of the shares and votes registered in the book-entry system on 31 December 2021. The President and CEO is also participating in the company's long-term share-based incentive plans and potential rewards will be paid partly in Tietoevry shares. As the number of additional shares related to these incentives is dependent on the company's performance, these are not included in this aggregate number.

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.tietoevry.com/investors.

Share-based incentive plans

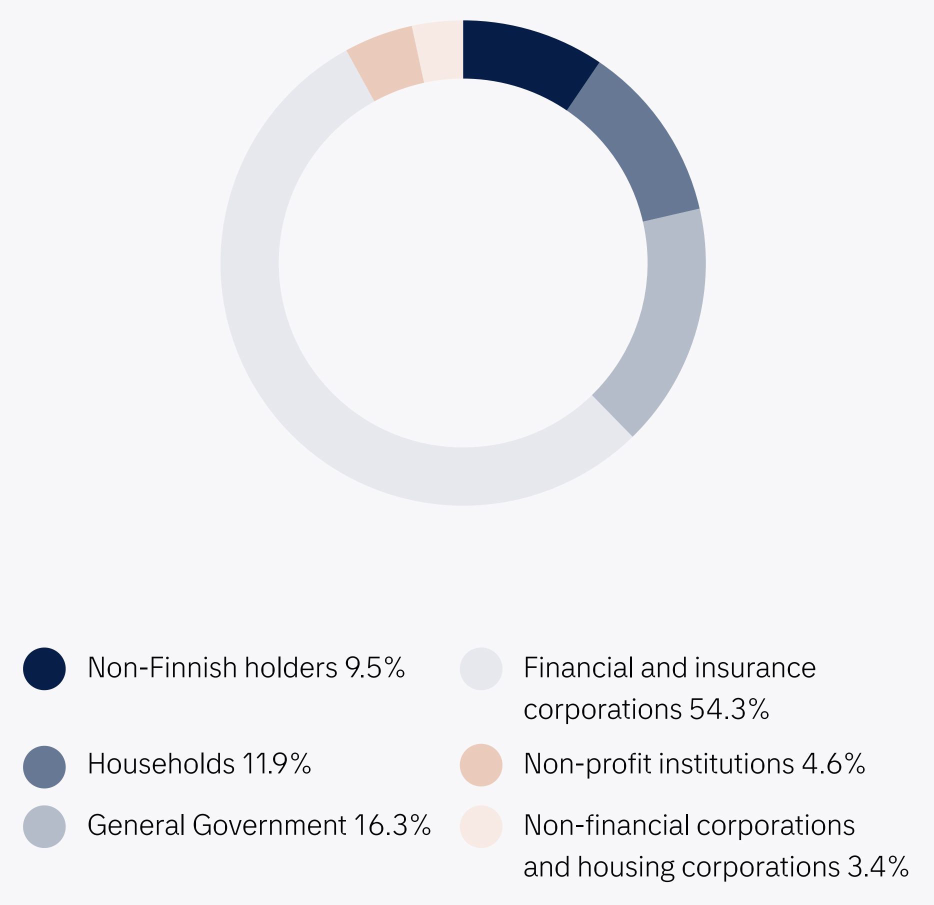
Tietoevry has the following active share-based incentive plans: a Performance Share Plan 2019, 2020 and 2021 and a Restricted Share Plan 2019, 2020 and 2021. Additionally, EVRY's share-based incentive plans have been transitioned into Restricted Share Plans (RSP) at Tietoevry. The plans continue and have been transformed in a value neutral way into restricted stock units in the combined company.

The potential rewards will be paid partly in the company's shares and partly in cash in 2022, 2023 and 2024, respectively. The share rewards to be delivered to the participants will consist of shares to be acquired from the market and treasury shares. Thus, no new shares will be issued in connection with the plans. The rewards to be paid on the basis of the plans correspond to the value of an approximate maximum total of 2 474 432 Tietoevry shares (including the proportion to be paid in cash). On 31 December, the value of granted and unvested share plans corresponded to 2 010 564. The company has not issued any bonds with warrants and does not have any stock option programmes.

Board authorizations

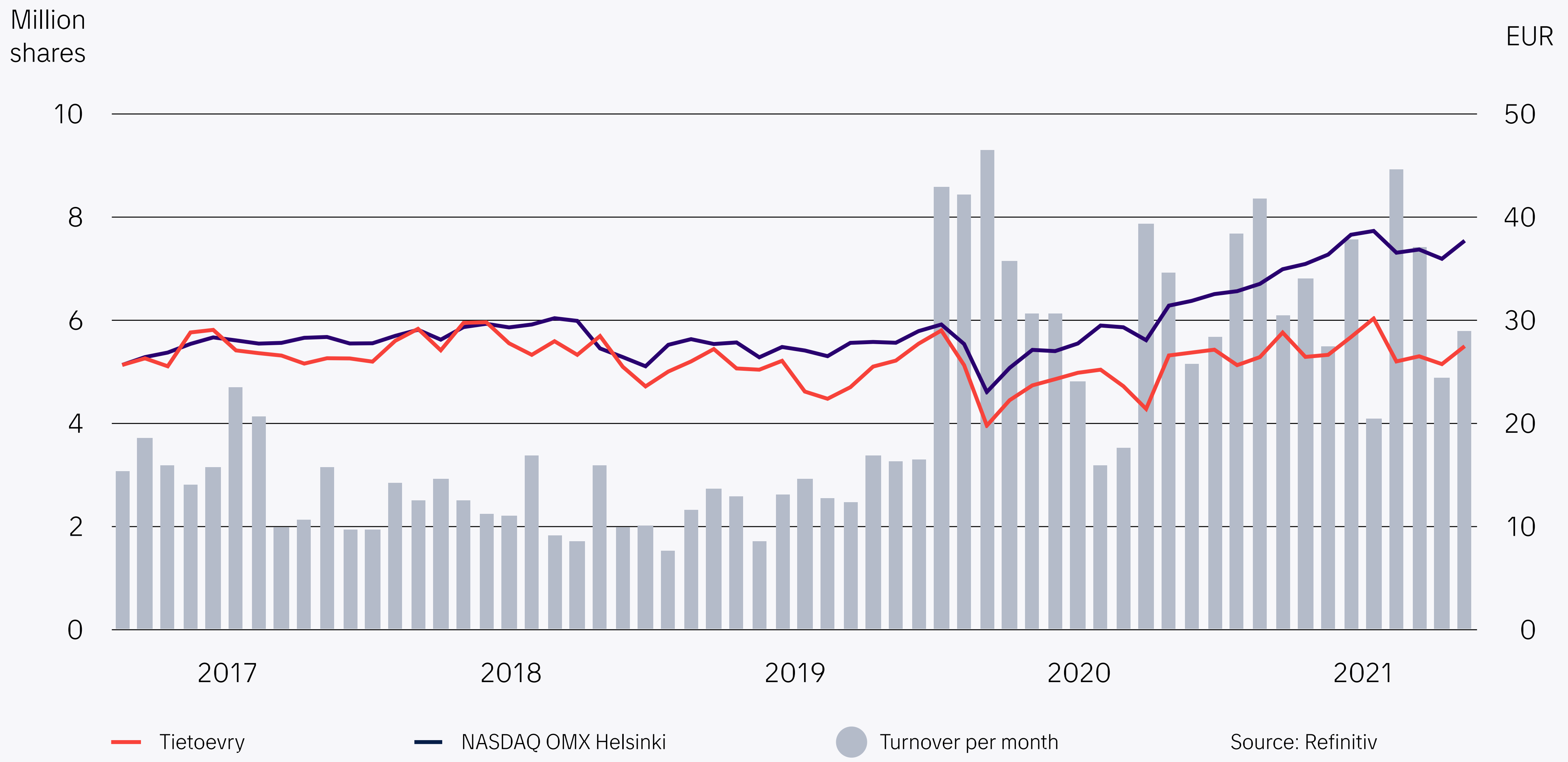
The 2021 Annual General Meeting authorized the Board of Directors to decide on the repurchase of the company's own shares. The amount of own shares to be repurchased shall not exceed 11 800 000 shares, which currently corresponds to approximately 10% of all the shares in the company. The authorization is intended to be used to develop the company’s capital structure. The Board of Directors was also authorized to decide on the issuance of shares as well as on the issuance of option rights and other special rights. The amount of shares to be issued based on the authorization (including shares to be issued based on the special rights) shall not exceed 11 800 000 shares, which currently corresponds to approximately 10% of all the shares in the company.

Ownership structure on 31 Dec 2021



Based on the ownership records of Euroclear Finland Oy

Share price development and turnover, Helsinki



	2021	2020	2019	2018	2017
Number of shares					
Number of shares	118 425 771	118 425 771	118 425 771	74 109 252	74 109 252
Outstanding shares					
At year end	118 418 184	118 414 793	118 253 526	73 826 349	73 723 125
Average	118 408 223	118 378 269	77 193 387	73 809 855	73 722 565
Share capital at year end, EUR	76 555 412	76 555 412	76 555 412	76 555 412	76 555 412
Per share data					
Earnings per share, EUR					
Basic	2.46	0.80	1.02	1.67	1.46
Diluted	2.46	0.80	1.02	1.66	1.46
Equity per share, EUR	15.38	13.73	14.27	6.54	6.46
Share price performance and trading volumes					
NASDAQ Helsinki					
Highest price of share, EUR	30.46	31.32	29.06	30.74	29.98
Lowest price of share, EUR	25.42	17.26	21.40	22.86	24.39
Average price of share, EUR	27.26	24.42	25.37	27.56	26.85
Turnover, number of shares	78 772 407	77 150 210	31 439 512	29 333 439	35 895 771
Turnover, %	66.5	65.1	26.5	39.6	48.4

	2021	2020	2019	2018	2017
Market capitalization, EUR million	3 254.3	3 180.9	3 282.8	1 747.5	1 925.4
Dividends					
Dividend, EUR 1 000	165 785	156 308	75 190	103 465	103 212
Dividend per share, EUR	1.40	1.32	0.64	1.45	1.40
Payout ratio, %	56.8	165.3	62.3	86.8	95.9
Price-weighted ratios					
NASDAQ Helsinki					
Price per earnings ratio (P/E)	11	34	27	14	18
Dividend yield, %	5.1	4.9	4.6	6.1	5.4

Major shareholders on 31 December 2021

	Shares	%
1 Solidium Oy	12 857 918	10.9
2 Cevian Capital Partners Ltd [1)]	9 381 731	7.9
3 Incentive Investment Funds ICAV [2)]	6 041 221	5.1
4 Ilmarinen Mutual Pension Insurance Company	3 091 095	2.6
5 Elo Mutual Pension Insurance Company	1 368 953	1.2
6 Swedbank Robur fonder	1 350 000	1.1
7 Svenska litteratursällskapet i Finland r.f.	979 845	0.8
8 The State Pension fund	858 000	0.7
9 Nordea funds	840 861	0.7
10 Åbo Akademi University Foundation	597 536	0.5
Top 10 shareholders total	**37 367 160**	**31.6**
- of which nominee registered	15 422 952	13.0
Nominee registered other	54 897 014	46.4
Others	26 161 597	22.1
Total	**118 425 771**	**100.0**

Based on the ownership records of Euroclear Finland Oy, Euroclear Sweden AB and Norwegian Central Securities Depository (VPS).

[1)] Based on the ownership records of Euroclear Finland Oy, Cevian Capital Partners Ltd's holding on 30 August 2021 was 9 381 731 shares, representing 7.9% of shares and voting rights.
[2)] On 21 September, Incentive AS announced that the holding of Incentive Investment Funds ICAV in TietoEVRY Corporation was 6 041 221 shares, representing 5.1% of the shares.

Number of shares

	Shareholders		Shares	
	No	%	No	%
1–100	24 805	53.0	1 134 315	1.0
101–500	15 393	32.9	3 816 511	3.2
501–1 000	3 419	7.3	2 596 152	2.2
1 001–5 000	2 698	5.8	5 638 933	4.8
5 001–10 000	254	0.5	1 770 152	1.5
10 001–50 000	187	0.4	3 923 060	3.3
50 001–100 000	38	0.1	2 802 421	2.4
100 001–500 000	24	0.1	5 962 239	5.0
500 001–	13	0.0	90 771 428	76.6

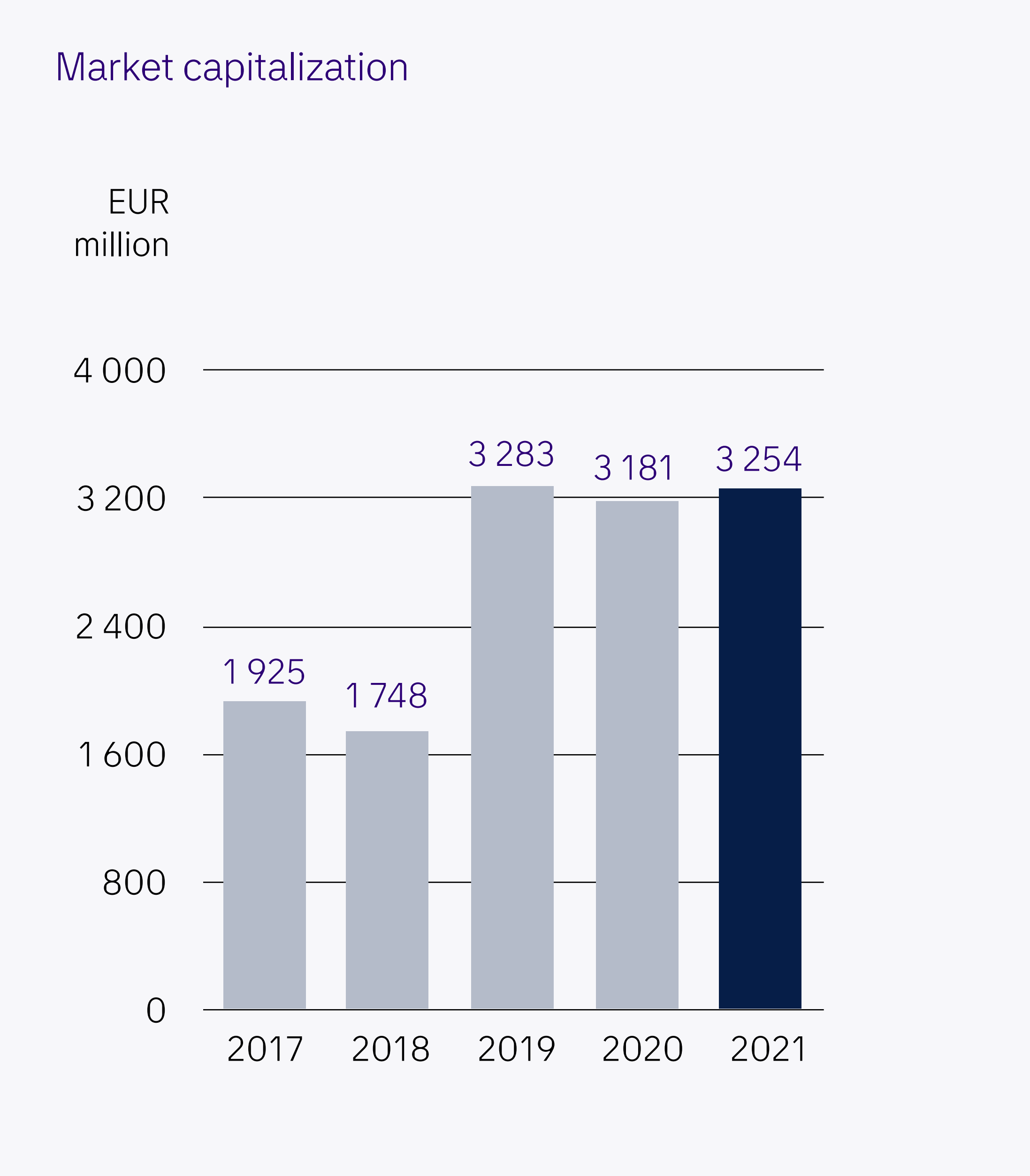
Based on the ownership records of Euroclear Finland Oy.

Dividend

The distributable funds of the parent company amount to EUR 1 627.8 million, of which net profit for 2021 amounts to EUR 1.1 million. The Board of Directors proposes to the Annual General Meeting that for the financial year ended on December 31, 2021, a dividend of EUR 1.40 per share be paid from the distributable profits of the company. The Board of Directors proposes that the dividend shall be paid in two instalments:

- The first dividend instalment of EUR 0.70 per share shall be paid to shareholders who on the record date for the dividend payment on 28 March 2022 are recorded in the shareholders' register held by Euroclear Finland Oy or the registers of Euroclear Sweden AB or Verdipapirsentralen ASA (VPS).
- The second dividend instalment of EUR 0.70 per share shall be paid to shareholders who on the record date for the dividend payment on 26 September 2022 are recorded in the shareholders' registers.

The proposed dividend payout does not endanger the solvency of the company.



Events after the period

New structure and appointment in Executive Management took effect on 1 January 2022

Tietoevry has established six specialized end-to-end businesses. These six businesses form the reportable segments as from the first quarter of 2022. The new structure and the following appointments in Executive Management took effect on 1 January 2022:

- Tietoevry Create – led by Christian Pedersen
- Tietoevry Care – led by Ari Järvelä
- Tietoevry Banking – led by Christian Segersven
- Tietoevry Industry – led by Ari Järvelä
- Tietoevry Transform – led by Satu Kiiskinen
- Tietoevry Connect – led by Johan Torstensson

The business executives together with

- Tomi Hyryläinen, CFO
- Kishore Ghadiyaram, Head of Strategy
- Trond Vinje, Head of Human Resources
- Malin Fors-Skjæveland, Head of Operations

form Tietoevry's Executive Management under the leadership of Kimmo Alkio, the President and CEO.

Performance acceleration to drive cloud growth and further profit improvement in Cloud & Infra

The technology industry is being reshaped with cloud as the foundation. Multi-cloud and the cloud transformation are the main growth drivers and automation is key for efficiency and customers' cloud adoption. At the same time, the market for traditional infrastructure services is declining.

Tietoevry has initiated performance acceleration in Cloud & Infra to drive cloud growth and achieve further profit improvement. The company announced a cost savings programme in February 2022, expected to impact up to 600 roles. The targeted annual savings of around EUR 50 million mainly relate to personnel and external purchases. The programme is anticipated to contribute to the growth and profitability ambitions for Cloud & Infra.

Full-year outlook for 2022

Tietoevry expects its organic[1)] growth to be 2% to 4% (revenue in 2021: EUR 2 823.4 million). The company estimates its full-year adjusted operating margin[2)] (adjusted EBITA) to be 13.1–13.6% (13.0% in 2021).

[1)] Adjusted for currency effects, acquisitions and divestments.
[2)] Adjustment items include restructuring costs, capital gains/losses, impairment charges and other items affecting comparability.

Financial reporting in 2022

24 March	Annual General Meeting

Tietoevry will publish three interim reports in 2022:

5 May	Interim report 1/2022 (8.00 am EET)
22 July	Interim report 2/2022 (8.00 am EET)
27 October	Interim report 3/2022 (8.00 am EET)

Key figures

Calculation of key figures and alternative performance measures

Tietoevry presents certain financial measures, which, in accordance with the "Alternative Performance Measures" guidance issued by the European Securities and Markets Authority, are not accounting measures defined or specified in IFRS and are, therefore, considered alternative performance measures. Tietoevry believes that alternative performance measures provide meaningful supplemental information to the financial measures presented in the consolidated financial statements prepared in accordance with IFRS and increase the understanding of the profitability of Tietoevry's operations. In addition, they are seen as useful indicators of the Group's financial position and ability to obtain funding. Alternative performance measures are not accounting measures defined or specified in IFRS and, therefore, they are considered non-IFRS measures, which should not be viewed in isolation or as a substitute to the IFRS financial measures.

Adjusted earnings per share	=	Net profit for the period excluding adjustment items, amortization of acquisition-related intangible assets and related tax impact per country / Weighted average number of shares	
Adjustment items	=	Restructuring costs + capital gains/losses + impairment charges + other items affecting comparability	
Operating profit (EBIT)	=	Net profit + interests + taxes	
Operating margin (EBIT), %	=	Operating profit (EBIT) / Revenue	
Operating profit (EBITA)	=	Net profit + interests + taxes + amortization of acquisition-related intangible assets	
Operating profit (EBITA), %	=	Operating profit (EBITA) / Revenue	
Adjusted operating profit (EBITA)	=	Operating profit (EBITA) + adjustment items	
Adjusted operating margin (EBITA), %	=	Adjusted operating profit (EBITA) / Revenue	
Equity per share	=	Total equity / Number of shares at the year-end	
Capital expenditure	=	Acquisitions of intangible assets and property, plant and equipment	
Acquisitions	=	Acquisitions of subsidiaries and business operations, net of cash acquired	
Return on equity, 12-month rolling, %	=	Profit before taxes and non-controlling interests – income taxes / Total equity (12-month average)	* 100
Return on capital employed, 12-month rolling, %	=	Profit before taxes + interest and other financial expenses / Total assets – non-interest-bearing liabilities (12-month average)	* 100
Equity ratio, %	=	Total equity / Total assets – advance payments	* 100
Interest-bearing net debt	=	Interest-bearing liabilities – interest-bearing receivables – cash and cash equivalents	
Gearing, %	=	Interest-bearing net debt / Total equity	* 100

Operating profit (EBITA) by segment

	2021	2020	Change
EUR million	**1–12**	**1–12**	**%**
Digital Consulting	92.8	80.8	15
Cloud & Infra	38.7	44.9	-14
Industry Software	229.8	45.4	> 100
Financial Services Solutions	64.9	30.7	> 100
Product Development Services	17.3	17.7	-2
Other	-14.1	-27.2	48
Group total	**429.3**	**192.2**	**> 100**

Operating margin (EBITA) by segment

	2021	2020	Change
%	**1–12**	**1–12**	**%**
Digital Consulting	13.9	12.2	2
Cloud & Infra	4.5	4.8	0
Industry Software	44.0	9.1	35
Financial Services Solutions	13.8	7.3	6
Product Development Services	11.3	12.4	-1
Operating margin (EBITA)	**15.2**	**6.9**	**8**

Adjusted operating profit (EBITA) by segment

EUR million	2021	2020	Change %
Digital Consulting	93.1	92.8	0
Cloud & Infra	61.1	93.5	-35
Industry Software	125.5	91.5	37
Financial Services Solutions	65.1	54.4	20
Product Development Services	17.6	18.0	-2
Other	5.4	4.8	13
Group total	**367.8**	**355.0**	**4**

Adjusted operating margin (EBITA) by segment

%	2021	2020	Change pp
Digital Consulting	13.9	14.0	0
Cloud & Infra	7.2	10.0	-3
Industry Software	24.0	18.3	6
Financial Services Solutions	13.8	13.0	1
Product Development Services	11.5	12.7	-1
Adjusted operating margin (EBIT)	**13.0**	**12.7**	**0**

Reconciliation of operating profit (EBITA)

	2021	2020
EUR million	**1–12**	**1–12**
Operating profit (EBIT)	382.0	146.7
+ amortization on intangible assets recognized at fair value from acquisitions	47.3	45.5
Operating profit (EBITA)	**429.3**	**192.2**

Reconciliation of adjusted operating profit (EBITA)

EUR million	2021	2020
Operating profit (EBITA)	429.3	192.2
+ restructuring costs	7.1	1.2
- capital gains	-104.0	-1.0
+/- M&A related items	1.0	—
+ IBM partner agreement	6.3	35.6
+ Tietoevry integration	25.8	84.5
+ SmartUtilities	-3.1	40.5
+/- other items	5.4	2.0
Adjusted operating profit (EBITA)	**367.8**	**355.0**

CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

Income Statement

EUR million	Note	2021	2020
Revenue	5, 6	2 823.4	2 786.4
Other operating income	7	125.1	11.6
Materials and services		-610.3	-688.7
Employee benefit expenses	8	-1 527.0	-1 485.6
Depreciation and amortization	11, 12, 20	-170.1	-175.8
Impairment losses	11, 12, 20	-5.3	-29.7
Other operating expenses	7	-255.2	-272.9
Share of results in joint ventures	28	1.5	1.5
Operating profit (EBIT)		**382.0**	**146.7**
Interest and other financial income	21	1.9	2.2
Interest and other financial expenses	21	-25.3	-27.4
Net foreign exchange gains/losses	21	-4.8	0.8
Profit before taxes		**353.8**	**122.4**
Income taxes	9	-62.2	-27.9
Net profit for the financial year		**291.6**	**94.5**
Net profit for the financial year attributable to			
Owners of the Parent company		291.6	94.5
Non-controlling interest		0.0	0.0
		291.6	**94.5**
Earnings per share attributable to owners of the Parent company, EUR per share	10		
Basic		2.46	0.80
Diluted		2.46	0.80

Statement of other comprehensive income

EUR million	Note	2021	2020
Net profit for the financial year		291.6	94.5
Items that may be reclassified subsequently to profit or loss			
Translation differences		60.2	-82.8
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of the defined benefit plans	15	-1.9	0.3
Income tax related to remeasurements	9	0.4	-0.1
Total comprehensive income		**350.3**	**11.9**
Total comprehensive income attributable to			
Owners of the Parent company		350.3	11.9
Non-controlling interest		0.0	0.0
		350.3	**11.9**

Notes are an integral part of these consolidated financial statements.

Statement of financial position

Assets

EUR million	Note	31 Dec 2021	31 Dec 2020
Non-current assets			
Goodwill	11, 28	1 943.7	1 974.4
Other intangible assets	11	387.9	384.9
Property, plant and equipment	12	87.4	96.9
Right-of-use assets	20	192.4	231.7
Interests in joint ventures	28	16.7	19.7
Deferred tax assets	9	19.1	35.6
Defined benefit plan assets	15	0.7	0.0
Finance lease receivables	20, 22	2.7	2.9
Other financial assets at amortized cost	22	15.7	12.8
Other financial assets at fair value	22	0.6	0.6
Other non-current receivables	14	35.4	21.8
Total non-current assets		**2 702.3**	**2 781.3**
Current assets			
Inventories	13	7.2	4.9
Trade and other receivables	14	517.0	516.9
Financial assets at fair value	22	23.3	35.9
Finance lease receivables	20	2.9	2.3
Current tax assets		10.8	11.3
Cash and cash equivalents	24	323.8	252.3
Total current assets		**884.9**	**823.5**
Total assets		**3 587.2**	**3 604.8**

Equity and liabilities

EUR million	Note	31 Dec 2021	31 Dec 2020
Equity			
Share capital	25	76.6	76.6
Share premium and other reserves	25	41.5	42.1
Invested unrestricted equity reserve	25	1 203.5	1 203.5
Retained earnings	25	499.6	304.1
Equity attributable to owners of the Parent company		**1 821.1**	**1 626.2**
Non-controlling interest		—	0.0
Total equity		**1 821.1**	**1 626.2**
Non-current liabilities			
Loans	19, 22	731.6	885.9
Lease liabilities	19, 20, 22	144.0	171.0
Deferred tax liabilities	9	9.1	19.8
Provisions	16	2.8	3.2
Defined benefit obligations	15	38.7	38.3
Other non-current liabilities	17	34.7	34.2
Total non-current liabilities		**960.8**	**1 152.5**
Current liabilities			
Trade and other payables	17	672.3	660.4
Financial liabilities at fair value	22	0.8	2.9
Current tax liabilities		18.5	5.5
Loans	19, 22	31.5	39.6
Lease liabilities	19, 20, 22	62.5	72.1
Provisions	16	19.6	45.6
Total current liabilities		**805.3**	**826.1**
Total equity and liabilities		**3 587.2**	**3 604.8**

Notes are an integral part of these consolidated financial statements.

Statement of cash flows

EUR million	Note	2021	2020
Cash flow from operating activities			
Net profit for the financial year		291.6	94.5
Adjustments			
Depreciation, amortization and impairment losses	11, 12, 20	175.5	205.5
Profit/loss on sale of property, plant and equipment, subsidiaries and business operations		-104.1	-1.2
Share of results in joint ventures	28	-1.5	-1.5
Other adjustments		0.2	8.6
Net financial expenses	21	28.1	24.4
Income taxes	9	62.2	27.9
Change in net working capital			
Change in current receivables		-8.2	89.6
Change in current non-interest-bearing liabilities		-18.7	-22.4
Cash generated from operating activities before interests and taxes		**425.2**	**425.3**
Interests received		1.8	2.2
Interests paid		-23.2	-21.4
Other financial income received		24.0	55.5
Other financial expenses paid		-21.9	-82.3
Dividends received	28	2.1	4.3
Income taxes paid		-40.6	-28.9
Cash flow from operating activities		**367.5**	**354.7**

Notes are an integral part of these consolidated financial statements.

EUR million	Note	2021	2020
Cash flow from investing activities			
Acquisition of subsidiaries and business operations, net of cash acquired	26	—	-0.6
Capital expenditure	11, 12	-80.8	-83.5
Disposal of subsidiaries and business operations, net of cash disposed	26	179.5	16.3
Proceeds from sale of property, plant and equipment		0.8	2.7
Change in loan receivables		0.3	-0.2
Cash flow from investing activities		**99.8**	**-65.3**
Cash flow from financing activities			
Dividends paid		-156.3	-75.3
Repurchase of own shares		-3.8	-0.9
Repayments of lease liabilities	19, 20	-73.1	-70.6
Bridge loan related to merger	19	—	-300.0
Other short-term financing, net	19	-19.7	-42.6
Proceeds from long-term borrowings	19	—	297.4
Repayments of long-term borrowings	19	-145.8	—
Cash flow from financing activities		**-398.8**	**-191.9**
Change in cash and cash equivalents		**68.5**	**97.5**
Cash and cash equivalents at the beginning of period	24	252.3	164.6
Foreign exchange differences		3.0	-9.9
Change in cash and cash equivalents		68.5	97.5
Cash and cash equivalents at the end of period		**323.8**	**252.3**

Statement of changes in shareholders' equity

		Owners of the Parent company									
EUR million	Note	Share capital	Share premium and other reserves	Own shares	Translation differences	Invested unrestricted equity reserve	Retained earnings	Total	Non-controlling interest	Total equity
31 Dec 2020		**76.6**	**42.1**	**-0.3**	**-133.8**	**1 203.5**	**438.2**	**1 626.2**	**0.0**	**1 626.2**
Comprehensive income										
Net profit for the period		—	—	—	—	—	291.6	291.6	0.0	291.6
Other comprehensive income, net of tax										
Remeasurements of the defined benefit plans, net of tax		—	—	—	—	—	-1.6	-1.6	—	-1.6
Translation differences		—	-0.6	—	67.8	—	-7.0	60.2	—	60.2
Total comprehensive income		**—**	**-0.6**	**—**	**67.8**	**—**	**283.0**	**350.3**	**0.0**	**350.3**
Transactions with owners										
Contributions and distributions										
Share-based incentive plans	8	—	—	3.9	—	—	1.1	5.0	—	5.0
Dividends		—	—	—	—	—	-156.3	-156.3	0.0	-156.3
Repurchase of own shares		—	—	-3.8	—	—	—	-3.8	—	-3.8
Changes in ownership interests										
Acquisition of non-controlling interest without change in control		—	—	—	—	—	-0.3	-0.3	0.0	-0.3
Total transactions with owners		**—**	**—**	**0.1**	**—**	**—**	**-155.4**	**-155.3**	**0.0**	**-155.4**
31 Dec 2021		**76.6**	**41.5**	**-0.2**	**-66.0**	**1 203.5**	**565.8**	**1 821.1**	**—**	**1 821.1**

EUR million	Note	Owners of the Parent company: Share capital	Share premium and other reserves	Own shares	Translation differences	Invested unrestricted equity reserve	Retained earnings	Total	Non-controlling interest	Total equity
31 Dec 2019		**76.6**	**40.9**	**-2.9**	**-50.2**	**1 203.5**	**419.3**	**1 687.1**	**0.0**	**1 687.2**
Comprehensive income										
Net profit for the financial year		—	—	—	—	—	94.5	94.5	0.0	94.5
Other comprehensive income, net of tax										
Remeasurements of the defined benefit plans, net of tax		—	—	—	—	—	0.2	0.2	—	0.2
Translation differences		—	1.2	—	-83.6	—	-0.3	-82.8	—	-82.8
Total comprehensive income		**—**	**1.2**	**—**	**-83.6**	**—**	**94.4**	**11.9**	**0.0**	**11.9**
Transactions with owners										
Contributions and distributions										
Share-based incentive plans	8	—	—	3.5	—	—	-0.2	3.3	—	3.3
Dividends		—	—	—	—	—	-75.3	-75.3	—	-75.3
Repurchase of own shares		—	—	-0.9	—	—	—	-0.9	—	-0.9
Total transactions with owners		**—**	**—**	**2.6**	**—**	**—**	**-75.5**	**-72.9**	**—**	**-72.9**
31 Dec 2020		**76.6**	**42.1**	**-0.3**	**-133.8**	**1 203.5**	**438.2**	**1 626.2**	**0.0**	**1 626.2**

Notes are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

1. Corporate information

TietoEVRY Corporation (business identity code 0101138-5) is a Finnish public limited liability company organized under the laws of Finland. It is domiciled in Espoo and the address of the Group head office is Keilalahdentie 2-4, 02101 Espoo, Finland. The company is listed on NASDAQ in Helsinki and Stockholm and the Oslo Stock Exchange.

Tietoevry is a leading Nordic digital services company serving clients across Sweden, Norway and Finland and offering software, IT solutions and consulting services, as well as operations of IT systems. In addition, the Group offers outsourcing services and services related to data communication and data security.

The Board of Directors approved these consolidated financial statements on 16 February 2022. According to the Limited Liability Companies Act, the shareholders have the right at the Annual General Meeting to either approve, amend or reject the consolidated financial statements after the publication.

BASIS OF PREPARATION

The accounting policies applied to the consolidated financial statements as a whole are described below. A more detailed description of accounting policies and significant estimates related to specific disclosures are presented in conjunction with each note in the aim of providing understanding of each accounting area.

2. Principal accounting policies

These consolidated financial statements of Tietoevry have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations as adopted by the European Union. The financial statements also comply with Finnish accounting principles and corporate legislation complementing the IFRSs. The consolidated financial statements are presented in millions of euros and have been prepared under the historical cost convention, unless otherwise stated in these accounting policies. All figures presented have been rounded, and consequently the sum of individual figures can deviate from the presented sum figure. Key figures have been calculated using exact figures.

Consolidation principles

The consolidated financial statements include the Parent company TietoEVRY Corporation and all subsidiaries over which the Parent company has directly or indirectly more than one half of the voting rights, or the Parent company is otherwise in control of the company. Control exists when the company is exposed to, or has rights to, variable returns from its involvement with the entity and can affect those returns through its power over the entity.

Subsidiaries are consolidated from the date on which control is achieved until the date on which control ceases by using the acquisition method. Intra-group receivables, payables and transactions including dividends and internal profit are eliminated on consolidation. When necessary, subsidiaries' accounting policies have been aligned to correspond to the Group's accounting policies. The result for the period and items of other comprehensive income are allocated to the equity holders of the company and non-controlling interests and presented in the income statement and statement of other comprehensive income. Non-controlling interests are shown separately under shareholders' equity.

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 euros, which is the Parent company's functional and presentation currency.

Foreign currency transactions are translated into local functional currencies using the exchange rates prevailing on the transaction date. The foreign currency monetary items are translated using period-end exchange rates. 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 or remeasured. Other non-monetary items are recognized at the exchange rate prevailing on the transaction date.

For internal, long-term loans to subsidiaries, when classified as net investment in foreign operation, all related unrealized foreign exchange gains and losses are recognized in profit or loss in the separate financial statements. In the consolidated financial statements, such exchange differences are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

Other foreign exchange gains and losses related to business operations are included in operating profit. Foreign exchange gains and losses associated with financing are recognized in finance income and expenses.

For those Group entities whose functional and presentation currency is not the euro, the income statements and statements of financial position are translated into the Group presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated using the exchange rates prevailing at the reporting date;
- income and expenses for each income statement are translated using the average exchange rates of the reporting period;
- all resulting translation differences are recognized in other comprehensive income.

When a subsidiary is sold, any translation differences are recognized in the consolidated income statement as part of the gain or loss on the sale.

Goodwill and fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated into euro using the exchange rates prevailing at the reporting date. Translation differences arising are recognized in other comprehensive income.

3. Adoption of new and amended IFRS standards and interpretations

The following amendments to IFRS standards have become effective on 1 January 2021. They have not had any material impact on the disclosures or on the amounts reported in these financial statements.

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2

New and revised IFRS standards in issue but not yet effective

At the date of authorization of these financial statements, the Group has not applied the following new and revised IFRS standards that have been issued but are not yet effective and had not yet been adopted by the EU (marked with *). The management do not expect the adoption of these to have a material impact on the Group's financial statements in the future reporting periods. Those will be adopted as of their effective date.

- IFRS 10 and IAS 28 (amendments): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IAS 1 Classification of Liabilities as Current or Non-current*
- Amendments to IFRS 3 Reference to the Conceptual Framework
- Amendments to IAS 16 Property, Plant and Equipment—Proceeds before Intended Use
- Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract
- Annual Improvements to IFRS Standards 2018–2020 Cycle Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41
- IFRS 17 Insurance Contracts and Amendments to IFRS 4 – deferral of IFRS 9
- Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies*
- Amendments to IAS 8 - Definition of Accounting Estimates*
- Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

4. Use of judgements and estimates

The preparation of the financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the amounts reported and disclosed at the reporting date. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from the estimates. In addition, management judgement is required in the application of accounting policies, especially when IFRS standard has alternative accounting, valuation and presentation methods.

Management believes that the following accounting principles represent those matters, where management judgement has the most significant effect on the amounts recognised or where different estimate could result in significant adjustment to reported carrying amounts within the next financial year. These are described in more detail in the related notes.

Accounting principle	Estimates made	Judgement applied	Note
Valuation of goodwill	X	X	11
Provisions	X		16
Deferred taxes	X		9
Leases		X	20

PERFORMANCE FOR THE YEAR

This section comprises disclosures related to the performance of the Group, including segment information, sources of revenue, other operating income and expenses, as well as information on employee benefits, taxes and earnings per share.

5. Segment information

Tietoevry Group comprises six operating segments: Digital Consulting, Cloud & Infra, Industry Software, Financial Services Solutions, International Operations and Product Development Services. The operating segments are reported separately, except for International Operations which is included in Other due to its smaller size.

ACCOUNTING POLICIES

The operating segments are reported in a manner consistent with the internal reporting provided to the Leadership team which has been identified as Tietoevry's chief operating decision maker being responsible for allocating resources and assessing performance of the operating segments as well as deciding on strategy.

Segment reporting is prepared according to IFRS accounting principles. No internal sales occur between the segments as in the internal reporting, revenue and costs are recognized directly to the respective customer projects in the service lines. The performance of segments is assessed based on operating profit (EBIT).

Group level costs related to Global management, Support functions and other non-allocated costs are not included in the segments but are reported under Other in the segment reporting.

The reportable segments comprise the following services:

Digital Consulting

The Digital Consulting business comprises consulting services, including business and technology advisory as well as system integration services and managed application services. The segment currently focuses on Finland, Sweden and Norway. Services are delivered primarily by employees based in the Nordic countries while also through global delivery centres. Tietoevry is a leading vendor in the Norwegian and Finnish consulting market.

Cloud & Infra

The Cloud & Infra business modernizes and secures customers' businesses with automated solutions enhanced by a variety of technologies. The infrastructure foundation is to ensure Nordic customers' renewal, business continuity and security. Services comprise managed cloud, security and end-user services including cloud migration advisory and transformation. The business has a geographical focus in Finland, Sweden and Norway, and the Group is positioned as the leading provider in Finland and Norway and is among top 3 providers in Sweden. Services are delivered primarily from both onshore locations in the Nordic countries and the delivery centre in the Czech Republic.

Industry Software

Industry Software provides with industry-specific software products for business-critical processes of clients in the public sector and the healthcare and welfare sector as well as in the forest industry and the energy segments. Customers are mainly in the Nordic countries while the Group also has industry software for its global customers in the forest sector. Majority of the business continues to be license-based while the share of software as a service is on the rise. In the license-based business, revenue comprises solution installations and license fees as well as maintenance, which is typically based on multi-year agreements.

Financial Services Solutions

Financial Services Solutions helps a wide range of Nordic and global companies in the financial services industry to digitalize business processes, secure operational efficiency and growth in an environment of constant regulatory change. The portfolio comprises a comprehensive range of services and processes, based on flexible modules and innovative scalable software platforms, from real-time solutions within the areas of payments, cards, wealth management and credit to running full stack banking and cards operations as well as BPO services.

Product Development Services

Product Development Services provides software R&D services with focus on the telecom sector. Services are provided globally for communications infrastructure companies, consumer electronics and semiconductor companies as well as automotive industry. Services are currently provided mainly from global centres in Poland, China, Sweden, the Czech Republic and Finland.

Other consists of International Operations including digital consulting services for markets outside the Nordics with focus on the industrial, public and telecom sectors in Europe and the healthcare, insurance and professional services in the US. International Operations serves its non-Nordic customers primarily from India and Ukraine. Other also includes unallocated Group costs.

Disaggregation of customer revenue by segment

EUR million	2021	2020	Change %
Digital Consulting	667.5	662.0	1
Cloud & Infra	853.8	931.6	-8
Industry Software	522.7	501.1	4
Financial Services Solutions	471.0	418.8	12
Product Development Services	153.3	142.4	8
Other	155.1	130.5	19
Group total	**2 823.4**	**2 786.4**	**1**

Customer revenue by country[1)]

EUR million	2021	2020	Change %
Finland	639.2	684.7	-7
Sweden	947.2	1 000.3	-5
Norway	981.3	800.6	23
Other	255.7	300.8	-15
Group total	**2 823.4**	**2 786.4**	**1**

[1)] The distribution of revenue by country is based on the location of the customer. Strategic multi-country customer is reported in one country based on the primary location of customer engagement.

Customer revenue from fixed-price contracts by segment

EUR million	2021	2020
Digital Consulting	14.4	19.0
Cloud & Infra	6.6	8.5
Industry Software	6.1	6.3
Financial Services Solutions	24.2	15.1
Product Development Services	3.7	4.6
Other	5.5	0.8
Group total	**60.5**	**54.2**

Tietoevry does not have individual significant customers as defined in IFRS 8.

Operating profit (EBIT) by segment

EUR million	2021	2020	Change %
Digital Consulting	82.4	70.8	16
Cloud & Infra	30.0	36.6	-18
Industry Software	223.4	38.8	> 100
Financial Services Solutions	43.2	10.0	> 100
Product Development Services	17.3	17.7	-2
Other	-14.1	-27.2	48
Group total	**382.0**	**146.7**	**> 100**

Operating margin (EBIT) by segment

%	2021	2020	Change pp
Digital Consulting	12.3	10.7	2
Cloud & Infra	3.5	3.9	0
Industry Software	42.7	7.7	35
Financial Services Solutions	9.2	2.4	7
Product Development Services	11.3	12.4	-1
Operating margin (EBIT)	**13.5**	**5.3**	**8**

Personnel by segment

	End of period				Average	
	2021	Change %	Share %	2020	2021	2020[1)]
Digital Consulting	6 351	2	26	6 220	6 165	6 398
Cloud & Infra	4 682	-2	19	4 795	4 786	4 726
Industry Software	3 169	-8	13	3 452	3 300	3 509
Financial Services Solutions	3 057	6	13	2 885	2 957	2 890
Product Development Services	2 104	28	9	1 643	1 748	1 639
Other	5 026	8	21	4 637	4 868	4 626
Group total	**24 389**	**3**	**100**	**23 632**	**23 824**	**23 788**

[1)] Average represents the period June–December 2020 in alignment with the new reporting structure.

Personnel by country

	End of period				Average	
	2021	Change %	Share %	2020	2021	2020[1)]
Sweden	4 286	-2	18	4 377	4 321	4 397
Norway	4 274	-5	18	4 513	4 373	4 450
India	4 592	10	19	4 173	4 362	4 203
Finland	3 130	3	13	3 042	3 102	3 183
Czech Republic	2 505	2	10	2 457	2 478	2 458
Ukraine	2 123	16	9	1 837	1 996	1 876
Latvia	999	4	4	957	970	942
Poland	710	-5	3	750	734	732
China	842	89	3	445	503	431
Estonia	108	-63	0	290	178	303
Austria	217	18	1	184	193	180
Lithuania	123	18	1	104	109	103
Other	479	-5	2	502	505	530
Group total	**24 389**	**3**	**100**	**23 632**	**23 824**	**23 788**
Onshore countries	12 192	-2	50	12 407	12 296	12 532
Offshore countries	12 197	9	50	11 225	11 528	11 256
Group total	**24 389**	**3**	**100**	**23 632**	**23 824**	**23 788**

[1)] Average represents the period June–December 2020 in alignment with the new reporting structure.

Non-current assets by country

EUR million	31 Dec 2021	31 Dec 2020	Change %
Finland	85.2	100.7	-15
Sweden	117.6	142.9	-18
Norway	433.5	427.2	1
Other	31.3	42.7	-27
Group total	**667.7**	**713.5**	**-6**

Non-current assets include property, plant and equipment, right of use assets and intangible assets excluding goodwill.

Depreciation by segment

EUR million	2021	2020	Change %
Digital Consulting	4.4	4.8	-6
Cloud & Infra	43.3	44.0	-2
Industry Software	1.9	1.9	0
Financial Services Solutions	4.0	3.8	3
Product Development Services	0.3	0.3	20
Other	57.3	60.2	-5
Group total	**111.2**	**115.0**	**-3**

Amortization on other intangible assets by segment

EUR million	2021	2020	Change %
Digital Consulting	0.1	0.1	22
Cloud & Infra	4.1	6.5	-37
Industry Software	1.9	2.4	-18
Financial Services Solutions	3.3	3.8	-13
Product Development Services	—	—	—
Other	2.0	2.5	-17
Group total	**11.6**	**15.3**	**-24**

Amortization of acquisition-related intangible assets by segment

EUR million	2021	2020	Change %
Digital Consulting	10.5	10.0	4
Cloud & Infra	8.7	8.3	5
Industry Software	6.5	6.5	-1
Financial Services Solutions	21.7	20.7	5
Product Development Services	—	—	—
Other	—	—	—
Group total	**47.3**	**45.5**	**4**

6. Revenue

The business models of the Group consist of continuous services, software solutions, projects and consulting. Goods mainly include sales of software licenses. Revenue comprises the fair value for the sale of IT services and goods, net of value-added tax, discounts and exchange rate differences.

ACCOUNTING POLICIES

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes consideration collected on behalf of third parties. The Group recognizes revenue when it transfers control of a good or service to a customer.

The Group typically provides the customers with wide variety of comprehensive services. The individual service delivery contracts are often structured under a common frame contract where general terms for the service delivery to the customer are defined. The content of the delivery, performance obligations and usually also pricing, are defined in the service delivery contracts. Management judgement is used to identify what is the entirety of which revenue is recognized; either an individual service delivery contract or a group of combined contracts.

Revenue from service contracts is based on service volumes or time and materials and the performance obligations are recognized over the accounting period in which the services are rendered or project is delivered. The services are generally satisfied and the control transferred to the customer over time given that either the customer simultaneously receives and consumes the benefits provided by the Group, or the Group’s performance does not create an asset with an alternative use for the Group, in which case there is an enforceable right to payment for work completed to date.

In majority of the businesses, covering continuous services, time and material projects and consulting, the performance obligations satisfied are invoiced on monthly basis. At the time of invoicing, a receivable is recognized by the Group as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. The standard payment term is 30 days, net, according to the Group’s Credit Policy.

Goods, typically distinct licenses, that provide a right to use the software, are invoiced on delivery. The license revenue is recognized at a point in time when the license is delivered, the legal title has passed, the customer has accepted the license and has access to the licensed software. Distinct licenses, that provide a right to access the software, are recognized over the contract period. Contract assets or liabilities do not typically arise in the businesses described above.

For contracts comprising fixed-price projects, revenue is recognized based on the actual service provided by the reporting date as a proportion of the total services to be provided. This is determined based on the cost of actual labour hours spent relative to the total expected cost of labour hours, as it best depicts the transfer of control to the customer. Estimates of revenues, costs or progress towards completion are revised if circumstances change and any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by the management. Invoicing and customer payments in the fixed-price projects follow the payment schedule defined in the customer contract. If the services rendered by the Group exceed the payment, a contract asset is recognized, and if the payments exceed the services rendered, a contract liability is recognized.

The customer contracts of the Group typically comprise several of the business models described above. The most appropriate presentation on how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors is considered to be the disaggregation of revenue by segment, presented in the segment information note 5. The disaggregation of customer sales from long-term fixed-price contracts by segment represents the revenue from contracts for which the risks are different compared to other contracts with customers.

Some contracts include delivery of hardware together with a variety of services from the Group. Hardware is usually provided by another service provider. The installation of hardware is simple, does not include an integration service from the Group and could be performed by another party. It is, therefore, accounted for as a separate performance obligation. In these contracts, Tietoevry acts as an agent, if the Group does not obtain control of the hardware provided by another party before it is transferred to the customer, or as a principal if the control is obtained.

Where the contracts include multiple performance obligations, the transaction price is allocated to each performance obligation based on the stand-alone selling prices, which are observable from the contracts and represent prices for services rendered in similar circumstances to similar customers. Revenue from contracts granting a discount retrospectively to the customer is recognized based on the price specified in the contract, net of the estimated discounts. Discounts are estimated based on management's experience of the earlier purchases of the customers under similar contracts. This estimation is regularly updated during the contract period. Revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

In settlement agreement cases, the settlement consideration is reduced from revenue when a settlement agreement is signed with the customer.

The Group grants assurance type of warranties which guarantee that the delivery complies with agreed specifications. These are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The Group does not have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. Consequently, the Group does not adjust any of the transaction prices for the time value of money.

The Group capitalizes material costs of set-up activities related to transition or implementation projects in the initial phase of continuous operating service contracts, when the criteria for capitalization according to IFRS 15 are met. Management judgement has been used when developing an internal guidance on what kind of tasks are defined as set-up activities in the Group. The set-up activities do not result in the transfer of a promised good or service and are not identified as a performance obligation to the customer. The capitalized costs of a contract are amortized during the period when the revenue for related continuous operating service contract is recognized.

Assets and liabilities related to contracts with customers

EUR million	Note	31 Dec 2021	31 Dec 2020	1 Jan 2020
Trade receivables	14	372.8	358.9	443.5
Contract assets	14	52.5	50.1	68.3
Contract liabilities	17	56.0	56.3	41.9

Decreases due to business disposals during 2021 were EUR 1.6 million in trade receivables, EUR 6.1 million in contract assets and 5.8 million in contract liabilities.

Revenue recognised from the opening value of contract liabilities was EUR 47.8 (28.8) million.

Order backlog

Transaction price allocated to all fully or partially unsatisfied performance obligations (order backlog) amounted to EUR 3 513 (3 350) million at the end of the year. Of the backlog, 50% is expected to be recognized as revenue during 2022. The order backlog includes all signed customer orders that have not been recognized as revenue, including estimates of the value of consumption-based contracts.

Transaction price allocated to fully or partially unsatisfied fixed-price contracts amounted to EUR 63.5 (76.8) million, of which 78% or EUR 49.7 million is expected to be recognized as revenue during 2022.

Assets recognized from costs to fulfil a contract

EUR million	2021	2020
Capitalized set-up costs on 31 Dec	21.2	25.0
Amortization of capitalized set-up costs	6.6	8.3

In the statement of financial position, capitalized set-up costs of EUR 15.9 (13.2) million are presented within other non-current receivables and current portion of EUR 5.3 (11.9) million in trade and other receivables.

7. Other operating income and expenses

Other operating income includes income other than that associated with the principal activities of Tietoevry, such as capital gains and foreign exchange gains on derivatives. Other operating expenses mainly relates to information and communication technology and premises related costs as well as professional services such as consulting and marketing.

ACCOUNTING POLICIES

Government grants

Government grants are recognized as other operating income on a systematic basis over the periods necessary to match them with the related costs that they are intended to compensate.

Research and development costs

Research costs are expensed when incurred. Development costs related to major new software products are capitalized as intangible assets when it is probable that the development will generate future economic benefits for the Group, and certain criteria related to commercial and technological feasibility are met. Development costs comprise service and solution development focusing on, for example, industry-specific software, customer experience management and security services, as well as cloud services. Additionally, the costs for related internal development, e.g. automation in infrastructure services, are included in development costs.

Other operating income

EUR million	2021	2020
Gain on sale of tangible assets, subsidiaries and business operations	104.1	1.3
Change in fair value of derivatives	7.4	0.8
Joint venture management fees	1.6	3.5
Other	11.9	6.0
Total	**125.1**	**11.6**

In 2021, Tietoevry sold its Oil & Gas software business as well as the software businesses Alystra, Jydacom and TRYGG/2000 and recognised a total gain of EUR 104.0 million. More information in note 26.

Other operating expenses

EUR million	2021	2020
Information and communication technology	141.3	136.9
Premises related costs	44.4	47.9
Professional services and marketing	42.5	50.7
Other operating expenses	27.0	37.4
Total	**255.2**	**272.9**

Development costs

Tietoevry's offering development costs amounted to around EUR 127 (135) million, representing 4.5% (4.8) of the Group's revenue. Of these costs, EUR 42.6 (51.0) were capitalized. In 2021, the focus was on Industry Software, especially solutions for Financial Services and Health & Care.

Fees to auditors

EUR million	2021	2020
Audit fees	1.3	1.3
Audit related	0.2	0.1
Tax advisory	0.1	0.1
Other services	0.2	0.5
Total	**1.8**	**2.0**

8. Employee expenses

Employee expenses consist of wages and salaries and related social costs. Tietoevry has also post-employment benefit plans as well as share-based incentive plans for key employees. Termination benefits refer to benefits arising from termination of employment, not performance of work.

ACCOUNTING POLICIES

Employee benefits are recognised in the period in which services are rendered by the employees. Termination benefits are recognised at the time an agreement between the Group and the employee is made and no future service is rendered by the employee in exchange for the benefits.

Share-based incentive plans

Tietoevry has share-based incentive plans for its key employees which are accounted for as equity-settled. The plans are valued at fair value based on the market price of Tietoevry share at the grant date and recognized as an employee benefit expense during the vesting period with a corresponding entry in equity. At each reporting date, the number of shares that are expected to vest from the Group's share-based incentive plans is revised. As part of this evaluation, the changes in the forecasted performance of the Group, the expected turnover of the personnel participating in the plans and other information impacting the number of shares to vest, is taken into consideration. Any adjustments to the initial estimates is recognized in profit or loss and a corresponding adjustment is made to equity.

Employee expenses

EUR million	2021	2020
Wages and salaries	1 174.8	1 122.3
Termination benefits	0.2	25.1
Post-employment benefits		
Defined contribution plans	104.5	96.6
Defined benefit plans	1.5	2.9
Other statutory social costs	217.8	198.9
Share-based payments	8.7	8.6
Other personnel expenses	19.5	31.1
Total	**1 527.0**	**1 485.6**

In 2021, Tietoevry initiated employee consultations regarding the Cloud & Infra business. In 2020, the Group announced integration related restructuring measures including employee consultation processes which mainly concerned Sweden, Norway, Finland and India.

Management remuneration

	2021		2020	
EUR thousand	President and CEO	Leadership team	President and CEO	Leadership team
Salaries and benefits	842.3	3 938.1	807.0	3 652.7
Bonuses	713.1	1 239.6	1 511.1	2 392.3
Share-based payments	922.2	1 808.4	771.8	1 547.0
Statutory pensions	250.3	483.4	200.2	595.0
Supplementary pensions	205.1	354.1	121.1	261.2
Total	**2 933.0**	**7 823.6**	**3 411.2**	**8 448.2**

The President and CEO, Kimmo Alkio is entitled to a bonus corresponding maximum of 150% of the annual base salary based on the Group's external revenue, profit, and achievement of strategic goals when achievements exceed the targets set. The annual contribution for the President and CEO's supplementary pension arrangement is 23% of the annual base salary. The President and CEO's retirement age is 63. In case his assignment is terminated, the period of notice is 12 months and the severance payment is equivalent to the base salary and the short-term target incentive for six months, in addition to the salary for the notice period. The President and CEO participates in the Long-term incentive programmes according to respective terms and conditions decided by the Board of Directors. In 2021, after deductions for applicable taxes, a total of 9 729 (13 947) shares were delivered to the President and CEO.

The other Leadership team members are entitled to a bonus corresponding maximum of 100% of the annual base salary based on their individual goals when achievements exceed the targets set. The annual contribution for the Leadership team members' supplementary pension arrangement is 15% of the annual base salary. The retirement age of the Leadership team members is according to national legislation. The termination terms vary and the amounts correspond to the periods of notice. The Leadership team members participate in the Long-term incentive programmes according to respective terms and conditions decided by the Board of Directors. In 2021, after deductions for applicable taxes, a total of 20 797 (34 344) shares were delivered to the Leadership team members.

Remuneration for the Board of Directors

EUR thousand	2021	2020
Board members at 31 Dec 2021		
Tomas Franzén, Chairperson Board and RC	168.2	160.2
Timo Ahopelto, Deputy Chairperson	98.4	81.4
Liselotte Hägertz Engstam	85.4	77.4
Harri-Pekka Kaukonen, Chairperson ARC	109.4	105.4
Angela Mazza Teufer[1)]	61.8	—
Katharina Mosheim	70.6	62.6
Niko Pakalén	82.2	82.2
Endre Rangnes	79.8	78.2
Leif Teksum	78.2	90.9
Rohan Haldea[2)]	60.2	78.5
Salim Nathoo[3)]	70.2	113.3
Tommy Sander Aldrin, personnel rep.	15.0	26.2
Ola Hugo Jordhøy, personnel rep.	15.0	26.2
Anders Palklint, personnel rep.	15.0	26.2
Ilpo Waljus, personnel rep.	15.0	26.2
Total	**1 024.4**	**1 034.9**

1) From 25 March 2021
2) Until 7 September 2021
3) Until 19 July 2021

Each member of the Board of Directors receives a fixed annual remuneration and additional meeting based remuneration. According to the decision by the Annual General Meeting, the yearly remuneration is as follows: Chairperson EUR 125 000, Deputy Chairperson EUR 70 000, and ordinary member EUR 53 000. In addition to these fees, the Chairperson of a permanent Board Committee receives an annual fee of EUR 20 000 and a member of a permanent Board Committee receives an annual fee of EUR 10 000. The meeting based remuneration is EUR 800 for each Board meeting and for each permanent or temporary Committee meeting. Remuneration for employee representatives is an annual fee of EUR 15 000.

The Annual General Meeting also approved that part of the fixed annual remuneration may be paid in the company’s shares purchased from the market. An elected member of the Board of Directors may, at his/her discretion, choose to receive the fee from the following five alternatives:

1. No cash, 100% in shares
2. 25% in cash, 75% in shares
3. 50% in cash, 50% in shares
4. 75% in cash, 25% in shares, or
5. 100% in cash, no shares.

The shares will be purchased in accordance with an acquisition programme prepared by the company. If the remuneration cannot be paid in shares due to insider regulation, termination of the Board member’s term of office or other reason relating to the member of the Board, the remuneration shall be paid fully in cash. In addition to the share remuneration, the Board members do not belong to or are not compensated with other share-based arrangements, nor do the members have any pension plans at Tietoevry.

The Shareholders' Nomination Board based on shareholdings as at 31 August 2021 consisted of the following representatives announced by Tietoevry’s shareholders:

- Petter Söderström, Investment Director, Solidium Oy
- Gustav Moss, Vice President, Cevian Capital AB
- Alexander Kopp, Investment Manager, Incentive AS
- Mikko Mursula, Deputy CEO, Ilmarinen Mutual Pension Insurance Company
- Tomas Franzén, Chairperson of the Board of Directors, TietoEVRY Corporation.

Share-based incentive plans

The aim of Tietoevry's share-based incentive plans is to align the objectives of shareholders and key employees in order to increase the value of the company in the long-term. At the end of 2021, Tietoevry's share-based incentive plans included Performance Share Plans 2019–2021, 2020–2022 and 2021–2023 as well as Restricted Share Plans 2019–2021, 2020–2022 and 2021–2023. The rewards from the plans will be paid partly in the company's shares and partly in cash. The cash proportion is intended to cover taxes and tax-related costs arising from the reward.

As a rule, no reward will be paid, if a participant´s employment or service ends before the reward payment. The Board of Directors anticipates that share rewards to be delivered to the participants under the plans will consist of shares to be acquired from the market. Thus, no new shares will be issued in connection with the plans.

The Performance Share Plan 2018–2020 and the Restricted Share Plan 2018–2020 ended in 2021. Based on the achievements of the targets a total of 159 823 gross shares were earned and of these 87 463 net shares were delivered to the participants. Tietoevry used its treasury shares for the reward payments.

Future cash payment to be made to the tax authorities from share-based payments is estimated at the end of the period at EUR 15.3 million.

Main terms and conditions of the share-based incentive plans

	Performance Share Plan		
	2019–2021	**2020–2022**	**2021–2023**
Plan launched	16 January 2019	18 December 2019	16 February 2021
Performance Period	2019–2021	2020–2022	2021-2023
Vesting conditions	Total Shareholder Return of Tietoevry share (TSR), strategic target related to Tietoevry's growth (not in 2022–2022 plan) and Tietoevry's Earnings per Share (EPS). Valid employment or director agreement of a key employee upon the reward payment.		
Exercised	In shares and cash in 2022	In shares and cash in 2023	In shares and cash in 2024
Number of participants on 31 Dec 2021	80	111	119
Other	On 31 Dec 2021, rewards to be paid correspond to the value of approximate number of 315 466 Tietoevry gross shares.	On 31 Dec 2021, rewards to be paid correspond to the value of approximate number of 548 692 Tietoevry gross shares.	On 31 Dec 2021, rewards to be paid correspond to the value of approximate number of 545 720 Tietoevry gross shares.

	Restricted Share Plan		
	2019–2021	**2020–2022**	**2021–2023**
Plan launched	16 January 2019	18 December 2019	16 February 2021
Vesting period	2019–2021	2020–2022	2021-2023
Vesting conditions	Valid employment or director agreement of a key employee upon the reward payment.		
Exercised	In shares and cash in 2022	In shares and cash in 2023	In shares and cash in 2024
Number of participants on 31 Dec 2021	160	404	465
Other	On 31 Dec 2021, rewards to be paid correspond to the value of approximate number of 61 549 Tietoevry gross shares.	On 31 Dec 2021, rewards to be paid correspond to the value of approximate number of 243 730 Tietoevry gross shares.	On 31 Dec 2021, rewards to be paid correspond to the value of approximate number of 238 305 Tietoevry gross shares.

Assumptions made in determining the fair value of Tietoevry's Share-based incentive plans

For Performance Share Plans and Restricted Share Plans, the fair value has been determined at grant using the fair value of the company share as of the grant date, expected outcome and expected dividends.

The fair value of social costs settled in cash are remeasured at each reporting date until settlement.

For share plan grants made in 2021, the fair value of the part recognised into equity has been determined at grant date using the following share price and expected dividends. The part recognised into liability is based on the share price at the end of the reporting period:

- Share price at grant: EUR 27.27
- Expected dividends: EUR 4.50
- Share price at year-end: EUR 27.48

Share option programme transferred from EVRY

As part of the Merger plan, it was agreed that EVRY's incentive plans will continue and will be transformed in a value neutral way into restricted stock units or performance shares in the combined company, with equivalency on all material respects with regards to economic value, vesting conditions and other terms and conditions, taking into account the strike price of the options and by applying an option conversion ratio of 1:0.1423. Any existing right for EVRY to settle options and/or restricted stock units under the plans in cash, will continue as a right for the combined company. 37 employees were included in the programmes at 31 December 2021.

The Board of Directors anticipates that share rewards to be delivered to the participants under the plans will consist of shares to be acquired from the market. Thus, no new shares will be issued in connection with the plans.

The rewards earned in 2020 from Long-Term Incentive Plan 2017 and Long-Term Incentive Plan 2018 were paid in 2021. Based on the achievements of the targets a total of 112 440 gross shares were earned and of these 55 928 net shares were delivered to the participants. Tietoevry used its treasury shares for the reward payments.

Future cash payment to be made to the tax authorities from share-based payments is estimated at the end of the period at EUR 0.8 million.

	Interim Restricted Share Plan (Conversion from EVRY plans)
	Long-Term Incentive Plan 2018
Plan launched	December 2018
Vesting period	1/3 in 2019, 1/3 in 2020 and 1/3 in 2021
Vesting conditions	Valid employment or director agreement upon the reward payment and during lock-in period. Awarded shares will be be locked in and may not be sold for 12 months following the vesting dates.
Exercised	In shares and cash in 2020, 2021 and 2022
Number of participants on 31 Dec 2021	37
Other	On 31 Dec 2021, rewards to be paid correspond to the value of approximate number of 57 102 Tietoevry gross shares.

Share-based payments included in employee benefit expenses

EUR million	2021	2020
Equity-settled share-based incentive plans	8.7	8.6
Social costs settled in cash[1)]	1.4	0.6
Total	**10.1**	**9.2**

[1)] Tietoevry's share-based incentive plans are accounted for as equity-settled. Social costs from the plans are reported as cash-settled.

9. Income taxes

Income tax expenses comprise of current and deferred tax. Deferred tax assets and liabilities charged by the same taxing authority are netted and, therefore, shown net on the statement of financial position.

ACCOUNTING POLICIES

Tax expense for the period includes current taxes of the Group companies based on taxable profit for the year, together with tax adjustments for previous years and changes in deferred taxes. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity, in which case the related income tax is also recognized in other comprehensive income or directly in equity, respectively. The share of results in joint ventures is reported in the income statement based on the net result and thus, including the income tax effect.

Deferred income tax is recognized, using the liability method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements as well as on tax loss carry forwards. Deferred income tax is determined using the tax rates and laws which have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred taxes are not recognized on temporary differences related 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 statement of financial position if it is probable that the related tax effects will occur.

ACCOUNTING ESTIMATES AND JUDGEMENTS

At each reporting date, the management estimates the amount of probable future taxable profits against which unused tax losses can be utilized. As the actual profits may differ from the forecasts, the change will affect the taxes in future periods.

The group operates globally and is, therefore subject to changing tax laws in multiple jurisdictions. The interpretation of tax legislation requires management judgement, and the applied interpretations may include uncertainties.

Income tax expense in income statement

EUR million	2021	2020
Current taxes	48.9	28.0
Change of deferred taxes	7.3	0.5
Taxes for prior years	6.0	-0.6
Total	**62.2**	**27.9**
Reconciliation of income tax expense		
Profit before taxes	353.8	122.4
Tax calculated at the domestic corporation tax rate of 20%	70.8	24.5
Effect of different tax rates in foreign subsidiaries	3.8	-0.5
Taxes for prior years	6.0	-0.6
Deferred taxes from previous year	-4.2	—
Tax effect of non-deductible expenses and tax exempt income	-16.3	2.0
Tax on foreign dividend distribution	4.1	4.1
Other items	-2.0	-1.6
Total	**62.2**	**27.9**
Effective tax rate, %	17.6	22.8

Deferred tax assets and deferred tax liabilities

EUR million	31 Dec 2021	31 Dec 2020
Deferred tax assets	19.1	35.6
Deferred tax liabilities	9.1	19.8
Net deferred tax asset	**10.0**	**15.8**

Majority of the deferred tax assets and liabilities are expected to be recovered after more than 12 months.

Movements in deferred tax assets and liabilities during the year

EUR million	1 Jan 2021	Charged to income statement	Charged to other comprehensive income	Acquisitions and disposals	Other changes	31 Dec 2021
Deferred tax asset						
Provisions	4.8	-0.9	—	-0.6	0.3	3.6
Employee benefits	12.1	-1.6	0.4	—	0.9	11.8
Depreciation difference	11.4	-3.8	—	—	0.1	7.7
Other temporary difference	8.4	1.2	—	—	0.2	9.8
Revenue recognition	9.5	-0.4	—	—	0.4	9.5
Tax losses carried forward	57.4	-9.7	—	—	1.9	49.6
Total gross	**103.6**	**-15.2**	**0.4**	**-0.6**	**3.8**	**92.0**
Offset against deferred tax liabilities	-68.0					-72.9
Total net	**35.6**					**19.1**
Deferred tax liability						
Intangible assets	72.1	-10.8	—	—	2.8	64.1
Untaxed reserves	13.0	3.4	—	—	-6.9	9.5
Other temporary difference	2.7	-0.5	—	-1.0	7.2	8.4
Total gross	**87.8**	**-7.9**	**—**	**-1.0**	**3.1**	**82.0**
Offset against deferred tax assets	-68.0					-72.9
Total net	**19.8**					**9.1**
Net deferred tax asset	**15.8**	**-7.3**	**0.4**	**0.4**	**0.7**	**10.0**

On 31 Dec 2021, the group´s unused tax loss carry forwards amounted to EUR 239.3 (263.0) million pertaining deferred tax asset of EUR 49.6 (57.4) million. These losses relate mainly to Norway and Sweden and have no expiry date. Based on profit forecasts, it is probable that there will be sufficient future taxable profits available against which these tax losses can be utilized.
On 31 Dec 2021, the group had tax loss carry forwards amounting to EUR 0.8 (3.9) million pertaining deferred tax asset of EUR 0.2 (0.9) million, which were not recognized due to uncertainty of utilization.

The group does not have any material uncertain tax positions in accordance with IFRIC 23 Uncertainty over Income Tax Treatments.

EUR million	1 Jan 2020	Charged to income statement	Charged to other comprehensive income	Other changes	31 Dec 2020
Deferred tax asset					
Provisions	6.3	-1.3	—	-0.2	4.8
Employee benefits	12.7	-0.9	-0.3	0.6	12.1
Depreciation difference	15.9	-3.6	—	-0.9	11.4
Other temporary difference	9.8	0.3	—	-1.7	8.4
Revenue recognition	9.6	0.1	—	-0.2	9.5
Tax losses carried forward	59.0	1.8	—	-3.4	57.4
Total gross	**113.3**	**-3.6**	**-0.3**	**-5.8**	**103.6**
Offset against deferred tax liabilities	-60.1				-68.0
Total net	**53.2**				**35.6**
Deferred tax liability					
Intangible assets	79.4	-6.1	—	-1.2	72.1
Untaxed reserves	6.6	-0.7	—	7.1	13.0
Other temporary difference	6.8	3.7	—	-7.8	2.7
Total gross	**92.8**	**-3.1**	**—**	**-1.9**	**87.8**
Offset against deferred tax assets	-60.1				-68.0
Total net	**32.7**				**19.8**
Net deferred tax asset	**20.5**	**-0.5**	**-0.3**	**-3.9**	**15.8**

10. Earnings per share

The total number of Tietoevry's shares on 31 December 2021 amounted to 118 425 771. At the end of the reporting period, the number of shares in the company's or its subsidiaries' possession totalled 7 587, representing 0.01% of the total number of shares and voting rights.

ACCOUNTING POLICIES

Basic Earnings per share (EPS) is calculated by dividing the net profit attributable to the shareholders of the Parent company by the weighted average number of shares in issue during the year, excluding shares purchased by Tietoevry and held as own shares.

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding during the year with the shares estimated to be delivered based on the share-based incentive plans.

	2021	2020
Net profit for the financial year attributable to owners of the Parent company (EUR million)	291.6	94.5
Earnings per share (EUR)		
Basic	2.46	0.80
Diluted	2.46	0.80
Weighted average number of shares during the year		
Basic	118 408 223	118 378 269
Effect of dilutive share-based incentive plans	276 585	219 550
Diluted	118 684 808	118 597 819

INVESTED CAPITAL AND WORKING CAPITAL ITEMS

This section includes disclosures describing the assets that form the basis for the activities of Tietoevry and the related liabilities.

11. Intangible assets and impairment testing of goodwill

Tietoevry's intangible assets comprise mainly of goodwill, internally developed software (capitalized development costs), and intangible assets acquired in business combinations, such as technology, trademarks and customer relationships. Intangible assets also include software licenses. Tietoevry does not have any intangible assets with indefinite useful lives other than goodwill.

ACCOUNTING POLICIES

Other intangible assets than goodwill are recognized initially at cost. An intangible asset is recognized only if it is probable that the future economic benefits attributable to the asset will flow to the Group and the cost of the asset can be measured reliably. All other costs are expensed as incurred.

After initial recognition, intangible assets are measured at cost less amortizations and accumulated impairment losses. Intangible assets are amortized over their useful lives with the straight-line method. Assets that are subject to amortization are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the carrying amount of the intangible asset exceeds its recoverable amount, an impairment loss equal to the difference is recognized in profit or loss.

Internally developed software

Development costs related to major new software products are capitalized as intangible assets when it is probable that the development will generate future economic benefits for the Group, and certain criteria related to commercial and technological feasibility are met. Development projects are analysed individually to determine the moment when the project has reached a milestone after which capitalization of development costs can start. Capitalization is subject to CFO's approval. Only costs which are directly attributable to the development are capitalised.

Subsequent to initial recognition, these costs are measured at cost less accumulated amortization and impairment losses. Amortization period for the internally developed software depends on the technology renewal cycle and contract duration. Internally developed software for which amortizations have not yet started are tested for impairment on annual basis by comparing the assets' carrying amount with its recoverable amount. If the carrying amount exceeds the recoverable amount, an impairment loss equal to the difference is recognized in profit or loss.

Intangible assets recognised from acquisitions

Intangible assets acquired in business combinations are measured at fair value at the acquisition date. These are usually customer or technology related and have finite useful lives.

Gains and losses on disposal of intangible assets are included in other operating income and expenses.

The Group applies the following useful lives:

	Years
Software acquired separately	3
Other intangible assets	3–10
Technology related intangible assets recognized at fair value from acquisitions	3–15
Customer related intangible assets recognized at fair value from acquisitions	2–10
Trademark recognized at fair value from acquisitions	6
Internally developed software (capitalized development costs)	5–15

Goodwill

Goodwill arising on a business combination represents the excess of the aggregate of the consideration transferred, the amount of non-controlling interests in the acquiree and previously held equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired. Goodwill is measured at cost less accumulated impairment losses. It is not amortized, but tested for impairment at least 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 the operating segments of the Group, which are the cash generating units (CGU) expected to benefit from the synergies of the business combination. If the carrying amount of goodwill allocated to the operating segments exceeds its recoverable amount, an impairment loss equal to the difference is recognized in profit or loss. The recoverable amount is the higher of the value in use represented by the net present value of future cash flows and the fair value less costs to sell. Impairment losses on goodwill are not reversed.

In respect of joint ventures, goodwill is included in the carrying amount of the investment.

ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates are made when determining the fair values of assets acquired in a business combination. The valuation requires management to determine the appropriate valuation technique and inputs for fair value measurements, such as discount rate.

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units (CGU) to which goodwill has been allocated. The value-in-use calculation requires management to estimate the future cash flows expected to arise from the CGUs and an appropriate discount rate to calculate present value.

While management believes that the used estimates and assumptions are sufficiently reasonable, there are uncertainties which could materially affect the valuations.

Intangible assets

EUR million	Goodwill	Software acquired separately	Intangible assets recognized from acquisitions[1]	Internally developed software[2]	Other	Advance payments	Total
Acquisition cost 1 Jan 2021	**1 974.4**	**48.2**	**301.7**	**240.0**	**40.3**	**1.3**	**2 605.9**
Additions	—	5.0	—	42.6	1.3	2.7	51.7
Disposals	-77.6	-5.0	-2.7	-6.0	-3.8	—	-95.1
Reclassifications	—	1.2	—	-0.9	0.0	-0.4	-0.1
Translation differences	46.9	0.2	9.6	9.6	0.3	-0.0	66.6
Acquisition cost 31 Dec 2021	**1 943.7**	**49.6**	**308.6**	**285.3**	**38.2**	**3.5**	**2 628.9**
Accumulated amortization and impairments 1 Jan 2021	**—**	**-42.4**	**-67.8**	**-97.3**	**-38.3**	**-0.7**	**-246.6**
Disposals	—	5.0	2.1	3.8	3.7	—	14.6
Amortization	—	-4.5	-47.3	-6.6	-0.4	—	-58.9
Reclassifications	—	-0.4	—	0.5	0.0	—	0.1
Translation differences	—	-0.2	-2.4	-3.7	-0.3	0.0	-6.5
Accumulated amortization and impairments 31 Dec 2021	**—**	**-42.5**	**-115.4**	**-103.3**	**-35.3**	**-0.7**	**-297.3**
Carrying value 1 Jan 2021	1 974.4	5.8	233.9	142.7	1.9	0.5	2 359.3
Carrying value 31 Dec 2021	**1 943.7**	**7.1**	**193.2**	**182.0**	**2.8**	**2.8**	**2 331.6**

[1] Includes technology and customer related intangible assets as well as trademark recognized at fair value from acquisitions.
[2] Comprises mainly the development of Tietoevry's Lifecare and Core banking & Payment solutions.

EUR million	Goodwill	Software acquired separately	Intangible assets recognized from acquisitions[1]	Internally developed software[2]	Other	Advance payments	Total
Acquisition cost 1 Jan 2020	**2 023.1**	**44.9**	**318.1**	**222.6**	**42.0**	**2.5**	**2 653.2**
Additions	—	1.6	—	51.0	0.0	0.5	53.2
Disposals	—	-0.4	-4.9	-27.5	-1.8	-0.1	-34.8
Reclassifications	—	2.3	—	—	0.2	-1.7	0.8
Translation differences	-48.7	-0.2	-11.4	-6.1	-0.2	0.0	-66.6
Acquisition cost 31 Dec 2020	**1 974.4**	**48.2**	**301.7**	**240.0**	**40.3**	**1.3**	**2 605.9**
Accumulated amortization and impairments 1 Jan 2020	**—**	**-36.4**	**-26.4**	**-88.2**	**-38.1**	**-0.9**	**-190.0**
Disposals	—	0.4	4.9	27.5	1.8	0.1	34.8
Amortization	—	-5.9	-45.5	-7.4	-2.0	—	-60.8
Impairments	—	—	—	-27.5	—	—	-27.5
Reclassifications	—	-0.7	—	0.1	-0.1	—	-0.7
Translation differences	—	0.1	-0.9	-1.8	0.1	0.0	-2.4
Accumulated amortization and impairments 31 Dec 2020	**—**	**-42.4**	**-67.8**	**-97.3**	**-38.3**	**-0.7**	**-246.6**
Carrying value 1 Jan 2020	2 023.1	8.5	291.7	134.4	3.8	1.7	2 463.2
Carrying value 31 Dec 2020	**1 974.4**	**5.8**	**233.9**	**142.7**	**1.9**	**0.5**	**2 359.3**

[1] Includes technology and customer related intangible assets as well as trademark recognized at fair value from acquisitions.
[2] Comprises mainly the development of Tietoevry's Lifecare and Core banking & Payment solutions. As part of the integration activities, the Group recognized an impairment loss of EUR 18.4 million due to harmonization of product development projects. In addition, the Group decided to end the common SmartUtilities platform due to the fact that a standard solution does not fulfil the individual needs of Nordic utilities companies resulting to an impairment of EUR 9.1 million.

Impairment testing of goodwill

The annual impairment testing was carried out in the fourth quarter 2021 in line with Group accounting policy. The Group is organized into six service lines which are Digital Consulting, Cloud & Infra, Industry Software, Financial Services Solutions, Product Development Services and International Operations. These six service lines form the Group's operating segments and Tietoevry reports separately five of them and includes International Operations under Other in the segment reporting due to its smaller size. See note 5 for service line information. These six service lines form the cash-generating units (CGU) providing services to selected customers in their market segments, and represent the lowest level at which goodwill is monitored for internal management purposes.

At the end of 2021, goodwill of the Group has been allocated as follows:

Carrying amount of goodwill by CGU

EUR million	31 Dec 2021	31 Dec 2020
Digital Consulting	483.4	474.5
Cloud & Infra	523.9	508.6
Industry Software	497.9	561.8
Financial Services Solutions	344.6	332.9
Product Development Services	54.0	54.8
International Operations	39.8	41.9
Total	**1 943.6**	**1 974.4**

Compared to 31 Dec 2020, the decrease in the total goodwill is EUR 30.8 million. EUR 78.3 million was allocated to the divestments (see note 26) and a change of EUR 47.5 million was due to currency effects.

As a result of the impairment testing, no impairment was identified.

Recoverable amounts

The recoverable amounts of the CGUs of Tietoevry are determined based on value-in-use calculations which are prepared using discounted cash flow projections. Annually, management of the Group defines the long-term ambitions and strategic objectives for the next years taking into account for example industry growth forecasts obtained from external sources as well as salary increase assumptions. The strategic objectives serve as basis for the service lines' long-term plans which are reviewed and approved by the Group's top management.

The planning horizon covers five-year period including key assumptions for sales growth rate, development of EBITDA, capital expenditure including investments for right-of-use assets, tax payments and changes in net working capital. Forecasted EBITDA margins are adjusted for expected efficiency improvements. The key assumptions used are based on past experience and reflects management's expectations of future development of sales prices, business mix, costs, market shares and volumes.

Subsequent to the five-year projection period the growth rate used is 1%, which does not exceed the expectations of growth in real terms.

Discount rate

The discount rate applied to the cash flow projections is the weighted average pre-tax cost of capital (WACC). The components of the WACC rates are risk-free rate, market risk premium, country risk premium, industry specific beta, cost of debt and debt equity ratio. The risk-free rate is based on 30-year German government bond adjusted by the weighted average inflation differential between Germany and the countries where each CGU has operations. The discount rates are also adjusted for the additional business risk of the CGUs. The pre-tax discount rates for the CGUs vary between 6% and 12%.

Assumptions used in discounting the cash flow projections by the CGUs:

2021	Five-year period 2022–2026	
%	Terminal growth rate	Pre-tax WACC
Digital Consulting	1	6.1
Cloud & Infra	1	6.1
Industry Software	1	6.1
Financial Services Solutions	1	6.4
Product Development Services	1	10.8
International Operations	1	12.0

Sensitivity analysis

Value-in-use calculation for each CGU is most sensitive to changes in WACC and EBITDA margin assumptions. No reasonable change in key assumptions would result in recognition of impairment loss in any of the CGUs. In Cloud & Infra, an increase of 5 percentage point in pre-tax WACC would cause the recoverable amount to equal the carrying amount. Furthermore, a 3 percentage point decrease in the long-term EBITDA margin would cause the recoverable amount of Cloud & Infra to equal the carrying amount.

12. Property, plant and equipment

Tietoevry's property, plant and equipment comprise mainly of information and communication technology (ICT) equipment.

ACCOUNTING POLICIES

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Land is not depreciated. Property, plant and equipment acquired in business combinations are measured at fair value at the acquisition date. Depreciation is recognized 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 reporting date.

Assets that are subject to depreciation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss equal to the difference is recognized in profit or loss.

The group applies the following useful lives:

	Years
Buildings and structures	25–40
Data processing equipment[1)]	1–5
Other machinery and equipment	5
Other tangible assets	5

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

Property, plant and equipment

EUR million	Land	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments and work in progress	Total
Acquisition cost 1 Jan 2021	**1.2**	**3.8**	**398.8**	**72.5**	**8.0**	**484.3**
Additions	—	—	19.1	0.7	10.4	30.2
Disposals	—	—	-30.0	-1.4	-0.1	-31.5
Reclassifications	—	—	17.2	-10.7	-5.7	0.8
Translation differences	—	—	3.3	0.4	0.0	3.6
Acquisition cost 31 Dec 2021	**1.2**	**3.8**	**408.3**	**61.5**	**12.7**	**487.5**
Accumulated depreciation and impairments 1 Jan 2021	**—**	**-1.9**	**-340.3**	**-44.3**	**-0.9**	**-387.4**
Disposals	—	—	29.6	1.4	—	31.0
Depreciation	—	-0.1	-33.3	-6.7	—	-40.0
Impairments	—	—	0.0	—	—	0.0
Reclassifications	—	—	-10.3	9.5	0.0	-0.8
Translation differences	—	—	-2.6	-0.3	—	-2.8
Accumulated depreciation and impairments 31 Dec 2021	**—**	**-2.0**	**-356.9**	**-40.3**	**-0.9**	**-400.1**
Carrying value 1 Jan 2021	1.2	1.9	58.4	28.2	7.1	96.9
Carrying value 31 Dec 2021	**1.2**	**1.8**	**51.4**	**21.2**	**11.8**	**87.4**

EUR million	Land	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments and work in progress	Total
Acquisition cost 1 Jan 2020	**1.2**	**3.8**	**410.2**	**70.7**	**5.0**	**490.8**
Additions	—	—	24.1	1.4	6.5	31.9
Disposals	—	—	-32.8	-0.5	-0.2	-33.5
Reclassifications	—	—	0.8	1.5	-3.1	-0.8
Translation differences	—	—	-3.6	-0.5	-0.1	-4.2
Acquisition cost 31 Dec 2020	**1.2**	**3.8**	**398.8**	**72.5**	**8.0**	**484.3**
Accumulated depreciation and impairments 1 Jan 2020	**—**	**-1.8**	**-338.5**	**-38.4**	**-0.9**	**-379.6**
Disposals	—	—	31.5	0.5	—	32.0
Depreciation	—	-0.1	-35.8	-6.3	—	-42.3
Impairments	—	—	-1.2	—	—	-1.2
Reclassifications	—	—	0.6	-0.2	—	0.3
Translation differences	—	—	1.9	0.2	—	2.1
Accumulated depreciation and impairments 31 Dec 2020	**—**	**-1.9**	**-340.3**	**-44.3**	**-0.9**	**-387.4**
Carrying value 1 Jan 2020	1.2	2.0	71.7	32.2	4.1	111.2
Carrying value 31 Dec 2020	**1.2**	**1.9**	**58.4**	**28.2**	**7.1**	**96.9**

13. Inventories

Inventories comprise mainly cards and chips for sale to customers.

ACCOUNTING POLICIES

Inventories are measured at the lower of cost and net realisable value. Cost is determined based on average cost and net realisable value represents the estimated selling price under normal commercial conditions less estimated costs of sale.

No impairments have been booked from the inventories in 2021 or in 2020.

14. Trade and other receivables

Trade receivables represent amounts that Tietoevry expects to collect from other parties in the ordinary course of business. Trade receivables are non-interest bearing and the standard payment term is 30 days, net, according to the Group's Credit Policy. Contract assets relate to fixed-price projects where the customer invoicing is based on agreed milestones and the services rendered by the reporting date exceeds the payment received. License fees relate to prepaid license costs that will be realized on an accrual basis in the future periods. Other interest-bearing receivables relate to assets that are financed as part of customer deliveries and where the contracts are treated as service contracts.

Trade receivables to be sold via non-recourse factoring arrangements, but not yet derecognized as of the reporting date, are classified as Financial assets at fair value.
More information in note 22.

ACCOUNTING POLICIES

Trade receivables are initially recognised at fair value and subsequently at amortized cost less expected credit loss provision (ECL). Tietoevry has elected to use the practical expedient and calculate lifetime ECL based on a pre-defined provision matrix with customer segment specific credit characteristics, based on the following criteria:

- Country Group (Finland, Sweden, Norway, Other European Union countries, Other countries)
- Customer Industry Group (Financial Services, Public Healthcare & Welfare, Industrial customer Services)
- Balance due status (Not yet due, overdue 1–7 days, 8–30 days, 31–60 days, 61–90 days, over 90 days)

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. Default is defined as 90 days past due or a write off event, due to inability to collect debt.

For each segment, the ECL rate (expressed as a percentage) indicates the historical average defaults identified during the past three years and also the Group's assessment of the possible impact from changes in the overall economic environment in which its customers operate. These collective provisions can be increased if the customer has filed for bankruptcy but has not yet registered the fact or if there are any facts or circumstances indicating that the customer's credit risk is above industry/country average. As a response to increased uncertainty globally, Tietoevry has increased ECL rate by 0.1%–0.5% for all overdue trade receivables. No ECL is calculated for the portion of trade receivables, where the credit risk is covered by collateral, such as credit insurance. When calculating ECL for contract assets, the ECL rate set for "not yet due" invoices in the provision matrix is used. Trade receivables under business model sell are accounted at fair value through profit or loss (FVTPL) and, therefore, those are not subject to ECL provisions.

Trade Receivables are permanently written off when there is no reasonable expectation to recovery. Subsequent recoveries of amounts previously written off are credited to income statement.

Other interest-bearing receivables are initially recognized at fair value and subsequently at amortized cost during the contract period.

The carrying amount of the trade and other receivables approximate to their fair values due to their short-term nature.

Trade and other receivables

EUR million	31 Dec 2021	31 Dec 2020
Non-current		
Prepaid expenses and contract assets	12.7	4.2
Other	22.6	17.6
Total	**35.4**	**21.8**
Current		
Trade receivables at amortized cost	372.8	358.9
Prepaid expenses and accrued income		
Contract assets	52.5	50.1
Licence fees	30.6	26.1
Other prepaid expenses	34.2	46.4
Other interest-bearing receivables	13.8	15.1
Other	13.0	20.3
Total	**517.0**	**516.8**

Group trade receivables maturity and expected credit losses

31 Dec 2021 EUR million	Not yet due	Overdue 1–7 days	Overdue 8–30 days	Overdue 31–60 days	Overdue 61–90 days	Overdue over 90 days	Grand Total
Gross Trade receivables subject to impairment	195.8	12.8	3.8	3.4	1.4	3.7	220.9
Average Expected credit loss rate applied	-0.18 %	-0.27 %	-1.40 %	-6.11 %	-7.64 %	-63.29 %	-1.40 %
Collective loss allowance	-0.3	0.0	-0.1	-0.2	-0.1	-2.3	-3.1
Individual loss allowance	-0.0	-0.0	—	-0.0	-0.0	0.3	0.2
Total loss allowance	**-0.4**	**-0.1**	**-0.1**	**-0.2**	**-0.1**	**-2.1**	**-2.9**
Trade receivables net of ECL	**195.4**	**12.7**	**3.8**	**3.2**	**1.3**	**1.6**	**218.0**
Trade Receivables covered by Collateral	131.8	17.0	0.2	0.8	0.6	4.3	154.7
Total Trade Receivables at amortized cost	**327.3**	**29.8**	**4.0**	**4.0**	**1.8**	**5.9**	**372.8**

There are no major concentrations of credit risk in the Group, whether through exposure to individual customers, specific industry sectors and/or regions. The maximum exposure to customer related credit risk at the reporting date is the carrying value of trade receivables.

Net contract assets

31 Dec 2021 EUR million	Not yet due
Contract assets	52.6
Average ECL applied	-0.06%
Collective loss allowance	0.0
Net contract assets	**52.5**

Movement of expected credit loss provision

	Trade receivables		Contract assets	
EUR million	**2021**	**2020**	**2021**	**2020**
1 Jan	4.2	3.7	0.0	0.1
Translation differences	0.1	—	—	—
Impairment losses recognized	3.2	3.9	—	—
Amounts written off this year as uncollectable	-0.2	-1.0	—	—
Impairment losses reversed	-4.3	-2.4	—	-0.1
Disposed companies	-0.1	0.0	—	—
31 Dec	**2.9**	**4.2**	**0.0**	**0.0**

Impairment losses recognized on trade receivables and contract assets are included in other operating expenses in the income statement.

15. Defined benefit plans

Group companies in different countries have number of different post-employment benefit plans in accordance with local requirements and practices. The majority of the plans are classified as defined contribution plans. Other post-employment benefit plans than defined contribution plans are classified as defined benefit plans.

ACCOUNTING POLICIES

The fixed contributions to defined contribution plans are recognized as employee benefit expenses in the period to which they relate. The Group has no further legal or constructive payment obligations once the contributions have been paid.

Defined benefit plans typically define an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. Defined benefit plans are funded with payments to insurance companies.

For defined benefit plans, the net liability recognized in the statement of financial position equals the present value of the defined benefit obligation at the closing date less the fair value of the plan assets. The present value of the defined benefit obligation is determined separately for each plan by independent actuaries using the projected unit credit method. The actuarial calculations include several financial and demographic assumptions and any change in these will impact the carrying amount and future expense of the defined benefit obligation.

Current service costs, past service costs and gains or losses on settlements are recognized in employee benefit expenses. Net interest expense or income is recognized in financial items under interest expense or interest income. All remeasurements of the defined benefit liability or asset arising from experience adjustments and changes in actuarial assumptions are recognized directly in other comprehensive income.

The Group manages Defined benefit plans through insurance companies. The employer has guaranteed to the members of the plans a certain level of benefit after their retirement, which depends on the length of service and salary base. The salary base is an average of last years' salaries indexed with common salary index. After the retirement, the benefit payable is indexed yearly.

In Sweden, the Group's risk is only on active employees, but in Finland the Group's risk covers also around 900 non-active employees. When the pensioner who has a vested pension, retires, the final amount of the pension is revised in the Finnish pension plan and as a result, the employer may incur additional costs. In addition, in the Finnish pension plan, the index increases that are borne by the employer during the period between the grant date of the vested pension and the beginning of the pension are charged only in the year when the pension is granted. In some insurance contracts, under certain conditions, the insured person has the right to retire earlier than at the normal retirement age. These additional expenses are charged on the beginning of the retirement.

In Finland, the plan covers 6 active employees and it is closed for future pension accruals. The active employees have been able to transfer their defined benefit pension to a defined contribution plan from 1 Jan 2017. Some employees have chosen this option in 2021, and as a result, a settlement gain of 0.4 million has been recognized in personnel expenses. The net defined benefit liability decreased by the corresponding amount.

In Sweden, the plan covers 78 active employees. As the Group does not have actuarial or investment risk for those plan members whose employment has ceased, the plan members are removed from the pension plan and a settlement is recognized annually. In 2021, a settlement gain of EUR 1.5 million was recognized in personnel expenses and the net defined benefit liability decreased by the corresponding amount.

In Norway, the collective defined benefit pension scheme is closed and the Group has instead established an unfunded compensation scheme for the employees. The size of the compensation and the profile for its accrual are calculated based on parameters at the time of the change and are accounted for as a defined benefit pension scheme in the financial statements. The accrual formula and profile of the compensation scheme are used as the basis to make provisions in the accounts so that the total compensation earned to date by employees at any time is provided for as a liability in the consolidated statement of financial position. The plan covers 823 employees and pensioners. In addition, there are various other closed and unfunded pension plans in Norway covering 385 employees and pensioners.

Defined benefit cost recognized in income statement and in other comprehensive income

EUR million	2021	2020
Service cost		
Current service cost	3.4	2.8
Settlements	-1.9	0.1
Net interest	-0.3	-0.4
Total	**1.1**	**2.5**
Amounts recognized in other comprehensive income		
Remeasurement		
Gains (-)/losses (+) from change in demographic assumptions	0.1	-0.3
Gains (-)/losses (+) from change in financial assumptions	-1.4	2.0
Gains (-)/losses (+) from experience adjustments	0.5	-0.8
Gains (-)/losses (+) on plan assets	2.7	-1.5
Total	**1.9**	**-0.6**

Amounts recognized in the statement of financial position

	Present value of defined benefit obligaton[1]		Fair value of plan assets[2]		Net liability	
EUR million	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
1 Jan	103.7	110.7	-65.5	-69.1	38.2	41.6
Current service cost	3.3	2.7	—	—	3.3	2.7
Interest expense/income	0.8	1.2	-0.5	-0.8	0.3	0.4
Contribution	—	—	-5.2	-5.0	-5.2	-5.0
Benefits paid	-4.5	-4.0	4.5	4.0	—	—
Curtailment and settlement	-28.9	-8.5	27.0	8.6	-1.9	0.1
Actuarial gains/losses	-0.7	1.1	2.7	-1.7	2.0	-0.6
Operations acquired/divested	—	0.5	—	—	—	0.5
Exchange rate difference	0.6	-0.1	0.7	-1.4	1.3	-1.5
31 Dec	**74.2**	**103.7**	**-36.4**	**-65.5**	**38.0**	**38.3**

[1] Of which EUR 39.0 (41.7) million in Finland, EUR 7.2 (34.6) million in Sweden and EUR 28.1 (27.3) million in Norway.
[2] Of which EUR 28.5 million (33.9) in Finland and EUR 7.9 million (31.6) in Sweden.

EUR million	2021	2020
Defined benefit obligations	38.7	38.3
Defined benefit plan assets	-0.7	—
Net liability	**38.0**	**38.3**

Allocation of plan assets

	2021		2020	
	EUR million	%	EUR million	%
In Sweden, plan assets are comprised as follows				
Equity instruments	2.1	26.6	7.2	22.9
Debt instruments	3.2	40.8	14.1	44.7
Property	0.7	8.9	3.1	9.7
Other	1.9	23.7	7.2	22.7
Total	**7.9**	**100.0**	**31.6**	**100.0**

In Finland, the plan assets are accrued from the insurance premiums paid to the insurance company and accumulated up to the reporting date. The assets are part of the insurance company's investment assets and they are responsible for reporting the assets. A specification of the plan assets is not available.

Actuarial assumptions

%	2021	2020
Finland		
Discount rate	1.0	0.4
Future salary increases	3.7	2.9
Future pension increases	2.3	1.5
Inflation rate	2.0	1.2
Sweden		
Discount rate	1.9	1.1
Future salary increases	2.2	3.0
Future pension increases	2.2	1.5
Inflation rate	2.2	1.5
Norway		
Discount rate	1.9	1.7
Future salary inflation	2.8	2.3
Growth in the basic state pension (G)	2.5	2.0

Sensitivity analysis of actuarial assumptions

The following table shows how possible change in one assumption, holding other assumptions constant, affect the defined benefit obligation.

	Change in assumption	Increase in assumption	Decrease in assumption
Finland			
Discount rate	0.5%	-6.7%	7.5%
Future pension increase	0.5%	6.7%	-6.1%
Life expectancy	+1 year	6.2%	
Sweden			
Discount rate	0.5%	-8.8%	9.8%
Future salary increase	0.5%	1.3%	-1.3%
Future pension increase	0.5%	8.6%	-8.0%
Life expectancy	+1 year	5.7%	
Norway			
Discount rate	0.5%	-1.5%	1.7%
Future salary increase	0.5%	0.4%	-0.4%
Future pension increase	0.5%	1.2%	—%
Life expectancy	+1 year	1.3%	

Maturity profile of the defined benefit obligation

The weighted average duration of the defined benefit obligation is 14 years in Finland, 15 years in Sweden and 10 years in Norway.

The following table shows the maturity profile of the future benefit payments which are the basis for the calculated undiscounted defined benefit obligation.

EUR million	2021
Maturity under 1 year	3.1
Maturity 1–5 years	16.9
Maturity 5–10 years	19.8
Maturity 10–30 years	55.7
Maturity over 30 years	5.9
	101.4

Expected contributions in 2022

Expected contributions to post-employment benefit plans for the year ending 31 Dec 2022 are EUR 1.5 million.

Multi-employer plans

The ITP pension plans operated by Alecta and Collectum in Sweden are multi-employer defined benefit pension plans which pool the assets contributed by various entities that are not under common control and the assets provide benefits to employees of more than one entity. It has not been possible to get sufficient information for the calculation of obligations and assets by employer from Alecta and Collectum and, therefore, these plans have been accounted for as defined contribution plans in the consolidated financial statements. In Tietoevry 4 710 employees are included in these pension plans. The yearly contribution to the plans are around EUR 29 million.

4 452 employees in the Group's Norwegian companies are members of an early retirement scheme (AFP), which is a multi-company defined benefit scheme, and is financed by premium payments determined as a percentage of salary. There is no reliable measurement and allocation of liabilities and assets between the companies that participate in the scheme. The scheme is, therefore, treated for accounting purposes as a defined contribution plan and the premiums paid are recognized as costs through profit or loss. The premium rate for 2021 was 2.5% (2.5) corresponding to EUR 4.5 (3.8) million. The scheme is underfunded, and the administrator (Fellesordningen for AFP) assumes that premiums will have to increase over time in order to ensure sufficient buffer capital to cope with increased payments. Companies that participate in the AFP scheme are jointly and severally liable for two-thirds of the pension payments due to employees who satisfy the terms and conditions at any time. The liability applies both to shortfalls in premium payments and if the premium rate applied proves insufficient to meet the liabilities. In the event that the scheme is terminated, the participating companies have a duty to continue to make premium payments to provide for pension payments to employees who are members of the scheme or who satisfy the requirements of collective agreements for such pension arrangements at the date of termination.

16. Provisions

Provisions at Tietoevry Group mostly comprise of restructuring and contract-related provisions.

ACCOUNTING POLICIES

A provision is a liability of uncertain timing or amount which is 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 and the amount of the obligation can be measured reliably. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation and are split between amounts expected to be settled within 12 months at the end of the reporting period and amounts expected to be settled later (non-current).

Provisions for restructuring

Restructuring provision is only recognized when a formal plan has been approved and the implementation of it has either commenced or the plan has been announced.

Provisions for loss-making contracts

Provision is recognised for any unavoidable net loss arising from the contract.

Other provisions

Other provisions mainly consist of assurance type of warranties related to deliveries and other risk provisions.

ACCOUNTING ESTIMATES AND JUDGEMENTS

Provisions require management to assess the best estimate of the future costs needed to settle the present obligation at the reporting date. The actual costs may differ from the estimated costs.

EUR million	Provisions for restructuring	Provisions for loss-making contracts	Other provisions	Total
1 Jan 2021	24.4	12.9	11.5	48.8
Translation differences	0.0	-0.2	0.1	-0.1
Increases in provisions	10.1	0.7	2.1	13.0
Use of provisions	-21.1	-9.3	-3.9	-34.2
Reversal of provisions	-2.2	-0.7	-2.1	-5.0
31 Dec 2021	**11.3**	**3.4**	**7.7**	**22.4**
of which				
Non-current	0.8	—	2.0	2.8
Current	10.6	3.4	5.7	19.6
Total	**11.3**	**3.4**	**7.7**	**22.4**

In 2021, Tietoevry initiated employee consultations regarding the Cloud & Infra business.

EUR million	Provisions for restructuring	Provisions for loss-making contracts	Other provisions	Total
1 Jan 2020	14.4	2.0	8.1	24.5
Translation differences	0.3	0.0	-0.1	0.2
Increases in provisions	40.6	26.3	8.7	75.6
Use of provisions	-29.6	-15.1	-1.1	-45.7
Reversal of provisions	-1.3	-0.3	-4.2	-5.7
31 Dec 2020	**24.4**	**12.9**	**11.5**	**48.8**
of which				
Non-current	1.4	0.0	1.9	3.2
Current	23.0	12.9	9.7	45.6
Total	**24.4**	**12.9**	**11.5**	**48.8**

In 2020, restructuring provisions related to the integration measures mainly in the Nordics. In addition, Tietoevry decided to end the common SmartUtilities platform resulting to provisions for terminated customer contracts.

17. Trade and other payables

Trade and other payables represent unpaid, non-interest bearing liabilities at the end of the reporting period. Contract liabilities relate to fixed-price projects where the customer invoicing is based on agreed milestones and the payments received by the reporting date exceeds the services rendered.

ACCOUNTING POLICIES

Trade and other payables are presented as current liabilities if they are due to be settled within 12 months from the end of the reporting period. They are recognized at their fair value and subsequently measured at amortized cost using the effective interest method.

The carrying amount of the trade and other payables approximate to their fair values due to their short-term nature.

EUR million	31 Dec 2021	31 Dec 2020
Non-current		
Advance payments	29.2	29.4
Accruals	5.5	4.7
Total	**34.7**	**34.2**
Current		
Trade payables	260.8	189.7
Contract liabilities	56.0	56.3
Advance payments	0.7	1.9
Accrued liabilities		
Employee-related accruals	210.5	172.0
Interest	3.8	4.1
Other accrued expenses	57.3	102.6
Value added tax liabilities	51.0	53.2
Payroll tax liabilities	32.1	80.7
Total	**672.3**	**660.4**

FINANCIAL RISK MANAGEMENT AND CAPITAL STRUCTURE

This section includes notes related to Tietoevry's financial risk and capital structure management. The financial risks are monitored and managed via Tietoevry's Group Treasury.

18. Management of financial risks and capital structure

The group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and commodity risk), credit risk and liquidity risk. The operative management of the treasury activities of Tietoevry is centralized into Group Treasury. The Group Treasury is responsible for managing the Group's financial risk position and maintaining adequate liquidity. The Treasury Policy, which has been approved by the Board of Directors, defines the principles for measuring and managing liquidity risk, interest rate risk, foreign exchange risks and counter-party risk of the Group. The Treasury Policy also defines the division of responsibilities with regard to financial risk management. The Group reviews and monitors financial risks on a regular basis.

Market risk

Currency risk management

Transaction risk

Currency risk means the risk that the result or economic situation of the Group changes due to changes in exchange rates. Foreign trade, Group internal transactions and liquidity management in non-euro countries generate transaction exposure to the Group. The objective of the Groups' currency risk policy is to secure profitability of operative business by managing recognized exposures while maintaining on a Group level a sufficient flexibility to adjust to changing currency markets. The underlying exposure includes financial items denominated in non-functional currencies of operating companies, such as internal funding, foreign currency bank account balances, and estimated cash flows such as firm commitments and future trade transactions.

Swedish krona, Norwegian krone, Czech koruna, Indian rupee, Polish zloty and US dollar are the largest currencies in the exposure. Other currencies, which does not have material impact on group exposure individually, are Ukraine hryvnia and Russian rouble. During 2021, currency forward contracts and swaps were used to mitigate the risks. Gains and losses from foreign exchange contracts are recognized in the consolidated income statement.

Group Companies must hedge their identified currency risks with the Group Treasury unless there are legal restrictions preventing this. The benchmark for the Group's currency position is a situation where all the identified currency risks are eliminated. A deviation from this benchmark is defined as an open position. The following deviations can be made based on the total size of the Group's gross currency position (identified currency risks, excluding the hedging transactions):

- +/- 15 %: Group Treasury
- +/- 25 %: Treasury Committee
- Greater deviation: Board of Directors

The overall operational hedging ratio at the end of Dec 2021 was 101% (99%).

Identified currency transaction risk exposure and sensitivity analysis

EUR million	Loans and Cash	Estimated cash flows	Leases	Total foreign exchange exposure	External foreign exchange hedges	Transaction exposure sensitivity[1]	Foreign exchange hedge sensitivity[1]	Net effect gain/(loss)
SEK								
31 Dec 2021	**-125.6**	**23.4**	**—**	**-102.2**	**103.6**	**12.6**	**-10.4**	**2.2**
31 Dec 2020	44.9	26.5	—	71.4	-63.8	-4.5	6.4	1.9
NOK								
31 Dec 2021	**17.1**	**10.8**	**—**	**27.9**	**-31.0**	**-1.7**	**3.1**	**1.4**
31 Dec 2020	-28.7	12.3	—	-16.1	22.4	2.8	-2.2	0.6
PLN								
31 Dec 2021	**-0.7**	**-8.8**	**0.7**	**-8.8**	**8.9**	**—**	**-0.9**	**-0.9**
31 Dec 2020	-0.2	-9.5	1.4	-8.3	9.5	-0.1	-0.9	-1.1
CZK								
31 Dec 2021	**-0.2**	**-47.6**	**5.9**	**-41.9**	**48.4**	**-0.6**	**-4.8**	**-5.4**
31 Dec 2020	-3.0	-50.1	10.1	-43.0	53.7	-0.7	-5.4	-6.1
INR								
31 Dec 2021	**—**	**-31.1**	**—**	**-31.1**	**31.0**	**—**	**-3.1**	**-3.1**
31 Dec 2020	—	-34.0	—	-34.0	33.9	—	-3.4	-3.4
USD								
31 Dec 2021	**-0.6**	**0.5**	**—**	**-0.1**	**-0.5**	**0.1**	**0.1**	**0.1**
31 Dec 2020	-1.4	—	-0.1	-1.6	—	0.2	—	0.2
Other								
31 Dec 2021	**-1.9**	**—**	**—**	**-1.9**	**—**	**0.2**	**—**	**0.2**
31 Dec 2020	-1.5	—	—	-0.7	—	0.1	—	0.1

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

Translation risk

According to the Treasury Policy, hedging translation exposure is subject to the Board of Directors' decision. Exposure includes the acquisition price, share capital and restricted and non-restricted reserves of subsidiaries in non-euro countries, as well as the result of the period. NOK 14 875 and SEK 5 113 million exposure forms the majority of the translation risk. The translation position was unhedged at the end of 2021.

Interest rate risk management

The most significant part of Group's interest rate risk arises from Group's borrowings and financial investments. The objective of interest rate risk management is to minimize the effect of interest rate fluctuations on Tietoevry'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 interest rate derivative contracts. According to the Treasury Policy, 30 months is defined as a benchmark for the Group's interest rate position, in terms of weighted average time to re-pricing. At the end of 2021, the ratio was at 24 months (26 months in 2020).

31 Dec 2021 EUR million	Amount	Average rate, %	Rate sensitivity[1]
Capital markets[2]	-397.8	1.8	—
Money markets	318.7	0.2	0.1
Other loans	-360.2	0.9	-3.3
Other receivables	28.8	3.5	—
Leasing	-200.9	4.3	-2.0

31 Dec 2020 EUR million	Amount	Average rate, %	Rate sensitivity[1]
Capital markets	-397.2	1.8	—
Money markets	261.0	0.4	0.4
Other loans	-521.8	1.3	-4.8
Other receivables	38.2	3.0	—
Leasing	-237.9	4.2	-2.4

[1] The maximum pre-tax effect (EUR million) of 1% rise in interest rates on the Group's net interest expenses over the following year.
[2] The duration of underlying instruments was 3.2 (4.1 in 2020).

Commodity risk management

Majority of power procurement has been centralized to a selected supplier and under the selected model, Group does not enter into any new power derivative agreements in its own name.

Credit risk management

Credit risk is managed on Group level. Credit risk derives from financial investments, derivative contracts and customer-related risks, such as accounts receivables. Group Treasury maintains a list of approved counterparts for commercial paper investments and other financial transactions. Core banks of the Group should have a minimum long-term rating of Baa3 or BBB-.

Customer-related credit risks are assessed based on payment history and financial strength in accordance with the Credit Policy. The Credit Policy defines the limits for the acceptable level of customer credit risk in terms of invoicing schedules and payment terms. In addition, the Group uses customer credit insurance, given by global credit insurer, as a collateral. Excluded from credit insurance cover are all Public Sector customers and some other selected customers. In case of default by customer under insurance, the credit insurer covers 90% of the open accounts receivables, or up to customer specific limit received from credit insurer. The maximum exposure to customer related credit risk at the reporting date is the carrying value of trade receivables. There are no major concentrations of credit risk in the Group, whether through exposure to individual customers, specific industry sectors and/or regions.

Liquidity risk management and funding

Liquidity risk management and funding principles are defined in the Treasury Policy. One of the key tasks of Group Treasury is to secure adequate funding for the Group. The Group has a committed EUR 250 million revolving credit facility, which matures in 2024. The Group has also overdraft facilities and a EUR 250 million commercial paper programme available to maintain flexibility in funding. In addition, the Group has two Sale of Receivables facilities, EUR 50 million and SEK 450 million.

Debt structure

31 Dec 2021 EUR million		Amount drawn	Amount available	Maturity structure					
				2022	2023	2024	2025	2026	2027–
Loans	Bonds	400.0	—	—	—	100.0	300.0	—	—
	Commercial paper programme	—	—	—	—	—	—	—	—
	Revolving credit facility	—	250.0	—	—	—	—	—	—
	Liabilities towards joint ventures	5.1	—	5.1	—	—	—	—	—
	European Investment Bank	78.5	—	13.1	13.1	13.1	13.1	13.1	13.1
	Syndicated term loan	254.2	—	—	80.0	174.2	—	—	—
	Other loans	29.0	—	13.3	8.8	3.9	1.9	0.4	—
		766.8	**250.0**	**31.4**	**101.9**	**291.2**	**315.0**	**13.5**	**13.1**
	Interest payments	—	—	10.6	9.8	8.6	6.1	—	—
Trade payables	Outflow	260.8	—	260.8	—	—	—	—	—
Other liabilities	Lease liabilities	242.3	—	69.2	47.2	33.2	20.4	13.2	59.0
Total		**1 269.8**	**250.0**	**372.1**	**158.9**	**333.0**	**341.5**	**26.8**	**72.1**

31 Dec 2020 EUR million		Amount drawn	Amount available	Maturity structure 2021	2022	2023	2024	2025	2026–
Loans	Bond	400.0	—	—	—	—	100.0	300.0	—
	Commercial paper programme	5.0	—	5.0	—	—	—	—	—
	Revolving credit facility	—	250.0	—	—	—	—	—	—
	Liabilities towards Joint Ventures	13.7	—	13.7	—	—	—	—	—
	European Investment Bank	85.0	—	6.5	13.1	13.1	13.1	13.1	26.2
	Syndicated term loan	400.0	—	—	—	80.0	320.0	—	—
	Other loans	26.7	—	15.0	8.4	2.7	0.5	0.1	—
		930.4	**250.0**	**40.2**	**21.5**	**95.8**	**433.6**	**313.1**	**26.2**
	Interest payments	—	—	5.7	5.7	5.4	3.4	0.2	0.1
Trade payables	Outflow	189.7	—	189.7	—	—	—	—	—
Other liabilities	Lease liabilities	267.2	—	71.5	55.7	34.3	21.8	12.8	71.0
Total		**1 387.3**	**250.0**	**307.2**	**82.9**	**135.5**	**458.9**	**326.1**	**97.3**

Capital management

The objective is to keep the capital structure on a level securing adequate financial flexibility for the operations. The capital structure of the Group is being continuously monitored through Net debt/EBITDA ratio. The ratio is calculated by dividing interest-bearing net debt with the last 12 months' EBITDA of the Group.

	31 Dec 2021	31 Dec 2020
Net debt	610.6	883.3
12 months EBITDA	557.4	351.3
Net debt/EBITDA	1.1	2.5

Net debt/EBITDA ratio is a covenant used in certain funding arrangements. Tietoevry Group is within limits for this covenant as at the reporting date and comparative period.

19. Interest-bearing loans and borrowings

Tietoevry Group's interest-bearing liabilities consist of bonds, other loans, lease liabilities and Cash Pool liabilities towards joint ventures.

ACCOUNTING POLICIES

Interest-bearing loans and borrowings are initially recognized at fair value, net of transaction costs which are recognized in income statement as interest expenses over the loan term. Debt is classified as short term if it is payable within 12 months period, otherwise it is classified as non-current.

EUR million	31 Dec 2021	31 Dec 2020
Non-current		
Bonds	397.8	397.2
Other loans	333.8	488.8
Lease liabilities	144.0	171.0
Total	**875.6**	**1 057.0**
Current		
Other loans	26.4	25.9
Cash Pool liabilities towards joint ventures	5.1	13.7
Lease liabilities	62.5	72.1
Total	**94.0**	**111.7**
Total Interest bearing loans and borrowings	**969.6**	**1 168.7**

More information on debt structure and carrying interest rates is disclosed in note 18.

Change in liabilities arising from financing activities

			Non-cash changes						
EUR million	31 Dec 2020	Cash flows	Foreign exchange gains and losses	Reclassification	Acquisitions and disposals	New contracts	De-recognized contracts	Other	31 Dec 2021
Non-current interest-bearing loans	885.9	-145.8	0.1	-13.1	—	3.3	—	1.2	731.6
Current interest-bearing loans	39.7	-19.7	—	13.1	—	—	—	-1.4	31.5
Lease liabilities	243.1	-73.1	4.5	—	-0.9	46.5	-14.1	0.5	206.5
Total	**1 168.7**	**-238.6**	**4.6**	**—**	**-0.9**	**49.8**	**-14.1**	**0.3**	**969.6**

			Non-cash changes					
EUR million	31 Dec 2019	Cash flows	Foreign exchange gains and losses	Reclassification	New contracts	De-recognized contracts	Other	31 Dec 2020
Non-current interest-bearing loans	591.5	297.4	—	-6.5	2.6	—	0.9	885.9
Current interest-bearing loans	372.6	-342.6	—	6.5	2.5	—	0.7	39.7
Lease liabilities	298.3	-70.6	-9.0	—	48.2	-24.0	0.1	243.1
Total	**1 262.5**	**-115.8**	**-9.0**	**—**	**53.3**	**-24.0**	**1.7**	**1 168.7**

The company issued a EUR 300 million bond in June 2020 to refinance a bridge loan related to the merger. The bond has a coupon of 2% and it will mature in June 2025.

20. Leases

Tietoevry Group mainly acts as a lessee and leases premises, IT equipment and cars. In monetary terms, the highest portion of the Group's lease portfolio is for leasing premises. Tietoevry Group also leases equipment for Data centres to support continuous service delivery to its customers. Rent of company cars is part of employees' benefit package, the portion of employee share in payment being subject to local HR policies and varies between 0% to 100%.

ACCOUNTING POLICIES

Group as a lessee

Initially, lease liabilities are measured at the commencement date at the present value of the lease payments, discounted using the interest rate implicit in the lease, if it can be readily determined. If the rate can't be readily determined, such as in real estate leases, the incremental borrowing rate is used.

Incremental borrowing rate is defined for each legal entity, differentiated based on lease contract length and updated on a yearly basis, which further impacts the value of right-of-use asset, lease liabilities in the statement of financial position, and split between depreciations and interest expenses. Management judgement has been used in determining the incremental borrowing rate that would reflect the rate of interest that Tietoevry group would pay to borrow over similar term, and with similar security, the funds necessary to obtain an asset over similar value to the right-of-use asset in similar economic environment. Average annual incremental borrowing rate applied to discounting future cash flows for existing lease agreements at year-end is 4.3%.

Lease term includes non-cancellable period for which the Group has the right to use the underlying asset, together with both enforceable:

- Periods covered by an option to extend the lease, if the Group is reasonably certain to exercise that option; and
- Periods covered by an option to terminate the lease, if the Group is reasonably certain not to exercise that option.

The decision if extension or termination options of lease contracts would be used, lies within related organisation responsible for underlying asset management and is in line with overall strategy and business development plans.

In determining if either lessor or lessee would incur more than insignificant penalties by using or not using either of options, the Group considers not only penalties directly defined in contracts, but also wider economic costs, such as, reallocation costs or finding new tenants.

Lease payments include fixed payments, in substance fixed payments, lease payments that depend on index or rate and exercise price of purchase option, if it is reasonably certain to be exercised.

Subsequently, lease liabilities are measured at amortized cost, by increasing or reducing the carrying amount to reflect interest on the lease liability and the lease payments made, respectively. Lease liabilities are remeasured for lease reassessments done or modified to reflect revised in-substance fixed lease payments.

Interest expenses are recognized in profit or loss.

Right-of-use assets are initially measured at the amount equal to lease liability:

- less payments made at or before commencement date and lease incentives received
- adding initial direct costs; and
- adjusting by estimated dismantling or site restoration costs.

Subsequently, right-of-use assets are measured applying cost model, where asset cost is reduced by accumulated depreciation and impairment losses and adjusted by remeasurement of a respective lease liability.

Right-of use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

Tietoevry has applied recognition exemptions allowed by the standard not to capitalize short-term leases (lease term less than 1 year at commencement, where there is no purchase option) and leases of low value assets. Typically, such assets would include lease of individual IT equipment and office furniture. Payments for such assets are recognized in profit or loss on straight-line basis during the lease term.

The Group has also elected to separate service component of a lease for all asset types, except for cars, where only variable lease payments are excluded from the measurement of lease liability. Non-lease components are separated from lease payments on fair market value basis. If such information is not readily available, management judgement has been applied in estimating the value.

The Group presents cash payments for the principal portion of lease liabilities as cash flows from financing activities and interest portion within cash flows from operating activities. Short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability are presented as part of operating activities.

Group as a lessor

If an arrangement conveys a right to use a specific asset to a purchaser, often together with related services, the assets, mainly technical equipment, are classified as embedded finance leases. Further the lease is classified either as Operating lease or Finance lease. As of 31 Dec 2021, all such cases have been classified as 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.

ACCOUNTING ESTIMATES AND JUDGEMENTS

Lease term, use of extension and termination options

Management judgement has been applied in determining lease term, where there are either extension or termination options included in lease contracts. Lease terms are negotiated on individual basis and contain a wide range of renewal and termination options. As of 31 Dec 2021, weighted average residual lease term for lease contracts is 6.4 years (residual term vary between 0.1–47 years). Lease term for premises leases referred to as "evergreen leases" or "rolling" leases has been determined based on the internally defined site categories. Those take into consideration the number of full time employees and strategic importance of the site, allowing longer lease term for larger Level 1 sites (5 years and more) and recognizing higher flexibility for smallest Level 1 sites (1 year, short-term lease exemption from on balance sheet treatment not applied). Total annual leasing expenses (depreciation and interest) for such leases amounted to EUR 6.3 million during year 2021, weighted average remaining lease term being 2.6 years.

Leases impact on income statement

EUR million		31 Dec 2021	31 Dec 2020
Tietoevry as a Lessee	Buildings	-57.7	-59.3
	Equipment and Machinery	-13.5	-13.4
	Depreciation expenses of Right-of-use assets	**-71.2**	**-72.7**
Tietoevry as a Lessee	**Impairment losses**	**-5.3**	**-1.0**
Tietoevry as a Lessee	Expense relating to variable lease payments	-6.6	-5.0
Tietoevry as a Lessee	Expenses relating to short-term leases and lease of low value leases	-4.0	-5.3
	Other income and expenses	**-10.6**	**-10.3**
Tietoevry as a Lessor	**Revenue**	**2.0**	**1.6**
Tietoevry as a Lessor	**Materials and services**	**-1.8**	**-1.4**
Tietoevry as a Lessor	Finance income on the net investment in lease	0.1	0.2
Tietoevry as a Lessee	Interest expense on lease liabilities	-9.5	-11.1
	Expenses reported in Financial items	**-9.4**	**-11.0**
	Total impact on Income Statement from leasing contracts	**-96.2**	**-94.8**

Leases impact on Statement of cash flows

EUR million		31 Dec 2021	31 Dec 2020
Tietoevry as a Lessee	Interest paid (Cash flow from Operating activities)	-9.0	-11.0
	Principal paid (Cash flow from Financing activities)	-73.1	-70.6

Leases impact on Statement of financial position

Right-of-use assets

EUR million		Buildings	Machinery and Equipment	Total
Tietoevry as a Lessee	31 Dec 2020	208.6	23.1	231.7
	Additions[1]	33.2	14.1	47.3
	Terminations	-11.0	-2.9	-13.8
	Depreciation	-57.7	-13.5	-71.2
	Impairment	-5.3	—	-5.3
	Subleased	1.4	-1.2	0.2
	Currency translation differences	4.3	0.2	4.4
	31 Dec 2021	**171.5**	**21.0**	**192.4**

EUR million		Buildings	Machinery and Equipment	Total
Tietoevry as a Lessee	31 Dec 2019	263.5	25.6	289.1
	Additions[1]	32.3	16.5	48.7
	Terminations	-18.3	-5.4	-23.6
	Depreciation	-59.3	-13.4	-72.7
	Impairment	-1.0	—	-1.0
	Currency translation differences	-8.6	-0.2	-8.8
	31 Dec 2020	**208.6**	**23.1**	**231.7**

[1] Additions represent increase in right-of-use assets both due to new lease contracts, as well as remeasurements and lease modifications.

Lease liabilities

EUR million	31 Dec 2021	31 Dec 2020
Current	62.5	72.1
Non-current	144.0	171.0
Total	**206.5**	**243.1**

The movement in lease liabilities over reporting period is presented in note 19.
The maturity structure of contractual undiscounted lease payments is presented in note 18.

Lease receivables

Net investment in lease

EUR million	31 Dec 2021	31 Dec 2020
Current	2.9	2.3
Non-current	2.7	2.9
Total	**5.6**	**5.2**

Maturity analysis - contractual undiscounted cash flows for finance leases

EUR million	31 Dec 2021	31 Dec 2020
Within one year	3.0	2.4
One to two years	2.2	1.7
Two to three years	0.5	1.0
Three to four years	—	0.2
Four to five years	—	—
Total undiscounted lease payments receivable	**5.7**	**5.4**
Unearned finance income	-0.1	-0.2
Net investment in lease	**5.6**	**5.2**

21. Financial income and expenses

Finance income and expenses comprise interest, foreign exchange gains and losses and other financial income and expenses, such as fees to banks.

2021 EUR million	Interest income	Interest expenses	Foreign exchange gains and losses	Other financial income	Other financial expenses	Total
Financial assets at fair value through profit or loss	—	—	-0.1	—	—	-0.1
Financial assets at amortized cost	1.8	—	-4.7	0.1	—	-2.7
Financial liabilities measured at amortized cost	—	-22.7	—	—	-2.3	-25.0
Net defined benefit obligation	—	-0.3	—	—	—	-0.3
Total	**1.8**	**-23.0**	**-4.8**	**0.1**	**-2.3**	**-28.2**

2020 EUR million	Interest income	Interest expenses	Foreign exchange gains and losses	Other financial income	Other financial expenses	Total
Financial assets at fair value through profit or loss	—	—	-3.1	—	—	-3.1
Financial assets at amortized cost	2.1	—	3.9	0.1	—	6.1
Financial liabilities measured at amortized cost	—	-24.0	—	—	-3.1	-27.0
Net defined benefit obligation	—	-0.4	—	—	—	-0.4
Total	**2.1**	**-24.4**	**0.8**	**0.1**	**-3.1**	**-24.4**

Foreign exchange gains and losses included in the operating profit were EUR 3.9 (0.8) million in 2021.

22. Financial assets and liabilities - carrying amount and fair value and fair value hierarchy

Financial assets and liabilities of the Group consist of trade receivables, cash and cash equivalents, lease receivables and payables, trade payables, derivatives (see note 23), bonds and other interest-bearing liabilities (see note 19).

ACCOUNTING POLICIES

All financial assets and liabilities are initially recognized at fair value, and subsequently classified either as financial assets at amortized cost or financial assets through profit or loss.

Financial assets at amortized cost

Financial assets are accounted at amortized cost only when the asset is held within a business model whose objective is to collect contractual cash flows, which are solely payments of principal and interest.

This category of financial assets includes trade and other receivables, cash and cash equivalents, lease receivables and other interest-bearing receivables.

Financial assets in this category are carried at amortized cost in accordance with the effective interest method with interest income recognized in profit or loss under financial items (see note 21).

Financial liabilities at amortized cost

Financial liabilities under this category are initially recognized at fair value, net of transaction costs directly associated with the borrowing. For interest-bearing liabilities, after initial recognition, liabilities are measured using effective interest rate method, taking into account any issue costs and any discount or premium on settlement. Related interest expenses are recognized in profit or loss under financial items (see note 21).

Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities in this category are recognized on the statement of financial position at their fair value with gains or losses resulting from change in the fair value, being recognized in income statement.

This category mostly consists of derivatives. Gains or losses from revaluation of derivative contracts that relate to financial items (loans, cash, leases) are presented as financing costs (see note 21), whereas gains or losses from derivatives, mostly currency forward contracts that relate to operating activities are included in operating profit.

Fair value measurement is also applicable to trade receivables sold under non-recourse factoring agreements, which have not yet been de-recognized from the statement of financial position as of the reporting date.

Other investments include unlisted shares, where their fair value cannot be measured reliably and, therefore, the cost is considered to be a reasonable approximation of their fair value.

Determination of fair values

The classification of financial assets and liabilities measured at fair value in the statement of financial position, has been done on three hierarchy levels:

- Level 1: quoted prices in active markets for given or identical assets or liabilities that the entity can access at the measurement date;
- Level 2: inputs that are observable for the asset or liability, either directly or indirectly;
- Level 3: unobservable inputs for the asset or liability.

The carrying amount of all financial assets and liabilities, carried at amortized cost is considered to provide a reasonable approximation of their fair value, due to the short maturity and liquid nature of these items, except for bonds which are traded on active market.

Fair values of derivatives is determined based on prevailing marked quotes at the reporting date. Foreign exchange derivatives' fair values are calculated according to foreign exchange and interest rates on the closing date.

Financial assets

EUR million	Note	31 Dec 2021	31 Dec 2020	Fair value hierarchy
Financial assets at fair value through profit or loss				
Non-current				
Other financial assets at fair value through profit or loss		0.6	0.6	Level 3
Current				
Trade receivables at fair value through profit or loss		19.1	34.4	Level 2
Current derivative receivables	23	4.2	1.5	Level 2
Financial assets at amortized cost				
Non-current				
Other loan receivables, interest-bearing		15.7	12.8	Level 2
Lease receivables	20	2.7	2.9	Level 2
Current				
Other loan receivables, interest-bearing	14	13.8	15.1	Level 2
Lease receivables	20	2.9	2.3	Level 2
Trade receivables	14	372.8	358.9	Level 2
Accrued interest income	14	0.1	0.1	Level 2
Cash and cash equivalents	24	323.8	252.3	Level 2
Total		**755.5**	**680.8**	

Financial liabilities

EUR million	Note	31 Dec 2021	31 Dec 2020	Fair value hierarchy
Financial liabilities at fair value through profit or loss				
Current derivative liabilities	23	0.8	2.9	Level 2
Financial liabilities measured at amortized cost				
Non-current				
Lease liability	19, 20	144.0	171.0	Level 2
Bonds[1)]	19	397.8	397.2	Level 1
Other loans	19	333.8	488.8	Level 2
Current				
Trade payables	17	260.8	189.7	Level 2
Accrued interest	17	3.8	4.1	Level 2
Lease liability	19, 20	62.5	72.1	Level 2
Loans	19	31.5	39.6	Level 2
Total		**1 235.0**	**1 365.3**	

[1)] Fixed rate bond where carrying amount of EUR 397.8 million has not been adjusted to match the fair value of EUR 415.8 million. Fair value of the bond has been calculated based on the prevailing market rate at the end of the reporting period.

There has been no movement between the fair value hierarchy levels during 2021.

23. Derivatives

Tietoevry Treasury uses currency forward and swap contracts to manage identified currency risks. More information on financial risk management is in note 18 and for Accounting policies applied in note 22. Derivatives are used for economic purposes only.

Nominal amounts of derivatives

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

EUR million	31 Dec 2021	31 Dec 2020
Foreign exchange forward contracts	479.7	484.2

Fair values of derivatives

EUR million	31 Dec 2021	31 Dec 2020
Gross positive fair values	4.2	1.5
Gross negative fair values	-0.8	-2.9
The net fair values at the reporting date	**3.3**	**-1.4**

Foreign exchange derivatives' fair values are calculated according to foreign exchange and interest rates on the closing date. All outstanding derivative contracts will expire within 12 months after the reporting date.

Offsetting financial assets and liabilities

Agreements with derivatives' counterparties are based on ISDA Master Agreements or on agreements with similar content with regards to offsetting financial assets and liabilities. Based on the terms of these agreements, offsetting is possible only under certain circumstances, such as, default of either of parties or other force majeure events. If any of those occur, then the net position owing/receivable to a single counterparty will be taken as owing.

31 Dec 2021 EUR million	Gross amounts of recognized financial instruments in the statement of financial position[1)]	Related amounts not set off in the statement of financial position		Net amount
		Financial Instruments	Cash collateral received	
Derivative financial assets	4.2	-0.8	—	3.4
Derivative financial liabilities	-0.8	0.8	—	-0.1

[1)] No amount have been set off in the statement of financial position

31 Dec 2020 EUR million	Gross amounts of recognized financial instruments in the statement of financial position[1)]	Related amounts not set off in the statement of financial position		Net amount
		Financial Instruments	Cash collateral received	
Derivative financial assets	1.5	-1.1	—	0.4
Derivative financial liabilities	-2.9	1.1	—	-1.8

[1)] No amount have been set off in the statement of financial position

24. Cash and cash equivalents

Cash and cash equivalents comprise cash balances and cash deposits with banks and other liquid investments that are readily convertible to known amount of cash within three months and which are subject to an insignificant risk of changes in value. Bank overdrafts are included in current liabilities in the statement of financial position. Cash and cash equivalents are carried at nominal value, which corresponds to their fair value.

EUR million	31 Dec 2021	31 Dec 2020
Cash in hand and at bank	309.1	223.3
Short-term deposits	14.6	29.0
Total	**323.8**	**252.3**

25. Share capital and reserves

Tietoevry has one class of shares, and each share has one vote at the Annual General Meeting and equal rights to dividend and other distribution of assets. The company's Articles of Association includes a voting constraint at the Annual General Meeting that no-one is entitled to vote on more than one-fifth of the votes represented at the Annual General Meeting.

Tietoevry's shares have no nominal value and their book value counter value is one euro. All issued shares have been fully paid.

ACCOUNTING POLICIES

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

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

EUR million	Number of shares	Share capital	Share issue premiums and other reserves	Invested unrestricted equity reserve	Total
1 Jan 2020	118 253 526	76.6	40.9	1 203.5	1 321.0
Purchase of own shares	-35 000	—	—	—	—
Return of shares without consideration	-5 731	—	—	—	—
Shares delivered from the share-based incentive plans[1]	201 998	—	—	—	—
Translation difference	—	—	1.2	—	1.2
31 Dec 2020	**118 414 793**	**76.6**	**42.1**	**1 203.5**	**1 322.2**
Purchase of own shares	-140 000	—	—	—	—
Shares delivered from the share-based incentive plans[1]	143 391	—	—	—	—
Translation difference	—	—	—	—	—
31 Dec 2021	**118 418 184**	**76.6**	**42.1**	**1 203.5**	**1 322.2**
Own shares[2]	7 587				
Total number of shares on 31 Dec 2021[2]	**118 425 771**				

[1] Shares granted from own shares without effect to share capital.
[2] On 31 Dec 2020, the number of shares in the company's possession totalled 10 978 and the total number of shares was 118 425 771.

Share capital

The share subscription price received in connection with the share issues is entered in share capital to the extent that it has not been recorded in the invested unrestricted equity reserve according to the share issue decision.

Share issue premiums and other reserves

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

Invested unrestricted equity reserve

The invested unrestricted equity reserve includes the subscription price of shares to the extent that it has not been recorded in share capital according to specific resolution.

Retained earnings

Retained earnings consists of the following:

- Costs of share-based payments which are accounted for as equity-settled and recognized as an employee benefit expense during the vesting period with a corresponding entry in equity. More information is disclosed in note 8.
- Remeasurements of the defined benefit plans arising from experience adjustments and changes in actuarial assumptions. More information is disclosed in note 15.
- Treasury shares. In 2021, Tietoevry repurchased 140 000 own shares which were further delivered from the share-based incentive plans.
- Cumulative translation differences arising from translation of foreign Group companies' assets and liabilities into euro; and
- other retained earnings and losses

Distributable funds

On 31 Dec 2021, the distributable funds of the parent company totalled EUR 1 627.8 million of which retained earnings were EUR 419.1 million and net profit for the financial year EUR 1.1 million. The Board of Directors proposes to the Annual General Meeting in 2022 that a dividend of EUR 1.40 per share is paid for 2021 (dividend of EUR 1.32 per share paid for 2020).

OTHER INFORMATION

This section includes information about the Group structure, joint ventures, related parties and commitments.

26. Changes in Group structure

In 2021, Tietoevry sold its Oil & Gas software business as well as the software businesses Alystra, Jydacom and TRYGG/2000. The businesses disposed of were reported as part of the Industry Software segment. Both divestments are part of Tietoevry's strategy to seek focus and scale.

ACCOUNTING POLICIES

Disposed operations are consolidated until the point in time when control is transferred. Where the disposed operation is part of a cash-generating unit (CGU) to which goodwill has been allocated, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Assets held for sale

Non-current assets are classified as held for sale if their carrying amounts are expected to be recovered principally through sale and the sale is highly probable. From the date of classification, the assets are measured at the lower of the carrying amount and the fair value less costs to sell, and the recognition of depreciation is discontinued.

Sale of Oil & Gas software business

In February 2021, Tietoevry announced an agreement with Aucerna, a Quorum Software affiliate, to sell its Oil & Gas software business. The transaction was completed in June 2021, with a minor part of asset transfers to be completed in early 2022. Through this transaction, the Oil & Gas software business will have greater global market reach and growth opportunities. The Oil & Gas software business comprises hydrocarbon management, personnel and material logistics software and related services with installations in more than 50 countries. Revenue of the divested businesses amounted to around EUR 50 million in 2020 and the number of employees was around 430.

With a consideration of EUR 156.8 million including adjustments, a capital gain of EUR 73.3 million was recognized. The cash payments in total amounted to EUR 154.7 million. In addition, Tietoevry will receive a cash compensation of EUR 2.1 million subsequent to the completion of asset transfers taking place in early 2022. The following table summarizes the effects of the sale on the consolidated financial statements.

EUR million	
Intangible and tangible assets	0.2
Right-of-use assets	0.8
Trade and other receivables	14.1
Cash and cash equivalents	7.0
Non-current liabilities	-0.7
Trade and other payables	-14.0
Fair value of net assets	**7.4**
Allocation of goodwill and intangible assets on disposal	71.3
Total net assets disposed	**78.7**
Consideration, including adjustments	156.8
Transaction costs	-6.1
Reclassification of foreign currency translation reserve to profit or loss	1.4
Total net assets disposed	-78.7
Gain on disposal, before income tax	**73.3**
Income tax expense on gain	-0.5
Gain on disposal, after income tax	**72.8**
Consideration received in cash	154.7
Transaction costs	-5.9
Cash and cash equivalents disposed of	-7.0
Net cash flow on disposal	**141.8**

Other divestments

In October 2021, Tietoevry announced an agreement to sell its software businesses Alystra, Jydacom and TRYGG/2000 to a Nordic software company EG. The transaction was completed in December 2021. These businesses focus on creating software products for construction, retail, and transport markets. They had limited operational dependencies with the rest of Tietoevry. Revenue of the divested businesses amounted to around EUR 13 million in 2020 and the number of employees was around 80 in Finland and Sweden. With a consideration of EUR 40.6 million including adjustments and FX impact, a capital gain of EUR 30.6 million was recognized. The following table summarizes the effects of the sale on the consolidated financial statements.

EUR million	
Intangible assets	2.3
Trade and other receivables	0.7
Cash and cash equivalents	2.1
Non-current liabilities	-0.4
Trade and other payables	-2.0
Fair value of net assets	**2.6**
Allocation of goodwill on disposal	7.0
Total net assets disposed	**9.7**
Consideration, including adjustments and FX impact	40.6
Transaction costs	-0.1
Reclassification of foreign currency translation reserve to profit or loss	-0.2
Total net assets disposed	-9.7
Gain on disposal, before income tax	**30.6**
Income tax expense on gain	-2.6
Gain on disposal, after income tax	**28.0**
Consideration received in cash	39.8
Transaction costs	—
Cash and cash equivalents disposed of	-2.1
Net cash flow on disposal	**37.7**

27. Subsidiaries

Subsidiary shares owned by the Parent company

Company name	Domicile	Parent company's holding %	31 Dec 2021 Book value in the Parent company EUR million
EVRY Card Issuing AS	Norway	100.0	77.4
EVRY Card Payments AS	Norway	100.0	0.7
EVRY Card Services AS	Norway	100.0	84.0
EVRY Danmark A/S	Denmark	100.0	0.3
Fellesdata AS	Norway	100.0	—
Infopulse Brasil Servicos Technologicos Ltda.	Brazil	1.0	0.0
Octagon IT Holding 2 AS	Norway	100.0	0.0
Octagon IT LLC	Russia	100.0	0.0
Octaserv Technologies Pvt. Ltd.	India	100.0	2.2
Tieto Austria GmbH	Austria	100.0	0.8
Tieto (Beijing) Technology Co., Ltd.	China	100.0	0.8
Tieto China Co., Ltd.	China	100.0	4.3
Tieto Czech s.r.o.	Czech Republic	100.0	8.0
Tieto Czech Support Services s.r.o.	Czech Republic	100.0	—
Tieto Denmark A/S	Denmark	100.0	6.5
Tieto DK A/S	Denmark	100.0	1.6
Tieto Estonia AS	Estonia	100.0	0.3
Tieto Finland Oy	Finland	100.0	137.2
Tieto Finland Support Services Oy	Finland	100.0	1.6
Tieto Germany GmbH	Germany	100.0	0.5
Tieto Global Oy	Finland	100.0	1.1
Tieto Great Britain Ltd.	Great Britain	100.0	0.5
Tieto Latvia SIA	Latvia	100.0	15.2
Tieto Lietuva UAB	Lithuania	100.0	2.6
Tieto Netherlands Holding B.V.	Netherlands	100.0	24.5
Tieto Poland Sp. z o.o	Poland	100.0	3.3
Tieto Support Services Sp. z o.o.	Poland	100.0	0.4
Tieto Sweden AB	Sweden	100.0	919.3
TietoEnator Inc.	The United States	100.0	8.0
TietoEVRY Accounting AS	Norway	100.0	16.7
TietoEVRY Norway AS	Norway	100.0	1 007.9
Total			**2 325.5**

Shares in Group companies owned by subsidiaries

Company name	Domicile	Group holding %	31 Dec 2021 Book value in the Parent company EUR million
Avega Affero AB	Sweden	100.0	0.2
Avega Aqilo AB	Sweden	100.0	0.0
Avega Catalyst AB	Sweden	100.0	0.4
Avega Clarity AB	Sweden	100.0	0.9
Avega Complius AB	Sweden	100.0	—
Avega Dinamiko AB	Sweden	100.0	0.2
Avega Edge AB	Sweden	100.0	0.0
Avega Effectus AB	Sweden	100.0	0.9
Avega Group AB	Sweden	100.0	45.9
Avega Kipeo AB	Sweden	100.0	1.6
Avega Kite AB	Sweden	100.0	0.0
Avega Miundo AB	Sweden	100.0	0.0
Avega Mtoni AB	Sweden	100.0	0.1
Avega Nuvem AB	Sweden	100.0	—
Avega Primero AB	Sweden	100.0	0.0
Avega Qurio AB	Sweden	100.0	2.8
Avega Scire AB	Sweden	100.0	0.2
Avega Sempai AB	Sweden	100.0	0.5
Avega Senso AB	Sweden	100.0	0.0
Bekk Consulting AS	Norway	100.0	46.6
Emric d.o.o. Beograd	Serbia	100.0	—
EVRY Card Services AB	Sweden	100.0	26.2
EVRY Card Services Oy	Finland	100.0	6.4
EVRY Financial Service UK Ltd.	Great Britain	100.0	0.1
EVRY Financing AB	Sweden	100.0	0.0
EVRY Financing AS	Norway	100.0	2.1
EVRY India Pvt. Ltd.	India	100.0	14.7

EVRY Sweden AB	Sweden	100.0	173.7
EVRY USA Corporation Inc.	The United States	100.0	0.5
Eye-share AS	Norway	100.0	2.5
Gjeldsregisteret AS	Norway	100.0	—
Infopulse Brasil Servicos Technologicos Ltda.	Brazil	99.0	0.1
Infopulse Bulgaria Ltd.	Bulgaria	100.0	0.1
Infopulse Europe GmbH	Germany	100.0	0.0
Infopulse Poland Sp. z o.o.	Poland	100.0	—
Infopulse Ukraine LLC	Ukraine	100.0	0.0
Infopulse USA LLC	The United States	100.0	0.1
NUK Holding AB	Sweden	100.0	18.3
Tieto India Pvt. Ltd.	India	100.0	45.4
Tieto Rus OOO	Russia	100.0	2.3
Tieto Sweden Support Services AB	Sweden	100.0	—
Tieto Ukraine Support Services LLC	Ukraine	100.0	0.8
Tieto U.S. Inc.	The United States	100.0	1.0
Total			**394.7**

All subsidiary undertakings are included in the consolidation. In India, the official reporting period is 1.4.–31.3. according to the Indian legislation.

28. Interests in joint ventures

Tietoevry has established few joint ventures in order to be able to produce high quality IT services required by the customer. All other joint ventures are located in Finland except for BuyPass AS that is a Norwegian company and joint venture of TietoEVRY Norway AS.

ACCOUNTING POLICIES

Companies, where Tietoevry has assumed management responsibility, has contractually based joint control with a third party and has right to the net assets of the company based on the contractual arrangement are included in the consolidated financial statements as joint ventures. Joint ventures are accounted by using the equity method under which the investments in joint ventures are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of joint venture's losses exceeds the carrying amount of the investment, the investment is recognized at zero value in the statement of financial position and the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Sales to and purchases from joint ventures are made on normal market terms and conditions and at market prices. The Group's share of the joint ventures' result for the period is separately disclosed in the income statement.

Joint ventures

	Number of shares		Parent company's share %		Voting right %		Carrying value EUR million	
31 Dec	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Tieto Esy Oy	7 300	7 300	80.0	80.0	34.0	34.0	5.1	5.2
TietoIlmarinen Oy	3 570	3 570	70.0	70.0	30.0	30.0	2.2	3.4
Tietokarhu Oy	—	8 000	—	80.0	—	20.0	—	2.8
BuyPass AS	21 100	21 100	50.0	50.0	50.0	50.0	9.4	8.3
							16.7	**19.7**

Reconciliation to carrying value

EUR million	2021	2020
Acquisition cost, 1 Jan	11.2	11.8
Acquisition	—	—
Translation difference	0.4	-0.6
Acquisition cost, 31 Dec	**11.6**	**11.2**
Equity adjustments, 1 Jan	**8.5**	**11.3**
Share of results	1.5	1.5
Dividends received	-2.1	-4.3
Tietokarhu liquidation	-2.8	—
Equity adjustments, 31 Dec	**5.1**	**8.5**
Carrying value, 31 Dec	**16.7**	**19.7**

Equity adjustments include Group level goodwill of EUR 4.5 (4.5) million.

Tietokarhu Oy's special task as a supplier of IT services for the Tax Administration ended on 31 December 2020 in accordance with the two-year notice period as the Tax Administration switches to the use of a new ready-made software. The Extraordinary General Meeting supported the liquidation of Tietokarhu as of 1 January 2021, as a result of which the company was dissolved 28 September 2021. Liquidation gain of EUR 0.3 million was booked in the third quarter, 2021.

There are no commitments or contingencies related to joint ventures.

Financial and personnel information of Joint ventures

The summarised financial information below represents amounts in joint ventures' financial statements prepared in accordance with IFRS Standards.

31 Dec 2021 EUR million	Tieto Esy Oy	TietoIlmarinen Oy	BuyPass AS
Non-current assets	0.0	0.0	3.5
Current assets	4.2	1.7	51.1
Total	**4.2**	**1.7**	**54.5**
Non-current liabilities	0.1	0.1	0.1
Current liabilities	0.8	0.5	35.6
Total	**0.8**	**0.7**	**35.7**
Net sales	4.6	3.4	27.9
Expenses	-3.8	-3.6	-24.9
Profit before taxes	**0.7**	**-0.2**	**3.0**
Income taxes	-0.2	0.0	-0.8
Net profit for the financial year	**0.6**	**-0.2**	**2.3**
Dividends paid to Tietoevry	**0.6**	**0.7**	**0.9**
Average full-time personnel during the financial year	**34**	**25**	**76**

31 Dec 2020 EUR million	Tieto Esy Oy	TietoIlmarinen Oy	Tietokarhu Oy	BuyPass AS
Non-current assets	0.0	0.0	0.1	2.6
Current assets	4.5	2.9	7.7	44.4
Total	**4.5**	**2.9**	**7.8**	**47.0**
Non-current liabilities	0.0	0.1	1.0	0.2
Current liabilities	0.9	0.9	3.0	29.4
Total	**1.0**	**0.9**	**4.0**	**29.7**
Net sales	5.0	6.4	8.0	23.6
Expenses	-4.0	-4.8	-8.9	-21.0
Profit before taxes	**1.0**	**1.6**	**-0.8**	**2.6**
Income taxes	-0.2	-0.3	-0.4	-0.6
Net profit for the financial year	**0.8**	**1.3**	**-1.3**	**2.0**
Dividends paid to Tietoevry	**0.6**	**1.5**	**2.2**	**—**
Average full-time personnel during the financial year	**36**	**37**	**20**	**78**

29. Related party transactions

Related parties of Tietoevry include subsidiaries, joint ventures and key management of the company and their close family members. Key management includes the members of the Board of Directors, Leadership team and the President and CEO.

ACCOUNTING POLICIES

Sales to and purchases from related parties are made on normal market terms and conditions and at market prices. There are no commitments or contingencies on behalf of related parties.

The transactions with related parties are presented below. More information on joint ventures is disclosed in note 28 and subsidiaries are listed in note 27. Information on management remuneration is disclosed in note 8.

Transactions and balances with joint ventures

EUR million	31 Dec 2021	31 Dec 2020
Sales	2.9	8.5
Other operating income	1.6	3.5
Purchases	2.1	3.5
Receivables	0.2	0.3
Liabilities including cash pool	5.0	13.9

30. Commitments and contingencies

The Group's commitments and contingencies mostly relate to lease guarantees and performance commitments.

ACCOUNTING POLICIES

Commitments are disclosed when the Group has a contract where the existence of obligation will be only confirmed in the future.

Contingent liabilities are possible obligations whose existence will be confirmed by uncertain future events that are not wholly within the control of the entity. They can also include obligations that are not recognized in the statement of financial position because settlement is not probable or their amount cannot be measured reliably.

EUR million	31 Dec 2021	31 Dec 2020
For Tietoevry obligations		
Mortgages	—	2.5
Guarantees		
Performance guarantees	91.6	82.7
Payment guarantees	0.3	7.8
Other	0.2	0.1
Other Tietoevry obligations		
Lease commitments, not yet commenced	67.4	70.7
Other	0.6	0.7
On behalf of third parties		
Guarantees		
Performance guarantees	25.4	25.9

In addition to the above, TietoEVRY Oyj or other group companies have provided security on behalf of delivering Group company relating to some major contracts.

31. Events after the reporting period

Tietoevry has established six specialized end-to-end businesses. These six businesses form the reportable segments as from the first quarter of 2022. The new structure took effect on 1 January 2022.

In February, 2022, Tietoevry announced additional cost savings measures to support the plans to reach Cloud & Infra's financial targets for 2023.

PARENT COMPANY´S FINANCIAL STATEMENTS (According to Finnish Accounting Standards)

Income statement

EUR	Note	2021	2020
Net sales	1	189 578 776.56	121 506 688.34
Other operating income	2	71 785 655.83	30 331 222.55
Personnel expenses	3	-15 031 276.18	-16 203 417.07
Depreciation and impairment losses	8, 9	-25 733 340.37	-26 254 311.72
Other operating expenses	4	-324 321 796.64	-159 959 364.53
Operating profit		**-103 721 980.80**	**-50 579 182.43**
Financial income and expenses	6	18 401 547.19	9 801 579.46
Profit before appropriations and taxes		**-85 320 433.61**	**-40 777 602.97**
Appropriations			
Group contribution		101 450 000.00	107 911 000.00
Profit before taxes		**16 129 566.39**	**67 133 397.03**
Income taxes	7	-15 060 370.04	-11 716 565.82
Net profit for the financial year		**1 069 196.35**	**55 416 831.21**

Balance Sheet

Assets

EUR	Note	31 Dec 2021	31 Dec 2020
Non-current assets			
Intangible assets	8	179 764 483.57	204 348 438.14
Tangible assets	9	997 029.89	1 734 794.64
Investments	10	2 339 345 203.31	2 553 877 750.35
Total non-current assets		**2 520 106 716.77**	**2 759 960 983.13**
Current assets			
Long-term receivables			
Receivables from Group companies	11	49 963 581.34	155 106 208.04
Other receivables	11	3 076 212.06	4 081 355.92
		53 039 793.40	**159 187 563.96**
Current receivables			
Accounts receivables	12	83 969.46	6 006.96
Receivables from Group companies	12, 13	265 292 666.11	209 972 821.63
Receivables from joint ventures	12, 13	34 158.12	59 347.24
Other receivables	12	4 053 197.00	2 474 449.03
Prepaid expenses and accrued income	13	8 892 784.56	7 446 174.17
		278 356 775.25	**219 958 799.03**
Cash and cash equivalents		216 229 117.95	137 952 944.02
Total current assets		**547 625 686.60**	**517 099 307.01**
Total assets		**3 067 732 403.37**	**3 277 060 290.14**

Shareholders' equity and liabilities

EUR	Note	31 Dec 2021	31 Dec 2020
Shareholders' equity	14		
Share capital		76 555 412.00	76 555 412.00
Share issue premiums		13 791 579.51	13 791 579.51
Invested unrestricted equity reserve		1 207 617 299.52	1 207 617 299.52
Retained earnings		419 147 178.84	523 840 957.06
Net profit for the financial year		1 069 196.35	55 416 831.21
Total equity		**1 718 180 666.22**	**1 877 222 079.30**
Provisions	15	1 581 645.91	2 620 770.27
Liabilities			
Non-current liabilities			
Bonds	16	400 000 000.00	400 000 000.00
Loans	16	319 584 615.38	478 461 538.46
Accrued liabilities and deferred income	16	44 705.25	—
Other non-current liabilities	16	—	628.13
Total non-current liabilities		**719 629 320.63**	**878 462 166.59**
Current liabilities	17		
Accounts payables		19 974 239.66	8 518 362.36
Liabilities to Group companies	17, 18	577 336 540.64	471 541 257.34
Liabilities to joint ventures	17, 18	5 096 656.74	13 694 400.23
Loans		13 076 923.08	6 538 461.54
Other current liabilities		1 757 969.91	8 825 856.86
Accrued liabilities and deferred income	18	11 098 440.58	9 636 935.65
Total current liabilities		**628 340 770.61**	**518 755 273.98**
Total liabilities		**1 347 970 091.24**	**1 397 217 440.57**
Total equity and liabilities		**3 067 732 403.37**	**3 277 060 290.14**

Statement of cash flow

EUR	2021	2020
Cash flow from operating activities		
Net loss before appropriations and taxes	-85 320 433.61	-40 777 602.97
Adjustments		
Depreciation, amortization and impairment losses	25 733 340.37	26 254 311.72
Net financial income	-18 401 547.19	-9 801 579.46
Profit on sale of subsidiaries	-36 111 989.92	—
Other adjustments	-2 388 320.43	22 245.44
Other non-cash items	96 987 855.03	2 048 306.87
Cash generated from operating activities before net working capital	**-19 501 095.75**	**-22 254 318.40**
Change in net working capital		
Change in current receivables	8 482 365.74	13 053 627.88
Change in current non-interest bearing liabilities	-9 232 690.47	-28 257 277.94
Cash generated from operating activities	**-20 251 420.48**	**-37 457 968.46**
Interest expenses and other financial expenses paid	-35 108 062.09	-94 332 231.68
Interest income received	30 397 232.18	69 185 775.29
Dividend received and equity refund	31 419 280.17	15 463 326.87
Income taxes paid	-12 352 795.45	-14 929 254.34
Cash flow from operating activities	**-5 895 765.67**	**-62 070 352.32**

EUR	2021	2020
Cash flow from investing activities		
Purchase of tangible and intangible assets	-422 891.43	-777 782.68
Acquisition of subsidiaries	-3 057 822.20	-6 462 616.31
Disposal of subsidiaries	154 094 585.51	—
Proceeds on liquidations of shares	3 040 447.58	369 857.69
Loans granted	-14 332 556.52	-112 635 791.88
Repayment of other loans	62 607 595.40	154 774 787.24
Cash flow from investing activities	**201 929 358.34**	**35 268 454.06**
Cash flow from financing activities		
Dividends paid	-156 312 002.88	-75 189 670.55
Purchase of own shares	-3 798 606.55	-894 169.50
Conveyance of own shares	—	3 845 668.22
Proceeds from long-term borrowings	—	297 417 000.00
Repayments of long-term borrowings	-145 800 000.00	-3 957 182.00
Repayments of bridge loan related to merger	—	-300 000 000.00
Repayments of other short-term borrowings	-18 091 639.10	-24 999 728.42
Change in intercompany cash pool, net	98 333 829.79	98 230 380.92
Group contributions received	107 911 000.00	83 700 000.00
Cash flow from financing activities	**-117 757 418.74**	**78 152 298.67**
Change in cash and cash equivalents	**78 276 173.93**	**51 350 400.41**
Cash and cash equivalents at the beginning of period	137 952 944.02	86 602 543.61
Cash and cash equivalents at the end of period	216 229 117.95	137 952 944.02
	78 276 173.93	**51 350 400.41**

Notes to the parent company´s financial statements (FAS)

Parent company accounting principles

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

TietoEVRY Corporation (business identity code 0101138-5) is a Finnish public limited IT service and software company organized under the laws of Finland and domiciled in Espoo: Keilalahdentie 2-4, 02101 Espoo, Finland. The company is listed on NASDAQ in Helsinki and Stockholm and the Oslo Stock Exchange. The Board of Directors approved the financial statements on 16th February 2022. According to the Limited Liability Companies Act the shareholders have at the Annual General Meeting the right to approve, disapprove or change the financial statements after the publication.

Foreign currency items

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

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

Net sales

Net sales include internal service fees and exchange rate differences from accounts receivables, less indirect taxes such as value added tax.

Other operating income

Other operating income includes gain on sale of subsidiaries, gain on liquidation of joint venture, rental income and derivative exchange rate gains.

Pension arrangements

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

Financial instruments

The company applies the Finnish Accounting Act chapter 5 section 2a and records financial instruments initially at fair value.

See financial instruments accounting policies in the consolidated financial statements note 22.

Appropriations

Group contributions are included in appropriations.

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)	3
Other capitalized expenditure	3–10
Trademark	6
Goodwill from operations	10
Buildings	25–40
Data processing equipment[1)]	3–5
Other machinery and equipment	5
Other tangible assets	5

1) Purchases of personal computers are expensed immediately.

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.

1. Net sales

EUR	2021	2020
Internal service fees	189 578 776.56	121 506 688.34
Total	**189 578 776.56**	**121 506 688.34**

Net sales by country	2021	2020
Finland	53 864 285.76	46 868 231.33
Sweden	64 833 984.09	38 548 147.00
Norway	45 177 186.76	15 342 202.30
Other	25 703 319.95	20 748 107.71
Total	**189 578 776.56**	**121 506 688.34**

2. Other operating income

EUR	2021	2020
Gain on sale of subsidiaries	36 111 989.92	—
Rental income	23 366 256.76	23 948 595.32
Gain on liquidation of subsidiary	—	76 205.33
Gain on liquidation of joint venture	3 040 447.58	—
Other income	9 266 961.57	6 306 421.90
Total	**71 785 655.83**	**30 331 222.55**

Capital gain on sale of subsidiaries; see note 26 in Notes to the consolidated financial statements.

3. Personnel expenses

EUR	2021	2020
Wages and salaries	12 630 837.81	14 274 190.33
Pension expenses	1 818 608.30	1 564 089.33
Other pay-related statutory social costs	581 830.07	365 137.41
Total	**15 031 276.18**	**16 203 417.07**

The parent company had an average of 105 employees during 2021 and 110 employees in 2020.

4. Other operating expenses

EUR	2021	2020
Information and communication technology	26 785 819.96	23 327 288.52
Internal service fees	137 493 025.25	84 227 253.38
Premises related costs	21 941 052.88	22 280 999.19
Professional services and marketing	22 250 204.74	13 926 600.51
Derivative exchange rate losses on other expenses	7 208 200.31	6 072 216.83
Merger loss	98 084 192.05	—
Other operating expenses	10 559 301.45	10 125 006.10
Total	**324 321 796.64**	**159 959 364.53**

Fees to auditors

EUR	2021	2020
Audit fees	700 000.00	572 000.00
Audit related fees	100 000.00	—
Tax consultation	100 000.00	112 000.00
Other services	—	65 000.00
Total	**900 000.00**	**749 000.00**

5. Management remuneration

See note 8 in Notes to the consolidated financial statements.

6. Financial income and expenses

EUR	2021	2020
Dividend income		
Dividend income from Group companies	27 160 474.47	11 141 694.41
Dividend income from joint ventures	1 255 125.92	4 321 500.00
Dividend income from other companies	98.18	132.46
	28 415 698.57	**15 463 326.87**
Other interest and financial income		
From Group companies	7 263 893.65	10 386 786.86
From other companies	40 838 966.13	79 857 779.72
	48 102 859.78	**90 244 566.58**
Interest and other financing expenses		
To Group companies	-880 201.89	-2 951 344.39
To other companies	-57 236 809.27	-92 954 969.60
	-58 117 011.16	**-95 906 313.99**
Total	**18 401 547.19**	**9 801 579.46**

7. Income taxes

EUR	2021	2020
Taxes for the financial period / appropriations	20 290 000.00	21 582 200.00
Taxes for the financial period / regular operations	-30 262 790.42	-33 301 171.66
Taxes for the previous years	-5 087 579.62	2 405.84
Total	**-15 060 370.04**	**-11 716 565.82**

8. Intangible assets

EUR	31 Dec 2021	31 Dec 2020
Intangible rights		
Acquisition cost, 1 Jan	24 249 592.04	24 179 795.87
Additions	—	69 796.17
Acquisition cost, 31 Dec	**24 249 592.04**	**24 249 592.04**
Accumulated amortization, 1 Jan	14 369 529.35	12 352 894.11
Amortization for the period	2 017 760.79	2 016 635.24
Accumulated amortization, 31 Dec	**16 387 290.14**	**14 369 529.35**
Book value, 31 Dec	7 862 301.90	9 880 062.69
Goodwill		
Acquisition cost, 1 Jan	212 149 583.27	212 149 583.27
Acquisition cost, 31 Dec	**212 149 583.27**	**212 149 583.27**
Accumulated amortization, 1 Jan	22 754 753.65	1 539 795.36
Amortization for the period	21 214 958.28	21 214 958.29
Accumulated amortization, 31 Dec	**43 969 711.93**	**22 754 753.65**
Book value, 31 Dec	168 179 871.34	189 394 829.62
Other capitalized expenditures		
Acquisition cost, 1 Jan	19 668 704.41	19 364 099.27
Additions	161 498.79	316 149.06
Disposals	-4 532.24	-11 543.92
Acquisition cost, 31 Dec	**19 825 670.96**	**19 668 704.41**
Accumulated amortization, 1 Jan	14 595 158.58	12 864 587.77
Amortization for the period	1 508 202.05	1 730 570.81
Accumulated amortization, 31 Dec	**16 103 360.63**	**14 595 158.58**
Book value, 31 Dec	3 722 310.33	5 073 545.83
Total	**179 764 483.57**	**204 348 438.14**

9. Tangible assets

EUR	31 Dec 2021	31 Dec 2020
Land		
Acquisition cost, 1 Jan	60 270.13	60 270.13
Acquisition cost, 31 Dec	**60 270.13**	**60 270.13**
Machinery and equipment		
Acquisition cost, 1 Jan	33 332 668.61	32 951 532.68
Additions	261 392.63	391 837.35
Disposals	-6 738.14	-10 701.42
Acquisition cost, 31 Dec	**33 587 323.10**	**33 332 668.61**
Accumulated depreciation, 1 Jan	31 695 514.40	30 403 367.02
Depreciation for the period	992 419.24	1 292 147.38
Accumulated depreciation, 31 Dec	**32 687 933.64**	**31 695 514.40**
Book value, 31 Dec	899 389.46	1 637 154.21
Other tangible assets		
Acquisition cost, 1 Jan	37 370.30	37 370.30
Acquisition cost, 31 Dec	**37 370.30**	**37 370.30**
Book value, 31 Dec	37 370.30	37 370.30
Total	**997 029.89**	**1 734 794.64**

10. Investments

EUR	31 Dec 2021	31 Dec 2020
Subsidiary shares		
Acquisition cost, 1 Jan	2 550 302 170.91	2 450 629 129.80
Additions	6 797 822.20	99 966 693.47
Disposals	-221 330 369.24	-293 652.36
Acquisition cost, 31 Dec	**2 335 769 623.87**	**2 550 302 170.91**
Book value, 31 Dec	2 335 769 623.87	2 550 302 170.91
Shares in joint ventures		
Acquisition cost, 1 Jan	3 422 133.10	3 422 133.10
Acquisition cost, 31 Dec	**3 422 133.10**	**3 422 133.10**
Book value, 31 Dec	3 422 133.10	3 422 133.10
Other shares and interests		
Acquisition cost, 1 Jan	153 446.34	153 446.34
Acquisition cost, 31 Dec	**153 446.34**	**153 446.34**
Book value, 31 Dec	153 446.34	153 446.34
Total	**2 339 345 203.31**	**2 553 877 750.35**

Subsidiary shares

See note 27 in Notes to the consolidated financial statements.

Joint ventures owned and managed by the parent company

See note 28 in Notes to the consolidated financial statements.

11. Long-term receivables

EUR	31 Dec 2021	31 Dec 2020
Loan receivables from Group companies		
Subordinated loan	41 267 084.88	42 155 406.95
Other loan receivables	8 696 496.46	112 950 801.09
Other receivables	3 076 212.06	4 081 355.92
Total	**53 039 793.40**	**159 187 563.96**

12. Current receivables

EUR	31 Dec 2021	31 Dec 2020
Receivables from Group companies		
Accounts receivable	26 504 165.82	20 848 166.84
Loan receivables	130 837 889.40	74 914 383.51
Other receivables	98 089.66	1 687 700.11
Group contribution receivables	101 450 000.00	107 911 000.00
Prepaid expenses and accrued income	6 402 521.23	4 611 571.17
Total	**265 292 666.11**	**209 972 821.63**
Receivables from joint ventures		
Accounts receivable	34 158.12	59 347.24
Total	**34 158.12**	**59 347.24**
Receivables from other companies		
Accounts receivable	83 969.46	6 006.96
Tax receivable	—	964 086.10
Other receivables	4 053 197.00	1 510 362.93
Total	**4 137 166.46**	**2 480 455.99**

13. Prepaid expenses and accrued income

EUR	31 Dec 2021	31 Dec 2020
Prepaid expenses and accrued income from Group companies		
Other	6 402 521.23	4 611 571.17
Prepaid expenses and accrued income from other companies		
Licence fees	6 427 756.85	5 104 419.73
Rents	353.34	—
Social costs	29 464.42	70 749.58
Bond discount and issue costs	1 200 023.09	1 186 197.15
Other	1 235 186.86	1 084 807.71
	8 892 784.56	**7 446 174.17**
Total	**15 295 305.79**	**12 057 745.34**

14. Changes in shareholders' equity

EUR	31 Dec 2021	31 Dec 2020
Restricted equity		
Share capital, 1 Jan	76 555 412.00	76 555 412.00
Share capital, 31 Dec	**76 555 412.00**	**76 555 412.00**
Share issue premiums, 1 Jan	13 791 579.51	13 791 579.51
Share issue premiums, 31 Dec	**13 791 579.51**	**13 791 579.51**
Restricted equity total	**90 346 991.51**	**90 346 991.51**
Unrestricted equity		
Invested unrestricted equity reserve, 1 Jan	1 207 617 299.52	1 207 617 299.52
Invested unrestricted equity reserve, 31 Dec	**1 207 617 299.52**	**1 207 617 299.52**
Retained earnings, 1 Jan	579 257 788.27[1)]	595 467 110.28
Purchase of own shares	-3 798 606.55	-894 169.50
Shares distributed to personnel	—	4 457 686.83
Dividend distributions	-156 312 002.88	-75 189 670.55
Retained earnings, 31 Dec	**419 147 178.84**	**523 840 957.06**
Net profit for the financial year	1 069 196.35	55 416 831.21
Unrestricted equity total	**1 627 833 674.71**	**1 786 875 087.79**
Shareholders' equity, total	**1 718 180 666.22**	**1 877 222 079.30**
Distributable funds		
Invested unrestricted equity reserve	1 207 617 299.52	1 207 617 299.52
Retained earnings	419 147 178.84	523 840 957.06
Net profit for the financial year	1 069 196.35	55 416 831.21
Total	**1 627 833 674.71**	**1 786 875 087.79**
Breakdown of the parent's share capital		
Number of shares	118 425 771	118 425 771
Euros	76 555 412.00	76 555 412.00

[1)] The accrued cash liability 31.12.2021 (EUR 652.127,15) of the share-based incentive plans has been adjusted by crediting the company's retained earnings.

15. Provisions

EUR	31 Dec 2021	31 Dec 2020
Restructuring commitments	710 030.73	287 689.82
Other provisions	871 615.18	2 333 080.45
Total	**1 581 645.91**	**2 620 770.27**

16. Non-Current liabilities

EUR	31 Dec 2021	31 Dec 2020
Bonds	400 000 000.00	400 000 000.00
Loans	319 584 615.38	478 461 538.46
Accrued liabilities and deferred income	44 705.25	—
Other non-current liabilities	—	628.13
Total	**719 629 320.63**	**878 462 166.59**

Fair value of bonds has been calculated based on prevailing market rate at the reporting date and as of 31 Dec 2021 it was EUR 415 774 000 (EUR 411 392 000 in 2020).

17. Current liabilities

EUR	31 Dec 2021	31 Dec 2020
Liabilities to Group companies		
Accounts payable	11 058 522.50	4 702 940.10
Other liabilities including cash pool	561 039 176.06	459 809 202.19
Accrued liabilities and deferred income	5 238 842.08	7 029 115.05
	577 336 540.64	**471 541 257.34**
Liabilities to joint ventures		
Accounts payable	1 397.17	—
Other liabilities including cash pool	5 095 259.57	13 694 400.23
	5 096 656.74	**13 694 400.23**
Liabilities to other companies		
Accounts payable	19 974 239.66	8 518 362.36
Loans	13 076 923.08	6 538 461.54
Commercial papers	—	4 973 421.21
Other current liabilities	1 757 969.91	3 852 435.65
Accrued liabilities and deferred income	11 098 440.58	10 289 062.80
	45 907 573.23	**34 171 743.56**
Total	**628 340 770.61**	**519 407 401.13**

Loans and receivables and financial liabilities are held at amortized cost using the effective interest rate method. Their carrying amounts are considered to approximate their fair value, except for the fixed rate bond where carrying amount has not been adjusted to match the fair value.

18. Accrued liabilities and deferred income

EUR	31 Dec 2021	31 Dec 2020
Accrued liabilities and deferred income from Group companies		
Service fee	5 238 544.39	7 028 613.67
Interest	297.69	501.38
	5 238 842.08	**7 029 115.05**
Accrued liabilities and deferred income from other companies		
Vacation pay and related social costs	1 661 185.12	1 875 518.40
Other accrued payroll and related social costs	1 835 728.76	1 981 907.58
Other social costs	276 832.09	203 462.28
Interest	3 800 204.34	4 060 603.84
Rents	604 315.56	936 885.96
Taxes	1 743 488.49	—
Other	1 176 686.22	578 557.59
	11 098 440.58	**9 636 935.65**
Total	**16 337 282.66**	**16 666 050.70**

19. Deferred tax assets and liabilities

EUR	31 Dec 2021	31 Dec 2020
Deferred tax assets		
From temporary differences	1 934 798.45	1 395 077.04
From appropriations	425 507.64	458 506.91
Total	**2 360 306.09**	**1 853 583.95**
Deferred tax liabilities		
From temporary differences	4 659 503.31	4 726 017.39
Total	**4 659 503.31**	**4 726 017.39**

Deferred tax items are not included in the balance sheet.

20. Contingent liabilities

EUR	31 Dec 2021	31 Dec 2020
On behalf of Group companies		
Guarantees	135 514 842.90	128 428 256.45
Other Tieto obligations		
Rent commitments due in 2022 (2021)	13 390 201.16	12 434 514.00
Rent commitments due later	34 872 741.37	39 856 620.00
Lease commitments due in 2022 (2021)[1)]	331 089.00	320 092.00
Lease commitments due later[1)]	418 196.00	302 355.00
On behalf of Third parties		
Guarantees	25 381 206.19	25 911 124.8

[1)] Lease commitments are principally three-year lease agreements that do not include buyout clauses.

In addition to the above mentioned contingent liabilities, parent company has provided security on behalf of delivering Group company relating to some major contracts.

21. Derivatives

Nominal amounts of derivatives

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

EUR	31 Dec 2021	31 Dec 2020
Foreign exchange forward contracts	559 538 204.20	578 629 042.52

Fair values of derivatives

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

The net fair values of derivative financial instruments at the balance sheet date	31 Dec 2021	31 Dec 2020
Foreign exchange forward contracts	234 108.04	188 348.63

Derivatives are used for economic purposes only.

Gross positive fair values of derivatives	31 Dec 2021	31 Dec 2020
Foreign exchange forward contracts	4 138 215.08	3 128 076.98

Gross negative fair values of derivatives	31 Dec 2021	31 Dec 2020
Foreign exchange forward contracts	-3 904 106.99	-2 939 728.35

Fair value measurement of financial assets and liabilities

See note 22 in Notes to the consolidated financial statements.

22. Management of financial risks

The operative management of the treasury activities of Tietoevry is centralized into Group Treasury, which is operated from Parent company. The Group Treasury is responsible for managing the Group’s financial risk position and maintaining adequate liquidity. The Treasury Policy, which has been approved by the Board of Directors, defines the principles for measuring and managing liquidity risk, interest rate risk, foreign exchange risks and counterparty risk of the Group. The Treasury Policy also defines the division of responsibilities with regard to financial risk management. The Group reviews and monitors financial risks on a regular basis.

Financial risks are assessed, measured and managed on a Group level. See note 18 in Notes to the consolidated financial statements.

DIVIDEND PROPOSAL, SIGNATURES FOR THE BOARD OF DIRECTORS' REPORT AND FINANCIAL STATEMENTS AND AUDITOR'S NOTE

Dividend proposal

Distributable funds in the parent company	1 627 833 674.71
of which net profit for the current year	1 069 196.35
The Board of Directors proposes that the retained earnings of EUR 420 216 375.19 shall be used as follows:	
a total dividend of EUR 1.40 per share to be paid to shareholders	165 785 457.60
the remainder be carried forward	254 430 917.59

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

Signatures for the Financial statements and Board of Directors' report

Espoo, 16 February 2022

Tomas Franzén
Chairperson

Timo Ahopelto
Deputy Chairperson

Liselotte Hägertz Engstam

Harri-Pekka Kaukonen

Angela Mazza Teufer

Katharina Mosheim

Niko Pakalén

Endre Rangnes

Leif Teksum

Tommy Sander Aldrin

Ola Hugo Jordhøy

Anders Palklint

Ilpo Waljus

Kimmo Alkio
President and CEO

The Auditor's Note

Our auditors' report has been issued today.
Espoo, 16 February 2022

Deloitte Oy
Audit Firm

Jukka Vattulainen
Authorised Public Accountant (KHT)

AUDITOR'S REPORT (Unofficial translation of the Finnish original)

To the Annual General Meeting of TietoEVRY Oyj

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of TietoEVRY Oyj (business identity code 0101138-5) for the year ended 31 December, 2021. The financial statements comprise the consolidated income statement, statement of comprehensive income, financial position, statement of cash flows, statement of changes in equity and notes, including a summary of significant accounting policies, as well as the parent company's income statement, balance sheet, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU,
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014.

The non-audit services that we have provided have been disclosed in note 7 to the consolidated financial statements.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition Refer to accounting policies for the consolidated financial statements and notes 5 and 6. Consolidated Net Sales of TietoEVRY Oyj amounted to EUR 2 823.4 (2 786.4) million. The Net Sales consist mostly of continuous services, software solutions and consulting. In addition to this, the Company has fixed-price	We evaluated the IT systems used for recognizing revenue by testing access and change management controls. We also evaluated process level controls by performing walkthroughs of each significant class of revenue transactions, assessed the design of key controls and tested the operating effectiveness of those controls.
Revenue from service contracts, software solutions and consulting is based on service volumes or time and materials; and the performance obligations are recognized over the accounting period in which the services are rendered. For contracts comprising fixed-price projects, revenue is recognized based on the actual service provided by the reporting date as a proportion of the total services to be provided. We identified as a specific risk of error and fraud in respect of improper revenue recognition given the nature of the Group's services, as follows: – Improper revenue recognition in manually recorded exceptional revenue transactions. Revenue recognition due to its significance require specific attention both from the accounting and the auditing perspective. In addition, management applies judgement when considering revenue recognition for fixed-price projects.	Our substantive audit procedures to address the identified risk relating to revenue from services consisted among others, performing transactional testing procedures to validate the recognition of revenue throughout the year as well as year-end. Our substantive audit procedures to address the risk of inappropriate accounting for projects were focused on judgements used by management in project estimates. We selected a sample of contracts based on quantitative and qualitative criteria and performed the following: – We performed interviews with project managers and financial controllers to assess the estimates on projects' status and estimated costs and income; – Ensured that the revenue recognition method applied was appropriate based on the terms of the arrangement; – Agreed project revenue estimate against the sales agreement, including contract amendments; – Tested the accuracy of the cost estimate by taking a sample of cost components and traced those to supporting documentation; and – Recalculated the revenue based on percentage of completion of the fixed price projects. Assessed the appropriateness of the percentage of completion by comparing actual costs from the Company's accounting records to the estimated total costs of the project.

Key audit matter	How our audit addressed the key audit matter
Impairment testing of Goodwill	
Refer to Note 11 in the consolidated financial statements.	As part of our audit procedures we have assessed key controls over management's goodwill impairment testing for each cash generating unit.
Consolidated financial statements includes goodwill of EUR 1 943.7 (1 974.4) million. Goodwill is measured at cost less accumulated impairment losses.	The recoverable amounts of the cash-generating units are determined based on value-in-use calculations. Cash flows used in these calculations are based on five-year financial plans defined by group management.
Goodwill is subject to annual impairment test. For testing purposes goodwill is allocated to cash-generating units. As a result of management's goodwill impairment test, no impairment was identified. Goodwill impairment testing requires substantial management judgment over the projected future business performance, cash flows and applied discount rate.	We have assessed the key assumptions used by management in the impairment test for cash generating units: – comparing the growth and profitability estimates to historical performance. – comparing the estimates with the latest approved budgets and strategic plans. – involving our valuation specialists to verify that the discount rates and the long-term growth rates are consistent with observable market data – validated the mathematical accuracy of the impairment calculations
Note 11 in the consolidated financial statements describes key assumptions used by management in the impairment test and related sensitivity analysis.	We have also assessed the related disclosure information.

We have no key audit matters to report with respect to our audit of the parent company financial statements. There are no significant risks of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014 with respect to the group financial statements and the parent company financial statements.

Responsibilities of the Board of Directors and the President and CEO for the financial statements

The Board of Directors and the President and CEO 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, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and CEO are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and CEO are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's responsibilities in the audit of financial statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the President and CEO's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

We have been acting as Tietoevry's auditors a total period of uninterrupted engagement of 4 years since 2018.

Other information

The Board of Directors and CEO are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our report thereon. We have obtained the report of the Board of Directors prior to the date of the auditor's report, and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Espoo, 16 February 2022

Deloitte Oy
Audit Firm

Jukka Vattulainen
Authorised Public Accountant (KHT)

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