TIETO's interim report 2/2012 (January–June) – Performance according to plan, strategy implementation and cost reductions on schedule

April–June highlights

- Net sales totalled EUR 456.1 (462.3) million, down by 1%. Organically, net sales were flat.
- Book-to-bill at 1.1. Order intake amounted to EUR 505 (600) million.
- Operating profit (EBIT) amounted to EUR -3.7 (19.2) million, including one-off items of EUR 31.9 million. Operating margin stood at -0.8% (4.2).
- Operating profit excluding one-off items stood at EUR 28.2 (24.5) million, representing an operating margin of 6.2% (5.3).
- Profit after taxes was EUR -6.8 (11.4) million.
- Net cash flow from operations amounted to EUR -2.5 (0.0) million.
- Strategy implementation and personnel negotiations proceeded according to plan.

January–June highlights

- Net sales remained at the previous year's level at EUR 923.2 (923.9) million.
- Book-to-bill at 1.1. Order intake amounted to EUR 973 (1 132) million.
- Operating profit (EBIT) amounted to EUR 38.0 (42.8) million, representing an operating margin of 4.1% (4.6).
- Operating profit, excluding one-off items, amounted to EUR 56.2 (48.5) million, 6.1% (5.2) of net sales.
- Profit after taxes was EUR 25.2 (24.9) million.
- Net cash flow from operations amounted to EUR 66.8 (38.8) million.

Full-year outlook for 2012 unchanged

The outlook for 2012 remains unchanged. Tieto expects its net sales to develop in line with the anticipated growth rate for the Western European IT services market, i.e. 0–2%. Full-year operating profit (EBIT) excluding one-off items is expected to be above the previous year's level (EUR 117.1 million in 2011).

In the second quarter, Tieto booked EUR 31.9 million in costs related to the streamlining actions. The remaining part of the estimated total one-off costs of EUR 50 million, close to EUR 20 million, are expected to be booked during the second half of 2012 as announced earlier.

	Q2/2012	Q2/2011	**H1/2012**	H1/2011
Net sales, EUR million	**456.1**	462.3	**923.2**	923.9
Change in net sales, %	**-1**	7	**0**	8
Operating profit (EBITA), EUR million	**-2.3**	21.0	**40.9**	46.5
Operating margin (EBITA), %	**-0.5**	5.0	**4.4**	4.9
Operating profit (EBIT), EUR million	**-3.7**	19.2	**38.0**	42.8
Operating margin (EBIT), %	**-0.8**	4.2	**4.1**	4.6
Operating profit (EBIT) excl. one-off items, EUR million	**28.2**	24.5	**56.2**	48.5
Operating margin (EBIT) excl. one-off items, %	**6.2**	5.3	**6.1**	5.2
Profit after taxes, EUR million	**-6.8**	11.4	**25.2**	24.9
Net cash flow from operations, EUR million	**-2.5**	0.0	**66.8**	38.8
EPS, EUR	**-0.10**	0.16	**0.35**	0.35
Return on equity, 12-month rolling, %	**11.2**	9.6	**11.2**	9.6
Return on capital employed, 12-month rolling, %	**17.4**	14.9	**17.4**	14.9
Investments, EUR million	**13.6**	13.3	**28.0**	78.6

Interest-bearing net debt, EUR million	**80.0**	136.4	**80.0**	136.4
Gearing, %	**14.7**	25.8	**14.7**	25.8
Net debt/EBITDA	**0.5**	0.9	**0.5**	0.9
Personnel on 30 June	**17 723**	18 071	**17 723**	18 071

Comment regarding the interim report by **Kimmo Alkio**, President and CEO:
“During the second quarter, we focused on the implementation of a competitive cost structure and profitability improvement as essential elements in our strategy. The first steps in achieving a competitive cost structure have been concluded as planned and second-quarter profitability was in line with our expectations.

On a day-by-day basis, quality assurance has been elevated as the number one priority across our management teams. During the second quarter, we concluded several important customer agreements and our book-to-bill was at a healthy level. I also want to thank our employees for keeping a high degree of attention on customer priorities at a time when we have carried out substantial redundancies in the company.

I am pleased to see that our current development is consistent with our objectives. This gives us a good base for longer-term strategy implementation. During the second half, we will continue to focus on our operational objectives and prepare ourselves for the gradual implementation of the new operating model effective as from the beginning of 2013.”

MARKET DEVELOPMENT

Tieto continues to closely monitor the European macroeconomic environment and its impact on IT spending. Globally, the expected growth rates of the IT services market in 2012 are down; the main source of this weakness is Europe. Finance and telecom R&D have remained the most challenging segments.

However, both the macroeconomic outlook in Northern Europe and the IT services market in Tieto’s core countries have remained relatively stable, with growth mainly coming from IT outsourcing. Industry analysts estimate that the IT services market in the Nordic countries will grow by 0–2% in 2012. The Nordic outsourcing market is expected to grow by 2–3% in 2012.

One of the major trends in 2012 is the adoption of mobile services to support the increasing need for enterprises to cater to a more mobile user base, including business-to-business, business-to-consumer and business-to-employee environments. Another rapidly expanding area is the incorporation of Business Intelligence and analytics as part of outsourcing services. Enterprises are increasingly looking to leverage analytics to mine data for a variety of reasons, from improving operations to identifying new markets and opportunities.

Companies are actively developing their ICT infrastructure and application environments. Applications and ICT infrastructure are increasingly moving towards web-based scalable delivery models. Many businesses are taking a hybrid approach to cloud services, i.e. combining cloud services with a variety of legacy systems that continue to support mission-critical processes. As reducing the cost of IT is still on customers’ agendas, the outsourcing of ICT infrastructure, application management and business processes is expected to remain the strongest area.

Offshore competition has led to continued price pressure in basic services, forcing European vendors to seek new ways to increase efficiency and productivity by industrializing their service provision. Additionally, IT service vendors are seeking to improve margins by increasing offshoring and selling more high value added services. Prices of high value added services are stable or slightly rising.

The financial services sector still poses the greatest challenges. In this area, customers are still cautious and focusing only on their ongoing and most important projects and tend to revamp existing applications instead of replacing them. On the other hand, the need to cut spending and to harmonize existing IT systems maintains high interest in outsourcing.

The telecom R&D market is affected by R&D budget cuts made by some vendors. The market for mobile devices is turbulent due to fierce competition between device manufacturers seeking to gain market share and launch attractive new products with the latest technology platforms. In the network equipment manufacturers segment, the main driver is the increase in wireless traffic. However, as there is strong cost pressure from Asian competitors, innovativeness and productivity combined with cost efficiency have remained two of the key drivers for telecom R&D. Some R&D service providers are currently pricing their services aggressively to defend their position.

In the manufacturing sector, demand is expected to grow, but at a slower pace than in 2011 due to increased cautiousness. Demand is based on the need to cut costs and improve business processes and service deliveries. In the healthcare sector, there is a need to renew service production models to reconcile increasing service demand with the declining workforce but at the same time, some projects might be postponed due to budget cuts in the public sector. The Norwegian energy sector is strong due to the start of the procurement process for advanced metering infrastructure.

In **Finland and the Baltic countries**, the IT services market is stable. The Finnish IT services market is expected to grow by around 2% in 2012. In the public sector, the expected decrease in IT spending has not materialized, but the market outlook for 2012 is positive as productivity improvements will be sought from ICT development and outsourcing. The demand in the healthcare sector has remained at a healthy level as well.

In **Scandinavia**, growth in the Swedish IT market is estimated to slow down to less than 2% in 2012, mainly due to cost cutting and prolonged decision-making. Healthy demand for IT services is expected to continue in the public and energy sectors. Within some specialist areas, there are shortages of key competences. Fierce competition puts pressure on prices in basic services, particularly in large centralized procurement processes. In Norway, the IT market has remained active, fuelled by the energy sector in which advanced metering infrastructure is the growth driver. The Danish market is expected to remain weak.

In **Central Europe & Russia**, the outlook for 2012 is uncertain and tends to differ from country to country. In Germany, growth in demand is anticipated to be in line with the Western European IT services market, i.e. 0–2%. In Poland and Russia, the market is expected to grow by 4–5% during 2012.

COMPANY STRATEGY
In March 2012, Tieto revised its strategy for 2012–2016. The company will build its competitiveness and future growth through industry expertise, geographical focus and simplified operations.

Tieto’s strategic core choices, as communicated at the time of strategy launch, are:
- Reinforcing industry expertise – Building on the company’s long customer relationships and understanding of the core process of customers
- Expanding to provide full life-cycle IT services – Investments in Consulting and System Integration (CSI) capabilities
- Focusing on markets where Tieto can be in the Top 3. The Nordic countries are Tieto’s current core market, building on the company’s strengths in Finland and Sweden. In other countries the company will pursue focused operations based on selected industries, repeatable solutions and profitable operations.

In March, Tieto appointed Henrik Sund as the head of the CSI business. During the second quarter, the focus has been on the programme to create a competitive cost structure.

Additionally, the company has been preparing for the full implementation of the new operating model, effective as of the beginning of 2013.

In June, Tieto appointed Kolbjørn Haarr as the head of Central Europe and Russia. By combining responsibility for the Central Europe and Russia market unit and Norway, Tieto is taking steps towards consolidating the company's go-to-market activities outside Finland and Sweden. He will also have a key role in identifying target markets where Tieto can become a Top 3 IT services partner as well as creating focused operations for each country.

During the first quarter, Tieto agreed to divest its financial services products business based in the UK and its Danish unions business. During the second quarter, the company decided to close down its global delivery centre for R&D services in Bangalore, India, during the second half of 2012. Going forward, operations in India will be based on one major site for IT services in Pune.

FINANCIAL TARGETS
In connection with the strategy revision, Tieto defined the financial targets for 2012–2016. The targets are described in detail at www.tieto.com/Investors. One of the targets is to reach an operating margin (EBIT) of 10% during the strategy period 2012–2016. Key means of achieving the target level are described below.

Margin improvement enablers during 2012–2016
- the EUR 50 million cost programme to create a competitive cost structure, which is anticipated to drive an improvement of around 3 percentage points
- increase in the share of high-margin business
- improvements in quality
- increase in offshoring
- efficiency improvement in managed services through automation
- rationalization of the business portfolio

Factors straining margins during 2012–2016
- additional investments in the development of CSI business, offerings and the automation and industrialization of managed services
- price pressure
- salary inflation

Price pressure and salary inflation are anticipated to be offset by growing use of offshore resources as well as efficiency improvements in managed services. Further automation in managed services is expected to materialize largely during late 2013 and in 2014.

With these measures, Tieto expects to achieve an EBIT margin of 10% during the strategy period.

COMPETITIVE COST STRUCTURE
In order to improve profitability and price competitiveness, Tieto has initiated actions to simplify its operations and achieve a competitive cost structure with a view to gaining annualized net savings of EUR 50 million by 2014. The full-year operating profit for 2014 is expected to see the full effect of the actions.

The programme is proceeding on schedule. In March, Tieto started Group-wide actions to reduce non-customer-centric work, cut overlapping tasks and improve productivity and the utilization rate. Additionally, industrialization and automation in managed services and the evaluation of Tieto's sites and related competences have been high priorities. Tieto is reinvesting part of the targeted gross savings in the development of the CSI business and the automation of managed services, as planned in connection with the strategy launch.

The personnel negotiations are expected to lead to a reduction of about 1 300 employees of which close to 500 in Finland, close to 300 in Sweden and around 500 in other countries. The reduction of overhead costs is anticipated to account for close to half of the targeted net savings and the planned redundancies in businesses with a low utilization rate for over half.

The related personnel negotiations have now been concluded in Finland and Sweden, where redundancies will be executed in two phases. The first phase has now been completed, and during autumn 2012 Tieto will initiate the second phase, which will be completed by early 2013.

Owing to the actions taken during the first half, Tieto has reduced a total of around 900 positions, of which around 300 in Finland and close to 200 in Sweden and the rest in other countries, including both onshore and offshore locations. In the first phase, around two thirds of the redundancies are related to reducing overcapacity. Of the 900 job cuts, Product Engineering Solutions accounts for around 300. More information about the changes in the number of personnel is provided in the Personnel section.

The redundancies have been implemented slightly ahead of the programme plan mainly due to overcapacity in Product Engineering Solutions. However, the positive effect is partly offset by weakened demand in telecom R&D. The company currently anticipates that around one third of the targeted net savings will materialize in 2012, instead of the earlier estimate of one fourth.

One-off costs related to the planned streamlining actions are estimated at around EUR 50 million. In the second quarter, Tieto booked EUR 31.9 million in one-off costs, which were booked in personnel costs and the cash flow effect is expected to materialize mainly in the second half of 2012. The remaining part of the EUR 50 million one-off costs are expected to be booked during the second half of the year.

The one-off costs are partly offset by capital gains of EUR 15.4 million related to the divestment of the financial services products business in the UK, which Tieto booked in the first-quarter results.

ORDER BACKLOG

The order backlog, which only comprises services ordered with binding contracts, is solid. At the end of the period, the backlog amounted to EUR 1 769 (1 846) million. In total, 36% (38) of the backlog is expected to be invoiced during 2012.

Second-quarter order intake amounted to EUR 505 (600) million. The decline was partly attributable to the challenges in Product Engineering Solutions. Additionally, the order intake was exceptionally strong in the corresponding quarter of 2011. Second-quarter book-to-bill was at a healthy level of 1.1 (1.3).

FINANCIAL PERFORMANCE IN APRIL–JUNE

Second-quarter net sales amounted to EUR 456.1 (462.3) million, down by 1%, or organically flat. The divestment of the financial services products business in the UK and the unions business in Denmark had a negative impact of around EUR 6 million on second-quarter net sales. Sales were affected by the decline in the Global Accounts market unit, which was strained by negative development, especially in telecom R&D. Currency fluctuations did not have any material impact on growth.

Second-quarter operating profit (EBIT) amounted to EUR -3.7 (19.2) million, representing a margin of -0.8% (4.2). Operating profit includes EUR 31.9 (5.3) million in one-off costs related to the streamlining actions. Operating profit excluding one-off items stood at EUR 28.2 (24.5) million, or 6.2% (5.3) of net sales.

The Finland and the Baltic countries market unit saw strong performance in the second quarter. Managed Services and Transformation saw solid improvement in all main markets. In the second quarter, subcontracting costs were down by close to EUR 10 million, or by more than 20%. Despite salary inflation, personnel expenses excluding restructuring costs remained at the previous year's level.

Improvement in underlying profitability (operating profit excluding one-off items) was curbed by overcapacity, especially in telecom R&D. However, the programme to achieve a competitive cost structure is proceeding on schedule and the utilization rate is expected to improve during the second half of 2012.

Depreciation amounted to EUR 21.0 (22.8) million. Net financial expenses stood at EUR 1.7 (1.4) million in the second quarter. Net interest expenses were EUR 1.3 (1.5) million and net losses from foreign exchange transactions EUR 0.1 (1.0 positive) million. Other financial income and expenses amounted to EUR 0.3 (0.9) million.

Second-quarter earnings per share (EPS) totalled EUR -0.10 (0.16). Earnings per share excluding one-off items amounted to EUR 0.26 (0.24).

Financial performance by market unit

	Net sales Q2/2012, EUR million	Net sales Q2/2011, EUR million	Change, %	**Operating margin Q2/2012, %**	Operating margin Q2/2011, %
Finland and the Baltic countries	**190**	178	7	**4.2**	2.4
Scandinavia	**135**	140	-4	**-1.9**	3.7
Central Europe & Russia	**31**	33	-6	**-31.1**	-17.1
Global Accounts	**170**	193	-12	**3.0**	9.6
Group elimination	**-69**	-80			
Total	**456**	462	-1	**-0.8**	4.2

Operating profit excluding one-off items by market unit

	Operating profit excl. one-off items Q2/2012, EUR million	Operating profit excl. one-off items Q2/2011, EUR million	**Operating margin excl. one-off items Q2/2012, %**	Operating margin excl. one-off items Q2/2011, %
Finland and the Baltic countries	**15.6**	4.1	**8.2**	2.3
Scandinavia	**7.7**	9.2	**5.7**	6.6
Central Europe & Russia	**-3.7**	-5.4	**-11.9**	-16.5
Global Accounts	**9.8**	18.5	**5.7**	9.6
Steering Functions and Group Management	**-1.3**	-2.1		
Total	**28.2**	24.5	**6.2**	5.3

In **Finland and the Baltic countries**, all customer sectors saw growth and net sales rose by 7%. The healthcare and welfare sector, which enjoyed good development in industry-specialized solutions, saw strong growth, as did the energy and industrial manufacturing sectors. Development in the public sector has also remained positive. Second-quarter operating profit amounted to EUR 7.9 (4.2) million, or 4.2% (2.4) of net sales. Operating profit excluding one-off items amounted to EUR 15.6 (4.1) million, or 8.2% (2.3) of net sales. Profitability improved due to higher net sales coupled with improved quality and productivity. The second quarter of 2011 was exceptionally weak.

In **Scandinavia**, net sales were down by EUR 5 million, partly due to the divestment of the unions business in Denmark. Sales in Norway were growing, mainly in the energy sector. Sales in Sweden were somewhat down while growth in the corresponding quarter of 2011 was exceptionally high. Operating profit amounted to EUR -2.5 (5.1) million, or -1.9% (3.7) of net sales. Operating profit excluding one-off items stood at EUR 7.7 (9.2) million, or 5.7% (6.6) of net sales.

Tieto booked costs and provisions related to the data centre incident in Sweden in its business expenses in the fourth quarter of 2011. The arrangement with the main stakeholders has now largely been settled.

In **Central Europe & Russia**, net sales declined by 6%. However, due to internal business transfers, sales figures are not fully comparable. Comparable net sales, with business transfers eliminated, were up by 3%. The market unit concluded several agreements with new customers, mainly in Poland, Germany and Russia. Operating profit amounted to EUR -9.5 (-5.6) million, or -31.1% (-17.1) of net sales. Operating profit excluding one-off items amounted to EUR -3.7 (-5.4) million, or -11.9% (-16.5) of net sales.

Profitability in Germany and Russia remained unsatisfactory. To address weak performance, streamlining actions in these countries are continuing. In Germany, demand for Digital Business Consulting is strong and as a result, sales to the financial services sector were growing in the second quarter. Telecom R&D sales were declining. Profitability in Germany improved slightly, but progress is very slow. In Russia, Tieto's objective is to focus on selected products and industries. In the second quarter, the company concluded several new agreements, especially in the financial services sector, which is one of the selected target industries.

In **Global Accounts**, net sales declined by 12%, or organically by 10%.The divestment of the financial services products business in the UK had a negative impact of around EUR 5 million on net sales. The strategy realignment of one key telecom customer has led to lower volumes in R&D services for mobile devices. Additionally, net sales are strained by price erosion. Second-quarter operating profit amounted to EUR 5.1 (18.5) million, or 3.0% (9.6) of net sales. Operating profit excluding one-off items amounted to EUR 9.8 (18.5) million, or 5.7% (9.6) of net sales. Benefits from actions to improve profitability are expected to materialize in the second half.

The Global Accounts segment includes approximately 20 accounts, sales offices in Italy, Spain, the UK and the USA/Canada as well as the offshore countries China, the Czech Republic and India.

Customer sales by business line

The comparison figures for 2011 have changed from the figures published for 2011 due to the transfer of businesses between the business lines at the beginning of 2012.

	Customer sales Q2/2012, EUR million	Customer sales Q2/2011, EUR million	Change, %
Industry Solutions	**138**	138	0
Enterprise Solutions	**67**	53	27
Managed Services and Transformation	**166**	179	-8
Product Engineering Solutions	**86**	92	-7
Total	**456**	462	-1

In **Industry Solutions**, demand for product-based solutions and consulting remained solid. Growth was strongest in the healthcare and welfare sector. The energy sector continued to grow as well, boosted by good demand for Tieto's solution for hydrocarbon management in the oil & gas segment and for the solution for advanced metering in the utilities segment. Sales to the finance sector declined. Profitability remained solid.

In **Enterprise Solutions**, customer sales saw strong growth. Finland was the strongest market with healthy sales to the retail, public and forest sectors among others. Digitalization of business processes and the need to develop cost-efficient ways to interact with customers are two of the key growth drivers. Profitability is below the company target. Streamlining actions to improve profitability are ongoing.

In **Managed Services and Transformation**, customer sales were down. Finland was the strongest performing market. Due to more focused investments in offerings and customers as well as the decrease in purchases, second-quarter operating profit improved from the corresponding quarter of 2011.

In **Product Engineering Solutions**, sales were down, mainly due to the strategy realignment of one key customer in the mobile device manufacturers' segment. Sales to the network equipment manufacturers' segment were close to the previous year's level. However, during the second quarter, the company won important Android cases that are expected to enhance its position in Android and embedded Linux ecosystems. The business line struggled with overcapacity during the quarter, straining second-quarter profitability. The business line is actively adjusting its operations to demand.

FINANCIAL PERFORMANCE IN JANUARY–JUNE

Six-month net sales remained flat and amounted to EUR 923.2 (923.9) million. The divestments of the financial services products business in the UK and the unions business in Denmark had a negative impact of EUR 8 million on net sales in the first half.

Six-month operating profit (EBIT) amounted to EUR 38.0 (42.8) million, representing a margin of 4.1% (4.6). Operating profit includes EUR 15.4 million in capital gains related to the divestment of the financial services products business in the UK and EUR 0.5 million in impairment related to the divestment of the Danish unions business. Additionally, Tieto booked EUR 33.1 (5.7) million in one-off costs, mainly related to the streamlining actions. Operating profit excluding one-off items stood at EUR 56.2 (48.5) million, or 6.1% (5.2) of net sales.

Net financial expenses stood at EUR 3.8 (3.4) million in the first half. Net interest expenses were EUR 2.7 (2.4) million and net losses from foreign exchange transactions EUR 0.6 (0.1 positive) million. Other financial income and expenses amounted to EUR 0.5 (1.1) million.

Six-month earnings per share (EPS) totalled EUR 0.35 (0.35). Earnings per share excluding one-off items amounted to EUR 0.51 (0.43).

Financial performance by market unit

	Net sales H1/2012, EUR million	Net sales H1/2011, EUR million	Change, %	**Operating margin H1/2012, %**	Operating margin H1/2011, %
Finland and the Baltic countries	**383**	361	6	**6.6**	4.9
Scandinavia	**275**	281	-2	**1.1**	3.7
Central Europe & Russia	**64**	64	1	**-21.4**	-16.5
Global Accounts	**345**	383	-10	**10.2**	8.8
Group elimination	**-144**	-165	-13		
Total	**923**	924	0	**4.1**	4.6

Operating profit excluding one-off items by market unit

	Operating profit excl. one-off items H1/2012, EUR million	Operating profit excl. one-off items H1/2011, EUR million	**Operating margin excl. one-off items H1/2012, %**	Operating margin excl. one-off items H1/2011, %
Finland and the Baltic countries	**32.8**	17.8	**8.6**	4.9
Scandinavia	**13.9**	14.4	**5.1**	5.1
Central Europe & Russia	**-7.7**	-10.3	**-12.0**	-16.0
Global Accounts	**25.4**	33.9	**7.4**	8.9
Steering Functions and Group Management	**-8.2**	-7.4		
Total	**56.2**	48.5	**6.1**	5.2

Customer sales by business line

The comparison figures for 2011 have changed from the figures published for 2011 due to the transfer of businesses between the business lines at the beginning of 2012.

	Customer sales H1/2012, EUR million	Customer sales H1/2011, EUR million	Change, %
Industry Solutions	**281**	268	5
Enterprise Solutions	**139**	120	16
Managed Services and Transformation	**337**	351	-4
Product Engineering Solutions	**167**	184	-9
Total	**923**	924	0

CASH FLOW AND FINANCING

Second-quarter net cash flow from operations, including the increase of EUR 16.7 (34.2) million in net working capital, amounted to EUR -2.5 million (0.0). The increase in net working capital was mainly due to seasonality. In addition, accounts receivable were exceptionally high due to month-end closing at weekend, transferring a substantial amount of cash flow to the first week of July.

Six-month net cash flow from operations amounted to EUR 66.8 (38.8) million. Net cash flow from operations includes a decrease of EUR 0.6 million in net working capital.

Tax payments were EUR 1.7 million positive in the six-month period due to a refund in Finland (negative 16.0 million).

Payments for acquisitions totalled EUR 0.4 (0.5) million and divestments amounted to EUR 19.2 (0.0) million in the first half.

The equity ratio was 45.8% (46.4). Gearing decreased to 14.7% (25.8). Net debt totalled EUR 80.0 (136.4) million, including EUR 170.0 million in interest-bearing debt, EUR 5.6 million in finance lease liabilities, EUR 4.5 million in finance lease receivables and EUR 91.1 million in cash and cash equivalents.

The interest-bearing long-term debt includes a EUR 100 million bond, maturing in December 2013. The syndicated revolving credit facility of EUR 100 million maturing in May 2016 was not in use and there were no commercial papers issued under the EUR 250 million commercial paper programme at the end of June. The bond of EUR 50 million (private placement) matured in July 2012 and is reported as a short-term interest-bearing liability. Due to the company's good liquidity, Tieto currently has no plans to refinance the EUR 50 million bond. Other long-term interest-bearing loans of EUR 6.9 million and short-term interest-bearing loans of EUR 13.1 million were mainly related to an agreement for mainframes and software.

INVESTMENTS

Six-month investments totalled EUR 28.0 (78.6) million. Capital expenditure accounted for EUR 27.7 (78.6) million. Investments in shares in the six-month period were EUR 0.3 million.

BUSINESS TRANSACTIONS AND MAJOR AGREEMENTS IN JANUARY–JUNE

In February, Tieto agreed to sell its financial services products business, with 145 employees, based in the UK to Sopra Group, a global technical consulting company. Net sales of the divested business amounted to EUR 22 million in 2011. Tieto has booked capital gains of EUR 15.4 million in its first-quarter results.

In March, Tieto agreed to divest its Danish unions business with 36 employees to Netcompany, an IT solutions and consulting company in Denmark. In 2011, net sales of the divested business amounted to EUR 5.4 million. Tieto has booked EUR 0.5 million in impairment in its first-quarter results.

In January, Helsinki Region Transport (HSL/HRT) selected Tieto as the supplier of its new ticket and information system. The contract, signed in May, covers the delivery of the ticketing and information system as well as support and maintenance services for a period of five years. The total contract value including the delivery and five years of support and maintenance is approximately EUR 90 million.

In March, Tieto and Nokia Siemens Networks signed an agreement on the outsourcing of part of the maintenance, technical support and R&D for Nokia Siemens Networks' mobile network Operations Support System (OSS) and Subscriber Data Management (SDM) activities in Finland. As part of the outsourcing, approximately 240 employees have transferred to Tieto as existing employees.

In May, Tieto announced the delivery of a contactless technology solution for the mobile NFC project of MTS and MasterCard in Russia. Tieto has provided an advanced Tieto Card Suite Contactless host solution for MTS Bank, an issuer and acquirer of payment cards. The delivery is part of the Near Field Communication (NFC) project implemented by telecommunications operator MTS and MasterCard.

In May, Tieto announced a mobile application launched for the Finnish retail company Ruokakesko. Tieto created a Pirkka recipe and shopping list mobile application that can be downloaded from the Apple App Store and Google Play. The application runs on iPhones, iPads and Android devices.

In May, Tieto, the Finnish Federation of the Local Insurance Group and Tapiola signed a five-year agreement concerning the infrastructure services connected with the solutions for the information technology environment of the Local Insurance and Tapiola. The value of the agreement is approximately EUR 35 million. In connection with the arrangements, 34 employees of the Local Insurance and Tapiola have transferred to Tieto Finland.

In May, Tieto closed a five-year operating agreement with the Swedish Governmental Service Center (Statens Servicecenter, SSC). The contract is valid for five years and may be extended by two years. The order value during the five-year period amounts to approximately EUR 7.8 million.

In June, Sollentuna Municipality in Sweden decided to exercise its option on a three-year extension of the agreement entered into with Tieto in February 2010. The value of the order over the next three years will be around EUR 8.5 million (SEK 75 million). The agreement relates to operational services, support services via a Service Desk and consultancy services.

In June, Apotekens Service in Sweden, which is responsible for IT deliveries to all players in the deregulated pharmacy market, extended its partnership with Tieto as a supplier of IT services. The original agreement was signed in 2009 and includes operational services and consultancy support. The one-year extension represents an order value of around EUR 6.3 million (SEK 56 million).

In June, Tieto and Nordea signed a framework agreement for using Tieto's IT service offshore centre. The signed agreement enables Tieto to offer and provide project deliveries, application service management and expert services from Tieto's offshore centre.

PERSONNEL

The number of full-time employees amounted to 17 723 (18 071) at the end of June. On 30 June, the number of full-time employees in the global delivery centres totalled 7 151 (6 968), or 40.3% (38.6) of personnel.

As a result of personnel negotiations completed by 30 June, Tieto cut a total of around 900 positions during the first half of 2012. This reduction, however, is not fully visible in the number of personnel. Tieto has concluded several outsourcing deals, adding more than 300 employees. Additionally, Tieto has recruited employees skilled in key competences. Recruitments have mainly taken place in offshore countries.

The 12-month rolling employee turnover stood at 11.2% (10.7) at the end of June. The average number of full-time employees was 18 050 (18 086) in the six-month period.

Due to rising attrition rates, salary inflation is expected to rise. Markets like India, China and Russia may see double-digit salary hikes, partly offset by increasing use of offshore resources. At the group level, salary inflation is expected to be around 3% on average,

MANAGEMENT

During the second quarter, Tieto announced a change in its Central, Eastern Europe and Russia market unit (CER) and appointed Kolbjørn Haarr (born 1960) as Executive Vice President, Central Europe and Russia. In addition to his new responsibility for the CER market unit, Kolbjørn continues to head the Norwegian business and reports to the President and CEO. The former head of the CER market unit, Wim Huisman, decided to leave the company.

SHARES AND SHARE-BASED INCENTIVES

In March, a total of 33 150 new Tieto shares were subscribed for with the company's stock options 2006 C, and a total of 27 425 shares with the stock options 2009 A. The shares subscribed for were registered in the Trade Register on 5 April 2012.

A total of 190 119 new Tieto shares were subscribed for with the company's stock options 2009 A in April and a total of 1 000 in May. The shares subscribed for were registered in the Trade Register on 2 May and 19 June, respectively.

On 30 June, the number of Tieto Corporation shares had increased to 72 274 867 shares and the share capital had increased to EUR 75 874 673.

At the end of the second quarter, the number of shares in the company's possession totalled 553 700, representing 0.8% of the total number of shares and voting rights. The number of outstanding shares, excluding the treasury shares, was 71 721 167. There were no changes in the number of shares in the company's possession during the first half of 2012.

In the second quarter of 2012, the Board of Directors decided on the detailed terms and conditions of a success-based incentive for the President and CEO, following the principles of the CEO agreement. The potential incentive, EUR 1 000 000 including tax implications, is to be paid in Tieto shares and is based on the company's renewed strategy and financial objectives. Further information is available at www.tieto.com/Investors.

Tieto's share price rose by 13% during January–June and the total shareholder return totalled 20%.

NEAR-TERM RISKS AND UNCERTAINTIES

The slowdown of European economies might lead to a downturn in the IT services market as well.

In telecom R&D, demand is relatively weak due to budget cuts made by some of Tieto's key customers. The challenging business environment in this area might have a negative impact on the company in the near term. However, the company has a proven track record of being agile in adjusting operations when needed.

The ongoing transformation of the IT sector towards offshore production as well as the planned organizational changes and restructuring within the company might create uncertainty among the company's personnel and pose risks related to the company's performance.

Price pressure might lead to weak profitability for IT service companies. However, Tieto assumes that the initiated efficiency and streamlining measures as well as Tieto's increased offshoring will continue to yield results.

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

FULL-YEAR OUTLOOK FOR 2012 UNCHANGED

The full-year outlook for 2012 remains unchanged. Tieto expects its net sales to develop in line with the anticipated growth rate for the Western European IT services market, i.e. 0–2%. Full-year operating profit (EBIT) excluding one-off items is expected to be above the previous year's level (EUR 117.1 million in 2011).

In the second quarter, Tieto booked EUR 31.9 million in costs related to the streamlining actions. The remaining part of the estimated total one-off costs of EUR 50 million, close to EUR 20 million, are expected to be booked during the second half of 2012 as announced earlier.

Auditing
The figures in this report are unaudited.

Financial calendar 2012
23 October Interim report 3/2012 (8.00 am EET)

Accounting policies in 2012
The interim report has been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the EU. The accounting policies adopted are consistent with those used in the annual financial statements for the year ended on 31 December 2011. The accounting policies, standards, interpretations and amendments taken into use in 2012 are described in the annual financial statements. The effects of the changes are immaterial.

Key figures

	2012 4-6	2011 4-6	2012 1-3	**2012 1-6**	2011 1-6	2011 1-12
Earnings per share, EUR						
- basic	**-0.10**	0.16	0.45	**0.35**	0.35	0.84
- diluted	**-0.10**	0.16	0.45	**0.35**	0.35	0.84
Equity per share, EUR	**7.60**	7.40	7.69	**7.60**	7.40	7.90
Return on equity rolling 12 month, %	**11.2**	9.6	14.7	**11.2**	9.6	10.7
Return on capital employed rolling 12 month, %	**17.4**	14.9	20.8	**17.4**	14.9	18.3
Equity ratio, %	**45.8**	46.4	44.7	**45.8**	46.4	46.4
Interest-bearing net debt, EUR million	**80.0**	136.4	11.7	**80.0**	136.4	82.7
Gearing, %	**14.7**	25.8	2.1	**14.7**	25.8	14.6
Investments, EUR million	**13.6**	13.3	14.4	**28.0**	78.6	103.6

Number of shares

	2012 4-6	2012 1-3	**2012 1-6**	2011 1-6	2011 1-12
Outstanding shares, end of period					
Basic	**71 721 167**	71 469 473	**71 721 167**	71 469 473	71 469 473
Diluted	**71 966 580**	71 873 088	**71 968 839**	71 626 890	71 656 129
Outstanding shares, average					
Basic	**71 652 870**	71 469 473	**71 561 172**	71 469 473	71 469 473
Diluted	**71 954 736**	71 873 088	**71 916 453**	71 626 890	71 656 129
Company's possession of its own shares					
End of period	**553 700**	553 700	**553 700**	553 700	553 700
Average	**553 700**	553 700	**553 700**	553 700	553 700

Income statement

	2012 4-6	2011 4-6	**2012 1-6**	2011 1-6	Change %	2011 1-12
Net sales	**456.1**	462.3	**923.2**	923.9	0	1 828.1
Other operating income	**3.1**	2.8	**20.1**	4.5	347	9.0
Employee benefit expenses	**299.3**	270.9	**574.0**	536.2	7	1 028.7
Depreciation, amortization and impairment charges	**21.0**	22.8	**42.2**	45.7	-8	96.5
Other operating expenses	**142.6**	152.2	**289.1**	303.7	-5	613.8
Operating profit (EBIT)	**-3.7**	19.2	**38.0**	42.8	-11	98.1
Interest and other financial income	**2.6**	3.0	**5.4**	3.5	54	9.9
Interest and other financial expenses	**-4.2**	-5.4	**-8.6**	-7.0	23	-17.1
Net exchange losses/gains	**-0.1**	1.0	**-0.6**	0.1	-700	0.4
Profit before taxes	**-5.4**	17.8	**34.2**	39.4	-13	91.3
Income taxes	**-1.4**	-6.4	**-9.0**	-14.5	-38	-31.4
Net profit for the period	**-6.8**	11.4	**25.2**	24.9	1	59.9
Net profit for the period attributable to						
Shareholders of the Parent company	**-6.8**	11.4	**25.2**	24.9	1	59.9
Non-controlling interest	**0.0**	0.0	**0.0**	0.0	-	0.0
	-6.8	11.4	**25.2**	24.9	1	59.9

Earnings per share attributable to the shareholders of the Parent company, EUR

Basic	**-0.10**	0.16	**0.35**	0.35	0	0.84
Diluted	**-0.10**	0.16	**0.35**	0.35	0	0.84

Statement of comprehensive income, EUR million

Net profit for the period	**-6.8**	11.4	**25.2**	24.9	1	59.9
Translation difference from net investment in subsidiaries (net of tax)	**1.4**	-4.4	**2.7**	-3.8	-171	1.0
Translation differences	**0.3**	0.6	**2.5**	-2.5	-200	-4.9
Cash flow hedges	**-0.8**	0.0	**0.8**	0.6	33	-1.7
Total comprehensive income	**-5.9**	7.6	**31.2**	19.2	63	54.3
Total comprehensive income attributable to						
Shareholders of the Parent company	**-5.9**	7.6	**31.2**	19.2	63	54.3
Non-controlling interest	**0.0**	0.0	**0.0**	0.0	-	0.0
	-5.9	7.6	**31.2**	19.2	63	54.3

Balance sheet, EUR million

	2012 30 Jun	2011 30 Jun	Change %	2011 31 Dec
Goodwill	**416.6**	418.0	0	413.2
Other intangible assets	**67.3**	88.1	-24	77.1
Property, plant and equipment	**99.2**	116.0	-14	103.2
Deferred tax assets	**46.6**	60.4	-23	49.4
Finance lease receivables	**3.1**	5.5	-44	3.4
Available-for-sale financial assets	**0.8**	0.8	0	0.8
Total non-current assets	***633.6***	*688.8*	-8	*647.1*
Trade and other receivables	**503.6**	465.2	8	469.6
Pension benefit assets	**10.5**	7.2	46	9.5
Finance lease receivables	**1.4**	2.6	-46	1.7
Current income tax receivables	**9.6**	13.5	-29	14.8
Cash and cash equivalents	**91.1**	47.4	92	95.8
Total current assets	***616.2***	*535.9*	*15*	*591.4*
Assets classified as held for sale	**17.8**	-	-	41.4
Total assets	**1 267.6**	1 224.7	4	1 279.9
Share capital, share issue premiums and other reserves	**115.7**	113.9	2	114.8
Retained earnings	**429.6**	414.9	4	449.8
Parent shareholders' equity	***545.3***	*528.8*	*3*	*564.6*
Non-controlling interest	**0.1**	0.1	0	0.2
Total equity	***545.4***	*528.9*	*3*	*564.8*
Loans	**110.3**	176.4	-37	117.9
Deferred tax liabilities	**39.1**	38.5	2	37.9
Provisions	**5.5**	6.7	-18	7.0
Pension obligations	**24.9**	21.5	16	23.4
Other non-current liabilities	**4.5**	5.5	-18	4.9
Total non-current liabilities	***184.3***	*248.6*	*-26*	*191.1*
Trade and other payables	**404.6**	384.6	5	390.4
Current income tax liabilities	**11.4**	11.5	-1	9.2
Provisions	**42.7**	35.7	20	30.1
Loans	**65.3**	15.4	324	65.7
Total current liabilities	***524.0***	*447.2*	*17*	*495.4*
Liabilities classified as held for sale	**13.9**	-	-	28.6
Total equity and liabilities	**1 267.6**	1 224.7	4	1 279.9

Net working capital in the balance sheet, EUR million

	2012 30 Jun	2011 30 Jun	Change %	2012 31 Mar	2011 31 Dec
Accounts receivable	**355.6**	344.1	3	335.4	354.7
Other working capital receivables	**130.9**	118.1	11	119.7	111.8
Working capital receivables included in assets	**486.5**	462.2	5	455.1	466.5
Accounts payable	**83.6**	58.5	43	81.5	96.9
Personnel related accruals	**163.6**	156.6	4	159.7	144.6
Other working capital liabilities	**201.3**	209.8	-4	197.0	186.8
Working capital liabilities included in current liabilities	**448.5**	424.9	6	438.2	428.3
Net working capital in the balance sheet	**38.0**	37.3	2	16.9	38.2

Cash flow, EUR million

	2012 4-6	2011 4-6	2012 1-3	**2012 1-6**	2011 1-6	2011 1-12
Cash flow from operations						
Net profit	**-6.8**	11.5	32.0	**25.2**	24.9	59.9
Adjustments						
Depreciation, amortization and impairment charges	**21.0**	22.8	21.2	**42.2**	45.7	96.5
Share-based payments	**0.6**	1.0	0.8	**1.4**	2.2	2.9
Profit/loss on sale of fixed assets and shares	**0.0**	0.2	-15.4	**-15.4**	0.3	1.1
Other adjustments	**0.6**	-1.6	-1.4	**-0.8**	-1.3	0.3
Net financial expenses	**1.7**	1.4	2.1	**3.8**	3.4	6,8
Income taxes	**1.4**	6.4	7.6	**9.0**	14.5	31,4
Change in net working capital	**-16.7**	-34.2	17.3	**0.6**	-33.0	-40.5
Cash generated from operations	**1.8**	7.5	64.2	**66.0**	56.7	158.4
Net financial expenses paid	**0.4**	0.6	-1.3	**-0.9**	-1.9	-7.9
Income taxes paid	**-4.7**	-8.1	6.4	**1.7**	-16.0	-27.3
Net cash flow from operations	**-2.5**	0.0	69.3	**66.8**	38.8	123.2
Cash flow from investing activities						
Acquisition of Group companies and business operations, net of cash acquired	**-0.1**	0.0	-0.3	**-0.4**	-0.5	-0.5
Capital expenditures	**-13.4**	-14.3	-14.2	**-27.6**	-31.3	-56.1
Disposal of Group companies and business operations, net of cash disposed	**1.5**	-	17.7	**19.2**	-	0.0
Sales of fixed assets	**0.2**	-0.5	0.0	**0.2**	-0.1	0.1
Change in loan receivables	**0.2**	1.1	0.3	**0.5**	-1.6	1.4
Net cash used in investing activities	**-11.6**	-13.7	3.5	**-8.1**	-33.5	-55.1
Cash flow from financing activities						
Dividends paid	**-53.7**	-50.0	-	**-53.7**	-50.0	-50.0
Payments of finance lease liabilities	**-0.5**	-3.3	-0.6	**-1.1**	-4.7	-5.8
Change in interest-bearing liabilities	**-3.3**	-2.9	-3.6	**-6.9**	-7.3	-13.4
Net cash used in financing activities	**-57.5**	-56.2	-4.2	**-61.7**	-62.0	-69.2
Change in cash and cash equivalents	**-71.6**	-69.9	68.6	**-3.0**	-56.7	-1.1
Cash and cash equivalents at the beginning of period	**162.9**	113.4	95.8	**95.8**	98.0	98.0
Foreign exchange differences	**-0.3**	3.9	0.0	**-0.3**	6.1	0.4
Assets classified as held for sale	**0.1**	-	-1.5	**-1.4**	-	-1.5
Change in cash and cash equivalents	**-71.6**	-69.9	68.6	**-3.0**	-56.7	-1.1
Cash and cash equivalents at the end of period	**91.1**	47.4	162.9	**91.1**	47.4	95.8

Statement of changes in shareholders' equity, EUR million

	Parent shareholders' equity							Non-controlling interest	Total equity
	Share capital	Share issue premiums and other reserves	Own shares	Translation differences	Cash flow hedges	Retained earnings	Total		
At 31 Dec 2010	**75.8**	**38.8**	**-11.6**	**21.5**	**-0.1**	**433.0**	**557.4**	**0.1**	**557.5**
Comprehensive income									
Net profit for the period						24.9	24.9	0.0	24.9
Other comprehensive income									
Translation difference from net investment in subsidiaries (net of tax)						-3.8	-3.8		-3.8
Translation difference		-0.7		-11.1		9.3	-2.5		-2.5
Cash flow hedges					0.6		0.6		0.6
Total comprehensive income		**-0.7**		**-11.1**	**0.6**	**30.4**	**19.2**	**0.0**	**19.2**
Transactions with owners									
Share-based payments recognized against equity						2.2	2.2		2.2
Dividend						-50.0	-50.0		-50.0
Non-controlling interest								0.0	0.0
Total transactions with owners						**-47.8**	**-47.8**	**0.0**	**-47.8**
At 30 Jun 2011	**75.8**	**38.1**	**-11.6**	**10.4**	**0.5**	**415.6**	**528.8**	**0.1**	**528.9**

	Parent shareholders' equity							Non-controlling interest	Total equity
	Share capital	Share issue premiums and other reserves	Own shares	Translation differences	Cash flow hedges	Retained earnings	Total		
At 31 Dec 2011	**75.8**	**39.0**	**-11.6**	**19.6**	**-1.8**	**443.6**	**564.6**	**0.2**	**564.8**
Comprehensive income									
Net profit for the period						25.2	25.2	0.0	25.2
Other comprehensive income									
Translation difference from net investment in subsidiaries (net of tax)						2.7	2.7		2.7
Translation difference		0.5		8.2		-6.2	2.5		2.5
Cash flow hedges					0.8		0.8		0.8
Total comprehensive income		**0.5**		**8.2**	**0.8**	**21.7**	**31.2**	**0.0**	**31.2**
Transactions with owners									
Share-based payments recognized against equity						1.3	1.3		1.3
Dividend						-53.6	-53.6		-53.6
Share subscriptions based on stock options		0.4				1.4	1.8		1.8
Non-controlling interest								-0.1	-0.1
Total transactions with owners		**0.4**				**-50.9**	**-50.5**	**-0.1**	**-50.6**
At 30 Jun 2012	**75.8**	**39.9**	**-11.6**	**27.8**	**-1.0**	**414.4**	**545.3**	**0.1**	**545.4**

Net sales by market unit, EUR million

	2012 4-6	2011 4-6	Change %	**2012 1-6**	2011 1-6	Change %	2011 1-12
Finland and the Baltic countries	**190**	178	7	**383**	361	6	733
Scandinavia	**135**	140	-4	**275**	281	-2	548
Central Europe & Russia	**31**	33	-6	**64**	64	1	131
Global Accounts	**170**	193	-12	**345**	383	-10	729
Group elimination	**-69**	-80	-14	**-144**	-165	-13	-313
Group total	**456**	462	-1	**923**	924	0	1 828

Customer sales by market unit, EUR million

	2012 4-6	2011 4-6	Change %	**2012 1-6**	2011 1-6	Change %	2011 1-12
Finland and the Baltic countries	**168**	152	11	**337**	308	10	629
Scandinavia	**117**	120	-2	**238**	239	-1	467
Central Europe & Russia	**27**	25	7	**56**	50	12	102
Global Accounts	**145**	166	-12	**293**	327	-10	629
Group total	**456**	462	-1	**923**	924	0	1 828

Internal sales by market unit, EUR million

	2012 4-6	2011 4-6	Change %	**2012 1-6**	2011 1-6	Change %	2011 1-12
Finland and the Baltic countries	**22**	26	-14	**46**	54	-15	104
Scandinavia	**18**	20	-10	**37**	42	-10	80
Central Europe & Russia	**4**	7	-50	**9**	14	-40	29
Global Accounts	**25**	27	-8	**52**	56	-8	100
Group total	**69**	80	-14	**144**	165	-13	313

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

Net sales by country, EUR million

	2012 1-6	Change %	Share %	2011 1-6	Share %	2011 1-12
Finland	**420**	1	45	414	45	823
Sweden	**288**	-1	31	290	31	565
Other	**215**	-2	23	220	24	440
Group total	**923**	0	100	924	100	1 828

Customer sales by business line, EUR million

	2012 4-6	2011 4-6	Change %	**2012 1-6**	2011 1-6	Change %	2011 1-12
Industry Solutions	**138**	138	0	**281**	268	5	534
Enterprise Solutions	**67**	53	27	**139**	120	16	249
Managed Services and Transformation	**166**	179	-8	**337**	351	-4	693
Product Engineering Solutions	**86**	92	-7	**167**	184	-9	351
Group total	**456**	462	-1	**923**	924	0	1 828

The comparison figures for 2011 have changed due to the transfer of businesses between the business lines at the beginning of 2012.

Net sales by customer sector, EUR million

	2012 4-6	2011 4-6	Change %	**2012 1-6**	2011 1-6	Change %	2011 1-12
Telecom	**143**	151	-5	**288**	299	-4	579
Finance	**88**	95	-7	**185**	191	-3	374
Industry sectors	**223**	216	3	**450**	434	4	875
Group total	**456**	462	-1	**923**	924	0	1 828

Revenues of EUR 92.5 million during January-June (EUR 117.5 million in 2011) are derived from a single external customer. These revenues are attributable to segments Finland and the Baltic countries and Global Accounts.

Operating profit (EBIT) by market unit, EUR million

	2012 4-6	2011 4-6	Change %	**2012 1-6**	2011 1-6	Change %	2011 1-12
Finland and the Baltic countries	**7.9**	4.2	88.9	**25.2**	17.6	43.4	58.8
Scandinavia	**-2.5**	5.1	-149.6	**2.9**	10.4	-71.8	18.7
Central Europe & Russia	**-9.5**	-5.6	-71.9	**-13.7**	-10.6	-29.6	-21.0
Global Accounts	**5.1**	18.5	-72.7	**35.2**	33.9	3.9	55.3
Steering Functions and Group Management	**-4.7**	-3.1	-51.4	**-11.6**	-8.5	-37.3	-13.7
Operating profit (EBIT)	**-3.7**	19.2	-119.5	**38.0**	42.8	-11.2	98.1

Operating margin (EBIT) by market unit, %

	2012 4-6	2011 4-6	Change	**2012 1-6**	2011 1-6	Change	2011 1-12
Finland and the Baltic countries	**4.2**	2.4	1.8	**6.6**	4.9	1.7	8.0
Scandinavia	**-1.9**	3.7	-5.5	**1.1**	3.7	-2.6	3.4
Central Europe & Russia	**-31.1**	-17.1	-13.9	**-21.4**	-16.5	-4.9	-16.0
Global Accounts	**3.0**	9.6	-6.6	**10.2**	8.8	1.5	7.6
Operating margin (EBIT)	**-0.8**	4.2	-5.0	**4.1**	4.6	-0.5	5.4

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

	2012 4-6	2011 4-6	Change %	**2012 1-6**	2011 1-6	Change %	2011 1-12
Finland and the Baltic countries	**15.6**	4.1	277.4	**32.8**	17.8	84.8	61.7
Scandinavia	**7.7**	9.2	-17.0	**13.9**	14.4	-3.7	25.5
Central Europe & Russia	**-3.7**	-5.4	31.6	**-7.7**	-10.3	24.6	-19.2
Global Accounts	**9.8**	18.5	-47.2	**25.4**	33.9	-25.1	61.7
Steering Functions and Group Management	**-1.3**	-2.1	40.6	**-8.2**	-7.4	-11.7	-12.6
Operating profit (EBIT)	**28.2**	24.5	14.9	**56.2**	48.5	15.8	117.1

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

	2012 4-6	2011 4-6	Change	**2012 1-6**	2011 1-6	Change	2011 1-12
Finland and the Baltic countries	**8.2**	2.3	5.9	**8.6**	4.9	3.7	8.4
Scandinavia	**5.7**	6.6	-0.9	**5.1**	5.1	-0.1	4.7
Central Europe & Russia	**-11.9**	-16.5	4.5	**-12.0**	-16.0	4.0	-14.7
Global Accounts	**5.7**	9.6	-3.8	**7.4**	8.9	-1.5	8.5
Operating margin (EBIT)	**6.2**	5.3	0.9	**6.1**	5.2	0.8	6.4

Personnel by market unit

	End of period					Average	
	2012	Change	Share	2011	2011	**2012**	2011
	1-6	%	%	1-6	1-12	**1-6**	1-6
Finland and the Baltic countries	**4 836**	-2	27	4 959	4 843	**4 869**	5 054
Scandinavia	**2 567**	-5	14	2 689	2 672	**2 639**	2 767
Central Europe & Russia	**1 125**	-11	6	1 262	1 340	**1 193**	1 271
Global Accounts	**8 404**	1	47	8 308	8 426	**8 518**	8 224
Steering Functions and Group Management	**791**	-7	4	852	842	**831**	770
Group total	**17 723**	-2	100	18 071	18 123	**18 050**	18 086

Personnel by country

	End of period					Average	
	2012	Change	Share	2011	2011	**2012**	2011
	1-6	%	%	1-6	1-12	**1-6**	1-6
Finland	**5 539**	-3	31	5 692	5 512	**5 560**	5 763
Sweden	**3 124**	1	18	3 082	3 121	**3 157**	3 098
Czech Republic	**1 921**	0	11	1 915	1 957	**1 990**	1 910
India	**1 575**	-3	9	1 632	1 646	**1 640**	1 585
China	**1 291**	5	7	1 235	1 395	**1 366**	1 202
Poland	**1 191**	7	7	1 110	1 191	**1 193**	1 047
Germany	**771**	-22	4	987	867	**804**	1 001
Latvia	**633**	10	4	574	589	**623**	580
Norway	**452**	-6	3	483	470	**463**	488
Italy	**276**	10	2	250	276	**277**	249
Lithuania	**143**	-7	1	154	152	**148**	160
Netherlands	**111**	-11	1	125	122	**117**	127
Denmark	**76**	-52	0	157	131	**106**	179
Other	**621**	-8	4	673	696	**606**	695
Group total	**17 723**	-2	100	18 071	18 123	**18 050**	18 086
Onshore countries	**10 572**	-5	60	11 103	10 873	**10 755**	11 238
Offshore countries	**7 151**	3	40	6 968	7 250	**7 295**	6 848
Group total	**17 723**	-2	100	18 071	18 123	**18 050**	18 086

Non-current assets by country, EUR million

	2012 30 Jun	2011 30 Jun	Change %	2011 31 Dec
Finland	**119.0**	143.4	-17	128.0
Sweden	**31.7**	34.0	-7	33.9
Other	**15.8**	26.7	-41	18.5
Total countries	**166.5**	204.1	-18	180.3
Non-current assets classified as held for sale	**1.1**	0.0	-	3.1
Total non-current assets	**167.6**	204.1	-18	183.4

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

Capital expenditure by market unit, EUR million

	2012 4-6	2011 4-6	Change %	**2012 1-6**	2011 1-6	Change %	2011 1-12
Finland and the Baltic countries	**9.8**	10.5	-7	**21.5**	69.4	-69	85.8
Scandinavia	**2.8**	0.0	-	**4.7**	4.4	6	9.4
Central Europe & Russia	**0.3**	1.6	-81	**0.7**	2.5	-71	3.9
Global Accounts	**0.7**	0.8	-16	**1.1**	1.9	-42	3.9
Steering Functions and Group Management	**0.0**	0.5	-100	**0.0**	0.5	-100	0.5
Group total	**13.6**	13.3	2	**28.0**	78.6	-64	103.6

Depreciation by market unit, EUR million

	2012 4-6	2011 4-6	Change %	**2012 1-6**	2011 1-6	Change %	2011 1-12
Finland and the Baltic countries	**14.9**	16.0	-7	**29.6**	31.7	-7	61.7
Scandinavia	**2.8**	2.8	-3	**5.5**	5.9	-7	11.6
Central Europe & Russia	**0.7**	0.7	-2	**1.4**	1.4	-2	3.7
Global Accounts	**0.9**	0.9	0	**1.8**	1.8	0	4.1
Steering Functions and Group Management	**0.3**	0.5	-46	**0.5**	1.1	-54	2.1
Group total	**19.5**	21.0	-7	**38.8**	42.0	-8	83.2

Amortization on allocated intangible assets from acquisitions by market unit, EUR million

	2012 4-6	2011 4-6	Change %	**2012 1-6**	2011 1-6	Change %	2011 1-12
Finland and the Baltic countries	**0.1**	0.1	-12	**0.2**	0.2	-8	0.4
Scandinavia	**0.2**	0.3	-21	**0.5**	0.6	-19	1.2
Central Europe & Russia	**0.3**	0.3	-7	**0.6**	0.7	-7	1.4
Global Accounts	**0.8**	1.1	-25	**1.6**	2.2	-27	4.3
Steering Functions and Group Management	**0.0**	0.0	0	**0.0**	0.0	0	0.0
Group total	**1.4**	1.8	-20	**2.9**	3.7	-21	7.3

Impairment losses by market unit, EUR million

	2012 4-6	2011 4-6	Change %	**2012 1-6**	2011 1-6	Change %	2011 1-12
Finland and the Baltic countries	**0.0**	0.0	0	**0.0**	0.0	0	0.0
Scandinavia	**0.0**	0.0	0	**0.5**	0.0	-	0.2
Central Europe & Russia	**0.0**	0.0	0	**0.0**	0.0	0	0.0
Global Accounts	**0.0**	0.0	0	**0.0**	0.0	0	5.8
Steering Functions and Group Management	**0.0**	0.0	0	**0.0**	0.0	0	0.0
Group total	**0.0**	0.0	0	**0.5**	0.0	-	6.0

Commitments and contingencies, EUR million

	30 Jun 2012	31 Dec 2011
For Tieto obligations		
Pledges	**-**	-
On behalf of joint ventures	**-**	-
Other Tieto obligations		
Rent commitments due in one year	**52.8**	53.7
Rent commitments due in 1-5 years	**141.1**	118.3
Rent commitments due after 5 years	**31.7**	42.4
Operating lease commitments due in one year	**8.1**	8.2
Operating lease commitments due in 1-5 years	**8.3**	8.5
Operating lease commitments due after 5 years	**0.0**	0.0
Other commitments		
Performance guarantees	**46.2**	39.3
Lease guarantees	**8.1**	10.4
Other	**0.4**	0.8

Derivatives, EUR million

Notional amounts of derivatives

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

	30 Jun 2012	31 Dec 2011
Foreign exchange forward contracts	**234.2**	235.6
Forward contracts outside hedge accounting	**175.8**	187.2
Forward contracts within hedge accounting	**58.5**	48.5
Electricity price futures contracts	**3.0**	3.4
Interest rate swaps	**250.0**	250.0

Fair values of derivatives

The net fair values of derivative financial instruments at the balance sheet date were:	**30 Jun 2012**	31 Dec 2011
Foreign exchange forward contracts	**-2.7**	-5.1
Electricity price futures contracts	**-0.6**	-0.7
Interest rate swaps	**-0.5**	-0.6

Derivatives are used for economic hedging purposes only.

Gross positive fair values of derivatives:	**Positive 30 Jun 2012**	Positive 31 Dec 2011
Foreign exchange forward contracts	**0.7**	0.9
Forward contracts outside hedge accounting	**0.5**	0.8
Forward contracts within hedge accounting *)	**0.2**	0.1
Electricity price futures contracts	**-**	-
Interest rate swaps	**5.2**	2.5

Gross negative fair values of derivatives:	**Negative 30 Jun 2012**	Negative 31 Dec 2011
Foreign exchange forward contracts	**-3.4**	-5.9
Forward contracts outside hedge accounting	**-1.9**	-3.5
Forward contracts within hedge accounting *)	**-1.5**	-2.4
Electricity price futures contracts	**-0.6**	-0.7
Interest rate swaps	**-5.8**	-3.1
*) Forward contracts within hedge accounting (net)	**-1.3**	-2.3
The amount recognized in equity with deferred tax	**-1.2**	-2.2
Net periodic interest rate difference recognized in interest income/expenses	**0.0**	-0.1

QUARTERLY FIGURES

Key figures

	2012 4-6	2012 1-3	2011 10-12	2011 7-9	2011 4-6	2011 1-3
Earnings per share, EUR						
- basic	**-0.10**	0.45	0.18	0.31	0.16	0.19
- diluted	**-0.10**	0.45	0.18	0.31	0.16	0.19
Equity per share, EUR	**7.60**	7.69	7.90	7.66	7.40	7.28
Return on equity rolling 12 month, %	**11.2**	14.7	10.7	8.9	9.6	9.9
Return on capital employed rolling 12 month, %	**17.4**	20.8	18.3	16.1	14.9	16.1
Equity ratio, %	**45.8**	44.7	46.4	47.7	46.4	43.3
Interest-bearing net debt, EUR million	**80.0**	11.7	82.7	111.9	136.4	76.2
Gearing, %	**14.7**	2.1	14.6	20.4	25.8	14.6
Investments, EUR million	**13.6**	14.4	13.8	11.2	13.3	65.3

Income statement, EUR million

	2012 4-6	2012 1-3	2011 10-12	2011 7-9	2011 4-6	2011 1-3
Net sales	**456.1**	467.1	489.7	414.5	462.3	461.6
Other operating income	**3.1**	17.0	2.9	1.6	2.8	1.7
Employee benefit expenses	**299.3**	274.7	268.8	223.7	270.9	265.3
Depreciation, amortization and impairment charges	**21.0**	21.2	28.7	22.1	22.8	22.9
Other operating expenses	**142.6**	146.5	169.0	141.1	152.2	151.5
Operating profit (EBIT)	**-3.7**	41.7	26.1	29.2	19.2	23.6
Financial income and expenses	**-1.7**	-2.1	-2.1	-1.3	-1.4	-2.0
Profit before taxes	**-5.4**	39.6	24.0	27.9	17.8	21.6
Income taxes	**-1.4**	-7.6	-11.5	-5.4	-6.4	-8.1
Net profit for the period	**-6.8**	32.0	12.5	22.5	11.4	13.5

Balance sheet, EUR million

	2012 30 Jun	2012 31 Mar	2011 31 Dec	2011 30 Sep	2011 30 Jun	2011 31 Mar
Goodwill	**416.6**	415.3	413.2	416.6	418.0	421.3
Other intangible assets	**67.3**	72.4	77.1	82.3	88.1	93.4
Property, plant and equipment	**99.2**	101.8	103.2	109.7	116.0	119.5
Other non-current assets	**50.5**	48.7	53.6	64.3	66.7	67.4
Total non-current assets	***633.6***	*638.2*	*647.1*	*672.9*	*688.8*	*701.6*
Trade receivables and other current assets	**525.1**	490.2	495.6	479.8	488.5	494.7
Cash and cash equivalents	**91.1**	162.9	95.8	69.4	47.4	113.4
Total current assets	***616.2***	*653.1*	*591.4*	*549.2*	*535.9*	*608.1*
Assets classified as held for sale	**17.8**	25.6	41.4	-	-	-
Total assets	**1 267.6**	1 316.9	1 279.9	1 222.1	1 224.7	1 309.7
Total equity	***545.4***	*549.7*	*564.8*	*547.4*	*528.9*	*520.3*
Non-current loans	**110.3**	114.3	117.9	122.7	176.4	185.6
Other non-current liabilities	**74.0**	74.0	73.2	74.4	72.2	66.7
Total non-current liabilities	***184.3***	*188.3*	*191.1*	*197.1*	*248.6*	*252.3*
Trade payables and other current liabilities	**416.0**	477.7	399.6	384.5	396.1	486.3
Provisions	**42.7**	19.6	30.1	27.4	35.7	37.7
Current loans	**65.3**	65.1	65.7	65.7	15.4	13.1
Total current liabilities	***524.0***	*562.4*	*495.4*	*477.6*	*447.2*	*537.1*
Liabilities classified as held for sale	**13.9**	16.5	28.6	-	-	-
Total equity and liabilities	**1 267.6**	1 316.9	1 279.9	1 222.1	1 224.7	1 309.7

Cash flow, EUR million

	2012 4-6	2012 1-3	2011 10-12	2011 7-9	2011 4-6	2011 1-3
Cash flow from operations						
Net profit	**-6.8**	32.0	12.5	22.5	11.5	13.5
Adjustments	**25.3**	14.9	45.7	28.5	30.2	34.5
Change in net working capital	**-16.7**	17.3	-5.1	-2.4	-34.2	1.2
Cash generated from operations	**1.8**	64.2	53.1	48.6	7.5	49.2
Net financial expenses paid	**0.4**	-1.3	-5.2	-0.8	0.6	-2.5
Income taxes paid	**-4.7**	6.4	-4.2	-7.1	-8.1	-7.9
Net cash flow from operations	**-2.5**	69.3	43.7	40.7	0.0	38.8
Net cash used in investing activities	**-11.6**	3.5	-11.3	-10.3	-13.7	-19.8
Net cash used in financing activities	**-57.5**	-4.2	-3.9	-3.3	-56.2	-5.8
Change in cash and cash equivalents	**-71.6**	68.6	28.5	27.1	-69.9	13.2
Cash and cash equivalents at the beginning of period	**162.9**	95.8	69.4	47.4	113.4	98.0
Foreign exchange differences	**-0.3**	0.0	-0.6	-5.1	3.9	2.2
Assets classified as held for sale	**0.1**	-1.5	-1.5	-	-	-
Change in cash and cash equivalents	**-71.6**	68.6	28.5	27.1	-69.9	13.2
Cash and cash equivalents at the end of period	**91.1**	162.9	95.8	69.4	47.4	113.4

QUARTERLY FIGURES BY SEGMENTS

Net sales by market unit, EUR million

	2012 4-6	2012 1-3	2011 10-12	2011 7-9	2011 4-6	2011 1-3
Finland and the Baltic countries	**190**	193	202	169	178	184
Scandinavia	**135**	141	147	120	140	141
Central Europe & Russia	**31**	34	36	31	33	31
Global Accounts	**170**	175	185	162	193	190
Group elimination	**-69**	-75	-80	-68	-80	-85
Group total	**456**	467	490	415	462	462

Customer sales by business line, EUR million

	2012 4-6	2012 1-3	2011 10-12	2011 7-9	2011 4-6	2011 1-3
Industry Solutions	**138**	143	147	119	138	130
Enterprise Solutions	**67**	72	71	59	53	67
Managed Services and Transformation	**166**	172	182	159	179	172
Product Engineering Solutions	**86**	81	90	77	92	92
Group total	**456**	467	490	415	462	462

The comparison figures for 2011 have changed due to the transfer of businesses between the business lines at the beginning of 2012.

Net sales by customer sector, EUR million

	2012 4-6	2012 1-3	2011 10-12	2011 7-9	2011 4-6	2011 1-3
Telecom	**143**	145	152	129	151	147
Finance	**88**	96	98	85	95	96
Industry sectors	**223**	226	240	200	216	219
Group total	**456**	467	490	415	462	462

Operating profit (EBIT) by market unit, EUR million

	2012 4-6	2012 1-3	2011 10-12	2011 7-9	2011 4-6	2011 1-3
Finland and the Baltic countries	**7.9**	17.3	23.9	17.3	4.2	13.4
Scandinavia	**-2.5**	5.5	2.4	6.0	5.1	5.2
Central Europe & Russia	**-9.5**	-4.2	-6.8	-3.6	-5.6	-5.0
Global Accounts	**5.1**	30.2	9.6	11.9	18.5	15.4
Steering Functions and Global Management	**-4.7**	-7.0	-2.9	-2.3	-3.1	-5.4
Operating profit (EBIT)	**-3.7**	41.7	26.1	29.2	19.2	23.6

Operating margin (EBIT) by market unit, %

	2012 4-6	2012 1-3	2011 10-12	2011 7-9	2011 4-6	2011 1-3
Finland and the Baltic countries	**4.2**	9.0	11.9	10.2	2.4	7.3
Scandinavia	**-1.9**	3.9	1.6	5.0	3.7	3.7
Central Europe & Russia	**-31.1**	-12.5	-18.9	-11.5	-17.1	-15.9
Global Accounts	**3.0**	17.3	5.2	7.4	9.6	8.1
Operating margin (EBIT)	**-0.8**	8.9	5.3	7.1	4.1	5.1

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

	2012 4-6	2012 1-3	2011 10-12	2011 7-9	2011 4-6	2011 1-3
Finland and the Baltic countries	**15.6**	17.2	24.6	19.4	4.1	13.6
Scandinavia	**7.7**	6.2	2.4	8.6	9.2	5.2
Central Europe & Russia	**-3.7**	-4.1	-5.3	-3.6	-5.4	-5.0
Global Accounts	**9.8**	15.6	15.3	12.5	18.5	15.4
Steering Functions and Global Management	**-1.3**	-7.0	-2.8	-2.4	-2.1	-5.3
Operating profit (EBIT)	**28.2**	28.0	34.2	34.5	24.5	23.9

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

	2012 4-6	2012 1-3	2011 10-12	2011 7-9	2011 4-6	2011 1-3
Finland and the Baltic countries	**8.2**	8.9	12.2	11.5	2.3	7.4
Scandinavia	**5.7**	4.4	1.6	7.2	6.6	3.7
Central Europe & Russia	**-11.9**	-12.1	-14.7	-11.4	-16.5	-15.8
Global Accounts	**5.7**	8.9	8.3	7.7	9.6	8.1
Operating margin (EBIT)	**6.2**	6.0	7.0	8.3	5.3	5.2

Major shareholders on 30 June 2012

		Shares	%
1	Cevian Capital *)	11 073 614	15.3
2	Solidium Oy	7 415 418	10.3
3	Ilmarinen Mutual Pension Insurance Co.	3 209 460	4.4
4	Varma Mutual Pension Insurance Co.	2 859 749	4.0
5	OP-Pohjola Group Central Cooperative	2 359 180	3.3
6	Etera Mutual Pension Insurance Co.	2 058 764	2.8
7	Swedbank Robur fonder	1 688 448	2.3
8	Svenska Litteratursällskapet i Finland	1 491 345	2.1
9	The State Pension fund	873 000	1.2
10	Tapiola Pension	700 000	1.0
		33 728 978	46.7
	Nominee registered	34 828 336	48.2
	Others	3 717 553	5.1
	Total	**72 274 867**	**100.0**

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

*) Based on the ownership records of Euroclear Finland Oy, Cevian Capital´s holding on 30 April 2012 was 11 073 614 shares, representing 15.3% of the shares and voting rights.

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Press conference for analysts and media will be held at Tieto's premises in Helsinki (address: Aku Korhosen tie 2–6) at 9.30 am EET (8.30 am CET 7.30 am UK time). The results will be presented in English by Kimmo Alkio, President and CEO.

The conference will be webcasted and published live on Tieto's website www.tieto.com/investors and there will be a possibility to present questions online. An on-demand video will be available after the conference.

Tieto publishes financial information in English, Finnish and Swedish. All releases are posted in full on Tieto's website as soon as they are published.

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