Q1 2014

Interim Report 1/2014
January–March

Continued profitability improvement – encouraging growth in IT services

- In IT services, organic growth in local currencies at 3%
- Improved performance in Consulting and System Integration and Managed Services
- Volatility in Product Development Services continues

Key figures

- Net sales in local currencies were organically down by 1.4%
- In IT services, organic growth in local currencies up at 3.3%
- First-quarter operating profit excl. one-off items rose to EUR 34.5 (31.0) million, margin increased to 8.9% (7.3)

	1–3/2014	1–3/2013[2)]
Net sales, EUR million	387.0	423.9
Change, %	-8.7	n/a
Organic change in local currencies, %	-1.4	n/a
Operating profit (EBITA), EUR million	34.4	30.3
Operating margin (EBITA), %	8.9	7.2
Operating profit (EBIT), EUR million	34.0	29.3
Operating margin (EBIT), %	8.8	6.9
Operating profit (EBIT) excl. one-off items[1)], EUR million	34.5	31.0
Operating margin (EBIT) excl. one-off items[1)], %	8.9	7.3
Profit after taxes, EUR million	24.6	21.4
EPS, EUR	0.34	0.30
Net cash flow from operations, EUR million	50.0	50.0
Return on equity, 12-month rolling, %	13.5	3.7
Return on capital employed, 12-month rolling, % [3)]	15.3	8.1
Investments, EUR million	13.4	17.3
Interest-bearing net debt, EUR million	-20.5	18.3
Net debt/EBITDA	-0.1	0.1
Book-to-bill	1.0	0.9
Order backlog	1 582	1 468
Personnel on 31 March	14 102	15 845

[1)] Excl. capital gains, impairments and restructuring costs
[2)] Figures restated according to IFRS 11 ‘Joint arrangements’
[3)] The figure for 2013 restated according to the new calculation of the figure. The new definition on page 13.

Full-year outlook for 2014

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

CEO’s comment

Comment regarding the interim report by Kimmo Alkio, President and CEO:
“I’m pleased with the strong execution across many of our businesses in the first quarter. The combination of our strong order book and profitability of close to 9% reflects both our improved competitiveness in IT services and potential for sustainable profit improvement. The efficiency measures we have taken are visible in most of our businesses. However, we continue to face challenges in Product Development Services.

This was the first quarter during which the Consulting and System Integration service line demonstrated clear performance improvement. In Managed Services, the positive development in both cloud services and profitability continued. Our longer-term growth investments in areas such as Customer Experience Management, Industrial Internet, Lifecare and cloud services are well positioned to help us take advantage of current market demand.

While the first-quarter profitability performance reflects clear improvement in utilization rates, both competitiveness and profitability will remain high on our agenda. New technologies, such as cloud services, will continue to play a big role in driving efficiency and supporting renewal of our customers’ business. This, coupled with simplification and automation enable continuous efficiency improvement. At Tieto, we are well positioned to harness new technologies in driving our competitiveness.”

Market development

Tieto expects the Nordic overall market to grow by around 2% in 2014. Clients continue to look for ways to apply new technologies to achieve additional cost savings and for ways to become more competitive in their business. New technology provides good opportunities for the renewal of old legacy systems and transformation into new platforms combining traditional IT with scalable and flexible IT environments. These environments help customers lower the total cost of ownership and enable the efficient utilization of mobility and big data and thereby help clients seek new approaches to customer interaction. Application outsourcing is experiencing healthy demand, but price competition is strong in this area. In addition to traditional application outsourcing, there are good opportunities to modernize application platforms.

In the longer term, emerging trends like mobility, cloud, big data and social features enable the emergence of new services providing a high-level digital experience and efficiency of back-end processes. Tieto sees customer experience management, industrial internet and cloud services, among others, as future sources of high growth over the next few years.

- Customer experience management: the increasing use of smartphones and tablets, effective use of social media and higher end-user expectations for mobile and internet-based services are challenging the traditional differentiation of enterprises. Enterprises such as traditional retailers and banks must look for competitive advantage from customer interaction and experience to compete with quickly growing eCommerce. Changes in end-user behaviour and technology disruption open up new opportunities for vendors in the IT industry to provide innovative services with, for example, mobility and big data elements embedded. Big data is utilized to analyze massive amounts of data, such as information on customer behaviour, making it possible to establish new revenue streams.
- Industrial internet is expected to be one of the key growth drivers, especially in the manufacturing sector, as it is in its early stages. The manufacturing sector is becoming more and more data-intensive and knowledge-based. Big data can be used to analyze and visualize data that is collected with machine-to-machine connections from equipment and assets, and to provide real-time analysis and predictive recommendations for action. Real-time view of assets and data gathering, the capacity to handle extensive amounts of data and agile collaboration environments open new opportunities to create new business models, as improved service experience and efficiency enable growth of industrial services.
- Cloud services: technology disruption combined with changes in end-user behaviour is increasing the demand for new types of services. Traditional IT is becoming a legacy element due to the current focus on simplification, cost reduction and greater automation making services less labour-intensive and more cost-efficient. Customers are increasingly transferring their operations into scalable and flexible cloud environments. Scalability related to the 1-to-many service model enabled by the cloud and better server capacity utilization support good profitability for cloud services. Additionally, the higher level of automation increases operational efficiency.

Industry sector drivers

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

- In the **finance** sector, cost cutting and modernization are the key drivers in the Nordic market, especially in Finland. Front-end services and customer experience management remain as focus areas for both the banking and insurance sectors across all markets. The small and medium sized business segment is dominated by the “as a service” model and there is growing interest in “business process as a service” models.

- In the **public** sector, reduced central government spending has affected the activity level in Finland. At the same time, it is adding pressure to deploy shared IT services and utilize existing frame agreements. The new central government ICT Services Centre started its operations in March, although the reorganization may delay some development activities in Finland. In Sweden, efficiency and cost cutting continue to be key drivers.

- In the **healthcare and welfare** sector in Finland, a new healthcare and welfare model was recently introduced. The model opens up opportunities to move to fully integrated solutions and to grow services like Lifecare, an integrated healthcare and welfare application family. In the long term, the new model is expected to have a positive effect, while it may cause some postponements in the short term. In Sweden, the activity level has remained good, partly due to increasing regulation and national programmes to enhance information sharing.

- In the **manufacturing** sector, customers are cautious in starting development investments and are still scaling down their service levels. Cost savings and efficiency improvements in the demand supply chain are important drivers for initiating new IT projects. There is increasing interest in business intelligence and advanced analytics.

- In the **retail & logistics sector**, changes in consumer behaviour are driving the needs for change and transformation. Consumers are becoming more informed, are always connected and require the personalization of both services and goods. Retailers are catering to increasingly demanding consumers with more advanced commerce solutions in order to achieve better consumer understanding and customer engagement as well as increased revenue.

- In the **energy** utilities sector, clients are holding back investments due to cost savings programmes and regulatory changes related to the harmonization of the Nordic markets. The separation of retail and energy distribution drive investments in customer experience management. The market for advanced metering infrastructure in Norway is progressing and procurement processes are ongoing. The **oil & gas** market has remained active while cost cutting is currently on the agenda for oil & gas companies as well.

- The drop in both ad- and subscription-based revenue in the **media** sector has had a negative impact on IT investments. All new projects have short pay-back times or significant cost savings effects.

- In the **telecom** sector, telecom operators remain under pressure and continue to implement cost reduction programmes. Additionally, in this sector IT service providers are experiencing aggressive competition. However, customers’ initiatives to improve efficiency open up new transformation opportunities.

- In the market for **telecom product development**, customers continue to experience cost pressures and intense competition, which is partly due to new types of players entering the market. Intensified insourcing trend has resulted in reduced external R&D spending and greater competition for the remaining part. In the longer term, the demand for new technologies to handle the traffic from a growing number of connected devices will continue to increase, as will the appetite for a diverse range of end-user devices.

Company strategy

Tieto provides the full stack of integration and operations management services complemented with its own products. In 2014, the company will invest in offerings representing high-growth technologies and scalable services in its selected markets. Due to this total service offering, strong offshore capability and continued improvements in cost structure, the company is highly competitive in its target markets.

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

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

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

Investments in other key services to enhance scalability of selected key offerings

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

In Consulting and System Integration (CSI), key offerings within Business and IT Transformation and Customer Experience Management practices have comprised a development area. Additionally, Tieto is in the process of increasing industrialization in application management and infrastructure management with a view to being a strong partner for its customers, not only in these service areas but also in the transformation towards leaner IT.

Investments in Lifecare are accelerating during 2014 and the application family has grown. Several new launches have taken and will take place during the year, including applications in the areas of digital self-registration and the overview supporting mobility and national interoperability across the healthcare and welfare sector.

In Industrial Internet, Tieto's early-stage investment, the focus has been on the design of the organization and customer collaboration. The maturity level for adopting services in this area varies from customer to customer. Based on this, offering development has been started with a special focus on machine connectivity and data storing capabilities.

Tieto's cloud-related sales including all service lines account for a few percentage points of the company's net sales. In Managed Services, Tieto's offerings launched at the end of 2012 continue to see strong demand. These offerings currently represent over 5% of Managed Services' sales and close to 20% of its new orders.

Tieto anticipates that investments (OPEX) in development and innovation will increase by close to EUR 10 million in 2014 compared with 2013 (EUR 40 million in 2013) and will be more focused on the selected offerings. In the first quarter, development costs were only slightly higher and are expected to see a more substantial rise in the second half of 2014. Capital expenditure (CAPEX) in 2014 is anticipated to remain at the level of 3–4% of sales, which is below the current depreciation level (EUR 78.3 million in 2013).

New technology driving competence transformation and efficiency improvement

Tieto foresees that in the coming years, technology disruption and the changes in customer requirements will affect the whole IT industry, calling for continued efficiency improvement. Based on simplification of applications and infrastructure landscapes as well as automation via self-service channels, IT service providers will see their efficiency rise to new levels.

Over the course of this change, companies must renew their competence structures and enhance their competence base to match the needs related to new types of services. Roles like project managers, user experience experts, business analysts, vertical experts and integration experts will increase in number while there will be a reduced need for certain existing competencies in areas such as customized solutions. This change coupled with the offshoring trend may drive continued restructuring.

Performance improvement in 2014

The market for new technologies will continue to grow whereas sales of traditional services may decline. Sales development in 2014 is subject to customers' IT spend, service focus and price development among other factors. In IT services, the company's objective is to grow organically in line with the market. In Product Development Services, fluctuations are anticipated to continue due to customers' cost savings measures and the intensification of the insourcing trend. The challenging operating environment is expected to lead to a sales decline in Product Development Services in the full year 2014 compared with the previous year.

Tieto implemented several divestments in 2012 and 2013, the largest of which was the divestment of local German and Dutch businesses. In the first quarter, Tieto divested its security solutions business in Denmark with annual sales of around EUR 2 million. The 2013 sales of divested businesses amounted to around EUR 43 million, affecting comparability with the 2014 sales. Tieto will continue to monitor its businesses with the long-term target of increasing scalability and efficiency within the company.

Tieto launched an efficiency programme in 2013 with a view to achieving annualized cost savings of over EUR 50 million as from the second quarter of 2014. The programme was concluded in the first quarter. The redundancies will amount in total to 1 200 of which 64% will materialize in Finland and Sweden, 4% in other local markets and 32% in offshore countries. More than 400 will be accounted for by CSI, close to 300 by Managed Services, around 300 by Product Development Services, and the rest by administration and sales. Of the redundancies, around 880 materialized during 2013, close to 200 in the first quarter and the rest in the second quarter of 2014.

The positive impact of the redundancies on the cost base amounted to over EUR 10 million in the first quarter. The company currently estimates that in 2014, cost savings will amount to over EUR 50 million, of which EUR 40 million is incremental to 2013. The provisions booked in 2013 covered the measures implemented in the first quarter of 2014.

Tieto has seen significant restructuring costs over the past years, partly due to the transformation of the company. To ensure that Tieto can profitably deliver high-quality services at competitive prices, the company will continue to focus on improving efficiency. Going forward, new technologies and standardization drive industry changes towards less labour-intensive solutions, especially in areas where automation and industrialization will bring efficiency.

Going forward, restructuring needs will be based on potential overcapacity in selected businesses, automation and the need to realign the company's competence base. Based on the current estimate for 2014, Tieto anticipates that its restructuring costs will amount to around half of the previous year's level.

Financial performance in January–March

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

First-quarter net sales were down by 8.7% and amounted to EUR 387.0 (423.9) million. Divestments had a negative impact of EUR 21 million and currency fluctuations a negative impact of EUR 11 million on sales. Organically, net sales in local currencies declined by 1.4%. In IT services, net sales in local currencies were organically up by 3.3%. Clients in Product Development Services continued to cut external spending, reflecting an intensified insourcing trend.

First-quarter operating profit (EBIT) amounted to EUR 34.0 (29.3) million, representing a margin of 8.8% (6.9). Operating profit included EUR 0.7 million in restructuring costs and EUR 0.2 million in capital gains. Operating profit excl. one-off items[1)] stood at EUR 34.5 (31.0) million, or 8.9% (7.3) of net sales. The efficiency programme had a positive effect of over EUR 10 million on operating profit compared with the first quarter of 2013. The positive development was partly offset by the negative price development as well as salary inflation. Currency changes did not have any significant impact on operating profit.

Depreciation and amortization amounted to EUR 15.4 (21.2) million. The decrease is mainly due to a major mainframe and software agreement. Due to this agreement, depreciation is decreasing while software costs are up. Net financial expenses stood at EUR 1.2 (1.5) million in the first quarter. Net interest expenses were EUR 0.8 (1.2) million and net losses from foreign exchange transactions EUR 0.1 (positive 0.0) million. Other financial income and expenses amounted to EUR -0.3 (-0.3) million.

First-quarter earnings per share (EPS) totalled EUR 0.34 (0.30). Earnings per share excluding one-off items[1)] and the non-recurring taxes related to the divestment amounted to EUR 0.34 (0.32).

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

Financial performance by service line

EUR million	Customer sales 1–3/2014	Customer sales 1–3/2013	Change, %	Operating profit 1–3/2014	Operating profit 1–3/2013
Managed Services	127	120	6	10.9	0.7
Consulting and System Integration	100	108	-8	11.1	3.8
Industry Products	100	109	-8	15.5	17.6
Product Development Services	60	86	-30	1.1	9.3
Support Functions and Global Management				-4.6	-2.1
Total	**387**	**424**	**-9**	**34.0**	**29.3**

Operating margin by service line

%	Operating margin 1–3/2014	Operating margin 1–3/2013	Operating margin excl. one-off items[1)] 1–3/2014	Operating margin excl. one-off items[1)] 1–3/2013
Managed Services	8.5	0.6	8.4	0.3
Consulting and System Integration	11.1	3.5	11.2	4.7
Industry Products	15.4	16.1	15.4	16.1
Product Development Services	1.9	10.8	2.6	11.6
Total	**8.8**	**6.9**	**8.9**	**7.3**

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

Organic change in local currency by service line

EUR million	Customer sales adj. for acquisitions and currency 1–3/2014	Customer sales adj. for divestments 1–3/2013	Change, %
Managed Services	130	120	9
Consulting and System Integration	100	101	-1
Industry Products	106	104	1
IT services	**336**	**325**	**3**
Product Development Services	61	78	-21
Total	**397**	**403**	**-1**

The following divestments affected first-quarter sales: local businesses in Germany and the Netherlands, the forest business in the UK and the security solutions business in Denmark. Additionally, the acquisition of Canvisa Consulting is eliminated.

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

In Managed Services, sales in local currencies grew organically by 9%. The market for projects to transform ICT infrastructure to cloud-based environments remained strong in the first quarter and sales of cloud services amounted to EUR 7 million. Cloud services account for over 5% of net sales while they represent close to 20% of order intake. The growth is partly attributable to an internal transfer of some business operations in Tieto's joint venture in the finance sector and the comparable growth was 5%. Good volume development coupled with efficiency improvements and an increase of 3% in the offshore rate resulted in positive profitability improvement.

In Consulting and System Integration, sales for customer experience management and transformation consulting aiming at designing efficient up-to-date application and infrastructure architectures saw healthy growth. Traditional application management continued to experience reduced revenues as the opportunity to increase efficiency and automation did not as yet contribute to order intake. The Finnish public sector and the telecom sector continued to experience negative development whereas in the finance sector, sales were up. Challenges in some risk projects in the Finnish public sector have continued while the quality costs in total have decreased. Substantial improvement in the utilization rate was the main contributor to the profit improvement.

In Industry Products, sales in local currencies were organically up by 1%. Good development in the maintenance area continued and the product for the forest segment saw strong growth. Sales in the finance sector and the healthcare and welfare sector were growing slightly. Mobility and investments in customer experience management drive investments. Comparable margin for the first quarter of 2014 was at the previous year's level. Comparability of operating margin was affected by the new IFRS 11 –based treatment of Fidenta's divested business. Profitability is typically lower in the first half of the year.

In Product Development Services (PDS), sales continued to decrease due to customers' cost savings pressures and some key customers' insourcing strategies, a trend that has intensified during the past months. PDS has made over ten new customer wins during the past year although first engagements with customers usually start small and the overall financial impact is still limited. PDS has adjusted its operations during the past quarters to offset the negative impact of the volume drop and these actions will continue. Fluctuations in demand are expected to continue and sales for the full year are expected to decline from the 2013 level.

Customer sales by industry group

EUR million	Customer sales 1–3/2014	Customer sales 1–3/2013	Change, %
Financial Services	83	80	4
Manufacturing, Retail and Logistics	79	76	3
Public, Healthcare and Welfare	100	107	-6
Telecom, Media and Energy	65	74	-12
Product Development Services	60	86	-30
Total	**387**	**424**	**-9**

Organic change in local currency by industry group

EUR million	Customer sales adj. for acquisitions and currency 1–3/2014	Customer sales adj. for divestments 1–3/2013	Change, %
Financial Services	85	79	8
Manufacturing, Retail and Logistics	80	75	6
Public, Healthcare and Welfare	103	101	1
Telecom, Media and Energy	69	70	-2
IT services	**336**	**325**	**3**
Product Development Services	61	78	-21
Total	**397**	**403**	**-1**

The following divestments affected first-quarter sales: local businesses in Germany and the Netherlands, the forest business in the UK and the security solutions business in Denmark. Additionally, the acquisition of Canvisa Consulting is eliminated.

In Financial Services, sales in local currencies grew organically by 8%. Infrastructure outsourcing and front-end services were key revenue drivers in the first quarter. Growth was strongest in Sweden where several deals contributed to growth. Growth is also attributable to the transfers of some certain business operations in joint ventures and the comparable growth was 2%.

In Manufacturing, Retail and Logistics, sales in local currencies grew organically by 6%, mainly due to several new agreements concluded during the past months. Tieto’s industry-specific product for the forest segment contributed to good sales development. The retail sector also posted growth. The market is active and customers are focusing on new ways to interact with customers.

In Public, Healthcare and Welfare, sales in local currencies were organically up by 1%. The healthcare and welfare segment sales were slightly up. The public sector in Sweden was growing whereas the sales decline in the Finnish public sector continued. In addition to reduced government spending, the reorganization of the central government ICT Services Centre may have postponed some development activities.

In Telecom, Media and Energy, sales in local currencies were slightly down when excluding the divestments. The oil&gas and utilities segments posted slight growth, while in the telecom sector, volumes continued to decline as certain projects ended. In the telecom sector, sales in local currencies were organically down by close to 3%, which is reflected mainly in the CSI service line.

Cash flow, financing and investments

First-quarter net cash flow from operations amounted to EUR 50.0 million (50.0), including the decrease of EUR 2.7 (increase 0.2) million in net working capital. There was only a minor change in net working capital as is typical of the first quarter. Payments for restructuring, which have a negative impact on cash flow, amounted to about EUR 12 million (negative) in the first quarter. The restructuring-related cash flow in the second quarter is anticipated to remain at the level of the first quarter.

Tax payments were EUR 6.3 (4.1) million.

There were no payments for acquisitions in the first quarter of 2014 (nor in 2013).

First-quarter capital expenditure totalled EUR 13.4 (17.3) million, of which paid EUR 13.4 million (13.3). Capital expenditure represented 3.5% (4.1) of net sales and was mainly related to data centres.

The equity ratio was 44.9% (43.2). Gearing decreased to -4.3% (3.7). Net debt totalled EUR -20.5 (18.3) million, including EUR 120.0 million in interest-bearing debt, EUR 3.1 million in finance lease liabilities, EUR 5.7 million in finance lease receivables, EUR 1.6 million in other interest-bearing receivables and EUR 136.3 million in cash and cash equivalents.

The EUR 100 million bond matures in May 2019 and it carries a coupon of fixed annual interest of 2.875%. Interest-bearing long-term loans amounted to EUR 102.0 million at the end of March. Interest-bearing short-term loans amounted to EUR 18.0 million, including EUR 10 million in commercial papers issued under the EUR 250 million commercial paper programme. Other short-term interest-bearing loans of EUR 8.0 million were mainly related to an agreement for software license financing and joint venture cash pool balances. The syndicated revolving credit facility of EUR 100 million maturing in May 2016 was not in use at the end of March.

Order backlog

The quarter closed with a healthy order intake. Total Contract Value (TCV) amounted to EUR 402 (346) million, up by 16%. According to the current definition for TCV, the total value, including the part beyond the notice period, is included in the TCV. Tieto estimates that the change in the definition did not have any significant impact on the figure. First-quarter book-to-bill stood at 1.0 (0.9).

At the end of the period, the backlog amounted to EUR 1 582 (1 468) million. The comparison figure includes EUR 34 million in order backlog for the divested businesses. In total, 49% (51) of the backlog is expected to be invoiced during 2014.

Business transactions in January–March

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

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

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

Major agreements in January–March

Financial Services

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

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

Manufacturing, Retail and Logistics

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

In March, HSB and Tieto concluded a new three-year agreement on infrastructure services with a total contract value of EUR 5 million. The contract is based on Tieto Cloud server and Tieto Workspace service solutions and will bring significant cost savings and long-term flexibility for HSB.

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

Public, Healthcare and Welfare

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

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

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

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

Telecom, Media and Energy

Telecom, Media and Energy experienced a solid inflow of new contracts, mainly in the oil & gas sector, as well as a number of smaller agreements across industries.

Personnel

The number of full-time employees amounted to 14 102 (15 845) at the end of March. The number of full-time employees in the global delivery centres totalled 6 407 (6 826), or 45.4% (43.1) of all personnel. In Product Development Services, the offshore rate rose to 60.4% (57.9). In IT services, the offshore rate continued to rise and stood at 41.8% (38.3) at the end of March.

During the three-month period, the number of full-time employees decreased by a net amount of over 200. A decrease of close to 200 is based on redundancies. Additionally, the change was attributable to natural attrition.

The 12-month rolling employee turnover stood at 9.3% (9.9) at the end of March. The average number of full-time employees was 14 196 (15 911) in the first quarter.

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

Annual General Meeting

Tieto's Annual General Meeting on 20 March approved the financial statements for 2013, decided to distribute a dividend of EUR 0.90 per share and discharge the company's officers from liability for the financial year 2013.

The meeting re-elected the Board's current members Kurt Jofs, Eva Lindqvist, Sari Pajari, Risto Perttunen, Markku Pohjola, Teuvo Salminen and Jonas Synnergren. Endre Rangnes was elected as a new member. Markku Pohjola was re-elected as the Chairman of the Board of Directors.

At its constitutive meeting after the AGM, the Board of Directors elected Kurt Jofs as its Deputy Chairman. The Board also appointed a Remuneration Committee comprising of Markku Pohjola (Chairman), Kurt Jofs, Sari Pajari and Risto Perttunen, and an Audit and Risk Committee comprising of Teuvo Salminen (Chairman), Eva Lindqvist, Endre Rangnes and Jonas Synnergren.

The meeting re-elected the firm of authorized public accountants PricewaterhouseCoopers Oy as the company's auditor for the financial year 2014.

Management

In February, Håkan Dahlström was appointed as Executive Vice President, Public, Healthcare & Welfare and a member of the Tieto Leadership Team as of 1 April 2014.

Shares and share-based incentives

Between 12 November and 31 December 2013, a total of 11 100 new Tieto shares were subscribed for with the company's stock options 2009A. For subscriptions made with the stock options 2009A, the entire subscription price of EUR 63 048.00 was entered in the reserve for invested unrestricted equity. The shares were registered in the Trade Register on 17 January 2014. As a result of the subscriptions, the number of Tieto shares rose to 73 143 467.

On 21 February, the Board of Directors decided on a directed share issue related to the reward payment for the performance period 2012 of Tieto's Long-Term Incentive Programme 2012–2014. In the share issue, a total of 31 174 Tieto shares held by the company were to be conveyed without consideration to the key employees participating in the programme. Due to the changes in the employment of one participant, the number of shares conveyed was 199 shares lower. After the share delivery, the company held a total of 510 819 own shares, representing 0.7% of the total number of shares and voting rights. The number of outstanding shares, excluding the treasury shares, was 72 632 648 at the end of the period.

Additional information regarding shares and shareholders is available at www.tieto.com/Investors.

Events after the period

Tieto's agreement with Siemens to acquire part of Siemens Convergence Creators' businesses was closed on 1 April. Details of the agreement are available in the section "Business transactions in January–March".

Between 1 January and 31 March 2014, a total of 334 512 new Tieto shares were subscribed for with the company's stock options. For subscriptions made with the stock options, the entire subscription price of EUR 2 828 943.63 will be entered in the reserve for invested unrestricted equity. As a result of the subscriptions, the number of Tieto shares increased to 73 477 979. The new shares were registered in the Trade Register on 15 April 2014.

Near-term risks and uncertainties

Slow growth in Europe might lead to continued weakness in the IT services market as well. As Tieto's top 10 customers account for 35% of its net sales, the company's development is relatively sensitive to changes in the demand from large customers.

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

As is typical of Product Development Services, visibility is weak due to the short order backlog. Overall, the challenging business environment and the intensified insourcing trend in the telecom sector might have a negative impact on the company going forward. The company has initiated efficiency measures to adjust its resources and closely monitors the development of demand.

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

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

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

Full-year outlook for 2014

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

Auditing

The figures in this report are unaudited.

Financial calendar 2014

18 July	Interim report 2/2014 (8.00 am EET)
23 October	Interim report 3/2014 (8.00 am EET)

Accounting policies 2014

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

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

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

Key figures

	2014 1–3	2013 1–3	2013 1–12
Earnings per share, EUR			
Basic	0.34	0.30	0.86
Diluted	0.34	0.30	0.86
Equity per share, EUR	6.56	6.79	7.08
Return on equity, 12-month rolling, %	13.5	3.7	12.0
Return on capital employed, 12-month rolling, % *)	15.3	8.1	13.5
Equity ratio, %	44.9	43.2	49.3
Interest-bearing net debt, EUR million	-20.5	18.3	15.5
Gearing, %	-4.3	3.7	3.0
Investments, EUR million	13.4	17.3	71.7

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

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

Number of shares

	2014 1–3	2013 1–3	2013 1–12
Outstanding shares, end of period			
Basic	72 632 648	71 952 257	72 590 573
Diluted	73 087 532	72 556 343	72 894 452
Outstanding shares, average			
Basic	72 613 122	71 918 113	72 369 221
Diluted	73 042 223	72 563 601	72 677 909
Company's possession of its own shares			
End of period	510 819	540 302	541 794
Average	528 372	552 658	543 402

Income statement, EUR million

	2014 1–3	2013 1–3	Change %	2013 1–12
Net sales	387.0	423.9	-9	1 606.8
Other operating income	3.8	4.0	-5	18.1
Employee benefit expenses	217.4	248.5	-13	923.7
Depreciation, amortization and impairment charges	15.4	21.2	-27	89.7
Other operating expenses	125.1	131.4	-5	533.1
Share of profit from investments accounted for using the equity method	1.1	2.5	-56	7.3
Operating profit (EBIT)	34.0	29.3	16	85.7
Interest and other financial income	0.2	1.3	-85	5.3
Interest and other financial expenses	-1.3	-2.8	-54	-12.7
Net exchange gains/losses	-0.1	0.0	-	0.8
Profit before taxes	32.8	27.8	18	79.1
Income taxes	-8.2	-6.4	28	-16.9
Net profit for the period	**24.6**	**21.4**	**15**	**62.2**
Net profit for the period attributable to				
Shareholders of the Parent company	24.6	21.4	15	62.2
Non-controlling interest	0.0	0.0	-	0.0
	24.6	**21.4**	**15**	**62.2**
Earnings per share attributable to the shareholders of the Parent company, EUR				
Basic	0.34	0.30	13	0.86
Diluted	0.34	0.30	13	0.86
Statement of comprehensive income, EUR million				
Net profit for the period	24.6	21.4	15	62.2
Items that may be reclassified subsequently to profit or loss				
Translation differences	-0.8	2.4	-	-21.2
Cash flow hedges (net of tax)	0.5	-0.7	-	-1.8
Items that will not be reclassified subsequently to profit or loss				
Actuarial gain/loss on post employment benefit obligations (net of tax)	0.0	0.0	-	3.3
Total comprehensive income	**24.3**	**23.1**	5	**42.5**
Total comprehensive income attributable to				
Shareholders of the Parent company	24.3	23.1	5	42.5
Non-controlling interest	0.0	0.0	-	0.0
	24.3	**23.1**	**5**	**42.5**

Balance sheet, EUR million

	2014 31 Mar	2013 31 Mar	Change %	2013 31 Dec
Goodwill	371.1	383.9	-3	372.3
Other intangible assets	43.2	51.1	-15	44.1
Property, plant and equipment	93.2	100.3	-7	94.6
Investments accounted for using the equity method	16.7	18.1	-8	21.5
Deferred tax assets	25.8	29.5	-13	27.3
Finance lease receivables	2.6	4.6	-43	1.9
Other interest-bearing receivables	1.4	1.8	-22	1.6
Available-for-sale financial assets	0.7	0.7	0	0.7
Total non-current assets	554.7	590.0	-6	564.0
Trade and other receivables	415.8	473.1	-12	395.9
Pension benefit assets	6.5	-	-	5.8
Finance lease receivables	3.1	3.2	-3	4.3
Other interest-bearing receivables	0.2	1.2	-83	0.3
Current income tax receivables	11.9	5.1	133	10.2
Cash and cash equivalents	136.3	93.1	46	114.1
Total current assets	573.8	575.7	0	530.6
Assets classified as held for sale	-	47.3	-	-
Total assets	**1 128.5**	**1 213.0**	**-7**	**1 094.6**
Share capital, share issue premiums and other reserves	122.0	119.3	2	122.3
Share issue based on stock options	2.8	-	-	0.1
Retained earnings	351.3	369.2	-5	391.7
Parent shareholders' equity	476.1	488.5	-3	514.1
Non-controlling interest	0.1	0.2	-50	0.1
Total equity	476.2	488.7	-3	514.2
Loans	102.1	3.8	2 587	103.1
Deferred tax liabilities	25.4	25.5	0	25.6
Provisions	9.1	6.0	52	9.1
Pension obligations	19.2	25.7	-25	19.1
Other non-current liabilities	2.8	4.0	-30	3.0
Total non-current liabilities	158.6	65.0	144	159.9
Trade and other payables	429.9	461.3	-7	334.8
Current income tax liabilities	9.2	7.3	26	7.0
Provisions	33.6	26.6	26	44.2
Loans	21.0	118.5	-82	34.5
Total current liabilities	493.7	613.7	-20	420.5
Liabilities classified as held for sale	-	45.6	-	-
Total equity and liabilities	**1 128.5**	**1 213.0**	**-7**	**1 094.6**

Net working capital in the balance sheet, EUR million

	2014 31 Mar	2013 31 Mar	Change %	2013 31 Dec
Accounts receivable	291.1	342.1	-15	299.1
Other working capital receivables	114.8	118.5	-3	87.6
Working capital receivables included in assets	**405.9**	**460.6**	**-12**	**386.7**
Accounts payable	74.1	78.6	-6	84.4
Personnel related accruals	148.2	168.6	-12	131.4
Other working capital liabilities	184.2	186.8	-1	172.5
Working capital liabilities included in current liabilities	**406.5**	**434.0**	**-6**	**388.3**
Net working capital in the balance sheet	**-0.6**	**26.6**	**-102**	**-1.6**

At the end of March 2013 working capital receivables EUR 33.2 million and working capital liabilities EUR 25.8 million were classified as held for sale.

Cash flow, EUR million

	2014 1–3	2013 1–3	2013 1–12
Cash flow from operations			
Net profit	24.6	21.4	62.2
Adjustments			
Depreciation, amortization and impairment charges	15.4	21.2	89.7
Share-based payments	0.0	0.4	0.8
Profit/loss on sale of fixed assets and shares	-0.2	0.1	-1.4
Share of profit from investments accounted for using the equity method	-1.1	-2.5	-7.3
Other adjustments	-0.1	1.2	-9.2
Net financial expenses	1.2	1.5	6.6
Income taxes	8.2	6.4	16.9
Change in net working capital	2.7	-0.2	24.0
Cash generated from operations	50.7	49.5	182.3
Net financial expenses paid	-0.3	-3.0	-12.1
Dividends received from investments accounted for using the equity method	5.9	7.6	7.6
Income taxes paid	-6.3	-4.1	-18.8
Net cash flow from operations	**50.0**	**50.0**	**159.0**
Cash flow from investing activities			
Acquisition of Group companies and business operations, net of cash acquired	-	-	-1.7
Capital expenditures	-13.4	-13.3	-58.5
Disposal of Group companies and business operations, net of cash disposed	0.6	-0,0	-17.3
Sales of fixed assets	0.0	0.0	1.2
Change in loan receivables	0.7	-0.4	2.1
Net cash used in investing activities	**-12.1**	**-13.7**	**-74.2**
Cash flow from financing activities			
Dividends paid	-	-	-59.7
Exercise of stock options	0.1	1.2	7.1
Payments of finance lease liabilities	-0.9	-2.8	-5.4
Change in interest-bearing liabilities	-13.6	-5.7	6.0
Net cash used in financing activities	**-14.4**	**-7.3**	**-52.0**
Change in cash and cash equivalents	**23.5**	**29.0**	**32.8**
Cash and cash equivalents at the beginning of period	114.1	75.8	75.8
Foreign exchange differences	-1.3	2.0	5.5
Assets classified as held for sale	-	-13.7	-
Change in cash and cash equivalents	23.5	29.0	32.8
Cash and cash equivalents at the end of period	**136.3**	**93.1**	**114.1**

Statement of changes in shareholders' equity, EUR million

	Parent shareholders' equity									Non-controlling interest	Total equity
	Share capital	Share issue premiums and other reserves	Share issue based on stock options	Own shares	Translation differences	Cash flow hedges	Invested unrestricted equity reserve	Retained earnings	Total		
At 1 Jan 2013	**75.9**	**41.4**	**1.2**	**-11.6**	**8.4**	**0.1**	**2.2**	**406.7**	**524.3**	**0.2**	**524.5**
Comprehensive income											
Net profit for the period								21.4	21.4	0.0	21.4
Other comprehensive income											
Actuarial gain on post employment benefit obligations (net of tax)								0.0	0.0		0.0
Translation difference		0.8			-1.7			3.3	2.4		2.4
Cash flow hedges (net of tax)						-0.7			-0.7		-0.7
Total comprehensive income		**0.8**			**-1.7**	**-0.7**		**24.7**	**23.1**	**0.0**	**23.1**
Transactions with owners											
Share-based payments recognized against equity								0.8	0.8		0.8
Dividend								-59.7	-59.7		-59.7
Share subscriptions based on stock options	0.1	1.1	-1.2				0.0		0.0		0.0
Non-controlling interest											0.0
Total transactions with owners	**0.1**	**1.1**	**-1.2**				**0.0**	**-58.9**	**-58.9**	**0.0**	**-58.9**
Impact on investments accounted for using the equity method								**0.0**	**0.0**		**0.0**
At 31 Mar 2013	**76.0**	**43.3**	**0.0**	**-11.6**	**6.7**	**-0.6**	**2.2**	**372.5**	**488.5**	**0.2**	**488.7**

	Parent shareholders' equity									Non-controlling interest	Total equity
	Share capital	Share issue premiums and other reserves	Share issue based on stock options	Own shares	Translation differences	Cash flow hedges	Invested unrestricted equity reserve	Retained earnings	Total		
At 31 Dec 2013	**76.5**	**45.8**	**0.1**	**-11.6**	**-26.6**	**-1.7**	**3.1**	**428.5**	**514.1**	**0.1**	**514.2**
Comprehensive income											
Net profit for the period								24.6	24.6	0.0	24.6
Other comprehensive income											
Actuarial gain on post employment benefit obligations (net of tax)								0.0	0.0		0.0
Translation difference		-0.3			-2.2			1.7	-0.8		-0.8
Cash flow hedges (net of tax)						0.5			0.5		0.5
Total comprehensive income		**-0.3**			**-2.2**	**0.5**		**26.3**	**24.3**	**0.0**	**24.3**
Transactions with owners											
Share-based payments recognized against equity								0.3	0.3		0.3
Dividend								-65.4	-65.4		-65.4
Share subscriptions based on stock options			-0.1				0.1		0.0		0.0
Share subscriptions based on stock options, not yet registered			2.8						2.8		2.8
Non-controlling interest											0.0
Total transactions with owners	**0.0**	**0.0**	**2.7**				**0.1**	**-65.1**	**-62.3**	**0.0**	**-62.3**
Impact on investments accounted for using the equity method								**0.0**	**0.0**		**0.0**
At 31 Mar 2014	**76.5**	**45.5**	**2.8**	**-11.6**	**-28.8**	**-1.2**	**3.2**	**389.7**	**476.1**	**0.1**	**476.2**

Segment information

Customer sales by service line, EUR million

	2014 1–3	2013 1–3	Change %	2013 1–12
Managed Services	127	120	6	492
Consulting and System Integration	100	108	-8	410
Industry Products	100	109	-8	416
Product Development Services	60	86	-30	289
Group total	**387**	**424**	**-9**	**1 607**

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

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

Customer sales by country, EUR million

	2014 1–3	Change %	Share %	2013 1–3	Share %	2013 1–12
Finland	181	-5	47	190	45	729
Sweden	140	-2	36	143	34	555
Other	67	-27	17	91	22	322
Group total	**387**	**-9**	**100**	**424**	**100**	**1 607**

Customer sales by industry group, EUR million

	2014 1–3	2013 1–3	Change %	2013 1–12
Financial Services	83	80	4	331
Manufacturing, Retail and Logistics	79	76	3	305
Public, Healthcare and Welfare	100	107	-6	403
Telecom, Media and Energy	65	74	-12	279
Product Development Services	60	86	-30	289
Group total	**387**	**424**	**-9**	**1 607**

Customer sales to the telecom sector were EUR 97 (126) million during January-March.

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

Operating profit (EBIT) by service line, EUR million

	2014 1-3	2013 1-3	Change %	2013 1–12
Managed Services	10.9	0.7	1 487.2	10.2
Consulting and System Integration	11.1	3.8	193.3	9.0
Industry Products	15.5	17.6	-12.2	81.2
Product Development Services	1.1	9.3	-87.7	8.4
Support Functions and Global Management	-4.6	-2.1	-117.3	-23.0
Operating profit (EBIT)	**34.0**	**29.3**	**16.1**	**85.7**

Operating margin (EBIT) by service line, %

	2014 1-3	2013 1-3	Change	2013 1–12
Managed Services	8.5	0.6	8.0	2.1
Consulting and System Integration	11.1	3.5	7.6	2.2
Industry Products	15.4	16.1	-0.7	19.5
Product Development Services	1.9	10.8	-8.9	2.9
Operating margin (EBIT)	**8.8**	**6.9**	**1.9**	**5.3**

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

	2014 1-3	2013 1-3	Change %	2013 1–12
Managed Services	10.7	0.3	3 153.0	21.0
Consulting and System Integration	11.2	5.1	119.0	32.0
Industry Products	15.4	17.6	-12.7	82.8
Product Development Services	1.6	10.0	-84.3	19.4
Support Functions and Global Management	-4.4	-2.0	-115.5	-14.2
Operating profit (EBIT)	**34.5**	**31.0**	**11.1**	**141.2**

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

	2014 1-3	2013 1-3	Change	2013 1–12
Managed Services	8.4	0.3	8.1	4.3
Consulting and System Integration	11.2	4.7	6.5	7.8
Industry Products	15.4	16.1	-0.8	19.9
Product Development Services	2.6	11.6	-9.0	6.7
Operating margin (EBIT)	**8.9**	**7.3**	**1.6**	**8.8**

Personnel by service line

	End of period 2014 1–3	Change %	Share %	2013 1–3	2013 1–12	Average 2014 1–3	2013 1–3
Managed Services	3 085	0	22	3 088	3 090	3 110	3 094
Consulting and System Integration	3 895	-9	28	4 289	3 986	3 911	4 297
Industry Products	2 950	-5	21	3 108	2 919	2 939	3 089
Product Development Services	3 027	-26	21	4 113	3 193	3 091	4 200
Service Lines total	**12 957**	**-11**	**92**	**14 598**	**13 188**	**13 052**	**14 680**
Industry Groups	406	-6	3	430	390	407	440
Support Functions and Global Management	740	-9	5	817	740	737	792
Group total	**14 102**	**-11**	**100**	**15 845**	**14 318**	**14 196**	**15 911**

Personnel by country

	End of period 2014 1–3	Change %	Share %	2013 1–3	2013 1–12	Average 2014 1–3	2013 1–3
Finland	4 350	-9	31	4 766	4 405	4 370	4 779
Sweden	2 611	-8	19	2 846	2 701	2 650	2 878
Czech Republic	1 934	1	14	1 913	1 940	1 943	1 911
India	1 602	1	11	1 590	1 591	1 595	1 570
China	898	-19	6	1 104	949	925	1 129
Latvia	694	7	5	648	689	691	643
Poland	678	-34	5	1 026	722	688	1 042
Norway	439	0	3	438	438	439	438
Philippines	235	28	2	183	231	235	179
Lithuania	130	-3	1	133	129	129	136
Other	532	-56	4	1 198	523	531	1 205
Group total	**14 102**	**-11**	**100**	**15 845**	**14 318**	**14 196**	**15 911**
Onshore countries	7 695	-15	55	9 019	7 835	7 753	9 069
Offshore countries	6 407	-6	45	6 826	6 483	6 443	6 842
Group total	**14 102**	**-11**	**100**	**15 845**	**14 318**	**14 196**	**15 911**

Non-current assets by country, EUR million

	2014 31 Mar	2013 31 Mar	Change %	2013 31 Dec
Finland	98.8	104.5	-5	101.5
Sweden	29.5	35.0	-16	28.0
Other	8.0	11.9	-32	9.2
Total countries	**136.3**	**151.4**	**-10**	**138.7**
Non-current assets classified as held for sale	0.0	47.3	-100	0.0
Total non-current assets	**136.3**	**198.7**	**-31**	**138.7**

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

Depreciation by service line, EUR million

	2014 1-3	2013 1-3	Change %	2013 1–12
Managed Services	12.4	17.3	-28	67.1
Consulting and System Integration	0.2	0.2	-14	1.0
Industry Products	0.1	0.2	-44	0.5
Product Development Services	0.1	0.2	-37	0.7
Support Functions and Global Management	2.2	2.3	-4	8.8
Group total	**15.0**	**20.1**	**-25**	**78.1**

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

	2014 1-3	2013 1-3	Change %	2013 1–12
Managed Services	0.2	0.5	-57	1.8
Consulting and System Integration	0.1	0.2	-31	0.6
Industry Products	0.1	0.2	-69	0.9
Product Development Services	0.0	0.1	-100	0.4
Support Functions and Global Management	-	-	-	-
Group total	**0.4**	**1.0**	**-60**	**3.7**

Impairment losses by service line, EUR million

	2014 1-3	2013 1-3	Change %	2013 1–12
Managed Services	-	-	-	0.1
Consulting and System Integration	-	-	-	2.6
Industry Products	-	-	-	1.3
Product Development Services	-	-	-	3.6
Support Functions and Global Management	-	-	-	0.4
Group total	**-**	**-**	**-**	**8.0**

Commitments and contingencies, EUR million

	31 Mar 2014	31 Dec 2013
For Tieto obligations		
Guarantees		
Performance guarantees	32.2	39.3
Lease guarantees	10.0	11.1
Other	0.3	0.4
Other Tieto obligations		
Rent commitments due in one year	48.7	54.7
Rent commitments due in 1–5 years	114.1	117.8
Rent commitments due after 5 years	22.6	24.8
Operating lease commitments due in one year	5.1	5.3
Operating lease commitments due in 1–5 years	5.9	5.7
Operating lease commitments due after 5 years	0.7	0.8
Commitments to purchase assets	12.0	17.5
On behalf of joint ventures	-	-
On behalf of others		
Guarantees	0.9	1.0

Derivatives, EUR million

Notional amounts of derivatives

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

	31 Mar 2014	31 Dec 2013
Foreign exchange forward contracts	146.9	180.6
Forward contracts outside hedge accounting	100.3	129.5
Forward contracts within hedge accounting	46.6	51.1
Electricity price futures contracts	1.6	1.7

Fair values of derivatives

The net fair values of derivative financial instruments at the balance sheet date were:	31 Mar 2014	31 Dec 2013
Foreign exchange forward contracts	-0.7	-3.3
Electricity price futures contracts	-0.4	-0.3

Derivatives are used for economic hedging purposes only.

Gross positive fair values of derivatives:	Positive 31 Mar 2014	Positive 31 Dec 2013
Foreign exchange forward contracts	1.2	0.6
Forward contracts outside hedge accounting	1.1	0.4
Forward contracts within hedge accounting *)	0.1	0.2
Electricity price futures contracts	-	-

Gross negative fair values of derivatives:	Negative 31 Mar 2014	Negative 31 Dec 2013
Foreign exchange forward contracts	-2.0	-3.9
Forward contracts outside hedge accounting	-0.4	-1.6
Forward contracts within hedge accounting *)	-1.6	-2.3
Electricity price futures contracts	-0.4	-0.3

*) Forward contracts within hedge accounting (net)	-1.5	-2.1
The amount recognized in equity	-1.5	-2.1
Net periodic interest rate difference recognized in interest income/expenses	-	-

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

The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 12 months. Gains and losses, recognized in the hedging reserve in equity (note Other reserves) on forward foreign exchange contracts as of 31 December 2013 amounted to net EUR -1.5 million (EUR -2.1 in 31 December 2013). These are recognised in the income statement in the current period or periods during which the hedged forecast transactions affect the income statement. This is usually within 12 months of the end of the reporting period. The hedged cash flows are expected to expire monthly within 12 months.

The efficient portion of cash flow hedges recognized in net sales at 31 March 2014 amounted to a gain of EUR 0.4 million (EUR 0.7 million in 31 December 2013) and a loss of EUR 0.8 million (EUR 1.6 million in 31 December 2013) including the interest rate difference.

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

Other reserves

Cash flow hedges

EUR million	Hedging reserve
Balance at 1 Jan 2013	0.2
Fair value gains in year	1.6
Fair value losses in year	-4.0
Tax on fair value gains	0.5
Tax on fair value losses	0.0
Balance at 31 Dec 2013	-1.7
Balance at 1 Jan 2014	-1.7
Fair value gains in year	0.7
Fair value losses in year	0.0
Tax on fair value gains	0.0
Tax on fair value losses	-0.2
Balance at 31 Mar 2014	-1.2

Fair value measurement of financial assets and liabilities

EUR million 31 Mar 2014	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Derivatives	-	1.2	-	1.2
Available-for-sale investments	-	-	0.7	0.7
Financial liabilities at fair value through profit or loss				
Derivatives	-	2.4	-	2.4

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

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

QUARTERLY FIGURES

Key figures

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

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

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

Income statement, EUR million

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

Balance sheet, EUR million

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

Cash flow, EUR million

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

QUARTERLY FIGURES BY SEGMENTS

Customer sales by service line, EUR million

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

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

Customer sales by industry group, EUR million

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

Operating profit (EBIT) by service line, EUR million

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

Operating margin (EBIT) by service line, %

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

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

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

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

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

Major shareholders on 31 March 2014

		Shares	%
1	Cevian Capital	11 073 614	15.1
2	Solidium Oy	7 415 418	10.1
3	Silchester International Investors LLP *)	3 666 901	5.0
4	Etera Mutual Pension Insurance Co.	2 491 000	3.4
5	OP-Pohjola Group Central Cooperative	2 347 697	3.2
6	Ilmarinen Mutual Pension Insurance Co.	1 957 871	2.7
7	Swedbank Robur fonder	1 573 449	2.2
8	The State Pension fund	823 000	1.1
9	Varma Mutual Pension Insurance Co.	793 488	1.1
10	Nordea funds	688 547	0.9
		32 830 985	44.9
	Nominee registered	27 143 100	37.1
	Others	13 169 382	18.0
	Total	**73 143 467**	**100.0**

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

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

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

The conference will be **webcasted** and can be viewed live on Tieto's website. The meeting participants can also join a telephone conference that will be held at the same time. The telephone conference details can be found below.

Telephone conference numbers:
Finland: +358 (0)9 6937 9543
Sweden: +46 (0)8 5033 6539
UK: +44 (0)20 3427 1903
US: +1646 254 3364
Conference code: 1579669

To ensure that you are connected to the conference call, please dial in a few minutes before the start of the press and analyst conference. There will also 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. The full interim report with tables is available only in English and Finnish.

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

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

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