

## TIETO's interim report 4/2009 (January–December) and financial statements bulletin 2009 – Profitability improvement continued in the fourth quarter

### October–December highlights

- Net sales totalled EUR 440.6 (492.0) million, down 10%. Changes in exchange rates had only a minor impact on net sales.
- Operating profit amounted to EUR 33.7 (23.6) million, representing an operating margin of 7.6% (4.8).
- Operating profit excluding one-off items amounted to EUR 38.5 (42.4) million, 8.7% (8.6) of net sales.
- Profit after taxes was EUR 25.7 (1.8) million.
- Net cash flow from operations amounted to EUR 71.7 (78.2) million.
- Streamlining actions progressed according to plan during the quarter. The company met its cost base reduction target of EUR 70 million for the full year.

### January–December highlights

- Net sales totalled EUR 1 706.3 (1 865.7) million, down 9%. In local currencies, net sales declined by 6%.
- Operating profit amounted to EUR 75.3 (111.6) million, representing an operating margin of 4.4% (6.0).
- Operating profit, excluding one-off items, amounted to EUR 108.0 (149.9) million, 6.3% (8.0) of net sales.
- Profit after taxes was EUR 55.1 (60.5) million.
- Net cash flow from operations amounted to EUR 126.4 (191.0) million.
- Dividend proposal: EUR 0.50 (0.50) per share.
- In 2010, Tieto expects its net sales to develop in line with the IT services market relevant to Tieto and its operating profit to be higher than in 2009.

	<b>Q4/2009</b>	Q4/2008	<b>Jan–Dec/ 2009</b>	Jan–Dec/ 2008
Net sales, EUR million	<b>440.6</b>	492.0	<b>1 706.3</b>	1 865.7
Change in net sales, %	<b>-10</b>	0	<b>-9</b>	5
Operating profit, EUR million	<b>33.7</b>	23.6	<b>75.3</b>	111.6
Operating margin, %	<b>7.6</b>	4.8	<b>4.4</b>	6.0
Operating profit excl. one-off items, EUR million	<b>38.5</b>	42.4	<b>108.0</b>	149.9
Operating margin excl. one-off items, %	<b>8.7</b>	8.6	<b>6.3</b>	8.0
Profit after taxes, EUR million	<b>25.7</b>	1.8	<b>55.1</b>	60.5
Net cash flow from operations, EUR million	<b>71.7</b>	78.2	<b>126.4</b>	191.0
EPS, EUR	<b>0.36</b>	0.02	<b>0.77</b>	0.83

Hannu Syrjälä, President and CEO:

“The final quarter of 2009 was two-folded for Tieto – we improved our profitability from the previous three quarters, but at the same time our net sales continued to decline as a result of lower volumes and price pressure. We achieved an EBIT margin of 7.6% in the fourth quarter due to disciplined implementation of planned streamlining measures. Going forward, profitability improvement will continue to be high on our agenda, but we are starting to focus more on growth.

On the whole, year 2009 was exceptionally challenging. We implemented a new operating model and business structure and at the same time we tackled the impacts of lower demand for our services. Despite the tough market environment, we reached many of the goals set for 2009. In addition to cutting costs and improving the efficiency of our onshore operations, we increased our offshoring according to our plans. By the end of 2009, we had achieved the EUR 70 million savings target and our offshoring rate i.e. share of personnel in global delivery centres was at 30%. As a result of the work done in the past two years, Tieto is now a much stronger company and well positioned for the future.”

## MARKET DEVELOPMENT

The Nordic IT services market relevant to Tieto is estimated to have shrunk by approximately 5% in 2009. Polarization of the IT services market continued throughout the year. Project services were hit hard, while the outsourcing market remained active as companies' efforts to achieve cost savings and improve productivity opened up new business opportunities.

In 2009, demand for IT services was at a good level in the public, healthcare and welfare sectors, whereas the telecom sector, manufacturing industry and the finance sector, especially in the UK, were challenging, with very low activity in new IT investments. Towards the end of 2009, there were some signs of interest towards investments in IT supporting growth and new business. However, the pick-up in activity will translate to growth with a delay.

In the telecom sector, the market was especially difficult in 2009, but is believed to have bottomed out at the turn of 2010. On the other hand, there are no signs of fast, strong recovery. The importance of offshore production has increased as customers are shifting their core operations and decision-making to Asia, especially China and India.

In the finance sector, the market was challenging in 2009 but started to stabilize towards the end of the year. However, competition is fierce and cost savings are expected to remain an important criterion in IT spending decisions. Outsourcing is the main source of growth, especially in Sweden, but activity in the products area has also picked up. In the Finnish finance sector, there is growing demand for innovative internet-based solutions supporting customer management. In the UK and Russia, the finance sector has remained challenging.

Asian competitors have been present in the Nordic countries for some time, compelling European IT companies to accelerate offshore production. Adequate offshore capability has become an increasingly vital competitive factor. Price pressure remained hard during the year.

The outsourcing market and the demand for new service models are expected to remain robust in 2010. The market for larger, new IT projects is expected to pick up only during the second half of 2010.

### Market development by country

In **Finland**, the outsourcing market continues to grow. There are also some signs of recovery in the project business, predicting growth for the second half of 2010. Demand for IT services is expected to continue at a good level in the utilities, healthcare and welfare sectors, but in the

public sector, the IT budgets of ministries will be cut in 2010. In the utilities sector, automatic meter reading is the key growth driver as smart meters must be installed in 80% of homes by 2013. In the finance and telecom sectors, the market is expected to gradually recover during 2010.

In **Sweden**, the IT market is stabilizing. New outsourcing-related opportunities have opened up, especially in the finance and public sectors. The number of customer leads is growing, although price competition remains hard in agreement renewals. In the manufacturing industry, there are as yet no signs of recovery.

Outside Finland and Sweden, the recession has affected the IT markets negatively, but impacts vary country by country. In general, telecom is the most affected sector.

**Germany** is hit hard by the recession. The markets for local automotive and telecom R&D deteriorated during 2009 and demand for IT services in these sectors has been weak. In 2010, outsourcing remains the growth area, as the economic situation is forcing companies to improve the efficiency of their operations. The energy and healthcare sectors are expected to see positive development.

In **Norway**, the local IT market slowed down in 2009 despite the fact that the economy has been hit less hard than other European markets. This trend is not expected to turn around in the near future. Demand for IT in the oil & gas market is currently at a reasonable level. The finance market in Norway follows the common industry trends, capital market solutions being the strongest area.

## **BUSINESS TRANSACTIONS AND MAJOR AGREEMENTS IN JANUARY–DECEMBER**

In June, the company divested its holding in TietoSaab Systems Oy, previously owned by Tieto (60%) and Saab (40%). In 2008, net sales of TietoSaab Systems amounted to EUR 9.3 million. Tieto booked EUR 4.9 million in capital gains from the divestment in the second quarter.

In June, Tieto agreed on the acquisition of 20% of the shares in TKP Tieto Oy and as of 1 July owns the entire share capital of the company. TKP Tieto was a joint venture, owned by Tieto (80%) and Finnish pension insurance institutions (20%). In 2008, net sales of TKP Tieto amounted to around EUR 32 million and the number of personnel totalled 211.

In October, Tieto and Nokia Siemens Networks announced a global IT service agreement concerning IT application management services for Nokia Siemens Networks' research and development (R&D) and customer care related applications. As part of the agreement, approximately 75 employees from Nokia Siemens Networks have transferred to Tieto. Out of the transferring employees, 40 are based in Finland, 25 in China and India and about 10 in other European countries.

In November, Tieto agreed on the delivery of a new contribution management system to the Local Government Pensions Institution (Keva) in Finland by the end of 2012. The delivery comprises the construction of the contribution management system, all the way from the definition phase to implementation. In December, Tieto and Metsäliitto Group concluded a new three-year IT service agreement. The deal covers M-real, Metsä-Botnia and Metsäliitto Cooperative. The contracts will take effect on 1 July 2010.

At the end of December, Tieto acquired 11.2% of the shares in TietoEnator Alise SIA in Latvia and now owns the entire share capital in the company.

Tieto also concluded several other important agreements during the year, such as for application management services with Elisa and IT infrastructure services with Itella and Metso.

## ORDER BACKLOG

The order backlog, which only comprises services ordered with binding contracts, amounted to EUR 1 259 (1 124) million at the end of the period. In total, 63% (54) of the backlog is expected to be invoiced in 2010.

## STREAMLINING ACTIONS

To adjust its operations to the declining market, Tieto started streamlining actions during the first quarter of 2009. The company's target was to achieve annualized cost-savings amounting to EUR 100 million, of which approximately EUR 70 million was expected to materialize in 2009. As a result of efficient implementation of streamlining actions, the company achieved the EUR 70 million savings target, exclusive of currency effects. About half of the savings are accounted for by a decline in personnel costs. About 20% of the savings are attributable to less subcontracting and about 25% to lower business expenses.

During 2009, Tieto booked a total of EUR 50.8 million in restructuring costs, of which EUR 4.8 million were recognized in the fourth quarter.

In 2010, the company will continue to drive its structural improvements and transfer of operations to offshore countries. Some one-off costs will be incurred, but the company expects them to be significantly lower than in 2009.

## FINANCIAL PERFORMANCE IN OCTOBER–DECEMBER

Fourth-quarter net sales declined by 10% and amounted to EUR 440.6 (492.0) million. Changes in exchange rates had only a minor impact on net sales. Outsourcing activity was quite strong, but net sales from new projects remained at a low level. Net sales dropped in most customer industries. The public and retail sectors performed well and their net sales grew in the fourth quarter.

Fourth-quarter operating profit amounted to EUR 33.7 (23.6) million, representing a margin of 7.6% (4.8). Operating profit included a net amount of EUR 4.8 million (negative) in one-off items related to streamlining actions, mainly in Tieto International.

Operating profit excluding one-off items amounted to EUR 38.5 (42.4) million, representing a margin of 8.7% (8.6). The trend in the margin in all country segments remained positive compared with the first three quarters of 2009.

Net financial expenses stood at EUR 1.5 (17.0) million in the fourth quarter. Net interest expenses were EUR 1.9 (2.5) million and net gains from foreign exchange transactions EUR 0.6 (negative 16.7) million. Other financial income and expenses amounted to EUR 0.2 (positive 2.2) million.

Fourth-quarter earnings per share (EPS) totalled EUR 0.36 (0.02).

The 12-month rolling return on capital employed (ROCE) was 16.8% and the return on shareholders' equity (ROE) 11.0%.

**Financial performance by country**

	<b>Net sales in Q4/2009, EUR million</b>	Net sales in Q4/2008, EUR million	Change, %	<b>EBIT margin in Q4/2009, %</b>	EBIT margin in Q4/2008, %
Finland	<b>233</b>	239	-3	<b>14.6</b>	11.9
Sweden	<b>125</b>	141	-11	<b>6.3</b>	12.5
International	<b>139</b>	152	-9	<b>2.0</b>	-0.6
Group elimination	<b>-56</b>	-40			
<b>Total</b>	<b>441</b>	492	-10	<b>7.6</b>	4.8

In **Finland**, net sales declined by 3%. The biggest drop was seen in Financial Services and the decline was mainly attributable to an exceptionally high comparison figure for one major customer. On the whole, the finance business in Finland remained stable in the fourth quarter. Tieto concluded several new outsourcing deals, such as those with Nokia Siemens Networks and Metso, resulting in a healthy order backlog. Due to the savings programmes, personnel and subcontracting costs as well as business expenses were down and profitability improved in the fourth quarter. Operating profit amounted to EUR 34.0 (28.3) million.

In **Sweden**, net sales declined by 11%. In local currency, the decline was 10%. About half of the drop in net sales was attributable to the weak development in the telecom sector. Telecom accounts for close to 40% of Tieto's net sales in Sweden. Operating profit declined to EUR 7.9 (17.6) million, mainly due to lower net sales. Due to streamlining actions, however, profitability improved from the first three quarters of 2009.

In **International**, net sales declined by 9%, reflecting lower demand, especially in the telecom sector in Denmark and Germany and the finance sector in the UK. The company has restructured its international operations during the year, resulting in improved profitability. Fourth-quarter operating profit rose to EUR 2.7 (-0.9) million, or, excluding one-off costs, to EUR 7.8 (1.3) million. Operating margin, excluding one-off costs, totalled 5.6% (0.9).

**Net sales by customer sector**

	<b>Net sales in Q4/2009, EUR million</b>	Net sales in Q4/2008, EUR million	Change, %
Telecom	<b>149</b>	162	-8
Finance	<b>89</b>	105	-15
Industry sectors	<b>203</b>	226	-10
<b>Total</b>	<b>441</b>	492	-10

In the **telecom** sector, Tieto's net sales fell by 8%. Majority of the drop in net sales is attributable to lower order volumes and prices. Profitability improved from the previous two quarters in 2009 as the company has steadily increased its offshore capabilities, but remained at an unsatisfactory level.

In the **finance** sector, net sales fell by 15%. The biggest drop was in Finland where the decline was mainly attributable to an exceptionally high comparison figure for one major customer. Net sales in the UK have continued to decline. Products for capital markets performed best, partly due to regulatory changes. Despite the decline in net sales, operating profit remained at the same level as in the corresponding quarter in 2008. This was attributable to the good utilization rate and streamlining actions.

In the **industry sectors**, net sales declined by 10%. Manufacturing was the weakest area during the quarter, but strong performance continued in the public sector. Profitability in the industry sectors was overall at a healthy level. In Tieto's reporting, the industry sectors cover customers in healthcare and welfare, forest, energy, manufacturing, automotive, public, retail and logistics.

## FINANCIAL PERFORMANCE IN JANUARY–DECEMBER

Full-year net sales declined by 9% and amounted to EUR 1 706.3 (1 865.7) million. The weakened currencies, especially the Swedish krona (SEK), had a negative impact on net sales in euros. In local currencies, net sales declined by 6%. Outsourcing activity remained at a high level, but the market for new projects was weak throughout the year. Net sales dropped in most customer industries. The greatest decline was seen in the manufacturing industry and the telecom and finance sectors, while development was more stable in the service sectors, i.e. healthcare and welfare, public and retail sectors.

Full-year operating profit amounted to EUR 75.3 (111.6) million, representing a margin of 4.4% (6.0). Operating profit included a net amount of EUR 32.7 million (negative) in one-off items, which comprises EUR 50.8 million in one-off costs related to streamlining actions and EUR 18.1 million in one-off income. One-off income includes EUR 4.9 million in capital gains from the TietoSaab divestment in Finland and a positive change of EUR 13.2 million in the revenue recognition estimate of Tieto International.

Operating profit excluding one-off items amounted to EUR 108.0 (149.9) million, representing a margin of 6.3% (8.0). The company has adjusted its operations during the year and decreased the number of personnel in onshore countries. However, as the decline in net sales materialized faster than that of costs, profitability did not turn to an upward trend until the second half of the year. Excluding one-off items, all country and industry segments delivered a positive operating margin.

Net financial expenses for the full year stood at EUR 5.0 (29.2) million. Net interest expenses were EUR 7.3 (9.3) million and net gains from foreign exchange transactions EUR 2.9 (losses 21.2) million, of which EUR 4.0 million were unrealized net losses. The company has reclassified all internal long-term loans to Swedish subsidiaries as a net investment in a foreign operation. All related unrealized foreign exchange gains and losses from the net investment are recognized directly in shareholders' equity. This change had a major impact on the amount of unrealized net losses. Other financial income and expenses amounted to EUR 0.6 (1.3 positive) million.

Full-year earnings per share totalled EUR 0.77 (0.83).

The 12-month rolling return on capital employed (ROCE) was 16.8% and the return on shareholders' equity (ROE) 11.0%.

### Financial performance by country

	Net sales in Jan–Dec/2009, EUR million	Net sales in Jan–Dec/2008, EUR million	Change, %	EBIT margin in Jan–Dec/ 2009, %	EBIT margin in Jan–Dec/ 2008, %
Finland	888	900	-1	12.4	12.7
Sweden	463	548	-16	-0.6	8.9
International	553	572	-3	-1.3	0.7
Group elimination	-197	-155			
Total	1 706	1 866	-9	4.4	6.0

In **Finland**, net sales declined by 1%. The market for new outsourcing cases was strong and Tieto concluded several new deals and agreement renewals, closing the revenue gap caused by the weak project services market. Despite the challenging market and cost inflation, profitability remained close to its 2008 level. Operating profit amounted to EUR 110.3 (114.2) million and included a net amount of EUR 2.2 million (negative) in one-off items.

In **Sweden**, net sales declined by 16%. In local currency, the decline was 9%. Excluding the currency impact, the drop in sales was mainly attributable to the weak development in the telecom sector. Telecom accounts for close to 40% of Tieto's net sales in Sweden. Operating result amounted to a loss of EUR 2.7 (profit 48.7) million, due to lower net sales and a net amount of EUR 20.9 million in one-off items related to streamlining actions. Profitability turned to a clear upward trend in the second half of 2009.

In **International**, net sales declined by 3%, reflecting lower demand especially in the telecom sector in Denmark and Germany and the finance sector in the UK as well as a strong emphasis on project services in this country segment. Net sales include one-off income of EUR 13.2 million due to a change in the revenue recognition estimate. Excluding these income and currency impacts, net sales declined by 4%. Operating result amounted to a loss of EUR 7.1 (profit 3.8) million and included EUR 21.3 million in streamlining costs and EUR 13.2 million in one-off income. Operating margin excluding one-off items totalled 0.2% (1.8). Streamlining actions balanced out the negative development, and profitability improved steadily towards the year-end.

#### Net sales by customer sector

	Net sales in Jan–Dec/2009, EUR million	Net sales in Jan–Dec/2008, EUR million	Change, %
Telecom	582	648	-10
Finance	359	402	-11
Industry sectors	766	816	-6
Total	1 706	1 866	-9

In the **telecom** sector, Tieto's net sales fell by 10%. Majority of the drop in net sales is attributable to lower order volumes. Additionally, more than two percentage points of the decline are attributable to weaker currencies. Competition in the telecom market has become even more aggressive, emphasizing the importance of offshore capabilities. The company has steadily increased its offshore capabilities, but the transfer of operations to offshore countries must be accelerated in order to respond to the market changes. Due to lower order volumes and prices, operating profit declined to an unsatisfactory level. However, profitability improved towards the year-end.

In the **finance** sector, net sales fell by 11%. Exchange rate changes account for close to three percentage points of the drop. The biggest decline was seen in Finland where the transactions related to Primasoft and the merger of Sampo Bank and Danske Bank in 2008 affected sales negatively. The rest of the finance business in Finland and Sweden has been stable. Products for capital markets was the strongest area, partly due to regulatory changes. Due to the streamlining actions and good utilization rate, operating margin remained close to its 2008 level.

In the **industry sectors**, net sales declined by 6%. Net sales include EUR 18.1 million in one-off income. Manufacturing was the weakest area while net sales development was stable in the healthcare and welfare as well as the public and retail sectors. Profitability in the industry sectors was overall at a healthy level and the profitability of the underlying business improved from 2008. In Tieto's reporting, the industry sectors cover customers in healthcare and welfare, forest, energy, manufacturing, automotive, public, retail and logistics.

## CASH FLOW AND FINANCING

Fourth-quarter net cash flow from operations, including the decrease of EUR 24.0 (decrease 35.6) million in net working capital, amounted to EUR 71.7 (78.2) million. The decrease in net working capital was mainly caused by the reduction in prepaid expenses and increase in vacation pay.

Full-year net cash flow from operations declined to EUR 126.4 (191.0) million, reflecting negative cash flow in the second quarter. Net cash flow from operations includes the increase of EUR 3.9 (decrease 30.3) million in net working capital.

Tax payments amounted to EUR 14.4 (14.0) million.

Acquisitions totalled EUR 4.6 (8.0) million. Divestments totalled EUR 5.7 million.

Dividends of EUR 35.8 million were paid in April.

At the end of 2009, the consolidated balance sheet totalled EUR 1 195.3 (1 254.5) million, a 4.7% decrease compared with 2008. The equity ratio was 46.0% (41.1). Gearing decreased to 12.7% (21.0). Net debt totalled EUR 66.0 (101.4) million, including EUR 188.8 million in interest-bearing debt, EUR 9.5 million in finance lease liabilities, EUR 8.9 million in finance lease receivables and EUR 123.3 million in cash and cash equivalents.

The interest-bearing long-term debt consists of EUR 150 million in bonds, of which EUR 100 million will mature in December 2013 and EUR 50 million (private placement) in July 2012. Short-term interest-bearing loans of EUR 38.8 million include EUR 35.0 million drawn from the EUR 250 million syndicated revolving credit facility maturing in November 2011, EUR 3.0 million in commercial papers issued under the EUR 250 million Commercial Paper Programme and EUR 0.8 million usage of other short-term credit lines.

## INVESTMENTS

Accrual-based investments totalled EUR 58.9 (97.9) million for the period. Capital expenditure, including financial leasing, accounted for EUR 57.5 (83.2) million and investments in subsidiary and associated company shares for EUR 1.4 (14.5) million.

## PERSONNEL

The number of full-time employees amounted to 16 663 (16 618) at the end of December. Due to the exceptionally difficult market situation, Tieto started personnel negotiations during spring 2009 to decrease the number of employees throughout the Group. As a result of the completed personnel negotiations, approximately 850 employees were given notice by the end of December.

As a result of the measures to boost the offshore ratio, Tieto increased its resources in offshore locations by around 800 in 2009. Year on year, the number of employees in the global delivery centres had increased by 20% and amounted to about 5 100 (4 280), or 30% (25) of the total headcount at the end of December. Global operations have grown fast, especially in India and China.

The 12-month rolling employee turnover stood at 6.3% (12.8) at the end of December. The average number of full-time employees was 16 568 (16 397) in the full year. Wages and salaries

for 2009 were EUR 739.4 (793.7) million. In 2009, 73% (72) of personnel were male and 27% (28) female.

## **BOARD OF DIRECTORS AND MANAGEMENT**

The 2009 AGM re-elected the Board's current members Bruno Bonati, Mariana Burenstam Linder, Risto Perttunen, Olli Riikkala and Anders Ullberg. In addition, the meeting elected Kimmo Alkio and Markku Pohjola as new members. Anders Eriksson and Jari Länsivuori stayed on as personnel representatives. At its constitutive meeting, the Board elected Anders Ullberg as its Chairman and Olli Riikkala as its Vice Chairman.

The Board has two committees. The Remuneration and Nomination Committee is composed of Anders Ullberg (Chairman), Kimmo Alkio, Mariana Burenstam Linder and Markku Pohjola. The Audit and Risk Committee is composed of Olli Riikkala (Chairman), Bruno Bonati, Risto Perttunen and Anders Ullberg.

The new Leadership Team that was appointed in 2008 stepped in at the beginning of 2009. In May, Per Johanson was appointed Executive Vice President of Tieto's Financial Services and a member of the Leadership Team. In December, Sampo Salonen was appointed Executive Vice President, Global Service Lines and a member of the Leadership Team as of 1 January 2010. Kavilesh Gupta, the previous Head of Global Services Lines, was appointed Executive Vice President, Customer and Market Operations (CMO) as of 1 January 2010. He took over these responsibilities from Pekka Viljakainen, who continues as Executive Vice President, Tieto International. Both Gupta and Viljakainen continue as members of the Leadership Team.

The related parties of Tieto are its Board of Directors, President and CEO, the Leadership Team and the Group's joint ventures. The transactions with the Group's joint ventures are specified in the notes to the Financial Statements which will be published on 23 February.

Tieto is committed to good corporate governance and in addition to the relevant legislation fully complies with the Finnish Corporate Governance Code issued by the Securities Market Association of Finland in 2008. In accordance with the Finnish Corporate Governance Code, the company has prepared a separate Corporate Governance Statement, which will be available on the company's website [www.tieto.com](http://www.tieto.com) on 23 February.

## **SHARES AND SHARE-BASED INCENTIVES**

Tieto Corporation's issued and registered share capital on 31 December 2009 totalled EUR 75 841 523 and the number of shares was 72 023 173.

On 1 January 2009, Tieto held a total of 361 650 own shares. Out of these, 74 260 shares were conveyed, for free, to key personnel belonging to the company's Share Ownership Plan 2006–2008. A total of 1 500 of these Tieto shares were returned, free of consideration, to the company. In May, the company acquired 252 610 own shares related to Performance Share Plan 2009–2011. The purchases totalled EUR 2.6 million. At the end of 2009, the company held a total of 541 500 shares, representing 0.75% of the shares and voting rights. The number of outstanding shares (excluding the shares in the company's possession) was 71 481 673 at the end of 2009.

The 2009 AGM decided to offer free of charge a maximum of 1 800 000 stock options 2009 to the key personnel and to a wholly-owned subsidiary of Tieto Corporation. A total of 588 200 stock options 2009 A were subscribed by 241 key employees of the Tieto Group in December 2009. Undistributed stock options 2009 were allocated to a wholly-owned subsidiary of Tieto Corporation.

Tieto currently has six series of stock options issued for its key personnel, marked with the symbols 2006 A, B, C and 2009 A, B, C. The share subscription period with the 2002 A/B stock options ended on 30 June 2009. The share subscription period with the 2006 A stock options commenced on 1 March 2009. No options were used for share subscription during 2009. Including the option rights in the company's possession, the number of shares may increase by a maximum of 3 551 100.

The company also has a synthetic option programme (Tieto Corporation Phantom Options 2009) that was decided by the Board of Directors in autumn 2009. Phantom Options 2009 are allocated to key employees of the Group based on performance in those countries where stock options are not practical to be used. The maximum number of Phantom Options 2009 is 200 000. A total of 31 000 Phantom Options 2009 A were allocated to 15 key employees in 2009.

The Share Ownership Plan 2006–2008 ended in April in connection with the conveyance of a total of 74 260 existing Tieto shares. The shares were conveyed for free to the key personnel belonging to the company's Share Ownership Plan.

The Performance Share Plan 2009–2011 offered to the President and CEO and other members of the Leadership Team includes one three-year earning period, which began on 1 January 2009 and will end on 31 December 2011. The rewards to be paid on the basis of the plan will correspond to a maximum of 540 000 Tieto shares. The amount of the reward will be determined and paid on the basis of the achievement of the EPS target after the financial statements have been prepared before the end of April 2012. No new shares will be issued in connection with the plan.

More information about the option programmes and share-based incentive plans are available at [www.tieto.com](http://www.tieto.com).

The 2009 Annual General Meeting authorized the Board of Directors to repurchase the company's own shares or derivatives. The number of shares repurchased shall not exceed 10% of the company's aggregate number of shares. The authorization is intended to be used to develop the company's capital structure. The authorization shall be in force until the close of the next Annual General Meeting, however, until 26 September 2010 at the latest. The company executed the repurchase of 252 610 shares in May 2009.

The Board of Directors was also authorized to decide on the issuance of shares as well as the issuance of options and other special rights entitling to shares. The authorization concerns both the issuance of new shares as well as the transfer of treasury shares and is effective until 26 March 2014. Based on this authorization the share capital may increase by at most EUR 14 500 000, corresponding to approximately 20% of all company shares. However, out of the above maximum amount of shares to be issued, no more than 620 000 shares, currently corresponding to approximately 1% of all of the shares in the company, may be issued as part of the company's share-based incentive plans. This authorization was not used in 2009.

## **FLAGGING ANNOUNCEMENTS**

On 12 November, Cevian Capital announced that its holding in Tieto Corporation was 4 033 843 shares which represents 5.6% of the shares and voting rights.

## **DIVIDEND PROPOSAL**

The distributable funds of the Parent company amount to EUR 819 033 655.46 of which net profit for the current year amounts to EUR 54 960 744.73. The Board of Directors proposes a dividend of EUR 0.50 (0.50) per share for 2009. The proposed dividend payout does not endanger the liquidity of the company.

## CHANGE OF NAME

The 2009 AGM resolved to amend sections 1 and 10 of the company's Articles of Association. As of 30 April, the company name has been Tieto Corporation (Tieto Oyj in Finnish and Tieto Abp in Swedish), and the new domicile Helsinki, Finland.

## EVENTS AFTER THE PERIOD

In January, Tieto started the construction of a new, more energy-efficient data centre in Espoo, Finland. It will go into operation towards the end of 2010. The investments in 2009 and 2010 are expected to total around EUR 18 million.

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

On 26 January, OP-Pohjola Group announced that its group holding in Tieto has fallen to 4.14%.

## NEAR-TERM RISKS AND UNCERTAINTIES

Weak demand for IT services might lead to lower utilization of resources, hard price competition in new agreements and price erosion in general. Additionally, competition has become even more aggressive and adequate offshore capability has become an increasingly vital competitive factor.

If the company is not able to adjust its cost base fast enough to compensate for negative changes in the market, its profitability will decline. However, the company foresees that the risks of further large-scale deterioration of the IT market situation have declined from 2009.

Due to fewer starts of new large-scale projects, the company anticipates that its project risks are relatively small. Furthermore, credit risks related to receivables have declined.

## OUTLOOK FOR 2010

The IT services market started to show some signs of stabilization towards the end of 2009, and Tieto anticipates that the markets have now bottomed out. In 2010, Tieto expects its net sales to develop in line with the IT services market relevant to Tieto and its operating profit to be higher than in 2009.

### Auditing

The full-year figures in this report are audited.

### Financial calendar for 2010

Annual Report 2009 on Tieto's website on 23 February

Annual General Meeting on 25 March

First-quarter interim report on 27 April

Second-quarter interim report on 21 July

Third-quarter interim report on 27 October

**Accounting policies**

Tieto has reclassified all internal long-term loans to Swedish subsidiaries as a net investment in a foreign operation according to IAS 21. All related unrealized foreign exchange gains and losses from the net investment are recognized directly in shareholders' equity.

Tieto has prepared these financial statements following the same accounting policies as in the annual financial statements for 2008, with the exception of the abovementioned reclassification and the effect of changes required by the adoption of the following standards, interpretations and amendments on 1 January 2009:

- IAS 1 (revised), 'Presentation of Financial Statements' – effective 1 January 2009. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result, the Group presents all owner changes in equity in the consolidated statement of changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. The change in accounting policy only impacts presentation aspects.
- IFRS 8, 'Operating Segments' – effective 1 January 2009. The new standard replaces IAS 14, 'Segment Reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about Segments of an Enterprise and Related Information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. Tieto adopted a new financial reporting structure at the beginning of 2009. The countries are the main operating segments and reporting covers Finland, Sweden and International. The segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision-maker. The new standard requires some additional disclosures. Deviating from the standard, Tieto will start to report the Group's net sales by products and services in 2011.
- IAS 23 (Revised), 'Borrowing Costs' effective 1 January 2009. The revised standard changes the accounting policy in respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. The borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset shall be capitalized as part of the cost of that asset. Previously all borrowing costs could be recognized as an expense immediately. The revised standard does not have an impact on the Group's financial statements as Tieto has on average a net credit position in contract activities.
- IFRIC 11, 'IFRS 2 – Group and Treasury Share Transactions'. This interpretation does not have any impact on the Group's financial statements.
- IFRIC 13, 'Customer Loyalty Programmes'. This interpretation does not have any impact on the Group's financial statements.
- IFRIC 14, IAS 19 – 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'. This interpretation is not relevant to the Group's operations.
- IFRS 2 (Amendment), 'Share-based Payment' – vesting conditions and cancellations. The amendment does not have any impact on the Group's financial statements.
- IAS 1 and 32 (Amendments), 'Financial Instruments Puttable at Fair Value and Obligations Arising on Liquidation'. The amendment does not have any impact on the Group's financial statements.
- IFRS 1 and IAS 27 (Amendments) 'Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate in Adoption of IFRS'. The amendment does not have any impact on the Group's financial statements, as the Group is not a first-time adopter of IFRS.
- IAS 39 (Amendment), 'Financial Instruments: Recognition and Measurement – Eligible Hedged Items'. The amendment does not have any impact on the Group's financial statements.

- IFRS 7 (Amendment), 'Financial Instruments – Disclosures'. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements in terms of levels of a fair value measurement hierarchy. The change in accounting policy only results in additional disclosures in the financial statements.

IASB published changes to 34 standards in May 2008 as part of the annual Improvements to IFRSs project. The amendments do not have any material impact on the Group's financial statements.

- IAS 1 (Amendment), 'Presentation of Financial Statements'.
- IAS 16 and IAS 7 (Amendments), 'Renting and Subsequent Selling of Assets'.
- IAS 19 (Amendment), 'Employee Benefits'.
- IAS 20 (Amendment), 'Accounting for Government Grants and Disclosure of Government Assistance'.
- IAS 23 (Amendment), 'Borrowing Costs'.
- IAS 27 (Amendment), 'Consolidated and Separate Financial Statements'.
- IAS 28 (Amendments), 'Investments in Associates'.
- IAS 31 (Amendment), 'Interests in Joint Ventures'.
- IAS 36 (Amendment), 'Impairment of Assets'.
- IAS 38 (Amendments), 'Intangible Assets'.
- IAS 40 and IAS 16 (Amendments), 'Classification of Property'.
- IAS 41 (Amendment), 'Agriculture'.

The Group will apply following revised standards prospectively from 1 January 2010:

- IAS 27 (Revised), 'Consolidated and Separate Financial Statements'. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value and a gain or loss is recognized in profit or loss.
- IFRS 3 (Revised), 'Business Combinations'. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with some contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

In addition to the new standards and interpretations presented in the annual financial statements for 2008, the following amended standards and interpretations issued during the year 2009 will be adopted by the Group in 2010 and the management is assessing the impact on the financial statements of the Group: 1)

- IFRIC 18, 'Transfers of Assets from Customers'.
- IFRIC 9 (Amendment) 'Reassessment of Embedded Derivatives' and IAS 39, 'Financial Instruments: Recognition and Measurement' (Amendment) – Embedded Derivatives.
- IFRS 2 (Amendment), 'Share-based Payment' – Group Cash-settled Share-based Payment Transactions.
- IFRS 1 (Amendment), 'First-time Adoption of Financial Instruments' – Additional Exemptions for First-time Adopters

IASB published changes to 12 standards or interpretations in April 2009 as part of the annual Improvements to IFRSs project. 1)

- IFRS 2 (Amendment), 'Share-based Payment'.
- IFRS 5 (Amendment), 'Non-current Assets Held for Sale and Discontinued Operations'.
- IFRS 8 (Amendment), 'Operating Segments'.

- IAS 1 (Amendment), 'Presentation of Financial Statements'.
- IAS 7 (Amendment), 'Statement of Cash Flows'.
- IAS 17 (Amendment), 'Leases'.
- IAS 18 (Amendment), 'Revenue'.
- IAS 36 (Amendment), 'Impairment of Assets'.
- IAS 38 (Amendments), 'Intangible Assets'.
- IAS 39 (Amendments), 'Financial Instruments: Recognition and Measurement'.
- IFRIC 9 (Amendment), 'Reassessment of Embedded Derivatives'.
- IFRIC 16 (Amendment), 'Hedges of a Net Investment in a Foreign Operation'.

The following standards, interpretations and amendments will be adopted in 2011 or later and the management is assessing the impact of this interpretation on the financial statements of the Group: 1)

- IAS 32 (Amendment), 'Financial Instruments: Presentation' – Classification of Rights Issues.
- IAS 24 (Amendment), 'Related Party Disclosures'.
- IFRIC 19, 'Extinguishing Financial Liabilities with Equity Instruments'.
- IFRS 9, 'Financial Instruments', which represents the first milestone in the IASB's planned replacement of IAS 39.

- 1) The standard, interpretation or amendment to published standard or interpretation is still subject to endorsement by the European Union.

The accounting policies will be described in more detail in the annual financial statements for the year ended 31 December 2009.

<b>Key figures</b>	<b>2009</b>	2008	2009	2009	2009	<b>2009</b>	2008
	<b>10-12</b>	10-12	7-9	4-6	1-3	<b>1-12</b>	1-12
Earnings per share, EUR							
- basic	<b>0.36</b>	0.02	0.25	0.14	0.01	<b>0.77</b>	0.83
- diluted	<b>0.36</b>	0.02	0.25	0.14	0.01	<b>0.77</b>	0.83
Equity per share, EUR	<b>7.25</b>	6.75	6.82	6.46	6.31	<b>7.25</b>	6.75
Return on equity rolling 12 month, %	<b>11.0</b>	12.6	6.3	7.8	10.2	<b>11.0</b>	12.6
Return on capital employed rolling 12 month, %	<b>16.8</b>	25.2	18.6	18.5	25.3	<b>16.8</b>	25.2
Equity ratio %	<b>46.0</b>	41.1	43.2	40.7	40.0	<b>46.0</b>	41.1
Net interest-bearing liabilities, EUR million	<b>66.0</b>	101.4	118.9	139.2	79.2	<b>66.0</b>	101.4
Gearing, %	<b>12.7</b>	21.0	24.4	30.1	17.5	<b>12.7</b>	21.0
Investments, EUR million	<b>15.7</b>	12.8	12.7	14.4	16.1	<b>58.9</b>	97.9

<b>Number of shares</b>	<b>2009</b>	2009	2009	2009	<b>2009</b>
	<b>10-12</b>	7-9	4-6	1-3	<b>1-12</b>
Outstanding shares, end of period					
Basic	<b>71 408 913</b>	71 408 913	71 408 913	71 661 523	<b>71 408 913</b>
Diluted	<b>71 481 673</b>	71 481 673	71 483 173	71 739 083	<b>71 481 673</b>
Outstanding shares, average					
Basic *)	<b>71 408 913</b>	71 408 913	71 523 980	71 661 523	<b>71 499 888</b>
Diluted	<b>71 481 673</b>	71 481 934	71 599 183	71 739 083	<b>71 574 507</b>
Company's possession of its own shares					
End of period	<b>541 500</b>	541 500	540 000	361 650	<b>541 500</b>
Average	<b>541 500</b>	541 239	446 150	361 650	<b>473 315</b>

\*) Number of shares included in the calculation of basic Earnings per share. Shares conveyed in 2009 are excluded as they can be returned until end of 2010.

	2008	2008
	10-12	1-12
Outstanding shares, end of period		
Basic	71 661 523	71 661 523
Diluted	71 739 083	71 739 083
Outstanding shares, average		
Basic	71 661 523	71 661 523
Diluted	71 739 083	71 739 083
Company's possession of its own shares		
End of period	361 650	361 650
Average	361 650	403 945

<b>Income statement, EUR million</b>	<b>2009</b>	2008	<b>2009</b>	2008	Change
	<b>10-12</b>	10-12	<b>1-12</b>	1-12	%
Net sales	<b>440.6</b>	492.0	<b>1 706.3</b>	1 865.7	-9
Other operating income	<b>4.7</b>	2.4	<b>17.5</b>	10.8	62
Employee benefit expenses	<b>243.3</b>	278.8	<b>986.7</b>	1 056.0	-7
Depreciation and amortization	<b>17.5</b>	16.8	<b>70.7</b>	66.1	7
Other operating expenses	<b>150.8</b>	175.2	<b>591.1</b>	642.8	-8
Operating profit (EBIT)	<b>33.7</b>	23.6	<b>75.3</b>	111.6	-33
Interest and other financial income	<b>2.1</b>	3.7	<b>5.8</b>	8.8	-34
Interest and other financial expenses	<b>-4.2</b>	-4.0	<b>-13.7</b>	-16.8	-19
Net exchange losses/gains	<b>0.6</b>	-16.7	<b>2.9</b>	-21.2	-
Profit before taxes	<b>32.2</b>	6.6	<b>70.3</b>	82.4	-15
Income taxes	<b>-6.5</b>	-4.8	<b>-15.2</b>	-21.9	-31
Net profit for the period	<b>25.7</b>	1.8	<b>55.1</b>	60.5	-9
Net profit for the period attributable to					
Shareholders of the Parent company	<b>25.9</b>	1.6	<b>54.8</b>	59.9	-8
Minority interest	<b>-0.2</b>	0.2	<b>0.3</b>	0.6	-50
	<b>25.7</b>	1.8	<b>55.1</b>	60.5	-9

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

Basic	<b>0.36</b>	0.02	<b>0.77</b>	0.83	-7
Diluted	<b>0.36</b>	0.02	<b>0.77</b>	0.83	-7

#### **Statement of comprehensive income, EUR million**

Net profit for the period	<b>25.7</b>	1.8	<b>55.1</b>	60.5	-9
Translation difference from the net investment in Swedish subsidiaries (net of tax)	<b>-0.3</b>	-6.4	<b>8.2</b>	-8.8	-
Translation differences	<b>5.2</b>	-8.7	<b>7.2</b>	-12.7	-
Total comprehensive income	<b>30.6</b>	-13.3	<b>70.5</b>	39.0	81
Total comprehensive income attributable to					
Shareholders of the Parent company	<b>30.8</b>	-13.5	<b>70.2</b>	38.4	83
Minority interest	<b>-0.2</b>	0.2	<b>0.3</b>	0.6	-50
	<b>30.6</b>	-13.3	<b>70.5</b>	39.0	81

Balance sheet, EUR million	2009 31 Dec	2008 31 Dec	Change %
Goodwill	402.0	389.3	3
Other intangible assets	42.8	53.1	-19
Property, plant and equipment	100.1	100.5	0
Deferred tax assets	66.9	67.8	-1
Loan receivables	5.0	4.4	14
Other non-current assets	0.8	1.5	-47
<i>Total non-current assets</i>	<b>617.6</b>	616.6	0
Trade and other receivables	444.1	498.5	-11
Loan receivables	3.9	5.3	-26
Current income tax receivables	6.4	13.9	-54
Cash and cash equivalents	123.3	120.2	3
<i>Total current assets</i>	<b>577.7</b>	637.9	-9
<b>Total assets</b>	<b>1 195.3</b>	1 254.5	-5
Share capital, share issue premiums and other reserves	110.6	109.0	1
Retained earnings	407.0	373.0	9
<i>Parent shareholders' equity</i>	<b>517.6</b>	482.0	7
Minority interest	0.7	1.6	-56
<i>Total equity</i>	<b>518.3</b>	483.6	7
Finance lease liability	9.5	14.5	-34
Loans	150.0	150.0	0
Deferred tax liabilities	33.6	29.2	15
Pension obligations	18.9	17.2	10
Other non-current liabilities	1.4	1.6	-13
<i>Total non-current liabilities</i>	<b>213.4</b>	212.5	0
Trade and other payables	370.1	447.5	-17
Current income tax liabilities	8.2	15.6	-47
Provisions	46.5	28.6	63
Loans	38.8	66.7	-42
<i>Total current liabilities</i>	<b>463.6</b>	558.4	-17
<b>Total equity and liabilities</b>	<b>1 195.3</b>	1 254.5	-5

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

	<b>2009</b>	2008	Change	2009	2009	2009
	<b>31 Dec</b>	31 Dec	%	31 Mar	30 Jun	30 Sep
Accounts receivable	<b>313.9</b>	357.7	-12	336.4	312.1	301.4
Other working capital receivables	<b>129.4</b>	140.3	-8	151.3	156.5	171.8
Working capital receivables included in assets	<b>443.3</b>	498.0	-11	487.7	468.6	473.2
Operative accruals	<b>149.1</b>	191.1	-22	197.1	160.0	136.3
Other working capital liabilities	<b>219.6</b>	250.6	-12	250.5	222.8	232.8
Pension obligations and provisions	<b>65.4</b>	45.7	43	55.5	72.2	67.8
Working capital liabilities included in current liabilities	<b>434.1</b>	487.4	-11	503.1	455.0	436.9
Net working capital in the balance sheet	<b>9.2</b>	10.6	-13	-15.4	13.6	36.3

<b>Cash flow, EUR million</b>	<b>2009</b>	2008	2009	2009	2009	<b>2009</b>	2008
	<b>10-12</b>	10-12	7-9	4-6	1-3	<b>1-12</b>	1-12
Cash flow from operations							
Net profit	<b>25.7</b>	1.8	18.4	10.0	1.0	<b>55.1</b>	60.5
Adjustments							
Depreciation, amortization and impairment	<b>17.5</b>	16.8	16.9	19.0	17.3	<b>70.7</b>	66.1
Share-based payments	<b>0.7</b>	0.9	1.0	1.1	1.0	<b>3.8</b>	4.1
Profit/loss on sale of fixed assets and shares	<b>-0.3</b>	0.0	0.3	-6.1	0.0	<b>-6.1</b>	0.2
Other adjustments	<b>-0.5</b>	0.0	-0.2	0.8	0.1	<b>0.2</b>	-1.3
Net financial expenses	<b>1.5</b>	17.0	-0.9	1.6	2.8	<b>5.0</b>	29.2
Income taxes	<b>6.5</b>	4.8	8.8	-1.2	1.1	<b>15.2</b>	21.9
Change in net working capital	<b>24.0</b>	35.6	-26.4	-26.3	24.8	<b>-3.9</b>	30.3
Cash generated from operations	<b>75.1</b>	76.9	17.9	-1.1	48.1	<b>140.0</b>	211.0
Net financial expenses paid	<b>0.1</b>	-1.0	5.0	-1.3	-3.0	<b>0.8</b>	-6.0
Income taxes paid	<b>-3.5</b>	2.3	5.7	-10.2	-6.4	<b>-14.4</b>	-14.0
Net cash flow from operations	<b>71.7</b>	78.2	28.6	-12.6	38.7	<b>126.4</b>	191.0
Cash flow from investing activities							
Acquisition of Group companies and business operations, net of cash acquired	<b>-2.5</b>	-1.4	0.2	0.1	-2.4	<b>-4.6</b>	-8.0
Capital expenditure	<b>-16.7</b>	-15.3	-12.0	-13.4	-15.9	<b>-58.0</b>	-68.5
Advance payment for acquisition of shares	-	-	1.0	-1.0	-	-	-
Disposal of business operations	-	-	-	5.7	-	<b>5.7</b>	-
Sales of fixed assets	<b>0.0</b>	1.5	1.2	1.7	0.0	<b>2.9</b>	3.0
Change in loan receivables	<b>1.3</b>	0.9	1.3	-1.9	0.1	<b>0.8</b>	-1.4
Net cash used in investing activities from operations	<b>-17.9</b>	-14.3	-8.3	-8.8	-18.2	<b>-53.2</b>	-74.9
Cash flow from financing activities							
Dividends paid	<b>0.0</b>	0.0	0.0	-36.3	0.0	<b>-36.3</b>	-36.0
Repurchase of own shares	-	-	-	-2.6	-	<b>-2.6</b>	-
Payment of finance lease liabilities	<b>-1.2</b>	0.0	-1.3	-3.9	1.3	<b>-5.1</b>	-2.6
Change in interest-bearing liabilities	<b>-35.2</b>	0.7	-16.5	70.4	-46.6	<b>-27.9</b>	-27.5
Net cash used in financing activities from operations	<b>-36.4</b>	0.7	-17.8	27.6	-45.3	<b>-71.9</b>	-66.1
Change in cash and cash equivalents	<b>17.4</b>	64.6	2.5	6.2	-24.8	<b>1.3</b>	50.0
Cash and cash equivalents at beginning of period	<b>-105.6</b>	-58.2	-101.7	-94.6	-120.2	<b>-120.2</b>	-72.9
Foreign exchange differences	<b>-0.3</b>	2.6	-1.4	-0.9	0.8	<b>-1.8</b>	2.7
Cash and cash equivalents at end of period	<b>123.3</b>	120.2	105.6	101.7	94.6	<b>123.3</b>	120.2
	<b>17.4</b>	64.6	2.5	6.2	-24.8	<b>1.3</b>	50.0

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

	Parent shareholders' equity						Minority interest	Total equity
	Share capital	Share issue premiums and other reserves	Own shares	Trans-lation diffe-rencies	Retained earnings	Total		
Balance at 31 Dec 2007	75.8	39.6	-41.1	-12.5	411.8	473.6	4.0	477.6
Minority interest					0.3	0.3	-3.0	-2.7
Cancellation of own shares			32.1		-32.1	0.0		0.0
Transfer between restricted and non-restricted reserves		-2.2			2.2	0.0		0.0
Share-based payments recognized against equity					3.8	3.8		3.8
Dividend					-35.8	-35.8		-35.8
Other changes *)					1.7	1.7		1.7
Total comprehensive income		-4.2		-63.6	106.2	38.4	0.6	39.0
<b>At 31 December 2008</b>	<b>75.8</b>	<b>33.2</b>	<b>-9.0</b>	<b>-76.1</b>	<b>458.1</b>	<b>482.0</b>	<b>1.6</b>	<b>483.6</b>
Balance at 31 Dec 2008	75.8	33.2	-9.0	-76.1	458.1	482.0	1.6	483.6
Minority interest							-1.2	-1.2
Transfer between restricted and non-restricted reserves		0.0			0.0	0.0		0.0
Share-based payments recognized against equity					3.8	3.8		3.8
Dividend					-35.8	-35.8		-35.8
Own shares purchased			-2.6			-2.6		-2.6
Total comprehensive income		1.6		31.3	37.3	70.2	0.3	70.5
<b>At 31 December 2009</b>	<b>75.8</b>	<b>34.8</b>	<b>-11.6</b>	<b>-44.8</b>	<b>463.4</b>	<b>517.6</b>	<b>0.7</b>	<b>518.3</b>

\*) Due to accounting policies

**Net sales by country, EUR million**

	<b>2009</b>	2008	Change	<b>2009</b>	2008	Change
	<b>10-12</b>	10-12	%	<b>1-12</b>	1-12	%
Finland	<b>233</b>	239	-3	<b>888</b>	900	-1
Sweden	<b>125</b>	141	-11	<b>463</b>	548	-16
International	<b>139</b>	152	-9	<b>553</b>	572	-3
Group elimination	<b>-56</b>	-40	41	<b>-197</b>	-155	28
<b>Group total</b>	<b>441</b>	492	-10	<b>1 706</b>	1 866	-9

**Internal sales by country, EUR million**

	<b>2009</b>	2008	Change	<b>2009</b>	2008	Change
	<b>10-12</b>	10-12	%	<b>1-12</b>	1-12	%
Finland	<b>19</b>	10	83	<b>73</b>	53	39
Sweden	<b>8</b>	9	-9	<b>27</b>	26	6
International	<b>29</b>	21	42	<b>96</b>	77	26
<b>Group total</b>	<b>56</b>	40	41	<b>197</b>	155	28

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

**Net sales according to customer location, EUR million**

	<b>2009</b>	Change	Share	2008	Change	Share
	<b>1-12</b>	%	%	1-12	%	%
Finland	<b>806</b>	-6	47	853	6	46
Sweden	<b>431</b>	-15	25	506	2	27
Other	<b>470</b>	-7	28	506	6	27
<b>Group total</b>	<b>1 706</b>	-9	100	1 866	5	100

**Net sales by customer sector, EUR million**

	<b>2009</b>	2008	Change	<b>2009</b>	2008	Change
	<b>10-12</b>	10-12	%	<b>1-12</b>	1-12	%
Telecom	<b>149</b>	162	-8	<b>582</b>	648	-10
Finance	<b>89</b>	105	-15	<b>359</b>	402	-11
Industry sectors	<b>203</b>	226	-10	<b>766</b>	816	-6
<b>Group total</b>	<b>441</b>	492	-10	<b>706</b>	1 866	-9

Out of revenues in 2009, EUR 229.3 million (EUR 226.6 million in 2008) is derived from a single external customer. This amount is attributable to all reportable segments.

**Operating profit (EBIT) by country, EUR million**

	<b>2009</b>	2008	Change	<b>2009</b>	2008	Change
	<b>10-12</b>	10-12	%	<b>1-12</b>	1-12	%
Finland	<b>34.0</b>	28.3	19.8	<b>110.3</b>	114.2	-3.4
Sweden	<b>7.9</b>	17.6	-55.2	<b>-2.7</b>	48.7	-105.5
International	<b>2.7</b>	-0.9	pos.	<b>-7.1</b>	3.8	neg.
Group operations	<b>-10.9</b>	-21.5	49.5	<b>-25.2</b>	-55.1	54.3
<b>Operating profit (EBIT)</b>	<b>33.7</b>	23.6	43.0	<b>75.3</b>	111.6	-32.5

**Operating margin (EBIT) by country, %**

	<b>2009</b>	2008	Change	<b>2009</b>	2008	Change
	<b>10-12</b>	10-12		<b>1-12</b>	1-12	
Finland	<b>14.6</b>	11.9	2.7	<b>12.4</b>	12.7	-0.3
Sweden	<b>6.3</b>	12.5	-6.2	<b>-0.6</b>	8.9	-9.5
International	<b>2.0</b>	-0.6	2.5	<b>-1.3</b>	0.7	-2.0
<b>Operating margin (EBIT)</b>	<b>7.6</b>	4.8	2.9	<b>4.4</b>	6.0	-1.6

Personnel by country	End of period			Average		
	2009	Change	Share	2008	2009	2008
	1-12	%	%	1-12	1-12	1-12
Finland	5 758	-4	35	6 021	5 932	6 135
Sweden	3 102	-6	19	3 291	3 202	3 322
Czech	1 656	10	10	1 501	1 544	1 358
Germany	1 047	-8	6	1 143	1 078	1 226
India	1 009	29	6	784	829	652
Latvia	588	-6	4	628	617	595
Poland	676	21	4	558	609	492
Norway	561	-14	3	655	602	668
China	590	103	4	290	425	205
Great Britain	274	-21	2	347	292	344
Italy	266	6	2	251	262	247
Denmark	226	-22	1	289	263	308
Lithuania	177	-5	1	186	182	156
Netherlands	133	-4	1	138	139	135
France	134	-6	1	143	138	133
Estonia	118	-1	1	119	120	120
Other	349	28	2	274	332	299
<b>Group total</b>	<b>16 663</b>	<b>0</b>	<b>100</b>	<b>16 618</b>	<b>16 568</b>	<b>16 397</b>

#### Total assets by country, EUR million

	2009	2008	Change
	31 Dec	31 Dec	%
Finland	443.8	460.4	-4
Sweden	261.2	291.2	-10
International	310.9	335.7	-7
Country elimination	-21.3	-26.7	-20
<b>Countries total</b>	<b>994.6</b>	<b>1 060.7</b>	<b>-6</b>
Group Operations	200.7	193.8	4
<b>Total assets</b>	<b>1 195.3</b>	<b>1 254.5</b>	<b>-5</b>

#### Non-current assets according to asset location, EUR million

	2009	2008	Change
	31 Dec	31 Dec	%
Finland	252.0	254.3	-1
Sweden	138.6	132.7	4
Other	154.4	155.8	-1
<b>Total non-current assets</b>	<b>545.0</b>	<b>542.9</b>	<b>0</b>

**Capital expenditure by country, EUR million**

	<b>2009</b>	2008	Change	<b>2009</b>	2008	Change
	<b>10-12</b>	10-12	%	<b>1-12</b>	1-12	%
Finland	<b>11.4</b>	18.4	-38	<b>41.2</b>	58.0	-29
Sweden	<b>1.9</b>	1.6	19	<b>9.4</b>	9.5	-2
International	<b>1.3</b>	2.6	-47	<b>4.2</b>	10.7	-61
Group Operations	<b>1.1</b>	0.7	62	<b>2.8</b>	5.0	-45
<b>Group total</b>	<b>15.8</b>	23.2	-32	<b>57.5</b>	83.2	-31

**Depreciation by country, EUR million**

	<b>2009</b>	2008	Change	<b>2009</b>	2008	Change
	<b>10-12</b>	10-12	%	<b>1-12</b>	1-12	%
Finland	<b>11.2</b>	9.4	19	<b>43.5</b>	36.9	18
Sweden	<b>2.2</b>	2.1	4	<b>8.3</b>	8.5	-3
International	<b>1.6</b>	1.7	-6	<b>8.9</b>	6.4	38
Group Operations	<b>0.1</b>	1.0	-90	<b>0.8</b>	4.1	-81
<b>Group total</b>	<b>15.1</b>	14.3	6	<b>61.4</b>	56.0	10

**Amortization on allocated intangible assets from acquisitions, EUR million**

	<b>2009</b>	2008	Change	<b>2009</b>	2008	Change
	<b>10-12</b>	10-12	%	<b>1-12</b>	1-12	%
Finland	<b>0.1</b>	0.1	-6	<b>0.5</b>	0.5	-3
Sweden	<b>0.7</b>	0.8	-14	<b>2.9</b>	3.5	-18
International	<b>1.5</b>	1.5	1	<b>5.9</b>	6,0	-2
Group Operations	<b>0.0</b>	0.0	0	<b>0.0</b>	0.0	0
<b>Group total</b>	<b>2.3</b>	2.4	-4	<b>9.3</b>	10.0	-8

**Commitments and contingencies**

EUR million	31 Dec 2009	31 Dec 2008	Change %
For Tieto obligations			
Pledges	0.0	0.0	0
On behalf of joint ventures	0.0	0.0	0
Other Tieto obligations			
Rent commitments due in one year	52.1	54.4	-4
Rent commitments due in 1-5 years	86.9	102.2	-15
Rent commitments due after 5 years	21.4	19.5	10
Operating lease commitments due in one year	11.3	14.4	-21
Operating lease commitments due in 1-5 years	8.8	13.5	-35
Operating lease commitments due after 5 years	0.0	0.0	0
Other commitments 1)	28.2	13.3	112

1) In addition commitments of EUR 7.6 million (EUR 7.1 million in 2008) related to liabilities in the Group balance sheet Operating lease commitments are principally three-year lease agreements that do not include buyout clauses.

**Contingent assets**

The Finnish tax authorities have confirmed an additional loss of EUR 41.0 million (of which a deferred tax asset EUR 10.7 million could be recognized) on the loss incurred by the parent company in connection with the intra-group transaction carried out in April 2004, but the decision has been contested.

**Derivatives**

Notional amounts of derivatives, EUR million	31 Dec 2009	31 Dec 2008
Foreign exchange forward contracts	196.5	252.0
Interest rate swap	250.0	100.0

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

**Fair values of derivatives**

The net fair values of derivative financial instruments at the balance sheet date were:	31 Dec 2009	31 Dec 2008
Foreign exchange forward contracts	-0.6	-6.1
Interest rate swaps	-1.4	0.6

Derivatives are used for economic hedging purposes only.

## QUARTERLY FIGURES

**Key figures**

	<b>2009</b>	2009	2009	2009
	<b>10-12</b>	7-9	4-6	1-3
Earnings per share, EUR				
- basic	<b>0.36</b>	0.25	0.14	0.01
- diluted	<b>0.36</b>	0.25	0.14	0.01
Equity per share, EUR	<b>7.25</b>	6.82	6.46	6.31
Return on equity rolling 12 month, %	<b>11.0</b>	6.3	7.8	10.2
Return on capital employed rolling 12 month, %	<b>16.8</b>	18.6	18.5	25.3
Equity ratio %	<b>46.0</b>	43.2	40.7	40.0
Net interest-bearing liabilities, EUR million	<b>66.0</b>	118.9	139.2	79.2
Gearing, %	<b>12.7</b>	24.4	30.1	17.5
Investments, EUR million	<b>15.7</b>	12.7	14.4	16.1
	2008	2008	2008	2008
	10-12	7-9	4-6	1-3
Earnings per share, EUR				
- basic	0.02	0.33	0.26	0.23
- diluted	0.02	0.33	0.26	0.23
Equity per share, EUR	6.75	6.90	6.58	6.29
Return on equity rolling 12 month, %	12.6	-2.4	-4.9	-7.7
Return on capital employed rolling 12 month, %	25.2	8.9	8.8	7.2
Equity ratio %	41.1	42.0	38.8	38.0
Net interest-bearing liabilities, EUR million	101.4	169.7	138.1	139.7
Gearing, %	21.0	34.3	29.3	31.0
Investments, EUR million	12.8	25.7	23.2	36.2

**Income statement, EUR million**

	<b>2009</b>	2009	2009	2009
	<b>10-12</b>	7-9	4-6	1-3
Net sales	<b>440.6</b>	382.9	444.8	438.0
Other operating income	<b>4.7</b>	2.8	7.1	2.9
Employee benefit expenses	<b>243.3</b>	210.7	265.8	266.9
Depreciation and amortization	<b>17.5</b>	16.9	19.0	17.3
Other operating expenses	<b>150.8</b>	131.8	156.7	151.8
Operating profit (EBIT)	<b>33.7</b>	26.3	10.4	4.9
Financial income and expenses	<b>-1.5</b>	0.9	-1.6	-2.8
Profit before taxes	<b>32.2</b>	27.2	8.8	2.1
Income taxes	<b>-6.5</b>	-8.8	1.2	-1.1
Net profit for the period	<b>25.7</b>	18.4	10.0	1.0
	2008	2008	2008	2008
	10-12	7-9	4-6	1-3
Net sales	492.0	425.3	480.1	468.3
Other operating income	2.4	2.2	1.7	4.5
Employee benefit expenses	278.8	227.1	273.1	277.0
Depreciation and amortization	16.8	16.7	16.3	16.3
Other operating expenses	175.2	149.9	162.8	154.9
Operating profit (EBIT)	23.6	33.8	29.6	24.6
Financial income and expenses	-17.0	-3.5	-5.8	-2.9
Profit before taxes	6.6	30.3	23.8	21.7
Income taxes	-4.8	-6.6	-5.1	-5.4
Net profit for the period	1.8	23.7	18.7	16.3

<b>Balance sheet, EUR million</b>	<b>2009</b>	2009	2009	2009
	<b>31 Dec</b>	30 Sep	30 Jun	31 Mar
Goodwill	<b>402.0</b>	398.2	392.7	391.4
Other intangible assets	<b>42.8</b>	44.1	46.1	49.2
Property, plant and equipment	<b>100.1</b>	99.0	100.8	103.2
Other non-current assets	<b>72.7</b>	68.7	75.3	68.7
<i>Total non-current assets</i>	<b>617.6</b>	610.0	614.9	612.5
Trade receivables and other current assets	<b>454.4</b>	495.0	495.5	514.1
Cash and cash equivalents	<b>123.3</b>	105.6	101.7	94.6
<i>Total current assets</i>	<b>577.7</b>	600.6	597.2	608.7
<b>Total assets</b>	<b>1 195.3</b>	1 210.6	1 212.1	1 221.2
<i>Total equity</i>	<b>518.3</b>	487.8	462.0	452.1
Non-current loans	<b>159.5</b>	160.6	161.9	163.2
Other non-current liabilities	<b>53.9</b>	48.9	46.9	42.5
<i>Total non-current liabilities</i>	<b>213.4</b>	209.5	208.8	205.7
Trade payables and other current liabilities	<b>378.3</b>	390.0	396.3	506.1
Provisions	<b>46.5</b>	49.3	54.5	37.2
Current loans	<b>38.8</b>	74.0	90.5	20.1
<i>Total current liabilities</i>	<b>463.6</b>	513.3	541.3	563.4
<b>Total equity and liabilities</b>	<b>1 195.3</b>	1 210.6	1 212.1	1 221.2
	2008	2008	2008	2008
	31 Dec	30 Sep	30 Jun	31 Mar
Goodwill	389.3	412.9	414.7	415.9
Other intangible assets	53.1	59.3	62.3	62.5
Property, plant and equipment	100.5	102.2	94.4	92.2
Other non-current assets	73.7	67.9	69.0	67.4
<i>Total non-current assets</i>	616.6	642.3	640.4	638.0
Trade receivables and other current assets	517.7	579.3	583.5	579.7
Cash and cash equivalents	120.2	58.2	93.4	85.0
<i>Total current assets</i>	637.9	637.5	676.9	664.7
<b>Total assets</b>	<b>1 254.5</b>	1 279.8	1 317.3	1 302.7
<i>Total equity</i>	483.6	494.5	471.3	451.1
Non-current loans	164.5	164.8	165.4	166.2
Other non-current liabilities	48.0	53.7	53.1	45.9
<i>Total non-current liabilities</i>	212.5	218.5	218.5	212.1
Trade payables and other current liabilities	463.1	465.9	515.1	531.1
Provisions	28.6	27.5	35.9	38.7
Current loans	66.7	73.4	76.5	69.7
<i>Total current liabilities</i>	558.4	566.8	627.5	639.5
<b>Total equity and liabilities</b>	<b>1 254.5</b>	1 279.8	1 317.3	1 302.7

**Cash flow, EUR million**

	<b>2009</b>	2009	2009	2009
	<b>10-12</b>	7-9	4-6	1-3
Cash flow from operations				
Net profit	<b>25.7</b>	18.4	10.0	1.0
Adjustments	<b>25.4</b>	25.9	15.2	22.3
Change in net working capital	<b>24.0</b>	-26.4	-26.3	24.8
Cash generated from operations	<b>75.1</b>	17.9	-1.1	48.1
Net financial expenses paid	<b>0.1</b>	5.0	-1.3	-3.0
Income taxes paid	<b>-3.5</b>	5.7	-10.2	-6.4
Net cash flow from operations	<b>71.7</b>	28.6	-12.6	38.7
Net cash used in investing activities from operations	<b>-17.9</b>	-8.3	-8.8	-18.2
Net cash used in financing activities from operations	<b>-36.4</b>	-17.8	27.6	-45.3
Change in cash and cash equivalents	<b>17.4</b>	2.5	6.2	-24.8
Cash and cash equivalents at beginning of period	<b>-105.6</b>	-101.7	-94.6	-120.2
Foreign exchange differences	<b>-0.3</b>	-1.4	-0.9	0.8
Cash and cash equivalents at end of period	<b>123.3</b>	105.6	101.7	94.6
	<b>17.4</b>	2.5	6.2	-24.8
	2008	2008	2008	2008
	10-12	7-9	4-6	1-3
Cash flow from operations				
Net profit	1.8	23.7	18.7	16.3
Adjustments	39.5	28.1	27.2	25.4
Change in net working capital	35.6	-46.5	19.5	21.7
Cash generated from operations	76.9	5.3	65.4	63.4
Net financial expenses paid	-1.0	-4.2	-0.6	-0.2
Income taxes paid	2.3	-6.8	-10.9	1.4
Net cash flow from operations	78.2	-5.7	53.9	64.6
Net cash used in investing activities from operations	-14.3	-25.4	-12.8	-22.4
Net cash used in financing activities from operations	0.7	-4.1	-32.9	-29.8
Change in cash and cash equivalents	64.6	-35.2	8.2	12.4
Cash and cash equivalents at beginning of period	-58.2	-93.4	-85.0	-72.9
Foreign exchange differences	2.6	0.0	-0.2	0.3
Cash and cash equivalents at end of period	120.2	58.2	93.4	85.0
	64.6	-35.2	8.2	12.4

**Net sales by country, EUR million**

	<b>2009</b>	2009	2009	2009	2008	2008	2008	2008
	<b>10-12</b>	7-9	4-6	1-3	10-12	7-9	4-6	1-3
Finland	<b>233</b>	199	230	227	239	199	230	232
Sweden	<b>125</b>	103	116	119	141	123	144	141
International	<b>139</b>	130	143	141	152	140	144	135
Group elimination	<b>-56</b>	-48	-45	-48	-40	-37	-38	-40
Group total	<b>441</b>	383	445	438	492	425	480	468

**Net sales by customer sector, EUR million**

	<b>2009</b>	2009	2009	2009	2008	2008	2008	2008
	<b>10-12</b>	7-9	4-6	1-3	10-12	7-9	4-6	1-3
Telecom	<b>149</b>	132	149	153	162	147	172	167
Finance	<b>89</b>	87	94	89	104	92	102	104
Industry sectors	<b>203</b>	165	201	197	226	186	206	198
Group total	<b>441</b>	383	445	438	492	425	480	468

**Operating profit (EBIT) by country, EUR million**

	<b>2009</b>	2009	2009	2009	2008	2008	2008	2008
	<b>10-12</b>	7-9	4-6	1-3	10-12	7-9	4-6	1-3
Finland	<b>34.0</b>	29.0	25.2	22.1	28.3	25.7	31.6	30.0
Sweden	<b>7.9</b>	4.8	-6.7	-8.7	17.6	14.1	7.4	9.7
International	<b>2.7</b>	0.7	-6.6	-4.0	-0.9	5.2	2.1	-2.7
Group operations	<b>-10.9</b>	-8.2	-1.5	-4.5	-21.5	-11.1	-11.5	-12.4
Operating profit (EBIT)	<b>33.7</b>	26.3	10.4	4.9	23.6	33.9	29.6	24.6

**Operating margin (EBIT) by country, %**

	<b>2009</b>	2009	2009	2009	2008	2008	2008	2008
	<b>10-12</b>	7-9	4-6	1-3	10-12	7-9	4-6	1-3
Finland	<b>14.6</b>	14.6	10.9	9.7	11.9	12.9	13.7	12.9
Sweden	<b>6.3</b>	4.7	-5.8	-7.3	12.5	11.5	5.2	6.9
International	<b>2.0</b>	0.5	-4.6	-2.8	-0.6	3.7	1.4	-2.0
Operating margin (EBIT)	<b>7.6</b>	6.9	2.3	1.1	4.8	8.0	6.2	5.3

**Major shareholders 31 December 2009**

	<b>Shares</b>	<b>%</b>
1 OP Pohjola Group	3 903 514	5.4%
2 Swedbank Robur fonder	3 703 754	5.1%
3 Ilmarinen Mutual Pension Insurance Co.	2 872 367	4.0%
4 Didner & Gerge Aktiefond	2 160 000	3.0%
5 Svenska Litteratursällskapet i Finland	1 567 000	2.2%
6 Tapiola Pension	1 530 000	2.1%
7 The State Pension Fund	1 375 000	1.9%
8 Varma Mutual Pension Insurance Co.	1 249 749	1.7%
9 SEB Investment Management	1 115 990	1.5%
10 Pekka Viljakainen	652 447	0.9%
	20 129 821	27.9%
Nominee registered	42 566 052	59.1%
Others	9 327 300	13.0%
<b>Total</b>	<b>72 023 173</b>	<b>100.0%</b>

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

On 12 November 2009, Cevian Capital announced that its holding in Tieto Corporation was 4 033 843 shares, which represents 5.6% of the shares and voting rights.

On 26 January 2010, OP-Pohjola Group announced that its holding in Tieto Corporation was 2 982 587 shares, which represents 4.1% of the shares and voting rights.

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Tieto Corporation INTERIM REPORT 10 February 2010, 8.00 am EET 32 (32)

**Press conference for analysts and media** will be held at Tieto's premises in Helsinki, address: Aku Korhosen tie 2-6, at 10.00 am EET (9.00 am CET, 8.00 am UK time). The results will be presented in English by Hannu Syrjälä, President and CEO. Notification of attendance to [sirpa.salo@tieto.com](mailto:sirpa.salo@tieto.com), tel. +358 2072 68714.

The conference will be webcasted and published live on Tieto's website [www.tieto.com](http://www.tieto.com) and there will be a possibility to present questions on-line. An on-demand video will be available after the conference.

**Conference call hosted by the management starting at 2.00 pm EET** (1.00 pm CET, 12.00 am UK time), will also be available as live audio webcast at [www.tieto.com](http://www.tieto.com). Callers may access the conference directly at the following telephone numbers: US callers **+1 866 966 5335**, non-US callers **+44 203 003 2666**, no code. Lines are to be reserved ten minutes before the start of conference call.

An on-demand audiocast of the conference will also be published on Tieto's website later during the day. A replay will be available until 17 February 2010 in the following numbers: US callers: **+1 866 583 1035**, non-US callers: **+44 20 8196 1998**, access code: **141833#**.

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.

## TIETO CORPORATION

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[www.tieto.com](http://www.tieto.com)

### Tieto Corporation

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