

# Annual Review 2006

Towards one TietoEnator



TietoEnator Oyj Annual Review 2006

# Contents

TietoEnator in 2006 → 2

**CEO's review: A year of investment** → 4

Strategy 2007-2009 → 6

Group review → 10

## **Business operations**

Business areas in brief → 14

Banking & Insurance → 16

Telecom & Media → 18

Healthcare & Welfare → 20

Forest & Energy → 22

Government, Manufacturing & Retail → 24

Processing & Network → 26

Digital Innovations → 28

Software Centres → 29

**Towards one TietoEnator** → 30

**Corporate governance** → 44

Board of directors → 50

Executive management → 52

Organization → 55

## **Financial information**

Five-year figures → 57

Income statement → 58

Balance sheet → 59

Statement of cash flows → 60

Key segment tables → 61

**Shares and shareholders** → 62

Information for the shareholders → 66

Contact information → 67

Countries of operation → 68

TietoEnator also provides a printed Financial Review containing the official financial statements. The Financial Review 2006 is available on TietoEnator's Internet pages, [www.tietoenator.com](http://www.tietoenator.com) and it can be ordered by:

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## ***TietoEnator in Italy***

***Nicoletta Betti and Stefano Orlandi, Telecom & Media,***

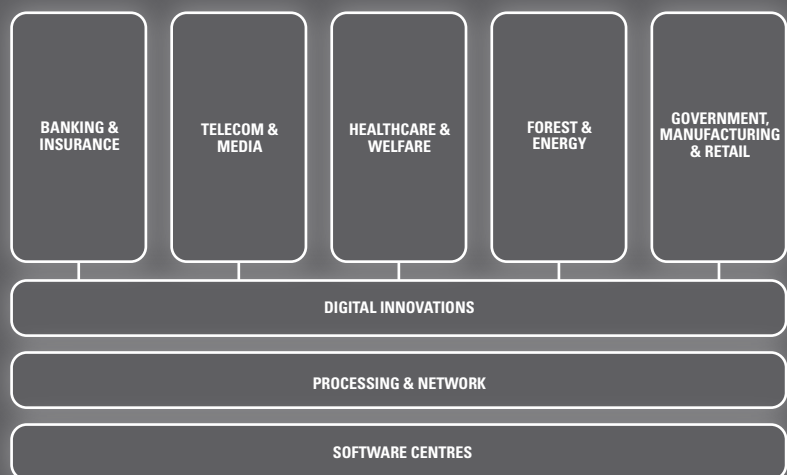
*under the Saint Angelo Bridge angel by Gian Lorenzo*

*Bernini, Rome, Italy.*

PHOTO: NAPOLITANO GIULIO

## TietoEnator is consulting, developing and hosting its customers' digital businesses

- TietoEnator is among the leading architects in building a more efficient information society. With about 16 000 experts, we are one of the largest IT services companies in Europe.
- Our leading-edge know-how is geared towards developing innovative IT solutions that realize and digitalize the visions of our customers. And we work in close partnership helping them to manage and run their business better.
- We've chosen to focus on areas where we have the deepest industry expertise. The principal ones are globally banking, telecom, healthcare and forest. In these areas, we work hand in hand with many of the world's leading companies and organizations. We are growing with them and are now active in close to 30 countries.



## TietoEnator in 2006

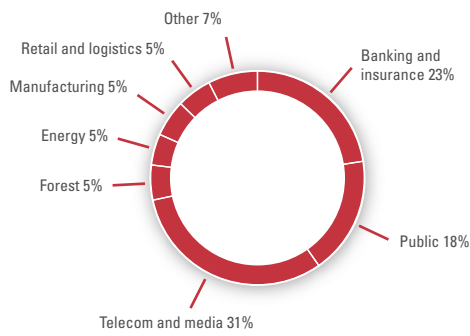
- The market for IT services and solutions was active throughout 2006.
- Solutions that improve customer service and accelerate product launches strengthened as drivers of demand.
- Demand also continued to be focused on cost savings and enhancing business process efficiency.
- TietoEnator's performance in 2006 did not completely meet expectations; net sales rose 5%, the operating margin was 7%.
- Intense global price competition spurred TietoEnator to expand its network of service centres in low-cost countries.
- The company made major investments in international expansion, enhancing its service portfolio, marketing and brand building.
- TietoEnator's operations in banking, telecom and healthcare grew internationally.
- Growth was strong in the banking and insurance sector.
- In the telecom sector TietoEnator strengthened its position as a leading supplier of research and development services despite tough competition and pressure on prices.
- Structural change in the healthcare sector increased demand for information systems. TietoEnator expanded through acquisitions in several of its countries of operation.

### Key Figures

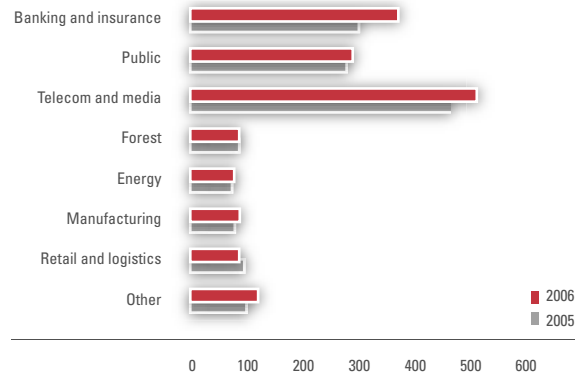
Continuing operations	2006	2005
Net sales, MEUR	1 646.5	1 570.4 <sup>*)</sup>
Operating profit before goodwill impairment and one-time capital gains, MEUR	112.0	150.1 <sup>*)</sup>
Margin, %	6.8	9.6 <sup>*)</sup>
Operating profit (EBIT), MEUR	127.7	169.1 <sup>*)</sup>
Operating margin, %	7.8	10.8 <sup>*)</sup>
Profit before taxes, MEUR	124.5	171.2 <sup>*)</sup>
Earnings per share from continuing operations, EUR	1.15	1.73
Equity per share, EUR	8.51	6.60
Dividend per share, EUR	1.20	0.85
Investments in continuing operations, MEUR	77.9	267.3 <sup>*)</sup>
Return on equity, %	15.5	27.3
Return on capital employed, %	18.7	29.7
Gearing %	14.9	39.1
Equity ratio, %	48.4	39.8
Personnel on average	14 414	13 213 <sup>*)</sup>
Personnel on 31 Dec	14 597	13 968 <sup>*)</sup>

<sup>\*)</sup> Re-presented for continuing operations

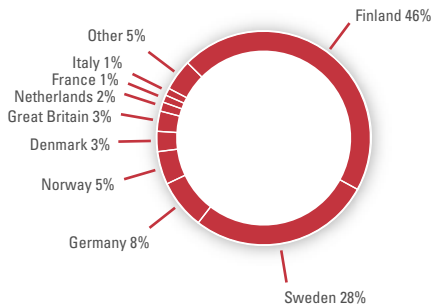
NET SALES BY INDUSTRY SEGMENT, 2006



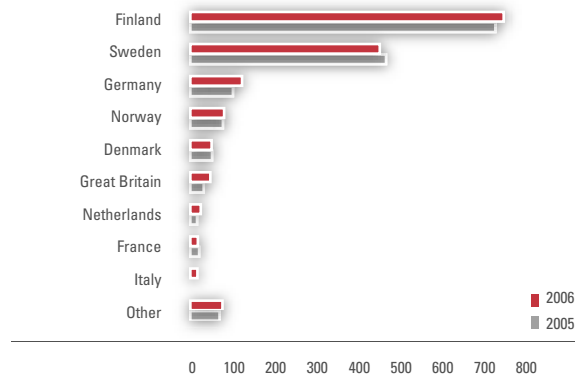
NET SALES BY INDUSTRY SEGMENT, EUR MILLION



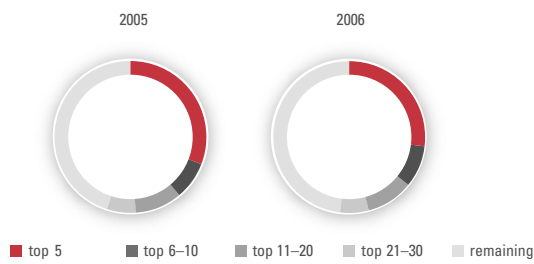
NET SALES BY COUNTRY, 2006



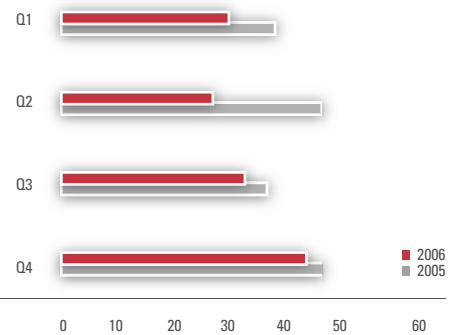
NET SALES BY COUNTRY, EUR MILLION



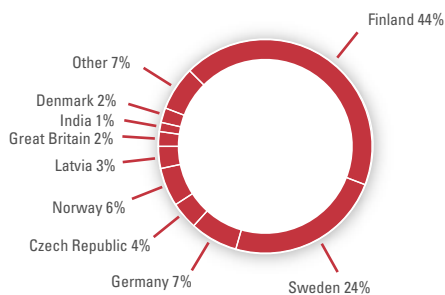
KEY CUSTOMERS' SHARE OF NET SALES



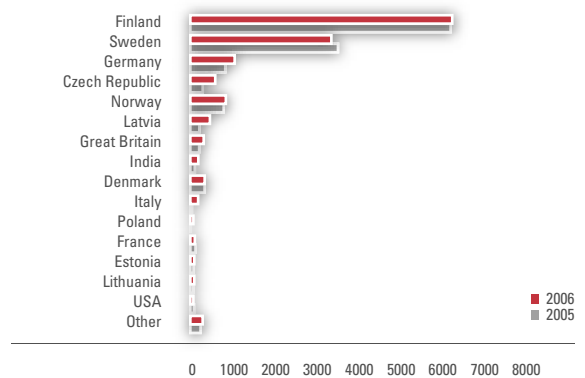
OPERATING PROFIT(EBIT) BY QUARTER, EUR MILLION



PERSONNEL BY COUNTRY ON AVERAGE, 2006



PERSONNEL BY COUNTRY ON AVERAGE



Society continues to make rapid progress towards the digital economy; an ever larger proportion of products and services today are produced, distributed and consumed via digital networks. Consumers, likewise, increasingly expect digital self-service covering an ever wider range of needs with the possibility to use multiple channels. At the same time price competition is further intensifying in basic IT services. TietoEnator's response to this trend in 2006 was to invest strongly in reinforcing its competitive edge and offerings and in expanding the volume of its international business.

# A year of investment

Throughout its history TietoEnator's core concept has been to gain a profound understanding of the business sectors and processes of its various customers. In recent years the company's competitors have come increasingly from low-cost countries. Our customers, also, are finding themselves facing global competition. Consolidation among both customers and within the IT industry itself continues as a result of tougher price competition. As some IT services mature into basic services sold only on price, TietoEnator is supplementing its deep business sector expertise with new competitive strengths that differentiate it from its competitors. Crucial for the company is its ability to combine its core expertise and close customer partnerships with better price-competitiveness and products tailored to specific business sectors.

TietoEnator has built up a platform for its global competitiveness in the past few years. The company is currently implementing a number of projects related to new products and services, digital self-service and seamless service chains, that will increase added value for customers. TietoEnator has also focused on improving its own productivity in several ways, such as expanding its global service production, harmonizing its operating models, methods and services, and forging deeper and broader co-operation with technology vendors.

## **New organization and improved offering strengthen competitiveness**

TietoEnator's main challenge at the moment is to outperform its international competitors and to grow profitably in today's global marketplace. To succeed in this task, the company must concentrate investments in its sectors of strongest expertise. A new organization was introduced at the beginning of 2006 that supports this globalization process. Four of TietoEnator's business areas – Banking & Insurance, Telecom & Media, Healthcare & Welfare, and Forest & Industry – are international in scope and concentrate on developing

commoditized solutions for specific customer groups and markets worldwide. These businesses will receive the bulk of the Group's growth investments in the future. TietoEnator's services for its other customer sectors are centred around its other two business areas – Government, Manufacturing & Retail and Processing & Network. These operate primarily in the Baltic Rim countries and their businesses are based on a comprehensive product and service offering together with close customer partnerships.

Two years ago TietoEnator embarked on a programme to build seamless customer interfaces. This process continues apace, the objective being that, by combining the services of the vertical business areas with the supportive services provided by Processing & Network and the Digital Innovations unit, the Group will be able to fully cover the digital self-service value chains of its customer businesses. For customers, this will mean seeing TietoEnator as a single total service provider. The Group launched a service model in 2006 called Application Service Management (ASM) under which TietoEnator takes full responsibility for building and maintaining a customer's systems. The result is that these systems will seamlessly support the customer's core business processes and operate as required, even as conditions change in the long term.

This new approach immediately showed its competitiveness during 2006. TietoEnator raised its market share in processing and network services and the Digital Innovations unit showed organic growth of more than 20%.

TietoEnator's success in reaching its international growth targets depends above all on its ability to turn its services into competitive, packaged solutions. The company's traditional partnership service model works extremely well in the Nordic countries, TietoEnator's domestic market. In its internationally focused business areas, however, TietoEnator gave priority during 2006 to developing repeatable, packaged solutions that meet the needs of specific customers or market segments.



It is precisely this portfolio of packaged products that stands TietoEnator apart from other service providers in the international marketplace.

The Nordic business sectors that have gone furthest down the road of digital self-service, such as banks and teleoperators, have for years provided solutions enabling consumers to handle their business dealings fast and easily online. Now that consumers have learnt to work independently online and to trust digital networks, they are requiring the corporate sector to provide digital self-services for all their needs.

As an IT partner to Nordic corporations and public authorities, TietoEnator has been a pioneering developer of online self-service solutions and along the way has amassed vast experience of the solutions best suited to many different sectors. Gathering the best expertise of its business areas in digital services and applying this to different sectors enables TietoEnator to generate synergies between its customers' businesses and to accelerate the commoditization and adoption of digital self-service in different sectors. TietoEnator forecasts that the prevalence of network services and seamless compatibility between different service channels will

rapidly increase in the next few years, and that creating and implementing these solutions will generate significant new business opportunities for the company.

### **Further growth in global service production**

TietoEnator took a major step forward last year in the development of its own worldwide service production network. The number of employees in the software centres in low-cost countries doubled to about 2 000 people. This is almost 13% of the company's total workforce and ranks TietoEnator among the top European IT services companies in this respect. The services of the global service centres are now an integral part of all TietoEnator's offerings and cover all the services that can be produced over networks.

TietoEnator will continue to develop its global service production operations in order to reach its goal to be the world's leading IT company in customer intimacy and at the same time achieve outstanding business performance. The company's long-term goal is to have 40 % of its workforce in low-cost countries.

### **Investments will bear fruit in the years ahead**

Parallel with the action taken to developing internal efficiency, the product and service offering and global service production, last year TietoEnator also made substantial investments in international marketing and building up its corporate image. This was a period of heavy investment for the company which is expected to yield performance improvements in the future.

TietoEnator's main goals in 2006 were to strengthen its organic growth and improve its profitability. Organic growth was in fact higher than one year earlier and accelerated towards the year end. The targets set at the beginning of the year were not reached, however. The company is not satisfied with its profits for 2006; investments in the future, coupled with unfavourable price and cost trends, depressed TietoEnator's profitability more than expected.

More focused allocation of investments and strict cost control are of key importance to safeguarding the company's future profitability. Organic growth in 2007 is expected to be in line with the level 2006 and the operating profit of the underlying business is expected to exceed the level of 2006.

The large development projects and changes we have executed in recent years have demanded a great deal from our employees. To them I offer my sincerest thanks for the tenacity and flexibility they have consistently demonstrated in working to reach our common goals. I also extend my warm thanks to our customers for their constructive and fruitful co-operation and our owners for the continued trust they place in us.

*Pentti Heikkinen*  
*President and CEO*



# Combining customer intimacy and global sourcing

Strategy and group review



TietoEnator's vision is to become the world's leading provider of high-value-added IT services in selected vertical markets. Its differentiation is based on superior vertical or industry-specific expertise, which originates from deep, long-term customer relationships. Vertical expertise enables TietoEnator to focus on building its competitive advantage around customer intimacy.



*TietoEnator in the Czech Republic  
Lukaš Hrdý, Digital Innovations, in  
front of the Antonin Dvorak Theatre in  
Ostrava, Czech Republic.*

# Climbing up the value chains of customers

TietoEnator's service portfolio is based on innovative use of the latest information technology and world-class software products. Another unique element of the strategy is that TietoEnator itself owns an important share of the software that it includes in its offerings to its customers. TietoEnator's own industry-specific software products, frameworks, modules and components represent the most crystallized expertise in the sector.

To be a leading provider means to be the best in customer intimacy, to have a strong market share in the areas the company has decided to focus on, and to be profitable. This combination enables a company to achieve profitable growth and thus deliver value to all its vital stakeholders: customers, employees and shareholders. It also guarantees success and prosperity in the long term.

No company can become the leading global specialist in all industry sectors. TietoEnator has selected a limited number of customer industries where it has built up superior vertical expertise. These are banking and insurance, telecom and media, healthcare and welfare, government, manufacturing, retail, forest and energy.

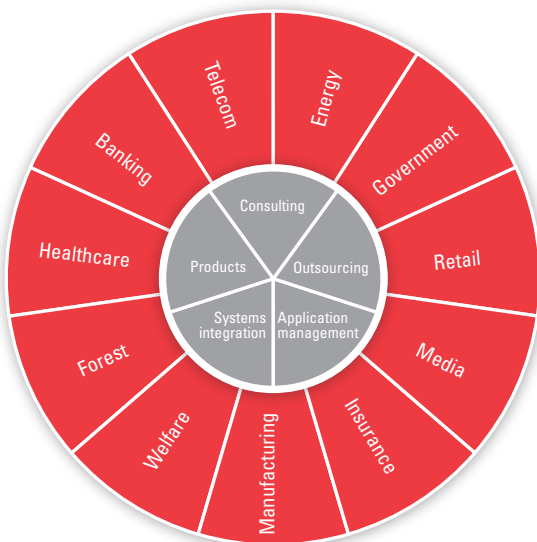
## Both global and regional verticals are important for growth

Growth requires investment and a company of TietoEnator's size must focus its investments on areas where it sees the highest growth potential internationally and where its expertise is truly differentiated. TietoEnator has chosen banking, telecom, healthcare and forest verticals as the international spearheads where it can meet the strongest global competition.

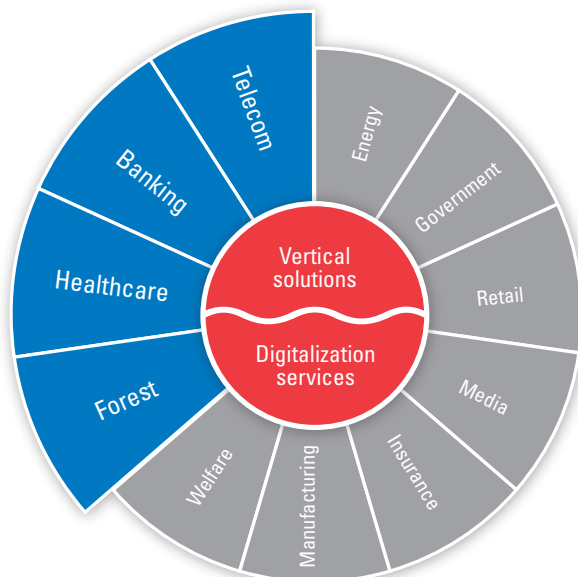
The regional verticals operate in the Baltic Rim area, where TietoEnator can use all its local strengths like customer intimacy and the company's brand at their best. The regional verticals play an extremely important role in supporting the internationalization of TietoEnator as leaders in their respective areas.

TietoEnator invests heavily in its employees' professional skills in creating new offerings and services and in acquisitions. The role of acquisitions is to strengthen TietoEnator's position in its strategic vertical and geographical areas, and to support its future growth.

HOME MARKET



INTERNATIONALIZATION



### **Digitalized services - more value for customers, more revenue for TietoEnator**

We are rapidly moving towards a society in which all data-intensive products and services will be produced, distributed and consumed electronically. More and more of the production and distribution of physical products is also controlled by digital processes today. This trend is generating a lot of benefits for both society at large and for business life. TietoEnator is playing a key role in this development by enabling its corporate and public sector customers to achieve more economical, secure and environmentally friendly benefits and processes.

At the same time the IT services and software market is dividing into value-driven IT services and commodity IT services. Offering superior value to customers requires a deep understanding of the customer's business and industry. The commodity services are a more mature part of the business: a lot of suppliers offer a similar service and prices are under pressure.

As a vendor focusing on high-value-added services, TietoEnator needs to develop new revenue-generating digitalized services together with its customers. There is a need to constantly climb up and reshape the value chains of its customers' businesses. It is also important for the company to consider whether some of the most commoditized services belong any longer to the portfolio of a high-value-added service provider like TietoEnator and should be divested.

The value-added focus and new type of services can be achieved by creating innovative combinations of TietoEnator's offerings in different business areas:

in vertical services, processing and network services, and digital innovations services. TietoEnator facilitates this process at Group level by professionals whose task is to concentrate on strategic customer operations. Leveraging the full TietoEnator strength in the development of service offerings, sales and marketing will enable the company to grow in its changing business environment.

### **Vertical expertise, customer intimacy and price competitiveness are keys to growth and higher market share**

As the ICT service industry becomes mature and more commoditized, vertical expertise as a differentiating factor is no longer sufficient. More and more industries are experiencing global competition and many of TietoEnator's competitors come from low-cost environments. This has resulted in persistent price pressure in many of the areas TietoEnator operates in. It means that vertical expertise and customer intimacy must be combined with price competitiveness for the company to grow and gain market share. To be able to offer lower prices where needed, TietoEnator has to work on its cost base continuously.

TietoEnator will continue to drive its costs down in the future. The means are its own global sourcing operations, common processes and infrastructure, and common support services. Being good enough in cost control, having part of the workforce in low-cost environments, working together wherever it makes sense, and being a professional buyer will help TietoEnator compete and win business in the future.

### **Values a strong base for operation**

TietoEnator's values are Customer Benefit and Personal Growth. All the company's work reflects a strong commitment to creating added value for its customers while providing its own people with continuous opportunities to grow and develop as individuals and team members.

# Focus moves to profitability

Demand for IT services and solutions continued to develop positively in 2006. However, cost savings and business process efficiency have not disappeared as strong drivers of demand despite positive market development lasting several years; rather, they have become a permanent part of IT management among customers. Constantly increasing in importance are drivers related to new revenue growth. Many companies and public sector service providers are finding that they can only introduce new services, and achieve faster time-to-market and a higher level of customer service through investments in new information technology. It is likely that this trend towards giving greater priority to revenue-related investments will continue in the years ahead.

Other prevailing trends that seem to be getting stronger over time are value chain digitalization, automation of business processes and greater use of digital self-services. It is consumers who are increasingly the party initiating transactions and information flows when conducting business or using public services. Companies and service providers can make this happen most efficiently through web-based channels, which is raising demand for fully integrated digital self-service applications.

The commoditization of certain IT services, such as hosting IT infrastructures or the maintenance of mature applications, is making further progress. The most commoditized areas are also under the heaviest price pressure and the market attracts low-cost service providers. At the same time there is a clearly higher focus among many IT services and solutions providers on creating new innovations, leading to a totally new level of value for customers.

Typical expectations for IT services growth in the Nordic countries in the years ahead are in the range of 5 - 6%, which is very close to the level forecast the year before. Volume growth is clearly exceeding price development. IDC expects annual average growth to total 5.1% in Finland and 5.0% in Sweden in 2006 - 2010 (IDC, 2006, Nordic Quarterly Executive Service: Market Analysis, #N520604N). Pierre Audoin Consultants (PAC) forecast that the external Nordic software and IT services market will grow 5.6% annually in 2006 - 2010 with outsourcing experiencing the highest annual growth, 7.7% (PAC 08/2006).

## Cost structure undergoing change

The most important production factor in IT services is labour. Personnel-related expenses are by far the biggest cost item for the industry and thus salary inflation, labour mobility and the availability of a competent workforce all have a major influence on the success and profitability of IT service companies.

These factors are currently changing, however, as global sourcing has now become an integral part of the industry. This means that different salary levels around the world are creating clear employee sourcing opportunities, although these can be weakened by unfavourable labour mobility and the low availability of competent people. In 2006 labour mobility in the IT services sector continued to increase globally. There are shortages of qualified employees for certain specific expertise areas. Wage inflation increased slightly in Western Europe, it increased from earlier levels in Eastern Europe and was at high levels in countries with a lot of new recruitment needs like India.

In 2006 salaries in the IT services sector increased generally by around 4% in Finland and 3% in Sweden. Based on collateral agreements salaries are expected to rise by about 2% in Finland and about 3% in Sweden in 2007.

## Market shares mainly unchanged

TietoEnator enjoys a leading market position in the Nordic countries, especially in Finland. IDC estimates TietoEnator's market share in IT services as a whole at the end of 2005 to be 27% in Finland (28% in 2004) (IDC, 2006, Finland: IT Services 2005 Vendor Shares and 2006 - 2010 Forecast: Market Analysis, #FI560653N) and 7% (8%) in Sweden (IDC, 2006, Sweden: IT Services 2005 Vendor Shares and 2006 - 2010 Forecast: Market Analysis, #SE560652N).

In Finland the market shares of the biggest IT services vendors have been very stable. The only way that a few companies have been able to increase their market share is through acquisitions. The minor decrease in TietoEnator's market share is due to a decline in prices and to efficiency improvements delivered to customers rather than lost contracts.

In Sweden the market shares of the biggest vendors were also rather stable and slightly down for most companies. WM-Data increased its market share by acquisitions. In project services TietoEnator was able to

maintain its number one position even though its market share declined slightly. In outsourcing services there was a minor increase in TietoEnator's market share.

The market share information shows the evident difference between the Finnish and Swedish markets: Finland is a highly concentrated market with the top five suppliers accounting for the bulk of the total market, whereas in Sweden even the biggest players have achieved only moderate market shares.

Pierre Audoin ranks TietoEnator the second biggest software and services supplier in the Nordic countries as a whole after IBM. In several vertical sectors TietoEnator is the market leader. (PAC, 2006)

### **Competitors very different**

Competition in the IT services market is intense and has not been alleviated by the positive market development. Not all of the market is driven by price competition; in some areas the most important competitive differentiator can be service quality and reliability, software functionality, specific competences or innovation.

From TietoEnator's perspective competitors can be very different depending on customer industry, type of service and geography. TietoEnator's competitors fall broadly into four groups: large international service providers including offshore companies, horizontal software product companies, vertically focused solution companies, and R&D service companies. The competitors most often faced are the international IT services providers such as Accenture, HP and IBM, each with their own strengths and weaknesses. The Indian IT services companies have become strong competitors in some specific areas, like telecom R&D services.

### **More services from low-cost countries**

The overall picture for pricing is somewhat more positive than a year ago, but trends among different sectors are still diverse. The small-scale solutions or projects business in local markets is enjoying improving pricing conditions. Bigger projects for major customers, especially those subject to global competition, are still experiencing price pressure and there is an increasing role for global sourcing. The fact that IT services are produced more and more in lower-cost regions means that average prices in the industry are declining. This development is expected to continue for several years. For TietoEnator the telecom sector is the most affected by this development. Infrastructure outsourcing services are always facing an environment of declining prices and here no change is expected.

Vendor consolidation continued at a high level in 2006. Most of the transactions were local or regional in nature. However, a few bigger cross-country moves took place as well. For smaller companies the rationale

is often related to getting new customers, reducing overhead costs and increasing the competence mix. For bigger entities, additional reasons for consolidation can be an increase in global presence, a larger scale to meet the requirements of bigger customers, and access to resources in low-cost regions.

### **Development of customer industries**

In 2006 TietoEnator's organic growth clearly improved in some areas, but also declined in others. Banking and healthcare continued to grow at very healthy levels. TietoEnator's infrastructure outsourcing business was the area of strongest improvement in organic growth, marking a total turnaround from the negative figures in 2005. On the other hand, one of the strong growth areas in the previous year, telecom, turned into negative growth territory due to declining prices. As it is TietoEnator's biggest customer industry this naturally had a noticeable impact on the Group's organic growth rate as well.

#### *Banking and insurance*

In the banking sector customers have turned to new revenue-generating investments in addition to cost savings. Market activity is at a high level, which is attracting new competitors. The Finnish insurance business was driving growth in partnership services in 2006. TietoEnator's joint venture with several Finnish pension insurance companies, TietoEsy, started operations at the beginning of the year. The banking partnership business is rather stable with some signs of increasing activity. The banking solutions business experienced a very active year with several new implementation projects in progress.

In late 2006 TietoEnator's Banking & Insurance business area announced its new business model and organization for 2007. The changes will make the business a lot more capable of selling and delivering solutions internationally and developing products for the global market.

#### *Telecom and media*

In the telecom sector the spending environment has been mostly positive, but prices are under heavy competition. In TietoEnator's telecom business clear price declines took effect at the start of the year. The impact of this was alleviated during the latter part of the year by increased business activity. Some of TietoEnator's operator customers restricted their investments early in 2006, but closer to the year end there were signs that operators were starting to invest in new services.

Consolidation among telecom infrastructure suppliers will reduce these companies' R&D budgets but will also create new outsourcing opportunities. During

2006 TietoEnator's telecom operations accelerated the build-up of an optimal mix of resources on-site close to customers, and off-site in beneficial cost environments.

In the summer of 2006 TietoEnator and Siemens signed an agreement to deepen their co-operation and to transfer switching and migration to next-generation networks from Siemens Communications R&D to TietoEnator. The transaction meant that around 250 employees from Siemens moved to TietoEnator's Telecom & Media business area. About the same time TietoEnator agreed to acquire the majority of the share capital in Polish RTS Networks, a provider of telecom R&D services mainly to Siemens Communications. The acquisition strengthened TietoEnator's R&D expertise and added 110 employees.

In January 2007 TietoEnator recruited 140 people formerly working for the Taiwan based BenQ's R&D centre in Wroclaw, Southern Poland. The people have previously performed software development and system testing for BenQ in Germany and will now gradually take assignments for TietoEnator's customers in the telecom R&D area.

At the beginning of February 2007 TietoEnator took over Ericsson's design centre in Aarhus, Denmark with 86 employees. The design centre supplies IP software building blocks used in Ericsson products.

#### *Government*

Demand was good in the government sector market though customers' multi-sourcing strategies maintained tough price competition. In May Tietokarhu Oy, the joint venture between TietoEnator and the Finnish Government, revised its service agreement with The Finnish National Board of Taxes to expire in 2016.

In October TietoEnator divested its government business operations in Sweden, Denmark and Norway as these operations had not been part of the company's core business and investing in them would not have been consistent with TietoEnator's strategy. The divested businesses employed about 420 people.

#### *Manufacturing, retail*

TietoEnator's manufacturing business performed well and the biggest growth potential is coming from customers' ERP implementations and enhancements. In the retail business customers are implementing cost-saving programmes and are looking for IT-enabled standardization and automation opportunities.

#### *Healthcare, welfare*

In the healthcare business demand for new systems was strong during the whole year. Customers' high demand for new functionality and the requirements created by national healthcare IT initiatives slowed

down the start-up of many implementation projects and increased development needs. TietoEnator made several smaller healthcare acquisitions in Germany, Sweden and Finland.

#### *Forest, energy*

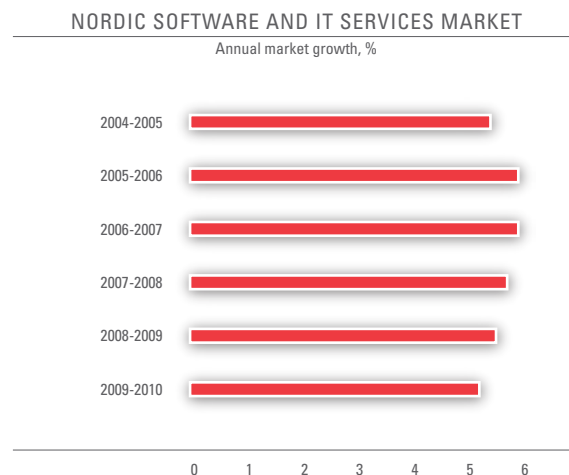
In the forest sector customers have been focusing on cost savings. Their restructuring programmes resulted in increased interest in outsourcing and global sourcing. Sales and decision-making cycles are very long, however, and customers continue to be very cost-conscious.

Outsourcing is increasingly being considered by energy companies as well. Customers in that sector are also looking for cost savings even though their financial situation is strong. The oil and gas business, where customers are focusing on standardization, performed well. TietoEnator entered the utilities area in Germany by acquiring Topas Consulting with 74 SAP experts.

#### *ICT operations management*

Market activity in the infrastructure outsourcing business was high. In 2005 TietoEnator was able to close several extensions and renewals of contracts, which provided a good level of growth for 2006. No very big deals were closed in 2006, but the market consisted of a large number of smaller cases. The year's biggest contract for TietoEnator in this area was with StoraEnso on the hosting of its ICT infrastructure on a global basis.

In 2006 TietoEnator invested in the development of offerings that digitalize customer's business processes in the banking and telecom areas among others. One example of these offerings is e-invoicing, where TietoEnator can provide its banking and financial sector customers a way to manage the pressures and benefit from changes introduced by the Single Euro Payment Area (SEPA).



Source: Pierre Audoin Consultants, 2006

### Major leap in global sourcing

TietoEnator's resources in lower-cost regions increased from about 1 200 people to 2 000 during 2006. The current number represents 13% of the total headcount, which is a major improvement compared to earlier years. The countries that experienced the highest growth in resources were the Czech Republic, India and Latvia. This development was also supported by acquisitions; TietoEnator added a site in Poland by acquiring RTS Networks.

TietoEnator now has the resources available to offer a mix of high-cost and low-cost resources to any of its customers. Telecom customers continue to lead the field in the adoption of global sourcing, and many others, especially the more international ones are following.

At the same time TietoEnator recognizes the need to speed up the growth of its low-cost resources and has made short-term and long-term plans to guarantee that the optimum mix of resources is reached as soon as possible. Short-term plans include the scale-up of existing sites in the Czech Republic, Poland and India and immediate readiness to open new sites in Eastern Europe. Long-term plans imply opening new sites in existing or additional countries in Eastern Europe and Asia.

TietoEnator's global sourcing strategy is based on a combination of European and Asian sites. European customers are more interested in services provided from European sites. Another benefit of the strategy is lower risk through less dependence on one particular country and market.

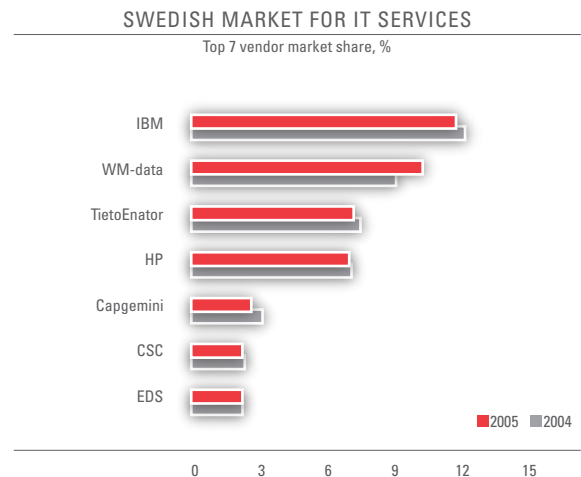
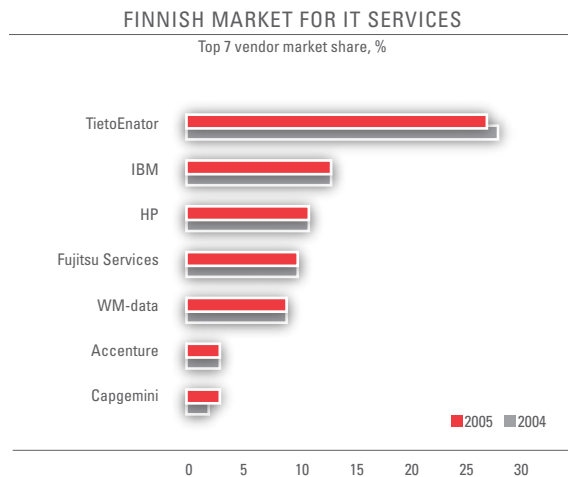
### Big divestments boost earnings per share

TietoEnator's net sales from continuing operations grew 5% to EUR 1 646.5 (1 570.4) million in 2006. Organic growth improved slightly to 2% (1). The highest growth took place in the banking and insurance customer segment, 23%. The public sector grew 4%, whereas telecom and media declined 6%. Growth in Finland was 3%, in Germany 21% and in Norway 4%. Sweden contracted by 3%. In 2006 Finland accounted for 46%, Sweden for 28%, Germany for 8% and Norway for 5% of net sales.

Operating profit (EBIT) from continuing operations before capital gains was lower than the year before at EUR 112.0 (150.1) million. Capital gains (including discontinued operations) totalled EUR 171.7 million. Most of the capital gains are from the divestment of the remaining shares in Personec Group. The shares were sold to Personec's other shareholder, the private equity company Nordic Capital. Personec is a supplier of business support services and solutions, especially for payroll, HRM and financial management. The divestment supports TietoEnator's strategy to focus on selected customer industries and releases resources and capital for international expansion.

### High level of dividends to shareholders

TietoEnator's operations generated less cash flow than the year before, but the low acquisition activity and high divestment activity nevertheless contributed to strong cash flow in 2006. The substantial capital gains enable TietoEnator to pay a high level of dividends. The Board's dividend proposal is EUR 1.20 (0.85) per share or a total of EUR 88.3 (64.5) million. Additionally TietoEnator returned EUR 40 million of cash to its shareholders in the form of a share buy-back programme in



Source: IDC, 2006



PHOTO: DAVID THOMAS



*TietoEnator in the UK  
Jeff Boudery and Ravinder Gill, Banking & Insurance,  
standing in front of Mansion House, the office for the  
Lord Mayor of London.*



# Review of business operations

## Structure honed for global expansion

TietoEnator concentrates on business sectors in which it can most effectively leverage its strong expertise to grow and to maintain a sustainable competitive advantage. The company has singled out banking, telecommunications, healthcare and the forest industry as its four international spearhead businesses. For these it produces services through four business areas – Banking & Insurance, Telecom & Media, Healthcare & Welfare and Forest & Energy – which operate in a number

of countries on several continents. TietoEnator also serves other businesses in the Baltic Rim area, through another two business areas: Government, Manufacturing & Retail and Processing & Network. In these latter sectors, TietoEnator's market leadership provides vital support for the Group's global expansion. Supplementing the services of all these business areas is the company's Digital Innovations unit and a network of service centres in low-cost countries.

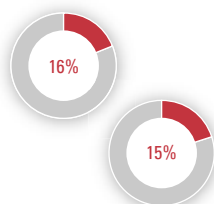
### BUSINESS AREAS IN NUMBERS

	2006	2005
Net sales, MEUR	284	237
per employee, EUR 1000	129.7	122.8
Operating profit, MEUR	20	23
Margin %	7.1	9.8
per employee, EUR 1 000	9.2	12.1
Full-time employees (average)	2 189	1 930
Full-time employees (Dec 31)	2 193	2 070

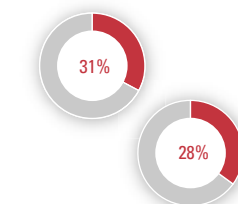
Share of net sales 2006

Share of operating profit 2006

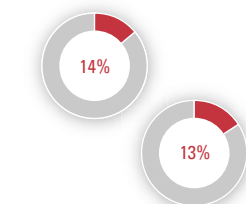
	2006	2005
<b>BANKING &amp; INSURANCE</b>	284	237
	129.7	122.8
	20	23
	7.1	9.8
	9.2	12.1
	2 189	1 930
	2 193	2 070



	2006	2005
Net sales, MEUR	542	544
per employee, EUR 1000	111.2	125.4
Operating profit, MEUR	39	70
Margin %	7.2	12.9
per employee, EUR 1 000	8.0	16.2
Full-time employees (average)	4 869	4 336
Full-time employees (Dec 31)	5 107	4 781



	2006	2005
Net sales, MEUR	236	239
per employee, EUR 1000	124.1	120.5
Operating profit, MEUR	18	22
Margin %	7.6	9.1
per employee, EUR 1 000	9.4	10.9
Full-time employees (average)	1 904	1 982
Full-time employees (Dec 31)	1 532	1 997

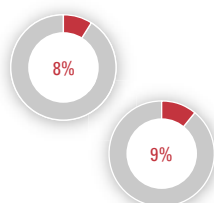


	2006	2005
Net sales, MEUR	144	131
per employee, EUR 1000	119.3	128.2
Operating profit, MEUR	13	17
Margin %	8.9	12.9
per employee, EUR 1 000	10.6	16.6
Full-time employees (average)	1 208	1 020
Full-time employees (Dec 31)	1 295	1 107

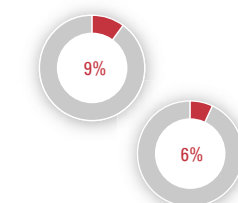
Share of net sales 2006

Share of operating profit 2006

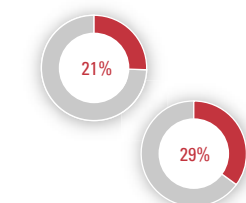
	2006	2005
<b>HEALTHCARE &amp; WELFARE</b>	144	131
	119.3	128.2
	13	17
	8.9	12.9
	10.6	16.6
	1 208	1 020
	1 295	1 107



	2006	2005
Net sales, MEUR	161	160
per employee, EUR 1000	128.5	123.1
Operating profit, MEUR	8	14
Margin %	4.9	8.4
per employee, EUR 1 000	6.3	10.4
Full-time employees (average)	1 251	1 303
Full-time employees (Dec 31)	1 286	1 279



	2006	2005
Net sales, MEUR	374	345
per employee, EUR 1000	189.2	170.2
Operating profit, MEUR	39	29
Margin %	10.5	8.3
per employee, EUR 1 000	20.0	14.1
Full-time employees (average)	1 979	2 028
Full-time employees (Dec 31)	1 966	1 977



The vision of the Banking & Insurance business area is to become a leading provider of high-value-added IT services and solutions to banks, insurance companies and financial services providers in selected markets. In order to reach this vision and its goals, the business area needs to grow aggressively outside the Nordic countries while cementing its position in the Nordics against very aggressive competition.

# Banking & Insurance

## Customers focus on new revenue-generating investments

Market activity in 2006 was at a high level in the customer industries of Banking & Insurance. At the same time, competition is becoming more aggressive. Banking & Insurance progressed quite well in expanding its operations outside the Nordic countries, winning several important customer projects in the United Kingdom, continental Europe and outside Europe with its core Banking, payment and card suites. The Financial Solution Business developed well in Finland and Sweden, and the partnership services business progressed very favourably in Finland.

### **Continued IT investments to improve competitiveness and efficiency**

The overall economic situation in many European countries has improved. Different trends can be seen affecting customers in the banking and insurance industries. Increasing competition, maintaining efficiency and growth, and fulfilling the regulatory and end-user demands are issues that have high priority when decisions related to the development of information technology are made.

TietoEnator estimates that several European banks will replace their core systems during the next 3-4 years. Self-service functionality and a multi-channel approach will also play an important role in IT decisions. The increasing role of wealth management and peoples' growing interest in financial future planning will have an impact on decisions related to banking, life insurance and investment management IT.

Banks, insurance companies and financial services providers are expected to continue their investments in IT services and solutions to become more competi-

tive and efficient. TietoEnator plans to provide both its current and new customers with best-of-breed solutions to make them more successful in their business.

### **Proactive approach to offering development**

During the next few years, Banking & Insurance aims to gain a significantly stronger foothold in Europe while maintaining its solid position in the Nordic countries. Competition within the customer industries will be stiffening – new players with new concepts are coming in while global banks are being established through consolidation.

In order to reach its goals, Banking & Insurance must be proactive with its offering management and development to be able to offer solutions to global banks and customers with new innovative business ideas. Its strategy is to stay competitive in the Nordic countries with its full service offering and partnership relationships and to enter the European markets with its global solutions – core banking, e-banking, cash management, payments and cards. In addition, it will need to build a strong international sales force to be able to serve its existing customers while at the same time offering attractive and innovative IT solutions to potential new customers.

### **Internet banks all over the world**

The new-generation bank portal which TietoEnator Banking & Insurance developed for Nordea Bank has been sold all the way to Africa. In Europe one of the newest clients for the e-banking solution is the pan-Nordic credit card company Entercard.

The TietoEnator eBanking Suite is a solution family containing packaged portal front-ends for retail and corporate customers and value-adding e-banking services, all built on our secure and scalable multi-channel platform.

The eBanking Suite next-generation product family enables banks to offer their customers a secure, personalized window to e-banking services and their current financial situation.



## Banking & Insurance

- Provides high-value-added IT solutions and services in the banking, financial services and insurance sector.
- Is expanding globally by offering frontline software solutions and related system integration and partnership services.
- Operates in its home market, Northern Europe, in close partnership with its customers.
- A continuous pioneer and innovator in its sector, e.g. creator of the world's most advanced digital banking and insurance solutions.

### Products and services

- Global solutions; include core and eBanking solutions, payment and card solutions
- Development, maintenance and integration of information systems
- Partnership services; include renewal of core systems
- Outsourcing services

### Markets

- Serves more than 400 customers in 14 European countries
- Europe's leading provider of IT services and solutions to the financial services industry
- Examples of customer relationships deepened during the year:
  - Handelsbanken
  - IF Insurance
  - Ilmarinen
  - Nordea
  - Rabobank
  - Royal Bank of Scotland
  - Sampo Bank/Danske Bank

## Cash management solution for Rabobank

TietoEnator is in the process of implementing a new cash management solution for the Dutch banking group Rabobank which will radically simplify the cash management processes for the bank's corporate customers. At the same time it will give the bank a more versatile offering, while ensuring that the quality of services improves without risking productivity.

The new solution will enable Rabobank to offer a range of innovative and complex cash management products to their corporate customers including 24/7 service available through a web-based service. With better control of their liquidity on a minute-by-minute basis, even across borders and various time zones, corporate customers will be better able to make critical business decisions and act on new opportunities quickly.

The delivery to Rabobank includes the cash management module of TietoEnator's Core Banking Suite as well as the eBanking Suite net bank solution. The agreement covers implementation of the project, the licence for the solution, services and application management including 24/7 support.

2006 was a challenging year for Telecom & Media owing to tough price competition in the telecom sector, and the business area did not reach its growth targets. In a strategic sense, however, the year was a positive one. Telecom & Media strengthened its market position to rank as the leading supplier of telecom development services in Europe following the co-operation and outsourcing agreement reached with Siemens in the summer. This creates a firm base for further expansion also outside Europe.

# Telecom & Media

## Going global

Competition in the telecommunications sector is intense, creating pressure on prices that requires telecom companies to cut costs and develop new services and modes of operation. This trend offers IT services providers the opportunity to help customers raise their business efficiency and create IT solutions for new services. At the same time these providers also need to accelerate their use of resources in low-cost countries. Consolidation among communications technology suppliers continues to be strong, cutting back the R&D budgets of these companies but simultaneously creating new scope for outsourcing.

Teleoperators, faced with extremely tough price competition in recent years, are responding by expanding their role in the telecom sector. The Nordic market, Finland in particular, is showing signs of recovery and companies are moving from competing purely on price to differentiation through services. This is making it necessary for teleoperators to continue investments in new technology while at the same time raising efficiency. In central Europe the drive for greater efficiency is only just beginning.

### Stronger presence in Central Europe

Telecom & Media succeeded in its goal of strengthening its position in Central Europe during 2006. Especially notable in this context was the agreement signed with Siemens in the summer to move certain R&D operations from Siemens Communications to TietoEnator. These operations cover the replacement of earlier technology together with migration to next-generation networks. This project both broadens and deepens the collaboration enjoyed by the two companies for years and makes TietoEnator the clear leader in European telecom R&D services.

The business area also made greater use of resources in low-cost countries in its production in response to

the cost pressures faced by its customers. In addition to utilizing TietoEnator's own software centres to a greater extent, this also included acquiring a majority holding in Polish telecom R&D services provider RTS Networks Ltd, giving Telecom & Media added capacity in low-cost countries. In 2006 10–15% of Telecom & Media's production destined for high-cost countries took place in low-cost software centres.

One of the year's priorities was for Telecom & Media to develop its offerings concentrating on those competence areas giving the strongest competitive edge. TietoEnator's product and service offerings must be strong and extremely precisely defined especially in the international marketplace, where the company is less well-known. Telecom & Media's principal competitive strength and differentiating factor is its knowledge of the entire telecommunications value chain from manufacturing to teleoperators and the media. A good example of a service combining the different parts of the value chain was the agreement reached in October on the transfer to TietoEnator of Finnish mobile operator DNA's value-added telecom services. TietoEnator will in future be responsible for DNA's mobile content services and the two companies will also work together in the development, merchandising and production of new services.

### Global growth through solutions business

Demand for IT services in the telecom business is expected to continue growing because in the future production and services in this sector will be based entirely on information technology. Price pressure among global competitors will remain intense, however.

Telecom & Media's target is to strengthen its position also outside Europe. The business area is well positioned to succeed in this task as Europe's leading telecom R&D services provider with customers including leading global



## Short-number services for TeliaSonera

During 2006 TietoEnator participated in several development projects for Nordic telecoms operator TeliaSonera to help in the design and deployment of short-number services in Sweden. TeliaSonera offers short-number services to authorities and companies.

The best known short-number services are 11414 and 1177. Dialling 11414 will automatically put the caller through to the nearest police authority round the clock. The new phone number and call centre solution considerably increase the capacity of the police for taking calls from the public, and people only need to remember one number wherever they are.

1177 is a short-number service used to get medical advice. From anywhere in Sweden, people calling 1177 are connected to the nearest medical care centre. The advanced call routing also ensures that the call waiting time is reduced. In this service, TeliaSonera's customer is the Federation of Swedish County Councils.

companies in the field. India and China are particularly important target markets for Telecom & Media because its current key customers also operate actively in those countries. Initially, the business area will offer local services to its European customers in these markets but a longer-term goal is to expand the customer base to cover local companies as well.

Telecom & Media is building a platform for international growth by progressing from service provider to solutions provider, by focusing single-mindedly on customer relationship management and sales management, and by raising its profile outside the Nordic countries.

## Telecom & Media

- Provides high-value-added IT services to leading telecom operators, equipment manufacturers and media companies.
- The largest European supplier of R&D services to the telecom industry.
- Works in close partnership with its customers.

### Products and services

- Product development services
- Systems development
- Integration and maintenance services
- Methods and tools
- Consulting

### Markets

- Operations in 15 countries including Asia. Main market area is Europe
- Collaborates globally with international customers.
- Six largest customers: Alcatel, Ericsson, Nokia, Siemens, Telenor and TeliaSonera

Healthcare & Welfare's most important priorities during 2006 were digitalizing care processes and enhancing its patient record and customer information systems. The business area's goal is to offer solutions that support productivity, efficiency and quality. Consistent with its strategy, Healthcare & Welfare has expanded resolutely and today is one of Europe's top-ranking healthcare names. In the Nordic countries TietoEnator is the leading provider of IT systems for healthcare and welfare services.

# Healthcare & Welfare

## Building seamless care and service chains internationally

The healthcare and welfare sectors are confronting major challenges. Hospitals around Europe are renewing their outdated core systems, digitalizing their processes and building seamless care chains. The Nordic countries are moving towards regional and even national solutions designed to help social welfare and healthcare services work hand in hand. Service providers are consolidating into larger organizations and collaboration is also increasing between the public and growing private healthcare sectors. Larger organizations and highly integrated information technology systems often also call for new forms of co-operation between IT providers and the development of common standards.

TietoEnator has purposefully developed its solutions to meet market needs. The Healthcare & Welfare business area supports its customers by digitalizing service processes and by promoting seamless care chains and co-operation between the various parties involved. The principal development priority has been to ensure the high quality of information while keeping people firmly in focus: making information technology serve patients, citizens and service providers in the optimal way. In addition to core systems TietoEnator has also developed innovative self-service and mobile solutions to help welfare and healthcare services run more smoothly.

In the welfare sector, care for the elderly is growing in importance as the proportion of older people in the population increases. Care is based on the principle that the elderly should live at home for as long as possible. Information technology can support this aim for example through uniform care and service plans and the use of mobile technology. TietoEnator is enhancing its elderly and homecare solutions through participation in a number of multinational projects.

Efficiency and service quality are improved when the various parties responsible for caregiving have up-to-date information on what needs to be done.

### **Foothold in Europe strengthened**

TietoEnator's market share and market presence increased during the year and the company moved on from its role as the leading IT provider in the Nordic healthcare sector to establish itself as an IT services provider of international standing. Healthcare & Welfare's priorities were integrating the companies it had acquired in the previous year, developing and strengthening its organization, intensifying sales, and making further acquisitions.

Waldbrenner AG, a German company specializing in patient administration systems, became part of TietoEnator at the beginning of January. Two companies were acquired in early October: Cymed AG in Germany, an expert in hospital information solutions and hygiene software for hospitals and laboratories, and Laps Care AB in Sweden, whose focus is IT support for resource optimization in elderly care, homecare and home nursing. A further acquisition was Quickclit Finland Oy's welfare and healthcare business, which concentrates on interactive and wireless communication services.

### **Sights set on sharper competitive edge**

Restructuring in the healthcare sector and the digitalization of services are expected to drive an increase in healthcare information technology investments in Europe of more than 10% a year. TietoEnator will further strengthen its position as one of Europe's leading IT healthcare services providers.

Healthcare & Welfare continued to develop and expand the service centre in India during 2006. The aim

is to find an effective and competitive operating model that would combine TietoEnator's local operations and expertise in different countries with its offshore resources in India in the optimal way.

Healthcare and welfare services are sectors in which citizens will be able to benefit extensively from self-service and mobile technology in the years ahead.

Examples include searching for services, making appointments, renewing prescriptions and monitoring their own care histories. With solid experience in the banking and telecom businesses, TietoEnator brings strong expertise and vision to the development of these services.



## Innovation prize for TietoEnator's healthcare solution

Digitalization of Clinical Pathways, a co-operation project involving the Bundesknappschaft Hospital in Bottrop, Germany and TietoEnator, has been awarded the VHitG Award for the best IT solution in the German healthcare market. The solution supports the development and optimization of patient care processes.

By leading to targeted diagnostics and optimized treatment processes, the solution reduces patient stays by 0.5–0.8 days. Assuring consistently standardized treatment, it also helps to reduce unnecessary diagnostic exams. Together these improvements increase the quality of treatment and patient satisfaction. The minimum potential annual cost reduction for the hospital is estimated to be 500 000 euros.

## Healthcare & Welfare

- Supports its customers by digitalizing their service processes and promoting the creation of seamless care and service chains.
- 40 years of experience and more than 1 200 experts for healthcare and welfare IT services in seven countries: Netherlands, India, Norway, Sweden, Germany, Finland and Denmark.

### Products and services

- Comprehensive product families for hospitals, primary healthcare, laboratories, dental care, private medical clinics, homecare, social services and education
- Complete services based on customer-specific partnerships
- International repeatable products adaptable to local needs

### Markets

- Main market area Europe, customers in eleven countries
- Leading provider in the Nordic countries, among largest providers in Europe

### Largest customers:

- Norway: Central Region Health Authority, Southern Region Health Authority, Oslo Municipality
- Sweden: counties of Skåne and Stockholm, the City of Stockholm
- Germany: Rhön Klinikum AG and Bundesknappschaft
- Finland: Medi-IT Oy, Helsinki and Uusimaa Hospital Districts, the City of Espoo
- Denmark: The Capital Region, Region South, National Board of Health

Forest & Energy provides high-value-added IT services for the forest, oil & gas and utilities industries. The business area develops IT systems covering its customers' entire value chains, from procurement to customer relationship management. In 2006, there were important developments in all of the business sectors of Forest & Energy that open up new opportunities for it.

# Forest & Energy

## The strategic IT partner of leading global companies

As a global solutions provider with more than 50% of its employees working outside Finland and Sweden, Forest & Energy is the most international of TietoEnator's business areas.

### Driving force for forest business innovations

TietoEnator is the global leader in IT solutions for the forest industry, and most of the world's largest paper and board companies are its customers. The company's success in the forest sector is based on a combination of long-term partnerships with its key customers and innovative repeatable solutions that are sold globally. TietoEnator holds a strong position in Europe, North America and Asia, and is focusing its expansion efforts on the growing South American and Russian markets.

There is still overcapacity in the forest sector, both in North America and in Europe, but TietoEnator has been able to benefit from the industry restructuring by creating new demand for IT systems. Restructuring programmes have also resulted in increased interest in outsourcing.

TietoEnator is participating in a large EU research programme concerning wood traceability. This aims at improving the use of wood and optimizing forest production throughout the value chain, while simultaneously minimizing environmental impacts. TietoEnator's role is to develop software components and solutions for improved information management. It also has a leading role in the implementation of the research results. TietoEnator's understanding of the entire value chain of the forest industry places it in an excellent position to develop and utilize new innovations for the benefit of the whole industry.

### Leading provider of hydrocarbon accounting solutions

In the energy sector, TietoEnator has a strong position in the oil & gas business due to global frame agreements

with major oil and gas corporations. It is the world leader in hydrocarbon accounting solutions for global oil and gas companies, and among the leading solution providers for the emerging liquid natural gas industry.

A report published in 2006 by Energy Insights, an IDC company, confirms TietoEnator's position as a leading provider of hydrocarbon accounting solutions. Hydrocarbon accounting is a term used to describe how the ownership of gas and oil is determined and tracked from production to sales. TietoEnator's hydrocarbon accounting solution portfolio, Energy Components, monitors oil and gas flows from reservoir to payment and handles very complex hydrocarbon accounting needs. Companies including ExxonMobil, BP, Shell, ConocoPhillips, Chevron and Statoil rely on Energy Components solutions in their installations around the world.

### Automatic meter reading the big driver for utility industry

In the utility sector, TietoEnator has a leading market position and a large customer base in the Nordic countries. The company's global growth strategy in this sector begins with expansion into Central Europe. In 2006, TietoEnator strengthened its capabilities to serve utilities in Europe by acquiring the business of TOPAS Consulting GmbH in Germany. The acquisition supports the company's SAP knowledge and extends its customer base with important European utilities.

The whole utility sector will be undergoing major changes in the years ahead. The development of automatic meter reading and management will play a major role in this. The entire value chain from meter reading to cash will be fully digitalized, and energy consumption invoicing based on real measurement values instead of estimates will gradually become mandatory. In Sweden and Italy, legislation is setting the pace for the full deployment of automation by 2009, resulting in a clear demand for



a turnkey provider with end-to-end capability and the sustainability to carry out large infrastructure projects. In 2006, TietoEnator and Ericsson Enterprise embarked on strategic co-operation in the fields of automatic meter reading and management. The co-operation will result in the creation of a full end-to-end provider of automatic meter reading and management solutions. The joint offering will be available to the global utility market.

### Market outlook positive

After partially disappointing growth and profitability development in 2006, the market outlook for Forest &

Energy looks positive in all of its customer industries. In the forest sector, demand in Central Europe and North America has improved. The new markets, Asia, South America and Russia, are starting to invest in advanced information technology solutions. The Forest unit has completed major product development projects and is ready for increased demand.

Forest & Energy continues to develop the operations of its competence centres in the Czech Republic and Malaysia.



CASE FOREST & ENERGY

## Stora Enso takes command of the supply chain

To further increase its efficiency and improve its business, Stora Enso needed a common Enterprise Resource Planning system to be used throughout the group's different units. The Fenix ERP system, developed by TietoEnator specifically for Stora Enso, allows information sharing on a common platform.

With the help of the Fenix system, the operational overview is considerably more transparent both on unit and group levels, giving Stora Enso better information for analysis and planning. Ultimately, decisions can be made faster and more accurately than before.

Stora Enso's entire sales operation is covered by the Fenix system, allowing the company to follow orders from A to Z. Budgeting, sales and production plans, price lists, forecasting and invoicing are all handled by the system.

With Stora Enso's interface, PartnerWeb, the group's customers can gain easy access to track their orders. This increases the level of self-service considerably.

## Forest & Energy

- TietoEnator Forest is the world's largest concentration of IT professionals for the forest industry.
- TietoEnator Energy produces IT services and solutions for electricity and oil & gas companies.

### Products and services

- World-class information systems for the pulp, paper and wood products industries and forestry
- Improvement of core business processes in the energy sector
- Leading solutions for the utilities industry
- Globally leading products for hydro-carbon accounting
- IT services for oil&gas companies

### Markets

- TietoEnator Forest meets its customers' needs worldwide
- Strong market position in North America, Asia and Europe. Expanding in South America and Russia.
- TietoEnator Energy is a global IT supplier to both electricity and oil & gas companies. Has a leading position among Nordic electricity companies.
- Five largest customers: Fortum, Shell, Statoil, StoraEnso, UPM

Government, Manufacturing & Retail operates in the Baltic Rim area offering its customers a complete portfolio of IT services. Development of these services over the next few years will be guided strongly by the rapid growth in demand for digital services and their increasingly diverse application.

# Government, Manufacturing

## Comprehensive IT services for customer's total value chain

Government, Manufacturing & Retail's business operations are founded on a deep understanding of its customers' businesses, key customer strategies and the use of products supplied by global technology leaders. Enterprise resource planning (ERP) systems form a core element of this business area's offering.

Demand for IT services is growing steadily in the manufacturing industries, where customers are giving priority to enhancing supply chain efficiency. Tieto-Enator solutions and services enable customers, among other things, to improve their ability to forecast demand. A central goal is to keep processes running efficiently.

This calls for system integration as this improves operational transparency, helps to remove process bottlenecks and speeds up delivery times. Broadening the scope of IT services and solutions to cover industrial services helps customers to expand their business operations.

### Changing consumer behaviour guides service development

In the retail business, development of TietoEnator's solution and service offerings is being guided increasingly strongly by the rapid adoption and proliferation of digital services. When developing IT services for the needs of retailers, greater focus is being given to the consumer's perspective in sourcing products and services; the aim is to use digital services to make it as easy as possible for the consumer to find and buy products and services, and to compare prices and quality.

A similar trend is evident in local and central government: the needs of citizens and organizations is determining how various service chains are being digitalized. Digital services are being developed with two main purposes in mind: to produce services that cross organizational boundaries both within administrations and in co-operation with other parties; and to ensure more flexible, shared use of existing information.

### A year of streamlining

In line with its strategy, TietoEnator is focusing on organic growth and raising profitability. Government, Manufacturing & Retail's approach to reaching these goals is to concentrate on its key customers and build up a portfolio of high-value-added services. Since the Government Services units outside Finland were only at the initial phase of partnership development, Tieto-Enator sold these units to Sirius IT in October 2006.

TietoSaab Systems, a joint venture company set up by TietoEnator and Saab, began operating in February 2006. This company supplies command and control services to defence forces and the civil security sector.

The service agreement with Tietokarhu Oy, a joint venture between the Finnish ministry of finance and TietoEnator, was revised in May.

### Competitive edge through strong industry know-how and cost-efficiency

Demand in all the areas served by Government, Manufacturing & Retail is expected to remain at a good level but price competition will continue to be intense. The business area is broadening its global sourcing in order to raise cost-efficiency, using mainly TietoEnator's service centres in the Baltic countries and in Ostrava, Czech Republic. Construction of an SAP centre was started in Ostrava during 2006.

Besides increasing cost-efficiency, the business area will continue to give top priority to maintaining its strong expertise and close customer relationships in the three areas of government, manufacturing and retail, as well as developing innovative new solutions and services for the evolving needs of its customers. Application Service Management (ASM) is taking a more prominent role in the business area's operations. Ensuring the availability and on-going development of services throughout their lifecycle calls for a deep

level of expertise and the ability to respond to customers' differing service needs. The systems developed in close collaboration between TietoEnator and its customers support selected core operations seamlessly. They provide uninterrupted operation throughout their service lives, and also function as required even when circumstances change.

Both the retail and manufacturing industries are expanding internationally. Many enterprises are especially interested at the moment in the Baltic countries and Russia. TietoEnator, likewise, is growing internationally in pace with its customers' needs, serving them in all their markets.

# & Retail



## Government, Manufacturing & Retail

- Offers IT services for local and central government, the manufacturing industries, and retail and logistics.
- Operates in close partnership with its customers.
- Has a deep knowledge of its customers' businesses and the ability to apply leading technologies, along with its own and international solutions, in the digitalization of its customers' core operations.

### Products and services

- Solutions for developing, building and using digital services in public administration
- ERP, CRM, product lifecycle management and integration solutions for the manufacturing industries
- Development and maintenance of the digital value chain of international retailers and logistics companies

### Markets

- The Baltic Rim countries
- Support for global companies in their different locations
- Five largest customers: Kesko, Ruukki, S Group, the Finnish Vehicle Administration and the Finnish National Board of Taxes

CASE GOVERNMENT, MANUFACTURING & RETAIL

## Palkka.fi – a one-stop solution to employer obligations

Palkka.fi is an internet service run by the Finnish tax administration that helps small employers handle their complex statutory obligations in the simplest possible way.

When paying wages and salaries, employers must also take care of a host of other obligations like accident insurance, unemployment insurance and occupational pension payments, and pay-as-you-earn deductions. The task has been a burdensome one, but since February 2006 it has been made a lot easier by palkka.fi, a free and universally available internet service.

When a small employer sits down to make the wage payments, they can also take care of all the other matters related to wage payment during the same internet session, from withholding tax at source to paying pension insurance contributions. The user can also save their archives, book-keeping and employee register in the same service assured of complete data security, using for example their online banking code.

Palkka.fi is at the cutting edge of the e-taxation and e-government projects currently underway in Europe. Working alongside the National Board of Taxes in this project have been pension and insurance companies, banks, several ministries and TietoEnator.

Processing & Network remodelled its services and refined its working processes during 2005, creating a competitive and cost-effective service model for managing its customers' information systems. The new model resulted in substantially improved growth and profitability for the business area in 2006.

# Processing & Network

## Dynamic growth ahead

Working closely with its customers, TietoEnator aims to develop new sales-generating digital services for them. At the same time, as competition intensifies and the market matures the company must continuously become more cost-competitive.

The service model adopted by Processing & Network also supports the Group's strategy by spurring improvements in customer service, and by raising service quality and efficiency.

### Competitive edge sharpened in all areas

Processing & Network's competitive strength lies in outstanding customer service, operational efficiency and a leading portfolio of services. Action was taken during 2006 to further enhance all these areas. The strong competence centres established in the Nordic countries were ramped up to full-scale operation and these are now geared to offering customers top quality locally.

A major part of the 24/7 services and IT systems supervision previously handled by Processing & Network was moved to the Ostrava Software Centre in the Czech Republic to increase cost-efficiency and provide an even broader round-the-clock service. The service centres in different countries have been inter-linked to ensure that customers will always receive TietoEnator's best expertise and service.

The business area's service portfolio was expanded during 2006 with the addition of capacity services. Covering processing, data storage, network management and printing, these services offer customers a new way of obtaining capacity for their business application needs. Customer needs are, of course, carefully mapped but the capacity services ensure that as situations change capacity can be increased or reduced flexibly. The use of different types of capacity are measured and invoicing reflects actual use.

TietoEnator and Nokia expanded their collaboration in the wireless mobility business in 2006 with

the launch of next-generation mobility services for enterprises. The new services move beyond providing wireless e-mail, calendar and device management capabilities to focus on improving return on investment (ROI) from enterprise system investments through better productivity; as employees and systems become more accessible, the operative responsiveness of the entire organization increases.

The new service is part of TietoEnator's Digital Workplace management concept, a turnkey solution that provides everything needed for modern desktop management, such as terminals, applications and services, to enable people to use their business systems and data anywhere, anytime. Another example of this concept is the agreement in 2006 between TietoEnator and the Finnish Customs on the renewal of the Customs' office workstations and service infrastructure.

In 2006 Processing & Network also gave high priority to sales. With demand buoyant throughout the year, the business area reached a distinctly better level of sales growth and profitability.

### Full responsibility for the customer's business process functionality

Demand for ICT infrastructure management services in the Nordic countries is good. In 2006 the market tended to favour a large number of smaller outsourcing cases rather than big one-off transactions, a trend which is expected to continue during 2007.

As it further enhances quality and customer service, Processing & Network is also concentrating on implementing its new Application Service Management (ASM) service concept whereby Processing & Network, together with the industry-specific business areas, provides a single service package to TietoEnator customers that ensures uninterrupted infrastructure operation by anticipating and preventing error situations. Demand for this type of service is already considerable and is expected to remain high in the future.



## IT operations for OMX's Banks & Brokers business

OMX owns and operates securities exchanges in the Nordic and Baltic region, as well as developing and providing technology and services for the securities industry around the world. OMX and TietoEnator have made an outsourcing agreement on the IT processing services of OMX's Banks & Brokers business. As much as 30–35% of all transactions at the Stockholm Exchange pass through the securities processing system covered by the agreement.

The core of the securities processing system runs in an environment different from other OMX environments, which increases its vulnerability to risks and makes it harder to achieve economies of scale. By outsourcing these services to TietoEnator, OMX was able to decrease the cost of its IT operations and support and simplify its IT environment. TietoEnator also ensures a sustained level of service excellence in terms of performance, availability and security.

## Processing & Network

- Offers processing and network services.
- Acts in close partnership with its customers.
- Secures the continuity and development of its customers' operations through its services.

### Products and services

- ICT operations management services
- Efficient and uninterrupted infrastructure management that supports customers' business processes
- Renewal services to support IT changes
- Consulting services

### Markets

- Services mainly for TietoEnator's selected customer industries
- Processing and network services effectively combined with customers' business development projects
- Main markets the Nordic and Baltic countries. A leading provider in these regions
- Works with its global customers in Continental Europe and the USA
- Five largest customers: If Insurance, Kesko, Sampo, TeliaSonera and the City of Stockholm

The Digital Innovations unit develops the consumer services needed by TietoEnator's customers hand in hand with TietoEnator's vertical business areas. The main customer sectors are banking and insurance, telecommunications and healthcare. Specialized in examining solutions from the end-user's perspective, Digital Innovations designs easy-to-use multichannel services for the needs of the consumer. Its solutions enable sales to function seamlessly together with different service channels, such as e-services, and phone and personal services.

# Digital Innovations

## Consumers drive change

The business sectors leading digitalization in the Nordic countries – banks, teleoperators and healthcare, for example – have developed and launched solutions that have rapidly mobilized consumers to adopt a wide range of online services. Digital Innovations, a leading developer of such services, combines Nordic expertise in digital self-service in a variety of ways, for example with central European know-how in building phone services.

Consumers are already accustomed to using online services and have learnt to trust them. Increasingly, consumers are requiring all digital services to be similar in format and easy to use. In 2006, market requirements also clearly spurred the development of corporate services in

this direction. A case in point is the banking and insurance sector for which Digital Innovations has produced multichannel services for e-invoicing, for document storage and presentation, and for integration between enterprises and banks.

TietoEnator forecasts that seamless compatibility between online services and service channels will rapidly increase in the next few years. When choosing a service provider, consumers will increasingly have digital services and their ease of use in mind.

For Digital Innovations, 2006 was a year of strong international expansion. In Germany, for example, the unit has been contracted to update mobile phone operator O2's entire customer service platform. The new IP contact centre suite will enable customers to contact O2's customer service around the clock through any medium.

Working closely with TietoEnator's vertical businesses, Digital Innovations is promoting synergies throughout TietoEnator and accelerating the development of digital service solutions that cover all aspects of a customer's business.

### A centralized multichannel management platform for T-Mobile Germany

With over 30 million customers T-Mobile is the leading mobile service provider in Germany. From its inception, the company has developed a strong customer focus and organized its service consistently across all communication channels and the entire company.

T-Mobile Germany and TietoEnator have together developed a centralized multichannel management platform, integrating the front and back offices into T-Mobile's customer service. Integrated IT-supported workflow functionality was a decisive tool for the desired efficiency and productivity gains. This solution has become a work tool for almost all customer service employees at T-Mobile Germany. Customer requests can now be handled quicker, at the best possible point, automatically, and at a guaranteed and controllable service level for all channels.

#### Services and solutions

- Customer service and digital self-service
  - Self-service
  - Phone services
- Banking and insurance
  - e-invoicing
  - Document storage and presentation
- Content management
  - Search technologies
- Corporate data storage
- Project management
- Business, architecture and technology consulting

Globalization of IT services production continues to increase strongly along with consolidation in the IT sector. The need for greater operational efficiency is encouraging the IT sector to move its production processes to countries offering a ready supply of well educated workers at low cost. In response to this change, TietoEnator too is concentrating its software production in low-cost countries while building a production chain that combines cost-efficient production with the deep market and industrial expertise of TietoEnator's business areas.

# Software Centres

## Software production cost-effectively

During 2006 TietoEnator made further investments in software production centres in low-cost countries and at the end of the year had production operations in several European and Asian countries. These units employed some 2 000 people at the year end.

### Examples of TietoEnator's production centres and their scope of service:

- Ostrava, Czech Republic (information systems/information technology services, solutions development, processing and network services)
- Pune, India (solutions development)
- Riga, Latvia (card management systems, Oracle ERP competence centre)
- Vilnius, Lithuania (government systems, SAP, Navision and Axapta competences)
- Szczecin, Poland (product development services for the telecom sector)

### Services for all business areas

TietoEnator is able to flexibly exploit the different competences and cost structures offered by its production centres in various countries. In this way the company can provide the best services for each situation and need. The software centres in Europe, for example, provide high-quality production services cost-effectively for European customers, whereas the software centres in Asia are geared to serving global customer enterprises as well as TietoEnator's own product development. Maintaining software production in a number of countries is also good risk management; it reduces both operational risks and the risks associated with the availability of skilled labour.

The services offered by the global service centres are integral to all TietoEnator's offerings and cover all services that can be produced and distributed over digital networks. This total service concept – from product development and testing, to production and user support – is a significant competitive advantage for TietoEnator. All TietoEnator's business areas utilize the services of the service centres. The result is to give them a sharper competitive edge and release resources to produce high-value-added services.

Demand for decentralized development services is expected to continue to grow and TietoEnator is committed to offering its customers the full potential of global production. The company has set itself the long-term objective of having roughly 40% of its total workforce in low-cost countries.





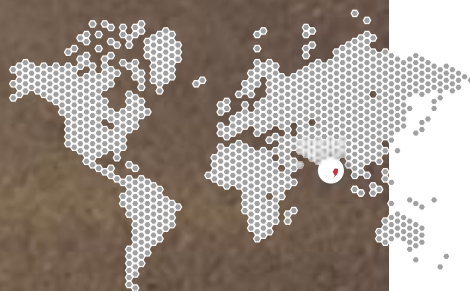


TietoEnator positions itself against the global competition in segments of the market where it can grow and maintain a sustainable competitive edge. In order to achieve this, it needs to move higher up in the value chain and simultaneously differentiate itself from its competitors.

The increasing global competition and price pressure in the IT services market call for a sharper focus in TietoEnator's service offering and stronger synergies between its business areas. In response to this challenge TietoEnator is harmonizing its operating models, processes and services globally, taking measures to improve its efficiency and working on a process to create a powerful and distinctive brand for the company. These activities are described in more detail on the following pages.

# Towards one TietoEnator

To increase global competitiveness



#### ***TietoEnator in India***

***Nafisa Kapur, Antonette D'Costa and Uday Hule,***  
*India Software Center, in the centre of Pune, which is located in the Indian state of Maharashtra.*

TietoEnator's strategic focus areas for 2006 included raising organic growth and profitability, speeding up global sourcing and energizing the organization by management rotation. These issues set the framework for the development processes planned and implemented by the human resources function.

# Globalization challenges

## human resources development in new ways

During 2006, the number of TietoEnator employees in low-cost countries almost doubled from 1 200 to around 2 000, and the figure will continue to grow fast in the years ahead. This trend has brought new needs and challenges to TietoEnator's human resources work.

The competence centres in the low-cost countries need to attract, recruit and retain the best people at suitable costs in order to facilitate their rapid growth. In some countries, like India, they are doing this in fierce competition for the best talents.

To be competitive, TietoEnator must make sure that its competence centres have access to the relevant processes for employer branding, recruitment, employee satisfaction surveys, and competence and career development – all with high quality. The compensation and benefits policies, likewise, need to be globally streamlined, and the processes required to transfer knowledge, people and the corporate culture to and from the global sourcing sites and other countries must work smoothly. During 2006, steps were taken and a prioritized time plan for further activities was drawn up to accomplish these tasks.

### Supporting people in change

TietoEnator set up a new service, Talent Centre, for managers and employees at the beginning of the year to help with talent inplacement and skills transfer in Finland, Sweden and Norway. The purpose of this service is to support TietoEnator's employees in change, as well as to ensure the availability of the competences needed in the company for the years ahead.

This kind of service is of particular importance now that TietoEnator is actively developing its global sourcing practices. While production is being concentrated in low-cost countries, the company's resources and skills needed in high-cost countries are increasingly concentrated in the production of higher-value-added services. In many cases, this creates a need for talent inplacement and skills development.

### The service offered by Talent Centre comprises five steps:

- Collecting information and analysing business and competence needs, for both the long and short terms.
- Matching employees to jobs within other parts of the company by helping them apply for open positions.
- Providing inplacement counselling for employees and their managers – this may include analyses and tests.
- Arranging skills transfer for employees when skills development is needed. The need for skills development is assessed by managers.
- Producing reports and follow-up.

Talent Centre has helped dozens of employees; some have found a new temporary or permanent position within the company, while others are currently being re-recruited or are undergoing training. In 2007, Talent Centre services will also be offered in Germany.

### Learning paths to reach strategic goals

TietoEnator has three strategic learning paths focusing on management and leadership, project management and sales. All of these learning paths are based on the Group strategy and have been designed to contribute towards reaching the strategic goals.

Top management training with IMD, one of the top-ranked business schools in the world, continued successfully. In 2006, this one-year programme focused strongly on organic growth through the development of TietoEnator's offering portfolio. A Group-wide management training programme called Business Excellence in TietoEnator (BeTE) complements the management development schemes on an international level. The programme addresses the development needs of the next level of managers and is run in close co-operation with IFL at SSE (Stockholm School of Economics). The first-line manager training scheme is implemented on a national level in all of TietoEnator's major operating countries. In 2006, a new Leadership programme was started on an international and national level in the biggest TietoEnator countries. This programme aims at developing leadership

skills to improve the ability of managers to motivate and get the best potential out of their people.

Project management training has been made systematic throughout TietoEnator and consists of a four-level project management career and learning path. With Project Institute as a partner, the career and learning path covers all project management categories from basic to the most advanced. Certification is recommended for all categories.

With increased organic growth now a priority for TietoEnator, the company has recognized the need to develop a more proactive and systematic approach to sales. To that end, a TietoEnator-wide sales professional learning path was launched in 2006 to train and coach sales professionals in a co-ordinated manner throughout the Group. The four-level learning path aims at excellence in winning complex sales and managing strategic accounts. It also aims to attract the right people to sales positions by improving the status of sales professionals.

### The formula for good leadership

TietoEnator has a very strong management legacy and culture and a long tradition of investing in management development. In the area of leadership, on the other hand, there is clear potential for improvement. Both excellent management and strong leadership are needed for reaching the desired growth and profitability goals in TietoEnator's increasingly demanding internal and external conditions.

In 2006, an extensive process was initiated to define and develop good leadership. The development work began by determining exactly what good leadership means in TietoEnator. A formula for good leadership was defined to give employees a deeper understanding of good leadership and to build a common foundation for a strong leadership tradition. In a nutshell, good leadership means supporting the employees, and helping them to grow and perform at their best.

Along with the financial track record, leadership qualities are also increasingly important in assessing management potential and appointing managers. To be appointed to a managerial position, a person must have good leadership qualities. Managers with poor leadership indices have been identified and will be helped to develop their leadership potential. Leadership perform-

ance will be monitored constantly, and some leadership related reward factors are under consideration.

### Competence and performance management through BRIDGE

TietoEnator's competence and performance management is based on a process called Business Driven People Management (BRIDGE). This process provides a comprehensive approach to facilitating growth through individual target setting, support and feedback. It establishes a common platform for supporting employees' performance and competence in a structured way in alignment with the objectives of the organization.

The cornerstone of the process is the development discussion between every employee and his or her immediate manager. Over 80% of TietoEnator's employees had a development discussion in 2006. For managers, BRIDGE is a tool that helps them identify, manage and develop their employees' performance. Managers have received training in coaching for performance, and this training will continue.

### The scope of management planning broadened

Management planning is one of the TietoEnator processes aimed at ensuring a growing pool of talented, experienced and committed managers for both the short and long terms. The process is based on a strategic gap analysis. The present and future management needs are compared, in terms of both quantity and quality, with the existing and potential supply of managerial resources at all organizational levels.

All managers in TietoEnator form one common pool of talent. On the basis of a Group-wide management planning database, potential candidates for top management positions as well as early career potentials are regularly discussed and specific action is taken to develop the identified potential top managers. Job rotation across both business area and geographical boundaries is encouraged in order to broaden the future managers' perspective of TietoEnator's businesses and cultural aspects.

The scope of management planning covers all managerial levels from the top management team down to the department and team levels. In 2007, also project and sales managers will be included in the process from the business area level downwards. In 2006 a new Career Watch service was developed to facilitate cross-business area rotation on the level of sub-business units and below.

### Compensation and benefits

#### Compensation policy

A new compensation policy was launched at the beginning of 2007. This describes the framework for compensation and benefits globally using a total reward approach that includes compensation as well as pension and other benefits. It also provides the tools needed to determine compensation and benefits such as job processes and position evaluation.



**New sales incentive policy for a unified TietoEnator approach**

For TietoEnator Group to maintain its competitive advantage and to complete its transition to an international company, a harmonized, globally competitive sales reward structure is needed across the whole organization. To this end, a new Sales Incentive Framework has been approved by the Corporate Management Team, applicable to all TietoEnator employees engaged in sales activities. It provides specific guidance in the key areas of sales incentives such as target setting, performance measures and reward levels, while retaining flexibility for each business area to adapt the Framework to its own unique offerings and market situations. The Framework will be implemented by business areas during 2007 in accordance with their local requirements.

**TERP HR, a useful tool for cross-border managers**

The human resources part of TietoEnator's Enterprise Resource Planning system, TERP (see page 37), currently covers all TietoEnator countries with some minor exceptions. Employees are now already able to use TERP self-service to update their basic data. Several new features will be included in TERP during 2007. Competence data, linked closely to project resource management, will be in place in some pilot units. By the end of the year, also a large amount of salary data will be available to managers across country borders using self-service. A global recruitment system will be implemented within TERP which will support internal mobility by including for example all open positions. Enhanced global HR statistics, such as demographic information, will be available later in the year. A unified information system ensures rapid access to information from all parts of the Group and the reliability of the information it contains. This is very useful for cross-border managers as it significantly simplifies their work.

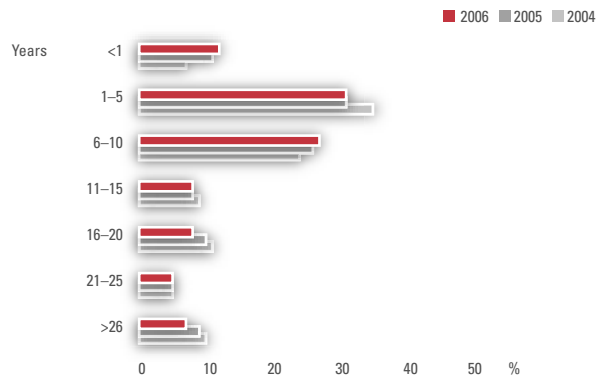
**Growth of global sourcing continues**

The number of full-time employees totalled 14 597 (13 968) at the end of the year. Acquisitions and new outsourcing contracts added around 974 employees during the year. Recruitment increased from the previous year: a total of 2 096 (1 599) employees were hired. Personnel adjustments reduced staff by 280. Employee turnover totalled 9.0% (7.1) for 2006.

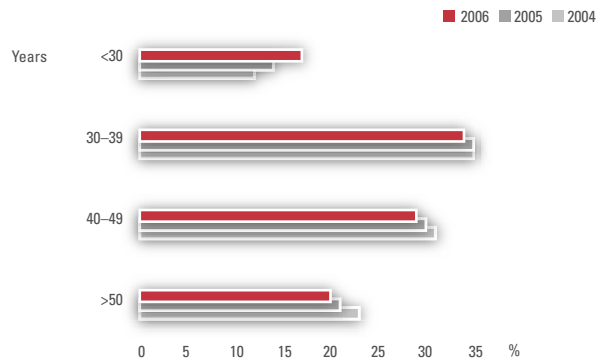
TietoEnator continues to actively develop its global sourcing practices. TietoEnator is resolutely scaling up volume in low-cost countries. This is clearly illustrated by the company's net recruitment figures: net recruitment in 2006 was 655 persons in low-cost countries and only 85 persons in high-cost countries.

At the end of the year, the number of employees in low-cost countries totalled about 2 000 and TietoEnator continues to increase its low-cost staff. Creating cost-competitiveness by global sourcing enables the company to keep jobs and maintain growth in higher-cost operating countries, too.

**LENGTH OF EMPLOYMENT**

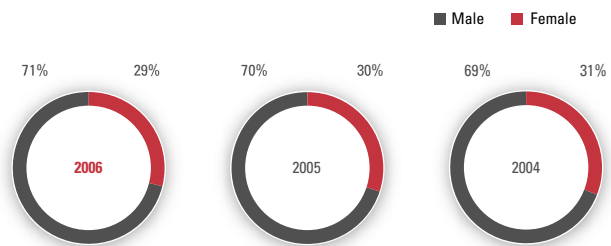


**PERSONNEL BREAKDOWN BY AGE**

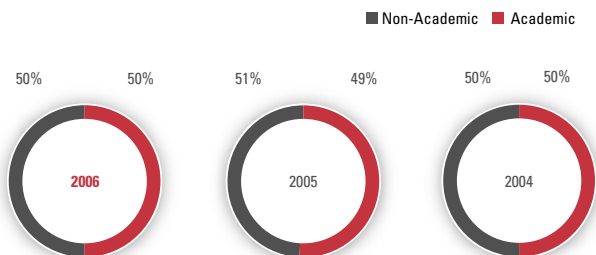


The average age of the personnel at the end of 2006 was 40.5 years (2004: 40.7, 2005: 40.2).

**PERSONNEL BY GENDER**



**PERSONNEL BY ACADEMIC EDUCATION**



Information, information services and information technology services are becoming global commodities as progress towards a fully digital society continues. Information networks and other technical advances are revolutionizing the way services can be distributed via digital networks. Add two more trends – the increasing computer literacy among educated people, and the gradual international convergence of these skill levels – and the conditions now exist for a global market for information technology services.

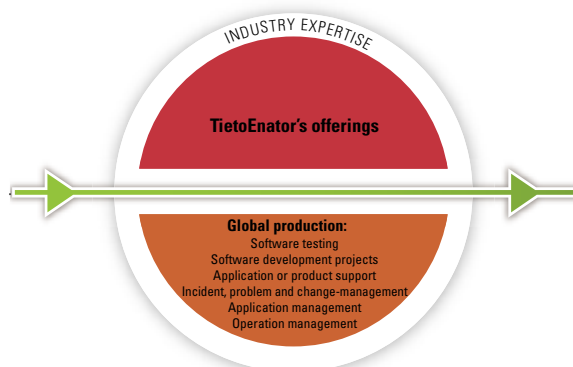
# Global service production

## integral to all TietoEnator's offerings

For TietoEnator, global sourcing means software centres in low-cost countries providing the company's business areas with cost-effective technical production. These business areas, each with its own customer or industry focus, can thus reduce their own IT production costs and in turn offer customers added

value by concentrating resources on continuously improving their products and services. The business areas guide production at the centres. They are also responsible for managing customer relationships, for pricing, for maintaining their own specialist expertise, and for knowing the local language and culture.

GLOBAL SOURCING AN INTEGRAL PART OF  
TIEOTOENATOR'S OFFERINGS



*The services provided by the global production are integral to all TietoEnator's partnership service models and cover all services that can be produced via digital networks. TietoEnator has a significant competitive edge in being able to offer a total service line-up including design, testing, production and user support.*

### Rapid expansion of software centre network

The aggregate number of employees in TietoEnator's various software centres grew almost two-fold during 2006, totalling roughly 2000 people at the year end. The largest centre is the facility in Ostrava, Czech Republic, established in 2004, which had 670 employees at the end of 2006. Besides cost efficiency, the large size of these centres offers the added advantages of a comprehensive service offering and a broad spectrum of competences to choose from.

TietoEnator also has access to software production facilities in all the Baltic countries, Poland, China, Russia, Malaysia, India and Indonesia, giving the company a solid platform on which to scale up its production capacity rapidly and competently. As it builds a global production platform, the company can leverage the different expertise and cost structures offered by different countries.

In future years TietoEnator's global production capacity will continue to grow, and the spread of production centres in different countries and continents will continue. This will ensure the best possible service and price levels along with the availability of sufficient human resources.

In line with its strategy TietoEnator is seeking to strengthen its international competitiveness by harmonizing and enhancing its operating models, processes and services globally. In 2006 the company took important steps on this front to safeguard and improve its ability to offer customers an even wider range of cutting-edge packaged services.

# Efficient processes and methods strengthen competitive edge

## Effective change management enhances project expertise

Information technology projects more than ever today form part of large and complex business development programmes. It is typical of such programmes that they contain several parallel and interconnected projects along with related line organization decisions and actions.

Complex development programmes carry risks and challenges that call for careful management. To improve its supply capability in this area TietoEnator has brought together its own best practices and experience in this field, benchmarked them against the best standards and templates in the business, and created its own model for managing large change programmes.

TietoEnator has a long and prestigious track record in project management along with a learning path that meets international standards (International Project Management Association, IPMA). The change management process complements this project expertise. Programme management becomes necessary when, instead of results from

single projects, the aim is to achieve change in an entire organization, or a large part of it. Accordingly, programme management covers a number of projects, the overall purpose of which is to derive benefits related, for example, to improved market share, profitability or customer satisfaction and which therefore apply to a complete business area or company. For this reason programme management concentrates on managing and measuring overall business benefits rather than checking that individual projects have met their own goals.

The programme management process covers the stages, tasks, structures and roles of the projects it contains, as well as the templates for the documents to be produced. TietoEnator's programme management model has been trial-run in both customer projects and in its own internal change projects.

Process training will be integrated into TietoEnator's project management training programme during 2007.

## Software development methods improve

Software development is central to TietoEnator's operations. The steady increase in global sourcing, along with changing customer needs, also calls for change in software development methodologies and processes. Distributed software development requires common processes to be effective.

TietoEnator is adopting the Rational Unified Process (RUP, ©IBM Rational), which will gradually replace TietoEnator's own TE-Object software development model developed some years ago. RUP will be introduced through pilot projects through which the company will bring together its own best practices to ensure from the outset that TietoEnator's use of RUP is effective and guarantees the highest quality. The pilot projects will also be carefully assessed and their results measured to identify the impact of RUP on the company's business operations and provide guidelines for the method's further development.

TietoEnator's RUP adoption programme is part of the company's drive to improve the maturity of its software development work. This is being measured using Capability Maturity Model Integration (CMMI), a method designed to improve an organization's software development capabilities. All TietoEnator units responsible for software development have been given the target of reaching maturity level three on the CMMI model's 5-level scale. This level was already reached in the new units, such as the Ostrava software centre in the Czech Republic, during 2006.

TietoEnator has also been working as a consultant with several of its customers as they adopt RUP in their own IT operations.

CMM (Capability Maturity Model) ® by Software Engineering Institute

## Service for managing business processes

A top priority for TietoEnator in recent years has been developing a seamless end-to-end portfolio of services that includes both application management and operations management. For the latter, the company developed a new application management process in 2005. Business process management services were added to this process in 2006.

Management services assure and optimize the ease-of-use, availability and visibility of a digital business process throughout its value chain, transgressing organization and application boundaries. Further benefit to TietoEnator's customers through these services are more

effective management of non-conformities and improved cost-efficiency.

Most of TietoEnator's automated business processes have been under TietoEnator's supervision at the application level. However, there is a growing need for a repeatable concept that ensures uninterrupted operation of the whole process from the business perspective. Management services meet precisely this need. They are independent of TietoEnator's vertical business areas and are based on the company's process expertise, supervision services and modelling tool.

### Business process management services

#### Expert and design services

- Describing and evaluating the customer's business process
- Identifying the most important efficiency indicators
- Benchmarking the process against best practices

#### Performance measurement

- Analysing real-time events and information flow in the process
- Benchmarking key indicators calculated from results against best companies

#### Measurement and modelling services

##### Assurance services

- Ensuring reliable through-flow of transactions
- Ensuring recognition of non-conformities
- Efficient start-up of non-conformity management process

## TietoEnator enterprise resource planning (TERP)

A new Oracle-based resource management system called TERP (TietoEnator Enterprise Resource Planning) was launched internally in 2004, and its introduction was continued throughout 2005 and 2006. The basic version was much more widely adopted in the company during 2006 with the number users rising to over 9 000. This figure increased further to over 11 000 users at the beginning of 2007. TERP is now used in nine of TietoEnator's countries of operation.

At the end of 2006 TietoEnator took significant steps towards broadening the scope of its business reporting and expert services operations during 2007. At the same time TERP is shifting emphasis from harmonization of the company's financial management processes to harmonization of its business processes. W2E (Way to

Excellence) and TERP will continue to be developed in a more integrated manner by a single team responsible for this task.

TERP facilitates global reporting and harmonization of operations in all of TietoEnator's businesses and countries of operation. TietoEnator's various businesses have their own business logics and this will be further emphasized in TERP's development in the future. A centralized and uniform system such as TERP is of immense value in management of the Group, by improving the availability and reliability of information. The system now covers all the company's daily operative needs: customer information management, orders and delivery management, finance and personnel management, and reporting.

TietoEnator's strategic goal is to accelerate its organic growth and global expansion in those customer segments where it has internationally leading competences and therefore the strongest competitive edge. The company's international growth depends above all on its ability to turn different IT services into packaged offerings targeted at specific customer groups or markets.

## A competitive offering portfolio enables international growth

TietoEnator's central goal in recent years has been expansion beyond the Nordic countries. In order to strengthen its international growth, the company is focusing its resources on those sectors in which it has world-class expertise and which, for this reason, offer the company the best growth potential. TietoEnator is Europe's leading supplier of product development services for the telecommunications business and a world-class expert in the digitalization of banking and healthcare service processes and the development of IT systems for the forest industry.

### Organic growth based on competitive offerings

TietoEnator is giving strong emphasis to developing competitive and packaged offerings in order to successfully face the challenges of intensifying global competition in its key vertical industries and to accelerate its organic growth.

TietoEnator's offerings consist of repeatable, commoditized solutions that fulfil the needs of a customer or market segment. They are based on prod-

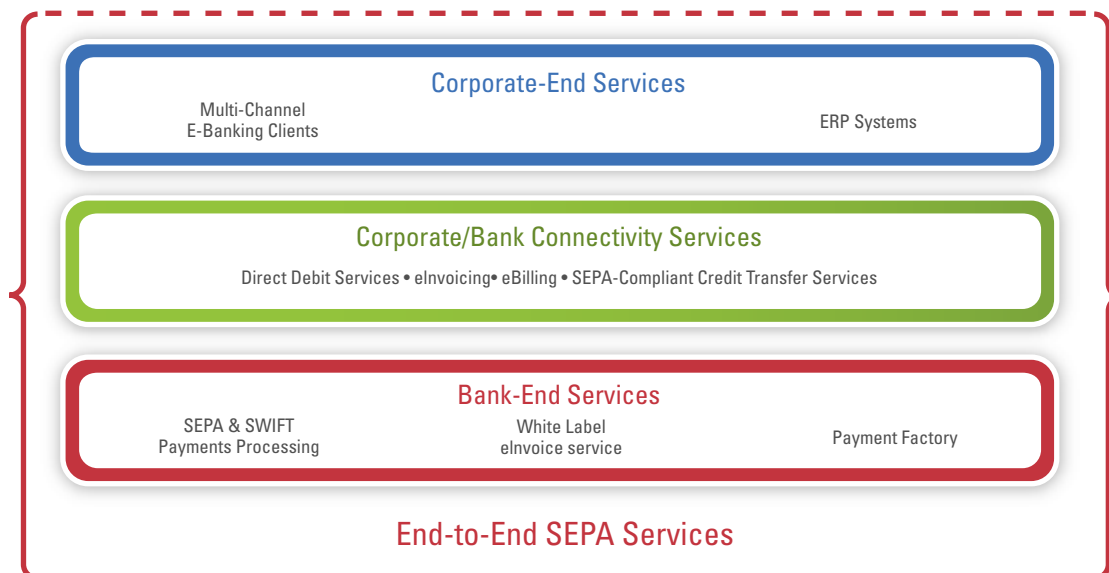
ucts, services, global sourcing, partner relationships and various delivery models. In deep, well-established customer relationships, packaged offerings are not crucially important. On the other hand, they are an absolute necessity in markets where TietoEnator's brand recognition and market position are weak. Without a competitive and differentiating portfolio of offerings, TietoEnator would be left to operate with non-differentiated services purely under price competition.

### TietoEnator's offering development in 2007

During 2007, TietoEnator will carefully analyse its existing offering portfolio and enhance those offerings that enable growth especially outside the Nordic countries. At the same time the company will limit the number of its key offerings to enable successful execution of its sales and marketing strategy in all its market areas.

TietoEnator will also accelerate the development of new, differentiated offerings that provide clear added value. Internal synergies, partner relations and

### TietoEnator FULL SEPA capabilities





global sourcing will be put to more effective use in all new and existing offerings. Co-operation with the right partners in technology, and also in implementation and sales, will significantly increase the international growth potential.

To accomplish the targets related to offering development, TietoEnator has established an Offering Developers' Network consisting of key experts across the company and headed by the Strategic Offering Unit. Its purpose is to share knowledge and best practices, to distribute information and identify synergies between TietoEnator's businesses, and to create common processes and building blocks that can be leveraged across the company's businesses.

One of the offerings is FullSEPA for the European banking industry. The Single Euro Payment Area

(SEPA) is a joint effort by the European Commission, the European Central Bank and commercial banks. SEPA will gradually come into operation from the beginning of 2008. Its scope includes ordinary and card payments and direct debt. FullSEPA would further make it possible to send and receive invoices in the euro-zone as a part of the payment system.

TietoEnator's FullSEPA offering has been created by combining the company's unique capabilities and competences related to the Single Euro Payments Area and packaging them into a differentiated competitive offering. It is the most comprehensive SEPA offering in the market as it enables European banks to benefit from the implementation of the payments area in the long run instead of only causing mandatory costs for them.

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TietoEnator's strategic goal is to speed up its organic growth and global expansion in selected customer businesses. Strategic Customer Operations (SCO) is a function set up in early 2006 to support these aims. Working hand in hand with TietoEnator's vertical businesses, and also the cross-business Processing & Network business area and the Digital Innovations unit, SCO coordinates and supports customer relationship management, sales and the process of building up the partner network needed for effective sales.

# Strategic Customer Operations

## supports organic growth and global expansion

SCO operates in three business areas: strategic offering, marketing and top-management consultancy:

Strategic Offering is responsible for honing TietoEnator's strategic service offering into a complete portfolio that meets the varying needs of different customers. Such a service offering is critical to TietoEnator's global growth.

Strategic Marketing supports effective and systematic sales, communication and marketing. The aim of this function is to increase awareness of TietoEnator as Europe's leading IT services provider in selected customer businesses.

Executive Advisors offers top-management consulting and advisory services to customers in close collaboration with TietoEnator's vertical businesses. These services are concentrated around digitalization

– the migration of business operations to data networks and the use of ever higher degrees of automation.

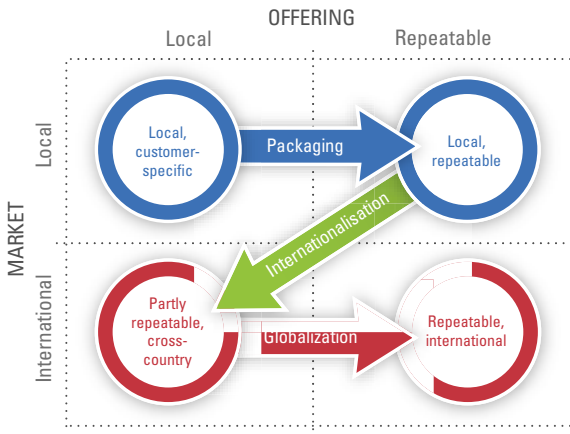
### **Experts in digital self-service**

As it expands both organically and internationally, TietoEnator is particularly profiling itself as an expert in digital self-service. Digitalization of business processes covers customer interface solutions for different business sectors, as well as e-messaging services for networked operations and also process automation. TietoEnator's digital self-services, new-generation voice application services for contact centres, and business process and information integration services are all based on the company's deep knowledge of its customers' businesses; together, they form a comprehensive portfolio of services that ranks

TietoEnator as Europe's leading provider of services for networked businesses.

In developing its service offering, go-to-market planning and sales, TietoEnator works closely with its technology partners. These partners are interested in TietoEnator's expertise in specific business sectors,

### Development Process of Offering Portfolio



Strategic Offering helps business areas to optimize their offering portfolios to accelerate international growth.

while TietoEnator benefits from their technological expertise, along with a stronger market presence and wider visibility for TietoEnator in new markets.

### Developing international offerings and raising awareness in priority areas

TietoEnator started developing its strategic service offering during 2006. The top priority was to come up with offerings that support international growth, utilizing the Group's business-specific and digitalization expertise, global sourcing and technology partners. A Group-wide Offering Developer Network, steered by the Strategic Offering unit, was set up to support this work.

The company made larger investments in marketing during 2006 than in previous years. Their main focus was to raise awareness of TietoEnator in its European markets, both by holding carefully targeted customer events and by working as a partner with key industry organizations.

The Executive Advisors function began operating at the start of 2006. Demand has been strong for digitalization and consulting services for top executives. This activity will be expanded in collaboration with the vertical businesses during 2007.

## Brand Evaluation Programme

A Brand Evaluation Programme was initiated in 2006 as part of a series of measures that support the company's work towards its strategic growth goals.

The aim of the programme is to support TietoEnator's sales in Central Europe and the rest of the world by making the brand more appropriate for non-Nordic markets, as well as more distinctive and more competitive. It includes redefining how TietoEnator is presented, rewriting the TietoEnator "brand story",

and reshaping the look of the brand. The purpose is to develop one clear and consistent way of presenting the right messages to the right markets.

The work started by analysing the content and competitive position of TietoEnator's current brand. In 2007 it continues by defining the desired qualities to be connected with TietoEnator and by determining the actions and timeline for the branding process.

### TietoEnator supports Save the Children's programme in Ethiopia

In Ethiopia 1,4 million people are living with HIV/AIDS, many of them children. One of the consequences of the pandemic is that 11% of Ethiopia's child population are or will shortly become orphans.

The goal of Save the Children programme is to ensure that the Ethiopian children's rights are upheld. This means that all these children should:

- Stay in school
- Receive proper care and support from their guardians, schools and communities
- Be included and respected in the society and not be stigmatized and discriminated against.



Being responsible for people and the environment enhances a company's long-term economic performance. Good economic performance in turn establishes a strong basis for the environmental and social aspects of Corporate Responsibility. TietoEnator has successfully demonstrated its ability to operate in a sustainable manner that meets the ethical, legal, commercial and public expectations society sets for business.

# Corporate responsibility

## A new Code of Conduct adopted

TietoEnator is a member of several sustainability indexes: the Dow Jones Sustainability Index STOXX, the Ethibel Sustainability Index (ESI), and the FTSE-4Good and Kempen SNS Smaller Europe SRI Indexes. According to these research bodies, TietoEnator's performance is above the industry average in the economic and environmental dimensions. In the social dimension TietoEnator is slightly below the industry average due mainly to its low focus on corporate citizenship/philanthropy activities and digital inclusion.

### **TietoEnator's Corporate Responsibility Framework**

In early 2005, TietoEnator launched a Corporate Responsibility Framework which established revised and new policies in the area of corporate responsibility. In 2006, the company adopted an updated Code of Conduct. This consists of TietoEnator's common set of ethical values and business principles, and offers internal guidelines in the daily pursuit of the company's mission, Building the Information Society.

One part of the implementation of the new Code of Conduct was the launch of a Group-wide communication campaign in late 2006 with the aim of having all employees sign the new Code of Conduct as an assurance of their acceptance of its principles. That process will continue in early 2007. At the end of 2006, the signing rate was around 54%.

TietoEnator's Corporate Responsibility Steering Group includes senior executives responsible for the different areas of Corporate Responsibility. The steering group meets quarterly to coordinate activities and follow-up and steer the implementation of the Corporate Responsibility Framework in the business areas. Corporate Responsibility themes are also included in the annual action plans of the functions. The Corporate Responsibility Framework is aligned with the guidelines and definitions in the United Nations Global Compact Initiative and Social Accountability International, SA 8000.

### **Corporate Governance**

TietoEnator is fully committed to good corporate governance and complies with the Finnish 'Corporate Governance Recommendation for Listed Companies' issued by OMX Helsinki, the Central Chamber of Commerce of Finland and the Confederation of Finnish Industry and Employers, and which came into force on 1 July 2004. Further information on TietoEnator's corporate governance is given on pages 45-49 of this report.

### **Code of Conduct**

The purpose of TietoEnator's Code of Conduct is to communicate the company's common set of ethical values and business principles to its stakeholders and to give internal guidance in the daily pursuit of Building the Information Society, the company's mission. TietoEnator encourages its suppliers and other business partners within its sphere of influence to adopt the principles outlined in this Code of Conduct.

TietoEnator's business operations worldwide are based on high ethical standards. The company promotes fair competition in accordance with applicable laws. It is expected that employees compete vigorously and fairly in their conduct of business. In all of its operating countries, TietoEnator abides by the laws and regulations of that country.

In situations where the law does not give guidance, TietoEnator applies its own standards based on its corporate values and culture.

In cases of conflict between mandatory law and the principles contained in the Code of Conduct, the law shall prevail. It is the responsibility of all TietoEnator's employees to be aware of relevant laws or to seek legal advice to ensure compliance.

### **Human Resources Policy**

TietoEnator's Human Resources Policy sets out basic human resources principles and workplace practices. The policy supplements the TietoEnator HR Strategy,

which describes the mission, goals and development processes specific to TietoEnator's human resources.

TietoEnator supports and respects the principles set out in the Universal Declaration of Human Rights. The minimum requirement of responsibility for TietoEnator is to comply with the legal principles applicable in each country of operation, and the responsibilities within HR are defined according to national legislation.

### Environmental Policy

TietoEnator's mission is Building the Information Society. The company fulfils its mission by consulting, developing and hosting its customers' digital businesses. TietoEnator's definition of the information society is an economy where a major part of all products and services is produced, distributed and consumed in digital form over data networks. This enables customers to receive their products and services faster, more economically, more securely and with less impact on the environment. A more developed information society represents TietoEnator's contribution to civilization that has a lower burden on the environment.

TietoEnator supports a precautionary approach to environmental challenges and a responsible way of conducting its own business operations. For TietoEnator 'a responsible way' of conducting business operations means:

- careful use of natural resources
- an ambition to introduce active behaviour to minimize environmental load before this occurs rather than reacting to inappropriate and environmentally unfriendly behaviour.

Having in mind the characteristics of the IT service industry, TietoEnator aims at proactive behaviour by:

- reducing direct energy consumption by a daily conscious approach to its office premises
- recycling office material and waste
- taking good care of environmentally harmful materials

- replacing travel, where feasible, by video or telephone conferences
- choosing environmentally-friendly products when suitable alternatives are available.

In accordance with this policy, TietoEnator complies with all applicable environmental laws and common business practices in the IT services industry and strives to manage all phases of its business in a manner that reduces the impact of its operations on the environment. TietoEnator encourages its suppliers and other business partners within its sphere of influence to adopt the principles in this policy.

TietoEnator published its first Environmental Review in 2005. The 2006 data will be available during spring 2007 on the company's website at [www.tieto-enator.com/cr](http://www.tieto-enator.com/cr).

### Occupational Health and Safety Policy

All employees in TietoEnator have the right to a good working environment and a good balance between work and spare time. The physical and psycho-social well-being of employees is important and fundamental to the way TietoEnator conducts its business. TietoEnator's objective is to proactively avoid any physical or mental illness caused by the work environment.

TietoEnator recognizes and accepts its responsibility as an employer to provide a safe and healthy workplace and work environment for its employees and others who are visiting or working in its premises.

The minimum requirements of responsibility for TietoEnator are to comply with the legal principles applicable in each country of operation and applicable collective bargaining agreements. The responsibilities within Occupational Health and Safety are defined according to national legislation.

The complete presentation of TietoEnator's Corporate Responsibility Framework is available on the corporate website at [www.tieto-enator.com/cr](http://www.tieto-enator.com/cr).



TietoEnator has increased its use of third-party products and know-how as a part of its key offerings. This has enabled the company to focus even more strongly on its customers' business challenges instead of basic technology issues. This has led to the formation of active and close relationships between TietoEnator and its key technology vendors. In 2006, TietoEnator further deepened collaboration with its most important technology partners, and broadened co-operation to cover expert services in the area of technology know-how. This has created significant advantages for both TietoEnator's customers and the parties themselves.

## Close relations with technology vendors

Consolidation among technology suppliers continued during 2006 as expected. The large technology companies such as Oracle, SAP, IBM, BEA, HP and Microsoft were actively buying more companies, which broadened the technology offerings of these key vendors. Further such consolidation is likely in the years ahead.

Another current trend is a shift in the product offering of these large technology vendors as they complement their generic product range with vertical, sector-specific products. TietoEnator will carefully monitor this process, in which certain vertical products are gradually becoming commodities. As the vendor market develops, TietoEnator will further align its own portfolio to match this trend. For the vendors, their new, vertical products are a further incentive for intensifying co-operation with TietoEnator. The ultimate purpose of this co-operation is to ensure that the customer gets an optimal solution that also forms a good platform for their own future development.

Far from compromising TietoEnator's competitive position, these recent developments in the operating environment have in fact rather strengthened it, thanks to TietoEnator's strategy based on vertical specialization and a high-value-added service offering. Through deeper vendor relations TietoEnator is now able to get more information on vendors' future plans and aspirations at an early stage. This is helping TietoEnator to embed the vendors' new technologies in its business-specific digitalization solutions, making them more competitive. It also enables TietoEnator to align its vertical solutions and services with evolving market needs in order to avoid staying too long with in-house solutions as the application domains commoditize.

### **TietoEnator becomes a major partner**

The increasing use of third-party products as parts of TietoEnator's offerings has called for a systematic, integrated approach to vendor relations management. Accordingly, the company has further developed and strengthened this function at the same time as enhancing synergies between technology vendors and the company.

TietoEnator has worked actively to develop and deepen relations with selected key vendors. The company has

now achieved the highest possible partnership levels with all relevant vendors and is considered a major partner by each of these corporations. The large technology providers have assigned additional resources to their partnerships with TietoEnator, and together the two sides engage in shared research & development projects, strategic vertical go-to-market planning and marketing activities.

Vendor relations management in all of TietoEnator's countries of operation has been aligned with the key vendors in order to achieve global terms and conditions and, also importantly, to put TietoEnator on the map of the technology vendors in all geographical regions. Consequently, TietoEnator is today a recognized large player in all of its major operating countries, which ensures the maximum attention for the company and its customers in all of them.

Vendor partnerships have already created substantial added value for TietoEnator. Besides achieving savings in software and technology costs, as well as being able to deploy its shared technology expertise faster and more effectively than before, TietoEnator has also succeeded in generating more business with key customers based on joint offerings.

### **Collaboration will deepen and broaden**

After a very productive learning period over the past few years, TietoEnator is now aiming for even closer strategic co-operation with its technology partners.

TietoEnator itself will continue to move up the technology chain and making its vertical offerings more specialized. The use of vendors' software and services will grow in importance and collaboration with technology partners will deepen in both horizontal technologies and best-of-breed products for specific applications. As collaboration deepens and expands, it will be vitally important for TietoEnator to be able to effectively integrate the software and services of different vendors as it strives towards reaching its strategic goals. Co-operation with technology vendors will increase also in sales of TietoEnator's solutions, especially outside the company's core markets.

PHOTO: DAVIS FREEMAN



# Corporate governance

Fully committed to good corporate governance



TietoEnator is fully committed to good corporate governance and complies with the Finnish Corporate Governance Recommendation for Listed Companies issued in December 2003 by OMX Helsinki, the Central Chamber of Commerce of Finland and the Confederation of Finnish Industry and Employers.

### **The Annual General Meeting**

The Annual General Meeting (AGM) is the supreme decision-making body of the company. It elects the members of the Board of Directors and appoints auditors, decides on their compensation and discharges the members of the Board of Directors from liability. The AGM's approval is further required for option programmes as well as, for example, Board authorizations for share repurchases and share issues. The AGM also makes a final decision on the Board's annual dividend proposal, and may further decide on matters that would otherwise belong to the Board of Directors' authority.

An Annual General Meeting is convened annually, usually in March. Extraordinary General Meetings (EGM) are, if necessary, convened for a particular purpose by the Board of Directors, the company's auditors or shareholders holding at least 10 percent of the shares and votes.

In 2006 the AGM convened on 23 March at TietoEnator's office in Espoo, Finland. Altogether 303 shareholders and 11 741 577 shares (14.91% of the total outstanding shares) were represented in the meeting. All decisions were made unanimously without voting. No EGMs were held in 2006.

### **The Board of Directors**

The Board of Directors has a general authority to represent the company and has responsibility for the proper administration and business operations of the company. The Board complies with Finnish legislation in effect from time to time, in particular the stipulations of the Companies Act and the Securities Market Act, and the regulations of the Stock Exchanges on which the company's shares are listed. The Board forms a quorum when more than half of its members are present. Decisions are

#### ***TietoEnator in the USA***

***Terrence Koh, Patrick Nazzaro and Cindy Wyatt***  
*(Forest & Energy Redmond, Washington). The picture was taken in Kerry Park on Seattle's historic Queen Anne hills.*

made by a simple majority of votes. In the event of even voting the Chairman's vote shall be decisive. The Board also draws up an annual plan of action. This section represents a summary of the working orders of TietoEnator's Board of Directors.

### Composition and election

The Board's Compensation and Nomination Committee prepares a proposal on the composition of the Board, which is then presented to the AGM for its decision. Shareholders may also propose Board members to be elected by the AGM. TietoEnator's Board of Directors consists of at least six and at most twelve members and each of the members have a term of office of one year. Board members shall be professionally competent and a substantial majority of Board members shall be independent of the company (not employed by the company nor having any material connection that might influence their ability to make decisions independently. Further, a person who has reached the age of 68 may not be elected as a Board member.

In addition to the members elected by the AGM, the company's personnel elect two representatives to the Board of Directors. This is done by the personnel representatives of the TietoEnator Group Personnel Representative Body (PRB). The Board elects a chairman and a deputy chairman from its members. Following the 2006 AGM, the Board has been composed of the Chairman, six non-executive, independent directors (including the Vice Chairman), and the two personnel representatives. The current Chairman, who has a service contract with the company, but is not employed full-time, is TietoEnator Group's previous President and CEO and, therefore, not independent for corporate governance purposes. The only change in the composition of the Board in 2006 was a change of one of the employee representatives in November.

### Assessment of the Board

The performance of the Board is assessed annually. The assessment examines how the Board's annual plan has been implemented, what various stakeholders expect from the Board, whether the Board's working orders are up-to-date and how effectively the Board has worked. The assessment is taken into consideration when drawing up a proposal for the Board's composition and its following annual action plan. The latest assessment of the Board's performance was carried out by an external expert in late 2006.

### Tasks of the Board

It is the Board's general obligation to safeguard the interests of the company and its shareholders. In more practical terms the Board shall direct the company's activities in a way that generates maximum shareholder value in the long term, at the same time observing the expectations of the shareholders and the company's other stakeholders. More specifically the Board:

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

### Board meetings

The Chairman shall convene the Board whenever needed as well as at the request of any of its members or the President and CEO. The Board has scheduled meetings every one to two months. In 2006, it convened 10 times and the average attendance was 92.2%. The Board met once without the executive management present during the year. With the auditors the Board met once, and this meeting took place without the executive management. The Board of Directors is presented on pages 50-51 including their share ownerships in TietoEnator.

### Board committees

Board committees assist the Board by preparing matters for which the Board is responsible. The Board defines the charters of the committees and decides on their composition. The entire Board, however, remains responsible for the duties assigned to the committees.

### Compensation and Nomination Committee

The Compensation and Nomination Committee comprises two independent non-executive directors who are appointed by the Board. The committee meets regularly and at least twice a year. The Chairman of the committee presents a report on each meeting to the Board. The main tasks of the committee are to:

- prepare for the Board the principles of executive compensation, the compensation of the CEO and his immediate subordinates, and the principles of personnel compensation
- prepare for the Board option schemes and other share based incentive schemes
- monitor the targets of the compensation schemes, implementation of the compensation schemes, performance assessment and compensation determination
- prepare for the AGM a proposal on the composition of the Board and the compensation of its members



- prepare for the Board a proposal for the Chairman and Vice Chairman
- prepare a proposal on the Board's working orders
- prepare a proposal on the committee members and chairmen
- conduct an annual assessment of the Chairman and Board members
- monitor corporate governance.

Based on the Board's decision the Compensation and Nomination Committee is composed of Kalevi Kontinen (Chairman) and Bengt Halse. In 2006 the committee met 6 times and the attendance was 100%. The main issues of the Compensation and Nomination Committee in 2006 were salary reviews for the Corporate Management Team, stock option allocation, and short-term and long-term incentive plans.

### **Audit and Risk Committee**

The Audit and Risk Committee comprises three non-executive independent directors who are elected by the Board. At least one committee member must be a financial expert. The committee convenes regularly at least four times a year and meets the company's auditors also without the company's management. The Chairman of the committee presents a report on each meeting to the Board. The main tasks of the committee are to:

- discuss the annual and interim financial statements
- review significant and unusual business events
- review drafts of the annual and interim reports, and the company's accounting principles
- assess compliance with legislation, regulations, and the company's code of conduct
- evaluate the sufficiency of the internal control system
- examine, assess and approve a plan for the internal audit
- review management's assessments of significant risks, assess the coverage of risk management and its development plan and major risk positions
- assess the external audit plan
- examine the auditors' reports and consult with the auditors on any matters that should be brought to the Board's attention
- assess the quality and scope of the audit
- prepare the proposal to the AGM regarding the auditors and their compensation.

Based on the Board's decision the Audit and Risk Committee is composed of Anders Ullberg (Chairman), Olli Martikainen and Olli Riikkala. In 2006 the committee met 9 times and the average attendance was 89%. The main issues considered by the Audit and Risk Committee in 2006 were the development of risk management and internal audit processes, to review the coverage of risk management and major risks.

### **Executive management**

The President and CEO is appointed by the Board. The President and CEO is responsible for the financial performance of the Group as well as for its day-to-day management and administration in accordance with the law and the instructions and orders of the Board. It is the duty of the President and CEO to ensure that the company's accounting methods comply with the law and that financial matters are handled in a reliable manner. The President and CEO together with the Deputy CEO form a unified CEO team. The Deputy CEO participates in management of the business operations together with the President and CEO.

The President and CEO chairs the Corporate Management Team (CMT), which in addition to the CEO comprises the Deputy CEO, the business area presidents, and the executive vice presidents of Strategic Customer Operations and corporate management functions. The purpose of the CMT is to assist the President and CEO in fulfilling his responsibilities. The business area presidents are responsible for the financial performance, development and supervision of their respective business areas. The corporate management executives are responsible for Group-level co-ordination and management of their respective areas. The entire executive management shares the task of ensuring compliance with all current legislation, regulations, the Group's operating principles and the Board's decisions throughout the Group. The executive management is presented on pages 52-54 including their holdings of shares, warrants and options.

TietoEnator established a Development Management Team in the spring of 2004 to support the work of the executive management and to co-ordinate the various development activities in the Group. The Development Management Team is chaired by the President and CEO and includes the Deputy CEO, the business area presidents, the executive vice presidents of Operational Excellence, Strategic Customer Operations and HR, the Chief Information/Technology Officer, and the vice presidents of Strategic Offering, Process Development and Global Sourcing.

### **Operative group structure**

The Group's operative management consists of the President and CEO, the Corporate Management Team, the business areas, their presidents and management boards, the business units and sub-business units. The basic operating units of TietoEnator are its business units. These usually include operations serving the same customer or customer sector or that share the same business logic. Both business areas and business units are assigned clear financial and operational targets. They normally take their own decisions and are responsible for their own operations, however within the guidelines and policies set by the Board and corporate management. They are also responsible for setting their own guidelines and policies to make sure that control reaches all levels of

the organization. In matters of significance for the whole Group, decision-making is transferred to higher quarters to improve the overall control of the Group.

### Compensation principles

The compensation of Board members is decided by the AGM based on a proposal prepared by the Compensation and Nomination Committee of the Board or shareholders. According to the decision of the AGM, members of the Board of Directors receive fixed monthly cash compensation that is specified in Note 6 of the Financial Statements. Board compensation does not include the company's shares or share derivatives. TietoEnator's executives or employees are not entitled to compensation for their Board attendance. Committee chairmen (if they are not the Chairman or Vice Chairman of the Board) and members receive additional monthly cash compensation.

The Board of Directors decides on the compensation of the President and CEO based on a proposal by the Compensation and Nomination Committee. The President and CEO's salary, bonuses and other benefits are also specified in Note 6 of the Financial Statements.

Executive management compensation consists of a base salary, an annual bonus and long-term incentives such as option programmes or other share-based programmes. The aim of TietoEnator's compensation systems is to attract talent, retain key people and motivate people. The Compensation and Nomination Committee is responsible for planning the compensation of executive management and preparing the principles underlying the compensation of other personnel. This includes both annual bonus systems and option or other share derivative incentive schemes. The terms of option programmes are approved by the AGM and share ownership plans by the Board of Directors.

The purpose of the annual bonus schemes is to reward performance that is above expectations. TietoEnator's bonus system is based on measurable reward factors and mainly rewards improvement only. The system also has restrictions such as the profitability of the unit and maximum level above which no bonus is paid. The long-term incentives are directed at persons who play a key role in the future execution of the Group's strategy and whom it is important for the company to retain.

The compensation of the whole executive management is summarized in Note 6 of the Financial Statements.

### Internal control and risk management

The aim with risk management within TietoEnator is not only to use it as a control mechanism, but also to look upon risk management as a means for improving businesses success and profitability. To meet these objectives, risk management cannot be treated as a separate activity, it must be integrated in the business operations, giving each TietoEnator manager the responsibility to manage risks related to their area of responsibility. The

company's newly established risk management function has the objective to ensure that the established practices are continuously improved and developed. The corporate risk management policy defines the concept of risk, the risk management framework, and the responsibility for risks within TietoEnator.

Risk management is seen as an integral part of good management practices in TietoEnator. It is strengthened and supported by the risk management framework, which consists of structured processes and practices integrated into the business systems in order to systematically identify, analyse, evaluate, treat, monitor and communicate risks. Risks handled within the processes of the business systems can also be grouped as strategic, operational, financial and insurable.

In the development of the strategies, risk management is used to refine the strategies and to identify the risks of not meeting the strategic objectives. The strategic risks are related to TietoEnator's desired position, and the threats thereof. In the management of the strategic risks, the effort is to mitigate changes in the market conditions, market demands and competitor behaviour. Some of the identified strategic risks are: changes in general or local economic growth, new buying patterns from customers, and competitors creating new business models. The Audit and Risk Committee of the Board has reviewed the strategic risks.

The operational risks are identified in the core business activities. In order to stay competitive there is a continuous need to develop and improve business offerings. Risk management is used to refine the offerings and to identify the risks of not meeting the market needs competitively enough. In the sale and delivery chain, risk management is utilized for evaluating which business opportunity to choose, for securing the delivery and for securing the profitability. Examples of operational risks are that the market is maturing and becoming more commoditized, which creates more price pressure, new low-cost competition, customers pushing their risks on to their suppliers, and having the right capabilities internally to make profitable deliveries.

TietoEnator's financial risks consist of foreign exchange risk, interest rate risk, credit risk and liquidity risk. TietoEnator hedges these financial risks. The Group Treasury Policy specifies the principles underlying the management of these risks, and it also covers risks related to funding. TietoEnator's financial risks are explained in more detail on the page 50 of the financial statements.

Insurable risks arise from the company's operations and are related to property, interruption of operations and liability for damage, and are covered by corporate level insurance policies. Local legislation and practices set various requirements on insurable exposures, such as the insurance coverage of employees. These insurable exposures are addressed locally.

Certain operations that the company sees as critical to its business, e.g. continuity of operations and corporate security, have separate risk management plans and programmes.

The internal controls are embedded in TietoEnator's management systems. The definition and follow-up of decision, making responsibilities and authority within the Group form the basis of internal control. Internal financial control is based on thorough financial monitoring where actual figures are compared to plans, forecasts and previous periods. Operational risks are controlled through the business systems implemented at TietoEnator's business units, including internal and external audits.

### **Business contingency planning and corporate security**

The Group has a unified incident management process. Security risks are divided into two main categories: those based on ICT (Information and Communications Technology) and those based on physical or personnel security. Corporate-level security policies, rules and guidelines cover both main categories. Business unit compliance with corporate-level security documentation is verified through unit self-assessments and audits. Audit procedures cover both ICT infrastructure and physical site security.

### **Steering system**

The basis of the control and management of the Group's business operations are the planning and reporting systems. The steering system is based on the balanced scorecard principles so that in addition to the financial targets and metrics also customer, personnel and internal processes are given specified targets and indicators. The planning system comprises strategic plans, revised annually, and annual action plans based on them. All these plans are confirmed by the company's Board of Directors. The reporting system consists of monthly performance reports, rolling forecasts and quarterly internal and published financial reports.

### **Key performance indicators and investment criteria**

The company's key financial indicators are net sales, operating profit (EBIT) and EPS. These are used in the planning and follow-up reports of the steering system and also in investment calculations. EVA (economic value added) is used especially in supporting investment decisions. The key personnel indicators are personnel satisfaction and the preferred employer index. TietoEnator also performs regular customer satisfaction surveys in addition to project and service-based feedback to gain its customers' opinions. The maturity, efficiency and performance of internal business processes are monitored at the business unit level.

### **Insiders**

TietoEnator operates an insider policy based on the insider guidelines issued by the OMX Helsinki Exchange. TietoEnator's insider policy defines insider information and prohibits its abuse, defines different categories of insiders, and stipulates the maintenance of insider registers and the management of insider issues. TietoEnator's General Counsel is responsible for the management of insider issues, which include internal communication and training, preparation and maintenance of insider registers, and documentation of insider declarations. The insider policy and the holdings of TietoEnator's statutory and permanent insiders are available at [www.tietoerator.com](http://www.tietoerator.com).

### **Auditors**

TietoEnator Corporation's auditors are appointed by the AGM. In February 2006 the Audit and Risk Committee made a proposal to the 2006 AGM to change the company's auditors, which the AGM approved. The 2006 financial statements of TietoEnator Corporation, including the Group accounts, have been audited by PricewaterhouseCoopers Oy. The Group companies' financial statements have been, with few exceptions, audited by PricewaterhouseCoopers member firms.

The parent company's auditors are responsible for planning, co-ordinating and supervising the audit of the entire Group. The audit plan is revised annually in co-operation with Group management and the Audit and Risk Committee to address any changed requirements. The company's auditors meet the whole Board of Directors at least once a year and the Audit and Risk Committee regularly, also without the company's management. The auditors submit their report to the company's shareholders at the AGM.

The compensation to the auditors is decided by the AGM and assessed annually by the Audit and Risk Committee. In 2006 TietoEnator Group paid the auditors a total of EUR 1.4 million for auditing and EUR 0.6 million for consulting (EUR 1.5 and 1.1 million in 2005).

### **Communication**

The governance section on TietoEnator's website ([www.tietoerator.com/governance](http://www.tietoerator.com/governance)) includes information on TietoEnator's governance principles such as information on the AGM, Articles of Association, Board of Directors, executive management and auditors. The Investors section of the website ([www.tietoerator.com/investors](http://www.tietoerator.com/investors)) includes basic information on shares, share price development, financial information, and the company's annual and interim reports. The Press Room ([www.tietoerator.com/press](http://www.tietoerator.com/press)) provides an archive of TietoEnator's stock exchange releases dating back to 1996.

# Board of Directors



Chairman (from 1 January 2006) **Matti Lehti**, born 1947, nationality Finnish  
not full-time, dependent Board member

Board member since 1988  
PhD (Econ.)

Chancellor of Helsinki School of Economics  
Chairman of the Foundation for Economic Education and Federation of the Finnish Information Industries  
Deputy Chairman of Helsinki School of Economics Foundation and Technology Industries of Finland  
Board Member of Confederation of Finnish Industries EK, Fortum Corporation, Jaakko Pöyry Group and  
Technology Industries of Finland Centennial Foundation

President and CEO, TietoEnator Corporation, 1989-2005  
Deputy Managing Director, Rautakirja Oy, 1986-1989

TietoEnator shares (9 Feb 2007): 35 000  
Right to subscribe for 65 000 shares

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Vice Chairman **Anders Ullberg**, born 1946, nationality Swedish  
non-executive, independent Board member

Board member since 1999, Deputy Chairman since 2004  
Chairman of the Audit and Risk Committee

MBA

Chairman of the Board of Eneqvistbolagen and Boliden  
Member of the Board of Atlas Copco and of Sapa  
Member of the Swedish Corporate Governance Board  
President and CEO of SSAB Swedish Steel, 2000-2006  
Executive Vice President and CFO of SSAB Swedish Steel, 1984-2000  
Vice President Corporate Control of Swedyards (Celsius Group), 1978-1984

TietoEnator shares (9 Feb 2007): 5 000

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**Mariana Burenstam Linder**, born 1957, nationality Swedish  
non-executive, independent Board member

Board member since 2005

MSc. (Econ.)

Managing Partner and financial advisor at Burenstam & Partners Ltd  
President at Ainax Ltd, 2004-2006  
Head of Private Banking, Executive Vice President, SEB 1999-2003  
CIO, IT Director at Trygg-Hansa / SEB, 1995-1999  
CEO, ABB Financial Consulting, 1991-1995  
Member of the Board: Säkl Ltd, BTS Group Ltd, Kontanten Ltd and Burenstam & Partners

TietoEnator shares (9 Feb 2007): 100

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**Bengt Halse**, born 1943, nationality Swedish  
non-executive, independent Board member

Board member since 2004  
Member of the Compensation and Nomination Committee

Dr Eng.

Dr. Eng.h.c. at Linköping University  
Member of the Board of OMX ABp, Denel (Pty) Ltd, ISD Technologies AB and of some other small assignments

CEO, Saab AB, 1995-2003  
Various positions in Ericsson Group, 1974-1995  
TietoEnator shares (9 Feb 2007): 8 000



**Kalevi Kontinen**, born 1941, nationality Finnish  
non-executive, independent Board member

Board member since 1990, Chairman 2004-2005  
Chairman of the Compensation and Nomination Committee

PhD (Tech.)

Principal Fellow in Nokia Business Infrastructure

Member of the Board of Nice Business Solutions Finland Ltd and of the Sibelius Academy Foundation  
Deputy Member of the Board of Sibelius Academy

Executive Vice President, Member of the Group Executive Board of MeritaNordbanken, 1995–2000  
Member of the Board of Union Bank of Finland, 1984–1995

TietoEnator shares (9 Feb 2007): 3 000

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**Olli Martikainen**, born 1953, nationality Finnish  
non-executive, independent Board member

Board member since 2000  
Member of the Audit and Risk Committee

PhD (Math.), MSc (Eng.)

Associate Research Fellow, the Research Institute of the Finnish Economy (ETLA)  
Professor, University of Oulu

Supervisory Board Member of Siemens Osakeyhtiö  
Member of the Board of Technopolis Ventures Ltd  
Member of The Finnish Academy of Technology

Vice President R&D, Telecom Finland Oy, 1994–1997

TietoEnator shares (9 Feb 2007): 1 000

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**Olli Riikkala**, born 1951, nationality Finnish  
non-executive, independent Board member

Board member since 2004  
Member of the Audit and Risk Committee

MSc. (Eng.), BSc. (Econ.), MBA

Chairman of the Board of Helvar Merca Ltd, Comptel Ltd, Oriola-KD Ltd and Palodex Group Ltd  
Member of the Board of Fiskars Corporation

Senior Advisor, GE Healthcare Information Technologies, 2004-2006  
CEO, Europe, Middle East and Africa, GE Healthcare Information Technologies, 2002-2004  
President and CEO, Instrumentarium Corporation, 1997-2003, member of the Board, 1987-2003  
Various positions in Instrumentarium since 1979

TietoEnator shares (9 Feb 2007): 1 000

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**Anders Eriksson**, born 1963, nationality Swedish  
Personnel representative on the Board since November 2006

MSc. Computer Engineering and Computer Science

Configuration Manager, TietoEnator Telecom & Media

TietoEnator shares (9 Feb 2007): 0

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**Jari Länsivuori**, born 1949, nationality Finnish  
Personnel representative on the Board since April 2006

Fire safety supervisor

Real estate manager, TietoEnator Corporation

TietoEnator shares (9 Feb 2007): 0

# Executive Management



**Pentti Heikkinen**, born 1960, nationality Finnish, MSc (Econ.)  
Joined the company 1996

President and CEO  
Chairman of the Corporate Management Team

Chief Operating Officer 2004-2005  
President, Telecom & Media, 2001–2003  
President, Services, 1999–2001  
President, Public Sector, 1996–1999  
Various management positions in VTKK and Cap Gemini 1984-1995

TietoEnator shares (9 Feb 2007): 1 060  
Right to subscribe for 65 500 shares  
Share-based incentive plan: max 6 000

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**Åke Plyhm**, born 1951, nationality Swedish, BSc (Business Administration)  
Joined the company in 1995

Deputy CEO  
Member of the Corporate Management Team

President and CEO, Enator AB, 1995–1999  
President, Celsius Industrier AB, 1990–1995  
Executive Vice President with responsibility for finance, treasury and legal departments, Celsius Industrier AB, 1990

TietoEnator shares (9 Feb 2007): 290  
Right to subscribe for 24 185 shares  
Share-based incentive plan: max 3 600 shares

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**Carl-Harald Andersson**, born 1956, nationality Swedish, Education MSc (Eng.)  
Joined the company in 1987

Executive Vice President and President of Forest & Energy  
Member of the Corporate Management Team

Senior Vice President, Telecom & Media, 2002-2005  
Vice President, Wireless R&D Services, TietoEnator, 1999-2002  
Business area Director, Enator Teknik AB, 1998-1999  
President of Enator Elektroniksystem AB, 1990-1998  
President of Knight Elektroniksystem AB, 1987-1990  
Department and Division manager, Knight Industrikonsult AB, 1985-1987  
Consultant, Knight Konsulterande Ingenjörer Gothenburg, 1981-1985

TietoEnator shares (9 Feb 2007): 0  
Right to subscribe for 13 300 shares  
Share-based incentive plan: max 1 800 shares

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**Ari Karpinen**, born 1957, nationality Finnish, MSc (Eng.)  
Joined the company 1987

Executive Vice President and President of Processing & Network  
Member of the Corporate Management Team

Senior Vice President, Manufacturing Business Unit, 2004-2005  
Vice President, Logistics Business Unit, 2001-2003  
Country Manager for Finland Services, 2000  
Vice President Postal Business Unit, TietoEnator, 1999-2000  
Various management positions in TietoEnator, 1987-1998  
Sähköliikkeiden Oy, Project Manager, 1984-1986

TietoEnator shares (9 Feb 2007): 600  
Right to subscribe 22 500 shares  
Share-based incentive plan: max 1 800 shares



**Carl-Johan Lindfors**, born 1956, nationality Finnish, BSc (Aviation Eng.)

Joined the company in 1989

Executive Vice President and President of Healthcare & Welfare  
Member of the Corporate Management Team

President of Public & Healthcare 2003-2005  
President, Resource Management, 2000–2002  
Various management positions in TietoEnator, 1989–1999  
Managing Director, Control Data Oy, 1987–1988

TietoEnator shares (9 Feb 2007): 0  
Right to subscribe for 13 970 shares  
Share-based incentive plan: max 2 000 shares

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**Anja Vainio**, born 1953, nationality Finnish, Education MSc. (Math.)

Joined the company in 1995

Executive Vice President and President of Government, Manufacturing & Retail  
Member of the Corporate Management Team

President of Government business area, 2005  
Senior Vice President in Public & Healthcare, 2004-2005  
Vice President in Public & Healthcare, 2001-2003  
Managing Director in Tietokarhu Oy, 1997-2000  
Various management positions in The Finnish State Computer Centre (VTKK) and in TietoEnator Corporation, 1994-1997

TietoEnator shares (9 Feb 2007): 0  
Right to subscribe for 18 100 shares  
Share-based incentive plan: max 1 800 shares

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**Ari Vanhanen**, born 1961, nationality Finnish, MSc (Eng.)

Joined the company in 1994

Executive Vice President and President of Telecom & Media  
Member of the Corporate Management Team

Managing Director, Tietokesko Oy, 2001–2003  
Vice President, TietoEnator Energy business unit, 1999–2001  
Various management positions in TietoEnator, 1994–1999

TietoEnator shares (9 Feb 2007): 6 710  
Right to subscribe for 35 100 shares  
Share-based incentive plan: max 2 800 shares

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**Matti Viljo**, born 1955, nationality Finnish, MSc (Econ.)

Joined the company in 2006

Executive Vice President and President of Banking & Insurance  
Member of the Corporate Management Team

Oracle Corporation (Munich, Germany), Vice President,  
Application Sales Business Unit 2004-3/2006  
Oracle Finland, Managing Director 1998-2004  
IBM Finland, Director Baltic Operations 1996-1997  
IBM Finland, Director of Sales, Services and Marketing 1995-1996, IBM Corporation (Armonk NY, USA), Director,  
International Services Business 1992-1994, IBM Finland, various management positions 1979-1991

TietoEnator shares (9 Feb 2007): 0  
Right to subscribe for 8 000 shares  
Share-based incentive plan: max 2 800 shares

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**Pekka Viljakainen**, born 1972, nationality Finnish, engineering studies (Lappeenranta University of Technology)

Joined the company in 2000

Executive Vice President, Strategic Customer Operations  
Member of the Corporate Management Team

President of Digital Innovations from 2004  
Managing Director, Oy Visual Systems Ltd, 1990–2004

TietoEnator shares (9 Feb 2007): 649 447  
Right to subscribe for 17 000 shares  
Share-based incentive plan: max 2 400 shares



**Pentti Huusko**, born 1948, nationality Finnish, MSc (Computer Sc.)

Joined the company in 1986

Senior Vice President, Operational Excellence

President of Production & Logistics, 2001-2005

President, Process & Manufacturing, 1997-2001

President, Services, 1989-1996

Managing Director and Board member, Tietojyvä Oy, 1986-1989

TietoEnator shares (9 Feb 2007): 580

Right to subscribe for 23 000 shares



**Håkan Friberg**, born 1948, nationality Swedish, BA (Econ.)

Joined the company in 1993

Executive Vice President, Human Resources

Member of the Corporate Management Team

SVP Human Resources, Enator AB, 1997-1999

Managing Director, Unic AB, 1992-1996

Director, KPMG Management Consulting, 1990-1992

TietoEnator shares (9 Feb 2007): 0

Right to subscribe for 12 400 shares

Share-based incentive plan: max 1 200 shares



**Päivi Lindqvist**, born 1970, nationality Finnish, MSc (Econ.), MBA

Joined the company in 1997

Executive Vice President, Communications and Investor Relations

Member of the Corporate Management Team

Senior Vice President, Investor Relations and Financial Communications, 2004-2005

Manager, Investor Relations, 2002-2003

US Controller, 2001-2002

Treasury Analyst, 1997-2001

TietoEnator shares (9 Feb 2007): 300

Right to subscribe for 10 650 shares

Share-based incentive plan: max 1 200 shares



**Jouko Lonka**, born 1955, nationality Finnish, LL.M.

Joined the company in 1987

Executive Vice President, Legal & IPR

Member of the Corporate Management Team

General Counsel, from 1987

Legal Counsel, Hewlett Packard, 1986-1987

Legal Counsel, Union Bank of Finland, 1982-1986

TietoEnator shares (9 Feb 2007): 36 800

Right to subscribe for 13 450 shares



**Timo Salmela**, born 1957, nationality Finnish, MSc (Econ.)

Joined the company in 1996

Executive Vice President and CFO, Finance and Group strategy

Member of the Corporate Management Team

Senior Vice President, CFO, 2003-2005

Vice President Finance & Administration, Telecom & Media, 2001-2003

Vice President Finance & Administration, Services, 1996-2001

Director Finance, Avancer Oy, 1991-1996

TietoEnator shares (9 Feb 2007): 1 350

Right to subscribe for 15 800 shares

Share-based incentive plan: max 1 200 shares



# Organization

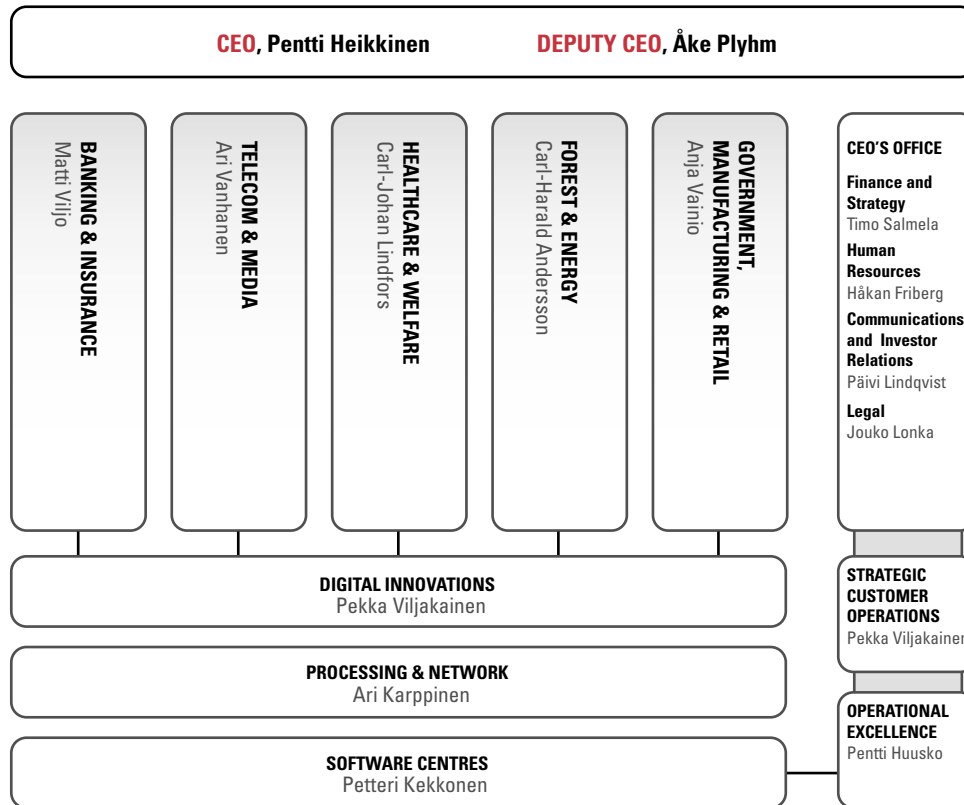


PHOTO: DSCANPIX NORWAY / LEHTIKUVA / POPPE, CORNELIUSN

# Financial Information & Shares and Shareholders

# Financial Figures

FIVE-YEAR FIGURES	2006	2005	2004	2003	2002
	IFRS	IFRS	IFRS	FAS	FAS
	Continuing operations				
Net sales, EUR million	1 646.5	1 570.4 *)	1 525.1	1 374.3	1 271.1
Operating profit (EBIT), EUR million	127.7	169.1 *)	162.7	102.7	99.8
Operating margin, %	7.8	10.8 *)	10.7	7.5	7.9
Profit before taxes, EUR million	124.5	171.2 *)	158.1	100.6	100.4
% of net sales	7.6	10.9 *)	10.4	7.3	7.9
Total assets, EUR million	1 374.7	1 312.0	1 087.7	807.7	845.0
Return on equity, % **)	15.5	27.3	45.9	14.1	13.7
Return on capital employed, % **)	18.7	29.7	32.6	23.1	23.0
Equity ratio, %	48.4	39.8	48.8	60.8	55.5
Gearing, %	14.9	39.1	6.1	1.4	13.6
Investments, EUR million	77.9	267.3 *)	166.4	61.6	282.9
% of net sales	4.7	17.0 *)	10.9	4.5	22.3
Average number of employees	14 414	13 213	12 527	11 836	11 153

FAS = Finnish accounting standards

\*) Re-presented for continuing operations

\*\*\*) When calculating the 2004 return on equity and return on capital employed, the 12-month averages for 2003 used in the denominator comply with FAS and not IFRS.

KEY FIGURES BY QUARTER	2006	2006	2006	2006	2006	2005	2005	2005	2005	2005
	1-3	4-6	7-9	10-12	1-12	1-3	4-6	7-9	10-12	1-12
Net sales from continuing operations, EUR million	409.8	411.8	369.4	455.5	1 646.5	381.6	401.0	355.7	432.1	1 570.4
Operating profit from continuing operations (EBIT) excluding capital gain, EUR million	25.1	22.7	27.5	36.7	112.0	32.0	39.0	30.8	48.3	150.1
Profit before taxes, EUR million	29.6	25.3	27.4	42.2	124.5	34.8	58.6	26.2	51.6	171.2
Earnings per share, EUR										
- basic	0.29	0.23	0.26	2.52	3.25	0.31	0.57	0.24	0.64	1.75
- diluted	0.28	0.23	0.26	2.52	3.25	0.31	0.57	0.24	0.64	1.75
- basic from continuing operations	0.27	0.24	0.26	0.39	1.15	0.31	0.58	0.23	0.62	1.73
- basic from discontinued operations	0.02	-0.01	0.00	2.13	2.10	0.00	-0.01	0.01	0.02	0.02
Earnings per share from continuing operations, EUR a)	0.24	0.23	0.31	0.40	1.18	0.33	0.43	0.25	0.64	1.64
Equity per share, EUR	5.97	6.10	5.98	8.51	8.51	6.84	6.40	6.24	6.60	6.60
Equity ratio, %	34.7	35.0	33.3	48.1	48.4	45.6	40.2	39.3	39.8	39.8
Net interest-bearing liabilities, EUR million	198.6	283.0	354.6	93.4	93.4	97.8	218.1	222.8	199.9	199.9
Gearing %	43.9	61.6	80.4	14.9	14.9	20.6	43.3	46.3	39.1	39.1
Investments in continuing operations, EUR million	24.5	20.0	6.1	27.3	77.9	133.2	8.7	103.9	21.5	267.3
Personnel at end of period, continuing operations	14 157	14 191	14 710	14 597	14 597	12 714	13 028	13 403	13 968	13 968
Personnel on average, continuing operations	14 115	14 148	14 634	14 759	14 414	12 634	13 005	13 373	13 839	13 213

a) Excluding goodwill impairments, amortization on allocated intangible assets from acquisitions, stock option expenses and one-time capital gains.



## TietoEnator in Norway

*Ole Anders Walset, Healthcare & Welfare, and  
Cecilie Tang, Group Operations, walking on  
the hills overlooking Oslo, Norway.*

# Income Statement (IFRS)

EUR million	Note	Consolidated	
		1 Jan–31 Dec 2006	1 Jan–31 Dec 2005
<b>Continuing operations</b>			
Net sales	1	1 646.5	1 570.4
Other operating income	2	25.1	28.8
Cost of sales		232.1	258.3
Employee benefit expenses	5, 6	938.5	868.3
Depreciation and amortization	10, 11	59.4	56.9
Impairment of goodwill	10	-	-
Other operating expenses	3	314.1	246.8
Share of associated companies' results		0.2	0.2
Operating profit		127.7	169.1
Net interest expenses	7	-2.1	2.1
Net exchange losses and gains	7	-0.6	0.2
Other financial income and expenses	7	-0.5	-0.2
Profit before taxes		124.5	171.2
Income taxes	8	-37.2	-34.8
Net profit for the period from continuing operations		87.3	136.4
<b>Discontinued operations</b>			
Net profit for the period from discontinued operations	30	159.7	1.6
<b>Net profit for the period</b>		<b>247.0</b>	<b>138.0</b>
Net profit for the period attributable to			
Shareholders of the parent company		243.9	136.3
Minority interest in continuing operations		1.0	1.3
Minority interest in discontinued operations		2.1	0.4
		247.0	138.0
<b>Earnings attributable to the shareholders of the parent company per share (EUR)</b>			
	9		
Basic		3.25	1.75
Diluted		3.25	1.75
Basic/diluted from continuing operations		1.15	1.73
Basic/diluted from discontinued operations		2.10	0.02
<b>Average number of shares (1 000 shares)</b>			
Basic		74 964	78 063
Diluted		74 998	78 167

# Balance Sheet (IFRS)

EUR million	Note	Consolidated	
		31 Dec 2006	31 Dec 2005
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	10, 14, 15	448.4	436.9
Other intangible assets	10	82.6	73.9
Property, plant and equipment	11	87.9	100.6
Deferred tax assets	17	75.2	98.3
Investment in associated companies	12	2.3	5.0
Other non-current assets	13	1.4	2.0
<b>Total non-current assets</b>		<b>697.8</b>	<b>716.7</b>
<b>Current assets</b>			
Trade and other receivables	18	503.0	472.7
Current income tax receivables		22.3	11.9
Interest-bearing	24	12.7	10.8
Cash and cash equivalents	19	138.9	99.9
<b>Total current assets</b>		<b>676.9</b>	<b>595.3</b>
<b>Total assets</b>		<b>1 374.7</b>	<b>1 312.0</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	20	75.8	78.7
Share issue premiums and other reserves	20	68.8	62.7
Retained earnings		477.8	347.3
Parent shareholders' equity		622.4	488.7
Minority interest		4.0	12.2
<b>Total equity</b>		<b>626.4</b>	<b>500.9</b>
<b>Non-current liabilities</b>			
Finance lease liability	24, 25	13.5	22.2
Shareholders' loan	25	0.8	37.0
Other interest-bearing loans	25	153.6	106.0
Deferred tax liabilities	17	20.0	23.3
Pension obligations	22	46.4	53.4
Provisions	23	3.4	9.6
Other non-current liabilities		3.2	1.1
<b>Total non-current liabilities</b>		<b>240.9</b>	<b>252.6</b>
<b>Current liabilities</b>			
Trade and other payables	26	410.6	408.5
Current income tax liabilities		19.7	4.7
Interest-bearing loans	25	77.1	145.3
<b>Total current liabilities</b>		<b>507.4</b>	<b>558.5</b>
<b>Total equity and liabilities</b>		<b>1 374.7</b>	<b>1 312.0</b>

# Statement of Cash Flow (IFRS)

EUR million	Note	1 Jan–31 Dec 2006	<b>Consolidated</b> 1 Jan–31 Dec 2005
<b>Cash flow from operations</b>			
Operating profit		127.7	172.2
Adjustments to operating profit			
Depreciation and amortization		59.4	56.2
Profit/loss on sale of fixed assets and shares		-15.7	-20.9
Share of associated companies' results		-0.2	-0.2
Other adjustments		3.5	2.9
Change in net working capital			
Change in current receivables		-71.0	-29.3
Change in inventories		0.5	-0.1
Change in current non-interest-bearing liabilities		32.7	35.3
Cash generated from continuing operations		136.9	216.1
Interest income received		7.4	2.4
Interest expenses paid		-9.1	-1.1
Other financial items net		-1.1	-1.2
Income taxes paid		-24.8	-17.3
Net cash flow from continuing operations		109.3	198.9
Net cash flow from discontinued operations		3.7	1.9
Total net cash flow from operations		113.0	200.8
<b>Cash flow from investing activities</b>			
Acquisition of Group companies and business operations, net of cash acquired	14	-24.6	-161.5
Capital expenditures		-50.6	-75.8
Disposal of business operations and associated company		30.4	25.0
Other investing activities		1.6	1.8
Net cash used in investing activities from continuing operations		-43.2	-210.5
Net cash used in investing activities from discontinued operations		-4.2	-2.5
Total net cash used in investing activities		-47.4	-213.0
<b>Cash flow from financing activities</b>			
Dividends and donations		-65.8	-79.9
Repurchase of own shares		-52.3	-80.0
Proceeds from finance lease liabilities		0.6	16.5
Payment of finance lease liabilities		-9.3	-6.8
Change in interest-bearing liabilities		41.6	163.8
Net cash change in other financing activities		-4.3	5.6
Net cash used in financing activities from continuing operations		-89.5	19.2
Net cash used in financing activities from discontinued operations		63.0	1.4
Total net cash used in financing activities		-26.5	20.6
Change in cash and cash equivalents		39.1	8.4
Cash and cash equivalents at beginning of period		-99.8	-90.7
Foreign exchange differences		0.0	-0.7
Cash and cash equivalents at end of period	19	138.9	99.8
		39.1	8.4

# Key Segment Tables

## Net sales and operating profit (EBIT)

### by business area, EUR million

(primary segment)	Net sales			Operating profit		
	2006	2005	Change	2006	2005	Change
	1–12	1–12	%	1–12	1–12	%
Continuing operations						
Banking & Insurance	284	237	20	20.1	24.5	-17.8
Telecom & Media	542	544	0	37.5	71.3	-47.4
Government, Manufacturing & Retail	236	239	-1	31.2	22.8	37.1
Healthcare & Welfare	144	131	10	12.8	19.8	-35.1
Forest & Energy	161	160	0	7.8	17.4	-55
Processing & Network	374	345	8	39.7	28.6	38.6
Group eliminations incl. other	-95	-85	11			
<b>Group total</b>	<b>1 646</b>	<b>1 570</b>	<b>5</b>	<b>149.2</b>	<b>184.4</b>	<b>-19.1</b>
Group operations incl. other				-25	-24	-4.4
Associated companies outside BA				0	-0.1	100
Group capital gains				3.5	8.7	-60.3
<b>Operating profit (EBIT)</b>				<b>127.7</b>	<b>169.1</b>	<b>-24.4</b>

## Operating margin (EBIT), %

				excl. capital gains and impairment losses		
	2006	2005	Change	2006	2005	Change
	1–12	1–12	%	1–12	1–12	%
Continuing operations						
Banking & Insurance	7.1	10.3	-3.2	7.1	9.8	-2.8
Telecom & Media	6.9	13.1	-6.2	7.2	12.9	-5.8
Government, Manufacturing & Retail	13.2	9.5	3.7	7.6	9.1	-1.5
Healthcare & Welfare	8.9	15.1	-6.2	8.9	12.9	-4
Forest & Energy	4.9	10.9	-6	4.9	8.4	-3.5
Processing & Network	10.6	8.3	2.3	10.5	8.3	2.3
<b>Business areas</b>	<b>9.1</b>	<b>11.7</b>	<b>-2.7</b>	<b>8.3</b>	<b>11.1</b>	<b>-2.8</b>
<b>Operating margin (EBIT)</b>	<b>7.8</b>	<b>10.8</b>	<b>-3</b>	<b>6.8</b>	<b>9.6</b>	<b>-2.8</b>

## Country sales, EUR million

(secondary segment)	2006	Change	Share	2005	Change	Share
	1–12	%	%	1–12	%	%
Continuing operations						
Finland	751	3	46	731	0	47
Sweden	454	-3	28	469	1	30
Germany	124	21	8	102	181	7
Norway	81	4	5	78	9	5
Denmark	51	-1	3	52	31	3
Great Britain	48	48	3	32	355	2
Netherlands	25	61	2	16	47	1
France	18	-14	1	21	-	1
Italy	17	-	1	0	-	0
Other	77	11	5	70	24	4
<b>Group total</b>	<b>1 646</b>	<b>5</b>	<b>100</b>	<b>1 570</b>	<b>10</b>	<b>100</b>

## Net sales by industry segment, EUR million

	2006	Change	Share	2005	Change	Share
	1–12	%	%	1–12	%	%
Continuing operations						
Banking and insurance	374	23	23	303	16	19
Public	292	4	18	281	6	18
Telecom and media	515	-6	31	546	20	35
Forest	88	-1	5	88	2	6
Energy	79	6	5	75	12	5
Manufacturing	89	11	5	80	9	5
Retail and logistics	88	-9	5	97	-17	6
Other	122	21	7	101	5	6
<b>Group total</b>	<b>1 646</b>	<b>5</b>	<b>100</b>	<b>1 570</b>	<b>10</b>	<b>100</b>

# Shares and Shareholders

## Share capital and shares

TietoEnator Corporation's issued and registered share capital on 31 December 2006 totalled EUR 75 841 462 and there were 75 841 462 shares.

During 2006 the number of registered shares increased by 2 000 new shares subscribed under the 2002 options and decreased by the cancellation of 2 903 860 repurchased shares. All the 2 903 860 shares repurchased in 2005 were cancelled in April by the 2006 Annual General Meeting. The changes in the number of shares were registered as follows:

		Shares	Total number of shares
On 12 Jan 2006	Options	+750	78 744 072
On 5 Apr 2006	Options	+50	78 744 122
On 10 Apr 2006	Cancellation	-2 903 860	75 840 262
On 13 Jun 2006	Options	+1 200	75 841 462

During 2006 TietoEnator executed two share repurchase programmes. In May 500 000 shares were repurchased for the three-year share-based incentive plan that the Board of Directors approved in December 2005. In September a total of 1 745 000 shares were repurchased to develop the company's capital structure. All shares repurchased in September were cancelled by the Board of Directors in December according to the new Finnish Companies Act. The registration of cancelled shares took place in January 2007. The number of outstanding shares (excluding the shares in the company's possession) was 73 596 462 at the end of 2006.

TietoEnator's shares have no nominal value and have a book counter-value of one euro. TietoEnator's shares are listed on the Helsinki and Stockholm Stock Exchanges.

There is only one class of share with equal dividend rights and each share is entitled to one vote. The company's articles of association include a redemption clause and a restriction on voting at the Annual General Meeting, where no-one is allowed to vote with more than one-fifth of the votes represented at the meeting. The Board of Directors has proposed to the 2007 AGM that the redemption clause be removed. The current articles of association are available on the company's website at [www.tietoenator.com](http://www.tietoenator.com).

## Stock options, warrants and share incentives

Based on the outstanding stock options on 31 December 2006, the total number of shares may increase, at the maximum, as follows:

Plan	Maximum number of new shares	Subscription period	Exercise price
TietoEnator 2002 A/B	1 333 270	- 30 /06/ 09	23.38 EUR
TietoEnator 2006 A	484 600	01/03/09 - 31/03/11	29.72 EUR
	1 817 870		

In addition to these, TietoEnator Corporation holds 77 000 2002 A/B stock options and 115 400 options under the 2006 A stock options scheme. If all the option rights in the company's possession are taken into account, the number of shares could increase by a maximum of 2 010 270. In all the current option schemes, the persons covered by the scheme receive the options if they are employed by TietoEnator on the starting date of the subscription period. Under the terms of both the 2002 option scheme and the 2006 option scheme, the subscription price will be reduced annually by the amount of dividend per share.

The company still has 1 300 000 stock options from the 2006 stock option plan to be allocated in 2007 and 2008. These options will be marked 2006 B and 2006 C. The Board of Directors decided on 19 December 2006 to offer approximately 600 000 options of the 2006 B series to about 300 employees of TietoEnator group, based on performance. The grant will take place in spring 2007.

The subscription period for the 2002 B options began on 1 December 2006. As both 2002 A and 2002 B options have exactly the same terms and conditions after vesting, these two option series were combined on 12 December 2006 into options marked 2002 A/B. The 2002 A/B options are listed only on the Helsinki Stock Exchange. The warrants under the 2000 bonds with warrants became due at the end of May 2006 without any value.

In December 2005 the Board of Directors approved a new share-based incentive plan for TietoEnator Group's key employees. Incentive rewards can be paid either as shares or in cash during the years 2007 - 2009. The cash payment covers taxes and tax-related costs. The share part of the programme has a maximum scope of 200 000 shares for the whole three-year period. The allocated amount of rewards each year is dependent on reaching financial performance targets that are set by the Board of Directors annually. The allocation regarding 2006 was based on TietoEnator Group's earnings per share (EPS) increasing 10 - 30% compared with 2005. The Board decided that the capital gain from discontinued operations in 2006 is not included in EPS when assessing the attainment of the performance targets for the share plan. As the 2006 financial targets were not met there will be no share allocation in 2007. The second performance period is 2007. The allocation regarding 2007 will be made in 2008 and will be based on TietoEnator Group's EPS increasing 0 - 30% compared with 2006. It is prohibited to transfer the shares within two years from the end of an earning period. The incentive plan is intended for approximately 50 key employees.

The volume weighted average price of the TietoEnator share in 2006 was EUR 23.98 on the Helsinki Stock Exchange, which was higher than the exercise price of the 2002 A/B option programme, EUR 23.38.



## Board authorizations

The 2006 Annual General Meeting authorized the Board of Directors to repurchase the company's own shares up to 10% of the company's share capital or total number of votes. The authorization is to be used to develop the company's capital structure and for the share ownership plan for key employees. In April the Board of Directors decided to start a share repurchasing programme for the three-year share-based incentive plan. A total of 500 000 were repurchased between 4 May and 9 May at an average price of EUR 24.88. In July 2006 TietoEnator's Board of Directors decided to start a new share repurchase programme totalling EUR 40 million, to develop the company's balance sheet. A total of 1 745 000 shares were repurchased in September at an average price of EUR 22.86.

The Board was also authorized to issue shares, option rights and convertible bonds for one year from the Annual General Meeting of 2006, until 23 March 2007. Based on this authorization the share capital may increase by at most EUR 15 168 042. The purpose of the authorization is to safeguard the company's ability to develop its operations both in the domestic and in the international markets, in order to enable and to finance both the acquisition of companies and business operations and also other co-operative arrangements. This authorization has not been used.

## Shareholders

The company had 30 953 directly registered shareholders at the end of 2006. Based on the ownership records of the Finnish and Swedish central security depositories 31% of TietoEnator's shares were held by Finnish and 28% by Swedish investors. In total, there were 26 966 retail investors in Finland and Sweden and they held 14%

of TietoEnator's shares. None of the shareholders owns more than 5% of the shares, nor were there any notifications of changes in over 5% holdings during the year.

The Board members, the President and CEO and his deputy together owned 0.0705% of the share capital and votes. Based on the bonds with warrants and options, they can increase their aggregate holding to at most 0.2744% of the shares.

TietoEnator does not have any major strategic shareholders, shareholder agreements or cross shareholdings which would limit the amount of shares available for trading. Additionally, since the existing stock/warrant programmes and the share-based incentive plan represent limited dilution potential, the free float of the shares can be considered as 100% excluding the treasury stock currently held by the company.

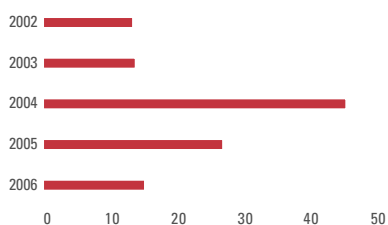
## Share performance and trading

The turnover of TietoEnator's shares totalled EUR 5 220.6 million (217 734 156 shares) in Helsinki and SEK 8 962.3 million (41 054 225 shares) in Stockholm in 2006. The total number of shares traded represented 345% of the average number of outstanding shares.

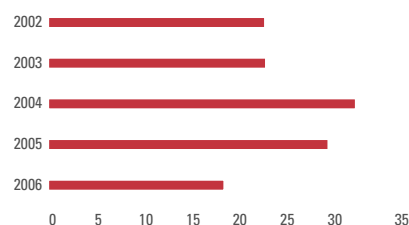
On the Helsinki Stock Exchange the average share price in the year was EUR 23.98, whereas the share price at the end of the year was EUR 24.44. The highest price was EUR 32.88 and the lowest EUR 17.48. The market capitalization at the end of the year totalled EUR 1 853.6 million.

TietoEnator's share price fell 20.8% in Helsinki and 21.2% in Stockholm during the year. At the same time, the OMX Helsinki All Share Index rose by 17.9% and the OMX Helsinki Cap Index by 25.2%. The OMX Stockholm All Share Index rose 23.6% in 2006.

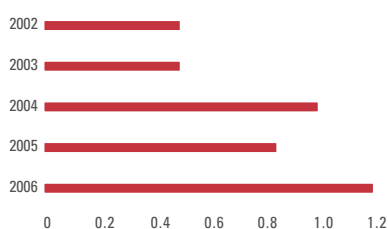
RETURN ON EQUITY, %



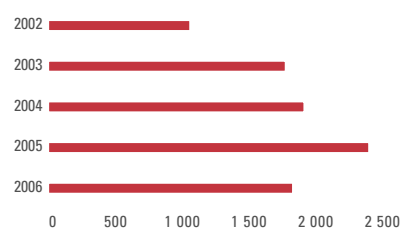
RETURN ON CAPITAL, %



DIVIDEND / SHARE, EUR



MARKET CAPITALIZATION, MEUR



	2006	2005	2004	2003	2002
	IFRS	IFRS	IFRS	FAS	FAS

**SHARE INFORMATION****Changes in share capital**

Share capital at year end, EUR	75 841 462	78 743 322	82 886 444	82 886 444	82 886 444
Number of shares	75 841 462	78 743 322	82 886 444	82 886 444	82 886 444
Adjusted number of shares at year end	75 841 462	78 743 322	82 886 444	82 886 444	82 886 444
Adjusted average for the year	74 963 658	78 063 022	81 977 804	82 886 444	82 856 926

**Per share data**

Earnings per share, EUR					
- basic	3.25	1.75	2.71	0.79	0.77
- diluted	3.25	1.75	2.71		
Earnings from continuing operations per share, EUR *)	1.18	1.64			
Equity per share EUR	8.51	6.60	6.49	5.74	5.53

\*) Excluding goodwill impairments, amortization on allocated intangible assets from acquisitions, stock option expenses, one-time capital gains and deferred tax income

**Share price performance and trading volumes**

## On the OMX Helsinki Stock Exchange

Highest price of share, EUR	32.88	31.16	27.70	24.55	32.35
Lowest price of share, EUR	17.48	22.30	19.90	11.50	10.25
Average price of share, EUR	23.98	26.02	23.58	16.91	20.14
Turnover, number of shares	217 734 156	149 733 710	127 507 163	104 692 989	85 479 503
Turnover, %	290.5	191.8	155.5	126.3	103.2

## On the OMX Stockholm Stock Exchange

Highest price of share, SEK	307.00	292.00	254.00	220.00	297.50
Lowest price of share, SEK	160.50	202.00	184.00	107.00	93.00
Average price of share, SEK	218.30	241.20	216.71	153.58	204.63
Turnover, number of shares	41 054 225	26 454 896	11 205 872	15 257 580	16 813 102
Turnover, %	54.8	33.9	13.7	18.4	20.3

Market capitalization, EUR million	1 853.6	2 429.2	1 939.5	1 798.6	1 077.5
------------------------------------	---------	---------	---------	---------	---------

**Dividends**

Dividend, EUR 1 000	88 316	64 464	78 742	41 443	41 443
Dividend per share EUR	1.20	0.85	1.00	0.50	0.50
Extra dividend paid 2004, EUR 1 000			39 371		
Dividend per share EUR			0.50		
Payout ratio, %	36.9	48.6	47.0	63.3	64.9

**Price-weighted ratios**

## On the OMX Helsinki Stock Exchange

Price per earnings ratio (P/E)	8	18	9	28	17
Dividend yield, %	4.9	2.8	6.4	2.3	3.9

## On the OMX Stockholm Stock Exchange

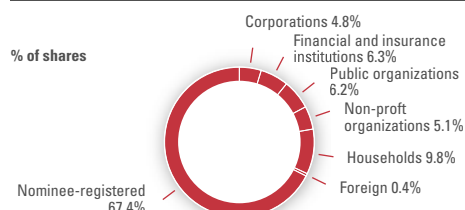
Price per earnings ratio (P/E)	8	17	9	28	17
Dividend yield,	4.8	2.8	6.5	2.3	3.8

**Major shareholders 31 December 2006**

	Country	Shares	%
1 Didner & Gerge funds	SE	2 365 000	3.1
2 Roburs funds	SE	1 546 200	2.0
3 AMF Pensionsförsäkrings	SE	1 522 700	2.0
4 Afa Försäkring	SE	1 353 295	1.8
5 Svenska Litteratursällskapet i Finland	FI	1 319 000	1.7
6 Tapiola	FI	1 064 980	1.4
7 Mutual Pension Insurance Company Ilmarinen	FI	1 002 510	1.3
8 SEB funds	SE	996 383	1.3
9 Nordea funds	SE	839 179	1.1
10 The State Pension Funds	FI	811 500	1.1
Remaining Nominee registered		38 805 317	51.2
Others		24 215 398	31.9
Total		75 841 462	100.0

Based on ownership records of the Finnish and Swedish central security depositories.

TietoEnator executed two share buyback programmes during 2006 and at the end of the year TietoEnator possessed 2 245 000 own shares.

**OWNERSHIP STRUCTURE ON 31 DECEMBER 2006**

Based on ownership records of the OMX Helsinki Stock Exchange.

**TietoEnator, trading codes**

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

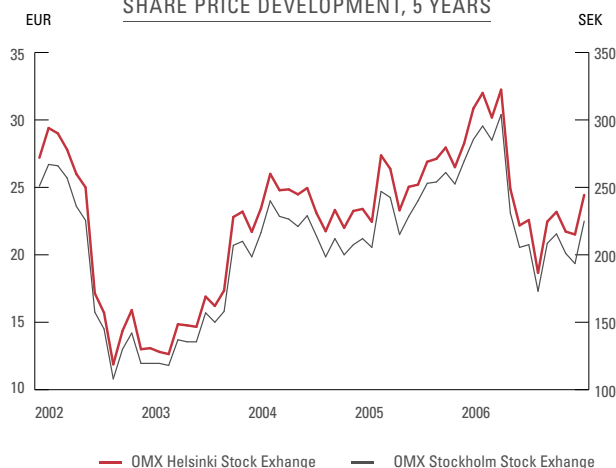
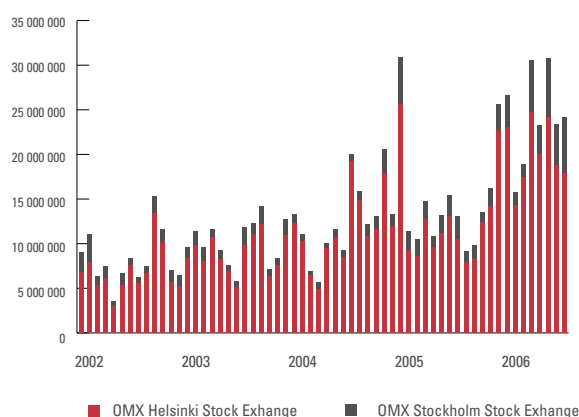
**Division of shares on 31 December 2006**

Number of shares	Shareholders		Shares	
	No	%	No	%
1 - 100	4 736	35.7	289 723	0.4
101 - 500	4 996	37.6	1 363 597	1.8
501 - 1 000	1 623	12.2	1 265 333	1.7
1 001 - 5 000	1 595	12.0	3 469 194	4.6
5 001 - 10 000	149	1.1	1 081 020	1.4
10 001 - 50 000	118	0.9	2 710 143	3.6
50 001 - 100 000	26	0.2	1 909 751	2.5
100 001 - 500 000	28	0.2	5 426 613	7.2
500 001 - 999 999 999 999	11	0.1	58 306 928	76.9
Joint book-entry account			19 160	
Total	13 282	100.0	75 822 302	100.0
of which nominee registered	16	100	51 139 956	67.4

Based on ownership records of the OMX Helsinki Stock Exchange.

**Changes in share capital**

(1 share = 1 vote)	Shares	Share capital, EUR
Total on 31 Dec 2004	82 886 444	82 886 444
Nullifying of company's own shares, 7 Apr 2005	-4 144 322	-4 144 322
Bonds with options subscribed, registered on 16 Dec 2005	+1 200	+1 200
Total on 31 Dec 2005	78 743 322	78 743 322
Bonds with options subscribed, registered on 12 Jan 2006	+750	+750
Bonds with options subscribed, registered on 5 Apr 2006	+50	+50
Nullifying of company's own shares, 10 Apr 2006	-2 903 860	-2 903 860
Bonds with options subscribed, registered on 13 Jun 2006	+1 200	+1 200
Total on 31 Dec 2006	75 841 462	75 841 462
Nullifying of company's own shares, 19 Dec 2006, registered 25 Jan 2007	-1 745 000	0
Total on 25 Jan 2007	74 096 462	75 841 462

**SHARE PRICE DEVELOPMENT, 5 YEARS****DEVELOPMENT OF TOTAL TURNOVER, 5 YEARS**

# Information for Shareholders

## Annual General Meeting

TietoEnator Corporation's Annual General Meeting (AGM) will be held at the Company's premises, Kutojantie 6-8 (Kilo 1-2), Espoo, Finland, on Thursday 22 March 2007 at 5.00 p.m. EET.

## Attending the AGM

In order to attend the AGM, shareholders are required to:

- be registered in the Company's shareholders' register, maintained by the Finnish Central Securities Depository Ltd, on 12 March 2007 and
- notify their wish to attend the meeting not later than Friday 16 March 2007 at 4.00 p.m. EET.

## Registration in the shareholders' register

A shareholder whose shares are registered in a personal book-entry account at the Finnish Central Securities Depository Ltd is automatically registered in the Company's shareholders' register. Nominee-registered shareholders may on 12 March 2007 be provisionally registered in the Company's shareholders' register for attending the AGM. Therefore, a shareholder whose shares are registered at VPC AB should contact VPC AB. Other nominee-registered shareholders should contact their relevant account holders. A request for provisional registration must be received by VPC AB not later than 7 March 2007 at 4.00 p.m. CET.

## Notice to attend

Shareholders wishing to attend the AGM must notify the Company not later than by 4.00 p.m. (Finnish time) on 16 March 2007 either:

by telephone +358 9 8626 3009  
 by telefax +358 2060 20232  
 at internet [www.tietoenator.com/agn](http://www.tietoenator.com/agn)  
 by e-mail [agn@tietoenator.com](mailto:agn@tietoenator.com) or  
 by mail TietoEnator, Legal & IPR,  
 P.O. Box 33, FI-02631 Espoo, Finland

## Proxy

Letters of proxy allowing shareholders to be represented by a representative at the AGM must be received by the Company at the postal address above not later than 16 March 2007.

## Dividend payment

The Board of Directors proposes to the AGM that a dividend of EUR 1.20 per share be paid on the financial year 2006. The dividend will be paid to shareholders who are registered in the Company's shareholders' register maintained by the Finnish Central Securities

Depository Ltd, or in the register maintained by VPC AB, on the record date for dividend payment, which is 27 March 2007. It is proposed that the dividend be paid on 12 April 2007.

## Shareholders' calendar for 2007

February 6	Fourth Quarter and Financial Statement Bulletin for the 2006 financial year
Week 7	Financial Review 2006, Business Review 2006 (pdf)
March 5	Financial Review 2006, Business Review 2006 (printed)
March 12	Record date for AGM
March 22	AGM
March 27	Record date for dividend
April 12	Dividend payment
April 27	Interim Report for the first quarter 2007 (January – March)
July 20	Interim Report for the second quarter 2007 (January – June)
October 26	Interim Report for the third quarter 2007 (January – Sept)

Reviews are published in English, Finnish and Swedish and are available on TietoEnator's website, [www.tietoenator.com](http://www.tietoenator.com)

To order the printed Business Review 2006 and Financial Review 2006:

e-mail: [TEreports@121.fi](mailto:TEreports@121.fi)  
 tel. +358 9 862 6000, fax +358 9 862 63091  
 tel. +46 8 632 1400, fax +46 8 632 1420

## Investor relations contacts

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## Analysts following TietoEnator

Analysts following TietoEnator are listed on the company's website, [www.tietoenator.com](http://www.tietoenator.com).

# Contact information

All addresses can be found on TietoEnator's website [www.tietoanator.com](http://www.tietoanator.com)

## **TietoEnator Corporation**

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e-mail: [info@tietoanator.com](mailto:info@tietoanator.com)  
[www.tietoanator.com](http://www.tietoanator.com)  
Business ID: 0101138-5  
Registered office: Espoo

## **Banking & Insurance**

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Fax +358 9 8626 2685  
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Fax +49 2234 9119 436

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Tel. +358 9 862 6000  
Fax +358 9 464 803

Offices in Denmark, Finland, Germany, India, the  
Netherlands, Norway and Sweden

## **Government, Manufacturing & Retail**

Tietotie 6  
P.O. Box 403  
FI-02101 ESPOO, Finland  
Tel. +358 9 862 6000  
Fax +358 9 464 803  
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## **Forest & Energy**

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### **Operating countries**

Austria, Belgium, Canada, China, Czech, Denmark, Estonia, Finland, France, Germany, India, Indonesia, Italy, Latvia, Lithuania, Malaysia, the Netherlands, Norway, Poland, Portugal, Russia, Singapore, Slovakia, Sweden, Ukraine, the United Kingdom and the USA