Financial Review 2020

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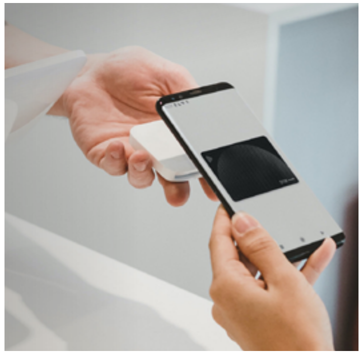
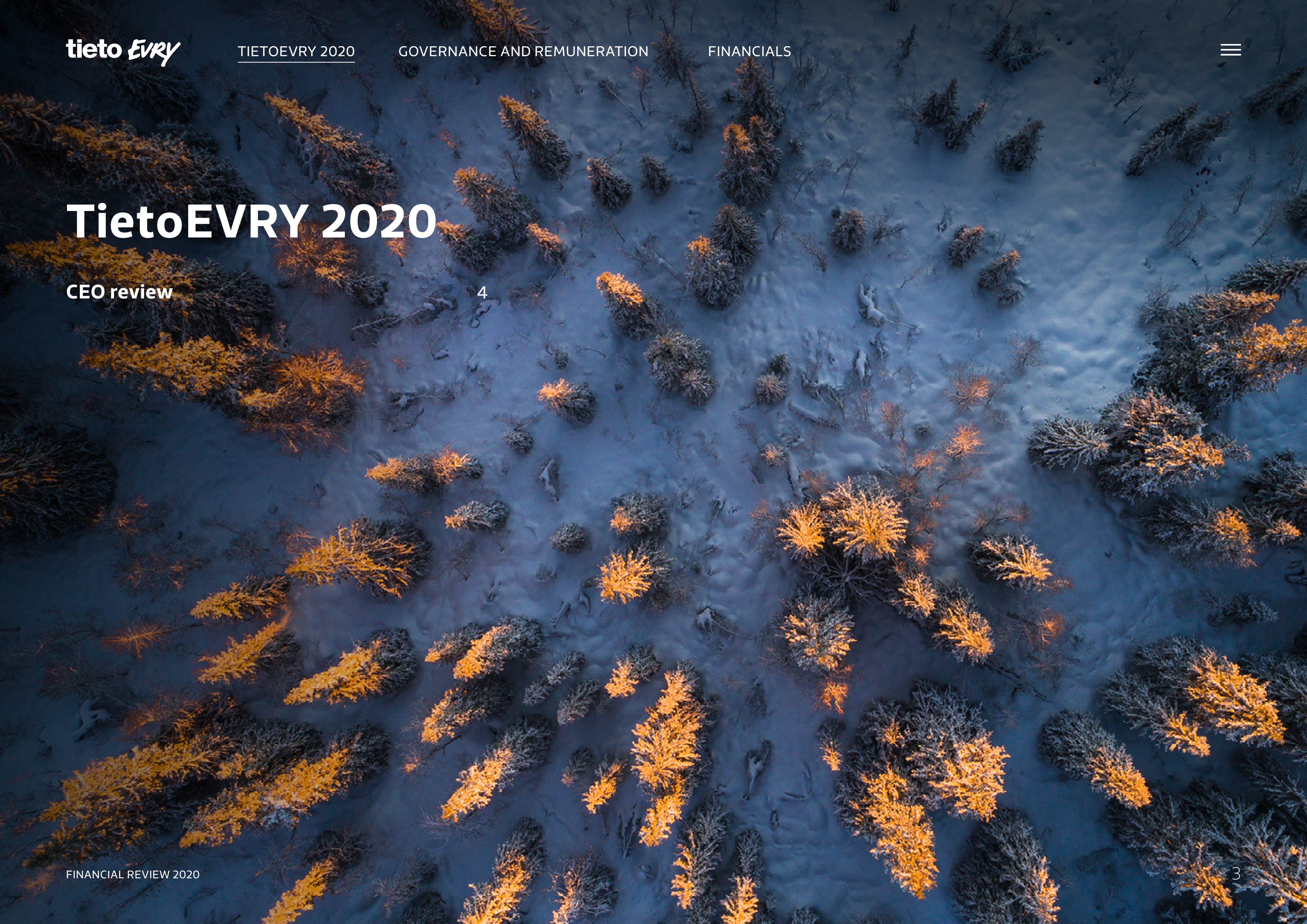




TietoEVRY 2020

CEO REVIEW

2020: The year of integration - building the foundation for growth

2020 will stand out as one of the most unusual years ever. Extraordinary circumstances brought by the global pandemic led us to reassess our values and priorities on both an individual and organizational level. Employee safety and the continuity of customers' operations have been the leading themes for us at TietoEVRY during a time when some 96% of our 24 000 employees globally have worked remotely. Simultaneously, we have been taking the first steps on our journey as a strong integrated company, aiming to create digital advantage for businesses and societies.

Progress impacted by integration and Covid-19

We started the operational and cultural integration of TietoEVRY in December 2019 after the formal approvals of the merger were received. The multi-faceted integration work was high on our agenda throughout the year. We have implemented a new operating model, nominated new leadership, harmonized our digital platforms and core processes, as well as started to build a unified company culture and renewed identity. We have come a long way in creating the foundation for becoming the company we want to be. Given the Covid-19 pandemic and with the majority of our employees working remotely most of the year, we can be proud that the integration progressed according to our plan.

On the financial side, TietoEVRY reached a merger synergy run rate of EUR 80 million by the end of 2020. Organically, revenue was down 6 procent the previous year, with the decline driven by the pandemic. We were, however, able to mitigate the impact of the revenue decline on our profitability. Adjusted operating profit (EBIT) increased to EUR 355.0 (341.7) million and adjusted operating margin was strong at 12.7 (11.6). While measures to drive merger-related efficiencies required large integration costs during 2020, cash flow from operating activities was strong at EUR 355 (278) million. Operating profit (EBIT) was down to EUR 146.7 (230.5) million due to large one-time items associated with measures that will contribute to future profit improvement. Overall, we are pleased to have completed a very demanding year with sound performance.

Building on the Nordic heritage

We have focused on creating a strong united TietoEVRY built on our Nordic heritage and values: openness, trust and diversity. Our corporate culture sets the tone for the company and affects every aspect of our business, forming a critical foundation for our future success. During 2020, we launched our Culture Code, which is built on the following key elements: Customer Driven, Achieving Together, Always Genuine and Keep Learning. The culture work continues in 2021 as we take in these common principles, live by them, and let them guide our everyday work.

For a more inclusive digital world

As the leading Nordic digital services and software company, we feel our responsibility to ensure digitalization takes place in a sustainable way. During the year, we began several initiatives as part of our ongoing contribution in this area. In August, just as the new school year was getting underway, we launched the Polite Type, an initiative against online bullying in collaboration with the Children and Youth Foundation in Finland. The Polite Type is an open-source font that rewrites hurtful words, replacing them with more inclusive ones, and is intended to be used for educational purposes to promote the responsible use of technology especially amongst the young. The initiative was well-received and it was also later introduced in Sweden together with the Friends organization. In 2021, we will continue working on this important topic with, for example, school workshops in Finland, Sweden and Norway.

> **Digitalization plays an increasing role in solving the biggest challenges of our time, increasing well-being and supporting our everyday life.**

The IT sector has long been affected by the gender gap. Diversity and inclusion are important elements for innovation and hence crucial in our type of business, where we are every day solving our customers' challenges. This involves not only balance in gender, but also in age, ethnical background, and nationality. During the year, we launched our Diversity and Inclusion Charter, driving the development for equal opportunities at TietoEVRY. The charter includes a target to have a gender balanced workforce with 50 percent women and 50 percent men by 2030. This is an ambitious goal, and we are building a roadmap with concrete actions that will get us there.

As one encouragement for this work, TietoEVRY was in 2020 ranked as one of the leading companies in Sweden in the SHE Index which promotes diversity and inclusion in leadership and workforce, equal compensation as well as work-life balance.

Building more sustainable societies

Digitalization plays an increasing role in solving the biggest challenges of our time, increasing well-being and supporting our everyday life. In late 2020, and as a continuum to our previous three-year plan, we launched our Sustainability 2023 game plan which outlines our key priorities for ethical conduct, climate actions and creating an exciting place to work for our employees.

We have the ambition to reduce our CO_2 footprint in our own operations by 80 percent by 2023. This will be achieved by using green energy in all our data centers and offices as well as by maintaining the more flexible ways of working adopted during the pandemic with reduced business traveling. To further minimize the environmental burden, we will focus on reusing and circulating our hardware.

In 2020, we were recognized for leadership in corporate sustainability by global environmental non-profit organization CDP, securing a place on its prestigious 'A List' for tackling climate change.

Technology allows us to provide our customers in different industries with digital solutions that significantly reduce emissions and environmental burden. We are committed to working for the sustainable future of our societies – together with our customers.

Market outlook and ambitions forward

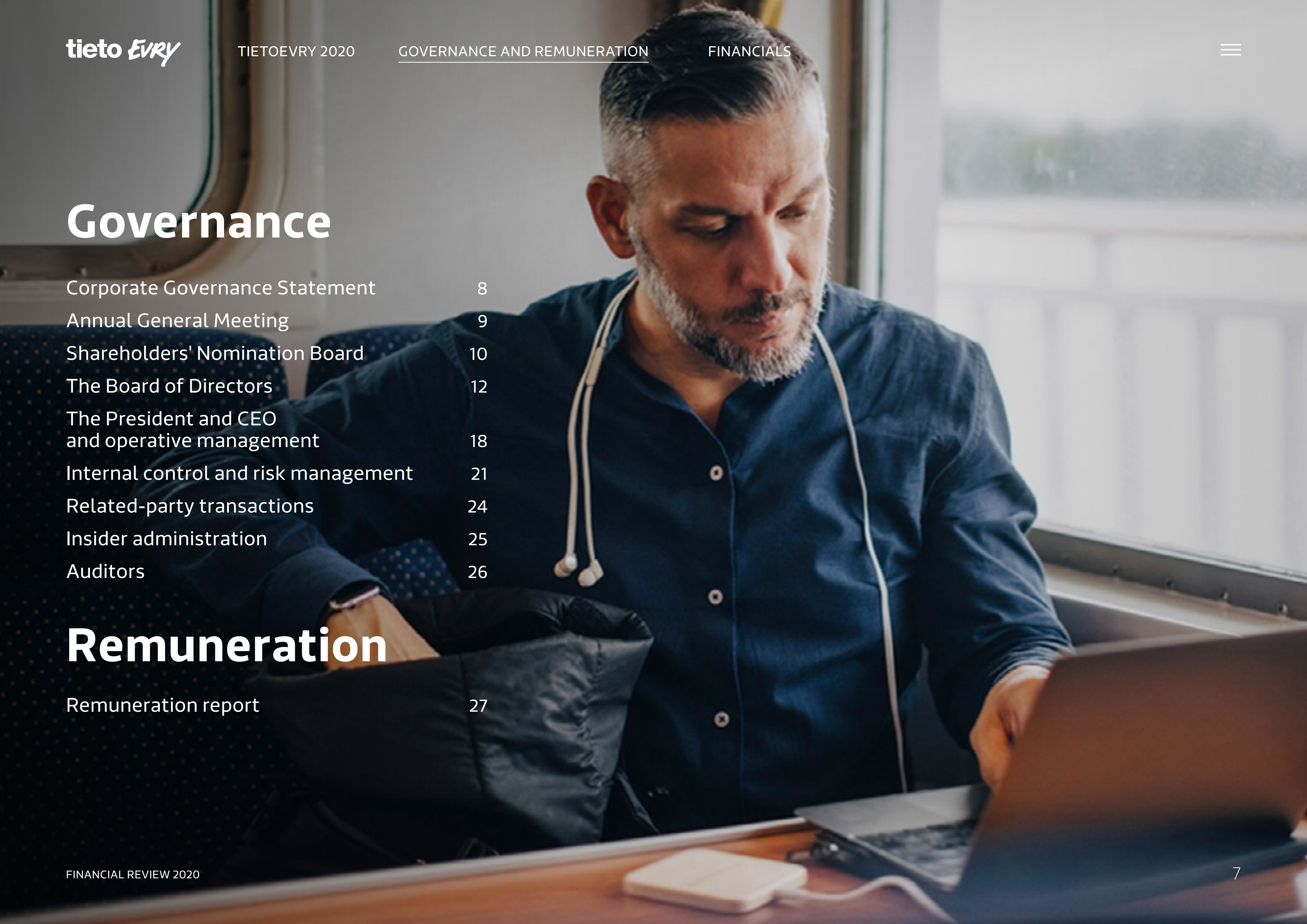
This exceptional year has accelerated the digitalization of society in many ways as interactions of all kinds became virtual. At our Capital Markets Day in early December, we estimated that the pandemic has advanced digital development by three years.

In the middle of all the uncertainty, organizations doubled down on digital solutions to not only push through the crisis but to emerge stronger after the pandemic. This development is significant for the competitiveness of the Nordic businesses, for the national economies and from a sustainability perspective.

We see a very attractive market with possibilities for our customers to accelerate their business performance through data-driven opportunities and software-driven digitalization. Agile enterprises are becoming a new norm in the post-pandemic era and we are ready to enable our customers to step into the advanced digital future. Our high-growth areas – data and analytics, cloud anywhere as well as next-generation enterprise services – give us confidence in accelerating the growth outlook for the company.

The opportunities we can create for our employees' growth constitute an important aspect of our growth agenda. As TietoEVRY we are fortunate to have a significant and meaningful role in realizing the digital society. With our 24 000 professionals, we empower sustainable digital development and shape the future of our societies. We look towards the post-pandemic era with confidence and are inspired by the opportunities enabling the transformation for digital enterprises and societies, as well as the learning and collaboration opportunities in front of all of us. I would like to sincerely thank our customers, employees, partners, and shareholders for 2020, and look forward to continued close collaboration in the year ahead.

Kimmo Alkio
President and CEO



Governance

Remuneration

Corporate Governance Statement

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

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

GOVERNANCE AT TIETOEVRY

Annual General Meeting

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

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

The following persons are usually present at TietoEVRY's AGM:
- Board of Directors: Chairperson, Board members and new Board member candidates
- Group Leadership: President and CEO, CFO
- Auditors

For more information regarding the AGM 2021 and previous meetings, shareholders and participation possibilities, please visit **www.tietoevry.com/agm**.

AGM 2020

- In 2020, TietoEVRY's AGM convened on 29 April at TietoEVRY's headquarters in Espoo, Finland. Precautionary measures were taken due to the Covid-19 pandemic. Altogether 461 shareholders and 80,549,313 shares (68.0% of the total outstanding shares) were represented at the meeting.

Shareholders' Nomination Board

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

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

The SNB based on shareholdings as at 31 August 2020 consisted of the following representatives announced by TietoEVRY's shareholders:

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

Nominated by Lyngen Holdco S.à.r.l. (Apax):
Gabriele Cipparrone
Main occupation: Partner, Apax Partners LLP
Born: 1975
Nationality: Italian
Education: MBA, MSc. (Mechanical Eng.), MSc. (Industrial Eng.)

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

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

Representing the Board of Directors of TietoEVRY Corporation:
Tomas Franzén

The SNB convened eight times and provided TietoEVRY's Board of Directors on 18 December 2020 with its proposals for the AGM 2021. The SNB proposes to the AGM that the Board of Directors shall have eleven members and that the current Board members Tomas Franzén, Salim Nathoo, Harri-Pekka Kaukonen, Timo Ahopelto, Rohan Haldea, Liselotte Hägertz Engstam, Katharina Mosheim, Niko Pakalén, Endre Rangnes and Leif Teksum be re-elected; in addition, the SNB proposes that Angela Mazza Teufer be elected as a new Board member. The Shareholders' Nomination Board proposes that Tomas Franzén shall be re-elected as the Chairperson of the Board of Directors.

The biographical details of the candidates and information on their holdings in TietoEVRY are available on the company's **website**.

The Shareholders' Nomination Board proposes that the remuneration of the Board of Directors elected by the Annual General Meeting and employee representatives elected as ordinary members of the Board of Directors be kept at the same level as in 2020:

EUR 125 000 to the Chairperson, EUR 70 000 to the Deputy Chairperson and EUR 53 000 to the ordinary members of the Board of Directors. In addition to these fees, it is proposed that the Chairperson of a permanent Board Committee will receive an annual fee of EUR 20 000 and a member of a permanent Board Committee an annual fee of EUR 10 000. It is also proposed that the Board members elected by the Annual General Meeting will be paid EUR 800 for each Board meeting and for each permanent or temporary committee meeting. Further, it is proposed that the remuneration of the employee representatives elected as ordinary members of the Board of Directors will be an annual fee of EUR 15 000.

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

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

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

The shares will be acquired directly on behalf of the members of the Board within two weeks from the release of the company's interim report 1 January–31 March 2021. If the remuneration cannot be delivered at that time due to insider regulations or another justified reason, the company shall deliver the shares later or pay the remuneration fully in cash.

Remuneration of the employee representatives elected as ordinary members of the Board of Directors will be paid in cash only.

The Board of Directors

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

Composition and election

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

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

The SNB, which consists of representatives nominated by the company's largest shareholders, prepares a proposal on the composition of the Board to be presented to the AGM for its decision. The SNB has reviewed the diversity principles of the Board of Directors in 2020. The company has ensured that the principles have been included in the charter of the SNB and charter of the Board and taken into account in the candidate search. Two out of ten members elected by the AGM during 2020 were female. This topic has been noted and addressed by the SNB.

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

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

Board of Directors as at 31 December 2020

Name	Born	Nationality	Education	Main occupation
Tomas Franzén (Board and RC Chairperson)	1962	Swedish	MSc. (Eng.)	Professional Board member
Salim Nathoo (Deputy Chairperson)	1971	British	MBA, MA (Math.)	Part Apax Partners LLP
Harri-Pekka Kaukonen (ARC Chairperson)	1963	Finnish	DSc. (Tech.)	Professional Board member
Timo Ahopelto	1975	Finnish	MSc. (Tech.)	Entrepreneur, investor and professional Board member
Rohan Haldea	1978	British	MBA, BSc. (Civ. Eng.)	Partner, Apax Partners LLP
Liselotte Hägertz Engstam	1960	Swedish	MSc. (Civ. Eng.)	Expert advisor, professional Board member
Katharina Mosheim	1976	Austrian	Ph.D. (Econ.)	CEO, Alpha Pianos AS
Niko Pakalén	1986	Finnish and Swedish	MSc. (Econ.)	Partner, Cevian Capital AB
Endre Rangnes	1959	Norwegian	BBA (Econ.)	CEO, Axactor SE, professional Board member
Leif Teksum	1952	Norwegian	MSc. (Econ.)	Partner, Vest Corporate Advisor AS, professional Board member
Tommy Sander Aldrin (personnel representative)	1965	Norwegian	BSc. (Comp.)	Chief Consultant
Ola Hugo Jordhøy (personnel representative)	1956	Norwegian	MSc. (Eng.), PGCE	Chief Consultant
Anders Palklint (personnel representative)	1967	Swedish	MSc. (Eng.)	Senior Project Manager
Ilpo Waljus (personnel representative)	1974	Finnish	BBA	Test Manager

Independence and attendance in meetings of the Board and its committees in 2020

Name	Member since	Independent of company	Independent of shareholder	Board	Audit and risk committee	Remuneration committee	Temporary committees
Tomas Franzén	2019	yes	yes	18/18		6/6	
Salim Nathoo	2019	yes	no	14/18		5/6	
Harri-Pekka Kaukonen	2016	yes	yes	18/18	6/6	6/6	3/3
Timo Ahopelto	2017	yes	no	17/18	6/6		5/5
Rohan Haldea	2019	yes	no	16/18			5/5
Liselotte Hägertz Engstam	2018	yes	yes	18/18	6/6		3/3
Katharina Mosheim[1)]	2020	yes	yes	11/11			3/3
Niko Pakalén	2019	yes	yes	18/18	6/6		5/5
Endre Rangnes	2014	yes	yes	18/18		6/6	
Leif Teksum	2019	yes	yes	18/18	6/6		
Ilpo Waljus	2014	no	yes	18/18			
Anders Palklint	2014	no	yes	18/18			
Tommy Sander Aldrin	2019	no	yes	18/18			
Ola Hugo Jordhøy	2019	no	yes	18/18			

1) Board member as from 29 April 2020.

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

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

Tasks

The main duties and working principles of the Board have been defined in a written charter. Additionally, the work of the Board is based on an annual action plan.

More specifically, the Board:

- approves the company's values, strategy and organizational structure
- defines the company's dividend policy
- approves the company's annual plan and budget and supervises their implementation
- monitors management succession issues, appoints and discharges the President and CEO
- decides on the President and CEO's compensation, sets annual targets and evaluates their accomplishment
- decides on the compensation of the President and CEO's immediate subordinates
- addresses the major risks and their management at least once a year
- reviews and approves interim reports, annual reports and consolidated financial statements
- reviews and approves the company's key policies
- is accountable for guiding the organization's strategy on environmental and social topics
- meets the company's auditors at least once a year without the company's management
- appoints the members and Chairpersons of the Board's committees and defines their charters
- reviews assessments of its committees as well as the President and CEO
- evaluates its own activities.

Work

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

Matters to be handled are prepared by the Board committees and the President and CEO. The Board receives information on the company's financial performance monthly and more detailed financial reports quarterly. Any material related to issues to be handled by the Board is provided four days prior to the meeting. Other case-specific materials are delivered at the management's initiative or the Board's request. Board members shall be informed about all significant company events immediately.

2020

- The Board convened 18 times in 2020 and the average attendance was 97.2%.
- The Board met two times during the year without the management present.
- The Board held one joint meeting with the auditors.
- The Board met the auditors once without the presence of the management.

Assessment

The performance of TietoEVRY's Board is assessed annually; the latest assessment was carried out by an external consultant during autumn 2020. Assessments review the Board's knowledge of the company's operations and management as well as its understanding of the field of business. Additionally, the effectiveness of the Board work is evaluated. The SNB is informed of the results, which are also taken into consideration when the Board draws up its next annual plan.

Committees

TietoEVRY's Board is assisted by two permanent committees that prepare matters for which the Board is responsible. The Board defines the charters of the committees and decides on their composition. The Board establishes temporary committees whenever a subgroup is needed to prepare a specific topic. The entire Board remains responsible for the duties assigned to the committees.

Remuneration Committee

Composition

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

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

- Tomas Franzén (Chairperson)
- Harri-Pekka Kaukonen
- Salim Nathoo
- Endre Rangnes.

Work

The committee meets regularly and at least twice a year. The Chairperson of the committee reports to the Board when applicable. The main tasks of the committee are to:

- monitor the targets of the compensation schemes, implementation of the compensation schemes, performance assessment and compensation determination
- ensure that the targets set for earning the bonuses defined in the compensation scheme are met
- prepare a proposal for the Deputy Chairperson of the Board
- prepare a proposal on the committees (members and Chairpersons, and the duties and responsibilities of the committees)
- monitor corporate governance
- prepare a compensation proposal concerning the President and CEO and his immediate subordinates, and the principles of personnel compensation
- prepare for the Board option schemes and other share-based incentive schemes
- evaluate the performance of the President and CEO
- prepare the assessment of the Group Leadership
- prepare a proposal on the Board's charter.

2020

- The committee convened six times in 2020 and the average attendance was 95.8%
- In addition to its normal responsibilities within the scope of its charter, the committee concentrated on reviewing and developing the remuneration of the newly appointed Leadership Team.
- The committee also followed the functioning of short- and long-term incentive plans to ensure that they supported the achievement of the objectives.

Audit and Risk Committee

Composition

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

In 2020, all committee members were non-executive directors who were independent of the company and of significant shareholders, except for Timo Ahopelto who is independent of the company and non-independent of a significant shareholder. All members have extensive experience in corporate management and financial issues and therefore have the required expertise.

Based on the Board’s decision, the ARC was composed of
- Harri-Pekka Kaukonen (Chairperson)
- Timo Ahopelto
- Liselotte Hägertz Engstam
- Niko Pakalén
- Leif Teksum

Work
The committee convenes regularly at least four times a year and meets the company’s auditors, also without the company’s management present. The Chairperson of the committee reports to the Board when applicable. The main tasks of the committee are to:
- review and supervise internal control – particularly the financial reporting process – and risk management
- discuss and review the interim and annual reports and the consolidated financial statements
- assess compliance with legislation, official regulations and the company’s Code of Conduct
- evaluate the sufficiency of internal control and the internal audit
- examine, assess and approve the internal audit plan
- assess the appropriate coverage of risk management and monitor the efficiency of risk management
- review significant risks and unusual business events
- prepare for the Board's decision a proposal for the AGM on the nomination of external auditors and their compensation
- evaluate the external auditors’ independence, assess the audit plan and examine the audit reports
- monitor the statutory audit and consult with the auditors regarding matters that should be brought to the Board’s attention.

2020
- The committee convened six times in 2020 and attendance was 100%.
- In addition to its regular agenda, the committee followed up progress in project and delivery management and quality issues as well as development in areas of privacy and cybersecurity.

The President and CEO and operative management

The President and CEO is responsible for the Group's operative management, internal efficiency and quality. The President and CEO is assisted by the Group Leadership, which includes the country Managing Partners, heads of businesses, Head of Centers of Excellence as well as Head of HR and CFO.

TietoEVRY's operating model is designed to drive customer value across markets and technologies. The operating model consists of Country Teams, Service Lines and Support Functions. In addition, Product Development Services, providing advanced software R&D services, will operate as a separate unit, serving its customers globally.

The Country Teams comprise the full capability of TietoEVRY and drive customer experience, quality and performance in that country. Service Lines are designed to bring competitive and scalable services to our customers and make all the capabilities available for each of the countries. TietoEVRY has four distinct Service Lines: Digital Consulting, Cloud & Infra, Industry Software and Financial Services Solutions. Product Development Services is led independently of the Country Teams and Service Lines.

Members of the Leadership Team as at 31 December 2020

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

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

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

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

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

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

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

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

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

Karin Schreil
Managing Partner, Sweden
Born: 1971
Nationality: Swedish
Education: MSc. (Eng.)
Joined TietoEVRY in 2019

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

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

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

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

Shareholdings of the Group Leadership

Name	Member since
Kimmo Alkio	60 683
Malin Fors-Skjæveland	1 776
Kishore Ghadiyaram	11 049
Tomi Hyryläinen	2 356
Ari Järvelä	18 488
Satu Kiiskinen	22 567
Thomas Nordås	1 063
Christian Pedersen	3 622
Harri Salomaa	0
Karin Schreil	0
Christian Segersven	4 000
Johan Torstensson	0
Trond Vinje	36 562
Former Leadership members	
Tom Leskinen[1)]	6 356
Wiljar Nesse[2)]	0

1) Member until 15 August 2020

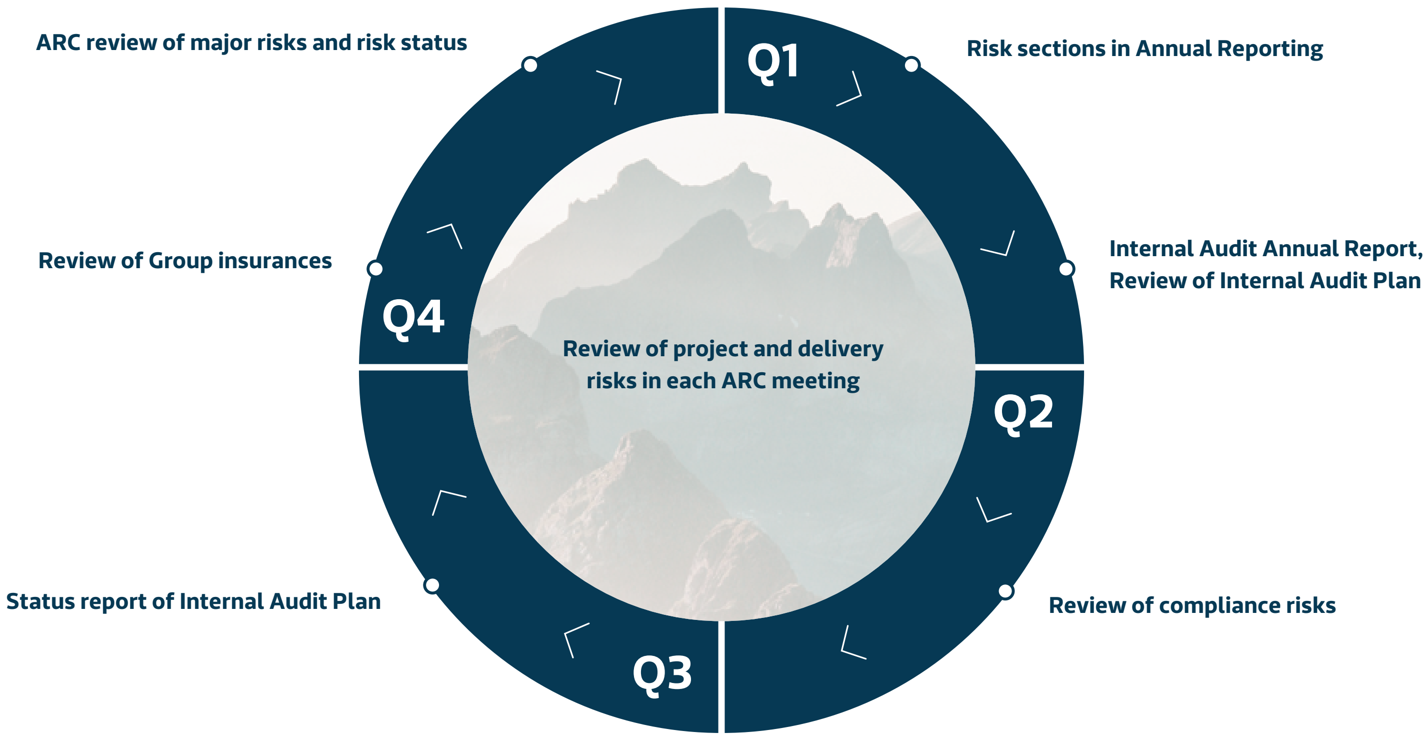
2) Member until 1 February 2020

Internal control and risk management

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

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

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



Risk management framework

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

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

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

Each process owner is responsible for the continuous development and improvement of the established procedures, including implementation of controls and risk management. The Chief Risk Officer (CRO) has the responsibility to arrange and lead TietoEVRY's risk management. The Internal Audit (IA) assures the efficiency of the framework and risk management in business operations. The ARC monitors the adequacy of the company's risk management, financial control, and internal audit functions.

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

Governance of risk and compliance

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

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

Continuous development of the risk framework

During 2020, the development of the risk management framework mainly consisted of integration work to define, implement and deploy the common TietoEVRY Governance Risk and Compliance (GRC) platform, with related frameworks.

The TietoEVRY GRC platform now comprises the following functionalities:

- Risk management and Improvement opportunity
- Project risk management
- Privacy risk assessments
- Security incident management
- Audit management
- Business continuity management

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

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

Financial control

The purpose of internal control over financial reporting is to ensure the correctness of financial reporting, including interim and annual reports and the compliance of financial reporting with regulatory requirements.

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

Financial reporting process and responsibilities

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

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

Financial reports are regularly reviewed by the Head of Business Finance in the units, the Group Leadership and the Board of Directors. The follow-up is based on a thorough comparison of the actual figures with the set objectives, forecasts and previous periods. If the figures deviate, the Group Leadership members are responsible for initiating corrective actions.

Internal audit

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

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

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

Related-party transactions

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

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

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

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

Insider administration

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

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

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

TietoEVRY's Head of Legal, Risk and Corporate Security is in charge of insider administration and the Corporate Governance and IPR team monitors compliance with the insider regulation and takes care of necessary guidance and training.

Auditors

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

The Board of Directors proposes to the AGM, in accordance with the recommendation of the ARC, that the auditor to be elected at the AGM 2021 be reimbursed according to the auditor's invoice and in compliance with the purchase principles approved by the Committee.

The Board of Directors proposes to the AGM, in accordance with the recommendation of the ARC, that the firm of authorized public accountants Deloitte Oy be elected as the company's auditor for the financial year 2021. The firm of authorized public accountants Deloitte Oy has notified that APA Jukka Vattulainen will act as the auditor with principal responsibility.

Auditing

The AGM 2020 elected the firm of authorized public accountants Deloitte Oy as the company's auditor for the financial year 2020. Deloitte Oy notified the company that Authorized Public Accountant Jukka Vattulainen acts as principal auditor.

In 2020, TietoEVRY Group paid the auditors a total of EUR 1.3 (0.9) million in audit fees, and a total of EUR 0.7 (0.9) million for other services.

Remuneration report

The aim of TietoEVRY's remuneration principles is to attract and retain talent, motivate key people and align the goals of the company's shareholders and executives in order to enhance the value of the company. We reward our employees for high performance in achieving both individual and company objectives thus linking remuneration to successful execution of our strategy and to long-term shareholder value creation.

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

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

Summary of Remuneration of the TietoEVRY President and CEO

Element	Purpose	Description	Execution 2020
Salary	Recognition for continuous daily contribution and provides core remuneration for the role.	Fixed compensation for performing defined job responsibilities. In addition to monthly salary, car and mobile phone benefits can be paid as per company policy. Salary is reviewed annually based on the individual's performance and salary market conditions. Weighting of the reward factors for the President and CEO is described in a separate table. The reward targets are set annually by the Board of Directors.	The base salary was reviewed in 2020. Management proposed a temporary reduction to their salaries due to the pandemic. The Board approved a voluntary 15% reduction the base pay of the CEO for 3 months, from May to July 2020.
Short-term incentives	Incentivizes delivery of our annual financial and operational goals.	Cash-based plan that rewards the short-term (12-month) success of the company and the individual. The bonus for the President and CEO is 75% of the annual base salary when the performance is at expected level; the maximum bonus for the President and CEO is 150% [1)]. The amount of bonuses is decided by the Board of Directors after the consolidated financial statements have been prepared.	Short-term incentive was paid in 2020 based on the 2019 performance. CEO short-term incentive is connected to the company total performance by plan KPI's and the achievement of these was 117,4%. Payment was done in March after Board approval.
Long-term incentives	Rewards for sustained increase in shareholder value and encourages ownership culture.	Share-based plans reward leadership and key employees for company growth and achievement of defined strategic goals. LTI plans are annually commencing plans with a three-year performance period. Key principles of TietoEVRY's share plans such as the basis and size of rewards, are described on the company's website	In 2020 spring the 2017-2019 LTI plan share delivery was conducted based on the plan KPI's achievement. The achievement % was 105%. Shares were delivered after Board approval.
Additional pension	Provides appropriate retirement benefits	President and CEO: defined contribution (DC) plan where the expenditure is 23% of the annual base salary. Retirement age is 63.	Company paid the agreed contribution to the pension plan.
Claw back	Protects company interests in case of misconduct, restatement or misstatement of results.	Claw back provisions apply to STI and LTI plan rewards in exceptional circumstances such as misconduct or misstatement of financial results.	
Share ownership	Encourages building a meaningful shareholding in TietoEVRY, ensuring alignment with shareholders.	The recommended minimum investment in the company's shares corresponds to the executive's one-time annual gross base salary.	The amount of shares owned by the CEO at the end of year 2020 is 60 683.
Service contracts and severance pay	Provides for clear contractual terms	President and CEO: if the agreement is terminated by TietoEVRY, the notice period is twelve months. In the event of termination, the company shall pay a severance payment equivalent to the base salary and the short-term target incentive for six months in addition to the salary for the notice period. If the agreement is terminated by the President and CEO, the notice period is six months. Change of control terms are the same as in termination except for the monetary value of the maximum amount of shares granted to him in the most recent long-term incentive plan in addition to the salary for the notice period.	

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

President and CEO

Kimmo Alkio	
Salary 2020	EUR 777 026
Benefits 2020	EUR 29 190
Special payments 2020	EUR 702 000 merger success bonus
Bonus 2020	EUR 412 078, paid in 2020 based on performance in 2019
Basis of bonus 2020	Target 50% of base salary based on the Group's external revenue and profit, PDS external revenue and profit and strategy implementation when achievements meet the targets. Maximum 100% of base salary based on the Group's external revenue and profit and strategy implementation when achievements exceed the targets. Weighting of the reward factors • Group revenue 20% • Group adjusted profit 20% • Synergy targets 20% • Adjusted free cash flow 20% • Strategic and operational goals 20%
Long-Term Incentive Plan 2017–2019	In March 2020, a total of 13 947 shares were transferred to the CEO based on criteria attainment. In addition, a cash portion corresponding to a value of 12 053 shares was paid. The total value of paid gross reward was EUR 595 057.
Pension expenditure, voluntary defined contribution (DC) plan	EUR 121 095 [2)]
Share ownership in TietoEVRY on 31 December	60 683

[1)] The fair market value for the Long-term Incentive Plans is calculated using the latest performance estimates and the value of the TietoEVRY share on 31 December 2020, EUR 26.86

[2)] Payments to defined contribution plans are recognized as expenses for the period to which they relate. After payment of the contribution the Group has no further obligations in respect of such plans.

Plan period	Unvested Long-Term Incentives
Long-Term Incentive Plan 2018–2020	Entitled to 22 881 Performance Shares if the target levels of the performance metrics are met, and to 45 762 shares at maximum. The performance period of the plan is 2018-2020. The share allocation at target level equalled to 100% of annual base salary at the time of grant. The fair value of the allocation amounts to EUR 387 188[1)].
Long-Term Incentive Plan 2019–2021	Entitled to 29 433 Performance Shares if the target levels of the performance metrics are met, and to 58 866 shares at maximum. The performance period of the plan is 2019-2021. The share allocation at target level equalled to 100% of annual base salary at the time of grant. The fair value of the allocation amounts to EUR 505 965[1)].
Long-Term Incentive Plan 2020–2022	Entitled to 40 600 Performance Shares if the target levels of the performance metrics are met, and to 101 500 shares at maximum. The performance period of the plan is 2020-2022. The share allocation at target level equalled to 125% of annual base salary at the time of grant. The fair value of the allocation amounts to EUR 959 654[1)].

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

Remuneration of the Board

According to the decision of TietoEVRY's AGM 2020, the annual remuneration of the Board of Directors is the following:

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

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

Further, the AGM 2020 decided that part of the fixed annual remuneration may be paid in TietoEVRY Corporation's shares purchased from the market. An elected member of the Board of Directors may, at his/her discretion, choose to receive the fee from the following alternatives:

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

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

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

Compensation of individual Board members and Board in 2020[1)]

	Plan period		
Name	**EUR [2)]**	**Shares [3)]**	**Meeting based, EUR**
Tomas Franzén, Chairperson Board and RC[4)]	72 520	3 275	15 200
Salim Nathoo, Deputy Chairperson[5)]	99 333	—	12 000
Harri-Pekka Kaukonen, Chairperson ARC[4)]	—	1 875	22 400
Timo Ahopelto[4)]	31 507	1 423	18 400
Rohan Haldea[5)]	65 677	—	12 800
Liselotte Hägertz Engstam[6)]	47 265	711	14 400
Katharina Mosheim[6) 7)]	39 766	598	9 600
Niko Pakalén[4)]	31 507	1 423	19 200
Endre Rangnes[6)]	47 265	711	15 200
Leif Teksum[4)]	59 942	711	15 200
Tommy Sander Aldrin, personnel rep.[8)]	26 245		
Ola Hugo Jordhoy, personnel rep.8[)]	26 245		
Anders Palklint, personnel rep.[8)]	26 245		
Ilpo Waljus, personnel rep.8[)]	26 245		
In total	**641 265**	**10 727**	**154 000**

[1)] The Board members have not received any other benefits.

[2)] Gross compensation before taxes.

[3)] Shares were purchased and delivered in May 2020.

[4)] 50% in cash, 50% in shares.

[5)] 100% in cash.

[6)] 25% in cash, 75% in shares.

[7)] Board member as of 29 April 2020.

[8)] One-time fee of EUR 11 245.12 was paid to employee representatives for the period of 5 December 2019 and 29 April 2020.

Board of Directors' shareholdings in TietoEVRY[9)]

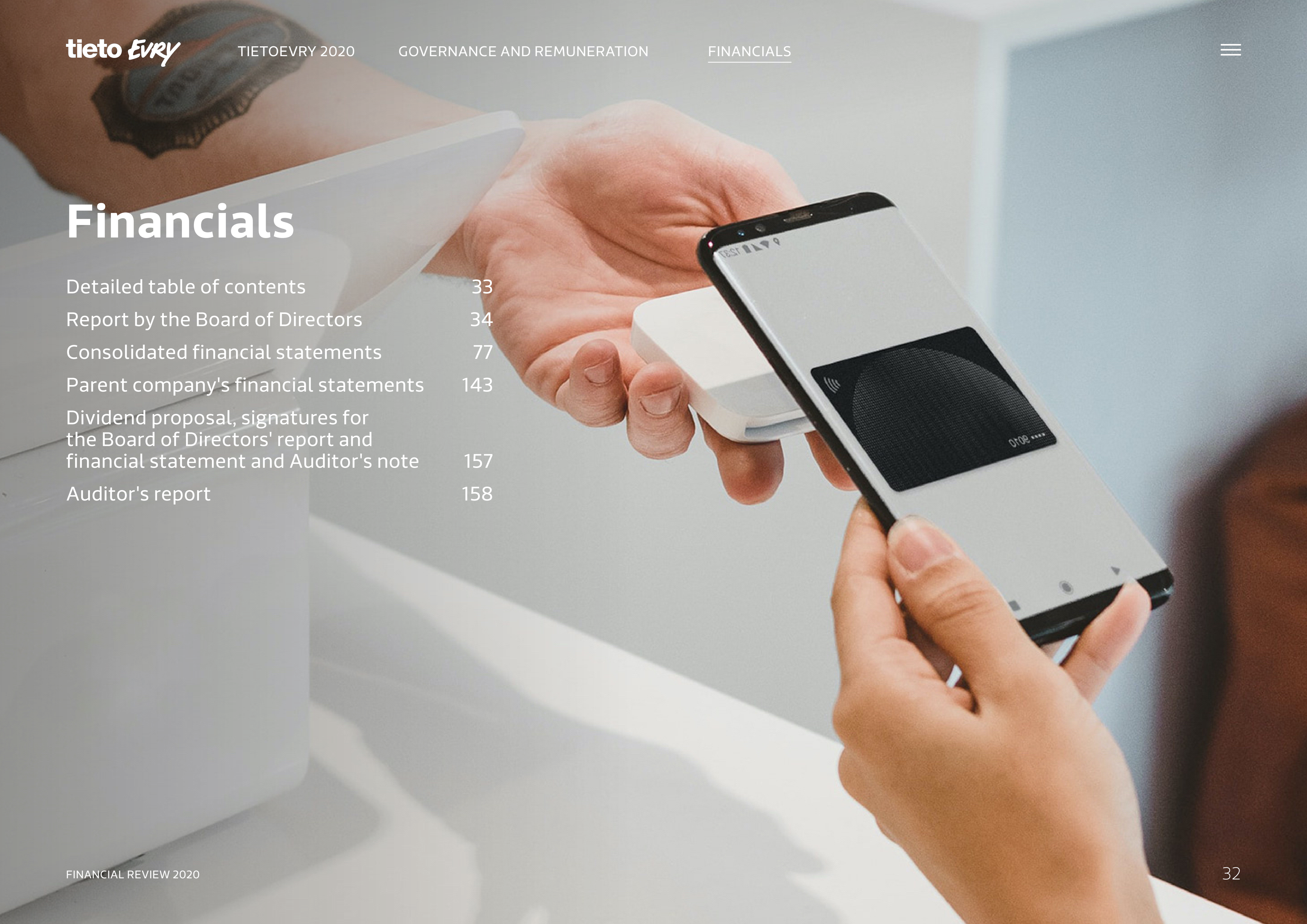
Plan period	At 31 Dec 2020	At 31 Dec 2019
Tomas Franzén, Chairperson Board and RC	3 275	1 649
Salim Nathoo, Deputy Chairperson	0	N/A
Harri-Pekka Kaukonen, Chairperson ARC	6 471	4 596
Timo Ahopelto	4 054	2 631
Rohan Haldea	0	N/A
Liselotte Hägertz Engstam	2 842	2 131
Katharina Mosheim	598	N/A
Niko Pakalén	2 247	824
Endre Rangnes	5 195	4 484
Leif Teksum (partly via Teklei Consulting AS)	7 909	7 198

9) Corporations over which the Board members exercise control did not have shares or share-based rights on 31 December 2020, except Teklei Consulting AS of Leif Teksum.

Comparative remuneration data

Information in the table below is based on Tieto's data for 2016–2018. Years 2019 and 2020 include combined data for Tieto and EVRY[1)]. The demographics of the workforce changed and number of employees increased significantly following the merger of Tieto and EVRY on the 5 December 2019. CEO remuneration are gross rewards paid during the reported year. 2019 and 2020 include a merger success bonus related to the merger of Tieto and EVRY. Furthermore, in some geographies the annual salary review was delayed due to the local collective agreement negotiations and related increases are not included in the table below. Where applicable 2020 salaries will be backdated retroactively. Employee average compensation is personnel expenses divided by the average number of employees.

	2016	2017	2018	2019[1)]	2020[1)]
Revenue, EUR million	1 492.6	1 543.4	1 599.5	1 734.0	2 786.4
Operating profit (EBIT), EUR million	140.8	139.1	154.7	124.2	146.7
Board remuneration, EUR	448 900	518 000	450 800	613 500	641 300
CEO remuneration, EUR	1 030 094	1 160 985	1 788 302	2 589 032	2 636 446
Employee remuneration, EUR, average per employee	64 808	59 551	60 710	62 155	62 452



Financials

[1] Unaudited

About TietoEVRY

TietoEVRY is a leading Nordic digital services and software company. Headquartered in Finland, TietoEVRY employs around 24 000 experts globally. The company serves thousands of enterprise and public sector customers in more than 90 countries. TietoEVRY shares are listed on the NASDAQ in Helsinki and Stockholm and the Oslo Børs.

The merger of Tieto and EVRY was concluded on 5 December 2019 and the companies have been consolidated from that date onwards. Operations are described in the **Strategy** section.

Highlights of 2020

- The operating model consisting of Country Teams, Service Lines and Support Functions became operational on 1 January 2020. TietoEVRY Group comprises six operating segments: Digital Consulting, Cloud & Infra, Industry Software, Financial Services Solutions, International Operations and Product Development Services.
- While growth is getting higher on the agenda, the focus in 2020 was on merger integration, related efficiencies and competitiveness. The company achieved merger synergies of EUR 30 million during 2020 and a run-rate of EUR 80 million by the year-end. The total cost synergy target of EUR 100 million is anticipated to materialize by 2022.
- TietoEVRY took measures to allow the integrated company to move forward with less uncertainty and greater potential to improve profitability. In June, the company redefined the scope and operating model of its partnership with IBM and took full responsibility for the service processes and quality. Furthermore, the company's decision to end the SmartUtilities platform concluded a multi-year investment and eliminates further potential negative profit impact.
- Adjusted items were high in 2020 and are anticipated to be significantly lower in 2021. In addition to integration costs, these items include costs related to a redefined agreement with IBM and ending of the common SmartUtilities platform.
- Revenue was up by 60.7%, mainly due to the merger of Tieto and EVRY on 5 December 2019.
- Adjusted operating profit (EBIT) was up to EUR 355.0 (199.4) million, supported by the merger of Tieto and EVRY. Adjusted operating margin was strong at 12.7% (11.5) due to cost synergies related to the merger as well as active measures to offset negative impacts of Covid-19.
- Operating profit (EBIT) was up to EUR 146.7 (126.8) million.

Five-year key figures

	2020	2019 [2]	2018	2017	2016
Net sales, EUR million	2 786.4	1 734.0	1 599.5	1 543.4	1 492.6
Operating profit (EBIT), EUR million	146.7	126.8	154.7	139.1	140.8
Operating margin, %	5.3	7.3	9.7	9.0	9.4
Adjusted[1] operating profit (EBIT), EUR million	355.0	199.4	168.0	161.4	152.2
Adjusted[1] operating margin (EBIT), %	12.7	11.5	10.5	10.5	10.2
Profit before taxes, EUR million	122.4	100.8	152.8	135.7	136.8
Earnings per share, EUR					
Basic	0.80	1.02	1.67	1.46	1.46
Diluted	0.80	1.02	1.66	1.46	1.46
Equity per share, EUR	13.73	14.27	6.54	6.46	6.62
Dividend per share, EUR	1.32	0.64	1.45	1.40	1.37
Capital expenditure, EUR million	83.5	51.4	45.0	50.8	61.6
Acquisitions, EUR million	0.6	175.7	14.5	49.3	37.6
Return on equity, 12-month rolling, %	5.7	7.3	25.7	22.3	22.1
Return on capital employed, 12-month rolling, %	5.2	6.9	20.9	20.5	21.6
Gearing, %	54.3	63.4	28.5	32.7	22.5
Interest-bearing net debt, EUR million	883.3	1 070.0	137.4	155.7	109.7
Equity ratio, %	45.9	44.5	41.3	42.5	47.3
Personnel on average	23 788	15 950	14 907	13 889	13 472
Personnel on 31 Dec	23 632	24 322	15 190	14 329	13 876

[1] Adjusted for amortization of acquisition-related intangible assets, restructuring costs, capital gains/losses, goodwill impairment charges and other items affecting comparability
[2] Restated due to finalized accounting of the EVRY merger. More information in **note 26**.

See calculation of key figures on page **Alternative performance measures.**

IT market development

- Creating superior experiences enabled by data continues to be a strong driver for investments across industries
- Covid-19's implications are anticipated to accelerate customers' digital ambitions
- Cloud services, data and analytics as well as utilization of DevOps are anticipated to see double-digit growth over the next few years
- The IT market is anticipated to decline during the early part of 2021 and rebound to growth in the second half, subject to Covid-19

While the implications of Covid-19 have accelerated digital ambitions by several years, industry analysts currently anticipate the IT market to decline in the first half of 2021. Large and long-term contracts with substantial core technology content are less affected than shorter and smaller assignments.

Enterprises across industries as well as the public sector are undergoing a fundamental change in creating value. The shift towards more digital interaction and experiences enabled by data continues to be a strong trend. Change in orientation from products to services is creating new growth opportunities and revenue streams across industries and businesses.

The digital world is enabled by a number of technology-led advancements and new applications, including ones that utilize artificial intelligence and machine learning. Technological drivers include cloud, data and analytics as well as overall software development, accelerated by open APIs. This creates the opportunity for businesses and societies to move to the data-oriented intelligent world at a fast pace.

Agile enterprises and cost-efficient IT are becoming a new norm and customers are shifting from traditional large-scale projects to adaptive and rapid development cycles, utilizing concepts such as DevOps. There is growing demand for smaller or mid-sized cloud projects as an alternative to large outsourcing agreements.

Cloud adoption, multi-cloud management as well as scalable IT environments and automation continue to enable cost optimization. Cloud services, data and analytics as well as utilization of DevOps and software-driven digitalization are anticipated to see double-digit growth over the next few years. Spending on traditional infrastructure services continues to decline.

Strategy cornerstones to position for growth

TietoEVRY has an active role in the creation of customers' digital products and services, providing superior, personalized experiences based on data. The company's capabilities and technologies it provides help customers ensure their competitiveness through agile operations and societies to provide advanced digital citizen services.

Services to accelerate customers' digital agenda

TietoEVRY has chosen to focus on services accelerating customers' digital agenda and providing them with the strongest growth potential. Capabilities such as digital consulting, advanced analytics, data platforms and cloud-native application development coupled with world-leading partnerships in the public cloud domain as well as own industry software assets support the aim of being a leading partner in realizing customers' digital ambition. Strategic choices include:

- Focus on Nordic companies and public sector, building on deep customer knowledge
- Services and global capabilities to accelerate customers' digital agendas – Digital Consulting, Cloud & Infra, Industry Software, Financial Services Solutions and Product Development Services
- Accelerated growth through cloud, data & analytics and software – representing over 70% of the company's investments
    - **Growth ambition of over 20%**: public cloud services, Data & Analytics solutions as well as DevOps and automation
    - **Growth ambition of over 10%**: software businesses, including payments software and card services, Nordic healthcare and citizen services as well as product development services business.

The company anticipates that investments in offering development, including software development, will amount to 4–5% of revenue annually. Investments in fixed assets, mainly related to data centres, are estimated to amount to 1.5–2% of revenue.

Long-term financial targets

The company announced its financial targets in December

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

[1)] Baseline EUR 1.27 per share, which was the initial dividend proposal to the Annual General Meeting 2020

Operating model to drive customer value

The company's operating model is designed to drive customer value and speed across markets. TietoEVRY comprises six operating segments:

- Digital Consulting
- Cloud & Infra
- Industry Software
- Financial Services Solutions
- Product Development Services and
- International Operations.

In addition, the company has established Country Teams in Norway, Sweden and Finland to integrate the capabilities of the company for Nordic customers. Product Development Services operates as a separate unit, serving their customers globally. Competitive and scalable services are made available through local teams and global delivery centres in countries such as the Czech Republic, China, India and Poland.

International businesses include selected industry software and financial services solutions as well as the International Operations segment, which includes businesses in Austria, the Baltic countries and Russia. Furthermore, International Operations serve non-Nordic customers from India and Ukraine.

Measures to ensure future profit contribution

During the year, TietoEVRY took measures intended to allow the integrated company to move forward with less uncertainty and greater potential to improve profitability. The company redefined the scope and operating model of its partnership with IBM and took full responsibility for the service processes and quality. Furthermore, the company's decision to end the SmartUtilities platform concluded a multi-year investment and eliminates further potential negative profit impact. Consequently, adjusted items were unusually high in 2020 and are anticipated to be significantly lower in 2021.

Realizing the merger synergies

Based on advanced digital consulting practices at scale and strong multi-cloud capabilities coupled with a competitive software portfolio, TietoEVRY is well positioned to drive digitalization of Nordic enterprises and public sector. In 2020, the company built an integrated company, made good progress in synergy realization and laid the foundation for future performance. Achievements include:

- New structure with common operations and processes in place
- Strengthened FinTech value proposition based on the capabilities from both companies laying a foundation for market share expansion
- Identification of growth potential from complementary customer base, digital consulting scale in the Nordics and accelerated cloud adoption
- Significant merger-related cost synergies achieved during 2020.

The company achieved merger synergies of EUR 30 million during 2020 and a run-rate of EUR 80 million by the year-end. The employee consultation processes initiated in 2020 resulted in around 950 redundancies, mainly in the Nordic countries. Integration costs amounted to EUR 84 million in 2020.

The total cost synergy target was increased to EUR 100 million during the year. Non-recurring implementation costs are anticipated to materialize during 2020-2022 and total EUR 110-120 million.

Impact of Covid-19 in 2021

The company anticipates performance to be affected by the Covid-19 pandemic in the early part of 2021 and revenue to turn to growth in the second half of the year.

Financial impact of the Covid-19 pandemic

Measures to secure the health and safety of employees and ensure continuity of critical services to customers, as well as measures to minimize the financial impact of the pandemic have been successful. Covid-19's impact on TietoEVRY's first-quarter revenue in 2021 is anticipated to remain similar to the fourth quarter of 2020, at around 4%. The company has, however, demonstrated a good ability to offset the negative margin impact.

Resilience is anticipated to vary by business due to different contractual structures:

- **Digital consulting**: primarily short-term contracts while relationships with customers are long – application services with long-term agreements represent approximately 20% of consulting revenue
- **Product development services**: short contracts within long-term commitments contributing to customers' core development roadmaps – stability due to TietoEVRY's role in customers' key development areas
- **Infrastructure services**: primarily long-term commitments of 3-5 years – fluctuations in demand in some services in the short-term, e.g. increase in network capacity while some onsite installations are postponed
- **Industry software and Financial Services Solutions**: primarily long-term contractual periods of up to 5-7 years, with customer relationships lasting much longer.

Covid-19-related cost savings comprise both non-personnel-related activities such as reduced travelling and training as well as temporary layoffs in the areas where TietoEVRY has experienced a temporary decline in demand. The need for temporary leaves is assessed on a regular basis, subject to the magnitude and duration of weak market conditions.

More information on Covid-19's impact on the company is available at www.tietoevry.com/Investors.

Financial performance

Full-year revenue increased by 60.7% to EUR 2 786.4 (1 734.0) million. The merger was the major contributor to revenue development. Covid-19 had a negative impact of around 3% on revenue. Full-year operating profit (EBIT) amounted to EUR 146.7 (126.8) million, representing a margin of 5.3% (7.3). The merger had a positive contribution to operating profit while the profit level was impacted by integration costs and amortization of acquisition-related intangible assets. Furthermore, the ending of the common SmartUtilities platform resulted in additional costs of EUR 40.5 million, affecting operating profit of Industry Software, and redefined IBM partnership resulted in costs of EUR 35.6 million, affecting profitability of Cloud & Infra. Currency changes had a negative impact of around EUR 13 million on operating profit.

Depreciation and amortization amounted to EUR 175.8 (106.6) million, including EUR 72.7 (49.9) million in depreciation of right of use assets (IFRS 16 impact) and EUR 45.5 (8.0) million in amortization of acquisition-related intangible assets. Net financial expenses stood at EUR 24.4 (26.1) million. Net interest expenses were EUR 22.3 (8.8) million and net gains from foreign exchange transactions EUR 0.8 (losses 13.0) million. Other financial income and expenses amounted to EUR -2.9 (-4.3) million. Earnings per share (EPS) totalled EUR 0.80 (1.02).

Adjusted operating profit

Operating profit includes EUR 208.3 (72.6) million in adjusted items, mainly related to integration, the ending of the SmartUtilities platform, redefined IBM partnership and amortization of acquisition-related intangible assets. Adjusted1) operating profit stood at EUR 355.0 (199.4) million, or 12.7% (11.5) of net sales. Further details on adjusted items are available in the **Alternative Performance Measures** paragraph. Adjusted1) earnings per share amounted to EUR 2.16 (1.76).

[1)] Adjusted for amortization of acquisition-related intangible assets, restructuring costs, capital gains/losses, goodwill impairment charges and other items affecting comparability

Financial performance by segment

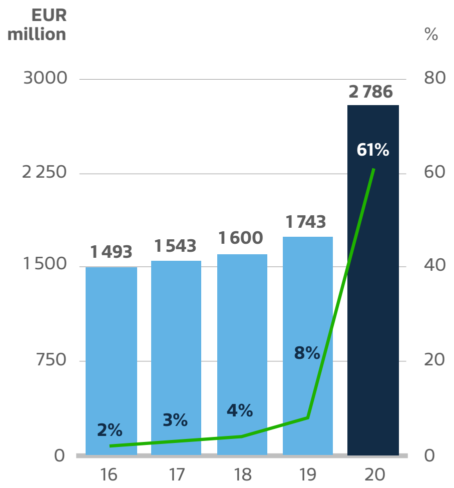
EUR million	Revenue 1–12/2020	Revenue 1–12/2019	Change %	Operating profit 1–12/2020	Operating profit 1–12/2019
Digital Consulting	662.0	436.3	52	70.8	30.1
Cloud & Infra	931.6	584.7	59	36.6	56.4
Industry Software	501.1	371.2	35	38.8	37.1
Financial Services Solutions	418.8	151.8	> 100	10.0	24.2
Product Development Services	142.4	143.5	-1	17.7	14.5
Other	130.5	46.5	> 100	-27.2	-35.4
Group total	**2 786.4**	**1 734.0**	61	**146.7**	**126.8**

Operating margin by segment

%	Operating margin 1–12/2020	Operating margin 1–12/2019	Adjusted[1)] operating margin 1–12/2020	Adjusted[1)] operating margin 1–12/2019
Digital Consulting	10.7	6.9	14.0	11.3
Cloud & Infra	3.9	9.6	10.0	12.7
Industry Software	7.7	10.0	18.3	11.1
Financial Services Solutions	2.4	15.9	13.0	17.9
Product Development Services	12.4	10.1	12.7	10.5
Total	**5.3**	**7.3**	**12.7**	**11.5**

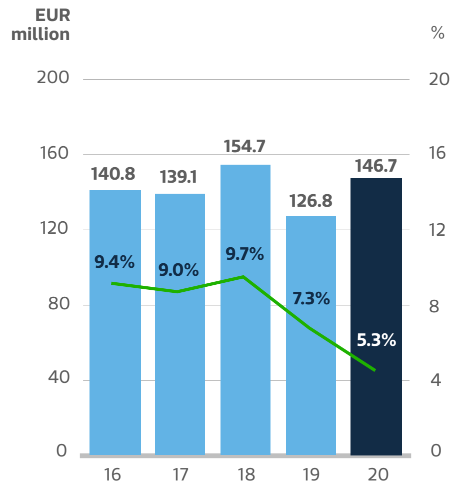
[1)] Adjusted for amortization of acquisition-related intangible assets, restructuring costs, capital gains/losses, goodwill impairment charges and other items affecting comparability.

REVENUE AND GROWTH



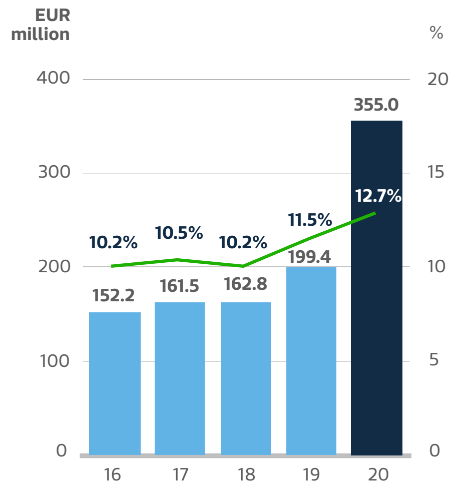
EVRY consolidated as from 5 Dec 2019

OPERATING PROFIT (EBIT) AND MARGIN



EVRY consolidated as from 5 Dec 2019

ADJUSTED OPERATING PROFIT (EBIT) AND MARGIN



EVRY consolidated as from 5 Dec 2019

Cash flow and financing

Full-year cash flow from operations amounted to EUR 354.7 (278.4) million, including a decrease of EUR 67.2 (66.7) million in net working capital. Payments for restructuring amounted to EUR 29.6 (17.0) million.

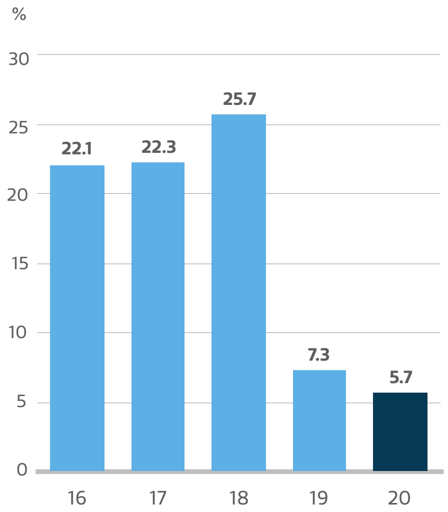
Full-year tax payments were EUR 28.9 (31.4) million.

The equity ratio was 45.9% (44.5). Gearing decreased to 54.3% (63.4). Interest-bearing net debt totalled EUR 883.3 (1 070.0) million, including EUR 925.5 (964.1) million in interest-bearing debt, EUR 243.1 (298.3) million in lease liabilities, EUR 5.2 (5.6) million in finance lease receivables, EUR 27.9 (10.3) million in other interest-bearing receivables and EUR 252.3 (164.6) million in cash and cash equivalents.

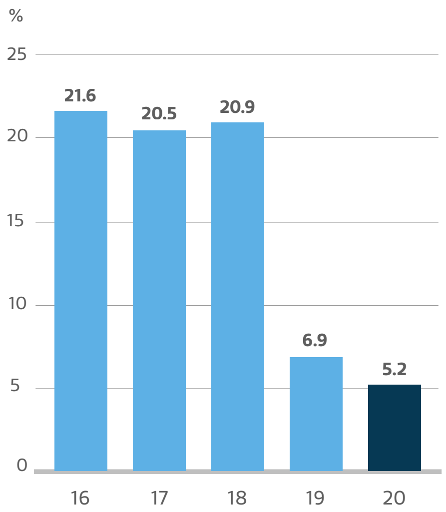
Interest-bearing long-term loans amounted to EUR 1 056.9 (814.5) million at the end of December. The company issued a new EUR 300 million bond in June 2020 to refinance a bridge loan related to the merger. The bond has a coupon of 2% and it will mature in June 2025. In addition to the EUR 300 million bond, interest-bearing long-term loans consist primarily of a EUR 100 million bond expiring in September 2024, a EUR 85 million loan from the European Investment Bank, a EUR 400 million long-term loan from financial institutions and EUR 171.0 million in lease liabilities.

Interest-bearing short-term loans amounted to EUR 111.7 (448.0) million, mainly related to leasing liabilities. The committed revolving credit facility of EUR 250 million expiring in September 2024 was not in use at the end of December.

RETURN ON EQUITY, %



RETURN ON CAPITAL EMPLOYED, %



Investments and development

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

TietoEVRY's offering development costs amounted to around EUR 135 (2019: 80 and 2018: 80) million, representing 4.8% (2019: 4.6% and 2018: 5.0%) of the Group's revenue. Of these costs, EUR 51.0 (17.0) million were capitalized. In 2020, the focus was on Industry Software, especially solutions for Health & Care and Financial Services.

Capital expenditure totalled EUR 83.5 (51.4) million, including the capitalized costs for the development of industry software. Capital expenditure represented 3.0% (3.0) of net sales.

Order backlog

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

TietoEVRY's order backlog amounted to EUR 3 350 (3 640) million at the end of December. Of the backlog, 49% is expected to be invoiced during 2021. The order backlog includes all signed customer orders that have not been recognized as revenue, including estimates of the value of consumption-based contracts.

Major agreements

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

In January, EasyUse signed an agreement with TietoEVRY within the Cards business area. This is a five-year agreement for the delivery of a Prepaid closed loop service within the ferry and cruise shipping segment. The cards will be used onboard ships and at partner merchants like hotels and shops.

In February, Telenor extended its agreement with TietoEVRY on IT infrastructure and cloud services for four more years. The renewed partnership will ensure that Telenor will be able to accelerate its digital transformation, and simultaneously provides a high level of focus on security, agility and stability. The areas covered by the agreement include dynamic infrastructure (IaaS), application and database operations, storage services, end-user and data centre services. TietoEVRY will also participate in Telenor's cloud journey as well as the modernization and automation of business support tools.

In February, Ahlstrom-Munksjö, a global leader in fibre-based materials, extended its collaboration with TietoEVRY. The company's renewal, based on the Tieto Integrated Paper Solution (TIPS), continues to drive business modernization at over 40 plants and will convert units globally. The new system automates Ahlstrom-Munksjö's key business processes and improves internal agility. Digitalization also enhances customer experience and enables new business models and digital business.

In February, Fjellinjen, a company responsible for the collection of road tolls on the Oslo toll ring and the most important financial contributor to road construction in the region, entered into an agreement with TietoEVRY on the delivery of multichannel invoice distribution and master data services. The solution will ensure more efficient invoicing and mailing processes, better control and optimized distribution processes as well as reduced print, material and postage costs by increasing the volume of digital distribution in a simple, secure and cost-effective way.

In February, Geldmaat extended its collaboration with TietoEVRY on the delivery of the Sealbag service, which allows customers to make self-serviced deposits and drops of notes. The notes are packed in self-locking bags and dropped in safes operated via a sealbag processing mechanism. TietoEVRY delivers the central platform with additional managed services according to the master service agreement with the customer. The related machines and services will be provided all across the Netherlands. This service was an option to the master service agreement, signed with the customer back in 2018.

In February, Asfinag, an Austrian publicly owned corporation that plans, finances, builds and maintains Austrian autobahns and handles their toll collection, extended its agreement with TietoEVRY on IT service delivery, containing, for example, services for SAP and software development. As the main full-service IT partner for Asfinag, Tieto will contribute to sustainable improvement and increase efficiency in the customer's processes. The extension has an estimated value of over EUR 5 million.

In March, Mayr-Melnhof extended its development partnership for the new Manufacturing Execution System for 37 plants in the Packaging division. The agreement is an extension for the delivery of the Rough and Fine Planning system agreed in 2019.

In March, Malaysian Newsprint Industries Sdn Bhd (MNI), one of the leading manufacturers and suppliers of paper across South East Asia, selected TietoEVRY as their business transformation partner. The modernization of MNI's key business processes will improve quality of paper and On Time In Full Delivery Service (OTIF). It will also enable visibility of real-time data and Key Performance Indicators (KPI). The renewal covers various key processes, for example, order to cash, advanced planning and trimming, reporting and analytics, warehouse management and logistics, invoicing and integration into the existing ERP system. The renewal is based on the Tieto Integrated Paper Solution (TIPS) for the pulp, paper, board, packaging, tissue and non-woven industries.

In March, Skatteetaten and TietoEVRY extended their collaboration related to Workspace services. Skatteetaten is planning to carry out a personnel transfer and take on 1 250 new employees, formerly employed as local tax collectors in Norwegian municipalities. TietoEVRY will supply the new employees with equipment, including laptops, PC screens and mobile phones.

In March, TietoEVRY and Statens Service Center agreed on a new service to deliver Primula, a comprehensive HR and payroll service, to 35 governmental authorities. At the moment, its set up in a common cloud environment in TietoEVRY's data centre in Kista is ongoing. The related cloud service will support all processes within the area of HR and payroll. In addition, the contract includes a major investment by the customer in the development of the product that will meet the future needs of users. Total value of the seven-year agreement is SEK 27 million.

In March, TietoEVRY signed an agreement with Deutsche Bank for Virtual Account Management (VAM) software. Deutsche Bank will leverage TietoEVRY's VAM platform as a complementary technology solution that can seamlessly integrate with its award-winning Cash, Trade and FX platform, thus further enhancing its cash management offering to the benefit of its corporate clients.

In March, Posten Norge AS chose TietoEVRY to deliver a payroll solution based on the Unit4 ERP system. Posten Norge decided to insource their payroll service and purchase a payroll system to run the payroll process internally. TietoEVRY was chosen by the customer in heavy competition with leading suppliers in the market. A solid and efficient solution as well as trustworthy project setup and a reliable implementation process became important winning criteria. The solution is scheduled to go into production in January 2021 and is estimated to provide salary payments to 13 000 employees.

In April, TietoEVRY signed an agreement with SEB for Virtual Account Management software. The solution will allow SEB to offer its corporate customers virtual cash management services. The new service will support SEB's multinational corporate customers that need a fast and reliable way to centralize collection of payments and rationalize bank account structure. The launch of the new service forms part of SEB's wider plans to invest in cash management services. Virtual cash management is an important part of this journey to improve customer experience and offer new and innovative value propositions.

In April, AB Storstockholms Lokaltrafik, the public transport administration of Stockholm County, decided to continue its digital journey with TietoEVRY by extending the current outsourcing agreement – the next step in a long and successful relationship. The objective of the extended collaboration is to boost the customer's efficiency, provide workplace flexibility via digital online solutions and contribute to stable and secure operation of Stockholm's public transportation.

In April, TietoEVRY and Aimo Park, the leading parking company in the Nordics, entered into a strategic partnership to accelerate Aimo Park's digital transformation. The new collaboration will fuel development of innovative parking and mobility solutions by increasing automation and utilizing a variety of cloud services. TietoEVRY is leading the integration process. The new landscape consists of several cloud solutions from a variety of providers that cover systems such as Enterprise Resource Planning (ERP), Customer Relation Management (CRM) and Content Management (CMS). These solutions will enable faster time to market, more agile development of services and an improved end-user experience. Aimo Park will also be able to achieve better cost predictability and management with one single service provider to orchestrate its IT landscape.

In May, TietoEVRY and Finland's Legal Register Centre signed a new contract for the further development of digital citizens' services. Expanding their long-term relationship, this project covers application management and service production of legal aid, and financial and debt counselling systems. The project is a part of the Legal Register Centre's overall operations standardization and development drive, which will usher in improved digital services for Finnish citizens.

In May, Helsinki and Uusimaa Hospital District (HUS) chose TietoEVRY to deliver architecture and application development as well as maintenance services to the Health Village project, an internationally unique concept. Health Village is a digital service platform offering information and support to citizens, care for patients and tools for healthcare professionals. It enables creation of symptom navigators and digital care paths as well as monitoring of health data and remote appointments. Furthermore, it provides secured communication channels across patients and care personnel. TietoEVRY has been the development partner of Heath Village since 2018.

In May, the Norwegian Digitalisation Agency prolonged its agreement with TietoEVRY for operating ID-Porten/MinID and the digital contact register in Norway. The ID-Porten is a login solution that provides citizens access to online services across government agencies and municipalities. The solution is used by more than 800 public entities for more than 4 000 internet-based public services. The total value of the agreement is NOK 46 million.

In May, Volvofinans Bank AB, one of the largest card issuers in Sweden with around one million customers, entered into a new agreement with TietoEVRY. The customer will be provided with expert support as well as solutions in the domains of service desk, financial services, infrastructure and security. The agreement entails access to TietoEVRY's PCI DSS certified platform for payments and Security Operations Center (SOC), which enables real-time surveillance. Collaboration with Volvofinans started in 2014, and the new agreement is yet another milestone in a successful partnership with the customer. The contract is valid for five years and the total contract value is SEK 85 million.

In June, Metsä Group renewed its agreement with TietoEVRY on cloud and infrastructure services. The new solution continues the modernization of Metsä Group's global ICT capacity services with maximized business continuity and helps Metsä Group focus on their core business activities.

In June, TietoEVRY entered into a long-term agreement with Nordea, expanding the company's strong international customer base in its Cards business. TietoEVRY will provide the client with a modern platform for card services (SaaS). The scope of the engagement covers card issuing and processing as well as dispute process management for Norway and Sweden. Based on the agreement, the customer will be able to consolidate their card-issuing capabilities onto a single platform, achieving a lower total cost of ownership as well as streamlining their services across countries, while customers will benefit from simpler and quicker access to new, future-oriented payment solutions.

In June 2020, TietoEVRY signed an agreement with International Card Services (ICS), part of ABN AMRO, the largest credit card issuing business in the Netherlands, to modernize the customer's Cards solution and to deliver end-to-end services based on a Software as a Service agreement, valid for over seven years.

In July, TietoEVRY extended its collaboration with Hyland Healthcare, a leading global provider of connected healthcare solutions, to deliver a best-in-class solution for digital pathology. A consortium of five companies, including TietoEVRY and Hyland Healthcare, is partnering to deliver PATOS to Region Västra Götaland (VGR). PATOS is a digital pathology solution that enables improved cancer diagnostics and patient treatment. The agreement is currently in year five of an initially 10-year contract and includes an option for VGR to extend the relationship for another ten years.

In July, Cambio Healthcare Systems chose TietoEVRY as its IT operations partner for future healthcare information support for nine Swedish regions. The Swedish SUSSA regions of Blekinge, Sörmland, Västerbotten, Västernorrland and Örebro counties decided to jointly procure a new healthcare information support platform and signed an agreement with Cambio in June 2019. Cambio has chosen TietoEVRY as its IT operations partner to ensure safe and secure IT operation of the healthcare information support platform.

In September, the City of Västerås chose TietoEVRY as its IT partner in four defined areas: infrastructure services, service desk and on-site support, security services and workplace services. The four-year agreement with an option to extend the delivery by another two years has a contract value of SEK 300 million. The procurement placed high demands on user experience, efficiency, quality as well as enhanced safety and accessibility, to support 11 000 employees in areas such as healthcare, welfare, education and administration.

In September, Systembolaget Aktiebolag chose TietoEVRY to deliver managed collaborative smart screens as a service to all of its stores. The agreement covers hardware, configuration, on-site installation, support and operations.

In September, Servicegrossistene AS, a growing national full-service wholesaler supplying food and drink to the food service market, chose TietoEVRY to deliver a service-based solution based on cloud technology from Microsoft Dynamics 365. The transition to Dynamics 365, in combination with tools for areas such as reporting, analysis and logistics process optimization, will lay the foundation for the company's growth also in the future. The company also aims to make the day-to-day activities of its wholesalers and customers more flexible and efficient. The six-year agreement represents a total contract value of around NOK 45 million.

In October, Kesko and TietoEVRY announced an agreement on expanded collaboration. TietoEVRY will support the implementation of Kesko's strategy to boost productivity and cost-efficiency through automation and new technologies. The co-operation also enables more efficient utilization of data. Under the new co-operation agreement, TietoEVRY and Kesko will continue to collaborate on continuous operational IT services with a development focus. The partnership aims to ensure that the services are business-oriented and maintain a high standard. The co-operation agreement covers a wide range of services, including management of Kesko’s business-critical applications, integration services and cloud services, end-user services as well as information security and capacity services.

In November, Region Stockholm signed an agreement with TietoEVRY for IT support to facilitate more accessible healthcare. The agreement supports, for example, the care and nursing plan created prior to discharge from hospital – which facilitates measures by municipal health and/or social care services. The value of the initial order is approximately SEK 56 million but can be extended to SEK 104 million with additional options and extensions. The agreement is initially valid for four years with the possibility of extending for up to another four years.

In November, Maldives Monetary Authority (MMA) signed an agreement with TietoEVRY to implement an Instant Payments System in the Maldives. The Instant Payments System will form the most essential component of the Maldives Payment System Development Project. The implementation will enable users to make and receive payments in real-time. The Instant Payments System in the Maldives will be based on TietoEVRY’s solution and will include ISO20022 message processing, liquidity management, fee management, fraud management and proxy (smart) addressing services.

In November, TietoEVRY signed a strategically important agreement with Innovasjon Norge to deliver the company’s suite of case management services. The agreement will contribute to professional and more agile response from Innovasjon Norge towards its key stakeholders. The value of this four-year agreement is approximately NOK 15 million.

In November, SOS Alarm AB in Sweden chose TietoEVRY to implement the new IP-based 112 solution planned to replace the existing PSTN (Public Switched Telephone Network) solution. TietoEVRY’s assignment is to implement the communication solution and, in cooperation with SOS Alarm AB, connect the Communication Service Providers with SOS Alarms Call Center. The contract also includes six years of operating the 112 communications solution. As 112 is a highly critical service for Swedish society, extremely high requirements have been set for reliability and security.

In December, TietoEVRY signed a three-year agreement with OKQ8. OKQ8 with its 753 service stations is one of the largest fuel distribution companies in Sweden, investing in renewable energy solutions areas such as solar panels and infrastructure for chargeable electrical vehicles. As an IT partner, TietoEVRY will provide services and support in areas such as internet banking, payments and credit solutions. Furthermore, the agreement covers services within information logistics, e.g. e-ID, printing, mailing and archiving services.

In December, the City of Vellinge prolonged the current outsourcing contract for infrastructure services until 2023. TietoEVRY will continue to have the complete responsibility for server and application operations, workplace management, network services, Service Desk and on-site support. TietoEVRY will also work in the areas of digitalization of new services and automation of processes. TietoEVRY will secure user-focused, efficient and high-quality services for key areas such as social care, welfare and education.

In December, Eika Alliance, one of Norway's largest banks and insurance companies, and TietoEVRY entered into a strategic agreement. The agreement covers a delivery of the next generation of core banking and payment solutions, including card services and digital channels. Eika is anticipated to gain high-quality digital solutions for compliance and security – as well as innovative and future-oriented banking solutions. The agreement runs for five years after all the Eika banks have been migrated to TietoEVRY. The agreement also includes the option to extend for a further four years.

Changes in Group structure

The divestment of Karbon Invest AS, providing case management and archiving systems for the public sector in Norway, was completed in February 2020.

The merger of Tieto Latvia SIA and Evry Latvia SIA was registered on 11 November 2020.

Branches

TietoEVRY Group has branches in Australia, France, Latvia, Malesia, Norway, Ukraine and United Arab Emirates.

Personnel

The number of full-time employees amounted to 23 632 (24 322) at the end of December. The number of full-time employees in the global delivery centres totalled 11 225 (11 383), or 47.5% (46.8) of all personnel.

The number of full-time employees was down from the year-end 2019 level of 24 322. The decline includes redundancies of around 950 and net recruitments of over 400. The company also took over close to 200 employees from IBM as part of the redefined partnership. The 12-month rolling employee turnover stood at 9.7% (12.6) at the end of December. Group-level salary inflation is expected to remain below 2% on average in 2021. Furthermore, salary inflation is partly offset by price increases in some service areas, offshoring and management of the competence pyramid.

Group personnel and remuneration

	2020	**2019**	**2018**
Number of full-time employees, 31 December	23 632	24 322	15 190
Average number of full-time employees	23 788	15 950	14 907
12-month rolling employee turnover, %	9.7	12.6	12.2
Employee benefit expenses, EUR million	1 486	990	905

In 2020, the focus was on creating the foundation for future success of the integrated company. The integration programme node called Leadership and Engagement was responsible for developing and driving HR integration-related projects and workstreams. Measures to secure the health and safety of employees as well as to facilitate remote work were also high on the agenda during the year.

TietoEVRY's Human Resources (HR) function is responsible for developing people practices and employee experience in the company. The function is led by the Chief HR Officer while country HR teams are responsible for country-specific HR operations. The company supports freedom of association and collective bargaining as defined in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work and stated in TietoEVRY's Code of Conduct. In addition, the company supports and respects the principles set out in the United Nations' Universal Declaration of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work.

TietoEVRY invests in the competence development of its employees. Curiosity and lifelong learning are crucial aspects of the company's culture and success. The Keep Learning culture and the learning platform Cornerstone offer various learning modules. By the end of 2020, 93% of employees and 94% of managers had used the learning platform.

The Culture Code, OurVoice survey and Leadership Aspirations form the cornerstones of employee engagement.

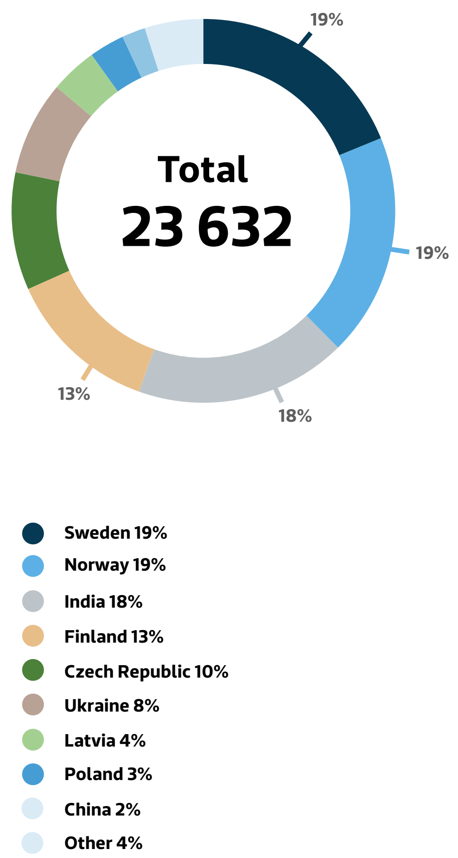
A critical element for successful integration is understanding, building and aligning cultural factors. In addition to the Nordic values of openness, trust and diversity, all employees were engaged in creating TietoEVRY's Culture Code. This code defines the behaviour valued in the company based on insights from both of the former companies and the long-term strategic priorities.

Employee engagement activities are followed up through OurVoice, an employee engagement survey where employees give feedback in key areas. The survey results are reviewed and discussed in the Group Leadership Team as well as within the business networks and teams on all levels across the organization. The result of the TietoEVRY Engagement Index, the key parameter, was 76/100. In addition, almost 5 000 individual written comments were received and TietoEVRY created a toolbox for managers on how to interpret the results, run workshops, create engagement initiatives, and engage with their teams remotely.

TietoEVRY has defined principles that set expectations for what good leadership means. The three Leadership Aspirations set the focus on building the future, leading performance and being the role model for values. The leadership aspirations are further translated into leadership skills and behaviours and used for purposes such as leadership selection.

Diversity and inclusion is a key area in TietoEVRY's new long-term sustainability plan. During the year, activities from the former companies were consolidated under one umbrella and a diversity and inclusion charter complements the company's Code of Conduct. As one encouragement for this work, TietoEVRY was in 2020 ranked third among companies in Sweden in the SHE Index, which promotes diversity and inclusion in leadership and workforce as well as equal compensation and work-life balance. Furthermore, TietoEVRY Sweden continues to hold the EDGE Assessment Certificate, the leading global assessment and business certification for gender equality.

PERSONNEL BY COUNTRY



Non-financial information

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

Description of TietoEVRY's business model

TietoEVRY is one of the largest digital services and software companies in the Nordics. The company's value-adding services comprise new data-driven services, business critical software solutions, managed services, product development services and related capabilities to support customers' business renewal, innovation and efficient operations.

TietoEVRY's role varies from consulting and advisory, designing and building solutions to running IT operations. Our ambition is to co-create new solutions and innovate new data-driven business models with our customers and partners. Value creation and competitiveness are based on solutions combining best-of-breed technologies with integration capabilities, industrialized service delivery and strong global delivery capability.

Description of management of NFI topics

In 2020, TietoEVRY focused on developing a systematic approach to managing sustainability, including appropriate policies, processes, governance and organization. TietoEVRY's sustainability work is facilitated by the company's Sustainability Team and supported by the Sustainability Steering Group, chaired by the Vice President, Communication and Sustainability. The steering group advises the Group Leadership Team and Board of Directors and approves the sustainability section of the integrated annual report. The Sustainability Steering Group represents different functions and units of TietoEVRY and many of its members are part of the Group Leadership Team. TietoEVRY's ambition is to maintain gender balance in the steering group, as well as ensure that both younger and more experienced executives are represented.

TietoEVRY's Group Leadership Team and the Board of Directors reviewed sustainability matters on two occasions during 2020. The topics included reviews of the annual integrated report and NFI information, including relevant sustainability-related risks and TietoEVRY's societal engagements in 2020, among other things.

TietoEVRY's new Sustainability Game Plan 2023 consists of three broad themes – climate action, ethical conduct and exciting place to work – with Responsible Areas under each. An additional area in the game plan is sustainable business opportunities, comprising a range of solutions and services that can accelerate and improve a customer's sustainability performance. Materiality analysis has been used to prioritize the most important topics based on the strategy, market trends, results from stakeholder dialogues, and the UN's Sustainable Development Goals. The analysis forms the basis of our sustainability game plan and our sustainability reporting in accordance with GRI Standards, option Core.

Each Responsible Area has publicly stated goals, and the action plans, implementation and reporting are run by nominated Responsible Area owners and data partners. Responsible Area goals and results for 2020 are presented in the table in this section. The Sustainability Game Plan 2023 is managed according to TietoEVRY's Sustainability Management Process, which follows the United Nations Global Compact Management Model and GRI Standards. Linkages to the United Nations Sustainable Development Goals, which are considered a strategic tool enabling corporations to contribute to a more sustainable society, are established by applying principled prioritization. The management of the Responsible Areas – including policies, processes, due diligence and escalation channels – is illustrated in the chart in this section.

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

TietoEVRY has a group-wide Whistleblowing Channel that can also be accessed on the company's external webpages. Whistleblowing notifications concerning Code of Conduct violations, for instance, are investigated confidentially by the Compliance Officer through a predefined process. Cases of a severe or sensitive nature can also be referred to an Escalation Committee for a decision. If a whistleblower notification relates to managers on L1, including the CEO, the Chair of the Audit and Risk Committee shall be informed. If a whistleblower notification involves managers on L2, the CEO shall be informed.

In the case of serious or highly sensitive whistleblowing cases, the Compliance Officer shall prepare a report for submission to the Audit and Risk Committee. In each such case, the Escalation Committee shall consider whether the CEO or Board of Directors should also be informed. Six-monthly reports shall be prepared for the Audit and Risk Committee covering aggregated information about notifications received through the Whistleblowing Channel, cases under investigation and measures taken. In addition, the Responsible Areas have separate channels for incident reporting and continuous improvement.

Main risks in non-financial area

During this extraordinary year of the Covid-19 pandemic, our priorities have been crystallized to ensuring employee safety, the continuity of our customers' operations and the company's stability.

The aim of TietoEVRY's internal control framework is to assure that operations are effective and well aligned with the strategic goals. The internal control framework is intended to ensure correct, reliable, complete and timely financial reporting and management information. The framework endorses ethical values, good corporate governance and risk management practices. Risk management and major risks are described in detail in section **Major risks**.

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

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

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

TietoEVRY's risks include a reputational factor, which in addition to negative publicity could lead to loss of customers' trust, and a negative impact on stakeholder relations including financial consequences.

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

Stress-related health issues as well as discrimination and harassment are human and labour rights related risks. From an operational perspective, deliveries could be compromised if key resources go on long sick leaves. Both health issues and discrimination and harassment can lead to environments where employees may not reach their full potential. Discrimination could also hinder the company's ability to develop solutions to societal problems.

TietoEVRY believes that diversity in personnel, whether in terms of gender, age or cultural background, is needed to stay competitive in the fast-paced technology industry. Diversity and inclusion are an integral part of the company's culture and Human Resources activities. Being able to unwind and maintain wellbeing is equally crucial.

TietoEVRY's supplier base consists of direct and indirect suppliers. Supply chains may include compliance risks related to the environment, human and labour rights or even corruption. Severe breaches against international conventions in the supply chain could lead to customers deciding to terminate contracts or sanctions from authorities. TietoEVRY mitigates these risks through its supplier sustainability programme and on-boarding practices, consisting of both compliance and audit activities.

Environmental risks have mainly been identified and handled within TietoEVRY's environmental management system and include, for example, risks related to aspects such as offices, equipment, waste and business travel. Proper handling of these topics is a prerequisite for TietoEVRY's ISO certificate (ISO14001) and our attractiveness as an existing or potential partner and employer.

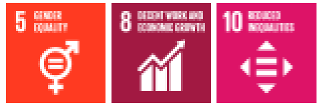
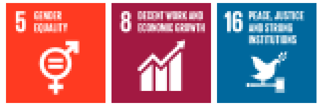
Group Sustainability manages the climate risks related to emerging regulations including higher pricing of greenhouse gas emissions that can lead to increased costs. Climate risks and their management will be further reviewed and assessed, as well as incorporated within the company's risk management framework during 2021.

POLICIES AND PROCESSES ON NFI MATTERS

	ETHICAL CONDUCT	CLIMATE ACTION	EXCITING PLACE TO WORK
Sustainability areas	Respecting human rights Anti-corruption and -bribery matters Social and employee matters	Environmental matters	Respecting human rights Social and employee matters
	1 Human rights		**1 Human rights**
	2 Business ethics and anti-corruption	**2 Business ethics and anti-corruption**	**2 Business ethics and anti-corruption**
	3 Cybersecurity and privacy		**3 Cybersecurity and privacy**
	4 Responsible sourcing	**4 Responsible sourcing**	**4 Responsible sourcing**
		5 Energy usage and greenhouse gas emissions	**5 Energy usage and greenhouse gas emissions**
		6 Circular economy practices	
	7 Diversity and inclusion		**7 Diversity and inclusion**
	8 Employee experience		**8 Employee experience**

Policies	**POLICIES, RULES AND GUIDELINES**
	Code of Conduct Policy (1,2), Whistleblowing Rule (1,2,3,7,8), Internal audit policy (2), Procurement Policy (4), Supplier Code of Conduct Rule (1,2,4,5), Environmental Rule (4,5,6), Security Policy (3), Internal Audit Policy (3), User Security Rule (3), Privacy Policy (3), Insider Rule (2)
Due dilligence processes	Internal and external audits (1,2), Governance, risk and compliance management (1,2,3), Sourcing to pay (4), Supplier self assesment (4), Environmental management process (EMS) ISO14001 (4,5,6), ISO27001 (3), ISO310000 (3), ISAE3402 audits in Data Centres (3), Information and cybersecurity audits and assessments (3), CDP Climate Change program (4,5,6), Employee engagement survey (8)
	SUSTAINABILITY MANAGEMENT PROCESS, SUSTAINABILITY MATERIALITY ASSESSMENT FOR SUSTAINABILITY GAMEPLAN 2023
	WHISTLEBLOWING ON CODE OF CONDUCT ISSUES

Goals and results for each sustainability area

Responsible area	Goal	Result 2020	UN Sustainable Development Goal[1]
ETHICAL CONDUCT			
Human rights	2021: Conduct a formal Human Rights Impact Assessment for a business entity	Assessment to be conducted in 2021	
Cybersecurity and privacy	2023: Zero substantiated complaints concerning breaches of customer privacy and losses of customer data[2]	Zero	
Business ethics and anti-corruption	2023: 90% completion of ethics training (CoC e-learning)[2]	91%	
	2023: 100% confirmation of receipt of a whistleblowing notification within four business days of receipt	100%	
Responsible sourcing	2023: 100% of new or renewed suppliers agreeing to TietoEVRY's Supplier Code of Conduct[2][3]	100%	

[1] United Nations Sustainable Development Goals: https://sustainabledevelopment.un.org/
[2] Measured on an annual basis
[3] Scope: Agreements made through the company's procurement function. Note that scope also includes supplier's version approved by Head of Sustainability

Responsible area	Goal	Result 2020	UN Sustainable Development Goal[1]
CLIMATE ACTION			
Energy usage and GHG emissions	2023: 80% reduction of scope 1 and 2 GHG emissions by 2023[2]	2020 as the baseline - reductions from the baseline available for 2021	
	2023: 100% carbon free electricity in all data centers and offices	80%	
Circular economy practices	2023: 100% reuse and recycling of hardware[3]	Baseline set during 2021	
EXCITING PLACE TO WORK			
Diversity and inclusion	2026: 40% female employees by 2026, 2030: 50% female employees by 2030	29% female employees	
Employee Experience	2023: Employee engagement score >75	76/100	

[1] United Nations Sustainable Development Goals: https://sustainabledevelopment.un.org/
[2] Baseline FY20
[3] Scope consists of hardware for own use as well as hardware as a service to customers. Devices in the scope include lap-tops, mobile devices, monitors, and IT peripherals.

Shareholders' meetings

TietoEVRY Corporation's Annual General Meeting held on 29 April approved the financial statements 2019 and discharged the company's officers from liability for the financial year 2019. The meeting also approved the Remuneration Policy for the company's governing bodies and decided to amend the Articles of Association.

The Annual General Meeting decided to not distribute dividends. Thus the Annual General Meeting authorized the Board of Directors to decide at a later stage at its discretion on the distribution of dividend in one or several instalments up to the aggregate maximum amount of EUR 1.27 per share from the distributable funds of the company for the financial year that ended on 31 December 2019. On 23 July, the Board of Directors decided that a dividend of EUR 0.635 per share in total be paid for the financial year ended on 31 December 2019 from the distributable funds of the company in two instalments.

The Annual General Meeting decided that the Board of Directors shall consist of ten members and re-elected the Board's current members Tomas Franzén, Salim Nathoo, Harri-Pekka Kaukonen, Timo Ahopelto, Rohan Haldea, Liselotte Hägertz Engstam, Niko Pakalén, Endre Rangnes and Leif Teksum. Katharina Mosheim was elected as a new member. Tomas Franzén was elected as the Chairperson of the Board of Directors.

Shareholders' Nomination Board

The composition of the Shareholders' Nomination Board for TietoEVRY Corporation was determined based on holdings on 31 August 2020 in the Finnish, Norwegian and Swedish shareholders' registers and received evidence thereof.

TietoEVRY's Shareholders' Nomination Board comprises four members nominated by the largest shareholders and the Chairperson of the Board of Directors of the company. The shareholders who wished to participate in the work of the Shareholders' Nomination Board nominated the following members:

- Petter Söderström, Investment Director, Solidium Oy
- Gabriele Cipparrone, Partner, Apax Partners LLP
- Gustav Moss, Vice President, Cevian Capital AB
- Mikko Mursula, Chief Investment Officer, Ilmarinen Mutual Pension Insurance Company; and
- Tomas Franzén, Chairperson of the Board of Directors, TietoEVRY Corporation.

The Board of Directors

Board of Directors as at 31 December 2020

Name	Born	Nationality	Education	Main occupation
Tomas Franzén (Board and RC Chairperson)	1962	Swedish	MSc. (Eng.)	Professional Board member
Salim Nathoo (Deputy Chairperson)	1971	British	MBA, MA (Math.)	Partner, Apax Partners LLP
Harri-Pekka Kaukonen (ARC Chairperson)	1963	Finnish	DSc. (Tech.)	Professional Board member
Timo Ahopelto	1975	Finnish	MSc. (Tech.)	Entrepreneur, investor and professional Board member
Rohan Haldea	1978	British	MBA, BSc. (Civ. Eng.)	Partner, Apax Partners LLP
Liselotte Hägertz Engstam	1960	Swedish	MSc. (Civ. Eng.)	Expert advisor, professional Board member
Katharina Mosheim	1976	Austrian	Ph.D. (Econ.)	CEO, Alpha Pianos AS
Niko Pakalén	1986	Finnish and Swedish	MSc. (Econ.)	Partner, Cevian Capital AB
Endre Rangnes	1959	Norwegian	BBA (Econ.)	CEO, Axactor SE, professional Board member
Leif Teksum	1952	Norwegian	MSc. (Econ.)	Partner, Vest Corporate Advisor AS, professional Board member
Tommy Sander Aldrin (personnel representative)	1965	Norwegian	BSc. (Comp.)	Chief Consultant
Ola Hugo Jordhøy (personnel representative)	1956	Norwegian	MSc. (Eng.), PGCE	Chief Consultant
Anders Palklint (personnel representative)	1967	Swedish	MSc. (Eng.)	Senior Project Manager
Ilpo Waljus (personnel representative)	1974	Finnish	BBA	Test Manager

The President and CEO and operative management

Members of the Leadership Team as at 31 December 2020

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

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

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

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

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

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

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

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

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

Karin Schreil
Managing Partner, Sweden
Born: 1971
Nationality: Swedish
Education: MSc. (Eng.)
Joined TietoEVRY in 2019

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

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

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

Major risks

TietoEVRY has four risk categories: strategic, operational, financial and compliance risks.

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

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

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

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

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

Market volatility

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

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

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

Change and transformation

In large-scale adaptation to the market by organizational transformation and right-sizing, resistance to change can prolong the transition, which may affect operational efficiency. The change management capacity is concentrated in a common Integration Management Office (IMO), which provides standard tools and systems for the change, including communication, target setting and training for the integration period.

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

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

Service continuity and cyber security

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

A service continuity disruption can be caused, for instance, by hardware or software failures, power outages, natural disasters and different types of intentional or unintentional actions by people, such as human error, cybersecurity breaches, and other criminal activities.

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

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

Also, a comprehensive and robust Major Incident & Escalation process, crisis management process and efficient cybersecurity defence with high-class detection and response capabilities reduce service interruptions.

Quality costs related to customer bidding and delivery management

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

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

Retention of employees

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

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

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

Credit risks

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

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

Currency risks

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

TietoEVRY’s Treasury Policy defines the principles for managing currency risks within the Group.

Interest rate risks

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

TietoEVRY Treasury Policy defines the principles for managing interest rate risks within the Group.

Funding and liquidity risks

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

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

Legal, regulatory and compliance risks

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

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

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

Supply chain risk

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

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Global pandemic: Covid-19

Due to the ongoing Covid-19 pandemic, the current market outlook in TietoEVRY’s main markets involves significant uncertainties. The company’s portfolio comprises services based on multi-year agreements in infrastructure and application services as well as in industry-specific software businesses. The digital consulting business has shorter contractual periods and is likely to be more affected during times of economic uncertainty. TietoEVRY operates in multiple countries, balancing workforce availability. The company has already taken strict measures, including savings actions and temporary layoffs, to mitigate the potential financial impact of the pandemic and to secure the health and safety of employees and ensure critical services to customers.

Auditors

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

The Board of Directors proposes to the AGM, in accordance with the recommendation of the ARC, that the auditor to be elected at the AGM 2021 be reimbursed according to the auditor's invoice and in compliance with the purchase principles approved by the Committee.

The Board of Directors proposes to the AGM, in accordance with the recommendation of the ARC, that the firm of authorized public accountants Deloitte Oy be elected as the company's auditor for the financial year 2021. The firm of authorized public accountants Deloitte Oy has notified that APA Jukka Vattulainen will act as the auditor with principal responsibility.

Auditing

The AGM 2020 elected the firm of authorized public accountants Deloitte Oy as the company's auditor for the financial year 2020. Deloitte Oy notified the company that Authorized Public Accountant Jukka Vattulainen acts as principal auditor.

In 2020, TietoEVRY Group paid the auditors a total of EUR 1.3 (0.9) million in audit fees, and a total of EUR 0.7 (0.9) million for other services.

Shares and shareholders

TietoEVRY Corporation's issued and registered share capital on 31 December 2020 amounted to EUR 76 555 412.00 and the number of shares totalled 118 425 771. TietoEVRY's shares have no par value and their book counter value is one euro. The company's shares are listed on NASDAQ in Helsinki and Stockholm and the Oslo Stock Exchange. The company has one class of shares, with each share conferring equal dividend rights and one vote. The company's Articles of Association include a restriction on voting at the Annual General Meeting, where no-one is allowed to vote with more than one-fifth of the votes represented at the meeting. The Articles of Association are available at www.tietoevry.com/investors.

The company had 44 011 registered shareholders at the end of 2020 based on the ownership records of the Finnish, Swedish and Norwegian central securities depositories. On 31 December, TietoEVRY had two long-term shareholders holding 10% or more of the shares: Apax Guernsey (Holdco) PCC Limited, formerly the largest shareholder of EVRY, and Solidium Oy. TietoEVRY received one announcement regarding a change in its shareholding during 2020: the holding of Silchester International Investors LLP fell below the 5% threshold.

The members of the Board of Directors, the President and CEO and their close associates together held 0.1% of the shares and votes registered in the book-entry system on 31 December 2020. The President and CEO is also participating in the company's long-term share-based incentive plans. Potential rewards will be paid partly in TietoEVRY shares. As the number of additional shares related to these incentives is dependent on the company's performance, these are not included in this aggregate number.

In connection with the merger, Apax Partners LLP, acting through the company Lyngen Holdco S.A.R.L., Cevian Capital Partners Limited and Solidium Oy, entered into a binding governance agreement concerning the nomination of members of the company's Board of Directors. More details are available at www.tietoevry.com/ investors.

At the end of 2020, the number of shares in the company's or its subsidiaries' possession totalled 10 978, representing 0.01% of the total number of shares and voting rights. Related to the company's share-based reward plans, a total of 201 998 shares held by TietoEVRY were transferred to the participants of the plan during the year. In March, TietoEVRY purchased 35 000 own shares. In December, TietoEVRY Corporation received a return of 5 731 shares free of consideration according to the terms and conditions of EVRY Interim Long-Term Incentive Plan 2017. The number of outstanding shares, excluding the treasury shares, was 118 414 793 at the end of the year.

Share-based incentive plans

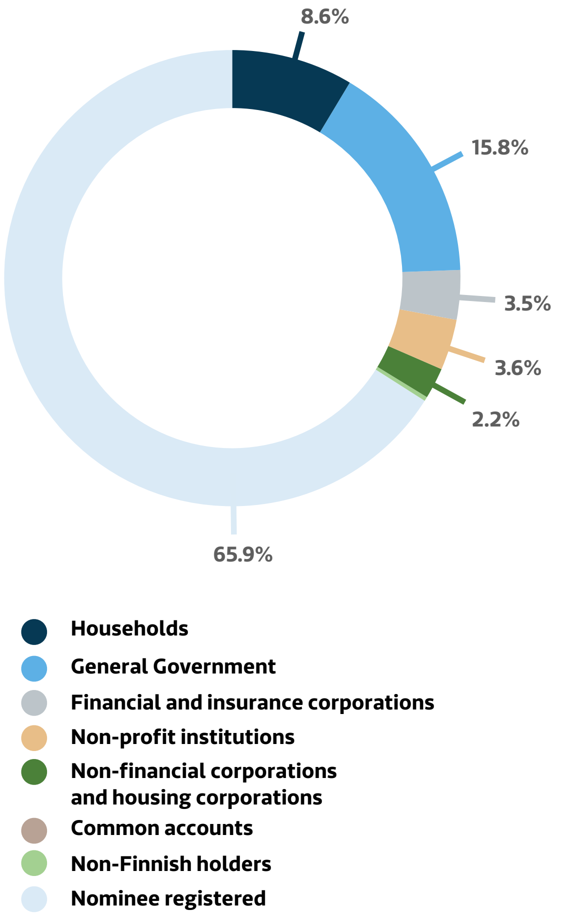
TietoEVRY has the following active share-based incentive plans: a Performance Share Plan 2018, 2019 and 2020 and a Restricted Share Plan 2018, 2019 and 2020. Additionally, EVRY's share-based incentive plans have been transitioned into Restricted Share Plans (RSP) at TietoEVRY. The plans continue and have been transformed in a value neutral way into restricted stock units in the combined company.

The potential rewards will be paid partly in the company's shares and partly in cash in 2021, 2022 and 2023, respectively. The share rewards to be delivered to the participants will consist of shares to be acquired from the market and treasury shares. Thus, no new shares will be issued in connection with the plans. The rewards to be paid on the basis of the plans correspond to the value of an approximate maximum total of 2 223 000 TietoEVRY shares (including the proportion to be paid in cash). On 31 Dec, the value of granted and unvested share plans corresponded to 1 774 899. The company has not issued any bonds with warrants and does not have any stock option programmes.

Board authorizations

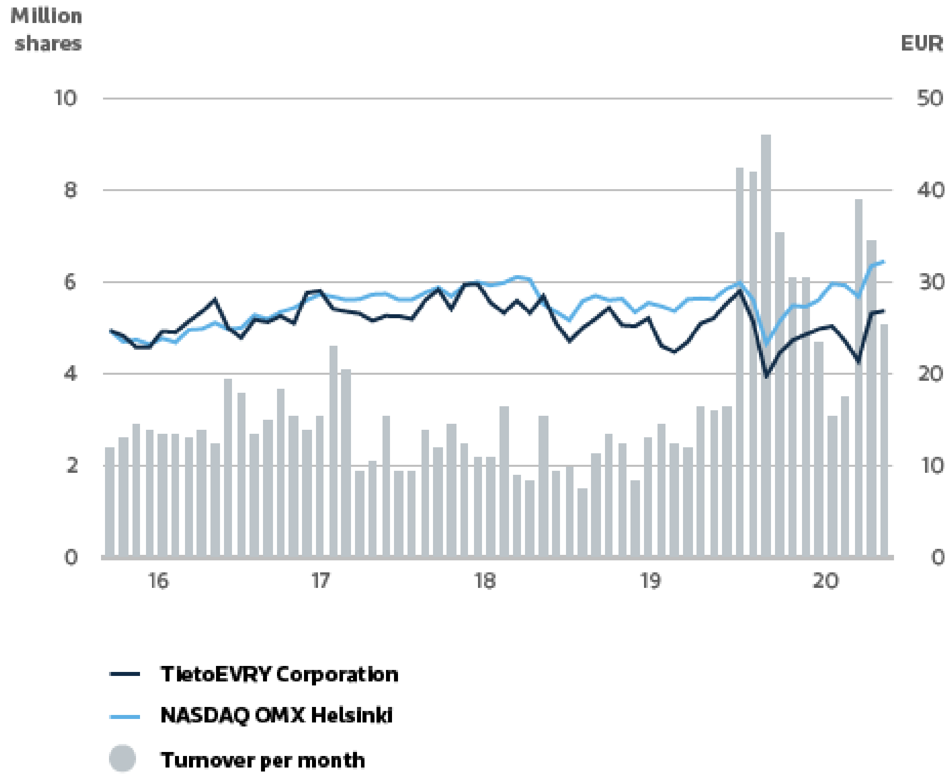
The 2020 Annual General Meeting authorized the Board of Directors to decide on the repurchase of the company's own shares. The amount of own shares to be repurchased shall not exceed 11 800 000 shares, which currently corresponds to approximately 10% of all the shares in the company. The authorization is intended to be used to develop the company's capital structure. The Board of Directors was also authorized to decide on the issuance of shares as well as on the issuance of option rights and other special rights. The amount of shares to be issued based on the authorization (including shares to be issued based on the special rights) shall not exceed 11 800 000 shares, which currently corresponds to approximately 10% of all the shares in the company.

OWNERSHIP STRUCTURE ON 31 DEC 2020



Based on the ownership records of Euroclear Finland Oy

SHARE PRICE DEVELOPMENT AND TURNOVER, HELSINKI



Source: Refinitiv

Share information

	2020	2019	2018	2017	2016
Number of shares					
Number of shares	118 425 771	118 425 771	74 109 252	74 109 252	74 109 252
Outstanding shares					
At year end	118 414 793	118 253 526	73 826 349	73 723 125	73 697 570
Average	118 378 269	77 193 387	73 809 855	73 722 565	73 660 433
Share capital at year end, EUR	76 555 412	76 555 412	76 555 412	76 555 412	76 555 412
Per share data					
Earnings per share, EUR					
Basic	0.80	1.02	1.67	1.46	1.46
Diluted	0.80	1.02	1.66	1.46	1.46
Equity per share, EUR	13.73	14.27	6.54	6.46	6.62
Share price performance and trading volumes					
NASDAQ Helsinki					
Highest price of share, EUR	31.32	30.74	29.98	28.47	25.00
Lowest price of share, EUR	17.26	22.86	24.39	22.20	19.98
Average price of share, EUR	24.42	27.56	26.85	24.83	22.28
Turnover, number of shares	77 150 210	29 333 439	35 895 771	34 827 778	37 041 013
Turnover, %	65.1	39.6	48.4	47.0	50.0

	2020	2019	2018	2017	2016
Market capitalization EUR million	3 180.9	1 747.5	1 925.4	1 920.9	1 829.5
Dividends					
Dividend, EUR 1 000	156 308	75 190	103 465	103 212	101 001
Dividend per share, EUR	1.32	0.64	1.45	1.40	1.37
Payout ratio, %	165.3	62.3	86.8	95.9	93.8
Price-weighted ratios					
NASDAQ Helsinki					
Price per earnings ratio (P/E)	34	14	18	18	20
Dividend yield, %	4.9	6.1	5.4	5.3	5.5

Major shareholders on 31 December 2020

	Shares	%
1 Apax Guernsey (Holdco) PCC Ltd [1)]	19 872 767	16.8
2 Solidium Oy	11 857 918	10.0
3 Cevian Capital Partners Ltd [2)]	9 381 731	7.9
4 Ilmarinen Mutual Pension Insurance Company	3 267 852	2.8
5 Elo Mutual Pension Insurance Company	1 672 953	1.4
6 Swedbank Robur fonder	1 018 571	0.9
7 Nordea funds	949 781	0.8
8 The State Pension fund	858 000	0.7
9 Svenska litteratursällskapet i Finland r.f.	636 345	0.5
10 Danske Invest Finnish Equity Fund	600 000	0.5
Top 10 shareholders total	**50 115 918**	**42.3**
- of which nominee registered	29 254 498	24.7
Nominee registered other	48 832 819	41.2
Others	19 477 034	16.4
Total	**118 425 771**	**100.0**

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

[1)] On 20 December 2019, Apax Guernsey (Holco) PCC Ltd announced that its holding in TietoEVRY Corporation was 19 872 767 shares, which represents 16.8% of the shares and voting rights.

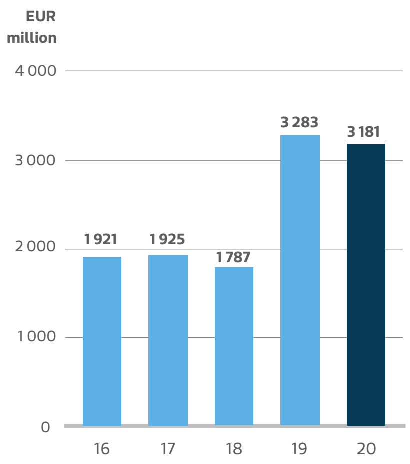
[2)] Based on the ownership records of Euroclear Finland Oy, Cevian Capital Partners Ltd's holding on 30 September 2020 was 9 381 731 shares, representing 7.9% of the shares and voting rights.

Number of shares

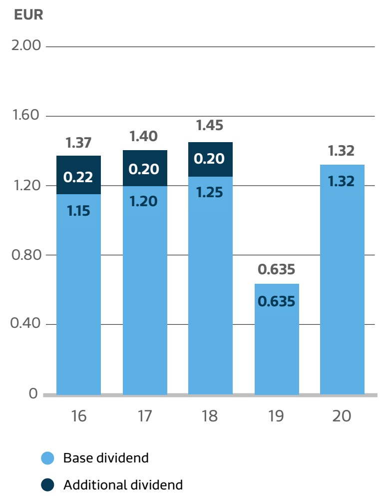
	Shareholders		Shares	
	No	%	No	%
1–100	15 532	50.2	738 690	0.6
101–500	10 560	34.2	2 676 520	2.6
501–1 000	2 471	8.0	1 886 009	1.6
1 001–5 000	1 961	6.3	4 112 270	3.5
5 001–10 000	189	0.6	1 333 220	1.1
10 001–50 000	154	0.5	3 400 235	2.9
50 001–100 000	22	0.1	1 617 580	1.4
100 001–500 000	21	0.1	5 580 302	4.7
500 001–	10	0.0	97 070 385	82.0

Based on the ownership records of Euroclear Finland Oy.

MARKET CAPITALIZATION



DIVIDEND / SHARE, EUR



Dividend

The distributable funds of the parent company amount to EUR 1 786.2 million, of which net profit for 2020 amounts to EUR 55.4 million. The Board of Directors proposes to the Annual General Meeting that for the financial year ended on 31 December 2020, a dividend of EUR 1.32 per share be paid from the distributable profits of the company. The Board of Directors proposes that the dividend shall be paid in two instalments:

- The first dividend instalment of EUR 0.66 per share shall be paid to shareholders who on the record date for the dividend payment on 29 March 2021 are recorded in the shareholders' register held by Euroclear Finland Oy or the registers of Euroclear Sweden AB or Verdipapirsentralen ASA (VPS).
- The second dividend instalment of EUR 0.66 per share shall be paid to shareholders who on the record date for the dividend payment on 27 September 2021 are recorded in the shareholders' registers.

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

Events after the period

On 15 February, TietoEVRY announced that it has reached an agreement with Aucerna, a Quorum Software affiliate, to sell its Oil & Gas software business. The divestment is part of the company's strategy to seek focus and scale. Through this transaction, the Oil & Gas software business will have greater global market reach and growth opportunities. TietoEVRY's Oil & Gas software business comprises hydrocarbon management, personnel and material logistics software and related services with installations in more than 50 countries. Revenue of the businesses to be divested amounted to around EUR 50 million in 2020 and the number of employees is around 430.

The agreement was reached at an enterprise value of EUR 155 million, implying an EV/ Revenue multiple of approximately 3.2. The Oil & Gas software business is reported as part of the Industry Software segment in the financial statement. The company anticipates that the transaction, subject to the approval of the competition authorities, will be concluded before summer 2021.

Full-year outlook for 2021

TietoEVRY expects its organic[1)] growth to be -1% to +2%[2)] (revenue in 2020: EUR 2 786.4 million). The company estimates its full-year adjusted operating margin (adjusted EBITA)[3)] to increase to 13–14% (12.7% in 2020).

[1)] Adjusted for currency effects, acquisitions and divestments
[2)] High dependency on the Covid-19 pandemic development. Assuming normal business environment from the third quarter of 2021.
[3)] Adjusted EBITA is fully comparable with the previous definition of adjusted EBIT. According to both definitions, amortization of acquisition-related intangible assets, restructuring costs, capital gains/losses, impairment charges and other items affecting comparability are excluded – whereas amortization of other intangible assets is included.

Financial reporting in 2021

25 March	Annual General Meeting

TietoEVRY will publish three interim reports in 2021:

29 April	Interim report 1/2021 (8.00 am EET)
20 July	Interim report 2/2021 (8.00 am EET)
26 October	Interim report 3/2021 (8.00 am EET)

Alternative performance measures

Calculation of alternative performance measures

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

Adjusted earnings per share	=	Net profit for the period excluding adjustments, net of tax / Weighted average number of shares	
Adjustments	=	Amortization of acquisition-related intangible assets + restructuring costs + capital gains/losses + goodwill impairment charges + other items affecting comparability	
Operating profit (EBIT)	=	Net profit + interests + taxes	
Operating margin (EBIT), %	=	Operating profit (EBIT) / Revenue	
Adjusted operating profit (EBIT)	=	Operating profit (EBIT) + adjustments	
Adjusted operating margin (EBIT), %	=	Adjusted operating profit (EBIT) / Revenue	

Equity per share	=	Total equity / Number of shares at the year-end	
Capital expenditure	=	Acquisitions of intangible assets and property, plant and equipment	
Acquisitions	=	Acquisitions of subsidiaries and business operations, net of cash acquired	
Return on equity, 12-month rolling, %	=	Profit before taxes and non-controlling interests – income taxes / Total equity (12-month average)	* 100
Return on capital employed, 12-month rolling, %	=	Profit before taxes + interest and other financial expenses / Total assets – non-interest-bearing liabilities (12-month average)	* 100
Equity ratio, %	=	Total equity / Total assets – advance payments	* 100
Interest-bearing net debt	=	Interest-bearing liabilities – interest-bearing receivables – cash and cash equivalents	
Gearing, %	=	Interest-bearing net debt / Total equity	* 100

Adjusted operating profit (EBIT) by segment

EUR million	2020	2019[1)]	Change %
Digital Consulting	92.8	49.1	89
Cloud & Infra	93.5	74.1	26
Industry Software	91.5	41.2	> 100
Financial Services Solutions	54.4	27.1	> 100
Product Development Services	18.0	15.1	20
Other	4.8	-7.1	> 100
Group total	**355.0**	**199.4**	**78**

Adjusted operating margin (EBIT) by segment

%	2020	2019[1)]	Change pp
Digital Consulting	14.0	11.3	3
Cloud & Infra	10.0	12.7	-3
Industry Software	18.3	11.1	7
Financial Services Solutions	13.0	17.9	-5
Product Development Services	12.7	10.5	2
Adjusted operating margin (EBIT)	**12.7**	**11.5**	**1**

Reconciliation of adjusted operating profit (EBIT)

EUR million	2020	2019[1)]
Operating profit (EBIT)	146.7	126.8
+ restructuring costs	1.2	27.9
- capital gains	-1.0	—
+/- M&A related items	—	24.8
+ IBM partner agreement	35.6	2.7
+ TietoEVRY integration	84.5	4.9
+ SmartUtilities	40.5	—
+ amortization of acquisition-related intangible assets	45.5	8.0
+/- other items	2.0	4.2
Adjusted operating profit (EBIT)	**355.0**	**199.4**

[1)] 2019 comparative figures have been restated to reflect changes in amortizations due to updated valuations of the identified intangible assets in the EVRY merger, impact in operating profit of EUR -0.5 million. More information in **Note 26**. In addition, the Group has reclassified EUR 3.1 million foreign currency exchange gains and losses related to EVRY from financial items to materials and services.

CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

Income Statement

EUR million	Note	2020	2019[1)]
Revenue	5, 6	2 786.4	1 734.0
Other operating income	7	11.6	16.9
Materials and services		-688.7	-295.0
Employee benefit expenses	8	-1 485.6	-989.7
Depreciation and amortization	11, 12, 20	-175.8	-106.6
Impairment losses	11, 12, 20	-29.7	-3.1
Other operating expenses	7	-272.9	-235.4
Share of results in joint ventures	28	1.5	5.7
Operating profit (EBIT)		**146.7**	**126.8**
Interest and other financial income	21	2.2	2.3
Interest and other financial expenses	21	-27.4	-15.3
Net foreign exchange gains/losses	21	0.8	-13.0
Profit before taxes		**122.4**	**100.8**
Income taxes	9	-27.9	-22.0
Net profit for the financial year		**94.5**	**78.7**
Net profit for the financial year attributable to			
Owners of the Parent company		94.5	78.7
Non-controlling interest		0.0	0.0
		94.5	**78.7**
Earnings per share attributable to owners of the Parent company, EUR per share	10		
Basic		0.80	1.02
Diluted		0.80	1.02

Statement of other comprehensive income

EUR million	Note	2020	2019[1)]
Net profit for the financial year		94.5	78.7
Items that may be reclassified subsequently to profit or loss			
Translation differences		-82.8	44.7
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of the defined benefit plans	15	0.3	-11.3
Income tax related to remeasurements	9	-0.1	2.3
Total comprehensive income		**11.9**	**114.4**
Total comprehensive income attributable to			
Owners of the Parent company		11.9	114.4
Non-controlling interest		0.0	0.0
		11.9	**114.4**

[1)] 2019 comparative figures have been restated to reflect changes in amortizations due to updated valuations of the identified intangible assets in the EVRY merger, impact in operating profit of EUR -0.5 million. More information in **note 26**. In addition, the Group has reclassified EUR 3.1 million foreign currency exchange gains and losses related to EVRY from financial items to materials and services.

Notes are an integral part of these consolidated financial statements.

Statement of financial position

Assets

EUR million	Note	31 Dec 2020	31 Dec 2019[1)]
Non-current assets			
Goodwill	11, 28	1 974.4	2 023.1
Other intangible assets	11	384.9	440.1
Property, plant and equipment	12	96.9	111.2
Right-of-use assets	20	231.7	289.1
Interests in joint ventures	28	19.7	23.1
Deferred tax assets	9	35.6	53.2
Finance lease receivables	20, 22	2.9	3.8
Other financial assets at amortized cost	22	12.8	10.3
Other financial assets at fair value	22	0.6	0.6
Other non-current receivables	14	21.8	37.6
Total non-current assets		**2 781.3**	**2 992.0**
Current assets			
Inventories	13	4.9	5.2
Trade and other receivables	14	516.9	625.0
Financial assets at fair value	22	35.9	13.6
Finance lease receivables	20	2.3	1.8
Current tax assets		11.3	15.7
Cash and cash equivalents	24	252.3	164.6
Total current assets		**823.5**	**826.0**
Assets held for sale	26	—	15.6
Total assets		**3 604.8**	**3 833.7**

Equity and liabilities

EUR million	Note	31 Dec 2020	31 Dec 2019[1)]
Equity			
Share capital	25	76.6	76.6
Share premium and other reserves	25	42.1	40.9
Invested unrestricted equity reserve	25	1 203.5	1 203.5
Retained earnings	25	304.1	366.1
Equity attributable to owners of the Parent company		**1 626.2**	**1 687.1**
Non-controlling interest		0.0	0.0
Total equity		**1 626.2**	**1 687.2**
Non-current liabilities			
Loans	19, 22	885.9	591.5
Lease liabilities	19, 20, 22	171.0	222.9
Deferred tax liabilities	9	19.8	32.7
Provisions	16	3.2	9.1
Defined benefit obligations	15	38.3	41.6
Other non-current liabilities	17	34.2	36.7
Total non-current liabilities		**1 152.5**	**934.5**
Current liabilities			
Trade and other payables	17	660.4	719.4
Financial liabilities at fair value	22	2.9	19.0
Current tax liabilities		5.5	8.0
Loans	19, 22	39.6	372.6
Lease liabilities	19, 20, 22	72.1	75.4
Provisions	16	45.6	15.3
Total current liabilities		**826.1**	**1 209.8**
Liabilities attributable to assets held for sale	26	—	2.2
Total equity and liabilities		**3 604.8**	**3 833.7**

[1)] 2019 comparative figures have been restated due to finalized accounting of the EVRY merger. More information in **note 26**.

Notes are an integral part of these consolidated financial statements.

Statement of cash flows

EUR million	Note	2020	2019
Cash flow from operating activities			
Net profit for the financial year		94.5	78.7
Adjustments			
Depreciation, amortization and impairment losses	11, 12, 20	205.5	109.7
Profit/loss on sale of property, plant and equipment, subsidiaries and business operations		-1.2	—
Share of results in joint ventures	28	-1.5	-5.7
Other adjustments		8.6	28.9
Net financial expenses	21	24.4	23.0
Income taxes	9	27.9	22.0
Change in net working capital			
Change in current receivables		89.6	12.9
Change in current non-interest-bearing liabilities		-22.4	53.7
Cash generated from operating activities before interests and taxes		**425.3**	**323.3**
Interest received		2.2	2.2
Interest paid		-21.4	-12.2
Other financial income received		55.5	7.8
Other financial expenses paid		-82.3	-15.1
Dividends received	28	4.3	3.6
Income taxes paid		-28.9	-31.4
Cash flow from operating activities		**354.7**	**278.4**

EUR million	Note	2020	2019
Cash flow from investing activities			
Acquisition of subsidiaries and business operations, net of cash acquired	26	-0.6	-175.7
Repayment of EVRY loans		—	-534.2
Capital expenditure	11, 12	-83.5	-51.4
Disposal of subsidiaries and business operations, net of cash disposed	26	16.3	0.3
Proceeds from sale of property, plant and equipment		2.7	0.1
Change in loan receivables		-0.2	-1.4
Cash flow from investing activities		**-65.3**	**-762.4**
Cash flow from financing activities			
Dividends paid		-75.3	-107.4
Repurchase of own shares		-0.9	—
Repayments of lease liabilities	19, 20	-70.6	-50.3
Bridge loan related to merger	19	-300.0	300.0
Repayment of bond	19	—	-100.0
Other short-term financing, net	19	-42.6	40.7
Proceeds from long-term borrowings	19	297.4	400.0
Cash flow from financing activities		**-191.9**	**483.0**
Change in cash and cash equivalents		**97.5**	**-1.0**
Cash and cash equivalents at the beginning of period	24	164.6	164.6
Foreign exchange differences		-9.9	1.0
Change in cash and cash equivalents		97.5	-1.0
Cash and cash equivalents at the end of period		**252.3**	**164.6**

Notes are an integral part of these consolidated financial statements.

Statement of changes in shareholders' equity

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

1) 2019 comparative figures have been restated due to finalized accounting of the EVRY merger. This has had an effect on translation differences in equity due to currency allocation and on retained earnings. More information in **note 26**.

EUR million	Note	Owners of the Parent company: Share capital	Share premium and other reserves	Own shares	Translation differences	Cash flow hedges	Invested unrestricted equity reserve	Retained earnings	Total	Non-controlling interest	Total equity
31 Dec 2018		**76.6**	**41.5**	**-5.1**	**-93.3**	**—**	**12.8**	**450.1**	**482.5**	**0.0**	**482.5**
Comprehensive income											
Net profit for the financial year[1)]		—	—	—	—	—	—	78.7	78.7	0.0	78.7
Other comprehensive income, net of tax											
Remeasurements of the defined benefit plans, net of tax		—	—	—	—	—	—	-9.0	-9.0	—	-9.0
Translation differences[1)]		—	-0.6	—	43.1	—	—	2.2	44.7	—	44.7
Cash flow hedges, net of tax		—	—	—	—	-4.3	—	—	-4.3	—	-4.3
Transfer of cash flow hedging losses to the initial carrying amount of the hedged item		—	—	—	—	4.3	—	—	4.3	—	4.3
Total comprehensive income		**—**	**-0.6**	**—**	**43.1**	**—**	**—**	**71.9**	**114.4**	**0.0**	**114.4**
Merger	26										
Merger consideration		—	—	—	—	—	1 194.8	—	1 194.8	—	1 194.8
Transaction costs on share issue		—	—	—	—	—	-4.1	—	-4.1	—	-4.1
Vested portion of share-based payment awards related to the merger		—	—	—	—	—	—	6.7	6.7	—	6.7
Total merger		**—**	**—**	**—**	**—**	**—**	**1 190.7**	**6.7**	**1 197.4**	**—**	**1 197.4**
Transactions with owners											
Contributions and distributions											
Share-based incentive plans	8	—	—	2.2	—	—	—	-2.3	-0.1	—	-0.1
Dividends		—	—	—	—	—	—	-107.2	-107.2	—	-107.2
Total transactions with owners		**—**	**—**	**2.2**	**—**	**—**	**—**	**-109.5**	**-107.3**	**—**	**-107.3**
31 Dec 2019		**76.6**	**40.9**	**-2.9**	**-50.2**	**—**	**1 203.5**	**419.3**	**1 687.1**	**0.0**	**1 687.2**

1) 2019 comparative figures have been restated due to finalized accounting of the EVRY merger. This has had an effect on translation differences in equity due to currency allocation and on retained earnings. More information in **note 26**.

Notes are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

1. Corporate information

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

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

Tieto and EVRY merged on 5 December 2019 and the consolidated financial statements of the Group include EVRY from that date onwards. Therefore, the historical financial information of Tieto does not give a comparable base for financial information of the present combined company.

More information of the merger is disclosed in **note 26**.

The Board of Directors approved these consolidated financial statements on 16 February 2021. According to the Limited Liability Companies Act, the shareholders have the right at the Annual General Meeting to either approve, amend or reject the consolidated financial statements after the publication.

BASIS OF PREPARATION

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

2. Principal accounting policies

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

Consolidation principles

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

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

Foreign currency transactions

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in euros, which is the Parent company's functional and presentation currency.

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

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

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

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

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

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

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

3. Adoption of new and amended IFRS standards and interpretations

The following amendments to IFRS standards have become effective on 1 January 2020. They have not had any material impact on the disclosures or on the amounts reported in these financial statements.

- Covid-19 -related rent concessions amendment to IFRS 16
- Amendments to IFRS 3 Definition of a business
- Amendments to IAS 1 and IAS 8 Definition of material
- Interest rate benchmark reform amendments to IFRS 9 and IFRS 7
- Amendments to references to the conceptual framework in IFRS standards

New and revised IFRS standards in issue but not yet effective

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

- IFRS 10 and IAS 28 (amendments): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IAS 1 Classification of Liabilities as Current or Non-current
- Amendments to IFRS 3 Reference to the Conceptual Framework
- Amendments to IAS 16 Property, Plant and Equipment—Proceeds before Intended Use
- Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract
- Annual Improvements to IFRS Standards 2018–2020 Cycle Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2
- IFRS 17 Insurance Contracts
- Amendments to IFRS 4 – deferral of IFRS 9

4. Use of judgements and estimates

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

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

Accounting principle	Estimates made	Judgement applied	Note
Valuation of assets acquired and liabilities assumed in business combination	X		26
Valuation and allocation of goodwill	X	X	11
Provisions	X		16
Deferred taxes	X		9
Leases		X	20

4.1 Impacts of Covid-19

In 2020, Covid-19 pandemic has had a negative impact on the Group revenue. The impact has been most visible in Digital Consulting and Product Development Services. Covid-19-related cost savings has comprised both non-personnel-related activities such as reduced travelling and training as well as temporary layoffs in the areas where TietoEVRY has experienced a temporary decline in demand. The Group has received Covid-19 related government subsidies in the Nordic countries.

Covid-19 is expected to continue to impact during the first half of 2021 which has been taken into account in the value-in-use calculations (see **note 11** for valuation of goodwill) and in the rates used for expected credit loss provision calculation in different ageing categories (See **note 14** for valuation of accounts receivables).

PERFORMANCE FOR THE YEAR

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

5. Segment information

TietoEVRY Group comprises six operating segments: Digital Consulting, Cloud & Infra, Industry Software, Financial Services Solutions, International Operations and Product Development Services. The operating segments are reported separately, except for International Operations which is included in Other due to its smaller size. The new operating model took effect on 1 January 2020 and the comparative information has been restated accordingly.

ACCOUNTING POLICIES

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

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

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

The reportable segments comprise the following services:

Digital Consulting

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

Cloud & Infra

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

Industry Software

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

Financial Services Solutions

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

Product Development Services

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

Other consists of International Operations, including services outside the Nordics and to non-Nordic markets from India and Ukraine, and unallocated Group costs.

Disaggregation of customer revenue by segment

EUR million	2020	2019	Change %
Digital Consulting	662.0	436.3	52
Cloud & Infra	931.6	584.7	59
Industry Software	501.1	371.2	35
Financial Services Solutions	418.8	151.8	> 100
Product Development Services	142.4	143.5	-1
Other	130.5	46.5	> 100
Group total	**2 786.4**	**1 734.0**	**61**

Customer revenue by country[1)]

EUR million	2020	2019	Change %
Finland	684.7	688.1	—
Sweden	1 000.3	670.6	49
Norway	800.6	162.4	> 100
Other	300.8	212.9	41
Group total	**2 786.4**	**1 734.0**	**61**

[1)] TietoEVRY has changed the basis for presenting the customer revenue by country due to the new operating model. The distribution of revenue by country is based on the location of the customer. Strategic multi-country customer is reported in one country based on the primary location of customer engagement. Comparative information is restated accordingly.

Customer revenue from fixed-price contracts by segment[1)]

EUR million	2020	2019
Digital Consulting	19.0	14.1
Cloud & Infra	8.5	1.6
Industry Software	6.3	7.2
Financial Services Solutions	15.1	9.4
Product Development Services	4.6	4.8
Other	0.8	0.4
Group total	**54.2**	**37.5**

[1)] Identification of fixed-priced projects has been reviewed and comparative information has been adjusted.

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

Operating profit (EBIT) by segment

EUR million	2020	2019[1)]	Change %
Digital Consulting	70.8	30.1	> 100
Cloud & Infra	36.6	56.4	-35
Industry Software	38.8	37.1	5
Financial Services Solutions	10.0	24.2	-59
Product Development Services	17.7	14.5	22
Other	-27.2	-35.4	23
Group total	**146.7**	**126.8**	**16**

[1)] Restated due to finalized accounting of the EVRY merger. More information in **note 26**.

Operating margin (EBIT) by segment

%	2020	2019[1)]	Change pp
Digital Consulting	10.7	6.9	4
Cloud & Infra	3.9	9.6	-6
Industry Software	7.7	10.0	-2
Financial Services Solutions	2.4	15.9	-14
Product Development Services	12.4	10.1	-2
Operating margin (EBIT)	**5.3**	**7.3**	**-2**

[1)] Restated due to finalized accounting of the EVRY merger. More information in **note 26**.

Personnel by segment[1)]

	End of period		Average
	2020	Share %	2020[2)]
Digital Consulting	6 220	26	6 398
Cloud & Infra	4 795	20	4 726
Industry Software	3 452	15	3 509
Financial Services Solutions	2 885	12	2 890
Product Development Services	1 643	7	1 639
Other	4 637	20	4 626
Group total	**23 632**	**100**	**23 788**

1) 2019 comparative information not available.
2) Average represents period June–December 2020 in alignment with the new reporting structure.

Personnel by country

	End of period				Average	
	2020	Change %	Share %	2019[1)]	2020[2)]	2019[1)]
Sweden	4 377	-8	19	4 780	4 397	3 224
Norway	4 513	2	19	4 427	4 450	930
India	4 173	-1	18	4 221	4 203	2 872
Finland	3 042	-7	13	3 261	3 183	3 291
Czech Republic	2 457	-1	10	2 482	2 458	2 533
Ukraine	1 837	-6	8	1 961	1 876	199
Latvia	957	7	4	896	942	703
Poland	750	-1	3	758	732	696
China	445	-2	2	452	431	482
Estonia	290	-4	1	303	303	295
Austria	184	5	1	175	180	170
Lithuania	104	—	—	104	103	110
Other	502	—	2	502	530	447
Group total	**23 632**	**-3**	**100**	**24 322**	**23 788**	**15 950**
Onshore countries	12 407	-4	53	12 940	12 532	7 862
Offshore countries	11 225	-1	47	11 383	11 256	8 088
Group total	**23 632**	**-3**	**100**	**24 322**	**23 788**	**15 950**

1) 1–12/2019 personnel figures for EVRY increased by 326 due to alignment of the definitions. Contingency workers in Ukraine are included in the personnel figures.
2) Average represents period June–December 2020 in alignment with the new reporting structure.

Non-current assets by country

EUR million	31 Dec 2020	31 Dec 2019	Change %
Finland	100.7	131.0	-23
Sweden[1)]	142.9	155.8	-8
Norway[1)]	427.2	497.6	-14
Other	42.7	55.9	-24
Group total	**713.5**	**840.4**	**-15**

1) 31.12.2019 restated due to finalized accounting of the EVRY merger. More information in **note 26**.

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

Depreciation by segment

EUR million	2020	2019	Change %
Digital Consulting	4.8	2.9	65
Cloud & Infra	44.0	41.2	7
Industry Software	1.9	1.6	18
Financial Services Solutions	3.8	0.7	> 100
Product Development Services	0.3	0.3	-10
Other	60.2	41.5	45
Group total	**115.0**	**88.1**	**30**

Amortization on other intangible assets by segment

EUR million	2020	2019	Change %
Digital Consulting	0.1	0.1	97
Cloud & Infra	6.5	9.0	-28
Industry Software	2.4	0.4	> 100
Financial Services Solutions	3.8	0.4	> 100
Product Development Services	—	—	—
Other	2.5	0.5	> 100
Group total	**15.3**	**10.4**	**46**

Amortization of acquisition-related intangible assets by segment

EUR million	2020	2019[1)]	Change %
Digital Consulting	10.0	2.1	> 100
Cloud & Infra	8.3	0.8	> 100
Industry Software	6.5	2.1	> 100
Financial Services Solutions	20.7	3.0	> 100
Product Development Services	—	—	—
Other	—	—	—
Group total	**45.5**	**8.0**	**> 100**

[1)] Restated due to finalized accounting of the EVRY merger. More information in **note 26**.

6. Revenue

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

ACCOUNTING POLICIES

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

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

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

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

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

For contracts comprising fixed-price projects, revenue is recognized based on the actual service provided by the reporting date as a proportion of the total services to be provided. This is determined based on the cost of actual labour hours spent relative to the total expected cost of labour hours, as it best depicts the transfer of control to the customer. Estimates of revenues, costs or progress towards completion are revised if circumstances change and any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by the management. Invoicing and customer payments in the fixed-price projects follow the payment schedule defined in the customer contract. If the services rendered by the Group exceed the payment, a contract asset is recognized, and if the payments exceed the services rendered, a contract liability is recognized. Share of revenue from fixed-priced projects is not material from the total Group revenue.

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

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

Where the contracts include multiple performance obligations, the transaction price is allocated to each performance obligation based on the stand-alone selling prices, which are observable from the contracts and represent prices for services rendered in similar circumstances to similar customers. Revenue from contracts granting a discount retrospectively to the customer is recognized based on the price specified in the contract, net of the estimated discounts. Discounts are estimated based on management's experience of the earlier purchases of the customers under similar contracts.

This estimation is regularly updated during the contract period. Revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

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

In agreements where customer disputes are settled, management judgement is applied in determining whether the settlement consideration is a variable transaction price and, thus, reduced from revenues, or whether it is a compensation for damage and accounted for as a cost.

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

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

Assets and liabilities related to contracts with customers

EUR million	Note	31 Dec 2020	31 Dec 2019	1 Jan 2019
Trade receivables[1)]	14	358.9	443.5	293.9
Contract assets	14	50.1	68.3	39.6
Contract liabilities	17	56.3	41.9	30.5

[1)] 31.12.2019 restated due to finalized accounting of the EVRY merger. More information in **note 26**.

Revenue recognized in relation to contract liabilities

EUR million	2020	2019
Revenue recognized from the opening value of contract liabilities	28.8	33.0

Unsatisfied fixed-price contracts[1)]

EUR million	2020	2019
Transaction price allocated to fixed price contracts that are partially or fully unsatisfied on 31 Dec	76.8	54.3

[1)] Projects included in the table above have been reviewed and comparative information has been adjusted.

It is expected that 64% of the transaction price allocated to the fixed-price contracts as of 31 Dec 2020 will be recognized as revenue during 2021 (EUR 48.8 million). The remaining 36% (EUR 28.0 million) will be recognized in 2022 or later reporting periods. All other contracts with the customers are for periods of one year or less or are billed based on time incurred or products or services delivered. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Assets recognized from costs to fulfil a contract

EUR million	2020	2019
Capitalized set-up costs on 31 Dec	25.0	21.7
Amortization of capitalized set-up costs	8.3	1.5

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

7. Other operating income and expenses

Other operating income includes income other than that associated with the principal activities of TietoEVRY, such as foreign exchange gains on derivatives and rental income. Other operating expenses mainly relates to software-related rents, licences and maintenance as well as information and communication technology (ICT) costs and premises related costs.

ACCOUNTING POLICIES

Government grants

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

Research and development costs

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

Other operating income

EUR million	2020	2019
Gain on sale of property, plant and equipment	0.3	—
Gain on sale of subsidiaries and business operations	1.0	—
Rental income	1.0	1.3
Government grants released	0.9	0.6
Change in fair value of derivatives	0.8	5.7
Decrease of contingent considerations	—	2.6
Joint venture management fees	3.5	3.6
Other	4.2	3.0
Total	**11.6**	**16.9**

Other operating expenses

EUR million	2020	2019
Rents, licences and maintenance related to software	79.2	67.3
Data and phone communication	12.9	11.0
ICT purchases and services	44.9	38.9
Advertising and marketing	7.9	6.5
Travelling	6.9	16.9
Training	3.1	6.1
Consulting	32.1	32.2
Fees to auditors	2.1	1.9
Premises related costs	47.9	32.0
Foreign exchange losses on derivatives	4.5	1.0
Other operating expenses	31.4	21.6
Total	**272.9**	**235.4**

Development costs

TietoEVRY's offering development costs amounted to around EUR 135 (80) million, representing 4.8% (4.6) of the Group's revenue. Of these costs, EUR 51.0 (17.0) were capitalized. In 2020, the focus was on Industry Software, especially solutions for Health & Care and Financial Services. Additionally, the costs for internal development, e.g. automation in infrastructure services, are included in this amount.

Fees to auditors

EUR million	2020 Deloitte	2019 Deloitte
Audit fees	1.3	0.9
Audit related[1)]	0.1	0.7
Tax advisory	0.1	0.2
Other services	0.5	0.1
Total	**2.0**	**1.9**

[1)] In 2019, audit related services included auditors reports and statement on TietoEVRY merger.

8. Employee expenses

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

ACCOUNTING POLICIES

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

Share-based incentive plans

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

Employee expenses

EUR million	2020	2019
Wages and salaries	1 122.3	738.9
Termination benefits	25.1	2.6
Post-employment benefits		
Defined contribution plans	96.6	73.3
Defined benefit plans	2.9	1.2
Other statutory social costs	198.9	138.7
Share-based payments	8.6	2.4
Other personnel expenses	31.1	32.6
Total	**1 485.6**	**989.7**

In 2020, the Group announced integration related restructuring measures including employee consultation processes with labour unions. These mainly concerned Sweden, Norway, Finland and India.

Management remuneration

	2020		2019	
EUR thousand	President and CEO	Leadership team	President and CEO	Leadership team
Salaries and benefits	807.0	3 652.7	713.2	3 193.5
Bonuses	1 511.1	2 392.3	1 114.1	2 553.4
Share-based payments	771.8	1 547.0	309.6	629.9
Statutory pensions	200.2	595.0	132.8	444.6
Supplementary pensions	121.1	261.2	105.3	389.9
Total	**3 411.2**	**8 448.2**	**2 375.0**	**7 211.3**

The President and CEO, Kimmo Alkio is entitled to a bonus corresponding maximum of 150% of base salary based on the Group's external revenue, profit and achievement of strategic goals when achievements exceed the targets set. The annual contribution for the President and CEO's supplementary pension arrangement is 23% of the annual base salary. The President and CEO's retirement age is 63. In case his assignment is terminated, the period of notice is 12 months and the severance payment is equivalent to the base salary and the short-term target incentive for six months, in addition to the salary for the notice period. The President and CEO participates in the Long-term incentive programmes according to respective terms and conditions decided by the Board of Directors. In 2020, after deductions for applicable taxes, a total of 13 947 (12 236) shares were delivered to the President and CEO.

The other Leadership team members are entitled to a bonus corresponding maximum of 100% of base salary based on their individual goals when achievements exceed the targets set. The annual contribution for the Leadership team members' supplementary pension arrangement is 15% of the annual base salary. The retirement age of the Leadership team members is according to national legislation. The termination terms vary and the amounts correspond to the periods of notice. The Leadership team members participate in the Long-term incentive programmes according to respective terms and conditions decided by the Board of Directors. In 2020, after deductions for applicable taxes, a total of 34 344 (26 817) shares were delivered to the Leadership team members.

Remuneration for the Board of Directors

EUR thousand	2020	2019
Board members at 31 Dec 2020		
Tomas Franzén, Chairperson Board and RC	160.2	56.4
Salim Nathoo, Deputy Chairperson	113.3	21.7
Timo Ahopelto	81.4	60.4
Liselotte Hägertz Engstam	77.4	60.4
Harri-Pekka Kaukonen, Chairperson ARC	105.4	79.6
Endre Rangnes	78.2	65.2
Niko Pakalén	82.2	55.6
Rohan Haldea	78.5	13.5
Katharina Mosheim[1)]	62.6	—
Leif Teksum	90.9	15.1
Tommy Sander Aldrin, personnel rep.	26.2	—
Ola Hugo Jordhøy, personnel rep.	26.2	—
Anders Palklint, personnel rep.	26.2	—
Ilpo Waljus, personnel rep.	26.2	—
Total	**641.3**	**613.5**

[1)] From 29 April 2020

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

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

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

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

The Shareholders' Nomination Board based on shareholdings as at 31 August 2020 consisted of the following representatives announced by TietoEVRY’s shareholders:

- Petter Söderström, Investment Director, Solidium Oy
- Gabriele Cipparrone, Partner, Apax Partners LLP
- Gustav Moss, Vice President, Cevian Capital AB
- Mikko Mursula, Chief Investment Officer, Ilmarinen Mutual Pension Insurance Company
- Tomas Franzén, Chairperson of the Board of Directors, TietoEVRY Corporation.

Share-based incentive plans

The aim of TietoEVRY's share-based incentive plans is to align the objectives of shareholders and key employees in order to increase the value of the company in the long-term. At the end of 2020, TietoEVRY's share-based incentive plans included Performance Share Plans 2018–2020, 2019–2021 and 2020–2022 as well as Restricted Share Plans 2018–2020, 2019–2021 and 2020–2022. The rewards from the plans will be paid partly in the company's shares and partly in cash. The cash proportion is intended to cover taxes and tax-related costs arising from the reward.

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

The Performance Share Plan 2017–2019 and the Restricted Share Plan 2017–2019 ended in 2020. Based on the achievements of the targets a total of 199 102 gross shares were earned and of these 104 839 net shares were delivered to the participants. TietoEVRY used its treasury shares for the reward payments.

Future cash payment to be made to the tax authorities from share-based payments is estimated at the end of the period at EUR 11.1 million.

Main terms and conditions of the share-based incentive plans

	Performance Share Plan		
	2018–2020	**2019–2021**	**2020–2022**
Plan launched	22 February 2018	16 January 2019	18 December 2019
Performance Period	2018–2020	2019–2021	2020–2022
Vesting conditions	Total Shareholder Return of TietoEVRY share (TSR), strategic target related to TietoEVRY's growth (not in 2022–2022 plan) and TietoEVRY's Earnings per Share (EPS). Valid employment or director agreement of a key employee upon the reward payment.		
Exercised	In shares and cash in 2021	In shares and cash in 2022	In shares and cash in 2023
Number of participants on 31 Dec 2020	102	89	128
Other	On 31 Dec 2020, rewards to be paid correspond to the value of approximate number of 274 790 TietoEVRY gross shares.	On 31 Dec 2020, rewards to be paid correspond to the value of approximate number of 330 466 TietoEVRY gross shares.	On 31 Dec 2020, rewards to be paid correspond to the value of approximate number of 614 892 TietoEVRY gross shares.

	Restricted Share Plan		
	2018–2020	**2019–2021**	**2020–2022**
Plan launched	22 February 2018	16 January 2019	18 December 2019
Vesting period	2018–2020	2019–2021	2020–2022
Vesting conditions	Valid employment or director agreement of a key employee upon the reward payment.		
Exercised	In shares and cash in 2021	In shares and cash in 2022	In shares and cash in 2023
Number of participants on 31 Dec 2020	134	176	414
Other	On 31 Dec 2020, rewards to be paid correspond to the value of approximate number of 57 257 TietoEVRY gross shares.	On 31 Dec 2020, rewards to be paid correspond to the value of approximate number of 66 246 TietoEVRY gross shares.	On 31 Dec 2020, rewards to be paid correspond to the value of approximate number of 251 265 TietoEVRY gross shares.

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

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

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

For share plan grants made in 2020, the fair value of the part recognised into equity has been determined at grant date using the following share price and expected dividends. The part recognised into liability is based on the share price at the end of the reporting period:

- Share price at grant: EUR 24.31
- Expected dividends: EUR 5.18
- Share price at year-end: EUR 26.86

Share option programme transferred from EVRY

As part of the Merger plan, it was agreed that EVRY's incentive plans will continue and will be transformed in a value neutral way into restricted stock units or performance shares in the combined company, with equivalency on all material respects with regards to economic value, vesting conditions and other terms and conditions, taking into account the strike price of the options and by applying an option conversion ratio of 1:0.1423. Any existing right for EVRY to settle options and/or restricted stock units under the plans in cash, will continue as a right for the combined company. 46 employees were included in the programmes at 31 December 2020.

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

The rewards earned in 2019 from Long-Term Incentive Plan 2017 and Long-Term Incentive Plan 2018 were paid in 2020. Based on the achievements of the targets a total of 170 500 gross shares were earned and of these 85 565 net shares were delivered to the participants. During the lock-in period, 5 731 of the delivered shares were returned to TietoEVRY. Based on EVRY RSU STIP criteria attainment, a total of 22 907 gross shares were earned and of these 11 594 net shares were delivered to the participants. TietoEVRY used its treasury shares for the reward payments.

Future cash payment to be made to the tax authorities from share-based payments is estimated at the end of the period at EUR 2.4 million.

	Interim Restricted Share Plan (Conversion from EVRY plans)	
	Long-Term Incentive Plan 2017	Long-Term Incentive Plan 2018
Plan launched	December 2017	December 2018
Vesting period	2/3 in 2019 and 1/3 in 2020	1/3 in 2019, 1/3 in 2020 and 1/3 in 2021
Vesting conditions	Valid employment or director agreement upon the reward payment and during lock-in period. Awarded shares will be be locked in and may not be sold for 12 months following the vesting dates.	
Exercised	In shares and cash in 2020 and 2021	In shares and cash in 2020, 2021 and 2022
Number of participants on 31 Dec 2020	37	42
Other	On 31 Dec 2020, rewards to be paid correspond to the value of approximate number of 52 487 TietoEVRY gross shares.	On 31 Dec 2020, rewards to be paid correspond to the value of approximate number of 127 496 TietoEVRY gross shares.

Share-based payments included in employee benefit expenses

EUR million	2020	2019
Equity-settled share-based incentive plans	8.6	2.4
Social costs settled in cash[1)]	0.6	0.4
Total	**9.2**	**2.8**

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

9. Income taxes

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

ACCOUNTING POLICIES

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

Deferred income tax is recognized, using the liability method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements as well as on tax loss carry forwards. Deferred income tax is determined using the tax rates and laws which have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred taxes are not recognized on temporary differences related to investments in subsidiaries to the extent that they will probably not be reversed in the foreseeable future.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. The deferred tax assets and liabilities arising from consolidation are recognized in the consolidated statement of financial position if it is probable that the related tax effects will occur.

ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Income tax expense in income statement

EUR million	2020	2019
Current taxes	28.0	21.8
Change of deferred taxes[1)]	0.5	0.2
Taxes for prior years	-0.6	—
Total	**27.9**	**22.0**
Reconciliation of income tax expense		
Profit before taxes[1)]	122.4	100.8
Tax calculated at the domestic corporation tax rate of 20%	24.5	20.2
Effect of different tax rates in foreign subsidiaries	-0.5	0.8
Taxes for prior years	-0.6	—
Income not subject to tax due to tax exemption	-0.8	-0.6
Expenses not deductible for tax purposes	2.8	2.6
Realisability of deferred tax assets	0.4	-0.3
Deferred tax resulting from change in tax rate	-0.3	—
Tax on foreign dividend distribution	4.1	-0.1
Share of joint ventures´ results reported net of tax	-0.3	-1.1
Other items[1)]	-1.4	0.5
Total	**27.9**	**22.0**
Effective tax rate, %	22.8	21.8

[1)] 2019 restated due to finalized accounting of the EVRY merger. More information in **note 26**.

Deferred tax assets and deferred tax liabilities

EUR million	31 Dec 2020	31 Dec 2019[1)]
Deferred tax assets	35.6	53.2
Deferred tax liabilities	19.8	32.7
Net deferred tax liability	**15.8**	**20.5**

[1)] Restated due to finalized accounting of the EVRY merger. More information in **note 26**.

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

Movements in deferred tax assets and liabilities during the year

EUR million	1 Jan 2020	Charged to income statement	Charged to other comprehensive income	Other changes	31 Dec 2020
Deferred tax asset					
Restructuring costs	0.1	0.4	—	—	0.5
Other provisions	6.2	-1.7	—	-0.2	4.3
Employee benefits	12.7	-0.9	-0.3	0.6	12.1
Depreciation difference	15.9	-3.6	—	-0.9	11.4
Leasing	0.5	1.3	—	1.9	3.7
Other temporary difference	9.3	-1.0	-0.3	-3.3	4.7
Revenue recognition	9.6	0.1	—	-0.2	9.5
Tax losses carried forward	59.0	1.8	—	-3.4	57.4
Total gross	**113.3**	**-3.6**	**-0.6**	**-5.5**	**103.6**
Offset against deferred tax liabilities	-60.1				-68.0
Total net	**53.2**				**35.6**
Deferred tax liability					
Depreciation difference	0.2	-0.1	—	0.1	0.2
Intangible assets	79.4	-6.1	—	-1.2	72.1
Employee benefits	-1.0	—	—	1.0	—
Leasing	2.5	-0.1	—	-2.0	0.4
Untaxed reserves	6.6	-0.7	—	7.1	13.0
Other temporary difference	5.1	3.9	—	-6.9	2.1
Total gross	**92.8**	**-3.1**	**—**	**-1.9**	**87.8**
Offset against deferred tax assets	-60.1				-68.0
Total net	**32.7**				**19.8**
Net deferred tax liability	**20.5**	**-0.5**	**-0.6**	**-3.6**	**15.8**

On 31 Dec 2020, the group´s unused tax loss carry forwards amounted to EUR 263.0 (269.0) million pertaining deferred tax asset of EUR 57.4 (59.0) million. These losses relate mainly to Norway and Sweden and have no expiry date. Based on profit forecasts, it is probable that there will be sufficient future taxable profits available against which these tax losses can be utilized.
On 31 Dec 2020, the group had tax loss carry forwards amounting to EUR 3.9 (8.7) million pertaining deferred tax asset of EUR 0.9 (2.1) million, which were not recognized due to uncertainty of utilization.

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

EUR million	1 Jan 2019	Charged to income statement	Charged to other comprehensive income	Acquisitions and disposals[1)]	Other changes	31 Dec 2019[1)]
Deferred tax asset						
Restructuring costs	0.8	-0.7	—	—	—	0.1
Other provisions	1.8	-0.2	—	4.6	—	6.2
Employee benefits	3.1	1.4	-0.2	8.4	—	12.7
Depreciation difference	9.7	-2.1	—	7.7	0.6	15.9
Leasing	—	0.5	—	—	—	0.5
Other temporary difference	3.2	-1.2	—	7.1	0.2	9.3
Revenue recognition	—	—	—	9.6	—	9.6
Fair value adjustment	0.2	-0.2	0.2	—	-0.2	—
Tax losses carried forward	4.8	-0.7	—	53.5	1.4	59.0
Offset against deferred tax liabilities	—	—	—	-60.1	—	-60.1
Total	**23.6**	**-3.2**	**—**	**30.8**	**2.0**	**53.2**
Deferred tax liability						
Depreciation difference	0.1	—	—	—	0.1	0.2
Intangible assets	24.2	-1.6	—	56.6	0.2	79.4
Employee benefits	1.1	0.4	-2.5	—	—	-1.0
Leasing	0.1	0.4	—	2.0	—	2.5
Untaxed reserves	7.2	-0.7	—	—	0.1	6.6
Other temporary difference	5.3	-1.5	—	1.7	-0.4	5.1
Offset against deferred tax assets	—	—	—	-60.1	—	-60.1
Total	**38.0**	**-3.0**	**-2.5**	**0.2**	**—**	**32.7**
Net deferred tax liability	**-14.4**	**-0.2**	**2.5**	**30.6**	**2.0**	**20.5**

1) Restated due to finalized accounting of the EVRY merger. More information in **note 26**.

10. Earnings per share

The total number of TietoEVRY's shares is 118 425 771. The number of shares increased in the end of 2019 due to the 44 316 519 new shares issued as part of the merger consideration to EVRY's shareholders.

ACCOUNTING POLICIES

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

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

	2020	**2019**
Net profit for the financial year attributable to owners of the Parent company (EUR million)[1)]	94.5	78.7
Earnings per share (EUR)		
Basic	0.80	1.02
Diluted	0.80	1.02
Weighted average number of shares during the year		
Basic	118 378 269	77 193 387
Effect of dilutive share-based incentive plans	219 550	283 550
Diluted	118 597 819	77 476 937

[1)] Restated due to finalized accounting of the EVRY merger. More information in **note 26**.

INVESTED CAPITAL AND WORKING CAPITAL ITEMS

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

11. Intangible assets and impairment testing of goodwill

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

ACCOUNTING POLICIES

Other intangible assets than goodwill are recognized initially at cost. An intangible asset is recognized only if it is probable that the future economic benefits attributable to the asset will flow to the Group and the cost of the asset can be measured reliably. All other costs are expensed as incurred. After initial recognition, intangible assets are measured at cost less amortizations and accumulated impairment losses. Intangible assets are amortized over their useful lives with the straight-line method. Assets that are subject to amortization are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the carrying amount of the intangible asset exceeds its recoverable amount, an impairment loss equal to the difference is recognized in profit or loss.

Internally developed software

Development costs related to major new software products are capitalized as intangible assets when it is probable that the development will generate future economic benefits for the Group, and certain criteria related to commercial and technological feasibility are met. Development projects are analysed individually to determine the moment when the project has reached a milestone after which capitalization of development costs can start. Capitalization is subject to CFO's approval. Only costs which are directly attributable to the development are capitalised. Subsequent to initial recognition, these costs are measured at cost less accumulated amortization and impairment losses. Amortization period for the internally developed software depends on the technology renewal cycle and contract duration.

Internally developed software for which amortizations have not yet started are tested for impairment on annual basis by comparing the assets' carrying amount with its recoverable amount. If the carrying amount exceeds the recoverable amount, an impairment loss equal to the difference is recognized in profit or loss.

Intangible assets recognised from acquisitions

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

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

The Group applies the following useful lives:

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

Goodwill

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

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

ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

TietoEVRY has reorganized its reporting structure in 2020 and reallocated the goodwill to the new CGUs which are the operating segments of the Group. The reallocation of the goodwill has required management judgement.

Intangible assets

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

[1)] Includes technology and customer related intangible assets as well as trademark recognized at fair value from acquisitions.

Internally developed software comprises mainly the development of TietoEVRY's Lifecare and Core banking & Payment solutions. As part of the integration activities, the Group has recognized an impairment loss of EUR 18.4 million due to harmonization of product development projects. In addition, the Group decided to end the common SmartUtilities platform due to the fact that a standard solution does not fulfil the individual needs of Nordic utilities companies. All probable risks were booked in the second quarter, including an impairment of EUR 9.1 million.

EUR million	Goodwill[1]	Software acquired separately	Intangible assets recognized from acquisitions[2]	Internally developed software	Other	Advance payments	Total
Acquisition cost 1 Jan 2019	**442.6**	**44.0**	**42.2**	**3.6**	**43.1**	**3.0**	**578.5**
Acquisitions of subsidiaries	1 542.1	2.7	274.2	198.1	0.2	—	2 017.2
Additions	—	3.3	—	17.0	0.2	1.5	22.0
Decreases	—	-7.0	—	-1.3	-1.6	—	-9.9
Reclassifications	—	2.0	—	0.0	0.0	-2.0	0.0
Translation differences	38.4	0.0	1.7	5.2	0.0	-0.0	45.4
Acquisition cost 31 Dec 2019	**2 023.1**	**44.9**	**318.1**	**222.6**	**42.0**	**2.5**	**2 653.2**
Accumulated amortization and impairments 1 Jan 2019	**—**	**-34.6**	**-18.3**	**—**	**-36.5**	**-0.9**	**-90.2**
Acquisitions of subsidiaries	—	-2.2	—	-86.6	-0.2	—	-89.0
Decreases	—	6.8	—	1.3	1.7	—	9.9
Amortization	—	-6.4	-8.0	-1.0	-3.1	—	-18.4
Impairments	—	—	—	—	—	—	—
Reclassifications	—	0.0	—	0.0	0.0	—	—
Translation differences	—	0.0	-0.1	-2.1	0.0	0.0	-2.1
Accumulated amortization and impairments 31 Dec 2019	**—**	**-36.4**	**-26.4**	**-88.2**	**-38.1**	**-0.9**	**-190.0**
Carrying value 1 Jan 2019	442.6	9.4	23.9	3.6	6.6	2.1	488.2
Carrying value 31 Dec 2019	**2 023.1**	**8.5**	**291.7**	**134.4**	**3.8**	**1.7**	**2 463.2**

[1] Restated due to finalized accounting of the EVRY merger. More information in **note 26**.
[2] Includes technology and customer related intangible assets as well as trademark recognized at fair value from acquisitions.

Impairment testing of goodwill

TietoEVRY has analyzed on quarterly basis whether there are indications of goodwill impairment due to the Covid-19 pandemic. TietoEVRY has a resilient business-mix and the Group has had a good ability to offset the negative margin impact of Covid-19 to a large extent. Covid-19-related cost savings has comprised both non-personnel related activities such as reduced travelling and training as well as temporary layoffs in the areas where TietoEVRY has experienced a temporary decline in demand.

The annual impairment testing was carried out in the fourth quarter 2020 in line with Group accounting policy. Following the EVRY merger, the Group implemented a new reporting structure and is now organized into six service lines which are Digital Consulting, Cloud & Infra, Industry Software, Financial Services Solutions, Product Development Services and International Operations. These six service lines form the Group's operating segments and TietoEVRY reports separately five of them and includes International Operations under Other in the segment reporting due to its smaller size. See **note 5** for service line information. These six service lines form the cash-generating units (CGU) providing services to selected customers in their market segments, and represent the lowest level at which goodwill is monitored for internal management purposes.

The Group goodwill has been allocated to the CGUs of the new reporting structure in 2020. The goodwill that existed prior the EVRY merger was reallocated by using the relative fair value approach. The goodwill from EVRY merger has been allocated proportionally to CGUs based on the estimated fair value of acquired EVRY business in each CGU reflecting the synergies that each CGU is expected to benefit from the merger.

At the end of 2020, goodwill of the Group has been allocated as follows:

Carrying amount of goodwill by CGU

EUR million	31 Dec 2020
Digital Consulting	474.5
Cloud & Infra	508.6
Industry Software	561.8
Financial Services Solutions	332.9
Product Development Services	54.8
International Operations	41.9
Total	**1 974.4**

[1)] Restated due to finalized accounting of the EVRY merger. More information in **note 26**.

Compared to 31 Dec 2019, the decrease in the total goodwill is EUR 48.7 million due to currency effects.

Recoverable amounts

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

The planning horizon covers five-year period including key assumptions for sales growth rate, development of EBITDA, capital expenditure including investments for right-of-use assets, tax payments and changes in net working capital. Forecasted EBITDA margins are adjusted for expected efficiency improvements. The key assumptions used are based on past experience and reflects management's expectations of future development of sales prices, business mix, costs, market shares and volumes. Covid-19 is expected to continue to impact during the first half of 2021.

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

Discount rate

The discount rate applied to the cash flow projections is the weighted average pre-tax cost of capital (WACC). The components of the WACC rates are risk-free rate, market risk premium, country risk premium, industry specific beta, cost of debt and debt equity ratio. The risk-free rate is based on 30-year German government bond adjusted by the weighted average inflation differential between Germany and the countries where each CGU has operations. The discount rates are also adjusted for the additional business risk of the CGUs. The pre-tax discount rates for the CGUs vary between 6% and 14%.

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

2020	Five-year period 2021–2025	
%	Terminal growth rate	Pre-tax WACC
Digital Consulting	1	6.3
Cloud & Infra	1	6.3
Industry Software	1	6.3
Financial Services Solutions	1	6.6
Product Development Services	1	11.1
International Operations	1	14.1

Sensitivity analysis

As a result of the impairment testing, no impairment was identified. Value-in-use calculation for each CGU is most sensitive to changes in WACC and EBITDA margin assumptions. The recoverable amounts of the CGUs would equal their carrying amounts if either of the key assumptions were to change as follows:

	Change in key assumption in %-p	
2020	Pre-tax WACC	EBITDA margin
Digital Consulting	16	-10
Cloud & Infra	10	-6
Industry Software	19	-14
Financial Services Solutions	9	-9
Product Development Services	18	-7
International Operations	11	-3

The most sensitive CGU is International Operations where the recoverable amount exceeds the carrying amount by EUR 33 million and where the above changes would lead to an impairment. In other CGUs, the surplus between the recoverable amount and the carrying amount is substantial, and no likely change in the assumptions used in the impairment testing would lead to an impairment.

12. Property, plant and equipment

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

ACCOUNTING POLICIES

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

Land is not depreciated. Property, plant and equipment acquired in business combinations are measured at fair value at the acquisition date. Depreciation is recognized according to plan based on the estimated economic lives of the individual assets and accounted for in accordance with the straight-line method. The assets' residual useful lives are reviewed, and adjusted if appropriate, at each reporting date.

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

The group applies the following useful lives:

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

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

Property, plant and equipment

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

EUR million	Land	Buildings and structures	Machinery and equipment	Capitalized finance lease	Other tangible assets	Advance payments and work in progress	Total
Acquisition cost 1 Jan 2019	**1.2**	**3.8**	**314.6**	**3.9**	**55.3**	**6.0**	**384.8**
Acquisitions of subsidiaries	—	—	91.7	—	13.8	—	105.5
Additions	—	—	26.5	—	1.8	3.5	31.8
Decreases	—	—	-28.0	—	-0.6	-0.3	-28.9
Reclassifications	—	—	4.4	-3.9	0.3	-4.2	-3.4
Translation differences	—	—	0.9	—	0.1	-0.0	1.0
Acquisition cost 31 Dec 2019	**1.2**	**3.8**	**410.2**	**—**	**70.7**	**5.0**	**490.8**
Accumulated amortization and impairments 1 Jan 2019	**—**	**-1.7**	**-265.2**	**-2.4**	**-22.3**	**-0.9**	**-292.5**
Acquisitions of subsidiaries	—	—	-67.7	—	-9.9	—	-77.5
Decreases	—	—	26.7	—	0.4	—	27.2
Depreciation	—	-0.1	-31.7	—	-6.5	—	-38.3
Reclassifications	—	—	0.0	2.4	-0.1	—	2.3
Translation differences	—	—	-0.7	—	-0.1	—	-0.8
Accumulated amortization and impairments 31 Dec 2019	**—**	**-1.8**	**-338.5**	**—**	**-38.4**	**-0.9**	**-379.6**
Carrying value 1 Jan 2019	1.2	2.1	49.3	1.6	32.9	5.1	92.3
Carrying value 31 Dec 2019	**1.2**	**2.0**	**71.7**	**—**	**32.2**	**4.1**	**111.2**

13. Inventories

Inventories comprise mainly cards and chips for sale to customers.

ACCOUNTING POLICIES

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

No impairments have been booked from the inventories in 2020 or in 2019.

14. Trade and other receivables

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

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

ACCOUNTING POLICIES

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

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

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

For each segment, the ECL rate (expressed as a percentage) indicates the historical average defaults identified during the past three years and also the Group's assessment of the possible impact from changes in the overall economic environment in which its customers operate. These collective provisions can be increased if the customer has filed for bankruptcy but has not yet registered the fact or if there are any facts or circumstances indicating that the customer's credit risk is above industry/country average. As a response to increased uncertainty globally due to Covid-19, TietoEVRY has increased ECL rate by 1% for all overdue trade receivables. No ECL is calculated for the portion of trade receivables, where the credit risk is covered by collateral, such as credit insurance. When calculating ECL for contract assets, the ECL rate set for "not yet due" invoices in the provision matrix is used. Trade receivables under business model sell are accounted at fair value through profit or loss (FVTPL) and, therefore, those are not subject to ECL provisions.

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

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

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

Trade and other receivables

EUR million	31 Dec 2020	31 Dec 2019
Non-current		
Prepaid expenses and contract assets	4.2	22.5
Other	17.6	15.2
Total	**21.8**	**37.6**
Current		
Trade receivables at amortized cost[1)]	358.9	443.5
Prepaid expenses and accrued income		
Contract assets	50.1	68.3
Licence fees	26.1	31.6
Rents	0.1	0.4
Social costs	0.7	0.8
Accrued interest income	0.1	0.2
Other prepaid expenses[1)]	46.4	41.9
Other interest-bearing receivables	15.1	11.9
Other	19.4	26.3
Total	**516.9**	**625.0**

[1)] 31.12.2019 restated due to finalized accounting of the EVRY merger. More information in **note 26**.

Group trade receivables maturity and expected credit losses

31 Dec 2020 EUR million	Not yet due	Overdue 1–7 days	Overdue 8–30 days	Overdue 31–60 days	Overdue 61–90 days	Overdue over 90 days	Grand Total
Gross Trade receivables subject to impairment	222.8	9.8	4.3	8.0	2.2	4.9	252.1
Average Expected credit loss rate applied	-0.05 %	-2.17 %	-1.62 %	-0.83 %	-5.94 %	-61.71 %	-1.43 %
Collective loss allowance	-0.1	-0.2	-0.1	-0.1	-0.1	-3.0	-3.6
Individual loss allowance	-0.0	-0.0	—	-0.2	-0.0	-0.3	-0.6
Total loss allowance	**-0.1**	**-0.2**	**-0.1**	**-0.2**	**-0.2**	**-3.3**	**-4.2**
Trade receivables net of ECL	**222.7**	**9.6**	**4.2**	**7.8**	**2.1**	**1.5**	**247.9**
Trade Receivables covered by Collateral	96.9	10.8	0.5	2.1	0.8	0.0	111.0
Total Trade Receivables at amortized cost	**319.5**	**20.4**	**4.7**	**9.9**	**2.9**	**1.5**	**358.9**

There are no major concentrations of credit risk in the Group, whether through exposure to individual customers, specific industry sectors and/or regions. The maximum exposure to customer related credit risk at the reporting date is the carrying value of trade receivables. Covid-19 related increase in ECL-% did not have a material impact on the expected credit loss provision.

Net contract assets

31 Dec 2020 EUR million	Not yet due
Contract assets	50.1
Average ECL applied	-0.06%
Collective loss allowance	0.0
Net contract assets	**50.1**

Movement of expected credit loss provision

	Trade receivables		Contract assets	
EUR million	**2020**	**2019**	**2020**	**2019**
1 Jan	3.7	0.8	0.1	0.1
Acquisitions of subsidiaries	—	1.1	—	—
Impairment losses recognized	3.9	0.8	—	—
Amounts written off this year as uncollectable	-1.0	1.9	—	—
Impairment losses reversed	-2.4	-0.5	-0.1	—
Amount recovered during the year	0.0	-0.4	—	—
31 Dec	**4.2**	**3.7**	**0.0**	**0.1**

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

15. Defined benefit plans

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

ACCOUNTING POLICIES

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

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

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

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

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

In Sweden, the Group's risk is only on active employees, but in Finland the Group's risk covers also around 1 000 non-active employees. When the pensioner who has a vested pension, retires, the final amount of the pension is revised in the Finnish pension plan and as a result, the employer may incur additional costs. In addition, in the Finnish pension plan, the index increases that are borne by the employer during the period between the grant date of the vested pension and the beginning of the pension are charged only in the year when the pension is granted. In some insurance contracts, under certain conditions, the insured person has the right to retire earlier than at the normal retirement age. These additional expenses are charged on the beginning of the retirement.

In Finland, the plan covers 6 active employees and it is closed for future pension accruals. The active employees have been able to transfer their defined benefit pension to a defined contribution plan from 1 Jan 2017, and some have chosen this option in earlier years but not in 2020.

In Sweden, the plan covers 85 active employees. As the Group does not have actuarial or investment risk for those plan members whose employment has ceased, the plan members are removed from the pension plan and a settlement is recognized annually. In 2020, a settlement loss of EUR 0.1 million was recognized in personnel expenses and the net defined benefit liability increased by the corresponding amount.

In Norway, the collective defined benefit pension scheme is closed and the Group has instead established an unfunded compensation scheme for the employees. The size of the compensation and the profile for its accrual are calculated based on parameters at the time of the change and are accounted for as a defined benefit pension scheme in the financial statements. The accrual formula and profile of the compensation scheme are used as the basis to make provisions in the accounts so that the total compensation earned to date by employees at any time is provided for as a liability in the consolidated statement of financial position. The plan covers 838 employees and pensioners. In addition, there are various other closed and unfunded pension plans in Norway covering 465 employees and pensioners.

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

EUR million	2020	2019
Service cost		
Current service cost	2.8	0.9
Settlements	0.1	0.3
Net interest	-0.4	-0.0
Total	**2.5**	**1.2**
Amounts recognized in other comprehensive income		
Remeasurement		
Gains (-)/losses (+) from change in demographic assumptions	-0.3	1.7
Gains (-)/losses (+) from change in financial assumptions	2.0	11.0
Gains (-)/losses (+) from experience adjustments	-0.8	2.2
Gains (-)/losses (+) on plan assets	-1.5	-3.6
Total	**-0.6**	**11.3**

Amounts recognized in the statement of financial position

	Present value of defined benefit obligaton[1]		Fair value of plan assets[2]		Net liability	
EUR million	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
1 Jan	110.7	80.7	-69.1	-76.3	41.6	4.4
Current service cost	2.7	0.9	—	—	2.7	0.9
Interest expense/income	1.2	1.6	-0.8	-1.6	0.4	0.0
Contribution	—	—	-5.0	-4.5	-5.0	-4.5
Benefits paid	-4.0	-2.6	4.0	2.6	0.0	0.0
Curtailment and settlement	-8.5	-8.1	8.6	8.4	0.1	0.3
Actuarial gains/losses	1.1	10.0	-1.7	1.3	-0.6	11.3
Operations acquired/divested	0.5	—	—	—	0.5	—
Acquisitions of subsidiaries	—	27.8	—	—	0.0	27.8
Exchange rate difference	-0.1	0.4	-1.4	0.9	-1.5	1.3
31 Dec	**103.7**	**110.7**	**-65.5**	**-69.1**	**38.3**	**41.6**

[1] Of which EUR 41.7 (42.0) million in Finland, EUR 34.6 (39.7) million in Sweden and EUR 27.3 (29.0) million in Norway.
[2] Of which EUR 33.9 million (33.9) in Finland and EUR 31.6 million (35.2) in Sweden.

EUR million	2020	2019
Defined benefit obligations	38.3	41.6
Defined benefit plan assets	—	—
Net liability	**38.3**	**41.6**

Allocation of plan assets

	2020		2019	
	EUR million	%	EUR million	%
In Sweden, plan assets are comprised as follows				
Equity instruments	7.2	22.9	7.9	22.4
Debt instruments	14.1	44.7	15.7	44.7
Property	3.1	9.7	3.8	10.8
Other	7.2	22.7	7.8	22.1
Total	**31.6**	**100.0**	**35.2**	**100.0**

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

Actuarial assumptions

%	2020	2019
Finland		
Discount rate	0.4	0.8
Future salary increases	2.9	2.9
Future pension increases	1.5	1.5
Inflation rate	1.2	1.2
Sweden		
Discount rate	1.1	1.4
Future salary increases	3.0	3.3
Future pension increases	1.5	1.8
Inflation rate	1.5	1.8
Norway		
Discount rate	1.7	2.3
Future salary inflation	2.3	2.3
Growth in the basic state pension (G)	2.0	2.0
Annual increase in pensions	—	0.5

Sensitivity analysis of actuarial assumptions

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

	Change in assumption	Increase in assumption	Decrease in assumption
Finland			
Discount rate	0.5%	-6.6%	7.4%
Future pension increase	0.5%	6.7%	-6.1%
Life expectancy	+1 year	6.0%	
Sweden			
Discount rate	0.5%	-11.4%	12.9%
Future salary increase	0.5%	1.9%	-1.9%
Future pension increase	0.5%	11.2%	-10.1%
Life expectancy	+1 year	5.6%	
Norway			
Discount rate	0.5%	-1.8%	2.0%
Future salary increase	0.5%	0.5%	-0.5%
Future pension increase	0.5%	1.2%	—%
Life expectancy	+1 year	1.4%	

Maturity profile of the defined benefit obligation

The weighted average duration of the defined benefit obligation is 14 years in Finland, 20 years in Sweden and 9 years in Norway.

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

EUR million	2020
Maturity under 1 year	3.7
Maturity 1–5 years	16.4
Maturity 5–10 years	22.1
Maturity 10–30 years	79.7
Maturity over 30 years	12.8
	134.7

Expected contributions in 2021

Expected contributions to post-employment benefit plans for the year ending 31 Dec 2021 are EUR 3.1 million.

Multi-employer plans

The ITP pension plans operated by Alecta and Collectum in Sweden are multi-employer defined benefit pension plans which pool the assets contributed by various entities that are not under common control and the assets provide benefits to employees of more than one entity. It has not been possible to get sufficient information for the calculation of obligations and assets by employer from Alecta and Collectum and, therefore, these plans have been accounted for as defined contribution plans in the consolidated financial statements. In TietoEVRY 4 854 employees are included in these pension plans. The yearly contribution to the plans are around EUR 25 million.

3 943 employees in the Group’s Norwegian companies are members of an early retirement scheme (AFP), which is a multi-company defined benefit scheme, and is financed by premium payments determined as a percentage of salary. There is no reliable measurement and allocation of liabilities and assets between the companies that participate in the scheme. The scheme is, therefore, treated for accounting purposes as a defined contribution plan and the premiums paid are recognized as costs through profit or loss. The premium rate for 2020 was 2.5% (2.5) corresponding to EUR 3.8 (4.2) million. The scheme is underfunded, and the administrator (Fellesordningen for AFP) assumes that premiums will have to increase over time in order to ensure sufficient buffer capital to cope with increased payments. Companies that participate in the AFP scheme are jointly and severally liable for two-thirds of the pension payments due to employees who satisfy the terms and conditions at any time. The liability applies both to shortfalls in premium payments and if the premium rate applied proves insufficient to meet the liabilities. In the event that the scheme is terminated, the participating companies have a duty to continue to make premium payments to provide for pension payments to employees who are members of the scheme or who satisfy the requirements of collective agreements for such pension arrangements at the date of termination.

16. Provisions

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

ACCOUNTING POLICIES

A provision is a liability of uncertain timing or amount which is recognized when the entity has a present legal or constructive obligation as a result of a past event and it is more likely than not that an outflow of economic benefits will be required to settle the obligation and the amount of the obligation can be measured reliably. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation and are split between amounts expected to be settled within 12 months at the end of the reporting period and amounts expected to be settled later (non-current).

Provisions for restructuring

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

Provisions for loss-making contracts

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

Other provisions

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

ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Restructuring provisions in 2020 are due to the integration related restructurings mainly in the Nordics.

In 2020, TietoEVRY decided to end the common SmartUtilities platform due to the fact that a standard solution does not fulfil the individual needs of Nordic utilities companies. All probable risks were booked in the second quarter, including provisions for terminated customer contracts.

EUR million	Provisions for restructuring	Provisions for loss-making contracts	Other provisions	Total
1 Jan 2019	5.4	1.6	3.8	10.8
Translation differences	-0.2	-0.0	-0.0	-0.2
Acquisitions of subsidiaries[1)]	2.7	—	3.4	6.1
Increases in provisions	23.8	1.8	2.6	28.2
Use of provisions	-17.0	-1.1	-0.3	-18.4
Reversal of provisions	-0.3	-0.2	-1.5	-2.1
31 Dec 2019	**14.4**	**2.0**	**8.1**	**24.5**
of which				
Non-current	6.9	—	2.2	9.1
Current	7.5	2.0	5.9	15.3
Total	**14.4**	**2.0**	**8.1**	**24.5**

[1)] Restated due to finalized accounting of the EVRY merger. More information in **note 26**.

17. Trade and other payables

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

ACCOUNTING POLICIES

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

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

EUR million	31 Dec 2020	31 Dec 2019
Non-current		
Advance payments	29.4	33.4
Accruals	4.7	3.3
Total	**34.2**	**36.7**
Current		
Trade payables	189.7	219.2
Contract liabilities	56.3	41.9
Advance payments	1.9	—
Accrued liabilities		
Employee-related accruals	172.0	170.8
Interest	4.1	0.9
Rent	0.1	0.1
Other accrued expenses[1)]	102.5	139.7
Value added tax liabilities	53.2	52.5
Payroll tax liabilities	80.7	94.4
Total	**660.4**	**719.4**

[1)] 31.12.2019 restated due to finalized accounting of the EVRY merger. More information in **note 26**.

FINANCIAL RISK MANAGEMENT AND CAPITAL STRUCTURE

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

18. Management of financial risks and capital structure

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

Market risk

Currency risk management

Transaction risk

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

Swedish krona, Norwegian krone, Czech koruna, Indian rupee, Polish zloty and US dollar are the largest currencies in the exposure. Russian rouble does not have a material impact on group exposure. During 2020, currency forward contracts and swaps were used to mitigate the risks. Gains and losses from foreign exchange contracts are recognized in the consolidated income statement.

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

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

The overall operational hedging ratio at the end of Dec 2020 was 99% (103%).

Identified currency transaction risk exposure and sensitivity analysis

EUR million	Loans and Cash	Estimated cash flows	Leases	Total foreign exchange exposure	External foreign exchange hedges	Transaction exposure sensitivity[1)]	Foreign exchange hedge sensitivity[1)]	Net effect gain/(loss)
SEK								
31 Dec 2020	**44.9**	**26.5**	**—**	**71.4**	**-63.8**	**-4.5**	**6.4**	**1.9**
31 Dec 2019	175.9	23.4	—	199.3	-169.4	-17.6	16.9	-0.7
NOK								
31 Dec 2020	**-28.7**	**12.3**	**—**	**-16.1**	**22.4**	**2.8**	**-2.2**	**0.6**
31 Dec 2019	11.2	-1.5	—	9.7	-52.5	-1.1	5.3	4.1
PLN								
31 Dec 2020	**-0.2**	**-9.5**	**1.4**	**-8.3**	**9.5**	**-0.1**	**-0.9**	**-1.1**
31 Dec 2019	-0.9	-7.6	1.7	-6.8	7.6	-0.1	-0.8	-0.8
CZK								
31 Dec 2020	**-3.0**	**-50.1**	**10.1**	**-43.0**	**53.7**	**-0.7**	**-5.4**	**-6.1**
31 Dec 2019	-4.5	-50.9	12.7	-42.7	54.5	-0.8	-5.5	-6.3
INR								
31 Dec 2020	**—**	**-34.0**	**—**	**-34.0**	**33.9**	**—**	**-3.4**	**-3.4**
31 Dec 2019	—	-28.9	—	-28.9	28.9	—	-2.9	-2.9
USD								
31 Dec 2020	**-1.4**	**—**	**-0.1**	**-1.6**	**—**	**0.2**	**—**	**0.2**
31 Dec 2019	1.7	11.9	-1.4	12.2	-11.9	—	1.2	1.2
Other								
31 Dec 2020	**-1.5**	**—**	**0.9**	**-0.7**	**—**	**0.1**	**—**	**0.1**
31 Dec 2019	-1.5	-0.8	—	-2.3	0.8	0.2	-0.1	0.1

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

Translation risk

According to the Treasury Policy, hedging translation exposure is subject to the Board of Directors' decision. Exposure includes the acquisition price, share capital and restricted and non-restricted reserves of subsidiaries in non-euro countries, as well as the result of the period. NOK 16 048 and SEK 4 553 million exposure forms the majority of the translation risk. The translation position was unhedged at the end of 2020.

Interest rate risk management

The most significant part of Group's interest rate risk arises from Group's borrowings and financial investments. The objective of interest rate risk management is to minimize the effect of interest rate fluctuations on TietoEVRY's annual results and economic positions. Group Treasury is responsible for the monitoring and operative management of the Group's interest rate position. Interest rate position includes loans, financial investments and interest rate derivative contracts. According to the Treasury Policy, 30 months is defined as a benchmark for the Group's interest rate position, in terms of weighted average time to re-pricing. At the end of 2020, the ratio was at 26 months (11 months in 2019).

31 Dec 2020 EUR million	Amount	Average rate, %	Rate sensitivity[1)]
Capital markets[2)]	-397.2	1.8	—
Money markets	261.0	0.4	0.4
Other loans	-521.8	1.3	-4.8
Other receivables	38.2	3.0	—
Leasing	-237.9	4.2	-2.4

31 Dec 2019 EUR million	Amount	Average rate, %	Rate sensitivity[1)]
Capital markets	-99.3	1.4	—
Money markets	103.4	0.6	0.2
Other loans	-803.6	0.8	-7.8
Other receivables	22.2	3.5	—
Leasing	-292.7	4.2	-2.9

[1)] The maximum pre-tax effect (EUR million) of 1% rise in interest rates on the Group's net interest expenses over the following year.
[2)] The duration of underlying instruments was 4.1 (4.6 in 2019).

Commodity risk management

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

Credit risk management

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

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

Liquidity risk management and funding

Liquidity risk management and funding principles are defined in the Treasury Policy. One of the key tasks of Group Treasury is to secure adequate funding for the Group. The Group has a committed EUR 250 million revolving credit facility, which matures in 2024. The Group has also overdraft facilities and a EUR 250 million commercial paper programme available to maintain flexibility in funding. In addition, the Group has two Sale of Receivables facilities, EUR 50 million and NOK 450 million. Company has not made any additional funding arrangements as a result of Covid-19.

Debt structure

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

31 Dec 2019				Maturity structure					
EUR million		Amount drawn	Amount available	2020	2021	2022	2023	2024	2025–
Loans	Bond	100.0	—	—	—	—	—	100.0	—
	Commercial paper programme	40.0	250.0	40.0	—	—	—	—	—
	Revolving credit facility	—	250.0	—	—	—	—	—	—
	Liabilities towards Joint Ventures	21.2	—	21.2	—	—	—	—	—
	European Investment Bank	85.0	—	—	6.5	13.1	13.1	13.1	39.2
	Bridge loan	300.0	—	300.0	—	—	—	—	—
	Syndicated term loan	400.0	—	—	—	—	80.0	320.0	—
	Other loans	21.7	—	12.5	6.7	2.3	0.3	—	—
		967.9	500.0	373.7	13.2	15.4	93.4	433.1	39.2
	Interest payments	—	—	7.7	6.1	5.9	5.7	4.1	0.3
Trade payables	Outflow	—	—	219.2	—	—	—	—	—
Other liabilities	Lease liabilities	358.3	—	79.1	66.3	51.8	33.9	23.7	103.5
Total		**1 326.2**	**500.0**	**679.7**	**85.6**	**73.1**	**133.0**	**460.9**	**143.0**

Capital management

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

	31 Dec 2020	31 Dec 2019
Net debt	883.3	1 070.0
12 months EBITDA[1)]	351.3	236.5
Net debt/EBITDA	2.5	4.5

[1)] 12 months EBITDA for 2019 has been restated to reflect the reclassification of EUR 3.1 million foreign currency exchange gains and losses related to EVRY from financial items to materials and services.

Net debt/EBITDA ratio at the end of 2020 is not comparable with prior period. Due to the timing of the merger with EVRY, Net debt in 2019 increased by the additional funding obtained for the transaction. However, EBITDA includes EVRY result only from 5 December 2019 onwards.

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

19. Interest-bearing loans and borrowings

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

ACCOUNTING POLICIES

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

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

EUR million	31 Dec 2020	31 Dec 2019
Non-current		
Bonds	397.2	99.3
Other loans	488.8	492.2
Lease liabilities	171.0	222.9
Total	**1 057.0**	**814.5**
Current		
Other loans	25.9	351.4
Cash Pool liabilities towards joint ventures	13.7	21.2
Lease liabilities	72.1	75.4
Total	**111.7**	**448.0**
Total Interest bearing loans and borrowings	**1 168.7**	**1 262.5**

Change in liabilities arising from financing activities

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

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

			Non-cash changes						
EUR million	**31 Dec 2018**	**Cash flows[1)]**	**Foreign exchange gains and losses**	**IFRS 16 transition**	**Acquisitions and disposals**	**New contracts**	**De-recognized contracts**	**Other**	**31 Dec 2019**
Non-current interest-bearing loans	184.6	-136.5	—	—	534.1	9.1	—	0.2	591.5
Current interest-bearing loans	117.8	243.0	—	—	—	11.9	—	0.1	372.6
Finance lease liabilities	1.6	-50.3	1.7	165.1	160.3	27.1	-7.7	0.4	298.3
Total	**304.0**	**56.2**	**1.8**	**165.1**	**694.4**	**48.0**	**-7.7**	**0.7**	**1 262.5**

[1)] In cash flow statement EUR -534.1 million repayment of acquired EVRY loans is classified as Cash flow from investing activities, the rest of EUR 106,5 million is reported under Cash flow from financing activities.

20. Leases

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

ACCOUNTING POLICIES

Group as a lessee

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

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

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

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

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

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

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

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

Interest expenses are recognized in profit or loss.

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

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

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

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

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

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

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

Group as a lessor

If an arrangement conveys a right to use a specific asset to a purchaser, often together with related services, the assets, mainly technical equipment, are classified as embedded finance leases. Further the lease is classified either as Operating lease or Finance lease. As of 31 Dec 2020, all such cases have been classified as Finance leases. Sales derived from these embedded finance leases are recognized at the beginning of the agreement period. The annual payments are disclosed as amortization of the finance lease loan receivable and interest income.

ACCOUNTING ESTIMATES AND JUDGEMENTS

Lease term, use of extension and termination options

Management judgement has been applied in determining lease term, where there are either extension or termination options included in lease contracts. Lease terms are negotiated on individual basis and contain a wide range of renewal and termination options. As of 31 Dec 2020, weighted average residual lease term for lease contracts is 6.9 years (residual term vary between 0.1–47 years). Lease term for premises leases referred to as "evergreen leases" or "rolling" leases has been determined based on the internally defined site categories. Those take into consideration the number of full time employees and strategic importance of the site, allowing longer lease term for larger Level 1 sites (5 years and more) and recognizing higher flexibility for smallest Level 1 sites (1 year, short-term lease exemption from on balance sheet treatment not applied). Total annual leasing expenses (depreciation and interest) for such leases amounted to EUR 9.6 million during year 2020, weighted average remaining lease term being 3.1 years.

Leases impact on income statement

EUR million		31 Dec 2020	31 Dec 2019
TietoEVRY as a Lessee	Buildings	-64.6	-38.8
	Equipment and Machinery	-8.1	-11.0
	Depreciation expenses of Right-of-use assets[1]	**-72.7**	**-49.9**
TietoEVRY as a Lessee	Expense relating to variable lease payments	-5.0	-5.6
TietoEVRY as a Lessee	Expenses relating to short-term leases and lease of low value leases	-5.3	-2.1
	Other income and expenses	**-10.3**	**-7.6**
TietoEVRY as a Lessor	**Revenue**	**1.6**	**4.0**
TietoEVRY as a Lessor	**Materials and services**	**-1.4**	**-4.9**
TietoEVRY as a Lessor	Finance income on the net investment in lease	0.2	0.1
TietoEVRY as a Lessee	Interest expense on lease liabilities[1]	-11.1	-6.3
	Expenses reported in Financial items	**-11.0**	**-6.2**
	Total impact on Income Statement from leasing contracts	**-93.8**	**-64.5**

[1] 2019 include merged companies' expenses from 5 December 2019 onwards.

Leases impact on Statement of cash flows

EUR million		31 Dec 2020	31 Dec 2019
TietoEVRY as a Lessee	Interest paid (Cash flow from Operating activities)	-11.0	-6.0
	Principal paid (Cash flow from Financing activities)	-70.6	-50.3

Leases impact on Statement of financial position

Right-of-use assets

EUR million		Buildings	Machinery and Equipment	Total
TietoEVRY as a Lessee	31 Dec 2019[1]	263.5	25.6	289.1
	Additions[2]	32.3	16.5	47.5
	Terminations	-18.3	-5.4	-22.4
	Depreciation	-59.3	-13.4	-72.7
	Impairment	-1.0	—	-1.0
	Currency translation differences	-8.6	-0.2	-8.8
	31 Dec 2020	**208.6**	**23.1**	**231.7**

EUR million		Buildings	Machinery and Equipment	Total
TietoEVRY as a Lessee	31 Dec 2018	—	—	—
	IFRS 16 transition adjustment	144.3	19.3	**163.6**
	Acquisition and mergers impact[1]	148.2	5.6	**153.8**
	Additions[2]	14.0	13.1	**27.1**
	Terminations	-7.2	-0.5	**-7.7**
	Transfer to Fixed assets	—	-0.6	**-0.6**
	Depreciation	-38.5	-11.3	**-49.9**
	Currency translation differences	2.6	—	**2.6**
	31 Dec 2019[1]	**263.5**	**25.6**	**289.1**

[1] 31.12.2019 restated due to finalized accounting of the EVRY merger. More information in **note 26**.
[2] Additions represent increase in right-of-use assets both due to new lease contracts, as well as remeasurements and lease modifications.

Lease liabilities

EUR million	31 Dec 2020	31 Dec 2019
Current	72.1	75.4
Non-current	171.0	222.9
Total	**243.1**	**298.3**

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

Lease receivables

Net investment in lease

EUR million	31 Dec 2020	31 Dec 2019
Current	2.3	1.8
Non-current	2.9	3.8
Total	**5.2**	**5.6**

Maturity analysis - contractual undiscounted cash flows for finance leases

EUR million	31 Dec 2020	31 Dec 2019
Within one year	2.4	2.0
One to two years	1.7	1.7
Two to three years	1.0	1.2
Three to four years	0.2	0.7
Four to five years	—	0.2
Total undiscounted lease payments receivable	**5.4**	**5.9**
Unearned finance income	-0.2	-0.2
Net investment in lease	**5.2**	**5.6**

21. Financial income and expenses

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

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

2019 **EUR million**	**Interest income**	**Interest expenses**	**Foreign exchange gains and losses**[1)]	**Other financial income**	**Other financial expenses**[1)]	**Total**
Financial assets at fair value through profit or loss	—	—	-15.7	—	—	-15.7
Financial assets at amortized cost	2.2	—	2.6	0.1	—	4.9
Financial liabilities measured at amortized cost	—	-11.0	0.1	—	-4.3	-15.3
Net defined benefit obligation	—	0.0	—	—	—	0.0
Total	**2.2**	**-11.0**	**-13.0**	**0.1**	**-4.3**	**-26.1**

[1)] The Group has reclassified EUR 3.1 million foreign currency exchange gains and losses related to EVRY from financial items to materials and services.

Foreign exchange gains and losses included in the operating profit were EUR 0.8 (3.6) million in 2020.

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

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

ACCOUNTING POLICIES

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

Financial assets at amortized cost

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

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

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

Financial liabilities at amortized cost

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

Financial assets and liabilities at fair value through profit or loss

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

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

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

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

Determination of fair values

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

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

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

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

Financial assets

EUR million	Note	31 Dec 2020	31 Dec 2019	Fair value hierarchy
Financial assets at fair value through profit or loss				
Non-current				
Other financial assets at fair value through profit or loss		0.6	0.6	Level 3
Current				
Trade receivables at fair value through profit or loss		34.4	9.3	Level 2
Current derivative receivables	23	1.5	4.3	Level 2
Financial assets at amortized cost				
Non-current				
Other loan receivables, interest-bearing		12.8	10.3	Level 2
Lease receivables	20	2.9	3.8	Level 2
Current				
Other loan receivables, interest-bearing	14	15.1	11.9	Level 2
Lease receivables	20	2.3	1.8	Level 2
Trade receivables[1)]	14	358.9	443.5	Level 2
Accrued interest income	14	0.1	0.2	Level 2
Cash and cash equivalents	24	252.3	164.6	Level 2
Total		**680.8**	**650.3**	

[1)] 31.12.2019 restated due to finalized accounting of the EVRY merger. More information in **note 26**.

Financial liabilities

EUR million	Note	31 Dec 2020	31 Dec 2019	Fair value hierarchy
Financial liabilities at fair value through profit or loss				
Current derivative liabilities	23	2.9	19.0	Level 2
Financial liabilities measured at amortized cost				
Non-current				
Lease liability	19, 20	171.0	222.9	Level 2
Bonds[1)]	19	397.2	99.3	Level 1
Other loans	19	488.8	492.2	Level 2
Current				
Trade payables	17	189.7	219.2	Level 2
Accrued interest	17	4.1	0.9	Level 2
Lease liability	19, 20	72.1	75.4	Level 2
Loans	19	39.7	372.6	Level 2
Total		**968.2**	**1 501.5**	

[1)] Fixed rate bond where carrying amount of EUR 397.2 million has not been adjusted to match the fair value of EUR 411.4 million. Fair value of the bond has been calculated based the on the prevailing market rate at the end of the reporting period.

There has been no movement between the fair value hierarchy levels during 2020.

23. Derivatives

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

Nominal amounts of derivatives

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

EUR million	31 Dec 2020	31 Dec 2019
Foreign exchange forward contracts	484.2	1 694.1

31.12.2019 includes currency forward contracts for the Tieto-EVRY merger hedging purposes, which realized in January 2021.

Fair values of derivatives

Foreign exchange forward contracts	31 Dec 2020	31 Dec 2019
Gross positive fair values	1.5	4.3
Gross negative fair values	-2.9	-19.0
The net fair values at the reporting date	**-1.4**	**-14.7**

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

Offsetting financial assets and liabilities

Agreements with derivatives' counterparties are based on ISDA Master Agreements or on agreements with similar content with regards to offsetting financial assets and liabilities.

Based on the terms of these agreements, offsetting is possible only under certain circumstances, such as, default of either of parties or other force majeure events. If any of those occur, then the net position owing/receivable to a single counterparty will be taken as owing.

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

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

31 Dec 2019 EUR million	Gross amounts of recognized financial instruments in the statement of financial position[1)]	Related amounts not set off in the statement of financial position: Financial Instruments	Cash collateral received	Net amount
Derivative financial assets	4.3	-3.4	—	0.9
Derivative financial liabilities	-19.0	3.4	—	-15.6

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

24. Cash and cash equivalents

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

EUR million	31 Dec 2020	31 Dec 2019
Cash in hand and at bank	223.3	148.7
Short-term deposits	29.0	15.9
Total	**252.3**	**164.6**

25. Share capital and reserves

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

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

ACCOUNTING POLICIES

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

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

EUR million	Number of shares	Share capital	Share issue premiums and other reserves	Invested unrestricted equity reserve	Total
1 Jan 2019	73 826 349	76.6	41.5	12.8	130.9
Shares delivered from the share-based incentive plans[1]	110 658	—	—	—	—
Shares issued as Merger consideration	44 316 519	—	—	1 190.7	1 190.7
Translation difference	—	—	-0.6	—	-0.6
31 Dec 2019	**118 253 526**	**76.6**	**40.9**	**1 203.5**	**1 321.0**
Purchase of own shares	-35 000	—	—	—	—
Return of shares without consideration	-5 731	—	—	—	—
Shares delivered from the share-based incentive plans[1]	201 998	—	—	—	—
Translation difference	—	—	1.2	—	1.2
31 Dec 2020	**118 414 793**	**76.6**	**42.1**	**1 203.5**	**1 322.2**
Own shares[2]	10 978				
Total number of shares on 31 Dec 2020[2]	**118 425 771**				

[1] Shares granted from own shares without effect to share capital.
[2] On 31 Dec 2019, the number of shares in the company's possession totalled 172 245 and the total number of shares was 118 425 771.

Share capital

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

Share issue premiums and other reserves

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

Invested unrestricted equity reserve

The invested unrestricted equity reserve includes the subscription price of shares to the extent that it has not been recorded in share capital according to specific resolution. The invested unrestricted equity reserve increased to EUR 1 203.5 million in the end of 2019 due to the merger of Tieto and EVRY. See **note 26** for more information.

Retained earnings

Retained earnings consists of the following:

- Cost of share-based payments which are accounted for as equity-settled and recognized as an employee benefit expense during the vesting period with a corresponding entry in equity. More information is disclosed in **note 8**.
- Remeasurements of the defined benefit plans arising from experience adjustments and changes in actuarial assumptions. More information is disclosed in **note 15**.
- Treasury shares. In 2020, TietoEVRY repurchased 35 000 own shares which were further delivered from the share-based incentive plans.
- Cumulative translation differences arising from translation of foreign Group companies' assets and liabilities into euro; and
- other retained earnings and losses

Distributable funds

On 31 Dec 2020, the distributable funds of the parent company totalled EUR 1 786.2 million of which retained earnings were EUR 523.2 million and net profit for the financial year EUR 55.4 million. The Board of Directors proposes to the Annual General Meeting in 2021 that a dividend of EUR 1.32 per share is paid for 2020 (dividend of EUR 0.635 per share paid for 2019).

OTHER INFORMATION

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

26. Changes in Group structure

In 2020 TietoEVRY sold its Empathic Building business to Haltian. The transaction did not have a material impact on the consolidated financial statements of the Group. In December 2019, Tieto and EVRY joined forces to create a leading Nordic digital services company.

ACCOUNTING POLICIES

Business combinations are accounted for using the acquisition method. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group and it includes also the fair value of any asset or liability resulting from a contingent consideration. Contingent consideration classified as liability is remeasured at its fair value at each reporting date and the subsequent changes to fair value are recognized in profit or loss. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognized as goodwill at the acquisition date. If the cost of the acquisition is less than the fair value of the net assets acquired in the case of a bargain purchase, the resulting gain is recognized in profit or loss.

Assets held for sale

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

ACCOUNTING ESTIMATES AND JUDGEMENTS

Assets acquired and liabilities assumed in business combinations are recognized at fair value. The valuation requires management to determine the appropriate valuation techniques and inputs for fair value measurements, such as discount rate. While the management believes that the used estimates and assumptions are sufficiently reasonable for determining fair values, there are uncertainties which could materially affect the valuations.

Finalized accounting for the EVRY merger

It was announced on 18 June 2019 that Tieto and EVRY will be combined through a taxable statutory cross-border absorption merger of EVRY into Tieto. Following the resolutions of the Extraordinary General Meetings of Tieto and EVRY on 3 and 2 September, respectively, the Competition Authorities approved the merger and all conditions for the completion of the merger were fulfilled on 29 November 2019. The merger was registered with the Finnish Trade Register on 5 December 2019, and the name of the combined company was changed to TietoEVRY Corporation.

The purpose of the merger was to create one of the most competitive digital services and software companies in the Nordics. With combined revenue of approximately EUR 3 billion and 24 000 professionals, the Combined Company is well positioned to create digital advantages for Nordic enterprises and society. The merger combines strong digital competences and industry software with advanced cloud and infrastructure services. Based on Tieto's and EVRY's product and competence portfolios, the merger creates potential to further increase competitiveness of the combination for the benefit of customers and employees – and potential to grow across businesses.

The merger is highly complementary from a geographical, offering and customer perspective. It has also created one of the largest digital services communities in the Nordics. The merger further drives scale, longer-term revenue synergies, as well as innovation through combined targeted investments. The combination creates value for shareholders through targeted cost synergies.

The business of EVRY at the time of the merger consisted of a comprehensive portfolio of services and software designed to meet all customer needs, including advisory and consulting services, industry-specific software and the design, implementation and maintenance of customized solutions and IT operations.

The merger has been accounted for in the consolidated financial statements as a business combination using the acquisition method with Tieto determined as the acquirer of EVRY based on the structure of the merger. The companies have been consolidated from the acquisition date, 5 December 2019 onwards.

The accounting of the merger was provisional on 31 December, 2019 pending the finalization of the valuation of the assets acquired and liabilities assumed. The provisional amounts recognized have been retrospectively adjusted within 12 months after the date of acquisition, to reflect new information obtained about facts and circumstances that existed at the date of acquisition.

Merger consideration

The shareholders of EVRY received 0.12 new shares in Tieto and NOK 5.28 in cash for each share in EVRY as merger consideration. Thus, a total of 44 316 519 new shares of the Company were issued, increasing the total number of shares in TietoEVRY to 118 425 771 shares.

The following table summarizes the acquisition date fair value of the merger consideration transferred.

EUR million	
Merger consideration in shares[1]	1 194.8
Merger consideration in cash	191.7
Cash flow hedge used as basis adjustment[2]	4.3
Replacement share-based payment award[3]	6.7
Total	**1 397.5**

[1] Based on 44 316 519 shares issued and closing price of EUR 26.96 of Tieto share on 4 December 2019 on Nasdaq Helsinki.
[2] Tieto had a dedicated forward contract as a hedging instrument in a cash flow hedging relationship to hedge the cash component of the merger consideration which has been used as a basis adjustment.
[3] Fair value at the time of the merger of vested long-term and short-term incentive plans of EVRY that will be continued and transformed in a value neutral way into restricted stock units in TietoEVRY.

Recognized amounts of identifiable assets acquired and liabilities assumed

The following table summarizes the recognized fair values of assets acquired and liabilities assumed. The provisional amounts recognized have been adjusted within 12 months after the date of acquisition, to reflect new information obtained about facts and circumstances that existed at the date of acquisition. Adjustments were related to review of deferred tax balances, finalized valuation of identified intangible assets, alignment of accounting policies and revaluations of assets and liabilities. Due to these adjustments, the Group restated the following items in 2019 profit or loss: Depreciation and amortization EUR -0.5 million, Income taxes EUR 0.1 million and Net profit EUR -0.4 million, and accordingly Retained earnings in equity. In addition, a EUR 3.1 million foreign exchange gain was reclassified from Net foreign exchange gains and losses to Materials and Services.

EUR million	Final	Reported as provisional
Intangible assets	386.2	364.1
Property, plant and equipment	27.9	27.9
Right of use assets	153.8	156.8
Investments in joint ventures	7.8	7.8
Deferred tax assets	90.9	61.8
Inventory	4.7	4.7
Trade and other receivables, incl. current tax assets	275.3	311.0
Cash and cash equivalents	17.2	17.2
Assets held for sale	15.2	19.0
Loans	-694.4	-694.4
Deferred tax liabilities	-60.3	-107.2
Provisions	-6.1	-3.8
Pension obligations	-27.8	-27.8
Trade and other payables, incl. current tax liabilities	-333.0	-293.0
Liabilities held for sale	-2.1	-3.0
Total net assets acquired	**-144.7**	**-158.8**
Goodwill	**1 542.1**	**1 556.3**
Total	**1 397.5**	**1 397.5**

The identified intangible assets were related to customer relationships, technology, the EVRY brand and order backlog. Fair values for the intangible assets were determined using appropriate valuation methods including the multi-period excess earnings method for the customer relationships, excess earnings method for the order backlog and relief from royalty method for technology and the EVRY brand. The amortisation periods for these intangible assets vary between 6 to 15 years. Goodwill is attributable to market share, synergies, workforce and new competencies. The transaction costs of EUR 11.7 million incurred by Tieto and EVRY in connection with the merger primarily consisted of financial, legal and advisory costs and were included in other operating expenses in the 2019 income statement and in cash flow from operating activities. The costs for the issuance of the merger consideration shares amounted to EUR 4.1 million (net of taxes) and were deducted from invested unrestricted equity reserve in 2019.

Cash flow on acquisition in 2019

EUR million	
Merger consideration in cash	191.7
Cash and cash equivalent balances acquired	-17.2
Total	**174.4**

Since the date of acquisition, the acquired entity contributed EUR 120 million to the 2019 revenues and EUR -0.4 million to the operating profit of the Group. If the business combination had taken place at the beginning of the 2019, the Group revenue would have been approximately EUR 2 951 million and operating profit approximately EUR 194 million after additional amortization from the fair value adjustments to intangible assets.

Assets held for sale

The competition clearance for the EVRY merger from the Norwegian Competition Authority was subject to divestment of EVRY’s case management and archiving systems for the public sector in Norway. EVRY had entered into an agreement with Karbon Invest AS to divest the business and in the 2019 statement of financial position the assets and related liabilities were presented on lines "Assets held for sale" and "Liabilities attributable to assets held for sale", respectively. The transaction was completed in February 2020. The cash received amounted to EUR 15.3 million. The sold assets were mostly intangible assets.

Change in contingent consideration from acquisitions completed in prior years

Contingent consideration related to 2018 acquisitions and respective contingent liability decreased with EUR 1.7 million.

EUR million	
Contingent consideration on 1 Jan 2020	1.7
Change recognized in 2020	-1.7
Remaining contingent consideration	**—**

27. Subsidiaries

Most of the TietoEVRY Group companies are 100% owned subsidiaries.

Subsidiary shares owned by the Parent company

Company name	Domicile	Parent company's holding %	31 Dec 2020 Book value in the Parent company EUR million
EVRY Card Issuing AS	Norway	100.0	77.4
EVRY Card Payments AS	Norway	100.0	0.0
EVRY Card Services AS	Norway	100.0	84.0
EVRY Danmark A/S	Denmark	100.0	—
EVRY Norge AS	Norway	100.0	950.6
EVRY Sweden Holding AB	Sweden	100.0	468.1
Fellesdata AS	Norway	100.0	—
Tieto Austria GmbH	Austria	100.0	0.8
Tieto (Beijing) Technology Co., Ltd.	China	100.0	0.8
Tieto Canada Inc.	Canada	100.0	1.0
Tieto China Co., Ltd.	China	100.0	4.3
Tieto Czech s.r.o.	Czech Republic	100.0	8.0
Tieto Czech Support Services s.r.o.	Czech Republic	100.0	—
Tieto Denmark A/S	Denmark	100.0	6.5
Tieto DK A/S	Denmark	100.0	1.6
Tieto Estonia AS	Estonia	100.0	3.3
Tieto Finland Oy	Finland	100.0	137.2
Tieto Finland Support Services Oy	Finland	100.0	1.6
Tieto Germany GmbH	Germany	100.0	0.5
Tieto Global Oy	Finland	100.0	1.1
Tieto Great Britain Ltd.	Great Britain	100.0	0.5
Tieto Latvia SIA	Latvia	100.0	15.2
Tieto Lietuva UAB	Lithuania	100.0	2.6
Tieto Netherlands Holding B.V.	Netherlands	100.0	24.5
Tieto Norway AS	Norway	100.0	172.5
Tieto Poland Sp. z o.o	Poland	100.0	3.3
Tieto Sdn Bhd	Malaysia	100.0	0.2
Tieto Support Services Sp. z o.o.	Poland	100.0	0.4
Tieto Sweden AB	Sweden	100.0	549.3
TietoEnator Inc.	The United States	100.0	8.0
TietoEVRY Accounting AS	Norway	100.0	16.7
Total			**2 540.0**

Shares in Group companies owned by subsidiaries

Company name	Domicile	Group holding %	31 Dec 2020 Book value in the Parent company EUR million
Alliance Drift AS	Norway	100.0	0.0
Avega Affero AB	Sweden	100.0	0.2
Avega Amplio AB	Sweden	100.0	0.5
Avega Aqilo AB	Sweden	100.0	0.1
Avega Catalyst AB	Sweden	100.0	0.4
Avega Complius AB	Sweden	90.2	—
Avega Dinamiko AB	Sweden	90.1	0.0
Avega Edge AB	Sweden	100.0	0.0
Avega Effectus AB	Sweden	100.0	0.9
Avega Group AB	Sweden	100.0	46.9
Avega Kipeo AB	Sweden	100.0	1.6
Avega Kite AB	Sweden	100.0	0.0
Avega Miundo AB	Sweden	100.0	0.0
Avega Mtoni AB	Sweden	90.2	—
Avega Nuvem AB	Sweden	90.2	—
Avega Primero AB	Sweden	100.0	0.1
Avega Proferio AB	Sweden	100.0	0.9
Avega Qurio AB	Sweden	98.2	2.9
Avega Scire AB	Sweden	100.0	0.2
Avega Senso AB	Sweden	100.0	0.0
Bekk Consulting AS	Norway	100.0	44.5
Emric d.o.o. Beograd	Serbia	100.0	—
EVRY AB	Sweden	100.0	25.9
EVRY Advantage AB	Sweden	100.0	0.1
EVRY Card Services AB	Sweden	100.0	26.7
EVRY Card Services Oy	Finland	100.0	6.1
EVRY Financial Service UK Ltd.	Great Britain	100.0	0.1

EVRY Financing AB	Sweden	100.0	0.0
EVRY Financing AS	Norway	100.0	2.0
EVRY Finland Oy	Finland	100.0	4.9
EVRY India Pvt. Ltd.	India	100.0	14.8
EVRY SG Pte. Ltd.	Singapore	100.0	—
EVRY Sweden AB	Sweden	100.0	177.5
EVRY USA Corporation Inc.	The United States	100.0	0.5
Eye-share AS	Norway	100.0	2.3
Findwise AB	Sweden	100.0	14.4
Findwise ApS	Denmark	100.0	1.7
Findwise Sp. z o.o.	Poland	100.0	0.2
Gjeldsregisteret AS	Norway	100.0	—
Infopulse Bulgaria Ltd.	Bulgaria	100.0	0.1
Infopulse Europe GmbH	Germany	100.0	0.0
Infopulse Poland Sp. z o.o.	Poland	100.0	—
Infopulse Ukraine LLC	Ukraine	100.0	0.0
Infopulse USA LLC	The United States	100.0	0.1
Interpost AS	Norway	100.0	0.0
NUK Holding AB	Sweden	100.0	18.7
Spring Consulting AS	Norway	100.0	0.1
Tieto Brasil Serviços Tecnológicos Ltda.	Brazil	100.0	0.1
Tieto India Pvt. Ltd.	India	100.0	45.4
Tieto Netherlands B.V.	Netherlands	100.0	2.9
Tieto Rus OOO	Russia	100.0	2.3
Tieto Sweden Support Services AB	Sweden	100.0	—
Tieto Ukraine Support Services LLC	Ukraine	100.0	0.8
Tieto U.S. Inc.	The United States	100.0	1.0
Total			**448.1**

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

Tieto Great Britain Ltd. and EVRY Financial Service UK Ltd. are exempt from the requirements of the Companies Act 2006 relating to the audit by virtue of section 479A of that act. The parent company, TietoEVRY Oyj has given a parent undertaking guarantee for all the outstanding liabilities of Tieto Great Britain Ltd. and EVRY Financial Service UK Ltd. at the end of the financial year 2020 and all members agree to the company being exempt from audit.

28. Interests in joint ventures

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

ACCOUNTING POLICIES

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

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

Joint ventures

	Number of shares		Parent company's share %		Voting right %		Carrying value EUR million	
31 Dec	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Tieto Esy Oy	7 300	7 300	80.0	80.0	34.0	34.0	5.2	5.3
TietoIlmarinen Oy	3 570	3 570	70.0	70.0	30.0	30.0	3.4	3.6
Tietokarhu Oy	8 000	8 000	80.0	80.0	20.0	20.0	2.8	6.1
BuyPass AS	21 100	21 100	50.0	50.0	50.0	50.0	8.3	8.2
							19.7	**23.1**

Reconciliation to carrying value

EUR million	2020	2019
Acquisition cost, 1 Jan	11.8	3.7
Acquisition	—	7.8
Translation difference	-0.6	0.3
Acquisition cost, 31 Dec	**11.2**	**11.8**
Equity adjustments, 1 Jan	**11.3**	**12.3**
Share of results	1.5	5.7
Dividends received	-4.3	-3.6
Impairment	—	-3.1
Equity adjustments, 31 Dec	**8.5**	**11.3**
Carrying value, 31 Dec	**19.7**	**23.1**

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

Tietokarhu Oy's special task as a supplier of IT services for the Tax Administration has ended on 31 December 2020 in accordance with the two-year notice period as the Tax Administration switches to the use of a new ready-made software. The Extraordinary General Meeting has supported the liquidation of Tietokarhu as of 1 January, 2021, as a result of which the company will be dissolved.

There are no commitments or contingencies related to joint ventures.

Financial and personnel information of Joint ventures

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

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

31 Dec 2019 EUR million	Tieto Esy Oy	Tietollmarinen Oy	Tietokarhu Oy	BuyPass AS
Non-current assets	0.0	0.0	0.5	2.6
Current assets	4.6	3.3	17.7	34.1
Total	**4.6**	**3.3**	**18.2**	**36.8**
Non-current liabilities	0.1	0.1	3.1	—
Current liabilities	1.0	1.0	7.3	20.4
Total	**1.1**	**1.1**	**10.3**	**20.4**
Net sales	5.2	7.2	28.5	2.0
Expenses	-4.2	-5.1	-22.7	-1.7
Profit before taxes	**1.0**	**2.1**	**5.8**	**0.3**
Income taxes	-0.2	-0.6	-1.0	-0.1
Net profit for the financial year	**0.8**	**1.5**	**4.8**	**0.2**
Dividends paid to Tieto	**0.9**	**0.5**	**2.2**	**—**
Average full-time personnel during the financial year	**37**	**41**	**107**	**7**

29. Related party transactions

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

ACCOUNTING POLICIES

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

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

Transactions and balances with joint ventures

EUR million	31 Dec 2020	31 Dec 2019
Sales	8.5	6.2
Other operating income	3.5	3.6
Purchases	3.5	3.8
Receivables	0.3	0.8
Liabilities including cash pool	13.9	21.6

30. Commitments and contingencies

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

ACCOUNTING POLICIES

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

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

EUR million	31 Dec 2020	31 Dec 2019
For TietoEVRY obligations		
Mortgages	2.5	—
Guarantees[1)]		
Performance guarantees	82.7	34.1
Payment guarantees	7.8	8.2
Other	0.1	—
Other TietoEVRY obligations		
Lease commitments, not yet commenced	70.7	20.3
Other	0.7	1.1
On behalf of third parties		
Guarantees[1)]		
Performance guarantees	25.9	24.9

[1)] The Group has reviewed the guarantees as a result of which comparative information has been adjusted.

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

31. Events after the reporting period

On 15 February, TietoEVRY announced that it has reached an agreement with Aucerna, a Quorum Software affiliate, to sell its Oil & Gas software business. The divestment is part of the company’s strategy to seek focus and scale. Through this transaction, the Oil & Gas software business will have greater global market reach and growth opportunities. TietoEVRY’s Oil & Gas software business comprises hydrocarbon management, personnel and material logistics software and related services with installations in more than 50 countries. Revenue of the businesses to be divested amounted to around EUR 50 million in 2020 and the number of employees is around 430.

The agreement was reached at an enterprise value of EUR 155 million, implying an EV/Revenue multiple of approximately 3.2. The Oil & Gas software business is reported as part of the Industry Software segment in the financial statement. The company anticipates that the transaction, subject to the approval of the competition authorities, will be concluded before summer 2021.

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

Income statement

EUR	Note	2020	2019
Net sales	1	121 506 688.34	136 998 464.54
Other operating income	2	30 331 222.55	33 411 993.10
Personnel expenses	3	-16 203 417.07	-18 843 890.43
Depreciation and impairment losses	8, 9	-26 254 311.72	-5 488 989.70
Other operating expenses	4	-159 959 364.53	-170 391 975.27
Operating profit		**-50 579 182.43**	**-24 314 397.76**
Financial income and expenses	6	9 801 579.46	36 412 570.36
Profit before appropriations and taxes		**-40 777 602.97**	**12 098 172.60**
Appropriations			
Group contribution		107 911 000.00	83 700 000.00
Profit before taxes		**67 133 397.03**	**95 798 172.60**
Income taxes	7	-11 716 565.82	-8 715 792.37
Net profit for the financial year		**55 416 831.21**	**87 082 380.23**

Balance Sheet

Assets

EUR	Note	31 Dec 2020	31 Dec 2019
Non-current assets			
Intangible assets	8	204 348 438.14	228 936 201.17
Tangible assets	9	1 734 794.64	2 645 806.09
Investments	10	2 553 877 750.35	2 454 204 709.24
Total non-current assets		**2 759 960 983.13**	**2 685 786 716.50**
Current assets			
Long-term receivables			
Receivables from Group companies	11	155 106 208.04	167 663 980.66
Other receivables	11	4 081 355.92	2 737 500.71
		159 187 563.96	**170 401 481.37**
Current receivables			
Accounts receivables	12	6 006.96	—
Receivables from Group companies	12, 13	209 972 821.63	298 389 688.63
Receivables from joint ventures	12, 13	59 347.24	142 067.54
Other receivables	12	2 474 449.03	7 059 949.59
Prepaid expenses and accrued income	13	7 446 174.17	6 945 991.34
		219 958 799.03	**312 537 697.10**
Cash and cash equivalents		137 952 944.02	86 602 543.61
Total current assets		**517 099 307.01**	**569 541 722.08**
Total assets		**3 277 060 290.14**	**3 255 328 438.58**

Shareholders' equity and liabilities

EUR	Note	31 Dec 2020	31 Dec 2019
Shareholders' equity	14		
Share capital		76 555 412.00	76 555 412.00
Share issue premiums		13 791 579.51	13 791 579.51
Invested unrestricted equity reserve		1 207 617 299.52	1 207 617 299.52
Retained earnings		523 188 829.91	507 732 602.90
Net profit for the financial year		55 416 831.21	87 082 380.23
Total equity		**1 876 569 952.15**	**1 892 779 274.16**
Provisions	15	2 620 770.27	656 918.41
Liabilities			
Non-current liabilities			
Bonds	16	400 000 000.00	100 000 000.00
Loans	16	478 461 538.46	482 438 727.90
Other non-current liabilities	16	628.13	2 348.13
Total non-current liabilities		**878 462 166.59**	**582 441 076.03**
Current liabilities	17		
Accounts payables		8 518 362.36	20 641 311.16
Liabilities to Group companies	17, 18	471 541 257.34	362 988 322.76
Liabilities to joint ventures	17, 18	13 694 400.23	21 208 737.04
Loans		6 538 461.54	302 561 272.10
Other current liabilities		8 825 856.86	59 793 466.35
Accrued liabilities and deferred income	18	10 289 062.80	12 258 060.57
Total current liabilities		**519 407 401.13**	**779 451 169.98**
Total liabilities		**1 397 869 567.72**	**1 361 892 246.01**
Total equity and liabilities		**3 277 060 290.14**	**3 255 328 438.58**

Statement of cash flow

EUR	2020	2019
Cash flow from operating activities		
Net profit before appropriations and taxes	-40 777 602.97	12 098 172.60
Adjustments		
Depreciation, amortization and impairment losses	26 254 311.72	5 488 989.64
Net financial income	-9 801 579.46	-36 412 570.36
Other adjustments	22 245.44	26 829.17
Other non-cash items	2 048 306.87	872 077.36
Cash generated from operating activities before net working capital	**-22 254 318.40**	**-17 926 501.59**
Change in net working capital		
Change in current receivables	13 053 627.88	12 328 119.31
Change in current non-interest bearing liabilities	-28 257 277.94	2 316 435.85
Cash generated from operating activities	**-37 457 968.46**	**-3 281 946.43**
Interest expenses and other financial expenses paid	-94 332 231.68	-19 705 936.53
Interest income received	69 185 775.29	7 454 512.76
Dividend received and equity refund	15 463 326.87	54 504 452.45
Income taxes paid	-14 929 254.34	-11 771 194.19
Cash flow from operating activities	**-62 070 352.32**	**27 199 888.06**

EUR	2020	2019
Cash flow from investing activities		
Purchase of tangible and intangible assets	-777 782.68	-1 141 296.62
Proceeds from sale of tangible and intangible assets	—	192 885.00
Acquisition of subsidiaries	-6 462 616.31	-202 191 209.58
Proceeds on liquidation of subsidiary	369 857.69	—
Disposal of other shares, net of cash disposed	—	500.00
Loans granted	-112 635 791.88	-316 114 807.17
Repayment of EVRY loans	—	-534 075 644.20
Repayment of other loans	154 774 787.24	308 773 046.35
Cash flow from investing activities	**35 268 454.06**	**-744 556 526.22**
Cash flow from financing activities		
Dividends paid	-75 189 670.55	-107 208 660.15
Purchase of own shares	-894 169.50	—
Conveyance of own shares	3 845 668.22	2 385 430.72
Proceeds from long-term borrowings	297 417 000.00	400 000 000.00
Repayments of long-term borrowings	-3 957 182.00	—
Bridge loan related to merger	—	300 000 000.00
Repayments of bridge loan related to merger	-300 000 000.00	—
Proceeds from short-term borrowings	—	12 326 598.61
Repayment of bond	—	-100 000 000.00
Repayments of other short-term borrowings	-24 999 728.42	-12 275 918.25
Change in intercompany cash pool, net	98 230 380.92	116 950 695.80
Group contributions received	83 700 000.00	74 100 000.00
Cash flow from financing activities	**78 152 298.67**	**686 278 146.73**
Change in cash and cash equivalents	**51 350 400.41**	**-31 078 491.43**
Cash and cash equivalents at the beginning of period	86 602 543.61	117 681 035.04
Cash and cash equivalents at the end of period	137 952 944.02	86 602 543.61
	51 350 400.41	**-31 078 491.43**

Notes to the parent company´s financial statements (FAS)

Parent company accounting principles

The financial statements of the Parent company TietoEVRY Corporation are prepared in accordance with Finnish Accounting Standards (FAS).

TietoEVRY Corporation (business identity code 0101138-5) is a Finnish public limited IT service and software company organized under the laws of Finland and domiciled in Espoo: Keilalahdentie 2-4, 02101 Espoo, Finland. The company is listed on NASDAQ in Helsinki and Stockholm and the Oslo Stock Exchange. The Board of Directors approved the financial statements to be published 16th February 2021. According to the Limited Liability Companies Act the shareholders have at the Annual General Meeting the right to approve, disapprove or change the financial statements after the publication.

Foreign currency items

Foreign currency transactions are initially translated at the exchange rate prevailing on the transaction date. Foreign currency items at the end of the financial period are valued at the exchange rates on the balance sheet date. Foreign currency items are hedged using derivative contracts.

Exchange gains and losses on net financial liabilities are reported in the income statement under financial items, while other exchange gains or losses are included in operating profit. Gains and losses arising from revaluation of derivative contracts are, depending on their nature, reported either under financial items or operating profit.

Net sales

Net sales include internal service fees and exchange rate differences from accounts receivables, less indirect taxes such as value added tax.

Other operating income

Other operating income includes mainly rental income and gains from asset disposals.

Pension arrangements

The company's pension obligations are administered through pension insurance institutions. Pension obligations are fully covered.

Financial instruments

The company applies the Finnish Accounting Act chapter 5 section 2a and records financial instruments initially at fair value.

See financial instruments accounting policies in the consolidated financial statements **note 22**.

Appropriations

Group contributions are included in appropriations.

Valuation of fixed assets

Fixed assets are carried at cost less accumulated depreciation. Depreciation is charged according to plan based on the estimated economic lives of the individual assets and accounted for in accordance with the straight-line method.

The company applies the following economic lives:

	Years
Intangible assets (software)	3
Other capitalized expenditure	3–10
Trademark	6
Goodwill from operations	10
Buildings	25–40
Data processing equipment[1)]	3–5
Other machinery and equipment	5
Other tangible assets	5

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

Income taxes

The income statement includes the company's income taxes based on taxable profit for the period according to local tax regulations as well as adjustments to prior-year taxes. The information related to deferred tax items is included in the notes.

1. Net sales

EUR	2020	2019
Internal service fees	121 506 688.34	136 998 464.54
Total	**121 506 688.34**	**136 998 464.54**

Net sales by country	2020	2019
Finland	46 868 231.33	58 791 885.00
Sweden	38 548 147.00	41 709 191.99
Norway	15 342 202.30	13 738 756.71
Other	20 748 107.71	22 758 630.84
Total	**121 506 688.34**	**136 998 464.54**

2. Other operating income

EUR	2020	2019
Rental income	23 948 595.32	26 636 116.68
Gain on liquidation of subsidiary	76 205.33	—
Other income	6 306 421.90	6 775 876.42
Total	**30 331 222.55**	**33 411 993.10**

3. Personnel expenses

EUR	2020	2019
Wages and salaries	14 274 190.33	16 451 389.42
Pension expenses	1 564 089.33	1 911 050.11
Other pay-related statutory social costs	365 137.41	481 450.90
Total	**16 203 417.07**	**18 843 890.43**

The parent company had an average of 110 employees during 2020 and 113 employees in 2019.

4. Other operating expenses

EUR	2020	2019
Voluntary personnel expenses	808 999.98	896 545.48
Licenses and maintenance	16 486 011.40	12 464 081.82
ICT and data communication expenses	6 841 277.12	7 854 839.36
Internal service fees	84 227 253.38	97 467 170.86
Rents and other premises expenses	22 280 999.19	22 289 272.31
Advertising and marketing	3 982 142.91	3 641 623.00
Leased labour	797 749.66	1 391 428.01
Consulting and lawyers	8 504 618.43	7 309 718.54
Meetings	351 795.79	644 751.23
Recruiting	642 089.51	986 706.88
Derivative Exchange Rate Losses on Other Expenses	6 072 216.83	6 481 596.84
Other operating expenses	8 964 210.33	8 964 240.94
Total	**159 959 364.53**	**170 391 975.27**

Fees to auditors

	2020	2019
EUR	**Deloitte**	**Deloitte**
Audit fees	572 000.00	730 000.00
Audit related fees[1)]	—	697 000.00
Tax consultation	112 000.00	174 000.00
Other services	65 000.00	—
Total	**749 000.00**	**1 601 000.00**

[1)] In 2019, audit related services included auditors reports and statement on TietoEVRY merger.

5. Management remuneration

See **note 8** in Notes to the consolidated financial statements.

6. Financial income and expenses

EUR	2020	2019
Dividend income		
Dividend income from Group companies	11 141 694.41	50 894 062.39
Dividend income from joint ventures	4 321 500.00	3 610 390.06
Dividend income from other companies	132.46	—
	15 463 326.87	**54 504 452.45**
Other interest and financial income		
From Group companies	10 386 786.86	2 856 569.60
From other companies	79 857 779.72	16 995 781.49
	90 244 566.58	**19 852 351.09**
Investment write-downs	—	-269 100.68
Interest and other financing expenses		
To Group companies	-2 951 344.39	-530 325.27
To other companies	-92 954 969.60	-37 144 807.23
	-95 906 313.99	**-37 675 132.50**
Total	**9 801 579.46**	**36 412 570.36**

7. Income taxes

EUR	2020	2019
Taxes for the financial period / appropriations	21 582 200.00	16 740 000.00
Taxes for the financial period / regular operations	-33 301 171.66	-25 463 389.86
Taxes for the previous years	2 405.84	7 597.49
Total	**-11 716 565.82**	**-8 715 792.37**

8. Intangible assets

EUR	31 Dec 2020	31 Dec 2019
Intangible rights		
Acquisition cost, 1 Jan	24 179 795.87	12 212 823.14
Additions	69 796.17	12 159 857.73
Disposals	—	-192 885.00
Acquisition cost, 31 Dec	**24 249 592.04**	**24 179 795.87**
Accumulated amortization, 1 Jan	12 352 894.11	12 196 874.42
Amortization for the period	2 016 635.24	156 019.69
Accumulated amortization, 31 Dec	**14 369 529.35**	**12 352 894.11**
Book value, 31 Dec	9 880 062.69	11 826 901.76
Goodwill		
Acquisition cost, 1 Jan	212 149 583.27	—
Additions	—	212 149 583.27
Acquisition cost, 31 Dec	**212 149 583.27**	**212 149 583.27**
Accumulated amortization, 1 Jan	1 539 795.36	—
Amortization for the period	21 214 958.29	1 539 795.36
Accumulated amortization, 31 Dec	**22 754 753.65**	**1 539 795.36**
Book value, 31 Dec	189 394 829.62	210 609 787.91
Other capitalized expenditures		
Acquisition cost, 1 Jan	19 364 099.27	19 211 927.78
Additions	316 149.06	153 961.48
Disposals	-11 543.92	-1 789.99
Acquisition cost, 31 Dec	**19 668 704.41**	**19 364 099.27**
Accumulated amortization, 1 Jan	12 864 587.77	11 063 328.53
Amortization for the period	1 730 570.81	1 801 259.24
Accumulated amortization, 31 Dec	**14 595 158.58**	**12 864 587.77**
Book value, 31 Dec	5 073 545.83	6 499 511.50
Total	**204 348 438.14**	**228 936 201.17**

9. Tangible assets

EUR	31 Dec 2020	31 Dec 2019
Land		
Acquisition cost, 1 Jan	60 270.13	60 270.13
Acquisition cost, 31 Dec	**60 270.13**	**60 270.13**
Machinery and equipment		
Acquisition cost, 1 Jan	32 951 532.68	32 172 179.57
Additions	391 837.35	794 450.14
Disposals	-10 701.42	-15 097.03
Acquisition cost, 31 Dec	**33 332 668.61**	**32 951 532.68**
Accumulated depreciation, 1 Jan	30 403 367.02	28 411 451.67
Depreciation for the period	1 292 147.38	1 991 915.35
Accumulated depreciation, 31 Dec	**31 695 514.40**	**30 403 367.02**
Book value, 31 Dec	1 637 154.21	2 548 165.66
Other tangible assets		
Acquisition cost, 1 Jan	37 370.30	37 370.30
Acquisition cost, 31 Dec	**37 370.30**	**37 370.30**
Book value, 31 Dec	37 370.30	37 370.30
Total	**1 734 794.64**	**2 645 806.09**

10. Investments

EUR	31 Dec 2020	31 Dec 2019
Subsidiary shares		
Acquisition cost, 1 Jan	2 450 629 129.80	937 013 913.29
Additions	99 966 693.47	1 513 615 216.51
Disposals	-293 652.36	—
Acquisition cost, 31 Dec	**2 550 302 170.91**	**2 450 629 129.80**
Book value, 31 Dec	2 550 302 170.91	2 450 629 129.80
Shares in joint ventures		
Acquisition cost, 1 Jan	3 422 133.10	3 691 233.78
Impairment	—	-269 100.68
Acquisition cost, 31 Dec	**3 422 133.10**	**3 422 133.10**
Book value, 31 Dec	3 422 133.10	3 422 133.10
Other shares and interests		
Acquisition cost, 1 Jan	153 446.34	163 537.62
Disposals	—	-10 091.28
Acquisition cost, 31 Dec	**153 446.34**	**153 446.34**
Book value, 31 Dec	153 446.34	153 446.34
Total	**2 553 877 750.35**	**2 454 204 709.24**

Subsidiary shares

Shares in subsidiaries includes merger transaction costs EUR 10 293 826.54.

See **note 27** in Notes to the consolidated financial statements.

Joint ventures owned and managed by the parent company

See **note 28** in Notes to the consolidated financial statements.

11. Long-term receivables

EUR	31 Dec 2020	31 Dec 2019
Loan receivables from Group companies		
Subordinated loan	42 155 406.95	40 490 868.02
Other loan receivables	112 950 801.09	127 173 112.64
Other receivables	4 081 355.92	2 737 500.71
Total	**159 187 563.96**	**170 401 481.37**

12. Current receivables

EUR	31 Dec 2020	31 Dec 2019
Receivables from Group companies		
Accounts receivable	20 848 166.84	10 942 452.31
Loan receivables	74 914 383.51	194 262 470.31
Other receivables	1 687 700.11	5 790 446.27
Group contribution receivables	107 911 000.00	83 700 000.00
Prepaid expenses and accrued income	4 611 571.17	3 694 319.74
Total	**209 972 821.63**	**298 389 688.63**
Receivables from joint ventures		
Accounts receivable	59 347.24	142 067.54
Total	**59 347.24**	**142 067.54**
Receivables from other companies		
Accounts receivable	6 006.96	—
Tax receivable	964 086.10	—
Other receivables	1 510 362.93	7 059 949.59
Total	**2 480 455.99**	**7 059 949.59**

13. Prepaid expenses and accrued income

EUR	31 Dec 2020	31 Dec 2019
Prepaid expenses and accrued income from Group companies		
Other	4 611 571.17	3 694 319.74
Prepaid expenses and accrued income from other companies		
Licence fees	5 104 419.73	4 256 944.78
Rents	—	437 362.41
Social costs	70 749.58	33 019.05
Bond discount and issue costs	1 186 197.15	1 228 829.87
Other	1 084 807.71	989 835.23
	7 446 174.17	**6 945 991.34**
Total	**12 057 745.34**	**10 640 311.08**

14. Changes in shareholders' equity

EUR	31 Dec 2020	31 Dec 2019
Restricted equity		
Share capital, 1 Jan	76 555 412.00	76 555 412.00
Share capital, 31 Dec	**76 555 412.00**	**76 555 412.00**
Share issue premiums, 1 Jan	13 791 579.51	13 791 579.51
Share issue premiums, 31 Dec	**13 791 579.51**	**13 791 579.51**
Restricted equity total	**90 346 991.51**	**90 346 991.51**
Unrestricted equity		
Invested unrestricted equity reserve, 1 Jan	1 207 617 299.52	12 843 921.40
Merger consideration	—	1 194 773 378.12
Invested unrestricted equity reserve, 31 Dec	**1 207 617 299.52**	**1 207 617 299.52**
Retained earnings, 1 Jan	594 814 983.13	611 826 430.57
Purchase of own shares	-894 169.50	—
Shares distributed to personnel	4 457 686.83	3 114 832.48
Dividend distributions	-75 189 670.55	-107 208 660.15
Retained earnings, 31 Dec	**523 188 829.91**	**507 732 602.90**
Net profit for the financial year	55 416 831.21	87 082 380.23
Unrestricted equity total	**1 786 222 960.64**	**1 802 432 282.65**
Shareholders' equity, total	**1 876 569 952.15**	**1 892 779 274.16**
Distributable funds		
Invested unrestricted equity reserve	1 207 617 299.52	1 207 617 299.52
Retained earnings	523 188 829.91	507 732 602.90
Net profit for the financial year	55 416 831.21	87 082 380.23
Total	**1 786 222 960.64**	**1 802 432 282.65**
Breakdown of the parent's share capital		
Number of shares	118 425 771	118 425 771
Euros	76 555 412.00	76 555 412.00

15. Provisions

EUR	31 Dec 2020	31 Dec 2019
Restructuring commitments	287 689.82	656 918.41
Other provisions	2 333 080.45	—
Total	**2 620 770.27**	**656 918.41**

16. Non-Current liabilities

EUR	31 Dec 2020	31 Dec 2019
Bonds	400 000 000.00	100 000 000.00
Loans	478 461 538.46	482 438 727.90
Other non-current liabilities	628.13	2 348.13
Total	**878 462 166.59**	**582 441 076.03**

Fair value of bonds has been calculated based on prevailing market rate at the reporting date and as of 31 Dec 2020 it was EUR 411 392 000 (EUR 101 829 000 in 2019).

17. Current liabilities

EUR	31 Dec 2020	31 Dec 2019
Liabilities to Group companies		
Accounts payable	4 702 940.10	4 368 722.11
Other liabilities including cash pool	459 809 202.19	353 581 621.24
Accrued liabilities and deferred income	7 029 115.05	5 037 979.41
	471 541 257.34	**362 988 322.76**
Liabilities to joint ventures		
Accounts payable	—	2 964.22
Other liabilities including cash pool	13 694 400.23	21 205 772.82
	13 694 400.23	**21 208 737.04**
Liabilities to other companies		
Accounts payable	8 518 362.36	20 641 311.16
Loans	6 538 461.54	302 561 272.10
Commercial papers	4 973 421.21	39 994 667.38
Other current liabilities	3 852 435.65	19 798 798.97
Accrued liabilities and deferred income	10 289 062.80	12 258 060.57
	34 171 743.56	**395 254 110.18**
Total	**519 407 401.13**	**779 451 169.98**

Loans and receivables and financial liabilities are held at amortized cost using the effective interest rate method. Their carrying amounts are considered to approximate their fair value, except for the fixed rate bond where carrying amount has not been adjusted to match the fair value.

18. Accrued liabilities and deferred income

EUR	31 Dec 2020	31 Dec 2019
Accrued liabilities and deferred income from Group companies		
Service fee	7 028 613.67	4 717 331.99
Interest	501.38	275 227.05
Other	—	45 420.37
	7 029 115.05	**5 037 979.41**
Accrued liabilities and deferred income from other companies		
Vacation pay and related social costs	1 875 518.40	1 605 639.24
Other accrued payroll and related social costs	1 981 907.58	3 083 790.09
Other social costs	855 589.43	488 785.83
Interest	4 060 603.84	897 236.41
Rents	936 885.96	1 504 461.35
Taxes	—	3 077 856.19
Other	578 557.59	1 600 291.46
	10 289 062.80	**12 258 060.57**
Total	**17 318 177.85**	**17 296 039.98**

19. Deferred tax assets and liabilities

EUR	31 Dec 2020	31 Dec 2019
Deferred tax assets		
From temporary differences	1 395 077.04	1 486 694.41
From appropriations	458 506.91	447 914.34
Total	**1 853 583.95**	**1 934 608.75**
Deferred tax liabilities		
From temporary differences	175 066.66	288 581.73
Total	**175 066.66**	**288 581.73**

Deferred tax items are not included in the balance sheet.

20. Contingent liabilities

EUR	31 Dec 2020	31 Dec 2019
On behalf of Group companies		
Guarantees[1)]	128 428 256.45	130 927 603.62
Other Tieto obligations		
Rent commitments due in 2021 (2020)	12 434 514.00	12 503 957.99
Rent commitments due later	39 856 620.00	51 102 130.67
Lease commitments due in 2021 (2020)[2)]	320 092.00	319 186.39
Lease commitments due later[2)]	302 355.00	401 414.10
On behalf of Third parties		
Guarantees	25 911 124.84	24 888 003.98

[1)] The company has reviewed the guarantees as a result of which comparative information has been adjusted.
[2)] Lease commitments are principally three-year lease agreements that do not include buyout clauses.

In addition to the above mentioned contingent liabilities, parent company has provided security on behalf of delivering Group company relating to some major contracts.

Tieto Great Britain Ltd. and EVRY Financial Service UK Ltd. are exempt from the requirements of the Companies Act 2006 relating to the audit by virtue of section 479A of that act. The parent company, TietoEVRY Oyj has given a parent undertaking guarantee for all the outstanding liabilities of Tieto Great Britain Ltd. and EVRY Financial Service UK Ltd. at the end of the financial year 2020 and all members agree to the company being exempt from audit.

21. Derivatives

Nominal amounts of derivatives

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

EUR	31 Dec 2020	31 Dec 2019
Foreign exchange forward contracts	578 629 042.52	1 792 642 049.66

Fair values of derivatives

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

The net fair values of derivative financial instruments at the balance sheet date	31 Dec 2020	31 Dec 2019
Foreign exchange forward contracts	188 348.63	-15 699 509.61

Derivatives are used for economic purposes only.

Gross positive fair values of derivatives	31 Dec 2020	31 Dec 2019
Foreign exchange forward contracts	3 128 076.98	4 696 018.78

Gross negative fair values of derivatives	31 Dec 2020	31 Dec 2019
Foreign exchange forward contracts	-2 939 728.35	-20 395 528.39

Fair value measurement of financial assets and liabilities

See **note 22** in Notes to the consolidated financial statements.

22. Management of financial risks

The operative management of the treasury activities of TietoEVRY is centralized into Group Treasury, which is operated from Parent company. The Group Treasury is responsible for managing the Group's financial risk position and maintaining adequate liquidity. The Treasury Policy, which has been approved by the Board of Directors, defines the principles for measuring and managing liquidity risk, interest rate risk, foreign exchange risks and counterparty risk of the Group. The Treasury Policy also defines the division of responsibilities with regard to financial risk management. The Group reviews and monitors financial risks on a regular basis.

Financial risks are assessed, measured and managed on a Group level. See **note 18** in Notes to the consolidated financial statements.

DIVIDEND PROPOSAL, SIGNATURES FOR THE BOARD OF DIRECTORS' REPORT AND FINANCIAL STATEMENTS AND AUDITOR'S NOTE

Dividend proposal

Distributable funds in the parent company	1 786 222 960.64
of which net profit for the current year	55 416 831.21

The Board of Directors proposes that the retained earnings of EUR 578 605 661.12 shall be used as follows:

a total dividend of EUR 1.32 per share to be paid to shareholders	156 307 526.76
the remainder be carried forward	422 298 134.36

In the opinion of the Board of Directors the proposed dividend distribution does not endanger the solvency of the company.

Signatures for the Financial statements and Board of Directors' report
Espoo, 16 February 2021

Tomas Franzén
Chairperson

Salim Nathoo
Deputy Chairperson

Timo Ahopelto

Rohan Haldea

Liselotte Hägertz Engstam

Harri-Pekka Kaukonen

Katharina Mosheim

Niko Pakalén

Endre Rangnes

Leif Teksum

Tommy Sander Aldrin

Ola Hugo Jordhøy

Anders Palklint

Ilpo Waljus

Kimmo Alkio
President and CEO

The Auditor's Note

Our auditors' report has been issued today.
Espoo, 16 February 2021

Deloitte Oy
Audit Firm

Jukka Vattulainen
Authorised Public Accountant (KHT)

AUDITOR'S REPORT (Unofficial translation of the Finnish original)

To the Annual General Meeting of TietoEVRY Oyj

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of TietoEVRY Oyj (business identity code 0101138-5) for the year ended 31 December, 2020. The financial statements comprise the consolidated income statement, statement of comprehensive income, financial position, statement of cash flows, statement of changes in equity and notes, including a summary of significant accounting policies, as well as the parent company's income statement, balance sheet, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU,
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 7 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

Key audit matter	How our audit addressed the key audit matter
Impairment testing of Goodwill Refer to Note 11 in the consolidated financial statements. Consolidated financial statements includes goodwill of EUR 1 974,4 million (EUR 2 023,1 million). Goodwill is measured at cost less accumulated impairment losses. Goodwill is subject to annual impairment test. For testing purposes goodwill is allocated to cash-generating units. As a result of management's goodwill impairment test, no impairment was identified. Goodwill impairment testing requires substantial management judgment over the projected future business performance, cash flows and applied discount rate. Note 11 in the consolidated financial statements describes key assumptions used by management in the impairment test and related sensitivity analysis.	As part of our audit procedures we have assessed key controls over management's goodwill impairment testing for each cash generating unit. The recoverable amounts of the cash-generating units are determined based on value-in-use calculations. Cash flows used in these calculations are based on five-year financial plans defined by group management. We have assessed the key assumptions used by management in the impairment test for cash generating units: – comparing the growth and profitability estimates to historical performance. – comparing the estimates with the latest approved budgets and strategic plans. – involving our valuation specialists to verify that the discount rates and the long-term growth rates are consistent with observable market data – validated the mathematical accuracy of the impairment calculations We have also assessed the related disclosure information.
Revenue recognition Refer to accounting policies for the consolidated financial statements and notes 5 and 6. Consolidated Net Sales of TietoEVRY Oyj amounted to EUR 2 786,4 million. The Net Sales consist mostly of continuous services, software solutions and consulting. In addition to this, the Company has fixed-price projects.	We evaluated the IT systems used for recognizing revenue by testing access and change management controls. We also evaluated process level controls by performing walkthroughs of each significant class of revenue transactions, assessed the design of key controls and tested the operating effectiveness of those controls.

Key audit matter	How our audit addressed the key audit matter
Revenue from service contracts, software solutions and consulting is based on service volumes or time and materials; and the performance obligations are recognized over the accounting period in which the services are rendered. For contracts comprising fixed-price projects, revenue is recognized based on the actual service provided by the reporting date as a proportion of the total services to be provided. We identified as a specific risk of error and fraud in respect of improper revenue recognition given the nature of the Group's services, as follows: – Improper revenue recognition in manually recorded exceptional revenue transactions. Revenue recognition due to its significance require specific attention both from the accounting and the auditing perspective. In addition, management applies judgement when considering revenue recognition for fixed-price projects.	Our substantive audit procedures to address the identified risk relating to revenue from services consisted among others, performing transactional testing procedures to validate the recognition of revenue throughout the year as well as year-end. Our substantive audit procedures to address the risk of inappropriate accounting for major fixed-price projects were focused on judgements used by management in project estimates. We selected a sample of contracts and performed the following: – Ensured that the revenue recognition method applied was appropriate based on the terms of the arrangement; – Agreed project revenue estimate against the sales agreement, including contract amendments; – Tested the accuracy of the cost estimate by taking a sample of cost components and traced those to supporting documentation; and – Recalculated the revenue based on percentage of completion of the project. Assessed the appropriateness of the percentage of completion by comparing actual costs from the Company's accounting records to the estimated total costs of the project.

We have no key audit matters to report with respect to our audit of the parent company financial statements. There are no significant risks of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014 with respect to the group financial statements and the parent company financial statements.

Responsibilities of the Board of Directors and the President and CEO for the financial statements

The Board of Directors and the President and CEO are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and CEO are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and CEO are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's responsibilities in the audit of financial statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the President and CEO's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

We have been acting as TietoEVRY's auditors a total period of uninterrupted engagement of 3 years since 2018.

Other information

The Board of Directors and CEO are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our report thereon. We have obtained the report of the Board of Directors prior to the date of the auditor's report, and the Annual Report is expected to be made available to us after that date. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Espoo, 16 February 2021

Deloitte Oy
Audit Firm

Jukka Vattulainen
Authorised Public Accountant (KHT)

tietoEVRY

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