

**TIETOENATOR 1999: NET SALES MEUR 1,229, OPERATING PROFIT MEUR 108**

Group net sales grew by 13.9 % to EUR 1,229.1 million (1998: 1,079.2). Operating profit (EBIT) was EUR 107.7 million (105.0), corresponding to an 8.8 % profit margin. The average number of personnel increased 9.6 % and was 11,058 (10,089). Earnings per share were EUR 0.90 (0.96). Dividend proposal to the AGM (on 29 March 2000) is EUR 0.49 (EUR 0.49) per share and the dividend payment date 14 April 2000. Group's investments in growth will rise in 2000 and the long- term growth target is raised to 20 %.

Demand for information technology services continued strong. The completion of Y2K projects affected the demand during the whole year. Towards the end of the year customers started up new investments in network technology.

Several customer sectors of TietoEnator began development and integration of e-business systems and new network-based operating concepts. TietoEnator concentrates on e-business applications and services in all its business sectors. Some 25 %, over 2,500 persons, of TietoEnator's employees now work with digital economy applications and services. TietoEnator has pioneered the development of Internet and WAP applications for mobile phones in a number of customer sectors. For instance, the Group has been the partner to its customers in developing the first banking services in the world for use with WAP mobile phones and is deeply involved in the development of third generation mobile handset software.

Demand for IT services will remain strong and will focus on electronic services. Tieto's and Enator's pooling of resources, which has proceeded as planned, now enables the group to take the next steps forward: further consolidating the presence in Europe and pushing the strongest solutions to the global market. TietoEnator's international spearhead solutions are mobile and Internet banking, mobile telecommunications and media, digital government and the digital forest chain. Investments in growth will rise and acquisitions will have a greater impact on the Group's growth than in the previous year. The Group is expected to report a stronger result in 2000 than one year earlier.

**Fourth quarter**

Net sales during the fourth quarter were EUR 344.1 million, giving growth of 16.8 %. This was the strongest quarter during 1999 for net sales. Operating profit (EBIT) was EUR 33.6 million, which is 9.8 % of net sales. The profit includes non-recurring income of EUR 15.0 million due to divestments. Reorganisation weakened the performance in Defence and Network Infrastructure. In Services Sweden the provisions for higher costs in new technology projects were recorded. Y2K constrained demand in several of the business areas. The change of millennium in itself proceeded without any major problems.

**Result per quarters, EUR million**

	1999	1999	1999	1999	1999
	1-3	4-6	7-9	10-12	1-12
Net sales	291.6	315.1	278.3	344.1	1,229.1
Operating profit	32,4	18,4	23,3	33,6	107,7
Net financial items	0.3	0.6	0.3	0.4	1.6
Profit before taxes	32.7	19.0	23.6	34.0	109.3

## Key figures 1999, 1998

	1999	1998	Change %
Net sales, MEUR	1,229.1	1,079.2	+13.9
Operating profit, MEUR	107.7	105.0	+2.6
Operating margin, %	8.8	9.7	
Pre tax profit, MEUR	109.3	107.0	+2.2
Earnings per share, EUR	0.90	0.96	-6.3
Earnings excl. amortization of goodwill per share, EUR	1.04	1.08	-3.7
Earnings per share (incl. dilutions by warrants), EUR	0.88		
Shareholders equity per share	4.59	4.09	+12.2
Dividend per share	0.49	0.49	
Investments, MEUR	102.8	71.0	+44.8
Return on equity, %	21.2	25.2	
Return on capital employed, %	29.5	33.6	
Gearing, %	-13.2	-15.9	
Equity ratio, %	52.8	56.8	
Personnel on average	11,058	10,089	+9.6
Personnel on 31 December	11,098	10,335	+7.4

## Financial development

The combination of Enator and Tieto took place on 7 July 1999 but TietoEnator's accounts have been consolidated according to the pooling method from the beginning of the year.

Group net sales grew by 13.9 % to EUR 1229.1 million (1079.2). Excluding exchange rate effects, growth was 13.4 %. Organic growth in local currency for comparable units was 7.3 %. Growth was strongest in the Finance sector owing to Entra, which has been consolidated from the beginning of February 1999. Defence Sweden continued to show weak growth due to poor demand. Geographically, growth was 14 % in Finland, 9 % in Sweden and 40 % outside these countries.

Operating profit (EBIT) was EUR 107.7 million (105.0), which corresponded to an 8.8 % profit margin. The figure includes non-recurring income of EUR 20.0 million from profits on property sales and divestments. Costs related to the combination are evaluated to be EUR 16 million. This includes external combination costs and internal effects of restructuring. Operating profit also includes a provision of EUR 14.7 million (14.7) for annual bonuses and the personnel's development and training fund.

All the business areas except Services increased their operating profits. Services has changed its strategy against verticalization (telecom, energy, retail). This in connection with higher costs in new technology projects has had a negative impact on the result. The impact of new technology projects has been about EUR 8 million. Slacker demand of low value added services also affected the profitability of Services in Sweden and in Norway. The decrease in the Finance sector's margin is due to Entra.

Operating profits decreased in the units under reorganization. After the divestment decisions the main emphasis in these businesses has been on rationalization and on preparing for divestment, which weakened profitability.

Earnings per share were EUR 0.90 (0.96), and EUR 1.04 (1.08) excluding amortization of goodwill.

Return on capital employed was 29.5 % (33.6) and return on equity 21.2 % (25.2 %).

The order backlog, which comprises only those services ordered with binding contracts, totalled EUR 478.8 million on 31 December 1999. From the figure has been excluded the order backlog for Network infrastructure and Defence Sweden which totalled EUR 93.6 million.

#### Repayment from SPP

According to information from the Swedish Staff Pension Society (SPP), a sum of EUR 31 million deriving from SPP's consolidation surplus has been allocated to companies within the TietoEnator Group. To date, SPP has not stated how or when these funds will be made available. This is why it is not reflected in the financial statements.

#### Investments

Direct investments in fixed assets and other long-term assets totalled EUR 102.8 million. EUR 38.4 million was spent on machinery and equipment, and EUR 40.7 million on subsidiary shares. EUR 10.9 million. was spent on property investments related to the Group's main business premises in Espoo.

#### Financing

Cash flow from operations totalled EUR 117.2 million. Capital expenditure was EUR 56.9 million and EUR 22.5 million was spent on acquisitions. Divestment of Group companies and sale of fixed assets increased the Group's cash reserves by EUR 34.8 million. Dividend payments were EUR 33.5 million. Some EUR 16.0 million was spent on repurchase of the Enator minority holdings.

The balance sheet totalled EUR 702.6 million (561.0). The equity ratio was 52.8 % (56.8 %) and gearing was -13.2 % (-15.9 %). The company had cash and bank reserves of EUR 113.8 million (84.6) and uncommitted credit limits of EUR 20 million.

#### Changes to group structure

Following its strategy of concentration on its core businesses, TietoEnator decided to withdraw from the Defence and Network infrastructure hardware businesses. TietoEnator's services for the Swedish defence industry were merged with Celsius Aerotech AB on 1 January 2000 to form a new group called Aerotech Telub which is 57 % owned by Celsius and 43 % by TietoEnator. TietoEnator also decided to reduce its holding to below 50 % in the Swedish company Dotcom and Danish NetDesign A/S both of which specialize in network infrastructure hardware.

#### Personnel

The averaged number of employees increased with 9,6 % to 11,058 (10,089) during the year. During the year 1,584 new employees were employed. Together with leaves of 1,079 and structural changes the full time employees totalled 11,098 (10,335) at the year-end. Employee turnover decreased from 11,3 % to 9,8 % during 1999.

## Development

The thrust of the Group's development focused on network-based business concepts and applications. Work started on development of the new eBiz concept for e-business. eBiz aims to offer customers the best package of products and expertise for their specific needs, regardless of how these products and areas of expertise are organized within TietoEnator.

## Short-term prospects

Demand for IT services will remain strong and will focus on electronic services. Following the change of millennium, digitization of production and distribution is now the main demand driver. Information networks are emerging as the most important service channel in our society, encompassing the production, distribution and consumption of all products and services that can be digitized. This trend is especially pronounced in the Nordic countries, which have become the forerunners in wireless communications and Internet banking.

TietoEnator's focus on strong North European vertical markets and high-value-added services throughout the 1990s favours the company's development in the new Information Society. Tieto's and Enator's pooling of resources, which has proceeded as planned, now enables us to take the next steps forward: further consolidating our presence in Europe and pushing the strongest solutions to the global market. TietoEnator's international spearhead solutions are mobile and Internet banking, mobile telecommunications and media, digital government and the digital forest chain. Investments in growth will rise and acquisitions will have a greater impact on the Group's growth than in the previous year. TietoEnator's long term growth target is raised to 20 %. In 2000 the growth excluding divestments is expected to be higher than in 1999. Yet the first half is expected to be below and second half over the year average. Growth in the first months is being slowed by the TietoEnator's internal restructuring measures carried out in 1999 and by the gradual increase in investment activity by customers following the critical millenium shift.

Non-recurring items arising as planned from last year's combination will continue to have some impact on the Group's result in 2000. Structural changes, notably in Sweden, will generate both costs and income, which are expected to result in a net positive impact in 2000. Personnel costs, a crucial factor in our performance, are expected to develop as in the previous year. The increase in investments in research and development, intellectual capital and acquisitions will strengthen our long-term profit growth at the expense of short term profitability. The Group is expected to report a stronger result in 2000 than one year earlier.

## Annual General Meeting and dividend proposal

Annual General Meeting of TietoEnator will be held on 29 March 2000. The Board of Directors will propose to the Meeting that a dividend of EUR 0.49 (0.49) per share be paid on the financial year 1999. The record date for dividend payment is 3 April 2000 and the dividend payment date is 14 April 2000.

## Net sales and operating profit by business area

	Net sales			Operating profit			Margin	
	1-12 99	1-12 98	Growth	1-12 99	1-12 98	Change %	1-12 99	1-12 98
EUR million								
Finance Sector								
-Under TietoEnator management	178	124	+44					
-In proportion to TietoEnator holding	140	89	+57	18.4	15.8	+16	13.1%	17.8%
Services	193	161	+20	8.5	18.2	-53	4.4%	11.3%
Public Sector								
- Under TietoEnator management	192	174	+10					
- In proportion to TietoEnator holding	188	71	+10	24.8	19.3	+29	13.2%	11.2%
Process & Manufacturing	131	120	+9	15.4	11.7	+32	11.7%	9.7%
Processing & Network Support	250	226	+11	33.8	30.4	+11	13.5%	13.5%
Application services	120	106	+13	18.2	16.1	+13	15.1%	15.2%
Group eliminations I	-72	-54	+33					
TietoEnator business areas	950	819	+16	119.1	111.5	+7	12.5%	13.6%
Reorganization								
Network Infrastructure	145	113	+28	-1.7	2.4	-171	-1.2%	2.1%
Defence Sweden	122	130	-6	9.8	12.5	-22	8.1%	9.6%
Other	21	23		-8.7	-12.2			
Group eliminations II	-9	-6	+41					
Total Net sales / Operating profit before goodwill amortization	1,229	1,079	+14	118.5	114.2	+4	9.6%	10.6%
Amortization of goodwill				-10.8	-9.2	+17		
OPERATING PROFIT (EBIT)				107.7	105.0	+3	8,8%	9.7%

## Net sales by customer industry

	1999	Growth %	Share %	1998	Share %
Banking & Finance	206	29 %	21 %	159	19 %
Services	157	19 %	16 %	131	15 %
Telecom	109	16 %	11 %	94	11 %
Public	262	15 %	27 %	228	27 %
Process & Manufacturing	163	6 %	16 %	154	18 %
Non-allocated	88	6 %	9 %	83	10 %
Minority Interest	-34	10 %		-31	
Total TE	950	16 %	100 %	819	100 %
Reorganization	279	7 %		260	
Total TE	1229	14 %		1079	

## Net sales by country

MEUR	1999 1-12	% growth	% share	1998 1-12	% share
Finland	489	14	40	429	40
Sweden	598	9	49	548	51
Norway	62	6	5	58	5
Denmark	48	167	4	18	2
Germany	16	33	1	12	1
Other	17	21	1	14	1
	1,229	14	100	1,079	100

## Personnel on average by business area

	1999 1-12	% growth	% share	1998 1-12	% share
Finance Sector	1,447	45	13	995	10
Services	1,793	11	16	1,616	16
Public Sector	1,767	3	16	1,712	17
Process & Manufacturing	1,164	0	11	1,159	11
Processing & Network Support	1,575	11	14	1,415	14
Application Services	975	13	9	863	9
Reorganization:					
- Network Infrastructure	760	18	7	642	6
- Defence Sweden	1,241	-6	11	1,327	13
Other	336	-7	3	360	4
	11,058	10	100	10,089	100

## Personnel on average by country

	1999 1-12	% growth	% share	1998 1-12	% share
Finland	4,768	5	43	4,540	45
Sweden	5,220	10	47	4,757	47
Norway	581	16	5	499	5
Denmark	247	111	2	117	1
Germany	106	9	1	97	1
Latvia	84	121	1	38	0
Other	52	27	0	41	0

11,058	10	100	10,089	100
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The personnel figures include all the personnel in the associated companies under TietoEnator's management.

Calculating total personnel in relation to TietoEnator's holding in these companies, TietoEnator had 10,756 ( 9,799) employees.

#### Income Statement, EUR million

	1999 12 MO	1998 12 MO	% change
Net sales	1,229.1	1,079.2	+13.9
Operating profit	107.7	105.0	+2.6
Profit before extraordinary items and taxes	109.3	107.0	+2.2
Extraordinary items	-	24.6	
Profit for the period	69.1	98.4	-29.8

#### Balance Sheet, EUR million

	31.12. 1999	31.12. 1998	% change
Assets			
Fixed assets	260.3	205.6	+26.6
Current assets	442.3	355.4	+24.5
	702.6	561.0	+25.2
Shareholders' equity and liabilities			
Share capital	64.7	64.0	+1.1
Other shareholder's equity	288.5	249.5	+15.6
Minority interests	12.3	1.9	+547.4
Provisions for liabilities and charges	28.1	22.8	+23.2
Non-current liabilities	33.0	8.9	+270.8
Current liabilities	276.1	213.9	+29.1
	702.6	561.0	+25.2

#### Cash flow, EUR million

	31.12.1999	31.12.1998
Net cash from operating activities	117.2	134.2
Net cash used in investing activities	-65.0	-55.0
Net cash used in financing activities	-33.7	-68.6
Change in cash flows	18.5	10.7

## Contingent liabilities, EUR million

	31 Dec.1999	31 Dec. 1998
For TietoEnator obligations		
Pledges	2.6	-
Mortgages	2.3	-
On behalf of Group companies		
Guarantees	-	-
On behalf of associated companies		
Guarantees	1.3	1.0
Other TietoEnator obligations		
Rent commitments due in 2000 (1999)	29.5	25.6
Rent commitments due later	74.3	52.2
Lease commitments due in 2000 (1999)	19.1	12.3
Lease commitments due later	18.0	18.2
Guarantee commitments	0	0.1
Rent guarantees	0	0.1
Other commitments	19.6	20.9

Leasing commitments are principally three-year leasing agreements which do not have redemption clauses.

Enator's operating lease agreements are not included in the 1998 figures.

Parent company's lease commitments include financial leasing agreements that on Group level have been capitalized as fixed assets.

\*) Does not include the limits guaranteed by the parent company, which totalled EUR 4,976,557 (4,459,839) on 31 December 1999.

## EUR million

	31.12.1999	31.12.1998
Derivate contracts		
Currency derivatives		
Forward contracts		
Value of underlying instruments	16.9	4.2
Market value of currency forward contracts	-0.3	0

The warrants held by the personnel cause employer's social charges when the benefit is taxed. The estimated amount at the end of the year 1999 was EUR 23 million. They are expensed when the warrants are sold or exercised.

TietoEnator will arrange a telephone conference for analysts and investors on 18 February 2000 at 4.30 pm (Finnish time). To participate in the conference, please call +44 781 0579 not later than 5 minutes before the conference. The name of the conference is 'TietoEnator'.

TietoEnator will publish its first-quarter interim report for 2000 on 27 April 2000.

## TIETOENATOR CORPORATION

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