

Annual Report 1999: The review of CEO/Building the information society

TietoEnator operates in the heart of the digital economy, creating complex information systems. When we state in our corporate mission that we are building the information society, we mean that we design, host and act as consultants for the digital operations of our customers. Our consulting and system development and integration activities have specialized in individual customers and business sectors because taking on responsibility for building and managing extremely demanding information systems requires in-depth know-how of the customer's operations and business sector and of the latest technology.

TietoEnator has for many years specialized in sectors in which the Nordic countries represent the leading edge worldwide. By divesting its equipment sales operations and distribution of off-the-shelf software products, TietoEnator has throughout the 1990s focused on IT services with higher added value, in other words on its own software products, on development and integration services for IT systems and on complex support services.

Internet everywhere

The way in which TietoEnator's resources are focused and organized is based on a vision of society in which most products and services are produced, distributed and consumed in digital form through IT networks. In the information society, servers and terminals, with the network that links them together, are becoming the most important production plant and distribution channel in our society. Creating electronic services both in servers and, on a large scale, also in terminals affects every business sector and constitutes a massive task. And this, precisely, is the task of TietoEnator.

As production and distribution in networks is spreading everywhere, network expertise has to be everywhere too. We do not see Internet business as distinct from the rest of our business. TietoEnator's Finance Sector has for several years been building Internet banking systems that in terms of numbers of users are the largest in the world. Similarly, creating fixed and wireless network systems already forms a central part of services for data communications, the public sector and the manufacturing industry. It is no longer conceivable that the more than 2500 experts already developing TietoEnator's Internet systems today should be formed into a separate Internet unit. The importance of customer and industry expertise is not diminishing in the Internet world even though the industry structures are undergoing dramatic change.

New stage of growth

The year 1999 was a time of building the conditions necessary for major growth at TietoEnator. Combining the resources of Tieto and Enator is our response to the changes taking place in the customer base and in customer needs, to the disappearance of national boundaries in Europe, and to the new opportunities which the digital revolution is opening up. The new company can serve customers as a strategic partner with greater resources in a wider geographical area. The merger also places the company in a significantly stronger position for product development. At the same time the company's skill and experience in combining large expert organizations spreading over national boundaries has grown in a way that will support the next steps in the company's development.

The major restructuring carried out particularly in the operations in Sweden and the refocusing of resources there also have the goal of reinforcing the company's capacity for growth. The company has withdrawn from the defence industry and from network building with its heavy emphasis on equipment,

and this now directs attention towards and frees capital for the company's areas of focus that are growing rapidly.

IT systems successfully managed the start of the new millennium, and this will also have a positive impact on growth potential, as will the release of customer resources for utilizing the opportunities offered by digital production and distribution. TietoEnator's own development and changes in our operating environment make it possible to raise the company's growth target to 20% and to maintain the profit target at more than 10%.

Partner in Europe, solutions throughout the world

TietoEnator's growth is based on growth in ready-made solutions in global markets and growth in partnership in Europe. TietoEnator's spearheads in the global markets are mobile and Internet banking, mobile data communications and media, digital government and the digital forest chain. The same strong North European business sectors also form the basis for growth in partnership in Europe. The increasing complexity of IT environments and the lack of personnel will boost demand for the outsourcing of IT operations and for a strong IT partner.

In our experience, cooperation with customers that starts with vertical solutions will often expand into a diverse partnership. The main tools for growth, in both solutions and partnership, are organic growth, company acquisitions focusing on individual business areas, and alliances at corporate level. We will increase our investments at all three levels.

Investments in people and products

Personnel resources, and the lack of them, are a factor that limits growth in the sector at the moment. TietoEnator is responding to this challenge by increasing its investments in skills and productivity, in incentive schemes and in product development. A key goal set for product development is to raise the productivity of software work to a new level through new ways of working.

The world is developing in the direction we wish it to. TietoEnator has during the 1990's positioned itself in those Nordic vertical markets where the Nordic Countries and companies have become the world leaders. That is why the opportunities offered by our operating environment for creating both customer and shareholder value are extremely attractive and why we are excellently placed to take advantage of them. May I express my sincere thanks to our demanding customers and my skilled colleagues.

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