

Financial statement 2000:

Strong improvement in fourth quarter

Robust growth in prioritized verticals

Improved business conditions in 2001

The aggregate net sales of the six business areas grew by 6 % to EUR 1,005.6 million (950.5 in 1999). Group consolidated net sales was EUR 1,119.9 million (1,229.1). Operating profit excluding non-recurring items, amounted to EUR 82.4 million (103.8), corresponding to a margin of 7.4 % (8.5 %). Including non-recurring items the operating profit was EUR 103.5 million (107.7). Earnings per share were EUR 0.88 (0.90). Dividend proposal to the AGM is EUR 0.49 (0.49). The positive development starting during the third quarter of the year continued during the fourth.

Rapid growth in telecom and forest

Among TietoEnator's focused segments growth was most pronounced in telecom, 28 %, followed by forest, 20 %, and banking & finance, 12 %. Public segment net sales decreased 3 %. Sales in the banking & finance segment corresponded to 22 % of TietoEnator's total sales; telecom amounted to 13 % of sales. Public segment sales corresponded to 25 % of sales, while forest accounted for 6 %.

TietoEnator is now further sharpening the focus by creating a special Telecom & Media Business Area, comprising all TietoEnator activities in these fields, while all information systems for logistics and production will be concentrated in Business Area Production & Logistics, formerly Process & Manufacturing. The HRM and Finance Systems activities within Business Area Public Sector are simultaneously planned to be transferred to Business Area Application Services, which will be renamed Resource Management.

2000 market development – concentration on high-value-added services

TietoEnator has continued to focus on high-value-added IT services in its chosen sectors, continuously decreasing its presence in and dependence on the low-value-added segments of its markets. Further activities in order to enhance verticalization and key customer focus will continue to drive this process rapidly. After the divestment of the subsidiary Dotcom TietoEnator no longer consolidates any activities within hardware reselling or installation.

The aftermath of the Y2K process affected the whole IT sector more deeply and longer than anticipated. After positive signs at the end of the first quarter the trend towards a more sluggish and hesitant market continued. This was most noticeable within the low-value-added services as resource consulting and hardware reselling, but also in the application market. The demand for high-value-added services continued to grow, but slower than anticipated. It was still possible to hold the margins in the high-value-added services markets where TietoEnator focuses its activities.

During the third quarter modest signs of improvement could be seen, and under the last quarter of the year these signs gradually became more substantial. The demand for outsourcing and e-commerce services improved and the applications market started to recover.

The market activity was high during the whole year, while at the same time the sales cycles became substantially longer. The customer's growing top management interest of carefully choosing partners and solutions for their businesses, benefits TietoEnator that offers deep knowledge in chosen segments in combination with strong resources and a key-customer focus firmly embedded in its strategy.

TietoEnator has in all important parts successfully passed the transition period after the merger and focuses now on consolidating its presence in the Nordic and in continental Europe.

Fourth Quarter: markets recovering, number of big projects increasing

The final quarter of 2000 was better than the beginning of the year and also compared to the final quarter of 1999. The aggregate net sales for the six core business areas during the fourth quarter of 2000 amounted to EUR 281.0 million (262.5), corresponding to a growth of 7 %. Group net sales decreased by 9 % to EUR 312.3 million (344.1). Operating profit before non-recurring items was EUR 25.9 million (24.7).

The Finance sector Business Area reported a strong fourth quarter with a net sales growth of 15 %. The demand for services is strong and the amount of big international projects is increasing. Business Area Services net sales grew 13 %, while Business Area Process & Manufacturing reported a growth of 17 %. For Business Area Public Sector net sales growth for the last quarter of the year was 2 %, while the margins increased slightly. Processing & Networks Support reported a net sales decrease of 1 %. For Business Area Applications net sales decreased by 3 %.

Increased net sales for Business Areas

The aggregate net sales of the company's business areas rose 6 % to EUR 1,005.6 million. Excluding the impact of exchange rate differences, the increase was 4 %. The Group's consolidated net sales declined 9 % to EUR 1,119.1 million owing to the transfer of the Swedish defence operation to an associated company at the start of the year and to development in network infrastructure business. Geographically, net sales increased 6 % in Finland but declined in Sweden as a result of restructuring. Growth outside the Nordic countries was strongest in Germany, 38 %.

The order backlog, comprising only services ordered with binding contracts, totalled EUR 552,1 million (478.8).

Performance: Operating profit, before non-recurring items EUR 82.4 million

The operating profit before non-recurring items was EUR 82.4 million (103.8), making a margin of 7.4 % (8.5 %). The Group received non-recurring income totalling EUR 30.3 million (19.9) during the year, derived mainly from the payment of a surplus by the Swedish Salaried Employees Pension Institution (SPP). Non-recurring costs, EUR 9.2 million (16.0), consisted of EUR 2.9 million related to social costs arising from the personnel warrants, EUR 4.7 million from restructuring of the Network Infrastructure business, and EUR 1.6 million resulting from the merger of Tieto and Enator. Hence, the operating profit including non-recurring items (EBIT) came to EUR 103.5 million (107.7), or 9.2 % (8.8 %) of consolidated net sales and included a EUR 10.7 million (13.2) provision for annual bonuses.

The Business Areas Services and Public Sector reported improved operating margins, while the margins decreased for the remaining four Business Areas. The reasons for this were the impact of the change of millennium on demand for services as well as measures taken by TietoEnator to implement its strategies. The operating margin remained strong in the business operations covering the Group's strategically important high-value-added services.

Earnings per share were EUR 0.88 (0.90) and, excluding amortisation of goodwill, EUR 1.04 (1.04).

Return on capital employed (ROCE) was 27.7 % (29.5 %) and the return on equity was 19.6 % (21.2 %).

Investments

Direct capital expenditure on fixed assets and other long-term expenses totalled EUR 44.2 million (56.9). Investments in machinery and equipment amounted to EUR 31.4 (38.4), and in shares in subsidiaries EUR 37.7 million (40.7). The redemption of the minority holdings in Entra Data AB to 96.6 % and the acquisition of the remaining shares in Oy Visual Systems Ltd took place through share exchanges.

Financing

Cash flow from operations totalled EUR 73.5 million (121.4). EUR 42.0 million (56.9) was spent on investments in fixed assets and EUR 9.8 million (22.5) on acquisitions. EUR 38.5 million (33.5) was used to pay dividends. The company repurchased its own shares for EUR 36.2 million, corresponding to 1,329,273 shares (1.6 % of the total share capital). In January 2001 the company repurchased a further 214,282 shares. All in all TietoEnator now owns 1,543,555 own shares, representing 1.84 % of the total share capital.

The balance sheet totalled EUR 632.0 million (702.6). The equity ratio was 57.5 % (52.8 %) and gearing was -9.4 % (-13.2 %). Cash and cash equivalents amounted to EUR 68.8 million (113.8). The company had unused credit lines totalling EUR 25 million and unused commercial paper programmes amounting to EUR 200 million.

Changes to group structure – sharpening of focus

The new Telecom & Media Business Area will be formed to comprise all activities that work towards telecom operators, telecom manufacturers and media. The new Production & Logistics Business Area will be formed to continue to build the information society to logistic, utility and production intensive industries. It will comprise the units working towards forestry, process & manufacturing, energy, retail, logistics and travel & transport. The new Business Areas will be based on the existing business units of the current Services and Process & Manufacturing Business Areas.

The horizontal applications activities now residing within Business Area Public Sector, mainly HRM and Finance systems, are planned in the same way to be transferred to Business Area Application Services, renamed Resource Management, thus creating an even larger critical competence mass at this BA, while at the same time letting Public Sector further focus on developing dGovernment-solutions. The negotiations with the personnel representatives regarding this change is not completed.

Personnel growth of 4 %

The average total number of business area employees rose by 4 % to 9,081 (8,721). A total of 1,436 (1,321) new persons were employed during the year. Employee turnover in the business areas increased from the 1999 level of 10 % to 13 % during 2000. The Group had an average of 9,934 (11,058) employees during the year and 10,032 (11,098) at December 31, 2000. This decrease was mainly due to the changed ownership in defence.

Development focuses on the digital economy

The most important development investments were concentrated on developing new digital business models and on the transfer of know-how from old technologies to new digital technologies. All business areas developed business portals and service concepts supporting customers in their adoption of digital technology.

The TE Academy was set up to enhance the development and interchange of know-how within the company and to create a forum for e-learning. The purpose underlying the TE Academy is to strengthen opportunities for personal growth and personnel's ability to respond effectively to the changes generated by the emergent digital economy.

Measures were undertaken to strengthen and enhance the Group's corporate identity in the long term among important target groups as customers, the financial community, media, employees and potential employees.

Short-term prospects – improving business conditions

Following a sluggish period at the start of 2000, demand for high-value-added information technology services recovered towards the end of the year, fuelled by the digitisation of production and distribution. This trend is most pronounced in the most data-intensive sectors of society. A slowdown in economic growth will increase uncertainty in demand, but this is expected to have little impact on high-value-added services during 2001.

From TietoEnator's perspective business conditions have improved since the start of last year. The volume of large networking systems and outsourcing projects is on the rise, while skilled human resources are in better supply than one year ago. TietoEnator's withdrawal from the slow-growth defence and hardware sales businesses is improving the company's growth potential. TietoEnator's long-term focus on the strongest Nordic sectors is reflected in a number of significant new agreements as large corporations seek strategic IT partners for their needs. Following the recent major merger, the emphasis in external growth will shift to normal acquisitions, which will have a positive impact on the company's growth.

The company is focusing its growth investments on strengthening partnership agreements with major customers in the Nordic countries, and further afield on increasing its portfolio of solutions to the finance, telecommunications and forest industry sectors. Net sales, excluding corporate divestments, will rise more rapidly than the year before and the company will maintain its long-term annual growth target of 20%, including acquisitions.

The development of the company's performance, which once again became clearly positive during the final quarter of 2000, is forecasted to continue. TietoEnator has withdrawn from its non-strategic units in Sweden and is refocusing its existing operations on high-value-added and high-margin services. Decisions already made will release resources that generate significant non-recurring income. The company believes that its result for 2001, both before and after non-recurring items, will improve on the previous year.

Annual General Meeting and dividend proposal

The Annual General Meeting (AGM) of TietoEnator will be held 22.3.2001. The Board of Directors will propose to the AGM that a dividend of EUR 0.49 (0.49) per share is to be paid on the financial year of 2000. The record date for dividend payment is March 27, 2001 and the dividend will be effected by the company on 10 April 2001. TietoEnator will publish its first quarter interim report for 2001 on April 26.

Key figures 2000, 1999

	2000	1999	Change %
Net sales, MEUR	1,119.9	1,229.1	-9
Operating profit, MEUR	103.5	107.7	-4
Operating margin, %	9.2	8.8	
Pre tax profit, MEUR	106.9	109.3	-2
Earnings per share, EUR	0.88	0.90	-2
Earnings excl. amortization of goodwill per share, EUR	1.04	1.04	

Earnings per share (incl. dilutions by warrants), EUR	0.87		
Shareholders equity per share	4.33	4.59	-6
Dividend per share	0.49	0.49	
Investments, MEUR	82.0	102.8	20
Return on equity, %	19.6	21.2	
Return on capital employed, %	27.7*)	29.5	
Gearing, %	-9.4	-13.2	
Equity ratio, %	57.5	52.8	
Personnel on average	9,934	11,058	-10
Personnel on 31 Dec	10,032	11,098	-10

*) Adjusted for the divestment of defence 28.8 %.

Results by quarters, EUR million

	2000 1-3	2000 4-6	2000 7-9	2000 10-12	2000 1-12
Net sales of TietoEnator business areas	249.9	249.7	225.0	281.0	1005.6
Reorganization and other	<u>33.4</u>	<u>27.9</u>	<u>21.7</u>	<u>31.3</u>	<u>114.3</u>
Total net sales	283.3	277.6	246.7	312.3	1119.9
Operating profit (EBIT)*)	33.9	30.2	17.9	21.5	103.5
Net financial items	0.5	1.3	0.7	0.9	3.4
Profit before taxes	34.4	31.5	18.6	22.4	106.9
*) Non-recurring items	9.4	15.1	1.0	-4.4	21.1

Net sales and operating profit by business area

MEUR	Net sales			Operating Profit			Margin %	
	2000 1-12	1999 1-12	Growth %	2000 1-12	1999 1-12	Change %	2000 1-12	1999 1-12
Finance Sector								
-Under TietoEnator manage- ment	197	178	11					
-In proportion to TietoEnator holding	157	140	12	17.8	18.4	-3	11.4	13.1
Services	203	193	5	13.9	8.5	63	6.8	4.4
Public Sector								
-Under TietoEnator manage- ment	193	192	1					
-In proportion to TietoEnator holding	189	188	0	25.4	24.8	2	13.4	13.2
Process & Manufacturing	144	131	10	14.3	15.4	-7	9.9	11.7
Processing & Network Support	262	250	5	31.1	33.8	-8	11.9	13.5
Application Services	116	120	-3	13.7	18.2	-25	11.8	15.1

Group elimination I	-65	-72	-					
TietoEnator business areas	1006	950	6	116.2	119.0	-2	11.6	12.5
Reorganization								
Network Infrastructure	115	145	-21	-4.0	-1.7	-	-3.5	-1.2
Defence	-	122	-	7.0	9.8	-	-	8.1
Other*)	26	21	-	-0.1	-8.6	-	-	-
Social costs on personnel warrants				-2.9				
Group elimination II	-27	-9	-					
Total Net Sales/ Operating profit before goodwill amortization	1120	1229	-9	116.2	118.5	-2	10.4	9.6
Amortization of goodwill				-12.7	-10.8			
OPERATING PROFIT (EBIT)				103.5	107.7	-4	9.2	8.8
* Includes Group Functions' costs of EUR 22.0 million (17.5) during the period								

Net sales by customer industry, 1.1. - 31.12.2000

MEUR

	2000	Growth	Share	1999	Share
	1-12	%	%	1-12	%
Public	258	-3	25	266	27
Banking & Finance	230	12	22	206	21
Services	164	5	16	157	16
Telecom	139	28	13	109	11
Manufacturing	78	-5	7	82	8
Forest	64	20	6	53	5
Non-allocated	106	-8	10	115	12
Minority Interest	-33	-12		-38	
TietoEnator business areas	1006	6	100	950	100
Reorganization	114			279	
	1120	-9		1229	

Net Sales by country, 1.1. - 31.12.2000, MEUR

	2000	Growth	Share	1999	Share
	1-12	%	%	1-12	%
Finland	504	6	50	476	50
Sweden	361	1	36	356	37
Norway	69	12	7	61	6
Denmark	25	-4	2	26	3
Germany	22	38	2	16	2
Other	25	68	2	15	2
	1006	6	100	950	100
Sweden	114			242	
Other	0			37	
	1120	-9		1229	

Personnel on average by business area

	2000	Growth	Share	1999	Share
	1-12	%	%	1-12	%
Finance Sector	1551	7	17	1447	17

Services	1827	2	20	1793	21
Public Sector	1743	-1	19	1767	20
Process & Manufacturing	1282	10	14	1164	13
Processing & Network Support	1708	8	19	1575	18
Application Services	970	-1	11	975	11
TietoEnator business areas	9081	4	100	8721	100
Network Infrastructure	694	-9		760	
Defence Sweden	-	-		1241	
Other	159	-		336	
	9934	-10		11058	

Personnel on average by country

	2000	Growth	Share	1999	Share
	1-12	%	%	1-12	%
Finland	4981	8	55	4600	53
Sweden	2943	-5	32	3096	35
Norway	600	3	7	581	7
Denmark	224	11	2	202	2
Germany	164	54	2	106	1
Latvia	100	19	1	84	1
Other	69	33	1	52	1
	9081	4	100	8721	100
Sweden	799			2125	
Other	54			213	
	9934	-10		11058	

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 9623 (10756) employees.

Income Statement, EUR million

	2000	1999	%
	1-12	1-12	change
Net sales	1,119.9	1,229.1	-9
Operating profit	103.5	107.7	-4
Profit before extraordinary items	106.9	109.3	-2
Extraordinary items and expenses	-	-	
Profit before taxes	106.9	109.3	-2
Profit for the period	70.5	69.1	2

Balance Sheet, EUR million

	2000	1999	Change
	31 Dec	31 Dec	%
Assets			
Fixed assets	263.8	260.3	-1
Current assets	<u>368.2</u>	<u>442.3</u>	-17
	632.0	702.6	-10

Shareholders' equity and liabilities

Share capital	70.3	64.7	9
Other shareholders' equity	285.8	288.5	-1
Minority interest	2.8	12.2	-77
Depreciation difference	-	-	
Provisions for liabilities and charges	4.4	28.1	-84
Non-current liabilities	33.2	33.0	1
Current liabilities	<u>235.5</u>	<u>276.1</u>	-15
	632.0	702.6	-10

The Group has uncommitted credit limits of EUR 25 million and commercial paper programmes for EUR 200 million, which had not been used at Dec 31, 2000.

Cash flow, EUR million

	31.12.2000	31.12.1999
Net cash from operating activities	73.4	121.4
Net cash used in investing activities	-45.6	-65.0
Net cash used in financing activities	-70.8	-33.7
Change in cash flows	-43.0	22.7

Contingent liabilities, EUR million

	31 Dec. 2000	31 Dec.1999
For TietoEnator obligations		
Pledges	-	2.6
Mortgages	2.6	2.3
On behalf of associated companies		
Guarantees	28.0	1.3
Other TietoEnator obligations		
Rent commitments due in 2001 (2000)	32.4	29.5
Rent commitments due later	63.6	74.3
Lease commitments due in 2001 (2000)	21.9	19.1
Lease commitments due later	3.7	18.0
Other commitments	9.0	19.6

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

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

EUR million

	31.12.2000	31.12.1999
Derivative contracts		
Currency derivatives		
Forward contracts		
Value of underlying instruments	2.3	16.9
Market value of currency forward contracts	0	-0.3

Derivatives are only used for hedging.

Investors & Analyst conference call

TietoEnator will arrange a conference call for analysts and investors on February 15 at 5.00 PM Finnish time (4.00 Swedish time). For participation, please call +44 20 8240 8241, not later than 5 minutes before the conference. The name of the conference call will be ? TietoEnator? .

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