

THE TIETO GROUP ANNUAL REPORT 1997



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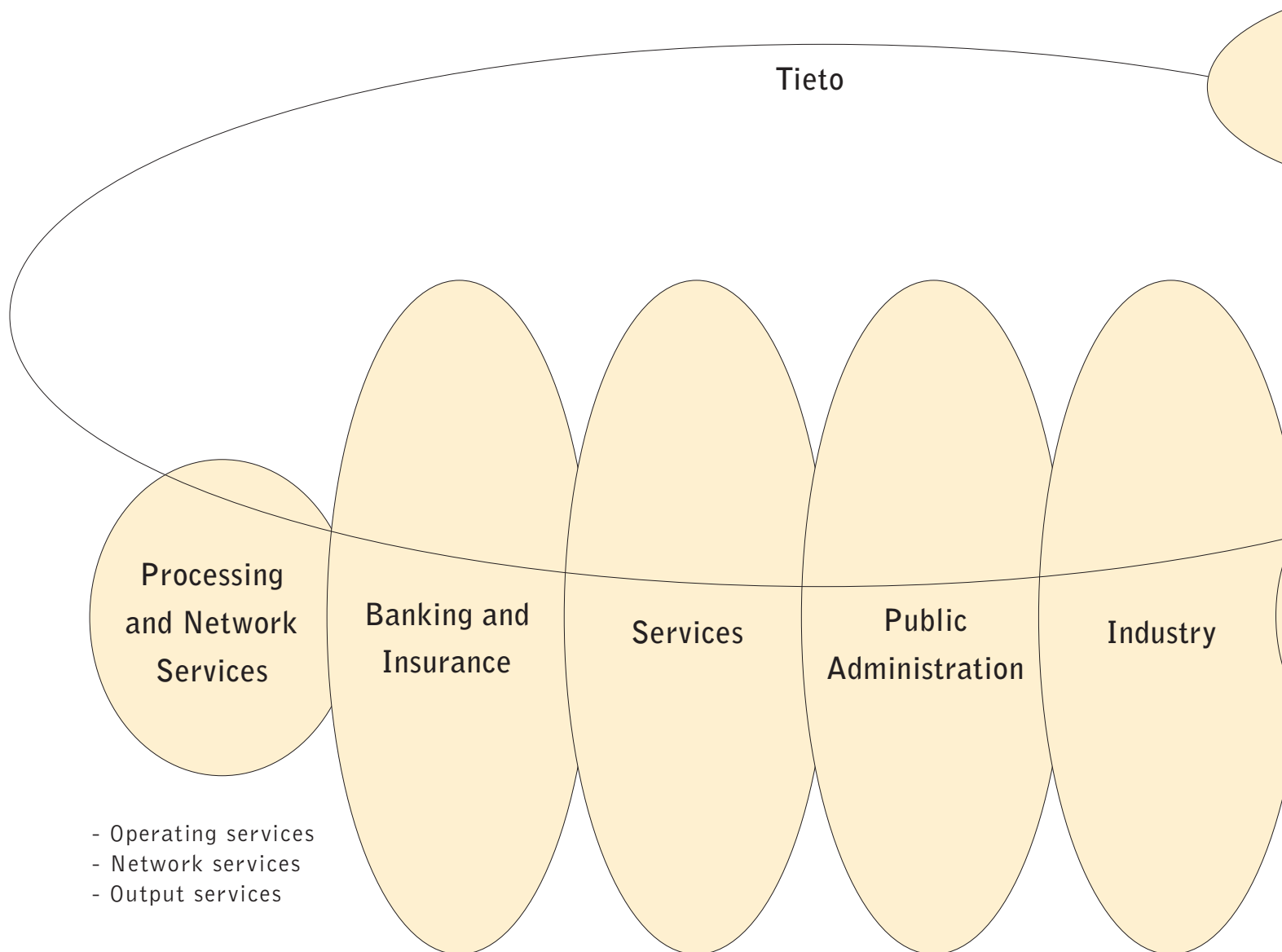
on the Group's Internet website: www.tietogroup.com

**The objective of the Tieto Group is
to enhance its customers' efficiency and
profitability using information technology and
information networks.**

KEY INDICATORS

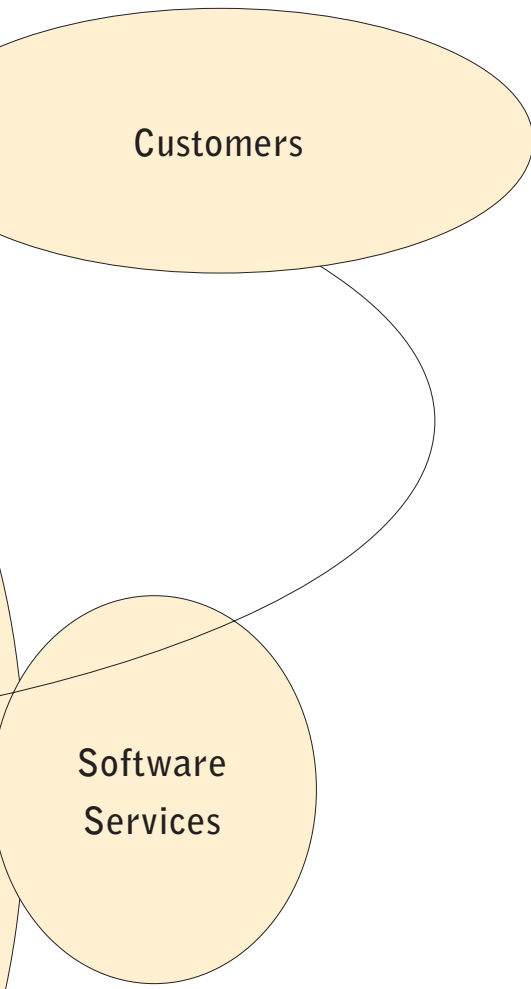
	1997 12 mo.	1996 12 mo.	Change %	1997 1-3	1997 4-6	1997 7-9	1997 10-12
Net sales, FIM million	2,433.0	2,054.9	+18	594.5	609.8	554.4	674.3
Operating profit, FIM million	270.4	177.1	+53	55.2	61.1	64.2	89.9
Net financial items, FIM million	11.4	17.2	-34	5.2	1.1	1.4	3.7
Pre-tax profit, FIM million	281.8	194.3	+45	60.4	62.2	65.6	93.6
Earnings/share, FIM	21.46	13.88	+55	4.24 *)	4.94	5.67	6.61
Profit excl. goodwill writeoffs/share, FIM	25.13	17.26	+46	5.35 *)	5.75	6.53	7.50
Dividend (proposed)/share, FIM	10.72	5.60	+91				
Shareholders' equity/share, FIM	103.57	87.06	+19	86.05	90.46	96.34	
Return on equity, %	22.3	17.0		5.2	5.1	6.1	6.6
Return on investment, %	31.8	25.6		7.4	7.5	7.3	10.1
Equity ratio, %	63.2	61.3		58.6	60.6	63.9	
Quick ratio	1,42	1,31					
Interest-bearing net debt FIM million	-214.9	-143.8	+49	-125.4	-101.4	-130.6	
Gearing, %	-23.1	-17.6		-13.4	-9.0	-12.7	
Investments, FIM million	329.5	187.5	+76	65.5	164.6	29.4	70.0
Personnel at year end	4,332	3,976	+9	4,099	4,266	4,324	
Personnel on average	4,221	3,577	+18	4,068	4,124	4,202	

*) The minority interest acquired by Avancer Oy after the close of the first quarter of 1997 has been deducted from Avancer Oy's result for the period.



INDUSTRY SPECIFIC PROFESSIONAL SERVICES

- Consulting
- Development and maintenance of information systems, and software
- Application of software packages
- Service integration



- Financial and personnel management
- Technology products and consulting

Goals

The Group's overall goal is to be the number one supplier of information technology services in selected product segments of the rapidly evolving Northern European network markets. The Group aims to achieve the following long-term objectives:

- Growth in its core businesses will exceed the average growth rate in the industry.
- Pre-tax profit will exceed 10 % of Group net sales.
- Tieto will rank among the top three companies in all its businesses and will strive to attain leadership in these.
- Tieto recognizes the information technology needs of its customers and promotes their core businesses with a comprehensive portfolio of services.

Strategy

The strategy of the Tieto Group is to concentrate on those sectors of professional services, processing and network services, and packaged software services where it can impart the highest expertise in the market, command a strong market position, and achieve good profitability.

Corporate image and values

Tieto Group aims to project a public profile of a dynamic and international expert in information technology and information networks, operating to the highest standards and in close collaboration with its customers. As such, Tieto offers top professionals in the industry continuous opportunities for personal growth and development. The Group's leading values are customer benefit and personal growth.

CHIEF EXECUTIVE'S REVIEW

In 1997 we reached a point in Tieto Group's development when it became necessary to fix our sight and thoughts on new goals. The company's long-term goals set by the Board of Directors in 1989 required the company to grow faster than the markets and raise profits to above ten per cent of net sales. After eight years of work we have now achieved these goals.

To reach these goals we devised a strategy based on three cornerstones: core expertise, market strength and profitability. Our aim in developing the company has been to identify our strongest areas of expertise and build up world-class know-how based on them. We have raised our market shares both organically and through acquisitions. Re-allocation of resources, higher productivity through better knowhow, and careful control of costs have been the means we have used to increase profitability. After divesting our PC hardware trading and TT-Microtrading Oy businesses, we have operated solely as a supplier of high value-added expert services.

Tieto's new goals involve expanding its geographical markets, increasing shareholder value, comprehensive customer thinking, and development of its management systems. Tieto's primary market area is Finland and the Baltic Rim countries. The start-up of new companies in Poland and Latvia during 1997 marked a clear step towards our new goals. Another key objective is increasing shareholder value and we have added appropriate indicators to our financial management procedures to measure this. Creation of added financial value is now also one of the criteria in the company's executive incentive scheme. With the Tieto integrator model we aim to better identify and satisfy the individual needs of our customers. Customer Integrators in Tieto are responsible for creating intercompany cooperation and for ensuring the best possible customer service. We are developing the company's management system by extending the scope of our primary targets to encompass not only key financial indicators but

other key indicators which relate to our customers, personnel and core processes.

Our main tasks in the coming years are internationalization and controlled growth. Tieto will become more international by strengthening the presence of all the divisions in the Baltic area and by driving its spearhead sectors - banking, telecommunications and forest industry - into markets beyond the Baltic. We will also seek international growth on two levels: acquisitions focused on the divisions, and alliances by the whole Group.

The next few years will be highly exceptional from a growth point of view. Demand for information technology services exceeds supply and the availability of high-calibre professionals will be critical to success. The company has prepared for the challenges it will face in the next few years by increasing its investments in personnel development and by renewing its employee incentive scheme, which is in keeping with the company's core values. In 1997, in fact, we ploughed back more than FIM 100 million into personnel training, and in addition we were able to increase our personnel development fund, set up to finance future development, to FIM 10 million. The personnel incentive scheme we enhanced by bringing all employees within the framework of a common, three-tier remuneration policy. The three remuneration criteria are monthly salary, annual bonus and share derivatives. The factors contributing to Tieto Group's success during 1997 were favourable external conditions and the high level of skill and performance of its entire workforce. I should like to close by extending my sincere gratitude to all our employees for the results they achieved for the company.



Matti Lehti



1968

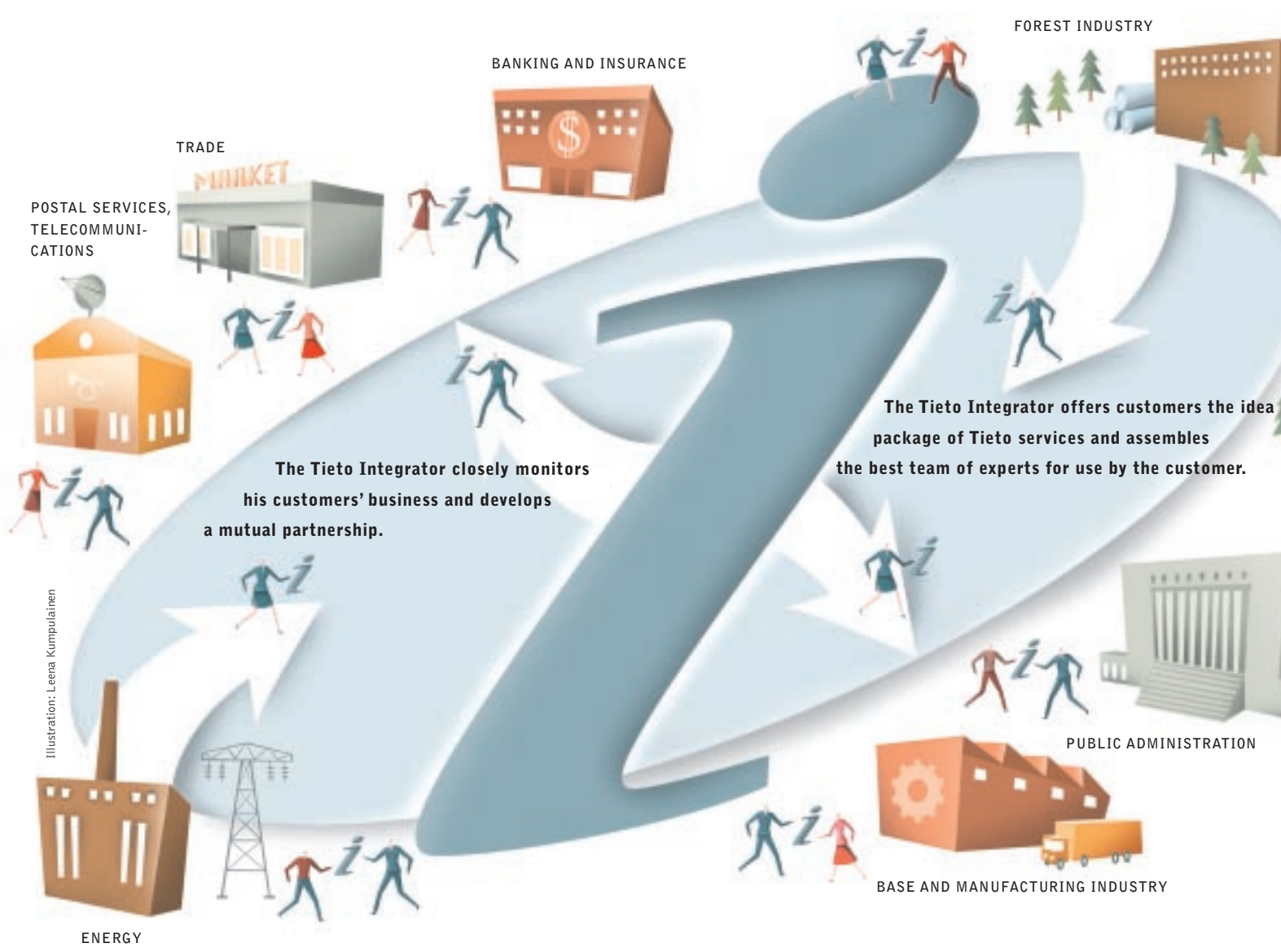
30 years of efficiency and profitability using information technology and information networks.

TIETO'S 30TH ANNIVERSARY

1998

Customer partnerships through
long-term cooperation





The Tieto Integrator closely monitors his customers' business and develops a mutual partnership.

The Tieto Integrator offers customers the idea package of Tieto services and assembles the best team of experts for use by the customer.

Illustration: Leena Kumpulainen

Tieto in Transformation



Concentration has been a leading trend throughout the 1990s in Finland, driven by changes in the country's social fabric. In anticipation of growing international competition this has been reflected, for example, in the creation of larger forest industry conglomerates, regrouping in the banking and insurance sector, and structural changes in the energy field. New information technology and the Internet are increasing the pace of change even further. The digital revolution is driving progress.

Tieto's strategy is to focus on the consulting, processing, networking and software services in which it can gain unrivalled expertise, a strong market position and good profitability. Independent business units are another strategic priority. The clear division of responsibilities and business unit structure have had a favourable impact on the Group's efficiency and financial performance, but a negative impact on intercompany collaboration.

INTEGRATOR MODEL FOR BETTER CUSTOMER PARTNERSHIPS

The core of Tieto's business are high-value consulting services for selected major corporations. Tieto wishes to be a close partner for these customers and to ensure this has initiated an internal "Integrator Model" to develop these strategic partnerships. The aim of the model is achieve better recognition of customer needs and to develop a complete service portfolio to support this core business. Tieto's Full Service Concept is based on integration of the various consulting services, processing and network services and software services provided by its divisions into packages ideally suited to each customer.

Tieto's ability to identify the true needs of its customers and to offer a complete range of services is a major challenge to its management alongside financial control of the company. Tieto's aim is to train its people and guide their attitudes and working methods to be responsive to the changes taking place in society.

DIVISION INTEGRATOR MONITORS TRENDS

Tieto's main customer segments are banking, insurance, post, telecommunications, energy, trade, public administration, the forest industry, and the base and manufacturing industries. Each of these has been assigned an "Integrator" within Tieto - a person who is responsible for following trends in his sector in Finland and abroad, for sounding out the factors driving change, and for evaluating Tieto's corresponding services and their development needs.

CUSTOMER INTEGRATOR FOCUSES ON NAMED CUSTOMER

Tieto has also identified and named specific customers in each of these sectors whose needs form a second central perspective for Tieto to develop its services. Each of these customers has been assigned a "Customer Integrator" in Tieto to keep Tieto's service offering focused and to help the customer take full advantage of the possibilities of information technology in his domestic and international business operations. It is important for Tieto to be able to offer concrete business benefits as well as cost benefits through its expertise in information technology.

TIETO'S UNITS, CUSTOMERS AND BUSINESS SECTORS ARE NETWORKING

The sector teams and customer services teams formed on the basis of the integrator model have begun to effectively network Tieto's various business units. Further networking with key customers will create an overall picture of their information technology needs and the services needed to meet them.

Networking is taking place both within and between Tieto's divisions. Tieto companies are concentrating on their core strengths and networking with other companies in the Group to form complete service packages. Partnership in information technology with key customers requires effective collaboration among Tieto's units as well as more unified working methods and tools. Tieto is transforming, to meet the challenges of its rapidly changing business environment.



Business Review



Tietoleijona, a joint venture owned by Postipankki and Tieto, is a critical supplier of IT services to Postipankki. It is also Tieto's internal Integrator for the bank. The successful cooperation between the two companies started in April 1996.

ESKO SIIK, General Manager, Information Technology, Postipankki
ANJA AHOLA, Managing Director, Tietoleijona

BANKING The banking and financial sector is undergoing structural change both in Finland and abroad. Competition between banks continues to grow, driven by European monetary union and the increasingly international character of business in Europe. Interest margins are decreasing, while the volume of international payment transactions is rising. Electronic network payments and self-service are also becoming more prevalent. The assets management markets are growing as private consumers seek higher returns from securities, trust funds and government bonds than are offered by bank deposits. Savings, pension and life insurance schemes are on the increase as well. Not only banks but other corporate institutions, and especially insurance companies and retail chains, are now offering an increasingly wide selection of financial services.

Technology is also advancing rapidly, making entirely new service concepts possible. Banks and financial sector companies are giving increasingly high priority to information technology and telecommunications.

Tieto holds a strong position in the financial services sector in Finland. Demand for IT services grew vigorously during the year driven by the system changes required for the new euro currency and the year 2000, and by new business projects initiated by customers. In operation and network services demand was reflected in increased use of capacity.

The year saw clear growth in the volume of services produced jointly by Tieto's divisions for all the large banking groups, the Finnish Central Securities Depository Ltd and Automatia ATM electronic cash dispensers. Work started on the design of a new operating model based on two computer

Division Performance



20.2 %
Share of net sales



16.6 %
Share of personnel

Banking and Insurance - Financial Systems

The Financial Systems Division is responsible for professional services in the fields of banking, finance and insurance. It also acts as the Tieto Integrator for its customer segment. The division's business concept is to enhance the business operations of its customers using information technology and IT networks.

Financial Systems aims to gain a leading position in Finland and its neighbouring markets, and a significant position in Scandinavia. The division intends to be seen as the best IT partner in terms of the business benefits experienced by its

customers. To its employees Financial Systems provides a working environment which places high value on teamwork and responsibility and which offers wide opportunity for personal growth.

The pace of change in the financial services sector continues to be rapid. European unification and the common currency are changing the competitive environment of the division's customers as European-wide standards replace those of individual countries.

Services are also being transferred increasingly rapidly to electronic networks. Automation and dependence on

systems are growing at the same time as technology and the development of telecommunications offer new business opportunities.

The Financial Services Division grew strongly during the year and concentrated above all on serving its customer partners. Demand for its services was high and to some extent exceeded the division's capacity. Most of this demand involved the system changes needed for the euro and the year 2000, but the division was also occupied on several very extensive projects to develop new systems. The division's net sales in 1997 totalled FIM 490.4 million. It had an

centres. This solution unites two geographically separate hardware environments, ensuring uninterrupted customer service.

Several strategic partnerships with customers were strengthened during the year. Customers are focusing increasingly on their core businesses and transferring responsibility for information technology functions to their IT partners. Information technology and networks are also being used to create greater competitive value. Skilled IT resources and reliable overall service have become critical success factors among customers in this sector.

INSURANCE European unification is a major factor for change in the insurance sector and is leading to increasingly strong competitive entities. Unification is opening the markets to competition, encouraging new operating models and generating new regulations and reporting requirements.

The next few years will see further structural changes in this sector. Banks and insurance companies are seeking common ground and the concept of "financial supermarkets" is once again emerging.

These trends pose a significant challenge for information technology. System changes for the year 2000 are already in progress and information systems will need to be updated for the euro. New types of business operations will require new-generation IT systems. Technological development and networking are opening up new scope for products and services. Insurance services will also be available on the Internet and indeed several insurance companies

have already initiated extensive projects to develop future business operations.

Tieto strengthened its position as a service supplier to the insurance sector during 1997. The addition of Oy Tietokonepalvelu Ab to the Financial Systems Division substantially increased its IT expertise in the field of pension management. A long-term systems development contract with Pohjola was concluded. The division's aim is to create long-term partnerships with its customers enabling it to offer the best possible total service.

As companies concentrate further on their own core businesses, they are increasingly looking for IT partners capable of pushing through the requisite changes. These partners must be able to demonstrate a solid IT management capabilities and project leadership skills. Customers also place a premium on the ability to apply new technology and experience in the maintenance of large systems. Placing priority on reliability and financial benefits, they also often want to hand over responsibility for operating and management of their networks to their partners.

average of 702 employees during the year including 412 in Fidenta Oy and Tietoleijona Oy. Personnel numbered 728 at the year end.

At the close of the year the Financial Services Division acquired a majority holding in and operative responsibility for Oy Tietokonepalvelu Ab (TKP), which marked the addition of a new partnership model in the field of pension management services.

The division's operations in Sweden were separated to form a new company, Tieto Financial Systems AB. This company comprises the System-10-treasury software business and the Financial Sys-

tems Division's Stockholm office. Foreign operations were expanded through organic growth since extremely high price levels limited scope for acquisitions.

Investments in personnel recruitment and training were increased substantially and several new training schemes were launched during the year for new employees.

Development investments were targeted at further development of the division's quality system, its products and services. Technological development focused on raising knowhow in Data Warehouse, object-oriented applications and the worldwide web.

Demand for the division's services is expected to remain high and its growth prospects are bright.

POSTAL SERVICES The postal services sector is undergoing the same radical changes seen in other sectors. Different countries approach these changes in different ways. On the one hand there is a desire to retain the protected position enjoyed by national postal administrations, and on the other a desire for more efficiency by opening up the postal sector to competition.

Letter mail has a protected status for many postal operators and is a profitable business area for them. International parcel and letter mail, though, is open to normal competition. Large international courier firms can build up rapid and reliable logistics chains and guarantee set delivery times to their customers. The problem for postal operators is that the quality of international postal operators within their logistics chains varies considerably from country to country.

In recent years Finland Post has endeavoured to make its operations more efficient in a number of ways. Finland Post has been reconstituted as a limited liability company and reorganized. Logistics processes have been developed and made more efficient - letter and parcel sorting centres, for instance, have been reorganized and new technology has been deployed in them. Finland Post aims to be one of the best service businesses in Finland and one of the best postal operators in the world.

Finland Post's commitment to competitiveness has produced distinct results in the newspaper distribution sector, for example. The Post's share of the early-morning delivery market has grown as a consequence of the agreements it has made with many of the large newspaper publishers. Finland



In the telecommunications sector Tieto has placed particular focus on developing information technology solutions for customer service, sales, invoicing and telecom networks. The system controlling Tele's switchboard numbers and number series has been a major joint project for Tele and Tieto. The project was directed by TIMO LEPPÄNEN, Project Manager, Tele LAURI SUKSELAINEN, Project Manager, Tieto

Division Performance



16.6 %
Share of net sales



15.9 %
Share of personnel

Services

The Services Division serves companies in the trade, communications, post, telecom and energy sectors. It is responsible for providing professional services to these segments and in addition acts as the Tieto Integrator on their behalf. The division's business concept is to help customers develop their operations using information technology.

The Services Division's goal is to be a leading supplier of information technology services to its customers in Finland. In the telecom, post and trade sec-

tors this goal has already been accomplished. In 1997 the division had net sales totalling FIM 404.7 million. Personnel averaged 670 during the year and numbered 707 at the year end.

The division's competitive edge in expert services is based both on understanding the business processes of its customers and on its ability to apply information technology solutions to enhance their competitiveness. To be successful, the division must also be able to offer a first-rate ability to manage very large development projects.

Its own development is founded on its quality system and on continuous training of its personnel. To achieve its goals, the division's biggest challenge is finding new people with the necessary level of skills.

The division's operations outside Finland are gradually increasing in volume. Several deliveries have been made to telecom companies and about a dozen ProOpt transport control and PowerMaint maintenance software packages have been delivered. The division has also conducted several stud-

Post has also made steadfast progress in new business areas such as electronic messaging and electronic trading.

The reorganization of business operations and the drive to make activities more efficient call for new computer technology. The Tieto Group has been involved in building up the Post's critical computer systems, including its track and trace system for goods, its address database and its mail-order systems. The track and trace system was commissioned during the review period and enables goods shipments to be monitored throughout the Post's entire delivery chain. The new mail-order system introduced in August is an element in the one-stop logistics services provided by the Post. It encompasses ordering, storage and transportation services.

Tieto has also been responsible for providing operating services for new systems. Uninterrupted service with no downtime has become a normal requirement for machines, networks, systems management and helpdesks. Quality systems have been harmonized to enhance and ensure the quality of both professional services and operating services.

Close cooperation with Finland Post has reached the stage in the partnership where Tieto can provide the customer with a clear commercial benefit. In the autumn of 1997 a Letter of Intent was signed with Finland Post Ltd to jointly establish a company providing printing services in the summer of 1998.

TELECOMMUNICATIONS The global telecommunications industry stands at the threshold of the most momentous changes in its history. The monopolies previously enjoyed by teleoperators have given way to open competition. At the beginning of 1998 most European countries opened up the last of their national telecom services to competition as required by the EU. This resulted in an enormous increase in service providers, a greater volume of telecommunications and a fall in the cost of basic services.

Tieto's customers have been preparing for open competition since the beginning of the decade. New corporate and ownership structures have been put in place and costs have been shaved. Extensive investment programmes have been implemented and new products and services developed. Like other Finnish corporations, telecom companies have had to increase their markets through international expansion at the same time as defending their domestic markets from external competition.

The Tieto Group's strengths in this sector, as in its other core businesses, are its profound knowledge of the field coupled with long-term customer relationships. In developing information technology for the telecom industry, Tieto has paid especially close attention to customer service, sales, invoicing and tele networks.

Tieto is one of Telecom Finland Oy's largest IT suppliers. During the year Tieto further developed the customer management and invoicing system used by Telecom Finland's mobile telephone network. The system was expanded in several key areas using the latest technology. Further progress was also made in the development of Telecom Finland's new network management system, one of its basic technical systems.

ies to establish the scope for further expansion abroad.

Services will continue to seek international growth through products for niche markets like the above and through development of partnerships with key customers in specific sectors. Since this will require the establishment of local service units, the division is relying on Tieto's network of local companies.

Demand for services will continue to be high for at least the next three years based solely on the changes necessary

for the year 2000 and the euro. In addition, changes in the competitive environments of the customer segments themselves are creating very substantial development needs which will further drive demand for information technology services. Only a widespread economic downswing could alter this positive outlook.

BUSINESS REVIEW

Development of a large customer database was started using Data Warehouse technology which will assist Telecom Finland in its sales and marketing. Tieto introduced a new type of centralized maintenance service covering all Telecom Finland's invoicing systems. Consulting projects included a business development project for Innotele Oy.

Tieto and Telecom Finland worked together to develop and implement an extensive telephone bank system for Postipankki based on computer telephony integration technology.

A major agreement was signed with five Finnet companies covering further development of the Tigers network information system.

Tieto also handled several international projects during the year. One example was a customer management and invoicing system supplied to Sri Lanka Telecom together with a local software company to replace the outdated telephone invoicing system.

Development and further international expansion in the coming years will further increase demand for information technology services among Tieto's customers. Being able to offer quality- and cost-competitive services will be a major challenge for both the Professional Services and Processing and Network Services divisions. Customers today cannot operate without reliable operating, helpdesk and network services in Finland and abroad.

Tieto's priorities in the energy sector include information systems for maintenance, materials control and customer service. IVO and Tieto have long experience of cooperation and partnership.

EERO PENTTILÄ, IT Manager, IVO Group

ARI VANHANEN, General Manager -Energy, Tieto



Division Performance



15.1 %
Share of
net sales



17.3 %
Share of
personnel

Public Administration

The Public Administration Division's mission is to provide the best possible expertise in information technology for government and municipal administration, church parishes and the healthcare sector, and also information services for various sectors in Finland and abroad. The division is responsible for professional services in public administration within Tieto and it also acts as the Group's Integrator for customers in this sector. In 1997 the division comprised TT Government Service, which specializes in information systems for specific customers; TT Regional Government Service, which provides public administration products; TT Information Service, which specializes in

information services; and Public International, which handles the division's international activities.

The Public Administration Division consolidated its leadership in all customer segments in Finland in 1997. The largest contract concluded during the year was with the Ministry of Finance to set up a new company called Tietokarhu Oy specializing in information technology for tax administration.

The division had net sales in 1997 totalling FIM 367.7 million. Personnel averaged 729 during the year and numbered 753 at the year end. Further growth is expected in 1998.

TT Government Service expanded further, especially in the fields of labour

administration, population register management, tax administration and the State Treasury. The division also signed an agreement with the City of Helsinki to supply an information system covering its social and healthcare functions.

Extensive system upgrades were started in several administrative sectors based on client/server architecture and middleware technology. The most significant critical projects were changes required by the new Companies Act to the trade register, and the new vehicle tax and EU driver's licence. Demand for the division's services will continue to be strong, particularly in government administration and the largest local authorities. Demand will peak in the near

ENERGY The energy business and energy consumption have grown at a steady annual rate of several per cent in Finland and this trend is forecast to continue. At the same time deregulation is causing profound changes in the energy sector. The Nordic and Baltic Rim countries are forming a uniform market, while since the beginning of 1998 households and other small electricity consumers in Finland have been permitted to subject electricity suppliers to competitive bidding.

Faced with these changes and the added competition they have brought, companies are experiencing a greater need for more effective information technology systems. To improve their competitive edge, energy sector companies are putting special focus on developing their customer service processes and related IT systems, which is further emphasizing the importance of close collaboration with IT companies based on long-term partnership.

During the year the Tieto Group strengthened its position as an information technology supplier to the energy sector. As in other sectors, preparations for the new millennium resulted in considerable growth.

Tieto's strength lies in its broad service offering and expertise. The main need in the energy sector involves information systems for maintenance and materials management, customer service, financial and personnel management, and management of these systems' operating environments.

The main agreements secured by the Professional Services during the year were extensions to existing agreements

with key customers and the renewal of maintenance agreements. Tieto modernized the basic systems used by IVO Generation Services. Several contracts were signed to supply financial control systems to electricity trading and power generation companies. Tieto also assumed overall responsibility for management and development of Neste's domestic and international telecommunications networks.

For Tieto's energy services quality was the highlight of 1997 with development focusing on the adoption of the Services Division's common quality system. Energy services also gained quality certification at the end of the year.

The main thrust of product development involved a new version of the PowerMaint system, which gives comprehensive coverage of maintenance and materials management needs. A new customer service and invoicing software package was added to the unit's portfolio of services.

Outside Finland the Energy Services segment worked together with its largest Finnish customers in projects related to its PowerMaint business. PowerMaint upgrades were supplied to countries including China and the USA.

Structural change and deregulation in the energy sector will pose a huge challenge to managing change and developing services. Cooperation and partnership with information technology providers will grow in importance even further.

future for projects required by the euro and year 2000, which will postpone the start of certain other IT projects to the next century.

TT Regional Government Service's performance during the year reflected the financial constraints of local authorities and uncertainty concerning future economic development. Several planned IT projects were postponed indefinitely. The largest IT development projects were implemented in the social security sector, where development was started on a system integrating statistical data produced by laboratories, health centres and social institutions.

Deliveries of IT systems for health centres started in Kaarina-Piikkiö,

Lounais-Häme and Ylivieska. Several mobile library systems were upgraded with new work stations. The division strengthened its position in schools with the acquisition of the Novo Group's school pupil administration operation. At the same time the division also began work on renewing its system product family for schools.

TT Information Service produces services for registers and databases for both corporate customers and the general public. It has placed particularly strong focus on customer and information maintenance services for the Internet and on a complete range of services for direct marketing. Consumer and customer services on the Internet will continue to grow.

Revenues from direct marketing services to consumers increased by about 30 %, driven mainly by the Direct products. The Strada information services for the vehicle trade rose 20 % and Facta services 10 % on the previous year. Use of the property register among public administration customers doubled, while a manyfold increase in the use of the population register was recorded among parishes thanks to the church network.

Public International handles EU projects and also the public administration needs of countries in western Europe and the Baltic Rim countries. At the end of the year this unit signed a multi-year framework agreement with

the EU Commission to provide telematic services. The agreement, which will facilitate electronic data transfer among official bodies, will start with four separate deliveries. The largest project in the Baltic states was a system to facilitate processing of government matters in the Estonian parliament. The unit was also involved in preparing an information technology strategy covering public administration in Estonia.

TRADE The main changes in the trade sector in Finland have related to concentration through larger sales outlets and the formation of wholesale and retail chains. Logistics and information networks have played a key role in this environment.

Apart from the need for greater efficiency, intensified competition for consumers is also being reflected in the emergence of new services, evidenced especially by the wide variety of customer loyalty and bonus cards. Traders are eager to create greater commitment among consumers and to do this are willing to reward loyal customers. Traders also have more information than ever at their disposal today on consumers and consumer preferences to guide them in their planning decisions.

Tieto's success in the trade sector is based on a strong knowledge of its customers. Long-term relationships have deepened into ongoing partnerships and Tieto has succeeded in using its expertise in information technology to produce added benefits for its customers.

Information systems used by wholesalers and retailers are normally global software packages and an increasing number of Tieto's customers are using them. Tieto has paid particular attention to ensuring reliable installation of these

packages to ensure their successful integration into the existing operations of its customers.

Tieto has also been widely involved in developing new systems for traders. It has focused particularly on start-ups of logistical systems, customer card systems and their development, tasks related to product range management, and support systems for decision making.

An example of a major Tieto project in this field is the turnkey delivery of a logistics system for Alko Oy, based on the Swedish System EES software package. Tieto was responsible for its adaption to Alko's needs and for its start-up.

Division Performance



16.4 %
Share of net sales



15.1 %
Share of personnel

Industry

The Industry Division is responsible for providing professional services to industry. It also acts as the Integrator of all Tieto's services for customers in this sector. The division's goal is to enhance the competitive edge and global operations of its customers through its expertise in information technology.

The division intends to be a leading information technology supplier to the forest industry worldwide and to specific Finnish base and manufacturing industry corporations with global operations. To achieve this goal the division aims to provide the highest value to its custom-

ers through expertise, efficiency and a comprehensive range of services. At the beginning of 1998 the division adopted the Tieto name in all its countries of operation in place of Carelcomp.

The pace of structural change in industry is strengthening as companies seek to enhance their competitive efficiency through specialization and by expanding to the critical size necessary to be competitive internationally. To succeed in the global marketplace companies are investing in advanced, integrated information systems and the means to maintain them reliably. This trend, coupled with the changes necessary for

the adoption of the euro and the year 2000, will keep demand for such systems high in the coming years.

Tieto's Industry Division has a strong position in the forest industry, and its position further strengthened during the year in the base and manufacturing sector. Several major deliveries took place to forest industry corporations in Finland and Sweden. The division also signed extensive resource contracts with electronics and mechanical engineering companies as well as completing project deliveries in Finland and abroad.

The division began operations in France and opened two new offices in

PUBLIC ADMINISTRATION Integration with the European Union and preparations for Finland's EU Presidency beginning in 1999 are major factors affecting public administration in Finland. Tighter frameworks for state appropriations and the steadily weakening financial resources of local authorities are restricting investments in the public administration sector. One means used to achieve cost efficiency is outsourcing of information technology services. Preparations for the euro and the year 2000 have been uppermost in the IT investments and information management strategies of most organizations.

In 1997 Tieto strengthened its position as the leading supplier of system, processing and information services to the public administration sector. Demand was especially strong for intranet systems, document management services, turn-key projects and management of networked operating environments.

The largest contract during the year was concluded with the Ministry of Finance. This involved setting up a joint venture called Tietokarhu Oy specializing in information technology for tax administration. The Ministry of Justice chose Tieto to provide operation and maintenance of its applications for the next three-year period. Tieto also worked with the Population Register Centre to define and plan the renewal of its population information system. Tieto took responsibility for integration of the entire project as well.

In the regional government sector Tieto continued deliveries and further development of its Sinuhe systems, designed to enhance customer service in health centres. Tieto also designed an Internet based service system for libraries. Several Pallas personnel systems and Meritt Eco+ and Intime/Open



Tietokarhu is a joint venture set up by the Ministry of Finance and Tieto specializing in information technology for taxation. Tietokarhu started operation in December 1997. Planning of the joint company's future is in the hands of

ANJA VAINIO, Managing Director, Tietokarhu

MIRJAMI LAITINEN, Deputy Director General, the National Board of Taxes

Germany. The joint ownership of the Swedish company WM-data Carelcomp AB was discontinued and this company was taken over entirely by WM-data. Cooperation leading to several forest industry projects made further progress but in more closely defined areas. The division's net sales in 1997 totalled FIM 398.1 million. Personnel averaged 638 during the year and numbered 659 at the year end.

Several major investments were implemented during the year. These included development of mill-wide information systems for forest industry companies, enhancements to the Lean opera-

tional control system and the division's own operating system, and raising capacity to supply international software packages. The year also saw completion of the Carel family of advanced technology products for the forest industry.

Personnel development focused on creating systematic procedures for measuring and raising individual knowledge and skills. Further intensive training was given in new technologies and management skills.

Demand will remain strong throughout 1998. The only factor limiting growth is the lack of skilled people. The division's latest-technology products,

strong emphasis on training and Tieto's new operating focus based on core processes will create a good foundation for the division's performance in the years to come.

financial management systems were supplied to municipal authorities. For government administration, Tieto supplied ten major Helmi personnel management systems and their operation, and another 20 new financial management systems. The Helsinki Metropolitan Area Council (YTV) contracted Tieto's Processing and Network Services Division to provide the operating services for its travel card system, the largest in the world.

Cooperation in information services was continued with the Vehicle Administration Centre, the Ministry of Finance and the Population Register Centre. TT Information Service developed and introduced a number of 24-hour services including Hae.fi, the largest Internet-based vehicle trading marketplace in Finland. An agreement was made with the National Board of Patents and Registration to supply electronic data transfer services for the trade register. An electronic edition of the Sanoma Group's Taloussanomat business daily was also made with links to the services provided by TT Information Service.

Activities outside Finland were strengthened as well. The Public Administration, Industry, and Processing and Network Divisions now jointly provide system deliveries and management services throughout the EU. This required strengthening of Tieto's organization in continental Europe. Tieto signed several supply contracts with the EU Commission at the year end and further deliveries were made for almost ten EU projects. Tieto's invitation to become a member of the Services Informatics Expertise (SIX) Advisory Group, which includes ten leading European IT companies, further demonstrates its strengthening international position.

EU cooperation is making further progress in various administrative fields. Preparations for the year 2000 and the euro require very substantial investments in information technology. Electronic services to help private citizens deal with public administration will be further developed. Tieto is heavily involved in the development of such services and the information society in general with Finnish authorities and the EU Commission.

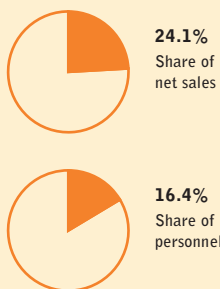
FOREST INDUSTRY The forest industry in Finland continues to undergo structural change as operations are concentrated in fewer and larger corporations. The forest industry is becoming an increasingly global business as companies expand beyond their traditional borders into new territory.

Greater environmental awareness is having a profound impact on forest industry development as well. Securing the sustainable development of natural resources is becoming an increasingly important competitive factor for companies in this sector. Forest certification is making further progress and the procurement of wood raw material from areas allocated to timber harvesting is increasing.

Typical of the forest industry today is the growing prevalence of companies with global operations and uniform operating policies. Decisions taken in the industry are nowadays guided by customer needs and demand. Individual mills are being increasingly seen as resources which serve the company's overall goals. The value of logistics is also growing in importance.

As operations become more market-driven, information systems are assuming greater importance as well. The need

Division Performance



Processing and Network Services

The main task of the Processing and Network Services Division is to offer processing and network services using the most advanced technology. Its goal is to generate cost and quality benefits for its customers, freeing them to concentrate on developing their core business and strategy.

The division is the market leader in Finland and one of the largest in the Nordic countries. The information systems under its responsibility are of critical importance to its customers' business operations and include large centralized computing systems, systems based on global networks, and smaller solutions adapted for individual customers.

In Finland the division operates in various centres around the country and at the premises of its customers. In Sweden and the Baltic countries it works in cooperation with local partners, and in worldwide networking solutions it collaborates with global partners. The division is expanding its presence in Europe through its own offices. Elsewhere it operates together with customers and partners.

The market for processing and network services grew during the year. As customers expanded they sought an IT partner to develop and maintain their information technology systems. The division grew both by serving the additional needs of its existing customers and

by attracting new ones. The division's net sales totalled FIM 585.6 million. Part of this growth was attributable to the fact that Tieto concentrated all its processing service operations in the Processing and Network Services Division during the year. Personnel averaged 690 during the year and numbered 721 at the year end.

The centralized mobile phone service systems of Postpankki and Telecom Finland were the main impetus for growth in Operating Services. A major development project was the start of design work for two mainframe centres, which will ensure reliable uninterrupted operation for banks. New customers included United Magazines Ltd, which



now is for all units in a company to use the same compatible and reliable information systems.

Tieto provides forest industry companies with both general and internationally used operations management systems and also with its own Carel products, developed for specific industrial sectors. The Ahlstrom Paper Group, for instance, is using Carel products to modernize the information systems used by its European mills.

The Industry Division has been working with the Processing and Network Services Division to develop a complete package of services for forest industry customers in Finland and abroad. The first Totalpro service contracts were signed with forest industry companies during the year. The basic principle is to serve customers where they are located and service points will be set up to support customer needs as appropriate.

Tieto is developing its services, products and customer support in pace with changes in the forest industry sector. The new-technology Carel products form an advanced basis for system unification.

One of the most important joint projects being handled by Tieto and UPM-Kymmene during 1997 was integration of UPM-Kymmene's mill systems with the company's sales and logistics systems. This integration project is the result of more than ten years of smooth cooperation between the two companies. The most challenging in this area during the year was the modernization of the mill systems at Rauma Mills.

ERKKI LUOSTARINEN, Director, Tieto

TEUVO VUOJAMO, Data System Manager, UPM-Kymmene, Kaipola Mills

handed over responsibility for operation of its IBM/MVS system to the division.

Demand for Networked Systems Management Services showed sharp growth. Customers are increasingly looking for partners able to offer complete system management services including consulting, operation and daily supervision. Among other things, the division took over management of Neste's domestic and international telecommunications networks and daily operation of Finnyards' networked systems. This led to the establishment of a Processing and Network Services office in Rauma.

In value-added Network Services, increasing interest is being shown by companies, the public sector and other

groups in intranet and extranet systems. OVT/EDI technology is also being used in electronic trading, where demand is particularly strong in the forest and textiles sectors, and for healthcare supplies. The division made a contract with the Ministry of Finance to set up a new service called TYVI to facilitate telecommunications between companies and the authorities. This project will develop the electronic transfer of administrative information from companies to authorities such as tax officials, the trade register, pension insurance institutions and trade unions. A separate service called Turvaverkko was set up to enable various authorities to access and use information generated in different hardware

and application environments securely via a network. In all these cases the division is responsible for the technical implementation of these projects and their functional reliability. The customer is responsible for the information transmitted by the networks.

Direct marketing was the main spur for growth in Output Services. A letter of intent was signed with Finland Post to set up a joint venture company offering output and mailing services.

Controlled internationalization is another of the Processing and Network Services Division's goals. Operations abroad started better than expected during the year and the division strengthened its foothold in Europe

through customer projects managed in common with Tieto's other divisions and through demand for management of networked systems. In this regard, sales of the division's Totalpro concept are expected to develop well.

Further growth is forecast in the division's markets and it will continue to perform positively during 1998.

BASE AND MANUFACTURING INDUSTRY

Large industrial corporations in Finland have considerably expanded their global presence in recent years. In an effort to strengthen performance they have tended to restrict the number of businesses in which they operate, while focusing on international sectors offering the greatest scope for development. This process of streamlining has also been reflected in sector-wide restructuring, a good example of which is the recent rationalization of tractor manufacturing between Valmet, Sisu and Partek.

Corporate acquisitions along with privatization of state-owned companies has also led to increasing foreign ownership of Finnish industry. Tieto's customers with global operations include Nokia, Kone, Rauma and ABB. Structural change is clearly apparent in many other customer companies as they seek to further enhance their competitiveness.

The main information technology need of these companies is to update their operational management systems. For them and for Tieto a major challenge is to implement the changes necessary to their global software systems before the change of millennium. Tieto is involved in these



Efficient operational control systems raise the competitive performance of industrial corporations with international operations. Tieto's Lean System software has been installed at several offices of Nokia Telecommunications around the world.

TAPIO NISKANEN, Head of NTC Applications, Nokia Telecommunications
HEIDI PENNANEN, Director, Tieto/Dialogos-Team

Division Performance



20.0 %
Share of net sales



16.4 %
Share of personnel

Software Services

The Software Services Division's business concept is to raise the efficiency and profitability of its customers by providing off-the-shelf software supplemented with first-class information technology services.

The division operates horizontally in all Tieto's customer segments. It serves both private- and public-sector companies, principally in the Nordic countries. Software Services concentrates on software products and services for financial, payroll and personnel management. Its technology consulting companies offer services and products for application development and for document, network, database and information security control.

The division's goal is to reach and maintain leadership in its field throughout the Nordic countries. In Finland its growth will be mainly organic but in other countries the division will support its growth through acquisitions. The division has some 16,000 customers.

In 1997 demand grew for both financial and personnel management services. The year 2000 and proposed adoption of the euro increased sales of new software capable of meeting the requirements imposed by these changes. Demand for off-the-shelf software appears likely to continue increasingly strongly since in most cases customers realize there is no longer sufficient time for developing tailored or large integrat-

ed systems. The division was not able to recruit enough skilled new people to satisfy market growth. This was most noticeable in technology consulting in Norway.

Almost all the division's ten companies exceeded their targets for 1997.

Software Services continued to adapt its off-the-shelf software products for the year 2000 and began to prepare for the euro. Most of the year 2000 changes have already been completed.

The division's centre of excellence for financial and personnel management systems in Finland is Unic Oy. During the year this company introduced its Wintime payroll software package for medium-large organiza-

projects with international Baan, R/3, Mfg/Pro and Oracle software and also using its own Lean System, Emis and Meritt programmes.

The bulk of Tieto's activity in this sector for at least the next five years will involve delivery and installation of operational management systems at various customer locations. At the same time Tieto will build a global support network for these customers.

During 1997 Tieto was especially active in the global projects of a few major customers. Projects for Nokia, Valmet, Partek and Rauma employed some 100 operational control experts as well as personnel in the Processing and Network Services Division. Tieto divisions also worked actively with other customers in similar projects.

To produce and building global services Tieto's various business units will have to work very closely together. In the next few years Tieto plans to set up new service centres in Europe, the USA and East Asia. These will provide centralized and distributed application management services and technical Totalpro services such as helpdesk services in three time zones.

tions. The Fortime payroll software designed to meet the special needs of large corporations was completed at the year end. Wintime ry was a new package added to the Wintime family to meet the financial management needs of public-sector organizations.

Piifix Oy, acquired at the beginning of the year, was merged with Unic Oy. Piifix's Matkamies package for tracking travel expenses proved very successful during the year. In January 1998 Unic acquired the shares of Raxum Oy, a company specializing in the development and marketing of systems and software for managing fixed assets and consolidated annual accounts. Raxum's net sales in 1997 were FIM 6 million and it had 10 employees.

In Sweden payroll and personnel management services are provided by Datema PA AB, with which Habo Data AB was merged. During the year Datema PA was engaged on an extensive payroll management development project, which will result in a new product scheduled for launching in the second quarter of 1998.

Huld & Lillevik AS and Aas Data AS, two companies specialized in payroll management services, proved a successful addition to the division after their acquisition at the beginning of the year. Both companies broke their previous sales records during the year. A new product, System 4, was successfully introduced in the autumn and Aas Data was renamed Huld & Lillevik Kompetanse AS.

Axo System AS began marketing Datema PA's personnel management package in Norway and the first deliveries to customers were completed in the autumn. This product has already gained a leading position in the Finnish and Swedish markets. Axo also introduced the Wintime financial management package, marketing of which began in early 1998.

In technology consulting, document management systems for large corporations made a breakthrough in all the Nordic countries.

Software Services had net sales of FIM 487.0 million in 1997. Altogether 58 % of net sales came from Finland, 22 % from Sweden, 16 % from Norway and 4 % from Denmark. Financial

management products and services contributed 21 % of net sales, payroll and personnel management 51 %, and technology consulting 28 %. Personnel averaged 694 during the year and numbered 695 at the year end.

International software suppliers have increased sales activity in the division's markets, which is creating fiercer competition. However, Software Systems with its technically advanced and easy-to-install products, its large size and its knowledge of the Nordic markets and culture is well positioned to enjoy further success as competition continues to become more intense.

Tieto People, the key to Tieto's Success

The Tieto Group's operations are based on the skills and motivation of its employees. Tieto's success is directly related to the top professional calibre of its personnel, a profound knowledge of its customers' business environments, high work motivation, and a leadership style which emphasizes teamwork and individual recognition.

NEW METHODS OF RECRUITMENT

Attracting and developing top-level people to satisfy the continuously growing needs of customers is a demanding task for the company's management and personnel administration. Over the next few years the Tieto Group will need several hundred new people every year.

Personnel recruitment today needs to be much more effective than earlier. The business environment has changed and earlier recruiting methods no longer meet today's needs. Tieto's aim is to attract the best people in the market. It offers customer sectors, application areas and technologies to suit their training, experience and interest. Tieto's strength is its huge diversity; people with interactive skills, business acumen and expertise in information technology will have no difficulty finding their place in the Group.

Tieto has raised its awareness among students by regular contact with universities and colleges, participation in events arranged by student organizations, sponsorship, arranging student visits to Tieto, and increasing the number of summer jobs on offer. Tieto has also assigned its own contact people for all the universities and colleges it considers important.

In April Tieto took 400 information technology students to Stockholm on a special cruise called Tieto On The Boat.



The aim was to find out what students value today and to discuss future employment prospects with them. Representatives of Tieto's various divisions were also visibly evident at the IT and telecommunications recruitment show, held in the spring.

Tieto also added personnel recruitment pages to its Internet website. In addition to offering information on posts available in the company, these pages also describe Tieto's service processes, what its various people do, and its personnel training schemes. The number of visits to these pages has increased continuously and at the end of the year averaged 6000 visitors per month. Some 70 % of job applications are received by Tieto nowadays via the Net.

New university graduates were offered five Young Professionals and Mainframe Professionals training programmes by Tieto. These gave new recruits two months of intensive study in Tieto's planning and programming methods and tools before they took up their specific jobs.

CONTINUOUS LEARNING

Personal development starts with the individual's own vision of his or her future. Tieto's human resources policy is to ensure that each individual in the company has a personal development plan. Discussions between employees and their superiors ensure that personal goals and action are agreed upon and also monitored.



The Tieto Group held two eight-week Young Professionals training programmes during 1997. This training focuses on object-oriented planning methods and development tools, modern programming environments, graphic development tools, Internet/intranet technology, and the business operations and policies of the Tieto Group.

After their training participants moved on to project tasks in the Group's various divisions.

The following individuals participated in the Young Professionals programme during autumn 1997 (from left): Anni Pelli-Mikkonen, Janne Turunen, Pia Ihatsu, Kari Kärkkäinen, Sari Laukkanen, Antti Tulisalo, Riitta Andersson, Sami Uski, Jarkko Kauppinen, Tanja Pirttijärvi and Jarno Mattila.

Tieto's aim is to nurture a culture of continuous learning where employees are personally responsible for become experts in their own specialities. The divisions are responsible for arranging professional training for their people either through internal training or using outside services. Voluntary study is also supported.

The Tieto Academy has offered personnel wide-ranging development opportunities for a number of years. Thirty Academy courses were held in different locations during 1997. Lectures covered values and attitudes, internationalization, quality, information networks, new technology and the digital revolution. In 1997 the Academy was also modified to allow customers and students the opportunity to participate in its events as well as Tieto's own personnel. Tieto intends to make the Academy a "think tank" for expert reflection and a forum offering new perspectives on working life as the digital revolution advances.

COMMITMENT TO TIETO THROUGH INTERESTING WORK AND OPPORTUNITY FOR DEVELOPMENT

To keep its present workforce committed and to attract new talent, Tieto must be able to offer interesting jobs and scope for personal development. A free and inspiring working atmosphere, career prospects and employee benefits are also important competitive factors. Experienced employees are a vital resource for the company. Tieto values their intellec-

tual capital, their high level of expertise and their effective contact networks.

Tieto's expert services units are flat team organizations in which the manager's role is to coach his team. Team and individual discussions cement commitment to common goals, as does open communication about targets and action. Managers must have the ability, motivation and knowledge to be effective coaches for their teams.

Job rotation within and between Tieto's various units serves the interests of the individuals and the whole Group, promoting the development of multi-skilled human resources.

Tieto also makes use of information networks to promote effective internal communication. Besides providing information, the Group's intranet, Tintra, also acts as a vehicle for transferring development results, expertise and services across organizational and national borders.

Tieto actively supports the health and well-being of its personnel with a health service scheme, flexible working time, fitness campaigns and recreational activities.

The main principles behind Tieto's remuneration policy are fairness, motivation, monitoring and simplicity. The aim of the policy is to guide individual performance along the lines set out by the company's values and goals, to ensure the availability and loyalty of its personnel, and to reward good performance. The remuneration scheme consists of monthly, annual and long-term compensation packages.

REPORT OF THE BOARD OF DIRECTORS

TIETO IS AN INFORMATION TECHNOLOGY PARTNER IN A WORLD OF NETWORKS

Tieto is an information technology group offering value-adding expert services in a world of networks. The company is the leader in Finland and one of the largest in the Nordic countries. It has offices in 12 European countries.

Tieto develops and supplies information technology systems for specific customer segments as well as processing, network and software services for customers in general. Its main customers are in the banking, insurance, post, telecommunications, energy, trade, public administration, forest industry,

and base and manufacturing industry sectors. Tieto is organized into six divisions: Financial Systems, Services, Public Administration and Industry for individual sectors; Processing and Network Services and Software Services for customers in general.

Tieto's business concept is to enhance the efficiency and profitability of its customers' business processes through information technology and information networks. The company concentrates on those sectors of professional services, processing and network services, and packaged software services where it can impart the highest expertise in the market, command a strong market position, and achieve

CHANGES IN GROUP STRUCTURE

	Share %	Net sales FIM million	No. of personnel	Date	Division
Corporate acquisitions					
Eloge AB	91	5	10	9.2.1998	Services
Huldt&Lillevik AS	100	14	13	1.1.1997	Software S's
Kiint.Oy Kutojantie 6	100	-	-	1.4.1997	
Kiint. Oy Kutojantie 8	100	-	-	1.4.1997	
Piifix Oy	100	3	2	1.1.1997	Software S's
Raxum Oy	100	6	10	1.1.1998	Software S's
Subsidiaries sold					
Kiint.Oy Havurinne	100	-	-	1.4.1997	
TT-Microtrading Oy	100	137	31	4.11.1997	
Increase in ownership					
Avancer Oy	From 70 to 100	209	402	29.5.1997	Services
Dialogos -Team Oy	From 95 to 100	22	53	14.2.1997	Industry
TimberSoft AB	From 90,5 to 100	7	17	29.9.1997	Industry

good profitability. Its goal is to exceed the average rate of growth in its sector and to generate a pre-tax profit exceeding 10 % of its net sales.

BUSINESS CONDITIONS AND GROUP DEVELOPMENT

The Group developed extremely well during 1997. This was the result of particularly vigorous demand for services in all Tieto's business sectors, a moderate rise in costs, and strengthened expertise in all customer segments.

Demand was driven principally by the buoyant economic conditions, changes in customers' business structures, and the application of new technology. Preparations for the new millennium and the EU's common currency had an especially strong impact on the need for systems and software services. Demand for processing and network services was boosted by customers' growing needs, outsourcing of networked systems and the emergence of electronic trading.

Cost increases were very moderate despite the sharp increase in the need for new personnel in the IT markets. Tieto recruited several hundred new employees, notably for its sector-specific divisions. The need for recruiting will continue during 1998.

The transfer of PT Finland's IT services to Tieto substantially strengthened Tieto's IT services in telecom and postal sectors as well as increased

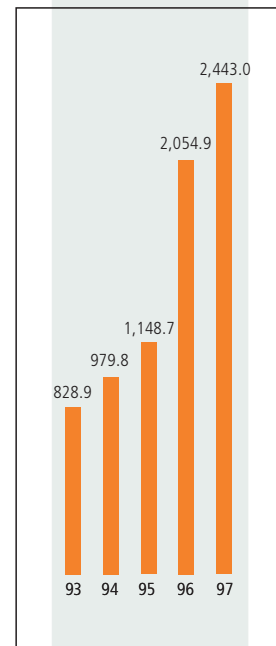
the Services Division to the same size as the other divisions. The divestment of TT-Microtrading profiled Tieto as a company offering purely value-adding expert services. The establishment of Tietokarhu Oy with the Minister of Finance to develop IT solutions for tax administration strengthened Tieto's position in public administration.

The legal structure of the Group was further clarified during the year. The financial and personnel management businesses in Finland were concentrated in Unic Oy at the beginning of the year. Product development for the forest industry sector was transferred to Carelcomp Forest Oy. The subsidiaries Avancer Oy, Carelcomp Papersoft Oy, Carelcomp Power Oy, Datacity Information Systems Oy and TT-Tietopalvelut Oy were merged. Pii-Oy was terminated and five non-operative companies were merged.

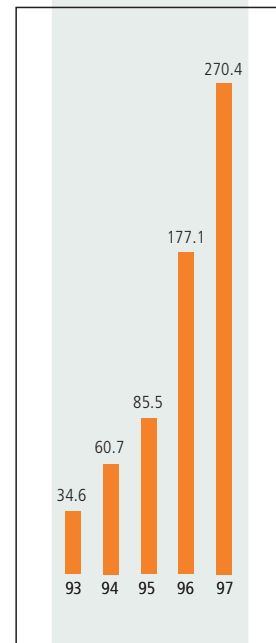
The shares of five associated companies were divested during the year. Two of these were property companies. One associated company is in the process of being dissolved.

Tietokarhu Oy and Oy Tietokonepalvelut Ab, two associated companies with management responsibility, began operating at the beginning of 1998.

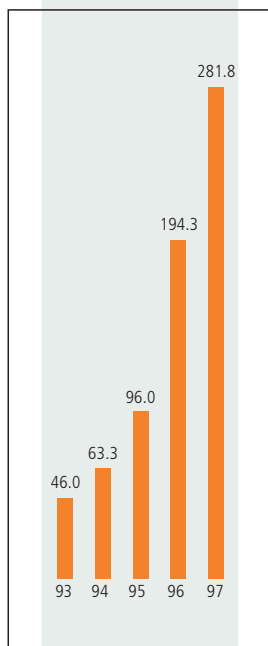
NET SALES 1993-1997, FIM million



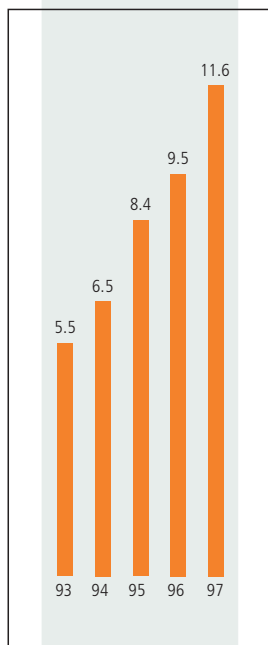
OPERATING PROFIT 1993-1997, FIM million



PROFIT BEFORE APPROPRIATIONS AND TAXES 1993-1997, FIM MILLION



PROFIT BEFORE APPROPRIATIONS AND TAXES 1993-1997, % OF NET SALES



CHANGES IN ADMINISTRATION

The Annual General Meeting held on 13 March 1997 confirmed that the Board of Directors should comprise seven members. Pekka Vennamo was elected in place of Juhani Korpela. The following continued as members of the Board of Directors: Jorma Hämäläinen, Marita Kaatrala-Pentikäinen, Asmo Kalpala, Juhani Kivelä, Kalevi Kontinen, and Matti Lehti. According to an agreement reached with Tieto's personnel, one employee representative and a deputy shall also be elected to the Board of Directors in addition to the members elected by the AGM. At its meeting on 20 March 1997 the Board of Directors elected Pekka Vennamo as its chairman and Jorma Hämäläinen as its deputy chairman.

NET SALES AND RESULT

The Group's net sales rose 18 % to FIM 2,433.0 million (FIM 2,054.9 million in 1996). Eliminating the impact of acquisitions and divestments, the Group's organic growth was 8 %.

The operating profit rose 53 % to FIM 270.4 (177.1) million, representing 11.1 % (8.6 %) of net sales. The pre-tax profit was FIM 281.8 (194.3) million, which was 11.6 % (9.5 %) of net sales.

Other operating income included an aggregate FIM 16.2 million profit on the sale of shares in subsidiaries and other shares. TT-Microtrading increased the profit for the full year before tax by FIM 15.4 million and taxes by FIM 5.9 million. The Group recorded no extraordinary income or expenses.

Earnings per share came to FIM 21.46 (13.88). Earnings per share before goodwill writeoffs were FIM 25.13 (17.26).

Return on investment was 31.8 % (25.6 %) and return on shareholders' equity was 22.3 % (17.0 %).

All the divisions performed well during the year. Measured in terms of operating profit, the relative profitability of the Processing and Network Services Division was higher than for the Group as a whole, Software Services was average and Professional Services was slightly below the average. The profitability of Professional Services was weakened by the development of its forest industry operations and products.

ORDER STOCK

A considerable proportion of net sales in the period was based on contracts consisting of binding agreements for services, long-term service framework agreements, agreements valid for indefinite periods and other types of agreements. In practice the stock of contracts is long-term. Only binding orders for services are included in the order stock. These totalled FIM 1,602.8 (1,640.9) million, of which FIM 1,043.2 million is expected to be received as income during 1998.

NET SALES BY DIVISION, FIM MILLION

	1997	Share %	1996	Share %
Processing and Network Services	585.6	24.1	452.6	22.0
Financial Systems	490.4	20.2	394.1	19.2
Services	404.7	16.6	173.3	8.4
Public Administration	367.7	15.1	427.0	20.8
Industry	398.1	16.4	406.5	19.8
Software Services	487.0	20.0	404.3	19.7
TT-Microtrading Oy	138.1	5.7	136.8	6.7
Group functions	0.8	0.0	3.9	0.2
Intragroup sales	-296.7	-12.2	-229.6	-11.2
Minority interest in net sales	-142.7	-5.9	-114.0	-5.6
Total	2,433.0		2,054.9	

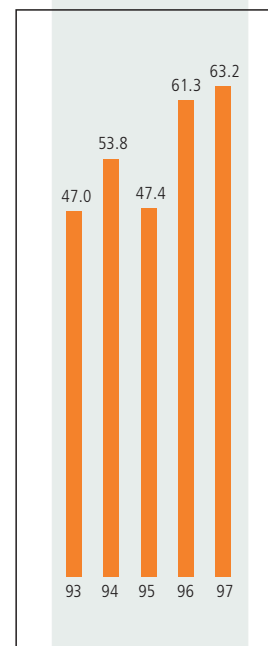
Changes in the Group's structure affected the development of net sales. The following companies were consolidated in the Group accounts with effect from the dates given:

AXO Systems AS and Tietoleijona Oy,	1 April 1996
Avancer Oy and GC Computer AS,	1 November 1996
Huldt & Lillevik AS,	1 January 1997
Carelcomp Power's operations were transferred from the Industry Division to the Services Division from	1 January 1997
The operating contracts with Public Administration customers were transferred to the Processing and Network Services Division from	1 January 1997

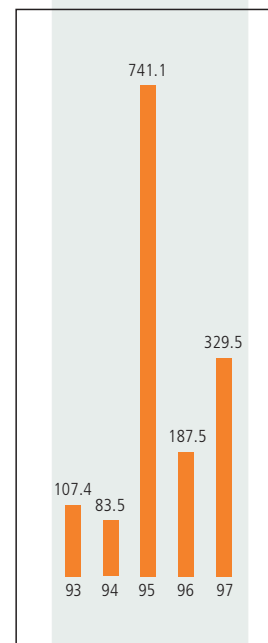
NET SALES BY COUNTRY, FIM MILLION

	1997	Share %	1996	Share %
Finland	2,169.0	89.2	1,855.2	90.3
Sweden	124.4	5.1	111.8	5.4
Norway	76.5	3.1	30.1	1.5
Denmark	21.5	0.9	19.6	0.9
Belgium	11.3	0.5	13.2	0.6
UK	3.4	0.1	3.5	0.2
Germany	9.3	0.4	6.2	0.3
Other	17.6	0.7	15.3	0.8
Total	2,433.0		2,054.9	

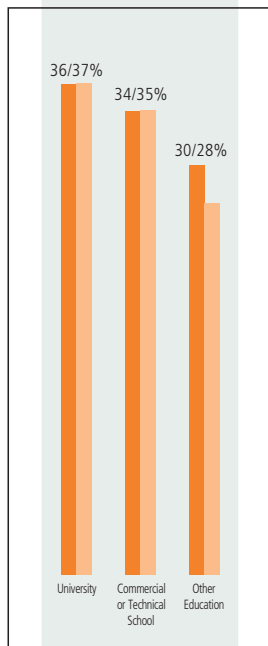
EQUITY RATIO, %



INVESTMENTS, FIM MILLION



**BASIC EDUCATION LEVEL
OF PERSONNEL 1997/96**



FOREIGN EXCHANGE

Tieto's business is not particularly sensitive to changes in exchange rates since most of its operations take place locally. When dealing with foreign parties Tieto's policy is to employ hedging instruments where possible, the most important of which is a foreign exchange clause written into its currency-denominated contracts. Also, currency forward contracts are used in hedging business transaction and financing risks. The foreign exchange risks in the shareholders' equity and profits of foreign subsidiaries are not hedged since the shareholders' equities of these subsidiaries are minor with respect to the Group's total shareholders' equity.

INVESTMENTS

Direct investments in fixed assets and other long-term assets totalled FIM 329.5 (187.5) million. Investments in data processing equipment totalled FIM 114.1 (69.3) million, in property and construction in progress FIM 101.0 (0) million, in goodwill from operations FIM 39.1 (3.0) million, and in subsidiary shares FIM 43.4 (65.8) million. Property investments related to the acquisition and rehabilitation of office premises at the Group's main locations in Espoo. Property was sold during the year to a value of FIM 65.0 million.

FINANCIAL POSITION

Liquidity remained strong. Funds arising from operations totalled FIM 344.5 million. FIM 20.8 million in long-term loans was repaid and FIM

29.7 million was raised in new loans. FIM 49.2 million was paid in dividends.

The balance sheet totalled FIM 1,444.0 (1,280.0) million. The equity ratio was 63.2 % (61.3 %) and the gearing ratio (ratio of net debt to shareholders' equity) was -23.1 % (-17.6 %). The company had cash and bank reserves of FIM 293.5 (191.2) million at the year end.

DEVELOPMENT

Development projects are aimed at creating added value for customers and at raising the efficiency and competitiveness of Tieto's operations. Development activity was again vigorous at both corporate and divisional levels.

Corporate development focused on enhancing the operating methods and tools essential for working effectively in a networked environment. Tieto initiated a new "Integrator Model" to create closer partnerships with its customers. Development was started during the year on planning and monitoring systems applying to both key business sectors and key customer segments. The planning, follow-up and remuneration systems were broadened to apply to customers, personnel and work processes in addition to financial control. The Group's intranet, Tintra, was further developed with the aim of intensifying intragroup and cross-border transfer of information and know-how. The first stage of TietoObject, an object-oriented software production process, was completed.

The Processing and Network Division made further strong progress in the development of its Totalpro administrative services. The Financial Services Division devoted considerable effort to enhancing its Data Warehouse expertise and to utilizing new technology in its solutions for the banking and insurance sectors. With its volume of operations doubled, the Services Division concentrated on strengthening and unifying its working practices and operating culture. In the Public Administration Division development focused on electronic customer services, network-based information services and products for the social and healthcare sectors. The Industrial Division concentrated on developing mill-wide systems for the forest industry, its Lean operational management system and its own operating system, and also on its ability to supply international software packages. Software Services developed Year 2000 and Euro versions of its off-the-shelf software programs.

PERSONNEL

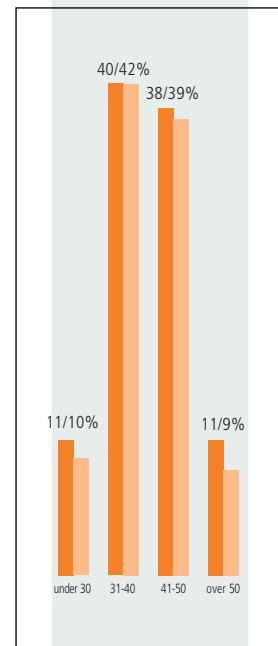
The Group had 4,221 (3,577) employees on average during the year and 4,332 (3,976) at the year end. Personnel increased 9 % compared to the end of 1996. The Group recruited 730 new employees. Employee turnover was 9.5 %. The parent company had 1,815 (770) employees on average and 2,543 (1,647) at the year end.

Altogether 63 % of Tieto employees are male and 37 % are female. The average age is 40.

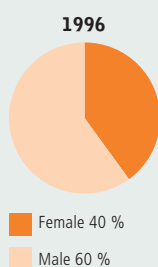
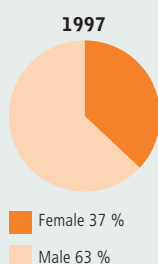
The performance-based salaries and other personnel costs of Group and parent company employees are detailed in the Notes to the Financial Statements.

In 1996 the company introduced a scheme to promote personnel development and motivation and to offset the effect of business fluctuations. FIM 1.9 million of this fund was used during 1997 for professional retraining of personnel and for supporting individual development. A further provision of FIM 7.9 million was recorded during the year, bringing the fund's total to FIM 10 million.

PERSONNEL BREAKDOWN BY AGE 1997/96



PERSONNEL BY GENDER



PERSONNEL BY DIVISION

average during the year¹⁾

	1997	Share %	1996	Share %
Processing and Network Services	690	16,4	467	13.1
Financial Systems ²⁾	702	16,6	603	16.9
Services	670	15,9	418	11.7
Public Administration	729	17,3	691	19.3
Industry	638	15,1	667	18.6
Software Services	694	16,4	605	16.9
TT-Microtrading Oy	26	0,6	32	0.9
Group functions	72	1,7	94	2.6
Total	4,221		3,577	

¹⁾ The figures for 1996 have been adjusted to reflect the organization in 1997

²⁾ Includes Fidenta Oy and Tietoleijona Oy employees. These companies had altogether 412 employees on average during 1997 and 375 during the previous year.

PERSONNEL BY COUNTRY

average during the year

	1997	Share %	1996	Share %
Finland	3,876	91.8	3,320	92.8
Sweden	161	3.8	143	4.0
Norway	109	2.6	62	1.7
Denmark	23	0.5	19	0.5
Belgium	19	0.5	12	0.4
Great Britain	11	0.3	10	0.3
Germany	9	0.2	4	0.1
Others	13	0.3	7	0.2
Total	4,221		3,577	

PERSONNEL INCREASE DURING 1997

No. of employees on 31 December 1996 3,976

Personnel changes during 1997

Recruitment	730	
Acquisitions	62	
Turnover	- 401	
Divested companies	- 35	356

No. of employees on 31 December 1997 4,332

PROSPECTS

Demand for information technology services will outstrip supply during 1998 and 1999. Exceptionally strong demand is being created by the system changes required for the new millennium and the introduction of the common European currency. A lack of skilled professionals is restricting growth in the IT sector. Capacity bottlenecks are expected to intensify, especially at the end of the current year and the beginning of 1999. In the longer term growth will be maintained by the emergence of a genuine information environment, in which most products and services will be developed, marketed and used in electronic form via information networks.

The Tieto Group's net sales, excluding the TT-Microtrading divestment, are expected to increase by approximately 15 % during the current year, barring new acquisitions. In line with its strategy the Group will seek growth both organically and through acquisitions. Demand will raise the proportion of organic growth in the short term and to some extent hold acquisitions in check.

After the structural changes undertaken during 1997, the Tieto Group is now purely a provider of high value added expert services. The company aims to reach world leadership in its core businesses and a profit level exceeding 10 % of net sales. Its profitability is expected to remain strong during 1998 and the conditions exist for further positive development.

ACCOUNTING PRINCIPLES

CONSOLIDATED FINANCIAL STATEMENTS

Included in the consolidated financial statements are the parent company TT Tieto Oy and all subsidiaries in which the parent company's direct or indirect holding exceeds 50 per cent of the voting power carried by the shares.

The income statement items of companies merged during the financial period are included in the consolidated income statement. Companies acquired during the financial period have been consolidated from their date of acquisition and divested companies up until the date of divestment.

TT Tieto Oy holds more than 50 per cent of the shares, giving voting power of less than 50 per cent, of associated companies for which it has management responsibility. TT Tieto Oy is responsible for managing the business operations of these companies. Since such associated companies have a considerable impact on the consolidated result, they are consolidated in the Group income statement in proportion to Tieto's holding in them, item for item. In the balance sheet, their shares are shown as shares in associated companies according to the equity method.

All other associated companies are consolidated according to the equity method both in the income statement and balance sheet. The Group's profit share of the associated companies is shown as a separate entry under financial items. The book values of the shares are shown in the Notes to the Financial Statements.

Intra-group transactions are eliminated in consolidation.

Intra-group shareholdings have been eliminated using the acquisition cost method, where only profit arising from the subsidiaries' business transactions after the acquisition date is included in consolidated equity. The item arising from the elimination of subsidiary acquisition costs is considered as goodwill, which is depreciated over five or ten years in the Group. In the elimination of intra-group shareholdings the equity at the time of the purchase is increased by appropriations and reduced by the deferred tax liability.

Internal dividends and non-realized income from inventories and fixed assets are excluded from the result.

In the balance sheet, intra-group receivables and liabilities are eliminated from the appropriate balance sheet items.

In the balance sheet, appropriations are divided into deferred tax liability and shareholders' equity. The change in the deferred tax liability is included in the taxes for the period.

Minority interest is separated from consolidated shareholders' equity, appropriations and profit, and entered as a separate item.

The financial period of all Group companies is the calendar year.

FOREIGN CURRENCY ITEMS

Foreign currency transactions are booked at the rate prevailing on the transaction date. Foreign currency items current at the end of the financial period are valued at the average exchange rates on the balance sheet date. Foreign exchange items are hedged using derivative contracts. In the consolidated financial statements, the income statements of foreign subsidiaries are translated into Finnish markka using the average annual rates calculated on the basis of the average rates at the end of each month. The balance sheets are translated using the Bank of Finland's average rate on the balance sheet date.

Translation differences arising from the application of the acquisition cost method are shown as consolidated equity adjustment items and included under Other Changes in Non-Restricted Equity in the Notes to the Financial Statements. Exchange gains and losses are entered in the income statement. The exchange rate differences of hedged items are adjusted by the valuation differences of derivative contracts made for hedging purposes.

RECOGNITION OF SALES

The Tieto Group sells professional, processing, network and software services. The revenue from services and goods is entered on the basis of customer invoicing, which generally coincides with physical delivery. Maintenance fees are generally entered over the agreement period and revenue from long-term projects on a percentage of completion basis. Forecast losses on projects are entered in full under Expenses.

PENSION ARRANGEMENTS

In Finland pensions are handled both through pension insurance institutions and by the Tieto Group's own pension trust and pension fund. Pension liabilities are fully covered.

RESEARCH AND DEVELOPMENT

Research and development costs are expensed annually.

EXTRAORDINARY ITEMS

Essential items not related to the business operations of the Group are included under Extraordinary Items. As the Group only operates in one sector, i.e. information technology, items arising from the termination of business operations are not regarded as extraordinary items unless they arise from operations terminated several years ago.

VALUATION OF FIXED ASSETS

Depreciation is charged according to plan, based on the original acquisition cost and the useful economic life of the fixed assets. Losses on the sale of fixed assets are entered as an increase in depreciation according to plan, and sales profits are recorded as other operating income.

The Group uses the following depreciation periods:

	Years
Intangible assets (software)	3
Goodwill	
- from operations	3 - 5
- from subsidiaries	5 or 10
Other capitalized expenditures	5
Buildings	25 or 40
Data processing equipment	3 - 5
Transportation equipment	5
Other machinery and equipment	5 - 8
Other tangible assets	10

The depreciation periods of consolidated goodwill are decided separately in each case to correspond with the estimated effective impact. In cases where the investment has been made in the Group's core operations and where the goodwill consists of several components, the depreciation period is 10 years.

VALUATION OF INVENTORIES

Inventories are valued at direct acquisition cost using the FIFO principle.

INCOME STATEMENTS

FIM 1,000	Group		Parent Company	
	1 Jan. - 31 Dec. 1997	1 Jan. - 31 Dec. 1996	1 Jan. - 31 Dec. 1997	1 Jan. - 31 Dec. 1996
Net sales	2,432,948	2,054,855	1,012,702	476,039
Other operating income	23,098	15,335	55,516	8,334
Expenses				
Materials and supplies				
Purchases during the period	301,356	270,487	64,585	22,806
Increase (-) or decrease (+) in inventories *)	+ 2,694	+ 2,068	- 14	- 437
External services	139,646	112,021	51,708	46,521
Personnel expenses (1)	1,051,657	883,353	450,379	197,941
Rents	168,481	166,563	113,423	71,075
Other operating expenses	355,237	319,893	154,577	91,108
	2,019,071	1,754,385	834,658	429,014
Operating profit before depreciation	436,975	315,805	233,560	55,359
Depreciation (2)				
Fixed assets and other				
capitalized expenditures	132,388	108,137	82,958	36,664
Acquired goodwill	9,084	6,071	23,942	12,371
Consolidated goodwill	25,106	24,492	-	-
Operating profit	270,397	177,105	126,660	6,324
Financial income and expenses (3)				
Dividend income from the Group	-	-	68,705	61,696
Other dividend income	191	588	31,374	16,115
Interest income from non-current investments	665	1,883	4,769	6,652
Interest income from current investments	4,450	7,099	1,963	4,016
Tax refunds from dividend	3,753	2,676	38,919	25,937
Other financial income	5,162	9,703	7,907	8,518
Share of associated companies' results	4,302	4,926	-	-
Interest expenses	- 2,735	- 6,256	- 9,705	- 10,747
Other financial expenses	- 3,933	- 2,649	- 2,570	- 1,156
Value adjustment on investments	- 423	- 727	- 785	- 901
	11,432	17,243	140,577	110,130
Profit before extraordinary items, appropriations and taxes	281,829	194,348	267,237	116,454
Extraordinary items				
Group contributions received	-	-	78,019	-
Group contributions given	-	-	-	- 7,439
Profit before appropriations and taxes	281,829	194,348	345,256	109,015
Depreciation in excess of or less than plan (2) *)	-	-	+ 4,392	- 48,497
Increase (-) or decrease (+) in voluntary provisions *)	-	-	+ 10,962	+ 64,727
Direct taxes (4)	- 93,131	- 70,976	- 101,760	- 39,904
Profit for the period before minority interest	188,698	123,372	258,850	85,341
Minority interest in the result of the period *)	-	- 1,626	-	-
Profit for the period	188,698	121,746	258,850	85,341
*) These items cannot be derived from the balance sheets due among other things to mergers and changes in Group structure.				

BALANCE SHEETS

FIM 1,000	Group		Parent Company	
	31 Dec. 1997	31 Dec. 1996	31 Dec. 1997	31 Dec. 1996
ASSETS				
Fixed assets and other non-current investments (5, 9, 10)				
Intangible assets				
Intangible rights	23,474	20,918	18,305	10,280
Acquired goodwill	51,365	10,081	87,304	73,542
Consolidated goodwill	99,623	112,359	-	-
Other capitalized expenditures	19,400	24,264	14,231	13,602
	193,862	167,622	119,840	97,424
Tangible assets				
Land	57,142	48,557	46,421	48,422
Buildings	215,284	177,249	159,643	164,647
Machinery and equipment	198,077	177,486	161,269	113,698
Other tangible assets	2,516	1,507	783	854
Advance payments and construction in progress	31,836	12	7,301	-
	504,855	404,811	375,417	327,621
Securities included in fixed assets and other non-current investments				
Shares in Group companies (11)	-	-	160,747	182,447
Shares in associated companies (12)	72,339	92,272	37,299	52,725
Other shares and securities (12)	6,566	9,555	4,453	3,633
Loan receivables (7, 8)	16,485	19,736	90,215	86,502
Other investments	265	4,933	-	-
	95,655	126,496	292,714	325,307
Current assets	794,372	698,929	787,971	750,352
Inventories				
Materials and supplies	5,513	16,882	1,869	1,854
Receivables (6, 7, 8)				
Trade receivables	279,546	288,984	158,695	118,633
Loan receivables	3,058	3,868	29,381	22,024
Prepaid expenses and accrued income	65,598	76,828	87,570	40,511
Group contributions receivable	-	-	78,019	-
Other receivables	2,409	3,320	-	-
	350,611	373,000	353,665	181,168
Securities included in current assets	100,232	53,381	99,958	53,381
Cash in hand and at bank	193,281	137,790	117,519	83,814
	649,637	581,053	573,011	320,217
	1,444,009	1,279,982	1,360,982	1,070,569

FIM 1,000	Group		Parent Company	
	31 Dec. 1997	31 Dec.1996	31 Dec.1997	31 Dec. 1996
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity (13)				
Restricted equity				
Share capital	87,986	87,906	87,986	87,906
Premium fund	387,867	387,610	387,867	387,610
Restricted reserves	3,230	1,936	-	-
	479,083	477,452	475,853	475,516
Non-restricted equity				
Retained earnings	242,669	166,097	104,426	68,323
Profit for the period	188,698	121,746	258,850	85,340
	431,367	287,843	363,276	153,663
Shareholders' equity, total	910,450	765,295	839,129	629,179
Minority interest	-	14,748	-	-
Appropriations and provisions (14)				
Accumulated depreciation in excess of plan	-	-	41,487	44,644
Provisions for liabilities and charges	13,982	6,498	13,982	5,999
Liabilities				
Non-current liabilities (15, 16)				
Bonds	5,961	6,020	5,961	6,020
Loans from financial institutions	34,362	6,417	34,362	5,767
Pension loans	966	1,039	966	1,039
Deferred tax liability	13,031	21,095	-	-
Other non-current liabilities	29,893	27,122	-	17,067
Current amortization	- 21,863	- 4,612	- 8,459	- 3,287
	62,350	57,081	32,830	26,606
Current liabilities (7)				
Advances recieved	4,510	6,785	535	1,013
Trade payables	73,707	78,745	45,936	33,694
Accrued liabilities and deferred income	349,665	339,412	227,752	161,305
Other current liabilities	29,345	11,418	159,331	168,129
	457,227	436,360	433,554	364,141
Liabilities, total	519,577	493,441	466,384	390,747
	1,444,009	1,279,982	1,360,982	1,070,569

FUNDS STATEMENTS

FIM 1,000	Group		Parent Company	
	1997	1996	1997	1996
Funds arising from operations	344,480	248,946	230,157	125,856
Change in working capital				
Increase (-) or decrease (+) in inventories	11,369	12,779	- 15	- 1,053
Increase (-) or decrease (+) in current receivables	22,389	- 2,181	- 172,497	- 92,659
Increase (+) or decrease (-) in interest-free current liabilities	2,940	- 198,887	78,211	33,401
Increase (+) or decrease (-) in provisions for liabilities and charges	7,484	6,256	7,983	5,757
	44,182	- 182,033	- 86,318	- 54,554
Cash flow from operations	388,662	66,913	143,839	71,302
Investments				
Investments in fixed assets incl. purchases on subsidiary shares	- 329,500	- 187,485	- 220,972	- 138,018
Merged fixed assets	-	-	- 82,845	-258,465
Elimination of the acquisition cost of merged subsidiaries	-	-	156,465	484,015
Merger losses and profits	-	-	- 15,700	-54,493
Impact of structural changes on appropriations	-	-	12,197	1,755
Net increase or decrease in fixed assets due to changes in Group structure	- 23,328	48,072	-	-
Sales of fixed assets	49,577	17,006	64,466	16,461
Elimination of the purchase of subsidiary shares during the year	94,119	65,758	-	-
New consolidated goodwill	- 54,365	- 28,255	-	-
Change in associated company shares	4,413	- 8,577	-	-
	- 259,084	-93,481	- 86,389	51,255
Cash flow before financial items	129,578	- 26,568	57,450	122,557
Financing				
Decrease (+) or increase (-) in non-current receivables	7,919	4,383	- 3,713	- 8,317
Decrease (-) or increase (+) in non-current debts	22,520	- 66,082	11,396	1,775
Decrease (-) or increase (+) in current debts	676	2,800	- 13,970	- 25,955
Group contributions	-	-	78,019	- 7,439
Dividends and donations	- 49,237	- 24,958	- 49,237	- 24,958
Share issue and use of options	337	2,821	337	2,821
	- 17,785	- 81,036	22,832	- 62,073
Calculated decrease (-) or increase in liquid assets	111,793	-107,604	80,282	60,484
Adjustment items	- 9,451	5,978	-	-
Decrease (-) or increase (+) in liquid assets	102,342	-101,626	80,282	60,484
Liquid assets on 31 Dec.	293,513	191,171	217,477	137,195
Liquid assets on 1 Jan.	- 191,171	- 292,797	- 137,195	- 76,711
	102,342	- 101,626	80,282	60,484
The items in the funds statements cannot be derived from the balance sheets directly due, for example, to new subsidiaries acquired and changes in exchange rates.				

NOTES TO THE FINANCIAL STATEMENTS

	Group		Parent Company	
	1997	1996	1997	1996
Finnish marks in thousands, unless otherwise stated.				
The distribution of net sales is presented in the Report of the Board.				
1. Personnel expenses (performance-based)				
The Board of Directors, Presidents and Executive Vice Presidents:				
- salaries	19,569	19,899	3,071	3,316
- commissions on profit	2,867	2,794	536	540
- fringe benefits	1,475	1,328	421	254
Other wages and salaries	822,238	685,251	356,353	153,322
Other fringe benefits	22,710	19,555	10,843	6,333
Pension costs	113,636	92,292	53,556	23,357
Other indirect employee costs	93,347	83,117	36,864	17,406
	1,075,842	904,236	461,644	204,528
The Board of Directors decides the salary and other benefits of the President and Executive Vice Presidents.				
Pension commitments on behalf of management:				
- the retirement age of the President and two Executive Vice Presidents is 60 years				
2. Depreciation according to plan				
Intangible rights	15,839	16,464	7,740	3,458
Acquired goodwill	9,084	6,071	23,942	12,371
Consolidated goodwill	25,106	24,492	-	-
Other capitalized expenditures	5,672	3,696	3,041	1,525
Buildings	6,516	7,701	6,313	2,247
Machinery and equipment	103,965	79,923	65,793	29,353
Other tangible assets	396	353	71	81
	166,578	138,700	106,900	49,035
Depreciation in excess of or less than plan	- 7,706	+ 50,914	- 4,392	+ 48,497
Transferred to shareholders' equity after the deduction of deferred taxes on appropriations	+ 7,706	- 50,914		
3. Interest income from Group companies				
- on non-current investments			3,975	5,500
- on current investments			181	683
Interest expenses to Group companies			7,599	8,410
4. Direct taxes				
- for the financial period	94,108	79,384	102,247	39,792
- for previous years	- 380	- 25	- 487	112
- change in deferred taxes on appropriations	- 597	- 8,383	-	-
	93,131	70,976	101,760	39,904

**NOTES TO
THE FINANCIAL STATEMENTS**

	Group		Parent Company	
	1997	1996	1997	1996
Finnish marks in thousands, unless otherwise stated.				
5. Goodwill				
Acquisition costs, 1 Jan.	211,553	180,912	107,223	47,809
Increases	62,732	30,641	38,860	59,414
Decreases	-	-	- 3,382	-
Acquisition costs, 31 Dec.	274,285	211,553	142,701	107,223
Accumulated depreciation, 31 Dec.	- 123,297	- 89,113	- 55,397	- 33,681
Book value, 31 Dec.	150,988	122,440	87,304	73,542
Other intangible assets				
Acquisition costs, 1 Jan.	148,039	121,969	73,997	35,314
Increases	18,182	42,431	29,857	38,979
Decreases	- 21,986	- 16,361	- 11,521	- 296
Acquisition costs, 31 Dec.	144,235	148,039	92,333	73,997
Accumulated depreciation, 31 Dec.	- 101,361	- 102,857	- 59,797	- 50,115
Book value, 31 Dec.	42,874	45,182	32,536	23,882
Tangible assets				
Acquisition costs, 1 Jan.	785,068	912,544	568,241	276,572
Increases	233,920	127,734	153,656	323,031
Decreases	- 124,684	- 255,210	- 46,223	- 31,362
Acquisition costs, 31 Dec.	894,304	785,068	675,674	568,241
Accumulated depreciation, 31 Dec.	- 389,449	- 380,257	- 300,257	- 240,620
Book value, 31 Dec.	504,855	404,811	375,417	327,621
6. Receivables falling due after one year or later	14	321	-	321
7. Receivables and payables, Group companies and associated companies				
Receivables from Group companies of which	-	-	234,238	101,482
- shareholder commitment and	-	-	-	5,576
- voluntary loan	-	-	-	6,397
Receivables from associated companies	3,145	2,579	3,096	2,052
Payables to Group companies	-	-	204,795	169,782
Payables to associated companies	5,656	196	5,656	127
8. Loans to Group Management	135	856	135	850
The loans are in accordance with the general terms applicable to Group personnel.				
9. Taxation values of the Finnish Group				
Land	32,893	21,134	21,169	21,134
Buildings	200,911	165,008	151,709	153,511
Shares and securities				
Shares in Finnish subsidiaries	184,793	133,270	184,274	109,446
Shares in Finnish associated companies	42,390	54,784	42,390	54,755
Other Finnish shares	5,524	8,002	4,473	3,942
Securities in current assets	99,823	51,935	99,823	51,935
If no taxation value is available, the book value is used.				
10. Fire insurance values of fixed assets	969,199	880,576	791,518	673,835

	Number	Share %		Nominal value	Book value	Share of shareholders' equity	Profit/loss for the year
11. Subsidiary shares owned by the parent company							
Carecomp Forest Oy, Finland	8,534	100.0		8,534	21,602	23,295	-329
Carecomp GmbH, Germany	200	100.0	DEM	200	630	590	204
Carecomp Industria Oy, Finland	4,000	100.0		4,000	11,000	11,324	-103
Carecomp Ltd, Great Britain	20,000	100.0	GBP	145	1,068	-513	-1,086
Carecomp N.V., Belgium	100	100.0	BEF	1,250	171	2,212	519
Dialogos-Team Oy, Finland	400	100.0		200	2,268	2,234	22
Oy EDI Management Finland Ltd, Finland	1,000	100.0		300	713	1,580	-126
Kiinteistö Oy Kutojantie 6, Finland	26,666	100.0		4,000	28,250	12,188	-
Kiinteistö Oy Kutojantie 8, Finland	33,333	100.0		5,000	39,178	13,241	-
Tieto Danmark A/S, Denmark	1	100.0	DKK	500	53	4,091	1,527
Tieto Eesti AS, Estonia	400	100.0	EEK	400	393	1,144	646
Tieto France S.A.R.L., France	400	100.0	FRF	400	355	500	136
Tieto Norge AS, Norway	7,000	100.0	NOK	7,000	11,458	15,221	2,630
Tieto Sweden AB, Sweden	31,000	100.0	SEK	3,100	4,537	16,440	10,016
Totus Oy, Finland	200	100.0		1,000	1,662	1,417	-1
TT-Innovation Oy, Finland	300	100.0		300	300	1,773	-62
TT-Professional Solution Oy, Finland	9,912	100.0		991	2,866	3,183	-9
TT-Technology Oy, Finland	173,225	100.0		2,598	7,328	8,492	30
Unic Oy, Finland	45,375	99.3		4,537	26,755	15,283	1,094
VTKK Baltic Ltd, Estonia	2,400	100.0	EEK	240	93	108	8
Dormant subsidiaries (4)					67	59	-
					160,747		
Shares in Group companies owned by subsidiaries							
AXO System AS, Norway	14,003	100.0	NOK	1,400	7,789	3,212	101
Datema Personaladministration AB, Sweden	16,000	100.0	SEK	16,000	9,471	14,981	20
GC Computer AS, Norway	2,000	100.0	NOK	200	4,067	1,190	67
Habo Data AB, Sweden	1,000	100.0	SEK	100	1,757	631	-1
Huldt & Lillevik AS, Norway	50	100.0	NOK	50	924	546	192
Huldt & Lillevik Kompetanse AS, Norway	2,000	100.0	NOK	1,000	2,736	3,404	-
Huldt & Lillevik Utvikling AS, Norway	50	100.0	NOK	50	148	94	-45
Tieto Financial Systems AB, Sweden	3,000	100.0	SEK	3,000	2,721	3,293	437
Tietotehdas Technology AB, Sweden	40,000	100.0	SEK	4,000	3,890	3,876	-93
TimberSoft AB, Sweden	1,000	100.0	SEK	100	1,743	630	-22
TT-Technology AS, Norway	115,000	100.0	NOK	1,150	5,176	3,458	124
TT-Technology A/S, Denmark	5	100.0	DKK	1,000	4,282	4,282	1,541
Unic Oy, Finland	300	0.7		30	90	108	1,094
Dormant subsidiaries (10)					4,569	8,583	170
					49,363		

NOTES TO THE FINANCIAL STATEMENTS

Finnish marks in thousands, unless otherwise stated.

12. Shares in associated companies, other shares and securities

Associated companies owned by and under
the management responsibility of the parent company

	Number	Share %	Nominal value	Book value	Share of shareholders' equity	Result of the latest financial statements
Fidenta Oy	6,000	60.0 ¹⁾	600	1,200	15,490	21,754
Oy Tietokonepalvelu Ab	900	60.0 ¹⁾	900	14,999	11,858	¹⁾
Tietokarhu Oy	8,000	100.0 ^{**)}	800	1,600	1,600	²⁾
Tietoleijona Oy	9,000	60.0 ¹⁾	900	1,800	9,834	13,082

¹⁾ Voting power 40 %

^{**)} Holding changed in January 1998 to 80 % and voting power to 20 %

¹⁾ Financial statements have not been confirmed

²⁾ Company began operation on 1 Dec. 1997

Shares in associated companies
owned by parent company

FD Finanssidata Oy	30,000	30.0	3,000	4,500	10,540	19,678
Merita Systems Oy	200	40.0	200	200	342	-495
Samlink Oy	39,563	28.8	3,956	12,854	18,098	6,552
Unikko-Soft Turku Oy	140	23.0	140	140	140	8 ¹⁾
Other shares in associated companies				6		

¹⁾ Financial Statements have not been confirmed

Other shares and securities owned by the parent company

As Oy Sävelrinne, Espoo	29		168	230		
As Oy Timontörmä, Espoo	186		19	600		
Bostadsrättsföreningen Almen 10, Solna	-	-	-	481		
Oy Datatie Ab	25	2.1	100	245		
Delectia Oy	1,000	16.7	100	100		
Helsinki Stock Exchange HEX Ltd	20,000		150	150		
Jyväskylän Teknoliakeskus Oy	40	8.0	400	400		
Telephone shares				1,909		
Other shares and securities				338		

Other shares and securities owned by subsidiaries

As Oy Postipuuntie, Espoo	53		21	270		
Oy Pickala Golf Ab	1			107		
Vierumäen Kuntorinne Oy	80		8	1,152		
Telephone shares				360		
Other shares and securities				360		

2,249

The list does not include companies with a book value of less than FIM 100,000 in the balance sheet of Tieto or companies that are inactive. A complete list as required by the Companies Act is included in the official financial statements of the company.

	Group		Parent Company	
	1997	1996	1997	1996
13. Changes in shareholders' equity				
Restricted equity				
Share capital				
1 Jan.	87,906	87,236	87,906	87,236
Use of options	80	670	80	670
31 Dec.	87,986	87,906	87,986	87,906
8,798,560 shares				
Share premium fund				
1 Jan.	387,610	385,459	387,610	385,459
Use of options	257	2,151	257	2,151
31 Dec.	387,867	387,610	387,867	387,610
Restricted reserves				
1 Jan.	1,936	901	-	-
Transfer from non-restricted equity to restricted reserves	1,294	1,035	-	-
31 Dec.	3,230	1,936	-	-
Non-restricted equity				
1 Jan.	287,843	193,646	153,663	93,281
Dividends paid	- 49,227	- 24,638	- 49,227	-24,638
Other change	4,053	- 2,911	- 10	-320
31 Dec.	242,669	166,097	104,426	68,323
Profit for the period	188,698	121,746	258,850	85,340
31 Dec.	431,367	287,843	363,276	153,663
Total shareholders' equity	910,450	765,295	839,129	629,179
Distributable funds in non-restricted equity	393,933	238,995		
14. Appropriations and provisions				
Accumulated depreciation in excess of plan				
- Intangible assets			9,497	10,720
- Tangible assets			31,990	33,924
31 Dec.	44,672	55,304	41,487	44,644
Provisions for liabilities and charges				
Staff motivation and development scheme	10,000	3,963	10,000	3,963
Rent for equipment no longer in use	-	1,490	-	1,490
Provision for pension commitments	3,877	-	3,877	-
Provision for future guarantee expenses	105	832	105	333
Provision for future rent expenses of empty premises	-	213	-	213
31 Dec.	13,982	6,498	13,982	5,999
15. Liabilities falling due after five years or later				
Pension loans	672	-	672	-
Other loans	111	10,400	-	6,400

Finnish marks in thousands, unless otherwise stated.

16. Bonds with warrants to executives 1993 - parent company

Loan principal	40
Number of warrants	5
Interest	6 %
Subscription period	1 Feb. - 30 Nov. annually, no earlier than in 1996 and no later than on 31 May 1998
Subscription terms	1,000 shares in exchange for one warrant for FIM 42.10 per share
Repayment of the loan	In one installment on 1 June 1998

Bonds with warrants to employees 1996 - parent company

Loan principal	5,921
Number of warrants	592,130
Interest	5 %
Subscription period	1 Dec. 1998 - 31 Jan. 2002
Subscription terms	One share in exchange for one warrant for FIM 163
Repayment of the loan	14 June 2000

17. Pledges, mortgages and contingent liabilities

	Group		Parent Company	
	1997	1996	1997	1996
Tieto Group obligations				
Pledges	62	260	-	-
Mortgages	-	30,000	-	30,000
Group company obligations				
Guarantees	-	-	51,471 ^{*)}	21,928 ^{*)}
On behalf of associated companies	-	-	-	-
On behalf of third parties				
Repurchase commitments	60	289	-	121
Other contingent liabilities	-	93	-	-
Other Tieto Group contingent liabilities				
Rent commitments	222,928	119,793	175,962	75,283
Leasing commitments	130,387	155,572	113,809	140,893
Guarantee commitments	1,680	10,448	1,680	10,448
Pledges	592	290	781	814
Other contingent liabilities	18	46	18	-
Total				
Pledges	62	260	-	-
Mortgages	-	30,000	-	30,000
Other contingent liabilities	355,665	286,531	343,721	249,487

^{*)} Does not include the limits guaranteed by the parent company, which totalled FIM 18,991,000 (22,605,000) on 31 December 1997.

18. Derivative contracts

Currency derivatives		
Forward contracts		
Value of underlying instruments	6.232	6.232
Market value of currency forward contracts	-20	-20

FIVE YEARS IN FIGURES

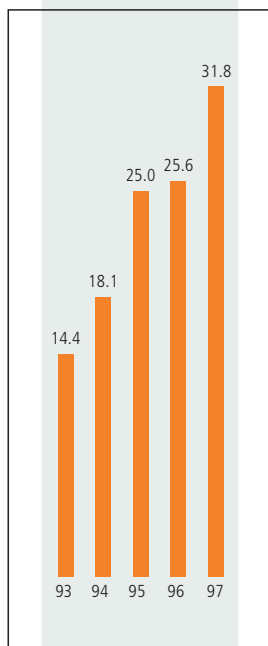
	1997	1996	1995	1994	1993
Income Statement Key Figures					
Net sales, FIM million	2,433.0	2,054.9	1,148.7	979.8	828.9
Operating profit before depreciation, FIM million	437.0	315.8	165.6	139.3	95.3
As % of net sales	18.0	15.4	14.4	14.2	11.5
Operating profit, FIM million	270.4	177.1	85.5	60.7	34.6
As % of net sales	11.1	8.6	7.4	6.2	4.2
Profit before extraordinary items, FIM million	281.8	194.3	96.0	63.3	46.0
As % of net sales	11.6	9.5	8.4	6.5	5.5
Profit before appropriations and taxes, FIM million	281.8	194.3	96.0	63.3	46.0
As % of net sales	11.6	9.5	8.4	6.5	5.5
Profit before appropriations, after taxes, FIM million	188.7	123.4	75.0	48.7	35.9
Total assets, FIM million	1,444.0	1,280.0	1,426.6	631.8	606.1
Return on investment % (ROI)	31.8	25.6	25.0 ^{*)}	18.1	14.4
Return on shareholders' equity % (ROE)	22.3	17.0	21.4 ^{*)}	16.3	15.2
Balance Sheet Key Figures					
Gearing, %	- 23.1	- 17.6	- 27.6	- 16.5	3.6
Net debt with interest, FIM million	- 214.9	- 143.8	- 195.8	- 91.6	3.0
Equity ratio, %	63.2	61.3	47.4	53.8	47.0
Quick ratio	1.42	1.31	1.04	1.67	1.24
Investments					
Land and buildings, FIM million	101.0	-	0.3	-	16.4
Data processing equipment, FIM million	114.1	69.3	41.3	40.1	28.7
Others, FIM million	114.4	118.2	699.5	43.4	62.3
Total investments, FIM million	329.5	187.5	741.1	83.5	107.4
Total investments, as % of net sales	13.5	9.1	64.5	8.5	13.0
Personnel					
Average during the financial year	4,221	3,577	1,996	1,740	1,554
At the end of the financial year	4,332	3,976	3,305	1,740	1,679

^{*)} Key ratios calculated without the effect of the Unic Group and VTKK Group.

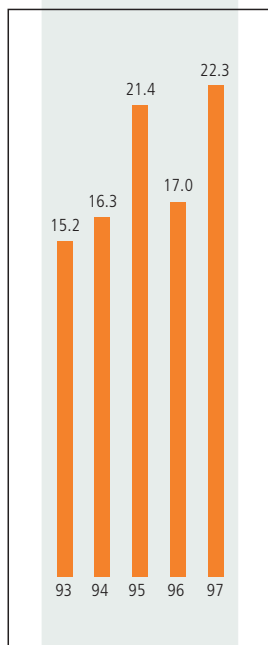
COMPUTATION OF KEY RATIOS

RETURN ON INVESTMENT % (ROI)	=	$\frac{\text{PROFIT BEFORE EXTRAORDINARY ITEMS + FINANCIAL EXPENSES}}{\text{TOTAL ASSETS - INTEREST-FREE LIABILITIES (12-MONTH AVERAGE)}} \times 100$
RETURN ON SHAREHOLDERS' EQUITY % (ROE)	=	$\frac{\text{PROFIT BEFORE EXTRAORDINARY ITEMS - TAXES FOR THE FINANCIAL PERIOD}}{\text{SHAREHOLDERS' EQUITY + MINORITY INTEREST + ACCUMULATED APPROPRIATIONS - DEFERRED TAXES ON APPROPRIATIONS (12-MONTH AVERAGE)}} \times 100$
GEARING %	=	$\frac{\text{DEBTS AT INTEREST + ADVANCE PAYMENTS RECEIVED - CASH IN HAND AND AT BANK - SECURITIES INCLUDED IN CURRENT ASSETS}}{\text{SHAREHOLDERS' EQUITY + MINORITY INTEREST + ACCUMULATED APPROPRIATIONS - DEFERRED TAXES ON APPROPRIATIONS}} \times 100$
EQUITY RATIO %	=	$\frac{\text{SHAREHOLDERS' EQUITY + MINORITY INTEREST + ACCUMULATED APPROPRIATIONS - DEFERRED TAXES ON APPROPRIATIONS}}{\text{TOTAL ASSETS - ADVANCE PAYMENTS RECEIVED}} \times 100$
QUICK RATIO	=	$\frac{\text{FINANCIAL ASSETS}}{\text{CURRENT LIABILITIES - ADVANCE PAYMENTS RECEIVED}}$
NET DEBT WITH INTEREST	=	DEBTS WITH INTEREST - CASH IN HAND AND AT BANK - SECURITIES INCLUDED IN CURRENT ASSETS

RETURN ON INVESTMENT, %



RETURN ON EQUITY, %



SHARE CAPITAL

The share capital of TT Tieto Oy increased by FIM 80,000 during 1997 to FIM 87,985,600 at the end of the year. This represents 8,798,560 shares, each with a nominal value of FIM 10.

The share capital increases were all due to subscriptions made on the basis of the bond with warrants 1993.

SHAREHOLDERS

On 31 January 1998 there were 2,615 shareholders. Foreign and nominee-registered shareholders amounted to 47.9 per cent compared with 47.0 per cent one year earlier.

The Board of Directors, the President and Executive Vice Presidents owned a total of 0.07 per cent of the company's shares. On the basis of a bond with warrants, they can increase their ownership to 0.80 per cent of the shares.

SHARE PRICE DEVELOPMENT AND TURNOVER

The Hex index of the Helsinki Stock Exchange increased by 32.3 per cent in 1997. The Tieto share rose during the corresponding period by 57.6 per cent. The highest quoted price during the year was FIM 670 and the lowest was FIM 370. The average share price was FIM 468.9. The turnover of the whole year was 2,712,073 shares.

At the end of the financial period, the market capitalization of the share capital was FIM 5,393.5 million.

BOND WITH WARRANTS

FIM 5,921,300 remains of the bond with warrants offered to personnel in 1996. On the basis of the warrants a maximum of 592,130 shares may be subscribed for FIM 163 per share. The subscription period is 1 December 1998 to 31 January 2002, however such that half of the shares may only be subscribed from 1 December 2000 onwards.

FIM 40,000 remains of the bond with warrants offered to company executives in 1993. On the basis of the warrants, a maximum of 5,000 new shares can be subscribed before 31 May 1998.

AUTHORIZATIONS

The Board of Directors has no authorization to offer shares.

DIVIDEND PROPOSAL

The Board of Directors proposes that a dividend of FIM 10.72 per share be paid on the year 1997. The dividend accepted by the General Meeting is payable from 20 March 1997.

GENERAL MEETING OF SHAREHOLDERS

TT Tieto Oy's Annual General Meeting will be held on Thursday 12 March 1997 at 5 p.m. at Tieto's head office, Kutojantie 10, Espoo, Finland. Shareholders wishing to attend the meeting must notify the company no later than by 4.00 pm (local Finnish time) on 9 March 1997 either in writing to TT Tieto Oy

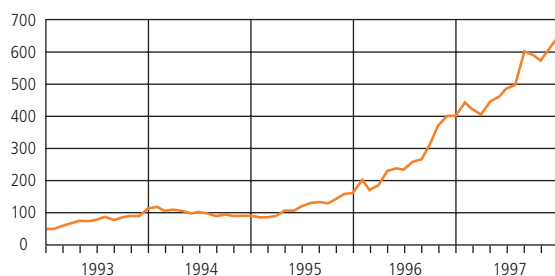
Anne Rontu
 P.O. Box 33
 FIN-02631 Espoo, Finland
 or by phone +358 9 526 2203
 or by e-mail: anne.rontu@tietogroup.com

Shareholders registered in the shareholder register maintained by the Finnish Central Securities Depository Ltd by the record date 6 March 1997 are entitled to attend the meeting.

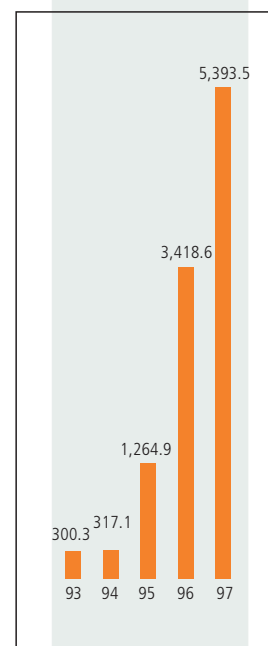
INTERIM REPORTS 1998

Tieto will publish three interim reports in 1998. The first report will be published on Thursday 7 May 1998, the second on Thursday 6 August 1998, and the third on Thursday 5 November 1998.

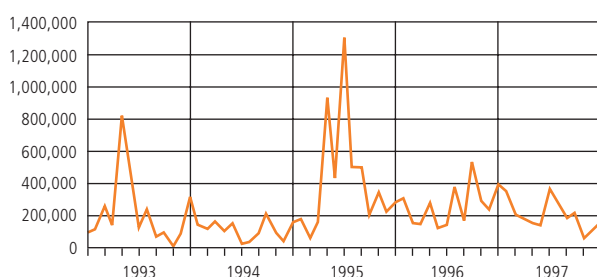
SHARE PRICE DEVELOPMENT 1993-1997, FIM



MARKET CAPITALIZATION, FIM MILLION



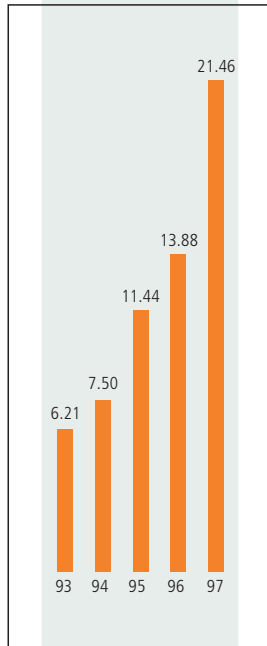
DEVELOPMENT OF TOTAL TURNOVER 1993-1997, NUMBER



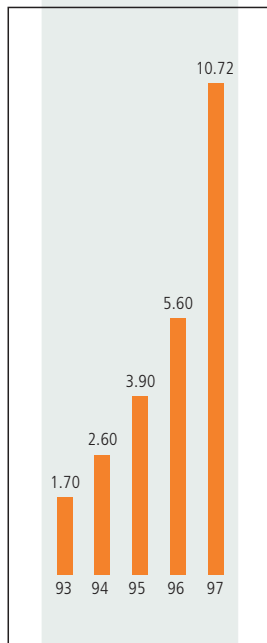
INCREASES IN SHARE CAPITAL 1993-1997

	Subscription/ conversion price FIM	Subscription period	Increase in share capital FIM	New share capital FIM	Right to dividend	New shares
Privileged new issue 1993, Aamulehti Corporation	35.00 B	8 Feb. 1993	654,000	54,713,300	financial period 1993	65,400 B
Privileged new issue 1993, Enso-Gutzeit Oy	48.20 B	14 May 1993	5,588,800	60,302,100	financial period 1993	558,880 B
Privileged convertible bond, 1989-1995, personnel	40.80 B	1 Feb. - 30 Nov. 1993	2,017,400	62,319,500	financial period 1994	201,740 B
Privileged convertible bond 1989-1995, personnel	40.80 B	1 Feb. - 30 Nov. 1994	855,500	63,175,000	financial period 1995	85,550 B
Privileged convertible bond 1989-1995, personnel	40.80	1 Feb. - 1 Nov. 1995	60,600	63,235,600	financial period 1996	6,060
Privileged new issue 1995, the Finnish State	125.00	29 Dec. 1995	24,000,000	87,235,600	financial period 1996	2,400,000
Privileged bond with warrants 1993-1998, management	42.10	1 Feb. - 30 Nov. 1996	670,000	87,905,600	financial period 1996	67,000
Privileged bond with warrants 1993-1998, management	42.10	1 Feb. - 30 Nov. 1997	80,000	87,985,600	financial period 1997	8,000

EARNINGS/SHARE, FIM



DIVIDEND/SHARE, FIM



PRINCIPAL SHAREHOLDERS ON 31 JANUARY 1998

	No.	% of shares
Nominee registered	4,211,034	47.9
PT Finland Group	2,487,600	28.3
PT Finland Ltd	2,400,000	27.3
Pension foundation of PT	87,600	1.0
Pohjola companies	602,800	6.9
Pohjola Insurance Company	195,000	2.2
Suomi Mutual Life Assurance Company	155,000	1.8
Ilmarinen Pension Insurance Company Ltd	180,800	2.1
Pohjola Life Insurance Company	72,000	0.8
Merita Bank Ltd	175,000	2.0
The Local Government Pensions Institution	112,000	1.3
Tapiola Insurance Group	90,000	1.0
Enterprise Fennia	57,000	0.7
TT Tieto Oy's Pension Fund	47,010	0.5
Pension Insurance Company Varma	37,800	0.4
Pension Insurance Company Sampo	35,000	0.4
Tallberg Carl-Johan	21,000	0.2
The Finnish Culture Foundation	20,000	0.2
Astrid Söderbergs släktfond	12,950	0.1
Nordström Henrik Karl	10,140	0.1
Pension Insurance Company Verdandi	10,000	0.1
Others	869,226	9.9
Total	8,798,560	

DIVISION OF SHARES ON 31 JANUARY 1998

Number of shares	Shareholders		Shares	
	No.	%	No.	%
1 – 100	1,072	41.0	64,778	0.7
101 – 500	1,127	43.1	290,989	3.3
501 – 1,000	276	10.6	196,728	2.3
1,001 – 5,000	106	4.0	214,951	2.4
5,001 – 100,000	27	1.0	652,540	7.4
100,001 –	7	0.3	7,369,314	83.8
Pending list			9,260	0.1
Total	2,615	100.0	8,798,560	100.0

	1997	1996	1995	1994	1993
Development of share capital					
Share capital on 31 Dec.	87,985,600	87,905,600	87,235,600	63,175,000	62,319,500
Number of shares	8,798,560	8,790,560	8,723,560	6,317,500	6,231,950
Adjusted number of shares on 31 Dec.	8,798,560	8,790,560	8,723,560	6,317,500	6,231,950
Adjusted average number of shares	8,791,524	8,768,921	6,331,165	6,239,216	5,829,230
Share ratios					
Earnings per share, FIM	21.46	13.88	11.44	7.50	6.21
EPS less depreciation on goodwill, FIM	25.13	17.26	13.37	9.48	7.19
EPS, FIM.(incl. warrant bond dilution)	21.44				
Shareholders' equity per share, FIM	103.57	87.06	76.49	49.85	44.14
Share price and trading					
Trading high (adjusted), FIM	670.00	388.90	148.00	105.00	73.00
Trading low (adjusted), FIM	370.00	145.00	65.00	70.00	32.70
Average price during period, FIM	468.92	232.35	99.18	84.16	53.00
Total turnover, No.	2,712,073	3,161,283	5,008,509	1,453,706	2,669,530
Total turnover, new share, No.			2,820	75,550	154,470
Market capitalization, FIM mil.	5,393.5	3,418.6	1,264.9 ¹⁾	317.1	300.3
Market capitalization, new share FIM million				6.0	14.1

¹⁾ The new shares not quoted at the end of the year, 2,406,060, are included at the price of the quoted share.

Dividend

Dividend paid, FIM 1,000	94,321 ¹⁾	49,227	24,638	16,203	10,251
Dividend FIM, nominal	10.72	5.60	3.90	2.60	1.70
Adjusted dividend, FIM	10.72	5.60	3.90	2.60	1.70
Payout ratio, %	50.0	40.4	34.1	34.7	27.3

¹⁾ proposal of the Board of Directors

Share price weighted ratios

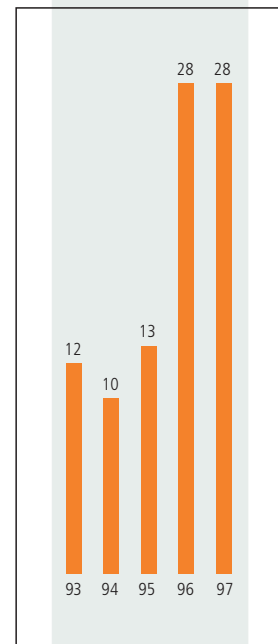
Price/earnings ratio (P/E)	28	28	13	10	12
Dividend yield, %	1.8	1.4	2.7	3.6	2.3

Earnings per share =
Profit before extraordinary items +/- minority interest in year-end profit/loss - taxes for the year
= Profit (ratio denominator)
Adjusted 12-month average of shares

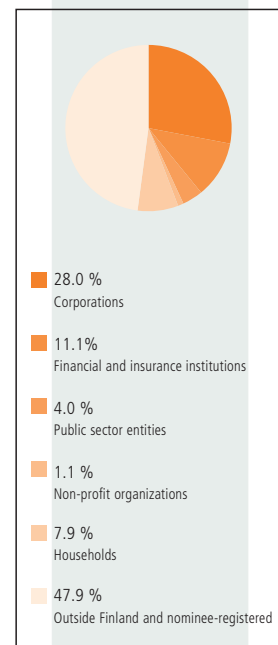
Shareholders' equity/share =
Shareholders' equity + accumulated appropriations
Adjusted number of shares at the year end

Price/earnings ratio (P/E) =
Share price at the year end
Earnings per share

P/E RATIO



OWNERSHIP STRUCTURE 31 JANUARY 1998



PROPOSAL OF THE BOARD OF DIRECTORS FOR THE DISTRIBUTION OF PROFITS

According to the consolidated balance sheet the Group's non-restricted equity is	431,367,000.00
- of which items transferred to shareholders' equity from appropriations as permitted by the Accounting Act	-33,233,000.00
- less the profits of subsidiaries that are left undistributed on the basis of the Articles of Association	<u>-4,201,000.00</u>
Distributable retained earnings	393,933,000.00
Parent company non-restricted equity is	363,276,119.71

The Board of Directors proposes that the above mentioned profits be used
in the following manner:

- shareholders be paid a dividend of FIM 10.72 mk per share	<u>94,320,563.20</u>
- carried forward in retained earnings	268,955,556.51

Espoo, 12 February 1998

Pekka Vennamo

Jorma Hämäläinen

Marita Kaatrala-Pentikäinen

Asmo Kalpala

Juhani Kivelä

Kalevi Kontinen

Juha Reinisalo

Matti Lehti
President and CEO

AUDITORS' REPORT

To the Shareholders of TT Tieto Oy

We have audited the accounting, the financial statements and the corporate governance of TT Tieto Oy for the financial period 1997. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements have been prepared by the Board of Directors and the President and CEO. Based on our audit we express our opinion on these financial statements and on corporate governance.

We have conducted our audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. The purpose of our audit of corporate governance is to examine that the members of the Board of Directors and the President and CEO have legally complied with the rules of the Companies' Act.

In our opinion the financial statements, which disclose a net income in the consolidated income statement of FIM 188,698,000 have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of the consolidated and parent company's result of operations and financial position. The financial statements with the consolidated financial statements can be adopted and the members of the Board of Directors and the President and CEO of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the distribution of the unrestricted equity is in compliance with the Companies' Act.

In our opinion the interim reports published during the financial period have been prepared in accordance with applicable regulations.

Espoo, 12 February 1998

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Authorised Public Accountant Firm

Sven-Erik Guarnieri
Authorized Public Accountant

Tomi Englund
Authorized Public Accountant

ORGANIZATION

DIVISIONS AND BUSINESS UNITS

PROCESSING AND NETWORK SERVICES

Juhani Lano
Executive Vice
President

Operating Services

Pekka Hirvonen

Networked Systems Management

Sakari Lehtola

Forest Industry Services

Pekka Liutu

Network Services

Juhani Strömberg

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Veli Pohjolainen
Executive Vice
President

Banking and Financial Market Systems

Jukka Rosenberg

Fidenta Oy

Ulla-Maija Keränen

Insurance Systems

Hannele Mäenpää

Tieto Financial Systems AB

Olle Ring

Oy Tietokonepalvelu Ab

Juhani Karjasilta

Tietoleijona Oy

Anja Ahola

SERVICES

Esko Mäkinen

Energy and Tele

Ari Vanhanen

Retail and Wholesale

Timo Puranen

Services and Transportation

Timo Hammar

Post

Ari Karppinen

Telecom

Timo Cavén

Oy EDI Management Finland Ltd

Seppo Auvinen

TT-Innovation Consulting

Kari Hakola

International

Antti Virta

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Chairman,
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PT Finland Ltd
(1997)



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Vice Chairman,
Director, 60
Pohjola Insurance
Company Ltd
(1995)



MARITA KAASTRALA-PENTIKÄINEN
Managing Director, 54
Kaatrala Consulting Oy
(1990)



ASMO KALPALA
Chairman and CEO, 47
Tapiola Group
(1996)



JUHANI KIVELÄ
Under Secretary
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Ministry of Finance
(1995)

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**TT Government
Service**

Olavi Kujala

Tietokarhu Oy

Anja Vainio

**TT Regional
Government Service**

Juhani Kaisanlahti

**TT Information
Service**

Ulla Lehtiniemi

Public International

Eeva-Liisa Mauno

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Consulting

Timo Salin

Enterprise Solutions

Rolf Lindén

Forest

Pentti Huusko

Industria

Harri Ovaska

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Operations

Heimo Kontula

**Resource Planning
Systems**

Harri Pajunen

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Hannu Niilo-Rämä

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Carl-Johan Lindfors

Personnel Management

Carl-Johan Lindfors

Technology Products

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Jørgen Bojsen



KALEVI KONTINEN
Executive Vice President, 56
Merita Bank
(1990)



JUHA REINISALO
Personnel
Representative, 37
TT Tieto Oy
(1996)



MATTI LEHTI
President and CEO, 50
TT Tieto Oy
(1988)

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Matti Lehti

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Executive Vice President

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Tuija Soanjärvi

Personnel Administration

Juhani Virtanen

Development

Arto Sahla

Technology

Juhani Strömberg

Legal Affairs

Jouko Lonka

Communications

Eevariitta Jurvainen

AUDITORS

Auditors Ltd

- Ernst & Young

Tomi Englund,

APA

Deputies

Risto Järvinen,

APA

Kristian Hallbäck,

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IN PARENTHESIS: YEAR IN WHICH JOINED THE BOARD

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