Tieto Q2/2012
Kimmo Alkio – President and CEO
Lasse Heinonen – CFO
Pellervo Hämäläinen – VP, Communications & IR
20 July 2012
Summary

Financial performance according to plan

Strategy implementation and cost reductions on schedule

Full-year outlook for 2012 unchanged
IT market relatively stable

The macroeconomic outlook in Northern Europe and the IT services market in Tieto’s core countries have remained relatively stable.

- Business transformation drives growth
- Cloud services, mobility, business intelligence and analytics as continued trends
- Telecom R&D and finance market affected by budget cuts
- Two-fold development in pricing
  - Continued pressure in basic services
  - Prices for high value added services stable or slightly rising

IT services market in Western Europe is expected to grow by 0–2% and the Nordic outsourcing market by 2–3% in 2012.
Q2 highlights
Performance according to plan

Net sales
• EUR 456.1 (462.3) million, organically flat growth
• Good growth in Finland and the Baltic countries
• Decline in Global Accounts net sales
  • Telecom R&D and the finance sector

Operating profit (EBIT)
• EUR -3.7 (19.2) million including one-off costs of EUR 31.9 million
• EBIT margin -0.8% (4.2)
• EBIT excluding one-off items EUR 28.2 (24.5) million
• EBIT margin excluding one-off items 6.2% (5.3)

Order intake
• Book-to-bill 1.1
• Order intake EUR 505 (600) million

Earnings per share
• EUR -0.10 (0.16)
• EPS excluding one-off costs EUR 0.26 (0.24)
Quarterly development

Net debt/EBITDA

Net cash flow

Number of personnel

Offshore ratio
# Second quarter of 2012

<table>
<thead>
<tr>
<th></th>
<th>Q2/2012</th>
<th>Q2/2011</th>
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<tbody>
<tr>
<td>Net sales, EUR million</td>
<td>456.1</td>
<td>462.3</td>
</tr>
<tr>
<td>EBIT, EUR million</td>
<td>-3.7</td>
<td>19.2</td>
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<tr>
<td>EBIT, %</td>
<td>-0.8</td>
<td>4.2</td>
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<tr>
<td>EBIT excluding one-off items, EUR million</td>
<td>28.2</td>
<td>24.5</td>
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<tr>
<td>EBIT,% excl. one-off items</td>
<td>6.2</td>
<td>5.3</td>
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<tr>
<td>Profit after taxes, EUR million</td>
<td>-6.8</td>
<td>11.4</td>
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<tr>
<td>EPS, EUR</td>
<td>-0.10</td>
<td>0.16</td>
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<tr>
<td>EPS excl. one-off items, EUR</td>
<td>0.26</td>
<td>0.24</td>
</tr>
<tr>
<td>Net cash flow from operations</td>
<td>-2.5</td>
<td>0.0</td>
</tr>
<tr>
<td>Gearing, %</td>
<td>14.7</td>
<td>25.8</td>
</tr>
<tr>
<td>Personnel at the end of period</td>
<td>17 723</td>
<td>18 071</td>
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</table>
Market units and business lines
Finland and the Baltic countries

Growth continued in all customer segments

Net sales at EUR 190 million, up by 7%
- Several new agreements announced e.g. in the transportation, insurance and retail sectors

EBIT at EUR 7.9 (4.2) million, or 4.2% (2.4)
- EBIT excluding one-off items EUR 15.6 (4.1) million, or 8.2% (2.3)
- Profitability improved due to higher net sales coupled with improved quality and utilization rate
Scandinavia
Slight sales decrease

Sales at EUR 135 million, down by 4%
- Divestment of unions business in Denmark had a negative impact of EUR 1 million
- Good growth in the Norwegian energy sector

EBIT at EUR -2.5 (5.1) million, or -1.9% (3.7)
- EBIT excluding one-off items EUR 7.7 (9.2) million, or 5.7% (6.6)
- Overcapacity in Enterprise Solutions

Datacentre incident closed in Sweden
Central Europe* & Russia
Focus on selected products and industries

Sales at EUR 31 million, comparable sales up by 3%
• Due to internal business transfers, net sales down by 6%
• New customer agreements in Poland, Russia and Germany

EBIT at EUR -9.5 (-5.6) million, or -31.1% (-17.1)
• EBIT excluding one-off items EUR -3.7 (-5.4) million, or -11.9% (-16.5)
• Profitability in Germany and Russia remained unsatisfactory
  • Streamlining actions continue

New head of CER appointed

* Austria, Germany, the Netherlands and Poland
Global Accounts
Challenging telecom R&D market

Sales at EUR 170, down by 12%
- Decreased sales for one key telecom customer
- Sales strained by price erosion in R&D through offshoring
- Divestment of the financial services product business in UK had a negative impact of EUR 5 million

EBIT at EUR 5.1 (18.5) million, or 3.0% (9.6)
- EBIT excl. one-off items EUR 9.8 (18.5) million, or 5.7% (9.6)
- Benefits from the actions to improve profitability are expected to materialize in the second half

Includes ~20 accounts, sales offices (Canada/USA, Italy, Spain, the UK) and offshore countries China, the Czech Republic and India
## Business Lines

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<tr>
<th>Business Line</th>
<th>% of total sales</th>
<th>Notes</th>
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<tbody>
<tr>
<td>Industry Solutions</td>
<td>30% (29)</td>
<td>- Net sales EUR 138 (138) million</td>
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<td></td>
<td></td>
<td>- Profitability remained solid</td>
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<td>- Strongest growth in healthcare and welfare as well as in energy</td>
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<tr>
<td>Enterprise Solutions</td>
<td>15% (17)</td>
<td>- Net sales EUR 67 (53) million</td>
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<td></td>
<td>- Profitability below target</td>
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<tr>
<td></td>
<td></td>
<td>- Finland the strongest market, overcapacity in Sweden</td>
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<tr>
<td>Managed Services &amp; Transformation</td>
<td>36% (35)</td>
<td>- Net sales EUR 166 (179) million</td>
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<tr>
<td></td>
<td></td>
<td>- Profitability improved in all markets</td>
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<td></td>
<td></td>
<td>- Offshoring and automation as value drivers</td>
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<tr>
<td>Product Engineering</td>
<td>19% (20)</td>
<td>- Net sales EUR 86 (92) million</td>
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<td>- Overcapacity weakened profitability</td>
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<td>- Focus on adjusting operations to demand</td>
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Competitive cost structure
Well on schedule

Target to achieve annualized net savings of EUR 50 million by 2014
- Around 1/3 expected to materialize in 2012, instead of the earlier estimate of 1/4
- Total one-off costs are estimated at around EUR 50 million

Reduction of some 900 positions of which 300 in PES
- 2/3 of reductions related to overcapacity
- 300 in Finland, close to 200 in Sweden and over 400 in other countries
- Part of gross savings reinvested in automation in managed services
- In Q2, EUR 31.9 million booked in one-off costs

Reduction of some 400 positions completed by early 2013
- Mainly related to implementation of new operating model
- Part of gross savings will be reinvested in the development of CSI business and automation in managed services
- The remaining part of the estimated total one-off costs of EUR 50 million, close to EUR 20 million, are expected to be booked during H2
Customer case in Q2
Russia: MTS Bank and MasterCard

• In May, Tieto announced the agreement to deliver its Tieto Card Suite Contactless solution for MTS and MasterCard in Russia
  • Solution enables consumers to pay without traditional plastic bank card present
  • Increasing flexibility and speeding up buying process with mobile phone
  • Point of Sale terminal with a special SIM card with built-in NFC chip
Customer case in Q2
Finland: Helsinki Region Transport Authority

- In May, Tieto signed an agreement with Helsinki Region Transport Authority (HRT) to deliver a ticketing and information system
  - Modernizing current travel card system and providing for Helsinki region public transport up-to-date passenger information
  - Easier planning of a journey with extensive real-time information and network services
  - Stop screens to all the busses helps to manage the route
  - Information on exceptional situations provided with satellite navigation
  - To be taken in use by the end of 2015
The outlook for 2012 remains unchanged. Tieto expects its net sales to develop in line with the anticipated growth rate for the Western European IT services market, i.e. 0–2%. Full-year operating profit (EBIT) excluding one-off items is expected to be above the previous year’s level (EUR 117.1 million in 2011).

In the second quarter, Tieto booked EUR 31.9 million in costs related to the streamlining actions. The remaining part of the estimated total one-off costs of EUR 50 million, close to EUR 20 million, are expected to be booked during the second half of 2012 as announced earlier.
Focused
Simplified
Positioned for future

Update of Tieto’s strategy 2012-2016
launched in March 2012
Key strategic choices lead us to the future

**Reinforcing industry expertise**
Building on our long customer relationships and customer core process understanding

**Expanding to provide full life-cycle IT services**
Investments in Consulting and System Integration capabilities

**Focusing on markets where we can be in TOP 3**
Nordics as a current core market building on our strengths in Finland and Sweden

Product Engineering pursues global opportunities
Tieto’s long-term journey has begun and proceeds step by step

2012
Build the foundation

• Transition to industry driven structure
• Accelerate Consulting and System Integration expansion and Managed Services automation
• Implement competitive cost structure
• Focus on 2012 operating plan

2013-2014
Expand service scope

• Expand full life-cycle IT services in core markets
• Qualify and build future core markets
• Product Engineering Services pursues growth globally

2015-2016
Focus on future growth

• Seek growth in and beyond core markets
• Consider strategic inorganic opportunities
Summary

- H1 financial performance on plan
- Strategy well received and execution on schedule
- Full-year guidance unchanged
Knowledge.
Passion.
Results.