Tieto Q4/2012

Kimmo Alkio – President and CEO
Lasse Heinonen – CFO
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6 February 2013
Q4 2012 in brief

- Strong improvement in underlying profitability
- Strategy execution on schedule
- Divestments of low-synergy businesses
The macroeconomic outlook in Northern Europe and the IT services market in Tieto’s core countries have remained relatively stable.

Overall IT services market may reflect cautiousness at the beginning of 2013:
- The Nordic IT services market expected to grow by ~2% in 2013
- IT outsourcing the strongest growing area
- The telecom sector expected to remain sluggish in 2013 due to customers’ cost savings programmes

Market drivers:
- Cloud
- Mobility
- Big Data
- Social Media
Q4 highlights
Strong improvement in underlying profitability - strategy execution on schedule

Net sales
- EUR 478.6 (489.7) million, down by 2%
  - Excluding currency effects and divestments, net sales were down by 2%

Operating profit (EBIT)
- EUR -8.3 (26.1) million, or -1.7% (5.3) of net sales
  - Includes impairments of EUR 33.6 and restructuring costs of EUR 18.5
  - EBIT excluding one-off items EUR 43.8 (34.2) million, or 9.2% (7.0) of net sales

Order intake
- Book-to-bill 1.1 (1.2)
- Order intake EUR 550 (601) million
- Order backlog EUR 1 703 (1 719)

Earnings per share
- EUR -0.26 (0.18)
- EPS excluding one-off items EUR 0.41 (0.28)
Quarterly development

Net debt/EBITDA

Net cash flow

Number of personnel

Offshore ratio

- Number of personnel down by a net amount of 1,586
- Offshore ratio of IT Services increased to 35%
- Offshore ratio of PES 59%
2012 – executing strategy

- **Strategy and organization**
  - Strategy defined
  - Competitive cost structure actions initiated
  - Operating model to support strategy execution in place
  - New Leadership Team nominated

- **Key customer WINs**
  - Large outsourcing agreement with NSN
  - Ticket and information system for Helsinki Region Transport
  - City of Stockholm IT operations
  - Folksam IT operations
  - Five year agreement with Kesko
  - Apoteket contract renewal

- **New Service offering and technology**
  - Lifecare solution launched
  - Tieto cloud server and Productivity cloud launched
  - Recognized as most competent Microsoft partner in Northern Europe
  - Group-level technology strategy defined

- **Divest businesses with low synergy**
  - Divest Danish union business
  - Divest financial services product business in UK
  - Divest Italy and Spain
  - Divest Belarus delivery center and closing of Bangalore center
  - Divest local businesses in Germany and Netherlands
### Year of restructuring

<table>
<thead>
<tr>
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<th>Q4/2012</th>
<th>2012</th>
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<tbody>
<tr>
<td><strong>Net sales, EUR million</strong></td>
<td>479 (490)</td>
<td>1825 (1828)</td>
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<tr>
<td></td>
<td>-2%</td>
<td>0%</td>
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<td><strong>EBIT, including one-off items, EUR million</strong></td>
<td>-8.3 (26.1)</td>
<td>61.3 (98.1)</td>
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<td>-</td>
<td>-45%</td>
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<tr>
<td><strong>Capital gain related to the divestment of UK business</strong></td>
<td>-</td>
<td>15.4</td>
</tr>
<tr>
<td><strong>Impairment charges mainly related to Germany</strong></td>
<td>-33.6</td>
<td>-34.1</td>
</tr>
<tr>
<td><strong>Restructuring costs</strong></td>
<td>-18.5</td>
<td>-57.1</td>
</tr>
<tr>
<td><strong>One-off items total</strong></td>
<td>-52.1</td>
<td>-75.8</td>
</tr>
<tr>
<td><strong>EBIT excluding one-off items, EUR million</strong></td>
<td>43.8 (34.2)</td>
<td>137.1 (117.1)</td>
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<td></td>
<td>+28%</td>
<td>+17%</td>
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<tr>
<td><strong>EBIT margin excluding one-off items, %</strong></td>
<td>9.2% (7.0)</td>
<td>7.5% (6.4)</td>
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Dividend proposal

**Dividend policy**
- Dividend payout ratio minimum 50% of net result
- Average payout ratio in the past few years at 80%

**Dividend proposal for 2012**
- EUR 0.83 (0.75) per share

**Cash flow**
- 52% of free cash flow*

**Strong balance sheet**
- Net debt / EBITDA currently at 0.2
- Financial targets: net debt / EBITDA less than 1.5

*) Net cash flow from operations - CAPEX

*) Proposal by the Board of Directors
Market units and business lines Q4 2013
Finland and the Baltic countries
Positive sales development continued in most sectors

Net sales at EUR 205 (202) million, up by 2%
- Strong CSI growth
- Strongest growth in the finance and public sector

EBIT at EUR 21.1 (23.9) million, or 10.3% (11.9%)
- EBIT excluding one-off items EUR 24.7 (24.6) million, or 12.0% (12.2)
- The cost savings programme contributed to continued profit improvement
Scandinavia

Strongest growth in healthcare, welfare, media and energy sectors

Net sales at EUR 143 (147) million, down by 2%
- Excluding currency effects and the divestment, net sales were down by 4%
  - Decreased internal sales to Global Accounts
- External sales up by 1%
  - Growth in Sweden and Norway
- Good performance in the healthcare and welfare solutions as well as the media and the energy sectors

EBIT at EUR 7.7 (2.4) million, or 5.4% (1.6)
- EBIT excluding one-off items EUR 11.5 (2.4) million, or 8.0% (1.6)
- Subcontracting costs declined substantially
- Profit development was partly attributable to weak comparison figure
Central Europe* & Russia

Preparations to divest German and Dutch operations

Net sales at EUR 31 (36) million, external sales at the previous year’s level

- Net sales down by 13% due to internal business transfers
- Largest increase in Russia, especially in the Cards area
- Negative development in Product Engineering Solutions continued

EBIT at EUR -22.4 (-6.8) million, or -71.7% (-18.9)

- EBIT excluding one-off items EUR -2.7 (-5.3) million, or -8.5% (-14.7)
- Positive trend continued in Russia
- German operations remained unsatisfactory in the fourth quarter
- Spanish and Italian operations divested
- Divestment of German and Dutch operations announced in February 2013

* Austria, Germany, the Netherlands and Poland
Global Accounts
Sales declined, profitability improved

Net sales at 166 (185) EUR, down by 10%
- Excluding divestment and currency fluctuations, net sales were down by 7%
- Decline in Industry Solutions and Enterprise Solutions due to customers’ cost savings programmes

EBIT at EUR -10.1 (9.6) million, or -6.1% (5.2)
- EBIT excl. one-off items EUR 15.1 (15.3) million, or 9.1% (8.3)
- Profitability improved
  - Operations successfully adjusted to meet lower demand
  - Substantially lower subcontracting costs

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

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<tr>
<th>Business Line</th>
<th>% of Total Sales</th>
<th>Details</th>
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<tr>
<td>Industry Solutions</td>
<td>31% (30)</td>
<td>- Customer sales EUR 148 (147) million</td>
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<td>- Healthy growth continued in the energy and HC&amp;W sector</td>
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<td>- Good sales pipeline for Tieto’s Lifecare solutions</td>
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<td></td>
<td>- Underlying profitability improved further</td>
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<tr>
<td>Enterprise Solutions</td>
<td>15% (14)</td>
<td>- Customer sales EUR 71 (71) million</td>
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<td>- Finland continued as the strongest market</td>
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<td>- Profitability improved substantially, mainly due to the cost savings programme</td>
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<td>Managed Services &amp; Transformation</td>
<td>36% (37)</td>
<td>- Customer sales down to EUR 175 (182) million, partly due to some large transformation projects in Sweden</td>
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<td></td>
<td></td>
<td>- Profitability improved: weak comparison figure and cost savings programme</td>
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<tr>
<td>Product Engineering</td>
<td>18% (18)</td>
<td>- Customer sales EUR 85 (90) million</td>
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<td>- Mobile devices segment still under pressure, healthy development in network equipment manufacturers’ segment</td>
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<td>- Sales decline partly attributable to PES operations in German</td>
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<td>- Still potential to improve the utilization rate</td>
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Competitive cost structure programme ahead of plan

- Target to achieve annualized net savings of EUR 60 m
  - Net savings of around EUR 25 million gained in 2012
  - Total restructuring costs of EUR 57.1 million booked by the end of 2012
    - Including ~200 redundancies mainly in Q1 2013
  - In 2013, one-off costs are expected to be far lower, around half of the 2012 level
Events after review period
Divestment of local German and Dutch businesses

Divested local businesses

- **Tieto Germany**
  - ~550 employees

- **Tieto Netherlands**
  - ~100 employees

- **From Tieto India** (dedicated to Germany)
  - HC Central Europe
    - ~100 employees

- **From Tieto Poland** (dedicated to Germany)
  - Industrial R&D
    - ~150 employees

Continuing global businesses in Tieto

- **TIPS for forest industry**
  - ~100 employees

- **Global PES and other global roles**
  - ~20 employees

- **Energy Component industry**
  - ~20 employees

**Tieto divests its local operations in Germany and Netherlands to German industrial group AURELIUS**

- Some 900 employees will be transferred to new company

**Tieto India (~1450) and Poland (~950) remain key delivery centers for IT services and Product Engineering Services**
Net sales of divested businesses amounted to over EUR 110 million in 2012.

Tieto’s operating margin of underlying business will improve by some 0.5 percentage points based on 2012 performance:
- German businesses were loss-making in 2012.

Tieto booked about EUR 30 million in impairment in Q4 2012.

Tieto is expected to book some EUR 5 million in additional divestment costs:
- Mainly related to taxes, at the time of the closing.

Cash flow impact will amount to approximately EUR 20 million negative:
- Mainly due to the restoration of shareholders equity in Tieto Deutschland GmbH, which occur between signing and closing.

Closing is expected to take place Q2 2013.
Full-year outlook for 2013

Tieto expects its organic net sales development to be at the level of the IT services market growth, with the exception of weaker outlook in the telecom sector.

Tieto expects its profitability to continue to improve and full-year operating profit (EBIT) excluding one-off items to increase from the previous year’s level (EUR 137.1 million in 2012).
Strategy update

Focused
Simplified
Positioned for future
Strategy implementation has specific topics for each year

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

2012
Build the foundation

2013-2014
Expand service scope

2015-2016
Focus on future growth

- Seek growth in and beyond core markets
- Consider strategic inorganic opportunities

- Expand full life-cycle IT services
- Make future market choices and initiate execution
- Product Engineering Services strategy defined and execution to pursue global opportunities starts
Priorities for 2013

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<th>Priorities</th>
<th>Objectives</th>
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| Transformation driven customer value | • Proactively transform customers’ legacy environments  
• Drive mobility and SaaS models for our industry products  
• Expand PES’ global customer base |
| High quality project based operations | • Enhance industry specific full-stack implementations  
• Continue standardization and quality focus in managed services  
• Accelerate global delivery capability |
| Employer of choice | • Increase industry process competencies  
• Promote knowledge sharing networks  
• Invest into CSI transformation competencies |
| Financial objectives | (Profitability, Cash flow, Revenue, Order intake) |
New operating model based on project-driven steering
Reporting segments in 2013

Sales for Industry Groups will be reported

- Financial Services
- Public, Healthcare and Welfare
- Manufacturing, Retail and Logistics
- Telecom, Media, Energy and Utilities
- Industry Products
- Consulting and System Integration
- Managed Services

Sales and EBIT for Service Lines will be reported

- Product Engineering Services
- Industry Solutions
- Enterprise Solutions
- Managed Services and Transformation

2013
Q4 2012 in brief

- Strong improvement in underlying profitability
- Strategy execution on schedule
- Divestments of low-synergy businesses
## Financial calendar

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
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<tbody>
<tr>
<td>Week 8/2013</td>
<td>Annual Report 2012 on Tieto's website</td>
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<tr>
<td>25 March 2013</td>
<td>Annual General Meeting</td>
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<tr>
<td>25 April 2013</td>
<td>Interim report 1/2013</td>
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<tr>
<td>19 July 2013</td>
<td>Interim report 2/2013</td>
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<tr>
<td>23 October 2013</td>
<td>Interim report 3/2013</td>
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We are committed to develop enterprises and society through information technology