

Tieto Q1/2013

Business focus and efficiency drive profitability

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Q1 2013 in brief

- Business focus and efficiency drive profitability
 - Execution of the competitive cost structure programme continued well – mitigating the anticipated weakness in the telecom sector
 - New operating model in place, taking the strategy forward
 - Cost savings in Product Development Services paying off, strategy defined

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Market development

- Strong customer interest for transformation to new scalable and flexible IT environments
- Active outsourcing market due to customers' continuing cost saving agendas
- Double-digit growth for mobility and cloud services while traditional IT services market is likely to decline
- Decision making cycles have prolonged for IT project business
- Tieto expects the overall market growth to be around 2% for the Nordic IT services market



Market drivers

Mobility



- Accelerating growth driver for future IT market
- Gradually becoming an integrated component of traditional IT projects
- Tieto is actively expanding mobile service application offerings

Cloud



- Strong growth expected
- Over 5% of Tieto's servers to cloud, based on Q1 agreements. By year-end, the share is expected to increase to 20%
- Tieto launched its Cloud Capacity Server in Q4 2012

Big Data



- One of the fastest growing areas with Business Intelligence and analytics Development in early phase
- Current 1% share of IT services market is expected to grow to around 5% by 2016
- Tieto runs a programme to further develop new services, including industry-specific big data solutions

Social media



- Social media tools will help minimize travel and increase productivity and are of key importance in streamlining the operations of enterprises
- Tieto agreed on Google Apps co-operation in 2013



Over 25% growth from new emerging IT services*



Spend in traditional IT services is expected to decrease by 1–3%*

*) Several sources. Emerging services including cloud offerings (as-a-Service) and related consulting, development and integration services



Q1 2013 key figures

Net sales

- EUR 445 million (467)
 - Divestments (EUR 14 million)
 - Working days (EUR ~10 million)
 - Currency (EUR 7 million)
- Small organic growth from operations outside the telecom sector

EBIT

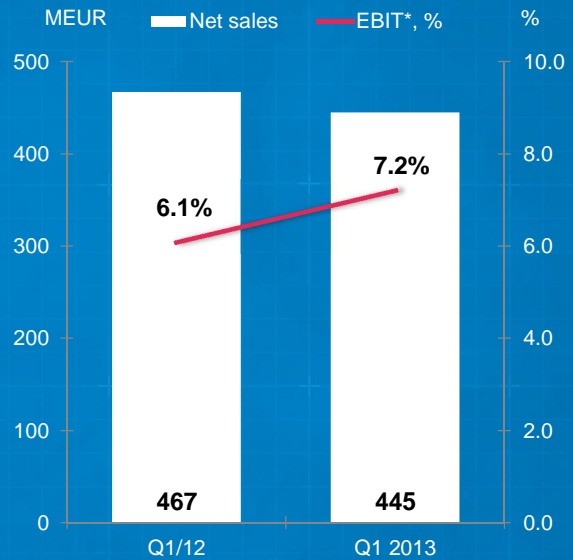
- EBIT EUR 30.1 million (42.1)
- EBIT* EUR 32.0 million (28.4) excluding one-off items

Order intake

- EUR 368 million (468)

Earnings per share

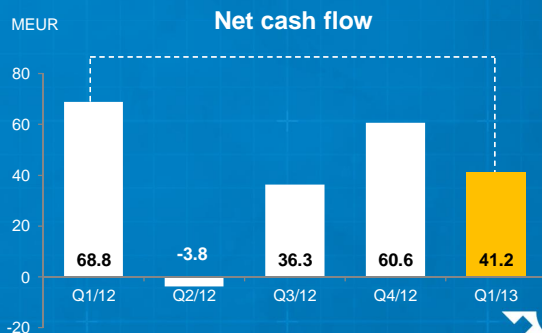
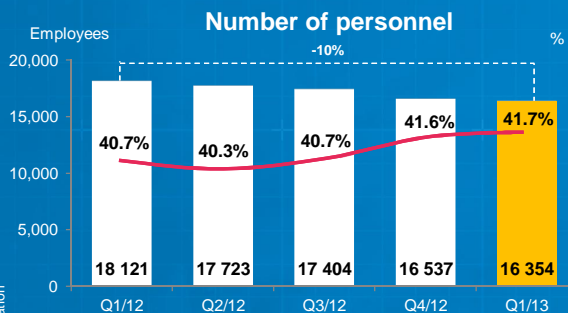
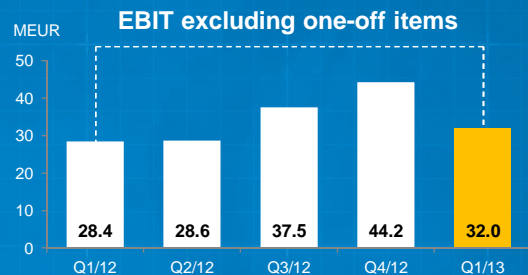
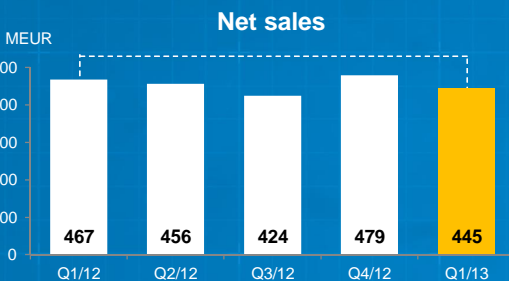
- EUR 0.30 (0.45)
- EUR* 0.32 (0.25), excluding one-off items



*) Excluding capital gains, impairments and restructuring costs



Quarterly development



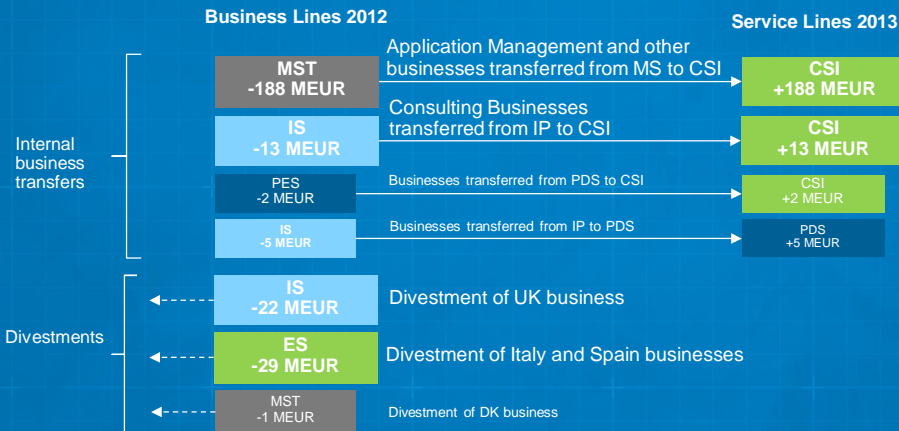
- Number of personnel down by a net amount of 1 767

- Offshore ratio, %
 - IT Services 35.6%, Q1/13
 - PDS 57.9%, Q1/13



Business transfers in the new structure

- Improved business focus through business transfers and acquisitions
- Increased transparency for Service Lines
- Application Management as a major business transfer to CSI



Managed Services

Customer sales

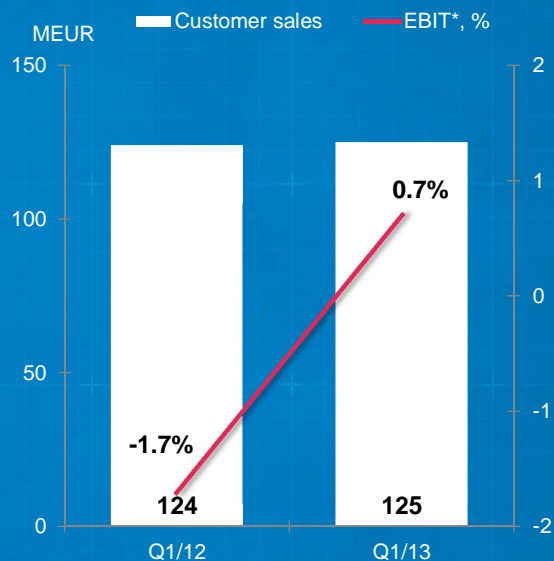
- EUR 125 million (124)
- Flow of new deals and renewals good but with lower price levels

EBIT

- EBIT EUR 1.3 million (-2.5)
- EBIT* EUR 0.9 million (-2.1) excluding one-off items

Q1 highlights

- Profitability improvement mainly due to the cost savings programme
- Profitability in the first half seasonally weaker than in the second half
- Strongest performance in Financial Services and Public, Healthcare and Welfare
- Increased automation and offshoring
- Cloud services gaining good market traction and share has risen to ~3%



*) Excluding capital gains, impairments and restructuring costs



Consulting and System Integration

Customer sales

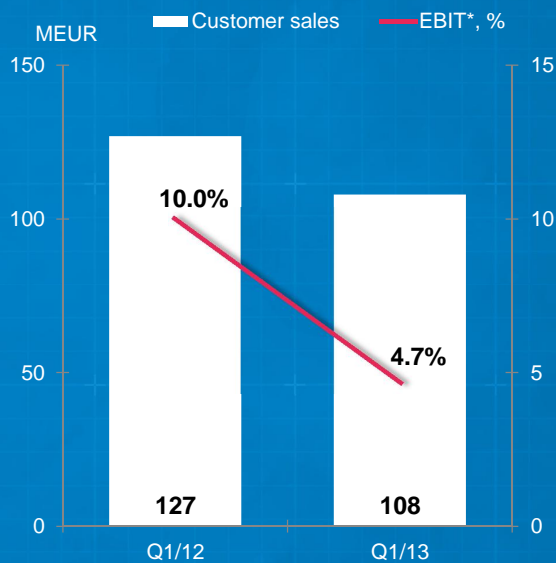
- EUR 108 million (127)
- Sales affected by the divestment of Italy and Spain, the anticipated drop in telecom sector and the fewer working days

EBIT

- EBIT EUR 3.8 million (12.7)
- EBIT* EUR 5.1 million (12.7) excluding one-off items

Q1 highlights

- Solution packaging and repeatability in an early stage
- First steps for better utilization taken
- Soft demand in the consulting area
- Good demand in enterprise mobility and Business Intelligence
- Actions to improve profitability ongoing



*) Excluding capital gains, impairments and restructuring costs



Industry Products

Customer sales

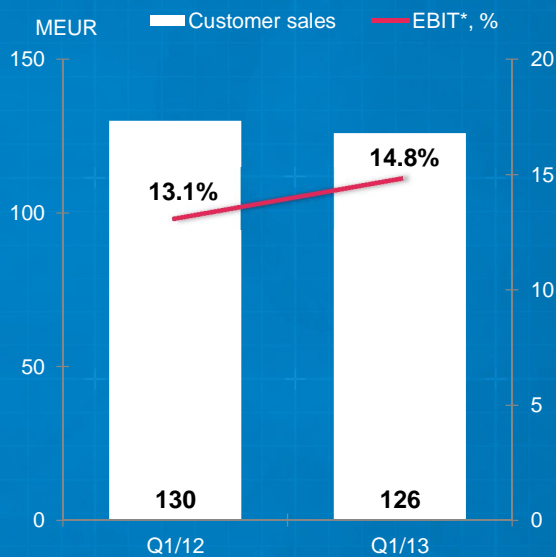
- EUR 126 million (130)
- Sales adjusted for the divestment of the UK business at previous year's level

EBIT

- EBIT EUR 18.5 million (32.4)
- EBIT* EUR 18.6 million (17.1) excluding one-off items

Q1 highlights

- Good license and maintenance sales
- Sales of joint ventures remained at previous year's level
- Sales to the financial services, healthcare and oil & gas growing while other sectors experienced prolonged sales and project start-up cycles
- Positive SaaS development



*) Excluding capital gains, impairments and restructuring costs



Product Development Services

Customer sales

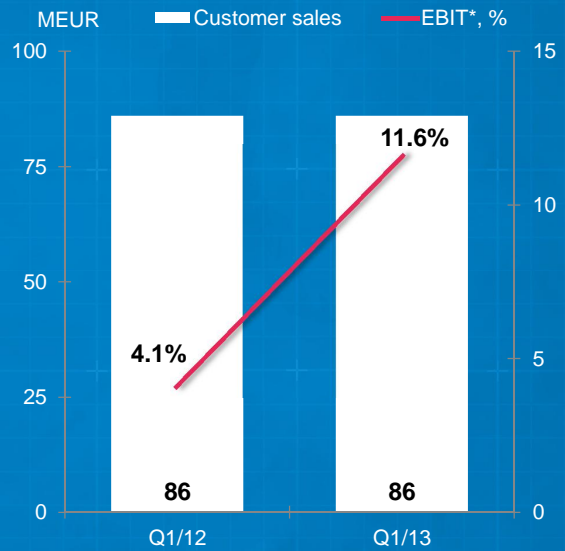
- EUR 86 million (86)
- The networks area enjoyed healthy demand

EBIT

- EBIT EUR 9.3 million (2.5)
- EBIT* EUR 10.0 million (3.5) excluding one-off items

Q1 highlights

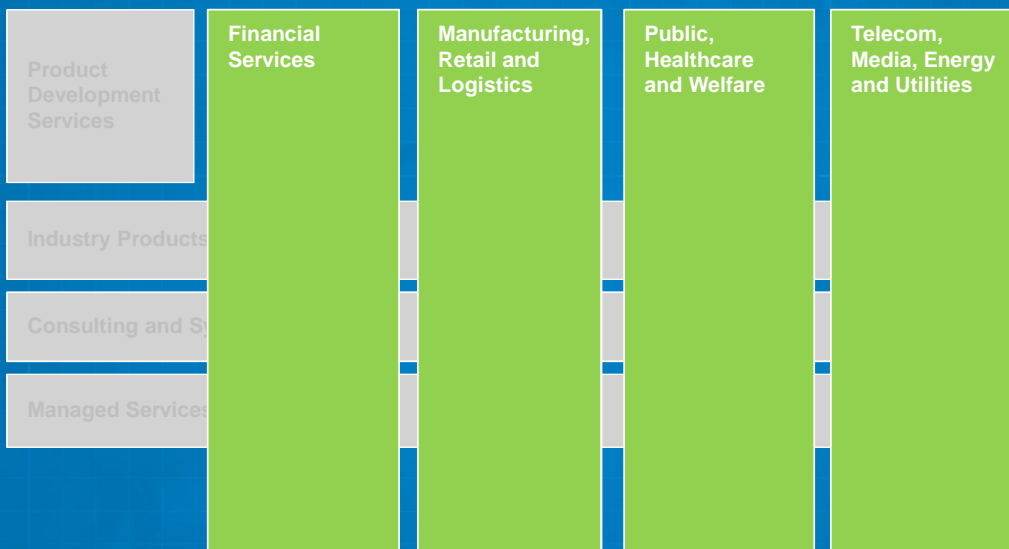
- Strong quarter despite market volatility
- Profitability improvement due to restructuring in 2012 and improved utilization
- Revenue fluctuation between quarters expected to continue
- Revised strategy



*) Excluding capital gains, impairments and restructuring costs



Industry Groups



Financial Services

Customer sales

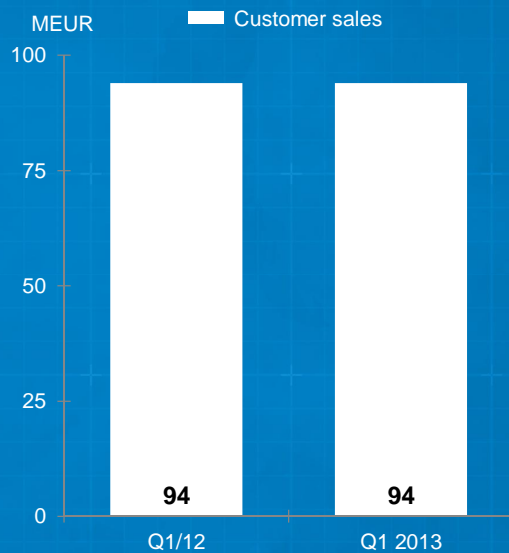
- EUR 94 million (94)
- Sales, adjusted for the divestment in the UK, were up by 6%

Sales split by service line

	Q1/13	Q1/12
MS	41%	(39)
CSI	14%	(16)
IP	45%	(45)

Q1 highlights

- Strong development for Managed Services in Finland and Sweden
- Healthy growth for Industry Products in Finland and especially in the cards business in Russia, the Baltic countries and Eastern Europe
- The banking and finance sector continues to offer good opportunities in outsourcing and "as a Service" deliveries



Manufacturing, Retail and Logistics

Customer sales

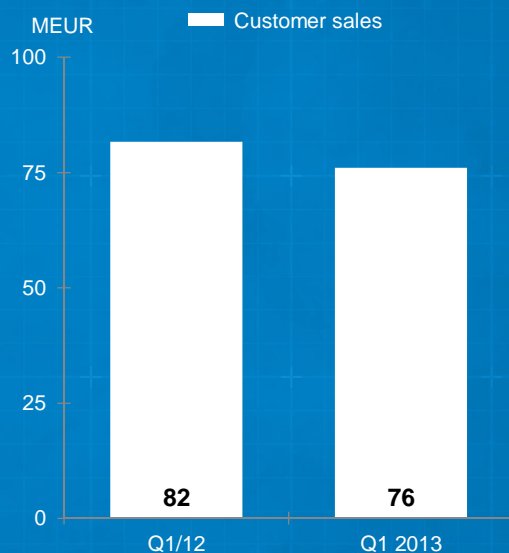
- EUR 76 million (82)

Sales split by service line

	Q1/13	Q1/12
MS	49%	(48)
CSI	41%	(42)
IP	10%	(10)

Q1 highlights

- Customers' cost savings programmes affect the flow of new deals and price pressure in contract renewals, mainly in forest and retail
- Growth in manufacturing
- Good opportunities in bigger IT transformation projects and outsourcing



Public, Healthcare and Welfare

Customer sales

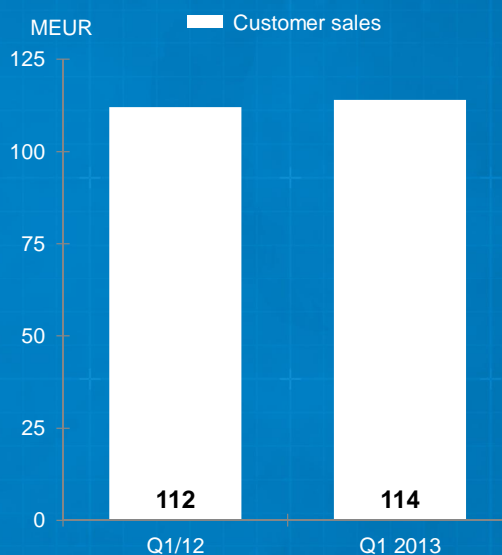
- EUR 114 million (112)
- Healthcare product sales experienced healthy growth and the sales pipeline for the sector has remained at a good level

Sales split by service line

	Q1/13	Q1/12
MS	31%	(29)
CSI	24%	(23)
IP	45%	(48)

Q1 highlights

- Increasing activity in Healthcare in Sweden and Finland partly due to national programmes
- Interest increasing towards Lifecare in Nordics
- Cloud services and outsourcing as attractive value drivers



Telecom, Media and Energy

Customer sales

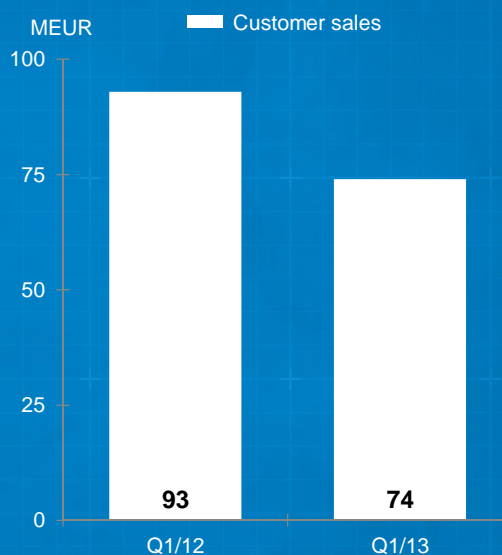
- EUR 74 million (93)
- Sales affected by the divestment of businesses in Italy and Spain, drop mainly in the telecom sector

Sales split by service line

	Q1/13	Q1/12
MS	20%	(15)
CSI	47%	(57)
IP	33%	(28)

Q1 highlights

- Despite the expected drop in telecom, the sector provides good new business opportunities
- The sales decline in the energy sector is attributable mainly to cost cutting programmes in energy utility companies
- Good sales of Tieto's product for hydrocarbon accounting to oil and gas companies



Strategy implementation phases distinctly address the opportunities and challenges in IT services and PDS

- Transition to industry driven structure
- Accelerate Consulting and System Integration expansion and Managed Services automation
- Implement competitive cost structure
- Focus on 2013 operating plan

2013
Build the foundation

2013-2014
Expand service scope

2015-2016
Focus on future growth

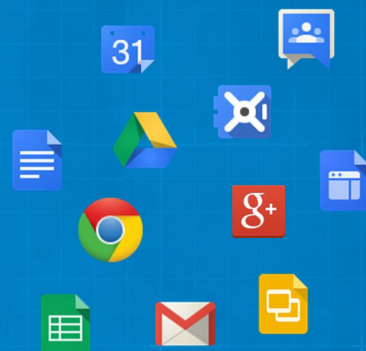
- Expand full life-cycle IT services in core markets
- Make future core market choices and initiate execution
- Product Development Services strategy defined and execution to pursue global opportunities starts

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

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Expanding service offering with Google Apps

- Tieto expands its service offering with Google Apps
- Complements existing services in office productivity and collaboration
- Public cloud based productivity suite
- Drives mobile ways of working and efficiency



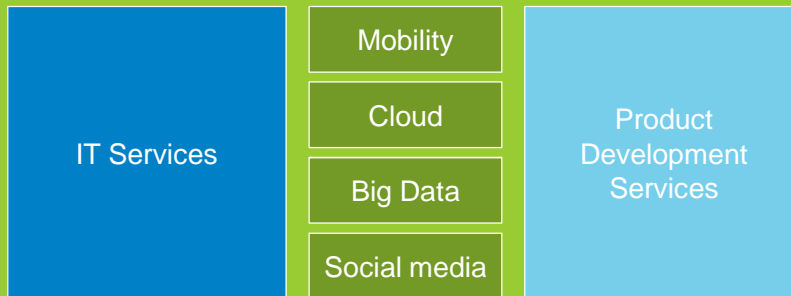
What can Tieto offer together with Google?

- A seamless and global collaboration environment with all the modern communication tools
- Easy ways to share any amount of data with anyone and anywhere in the world
- Quick enabling of new services and applications
- Easy ways to include new employees and other stakeholders to the projects and processes

Product Development Services at the core of Tieto's strategy

We are committed to develop enterprises and society through information technology

IT services and product development services drive a common innovation and efficiency agenda for customers



Growing product development services market

Trends

Higher demand for R&D outsourcing

Average market growth some 5%

Over 50 billion connected devices by 2020

R&D activity to be polarized towards APAC and US

Implications

- Significant demand for telecom and mobile based solutions
- Shorter R&D cycles with time-to-market as a key driver
- Standardized components key to success
- Global delivery capability has become a norm



Product Development Services strategy

"We increase our customers business results through product development"

Key choices

Focused on communications and embedded technologies

- Communications infrastructure companies
- Mobile devices and consumer electronics companies
- Semiconductor companies

Simplified operational model to match focus and productivity

- Faster time-to-market with repeatable product development service offerings for full-product lifecycle

Positioned for future growth by expanding customer base

Objectives

- Achieve position as industry leading product development partner
- Focus on global customers with right competences
- Improve profitability to contribute group-level financial targets
- Build sustainable long-term growth



Full-year outlook for 2013 unchanged

Tieto expects its organic net sales to develop in line with the growth in the market for IT services, with the exception of the 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 138.8 million in 2012).



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Financial calendar

19 July 2013	Interim report 2/2013
23 October 2013	Interim report 3/2013



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