**Tieto Q2/2013**

Profitability improves despite a slow-growth IT services market

Kimmo Alkio – President and CEO  
Lasse Heinonen – CFO  
Pellervo Hämäläinen – VP, Communications & IR  

19 July 2013

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**Q2 2013 in brief**

- Profitability improves despite a slow-growth IT services market
  - Healthy order flow – significant contracts won in key industries
  - Weak telecom sector and divestments result in revenue decline, small organic growth in the rest of the business
  - Delivering on earlier announced cost savings, additional actions initiated in Consulting and System Integration

- Financial performance
  - Organically, net sales were down by 3% – outside the telecom sector net sales were up by 1%
  - Operating profit excl. one-off items rose by 9% to EUR 31.3 (28.6) million
Market development

• Tieto expects the overall market growth to be around 0-2% in 2013 (prior expectation 2%) for the Nordic IT services market
  • Nordic macro data reflects lower investment levels

• Healthy activity level in the Nordic IT services market
  • Customers’ continuing cost-savings agendas drive the transformation of business systems and the renewal of old legacy systems
  • Active outsourcing market
  • Decision making cycles have remained long
  • Competition has intensified during 2013

• Double-digit growth for mobility and cloud services while the traditional IT services market is likely to decline
  • Good demand for standardized cloud solutions
  • Focus on mobility, business intelligence and enterprise content management as well as new “as a service” delivery models

Market drivers

Mobility

• Accelerating growth driver for future IT market
• Gradually becoming an integrated component of traditional IT projects

Cloud

• Based on the agreements Tieto had concluded by the end of June, 10% of the existing server capacity will be transferred to a cloud and the share is expected to increase to ~20% during 2013

Big Data

• One of the fastest growing areas with Business Intelligence and analytics
• Current ~1% share of IT services market is expected to grow to ~5% by 2016

Social media

• Social media tools will help minimize travel and increase productivity and are of key importance in streamlining the operations of enterprises

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
**) TIVIT = the Strategic Centre for Science, Technology and Innovation in the Field of ICT
Q2 2013 key figures

Net sales
- EUR 436 million (456)
  - Divestments (EUR -8 million)
  - Currency (EUR +6 million)
  - Outside telecom sector sales +1%

EBIT
- EBIT EUR 15.5 million (-3.3)
- EBIT excluding one-off items* EUR 31.3 million (28.6)
  - EUR 8.0 million related to the divestment of the German and Dutch operations
  - EUR 7.7 million restructuring costs, mainly in the CSI

Order backlog
- Tieto fine-tuned the measurement for order intake and will report Total Contract Value (TCV) for the agreements signed during the quarter
- TCV EUR 530 (550) million
  - New agreements ~80% and replacements of existing agreements ~20%
  - Book-to-bill 1.2 (1.2)

Earnings per share
- EUR 0.10 (-0.10)
- EUR 0.30 (0.26), excluding one-off items*

Quarterly development

Net sales
- MEUR
- Quarter Q1/12 Q2/12 Q3/12 Q4/12 Q1/13 Q2/13
- Net sales 467 456 424 479 445 436

EBIT excluding one-off items
- MEUR
- Quarter Q1/12 Q2/12 Q3/12 Q4/12 Q1/13 Q2/13
- EBIT excluding one-off items 28.4 28.6 37.5 44.2 32.0 31.3

Number of personnel
- Percentage of personnel down by a net amount of 2,276
- Quarter Q1/12 Q2/12 Q3/12 Q4/12 Q1/13 Q2/13
- Number of personnel 16,121 17,723 17,404 16,537 16,354 15,447

Net cash flow
- MEUR
- Quarter Q1/12 Q2/12 Q3/12 Q4/12 Q1/13 Q2/13
- Net cash flow 68.8 5.8 36.3 60.6 41.2 10.0

Liquidity: in May, Tieto issued a senior unsecured bond of EUR 100 million
- Six-year bond matures in May 2019
- Fixed annual interest at the rate of 2.875%
Managed Services

Customer sales
- EUR 128 million (121), +6%

EBIT
- EBIT EUR 5.2 million (-3.7)
- EBIT excluding one-off items* EUR 5.5 million (7.2)

Q2 highlights
- Active cloud services market
  - Cloud related sales rose by 22% from Q1 to EUR 5 million being 4% of sales
- Strongest growth in Financial Services and Public, Healthcare and Welfare
- Solid profitability and quality progress
  - Lower unit price resulting from intense competition
  - The comparison figure for operating profit in 2012 included close to EUR 2 million in one-off income

*) Excluding capital gains, impairments and restructuring costs
Consulting and System Integration

Customer sales
- EUR 107 million (125), -14%

EBIT
- EBIT 2.8 EUR million (3.9)
- EBIT excluding one-off items* EUR 9.6 million (11.3)

Q2 highlights
- EUR 18 million sales decline
  - Divestments EUR 8.1 million
  - Weak telecom sector EUR 9.5 million
- Sweden the most challenging market
- Utilization rates improved
  - Due to lower volumes, profitability remained at the previous year’s level
- Opportunities related to mobility and business intelligence
- Actions to improve profitability are ongoing

In May, Tieto started personnel negotiations in the CSI service line to improve efficiency as well as to focus on more standardized and repeatable services and growing business practices

- Up to 180 positions in Finland and up to 120 positions in other countries
- The personnel negotiations with possible reductions are part of the on-going transformation of CSI

- Initiatives to strengthen key competences, such as project and programme management and transformation consulting capabilities

- Programme to standardize Tieto’s service offerings ongoing
**Industry Products**

**Customer sales**
- EUR 121 million (127), -5%

**EBIT**
- EBIT EUR 15.8 million (8.4)
- EBIT excluding one-off items* EUR 16.9 million (12.6)

**Q2 highlights**
- Sales down mainly due to lower license sales in the Public, Healthcare and Welfare products business
- In general there is good demand for healthcare and welfare, oil&gas and banking solutions
- Strong SaaS trend continues especially in banking and healthcare
- Profitability of the underlying business remained healthy and improved from the previous year

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**Product Development Services**

**Customer sales**
- EUR 79 million (83), -5%

**EBIT**
- EBIT EUR -2.6 million (-3.9)
- EBIT excluding one-off items* EUR 2.0 million (2.2)

**Q2 highlights**
- PDS launched its new strategy, renewed operating structure and leadership team
- Weak devices area while growth in the networks area
- Customers’ continued cost savings resulting in volatility and utilization challenges

*) Excluding capital gains, impairments and restructuring costs
Industry Groups

Consulting and System Integration
Managed Services
Product Development Services
Industry Products

Financial Services
Manufacturing, Retail and Logistics
Public, Healthcare and Welfare
Telecom, Media and Energy

Customer sales
- EUR 97 million (92), +5%

Sales split by service line

<table>
<thead>
<tr>
<th></th>
<th>1H/13</th>
<th>1H/12</th>
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</thead>
<tbody>
<tr>
<td>MS</td>
<td>41%</td>
<td>(39)</td>
</tr>
<tr>
<td>CSI</td>
<td>15%</td>
<td>(16)</td>
</tr>
<tr>
<td>IP</td>
<td>44%</td>
<td>(45)</td>
</tr>
</tbody>
</table>

Q2 highlights
- Good opportunities in outsourcing and “as a Service” deliveries
- Steady growth in Managed Services in Finland and Sweden
- Extensive service agreement with OP-Pohjola and Ilmarinen
- Tieto, Nordea and Fidenta agreed to discontinue joint venture operations
  - Annual sales EUR 30 million
  - All 154 employees were transferring to Nordea (129) or Tieto (25)
Manufacturing, Retail and Logistics

Customer sales
- EUR 78 million (81), -3%

Sales split by service line

<table>
<thead>
<tr>
<th>Service Line</th>
<th>1H/13</th>
<th>1H/12</th>
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</thead>
<tbody>
<tr>
<td>MS</td>
<td>47%</td>
<td>(49)</td>
</tr>
<tr>
<td>CSI</td>
<td>42%</td>
<td>(41)</td>
</tr>
<tr>
<td>IP</td>
<td>10%</td>
<td>(10)</td>
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</tbody>
</table>

Q2 highlights
- Sales to retail continued to slide partly due to lower prices in some large contracts
- Demand for IT services in the manufacturing sector is weakening
- Several significant new agreements were signed in supply chain management and infrastructure services

Public, Healthcare and Welfare

Customer sales
- EUR 109 million (110), -1%

Sales split by service line

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<th>1H/12</th>
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<tbody>
<tr>
<td>MS</td>
<td>33%</td>
<td>(29)</td>
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<td>CSI</td>
<td>23%</td>
<td>(23)</td>
</tr>
<tr>
<td>IP</td>
<td>44%</td>
<td>(48)</td>
</tr>
</tbody>
</table>

Q2 highlights
- Reduced central government spending and prolonged decision-making in Finland
- Growth in Swedish public sector
- Good activity level in healthcare in Sweden and Finland
- Hansel Ltd, the central procurement unit of the Finnish Government, selected Tieto as its supplier of data centre and capacity services, total value EUR 200–240 million
Telecom, Media and Energy

Customer sales
- EUR 74 million (91), -19%
  - Organic growth -11%

Sales split by service line

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<thead>
<tr>
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<th>1H/12</th>
</tr>
</thead>
<tbody>
<tr>
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<td>(16)</td>
</tr>
<tr>
<td>CSI</td>
<td>48%</td>
<td>(56)</td>
</tr>
<tr>
<td>IP</td>
<td>34%</td>
<td>(28)</td>
</tr>
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Q2 highlights
- Lower demand in telecom, energy utilities and media
- Healthy growth for Tieto’s product for hydrocarbon accounting for oil and gas
- Performance improvements ongoing
- Kolbjørn Haarr, responsible for Tieto’s New Markets, appointed as head of Telecom, Media and Energy

Closing of German and Dutch divestment

- On 4 February, Tieto agreed on a divestment of the majority of its operations in Germany and the Netherlands
  - The divested business operations, including around 900 employees in total, were transferred to the new owner on 30 June

- Net sales of the divested businesses amounted to over EUR 110 million in 2012
  - The German businesses were loss-making in 2012

- Tieto booked EUR 8.0 million in impairment loss related to the divestment in the second-quarter results
  - The negative cash flow effect of EUR 19.5 million materialized during the second quarter
  - Additionally, due to the transactions, second-quarter taxes rose by EUR 2.3 million
Competitive cost structure
2012 programme: savings target at EUR 60 million
Additional measures initiated in 2013

2012 Group-level programme
Personnel reductions:
→ ~1,600 positions

Streamlining measures driven by respective service lines and industry groups in alignment with market demand and profitability targets
→ Ongoing programme to reduce
~300 positions in CSI

Annualized savings related to new measures

Full-year savings: EUR >60 million

Strategy implementation phases distinctly addressing 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

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

- Expand full life-cycle IT services
- Continue efficiency drive
- Execution of refined PDS strategy
- Future core market choices
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

23 October 2013
Interim report 3/2013

We are committed to develop enterprises and society through information technology
Top 10 customers Q2 2013

1. City of Stockholm
2. Ericsson
3. Finnish Tax Administration
4. IF Insurance
5. Kesko
6. Nokia / NSN
7. Nordea
8. OP-Pohjola Group
9. S-Group
10. TeliaSonera

In alphabetical order

Major shareholders on 30 June

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Shares, %</th>
</tr>
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<tbody>
<tr>
<td>Cevian Capital</td>
<td>15.1</td>
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<tr>
<td>Solidium Oy</td>
<td>10.1</td>
</tr>
<tr>
<td>Etera Mutual Pension Insurance Co.</td>
<td>4.1</td>
</tr>
<tr>
<td>Ilmarinen Mutual Pension Insurance Co.</td>
<td>3.6</td>
</tr>
<tr>
<td>OP-Pohjola Group Central Cooperative</td>
<td>3.1</td>
</tr>
<tr>
<td>Swedbank Robur fonder</td>
<td>2.8</td>
</tr>
<tr>
<td>Varma Mutual Pension Insurance Co.</td>
<td>2.1</td>
</tr>
<tr>
<td>The State Pension fund</td>
<td>1.1</td>
</tr>
<tr>
<td>OP funds</td>
<td>0.8</td>
</tr>
<tr>
<td>Pekka Viljakainen</td>
<td>0.8</td>
</tr>
<tr>
<td><strong>10 largest shareholders</strong></td>
<td><strong>43.8</strong></td>
</tr>
<tr>
<td><strong>Nominee registered</strong></td>
<td><strong>51.7</strong></td>
</tr>
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Based on the ownership records of Euroclear Finland Oy and Euroclear Sweden AB.