Q4 2013 in brief

Tieto’s profitability improving – growth offerings defined

- A year of challenging demand closes with strong order intake
- Efficiency programme on track, causing high restructuring costs
- Increasing investments in selected growth businesses
Market development

- In 2013, economic slowdown resulted in IT budget cuts and project delays, especially in Finland.
- In 2014, the IT services market is expected to gradually pick up:
  - Clients look for additional savings from traditional IT services.
  - Longer-term opportunities for the renewal of old legacy systems and transformation into new platforms combining traditional IT with scalable and flexible IT environments.
  - Internet-driven technology trends enable companies to renew their ways to compete, driving investments in modern technologies.
- Tieto expects the market to grow by around 2% in 2014.
- Double-digit growth for customer experience management, mobility and cloud services while the traditional IT services market is likely to decline.

Technology changes drive new types of services

- Growth drivers:
  - Big Data
  - Mobility/UX
  - Software businesses
  - Cloud
    - SaaS
    - Capacity services
    - PaaS/IaaS
    - Transformation consulting
- Current standard offerings:
  - IT consulting
  - System integration
  - Infrastructure management
  - Application management
Q4 2013 key figures

Net sales
- EUR 417 (479) million, -12.9%, organic -6.6%
  - Divestments EUR 33.5 million
  - Currency EUR -9 million
  - Organic growth outside the telecom sector -3.5%
    (excluding currency effect -1.4%)

EBIT
- EBIT EUR 17.8 (-7.8) million, 4.3% (-1.6)
  - EUR 24.4 million restructuring costs
  - EUR 0.5 million (negative) related to divestments
- EBIT excluding one-off items* EUR 42.7 (44.2) million, 10.2% (9.2)

Order backlog
- Order backlog EUR 1 624 (1 703) million, divestments impact EUR 40 million
- TCV EUR 592 (707) million
- Book-to-bill 1.4 (1.5)

Earnings per share
- EUR 0.21 (-0.26)
- EUR 0.48 (0.41), excluding one-off items*

*) Excluding capital gains, impairments and restructuring costs
Quarterly development

**Net sales**

- Q1/12: 418 MEUR
- Q2/12: 418 MEUR
- Q3/12: 387 MEUR
- Q4/12: 445 MEUR
- Q1/13: 415 MEUR
- Q2/13: 411 MEUR
- Q3/13: 372 MEUR
- Q4/13: 415 MEUR

**EBIT excluding one-off items**

- Q1/12: 28.4 MEUR
- Q2/12: 28.6 MEUR
- Q3/12: 37.5 MEUR
- Q4/12: 44.3 MEUR
- Q1/13: 32.0 MEUR
- Q2/13: 31.3 MEUR
- Q3/13: 37.9 MEUR
- Q4/13: 42.7 MEUR

**Number of personnel**

- Q1/12: 16121 employees
- Q2/12: 17223 employees
- Q3/12: 17404 employees
- Q4/12: 16537 employees
- Q1/13: 16354 employees
- Q2/13: 15447 employees
- Q3/13: 15161 employees
- Q4/13: 14699 employees

- Offshore ratio:
  - IT Services 39.8% (35.1)
  - PDS 60.2% (59.0)

- Number of personnel down by a net amount of 1,838

**Net cash flow from operations**

- Q1/12: 68.8 MEUR
- Q2/12: -3.8 MEUR
- Q3/12: 36.3 MEUR
- Q4/12: 60.6 MEUR
- Q1/13: 41.2 MEUR
- Q2/13: 10.0 MEUR
- Q3/13: 38.9 MEUR
- Q4/13: 63.7 MEUR

**Service Lines**

- **Product Development Services**
- **Financial Services**
- **Manufacturing, Retail and Logistics**
- **Public, Healthcare and Welfare**
- **Telecom, Media and Energy**

- **Industry Products**

- **Consulting and System Integration**

- **Managed Services**
Managed Services

Customer sales
- EUR 129 (127) million, +2%
- Organic growth +2%
- Comparison figure for sales in 2012 included EUR ~2 million in non-recurring income

EBIT
- EBIT EUR -1.7 (5.1) million, -1.3% (4.1)
- EBIT excluding one-off items* EUR 6.9 million (9.9), 5.4% (7.8)

Q4 highlights
- Active market for projects to transform ICT infrastructure to cloud-based environments
- Cloud-related sales to EUR 6 million, 5% of sales, EUR 20 million in the full year
- Strongest growth in Financial Services and Public, Healthcare and Welfare
- Price erosion continued
- Good development in quality

Consulting and System Integration

Customer sales
- EUR 101(131) million, -22%
- Organic growth -14%

EBIT
- EBIT EUR -1.6 (4.5) million, -1.6% (3.4)
- EBIT excluding one-off items* EUR 7.7 (18.5) million, 7.6% (14.1)

Q4 highlights
- Challenging telecom and Finnish public sector
- Positive development in finance sector
- Demand for cloud and business transformation consulting at a healthy level
- A few challenging projects causing overruns
- Streamlining of operations continues
Industry Products

Customer sales
- EUR 123 (137) million, -10%
- Organic growth -2%

EBIT
- EBIT EUR 29.3 (11.4) million, 23.8% (8.3)
- EBIT excluding one-off items* EUR 29.6 (18.6) million, 24.0% (13.5)

Q4 highlights
- Sales of underlying business slightly growing when eliminating currency effect
- Demand for main industry sectors remained healthy
- Good demand and price development in maintenance services
- Strong profitability due to divestments, higher operational efficiency and healthier business mix - also reflecting seasonality

*) Excluding capital gains, impairments and restructuring costs

Product Development Services

Customer sales
- EUR 63 (84) million, -24%
- Organic growth -18%

EBIT
- EBIT EUR -1.3 (-23.9) million, -2% (-28.6)
- EBIT excluding one-off items* EUR 2.7 (2.3) million, 4.2% (2.8)

Q4 highlights
- Customers’ cost savings resulted in reduced R&D spending and insourcing
- Profitability has not stabilized to the targeted level
- Short-term fluctuation in demand expected to lead to a sales decline in H1
- Planned cost reductions are expected to take place in early 2014

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

Financial Services

Customer sales
- EUR 93 (94) million, -1%
- Organic growth +7%

Sales split by service line

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<td>IP</td>
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Q4 highlights
- Investments in front office and mobility were at a healthy level
- Growth in industry-specific solutions, particularly in Cards and Payments areas
- Ample IT transformation project opportunities

*) Excluding capital gains, impairments and restructuring costs
Manufacturing, Retail and Logistics

Customer sales
- EUR 81 (85) million, -5%
- Organic growth -4%
- Comparison figure for sales in 2012 included EUR ~2 million in non-recurring income

Sales split by service line

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<td>IP</td>
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Q4 highlights
- Underlying business remained at the previous year’s level, reflecting customers’ budget cuts
- Weak development during the year turned into strong order intake – new deals e.g. Valmet, Metso
- Lower prices in some renewals

Public, Healthcare and Welfare

Customer sales
- EUR 113 (127) million, -11%
- Organic growth -7%

Sales split by service line

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<td>IP</td>
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Q4 highlights
- In the Finnish public sector, sales declined due to reduced government spending – some challenging projects
- Activity in the healthcare and welfare sector and the Swedish public sector remained good

*) Excluding capital gains, impairments and restructuring costs
**Telecom, Media and Energy**

**Customer sales**
- EUR 68 (89) million, -24%
- Organic growth -11%

**Sales split by service line**

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<td>IP</td>
<td>35%</td>
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**Q4 highlights**
- Most segments saw negative development, oil and gas segment (hydrocarbon accounting) continued to grow
- Lower volumes in consulting and system integration services for telecom operators continued
- Declining trend in telecom sector beginning to stabilize in H1 2014

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**Competitive cost structure**

2012 programme: savings target of EUR 60 million achieved
2013 programme: savings target over EUR 50 million

**Personnel reductions:**
- 1,340 positions in total
- 880 materialized in 2013

**Estimated profit improvement impact (y-o-y) in total EUR 50 million**

**Restructuring costs** in 2013 cover around 1,250 job cuts
-> EUR 49 million
Our way forward

2012
Build the foundation

2013
Execute the structure and efficiency

2014
Reorienting for growth

2015
Accelerate growth portfolio

2016+
Expand geographies

Priorities for 2014
- Modernizing our customers
- Sales focus and new customer wins
- Launch new competitive services
- Improve customer experience and quality
- Simplify and drive efficiency

Reorienting for growth – investments in high-growth offerings increasing

Customer experience management
Creating competitive advantage by excelling customer interaction for our clients

Industrial Internet
Supporting customers' business by extending from pure equipment sales to services

Lifecare
Leading Nordic industry solution for the healthcare and welfare sector

Selected industry products: financial services, supply chain management, oil & gas

Cloud services, e.g. Tieto Cloud Server and Tieto Productivity Cloud

Modernization of services in application and infrastructure management
Full-year outlook for 2014

Tieto expects its full-year operating profit (EBIT) excluding one-off items to increase from the previous year’s level (EUR 143.8 million in 2013).

Q4 2013 in brief

Tieto’s profitability improving – growth offerings defined

- A year of challenging demand closes with strong order intake
- Efficiency programme on track, causing high restructuring costs
- Increasing investments in selected growth businesses
We are committed to develop enterprises and society through information technology

Appendix
Q4 organic growth by Service Lines and Industry Groups

- **Service Lines**
  - Managed Services: 129 % 2% Q4 / 2012, 129 % 2% Q4 / 2013
  - Consulting and System Integration: 100 % -14% Q4 / 2012, 100 % -14% Q4 / 2013
  - Industry Products: 123 % -2% Q4 / 2012, 123 % -2% Q4 / 2013
  - Product Development Services: 63 % -19% Q4 / 2012, 63 % -19% Q4 / 2013

- **Industry Groups**
  - Financial Services: 91 % 7% Q4 / 2012, 91 % 7% Q4 / 2013
  - Manufacturing, Retail and Logistics: 81 % -4% Q4 / 2012, 81 % -4% Q4 / 2013
  - Public, Healthcare and Welfare: 113 % -7% Q4 / 2012, 113 % -7% Q4 / 2013
  - Telecom, Media and Energy: 68 % -11% Q4 / 2012, 68 % -11% Q4 / 2013

In Financial Services Fidenta was divested on 1 July. Some of the related business will continue within Tieto.

Impact of NWC change on cash flow

- **Sales related net working capital change**
  - 2013: Q1 -60, Q2 -40, Q3 -20, Q4 0
  - 2012: Q1 -20, Q2 -15, Q3 -10, Q4 -5

- **Accounts receivables**, **unbilled**, **advance payments**
  - 2013: Q1 -30, Q2 -25, Q3 -20, Q4 -15
  - 2012: Q1 -15, Q2 -10, Q3 -5, Q4 0

- **Vacation payments and social costs**
  - 2013: Q1 20, Q2 15, Q3 10, Q4 5
  - 2012: Q1 10, Q2 5, Q3 0, Q4 0

* Accounts receivables, unbilled, advance payments
Top 10 customers 2013

- City of Stockholm
- Ericsson
- Finnish Tax Administration
- IF Insurance
- Nordea
- NSN
- OP-Pohjola Group
- S-Group
- Region Skåne
- TeliaSonera

Financial calendar 2014

- Week 8/2014: Annual Report 2013 on Tieto’s website
- 20 March 2014: Annual General Meeting
- 25 April: Interim report 1/2014
- 18 July: Interim report 2/2014
- 23 October: Interim report 3/2014