

Tieto Q2/2014

Positive development in IT services continues

18 July 2014

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Q2 2014 in brief

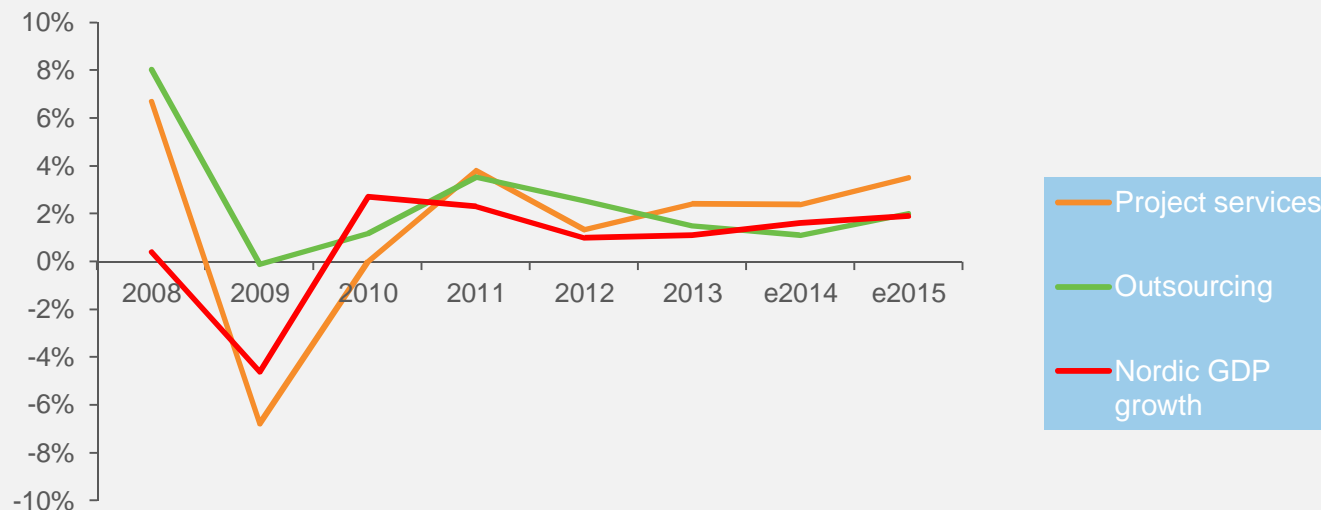
Positive development in IT services continues

- IT services organic growth in local currencies close to 3%
- Profitability continued to improve despite costs related to exceptional project termination
- Customer insourcing results in lower volumes in Product Development Services

Nordic IT services market expected to grow

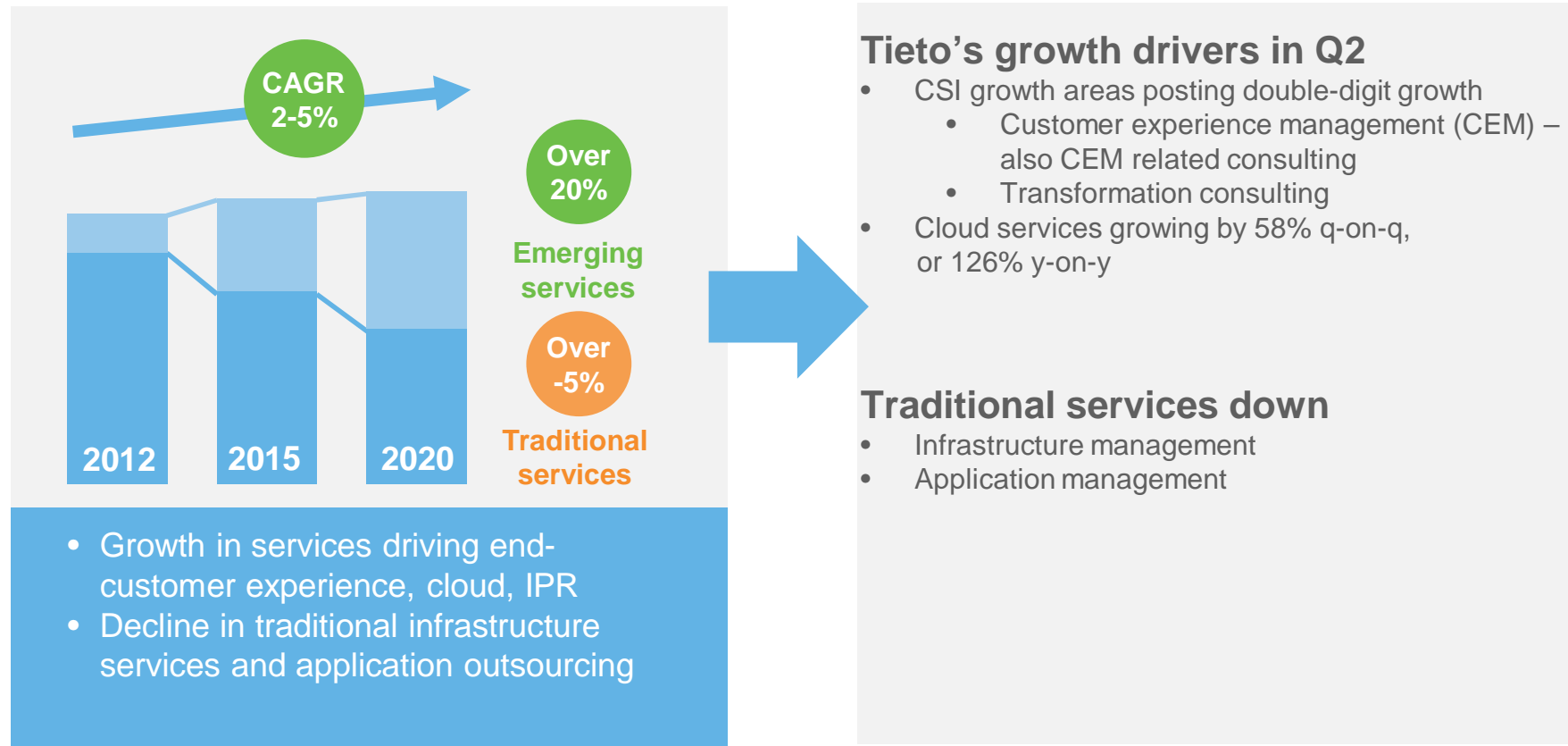
In R&D, insourcing has resulted in reduced external R&D spending

- Tieto expects the Nordic IT services 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
- In PDS market, outsourced software R&D continues to hold a relatively small share



Source: Multiple sources, Tieto estimates

New services contributing to growth



Source: Multiple sources, Tieto estimates

Financial development



Q2 2014 key figures

Net sales

- EUR 386 (417) million, -7.3%, organic growth in local currency -1.3%
 - Divestments EUR 19.2 million
 - Currency EUR -12 million
- In IT services, organic growth in local currencies up by 2.6%

EBIT

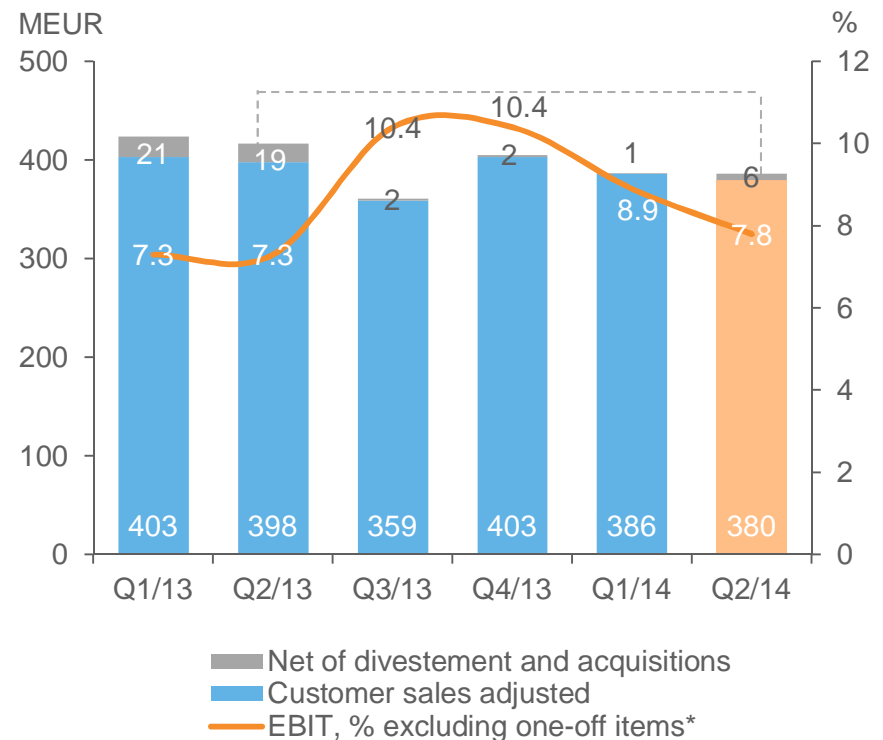
- EBIT EUR 21.5 (14.8) million, 5.6% (3.5%)
 - EUR 8.5 million restructuring costs
- EBIT excluding one-off items* EUR 30.0 (30.6) million, 7.8% (7.3%)

Order backlog

- Order backlog EUR 1 550 (1 469) million
- Total Contract Value EUR 398 (551) million
- Book-to-bill 1.0 (1.3)

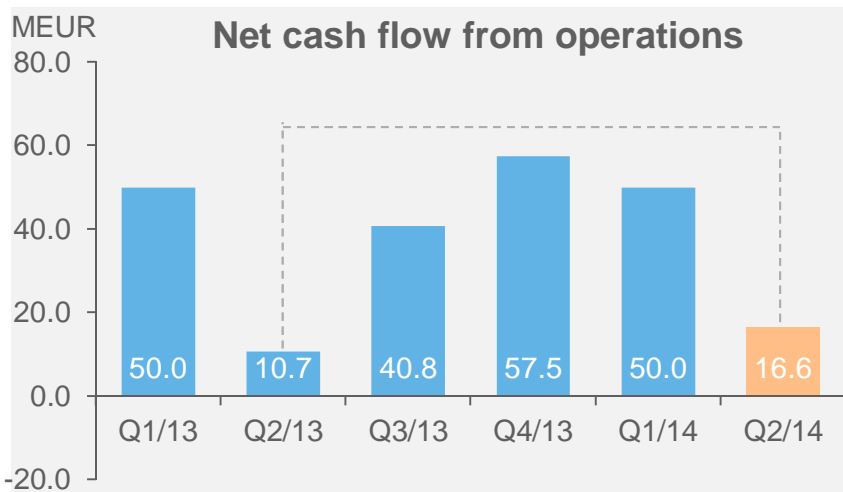
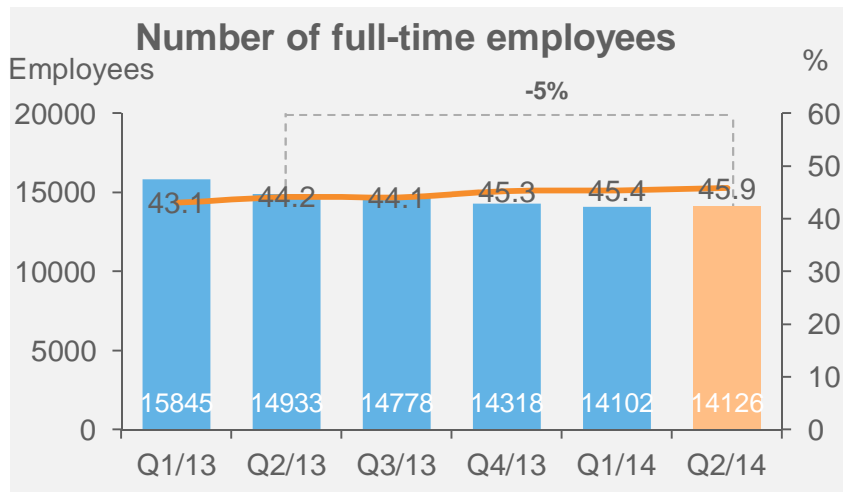
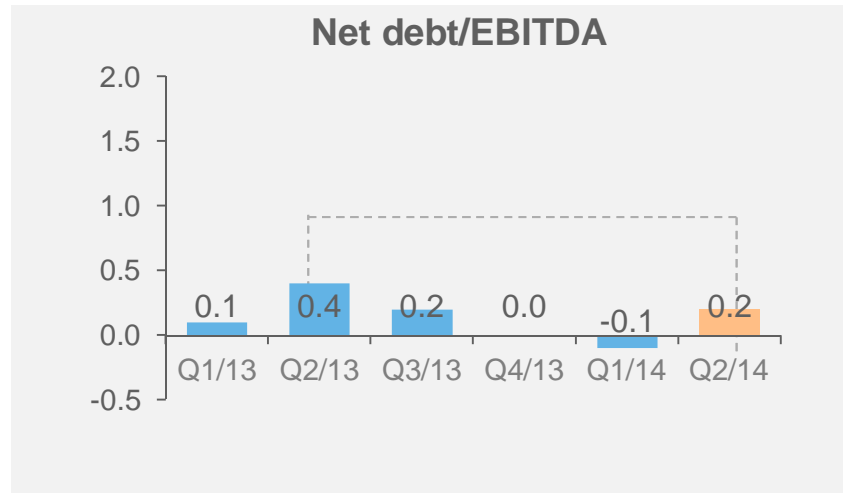
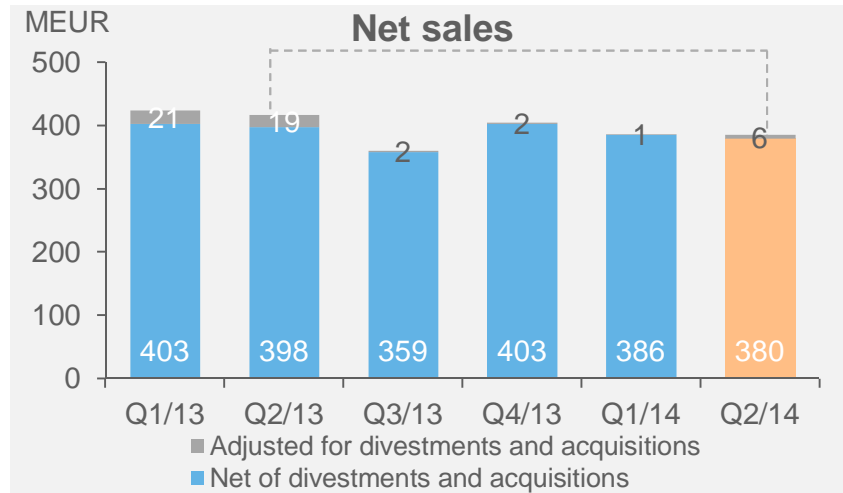
Earnings per share

- EUR 0.23 (0.10)
- EUR 0.32 (0.30), excluding one-off items*



*) Excluding capital gains, impairments and restructuring costs

Quarterly development

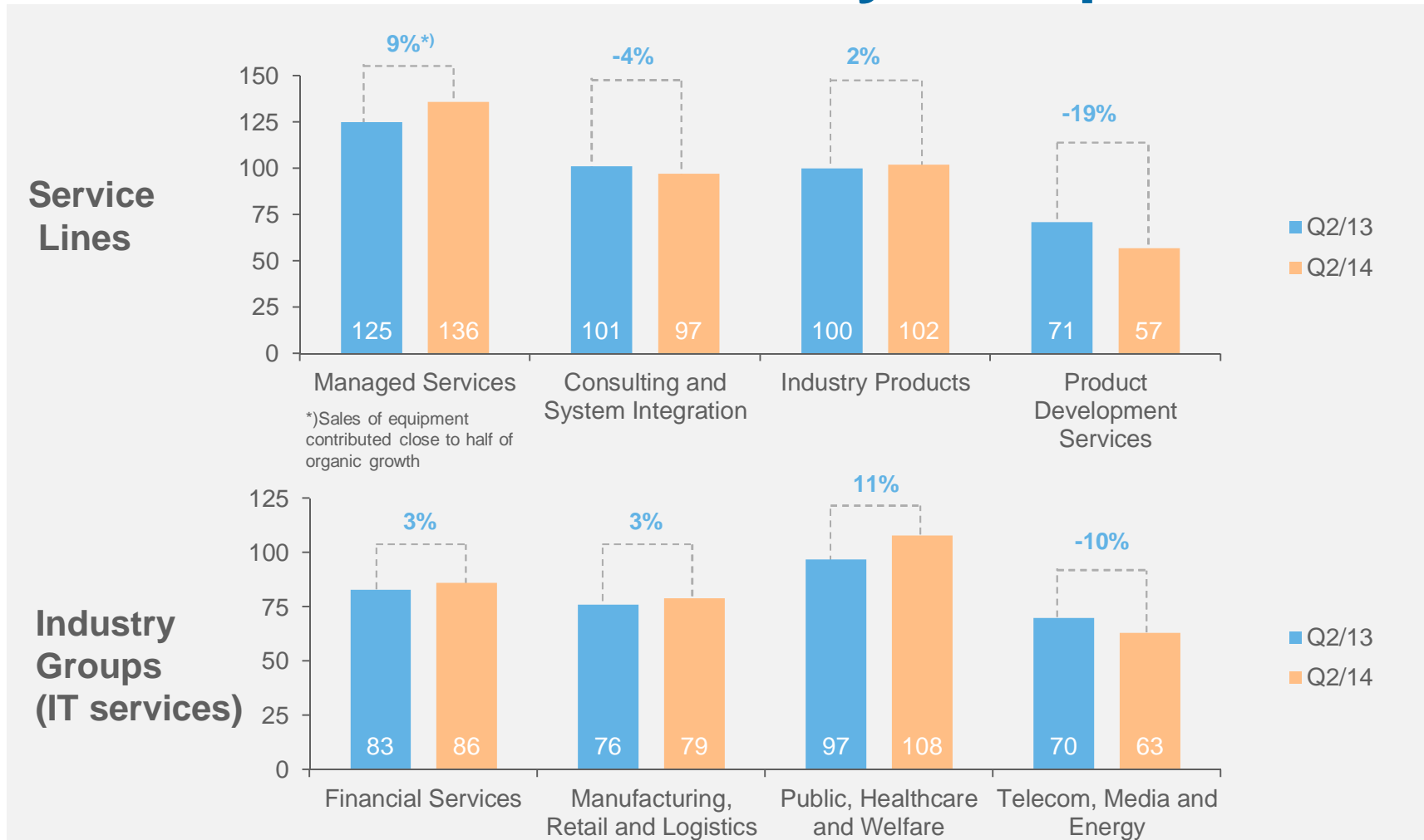


- Number of personnel down by a net amount of 807

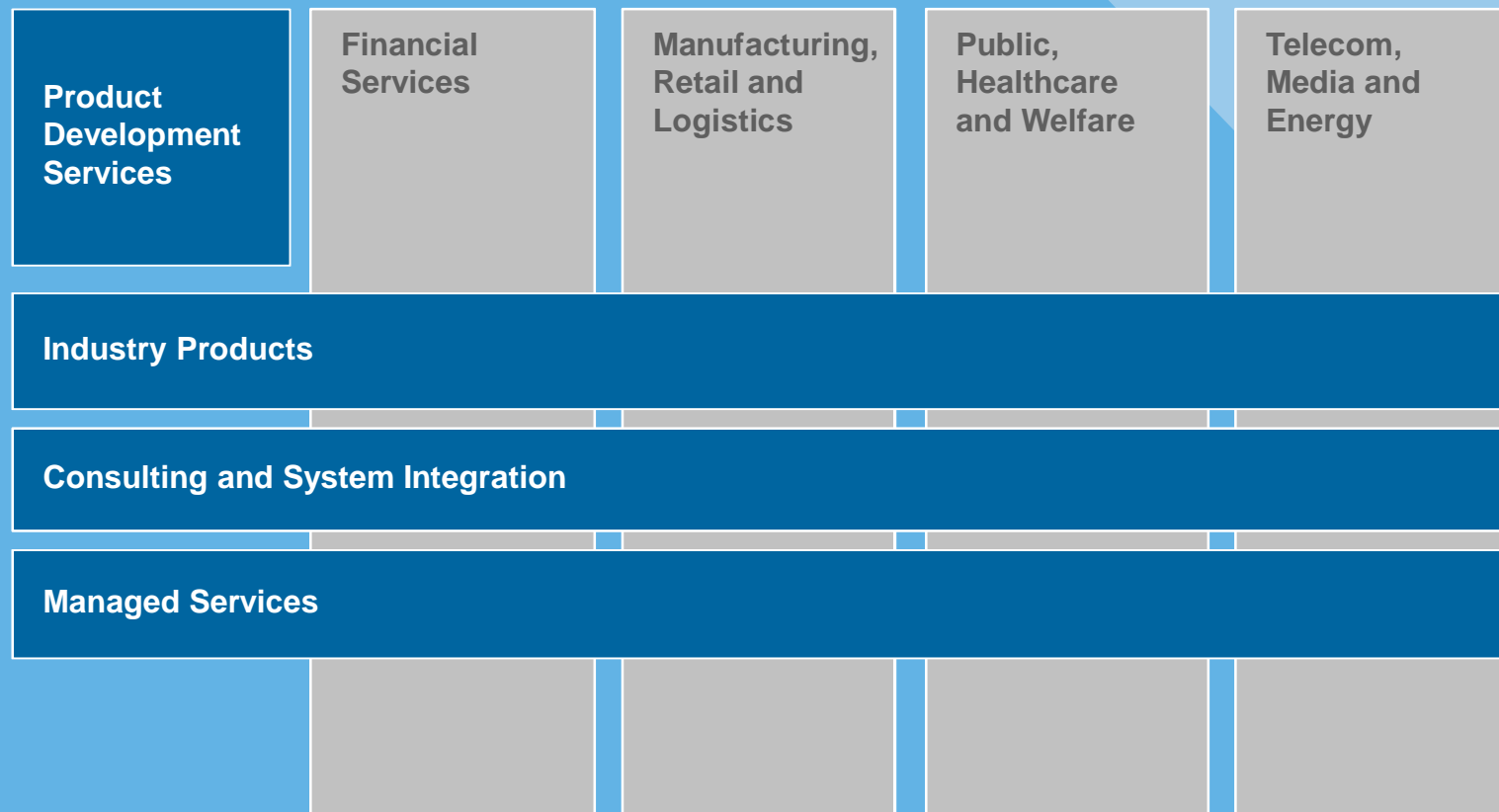
Offshore ratio:
IT Services 42.0% (39.4%)
PDS 61.6% (60.8%)



Organic growth in local currencies by Service Lines and Industry Groups



Service Lines



Managed Services

Customer sales

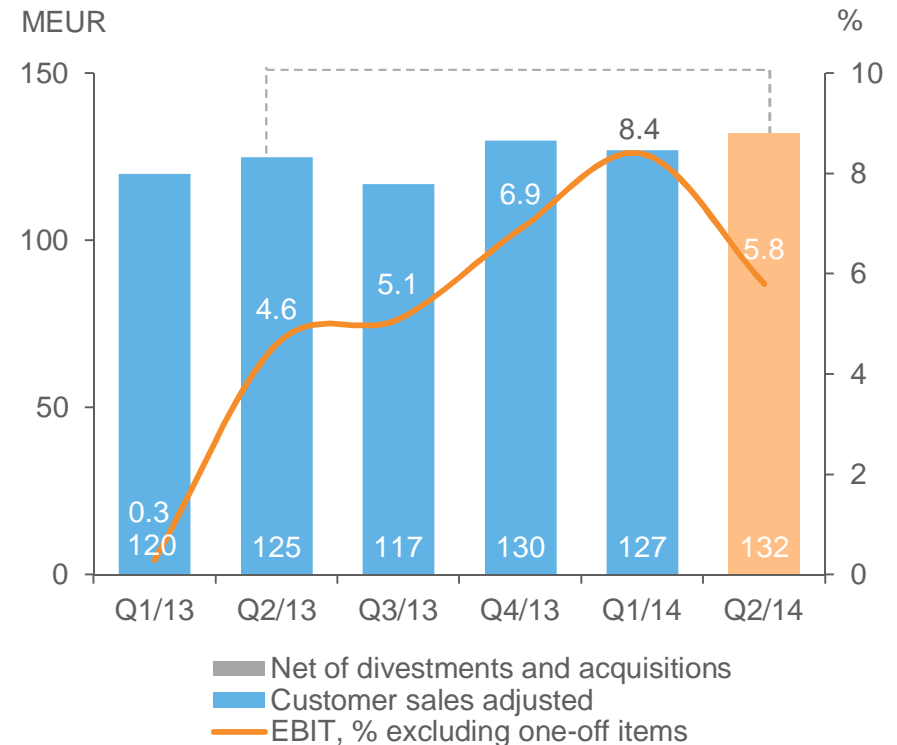
- EUR 132 (125) million, up by 5%
- Organic growth in local currencies 9%

EBIT

- EBIT EUR 7.6 (5.4) million, 5.8% (4.3)
- EBIT excluding one-off items*
EUR 7.6 (5.7) million, 5.8% (4.6)

Q2 highlights

- The market for transforming ICT infrastructure to cloud-based environments remained active
- Cloud services sales grew by 58% q-on-q, or 126% y-on-y, to EUR 10 million
- Revenue recognized from sales of equipment contributed to close to half of organic growth
- Good volume development coupled with higher efficiency resulted in profitability improvement



*) Excluding capital gains, impairments and restructuring costs

Consulting and System Integration

Customer sales

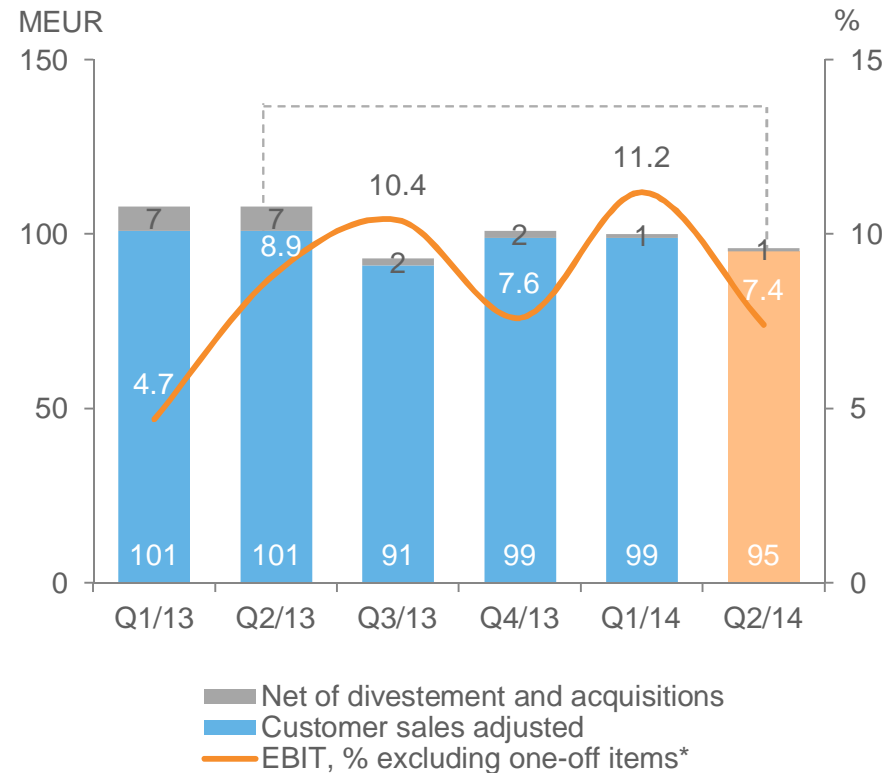
- EUR 97 (108) million, down by 10%
- Organic growth in local currencies -4%

EBIT

- EBIT EUR 6.1 (2.8) million, 6.3% (2.6)
- EBIT excluding one-off items*
EUR 7.2 (9.6) million, 7.4% (8.9)

Q2 highlights

- Traditional application management continued to experience price pressure and reduced revenues
 - Investments to increase efficiency and automation in application management accelerating in H2
- Healthy growth in customer experience management and transformation consulting
- Continued challenges in telecom sector, sales up in the finance sector
- Operating margin declined due to the costs related to the termination of the Vitja project



*) Excluding capital gains, impairments and restructuring costs

Industry Products

Customer sales

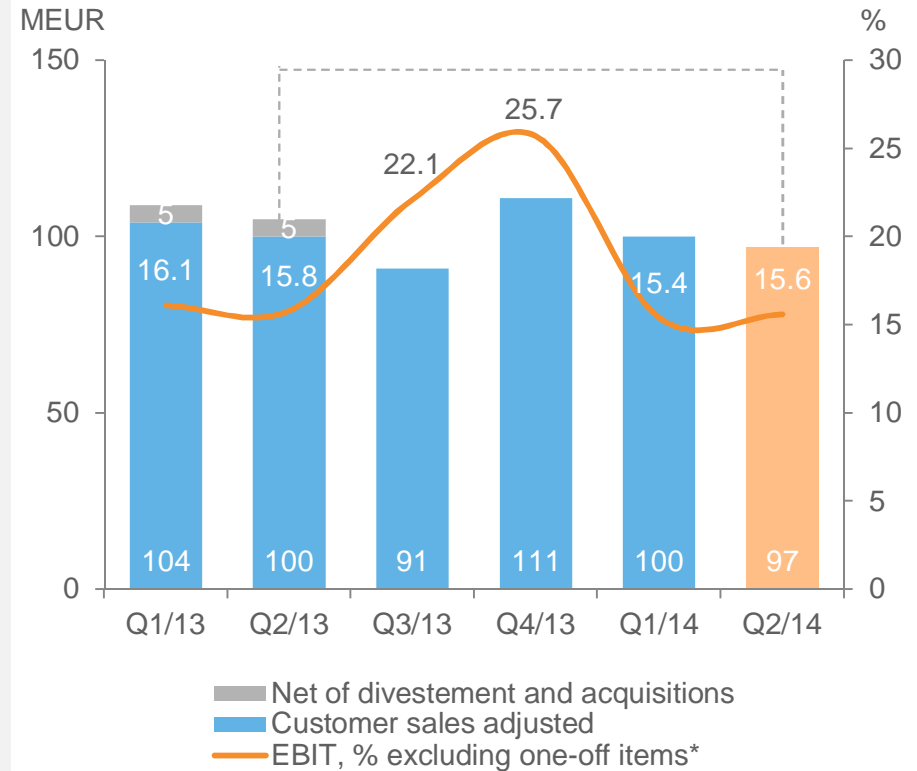
- EUR 97 (105) million, down by 7%
- Organic growth in local currencies 2%

EBIT

- EBIT EUR 15.0 (15.4) million, 15.3% (14.7)
- EBIT excluding one-off items*
EUR 15.2 (16.6) million, 15.6% (15.8)

Q2 highlights

- Good growth in healthcare and welfare
- Financial Services sales were down, partly due to the negative development in Russia and Latvia
- Healthy development in maintenance
- Underlying margin was at the previous year's level
 - Slightly negative impact from divestments and profitability of joint ventures



*) Excluding capital gains, impairments and restructuring costs

Product Development Services

Customer sales

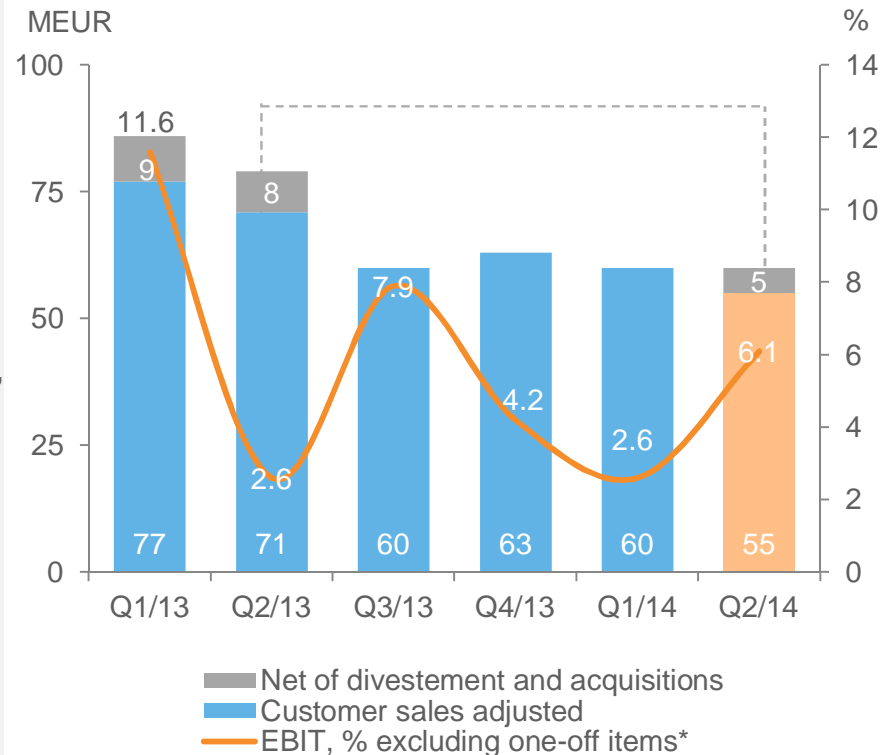
- EUR 60 (79) million, down by 24%
- Organic growth in local currencies -19%

EBIT

- EBIT EUR -2.3 (-2.6) million, -3.8% (-3.4)
- EBIT excluding one-off items*
EUR 3.7 (2.0) million, 6.1% (2.6)

Q2 highlights

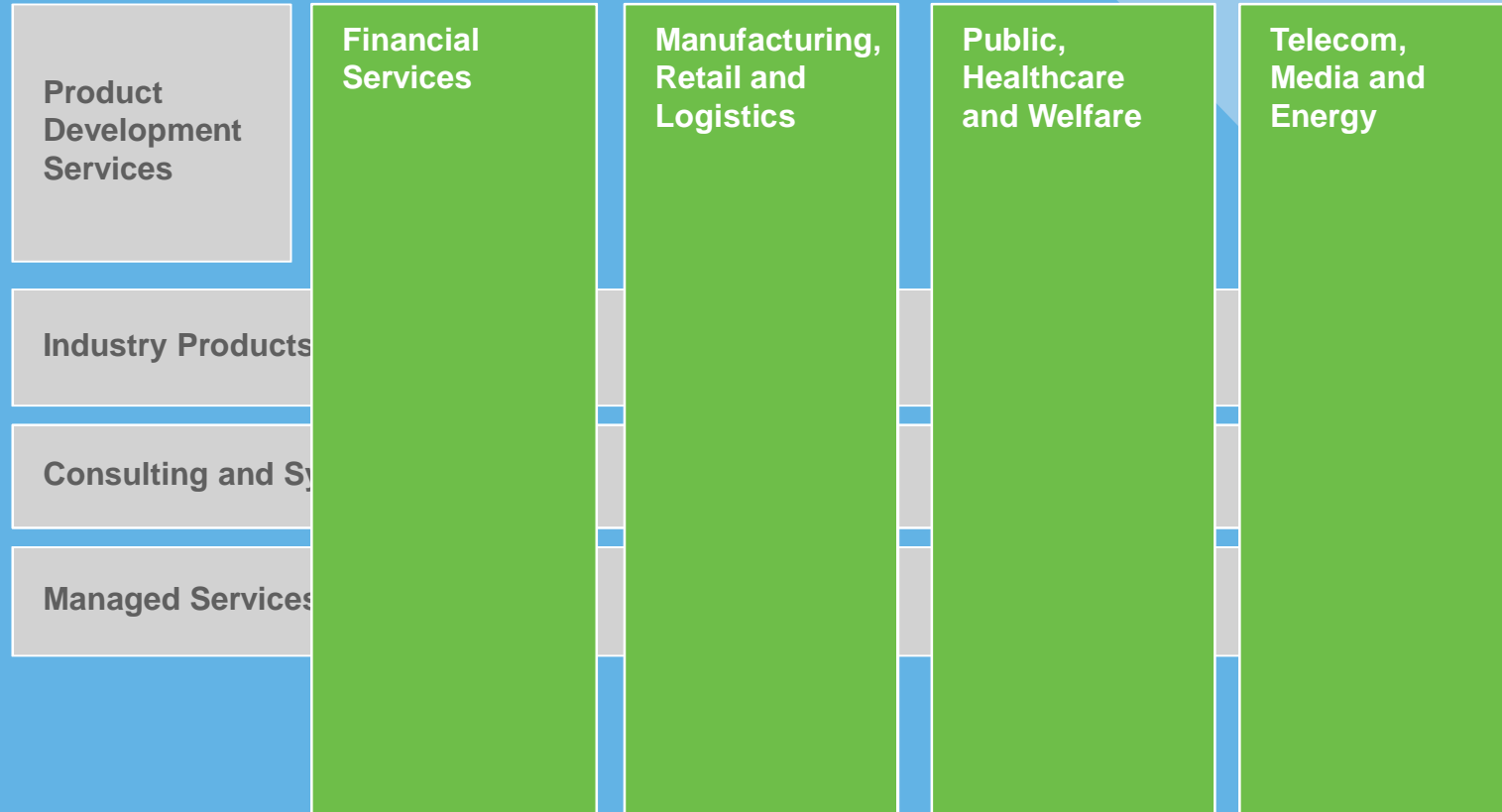
- Sales continued to decrease due to some key customers' continued insourcing
- New customer wins in the semiconductor area and some new openings with existing customers in the MDCE**) area still have a limited impact on financials
- Weak demand expected to continue and sales for the full year anticipated to decline from the 2013 level
- Appropriate adjustment of resources to reflect demand change leading to significant restructuring charges in Q2 (EUR 6.0 million)



*) Excluding capital gains, impairments and restructuring costs

**) Mobile Devices and Consumer Electronics

Industry Groups



Financial Services

Customer sales

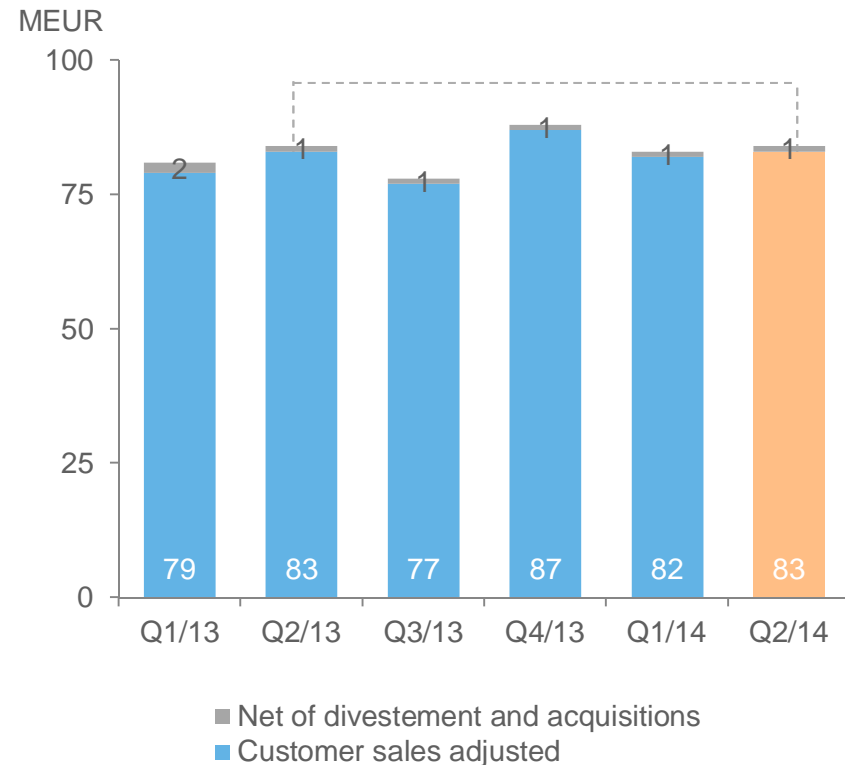
- EUR 84 (84) million, at the previous year's level
- Organic growth in local currencies 3%

Sales split by service line

	Q2/14	Q2/13
MS	48%	46%
CSI	20%	16%
IP	32%	38%

Q2 highlights

- In the small and medium sized business segment increased activity level and the market is dominated by the “as a service” model
- Growth was strongest in Consulting and System Integration in Finland and Industry Products in Sweden
- Front-end services continued to be key revenue driver
- In Managed Services, activity level was good both in Finland and Sweden



*) Excluding capital gains, impairments and restructuring costs

Manufacturing, Retail and Logistics

Customer sales

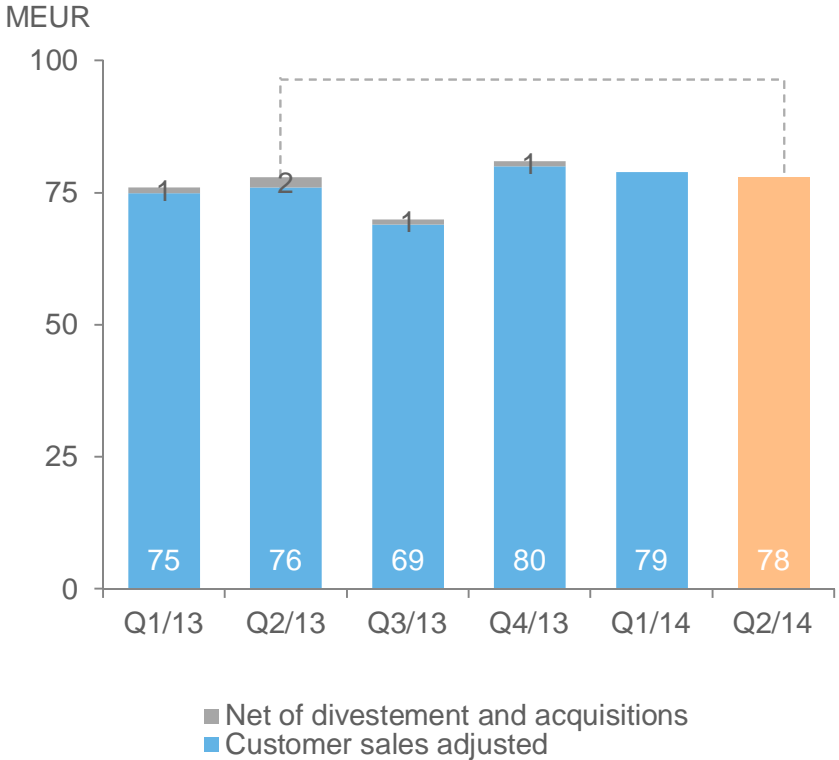
- EUR 78 (78) million, at the previous year's level
- Organic growth in local currencies 3%

Sales split by service line

	Q2/14	Q2/13
MS	52%	47%
CSI	38%	42%
IP	10%	11%

Q2 highlights

- Market is active – incremental demand in Omni channel customer experience
- Cost savings and the efficiency improvements in demand supply chain are important drivers for initiating new IT projects
- Growth mainly coming from managed services, both manufacturing and retail sector growing
- Several new agreements concluded and sales pipeline continues to be healthy



*) Excluding capital gains, impairments and restructuring costs



Public, Healthcare and Welfare

Customer sales

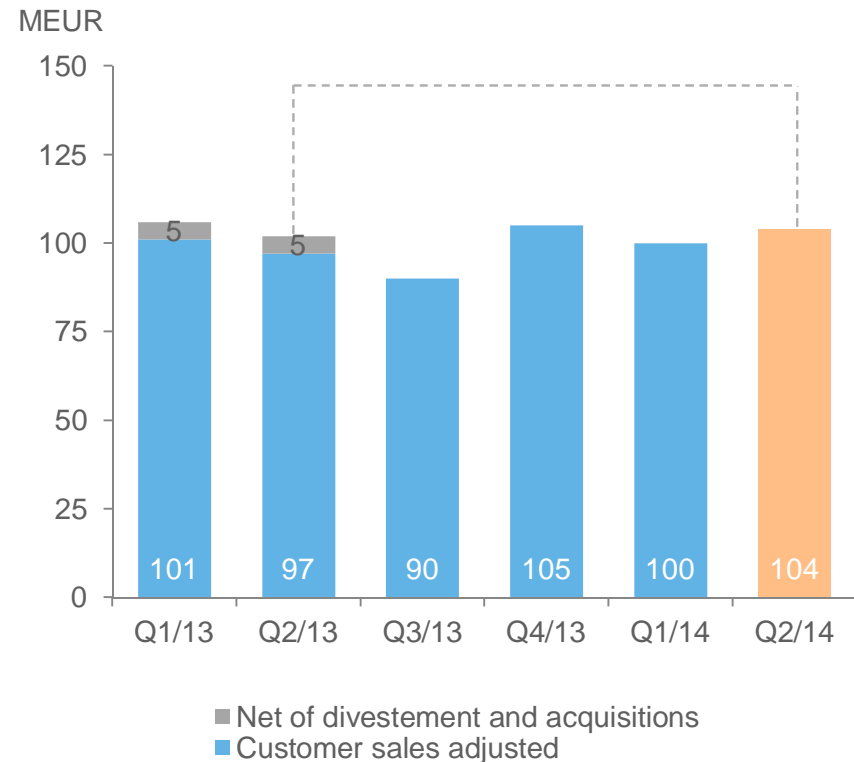
- EUR 104 (102) million, up by 3%
- Organic growth in local currencies 11%

Sales split by service line

	Q2/14	Q2/13
MS	38%	38%
CSI	24%	25%
IP	38%	37%

Q2 highlights

- Strong growth in healthcare and welfare segment and the Swedish public sector
- Finnish public sector turned to slight growth
- In Finland, digitalization and national interoperability in the healthcare and welfare is driving growth
- Vitja project terminated in June



*) Excluding capital gains, impairments and restructuring costs

Telecom, Media and Energy

Customer sales

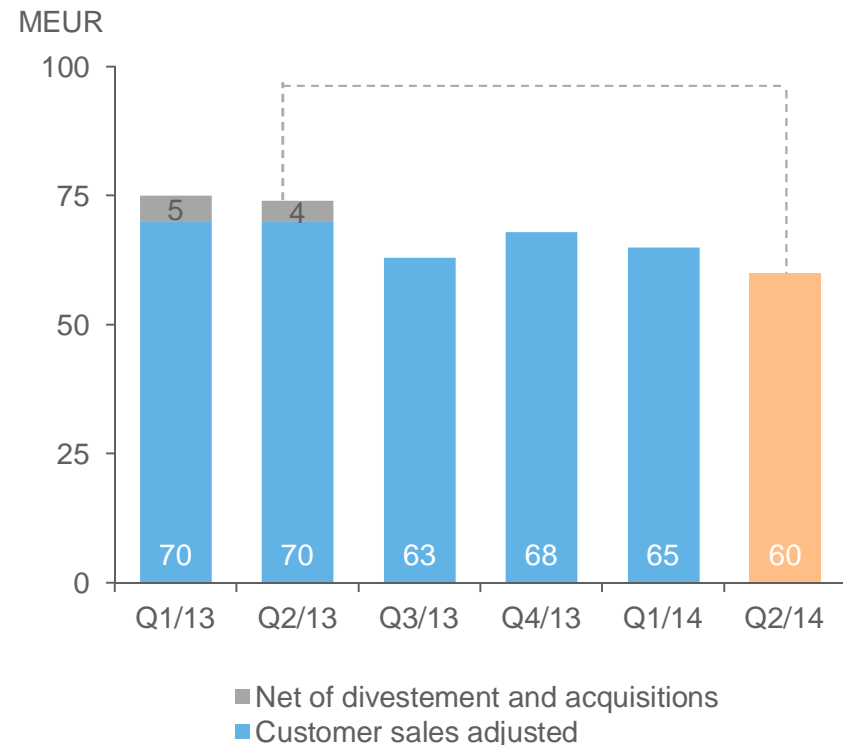
- EUR 60 (74) million, down by 19%
- Organic growth in local currencies -10%

Sales split by service line

	Q2/14	Q2/13
MS	19%	18%
CSI	43%	46%
IP	38%	36%

Q2 highlights

- In both telecom and media segments, expiring projects affect volumes as interest in starting new projects is low
- In energy utilities, clients awaiting regulatory changes related to the harmonization in the Nordics prior to making further IT investments
 - Advanced metering infrastructure in Norway is progressing well with new customer wins
- Oil&gas segment growth slightly negative due to customer reduced investment levels



*) Excluding capital gains, impairments and restructuring costs

Basics are in place and ready for next chapter while managing volatility remains

2012
Build the foundation

2013
Execute the structure and efficiency

2014
Reorienting for growth

- Modernizing customers' infra and apps
- Expand customer base in the Nordics
- Launch new cloud services
- Improve customer experience and quality
- Continue simplification and efficiency

2015
Accelerate growth portfolio

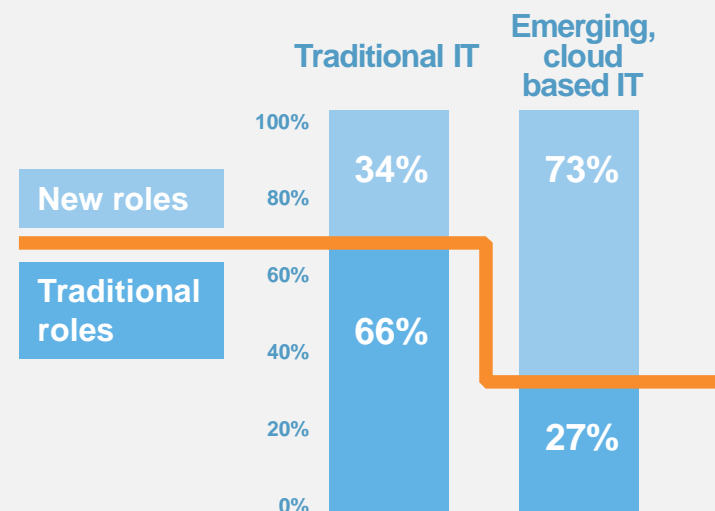
- Scale growth businesses – CEM, Industrial internet, MS cloud, IPR
- Accelerate modernization AM and Infra

2016+
Expand markets

- Expand proven growth bets beyond the Nordics
- New growth bets e.g. IPR

Efficiency drive and competence renewal will continue

- 2013 programme concluded: annualized savings of over EUR 50 million
 - 1 200 redundancies of which 880 materialized in 2013 and over 300 in H1/2014
- Restructuring costs in 2014 expected to be around half of 2013 level
 - In Q2, additional actions initiated based on overcapacity and competence base realignment: 410 employees in PDS and CSI affected

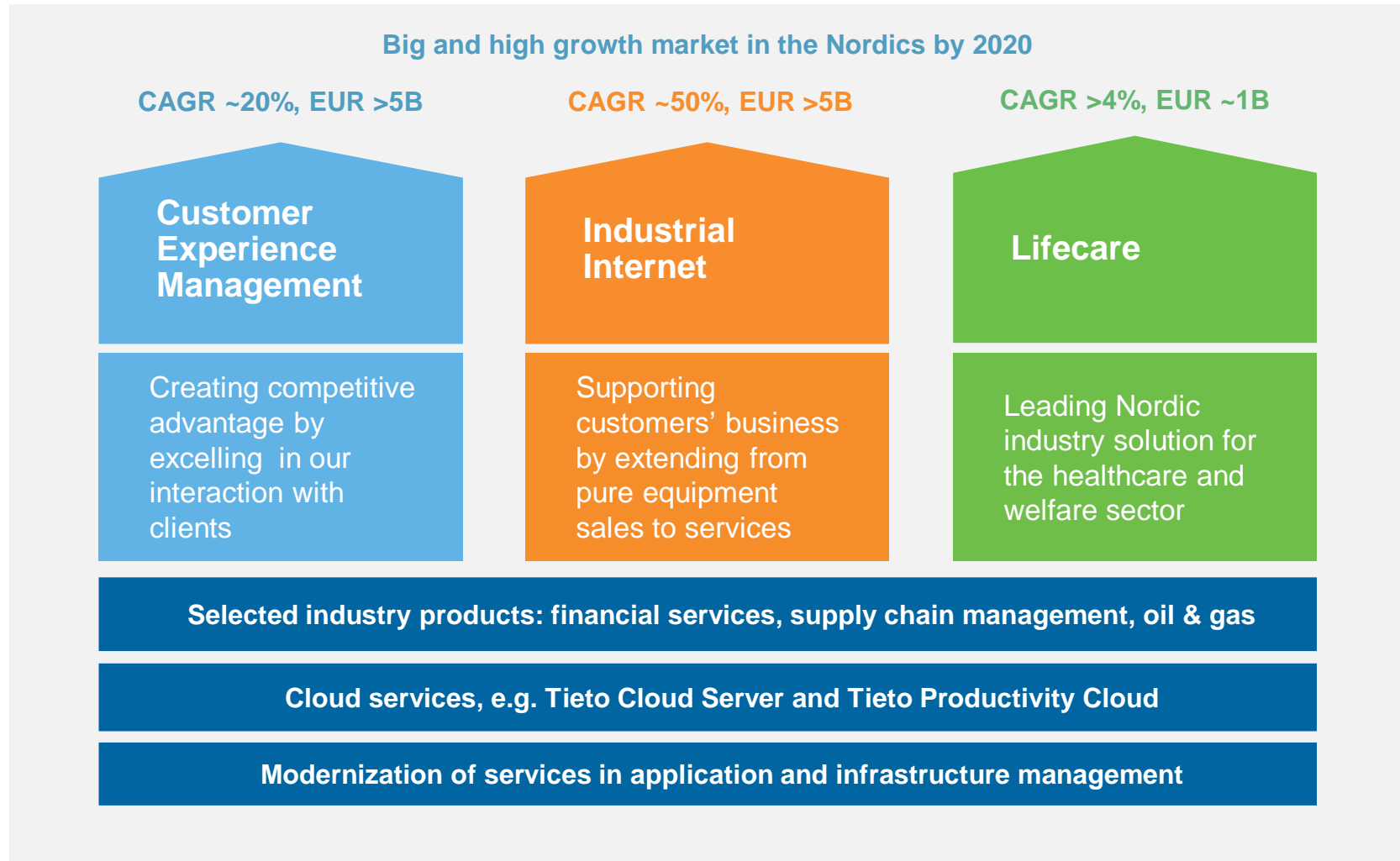


- High demand competencies - industry knowledge, program management, user experience, etc.
- Lesser need for traditional AM, AD and Infra capabilities due to automation and SaaS

Source: Multiple sources, Tieto estimates

Investing in offerings and innovation

€3m of the estimated €10m increase in offering development materialized (YTD)



Performance improvement in 2014

- In IT services, the company aims to organically grow in line with the market
- In Product Development Services, sales anticipated to decline in the full year
- Based on the estimate for 2014, restructuring costs anticipated to be around half of the previous year's level
 - In the short term, restructuring needs will be based on potential overcapacity in selected businesses and in the longer run, on automation and the need to realign the company's competence base

Guidance for 2014 unchanged

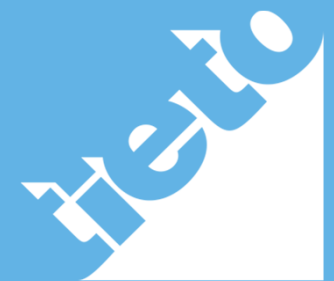
Tieto expects its full-year operating profit (EBIT) excluding one-off items to increase from the previous year's level (EUR 141.2 million in 2013).

Q2 2014 in brief

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- Profitability continued to improve despite costs related to exceptional project termination
- Customer insourcing results in lower volumes in Product Development Services

Changing perspectives



Appendix



Top 10 customers 2014

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



Top 10 customers based on sales in alphabetical order

Financial Calendar 2014

23 October

Interim report 3/2014