

Tieto Q1/2015

Accelerated investments to drive growth and renewal

28 April 2015

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Lasse Heinonen – CFO
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The Tieto logo is displayed in white on a blue triangular background in the bottom right corner. The logo consists of the word "Tieto" in a bold, sans-serif font, with the letters "T", "i", and "e" being significantly larger than the letters "o" and "t".

Tieto

Q1 2015 in brief

Accelerated investments to drive growth and renewal

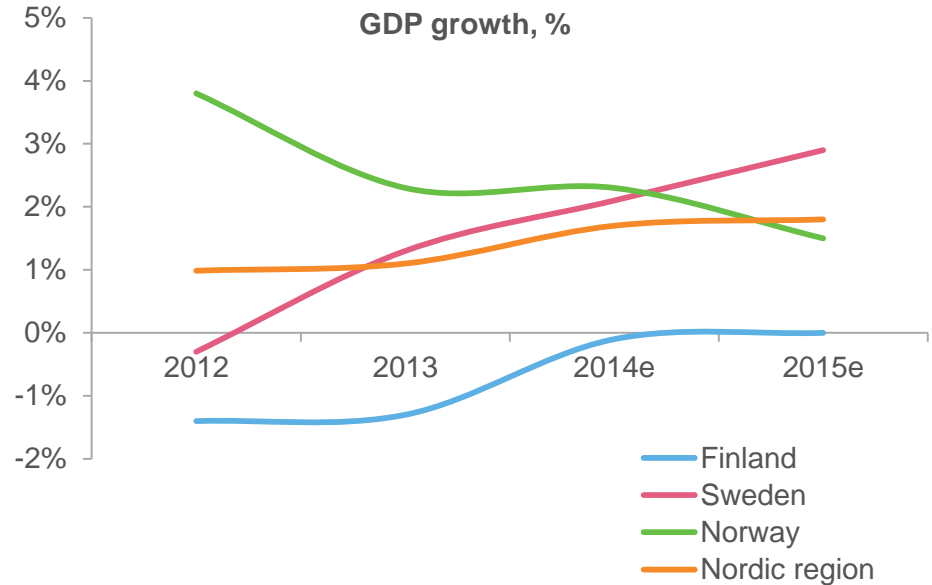
- Modest growth in IT services – continued strong order intake
- In IT services, investments in offering development and the Managed Services automation programme affect first-half profitability
- Efficiency measures improve profitability in Product Development Services
- Full-year outlook remains unchanged

Nordic IT services market expected to grow by 2%

IT market affected by economic outlook

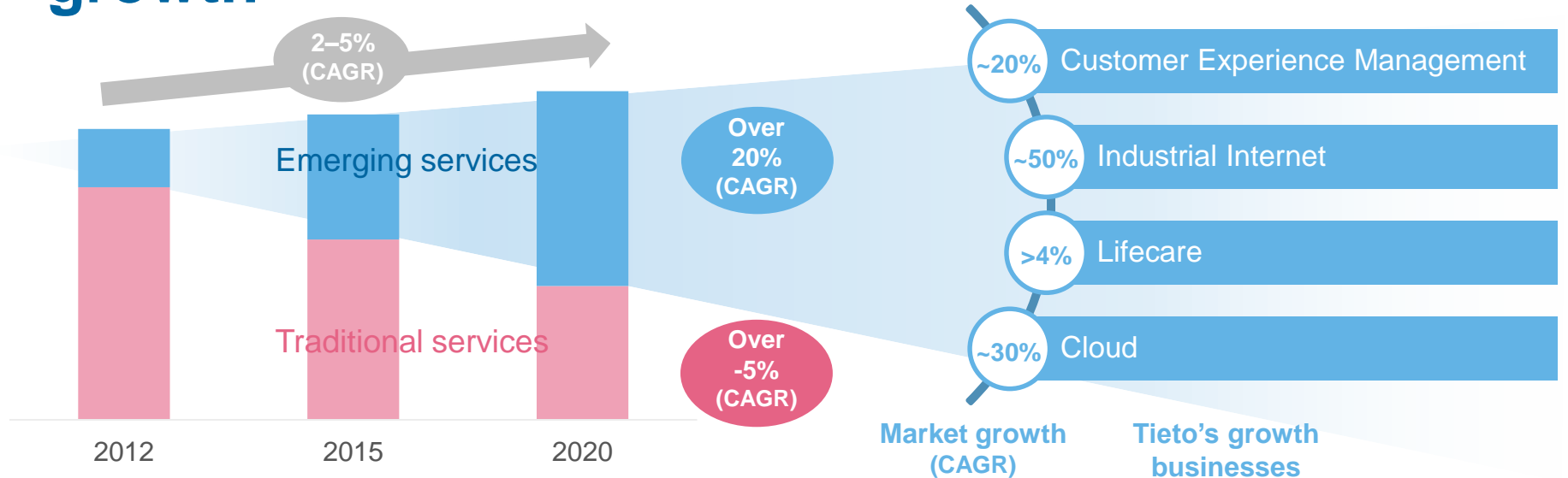
- Tieto expects the Nordic IT services market to grow by around 2% in 2015
- Positive outlook in the Swedish economy while the Finnish economy remains sluggish
- IT services market strongest in Sweden
- Long-term growth (CAGR 2013–2018) in cloud services around 30% – market size still small

Service	Demand and economic cycles
Project services	More volatile
Application management	Less volatile short-term
Infrastructure outsourcing	Less volatile, even positive impact during downturn



Source: Nordea Markets, Economic Outlook, March 2015

Business transformation drives new services growth



IT becoming a strategic asset

- End-customers' expectations rising faster than enterprises can evolve their business models
- Digital experience becoming an absolute requirement – resulting in a need to re-engineer businesses and IT

Well positioned to become the preferred digitalization partner

Customer Experience Management



- Good market momentum and fit with Tieto services and competencies
- Investments in offering development, with focus on industry-specific concepts, and recruitments to accelerate growth

Industrial Internet



- Early-phase investment, with pilots ongoing, e.g. in manufacturing and telecom sector
- Focus on offerings and productization

Lifecare



- Double-digit growth continued in Q1
- Strong development in all core countries
- New application launches continue in 2015

Cloud services



- 132% growth (y-on-y) in Q1
- Tieto awarded high-level security certificate meeting also the requirements set by Finnish public sector customers

Financial development



Q1 2015 key figures

Net sales

- EUR 366 (387) million, -5.5%, organic growth in local currency -3.2%
 - Currency EUR -11 million
- In IT services, organic growth in local currencies 0.5%

EBIT

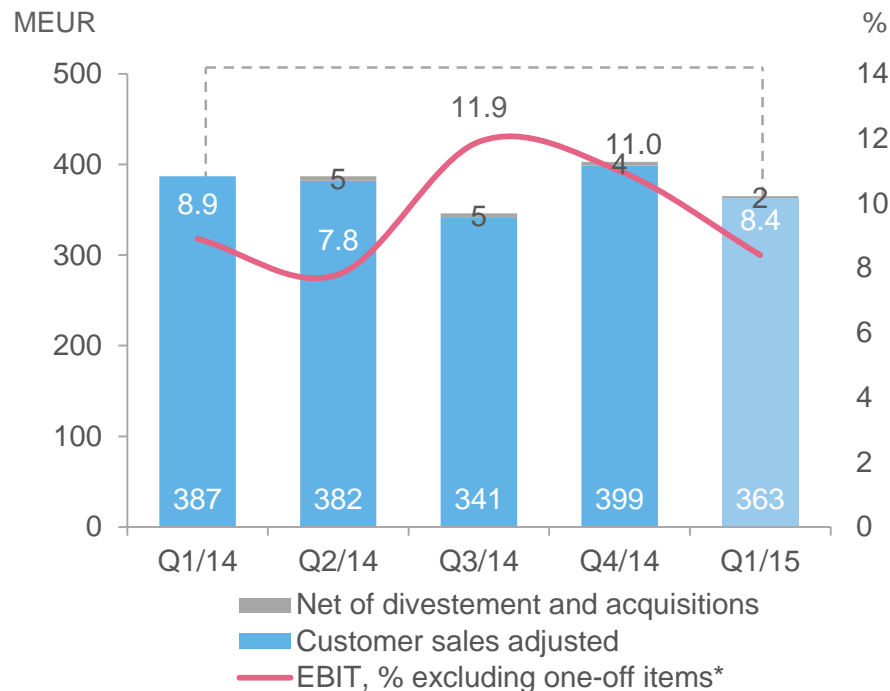
- EBIT EUR 13.9 (34.0) million, 3.8% (8.8%)
 - EUR 16.8 million restructuring costs
 - Currency impact EUR 4 million
- EBIT excluding one-off items* EUR 30.7 (34.5) million, 8.4% (8.9%)

Order backlog

- Order backlog EUR 1 819(1 582) million
- Total Contract Value EUR 430 (402) million
- Book-to-bill 1.2 (1.0)

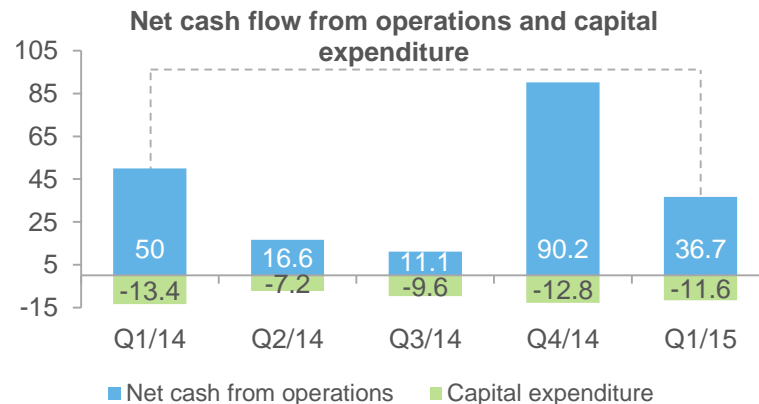
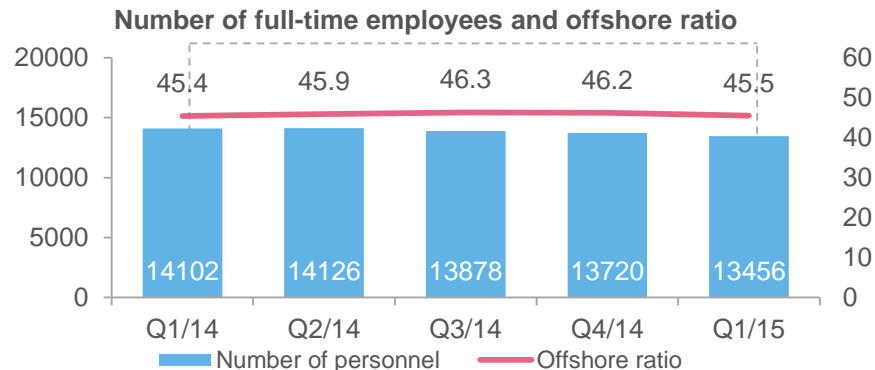
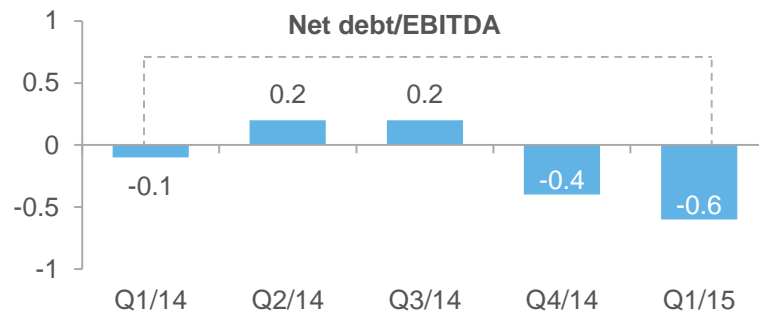
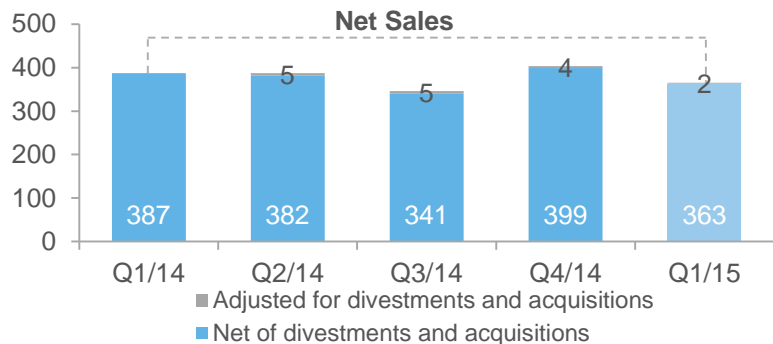
Earnings per share

- EPS EUR 0.12 (0.34)
- EPS EUR 0.31 (0.34), excluding one-off items*



*) Excluding capital gains, impairments and restructuring costs

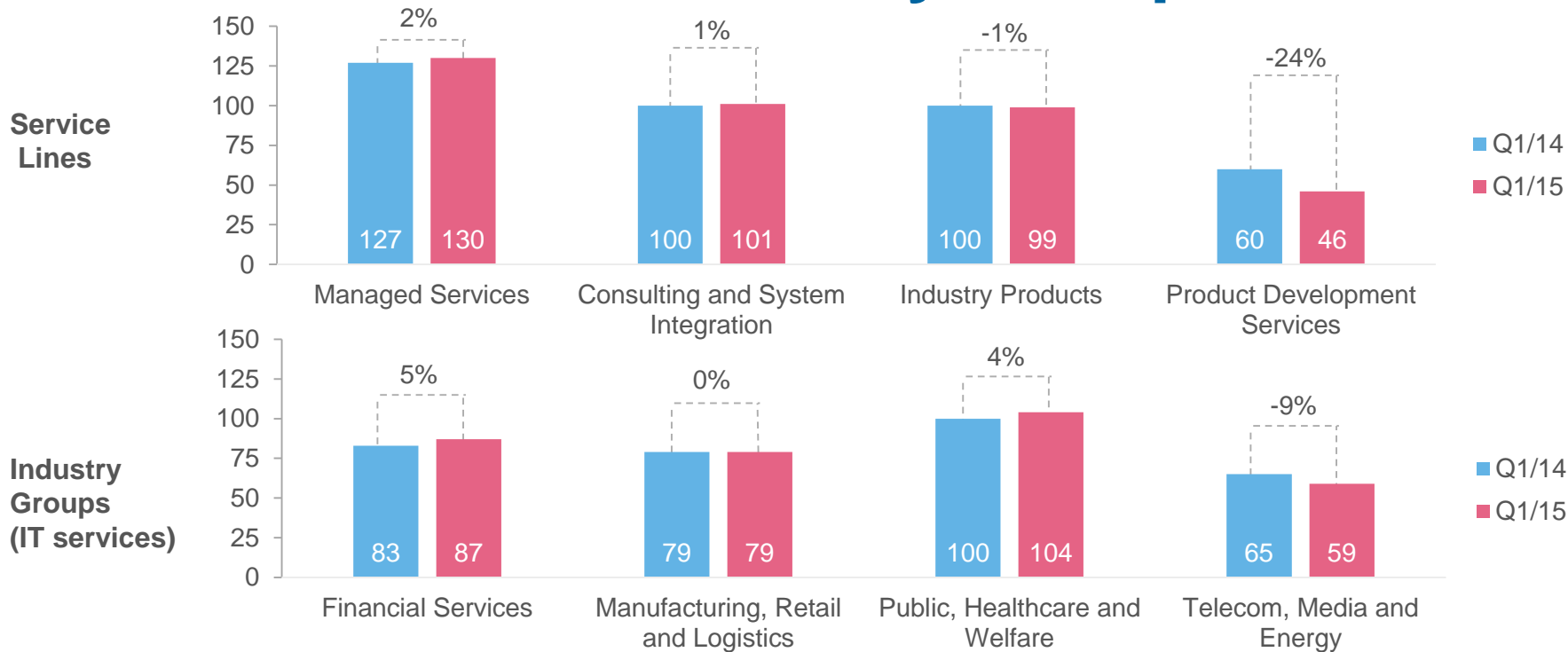
Quarterly development



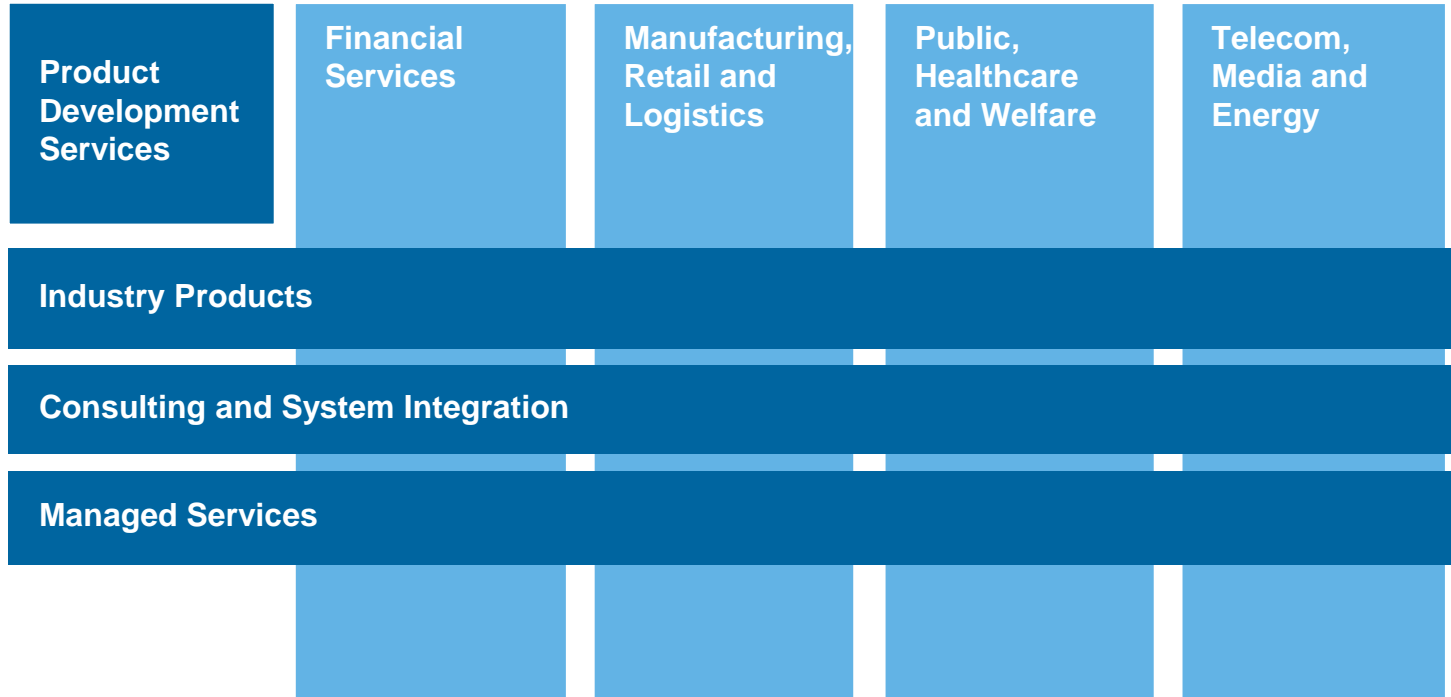
Number of personnel down by a net amount of 646

Offshore ratio: IT services 43.8% (41.4%) PDS 57.5% (60.4%)

Organic growth in local currencies by Service Line and Industry Group



Service Lines



Managed Services

Customer sales

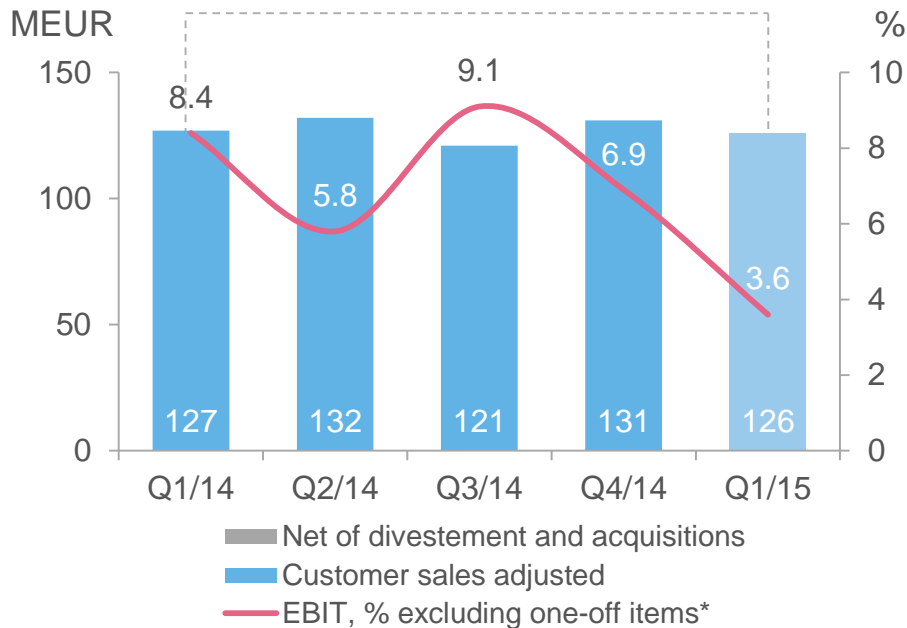
- EUR 126 (127) million, down by 1%
- Organic growth in local currencies 2%

EBIT

- EBIT EUR -8.3 (11.1) million, -6.6% (8.8)
- EBIT excluding one-off items*
EUR 4.6 (11.0) million, 3.6% (8.4)

Q1 highlights

- Cloud services drive growth
 - Q1 sales up by 132% vs 2014
 - Represents 12% of MS sales
- Temporary transition costs related to automation programme strain profitability in H1
- Service competitiveness and automation programme expected to improve profitability in H2
- New large contracts during the past quarters expected to support sales growth in H2



*) Excluding capital gains, impairments and restructuring costs

Consulting and System Integration

Customer sales

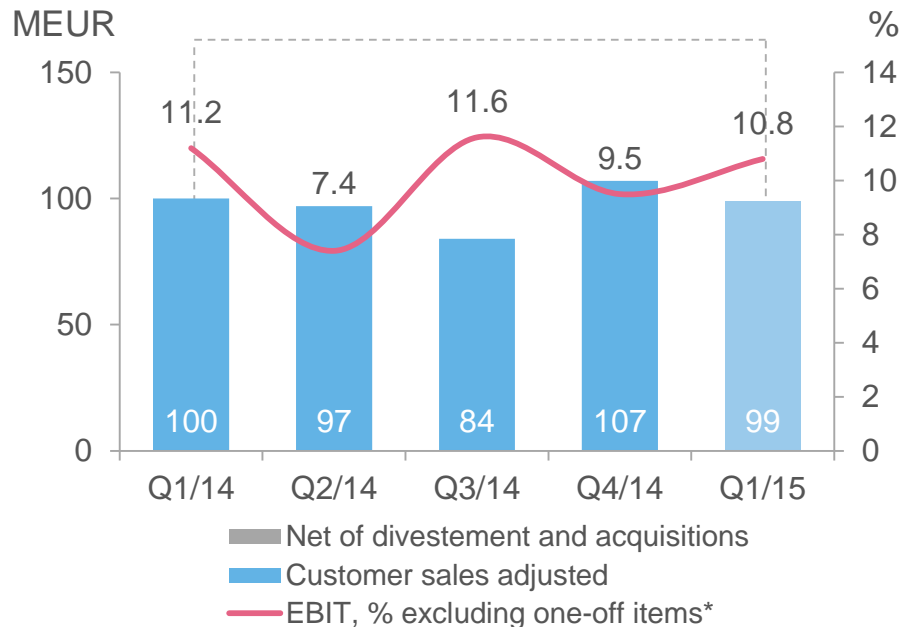
- EUR 99 (100) million, down by 1%
- Organic growth in local currencies 1%

EBIT

- EBIT EUR 8.2 (11.1) million, 8.3% (11.1)
- EBIT excluding one-off items*
EUR 10.8 (11.2) million, 10.8% (11.2)

Q1 highlights

- Good development in industry consulting, ERP-based solutions and Customer Experience Management (CEM) services
- Reduced revenues in traditional application management as anticipated
- Offering development, mainly in CEM, and recruitments related to service renewal accelerated in H1
- New large contracts during the past quarters expected to support sales growth in H2



*) Excluding capital gains, impairments and restructuring costs

Industry Products

Customer sales

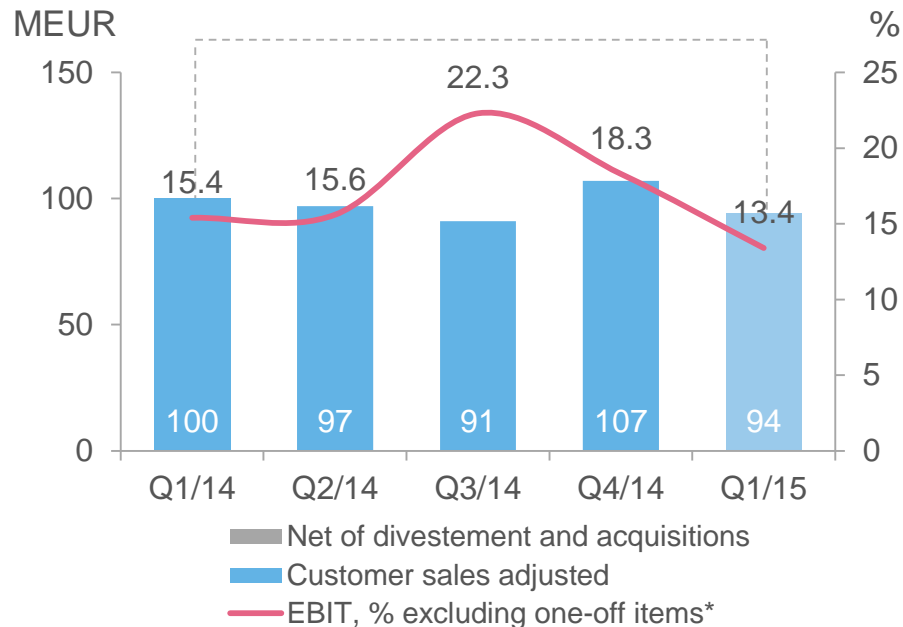
- EUR 94 (100) million, down by 6%
- Organic growth in local currencies -1%

EBIT

- EBIT EUR 12.6 (15.5) million, 13.3% (15.4)
- EBIT excluding one-off items*
EUR 12.7 (15.4) million, 13.4% (15.4)

Q1 highlights

- Double-digit growth in healthcare and welfare sector
- Demand in oil & gas remained weak
- Financial Services sales somewhat down due to challenges in Eastern Europe and delays in new projects
- Increased investments in offering development in H1, mainly in Lifecare and Industrial Internet
- Additionally, negative currency changes and transitions to offshore in FS affected profitability
- H2 profitability expected to be seasonally stronger



*) Excluding capital gains, impairments and restructuring costs

Product Development Services

Customer sales

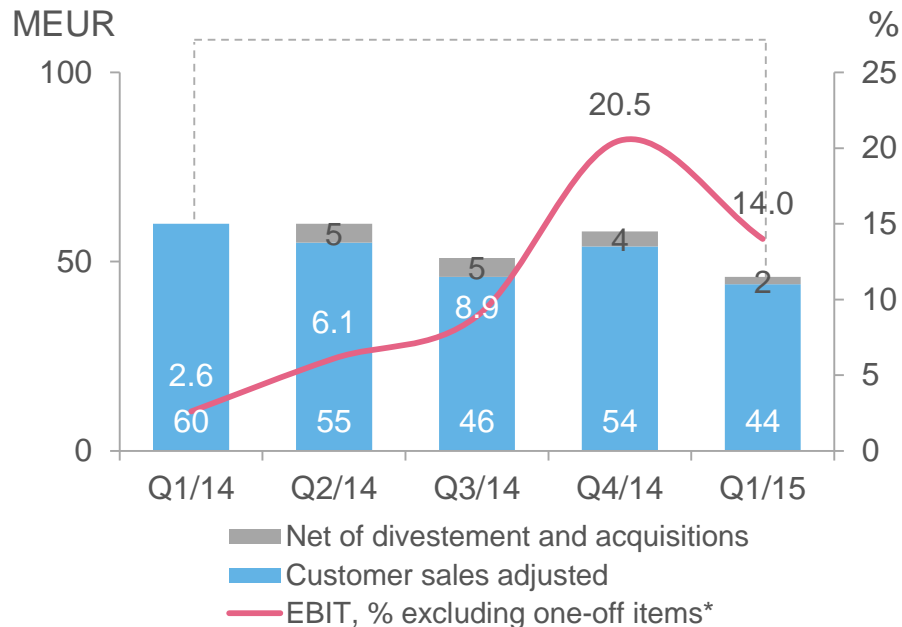
- EUR 47 (60) million, down by 22%
- Organic growth in local currencies -24%

EBIT

- EBIT EUR 6.5 (1.1) million, 14.0% (1.9)
- EBIT excluding one-off items*
EUR 6.5 (1.6) million, 14.0% (2.6)

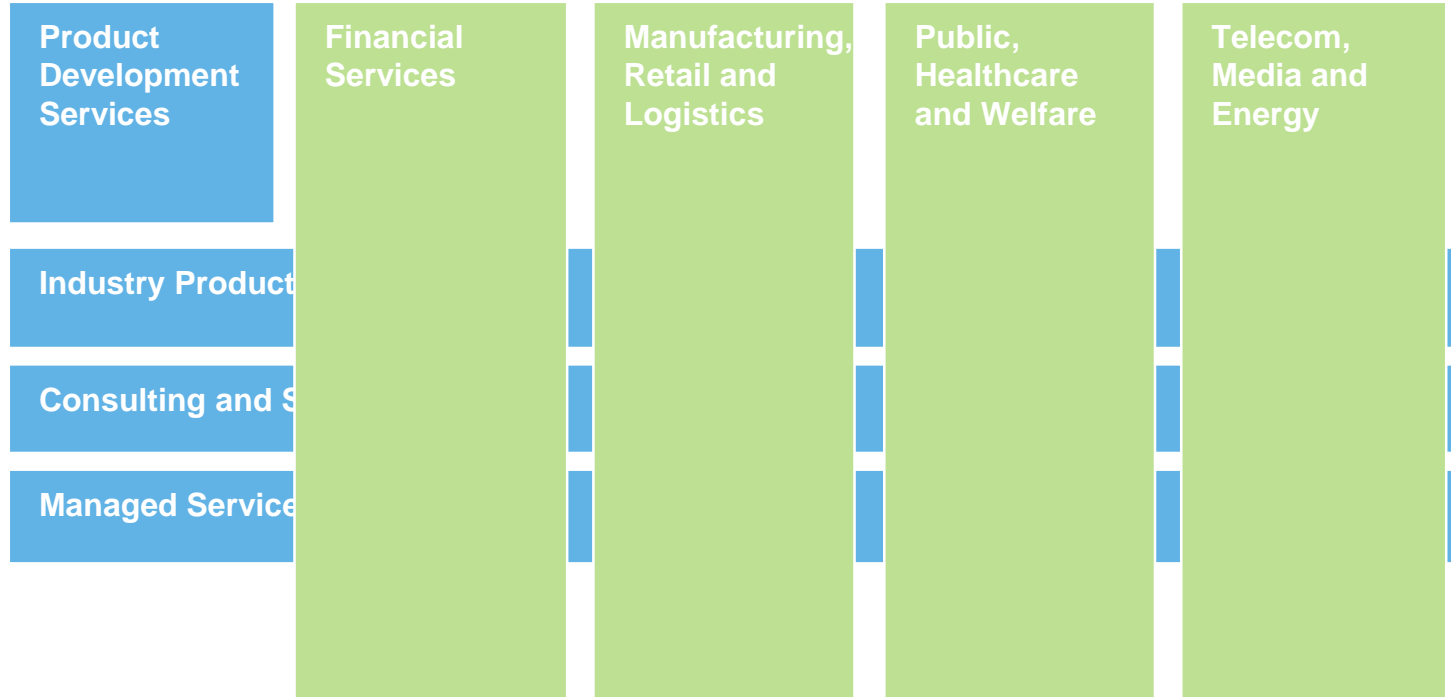
Q1 highlights

- Sales decline due to insourcing by one key customer
 - Contract ended – in 2014: 5% of Group sales
 - Cost base aligned in parallel with the reduction in business volumes
- Sales for several key customers growing and openings in new verticals, e.g. automotive
 - New wins include Continental
- Operating profit supported by certain temporary commercial terms
- Normalized operating margin below 10%
 - Strong profitability outside the insourced business due to efficiency measures



*) Excluding capital gains, impairments and restructuring costs

Industry Groups



Financial Services

Customer sales Q1

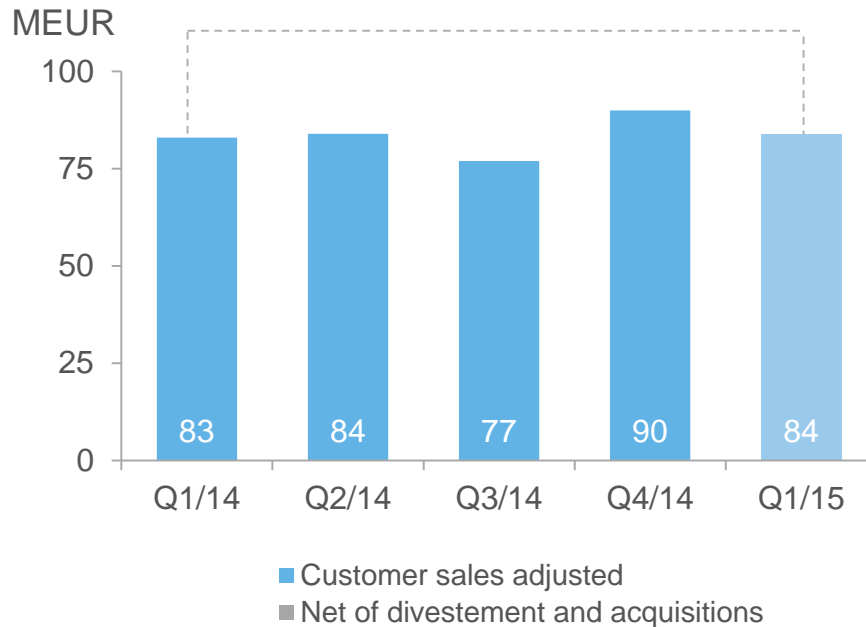
- EUR 84 (83) million, up by 1%
- Organic growth in local currencies 5%

Sales split by service line

	Q1/2015	Q1/2014
MS	48%	44%
CSI	21%	20%
IP	31%	36%

Q1 highlights

- Good development in Managed Services, growth supported by a number of new agreements
- Strong development in insurance segment, banking segment slightly weaker due to challenges in Industry Products
- New agreement with Etera



Manufacturing, Retail and Logistics

Customer sales Q1

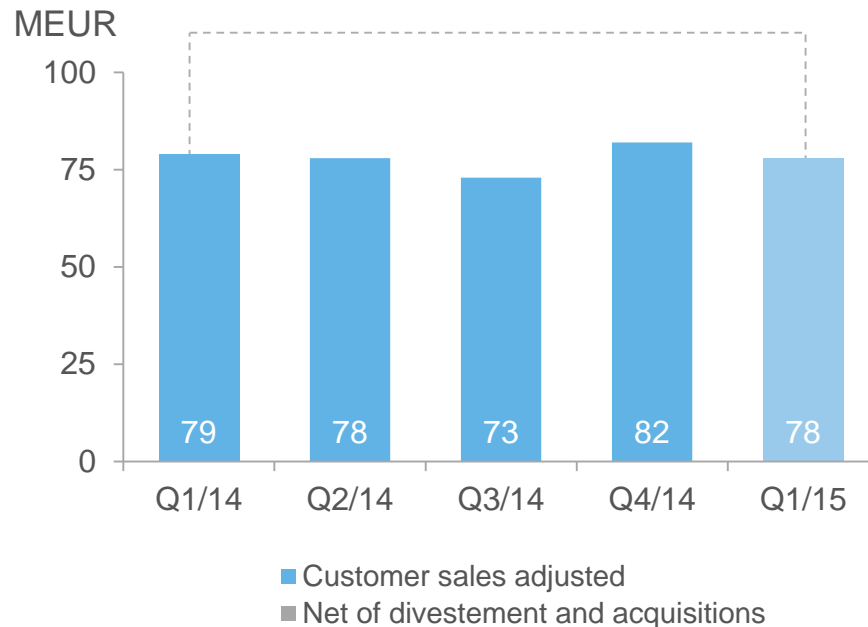
- EUR 78 (79) million, down by 2%
- Organic growth in local currencies 0%

Sales split by service line

	Q1/2015	Q1/2014
MS	50%	50%
CSI	40%	39%
IP	10%	11%

Q1 highlights

- Healthy development in manufacturing sector due to several new agreements while retail sector experienced negative development
- Transition projects in Managed Services affect sales and profitability
- New large contracts during the past quarters expected to support sales growth in H2
- Industrial Internet in an investment phase



Public, Healthcare and Welfare

Customer sales Q1

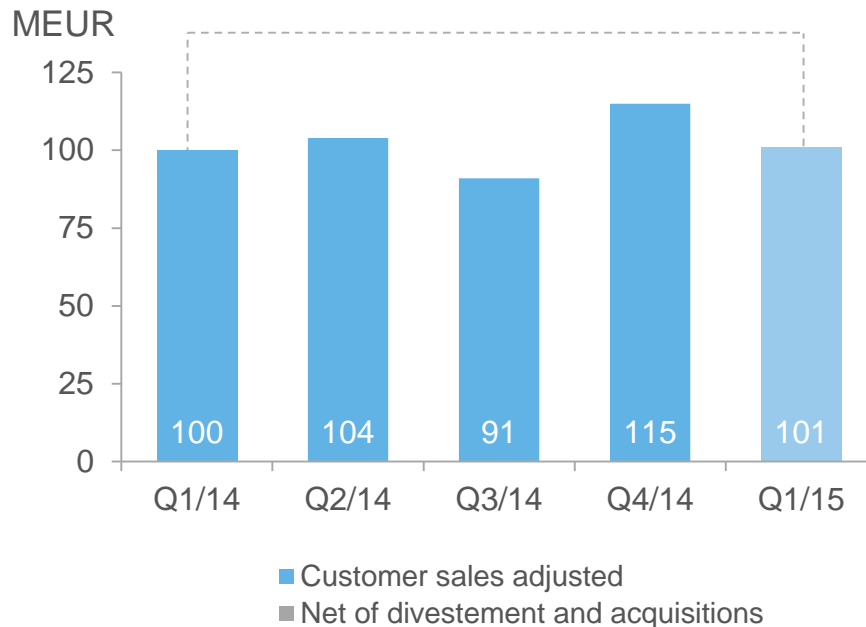
- EUR 101 (100) million, up by 1%
- Organic growth in local currencies 4%

Sales split by service line

	Q1/2015	Q1/2014
MS	36%	39%
CSI	25%	24%
IP	39%	37%

Q1 highlights

- Growth mainly in healthcare and welfare sector
 - Double-digit sales growth in Industry Products
 - Driven, for example, by national interoperability and eServices in the welfare and education segments
 - In public sector, healthy market for data centre and capacity services
 - New agreement with Region Skåne



Telecom, Media and Energy

Customer sales Q1

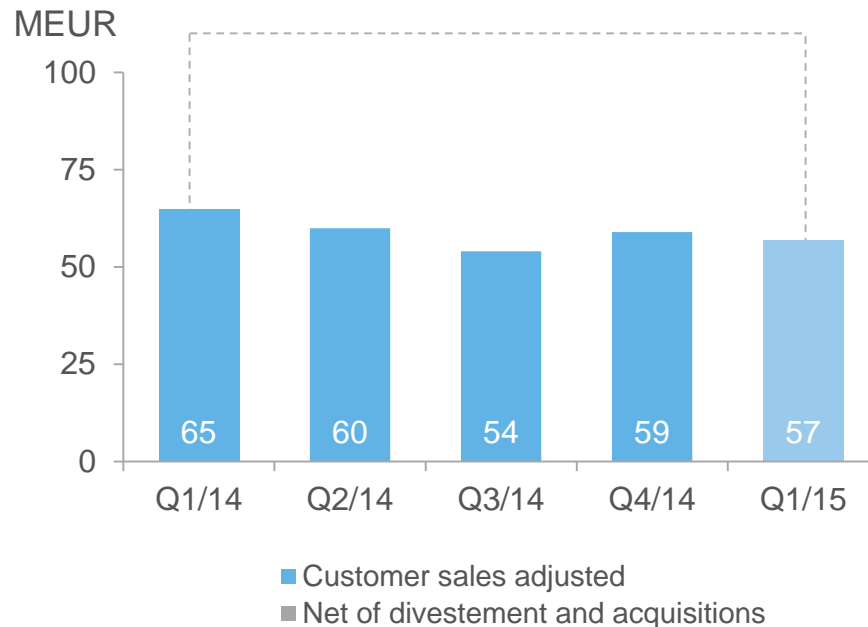
- EUR 57 (65) million, down by 12%
- Organic growth in local currencies -9%

Sales split by service line

	Q1/2015	Q1/2014
MS	17%	18%
CSI	45%	44%
IP	38%	38%

Q1 highlights

- Demand in the oil and gas segment is weak and IT investment levels are low
- Energy utilities market is opening up for cloud services as clients are seeking to reduce IT costs
- Healthy order intake in Q1 driven by telecom and energy utilities



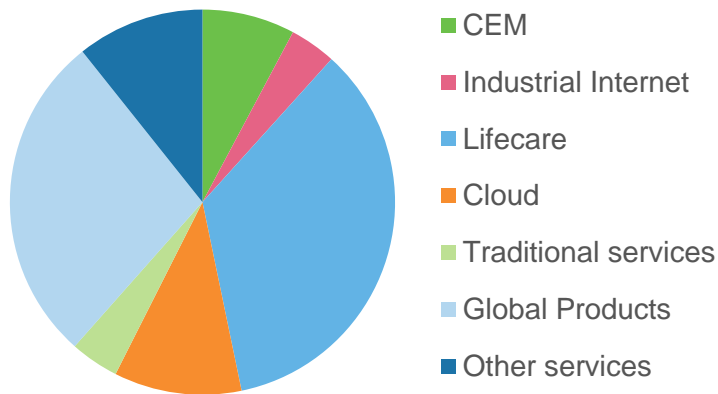
Accelerating growth in focus



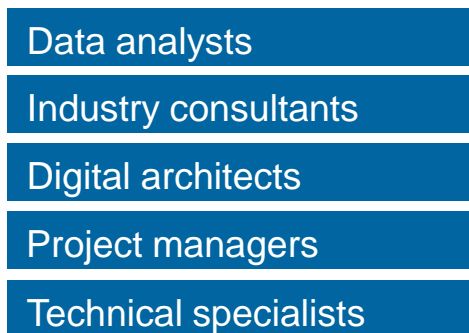
Investments in offering development and recruitment of new talent to accelerate growth

New growth areas to be evaluated

Investment profile 2015



Recruitments 2015



Net recruitments in Q1 2015



- Full-year investments (OPEX) in high-growth businesses maintained at least at the 2014 level
- In H1/2015, development costs higher than in H1/2014

Performance drivers 2015

Performance drivers in IT services	H1 Impact on profitability ¹⁾	H2 Impact on profitability ¹⁾
Sales growth		●
Increase in offering development	●	
Costs for new hires in growth businesses	●	●
MS automation programme	●	
Cost savings	●	● ●
Currency fluctuations	●	n/a

¹⁾ Illustrative, in comparison with the previous year

IT services in 2015

- Sales growth in line with the market
- Gross savings related to automation and industrialization – EUR 30 million

Performance drivers for Product Development Services

- Sales decline related to insourcing decision by one key customer
- Expansion of customer base and new customer wins
- Adjustments in cost base
- Temporary commercial terms related to the insourcing decision by one key customer

Guidance for 2015

Tieto expects its full-year operating profit (EBIT) excluding one-off items to increase from the previous year's level (EUR 150.2 million in 2014).

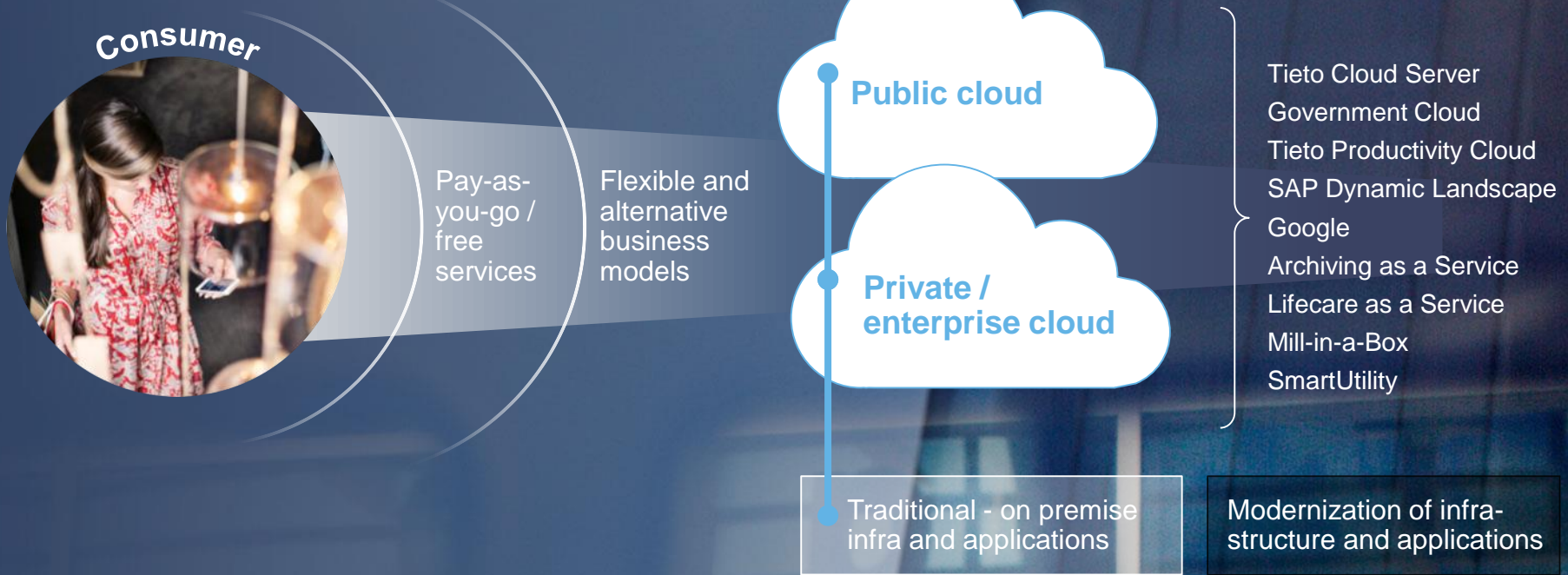


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We enable enterprises to reinvent business models through cloud services



Changing perspectives™



Appendix

Top 10 customers 2015

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

