



# Tieto Q4/2011

Kimmo Alkio – President and CEO

Lasse Heinonen – CFO

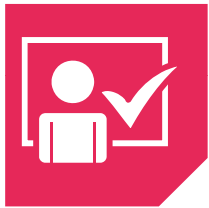
Reeta Kaukiainen – VP, Communications & IR

**Tieto**

# Summary



Financial performance as expected – solid order intake



A number of important customer wins



Clear priorities for 2012



# Markets and customers

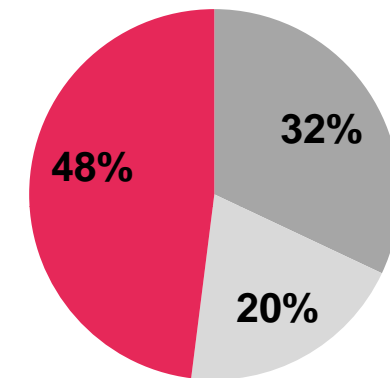
- 0–2% growth expected for IT services in Western Europe in 2012
- The macroeconomic outlook in Europe has had only minor impact on IT services market
  - Potential impacts expected to be seen later in 2012
  - Some signs of reduced spending and project postponements
- Fairly good demand for new development projects aiming at enhanced customer services
- Cloud services and mobility enable new ways of consuming IT
- Outsourcing of ICT infrastructure, applications and business processes expected to continue
- Two-fold development in pricing
  - Continued pressure in basic services
  - Prices for high value added services stable or slightly rising



# 10 biggest customers = 37% of sales

| Customer*                  | Industry          |
|----------------------------|-------------------|
| Apoteket                   | Healthcare/retail |
| Ericsson                   | Telecom           |
| Finnish Tax Administration | Public            |
| IF Insurance               | Finance           |
| Kesko                      | Retail            |
| Nokia                      | Telecom           |
| Nokia Siemens Networks     | Telecom           |
| Nordea                     | Finance           |
| OP-Pohjola                 | Finance           |
| TeliaSonera                | Telecom           |

Net sales by customer segment



- Telecom & media
- Financial services
- Industry sectors\*

## Biggest new agreements in Q4

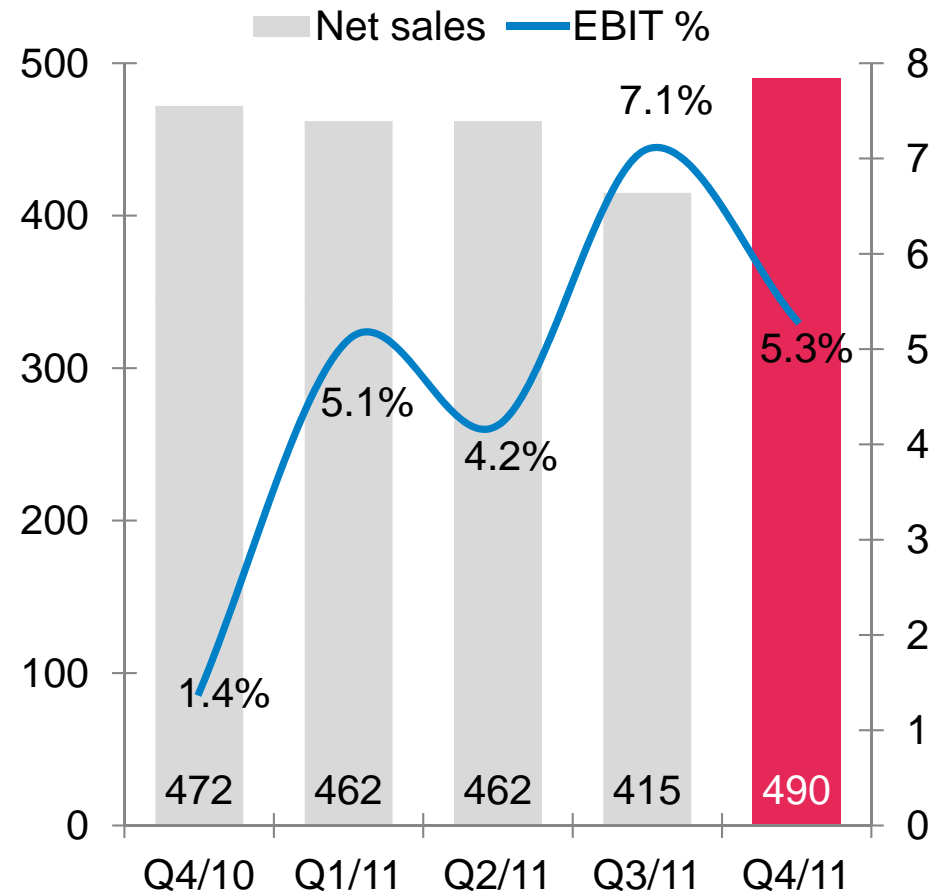
- Arek (application management and support services)
- Outokumpu (infrastructure services)
- Stampen (outsourcing of operations management)



# Q4 highlights:

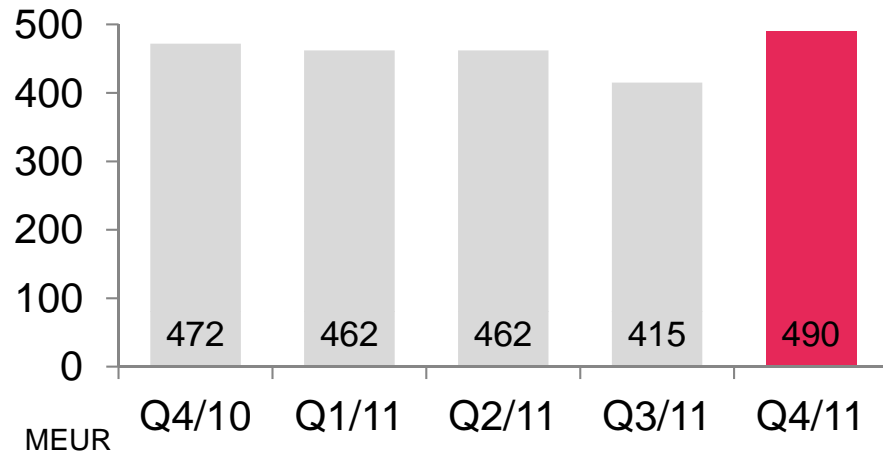
## Solid financial performance and healthy order intake

- Net sales EUR 489.7 million up by 4%
  - 6% growth in local currencies
- Operating profit EUR 26.1 (6.4) million; EBIT margin 5.3% (1.4)
  - Includes EUR 8.1 million one-off costs
  - EBIT excl. one-off costs 7.0% (7.1)
- Order backlog EUR 1 719 (1 574) million
- Net cash flow EUR 43.7 (72.4 million)
- Full-year earnings per share EUR 0.84 (0.69)
- Dividend proposal EUR 0.75

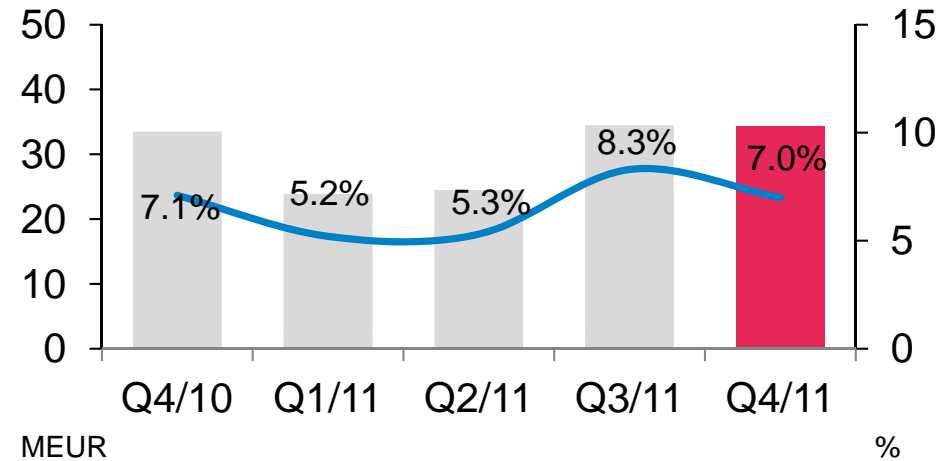


# Quarterly development

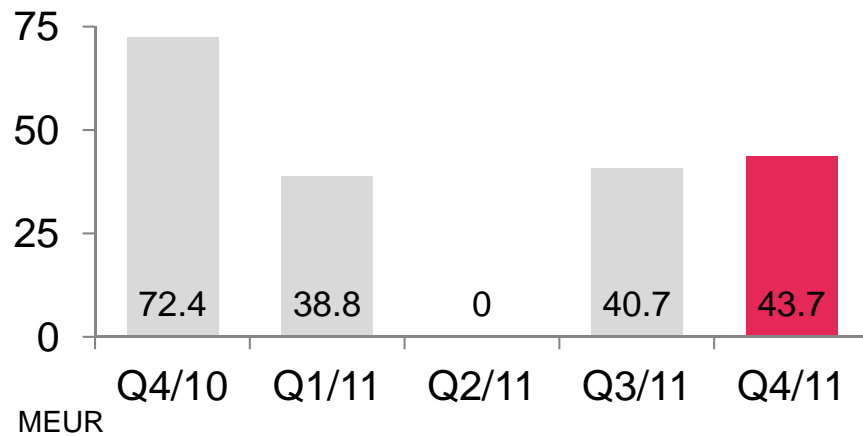
## Net sales



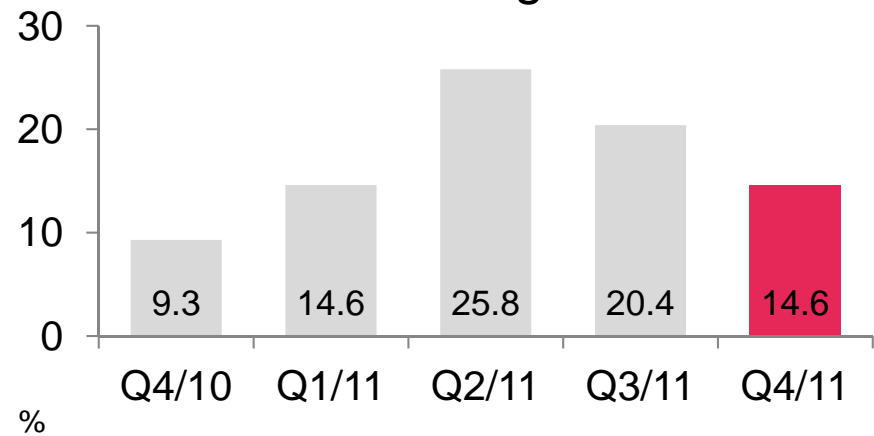
## Operating profit excl. one-off items



## Cash flow



## Gearing



# Streamlining actions

- One-off items of EUR 18.9 million booked in 2011
  - EUR 8.1 million during Q4
- Outcome of personnel negotiations in 2011
  - Finland 80, Sweden 30 and Denmark 60
  - Voluntary leaves, internal transfers and pension arrangements decreased the amount of redundancies
- Business structure renewal in Germany completed
  - Actions lead to a reduction of approximately 100 full-time employees
  - Costs were booked in 2010. Cash flow impact materialized mainly during H2/2011
- For 2012, Tieto currently estimates that the one-off costs related to the streamlining of the company will be on the same level as in 2011.



# Fourth quarter and full year in brief

|   | <u>Q4/2011</u> | Q4/2010 | <u>2011</u>    | 2010    |
|---|----------------|---------|----------------|---------|
| Net sales, EUR million                            | <b>489.7</b>   | 472.2   | <b>1 828.1</b> | 1 713.7 |
| Operating profit, EUR million                     | <b>26.1</b>    | 6.4     | <b>98.1</b>    | 72.4    |
| EBIT, %   | <b>5.3</b>     | 1.4     | <b>5.4</b>     | 4.2     |
| Operating profit excl. one-off items, EUR million | <b>34.2</b>    | 33.5    | <b>117.1</b>   | 110.0   |
| EBIT,% excl. one-off items                        | <b>7.0</b>     | 7.1     | <b>6.4</b>     | 6.4     |
| Profit after taxes, EUR million                   | <b>12.5</b>    | 1.4     | <b>59.9</b>    | 49.5    |
| EPS, EUR  | <b>0.18</b>    | 0.02    | <b>0.84</b>    | 0.69    |
| Net cash flow from operations                     | <b>43.7</b>    | 72.4    | <b>123.2</b>   | 142.9   |
| Gearing, %  | <b>14.6</b>    | 9.3     | <b>14.6</b>    | 9.3     |
| Personnel at the end of period                    | <b>18 123</b>  | 17 575  | <b>18 123</b>  | 17 757  |



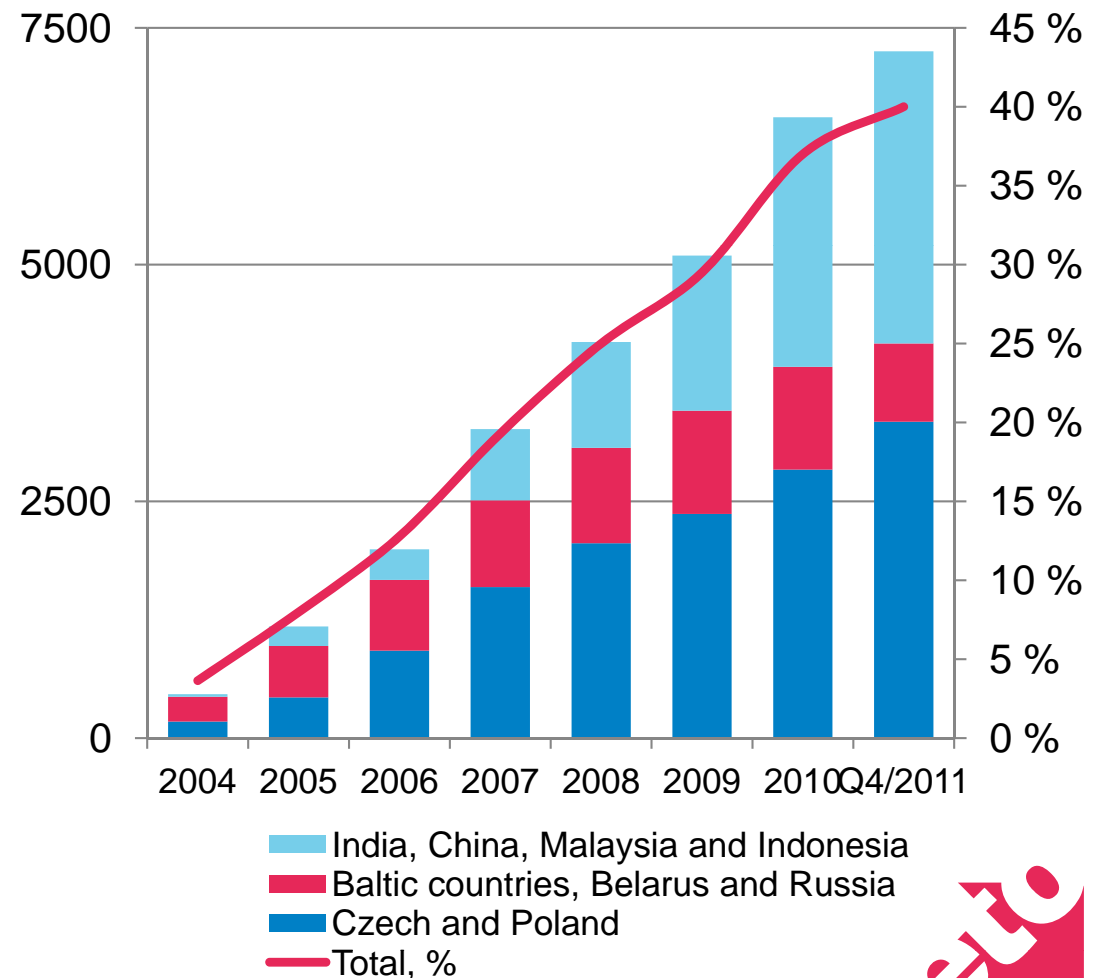
# Income statement

| EUR million                                       | <u>Q4/2011</u> | Q4/2010 | <u>2011</u>    | 2010    | Change, % |
|---|----------------|---------|----------------|---------|-----------|
| Net sales   | <b>489.7</b>   | 472.2   | <b>1 828.1</b> | 1 713.7 | 7         |
| Other operating income                            | <b>2.9</b>     | 4.2     | <b>9.0</b>     | 17.5    | -49       |
| Employee benefit expenses                         | <b>268.8</b>   | 287.6   | <b>1 028.7</b> | 1 017.1 | 1         |
| Depreciation, amortization and impairment charges | <b>28.7</b>    | 19.4    | <b>96.5</b>    | 78.5    | 23        |
| Other operating expenses                          | <b>169.0</b>   | 163.0   | <b>613.8</b>   | 563.2   | 9         |
| Operating profit (EBIT)                           | <b>26.1</b>    | 6.4     | <b>98.1</b>    | 72.4    | 35        |
| Interest and other financial income               | <b>2.4</b>     | 1.8     | <b>9.9</b>     | 10.6    | -7        |
| Interest and other financial expenses             | <b>-4.1</b>    | -3.1    | <b>-17.1</b>   | -16.9   | 1         |
| Net exchange losses/gains                         | <b>-0.4</b>    | 0.6     | <b>0.4</b>     | 0.0     | -         |
| Profit before taxes                               | <b>24.0</b>    | 5.7     | <b>91.3</b>    | 66.1    | 38        |
| Income taxes                                      | <b>-11.5</b>   | -4.3    | <b>-31.4</b>   | -16.6   | 89        |
| Net profit for the period                         | <b>12.5</b>    | 1.4     | <b>59.9</b>    | 49.5    | 21        |



# Personnel; off-shoring target reached

- 18 123 full-time employees of which 7 251 in offshoring countries
- 40% target for 2011 reached
- Employee turnover 12.5% (9.5)
- Shortage of certain competences such as project managers and architects
- Salary inflation expected to rise

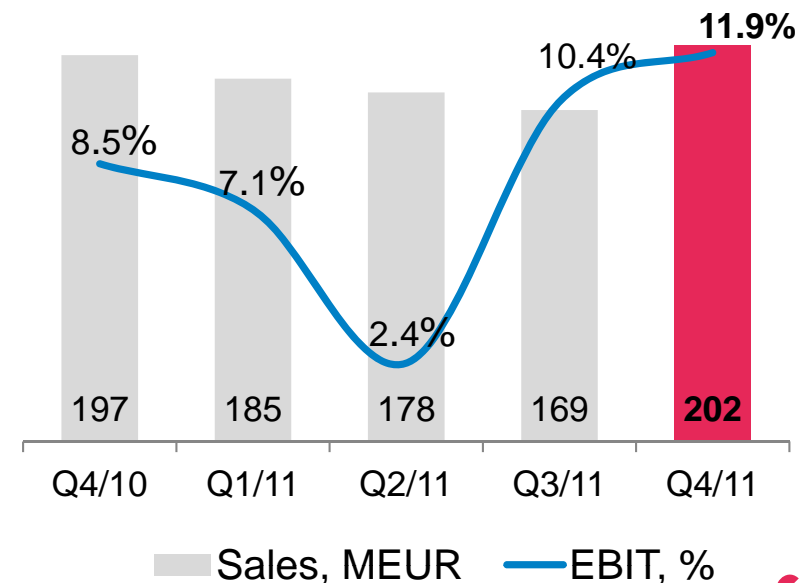


# Finland and the Baltic countries

## Sales and margins up as expected

- Q4 sales up 3% at EUR 202 million
  - Growth driven by industry solutions
  - Strong growth in retail
  - Good license sales in healthcare and welfare
- Operating profit EUR 23.9 (16.7) million i.e. 11.9% (8.5%)
  - 12.2% (9.6) excl. one-off items
  - Profitability boosted by growth, lower operating costs and improved quality

|                              | Q4/2011 | Q4/2010 | 2011 | 2010 |
|------------------------------|---------|---------|------|------|
| Sales, MEUR                  | 202     | 197     | 733  | 726  |
| EBIT, MEUR                   | 23.9    | 16.7    | 58.8 | 67.1 |
| EBIT, %                      | 11.9    | 8.5     | 8.0  | 9.2  |
| EBIT, excl. one-off items, % | 12.2    | 9.6     | 8.4  | 9.8  |

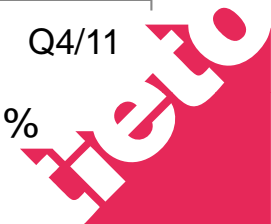
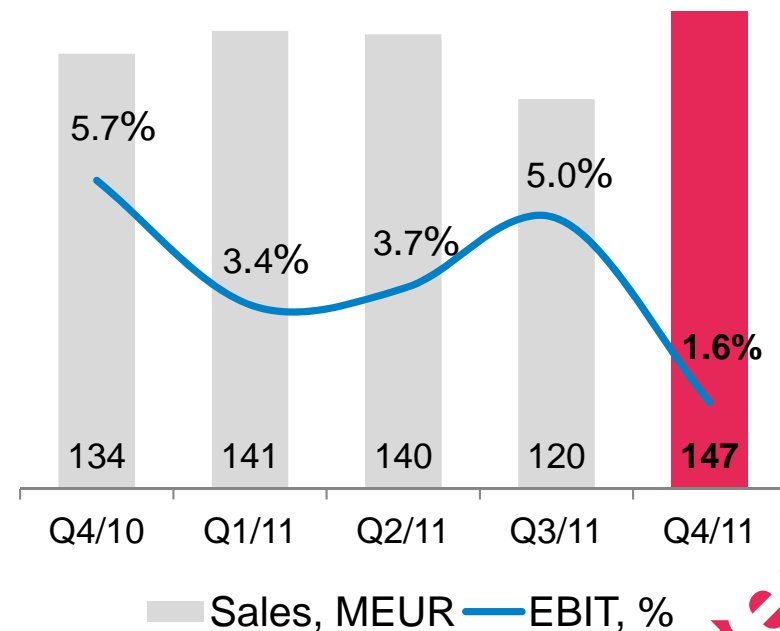


# Scandinavia

## Healthy growth; disappointing profitability

- Sales up by 10% at EUR 147 million
  - 8% growth in local currencies
  - Public, healthcare and welfare main growth drivers in Sweden
- Operating profit EUR 2.4 (7.6) million i.e. 1.6% (5.7%)
  - Profitability was strained by data centre incident in Sweden and higher subcontracting costs

|                              | Q4/2011 | Q4/2010 | 2011 | 2010 |
|------------------------------|---------|---------|------|------|
| Sales, MEUR                  | 147     | 134     | 548  | 468  |
| EBIT, MEUR                   | 2.4     | 7.6     | 18.7 | 22.7 |
| EBIT, %                      | 1.6     | 5.7     | 3.4  | 4.8  |
| EBIT, excl. one-off items, % | 2.4     | 6.6     | 4.7  | 4.6  |

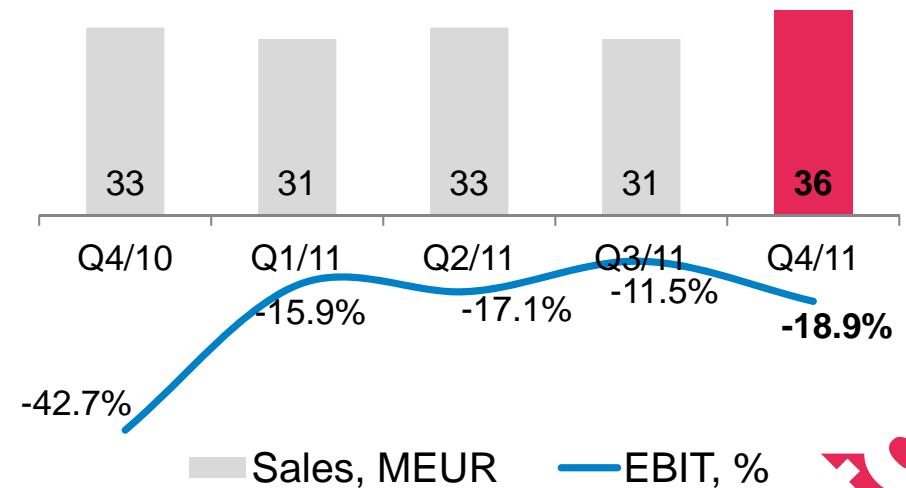


# Central Europe\* & Russia

## Unsatisfactory profitability continued

- Sales grew by 9%
  - Led by telecom and automotive in Germany
- Operating profit EUR -6.8 (-14.2) million i.e. -18.9% (-42.7)
  - -14.7% (-0.9) excl. one-off items
- Reorganization of German operations completed impacting both CEE & Russia and Global Accounts
- Rationalizing measures in Russia continued throughout the year

|                              | Q4/2011 | Q4/2010 | 2011  | 2010  |
|------------------------------|---------|---------|-------|-------|
| Sales, MEUR                  | 36      | 33      | 131   | 126   |
| EBIT, MEUR                   | -6.8    | -14.2   | -21.0 | -24.3 |
| EBIT, %                      | -18.9   | -42.7   | -16.0 | -19.3 |
| EBIT, excl. one-off items, % | -14.7   | -0.9    | -14.7 | -8.2  |

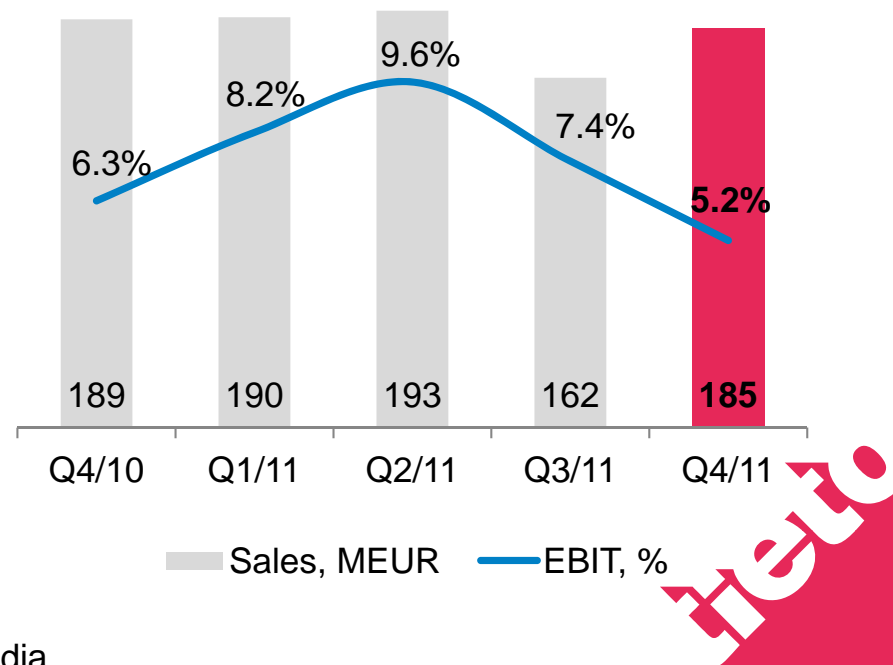


# Global Accounts

## Sales development in line with expectations

- Sales declined by 2%
  - Lower volumes in device R&D as expected
  - Cost saving actions launched by several customers
- Operating profit EUR 9.6 (12.0) million i.e. 5.2% (6.3)
  - 8.3% (9.7) excl. one-off items
  - Profitability strained by price erosion
- Biggest accounts: Ericsson, IF Insurance, Nokia, Nokia Siemens Networks, Nordea, Stora Enso and TeliaSonera

|                              | Q4/2011 | Q4/2010 | 2011 | 2010 |
|------------------------------|---------|---------|------|------|
| Sales, MEUR                  | 185     | 189     | 729  | 704  |
| EBIT, MEUR                   | 9.6     | 12.0    | 55.3 | 57.0 |
| EBIT, %                      | 5.2     | 6.3     | 7.6  | 8.1  |
| EBIT, excl. one-off items, % | 8.3     | 9.7     | 8.5  | 10.1 |

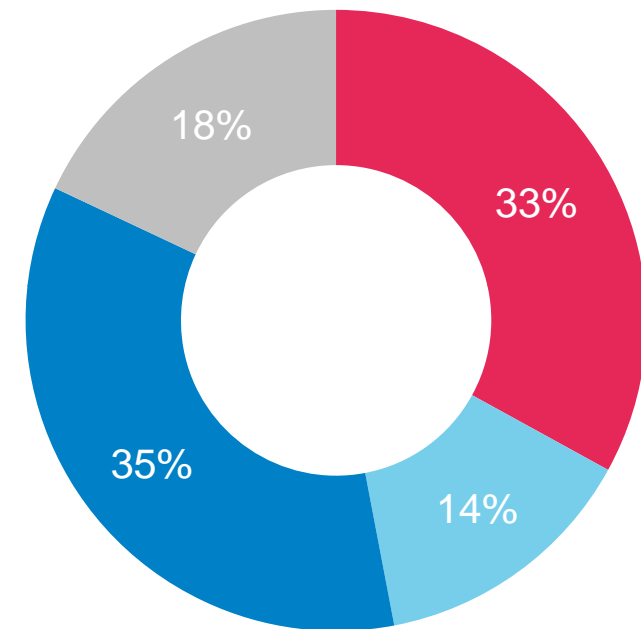


\* Includes ~20 accounts, sales offices (Canada/USA, Italy, Spain, the UK) and offshore countries China, the Czech Republic and India

# Business Lines

- **Industry Solutions;** EUR 161 million
  - Solid demand and good profitability
  - Strongest growth in healthcare and welfare due to seasonal license sales
  - Global Accounts was the strongest market unit
- **Enterprise Solutions;** EUR 70 million
  - Strong demand continued, especially in SAP
  - Profitability improved while behind target
- **Managed Services;** EUR 171 million
  - Sales declined slightly due to price competition
  - Sales up in Sweden due to contracts signed in 2010
  - Profitability improved slightly in spite of data centre incident
- **Product Engineering;** EUR 89 million
  - Sales down in devices segment and flat in the network equipment side
  - Underlying profitability improved slightly

Customer sales Q4/2011



- Industry Solutions
- Enterprise Solutions
- Managed Services
- Product Engineering



# The world around us



## Customers

- Biz transformation
- Cost efficiency
- Shorter payback periods
- Innovation a must



## Employees

- Direction
- Trust and engagement
- Careers
- Work environment
- Attraction to Tieto



## Markets

- Changing economy
- Intense competition
- New technology and industry trends



# Operational objectives for 2012

## Delivery quality

- Quality processes
- Delivery reliability

## Employee success and skills development

- Project management
- Architects

## Customer service experience

- Transformation agenda
- Project level quality

## Efficiency and profitability

- Steps toward 10% EBIT
- Cost efficiency to tackle price erosion



## Service introductions

- Innovation (cloud, enterprise mobility)
- Repeatable solutions

# Outlook for 2012

- Tieto expects its net sales to develop in line with the expected growth rate for the Western European IT services market i.e. 0–2%.
- Full-year operating profit (EBIT) excluding one-off items is expected to be above the previous year's level (EUR 117.1 million in 2011).



**Knowledge.  
Passion.  
Results.**

