

Tieto Q3 2016

Solid profitability – well positioned for future growth and competitiveness

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tieto

Q3 2016 in brief

Solid profitability – well positioned for future growth and competitiveness

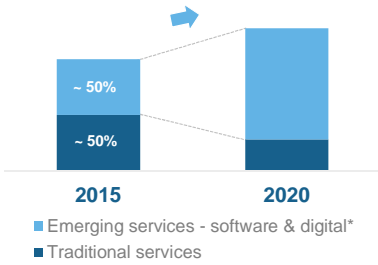
- Modest growth – good order intake with significant contracts won towards the end of the quarter
- Operating structure aligned with the new strategy – temporary transition impact addressed
- Investments in automation and future high-growth businesses continue

Business mix shifting towards high-growth services

Tieto's growth ambition for IT services:
Faster than the market** (CAGR 2015-2020)

Sales growth in
2016–2020 (CAGR)

Development 1–9/ 2016



Industry solutions
Cloud and modernization services
New data-driven businesses
Other integration and services



Traditional infrastructure and application services

High-growth businesses

- ~EUR 243 million, 24% of IT services sales
- Growth 20%

Other emerging services and solutions

- ~EUR 327 million, 33% of IT services sales
- Growth 9%

Traditional services

- ~EUR 433 million, 43% of IT services sales
- Down by 5%

*Includes high-growth businesses and internal start-ups which represented ~20% of IT services sales in 2015

**Market growth expectation (CAGR) for the Nordics at 1.5–3%

Strong solution foundation to accelerate growth High-growth businesses¹⁾ up by 20%



Cloud Services

- 29% growth in Q3
- TECO, our automated AM platform posted healthy growth

- Annual sales 2015: EUR 80 million
- Growth: 65%



Lifecare

- 4% growth in Q3
- Some slipping to Q4
- Market opportunities across the Nordics

- Annual sales 2015: over EUR 160 million
- Growth: 6%



CEM

- Over 40% growth in Q3, driven by M&A
- Strong development, especially in Sweden

- Annual sales 2015: around EUR 30 million
- Growth: 20%



Industrial Internet

- Industrial Internet as a basis for our new Data-driven businesses

- In 2015, investments around EUR 4 million, cash flow negative



Security Services

- 18% growth based on enhanced offering portfolio - investments continue

- In 2015, Tieto's sales in single digit millions



Additional focus

Financial services:
Banking and payments



Energy: SmartUtility



Manufacturing:
Production Excellence



Public sector: Case management

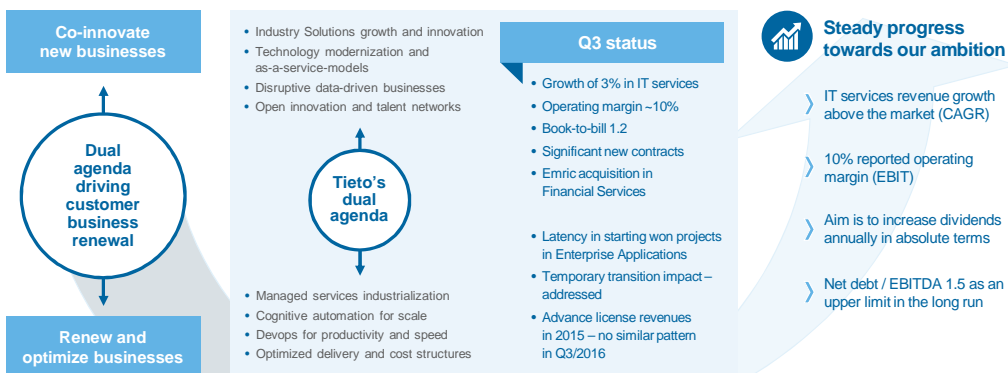


Oil & Gas:
Hydrocarbon accounting

*Includes five high-growth businesses and internal start-ups which represented ~20% of IT services sales in 2015

We help our customers manage their duality

At the same time, we manage ours through consistent strategy execution



Q3 2016 key figures

Net sales

- EUR 341 (355) million, +1.6%, growth in local currencies +2.2%
 - Acquisitions added EUR 11 million
 - Divestments impacted EUR 1.6 million
 - Currency EUR -1.9 million
- In IT services, sales growth 2.6%, or 3.1% in local currencies
- Organic growth in local currencies 0.1%

EBIT

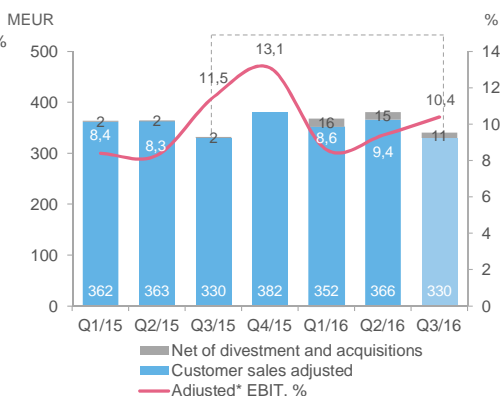
- EBIT EUR 35.1 (41.4) million, 10.3% (12.4%)
- Adjusted* EBIT EUR 35.4 (38.6) million, 10.4% (11.5%)

Order backlog

- Order backlog EUR 1 722 (1 864) million
- Total Contract Value EUR 406 (490) million
- Book-to-bill 1.2 (1.5)

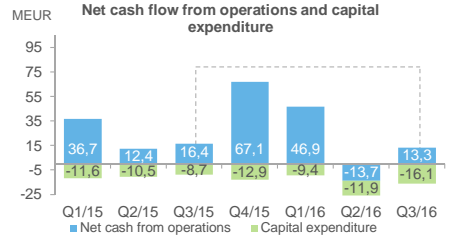
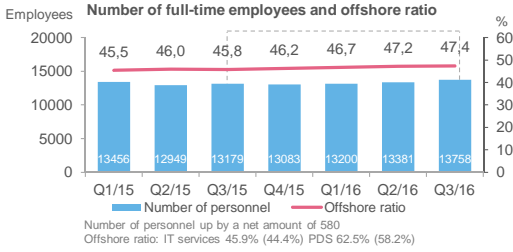
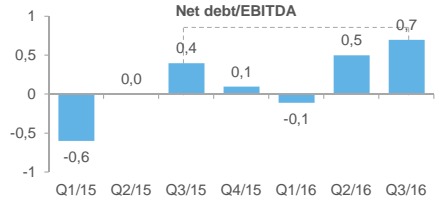
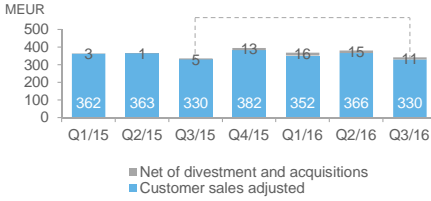
Earnings per share

- EPS EUR 0.37 (0.40)
- EPS EUR 0.38 (0.38), adjusted¹⁾

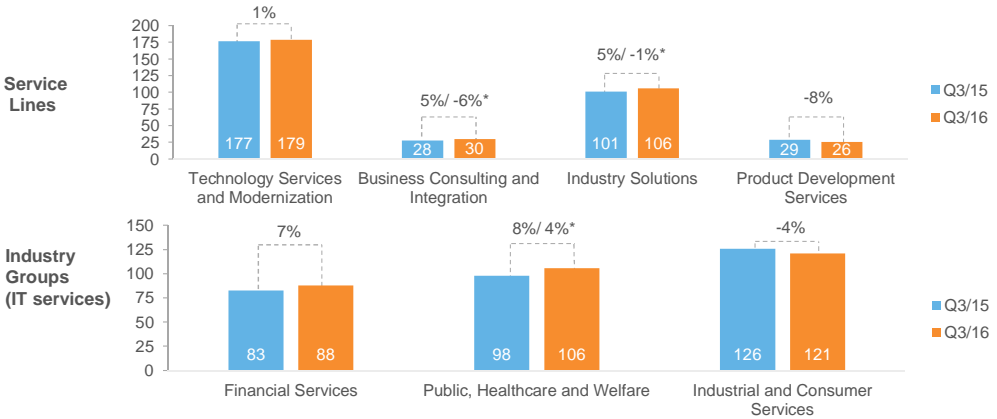


¹⁾ adjusted for restructuring costs, capital gains/losses, goodwill impairment charges and other items

Quarterly development

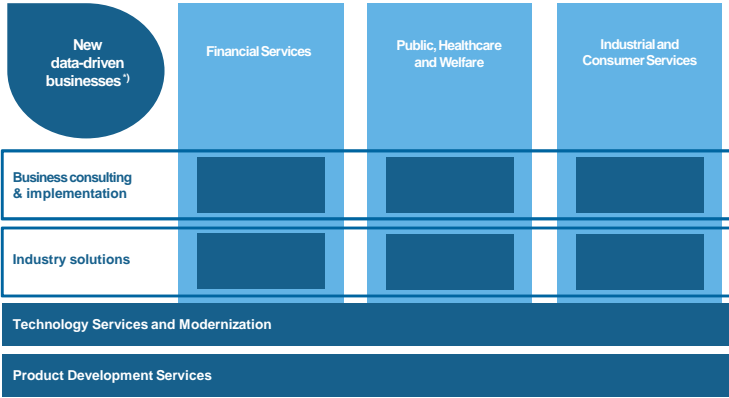


Growth in local currencies by Service Line and Industry Group



*) Organic growth in local currencies (not shown for businesses where acquisition impact is not significant)

Service Lines



Technology Services and Modernization

Customer sales in Q3

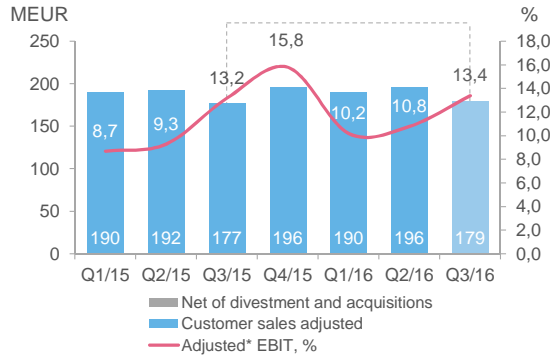
- EUR 179 (177) million, +1%, growth of 1% in local currencies

EBIT

- EBIT EUR 24.2 (22.9) million, 13.5% (12.9)
- Adjusted* EBIT EUR 24.0 (23.4) million, 13.4% (13.2)

Q3 highlights

- Cloud sales up by 29% in Q3, representing 22% of infrastructure services
- Strong growth in shared, standardized workspace services
- Positive effect from automation partly offset by
 - Price reductions in some large agreements
 - Debt restructuring of one customer
- Significant agreements won during the quarter
- Automation initiatives proceeding
- Q3 seasonally strongest, Q4 margin expected to be at or above the first-half level



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Business Consulting & Implementation

Customer sales Q3

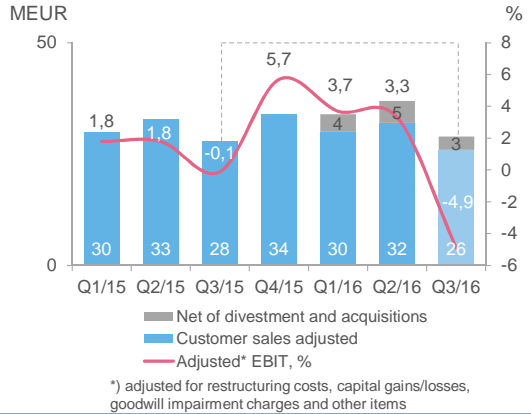
- EUR 30 (28) million, +5%, growth of 5% in local currencies
- Organic growth in local currencies -6%

EBIT

- EBIT EUR -0.2 (-0.5) million, -0.6% (-1.6)
- Adjusted* EBIT EUR -1.5 (0.0) million, -4.9% (-0.1)

Q3 highlights

- Growth supported by acquisitions of Smilehouse and Imano
- Demand strongest in Customer Experience Management and consulting services
- Organic growth challenged due to short-term decline in Enterprise Applications (latency in starting won projects)
- Significant agreements won during the quarter
- Q3 seasonally low profit while further impact by temporarily higher free capacity in Enterprise Applications and investments in CEM
- Clear improvement expected for Q4 – revenue and operating margin is anticipated to exceed Q4/2015 level



Industry Solutions

Customer sales Q3

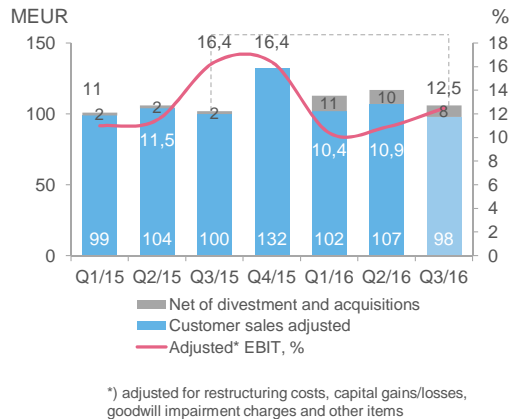
- EUR 106 (101) million, +4%, growth of +5% in local currencies
- Organic growth in local currencies -1%

EBIT

- EBIT EUR 13.0 (22.7) million, 12.3% (22.3)
- Adjusted* EBIT EUR 13.2 (16.6) million, 12.5% (16.4)

Q3 highlights

- Good growth continued in Public, Healthcare and Welfare, organically up by 6%
- Sales affected by the acquisition of Software Innovation and Emric – and the divestment of Lean System
- Organic growth affected by unfavourable timing of licence sales
 - Lifecare growth 4%, some slipping to Q4
 - In Financial Services high comparison number: Q3/2015 included EUR 2 million advance licence sales
- Offering development for high-growth businesses up by EUR 3 million
- Strong Q4 expected – healthy revenue growth and profit margin at or above Q4/2015 level



Product Development Services

Customer sales Q3

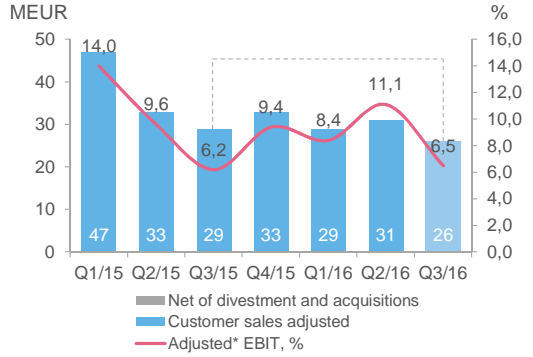
- EUR 26 (29) million, -9%, decline of 8% in local currencies

EBIT

- EBIT EUR 1.7 (0.6) million, 6.4% (2.1)
- Adjusted* EBIT EUR 1.7 (1.8) million, 6.5% (6.2)

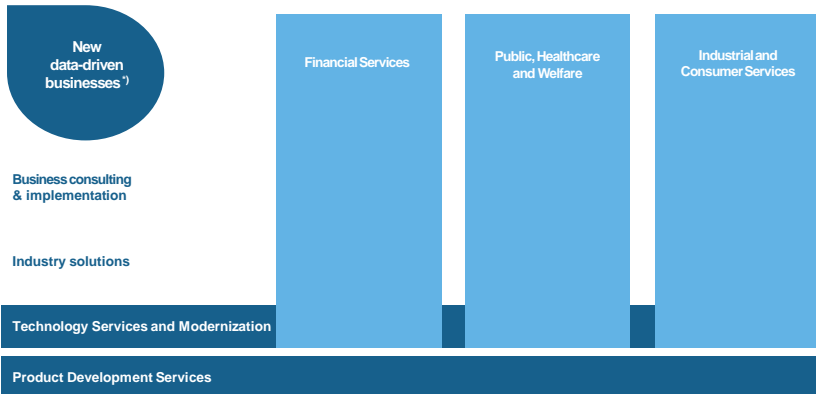
Q3 highlights

- Business with key customers progressing as expected
- Sales decline due to a few expected end-of-life projects
- Sales and profit margin affected by project ramp-ups
- Healthy cost structure for the existing business, Q3 typically seasonally weaker
- New customer acquisition proceeding and opening up new growth opportunities
- Q4 performance anticipated to follow the previous year's trend



*) adjusted for restructuring costs, capital gains/losses, goodwill impairment charges and other items

Industry Groups



Financial Services

Customer sales Q3

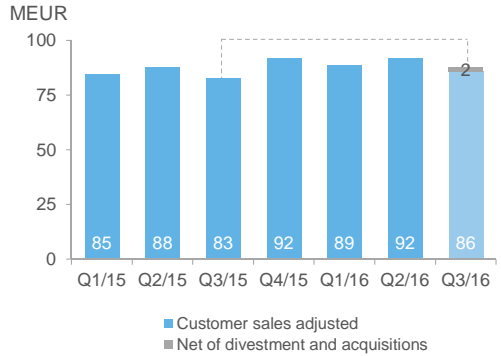
- EUR 88 (83) million, +6%, growth of 7% in local currencies

Sales split by service line

	Q3/2016	Q3/2015
TSM	60%	59%
BCI	4%	4%
IS	35%	37%

Q3 highlights

- Growth driven by new projects driving IT efficiency and digital services, especially in Finland
- Acquisition of Emric concluded in Q3
- For industry solutions, comparison number was exceptionally high as the third quarter of 2015 included around EUR 2 million in advanced licence sales
- Agreement with Folksam, one of the largest insurance companies in Sweden



Public, Healthcare and Welfare

Customer sales Q3

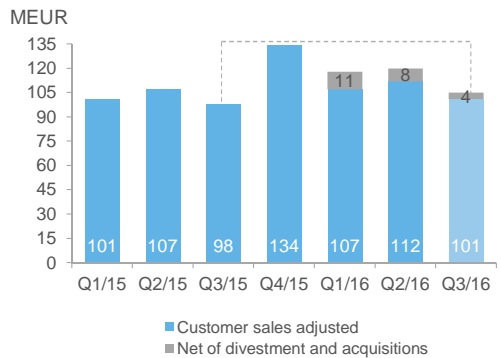
- EUR 106 (98) million, +8%, growth of 8% in local currencies
- Organic growth in local currencies 4%

Sales split by service line

	Q3/2016	Q3/2015
TSM	48%	49%
BCI	8%	8%
IS	45%	43%

Q3 highlights

- Strong 19% growth in industry solutions, organically up by 6%
- Sales supported by the acquisition of Software Innovation
- Transition projects in infrastructure services in Finland contributed to growth
- Strong licence sales in Software Innovation business while Lifecare growth 4% - impacted by some slipping to Q4



Industrial and Consumer Services

Customer sales Q3

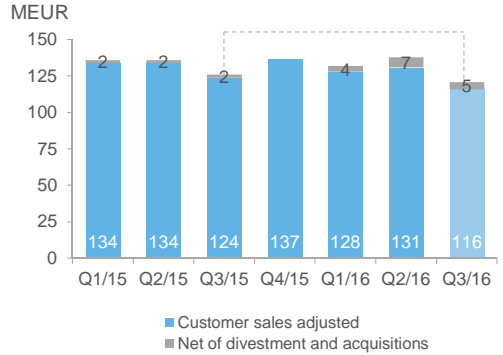
- EUR 121 (126) million, -4%, decline of 4% in local currencies

Sales split by service line

	Q3/2016	Q3/2015
TSM	63%	64%
BCI	15%	14%
IS	23%	22%

Q3 highlights

- Sales affected by the acquisition of Imano and Smilehouse
- Sales were down due to anticipated lower project business volumes for one Telecom customer and the expiry of one outsourcing contract in Media
- Positive development in the energy utilities and manufacturing segment continued
- Significant agreements with Kesko, S Group and Lyse



Performance drivers 2016

Full year – IT services

We aim to grow faster than the market, growth supported by acquisitions

Automation and industrialization expected to result in savings of around 30 mEUR in total

Growth initiatives supported by recruitments and higher offering development

Anticipated restructuring less than 1% of sales

1–9/2016 – IT services

Growth of 5%, organically 2%

Savings amounted to 25 mEUR

Increase in net recruitments: 18 mEUR (9 mEUR in Q3)
Offering development costs up by 9 mEUR

Restructuring costs 0.6% of sales

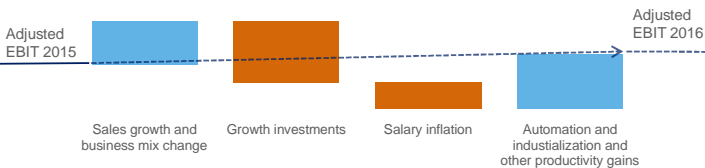
End of year dynamics

Healthy growth

5 mEUR / qrt + additional productivity gains

Recruitment peak in Q2, limited new hires
Investment pace slightly slower

Performance drivers in IT services in 2016



We implement the strategy in phases



Guidance for 2016 unchanged

Tieto expects its full-year adjusted operating profit^{*)} (EBIT) to increase from the previous year's level (EUR 150.8 million in 2015).

Based on European Securities and Markets Authority (ESMA) regulation, Tieto will report adjusted operating profit in 2016

^{*)} Adjusted for restructuring costs, capital gains/losses, goodwill impairment charges and other items



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