

Tieto Q1 2016

Healthy growth in IT services and
continued profitability improvement

26 April 2016

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The Tieto logo is located in the bottom right corner of the slide. It consists of the word "tieto" in a white, lowercase, sans-serif font, set against a blue triangular background that points towards the top right.

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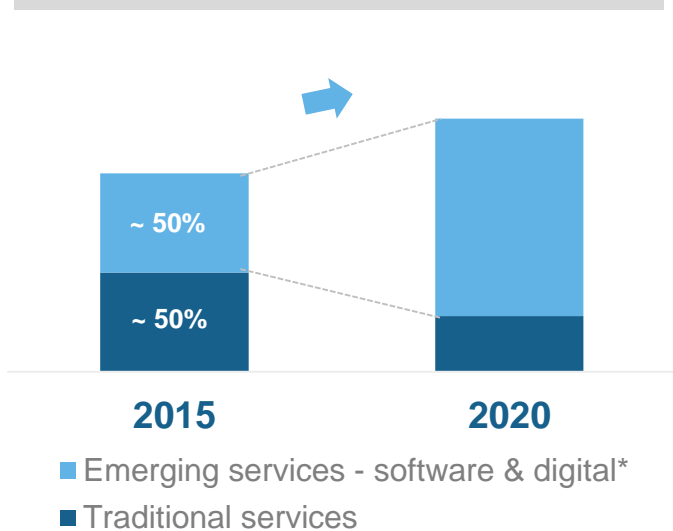
Q1 2016 in brief

Healthy growth in IT services and continued profitability improvement

- Industry Products driving growth – in line with the ambition to expand software businesses
- Product Development Services performing well
- New strategy to accelerate innovation and growth launched

Business mix shifting towards high-growth services

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



Sales growth in
2016–2020 (CAGR)

UP BY
10–20 %

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

DOWN BY
5–10%

Traditional infrastructure and application services

Development in Q1 2016

- Current high-growth businesses**
 - ~EUR 75 million, 23% of IT services sales
 - Growth 25%
- Other emerging services and solutions**
 - ~EUR 115 million, 35% of IT services sales
 - Growth 17%
- Traditional services**
 - ~EUR 140 million, 42% of IT services sales
 - Down by 7%

*Includes current 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%

Defined growth businesses drive growth

Additionally investments in a dynamic portfolio of over ten industry solutions

Cloud Services

- Strong 72% growth
- Investments in integrated private and public cloud services

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

Lifecare

- Growth of 6% outpace the market
- National eArchive deliveries for private segment started

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

CEM

- Sales up by 31%
- Several innovation, advisory and new installation cases, e.g. Elo and Cargotec

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

Industrial Internet

- Focus on several use-cases, e.g.
Machines: Komatsu
Fleets: Cargotec
MacGregor
Analytics: Valmet, HUS (Hospital District of Helsinki and Uusimaa)

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

Security Services

- Focus on development
- Tieto Security Wall launched, new services in the pipeline

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

Tieto drives scale and repeatability through investments in software businesses, with start-up businesses providing exponential growth

- Dynamic portfolio of over ten industry solutions
- New data-driven businesses
- Selective international expansion

Financial development

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Q1 2016 key figures

Net sales

- EUR 367 (366) million, +0.5%, growth of 1.4% in local currencies
 - Acquisitions added EUR 16 million
 - Divestments impacted EUR 2 million
 - Currency EUR -3 million
- In IT services, sales growth 6.0%, or 7.0% in local currencies

EBIT

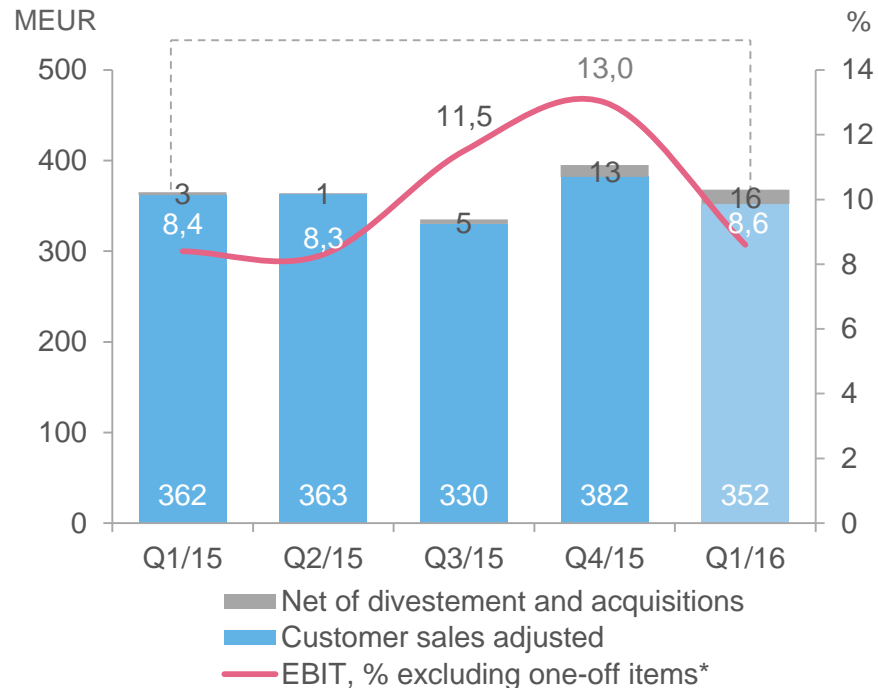
- EBIT EUR 28.3 (13.9) million, 7.7% (3.8%)
- Adjusted EBIT* EUR 31.5 (30.7) million, 8.6% (8.4%)

Order backlog

- Order backlog EUR 1 907 (1 819) million
- Total Contract Value EUR 325 (430) million
- Book-to-bill 0.89 (1.18)

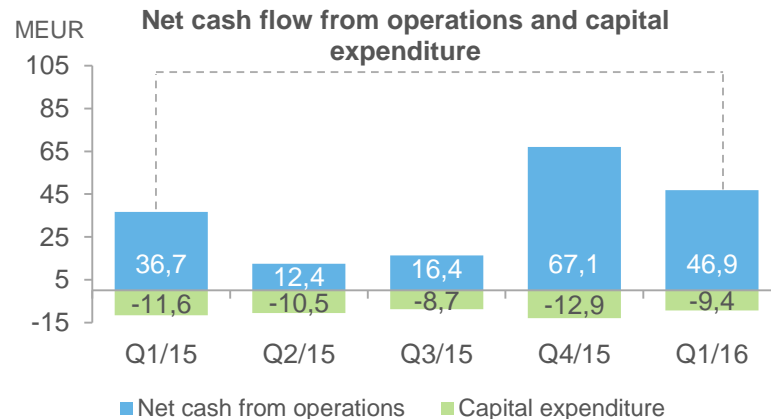
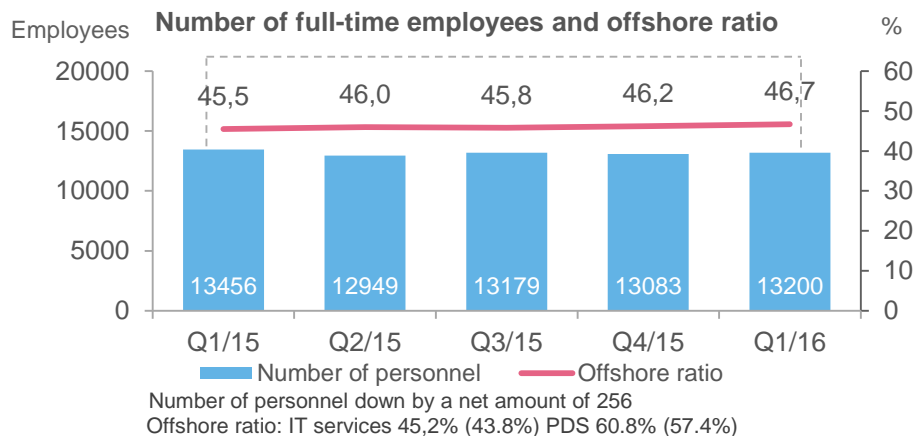
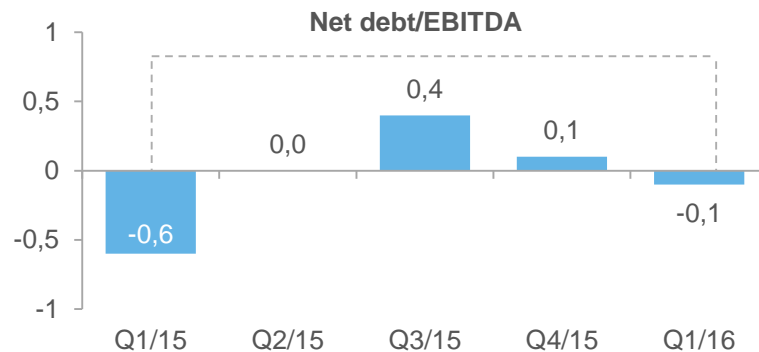
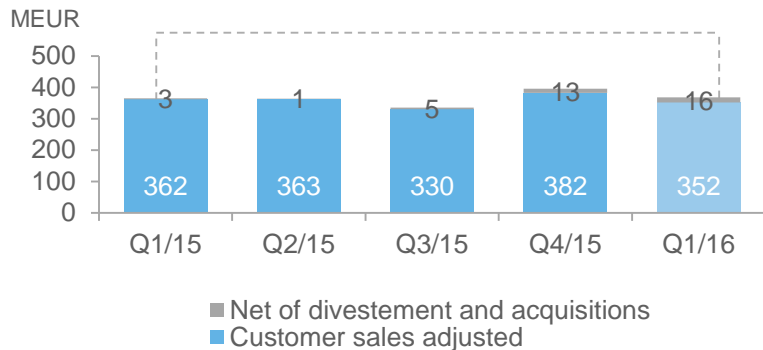
Earnings per share

- EPS EUR 0.29 (0.12)
- EPS EUR 0.33 (0.31), adjusted*

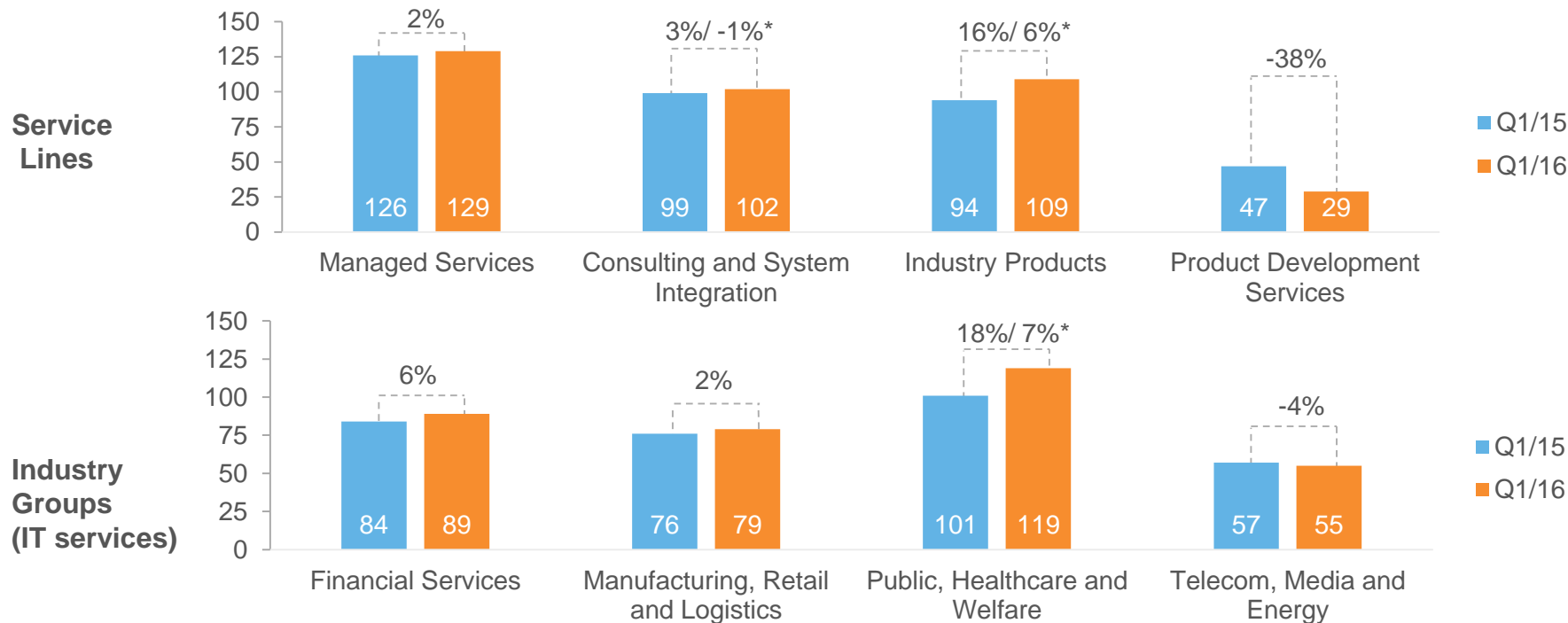


*) adjusted for restructuring costs, capital gains/losses, goodwill impairment charges and other items

Quarterly development

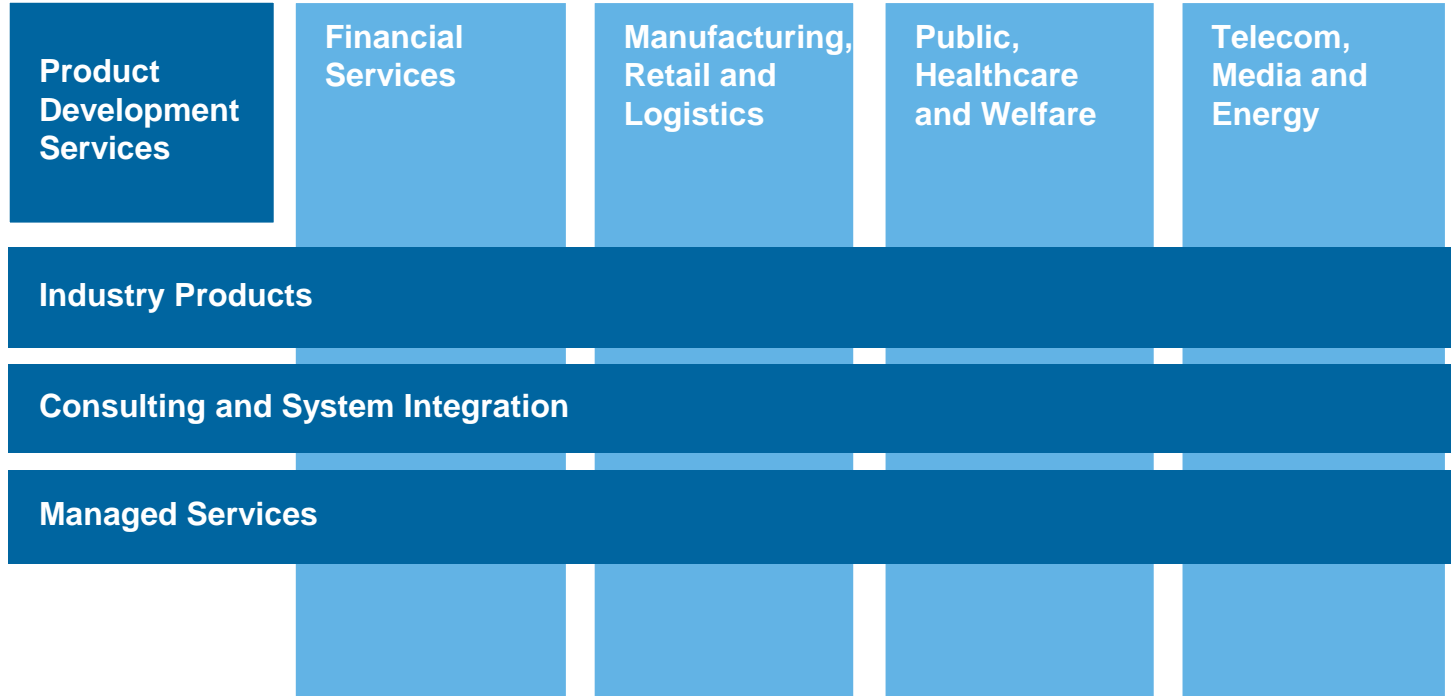


Growth in local currencies by Service Line and Industry Group



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

Service Lines



Managed Services

Customer sales in Q1

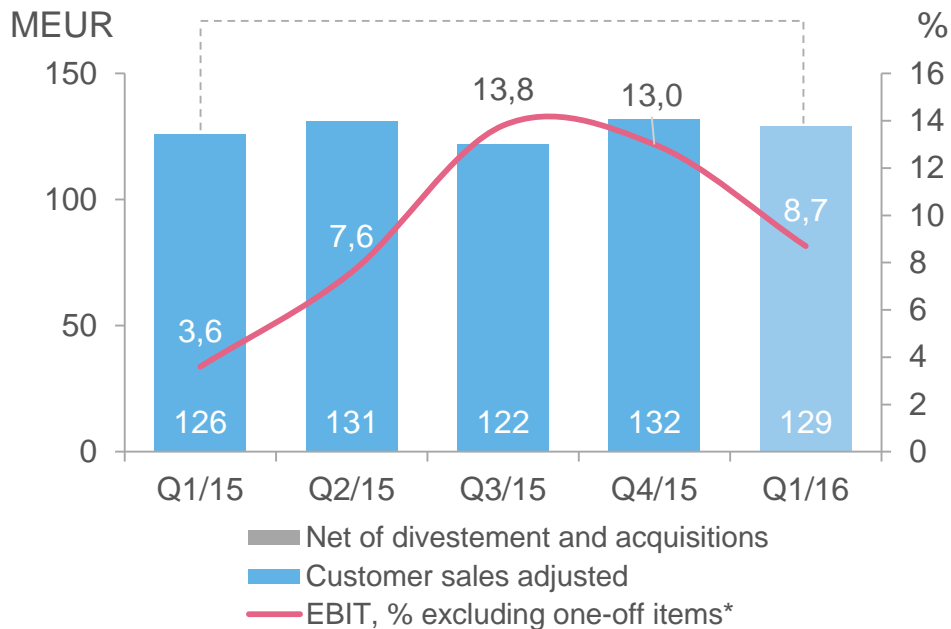
- EUR 129 (126) million, +2%, growth of 2% in local currencies

EBIT

- EBIT EUR 10.8 (-8.3) million, 8.4% (-6.6)
- Adjusted EBIT* EUR 11.3 (4.6) million, 8.7% (3.6)

Q1 highlights

- Cloud sales up by 72% in Q1, representing 20% of MS sales
- Transformation with automation, offshore transfers and new launches continued
- Operating profit improvement mainly due to the savings related to the automation programme
- Competitive cloud portfolio enhanced with investments in integrated private and public cloud services
- Operating margin will be supported by automation also in Q2



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Consulting and System Integration

Customer sales Q1

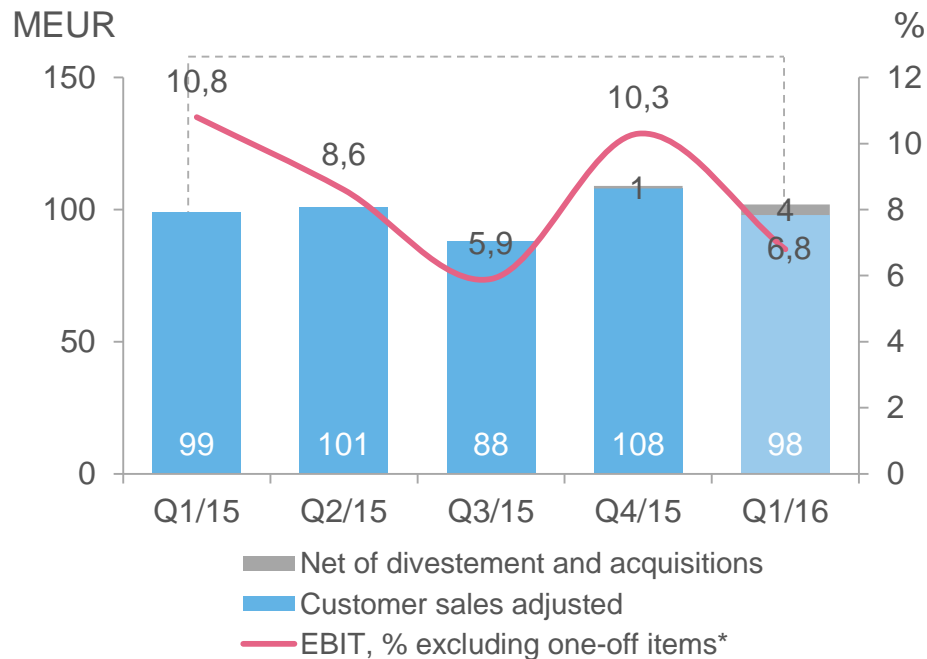
- EUR 102 (99) million, +3%, growth of 3% in local currencies
- Organic growth in local currencies -1%

EBIT

- EBIT EUR 5.6 (8.2) million, 5.5% (8.3)
- Adjusted EBIT* EUR 7.0 (10.8) million, 6.8% (10.8)

Q1 highlights

- Acquisition of Smilehouse and Imano support growth
- Demand strongest for packaged solutions and CEM
 - Double-digit growth also in cloud services, incl. integration and Value Networks
- Sales for customized application management down
 - Future industrialization driving efficiency
- Short-term pressure in utilization rate
 - A number of projects delayed as anticipated
 - Recruitments in new growth areas
- Utilization rates are expected to improve in H2
 - Margin anticipated to remain below the previous year's level in Q2



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Industry Products

Customer sales Q1

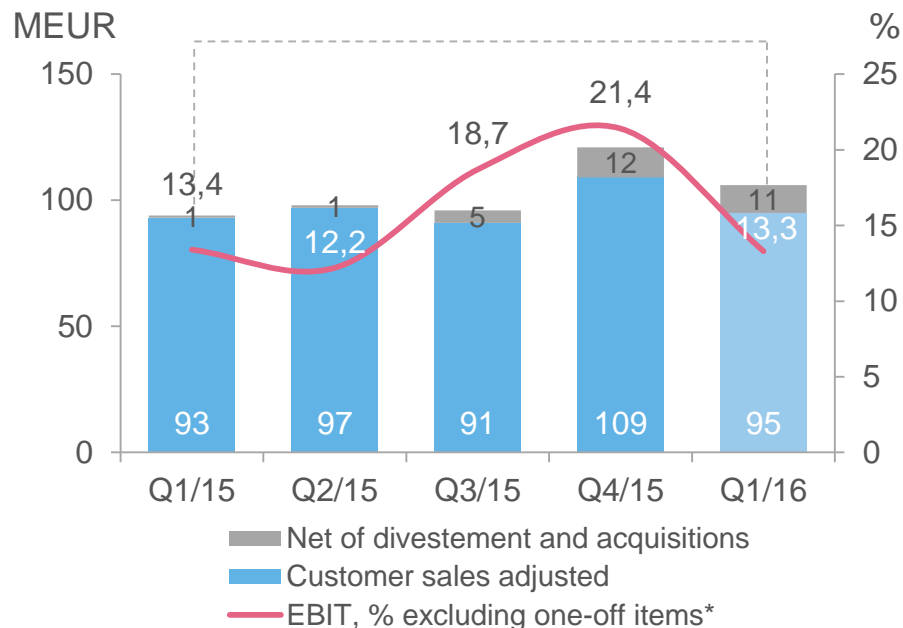
- EUR 107 (94) million, +13%, growth of 16% in local currencies
- Organic growth in local currencies 6%

EBIT

- EBIT EUR 13.8 (12.6) million, 13.0% (13.3)
- Adjusted EBIT* EUR 14.1 (12.7) million, 13.3% (13.4)

Q1 highlights

- Strongest development in Financial Services and Public, Healthcare and Welfare, up by 16% and 35% (in local currencies), respectively
- Healthcare and Welfare solutions (Lifecare) growth 6%
- Sales affected by the acquisition of Software Innovation and the divestment of Lean
- The oil and gas segment impacted by a change in delivery model and challenging market conditions
- Operating profit somewhat up
 - Improvement partly offset by new recruitments, especially in Financial Services
 - Offering development costs up by EUR 2 million
- Margin trend expected to follow the previous year's path



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Product Development Services

Customer sales Q1

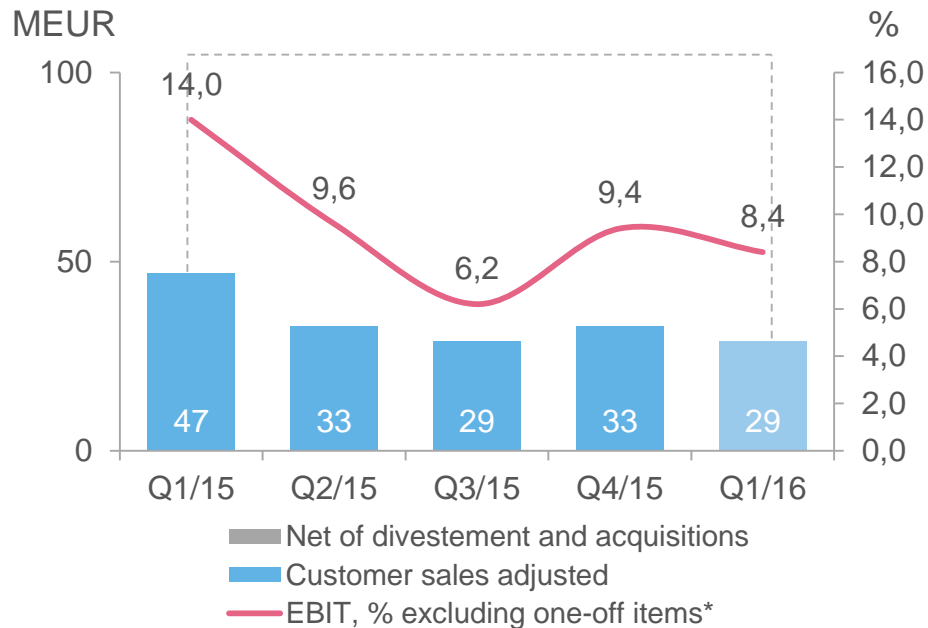
- EUR 29 (47) million, -37%, decline of 37% in local currencies

EBIT

- EBIT EUR 2.6 (6.5) million, 9.0% (14.0)
- Adjusted EBIT* EUR 2.4 (6.5) million, 8.4% (14.0)

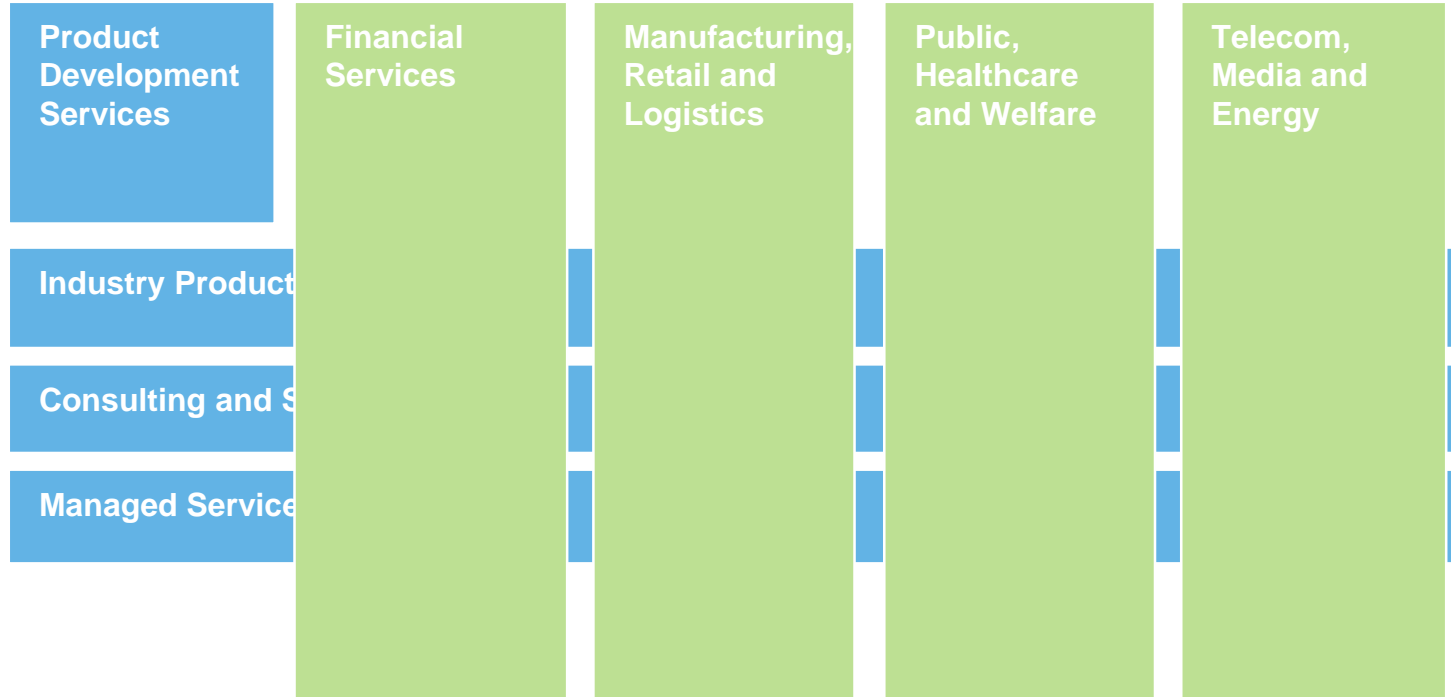
Q1 highlights

- Increased demand in telecom cloud network function virtualization and software-defined networking
- Increased pipeline in new growth areas
- Operating profit as expected – Q1 in 2015 was exceptionally high as it included income related to temporary commercial terms
- Healthy cost structure
- Operating margin expected to remain in a range below 10%



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Industry Groups



Financial Services

Customer sales Q1

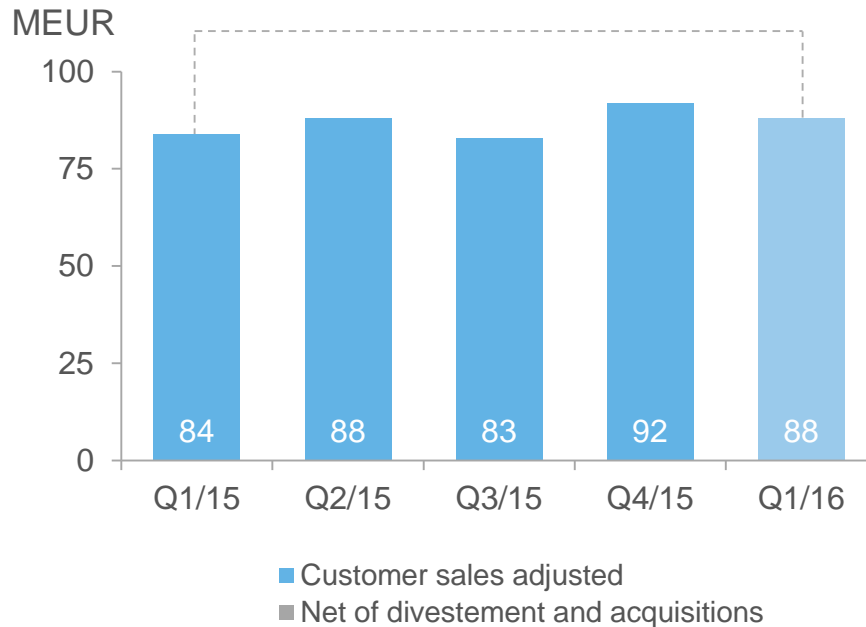
- EUR 88 (84) million, +5%, growth of 6% in local currencies

Sales split by service line

	Q1/2016	Q1/2015
MS	45%	48%
CSI	22%	21%
IP	33%	31%

Q1 highlights

- Strong growth in Industry Products
 - Strong performance in a number of solutions, such as Payments and Bank as a Service solutions in the SME segment
- Good demand all across the banking and insurance segments
- Good growth in Finland and Sweden as well as global payments markets



Manufacturing, Retail and Logistics

Customer sales Q1

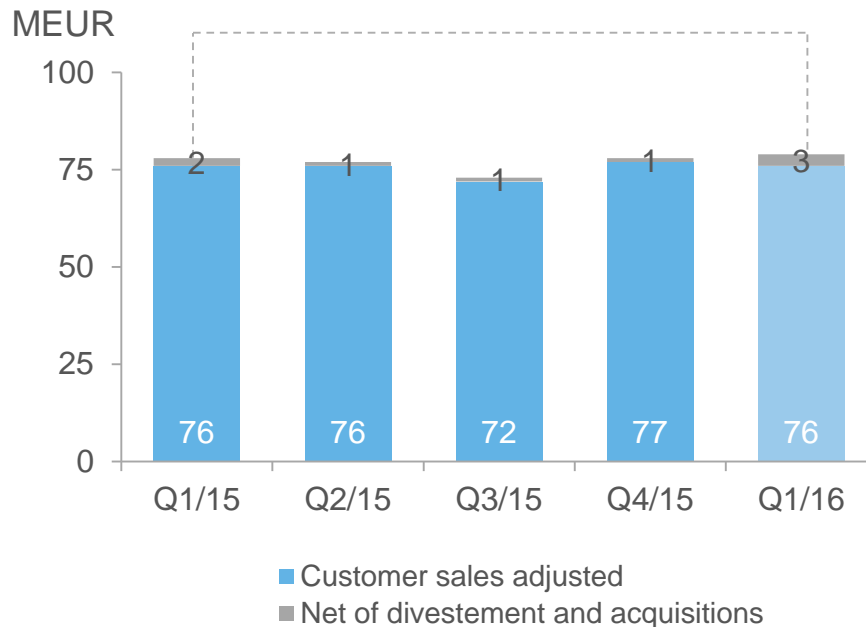
- EUR 79 (78) million, +2%, growth of 2 % in local currencies

Sales split by service line

	Q1/2016	Q1/2015
MS	51%	51%
CSI	41%	40%
IP	8%	9%

Q1 highlights

- Sales affected by the acquisition of Smilehouse and Imano and the divestment of Lean
- Positive development continued in the manufacturing sector due to several new agreements
- Delayed investment decisions in the retail sector in Finland, affecting CSI business
- New agreements with Volvo Car Retail Solutions, Nelly.com, Boliden



Public, Healthcare and Welfare

Customer sales Q1

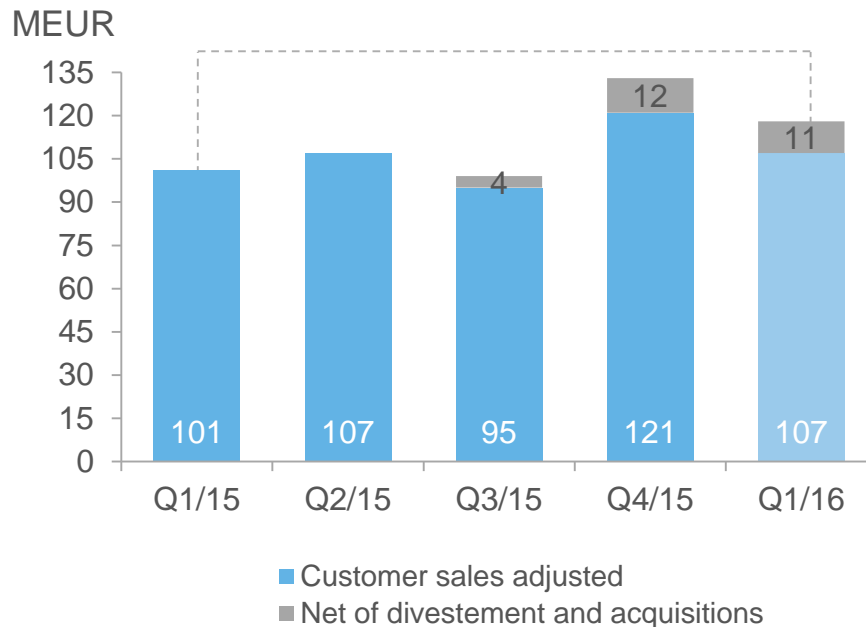
- EUR 118(101) million, +17%, growth of 18% in local currencies
- Organic growth in local currencies 7%

Sales split by service line

	Q1/2016	Q1/2015
MS	34%	36%
CSI	22%	25%
IP	44%	39%

Q1 highlights

- Strong growth driven by Industry Products
- Acquisition of Software Innovation added EUR 11 million in sales
- Demand remained good across all segments, Healthcare and Welfare sector and the public sector in Finland and Sweden



Telecom, Media and Energy

Customer sales Q1

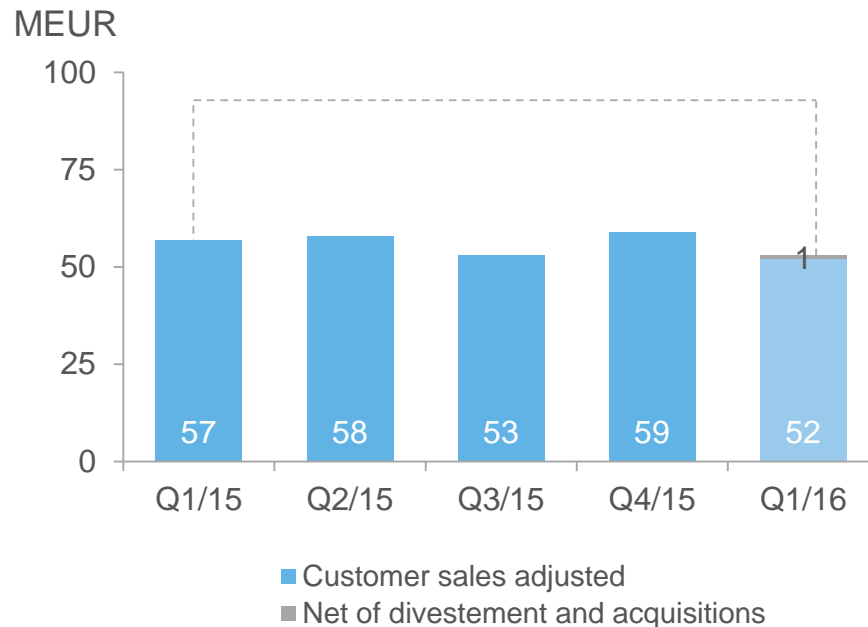
- EUR 53 (57) million, -7%, decline of 4% in local currencies

Sales split by service line

	Q1/2016	Q1/2015
MS	16%	17%
CSI	49%	45%
IP	35%	38%

Q1 highlights

- Sales were down as anticipated due to the expiry of some outsourcing contracts in Media
- Positive development in the energy utilities segment continued and sales to the telecom segment remained at the previous year's level
- In oil and gas segment, improved price competitiveness while impacted by a change in delivery model and challenging market conditions
- Tieto Smart Utility Suite launched in 2015, first go-live successfully completed in January



Performance drivers in 2016

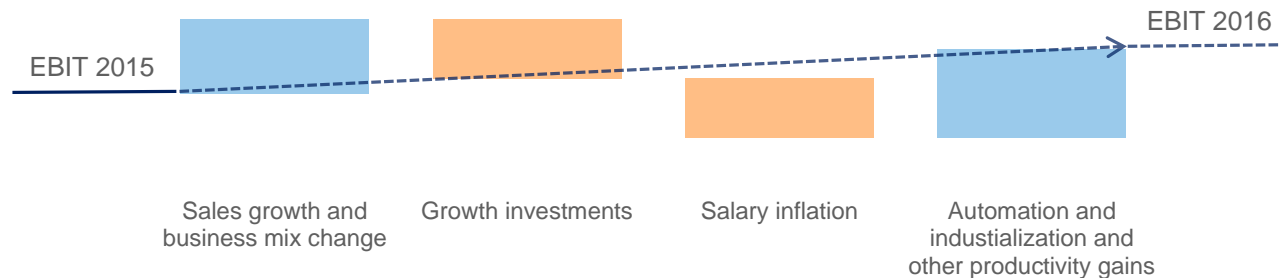
IT services

- We aim to grow faster than the market, supported by acquisitions
- Productivity gains carry to 2016
- Growth initiatives supported by recruitments and higher offering development
- Anticipated restructuring less than 2% of sales

Product Development Services

- Healthy cost structure for the existing business, margin expected to remain in a range below 10%

Profitability drivers in IT services



Strategy 2016–2020

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We are now positioned to accelerate innovation and growth



- ✓ Vertical industry insight, consulting, software and solutions
- ✓ Full life-cycle IT services
- ✓ Growth businesses and internal start-ups
- ✓ Industrialized services and automation
- ✓ Quality and efficiency
- ✓ Competitive delivery centers
- ✓ Capability renewal
- ✓ Financial development

Tieto strategy 2012–2016

The market provides great opportunities for renewing our customers' business

Key trends

Consumer expectations for on-demand, personalized services

Ageing population and workforce imbalance

Data-driven economy

Open ecosystems and architectures

Security vulnerability

Rise of entrepreneurship

Demand for new services

WORLD OF DUALITY

Demand for extreme productivity

Co-innovate data-driven businesses

AGILE ENTERPRISES & SOCIETY

Opportunities for Tieto

Renew and optimize customers' business and IT



Tieto strategy 2016–2020

We aim to be our customers' first choice for business renewal

Services to accelerate customer value

Build solutions and capabilities to accelerate our customers' business performance and renewal.

Nordic leadership and international expansion

Further accelerate our strong market position in the Nordics and expand industry solutions internationally.

Openness and co-innovation

Co-innovate with customers and partners, access open talent networks and drive continuous skill and capability development.

Business choices building on our strengths

- ✓ Vertical industry solutions
- ✓ Technology services and modernization
- ✓ New data-driven businesses

Upgraded growth ambition – while maintaining profitability focus and attractive dividend policy

Ambition 2020

- **IT services revenue growth above the market (CAGR)**
- **10% reported operating margin (EBIT)**
- **Aim is to increase dividends annually in absolute terms**
- **Net debt / EBITDA 1.5 as an upper limit in the long run**

The leading Nordic software and services company with the aim to be customers' first choices for business renewal

Guidance for 2016

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



Q1 2016 in brief

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