



# Q3 2019

## INTERIM REPORT

JANUARY–SEPTEMBER

### **Strong growth and profitability**

- Record-high third-quarter adjusted profit of EUR 50 million, margin at 13%
- Growth of 5% in local currencies
- Third-quarter profit driven by strong performance in all businesses, execution of efficiency improvement programme and positive working day impact
- Merger integration planning continues on schedule - new TietoEVERY Group Leadership appointed



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# Key figures for the third quarter

- Net sales increased by 3.4%, sales in local currencies were up by 4.6%
- Adjusted operating profit amounted to EUR 50.1 (43.0) million, 13.2% (11.7) of sales

M&A impact visible in the tables of [the Financial Performance section](#).

	7-9/2019	7-9/2018	1-9/2019	1-9/2018
Net sales, EUR million	379.6	367.1	1 191.2	1 177.6
Change, %	3.4	3.4	1.2	3.9
Change in local currencies, %	4.6	7.3	2.6	7.1
Operating profit (EBIT), EUR million	37.8	40.4	92.7	109.0
Operating margin (EBIT), %	10.0	11.0	7.8	9.3
Adjusted <sup>1)</sup> operating profit (EBIT), EUR million	50.1	43.0	125.0	117.1
Adjusted <sup>1)</sup> operating margin (EBIT), %	13.2	11.7	10.5	9.9
Profit after taxes, EUR million	21.9	33.0	67.0	87.6
EPS, EUR	0.30	0.45	0.91	1.19
Net cash flow from operations, EUR million	69.6	18.7	150.0	92.5
Return on equity, 12-month rolling, %	23.7	27.8	23.7	27.8
Return on capital employed, 12-month rolling, %	18.5	23.5	18.5	23.5
Capital expenditure, EUR million	11.6	9.6	33.5	28.3
Acquisitions, EUR million	0.1	—	0.7	10.2
Interest-bearing net debt, EUR million	309.1	199.7	309.1	199.7
Net debt/EBITDA <sup>2)</sup>	1.3	1.0	1.3	1.0
Order backlog	1 649	1 564	1 649	1 564
Personnel on 30 September	15 175	15 109	15 175	15 109

<sup>1)</sup> Adjusted for amortization of acquisition-related intangible assets, restructuring costs, capital gains/losses, goodwill impairment charges and other items affecting comparability.

<sup>2)</sup> EBITDA is 12-month average and is modified to reflect the impact of IFRS 16 on depreciations.

## Full-year outlook for 2019 unchanged

Tieto expects its full-year adjusted<sup>1)</sup> operating profit (EBIT) to increase from the previous year's level (EUR 168.0 million in 2018) added by the impact of IFRS 16<sup>2)</sup> to maintain comparability after the adoption of the new standard.

<sup>1)</sup> Adjusted for amortization of acquisition-related intangible assets, restructuring costs, capital gains/losses, goodwill impairment charges and other items affecting comparability.

<sup>2)</sup> The company estimates that the adoption of IFRS 16 will have a positive impact on operating profit in 2019. In the nine-month period, the impact on EBIT was EUR 2.7 million. Comparative periods are not restated. More information on the adoption of the standard can be found in the [Accounting Policies](#) in the tables section.

# CEO's comment

## Comment regarding the interim report by Kimmo Alkio, President and CEO:

"I am very pleased that we delivered record-high third-quarter performance for the company. It is gratifying to see all of our businesses performing well - and delivering 5% local currency growth. Especially our Hybrid Infra business outperformed the market with favourable volume development and cloud sales growth of 23%.

Our strategic renewal continued with an emphasis on data-driven services, simplified operations and efficiency improvement. Following the completion of our significant organizational change in the early part of this year, operational execution was at a healthy level in the third quarter. Our global Tieto community has quickly adapted to the ongoing strategic and operational change, which is an important capability in a rapidly evolving industry like ours.

During the quarter, we again received significant industry recognitions. Our innovation agenda has been well received in the market and we were recognized as a Top 25 global provider of financial technology by the IDC FinTech Rankings for the third consecutive year. Additionally, Tieto was again ranked among

the Top 3 companies in the technology sector in Equileap's 2019 Global Gender Equality Ranking.

Integration planning for the merger of Tieto and EVERY is on schedule as we wait for approvals from the competition authorities. The integration planning focuses on cultural integration, operational readiness and synergy implementation. Recently, we also announced a new Group Leadership for TietoEVERY. These appointments will come into effect after the closing of the merger, which we expect to take place during the fourth quarter, or the first quarter of 2020 at the latest. I firmly believe that everyone in the management will make a significant contribution to full merger implementation and delivering on our objective of creating the leading digital services company in the Nordics. With the combined strengths of both Tieto and EVERY, we will be able to accelerate growth and to achieve higher performance in support of the interests of our customers, employees and shareholders. I personally look forward to this very exciting time of joining forces with EVERY."

# The quarter in short

## Growth

Sales in local currencies were up by 5%. Hybrid Infra growth of 7% was supported by strong growth in cloud services. Positive working day impact contributed to healthy development, but negative currency changes continued.

## Adjusted operating margin

The record-high third-quarter adjusted operating profit and margin of 13% were driven by strong performance in all businesses, the efficiency improvement programme and positive working day impact.

## Strategy implementation

Execution of the new strategy is proceeding as planned. Investments to drive data-rich innovations and renewal of industry-specific software continued in the third quarter. Operational simplification is proceeding well. Tieto anticipates that it will achieve gross savings of over EUR 15 million through the programme during 2019. Close to half of the savings were achieved in the third quarter.

## Personnel

While attrition rates have been on the rise in the IT industry, Tieto has been successful in retaining and attracting new talent. The company's net recruitment totalled over 500 during the nine-month period.

## Merger of Tieto and EVRY

As announced on 18 June, Tieto and EVRY have decided to join forces to create a leading Nordic digital services and software company with combined revenue of close to EUR 3 billion and 24 000 professionals. Both companies' Shareholders' Meetings approved the merger in September. A new Group Leadership for the combined company was recently appointed. These appointments will come into effect after the closing of the merger, which is expected to take place during the fourth quarter, or the first quarter of 2020 at the latest.

## Industry recognitions

Tieto's innovation agenda has been well received in the market. The company was most recently recognized as a Top 25 global provider of financial technology in the IDC FinTech Rankings. Tieto was also once again ranked among the Top 3 companies in the technology sector in Equileap's 2019 Global Gender Equality Ranking, which evaluated more than 3 000 companies around the world.



# IT market development

The IT market continues to be dynamic, offering good opportunities for co-innovation with customers. Data is the prime enabler of the change and a large-scale revamp of business models is needed across industries. Enterprises and public institutions are increasing their investments in innovating new differentiating experiences, providing a significant opportunity for IT service providers. Operational agility and efficiency while ensuring business continuity remain high on customers' agenda.

In 2019, the Nordic IT market is anticipated to grow by 2–3%. The mix is continuing to see a major shift, with increased spending on consulting and application services and reduced spending on basic infrastructure services. The market for new services built around design, data and new cloud-native applications is anticipated to grow in the double digits.

Technology forms the backbone of the pursuit of this agenda. It is assumed that well-orchestrated hybrid infrastructure will ensure business agility and optimize costs. The technology

architectures remain hybrid across public cloud, private cloud and on-premise platforms. Public cloud is assuming a greater significance while demand for private cloud and traditional infrastructure services is expected to remain good. Spending on public cloud is expected to grow annually by 25–30% and private cloud by 10–15% in the coming years.

The outsourcing market is shifting to be more application-centric, with increased efficiency requirements and price erosion in infrastructure services. Customers are moving towards multisourcing and focusing on agile development practices, due to which the sizes of contracts are smaller.

Demand for people and skills remains high. The same technology capabilities as in the software and IT services sector are needed across all industries.

# New strategy to enhance competitiveness

The change towards a more personalized and real-time world is accelerating and data is the key enabler of this development. Enterprises and public organizations are increasing their investments in new service experiences for their customers. To gain an active role in the rapidly changing market, Tieto has taken the next big leap in its renewal. With its new strategy launched in February 2019, the company aims to enhance competitiveness further.

## Digital Experience as the main growth driver

Tieto has chosen to focus on services enabling customers' competitiveness and providing Tieto with the strongest growth potential. The company supports clients in their digital transformation through the design of differentiating service experiences, smart use of data and hybrid cloud solutions. The related services range from consulting to implementation and running the solutions.

Digital citizen services and preventive healthcare are examples of the new cutting-edge services Tieto has been developing. Tieto anticipates that it will add 2 500–3 000 competences to digital experience-related roles during the strategy period. The company currently has strong capabilities in many key areas, such as customer experience

management, where Tieto has around 700 experts. A major part of future investments is targeted at offering and competence development in the digital experience area.

## Investments in scalable industry software continue

In addition to accelerating digital experience services, the company continues to focus on the Industry Software, Hybrid Infrastructure and Product Development Services businesses. Tieto continues to invest in scalable industry software businesses and drive international expansion of selected globally competitive businesses. With strong capabilities and leading industry software, Tieto is well positioned to ensure customers' business-critical processes.

With its strong infrastructure foundation, Tieto Hybrid Infra continues to ensure Nordic customers' business continuity, efficiency and renewal. Product Development Services continues to focus on delivering software R&D services to connect customers' products. The scope of the services is global and Product Development Services continues to expand its customer base beyond the telecom sector.

## Networked ways of working enabling faster time to market and simplified operations

The market change towards shorter and more agile innovation and development sprints is calling for new ways of working. Tieto has adopted networked, simplified ways of working that have eliminated overlapping roles of an administrative nature. This change ensures both faster access to relevant capabilities for customers and faster time to market.

Tieto's operating model has been aligned to the strategy launched in February 2019. Implementation of the new simplified structure has been completed and the following businesses constitute reportable segments for Tieto:

- Digital Experience
- Hybrid Infra
- Industry Software
- Product Development Services.

Tieto's financial reporting has been adjusted to reflect the new segment structure. New comparison numbers for 2018 and the first quarter of 2019 were published on 28 June and are available on [Tieto's website](#).

The company anticipates that operational simplification will affect around 700 roles globally and result in annualized gross savings of EUR 30–35 million.

## Tieto's financial ambition as announced at the strategy launch in February 2019<sup>3)</sup>

- Growth over 5% (CAGR 2019–2022) – with continued active M&As supporting growth
- Adjusted operating margin 13%<sup>1)</sup> – main drivers include growth, simplified operations and automation
- Net debt/EBITDA below 2.0 in the long term<sup>2)</sup>
- Aim is to increase base dividend annually in absolute terms

<sup>1)</sup> Adjusted for amortization of acquisition-related intangible assets, restructuring costs, capital gains/losses, goodwill impairment charges and other items affecting comparability (in accordance with IFRS 16, effective as from 1 Jan 2019).

<sup>2)</sup> In accordance with IFRS 16, effective as from 1 Jan 2019 – equals around 1.5 prior to IFRS 16.

<sup>3)</sup> Subject to change after the planned merger of Tieto and EVRY.

## Performance drivers 2019

Tieto aims to grow faster than the market in local currencies during the year. To support this ambition, Tieto is committed to actions driving competitiveness and will continue its investments in innovation and growth.

Acquisitions completed in 2018 supported the ambition of accelerating growth in 2019. Aggregated annual sales of the companies acquired in 2018 amounted to around EUR 13 million, of which EUR 4 million was included in Tieto's sales in 2018.

Performance drivers also include:

- investments in offering development
- recruitments in new service areas and related competence development
- salary inflation
- continued drive for competitiveness and efficiency.

At the Group level, full-year offering development costs are anticipated to remain at around 5% of Group sales. Capital expenditure (CAPEX) is anticipated to remain below 4% of Group sales.

Tieto continues to invest in new capabilities and competences. During the nine-month period, net recruitments amounted to over 500. Salary inflation is anticipated to amount to over EUR 30 million in 2019, partly offset by increasing offshoring and management of the competence pyramid.

The redundancies implemented by the end of September amounted to close to 700. The simplification is anticipated to result in annualized gross savings of EUR 30–35 million. Over EUR 15 million in savings is expected to affect performance in the second half of 2019, of which close to half was achieved in the third quarter. Tieto estimates that related restructuring costs will amount to around EUR 20 million. Of restructuring costs booked in the nine-month period, around EUR 18 million are related to the programme.

## Tieto and EVRY joining forces to create a leading Nordic digital services company

On 18 June, Tieto and EVRY announced a merger agreement to create one of the most competitive digital services and software companies in the Nordics. With combined revenue of close to EUR 3 billion and 24 000 professionals, the combined company will be well positioned to create digital advantage for Nordic enterprises and society. The transaction will be highly complementary from a geographical, offering and customer perspective. The merger was approved by the Extraordinary General Meetings (EGM) of Tieto and EVRY on 3 and 2 September, respectively, while completion is conditional on customary merger control approvals.

The merger drives scale, longer-term revenue synergies, as well as innovation through combined targeted investments. The combination is expected to create value for shareholders through targeted cost synergies of around EUR 75 million annually, to be achieved through efficiencies in delivery and selling, general and administrative expenses, and portfolio and investment rationalization. The company expects that a significant part of cost synergies will materialize within the first 12 months. Around 60% of savings will be achieved by the end of 2021 and 90% by the end of 2022. The company estimates that non-recurring implementation costs, anticipated

to materialize by 2022, will amount to EUR 120–140 million. TietoEVERY will inform, consult and/or negotiate with the respective employee representatives and/or unions about the social, financial and legal consequences of the contemplated merger in accordance with applicable laws and regulations. The company will continue examining further synergy possibilities.

In September 2019, the company signed credit facilities to support the merger. Nordea Bank Abp and Skandinaviska Enskilda Banken AB (publ) act as Underwriting Bookrunners and Mandated Lead Arrangers for the facilities. The financing structure includes a EUR 300 million bridge loan facility, a EUR 400 million term loan facility and a EUR 250 million multi-currency revolving credit facility. The Bridge Loan Facility is provided by the Underwriting Bookrunners and Mandated Lead Arrangers and the other facilities were syndicated to another nine banks. The facilities are conditional to the closing of the merger.

Following the transaction, TietoEVERY's net debt/EBITDA ratio will increase and temporarily exceed the target level of 2.0. However, the company foresees that healthy free cash flow development will enable attractive dividends and deleveraging and expects to achieve the targeted level of below 2.0 in two to three years. TietoEVERY together with the new Board of Directors will re-evaluate its financial targets, including dividend policy, in due course.

The company expects that the costs related to the merger, subject to its approval, will be in the range of EUR 15–20 million and affect operating profit in the second half of 2019 (reported in adjusted items).



# Financial performance in July–September

Tieto's third-quarter reporting is based on the new segment structure adopted as from the second quarter of 2019.

Third-quarter net sales increased by 3.4% to EUR 379.6 (367.1) million, or growth of 4.6% in local currencies. Currency fluctuations had a negative impact of EUR 4 million on sales, mainly due to the weaker Swedish Krona. On the other hand, there was one working day more than in the third quarter of 2018.

Third-quarter operating profit (EBIT) amounted to EUR 37.8 (40.4) million, representing a margin of 10.0% (11.0). Operating profit included EUR 6.9 (2.5) million in restructuring costs, mainly related to the adoption of the new simplified structure in the second quarter of 2019. Adjusted<sup>1)</sup> operating profit stood at EUR 50.1 (43.0) million, or 13.2% (11.7) of net sales. Improvement in adjusted operating profit was attributable to strong performance in all businesses, the execution of the efficiency improvement programme and positive working day impact. Tieto anticipates that it will achieve gross savings of over EUR 15 million through the programme during 2019. Around half of the savings was achieved in the third quarter. Further details on third-quarter adjustments are available in the [Segment Information](#) paragraph in the tables section. Tieto capitalized EUR 3.9 (1.7) million in offering development costs. Costs including both expensed and capitalized offering

development investments remained at the level of the third quarter of 2018. Operating profit also included a positive impact of EUR 0.7 million based on the adoption of IFRS 16. The IFRS 16 impact on affected key figures is available in the [Accounting Policies](#) section. Currency changes had a negative impact of around EUR 1 million on operating profit, and profitability was affected by salary inflation.

Depreciation and amortization amounted to EUR 24.4 (13.0) million, including EUR 11.9 million in depreciation of right of use assets (IFRS 16 impact) and EUR 1.1 (1.4) million in amortization of acquisition-related intangible assets. Net financial expenses stood at EUR 8.8 (income 0.3) million. Net interest expenses were EUR 1.6 (0.4) million and net losses from foreign exchange transactions EUR 6.5 (gains 0.9) million, resulting mainly from hedging of Norwegian Krona denominated currency exposure related to the merger agreement of Tieto and EVRY. Other financial income and expenses amounted to EUR -0.7 (-0.2) million.

Earnings per share (EPS) totalled EUR 0.30 (0.45). Adjusted<sup>1)</sup> earnings per share amounted to EUR 0.45 (0.46).

<sup>1)</sup> Adjusted for amortization of acquisition-related intangible assets, restructuring costs, capital gains/losses, goodwill impairment charges and other items affecting comparability.

## Financial performance by segment

EUR million	Customer sales 7–9/2019	Customer sales 7–9/2018	Change %	Operating profit 7–9/2019	Operating profit 7–9/2018
Digital Experience	107.6	105.9	2	11.8	11.1
Hybrid Infra	131.1	124.1	6	18.1	15.2
Industry Software	107.0	104.7	2	13.9	16.6
Product Development Services	33.6	31.9	5	3.3	3.1
<b>Segments total</b>	<b>379.4</b>	<b>366.7</b>	<b>3</b>	<b>47.0</b>	<b>46.0</b>
Other operations	0.2	0.5	-60	-9.2	-5.6
<b>Group total</b>	<b>379.6</b>	<b>367.1</b>	<b>3</b>	<b>37.8</b>	<b>40.4</b>

## Operating margin by segment

	Operating margin 7–9/2019	Operating margin 7–9/2018	Adjusted <sup>1)</sup> operating margin 7–9/2019	Adjusted <sup>1)</sup> operating margin 7–9/2018
Digital Experience	10.9	10.5	14.5	10.9
Hybrid Infra	13.8	12.2	15.5	12.5
Industry Software	13.0	15.8	15.2	16.9
Product Development Services	9.7	9.7	9.6	9.9
<b>Total</b>	<b>10.0</b>	<b>11.0</b>	<b>13.2</b>	<b>11.7</b>

<sup>1)</sup> Adjusted for amortization of acquisition-related intangible assets, restructuring costs, capital gains/losses, goodwill impairment charges and other items affecting comparability.

For a comprehensive set of segment figures, see the tables section.

In **Digital Experience**, sales in local currencies were up by 3%. Good growth in Customer Experience Management continued and, additionally, positive working day impact contributed to growth. Application services' growth continued to be impacted by one large customer insourcing. Adjusted operating margin improved to 14.5% (10.9) mainly due to positive volume development and the company's efficiency measures. In the fourth quarter, adjusted operating margin is anticipated to be at or below the level of the corresponding quarter in 2018.

In **Hybrid Infra**, sales growth of 7% in local currencies was driven by infrastructure cloud<sup>2)</sup>, up by 23% in local currencies. Infrastructure cloud currently represents 30% of total infrastructure services' sales. Security Services' sales increased by 14% in local currencies during the quarter. Deceleration of the decline in traditional infrastructure services continued and sales remained at the previous year's level. Adjusted operating margin improved clearly from the previous year's level to 15.5% (12.5), supported by the company's efficiency measures. In the fourth quarter, adjusted operating margin is anticipated to be above the level of the corresponding quarter in 2018.

In **Industry Software**, sales in local currencies were up by 4%. Strong growth of Payments solutions and the oil&gas solution continued, up by 9% and 15% in local currencies, respectively. Growth above market also continued in Lifecare, up by 8% in local currencies. SmartUtilities, Tieto's solution for the energy utility segment, continued to be affected by the ongoing technological renewal to enable standardized software products, open technologies and scalable architectures. Adjusted operating margin was somewhat down and amounted to 15.2% (16.9). Tieto capitalized EUR 3.9 (1.7) million in development costs, including costs for the development of the Healthcare Information System and SmartUtilities. In the fourth quarter, adjusted operating margin is anticipated to be at or above the level of the corresponding quarter in 2018.

In **Product Development Services**, sales growth in local currencies amounted to 7%. Strong volume development with the largest key customers focused on Radio and 5G technologies. Good development also continued in the automotive segment. Adjusted operating margin was 9.6% (9.9). Adjusted operating margin remained at the previous year's level. In the fourth quarter, adjusted operating margin is anticipated to be around the level of the corresponding quarter in 2018.

<sup>2)</sup> Infrastructure as a Service and Platform as a Service

## M&A impact in July–September

At the Group level, third-quarter sales in local currencies were organically up by 4.4%. Acquisitions added EUR 1 million in sales and the impact of divestments on sales was not significant.

### M&A impact by business

	Growth, % (in local currencies) 7–9/2019	Organic growth, % (in local currencies) 7–9/2019
Digital Experience	3	2
Hybrid Infra	7	7
Industry Software	4	4
Product Development Services	7	7
<b>Total</b>	<b>5</b>	<b>4</b>

# Financial performance in January–September

Nine-month net sales increased by 1.2% to EUR 1 191.2 (1 177.6) million, growth of 2.6% in local currencies. Currency fluctuations had a negative impact of EUR 17 million on sales, mainly due to the weaker Swedish Krona.

Nine-month operating profit (EBIT) amounted to EUR 92.7 (109.0) million, representing a margin of 7.8% (9.3). Operating profit included EUR 23.3 (5.4) million in restructuring costs, mainly related to the adoption of the new simplified structure in the second quarter of 2019. Adjusted<sup>1)</sup> operating profit stood at EUR 125.0 (117.1) million, or 10.5% (9.9) of net sales. Improvement in adjusted operating profit was attributable mainly to the execution of the efficiency improvement programme. Tieto anticipates that it will achieve gross savings of over EUR 15 million through the programme during the second half of 2019. Around half of the savings was achieved by the end of September. Further details on nine-month adjustments are available in the **Segment Information** paragraph in the tables section. Tieto capitalized EUR 10.0 (1.7) million in offering development costs. Costs including both expensed and capitalized offering development investments remained at the level of the first nine months of 2018. Operating profit was also

supported by the adoption of IFRS 16, which had a positive impact of EUR 2.7 million.

Currency changes had a negative impact of around EUR 2 million on operating profit, and profitability was affected by salary inflation.

Depreciation and amortization amounted to EUR 74.5 (42.0) million, including EUR 35.5 million in depreciation of right of use assets (IFRS 16 impact) and EUR 3.3 (4.1) million in amortization of acquisition-related intangible assets. Net financial expenses stood at EUR 10.6 (1.0) million. Net interest expenses were EUR 5.8 (1.4) million and net losses from foreign exchange transactions EUR 2.8 (gain 0.9) million. Other financial income and expenses amounted to EUR -1.9 (-0.6) million.

Earnings per share (EPS) totalled EUR 0.91 (1.19). Adjusted<sup>1)</sup> earnings per share amounted to EUR 1.25 (1.23).

<sup>1)</sup> Adjusted for amortization of acquisition-related intangible assets, restructuring costs, capital gains/losses, goodwill impairment charges and other items affecting comparability.

## Financial performance by segment

EUR million	Customer sales 1–9/2019	Customer sales 1–9/2018	Change %	Operating profit 1–9/2019	Operating profit 1–9/2018
Digital Experience	360.5	357.5	1	36.8	44.1
Hybrid Infra	393.9	386.6	2	32.5	37.0
Industry Software	330.9	332.8	-1	39.3	36.0
Product Development Services	105.0	99.6	5	10.5	10.3
<b>Segments total</b>	<b>1 190.3</b>	<b>1 176.4</b>	<b>1</b>	<b>119.0</b>	<b>127.4</b>
Other operations	0.9	1.2	-25	-26.4	-18.4
<b>Group total</b>	<b>1 191.2</b>	<b>1 177.6</b>	<b>1</b>	<b>92.7</b>	<b>109.0</b>

## Operating margin by segment

%	Operating margin 1–9/2019	Operating margin 1–9/2018	Adjusted <sup>1)</sup> operating margin 1–9/2019	Adjusted <sup>1)</sup> operating margin 1–9/2018
Digital Experience	10.2	12.3	12.6	12.5
Hybrid Infra	8.3	9.6	11.1	10.2
Industry Software	11.9	10.8	12.8	11.4
Product Development Services	10.0	10.4	10.0	10.5
<b>Total</b>	<b>7.8</b>	<b>9.3</b>	<b>10.5</b>	<b>9.9</b>

<sup>1)</sup> Adjusted for amortization of acquisition-related intangible assets, restructuring costs, capital gains/losses, goodwill impairment charges and other items affecting comparability.

For a comprehensive set of segment figures, see the **tables section**.

## M&A impact by business

	Growth, % (in local currencies) 1-9/2019	Organic growth, % (in local currencies) 1-9/2019
Digital Experience	2	1
Hybrid Infra	3	3
Industry Software	1	2
Product Development Services	8	8
<b>Total</b>	<b>3</b>	<b>2</b>

## Cash flow, financing and investments

Third-quarter net cash flow from operations amounted to EUR 69.6 (18.7) million, including a decrease of EUR 17.6 (increase of 24.7) million in net working capital. Payments for restructuring amounted to EUR 5.4 (2.2) million. The adoption of IFRS 16 had a positive impact of over EUR 10 million on the cash flow from operating activities (offset in the cash flow from financing activities). Additionally, the low comparison figure for the third quarter of 2018 was affected by the fact that the due date at the end of the quarter transferred a substantial amount of cash flow to the first week of October.

Nine-month net cash flow from operations amounted to EUR 150.0 (92.5) million, including a decrease of EUR 16.8 (increase of 29.1) million in net working capital. Payments for restructuring amounted to EUR 11.1 (6.6) million. Nine-month tax payments were EUR 24.3 (19.2) million. The adoption of IFRS 16 had a positive impact of over EUR 36 million on the cash flow from operating activities.

Capital expenditure totalled EUR 33.5 (28.3) million in the nine-month period. Capital expenditure represented 2.8% (2.4) of net sales and was mainly related to data centres. Net payments for acquisitions totalled EUR 0.7 (10.2) million.

The equity ratio was 35.4% (41.9). Gearing increased to 73.3% (44.8). Interest-bearing net debt totalled EUR 309.1 (199.7) million, including EUR 247.5 (251.1) million in interest-bearing debt, EUR 146.9 (1.9) million in lease liabilities, EUR 5.6 (1.9) million in finance lease receivables, EUR 0.5 (0.4) million in other interest-bearing receivables and EUR 79.2 (51.0) million in cash and cash equivalents.

Interest-bearing long-term loans amounted to EUR 287.4 (100.7) million at the end of September, consisting of a EUR 100 million bond, an EUR 85 million loan from the European Investment Bank and EUR 102.6 million in lease liabilities. The bond of EUR 100 million will mature in September 2024 and it carries a coupon of fixed annual interest of 1.375%.

Interest-bearing short-term loans amounted to EUR 107.1 (152.3) million, mainly related to commercial papers, leasing liabilities and joint venture cash pool balances. The syndicated revolving credit facility of EUR 150 million expiring in May 2021 was not in use at the end of September.

In September, Tieto signed new credit facilities to support the merger. For more information about the new facilities, see the [Strategy](#) section.

## Order backlog

The significance of traditional measures for the order backlog is impacted by the shift from traditional large outsourcing agreements towards agile methods and consumption-based business models. Additionally, traditional development programmes are cut into smaller projects. While this change in customer behaviour affects the order backlog levels, it is not expected to have any significant impact on Tieto's market opportunity and business outlook.

The order backlog amounted to EUR 1 649 (1 564) million. Of the backlog, 23% (21) is expected to be invoiced during 2019. The order backlog includes all signed customer orders that have not been recognized as revenue, including estimates of the value of consumption-based contracts.

# Major agreements in January–September

Tieto has signed a number of new agreements during the period with customers across all the businesses. However, according to the terms and conditions of these agreements, Tieto is not able to disclose most of the contracts.

In January, Tieto signed an agreement with Goodyear for further development of a predictive tire maintenance solution (Goodyear TPMS). This solution reduces operational costs and vehicle emissions by means of advanced integration of IoT sensors, digital maps and predictive analytics. Tieto is Goodyear's main supplier for IoT cloud back-end applications, web and mobile front-ends, Quality Assurance and Applications Operations, all in an Agile DevOps environment.

In January, Tieto made a strategic IT partnership agreement with Ahlstrom-Munksjö, a global leader in sustainable and innovative fibre-based solutions. The seven-year agreement, covering Ahlstrom-Munksjö's business applications (order to cash ERP, MES and B2B services) availability, maintenance and development, is worth around EUR 19 million and includes an option to extend for up to two years. The partnership supports the execution of Ahlstrom-Munksjö's business transformation strategy.

In January, Tieto signed an agreement with Getswish to deliver SIAM, development, maintenance and operations of the Swish ecosystem. This critical, high transaction payment service will be delivered 24/7/365 according to an end-to-end DevOps delivery model. The deal worth SEK 170 million is a continuation to the agreement concluded in 2017 and extends over five years.

In February, Tieto signed a deal with Sweden's Health and Social Care Inspectorate (IVO). The agreement covers the development and management of IVO's strategic solutions for enhancing digitalization and business development. The deal is for five years with an option to extend for another two years. The contract value for the first five years is estimated to be around SEK 110 million.

In March, the City of Stockholm and Tieto deepened their cooperation by signing a new agreement for Business Process Management and digital support for welfare and healthcare services. The agreement is valid until March 2027 and includes an option to extend the agreement for seven years. The Business Process Management platform enables modelling, automation, execution, control, measurement and flow optimization.

In March, Tieto signed an agreement with Folksam to future-proof the customer's infrastructure. The two companies have cooperated since 2012. Folksam will use Tieto's standardized

services within areas such as private cloud and service bundles such as IaaS, PaaS and SaaS. With the help of Tieto's Application Cloud Assessment service, Folksam will also get a clear overview of its application portfolio and continue its modernization journey towards cloud-based solutions. Folksam will also benefit from Avega's vast expertise within cloud solutions, agile change processes and Microsoft and RedHat services. The agreement is worth more than SEK 600 million and extends over five years.

In May, Tieto and Ericsson agreed that all of Ericsson's Radio Access Networks (RAN) software R&D activities in Lviv, Ukraine will be transferred to Tieto. According to the agreement, approximately 150 employees, located in Lviv, were offered new employment at Tieto. The companies will continue their strong partnership dating back to 2002 and Tieto continues to provide R&D services to Ericsson from the Lviv site in addition to establishing operations for other customers.

In May, Lyse decided to exercise an option for a two-year extension of the initial three-year contract concluded in 2016. The agreement covers data-driven services, cloud solutions, infrastructure operations and data centre services to Lyse and broad end-user IT support to 1 200 Lyse employees and consultants. Tieto will also help Lyse achieve its future Cloud First IT architecture, where data-driven services and information analysis are key drivers for success.

In June, Tieto and Lassila & Tikanoja (L&T) further strengthened their long-term partnership, under which Tieto provides company-wide IT services, including application management, service integration and management as well as hybrid infra services. According to the agreement, altogether 23 Lassila & Tikanoja employees will transfer to Tieto. The strategic IT partnership aims to accelerate L&T's digitalization and data-driven business initiatives.

In June, the Norwegian ministries selected Tieto as the supplier of their new case and archive system based on Tieto's Public 360°. The procurement supports the Government's strategy for a comprehensive ICT solution for the Prime Minister's office, the Ministries and the Norwegian Government Security and Service Organization. The agreement entails the delivery of IT solutions with implementation and maintenance for a period of six years with an option to extend by four years.

In June, Innovia Films and Tieto agreed on a business transformation programme for four mills, including the UK, Belgium, Australia and Mexico. The duration of the programme, based on TIPS, Tieto's solution for the forest industry, is 18 months.

In July, Region Skåne chose Tieto to take on responsibility for its document and case management and drive the digitalization of its committee administration. The services will ensure modern, process-based administration of workflows. The agreement, with a contract value of around EUR 3 million, is for four years with an option to extend by another four years.

In September, Glaston, the technology leader in the glass processing industry, and Tieto announced a strategic ICT partnership. Glaston aims to streamline its ICT services and improve cost efficiency. The agreement covers infrastructure, end-user and application management services globally. The companies will work together to increase the level of digitalization and automation of Glaston's products and services

as well as focus on better use of data by, for example, adopting Tieto's Data Platform. Additionally, centralization of ICT services will bring significant synergies. The services will be transferred to Tieto by the end of the first quarter of 2020.

In September, Suominen Corporation, a globally leading supplier of non-wovens, renewed a strategic IT partnership agreement with Tieto. The agreement covers Suominen Corporation's business applications for ERP and MES (Manufacturing Execution System) availability, maintenance and development. The partnership supports the execution of Suominen Corporation's business transformation strategy. The agreement is for four years with an optional one-year extension.

## Personnel

The number of full-time employees amounted to 15 175 (15 109) at the end of September. The number of full-time employees in the global delivery centres totalled 7 757 (7 649), or 51.1% (50.6) of all personnel.

In the nine-month period, the number of full-time employees was down by a net amount of 15, including net recruitments of over 500 and redundancies of close to 700. Additionally, new outsourcing agreements added over 100 new employees.

Attrition has been on the rise across Tieto's markets. The company, however, has been successful in attracting and retaining talent. The 12-month rolling employee turnover stood at 12.9% (11.7) at the end of September.

Group-level salary inflation is expected to be close to 4% on average in 2019. Tieto anticipates that more than half of the salary inflation will be offset by greater offshoring and management of the competence pyramid.

## Extraordinary General Meeting

The Extraordinary General Meeting of Tieto Corporation held on 3 September 2019 resolved on the statutory cross-border absorption merger of EVRY ASA into Tieto.

Timo Ahopelto, Tomas Franzén, Liselotte Högertz Engstam, Harri-Pekka Kaukonen, Niko Pakalén and Endre Rangnes of the current members of the Board of Directors of Tieto were conditionally elected to continue to serve on the Board of

Directors of the combined company. Of the current members of the Board of Directors of EVRY, Rohan Haldea, Salim Nathoo and Leif Teksum were conditionally elected as new members of the Board of Directors of the combined company. Tomas Franzén, currently a member of the Board of Directors of Tieto, was conditionally elected as Chairman of the Board of Directors of the combined company.

## Shares

The number of Tieto shares amounted to 74 109 252 at the end of September. Tieto currently holds a total of 172 245 own shares, representing 0.2% of the total number of shares and voting rights. The number of outstanding shares, excluding the treasury shares, was 73 937 007 at the end of the period.

# Near-term risks and uncertainties

Consolidated net sales and profitability are sensitive to volatility in exchange rates, especially that of the Swedish Krona and Norwegian Krona. Sales to Sweden and Norway represent close to half of the Group's sales. Further details on management of currency risks are provided in the Financial Statements and on currency impacts at [www.tieto.com/currency](http://www.tieto.com/currency).

The transformation to the new operating model may continue to affect performance in the short term while the impact of the simplified structure on the full-year results is anticipated to be positive. Additionally, the planned merger of Tieto and EVRY may result in uncertainty and temporarily lower productivity in the short term. Tieto anticipates that the active employment market with high demand for specific competences may result in high attrition rates.

New disruptive technologies, such as cloud computing, drive customer demand towards standardized and less labour-intensive solutions where automation plays an important role. These changes may result in the need for restructuring.

The company's development is relatively sensitive to changes in the demand from large customers as Tieto's top 10 customers currently account for 29% of its net sales, with Product Development Services having the highest customer concentration in the company. However, the share of top 10 customers has decreased by several percentage points during the past years.

Typical risks faced by the IT service industry relate to the development and implementation of new technologies and software. In Tieto's case these relate to both own software development and integration of third-party software carried out as project deliveries. Furthermore, additional technology licence fees and both the quality and timeliness of deliveries pose potential risks – and due to the nature of the business, IT service providers are vulnerable to disturbances, such as cybersecurity breaches.

The new EU General Data Protection Regulation took effect in May 2018. Tieto is well prepared for the GDPR although there is still uncertainty with regards to how the authorities will interpret the regulation and impose fines in case of personal data breaches. In addition to fulfilling its regulatory and contractual obligations, Tieto can tap into opportunities by helping customers in businesses such as security and application services.

Companies around the world are facing new risks arising from tax audits and some countries may introduce new regulation. Additionally, changes in the tax authorities' interpretations could have unfavourable impacts on taxpayers.

## Full-year outlook for 2019 unchanged

Tieto expects its full-year adjusted<sup>1)</sup> operating profit (EBIT) to increase from the previous year's level (EUR 168.0 million in 2018) added by the impact of IFRS 16<sup>2)</sup> to maintain comparability after the adoption of the new standard.

<sup>1)</sup> Adjusted for amortization of acquisition-related intangible assets, restructuring costs, capital gains/losses, goodwill impairment charges and other items affecting comparability.

<sup>2)</sup> The company estimates that the adoption of IFRS 16 will have a positive impact on EBIT in 2019. In the nine-month period, the impact on EBIT was EUR 2.7 million. Comparative periods are not restated. More information on the adoption of the standard can be found in the Accounting Policies in the tables section.

## Events **after the period**

On 16 October, Tieto and EVRY announced the planned Group Leadership and operating structure for the combined TietoEVRY. The appointments are subject to the closing of the merger, which is expected to take place during the fourth quarter of 2019, or during the first quarter of 2020 at the latest.

The country teams and service lines will constitute the businesses of TietoEVRY. The Group Leadership for TietoEVRY will consist of the following positions:

- Satu Kiiskinen, Managing Partner, Finland – currently serves as Managing Partner Finland at Tieto.
- Christian Pedersen, Managing Partner, Norway – currently serves as Executive Vice President, EVRY Norway and EVRY Nordic Consulting
- Karin Schreil, Managing Partner, Sweden – currently serves as Executive Vice President, EVRY Sweden
- Thomas Nordås, Head of Digital Consulting – currently serves as Managing Partner, Norway at Tieto.
- Johan Torstensson, Head of Cloud & Infra – currently serves as Executive Vice President, Digital Platform Services at EVRY
- Christian Segersven, Head of Industry Software – currently serves as Head of Industry Software at Tieto
- Wiljar Nesse, Head of Financial Services – currently serves as Executive Vice President, EVRY Financial Services
- Tom Leskinen, Head of Product Development Services – currently serves as Head of Product Development Services at Tieto
- Malin Fors-Skjæveland, TietoEVRY Integration Officer – currently serves as Executive Vice President for Sales Excellence at EVRY
- Ari Järvelä, Head of Operations – currently serves as Head of Centers of Excellence at Tieto
- Trond Vinje, Head of HR – currently serves as Executive Vice President, Human Resources at EVRY
- Kishore Ghadiyaram, Head of Strategy – currently serves as Chief of Strategy at Tieto
- Tomi Hyryläinen, Chief Financial Officer – currently serves as Chief Financial Officer at Tieto.

As announced on June 18, following the completion of the merger, Kimmo Alkio will be the Chief Executive Officer of TietoEVRY.





## Tables

Read more →

## Income statement

EUR million	2019 7-9	2018 7-9	2019 1-9	2018 1-9	Change %	2018 1-12
Net sales	379.6	367.1	1 191.2	1 177.6	1	1 599.5
Other operating income	2.7	3.3	13.0	14.0	-7	22.0
Materials and services	-63.3	-57.3	-188.9	-180.7	5	-247.9
Employee benefit expenses	-204.9	-199.6	-690.7	-665.3	4	-905.0
Depreciation and amortization	-24.4	-13.0	-74.5	-42.0	77	-55.0
Impairment losses	—	—	—	—	—	-2.9
Other operating expenses	-53.0	-61.2	-161.4	-198.1	-19	-261.8
Share of results in joint ventures	1.1	1.1	4.0	3.4	17	5.8
<b>Operating profit (EBIT)</b>	<b>37.8</b>	<b>40.4</b>	<b>92.7</b>	<b>109.0</b>	<b>-15</b>	<b>154.7</b>
Interest and other financial income	0.4	0.6	1.5	1.7	-11	2.3
Interest and other financial expenses	-2.8	-1.2	-9.3	-3.7	> 100	-5.2
Net foreign exchange gains/losses	-6.5	0.9	-2.8	0.9	> 100	1.0
<b>Profit before taxes</b>	<b>29.0</b>	<b>40.7</b>	<b>82.1</b>	<b>108.0</b>	<b>-24</b>	<b>152.8</b>
Income taxes	-7.1	-7.7	-15.1	-20.4	-26	-29.6
<b>Net profit for the period</b>	<b>21.9</b>	<b>33.0</b>	<b>67.0</b>	<b>87.6</b>	<b>-23</b>	<b>123.2</b>
<b>Net profit for the period attributable to</b>						
Owners of the Parent company	21.8	33.0	67.0	87.6	-23	123.2
Non-controlling interest	0.0	0.0	0.0	0.0	—	0.0
	<b>21.9</b>	<b>33.0</b>	<b>67.0</b>	<b>87.6</b>	<b>-23</b>	<b>123.2</b>
<b>Earnings per share attributable to owners of the Parent company, EUR per share</b>						
Basic	0.30	0.45	0.91	1.19	-24	1.67
Diluted	0.30	0.45	0.91	1.18	-24	1.66

## Statement of other comprehensive income

EUR million	2019 7-9	2018 7-9	2019 1-9	2018 1-9	Change %	2018 1-12
Net profit for the period	21.9	33.0	67.0	87.6	-23	123.2
Items that may be reclassified subsequently to profit or loss						
Translation differences	-4.1	1.8	-7.2	-14.9	-52	-15.9
Cash flow hedges, net of tax	-2.5	—	-0.8	—	100	—
Items that will not be reclassified subsequently to profit or loss						
Remeasurements of the defined benefit plans, net of tax	-8.6	-0.2	-11.0	-0.8	> 100	-0.5
<b>Total comprehensive income</b>	<b>6.7</b>	<b>34.6</b>	<b>48.0</b>	<b>71.9</b>	<b>-33</b>	<b>106.8</b>
<b>Total comprehensive income attributable to</b>						
Owners of the Parent company	6.7	34.6	48.0	71.9	-33	106.8
Non-controlling interest	0.0	0.0	0.0	0.0	—	0.0
	<b>6.7</b>	<b>34.6</b>	<b>48.0</b>	<b>71.9</b>	<b>-33</b>	<b>106.8</b>

# Statement of financial position

## Assets

EUR million	2019 30 Sep	2018 30 Sep	Change %	2018 31 Dec
Goodwill	435.9	439.7	-1	442.6
Other intangible assets	46.4	43.2	7	45.6
Property, plant and equipment	83.0	88.9	-7	92.3
Right-of-use assets	145.1	—	100	—
Interests in joint ventures	16.4	16.5	-1	16.0
Deferred tax assets	24.6	25.4	-3	23.6
Defined benefit plan assets <sup>1)</sup>	—	7.0	-100	5.5
Finance lease receivables	3.9	0.8	> 100	0.7
Other financial assets at amortized cost	0.5	0.4	15	0.5
Other financial assets at fair value	0.5	0.5	-11	0.5
Other non-current receivables <sup>1)</sup>	14.4	12.8	13	14.9
<b>Total non-current assets</b>	<b>770.7</b>	<b>635.3</b>	<b>21</b>	<b>642.3</b>
Trade and other receivables <sup>1)</sup>	360.6	398.7	-10	379.4
Financial assets at fair value	3.6	2.1	71	3.6
Finance lease receivables	1.7	1.1	52	0.9
Current tax assets	15.8	11.6	36	6.9
Cash and cash equivalents	79.2	51.0	55	164.6
<b>Total current assets</b>	<b>461.0</b>	<b>464.5</b>	<b>-1</b>	<b>555.3</b>
<b>Total assets</b>	<b>1 231.7</b>	<b>1 099.8</b>	<b>12</b>	<b>1 197.6</b>

## Equity and Liabilities

EUR million	2019 30 Sep	2018 30 Sep	Change %	2018 31 Dec
Share capital, share issue premiums and other reserves	116.9	117.9	-1	118.0
Invested unrestricted equity reserve	12.8	12.8	0	12.8
Retained earnings	292.1	314.6	-7	351.6
<b>Equity attributable to owners of the Parent company</b>	<b>421.8</b>	<b>445.3</b>	<b>-5</b>	<b>482.5</b>
Non-controlling interest	0.0	0.0	—	0.0
<b>Total equity</b>	<b>421.8</b>	<b>445.3</b>	<b>-5</b>	<b>482.5</b>
Loans	184.7	99.6	85	184.6
Lease liabilities	102.6	1.1	> 100	0.8
Deferred tax liabilities	31.9	37.1	-14	38.0
Provisions	3.3	2.2	53	3.3
Defined benefit obligations	17.6	11.0	60	9.9
Other non-current liabilities	2.4	3.8	-37	3.2
<b>Total non-current liabilities</b>	<b>342.6</b>	<b>154.8</b>	<b>&gt; 100</b>	<b>240.0</b>
Trade and other payables	330.1	331.1	0	339.7
Financial liabilities at fair value	3.9	1.1	> 100	0.4
Current tax liabilities	11.3	8.9	27	8.9
Loans	62.8	151.5	-59	117.8
Lease liabilities	44.3	0.8	> 100	0.8
Provisions	15.0	6.2	> 100	7.4
<b>Total current liabilities</b>	<b>467.3</b>	<b>499.7</b>	<b>-6</b>	<b>475.0</b>
<b>Total equity and liabilities</b>	<b>1 231.7</b>	<b>1 099.8</b>	<b>12</b>	<b>1 197.6</b>

<sup>1)</sup> Comparative figures reclassified from current to non-current assets.

## Statement of changes in shareholders' equity

EUR million	Owners of the Parent company							Total	Non-controlling interest	Total equity
	Share capital	Share premium and other reserves	Own shares	Translation differences	Cash flow hedges	Invested un-restricted equity reserve	Re-tained earnings			
<b>31 Dec 2018</b>	<b>76.6</b>	<b>41.5</b>	<b>-5.1</b>	<b>-93.3</b>	<b>—</b>	<b>12.8</b>	<b>450.1</b>	<b>482.5</b>	<b>0.0</b>	<b>482.5</b>
<b>Comprehensive income</b>										
Net profit for the period	—	—	—	—	—	—	67.0	67.0	0.0	67.0
<b>Other comprehensive income, net of tax</b>										
Remeasurements of the defined benefit plans, net of tax	—	—	—	—	—	—	-11.0	-11.0	—	-11.0
Translation differences	—	-1.2	—	-8.7	—	—	2.7	-7.2	—	-7.2
Cash flow hedges, net of tax	—	—	—	—	-0.8	—	—	-0.8	—	-0.8
<b>Total comprehensive income</b>	<b>—</b>	<b>-1.2</b>	<b>—</b>	<b>-8.7</b>	<b>-0.8</b>	<b>—</b>	<b>58.7</b>	<b>48.0</b>	<b>0.0</b>	<b>48.0</b>
<b>Transactions with owners</b>										
<b>Contributions and distributions</b>										
Share-based incentive plans	—	—	2.2	—	—	—	-3.7	-1.5	—	-1.5
Dividends	—	—	—	—	—	—	-107.2	-107.2	—	-107.2
<b>Changes in ownership interests</b>										
Acquisition of non-controlling interest without change in control	—	—	—	—	—	—	—	—	—	—
<b>Total transactions with owners</b>	<b>—</b>	<b>—</b>	<b>2.2</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>-110.9</b>	<b>-108.7</b>	<b>—</b>	<b>-108.7</b>
<b>30 Sep 2019</b>	<b>76.6</b>	<b>40.3</b>	<b>-2.9</b>	<b>-102.1</b>	<b>-0.8</b>	<b>12.8</b>	<b>397.8</b>	<b>421.8</b>	<b>0.0</b>	<b>421.8</b>

EUR million	Owners of the Parent company							Non-controlling interest	Total equity
	Share capital	Share premium and other reserves	Own shares	Translation differences	Invested un-restricted equity reserve	Re-tained earnings	Total		
<b>31 Dec 2017</b>	<b>76.6</b>	<b>42.6</b>	<b>-11.6</b>	<b>-78.5</b>	<b>12.8</b>	<b>433.3</b>	<b>475.2</b>	<b>0.4</b>	<b>475.6</b>
Adjustment on initial application of IFRS 9, net of tax	—	—	—	—	—	0.2	0.2	—	0.2
Adjustment on initial application of IFRS 2 amendment	—	—	—	—	—	4.0	4.0	—	4.0
Other adjustment	—	—	3.9	—	—	-3.9	0.0	—	0.0
<b>1 Jan 2018</b>	<b>76.6</b>	<b>42.6</b>	<b>-7.7</b>	<b>-78.5</b>	<b>12.8</b>	<b>433.5</b>	<b>479.3</b>	<b>0.4</b>	<b>479.7</b>
<b>Comprehensive income</b>									
Net profit for the period	—	—	—	—	—	87.6	87.6	0.0	87.6
<b>Other comprehensive income, net of tax</b>									
Remeasurements of the defined benefit plans, net of tax	—	—	—	—	—	-0.8	-0.8	—	-0.8
Translation differences	—	-1.3	—	-13.5	—	-0.1	-14.9	—	-14.9
<b>Total comprehensive income</b>	<b>—</b>	<b>-1.3</b>	<b>—</b>	<b>-13.5</b>	<b>—</b>	<b>86.7</b>	<b>71.9</b>	<b>0.0</b>	<b>71.9</b>
<b>Transactions with owners</b>									
<b>Contributions and distributions</b>									
Share-based incentive plans	—	—	2.6	—	—	-2.5	0.1	—	0.1
Dividends	—	—	—	—	—	-103.4	-103.4	—	-103.4
<b>Changes in ownership interests</b>									
Acquisition of non-controlling interest without change in control	—	—	—	—	—	-2.6	-2.6	-0.4	-3.0
<b>Total transactions with owners</b>	<b>—</b>	<b>—</b>	<b>2.6</b>	<b>—</b>	<b>—</b>	<b>-108.5</b>	<b>-105.9</b>	<b>-0.4</b>	<b>-106.3</b>
<b>30 Sep 2018</b>	<b>76.6</b>	<b>41.3</b>	<b>-5.1</b>	<b>-92.0</b>	<b>12.8</b>	<b>411.7</b>	<b>445.3</b>	<b>0.0</b>	<b>445.3</b>

## Statement of cash flows

EUR million	2019 7-9	2018 7-9	2019 1-9	2018 1-9	2018 1-12
<b>Cash flow from operating activities</b>					
Net profit for the period	21.9	33.0	67.0	87.6	123.2
Adjustments					
Depreciation, amortization and impairment losses <sup>1)</sup>	24.4	13.0	74.5	42.0	57.9
Profit/loss on sale of property, plant and equipment, subsidiaries and business operations	—	-1.7	—	-4.7	-5.0
Share of results in joint ventures	-1.1	-1.1	-4.0	-3.4	-5.8
Other adjustments	0.5	-0.7	0.3	1.2	-0.1
Net financial expenses	8.8	-0.3	10.6	1.0	1.9
Income taxes	7.1	7.7	15.1	20.4	29.6
Change in net working capital	17.6	-24.7	16.8	-29.1	-3.2
<b>Cash generated from operating activities before interests and taxes</b>	<b>79.2</b>	<b>25.2</b>	<b>180.3</b>	<b>115.0</b>	<b>198.6</b>
Net financial expenses paid	-3.8	-1.1	-9.6	-6.4	-6.1
Dividends received	—	0.0	3.6	3.2	3.2
Income taxes paid	-5.8	-5.4	-24.3	-19.2	-21.4
<b>Cash flow from operating activities</b>	<b>69.6</b>	<b>18.7</b>	<b>150.0</b>	<b>92.5</b>	<b>174.2</b>
<b>Cash flow from investing activities</b>					
Acquisition of subsidiaries and business operations, net of cash acquired	-0.1	—	-0.7	-10.2	-14.5
Capital expenditure	-11.6	-9.6	-33.5	-28.3	-45.0
Disposal of subsidiaries and business operations, net of cash disposed	—	1.3	0.3	8.4	8.4
Proceeds from sale of property, plant and equipment	0.0	0.0	0.0	0.1	0.6
Change in loan receivables	-1.2	0.3	-4.0	0.9	1.2
<b>Cash flow from investing activities</b>	<b>-12.9</b>	<b>-7.8</b>	<b>-38.0</b>	<b>-29.0</b>	<b>-49.3</b>
<b>Cash flow from financing activities</b>					
Dividends paid	—	—	-107.4	-103.4	-103.4
Repayments of lease liabilities <sup>1)</sup>	-10.9	-0.2	-36.4	-0.6	-0.8
Change in interest-bearing liabilities <sup>2)</sup>	-38.0	-26.1	-55.0	15.2	66.5
Other financing cash flow	—	0.9	—	-3.3	-3.5
<b>Cash flow from financing activities</b>	<b>-48.9</b>	<b>-25.4</b>	<b>-198.7</b>	<b>-92.1</b>	<b>-41.2</b>
<b>Change in cash and cash equivalents</b>	<b>7.8</b>	<b>-14.5</b>	<b>-86.7</b>	<b>-28.6</b>	<b>83.7</b>
Cash and cash equivalents at the beginning of period	71.7	67.4	164.6	78.2	78.2
Foreign exchange differences	-0.3	-1.9	1.3	1.4	2.7
Change in cash and cash equivalents	7.8	-14.5	-86.7	-28.6	83.7
<b>Cash and cash equivalents at the end of period</b>	<b>79.2</b>	<b>51.0</b>	<b>79.2</b>	<b>51.0</b>	<b>164.6</b>

<sup>1)</sup> IFRS 16 Leases adopted on 1 January 2019 retrospectively by using the cumulative catch up method and 2018 comparatives have not been restated.

<sup>2)</sup> During the second quarter 2019, the Group repaid the EUR 100 million bond.

## Basis of preparation

This interim report is unaudited and it is prepared in accordance with IAS 34 Interim Financial Reporting, as adopted by the EU. The accounting policies adopted are consistent with those used in the annual financial statements for the year ended on 31 December 2018, except for the adoption of IFRS 16, as described below. In addition, the Group started to apply hedge accounting in the second quarter and related accounting policy is described below.

All presented figures in this interim report have been rounded and consequently, the sum of individual figures can deviate from the presented sum figure. Key figures have been calculated using exact figures.

The sales and profitability of Tieto are subject to seasonal variations. Usually, the third-quarter sales are affected by vacation period and the reversal of vacation accruals has a positive effect on profitability. Typically, the fourth-quarter sales and margins are positively affected by higher licence sales for Tieto's industry-specific software.

### Adoption of new and amended IFRS standards and interpretations

IFRS 16 Leases became effective on 1 January 2019. The standard removed the distinction between operating and finance leases. Under the new standard, an asset (right to use the leased item) and a financial liability to pay rentals are recognized in the statement of financial position. The Group adopted IFRS 16 retrospectively by using the cumulative catch up method where the requirements of the standard are applied to open contracts on the date of transition. Comparatives are not restated. Adoption of IFRS 16 had no effect on Group equity.

#### Nature and the effect of adoption of IFRS 16

##### Group as a lessee - Leases previously classified as operating leases

Upon transition to IFRS 16, the Group recognized lease liabilities in relation to leases which had previously been classified as operating leases and reported as straight-line expenses during the lease term in other operating expenses or employee benefit expenses. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities upon transition was 3.85%.

Leases previously classified as finance leases were carried forward at the same carrying amounts of lease assets and liabilities immediately before transition.

Upon transition, it was identified that operating lease commitments included payments of services of EUR 15.1 million. These have been excluded from the table below which illustrates the bridge between previous off-balance sheet leases and lease liabilities on 1 Jan 2019.

	EUR million
<b>Rent and Operating lease commitments on 31 Dec 2018</b>	<b>166.9</b>
Changes in lease term considerations	18.0
Other	-2.0
<b>Rent and Operating lease commitments subject to discounting</b>	<b>182.9</b>
Discounting effect	-17.8
Finance lease liabilities	1.6
<b>Lease liabilities on 1 Jan 2019</b>	<b>166.7</b>

The right-of-use assets were measured at the same value as lease liabilities, adjusted for any prepayments or accrued costs or discounts immediately before transition. The IFRS 16 transition had the following impact on statement of financial position:

#### Assets

EUR million	2018 31 Dec	IFRS 16	2019 1 Jan
Capitalized finance leases	1.6	-1.6	—
Right-of-use assets			
Buildings	—	144.3	144.3
Machinery and equipment	—	19.3	19.3
<b>Total</b>	<b>1.6</b>	<b>162.0</b>	<b>163.6</b>

## Liabilities

EUR million	2018 31 Dec	IFRS 16	2019 1 Jan
Trade and other payables	-3.1	3.1	—
Lease liabilities			
Current	-0.8	-45.2	-46.0
Non-current	-0.8	-119.9	-120.7
<b>Total</b>	<b>-4.7</b>	<b>-162.0</b>	<b>-166.7</b>

## IFRS 16 impact in 2019

EUR million	2019 1-3	2019 4-6	2019 7-9	2019 Total
On depreciations	11.5	11.7	11.8	35.0
On EBITDA	12.4	12.8	12.5	37.7
On EBIT	0.9	1.1	0.7	2.7
On net result	-0.4	-0.6	-0.7	-1.7
In the cash flow from operating activities ( <i>offset in the cash flow from financing activities</i> )	13.8	11.6	11	36.4
On Net debt/EBITDA	0.5	0.4	0.4	

IFRS 16 has not affected EPS.

## Practical expedients applied

The Group applied the following practical expedients upon transition:

- At the date of initial application it was not reassessed whether a contract is a lease.
- Where the contract contained options to extend or terminate the lease hindsight was used in determining the lease term.
- The Group relied on its assessment of whether leases are onerous immediately before the date of initial application.
- Initial direct costs for the measurement of the right-of-use asset at the date of initial application were excluded.

## Group as a lessor

IFRS 16 did not change lessor accounting and, therefore, there was no impact on the Group upon transition.

## New accounting policies

Tieto leases premises, IT equipment and cars. Lease terms are negotiated on individual basis and contain a wide range of renewal and termination options. Weighted average lease term for lease contract is 5 years (lease term varies between 1–21 years).

In monetary terms, the highest portion of the Group's lease portfolio is for leasing premises. The Group leases also equipment for datacentres to support continuous service delivery to its customers. Rent of company cars is part of employees' benefit package, the portion of employee share in payment being subject to local HR policies and varies between 0% to 100%.

Initially, lease liabilities are measured at the commencement date at the present value of the lease payments, discounted using the interest rate implicit in the lease, if it can be readily determined. If the rate can't be readily determined, such as in real estate leases, the incremental borrowing rate is used. Incremental borrowing rate is defined for each legal entity, differentiated based on lease contract length and updated on a yearly basis.

Lease payments include fixed payments, in substance fixed payments, lease payments that depend on index or rate and exercise price of purchase option, if it is reasonably certain to be exercised.

Subsequently, lease liabilities are measured at amortized cost, by increasing or reducing the carrying amount to reflect interest on the lease liability and the lease payments made, respectively. Lease liabilities are remeasured for lease reassessments done or modified to reflect revised in-substance fixed lease payments.

Interest expenses are recognized in profit or loss.



Right-of-use assets are initially measured at the amount equal to lease liability:

- less payments made at or before commencement date and lease incentives received
- adding initial direct costs; and
- adjusting by estimated dismantling or site restoration costs

Subsequently, right-of-use assets are measured applying cost model, where asset cost is reduced by accumulated depreciation and impairment losses and adjusted by remeasurement of a respective lease liability.

Right-of use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

Tieto has applied exemptions allowed by the standard not to capitalize short term leases (lease term less than 1 year at commencement, where there is no purchase option) and leases of low value assets. Typically, such assets would include lease of mobile phones, tablets and office furniture. Payments for such assets are recognized in profit or loss on straight-line basis during the lease term. The Group has also elected to separate service component of a lease for all asset types, except for cars, where only variable lease payments are excluded from the measurement of lease liability.

The Group presents cash payments for the principal portion of lease liabilities as cash flows from financing activities and interest portion within cash flows from operating activities. Previously, all the lease payments for operating leases were presented in the cash flow from operating activities. Short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability are presented as part of operating activities.

## **Hedge accounting**

### **Cash flow hedges that qualify for hedge accounting**

The Group designates certain derivatives as hedges of a particular risk associated with a highly probable forecast transaction (cash flow hedge).

At inception of the hedge accounting, The Group documents the economic relationship between the hedging instruments and hedged items, its' risk management objective and strategy for undertaking the hedge transaction.

Derivatives are Financial assets or Financial liabilities measured at fair value. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. Amounts are reclassified to income statement in periods when the hedged item affects the profit or loss. Where the hedged items subsequently result in the recognition of a non-financial asset, the spot component of forward contracts is always included within the initial cost of the asset. The group decides the treatment of forward element for each cash flow hedge relationship individually. For existing hedge relationship, the effective portion of total change in fair value of derivatives – both spot and forward elements – is recognized in Cash flow hedging reserve within equity.

Hedge effectiveness is determined first upon inception and later throughout the hedge relationship period at least at each reporting date. This is done by assessing the prospective capacity of the derivatives in offsetting changes in fair values or cash flows of hedged items. When the critical terms of hedged transaction no longer match exactly with the critical terms of the hedging instrument, the group uses the hypothetical derivative method to assess effectiveness. The ineffective portion of changes in fair value of designated derivatives is recognized immediately in the income statement within the other financial income or expenses.

When a hedging instrument expires, is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

## **Critical accounting estimates and assumptions**

The preparation of the financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from the estimates. The critical accounting estimates and assumptions are disclosed in the 2018 consolidated financial statements.

## Segment information

Tieto's operating model comprises of four businesses, forming the reportable operating segments according to IFRS: Digital Experience, Hybrid Infra, Industry Software and Product Development Services.

### Digital Experience

Tieto's Digital Experience business includes consulting services, including design of service experiences, smart use of data, IT architecture consulting, business process and change management as well as system integration services and application development and management. The segment currently focuses on Finland and Sweden, and it serves customers also in Norway, Austria, the Baltic countries and Russia. Services are delivered primarily by employees based in the Nordic countries but also through delivery centres in the Baltic countries and India. The business has the largest market share in Finland.

### Hybrid Infra

Tieto's Hybrid Infra business provides enterprises with life cycle management of IT infrastructure, covering a wide variety of different technologies. The hybrid infrastructure foundation is to ensure Nordic customers' business continuity and renewal and services include capacity services, hybrid cloud orchestration, and managed security services. The business has a clear geographical focus on Finland, Sweden and Norway, and Tieto is positioned as the leading provider in Finland and is among top 3 providers in Sweden. Services are delivered from both onshore locations in the Nordic countries and the main offshore delivery centre in the Czech Republic.

### Industry Software

Tieto's Industry Software provides with industry-specific software products for business-critical processes of clients in the financial services, public and healthcare and welfare sectors as well as in the forest industry and the energy and oil and gas segments. Customers are in the Nordic countries while Tieto also has industry software for its global customers in the payments segment and the oil and gas and forest sectors. Majority of the business continues to be license-based while the share of software as a service is on the rise. In the license-based business revenue comprises solution installations and license fees as well as maintenance, which is typically based on multi-year agreements.

### Product Development Services

Product Development Services provides software R&D services with focus on the telecom sector and expanding to new domains such as automotive. Services are provided globally for communications infrastructure companies, consumer electronics and semiconductor companies as well as automotive industry. Services are currently provided mainly from global centres in Poland, China, Sweden, the Czech Republic and Finland.

**Other operations** consist of investments and revenue from few specific projects that aim to scale and create future business for Tieto. In addition, Group level costs, e.g. costs related to Global management, Group's share of support functions and other non-allocated costs are reported under Other operations.

### Customer sales by segment

EUR million	2019 7-9	2018 7-9	Change %	2019 1-9	2018 1-9	Change %	2018 1-12
Digital Experience	107.6	105.9	2	360.5	357.5	1	487.3
Hybrid Infra	131.1	124.1	6	393.9	386.6	2	519.4
Industry Software	107.0	104.7	2	330.9	332.8	-1	455.0
Product Development Services	33.6	31.9	5	105.0	99.6	5	135.8
<b>Segments total</b>	<b>379.4</b>	<b>366.7</b>	<b>3</b>	<b>1 190.3</b>	<b>1 176.4</b>	<b>1</b>	<b>1 597.5</b>
Other operations	0.2	0.5	-60	0.9	1.2	-25	2.1
<b>Group total</b>	<b>379.6</b>	<b>367.1</b>	<b>3</b>	<b>1 191.2</b>	<b>1 177.6</b>	<b>1</b>	<b>1 599.5</b>

## Customer sales by country

EUR million	2019 7-9	2018 7-9	Change %	2019 1-9	2018 1-9	Change %	Share %	2018 1-12	Share %
Finland	164.8	159.3	3	520.1	512.5	1	44	692.7	43
Sweden	141.8	139.5	2	452.0	462.2	-2	38	625.1	39
Norway	39.8	36.8	8	119.4	112.7	6	10	155.9	10
Other	33.1	31.6	5	99.6	90.3	10	8	125.9	8
<b>Group total</b>	<b>379.6</b>	<b>367.1</b>	<b>3</b>	<b>1 191.2</b>	<b>1 177.6</b>	<b>1</b>	<b>100</b>	<b>1 599.5</b>	<b>100</b>

## Customer sales from long-term fixed-price contracts by segment

EUR million	2019 7-9	2018 7-9	2019 1-9	2018 1-9	2018 1-12
Digital Experience	3.3	1.0	7.3	7.2	9.4
Hybrid Infra	3.0	1.3	2.8	3.4	2.8
Industry Software	2.8	4.0	5.8	13.0	15.1
Product Development Services	1.4	0.0	3.1	0.2	0.2
<b>Group total</b>	<b>10.6</b>	<b>6.3</b>	<b>19.1</b>	<b>23.8</b>	<b>27.5</b>

Tieto does not have individual significant customers as defined in IFRS 8.

## Operating profit (EBIT) by segment

EUR million	2019 7-9	2018 7-9	Change %	2019 1-9	2018 1-9	Change %	2018 1-12
Digital Experience	11.8	11.1	6	36.8	44.1	-16	59.2
Hybrid Infra	18.1	15.2	19	32.5	37.0	-12	48.7
Industry Software	13.9	16.6	-16	39.3	36.0	9	59.7
Product Development Services	3.3	3.1	5	10.5	10.3	1	13.9
<b>Segments total</b>	<b>47.0</b>	<b>46.0</b>	<b>2</b>	<b>119.0</b>	<b>127.4</b>	<b>-7</b>	<b>181.5</b>
Other operations	-9.2	-5.6	-64	-26.4	-18.4	-43	-26.8
<b>Group total</b>	<b>37.8</b>	<b>40.4</b>	<b>-6</b>	<b>92.7</b>	<b>109.0</b>	<b>-15</b>	<b>154.7</b>

## Operating margin (EBIT) by segment

%	2019 7-9	2018 7-9	Change pp	2019 1-9	2018 1-9	Change pp	2018 1-12
Digital Experience	10.9	10.5	0	10.2	12.3	-2	12.2
Hybrid Infra	13.8	12.2	2	8.3	9.6	-1	9.4
Industry Software	13.0	15.8	-3	11.9	10.8	1	13.1
Product Development Services	9.7	9.7	0	10.0	10.4	0	10.2
<b>Operating margin (EBIT)</b>	<b>10.0</b>	<b>11.0</b>	<b>-1</b>	<b>7.8</b>	<b>9.3</b>	<b>-1</b>	<b>9.7</b>

## Calculation of alternative performance measures

Tieto presents certain financial measures, which, in accordance with the “Alternative Performance Measures” guidance issued by the European Securities and Markets Authority, are not accounting measures defined or specified in IFRS and are, therefore, considered alternative performance measures. Tieto believes that alternative performance measures provide meaningful supplemental information to the financial measures presented in the consolidated financial statements prepared in accordance with IFRS and increase the understanding of the profitability of Tieto’s operations. Alternative performance measures are not accounting measures defined or specified in IFRS and, therefore, they are considered non-IFRS measures, which should not be viewed in isolation or as a substitute to the IFRS financial measures.

Adjusted operating profit (EBIT) = Operating profit + adjustments

Adjusted operating profit margin (EBIT), % =  $\frac{\text{Adjusted operating profit (EBIT)}}{\text{Net sales}}$

Adjustments = Amortization of acquisition-related intangible assets, restructuring costs, capital gains/losses, goodwill impairment charges and other items affecting comparability

### Adjusted operating profit (EBIT) by segment

EUR million	2019 7-9	2018 7-9	Change %	2019 1-9	2018 1-9	Change %	2018 1-12
Digital Experience	15.6	11.6	35	45.5	44.8	1	63.8
Hybrid Infra	20.4	15.5	31	43.8	39.5	11	52.4
Industry Software	16.3	17.7	-8	42.4	38.0	12	59.9
Product Development Services	3.2	3.2	3	10.5	10.4	1	14.1
<b>Segments total</b>	<b>55.4</b>	<b>47.9</b>	<b>16</b>	<b>142.1</b>	<b>132.8</b>	<b>7</b>	<b>190.2</b>
Other operations	-5.6	-4.9	-15	-17.4	-15.7	-11	-22.2
<b>Group total</b>	<b>50.1</b>	<b>43.0</b>	<b>16</b>	<b>125.0</b>	<b>117.1</b>	<b>7</b>	<b>168.0</b>

### Adjusted operating margin (EBIT) by segment

%	2019 7-9	2018 7-9	Change pp	2019 1-9	2018 1-9	Change pp	2018 1-12
Digital Experience	14.5	10.9	4	12.6	12.5	0	13.1
Hybrid Infra	15.5	12.5	3	11.1	10.2	1	10.1
Industry Software	15.2	16.9	-2	12.8	11.4	1	13.2
Product Development Services	9.6	9.9	0	10.0	10.5	0	10.4
<b>Adjusted operating margin (EBIT)</b>	<b>13.2</b>	<b>11.7</b>	<b>1</b>	<b>10.5</b>	<b>9.9</b>	<b>1</b>	<b>10.5</b>

### Reconciliation of alternative performance measures

	2019 7-9	2018 7-9	2019 1-9	2018 1-9	2018 1-12
Operating profit (EBIT)	37.8	40.4	92.7	109.0	154.7
+ restructuring costs	6.9	2.5	23.3	5.4	9.3
+ premises related expenses	—	0.1	—	0.1	0.3
- capital gains	—	-1.6	—	-4.6	-4.6
+/- M&A related items	4.0	0.2	4.8	1.1	1.4
+ amortization of acquisition-related intangible assets	1.1	1.4	3.3	4.1	5.2
+/- other items	0.1	0.0	0.9	2.1	1.8
<b>Adjusted operating profit (EBIT)</b>	<b>50.1</b>	<b>43.0</b>	<b>125.0</b>	<b>117.1</b>	<b>168.0</b>

## Personnel by segment

	End of period				Average		
	2019 1-9	2018 1-9	Change %	Share %	2018 1-12	2019 1-9	2018 1-9
Digital Experience	5 231	5 209	0	34	5 252	5 264	5 100
Hybrid Infra	3 186	3 472	-8	21	3 533	3 403	3 385
Industry Software	4 253	4 064	5	28	4 038	4 140	4 023
Product Development Services	1 759	1 606	10	12	1 608	1 641	1 564
<b>Segments total</b>	<b>14 429</b>	<b>14 350</b>	<b>1</b>	<b>95</b>	<b>14 431</b>	<b>14 447</b>	<b>14 072</b>
Other operations	747	759	-2	5	759	763	755
<b>Group total</b>	<b>15 175</b>	<b>15 109</b>	<b>0</b>	<b>100</b>	<b>15 190</b>	<b>15 211</b>	<b>14 827</b>

## Personnel by country

	End of period				Average		
	2019 1-9	2018 1-9	Change %	Share %	2018 1-12	2019 1-9	2018 1-9
Finland	3 196	3 408	-6	21	3 392	3 320	3 400
Sweden	3 055	3 065	0	20	3 106	3 094	3 071
India	2 809	2 717	3	19	2 721	2 736	2 690
Czech Republic	2 477	2 506	-1	16	2 538	2 550	2 387
Latvia	678	656	3	4	671	686	629
Poland	719	669	8	5	662	690	622
Norway	616	605	2	4	607	610	599
China	473	495	-4	3	497	491	480
Estonia	290	304	-5	2	301	293	289
Austria	170	153	12	1	162	168	145
Lithuania	108	119	-10	1	115	112	111
Other	585	413	42	4	418	460	404
<b>Group total</b>	<b>15 175</b>	<b>15 109</b>	<b>0</b>	<b>100</b>	<b>15 190</b>	<b>15 211</b>	<b>14 827</b>
Onshore countries	7 418	7 460	-1	49	7 498	7 453	7 441
Offshore countries	7 757	7 649	1	51	7 692	7 757	7 386
<b>Group total</b>	<b>15 175</b>	<b>15 109</b>	<b>0</b>	<b>100</b>	<b>15 190</b>	<b>15 211</b>	<b>14 827</b>

## Non-current assets by country

EUR million	2019 30 Sep	2018 30 Sep	Change %	2018 31 Dec
Finland	78.5	77.1	2	81.4
Sweden	35.1	38.8	-9	39.7
Norway	6.3	9.1	-31	8.1
Other	9.5	7.2	32	8.8
<b>Total non-current assets</b>	<b>129.4</b>	<b>132.2</b>	<b>-2</b>	<b>137.9</b>

Non-current assets include property, plant and equipment and intangible assets excluding goodwill.

## Depreciation by segment

EUR million	2019 7-9	2018 7-9	Change %	2019 1-9	2018 1-9	Change %	2018 1-12
Digital Experience	1.0	0.1	> 100	2.7	0.2	> 100	0.3
Hybrid Infra	9.9	7.8	28	29.8	23.9	25	31.5
Industry Software	0.4	0.1	> 100	1.2	0.3	> 100	0.3
Product Development Services	0.0	0.0	0	0.2	0.0	> 100	0.0
<b>Segments total</b>	<b>11.3</b>	<b>7.9</b>	<b>43</b>	<b>33.8</b>	<b>24.4</b>	<b>39</b>	<b>32.2</b>
Other operations	10.0	1.7	> 100	30.0	5.1	> 100	7.0
<b>Group total</b>	<b>21.3</b>	<b>9.6</b>	<b>&gt; 100</b>	<b>63.9</b>	<b>29.5</b>	<b>&gt; 100</b>	<b>39.2</b>

## Amortization on intangible assets recognized at fair value from acquisitions by segment

EUR million	2019 7-9	2018 7-9	Change %	2019 1-9	2018 1-9	Change %	2018 1-12
Digital Experience	0.3	0.4	-14	1.0	1.2	-14	1.6
Hybrid Infra	—	—	—	—	—	—	—
Industry Software	0.7	1.0	-23	2.2	2.8	-22	3.6
Product Development Services	—	—	—	—	—	—	—
<b>Segments total</b>	<b>1.1</b>	<b>1.4</b>	<b>-20</b>	<b>3.3</b>	<b>4.1</b>	<b>-19</b>	<b>5.2</b>
Other operations	—	—	—	—	—	—	—
<b>Group total</b>	<b>1.1</b>	<b>1.4</b>	<b>-20</b>	<b>3.3</b>	<b>4.1</b>	<b>-19</b>	<b>5.2</b>

## Amortization on other intangible assets by segment

EUR million	2019 7-9	2018 7-9	Change %	2019 1-9	2018 1-9	Change %	2018 1-12
Digital Experience	0.1	0.1	-19	0.3	0.3	0	0.4
Hybrid Infra	1.8	1.8	3	6.8	7.1	-5	9.0
Industry Software	—	0.1	—	—	0.3	—	0.4
Product Development Services	—	—	—	—	—	—	—
<b>Segments total</b>	<b>1.9</b>	<b>1.9</b>	<b>-2</b>	<b>7.0</b>	<b>7.7</b>	<b>-9</b>	<b>9.7</b>
Other operations	0.1	0.1	-18	0.3	0.8	-62	0.9
<b>Group total</b>	<b>2.0</b>	<b>2.0</b>	<b>-3</b>	<b>7.3</b>	<b>8.5</b>	<b>-14</b>	<b>10.6</b>

## Net working capital in the statement of financial position

EUR million	2019 30 Sep	2018 30 Sep	Change %	2018 31 Dec
Trade receivables	260.6	305.5	-15	294.9
Other working capital receivables	118.1	107.9	9	102.8
<b>Working capital receivables included in assets</b>	<b>378.6</b>	<b>413.4</b>	<b>-8</b>	<b>397.7</b>
Trade payables	100.0	101.4	-1	101.5
Personnel related accruals	132.2	127.8	3	140.9
Provisions	18.3	8.4	> 100	10.8
Other working capital liabilities	101.7	99.2	3	93.5
<b>Working capital liabilities included in liabilities</b>	<b>352.2</b>	<b>336.7</b>	<b>5</b>	<b>346.7</b>
<b>Net working capital in the statement of financial position</b>	<b>26.4</b>	<b>76.7</b>	<b>-66</b>	<b>51.0</b>

## Derivatives

### Nominal amounts of derivatives

Includes the gross amount of all nominal values for contracts that have not yet been settled or closed. The amount of nominal value outstanding is not necessarily a measure or indication of market risk, as the exposure of certain contracts may be offset by other contracts. The increase in overall hedging level is due to expected cash outflows resulting from the announced agreement to merge with EVERY ASA.

EUR million	2019 30 Sep	2018 31 Dec
Forward contracts outside hedge accounting at fair value through profit or loss	580.7	170.0
Forward contracts within hedge accounting at fair value through other comprehensive income	196.5	—
<b>Foreign exchange forward contracts</b>	<b>777.2</b>	<b>170.0</b>

### Fair values of derivatives

Fair values of derivatives	30 Sep 2019			31 Dec 2018		
	Gross positive fair values	Gross negative fair values	Net fair values	Gross positive fair values	Gross negative fair values	Net fair values
Forward contracts outside hedge accounting at fair value through profit or loss	2.6	-2.9	-0.3	2.6	-0.4	2.2
Forward contracts within hedge accounting at fair value through other comprehensive income	—	-1.0	-1.0	—	—	—
<b>Foreign exchange forward contracts</b>	<b>2.6</b>	<b>-3.9</b>	<b>-1.3</b>	<b>2.6</b>	<b>-0.4</b>	<b>2.2</b>

Derivatives are used for economic hedging purposes only.

Foreign exchange derivatives' fair values are calculated according to foreign exchange and interest rates on the closing date.

Change in Fair value of hedging instrument	2019 30 Sep	2018 31 Dec
Efficient portion in Other comprehensive income	-1.0	—
Inefficient portion in Other financial income or expenses	—	—
<b>Total change in Fair value of forward contract</b>	<b>-1.0</b>	<b>—</b>

### Fair value measurement of financial assets and liabilities

There have been no changes in fair value methodology and input levels: foreign exchange forward contracts are valued based on Level 2 inputs and Other financial assets at fair value through profit or loss' (EUR 0.5 million on 30 Sep 2019) fair value measurement is based on their initial value. The fair market value cannot be reliably estimated, due to lack of proper market for the assets.

Trade receivables sold under non-recourse factoring agreements (EUR 1.1 million on 30 Sep 2019) are classified as Financial assets at fair value through profit or loss. Group estimates that the carrying amount approximates the fair value due to their short-term nature.

### Hedge Accounting

The Group has dedicated a forward contract as a hedging instrument in a cash flow hedge relationship to hedge highly probable forecasted transaction in non-functional currency, that is, the cash component of a consideration payable to EVERY shareholders in a publicly announced merger transaction. The critical terms of the underlying transaction match with the ones of the hedging instrument:

- Nominal amount (sell EUR 196.5 million, buy NOK 1 950 million at forward rate of 9.9233)
- Maturity (both forward contract and underlying transaction is expected to realize by Q1 2020)

## Other reserves

## Cash flow hedges

EUR million	Hedging reserve
1 Jan 2019	—
Fair value gains in year	—
Fair value losses in year	-1.0
Tax on fair value gains	—
Tax on fair value losses	0.2
<b>30 Sep 2019</b>	<b>-0.8</b>

## Commitments and contingencies

EUR million	2019 30 Sep	2018 31 Dec
For Tieto obligations		
Guarantees <sup>1)</sup>		
Performance guarantees	28.9	26.5
Lease guarantees	9.0	8.1
Other	0.3	0.8
Other Tieto obligations		
Rent commitments due in one year	—	39.6
Rent commitments due in 1–5 years	—	113.7
Rent commitments due after 5 years	—	8.3
Operating lease commitments due in one year	—	8.8
Operating lease commitments due in 1–5 years	—	11.6
Operating lease commitments due after 5 years	—	0.0
Commitments to purchase assets	—	5.3
Other	0.9	0.8

<sup>1)</sup> In addition commitments of EUR 6.3 (8.0) million related to liabilities in the consolidated statement of financial position.

## Number of shares

	2019 7–9	2018 7–9	2019 1–9	2018 1–9	2018 1–12
<b>Outstanding shares, end of period</b>					
Basic	73 937 007	73 826 349	73 937 007	73 826 349	73 826 349
Effect of dilutive share-based incentive plans	100 740	117 221	111 013	122 149	189 324
Diluted	74 037 747	73 943 570	74 048 020	73 948 498	74 015 673
<b>Outstanding shares, average</b>					
Basic	73 937 007	73 826 349	73 907 822	73 798 737	73 809 855
Effect of dilutive share-based incentive plans	100 740	117 221	111 013	122 149	189 324
Diluted	74 037 747	73 943 570	74 018 835	73 920 886	73 999 179
<b>Company's possession of its own shares</b>					
End of period	172 245	282 903	172 245	282 903	282 903
Average	172 245	282 903	201 430	310 515	303 555



## Key figures

	2019 7-9	2018 7-9	2019 1-9	2018 1-9	2018 1-12
Earnings per share, EUR					
Basic	0.30	0.45	0.91	1.19	1.67
Diluted	0.30	0.45	0.91	1.18	1.66
Equity per share, EUR	5.70	6.03	5.70	6.03	6.54
Return on equity, 12-month rolling, %	23.7	27.8	23.7	27.8	25.7
Return on capital employed, 12-month rolling, %	18.5	23.5	18.5	23.5	20.9
Equity ratio, %	35.4	41.9	35.4	41.9	41.3
Interest-bearing net debt, EUR million	309.1	199.7	309.1	199.7	137.4
Gearing, %	73.3	44.8	73.3	44.8	28.5
Capital expenditure, EUR million	11.6	9.6	33.5	28.3	45.0
Acquisitions, EUR million	0.1	—	0.7	10.2	14.5

## Quarterly figures

### Key figures

	2019 7-9	2019 4-6	2019 1-3	2018 10-12	2018 7-9	2018 4-6	2018 1-3
Earnings per share, EUR							
Basic	0.30	0.24	0.37	0.48	0.45	0.33	0.41
Diluted	0.30	0.24	0.37	0.48	0.45	0.33	0.41
Equity per share, EUR	5.70	5.62	5.44	6.54	6.03	5.55	5.29
Return on equity, 12-month rolling, %	23.7	27.6	30.4	25.7	27.8	30.5	30.7
Return on capital employed, 12-month rolling, %	18.5	19.2	22.3	20.9	23.5	24.1	29.2
Equity ratio, %	35.4	33.7	29.7	41.3	41.9	38.2	36.3
Interest-bearing net debt, EUR million	309.1	362.5	273.2	137.4	199.7	209.2	100.7
Gearing, %	73.3	87.3	67.9	28.5	44.8	51.1	25.8
Capital expenditure, EUR million	11.6	12.5	9.4	16.7	9.6	10.5	8.2
Acquisitions, EUR million	0.1	—	0.7	4.3	—	4.0	6.2

### Income statement

EUR million	2019 7-9	2019 4-6	2019 1-3	2018 10-12	2018 7-9	2018 4-6	2018 1-3
Net sales	379.6	403.2	408.4	421.9	367.1	404.1	406.3
Other operating income	2.7	4.9	5.5	8.0	3.3	3.5	7.2
Materials and services	-63.3	-66.6	-59.1	-67.2	-57.3	-63.3	-60.1
Employee benefit expenses	-204.9	-244.5	-241.3	-239.7	-199.6	-231.5	-234.2
Depreciation, amortization and impairment losses	-24.4	-25.8	-24.2	-15.9	-13.0	-15.2	-13.8
Other operating expenses	-53.0	-54.5	-54.0	-63.7	-61.2	-67.7	-69.2
Share of results in joint ventures	1.1	1.4	1.4	2.4	1.1	1.3	1.0
<b>Operating profit (EBIT)</b>	<b>37.8</b>	<b>18.1</b>	<b>36.8</b>	<b>45.7</b>	<b>40.4</b>	<b>31.3</b>	<b>37.3</b>
Financial income and expenses	-8.8	1.0	-2.7	-0.8	0.3	-0.6	-0.7
<b>Profit before taxes</b>	<b>29.0</b>	<b>19.1</b>	<b>34.1</b>	<b>44.8</b>	<b>40.7</b>	<b>30.6</b>	<b>36.7</b>
Income taxes	-7.1	-1.0	-6.9	-9.2	-7.7	-5.9	-6.8
<b>Net profit for the period</b>	<b>21.9</b>	<b>18.0</b>	<b>27.1</b>	<b>35.6</b>	<b>33.0</b>	<b>24.7</b>	<b>29.9</b>

## Statement of Financial Position

EUR million	2019 30 Sep	2019 30 Jun	2019 31 Mar	2018 31 Dec	2018 30 Sep	2018 30 Jun	2018 31 Mar
Goodwill	435.9	439.3	442.4	442.6	439.7	437.5	437.4
Other intangible assets	46.4	44.3	45.4	45.6	43.2	43.7	46.1
Property, plant and equipment	83.0	86.7	87.4	92.3	88.9	90.4	92.2
Right-of-use assets	145.1	152.5	156.7	—	—	—	—
Interests in joint ventures	16.4	15.3	15.3	16.0	16.5	15.4	14.2
Other non-current assets	43.9	44.7	43.7	45.7	46.9	41.5	44.3
<b>Total non-current assets</b>	<b>770.7</b>	<b>782.9</b>	<b>790.9</b>	<b>642.3</b>	<b>635.3</b>	<b>628.5</b>	<b>634.2</b>
Trade receivables and other current assets	381.8	425.7	434.9	390.7	413.5	418.3	444.0
Cash and cash equivalents	79.2	71.7	186.3	164.6	51.0	67.4	53.9
<b>Total current assets</b>	<b>461.0</b>	<b>497.4</b>	<b>621.3</b>	<b>555.3</b>	<b>464.5</b>	<b>485.7</b>	<b>497.9</b>
<b>Total assets</b>	<b>1 231.7</b>	<b>1 280.3</b>	<b>1 412.2</b>	<b>1 197.6</b>	<b>1 099.8</b>	<b>1 114.3</b>	<b>1 132.1</b>
<b>Total equity</b>	<b>421.8</b>	<b>415.3</b>	<b>402.5</b>	<b>482.5</b>	<b>445.3</b>	<b>409.5</b>	<b>390.7</b>
Non-current loans	287.4	293.6	298.7	185.5	100.7	1.7	101.7
Other non-current liabilities	55.2	49.9	50.9	54.5	54.1	54.7	55.0
<b>Total non-current liabilities</b>	<b>342.6</b>	<b>343.5</b>	<b>349.6</b>	<b>240.0</b>	<b>154.8</b>	<b>56.5</b>	<b>156.8</b>
Trade payables and other current liabilities	345.3	362.6	489.2	349.0	341.2	364.8	521.1
Provisions	15.0	13.6	8.3	7.4	6.2	5.9	7.8
Current loans	107.1	145.3	162.6	118.6	152.3	277.6	55.7
<b>Total current liabilities</b>	<b>467.3</b>	<b>521.5</b>	<b>660.1</b>	<b>475.0</b>	<b>499.7</b>	<b>648.3</b>	<b>584.6</b>
<b>Total equity and liabilities</b>	<b>1 231.7</b>	<b>1 280.3</b>	<b>1 412.2</b>	<b>1 197.6</b>	<b>1 099.8</b>	<b>1 114.3</b>	<b>1 132.1</b>

## Statement of cash flows

EUR million	2019 7–9	2019 4–6	2019 1–3	2018 10–12	2018 7–9	2018 4–6	2018 1–3
Cash flow from operating activities							
Net profit for the period	21.9	18.0	27.1	35.6	33.0	24.7	29.9
Adjustments	39.6	24.2	32.5	21.9	16.9	19.9	19.5
Change in net working capital	17.6	1.9	-2.8	25.9	-24.7	-22.4	18.0
Cash generated from operating activities before interests and taxes	79.2	44.2	56.9	83.6	25.2	22.2	67.5
Net financial expenses paid	-3.8	-2.3	-3.5	0.3	-1.1	-3.0	-2.3
Dividends received	—	1.4	2.2	—	—	—	3.2
Income taxes paid	-5.8	-6.1	-12.4	-2.2	-5.4	-6.9	-6.9
<b>Cash flow from operating activities</b>	<b>69.6</b>	<b>37.1</b>	<b>43.3</b>	<b>81.7</b>	<b>18.7</b>	<b>12.3</b>	<b>61.5</b>
<b>Cash flow from investing activities</b>	<b>-12.9</b>	<b>-15.6</b>	<b>-9.5</b>	<b>-20.2</b>	<b>-7.8</b>	<b>-13.6</b>	<b>-7.6</b>
<b>Cash flow from financing activities</b>	<b>-48.9</b>	<b>-136.9</b>	<b>-12.9</b>	<b>50.9</b>	<b>-25.4</b>	<b>14.3</b>	<b>-81.0</b>
<b>Change in cash and cash equivalents</b>	<b>7.8</b>	<b>-115.4</b>	<b>20.9</b>	<b>112.4</b>	<b>-14.5</b>	<b>13.0</b>	<b>-27.1</b>
Cash and cash equivalents at the beginning of period	71.7	186.3	164.6	51.0	67.4	53.9	78.2
Foreign exchange differences	-0.3	0.7	0.9	1.3	-1.9	0.5	2.8
Change in cash and cash equivalents	7.8	-115.4	20.9	112.4	-14.5	13.0	-27.1
<b>Cash and cash equivalents at the end of period</b>	<b>79.2</b>	<b>71.7</b>	<b>186.3</b>	<b>164.6</b>	<b>51.0</b>	<b>67.4</b>	<b>53.9</b>

## Quarterly figures by segments

### Customer sales by segment

EUR million	2019 7-9	2019 4-6	2019 1-3	2018 10-12	2018 7-9	2018 4-6	2018 1-3
Digital Experience	107.6	123.2	129.7	129.8	105.9	126.6	125.0
Hybrid Infra	131.1	133.8	129.0	132.8	124.1	130.7	131.7
Industry Software	107.0	111.2	112.7	122.2	104.7	112.7	115.4
Product Development Services	33.6	34.6	36.8	36.2	31.9	33.7	34.0
<b>Segments total</b>	<b>379.4</b>	<b>402.8</b>	<b>408.1</b>	<b>421.1</b>	<b>366.7</b>	<b>403.7</b>	<b>406.1</b>
Other operations	0.2	0.4	0.3	0.8	0.5	0.5	0.3
<b>Group total</b>	<b>379.6</b>	<b>403.2</b>	<b>408.4</b>	<b>421.9</b>	<b>367.1</b>	<b>404.1</b>	<b>406.3</b>

### Operating profit (EBIT) by segment

EUR million	2019 7-9	2019 4-6	2019 1-3	2018 10-12	2018 7-9	2018 4-6	2018 1-3
Digital Experience	11.8	7.1	18.0	15.2	11.1	16.5	16.5
Hybrid Infra	18.1	6.2	8.2	11.6	15.2	12.0	9.9
Industry Software	13.9	11.6	13.8	23.7	16.6	6.6	12.8
Product Development Services	3.3	2.7	4.5	3.6	3.1	2.9	4.3
<b>Segments total</b>	<b>47.0</b>	<b>27.6</b>	<b>44.5</b>	<b>54.1</b>	<b>46.0</b>	<b>38.0</b>	<b>43.4</b>
Other operations	-9.2	-9.5	-7.7	-8.4	-5.6	-6.7	-6.1
<b>Group total</b>	<b>37.8</b>	<b>18.1</b>	<b>36.8</b>	<b>45.7</b>	<b>40.4</b>	<b>31.3</b>	<b>37.3</b>

### Operating margin (EBIT) by segment

%	2019 7-9	2019 4-6	2019 1-3	2018 10-12	2018 7-9	2018 4-6	2018 1-3
Digital Experience	10.9	5.7	13.9	11.7	10.5	13.0	13.2
Hybrid Infra	13.8	4.6	6.4	8.8	12.2	9.2	7.5
Industry Software	13.0	10.4	12.2	19.4	15.8	5.9	11.1
Product Development Services	9.7	7.8	12.3	9.9	9.7	8.7	12.7
<b>Operating margin (EBIT)</b>	<b>10.0</b>	<b>4.5</b>	<b>9.0</b>	<b>10.8</b>	<b>11.0</b>	<b>7.7</b>	<b>9.2</b>

### Adjusted operating profit (EBIT) by segment

EUR million	2019 7-9	2019 4-6	2019 1-3	2018 10-12	2018 7-9	2018 4-6	2018 1-3
Digital Experience	15.6	10.6	19.3	19.0	11.6	16.2	17.1
Hybrid Infra	20.4	14.5	8.9	12.9	15.5	14.1	9.9
Industry Software	16.3	12.2	14.0	22.0	17.7	8.4	11.9
Product Development Services	3.2	2.7	4.5	3.7	3.2	2.9	4.3
<b>Segments total</b>	<b>55.4</b>	<b>39.9</b>	<b>46.8</b>	<b>57.5</b>	<b>47.9</b>	<b>41.7</b>	<b>43.2</b>
Other operations	-5.6	-5.9	-5.8	-6.5	-4.9	-5.5	-5.3
<b>Group total</b>	<b>50.1</b>	<b>34.0</b>	<b>40.9</b>	<b>51.0</b>	<b>43.0</b>	<b>36.2</b>	<b>37.9</b>

### Adjusted operating profit (EBIT) by segment

%	2019 7-9	2019 4-6	2019 1-3	2018 10-12	2018 7-9	2018 4-6	2018 1-3
Digital Experience	14.5	8.6	14.9	14.6	10.9	12.8	13.7
Hybrid Infra	15.5	10.8	6.9	9.7	12.5	10.8	7.5
Industry Software	15.2	10.9	12.5	18.0	16.9	7.5	10.3
Product Development Services	9.6	7.9	12.3	10.1	9.9	8.7	12.7
<b>Operating margin (EBIT)</b>	<b>13.2</b>	<b>8.4</b>	<b>10.0</b>	<b>12.1</b>	<b>11.7</b>	<b>9.0</b>	<b>9.3</b>

## Major shareholders on 30 Sep 2019


	Shares	%
1 Cevian Capital <sup>1)</sup>	11 004 295	14.8
2 Solidium Oy	7 415 418	10.0
3 Silchester International Investors LLP <sup>2)</sup>	7 401 027	10.0
4 Swedbank Robur fonder	2 454 788	3.3
5 Ilmarinen Mutual Pension Insurance Company	1 773 526	2.4
6 Elo Mutual Pension Insurance Company	1 183 000	1.6
7 Nordea funds	830 915	1.1
8 The State Pension fund	723 000	1.0
9 Svenska litteratursällskapet i Finland r.f.	636 345	0.9
10 Åbo Akademi University Foundation	482 536	0.7
<b>Top 10 shareholders total</b>	<b>33 904 850</b>	<b>45.7</b>
- of which nominee registered	18 405 322	24.8
Nominee registered other	27 687 417	37.4
Others	12 516 985	16.9
<b>Total</b>	<b>74 109 252</b>	<b>100.0</b>

Based on the ownership records of Euroclear Finland Oy and Euroclear Sweden AB.

<sup>1)</sup> Based on the ownership records of Euroclear Finland Oy, Cevian Capital's holding on 31 August 2019 was 11 004 295 shares, representing 14.8% of the shares and voting rights.

<sup>2)</sup> On 23 June 2015, Silchester International Investors LLP announced that its holding in Tieto Corporation was 7 401 027 shares, which represents 10.0% of the shares and voting rights.

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**A teleconference for analysts and media** will be held on Thursday 24 October 2019 at **10.00 am EET** (9.00 am CET, 8.00 am UK time). Kimmo Alkio, President and CEO, and Tomi Hyryläinen, CFO, will present the results online in English. **The presentation** can be followed on [Tieto's website](#).

#### Teleconference numbers

Finland: +358 981 710 310

Sweden: +46 856 642 651

United Kingdom: +44 333 300 08 04

United States: +1 631 913 14 22

Conference code: 74597758#

To ensure that you are connected to the conference call, please dial in a few minutes before the start of the press and analyst conference. The teleconference is recorded and it will be available on demand later during the day.

Tieto publishes its financial information in English and Finnish.

#### TIETO CORPORATION

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Headquartered in Finland, Tieto has around 15 000 experts in close to 20 countries. Tieto's turnover is approximately EUR 1.6 billion and shares listed on NASDAQ in Helsinki and Stockholm. [www.tieto.com](http://www.tieto.com).

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