Q4 2017

Solid performance continues in the fourth quarter – strong full year 2017

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6 February 2018
Q4 2017 in brief

Solid performance continues in the fourth quarter – strong full year 2017

- Strong cash flow and good profitability
- Order backlog provides healthy foundation for 2018
- Accelerated growth in Sweden – Avega acquisition completed
- Dividend proposal of EUR 1.40
Tieto@2017!

2017 – Creating value for all stakeholders

Customers
All-time high NPS

Shareholders
Strong cash flow and increased dividend*)

Employees
Strong improvement in engagement

2018 THOMSON REUTERS
TOP 100
GLOBAL TECH LEADER

*) As proposed by the Board of Directors
Favorable financial development continues

Full-year net sales
- EUR 1 543 (1 493) million, +3.4%, growth in local currency +4.1%, organic growth in local currencies +3.0%
- IT services growth 3.0%, growth in local currency +3.6%, organic growth in local currencies + 2.4%

Full-year EBIT
- EBIT EUR 139.2 (140.8) million, 9.0% (9.4%)
- Adjusted*** EBIT EUR 161.5 (152.2) million, 10.5% (10.2%)
  - Restructuring costs ~1.3% of sales
  - Savings based on automation and industrialization EUR 20 million
  - Includes EUR 4.3 (3.3) million in allocated acquisition-based amortization

Dividend proposal
- Proposed dividend EUR 1.40 per share
  - Base dividend EUR 1.20 (1.15)
  - Additional dividend EUR 0.20 (0.22)
- Dividend yield 5.4%

*) Proposed dividend
**) Additional dividend
***) Adjusted for restructuring costs, capital gains/losses, goodwill impairment charges and other items
Outlook in the Nordic IT market remains healthy
Growth in the Nordic economies picked up in 2017

IT market affected by economic outlook
• Upcycle in Finland
• Swedish economy continues to be strong

Tieto expects the Nordic IT services market to grow by ~2% in 2018
• Market change driven by investments in digitalization and efficiency improvement
• Higher adoption of cloud and healthy demand for consulting
• Good interest in adoption Artificial Intelligence
• EU GDPR taking effect in May 2018: opportunities in Application Services and Security

Source: Nordea Markets, Economic Outlook, 1/2018
Business mix change driven by growth businesses

Application Services’ growth 4% in 2017 while decline in traditional infrastructure 5%

TIETO’S GROWTH AMBITION FOR IT SERVICES: FASTER THAN THE MARKET* (CAGR 2015-2020)

<table>
<thead>
<tr>
<th>Year</th>
<th>Traditional services</th>
<th>Emerging services</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>~ 50%</td>
<td>~ 50%</td>
</tr>
<tr>
<td>2020</td>
<td>~ 50%</td>
<td>~ 50%</td>
</tr>
</tbody>
</table>

SALES GROWTH 2016–2020 (CAGR)

- UP BY 10–20%
- DOWN BY 5–10%

SHARE OF IT SERVICES 2017

- Growth businesses**: 37% (Selected industry solutions and growth services)
- Other services and solutions: 21%
- Traditional services: -2%

GROWTH 2017

- 37% (Growth businesses**)
- 4% (Other services and solutions)
- -2% (Traditional services)

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

IT services annual sales EUR 1,416 million in 2017

**Selected industry solutions comprise Lifecare, Case management, Payments and Banking solutions

**Growth services comprise Customer Experience Management, Cloud services and Security Services
## Selected growth businesses up by 8%

<table>
<thead>
<tr>
<th>SERVICE LINE</th>
<th>SERVICE LINE Growth 2017</th>
<th>GROWTH BUSINESSES</th>
<th>Annual sales 2017</th>
<th>Growth 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Industry Solutions</strong>*)</td>
<td>5%</td>
<td>Selected solutions and DDB: EUR ~ 340 million</td>
<td>6%</td>
<td></td>
</tr>
<tr>
<td>EUR 496 million</td>
<td></td>
<td>Data-Driven Businesses</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Business Consulting and Implementation</strong></td>
<td>8%</td>
<td>Customer Experience Management</td>
<td>26%</td>
<td></td>
</tr>
<tr>
<td>EUR 150 million</td>
<td></td>
<td>EUR ~ 40 million</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Technology Services and Modernization</strong></td>
<td>1%</td>
<td>Cloud services</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>EUR 771 million</td>
<td></td>
<td>Security Services</td>
<td>19%</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Infra cloud growth over 15%</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total</td>
<td>8%</td>
<td></td>
</tr>
</tbody>
</table>

* Incl. Lifecare, Case management, Payments, Banking solutions
** CEM/Financial Services not included as that transferred to Industry Solutions as from 1 July 2016 – growth comparable to 1–12/2016
*** Includes both infrastructure cloud and selected services such as cloud-enabled consulting and shared integration services. Infrastructure cloud (Infrastructure as a Service and Platform as a Service) sales in FY up by over 15%
Q4 2017 key figures

Net sales
- EUR 410 (404) million, +1.5%, growth in local currencies +2.4%
- Acquisitions added EUR 4 million
- Currency impact EUR -4 million
- In IT services, sales growth 0.8%, or 1.7% in local currencies
  - Organic growth in local currencies 0.6%

EBIT
- EBIT EUR 48.0 (45.1) million, 11.7% (11.2%)
- Adjusted* EBIT EUR 49.3 (49.5) million, 12.0% (12.3%)

Order backlog
- Order backlog EUR 1 860 (1 847) million
- Contract Value EUR 543 (613) million
- Book-to-bill 1.3 (1.5)

Earnings per share
- EPS EUR 0.50 (0.46)
- EPS EUR 0.51 (0.51), adjusted*)

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

Net sales

- Net cash from operations and capital expenditure
- Capital expenditure

Number of full-time employees and offshore ratio

- Number of personnel up by a net amount of 453
- Offshore ratio: IT services 46.2% (46.2%) PDS 69.8% (64.7%)

Net debt/EBITDA

Net cash flow from operations and capital expenditure

Number of personnel

- MEUR
- Employees

- MEUR
- Net sales

- MEUR
- Net debt/EBITDA

- MEUR
- Net cash flow from operations and capital expenditure

- MEUR
Growth in local currencies by Service Line and Industry Group

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

- New data-driven businesses
- Financial Services
- Public, Healthcare and Welfare
- Industrial and Consumer Services
- Business consulting & implementation
- Industry solutions
- Technology Services and Modernization
- Product Development Services

*) Reported in Industry Solutions
Technology Services and Modernization

Customer sales in Q4
- EUR 199 (197) million, +1%, growth of 1% in local currencies

EBIT
- EBIT EUR 24.7 (26.2) million, 12.4% (13.3)
- Adjusted* EBIT EUR 26.3 (27.7) million, 13.2% (14.1)

Q4 highlights
- Two-fold development in traditional services
  - Application services growth 4%
  - Decline in traditional infrastructure services 6%
- Full-year cloud sales up by 10%, infrastructure cloud by over 15% – Security Services up by 19%
- EBIT margin supported by
  - Service standardization and automation
  - Strong add-on sales
- Q1 adjusted margin expected to be below Q1/2017
  - Number of working days affecting application services
  - Q1 seasonally lower

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

Customer sales Q4
• EUR 42 (38) million, +10%, growth of 11% in local currencies
• Organic growth in local currencies 1%

EBIT
• EBIT EUR 2.4 (2.0) million, 5.7% (5.3)
• Adjusted* EBIT EUR 2.0 (0.7) million, 4.8% (1.8)

Q4 highlights
• Growth supported by the acquisition of Avega
• Healthy growth in Customer Experience Management across industry groups
  • In CEM, full-year sales up by 26%
• Enterprise Applications negatively affected by few large ending contracts
• Improvement in adjusted operating profit
  • Billing rate improved
  • Offering development investments reduced
• Q1 growth and profitability affected by the number of working days

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

Customer sales Q4
• EUR 135 (138) million, -2%, growth of -1% in local currencies
• Organic growth in local currencies -1%

EBIT
• EBIT EUR 23.2 (19.7) million, 17.2% (14.3)
• Adjusted* EBIT EUR 21.3 (21.5) million, 15.8% (15.5)

Q4 highlights
• Sales affected by
  • Large delivery related to Tieto’s Intelligent Transportation Solution in Q4/2016 affecting comparison number
  • High comparison number for sales in FS
• Lifecare and SmartUtility remained strong with growth of 7% and over 20% in Q4
• Investments specifically for Lifecare, Payments, SmartUtility and Public 360° to drive future growth
• Adjusted EBIT affected by sales development
• 2018 outlook supported by strong order backlog
  • Q1 growth is expected to remain at a relatively low level, partly due to negative currency effects
  • Adjusted EBIT margin anticipated to remain at Q1/2017 level

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

Customer sales Q4
- EUR 34 (31) million, +10%, growth of 11% in local currencies

EBIT
- EBIT EUR 3.5 (3.3) million, 10.3% (10.6)
- Adjusted* EBIT EUR 3.5 (3.5) million, 10.3% (11.3)

Q4 highlights
- Strong volume development with key customer
- New partnership with HERE and further opportunities in the automotive segment
- Good development especially in the Radio and Smart Traffic areas
- Strong EBIT margin – excluding the negative working day impact remained at the level of Q4/2016.
- Q1 adjusted EBIT margin anticipated to stay close to 10%

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

New data-driven businesses *)

Business consulting & implementation

Industry solutions

Technology Services and Modernization

Product Development Services

Financial Services

Public, Healthcare and Welfare

Industrial and Consumer Services

*) Reported in Industry Solutions
Financial Services

Customer sales Q4
- EUR 100 (101) million, -1%, growth of -1% in local currencies
- Organic growth in local currencies -1%

Sales split by service line

<table>
<thead>
<tr>
<th></th>
<th>Q4/2017</th>
<th>Q4/2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>TSM</td>
<td>57%</td>
<td>56%</td>
</tr>
<tr>
<td>BCI</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>IS</td>
<td>38%</td>
<td>39%</td>
</tr>
</tbody>
</table>

Q4 highlights
- Positive development in Application Services
- Decline in Industry Solutions, affected by high comparison number
- Investments, specifically in the Transaction Banking area, to drive future growth
- New agreement with Elo, strategic partnership for developing and managing Swish
Public, Healthcare and Welfare

Customer sales Q4
- EUR 135 (135) million, +1%, growth of 1% in local currencies
- Organic growth in local currencies 1%

Sales split by service line

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<tr>
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<th>Q4/2016</th>
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<tr>
<td>TSM</td>
<td>46%</td>
<td>44%</td>
</tr>
<tr>
<td>BCI</td>
<td>8%</td>
<td>8%</td>
</tr>
<tr>
<td>IS</td>
<td>46%</td>
<td>48%</td>
</tr>
</tbody>
</table>

Q4 highlights
- Healthy development continued in Finland and Sweden
- High comparison number due to a large delivery in Q4/2016 related to Intelligent Transportation Solution
- Reforms in the social and welfare sector across the Nordic countries provide growth opportunities
  - Large Electronic Medical Record procurements ongoing in all Nordic countries
  - Several agreements, e.g. City of Stockholm, Tampere and municipalities in the region, Haninge municipality
Industrial and Consumer Services

Customer sales Q4
- EUR 140 (137) million, 3%, growth of 4% in local currencies
- Organic growth in local currencies 2%

Sales split by service line

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<td>59%</td>
</tr>
<tr>
<td>BCI</td>
<td>18%</td>
<td>17%</td>
</tr>
<tr>
<td>IS</td>
<td>25%</td>
<td>24%</td>
</tr>
</tbody>
</table>

Q4 highlights
- Growth supported by the acquisition of Avega and good development in Customer Experience Management
- Good development in strong Swedish markets
- In energy utilities, good demand in the billing area continued due to regulatory changes and investments in digitalized customer services
- New agreements include Göteborg Energi, Martela
Way forward
Strategy execution progressing towards 2020 strategic ambition

<table>
<thead>
<tr>
<th>Tieto 2020 management ambition (strategy 2016–2020)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>40% of sw and solutions</strong></td>
</tr>
<tr>
<td>• Accelerated investments, incl. acquisitions</td>
</tr>
<tr>
<td>• New product launches in 2018</td>
</tr>
<tr>
<td><strong>100M+ from data-driven businesses</strong></td>
</tr>
<tr>
<td>• Promising innovation pipeline</td>
</tr>
<tr>
<td>• Drive scale</td>
</tr>
<tr>
<td><strong>80% shared managed services</strong></td>
</tr>
<tr>
<td>• Consistent growth of industrialized Application Services</td>
</tr>
<tr>
<td>• Accelerate OneCloud</td>
</tr>
<tr>
<td><strong>1–2% increase in Nordic market share</strong></td>
</tr>
<tr>
<td>• Consistent growth and M&amp;A</td>
</tr>
<tr>
<td><strong>~5% of revenues as offering investments</strong></td>
</tr>
<tr>
<td>• Investments increased to 5% of sales</td>
</tr>
<tr>
<td>• Investment level maintained</td>
</tr>
<tr>
<td><strong>&gt;5% IT services revenue growth p.a.</strong>*</td>
</tr>
<tr>
<td>• Consistent growth of ~4%, above market</td>
</tr>
<tr>
<td>• Aim to grow faster than the market</td>
</tr>
<tr>
<td><strong>10–12% SG&amp;A of revenue</strong></td>
</tr>
<tr>
<td>• Down from ~15% to a range of 13–14%</td>
</tr>
<tr>
<td>• Automation driving further improvement</td>
</tr>
<tr>
<td><strong>10% margin</strong></td>
</tr>
<tr>
<td>• Adj EBIT 10.5% (10.2)</td>
</tr>
<tr>
<td>• Restructuring down to less than 2% of sales</td>
</tr>
<tr>
<td>• Productivity and scale improvement continues</td>
</tr>
</tbody>
</table>

*Formal guidance: IT services revenue growth above the market (CAGR)
**Formal guidance: 10% reported operating margin (EBIT)
Performance drivers

2018 – IT services

We aim to **grow** faster than the market, growth supported by acquisitions and software product launches

**Efficiency programme**: impact of around 20 mEUR, drive for productivity continues

**Offering development** costs anticipated to remain at the 2017 level at around 5% of Group sales

**Restructuring** costs 1–2% of Group sales

Quarterly dynamics

**Q1 revenue and profitability** affected by
- a lower number of working days
- currency effects negative based on year-end exchange rates

Performance drivers in IT services in 2018

- Adjusted EBIT 2017
- Adjusted EBIT 2018
- Sales growth and business mix change
- Growth related recruitments
- Salary inflation
- Efficiency program and other cost measures
Tieto expects its full-year adjusted*) operating profit (EBIT) to increase from the previous year’s level (EUR 161.5 million**) in 2017.

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

**) Subject to revision according to IFRS 15 restatement
Q4 2017 in brief

Solid performance continues in the fourth quarter – strong full year 2017

• Strong cash flow and good profitability
• Order backlog provides healthy foundation for 2018
• Accelerated growth in Sweden – Avega acquisition completed
• Dividend proposal of EUR 1.40