Q2 2018

Strong growth – profit at the previous year’s level

Kimmo Alkio, President and CEO
Janne Salminen, Acting CFO
Tanja Lounevirta, Head of IR
Q2 2018 in brief

Strong growth – profit at the previous year’s level

- Growth in local currencies 8%, organically 5%
- Profitability development good in Technology Services and Modernization, Business Consulting and Product Development Services
- Higher investments in technology renewals in Industry Solutions impact second-quarter profit
- Currency impact remains negative
The Nordic IT market continues to provide with growth opportunities

› Solid economic outlook continues to support IT market

› Good demand for software-based solutions, consulting and IT outsourcing

› Current currency trend unfavorable for Tieto

› Tieto expects the Nordic IT services market to grow by ~2% in 2018
Q2 2018 key figures

Net sales up by 4.8%
› EUR 404.1 (385.6) million
› Growth in local currencies 8%
› Organic growth in local currencies 5%

EBIT margin 7.7% (7.3%)
› EBIT EUR 31.3 (28.1) million
› Adjusted* EBIT EUR 34.8 (35.5) million, 8.6% (9.2%)

Order backlog EUR 1 731 (1 817) million
› Negative currency impact
› Order backlog for 2018 provides support for the growth ambitions for the year

*) adjusted for restructuring costs, capital gains/losses, goodwill impairment charges and other items
Steady progress towards strategic ambition
Significant technology renewal in many industry solutions

Customers’ 1st choice for business renewal

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

Q2 dynamics

- Attractive market with high demand for digital consulting capabilities and software driven solutions
- Strong growth in consulting based businesses BCI, application services and PDS
- Solid continuous services performance and cloud growth
- Industry solutions’ renewal continues in line with strategic ambition – short-term profit impact

- We believe in investing in Industry Solutions software businesses – strategic choice and strong vertical insights
- Architectural renewal programmes in Lifecare, SmartUtilities, Production Excellence and Payments solution
- Increased workload, mainly in Lifecare and SmartUtilities, impacted Industry Solutions’ growth and profitability during H1/2018
- Key launches expected to contribute to improved performance towards the year end
Business mix change driven by growth businesses and application services*

**WE AIM TO GROW FASTER THAN THE MARKET**

<table>
<thead>
<tr>
<th>SHARE OF IT SERVICES YTD 2018</th>
<th>GROWTH YTD 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>40% Growth businesses**</td>
<td>8%</td>
</tr>
<tr>
<td>18% Other services and solutions***</td>
<td>24%</td>
</tr>
<tr>
<td>42% Traditional services</td>
<td>-1%</td>
</tr>
</tbody>
</table>

*IT market growth expectation (CAGR 2015–2020) for the Nordics at 1.5–3%*

**Growth solution portfolio described on the next slide**

***Including Avega
Investments supporting continuous renewal and growth
Up by 8% in local currencies in H1/2018

Customer Experience Management  +11%
Data-Driven Businesses  +110%
Cloud services  +21%
Security services  -6%

Selected industry solutions  +4%
Lifecare
Payments
Credit solutions
Case management
Production excellence
SmartUtilities
Hydrocarbon management
Quarterly development

**Net sales**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>MEUR</th>
<th>Net of divestment and acquisitions</th>
<th>Customer sales adjusted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1/17</td>
<td>1</td>
<td>392</td>
<td>392</td>
</tr>
<tr>
<td>Q2/17</td>
<td>2</td>
<td>384</td>
<td>384</td>
</tr>
<tr>
<td>Q3/17</td>
<td>1</td>
<td>354</td>
<td>354</td>
</tr>
<tr>
<td>Q4/17</td>
<td>2</td>
<td>408</td>
<td>408</td>
</tr>
<tr>
<td>Q1/18</td>
<td>13</td>
<td>393</td>
<td>393</td>
</tr>
<tr>
<td>Q2/18</td>
<td>12</td>
<td>392</td>
<td>392</td>
</tr>
</tbody>
</table>

**Net debt/EBITDA**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>MEUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1/17</td>
<td>0,2</td>
</tr>
<tr>
<td>Q2/17</td>
<td>0,9</td>
</tr>
<tr>
<td>Q3/17</td>
<td>0,8</td>
</tr>
<tr>
<td>Q4/17</td>
<td>0,8</td>
</tr>
<tr>
<td>Q1/18</td>
<td>0,5</td>
</tr>
<tr>
<td>Q2/18</td>
<td>1,0</td>
</tr>
</tbody>
</table>

**Number of full-time employees and offshore ratio**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Number of personnel</th>
<th>Offshore ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1/17</td>
<td>13822</td>
<td>48,6</td>
</tr>
<tr>
<td>Q2/17</td>
<td>13754</td>
<td>49,0</td>
</tr>
<tr>
<td>Q3/17</td>
<td>13851</td>
<td>49,6</td>
</tr>
<tr>
<td>Q4/17</td>
<td>14329</td>
<td>48,7</td>
</tr>
<tr>
<td>Q1/18</td>
<td>14581</td>
<td>49,4</td>
</tr>
<tr>
<td>Q2/18</td>
<td>14956</td>
<td>49,8</td>
</tr>
</tbody>
</table>

- Number of personnel up by a net amount of 1202
- Offshore ratio: IT services 47.3% (46.9%) PDS 71.5% (67.2%)

**Net cash flow from operations and capital expenditure**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>MEUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1/17</td>
<td>-9,3</td>
</tr>
<tr>
<td>Q2/17</td>
<td>-16,9</td>
</tr>
<tr>
<td>Q3/17</td>
<td>-9,2</td>
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<tr>
<td>Q4/17</td>
<td>-11,6</td>
</tr>
<tr>
<td>Q1/18</td>
<td>-8,2</td>
</tr>
<tr>
<td>Q2/18</td>
<td>-10,5</td>
</tr>
</tbody>
</table>

- Net cash from operations
- Capital expenditure
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*)

Industry Solutions

Business Consulting and Implementation

Technology Services and Modernization

Product Development Services

Support Functions

Financial Services

Public, Healthcare and Welfare

Industrial and Consumer Services

*) Reported in Industry Solutions
Technology Services and Modernization

Customer sales in Q2
› EUR 187 (186) million, +1%, or +3% in local currencies

EBIT
› Adjusted* EBIT EUR 22.9 (21.6) million, 12.3% (11.7)

Q2 highlights
› Growth (in local currencies) driven by infrastructure cloud and application services – in H1 up by 21% and 8%, respectively
› Decline in traditional infrastructure services continued, down by 5% in H1/2018
› Continued service standardization contributed to EBIT improvement
› Less impact from efficiency programme in Q3 – profitability anticipated to be below or at the Q3/2017 level

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

Customer sales Q2
› EUR 64 (49) million, +31%, or +35% in local currencies
› Organic growth in local currencies +10%

EBIT
› Adjusted* EBIT EUR 6.3 (3.8) million, 9.8% (7.7)

Q2 highlights
› Organic growth driven by CEM and EA – total growth supported by the acquisition of Avega
› Profitability improvement driven by good volume development
› Q3 margin seasonally lower – expected to be around Q3/2017 level

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

Customer sales Q2
› EUR 119 (120) million, at Q2/2017 level, or +3% in local currencies
› Organic growth in local currencies 4%

EBIT
› Adjusted* EBIT EUR 5.9 (11.2) million, 4.9% (9.4)

Q2 highlights
› Good growth in SmartUtilities, Hydrocarbon Management and Case Management – Lifecare growth in line with the market
› Sales of Payments at the Q2/2017 level – expansion of customer base, including a major win with a large Nordic bank for the recently launched renewed VAM
› EBIT affected by continued technology renewal
   › Offering development costs up by 3 mEUR
   › Subcontracting costs up by 1 mEUR
› Negative currency impact on profit EUR 1 mEUR
› Q3 profitability expected to improve from the first-half level but remain below or at the Q3/2017 level

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

2017 comparison figures are based on business transfers completed during Q2 2018

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Customer sales Q2
› EUR 34 (31) million, +8%, or +13% in local currencies

EBIT
› Adjusted* EBIT EUR 2.9 (2.5) million, 8.7% (8.0)

Q2 highlights
› Strong volume development with the largest key customers and good development in automotive
› EBIT margin somewhat improved while included non-recurring income
› Q3 seasonally lower and profitability anticipated to be at the Q3/2017 level

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

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2017 comparison figures are based on business transfers completed during Q2 2018
Industry Groups

New data-driven businesses *)

Industry Solutions

Business Consulting & Implementation

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 Q2
› EUR 95 (96) million, -1%, or +2% in local currencies

Sales split by service line

<table>
<thead>
<tr>
<th></th>
<th>Q2/2018</th>
<th>Q2/2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>TSM</td>
<td>56%</td>
<td>57%</td>
</tr>
<tr>
<td>BCI</td>
<td>11%</td>
<td>10%</td>
</tr>
<tr>
<td>IS</td>
<td>33%</td>
<td>33%</td>
</tr>
</tbody>
</table>

Q2 highlights
› In Payments, continued expansion of customer base, including a major win with a large Nordic bank for the recently launched renewed VAM
› Strong interest in Tieto’s instant payments solutions
› Good activity level in the Swedish outsourcing market
Public, Healthcare and Welfare

**Customer sales Q2**
- EUR 133 (126) million, +5%, or +8% in local currencies

**Sales split by service line**

<table>
<thead>
<tr>
<th></th>
<th>Q2/2018</th>
<th>Q2/2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>TSM</td>
<td>44%</td>
<td>45%</td>
</tr>
<tr>
<td>BCI</td>
<td>13%</td>
<td>11%</td>
</tr>
<tr>
<td>IS</td>
<td>43%</td>
<td>44%</td>
</tr>
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</table>

**Q2 highlights**
- Development strongest in TSM, driven by cloud and application services
- Development was healthy across several markets, especially in Sweden
- Large Electronic Medical Record procurements ongoing in all Nordic countries while some delays in customers’ renewal projects
- New agreements include Region Skåne and the Finnish Border Guard
Industrial and Consumer Services

Customer sales Q2
› EUR 142 (131) million, +8%, or +11% in local currencies
› Organic growth in local currencies 5%

Sales split by service line

<table>
<thead>
<tr>
<th></th>
<th>Q2/2018</th>
<th>Q2/2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>TSM</td>
<td>52%</td>
<td>56%</td>
</tr>
<tr>
<td>BCI</td>
<td>26%</td>
<td>20%</td>
</tr>
<tr>
<td>IS</td>
<td>22%</td>
<td>24%</td>
</tr>
</tbody>
</table>

Q2 highlights
› Several new agreements concluded in H1/2018
› Growth supported by the acquisition of Avega
› Healthy growth in IS, especially in SmartUtilities and Hydrocarbon Management
› New agreements include Palm Paper Group and Singapore LNG Corporation
Way forward
Performance drivers in 2018

› Growth above the market

› Based on current rates, currency impact on sales ~EUR 43 million and on profit ~EUR 8 million

› Favorable offshoring development

› New productivity programmes and savings measures initiated
  › to address currency impact and salary inflation
  › efficiency programme 2017 concluded

› Restructuring costs at the lower end of the range – previously, costs expected to be 1–2% of Group sales

› Offering development costs around 5% of Group sales
Guidance for 2018 unchanged

Tieto expects its full-year adjusted*) operating profit (EBIT) to increase from the previous year’s level (EUR 161.4 million**) in 2017)

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

**) Restated due to the adoption of IFRS 15
Q2 2018 in brief

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