Q1 2018

Strong start for 2018

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Lasse Heinonen, CFO
Tanja Lounevirts, Head of IR

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Q1 2018 in brief

Strong start for 2018

› Growth in local currencies 6%, organically 3%
› Strong profitability in Technology Services and Modernization and Product Development Services
› Industry Solutions renewal progressing – investments continue
› Order backlog supports the growth ambitions for 2018
Outlook in the Nordic IT market remains healthy

› Solid economic outlook continues to support IT market

› Current currency trend unfavorable for Tieto

› Tieto expects the Nordic IT services market to grow by ~2% in 2018
Market drivers in the data-driven world

- Design-led services
- Advanced analytics/AI
- Software driven
- Ecosystems

New businesses and innovation

Agility and efficiency

- Cyber security, DevOps, SIAM
- Cloud
- Business process optimization
- Technology modernization
- Robotics process automation
Business mix change driven by growth businesses and application services*

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

**Growth solution portfolio described on the next slide

***Including Avega
Enhanced solution portfolio to drive growth
Up by 9% in local currencies

Selected industry solutions +5%

Customer Experience Management +12%
Data-Driven Businesses +34%
Cloud services +23%
Security services -2%

Lifecare
Credit solutions
Production excellence
Hydrocarbon management

Payments
Case management
SmartUtilities
Q1 2018 key figures

**Net sales up by 3.4%**
- EUR 406.3 (393.1) million
- Growth in local currencies 6%
- Organic growth in local currencies 3%

**EBIT margin 9.2% (5.6%)**
- EBIT EUR 37.3 (22.0) million
- Adjusted* EBIT EUR 36.6 (35.6) million, 9.0% (9.0%)

**Order backlog EUR 1 787 (1 864) 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
Quarterly development

### Net sales
- Q1/17: 392 MEUR
- Q2/17: 384 MEUR
- Q3/17: 354 MEUR
- Q4/17: 408 MEUR
- Q1/18: 393 MEUR

### Net debt/EBITDA
- Q1/17: 0.2
- Q2/17: 0.9
- Q3/17: 0.8
- Q4/17: 0.8
- Q1/18: 0.5

### Number of full-time employees and offshore ratio
- Q1/17: 13822 employees
- Q2/17: 13754 employees
- Q3/17: 13851 employees
- Q4/17: 14329 employees
- Q1/18: 14581 employees

### Net cash flow from operations and capital expenditure
- Q1/17: -9.3 MEUR
- Q2/17: -16.9 MEUR
- Q3/17: -9.2 MEUR
- Q4/17: -11.6 MEUR
- Q1/18: -8.2 MEUR

Number of personnel up by a net amount of 760 employees.

Offshore ratio: IT services 47.0% (46.8%) PDS 69.9% (66.0%)
Service Lines

New data-driven businesses (*)

Industry Solutions

Financial Services

Public, Healthcare and Welfare

Industrial and Consumer Services

Business Consulting and Implementation

Technology Services and Modernization

Product Development Services

Support Functions

(*) Reported in Industry Solutions
Technology Services and Modernization

Customer sales in Q1
› EUR 199 (198) million, +1%, or +3% in local currencies

EBIT
› Adjusted* EBIT EUR 23.1 (21.6) million, 11.6% (10.9)

Q1 highlights
› Growth (in local currencies) driven by infrastructure cloud, up by 23%, and application services, up by 8%
› Decline in traditional infrastructure services continued, down by 6%
› Continued service standardization and strong add-on sales contributed to profitability
› Q2 profitability anticipated to be close to Q2/2017 level

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

Customer sales Q1
› EUR 50 (39) million, +28%, or +31% in local currencies
› Organic growth in local currencies -3%

EBIT
› Adjusted* EBIT EUR 2.8 (2.8) million, 5.5% (7.1)

Q1 highlights
› Growth supported by the acquisition of Avega
› Good growth in CEM continued
› Lower number of working days and currency changes impacted both growth and profitability
› Ari Järvelä appointed as Head of BCI as from 1 April
› Q2 profitability anticipated to improve from Q2/2017

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

Customer sales Q1
› EUR 123 (124) million, -1%, or +3% in local currencies

EBIT
› Adjusted* EBIT EUR 9.4 (9.9) million, 7.6% (8.0)

Q1 highlights
› Good growth in SmartUtilities, Production Excellence and Case Management
› Lifecare growth slightly above the market
› Sales for Payments lower – preparations for new product launch ongoing
› Technology renewal and business model change continue in a number of key solutions
› Adjusted EBIT affected by technology investments and negative currency effects
› Q2 adjusted operating margin expected to remain close to Q2/2018 level

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

**Customer sales Q1**
- EUR 34 (32) million, +7%, or +11% in local currencies

**EBIT**
- Adjusted* EBIT EUR 4.3 (4.3) million, 12.7% (13.6)

**Q1 highlights**
- Strong volume development with the largest key customers and good development in automotive
- Periodical licence sales contributed to growth and profitability
- Strong EBIT margin despite the negative working day impact
- Q2 adjusted EBIT margin anticipated to be at Q2/2017 level

*) adjusted for restructuring costs, capital gains/losses, goodwill impairment charges and other items
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 Q1
› EUR 96 (96) million, at Q1/2017 level, +3% in local currencies

Sales split by service line

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<thead>
<tr>
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<th>Q1/2018</th>
<th>Q1/2017</th>
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<tbody>
<tr>
<td>TSM</td>
<td>58%</td>
<td>57%</td>
</tr>
<tr>
<td>BCI</td>
<td>6%</td>
<td>5%</td>
</tr>
<tr>
<td>IS</td>
<td>36%</td>
<td>38%</td>
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Q1 highlights
› Good development in TSM, especially in cloud-based platform services, volume growth and new agreements in application services
› Investments, specifically in Payments, to drive future growth
› New agreements include Kraft Bank and Ilmarinen
Public, Healthcare and Welfare

Customer sales Q1
› EUR 133 (128) million, +4%, or +7% in local currencies

Sales split by service line

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<thead>
<tr>
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<th>Q1/2017</th>
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<tbody>
<tr>
<td>TSM</td>
<td>47%</td>
<td>47%</td>
</tr>
<tr>
<td>BCI</td>
<td>9%</td>
<td>8%</td>
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<tr>
<td>IS</td>
<td>44%</td>
<td>45%</td>
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Q1 highlights
› Development strongest in Technology Services and Modernization, driven by cloud, end-user and application services
› Large Electronic Medical Record procurements ongoing in all Nordic countries while delays in some large-scale renewal projects
› Several agreements, e.g. Nynäshamn and Värmdö municipalities
Industrial and Consumer Services

Customer sales Q1
› EUR 143 (138) million, +4%, or +6% in local currencies
› Organically, sales in local currencies at Q1/2017 level

Sales split by service line

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<tr>
<td>TSM</td>
<td>56%</td>
<td>60%</td>
</tr>
<tr>
<td>BCI</td>
<td>22%</td>
<td>17%</td>
</tr>
<tr>
<td>IS</td>
<td>22%</td>
<td>23%</td>
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Q1 highlights
› Growth supported by the acquisition of Avega
› Healthy development in Energy Sweden continued
› Good growth especially in SmartUtilities and Production Excellence solutions
› New agreements include Posti, S Group, Sodexo
Way forward
Performance drivers

2018 – IT services

› We aim to grow faster than the market

› Based on current rates, currency impact on is ~EUR 37 million and on profit ~EUR 8 million

› Efficiency programme: drive for productivity continues

› Offering development costs around 5% of Group sales

› Restructuring costs 1–2% of Group sales

Q2 revenue and profitability

› Negative currency effects

› A higher number of working days
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
2018 – strong start for the year

Market
Dynamic data-driven world

Employees
Celebrating Tieto50

Shareholders
Value creation and sustainability

2018 THOMSON REUTERS TOP 100 GLOBAL TECH LEADER