Q3 2018

Strong growth – solid profitability

Kimmo Alkio, President and CEO
Janne Salminen, Acting CFO
Tanja Lounevırta, Head of IR
Q3 2018 in brief

Strong growth – solid profitability

› Growth in local currencies 7%, organically 5%
› Strong performance continues in Technology Services and Modernization and Product Development Services
› Efficiency improvements compensate negative currency impact
The Nordic IT market remains dynamic

› Solid economic outlook continues to support IT market

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

› Data-driven opportunities driving innovation and growth

› Tieto expects the Nordic IT services market to grow by ~2% in 2018
Q3 2018 key figures

Net sales up by 3.4%
› EUR 367.1 (355.0) million
› Growth in local currencies 7%
› Organic growth in local currencies 5%

EBIT margin 11.0% (11.6%)
› EBIT EUR 40.4 (41.1) million
› Adjusted* EBIT EUR 41.6 (41.1) million, 11.3% (11.6%)

Order backlog EUR 1 564 (1 678) 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
Business mix change driven by growth businesses and application services*

WE AIM TO GROW FASTER THAN THE MARKET*

2015

2020

Traditional services

Emerging services

SHARE OF IT SERVICES YTD/2018

GROWTH 1-9/2018

41% 

Growth businesses**

8%

17% 

Other services and solutions***

21%

42% 

Traditional services

0%

*IT market growth expectation (CAGR 2015–2020) for the Nordics at 1.5–3%
Investments supporting continuous renewal and growth
Up by 8% in local currencies in 1–9/2018

Selected industry solutions +4%

Customer Experience Management +12%
Data-Driven Businesses +145%
Cloud services +19%
Security services +4%

Lifecare
Credit solutions
Production excellence
Hydrocarbon management

Payments
Case management
SmartUtilities
Quarterly development

### Net sales

<table>
<thead>
<tr>
<th>Quarter</th>
<th>MEUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1/17</td>
<td>392</td>
</tr>
<tr>
<td>Q2/17</td>
<td>384</td>
</tr>
<tr>
<td>Q3/17</td>
<td>353</td>
</tr>
<tr>
<td>Q4/17</td>
<td>408</td>
</tr>
<tr>
<td>Q1/18</td>
<td>393</td>
</tr>
<tr>
<td>Q2/18</td>
<td>392</td>
</tr>
<tr>
<td>Q3/18</td>
<td>358</td>
</tr>
</tbody>
</table>

- Net of divestment and acquisitions
- Customer sales adjusted

### Net debt/EBITDA

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Value</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>
<tr>
<td>Q3/18</td>
<td>1.0</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Employees</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>
<tr>
<td>Q3/18</td>
<td>15109</td>
<td>50.6%</td>
</tr>
</tbody>
</table>

- Number of personnel up by a net amount of 1258
- Offshore ratio: IT services 48.1% (47.4%) PDS 71.8% (68.7%)

### Net cash flow from operations and capital expenditure

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Value MEUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1/17</td>
<td>79.7</td>
</tr>
<tr>
<td>Q2/17</td>
<td>10.8</td>
</tr>
<tr>
<td>Q3/17</td>
<td>-16.9</td>
</tr>
<tr>
<td>Q4/17</td>
<td>-9.1</td>
</tr>
<tr>
<td>Q1/18</td>
<td>-11.6</td>
</tr>
<tr>
<td>Q2/18</td>
<td>-8.2</td>
</tr>
<tr>
<td>Q3/18</td>
<td>-11.4</td>
</tr>
</tbody>
</table>

- Net cash from operations
- Capital expenditure

### Additional notes

- Employee count: 13,754
- Offshore: IT services 48.1% (47.4%) PDS 71.8% (68.7%)
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

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

*) New data-driven businesses
Technology Services and Modernization

Customer sales in Q3
› EUR 173 (172) million, +1%, or +4% in local currencies

EBIT
› Adjusted* EBIT EUR 23.9 (23.1) million, 13.8% (13.5)

Q3 highlights
› Growth (in local currencies) driven by infrastructure cloud and application services – YTD up by 19% and 8%, respectively
› Decline in traditional infrastructure services continued, down by 4% YTD/2018
› Operating margin somewhat improved, partly due to good volume development
› Public Cloud Programme to ensure the leading position as a cloud service provider
› Less impact from the 2017 efficiency programme – Q4 adjusted operating margin anticipated to be below or close to Q4/2017 level

*) adjusted for restructuring costs, capital gains/losses, goodwill impairment charges and other items
Customer sales Q3
› EUR 52 (42) million, +22%, or +26% in local currencies
› Organic growth in local currencies +5%

EBIT
› Adjusted* EBIT EUR 1.5 (3.5) million, 2.8% (8.2)

Q3 highlights
› Organic growth driven by CEM – total growth supported by the acquisition of Avega
› Both sales growth and operating profit were impacted by one large challenging project
› Q4 adjusted operating margin expected to be close to Q4/2017 level

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

Customer sales Q3
› EUR 110 (112) million, -2%, or +2% in local currencies
› Organic growth in local currencies 4%

EBIT
› Adjusted* EBIT EUR 15.8 (15.8) million, 14.3% (14.1)

Q3 highlights
› Strong growth in Hydrocarbon Management and Credit solutions – sales for Lifecare outpaced the market
› Sales of Payments solutions were affected by the timing of license sales
› Technology renewal continues in selected solutions
› Offering development costs up by 4 mEUR as planned
› 1.7 mEUR related to platform development capitalized
› Q4 adjusted operating margin expected to improve from Q4/2017 level

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

Customer sales Q3
› EUR 32 (29) million, +11%, or +18% in local currencies

EBIT
› Adjusted* EBIT EUR 3.2 (2.1) million, 9.9% (7.2)

Q3 highlights
› Strong volume development with the largest key customers and good development in automotive
› EBIT margin improved due to good volume development contributing to improved utilization rates
› Solid market expansion opportunities
› Q4 adjusted operating margin anticipated to be close to Q4/2017 level which included non-recurring license sales

*) 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 Q3
› EUR 88 (92) million, -4%, or -1% in local currencies

Sales split by service line

<table>
<thead>
<tr>
<th></th>
<th>Q3/2018</th>
<th>Q3/2017</th>
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</thead>
<tbody>
<tr>
<td>TSM</td>
<td>57%</td>
<td>55%</td>
</tr>
<tr>
<td>BCI</td>
<td>9%</td>
<td>9%</td>
</tr>
<tr>
<td>IS</td>
<td>34%</td>
<td>36%</td>
</tr>
</tbody>
</table>

Q3 highlights
› In Industry Solutions, sales affected by the timing of license sales – Q3/2017 included a substantial delivery
   › Healthy growth in Credit solutions
› Payment solutions continued to expand its customer base and grow sales pipeline for the recently launched renewed VAM
› New agreements include Facevalue and Automatia Pankkiautomaatit
› Tieto named globally among Top 25 in Enterprise FinTech Rankings by IDC
Public, Healthcare and Welfare

Customer sales Q3
› EUR 121 (112) million, +8%, or +12% in local currencies

Sales split by service line

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<tr>
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<th>Q3/2017</th>
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</thead>
<tbody>
<tr>
<td>TSM</td>
<td>46%</td>
<td>45%</td>
</tr>
<tr>
<td>BCI</td>
<td>12%</td>
<td>10%</td>
</tr>
<tr>
<td>IS</td>
<td>42%</td>
<td>45%</td>
</tr>
</tbody>
</table>

Q3 highlights
› Healthy development across the markets and businesses
› Active market with several digitalization initiatives and transition projects ongoing
› New agreements include Nynäshamn municipality

MEUR

- Customer sales adjusted
- Net of divestment and acquisitions
Industrial and Consumer Services

Customer sales Q3
› EUR 126 (122) million, +4%, or +7% in local currencies
› Organic growth in local currencies 2%

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<tr>
<td>BCI</td>
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<td>19%</td>
</tr>
<tr>
<td>IS</td>
<td>23%</td>
<td>24%</td>
</tr>
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Q3 highlights
› Several new agreements concluded in 2018
› Growth supported by the acquisition of Avega
› Healthy growth especially in Hydrocarbon Management
› Cross-advertising product divested
Way forward
Performance drivers in 2018

- **Growth** above the market
- Favorable **offshoring** development
- **Productivity programmes and savings measures** ongoing
- **Salary inflation** close to EUR 30 million
- **Restructuring costs** expected to be 1–2% of Group sales: at the lower end of the range
- **Offering development** costs around 5% of Group sales
- Based on current rates, **currency** impact on sales ~EUR 48 million and on profit ~EUR 9 million
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
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