Q3 2019
Strong growth and profitability

Kimmo Alkio, President and CEO
Tomi Hyryläinen, CFO
Tanja Lounevirta, Head of IR
Q3 2019 in brief

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 TietoEVRY Group Leadership appointed
The Nordic IT market remains dynamic

- Increasing investments for new data-rich services and differentiating experiences
- Hybrid infrastructure and cloud as a foundation in customers' business continuity and renewal
- Uncertainty in macroeconomic trends continue
- Tieto expects the Nordic IT services market to grow by 2–3% in 2019
Q3 2019 key figures

Net sales up by 3.4%
› EUR 379.6 (367.1) million
› Growth in local currencies 5%
› Organic growth in local currencies 4%

Adjusted EBIT margin 13.2% (11.7%)
› EBIT EUR 37.8 (40.4) million, 10.0% (11.0%)
› Includes EUR 12.3 million in adjusted items
› Adjusted1) EBIT EUR 50.1 (43.0) million, 13.2% (11.7%)

› Order backlog EUR 1,649 (1,564) million

1) adjusted for amortization of acquisition-related intangible assets, restructuring costs, capital gains/losses, goodwill impairment charges and other items affecting comparability.
Quarterly development

**Net sales**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>MEUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1/18</td>
<td>406</td>
</tr>
<tr>
<td>Q2/18</td>
<td>404</td>
</tr>
<tr>
<td>Q3/18</td>
<td>367</td>
</tr>
<tr>
<td>Q4/18</td>
<td>422</td>
</tr>
<tr>
<td>Q1/19</td>
<td>408</td>
</tr>
<tr>
<td>Q2/19</td>
<td>403</td>
</tr>
<tr>
<td>Q3/19</td>
<td>380</td>
</tr>
</tbody>
</table>

- **Customer sales**

**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>Q1/18</td>
<td>14581</td>
<td>50,4</td>
</tr>
<tr>
<td>Q2/18</td>
<td>14956</td>
<td>50,6</td>
</tr>
<tr>
<td>Q3/18</td>
<td>15109</td>
<td>50,6</td>
</tr>
<tr>
<td>Q4/18</td>
<td>15190</td>
<td>50,9</td>
</tr>
<tr>
<td>Q1/19</td>
<td>15275</td>
<td>51,0</td>
</tr>
<tr>
<td>Q2/19</td>
<td>15101</td>
<td>51,1</td>
</tr>
<tr>
<td>Q3/19</td>
<td>15175</td>
<td>51,1</td>
</tr>
</tbody>
</table>

**Net debt/EBITDA**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>MEUR</th>
</tr>
</thead>
<tbody>
<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>
<tr>
<td>Q4/18</td>
<td>0,7</td>
</tr>
<tr>
<td>Q1/19</td>
<td>1,1</td>
</tr>
<tr>
<td>Q2/19</td>
<td>1,5</td>
</tr>
<tr>
<td>Q3/19</td>
<td>1,4</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Quarter</th>
<th>MEUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1/18</td>
<td>61,5</td>
</tr>
<tr>
<td>Q2/18</td>
<td>12,3</td>
</tr>
<tr>
<td>Q3/18</td>
<td>18,7</td>
</tr>
<tr>
<td>Q4/18</td>
<td>81,7</td>
</tr>
<tr>
<td>Q1/19</td>
<td>43,3</td>
</tr>
<tr>
<td>Q2/19</td>
<td>37,1</td>
</tr>
<tr>
<td>Q3/19</td>
<td>69,6</td>
</tr>
</tbody>
</table>

- **Net cash from operations**
- **Capital expenditure**

Numbers are in million euros (MEUR).
Healthy development in a number of growth businesses

<table>
<thead>
<tr>
<th>Growth in Q3 (YTD)</th>
<th>Annual sales in 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Digital Experience</strong></td>
<td></td>
</tr>
<tr>
<td>› Customer Experience Management +9% (19%)</td>
<td>~ EUR 60 million</td>
</tr>
<tr>
<td><strong>Hybrid Infra</strong></td>
<td></td>
</tr>
<tr>
<td>› Cloud services +23% (11%)</td>
<td>~ EUR 125 million</td>
</tr>
<tr>
<td>› Security services +14% (31%)</td>
<td>~ EUR 12 million</td>
</tr>
<tr>
<td><strong>Industry Software</strong></td>
<td></td>
</tr>
<tr>
<td>› Lifecare +8% (6%)</td>
<td>~ EUR 180 million</td>
</tr>
<tr>
<td>› Payments +9% (11%)</td>
<td>~ EUR 60 million</td>
</tr>
<tr>
<td>› Oil &amp; Gas +15% (14%)</td>
<td>~ EUR 50 million</td>
</tr>
</tbody>
</table>

1) In local currencies
Reporting segments

Primary reporting segments

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

<table>
<thead>
<tr>
<th>Reporting segments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finland</td>
</tr>
<tr>
<td>Sweden</td>
</tr>
<tr>
<td>Norway</td>
</tr>
<tr>
<td>Other countries</td>
</tr>
</tbody>
</table>
Digital Experience

Customer sales Q3
› EUR 108 (106) million
› Up by 2%, or 3% in local currencies

EBIT
› Adjusted\(^1\) EBIT EUR 15.6 (11.6) million, 14.5% (10.9)

Q3 highlights
› CEM growth 9% in local currencies
› Application Services continued to be impacted by one large customer insourcing
› Positive working day impact
› EBIT margin supported by efficiency measures initiated in Q2
› In Q4, adjusted operating margin anticipated to be at or below the level of Q4/2018

1\(^{1}\) adjusted for amortization of acquisition-related intangible assets, restructuring costs, capital gains/losses, goodwill impairment charges and other items affecting comparability
Customer sales in Q3
› EUR 131 (124) million
› Up by 6%, or 7% in local currencies

EBIT
› Adjusted¹) EBIT EUR 20.4 (15.5) million, 15.5% (12.5)

Q3 highlights
› Infrastructure cloud growth 23%, Security Services 14% in local currencies
› Sales for traditional infrastructure services remained at Q3/2018 level
› EBIT margin supported by overall strong volume development and efficiency measures initiated in Q2
› In Q4, adjusted operating margin anticipated to be above the level of Q4/2018

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

Customer sales Q3
› EUR 107 (105) million
› Up by 2%, 4% in local currencies

EBIT
› Adjusted\(^1\) EBIT EUR 16.3 (17.7) million, 15.2% (16.9)

Q3 highlights
› Strong growth in Payments and oil&gas solutions, up by 9% and 15% in local currencies
› Lifecare sales up by 8%
› In SmartUtilities, offering development continued to support customer deployments starting in 2020
› EUR 3.9 million in offering development costs capitalized
› In Q4, adjusted operating margin anticipated to be at or above the level of Q4/2018

\(^{1}\) adjusted for amortization of acquisition-related intangible assets, restructuring costs, capital gains/losses, goodwill impairment charges and other items affecting comparability
Customer sales Q3
› EUR 34 (32) million
› Up by 5%, or 7% in local currencies

EBIT
› Adjusted\(^1\) EBIT EUR 3.2 (3.2) million, 9.6% (9.9)

Q3 highlights
› Strong volume development with the largest key customers with focus on Radio and 5G technologies
› Good development in automotive continued
› Adjusted EBIT margin remained at Q3/2018 level
› In Q4, adjusted operating margin anticipated to be around the level of Q4/2018

\(^1\) adjusted for amortization of acquisition-related intangible assets, restructuring costs, capital gains/losses, goodwill impairment charges and other items affecting comparability
Customer sales by country

**Finland** country growth 3%  
› Industry Software growth of 11% driven by Healthcare solutions  
› Strong demand for cloud services continued  
› Digital Experience affected by a large customer insourcing

**Sweden** country growth 3% in local currencies  
› Growth driven by Hybrid Infra, up by 10%  
› Industry Software growth impacted by continued renewal of Tieto SmartUtilities – double-digit growth in Payments and Credit solutions

**Norway** country growth 12% in local currencies  
› Growth across businesses with strongest growth in Digital Experience  
› Double-digit growth in Payments and oil&gas solutions

1) Excl. PDS
Performance drivers in 2019

› Aim to **grow faster than the market** in local currencies

› **Productivity improvement** measures, incl. automation, optimized subcontracting, offshoring, management of competence pyramid

› **Salary inflation** over EUR 30 million

› Operational simplification anticipated to result in annualized **gross savings of EUR 30–35 million**
  › Over EUR 15 million anticipated to contribute to the H2/2019 performance
  › **Restructuring costs** anticipated to amount to around EUR 20 million
    › Around EUR 18 million in restructuring costs related to the efficiency programme booked in Q1–Q3/2019

› **Costs related to the merger**, subject to the approval of the transaction, anticipated to amount to EUR 15-20 million – affecting EBIT in H2/2019 (reported in adjusted items)
Guidance for 2019 unchanged

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

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

\(^2\) 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 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.
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› Merger integration planning continues on schedule - new TietoEVRY Group Leadership appointed
Digital Advantage for Nordic Enterprises and Societies
TietoEVRY merger drives significant value for shareholders

→ Combined market opportunity larger than stand alone and combination positioned to grow

→ Synergies provide attractive profit expansion – significant part materializing already within first twelve months

→ Healthy cash flow anticipated to drive attractive dividend profile and deleverage
The new joint TietoEVRY Group Leadership

Managing Partner
Norway
Christian Pedersen

Managing Partner
Sweden
Karin Schrell

Managing Partner
Finland
Satu Kilskinen

Head of Digital Consulting
Thomas Nordås

Head of Cloud & Infra
Johan Torstensson

Head of Industry Software
Christian Segersven

Head of Financial Services
Wiljar Nesse

Head of PDS
Tom Leskinen

Integration Officer
Malin Fors-Skjæveland

Head of Operations
Ari Järvelä

Head of HR
Trond Vinje

Head of Strategy
Kishore Ghadiyaram

CFO
Tomi Hyryläinen

CEO
Kimmo Alkio
Timeline for the merger

Integration planning started in August

EVRY’s and Tieto’s EGM approved the merger on 2 and 3 September

Group Leadership appointed on 16 October

Closing expected in Q4 2019 or Q1 2020 at the latest (subject to obtaining necessary approvals by competition authorities)