Q2 2021

Turning to growth – solid profitability

Kimmo Alkio, President and CEO
Tomi Hyryläinen, CFO
### Q2 in brief

**Turning to growth – solid profitability**

| Organic growth 2% – adjusted operating margin 12.2% | Strong performance in software businesses – growth of 13% in Industry Software and 9% in Financial Services Solutions | Significant wins demonstrating competitiveness – top 5 contracts represent EUR 300 million | Objective for leverage achieved – net debt/EBITDA below 2 |
Market dynamics and growth momentum

- High activity level – business impact from the pandemic reducing
- Digital accelerating – growth captured in cloud & data and industry specific software
- Dynamic talent market – increasing recruitment capacity to support growth ambitions
- Future of Work – refining employee engagement and flexible working practices
Significant wins in the quarter

• Healthy order intake, backlog growth 3%* from Q1’21
• Top 5 wins representing EUR 300 million
• Strong book to bill 1.4 in Cloud & Infra with significant renewals and new multi-cloud contracts

**Signed in July - not included in Q2’21 order backlog**
Business highlights

Revenue EUR 722 million, organic growth* 2%
- Reported growth 5%, currency impact EUR 30 million

Adjusted EBITA** EUR 88.3 (80.4) million, 12.2% (11.7)

Growth profile in all businesses improved from Q1’21
Strong growth in Industry Software (13%) and Financial Services Solutions (9%)
Impact from pre-merger lost customers in Cloud & Infra appr. 3.5%
Profitability improvement driven by solid performance in software businesses and synergy contribution

* Adjusted for currency effects, acquisitions and divestments
** Adjustment items include restructuring costs, capital gains/losses, impairment charges and other items affecting comparability
Digital Consulting

Business highlights
Revenue EUR 172 million, organic growth* 1%
Adjusted EBITA** EUR 23.0 (17.8) million, 13.4% (11.0)

Growth accelerating in cloud and technology consulting and data & analytics
Margin improvement driven by merger-related synergies and continuous efficiency improvement
Additional recruitment activities initiated to offset active talent market and to support growth in cloud, data and business applications

In Q3’21:
Adjusted operating margin anticipated to be below Q3’20 level

* Adjusted for currency effects, acquisitions and divestments
** Adjustment items include restructuring costs, capital gains/losses, impairment charges and other items affecting comparability
Cloud & Infra

Business highlights

Revenue EUR 219 million, organic growth* -10%
Adjusted EBITA** EUR 13.2 (26.6) million, 6.0% (11.5)

Pre-merger lost customer impact of appr. 10% on revenue
Turnaround programme on schedule:
• Continued quality improvement demonstrated
• Capacity reduction in legacy services and automation
driving profit improvement in H2’21

Strong book to bill 1.4 – significant renewals and new multi-cloud contracts

In Q3’21:
Revenue decline expected to be less than Q2’21
Adjusted operating margin expected to be above Q2’21 and below Q3’20 level

* Adjusted for currency effects, acquisitions and divestments
** Adjustment items include restructuring costs, capital gains/losses, impairment
charges and other items affecting comparability

Organic growth*
-10%

Adj. EBITA**
6.0% (down 5.5%)
Industry Software

Business highlights

Revenue EUR 139 million, organic growth* 13%
Adjusted EBITA** EUR 32.2 (18.4) million, 23.1% (15.0)

Continued strong growth in healthcare and welfare business
Profit development driven by revenue growth and continuous efficiency improvement
Oil & Gas divestment closed on 7 June

In Q3’21:
Adjusted operating margin anticipated to be at the level of Q3’20

* Adjusted for currency effects, acquisitions and divestments
** Adjustment items include restructuring costs, capital gains/losses, impairment charges and other items affecting comparability
**Business highlights**

Revenue EUR 119 million, organic growth* 9%

Adjusted EBITA** EUR 16.3 (12.0) million, 13.7% (11.8)

Growth driven by strong performance in core banking, payments and cards businesses

Profit development driven by revenue growth and continuous efficiency improvement

Investment level maintained to support delivery of won new business in cards and core banking

**In Q3’21:**

Adjusted operating margin anticipated to be at or above Q3’20 level

---

* Adjusted for currency effects, acquisitions and divestments
** Adjustment items include restructuring costs, capital gains/losses, impairment charges and other items affecting comparability
Business highlights

Revenue EUR 36 million, organic growth* 2%
Adjusted EBITA** EUR 3.7 (4.0) million, 10.4% (11.5)

Market activity and demand increasing in all key industries
Additional recruitment activities initiated to offset active talent market and to support H2 growth opportunities
Significant over EUR 30 million contract over 2 years signed with a major global tech industry leader

In Q3’21:
Adjusted operating margin anticipated to be at Q3’20 level

* Adjusted for currency effects, acquisitions and divestments
** Adjustment items include restructuring costs, capital gains/losses, impairment charges and other items affecting comparability
International Operations – strong capabilities in digitalization and cloud

Capturing demand for transformation and future digital services

- Enhancement of digital customer and citizen experiences
- Digitalization of business processes e.g., supply chain and financial management
- Transition to cloud-based applications and infrastructure services

Leveraging capabilities in SAP and Microsoft technologies as well as custom cloud-native software development and testing

Q2 revenue
EUR 37 million

Organic growth in Q2
19%

About International Operations
- Digital consulting services for markets outside the Nordics
- Deliveries through scalable centres in India and Ukraine
- Focus on industrial, public and telecom sectors in Europe, healthcare, insurance and professional services in the US
- International Operations included in reporting segment Other
Advancing in our sustainability agenda

Making ESG data visible for our customers

- Transparent CO2 reporting on TietoEVRY’s services through a Sustainability dashboard

Accelerating diversity and gender balance

To achieve a 50/50 gender split by 2030, a new approach to recruitment ads was piloted:

- Changing gendered content in the job ads, increased female applicants to 32% (from 14%).
- The pilot was in the Nordics for Front-End Developer, Customer Architect and Software Developer roles – implementation in recruitment practices ongoing.
CFO report
**Q2 financials – continued solid profitability**

- Organic growth 2% – adjusted operating margin 12.2%
- Strong reported operating profit at EUR 139.7 (-9.8) million, 19.4% (-1.4%), supported by capital gain from Oil and Gas divestment
- Earnings per share EUR 0.99 (-0.12)
- Cash flow from operations EUR 11 (90) million
- Leverage target achieved – Net debt / EBITDA 1.6

**Other Q2 items**

- Synergy impact EUR 21 million in Q2’21. Not fully visible in the P&L due to temporary profit decline in Cloud & Infra
- One-time items in line with estimate. Q2’21 includes positive impact from Oil & Gas divestment
- FX revenue tailwind EUR 30 million driven by appreciation of NOK and SEK
- Oil & Gas divestment completed on 7 June
Leverage target achieved

- EUR 11 (90) million cash flow from operations impacted by increase in working capital.
- Cash generation foundations remains healthy – no structural changes
- Free cash flow of EUR 116 million, impacted positively by Oil & Gas divestment proceeds

Net debt/EBITDA reached 1.6x by end of Q2 (excluding Oil & Gas divestment 1.9x)
Net debt/EBITDA target of <2x achieved

*Operating cash flow less cash flow from investing activities less Payments of lease liabilities
Synergy realization on track

Q2’21 operating profit includes EUR 21 million of synergies

Run-rate of EUR 85 million executed by end of Q2’21

Run-rate of EUR 90-95 million expected by end of 2021

Accumulated one-time integration costs per Q2’21 of EUR 94 million, with total guidance of EUR 110-120 million remaining unchanged

---

EUR 100 million merger efficiencies achieved within three years

- 80 million in 2020
- 15 million in 2021
- 5 million in 2022

Total = 100 million

Merger efficiency run-rate at end of year (MEUR)

EUR 110-120 million of one-time integration cost expected in 2020-2022
One-time items in line with estimates

<table>
<thead>
<tr>
<th>One-time items (MEUR)</th>
<th>Q1 2021</th>
<th>Q2 2021</th>
<th>H1 2021</th>
<th>FY2021 estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil &amp; Gas divestment (net gain)</td>
<td>0</td>
<td>-2</td>
<td>73</td>
<td>71</td>
</tr>
<tr>
<td>Integration cost</td>
<td>-6</td>
<td>-3</td>
<td>-9</td>
<td>-(26-30)</td>
</tr>
<tr>
<td>IBM transition of services</td>
<td>-5</td>
<td>-1</td>
<td>-6</td>
<td>-6</td>
</tr>
<tr>
<td>Other one-time items</td>
<td>-1</td>
<td>-5</td>
<td>-6</td>
<td>-(15-20)</td>
</tr>
<tr>
<td><strong>Total costs</strong></td>
<td><strong>-12</strong></td>
<td><strong>-9</strong></td>
<td><strong>-21</strong></td>
<td><strong>-(47-56)</strong></td>
</tr>
<tr>
<td>Total one-time items affecting EBITA</td>
<td><strong>-14</strong></td>
<td><strong>+63</strong></td>
<td><strong>+50</strong></td>
<td><strong>+15 to +24</strong></td>
</tr>
</tbody>
</table>

*Excluding Oil & Gas divestment proceeds. Cash flow impact differs from P&L profile, e.g. for restructuring accruals the cash flow impact is back-end loaded

- Oil & Gas divestment resulted in positive one-time items effect of EUR 71 million
- Integration cost estimate for 2021 EUR 26-30 million, with total integration cost unchanged at EUR 110-120 million
- Consistent reduction in one-time items as planned
Oil & Gas divestment

Closing completed on 7 June – minor part of asset transfers will be completed during autumn

Enterprise value (EV) EUR 155 million

P&L impact from divestment EUR 71 million
  - EV adjusted for changes in net working capital, transaction costs and net assets and liabilities, incl. goodwill

Cash impact in Q2'21 EUR 142.5 million
  - Cash compensation of EUR 2 million subsequent to the completion of asset transfers taking place during autumn

Tax impact – effective tax rate reduced
  - Non-taxable transaction for the Group
  - Reducing effective tax rate for 2021 appr. 4%

Capex

<table>
<thead>
<tr>
<th>Capex in % of revenue</th>
<th>Q220</th>
<th>Q320</th>
<th>Q420</th>
<th>Q121</th>
<th>Q221</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3.4%</td>
<td>2.7%</td>
<td>2.5%</td>
<td>3.1%</td>
<td>2.5%</td>
</tr>
</tbody>
</table>

Capex levels for 2021 estimated to be at or slightly above 2020 level with some quarterly fluctuations

Main capex components; 1/3 fixed assets, primarily related to datacenter investments, and 2/3 in-house developed SW, primarily related to Banking platform in Financial Services Solutions
Performance drivers – Q3’21

Revenue drivers
- Cloud & Infra pre-merger lost customer impact on the Group’s growth ~2%

Profit drivers
- Synergy impact slightly above EUR 21 million
- Capacity reduction in legacy services and automation driving profit improvement in H2’21

Other drivers
- Estimated positive FX impact on revenue ~ EUR 16 million
- Working day impact neutral
Growth momentum
Growth dynamics 2021

<table>
<thead>
<tr>
<th>Service Line</th>
<th>H1 2021</th>
<th>H2 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry Software</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial Services Solutions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product Development Services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Digital Consulting</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cloud &amp; Infra</td>
<td></td>
<td></td>
</tr>
<tr>
<td>International Operations</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Growth agenda materializing as planned

Group growth of 2% in Q2’21

H2’21 all service lines except Cloud & Infra positively contributing to growth ambition
Solid foundation for H2 2021

- Healthy market sentiment
- Continued growth agenda
- Cloud & Infra turnaround on schedule
- Foundation for solid financial returns