

Q4 2017

Solid performance continues in the fourth quarter – strong full year 2017

Kimmo Alkio, President and CEO

Lasse Heinonen, CFO

Tanja Lounevirta, Head of IR

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tieto

Q4 2017 in brief

Solid performance continues in the fourth quarter – strong full year 2017

- Strong cash flow and good profitability
- Order backlog provides healthy foundation for 2018
- Accelerated growth in Sweden – Avega acquisition completed
- Dividend proposal of EUR 1.40

Tieto @2017!



^{*)} As proposed by the Board of Directors

Favorable financial development continues

Full-year net sales

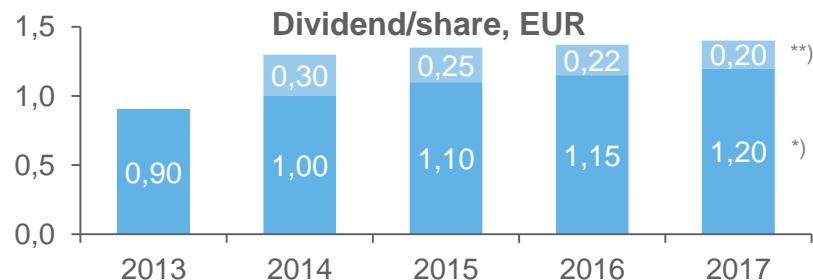
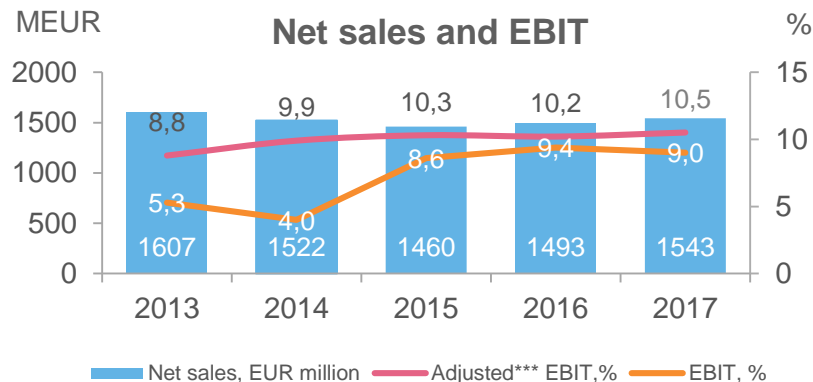
- EUR 1 543 (1 493) million, +3.4%, growth in local currency +4.1%, organic growth in local currencies +3.0%
- IT services growth 3.0%, growth in local currency +3.6%, organic growth in local currencies + 2.4%

Full-year EBIT

- EBIT EUR 139.2 (140.8) million, 9.0% (9.4%)
- Adjusted*** EBIT EUR 161.5 (152.2) million, 10.5% (10.2%)
 - Restructuring costs ~1.3% of sales
 - Savings based on automation and industrialization EUR 20 million
 - Includes EUR 4.3 (3.3) million in allocated acquisition-based amortization

Dividend proposal

- Proposed dividend EUR 1.40 per share
 - Base dividend EUR 1.20 (1.15)
 - Additional dividend EUR 0.20 (0.22)
- Dividend yield 5.4%



Outlook in the Nordic IT market remains healthy

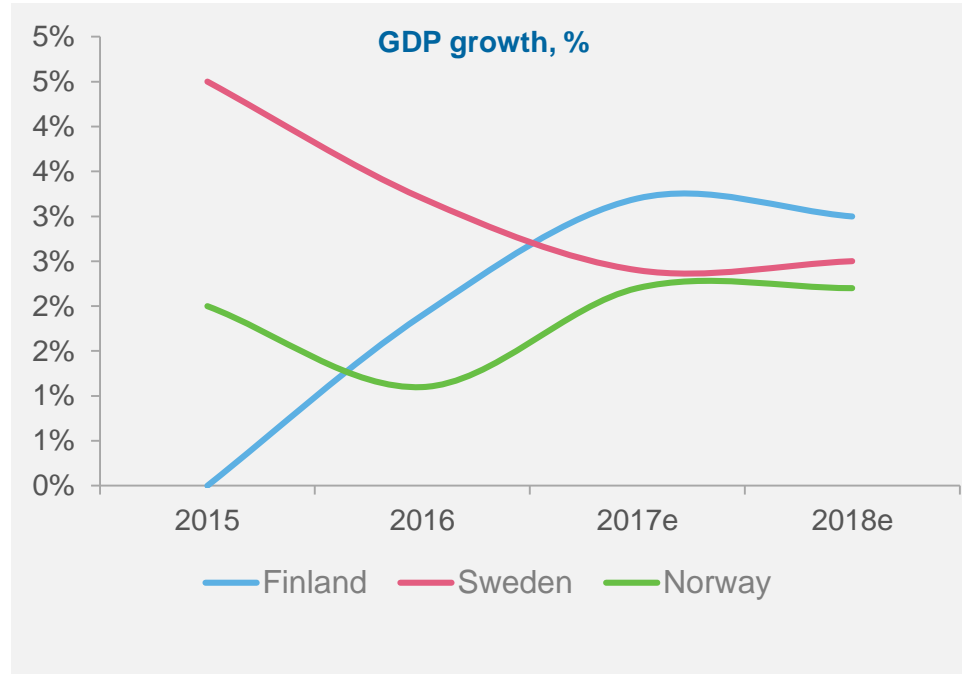
Growth in the Nordic economies picked up in 2017

IT market affected by economic outlook

- Upcycle in Finland
- Swedish economy continues to be strong

Tieto expects the Nordic IT services market to grow by ~2% in 2018

- Market change driven by investments in digitalization and efficiency improvement
- Higher adoption of cloud and healthy demand for consulting
- Good interest in adoption Artificial Intelligence
- EU GDPR taking effect in May 2018: opportunities in Application Services and Security



Business mix change driven by growth businesses

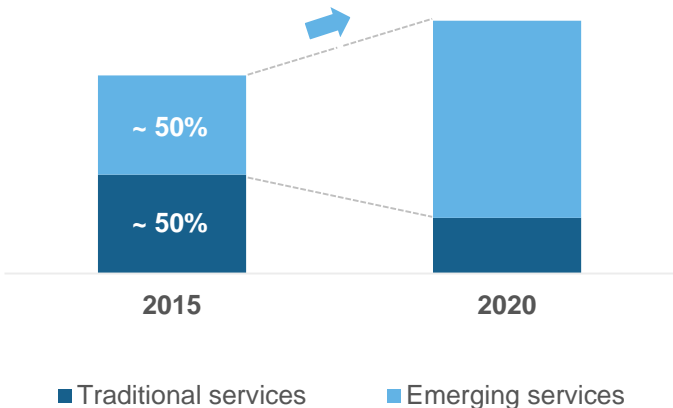
Application Services' growth 4% in 2017 while decline in traditional infrastructure 5%

TIETO'S GROWTH AMBITION FOR IT SERVICES:
FASTER THAN THE MARKET* (CAGR 2015-2020)

SALES GROWTH
2016–2020 (CAGR)

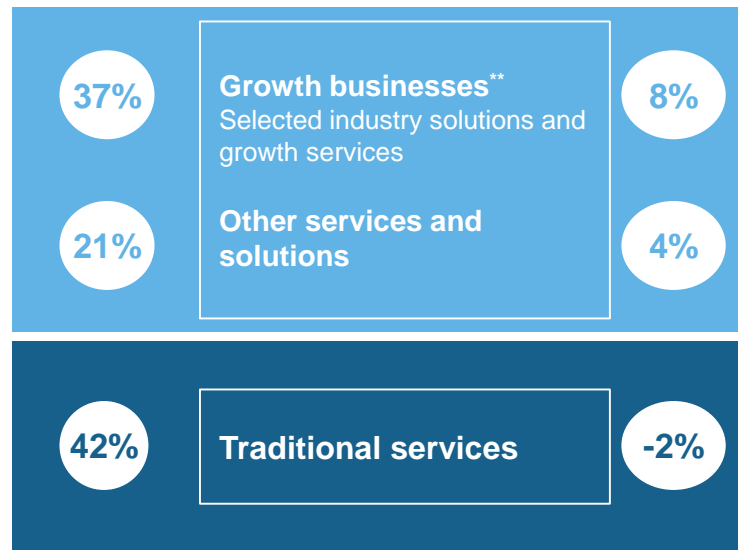
SHARE OF IT SERVICES
2017

GROWTH
2017



UP BY
10–20%

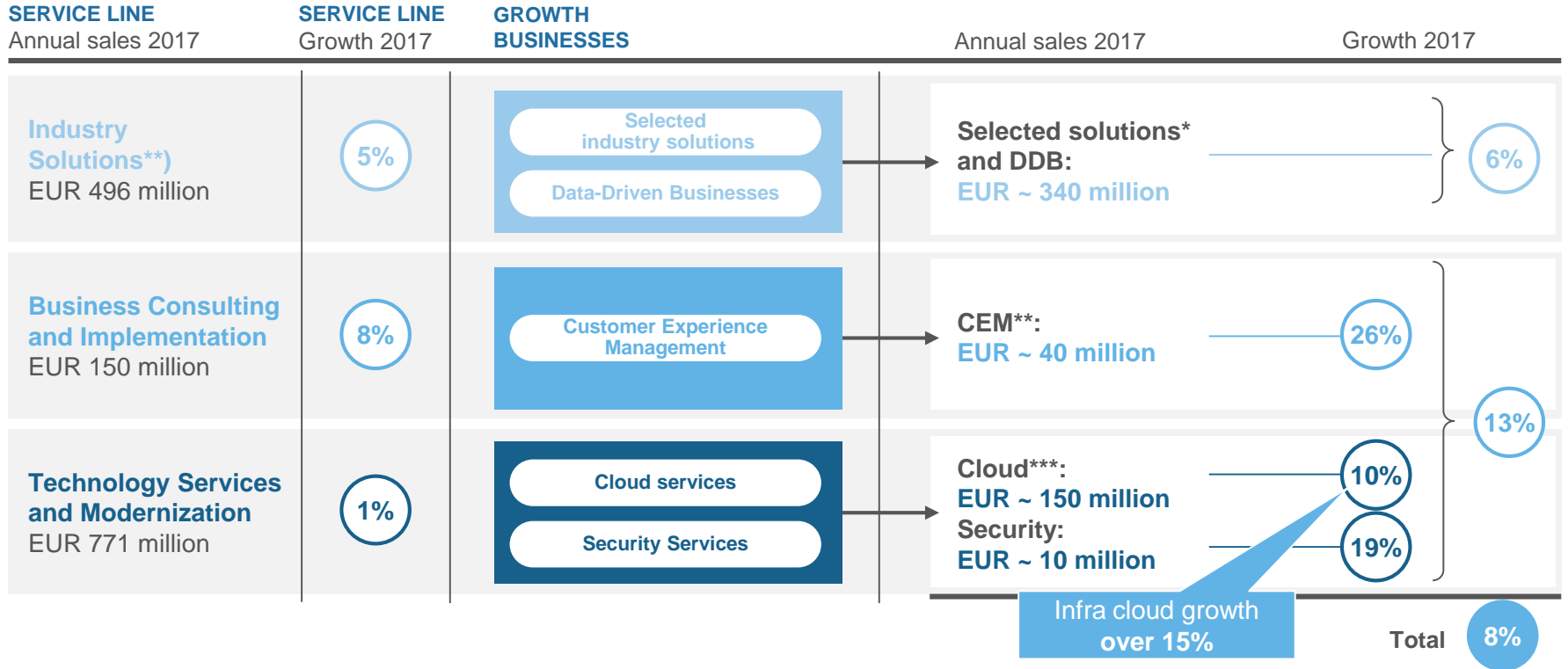
DOWN BY
5–10%



*Market growth expectation (CAGR) for the Nordics at 1.5–3%

IT services annual sales EUR 1 416 million in 2017

Selected growth businesses up by 8%



* Incl. Lifecare, Case management, Payments, Banking solutions

** CEM/Financial Services not included as that transferred to Industry Solutions as from 1 July 2016 – growth comparable to 1–12/2016

*** Includes both infrastructure cloud and selected services such as cloud-enabled consulting and shared integration services. Infrastructure cloud (Infrastructure as a Service and Platform as a Service) sales in FY up by over 15%

Q4 2017 key figures

Net sales

- EUR 410 (404) million, +1.5%, growth in local currencies +2.4%
 - Acquisitions added EUR 4 million
 - Currency impact EUR -4 million
- In IT services, sales growth 0.8%, or 1.7% in local currencies
 - Organic growth in local currencies 0.6%

EBIT

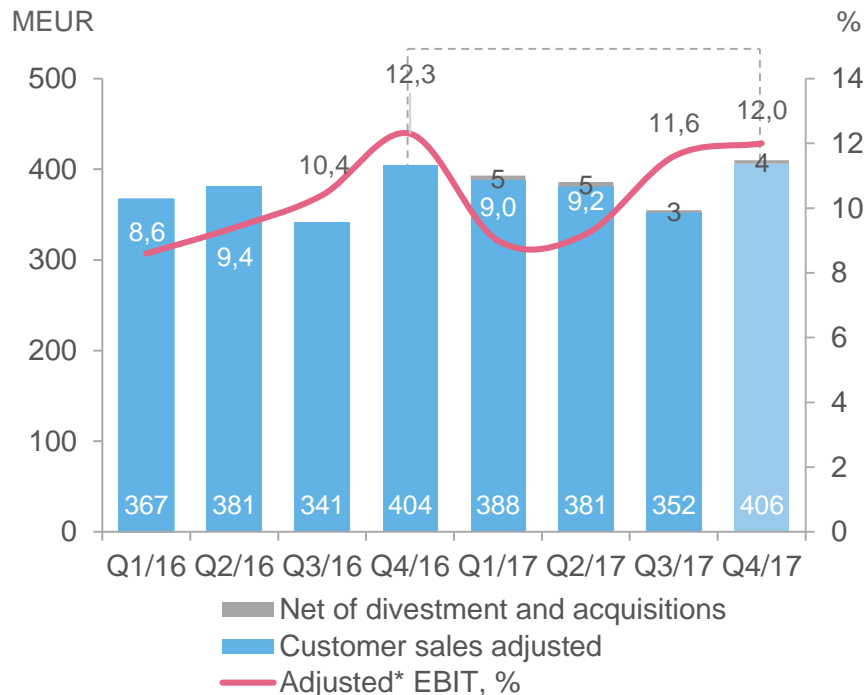
- EBIT EUR 48.0 (45.1) million, 11.7% (11.2%)
- Adjusted* EBIT EUR 49.3 (49.5) million, 12.0% (12.3%)

Order backlog

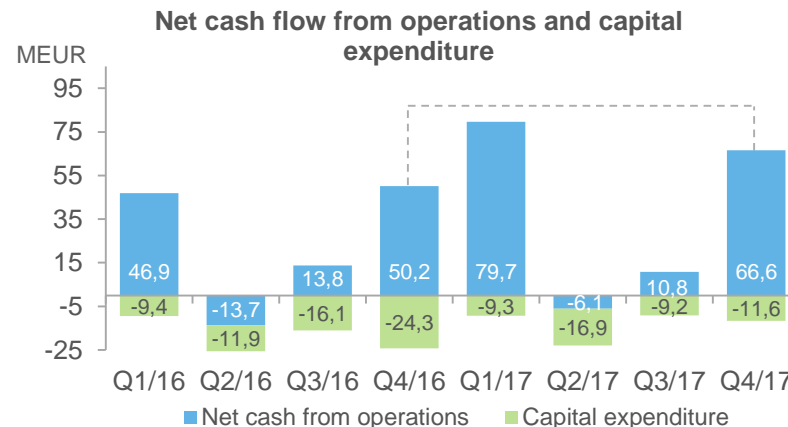
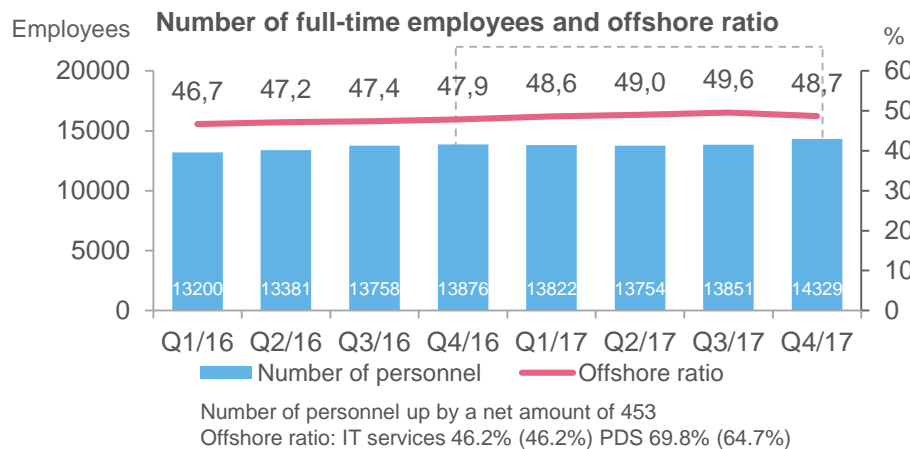
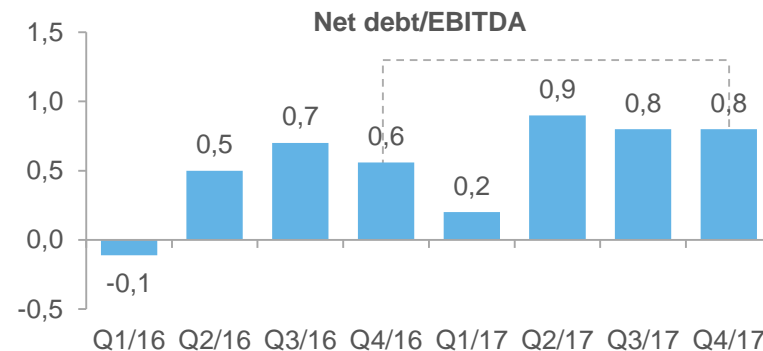
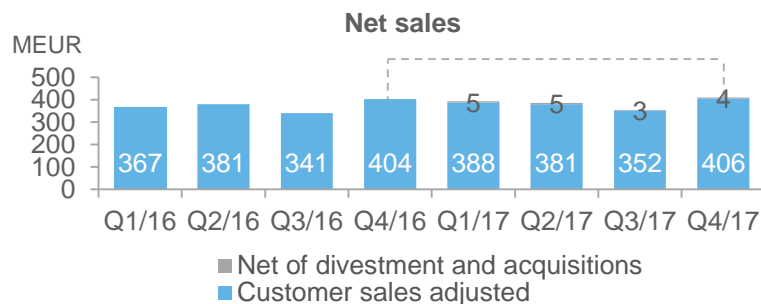
- Order backlog EUR 1 860 (1 847) million
- Contract Value EUR 543 (613) million
- Book-to-bill 1.3 (1.5)

Earnings per share

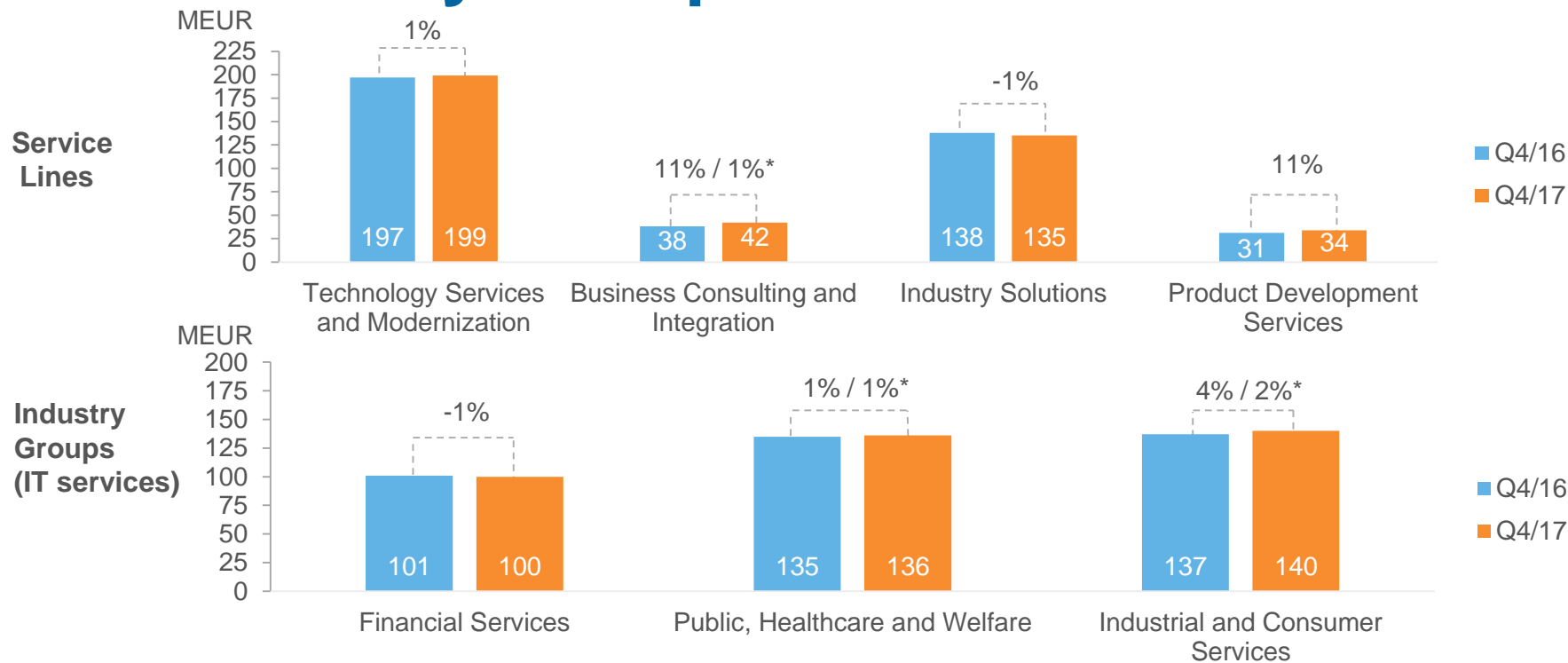
- EPS EUR 0.50 (0.46)
- EPS EUR 0.51 (0.51), adjusted*



Quarterly development

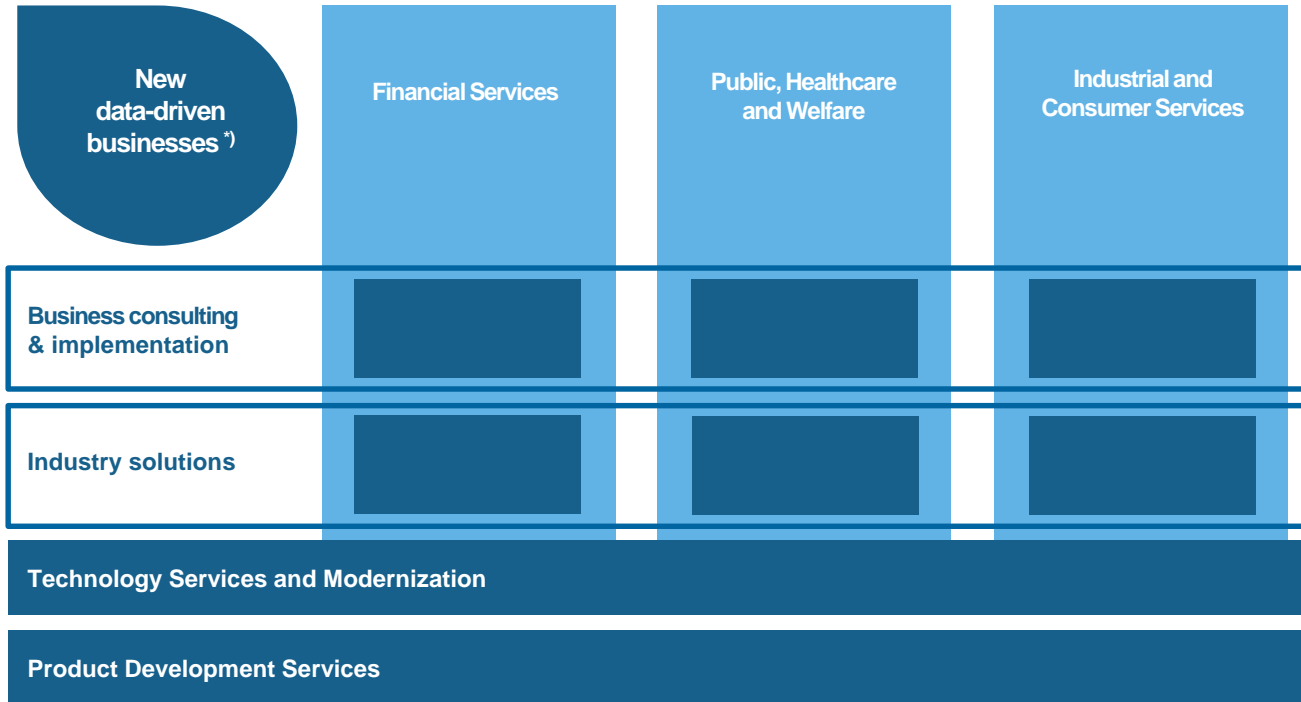


Growth in local currencies by Service Line and Industry Group



*) Organic growth in local currencies (not shown for businesses where acquisition impact is not significant)

Service Lines



Technology Services and Modernization

Customer sales in Q4

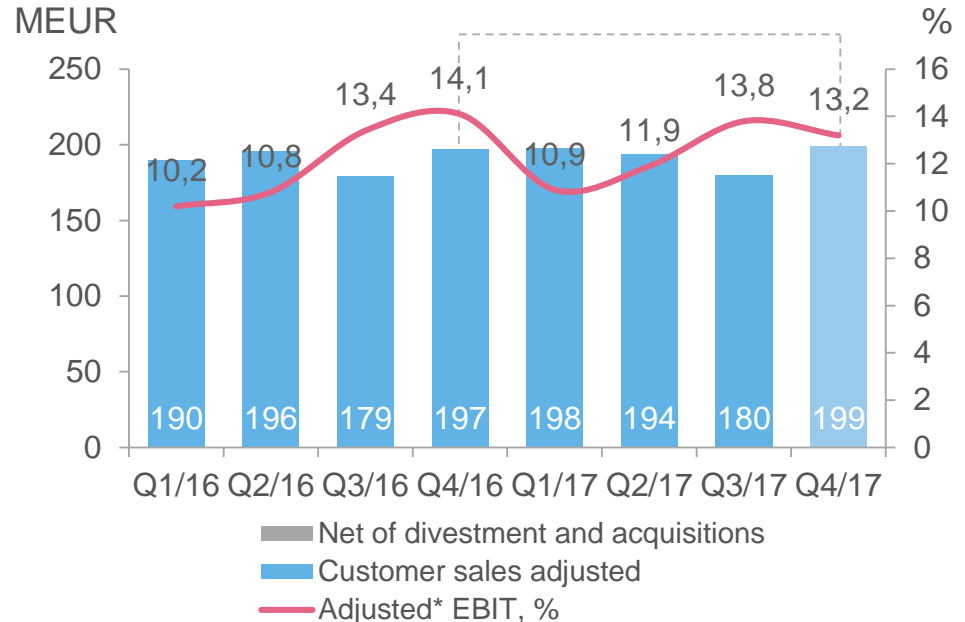
- EUR 199 (197) million, +1%, growth of 1% in local currencies

EBIT

- EBIT EUR 24.7 (26.2) million, 12.4% (13.3)
- Adjusted* EBIT EUR 26.3 (27.7) million, 13.2% (14.1)

Q4 highlights

- Two-fold development in traditional services
 - Application services growth 4%
 - Decline in traditional infrastructure services 6%
- Full-year cloud sales up by 10%, infrastructure cloud by over 15% – Security Services up by 19%
- EBIT margin supported by
 - Service standardization and automation
 - Strong add-on sales
- Q1 adjusted margin expected to be below Q1/2017
 - Number of working days affecting application services
 - Q1 seasonally lower



Business Consulting & Implementation

Customer sales Q4

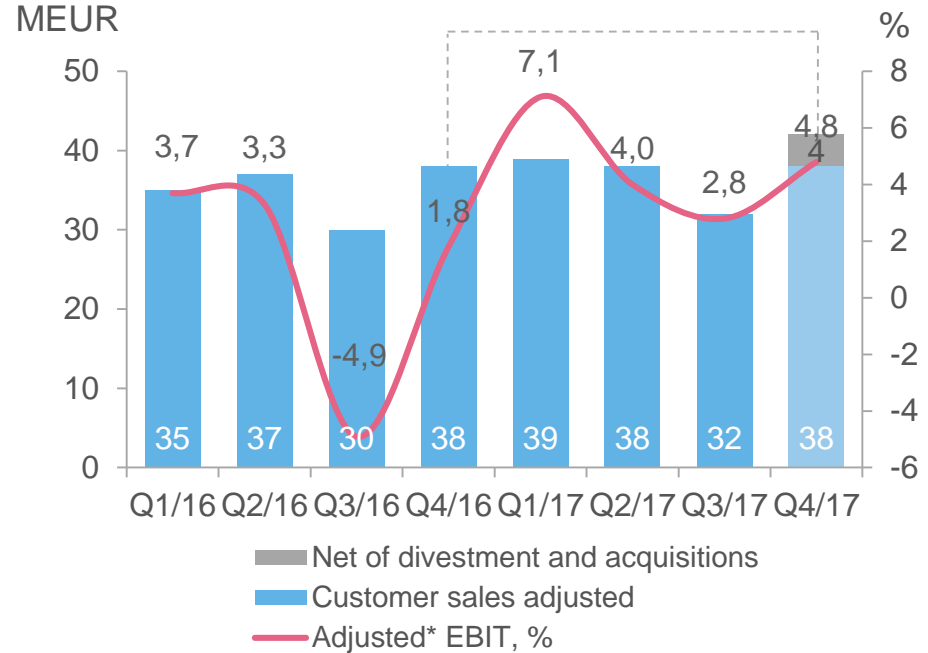
- EUR 42 (38) million, +10%, growth of 11% in local currencies
- Organic growth in local currencies 1%

EBIT

- EBIT EUR 2.4 (2.0) million, 5.7% (5.3)
- Adjusted* EBIT EUR 2.0 (0.7) million, 4.8% (1.8)

Q4 highlights

- Growth supported by the acquisition of Avega
- Healthy growth in Customer Experience Management across industry groups
 - In CEM, full-year sales up by 26%
- Enterprise Applications negatively affected by few large ending contracts
- Improvement in adjusted operating profit
 - Billing rate improved
 - Offering development investments reduced
- Q1 growth and profitability affected by the number of working days



Industry Solutions

Customer sales Q4

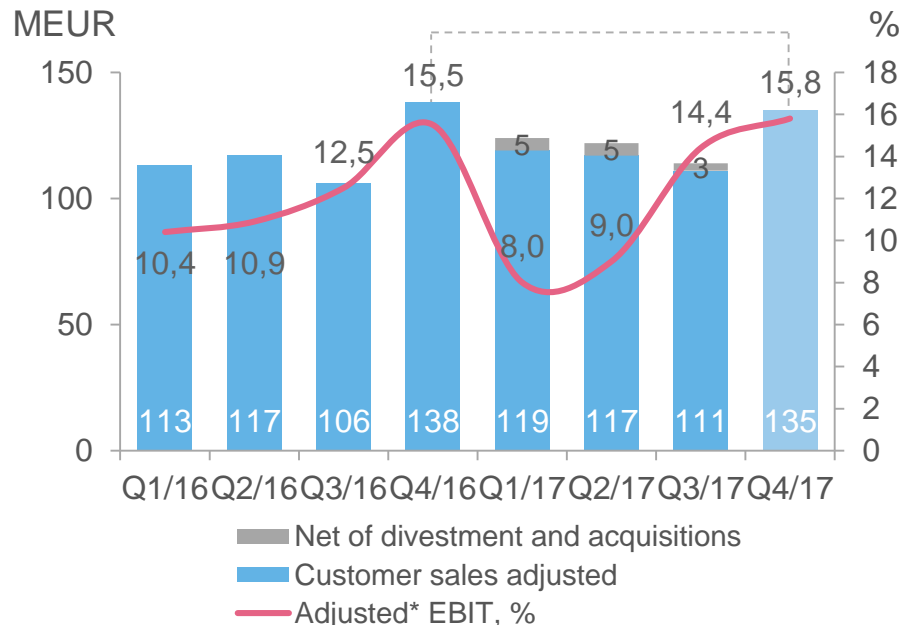
- EUR 135 (138) million, -2%, growth of -1% in local currencies
- Organic growth in local currencies -1%

EBIT

- EBIT EUR 23.2 (19.7) million, 17.2% (14.3)
- Adjusted* EBIT EUR 21.3 (21.5) million, 15.8% (15.5)

Q4 highlights

- Sales affected by
 - Large delivery related to Tieto's Intelligent Transportation Solution in Q4/2016 affecting comparison number
 - High comparison number for sales in FS
- Lifecare and SmartUtility remained strong with growth of 7% and over 20% in Q4
- Investments specifically for Lifecare, Payments, SmartUtility and Public 360° to drive future growth
- Adjusted EBIT affected by sales development
- 2018 outlook supported by strong order backlog
 - Q1 growth is expected to remain at a relatively low level, partly due to negative currency effects
 - Adjusted EBIT margin anticipated to remain at Q1/2017 level



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

Product Development Services

Customer sales Q4

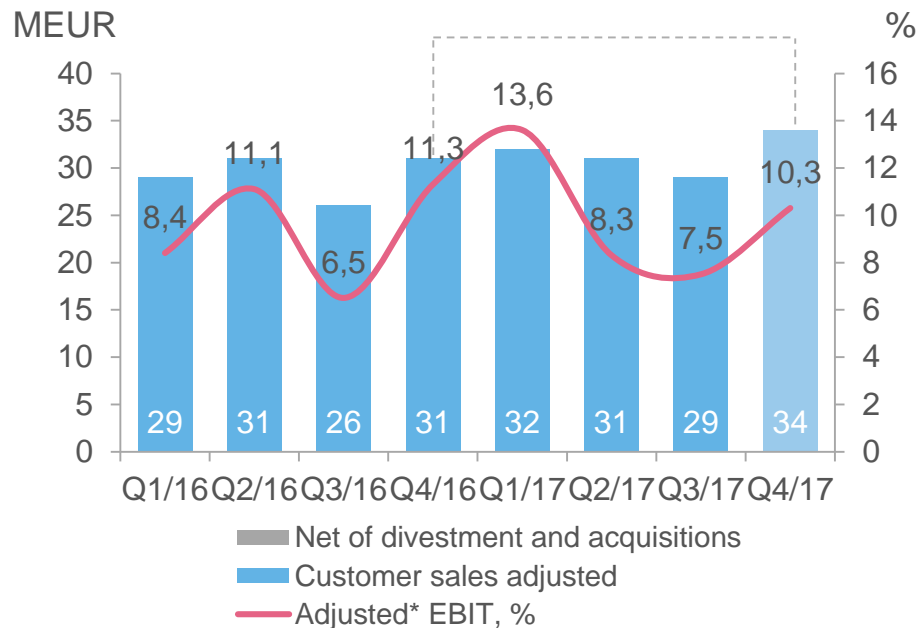
- EUR 34 (31) million, +10%, growth of 11% in local currencies

EBIT

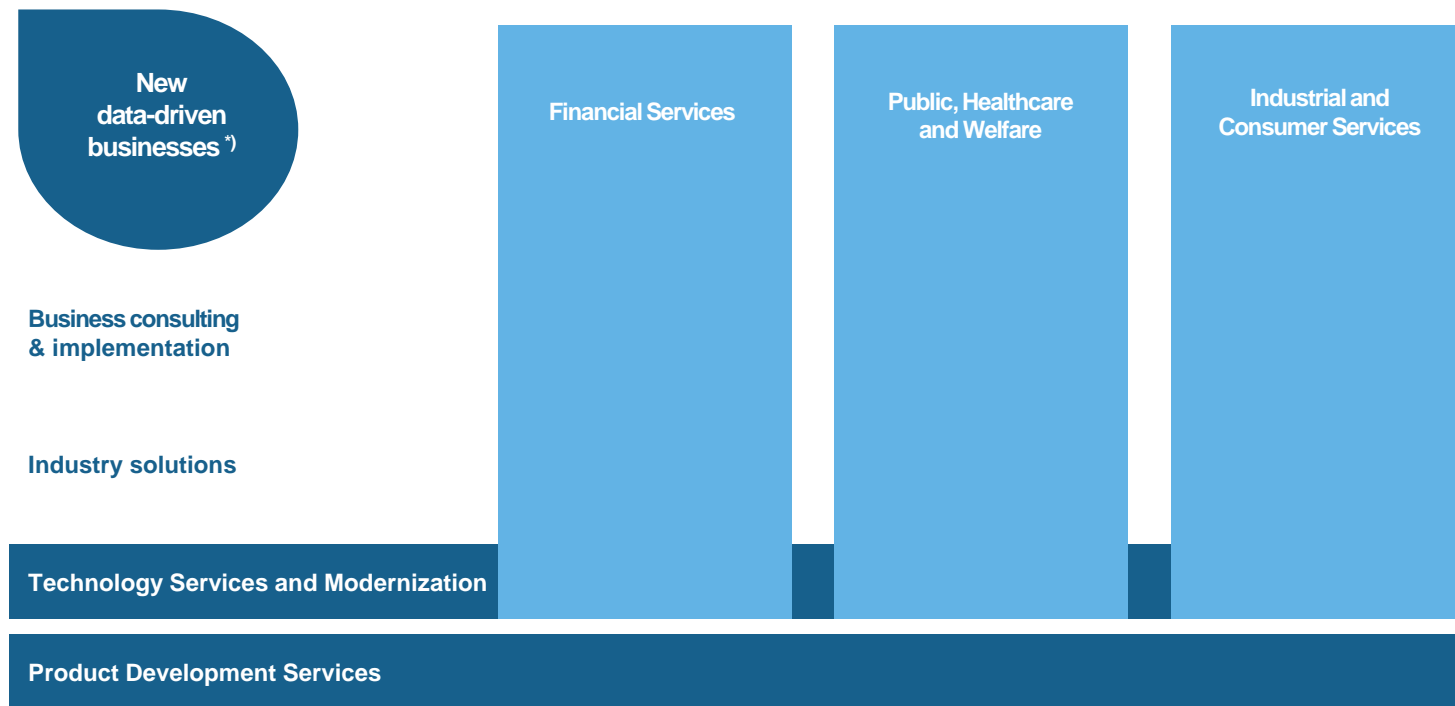
- EBIT EUR 3.5 (3.3) million, 10.3% (10.6)
- Adjusted* EBIT EUR 3.5 (3.5) million, 10.3% (11.3)

Q4 highlights

- Strong volume development with key customer
- New partnership with HERE and further opportunities in the automotive segment
- Good development especially in the Radio and Smart Traffic areas
- Strong EBIT margin – excluding the negative working day impact remained at the level of Q4/2016.
- Q1 adjusted EBIT margin anticipated to stay close to 10%



Industry Groups



Financial Services

Customer sales Q4

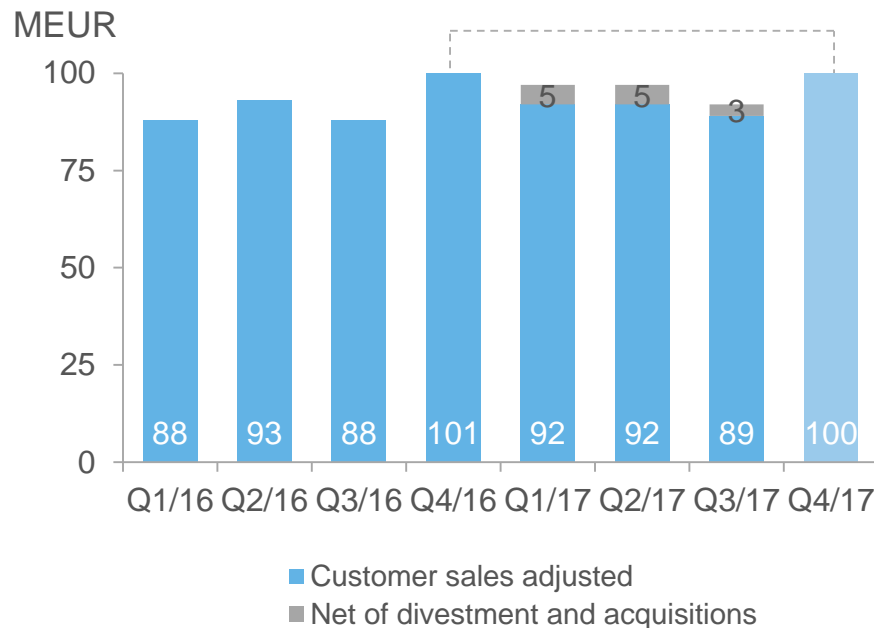
- EUR 100 (101) million, -1%, growth of -1% in local currencies
- Organic growth in local currencies -1%

Sales split by service line

	Q4/2017	Q4/2016
TSM	57%	56%
BCI	5%	5%
IS	38%	39%

Q4 highlights

- Positive development in Application Services
- Decline in Industry Solutions, affected by high comparison number
- Investments, specifically in the Transaction Banking area, to drive future growth
- New agreement with Elo, strategic partnership for developing and managing Swish



Public, Healthcare and Welfare

Customer sales Q4

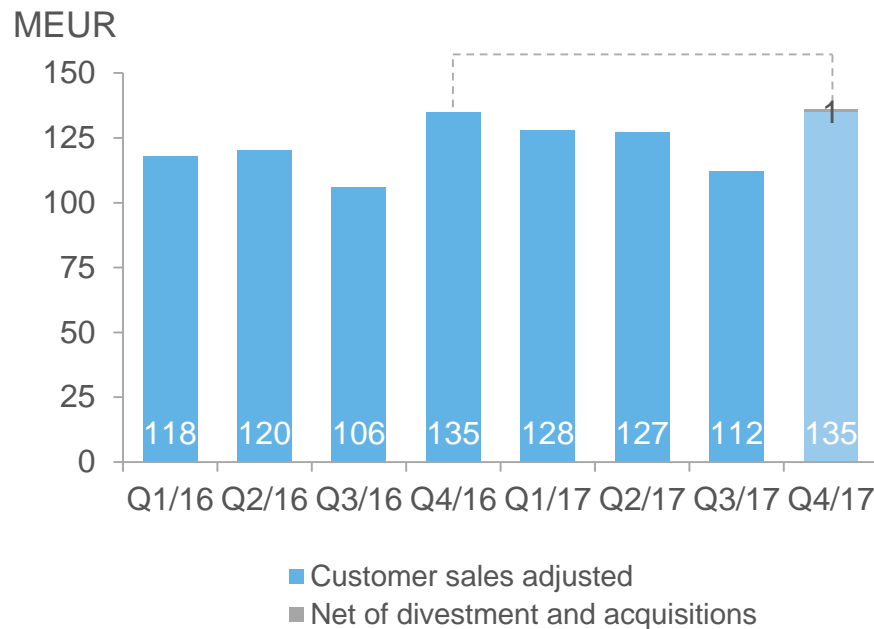
- EUR 135 (135) million, +1%, growth of 1% in local currencies
- Organic growth in local currencies 1%

Sales split by service line

	Q4/2017	Q4/2016
TSM	46%	44%
BCI	8%	8%
IS	46%	48%

Q4 highlights

- Healthy development continued in Finland and Sweden
- High comparison number due to a large delivery in Q4/2016 related to Intelligent Transportation Solution
- Reforms in the social and welfare sector across the Nordic countries provide growth opportunities
 - Large Electronic Medical Record procurements ongoing in all Nordic countries
- Several agreements, e.g. City of Stockholm, Tampere and municipalities in the region, Haninge municipality



Industrial and Consumer Services

Customer sales Q4

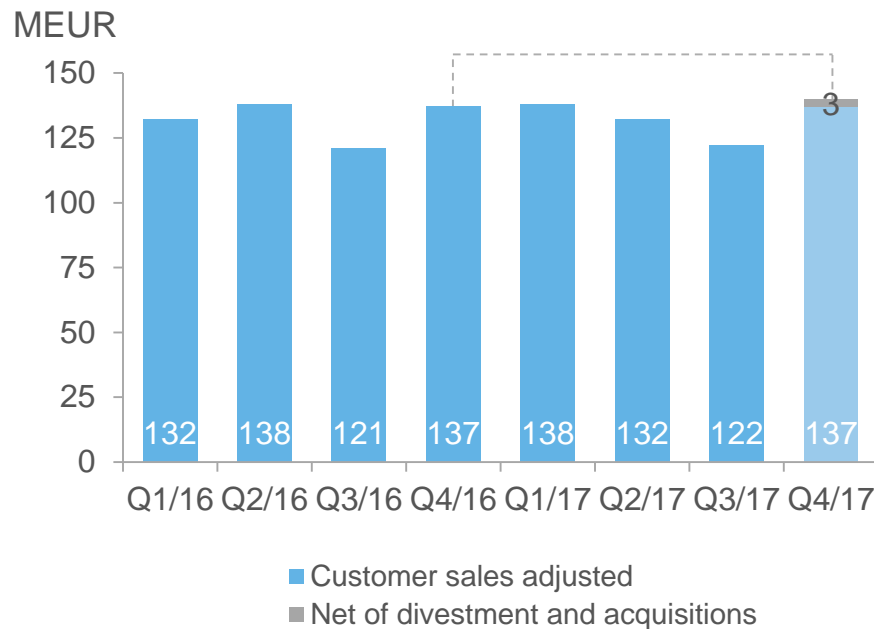
- EUR 140 (137) million, 3%, growth of 4% in local currencies
- Organic growth in local currencies 2%

Sales split by service line

	Q4/2017	Q4/2016
TSM	57%	59%
BCI	18%	17%
IS	25%	24%

Q4 highlights

- Growth supported by the acquisition of Avega and good development in Customer Experience Management
- Good development in strong Swedish markets
- In energy utilities, good demand in the billing area continued due to regulatory changes and investments in digitalized customer services
- New agreements include Göteborg Energi, Martela

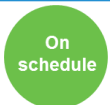


Way forward

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Strategy execution progressing towards 2020 strategic ambition

Tieto 2020 management ambition (strategy 2016–2020)			
40% of sw and solutions To be accelerated <ul style="list-style-type: none"> Accelerated investments, incl. acquisitions New product launches in 2018 	100M+ from data-driven businesses To be accelerated <ul style="list-style-type: none"> Promising innovation pipeline Drive scale 	80% shared managed services On schedule <ul style="list-style-type: none"> Consistent growth of industrialized Application Services Accelerate OneCloud 	1–2% increase in Nordic market share To be accelerated <ul style="list-style-type: none"> Consistent growth and M&A Aim to grow faster than the market
~5% of revenues as offering investments On schedule <ul style="list-style-type: none"> Investments increased to 5% of sales Investment level maintained 	>5% IT services revenue growth p.a.* On schedule <ul style="list-style-type: none"> Consistent growth of ~4%, above market Aim to grow faster than the market 	10–12% SG&A of revenue On schedule <ul style="list-style-type: none"> Down from ~15% to a range of 13–14% Automation driving further improvement 	10% margin** On schedule <ul style="list-style-type: none"> Adj EBIT 10.5% (10.2) Restructuring down to less than 2% of sales Productivity and scale improvement continues



*Formal guidance: IT services revenue growth above the market (CAGR)

**Formal guidance: 10% reported operating margin (EBIT)

Customer's first choice!

Above industry average TSR

Great place for innovation and growth

Performance drivers

> 2018 – IT services

We aim to **grow** faster than the market, growth supported by acquisitions and software product launches

Efficiency programme: impact of around 20 mEUR, drive for productivity continues

Offering development costs anticipated to remain at the 2017 level at around 5% of Group sales

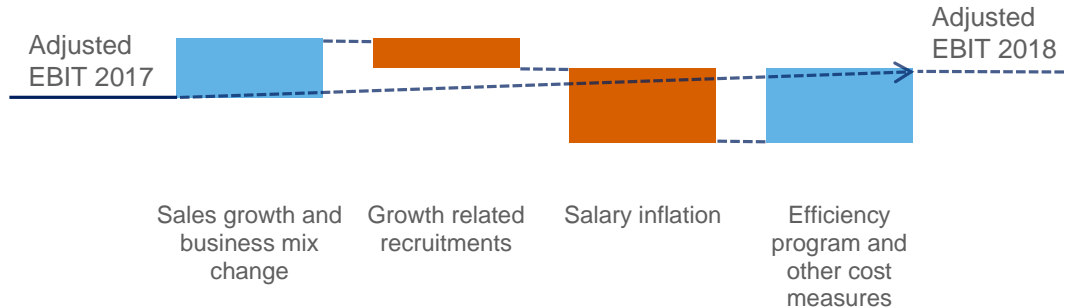
Restructuring costs 1–2% of Group sales

Quarterly dynamics

Q1 revenue and profitability affected by

- a lower number of working days
- currency effects negative based on year-end exchange rates

Performance drivers in IT services in 2018



Guidance for 2018

Tieto expects its full-year adjusted^{*)} operating profit (EBIT) to increase from the previous year's level (EUR 161.5 million^{**)} in 2017).

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

^{**)} Subject to revision according to IFRS 15 restatement

Q4 2017 in brief

Solid performance continues in the fourth quarter – strong full year 2017

- Strong cash flow and good profitability
- Order backlog provides healthy foundation for 2018
- Accelerated growth in Sweden – Avega acquisition completed
- Dividend proposal of EUR 1.40



50 years

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