Tieto Q2 2017

Solid business performance continues

21 July 2017

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Q2 2017 in brief

Solid business performance continues

- Encouraging order intake with new customer wins in all businesses, especially in Sweden
- Healthy profitability driven by Technology Services and Modernization
- Automation programme and targeted investments in software businesses support further profit improvement

Outlook in the Nordic IT market remains solid

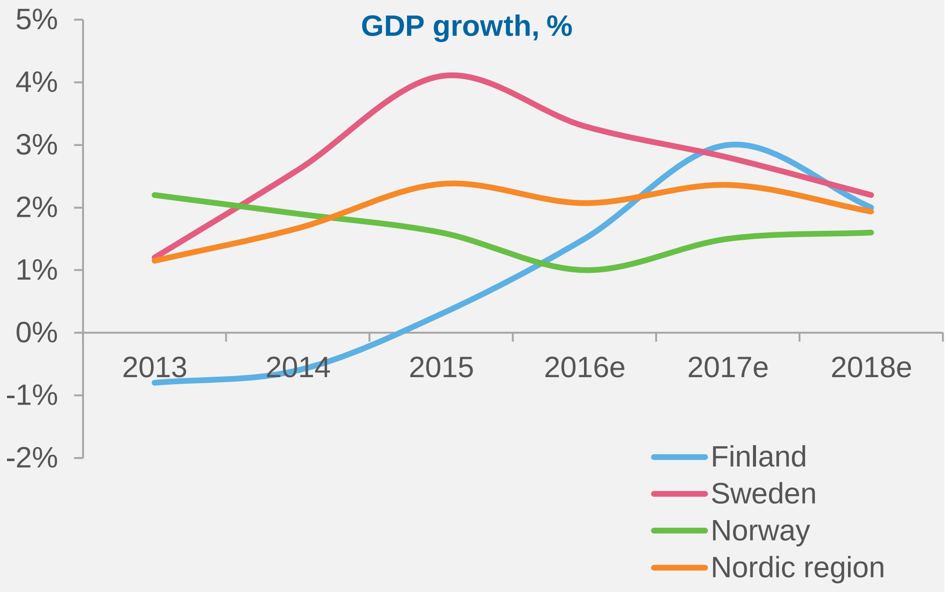
Improved outlook gradually supporting IT market in Finland

IT market affected by economic outlook

- Positive outlook in Sweden continues
- Improved outlook in Finland

Tieto expects the Nordic IT services market to grow by 2–3% in 2017

- IT services market strongest in Sweden
- Market change driven by investments in digitalization and efficiency improvement
- EU GDPR taking effect in May 2018
    - New opportunities in Application Services and Security

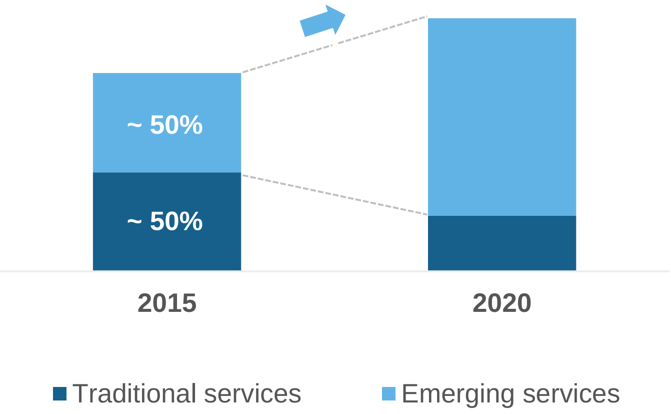


Source: Nordea Markets, Economic Outlook, 2/2017, Finland Economic Outlook, 6/2017

High-growth businesses driving growth

Application Services supporting traditional services

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



SALES GROWTH 2016–2020 (CAGR)	SHARE OF IT SERVICES H1/2017		GROWTH H1/2017
UP BY 10–20%	36%	**High-growth businesses**[**] Selected industry solutions and high-growth services	10%
	20%	**Other services and solutions**	4%
DOWN BY 5–10%	44%	**Traditional services**	-1%

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

IT services annual sales EUR 1 376 million in 2016

**Selected high-growth industry solutions comprise Lifecare, Case management, Payments and Banking solutions
High-growth services comprise Customer Experience Management, Cloud services and Security Services

High-growth businesses up by 10% in H1

SERVICE LINE Annual sales 2016	SERVICE LINE Growth H1/2017	HIGH-GROWTH BUSINESSES	Annual sales 2016	Growth H1/2017	
Industry Solutions**) EUR 475 million	7%	Selected high-growth industry solutions; Data-Driven Businesses	Selected solutions*: EUR ~ 320 million; DDB: Started in H2/2016	8%	8%
Business Consulting and Implementation EUR 139 million	7%	Customer Experience Management	CEM**: EUR ~ 30 million	27%	13%
Technology Services and Modernization EUR 762 million	2%	Cloud services; Security Services	Cloud***: EUR ~ 120 million; Security: EUR ~ 10 million	10%; 30%	

Total 10%

Breakdown of TSM sales:
- Cloud services 18%
- Other emerging services 2%
- Application management 27%
- Traditional infrastructure services 53%

* 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 H1/2016

*** Cloud services include Value Networks (solution for the management of financial value chain) transferred to TSM as from 1 July 2016 – growth comparable to H1/2016

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Industry Solutions in our investment focus

Revenue growth 7% in H1 – Industry Solutions' investments up by EUR 5 million, geared towards HCW and FS

Selected high-growth industry solutions – annual sales 2016 ~ 320 mEUR

- Healthcare: Lifecare – Leading in Nordics
- Public sector: Case management – Leading in Nordics
- Financial services: Banking solutions – Gaining share
- Financial services: Payments* – Globally among top5

Global footprint – annual sales 2016 ~ 75 mEUR

- Manufacturing: Production Excellence – Globally leading in pulp and paper
- Oil & Gas: Hydrocarbon accounting – Global market share 40%

Data-Driven Businesses

- Intelligent Healthcare
- Intelligent Building
- Industrial Equipment

Regional solutions – annual sales 2016 ~ 80 mEUR

- Energy: SmartUtility – Leading in Nordics

We continue to drive scale

- Partner networks in innovation and sales
- Global expansion of selected solutions
- Well-targeted offering development
- Selective bolt-on acquisitions

* Payments' sales included in 320 mEUR

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Infrastructure cloud market driven by multi-cloud solutions

We recently expanded our public cloud portfolio through OneCloud

Annual market growth (CAGR 2016–2021) in the Nordics*)

Our growth in H1/2017

Way forward

Total infrastructure cloud services — 15–20%

- Public cloud — 25–30%
- Private/ enterprise cloud — 10–15%

Incubation of cloud-born applications

10%

e.g. Tieto Cloud Server, Tieto Productivity Cloud, Tieto Dynamic landscape

Market expansion through Tieto OneCloud

– a multi-cloud solution seamlessly orchestrating workloads across private and public clouds

*) Source: Gartner and Tieto analysis

Q2 2017 key figures

Net sales

- EUR 386 (381) million, +1.2%, growth in local currencies +2.8%
  - Acquisitions added EUR 5 million
  - Currency impact EUR -6 million
  - Two working days less
- In IT services, sales growth 1.0%, or 2.5% in local currencies
  - Organic growth in local currencies 1.1%

EBIT

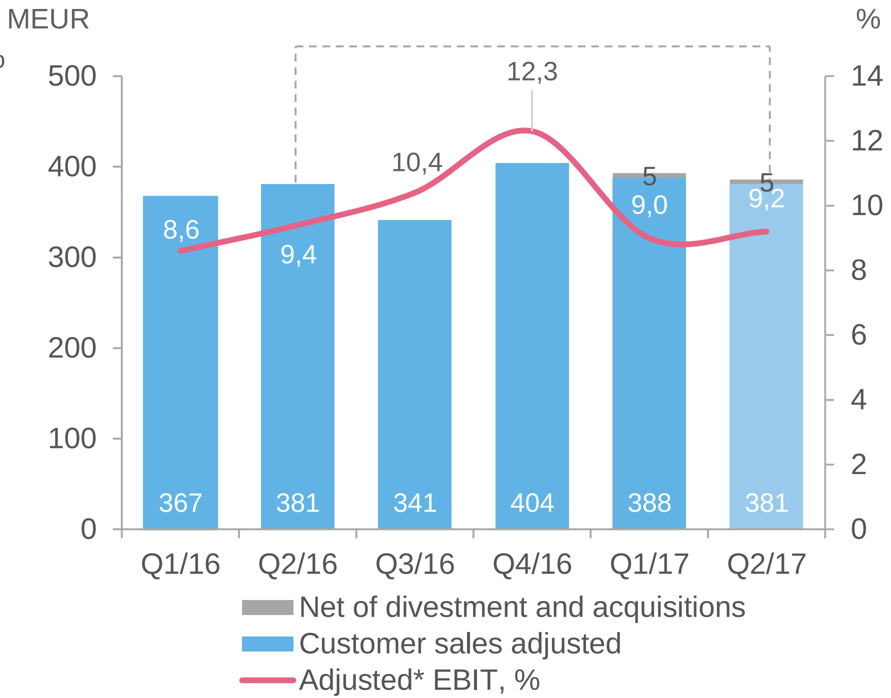
- EBIT EUR 28.2 (32.3) million, 7.3% (8.5%)
- Adjusted* EBIT EUR 35.6 (35.8) million, 9.2% (9.4%), currency impact EUR -1.5 million

Order backlog

- Order backlog EUR 1 817 (1 757) million
- Contract Value EUR 371 (325) million
- Book-to-bill 1.0 (0.9)

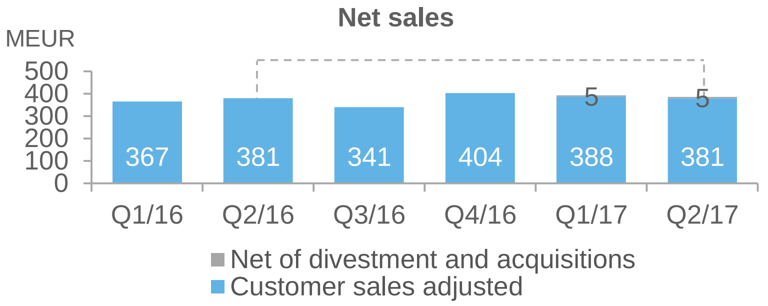
Earnings per share

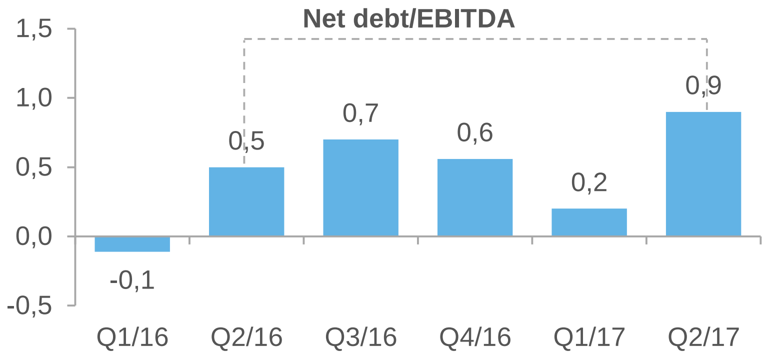
- EPS EUR 0.28 (0.33)
- EPS EUR 0.36 (0.37), adjusted*)

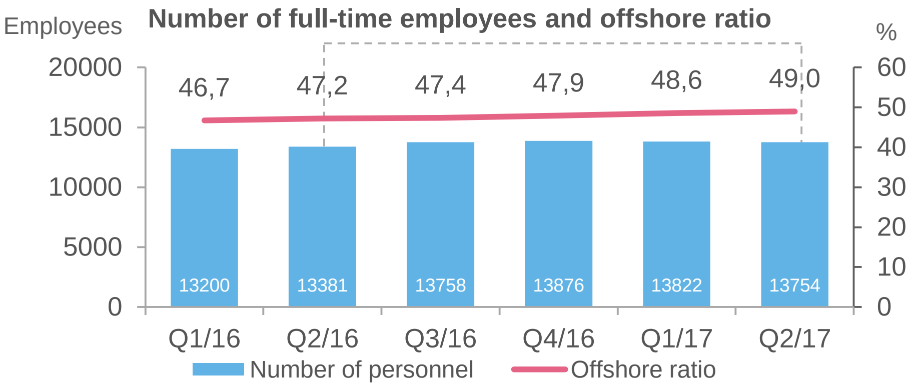


*) adjusted for restructuring costs, capital gains/losses, goodwill impairment charges and other items

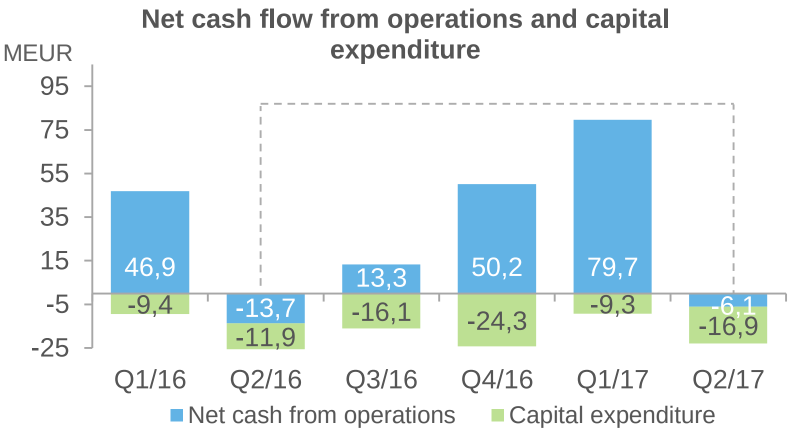
Quarterly development





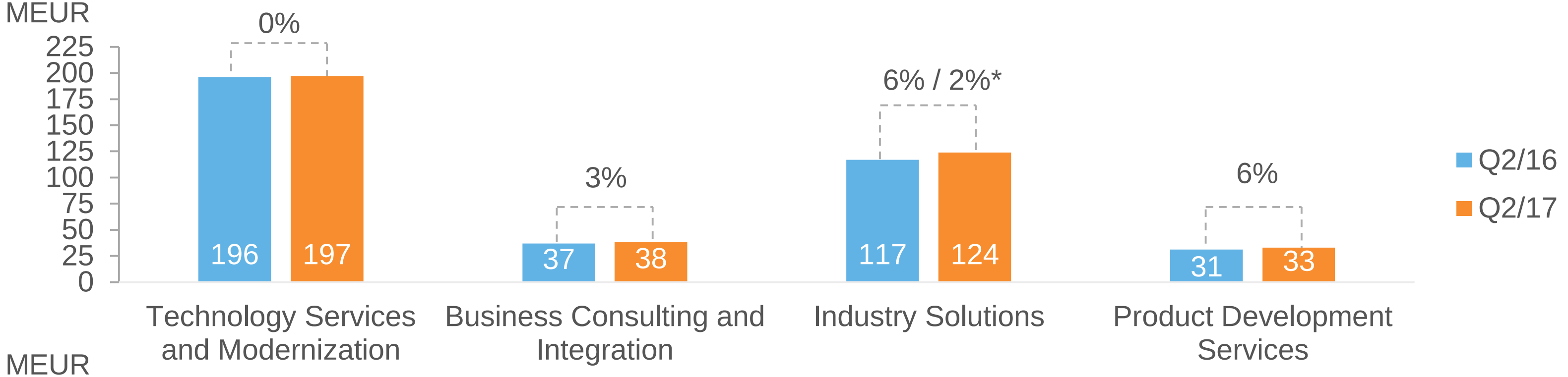


Number of personnel up by a net amount of 372
Offshore ratio: IT services 46.9% (45.9%) PDS 67.2% (60.9%)

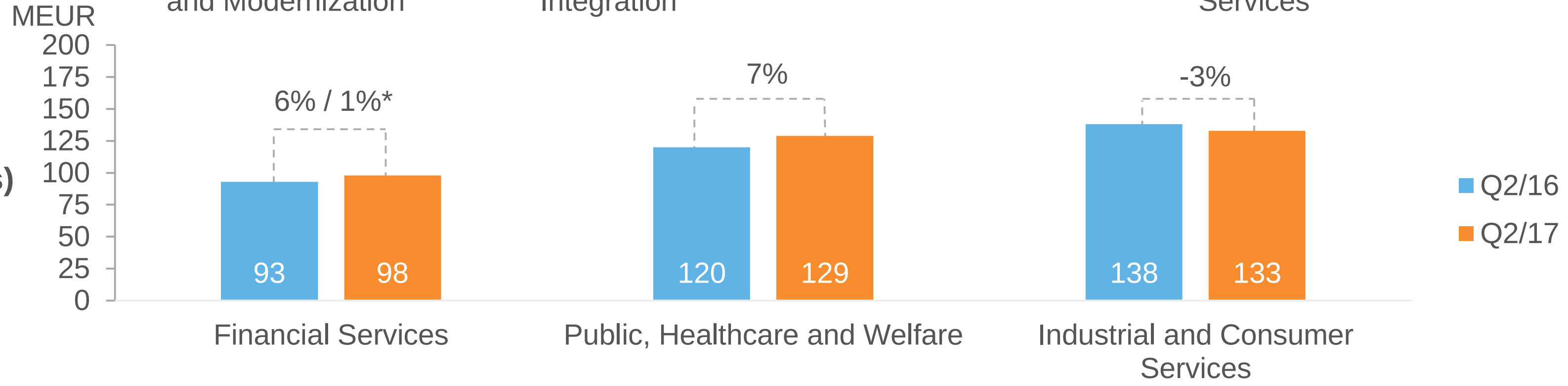


Growth in local currencies by Service Line and Industry Group

Service Lines



Industry Groups (IT services)



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

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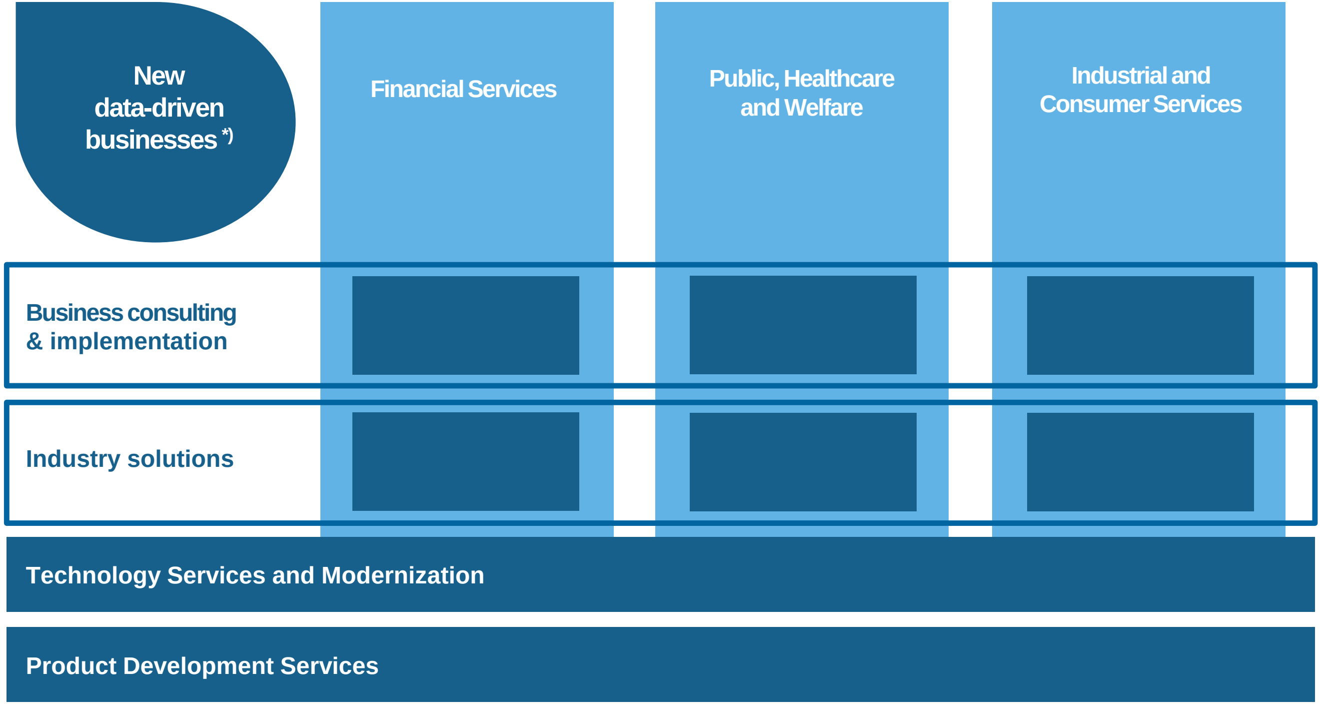
Service Lines



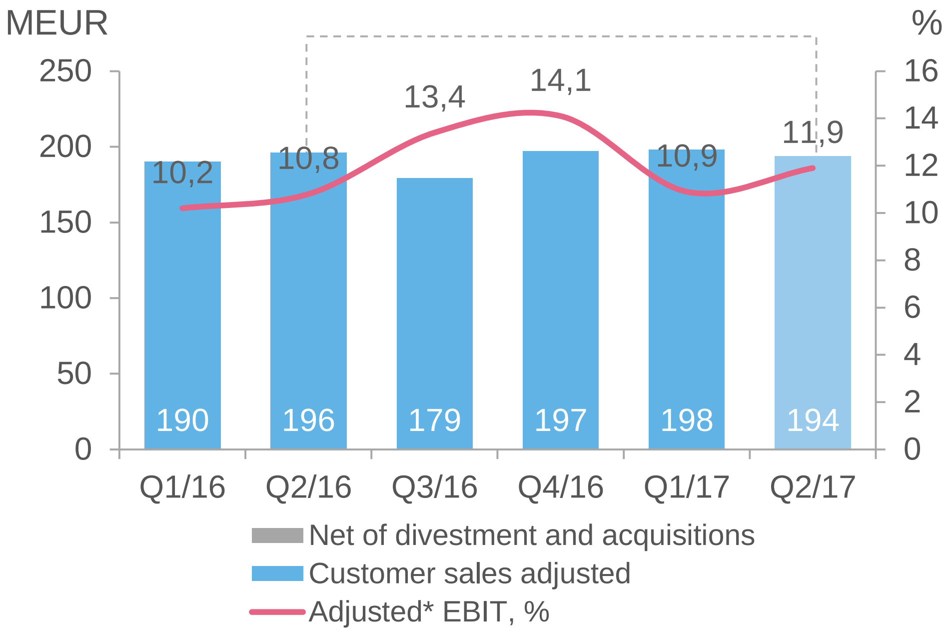
  *)Reported in Industry Solutions

Technology Services and Modernization

Customer sales in Q2
- EUR 194 (196) million, -1%, sales in local currencies at Q2/2016 level

EBIT
- EBIT EUR 20.5 (20.9) million, 10.5% (10.6)
- Adjusted* EBIT EUR 23.1 (21.3) million, 11.9% (10.8)

Q2 highlights
- Low growth in local currencies, including working day impact
- Traditional services down by 1% while Application Services continued to grow
- In H1, cloud sales**) up by 10%
- Security Services and GDPR supporting growth in H2
- Service standardization and automation initiatives support margin improvement
- Q3 adjusted margin expected to be be strong at the level of Q3/2016



**) Value Networks (our solution for the management of financial value chain) transferred to TSM as from 1 July 2016, is included in sales for cloud services.

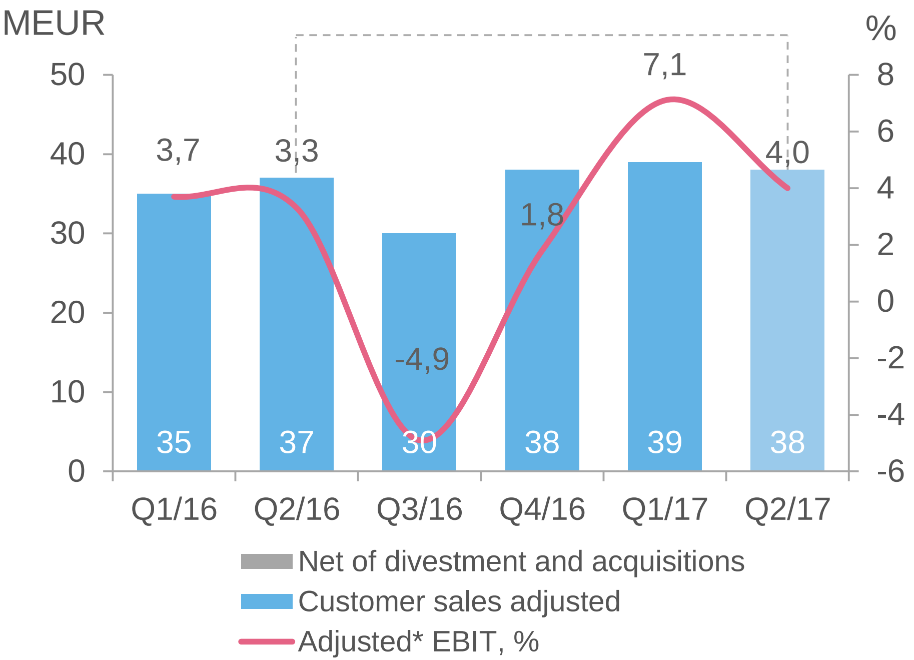
*) adjusted for restructuring costs, capital gains/losses, goodwill impairment charges and other items

Business Consulting & Implementation

Customer sales Q2
- EUR 38 (37) million, +2%, growth of 3% in local currencies

EBIT
- EBIT EUR 2.6 (1.2) million, 7.0% (3.3)
- Adjusted* EBIT EUR 1.5 (1.2) million, 4.0% (3.3)

Q2 highlights
- Healthy growth in consulting services and Customer Experience Management across all industry groups
  - In H1, CEM sales up by 27%
- The lower number of working days affected growth and profit
- Slight improvement in adjusted operating profit
  - Billing rate improved
  - Offering development investments reduced
  - Some agreements with low margins ending in H2
- Q3 adjusted margin expected to clearly improve from negative Q3/2016



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Industry Solutions

Customer sales Q2

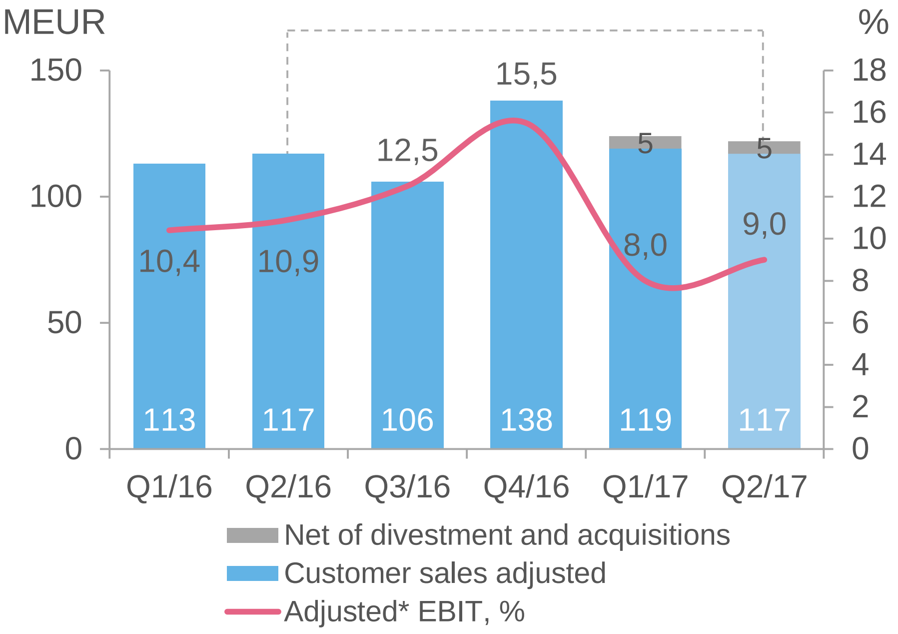
- EUR 122 (117) million, +4%, growth of 6% in local currencies
- Organic growth in local currencies 2%

EBIT

- EBIT EUR 9.3 (11.1) million, 7.6% (9.5)
- Adjusted* EBIT EUR 11.0 (12.8) million, 9.0% (10.9)

Q2 highlights

- Favourable business performance continued in most businesses
- Organic growth strongest in PHCW, up by 5%
- Challenge in FS/Payments
  - Some licence sales were postponed to H2
  - Transition to a new product family affects growth and requires higher mid-term investment level
- Offering development costs up by EUR 2 million
- Good momentum with recently launched DDB
- Adjusted margin anticipated to improve during H2 from H2/2016
  - Improved license sales contributing to business mix with margin above IS average
  - Execution of the efficiency programme



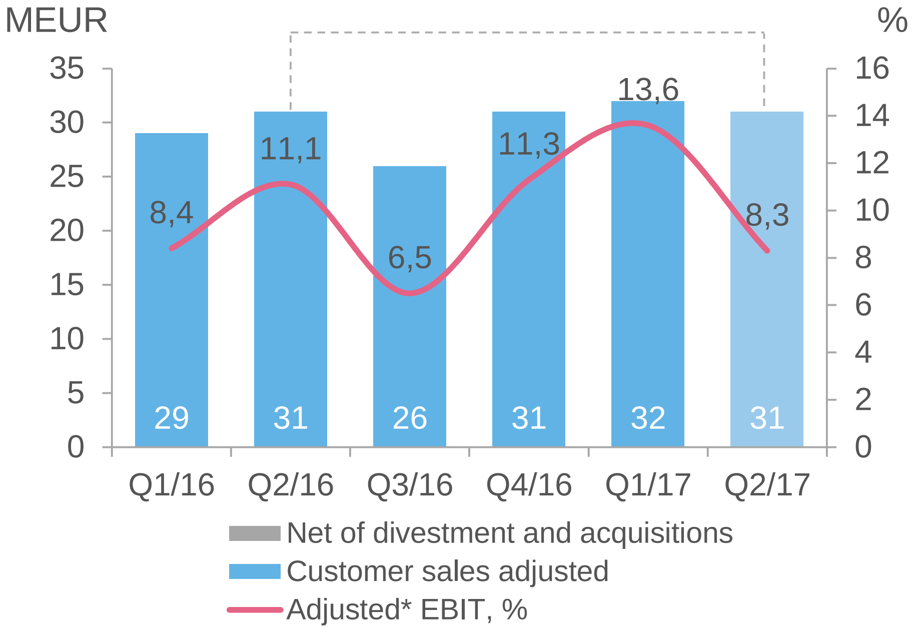
*) adjusted for restructuring costs, capital gains/losses, goodwill impairment charges and other items

Product Development Services

Customer sales Q2
- EUR 31 (31) million, +3%, growth of 6% in local currencies

EBIT
- EBIT EUR 2.4 (3.3) million, 7.6% (10.7)
- Adjusted* EBIT EUR 2.6 (3.4) million, 8.3% (11.1)

Q2 highlights
- Strong volume development with the largest key customers
- Development remained strong in the Radio area
  - Resources in offshore locations continued to increased to meet demand
- Q2 operating margin excluding the negative working day impact remained at the strong level of Q2/2016 due to improved utilization rate and efficient, lean operations
- Q3 adjusted margin anticipated to be seasonally weaker, at the previous year's level



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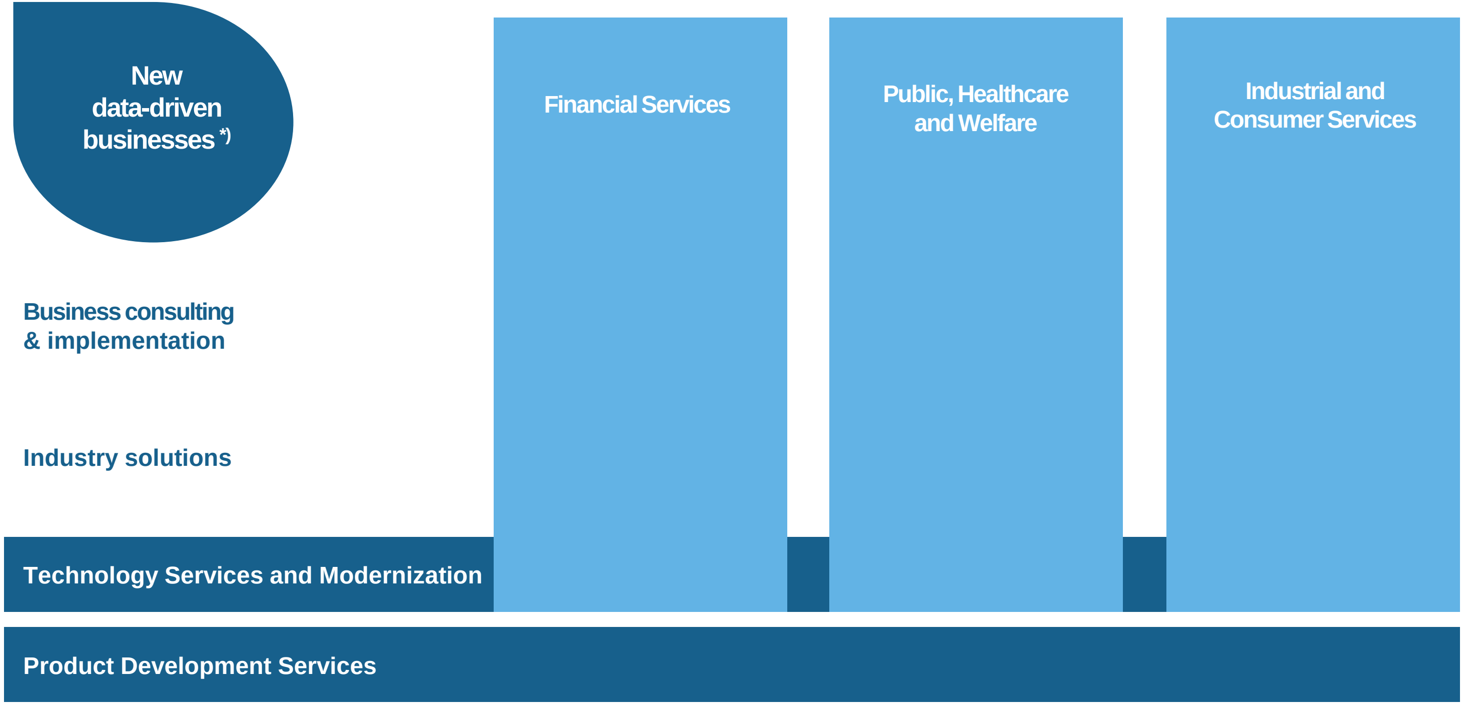
Industry Groups



*) Reported in Industry Solutions

Financial Services

Customer sales Q2

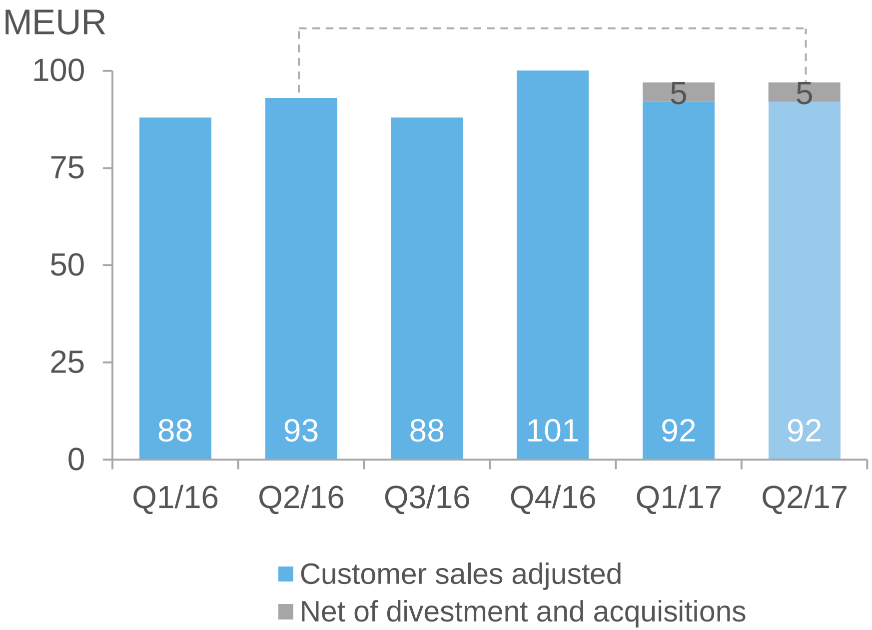
- EUR 97 (93) million, +4%, growth of 6% in local currencies
- Organic growth in local currencies 1%

Sales split by service line

	Q2/2017	Q2/2016
TSM	58%	60%
BCI	6%	5%
IS	36%	35%

Q2 highlights

- Acquisition of Emric and projects driving IT efficiency and digital services in Finland support growth
- Growth curbed by challenge in FS Industry Solutions/Payments with some licence sales postponed to H2
- Investments to support transition to a new product family in payments solution in place
- New agreements include Fora, Qliro, Ilmarinen, Keva and Varma



Public, Healthcare and Welfare

Customer sales Q2

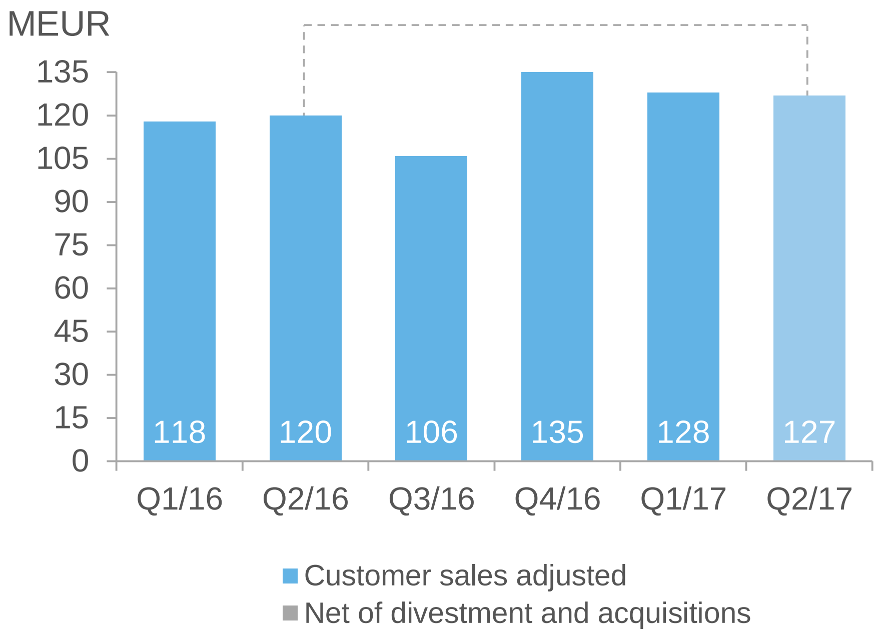
- EUR 127 (120) million, +5%, growth of 7% in local currencies

Sales split by service line

	Q2/2017	Q2/2016
TSM	47%	47%
BCI	8%	8%
IS	45%	45%

Q2 highlights

- Healthy growth across all service lines
- Growth supported by good license sales in Industry solutions – new HCW releases
- Finland and Norway the strongest markets
    - active market with several digitalization and transition projects in infrastructure services
- Reforms in the social and welfare sector across the Nordic countries provide growth opportunities
- Agreements with The Finnish Transport Safety Agency, Södertälje municipality, Stockholm County Council



Industrial and Consumer Services

Customer sales Q2

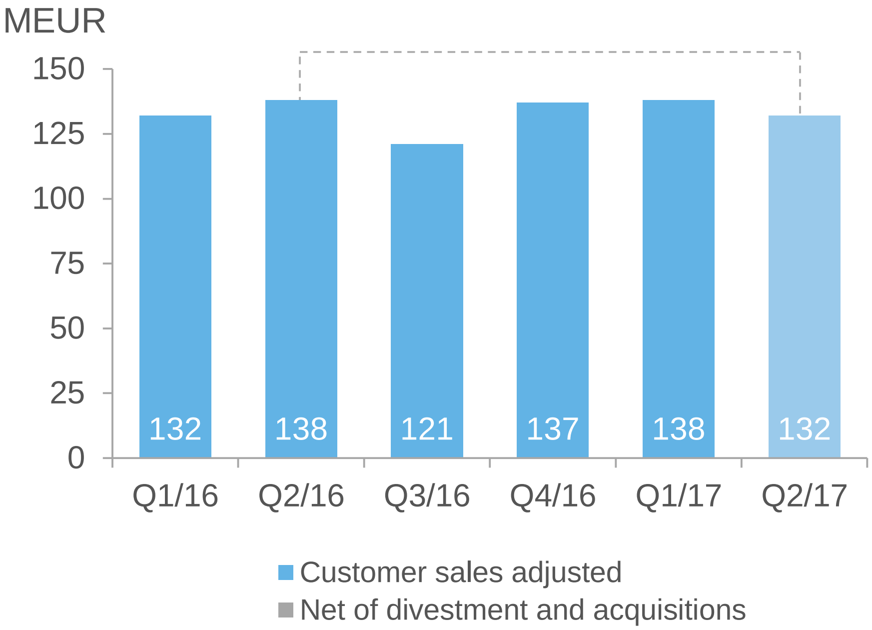
- EUR 132 (138) million, -5%, -3% in local currencies

Sales split by service line

	Q2/2017	Q2/2016
TSM	60%	62%
BCI	17%	16%
IS	23%	22%

Q2 highlights

- Q2 affected by expiring contracts, price erosion and lower number of working days
  - New contracts contributing to growth in H2
- Positive development in energy utilities – good demand in billing area continues due to regulatory changes and investment in digitalized customer services
- Strong demand in Industry Consulting and Customer Experience Management, new agreement with UPM
- New agreements signed with Vattenfall, Turku Energia, Inwido, MTG



Outlook

Performance drivers in 2017

IT services

Q2

Negative working day and currency effects

Efficiency programme affecting cost base by close to EUR 5 million

Investments **maintained** at Q2/2016 level – some carry over for recruitments in the past 12 months

H2

Continue to **grow** faster than the market – supported by license sales

Efficiency programme affecting cost base by around EUR 15 million

Investment levels in offering development **maintained**

Currency risk with end of June rates

Full year

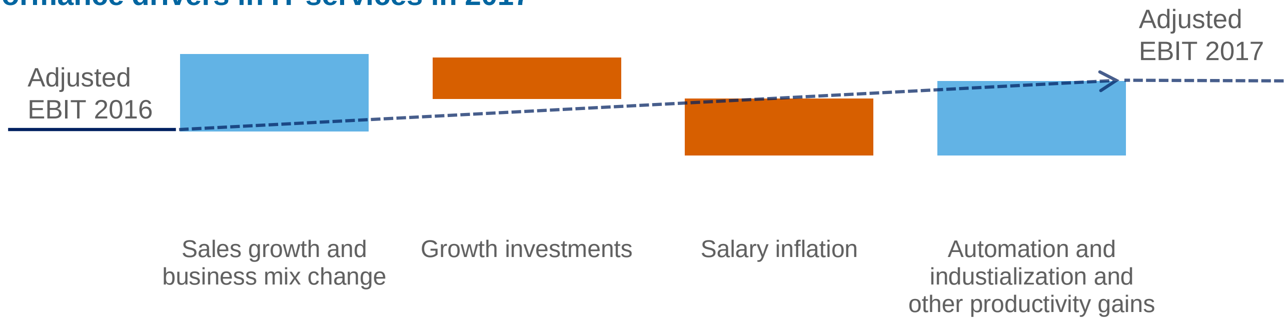
We aim to **grow** faster than the market, growth supported by acquisitions

Efficiency programme: impact of around 20 mEUR, annualized gross savings close to 40 mEUR

Offering development costs remain at the 2016 level and close to 5% of Group sales

Restructuring costs 1–2% of Group sales

Performance drivers in IT services in 2017



Guidance for 2017 unchanged

Tieto expects its full-year adjusted*) operating profit (EBIT) to increase from the previous year's level (EUR 152.2 million in 2016).

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

Q2 2017 in brief

Solid business performance continues

- Encouraging order intake with new customer wins in all businesses, especially in Sweden
- Healthy profitability driven by Technology Services and Modernization
- Automation programme and targeted investments in software businesses support further profit improvement

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