Q4 2018

Solid performance in the fourth quarter with strong growth and cash flow

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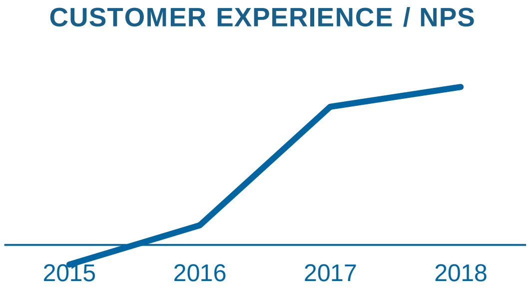
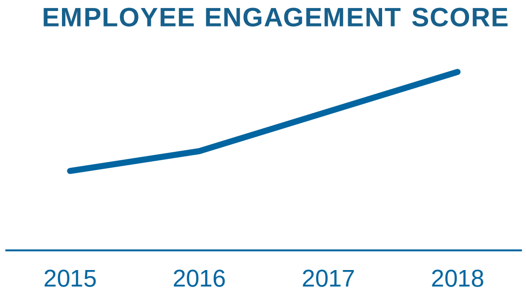
Q4 2018 in brief

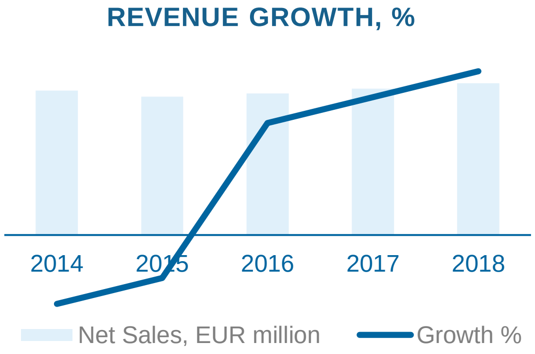
Solid performance in the fourth quarter with strong growth and cash flow

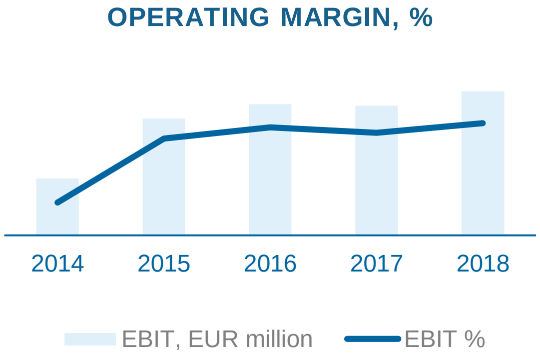
- Growth in local currencies 5% in the fourth quarter, 7% for the full year
- Fourth-quarter operating margin 11%, long-term target of 10% reached for the full year
- Dividend of EUR 1.45 proposed
- New strategy launched and financial objectives upgraded

2018 as a continuation of our multi-year performance improvement









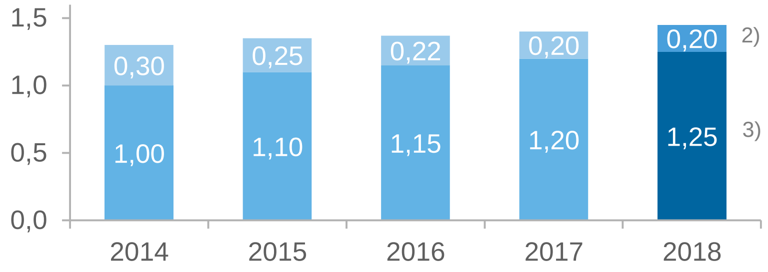
2018 key figures

Full-year net sales up by 4%
- EUR 1 600 (1 543) million
- Growth in local currency 7%
- Organic growth in local currencies 4%

Full-year EBIT
- EBIT EUR 154.7 (139.1) million, 9.7% (9.0%)
- Adjusted[1] EBIT EUR 162.8 (161.4) million, 10.2% (10.5%)
  - Investments in offering development up by EUR 6 million, of which EUR 3.6 million capitalized
  - Currency impact EUR 8 million
  - Includes EUR 5.2 (4.3) million in amortization of acquisition-related intangible assets

Dividend proposal
- Proposed dividend EUR 1.45 per share
  - Base dividend EUR 1.25 (1.20)
  - Additional dividend EUR 0.20 (0.20)
- Dividend yield 6.1%

Dividend/share, EUR



[1] adjusted for restructuring costs, capital gains/losses, goodwill impairment charges and other items

[2] Additional dividend

[3] Base dividend

The Nordic IT market remains highly dynamic

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

Q4 2018 key figures

Net sales up by 3%

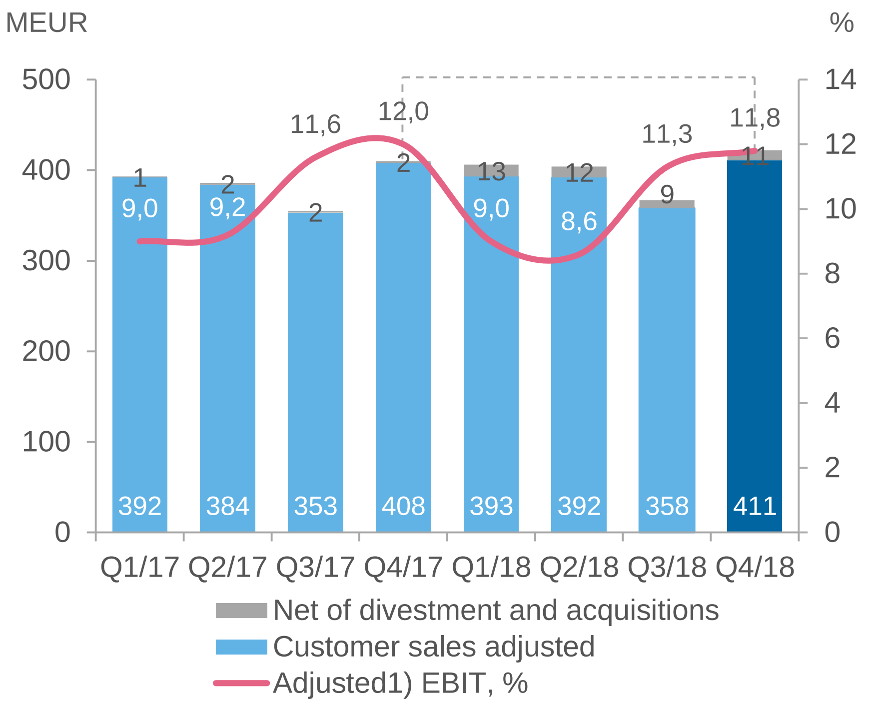
- EUR 421.9 (409.6) million
- Growth in local currencies 5%
- Organic growth in local currencies 3%

EBIT margin 10.8% (11.7%)

- EBIT EUR 45.7 (47.9) million
- Adjusted[1)] EBIT EUR 49.8 (49.2) million, 11.8% (12.0%)
  - Includes EUR 1.2 (1.2) million in amortization of acquisition-related intangible assets
  - EUR 1.9 million of offering development costs capitalized

Order backlog EUR 1 698 (1 849) million

- Negative currency impact
- Order backlog provides support for the 2019 growth ambition
- Book-to-bill 1.3 (1.3)



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

Two-fold development with strong growth in growth services and continued decline in infrastructure services

WE AIM TO GROW FASTER THAN THE MARKET*

*IT market growth expectation (CAGR 2015–2020) for the Nordics at 2–3%

SHARE OF IT SERVICES 2018		GROWTH 2018
41%	Growth businesses**	7%
17%	Other services and solutions***	19%
42%	Traditional services	1%

* Application services growth in local currencies 7%, incl. in traditional services
** Growth solution portfolio described on the next slide
*** Including Avega

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Investments supporting continuous renewal and growth

Up by 7% in local currencies in 2018

Customer Experience Management +16%

Data-Driven Businesses +120%

Cloud services +15%

Security services +16%

Selected industry solutions +3%

Lifecare

Payments

Credit solutions

Case management

Production excellence

SmartUtilities

Hydrocarbon management

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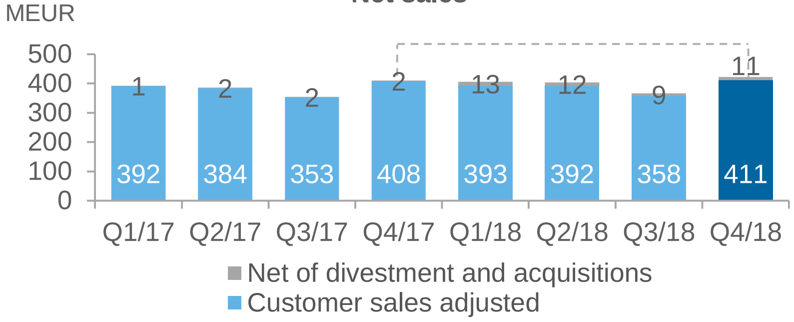
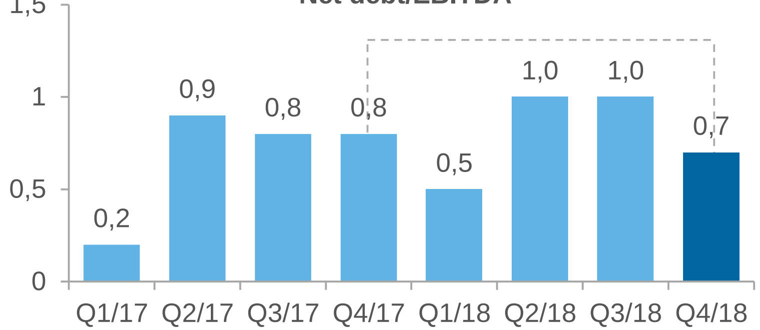
Quarterly development

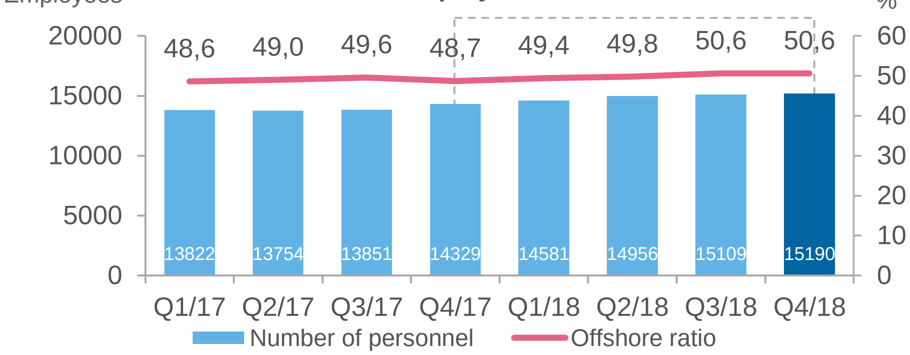
Net sales



Net debt/EBITDA

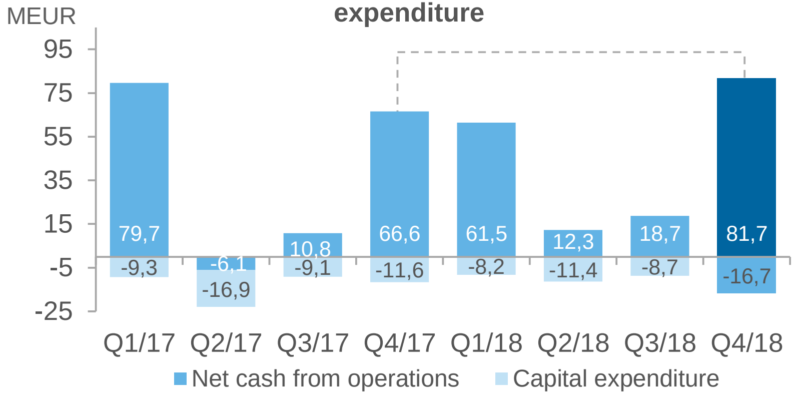


Number of full-time employees and offshore ratio



Number of personnel up by a net amount of 861
Offshore ratio: IT services 48.2% (46.2%) PDS 71.5% (69.8%)

Net cash flow from operations and capital expenditure



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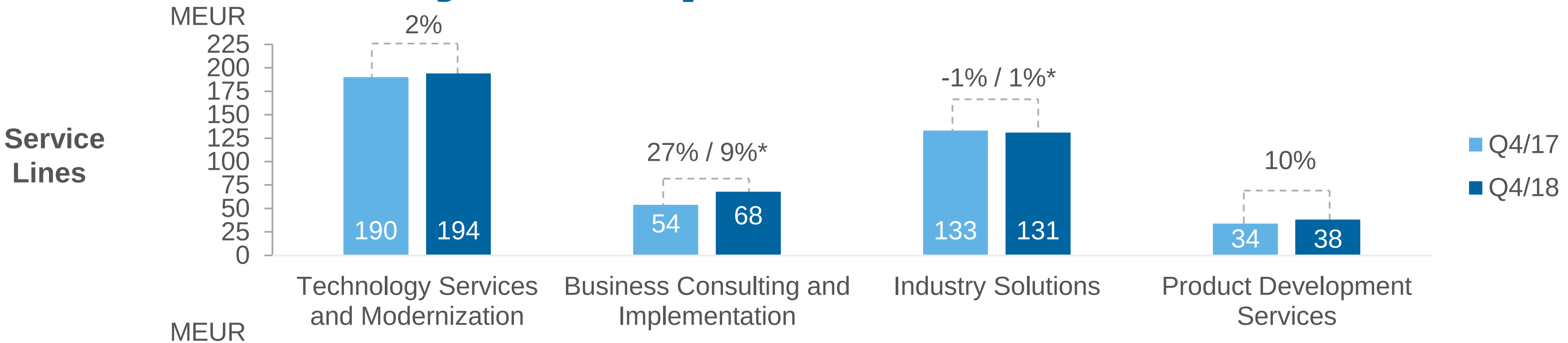
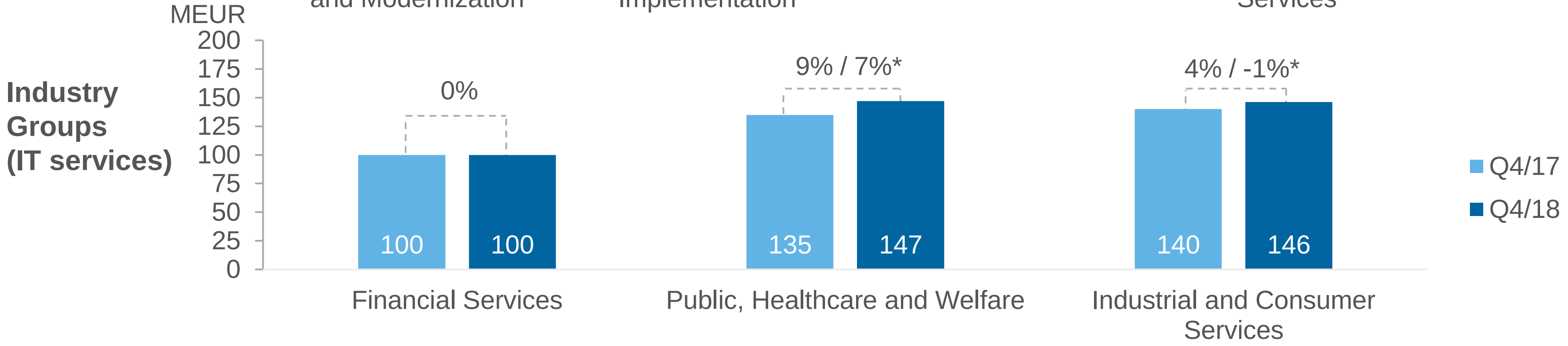
Growth in local currencies by Service Line and Industry Group





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

Service Lines

New data-driven businesses *)

Financial Services

Public, Healthcare and Welfare

Industrial and Consumer Services

Industry Solutions

Business Consulting and Implementation

Technology Services and Modernization

Product Development Services

Support Functions

*) Reported in Industry Solutions

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Technology Services and Modernization

Customer sales in Q4

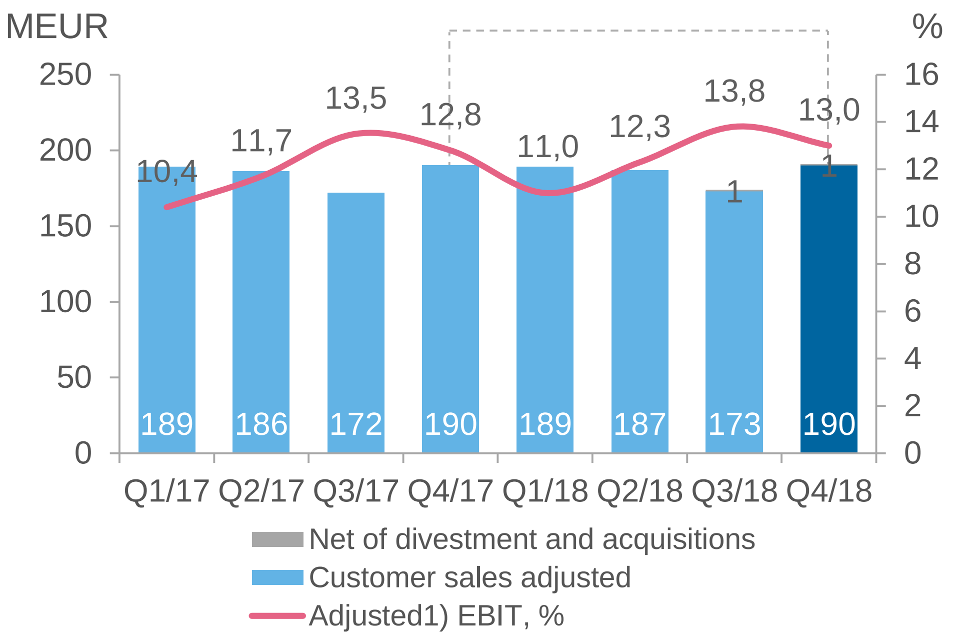
- EUR 190 (190) million, growth at Q4 2017 level, or +2% in local currencies

EBIT

- Adjusted[1)] EBIT EUR 24.8 (24.3) million, 13.0% (12.8)

Q4 highlights

- Growth (in local currencies) driven by infrastructure cloud and application services – up by 15% and 7% in full year, respectively
- Decline in traditional infrastructure services continued, down by 3% in full year
- Operating margin somewhat improved, mainly owing to good Application Services development
- Q1 adjusted operating margin is anticipated to be below Q1/2018 level, which was supported by the efficiency programme



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

Business Consulting and Implementation

Customer sales Q4

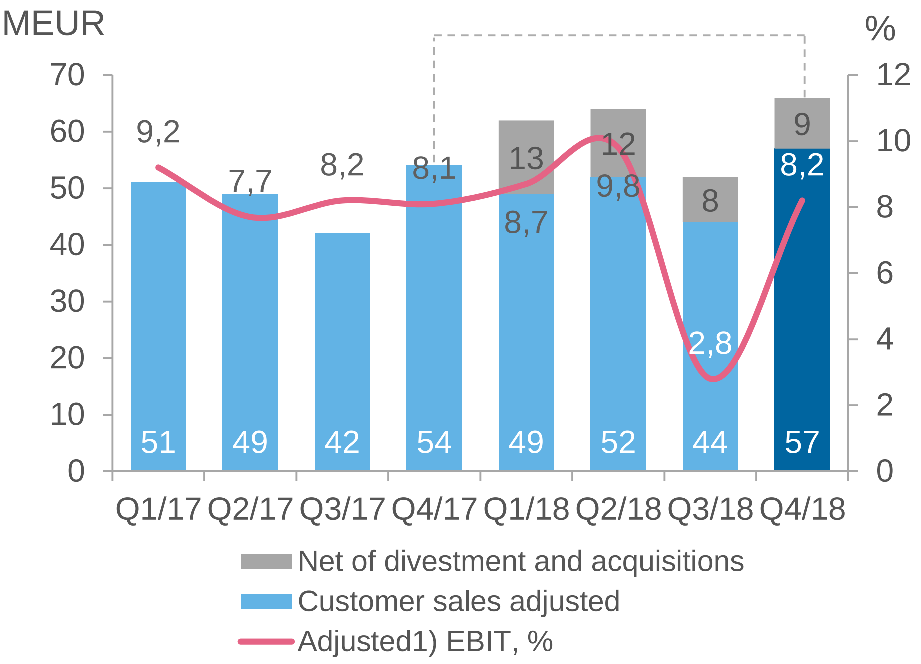
- EUR 67 (54) million, +24%, or +27% in local currencies
- Organic growth in local currencies +9%

EBIT

- Adjusted[1)] EBIT EUR 5.5 (4.3) million, 8.2% (8.1)

Q4 highlights

- Growth supported by the acquisition of Avega and Meridium
- Organic growth driven by CEM
- Adjusted operating profit improved, mainly due to good volume development and the acquisitions
- Q1 adjusted operating margin is anticipated to be at or above Q1/2018 level



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

Industry Solutions

Customer sales Q4

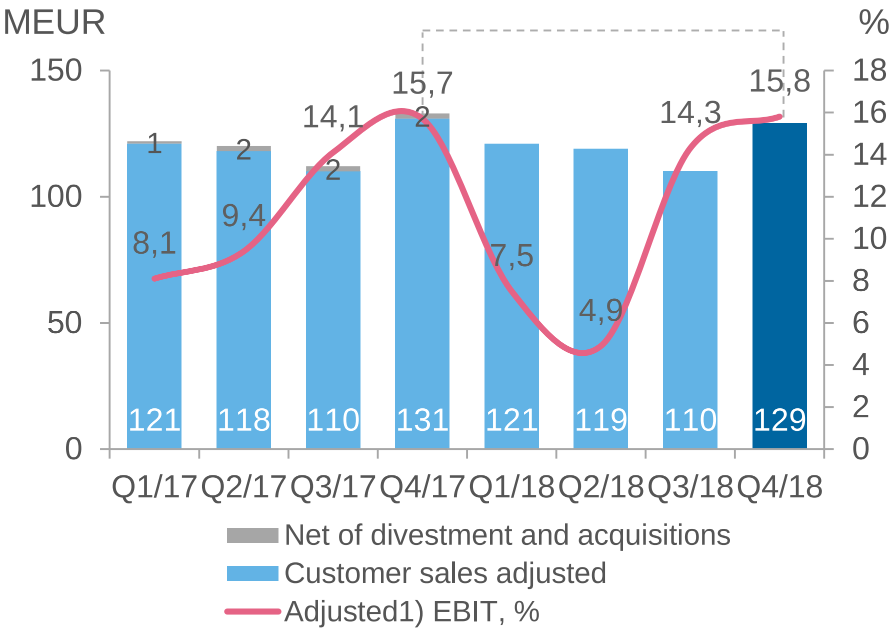
- EUR 129 (133) million, -3%, or -1% in local currencies
- Organic growth in local currencies 1%

EBIT

- Adjusted[1] EBIT EUR 20.4 (20.8) million, 15.8% (15.7)

Q4 highlights

- Strong growth in Hydrocarbon Management and Payments solutions
- Architectural renewal continued to affect SmartUtilities
- Lifecare growth somewhat affected by the reform in the Finnish healthcare segment and the solution renewal
- Technology renewal continues in selected solutions
  - Offering development costs up by EUR 3 million as planned
  - EUR 1.9 million related to platform development capitalized
- Q1 adjusted operating margin expected to be close to Q1/2018 level



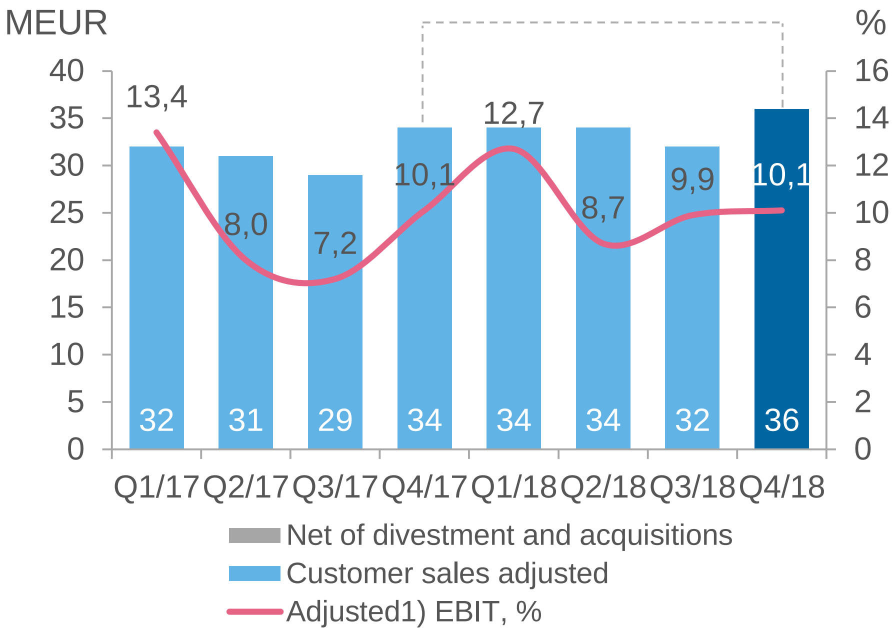
[1] adjusted for restructuring costs, capital gains/losses, goodwill impairment charges and other items

Product Development Services

Customer sales Q4
- EUR 36 (34) million, +6%, or +10% in local currencies

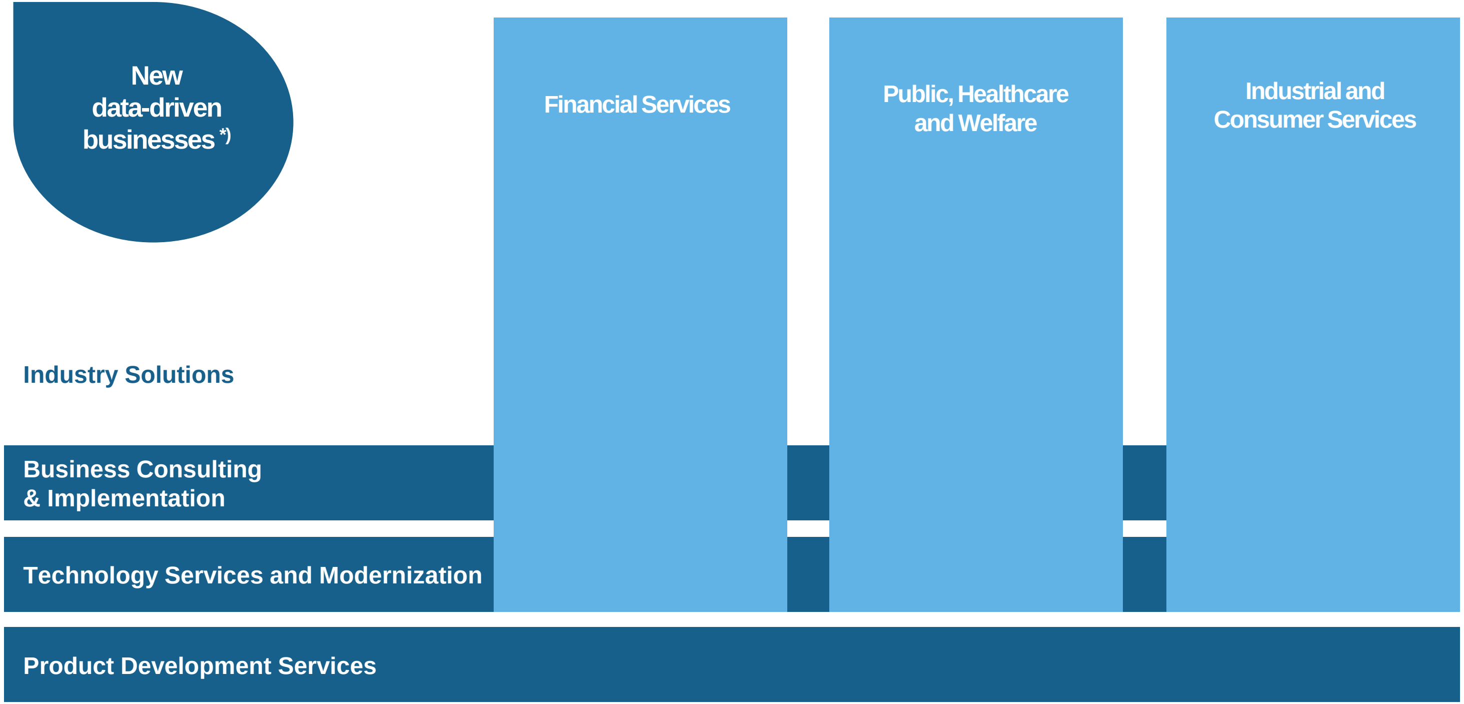
EBIT
- Adjusted[1)] EBIT EUR 3.7 (3.5) million, 10.1% (10.1)

Q4 highlights
- Strong volume development with the largest key customers and good development in automotive
- EBIT margin remained at a healthy level while improvement somewhat curbed by negative currency effects
- Q1 adjusted operating margin is anticipated to be below Q1/2018 level



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

Industry Groups



*) Reported in Industry Solutions

Financial Services

Customer sales Q4

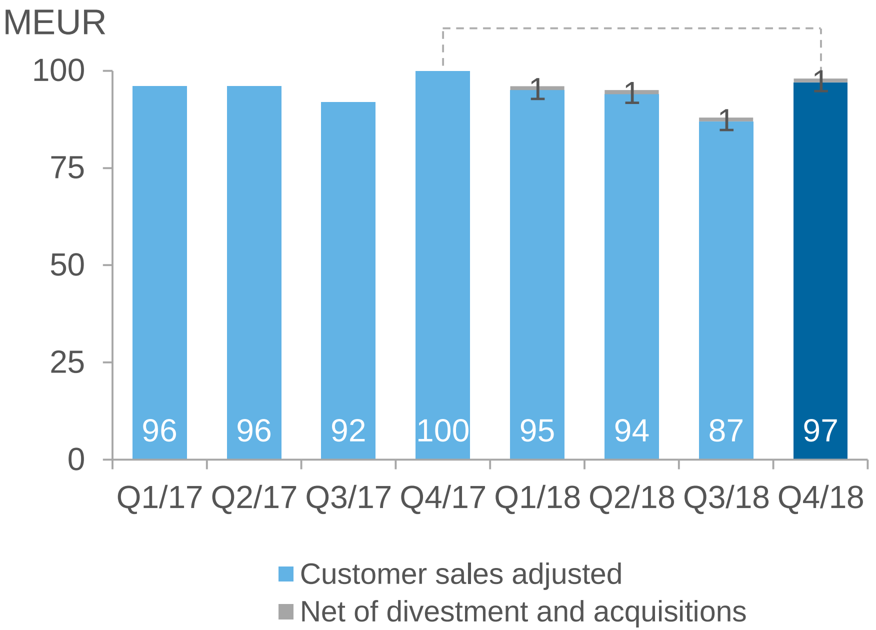
- EUR 98 (100) million, -2%, growth in local currencies at Q4 2017 level

Sales split by service line

	Q4/2018	Q4/2017
TSM	54%	55%
BCI	10%	10%
IS	36%	35%

Q4 highlights

- Sales affected by large customers' transformation programmes and price erosion
- Positive development in Industry Solutions with strong growth in the Payments area
- New agreements include If Insurance and EnterCard



Public, Healthcare and Welfare

Customer sales Q4

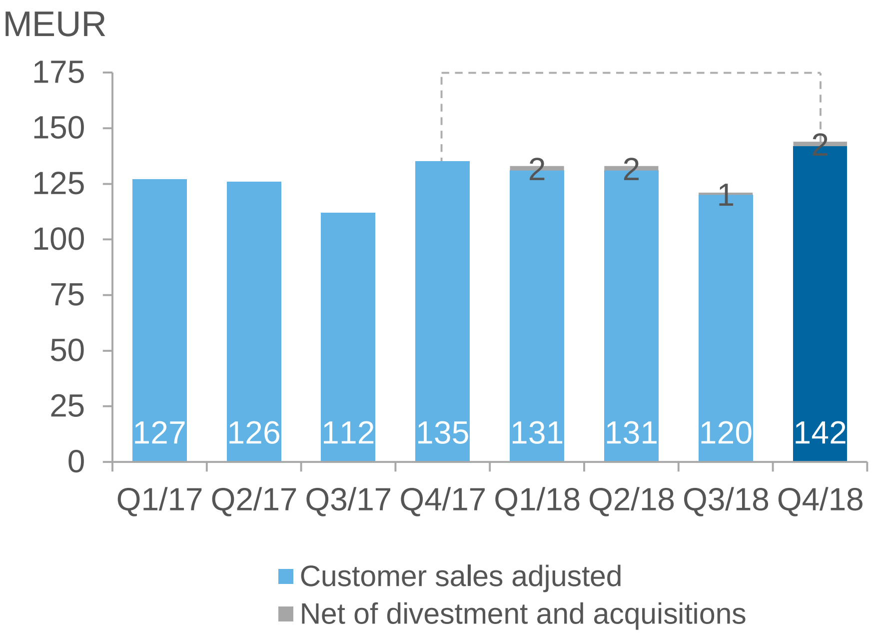
- EUR 144 (135) million, +6%, or +9% in local currencies

Sales split by service line

	Q4/2018	Q4/2017
TSM	44%	44%
BCI	13%	10%
IS	43%	46%

Q4 highlights

- Healthy development across the markets and businesses
- Lifecare growth somewhat affected by the ongoing reform in the Finnish healthcare segment
- Active market with several digitalization initiatives and transition projects ongoing
- New agreements include Region Skåne



Industrial and Consumer Services

Customer sales Q4

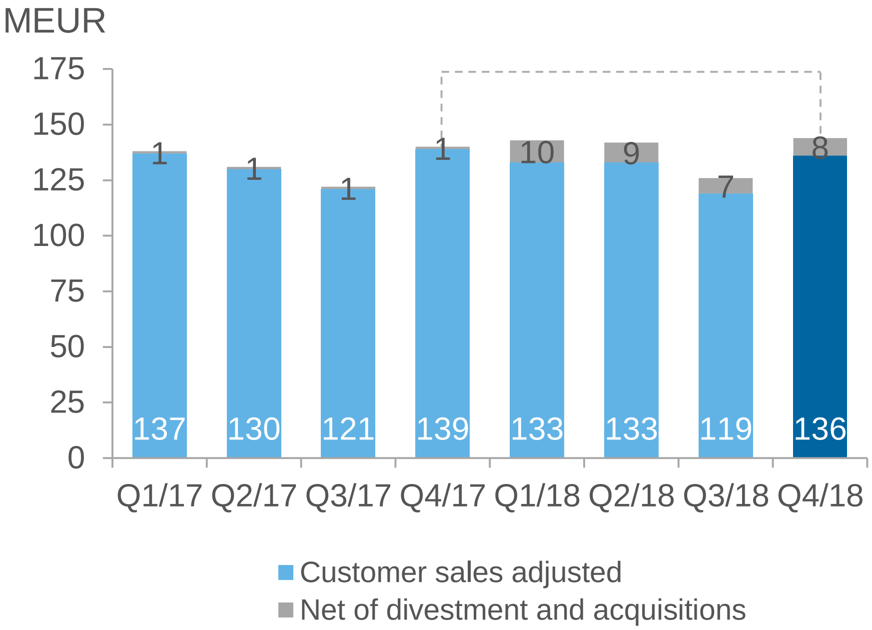
- EUR 144 (140) million, +3%, or +4% in local currencies
- Organic growth in local currencies -1%

Sales split by service line

	Q4/2018	Q4/2017
TSM	52%	54%
BCI	26%	21%
IS	22%	25%

Q4 highlights

- Growth supported by the acquisition of Avega
- Healthy growth especially in Hydrocarbon Management whereas sales development in SmartUtilities negative due to the ongoing large-scale renewal
- New agreements include SSAB and Volvo Car Dealers



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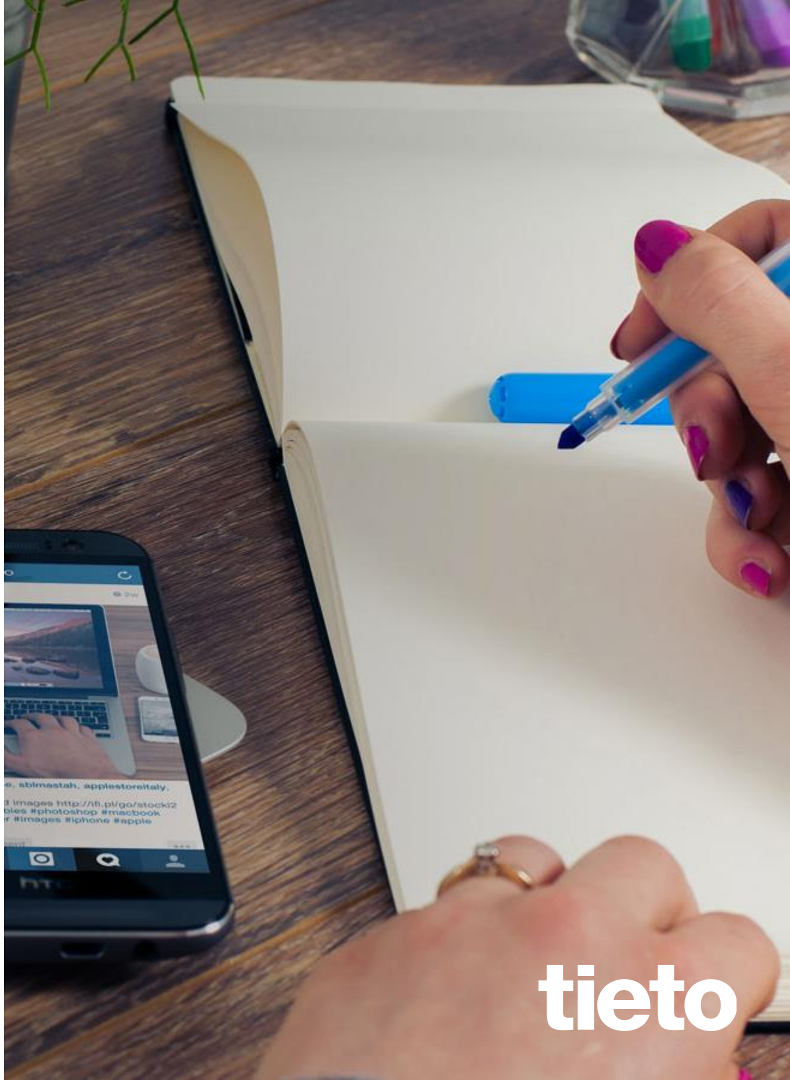
Performance drivers in 2019

- **Growth** above the market
- **Offering development** costs around 5% of Group sales
- **Efficiency and productivity improvement** measures, incl. automation, optimized subcontracting, offshoring, management of competence pyramid
- **Salary inflation** over EUR 30 million
- **New strategy** to enhance competitiveness launched
  - **Operational simplification** anticipated to affect around 700 roles globally
  - Annualized **gross savings** of EUR 30–35 million, partially affecting performance in 2019

Guidance for 2019

- Tieto expects its full-year adjusted[1)] operating profit (EBIT) to increase from the previous year's level (EUR 168.0 million[2)] in 2018)



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

2) not restated for IFRS 16

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