



Q1 2019

Good start for the year

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tieto

Q1 2019 in brief

Good start for the year

- › Adjusted operating margin of 10% supported by healthy performance in Industry Solutions
- › Strong growth and profitability in Product Development Services
- › Growth in local currencies 2% – strong order intake
- › Strategy implementation progressing as planned, including efficiency measures

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 continues



Tieto expects the Nordic IT services market to grow by 2–3% in 2019

Q1 2019 key figures

Net sales up by 1%

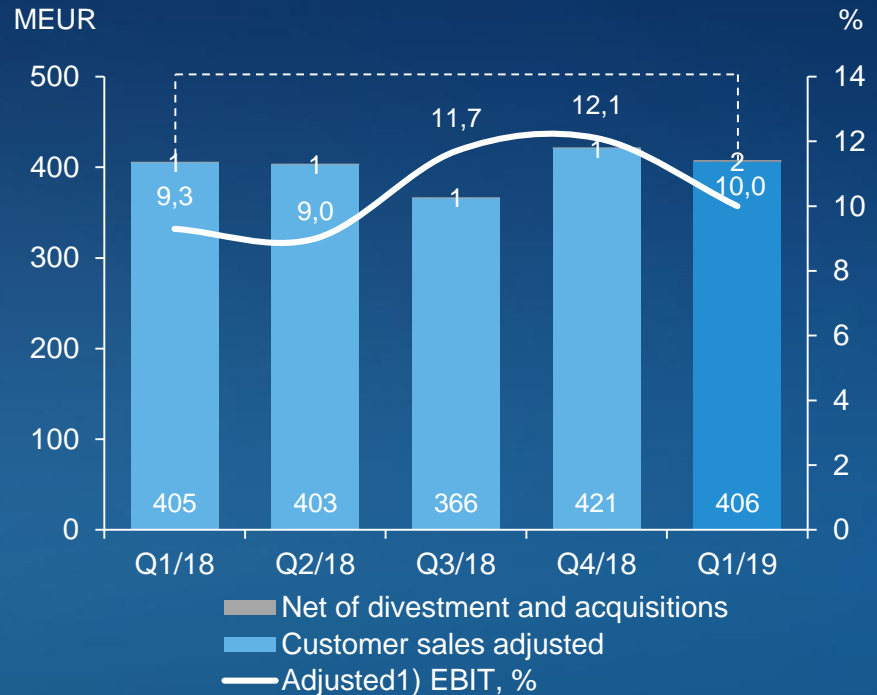
- › EUR 408.4 (406.3) million
- › Growth in local currencies 2%
- › Organic growth in local currencies 2%

EBIT margin 9.0% (9.2%)

- › EBIT EUR 36.8 (37.3) million
- › Adjusted¹⁾ EBIT EUR 40.9 (37.9) million, 10.0% (9.3%)
 - › EUR 2.0 million of offering development costs capitalized
 - › EUR 0.9 million positive IFRS 16 impact
 - › Negative currency impact of EUR 1 million

Order backlog EUR 1 717 (1 787) million

- › Order backlog provides support for the 2019 growth ambition
- › Book-to-bill 1.4 (0.9)



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

Healthy development in a number of growth businesses

Growth in local currencies

Annual sales in 2018



Business Consulting and Implementation (growth 7%)

- › Customer Experience Management +33%

~ EUR **60** million



Technology Services and Modernization (growth 0%)

- › Cloud services +8%
- › Security services +69%

~ EUR **125** million

~ EUR **12** million



Industry Solutions (growth 1%)

- › Lifecare +4%
- › Payments +14%
- › Hydrocarbon Management +24%
- › Data-Driven Businesses +154%

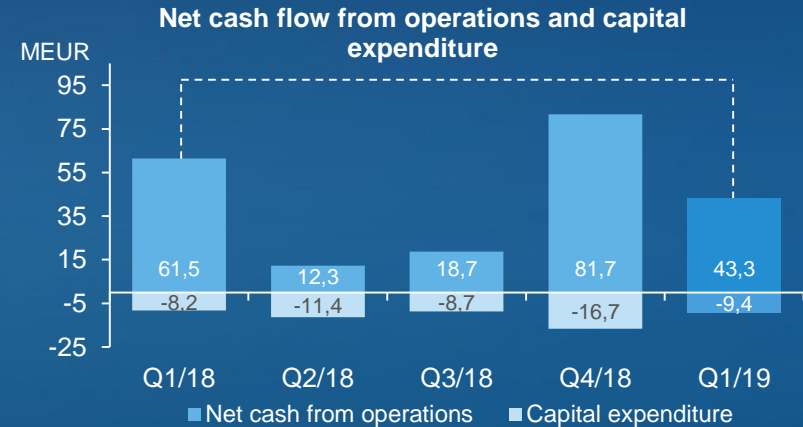
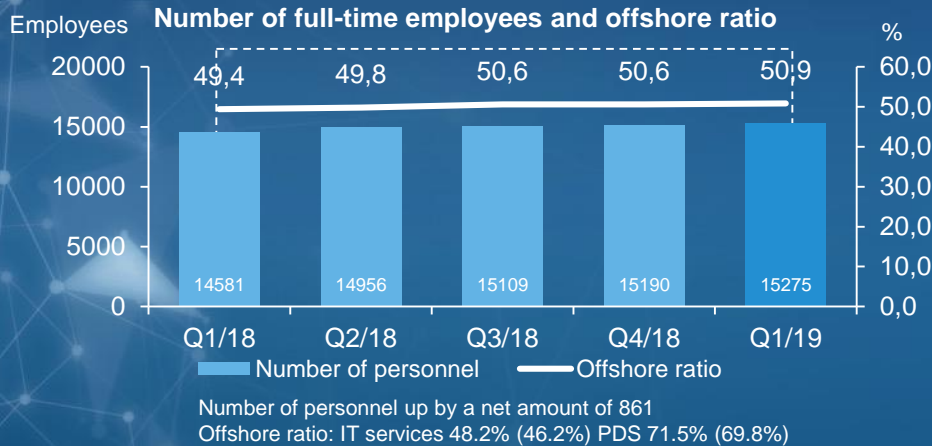
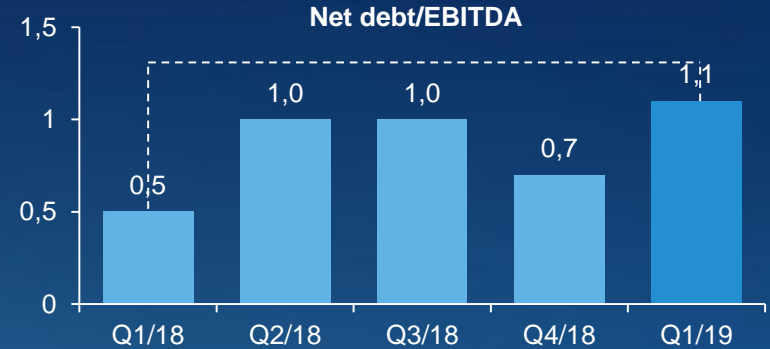
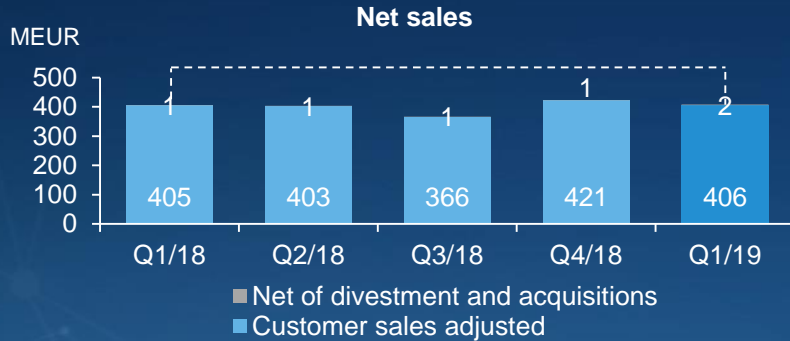
~ EUR **180** million

~ EUR **60** million

~ EUR **50** million

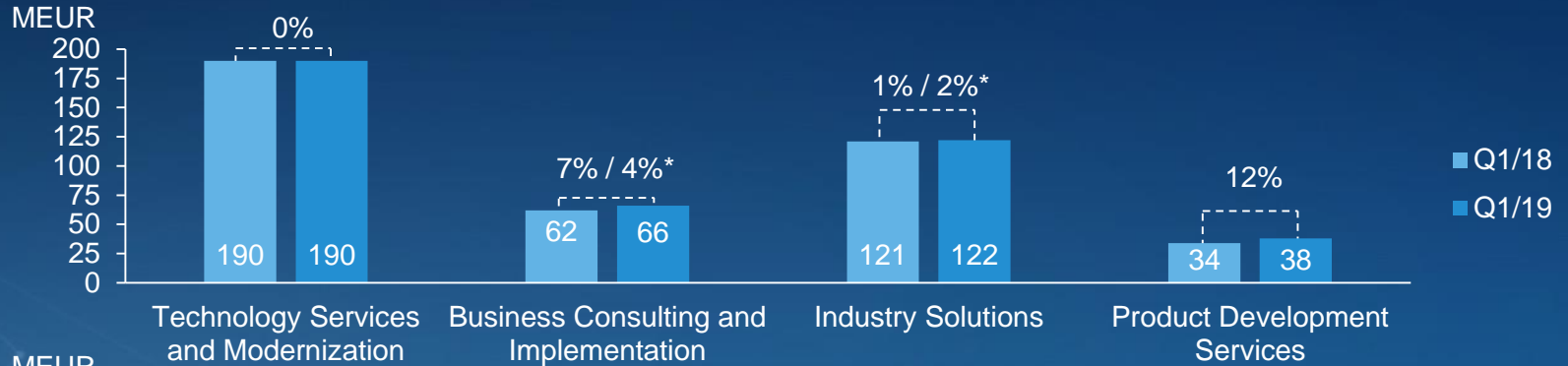
~ EUR **5** million

Quarterly development

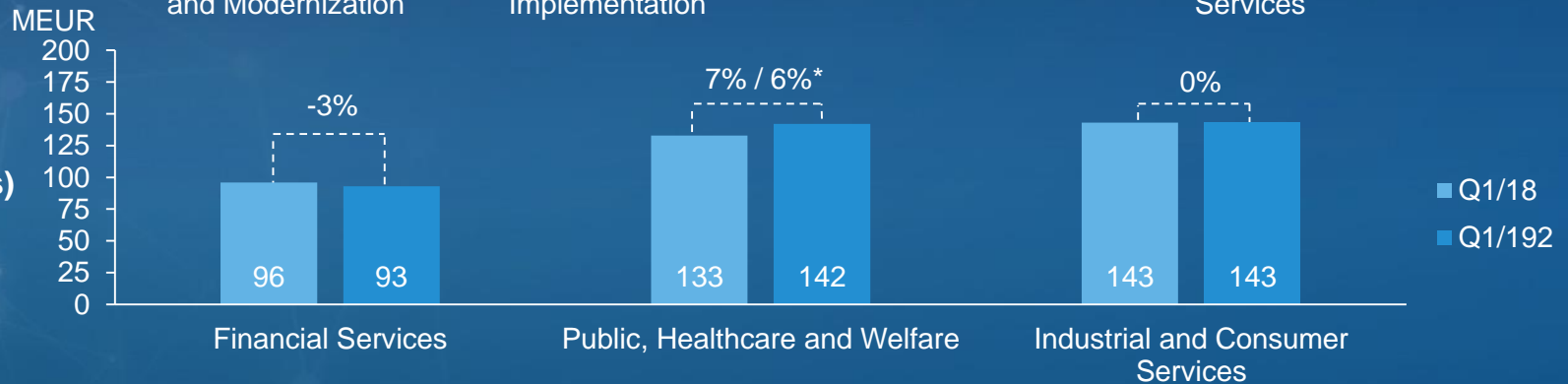


Growth in local currencies by Service Line and Industry Group

Service Lines

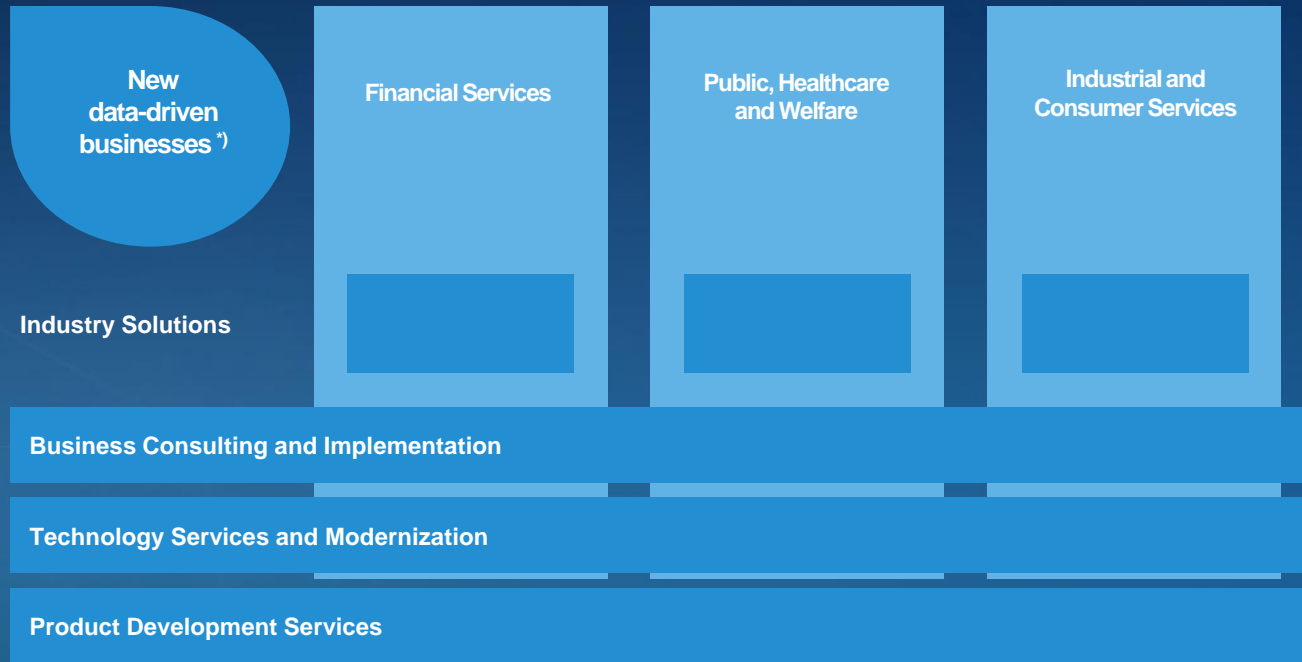


Industry Groups (IT services)



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

Service Lines



Technology Services and Modernization

Customer sales in Q1

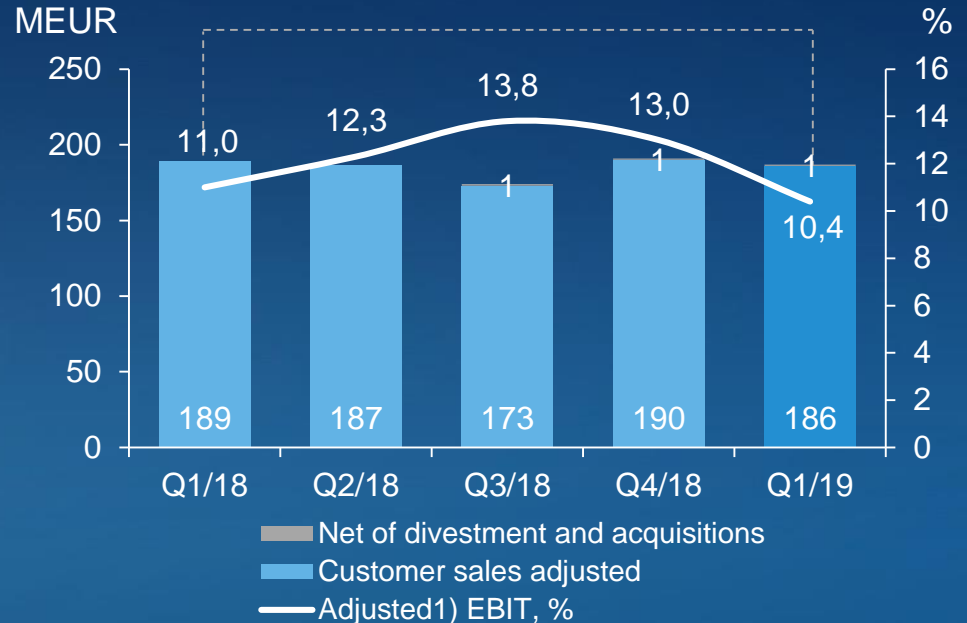
- › EUR 187 (189) million, -1%, or in local currencies at Q1/2018 level

EBIT

- › Adjusted¹⁾ EBIT EUR 19.5 (20.8) million, 10.4% (11.0)

Q1 highlights

- › Annual price discounts and a delay in one large delivery affect growth
- › Infrastructure cloud +8%, application services +3% and Security Services +69%
- › Traditional infrastructure services down by 6%
- › EBIT margin somewhat down – Q1/2018 supported by the efficiency programme 2017
- › Q2 adjusted EBIT margin anticipated to be below Q2/2018 level as the savings from the simplified structure will affect only as from H2/2019



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

Business Consulting and Implementation

Customer sales Q1

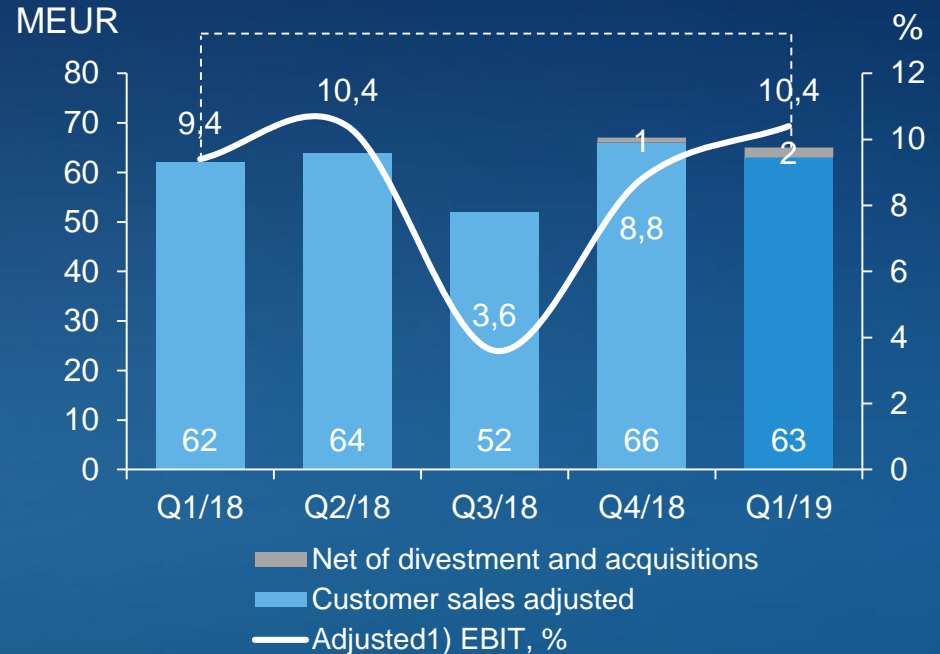
- › EUR 65 (62) million, +5%, or +7% in local currencies
- › Organic growth in local currencies +4%

EBIT

- › Adjusted¹⁾ EBIT EUR 6.8 (5.8) million, 10.4% (9.4)

Q1 highlights

- › Growth supported by the acquisition of Meridium
- › CEM +33%
- › Adjusted operating profit improved, mainly due to good volume development
- › Q2 affected by the number of working days – adjusted EBIT margin anticipated to be close to Q2/2018 level



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

Industry Solutions

Customer sales Q1

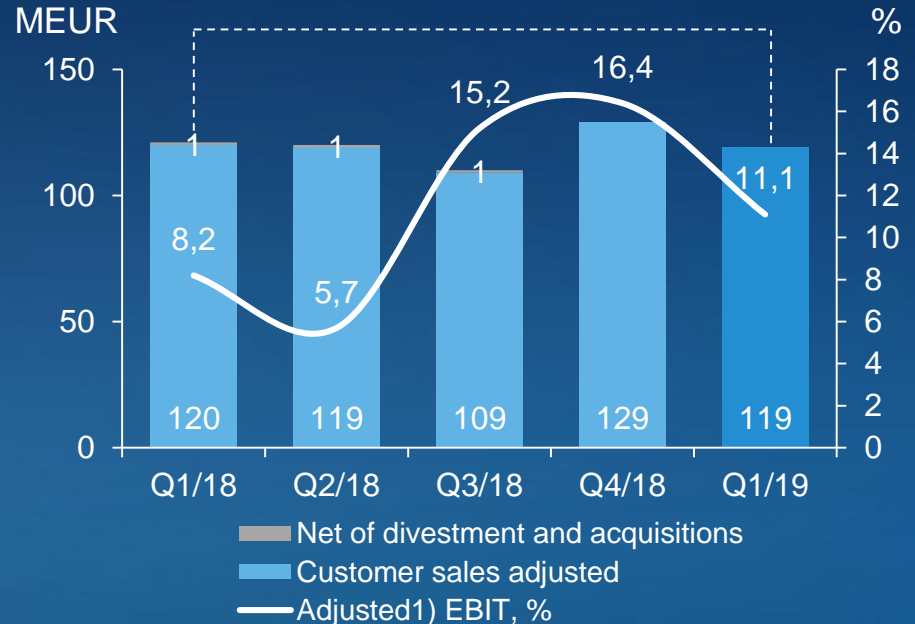
- › EUR 119 (121) million, -1%, or +1% in local currencies
- › Organic growth in local currencies 2%

EBIT

- › Adjusted¹⁾ EBIT EUR 13.3 (9.9) million, 11.1% (8.2)

Q1 highlights

- › Strong growth in Hydrocarbon Management, Payments solutions and Lifecare
- › Architectural renewal continued to affect SmartUtilities
- › EUR 2.0 million related to platform development capitalized
- › Q2 adjusted EBIT margin expected to improve from Q2/2018 level



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

Product Development Services

Customer sales Q1

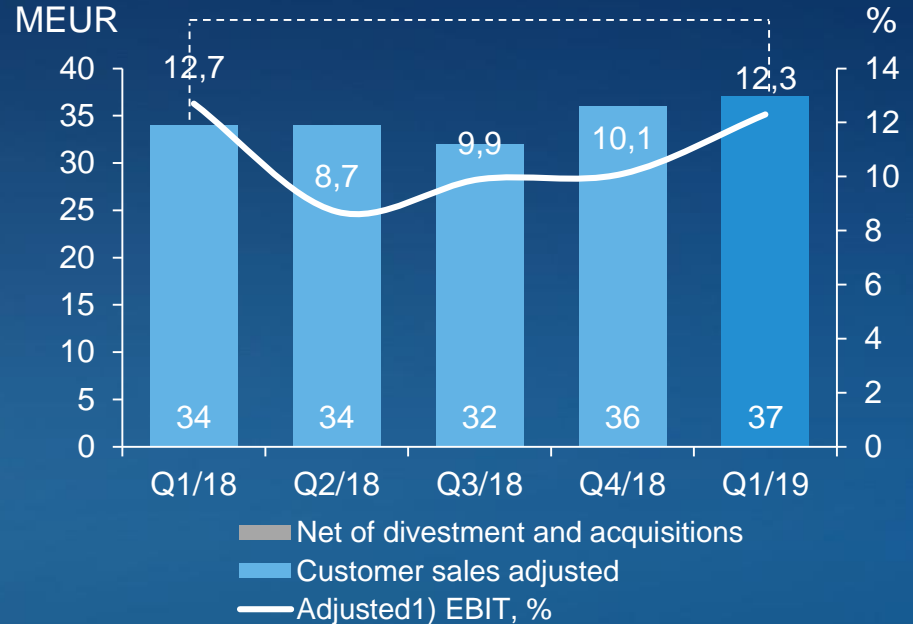
- › EUR 37 (34) million, +8%, or +12% in local currencies

EBIT

- › Adjusted¹⁾ EBIT EUR 4.5 (4.3) million, 12.3% (12.7)

Q1 highlights

- › Strong volume development with the largest key customers and good development in automotive
- › EBIT margin remained at a strong level of over 12%
- › Q2 adjusted EBIT margin anticipated to be below or at Q2/2018 level as recruitments to drive growth contribute to performance towards H2/2019.



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

Industry Groups

New
data-driven
businesses^{*)}

Financial Services

Public, Healthcare
and Welfare

Industrial and
Consumer Services

Industry Solutions

Business Consulting
& Implementation

Technology Services and Modernization

Product Development Services

Financial Services

Customer sales Q1

- › EUR 91 (96) million, -5%, or -3% in local currencies

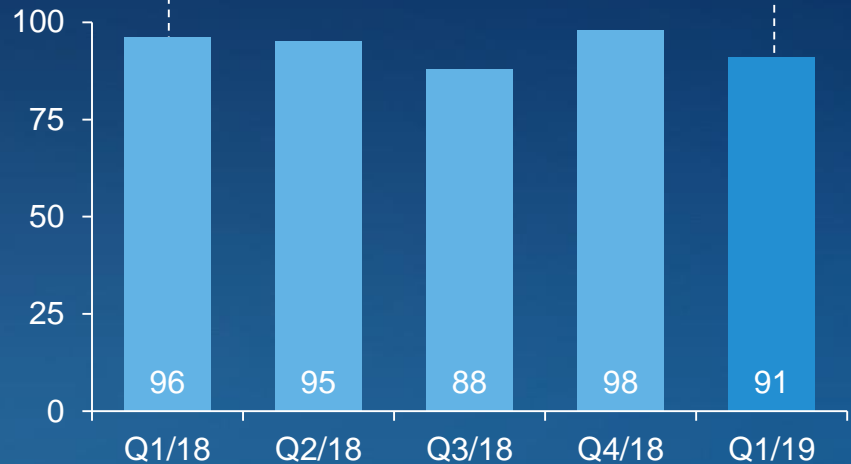
Sales split by service line

	Q1/2019	Q1/2018
TSM	56%	56%
BCI	9%	11%
IS	35%	33%

Q1 highlights

- › Sales affected by volume and price development in infrastructure services
- › Positive development in Industry Solutions with strong growth in the Payments area
- › New agreements include Folksam and Getswish

MEUR



■ Customer sales adjusted
■ Net of divestment and acquisitions

Public, Healthcare and Welfare

Customer sales Q1

- › EUR 139 (133) million, +5%, or +7% in local currencies

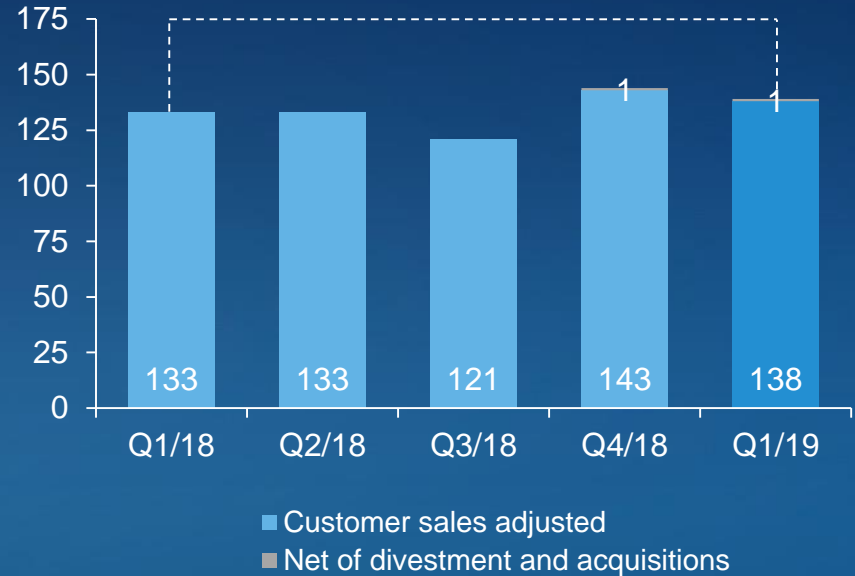
Sales split by service line

	Q1/2019	Q1/2018
TSM	44%	45%
BCI	14%	12%
IS	42%	43%

Q1 highlights

- › Healthy development across the markets and businesses
- › The Finnish public sector the strongest segment
- › Positive outlook in the healthcare and welfare market while the preparations for the large-scale reform in Finland discontinued
- › New agreements include Sweden's Health and Social Care Inspectorate (IVO) and City of Stockholm

MEUR



Industrial and Consumer Services

Customer sales Q1

- › EUR 141 (143) million, -1%, or in local currencies at Q1/2018 level

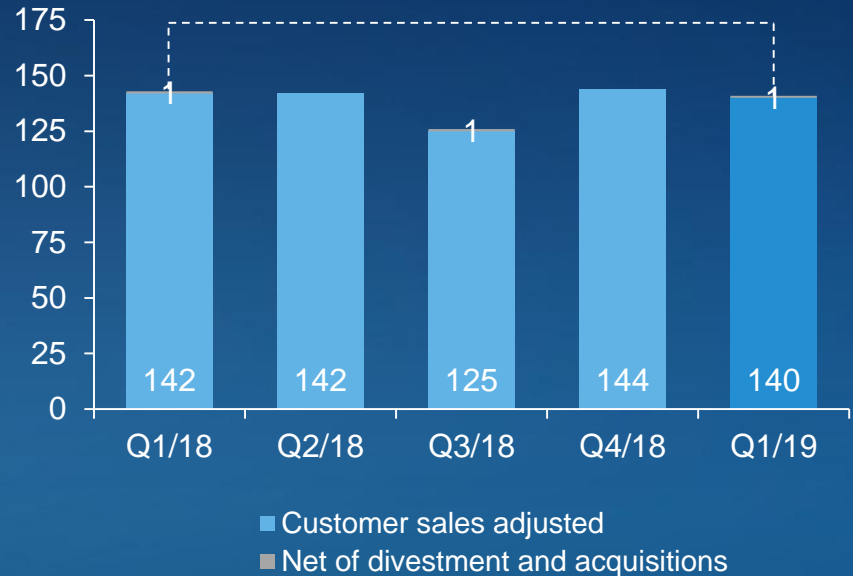
Sales split by service line

	Q1/2019	Q1/2018
TSM	53%	53%
BCI	26%	26%
IS	21%	21%

Q1 highlights

- › Healthy growth especially in Hydrocarbon Management and Production Excellence
- › Negative sales development in SmartUtilities
- › New agreements include Ahlström-Munksjö

MEUR



Performance drivers in 2019

- › **Growth** above the market
- › **Offering development** costs around 5% of Group sales
- › **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**
 - › Close to half anticipated to affect the 2019 performance, contributing to **profitability as from H2/2019**
 - › **Restructuring costs** anticipated to amount to EUR 20–25 million, of which main part will be booked in Q2/2019

Guidance for 2019 unchanged

- › Tieto expects its full-year adjusted¹⁾ operating profit (EBIT) to increase from the previous year's level (EUR 168.0 million in 2018) added by the impact of IFRS 16²⁾ 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 first quarter, the impact was EUR 0.9 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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Market opportunity and strategy 2019

tieto

Digital experience and data driving customers' competitiveness

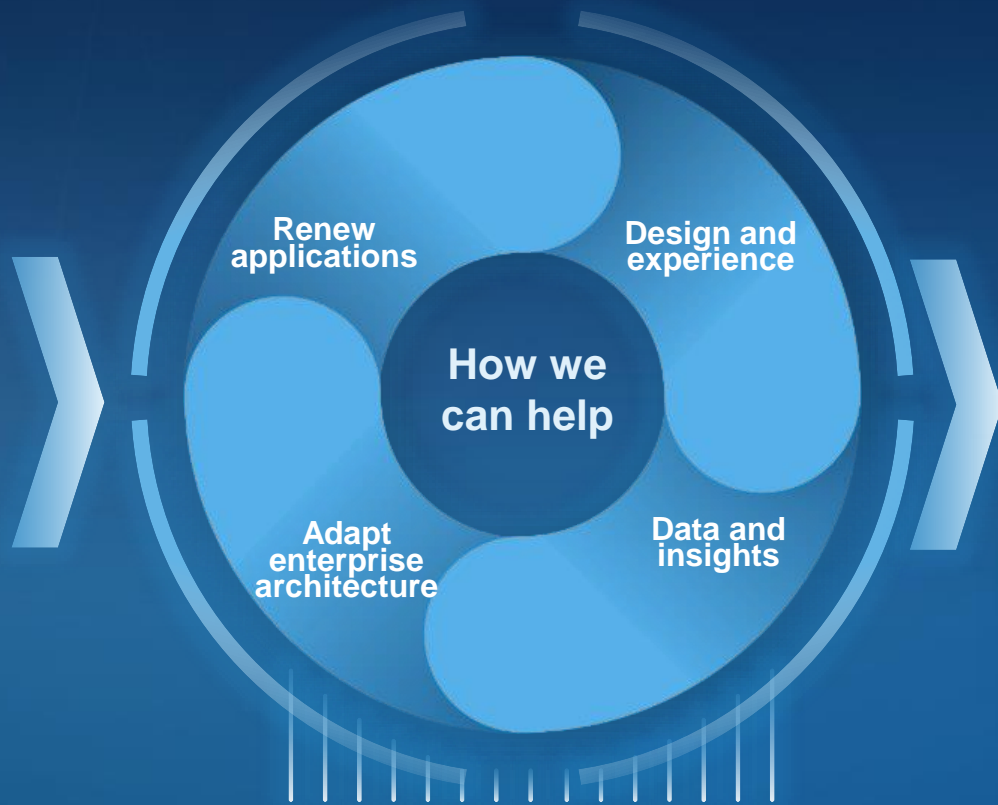
To be addressed by customers

Digital transformation accelerating

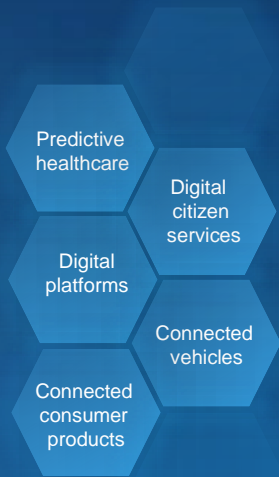
Agile development sprints a new norm

Faster time to market

Business continuity and cost optimization



New business outcomes for customers



Hybrid Infrastructure

Services driving competitiveness



Digital Experience

eCommerce and customer experience

Data science and platforms

Cloud-native applications



Hybrid Infra

Hybrid cloud (private and public)

24/7 services and datacenters

End-user services



Industry Software

Industry-specific software/solutions

Customers' business critical processes and functions



Product Development Services

Telecom

Automotive

Consumer electronics

Business potential and value drivers

Digital Experience

- Build scale for Design, Analytics and Cloud integration
- Increase customer impact by combining capabilities from Design, Data and Application Modernization

Capability / Performance uplift



Hybrid Infra

- Build multicloud platforms to enable unified service experience
- Accelerate automation and machine-led delivery models



Industry Software

- Unified practices, scalability and synergies across software businesses
- Expand functionality and business models for further differentiation



Product Development Services

- Continue expanding global customer base
- Extend value proposition to adjacent industries



Strategy summary

Digital Experience as the main growth driver

– all businesses expected to grow above market

- ✓ Investments in digital capabilities – addition of 2 500–3 000 people during the strategy period 2019–2022
- ✓ Scalable Industry Software continues to drive global expansion



Significant operational simplification

- ✓ Organizational simplification
- ✓ Overlapping roles of administrative nature cease to exist
- ✓ Potentially impacting 700 roles globally, annualized savings of EUR 30–35 million



Upgraded financial ambition

- ✓ Growth of over 5%
- ✓ Adjusted operating margin 13%
- ✓ Attractive dividend policy maintained



Implementation of the new strategy started

- ✓ New Leadership Network effective as of 1 April
- ✓ Country based Go-to-Market effective during Q2/2019
- ✓ Personnel negotiations initiated in April
- ✓ New reporting structure as of Q2/2019





**Creating great
everyday experiences**

**Making customers
more competitive**

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