



Q2 2019

Major transformation initiated in the quarter

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tieto

Q2 2019 in brief

Major transformation initiated in the quarter

- › Strategy implementation progressing as planned – transition to a new operating model completed
- › Complementary merger with EVRY announced
- › Revenue up by 1% in local currencies
- › Adjusted EBIT margin at 8.4% – impact of a shorter quarter and currencies 1 percentage point
- › Efficiency improvement programme on schedule – EUR 15 million in cost savings anticipated to materialize in the second half

The Nordic IT market remains dynamic



Increasing investments for new data-rich services and differentiating experiences



Hybrid infrastructure and cloud as a foundation in customers' business continuity and renewal



Uncertainty in macroeconomic trends continue



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

Q2 2019 key figures

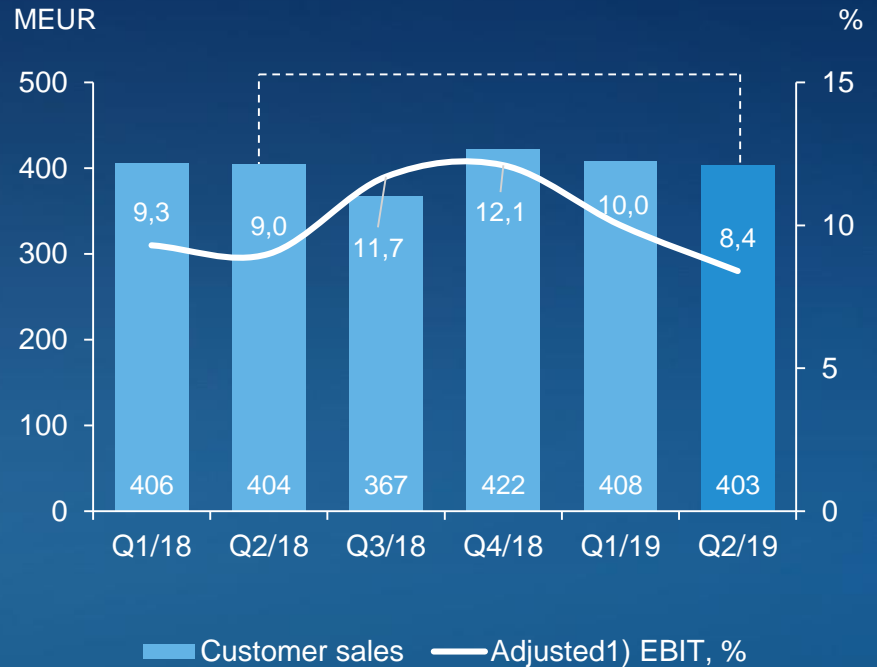
Net sales at the 2018 level

- › EUR 403.2 (404.1) million, up by 1% in local currencies
- › Negative impact of the shorter quarter and currencies ~EUR 9 million, 2 percentage point

Adjusted EBIT margin 8.4% (9.0%)

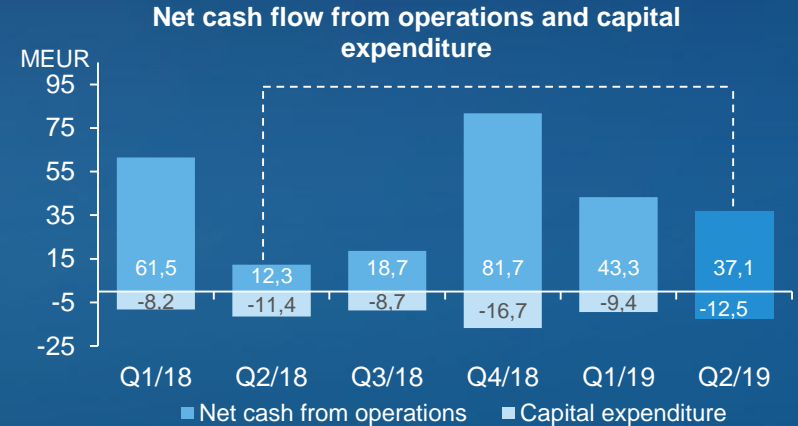
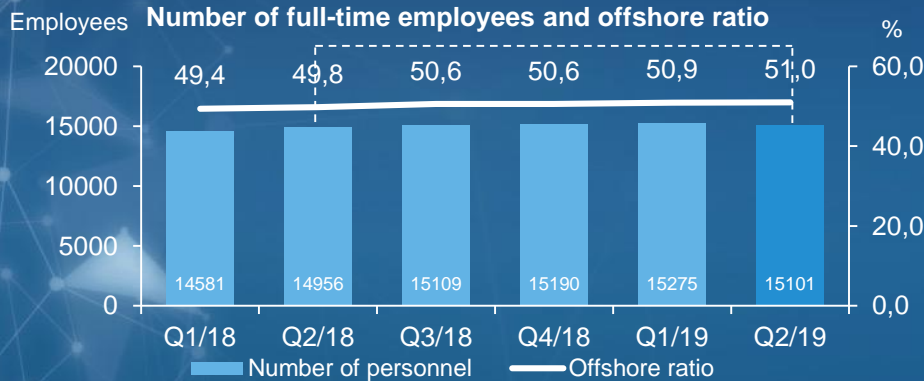
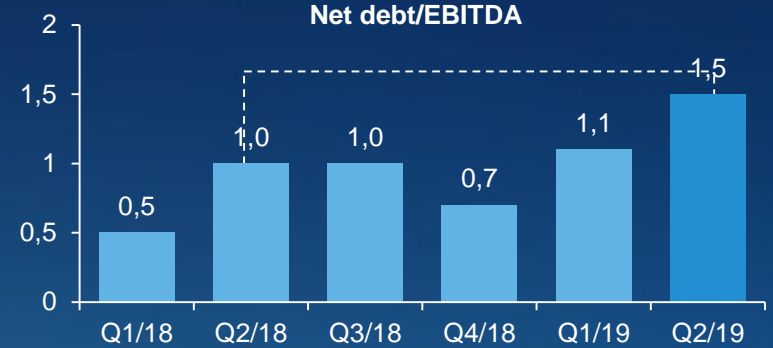
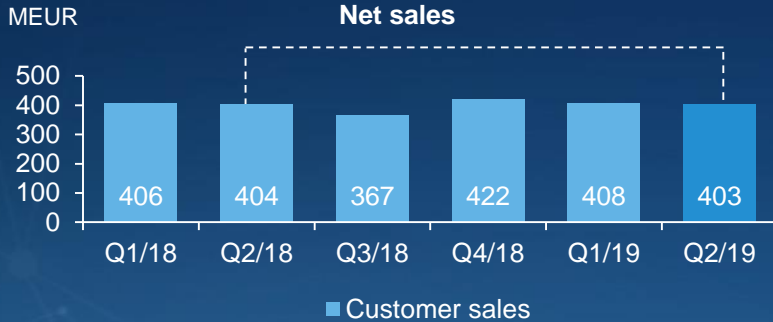
- › EBIT EUR 18.1 (31.3) million, 4.5% (7.7)
 - › Includes EUR 15.9 million in adjusted items
- › Adjusted¹⁾ EBIT EUR 34.0 (36.2) million, 8.4% (9.0%)
- › Negative impact of the shorter quarter and currencies ~EUR 4 million, 1 percentage point

Order backlog EUR 1 800 (1 731) million



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

Quarterly development



Number of personnel down by a net amount of 89 in H1/2019

Healthy development in a number of growth businesses

Growth¹⁾ in Q2 (H1)

Annual sales in 2018



Digital Experience

- › Customer Experience Management **+13%** (24%)

~ EUR **60** million



Hybrid Infra

- › Cloud services **+10%** (8%)
- › Security services **+29%** (41%)

~ EUR **125** million

~ EUR **12** million



Industry Software

- › Lifecare **+6%** (5%)
- › Payments **+11%** (12%)
- › Oil & Gas **+5%** (13%)

~ EUR **180** million

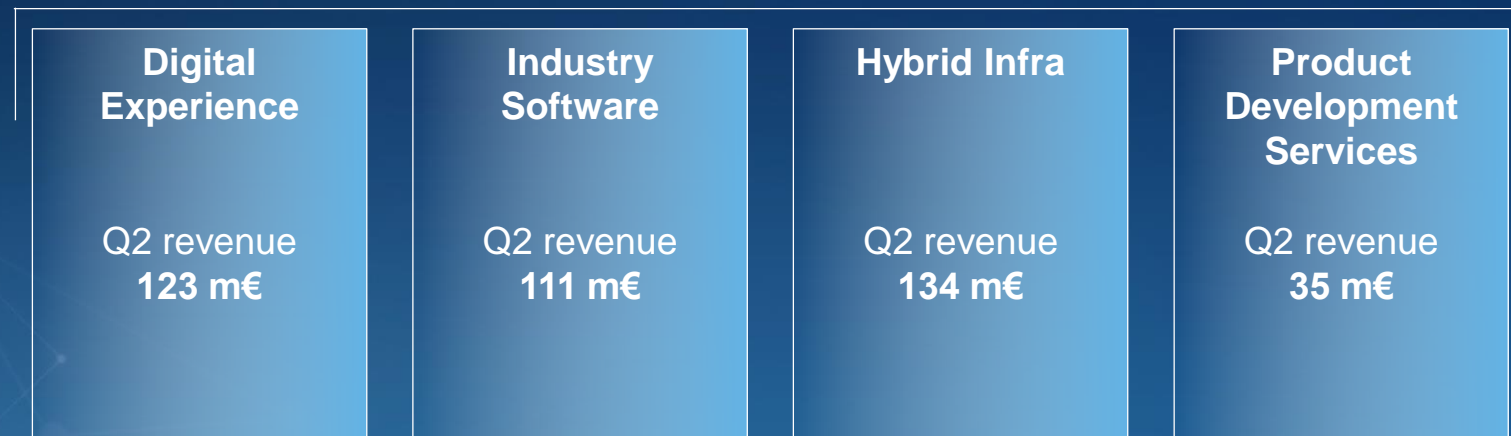
~ EUR **60** million

~ EUR **50** million

¹⁾ In local currencies

New reporting segments starting Q2 2019

Primary reporting segments



Revenue
by
country

Digital Experience

Customer sales Q2

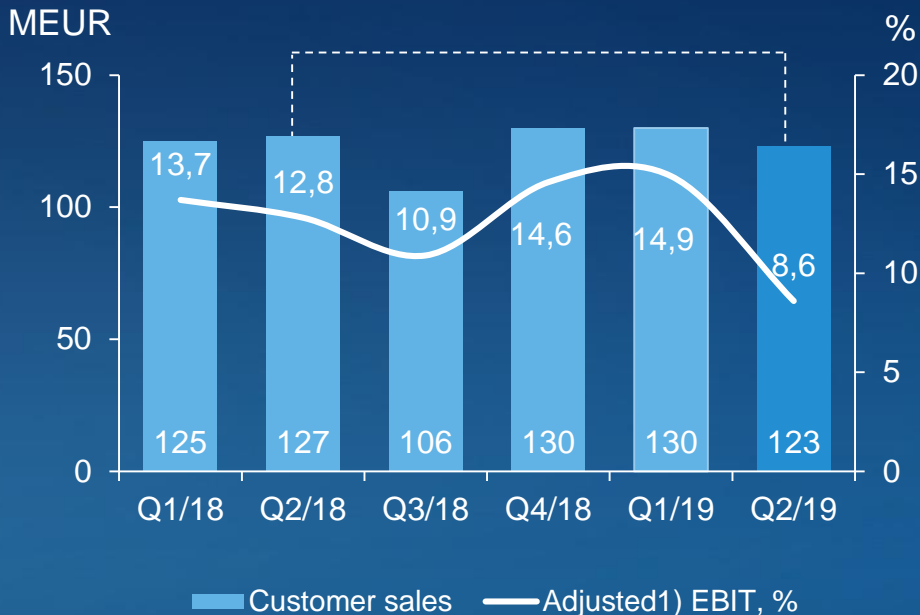
- › EUR 123 (127) million
- › Down by 3%, or 2% in local currencies

EBIT

- › Adjusted¹⁾ EBIT EUR 10.6 (16.2) million, 8.6% (12.8)

Q2 highlights

- › Sales decline attributable to continued currency headwinds and a shorter quarter
- › Application Services growth 1% - impacted by one large customer insourcing
- › CEM +13% in local currencies, growth supported by the acquisition of Meridium
- › In Q3, adjusted operating margin anticipated to be at or above the level of Q3/2018



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

Hybrid Infra

Customer sales in Q2

- › EUR 134 (131) million
- › Up by 2%%, or 3% in local currencies

EBIT

- › Adjusted¹⁾ EBIT EUR 14.5 (14.1) million, 10.8% (10.8)

Q2 highlights

- › Infrastructure cloud +10% and Security Services +29% in local currencies
- › Decline in traditional infrastructure services decelerated, sales down by 2%
- › EBIT margin at Q2/2018 level
 - › Somewhat higher personnel costs
 - › Efficiency measures initiated Q2 anticipated to have a positive effect during H2/2019
- › In Q3, adjusted operating margin anticipated to be above the level of Q3/2018



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Industry Software

Customer sales Q2

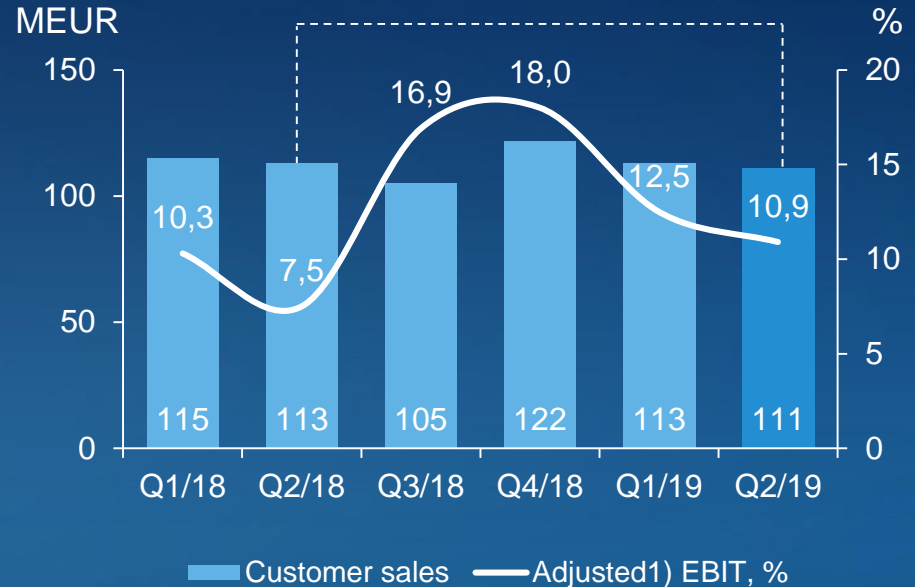
- › EUR 111 (113) million, down by 1%
- › Organic growth in local currencies 1%

EBIT

- › Adjusted¹⁾ EBIT EUR 12.2 (8.4) million, 10.9% (7.5)

Q2 highlights

- › Strong growth in Payments solutions
- › In Lifecare, customer deployments proceeding on schedule and with positive customer feedback
- › In SmartUtilities, offering development accelerated to support customer deployments starting in 2020
- › Investments in common software platforms with longer-term financial returns – Lifecare and SmartUtilities
 - › EUR 4.1 million in offering development costs capitalized
- › In Q3, adjusted operating margin anticipated to be slightly below the level of Q3/2018



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Product Development Services

Customer sales Q2

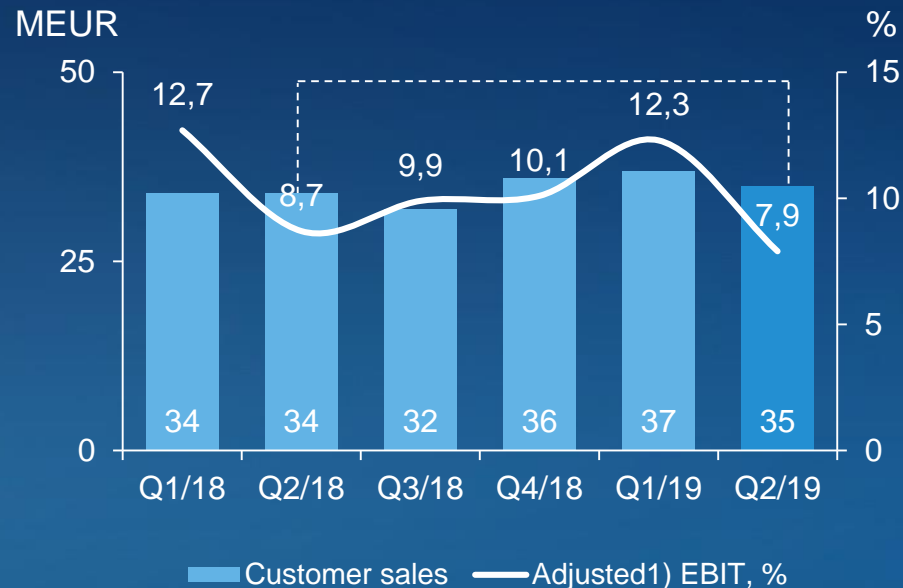
- › EUR 35 (34) million
- › Up by 3%, or 5% in local currencies

EBIT

- › Adjusted¹⁾ EBIT EUR 2.7 (2.9) million, 7.9% (8.7)

Q2 highlights

- › Growth affected by continued currency headwinds and a shorter quarter
- › Strong volume development with the largest key customers and good development in automotive
- › Excluding the impact of currency headwinds and a shorted quarter, adjusted EBIT margin remained at Q2/2018 level
- › In Q3, adjusted operating margin anticipated to be at or below the level of Q3/2018



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

Customer sales by country¹⁾



Finland country growth 1%

- › Industry Software growth of 10% driven by Healthcare solutions
- › Infrastructure services demand continued strong
- › Application Service within Digital Experience affected by a large customer insourcing – good overall DX growth in Public sector



Sweden country growth -2% in local currencies

- › Decline driven by Industry Software due to Tieto SmartUtilities
- › Digital Experience and Hybrid Infra slightly up



Norway country growth 4% in local currencies

- › Growth across businesses
- › Healthcare and Welfare solutions growing in double digits
- › Digital Experience growth of 9% driven by data analytics, API management and consulting



**Creating great
everyday experiences**

**Making customers
more competitive**

Strategy implementation progressing as planned

Strategic choices



Progress against ambition



Key achievements during Q2/19

- 250+ people joined Tieto in Digital Experience
- Key customer wins to drive cloud transformation, rationalized operations
- Common software business functions established – renewal programs in specific businesses progressing
- Momentum and expansion opportunities continue; new delivery center in Ukraine with a key customer
- Market segmentation completed and client partners assigned in each country – growth initiatives through country network
- Transition to new organization completed
- Management system updated adapting to priorities every 90 days
- Reduction of coordinating roles ~700 proceeding as planned

Performance drivers in 2019

- › Aim to **grow faster than the market** in local currencies
- › **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**
 - › Around EUR 15 million anticipated to contribute to the H2/2019 performance
 - › **Restructuring costs** anticipated to amount to EUR 20–25 million, of which of which EUR 13 million were booked during Q2/2019 – the remainder anticipated to materialize during H2/2019
- › **Costs related to the merger**, subject to the approval of the transaction, anticipated to amount to EUR 15-20 million – affecting EBIT in H2/2019 (reported in adjusted items)

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 half, the impact was EUR 2.0 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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EVRY

Digital Advantage
for Nordic Enterprises and Societies

Creating a leading Nordic digital services company



Combined
Revenue 2018A

€2.9 billion



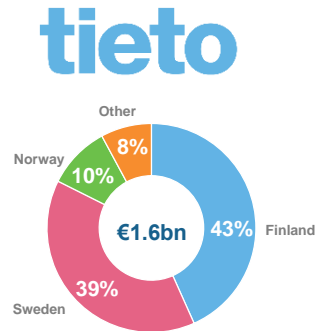
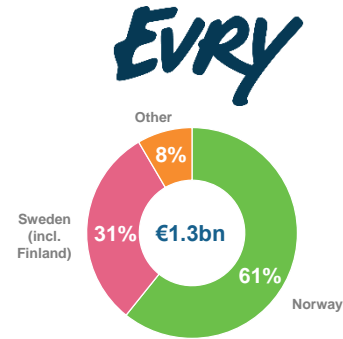
Combined Adj.
EBIT 2018A

€327 million (11.1%)

- One of the **leading digital services and software** companies in the Nordics serving key industries across Sweden, Norway and Finland
- Stronger combined position in Sweden
- Significant employer in digital services and software in Sweden, Finland and Norway with **24 000 professionals** globally
- **5 000 digital consultants** accelerating Nordic customers digital transformation
- **Competitive hyperscale platform** for cloud and infra services
- Globally competitive **product development services**
- **Strong Fintech solutions and industry software**
- **Combined revenues of EUR 3 billion** with 25% generated from software and related services and 40% from Digital Consulting and Software R&D services

Note: EVRY financials converted at NOK/EUR = 9.6006.

Complementary markets and services



Complementary market presence

Solid market positions in Norway and Finland based on respective strengths of EVRY and Tieto

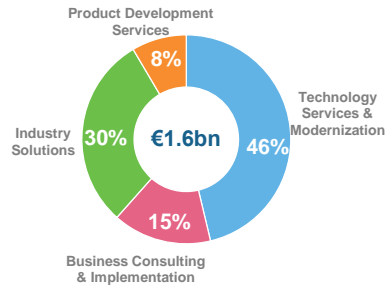
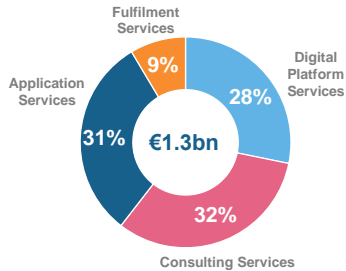
High complementarity and scale in Sweden, positioned for growth

Complementary scale of services and capabilities

One of the leading Digital consulting practices in Norway, Sweden and Finland

Complementary cloud and infrastructure managed services – scalable and competitive

Competitive combined software business including a strong value proposition to Financial services



2018 revenue breakdown by business line and geography

Strategic rationale

1

Creation of a leading Nordic digital services company

2

Complementary markets and services

3

Delivering customers' digital success and experience

4

Opportunity for employees to shape the future today

5

Strong value creation for shareholders

6

Common values and innovation as a foundation for future expansion

Indicative timeline for the merger

H2/2019

- Targeted publication of prospectus in mid-August 2019
- Tieto's and EVRY's EGMs to be held in September 2019 at the latest
- Closing expected in Q4 2019 or Q1 2020 at the latest (subject to approval by EGMs in Tieto and EVRY as well as obtaining necessary merger control approvals and customary closing conditions)

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