



Q3 2019

Strong growth and profitability

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tieto

Q3 2019 in brief

Strong growth and profitability

- › Record-high third-quarter adjusted profit of EUR 50 million, margin at 13%
- › Growth of 5% in local currencies
- › Third-quarter profit driven by strong performance in all businesses, execution of efficiency improvement programme and positive working day impact
- › Merger integration planning continues on schedule - new TietoEVERY Group Leadership appointed

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

Q3 2019 key figures

Net sales up by 3.4%

- › EUR 379.6 (367.1) million
- › Growth in local currencies 5%
- › Organic growth in local currencies 4%

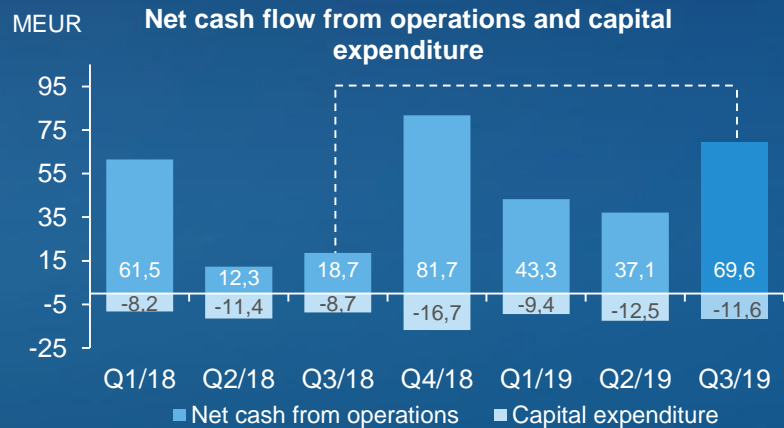
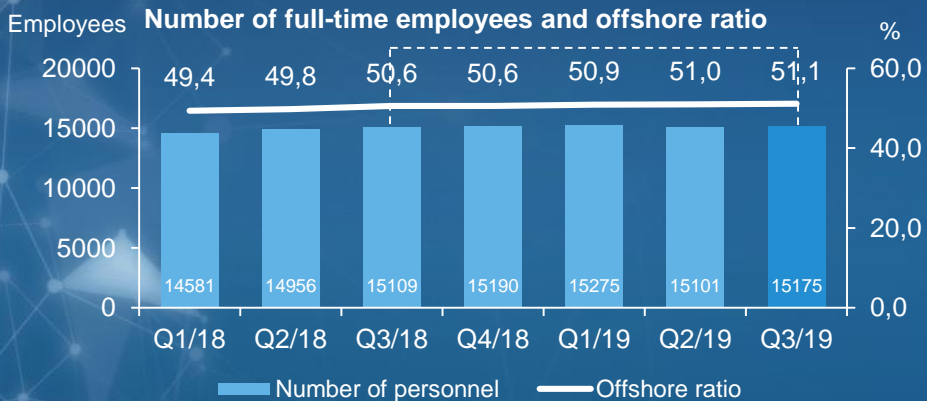
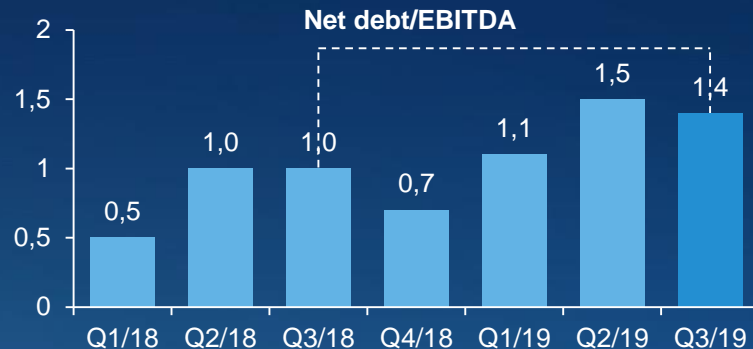
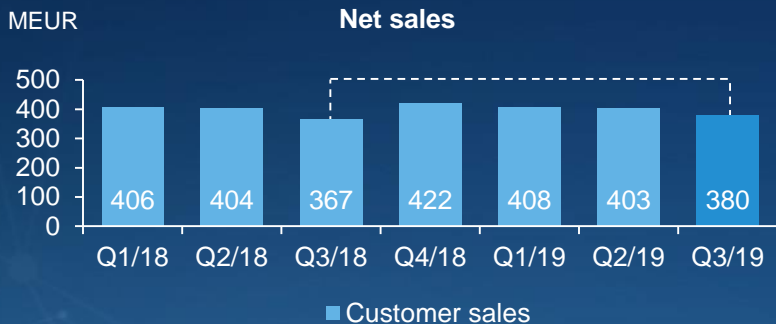
Adjusted EBIT margin 13.2% (11.7%)

- › EBIT EUR 37.8 (40.4) million, 10.0% (11.0%)
 - › Includes EUR 12.3 million in adjusted items
- › Adjusted¹⁾ EBIT EUR 50.1 (43.0) million, **13.2% (11.7%)**
- › **Order backlog EUR 1 649 (1 564) 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



Healthy development in a number of growth businesses

Growth¹⁾ in Q3 (YTD)

Annual sales in 2018



Digital Experience

- › Customer Experience Management **+9% (19%)**

~ EUR **60** million



Hybrid Infra

- › Cloud services **+23% (11%)**
- › Security services **+14% (31%)**

~ EUR **125** million

~ EUR **12** million



Industry Software

- › Lifecare **+8% (6%)**
- › Payments **+9% (11%)**
- › Oil & Gas **+15% (14%)**

~ EUR **180** million

~ EUR **60** million

~ EUR **50** million

¹⁾ In local currencies

Reporting segments

Primary reporting segments

Digital
Experience

Industry
Software

Hybrid Infra

Product
Development
Services

Finland

Sweden

Norway

Other countries

Digital Experience

Customer sales Q3

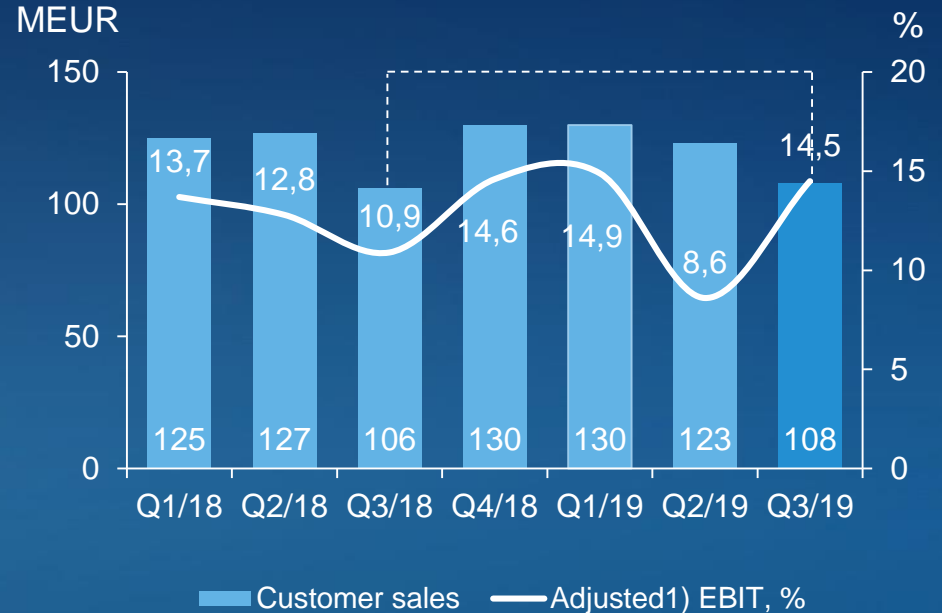
- › EUR 108 (106) million
- › Up by 2%, or 3% in local currencies

EBIT

- › Adjusted¹⁾ EBIT EUR 15.6 (11.6) million, 14.5% (10.9)

Q3 highlights

- › CEM growth 9% in local currencies
- › Application Services continued to be impacted by one large customer insourcing
- › Positive working day impact
- › EBIT margin supported by efficiency measures initiated in Q2
- › In Q4, adjusted operating margin anticipated to be at or below the level of Q4/2018



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Hybrid Infra

Customer sales in Q3

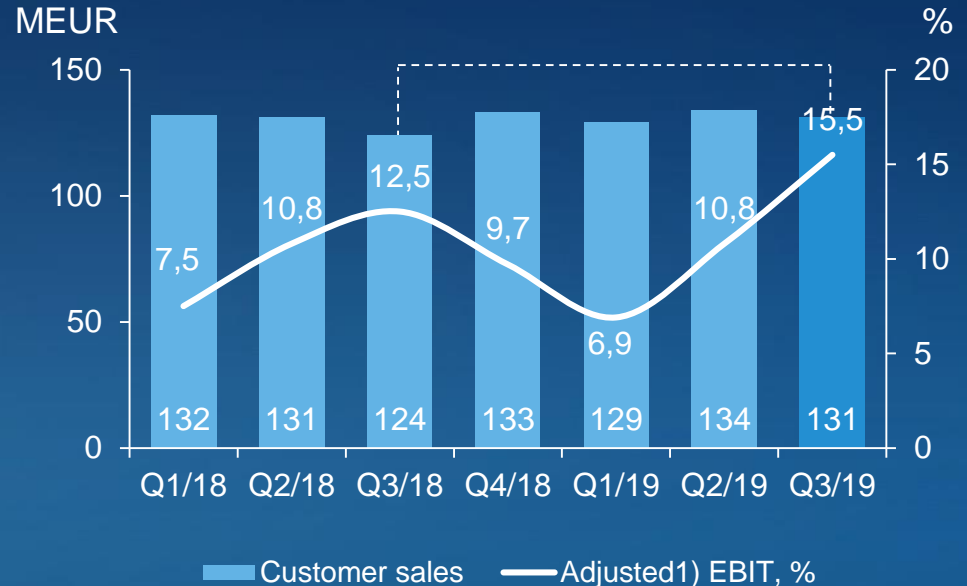
- › EUR 131 (124) million
- › Up by 6%, or 7% in local currencies

EBIT

- › Adjusted¹⁾ EBIT EUR 20.4 (15.5) million, 15.5% (12.5)

Q3 highlights

- › Infrastructure cloud growth 23%, Security Services 14% in local currencies
- › Sales for traditional infrastructure services remained at Q3/2018 level
- › EBIT margin supported by overall strong volume development and efficiency measures initiated in Q2
- › In Q4, adjusted operating margin anticipated to be above the level of Q4/2018



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Industry Software

Customer sales Q3

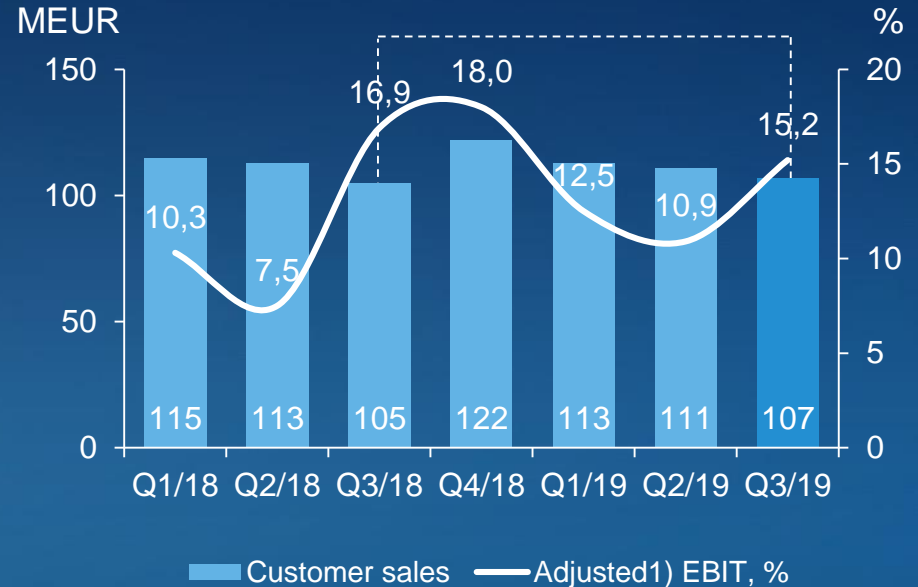
- › EUR 107 (105) million
- › Up by 2%, 4% in local currencies

EBIT

- › Adjusted¹⁾ EBIT EUR 16.3 (17.7) million, 15.2% (16.9)

Q3 highlights

- › Strong growth in Payments and oil&gas solutions, up by 9% and 15% in local currencies
- › Lifecare sales up by 8%
- › In SmartUtilities, offering development continued to support customer deployments starting in 2020
- › EUR 3.9 million in offering development costs capitalized
- › In Q4, adjusted operating margin anticipated to be at or above the level of Q4/2018



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Product Development Services

Customer sales Q3

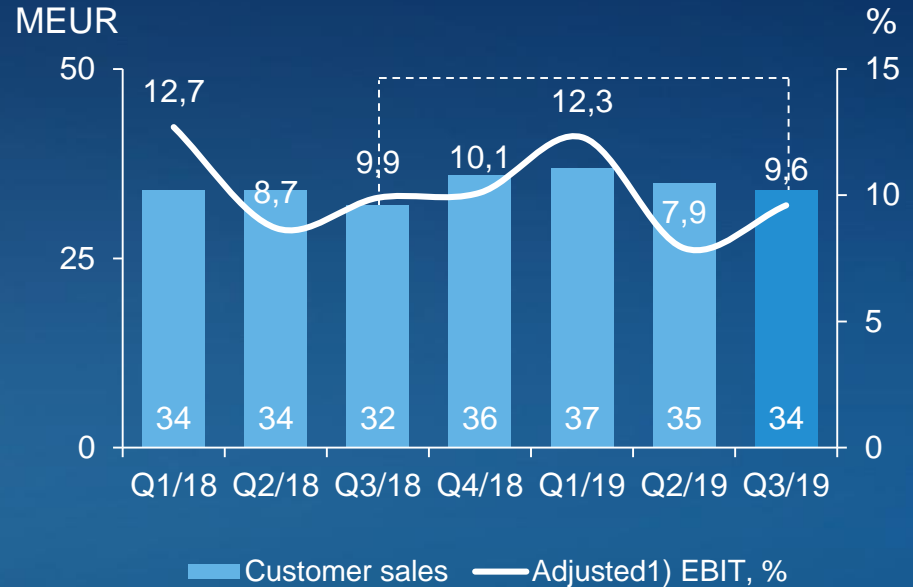
- › EUR 34 (32) million
- › Up by 5%, or 7% in local currencies

EBIT

- › Adjusted¹⁾ EBIT EUR 3.2 (3.2) million, 9.6% (9.9)

Q3 highlights

- › Strong volume development with the largest key customers with focus on Radio and 5G technologies
- › Good development in automotive continued
- › Adjusted EBIT margin remained at Q3/2018 level
- › In Q4, adjusted operating margin anticipated to be around the level of Q4/2018



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 **3%**

- › Industry Software growth of 11% driven by Healthcare solutions
- › Strong demand for cloud services continued
- › Digital Experience affected by a large customer insourcing



Sweden country growth **3%** in local currencies

- › Growth driven by Hybrid Infra, up by 10%
- › Industry Software growth impacted by continued renewal of Tieto SmartUtilities – double-digit growth in Payments and Credit solutions



Norway country growth **12%** in local currencies

- › Growth across businesses with strongest growth in Digital Experience
- › Double-digit growth in Payments and oil&gas solutions

¹⁾ Excl. PDS

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**
 - › Over EUR 15 million anticipated to contribute to the H2/2019 performance
 - › **Restructuring costs** anticipated to amount to around EUR 20 million
 - › Around EUR 18 million in restructuring costs related to the efficiency programme booked in Q1–Q3/2019
- › **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 nine-month period, the impact was EUR 2.7 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



TietoEVRY merger drives significant value for shareholders

- Combined market opportunity larger than stand alone and combination positioned to grow
- Synergies provide attractive profit expansion – significant part materializing already within first twelve months
- Healthy cash flow anticipated to drive attractive dividend profile and deleverage

The new joint TietoEVERY Group Leadership



Managing Partner
Norway
Christian Pedersen



Managing Partner
Sweden
Karin Schreil



Managing Partner
Finland
Satu Kiiskinen



Head of Digital
Consulting
Thomas Nordås



Head of
Cloud & Infra
Johan Torstensson



Head of Industry
Software
Christian Segersven



Head of Financial
Services
Wiljar Nesse



Head of PDS
Tom Leskinen



Integration
Officer
Malin Fors-
Skjæveland



Head of
Operations
Ari Järvelä



Head of HR
Trond Vinje



Head of Strategy
Kishore
Ghadiyaram



CFO
Tomi Hyryläinen



CEO
Kimmo Alkio

Timeline for the merger

- Integration planning started in August
- EVRY's and Tieto's EGM approved the merger on 2 and 3 September
- Group Leadership appointed on 16 October
- Closing expected in Q4 2019 or Q1 2020 at the latest (subject to obtaining necessary approvals by competition authorities)

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