

Q2 2020

**Strong operational performance – synergy
target increased and dividend pay-out decided**

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Q2 in brief

Strong operational performance – synergy target increased and dividend pay-out decided

Adjusted operating profit EUR 80.4 million / 11.7% – solid performance across all businesses

Integration well on schedule – synergy target increased to EUR 100 million

Large one-time items for Q2 and 2020 – for future profit contribution

Dividend of EUR 0.635/share, totaling EUR 75 million, decided for 2019

Strong operational foundation enabling future shareholder returns



Continuously adapting to Covid-19 – market outlook unchanged

Industry analysts estimate -3% to -7% decline in IT market due to Covid-19

TietoEVERY maintains its estimate of 2-5% negative full-year revenue impact due to Covid-19 in 2020

TietoEVERY business mix well resilient with appr. 2% negative revenue impact in Q2

Demand uncertainty expected to continue in H2

Additional short-term savings actions to mitigate negative Covid-19 profit impact – will continue throughout 2020

High productivity maintained with remote work – partial return to office expected H2

Strong underlying business performance in Q2

Revenue EUR 686 million	Adjusted EBIT** EUR 80.4 million
Organic growth* -1%	Adjusted EBIT** Margin 11.7%
Cash flow from operating activities EUR 90 million	Backlog EUR 3 310 million
Net debt /EBITDA 2.9	

- Strong performance in the midst of high activity level in integration and Covid-19 uncertainty
- Covid-19 topline impact appr. -2%, negative profit impact fully mitigated
- Solid operating cash flow
- Healthy backlog entering H2

* Adjusted for currency effects, acquisitions and divestments

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

Building the foundation for future performance requires large one-time-items in Q2 and 2020

Activity	Rationale
Integration	<ul style="list-style-type: none">• Establish TietoEVERY as a high performing digital services and software company• Realize merger business case, synergies and profit expansion• One-time items for integration and restructuring
Redefined IBM partnership	<ul style="list-style-type: none">• Build foundation for high quality and cloud acceleration• Accretive to future financial objectives• One-time items for transition and settle old agreement
End-of-life Tieto SmartUtilities	<ul style="list-style-type: none">• Decision to end common SmartUtilities platform with high investment needs – eliminating future profit leakage• SmartUtilities projects with anchor customers ended – deliveries to remaining customers continue on a project basis• All probable risks booked in Q2 consisting of one-time items for asset impairment, cost for terminated customer contracts and resource ramp down

Large one-time items in 2020 – significantly lower in 2021

		Estimated one-time items (EURm)	
		2020	2021
Integration	Integration incl. restructuring	75-85	30 - 40
Redefined IBM partnership	Transition of services	17	6
	IBM old agreement items	19	
End-of-life Tieto SmartUtilities	Standard product end-of-life	41	
Other	PPA and other (e.g. M&A)	47-50	47-50
Total one-time items (estimate)		~200 - 210	~85 - 100
Cash flow impact (estimate)		~105 - 115	~45 - 55



- Q2 2020 one-time items ~EUR 90 million (appr. 50% of full year)
- 2020 one-time items estimate EUR 200-210 million, cash flow impact EUR 105-115 million
- 2021 one-time items estimate EUR 85-100 million, cash flow impact EUR 45-55 million

Invest to future
 Mitigate quality and performance risks

Integration well on schedule – synergy target increased

Integration focus area

Integrated structure and leadership

Common processes and systems

Integrated go-to-market and service portfolio

Employee engagement and cultural integration

Synergy planning and realization

Current status

- Integrated businesses and functions globally
- Integrated structures for Financial Services planned for H2

- Financial restatements done
- System implementation (e.g. HR, CRM) progressing

- Active customer engagement
- Service portfolio consolidation progressing

- High engagement levels across the company
- Common code-of-conduct and diversity principles launched

- Synergy target increased to EUR 100 million
- EUR 45 million run rate achieved

● Q1 status ● Q2 status

TietoEVERY redefined IBM partnership in June 2020

Redefined IBM partnership		
Scope	Implementation	Financial impact
<ul style="list-style-type: none">• New scope: Mainframe technology and limited other services• All other services delivered through IBM to be transitioned back to TietoEVERY• TietoEVERY defines service architecture, processes and tools	<ul style="list-style-type: none">• ~180 employees currently employed by IBM to join TietoEVERY• ~25 Mainframe experts currently employed by TietoEVERY to join IBM• Transition of services expected during 2020 and early 2021• Transformation to drive AIOps and cloud adoption	<ul style="list-style-type: none">• Neutral to profit (EBIT adj.) short-term (12-18 months) and enables future Cloud & Infra performance improvement• One-time costs of ~ EUR 36 million over ~12 months incl. EUR 12 million at signing• One-time cashflow impact of EUR 32 million over ~12 months• Moderate increase in capex EUR 5-10 million in the short-term

Improved service experience, faster cloud adoption and supports group financial objectives

Redefined IBM partnership enables customers' service experience and cloud transformation to drive higher performance

Driver

What does it mean?

Superior service experience


- Service experience with unified delivery models and roles
- Bring proven cloud offerings to customers
- Best tech partnerships to accelerate cloud adoption

Efficient operations

- One service architecture, delivery model and processes
- Utilize existing global delivery, datacenters and technologies
- Accelerated focus on automation

Attractive financials

- Add-on volumes and cloud proposition driving growth
- Reduced overlaps and SG&A in serving customers
- Faster change in business mix towards profitable cloud



Drives competitiveness, scale and financial performance

FY2019 dividend pay-out decided considering Covid-19 and large one-time items in 2020

Dividend decision drivers

- Covid-19 uncertainties continue
- Strong operational performance Q1/Q2
- Solid integration execution
- Synergy target increased
- Large one-time items in 2020

EUR 0.635 per share / EUR 75 million dividend distribution decided by the Board according to AGM mandate

To be paid in equal installments in August and October

Continued commitment to dividend attractiveness

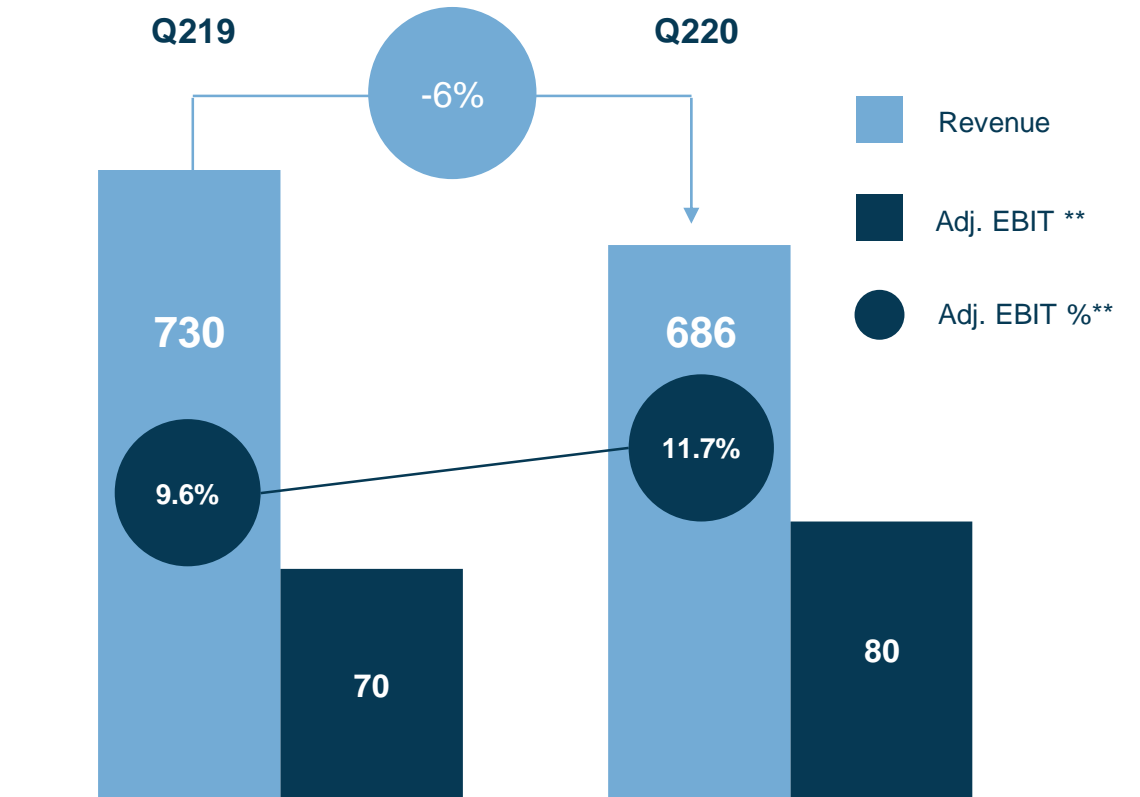
A photograph of two women in an office environment. The woman on the right is in the foreground, smiling broadly and looking towards the left. The woman on the left is slightly behind her, also smiling. The background is dark with some blurred light sources, suggesting an office interior.

Q2 business highlights

TietoEVRY

Business highlights

- **Revenue EUR 686 million, organic growth* -1%**
 - Reported growth -6%, currency impact EUR -31 million
- **Adjusted EBIT EUR 80.4 (69.8) million, 11.7% (9.6)**
 - Currency impact EUR -5 million
- **Reported EBIT EUR -9.8 (43.9) million, -1.4% (6.0)**
- Good growth in Financial Services Solutions (6%) and in Industry Software (3%)
- Covid-19 impact appr. -2% on revenue, profit impact fully mitigated



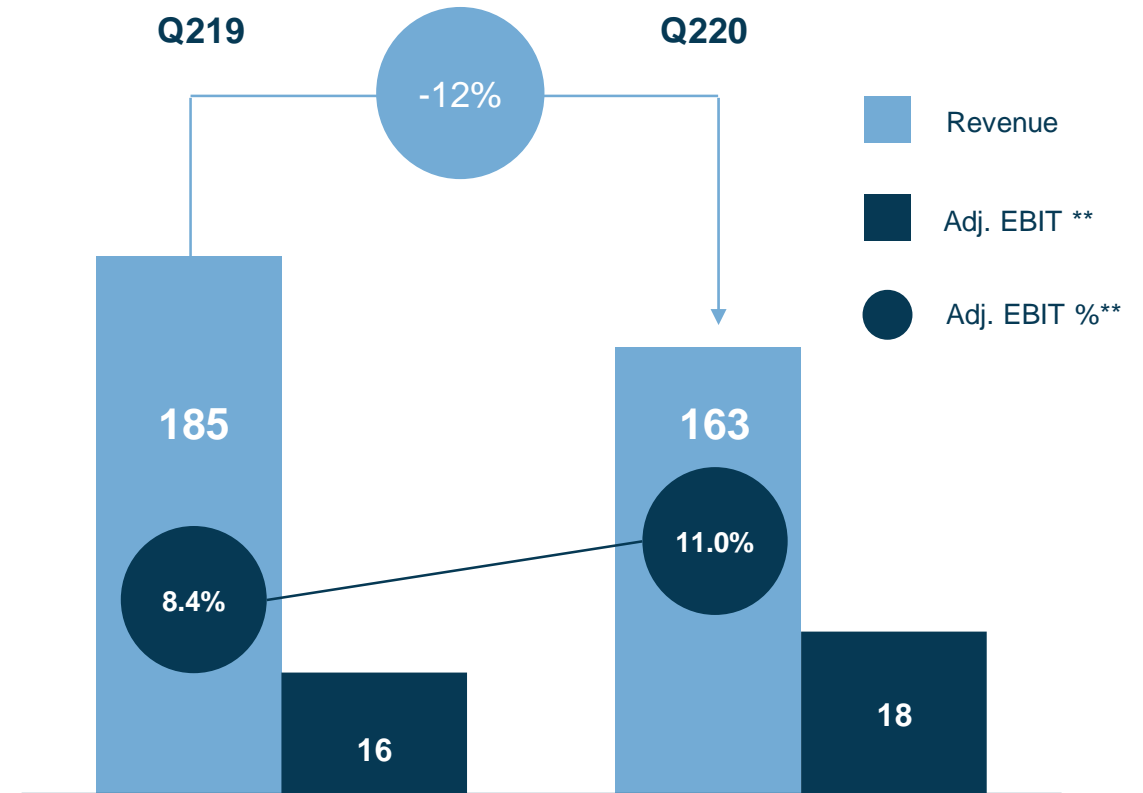
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Digital Consulting

Business highlights

- Revenue EUR 163 million, organic growth* -6%
- Adjusted EBIT EUR 17.9 (15.5) million, 11.0% (8.4)
- Cloud Advisory and Analytics practice continuing to perform well
- Covid-19 impact appr. -3% on revenue, primarily visible in Customer Experience and Business Consulting practices
- Profitability development driven by continuous efficiency improvement and mitigation of Covid-19
- Pipeline gaining ground across key markets



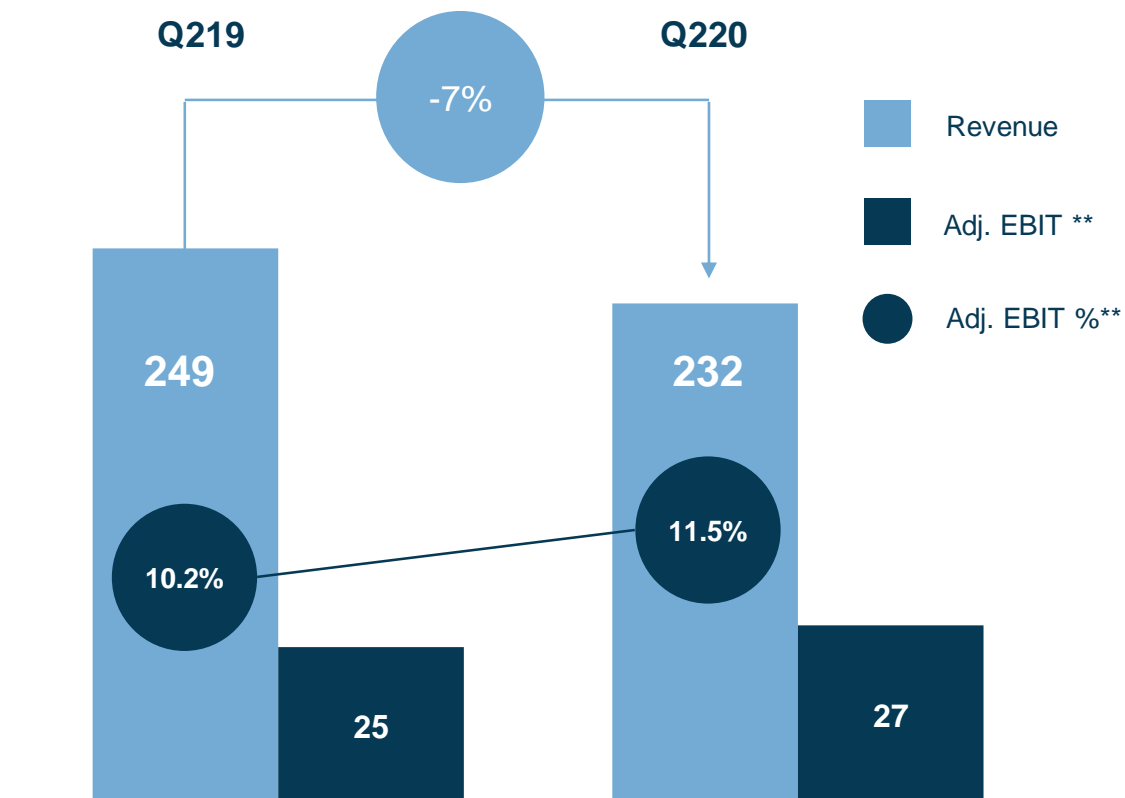
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Cloud & Infra

Business highlights

- Revenue EUR 232 million, organic growth* -3%
- Adjusted EBIT EUR 26.6 (25.3) million, 11.5% (10.2)
- Declining sales mainly due to one-time hardware sales in Q2/19 baseline and decline in add-on sales
- Minor Covid-19 impact on revenue
- Profitability development driven by continuous efficiency improvement and mitigation of Covid-19
- Acceleration in Cloud transformation driving volume development



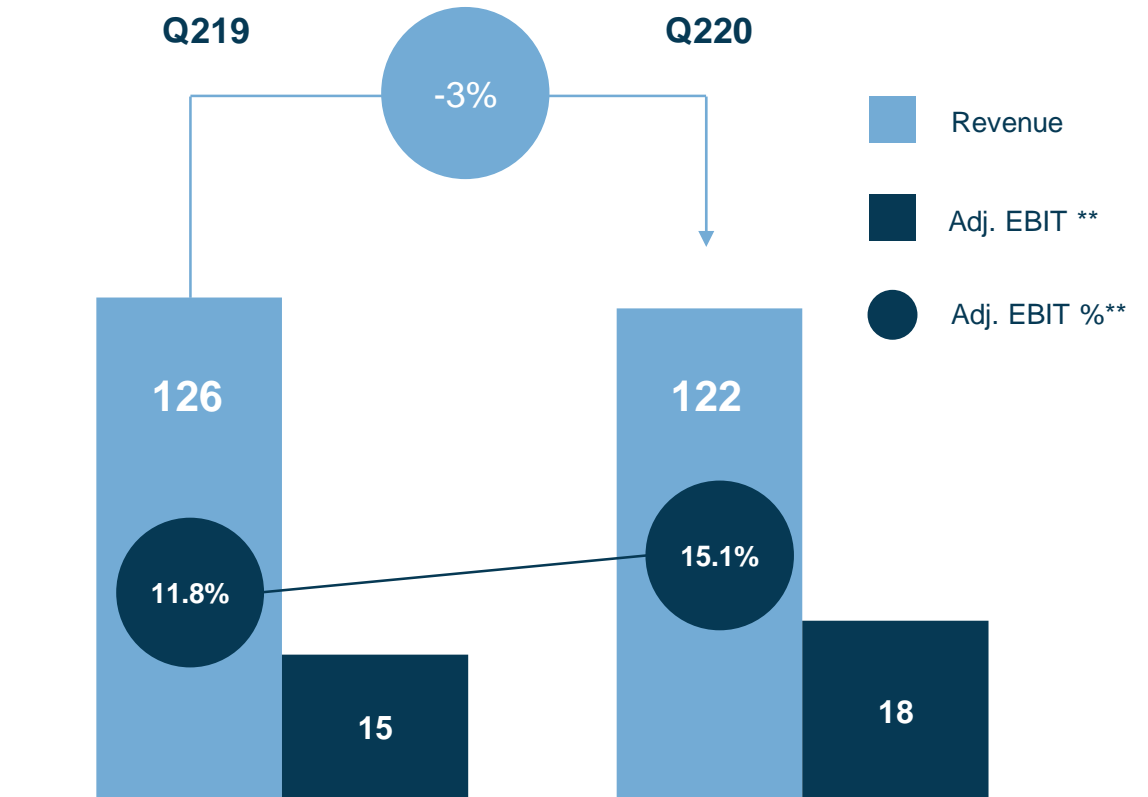
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Industry Software

Business highlights

- Revenue EUR 122 million, organic growth* 3%
- Adjusted EBIT EUR 18.4 (14.8) million, 15.1% (11.8)
- Growth of over 10% in healthcare, welfare and public sector software
- Covid-19 impact appr. -2% on revenue, primarily in the industrial sector
- Profitability development driven by continuous efficiency improvement and mitigation of Covid-19
- End-of-life decision for the common SmartUtilities platform
 - All probable risks booked in Q2
 - TSU has had a negative impact of appr. 2% on Industry Software EBIT margin during 2019



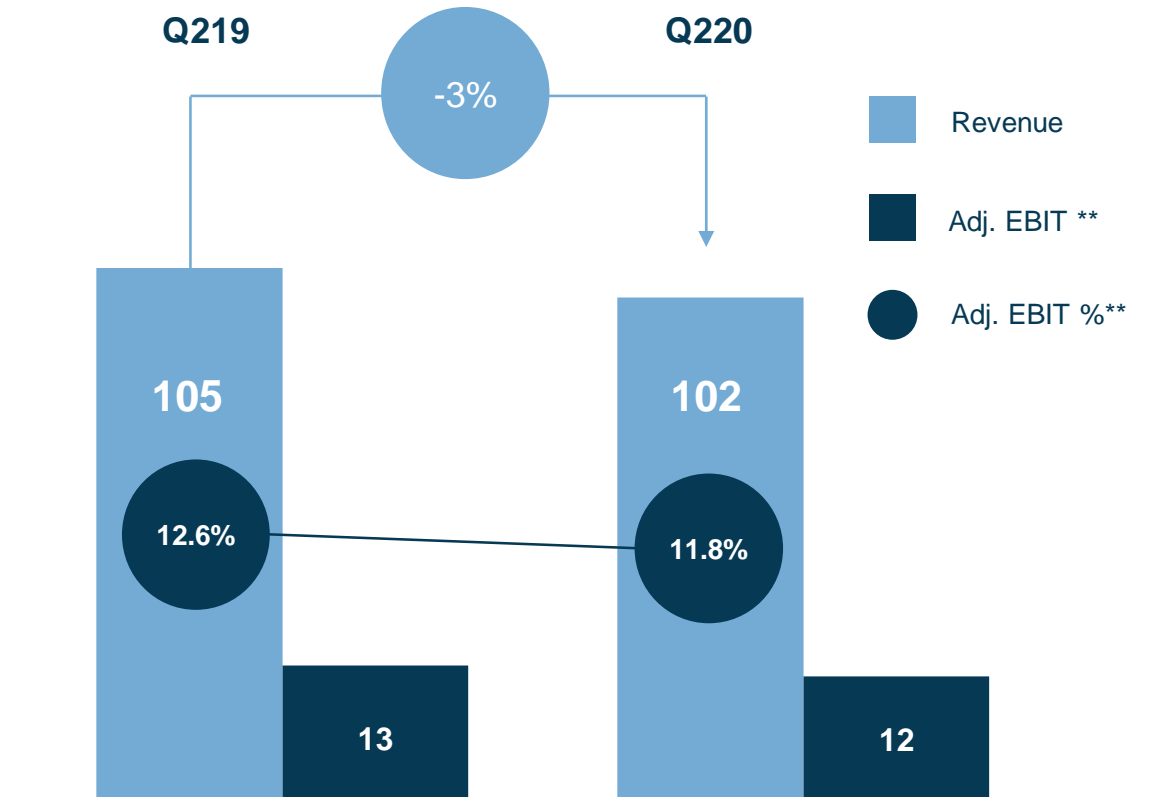
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Financial Services Solutions

Business highlights

- Revenue EUR 102 million, organic growth* 6%
- Adjusted EBIT EUR 12.0 (13.2) million, 11.8% (12.6)
- Organic growth driven especially by Cards services
- Covid-19 impact appr. -2% on revenue
- Adjusted EBIT reflecting ongoing growth investments in the Cards business – to support new volumes
- In the Cards business, a new long-term agreement signed with one of the largest financial institutions in the Nordics



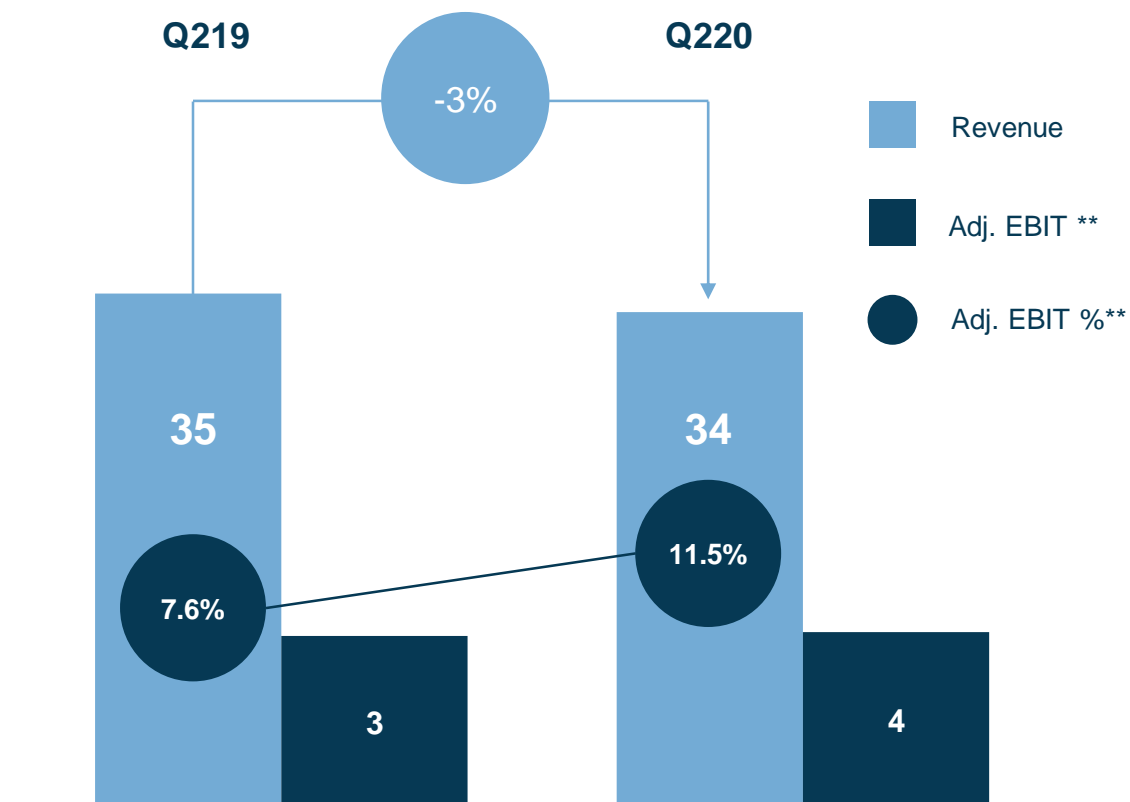
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Product Development Services

Business highlights

- Revenue EUR 34 million, organic growth* -2%
- Adjusted EBIT EUR 4.0 (2.7) million, 11.5% (7.6)
- Increased profitability driven by effective cost base management
- Covid-19 impact appr. -6% on revenue primarily driven by decline in automotive sector
- New customer acquisition proceeding well in telecom and automotive



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CFO report



CFO highlights

- New reportable segments implemented
- Strong Q2 performance - Covid-19 profit impact fully mitigated
- Large one-time items to enable future profitability
- Synergy execution ahead of schedule
- FX headwind continue into H2
- Capital Market Day aimed for Q4

Flexible cost base and stable financial position mitigates short-term risks from Covid-19

Temporary cost reductions

- Covid-19 revenue impact approximately -2% in Q2, profit impact fully mitigated
- Cost based scaled through temporary layoffs, volume management and procurement cost optimization
- Stop spend categories, i.e. travel, events etc. contributing to successful profit mitigation

Financing and liquidity

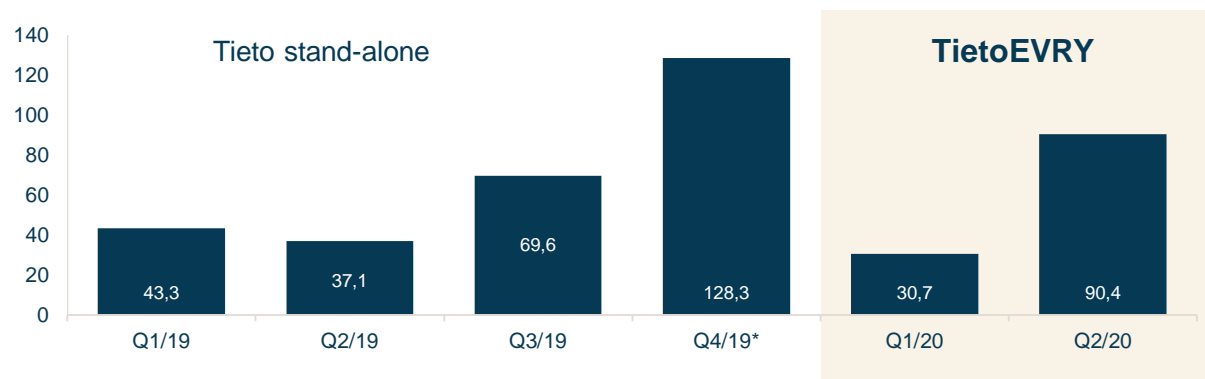
- Bridge loan refinanced with EUR 300 million bond loan at 2% coupon and 5-year tenor
- Undrawn EUR 250 million RCF available for short-term liquidity
- Long-term debt obligations mature mainly in 2024 and 2025

Accounts receivable

- No material impact on collection in Q2, with 6.5% of receivables overdue by more than 7 days (Q1 8.6%)
- High relative exposure towards the public and financial services sector, as well as large corporates, where the resilience is high

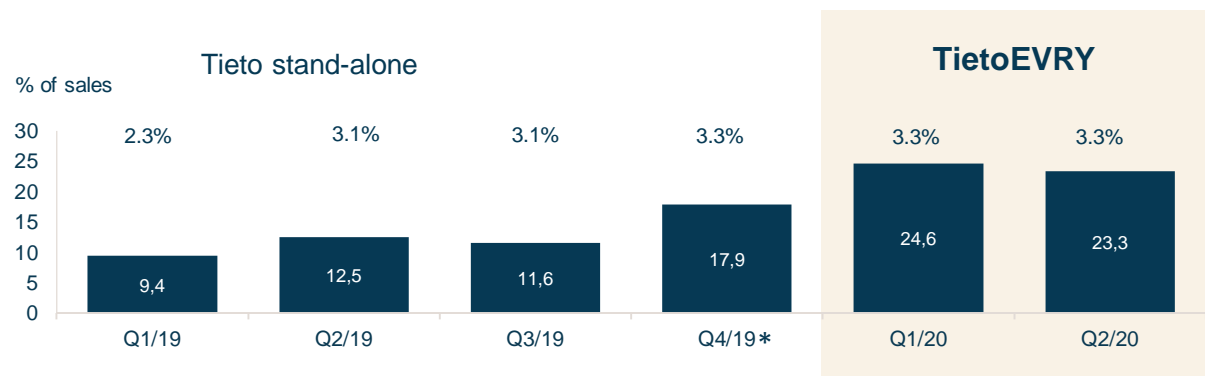
Solid cash flow with good receivables collection

Net cash flow from operations



- EUR 90.4 million cash flow from operations
- Working capital decreased by EUR 58.1 million, driven by favorable AR development and increased level of provisions
- No visible delays due to Covid-19 in receivables collection

Capital expenditures (capex)



- Capital expenditure at Q1 level
- Main capex components: 1/3 fixed assets, primarily related to datacenter investments and 2/3 in-house developed SW, primarily related to Core Banking platform in Financial Services Solution
- Stable capex run-rate estimated for 2020

*Including 25 days EVERY impact

Large one-time items in Q2 and 2020 – significantly lower in 2021

One-time items (EUR million)	Q2 2020 actual	H1 2020 actual	H2 2020 estimate	FY2020 estimate	FY2021 estimate
Integration cost	26	33	42-52	75-85	30-40
IBM transition of services	0	0	17	17	6
IBM old agreement items	12	19	0	19	0
Tieto SmartUtilities (TSU)	41	41	0	41	0
Amortization of acquisition related intangible assets	11	21	21	43	43
Other one time items (e.g. M&A)	0	2	1-4	4-7	5-10
Total one-time items	90	118	81-94	~200-210	~85-100
Cash flow impact*		~25	~80-90	~105-115	~45-55

- Preliminary view of FY2022 integration costs indicate EUR 5-20 million
- IBM transition of services based on new agreement, ending in H1 2021
- IBM old agreement in line with previous guidance
- Decision to end common SmartUtilities platform, all probable risks booked in Q2 2020

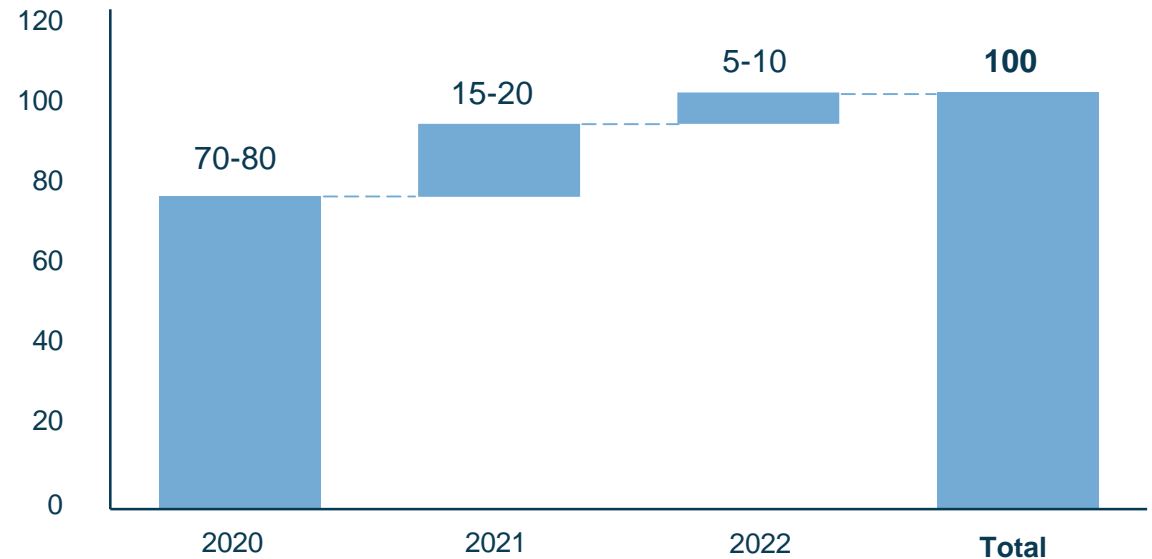
* Cash flow impact differs from P&L profile, e.g. for restructuring accruals the cash flow impact is back-end loaded.

Merger efficiency target increased to EUR 100 million – with EUR 45 million run rate realized to date

- Target merger efficiencies increased to **EUR 100 million** (up from EUR 75 million), based on current execution and plans
- Merger efficiency run rate of **EUR 70-80 million** (up from EUR 45-55 million) by end of 2020
- **EUR 45 million** run-rate already executed per end Q2 2020, expected to impact H2 2020 adjusted EBIT positively by **EUR 23 million**
- One-time integration costs for 2020 estimated to be EUR 75-85 million (up from EUR 50-60 million), with EUR 33 million realized year-to-date

EUR 100 million merger efficiencies achieved within three years

Merger efficiency run-rate at end of year (EUR million)



EUR 120-140 million of one-time integration cost expected in 2020-2022

De-risking the integrated company during Q2

Delivering on the merger business case

- EUR 45 million run-rate executed
- Merger efficiency target increased to EUR 100 million

Resilience towards Covid-19

- Revenue impact in Q2 approximately 2%, profit impact fully mitigated
- Full-year Covid-19 revenue impact estimated to be negative 2%-5%

Solid balance sheet and healthy liquidity

- EUR 300 million bridge loan refinanced
- EUR 250 million RCF available for short-term liquidity

Redefined IBM partnership

- New agreement enables quality improvement, past disputes settled
- Profit neutral (adjusted EBIT) in the short term (12-18 months), enables accretive Cloud & Infra performance in the future

End-of-life Tieto SmartUtilities

- Potential future profit leakage eliminated
- All probable risk taken in Q2

Performance drivers and summary



Performance drivers – H2 2020

Covid-19 impact likely higher during H2

- Full-year impact of -2% to -5% on revenue
- Profit impact being mitigated through cost savings
- Additional temporary cost saving measures to continue in H2

Accelerated synergies

- Increased full year synergy run-rate to EUR 70-80 million
- EUR 45 million run rate achieved - ~ EUR 23 million contributing to 2020 adjusted EBIT

Negative FX impact

- Weaker NOK and SEK
- Estimated negative impact on revenue ~EUR 80 million and ~EUR 13 million on adjusted EBIT for the full year of 2020

Other operational drivers

- Entering H2 with healthy business momentum – major risk mitigation in Q2
- Cost base increase in Cloud & Infra during H2 due to IBM transition
- Expiring customer contract, as informed earlier, gradually affecting volumes – negative impact ~3% on Cloud & Infra H2 revenue

Consistent performance improvement

Q2 in brief

Strong operational performance

– synergy target increased and dividend pay-out decided

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Dividend of EUR 0.635/share, totaling EUR 75 million, decided for 2019

tieto *EVRY*