

Q3 2020

Interim report

JANUARY–SEPTEMBER

Solid third quarter – guidance restored

- Adjusted operating margin 14%, supported by resilient business mix
- Organic revenue growth -4% – impacted by Covid-19
- Industry Software profitability over 20%
- Integration on schedule and synergy contribution to profit EUR 11 million as planned
- Guidance restored as announced on 20 October

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About this report

Tieto's and EVRY's merger was concluded on 5 December 2019. This report is based on the official financial figures of TietoEVRY, with EVRY being consolidated as from 5 December 2019.

COMPARABLE FINANCIAL INFORMATION for illustrative purposes:

The new operating model became effective on 1 January 2020 and financial reporting has been prepared in accordance with the new structure as from the second-quarter interim report. As additional information, the report includes comparable financial information for TietoEVRY with figures for 2019 restated to account for the current segments.

Key figures for the third quarter

Revenue, EUR million
643.8 (693.2)

Organic growth¹⁾
-4.3%

Order backlog, EUR million
3 197

Adjusted²⁾ operating profit
(EBIT), EUR million
90.2 / 14.0%
(91.2) / (13.2%)

Operating profit (EBIT),
EUR million
28.6 / 4.4%
(67.6) / (9.7%)

¹⁾ Adjusted for currency effects and impact from acquisitions and divestment

²⁾ Adjusted for amortization of acquisition-related intangible assets, restructuring costs, capital gains/losses, goodwill impairment charges and other items affecting comparability.

³⁾ EBITDA is 12-month average including the full period for both Tieto and EVRY. This is in line with the additional debt due to the merger being included in net debt.

Adjusted items, EUR million
61.5 (23.6)

Net debt/EBITDA³⁾
2.9

Full-year outlook for 2020

TietoEVRY expects its comparable full-year adjusted¹⁾ operating profit (EBIT) to increase from the previous year's level (Tieto's and EVRY's adjusted operating profit combined amounted to a total of EUR 341.7 million in 2019).

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

CEO's comment

Comment regarding the interim report by Kimmo Alkio, President and CEO:

"I'm pleased to share that we have made strong progress in terms of overall performance and the integration of TietoEVRY. As Covid-19 has continued to create uncertainty across society, our markets and businesses, we have been able to provide continuity for our customers and have demonstrated good business resilience.

While Covid-19 had a higher negative impact on revenue in the third quarter than in previous quarters, we achieved strong adjusted operating profit of 14%. Our integration continues to progress at a fast pace and synergy realization is contributing to business performance, as communicated earlier. We are well on our way to realizing the value creation potential of the ongoing merger for the benefit of our customers, employees and shareholders.

Of our businesses, we are most delighted with the positive development of our Industry Software, which reached over 20% profitability as a result of systematic long-term transformation. Positive momentum also continues in our Financial Services

Solutions business with several new wins in both the Nordics and international markets. Covid-19's impact on revenue was most visible in our Digital Consulting and Product Development Service businesses. The infrastructure business is continuing to transform its delivery and partnership model and temporarily delivering lower profitability.

We are pleased to have reinstated our annual guidance, as announced on 20 October 2020, with the expectation of improving our profitability (combined adjusted EBIT) from the previous year's level.

I would like to thank all TietoEVRY colleagues for their continued adaptation to the implications of the global pandemic. We have a great opportunity to accelerate digitalization of enterprises and the public sector – to create higher value for society, our customers, employees and shareholders."

Quarter in brief

Strong profitability sustained

Revenue was organically¹⁾ down by 4% with the decline being attributable to the impact of Covid-19. Adjusted operating profit was sustained at the previous year's level while the third quarter of 2019 represented a record-high margin. The impact of currency changes on adjusted operating profit was negative whereas merger-related efficiencies started to contribute to profits. Adjusted operating margin rose to 14.0%.

Synergy materializing as planned

TietoEVERY's integration continues to progress at a fast pace and synergies are materializing as planned. Third-quarter operating profit includes around EUR 11 million in merger-related efficiencies. The company aims to reach the run-rate of EUR 70-80 million by the end of 2020.

Adjusted items in line with earlier announcement

The measures to drive for merger-related efficiencies require substantial integration costs during 2020, as announced in July. In the third quarter, integration costs amounted to EUR 42 million. While adjusted items in 2020 are high, these are anticipated to return to significantly lower levels in 2021.

Positive outlook for the full year

On 27 March 2020, TietoEVERY withdrew its guidance for 2020 due to uncertainties related to the Covid-19 pandemic. Supported by improved visibility to the full-year results and a resilient business mix, the company has restored its earlier guidance.

Prominent partner for customers

Building digital leadership in Finland

Kesko has chosen TietoEVERY to support the implementation of its strategy to boost productivity and cost-efficiency with automation and new technologies. The expanded collaboration consist of a broad range of services covering business applications, analytics and data, as well as capacity and multi-cloud services.

Strong in the Cards area – internationally

TietoEVERY signed an agreement with International Card Services (ICS), part of ABN AMRO, the largest credit card issuing business in the Netherlands, to modernize the customer's Cards solution and to deliver end-to-end services based on a Software as a Service agreement, valid for over seven years.

Supporting digitalization in Norway

Servicegrossistene AS, a national full-service wholesaler, chose TietoEVERY to deliver a service-based solution on cloud technology from Microsoft Dynamics 365. The transition, in combination with tools for areas such as reporting, analysis and logistics process optimization, will lay the foundation for the customer's growth. The company aims to make the day-to-day activities of its wholesalers and customers more flexible and efficient.

Safe and secure IT operations for the Swedish public sector

Cambio Healthcare Systems chose TietoEVERY as its IT operations partner for future healthcare information support for Swedish regions. The Swedish SUSSA regions of Blekinge, Sörmland, Västerbotten, Västernorrland and Örebro counties decided to jointly procure a new healthcare information support platform and signed an agreement with Cambio in June 2019. Cambio chose TietoEVERY as its IT operations partner to ensure the safe and secure IT operation of the healthcare information support platform.

¹⁾ Adjusted for currency effects and impact from acquisitions and divestments

Comparable financial information for illustrative purposes

This section includes comparable financial information with comparison figures restated to account for the new segment structure.

Financial performance

	Revenue, EUR million 7-9/2020	Revenue, EUR million 7-9/2019	Growth, %	Organic growth, % ²⁾	Adjusted ¹⁾ operating profit, EUR million 7-9/2020	Adjusted ¹⁾ operating profit, EUR million 7-9/2019	Adjusted ¹⁾ operating margin, % 7-9/2020	Adjusted ¹⁾ operating margin, % 7-9/2019
Digital Consulting	143.0	162.6	-12	-9	21.1	18.5	14.7	11.4
Cloud & Infra	219.3	244.7	-10	-9	24.0	36.0	10.9	14.7
Industry Software	115.1	118.6	-3	-1	25.0	19.5	21.7	16.4
Financial Services Solutions	101.2	103.4	-2	3	15.4	15.7	15.2	15.2
Product Development Services	33.3	34.3	-3	-4	4.1	3.1	12.3	9.0
Other	31.9	29.7	7	16	0.6	-1.6	—	—
Total	643.8	693.2	-7	-4	90.2	91.2	14.0	13.2

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

²⁾ Adjusted for currency effects and impact from acquisitions and divestments

In **Digital Consulting**, revenue was organically down by 9% while several new agreements were concluded during the quarter. Negative Covid-19 impact accelerated to 7% and is anticipated to remain at a similar level in the fourth quarter. Revenue was also temporarily impacted by integration and project portfolio quality improvement with focus on profit. Adjusted operating margin improved to 14.7% (11.4), mainly due to continuous efficiency improvement and savings actions taken in response to Covid-19. Digital Consulting is anticipated to return to growth mode as Covid-19 situation improves and integration proceeds.

In **Cloud & Infra**, revenue was organically down by 9%. The primary reasons for the decline were high comparative figure in the corresponding quarter of 2019 (around 3 percentage points), contracts lost during 2019 due to quality issues in the earlier partnership (around 5 percentage points) and impact of Covid-19 (around 1 percentage point). Impact of Covid-19 is anticipated to somewhat increase in the fourth quarter. Adjusted operating margin was down to 10.9% (14.7). The infrastructure business is continuing the transformation of its delivery and partnership model, resulting in temporarily higher costs. As part of the redefined partnership with IBM, the company has taken over personnel and assets - and process harmonization to drive productivity and quality is under way. During the transformation period of around 12 months (from June 2020), profitability is anticipated to temporarily be at a lower level due to incremental costs - as well as anticipated short-term volume development. Future growth is supported by recent new customer wins and large renewals.

In **Industry Software**, revenue was organically down by 1%, resulting from a negative Covid-19 impact of 3%. Growth of solutions for the welfare segment and the public sector was healthy, with revenue up by 17% and 7% in local currencies, respectively. Adjusted operating margin improved to 21.7% (16.4), enabled by a systematic transformation of consistent global Software R&D practices. SmartUtilities' end-of-life is progressing as planned.

In **Financial Services Solutions**, organic revenue growth amounted to 3%, driven especially by the Cards business with several new wins. Negative Covid-19 impact was around 3%. Adjusted operating margin remained at the level of the corresponding quarter in 2019 at 15.2% (15.2) while investment level in this business was maintained at a higher level to support delivery of won new business.

In **Product Development Services**, revenue declined organically by 4%. Negative impact of Covid-19 was 6%, affecting the automotive industry in particular. Strong progress continued in the area of leading-edge telecom technologies and systems. Profitability improved due to effective cost base management and actions taken in response to Covid-19. Adjusted operating margin was up to 12.3% (9.0).

Reportable segments are described in the tables section.

IT market development

- The company anticipates that the IT market will decline by 3% to 7% in 2020 due to the Covid-19 pandemic, with the consulting market experiencing the strongest impact.
- Digital engagement is becoming a new norm. Innovations focus on delivering superior user experiences.
- Business continuity and cost optimization continue to be a key spend driver.

Customers' investments focus on new digital services, business continuity and cost optimization. Cloud adoption, multi-cloud management and automation are anticipated to see double-digit growth over the next few years. In parallel, spending on traditional infrastructure services continues to decline. Development of new services may be affected by lower spending on IT in the wake of the weaker macroeconomic outlook.

In the longer term, a significant part of technology spend in consulting services is driven by solutions deriving value from data. Customers will continue to innovate new business models emphasizing design, data and cloud-native applications. Customers are aiming to enhance their operational agility to continuously adapt to the dynamic market – and to deliver superior experiences to their customers through innovation. These form the core of customers' digital agenda as rapidly developing technologies, ecosystems and advanced analytics are enabling growth and efficiency improvement. The global market for product development services continues to develop favourably as the demand for advanced software engineering is expected to increase across several industry sectors.

Strategy cornerstones to further enhance competitiveness

The change towards a more personalized and real-time world is accelerating and data is the key enabler of this development. TietoEVERY will continue to invest in competence development and offerings, thereby creating digital advantage for its clients and enhancing competitiveness further.

Services to accelerate customers' digital agenda

TietoEVERY has chosen to focus on services enabling customers' competitiveness and providing TietoEVERY with the strongest growth potential. The company supports clients in their digital transformation through the design of differentiating service experiences, smart use of data and hybrid cloud solutions.

The related services range from consulting to implementation and running the solutions. Strategic choices include:

- Focus on Nordic companies and public sector, building on deep customer knowledge
- Services and global capabilities to accelerate customers' digital agendas – Digital Consulting, Cloud & Infrastructure, Industry Software, Financial Services Solutions and Product Development Services
- International expansion enabled by selected Industry Software products, Financial Services Solutions and Product Development Services
- Healthy investments driving future competitiveness

Investments in scalable industry software continue

In addition to capabilities in digital consulting, TietoEVERY continues to invest in scalable industry software businesses and drive international expansion of selected globally competitive businesses. With strong capabilities and leading industry software, TietoEVERY is well positioned to deliver value for customers' business-critical processes.

With its active investments in end-to-end automation covering business processes, applications and technology infrastructure, TietoEVERY is well positioned to accelerate speed and agility in customers' operations.

Merger enables higher value creation – integration well on schedule

Based on advanced digital consulting practices at scale and strong multi-cloud capabilities, TietoEVERY is well positioned to drive digitalization of Nordic enterprises and public sector. Furthermore, the merger enables the international expansion of its competitive software portfolio, especially in financial services.

While growth is gradually getting higher on the agenda, the current focus is on merger-related efficiencies and competitiveness. TietoEVERY aims to reach the run-rate of EUR 70-80 million by the end of 2020, and the total cost

synergy target was increased to EUR 100 million in the second quarter. Non-recurring implementation costs are anticipated to materialize during 2020-2022 and amount to EUR 110-120 million, down from the earlier estimate of EUR 120-140 million.

Measures to ensure future profit contribution continue

TietoEVERY has continued the implementation of measures addressing historical risk factors. These measures are intended to allow the integrated company to move forward with less uncertainty and greater potential to improve profitability.

Redefined partnership with IBM

TietoEVERY aims to provide customers with superior service experience, quality and security. In June, the company redefined the scope and operating model of its partnership with IBM and took full responsibility for the service processes and quality. Going forward, the partnership mainly includes Mainframe technology management and other services are being transitioned back to TietoEVERY.

As part of the redefined partnership, the company has taken over personnel and assets - and process harmonization

to drive productivity and quality is under way. During the transformation period of around 12 months (from June 2020), profitability is anticipated to temporarily be at a lower level due to incremental costs for related quality improvement and process harmonization. Along with the transformation, automation is anticipated to enable productivity improvement and higher scale.

Adjusted items related to the agreement will amount to EUR 36 million in total. Out of this, EUR 27 million was booked by the end of the third quarter and the remaining part will be recognized over the transition period of around 12 months. TietoEVERY estimates an incremental capital expenditure of EUR 5-10 million during 2020-2021.

SmartUtilities end-life

Actions to end the SmartUtilities platform continued in the third quarter. In the second quarter, TietoEVERY agreed with its anchor customers to end joint SmartUtilities projects, which concludes a multi-year investment and eliminates further potential negative profit impact. SmartUtilities has had a negative impact of around 2 percentage points on Industry Software's operating margin in 2019. All probable risks were booked in the second quarter as planned.

Performance in 2020

The full-year outlook is positive while the company anticipates that performance in 2020 will be affected by the Covid-19 pandemic.

Financial impact of the Covid-19 pandemic

Measures to secure the health and safety of employees and ensure continuity of critical services to customers, as well as measures to minimize the financial impact of the pandemic have been successful.

Covid-19's impact on TietoEVERY's third-quarter revenue was 4% and the company currently anticipates that the pandemic will have a similar impact on the fourth quarter. The company has, however, a good ability to offset the negative margin impact.

Resilience is anticipated to vary by business due to different contractual structures:

- **Digital consulting:** primarily short-term contracts while relationships with customers are long – applications services with long-term agreements represent approximately 20% of consulting revenue
- **Product development services:** short contracts within long-term commitments contributing to customers' core development roadmaps – stability due to TietoEVERY's role in customers' key development areas
- **Infrastructure services:** primarily long-term commitments of 3-5 years – fluctuations in demand in some services in the short term, e.g. increase in network capacity while some onsite installations are postponed
- **Industry software and Financial Services Solutions:** primarily long-term contractual periods of up to 5-7 years, with customer relationships lasting much longer

Covid-19-related cost savings comprise both non-personnel-related activities such as reduced travelling and training as well as temporary layoffs in the areas where TietoEVERY has experienced a temporary decline in demand. The need for temporary leaves is assessed on a regular basis, subject to the magnitude and duration of weak market conditions.

More information on Covid-19's impact on the company is available at www.tietoevery.com/Investors.

Merger-related efficiencies

The company anticipates that it will achieve synergies of EUR 25-30 million during 2020 and reach a run-rate of EUR 70-80 million in merger-related efficiencies by the year end. Integration costs are estimated to amount to EUR 80-85 million in 2020.

The employee consultation processes initiated in spring 2020 have resulted in over 500 redundancies, mainly in the Nordic countries. In September, the company initiated additional consultation processes, estimated to affect up to 550 roles globally. These processes are expected to be concluded by the end of 2020.

Adjusted items unusually high in 2020 – significantly lower levels expected in 2021

TietoEVERY will see unusually high adjusted items in 2020. In addition to integration costs, these items include costs of EUR 36 million related to the redefined IBM agreement and EUR 41 million to the end-of-life SmartUtilities platform (see [Strategy section](#)). Furthermore, amortization of acquisition-related intangible assets of around EUR 44 million will be included in adjustment items.

Currency impact

Consolidated revenue and operating profit are sensitive to volatility in exchange rates, especially that of the Swedish Krona and Norwegian Krona. The company currently estimates that based on September-average exchange rates, the currency impact on revenue will be around EUR 14 million in the fourth quarter and over EUR 80 million in the full year. Currency impact on full-year operating profit is estimated to be around EUR 13 million.

Other operational drivers

In the Cloud & Infra business, the IBM transformation will continue. Profitability is estimated to temporarily be at a lower level due to contracts lost during 2019 based on quality issues in the earlier partnership and incremental costs in IBM related quality improvement (see Cloud & Infra in [Comparable financial information section](#)).

Financial performance in July–September

	7–9/2020	7–9/2019
Revenue, EUR million	643.8	379.6
Change, %	69.6	7.0
Operating profit (EBIT), EUR million	28.6	37.8
Operating margin (EBIT), %	4.4	10.0
Adjusted ¹⁾ operating profit (EBIT), EUR million	90.2	50.1
Adjusted ¹⁾ operating margin (EBIT), %	14.0	13.2
Profit after taxes, EUR million	19.0	21.9
EPS, EUR	0.16	0.30
Net cash flow from operations, EUR million	108.4	69.6
Return on equity, 12-month rolling, %	5.5	23.7
Return on capital employed, 12-month rolling, %	6.1	18.5
Capital expenditure, EUR million	17.6	11.6
Order backlog	3 197	1 649
Acquisitions, EUR million	—	0.1
Interest-bearing net debt, EUR million	951.5	309.1
Personnel on 30 September	23 877	15 175

Third-quarter revenue increased by 69.6% to EUR 643.8 (379.6) million, mainly due to the merger. Third-quarter operating profit (EBIT) amounted to EUR 28.6 (37.8) million, representing a margin of 4.4 (10.0). Operating profit includes EUR 61.5 (12.3) million in adjustment items, mainly related to integration costs, redefined IBM partnership and amortization of acquisition-related intangible assets. Adjusted¹⁾ operating profit stood at EUR 90.2 (50.1) million, or 14.0% (13.2) of net sales. Further details on third-quarter adjusted items are available in the [Alternative Performance Measures](#) paragraph. Third-quarter operating profit includes around EUR 11 million in merger-related efficiencies. Currency changes had a negative impact of around EUR 3 million on operating profit.

Depreciation and amortization amounted to EUR 43.6 (24.4) million, including EUR 17.8 (11.9) million in depreciation of right of use assets (IFRS 16 impact) and EUR 11.4 (1.1) million in amortization of acquisition-related intangible assets. Net financial expenses stood at EUR 6.5 (8.8) million. Net interest expenses were EUR 6.2 (1.7) million and net gains from foreign exchange transactions EUR 0.5 (losses 6.5) million. Other financial income and expenses amounted to EUR -0.8 (-0.7) million.

Earnings per share (EPS) totalled EUR 0.16 (0.30). Adjusted¹⁾ earnings per share amounted to EUR 0.70 (0.45).

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

Financial performance by segment

EUR million	Revenue 7–9/2020	Revenue 7–9/2019	Change %	Operating profit 7–9/2020	Operating profit 7–9/2019
Digital Consulting	143.0	90.4	58	13.2	8.2
Cloud & Infra	219.3	132.9	65	3.8	18.5
Industry Software	115.1	84.4	36	23.8	8.1
Financial Services Solutions	101.2	28.6	> 100	-9.2	4.9
Product Development Services	33.3	33.6	-1	4.0	3.4
Other	31.9	9.6	> 100	-7.0	-5.2
Group total	643.8	379.6	70	28.6	37.8

Operating margin by segment

%	Operating margin 7–9/2020	Operating margin 7–9/2019	Adjusted ¹⁾ operating margin 7–9/2020	Adjusted ¹⁾ operating margin 7–9/2019
Digital Consulting	9.2	9.0	14.7	13.5
Cloud & Infra	1.7	13.9	10.9	15.6
Industry Software	20.7	9.6	21.7	11.9
Financial Services Solutions	-9.1	17.1	15.2	18.3
Product Development Services	12.1	10.0	12.3	10.0
Total	4.4	10.0	14.0	13.2

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

For a comprehensive set of segment figures, see the [tables section](#).

Performance of all reporting segments is described in the [Comparable financial information](#) for illustrative purposes section.

Financial performance in January–September

	1–9/2020	1–9/2019
Revenue, EUR million	2 074.5	1 191.2
Change, %	74.1	1.2
Operating profit (EBIT), EUR million	68.9	92.7
Operating margin (EBIT), %	3.3	7.8
Adjusted ¹⁾ operating profit (EBIT), EUR million	248.7	125.0
Adjusted ¹⁾ operating margin (EBIT), %	12.0	10.5
Profit after taxes, EUR million	40.0	67.0
EPS, EUR	0.34	0.91
Net cash flow from operations, EUR million	229.5	150.0
Return on equity, 12-month rolling, %	5.5	23.7
Return on capital employed, 12-month rolling, %	6.1	18.5
Capital expenditure, EUR million	65.6	33.5
Order backlog	3 197	1 649
Acquisitions, EUR million	0.3	0.7
Interest-bearing net debt, EUR million	951.5	309.1
Personnel on 30 September	23 877	15 175

Nine-month revenue increased by 74.1% to EUR 2 074.5 (1 191.2) million, mainly due to the merger. Nine-month operating profit (EBIT) amounted to EUR 68.9 (92.7) million, representing a margin of 3.3 (7.8). Operating profit includes EUR 179.8 (32.3) million in adjusted items, mainly related to the ending of the SmartUtilities platform, integration costs, redefined IBM partnership and amortization of acquisition-related intangible assets. Adjusted¹⁾ operating profit stood at EUR 248.7 (125.0) million, or 12.0 (10.5) of net sales. Further details on adjusted items are available in the [Alternative Performance Measures](#) paragraph. Currency changes had a negative impact of around EUR 11 million on operating profit.

Depreciation and amortization amounted to EUR 133.7 (74.5) million, including EUR 55.1 (35.5) million in depreciation of right of use assets (IFRS 16 impact) and EUR 34.2 (3.3) million in amortization of acquisition-related intangible assets. Net financial expenses stood at EUR 18.6 (10.6) million. Net interest expenses were EUR 16.6 (5.8) million and net losses from foreign exchange transactions EUR 0.3 (2.8) million. Other financial income and expenses amounted to EUR -2.3 (-2.0) million.

Earnings per share (EPS) totalled EUR 0.34 (0.91). Adjusted¹⁾ earnings per share amounted to EUR 1.51 (1.25).

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

Financial performance by segment

EUR million	Revenue 1–9/2020	Revenue 1–9/2019	Change %	Operating profit 1–9/2020	Operating profit 1–9/2019
Digital Consulting	489.2	308.4	59	43.1	27.7
Cloud & Infra	704.3	400.4	76	30.8	33.9
Industry Software	366.8	260.3	41	5.0	20.6
Financial Services Solutions	309.9	88.1	> 100	1.2	14.8
Product Development Services	106.5	105.0	1	12.7	10.6
Other	97.7	28.9	> 100	-23.9	-14.9
Group total	2 074.5	1 191.2	74	68.9	92.7

Operating margin by segment

%	Operating margin 1–9/2020	Operating margin 1–9/2019	Adjusted ¹⁾ operating margin 1–9/2020	Adjusted ¹⁾ operating margin 1–9/2019
Digital Consulting	8.8	9.0	12.8	11.9
Cloud & Infra	4.4	8.5	10.5	11.3
Industry Software	1.4	7.9	15.4	8.7
Financial Services Solutions	0.4	16.8	12.6	17.9
Product Development Services	11.9	10.1	12.3	10.1
Total	3.3	7.8	12.0	10.5

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

For a comprehensive set of segment figures, see the [tables section](#).

Cash flow and financing

Third-quarter net cash flow from operations amounted to EUR 108.4 (69.6) million, including a decrease of EUR 31.5 (17.6) million in net working capital. The decrease in net working capital is mainly attributable to an increase in accounts payable. Payments for restructuring amounted to EUR 10.3 (5.4) million.

Nine-month cash flow from operations amounted to EUR 229.5 (150.0) million, including a decrease of EUR 49.4 (16.8) million in net working capital. Payments for restructuring amounted to EUR 21.2 (11.1) million.

Nine-month tax payments were EUR 26.4 (24.3) million.

Capital expenditure totalled EUR 65.6 (33.5) million and included EUR 39.9 (10.0) million in capitalized costs for TietoEVERY's inhouse software development. Capital expenditure represented 3.2% (2.8) of net sales.

The equity ratio was 42.7% (35.4). Gearing decreased to 65.3% (73.3). Interest-bearing net debt totalled EUR 951.5 (309.1) million, including EUR 917.9 (247.5) million in interest-

bearing debt, EUR 257.8 (146.9) million in lease liabilities, EUR 5.2 (5.6) million in finance lease receivables, EUR 20.1 (0.5) million in other interest-bearing receivables and EUR 198.9 (79.2) million in cash and cash equivalents.

Interest-bearing long-term loans amounted to EUR 1 074.1 (287.4) million at the end of September. The company issued a EUR 300 million bond in June 2020 to refinance a bridge loan related to the merger. The bond has a coupon of 2% and it will mature in June 2025. In addition to the EUR 300 million bond, interest-bearing long-term loans consist primarily of a EUR 100 million bond expiring in September 2024, a EUR 85 million loan from the European Investment Bank, a EUR 400 million long-term loan from financial institutions and EUR 186.0 million in lease liabilities.

Interest-bearing short-term loans amounted to EUR 101.6 (107.1) million, mainly related to leasing liabilities, joint venture cash pool balances and commercial papers. The syndicated revolving credit facility of EUR 250 million expiring in September 2024 was not in use at the end of September.

Order backlog

The significance of traditional measures for the order backlog is impacted by the shift from traditional large outsourcing agreements towards agile methods and consumption-based business models. Additionally, traditional development programmes are cut into smaller projects. While this change in customer behaviour affects the order backlog levels, it is not expected to have any significant impact on TietoEVERY's market opportunity and business outlook.

TietoEVERY's order backlog amounted to EUR 3 197 (1 649) million at the end of September. Of the backlog, 20% (23) is expected to be invoiced during 2020. The order backlog includes all signed customer orders that have not been recognized as revenue, including estimates of the value of consumption-based contracts.

Major agreements in January–September

TietoEVERY has signed a number of new agreements during the period with customers across all the businesses. However, according to the terms and conditions of these agreements, TietoEVERY is not able to disclose most of the contracts.

In January, EasyUse signed an agreement with TietoEVERY within the Cards business area. This is a five-year agreement for the delivery of a Prepaid closed loop service within the ferry and cruise shipping segment. The cards will be used onboard ships and at partner merchants like hotels and shops.

In February, Telenor extended its agreement with TietoEVERY on IT infrastructure and cloud services for four more years. The renewed partnership will ensure that Telenor will be able to accelerate its digital transformation, and simultaneously provides a high level of focus on security, agility and stability. The areas covered by the agreement include dynamic infrastructure (IaaS), application and database operations, storage services, end-user and data centre services. TietoEVERY will also participate in Telenor's cloud journey as well as the modernization and automation of business support tools.

In February, Ahlstrom-Munksjö, a global leader in fibre-based materials, extended its collaboration with TietoEVERY. The company's renewal, based on the Tieto Integrated Paper Solution (TIPS), continues to drive business modernization at over 40 plants and will convert units globally. The new system automates Ahlstrom-Munksjö's key business processes and improves internal agility. Digitalization also enhances customer experience and enables new business models and digital business.

In February, Fjellinjen, a company responsible for the collection of road tolls on the Oslo toll ring and the most important financial contributor to road construction in the region, entered into an agreement with TietoEVERY on the delivery of multichannel invoice distribution and master data services. The solution will ensure more efficient invoicing and mailing processes, better control and optimized distribution processes as well as reduced print, material and postage costs by increasing the volume of digital distribution in a simple, secure and cost-effective way.

In February, Geldmaat extended its collaboration with TietoEVERY on the delivery of the Sealbag service, which allows customers to make self-serviced deposits and drops of notes. The notes are packed in self-locking bags and dropped in safes operated via a sealbag processing mechanism. TietoEVERY delivers the central platform with additional managed services according to the master service agreement with the customer. The related machines and services will be provided all across the Netherlands. This service was an option to the master service agreement, signed with the customer back in 2018.

In February, Asfinag, an Austrian publicly owned corporation that plans, finances, builds and maintains Austrian autobahns and handles their toll collection, extended its agreement with TietoEVERY on IT service delivery, containing, for example, services for SAP and software development. As the main full-service IT partner for Asfinag, Tieto will contribute to sustainable improvement and increase efficiency in the customer's processes. The extension has an estimated value of over EUR 5 million.

In March, Mayr-Melnhof extended its development partnership for the new Manufacturing Execution System for 37 plants in the Packaging division. The agreement is an extension for the delivery of the Rough and Fine Planning system agreed in 2019.

In March, Malaysian Newsprint Industries Sdn Bhd (MNI), one of the leading manufacturers and suppliers of paper across South East Asia, selected TietoEVERY as their business transformation partner. The modernization of MNI's key business processes will improve quality of paper and

On Time In Full Delivery Service (OTIF). It will also enable visibility of real-time data and Key Performance Indicators (KPI). The renewal covers various key processes, for example, order to cash, advanced planning and trimming, reporting and analytics, warehouse management and logistics, invoicing and integration into the existing ERP system. The renewal is based on the Tieto Integrated Paper Solution (TIPS) for the pulp, paper, board, packaging, tissue and non-woven industries.

In March, Skatteetaten and TietoEVERY extended their collaboration related to Workspace services. Skatteetaten is planning to carry out a personnel transfer and take on 1 250 new employees, formerly employed as local tax collectors in Norwegian municipalities. TietoEVERY will supply the new employees with equipment, including laptops, PC screens and mobile phones.

In March, TietoEVERY and Statens Service Center agreed on a new service to deliver Primula, a comprehensive HR and payroll service, to 35 governmental authorities. At the moment, its set up in a common cloud environment in TietoEVERY's data centre in Kista is ongoing. The related cloud service will support all processes within the area of HR and payroll. In addition, the contract includes a major investment by the customer in the development of the product that will meet the future needs of users. Total value of the seven-year agreement is SEK 27 million.

In March, TietoEVERY signed an agreement with Deutsche Bank for Virtual Account Management (VAM) software. Deutsche Bank will leverage TietoEVERY's VAM platform as a complementary technology solution that can seamlessly integrate with its award-winning Cash, Trade and FX platform, thus further enhancing its cash management offering to the benefit of its corporate clients.

In March, Posten Norge AS chose TietoEVERY to deliver a payroll solution based on the Unit4 ERP system. Posten Norge decided to insource their payroll service and purchase a payroll system to run the payroll process internally. TietoEVERY was chosen by the customer in heavy competition with leading suppliers in the market. A solid and efficient solution as well as trustworthy project setup and a reliable implementation process became important winning criteria. The solution is scheduled to go into production in January 2021 and is estimated to provide salary payments to 13 000 employees.

In April, TietoEVERY signed an agreement with SEB for Virtual Account Management software. The solution will allow SEB to offer its corporate customers virtual cash management services. The new service will support SEB's multinational corporate customers that need a fast and reliable way to

centralize collection of payments and rationalize bank account structure. The launch of the new service forms part of SEB's wider plans to invest in cash management services. Virtual cash management is an important part of this journey to improve customer experience and offer new and innovative value propositions.

In April, AB Storstockholms Lokaltrafik, the public transport administration of Stockholm County, decided to continue its digital journey with TietoEVERY by extending the current outsourcing agreement – the next step in a long and successful relationship. The objective of the extended collaboration is to boost the customer's efficiency, provide workplace flexibility via digital online solutions and contribute to stable and secure operation of Stockholm's public transportation.

In April, TietoEVERY and Aimo Park, the leading parking company in the Nordics, entered into a strategic partnership to accelerate Aimo Park's digital transformation. The new collaboration will fuel development of innovative parking and mobility solutions by increasing automation and utilizing a variety of cloud services. TietoEVERY is leading the integration process. The new landscape consists of several cloud solutions from a variety of providers that cover systems such as Enterprise Resource Planning (ERP), Customer Relation Management (CRM) and Content Management (CMS). These solutions will enable faster time to market, more agile development of services and an improved end-user experience. Aimo Park will also be able to achieve better cost predictability and management with one single service provider to orchestrate its IT landscape.

In May, TietoEVERY and Finland's Legal Register Centre signed a new contract for the further development of digital citizens' services. Expanding their long-term relationship, this project covers application management and service production of legal aid, and financial and debt counselling systems. The project is a part of the Legal Register Centre's overall operations standardization and development drive, which will usher in improved digital services for Finnish citizens.

In May, Helsinki and Uusimaa Hospital District (HUS) chose TietoEVERY to deliver architecture and application development as well as maintenance services to the Health Village project, an internationally unique concept. Health Village is a digital service platform offering information and support to citizens,

care for patients and tools for healthcare professionals. It enables creation of symptom navigators and digital care paths as well as monitoring of health data and remote appointments. Furthermore, it provides secured communication channels across patients and care personnel. TietoEVERY has been the development partner of Health Village since 2018.

In May, the Norwegian Digitalisation Agency prolonged its agreement with TietoEVERY for operating ID-Porten/MinID and the digital contact register in Norway. The ID-Porten is a login solution that provides citizens access to online services across government agencies and municipalities. The solution is used by more than 800 public entities for more than 4 000 internet-based public services. The total value of the agreement is NOK 46 million.

In May, Volvofinans Bank AB, one of the largest card issuers in Sweden with around one million customers, entered into a new agreement with TietoEVERY. The customer will be provided with expert support as well as solutions in the domains of service desk, financial services, infrastructure and security. The agreement entails access to TietoEVERY's PCI DSS certified platform for payments and Security Operations Center (SOC), which enables real-time surveillance. Collaboration with Volvofinans started in 2014, and the new agreement is yet another milestone in a successful partnership with the customer. The contract is valid for five years and the total contract value is SEK 85 million.

In June, Metsä Group renewed its agreement with TietoEVERY on cloud and infrastructure services. The new solution continues the modernization of Metsä Group's global ICT capacity services with maximised business continuity and helps Metsä Group focus on their core business activities.

In June, TietoEVERY entered into a long-term agreement with one of the largest financial institutions in the Nordics, expanding the company's strong international customer base in its Cards business. TietoEVERY will provide the client with a modern platform for card services (SaaS). The scope of the engagement covers card issuing and processing as well as dispute process management for Norway and Sweden. Based on the agreement, the customer will be able to consolidate their cards issuing capabilities onto a single platform, achieving a lower total cost of ownership as well as streamlining their services across countries, while customers will benefit from simpler and quicker access to new, future-oriented payment solutions.

In June 2020, TietoEVERY signed an agreement with International Card Services (ICS), part of ABN AMRO, the largest credit card issuing business in the Netherlands, to modernize the customer's Cards solution and to deliver end-to-end services based on a Software as a Service agreement, valid for over seven years.

In July, TietoEVERY extended its collaboration with Hyland Healthcare, a leading global provider of connected healthcare solutions, to deliver a best-in-class solution for digital pathology. A consortium of five companies, including TietoEVERY and Hyland Healthcare, is partnering to deliver PATOS to Region Västra Götaland (VGR). PATOS is a digital pathology solution that enables improved cancer diagnostics and patient treatment. The agreement is currently in year five of an initially 10-year contract and includes an option for VGR to extend the relationship for another ten years.

In July, Cambio Healthcare Systems chose TietoEVERY as its IT operations partner for future healthcare information support for nine Swedish regions. The Swedish SUSSA regions of Blekinge, Sörmland, Västerbotten, Västernorrland and Örebro counties decided to jointly procure a new healthcare information support platform and signed an agreement with Cambio in June 2019. Cambio has chosen TietoEVERY as its IT operations partner to ensure safe and secure IT operation of the healthcare information support platform.

In September, the City of Västerås chose TietoEVERY as its IT partner in four defined areas: infrastructure services, service desk and on-site support, security services and workplace services. The four-year agreement with an option to extend the delivery by another two years has a contract value of SEK 300 million. The procurement placed high demands on user experience, efficiency, quality as well as enhanced safety and

accessibility, to support 11 000 employees in areas such as healthcare, welfare, education and administration.

In September, Systembolaget Aktiebolag chose TietoEVERY to deliver managed collaborative smart screens as a service to all of its stores. The agreement covers hardware, configuration, on-site installation, support and operations.

In September, Servicegrossistene AS, a growing national full-service wholesaler supplying food and drink to the food service market, chose TietoEVERY to deliver a service-based solution based on cloud technology from Microsoft Dynamics 365. The transition to Dynamics 365, in combination with tools for areas such as reporting, analysis and logistics process optimization, will lay the foundation for the company's growth also in the future. The company also aims to make the day-to-day activities of its wholesalers and customers more flexible and efficient. The six-year agreement represents a total contract value of around NOK 45 million.

In October, Kesko and TietoEVERY announced an agreement on expanded collaboration. TietoEVERY will support the implementation of Kesko's strategy to boost productivity and cost-efficiency through automation and new technologies. The co-operation also enables more efficient utilization of data. Under the new co-operation agreement, TietoEVERY and Kesko will continue to collaborate on continuous operational IT services with a development focus. The partnership aims to ensure that the services are business-oriented and maintain a high standard. The co-operation agreement covers a wide range of services, including management of Kesko's business-critical applications, integration services and cloud services, end-user services as well as information security and capacity services.

Business transactions

TietoEVERY has entered into an agreement with Haltian, an IoT services company, for the sale of its Empathic Building business, which focuses on smart office solutions.

Personnel

The number of full-time employees amounted to 23 877 (15 175) at the end of September. The number of full-time employees in the global delivery centres totalled 11 241 (7 898), or 47.1% (52.0) of all personnel.

The number of full-time employees was down from the year-end 2019 level of 24 322. The decline includes redundancies of over 1 000 and net recruitments of close to 400. The company also took over close to 200 employees from IBM as

part of the redefined partnership.

The 12-month rolling employee turnover stood at 9.9% (12.9) at the end of September. Group-level salary inflation is expected to stay at 2% on average in 2020 as some salary increases are being postponed due to the weakened

macroeconomic outlook. Furthermore, salary inflation is partly offset by price increases in some service areas, offshoring and management of the competence pyramid.

Shareholders' Nomination Board

The composition of the Shareholders' Nomination Board (SNB) for TietoEVERY Corporation was determined based on holdings on 31 August 2020 in the Finnish, Norwegian and Swedish shareholders' registers and received evidence thereof. TietoEVERY's Shareholders' Nomination Board comprises four members nominated by the largest shareholders and the Chairperson of the Board of Directors of the company. The shareholders who wished to participate in the work of the Shareholders' Nomination Board nominated the following members:

Petter Söderström, Investment Director, Solidium Oy
Gabriele Cipparrone, Partner, Apax Partners LLP
Gustav Moss, Vice President, Cevian Capital AB
Mikko Mursula, Chief Investment Officer, Ilmarinen Mutual Pension Insurance Company and
Tomas Franzén, Chairperson of the Board of Directors, TietoEVERY Corporation.

Shares

The number of TietoEVERY shares amounted to 118 425 771 at the end of September. The company held a total of 16 841 own shares, representing 0.01% of the total number of

shares and voting rights. The number of outstanding shares, excluding the treasury shares, was 118 408 930 at the end of the period.

Dividend

On 29 April, the Annual General Meeting authorized the Board of Directors to decide at its discretion on the distribution of dividend in one or several instalments up to the aggregate maximum amount of EUR 1.27 per share from the distributable funds of the company for the financial year that ended on 31 December 2019 at a later stage.

On 23 July, the Board of Directors decided that a dividend of EUR 0.635 per share in total be paid for the financial year ended on 31 December 2019 from the distributable funds of the company in two instalments.

The first dividend instalment of EUR 0.3175 per share has been paid beginning from 5 August 2020. The second dividend instalment of EUR 0.3175 per share has been paid beginning from 6 October 2020.

Significant risks and uncertainties

Consolidated revenue and operating profit are sensitive to volatility in exchange rates, especially that of the Swedish Krona and Norwegian Krona. Sales in Sweden and Norway represent around two thirds of the Group's sales.

Due to the ongoing Covid-19 pandemic, the current market outlook in TietoEVERY's main markets involves significant uncertainties. The pandemic is expected to lead to an economic downturn while sensitivity to macroeconomic uncertainty varies by business. The company's portfolio comprises services based on multi-year agreements in infrastructure and application services as well as in industry-specific software businesses. The digital consulting business has shorter contractual periods and is likely to be more affected during times of economic uncertainty. TietoEVERY operates in multiple countries, balancing workforce availability. The company has already taken strict measures, including savings actions and temporary layoffs, to mitigate the potential financial impact of the pandemic and to secure the health and safety of employees and ensure critical services to customers.

The merger integration and related transformation of the company will continue to affect performance in the short term and may result in temporarily lower productivity.

New disruptive technologies, such as cloud computing, drive customer demand towards standardized and less labour-intensive solutions where automation plays an important role. These changes may result in the need for restructuring.

The company's development is relatively sensitive to changes in the demand from large customers as TietoEVERY's top 10 customers currently account for around 18% of its revenue, with Product Development Services having the highest

customer concentration in the company.

Typical risks faced by the IT service industry relate to partnerships with external vendors. A potential failure in deliveries by partners could lead to quality and financial consequences. Currently, transitions related to the redefined partnership with IBM are ongoing and a focus area for the company. Furthermore, typical risks include development and implementation of new technologies and software. In TietoEVERY's case implementations relate to both own software development, the scope in related project deliveries and integration of third-party software. Additional technology licence fees and failures to meet both the agreed quality and timeliness of deliveries could pose potential risks.

Risks related to malfunctions or cybersecurity breaches of systems could seriously affect TietoEVERY's ability to provide its services and have an adverse impact on the company's financials and reputation.

The new EU General Data Protection Regulation took effect in May 2018 and is anticipated to pose a risk for software and IT services companies, thus also for TietoEVERY. TietoEVERY is well prepared for the GDPR although there is still uncertainty with regards to how the authorities will interpret the regulation and impose fines in case of personal data breaches.

Companies around the world are facing new risks arising from tax audits and some countries may introduce new regulation. Additionally, changes in the tax authorities' interpretations could have unfavourable impacts on taxpayers.

Risks and risk management are described in more detail in the Corporate Governance Statement 2019.

Full-year outlook for 2020

TietoEVRY expects its comparable full-year adjusted¹⁾ operating profit (EBIT) to increase from the previous year's level (Tieto's and EVRY's adjusted operating profit combined amounted to a total of EUR 341.7 million in 2019).

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

Events after the period

On 27 March 2020, TietoEVRY withdrew its guidance for 2020 due to uncertainties related to the Covid-19 pandemic. As visibility to the full-year profitability has improved, the company restored its annual guidance for 2020 on 20 October.

Financial calendar 2020

Capital Markets Day 3 December 2020

Auditing

This interim report is unaudited.



Consolidated interim financial statements

Income statement

EUR million	2020	2019	2020	2019	Change	2019 ¹⁾
	7–9	7–9	1–9	1–9		
Revenue	643.8	379.6	2 074.5	1 191.2	74	1 734.0
Other operating income	4.0	2.7	9.2	13.0	-29	16.9
Materials and services	-163.4	-63.3	-521.8	-188.9	> 100	-295.0
Employee benefit expenses	-332.1	-204.9	-1 113.6	-690.7	61	-989.7
Depreciation and amortization	-43.6	-24.4	-133.7	-74.5	80	-106.6
Impairment losses	-18.8	—	-29.4	—	> 100	-3.1
Other operating expenses	-61.5	-53.0	-218.0	-161.4	35	-235.4
Share of results in joint ventures	0.1	1.1	1.8	4.0	-56	5.7
Operating profit (EBIT)	28.6	37.8	68.9	92.7	-26	126.8
Interest and other financial income	0.5	0.4	1.7	1.5	14	2.3
Interest and other financial expenses	-7.5	-2.8	-20.6	-9.3	> 100	-15.3
Net foreign exchange gains/losses	0.5	-6.5	0.3	-2.8	> 100	-13.0
Profit before taxes	22.1	29.0	50.3	82.1	-39	100.8
Income taxes	-3.1	-7.1	-10.3	-15.1	-32	-22.0
Net profit for the period	19.0	21.9	40.0	67.0	-40	78.7
Net profit for the period attributable to						
Owners of the Parent company	19.0	21.8	40.0	67.0	-40	78.7
Non-controlling interest	0.0	0.0	0.0	0.0	—	0.0
	19.0	21.9	40.0	67.0	-40	78.7
Earnings per share attributable to owners of the Parent company, EUR per share						
Basic	0.16	0.30	0.34	0.91	-63	1.02
Diluted	0.16	0.30	0.34	0.91	-63	1.02

Statement of other comprehensive income

EUR million	2020	2019	2020	2019	Change	2019 ¹⁾
	7–9	7–9	1–9	1–9		
Net profit for the period	19.0	21.9	40.0	67.0	-40	78.7
Items that may be reclassified subsequently to profit or loss						
Translation differences	-31.3	-4.1	-194.1	-7.2	> 100	48.9
Cash flow hedges, net of tax	—	-2.5	—	-0.8	-100	—
Items that will not be reclassified subsequently to profit or loss						
Remeasurements of the defined benefit plans, net of tax	-3.1	-8.6	-0.7	-11.0	-94	-9.0
Total comprehensive income	-15.4	6.7	-154.8	48.0	> 100	118.6
Total comprehensive income attributable to						
Owners of the Parent company	-15.4	6.7	-154.8	48.0	> 100	118.6
Non-controlling interest	0.0	0.0	0.0	0.0	—	0.0
	-15.4	6.7	-154.8	48.0	> 100	118.6

¹⁾ 2019 comparative figures are restated to reflect changes in amortizations due to updated valuations of the identified intangible assets in the EVRY merger. In addition, the Group has reclassified foreign currency exchange gains and losses related to EVRY from financial items to materials and services. More information in Notes to the interim financial statements.

Statement of financial position

Assets

EUR million	2020 30 Sep	2019 30 Sep	Change %	2019 ¹⁾ 31 Dec
Goodwill	1 862.7	435.9	> 100	2 010.6
Other intangible assets	373.6	46.4	> 100	444.8
Property, plant and equipment	98.3	83.0	18	111.2
Right-of-use assets	248.5	145.1	71	292.1
Interests in joint ventures	19.5	16.4	19	23.1
Deferred tax assets	38.2	24.6	55	50.1
Defined benefit plan assets	—	—	—	0.0
Finance lease receivables	3.1	3.9	-22	3.8
Other financial assets at amortized cost	8.7	0.5	> 100	10.3
Other financial assets at fair value	0.6	0.5	23	0.6
Other non-current receivables	19.9	14.4	38	37.6
Total non-current assets	2 673.0	770.7	> 100	2 984.2
Inventories	4.1	—	100	5.2
Trade and other receivables	549.4	360.6	52	625.0
Financial assets at fair value	35.5	3.6	> 100	13.6
Finance lease receivables	2.1	1.7	24	1.8
Current tax assets	20.6	15.8	30	15.7
Cash and cash equivalents	198.9	79.2	> 100	164.6
Total current assets	810.7	461.0	76	826.0
Assets held for sale	—	—	—	15.6
Total assets	3 483.7	1 231.7	> 100	3 825.8

Equity and Liabilities

EUR million	2020 30 Sep	2019 30 Sep	Change %	2019 ¹⁾ 31 Dec
Share capital, share issue premiums and other reserves	117.2	116.9	0	117.5
Invested unrestricted equity reserve	1 203.5	12.8	> 100	1 203.5
Retained earnings	137.5	292.1	-53	366.1
Equity attributable to owners of the Parent company	1 458.1	421.8	> 100	1 687.1
Non-controlling interest	0.0	0.0	—	0.0
Total equity	1 458.1	421.8	> 100	1 687.2
Loans	888.1	184.7	> 100	591.5
Lease liabilities	186.0	102.6	81	222.9
Deferred tax liabilities	15.4	31.9	-52	32.7
Provisions	3.3	3.3	—	9.1
Defined benefit obligations	38.5	17.6	> 100	41.6
Other non-current liabilities	29.2	2.4	> 100	36.7
Total non-current liabilities	1 160.5	342.6	> 100	934.5
Trade and other payables	693.1	330.1	> 100	713.9
Financial liabilities at fair value	4.2	3.9	7	19.0
Current tax liabilities	6.0	11.3	-47	8.0
Loans	29.8	62.8	-52	372.6
Lease liabilities	71.8	44.3	62	75.4
Provisions	60.1	15.0	> 100	13.0
Total current liabilities	865.0	467.3	85	1 201.9
Liabilities attributable to assets held for sale	—	—	—	2.2
Total equity and liabilities	3 483.7	1 231.7	> 100	3 825.8

¹⁾ 2019 comparative figures are restated during 2020 to reflect changes in the provisional values of assets acquired and liabilities assumed in the EVRY merger. More information in [Notes to the interim financial statements](#).

Statement of changes in shareholders' equity

EUR million	Owners of the Parent company						Total	Non-controlling interest	Total equity
	Share capital	Share premium and other reserves	Own shares	Translation differences	Invested un-restricted equity reserve	Re-tained earnings			
31 Dec 2019 ¹⁾	76.6	40.9	-2.9	-50.2	1 203.5	419.3	1 687.1	0.0	1 687.2
Comprehensive income									
Net profit for the period	—	—	—	—	—	40.0	40.0	0.0	40.0
Other comprehensive income, net of tax									
Remeasurements of the defined benefit plans, net of tax	—	—	—	—	—	-0.7	-0.7	—	-0.7
Translation differences	—	-0.3	—	-200.1	—	6.3	-194.1	—	-194.1
Total comprehensive income	—	-0.3	—	-200.1	—	45.6	-154.8	0.0	-154.8
Transactions with owners									
Contributions and distributions									
Share-based incentive plans	—	—	3.4	—	—	-1.5	1.9	—	1.9
Dividends	—	—	—	—	—	-75.2	-75.2	—	-75.2
Repurchase of own shares	—	—	-0.9	—	—	—	-0.9	—	-0.9
Total transactions with owners	—	—	2.5	—	—	-76.7	-74.2	—	-74.2
30 Sep 2020	76.6	40.6	-0.4	-250.3	1 203.5	388.2	1 458.1	0.0	1 458.1

¹⁾ 2019 comparative figures are restated during 2020 to reflect changes in the provisional values of assets acquired and liabilities assumed in the EVRY merger. This has had an effect on translation differences in equity due to currency allocation and on retained earnings. More information in Notes to the interim financial statements.

EUR million	Owners of the Parent company						Total	Non-controlling interest	Total equity	
	Share capital	Share premium and other reserves	Own shares	Translation differences	Cash flow hedges	Invested un-restricted equity reserve				Re-tained earnings
31 Dec 2018	76.6	41.5	-5.1	-93.3	—	12.8	450.0	482.5	0.0	482.5
Comprehensive income										
Net profit for the period	—	—	—	—	—	—	67.0	67.0	0.0	67.0
Other comprehensive income, net of tax										
Remeasurements of the defined benefit plans, net of tax	—	—	—	—	—	—	-11.0	-11.0	—	-11.0
Translation differences	—	-1.2	—	-8.7	—	—	2.7	-7.2	—	-7.2
Cash flow hedges, net of tax	—	—	—	—	-0.8	—	—	-0.8	—	-0.8
Total comprehensive income	—	-1.2	—	-8.7	-0.8	—	58.7	48.0	0.0	48.0
Transactions with owners										
Contributions and distributions										
Share-based incentive plans	—	—	2.2	—	—	—	-3.7	-1.5	—	-1.5
Dividends	—	—	—	—	—	—	-107.2	-107.2	—	-107.2
Total transactions with owners	—	—	2.2	—	—	—	-110.9	-108.7	—	-108.7
30 Sep 2019	76.6	40.3	-2.9	-102.1	-0.8	12.8	397.8	421.8	0.0	421.8

Statement of cash flows

EUR million	2020 7–9	2019 7–9	2020 1–9	2019 1–9	2019 1–12
Cash flow from operating activities					
Net profit for the period	19.0	21.9	40.0	67.0	78.7
Adjustments					
Depreciation, amortization and impairment losses	62.3	24.4	163.1	74.5	109.7
Profit/loss on sale of property, plant and equipment, subsidiaries and business operations	-1.0	—	-1.2	—	—
Share of results in joint ventures	-0.1	-1.1	-1.8	-4.0	-5.7
Other adjustments	2.1	0.5	6.0	0.3	28.9
Net financial expenses	6.5	8.8	18.6	10.6	23.0
Income taxes	3.1	7.1	10.3	15.1	22.0
Change in net working capital	31.5	17.6	49.4	16.8	66.7
Cash generated from operating activities before interests and taxes	123.5	79.2	284.4	180.3	323.3
Net financial expenses paid	-4.1	-3.8	-32.9	-9.6	-17.2
Dividends received	—	—	4.3	3.6	3.6
Income taxes paid	-11.0	-5.8	-26.4	-24.3	-31.4
Cash flow from operating activities	108.4	69.6	229.5	150.0	278.4
Cash flow from investing activities					
Acquisition of subsidiaries and business operations, net of cash acquired	—	-0.1	-0.3	-0.7	-175.7
Repayment of EVRY loans	—	—	—	—	-534.2
Capital expenditure	-17.6	-11.6	-65.6	-33.5	-51.4
Disposal of subsidiaries and business operations, net of cash disposed	1.0	—	16.3	0.3	0.3
Proceeds from sale of property, plant and equipment	0.2	0.0	2.2	0.0	0.1
Change in loan receivables	1.3	-1.2	2.1	-4.0	-1.4
Cash flow from investing activities	-15.1	-12.9	-45.2	-38.0	-762.4
Cash flow from financing activities					
Dividends paid	-37.6	—	-37.6	-107.4	-107.4
Repurchase of own shares	—	—	-0.9	—	—
Repayments of lease liabilities	-17.2	-10.9	-52.5	-36.4	-50.3
Bridge loan related to merger	—	—	-300.0	—	300.0
Repayment of bond	—	-100.0	—	-100.0	-100.0
Other short-term financing, net	-38.4	62.0	-45.2	45.0	40.7
Proceeds from long-term borrowings	—	—	298.4	—	400.0
Cash flow from financing activities	-93.2	-48.9	-137.7	-198.7	483.0
Change in cash and cash equivalents	0.1	7.8	46.6	-86.7	-1.0
Cash and cash equivalents at the beginning of period	205.4	71.7	164.6	164.6	164.6
Foreign exchange differences	-6.6	-0.3	-12.3	1.3	1.0
Change in cash and cash equivalents	0.1	7.8	46.6	-86.7	-1.0
Cash and cash equivalents at the end of period	198.9	79.2	198.9	79.2	164.6

Notes to the interim financial statements

This interim report is unaudited and it is prepared in accordance with IAS 34 Interim Financial Reporting, as adopted by the EU. The accounting policies adopted are consistent with those used in the annual financial statements for the year ended on 31 December 2019. Changes to IFRSs which have been effective from 1 January 2020 have had no material impact on the Group's financial statements.

All presented figures in this interim report have been rounded and consequently, the sum of individual figures can deviate from the presented sum figure. Key figures have been calculated using exact figures.

Revenue and profitability of TietoEVERY are subject to seasonal variations. Usually, the third-quarter sales are affected by vacation period and the reversal of vacation accruals has a positive effect on profitability. Typically, the fourth-quarter sales and margins are positively affected by higher licence sales for TietoEVERY's industry-specific software.

Comparability and restatements

Tieto and EVERY merged on 5 December 2019 and the consolidated financial statements of the Group include EVERY from that date onwards. Therefore, the historical financial information of Tieto does not give a comparable base for financial information of the present combined company. This applies also to the historical financial information of the new segments which includes EVERY only from 5 December 2019. The combined comparable historical information for TietoEVERY is presented in the text part of this interim report.

More information of the merger is disclosed in the annual financial statements for the year ended on 31 December 2019. As the merger was completed close to year-end 2019, the provisional amounts recognized will be adjusted within 12 months after the date of acquisition, to reflect new information obtained about facts and circumstances that existed at the date of acquisition. During the first half 2020 the acquired net assets were adjusted by EUR 26.4 million having a corresponding decrease in the goodwill at the time of the merger. This includes adjustments due to updated valuations of identified intangible assets and other adjustments made to receivables and liabilities as well as to tax balances. Also translation difference in equity changed due to currency allocation. The Group will present the final amounts recognized in the merger in its 2020 consolidated financial statements.

Due to the updated valuations of the identified intangible assets, the Group adjusted the respective amortizations for December 2019. This had an effect of EUR 0.5 million on total Depreciation and amortization, EUR 0.1 million on Income taxes and EUR -0.4 million on Net profit for the financial year, and accordingly to retained earnings in equity. In addition, the Group has corrected a classification error of foreign currency exchange gains and losses relating to EVERY. This correction changed the 2019 Materials and services cost and further EBIT and Adjusted EBIT by EUR 3.1 million and Net foreign exchange gains and losses accordingly.

The comparative numbers that have changed due to the adjustments described above have been marked with superscript ¹⁾ on the following pages' tables.

Changes in Group structure

The competition clearance for the EVERY merger from the Norwegian Competition Authority was subject to divestment of EVERY's case management and archiving systems for the public sector in Norway. EVERY had entered into an agreement with Karbon Invest AS to divest the business and in the 2019 statement of financial position the assets and related liabilities were presented on lines "Assets held for sale" and "Liabilities attributable to assets held for sale", respectively. The transaction was completed in February 2020. The cash received amounted to EUR 15.3 million. The sold assets were mostly intangible assets.

The new operating model took effect on 1 January 2020 and TietoEVERY publishes segment information in this Q3 interim report according to the new structure. TietoEVERY's operating model to ensure the position as a leading digital services company in the Nordics consists of Country Teams, Service Lines and Support Functions. Service Lines are designed to bring competitive and scalable services to our customers and make all the capabilities available for each of the countries. The service lines, constituting reportable segments for the company are: Digital Consulting, Cloud & Infra, Industry Software, Financial Services Solutions and Product Development Services. Financials of the segments are disclosed in [Segment Information](#).

SmartUtilities

The company has decided to end the common SmartUtilities platform due to the fact that a standard solution does not fulfil the individual needs of Nordic utilities companies. All probable risks were booked in the second quarter, consisting of adjusted items for asset impairment of around EUR 9 million and costs for terminated customer contracts and resource ramp down of around EUR 32 million. Please see more information in the text part of this interim report.

IBM

In line with TietoEVERY's aim to provide customers with superior service experience, quality and security, the company has redefined the scope and operating model of its partnership with IBM. Please see more information in the text part of this interim report.

Bond

As announced on 17 June, 2020 the Group has issued a new EUR 300 million bond to refinance a bridge loan related to the merger. The bond has a coupon of 2% and it will mature in June 2025.

Empathic Building

As announced on 21 September 2020 TietoEVERY has sold its Empathic Building business to Haltian. The transaction does not have a material impact on the consolidated financial statements of the Group.

Integration

As part of consolidation of operations, the Group has conducted employee consultations. As a result, the Group has booked EUR 16 million restructuring provisions for the third quarter and EUR 36.6 million for the nine month period. In addition, EUR 18.8 million impairment loss has been booked due to harmonization of product development projects and other operations.

Critical accounting estimates and assumptions

The preparation of the financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from the estimates. The areas requiring the exercise and judgement where a different opinion could result in significant changes to reported results are disclosed in the 2019 consolidated financial statements.

Covid-19-related cost savings comprise both non-personnel-related activities such as reduced travelling and training as well as temporary layoffs in the areas where TietoEVERY has experienced a temporary decline in demand. The need for temporary leaves is assessed on a regular basis, subject to the magnitude and duration of weak market conditions.

Covid-19's impact on TietoEVERY's third-quarter revenue was 4% and the company currently anticipates that the pandemic will have a similar impact on the fourth quarter. The company has, however, a good ability to offset the negative margin impact.

The Group has analyzed the need for goodwill impairment and concluded that based on the performance of the segments compared to the forecasts there is no need for impairment as of September 2020 as the effects of the pandemic are seen to be more in the short-term perspective related to the value-in-use calculations. Also, the market capitalization of the Group supports this conclusion. The annual impairment testing of goodwill will be done in the end of the financial year. The Group has also assessed the rates used for expected credit loss provision calculation in different ageing categories for overdue receivables and adjusted those to better match the current risk levels. The financial position and cash flow of the Group has remained on a good level.

Segment information

The reportable segments of TietoEVERY in these interim consolidated financial statements consist of Digital Consulting, Cloud & Infra, Industry Software, Financial Services Solutions and Product Development Services.

Digital Consulting

The Digital Consulting business comprises consulting services, including business and technology advisory as well as system integration services and managed application services. The segment currently focuses on Finland, Sweden and Norway. Services are delivered primarily by employees based in the Nordic countries while also through global delivery centres. The business has the largest market share in Finland and Norway.

Cloud & Infra

The Cloud & Infra business modernizes and secures customers' businesses with automated solutions enhanced by a variety of technologies. The infrastructure foundation is to ensure Nordic customers' renewal, business continuity and security. Services comprise managed cloud, security and end-user services including cloud migration advisory and transformation. The business has a geographical focus in Finland, Sweden and Norway, and the Group is positioned as the leading provider in Finland and Norway and is among top 3 providers in Sweden. Services are delivered primarily from both onshore locations in the Nordic countries and the delivery centre in the Czech Republic.

Industry Software

Industry Software provides with industry-specific software products for business-critical processes of clients in the public sector and the healthcare and welfare sector as well as in the forest industry and the energy and oil and gas segments. Customers are mainly in the Nordic countries while the Group also has industry software for its global customers in the oil and gas and forest sectors. Majority of the business continues to be license-based while the share of software as a service is on the rise. In the license-based business revenue comprises solution installations and license fees as well as maintenance, which is typically based on multi-year agreements.

Financial Services Solutions

Financial Services Solutions helps a wide range of Nordic and global companies in the financial services industry digitalize business processes, secure operational efficiency and growth in an environment of constant regulatory change. The portfolio comprises a comprehensive range of services and processes, based on flexible modules and innovative scalable software platforms, from real-time solutions within the areas of payments, cards, wealth management and credit to running full stack banking and cards operations as well as BPO services.

Product Development Services

Product Development Services provides software R&D services with focus on the telecom sector and expanding to new domains such as automotive. Services are provided globally for communications infrastructure companies, consumer electronics and semiconductor companies as well as automotive industry. Services are currently provided mainly from global centres in Poland, China, Sweden, the Czech Republic and Finland.

Other consists of international operations, including services outside the Nordics and to non-Nordic markets from India and Ukraine, and unallocated Group costs.

Customer revenue by segments

EUR million	2020 7-9	2019 7-9	Change %	2020 1-9	2019 1-9	Change %	2019 1-12
Digital Consulting	143.0	90.4	58	489.2	308.4	59	436.3
Cloud & Infra	219.3	132.9	65	704.3	400.4	76	584.7
Industry Software	115.1	84.4	36	366.8	260.3	41	371.2
Financial Services Solutions	101.2	28.6	> 100	309.9	88.1	> 100	151.8
Product Development Services	33.3	33.6	-1	106.5	105.0	1	143.5
Other	31.9	9.6	> 100	97.7	28.9	> 100	46.5
Group total	643.8	379.6	70	2 074.5	1 191.2	74	1 734.0

Customer revenue from long-term fixed-price contracts by segment

EUR million	2020	2019	2020	2019	2019
	7-9	7-9	1-9	1-9	1-12
Digital Consulting	3.3	2.9	14.2	10.8	14.1
Cloud & Infra	1.4	0.4	4.5	0.9	1.6
Industry Software	1.6	2.1	4.8	5.1	7.2
Financial Services Solutions	3.9	1.7	10.1	4.9	9.4
Product Development Services	0.8	1.1	3.7	3.7	4.8
Other	0.2	0.1	0.6	0.3	0.4
Group total	11.3	8.3	37.8	25.7	37.5

Projects included in the table above have been reviewed and comparative information has been adjusted.

TietoEVERY does not have individual significant customers as defined in IFRS 8.

Operating profit (EBIT) by segment

EUR million	2020	2019	Change	2020	2019	Change	2019 ¹⁾
	7-9	7-9	%	1-9	1-9	%	1-12
Digital Consulting	13.2	8.2	62	43.1	27.7	55	30.1
Cloud & Infra	3.8	18.5	-79	30.8	33.9	-9	56.4
Industry Software	23.8	8.1	> 100	5.0	20.6	-76	37.1
Financial Services Solutions	-9.2	4.9	> 100	1.2	14.8	-92	24.2
Product Development Services	4.0	3.4	19	12.7	10.6	20	14.5
Other	-7.0	-5.2	> 100	-23.9	-14.9	> 100	-35.4
Group total	28.6	37.8	-24	68.9	92.7	-26	126.8

Operating margin (EBIT) by segment

%	2020	2019	Change	2020	2019	Change	2019 ¹⁾
	7-9	7-9	pp	1-9	1-9	pp	1-12
Digital Consulting	9.2	9.0	0	8.8	9.0	0	6.9
Cloud & Infra	1.7	13.9	-12	4.4	8.5	-4	9.6
Industry Software	20.7	9.6	11	1.4	7.9	-7	10.0
Financial Services Solutions	-9.1	17.1	-26	0.4	16.8	-16	15.9
Product Development Services	12.1	10.0	2	11.9	10.1	-2	10.1
Operating margin (EBIT)	4.4	10.0	-6	3.3	7.8	-4	7.3

¹⁾ Restated. More information in Notes to the interim financial statements.

Personnel by country²⁾

	End of period				Average		
	2020	2019	Change	Share	2019	2020	2019
	1-9	1-9	%	%	1-12	1-9	1-9
Sweden	4 482	3 055	47	19	4 780	4 567	3 094
Norway	4 589	616	> 100	19	4 427	4 430	610
India	4 185	2 809	49	18	4 221	4 229	2 736
Finland	3 072	3 196	-4	13	3 261	3 189	3 320
Czech Republic	2 455	2 477	-1	10	2 482	2 494	2 550
Ukraine	1 846	141	> 100	8	1 961	1 967	16
Latvia	950	678	40	4	896	928	686
Poland	749	719	4	3	758	755	690
China	434	473	-8	2	452	433	491
Estonia	311	290	7	1	303	307	293
Austria	178	170	4	1	175	176	168
Lithuania	102	108	-5	0	104	103	112
Other	525	443	18	2	502	511	444
Group total	23 877	15 175	57	100	24 322	24 089	15 211
Onshore countries	12 636	7 277	74	53	12 940	12 665	7 437
Offshore countries	11 241	7 898	42	47	11 383	11 423	7 773
Group total	23 877	15 175	57	100	24 322	24 089	15 211

²⁾ 1-12/2019 personnel figures for EVRY increased by 326 due to alignment of the definitions. Contingency workers in Ukraine are included in the personnel figures.

Non-current assets by country

EUR million	2020	2019	Change	2019 ¹⁾
	30 Sep	30 Sep	%	31 Dec
Finland	104.2	125.7	-17	131.0
Sweden	143.6	82.5	74	158.4
Norway	424.7	21.4	> 100	502.8
Other	47.8	44.8	7	55.9
Total non-current assets	720.3	274.5	> 100	848.1

Non-current assets include property, plant and equipment, right-of-use assets and intangible assets excluding goodwill.

¹⁾ Restated. More information in Notes to the interim financial statements.

Depreciation by segment

	2020	2019	Change	2020	2019	Change	2019
EUR million	7-9	7-9	%	1-9	1-9	%	1-12
Digital Consulting	1.1	0.7	66	3.5	2.0	73	2.9
Cloud & Infra	10.3	9.8	5	33.2	29.6	12	41.2
Industry Software	0.5	0.4	24	1.5	1.2	29	1.6
Financial Services Solutions	1.0	0.1	> 100	2.9	0.3	> 100	0.7
Product Development Services	0.1	0.0	62	0.2	0.2	19	0.3
Other	15.2	10.3	48	45.8	30.6	50	41.5
Group total	28.2	21.3	32	87.2	63.9	37	88.1

Amortization on intangible assets recognized at fair value from acquisitions by segment

	2020	2019	Change	2020	2019	Change	2019 ¹⁾
EUR million	7-9	7-9	%	1-9	1-9	%	1-12
Digital Consulting	2.5	0.3	> 100	7.5	1.0	> 100	2.1
Cloud & Infra	2.1	0.0	> 100	6.2	0.0	> 100	0.8
Industry Software	1.6	0.4	> 100	5.0	1.2	> 100	2.1
Financial Services Solutions	5.2	0.3	> 100	15.5	1.0	> 100	3.0
Product Development Services	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—
Group total	11.4	1.1	> 100	34.2	3.3	> 100	8.0

¹⁾ Restated. More information in Notes to the interim financial statements.

Amortization on other intangible assets by segment

	2020	2019	Change	2020	2019	Change	2019
EUR million	7-9	7-9	%	1-9	1-9	%	1-12
Digital Consulting	0.2	0.0	> 100	0.4	0.0	> 100	0.1
Cloud & Infra	1.1	1.8	-38	4.8	6.8	-29	9.0
Industry Software	0.8	0.1	> 100	2.4	0.2	> 100	0.4
Financial Services Solutions	1.0	—	100	2.8	—	> 100	0.4
Product Development Services	—	—	—	—	—	—	—
Other	0.8	0.1	> 100	1.9	0.3	> 100	0.5
Group total	3.9	2.0	97	12.3	7.3	69	10.4

Derivatives

Nominal amounts of derivatives

Includes the gross amount of all nominal values for contracts that have not yet been settled or closed. The amount of nominal value outstanding is not necessarily a measure or indication of market risk, as the exposure of certain contracts may be offset by other contracts. The decrease in overall level of derivatives is due to additional hedging volumes resulting from the merger with EVRY in comparative period ending 31 Dec 2019.

	2020	2019
EUR million	30 Sep	31 Dec
Forward contracts outside hedge accounting at fair value through profit or loss	684.3	1 694.1
Foreign exchange forward contracts	684.3	1 694.1

Fair values of derivatives

EUR million	30 Sep 2020			31 Dec 2019		
	Gross positive fair values	Gross negative fair values	Net fair values	Gross positive fair values	Gross negative fair values	Net fair values
Forward contracts outside hedge accounting at fair value through profit or loss	1.6	-4.2	-2.6	4.3	-19.0	-14.7
Foreign exchange forward contracts	1.6	-4.2	-2.6	4.3	-19.0	-14.7

Derivatives are used for economic hedging purposes only.

Foreign exchange derivatives' fair values are calculated according to foreign exchange and interest rates on the closing date.

Fair value measurement of financial assets and liabilities

There have been no changes in fair value methodology and input levels: foreign exchange forward contracts are valued based on Level 2 inputs and Other financial assets at fair value through profit or loss' (EUR 0.6 million on 30 Sep 2020) fair value measurement is based on their initial value. The fair market value cannot be reliably estimated, due to lack of proper market for the assets.

Trade receivables sold under non-recourse factoring agreements (EUR 33.9 million on 30 Sep 2020) are classified as Financial assets at fair value through profit or loss. Group estimates that the carrying amount approximates the fair value due to their short-term nature.

Commitments and contingencies

EUR million	2020 30 Sep	2019 31 Dec
For TietoEVRY obligations		
Guarantees ¹⁾		
Performance guarantees	6.7	7.0
Lease and payment guarantees	22.0	48.2
Other	0.1	—
Other TietoEVRY obligations		
Lease commitments, not yet commenced	71.3	20.3
Other	0.9	1.1
On behalf of third parties		
Guarantees ¹⁾		
Performance guarantees	24.6	24.9

¹⁾ In addition commitments of EUR 64.5 (41.9) million related to liabilities in the consolidated statement of financial position.

Number of shares

	2020 7–9	2019 7–9	2020 1–9	2019 1–9	2019 1–12
Outstanding shares, end of period					
Basic	118 408 930	73 937 007	118 408 930	73 937 007	118 253 526
Effect of dilutive share-based incentive plans	146 068	100 740	141 037	111 013	283 550
Diluted	118 554 998	74 037 747	118 549 967	74 048 020	118 537 076
Outstanding shares, average					
Basic	118 408 930	73 937 007	118 367 440	73 907 822	77 193 387
Effect of dilutive share-based incentive plans	146 068	100 740	141 037	111 013	283 550
Diluted	118 554 998	74 037 747	118 508 477	74 018 835	77 476 937
Company's possession of its own shares					
End of period	16 841	172 245	16 841	172 245	172 245
Average	16 841	172 245	58 331	201 430	194 073

Alternative performance measures (APMs)

TietoEVERY presents certain financial measures, which, in accordance with the “Alternative Performance Measures” guidance issued by the European Securities and Markets Authority, are not accounting measures defined or specified in IFRS and are, therefore, considered alternative performance measures. TietoEVERY believes that alternative performance measures provide meaningful supplemental information to the financial measures presented in the consolidated financial statements prepared in accordance with IFRS and increase the understanding of the profitability of TietoEVERY’s operations. In addition, they are seen as useful indicators of the Group’s financial position and ability to obtain funding. Alternative performance measures are not accounting measures defined or specified in IFRS and, therefore, they are considered non-IFRS measures, which should not be viewed in isolation or as a substitute to the IFRS financial measures.

Adjusted operating profit (EBIT) by segment

	2020	2019	Change	2020	2019	Change	2019 ¹⁾
EUR million	7–9	7–9	%	1–9	1–9	%	1–12
Digital Consulting	21.1	12.2	72	62.8	36.6	72	49.1
Cloud & Infra	24.0	20.8	15	74.3	45.2	64	74.1
Industry Software	25.0	10.1	> 100	56.4	22.7	> 100	41.2
Financial Services Solutions	15.4	5.2	> 100	39.2	15.8	> 100	27.1
Product Development Services	4.1	3.4	22	13.0	10.6	23	15.1
Other	0.6	-1.6	> 100	2.9	-5.9	> 100	-7.1
Group total	90.2	50.1	80	248.7	125.0	99	199.4

Adjusted operating margin (EBIT) by segment

	2020	2019	Change	2020	2019	Change	2019 ¹⁾
%	7–9	7–9	pp	1–9	1–9	pp	1–12
Digital Consulting	14.7	13.5	1	12.8	11.9	1	11.3
Cloud & Infra	10.9	15.6	-5	10.5	11.3	-1	12.7
Industry Software	21.7	11.9	10	15.4	8.7	7	11.1
Financial Services Solutions	15.2	18.3	-3	12.6	17.9	-5	17.9
Product Development Services	12.3	10.0	2	12.3	10.1	2	10.5
Adjusted operating margin (EBIT)	14.0	13.2	1	12.0	10.5	1	11.5

Reconciliation of adjusted operating profit

	2020	2019	2020	2019	2019 ¹⁾
EUR million	7–9	7–9	1–9	1–9	1–12
Operating profit (EBIT)	28.6	37.8	68.9	92.7	126.8
+ restructuring costs	—	6.9	1.2	23.3	27.9
- capital gains	-1.0	—	-1.0	—	—
+/- M&A related items	—	4.0	—	4.8	24.8
+ IBM partner agreement	8.9	—	27.4	—	2.7
+ TietoEVERY integration	41.8	—	75.0	—	4.9
+ SmartUtilities	-0.3	—	41.1	—	—
+ amortization of acquisition-related intangible assets	11.4	1.1	34.2	3.3	8.0
+/- other items	0.7	0.1	1.9	0.9	4.2
Adjusted operating profit (EBIT)	90.2	50.1	248.7	125.0	199.4

¹⁾ Restated. More information in Notes to the interim financial statements.

Other key figures

	2020	2019	2020	2019	2019 ¹⁾
	7-9	7-9	1-9	1-9	1-12
Adjusted earnings per share, EUR	0.70	0.45	1.51	1.25	1.76
Equity per share, EUR	12.31	5.70	12.31	5.70	14.27
Return on equity, 12-month rolling, %	5.5	23.7	5.5	23.7	7.3
Return on capital employed, 12-month rolling, %	6.1	18.5	6.1	18.5	6.9
Equity ratio, %	42.7	35.4	42.7	35.4	44.6
Interest-bearing net debt, EUR million	951.5	309.1	951.5	309.1	1 070.0
Gearing, %	65.3	73.3	65.3	73.3	63.4
Net debt/EBITDA ²⁾	3.2	1.3	3.2	1.3	4.5
Capital expenditure, EUR million	17.6	11.6	65.6	33.5	51.4
Acquisitions, EUR million	—	0.1	0.3	0.7	175.7

¹⁾ Restated. More information in Notes to the interim financial statements.

²⁾ EBITDA is 12-month average. 1-12/2019 and 1-3/2020 includes EVRY from 5 Dec 2019 onwards. Net debt includes the additional debt due to the merger.

Calculation of alternative performance measures

Adjusted earnings per share	=	$\frac{\text{Net profit for the period excluding adjustments, net of tax}}{\text{Weighted average number of shares}}$
Adjustments	=	Amortization of acquisition-related intangible assets + restructuring costs + capital gains/losses + goodwill impairment charges + other items affecting comparability
Adjusted operating profit (EBIT)	=	Operating profit + adjustments
Adjusted operating profit margin (EBIT), %	=	$\frac{\text{Adjusted operating profit (EBIT)}}{\text{Revenue}}$
Equity per share	=	$\frac{\text{Total equity}}{\text{Number of shares at the year-end}}$
Capital expenditure	=	Acquisitions of intangible assets and property, plant and equipment
Acquisitions	=	Acquisitions of subsidiaries and business operations, net of cash acquired
Return on equity, 12-month rolling, %	=	$\frac{\text{Profit before taxes and non-controlling interests} - \text{income taxes}}{\text{Total equity (12-month average)}} \times 100$
Return on capital employed, 12-month rolling, %	=	$\frac{\text{Profit before taxes} + \text{interest and other financial expenses}}{\text{Total assets} - \text{non-interest-bearing liabilities (12-month average)}} \times 100$
Equity ratio, %	=	$\frac{\text{Total equity}}{\text{Total assets} - \text{advance payments}} \times 100$
Interest-bearing net debt	=	Interest-bearing liabilities – interest-bearing receivables – cash and cash equivalents
Net debt/EBITDA	=	$\frac{\text{Interest-bearing net debt}}{\text{EBITDA (12-month average, excluding capital gains)}}$
Gearing, %	=	$\frac{\text{Interest-bearing net debt}}{\text{Total equity}} \times 100$

Quarterly figures

Key figures

	2020	2020	2020 ¹⁾	2019 ¹⁾	2019	2019	2019
	7-9	4-6	1-3	10-12	7-9	4-6	1-3
Earnings per share, EUR							
Basic	0.16	-0.12	0.30	0.13	0.30	0.24	0.37
Diluted	0.16	-0.12	0.30	0.13	0.30	0.24	0.37
Adjusted earnings per share, EUR	0.70	0.48	0.47	0.49	0.45	0.42	0.41
Equity per share, EUR	12.31	13.06	12.39	14.27	5.70	5.62	5.44
Return on equity, 12-month rolling, %	5.5	5.6	9.3	7.3	23.7	27.6	30.4
Return on capital employed, 12-month rolling, %	6.1	6.3	8.0	6.9	18.5	19.2	22.3
Equity ratio, %	42.7	44.4	43.3	44.6	35.4	33.7	29.7
Interest-bearing net debt, EUR million	951.5	989.3	1 041.4	1 070.0	309.1	362.5	273.2
Gearing, %	65.3	64.0	71.0	63.4	73.3	87.3	67.9
Net debt/EBITDA ²⁾	3.2	3.6	3.8	4.5	1.3	1.5	1.1
Capital expenditure, EUR million	17.6	23.3	24.6	17.9	11.6	12.5	9.4
Acquisitions, EUR million	—	0.3	—	175.0	0.1	—	0.7

²⁾ EBITDA is 12-month average. 10-12/2019 and 1-3/2020 includes EVRY from 5 Dec 2019 onwards. Net debt includes the additional debt due to the merger.

Income statement

	2020	2020	2020 ¹⁾	2019 ¹⁾	2019	2019	2019
EUR million	7-9	4-6	1-3	10-12	7-9	4-6	1-3
Revenue	643.8	686.4	744.2	542.8	379.6	403.2	408.4
Other operating income	4.0	2.5	2.7	3.9	2.7	4.9	5.5
Materials and services	-163.4	-181.9	-176.5	-106.0	-63.3	-66.6	-59.1
Employee benefit expenses	-332.1	-384.5	-397.1	-299.1	-204.9	-244.5	-241.3
Depreciation, amortization and impairment losses	-62.3	-54.3	-46.5	-35.2	-24.4	-25.8	-24.2
Other operating expenses	-61.5	-77.8	-78.7	-73.9	-53.0	-54.5	-54.0
Share of results in joint ventures	0.1	-0.2	1.9	1.7	1.1	1.4	1.4
Operating profit (EBIT)	28.6	-9.8	50.0	34.2	37.8	18.1	36.8
Financial income and expenses	-6.5	-6.4	-5.6	-15.5	-8.8	1.0	-2.7
Profit before taxes	22.1	-16.2	44.4	18.7	29.0	19.1	34.0
Income taxes	-3.1	2.1	-9.2	-6.9	-7.1	-1.0	-6.9
Net profit for the period	19.0	-14.1	35.2	11.7	21.9	18.0	27.1

¹⁾ Restated. More information in Notes to the interim financial statements.

Statement of Financial Position

EUR million	2020 30 Sep	2020 30 Jun	2020 ¹⁾ 31 Mar	2019 ¹⁾ 31 Dec	2019 30 Sep	2019 30 Jun	2019 31 Mar
Goodwill	1 862.7	1 884.2	1 796.0	2 010.6	435.9	439.3	442.4
Other intangible assets	373.6	401.3	392.8	444.8	46.4	44.3	45.4
Property, plant and equipment	98.3	102.9	102.7	111.2	83.0	86.7	87.4
Right-of-use assets	248.5	256.5	259.1	292.1	145.1	152.5	156.7
Interests in joint ventures	19.5	19.6	19.5	23.1	16.4	15.3	15.3
Other non-current assets	70.4	67.6	73.8	102.4	43.9	44.6	43.8
Total non-current assets	2 673.0	2 732.1	2 644.0	2 984.2	770.7	782.9	790.9
Trade receivables and other current assets	611.7	619.2	658.1	661.4	381.8	425.7	434.9
Cash and cash equivalents	198.9	205.4	171.7	164.6	79.2	71.7	186.3
Total current assets	810.7	824.6	829.8	826.0	461.0	497.4	621.3
Assets held for sale	—	—	—	15.6	—	—	—
Total assets	3 483.7	3 556.8	3 473.8	3 825.8	1 231.7	1 280.3	1 412.2
Total equity	1 458.1	1 547.0	1 467.2	1 687.2	421.8	415.3	402.5
Non-current loans	1 074.1	1 084.0	787.7	814.5	287.4	293.6	298.7
Other non-current liabilities	86.4	86.3	82.2	120.1	55.2	49.9	50.9
Total non-current liabilities	1 160.5	1 170.3	869.9	934.5	342.6	343.5	349.6
Trade payables and other current liabilities	703.3	648.3	666.1	740.9	345.3	362.6	489.2
Provisions	60.1	53.8	18.3	13.0	15.0	13.6	8.3
Current loans	101.6	137.4	452.2	448.0	107.1	145.3	162.6
Total current liabilities	865.0	839.5	1 136.7	1 201.9	467.3	521.5	660.1
Liabilities attributable to assets held for sale	—	—	—	2.2	—	—	—
Total equity and liabilities	3 483.7	3 556.8	3 473.8	3 825.8	1 231.7	1 280.3	1 412.2

¹⁾ Restated. More information in Notes to the interim financial statements.

Statement of cash flows

EUR million	2020 7–9	2020 4–6	2020 1–3	2019 10–12	2019 7–9	2019 4–6	2019 1–3
Cash flow from operating activities							
Net profit for the period	19.0	-14.1	35.2	11.7	21.9	18.0	27.1
Adjustments	73.0	59.7	62.3	81.4	39.7	24.2	32.5
Change in net working capital	31.5	58.1	-40.2	49.9	17.6	1.9	-2.8
Cash generated from operating activities before interests and taxes	123.5	103.6	57.3	143.1	79.2	44.2	56.9
Net financial expenses paid	-4.1	-9.6	-19.2	-7.7	-3.8	-2.3	-3.5
Dividends received	—	—	4.3	—	—	1.4	2.2
Income taxes paid	-11.0	-3.7	-11.7	-7.1	-5.8	-6.1	-12.4
Cash flow from operating activities	108.4	90.4	30.7	128.3	69.6	37.1	43.3
Cash flow from investing activities	-15.1	-22.2	-8.0	-724.4	-12.9	-15.6	-9.5
Cash flow from financing activities	-93.2	-35.1	-9.4	681.7	-48.9	-136.9	-12.9
Change in cash and cash equivalents	0.1	33.1	13.4	85.7	7.8	-115.4	20.9
Cash and cash equivalents at the beginning of period	205.4	171.7	164.6	79.2	71.7	186.3	164.6
Foreign exchange differences	-6.6	0.6	-6.3	-0.1	-0.3	0.7	0.9
Change in cash and cash equivalents	0.1	33.1	13.4	85.7	7.8	-115.4	20.9
Cash and cash equivalents at the end of period	198.9	205.4	171.7	164.6	79.2	71.7	186.3

Quarterly figures by segments

The tables below include previous quarters' reported figures restated in accordance with the new segment structure.

Customer revenue by segment

	2020	2020	2020	2019	2019	2019	2019
EUR million	7-9	4-6	1-3	10-12	7-9	4-6	1-3
Digital Consulting	143.0	162.7	183.5	127.9	90.4	105.7	112.2
Cloud & Infra	219.3	232.0	253.0	184.3	132.9	136.0	131.5
Industry Software	115.1	122.0	129.7	110.9	84.4	87.3	88.7
Financial Services Solutions	101.2	101.9	106.9	63.6	28.6	29.5	30.0
Product Development Services	33.3	34.4	38.7	38.5	33.6	34.6	36.8
Other	31.9	33.4	32.4	17.6	9.6	10.0	9.2
Group total	643.8	686.4	744.2	542.8	379.6	403.2	408.4

Operating profit (EBIT) by segment

	2020	2020	2020 ¹⁾	2019 ¹⁾	2019	2019	2019
EUR million	7-9	4-6	1-3	10-12	7-9	4-6	1-3
Digital Consulting	13.2	9.5	20.4	2.4	8.2	4.8	14.7
Cloud & Infra	3.8	10.7	16.3	22.5	18.5	6.5	8.9
Industry Software	23.8	-28.4	9.7	16.5	8.1	5.5	7.0
Financial Services Solutions	-9.2	4.3	6.2	9.4	4.9	4.0	5.9
Product Development Services	4.0	3.7	5.0	3.9	3.4	2.7	4.5
Other	-7.0	-9.5	-7.5	-20.5	-5.2	-5.4	-4.3
Group total	28.6	-9.8	50.0	34.2	37.8	18.1	36.8

Operating margin (EBIT) by segment

	2020	2020	2020 ¹⁾	2019 ¹⁾	2019	2019	2019
%	7-9	4-6	1-3	10-12	7-9	4-6	1-3
Digital Consulting	9.2	5.8	11.1	1.9	9.0	4.5	13.1
Cloud & Infra	1.7	4.6	6.4	12.2	13.9	4.8	6.8
Industry Software	20.7	-23.3	7.5	14.9	9.6	6.3	7.9
Financial Services Solutions	-9.1	4.2	5.8	14.8	17.1	13.4	19.8
Product Development Services	12.1	10.7	12.9	10.0	10.0	7.8	12.3
Operating margin (EBIT)	4.4	-1.4	6.7	6.3	10.0	4.5	9.0

Adjusted operating profit (EBIT) by segment

	2020	2020	2020 ¹⁾	2019 ¹⁾	2019	2019	2019
EUR million	7-9	4-6	1-3	10-12	7-9	4-6	1-3
Digital Consulting	21.1	17.9	23.9	12.5	12.2	8.3	16.1
Cloud & Infra	24.0	26.6	23.7	28.9	20.8	14.8	9.6
Industry Software	25.0	18.4	13.1	18.4	10.1	5.8	6.9
Financial Services Solutions	15.4	12.0	11.7	11.3	5.2	4.3	6.3
Product Development Services	4.1	4.0	5.0	4.5	3.4	2.7	4.5
Other	0.6	1.6	0.7	-1.2	-1.6	-1.9	-2.4
Group total	90.2	80.4	78.2	74.4	50.1	34.0	40.9

Adjusted operating margin (EBIT) by segment

	2020	2020	2020 ¹⁾	2019 ¹⁾	2019	2019	2019
%	7-9	4-6	1-3	10-12	7-9	4-6	1-3
Digital Consulting	14.7	11.0	13.0	9.8	13.5	7.8	14.3
Cloud & Infra	10.9	11.5	9.4	15.7	15.6	10.9	7.3
Industry Software	21.7	15.1	10.1	16.6	11.9	6.6	7.8
Financial Services Solutions	15.2	11.8	11.0	17.8	18.3	14.5	20.9
Product Development Services	12.3	11.5	12.9	11.6	10.0	7.9	12.3
Operating margin (EBIT)	14.0	11.7	10.5	13.7	13.2	8.4	10.0

¹⁾ Restated. More information in Notes to the interim financial statements.

Depreciation by segment¹⁾

	2020	2020	2020	2019	2019	2019	2019
EUR million	7-9	4-6	1-3	10-12	7-9	4-6	1-3
Digital Consulting	1.1	1.2	1.3	0.8	0.7	0.7	0.7
Cloud & Infra	10.3	11.1	11.7	11.6	9.8	9.8	9.9
Industry Software	0.5	0.5	0.5	0.4	0.4	0.4	0.4
Financial Services Solutions	1.0	1.0	1.0	0.4	0.1	0.1	0.1
Product Development Services	0.1	0.1	0.1	0.1	—	0.1	—
Other	15.2	15.0	15.6	10.9	10.3	10.4	9.9
Group total	28.2	28.8	30.1	24.3	21.3	21.6	21.0

¹⁾ Depreciations for 2020 have been reclassified between the segments.

Amortization on intangible assets recognized at fair value from acquisitions by segment

	2020	2020	2020 ¹⁾	2019 ¹⁾	2019	2019	2019
EUR million	7-9	4-6	1-3	10-12	7-9	4-6	1-3
Digital Consulting	2.5	2.4	2.5	1.1	0.3	0.3	0.4
Cloud & Infra	2.1	2.0	2.1	0.7	0.0	0.0	0.0
Industry Software	1.6	1.7	1.6	0.8	0.4	0.4	0.4
Financial Services Solutions	5.2	5.0	5.3	2.0	0.3	0.3	0.3
Product Development Services	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—
Group total	11.4	11.2	11.5	4.7	1.1	1.1	1.1

¹⁾ Restated. More information in Notes to the interim financial statements.

Amortization on other intangible assets by segment¹⁾

	2020	2020	2020	2019	2019	2019	2019
EUR million	7-9	4-6	1-3	10-12	7-9	4-6	1-3
Digital Consulting	0.2	0.1	0.1	0.0	0.0	0.0	0.0
Cloud & Infra	1.1	1.8	1.9	2.3	1.8	3.0	2.0
Industry Software	0.8	1.0	0.6	0.2	0.1	0.1	0.0
Financial Services Solutions	1.0	0.9	0.9	0.4	0.0	0.0	0.0
Product Development Services	—	—	—	—	—	—	—
Other	0.8	0.5	0.5	0.2	0.1	0.1	0.1
Group total	3.9	4.3	4.1	3.1	2.0	3.2	2.2

¹⁾ Amortizations for 2020 have been reclassified between the segments.

Major shareholders on 30 Sep 2020

	Shares	%
1 Apax Guernsey (Holdco) PCC Ltd ¹⁾	19 872 767	16.8
2 Solidium Oy	11 857 918	10.0
3 Cevian Capital Partners Ltd	9 381 731	7.9
4 Silchester International Investors LLP ²⁾	5 906 934	5.0
5 Ilmarinen Mutual Pension Insurance Company	2 939 652	2.5
6 Elo Mutual Pension Insurance Company	1 717 953	1.5
7 Swedbank Robur fonder	1 576 643	1.3
8 Nordea funds	1 000 985	0.8
9 The State Pension fund	858 000	0.7
10 Svenska litteratursällskapet i Finland r.f.	636 345	0.5
Top 10 shareholders total	55 748 928	47.1
- of which nominee registered	25 779 701	21.8
Nominee registered other	44 979 779	38.0
Others	17 697 064	14.9
Total	118 425 771	100.0

Based on the ownership records of Euroclear Finland Oy, Euroclear Sweden AB and Norwegian Central Securities Depository (VPS).

¹⁾ On 20 December 2019, Apax Guernsey (Holdco) PCC Ltd announced that its holding in TietoEVRY Corporation was 19 872 767 shares, which represents 16.8% of the shares and voting rights.

²⁾ Based on the announcement on 1 October 2020, Silchester International Investors LLP's holding in TietoEVRY Corporation on 30 September was 5 906 934 shares, which represents 4.99% of the shares and voting rights.

For further information, please contact:

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A teleconference for analysts and media will be held on Tuesday 27 October 2020 at **10.00 am EEST** (9.00 am CET, 8.00 am UK time). Kimmo Alkio, President and CEO, and Tomi Hyryläinen, CFO, will present the results online in English. **The presentation** can be followed on **TietoEVERY's website**.

Teleconference numbers

Finland: +358 981 710 310
Sweden: +46 856 642 651
Norway: +47 235 002 43
United Kingdom: +44 333 300 0804
United States: +1 631 913 1422
Conference code: 96660772#

To ensure that you are connected to the conference call, please dial in a few minutes before the start of the press and analyst conference. The teleconference is recorded and it will be available on demand later during the day.

TietoEVERY publishes its financial information in English and Finnish.

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