

Q3 2020

Solid third quarter – guidance restored

Kimmo Alkio, President and CEO
Tomi Hyryläinen, CFO

Q3 in brief

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

Covid-19 implications

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

For TietoEVERY impact in Q3 appr. -4% and Q4 expected to be at similar level

Negative profit impact fully mitigated through short term savings

Future of work continuously being developed – employee safety and productivity stable

Key priorities in a changing environment

Year of integration

- Build customer trust
- Common processes
- Deliver synergies
- Covid mitigation

Cultural foundation

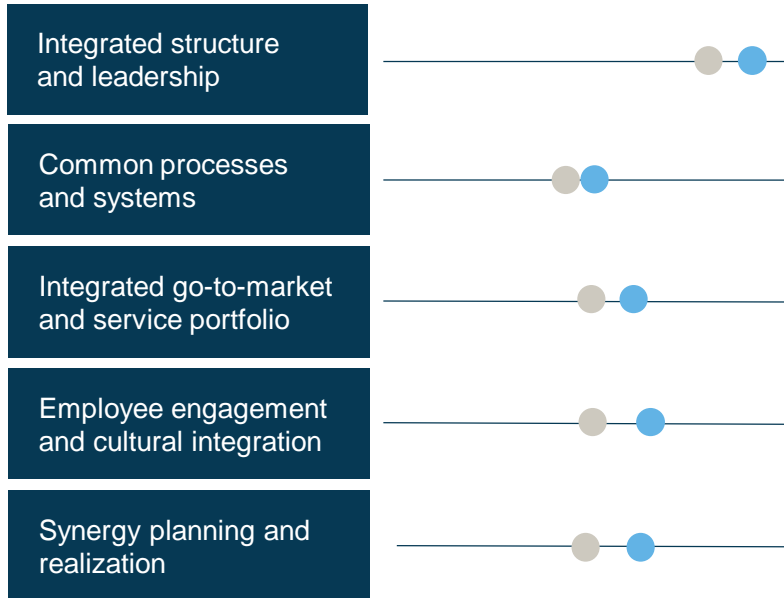
- Nordic heritage and value base
- Culture Code
- Leadership aspirations
- Employee engagement

Sources of innovation and future growth

- Investing into Cloud, automation, AI/Data science
- Shift towards growth agenda
- Future growth bets being initiated

Integration progressing with high engagement

Integration focus area



Current status

- Integrated businesses and functions globally
- Establishing integrated structures for Financial Services as planned

- Common system implementation (e.g. HR, CRM) progressing
- High change management effort to utilize common systems

- Progress with integrated value proposition to the market
- Active customer engagement and deal closures

- High engagement levels across the company continues
- Code-of-conduct, culture code and diversity principles defined

- Progress on track to deliver upgraded EUR 100 million synergies
- EUR 70-80 million run rate executed by 2020

● Q2 status ● Q3 status

Supporting City of Västerås in their digital transformation journey

TietoEVRY supporting City of Västerås, as a new customer, in their digital transformation by delivering workplace, infrastructure and security services

4 (+1) year agreement with TCV of SEK 300 million

Strong momentum in public sector to utilize the opportunities within digitalization

TietoEVRY has a solid position in the digitalization of the public sector



Supporting K Group's strategic ambitions with new technologies and automation

TietoEVERY to boost productivity and cost-efficiency with automation and new technologies – and enable efficient use of data

Service scope incl. next-generation application services, analytics and data services, DigiOps, multi-cloud and capacity services

“We have carefully scanned our options and decided on leading technology companies, including our strategic partner TietoEVERY which has proven strong capabilities to help build digital leadership, accelerate our growth, and ensure business continuity”

- **Arto Hiltunen**, Chief Information Officer of Kesko.



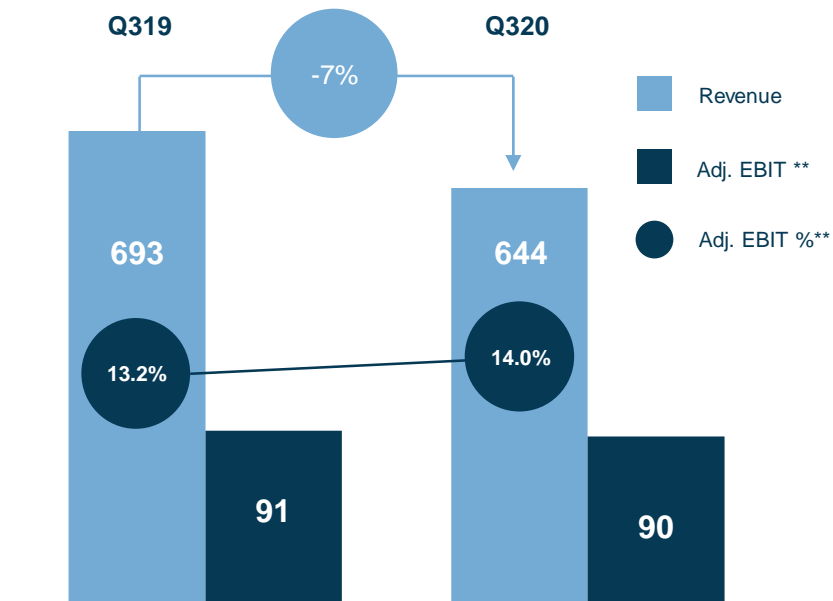
Q3 financial performance



TietoEVRY

Business highlights

- **Revenue EUR 644 million, organic growth* -4.3%**
 - Reported growth -7%, currency impact EUR -16 million
- **Adjusted EBIT EUR 90.2 (91.2) million, 14.0% (13.2)**
 - Currency impact EUR -3 million
- **Reported EBIT EUR 28.6 (67.6) million, 4.4% (9.7)**
 - One-time items of EUR 61.5 million as planned
- Covid-19 impact appr. -4% on revenue
- Profitability improvement driven by synergy contribution and strong performance in Industry Software
- Backlog healthy at EUR 3.2 billion, in line with last year's level
- Strong operative cash flow of EUR 108 million



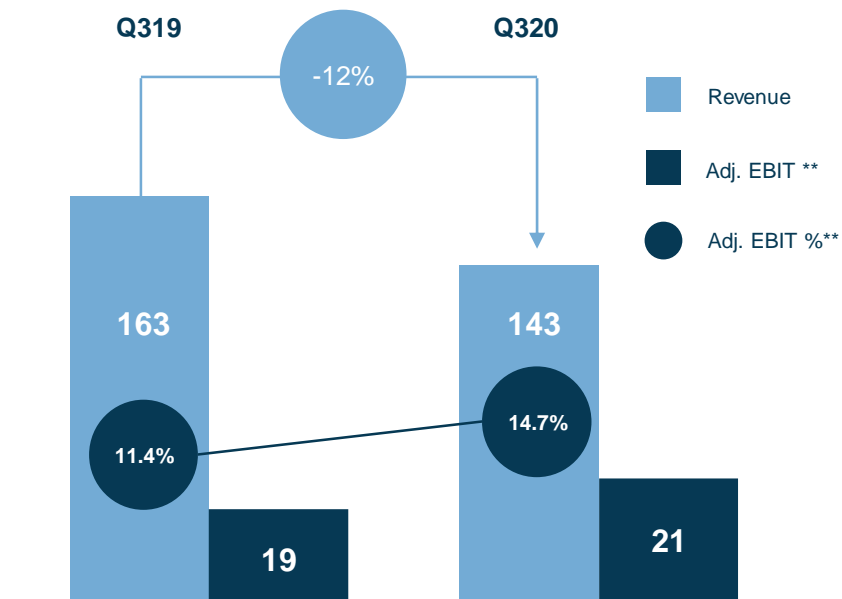
* Adjusted for currency effects, acquisitions and divestments

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

Digital Consulting

Business highlights

- Revenue EUR 143 million, organic growth* -8.9%
- Adjusted EBIT EUR 21.1 (18.5) million, 14.7% (11.4)
- Several new agreements won during the quarter
- Covid-19 impact appr. -7% on revenues and expected to remain at similar level for Q4
- Revenue level temporarily impacted by integration and project portfolio quality improvement with focus on profit
- Profitability development driven by continuous efficiency improvement and mitigation of Covid-19
- Returning to growth mode as Covid-19 situation improves and integration proceeds



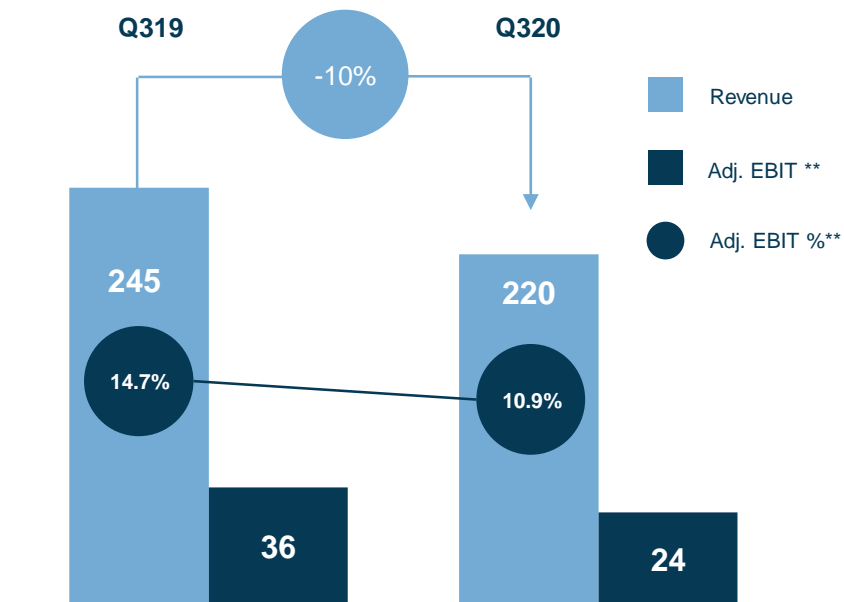
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Cloud & Infra

Business highlights

- Revenue EUR 220 million, organic growth* -8.6%
- Adjusted EBIT EUR 23.9 (36.0) million, 10.9% (14.7)
- Covid-19 impact appr. -1% on revenue – anticipated to increase in Q4 as impacting add-on volumes
- Revenue decline impacted by
 - High comparative Q3'19 due to large transition projects and exceptional revenue items – impact appr. 3%
 - Lost customers during 2019 due to quality issues with earlier partnership – impact appr. 5%
- IBM transition completed, quality improvement and process harmonization under way – automation and productivity gains to follow
- Temporarily lower profitability until summer 2021 due to volume development and incremental costs in IBM related quality improvement and process harmonization – as announced earlier
- Future growth supported by recent new customer wins and large renewals



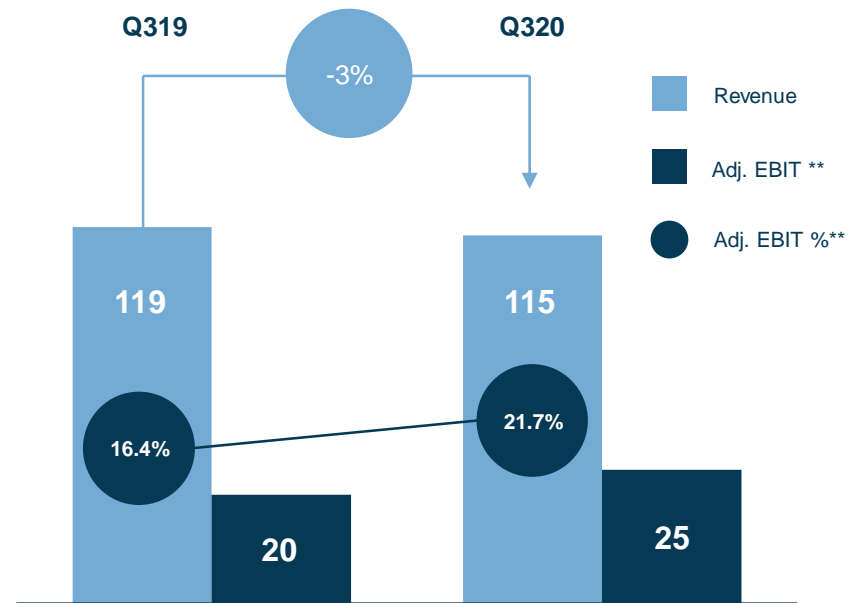
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Industry Software

Business highlights

- Revenue EUR 115 million, organic growth* -1.4%
- Adjusted EBIT EUR 25.0 (19.5) million, 21.7% (16.4)
- Covid-19 impact appr. -3%, primarily in industrial sector
- Healthy growth in solutions for Welfare and Public continues, up by 17% and 7%, respectively
- Public 360 solution gaining 75% annual SaaS volume growth driving enhanced scale and quality
- Profit improvement driven by systematic transformation of global software R&D practices
- SmartUtilities' end-of-life progressing as planned



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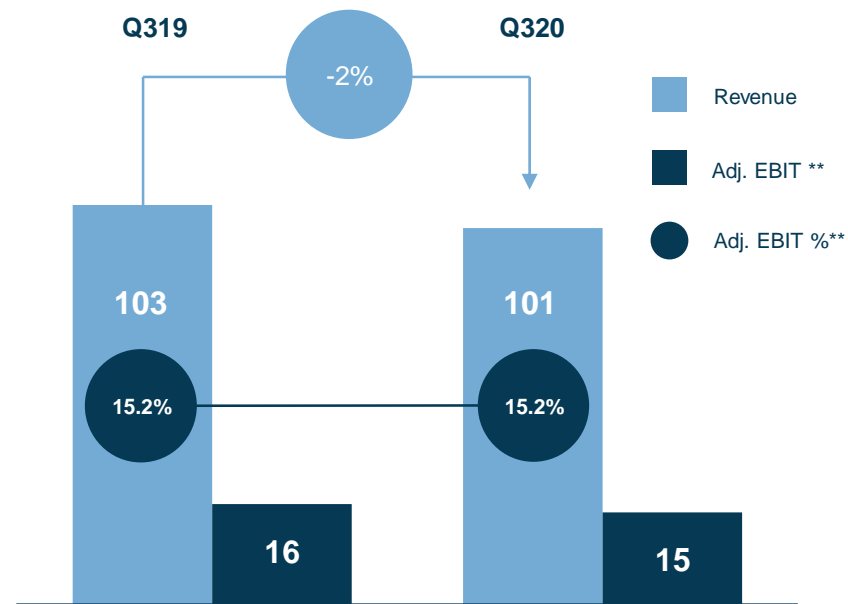
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2020: Integrating software business and R&D practices, building selective domain expertise and SaaS business models

Financial Services Solutions

Business highlights

- Revenue EUR 101 million, organic growth* 3.1%
- Adjusted EBIT EUR 15.4 (15.7) million, 15.2% (15.2)
- Covid-19 impact appr. -3%
- Organic growth driven especially by Cards services
- Profitability remained strong while investment level maintained at a higher level to support delivery of won new business



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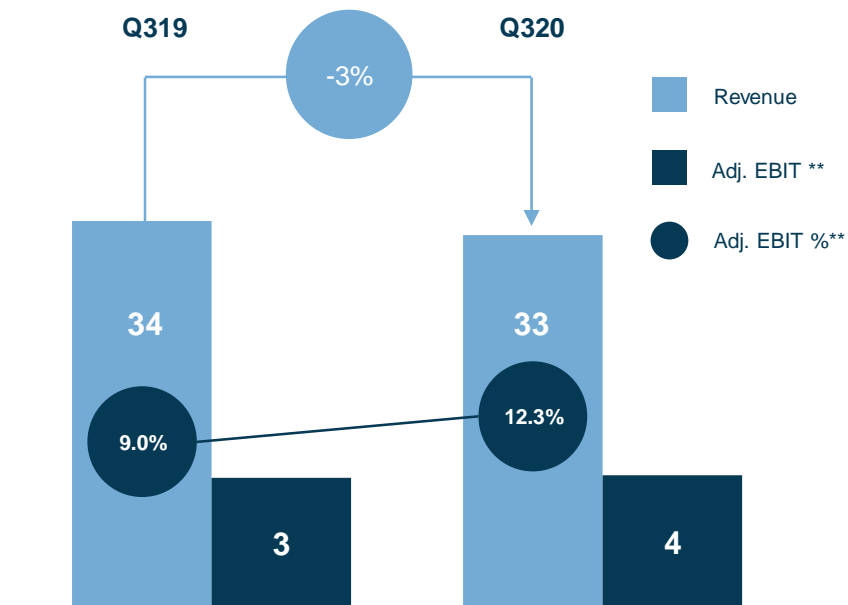
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2020: Integrating software and utility models, drive common software R&D practices and accelerate growth businesses

Product Development Services

Business highlights

- Revenue EUR 33 million, organic growth* -4.0%
- Adjusted EBIT EUR 4.1 (3.1) million, 12.3% (9.0)
- Covid-19 impact appr. -6% mostly affecting the automotive industry
- High market activity and pipeline development with higher demand in 5G Radio and 5G Core expertise
- Increased profitability driven by effective cost base management



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CFO report



CFO highlights

- Strong profitability driven by synergy contribution and Industry Software
- Synergy execution progressing well with continued focus on building a competitive and sustainable cost structure
- Rigid cost management mitigating Covid-19 profit impact
- FX headwinds continuing with EUR -16 million impact on revenue
- Solid operating cash flow of EUR 108 million

Rigid cost management mitigating Covid-19 profit impact

Delivery cost management

- Delivery cost optimization by managing external consultants, subcontractors and temporary layoffs of personnel

Strict cost control and stop spend mindset

- Strict travel restrictions to safeguard employee health and control cost
- Customer and social events converted to digital platforms
- Increased control over procurement of personal IT equipment
- Adapting facility costs in the short-term and building a view for the future of work

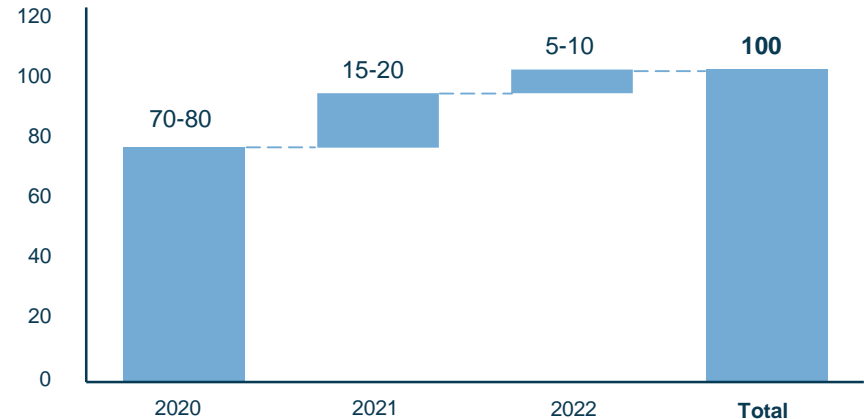
- Covid-19 revenue impact of appr. -4%
- Negative profit impact mitigated

Merger efficiency realization on track to achieve EUR 100 million, with EUR 70-80 million executed by end of 2020

- Target merger efficiencies unchanged at **EUR 100 million**, with merger efficiency run-rate of **EUR 70-80 million** executed by end of 2020
- **Q3** result supported by **EUR 11 million**, full-year profit contribution **EUR 25-30 million**
- Consultations for restructuring of **550 FTEs** initiated in September, with the aim of finalizing potential termination agreements during Q4
- Total estimated one-time **integration costs reduced** to EUR 110-120 million (previously EUR 120-140 million)
- One-time integration costs for 2020 estimated to be EUR 80-85 million, with EUR 75 million realized year-to-date^{*)}

EUR 100 million merger efficiencies achieved within three years

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



EUR 110-120 million of one-time integration cost expected in 2020-2022

^{*)} Q3 includes provisions for restructuring consultations initiated in September 2020

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

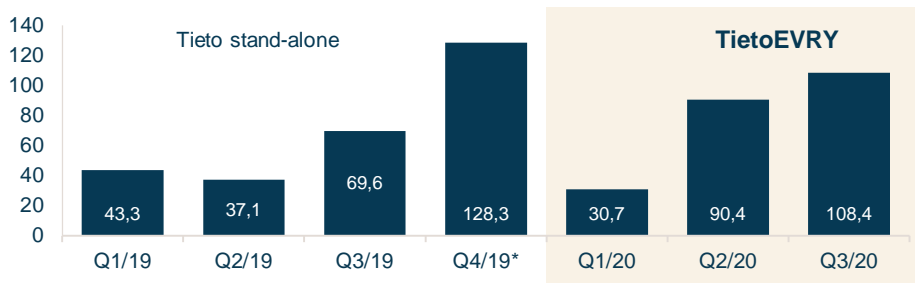
One-time items (EUR million)	Q3 2020 actual	Q4 2020 estimate	FY2020 estimate	FY2021 estimate
Integration cost	42	5-10	80-85	30-40
IBM transition of services	9	8	17	6
IBM old agreement items	0	0	19	0
Tieto SmartUtilities (TSU)	0	0	41	0
Amortization of acquisition related intangible assets	11	11	44	44
Other one time items (e.g. M&A)	0	0-2	2-4	5-10
Total one-time items	62	25-30	~205-210	~85-100
Cash flow impact*	~30	~50-60	~105-115	~45-55

- Q3 integration costs include provisions for restructuring initiated in September 2020 and a non-cash write down of capitalized R&D amounting to EUR 17.4 million as a result of R&D road map integration in FSS
- IBM transition of services based on new agreement, ending in H1 2021
- Preliminary view of FY2022 integration costs indicate EUR 5-10 million

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

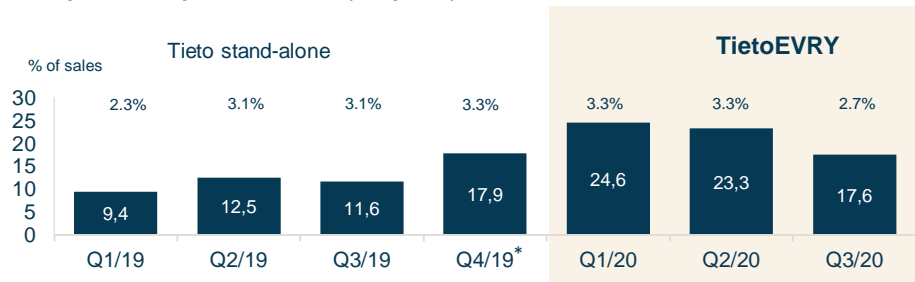
Solid cash flow with good receivables collection

Net cash flow from operations



- EUR 108.4 million cash flow from operations
- Working capital decreased by EUR 31.5 million as a result of favorable development in AR and AP
- No visible delays due to Covid-19 in receivables collection

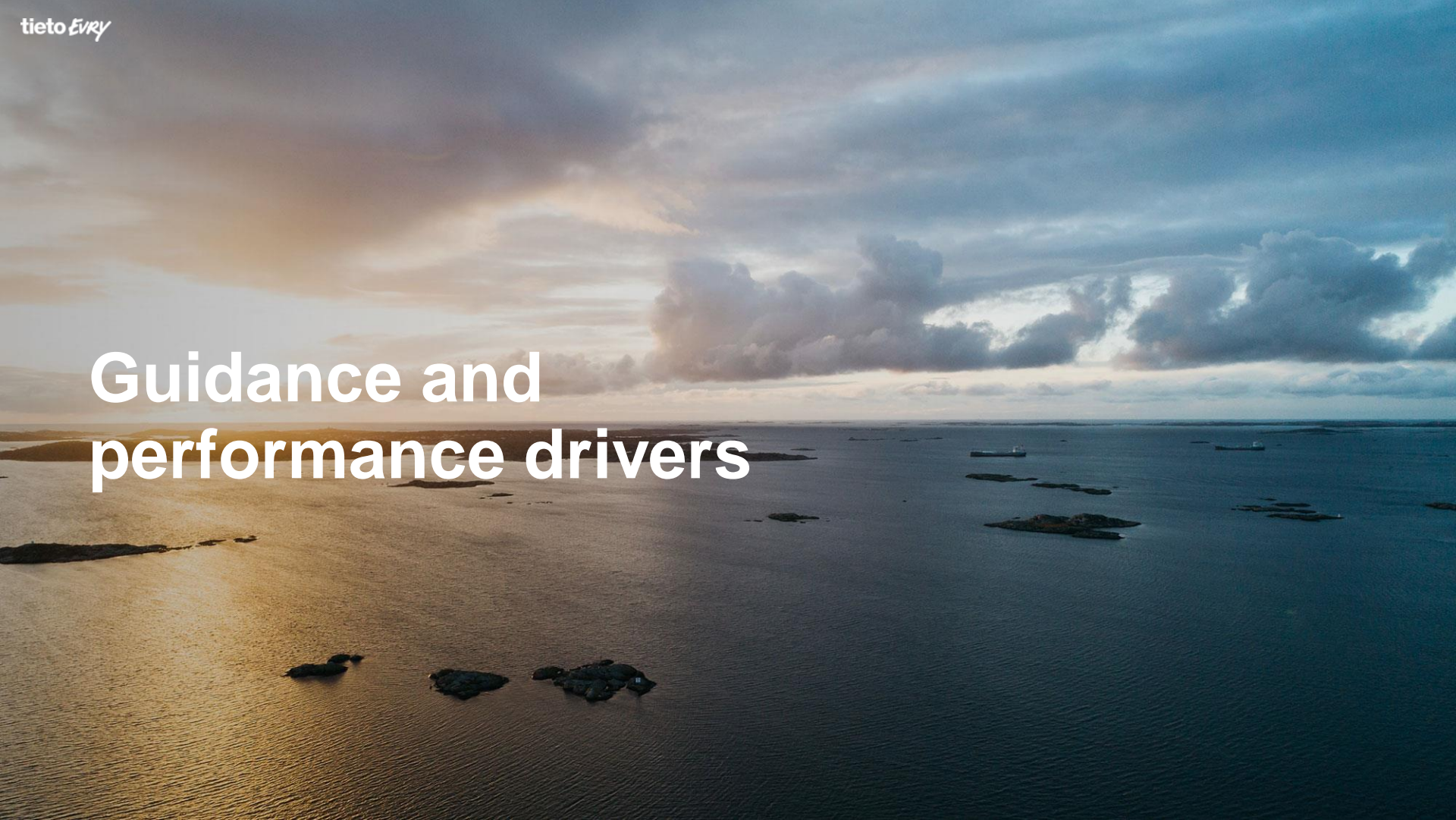
Capital expenditure (capex)



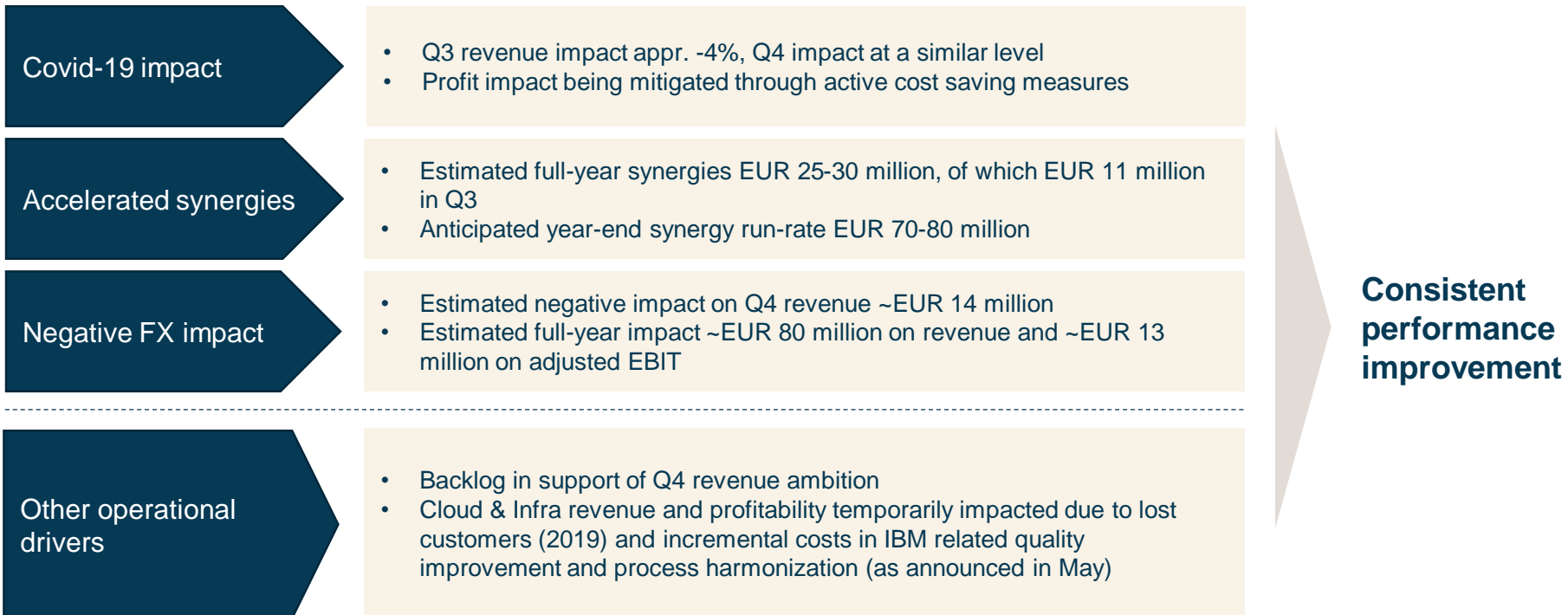
- Capex temporarily at lower level due to holiday impact and normal quarterly fluctuations. Back to normal run rate in Q4
- Main capex components: 1/3 fixed assets, primarily related to datacenter investments and 2/3 in-house developed SW, primarily related to Core Banking platform in Financial Services Solution

*) Including 25 days EVERY impact

Guidance and performance drivers



Performance drivers – Q4 2020



Guidance 2020 reinstated

TietoEVRY expects its comparable full-year adjusted* 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).

CMD – outlining future strategic and financial ambitions

CEO & CFO

Long-term ambition, merger progress and combination of growth, profitability and capital allocation objectives

Service lines

Market opportunity, business objectives and drivers of competitiveness

Country teams

Roundtable discussion of market drivers and opportunities

CMD set for 3 December

Virtual event with broadcast from Helsinki, Oslo and Stockholm

Invitations to be sent by 11 November

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tieto *EVRY*