

Q2 2023

Solid underlying
performance –
growth 3%,
profitability 10.5%

Kimmo Alkio, President and CEO
Tomi Hyryläinen, CFO





Solid underlying performance – growth 3%, profitability 10.5%

Growth driven by Tietoevry Banking, Care and Create

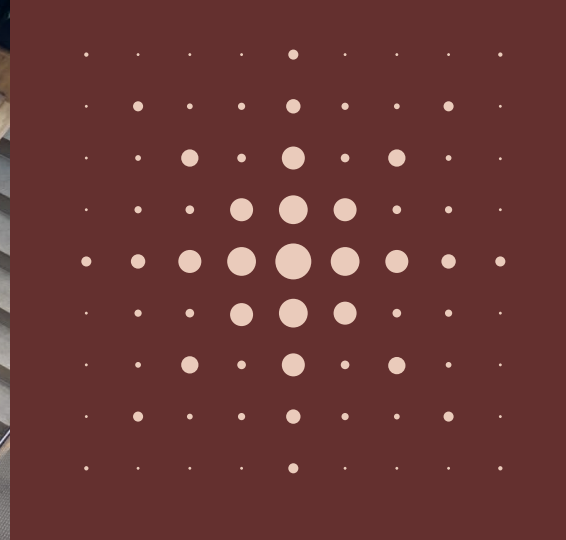
Performance impacted by continued high inflation and fewer working days

Ongoing efficiency measures and strong order backlog, organically up by 8% for H2'23, supporting full-year performance

Tietoevry Banking strategic review conclusions updated to early 2024, Tietoevry Tech Services strategic review progressing as planned

Tietoevry acquires US-based digital engineering company MentorMate (announced 21 July)

Improved H1 performance in a mixed market environment



Continued healthy demand for cloud, data and security services – and industry-specific software

Temporarily softer international digital engineering market and decline in traditional infrastructure services

Improved growth of >5% and profitability of 11.4% in H1 - strong order backlog realizable in H2

Continued attention on efficiency and price increases in a high inflation era

Software and technology services industry extending its value chain with AI and GenAI

Customer priorities



Efficiency



Agility



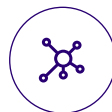
Competitiveness

Technology services and software market growth profiles



Traditional

Declining <-10%



Transform to Cloud

Growth 5-10%



Cloud-native

Growth >10%



AI-Augmented AI-native



Generative AI @Tietoevry

GenAI enhanced growth through new products & services, delivery efficiency and SG&A optimization

Company-level program bringing together expertise and accelerating ethical AI innovation

Use cases across businesses initiated, e.g. in Care for Finnish-speaking GenAI assistant to Lifecare patient system

Live implementations done e.g. in retail for speeding up product information creation

Recent customer wins across specialized businesses



Tietoevry Create delivers Offshore Norge material management software portfolio and application maintenance to serve all operators and suppliers on the Norwegian Continental Shelf.



Ostrobothnia wellbeing services county in Finland chose **Tietoevry Care's** Lifecare as its new client and patient information system. OpenEHR data model adapts to the various workflows and enables e.g. the use of AI.



Tietoevry Tech Services delivers Oslo municipality in Norway its Unit4 ERP solution for both financial management and HR processes.



Tietoevry Industry delivers Göteborg Energi modern Multichannel solution enabling optimized dispatching of invoices and other communications - serving also customer's high sustainability ambitions.

Enhancing diversity and purposeful technology



SHE Conference, Oslo
Women in Tech,
Stockholm



Helsinki Pride
Oslo Pride
Stockholm Pride



SuomiAreena, Finland
Almedalen, Sweden

Tietoevry rated by
EcoVadis in the top 1%
globally in business
sustainability performance

Tietoevry accelerates specialization strategy: Acquires MentorMate, a US based digital engineering company with global capabilities

MentorMate profile

Headquartered in Minneapolis, USA and part of Taylor Corporation

Solid customer base in the USA and Europe

>1 000 employees in the USA, Bulgaria and Paraguay

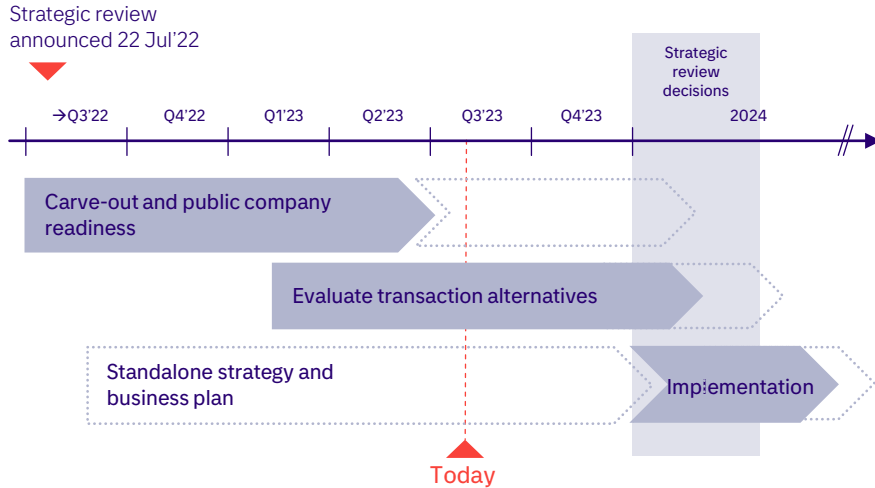
Strong digital engineering capabilities across design, data, cloud and AI

2022 revenues \$65m, growth ~40% and profitability accretive to Tietoevry Create

- Advances Tietoevry Create ambition to become a leading digital engineering player globally
- Expands customer base and growth potential in the US market
- Strengthens Tietoevry Create global digital talent
- Integration starts immediately
- Transaction announced on 21 July 2023

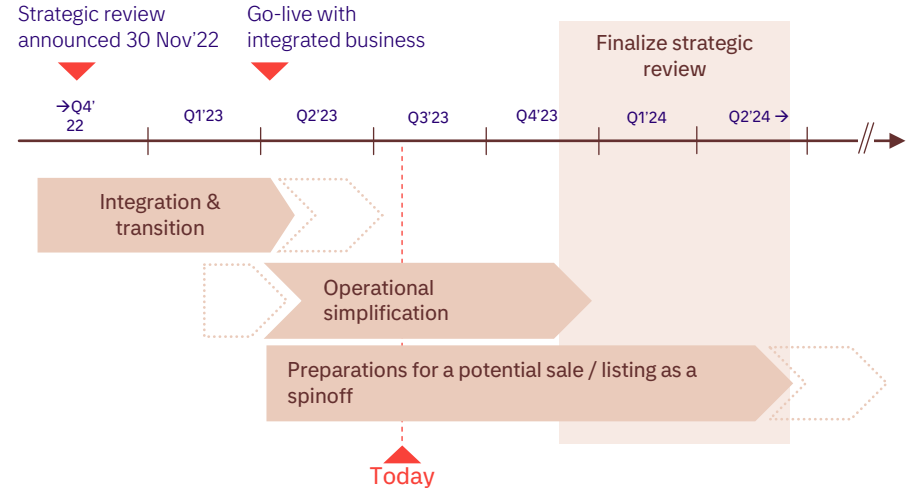
TietoEVRY Banking strategic review conclusions updated to early 2024, TietoEVRY Tech Services strategic review progressing as planned

TIETOEVRy BANKING STRATEGIC REVIEW



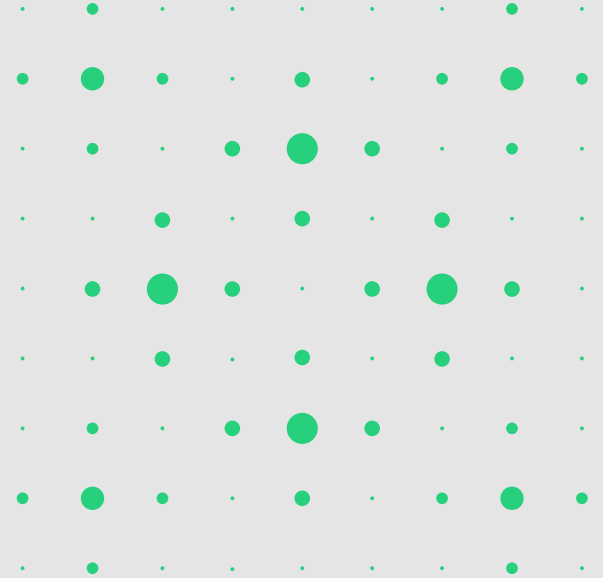
- Strategic review of Banking progressing - standalone legal structures established
- Management finalizing strategy and establishing operations as a fully independent company
- Strategic review decisions during early part of 2024, followed by implementation

TIETOEVRy TECH SERVICES STRATEGIC REVIEW



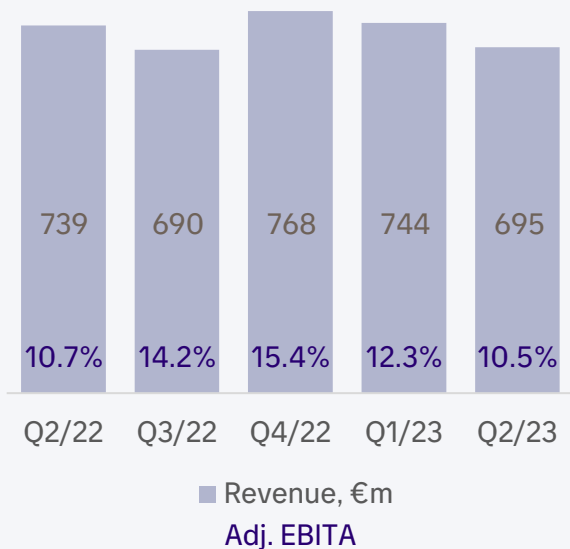
- Significant preparatory step accomplished with operations integrated – new operating model, management system and reporting active
- Ongoing operational simplification actions to improve performance in H2, progressing as planned
- Preparations aiming at a potential sale or listing as a spinoff as announced earlier on track

Business highlights



Tietoevry Group

Order backlog up by 6%¹



Organic growth¹

3%

(5%)



Adj. EBITA²

10.5%

(10.7%)

€73m (79)



Cash flow from operations

€11m

(€8m)



Order backlog

+6%¹

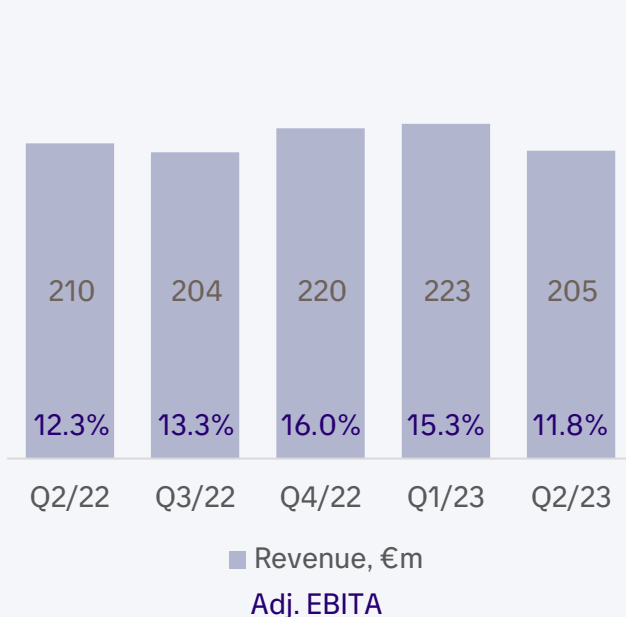
€3 350m (3 400)

Backlog invoiced in H2 +8%¹



Tietoevry Create

Solid growth in a more challenging market



Organic growth

5%

(12%)

Adj. EBITA

11.8%

(12.3%)

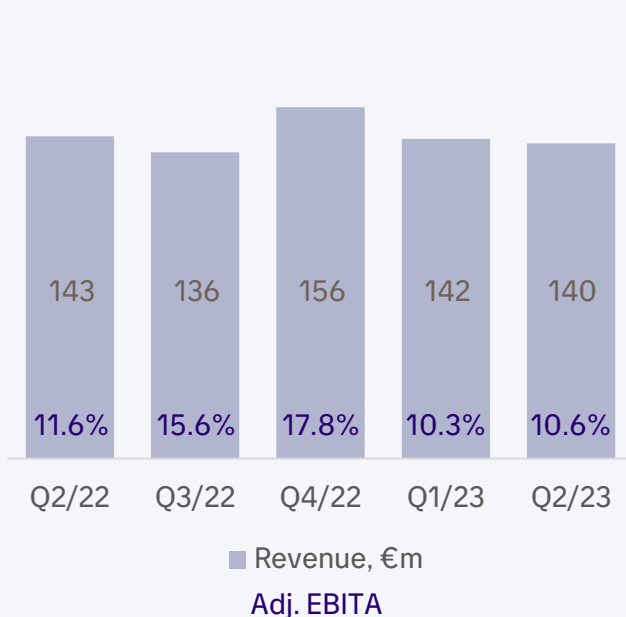
€24m (26)

Highlights

- Growth driven by Austria and Norway, temporarily soft international market
- Healthy demand in data and AI further fuelled by customer interest in the potential of Generative AI.
- Fewer working days impacting growth and profitability
- Stable capacity, while temporarily lower utilization rate, to enable short/mid-term growth

Tietoevry Banking

Continued strong growth



Organic growth

11%

Adj. EBITA

10.6%

(11.6%)

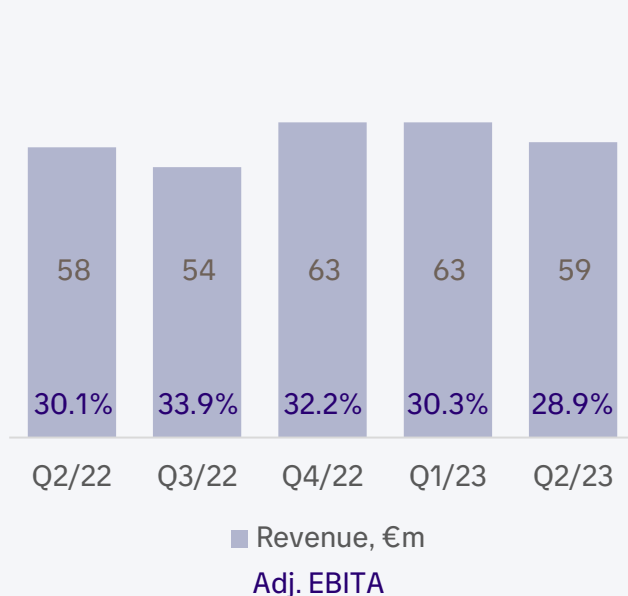
€15m (17)

Highlights

- Solid growth driven by Wealth, Financial Crime Prevention, Credit and Banking as a Service
- Profitability impacted by increased technology costs and increased costs resulting from legal separation
- Profit improvement actions contributing to H2'23 include price increases and efficiency measures, including technology cost optimization

Tietoevry Care

Continued strong growth and profitability



Organic growth

7%

(-4%)

Adj. EBITA

28.9%

(30.1%)

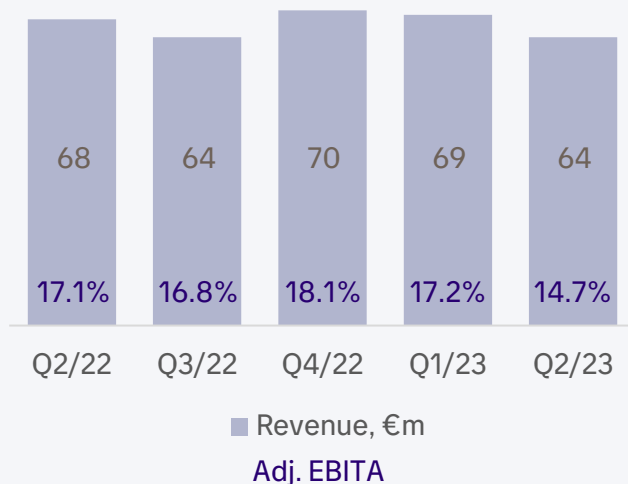
€17m (18)

Highlights

- Strong growth driven by Healthcare and Welfare
- Strategic win of the wellbeing services county Ostrobothnia in Finland
- Continued strong profitability
- Tietoevry Care and Silo AI developing a Gen AI assistant for healthcare professionals

Tietoevry Industry

Healthy underlying performance



Organic growth

4%

(3%)

Adj. EBITA

14.7%

(17.1%)

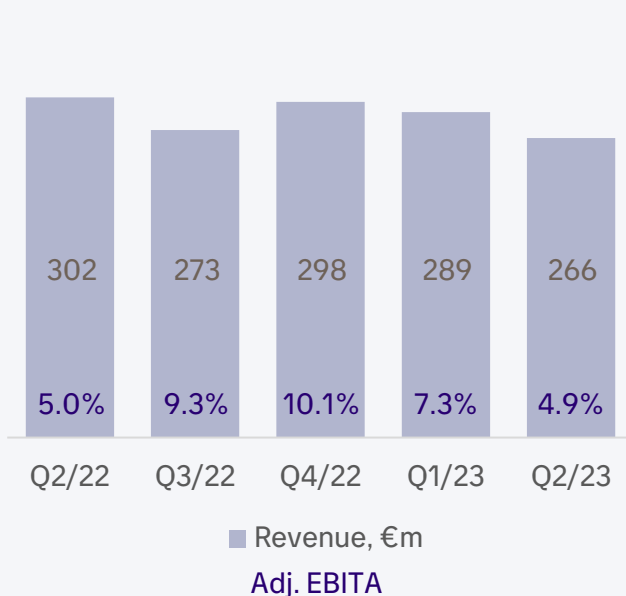
€9m (12)

Highlights

- Solid growth in Pulp & Paper and Data Platforms
- Growth and profitability impacted by timing of customer contracts shifting between quarters
- Healthy order backlog for H2'23

Tietoevry Tech Services

Integration in focus – efficiency measures incl. operational simplification contributing to H2



Organic growth

-5%

Adj. EBITA

4.9%

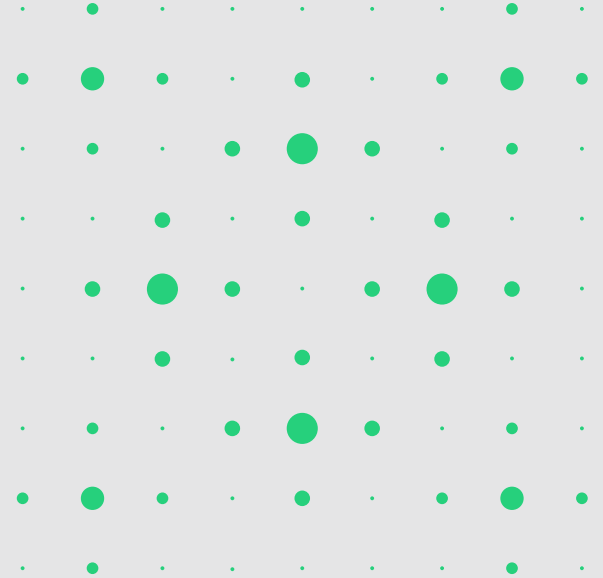
(5.0%)

€13m (15)

Highlights

- Business mix evolving towards scalable data, application and cloud services while volume reduction in traditional infrastructure services and low-margin hardware and software resell
 - Cloud Platforms and Security +12%
 - Traditional infrastructure -11%
 - HW/SW resell -13%
- Profitability impacted by negative growth and high salary and technology cost inflation
- Ongoing efficiency measures contributing to profitability starting in Q3'23

CFO report



Q2'23 financials – solid underlying performance

Q2'23 highlights

- Growth driven by Tietoevry Create, Banking and Care – overall growth negatively impacted by fewer working days (-1.4%) and accelerated decline in traditional infrastructure services
- Reported growth impacted by significant FX headwind of €62m, mainly due to depreciation of NOK and SEK
- Profitability at prior year level, impacted by continued high technology and salary cost inflation and fewer working days
- Operational integration of Tietoevry Tech Services completed in Q2
- Strong order backlog development - organically up +6% and +8% for H2'23
- One-time costs estimate for 2023 unchanged. Q2 one-time costs of €22m mainly driven by strategic reviews and Tietoevry Tech Services performance improvement program

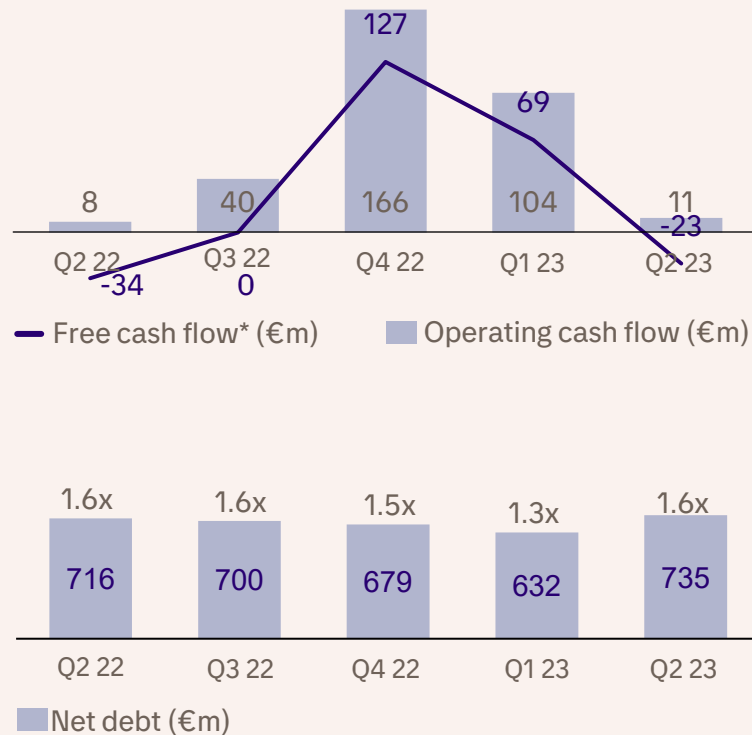
	Q2'23	Q2'22
Revenue and growth		
Revenue	695	739
Reported growth	-6%	2%
Organic growth	3%	5%
FX revenue impact	-62	-4
Order backlog	3 350	3 400
Profitability		
Adj. EBITA	73	79
Adj. EBITA margin	10.5%	10.7%
One-time cost	22	27
EBIT	41	40
EBIT margin	5.9%	5.4%
Cash flow and leverage		
Operative cash flow	11	8
Free cash flow	-23	-34
Net debt	735	716
Leverage (net debt/EBITDA)	1.6x	1.6x
CAPEX	19	24

All numbers in €m

Seasonally low Q2 operating cash flow – Net debt / EBITDA 1.6x

- €11m (8) cash flow from operations
 - Seasonal net working capital increase of €41m – mainly driven by liabilities
 - Free cash flow* of €-23m (-34)
- Cash generation foundation remains healthy

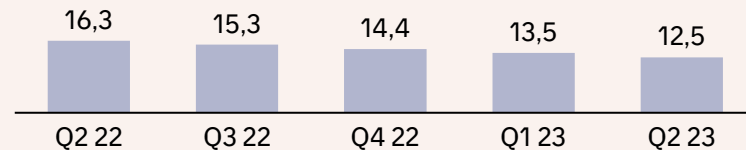
- Net debt/EBITDA 1.6x (1.6x) at end of Q2'23 – within target level of 1-2x
- Interest bearing net debt €735m (716), impacted by dividend payment (€86m)



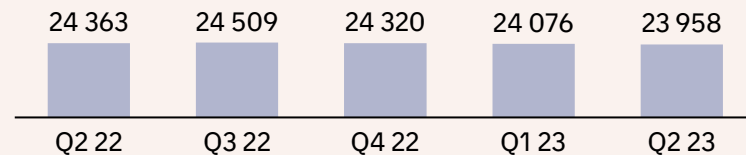
Attrition continues to decrease – salary inflation estimate 5%

- LTM attrition continues to decrease – down 1 pp. since Q1'23
- Slight net personnel decrease from Q1'23 to Q2'23
 - Impacted by performance improvement programme in Tietoevry Tech Services
 - Moderate increase of talent base in other businesses
- New hires at lower levels in response to lower attrition – seasonal recruitment increase in Q3 driven by graduate hires
- Group-level salary inflation is expected to be ~5% for 2023 compared to 4% in 2022 (previous estimate 4-5%)

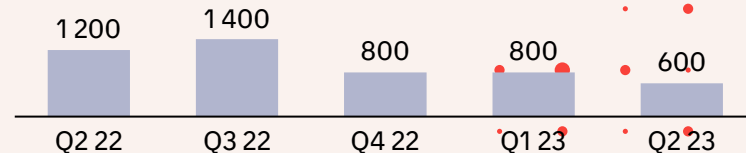
Attrition
% last twelve months
(voluntary)



Personnel
End of period



New hires
In quarter



Performance drivers – Q3'23

Growth drivers



- Continued good momentum Tietoevry Banking - Tietoevry Industry back to healthy growth level
- Continued good momentum in Tietoevry Create, however impacted by strong comparable and less working days
- Healthcare reform in Finland impacting demand for Tietoevry Care in the short term
- Decline in traditional infrastructure services anticipated to continue, driven by acceleration of cloud transformation
- Order backlog for H2'23 organically up by +8%

Profit drivers



- Continued high inflation – demanding agenda to maintain and expand margins
- High technology cost inflation impacting especially Tietoevry Banking and Tietoevry Tech Services businesses
- Tietoevry Tech Services efficiency measures contributing to profit in Q3
- Vacation period having positive impact on profitability

Other drivers



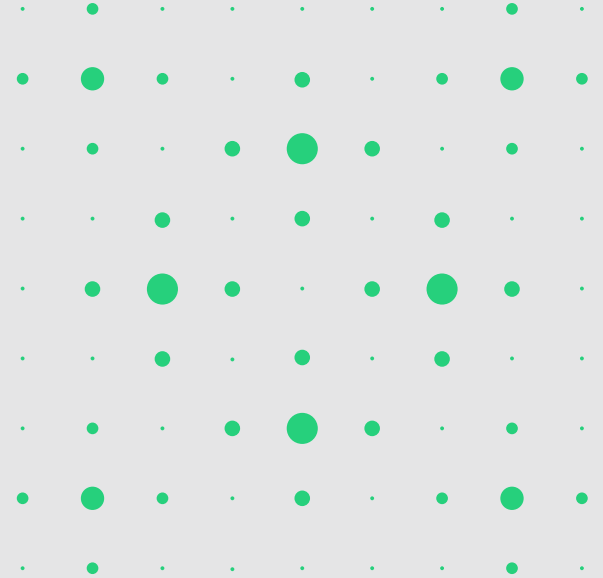
- Negative FX impact on revenue ~€56m
- 1.3 working days less – negative ~1.4% impact on organic growth

Q3 profitability outlook



Business	Q3'22 adj. EBITA %	Profitability outlook
Tietoevry Create	13.3%	Below Q3'22 level
Tietoevry Banking	15.6%	Below Q3'22 level
Tietoevry Care	33.9%	Below Q3'22 level
Tietoevry Industry	16.8%	Above Q3'22 level
Tietoevry Tech Services	9.3%	At or above Q3'22 level

Our way forward



Way forward – accelerating specialization



Solid H1 performance, ongoing efficiency measures, strong order backlog and seasonally strong H2 as foundation for full year execution

Advance Banking and Tech Services strategic reviews to drive shareholder value

Go to place for tech professionals –build on strong engagement foundation

Generative AI provides attractive business opportunities - we aim to be one of the leading players in the market