

Q2 2020

Interim report

JANUARY–JUNE

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

- Adjusted operating profit EUR 80.4 million / 11.7% – solid performance across all businesses
- Integration well on schedule - synergy target increased to EUR 100 million
- Large one-time items for the second quarter and full year 2020 – for future profit contribution
- Dividend of EUR 0.635/share, totaling EUR 75 million, decided for 2019

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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 this 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 second quarter

Revenue, EUR million
686.4 (730.4)

Organic growth¹⁾
-1.0%

Order backlog, EUR million
3 310

Adjusted²⁾ operating profit
(EBIT), EUR million
80.4 / 11.7%
(69.8) (9.6%)

Operating profit (EBIT),
EUR million
-9.8 / -1.4%
(43.9) (6.0%)

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

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.

One-time items, EUR million
90.1

Net debt/EBITDA³⁾
2.9

Full-year outlook for 2020 withdrawn on 27 March

Due to the Covid-19 pandemic, the current economic outlook in TietoEVRY's main markets involves significant uncertainties. Given the uncertainties in the market outlook, it is not possible to estimate the potential impact of the pandemic on the

company's profitability. Hence the full-year guidance was withdrawn on 27 March. Further guidance will be issued once visibility to the market outlook for the second half has improved and significant uncertainties are cleared.

CEO's comment

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

"We are pleased to report a good quarter in a demanding environment, supported by our successful measures to adjust for the impact of Covid-19 and ensure the well-being of our employees. Our integration continues to proceed well and we are increasing the outlook for merger synergies. Overall, the second quarter lays a strong operational foundation for future performance.

Group financial performance in the second quarter improved, with the adjusted operating margin increasing to 11.7%, up from 9.6% in the prior year, while revenues were organically down by 1%. All businesses performed well during the active integration period – and demonstrated fair resilience against the impact of Covid-19.

The merger integration is a major focus area throughout 2020 – we completed the implementation of our unified structure and new integrated financial model during the second quarter. We have executed the integration at a fast pace and are able to increase the target for our merger synergies from the prior level of EUR 75 million to EUR 100 million – with the end of year 2020 run-rate anticipated to reach the level of EUR 70-80 million.

As a result of the merger and our major transformation agenda we experience unusually high one-time costs during the second quarter and full year 2020. These one-time items are necessary to build improved future scale, quality and financial performance for the company. We expect that one-time items will return to normalized levels in 2021 as the integration process continues.

We are pleased to confirm the decision on the 2019 dividend pay-out at 50% of the level authorized by the Annual General Meeting 2020, reflecting the impact of Covid-19 and the expected large one-time items for 2020. We continue to believe in an attractive mid- and long-term dividend outlook for the company.

With the good operational foundation of TietoEVRY, we are committed to delivering a strong performance for the benefit of our customers, employees and shareholders. I'd like to thank our customers and employees for rapidly adapting to the new remote ways of working during the pandemic and continuing to ensure the high availability of services critical to society."

TietoEVERY's quarter in brief

Strong operational performance

Revenue was organically¹⁾ down by 1% and the adjusted operating margin rose to 11.7%. The impact of Covid-19 on growth was around 2 percentage points and the company was able to fully mitigate the negative impact on profit. 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 experienced a temporary decline in demand.

Synergy target increased

TietoEVERY's integration is progressing well and at a fast pace. The company achieved EUR 45 million in the run-rate of merger efficiencies, ahead of schedule, and has increased the year-end run-rate target to EUR 70-80 million from the previous range of EUR 45-55 million. Based on the progress of integration to date, the company increases the total synergy target to EUR 100 million, up from EUR 75 million.

Large one-time items – for future profit contribution

The measures to drive for merger-related efficiencies will require large integration costs during 2020. Furthermore, the company is managing quality and performance risks decisively to allow the integrated company to move forward with less uncertainty and further potential to improve profitability. TietoEVERY's partnership with IBM has been redefined as announced in June. Additionally, the company has decided to end the common SmartUtilities platform and will continue to deliver services on a project basis for the remaining customers. While one-time items in the second quarter and full year 2020 are high, these are anticipated to return to lower levels in 2021.

Enabling shareholder return

The Board of Directors has decided on a dividend of EUR 0.635 per share for the fiscal year 2019 – 50% of the level authorized by the AGM 2020, reflecting Covid-19-related uncertainty and large one-time items in 2020.

Prominent partner for customers

Virtual Account Management to support multinational corporate customers

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 their bank account structure.

Long and successful relationships in the public sector

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 efficiency, provide workplace flexibility via digital online solutions and contribute to stable and secure operation of Stockholm's public transportation.

Supporting the Health Village project, a digital service platform

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.

Improved citizen services in Norway

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.

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 segments.

Financial performance

	Revenue, EUR million 4–6/2020	Revenue, EUR million 4–6/2019	Growth, %	Organic growth, % ²⁾	Adjusted ¹⁾ operating profit, EUR million 4–6/2020	Adjusted ¹⁾ operating profit, EUR million 4–6/2019	Adjusted ¹⁾ operating margin, % 4–6/2020	Adjusted ¹⁾ operating margin, % 4–6/2019
Digital Consulting	162.7	185.2	-12	-6	17.9	15.5	11.0	8.4
Cloud & Infra	232.0	249.2	-7	-3	26.6	25.3	11.5	10.2
Industry Software	122.0	125.5	-3	3	18.4	14.8	15.1	11.8
Financial Services Solutions	101.9	105.3	-3	6	12.0	13.2	11.8	12.6
Product Development Services	34.4	35.4	-3	-2	4.0	2.7	11.5	7.6
Other	33.4	29.7	12	12	1.6	-1.8	—	—
Total	686.4	730.4	-6	-1	80.4	69.8	11.7	9.6

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 6%. The decline was mainly attributable to Covid-19, which had a negative impact of 3 percentage points, and short-term reduced demand in business applications and technology consulting. Cloud advisory and analytics continued to perform well. Adjusted operating margin improved to 11.0% (8.4), mainly due to savings actions taken in response to Covid-19.

In **Cloud & Infra**, revenue was organically down by 3%. There were some volume variations in add-on sales and, additionally, the comparison figure for revenue included a one-time hardware delivery as part of services. The impact of Covid-19 was minor. Adjusted operating margin improved clearly from the previous year's level to 11.5% (10.2), supported by the company's efficiency measures initiated in 2019.

In **Industry Software**, revenue was organically up by 3%. Solutions for the public sector and healthcare and welfare were the main drivers of growth, up by over 10%. Revenue for SmartUtilities continued to decline and impact profitability. The company has decided to end the common SmartUtilities platform. The negative impact of the Covid-19 pandemic on growth was around 2 percentage points. Adjusted operating margin improved to 15.1% (11.8), supported by the company's savings actions taken in response to Covid-19 and efficiency measures initiated in early 2020.

In **Financial Services Solutions**, organic revenue growth amounted to 6%, driven especially by the Cards business. The negative impact of the Covid-19 pandemic on growth was around 2 percentage points. Adjusted operating margin was somewhat down, but remained at a healthy level at 11.8% (12.6). Performance reflects ongoing growth investments to support new volumes in the Cards business. Efficiency measures initiated in the first half of the year are expected to contribute to profitability in the second half.

In **Product Development Services**, revenue declined organically by 2%. Covid-19 impacted the automotive industry in particular, while strong progress continued in the area of modern telecom technologies and systems. The negative impact of the Covid-19 pandemic on growth was around 6 percentage points. Acquisition of new customers proceeded well with new wins in the telecom and automotive segments. Profitability remained at a healthy level due to effective cost base management. Adjusted operating margin improved to 11.5% (7.6) from a low level in the corresponding quarter of 2019.

Reportable segments are described in the [tables section](#).

IT market development

- The company anticipates that the Covid-19 pandemic will continue to have a negative impact on the IT market in 2020.
- Digital transformation continues. Customers aim to improve agility to adapt to rapid market changes.
- Business continuity and cost optimization continue to be a key spend driver. At the same time, innovations focus on delivering superior experiences to customers.

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. Industry analysts currently anticipate

the IT market to decline in 2020, with estimates ranging from -3% to -7%.

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 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.

Operating model to ensure faster time to market

TietoEVERY's operating model is designed to drive customer value across markets and technologies. The operating model consists of Country Teams, Service Lines and Support Functions. In addition, Product Development Services, providing advanced software R&D services, operates as a separate unit, serving its customers globally.

The Country Teams comprise the full capability of TietoEVERY and drive customer experience, quality and growth in that country. Service Lines are designed to bring competitive

and scalable services to our customers and make all the capabilities available for each Country Team. TietoEVRY has five Service Lines:

- Digital Consulting
- Cloud & Infra
- Industry Software
- Financial Services Solutions and
- Product Development Services.

Integration well on schedule – synergy target increased

A unified organization and common reporting structure have now been established, and all levels of leadership have been launched. The current focus is on merger-related efficiencies and competitiveness.

TietoEVRY achieved EUR 45 million in the run-rate of merger efficiencies by the end of the second quarter, ahead of schedule, and increases the run-rate target to EUR 70-80 million from the previous range of EUR 45-55 million by the end of 2020.

Based on the progress of integration to date, the company has increased the synergy target to EUR 100 million, up from the previous target of EUR 75 million. Cost synergies are expected to materialize as follows:

- **Services and go-to-market:** EUR 40-50 million – levers include consolidated managerial, sales and administrative roles, adoption of a global delivery model and common processes, rationalization of the offering portfolio and scale in combined investments
- **Support functions:** EUR 25-35 million – levers include consolidated managerial and administrative roles, harmonized applications and processes, optimized use of shared service centres
- **External costs:** EUR 25-35 million – levers include efficiency related to external purchases, consolidated supplier base, consolidated facilities in common locations.

Non-recurring implementation costs are anticipated to materialize during 2020-2022 and amount to EUR 120-140 million.

Enabling future profit contribution

TietoEVRY has decisively addressed historical risk factors to allow the integrated company to move forward with less uncertainty and greater potential to improve profitability.

Tieto SmartUtilities end-of-life

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.

During the second quarter, TietoEVRY has agreed with its anchor customers to end joint SmartUtilities projects. For the remaining customers, the company will continue to deliver services in accordance with its obligations on a project basis.

This end-of-life decision 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 have been booked in the second quarter, consisting of one-time items for asset impairment of around EUR 9 million and one-time costs for terminated customer contracts and resource ramp down of around EUR 32 million.

TietoEVRY redefines its partnership with IBM

In line with TietoEVRY'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. TietoEVRY has taken full responsibility for the service processes and quality. The new scope of the partnership mainly includes mainframe technology management and a limited number of other discrete services. All other services previously delivered through IBM are being transitioned back to TietoEVRY. TietoEVRY will deliver services to its customers through its defined architecture, processes and tools, enabling full accountability for service experience and quality.

Approximately 180 employees previously on IBM's payroll will join TietoEVRY and approximately 25 employees, related to the mainframe scope, will join IBM. The new agreement became effective on 1 June and the transition is expected to be completed during 2020 and early part of 2021. Following this new agreement, TietoEVRY and IBM have no notices of arbitration.

One-time items related to the agreement will amount to EUR 36 million in total. Out of this, EUR 12 million was booked in the second quarter and the remaining part will be recognized over the transition period of around 12 months. The cash flow impact will be around EUR 32 million negative. TietoEVRY estimates an incremental capital expenditure of EUR 5-10 million in 2020 and 2021 after the agreement. The agreement is expected to be neutral to the company's performance (adjusted operating profit) in the short term and enables future performance improvement in the Cloud & Infra business.

Performance in 2020

Due to the Covid-19 pandemic, the current economic outlook in main markets involves uncertainties and the company anticipates that performance in 2020 will be affected by the 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.

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

- **Digital consulting:** primarily short-term contracts while relationships with customers are long – application 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

The company has thus far been able to fully mitigate the negative impact of weak market conditions. 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. Temporary layoff processes are iterative and the need for temporary leaves is assessed on a regular basis, subject to the magnitude and duration of weak market conditions.

In the full year, current market indicators imply a negative 2-5% revenue impact due to the Covid-19 pandemic on TietoEVERY's growth while the company has a good ability to offset the margin impact of weak market conditions, especially at the lower end of the range. The market situation will be continuously monitored and estimations are updated as visibility improves.

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 23 million during the second half of 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 75-85 million in 2020, up from the previous estimate of EUR 50-60 million.

The consultation processes to ensure optimized operations and reduce overlaps have resulted in over 500 redundancies, mainly in the Nordic countries. Negotiations were concluded mainly during the second quarter.

One-time items unusually high in 2020 – lower levels expected in 2021

TietoEVERY will see unusually high one-time items in 2020. In addition to integration costs, these items include costs of EUR 19 million related to the prior IBM agreement (booked in the first half) and EUR 17 million related to the new IBM agreement (to be booked in the second half) – and EUR 41 million to the end-of-life Tieto 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 June-average exchange rates, the currency impact on revenue will be around EUR 15 million in the third quarter and EUR 80 million in the full year, and around EUR 13 million on operating profit.

Other operational drivers

In Cloud & Infra business, cost base is anticipated to increase during the second half of 2020 due to the IBM transition. Furthermore, an expiring customer contract, as informed earlier, is gradually affecting volumes. This is anticipated to have a negative impact of around 3% on Cloud & Infra second-half revenue.

Financial performance in April–June

	4–6/2020	4–6/2019
Revenue, EUR million	686.4	403.2
Change, %	70.2	-0.2
Operating profit (EBIT), EUR million	-9.8	18.1
Operating margin (EBIT), %	-1.4	4.5
Adjusted ¹⁾ operating profit (EBIT), EUR million	80.4	34.0
Adjusted ¹⁾ operating margin (EBIT), %	11.7	8.4
Profit after taxes, EUR million	-14.1	18.0
EPS, EUR	-0.12	0.24
Net cash flow from operations, EUR million	90.4	37.1
Return on equity, 12-month rolling, %	5.6	27.6
Return on capital employed, 12-month rolling, %	6.3	19.2
Capital expenditure, EUR million	23.3	12.5
Order backlog	3 310	1 800
Acquisitions, EUR million	0.3	—
Interest-bearing net debt, EUR million	989.3	362.5
Personnel on 30 June	23 789	15 101

Second-quarter revenue increased by 70.2% to EUR 686.4 (403.2) million, mainly due to the merger. Second-quarter operating profit (EBIT) amounted to EUR -9.8 (18.1) million, representing a margin of -1.4 (4.5). Operating profit includes EUR 90.1 (15.9) million in adjustment 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 80.4 (34.0) million, or 11.7% (8.4) of net sales. Further details on second-quarter adjusted items are available in the [Alternative Performance Measures](#) paragraph. Currency changes had a negative impact of around EUR 5 million on operating profit.

Depreciation and amortization amounted to EUR 44.4 (25.8) million, including EUR 18.3 (12.2) million in depreciation of right of use assets (IFRS 16 impact) and EUR 11.2 (1.1) million in amortization of acquisition-related intangible assets. Net financial expenses stood at EUR 6.4 (income 1.0) million. Net interest expenses were EUR 5.3 (2.0) million and net losses from foreign exchange transactions EUR 0.3 (gains 3.9) million. Other financial income and expenses amounted to EUR -0.8 (-1.0) million.

Earnings per share (EPS) totalled EUR -0.12 (0.24). Adjusted¹⁾ earnings per share amounted to EUR 0.48 (0.42).

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 4–6/2020	Revenue 4–6/2019	Change %	Operating profit 4–6/2020	Operating profit 4–6/2019
Digital Consulting	162.7	105.7	54	9.5	4.8
Cloud & Infra	232.0	136.0	71	10.7	6.5
Industry Software	122.0	87.3	40	-28.4	5.5
Financial Services Solutions	101.9	29.5	> 100	4.3	4.0
Product Development Services	34.4	34.6	-1	3.7	2.7
Other	33.4	10.0	> 100	-9.5	-5.4
Group total	686.4	403.2	70	-9.8	18.1

Operating margin by segment

%	Operating margin 4–6/2020	Operating margin 4–6/2019	Adjusted ¹⁾ operating margin 4–6/2020	Adjusted ¹⁾ operating margin 4–6/2019
Digital Consulting	5.8	4.5	11.0	7.8
Cloud & Infra	4.6	4.8	11.5	10.9
Industry Software	-23.3	6.3	15.1	6.6
Financial Services Solutions	4.2	13.4	11.8	14.5
Product Development Services	10.7	7.8	11.5	7.9
Total	-1.4	4.5	11.7	8.4

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–June

	1–6/2020	1–6/2019
Revenue, EUR million	1 430.6	811.6
Change, %	76.3	0.1
Operating profit (EBIT), EUR million	40.3	54.9
Operating margin (EBIT), %	2.8	6.8
Adjusted ¹⁾ operating profit (EBIT), EUR million	158.6	74.9
Adjusted ¹⁾ operating margin (EBIT), %	11.1	9.2
Profit after taxes, EUR million	21.1	45.2
EPS, EUR	0.18	0.61
Net cash flow from operations, EUR million	121.1	80.4
Return on equity, 12-month rolling, %	5.6	27.6
Return on capital employed, 12-month rolling, %	6.3	19.2
Capital expenditure, EUR million	47.9	21.9
Order backlog	3 310	1 800
Acquisitions, EUR million	0.3	0.7
Interest-bearing net debt, EUR million	989.3	362.5
Personnel on 30 June	23 789	15 101

First-half revenue increased by 76.3% to EUR 1 430.6 (811.6) million, mainly due to the merger. First-half operating profit (EBIT) amounted to EUR 40.3 (54.9) million, representing a margin of 2.8 (6.8). Operating profit includes EUR 118.2 (20.1) 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 158.6 (74.9) million, or 11.1 (9.2) of net sales. Further details on first-half adjusted items are available in the [Alternative Performance Measures](#) paragraph. Currency changes had a negative impact of around EUR 9 million on operating profit.

Depreciation and amortization amounted to EUR 90.1 (50.1) million, including EUR 37.3 (23.6) million in depreciation of

right of use assets (IFRS 16 impact) and EUR 22.8 (2.2) million in amortization of acquisition-related intangible assets. Net financial expenses stood at EUR 12.1 (1.7) million. Net interest expenses were EUR 10.3 (4.2) million and net losses from foreign exchange transactions EUR 0.2 (gains 3.7) million. Other financial income and expenses amounted to EUR -1.5 (-1.2) million.

Earnings per share (EPS) totalled EUR 0.18 (0.61). Adjusted¹⁾ earnings per share amounted to EUR 0.95 (0.83).

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 1–6/2020	Revenue 1–6/2019	Change %	Operating profit 1–6/2020	Operating profit 1–6/2019
Digital Consulting	346.2	217.9	59	29.9	19.5
Cloud & Infra	485.0	267.5	81	27.0	15.4
Industry Software	251.8	176.0	43	-18.8	12.5
Financial Services Solutions	208.7	59.6	> 100	10.5	9.9
Product Development Services	73.1	71.4	2	8.7	7.2
Other	65.8	19.3	> 100	-16.9	-9.8
Group total	1 430.6	811.6	76	40.3	54.9

Operating margin by segment

%	Operating margin 1–6/2020	Operating margin 1–6/2019	Adjusted ¹⁾ operating margin 1–6/2020	Adjusted ¹⁾ operating margin 1–6/2019
Digital Consulting	8.6	9.0	12.1	11.2
Cloud & Infra	5.6	5.8	10.4	9.1
Industry Software	-7.5	7.1	12.5	7.2
Financial Services Solutions	5.0	16.6	11.4	17.8
Product Development Services	11.9	10.1	12.3	10.1
Total	2.8	6.8	11.1	9.2

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](#).

Cash flow and financing

Second-quarter net cash flow from operations amounted to EUR 90.4 (37.1) million, including a decrease of EUR 58.1 (1.9) million in net working capital. The decrease in net working capital is mainly attributable to an increase in provisions and a decline in accounts receivable. Payments for restructuring amounted to EUR 5.5 (3.4) million.

First-half cash flow from operations amounted to EUR 121.1 (80.4) million, including a decrease of EUR 17.9 (increase 0.8) million in net working capital. Payments for restructuring amounted to EUR 10.8 (5.7) million.

First-half tax payments were EUR 15.4 (18.5) million.

Capital expenditure totalled EUR 47.9 (21.9) million and included EUR 30.1 (6.1) million in capitalized costs for the development of TietoEVERY's industry software. Capital expenditure represented 3.3% (2.7) of net sales.

The equity ratio was 44.4% (33.7). Gearing decreased to 64.0% (87.3). Interest-bearing net debt totalled EUR 989.3 (362.5) million, including EUR 956.2 (285.3) million in interest-

bearing debt, EUR 265.2 (153.6) million in lease liabilities, EUR 5.1 (4.3) million in finance lease receivables, EUR 21.6 (0.4) million in other interest-bearing receivables and EUR 205.4 (71.7) million in cash and cash equivalents.

Interest-bearing long-term loans amounted to EUR 1 084.0 (293.6) million at the end of June. The company issued a new 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 195.4 million in lease liabilities.

Interest-bearing short-term loans amounted to EUR 137.4 (145.3) million, mainly related to commercial papers, leasing liabilities and joint venture cash pool balances. The syndicated revolving credit facility of EUR 250 million expiring in September 2024 was not in use at the end of June.

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 3 310 (1 800) million at the end of June. Of the backlog, 32% (37) 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–June

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 TietoEVRY. 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 TietoEVRY 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 TietoEVRY 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. TietoEVRY 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 TietoEVRY 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 TietoEVRY 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 TietoEVRY 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. TietoEVRY will supply the new employees with equipment, including laptops, PC screens and mobile phones.

In March, TietoEVRY 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 TietoEVRY'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, TietoEVRY signed an agreement with Deutsche Bank for Virtual Account Management (VAM) software. Deutsche Bank will leverage TietoEVRY'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 TietoEVRY 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. TietoEVRY 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, TietoEVRY 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 Heath 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.

Changes in Group structure

The competition clearance from the Norwegian Competition Authority, related to the merger of Tieto and EVRY, was contingent on the divestment of case management and

archiving systems for the public sector in Norway, formerly held by EVRY. The divestment was concluded in February and it does not have any material impact on growth.

Personnel

The number of full-time employees amounted to 23 789 (15 101) at the end of June. The number of full-time employees in the global delivery centres totalled 11 402 (7 699), or 47.9% (51.0) of all personnel.

The number of full-time employees was slightly down from the year-end 2019 level of 23 996.

The 12-month rolling employee turnover stood at 11.4% (12.5) at the end of June. Group-level salary inflation is expected to decrease to less than 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' Meeting

TietoEVRY Corporation's Annual General Meeting held on 29 April approved the financial statements 2019 and discharged the company's officers from liability for the financial year 2019. The meeting also approved the Remuneration Policy for the company's governing bodies and decided to amend the Articles of Association.

The Annual General Meeting decided to not distribute dividends, thus the Annual General Meeting authorized the Board of Directors to decide at a later stage 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.

The meeting decided that the Board of Directors shall consist of ten members and re-elected the Board's current members Tomas Franzén, Salim Nathoo, Harri-Pekka Kaukonen, Timo Ahopelto, Rohan Haldea, Liselotte Hägertz Engstam, Niko Pakalén, Endre Rangnes and Leif Teksum. Katharina Mosheim was elected as a new member. Tomas Franzén was elected as the Chairperson of the Board of Directors.

Management

In May, Harri Salomaa, previously Head of the Telco Cloud Infra and Applications business unit, was nominated as

Head of Product Development Services and a member of TietoEVRY Group Leadership as of 1 June.

Shares

The number of TietoEVRY shares amounted to 118 460 771 at the end of June. 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 118 443 930 at the end of the period.

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 TietoEVRY'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. TietoEVRY 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 TietoEVRY's top 10 customers currently account for around 16% 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 TietoEVRY's case implementations relate to both own software development, the scope in related project deliveries and integration of third-party software. Additional technology license 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 TietoEVRY'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. TietoEVRY 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. In addition to fulfilling its regulatory and contractual obligations, TietoEVRY can tap into opportunities by helping customers in businesses through its security and application services.

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.

Events after the period

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 shall be paid to shareholders who on the record date for the dividend payment on 27 July 2020 are recorded in the shareholders'

register held by Euroclear Finland Oy or the registers of Euroclear Sweden AB or Verdipapirsentralen ASA (VPS). The dividend shall be paid beginning from 5 August 2020.

The second dividend instalment of EUR 0.3175 per share shall be paid to shareholders who on the record date for the dividend payment on 28 September 2020 are recorded in the shareholders' register held by Euroclear Finland Oy or the registers of Euroclear Sweden AB or Verdipapirsentralen ASA (VPS). The dividend shall be paid beginning from 6 October 2020.

Financial calendar 2020

27 October Interim report 3/2020 (8:00 am EET)

Auditing

This interim report is unaudited.



Consolidated interim financial statements

Income statement

EUR million	2020 4–6	2019 4–6	2020 1–6	2019 1–6	Change %	2019 ¹⁾ 1–12
Revenue	686.4	403.2	1 430.6	811.6	76	1 734.0
Other operating income	2.5	4.9	5.2	10.3	-50	16.9
Materials and services	-181.9	-66.6	-358.4	-125.7	> 100	-295.0
Employee benefit expenses	-384.5	-244.5	-781.6	-485.8	61	-989.7
Depreciation and amortization	-44.4	-25.8	-90.1	-50.1	80	-106.6
Impairment losses	-10.0	0.0	-10.7	0.0	> 100	-3.1
Other operating expenses	-77.8	-54.5	-156.5	-108.5	44	-235.4
Share of results in joint ventures	-0.2	1.4	1.7	2.9	-41	5.7
Operating profit (EBIT)	-9.8	18.1	40.3	54.9	-27	126.8
Interest and other financial income	0.6	0.6	1.2	1.1	7	2.3
Interest and other financial expenses	-6.7	-3.5	-13.1	-6.5	100	-15.3
Net foreign exchange gains/losses	-0.3	3.9	-0.2	3.7	> 100	-13.0
Profit before taxes	-16.2	19.1	28.2	53.1	-47	100.8
Income taxes	2.1	-1.0	-7.2	-8.0	-10	-22.0
Net profit for the period	-14.1	18.0	21.1	45.2	-53	78.7
Net profit for the period attributable to						
Owners of the Parent company	-14.1	18.0	21.1	45.2	-53	78.7
Non-controlling interest	0.0	0.0	0.0	0.0	—	0.0
	-14.1	18.0	21.1	45.2	-53	78.7
Earnings per share attributable to owners of the Parent company, EUR per share						
Basic	-0.12	0.24	0.18	0.61	-71	1.02
Diluted	-0.12	0.24	0.18	0.61	-71	1.02

Statement of other comprehensive income

EUR million	2020 4–6	2019 4–6	2020 1–6	2019 1–6	Change %	2019 ¹⁾ 1–12
Net profit for the period	-14.1	18.0	21.1	45.2	-53	78.7
Items that may be reclassified subsequently to profit or loss						
Translation differences	84.1	-4.6	-162.8	-3.1	> 100	48.9
Cash flow hedges, net of tax	—	1.7	—	1.7	-100	—
Items that will not be reclassified subsequently to profit or loss						
Remeasurements of the defined benefit plans, net of tax	-4.8	-2.6	2.4	-2.4	> 100	-9.0
Total comprehensive income	65.2	12.5	-139.3	41.4	> 100	118.6
Total comprehensive income attributable to						
Owners of the Parent company	65.2	12.5	-139.3	41.4	> 100	118.6
Non-controlling interest	0.0	0.0	0.0	0.0	—	0.0
	65.2	12.5	-139.3	41.4	> 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 Jun	2019 30 Jun	Change %	2019 ¹⁾ 31 Dec
Goodwill	1 884.2	439.3	> 100	2 010.6
Other intangible assets	401.3	44.3	> 100	444.8
Property, plant and equipment	102.9	86.7	19	111.2
Right-of-use assets	256.5	152.5	68	292.1
Interests in joint ventures	19.6	15.3	28	23.1
Deferred tax assets	34.4	24.3	41	50.1
Defined benefit plan assets	—	0.8	-100	0.0
Finance lease receivables	3.2	3.1	2	3.8
Other financial assets at amortized cost	9.6	0.5	> 100	10.3
Other financial assets at fair value	0.6	0.5	11	0.6
Other non-current receivables	19.8	15.5	27	37.6
Total non-current assets	2 732.1	782.9	> 100	2 984.2
Inventories	4.4	—	100	5.2
Trade and other receivables	563.6	400.8	41	625.0
Financial assets at fair value	29.6	10.4	> 100	13.6
Finance lease receivables	1.9	1.2	60	1.8
Current tax assets	19.7	13.3	49	15.7
Cash and cash equivalents	205.4	71.7	> 100	164.6
Total current assets	824.6	497.4	66	826.0
Assets held for sale	—	—	—	15.6
Total assets	3 556.8	1 280.3	> 100	3 825.8

Equity and Liabilities

EUR million	2020 30 Jun	2019 30 Jun	Change %	2019 ¹⁾ 31 Dec
Share capital, share issue premiums and other reserves	117.4	117.2	0	117.5
Invested unrestricted equity reserve	1 203.5	12.8	> 100	1 203.5
Retained earnings	226.1	285.3	-21	366.1
Equity attributable to owners of the Parent company	1 547.0	415.3	> 100	1 687.1
Non-controlling interest	0.0	0.0	—	0.0
Total equity	1 547.0	415.3	> 100	1 687.2
Loans	888.6	184.7	> 100	591.5
Lease liabilities	195.4	108.9	79	222.9
Deferred tax liabilities	16.9	35.6	-53	32.7
Provisions	3.9	3.9	-1	9.1
Defined benefit obligations	35.3	7.7	> 100	41.6
Other non-current liabilities	30.3	2.5	> 100	36.7
Total non-current liabilities	1 170.3	343.4	> 100	934.5
Trade and other payables	639.2	355.8	80	713.9
Financial liabilities at fair value	3.4	0.3	> 100	19.0
Current tax liabilities	5.8	6.6	-13	8.0
Loans	67.6	100.6	-33	372.6
Lease liabilities	69.8	44.7	56	75.4
Provisions	53.8	13.7	> 100	13.0
Total current liabilities	839.5	521.6	61	1 201.9
Liabilities attributable to assets held for sale	—	—	—	2.2
Total equity and liabilities	3 556.8	1 280.3	> 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	—	—	—	—	—	21.1	21.1	0.0	21.1
Other comprehensive income, net of tax									
Remeasurements of the defined benefit plans, net of tax	—	—	—	—	—	2.4	2.4	—	2.4
Translation differences	—	-0.1	—	-168.0	—	5.3	-162.8	—	-162.8
Total comprehensive income	—	-0.1	—	-168.0	—	28.8	-139.3	0.0	-139.3
Transactions with owners									
Contributions and distributions									
Share-based incentive plans	—	—	3.4	—	—	-3.2	0.2	—	0.2
Repurchase of own shares	—	—	-0.9	—	—	—	-0.9	—	-0.9
Total transactions with owners	—	—	2.5	—	—	-3.2	-0.7	—	-0.7
30 Jun 2020	76.6	40.8	-0.4	-218.3	1 203.5	444.8	1 547.0	0.0	1 547.0

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
Comprehensive income									
Net profit for the period	—	—	—	—	—	—	45.2	45.2	0.0
Other comprehensive income, net of tax									
Remeasurements of the defined benefit plans, net of tax	—	—	—	—	—	—	-2.4	-2.4	—
Translation differences	—	-0.9	—	-3.3	—	—	1.1	-3.1	—
Cash flow hedges, net of tax	—	—	—	—	1.7	—	—	1.7	—
Total comprehensive income	—	-0.9	—	-3.3	1.7	—	43.9	41.4	0.0
Transactions with owners									
Contributions and distributions									
Share-based incentive plans	—	—	2.2	—	—	—	-3.6	-1.4	—
Dividends	—	—	—	—	—	—	-107.2	-107.2	—
Changes in ownership interests									
Acquisition of non-controlling interest without change in control	—	—	—	—	—	—	—	—	—
Total transactions with owners	—	—	2.2	—	—	—	-110.8	-108.6	—
30 Jun 2019	76.6	40.6	-2.9	-96.6	1.7	12.8	383.1	415.3	0.0

Statement of cash flows

EUR million	2020 4–6	2019 4–6	2020 1–6	2019 1–6	2019 1–12
Cash flow from operating activities					
Net profit for the period	-14.1	18.0	21.1	45.2	78.7
Adjustments					
Depreciation, amortization and impairment losses	54.3	25.8	100.8	50.1	109.7
Profit/loss on sale of property, plant and equipment, subsidiaries and business operations	-0.1	—	-0.1	—	—
Share of results in joint ventures	0.2	-1.4	-1.7	-2.9	-5.7
Other adjustments	0.9	-0.2	3.8	-0.2	28.9
Net financial expenses	6.4	-1.0	12.1	1.7	23.0
Income taxes	-2.1	1.0	7.2	8.0	22.0
Change in net working capital	58.1	1.9	17.9	-0.8	66.7
Cash generated from operating activities before interests and taxes	103.6	44.2	161.0	101.1	323.3
Net financial expenses paid	-9.6	-2.3	-28.8	-5.8	-17.2
Dividends received	—	1.4	4.3	3.6	3.6
Income taxes paid	-3.7	-6.1	-15.4	-18.5	-31.4
Cash flow from operating activities	90.4	37.1	121.1	80.4	278.4
Cash flow from investing activities					
Acquisition of subsidiaries and business operations, net of cash acquired	-0.3	—	-0.3	-0.7	-175.7
Repayment of EVRY loans	—	—	—	—	-534.2
Capital expenditure	-23.3	-12.5	-47.9	-21.9	-51.4
Disposal of subsidiaries and business operations, net of cash disposed	—	—	15.3	0.3	0.3
Proceeds from sale of property, plant and equipment	0.2	—	2.0	—	0.1
Change in loan receivables	1.2	-3.1	0.8	-2.8	-1.4
Cash flow from investing activities	-22.2	-15.6	-30.1	-25.1	-762.4
Cash flow from financing activities					
Dividends paid	—	-107.3	—	-107.4	-107.4
Repurchase of own shares	—	—	-0.9	—	—
Repayments of lease liabilities	-17.6	-11.4	-35.3	-25.5	-50.3
Bridge loan related to merger	-300.0	—	-300.0	—	300.0
Repayment of bond	—	-100.0	—	-100.0	-100.0
Other short-term financing, net	-15.9	81.7	-6.8	83.0	40.7
Proceeds from long-term borrowings	298.4	—	298.4	—	400.0
Cash flow from financing activities	-35.1	-136.9	-44.6	-149.8	483.0
Change in cash and cash equivalents	33.1	-115.4	46.5	-94.5	-1.0
Cash and cash equivalents at the beginning of period	171.7	186.3	164.6	164.6	164.6
Foreign exchange differences	0.6	0.7	-5.7	1.6	1.0
Change in cash and cash equivalents	33.1	-115.4	46.5	-94.5	-1.0
Cash and cash equivalents at the end of period	205.4	71.7	205.4	71.7	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.

As announced on 17 July 2020, TietoEVERY will publish segment information in this interim report according to the new operating model which took effect on 1 January 2020. 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 have been booked in the second quarter, consisting of one-time items for asset impairment of around EUR 9 million and one-time 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.

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.

The company has thus far been able to fully mitigate the negative impact of weak market conditions. 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. Temporary layoff processes are iterative and the need for temporary leaves is assessed on a regular basis, subject to the magnitude and duration of weak market conditions.

In the full year, current market indicators imply a negative 2-5% revenue impact due to the Covid-19 pandemic on TietoEVERY's growth while the company has a good ability to offset the margin impact of weak market conditions, especially at the lower end of the range.

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 June 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 aging 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.

Events after the end of the reporting period

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.

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

	2020 4–6	2019 4–6	Change %	2020 1–6	2019 1–6	Change %	2019 1–12
Digital Consulting	162.7	105.7	54	346.2	217.9	59	436.3
Cloud & Infra	232.0	136.0	71	485.0	267.5	81	584.7
Industry Software	122.0	87.3	40	251.8	176.0	43	371.2
Financial Services Solutions	101.9	29.5	> 100	208.7	59.6	> 100	151.8
Product Development Services	34.4	34.6	-1	73.1	71.4	2	143.5
Other	33.4	10.0	> 100	65.8	19.3	> 100	46.5
Group total	686.4	403.2	70	1 430.6	811.6	76	1 734.0

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

	2020	2019	2020	2019	2019
EUR million	4–6	4–6	1–6	1–6	1–12
Digital Consulting	2.4	1.6	4.9	3.4	6.9
Cloud & Infra	1.5	1.4	2.8	-0.1	0.8
Industry Software	1.3	0.7	2.6	2.3	6.9
Financial Services Solutions	1.5	0.2	5.0	0.7	8.8
Product Development Services	0.1	1.3	0.5	1.7	3.8
Other	0.1	0.3	0.4	0.6	0.4
Group total	6.9	5.5	16.3	8.5	27.6

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

Operating profit (EBIT) by segment

	2020	2019	Change	2020	2019	Change	2019 ¹⁾
EUR million	4–6	4–6	%	1–6	1–6	%	1–12
Digital Consulting	9.5	4.8	98	29.9	19.5	53	30.1
Cloud & Infra	10.7	6.5	65	27.0	15.4	75	56.4
Industry Software	-28.4	5.5	> 100	-18.8	12.5	> 100	37.1
Financial Services Solutions	4.3	4.0	9	10.5	9.9	6	24.2
Product Development Services	3.7	2.7	36	8.7	7.2	20	14.5
Other	-9.5	-5.4	> 100	-16.9	-9.8	> 100	-35.4
Group total	-9.8	18.1	> 100	40.3	54.9	-26	126.8

Operating margin (EBIT) by segment

	2020	2019	Change	2020	2019	Change	2019 ¹⁾
%	4–6	4–6	pp	1–6	1–6	pp	1–12
Digital Consulting	5.8	4.5	1	8.6	9.0	0	6.9
Cloud & Infra	4.6	4.8	0	5.6	5.8	0	9.6
Industry Software	-23.3	6.3	-30	-7.5	7.1	-15	10.0
Financial Services Solutions	4.2	13.4	-9	5.0	16.6	-12	15.9
Product Development Services	10.7	7.8	3	11.9	10.1	-2	10.1
Operating margin (EBIT)	-1.4	4.5	-6	2.8	6.8	-4	7.3

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

Personnel by country²⁾

	End of period					Average	
	2020 1–6	2019 1–6	Change %	Share %	2019 1–12	2020 1–6	2019 1–6
Sweden	4 418	3 072	44	19	4 780	4 606	3 117
Norway	4 335	612	> 100	18	4 427	4 369	609
India	4 248	2 709	57	18	4 221	4 237	2 722
Finland	3 164	3 306	-4	13	3 261	3 226	3 354
Czech Republic	2 505	2 527	-1	11	2 482	2 499	2 579
Ukraine	1 957	1	> 100	8	1 961	2 020	—
Latvia	916	694	32	4	896	916	687
Poland	745	681	9	3	758	757	676
China	416	489	-15	2	452	435	496
Estonia	307	284	8	1	303	303	297
Austria	180	167	8	1	175	175	168
Lithuania	103	112	-8	0	104	104	113
Other	494	448	10	2	502	510	444
Group total	23 789	15 101	58	100	24 322	24 158	15 261
Onshore countries	12 387	7 402	67	52	12 940	12 679	7 494
Offshore countries	11 402	7 699	48	48	11 383	11 479	7 767
Group total	23 789	15 101	58	100	24 322	24 158	15 261

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

	2020	2019	Change	2019 ¹⁾
EUR million	30 Jun	30 Jun	%	31 Dec
Finland	111.0	127.3	-13	131.0
Sweden	147.2	88.7	66	158.4
Norway	449.2	21.1	> 100	502.8
Other	53.4	46.5	15	55.9
Total non-current assets	760.7	283.6	> 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	4–6	4–6	%	1–6	1–6	%	1–12
Digital Consulting	1.0	0.7	45	2.1	1.4	57	2.9
Cloud & Infra	15.3	9.8	56	31.4	19.8	59	41.2
Industry Software	0.4	0.4	-5	0.8	0.8	5	1.6
Financial Services Solutions	0.9	0.1	> 100	1.8	0.2	> 100	0.7
Product Development Services	0.1	0.1	-38	0.1	0.1	3	0.3
Other	11.1	10.4	7	22.7	20.3	12	41.5
Group total	28.8	21.6	34	58.9	42.5	39	88.1

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

	2020	2019	Change	2020	2019	Change	2019 ¹⁾
EUR million	4–6	4–6	%	1–6	1–6	%	1–12
Digital Consulting	2.4	0.3	> 100	5.0	0.7	> 100	2.1
Cloud & Infra	2.0	0.0	> 100	4.1	0.0	> 100	0.8
Industry Software	1.7	0.4	> 100	3.4	0.8	> 100	2.1
Financial Services Solutions	5.0	0.3	> 100	10.3	0.7	> 100	3.0
Product Development Services	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—
Group total	11.2	1.1	> 100	22.8	2.2	> 100	8.0

Amortization on other intangible assets by segment

	2020	2019	Change	2020	2019	Change	2019
EUR million	4–6	4–6	%	1–6	1–6	%	1–12
Digital Consulting	0.1	0.0	> 100	0.1	0.0	> 100	0.1
Cloud & Infra	3.1	3.0	5	6.4	5.0	30	9.0
Industry Software	0.7	0.1	> 100	1.0	0.1	> 100	0.4
Financial Services Solutions	0.1	—	> 100	0.2	—	> 100	0.4
Product Development Services	—	—	—	—	—	—	—
Other	0.3	0.1	> 100	0.7	0.2	> 100	0.5
Group total	4.3	3.2	36	8.4	5.3	58	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.

EUR million	2020 30 Jun	2019 31 Dec
Forward contracts outside hedge accounting at fair value through profit or loss	502.9	1 694.1
Foreign exchange forward contracts	502.9	1 694.1

Fair values of derivatives

	30 Jun 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
Fair values of derivatives						
Forward contracts outside hedge accounting at fair value through profit or loss	1.3	-3.4	-2.1	4.3	-19.0	-14.7
Foreign exchange forward contracts	1.3	-3.4	-2.1	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 Jun 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 28.3 million on 30 Jun 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 Jun	2019 31 Dec
For TietoEVRY obligations		
Guarantees ¹⁾		
Performance guarantees	6.7	7.0
Lease and payment guarantees	43.3	48.2
Other	0.1	—
Other TietoEVRY obligations		
Rent commitments due in 1–5 years ²⁾	22.7	20.3
Other	0.9	1.1
On behalf of third parties		
Guarantees ¹⁾		
Performance guarantees	24.8	24.9

¹⁾ In addition commitments of EUR 50.7 (41.9) million related to liabilities in the consolidated statement of financial position.

²⁾ Parent company has signed Provisional rent contract, where the existence of obligation will be confirmed by certain future events, not wholly within control of TietoEVRY.

Number of shares

	2020 4–6	2019 4–6	2020 1–6	2019 1–6	2019 1–12
Outstanding shares, end of period					
Basic	118 443 930	73 937 007	118 443 930	73 937 007	118 253 526
Effect of dilutive share-based incentive plans	110 428	157 330	121 461	157 246	283 550
Diluted	118 554 358	74 094 337	118 565 391	74 094 253	118 537 076
Outstanding shares, average					
Basic	118 443 930	73 937 007	118 370 698	73 892 988	77 193 387
Effect of dilutive share-based incentive plans	110 428	157 330	121 461	157 246	283 550
Diluted	118 554 358	74 094 337	118 492 159	74 050 234	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	79 304	216 264	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	4–6	4–6	%	1–6	1–6	%	1–12
Digital Consulting	17.9	8.3	> 100	41.8	24.4	72	49.1
Cloud & Infra	26.6	14.8	79	50.3	24.4	> 100	74.1
Industry Software	18.4	5.8	> 100	31.5	12.6	> 100	41.2
Financial Services Solutions	12.0	4.3	> 100	23.7	10.6	> 100	27.1
Product Development Services	4.0	2.7	46	9.0	7.2	24	15.1
Other	1.6	-1.9	> 100	2.3	-4.3	> 100	-7.1
Group total	80.4	34.0	> 100	158.6	74.9	> 100	199.4

Adjusted operating margin (EBIT) by segment

	2020	2019	Change	2020	2019	Change	2019 ¹⁾
%	4–6	4–6	pp	1–6	1–6	pp	1–12
Digital Consulting	11.0	7.8	3	12.1	11.2	1	11.3
Cloud & Infra	11.5	10.9	1	10.4	9.1	1	12.7
Industry Software	15.1	6.6	8	12.5	7.2	5	11.1
Financial Services Solutions	11.8	14.5	-3	11.4	17.8	-6	17.9
Product Development Services	11.5	7.9	4	12.3	10.1	2	10.5
Adjusted operating margin (EBIT)	11.7	8.4	3	11.1	9.2	2	11.5

Reconciliation of adjusted operating profit

	2020	2019	2020	2019	2019 ¹⁾
	4–6	4–6	1–6	1–6	1–12
Operating profit (EBIT)	-9.7	18.1	40.3	54.9	126.8
+ restructuring costs	—	13.2	1.2	16.3	27.9
+/- M&A related items	—	0.5	—	0.9	24.8
+ IBM partner agreement	11.7	—	18.5	—	2.7
+ TietoEVERY integration	25.7	—	33.2	—	4.9
+ SmartUtilities	41.4	—	41.4	—	—
+ amortization of acquisition-related intangible assets	11.2	1.1	22.8	2.2	8.0
+/- other items	0.1	1.2	1.2	0.8	4.2
Adjusted operating profit (EBIT)	80.4	34.0	158.6	74.9	199.4

¹⁾ Restated. More information in [Notes to the interim financial statements](#).

Other key figures

	2020 4–6	2019 4–6	2020 1–6	2019 1–6	2019 ¹⁾ 1–12
Adjusted earnings per share	0.48	0.42	0.95	0.83	1.76
Equity per share, EUR	13.06	5.62	13.06	5.62	14.27
Return on equity, 12-month rolling, %	5.6	27.6	5.6	27.6	7.3
Return on capital employed, 12-month rolling, %	6.3	19.2	6.3	19.2	6.9
Equity ratio, %	44.4	33.7	44.4	33.7	44.6
Interest-bearing net debt, EUR million	989.3	362.5	989.3	362.5	1 070.0
Gearing, %	64.0	87.3	64.0	87.3	63.4
Net debt/EBITDA ²⁾	3.6	1.5	3.6	1.5	4.5
Capital expenditure, EUR million	23.3	12.5	47.9	21.9	51.4
Acquisitions, EUR million	0.3	—	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, %	=	$\frac{\text{Profit before taxes and non-controlling interests – income taxes}}{\text{Total equity (12-month average)}} \times 100$
Return on capital employed, 12-month rolling, %	=	$\frac{\text{Profit before taxes + interest and other financial expenses}}{\text{Total assets – non-interest-bearing liabilities (12-month average)}} \times 100$
Equity ratio, %	=	$\frac{\text{Total equity}}{\text{Total assets – advance payments}} \times 100$
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 ¹⁾	2019 ¹⁾	2019	2019	2019
	4–6	1–3	10–12	7–9	4–6	1–3
Earnings per share, EUR						
Basic	-0.12	0.30	0.13	0.30	0.24	0.37
Diluted	-0.12	0.30	0.13	0.30	0.24	0.37
Adjusted earnings per share	0.48	0.47	0.49	0.45	0.42	0.41
Equity per share, EUR	13.06	12.39	14.27	5.70	5.62	5.44
Return on equity, 12-month rolling, %	5.6	9.3	7.3	23.7	27.6	30.4
Return on capital employed, 12-month rolling, %	6.3	8.0	6.9	18.5	19.2	22.3
Equity ratio, %	44.4	43.3	44.6	35.4	33.7	29.7
Interest-bearing net debt, EUR million	989.3	1 041.4	1 070.0	309.1	362.5	273.2
Gearing, %	64.0	71.0	63.4	73.3	87.3	67.9
Net debt/EBITDA ²⁾	3.6	3.8	4.5	1.3	1.5	1.1
Capital expenditure, EUR million	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 ¹⁾	2019 ¹⁾	2019	2019	2019
EUR million	4–6	1–3	10–12	7–9	4–6	1–3
Revenue	686.4	744.2	542.8	379.6	403.2	408.4
Other operating income	2.5	2.7	3.9	2.7	4.9	5.5
Materials and services	-181.9	-176.5	-106.0	-63.3	-66.6	-59.1
Employee benefit expenses	-384.5	-397.1	-299.1	-204.9	-244.5	-241.3
Depreciation, amortization and impairment losses	-54.3	-46.5	-35.2	-24.4	-25.8	-24.2
Other operating expenses	-77.8	-78.7	-73.9	-53.0	-54.5	-54.0
Share of results in joint ventures	-0.2	1.9	1.7	1.1	1.4	1.4
Operating profit (EBIT)	-9.8	50.0	34.2	37.8	18.1	36.8
Financial income and expenses	-6.4	-5.6	-15.5	-8.8	1.0	-2.7
Profit before taxes	-16.2	44.4	18.7	29.0	19.1	34.0
Income taxes	2.1	-9.2	-6.9	-7.1	-1.0	-6.9
Net profit for the period	-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

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

	2020	2020	2019	2019	2019	2019
EUR million	4–6	1–3	10–12	7–9	4–6	1–3
Cash flow from operating activities						
Net profit for the period	-14.1	35.2	11.7	21.9	18.0	27.1
Adjustments	59.7	62.3	81.4	39.7	24.2	32.5
Change in net working capital	58.1	-40.2	49.9	17.6	1.9	-2.8
Cash generated from operating activities before interests and taxes	103.6	57.3	143.1	79.2	44.2	56.9
Net financial expenses paid	-9.6	-19.2	-7.7	-3.8	-2.3	-3.5
Dividends received	—	4.3	—	—	1.4	2.2
Income taxes paid	-3.7	-11.7	-7.1	-5.8	-6.1	-12.4
Cash flow from operating activities	90.4	30.7	128.3	69.6	37.1	43.3
Cash flow from investing activities	-22.2	-8.0	-724.4	-12.9	-15.6	-9.5
Cash flow from financing activities	-35.1	-9.4	681.7	-48.9	-136.9	-12.9
Change in cash and cash equivalents	33.1	13.4	85.7	7.8	-115.4	20.9
Cash and cash equivalents at the beginning of period	171.7	164.6	79.2	71.7	186.3	164.6
Foreign exchange differences	0.6	-6.3	-0.1	-0.3	0.7	0.9
Change in cash and cash equivalents	33.1	13.4	85.7	7.8	-115.4	20.9
Cash and cash equivalents at the end of period	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	2019	2019	2019	2019
EUR million	4–6	1–3	10–12	7–9	4–6	1–3
Digital Consulting	162.7	183.5	127.9	90.4	105.7	112.2
Cloud & Infra	232.0	253.0	184.3	132.9	136.0	131.5
Industry Software	122.0	129.7	110.9	84.4	87.3	88.7
Financial Services Solutions	101.9	106.9	63.6	28.6	29.5	30.0
Product Development Services	34.4	38.7	38.5	33.6	34.6	36.8
Other	33.4	32.4	17.6	9.6	10.0	9.2
Group total	686.4	744.2	542.8	379.6	403.2	408.4

Operating profit (EBIT) by segment

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

Operating margin (EBIT) by segment

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

Adjusted operating profit (EBIT) by segment

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

Adjusted operating margin (EBIT) by segment

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

	2020	2020	2019	2019	2019	2019
EUR million	4–6	1–3	10–12	7–9	4–6	1–3
Digital Consulting	1.0	1.1	0.8	0.7	0.7	0.7
Cloud & Infra	15.3	16.1	11.6	9.8	9.8	9.9
Industry Software	0.4	0.4	0.4	0.4	0.4	0.4
Financial Services Solutions	0.9	0.9	0.4	0.1	0.1	0.1
Product Development Services	0.1	0.1	0.1	0.0	0.1	0.0
Other	11.1	11.6	10.9	10.3	10.4	9.9
Group total	28.8	30.1	24.3	21.3	21.6	21.0

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

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

	2020	2020	2019	2019	2019	2019
EUR million	4–6	1–3	10–12	7–9	4–6	1–3
Digital Consulting	0.1	0.1	0.0	0.0	0.0	0.0
Cloud & Infra	3.1	3.3	2.3	1.8	3.0	2.0
Industry Software	0.7	0.3	0.2	0.1	0.1	0.0
Financial Services Solutions	0.1	0.1	0.4	—	0.0	0.0
Product Development Services	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.3	0.3	0.2	0.1	0.1	0.1
Group total	4.3	4.1	3.1	2.0	3.2	2.2

Major shareholders on 30 Jun 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 ²⁾	11 004 295	9.3
4 Silchester International Investors LLP ³⁾	9 526 411	8.0
5 Ilmarinen Mutual Pension Insurance Company	2 901 095	2.4
6 Elo Mutual Pension Insurance Company	2 086 087	1.5
7 Swedbank Robur fonder	1 625 235	1.4
8 Nordea funds	949 188	0.8
9 The State Pension fund ⁴⁾	858 000	0.7
10 Svenska litteratursällskapet i Finland r.f.	636 345	0.5
Top 10 shareholders total	60 949 207	51.5
- of which nominee registered	40 403 473	34.1
Nominee registered other	40 577 301	34.3
Others	16 899 263	14.3
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 TietoEVERY Corporation was 19 872 767 shares, which represents 16.8% of the shares and voting rights.

²⁾ Based on the ownership records of Euroclear Finland Oy, Cevian Capital Partners Ltd's holding on 30 April 2020 was 11 004 295 shares, representing 9.3% of the shares and voting rights.

³⁾ On 5 December 2019, Silchester International Investors LLP announced that its holding in TietoEVERY Corporation was 9 526 411 shares, which represents 8.0% of the shares and voting rights.

⁴⁾ The State Pension fund in Finland.

For further information, please contact:

Tomi Hyryläinen, Chief Financial Officer, tel. +358 50 555 0363, [tomi.hyrylainen \(at\) tietoevery.com](mailto:tomi.hyrylainen@tietoenvy.com)

Kjell Arne Hansen, Head of Investor Relations, tel. +47 9504 0372, [kjell.hansen \(at\) tietoevery.com](mailto:kjell.hansen@tietoenvy.com)

A teleconference for analysts and media will be held on Friday 24 July 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: 98211130#

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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TietoEVERY Corporation

Business ID: 0101138-5

Keilahdentie 2-4
PO Box 2
FI-02101 ESPOO, FINLAND
Tel +358 207 2010
Registered office: Espoo

E-mail: [ir \(at\) tietoevery.com](mailto:ir@tietoevery.com)
www.tietoevery.com

