



Tieto-X Plc

Stock Exchange Release

3 August 2004

## **TIETO-X PLC INTERIM REPORT 1 JANUARY - 30 JUNE 2004**

Tieto-X's turnover grew by 34.8 per cent and profit before goodwill amortisation increased 97.0 per cent compared to the same period in the previous year.

Tieto-X's six-month turnover was EUR 13.02 million, which is 34.8 per cent up from the same period in 2003 (2003: EUR 9.66 million). Compared to the previous year, there was a clear increase in profitability. Profit before goodwill amortisation grew 97.0 per cent and stood at EUR 1.93 million, 14.8 per cent of turnover (2003: EUR 0.98 million, 10.1 per cent of turnover).

Tieto-X operates in the IT service market, offering its customers flexible software development and maintenance solutions that support their competitiveness and risk management. Tieto-X's services range from contract work of software experts to software project deliveries and software maintenance services with comprehensive responsibility. The customers utilizing Tieto-X's know-how comprise market leaders in the finance, industry and ICT sectors as well public administration organizations.

### **Turnover**

The general economic atmosphere in the first six months of 2004 was clearly more positive than in the same period in the previous year, and expectations of a recovery of the Finnish economy have strengthened. However, this optimism has not yet materialized as a boost in IT investment. Companies are still cautious to invest in application and systems development.

Tieto-X's order volume remained fairly stable in the first six months of the year. However, thanks to achieving more chargeable hours than expected, the second-quarter turnover from the company's contract work services in software development and maintenance exceptionally exceeded that of the first quarter.

Tieto-X's turnover was up by 34.8 per cent over the same period in the previous year and stood at EUR 13.02 million.

Of the turnover for the period under review, 68.8 per cent was accrued from the ICT sector, 22.4 per cent from finance and public administration sectors, 5.1 per cent from industry sector and 3.7 per cent from other customers. Compared to the previous year, the increase in turnover was very strong in the ICT sector, and, due to the difficult market situation, dropped somewhat in the finance and public administration sectors.

Of the turnover total, 84.3 per cent was accrued from contract work services and 15.7 per cent from software project deliveries.

## **Financial result**

The company's business profitability improved significantly. During the review period the company's profit before goodwill amortisation was EUR 1.93 million or 14.8 per cent of turnover, which is a 97.0 per cent increase over the same period in the previous year (2003: EUR 0.98 million, 10.1 per cent of turnover). Net profit was EUR 1.2 million or 9.6 per cent of turnover, a 282.1 per cent growth over the previous year (2002: EUR 0.3 million, 3.4 per cent of turnover). Earnings per share were EUR 0.17 (2003: 0.04). Cash flow from business operations was EUR 0.22 per share (2003: EUR 0.14).

The boost in profitability over the previous year came from growing business volumes as well as an increase in chargeable hours.

The goodwill amortisation of EUR 0.7 million (2003: 0.7 million) that burden net profit will be written off in five years.

## **Return on capital investment**

Return on investment (ROI) was 34.3 per cent during the period under review (2003: 9.7 per cent). Return on equity (ROE) was 34.5 per cent (2003: 8.8 per cent).

## **Tax rate**

According to the corporate tax reform approved on 30 June 2004 by Eduskunta, the Finnish Parliament, companies that pay dividends in the year 2005 will no longer be subject to complementary taxation, regardless of which fiscal year the dividends derive from. Due to the corporate tax reform as well as deductible losses of liquidated subsidiary shares, the company's tax rate for the year 2004 is expected to be 0.

## **Balance sheet and financing**

The balance sheet total was EUR 10.8 million (2003: EUR 10.7 million). Liquidity was good throughout the review period. The Group's liquid assets at the end of the review period stood at EUR 4.0 million.

## **Personnel**

The number of personnel averaged 333 (2003: 259) during the period under review and was 334 (2003: 274) at the end of the period.

## **Shares and share capital**

Tieto-X's share capital is EUR 291,348.00, and the total number of shares is 7,283,700. The accounting countervalue of the share is EUR 0.04. The ISIN code used in international securities trading is FI0009008007 and the trading symbol is TIX1V. Trading in the Tieto-X share began on Helsinki Exchanges' Pre List on 28 September 1999, and on the NM List on 1 October 1999. The lowest quotation during the review period was EUR 2.18 and the highest EUR 3.66. The final price quoted was EUR 3.29.

There were 2,164 shareholders on 30 June 2004. Private persons owned 67 per cent and institutions 33 per cent of the company's shares. The staff owned 24 per cent of the shares. Foreign ownership was 7 per cent.

The Annual General Meeting decided on 31 March 2004 to cancel 293,300 own shares that the company had in its possession. The reduction of share capital has been entered into the Trade Register on 16 April 2004, and the shares have been cancelled.

### **Corporate Governance**

The company complies with the corporate governance recommendation issued on 1 July 2004 by HEX Integrated Markets Ltd, the Central Chamber of Commerce and the Confederation of Finnish Industry and Employers.

### **IFRS**

The company has implemented the Opening balance sheet of 2004, the aim of which is to adopt financial reporting standards in compliance with IFRS. According to preliminary calculations, the adoption of IFRS standards will have no significant influence on shareholder's equity.

### **FUTURE PROSPECTS**

After a long period of sluggish investment, the improved general economic outlook and the large number of good financial reports that came out in July are expected to finally increase companies' readiness to spend on information technology. Tieto-X expects this potential investment boost to increase the demand for the company's services in all customer sectors before the year-end.

Judging from the company's order backlog and tender prospects, the company's third-quarter business volume is expected to remain on the same level as in the first half of the year. Due to the fact that most of the Tieto-X employees are on summer leave in the third quarter, the turnover for that period is expected to be lower than in the first and second quarters, but clearly exceed the third-quarter turnover of 2003. If there is no turn for the worse in the general economic situation, the company's business volume is expected to grow in the latter half of the year, and the turnover for the fiscal year will thus be significantly higher than that in 2003.

Third-quarter relative profitability is expected to fall slightly below the profitability level of the first six months. However, profitability is expected to exceed the third-quarter profitability of 2003. Profitability level for the fiscal year is expected to be clearly better than in 2003.

**TIETO-X GROUP**

The figures in the income statement and balance sheet have been consolidated. All group companies are included in the consolidated figures.

The original Interim Report is in Finnish. The English version is a translation. The figures are unaudited.

<b>CONSOLIDATED PROFIT AND LOSS ACCOUNT, K EURO</b>	<b>1.1.- 30.6.2004</b>	<b>1.1.- 30.6.2003</b>	<b>Change</b>	<b>1.1.- 31.12.2003</b>
Turnover	13,020	9,659	34.8%	20,231
OPERATING PROFIT BEFORE GOODWILL AMORTISATION	1,927	978	97.0%	2,465
Goodwill amortisation	-705	-650	8.6%	-1,411
OPERATING PROFIT	1,221	329	271.7%	1,054
Financial income and expenses	23	37	-39.6%	82
Profit before extraordinary items	1,244	366	239.9%	1,136
Extraordinary items	0	0		0
<b>Profit before provisions and taxes</b>	<b>1,244</b>	<b>366</b>	<b>239.9%</b>	<b>1,136</b>
Taxes	0	-40	-100%	-325
<b>NET PROFIT FOR THE PERIOD</b>	<b>1,244</b>	<b>325</b>	<b>282.1%</b>	<b>811</b>
<b>CONSOLIDATED BALANCE SHEET, K EURO</b>				
<b>ASSETS</b>	<b>30.6.2004</b>	<b>30.6.2003</b>	<b>31.12.2003</b>	
<b>FIXED ASSETS</b>				
Intangible assets	2,523	3,724	3,137	
Tangible assets	267	114	125	
Investments	71	724	724	
<b>CURRENT ASSETS</b>				
Short-term receivables	3,903	2,921	4,314	
Financial securities	2,185	1,641	1,997	
Cash on hand and on deposits	1,852	1,585	1,617	
<b>ASSETS TOTAL</b>	<b>10,801</b>	<b>10,707</b>	<b>11,914</b>	

**SHAREHOLDERS' EQUITY AND  
LIABILITIES**
**SHAREHOLDERS' EQUITY**

Share Capital	291	303	303
Premium fund	3,704	3,692	3,692
Own shares fund		499	499
Retained earnings	2,087	2,296	2,296
Net accounting period profit	1,244	325	811

**LIABILITIES**

Long-term liabilities	0	71	71
Short-term liabilities	3,475	3,521	4,241
<b>SHAREHOLDERS' EQUITY AND LIABILITIES TOTAL</b>	<b>10,801</b>	<b>10,707</b>	<b>11,914</b>

**SOURCES AND APPLICATION OF  
FUNDS, K EURO**

	<b>1.1.2004- 30.6.2004</b>	<b>1.1.2003- 30.6.2003</b>	<b>1.1.2003- 31.12.2003</b>
<b>BUSINESS OPERATIONS</b>			
Profit before extraordinary items	1,244	366	1,136
Depreciation and amortisation	759	691	1,497
Changes in net working capital	-347	94	-849
Fixed assets wrecking	0	0	0
Fixed assets sales profit	0	0	0
Taxes	-85	-127	-336
<b>Cash flow from business operations</b>	<b>1,571</b>	<b>1,024</b>	<b>1,447</b>
<b>Investments</b>			
Investments in tangible and intangible assets	-135	-19	-63
Transfer income from tangible assets	0	0	0
Acquisition of subsidiaries	0	-540	-540
<b>Cash flow from investments</b>	<b>-135</b>	<b>-559</b>	<b>-604</b>
<b>Cash flow before financing</b>	<b>1,436</b>	<b>465</b>	<b>843</b>
<b>FINANCING</b>			
Dividend paid	-1,020	-909	-909
Acquisition of own shares	0	-499	-499
Short-term loan receivables decrease	6	36	46
<b>Cash flow from financing</b>	<b>-1,014</b>	<b>-1,373</b>	<b>-1,363</b>
Change in funds	422	-908	-519
Funds at the beginning of the period	3,614	4,134	4,134
Funds at the end of the period	4,036	3,226	3,614

**CONSOLIDATED PROFIT AND LOSS ACCOUNT, QUARTERLY, K EURO**

	<b>Q2/2004</b>	<b>Q1/2004</b>	<b>Q4/2003</b>	<b>Q3/2003</b>	<b>Q2/2003</b>
	<b>1.4.04-30.6.04</b>	<b>1.1.04-31.3.04</b>	<b>1.10.03-31.12.03</b>	<b>1.7.03-30.9.03</b>	<b>1.4.03-30.6.03</b>
Turnover	6,536	6,484	6,222	4,350	4,810
OPERATING PROFIT BEFORE GOODWILL AMORTISATION	950	977	1,007	479	492
Goodwill amortisation	- 353	- 353	- 380	- 380	- 297
OPERATING PROFIT	597	624	627	99	194
Financial income and expenses	11	12	33	12	12
Profit before provisions and taxes	608	636	659	111	206
Extraordinary items					
<b>Profit before provisions and taxes</b>	<b>608</b>	<b>636</b>	<b>659</b>	<b>111</b>	<b>206</b>
Taxes	139	- 139	- 217	- 67	- 1
<b>NET PROFIT FOR THE PERIOD</b>	<b>746</b>	<b>497</b>	<b>442</b>	<b>44</b>	<b>205</b>
<b>FINANCIAL RATIOS</b>	<b>1.1.-30.6.2004</b>	<b>1.1.-30.6.2003</b>	<b>1.1.-31.12.2003</b>		
Earnings per share, EUR	0.17	0.04	0.11		
Equity per share, EUR	1.01	0.94	0.98		
Operating cash flow per share, EUR	0.22	0.14	0.20		
Return on investment, %	34.3	9.7	15.1		
Return on equity, %	34.5	8.8	11.0		
Operating profit before goodwill amortisation/turnover, %	14.8	10.1	12.2		
Operating profit/turnover, %	9.4	3.4	5.2		

<b>OTHER INFORMATION</b>	<b>1.1.-30.6.2004</b>	<b>1.1.-30.6.2003</b>	<b>1.1.-31.12.2003</b>
Average number of personnel during the period	333	259	281
Personnel at the end of the period	334	274	335
<b>COMMITMENTS</b>	<b>30.6.2004</b>	<b>30.6.2003</b>	<b>31.12.2003</b>
Commitments for group			
Bank deposits as a security for rent, k Euro	77	69	63
Amounts payable for leasing contracts, k Euro	211	102	271

#### **NEXT REPORTS**

The interim report for the period 1 January - 30 September 2004 will be published on 20 October 2004.

Tieto-X Plc  
The Board of Directors

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