



Tieto-X Plc

Stock Exchange Release

19 October 2004

## **Tieto-X Plc Interim report 1 January - 30 September 2004**

Tieto-X's turnover grew 33.0 per cent and profit before goodwill amortisation increased 92.0 per cent over the same period last year.

Tieto-X's nine-month turnover was EUR 18.63 million, which is 33.0 per cent up from the same period in 2003 (2003: EUR 14.01 million). Business profitability increased substantially over the previous year: profit before goodwill amortisation grew 92.0 per cent and stood at EUR 2.80 million, which is 15.0 per cent of turnover (2003: EUR 1.46 million, 10.4 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 finance, industry and ICT as well public administration organizations.

### **Turnover**

During the ongoing year the general economic trend has become more positive than it has been in the past few years. However, this economic optimism has not yet materialized as a boost in IT investment. Companies are still cautious to invest in information systems and applications development.

After strong growth in the last quarter of 2003, Tieto-X's volume of orders has remained fairly level. The number of chargeable hours has been very high throughout the year. Tieto-X's turnover was up by 33.0 per cent over the first nine months last year and stood at EUR 18.63 million (2003: 14.01 million).

Of the turnover for the period under review, 67.9 per cent was accrued from the ICT sector, 22.9 per cent from the finance and public administration sectors, 5.3 per cent from the industry sector and 3.8 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, decreased somewhat in the finance and public administration sectors.

Of the turnover total, 81.7 per cent was accrued from contract work services and 18.3 per cent from software project deliveries.

## **Financial result**

Tieto-X's business profitability has been good throughout the ongoing year. During the review period the company's profit before goodwill amortisation was EUR 2.80 million or 15.0 per cent of turnover, which is a 92.0 per cent increase over the same period last year (2003: EUR 1.46 million, 10.4 per cent of turnover). Net profit was EUR 1.8 million or 9.6 per cent of turnover, a 384.2 per cent growth over the previous year (2003: EUR 0.4 million, 2.6 per cent of turnover). Earnings per share were EUR 0.25 (2003: 0.05). Cash flow from business operations was EUR 0.27 per share (2003: EUR 0.04).

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

Net profit is burdened by a EUR 1.1 million goodwill amortisation (2003: 1.0 million). The goodwill amortisation will be written off in five years.

## **Return on capital investment**

Return on investment (ROI) was 31.4 per cent during the period under review (2003: 8.4 per cent). Return on equity (ROE) was 31.8 per cent (2003: 6.6 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 11.3 million (2003: EUR 10.7 million). Liquidity was good throughout the review period. The Group's liquid assets stood at EUR 4.4 million at the end of the review period.

## **Organisation**

In order to develop business operations and enhance business organisation management the company implemented a business reorganisation on 1 September 2004. The company's operational business was reorganised into two business units: the Systems Services Unit produces software development and software maintenance services for the customers' information systems, and the Telecommunications Unit produces software development services for mobile communication.

Mr. Asko Vainionpää is head of the systems service unit, and Mr. Kari Liuska is head of the Telecommunications unit.

## **Personnel**

The number of personnel averaged 331 (2003: 267) during the period under review and was 330 at the end of the period (2003: 300).

## **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 Exchange's 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 3.90. The final price quoted was EUR 3.70.

There were 2,295 shareholders on 30 September 2004. Private persons owned 69 per cent and institutions 31 per cent of the company's shares. The staff owned 23 per cent of the shares. Foreign ownership was 5 per cent.

The Annual General Meeting decided on 31 March 2004 to cancel 293,300 own shares that the company has 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.

## **IFRS**

The company has implemented the preliminary opening balance sheet of 2004 in accordance with IFRS accounting standards. According to preliminary calculations, the most significant posts influencing shareholders' equity are a long-term liability from disability pension costs that, after deduction for deferred tax liability, reduces shareholders' equity by EUR 0.3 million, and an imputed tax claim calculated on the basis of differences between taxes and financial accounts that increases shareholders' equity by EUR 0.8 million. The introduction of IFRS will have no other significant influence on equity.

Tieto-X shall apply IFRS regulations as of 1 January 2005. The company's first interim report in 2005 will be drawn up in accordance with IFRS regulations. The opening IFRS balance sheet will be published during first quarter of 2005.

## **Future prospects**

Despite the current positive economic outlook in Finland, companies are still expected to refrain from major new investments in information technology. The potential boost in small-scale IT investments is expected to show as a slight increase in the demand for Tieto-X services, at least in the finance and public administration sectors.

Judging from the company's order backlog and tender prospects, the company's last-quarter business volume is expected to remain stable and slightly exceed that of the same period in 2003. The 12-month turnover is expected to be significantly bigger than the turnover for 2003.

Fourth-quarter relative profitability is expected to fall slightly below the profitability level of the first nine months of the year. However, 12-month profitability is expected to be significantly 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.- 30.9.2004</b>	<b>1.1.- 30.9.2003</b>	<b>Change</b>	<b>1.1.- 31.12.2003</b>
Turnover	18,632	14,009	33.0 %	20,231
PROFIT BEFORE GOODWILL AMORTISATION	2,799	1,457	92.0 %	2,465
Goodwill amortisation	-1,058	-1,030	2.7 %	-1,411
OPERATING PROFIT	1,741	427	307.4 %	1,054
Financial income and expenses	45	49	-8.6 %	82
Profit before extraordinary items	1,786	477	274.7 %	1,136
Extraordinary items	0	0	N/A	0
<b>Profit before provisions and taxes</b>	<b>1,786</b>	<b>477</b>	<b>274.7 %</b>	<b>1,136</b>
Taxes	0	-108	-100.0 %	-325
<b>NET PROFIT FOR THE PERIOD</b>	<b>1,786</b>	<b>369</b>	<b>384.2 %</b>	<b>811</b>

## CONSOLIDATED BALANCE SHEET, K EURO

ASSETS	<b>30.9.2004</b>	<b>30.9.2003</b>	<b>31.12.2003</b>
FIXED ASSETS			
Intangible assets	2,204	3,331	3,137
Tangible assets	199	133	125
Investments	71	724	724

<b>CURRENT ASSETS</b>			
Short-term receivables	4,436	4,090	4,314
Financial securities	2,543	1,296	1,997
Cash on hand and on deposits	1,829	1,149	1,617
<b>ASSETS TOTAL</b>	<b>11,283</b>	<b>10,722</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	1,786	369	811

**LIABILITIES**

Long-term liabilities	142	71	71
Short-term liabilities	3,272	3,492	4,241
<b>SHAREHOLDERS' EQUITY AND LIABILITIES TOTAL</b>	<b>11,283</b>	<b>10,722</b>	<b>11,914</b>

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

**1.1.2004-  
30.9.2004**      **1.1.2003-  
30.9.2003**      **1.1.2003-  
31.12.2003**

**BUSINESS OPERATIONS**

Profit before extraordinary items	1,786	477	1 136
Depreciation and amortisation	1,145	1,093	1,497
Changes in provisions	142	0	0
Changes in net working capital	-1,101	-1,093	-849
Fixed assets wrecking	0	0	0
Fixed assets sales profit	-21	0	0
Taxes	0	-208	-336
<b>Cash flow from business operations</b>	<b>1,951</b>	<b>268</b>	<b>1,447</b>

**Investments**

Investments in tangible and intangible assets	-196	-47	-63
Transfer income from tangible assets	83	0	0
Acquisition of subsidiaries	0	-540	-540
<b>Cash flow from investments</b>	<b>-113</b>	<b>-588</b>	<b>-604</b>

**Cash flow before financing**      **1,838**      **-319**      **843**

**FINANCING**

Dividend paid	-1,020	-909	-909
Changes in long-term debts	-71	0	0
Acquisition of own shares	0	-499	-499
Short-term loan receivables decrease	10	39	46
<b>Cash flow from financing</b>	<b>-1,081</b>	<b>-1,370</b>	<b>-1,363</b>
Change in funds	758	-1,689	-519
Funds at the beginning of the period	3,614	4,134	4,134
Funds at the end of the period	4,372	2,444	3,614

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

	Q3/2004 1.7.04- 30.9.04	Q2/2004 1.4.04- 30.6.04	Q1/2004 1.1.04- 31.3.04	Q4/2003 1.10.03- 31.12.03	Q3/2003 1.7.03- 30.9.03
Turnover	5,612	6,536	6,484	6,222	4,350
OPERATING PROFIT BEFORE GOODWILL AMORTISATION	872	950	977	1,007	479
Goodwill amortisation	-353	-353	-353	-380	-380
OPERATING PROFIT	519	597	624	627	99
Financial income and expenses	22	11	12	33	12
Profit before provisions and taxes	542	608	636	659	111
Extraordinary items					
<b>Profit before provisions and taxes</b>	<b>542</b>	<b>608</b>	<b>636</b>	<b>659</b>	<b>111</b>
Taxes	0	139	-139	-217	-67
<b>NET PROFIT FOR THE PERIOD</b>	<b>542</b>	<b>746</b>	<b>497</b>	<b>442</b>	<b>44</b>

### FINANCIAL RATIOS

	1.1.- 30.9.2004	1.1.- 30.9.2003	1.1.- 31.12.2003
Earnings per share, EUR	0.25	0.05	0.11
Equity per share, EUR	1.08	0.98	0.98

Operating cash flow per share, Euro	0.27	0.04	0.20
Return on investment, %	31.4	8.4	15.1
Return on equity, %	31.8	6.6	11.0
Operating profit before goodwill amortisation/ turnover, %	15.0	10.4	12.2
Operating Profit/turnover, %	9.3	3.1	5.2

<b>OTHER INFORMATION</b>	<b>1.1.- 30.9.2004</b>	<b>1.1.- 30.9.2003</b>	<b>1.1.- 31.12.2003</b>
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Average number of personnel during the period	331	267	281
Personnel at the end of the period	330	300	335

<b>COMMITMENTS</b>	<b>30.9.2004</b>	<b>30.9.2003</b>	<b>31.12.2003</b>
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Commitments for group			
Bank deposits as a security for rent, k Euro	77	69	63
Amounts payable for leasing contracts, k Euro	191	102	271

## NEXT REPORT

The release on Tieto-X's financial statements for the period 1 January - 31 December 2004 will be published on 26 January 2005.

Tieto-X Plc  
The Board of Directors

## ADDITIONAL INFORMATION:

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