

TIETO-X PLC

STOCK EXCHANGE RELEASE

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TIETO-X PLC INTERIM REPORT 1 JANUARY - 31 MARCH 2005

TIETO-X'S FIRST QUARTER MEETS ESTIMATES

- Turnover was EUR 6.0 million (2004: EUR 6.5 million)
- Operating profit was EUR 0.5 million (2004: EUR 1.0 million)
- The turnover of the Telecommunications business unit was EUR 3.1 million (2004: EUR 3.5 million) and operating profit was EUR 0.7 million (2004: EUR 1.2 million)
- The turnover of the Systems Services business unit was EUR 2.9 million (2004: EUR 3.0 million) and operating profit was EUR 0.4 million (2004: EUR 0.5 million)
- The company's turnover is expected to start growing again in the second quarter and to reach the level of the previous year, and 12-month turnover is expected to exceed that of 2004.
- Profitability is anticipated to improve in the second quarter and 12-month profitability is expected to be on the same level as in the previous year

Interim report has been prepared in accordance with IFRS regulations, which Tieto-X adopted at the beginning of this year. The company published a separate release on 2 March 2005 concerning its move to IFRS reporting. Compared to Finnish Accounting Standards (FAS) reporting, IFRS reporting improved operating profit by EUR 0.3 million and the financial result by EUR 0.2 million for the period.

Tieto-X's turnover shrunk as predicted during the first three-month period of the year and dropped 7.3 per cent from the corresponding period in the previous year, amounting to EUR 6.0 million (2004: EUR 6.5 million). Business profitability weakened also: operating profit dropped 50.8 per cent and was EUR 0.5 million, 8.0 per cent of turnover (2004: EUR 1.0 million, 15.0 per cent of turnover).

BUSINESS OPERATIONS

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 expert work and consultation to software project deliveries and software maintenance services with comprehensive responsibility.

Tieto-X's business is organised into two business units, Systems Services and Telecommunications. The Systems Services unit develops and maintains software that is part of the customer companies' information systems. The unit's customers comprise leading Finnish software integrators and companies operating in the finance, industry and media sectors, as well as public administration organisations.

The Telecommunications unit offers software development, integration and testing services to telecommunications hardware and network providers. The unit's clientele comprises leading mobile and smartphone manufacturers operating on global markets, as well as mobile network suppliers.

The general economic atmosphere in Finland followed the world economy and turned somewhat more positive at the end of 2004, and companies seemed to slightly increase their investments in information technology.

However, during the first quarter new software and systems development projects did not mature into implementation that would have increased the demand for expert services provided by Tieto-X's Systems services unit. Thus, the Systems Services unit's business volume dropped slightly compared to the same period in the previous year.

The profitability of the Systems Services unit was weakened as a result of a drop in billed hours, compared to the reference period in 2004. At the moment the profitability of the unit is also pulled down by investments to develop the unit's services and the organisation. These efforts, which show as an increase of personnel expenses, are expected to raise the added value of the unit's services and to boost the unit's business volume, improving profitability in the second quarter.

Market competition is still fierce for the Systems Services unit as the customer companies hold back new investments. Due to this competition, it has not been possible to transfer the entire increase of personnel expenses, caused by the incomes policy agreements, to the prices of services.

The business of Tieto-X's Telecommunications unit increased very strongly at the turn of 2003-2004. During the first three quarters of 2004 the business volume of the Unit remained fairly level, but dropped slightly in the last quarter of the year due to several customer projects coming to an end and the launch of new projects being postponed to 2005. Thus, compared to the same period in 2004, the business volume of the Telecommunications unit was clearly lower at the beginning of the report period. The projects postponed from 2004 were launched as expected during the report period, but the turnover for the entire period fell short of that of the previous year.

The profitability of the Telecommunications unit was weakened by the delay of the launch of the above mentioned customer projects, which clearly reduced the number of billed hours compared to the previous year when the number of billed hours was very high. For this part the decline of billed hours has been temporary and has returned to normal level at the end of the report period. In addition, the unit has invested in developing the Test-X software testing tool and in the CMMI project for software development processes. These inputs are expected to boost the unit's service processes and thus improve the competitiveness of the unit's service offering.

Competition for software projects for leading international mobile and smartphone vendors is fierce. However, due to fierce competition in the hardware market, the hardware vendors have to extend their product range and speed up their product development cycle, which is expected to keep the software development market growing further in the future.

TURNOVER

During the first quarter Tieto-X's turnover dropped 7.3 per cent compared to the previous year and was EUR 6.0 million (2004: EUR 6.5 million). Of the turnover for the report period, 52 per cent was accrued by the Telecommunications unit and 48 per cent by the Systems Services unit.

Of the total turnover, 90 per cent was accrued from expert work and 10 per cent from software project deliveries.

A one-time provision reversal of EUR 0.1 million improves the turnover of the Systems Services unit. The provision derives from a write-down in the financial statement of 2004 when the company was prepared to answer a customer's claim for restitution for a delayed project delivered by the Systems Services unit. This dispute was settled during the report period.

TURNOVER BY SEGMENT

K EURO	1-3 2005	1-3 2004	1-12 2004
Telecommunications	3,119	3,477	13,202
Systems Services	2,892	3,008	11,266
Administration			
Group total	6,011	6,484	24,468

FINANCIAL RESULT

The company's operating profit dropped 50.8 per cent compared to the previous year and was EUR 0.5 million, which is 8.0 per cent of turnover (2004: EUR 1.0 million, 15.0 per cent of turnover). Net profit came down 36.2 per cent to EUR 0.4 million, 6.9 per cent of turnover (2004: EUR 0.7 million, 10.1 per cent of turnover). Earnings per share were EUR 0.06 (2004: EUR 0.09). Cash flow from business operations was EUR -0.10 per share (2004: EUR 0.23).

OPERATING PROFIT BY SEGMENT

K EURO	1-3 2005	1-3 2004	1-12 2004
Telecommunications	660	1,189	3,931
Systems Services	433	516	1,577
Administration	- 614	- 732	- 2,653
Group total	479	973	2,854

The reversal of the above-mentioned project provisions entered in the financial statement of 2004 improved business profitability of the Systems Services unit by EUR 0.2 million.

The main reasons behind the drop in the company's result are the above-mentioned delayed new customer project launches as well as the development of the operations of the Systems Services unit. The result decline is expected to be temporary.

RETURN ON CAPITAL INVESTMENT

Return on investment (ROI) was 26.0 per cent during the period under review (2004: 57.7 per cent). Return on equity (ROE) was 22.2 per cent (2004: 40.9 per cent).

BALANCE SHEET AND FINANCING

The balance sheet total was EUR 10.9 million (2004: EUR 11.5 million). Liquidity was good throughout the review period. The Group's liquid assets stood at EUR 3.5 million at the end of the review period.

CASH FLOW

The company's cash flow for the period was EUR 2.1 million negative due to dividend payment and negative cash flow from business operations. The cash flow from business operations was affected in particular by the fact that certain payments related to sales receivables were due in the first days of April.

PERSONNEL

The number of personnel averaged 317 (2004: 333) during the period under review and was 319(2004: 333) at the end of the period.

SHARES AND SHARE CAPITAL

Tieto-X's share capital was EUR 292,068.00 at the end of the period, and the total number of shares is 7,301,700. 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 3.50 and the highest EUR 4.13. The final price quoted was EUR 3.65.

There were 2,043 shareholders on 31 March 2005. Private persons owned 60 per cent and institutions 40 per cent of the company's shares. The staff owned 18 per cent of the shares. Foreign ownership was 3 per cent.

ANNUAL GENERAL MEETING

The Annual General Meeting of Tieto-X Plc held on 8 March 2005 adopted the company's and Tieto-X Group's financial statement for the financial period 1 January-31 December 2004 and granted discharge from liability to the members of the Board of Directors and the President.

The Annual General Meeting decided to distribute as dividend EUR 0.18 per share.

The Annual General Meeting confirmed the number of Board members to be 6. The Meeting re-elected Eero Hurme, Tero Laaksonen, Juhani Pääkkö, Esko Siik and Risto Terho as members of the Board, and elected Seppo Jaatinen as new member.

At its meeting right after the Annual General Meeting, the Board of Directors elected Tero Laaksonen Chairman of the Board and Eero Hurme Vice Chairman of the Board.

The Annual General Meeting unanimously approved the Board of Directors' proposals:

- The Annual General Meeting authorized the Board of Directors to decide on increasing the share capital and/or issuing convertible bond loans within one year after the close of the General Meeting in a manner by which the new shares subscribed on the basis of a new share issue and convertible bonds may raise the share capital by a maximum of EUR 58,413.60.

- The Annual General Meeting authorized the Board to acquire and convey within one year from the Annual General Meeting a maximum of 365,085 of the company's own shares.

FUTURE PROSPECTS

The improvement of the general economic outlook that started last year has continued in 2005, although new uncertainty factors have once again surfaced in world economy.

The customer companies of Tieto-X's Systems Services unit slightly increased their information technology investments at the end of 2004 and beginning of 2005. The software and systems development projects that have been launched are expected to increase the demand for the unit's services in the second quarter of the year.

The business volume of the Telecommunications unit is also expected to somewhat increase in the second quarter.

The entire company turnover is forecasted to start growing again in the second quarter and to reach the level of the same period in 2004. Profitability is expected to pick up from the first quarter, but not quite reach the very good level of profitability of the second quarter of 2004.

If the general economic outlook remains favorable, Tieto-X's business is predicted to develop positively in both business units, and the company's turnover is expected to exceed that of 2004 and profitability is estimated to be on the same level as in the previous year.

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.

CONSOLIDATED PROFIT AND LOSS ACCOUNT, K EURO	1.1.- 31.3.2005	1.1.- 31.3.2004	Change	1.1.- 31.12.2004
Turnover	6 011	6 484	- 7,3 %	24 468

Operating costs	- 5 532	- 5 512	0,4 %	- 21 613
OPERATING PROFIT	479	973	- 50,8 %	2 854
Financial income and expenses	23	12	90,7 %	70
Profit before extraordinary items	502	985	- 49,1 %	2 924
Extraordinary income and expenses	0	0	0	0
Profit before provisions and taxes	502	985	- 49,1 %	2 924
Taxes	- 84	- 330	- 74,6 %	- 570
NET PROFIT FOR THE PERIOD	418	654	- 36,2 %	2 354

**CONSOLIDATED BALANCE SHEET,
K EURO**

ASSETS	31.3.2005	31.3.2004	31.12.2004
FIXED ASSETS			
Tangible fixed assets	191	272	193
Goodwill	1,965	1,965	1,965
Intangible assets	287	188	312
Deferred tax	246	681	325
Other financial assets	19	71	19
TOTAL LONG-TERM ASSETS	2,709	3,178	2,814
CURRENT ASSETS			
Accounts receivable and other receivables	4,642	4,111	3,551
Liquid assets	3,517	4,219	5,604
TOTAL CURRENT ASSETS	8,159	8,329	9,156
TOTAL ASSETS	10,867	11,507	11,970
SHAREHOLDER'S EQUITY AND LIABILITIES	31.3.2005	31.3.2004	31.12.2004
SHAREHOLDERS' EQUITY			
Share capital	292	303	291
Premium reserve	3,731	3,692	3,704
Share issue	0	0	28

Treasury stock	0	- 499	0
Fair value and other reserves	55	16	46
Retained earnings	2,591	2,050	1,551
Net profit for the period	418	654	2,354
TOTAL SHAREHOLDERS' EQUITY	<u>7,087</u>	<u>6,216</u>	<u>7,975</u>

LIABILITIES

Long-term liabilities	178	438	185
Current liabilities	3,602	4,854	3,810
TOTAL LIABILITIES	<u>3,780</u>	<u>5,291</u>	<u>3,995</u>

TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	<u>10,867</u>	<u>11,507</u>	<u>11,970</u>
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CHANGES IN EQUITY, K EURO	Share ca- pital	Premium reserve	Share issue	Trea- sury stock	Fair value and other reserv.	Retai- ned ear- nings	Total
Shareholders' equity at 1 January 2004	303	3,692	0	- 499	12	3,070	6,577
Transfer to reserves					4		4
Dividend						- 1,020	- 1,020
Profit for the period						654	654
Shareholders' equity at 31 March 2004	303	3,692	0	- 499	16	2,704	6,216
Shareholders' equity at 1 January 2005	291	3,704	28	0	46	3,905	7,975
Transfer to reserves					9		9
Share issue	1	27	-28				0
Dividend						- 1,314	- 1,314
Profit for the period						418	418
Shareholders' equity at 31 March 2005	292	3,731	0	0	55	3,008	7,087

SOURCES AND APPLICATION OF, FUNDS, K 1000 EURO	1.1.- 31.3.2005	1.1.- 31.3.2004	1.1.- 31.12.2004
Business operations			
Profit before extraordinary items	502	985	2,924
Total adjustments	39	28	251
Changes in net working capital	- 1,213	683	984
Taxes	- 92	- 42	0
Cash flow from business operations	- 764	1,654	4,159
Investments			
Investments in tangible and intangible assets	- 10	- 66	- 272
Transfer income from tangible assets	0	0	83
Acquisition of subsidiaries	0	- 988	- 988
Cash flow from investments	- 10	- 1,053	- 1,177
Cash flow before financing	- 774	600	2,982
Financing			
Dividend paid	- 1,314	0	- 1,020
Acquisition of own shares	0	0	0
Long-term debt decrease	0	0	- 71
Share issue	0	0	28
Converted certificates of deposits	0	0	52
Short-term loan receivables increase	1	4	18
Cash flow from financing	- 1,313	4	- 992
Change in funds	- 2,088	604	1,990
Funds at the beginning of the period	5,604	3,614	3,614
Funds at the end of the period	3,517	4,219	5,604

CONSOLIDATED PROFIT AND LOSS ACCOUNT, QUARTERLY, K EURO

Q1/2005 Q4/2004 Q3/2004 Q2/2004 Q1/2004

	1.1.05- 31.3.05	1.10.04- 31.12.04	1.7.04- 30.9.04	1.4.04- 30.6.04	1.1.04- 31.3.04
Turnover	6,011	5,836	5,612	6,536	6,484
Operating costs	- 5,532	- 5,759	- 4,748	- 5,594	- 5,512
OPERATING PROFIT	479	77	864	941	973
Financial income and expenses	23	25	22	11	12
Profit before provisions and taxes	502	101	886	952	985
Extraordinary income and expenses	0	0	0	0	0
Profit before provisions and taxes	502	101	886	952	985
Taxes	- 84	5	- 192	- 53	- 330
PROFIT FOR THE PERIOD	418	107	695	899	654

SEGMENT REPORTING

	1.1.- 31.3.2005	1.1.- 31.3.2004	1.1.- 31.12.2004
Turnover by segment			
Telecommunications	3,119	3,477	13,202
Systems Services Administration	2,892 0	3,008 0	11,266 0
TOTAL TURNOVER	6,011	6,484	24,468
Operating profit by segment			
Telecommunications	660	1,189	3,931
Systems Services Administration	433 - 614	516 - 732	1,577 - 2,653
TOTAL OPERATING PROFIT	479	973	2,854
Per cent of turnover	8.0	15.0	11.7
Interest and financial income	23	12	70

Profit before taxes	502	985	2,924
Taxes	- 84	- 330	- 570
PROFIT FOR THE PERIOD	418	654	2,354

FINANCIAL RATIOS	1.1.- 31.3.2005	1.1.- 31.3.2004	1.1.- 31.12.2004
Earnings per share, EUR	0.06	0.09	0.32
Equity per share, EUR	0.95	0.85	1.09
Operating cash flow per share, EUR	- 0.10	0.23	0.57
Return on investment, %	26.0	57.7	38.5
Return on equity, %	22.2	40.9	32.4
Operating profit/turnover, %	8.0	15.0	11.7

OTHER INFORMATION	1.1.- 31.3.2005	1.1.- 31.3.2004	1.1.- 31.12.2004
Average number of personnel during the period	317	333	331
Personnel at the end of the period	319	333	327

COMMITMENTS	31.3.2005	31.3.2004	31.12.2004
Commitments for group			
Bank deposits as a security for rent	84	63	83
Amounts payable for leasing contracts, k Euro	370	233	378

CONSOLIDATED PROFIT AND LOSS ACCOUNT RECONCILIATION 1 JANUARY-31 MARCH 2004, K EURO	Reported (FAS) 1.1.- 31.3.2004	Effect of move to IFRS	IFRS 1.1.- 31.3.2004
Turnover	6,484	0	6,484
Operating costs	- 5,860	348	- 5,512
OPERATING PROFIT	624	348	973
Financial income and expenses	12	0	12
Profit before extraordinary items	636	348	985
Extraordinary income and expenses	0	0	0
Profit before provisions and taxes	636	348	985
Taxes	- 139	- 192	- 330
NET PROFIT FOR THE PERIOD	497	157	654
CONSOLIDATED BALANCE SHEET RECONCILIATION 31.3.2004, K EURO	Reported (FAS) 31.3.2004	Effect of transfer to IFRS	IFRS 31.3.2004
ASSETS			
FIXED ASSETS			
Tangible fixed assets	272	0	272
Goodwill	2,643	- 679	1,965
Intangible assets	188	0	188
Deferred tax	0	681	681
Other financial assets	571	- 499	71
LONG-TERM ASSETS TOTAL	<u>3,674</u>	<u>- 496</u>	<u>3,178</u>
CURRENT ASSETS			
Accounts receivable and other receivables	4,111	0	4,111
Liquid assets	4,219	0	4,219
TOTAL CURRENT ASSETS	<u>8,329</u>	<u>0</u>	<u>8,329</u>

TOTAL ASSETS	12,003	- 496	11,507
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SHAREHOLDER'S EQUITY AND LIABILITIES	31.3.2004		31.3.2004
SHAREHOLDERS' EQUITY			
Share capital	303	0	303
Premium fund	3,962	0	3,692
Share issue	0	0	0
Treasury stock	499	- 999	- 499
Fair value and other reserves	0	16	16
Retained earnings	2,087	- 37	2,050
Net profit for the period	497	157	654
TOTAL SHAREHOLDERS' EQUITY	<u>7,079</u>	<u>- 863</u>	<u>6,216</u>
LIABILITIES			
Long-term liabilities	71	367	438
Current liabilities	4,854	0	4,854
TOTAL LIABILITIES	<u>4,924</u>	<u>367</u>	<u>5,291</u>
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	12,003	- 496	11,507
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NEXT REPORTS

The interim report for the period 1 January - 30 June 2005 will be published on 21 July 2005.

TIETO-X PLC
Board of Directors

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