

TIETO-X PLC INTERIM REPORT 1 JANUARY - 30 SEPTEMBER 2006**TIETO-X TURNOVER AND OPERATING PROFIT GREW STRONGLY**

- Turnover for the review period was EUR 27.0 million (2005: EUR 18.3 million).
- Operating profit for the review period was EUR 2.8 million (2005: EUR 1.8 million).
- The turnover of the Systems Services business unit for the review period was EUR 9.9 million (2005: EUR 8.7 million) and operating profit was EUR 1.3 million (2005: EUR 0.8 million).
- The turnover of the Telecommunications business unit for the review period was EUR 17.3 million (2005: EUR 9.7 million) and operating profit was EUR 2.5 million (2005: EUR 1.6 million).
- Turnover for the last quarter is expected to be clearly higher than in 2005, and 12-month turnover is expected to significantly exceed that of 2005.
- Operating profit percentage is expected to remain on a slightly higher level than in the previous year, and both last quarter operating profit as well as the operating profit for the fiscal year is expected to significantly exceed the operating profit of 2005.

Tieto-X's turnover grew strongly in the first nine months of 2006 and exceeded the turnover of the corresponding period in the previous year by 47.5 per cent, reaching EUR 27.0 million (2005: EUR 18.3 million). The turnover growth was a result of the excellent turnover development of Vega Technologies Oy, a company acquired in last quarter of 2005, and Service 4 Mobile Oy, a company acquired in June 2006, as well as a strong organic growth. The combined pro forma turnover of Tieto-X, Vega Technologies Oy and Service 4 Mobil Oy grew 20.7 per cent in January-September compared to the same period in the previous year.

The company's operating profit grew more strongly than expected particularly at the end of the review period: operating profit for the first nine months of the fiscal year exceeded the operating profit for the corresponding period in the previous year by 57.8 per cent, standing at EUR 2.8 million, which was 10.2 per cent of turnover (2005: EUR 1.8 million, 9.6 per cent of turnover). The better-than-expected profitability in the third quarter was due to new software development and maintenance projects that the company won in July-August. These customer projects facilitated a higher utilization rate than forecasted.

Service 4 Mobile Oy (S4M), a company offering software project management consulting services that Tieto-X acquired in June, has been adopted in the consolidated balance sheet on 30 June 2006 using the acquisition cost method and in the consolidated profit and loss account from 1 July 2006. In the segment reporting S4M has been adopted into the company's Systems Services segment.

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 operational business is organized into two business units, the Systems Services unit and the Telecommunications unit. The Systems Services unit develops and maintains software that is part of the customer companies' information systems. The unit's most significant customers operate in the finance and public administration sectors.

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

Systems Services

The services offered by Tieto-X's Systems Services unit comprise software production and resourcing services. The company's customers have applauded especially the unit's software maintenance and continuous further development services based on the ITIL processes. As a result of its service and process development, the Systems Services unit has managed to further increase its market share among its most significant customers, being a preferred long-term business partner.

During the period under review, the turnover deriving from software production services and extensive resourcing services continued to gain share of the unit's total turnover.

To deepen its strategic customer relations and to increase their number, the unit launched during the review period a project to productize sophisticated project management services in cooperation with Service 4 Mobile Oy (S4M), a company that Tieto-X acquired in June. SM4 is being formed into Tieto-X Group's project management competence centre whose skills and consultation resources will be utilized in services related to project management of software and systems projects as well as in the management of Tieto-X software production services with comprehensive responsibility. Project management services are anticipated to be in demand in the coming few years, especially in companies operating in finance and telecommunication, as well as in public administration organizations.

The unit's turnover increase and especially the high utilization rate at the end of the review period significantly boosted the unit's profitability compared to the previous year.

However, due to sluggish overall growth in the unit's business segment, market competition remained fierce.

Telecommunications

The turnover of Tieto-X's Telecommunications unit continued its strong organic growth during the review period. The growth was boosted by the successful integration of the business operations and organization of Vega Technologies Oy, a company that Tieto-X acquired in the last quarter of 2005. The one-time reorganization costs related to the integration were higher than expected in the second quarter. These costs weakened the profitability of the first six months of the year. However, the unit has been able to utilize the efficiency advantages of the integration in the third quarter, which has restored the unit's profitability to normal level. This positive trend is expected to continue throughout the year.

The unit's competence in software design and project management is presently very competitive, both in terms of price and quality. This has increased the unit's market share among its key customers, and given the unit the opportunity to extend its operations to new customers operating in the international smart phone field.

In October 2005 Tieto-X founded a subsidiary to produce testing services for Symbian smartphone software and other mobile communication device software. The name of the company is Testhouse Oy, and it has a Tallinn-based subsidiary Testhouse Estonia OÜ. During the ongoing year, the Testhouse service has grown into an organization that

employs dozens of people. Testhouse provides the unit with an excellent way to get competitive price-setting models.

Competition for software projects for leading international mobile and smartphone manufacturers is fierce. The software market for services related to both Symbian-based software and smartphone software based on other technologies is expected to continue to increase and to offer growth opportunities for Tieto-X's Telecommunications unit.

TURNOVER

During the period under review, Tieto-X's turnover grew by 47.5 percent compared to the previous year and stood at EUR 27.0 million (2005: EUR 18.3 million). Of the turnover for the report period, 63 per cent was accrued by the Telecommunications unit and 37 per cent by the Systems Services unit.

Turnover by segment

K EURO	1-9 2006	1-9 2005	1-12 2005
Telecommunications	17,262	9,655	15,340
Systems Services	9,948	8,677	12,432
Group's internal eliminations	- 168		- 376
Administration			
Group total	27,042	18,332	27,396

FINANCIAL RESULT

The company's operating profit grew in the review period by 57.8 per cent compared to the previous year and was EUR 2.8 million, which is 10.2 per cent of turnover (2005: EUR 1.8 million, 9.6 per cent of turnover). Profit for the review period improved by 44.9 per cent and was EUR 1.9 million or 7.1 per cent of turnover (2005: EUR 1.3 million, 7.2 per cent of turnover). Earnings per share were EUR 0.25 (2005: EUR 0.18).

Operating profit by segment

K EURO	1-9 2006	1-9 2005	1-12 2005
Telecommunications	2,452	1,588	2,258
Systems Services	1,267	829	1,174
Administration	- 956	- 666	- 914
Group total	2,763	1,751	2,517

The reference data related to the share of the administrative costs of total costs differs from the figures presented in the Interim Report for 1 January - 30 September 2005 published on 24 October 2005 due to a change in the accounting principles in the financial statement for 1 January – 31 December 2005.

RETURN ON CAPITAL INVESTMENT

Return on investment (ROI) was 27.2 per cent during the period under review (2005: 24.3 per cent). Return on equity (ROE) was 27.8 per cent (2005: 22.0 per cent).

BALANCE SHEET AND FINANCING

The balance sheet total was EUR 23.0 million (2005: EUR 11.7 million). Liquidity was good throughout the review period. The Group's liquid assets, including financial assets, stood at EUR 1.2 million at the end of the review period (2005: EUR 4.7 million). The liquid asset decrease stems from the cash payment of the second installment of the acquisition price of Vega Technologies Oy, dividend payment as well as cash for the payment of the first installment of the acquisition price of Service 4 Mobile Oy.

The company's net gearing ratio was 45.5 per cent (2005: - 59.6 per cent).

CASH FLOW

The company's cash flow from business operations was EUR 0.3 million during the review period (2005: EUR 0.4 million), which is EUR 0.04 per share (2005: EUR 0.05 per share). The cash flow was particularly weakened by the increase of net working capital in the third quarter. This increase was mainly a result of a build-up of sales receivables, following the turnover boost, as well as of a decrease of holiday pay liability.

PERSONNEL

The number of personnel averaged 476 (2005: 330) during the period under review and was 528 (2005: 334) at the end of the period.

SHARES AND SHARE CAPITAL

Tieto-X's share capital was EUR 295,948.00 at the end of the review period, and the total number of shares was 7,398,700. 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 Stock Exchanges' Pre List on 28 September 1999, on the NM List on 1 October 1999, and on the new Nordic Exchange list for smaller companies (under Information technology) on 1 October 2006. The lowest quotation during the review period was EUR 3.75 and the highest EUR 5.07. The final price quoted on 30 September 2006 was EUR 4.02.

As part of the acquisition price of 4 Mobile Oy, Tieto-X issued a private offering of 70,000 shares to the sellers of Service 4 Mobile Oy. A share capital increase of EUR 2,800 was entered into the Trade Register on 12 July 2006. After the increase, the share capital of Tieto-X Plc is EUR 295,948 and the number of shares is 7,398,700.

There were 2,037 shareholders on 30 September 2006. Private persons owned 62.8 per cent and institutions 37.2 per cent of the company's shares. Foreign ownership was 3.2 per cent.

FUTURE PROSPECTS

According to market analysts, the expectations of a growth of the Finnish IT service markets in 2006 became somewhat stronger in the spring, and the annual growth percentage is predicted to be around five. If private companies and public administration organizations will increase, even moderately, their investments to upgrade and develop their information systems and software, Tieto-X's Systems Services unit has potential to boost its business. Thus, accelerated by the new services, the unit's turnover is expected to continue to grow clearly faster than the market growth in the fourth quarter.

At the moment the primary growth motors for the Telecommunications unit is the increasing demand for software development, integration and testing services across a wider customer base, as well as the growing smartphone markets. The production of Testhouse services is expected to continue its strong growth. Thus, the turnover of the Telecommunications unit is expected to continue to grow strongly throughout the year.

Judging from the business units' order backlogs and tender prospects, Tieto-X's fourth quarter turnover is expected to clearly exceed the turnover of the same period in 2005 and the 12-month turnover to significantly exceed that of last year. The operating profit for the fourth quarter and the fiscal year is also expected to be significantly higher, while the operating profit percentage will remain slightly higher than in 2005.

TIETO-X GROUP

The Interim Report has been prepared in accordance with the recognition and valuation principles of the International Financial Reporting Standards (IFRS).

The figures in the income statement and balance sheet have been consolidated. All group companies are included in the consolidated balance sheet. 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.- 30.9.2006	1.1.- 30.9.2005	Change	1.1.- 31.12.2005
Turnover	27,042	18,332	47.5 %	27,396
Operating costs	- 24,279	- 16,581	46.4 %	- 24,879
OPERATING PROFIT	2,763	1,751	57.8 %	2,517
Financial income and expenses	- 175	58	- 401.8 %	101
Profit before taxes	2,589	1,809	43.1 %	2,618
Taxes	- 676	- 489	38.3 %	- 713
NET PROFIT FOR THE PERIOD	1,912	1,320	44.9 %	1,905

**CONSOLIDATED BALANCE
SHEET, K EUR**

ASSETS	30.9.2006	30.9.2005	31.12.2005
FIXED ASSETS			
Property, plant and equipment	330	271	245
Goodwill	10,674	1,965	8,621
Intangible assets	633	143	473
Deferred tax claim	74	43	0
Long-term receivables	16	19	28
Other financial assets	19	33	30
FIXED ASSETS TOTAL	11,746	2,474	9,397
CURRENT ASSETS			
Sales receivables	9,530	4,066	6,095
Other receivables	527	485	351
Financial assets	222	2,825	1,993
Liquid assets	939	1,837	2,968
CURRENT ASSETS TOTAL	11,218	9,214	11,406
TOTAL ASSETS	22,964	11,687	20,804
SHAREHOLDERS' EQUITY AND LIABILITIES	30.9.2006	30.9.2005	31.12.2005
SHAREHOLDERS' EQUITY			
Share Capital	296	292	292
Premium fund	4,095	3,746	3,746
Share issue	0	0	0
Acquired own shares fund	0	0	0
Fair value and other reserves	214	80	108
Retained earnings	3,180	2,591	2,591
Net profit for the period	1,912	1,320	1,905
SHAREHOLDERS' EQUITY TOTAL	9,698	8,030	8,643
LIABILITIES			
Long-term liabilities	5,000	241	2,960
Current liabilities	8,266	3,416	9,201
TOTAL LIABILITIES	13,267	3,657	12,161
SHAREHOLDERS' EQUITY AND LIABILITIES TOTAL	22,964	11,687	20,804

CHANGE IN EQUITY K EURO	Share holders' equity	Premium fund	Share issue	Own shares fund	Fair value and other reserves	7 (9)	Total
						Retain ed earnings	
Shareholders' equity 1.1.2005	291	3,704	28	0	46	3,905	7,975
Transfer to reserves					34		34
Share issue	1	43	- 28				16
Dividend paid						- 1,314	- 1,314
Profit for the period						1,320	1,320
Shareholders' equity 30.9.2005	292	3,746	0	0	80	3,911	8,030
Shareholders' equity 1.1. 2006	292	3,746	0	0	108	4,496	8,643
Transfer to reserves					106		106
Share issue	3	349					352
Dividend						- 1,316	- 1,316
Profit for the period						1,912	1,912
Shareholders' equity 30.9.2006	296	4,095	0	0	214	5,092	9,698

SOURCES AND APPLICATION OF FUNDS, K EURO

	1.1.- 30.9.2006	1.1.- 30.9.2005	1.1.- 31.12.2005
Business operations			
Profit before taxes	2,589	1,809	2,618
Total adjustments	398	483	542
Change in net working capital	- 2,209	- 1,630	- 1,077
Fixed assets sales profit	0	0	- 10
Taxes	- 490	- 275	- 499
Cash flow from business operations	287	386	1,575
Investments			
Investments in tangible and intangible assets	- 228	- 20	- 71
Change in financial assets	1,771	849	1,989
Transfer income from fixed assets	11	0	34
Acquisition of subsidiaries	- 5,160	0	- 4,182
Total cash flow from investments	- 3,607	829	- 2,230
Cash flow before financing	- 3,320	1,215	- 655

Financing

Dividend paid	- 1,316	- 1,314	- 1,314
Acquisition of own shares	0	0	0
Increase of loans	3,000	0	3,000
Loan amortization	- 431	0	0
Share issue	35	16	16
Converted certificates of deposits	0	0	0
Change in short-term loan receivables	2	- 10	- 9
Financing total	1,291	- 1,309	1,692
Change in funds	- 2,029	- 94	1,037
<u>Liquid assets at start of period</u>	<u>2,968</u>	<u>1,931</u>	<u>1,931</u>
Liquid assets at end of period	939	1,837	2,968

CONSOLIDATED PROFIT AND LOSS ACCOUNT, QUARTERLY, K EURO

	Q3/2006	Q2/2006	Q1/2006	Q4/2005	Q3/2005
	1.7.06-	1.4.06-	1.1.06-	1.10.05-	1.7.05-
	30.9.06	30.6.06	31.3.06	31.12.05	30.9.05
Turnover	8,862	9,166	9,015	9,064	5,729
Operating costs	- 7,764	- 8,477	- 8,038	- 8,298	- 5,179
OPERATING PROFIT	1,098	689	977	766	550
Financial income and expenses	- 94	- 32	- 49	43	18
Profit before taxes	1,004	656	928	809	569
Taxes	- 310	- 144	- 223	- 224	- 235
PROFIT FOR THE PERIOD	695	513	705	585	334

SEGMENT REPORTING

	1.1.-30.9.2006	1.1.-30.9.2005	1.1.-31.12.2005
Turnover by segment			
Telecommunications	17,262	9,655	15,340
Systems Services	9,948	8,677	12,432
Administration	0	0	0
Eliminations	- 168	0	- 376
Turnover total	27,042	18,332	27,396
Operating profit by segment			
Telecommunications	2,452	1,588	2,258
Systems Services	1,267	829	1,174
Administration	- 956	- 666	- 914
Total operating profit	2,763	1,751	2,517
Operating profit of turnover %	10.2	9.6	9.2

Interest and financial income	- 175	58	101
Profit before taxes	2,589	1,809	2,618
Taxes	-676	- 489	- 713
NET PROFIT FOR THE PERIOD	1,912	1,320	1,905

FINANCIAL RATIOS	1.1.-30.9.2006	1.1.-30.9.2005	1.1.-31.12.2005
Earnings per share, EUR	0.25	0.18	0.26
Equity per share, EUR	1.29	1.09	1.17
Operating cash flow per share, EUR	0.04	0.05	0.21
Return on investment, %	27.2	24.3	26.1
Return on equity, %	27.8	22.0	22.9
Operating profit/turnover, %	10.2	9.6	9.2
Net gearing	45.5	- 59.6	- 22.7

OTHER INFORMATION	1.1.-30.9.2006	1.1.-30.9.2005	1.1.-31.12.2005
Average number of personnel	476	330	355
Personnel at the end of the period	528	334	438
COMMITMENTS	30.9.2006	30.9.2005	31.12.2005
Commitments for group			
Bank deposits as a security for rent, k Euro	127	90	85
Amounts payable for leasing contracts, k Euro	182	191	712
Non cancellable leasing commitments, k EUR	1,114	1,499	1,400

NEXT REPORTS

The release on Tieto-X's financial statements for the period 1 January - 31 December 2006 will be published on 7 February 2007.

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