

## **TIETO-X PLC INTERIM REPORT 1 JANUARY - 31 MARCH 2004**

### **Tieto-X's turnover and profitability increased as forecasted.**

Turnover continued its strong growth in the first quarter of 2004 and stood at EUR 6.5 million (2003: EUR 4.8 million), which is 33.7 per cent up from the same period in 2003. Operating profitability also improved significantly: profit before goodwill amortisation grew 100.9 per cent and was EUR 1.0 million or 15.1 per cent of turnover (2003: EUR 0.5 million, 10.0 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**

It seems that the persistent general economic uncertainty started to retreat in the latter half of 2003, which raised expectations of a recovery of the Finnish economy. However, companies are still very cautious in their IT investments, and they seem to refrain from major investments in application and systems development. This has reflected in the IT service business as low demand for services and fierce competition even for minor customer projects.

During the period under review, Tieto-X's turnover increased 33.7 per cent to EUR 6.5 million (2003: EUR 4.8 million). Of the turnover for the period, 67 per cent was accrued from customers in the ICT sector, 23 per cent from the finance and public administration sectors, 6 per cent from the industry sector and 4 per cent from other customers. Due to the general market situation, Tieto-X's business operations in the finance and public administration sectors weakened. However, the company's business with customers in the industry sector grew, and growth was very strong in the ICT sector.

Of the first-quarter turnover, 83 per cent was accrued from contract work services, the company's basic service product, and 17 per cent from software project deliveries.

### **Financial result**

During the review period, the company's profit before goodwill amortisation grew 100.9 per cent and was EUR 1.0 million or 15.1 per cent of turnover (2003: EUR 0.5 million, 10.0 per cent of turnover). Net profit was up by 313.7 per cent to EUR 0.5 million or 7.7 per cent of turnover (2003: EUR 0.1 million, 2.5 per cent of turnover). Earnings per share were EUR 0.07 (2003: EUR 0.02). Cash flow from business operations was EUR 0.23 per share (2003: EUR 0.06).

The strong improvement in profitability was due to an increase in business volume as well as the deployment of the experts recruited in 2003 in customer projects in the last quarter of 2003 or in early 2004. Profitability was also improved by the change of fixed-term hourly employment contracts into monthly salary contracts, a process that was started in 2003.

Net profit is burdened by a EUR 0.4 million goodwill amortisation that will be written off in five years.

### **Return on capital investment**

Return on investment (ROI) was 34.4 per cent during the period under review (2003: 8.6 per cent). Return on equity (ROE) was 27.1 per cent (2003: 6.6 per cent).

### **Balance sheet and financing**

The balance sheet total was EUR 12.0 million (2003: EUR 11.7 million). Liquidity was good throughout the review period. The Group's liquid assets at the end of the review period stood at EUR 4.2 million. The liquid assets include the EUR 1.0 million dividend paid on 14 April 2004.

### **Personnel**

The number of personnel averaged 333 (2003: 260) during the period under review and was 333 (2003: 268) at the end of the period.

### **Shares and share capital**

Tieto-X's share capital was EUR 303,080.00 at the end of the period, and the total number of shares was 7,577,000. 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 3.60. The final price quoted was EUR 3.15.

There were 2,174 shareholders on 31 March 2004. Private persons owned 65 per cent and institutions 32 per cent of the company's shares. The staff owned 23 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. After the invalidation, the company's share capital is EUR 291,348.00 and the number of shares is 7,283,700. The reduction of share capital has been entered into the Trade Register on 16 April 2004, and the shares have been invalidated.

## **The annual general meeting**

The Annual General Meeting of Tieto-X Plc held on 31 March 2004 adopted the company's and Tieto-X Group's financial statement for the financial year 1.1.-31.12.2003, 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 0.14 per share.

The Annual General Meeting confirmed the number of Board members to be 6. The Meeting re-elected Eero Hurme, Juhani Pääkkö, Ralf W. Saxén, Esko Siik and Risto Terho, and elected Tero Laaksonen as new member. The Board of Directors decided at its meeting right after the Annual General Meeting to re-elect Ralf W. Saxén as Chairman of the Board and Eero Hurme as Vice Chairman.

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

- To decrease the company's share capital by EUR 11,732 by canceling 293,300 own shares that the company has in its possession.
- Share issue authorization: the Annual General Meeting authorized the Board of Directors to decide on increasing the share capital and/or issuing convertible bond loans 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 58,269.60.
- Authorization to acquire and convey the company's own shares: the Annual General Meeting authorized the Board of Directors to decide within one year from the Annual General Meeting to acquire or convey a maximum of 364,185 of the company's own shares.

## **Future prospects**

The slight improvement of the general economic trend in the latter half of 2003 may result in companies boosting their investments in information technology during 2004. The potential increase in investments is anticipated to reflect in Tieto-X's business in the second quarter as growing demand for services not only in the ICT and industry sectors but also in the finance and public administration sectors.

Judging from the company's order backlog and tender prospects, second-quarter business volume is expected to remain on the same level as the first-quarter volume. Second-quarter turnover is anticipated to fall somewhat short of first-quarter turnover, which is typical for the second quarter. However, second-quarter turnover will clearly exceed that of the same period in 2003. If there is no downturn in the general economic situation, business volume is expected to continue to grow throughout 2004, and twelve-month turnover is thus anticipated to significantly exceed that of 2003. Relative profitability is expected to remain on the 2003 level or exceed it.

**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.- 31.3.2004</b>	<b>1.1.- 31.3.2003</b>	<b>Change</b>	<b>1.1.- 31.12.2003</b>
Turnover	6,484	4,849	+ 33.7%	20,231
OPERATING PROFIT BEFORE GOODWILL AMORTISATION	977	486	+100.9%	2,465
Goodwill amortisation	-353	-353	+0%	-1,411
OPERATING PROFIT	624	134	+366.9%	1,054
Financial income and expenses	12	25	-52.6%	82
Profit before extraordinary items	636	159	+299.9%	1,136
Extraordinary items	0	0		0
<b>Profit before provisions and taxes</b>	<b>636</b>	<b>159</b>	<b>+299.9%</b>	<b>1,136</b>
Taxes	-139	-39	+257.1%	-325
<b>NET PROFIT OF THE PERIOD</b>	<b>497</b>	<b>120</b>	<b>+313.7%</b>	<b>811</b>

**CONSOLIDATED BALANCE  
SHEET, K EURO**

<b>ASSETS</b>	<b>31.3.2004</b>	<b>31.3.2003</b>	<b>31.12.2003</b>
<b>FIXED ASSETS</b>			
Intangible assets	2,831	4,034	3,137
Tangible assets	119	121	125
Investments	724	224	724
<b>CURRENT ASSETS</b>			
Short-term receivables	4,111	3,249	4,314
Financial securities	2,232	1,666	1,997
Cash on hand and on deposits	1,986	2,357	1,617
<b>ASSETS TOTAL</b>	<b>12,003</b>	<b>11,651</b>	<b>11,914</b>

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

Share Capital	303	303	303
Premium fund	3,692	3,692	3,692
Own shares fund	499	0	499
Retained earnings	2,087	2,795	2,296
Net accounting period profit	497	120	811

**LIABILITIES**

Long-term liabilities	71	71	71
Short-term liabilities	4,854	4,670	4,241
<b>SHAREHOLDERS' EQUITY AND LIABILITIES TOTAL</b>	<b>12,003</b>	<b>11,651</b>	<b>11,913</b>

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

<b>1.1.2004- 31.3.2004</b>	<b>1.1.2003- 31.3.2003</b>	<b>1.1.2003- 31.12.2003</b>
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**BUSINESS OPERATIONS**

Profit before extraordinary items	636	159	1,136
Depreciation and amortisation	377	373	1,497
Changes in net working capital	683	-24	-849
Fixed assets wrecking	0	0	0
Fixed assets sales profit	0	0	0
Taxes	-42	-89	-336
<b>Cash flow from business operations</b>	<b>1,654</b>	<b>420</b>	<b>1,447</b>

**Investments**

Investments in tangible and intangible assets

Transfer income from tangible assets	0	0	0
Acquisition of subsidiaries	-988	-540	-540
<b>Cash flow from investments</b>	<b>-1,053</b>	<b>-559</b>	<b>-604</b>

<b>Cash flow before financing</b>	<b>600</b>	<b>-139</b>	<b>843</b>
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**FINANCING**

Dividend paid	0	0	-909
Acquisition of own shares	0	0	-499
Short-term loan receivables decrease	4	28	46
<b>Cash flow from financing</b>	<b>4</b>	<b>28</b>	<b>-1,363</b>

Change in funds	604	-111	-519
Funds at the beginning of the period	3,614	4,134	4,134
Funds at the end of the period	4,218	4,022	3,614

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

	<b>Q1/2004</b> <b>1.1.04-</b> <b>31.3.04</b>	<b>Q4/2003</b> <b>1.10.03-</b> <b>31.12.03</b>	<b>Q3/2003</b> <b>1.7.03-</b> <b>30.9.03</b>	<b>Q2/2003</b> <b>1.4.03-</b> <b>30.6.03</b>	<b>Q1/2003</b> <b>1.1.03-</b> <b>31.3.03</b>
Turnover	6,482	6,222	4,350	4,810	4,849
OPERATING PROFIT BEFORE GOODWILL AMORTISATION	977	1,007	479	492	486
Goodwill amortisation	- 353	- 380	- 380	- 297	- 353
OPERATING PROFIT	624	627	99	194	134
Financial income and expenses	12	33	12	12	25
Profit before provisions and taxes	636	659	111	206	159
Extraordinary items					
Profit before provisions and taxes	636	659	111	206	159
Taxes	- 139	- 217	- 67	- 1	- 39
<b>NET PROFIT FOR THE PERIOD</b>	<b>497</b>	<b>442</b>	<b>44</b>	<b>205</b>	<b>120</b>

**FINANCIAL RATIOS**

	<b>1.1.-31.3.2004</b>	<b>1.1.-31.3.2003</b>	<b>1.1.-31.12.2003</b>
Earnings per share, EUR	0.07	0.02	0.11
Equity per share, EUR	0.90	0.91	0.98
Operating cash flow per share, EUR	0.23	0.06	0.20
Return on investment, %	36.9	8.6	15.1
Return on equity, %	29.1	6.6	11.0
Operating profit before goodwill amortisation/turnover %	15.1	10.0	12.2
Operating profit/turnover, %	9.8	2.8	5.2

**OTHER INFORMATION**

	<b>1.1.-31.3.2004</b>	<b>1.1.-31.3.2003</b>	<b>1.1.-31.12.2003</b>
Average number of personnel during the period	333	260	281
Personnel at the end of the period	333	268	335

COMMITMENTS	31.3.2004	31.3.2003	31.12.2003
Commitments for group			
Bank deposits as a security for rent, k EUR	63	67	63
Amounts payable for leasing contracts, k EUR	233	102	271

### Next reports

The interim report for the period 1 January - 30 June 2004 will be published on 11 August 2004.

TIETO-X PLC  
The Board of Directors

### Information meeting

An information meeting on the Interim Report will be held for analysts and the press on Wednesday 21 April 2004 at 10 am. at Ravintola Lasipalatsi, Studio Conference Room, Mannerheimintie 22-24.

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