

Tieto-X Plc Stock Exchange Release 22 October 2003

## **TIETO-X PLC INTERIM REPORT 1 JANUARY - 30 SEPTEMBER 2003**

Tieto-X's turnover continued its slight growth, and the nine-month figure was 9.4 per cent higher than in 2002, standing at EUR 14.0 million (2002: EUR 12.8 million). However, profitability fell slightly due to increasing up-front recruitment, which is a prerequisite for growth. Profit before goodwill amortisation dropped 3.3 per cent and was EUR 1.5 million or 10.4 per cent of turnover (2002: EUR 1.5 million, 11.8 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 software expert contract work to software project deliveries and software maintenance services with comprehensive responsibility. Tieto-X's customers are market leaders in the finance, trade, industry and media sectors, as well as IT service companies and public administration organisations.

### **TURNOVER**

During the period under review, Tieto-X's turnover grew by 9.4 per cent to EUR 14.0 million (2002: EUR 12.8 million).

The long-lasting general economic recession still keeps the IT service market in a state of uncertainty. Customer companies, especially in the finance sector and the trade and industry businesses, postpone major investments in application and systems development. This reflects in the IT service business as low demand for services and fierce competition for the few customer projects that materialize. Thanks to increasing demand for software development and software testing services mainly in the telecommunications sector, Tieto-X managed to increase turnover compared to the previous year.

88 per cent of turnover was accrued from contract work services, the company's basic service product, and 12 per cent from software project deliveries (subcontracting).

### **FINANCIAL RESULT**

During the review period the company's profit before goodwill amortisation dropped 3.3 per cent and was EUR 1.5 million or 10.4 per cent of turnover (2002: EUR 1.5 million, 11.8 per cent of turnover). Net profit came down by 46.0 per cent to EUR 0.4 million or 2.6 per cent of turnover (2002: EUR 0.7 million, 5.3 per cent of turnover). Earnings per share (pro forma) were EUR 0.19 (2002: EUR 0.20). Cash flow from business operations was EUR 0.04 per share (2002: EUR 0.07).

Relative profitability dropped mainly as a result of up-front recruitment of telecommunications experts in order to prepare for increasing demand for resources in that sector's customer projects. Up-front recruitment has led to a temporary increase in personnel expenses. Personnel expenses are expected to return to normal level in relation to turnover by year-end.

The net profit is also burdened by higher goodwill amortisation that will be written off in five years.

## **RETURN ON CAPITAL INVESTMENT**

Return on investment (ROI) was 8.4 per cent during the period under review (2002: 12.7 per cent). Return on equity (ROE) was 6.6 per cent (2002: 11.6 per cent).

## **BALANCE SHEET AND FINANCING**

The balance sheet total was EUR 10.7 million (2002: EUR 9.0 million). Liquidity was good throughout the review period. The Group's liquid assets at the end of the review period stood at EUR 2.4 million.

## **STAFF**

The number of personnel averaged 267 (2002: 241) during the period and stood at 300 at the end of the period (2002: 221). In addition to Tieto-X's own staff, an average of 9 staff of subcontracting companies have been working in client projects during the review period.

## **SHARES AND SHARE CAPITAL**

Tieto-X's share capital is EUR 303,080.00 and the total number of shares is 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 1.48 and the highest EUR 2.13. The final price quoted was EUR 1.93.

There were 1,981 shareholders on 30 September 2003. Private persons owned 63 per cent and institutions 37 per cent of the company's shares. The staff owned 24 per cent of the shares. Foreign ownership was 14 per cent.

During the review period the company launched a programme to repurchase own shares. As a result, the company owned 293,800 of its own shares on 30 September 2003. The average price paid for the shares was EUR 1.64 per share. The number of own shares in the company's possession corresponds to 3.9 per cent of the share capital and total number of votes.

## **FUTURE PROSPECTS**

No significant changes are anticipated in the general economic situation in the coming next months. However, judging from recent economic analysis and forecasts, a slight economic recovery can be expected next year. Companies' IT investments are thus estimated to remain low throughout the year but may increase in 2004.

In face of the general economic situation, Tieto-X's customers in the finance, trade, industry and public administration sectors are expected to keep their needs for services in software development and further development related to software

maintenance more or less on the present level. The positive trend in the telecommunications sector is expected to continue.

Judging from the company's order and tender prospects, fourth quarter turnover is forecasted to exceed the fourth quarter turnover of the previous year, and the 12-month turnover is estimated to exceed that of 2002. Relative profitability is expected to stay on the 2002 level.

## 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.

Accounting principles: The company's 'Earnings per share (pro forma)' figure has been calculated based on 'Profit before extraordinary items' less taxes plus goodwill amortisation.

<b>CONSOLIDATED PROFIT AND LOSS ACCOUNT, K EURO</b>	<b>1.1.- 30.9.2003</b>	<b>1.1. - 30.9.2002</b>	<b>Change %</b>	<b>1.1.- 31.12.02</b>
Turnover	14,009	12,808	9.4%	17,261
OPERATING PROFIT BEFORE GOODWILL AMORTISATION	1,457	1,507	- 3.3%	1,951
Goodwill amortisation	- 1,030	- 838	22.9%	- 1,136
OPERATING PROFIT	427	669	- 36.1%	815
Financial income and expenses	49	79	- 38.0%	104
Profit before extraordinary items	477	749	- 36.3%	920
Extraordinary items	0	0		0
<b>Profit before provisions and taxes</b>	<b>477</b>	<b>749</b>	<b>- 36.3%</b>	<b>920</b>
Taxes	- 108	- 65	63.7%	233
<b>NET PROFIT OF THE PERIOD</b>	<b>369</b>	<b>683</b>	<b>- 46.0%</b>	<b>1,153</b>

**CONSOLIDATED BALANCE SHEET, K EURO**

ASSETS	30.9.2003	30.9.2002	31.12.2002
<b>FIXED ASSETS</b>			
Intangible assets	3,331	3,184	4,389
Tangible assets	133	150	128
Investments	724	165	217
<b>CURRENT ASSETS</b>			
Short-term receivables	4,090	2,690	2,836
Financial securities	1,296	2,038	2,993
Cash on hand and on deposits	1,149	774	1,140
<b>ASSETS TOTAL</b>	<b>10,722</b>	<b>9,002</b>	<b>11,703</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Share Capital	303	303	303
Premium fund	3,692	3,692	3,692
Own shares fund	499		
Retained earnings	2,296	2,552	2,551
Net accounting period profit	369	683	1,153
<b>LIABILITIES</b>			
Long-term liabilities	71	0	71
Short-term liabilities	3,492	1,771	3,933
<b>SHAREHOLDERS' EQUITY AND LIABILITIES TOTAL</b>	<b>10,722</b>	<b>9,002</b>	<b>11,703</b>

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

	1.1.2003- 30.9.2003	1.1.2002- 30.9.2002	1.1.2002- 31.12.2002
<b>Business operations</b>			
Profit before extraordinary items	477	749	920
Depreciation and amortisation	1,093	898	1,208
Changes in net working capital	- 1,093	- 852	- 245
Fixed assets wrecking	0	0	19
Fixed assets sales profit	0	0	- 1
Taxes	- 208	- 259	- 21
<b>Cash flow from business operations</b>	<b>268</b>	<b>535</b>	<b>1,881</b>

**Investments**

Investments in tangible and intangible assets	- 47	- 166	- 216
Transfer income from tangible assets			49
Investment in subsidiary companies	- 540	- 983	- 1,076
<b>Cash flow from investments</b>	<b>- 588</b>	<b>- 1,149</b>	<b>- 1,243</b>
<b>Cash flow before financing</b>	<b>- 319</b>	<b>- 614</b>	<b>638</b>
<b>Financing</b>			
Dividend paid	- 909	- 1,894	- 1,894
Acquisition of own shares	- 499	0	0
Short-term loan receivables decrease	39	9	80
<b>Cash flow from financing</b>	<b>- 1,370</b>	<b>- 1,885</b>	<b>- 1,815</b>
Change in funds	- 1,689	- 2,498	- 1,176
Funds at the beginning of the period	4,134	5,310	5,310
Funds at the end of the period	2,444	2,812	4,134

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

	<b>Q3/2003</b>	<b>Q2/2003</b>	<b>Q1/2003</b>	<b>Q4/2002</b>	<b>Q3/2002</b>
	<b>1.7.03- 30.9.03</b>	<b>1.4.03- 30.6.03</b>	<b>1.1.03- 31.3.03</b>	<b>1.10.02- 31.12.02</b>	<b>1.7.02- 30.9.02</b>
Turnover	4,350	4,810	4,849	4,457	3,560
OPERATING PROFIT BEFORE GOODWILL AMORTISATION	479	492	486	445	726
Goodwill amortisation	- 380	- 297	- 353	- 299	- 279
OPERATING PROFIT	99	194	134	146	447
Financial income and expenses	12	12	25	24	25
Profit before extraordinary items	111	206	159	171	473
Extraordinary items					
Profit before provisions and taxes	111	206	159	171	473
Taxes	- 67	- 1	- 39	299	- 53
<b>NET PROFIT FOR THE PERIOD</b>	<b>44</b>	<b>205</b>	<b>120</b>	<b>471</b>	<b>419</b>

<b>FINANCIAL RATIOS</b>	<b>1.1.-30.9.2003</b>	<b>1.1.- 30.9.2002</b>	<b>1.1.-31.12.2002</b>
Earnings per share pro forma, Euro	0.19 (9kk)	0.20 (9kk)	0.30 (12kk)
Earnings per share official, Euro	0.05	0.09	0.15
Equity per share, Euro	0.98	0.95	1.02
Operating cash flow per share, Euro	0.04	0.07	0.25
Return on investment, %	8.4	12.7	11.4
Return on equity, %	6.6	11.6	14.2
Operating profit before goodwill amortisation/ turnover, %	10.4	11.8	11.3
Operating profit/turnover, %	3.1	5.2	4.7
<b>OTHER INFORMATION</b>	<b>1.1.-30.9.2003</b>	<b>1.1.-30.9.2002</b>	<b>1.1.-31.12.2002</b>
Average number of personnel during the period	267	241	237
Personnel at the end of the period	300	221	247
<b>COMMITMENTS</b>	<b>30.9.2003</b>	<b>30.9.2002</b>	<b>31.12.2002</b>
Commitments for group			
Bank deposits as a security for rent, k Euro	69	74	65
Amounts payable for leasing contracts, k Euro	102	55	89

**NEXT REPORT**

Advance information on the financial statements for January 1 - December 31, 2003 will be published on January 28, 2004.

Tieto-X Plc  
Board of Directors

**ADDITIONAL INFORMATION:**

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