

TIETO-X PLC INTERIM REPORT, JANUARY 1–JUNE 30, 2002

The first half went according to forecast: turnover fell and profitability weakened, but profit before goodwill amortisation remained satisfactory and cash flow continued positive.

In the first half of 2002 Tieto-X turnover fell 16.5 per cent on the same period of last year, totalling EUR 9.25 (11.08) million. Profit before goodwill amortisation decreased 63,2 per cent to EUR 0.78 million, or 8.4 per cent of turnover.

Tieto-X is Finland's leading contract work solutions company specializing in IT, offering customers flexible expertise, which supports their competitiveness. Most turnover derives from contract work services supplied by software designers and programmers. The main aim of the business development programme launched during the second quarter is to develop new software subcontracting services and IT personnel outsourcing services side by side with the company's well-established IT specialist contract work.

Turnover

The sluggish IT market resulting from general economic uncertainty continued in the second quarter. Companies' persistent unwillingness to invest in upgrading both new and existing systems meant that the decline in Tieto-X turnover that began in the first quarter also continued, as forecast, in the second. As in the first quarter, the decline was mainly caused by spending cutbacks at certain major client companies in the financial sector. Because of the poor demand for IT services in general, demand among other customers was insufficient to make up the shortfall.

Turnover fell 16.5 per cent, to EUR 9.25 (11.08) million. Software designers and programmers accounted for 88 (92) per cent of turnover and network support personnel for 12 (8) per cent.

Financial result

Operating profit before goodwill amortisation was EUR 0.78 million, down 63,2 per cent on the same period in 2001, and 8.4 (19.1) per cent of turnover. The net profit fell 75 per cent, to EUR 0.26 (1.04) million. Earnings per share (pro forma) were EUR 0.11 (0.20).

The unexpectedly dramatic slump in profitability was caused by lower turnover and one-off expenses from cuts in expert personnel, the cost of discharging certain administrative staff, and the suspension of operations at the Haaparanta unit. All in all, these one-off costs reduced profits for the second quarter by around EUR 0.15 million.

The net profit was also burdened by higher goodwill amortisations.

Cash flow from business operations was positive during the period.

Return on capital investment

Return on investment (ROI) was 6.9 (46.2) per cent during the period. Return on equity (ROE) was 7,2 (28.6) per cent.

Balance sheet and financing

The balance sheet total was EUR 9.3 (11.8) million. Liquidity was good throughout the period.

Staff

The number of personnell averaged 250 (279) during the period, and was 226 (290) at the end of the period.

Business development programme

The company launched a business development programme during the period. Its main aims are to extend the areas of competence covered by the experts offered to customers under the contract working service concept, and also to develop parallel software subcontracting and IT personnel outsourcing services.

To this end, the company decided to invest around EUR 0,17 million of previously unbudgeted training resources in specialist training for SAP consultants during the second half of the year.

Reorganization

Also related to the business development programme, the decision was taken to make changes in the company organisation. As of August 1, sales and customer relations functions have been arranged in four business groups. Contract working, software subcontracting and outsourcing service production is also being put into four production groups, which are further subdivided into competence teams supporting the development of staff expertise.

Shares and share capital

Tieto-X's share capital totals EUR 303,080.00, divided into 7,577,000 shares. The accounting countervalue of the share is EUR 0.04. The ISIN code used in international securities trading is FI0009008007 and the trading symbol TIX1V. Trading in the Tieto-X share began on Helsinki Exchanges' Pre-list on September 28, 1999 and on the NM List on October 10, 1999. The lowest quotation during the review period was EUR 2.48 and the highest EUR 4.25. The final price quoted was EUR 2.80.

There were 1,866 shareholders on August 1, 2002. Private persons own 60 per cent and institutions 40 per cent of the company's shares. The staff owned 27 per cent of the shares. Foreign ownership was 20 per cent.

Share ownership was as follows on August 1, 2002:

	Number of shares	% of shares
Investment Fund Nordea Nordic Small Cap	375 200	5.0
Jokinen Matti	321 400	4.2
Leikos Martti	317 250	4.2
Terho Risto	309 090	4.1
Gunnelius Karl	307 540	4.1
Nyysönen Tuomo	265 800	3.5
Rantala Lasse	252 000	3.3
Pyrhönen Kari	201 700	2.7
Fondita Nordic Small Cap	200 300	2.6
Kemilä Hannu	199 690	2.6
Keskimaula Tapio	132 000	1.7
Salmi Mikael	125 630	1.7
Saareila Lauri	120 280	1.6
Heiskanen Kalevi	100 252	1.3
FIM Fenno Investment Fund	100 000	1.3
Suomi Insurance Company	100 000	1.3
Suomi Mutual Life Assurance Company	100 000	1.3
Vainionpää Asko	85 002	1.1
Nora Satu	81 890	1.1
Nominee-registered	1 500 925	19.8
Other	2 381 051	31.4
Total	7 577 000	100.0

Future prospects

The economic situation in general looks likely to continue unstable, further postponing businesses' IT investments. On the other hand, if the economy starts to pick up, there could be a fast revival of investment activity, as companies have had to put off necessary IT improvements because of the uncertain situation.

Tieto-X's customer businesses will probably still have little need for additional IT personnel in the early autumn. On the other hand, most have probably already fully utilized the labour flexibility that Tieto-X's contract work model offers them. The new areas of competence and new service concepts in the business development programme launched during the review period are expected to generate some new business during the fourth quarter, though the main increase will not be until 2003.

Tieto-X's turnover during the third quarter is expected to be about 10 % lower than in the second quarter, due to the holiday season in July. It is still difficult to estimate developments in the fourth quarter because of the market situation. Even so, a higher volume of tenders and the new areas of competence and service concepts should generate a higher turnover than in the second and third quarters. Excluding acquisitions, turnover and the financial result for the whole year will be lower than last year. Third-quarter performance will improve, however, on the second quarter because of cost cutting and rationalization, and profitability for the year as a whole will be good, compared with the IT service sector average.

TIETO-X GROUP

The figures in the income statement and balance sheet have been consolidated. The figures for Botnia Comp Haparanda Ab in Haaparanta are included.

The original Interim Report is in Finnish. The English version is a translation.

The figures are unaudited.

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

CONSOLIDATED PROFIT AND LOSS ACCOUNT, K EURO	1.1.- 30.6.2002	1.1.- 30.6.2001	Change	1.1.- 31.12.2001
TURNOVER	9 248	11 081	-16,5%	21 397
OPERATING PROFIT BEFORE GOODWILL AMORTISATIONS	780	2 117	-63,2%	3 945
Goodwill amortisations	- 558	- 465	+20,1%	- 1 117
OPERATING PROFIT	222	1 651	-86,6%	2 828
Financial income and expences	54	- 235	123,2%	- 286
Profit before extraordinary items	276	1 417	-80,5%	2 542
Extraordinary items	0	0		0
Profit before provisions and taxes	276	1 417	-80,5%	2 542
Taxes	- 12	- 379	-109,8%	- 342
NET PROFIT OF THE PERIOD	263	1 038	-74,7%	2 200

CONSOLIDATED BALANCE SHEET K EURO

ASSETS	30.6.2002	30.6.2001	31.12.2001
FIXED ASSETS			
Intangible Assets	3 580	3 755	4 039
Tangible Assets	161	118	158
Investments	164	164	887
CURRENT ASSETS			
Short-term receivables	2 270	3 857	2 963
Financial securities	2 435	1 937	3 659
Cash on hands and on deposits	724	1 924	1 651
ASSETS TOTAL	9 334	11 756	13 357

SHAREHOLDERS' EQUITY AND LIABILITIES

SHAREHOLDERS' EQUITY			
Share Capital	303	305	305
Premium fund	3 692	3 018	3 018
Own shares fund			720
Retained earnings	2 552	2 966	2 246
Net accounting period profit	263	1 038	2 200
LIABILITIES			
Short-term liabilities	2 523	4 428	4 868
SHAREHOLDER'S EQUITY AND LIABILITIES TOTAL	9 334	11 756	13 357

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

	Q2/02	Q1/02	Q4/01	Q3/01	Q2/01
	4-6/2002	1-3/2002	10-12/2001	7-9/2001	4-6/2001
TURNOVER	4 067	5 180	5 540	4 776	5 437
OPERATING PROFIT BEFORE GOODWILL AMORTISATIONS	72	708	950	879	1009
Goodwill amortisations	-279	-279	-419	-233	-233
OPERATING PROFIT	-207	429	531	646	776
Financial income and expences	31	24	210	-262	79
Profit before extraordinary items	-176	452	741	384	855
Extraordinary items					
Profit before provisions and taxes	-176	452	741	384	855
Taxes	31	-44	-71	108	-251
Net profit of the period	-145	408	670	492	604

FINANCIAL RATIOS

1.1.-30.6.2002 1.1.- 30.6.2001 1.1.-31.12.2001

Earnings per share Pro forma, Euro	0,11(6kk)	0,20 (6 kk)	0,45 (12 kk)
Earnings per share, Euro	0,04	0,14	0,30
Earnings per share, Option diluted	0,04	0,14	0,30
Equity per share, Euro	0,90	0,96	1,11
Operating cash flow per share, Euro	0,14	0,20	0,32
Return on investment, %	6,9	46,2	32,4
Return on equity, %	7,2	28,6	28,0
Operating profit before goodwill amortisations/ turnover, %	8,4	19,1	18,4
Operating profit/turnover, %	2,4	14,9	13,2

OTHER INFORMATION	1.1.-30.6.2002	1.1.-30.6.2001	1.1.-31.12.2001
Average number of personnel during the period	250	279	273
Personnel at the end of the period	226	290	275
COMMITMENTS	30.6.2002	30.6.2001	31.12.2001
Commitments for group			
Bank deposits as a security for rent, k Euro	74	27	74
Amounts payable for leasing contracts, k Euro	55	99	55

Next reports

The Interim Report for January 1 – September 30, 2002 will be published on October 30, 2002.

Tieto-X Plc
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