

TIETO-X PLC INTERIM REPORT 1 JANUARY - 30 JUNE 2005**Tieto-X's six-month period meets estimates**

- Turnover was EUR 12.6 million (2004: EUR 13.0 million)
- Operating profit was EUR 1.2 million (2004: EUR 1,9 million)
- The turnover of the Systems Services Unit was EUR 5.9 million (2004: EUR 5.9 million) and operating profit EUR 0.9 million (2004: EUR 1.0 million)
- The turnover of the Telecommunications Unit was EUR 6.7 million (2004: EUR 7.1 million) and operating profit was EUR 1.5 million (2004: EUR 2.2 million)
- The turnover for the third quarter is expected to be on the same level as in the third quarter of 2004, and the company's twelve-month turnover is estimated to slightly exceed that of the previous year.
- Due to the efforts to develop services and increasing personnel expenses third-quarter profitability is expected to fall short of the same period in the previous year, and the profitability of 2005 is expected to fall short of 2004.
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After the hiccup at the turn of the year, turnover was back on growth-track in the second quarter and amounted to EUR 6.6 million, the company's all time high turnover for one quarter. Due to low turnover in the first quarter, however, six-month turnover fell 3.2 per cent from the same period in the previous year and was EUR 12.6 million (2004: EUR 13.0 million.)

As expected, also business profitability picked up in the second quarter from the weak first quarter, but did not quite reach the extremely good profitability level of the same period in 2004. Operating profit for the six-month period was 37.3 lower than in the previous year and stood at EUR 1.2 million (2004: EUR 1.9 million).

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 organised into two business units, the Systems Services Unit and the Telecommunications Unit. The Systems Services Unit develops and maintains software that are 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 equipment manufacturers 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, but during the ongoing year the number of uncertainty factors has again slightly increased. However, companies have, to some extent, increased their IT investments in the first half of the year.

Part of the new software and systems development projects that Tieto-X's customer companies and organisations run reached the execution phase, increasing the demand for services provided by experts in Tieto-X's Systems Services Unit. Despite low business volume in the first quarter, Systems Services' six-month business volume reached the level of the same period in the previous year, thanks to good performance in the second quarter.

Low invoicing rate in the first quarter weakened the Unit's profitability. However, invoicing rate increased considerably in the second quarter. Six-month profitability was also weakened by the Unit's inputs to develop its services and the organisation. These efforts, which show as an increase of personnel expenses, are believed to raise the added value of the Unit's services and to boost the Unit's business volume and thus improve the Unit's profitability from here on.

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 signed in the spring, to the prices of services.

During the last quarter of 2004 the business volume of the Telecommunications Unit dropped slightly as several customer projects came to an end and the launch of new projects were postponed to 2005. However, the delayed projects were launched as planned during the first quarter, but first-quarter turnover fell clearly short of that of the same period in the previous year. The Unit's business volume developed according to expectations and climbed to the same level as in the second quarter of 2004. Due to the difficulties in the first period, however, six-month turnover fell slightly short of that in 2004.

The Telecommunications Unit's six-month profitability was somewhat lower than in the same period in 2004, which was a very profitable period. However, profitability stayed on a fairly good level despite the lower-than-normal invoicing rate in January-February and the inputs in the Unit's business processes, service productisation and sales operations. Invoicing rate was high especially at the end of the review period.

The efforts to develop business processes and services are expected to improve the Unit's competitive edge in the future.

Competition for software projects for leading international mobile and smartphone manufacturers is fierce. Due to fierce competition also in the hardware market, the manufacturers have to extend their product range and speed up their product development cycle, which is expected to keep the software development market growing and to become more international.

TURNOVER

During the first six months Tieto-X's turnover dropped 3.2 per cent compared to the previous year and was EUR 12.6 million (2004: EUR 13.0 million). Of the turnover for the

report period, 53 per cent was accrued by the Telecommunications Unit and 47 per cent by the Systems Services Unit.

A one-time provision reversal of EUR 0.1 million improves the Systems Services Unit's turnover. The provision derives from a write-down in the financial statements 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. The dispute was settled during the report period.

TURNOVER BY SEGMENT

K EURO	1-6 2005	1-6 2004	1-12 2004
Telecommunications	6,681	7,088	13,202
Systems Services	5,923	5,932	11,266
Administration			
Group total	12,603	13,020	24,468

FINANCIAL RESULT

The company's operating profit dropped 37.3 per cent compared to the previous year and was EUR 1.2 million, which is 9.5 per cent of turnover (2004: EUR 1.9 million, 14.7 per cent of turnover). Net profit came down by 36.5 per cent to EUR 1.0 million or 7.8 per cent of turnover (2004: EUR 1.6 million, 11.9 per cent of turnover). Earnings per share were EUR 0.13 (2004: EUR 0.21). Cash flow from business operations was EUR 0.09 per share (2004: EUR 0.35).

OPERATING PROFIT BY SEGMENT

K EURO	1-6 2005	1-6 2004	1-12 2004
Telecommunications	1,506	2,248	3,931
Systems Services	930	991	1,577
Administration	- 1,235	- 1,324	- 2,653
Group total	1,201	1,914	2,854

The reversal of the above-mentioned project provisions entered in the financial statement of 2004 improved Systems Services' business profitability. The impact of the reversal on the Unit's operating profit was EUR 0.2 million.

RETURN ON CAPITAL INVESTMENT

Return on investment (ROI) was 31.0 per cent during the period under review (2004: 53.5 per cent). Return on equity (ROE) was 25.2 per cent (2004: 45.4 per cent).

BALANCE SHEET AND FINANCING

The balance sheet total was EUR 11.7 million (2004: EUR 11,0 million). Liquidity was good throughout the review period. The Group's liquid assets stood at EUR 4.9 million at the end of the review period.

CASH FLOW

The company's cash flow for the review period was EUR 0.7 million negative. Cash flow for the first quarter was EUR 2.1 million negative, including a EUR 1.3 million dividend payment. Cash flow for the second quarter was EUR 1.4 million positive.

PERSONNEL

The number of personnel averaged 324 (2004: 333) during the period under review and was 334 (2004: 334) at the end of the period.

SHARES AND SHARE CAPITAL

Tieto-X's share capital was EUR 292,468.00 at the end of the period, and the total number of shares was 7,311,700. 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 3.35 and the highest EUR 4.13. The final price quoted was EUR 3.50.

There were 1,979 shareholders on 30 June 2005. Private persons owned 68 per cent and institutions 32 per cent of the company's shares. The staff owned 18 per cent of the shares. Foreign ownership was 4 per cent.

FUTURE PROSPECTS

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

The customers of Tieto-X's Systems Services Unit started to cautiously increase their IT investments at the end of 2004, and they have continued to do so in the first six months of the ongoing year. The software and systems development projects that have materialized out of this small boost have increased the demand for services by the Systems Services Unit in the second quarter, and this trend is expected to continue in the third and fourth quarters. In addition, the demand for the Unit's new service concepts is anticipated to increase in the second half of the year.

Third quarter business volume of the Telecommunications Unit is predicted to be on the same level as in the second quarter, and to slightly increase at the end of the year.

Judging from the Business Units' order backlogs and tender prospects, the company's third quarter turnover is expected to be on the same level as in the previous year. Profitability is anticipated to fall short of the highly profitable third quarter in 2004.

If the general economic outlook remains stable, Tieto-X's business is predicted to develop positively in both Business Units during the fourth quarter, and the company's 12-month turnover is anticipated to slightly exceed that of 2004. Due to the efforts to develop services and increasing personnel expenses, profitability is forecasted to be lower than 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.- 30.6.2005	1.1.- 30.6.2004	CHANGE	1.1.- 31.12.2004
Turnover	12,603	13,020	- 3.2 %	24,468
Operating costs	- 11,402	- 11,106	2.7 %	- 21,613
OPERATING PROFIT	1,201	1,914	- 37.3 %	2,854
Financial income and expenses	39	23	75.0 %	70
Profit before extraordinary items	1,240	1,937	- 35.9 %	2,924
Extraordinary income and expenses	0	0	0	0
Profit before provisions and taxes	1,240	1,937	- 35.9 %	2,924
Taxes	- 254	- 383	- 33.7 %	- 570
NET PROFIT FOR THE PERIOD	986	1,553	- 36.5 %	2,354

**CONSOLIDATED BALANCE SHEET,
K EURO**

ASSETS	30.6.2005	30.6.2004	31.12.2004
FIXED ASSETS			
Property, plant and equipment	181	267	193
Goodwill	1,965	1,965	1,965
Intangible assets	257	232	312
Deferred tax claim	168	490	325
Other financial assets	19	71	19
LONG-TERM ASSETS TOTAL	<u>2,590</u>	<u>3,026</u>	<u>2,814</u>
CURRENT ASSETS			
Accounts receivable and other receivables	4,238	3,903	3,551
Liquid assets	4,878	4,037	5,604
TOTAL CURRENT ASSETS	<u>9,115</u>	<u>7,939</u>	<u>9,156</u>
TOTAL ASSETS	<u>11,706</u>	<u>10,965</u>	<u>11,970</u>
SHAREHOLDER'S EQUITY AND LIABILITIES	30.6.2005	30.6.2004	31.12.2004
SHAREHOLDERS' EQUITY			
Share capital	292	291	291
Premium fund	3,746	3,704	3,704
Share issue	0	0	28
Own shares fund	0	0	0
Fair value and other reserves	64	24	46
Retained earnings	2,591	1,551	1,551
Net profit for the period	986	1,553	2,354
TOTAL SHAREHOLDERS' EQUITY	<u>7,680</u>	<u>7,123</u>	<u>7,975</u>
LIABILITIES			
Long-term liabilities	178	367	185
Current liabilities	3,847	3,475	3,810
TOTAL LIABILITIES	<u>4,025</u>	<u>3,842</u>	<u>3,995</u>
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	<u>11,706</u>	<u>10,965</u>	<u>11,970</u>

CHANGES IN SHARE-HOLDERS' EQUITY K EURO	Share holders' equity	Pre mium fund	Share issue	Own Shares fund	Fair value and other reserves	Retained earnings	Total
Shareholders' equity 1.1.2004	303	3,692	0	- 499	12	3,070	6,577
Transfer to reserves					13		13
Invalidation of own shares	- 12	12		499		- 499	
Dividend						- 1,020	- 1,020
Profit for the period						1,553	1,553
Shareholders' equity 30.6.2004	291	3,704	0	0	24	3,104	7,123
Shareholders' equity 1.1.2005	291	3,704	28	0	46	3,905	7,975
Transfer to reserves					18		18
Share issue	1	42	- 28				16
Dividend						- 1,314	- 1,314
Profit for the period						986	986
Shareholders' equity 30.6.2005	292	3,746	0	0	64	3,577	7,680

SOURCES AND APPLICATION OF FUNDS, K EURO

	1.1.- 30.6.2005	1.1.- 30.6.2004	1.1.- 31.12.2004
Business operations			
Profit before extraordinary items	1,240	1,937	2,924
Total adjustments	85	66	251
Changes in net working capital	- 517	641	984
Taxes	- 183	- 85	0
Cash flow from business operations	625	2,558	4,159

Investments

Investments in tangible and intangible assets	- 7	- 135	- 272
Transfer income from tangible assets	0	0	83
Acquisition of subsidiaries	0	- 988	- 988
Cash flow from investments	- 7	- 1,122	- 1,177

Cash flow before financing	618	1,436	2,982
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Financing

Dividend paid	- 1,314	- 1,020	- 1,020
Acquisition of own shares	0	0	0
Change in long-term debt	0	0	- 71
Share issue	16	0	28
Converted certificates of deposits	0	0	52
Short-term loan receivables decrease	-46	6	18
Cash flow from financing	- 1,344	- 1,014	- 992

Change in funds	- 727	422	1,990
Funds at the beginning of the period	5,604	3,614	3,614
Funds at the end of the period	4,878	4,037	5,604

CONSOLIDATED PROFIT AND LOSS ACCOUNT, QUARTERLY, K EURO

	Q2/2005	Q1/2005	Q4/2004	Q3/2004	Q2/2004
	1.4.05- 30.6.05	1.1.05- 31.3.05	1.10.04- 31.12.04	1.7.04- 30.9.04	1.4.04- 30.6.04
Turnover	6,592	6,011	5,836	5,612	6,536
Operating costs	- 5,870	- 5,532	- 5,759	- 4,748	- 5,594
OPERATING PROFIT	722	479	77	864	941
Financial income and expenses	17	23	25	22	11
Profit before provisions and taxes	739	502	101	886	952
Extraordinary income and expenses	0	0	0	0	0
Profit before provisions and taxes	739	502	101	886	952
Taxes	- 170	- 84	5	- 192	- 53
PROFIT FOR THE PERIOD	569	418	107	695	899

SEGMENT REPORTING	1.1.- 30.6.2005	1.1.- 30.6.2004	1.1.-31.12.2004
Turnover by segment			
Telecommunications	6,681	7,088	13,202
Systems Services	5,923	5,932	11,265
Administration	0	0	0
Turnover total	<u>12,603</u>	<u>13,020</u>	<u>24,468</u>
Operating profit by segment			
Telecommunications	1,506	2,248	3,931
Systems Services	930	991	1,577
Administration	- 1,235	- 1,324	- 2,653
Total operating profit	<u>1,201</u>	<u>1,914</u>	<u>2,854</u>
Operating profit of turnover %	9.5	14.7	11.7
Interest and financial income	39	23	70
Profit before taxes	<u>1,240</u>	<u>1,937</u>	<u>2,924</u>
Taxes	<u>- 254</u>	<u>- 383</u>	<u>- 570</u>
PROFIT FOR THE PERIOD	<u>986</u>	<u>1,553</u>	<u>2,354</u>
FINANCIAL RATIOS	1.1.- 30.6.2005	1.1.- 30.6.2004	1.1.-31.12.2004
Earnings per share, EUR	0.13	0.21	0.32
Equity per share, EUR	1.03	0.98	1.09
Operating cash flow per share, EUR	0.09	0.35	0.57
Return on investment, %	31.0	53.5	38.5
Return on equity, %	25.2	45.4	32.4
Operating profit/turnover, %	9.5	14.7	11.7
OTHER INFORMATION	1.1.- 30.6.2005	1.1.- 30.6.2004	1.1.-31.12.2004
Average number of personnel during the period	324	333	331
Personnel at the end of the period	334	334	327
COMMITMENTS	30.6.2005	30.6.2004	31.12.2004
Commitments for group			
Bank deposits as a security for rent, k Euro	84	77	83
Amounts payable for leasing contracts, k Euro	318	211	378

**CONSOLIDATED PROFIT AND LOSS
ACCOUNT RECONCILIATION
1 JANUARY - 30 JUNE 2004
K EURO**

	Reported (FAS) 1.1.- 30.6.2004	Effect of transfer to IFRS	IFRS 1.1.-30.6.2004
Turnover	13,020	0	13,020
Operating costs	- 11,799	693	- 11,106
OPERATING PROFIT	1,221	693	1,914
Financial income and expenses	23	0	23
Profit before extraordinary items	1,244	693	1,937
Extraordinary income and expenses	0	0	0
Profit before provisions and taxes	1,244	693	1,937
Taxes	0	- 383	- 383
NET PROFIT FOR THE PERIOD	1,244	310	1,553

	Reported (FAS) 30.6.2004	Effect of transfer to IFRS	IFRS 30.6.2004
CONSOLIDATED BALANCE SHEET RECONCILIATION 30.6.2004, K EURO			
ASSETS			
FIXED ASSETS			
Tangible fixed assets	267	0	267
Goodwill	2,291	- 325	1,965
Intangible assets	232	0	232
Deferred tax claim	0	490	490
Other financial assets	71	0	71
LONG-TERM ASSETS TOTAL	2,862	164	3,026
CURRENT ASSETS			
Accounts receivable and other receivables	3,903	0	3,903
Liquid assets	4,036	0	4,036
TOTAL CURRENT ASSETS	7,939	0	7,939
TOTAL ASSETS	10,801	164	10,965

SHAREHOLDER'S EQUITY AND LIABILITIES	30.6.2004		30.6.2004
SHAREHOLDERS' EQUITY			
Share capital	291	0	291
Premium fund	3,704	0	3,704
Share issue	0	0	0
Own shares fund	0	0	0
Fair value and other reserves	0	24	24
Retained earnings	2,087	- 537	1,551
Net profit for the period	1,244	310	1,553
TOTAL SHAREHOLDERS' EQUITY	7,326	- 203	7,123
LIABILITIES			
Long-term liabilities	0	367	367
Current liabilities	3,475	0	3,475
TOTAL LIABILITIES	3,475	367	3,842
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	10,801	164	10,965

NEXT REPORTS

The interim report for the period 1 January-30 September 2005 will be published on 24 October 2005.

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