Tieto-X Stock Exchange Release 24.10.2005

TIETO-X PLC INTERIM REPORT 1 JANUARY - 30 SEPTEMBER 2005

TIETO-X'S BUSINESS OPERATIONS DEVELOPED FAVORABLY IN THE THIRD QUARTER

- Nine-month turnover was EUR 18.3 million (2004: EUR 18,6 million) Nine-month operating profit was EUR 1.8 million (2004: EUR 2.8 million).
- The Systems Services Business Unit's nine-month turnover was EUR 8.7 million (2004: EUR 8,6 million) and operating profit EUR 1.3 million (2004: EUR 1,6 million).
- The Telecommunications Business Unit's nine-month turnover was EUR 9.7 million (2004: EUR 10.0 million) and operating profit EUR 2.1 million (2004: EUR 3.2 million)
- The fourth quarter turnover of the company's organic business operations is expected to clearly exceed that of the same period in 2004, and twelve-month turnover is expected to exceed that of 2004.
- The fourth quarter profitability of the company's organic business operations is predicted to clearly exceed the profitability level of the fourth quarter in 2004. However, due to inputs to develop services and due to increased personnel expenses, the profitability of the fiscal year 2005 will fall slightly below that of 2004.
- The merger of the business operations of Vega Technologies Oy, which Tieto-X acquired in October, with the business operations of Tieto-X will significantly increase Group turnover in the fourth quarter. However, due to IFRS accounting practices the acquisition is not expected to significantly influence fourth quarter operating profit.

In the third quarter Tieto-X's turnover grew slightly more than was expected and exceeded the turnover level of the same period in the previous year. Third quarter turnover stood at EUR 5.7 million (2004: EUR 5.6 million). As a result of low turnover in the first quarter, however, nine-month turnover fell 1.6 per cent short of the turnover level in 2004, which was anticipated. Turnover for the period was EUR 18.3 million (2004: 18,6 million).

As was expected, business profitability in the third quarter fell short of the very good profitability level of the same period in 2004 and was EUR 0,55 million (2004: EUR 0,86 million). Turnover for the nine-month period dropped 37.0 per cent from the same period in the previous year and was EUR 1.8 million (2004: 2.8 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 is 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 manufacturers of telecommunications hardware and networks. 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 has, despite some uncertainty factors, remained prudently positive, and companies have slightly increased their IT investments throughout the year.

In the second quarter, part of the new software and systems development projects that Tieto-X’s customer companies and organisations run reached the implementation phase. After a weak first quarter, this project maturation increased the demand for services provided by experts in Tieto-X’s Systems Services Unit. Demand remained on a good level also in the third quarter, and the unit launched several new customer projects during the quarter.

The profitability of the Systems Services Unit was weakened by the low number of billed hours in the first quarter. However, the number of billed hours increased considerably in the second and third quarters. Nine-month profitability was also weakened by the Unit’s investments to develop its services and the organisation. These efforts, which show as an increase of personnel expenses, are estimated 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 already in the last quarter of the year. Close to half of the Unit’s turnover was generated by new software development services with total responsibility and by new wide range sourcing services.

Market competition remained fierce for the Systems Services Unit in the third quarter due to the customer companies holding back new investments. Because of 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 review period. This has been a burdening factor for profitability.

During the last quarter of 2004 the business volume of the Telecommunications Unit dropped slightly as several customer projects come to an end and the launch of new projects were postponed to 2005. 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 as expected and climbed to the same level as in the second quarter of 2004. As the Unit launched several new customer projects in the third quarter, the business volume of the Unit continued to grow.

The profitability of the Telecommunications Unit fell clearly short of the very good profitability level of the same period in the previous year. This was due to the lower than normal number of billed hours as well as the inputs in the Unit’s business processes, service productisation and sales. The number of billed hours returned to normal level in the second quarter and remained high also in the third quarter.

The inputs in developing operating processes and services helped the Unit to win new customer projects in the third quarter. These inputs, in addition to the acquisition of Vega Technologies Oy in October, are believed to further sharpen the competitive edge of the Unit's services in the future.

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

TURNOVER

Tieto-X's turnover for the review period was 1.6 per cent lower than in the previous year and stood at EUR 18.3 million (2004: EUR 18.6 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.

TURNOVER BY SEGMENT

K EURO	1-9 2005	1-9 2004	1-12 2004
Telecommunications	9,655	10,017	13,202
Systems Services	8,677	8,615	11,266
Administration			
Group total	18,332	18,632	24,468

FINANCIAL RESULT

The company's operating profit dropped 37.0 per cent compared to the previous year and was EUR 1.8 million, which is 9.6 per cent of turnover (2004: EUR 2.8 million, 14.9 per cent of turnover). Net profit came down by 41.3 per cent to EUR 1.3 million or 7.2 per cent of turnover (2004: EUR 2.2 million, 12.1 per cent of turnover). Earnings per share were EUR 0.18 (2004: EUR 0.31). Cash flow from business operations was EUR 0.05 per share (2004: EUR 0.40).

OPERATING PROFIT BY SEGMENT

K EURO	1-9 2005	1-9 2004	1-12 2004
Telecommunications	2,093	3,175	3,931
Systems Services	1,303	1,576	1,577
Administration	- 1,645	- 1,973	- 2,653
Group total	1,751	2,778	2,854

RETURN ON CAPITAL INVESTMENT

Return on investment (ROI) was 24.3 per cent during the period under review (2004: 49.1 per cent). Return on equity (ROE) was 22.0 per cent (2004: 41.6 per cent).

BALANCE SHEET AND FINANCING

The balance sheet total was EUR 11.7 million (2004: EUR 11.6 million). Liquidity was good throughout the review period. The Group's liquid assets stood at EUR 4.7 million at the end of the review period.

CASH FLOW

The company's cash flow for the review period was EUR 0.9 million negative. The negative cash flow was a result of dividend paid during the review period and recognition of accounts receivable at the turn of the period.

PERSONNEL

The number of personnel averaged 330 (2004: 331) during the period under review and was 334 (2004: 330) 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 Stock 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 3.20 and the highest EUR 4.13. The final price quoted was EUR 3.44.

There were 1,917 shareholders on 30 September 2005. Private persons owned 61 per cent and institutions 39 per cent of the company's shares. The staff owned 19 per cent of the shares. Foreign ownership was 3 per cent.

EVENTS AFTER THE REVIEW PERIOD

Tieto-x Plc announced on 7 October 2005 that the company had undertaken by a written agreement on 6 October 2005 to acquire the entire share capital of Oulu-based Vega Technologies Oy, a company offering Symbian software development services, for a total amount not exceeding EUR 8.5 million. Of the acquisition price, EUR 4.6 million was paid 12 October, and the remaining amount, not to exceed EUR 3.9 million, will be paid in January 2006, provided that the profitability targets agreed upon for the company are met.

Vega, which started its operations in 2001 and has grown strongly and profitably, has over 80 employees in Oulu, Rovaniemi, Tampere and Espoo. A majority of the employees are Symbian software developers.

The company's turnover in 2004 was EUR 3.2 million, and operating profit was EUR 0.9 million. The turnover for 2005 will climb to approximately EUR 5.3 million, and operating profit to EUR 1.3 million. The company's shareholders' equity on 31 December 2005 is estimated to be approximately EUR 2 million. The company's main customer is a hardware vendor operating on the global mobile communication and smartphone markets. Other customers include companies operating in the telecommunications field in Finland and the Nordic Countries.

The sellers are, among others, the founder and CEO of the company, Mr. Jorma Hanhimäki and a group of employees. The entire personnel of Vega Technologies Oy will move to Tieto-X with existing status and benefits.

The skilled personnel of Vega Technologies will significantly strengthen Tieto-X’s competence in Symbian software development, improve the company’s project delivery capabilities and capacity to provide a wider range of services to mobile communication device and smartphone manufacturers, as well as deepen key customer relationships. The merger makes Tieto-X one of the world’s leading Symbian houses.

To finance the acquisition Tieto-X has agreed on a non-equity financing package of maximum EUR 7 million.

On 10 October Tieto-X announced that it had 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. The CEO of the company is Mr. Kari Liuska, director of Tieto-X’s Telecommunications unit. The director of the office in Tallinn is Arno Rannaste. The company’s customers are Symbian smartphone manufacturers and telecom carriers.

As mobile communication devices become more and more complicated and product development speeds up, there is a call for increased and more systematic testing to ensure hardware and software product quality. By carefully planning the test process and by developing own test tools Tieto-X has managed to enhance the test process and improve test reliability.

The testing service is built out of Tieto-X’s experienced test teams that interface with the customers. In the early stages of the test projects, these teams take care of the test project management, test planning and customer contacts. Iterative testing is done at Testhouse Oy.

With the Testhouse concept Tieto-X will be able to offer flexible and cost-efficient solutions to the customers’ growing testing needs. The first significant Testhouse projects will be launched this autumn.

FUTURE PROSPECTS

The general economic atmosphere in Finland is anticipated to remain prudently positive, and companies as well as public administration organisations are expected to continue their carefully calculated information technology investments.

The customer companies of Tieto-X’s Systems Services Unit are expected to continue their cautious investments in the fourth quarter, which will increase the demand for the Unit’s services. In addition, the demand for the Unit’s new service concepts is anticipated to increase in the last quarter, and thus raise the Unit’s business volume so that it clearly exceeds the business volume of the same quarter in 2004.

The business of the Telecommunications Unit is also anticipated to develop positively in the last quarter, boosted by the new project and service models with comprehensive responsibility. Thus, the Unit’s business volume will clearly exceed that of the previous year.

Judging from the order backlogs and tender prospects, the company’s fourth quarter organic turnover is expected to clearly exceed the turnover of the same period in 2004. Since the number of billed hours remains high, profitability is also predicted to remain good and clearly beat that of the fourth quarter in the previous year.

The company’s twelve-month organic turnover is expected to grow bigger than the turnover of 2004. Due to a weak first quarter, investments to develop services, and the increasing personnel expenses, the company’s profitability is expected to fall somewhat short of the profitability of the previous year.

The merger of the business operations of Vega Technologies Oy, which Tieto-X acquired in October, with the business operations of Tieto-X will significantly increase Group turnover in the fourth quarter. However, due to IFRS accounting practices the acquisition is not expected to significantly influence fourth quarter operating profit.

Thanks to good organic growth in the last six months of the year, as well as the acquisition of Vega Technologies Oy, the business volume of Tieto-X at the turn of the year 2005-2006 is expected to be on a significantly higher level than a year earlier.

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.- 30.9.2005**	**1.1.- 30.9.2004**	**Change**	**1.1.- 31.12.2004**
Turnover	18,332	18,632	- 1.6 %	24,468
Operating costs	- 16,581	- 15,854	4.6 %	- 21,613
OPERATING PROFIT	1,751	2,778	- 37.0 %	2,854
Financial income and expenses	58	45	28.5 %	70
Profit before extraordinary items	1,809	2,823	- 35.9 %	2,924
Extraordinary income and expenses	0	0	0	0
Profit before provisions and taxes	1,809	2,823	- 35.9 %	2,924
Taxes	- 489	- 575	- 14.9 %	- 570
NET PROFIT FOR THE PERIOD	**1,320**	**2,248**	**- 41.3 %**	**2,354**

CONSOLIDATED BALANCE SHEET, K EURO

ASSETS	**30.9.2005**	**30.9.2004**	**31.12.2004**
FIXED ASSETS			
Property, plant and equipment	271	199	193
Goodwill	1,965	1,965	1,965
Intangible assets	143	266	312
Deferred tax claim	43	298	325
Long-term receivables	33	0	0
Other financial assets	19	71	19
LONG-TERM ASSETS TOTAL	2,474	2,800	2,814
CURRENT ASSETS			
Accounts receivable and other receivables	4,551	4,436	3,551
Liquid assets	4,662	4,372	5,604
TOTAL CURRENT ASSETS	9,214	8,808	9,156
TOTAL ASSETS	11,687	11,608	11,970

SHAREHOLDERS' EQUITY AND LIABILITIES	**30.9.2005**	**30.9.2004**	**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	80	33	46
Retained earnings	2,591	1,551	1,551
Net profit for the period	1,320	2,248	2,354
TOTAL SHAREHOLDERS´ EQUITY	8,030	7,826	7,975
LIABILITIES			
LONG-TERM LIABILITIES	241	509	185
Current liabilities	3,416	3,272	3,810
TOTAL LIABILITIES	3,657	3,782	3,995
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	11,687	11,608	11,970

CHANGES IN SHARE-HOLDERS' EQUITY K EURO	Share hol ders' 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					21		21
Invalidation of own shares	- 12	12		499		- 499	
Dividend						- 1,020	- 1,020
Profit for the period						2,248	2,248
Shareholders´ equity 30.9.2004	291	3,704	0	0	33	3,799	7,826
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						- 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

SOURCES AND APPLICATION OF FUNDS, K EURO	**1.1.-30.9.2005**	**1.1.-30.9.2004**	**1.1.-31.12.2004**
Business operations			
Profit before extraordinary items	1,809	2,823	2,924
Total adjustments	483	229	251
Changes in net working capital	- 1,630	- 113	984
Taxes	- 275	0	0
Cash flow from business operations	**386**	**2,939**	**4,159**
Investments			
Investments in tangible and intangible assets	- 20	- 196	- 272
Transfer income from tangible assets	0	83	83
Acquisition of subsidiaries	0	- 988	- 988
Total cash flow from investments	**- 20**	**- 1,100**	**- 1,177**
Cash flow before financing	**367**	**1,838**	**2,982**

Financing			
Dividend paid	- 1,314	- 1,020	- 1,020
Acquisition of own shares	0	0	0
Change in long-term debt	0	- 71	- 71
Share issue	16	0	28
Converted certificates of deposits	0	0	52
Short-term loan receivables decrease	- 10	10	18
Cash flow from financing	**- 1,309**	**- 1,081**	**- 992**
Change in funds	- 942	758	1,990
Funds at the beginning of the period	5,604	3,614	3,614
Funds at the end of the period	4,662	4,372	5,604

CONSOLIDATED PROFIT AND LOSS ACCOUNT, QUARTERLY, K EURO

	Q3/2005 **1.7.05- 30.9.05**	Q2/2005 **1.4.05- 30.6.05**	Q1/2005 **1.1.05- 31.3.05**	Q4/2004 **1.10.04- 31.12.04**	Q3/2004 **1.7.04- 30.9.04**
Turnover	5,729	6,592	6,011	5,836	5,612
Operating costs	- 5,179	- 5,870	- 5,532	- 5,759	- 4,748
OPERATING PROFIT	550	722	479	77	864
Financial income and expenses	18	17	23	25	22
Profit before provisions and taxes	569	739	502	101	886
Extraordinary income and expenses	0	0	0	0	0
Profit before provisions and taxes	569	739	502	101	886
Taxes	- 235	- 170	- 84	5	- 192
PROFIT FOR THE PERIOD	**334**	**569**	**418**	**107**	**695**

SEGMENT REPORTING

SEGMENT REPORTING	1.1.-30.9.2005	1.1.-30.9.2004	1.1.-31.12.2004
Turnover by segment			
Telecommunications	9,655	10,017	13,202
Systems Services	8,677	8,615	11,266
Administration	0	0	0
Turnover total	18,332	18,632	24,468
Operating profit by segment			
Telecommunications	2,093	3,175	3,931
Systems Services	1,303	1,576	1,577
Administration	- 1,645	- 1,973	- 2,653
Total operating profit	1,751	2,778	2,854
Operating profit of turnover %	9.6	14.9	11.7
Interest and financial income	58	45	70
Profit before taxes	1,809	2,823	2,924
Taxes	- 489	- 575	- 570
PROFIT FOR THE PERIOD	1,320	2,248	2,354

FINANCIAL RATIOS

FINANCIAL RATIOS	1.1.-30.9.2005	1.1.-30.9.2004	1.1.-31.12.2004
Earnings per share, EUR	0.18	0.31	0.32
Equity per share, EUR	1.09	1.07	1.09
Operating cash flow per share, EUR	0.05	0.40	0.57
Return on investment, %	24.3	49.1	38.5
Return on equity, %	22.0	41.6	32.4
Operating profit/turnover, %	9.6	14.9	11.7

OTHER INFORMATION

OTHER INFORMATION	1.1.-30.9.2005	1.1.-30.9.2004	1.1.-31.12.2004
Average number of personnel during the period	330	331	331
Personnel at the end of the period	334	330	327
COMMITMENTS	**30.9.2005**	**30.9.2004**	**31.12.2004**
Commitments for group			
Bank deposits as a security for rent, k Euro	90	77	83
Amounts payable for leasing contracts, k Euro	266	191	378

CONSOLIDATED PROFIT AND LOSS ACCOUNT RECONCILIATION 1.1. – 30.9.2004, K EURO	**Reported (FAS) 1.1.-30.9.2004**	**Effect of transfer to IFRS**	**IFRS 1.1.-30.9.2004**
Turnover	18,632	0	18,632
Operating costs	- 16,891	1,037	- 15,854
OPERATING PROFIT	1,741	1,037	2,778
Financial income and expenses	45	0	45
Profit before extraordinary items	1,786	1,037	2,823
Extraordinary income and expenses	0	0	0
Profit before provisions and taxes	1,786	1,037	2,823
Taxes	0	- 575	- 575
NET PROFIT FOR THE PERIOD	**1,786**	**462**	**2,248**

CONSOLIDATED BALANCE SHEET RECONCILIATION 30.9.2004, K EURO	**Reported (FAS)**	**Effect of transfer to IFRS**	**IFRS**
ASSETS	**30.9.2004**		**30.9.2004**
FIXED ASSETS			
Tangible fixed assets	199	0	199
Goodwill	1,938	27	1,965
Intangible assets	266	0	266
Deferred tax claim	0	298	298
Other financial assets	71	0	71
LONG-TERM ASSETS TOTAL	2,474	325	2,800
CURRENT ASSETS			
Accounts receivable and other receivables	4,436	0	4,436
Liquid assets	4,372	0	4,372
TOTAL CURRENT ASSETS	8,808		8,808
TOTAL ASSETS	11,283	325	11,608

SHAREHOLDERS' EQUITY AND LIABILITIES	**30.9.2004**	**Effect of transfer to IFRS**	**30.9.2004**
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	33	33
Retained earnings	2,087	- 537	1,551
Net profit for the period	1,786	462	2,248
TOTAL SHAREHOLDERS´ EQUITY	7,868	- 42	7,826
LIABILITIES			
Long-term liabilities	142	367	509
Current liabilities	3,272	0	3,272
TOTAL LIABILITIES	3,415	367	3,782
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	11,283	325	11,608

INFORMATION MEETING

A briefing will be held for analysts and the press today on 24 September at 12 am at the Scandic Hotel Simonkenttä, Tapiola Conference Room, Simonkatu 9, 00100 Helsinki.

The briefing will provide information on the financial result of the interim period, Tieto-X's goals and future prospects as well as business impacts of the acquisition of Vega Technologies on 6 October 2005, and the newly founded subsidiary Testhouse Oy. Tieto-X's CEO Kari Happonen and the director of the Telecommunications Business Unit Kari Liuska will be present in the briefing as well as managing director of Vega Technologies Jorma Hanhimäki. The briefing is held in Finnish.

NEXT REPORTS

The release on Tieto-X's financial statements for the period 1 January - 31 December 2005 will be published on 31 January 2006.

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