

TietoEnator Interim Report 2/2002

- Top line grew by 11% to EUR 627.8 million (563.2) for the first half year, and by 13% to EUR 317.7 million (282.0) for the quarter isolated
- Operating profit (EBITA) accumulated: EUR 63.1 million (68.3), operating margin (EBITA) 10.0% (12.1%)
- Full year growth expectation 11-15%, EBITA in line with previous year

Market overview

For TietoEnator, focused on high-value-added services, the development during the second quarter continued in the same stable manner as during the first quarter of the year.

Following its strategy, TietoEnator, utilizing its strong financial position, maintained its high level of acquisition activity, taking market positions and building the base for future growth through a number of smaller acquisitions in the Nordic countries and Continental Europe. After the acquisition of the US-based company Majiq in mid-July, TietoEnator is now the global leader in IT systems for the pulp and paper industry.

Demand for partnerships, outsourcing, solutions and services aimed at fast improvements in internal efficiency and profitability continued to grow in all areas. The resource consulting-oriented segments of the market, on the other hand, developed more weakly and the decline continued on the telecom market. The main part of the company's business showed, considering the market conditions, a positive development.

Net sales

Net sales during the second quarter isolated amounted to EUR 317.7 million (282.0), an increase of 13%. In local currencies the growth was 12%. The half-year net sales grew by 11% to a total of EUR 627.8 million (563.2).

Organic growth amounted to 5% for the quarter isolated and to 6% for the full period.

Geographically, growth expressed in local currencies amounted for the first six months to 19% in Finland, -2% in Sweden, 10% in Norway, 10% in Denmark and 12% in Germany.

The banking and finance industry segment accounted for 26% (23%) of total sales, telecom for 13% (14%) and public sales for 24% (24%). The forest industry contributed 6% (7%) of sales and the energy segment 5% (4%).

The order backlog, comprising only services ordered with binding contracts, amounted to EUR 904 million (661) at 30 June 2002, an increase of 37%. Approximately 40% of this backlog will be invoiced during 2002.

Profitability

The ongoing downtrend in the telecom area as well as the decline within resource management affected the margins negatively during the first half of 2002.

The operating profit before amortisation of goodwill (EBITA) and non-recurring items was EUR 28.7 million (30.4) during the second quarter isolated, corresponding to a margin of 9.0% (10.8%). Operating profit after goodwill amortisation (EBIT) and before non-recurring items, amounted to EUR 21.6 million (26.8), corresponding to a margin of 6.8% (9.5%).

For the half year accumulated, the operating profit before amortisation of goodwill (EBITA) and non-recurring items was EUR 63.1 million (68.3), corresponding to a margin of 10.0% (12.1%). The operating profit after goodwill amortisation (EBIT) and before non-recurring items for the same period amounted to EUR 51.0 million (61.5), corresponding to a margin of 8.1% (10.9%).

Operating profit (EBIT) after non-recurring items was EUR 21.6 million (26.3) for the quarter isolated, and EUR 51.0 million (81.6) for the half year.

Cash flow from operations amounted to EUR 47.6 million (91.3) and cash used for investments and acquisitions totalled EUR 124.9 million (38.5).

Earnings per share, excluding goodwill amortisation, for the half year was EUR 0.55 (0.75) and after goodwill amortisation EUR 0.41 (0.66).

The rolling 12-month return on capital employed (ROCE) was 58% and on equity (ROE) 45%.

Personnel

Net recruitment continued on a low level compared to the corresponding quarter last year. A total of 217 (421) new employees were taken on during the second quarter. Together with acquisitions, divestments and leaves the net increase amounted to 370 (478). For the first half of 2002 accumulated altogether 428 (928) new employees were hired to the Group and the net increase amounted to 865 (806).

The Group had an average of 11 322 (9 668) employees during the period and 11 567 (10 150) at 30 June.

Employee turnover continued to decrease during the period, but in a slowing pace. The turnover rate on a 12-month rolling basis was 6%.

Development by Business Area

Banking & Finance

Uncertainty regarding the direction of overall economic development kept IT investments by customers at a low level, a trend which was strengthened by the ongoing structural changes among customers. Customer focus is now set on fast cost reductions instead of new system developments as they aim to rapidly improve profitability and efficiency in their operations.

The Nordic partnership business continued to grow and develop healthily, while the solutions-oriented businesses still encountered a weak European market. However, there is pent-up demand for new investments in different development projects that have been postponed.

Integration of Ementor Financial Systems, acquired in February 2002 and consolidated from April, has been successful.

Net sales for the second quarter amounted to EUR 50.3 million (37.6), an increase of 34% compared to last year.

Operating profit before goodwill amortisation increased by 4% to EUR 6.2 million (6.0).

Telecom & Media

The market situation for telecom and media is still difficult and the market fundamentals did not change during the quarter. Telecom operators were careful when investing.

Telecom manufacturers continued or intensified their cost reductions, including downsizing of R&D operations. The roll-out of 3G systems has been further delayed and will probably not reach full speed until late next year.

Customers decreased their purchases of resource consulting but demand for larger assignments, including outsourcing, was strong and the market active.

R&D cooperation with Nokia Networks developed positively and recruitment was started to meet the enhancement ordered by Nokia during the spring.

A joint venture company was created in Lithuania with the local operator Lietuvas Telekomas. 51% of the shares in the Germany-based Sykora Group were acquired, and the holdings in the Dutch company TE Consulting BV (Former Teledynamics) were increased to 80% in June.

Net sales for the second quarter amounted to EUR 45.8 million (42.7), an increase of 7% compared to last year.

Operating profit before goodwill amortisation decreased by 11% to EUR 3.3 million (3.7).

Public & Healthcare

The public sector is not directly affected by a slower market as such but indirectly through increased competition and price pressure. Thus the number of competitors has increased compared to some years back. TietoEnator, however, has been able to develop both specific segments like healthcare and also intimate customer relations, which has helped the company to outpace the competition. As a result, several larger deals regarding IT solutions for social welfare, health and dental care were signed with different customers in the Nordic countries.

In the longer perspective there are a number of factors that may affect the public market in the years ahead. One is the shortage of personnel due to retirements, which is creating a need for investments in new self-service types of solutions. Another is rising IT costs, which may affect new project funding negatively, thereby further increasing the customers need for truly high-value-added solutions.

Net sales for the second quarter amounted to EUR 45.9 million (41.2), an increase of 12% compared to last year.

Operating profit before goodwill amortisation increased by 64% to EUR 5.1 million (3.1).

Production & Logistics

The cautious increase in demand visible during the beginning of the year seems to have halted. Customers have developed a “wait and see” attitude on new projects, while their focus now is fully on cost-reducing measures, in many cases also involving lay-offs. The Nordic market was therefore slow for the business area. Customers are carefully evaluating all new investments, resulting in long sales cycles.

The forest industry operations received a growing number of requests from outside the normal market area, clearly an indication that TietoEnator has positioned itself as a leading brand in the global marketplace. This will be further enhanced by the recent acquisition of the US-based company Majiq.

Development within the energy sector continued positively and the business area is now focusing on intensifying the cooperation with large international customers.

During the quarter TietoEnator acquired all the outstanding shares in the forest IT- oriented TietoEnator MAS GmbH in Germany, and also the assets of ABB Energy in Sweden.

Net sales for the second quarter amounted to EUR 59.2 million (54.6), an increase of 9% compared to last year. Operating profit before goodwill amortisation decreased by 12% to EUR 5.5 million (6.2).

Processing & Network

Despite the economic conditions the interest for outsourcing was and is growing generally in all areas, but at the same time is hampered by customer hesitancy regarding new investments.

The Swedish market is - fragmented. Combined with the overall market conditions, this has resulted in steady price pressure. There are, however, substantial growth opportunities identified on the Swedish market within all the prioritised areas. The company's main tool in this market will be its unique strategy to combine the expertise it has built up in focused industry segments with reliable traditional outsourcing services.

The joint venture company set up in Lithuania also opens the possibility to expand in the Baltic market.

Net sales for the second quarter amounted to EUR 93.9 million (82.1), an increase of 14% compared to last year. Operating profit before goodwill amortisation increased by 21% to EUR 10.4 million (8.6).

Resource Management

Investments in different types of enterprise applications were weak during the first half of the year and license sales decreased. The main reasons underlying this slow market were the lingering effect of the Y2K phenomenon and the completion of the first wave of Euro-conversion projects during 2001. Customers have renewed their systems related to Human Resources and Finance during the past two years and are now focusing on various value-added solutions and outsourcing, the latter mainly in smaller companies. TietoEnator increased its revenues from maintenance, consulting and outsourcing, somewhat compensating decreasing license sales.

Demand for traditional payroll solutions has been low, with both the private and the public sectors showing more interest in more complete support, focusing on employee self-service solutions (ESS), web services and time/manning solutions. The subsidiary Seal Document Services GmbH has also pushed sales of Invoice Hotels overall, also in the Nordic countries.

Net sales for the second quarter amounted to EUR 41.9 million (46.4), a decrease of 10% compared to last year. Operating profit before goodwill amortisation decreased by 53% to EUR 3.2 million (6.7).

Short-term prospects

Permanent fundamental drivers of demand for IT services are digital production and productivity. The economic slowdown and uncertainty in the market, however, are dampening overall IT spending in 2002. Services with a strong contribution to added value and productivity are continuing to grow faster than low-value-added services.

Organic growth is slow in most of TietoEnator's business segments, and in Telecommunications investment activity will continue to decline in the short term. Outsourcing services however, are of large interest in all customer segments.

TietoEnator's net sales growth in 2002 is expected to be in the range of 11-15% , while full year EBITA is expected to be in line with previous year.

Interim Report 3/2002

The interim report for January – September will be published on 25 October 2002.

Key figures

	2002 1-3	2002 4-6	2002 1-6	2001 1-6	% change	2001 1-12
Earnings per share, EUR	0.25	0.16	0.41	0.66	-38	2.40
Earnings excl. non-recurring items and social costs on						
personnel warrants per share, EUR	0.25	0.16	0.41	0.41	0	1.05
Earnings excl. amortisation of goodwill per share, EUR	0.31	0.24	0.55	0.75	-27	2.58
Equity per share, EUR	6.07		5.20	4.34	20	5.84
Return on equity rolling 12 month, %	41.2		44.7	22.3		47.1
Return on capital employed rolling 12 month, %	52.5		57.9	34.5		59.9
Equity ratio %	62.3		61.0	58.6		61.9
Interest-bearing net debt, EUR million	-168.4		-46.1	-67.1	-31	-201.8
Gearing, %	-27.9		-4.6	-11.8		-36.6
Investments, EUR million	87.1	53.1	140.2	79.2	77	125.2
Personnel at end of period	11,130		11,567	10,150	14	10,589
Personnel on average	11,147	11,497	11,322	9,668	17	10,058

Per employee, EUR 1000 a)

Net sales	29.0	28.7	57.7	60.2	-4	116.6
Personnel expenses b)	15.3	15.5	30.8	31.4	-2	59.9
Operating profit before amortisation of goodwill excl. non-recurring items and social costs on personnel warrants	3.2	2.6	5.8	7.2	-19	13.9

- a) The personnel figure used in the denominator is the number of employees in the associated companies calculated in proportion to TietoEnator's holdings in these companies.
- b) Personnel expenses include salaries, pension costs and other pay-related social costs but exclude social costs for personnel warrants.

Currency rate 30 June 2002 1 EUR = 9,1015 SEK

The average number of shares during January-June 2002 amounted to 82.826.918.

Net sales and profit by quarter, EUR million

	2001 7-9	2001 10-12	2002 1-3	2002 4-6	2002 1-6	7/2001- 6/2002
Net sales	257.1	314.9	310.1	317.7	627.8	1,199.8
Operating profit (EBIT)	27.2	143.0	29.4	21.6	51.0	221.2
Non-recurring items	0.0	111.3	0.0	0.0	0.0	111.3
Net financial items	2.2	1.4	1.7	0.5	2.2	5.8
Profit before taxes	29.4	144.4	31.1	22.1	53.2	227.0

Net sales by Business area; EUR million

	2002 4-6	2001 4-6	Growth %	2002 1-6	2001 1-6	Growth %	2001 1-12
Banking & Finance							
-Under TietoEnator management	59	45	32	112	91	23	181
-In proportion to TietoEnator holding	50	38	34	93	76	23	153
Telecom & Media	46	43	7	92	90	2	172
Public & Healthcare							
-Under TietoEnator management	47	42	12	94	86	9	172
-In proportion to TietoEnator holding	46	41	12	91	83	9	167
Production & Logistics	59	55	9	117	108	8	212
Processing & Network							
-Under TietoEnator management	100	86	17	198	165	20	344
-In proportion to TietoEnator holding	94	82	14	186	158	18	329
Resource Management	42	46	-10	86	90	-4	178
Group elimination incl. other	-19	-23		-37	-42		-77
	318	282	13	628	563	11	1,135

Operating profit, EUR million

	2002 4-6	2001 4-6	Change %	2002 1-6	2001 1-6	Change %	2001 1-12
Banking & Finance	6.2	6.0	4	12.3	12.5	-1	23.3
Telecom & Media	3.3	3.7	-11	7.3	11.1	-34	17.6

Public & Healthcare	5.1	3.1	64	10.3	7.8	32	18.6
Production & Logistics	5.5	6.2	-12	13.7	13.7	0	23.1
Processing & Network	10.4	8.6	21	19.4	16.0	22	37.5
Resource Management	3.2	6.7	-53	8.2	12.6	-35	24.8
Business areas	33.6	34.3	-2	71.2	73.6	-3	145.0
Group function incl. other	-4.6	-6.2		-8.1	-10.6		-14.4
Associated companies outside BA	0.1	2.1		0.0	4.6		5.0
Operating profit (EBITA) before goodwill amortisation and social costs on personnel warrants	29.1	30.2	-4	63.1	67.6	-7	135.6
Social costs on personnel warrants	-0.4	0.2		0.0	0.7		-0.2
Operating profit (EBITA) before goodwill amortisation	28.7	30.4	-6	63.1	68.3	-8	135.4
Amortisation of goodwill	-7.1	-3.6		-12.1	-6.8		-15.1
Operating profit (EBIT) before non recurring items	21.6	26.8	-19	51.0	61.5	-17	120.3
Non recurring items	0.0	-0.4		0.0	20.1		131.5
Operating profit (EBIT)	21.6	26.3	-18	51.0	81.6	-38	251.8

Operating margins, %

	2002	2001	Change	2002	2001	Change	2001
	4-6	4-6		1-6	1-6		1-12
Banking & Finance	12.4	15.9	-3.5	13.2	16.4	-3.2	15.2
Telecom & Media	7.2	8.7	-1.5	7.9	12.3	-4.4	10.2
Public & Healthcare	11.0	7.5	3.5	11.3	9.3	2.0	11.1
Production & Logistics	9.2	11.4	-2.1	11.7	12.6	-0.9	10.9
Processing & Network	11.1	10.5	0.6	10.5	10.1	0.3	11.4
Resource Management	7.5	14.4	-6.9	9.5	14.0	-4.5	13.9
Business areas	10.6	12.2	-1.6	11.3	13.1	-1.7	12.8
Operating margin (EBITA) before goodwill amortisation and social costs on personnel warrants	9.2	10.7	-1.6	10.0	12.0	-2.0	11.9
Operating margin (EBITA) before goodwill amortisation	9.0	10.8	-1.8	10.0	12.1	-2.1	11.9
Operating margin (EBIT) before non recurring items	6.8	9.5	-2.7	8.1	10.9	-2.8	10.6
Operating margin (EBIT)	6.8	9.3	-2.5	8.1	14.5	-6.4	22.2

Net sales by country, EUR million

	2002	Growth	Share	2001	Share	2001	Growth
	1-6	%	%	1-6	%	1-12	%
Finland	362	19	58	305	54	640	27
Sweden	164	-2	26	170	30	315	-11
Norway	52	10	8	44	8	88	28
Denmark	16	10	3	14	3	30	20
Germany	13	12	2	11	2	24	8
Other	22	20	3	18	3	38	22
	628	11	100	563	100	1,135	13

Net sales by industry segment, EUR million

	2002 1-6	Growth %	Share %	2001 1-6	Share %	2001 1-12	Growth %
Banking & Finance	164	25	26	131	23	258	15
Public	152	11	24	138	24	283	8
Telecom	78	-1	13	79	14	148	6
Forest	37	0	6	37	7	73	15
Energy	30	23	5	25	4	50	28
Manufacturing	59	21	9	49	9	102	30
Logistics	85	18	14	73	13	168	34
Non-allocated incl minority interest	22	-33	3	32	6	54	-27
	628	11	100	563	100	1,135	13

Personnel on average

By business area	2002 1-6	Growth %	Share %	2001 1-6	Share %	2001 1-12	Share %
Banking & Finance	1,972	29	17	1,523	16	1,579	16
Telecom & Media	1,812	33	16	1,360	14	1,479	15
Public & Healthcare	1,625	9	14	1,490	15	1,530	15
Production & Logistics	2,054	13	18	1,825	19	1,922	19
Processing & Network	2,374	17	21	2,030	21	2,094	21
Resource Management	1,402	7	13	1,313	14	1,346	13
Group function incl other	83	-	1	127	1	108	1
	11,322	17	100	9,668	100	10,058	100

By country	2002 1-6	Growth %	Share %	2001 1-6	Share %	2001 1-12	Share %
Finland	6,688	24	59	5,410	56	5,722	57
Sweden	2,880	-4	26	2,989	31	2,963	29
Norway	859	38	8	622	7	672	7
Denmark	273	24	2	221	2	241	2
Germany	250	15	2	217	2	230	2
Latvia	132	16	1	114	1	122	1
Other	240	153	2	95	1	108	1
	11,322	17	100	9,668	100	10,058	100

The personnel figures include all the personnel in the associated companies under TietoEnators management. Calculating total personnel in relation to TietoEnators holding in these companies, TietoEnator had 10,879 (9,351) employees.

Income statement, EUR million

	2002 1-6	2001 1-6	% change	Rolling 7/01-6/02	2001 1-12
Net sales	627.8	563.2	11	1,199.8	1,135.2
Other operating income	4.1	23.3		119.5	138.7
Personnel expenses	334.8	292.8		626.0	584.0
Other operating expenses	206.2	187.9		396.0	377.7
Share of associated companies' results	-0.4	4.9		-0.2	5.1
Depreciation according to plan excl. amortisation of goodwill	27.4	22.3		55.5	50.4
Operating profit before amortisation of goodwill	63.1	88.4	-29	241.6	266.9

Amortisation of goodwill	12.1	6.8	78	20.4	15.1
Operating profit	51.0	81.6	-38	221.2	251.8
Financial income and expenses	2.2	2.6	-15	5.8	6.2
Profit before extraordinary items and taxes	53.2	84.2	-37	227.0	258.0
Extraordinary items	-	-		-	-
Income tax	-18.7	-28.7	-35	-48.6	-58.6
Minority interest	-0.7	-0.7	0	-1.8	-1.8
Profit for the period	33.8	54.8	-38	176.6	197.6

Personnel expenses include a decrease of the provision for social costs of the personnel warrants EUR 0,1 million and realised costs EUR 0,1 million.

The provision for bonuses is EUR 8.6 million (7.3 in previous year).

Income tax consists of EUR 17.6 million in direct taxes, EUR 4.1 million in taxes for previous years and EUR 3.0 million change in deferred taxes.

Balance sheet, EUR million

	2002 30 June	2001 30 June	% change	2001 31 Dec
Intangible assets	20.1	19.9	1	19.2
Goodwill	176.2	99.3	77	106.5
Tangible assets	160.5	150.1	7	162.0
Non-current assets	19.6	40.0	-51	22.0
Current assets	296.2	253.9	17	276.7
Securities and cash in hand and bank	54.3	68.1	-20	214.8
	726.9	631.3	15	801.2
Share capital	82.9	82.7	0	83.3
Other shareholders' equity	347.8	276.3	26	398.1
Minority interest	3.0	6.1	-51	6.9
Provisions for liabilities and charges	0.6	3.6	-83	0.8
Non-current liabilities	28.8	31.0	-7	42.6
Current liabilities	263.8	231.6	14	269.5
	726.9	631.3	15	801.2
Interest-bearing liabilities	17.8	17.0	5	24.3

Goodwill increased during second quarter by EUR 36 million due to the redemption of the minority shares in TietoEnator Financial Solutions AB (former Entra AB), the expansion of one management responsibility company arrangement as well as some new acquisitions.

The group has uncommitted credit limits of EUR 22 million and commercial paper programmes for EUR 250 million. In addition, a 364 day credit facility of EUR 200 million has been signed end of June, 2002. None of the facilities were in use on June 30th, 2002.

Cash flow, EUR million

	2002 1-3	2002 4-6	2002 1-6	2001 1-6	2001 1-12
Cash flow from operations					
Operating profit	29.4	21.6	51.0	81.6	251.8
Adjustments to operating profit	16.9	16.8	33.7	-4.9	-98.9
Change in net working capital	8.4	-6.3	2.1	27.2	19.2
Cash generated from operations	54.7	32.1	86.8	103.9	172.1
Net financial items received	2.3	0.4	2.7	2.2	5.2
Income taxes paid	-17.6	-24.3	-41.9	-14.8	-25.8
Net cash flow from operations	39.4	8.2	47.6	91.3	151.5
Cash flow from investing activities					
Acquisition of Group companies net of acquired cash	-57.2	-23.9 1)	-81.1	-28.9	-39.0
Capital expenditures	-19.1	-13.5	-32.6	-45.5	-71.2
Disposed Group companies, net of disposed cash	0.0	1.0	1.0	8.1	7.9
Sale of other shares	0.0	0.0	0.0	26.5	161.7
Other investing activities	-0.1	-12.1 2)	-12.2	1.3	3.5
Net cash used in investing activities	-76.4	-48.5	-124.9	-38.5	62.9
Paid dividend	0.0	-82.7	-82.7	-40.3	-40.4
Purchase of own shares	0.0	0.0	0.0	-6.6	-25.7
Net cash used in other financing activities	-0.9	-0.5	-1.4	-6.6	-2.2
Change in cash flows	-37.9	-123.5	-161.4	-0.7	146.1
Liquid assets at beginning of period	-214.8	0.0	-214.8	-68.8	-68.8
Exchange differences	-0.4	-0.5	-0.9	0.0	0.1
Liquid assets at end of period	177.3	-123.0	54.3	68.1	214.8
	-37.9	-123.5	-161.4	-0.7	146.1

1) includes the minority shares in TietoEnator Financial Solutions AB (former Entra) and TietoEnator MAS GmbH

2) includes the expansion of one management responsibility company arrangement

Contingent liabilities, EUR million

	2002 30 June	2001 31 Dec	Change %
For TietoEnator obligations			
Pledges	1.8	1.4	29
Mortgages	0.3	0.8	-63
On behalf of associated companies			
Guarantees	1.7	1.7	0
Other TietoEnator obligations			
Rent commitments	118.8	106.2	12
Lease commitments	28.6	32.1	-11

Lease commitments are principally three-year lease agreements which do not have redemption clauses.

Derivative contracts

Currency derivatives

Forward contracts

Value of underlying instruments	64.1	21.8
Market value of currency forward contracts	-0.0	-0.3

Derivatives are only used for hedging.

The figures in this report are unaudited.

Analyst & media meetings and conference call today

Meeting in Finnish in Helsinki at 9.00 am (Finnish time), address: Hotel Radisson SAS, Runeberginkatu 2.
Meeting in English in Stockholm at 2.00 pm (Swedish time), address Berns Hotel, Berzelii Park Stockholm.

Conference call starting at 5.00 pm Eastern European Time (3.00 UK time). The call will be hosted by CEO Matti Lehti, Deputy CEO Åke Plyhm, CFO Tuija Soanjärvi and SVP Corporation Communications Eric Österberg. Call lines to be reserved ten minutes before start of conference call, service number +44 20 8781 0571, code 'TietoEnator'. Replay number +44 20 8288 4459, access code: 653822.

The press conference in Stockholm will also be published on Internet via TietoEnator's web site www.tietoenator.com.

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With almost 12,000 employees and annual net sales of EUR 1.1 billion, TietoEnator is a leading supplier of high value-added IT services in Europe. TietoEnator specialises in consulting, building and hosting its customers' business operations in the digital economy. The Group's services are based on a combination of deep industry-specific expertise and latest information technology.

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