

Annual Report 2007 **ixonos**

Ixonos in Brief

Ixonos Plc is an information and communication technology service company providing customer-specific technology consulting, project management and software production services that promote the customers' competitiveness and risk management. The company's services cover the entire life cycle of software and information systems – from design and consulting to demanding software project deliveries and maintenance services with total responsibility.

Ixonos' clientele comprises leading mobile and smartphone manufacturers, mobile network suppliers and telecom carriers operating on international markets, Finnish finance, industry and service sector companies, as well as public administration organizations.

The Group's headquarters are located in Helsinki, in addition to which it has eight regional offices in Finland and overseas offices in Germany, Slovakia and Estonia.

The company's turnover in 2007 grew by 51.2 percent to EUR 59.2 million. Organic turnover growth was 34.7 percent. Operating profit increased by 18.7 percent to EUR 4.7 million. The Group has a personnel of over 900. The company is listed on OMX Nordic Exchange Helsinki.

We are recognized for our customer-orientation and responsible attitude.

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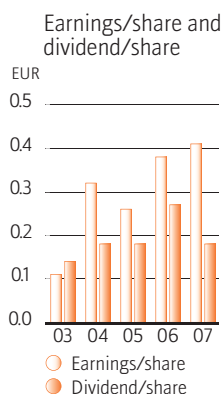
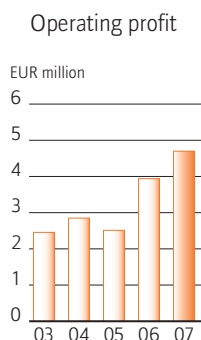
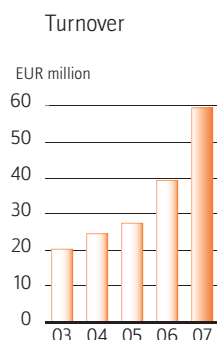
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Continued powerful growth



Key figures	2007	2006	Change, %
Profit and loss account			
Turnover, EUR 1,000	59,229	39,184	51.2
Operating profit, EUR 1,000	4,679	3,941	18.7
- % of turnover	7.9	10.1	
Profit before taxes, EUR 1,000	4,376	3,766	16.2
- % of turnover	7.4	9.6	
Profitability, %			
Return on equity	19.4	29.8	
Return on investment	19.4	28.2	
Financing and financial status			
Long-term liabilities with interest, EUR	10,009	5,357	86.8
Equity ratio, %	46.1	42.7	
Net indebtedness, %	33.8	18.1	
Financial assets, cash and cash equivalents	2,482	3,384	
Cash flow from business operations, EUR 1,000	3,371	2,532	33.1
Other key figures			
Average number of personnel	726	503	44.3

Services spanning the software life cycle

Beginning with the first interim report in 2008, Ixonos Plc will report its consolidated business operations as two segments: Consulting Services and Software Production Services. The new segments are based on the company's service products, and they illustrate more accurately the character of the company's business operations and the efforts made to develop them.

Ixonos' services encompass the entire life span of software, from consulting to maintenance.

Consulting Services comprise Technology Consulting, User Interface and Usability Design, as well as Project Management Services. Software Production Services comprise Software Project Deliveries with total responsibility, Testing and Quality Assurance Services, as well as Maintenance Services for software and information systems.

Most important strategic achievements

- Strong turnover growth continued. Organic growth was close to 35 percent.
- Two strategic acquisitions strengthened and diversified Ixonos' range of services, which now span the entire software product life cycle.
- The acquisition of Mermit Business Applications Oy significantly expanded the company's supply capacity in exacting definition, design, architecture and integration services.
- The acquisition of mobile and Internet service producer Cidercone Life Cycle Solutions Oy strengthened the company's readiness and capacity in software and information system project deliveries and maintenance, while also adding operation services to the company's offering.
- The acquired companies make heavy use of Open Source code, chosen by Ixonos as a strategic technology platform for software service production.
- As part of the Open Source strategy, an extensive development project brought about the launch of a Linux-based software platform for smartphones and mobile computers.
- In the autumn, the work of standardizing the company's service production processes and methods began. This project, also based on Open Source, aims at a consistent Ixonos Flow operating procedure.
- The successful reformation of the company's name and visual identity had a favorable influence on corporate image, staff commitment, and recruitment, thereby expediting growth.
- During the year, the number of personnel increased by approximately 300, of which 200 resulted from organic growth. Staff turnover began to decrease.
- The Group's international offices in Slovakia and Estonia employed a year-end staff of over 100.

Industries

Ixonos produces solutions that improve competitiveness and risk management of customers in e.g. the following lines of business:

Mobile terminals and software

We are one of the world's leading developers and integrators of Symbian smartphone software and Internet services for smartphones. We also carry a significant role in software development of wireless authority networks and terminal devices. Our customers are world leading smartphone manufacturers, mobile terminal suppliers, technology suppliers, and companies producing telecommunication networks.

Operators and ICT

We act as development partner for leading Finland-based telecom carriers and other information technology companies as they develop information systems and solutions related to their key business. We are one on Finland's leading project management experts of large-scale systems ventures.

Industry and services

We produce business-supportive information system solutions and application software for industry, service sector companies, finance sector (bank and insurance), as well as public administration organizations. Our special competence is the design and implementation of demanding information system architectures.

Consulting services

▶ Technology consulting

Technology, system and architecture consulting as well as system design and specification services, to develop the customer's business-critical software and systems

▶ User interface and usability design

User interface and usability design, for software and terminals, as part of overall responsibility software deliveries or as separate consulting services

▶ Project management services

Strategic project management services, evaluation and development of project work, project management consulting and design and management of large information system projects – strengthening the customer's competitiveness through project management

Software production services

▶ Software project deliveries with total responsibility

Business-critical system and software solutions, delivered as overall responsibility projects; examples include development and integration of software and Internet services for smartphones, as well as e-service portals

▶ Testing and quality assurance services

Software quality assurance, testing and security services, as overall responsibility solutions or as services tailored to the customer's requirements and processes

▶ Maintenance services for software and information systems

Software application support, maintenance and operating services that improve the customer's competitive strength, and manage risks related to system and software availability

Review by the President and CEO

As anticipated, the year 2007 proved to be one of huge growth, expansion and regeneration. We successfully boosted our business activities, complemented our services, expanded our international operations, and, with our change of name, thoroughly reshaped our brand.

The turnover for the financial year exceeded that of the previous year by more than 50 per cent. Both our Business Units grew significantly faster than the market. We succeeded in gaining market share from our competitors, as well as in further strengthening customer-ships that are important to us.

Our strong organic growth of almost 35 per cent was boosted by two acquisitions in support of our strategy. The acquired operations and personnel significantly strengthened our capacity to deliver demanding specification, design and architecture services, as well as our ability to produce and maintain business-critical mobile and Internet services.

Both acquired companies make extensive use of Open Source code components in their solutions. The completed corporate acquisitions thus reflect our commitment to open standards. We have chosen Open Source code as one of the strategic technology platforms for producing services covering the entire software life cycle. By utilizing Open Source code, we want to provide our customers with more efficient tools for managing the risks of product development, and for improving competitiveness. We also aim to offer cost-efficient flexibility for dynamic business needs.

Acting in the Open Source development community is part of our strategic skills development and renewal. It provides a communication channel to communities developing Open Source code, and to customers utilizing it.

In the spring we launched, as part of our Open Source strategy, a large project to develop a software platform for smartphones and mobile computers. The platform is based on the Mobile Linux operating system and on Open Source code components. Basic functions integrated into the platform include e.g. smartphone features and a touch screen.

In the autumn, as another manifestation of our Open Source strategy, we launched the internal Ixonos Flow project to develop our service production processes and methods. Ixonos Flow combines our best practices and methods into a uniform way of operating when serving customers. In line with our strategy, the software components of Ixonos Flow make extensive use of Open Source code solutions.

The company's internationalization, with Tallinn as starting point in the year 2006, was expedited during the past year, as we expanded our operations into Slovakia and Germany. The office in Kosice, Slovakia, opened in February; by the end of the year, it already employed over fifty experts, most working with smartphone product development. At the same time, the Tallinn-based smartphone testing unit employed over fifty persons, and the German unit close to ten.

According to the annual customer satisfaction survey completed in June, our customers still value our reliability,



our capability to carry the agreed responsibilities, our business segment know-how, as well as our customer-specific flexibility. Our clientele's overall satisfaction with our service is very high, exceeding the maximum value of the researcher's (Market-Visio) reference base. Our customers also expressed a strengthened interest in expanding their cooperation with Ixonos. I would like to express my warm thanks to our customers for their favourable feedback and for our successful cooperation.

According to the survey, the customers have taken February's 2007 changes in our company name and brand positively. Our other stakeholders, including our staff, have also given us very encouraging feedback. The company's new brand has improved our corporate image, facilitated recruitment, and reinforced our shared corporate culture as well as staff commitment.

Our business activities and operating practices are based on our company mission, vision, values and strategy. They form the base for the continuity of our work, as well as for the Ixonos culture we believe distinguishes us from our competitors and helps us prosper. Evolving our corporate culture and promoting vision-based leadership will remain significant strategy focuses also this year.

At the end of the accounting period, we launched an organization reform with the ambition to promote sales of our entire service range to a significantly broader clientele, thereby advancing the company in this new stage of international growth. We also believe that the reformation will rationalize management of the Group's personnel resources, make service production more effective, and promote the unification of the Group's operating practices.

I would once again like to congratulate and thank everyone at Ixonos for a tremendous accomplishment! The success of the 2007 financial period was a fine display of our staff's commitment to productive and responsible work.

We have entered the new accounting period with enthusiastic and confident minds. We believe that our strong market position, broadened service range, knowledgeable and committed staff, renewed brand and corporate culture, and satisfied customers will enable us to achieve another top performance. Our goal is still to serve our customers with passion and responsibility, and to continue our strong growth, and to maintain our good profitability.

Kari Happonen
President and CEO

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke extending to the right.

Services to boost the competitive strength of global market leaders

Ixonos aims at being a strategic partner for its customers in their software and systems development projects, ICT project management and software maintenance. The company's clientele comprises companies that are either global or Finnish market leaders in their business segments, as well as Finnish public administration organizations. Ixonos operates in the information and communication technology service markets, offering flexible software technology consulting, software development and maintenance as well as project management solutions that support its customers' competitiveness and risk management. The company's services cover the entire life cycle of software and information systems – from design and consulting to demanding software project deliveries and maintenance services with total responsibility.

The company's mission, vision and values define the direction of Ixonos business operations and the ideal way of operation, and they form the base and continuity for significant work. The Ixonos culture stems from acting in line with these principles and goals. Developing the leadership and corporate culture to meet the vision is one of the main focus areas of the Ixonos strategy.

Mission

We promote the competitive edge and risk management of our customer companies with intelligent solutions for software production and project management.

Ixonos acts as systems, software and product development partner for its customer companies by producing software development and maintenance services as well as consulting and project management services.

Vision

We are an international, profitably growing strategic partner for our customers.

Ixonos becomes more international and grows profitably by taking on comprehensive responsibilities for the design of its customers' products and data systems, software production as well as their project management.

The corporate culture is based on shared values

Learning We continuously develop our skills, organization, working methods and services. We appreciate continuous learning, initiative, willingness to change and ability to anticipate changes.

Responsibility We value reliable, cooperative and responsible people. In all their duties, our employees aim to have a responsible attitude to customers and colleagues.

Profitability All Ixonos employees want to be productive in their jobs and in customer assignments. The company values and supports its employees' aspirations towards high quality and good performance.

Openness We value and respect one another as equal partners, accepting individual differences as an important asset and a source of new ideas. The company aims at openness both in internal relations and in interaction with customers and other stakeholders.

The strategy guides development of operations

Ixonos' strengths are a clientele comprising companies that are leaders in their own business segments, long-term customer relations and exceptionally high customer satisfaction. The company's operations are based on a leadership that stems from the company

vision, and on a corporate culture that derives from the understanding of customers' needs, on continuous development and sales orientation in line with the company values. The development of the corporate culture is promoted by the non-hierarchical organization as well as the encouraging leadership based on the company's values and strategic objectives.

The strategy guiding the development of Ixonos' business operations defines the company's strategic goals and most significant areas of business development. In the strategy the development areas are divided into business cornerstones as well as competition and competitive advantage factors.

Goals According to the company's vision, the strategic goals of Ixonos are to maintain profitable growth, increase the added value of its services, as well as to deepen and broaden selected strategic customer relationships.

Business cornerstones Business development focuses on service production and supporting administrative functions, which enhances operation efficiency and profitability as well as cost management. Development also covers the development of selected strategic competence areas, the development of vision-based leadership and corporate culture, as well as the promoting of corporate structuring and partnerships supporting the Ixonos goals.

Skills development investments are allocated to the core technologies of the most significant customers' future software and product development, such as the smartphone operating system Symbian and S60 operating system platform, Linux as well as .NET and Java/J2EE.

Strategic corporate acquisition will focus on companies that are assumed to promote the development of the company's services, skills, processes and customer relations.

Competitiveness For the company's competitiveness, the most significant areas of development are the expansion of the customer-specific solving ability to a business-segment specific solving ability that serves a broader clientele, software platform development and internationalization. In order to develop the solving ability and software platforms, the company standardizes processes and develops software components. Internationalization will be promoted in order to improve the service level of overseas customers and to extend the customer base, and also in order to secure availability of competent personnel and to ensure competitive pricing.

The company continues to expand its operations in the Baltic Countries and Eastern Europe. By increasing production in Estonia and Slovakia, the company can take on the delivery of considerably larger project entities and, as the volumes grow, more easily find resources. Close local cooperation with the customers' product development organizations increases the need for skilled personnel in the company's Finnish offices and, in the future, also in the vicinity of the customers' overseas product development centers.

Competition advantages Highly productized services, fast and flexible software production, integration and testing processes and good value of services are regarded as Ixonos' strategic competition advantages. The company will continue to make significant investments to develop these areas further. In addition, the company will seek competitive advantages through special-competence services

that will include project management services, the design and architecture competences related to software and systems ventures as well as multimedia skills related to mobile terminals.

Ixonos adheres to an ISO 9001:2000 compliant quality management system and the company has an ISO 9001:2000 certificate granted by Det Norske Veritas.

Strategic goals

Strong partnerships

- by allocating resources and business development investments to the most important customer segments and customer relationships, the company's resources and skills are utilized in the most efficient way and the customer-specific solution ability is deepened
- the company's most significant customer segment is the telecommunications sector
- the company's most significant customers are international telecommunications hardware and network manufacturers as well as telecom carriers
- the company aspires to grow strongly in e.g. industry customer relationships in the coming few years

Increasing customer-specific added value

- by offering the customers better opportunities to manage their business and product development risks and to concentrate their resources on their core business
- by promoting the customers' cost-efficiency through high-quality services that ensure software functionality, error-free operation of business-critical systems and software, as well as controlled management of software and systems projects
- by boosting the customers' competitiveness through faster software and product development cycles

Profitable growth

- by increasing our volume we gain credibility among our strategic customers and become a more attractive investment object
- by focusing on strong strategic customers we can take on more extensive responsibilities and projects
- by productizing our services and standardizing our processes, and by developing our production in countries with a lower cost level, we enable profitability

Economic objectives

- to show such organic growth in all business areas that clearly exceeds the Finnish ICT service market growth
- to improve the company's relative profitability
- to continue to distribute a dividend in line with the company's dividend policy



Case: Oulu municipal portal

With the Internet a part of everyday life, citizens more and more expect to be able to communicate with their home municipality online. In 2008, the city of Oulu inaugurated an open network service portal. Delivered by Ixonos, the portal provides inhabitants access to the city's e-services as well as to other information society services.

In 2005, the city council of Oulu launched the COMPETENCE Oulu 400 project, aiming to make the citizens of Oulu forerunners in using wireless services. In order to determine the kinds of online services people in different phases of life needed, the inhabitants of the Oulu region were engaged in the development, right at the idea stage. The objective was to build a functional, secure and reliable network service that would empower citizens to use municipal services. The service was to respond to the challenges of the city's service development, as well as to the information society's requirements regarding implementation of online services. It was also geared towards spawning new online services through providing the city administration with joint-use service modules as well as support components.

The municipal portal provided by Ixonos offers citizens and organizations a set of new, centralized services assembled together in one place. The functions and the user interfaces of the portal services are uniform, so using the services is easy, intuitive and dependable. The portal provides every inhabitant with a personal page, to be customized according to liking. The services exist as portlets. The user can add, remove

and organize portlets according to which portal services he or she requires. Social networking services such as a notepad, blog, and picture album are also included, as is instant messaging. Additionally, the user can create a separate group page, such as for family or friends. The municipality portal also offers every citizen of Oulu an easy to use, reliable email address.

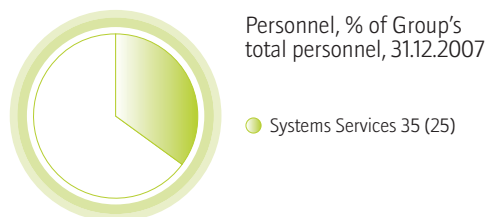
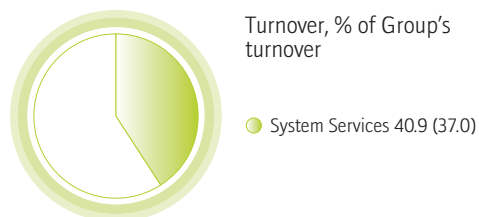
The portal model, well known from corporate intranets, was chosen to implement the service. The site was built on a standardized Liferay platform that supports an open service architecture and complies with the JSR-168 standard. More services will be added to the portal as the online services provided by the City of Oulu evolve. The municipality portal significantly broadens the city's supply of e-services. It is being developed in cooperation with the web site of the city of Oulu (www.ouka.fi) and with the Akkuna intranet.

The city of Oulu set an example in utilizing an Open Source solution, as well as in promoting Finnish competitiveness, while following the policies defined by the EU Commission and by the Finnish state's strategy for the development of online government services. At the same time, it offered its inhabitants a versatile set of services, and showed that solutions based on open architectures and Open Source code are fully able to compete with commercial off-the-shelf software. The municipality portal boosts the opportunities for city of Oulu inhabitants to contribute to municipality affairs. Citizens are now able to track decision-making processes on their home computers, and to comment on initiatives at different stages. This increases the transparency of decision making. The portal also enhances the ability of municipality administration to create future e-services.



Business Operations overview 2007

During the review period—before the start of the reorganization at the turn of the year—the business operations of Ixonos were organized into two Business Units: Systems Services and Telecommunications.



The Systems Services BU developed and maintained software components of its corporate customers' information systems, and produced technology consulting and project management services. The Unit's most significant customers operate in the telecommunications, finance and public administration sectors.

Key figures	2007	2006	Change, %
Turnover, EUR 1,000	24,442	14,604	67.4
Operating profit, EUR 1,000	1,390	1,629	-14.6
Operating profit, % of turnover	5.7	11.2	
Average number of personnel	230	127	

Major achievements

- Strong increase in turnover, expedited by new customer projects as well as by acquisitions
- Forceful growth in project management services
- Investments in open architecture solutions, agile software development methods, as well as in information security services for Open Source applications
- Strengthened skills and delivery capacity, especially in information system specification, design and architecture services, enhancing the company's competitiveness in e.g. future system renewal projects in the public sector.
- Boosted readiness and capacity in software and information system project deliveries and maintenance; offering complemented by operating services
- Utilization of the Slovakia-based subsidiary's capacity and resources in software service production as well as in internal development work

Turnover and operating profit

During the review period, the turnover of the Systems Services Unit grew with 67.4 per cent into EUR 24.4 million (2006: EUR 14.6 million). The Unit's turnover was boosted by new customer projects launched during the review period; by the strong growth of Service 4 Mobile Oy (now Ixonos Project Management Services Ltd), a project management services company acquired in June 2006; and by the turnover of Mermit Business Applications Oy (now Ixonos Technology Consulting Ltd), a company acquired in May 2007. The turnover of Mermit was included in the Unit's turnover as of 1 June 2007.

The turnover of Cidercone Life Cycle Solutions Oy (now Ixonos Outsourcing Services Ltd) was included in the Unit's turnover as of 1 September 2007.

The operating profit of the Unit was EUR 1.4 million (2006: EUR 1.6 million), 5.7 per cent of the turnover; operating profit growth was -14.6 per cent. The operating profit excluding depreciation of intangible rights of corporate acquisitions was EUR 2.1 million (2006: EUR 1.7 million), 8.7 per cent of turnover; operating profit growth was 24.3 per cent.

Strengthened and expanded delivery capabilities

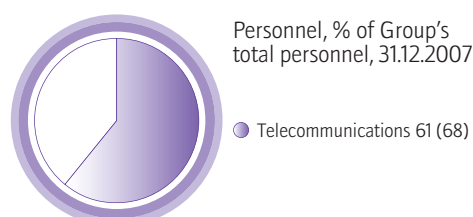
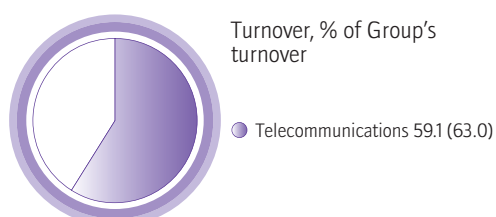
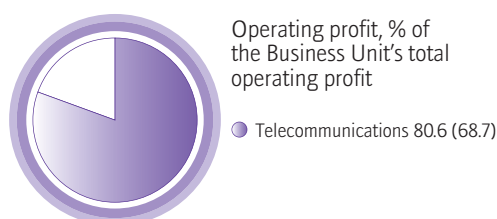
The Unit made strong efforts to develop its project delivery capabilities, open architecture solutions, security services for Open Source applications, as well as agile software development methods.

The acquisition of Mermit Business Applications Oy further strengthened the Unit's skills and delivery capacity, especially in specification, design and architecture services, enhancing Ixonos' competitiveness e.g. in future projects to renew systems in the public sector.

The acquisition of Cidercone Life Cycle Solutions Oy strengthened the Unit's readiness and capacity in software and information system project deliveries and maintenance, also adding operating services to the Unit's offering.

Starting early 2007, the software production capacity of the Slovakia-based subsidiary was integrated into the Unit's software production services with total responsibility. The resources of the Slovakian subsidiary were also utilized in the Unit's internal software and methods development.

Competition in the Systems Services Unit's market was fierce throughout the year.



The Telecommunications BU produced services in hardware and software development, software integration, and testing, for the telecommunications sector. The Unit's clientele comprised leading international mobile and smartphone manufacturers, mobile network suppliers, and telecom carriers.

Key figures	2007	2006	Change, %
Turnover, EUR 1,000	35,296	24,879	41.9
Operating profit, EUR 1,000	5,775	3,583	61.2
Operating profit, % of turnover	16.4	14.4	
Average number of personnel	467	344	

Major achievements

- Considerable increase in turnover. Strong improvement in operating profit
- Increased market share among key customers
- Growing share of project deliveries with total responsibility
- A significant total-responsibility project for developing a wireless device for a key customer
- An extensive project for developing a smartphone and mobile computer software platform based on the Linux operating system and on Open Source code
- Broadened competence in smartphone technology. Determined expansion of Linux knowledge in parallel with strong Symbian skills. Linux-based customer projects already during the review period
- Lower-price services in Estonia and Slovakia supported the Unit's competitiveness
- In less than a year, the Kosice unit evolved into employing more than 50 persons. There was also growth in the Tallinn unit

Turnover and operating profit

During the review period, the turnover of the Telecommunications Unit grew with 41.9 per cent, amounting to EUR 35.3 million (2006: EUR 24.9 million). The Unit succeeded in further increasing its market share among its key customers. The Unit continued to design several large customer projects delivered with total responsibility. It also launched a new extensive total-responsibility project to develop an entire wireless device for a key customer.

The Unit's relative profitability improved compared to the previous year. The operating profit grew by 61.2 per cent into EUR 5.8 million (2006: EUR 3.6 million). This was 16.4 per cent of the turnover. The operating profit excluding depreciation of intangible rights of corporate acquisitions was EUR 5.8 million (2006: EUR 3.7 million), 16.5 percent of turnover.

Strengthened competitiveness

The Unit's strong smartphone competence and the lower-price services in Estonia and Slovakia supported the Unit's competitiveness in its efforts to acquire large total-responsibility customer projects and to gain international smartphone market share.

During the review period, the subsidiary Ixonos Testhouse Oy, providing software testing and quality assurance services for smartphones, and its Tallinn-based subsidiary Ixonos Testhouse Estonia OÜ together grew into an entity staffing over 60 employees.

The Telecommunications Unit began its operations in the Kosice-based Slovakian subsidiary, as planned. The Kosice unit carried out parts of total projects delivered to key customers of the Telecommunications Unit. At the end of the review period, over 50 experts worked in Kosice, most in Telecommunications Unit customer projects.

The global competition for software projects of leading international mobile and smartphone manufacturers remained fierce.

Reinforced competence

In spring, the Telecommunications Unit initiated an extensive project for developing a smartphone and mobile computer software platform, based on the Linux operating system and on Open Source code tools and components. The know-how acquired in this project helped the unit win new Linux-based customer projects as early as during the review period.

Case: Radio device for demanding professional use – an overall project delivery

Ixonos developed a mobile radio network device as an overall project delivery for a customer with global operations. The project included the development stages from requirement specification to manufacturable product.

In an overall project delivery for an international customer, Ixonos produced a radio device intended for authority use in mobile networks. The customer wanted to minimize its own product development investments, and therefore ordered the development project, tailored to the end customer, from Ixonos. As the device was intended for demanding authority use, high trustworthiness and reliability were required of the product.

The project carried out by Ixonos included an initial requirement specification, and an Agile Model product development project ranging from software planning to the design of hardware and mechanics. The project also encompassed extensive system and type approval testing, as well as the implementation of software and other abilities required for manufacture. Despite a few product changes submitted by the end customer, the project was completed as planned, on schedule.

From the customer's point of view, the project advanced reliably, as scheduled. The orderer was thus able to keep its delivery promises to the end customer, and to control its own risks related to product development and to delivery. Ixonos' exact design work, diligent implementation, and wide set of tests ensured the quality of the product, and backed up the good quality reputation of the buyer. The outsourced, fixed-price product order placed the project risk with the supplier. As the process was transparent to the customer, the risks associated with delivery and schedule were kept well under control for the entire duration of the development work.

Ixonos renews its organization and segment reporting

On 1 January 2008 Ixonos renewed its organization to be able to implement the company's vision and strategic goals more efficiently. The reorganization aims to enhance business growth, efficiency and profitability, internationalization, as well as well-fare at work.

In the new organization the Group's business operations will be divided into three Business Units: Mobile terminals and software, Operators and ICT, as well as Industry and Services. The Business Units are responsible for selling the Group's products, managing customer relations, as well as running service production.

The Group's entire expert personnel will operate from the Service Production Unit that is divided into Regional Units, Support Units and two Service Product Units. The Regional Units include Helsinki Metropolitan Area, Turku-Salo, Tampere, Jyväskylä, Northern Finland and Foreign Countries. Backed by the Support Units of the Service Production Unit, the Regional Units are responsible for, e.g., local personnel administration, customer project resourcing, as well as service production in cooperation with the Business Units.

The Support Units include Administration, Personnel Administration, Information Management, Quality and Product Development. Service Product Units include Consulting Services and Software Production Services. The Service Product Units operate as expert support for the Business Units and Regional Units and are responsible for developing and productizing services, and for developing and harmonizing processes and methods related to service production.

Financial Administration and Communication remain under the direct supervision of the President and CEO.

The reorganization is expected to increase efficiency of the sales of the company's entire service offering to a clearly wider customer base and to deepen customerships. The renewal is also expected to enhance the management of the Group's resources, facilitate customer project resourcing, boost service production efficiency, as well as promote the harmonizing of service production processes and methods.

Together with the reorganization, Ixonos also renews its segment reporting. Starting from the first interim report in 2008 the company will report its consolidated business operations as two seg-

ments: consulting services and software production services. The new segments are based on the company's service products, and they illustrate more accurately the character of the company's business operations and the efforts made to develop them.

The consulting services comprise technology consulting, user interface and usability design, as well as project management services. The software production services comprise software project deliveries with total responsibility, testing and quality assurance services, as well as maintenance services for software and information systems.

Ixonos Quality system supports business

Ixonos adheres to an ISO 9001:2000 compliant quality management system which defines the company's processes for governance, sales, service delivery, and skills development. The quality system is annually audited internally and externally, and also by certain major customers. The company holds an ISO 9001:2000 certificate granted by Det Norske Veritas.

In the year 2007, the company's quality system work focused on unifying existing processes and practices, as well as on developing shared practices.

In autumn, as part of Ixonos' work to evolve operations and to reinforce corporate culture, the Ixonos Flow project was launched. This project develops processes and methods for service production. Ixonos Flow combines Ixonos' best practices and methods into a uniform way of operating when serving customers. It consists of processes, methods and tools as well as of reusable software components and service models. Ixonos Flow enables Ixonos to standardize its service production processes and practices, also in its new subsidiaries, as well as to ensure that customers receive high-quality, cost-efficient service.



Case: Linux-based software platform for smartphones and mobile computers

Ixonos developed a software platform for a device that combines the functionalities of mobile phone and handheld computer. The platform features an easy user interface based on a touch screen.

Ixonos believes that within a few years, Linux will be the prime challenger to the Symbian operating system that currently rules the smartphone market. In order to broaden its service range, increase its competence, and accelerate the product development of Linux-based devices, Ixonos designed a software platform for developing smartphones and mobile computers. The platform is based on the Linux operating system and on Open Source tools and components.

The main objective of the research and product-development project was to develop a software platform for a device that combines mobile phone functionality with that of a handheld computer. An easily modifiable, touch screen based user interface was also required. The software platform developed by Ixonos consists of a rich set of programs and tools that can be

used for product development. Its integrated basic functions include, among others, telephone features, a touch screen, and a web browser. The solution also includes a user interface application, a calendar, email, as well as reference hardware for development and testing.

The knowledge originating in this development project has been utilized by Ixonos in several customer ventures during the year 2007. The width of services developed for customers range from software component integration to the design of entire firmware architectures, and, regarding functionality and application implementations, from device drivers to platform and application level components. The convergence of Open Source software and development environments enable the creation of products, services and features for both the traditional web environment, PCs and mobile devices, using the same product development tools.

Through the skills acquired while developing the software platform, Ixonos has been able to help its customers choose the right technology solutions in extensive development ventures. Ixonos has also been capable of expediting the implementation of product functionality required by its customers. This has enabled speedy launches of high-quality products.



Values in everyday work

Learning, responsibility, productivity, openness

Our values stand for what we want to commit ourselves to, and what kind of work community we have as our target. The values created together with our personnel also provide guidelines for corporate development, taking the interests and needs of personnel, customers and owners into account as equally as possible.



RIITTA HUNNAKKO
Quality Manager

For me, the value of responsibility is particularly important; when you do something, you put your heart into it. Quality development is always customer-oriented, so profitability is also important. Our four values form a whole in which each has its own significance.



MIROSLAV KATRAK
Java Developer

Openness characterizes our atmosphere and culture, making it easy to actively exchange ideas. As a Slovakian, and also having visited an office in another country, I have noticed how our common set of values connects Ixonos employees and cultures across international boundaries.



JOONAS KOLMONEN
Group Manager

As Group Manager with responsibilities to multiple parties – employees, my own supervisors, and our customers – I make use of Ixonos' values. They form the starting point for activities that attend to multiple perspectives.



MARJAANA RANTAMÄKI
HR Coordinator

I have found Ixonos' values inherent in my own philosophy. They guide my day-to-day work, especially when making choices. Responsibility is the value that is easiest to recognize in the workplace – it sets the tone throughout the organization.



ANTTI KYTÖMÄKI
Chief Architect

This is the era when Ixonos' values become a part of everyday life. Our company has grown quickly; our new organizational structure supports a shared corporate culture, as well as an increasingly customer-centric mode of operation. The combination of a broadened service range and a growing crew of experts creates entirely new opportunities for development and learning, both individually and as a community.

Towards a shared corporate culture

Ixonos' strong growth in personnel continued during the year 2007. The HR functions focused on implementing HR systems in the Units, as well as on recruitment and on leadership for supervisors. The work of building a shared corporate culture and a set of common operating practices proceeded as planned.

The task of Ixonos' personnel function is to support the implementation of the company's strategy by ensuring sufficient competences, and by strengthening these. It also aims to reinforce staff commitment, and to promote working ability as well as workplace wellbeing. The centralized HR function enables common policies and frameworks, while the Units are responsible for practical measures pertaining to the personnel function. During the year 2007, HR system operation was decentralized into the Units, which now attend to employment-related HR matters.

Continued strong growth in personnel

Ixonos' powerful organic growth, together with acquisitions, brought about a forceful increase in staff numbers. During the year 2007, the number of personnel grew with 295, amounting to 874 (2006: 579) at the end of the year. 200 new employees (2006: 125), or 68 per cent (2006: 89) arrived as a result of organic growth. The number of new recruitments was 284 (2006: 166), or 39 per cent (2006: 33). The average number of personnel was 726 (2006: 503). The number of resigned personnel was 80 (2006: 71), or 11 per cent (2006: 14).

The average age decreased to 33.5 years (2006: 33.8). Due to the fast rate of growth, 86 per cent (2006: 83) of the personnel had been in the company's service for less than 5 years. The level of education rose. 44 per cent (2006: 38) have a university degree, while 30 per cent (2006: 31) have a higher vocational diploma or college-level diploma.

Intensified recruitment

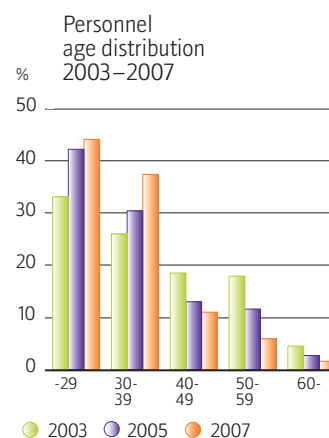
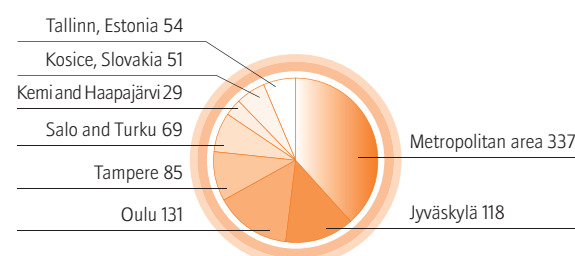
Achieving Ixonos' strategic goals necessitates both a high level of staff competence, and actions in accordance with the company's values. In the face of increasing competition for labour, the company's strong growth puts a strain on the availability of skilful and experienced personnel.

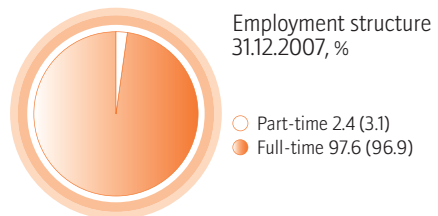
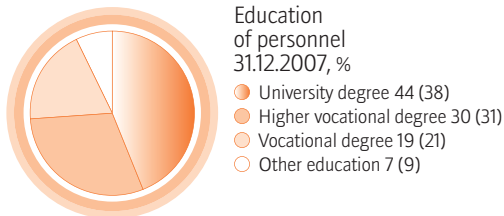
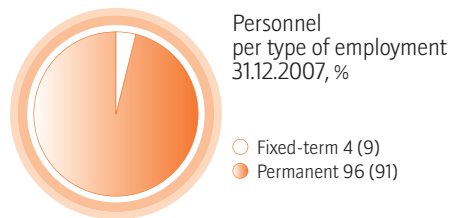
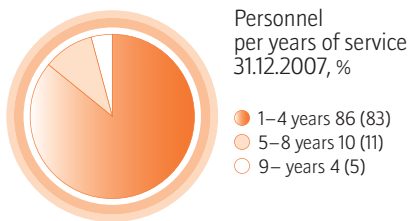
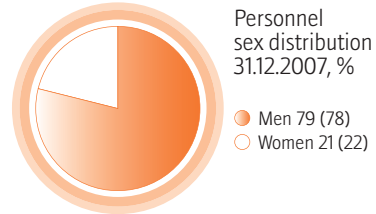
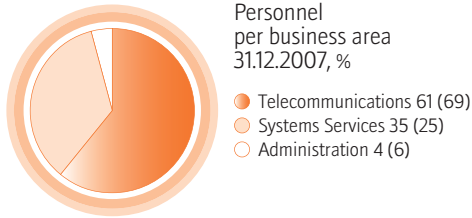
Ixonos aims to acquire the top professionals in the field by offering its personnel exciting and challenging tasks, opportunities to develop and renew skills, as well as interesting and influential career options and a good workplace atmosphere. Competitive earnings are complemented by above-average occupational health care and insurance coverage. The company also supports the personnel's leisure time exercise, sports and culture activities.

During the year 2007, Ixonos' recruitment became increasingly methodical. Recruitment communication was intensified, while recruitment activities were focused on select, best-performing channels.

Key figures	2007	2006	Change, %
Average number of personnel	726	503	44.33
Personnel on 31.12.	874	579	50.95
of whom in permanent employment	838	527	59.01
Persons employed during the year	409	249	64.26
of whom through corporate acquisitions	95	16	
Women, %	21	22	
Average age of personnel on 31.12.	33.5	33.8	
Average years of service	2.29	2.43	
Leaving personnel (permanent)	80	71	
- % of personnel	11	14	
Arriving personnel (permanent)	284	166	
- % of personnel	39	33	
Sick absence, %			
average of total work time	2.5	2.9	

Personnel per location
31.12.2007, persons
Total 874





The company increased both its cooperation with educational institutions and its recruitment fair participation. During the year, events related to technologies used by Ixonos were arranged. For example, Linux and Symbian courses were held, combining training with recruitment. The company also hosted visits, and actively took part in recruitment fairs.

Despite fierce competition, the company succeeded in recruiting many new employees, while also maintaining a high level of competence. The company's new name and corporate image already brought about job applicants with increasingly versatile skills and experience.

Attention to introduction and procedures

During 2007, Ixonos adjusted and improved its practices for introducing new employees. In the personnel satisfaction survey, performed in the autumn, introduction received good grades despite the strong increase in personnel.

As part of the development of company practices, a policy and a set of guidelines for international missions were created.

Also during the year, the process for integrating acquired companies was particularized. HR functions form a central part of that process.

Managing skills development

The aim of Ixonos' competence development is to raise the company's skill capital in those fields of expertise that are emphasized in the company's strategy, and important to the customers, producing added value for their business.

In order to improve skills development and to systematize training, a competence management and development system was acquired. It will be taken into use during the year 2008. The new system enables competence surveys that encompass the entire personnel. These surveys will facilitate development planning on both Unit and employee levels. They will also improve utilization of resources and skills across company locations.

Developing Open Source and core technology skills

During the year 2007, investments into skills development were focused onto the software and product development core technologies of key customers. Such technologies include Symbian, used in smartphones, as well as the .NET and Java/J2EE architectures. In order to obtain Symbian specialists, three-month paid courses were held at a few locations.

The company also invested in strengthening and expanding its knowledge in software technologies utilizing Open Source code. Ixonos' skills in Linux programming were significantly improved and extended by carrying out an internal project to develop a Linux-based software platform for smartphones and mobile computers. Knowledge in agile software development methods (Agile Scrum) was also strengthened. Significant investments were made into deepening information security skills, as well as into applying such skills to the development of a software security service. Project management training was based on the PMBok model. The implementation of an ITIL-based process model for maintaining and further developing system software continued, including training. Individually planned education was also arranged.

Representatives for the company featured as experts in numerous ICT sector seminars on Open Source code. Topics included information security, security governance, service-oriented architecture (SOA), as well as information system risks to business operations. Ixonos' consultants also presented at several events related to the mobile industry and to project management, both in Finland and abroad, lecturing e.g. on the management of major information system projects. Ixonos' experts actively participated in the work of industry groups, such as information security communities and project organizations.

The shared corporate culture evolved as planned

The corporate culture project, launched in spring 2006 to support leadership and promote staff commitment, proceeded according to plan. During 2007, in connection with training aiming at consistent leadership practices, two supervisor seminars, each two days long, were arranged on the topic of leadership and supervisor work. All supervisors attended. During the year 2008, a system for following up vision-based leadership will be designed.

In the year 2007, suitable persons willing to assume supervisor duties were sought after. Supervisor skill surveys will begin on a large scale during the year 2008.

In December, as part of the corporate culture project, the Ixonos Code book was completed, creating a shared framework for Ixonos-wide operating procedures.

Staff commitment up

Ixonos' goal is a happy, committed and motivated employee, and a work community where all employees feel respected and treat one another equally. A personnel satisfaction survey is carried out annually. The results of this survey form the basis of development programs, which are then monitored by each Unit.

The survey for the year 2007 showed that personnel commitment has risen. Employees are also increasingly proud of Ixonos, partly due to the development of a brand and a corporate culture that are based on the company's values and operating principles. Satisfaction with the work atmosphere continued to strengthen. Supervisor activities also received higher scores. The internal flow of information had improved as well.

Culture development to continue

Vision-based leadership and customer-oriented operations are still being developed. The supervisor training includes, among other sectors, occupational health and well-being.

The company continues to invest into recruitment. A broadened introduction programme will include an added emphasis on initiating employees who transfer to new duties.

The Mobile Media Education for Professionals project in Central Finland

More than 70 Ixonos employees participated in the MMEP (Mobile Media Education for Professionals) project, arranged by the University of Jyväskylä in 2007. The project was geared especially towards the needs of ICT companies. The most popular education topics included Symbian-, Python- and .NET-programming techniques, ISEB certification and project manager training, and leadership.

The sectors of our staff policy

The objective of our personnel policy is to develop competence and improve the work community and well-being at work.

Our personnel as experts of the field

Ixonos as an employer supports the development of expertise in the fields of competence consistent with our strategy.

Competent and supportive leadership

In order to guarantee that our supervisors are equal to their tasks, we invest strongly in their training.

Well-being, committed and motivated personnel

In addition to the development of competence, the well-being of the personnel is supported by a competitive salary and bonus system, extensive employee benefits and occupational health program as well as open communication in the organization.

Organization supporting strategic definitions of policy

We aim to organize our operations efficiently and appropriately on a growing, geographically dispersed market.

Controlled number, structure and development of personnel

We develop our personnel structure based on our business strategy.

Equal treatment according to laws and ethical standards

We implement personnel governance conforming to the requirements of the Finnish laws and ethical regulations. Our company has a separate equality plan which contains directions on equal and just treatment of the personnel.

The Ixonos Code – a shared practice

The Ixonos Code – a book about how we operate at Ixonos – was created in the summer of 2006, in connection with the company culture development project. As the project developed, we searched for elements that unite us at Ixonos, despite our diverse backgrounds and geographic scatteredness. We also attempted to find those strengths and factors that we need in order to successfully carry out our mission and vision.

We have determined our common values, way of working together, human attitude, mutual respect, and customer-oriented operation to be such factors. To preserve these factors as the foundation of our company culture, and as the method of operation that will continue to both support the development of our business, and come across outwards, we decided to produce a publication of our common views and Ixonos attitude.

As a part of our company culture project, personnel from different offices, also from abroad, gathered in Helsinki, at Kulttuuritalo, on 9 February 2007 at a joint seminar for the entire Ixonos staff. The seminar concluded with the Ixonos Café, where we discussed how the Ixonos values, vision and strategy manifest themselves in the company practices and working methods. Thoughts that came up at the seminar were also compiled into the Ixonos Code.

Responsibility – Ixonos as a part of society

Responsibility is one of Ixonos' values. We believe that acting responsibly is a prerequisite for achieving our strategic goals.

Our objective is to be a strategic partner of leading Finnish and international players. This calls for taking care of responsibilities and commitments. Our company values define and support our ambitions to act responsibly towards all our interest groups as well as towards the environment. We are committed to responsibility and to high ethical standards, both locally and internationally.

Prosperity for stakeholders

Our goal is to provide our customers with intelligent solutions for software production and for project management. These solutions offer our customers new flexibility and cost-effectiveness in controlling risks related to their business operations and their product development activities, in expediting their software and product development cycles, in promoting their competitiveness, as well as in focusing on their core business.

For our shareholders, increasing turnover and profit denote growing corporate value and return on investment. The financial effects on society are made up of taxes paid by the company and its employees, as well as of contributions to non-profits. Ixonos annually supports organisations that work to relieve the suffering and distress of children and young people, and to promote their well-being and their education opportunities domestically and internationally.

Caring for the staff

The well-being and comfort of our personnel forms the basis of our social responsibility. Key development areas are the quality factors of working life: versatile tasks, ample opportunities to influence one's own work, a good working atmosphere, close-hand support, and the rewards of one's work. The task of Ixonos' management is to create operational preconditions that support operations in accordance with the mission and building the future according to the values, mission and vision.

Our objective is an organisation characterised by a decision-making system that encourages participation, by mutual exchange of experiences and skills, by flexible structures, and by organised internal learning in a favourable atmosphere.

We expect our company's management, as well as everyone in a supervisory position, to base all their actions and intercommunication on fair leadership, and to encourage, by their example, our staff to build a comfortable and equal work community.

Equality is a component of the company's personnel policy, and will be reviewed yearly in that context.

Environmental protection as part of corporate culture

The starting point for Ixonos' environmental policy is the company's service business, which involves developing and maintaining customers' business operation processes, industrial production processes, and communication-enhancing software, thus relieving the strain on the environment. The aim of the environmental policy is to promote the principles of environmental protection and sustainable development in the company's business operations, and to ensure that all business processes comply with those principles.

Ixonos obeys all local environmental regulations, legislation and recommendations. In material purchases, we choose recyclable products that pose minimal hazard to the environment. We strive to consume energy and materials economically.

We promote electronic communication, material reuse, and recycling, thus reducing the amount of waste. Electronic internal invoice circulation and electronic filing have reduced the amount of paper waste, since the need to create paper copies of memos and similar documents has decreased. By careful planning of travelling days, and by increased use of telephone and video conferencing, we have been able to reduce travel, and thereby also the strain on the environment.

Continuing to promote environmentally friendly practices, we will, in the year 2008, define a more detailed environmental programme to be founded on this policy.

Economic impacts

The impacts of Ixonos' business operations on surrounding society can be measured by the cash flow between the company and its stakeholders. The most significant immediate economic impacts are related to the customers, personnel and shareholders.

Ixonos provides services to leading international mobile and smartphone manufacturers, mobile network suppliers, and telecom carriers, as well as to Finnish finance, industrial and service sector companies and public administration organisations. In 2007, the income from customers was EUR 59.2 million (2006: 39.2).

Purchases from suppliers of goods and services amounted to EUR 7.2 million (2006: 4.6).

At the end of 2007, Ixonos had 874 employees (2006: 579). The total amount of wages, compensations and indirect employer's expenses was EUR36.7 million (2006: 24.8). During the year 2007, staff members were paid performance bonuses in the total amount of EUR 1.1. million (2006: 0.6).

At the end of the year, Ixonos Plc had 2,937 shareholders (2006: 2,190). Private persons owned 58 per cent (2006: 65) and institutions 42 per cent (2006: 35) of the company's shares. The Ordinary General Meeting was presented with the proposition that Ixonos

should pay to its shareholders dividend totalling EUR 1.6 million for the year 2007 (2006: 1.3), or EUR 0.18 per share (2006: 0.27). During the year 2007, the value of the company's share increased 28.9 per cent on the Nordic Market in Helsinki.

The amount of growth investments in company acquisitions paid from the company's cash reserves was EUR 4.1 million (2006: 5.2). In 2007, Ixonos paid EUR 1.3 million (2006: 1.0) in taxes based on its result. The company supported charities with over EUR 23,000. Major recipients were the Mannerheim League for Child Welfare and Suomen World Vision.

Added value	IFRS 2007		IFRS 2006		
	EUR million	%	EUR million	%	
Customers					
	+Turnover	59.2	100.0	39.2	100.0
	-Acquisitions	-7.2	-12.2	-4.6	-11.6
	= Added value	52.0	87.8	34.6	88.4
Distribution of added value					
Personnel	-Personnel costs	-36.7	-62.0	-24.8	-63.4
Shareholders	-Dividend	-2.0	-3.4	-1.3	-3.4
Financiers	-Net financing costs	-0.3	-0.5	-0.2	-0.4
Public sector	-Taxes	-1.3	-2.2	-1.0	-2.7
Share allocated to development of business operations		11.7	19.7	7.3	18.5
	- Growth investment	-4.1	-7.0	-5.2	-13.2
	- Repayment of equity	-1.0	-1.7	-0.7	-1.7

Risk Management as part of operations development

The aim of Ixonos' risk management is to ensure undisturbed and continuous business operations and development, to support the implementation of the company's operational targets, and to increase the company's value.

Risk management is included in all the company's core processes, ranging from Board strategy processes to customer-level service production and to the company's quality system.

The Group's Units are responsible for identifying, evaluating and preventing the risks related to their own functions. The Units report on their risks to the CFO, who is responsible for the planning, development and control of the company's risk management. The CFO reports on the company's risk management to the President and CEO. Significant business risks are considered by the Board of Directors. The Board also monitors the implementation of the company's risk management policy as part of the strategy, business plan and budgeting processes.

Once identified, risks are followed up monthly, quarterly, semi-annually, or when risk exposure is detected, depending on the risk type.

Ixonos has identified risks related to the following items:

- operating environment: political, economic and legislative conditions, the competitor situation, and customer needs
- service sales and marketing: personal, contract, liability, and information security risks related to the sales and marketing of services
- service production: personal, contract, liability, and information security risks related to service production
- technical infrastructure: risks related to data processing and networks
- economy: risks related to liquidity, equity capital adequacy, financing, capital, interest and currencies
- abuse: incidents where legislation, corresponding external norms, or the company's internal instructions are deviated from
- strategy: risks related to environment observance as well as to reporting, decision making, and strategy implementation

Central risks under observation

Key customers Ixonos' strategic objective is to become a strategic partner to key customers, taking on more extensive and long-standing responsibilities for the development and maintenance of their system or product-integrated software. In practice, this strategy has meant concentrating on deepening certain key customerships. As changes in such customer relations may have adverse effects on Ixonos' operations, they are monitored carefully.

Order book Customer projects often span several years. Still, the budgeting practices and risk management processes of customers cause delivery contracts to be split into short-term fragments.

During the recent years, this has been typical for the entire industry. Shortened contracts make it more difficult to estimate how the company's business operations, earning power, and financial position will evolve in the long term.

Project risks A growing share of Ixonos' project deliveries carry either fixed or target prices. The profitability of such projects depends on Ixonos' ability to make accurate advance estimates regarding the amount of work and the contract risks involved.

Intellectual property Some of Ixonos' customized comprehensive solutions utilize third party software. The company also owns, entirely or in part, the intellectual property rights (IPR) pertaining to applications and products developed by Ixonos. The company's internal IPR policy and practices oversee that immaterial or other rights of third parties are not violated in applications used or developed by Ixonos.

Information system and information security risks Ixonos faces information security risks, such as external leakage of confidential information. Examples of such information include the company's business secrets, information pertaining to customers and projects, as well as pricing information. In order to prevent such risks, the company instructs and monitors its staff in handling confidential customer information. Other preventative controls include non-disclosure agreements, as well as information security arrangements and directives safeguarding the company's information and communication technology.

International operations In accordance with its strategy, Ixonos has branched out internationally since the year 2005. By expanding into Estonia and Slovakia, the company has strived to maintain its competitiveness and profitability, and to ensure the availability of personnel resources required by the company's growth. At the same time, according to customership strategy, the company has endeavoured to produce services near its customers. This has necessitated expansion into Germany. In order to prevent any adverse effects on Ixonos' operations, the company carefully monitors any changes in customerships or in the operating environment, such as labour markets, of its offices abroad.

Acquisitions Over the last few years, Ixonos has acquired several other companies. Any failure in integrating the activities of the acquired companies might influence Ixonos' business operations unfavourably. In order to assist integration, and to take advantage of synergy gains, Ixonos continually develops its integration processes and practices. Also, the Group and Unit Management Teams regularly monitor the progress of the company's integration projects.



Case: A software testing environment for a leading supplier of cargo handling equipment



Ixonos' customer is a leading supplier of equipment for handling containers and other cargo, and an expert in port automation. The customer produces comprehensive systems for the world's largest ports and terminals. Ixonos provided the customer with a software testing environment to support a large delivery project.

The customer delivered an automated container handling system to a large port authority. The system's IT solutions consisted of software components and system entities from several providers. Ensuring and integrating the functionality of components from various suppliers emerged as a significant challenge. Ixonos contributed its experience in multi-provider project management, as well as process knowledge regarding software development, testing and integration.

Ixonos provided the customer with a networked working environment which supports the collaboration between the customer and the subcontractors. The solution, built on Open Source code,

includes tools for managing documentation, knowledge, testing, and fault information. The project's software suppliers applied the solution platform, developed and maintained by Ixonos, to software release design and documentation. Ixonos acted as testing consultant, contributing especially to the module testing of components, as well as to system-wide integration testing. Overall, testing was a significant phase of the project. Ixonos' experienced testing specialists also directed the product completeness measurement. Software testing processes were developed together with the customer, and partly applied to the integration testing of software products provided by suppliers participating in the project.

The services of Ixonos helped to measure and verify the functionality and maturity of the software products before delivery to the end client. Ixonos' testing and reporting also provided the end client with a view of the system development progress. Ixonos guided the customer in using the testing tools, as well as in the software testing processes. This will continue to enhance the quality of end client deliveries.

Corporate Governance principles

The management and supervision procedure of Ixonos Plc is based on the Companies Act, the Securities Markets Act and the company's own Articles of Association and internal operating instructions. The company complies with the corporate governance recommendation issued on 1 July 2004 by OMX Nordic Exchange Helsinki, the Central Chamber of Commerce and the Confederation of Finnish Industry and Employers.

Corporate management and supervision are divided between the Shareholders' Meeting, the Board of Directors, and the President and CEO. The top management is responsible for internal auditing, and the auditors are responsible for external audits. The President and CEO, assisted by the Operational Management Team, is in charge of the operative management. Ixonos aims to increase the company's shareholder value in compliance with legislation and the company's social responsibilities.

General Meeting

The highest decision-making organ of Ixonos Plc is the General Meeting of Shareholders, at which the shareholders exercise their voting power in company matters under the provisions of the Companies Act and the Articles of Association.

The Annual General Meeting is held each year within six months of the end of the financial period. The General Meeting decides on issues belonging to it under the Companies Act, e.g. adopts of the financial statements and decides on dividend payment, discharges the Board members and CEO from liability, elects the members of the Board and the auditors and decides on their remuneration. Extraordinary general meetings are convened if requested in writing by the Board, an auditor or shareholders exercising more than one tenth of the company shares.

The invitation to the General Meeting has to be sent to the shareholders no earlier than four (4) weeks and no later than seventeen (17) days before the meeting by an announcement published in a Finnish national daily newspaper chosen by the Board of Directors. The proposals of the Board of Directors and the invitation to the General Meeting are also published as a stock exchange release. The proposal for Board Members by Board's Nomination Committee and the Board's proposal for auditor is published in the invitation to the General Meeting or as a separate stock exchange release prior to the General Meeting. The proposal by the shareholders for their representatives to the Nomination Committee, nominated by the General Meeting, is published in the same way.

A shareholder has the right to have a matter dealt with by the General Meeting, if he so demands in writing from the Board of

Directors well in advance of the meeting, so that the matter can be mentioned in the invitation. Any such demands, and their appendices, will be displayed at the company's main office for at least one week prior to the meeting, like the other General Meeting documents. The material will also be available on the company's website.

Shareholders who have been entered into the share register, maintained by the Finnish Central Securities Depository Ltd, by the record date (10 days before the meeting), and who have announced their participation to the company as specified in the invitation, have the right to attend the General Meeting. When a holder of nominee-registered shares intends to participate, he must notify his custodian in order to be entered, no later than the record date, in the company's shareholder register as a temporary shareholder.

Ixonos Plc has one share series. Every share carries one vote.

A shareholder whose proportional holding of all company shares, or whose proportional entitlement to votes conferred by the company's shares reaches or exceeds 33 per cent or 50 per cent is obliged on demand by other shareholders to redeem such shareholders' shares and securities giving entitlement to them under the Companies Act. The Articles of Association include the detailed provisions related to the redemption obligation and the determination of the redemption price and redemption procedure. The Articles of Association can be found on the company's website under Investors at the address www.ixonos.com/en/investors.

The Board of Directors

The Board represents all shareholders in corporate governance. The Board is responsible for the company's management and the proper arrangement of its operations. It decides on the company's mission, vision and central goals, and the strategies formulated to promote them. Further, the Board decides on the budgets and operational plans drawn up to implement the strategy, management and personnel reward systems, corporate and business acquisitions and other issues with extensive reverberations for the company. The Board decides on company organization on the basis of proposals made by the President and CEO.

In accordance with the Articles of Association, the Board of Directors of Ixonos Plc comprises at least five and at most nine members elected by the shareholders' meeting. The Board Members' dependency on the company or significant shareholders is determined and assessed in accordance with the recommendation of the Corporate Governance.

The Board elects a Chairman and Deputy Chairman from among its members. The Board Members are presented in the Annual Report on page 31.

The term of the Board Members ends at the end of the Annual General Meeting following their election. The Board may define special sectors of interest for its members, but all the members take a joint part in decision-making and discussion on the issues at hand.

The central tasks and operation principles of the Board are defined in writing in the rules of procedure, published on the company's website. The Board of Directors normally meets for regular meetings in accordance with the rules of procedure once a month. In addition to regular meetings, extra Board meetings are called if necessary. A Board meeting can also be arranged as a telephone conference.

To ensure efficient Board activities, the Board reviews its operations and working methods annually. The assessment is a self-evaluation.

Committees

The Board elects from among its members a Controlling Committee and a Staff Committee to prepare Board decisions and monitor the company's internal audit.

The Controlling Committee comprises at least three members who are independent of the company, and the Staff Committee comprises two members who are independent of the company. In addition, the Board has a Nomination Committee comprising two members elected by the Board, and two members elected by the General Meeting. One of the Members elected by the General Meeting acts as Chairman of the Committee.

The Controlling Committee goes carefully through the company's financial statements and the contents of the interim reports, the internal and external control systems, and follows up on the company's result development. At the meetings of the Controlling Committee, the auditor and the President and CEO as well as the CFO are present, if necessary.

The Staff Committee participates in defining staff policy, especially the wage policy, benefits policy and employment policy. The Committee also participates in planning the company's incentive policy for the staff and the management. The Committee monitors and oversees staff training and development principles and activities, and monitors and oversees the quality assessment of the company's experts. In addition, the Staff Committee also monitors that the company's succession plan is up to date.

The task of the Nomination Committee is to prepare the election of Board Members and the nomination of future Board Members to the General Meeting.

Remuneration of the Board of Directors

The Annual General Meeting makes decisions on Board Member remuneration. The Board Members may also be paid additional remunerations for various consultancy assignments agreed on in advance. The General Meeting makes decisions on warrants granted to Board Members.

President and CEO

The President and CEO is responsible for corporate business operations and day-to-day management in accordance with the Companies Act, other legislation and instructions by the Board. The President and CEO acts as the Chairman of the Operational Management Team. The President and CEO cannot be a Board member but is present at the Board meetings. The Board appoints the President and CEO and decides on his salary and other benefits. The main terms and conditions of the President and CEO's contract must be agreed on in writing.

The Board evaluates the President and CEO's performance annually and decides on his salary based on the proposal by the Staff Committee. The remuneration paid to the President and CEO comprises monthly salary, company car benefit, phone and mobile phone benefit, as well as a performance bonus decided by the Board of Directors.

In addition, the company pays a voluntary pension insurance for the President and CEO. To other parts, Finland's Employee Pension Act determines the President and CEO's pension age and amount of pension. The term of notice of the President and CEO is six months. In case the company terminates the contract of the President and CEO, he is entitled to a severance payment equivalent to his 12 months' salary.

Management Team

The function of the Operational Management Team is to assist the President and CEO in the day-to-day management of business operations. The President and CEO chooses the members of the Operational Management Team, and the Board appoints them.

In addition to the President and CEO, the Management Team comprises the directors of the Business Units, as well as a representative of the personnel.

A member in the Operational Management Team represents the personnel in the company. The staff elects the representative from among its members. If the election to appoint a staff representative has not been held, the Shop Steward represents the staff until the election. The staff representative has the same rights as the other members of the Management Team. However, in the Management Team the staff representative may not participate in appointing or discharging managers, or in deciding the terms and conditions of managers' contracts, employment contracts or industrial actions.

The Management Team meets once a month, as a rule, and more often if necessary. The meetings of the Management Team can be arranged as video or phone conferences.

In accordance with its operational plan, the Management Team each month reviews the Group's and the Units' reports, rolling business plans and budgeting, annual customer and personnel satisfaction surveys including Unit-specific development measures, as well as issues related to the expansion of the company and the development of business processes and the personnel.

Internal audit

The top management is responsible for internal audit of the company's operations. For internal audits of the economy, the Board appoints three of its independent members to work on an auditing committee in charge of audits of corporate economy and financial information. The Board appoints two independent members from among itself to the staff committee to monitor the performance of the company's staff policy and reward system.

External audit

External auditing is the responsibility of an auditor appointed by the General Meeting, which must be an accounting firm authorized by The Central Chamber of Commerce. The remuneration payable to the auditor is decided by the shareholders' meeting.

Insider regulations

On 11 June 2002 the company adopted its own insider regulations that are stricter than those required by the OMX Nordic Exchange

Helsinki. Under the regulations, insiders are only allowed to trade company shares two weeks after the issuance of the financial statements or an interim report.

The company has an ordinary register of insiders comprising the members of the Board, the auditor and administrative personnel dealing with insider information.

In addition, the Board and the President and CEO may list various people in a project-specific insider register, for which rules and expiry periods are determined case by case.

The CFO serves as the company's insider manager. The company's insider register is maintained by the insider register system (NetSire) of the Finnish Central Securities Depository. The public insider register can be found on the company's website under www.ixonos.com/en/investors

Communication

The company's information policy complies with the law and the requirements of the stock exchange. Information published on the company's website complies with the above-mentioned Corporate Governance recommendation.

Remuneration and Incentive Systems

Incentive systems

Based on the proposals by the Nomination Committee, the Board of Directors makes decisions on the management's and key persons' remuneration and incentive schemes.

Performance bonuses

The company may pay annual performance bonuses to the management and other personnel, in addition to salary and benefits. The performance bonus paid to the President and CEO is based on Group turnover, profitability and targets set for the development of the company's business operations. The bonus may not exceed an amount equivalent to the President and CEO's five months' salary.

The performance bonus paid to the directors of the Business Units is based on the Units' turnover, operating profit, as well as the development of the quality of operations. The bonus may not exceed an amount equivalent to the Unit director's four months' salary. The performance bonus paid to the Business Unit directors is based on the Group's turnover, profitability and targets set for the development of the company's business operations. The bonus may not exceed an amount equivalent to the Unit director's four months' salary.

Share-based incentive plans

The company has two long-term stock options plans (Option plan II and Option plan III) aimed at the members of Board of Directors, the President and CEO and other members of the management, as well as key personnel as determined by the board. The objective of the incentive systems is to strengthen the commitment of those persons who are included in the systems.

The Management Team's ownership and option rights

	Share ownership on 31 December			Option rights on 31 December		
	2007	2006	Change	2007	2006	Change
Kari Happonen	16,000	16,000	0	100,000	85,000	+15,000
Risto Alvejuuri	1,000	1,000	0	35,000	20,000	+15,000
Jorma Hanhimäki	9,150	9,150	0	-	-	-
Timo Kaisla	104,400	70,000	+ 34,400	-	-	-
Kari Liuska	1,000	0	+ 1,000	50,500	55,000	+5,000
Petteri Mussalo	2,500	2,500	0	30,000	0	+30,000
Taisto Takkumäki	-	-	-	-	-	-
Asko Vainionpää	53,428	71,176	-17,748	50,500	35,000	+15,000

The share ownership figure includes direct ownership and ownership through companies controlled by the shareholders, as well as Ixonos shares under the shareholders' supervision.

Corporate Governance in 2007

General Meetings

The Extraordinary General Meeting on 25 January 2007 decided to change the company's name from Tieto-X Plc to Ixonos Plc, and to replace the company's Articles of Association with Articles of Association that cater for the new Limited Liability Companies Act.

The Ordinary General Meeting of Ixonos Plc, held on 22 March 2007, adopted the company's financial statements, including the consolidated financial statements, for the financial period 1 January–31 December 2006, and granted discharge from liability to the Members of the Board of Directors and to the CEO.

The General Meeting decided to distribute as dividend EUR 0.27 per share.

The General Meeting unanimously authorized the Board to decide on an issue of shares, as well as on the acquisition of the company's own shares. The authorizations are detailed on page 52.

The Board of Directors

The Ordinary General Meeting confirmed the number of Board members to be 6. Tero Laaksonen (Chairman), Eero Hurme (Deputy Chairman), Seppo Jaatinen, Matti Järvinen, Matti Makkonen and Esko Siik were re-elected as members of the Board. All Board members are independent of the company. More detailed information on the Board Members can be found on page 31.

The Board met 22 times (2006: 19). The average attendance percentage at the meetings was 92 (2006: 94). Individually, the attendance was as follows: Tero Laaksonen 91%, Eero Hurme 95%, Seppo Jaatinen 86%, Matti Järvinen 91%, Matti Makkonen 100%, and Esko Siik 86%.

Committees

The Audit Committee included Esko Siik (Chairman), Matti Järvinen and Seppo Jaatinen. The Committee met 10 times (2006: 7). The average attendance percentage was 97 (Jaatinen 90%, Järvinen 100%, Siik 90%).

The Staff Committee included Eero Hurme and Matti Makkonen (Chairman). The Committee met 6 times (2006: 5). Attendance was 100%.

The Nomination Committee included Tero Laaksonen, Eero Hurme and, representing the shareholders, Jari Kivihuhta and Peter Ramsay. The latter acted as Chairman of the Committee. The Committee met 3 times (2006: 4). The average attendance percentage was 92 (Hurme 100%, Laaksonen 100%, Ramsay 100%, Kivihuhta 67%).

The Board's share ownership and options on 31 December 2007

	Shares			Options rights	
	2007	2006	Change	2007	2006
Tero Laaksonen	2,000	2,000	0	-	-
Eero Hurme	41,943	61,943	-20,000	-	-
Seppo Jaatinen	-	-	-	-	-
Matti Järvinen	-	-	-	-	-
Matti Makkonen	4,600	-	+4,600	-	-
Esko Siik	7,050	7,050	0	-	-
Total	55,593	70,993			

The share ownership figure includes direct ownership and ownership through companies controlled by the shareholders, as well as Ixonos shares under the shareholders' supervision.

Remuneration of the Board of Directors

Compensation, EUR/month	2007	2006
Chairman	2,200	2,200
Members	850	400
Board meeting compensation, EUR/meeting		
Chairman/Board meeting	300	300
Chairman/Committee meeting	150	150
Members/Board and Committee meetings	150	150

The members are entitled to travel compensation against receipts.

Total amount of remuneration paid to the Board

Total, EUR	2007	2006
Chairman	32,700	31,350
Other members total	65,850	39,550

Management Team

The Group's Management Team originally comprised, in addition to the CEO, five members: both Business Unit directors, the CFO, the CAO, and the company's shop steward. In February 2007, the Team was supplemented by two new members, as the Line Management Director of the Telecommunications Business Unit, and the CEO of Ixonos Project Management Services were invited to join on 27 February 2007.

The Management Team met altogether 12 times. Of these meetings, 11 were also attended by the two new members mentioned above. The Management Team members are presented on the next page.

Wages and other benefits as well as incentive systems

During the fiscal year, the CEO received EUR 297,620 as salary, fringe benefits and performance bonus, and EUR 8,500 as voluntary pension insurance.

The compensation paid to the Business Unit directors comprised monthly salary and benefits agreed upon in the employment contracts, as well as a performance bonus, decided on by the Board of Directors. The performance bonus was based on the operating profits of the Units, as well as on the qualitative development of the recipient's Unit, both regarding the year 2007. The performance bonus paid to the directors of the Administrative Units in 2007 was based on the targets set for the Group's operating profit, and on the qualitative development of the recipient's Unit.

Auditors

The auditor for 2007 was PricewaterhouseCoopers Oy, KHT firm, with Heikki Lassila, KHT auditor, M.Sc. (Econ.), as principal auditor. (KHT auditors and KHT firms are authorised by the Central Chamber of Commerce of Finland.)

Auditors' fees

EUR	2007	2006
Statutory audit	49,990	33,208
Consultation	139,550	12,972
Total	189,540	46,180

Management Team



Kari Happonen

born in 1958, Master of Political Science

Ixonos Plc, Chief Executive Officer since 1 May 2002
Chairman of the Management Team and employed by the Group since 2002
Member of the Tieto-X Plc Board of Directors 1999–2002
Work experience:
• Terra Nova Group Plc, Chief Executive Officer 1994–2002
• Menire Plc, Chief Executive Officer 1999–2000



Jorma Hanhimäki

born in 1961, Undergraduate, Science

Ixonos Plc, Telecommunications, Line Management since 2006
Member of the Management Team since 2007
Employed by the Group since 2005
Work experience:
• Ixonos Plc, Sales Director, Telecommunications Unit 2005–2006
• Vega Technologies Oy, Chief Executive Officer 2001–2005
• Jidea Oy, Director of Sales, Operational Manager 1987–2000
Posts of influence:
• Jidea Oy, Chairman of the Board of Directors



Kari Liuska

born in 1963, Information Technology Engineer, Master of Science

Ixonos Plc, Director of the Telecommunications Business Unit since 2003
Member of the Management Team and employed by the Group since 2003
Work experience:
• Wts Oy, Chief Executive Officer 1999–2003
• Sales and manager's tasks in IT companies, as well as consulting tasks 1996–1999
• Design and project management tasks in telecommunications companies (e.g. Nokia) 1987–1995
Posts of influence:
• WTS Networks Oy, Chairman of the Board of Directors



Asko Vainionpää

born in 1952, Examination from ATK-instituutti (Automated Data Processing Institute)

Ixonos Plc, Director of the Systems Services Business Unit since 2004
Member of the Management Team since 2002
Employed by the Group since 2000
Work experience:
• Tieto-X Plc, Director of profit centre, Finance and Public Administration 2000–2004
• Topsystems Oy, Project Manager/Chief Executive Officer 1984–2000
• Fennia, Project Manager 1981–1984
• VTKK (Government Computing Centre), designer 1974–1981



Risto Alvejuuri

born in 1944, Bachelor of Science

Ixonos Plc, Chief Administrative Officer since 2004
Member of the Management Team since 2002
Employed by the Group since 2000
Work experience:
• Tieto-X Plc, Human Resources Officer 2002–2004
• Tieto-X Plc, Director 2000–2002
• Tietovara Oy, various managerial tasks, last task Sales Manager 1990–2000
• Postipankki, various positions, last position as Head of Operation Department 1969–1988

Risto Alvejuuri has retired. His employment ended 4 January 2008.



Timo Kaisla

born in 1969, Master of Science in Technology

Ixonos Project Management Services, Chief Executive Officer since 2007
Member of the Management Team since 2007
Employed by the Group since 2006
Work experience:
• Ixonos Plc, Service 4 Mobile Oy, Chief Executive Officer 2006–2007
• Service 4 Mobile Oy, (S4M) Chief Executive Officer 2000–2006
• Vodafone Hungary, Independent Consultant 1999–2000
• Orange Communications SA, Independent Consultant 1998–1999
• P Plus Communications Ltd Hong Kong, Manager 1998–1999
• Telecom Finland Oy, Project Manager 1998–1999



Petteri Mussalo

born in 1962, Undergraduate, Economics and Business Administration

Ixonos Plc, Chief Financial Officer since 2006
Member of the Management Team since 2006
Employed by the Group since 2006
Work experience:
• Sentera Plc, Chief Financial Officer 2004–2006
• Sentera Plc, HR manager and Chief Administrative Officer 2003–2004
• Sentera Plc, Chief Financial Officer 2000–2003
• Sentera Plc, Financial Manager 1999–2000
• Space Systems Finland Oy, Financial Manager 1995–1999

On 28 January 2008, Petteri Mussalo resigned from Ixonos. His employment will cease no later than 28 April 2008.



Taisto Takkumäki

born in 1964, Secondary School Graduate

Ixonos Plc, Systems Expert, Shop Steward since 2001
Member of the Management Team since 2001
Employed by the Group since 2000
Work experience:
• Tietovara Oy, network support person, systems expert 1998–2000
• Information technology training in 1992–1996
• Various tasks in restaurant, security and construction businesses 1984–1992

Current information on the members of the Management Team and the Board of Directors is available on the company's website.

The Board of Directors



Tero Laaksonen

born in 1946, Master of Science

Independent member of the Board since 2004
Chairman of the Board since 8 March 2005
Member of the Nomination Committee

Work experience

- Comptel Plc, Chief Executive Officer 2002–2004
- Telia Finland Oy, Chief Executive Officer 1998–2001
- Nokia Telecommunications Oy, Senior Vice President, Information Networks 1995–1997
- ICL Plc, Financial Services Business Division, Director 1993–1994
- ICL Data Oy, Chief Executive Officer 1991–1993
- Nokia Data Oy, Chief Executive Officer 1989–1991
- Nokia Data Oy/Nokia Electronics, various positions from Project Manager to Deputy CEO 1974–1988

Other confidential posts

- Teleste Oyj, member of the Board



Seppo Jaatinen

born in 1948, Master of Science in Economics and Business Administration

Independent member of the Board since 2005
Member of the Audit Committee

Chief Executive Officer and Senior Partner, Foxhill Oy since 1992

Work experience:

- Interpolator Oyj, Vice President, President 1989–1991
 - Amer Group Plc, Development Manager, Group Controller 1987–1989
 - Raute Oyj, Chief Financial Officer and member of the Board 1986–1987
 - Valmet Automation Inc, USA, Vice President, President 1983–1985
 - TWV Paper Machines Inc, USA, Financial Director 1981–1982
 - Valmet Oy, several tasks 1971–1981
- Other confidential posts
- Vaahto Group Oyj, Chairman of the Board
 - Enermet Group Oy, member of the Board
 - Foxhill Oy, partner and member of the Board
- Member of Hallitusammattilaiset ry (the Association of Board Professionals)



Matti Makkonen

born in 1952, Master of Science in Technology

Independent member of the Board since 2006
Member of the Staff Committee

Work experience

- Finnet Oy, President 2003–2005
 - Nokia Networks, Senior Vice President, Professional Services 2000–2003
 - Telecom Finland/Sonera Plc 1976–2000
- Executive Vice President, Mobile Internet Operator Services 06/2000–10/2000
- Director, Mobile Communications 1995–2000
- Director, Mobile Phone Services 1989–1995
- Deputy Director, Radio Networks 1984–1988
- Systems Designer 1976–1983
- Other confidential posts
- BookIT Ajanvarauspalvelu Oy, member of the Board
 - Fountain Park Oy, member of the Board
 - Evia Oyj, member of the Board



Eero Hurme

born in 1938, retired

Independent member of the Board since 2002

Deputy Chairman of the Board since 2002

Members of the Staff Committee and the Nomination Committee

Work experience

- Tieto-X Plc, Director 2000–2001
- Tietovara Oy, CEO and full-time Chairman of the Board 1984–2000
- Postipankki, various positions in data processing 1964–1984

Other confidential posts

- None



Matti Järvinen

born in 1945, Master of Science in Economics and Business Administration

Independent member of the Board since 2006

Member of the Audit Committee

Work experience

- Fujitsu Services Oy (ICL Data Oy), Financial Manager 1991–1992, Chief Financial Officer 1993–2006
- Nokia Data Oy, Financial Manager 1986–1991
- Nokia Oy Koneteollisuus, Financial Manager, Chief Financial Officer 1978–1986
- Nokia Oy Kaapelitehdas, various tasks in financial administration, e.g. Financial Manager 1971–1978
- Rauma Repola Oy Paper Mill, production design, order processing and shipment 1969–1971

Other confidential posts

- Ic Insight Ltd Oy, member of the Board



Esko Siik

born in 1942, Master of Science in Economics and Business Administration, retired

Independent member of the Board since 2000
Member of the Audit Committee

Work experience

- Postipankki/Leonia, Data Administration Manager 1988–1998
- Esko Siik Konsultointi Oy, Chief Executive Officer 1986–1988
- Suunnittelutoimisto Software Oy, Deputy CEO, CEO 1985–1986
- Postipankki, Head of Department 1971–1984

Other confidential posts

- Opetustalo Oy, member of the Board

Report by the Board of Directors

Business operations

Ixonos is an information and communication technology service company providing customer-specific technology consulting, project management and software production services that promote the customers' competitiveness and risk management. Ixonos' clientele comprises leading mobile and smartphone manufacturers, mobile network suppliers and telecom carriers operating on international markets, as well as Finland-based finance, industry and service sector companies as well as public administration organizations.

During the review period, before the start of the reorganization at the turn of the year, the operational business of Ixonos was organized into two Business Units: Systems Services and Telecommunications. During the review period the Systems Services Unit developed and maintained software that were part of its customer companies' information systems, and produced technology consulting and project management services. The Unit's most significant customers operate in the telecommunications, finance and public administration sectors.

During the review period, the Telecommunications Unit produced hardware and software development, software integration and testing services for the telecommunications sector. The Unit's clientele comprised leading international mobile and smartphone manufacturers, mobile network suppliers and telecom carriers.

The Ixonos Group comprises the following subsidiaries: Vega Technologies Oy, Ixonos Project Management Services Ltd; Ixonos Technology Consulting Ltd (formerly Mermit Business Applications Oy); Ixonos Outsourcing Services Ltd (formerly Cidercone Life Cycle Solutions Oy); Ixonos Slovakia s.r.o, which is located in Kosice, Slovakia; and Ixonos Testhouse Oy, and its subsidiary, Ixonos Testhouse Estonia OÜ, which is located in Tallinn, Estonia.

Systems Services

During the period under review, the turnover of Systems Services Unit grew by 67.4 percent, amounting to EUR 24.4 million (2006: EUR 14.6 million). The Unit's turnover was boosted by new customer projects launched during the review period, the strong growth of Service 4 Mobile Oy (now Ixonos Project Management Service Ltd.), acquired in June 2006, a company producing project management services, and the turnover of acquisition of Mermit Business Applications Oy (now Ixonos Technology Consulting Ltd), a company that was acquired in May 2007. The turnover of Mermit was included in the Unit's turnover from 1 June. The turnover of Cidercone Life Cycle Solutions Oy (now Ixonos Outsourcing Services Ltd) was included in the Unit's turnover from 1 September.

The operating profit of the Unit for the review period grew by -14.6 percent, amounting to EUR 1.4 million (2006: EUR 1.6 million). Operating profit excluding depreciation of intangible rights of corporate acquisitions was EUR 2.1 million (2006: EUR 1.7 million), 8.7 percent of turnover.

The Unit made strong efforts to develop its project delivery capabilities, open architecture solutions, security services for Open Source applications, as well as agile software development methods. The acquisition of Mermit Business Applications Oy further strengthened the Unit's skills and delivery capacity, especially in specification, design and architecture services, and it enhances Ixonos' competitiveness, e.g. in future projects to renew the systems of public administration organizations. The acquisition of Cidercone Life Cycle Solutions Oy strengthened the Unit's readiness and capacity in software and information system project deliveries and maintenance, and it added hosting services to the Unit's service offering.

The integration of the software production capacity of the Slovakia-based subsidiary into the Unit's software production services with total responsibility was launched in early 2007. The resources of the Slovakian

subsidiary were also utilized in the Unit's internal software and methods development.

Throughout the year, market competition was fierce in Systems Services business segment.

Telecommunications

During the period under review, the turnover of Telecommunications Unit grew by 41.9 percent, amounting to EUR 35.3 million (2006: EUR 24.9 million). The Unit succeeded in further increasing its markets share among its key customers. The Unit continued to design several large customer projects that are delivered with total responsibility, and it launched a new extensive total-responsibility project to develop an entire wireless device for a key customer.

Relative profitability of the Telecommunications Unit improved compared to the previous year, and operating profit grew by 61.2 percent to EUR 5.8 million (2006: EUR 3.6 million). Operating profit excluding depreciation of intangible rights of corporate acquisitions was EUR 5.8 million (2006: EUR 3.7 million), 16.5 percent of turnover.

The Unit's strong smartphone competence and the lower-price services in Estonia and Slovakia supported the Unit's competitiveness in its efforts to acquire large total-responsibility customer projects and win market share on the international smartphone market.

During the review period, the subsidiary Ixonos Testhouse Ltd, providing software testing and quality assurance services for smartphones, and its subsidiary Ixonos Testhouse Estonia OÜ together grew into an entity employing more than 60 people.

The operations of the Telecommunications Unit's subsidiary in Kosice, Slovakia were launched during the review period, as planned. The Kosice unit carried out subprojects in software ventures for the Telecommunications Unit's key customers. At the end of the review period, over 50 experts worked in Kosice, most of them in Telecommunications Unit customer projects.

In spring, the Telecommunications Unit initiated an extensive project for developing a smartphone and mobile PC software platform, based on the Linux operating system and on Open Source code tools and components. The know-how acquired in this project helped the unit win new Linux-based customer projects as early as during this review period.

The global competition for the software ventures of the leading international mobile and smartphone manufacturers remained fierce.

Turnover

Consolidated turnover was EUR 59.2 million (2006: EUR 39.2 million), or 51.2 percent more than in the previous year. Of the turnover, 59 percent was accrued by the Telecommunications Unit and 41 percent by the Systems Services Unit.

Turnover by segment

K EURO	1–12 2007	1–12 2006
Telecommunications	35,296	24,879
Systems Services	24,442	14,604
Eliminations	-509	-299
Group total	59,229	39,184

Financial result

Consolidated operating profit was EUR 4.7 million (2006: EUR 3.9 million), and profit before taxes was EUR 4.4 million (2006: EUR 3.8 million). Profit for the financial period was EUR 3.1 million (2006: EUR 2.9 million), which is 5.3 per cent of turnover. Diluted earnings per share

were EUR 0.40 (2006: EUR 0.38). Diluted cash flow from business operations was EUR 0.43 per share (2006: EUR 0.33).

The Group's result was burdened by EUR 0.55 million (2006: EUR 0.16 million reorganization expenses) name change expenses that were related to the change of the company name and the revamping of the corporate identity, as well as a EUR 0.80 million (2006: EUR 0.23 million) depreciation of intangible assets from integration of operations. Excluding the aforementioned items the consolidated operating profit was EUR 6.0 million or 10.2 percent of turnover (2006: EUR 4.3 million, 11.1 percent of turnover).

Operating profit by segment

K EURO	1–12 2007	1–12 2006
Telecommunications	5,775	3,583
Systems Services	1,390	1,629
Administration	-2,487	-1,271
Group total	4,679	3,941

The administrative costs include name change expenses of EUR 0.55 million (2006: EUR 0.16 million reorganization expenses).

The operating profit of the Systems Services Unit includes a EUR 0.74 million (2006: EUR 0.09 million) depreciation of intangible assets acquired through integration of operations.

The operating profit of the Telecommunications Unit includes a EUR 0.06 million (2006: EUR 0.14 million) depreciation of intangible assets acquired through integration of operations.

Return on capital investment

Consolidated return on equity (ROE) was 19.4 per cent (2006: 29.8) and return on investment (ROI) was 19.4 per cent (2006: 28.2).

Balance sheet and financing

The balance sheet total was EUR 46.7 million (2006: EUR 25.4 million). Shareholders' equity was EUR 21.5 million (2006: EUR 10.9 million). Equity ratio was 46.1 percent (2006: 42.7). The Group's liquid assets stood at EUR 2.3 million (2006: EUR 2.7 million) at the end of the financial period.

Investments

Investments during the financial period totalled EUR 15.8 million. Of the investments EUR 14.4 million were allocated to acquisition of subsidiaries, and EUR 1.4 million to intangible and tangible assets.

Interest-bearing liabilities

The Group's interest-bearing liabilities amounted to EUR 10.0 million (2006: EUR 5.4 million). Of the interest-bearing liabilities EUR 8.2 million consisted of loans from financial institutions and EUR 1.8 million consisted of liabilities related to acquisition debts.

Cash flow

Consolidated cash flow from business operations for the review period was EUR 3.4 million (2006: EUR 2.5 million).

Personnel

The number of personnel averaged 726 (2006: 503) during the financial period and was 874 (2006: 579) at the end of the period. The number of personnel working abroad averaged 65 (2006: 17) and was 106 (2006: 30) at the end of the period.

Personnel expenses

Salaries and fees including employer's social costs came to EUR 30.0 million (2006: EUR 20.2 million; 2005: EUR 14.9 million), pension expenses to EUR 4.9 million (2006: EUR 3.4 million; 2005: EUR 2.5 million) and other indirect personnel costs to EUR 1.9 million (2006: EUR 1.2 million; 2005: EUR 0.9 million). Personnel expenses totalled EUR 36.7 million (2006: EUR 24.8 million; 2005: EUR 18.3 million), which was approximately 67 per cent of total costs.

Shares and share capital

Share turnover and price

During the review period the company's highest share price quoted was EUR 8.08 (2006: EUR 5.07), the lowest EUR 4.55 (2006: EUR 3.75) and the last share price quoted on 28 December 2007 was EUR 5.97 (2006: EUR 4.63). The average quotation of the review period was EUR 5.96 (2006: EUR 4.44). The number of shares traded during the review period was 6,125,199 (2006: 3,663,151), which corresponds to 69 percent (2006: 50 percent) of the total number of shares at the end of the review period. The market value of the share capital at the final quotation on 28 December 2007 was EUR 53,056,166 (2006: EUR 34,255,981).

Share capital

At the beginning of the year 2007 the company's registered share capital was EUR 296,948.00, and the number of shares was 7,423,700. During 2007, 10,000 shares have been subscribed with option rights of the 2003 stock options plan BI, 11,000 shares with option rights of CI, 18,000 shares with option rights of CII, 55,000 shares with option rights of DI, and 15,500 shares with option rights of DII. The Board of Directors of Ixonos Plc decided on 7 May 2007 on a directed share issue in which 112,300 new Ixonos Plc shares were issued for subscription by the previous principal owner and present Chief Executive Officer of Ixonos Project Management Services Ltd as payment for the additional acquisition price of the share capital of Ixonos Project Management Services Ltd. With the authorization granted by the Annual General Meeting held on 22 March 2007, the Board of Directors of Ixonos Plc decided on 20 June 2007 on a directed share issue in which 391,630 new Ixonos Plc shares were issued for subscription by the owners of Mermit Business Applications Oy as payment for the acquisition price of the share capital of Mermit Business Applications Oy. With the authorization granted by the Annual General Meeting held on 22 March 2007, the Board of Directors of Ixonos Plc decided on 4 September 2007 on a directed share issue in which 850,000 new Ixonos Plc shares were issued for subscription by the owners of Cidercone Life Cycle Solutions Oy (now Ixonos Outsourcing Services Ltd) as payment for the acquisition price of the share capital of Cidercone Life Cycle Solutions Oy.

Ixonos' share capital was EUR 355,485.20 at the end of the review period, and the total number of shares was 8,887,130.

Stock options plans 2003 and 2006

Under the 2003 stock options plan, 10,000 options have been released under AI, 10,000 options under AII, 82,500 options under BI, 22,500 options under BII, 100,000 options under CI, 35,000 options under CII, 127,500 options under DI, and 112,500 options under DII. Under the 2003 options plan, 45,000 shares have been subscribed with options BI, 5,000 shares with options BII, 23,500 shares with options CI, 25,500 shares with options CII, 65,000 shares with options DI, and 15,500 shares with options DII. The maximum number of shares that can be subscribed with outstanding options under options plan

2003 is 270,000, which is equivalent to 3.0 percent of the company's total shares. The subscription price is EUR 1.88 for AI and AII options, EUR 1.56 for BI and BII options, EUR 3.32 for CI and CII options, and EUR 3.22 for DI and DII options. The subscription period for the 2003 options ends on 31 December 2008.

Under the 2006 stock options plan, 140,000 options have been released under AI, 140,000 options have been released under AII, 60,000 options have been released under BI, and 60,000 options have been released under BII. Of the options of series A, 15,000 AI options and 15,000 AII options have been returned to the company based on the terms of the options. These options have been converted to options of series B in accordance with the terms of options, and they have been redistributed. The maximum number of shares that can be subscribed with outstanding options under options plan 2006 is 391,500, which is equivalent to 4.4 percent of the company's total shares. The share subscription period for 2006 options AI started on 1 October 2007. The subscription period for options AII and BI will begin on 1 October 2008, and for options BII on 1 October 2009. The subscription price is EUR 4.13 for options AI and AII and EUR 5.10 for options BI and BII. The subscription period for the 2006 options ends on 31 December 2011.

Shareholders

There were 2,937 shareholders on 28 December 2007 (2006: 2,190). Private persons owned 58 per cent (2006: 65) and institutions 42 per cent (2006: 35) of the company's shares. Foreign ownership was 5 per cent (2006: 5).

Board authorizations

The Annual General Meeting authorized the Board to decide on issuing up to 1,500,000 shares in one or more issues. The Board's decision may concern either new shares or existing shares possibly held by the company. The maximum of the authorization is equivalent to approximately 20.2 per cent of all company shares. The authorization may be used to finance or implement corporate acquisitions or other arrangements or for other purposes decided by the Board. The authorization includes the right of the Board to decide on all terms and conditions of the share issue, including the recipients of the shares and the compensation to be paid. Thus the authorization also includes the right to directed share issues, i.e. the right to deviate from the shareholders' pre-emptive right, under conditions laid down by law. The authorization will be effective until the next Annual General Meeting but not later than 30 June 2008.

The Board of Directors has used the above authorization and decided, by three separate decisions, to issue a total of 1,353,930 shares to finance corporate acquisitions.

The Annual General Meeting authorized the Board to decide on the acquisition of up to 742,370 of the company's own shares, provided that the company and its subsidiaries at no time hold more than 10 per cent of the company's registered shares altogether. The company may acquire its own shares to develop the capital structure, to finance corporate acquisitions or other structural arrangements or to be otherwise conveyed or cancelled. The minimum purchasing price for such shares is the lowest market price quoted in public trading during the authorization period and the maximum purchasing price is the highest price quoted in public trading during the authorization period. The Board of Directors will decide on the means of acquisition of such shares and on the other terms and conditions. The acquisition may deviate from the

shareholders' pre-emptive rights to acquire the Company's shares (targeted acquisition), provided that weighty financial grounds exist. Under this authorization, own shares may only be acquired using non-restricted equity. Thus such share acquisitions will reduce the company's distributable non-restricted equity. The authorization is effective until the next Annual General Meeting, but no later than 30 June 2008.

The Board of Directors has not utilized the authorization to acquire the company's own shares

Product development

In spring 2007, Ixonos launched a smartphone and mobile computer software platform development project based on the Linux operating system and on Open Source code tools and components. The software platform comprises a wide range of software and tools for developing mobile device products. The basic functions integrated into the platform include e.g. phone features and a touch screen.

One of the main objectives of the project is to develop an intuitive, easy-to-use and easy-to-modify touch-screen user interface for a device that combines the functions of a mobile phone with those of a palmtop computer. In addition to user interface software and phone functions, the platform solution includes a calendar, a web browser, email, and a reference device for development and test use.

In the autumn, the Ixonos Flow development project was launched in order to develop processes and methods for service production. Ixonos Flow combines Ixonos' best practices and methods into a uniform way of operating when serving customers. It consists of processes, methods and tools as well as of reusable software components and service models. According to the company's strategy, the software components of Ixonos Flow make extensive use of Open Source code solutions.

During the accounting period, the Group's product development costs amounted to EUR 1.07 million, EUR 0.47 million of which were activated as assets.

Risks

The aim of Ixonos Plc's risk management is to ensure undisturbed and continuous business operations and development, support the implementation of the company's operational targets, and increase the company's value.

Risk management is included in all the company's core processes, ranging from Board strategy processes to customer-level service production and to the company's quality system.

The company's Units are responsible for identifying, evaluating and preventing the risks related to their own functions. The Units report on their risks to the CFO, who is responsible for the planning, development and control of the company's risk management. The CFO reports on the company's risk management to the President and CEO. Significant business risks are considered by the Board of Directors. The Board also monitors the implementation of the company's risk management policy as part of the strategy, business plan and budgeting processes.

Once identified, risks are followed up monthly, quarterly, semi-annually, or when risk exposure is detected, depending on the risk type.

Ixonos has identified risks related to the following items

- operating environment: political, economic and legislative conditions, as well as the competitor situation and customer needs
- service sales and marketing: personal, contract, liability, and information security risks related to the sales and marketing of services

- service production: personal, contract, liability, and information security risks related to service production
- technical infrastructure: risks related to data processing and networks
- economy: risks related to liquidity, equity capital adequacy, financing, capital, interest and currencies
- abuse: incidents where legislation, corresponding external norms, or the company's internal instructions have been deviated from
- strategy: risks related to environment observance, to reporting, to decision making, and to strategy implementation.

Business risks typical of Ixonos' industry include e.g. dependence on key customers, volume of orders on hand, project viability, staff availability and turnover, as well as risks related to acquisitions, to internationalization, and to intellectual property.

Presently the biggest uncertainty factors relate to the world economy prospects and to growing international competition. Any downswing in the global economy would be likely to affect also the European and Finnish economies, and might lead to companies reducing their investments in information systems development. Still, such a weakening is not considered likely to significantly affect Ixonos' mobile terminal and mobile software product development operations.

Should international – particularly Indian and Chinese – competition proliferate faster than anticipated, the price competition could tighten, cutting profit margins of Finnish companies. Ixonos has prepared for a more severe price competition by establishing offices in lower-cost areas.

Board of Directors, President and CEO, and auditor

The Ordinary General Meeting on 22 March 2007 elected Tero Laaksonen, Eero Hurme, Seppo Jaatinen, Matti Järvinen, Matti Makkonen and Esko Siik as members of the Board. The Board re-elected Tero Laaksonen as Chairman.

Kari Happonen has been President and CEO since 1 May 2002.

The Board of Directors met 22 times during the financial period.

The auditor is PricewaterhouseCoopers Oy, KHT firm, with Heikki Lassila, KHT auditor, M.Sc. (Econ.) as principal auditor. (KHT auditors and KHT firms are authorised by the Central Chamber of Commerce of Finland.)

Events after the review period

On 29 January 2008 Ixonos published a stock exchange release stating that Timo Leinonen, Master of Administrative Sciences, age 37, has been appointed Chief Financial Officer and Vice President of Ixonos. Leinonen was also appointed member of the Management Team of Ixonos Group.

On 7 February 2008 Ixonos announced that starting from the first interim report in 2008 the company would report its consolidated business operations as two segments: consulting services and software production services. The new segments are based on the company's service products, and they illustrate more accurately the character of the company's business operations and the efforts made to develop them. The rearrangement of segment reporting is related to the ongoing development of the company's organization.

On 11 February 2008 Ixonos announced that it had developed a software platform for the development of smartphones and mobile computers. The platform is based on Linux operating system and Open Source tools and components. The software platform comprises a large number of software and tools for product development. The basic functions integrated into the platform include, for example, phone features, touch screen and web browser. The platform solution also includes calendar and email, as well as a reference device for development and test use.

Future prospects

Market analysts estimate that the growth of the Finnish ICT service market will be 4–6 per cent in 2008. Ixonos aims to continue its strong organic growth at a clearly faster rate than market growth. The company also seeks to maintain its profitability, and to improve it, if feasible.

The company's turnover is estimated to increase significantly both in the first quarter of 2008, and during the entire fiscal year, as compared to the corresponding periods in 2007.

Due to heavy upfront recruitment, the Group's first-quarter operating profit percentage, excluding depreciation of intangible rights of corporate acquisitions, is expected to fall short of that of the previous year. However, for the entire fiscal year, the operating profit percentage, excluding depreciation of intangible rights of corporate acquisitions, is expected to be on the level of the previous year. The operating profit is thus expected to be clearly higher than in the previous year.

Profit and Loss Account, Group (IFRS)

EUR	1.1.–31.12.2007	1.1.–31.12.2006
Turnover	59,228,833.19	39,183,613.21
Other operating income	81.96	0.00
Materials and services	-7,230,283.52	-4,554,298.10
Employee benefit costs	-36,734,936.09	-24,839,774.94
Depreciation	-1,226,162.44	-416,390.03
Other operating expenses	-9,358,810.96	-5,432,312.59
Expenses total	-54,550,193.01	-35,242,775.66
Operating profit	4,678,722.14	3,940,837.55
Financial income	71,146.83	60,688.18
Financial expenditure	-373,856.60	-235,144.26
Financial income and expenses total	-302,709.77	-174,456.08
Profit before taxes	4,376,012.37	3,766,381.47
Taxes	-1,229,297.47	-855,408.18
Net profit of the period	3,146,714.90	2,910,973.29
Distribution to owners of parent company	3,146,714.90	2,910,973.29
Undiluted earnings per share calculated out of parent company owners' profit	0.41	0.39
Diluted earnings per share calculated out of parent company owners' profit	0.40	0.38

Balance Sheet, Group (IFRS)

EUR	31.12.2007	31.12.2006
ASSETS		
Fixed assets		
Goodwill	21,066,596.35	11,189,526.89
Intangible fixed assets	6,282,216.47	450,274.17
Real estate	1,331,984.51	308,723.12
Deferred tax claim	43,376.11	48,981.75
Other assets	110,065.64	110,065.64
Receivables	12,200.04	12,199.88
Fixed assets total	28,846,439.12	12,119,771.45
Current assets		
Sales receivables	14,309,966.48	9,428,343.72
Other receivables	1,100,959.14	516,783.02
Financial assets	151,359.30	695,128.17
Liquid assets	2,330,793.05	2,689,343.39
Current assets total	17,893,077.97	13,329,598.30
TOTAL ASSETS	46,739,517.09	25,449,369.75
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity		
Issued capital and reserves attributable to equity holders of the parent company		
Share capital	355,485.20	296,948.00
Premium fund	4,511,774.54	4,176,264.54
Share issue	76,965.00	0.00
Invested non-restricted equity fund	8,868,902.59	0.00
Retained earnings	4,587,755.62	3,494,789.31
Net profit of the period	3,146,714.90	2,910,973.29
Shareholders' equity total	21,547,597.85	10,878,975.14
Long-term liabilities		
Loans from financial institutions	6,764,279.00	4,499,998.00
Deferred tax liabilities	1,392,478.46	59,116.28
Other long-term liabilities	432,008.38	0.00
Provisions	92,639.35	173,939.35
Long-term liabilities total	8,681,405.19	4,733,053.63
Current liabilities		
Accounts payable	1,759,157.17	1,419,702.78
Loans from financial institutions	1,400,004.00	857,144.00
Tax debt based on taxable income of financial period	129,458.59	138,968.62
Other liabilities	13,221,894.29	7,421,525.58
Current liabilities total	16,510,514.05	9,837,340.98
SHAREHOLDERS' EQUITY AND LIABILITIES TOTAL	46,739,517.09	25,449,369.75

Key Ratios of Financial Performance

	IFRS 2007	IFRS 2006	IFRS 2005	IFRS 2004	FAS 2004	FAS 2003
Turnover, EUR 1,000	59,229	39,184	27,396	24,468	24,468	20,231
Turnover, increase %	51.2	43.0	12.0	20.9	20.9	17.2
Operating profit, EUR 1,000	4,679	3,941	2,517	2,854	1,178	1,054
% of turnover	7.9	10.1	9.2	11.7	4.8	5.2
Profit before taxes, EUR 1,000	4,376	3,766	2,618	2,924	1,247	1,136
% of turnover	7.4	9.6	9.6	12.0	5.1	5.6
Balance sheet total, EUR 1,000	46,740	25,449	20,804	11,970	11,295	11,914
Return on equity, %	19.4	29.8	22.9	32.4	17.0	11.0
Return on investment, %	19.4	28.2	26.1	38.6	16.9	15.1
Interest-bearing liabilities, EUR 1,000	10,009	5,357	3,002	0	0	71
Financial and liquid assets, EUR 1,000	2,482	3,384	4,961	5,604	5,604	3,614
Net indebtedness, %	33.8	18.1	-22.7	-70.3	-76.4	-49.9
Equity ratio, %	46.1	42.7	41.5	66.6	65.0	62.2
Investments, EUR 1,000	15,766	4,048	8,748	287	287	91
% of turnover	26.6	10.3	31.9	1.2	1.2	0.4
Personnel, average during the period	726	503	355	331	331	281
Personnel, at the end of the period	874	579	438	327	327	335
Key ratios per share						
	2007	2006	2005	2004	2004	2003
Earnings per share, EUR, diluted	0.40	0.38	0.26	0.32	0.16	0.11
Earnings per share, EUR, undiluted	0.41	0.39	0.26	0.32	0.16	0.11
P/E ratio	15.03	12.07	14.46	12.52	24.69	19.73
Closing quotation at the end of the period	5.97	4.63	3.76	3.95	3.95	2.17
Adjusted number of shares during the period, average	7,664,852	7,354,982	7,307,810	7,283,700	7,283,700	7,577,000
Adjusted number of shares at the end of the period	8,887,130	7,423,700	7,311,700	7,283,700	7,283,700	7,577,000
Number of shares with adjustment for share repurchase	8,887,130	7,423,700	7,311,700	7,283,700	7,283,700	7,283,700
Average number of shares with adjustment for options dilution	7,920,560	7,587,202	7,389,172	7,463,294	7,463,294	7,388,075
Number of shares with adjustment for options dilution at the end of the financial period	9,142,834	7,655,920	7,393,063	7,463,294	7,463,294	7,388,075
Dividend/result %	50.84	68.86	69.08	55.82	107.20	125.75
Dividend/share, EUR	0.18	0.27	0.18	0.18	0.18	0.14
Effective dividend yield %	3.02	5.83	4.79	4.56	4.56	6.45
Shareholders equity / share, EUR	2.42	1.43	1.17	1.07	1.01	0.98

Calculation of Financial Ratios:

Return on equity = (ROE), %	=	$\frac{100 \times (\text{profit before taxes} - \text{assessed taxes})}{\text{Shareholders' equity (average during the year)}}$
Return on investment = (ROI), %	=	$\frac{100 \times (\text{profit before taxes} + \text{financial expenses})}{\text{Balance sheet total} - \text{non-interest bearing liabilities (average during the year)}}$
Equity ratio %	=	$\frac{100 \times \text{Shareholders' equity}}{\text{Balance sheet total} - \text{advance payments received}}$
Net indebtedness, %	=	$\frac{\text{Interest-bearing debt} - \text{interest-bearing assets}}{\text{Shareholders' equity}}$
Diluted result per share	=	$\frac{\text{Net profit of the period}}{\text{Average number of shares with adjustment for options dilution during the year}}$
Shareholders' equity per share	=	$\frac{\text{Shareholders' equity}}{\text{Share issue-adjusted number of shares on the balance sheet date}}$
Dividend/earnings	=	$\frac{\text{Dividend distributed for the financial period}}{\text{Profit before taxes} - \text{taxes}}$
P/E-ratio	=	$\frac{\text{Last quotation of the financial period}}{\text{Diluted earnings per share}}$
Effective dividend yield, %	=	$\frac{100 \times \text{dividend/share}}{\text{Last quotation of the financial period}}$
Dilution effect =	=	The number of company shares adjusted with allocated options - Number of shares to be acquired with the option subscription price using the weighted average quotation for the financial period.

Accounting Principles of Consolidated Financial Statements

Basic Information of Group

Ixonos Plc is a Finnish public company established in accordance with Finnish legislation. The company's domicile is in Helsinki. The shares of the parent company Ixonos Plc are listed on OMX Nordic Exchange Helsinki since 1999.

Ixonos is an information and communication technology service company providing customer-specific technology consulting, project management and software production services that promote the customers' competitiveness and risk management. Ixonos' clientele comprises leading mobile and smartphone manufacturers, mobile network suppliers and telecom carriers operating on international markets, Finland-based finance, industry and service sector companies, as well as public administration organizations.

During the financial period, before the start of the reorganization at the turn of the year, the operational business of Ixonos was organized into two Business Units: Systems Services and Telecommunications. During the financial period the Systems Services Unit developed and maintained software that where part of its customer companies' information systems, and produced technology consulting and project management services. The Unit's most significant customers operate in the telecommunications, finance and public administration sectors. During the financial period, the Telecommunications Unit produced hardware and software development, software integration and testing services for the telecommunications sector. The Unit's clientele comprised leading international mobile and smartphone manufacturers, mobile network suppliers and telecom carriers.

The Board of Directors has approved that the Financial Statements be published on 12 February 2008. According to the Finnish Companies Act, the shareholders have the option to adopt or reject the financial statements at the General Meeting following their publication. The General Meeting also has the option to decide on changing the financial statements.

Basis for Preparing Consolidated Financial Statements

The consolidated financial statements of Ixonos have been prepared in accordance with International Financial Reporting Standards (IFRS), and they follow the applicable IAS and IFRS standards, as well as SIC and IFRIC interpretations in force on 31 December 2007. For the purposes of Finland's Accounting Act and statutes passed by virtue of said act, "International Standards" refers to standards accepted, according to the procedure enacted by Regulation (EC) No 1606/2002, for application within the European Union, as well as to interpretations of such standards. The notes of the consolidated financial statements have also been prepared in accordance with the Finnish accounting and corporate legislation, which complements the IFRS regulations.

IASB published new standards as well as changes and new interpretations of standards that came into force in 2007. IFRS 7, Financial Instruments, the amendments to standards Information to be Disclosed in Financial Statements and IAS 1, and Presentation of Financial Statements require additional notes related to financial instruments. These notes have been added to the Consolidated Financial Statements. The following new and amended standards and interpretations, which became effective in 2007, have no significant influence on the Consolidated Financial Statements. IFRIC 8, Scope of IFRS 2, IFRIC 7, Applying the Restatement Approach IAS 29: Financial Reporting in Hyperinflationary Economies, IFRIC 9, Reassessment of Embedded Derivatives, and IFRIC 10, Interim Financial Reporting and Impairment.

IASB has published new standards and interpretations, the application of which will be statutory in 2008 or later. The Group has decided not to apply these standards earlier, and will adopt them in coming financial periods. The interpretation of IFRIC 11, Group and Treasury

Share Transactions, clarifying how transactions pertaining to the company's own shares, or to Group companies, are handled in the financial statements of the parent and Group companies, provides guidance on whether such share-based transactions should be accounted for as equity-settled or cash-settled. This interpretation has no influence on the Consolidated Financial Statements.

The purpose of the amendment to IAS 1, Presentation of Financial Statements, is to make it easier for the users of the Financial Statements to analyze and compare the information given in the Financial Statement calculations by separating those changes in shareholders' equity that relate to transactions with the owners of the company from other changes in shareholders' equity. The Group's management is presently investigating the effects of the amendment on the Consolidated Financial Statements.

The amendment to IAS 23, Borrowing Costs, compels that the borrowing costs related to assets meeting the terms be activated as part of the asset's acquisition cost. The recording of these costs directly as expenses will be prohibited. The amendment of the standard will not change the accounting principles applied by the Group, and will thus not have any influence on the Consolidated Financial Statements. The Group's management is presently investigating the effects of the amendment on the consolidated financial statements.

Standard IFRS 8, Operating Segments, replaces standard IAS 14. According to the standard, the segment reporting has to be based on the "management approach", i.e. the data has to be presented in the same way as in the company's internal management reporting system. Along the company's stock exchange release from 7 February 2008, the group's consolidated business operations will be reported as two segments starting from the first interim report in 2008.

IFRS 3 (Revised), Business combinations. This revised standard compels that the acquisition cost method still be used when handling company mergers, but some significant changes have taken place. For example, all payments related to corporate acquisitions shall be recorded at their fair value at the time of acquisition, and certain conditional payments are measured at fair value through profit and loss after the acquisition. Goodwill can be calculated based on the parent company's share of the net assets, or it can include the goodwill allocated to the minority share. All transaction costs are recorded as expenses. The Group's management is presently investigating the effects of the amendment on the consolidated financial statements.

The financial statement data is presented in Euro and it is based on original acquisition costs, discluding financial assets recorded at fair.

Consolidation Principles

The consolidated financial statements include the parent company Ixonos Plc and all subsidiaries in which the parent company holds, either directly or indirectly, more than 50 % of the share votes, or by other means has control of.

Inter-Group share ownership has been eliminated by the acquisition cost method. Acquired subsidiaries are integrated in the consolidated financial statements from the moment the Group gets control of the subsidiary. All inter-Group transactions, receivables, liabilities and unrealized profits as well as internal profit distribution are eliminated when the consolidated financial statements are prepared. The assets and liabilities of the acquired companies are measured at fair value at the time of acquisition. The remaining difference of the acquisition price and the fair value of the net assets is recognized as goodwill.

Segment Reporting

During the financial year, Ixonos had two business segments: Telecommunications and Systems Services. The Telecommunications seg

ment provides services to customers in the telecommunications sector, and the Systems Services segment provides services to the finance and public administration sectors, as well as to other customers. The unallocated segment includes Group administration expenses and unallocated assets and liabilities. Administrative expenses related directly to business operations have been allocated to the business segments in relation to their turnover. Assets and liabilities have been allocated to the segments based on the operational character of each item. Unallocated items have not been included in the calculation of the business segments.

Ixonos only presents the business segment in the financial statements, because geographical segmentation is not significant as the company mainly operates in Finland.

Foreign Currency Items

The figures related to the result and financial status of the Group's Units is measured in the currency of Unit's main operating environment ("operational currency"). The consolidated financial statements are presented in Euro, which is the operational and presentation currency of the Group's parent company.

Foreign currency transactions have been recorded in the functional currency using the exchange rate prevailing on the transaction day. In practice, an exchange rate that approximately corresponds to the rate prevailing on the transaction date will often be used. Monetary foreign-currency items are translated into functional currency using the exchange rates prevailing at the balance sheet date. Non-monetary foreign-currency items measured at fair value are translated into functional currency at the exchange rates prevailing at the valuation date. Other non-monetary items are measured at the exchange rates prevailing at the transaction date.

Profits and losses deriving from foreign-currency transactions and the change of monetary items have been entered in the profit and loss account. Exchange rate profits and losses related to business operations are included in corresponding items above operating profit.

The profit and loss items of the profit and loss accounts of the foreign Group companies have been converted to euros using the exchange rates prevailing on the business transaction dates, and the balance sheets have been converted to euros using the exchange rates prevailing on the balance sheet date. The conversion of the financial result using different exchange rates for the profit and loss account and the balance sheets creates a conversion difference that is entered in shareholders' equity.

Goodwill

Goodwill deriving from corporate acquisitions carried out before 1 January 2004 has been entered according to the accounting and consolidated financial statement principles at the time of acquisition. The carrying amount of the goodwill of 1 January 2004 is the acquisition cost less depreciation and impairment losses. This carrying amount has been tested in accordance with the requirements of the IFRS 1 standard. Goodwill deriving from corporate acquisitions of 1 January 2004 or later has been entered and handled in accordance with standard IFRS 3, Business Combinations.

The goodwill corresponds to the part of the acquisition cost that exceeds the Group's share of the net fair value of identifiable assets, liabilities and conditional liabilities, of companies acquired after 1 January 2004, at the time of acquisition. The acquisition cost also includes other immediate costs related to the acquisition, such as experts' fees.

Goodwill is allocated to units that produce cash flow and is not subject to depreciation. Goodwill is tested annually against impairment, and always if any event or change of circumstance indicates that an entered value is not recoverable.

Other Intangible Assets

Intangible assets acquired through merging business operations are activated in the balance sheet at their fair value at the time of acquisition. The intangible assets deriving from the integration of Group operations normally pertain to customers and contracts with know economic lives.

Other intangible assets comprise software licenses that are measured at their original acquisition cost less accrued depreciation and any impairment.

Interest costs are not included in the acquisition costs.

The company has no intangible assets with indefinite useful lives.

Research and Development Costs

Research costs are recorded as an expense in the profit and loss account. Research costs deriving from the development of new or more advanced products are activated in the balance sheet as intangible assets. When the product is technically implementable, and when the other requirements of standard IAS 38 are met, it can be utilized commercially and it is expected to bring future economic benefits covering the research costs. Intangible assets are measured at their acquisition cost less depreciation and impairment losses. The useful lives of the activated development expenses is 1 to 5 years, during which time the activated expenses are entered as depreciation costs on a straight-line basis.

Property, Plant and Equipment

Machinery and equipment form the major part of the tangible fixed assets. They are measured in the balance sheet at their original acquisition cost, less the accrued depreciation and any impairment.

The fixed assets also include real estate and artwork that is not depreciated.

Profit or loss deriving from sales or transfer of fixed assets is entered into the profit and loss account.

Interest costs are not included in the acquisition costs.

The Group applies the following depreciation conventions:

Intangible assets acquired through incorporation of business operations:
0.5 – 10 years straight line depreciation

Other intangible assets: 4 years straight line depreciation

Machinery and equipment: 25% expenditure residue depreciation

Machinery acquired through finance leasing contracts 3 – 5 years:
straight line depreciation

Government Grants

Government grants are entered as reduction of the carrying amount of other intangible assets when it is fairly certain that they will be granted and that the Group meets the granting requirements. The grants are recognised in the income statement during the useful life of the asset in the form of lower depreciation on the asset in question.

Impairment of Tangible and Intangible Assets

The Group assesses on each balance sheet date whether there are indications that the value of any asset has been impaired. If there are indications of impairment, the recoverable amount of that asset is assessed. The recoverable amount is also assessed annually from the goodwill, as well as from unfinished intangible assets regardless whether there are any indications of impairment. Goodwill impairment testing is done annually, separately for each cash flow producing unit. An impairment loss is recognized if the balance sheet value of the asset exceeds the

recoverable amount for the asset. Losses from impairment are entered into the profit and loss account.

The recoverable amount is the asset's fair value less costs to sell, or, if higher, the asset's value in use, which is defined as the projected future net cash flow for the asset, or cash generating unit, discounted to its present value. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and of the risks specific to the asset.

An impairment loss is recognized if the balance sheet value of an asset exceeds the recoverable amount for that asset. Losses from impairment are entered into the profit and loss account. If an impairment loss is recognized for a cash generating unit, that loss is first allocated to reduce goodwill of the cash generating unit, and then to reduce other assets of the unit on a pro-rata basis. Upon entering an impairment loss, the useful life of the depreciated asset is re-estimated. An impairment loss entered for any other asset than goodwill will be reversed, if a change occurs in the estimates that were used in determining the recoverable amount for the asset. However, such a reversal will not exceed the asset's carrying amount had no impairment loss been entered. Impairment losses entered for goodwill are never reversed.

Lease Contracts

Tangible fixed asset lease agreements where a substantial part of the risks and rewards of ownership are transferred to the Group are classified as finance leases. The asset item acquired with a finance lease is entered at the start of the agreement as an asset in the balance sheet at the lower of the fair value of the leased property and the present value of the minimum lease payments. Asset items leased under a finance lease are depreciated over the shorter of the asset's useful life and the term of the lease. The payable lease payments are allocated between finance expenses and debt reduction so that the debt remaining for each financial period collects a corresponding rent percentage.

Agreements where the typical risks and rewards of ownership are retained by the lessor are classified as other leases. Lease payments under other lease agreements are recognized as flat-rate expenses in the profit and loss account during the term of the lease.

Financial Assets and Liabilities

The Group has classified its financial assets in accordance with IAS 39 into the following clusters: loan and other receivables recorded at their fair value through profit and loss.

The classification is done based on the purpose of the financial asset acquisition, and the assets are classified at the time of the original acquisition.

Financial assets are initially recorded at their fair value. Transaction costs are included in the original book value of financial assets, when the item in question is not valued at fair value through profit and loss. All purchases and sales of financial assets are entered on the date of transaction.

The financial assets are written off the balance sheet when the Group has lost its contractual right to the cash flow or when it has transferred a significant part of the risks and profits outside the Group.

Receivables Recorded at their Fair Value through Profit and Loss

The Group classifies fund investments to be recorded at their fair value through profit and loss, and they are included in the balance sheet as current assets. The changes in fair value are entered in the profit and loss account as financial income or expenses. The fair value of the investments is based on the price quoted on the balance sheet date. The

investments are presented in the financial assets in the balance sheet, and they have been acquired for trade purposes.

Loans and Receivables

After their original recording, other loans and receivables are measured at amortized cost using the effective interest rate method. Other loans and receivables are items with fixed and calculable payments. They are included in the current and fixed assets of the balance sheet.

This group includes sales and other receivables. Sales receivables are recorded at their original value. The Group assesses the amount of receivables in each financial statement and records impairment if there is objective proof that individual items have been impaired.

A debtor's significant financial difficulties, probable bankruptcy, defaulted payments, or significantly delayed payment constitute evidence of trade receivables impairment.

Bad debt is entered as an expense in the profit and loss account.

Liquid Assets

The liquid assets comprise cash and bank deposits that can be withdrawn upon request.

Financial Liabilities

Financial assets are initially recorded at their fair value. Transaction costs are included in the original book value of financial assets. In subsequent periods all financial liabilities are measured at amortized acquisition cost using the effective interest rate method. The long-term and current liabilities include financial liabilities. Borrowing costs are recorded as interest costs in the period in which they occurred.

Pension Systems

At the moment the Group only uses defined contribution pension schemes. The payments for these schemes are entered as costs in the profit and loss account for the financial period to which they are allocated.

Share-based payments

The Group has incentive systems where the payments are carried out as equity-settled instruments. The benefits granted through the systems are measured at their fair value at the grant date and recorded in as expenses in the profit and loss account evenly over the vesting period. The effect of the arrangements on profit and loss is presented in the profit and loss account under employee benefit costs.

The expenses defined at the moment of granting the options are based on the Group's estimate of the quantity of options to which rights are expected to arise at the end of the vesting period. Each fiscal year, the Group updates the expected final quantity of options on the balance sheet date. Changes in estimates are recorded in the profit and loss account. The fair value of the options arrangements is defined on the basis of the Black-Scholes option pricing model.

When option rights are exercised, the obtained payments based on share subscriptions (adjusted to reflect possible transaction costs) are recorded to the shareholders' equity. Payments based on share subscriptions of option rights granted before the new Companies Act (21 July 2006/624) became effective (1 September 2006) have been recorded, in accordance with the conditions of the arrangements, to the share capital and premium fund. Assets from share subscriptions of options arrangements decided upon after the new Companies Act became effective (with adjustments for possible transaction costs) are recorded, in accordance with the conditions of the arrangements, to the invested non-restricted equity fund.

Provisions

A provision is recorded in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that the obligation has to be settled by payment and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of required expenses.

Taxes

The Group's income statement taxes include the Group companies' performance-based taxes corresponding

to the result for the period, based on the taxable income in accordance with each company's local tax legislation, tax adjustments from previous fiscal periods and changes in deferred taxes.

Deferred tax assets and liabilities are recognized on temporary differences arising between the taxation value and book value. However, the deferred tax is not recorded if it arises from initial recognition of an asset or liability in a transaction other than business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred taxes are not recognised related to goodwill that is not tax deductible. Deferred taxes are not recognised for the part of the temporary difference related to subsidiaries' retained earnings that is not estimated to be reversed in foreseeable future.

Deferred tax is determined using tax rates that have been enacted by the balance sheet date.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Shareholders' Equity, Dividends and Own Shares

The Board of Directors' proposal for dividend distribution has not been recorded in the financial statements. The dividends will be recorded only when the Annual General Meeting has decided on the issue.

When Ixonos Plc acquires the company's own shares the acquisition sum is recorded as a deduction of shareholders' equity.

Turnover Recognition

Turnover is primarily recognised when a product or service has been delivered. The entire turnover is accumulated from service production.

If the result of a long-term project can be estimated reliably, the returns and costs related to that project are recorded as income and expenses during the project. The Group uses a turnover recognition method based on stage of completion to define income and expenses to be recorded for each period. The stage of completion is defined based on the completed working hours, as percentage of the estimated total working hours stated in the contract, and on how big a part the of the estimated total costs have materialized by the time of review. If it is probable that the total costs of a project exceed the total income, the expected loss is immediately recorded as an expense.

Other Operating Income

Other income from operations include profit of sale of non-current assets and income other than services sold.

Accounting Principles Requiring Management Estimates and Central Uncertainty Factors Related to Estimates

The preparation of financial statements in accordance with the IFRS practises compels that the company management makes estimations and assumptions that influence the amount of assets, liabilities, income and expenses recorded in the financial statements, as well as the amount of conditional assets and liabilities presented in the notes on the financial statements. Although these estimates are based on the management's

best assumptions of the events and measures taken at the reporting date, the materialized result may deviate from the estimations.

The Group's management exercises judgment as it chooses and applies accounting principles. This particularly concerns cases where the IFRS regulations in force offer different ways of recording, measuring and presenting data. The most essential estimations and assumptions pertaining to the financial statements relate to impairment testing, allocation of acquisition costs, and recognition of income from long-term projects.

Uncertainty Factors Related to Estimates

The estimates made when preparing the financial statements are based on the management's best assumptions at the time of preparation of the financial statements. The estimations are based on previous experience as well as such assumptions of the future that, at the time of preparing the financial statement, are most likely to materialize and that are related, e.g., to the expected development of the Group's economic operating environment as far as sales and cost level are concerned. Together with the Business Units the Group regularly follows up on the materialization of the estimations and assumptions as well as on the change of the background factors, using both internal and external information sources. Possible changes in the estimates and assumptions are recognized as expenses during the period they occurred and during the periods following.

The estimates of the future and assumptions as at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are presented below: The Group's management regards these areas of the financial statement as the most central because, seen from the Group's point of views, the preparation principles governing these areas are the most complex and their application requires the most significant use of estimates and assumptions, for example, when measuring asset items. In addition, the effects of possible changes of the assumptions and estimates utilized in these areas of the financial statements are assumed to be the greatest.

Determination of the Fair Values of Assets Acquired in Business Combinations

The Group has used an external advisor in determining the fair values of tangible and intangible assets in all business combinations. For tangible assets comparisons have been made to comparable assets taking into account the decrease in value due to age, wearing and other corresponding factors. The determination of the fair value of intangible assets is based on the estimates on the cash flow related to the assets, because no information related to trade of corresponding assets have been available on the markets.

The management believes that the estimates and assumptions used in the determination of the fair value are reliable enough. Also, the Group assesses at each balance sheet date whether there is any indication that a tangible or intangible asset may be impaired.

Recognition of long-term projects

The Group annually tests goodwill and intangible assets for potential impairment, and also evaluates any indications of impairment according to the above accounting principles.

The Group uses the stage of completion method in recognising turnover from long-term projects. This method is founded on estimates of the project's expected income and expenses, and on a determination of the progress in the stage of completion. Recognized income and expenses may change, if the estimate of a project's total income and expenses is adjusted. The cumulative effect of adjusted estimates is recognized during the period the change becomes probable and can be reliably estimated. The turnover for the year 2007 includes EUR 5.7 million relating to the stage of completion of long-term projects.

Segment Information

Business Segments

Segments in 2006

EUR	Telecommunications	Systems Services	Unallocated	Eliminations	Group
Sales outside the Group	24,579,800	14,603,813	0	0	39,183,613
Sales inside the Group	299,100	0	0	-299,100	0
Turnover	24,878,899	14,603,813	0	-299,100	39,183,613
Operating profit	3,583,292	1,628,931	-1,271,385	0	3,940,838
Operating profit, %	14.4	11.2			10.1
Assets	18,094,238	6,983,981	371,151	0	25,449,370
Liabilities	8,592,366	3,821,558	2,156,470	0	14,570,395
Investments	130,722	3,707,391	210,343	0	4,048,457
Depreciation	-210,645	-96,746	-108,999	0	-416,390

Segments in 2007

EUR	Telecommunications	Systems Services	Unallocated	Eliminations	Group
Sales outside the Group	34,794,474	24,434,359	0	0	59,228,834
Sales inside the Group	501,059	7,830	0	-508,889	0
Turnover	35,295,533	24,442,189	0	-508,889	59,228,834
Operating profit	5,775,307	1,390,384	-2,486,969	0	4,678,722
Operating profit, %	16.4	5.7			7.9
Assets	19,421,950	25,642,068	1,675,499	0	46,964,627
Liabilities	8,825,356	12,559,521	3,807,042	0	25,191,919
Investments	683,056	14,882,108	201,086	0	15,766,250
Depreciation	-156,595	-934,030	-135,538	0	-1,226,163

During the fiscal year Ixonos had two business segments: Telecommunications and Systems Services. The Telecommunications segment provides services to customers in the telecommunications sector, and the Systems Services segment provides services to the finance and public administration sectors, as well as to other customers. The unallocated segment includes Group administration expenses and unallocated assets and liabilities. Administrative expenses related directly to business operations have been allocated to the business segments in relation to their turnover.

Ixonos has presented only the business segment in the financial statements, because geographical segmentation is not significant as the company mainly operates in Finland.

Inter-segment pricing is based on fair value market price.

The assets and liabilities of the segment are such business items that the segment uses in its business operations, or such that can be allocated to the segments on sensible grounds. The unallocated items include tax and financing items, as well as items that are shared by the entire company. The investments comprise additions to tangible fixed assets and intangible assets utilized longer than one financial period.

Profit and Loss Account, Parent Company (FAS)

EUR	1.1.–31.12.2007	1.1.–31.12.2006
Turnover	50,174,866.50	35,227,192.90
Other operating income	81.96	0.00
Materials and services		
Raw materials and consumables	-108.30	-2,274.54
Services purchased	-10,898,515.38	-6,776,657.97
Materials and services total	-10,898,623.68	-6,778,932.51
Personnel costs		
Salaries and wages	-22,292,211.49	-15 976 844.80
Other personnel costs		
Pension costs	-3,634,723.99	-2,754,533.97
Other personnel costs	-1,308,286.37	-967,390.90
Other personnel costs total	-4,943,010.36	-3,721,924.87
Personnel costs total	-27,235,221.85	-19,698,769.67
Depreciation and impairment		
Depreciation on tangible and intangible assets	-581,436.64	-522,837.60
Impairment	0.00	0.00
Depreciation and impairment total	-581,436.64	-522,837.60
Other operating expenses	-7,110,864.86	-4,424,039.01
Expenses total	-45,826,147.03	-31,424,578.79
Operating profit	4,348,801.43	3,802,614.11
Financial income and expenses		
Interest and financial income		
Interest income	32,315.80	25,679.42
Other financial income	18,771.47	23,178.87
Interest and financial income total	50,601.74	48,858.29
Interest expenses and other financing expenses		
Interest expenses	-289,556.05	-200,070.92
Other financial expenses	-22,540.68	-20,160.90
Interest and financial expenses total	-312,096.73	-220,231.82
Financial income and expenses total	-261,494.99	-171,373.53
Profit before extraordinary items	4,087,306.44	3,631,240.58
Extraordinary items		
Extraordinary income	0.00	0.00
Extraordinary expenses	-1,274,374.49	-463,778.03
Extraordinary items total	-1,274,374.49	-463,778.03
Profit before extraordinary items	2,812,931.95	3,167,462.55
Taxes	-856,796.5	-824,864.48
Net profit for the period	1,956,135.43	2,342,598.07

Balance Sheet, Parent Company (FAS)

EUR	31.12.2007	31.12.2006
ASSETS		
FIXED ASSETS		
Intangible fixed assets		
Intangible rights	769,646.32	212,450.83
Other long-term expenses	429,933.74	725,057.36
Intangible fixed assets total	1,199,580.06	937,508.19
Tangible assets		
Machinery and equipment	468,745.82	327,472.65
Other tangible assets	11,477.26	11,477.26
Tangible assets total	480,223.08	338,949.91
Investments		
Shares in Group companies	25,752,231.04	12,414,902.80
Other shares	19,231.37	19,231.37
Investments total	25,771,462.41	12,434,134.17
FIXED ASSETS TOTAL	27,451,265.55	13,710,592.27
CURRENT ASSETS		
Long-term receivables		
Loan receivables	0.00	12,199.88
Long-term receivables total	0.00	12,199.88
Short-term receivables		
Sales receivables	11,764,025.37	8,442,742.23
Sales receivables from Group companies	47,311.56	16,485.54
Receivables from Group companies	1,429,000.29	252,000.29
Loan receivables	25,148.69	21,136.69
Accrued credits and deferred charges	426,608.84	273,026.49
Other receivables	232,657.63	164,303.89
Short-term receivables total	13,924,752.38	9,169,695.13
Financial assets		
Financial securities	143,359.30	687,128.17
Liquid assets		
Cash on hand and on deposits	269,216.30	1,092,897.77
CURRENT ASSETS TOTAL	14,337,327.98	10,961,920.95
ASSETS TOTAL	41,788,593.53	24,672,513.22
SHAREHOLDERS' EQUITY AND LIABILITIES		
SHAREHOLDERS' EQUITY		
Share capital	355,485.20	296,948.00
Premium fund	4,511,774.54	4,176,264.54
Share issue	76,965.00	0.00
Invested non-restricted equity fund	7,608,543.00	0.00
Accumulated profit funds	2,756,733.31	2,418,534.24
Net profit for the period	1,956,135.43	2,342,598.07
SHAREHOLDERS' EQUITY TOTAL	17,265,636.48	9,234,344.85
OBLIGATORY PROVISIONS		
Obligatory provisions	92,639.35	173,939.35
OBLIGATORY PROVISIONS TOTAL	92,639.35	173,939.35
LIABILITIES		
Long-term liabilities		
Long-term loans	6,764,279.00	4,499,998.00
Other long-term liabilities	254,320.93	0.00
Long-term liabilities total	7,018,599.93	4,499,998.00
Current liabilities		
Loans from financial institutions	1,400,004.00	857,144.00
Accounts payable	1,278,932.84	989,647.41
Accounts payable to Group companies	1,172,078.50	723,193.59
Debts to Group companies	3,458,152.52	1,843,778.03
Other current liabilities	2,186,668.08	1,668,299.63
Accrued expenses	7,915,881.83	4,682,168.36
Current liabilities total	17,411,717.77	10,764,231.02
LIABILITIES TOTAL	24,522,957.05	15,438,168.37
SHAREHOLDERS' EQUITY AND LIABILITIES TOTAL	41,788,593.53	24,672,513.22

Sources and Application of Funds, Parent Company

EUR	1.1.–31.12.2007	1.1.–31.12.2006
Cash flow from business operations		
Profit before extraordinary items	4,087,306	3,631,241
Depreciation and amortization	581,437	522,838
Changes in provisions	-81,300	-43,900
Change in net working capital	-265,192	-1,307,005
Fixed assets sales profit	0	0
Taxes	-895,517	-895,966
Cash flow from business operations	3,426,735	1,907,207
Cash flow from investments		
Investments in fixed assets	-984,782	-307,710
Transfer income from fixed assets	0	0
Change in financial assets	543,769	987,361
Investment in subsidiary companies	-4,180,899	-5,709,108
Total cash flow from investments	-4,621,911	-5,029,457
Cash flow before financing	-1,195,177	-3,122,250
Cash flow from financing		
Increase of long-term loans	3,800,000	3,000,000
Repayment of long-term loans	-992,895	-642,858
Dividend paid	-2,004,399	-1,316,106
Granted Group loans	-717,000	-130,000
Repaid Group loans	-460,000	0
Drawn Group loans	340,000	1,380,000
Paid share capital	-19,255	0
Payments from share subscription	416,855	117,320
Short-term loan receivables decrease	8,189	6,607
Cash flow from financing	371,495	2,414,963
Change in funds	-823,682	-707,287
Funds at the beginning of the period	1,092,898	1,800,185
Funds at the end of the period	269,216	1,092,898

Changes in Shareholders' Equity, Parent Company

EUR	Share capital	Premium fund	Share issue	Invested non-restricted equity fund	Accumulated profit funds	Shareholders' equity total
Shareholders' equity on 1.1.2006	292,468	3,746,325	0	0	3,734,640	7,773,433
Transfer to reserves						0
Share issue	4,480	429,940				434,420
Dividend paid					-1,316,106	-1,316,106
Profit for the period					2,342,598	2,342,598
Shareholders' equity on 31.12.2006	296,948	4,176,265	0	0	4,761,132	9,234,345
Shareholders' equity on 1.1.2007	296,948	4,176,265	0	0	4,761,132	9,234,345
Transfer to reserves						0
Share issue	58,537	335,510	76,965	7,608,543		8,079,555
Dividend paid					-2,004,399	-2,004,399
Profit for the period					1,956,135	1,956,135
Shareholders' equity on 31.12.2007	355,485	4,511,775	76,965	7,608,543	4,712,869	17,265,636

The parent company's disposable funds on 31.12.2007 are EUR 12,321,411.74

Shares and Shareholders

Share capital and shares

The share capital of Ixonos Plc was EUR 355,485.20 on 31 December 2007. The accounting countervalue of the share was EUR 0.04. The total number of registered shares on 31 December 2007 was 8,887,130.

The company's Articles of Association include a clause on redemption obligation, according to which a shareholder whose proportional holding of all company shares reaches or exceeds 33 per cent or 50 per cent is obliged, on demand by other shareholders, to redeem the other shareholders' shares. The Articles of Association contain more detailed provisions on the redemption procedure.

Stock exchange quotations

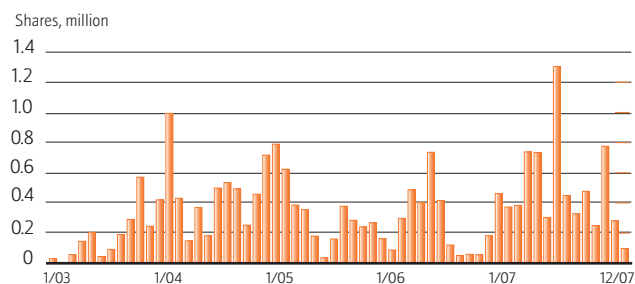
Ixonos Plc is listed on OMX Nordic Exchange Helsinki.

The company has one listed series of shares: XNSIV.

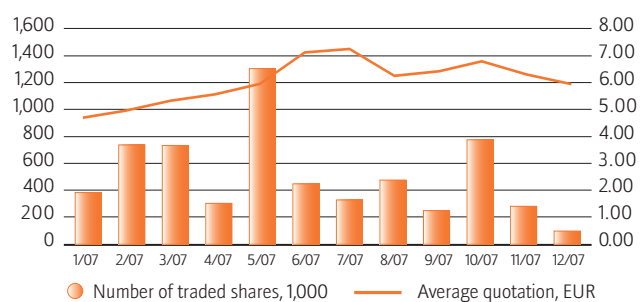
Share subscription price since listing on 1 October 1999	5,75	EUR		
Highest share price quoted during fiscal year	8,08	EUR		
Lowest share price quoted during fiscal year	4,55	EUR		
Last share price quoted on 28 December 2007	5,97	EUR		
Market value on 31 December 2007	53,056,166	EUR		
Share trading 1 January 2007 – 31 December 2007	6,125,199	shares	36,673,159	EUR
Average quotation 1 January 2007 – 31 December 2007	5,96	EUR		
Share trading % of share issue-adjusted number of shares	69	%		
Share issue-adjusted number of shares on 31 December 2007	8,887,130	shares		

The company has no own shares in its possession.

Share trade 1.1.2003–28.12.2007



Share trade and average monthly quotation in 2007



Price development 1.10.1999–28.12.2007



Change in quotations 2.1.–28.12.2007 with final quotations



Shareholders

	Shares			% of shares			Number of shareholders		
	2007	2006	Change %	2007	2006	Change %	2007	2006	Change %
Private persons	5,110,988	4,794,004	6.6	57.5	64.6	-10.9	2,766	2,059	34.3
Institutions	3,776,142	2,629,696	43.6	42.5	35.4	20.0	171	131	30.5
Total	8,887,130	7,423,700	19.7	100.0	100.0	0.0	2,937	2,190	34.1

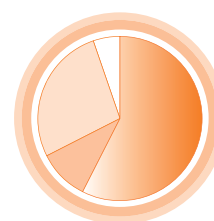
Institutional shareholders

Finance and insurance institutions	906,279	1,251,716	-27.6	24.0	47.6	-49.6
Companies	2,421,000	1,365,830	77.3	64.1	51.9	23.4
Foreign ownership	448,863	12,150	3594.3	11.9	0.5	2472.7
Total	3,776,142	2,629,696	43.6	100.0	100.0	0.0

Nominee-registered shares	448,863	329,878		5.1	4.4	
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Largest shareholders

	Shares	% of shares
Turret Oy Ab	705,337	7.94
Kohila Tuomas	568,140	6.39
OP-Suomi Pienyhtiöt	437,610	4.92
Special Mutual Fund Avenir	386,809	4.35
Nordea Nordic Small Cap	357,242	4.02
Mandatum Suomi Kasvuosake	318,968	3.59
Jokinen Matti	285,870	3.22
Terho Risto	219,452	2.47
Rantala Lasse	192,979	2.17
Kemilä Hannu	161,709	1.82
Gyllenberg Small Firm	152,880	1.72
Veikko Laine Oy	146,420	1.65
Suomen Varamiespalvelu Oy	124,237	1.40
Kaisla Timo	102,300	1.15
Nyysönen Tuomo	90,000	1.01
Oy Creative Investor Ab	80,064	0.90
Innocap Oy Ab	78,370	0.88
Helenius Mika	72,370	0.81
Saareila Lauri	71,882	0.81
Kokkola Matti	60,710	0.68
Other	4,273,781	48.09
Total	8,887,130	100.00

Distribution of ownership
31.12.2007, %

- Private persons 57.5 (64.6)
- Finance and insurance institutions 10.2 (16.9)
- Companies 27.2 (18.4)
- Foreign institutions 5.1 (0.2)

Distribution of ownership

	Shareholders		Share of shareholders. %		Shares		Share of shares. %	
	2007	2006	2007	2006	2007	2006	2007	2006
1-1 000 shares	2,309	1,668	78.6	76.2	1,249,894	589,355	14.1	7.9
1 000-10 000 shares	556	459	18.9	21.0	1,624,965	1,405,329	18.3	18.9
10 000-100 000 shares	58	49	2.0	2.2	1,852,318	1,671,139	20.8	22.5
more than 100 000 shares	14	14	0.5	0.6	4,159,953	3,757,877	46.8	50.6
Total	2,937	2,190	100.0	100.0	8,887,130	7,423,700	100.0	100.0

The management's ownership and option rights

	Ownership in 2007	% of votes	Ownership in 2006
The President and CEO's and the Board members' option rights	71,593	0.8	86,993
The President and CEO's and the Board members' ownership	100,000	1.1	85,000

Share-based incentive plans

Stock Option Plan II

The Board of Directors decided on 26 February 2002 to offer 500,000 (EUR 20,000) stock options to the company's President and CEO, the members of the Board of Directors, other management and key personnel, as determined by the Board. The options are divided into four series: A, B, C and D.

The subscription period for options of series A started on 1 October 2003 (series A1) and on 1 October 2004 (series A2). The subscription price for options of series A was defined on 1 August 2002 – 31 August 2002 and is EUR 1.88, with adjustment for dividends paid in 2003. The number of options allocated for series A is 10,000 + 10,000.

The subscription period for options of series B started on 1 October 2004 (series B1) and on 1 October 2005 (series B2). The subscription price for options of series B was defined on 1 August 2003 – 31 August 2003 and is EUR 1.56, with adjustment for dividends paid in 2004. The number of options allocated for series B is 82,500 + 22,500. At the end of the financial year, 50,000 company shares had been subscribed with the options.

The subscription period for options of series C started on 1 October 2005 (series C1) and 1 October 2006 (series C2). The subscription price for options of series C was defined on 1 August 2004 – 31 August 2004 and is EUR 3.32, with adjustment for dividends paid in 2005. The number of options allocated for series C is 100,000 + 35,000. At the end of the financial year, 49,000 company shares had been subscribed with the options.

The subscription period for options of series D started on 1 October 2006 (series D1) and on 1 October 2007 (series D2). The subscription price of options of series D was defined on 1 August 2005 – 31 August 2005

and is EUR 3.22, with adjustment for dividends paid in 2006. The number of options allocated for series D is 127,500 + 112,500. At the end of the financial year, 80,500 company shares had been subscribed with the options.

More detailed terms can be found in the terms and conditions of the stock options plan.

Stock Options Plan III

The General meeting decided jne. on 14 March 2006 to offer 400,000 (EUR 16,000) stock options to the company's President and CEO, other management as well as key personnel, as determined by the Board. The stock options will be divided into series A and B.

The subscription period for options of series A started on 1 October 2007 (series A1) and starts on 1 October 2008 (series A2). The subscription price of options of series A was defined on 1 January 2006 – 31 March 2006 based on the trade volume weighted average quotation of the company's share and is EUR 4.13. A total number of 250,000 options have been allocated to the options of series A (125,000 options to series A1 and 125,000 options to series A2).

The subscription period for options of series B starts on 1 October 2008 (series B1) and on 1 October 2009 (series B2). The subscription price of options of series B was defined on 1 January 2007 – 31 March 2007 based on the trade volume weighted average quotation of the company's share and is EUR 5.10. A total number of 150,000 options have been allocated to the options of series A (125,000 options to series A1 and 75,000 options to series A2).

More detailed terms can be found in the terms and conditions of the stock options plan.

Number and average subscription price of options outstanding

Compensation paid to key persons of the company	2007	Average subscription pr	2006	Average subscription pr. EUR
Options allocated to key persons at the beginning of the financial period	670,000	3.45	472,000	3.01
Granted during the period	150,000	5.10	280,000	4.30
Lost during the period	27,500	3.22	40,000	3.65
Realized	131,000	3.09	42,000	2.79
Outstanding at the end of the financial period	661,500	3.81	670,000	3.45
Realizable at the end of the financial period	386,500	3.21	292,500	2.80

Of the outstanding options, the subscription period for 270.000 options end on 31 December 2008, and the subscription period for 391.500 options ends on 31 December 2011.

Options realized in 2007

Subscription price €	416,855.00
To share capital	4,380.00
To premium fund	335,510.00
To share issue	76,965.00
Weighted average market price of the exercise dates	6.54

The weighted average price of the allocated stock options is EUR 3.81, and the fluctuation range is between EUR 1.56 and EUR 5.10.

The stock options are valued using the Black & Scholes model. During the fiscal period, a stock option expense of EUR 186,392 (2006: EUR 207,006) was entered in the consolidated profit and loss account.

The options are implemented as money transactions to the company's shareholders' equity.

Options Plan Table

Options plan	Type	Year of issue	Number of personnel	Subscription price	Options available for subscription	Subscription period
II	A1	2001	1	1.88	10,000	1.10.2003–31.12.2008
II	A2	2001	1	1.88	10,000	1.10.2004–31.12.2008
II	B1	2001	6	1.56	37,500	1.10.2004–31.12.2008
II	B2	2001	2	1.56	17,500	1.10.2005–31.12.2008
II	C1	2001	11	3.32	58,500	1.10.2005–31.12.2008
II	C2	2001	2	3.32	17,500	1.10.2006–31.12.2008
II	D1	2001	9	3.22	47,000	1.10.2006–31.12.2008
II	D2	2001	14	3.22	72,000	1.10.2007–31.12.2008
III	A1	2006	20	4.13	116,500	1.10.2007–31.12.2011
III	A2	2006	21	4.13	125,000	1.10.2008–31.12.2011
III	B1	2006	11	5.10*	75,000	1.10.2008–31.12.2011
III	B2	2006	11	5.10*	75,000	1.10.2009–31.12.2011
					661,500	

* The subscription price will be adjusted by the dividend paid for the year 2007.

Board Authorizations

At the end of the fiscal year the Board of Directors held the following valid authorizations:

Authorization granted by the Annual General Meeting on 22 March 2007 to decide to raise share capital in one or more new issues, and/or to float a convertible bond, increasing the share capital by no more than EUR 60,000.00. At the end of the fiscal period, EUR 5,842.80 of this authorization was unused. The authorization is effective until the next Annual General Meeting, expiring on 30 June 2008 at the latest.

Authorization by the Annual General Meeting on 22 March 2007 to acquire and convey a maximum of 742,370 of the company's shares. The authorization was unused at the end of the fiscal period. The authorization is effective until the next Annual General Meeting, expiring on 30 June 2008 at the latest.

Board of Directors' Dividend Payment Proposal to the Annual General Meeting

The parent company's profit for the financial period was EUR 1,956,135.43, and disposable funds on 31 December 2007 were EUR 12,321,411.74.

The Board proposes that the distributable funds be used, in accordance with the dividend policy specified on 16 November 2007, to pay a dividend of EUR 0.18 per share.

The Board proposes that the dividend be paid on shares entered in the shareholders' register kept by the Finnish Central Securities Depository on the balancing date, 8 April 2008. The Board proposes that the dividend be paid on 16 April 2008.

In Helsinki on 12 February 2008

Tero Laaksonen
Chairman

Matti Makkonen

Matti Järvinen

Seppo Jaatinen

Eero Hurme

Esko Siik

Auditors' Report

To the shareholders of Ixonos Plc

We have audited the accounting records, the report of the Board of Directors, the financial statements and the administration of Ixonos Plc for the period 1.1. – 31.12.2007. The Board of Directors and the Managing Director have prepared the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU, as well as the report of the Board of Directors and the parent company's financial statements, prepared in accordance with prevailing regulations in Finland, containing the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, as well as on the report of the Board of Directors, the parent company's financial statements and the administration.

We conducted our audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the report of the Board of Directors and the financial statements are free of material misstatement. The purpose of our audit of the administration is to examine whether the members of the Board of Directors and the Managing Director of the parent company have complied with the rules of the Companies' Act.

Consolidated financial statements

In our opinion the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as

adopted by the EU, give a true and fair view, as defined in those standards and in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position.

Parent company's financial statements, report of the Board of Directors and administration

In our opinion the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The parent company's financial statements give a true and fair view of the parent company's result of operations and of the financial position.

In our opinion the report of the Board of Directors has been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The report of the Board of Directors is consistent with the consolidated financial statements and the parent company's financial statements and gives a true and fair view, as defined in the Finnish Accounting Act, of the result of operation and of the financial position.

The consolidated financial statements and the parent company's financial statements can be adopted and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the disposal of distributable funds is in compliance with the Companies' Act.

In Helsinki on 13 March 2008

PricewaterhouseCoopers Oy
Authorised Public Accountants

Heikki Lassila
Authorised Public Accountant

Information for Investors

General Meeting

Ixonos' Ordinary General Meeting will be held on 3 April 2008 at 5.00 pm.

Dividend policy

In accordance with the dividend policy particularized in November 2007 by the Board of Directors, Ixonos endeavours to distribute half of its net profit for a financial period, when allowed by the demands of growth and investment.

This specification has been considered necessary as Ixonos, in line with its strategy, is geared towards highly refined services, which have required investments in an extended skills base, in service development, and in internationalization. The clarification brings the dividend policy into accord with the company's strategic targets of growth and development, while continuing Ixonos' investor-friendly dividend policy.

Dividend

The Board of Directors proposes that for the fiscal year 2007, a dividend of EUR 0.18 (2006: 0.27) per share will be paid. The dividend will be paid on shares that are listed in the company's shareholder register, kept by the Finnish Central Securities Depository, on the balancing date, 8 April 2008. The Board proposes that the dividend be paid on 16 April 2008.

Trading symbol

The Ixonos Plc share is listed on the OMX Nordic Market in Helsinki (sector "Information technology", market cap "Small cap"). The trading symbol is XNS1V.

Additional information

Please find additional information on the company's share and shareholders on pages 49–50, on share-based incentive plans on page 51, and on the share and options ownership of the Board and the management on pages 28 and 29.

Investor relations

Principles of investor relations

The objective of Ixonos Plc's investor relations is to enable reliable evaluation of the company's share. With its communications, the company strives to give reliable, sufficient and well-timed information on the Group's business operations, financial situation and future outlook, so that all market parties simultaneously have access to the same information for evaluating the company as an investment object.

Financial reporting in 2008

Interim reports for 2008 will be published as follows:

- interim report 1–3/2008, Tuesday 29 April 2008
- interim report 1–6/2008, Wednesday 13 August 2008
- interim report 1–9/2008, Wednesday 29 October 2008

The annual and interim reports, as well as all stock exchange releases and announcements, are published in Finnish and English. They are available in the Investors section of the company's web site, www.ixonos.com, in PDF format.

Ordering reports

Printed copies of the annual report, interim reports, and stock exchange releases can be ordered on the company's website at www.ixonos.com/en/investors.

"Closed window" period

Ixonos Plc observes a 14-day silent period before publishing financial results. During the closed window period, the company does not comment on the quarter to be reported, or on the outlook for the current quarter. Neither does the company meet with analysts or investors, or attend events related to the capital market.

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Investor services on the Internet

Information for investors can be found on the Ixonos website under: www.ixonos.com/en/investors

In addition to the information published in the annual report, the investor pages feature trading information (delayed 15 minutes) with closing price trend as well as search functions. Other services include an investment calculator, and an analysis tool for reviewing the company's financial information on a quarterly or yearly basis.

Brokerage companies following Ixonos Plc

eQ Bank Ltd
Glitnir Bank
Danske Markets Equities
Pohjola Bank plc

The contact information for the analysts of the above brokerage companies can be found on the Ixonos website, under Investors.

Most important releases in 2007

30.11.2007	Ixonos Plc has published a prospectus
30.11.2007	Share subscription through a directed share issue, and increase of share capital
21.11.2007	Payment of acquisition price for the share capital of Ixonos Ulkoistuspalvelut Oy (former Cidercone Life Cycle Solutions Oy) – A directed share issue
20.11.2007	Share subscription with option rights and increase in share capital
16.11.2007	Ixonos specifies its dividend policy
24.10.2007	Ixonos Plc interim report 1 January – 30 September 2007
04.09.2007	Ixonos acquires Cidercone Life Cycle Solutions
23.08.2007	Ixonos sets up a new office in Germany
01.08.2007	Ixonos Plc interim report 1 January – 30 June 2007
29.06.2007	Share subscription through a directed share issue and with warrants, as well as increase of share capital
20.06.2007	Share subscription with option rights and increase in share capital
20.06.2007	Payment of acquisition price for the share capital of Mermit Business Applications Oy – a directed share issue
22.05.2007	Share subscription through a directed share issue and with warrants, as well as increase of share capital
09.05.2007	Ixonos acquires Mermit Business Applications
08.05.2007	Payment of first additional acquisition price instalment for the share capital of Service 4 Mobile Oy – a directed share issue
26.04.2007	Capital Market Day
25.04.2007	Ixonos Plc interim report 1 January – 31 March 2007
23.03.2007	Annual report for 2006 published
23.03.2007	The decisions of the Ordinary General Meeting
12.03.2007	Ixonos adjusts forecast
06.03.2007	Ixonos opens office in Slovakia
02.03.2007	Invitation to the Ordinary General Meeting on 22 March 2007
28.02.2007	Ixonos adds to its management team
12.02.2007	Change of business name and company and trading codes
07.02.2007	Correction to the financial statement bulletin for 2006
07.02.2007	Financial statement bulletin for the period 1 January 2006 – 31 December 2006
26.01.2007	Decisions of the Extraordinary General Meeting 25 January 2007
05.01.2007	Invitation to Extraordinary General Meeting

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