TRAINERS' HOUSE GROUP'S INTERIM REPORT FOR 1 JANUARY – 31 MARCH 2014

January – March 2014 in brief (the figures are figures for the company's continuing operations)

- Net sales amounted to EUR 2.2 million (EUR 2.9 million).
- Operating profit (EBIT) before non-recurring items was EUR -0.2 million (EUR 0.2 million), or -8.2% of net sales (5.7%).
- Based on the results of impairment testing, the goodwill values were lower than the book value, resulting in a goodwill write-off in the amount of EUR 1.6 million.
- Operating profit was EUR -1.8 million (EUR 0.04 million), or -84.5% of net sales (1.4%).
- Cash flow from operating activities was EUR -0.3 million (EUR 1.1 million).
- Earnings per share were EUR -0.03 (EUR 0.00).

Key figures at the end of the first quarter of 2014

- Liquid assets totalled EUR 2.0 million (EUR 2.6 million).
- Interest-bearing liabilities amounted to EUR 7.4 million (EUR 5.2 million), and interest-bearing net debt totalled EUR 5.4 million (EUR 2.6 million).
- Net gearing was 92.0% (15.6%).
- Equity-to-assets ratio was 34.4% (62.1%).

OUTLOOK FOR 2014

Long-term visibility remains limited due to the general economic situation. The company estimates that the net sales for 2014 will be lower than the 2013 level. The company has previously estimated that the net sales for 2014 will be slightly lower than the 2013 level.

The company further estimates that operating profit before non-recurring items will be lower year-on-year.

REPORT OF ARTO HEIMONEN, CEO

During the first quarter, the company's orders did not develop as expected, causing the company's forecast of its net sales to decrease in comparison to the previous year's level. The company's business environment is expected to remain challenging. The decrease in net sales despite cost savings will have a negative impact on the company's operating profit.

The company will focus on developing the Pulssi management system and the trainee programme. Based on customer results, the company has started discussions with some pilot customers about switching to results-based invoicing. The decision is based on the practical impact of management system Pulssi on customers' results. In addition, the company has developed new productisation for small and medium-sized enterprises, which will be piloted during the second quarter.

For more information, please contact:

Arto Heimonen, CEO, tel. +358 40 412 3456
Mirkka Vikström, CFO, tel. +358 50 376 1115

REVIEW OF OPERATIONS

During the final quarter of 2013, the company concluded a comprehensive arrangement that significantly supports the company's financial position. Implementation of the arrangement was continued during the review period as regards hybrid bonds and subordinated loans in the manner described in more detail under the financial section.

The company is continuing with measures and negotiations concerning a better solution for the company's office facilities.

During the period, the company has continued to invest in developing a product and service model that provides quantifiable results to customers. Key elements of this are Vaikutuskartta and Pulssi, a change management system. Vaikutuskartta is used to clarify the goals of the customer company, to agree on operative indicators, as well as to crystallise repeated weekly activities through which the goals are achieved. Pulssi is used to measure and monitor change in the critical activities and results.

The change projects executed by Trainers' House are usually connected with clarifying our customers' business strategies; marketing the strategies; and implementing them by spurring sales, by enhancing customer service (for example, through service design), and by developing the work of leaders and supervisors along with the skills of their subordinates. Managing work capacity through physical and mental coaching holds an important role in an increasing number of customer projects.

FINANCIAL PERFORMANCE

Net sales development during the review period was weaker than in the first quarter of 2013. As expected, the company's operating profit before non-recurring items showed a loss due to the weak sales performance in the second half of last year. Due to the write-down of goodwill, operating profit before non-recurring items was clearly weaker than in the corresponding period in the previous year.

Net sales from continuing operations during the period under review came to EUR 2.2 million (EUR 2.9 million). Operating profit (EBIT) from continuing operations before non-recurring items was EUR -0.2 million, or -8.2% of net sales (EUR 0.2 million, or 5.7%). Profit for the period was EUR -1.9 million, or -87.6% of net sales (EUR 0.03 million, or 1.1%).

Result

The comparative figures used for reporting on operating profit include the operating profit reported as well as operating profit before non-recurring items (i.e., operating profit, EBIT). According to the company's management, these figures provide a more accurate view of company productivity.

The following table itemises the Group's key figures (in thousands of euros unless otherwise noted:

	1-3/2014	1-3/2013
Net sales	2,154	2,945
Expenses:		
Personnel-related expenses	-1,320	-1,576
Other expenses	-971	-1,132
EBITDA	-137	237
Depreciation of non-current assets	-40	-70
Operating profit before non-recurring items	-177	167
Non-recurring items *)	-1,643	-125
EBIT	-1,820	42
% of net sales	-84.5	1.4
Financial income and expenses	-66	1
Profit/loss before tax	-1,886	43
Tax **)	0	-11
Profit/loss for the period	-1,886	32
% of net sales	-87.6	1.1

*) Non-recurring items in 2014 include a write-down in the Group's goodwill in the amount of EUR 1.6 million. Non-recurring items in 2013 include a restructuring provision in the amount of EUR 0.1 million.

**) The tax included in the income statement is deferred. Taxes recognised in the income statement have no effect on cash flow. On 31 March 2014, the company's balance sheet included deferred tax assets from losses carried forward in the amount of EUR 0.4 million. The deferred tax assets will expire during 2019-2021.

The following table itemises distribution of net sales from continuing operations and shows the quarterly profit/loss from the start of 2013 (in thousands of euros).

	Q113	Q213	Q313	Q413	Q114
Net sales	2945	2582	1800	2793	2154
Operating profit before non-recurring items *)	167	56	-153	430	-177
Operating profit	42	-4465	-153	430	-1820

LONG-TERM OBJECTIVES

The company's long-term objective is profitable growth.

FINANCING, INVESTMENTS AND SOLVENCY

In connection with the merger of Trainers’ House Oy and Satama Interactive Plc, the company concluded a loan agreement in the amount of EUR 40 million. At the end of the reporting period, the company had loans related to this loan agreement negotiated at the end of 2013 in the amount of EUR 2.5 million.

The company will issue a new, low-interest subordinated loan of approximately EUR 1.2- EUR 1.5 million during 2013 and 2014. The significant shareholders and key personnel of the company are committed to subscribing for the loan. The interest rate of the subordinated loan is 3.0% until 31 December 2016. The interest is capitalised at the end of each year. As of 1 January 2017, a 5.0% cash rate will be payable within the boundaries of distributable assets. The subordinated loan will mature on 31.12.2018. At the end of the first quarter of the financial year, EUR 0.7 million of the loan had been subscribed.

Hybrid bond

On 15 January 2010, Trainers' House Plc issued domestic hybrid bond in the amount of EUR 5.0 million. Interest of EUR 1.0 million related to the hybrid bond was recognised in shareholders' equity.

According to the terms of the hybrid bond, the company has the right to decide, subject to certain limitations specified in the terms, either to pay the interest on the hybrid bond annually or to postpone these payments. Interest in the amount of EUR 0.5 million has been paid to the subscribers on 21 January 2011 and EUR 0.5 million on 20 January 2012. The interest paid reduces the non-restricted equity and is not recognised as income.

In accordance with its stock exchange release dated 17 December 2012, Trainers’ House has decided to defer interest payments on the hybrid loan for the time being. The purpose of the deferment of interest payments is to strengthen the company's financial position and to ensure that the company fulfils the terms of its loan agreement. According to the terms of the hybrid bond, the company must pay the deferred interest and any interest accrued on it by the latest if, for example, the company pays dividends in excess of the minimum dividend stipulated in the Companies Act, or otherwise distributes equity to its shareholders.

In January 2014, the company has made an offer to the bearers of the hybrid bond in the amount of EUR 5.0 million in which an opportunity was offered to convert the hybrid bond into a low-interest loan instrument with secondary priority compared with a senior loan and the key terms of which are same as the subordinated loan's terms. The company's financiers, representing a total of approximately EUR 4.1 million of the hybrid bond's capital, accepted the offer.

Cash flow and financing

Cash from operating activities before financial items totalled EUR -0.3 million in the reporting period (EUR 1.1 million) and cash flow after financial items was EUR -0.3 million (EUR 1.1 million).

Cash from investments totalled EUR -0.02 million during the period under review (EUR 0.02 million). Cash flow from financing came to EUR -0.3 million (EUR -0.1 million).

Total cash flow amounted to EUR -0.6 million (EUR 1.1 million).

On 31 March 2014, the Group’s liquid assets totalled EUR 2.0 million (EUR 2.6

million). The equity ratio was 34.4% (62.1%). Net gearing was 92.0% (15.6%). At the end of the reporting period, the Group had interest-bearing liabilities in the amount of EUR 7.4 million (EUR 5.2 million).

Financial risks

Interest rate risk is managed by covering some of the risk with hedging agreements. A bad-debt provision, which is booked on the basis of ageing and case-specific risk analyses, covers risks to accounts receivable.

Better loan terms were negotiated last year to improve a financial structure that was heavy in relation to the wide range of the company's previous business operations. Furthermore, the company will endeavour to find a better solution to lighten the remaining lease liabilities.

SHORT-TERM BUSINESS RISKS AND FACTORS OF UNCERTAINTY

Risks in the company’s operating environment have remained unchanged. On account of the project-based nature of the company’s operations, the order life cycle is short, which makes it more difficult to estimate future developments. Because of the overall economic situation, long-term trends remain unclear.

Short-term risks

The Group’s goodwill and deferred tax assets recognised in the balance sheet were re-tested for impairment at the end of the quarter. Based on the results of this impairment testing, the goodwill values were EUR 1.6 million lower than the book value, resulting in a goodwill write-off.

If the company’s profitability should fail to develop as predicted, or if external factors beyond the company’s control, such as interest rates, should change significantly, there is a risk that some of the Group’s goodwill may have to be written down. Such a write-down would not affect the company’s cash flow.

At the end of the period under review, Trainers’ House Plc’s balance sheet included deferred tax assets from losses carried forward in the amount of EUR 0.4 million. The deferred tax assets will expire during 2019-2021.

The company's new loan agreement, under which there were loans in an amount of EUR 2.5 million at the end of the reporting period, includes standard covenants including one concerning the ratio of net debt to EBITDA.

If the company’s profitability should fail to develop as expected, there is a risk that the company might not be able to fulfil the covenants, which would increase the company’s financial expenses.

Risks are discussed in more detail in the annual report and on the company’s website, at www.trainershouse.fi > Investors.

PERSONNEL

At the end of March 2014, the Group employed 81 (94) people.

DECISIONS REACHED AT THE ANNUAL GENERAL MEETING

The Annual General Meeting of Trainers' House Plc was held on 26 March 2014 in Espoo.

In accordance with the proposal of the Board of Directors, the Annual General Meeting decided that no dividend be paid for the financial year 2013.

In accordance with the proposal by the Board of Directors, the Annual General Meeting decided that the company's premium fund be decreased by EUR 4,037,620.81 to cover the parent company's losses. On 31 December 2013, before the offsetting of losses, the parent company's premium fund amounted to EUR 4,532,159.97. After the write-off the company's premium fund totals EUR 494,539.16.

The Annual General Meeting adopted the company's Financial Statements and discharged the CEO and the members of the Board of Directors from liability for the period 1 January to 31 December 2013.

It was confirmed that the Board of Directors shall consist of five (5) members. Aarne Aktan, Vesa Honkanen, Jarmo Hyökyvaara and Jari Sarasvuo were re-elected as members of the Board of Directors. Marjaana Toiminen was elected a new member of the Board. In its assembly meeting held after the AGM, the Board of Directors elected Aarne Aktan as the Chairman of the Board. The Annual General Meeting decided that the members of the Board be entitled to a monthly emolument of EUR 1,500 and Chairman of the Board to a monthly emolument of EUR 3,500.

Authorised Public Accountants Ernst & Young Oy were elected as the company's auditors. Auditor's fees are paid on the basis of a reasonable invoice.

It was decided to authorise the Board of Directors to decide on a share issue, on transfer of own shares and on the granting of special rights entitling to shares. The number of shares to be granted or transferred on the basis of the authorisation may not exceed 13,000,000 shares. A share issue, transfer of own shares and the granting of other special rights entitling to shares may take place in deviation of the shareholders' pre-emptive subscription rights. This authorization overrides previous authorizations concerning share issue, transfer of own shares and granting of other special rights entitling to shares. The authorization shall remain in force until 30 June 2017.

SHARES AND SHARE CAPITAL

The shares of Trainers' House Plc are listed on NASDAQ OMX Helsinki Ltd under the symbol TRH1V.

At the end of the period reviewed, Trainers' House Plc had issued 68,016,704 shares and the company's registered share capital amounted to EUR 880,743.59. No changes took place in the number of shares or share capital during the period under review.

Share performance and trading

In the period under review, 3.5 million shares in total, or 5.2% of the average number of all company shares (2.6 million shares, or 3.9%), were traded on the Helsinki stock exchange, for a value of EUR 0.2 million (EUR 0.3 million). The period’s highest share quotation was EUR 0.08 (EUR 0.11), the lowest EUR 0.05 (EUR 0.09) and the closing price EUR 0.05 (EUR 0.09). The weighted average price was EUR 0.07 (EUR 0.10). At the closing price on 31 March 2014, the company’s market capitalisation was EUR 3.4 million (EUR 6.1 million).

PERSONNEL OPTION PROGRAMMES

Trainers’ House Plc has three option programmes for its personnel, included in the personnel’s commitment and incentive scheme.

The Annual General Meeting held on 21 March 2012 decided to initiate an employee option programme for key employees in Trainers’ House and its subsidiaries. The number of option rights granted shall not exceed 5,000,000, and the option rights shall entitle their holders to subscribe for no more than 5,000,000 new shares or treasury shares in total. Of the warrants, 3,000,000 will be titled 2012A and 2,000,000 will be titled 2012B. The subscription price for the warrants is EUR 0.16. The subscription period for shares converted under the warrant 2012A is from 1 September 2013 to 31 December 2014 and for warrant 2012B from 1 September 2014 to 31 December 2015. The options have not yet been offered.

The company’s Board of Directors has decided on 5 August 2013 to adopt a new option programme under the authorization of the Annual General Meeting on 21 March 2012. The number of option rights granted shall not exceed 7,500,000, and the option rights shall entitle their holders to subscribe for no more than 7,500,000 new shares or treasury shares in total. 2,500,000 of the converted shares will be under the warrant 2013A and the subscription period for the converted shares is 1 January 2015 – 1 January 2018. 2,500,000 of the converted shares will be under the warrant 2013B and the subscription period for the converted shares is 1 January 2016 – 1 January 2018. 2,500,000 of the converted shares will be under the warrant 2013C and the subscription period for the converted shares is 1 January 2017 – 1 January 2018. The subscription price for each warrant is EUR 0.09. The total number of warrants granted to the personnel is 5.0 million. A total cost of EUR 0.03 million has been expensed for the 2014 financial year.

The company’s Board of Directors has decided on 18 December 2013 to adopt a new option programme under the authorization of the Annual General Meeting on 21 March 2012. The number of option rights granted shall not exceed 5,250,000, and the option rights shall entitle their holders to subscribe for no more than 5,250,000 new shares or treasury shares in total. The warrants are titled 2013D. The subscription period for shares converted under the warrant is from 1 January 2018 to 31 December 2018, and the subscription price for each warrant is EUR 0.06. The options have not yet been offered.

CONDENSED FINANCIAL STATEMENTS AND NOTES

The interim report was compiled in accordance with the IAS 34 standard. This interim report has been prepared in accordance with the IFRS standards and interpretations adopted in the EU, valid on 31 December 2013.

In producing this interim report, Trainers’ House has applied the same accounting principles for key figures as in its 2013 financial statements. The calculation of key figures is described on page 92 of the financial statements included in the Annual Report 2013.

The figures given in the interim report are unaudited.

INCOME STATEMENT, IFRS (kEUR)

	Group 01/01-31/03/14	Group 01/01-31/03/13	Group 01/01-31/12/13
CONTINUING OPERATIONS			
NET SALES	2,154	2,945	10,120
Other income from operations	127	177	785
Costs:			
Materials and services	-213	-323	-1,032
Personnel-related expenses	-1,320	-1,691	-5,615
Depreciation	-40	-70	-207
Impairment	-1,643		-4,521
Other operating expenses	-885	-996	-3,676
Operating profit/loss	-1,820	42	-4,147
Financial income and expenses	-66	1	-1,054
Profit/loss before tax	-1,886	43	-5,201
Tax *)	0	-11	432
PROFIT/LOSS FOR THE PERIOD	-1,886	32	-4,769
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-1,886	32	-4,769
Profit/loss attributable to:			
Owners of the parent company	-1,886	32	-4,769
Total comprehensive income attributable to:			
Owners of the parent company	-1,886	32	-4,769
Earnings per share, undiluted:			
EPS result for the period from continuing operations	-0.03	0.00	-0.07
EPS attributable to equity holders of the parent company	-0.03	0.00	-0.07
EPS result for the period	-0.03	0.00	-0.07

Diluted earnings per share are the same as undiluted earning per share.

*) The tax included in the income statement is deferred.

BALANCE SHEET IFRS (kEUR)

	Group 31/03/14	Group 31/03/13	Group 31/12/13
ASSET			
Non-current assets			
Property, plant and equipment	238	321	236
Goodwill	2,971	9,135	4,614
Other intangible assets	9,664	9,698	9,669
Other financial assets	4	202	4
Other receivables	27	1,475	42
Deferred tax receivables	381	371	380
Total non-current assets	13,285	21,202	14,946
Current assets			
Inventories	10	10	10
Accounts receivables and other receivables	1,689	2,760	1,791
Cash and cash equivalents	2,024	2,595	2,630
Total current assets	3,723	5,366	4,432
TOTAL ASSETS	17,008	26,568	19,377
SHAREHOLDERS’ EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent company			
Share capital	881	881	881
Premium fund	216	4,253	4,253
Distributable non-restricted equity fund	31,872	31,872	31,872
Other equity fund	900	4,962	
Retained earnings	-28,034	-25,398	-30,215
Total shareholders’ equity	5,835	16,571	6,791
Long-term liabilities			
Deferred tax liabilities	1,929	2,363	1,929
Other long-term liabilities	6,285	3,052	7,455
Accounts payable and other liabilities	2,960	4,582	3,202
Total liabilities	11,173	9,997	12,586
TOTAL SHAREHOLDERS’ EQUITY AND LIABILITIES	17,008	26,568	19,377

CASH FLOW STATEMENT, IFRS (kEUR)

	Group 01/01-31/03/14	Group 01/01-31/03/13	Group 01/01-31/12/13
Profit/loss for the period	-1,886	32	-4,769
Adjustments to profit/loss for the period	1,773	150	5,372
Change in working capital	-170	934	1,142
Financial items	-23	-1	-218
Cash flow from operations	-306	1,114	1,527
Investments in tangible and intangible assets	-37		-19
Divestment of business			472
Repayment of loan receivables	15	15	30
Sales from available-for-sale financial assets			770
Cash flow from investments	-22	15	1,253
Withdrawal of long-term loans	1		700
Repayment of long-term loans	-250		-2,225
Repayment of finance lease liabilities	-30	-55	-145
Cash flow from financing	-278	-55	-1,670
Change in cash and cash equivalents	-606	1,075	1,110
Opening balance of cash and cash equivalents	2,630	1,520	1,520
Closing balance of cash and cash equivalents	2,024	2,595	2,630

CHANGE IN SHAREHOLDERS' EQUITY (kEUR)
Equity attributable to equity holders of the parent company

A. Share capital
B. Premium fund
C. Distributable non-restricted equity
D. Other equity fund
E. Retained earnings
F. Total

	A.	B.	C.	D.	E.	F.
Equity 01/01/2013	881	5,077	31,872	4,962	-26,397	16,394
Re-measurement of deferred tax - change					145	145

in tax rate						
Adjusted equity 01/01/2013	881	5,077	31,872	4,962	-26,253	16,539
Other comprehensive income					32	32
Decrease of share premium fund to cover losses		-823			823	0
Equity 31/03/2013	881	4,253	31,872	4,962	-25,398	16,571
Equity 01/01/2014	881	4,253	31,872	0	-30,215	6,791
Other comprehensive income					-1,886	-1,886
Decrease of share premium fund to cover losses		-4,038			4,038	0
Sharebased payments					30	30
Hybrid bond transferred from non-current liabilities				900		900
Equity 31/03/2014	881	216	31,872	900	-28,034	5,835

RESTRUCTURING PROVISION (kEUR)	Group 01/01-31/03/14	Group 01/01-31/03/13	Group 01/01-31/12/13
Provisions 1 January	222	240	240
Provisions increased		125	125
Provisions used		-57	-143
Provisions 31 March/31 December	222	308	222

PERSONNEL	Group 01/01-31/03/14	Group 01/01-31/03/13	Group 01/01-31/12/13
Average number of personnel	81	101	93
Personnel at the end of the period	81	94	82

COMMITMENTS AND CONTINGENT LIABILITIES (kEUR)	Group 31/03/14	Group 31/03/13	Group 31/12/13
Collaterals and contingent liabilities given for own commitments	8,860	10,317	9,213

OTHER KEY FIGURES	Group 31/03/14	Group 31/03/13	Group 31/12/13
Equity-to-assets ratio (%)	34.4	62.1	35.4
Net gearing (%)	92.0	15.6	87.4
Shareholders' equity/share (eur)	0.09	0.24	0.10
Return on equity (%)	-60.1	-1.9	-41.1
Return on investment (%)	-34.4	0.3	-22.1

Return on equity and return on investment have been calculated for the previous 12 months.

Espoo, 24 April 2014

TRAINERS' HOUSE PLC

BOARD OF DIRECTORS

For more information, please contact:
Arto Heimonen, CEO, +358 40 412 3456
Mirkka Vikström, CFO, +358 50 376 1115

DISTRIBUTION
OMX Nordic Exchange, Helsinki
Key media
www.trainershouse.fi > Investors