TRAINERS' HOUSE GROUP'S INTERIM REPORT FOR 1 JANUARY – 30 SEPTEMBER 2014

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

- Net sales amounted to EUR 5.8 million (EUR 7.3 million).
- Operating profit (EBIT) before non-recurring items was EUR -0.8 million (EUR 0.1 million), or -13.0% of net sales (0.9%).
- Based on the results of impairment testing, the goodwill values were lower than the book value in March and in September, resulting in a goodwill write-off in the amount of EUR 2.7 million in total (EUR 4.5 million in June 2013).
- Operating profit was EUR -3.5 million (EUR -4.6 million), or -59.2 % of net sales (-62.5 %).
- Cash flow from operating activities was EUR -0.6 million (EUR 0.9 million).
- Earnings per share were EUR -0.05 (EUR -0.08).

July – September 2014 in brief (the figures are figures for the company's continuing operations)

- Net sales amounted to EUR 1.6 million (EUR 1.8 million).
- Operating profit (EBIT) before non-recurring items was EUR -0.3 million (EUR -0.2 million), or -20.7% of net sales (-8.5%).
- 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 1.1 million in September.
- Operating profit was EUR -1.4 million (EUR -0.2 million), or -88.2 % of net sales (-8.5 %).
- Cash flow from operating activities was EUR -0.4 million (EUR -0.3 million).
- Earnings per share were EUR -0.02 (EUR -0.00).

Key figures at the end of the third quarter of 2014

- Liquid assets totalled EUR 1.6 million (EUR 1.8 million).
- Interest-bearing liabilities amounted to EUR 7.2 million (EUR 4.1 million), and interest-bearing net debt totalled EUR 5.6 million (EUR 2.3 million).
- Gearing was 136.3% (21.5%).
- The equity ratio was 27.2% (56.2%).

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 below the 2013 level.

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

The company estimates that the operating profit will show a clear loss also in the fourth quarter.

REPORT OF ARTO HEIMONEN, CEO

The negative development of sales during the first half of the year is reflected in net sales, which are weaker than in the corresponding period in the previous year. The decrease in net sales will have a negative impact on the company's operating profit despite cost savings, and the operating profit is expected to show a clear loss also in the fourth quarter. The company will search for alternatives for measures to bring the operating profit to a sustainable level and to improve the company's financial position.

The company will continue to search for a solution as regards the company's office facilities, where the liabilities under the long-term rental agreement concluded in 2008 are heavy in relation to the company's current business operations. The identification of a possible solution would also strengthen the company's financial position and the profitability of operational business.

The company has continued to invest in the management system Pulssi and launched mobile applications on key platforms during the third quarter. Furthermore, the company is searching for entrepreneur partners in the key cities in Finland to expand its sales network.

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REVIEW OF OPERATIONS

During the reporting period, the company has continued with the development of 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 company has continued with measures to enhance the efficiency of operational business.

To adjust costs, the company continues with measures and negotiations to find a better solution as regards the company's office facilities.

The change projects implemented by Trainers' House are related to the clarification of clients' business strategies, strategy marketing and strategy execution by speeding up sales, improving customer service through service tailoring and by developing management, leadership and employee skills. Managing work capacity through physical and mental coaching holds an important role in an increasing number of customer projects.

FINANCIAL PERFORMANCE

Net sales development in the third quarter was weaker than in 2013 and operating profit before non-recurring items showed a loss.

Net sales from continuing operations during the period under review came to EUR 5.8 million (EUR 7.3 million). Operating profit (EBIT) from continuing operations before non-recurring items was EUR -0.8 million, or -13.0% of net sales (EUR 0.1 million, or 0.9 %) Result for the period was EUR -3.7 million, or -62.5% of net sales (EUR -5.6 million, or -75.8%).

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 itemizes the Group’s key figures (in thousands of euros unless otherwise noted:

	1-9/2014	1-9/2013
Net sales	5,845	7,327
Expenses:		
Personnel-related expenses	-3,861	-4,114
Other expenses	-2,630	-2,983
EBITDA	-646	231
Depreciation of non-current assets	-117	-161
Operating profit before non-recurring items	-762	69
Non-recurring items *)	-2,699	-4,646
EBIT	-3,461	-4,577
% of net sales	-59.2	-62.5
Financial income and expenses	-192	-977
Profit/loss before tax	-3,653	-5,553
Tax **)	1	1
Profit/loss for the period	-3,652	-5,552
% of net sales	-62.5	-75.8

*) Non-recurring items in 2014 include a write-down in the Group's goodwill in the amount of EUR 2.7 million. Non-recurring items in 2013 include a restructuring provision in the amount of EUR 0.1 million and a write-down in the Group's goodwill in the amount of EUR 4.5 million.

**) The tax included in the income statement is deferred. Taxes recognised in the income statement have no effect on cash flow. On 30 September 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 2019-2023.

The following table itemizes 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	Q214	Q314
Net sales	2945	2582	1800	2793	2154	2128	1563

Operating profit before non-recurring items *)	167	56	-153	430	-177	-262	-323
Operating profit	42	-4465	-153	430	-1820	-262	-1379

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 2.0 million.

The company issued a new, low-interest subordinated loan of approximately EUR 1.2 million during 2013 and 2014. 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 third quarter of the financial year, EUR 1.0 million of the loan had been subscribed.

Hybrid bond

On 15 January 2010, Trainers' House Plc issued a EUR 5.0 million domestic hybrid bond. 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 fulfil the terms of the 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 made an offer to the bearers of a hybrid bond 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 were same as a 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.

The company has agreed about the possibility to convert a maximum of EUR 2.0 million of the financial instruments' capital into subordinated loans in accordance with the Companies' Act. At the end of the third quarter, the conversation had been executed in full.

Cash flow and financing

Cash flow from operating activities before financial items totalled EUR -0.5 million (EUR 1.0 million), and after financial items EUR -0.6 million (EUR 0.9 million).

Cash from investments totalled EUR -0.0 million during the period under review (EUR 0.5 million). Cash flow from financing came to EUR -0.5 million (EUR -1.1 million).

Total cash flow amounted to EUR -1.1 million (EUR 0.3 million).

On 30 September 2014, the Group’s liquid assets totalled EUR 1.6 million (EUR 1.8 million). The equity ratio was 27.2% (56.2%). Net gearing was 136.3% (21.5%). At the end of the period under review, the company had EUR 7.2 million of interest-bearing debt (EUR 4.1 million).

Financial risks

Fulfilment of the company's liabilities under financial agreements requires a new solution being found as regards lease liabilities and improvement in the profitability of the company's operational business.

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.

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

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. Long-term visibility remains limited due to the general economic situation. The company's financial situation is critical and taking care of the company's liabilities under financial agreements requires improvement in the profitability of the company's operational business. The company will search for alternatives for measures to bring the operating profit to a sustainable level and to improve the company's financial position.

The write-down has no effect on operating profit or cash flow. After this write-down, the Group balance sheet has approximately EUR 1.9 million of goodwill. The goodwill values determined in the impairment testing at the end of the first quarter were EUR 1.6 million lower than the book value, resulting in a goodwill write-off in March.

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 2019-2023.

The company’s new loan agreement, under which there were loans in the amount of EUR 2.0 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 fails to improve, the covenants will not be fulfilled. Fulfilment of the company's liabilities under financial agreements requires a new solution being found as regards lease liabilities and improvement in the profitability of the company's operational business.

Risks are discussed in more detail on the company’s website at: www.trainershouse.fi > Investors.

PERSONNEL

At the end of September 2014, the Group employed 100 (86) 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 period 2013.

In accordance with the proposal of 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 on a monthly emolument for a Board member of EUR 1,500 and of EUR 3,500 for the Chairman of the Board.

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 under review, 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 share capital or number of shares during the period under review.

Share performance and trading

In the period under review, 13.3 million shares in total, or 19.5% of the average number of all company shares (13.2 million shares, or 19.4%), were traded on the Helsinki stock exchange, for a value of EUR 0.7 million (EUR 1.0 million). The period's highest share quotation was EUR 0.08 (EUR 0.11), the lowest EUR 0.03 (EUR 0.05) and the closing price EUR 0.04 (EUR 0.06). The weighted average price was EUR 0.05 (EUR 0.08). At the closing price on 30 September 2014, the company's market capitalization was EUR 2.7 million (EUR 4.1 million).

PERSONNEL OPTION PROGRAMMES

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

The company's Annual General Meeting held on 21 March 2012 decided to commence 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 2012A warrant is from 1 September 2013 to 31 December 2014, and for shares converted under the 2012B warrant 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 2014 – 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 0.1 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 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 of 2013.

The figures given in the interim report are unaudited.

INCOME STATEMENT, IFRS (kEUR)

	Group 01/07-30/09/14	Group 01/07-30/09/13	Group 01/01-30/09/14	Group 01/01-30/09/13	Group 01/01-31/12/13
CONTINUING OPERATIONS					
NET SALES	1,563	1,800	5,845	7,327	10,120
Other income from operations	192	190	467	546	785
Costs:					
Materials and services	-93	-145	-485	-743	-1,032
Personnel-related expenses	-1,102	-1,019	-3,861	-4,229	-5,615
Depreciation	-37	-45	-117	-161	-207
Impairment	-1,056		-2,699	-4,521	-4,521
Other operating expenses	-846	-933	-2,612	-2,795	-3,676

Operating profit/loss	-1,379	-153	-3,461	-4,577	-4,147
Financial income and expenses	-66	-33	-192	-977	-1,054
Profit/loss before tax	-1,445	-186	-3,653	-5,553	-5,201
Tax *)	0	0	1	1	432
PROFIT/LOSS FOR THE PERIOD	-1,445	-186	-3,652	-5,552	-4,769
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-1,445	-186	-3,652	-5,552	-4,769
Profit/loss attributable to:					
Owners of the parent company	-1,445	-186	-3,652	-5,552	-4,769
Total comprehensive income attributable to:					
Owners of the parent company	-1,445	-186	-3,652	-5,552	-4,769
Earnings per share:					
EPS result for the period from continuing operations	-0.02	-0.00	-0.05	-0.08	-0.07
EPS attributable to equity holders of the parent company	-0.02	-0.00	-0.05	-0.08	-0.07
EPS result for the period	-0.02	-0.00	-0.05	-0.08	-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 30/09/14	Group 30/09/13	Group 31/12/13
ASSET			
Non-current assets			
Property, plant and equipment	170	273	236
Goodwill	1,915	4,614	4,614
Other intangible assets	9,656	9,678	9,669
Other financial assets	4	773	4
Other receivables	12	42	42
Deferred tax receivables	382	383	380
Total non-current assets	12,138	15,763	14,946
Current assets			
Inventories	10	10	10
Accounts receivables and other receivables	1,508	1,798	1,791
Cash and cash equivalents	1,561	1,788	2,630
Total current assets	3,079	3,596	4,432

TOTAL ASSETS	15,217	19,360	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	-29,739	-30,982	-30,215
Total shareholders' equity	4,130	10,987	6,791
Long-term liabilities			
Deferred tax liabilities	1,929	2,363	1,929
Other long-term liabilities	6,135	2,011	7,455
Accounts payable and other liabilities	3,024	3,999	3,202
Total liabilities	11,087	8,373	12,586
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	15,217	19,360	19,377

CASH FLOW STATEMENT, IFRS (kEUR)

	Group 01/01-30/09/14	Group 01/01-30/09/13	Group 01/01-31/12/13
Profit/loss for the period	-3,652	-5,552	-4,769
Adjustments to profit/loss for the period	3,095	5,671	5,372
Change in working capital	56	891	1,142
Financial items	-70	-110	-218
Cash flow from operations	-572	900	1,527
Investments in tangible and intangible assets	-37	-19	-19
Divestment of business		472	472
Repayment of loan receivables	30	30	30
Sales from available-for-sale financial assets			770
Cash flow from investments	-6	483	1,253
Withdrawal of long-term loans	344		700
Repayment of long-term loans	-750	-1,000	-2,225
Repayment of finance lease	-85	-115	-145

liabilities			
Cash flow from financing	-491	-1,115	-1,670
Change in cash and cash equivalents	-1,070	268	1,110
Opening balance of cash and cash equivalents	2,630	1,520	1,520
Closing balance of cash and cash equivalents	1,561	1,788	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 in tax rate					145	145
Adjusted equity 01/01/2013	881	5,077	31,872	4,962	-26,253	16,539
Other comprehensive income					-5,552	-5,552
Decrease of share premium fund to cover losses		-823			823	0
Equity 30/09/2013	881	4,253	31,872	4,962	-30,982	10,987
Equity 01/01/2014	881	4,253	31,872	0	-30,215	6,791
Other comprehensive income					-3,652	-3,652
Decrease of share premium fund to cover losses		-4,038			4,038	0
Sharebased payments					91	91

Hybrid bond transferred from non-current liabilities				900		900
Equity 30/09/2014	881	216	31,872	900	-29,739	4,130

RESTRUCTURING PROVISION (kEUR)	Group 01/01-30/09/14	Group 01/01-30/09/13	Group 01/01-31/12/13
Provisions 1 January	222	240	240
Provisions increased		125	125
Provisions used		-125	-143
Provisions 30 September/ 31 December	222	240	222

PERSONNEL	Group 01/01-30/09/14	Group 01/01-30/09/13	Group 01/01-31/12/13
Average number of personnel	87	96	93
Personnel at the end of the period	100	86	82

COMMITMENTS AND CONTINGENT LIABILITIES (kEUR)	Group 30/09/14	Group 30/09/13	Group 31/12/13
Collaterals and contingent liabilities given for own commitments	8,199	9,708	9,213

OTHER KEY FIGURES	Group 30/09/14	Group 30/09/13	Group 31/12/13
Equity-to-assets ratio (%)	27.2	56.2	35.4
Net gearing (%)	136.3	21.5	87.4
Shareholders’ equity/share (eur)	0.06	0.16	0.10
Return on equity (%)	-38.3	-40.2	-41.1
Return on investment (%)	-22.9	-22.0	-22.1

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

Espoo 22 October 2014

TRAINERS’ HOUSE PLC

BOARD OF DIRECTORS

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