Interim Report for the period January 1 – September 30, 2014

TURNOVER GROWTH AND SIGNIFICANTLY IMPROVED RESULT IN Q3

Q3 2014 in brief (last year's reference figures inside brackets):

- Turnover was EUR 6.4 million (2013: 5.5 million) a change of 16.2 per cent.
- Earnings before interest, taxes, depreciation and amortization (EBITDA) were EUR -0.1 million, -1.1 per cent of turnover, (2013: EUR -5.8 million, -105.9 per cent of turnover).
- Operating profit was EUR -0.6 million, (2013: EUR -8.1 million), -9.6 per cent of turnover
- Net profit was EUR -0.6 million (2013: EUR -6.8 million), -9.2 per cent of turnover.
- Earnings per share were EUR -0.01 (2013: EUR -0.20).

In turnover EUR 2.3 million write-off and EUR 1.5 million loss provision and EUR 1.6 million goodwill impairment due to changes in calculation mechanism burdened year 2013 reference figures.

Review period in brief (last year's reference figures inside brackets):

- Turnover for the financial period was EUR 18.1 million (2013: EUR 26.4 million), a change of -31.5 per cent.
- Earnings before interest, taxes, depreciation and amortization (EBITDA) were EUR -3.8 million, -21.2 per cent of turnover, (2013: EUR -7.1 million, -27.0 per cent of turnover).
- Operating profit was EUR -5.6 million, -31.0 per cent of turnover (2013: EUR -10.9 million, -41.2 per cent of turnover).
- Net profit was EUR -5.5 million, −30.3 per cent of turnover (2013: EUR -9.4 million, -35.7 per cent of turnover),
- Earnings per share were EUR -0.06 (2013: EUR -0.28).
- Net cash flow from operating activities was EUR -6.1 million (2013: EUR -6,7million).
- Directed share issues and a convertible bond strengthened the financial position and balance sheet during the first half of the year, as well as a short term loan in September.
- Ixonos got two new significant owners during the first half of the year

Future prospects in brief

The company updates its future outlook as follows:

The company estimates 2014 revenue to be in the range of EUR 24-26 million and that EBITDA for the full year will be negative.

For the second half of the year EBITDA is expected to be positive.

Esa Harju, President and CEO:

“We are pleased that we have been able to improve our quarterly revenue intake and profitability, both sequently and year-on-year. Our turnover grew particularly outside Finland, and we are focusing our operations geographically towards our key markets Finland, the USA and the UK, in line with our strategy.

During this year we have been able to grow our revenue levels, and to close many important new customer contracts. In parallel our cost structure has been significantly reduced, which has helped us to improve our profitability. The necessary preconditions for profitable operations have now been established.

Despite the positive achievements during the year, our visibility to the near-term business levels remains challenging. Our customer contracts are typically relatively short-term in duration, and especially the Finnish market remains slow and unpredictable, with cautiousness delaying business decisions in many cases. Due to this our view for Q4 has slightly weakened and therefore we are adjusting our personnel costs with temporary measures for the upcoming months, in line with the expected market demand.

We will continue to focus our operations geographically towards our key markets. In these markets we ensure our strong local presence with our Sales, Design Studios and key technical architects. We have already consolidated our software development mainly to Finland.

We will continue to implement our strategy as a consultative end-to-end supplier of digital solutions, with strong emphasis on unique user experience. We believe that the positive trend in our business continues despite the market uncertainty."

OPERATIONS

Ixonos is a design-led technology company that provides creative digital solutions and services for customer companies in selected target industries. We help our customer companies embrace digitalisation, Internet and mobility for productivity and unique user experiences for competitive advantage. Our primary geographical markets are Finland, the US and the UK, where our Design Studios are located. The software development is primarily located in Finland.

Our core strength and unique differentiator is our ability to combine our world-class design capability with strong technical implementation skills, hence offering total end-to-end solutions that deliver strategic value to our customers.

Ixonos' design services cover digital, mobile, web design as well as service and industrial design. These holistic design services consist of design strategy, design and user research, design innovation and workshops, visual and interaction design, and prototyping for various connected devices and services and ranging to complete cross-platform design.

We excel in creative software development, both in embedded SW as well as in online SW. We utilise open standard technologies (e.g. Linux, Android, iOS, Windows). We combine the SW development capabilities with our world-leading technology knowledge and our deep understanding of user interface design and usability and excellent project management capabilities. This enables us to provide solutions for our customers with quality and agility. Our technology competences cover e.g. wireless connectivity, RF, audio, imaging and video technologies.

Our primary business areas are:

- **Industrial Internet**: Providing embedded and creative digital solutions for the Industrial Internet. We help industrial companies to transform from proprietary technologies into standard open source technologies enabling increased productivity and value for their customers. We provide digital innovations that help them in their transformation to new digitally connected service business. Our clientele in this segment consists of companies such as Kone, Outotec, Cargotec, Kemppi and Metso.

- **Media**: Helping TV broadcasters, studios, production companies and operators to offer increasingly interactive and personalised viewing experiences, as well as new business models, through innovations such as Ixonos TV Compass™ 2nd screen solution. Our clientele in this segment consists of companies such as Al-Jazeera, Discovery and MBC Group.

- **Retail & brands**: Helping consumer-facing retail and service brands to embrace Internet-based digital and mobile solutions for excelling in omni-channel retailing, customer experience, productivity and service innovation. Our clientele in this segment consists of companies such as Stockmann and Viking Line.

- **Cloud Solutions**: Providing secure and robust cloud and managed hosting services with Ixonos Elastic Cloud™ solution. Ixonos virtual private cloud has been designed for demanding enterprise use. It combines the security of a private cloud with the scalability of the public clouds. Information is secured and stored in our machine rooms in Finland. Ixonos Elastic Cloud™ is also used as an operating platform for several end-to-end solutions. Our clientele in this segment consists of companies such as Microsoft, Fonecta and eZ Systems.

- **Smart Devices & Platforms**, where our customers include HP and Samsung.

We continue to serve our customers also in other market segments, including:

- Automotive and Transportation, where our customers include Marcopolo, VW and Honda.
- Finnish Public Sector, where our customers include Finland's Ministry of Finance, Finland's Ministry of Social Affairs and Health as well as Tiera.
- Defence & Security, where our customers include Cassidian and Savox Communications.

TURNOVER AND FINANCIAL RESULT

Turnover in the third quarter was EUR 6.4 million (2013: EUR 5.5 million), 16.2 per cent more than in the previous year.

Consolidated turnover for the review period was EUR 18.1 million (2013: EUR 24.6 million), which is 31.5 per cent less than in the previous year.

During the review period, no single customer generated a dominating share of the turnover, or exceeded more than one fourth of the total turnover.

The turnover growth during the second half of the year comes mainly from USA and UK.

Operating profit for the third quarter was EUR -0.6 million (2013: EUR -8.1 million) and profit before tax was EUR -0.8 million (2013: EUR −8.3 million). Profit for the third quarter was EUR -0.6 million (2013: EUR −6.8 million). Third quarter earnings per share were EUR -0.01 (2013: EUR −0.20). Cash flow from operating activities per share in the third quarter was EUR -0.01 (2013: EUR -0.06).

The company's consolidated operating profit for the review period was EUR -5.6 million (2013: EUR -10.9 million) and profit before tax was EUR -6.3 million (2013: EUR -11.5 million). Profit for the period was EUR -5.5 million (2013: EUR -9.4 million). Earnings per share was EUR -0.6 (2013: EUR -0.28). Cash flow per share from operating activities was EUR 0.03 (2013: EUR -1.0).

The relative improvement of the financial results are due to both turnover growth and adjusting costs to the volume. The company has concentrated its software development primarily to Finland.

RETURN ON CAPITAL

Consolidated return on equity (ROE) during the review period was -465.3 per cent (2013: -196.4 per cent) and return on investment (ROI) was -49.8 per cent (2013: -81.2 per cent).

INVESTMENTS

During the third quarter the investments where EUR 0.2 million (2013: EUR 0 million).

Investments during the review period totalled EUR 0.8 million (2013: EUR 0.4 million). Investments consisted mainly of capitalised R&D expenses. The most significant investments where done in the cloud business.

BALANCE SHEET AND FINANCING

The balance sheet total was EUR 25.3 million (2013: EUR 28.2 million). Shareholders’ equity was EUR 1.6 million (2013: EUR 2.1 million). The equity ratio was 6.2 per cent (2013: 7.5 per cent). The Group’s liquid assets at the end of the review period amounted to EUR 0.2 million (2013: EUR 0.5 million). Non-controlling interest of the equity was EUR 0.2 million (2013: EUR 0.2 million). The share issues executed during the review period are described in Shares and Share capital.

At the end of the review period, the balance sheet showed EUR 10.7 million (2013: EUR 11.9 million) in bank loans. This amount includes overdraft in use.

In the arrangement, the financiers party to the Company's main financing agreement accepted a period free of instalments of the loans until March 15, 2015 in such a way that the instalment falling due during the period free of instalments are transferred to the end of the term of the loan into one bullet repayment without otherwise extending the term of the loan. The Group announced these financing arrangements on March 7, 2014.

During the instalment free period the bank loans have covenants attached to them. These covenants are based on the Group's quarterly EBITDA levels. On September 30, 2014, the Group did not meet the terms of the covenants. However, the company has received releasing covenant statements from its financers. The company's non-current borrowings are therefore presented as current liabilities, in accordance with IFRS. Bank loans under the covenants were September 30, 2014 EUR 6.1 (2013: EUR 7.2 million).

The board of directors of Ixonos Plc has, by virtue of the authority granted by the general meeting on October 30, 2013, decided to direct a convertible capital loan with a capital of EUR 3.5 million and attached option rights or other special rights referred to in Chapter 10 Section 1(2) of the Finnish Limited Liability Companies Act (624/2006 as amended) to Turret Oy Ab for subscription in deviation from the pre-emptive subscription right of the shareholders of the Company. The Special Rights entitle Turret or the holder of the Special Rights to subscribe new shares of Ixonos in accordance with the terms and conditions concerning the Loan and the Special Rights.

The Loan and related Special Rights have been issued in order to strengthen the Company's position of liquid assets, self-sufficiency and working capital and to optimize the capital structure. Hence, there are weighty financial reasons for taking the Loan and granting the Special Rights. The Loan's issuing price and conversion price have been defined on market terms.

The main terms of the Terms and Conditions of the Loan and the Special Rights are the following:

- The amount of the Loan is EUR 3.5 million.
- A fixed annual interest of 6.75 per cent is paid on the principal of the Loan.
- The right of conversion attached to the Loan entitles to a maximum amount 21.875.000 of the Company's new shares.
- The rate of conversion is fixed at EUR 0.16, and it shall be revised as set out in the Terms and Conditions.
- The term of the Loan is March 7, 2014 – March 7, 2018.
- The Loan is a capital loan, described in Chapter 12 Section 1 of the Limited Liability Companies Act, the principal, interest and other reimbursement of which are subordinate to all other debts upon dissolving of the Company and bankruptcy of the Company.

The Loan and directing the attached Special Rights to Turret for subscription are related to the Company's plan, reported on October 8, 2013, to gather, in addition to the capital received from the share issue between November 19 and December 3, 2013, a maximum of EUR 3.5 million by issuing shares or option rights or other special rights entitling to shares, defined in Chapter 10 Section 1 in the Limited Liability Companies Act, in a share issue not based on the pre-emptive subscription right of shareholders.

Turret has subscribed the Loan and associated Special Rights on March 7, 2014 and the board of directors of the Company has accepted Turret's subscription. Turret has paid the Loan to the Company in full by setting off the principal of the Debts to Turret, amounting to altogether EUR 3.5 million.

The Group's board of directors also decided at the same time to conclude a loan agreement on long-term complementary financing in borrowed capital terms of EUR 1.0 million and given some of the Company's business mortgages as collateral. The maturity of the loan was changed in June 2014. On

September 30, 2014 EUR 0.25 million is long term and EUR 0.75 million is short term, interest bearing loan.

The Group has raised a short-term loan with Turret Oy, which is a related party to the company. The loan amount is EUR 1.3 million and the loan is as per the terms of the arrangement due in November 2014.

The Group sells most of its Finnish receivables to finance companies.

CASH FLOW

The Group's cash flow during the third quarter was EUR -1.3 million (2013 EUR -2.1 million).
As the financial situation remains challenging the Board and management are investigating financing options.

Consolidated cash flow from operating activities during the review period was EUR 6.1 million (2013: EUR -6.7 million). By September 30, 2014, the Group had sold EUR 1.5 million (2013: EUR 2.9 million) in accounts receivable during the reporting period to reduce their turnaround time.

GOODWILL

On September 30, 2014, the consolidated balance sheet included EUR 10.8 million in goodwill (2013: EUR 10.8 million).

The following parameters were used in the goodwill impairment testing:

- The review period of 4 years (same as Q4/2013 - Q1/2014).
- WACC discount rate 12 per cent (same as Q4/2013 - Q1/2014).
- 1 per cent growth estimate used for terminal value calculation (same as Q4/2013 - Q2/2014).

The company made an impairment test on September 30, 2014 confirming there is no need for a write-down. The present value of future cash flows exceeded the carrying value of assets by EUR 4.8 million.

PERSONNEL

The number of personnel during the third quarter averaged 277 (2013: 487).

The number of personnel averaged 337 (2013: 523) during the review period. At the end of the period, the company had 276 (2013: 481) employees. Staff decreased in Finland as well as abroad. At the end of the review period, the Group had 248 employees (2013: 351) in Finnish companies, while Group companies in other countries employed 28 (2013: 130). During review period the number of employees decreased by 166. The main changes were related to shutdowns of Ixonos Denmark Aps and Ixonos Slovakia s.r.o. during the first half of the year.

SHARES AND SHARE CAPITAL

Share turnover and price

Share related indicators have been adjusted by share issues and de-split in 2013. During the financial period, the share issue adjusted highest price of the company's share was EUR 0.16 (2013: EUR 0.68) and the lowest price was EUR 0.08 (2013: EUR 0.22). The closing price on September 30, 2014 was EUR 0.10 (2013: EUR 0.24). The weighted average time and de-split adjusted price was EUR 0.11 (2013: EUR 0.33). The number of shares traded during the review period was 35,204,000 (2013: 19,980,840), which corresponds to 33.1 per cent (2013: 39.7 per cent) of the total number of shares at the end of the review period. The number of shares has been affected by a rights issue in February 2013, a de-split in November 2013, a second rights issue in 2013 and the directed share issues decided on by the board on March 31, and April 30, 2014. According to the closing price September 30, 2014, the market value of the company's shares was EUR 10,950,294 (2013: EUR 8,457,391).

The company executed several directed share issues during the first half of the year. In March 15,255,177 shares were subscribed by Holdix Oy at a subscription price of EUR 0.12 per share amounting to a total of appr. EUR 1.83 million.

In May Holdix Oy and InfoSec Global (Schweiz) AG both subscribed 4 166 667 shares and in June Turret Oy Ab subscribed 6,866,666 shares. The subscription price was EUR 0.12 per share amounting to a total of appr. EUR 1.82 million. The shares issued in the share Issues in total are equivalent to approximately 40.15 per cent of all of the Company's shares and votes before the share issues and approximately 28.65 per cent in total of all of the Company's shares and votes after the share issues.

Share capital

At the beginning of the review period, the company's registered share capital was EUR 585,394.16 and the number of shares was 75,858,359. At the end of the review period, registered share capital was EUR 585,394.16 and the number of shares was 106,313,536.

The company has not paid any dividends or returned any equity during the review period.

Option plans 2011 and 2014

2011 plan
The plan is described in the Financial Statements for 2013. There have been no changes since then.

2014 plan
The plan is described in the Interim Report Q2/2014. There have been no changes since then.

Shareholders

On September 30, 2014, the company had 4,163 shareholders (2013: 3,445). Private persons owned 40.1 per cent (2013: 51.3 per cent) and institutions 52.8 per cent (2013: 48.7 per cent) of the shares. Foreign ownership was 1.8 per cent (2013: 8.4 per cent) of all shares.

Related-party transactions

In March the Group converted a total of EUR 3.5 million short-term loans into a long-term convertible loan and raised a EUR 1.0 million long-term interest bearing loan from Turret Oy Ab. The convertible loan has no collateral. As collateral for the loan of EUR 1.0 million the Group has put up corporate mortgage bonds.

In the share issue decided upon on April 30, 2014 Turret Oy Ab subscribed 6,866,666 shares at a price of EUR 0.12 per share totaling EUR 824 thousand. In conjunction with this transaction the payback plan of the EUR 1.0 million loan from Turret Oy Ab was changed so that the loan now in its entirety will be paid back by November 30, 2015.

In order to finance its increasing foreign sales, Ixonos has on September 20, 2014 agreed on a short-term, interest bearing loan with Turret Oy, which is a related party to the Group. The loan amount is EUR 1.3 million.

OTHER EVENTS DURING THE REPORTING PERIOD

Market events

Ixonos announced new customer references, including in-car digital content store for Honda, new generation digital media channel platform for Al Jazeera, and design and technology services for Forbidden Technologies.

Ixonos participated in many marketing events, as described at ixonos.com. In Finland we arranged again a seminar around Industrial Internet business opportunities for our customers and stakeholders.

In September we announced Windows Server support to Ixonos Cloud™ in addition to the existing selection of supported operating systems.

In our Blog pages we presented selected Design innovations from our Studios, as well as shared further examples of our customer solutions.

Financing arrangement in September 2014

Due to increasing foreign sales, Ixonos has agreed on a short-term loan with Turret Oy, which is a related party to the company. The loan amount is EUR 1.3 million.

Changes in the Management Team

During the review period the Group's Management team has been change, HR Director Satu Roininen left from the company on August 31, 2014.

EVENTS AFTER THE REPORTING PERIOD

Ixonos has started co-operational negotiations with its personnel in Finland. The negotiations concern the whole personnel in Finland.

The goal of the co-operational negotiations is to adjust the personnel costs through temporary measures in order to align them with the market demand. An additional goal is to enhance the efficiency of the company's operation.

It is estimated that the negotiations will result in temporary lay-offs for a maximum of 90 days for part of the personnel and in job terminations for a maximum of 9 persons.

RISK MANAGEMENT AND NEAR-FUTURE UNCERTAINTY FACTORS

Ixonos Plc's risk management aims to ensure undisturbed continuity and development of the company's operations, support attainment of the commercial targets set by the company and promote increasing company value. Details on the risk management organisation and process as well as on recognised risks are presented on the company's website at www.ixonos.com.

Changes in key customer accounts may have adverse effects on Ixonos' operations, earning power and financial position. Should a major customer switch its purchases from Ixonos to its competitors or make forceful changes to its own operating model, Ixonos would have limited ability to acquire, in the short term, new customer volume to compensate for such changes.

The group's turnover consists primarily of relatively short term customer contracts. Forecasting the starting dates and scope is from time to time challenging. At the same time the cost structure is fairly rigid. This may result in unexpected in fluctuation in turnover and profitability.

A significant part of the group's turnover is invoiced in foreign currency. Risks related to currency fluctuation are managed through different means.

Part of the company's business operations is based on fixed-price project deliveries. Fixed-price projects may include risks related to their duration and content. These risks are being managed by means of contract management as well as project management.

The company manages its need for working capital by creating, together with financiers, adequate buffers to ensure sufficient funds as well as by speeding up the circulation of working capital.

The company's balance sheet also includes a significant amount of goodwill, which may still be impaired should internal or external factors reduce the profit expectations of the company's cash flow. Goodwill is tested each quarter and, if necessary, at other times.

Deferred tax assets in company's balance sheet are subject to future profit expectations. There is risk of impairment related to deferred tax assets if the profit expectations are not materialized.

The company's financial agreements have covenants attached to them. A covenant breach may increase the company's financial expenses or lead to a call for swift partial or full repayment of non-equity loans. The main risks related to covenant breaches are associated with EBITDA fluctuation due to the market situation and with a potential need to increase the company's working capital through non-equity funding. The company manages these risks by negotiating with financiers and by maintaining readiness for various financing methods.

Although the company considers that it will be able to cover its need for working capital over the next twelve months through various means, there is no guarantee that the company will be able to ensure sufficient working capital under all circumstances. A shortage of working capital may have a substantial adverse effect on the company's operations, result and financial position.

LONG-TERM GOALS AND STRATEGY

In the long term, Ixonos aims to achieve an operating profit of at least 10 per cent. To reach its long-term goals, Ixonos focuses its strategy on deepening the company's product, solution and service operations as well as on new accounts in selected industries.

In accordance with its strategy, Ixonos continues to strengthen and expand its customer base by focusing on offering products, solutions and services in particular for industrial companies, media companies, retailers and brands, organisation IT and ISVs, and to other customers in Finland as well as internationally.

FUTURE PROSPECTS

The company updates its future outlook as follows:

The company estimates 2014 revenue to be in the range of EUR 24-26 million and that EBITDA for the full year will be negative.

For the second half of the year EBITDA is expected to be positive.

NEXT REPORT

The interim report for the period January 1 – December 31, 2014 will be published on Friday, February 27, 2015.

IXONOS PLC
Board of Directors

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Distribution:
NASDAQ OMX Helsinki
Main media

THE IXONOS GROUP

ABBREVIATED FINANCIAL STATEMENTS AND ACCOMPANYING NOTES January 1 – September 30, 2014

Accounting policies

This interim report has been prepared in accordance with IAS 34 (Interim Financial Reporting) and the accounting policies for the annual financial statement of December 31, 2013. The IFRS amendments and interpretations that entered into force on January 1, 2014 have not affected the consolidated Financial Statements.

Preparing interim reports in accordance with IFRS requires Ixonos' management to make estimates and assumptions that affect the amounts of assets and liabilities on the balance sheet date as well as the amounts of income and expenses for the financial period. In addition, judgement must be used in applying the accounting policies. As the estimates and assumptions are based on views prevailing at the time of releasing the interim report, they involve risks and uncertainty factors. Actual results may differ from estimates and assumptions.

The figures in the income statement and balance sheet are consolidated. The consolidated balance sheet includes all Group companies as well as Ixonos Management Invest Oy, a company owned by members of Ixonos' management.

As the figures in the report have been rounded, sums of individual figures may differ from the sums presented. The interim report is unaudited.

Going Concern

This interim report has been made according to the going concern principle taking into account the executed financial arrangements, the new strategic direction and financial estimations made for end of year 2014 and the year 2015. The estimations take into consideration probable or foreseeable changes in future expectations in revenues as well as costs.

There have been significant challenges as almost the whole customer base and the business have changed over the past 2-3 years. The profitability has been negative, even though the company has adopted its operations to meet significantly lower cost level and gained new customers. The executed cost savings and structural changes together with the new strategic focus have resulted in significantly improvements in profitability during 2014. The company is looking for growth particularly in the Unites States and in the United Kingdom, where the macro economics allow larger investments than in Finland.

The Group estimates that is has sufficient working capital for its operations for the next 12 months from the end of the financial reporting period, provided that that sufficient measures are taken to strengthen the balance sheet and financial forecasts materialize. The company will continue to take measures to strengthen its balance sheet and cash position and to streamline its costs and operational structures.

If the above measures do not occur as planned, this may result a shortage of working capital, premature payback of loans with covenants and difficulties to continue company's operations during the following 12 months.

Deferred tax assets

The Group has deferred tax assets EUR 5.6 million of which EUR 5.0 million arises from Finnish companies from two previous years. According to the current tax regulations in Finland, Ixonos has time to utilize tax assets up to 2023. The company views that it is going concern and it has sufficient possibilities with normal business assumptions to utilize the tax assets in the future.

The subsidiary in United Kingdom carries EUR 0.5 million deferred tax assets. The subsidiary was established in October 2011. The subsidiary in UK is part of Ixonos' new, design oriented strategy. The validity of deferred tax assets in UK has no time limit. Ixonos views that the subsidiary has probable possibilities to utilize tax assets during the time.

Activated R&D costs

Ixonos has activated research and development costs during 2014 primarily linked to the cloud business but also linked to it’s industrial internet activities. The activated costs are mainly personnel costs.

CONDENSED CONSOLIDATED INCOME STATEMENT, EUR 1.000

	1.1.–30.9.2014	**1.1.–30.9.2013**	**Change, per cent**	**1.1.–31.12.2013**
Turnover	18 063	26 388	-31,5	33 397
Operating expenses	-23 666	-35 660	-33,6	-45 197
OPERATING PROFIT BEFORE GOODWILL IMPAIRMENT	**-5 603**	**-9 271**	-39,6	**-11 799**
Goodwill impairment	0	-1 600	-100,0	-1 600
OPERATING PROFIT	**-5 603**	**-10 871**	-48,5	**-13 399**
Financial income and expenses	-740	-604	22,5	-890
Result before tax	-6 343	-11 475	-44,7	-14 289
Income tax	866	2 120	-59,2	1 854
RESULT FOR THE PERIOD	**-5 476**	**-9 356**	-41,4	**-12 435**
Attributable to:				
Equity holders of the parent	-5 466	-9 430	-42,0	-12 511
Non-controlling interests	-10	75	-113,3	75
Earnings per share				
undiluted, EUR	-0,06	-0,28	-78,6	-0,65
diluted, EUR	-0,06	-0,28	-78,6	-0,51

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, EUR 1.000

	1.1.–30.9.2014	**1.1.–30.9.2013**	**Change, per cent**	**1.1.–31.12.2013**
Result for the period	-5 476	-9 356	-41,5	-12 435
Other comprehensive income				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Change in translation difference	-148	6	-2 566,7	-5
COMPREHENSIVE INCOME FOR THE PERIOD	**-5 624**	**-9 350**	**-39,9**	**-12 441**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION, EUR 1.000

ASSETS	**30.9.2014**	**30.9.2013**	**31.12.2013**
NON-CURRENT ASSETS			
Goodwill	10 847	10 847	10 847
Other intangible assets	1 548	1 841	1 584
Property, plant and equipment	1 194	2 384	2 106
Deferred tax assets	5 574	4 780	4 517
Available-for-sale investments	3	14	14
TOTAL NON-CURRENT ASSETS	**19 165**	**19 866**	**19 069**
CURRENT ASSETS			
Trade and other receivables	5 952	7 804	6 278
Cash and cash equivalents	182	508	496
TOTAL CURRENT ASSETS	**6 135**	**8 312**	**6 774**
TOTAL ASSETS	**25 300**	**28 178**	**25 843**
EQUITY AND LIABILITIES	**30.9.2014**	**30.9.2013**	**31.12.2013**
SHAREHOLDERS' EQUITY			
Share capital	585	585	585
Share premium reserve	219	219	219
Invested non-restricted equity fund	32 358	24 157	28 794
Retained earnings	-26 367	-13 670	-13 664
Profit for the period	-5 466	-9 430	-12 511
Equity attributable to equity holders of the parent	**1 329**	**1 861**	**3 423**
Non-controlling interests	237	246	247
TOTAL SHAREHOLDERS' EQUITY	**1 566**	**2 108**	**3 670**
LIABILITIES			
Non-current liabilities	4 086	770	546
Current liabilities	19 647	25 300	21 626
TOTAL LIABILITIES	**23 734**	**26 070**	**22 173**
TOTAL EQUITY AND LIABILITIES	**25 300**	**28 178**	**25 843**

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY, EUR 1.000

A: Share capital
B: Share premium reserve
C: Share Issue
D: Invested non-restricted equity fund
E: Translation difference
F: Retained earnings
G: Total equity attributable to equity holders of the parent
H: Non-controlling interests
I: Total equity

	A	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**I**
Shareholders' equity at January 1, 2013	585	219	0	20 247	75	-13 810	7 317	172	7 489
Result for the period						-9 430	-9 430	75	-9 355
Other comprehensive income:									
Change in translation difference					6		6		6
Transactions with shareholders:									
Share issue				4 229			4 229		4 229
Expenses for equity procurement				-319			-319		-319
Share-based remuneration						59	59		59
Shareholders' equity at September 30, 2013	585	219	0	24 157	81	-23 181	1 861	246	2 108
Shareholders' equity at January 1, 2014	585	219	0	28 794	70	-26 246	3 423	247	3 670
Result for the period						-5 466	- 5 466	-10	-5 476
Other comprehensive income:									
Change in translation difference					-62	-86	-148		-148
Transactions with shareholders:									
Share issue				3 655			3 655		3 655
Expenses for equity procurement				-91			-91		-91
Share-based remuneration						-44	-44		-44
Shareholders' equity at September 30, 2014	**585**	**219**	**0**	**32 358**	**8**	**-31 842**	**1 329**	**237**	**1 566**

CONSOLIDATED CASH FLOW STATEMENT, EUR 1.000

	1.1.- 30.9.2014	**1.1.- 30.9.2013**	**1.1.- 31.12.2013**
Cash flow from operating activities			
Result for the period	-5 476	-9 356	-12 435
Adjustments to cash flow from operating activities			
Income tax	-866	-2 120	-1 854
Depreciation and impairment	1 778	3 750	4 385
Financial income and expenses	740	604	890
Other adjustments	200	-26	-78
Change in provisions	-67	-936	-979
Cash flow from operating activities before change in working capital	**-3 692**	**-8 083**	**-10 071**
Change in working capital	-1 803	1 781	782
Interest received	45	166	288
Interest paid	-697	-693	-1 004
Tax paid	0	140	326
Net cash flow from operating activities	**-6 146**	**-6 690**	**-9 680**
Cash flow from investing activities			
Investments in tangible and intangible assets	-807	-42	-461
Dividends received	0	0	0
Net cash flow from investing activities	**-807**	**-42**	**-461**
Net cash flow before financing	**-6 953**	**-6 732**	**-10 141**
Cash flow from financing activities			
Increase in long-term borrowings	4 500	0	0
Repayment of long-term borrowings	-964	-400	-800
Increase in short-term borrowings	3 506	4 500	5 500
Repayment of short-term borrowings	-3 875	-1241	-3 002
Proceeds from share issue	3 655	4 229	9 045
Expenses for equity procurement	-181	-319	-584
Net cash flow from financing activities	**6 640**	**6 769**	**10 160**
Change in cash and cash equivalents	-314	31	19
Liquid assets at the beginning of the period	496	477	477
Liquid assets at the end of the period	182	508	496

Notes

Goodwill impairment

Ixonos made impairment test for goodwill as at September 30, 2014. Impairment test showed surplus of EUR 4.8 million in discounted cash flow compared to tested amount and no impairment was recognized. The carrying amount of goodwill is EUR 10.8 million. The Company has one common Sales & Marketing function and common production and product development functions. These functions will serve all chosen customers. The company prepares its budgets and forecasts as one cash generating unit.

The impairment test of the Company is based on value in use. The forecasting period used in impairment testing as at September 30, 2014 included forecasted years Q4 2014 – Q3 2018. The impairment test is done by comparing the carrying value of assets to present value of future cash flow taking into consideration forecasted cash flows during the forecast period, discount factor and growth rate used in calculating terminal value. The discount factor used is 12 per cent p.a. and growth rate use in calculating terminal value is 1 per cent p.a. These are the same as used in goodwill impairment testing for year-end 2013 and in previous interim reports in 2014. The impairment test is the most sensitive to growth rate used when calculating the terminal value and discount factor. If the growth rate -5.2 per cent had been used instead of 1 per cent, the tested value would have been equal to the discounted cash flow. If the discount factor had been 16 per cent instead of 12 per cent, the tested value would have been equal to the discounted cash flow.

Loan covenants

The Company has agreed with its main financiers an instalment free period for the loans until March 15, 2015. These covenants are based on quarterly EBITDA levels. On September 30, 2014, the company did not meet the terms of the covenants. However, the company has received releasing covenant statements from its financiers.

Loans granted in 2012 by the company's financiers have covenants attached. Should the company not be within the limits of a covenant, the financiers are entitled to call in the loans to which that covenant applies. The covenant levels are adjusted semi-annually on a rolling twelve-month basis.

Depending on the point in time, the equity ratio must be at least 35 per cent. The ratio of interest-bearing liabilities (i.e. interest-bearing liabilities in the balance sheet, including leasing liabilities) to EBITDA may not exceed 2.5 on June 30, 2013 onward. The ratios of interest-bearing liabilities to EBITDA as well as the ratio of interest-bearing net liabilities to EBITDA are calculated based on IFRS principles.

The amount of those financing loans that included covenants had a capital of EUR 6.1 million on September 30, 2014 (September 30, 2013: EUR 7.4 million). On September 30, 2014 the company's equity ratio was 6.2 per cent (2013: 7.5 per cent) and the ratio of interest-bearing liabilities and the EBITDA was negative (2013: negative). Thus, the company does not fulfil the covenant terms on September 30, 2014 and the loans under covenant agreements are presented as short-term current liabilities. However, the company has received releasing covenant statements from its financiers for these base covenants until December 31, 2014.

Instalment scheme for borrowings under covenants

Period	Amount of instalment EUR 1.000
01.10. - 31.12.2014	0
01.01. - 31.12.2015	1,608
01.01. - 31.12.2016	1,621
01.01. - 31.12.2017	2,797
01.01. - 31.12.2018	54

CONSOLIDATED INCOME STATEMENT, QUARTERLY, EUR 1.000

	Q3/2014 1.7.–30.9.14	**Q2/2014** 1.4.–30.6.14	**Q1/2014** 1.1.–31.3.14	**Q4/2013** 1.10.-31.12.13	**Q3/2013** 1.7.-30.9.13
Turnover	6 362	5 646	6 055	7 009	5 477
Operating expenses	-5 749	-7 726	-8 965	-9 537	-11 972
OPERATING PROFIT BEFORE GOODWILL IMPAIRMENT	-613	-2 080	-2 910	-2 528	-6 494
Goodwill impairment	0	0	0	0	-1 600
OPERATING RESULT	-613	- 2 080	-2 910	-2 528	-8 094
Financial income and expenses	-223	-258	-259	-286	-248
Result before tax	-836	- 2 338	-3 165	-2 814	-8 343
Income tax	250	241	376	-266	1 550
RESULT FOR THE PERIOD	-586	-2 097	-2 790	-3 080	-6 793

CHANGES IN FIXED ASSETS, EUR 1.000

	Good-will	Intangible assets	Property, plant and equipment	Available-for-sale investments	Total
Carrying amount at January 1, 2013	12 447	2 646	3 410	19	18 522
Additions		61	295		356
Changes in exchange rates			-1		-1
Disposals and transfers			-37	-5	-42
Impairment	-1 600				-1 600
Depreciation for the period		-866	-1 284		-2 150
Carrying amount at September 30, 2013	10 847	1841	2 384	14	15 086
Carrying amount at January 1, 2014	10 847	1 585	2 106	14	14 552
Additions		802	72	1	875
Changes in exchange rates			7		7
Disposals and transfers		-3	-49		-52
Impairment				-12	-12
Depreciation for the period		-836	-942		-1 778
Carrying amount at September 30, 2014	**10 847**	**1 548**	**1 194**	**3**	**13 591**

FINANCIAL RATIOS

	1.1.–30.9.2014	1.1.–30.9.2013	1.1.–31.12.2013
Earnings per share, diluted, EUR	-0.06	- 0.28	-0.51
Earnings per share, EUR	-0.06	-0.28	-0.65
Equity per share, EUR	0.01	0.06	0.05
Operating cash flow per share, diluted, EUR	0.01	-0.20	-0.39
Operating cash flow per share, EUR	-0.06	-0.28	-0.51
Return on investment, per cent	-49.8	-84.2	-81.3
Return on equity, per cent	-465.3	-196.4	-224.2
Operating profit ⁄ turnover, per cent	-31.0	- 41.2	-40.1
Net gearing, per cent	1 079.6	605.6	375.1
Equity ratio, per cent	6.2	7.5	14.2
Equity ratio, per cent, excluding non-controlling interest	5.3	6.5	13.2
EBITDA, 1000 EUR	-3 829	-7 121	- 9 014

OTHER INFORMATION

	1.1.– 30.9.2014	1.1.– 30.9.2013	1.1.– 31.12.2013
PERSONNEL Employees, average	337	523	505
Employees, at the end of the period	276	481	442
COMMITMENTS, EUR 1,000			
Collateral for own commitments			
Corporate mortgages	23 300	22 300	23 300
Financial bonds *)	427	357	350
Leasing and other rental commitments			
Falling due within 1 year	2 097	2 661	2 092
Falling due within 1–5 years	3 426	4 163	3 128
Falling due after 5 years	0	0	0
Total	5 523	6 824	5 220
Nominal value of interest rate swap agreement			
Falling due within 1 year	0	0	0
Falling due within 1–5 years	4 941	5 270	4 941
Falling due after 5 years	0	0	0
Total	4 941	5 270	4 941
Fair value	-68	-47	-47

*) Financial bonds have previously been stated in other rental commitments

CALCULATION OF KEY FIGURES

EBITDA = Earnings before Interest, Taxes, Depreciation and Amortization

Diluted earnings per share = result for the period ⁄ number of shares, adjusted for issues and dilution, average

Earnings per share = result for the period ⁄ number of shares, adjusted for issues, average

Shareholders’ equity per share = shareholders’ equity ⁄ number of shares, undiluted, on the closing date

Cash flow from operating activities, per share, diluted = net cash flow from operating activities ⁄ number of shares, adjusted for issues and dilution, average

Return on investment (rolling 12 months) = (result before taxes + interest expenses + other financial expenses) ⁄ (balance sheet total − non-interest-bearing liabilities, average) × 100

Return on equity (rolling 12 months) = net result ⁄ shareholders’ equity, average × 100

Net gearing from total equity= (interest-bearing liabilities – liquid assets) / shareholders’ equity × 100