Interim report for the period January 1 - March 31, 2015

Q1 TURNOVER DECLINED, PROFITABILITY IMPROVED COMPARED TO LAST YEAR

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

- Turnover for the financial period was EUR 4.6 million (2014: EUR 6.1 million), a change of -24.3 per cent.
- Earnings before interest, taxes, depreciation and amortization (EBITDA) were EUR -1.6 million, -35.4 per cent of turnover, (2014: EUR -2.3 million, -38.2 percent of turnover). 2014 EBITDA for the reporting period was burdened by non-recurring items of EUR -0.4 million related to closedown of operations in Denmark and Slovakia.
- Operating profit was EUR -2.0 million (2014: EUR -2.9 million, -48.1 per cent of turnover), -43.1 per cent of turnover.
- Net profit was EUR -2.1 million (2014: EUR -2.8 million, -46.0 per cent of turnover), -45.7 per cent of turnover.
- Earnings per share were EUR -0.01 (2014: EUR -0.04).
- Net cash flow from operating activities was EUR -3.1 million (2014: EUR -1.7 million).
- The financing position and balance sheet were strengthened in February through EUR 5.8 million directed share issue. Financial loans were rearranged at the same time.
- Tremoko Oy Ab became the main owner of the company with more than 80 per cent of the shares

Future prospects in brief

The operating profit of the company before non-recurring items is expected to improve compared to 2014. The cash flow is expected to remain negative during the beginning of the year but improve in the second half of the year 2015.

Esa Harju, President and CEO:

The turnover of the first quarter declined compared to previous quarter. The main reasons for this were the lowered project volume from a significant US customer, a shift in the start of new projects in the UK and the challenging market situation in Finland. In the areas of industrial internet and cloud business we reached our target levels.

The adaption of the cost levels still made an improvement of profitability possible compared to last year. Our operations were however still lossmaking and we have during the spring continued adjusting our cost level to the expected turnover level in order to secure the improvement of the cash flow as the year progresses.

We made a significant financial arrangement in February through which we strengthened our balance sheet and lightened our debt burden. Our cash position remains challenging despite this arrangement. The management is taking determined measures towards growing the turnover and improving the profitability. We expect the turnover to revive from the level of the beginning of the year and our strategic direction remains unchanged.

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, new business models and unique user experiences for competitive advantage.

Our primary geographical markets are Finland, USA and Great Britain, where our Design Studios are located. The software development is primarily located in Finland, but we have technical knowhow in the customer interface in all target markets.

Our core strength and key 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. We call this Dream - Design - Deliver approach.

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.

As a technology company 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 our software development capabilities with our world-leading technology knowhow and our deep understanding of user interface design and usability, as well as professional 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 companies. We help industrial companies to transform from proprietary technologies into standard open source technologies enabling increased productivity and value for their customers. We provide also digital innovations that help our customers in their business model transformation towards 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.

- **Online consumer brands**: Helping consumer-facing retail and service brands to embrace Internet-based digital and mobile solutions for differentiation, customer experience, productivity and service innovation. Our clientele in this segment consists of companies such as Stockmann, Viking Line and ST1.

- **Cloud Solutions**: Providing secure and robust cloud and managed hosting services with Ixonos 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 Cloud™ is also used as a back-end platform for several end-to-end solutions. Our clientele in this segment consists of companies such as Microsoft, Fonecta and Veikkaus.

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

We continue to serve our customers also in several other market segments, including:
- Automotive and Transportation, where our customers include Honda, VW and MarcoPolo.
- Finnish Public Sector, where our customers include several ministries and municipilities, as well as Tiera.
- Defence & Security, where our customers include Airbus and Savox Communications.

Organisation

Our organisation consists of:
- **Sales & Marketing** function in charge of customer relationships, sales pipeline, order intake and profitable revenue generation.
- **Design** function in charge of the design capabilities that are a unique differentiator in our Dream Design Deliver approach.
- **Solution Creation** function in charge of technical solution implementation, software development, and customer project management.
- The whole organisation's operations are supported by support functions: **Finance & Control** and **Human Resources**.

Locations

Our offices are situated in our main markets Finland, USA and Great Britain.
- Our Solution Creation development sites are mainly located in Finland. Additionally we have customer-facing technical personnel in USA and Great Britain.
- Our Design Studios are located in Finland, USA and Great Britain.
- Our Sales offices are located in Finland, USA and Great Britain.

SEGMENT REPORTING

Ixonos reports its operations as a single segment.

TURNOVER

Turnover in the first quarter was EUR 4.6 million (2014: EUR 6.1 million), 24.3 per cent less than in the previous year.

The low turnover figure was primarily due to lowered project volume from a significant US at the year end. Furthermore the start of forecasted new projects in the UK have been delayed and the challenging market situation in Finland continues.

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

FINANCIAL RESULT

Operating profit for the first quarter was EUR -2.0 million (2014: EUR -2.9 million) and profit before tax was EUR -2.1 million (2014: EUR -3.2 million). Profit for the first quarter was EUR -2.1 million (2014: EUR -2.8 million).

The improvement in the financial result was primarily due to adjusting costs.

The first quarter earnings per share were EUR -0.01 (2014: EUR -0.04). Cash flow from operating activities per share in the first quarter was EUR -0.02 (2014: EUR -0.02).

RETURN ON CAPITAL

Consolidated return on equity (ROE) was -305.7 per cent (2014: -216.4 per cent) and return on investment (ROI) was -33.0 per cent (2014: -69.0 per cent).

INVESTMENTS

Investments during the review period totalled EUR 0.1 million (2014: EUR 0.3 million). Investments consist mainly of capitalisation of R&D expenditure in media and industrial internet businesses.

BALANCE SHEET AND FINANCING

The balance sheet total was EUR 22.0 million (2014: EUR 26.8 million). Shareholders' equity was EUR 2.3 million (2014: EUR 2.7 million). The equity ratio was 10.3 per cent (2014: 10.0 per cent). The group's liquid assets at the end of the review period amounted to EUR 0.5 million (2014: EUR 0.4 million). Non-controlling interest of the equity was EUR 0.2 million (2014: EUR 0.2 million).

At the end of the review period, the balance sheet showed EUR 14.1 million (2014: EUR 10.9 million) in bank loans. This amount includes overdraft in use.

Together with its main financiers the company has agreed on a partial period free of instalments for its loans until 31.12.2015. For this period covenants based on Euros of EBITDA have been agreed.

The amount of bank loans under covenants was on March 31, 2015 EUR 6.0 million (2014: EUR 6.4 million).

The company paid back its loans amounting to EUR 2.3 million to Turret Oy Ab, a related party, on February 10, 2015. At the same time the EUR 3.5 million long-term convertible bond and interest related to it was used to pay part of the directed share issue.

On February 10, 2015 the company also raised a EUR 4.0 million loan guaranteed by its main owner Tremoko Oy Ab from financial institutions.
The company made an announcement regarding it financing arrangements on February 10, 2015.

The company has stated in its 2014 Financial statements that the company's working capital is not sufficient to fund the company's operations over the next 12 months. The company estimated that it had sufficient working capital for the next 5 months provided that the cash flow estimates for 2015 materialize. Discussions with the main owner about additional financing have started and the company considers it likely that additional financing can be obtained if needed.

CASH FLOW

Consolidated cash flow from operating activities during the review period was EUR -3.1 million (2014: EUR -1.7 million). By March 31, 2015, the company had sold EUR 1.2 million (2014: EUR 0.8 million) in accounts receivable to reduce their turnaround time.

GOODWILL

On March 31, 2015, the consolidated balance sheet included EUR 10.8 million in goodwill (2014: EUR 10.8 million).

The following parameters were used in the goodwill impairment testing:

- The review period of 4 years
- WACC discount rate 10 per cent
- 1 per cent growth estimate used for terminal value calculation
- The tested amount EUR 12.1 million includes other intangible assets, property, plant and equipment as well as non-interest bearing receivables and payables.

The company made an impairment test on March 31, 2015 confirming there is no need for a write-down. The present value of future cash flows exceeded the carrying value of assets by EUR 10.4 million.

The present value of the cash flow calculation, EUR 22.5 million is lower than the sum of the company's financial liabilities (EUR 14.0 million) and the market price of the shares (EUR 12.2 million) on March 31, 2015.

PERSONNEL

The number of personnel averaged 246 (2014: 401) during the review period. At the end of the period, the company had 241 (2014: 377) employees. Staff decreased in Finland as well as abroad. At the end of the review period, the Group had 211 employees (2014: 268) in Finnish companies, while Group companies in other countries employed 30 (2014: 110). During review period the number of employees decreased by 35.

SHARES AND SHARE CAPITAL

Share turnover and price

During the financial period, the highest price of the company's share was EUR 0.07 (2014: EUR 0.16) and the lowest price was EUR 0.05 (2014: EUR 0.08). The closing price on March 31, 2015 was EUR 0.06 (2014: EUR 0.11). The weighted average price was EUR 0.06 (2014: EUR 0.12). The number of shares traded during the review period was 33,569,612 (2014: 19,437,517), which corresponds to 16.5 per cent (2014: 25.6 percent) of the total number of shares at the end of the review period. According to the closing price March 31, 2015, the market value of the company's shares was EUR 12,381,996 (2014: EUR 8,344,419).

The company made a directed share issue on February 10, 2015. Tremoko Oy Ab, a related party, subscribed 96,670,000 shares at a price of EUE 0.06 per share corresponding to EUR 5.8 million.

In conjunction with Tremoko's mandatory public takeover bid in March 2015 20,454,656 shares and 1,540,000 options were transferred to Tremoko whereby its share of ownership rose to 81.8 percent. With the options the percentage can be lifted to 82.0 percent.

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 106,313,536. At the end of the review period, registered share capital was EUR 585,394.16 and the number of shares was 202,983,536.

Option plans 2011 and 2014

2011 plan

The Board of Directors of Ixonos Plc decided on November 30, 2011 to grant new options. This decision was based on the authorisation given by the Annual General Meeting on March 29, 2011.

The options were issued by December 31, 2011, free of charge, to a subsidiary wholly owned by Ixonos Plc. This subsidiary will distribute the options, as the Board decides, to employees of Ixonos Plc and other companies in the Ixonos Group, to increase their commitment and motivation. Options will not be issued to members of the Board of Directors of Ixonos Plc or to the Ixonos Group's senior management.

The options will be marked IV/A, IV/B and IV/C. A total of 600,000 options will be issued. According to the terms of the options, the Board of Directors decides how the options will be divided between option series and, if needed, how undistributed options will be converted from one series to another.

Each option entitles its holder to subscribe for one new or treasury share in Ixonos Plc.

The exercise period for the IV/A options began on October 1, 2014, for the IV/B options it will begin on October 1, 2015 and for the IV/C options on October 1, 2016. The exercise periods for all options will end on December 31, 2018. The exercise price for each option series is a trade volume weighted average price at NASDAQ OMX Helsinki. The exercise prices will be reduced by the amount of dividends, and they can also be adjusted under other circumstances specified in the option terms.

In order to ensure the equal treatment of shareholders and the 2011 stock option holders and taking into account the adjustment made on October 30, 2013 following the consolidation of the company's shares, the Board of Directors of Ixonos has due to the Rights Offering adjusted the subscription ratio and the subscription price of the 2011 stock options in accordance with the terms and conditions of the 2011 stock options.

The subscription ratio of stock options IV/A shall be amended to 5.022 and the subscription price shall be amended to EUR 0.291 per share. As regards stock options IV/C, the subscription ratio shall be amended to 5.022 and the subscription price shall be amended to EUR 0.208 per share. The option plan's IV/B options have been cancelled.

The total amount of shares is rounded down to full shares in connection with subscription of the shares and the total subscription price is calculated using the rounded amount of shares and rounded to the closest cent. Due to the above adjustments concerning stock options IV/A, the adjusted maximum total number of shares to be subscribed for based on the 2011 stock options shall be 1,104,840.

2014 plan

The Board of Directors of Ixonos Plc decided to issue stock options on February 18, 2014, on the basis of the authorization granted by the Extraordinary General Meeting held on October 30, 2013.

The stock options will be offered to the global management team and certain key personnel of Ixonos Plc and its subsidiaries for the purpose of improving commitment and motivation. The stock options will be marked as series 2014A, 2014B and 2014C. The aggregate number of stock options is 5,000,000. The Board of Directors will, in accordance the terms and conditions of the stock options, decide on the allocation of the stock options between different series and, if necessary, on the conversion of stock options that has not been allocated into another series of stock options.

Each option entitles its holder to subscribe for one new or treasury share in Ixonos Plc. The share subscription period with 2014A stock options starts on March 1, 2016, with 2014B stock options on March 1, 2017 and with 2014C stock options on March 1, 2018. The share subscription period ends with all stock options on December 31, 2018. The share subscription price for each series is the volume weighted average price of the company's share on the Helsinki Exchange during the period March 1 to May 31, 2014 for 2014A, January 1 to March 31, 2015 for 2014B and January 1 to March 31, 2016 for 2014C. The subscription price may be decreased with e.g. the amount of dividends paid and may also otherwise be subject to change in accordance with the terms and conditions of the stock options. The subscription price for 2014A is EUR 0.11 and for 2014B it is EUR 0.06.

Shareholders

On March 31, 2015, the company had 3,007 shareholders (2014: 4,161). Private persons owned 14.1 per cent (2014: 53.0 per cent) and institutions 85.9 per cent (2014: 47.0 per cent) of the shares. Foreign ownership was 2.9 per cent (2014: 4.0 per cent) of all shares.

Tremoko Oy Ab, a related party, owns 81.8 percent of the company's shares. With the options owned by Tremoko the share can be lifted to 82.0 percent.

RELATED-PARTY TRANSACTIONS

In conjunction with the financing arrangement made on February 10, 2015 the loans to Turret Oy Ab, a related party, amounting to EUR 2.3 million and the interest related to these loans were paid back.

In the same arrangement Tremoko Oy Ab, a related party, used the EUR 3.5 million long term convertible loan, which had been transferred to it by Turret, and interest related to it as partial payment for the shares it subscribed.

During the reporting period Ixonos Finland sold receivables to Finance Link, a related party, for a total of EUR 0.2 million.

OTHER EVENTS DURING THE FINANCIAL PERIOD

Market events in the review period

Ixonos organized the "Innovation by Design" (IXD) event in San Francisco. The event offered thoughts from premier opinion leaders, aiming to promote Ixonos' brand image as a forerunner in design and technology. Ixonos Future of Industrial Experience series was held for the IoT thinkers in February in Finland for the third time. The Digital Resolution Club for In-Venue focused, on location based, experiences design in London was organized in March.

The solutions designed by Ixonos reached significant market awards and appraisals during the reporting period:
- Al Jazeera Plus (AJ+) for the Society of News Design Nomination - Top10 Global Mobile News App
- AJ+ nomination in Webby Awards Mobile Apps category
- Al Jazeera America nomination in Webby awards online films and video category
- Samsung for winning the CES Innovation of the year Award for its Galaxy Tab S, that utilizes Ixonos Super App™ patent pending innovation.
- HP for the Consumer Electronics Show Best of Show - Hewlett Packard "Sprout"
- Consumer Electronics Show Innovation Honoree - LG webOS
- Ixonos' Super App™ was nominated in the Best TV Experience Enhancement category of the TV Connect Industry Awards 2015.

New customer reference stories were also published during the reporting period. Honda has launched their new series of IVI system in Europe and started applying our Design and Ixonos Experience Store for Automotive™ in their cars. Also Finnish retail brand Stockmann's flagship campaign activity "Crazy Days" was announced as a public reference. Both cases are examples of our capability to combine world-class design and high class technical execution.

Ixonos adapted its costs in order to improve efficiency

On January 22, 2015 Ixonos started co-operational negotiations in order to secure its production efficiency. The negotiations concerned the personnel in Jyväskylä, excluding those who performed their work at customer's premises. On March 9, 2015 Ixonos informed that the negotiations had been concluded and that a maximum of 20 people will be made redundant. Ixonos continues its operations in Jyväskylä.

On March 24, 2015 Ixonos started co-operational negotiations with the aim of adjusting the personnel costs. The negotiations concerned the whole personnel in Finland, excluding Jyväskylä office. On April 8, 2015 Ixonos informed that the negotiations had been concluded. As a result, a maximum of 20 temporary lay-offs (with maximum duration of 90 working days) will be implemented. Some of these temporary lay-offs will be part-time in nature. In addition, a maximum of 4 permanent lay-offs will be implemented in roles where there are permanently diminished grounds for work continuation.

Extraordinary general meeting

On January 16, 2015 the board of directors issued a notice of Ixonos Plc extraordinary meeting on February 10, 2015. The proposal of the Board of Directors was that the Extraordinary General Meeting would authorise the board to decide on a paid share issue and on granting option rights and other special rights entitling to shares that are set out in Chapter 10 Section 1 of the Finnish Limited Liability Companies Act (LLCA) or on the combination of some of the aforementioned instruments in one or more tranches.
On the same day Ixonos informed about a plan aiming at strengthening its financial position and balance sheet. The proposed arrangement included a directed share issue and loan facility. The planned measures aimed at significantly enhancing Ixonos's equity ratio and liquid assets position. The general meeting authorised the board to decide on a paid share issue as per the proposal.

Directed share issue and financial arrangement on February 10, 2015

On January 10, 2015 the Board of Directors of Ixonos Plc decided to issue in a directed share issue 96,670,000 new shares to be subscribed for by Tremoko Oy Ab in derogation from the pre-emptive subscription right of the shareholders on the authorisation of the Extraordinary General Meeting on February 10, 2015. The subscription price of the shares in the share issue was EUR 0.06 per share. The subscription price was defined as the mean price weighted with the trading amounts of the period December 16, 2014 - January 15, 2015 rounded up to the nearest cent.

The funds derived from the share issue, EUR 5.8 million, will be used to maintain and strengthen the financial standing of the group so there are weighty financial reasons for the share issue and for deviating from the pre-emptive right of the shareholders as described in the Finnish Limited Liability Companies Act. The shares issued and subscribed for in the share issue were equivalent to approximately 90.9 per cent of all of the company's shares and votes before the share issue and approximately 47.6 per cent of all of the company's shares and votes after the share issue.

Tremoko Oy Ab subscribed for the share issue in full on February 10, 2015. The Board of Directors of the company accepted Tremoko's share subscription. The shares were registered in the trade register on February 11, 2015.

Furthermore the board announced that

- Tremoko had paid the subscription price of the Shares it subscribed for in connection with the Directed Share Issue by setting off the receivables based on convertible capital loan that it has from Ixonos approximately for an amount of EUR 3.86 million.
- Ixonos had been granted total amount of EUR 4.0 million loans by financial institutions. Tremoko gave a collateral of EUR 4.0 million for the loans. Ixonos shall pay a remuneration of 3.5 per cent of the amount of the collateral per year to Tremoko for giving the collateral.
- Ixonos has paid the debts worth approximately EUR 2.43 million (incl. interest) to Turret Oy Ab.
- Concerning the arrangement, Ixonos agreed with its creditors on the restructuring of its funding based on liabilities. The creditors granted the loans of the Ixonos group taken out before the Arrangement (hereinafter collectively the "Loan") an exemption from amortisations for the period of March 15, to December 31, 2015 so that only 25 per cent of the capital of the Loan falling due during the exemption from amortisations will be paid, in deviation from what has been agreed previously. In addition, the original term of the Loan is changed so that the total term of the Loan will be extended until December 31, 2018. The original terms of payment and the instalments have been altered so that the instalments falling due January 1, 2016 to December 31, 2018 will be equal in size and they will be determined on the basis of the capital of the Loan that does not fall due as on December 31, 2015. The provisions concerning the interest and margin will remain as they are despite the exemption from amortisations, the extension of the term of the loan and changing the terms of payment and the instalments.

New securities note

The Finnish Financial Supervisory Authority approved on March 3, 2015, Ixonos Plc's securities note related to the Company's directed share issue announced on February 10, 2015.

Public takeoverbid of Ixonos Plc's shares

On February 10, 2015 the new majority owner of Ixonos, Tremoko Oy Ab announced a public takevover bid. Tremoko, a limited liability company in private Finnish ownership, acquired on February 10, 2015 altogether 49,008,088 shares of Ixonos Plc from Turret Oy Ab and Holdix Oy Ab. In addition, Tremoko subscribed for altogether 96,670,000 new shares of Ixonos in a directed share issue decided upon by Ixonos's board of directors.

Thereby Tremoko owned altogether 145,678,088 of Ixonos's shares and, thus, Tremoko's share of ownership and votes rose to altogether 71.8 per cent of all of Ixonos's shares and votes.

As a result of the share acquisition and the share subscription, Tremoko formed an obligation to launch a public takeover bid for all other shares of Ixonos and for securities entitling thereto, as referred to in Chapter 11 Section 19 of the Finnish Securities Markets Act.

The offer of Tremoko was published on March 2, 2015 and was valid until March 24, 2015. The payment offered for the shares was EUR 0.06 in cash per each share. The payment offered for the options was EUR 0.008 for options marked with IV/A in the option Scheme 2011 and EUR 0.017 for options marked with IV/C. The payment offered for Options marked with 2014A in the Option Scheme 2014 was EUR 0.010.

The Board of Directors of the company published their opinion on the mandatory takeover bid made by Tremoko on March 9, 2015. The opinion was based on the overall assessment made by the qualified and independent members. Paul Ehrnrooth, member of the board of the company, did not participate in the assessment since Turret Oy Ab, which can be described as a company in which Paul Ehrnrooth exercises control, owns 65 per cent of the bidder's shares and votes. In order to assess the takeover bid, the Board of Directors acquired from an independent expert a "Fairness Opinion" on the reasonableness in economic terms of the payment offered for the Shares from the perspective of all shareowners.

The Board of Directors published the following recommendation:

Taking into consideration the bidder's statements, the views of the company's management team, and the contents of the Fairness Opinion, the Board of Directors assesses that the takeover bid is reasonable and that the company and its shareholders and option holders would benefit from the realisation of the takeover bid in the way intended by the bidder. On the basis of the aforementioned assessments and facts, the members of the Board of Directors who took part in the decision-making unanimously recommend that the shareholders and option holders accept the takeover bid.

Tremoko Oy Ab announced on March 26, 2015 that the 20,454,656 shares tendered during the offer period represented approximately 10.1 per cent of all of Ixonos shares and resulting votes. Tremoko's share of ownership of the shares and votes of Ixonos Plc was therefore altogether 166,132,744 shares, i.e. approximately 81.8 per cent.

Moreover, altogether 1,540,000 Options were offered to Tremoko. Tremoko has the opportunity to raise its share of ownership to altogether approximately 82.0 per cent of all Ixonos Shares and votes by using the said Options to subscribe for Ixonos Shares.

Changes in the management group

The company informed on March 11, 2015 that Mikael Nyberg, the CFO of Ixonos, will end his employment and role in the executive team of Ixonos in late May 2015. The recruitment for the new CFO was immediately started.

Sales was strengthened and Marko Tiesmäki started on March 1, 2015 as Sales Director (SVP, Sales) with Industrial Internet, Smart Devices and Internet of Things as areas of responsibility. He is member of the management team and reports to the CEO. Teppo Kuisma continues in his role as Sales Director with Media & Online, Finnish Public sector, USA and Great Britain as areas of responsibility.
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EVENTS AFTER THE FINANCIAL PERIOD

The company published on April 7, 2015 the notice of the annual general meeting of Ixonos Plc to be held on April 29, 2015.

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 fluctuation in turnover and profitability.

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.

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

The company's balance sheet 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 the 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.

As per the Financial Statements release on February 27, 2015, the company estimates that its working capital is not sufficient to fund the company's operations over the next 12 months. The company's working capital is expected to be sufficient to fund the company's operations over the next 12 months if the sales development is better than the current forecast or the company is able to make larger cost savings than forecasted. A possible financial shortage remaining can be filled e.g. with bridge financing or through other measures such as equity financing.

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.

FUTURE PROSPECTS

The operating profit of the company before non-recurring items is expected to improve compared to 2014. The cash flow is expected to remain negative during the beginning of the year but improve in the second half of the year 2015.

NEXT REPORTS

The interim report for the period January 1 - June 30, 2015 will be published on Friday, August 7, 2015.

IXONOS PLC
Board of Directors

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THE IXONOS GROUP

ABBREVIATED FINANCIAL STATEMENTS January 1 - March 31, 2015

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, 2014. The IFRS amendments and interpretations that entered into force on January 1, 2015 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. The original interim report is in Finnish. The interim report in English is a translation of the original report.

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

These financial statements have been made according to the going concern principle taking into account the planned financial arrangements, new strategy and financial estimations made up to the end of year 2015. The estimations take into consideration probable or foreseeable changes in future expectations in revenues as well as costs.

The company's working capital is not sufficient to fund the company's operations over the next 12 months. The company estimated on February 27, 2015 that it had sufficient working capital for the next 5 months provided that the cash flow estimates for 2015 materialize.

The company assesses its need for additional working capital to be EUR 0-1.5 million. The company's working capital is expected to be sufficient to fund the company's operations over the next 12 months if the sales development is better than the current forecast or the company is able to make larger cost savings than forecasted. A possible financial shortage remaining can be filled with e.g. bridge financing or through other measures such as equity financing.

The company has taken and has planned to take several measures to secure its financial position:
- A share issue on February 10, 2015 with a refinancing arrangement linked to it.
- Ixonos agreed on February 10, 2015 with its creditors on the restructuring of its funding based on liabilities. The creditors granted on February 10, 2015 the loans of EUR 6.1 million the Ixonos group

taken out before the Arrangement (hereinafter collectively the "Loan") an exemption from amortisations for the period of March 15, to December 31, 2015 so that only 25 per cent of the capital of the Loan falling due during the exemption from amortisations will be paid, in deviation from what has been agreed previously. In addition, the original term of the Loan is changed so that the total term of the Loan will be extended until December 31, 2018. The original terms of payment and the instalments have been altered so that the instalments falling due January 1, 2016 to December 31, 2018 will be equal in size and they will be determined on the basis of the capital of the Loan that does not fall due as on December 31, 2015. The provisions concerning the interest and margin will remain as they are despite the exemption from amortisations, the extension of the term of the loan and changing the terms of payment and the instalments.
- The company has agreed upon quarterly EBITDA based Euro amounts as new covenants for the year 2015 with its creditors. New covenant levels will be agreed upon after this with the financiers.
- The company has continued adapting its costs and the efficiency of its operations will be further developed. Also in the field of fixed costs the company has done and continues to adapt, e.g. related to office costs. The impacts of the measures already on their way will be seen improving the profitability during 2015.
- The company resolutely invests in developing its sales and its sales offering in the chosen target markets. The resources of sales have been renewed and enforced in the target markets.
- If needed the company will agree upon added temporary or continuous financing. Based on discussions which already have taken place the company considers it likely that additional financing can be obtained if needed.

If the above measures do not occur as planned, this may result in a shortage of working capital, premature payback of loans with covenants and difficulties to continue company's operations. If the cash flow forecast for 2015 do not materialize as planned the company is likely to lose its liquidity if no further measures are taken and it would not under those circumstances be able to finance its planned operations or pay back its loans as per original amortization plans.
The loss of liquidity described above could in the worst case lead to liquidation, company restructuring or being declared insolvent.

Deferred tax assets

The Group has deferred tax assets EUR 4.9 million in its balance sheet. The group made a write-off of EUR 0.6 million related to its tax assets in December 2014 as the period of negative results was prolonged in relation to previous expectations. EUR 4.4 million of the tax assets arises from Finnish companies from the years 2012-2014. According to the current tax regulations in Finland, Ixonos has time to utilize tax assets up to 2024.

Confirmed loss	Expires	EUR million
2012	2022	7.6
2013	2023	11.0
Not confirmed		
2014	2024	7.1
2015	2025	0.3

The subsidiary in UK 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.

There are EUR 1.0 million of non-booked tax assets on March 31, 2015. The company has evaluated the utilization of deferred tax assets and decided in accordance with the principle of prudence, to limit the amount of receivables in the balance sheet. As per the calculations of the company the estimated future profits of the company up to year 2024 would be sufficient at current tax rates to cover a tax receivable twice the size of the current one.

CONSOLIDATED INCOME STATEMENT, EUR 1,000

	1.1.-31.3.2015	**1.1.-31.3.2014**	**Change, per cent**	**1.1.-31.12.2014**
Turnover	4 584	6 055	-24.3	23 939
Operating expenses	-6 558	-8 965	-26.8	-31 363
OPERATING PROFIT BEFORE GOODWILL IMPAIRMENT	**-1 974**	**-2 910**	-32.2	**-7 424**
Goodwill impairment	0	0	0	0
OPERATING PROFIT	**-1 974**	**-2 910**	-32.2	**-7 424**
Financial income and expenses	-121	-259	-53.4	-1 054
Profit before tax	-2 095	-3 165	-33.8	-8 478
Income tax	0	376	-100.0	210
PROFIT FOR THE PERIOD	**-2 095**	**-2 790**	-24.9	**-8 267**
Attributable to:				
Equity holders of the parent	-2 092	-2 786	-24. 9	-8 249
Non-controlling interests	-3	-3	-24.9	-18
Earnings per share				
Undiluted, EUR	-0.01	-0.04	-75.0	-0.09
Diluted, EUR	-0.01	-0.04	-75.0	-0.09

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, EUR 1,000

	1.1.-31.3.2015	1.1.-31.3.2014	Change, per cent	1.1.-31.12.2014
Profit for the period	-2 095	-2 790	-24.9	-8 267
Other comprehensive income				
Change in translation difference	-175	-14	1 150.0	-138
COMPREHENSIVE INCOME FOR THE PERIOD	**-2 270**	**-2 804**	-19.1	**-8 405**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, EUR 1,000

ASSETS	**31.3.2015**	**31.3.2014**	**31.12.2014**
NON-CURRENT ASSETS			
Goodwill	10 847	10 847	10 847
Other intangible assets	1 174	1 647	1 254
Property, plant and equipment	579	1 767	697
Deferred tax assets	4 947	4 945	4 947
Available-for-sale investments	3	14	3
TOTAL NON-CURRENT ASSETS	**17 550**	**19 220**	**17 748**
CURRENT ASSETS			
Trade and other receivables	3 942	7 185	3 894
Cash and cash equivalents	535	411	255
TOTAL CURRENT ASSETS	**4 477**	**7 595**	**4 149**
TOTAL ASSETS	**22 027**	**26 815**	**21 897**
EQUITY AND LIABILITIES	**31.3.2015**	**31.3.2014**	**31.12.2014**
SHAREHOLDERS' EQUITY			
Share capital	585	585	585
Share premium reserve	219	219	219
Invested non-restricted equity fund	38 047	30 580	32 345
Retained earnings	-34 717	-26 172	-26 346
Profit for the period	-2 092	-2 786	-8 249
Equity attributable to equity holders of the parent	**2 042**	**2 426**	**-1 446**
Non-controlling interests	231	244	229
TOTAL SHAREHOLDERS' EQUITY	**2 273**	**2 669**	**-1 217**
LIABILITIES			
Non-current liabilities	9 887	4 883	3 909
Current liabilities	9 867	19 263	19 204
TOTAL LIABILITIES	**19 754**	**24 146**	**23 113**
TOTAL EQUITY AND LIABILITIES	**22 027**	**26 815**	**21 897**

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, 2014	585	219	0	28 794	70	-26 246	3 423	247	3 670
Profit for the period						-2 786	-2 786	-3	-2 789
Other comprehensive income:									
Change in translation difference					-14		-14		-14
Transactions with shareholders:									0
Share issue				1 831			1 831		1 831
Expenses for equity procurement				-44			-44		-44
Share-based remuneration						17	17		17
Shareholders' equity at March 31, 2014	585	219	0	30 581	56	-29 016	2 426	244	2 669
Shareholders' equity at January 1, 2015	585	219	0	32 345	-71	-34 526	-1 446	229	-1 217
Profit for the period						-2 092	-2 092	3	-2 089
Other comprehensive income									
Change in translation difference					-175		-175		-175
Transactions with shareholders:									
Share issue				5 800			5 800		5 800
Expenses for equity procurement				-99			-99		-99
Share-based remuneration						53	53		53
Shareholders' equity at March 31, 2015	**585**	**219**	**0**	**38 046**	**-246**	**-36 563**	**2 041**	**231**	**2 273**

CONSOLIDATED CASH FLOW STATEMENT, EUR 1,000

	1.1.-31.3.2015	**1.1.-31.3.2014**	**1.1.-31.12.2014**
Cash flow from operating activities			
Profit for the period	-2 095	-2 790	-8 267
Adjustments to cash flow from operating activities			
Income tax	-0	-376	-210
Depreciation and impairment	353	594	2 788
Financial income and expenses	121	259	731
Other adjustments	268	23	130
Change in provisions	0	258	-67
Cash flow from operating activities before change in working capital	**-1 352**	**-2 031**	**-4 895**
Change in working capital	-1 083	496	-113
Interest received	45	35	181
Interest paid	-662	-221	-799
Tax paid	0	0	-141
Net cash flow from operating activities	**-3 052**	**-1 721**	**-5 767**
Cash flow from investing activities			
Investments in tangible and intangible assets	-146	314	-1 025
Dividends received	0	0	0
Net cash flow from investing activities	**-146**	**-314**	**-1 025**
Net cash flow before financing	**-3 198**	**-2 035**	**-6 793**
Cash flow from financing activities			
Increase in long-term borrowings	9 506	4 500	4 500
Repayment of long-term borrowings	-3 500	0	-1 133
Increase in short-term borrowings	0	0	3 526
Repayment of short-term borrowings	-8 208	-2 473	-3 891
Proceeds from share issue	5 800	0	3 655
Expenses for equity procurement	-99	-45	-104
Financial leasing payments	-22	-33	-159
Net cash flow from financing activities	**3 478**	**1 950**	**6 552**
Change in cash and cash equivalents	280	-85	-240
Liquid assets at the beginning of the period	255	496	496
Liquid assets at the end of the period	535	411	255

Notes

Goodwill impairment

Ixonos made an impairment test for goodwill on March 31, 2015. Goodwill is attributed to the one cash generating unit (CGU) starting from November 1, 2013.

The impairment test showed a surplus of EUR 10.4 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 present value of the cash flow calculation, EUR 22.5 million is lower than the sum of the company's financial liabilities (EUR 14.0 million) and the market price of the shares (EUR 12.2 million) on March 31, 2015.

The impairment test of the Company is based on value in use. The forecasting period used in impairment testing at March 31, 2015 was Q2 2015 to Q1 2019.

In the forecast the year 2015 is a year of consolidation and stabilization with relatively small growth. For the years 2016-2018 the company expects to reach stronger growth, on average 17.0 per cent, as digitalization will impact an ever growing part of the business community. The forecasted EBIT level is on average 6.2 per cent. Even though the company's longer term target level for EBIT is 10 per cent the uncertainty of forecasts has been taken into consideration and therefore the average, normalized EBIT level has been used in the calculation.

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 10 per cent p.a. and growth rate used in calculating terminal value is 1 per cent p.a. When calculating the terminal value the average EBIT percentage level for the period was used.

The impairment test is most sensitive besides to the cash flow forecast itself and the assumptions behind it, to the growth rate used when calculating the terminal value and the discount factor. If the growth rate -13 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 17.8 per cent instead of 10 per cent, the tested value would have been equal to the discounted cash flow. If the EBIT percentage used had been 1.8 per cent instead of 6.2 per cent, the tested value would have been equal to the discounted cash flow.

Loan covenants

The Company has agreed with its main financiers a partially instalment free period for the loans until December 31, 2015. During this period the company pays 25 per cent of the original instalments. During the partially instalment free period there are covenants based on quarterly EBITDA levels in Euros which replace the covenants described below.

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 6.0 million on December 31, 2015 (March 31, 2014: EUR 6.1 million). On March 31, 2015 the company's equity ratio was 10.4 per cent (2014: 10.0 per cent) and the ratio of interest-bearing liabilities and the EBITDA was negative (2014: negative).

Instalment scheme for borrowings under covenants

Period	Amount of instalment EUR 1,000
01.01. - 31.12.2015	304
01.01. - 31.12.2016	1 892
01.01. - 31.12.2017	1 892
01.01. - 31.12.2018	1 892

Instalment scheme for all loans

Period	Amount of instalment EUR 1,000
01.01. - 31.12.2015	360
01.01. - 31.12.2016	2 253
01.01. - 31.12.2017	2 337
01.01. - 31.12.2018	2 337
2019 and later	2 694

CONSOLIDATED INCOME STATEMENT, QUARTERLY, EUR 1,000

	Q1/2015 1.1.- 31.3.15	**Q4/2014** 1.10.- 31.12.14	**Q3/2014** 1.7.- 30.9.14	**Q2/2014** 1.4.- 30.6.14	**Q1/2014** 1.1.- 31.3.14
Turnover	4 584	5 876	6 362	5 646	6 055
Operating expenses	-6 558	-7 697	-6 975	-7 726	-8 965
OPERATING PROFIT BEFORE GOODWILL IMPAIRMENT	-1 974	-1 821	-613	-2 080	-2 910
Goodwill impairment	0	0	0	0	0
OPERATING PROFIT	-1 974	-1 821	-613	-2 080	-2 910
Financial income and expenses	-121	-314	-223	-258	-259
Profit before tax	-2 095	-2 135	-836	-2 342	-3 165
Income tax	0	-656	250	241	376
PROFIT FOR THE PERIOD	-2 095	-2 791	-586	-2 101	-2 790

CHANGES IN FIXED ASSETS, EUR 1,000

	Goodwill	Intangible assets	Property, plant and equipment	Available-for-sale investments	Total
Carrying amount at January 1, 2014	10 847	1 585	2 106	14	14 551
Additions		316			316
Changes in exchange rates			2		2
Disposals and transfers					0
Impairment					0
Depreciation for the period		-254	-341		-595
Carrying amount at March 31, 2014	10 847	1 647	1 767	14	14 275
Carrying amount at January 1, 2015	10 847	1 254	697	3	12 801
Additions		103	44		147
Changes in exchange rates			8		8
Disposals and transfers					0
Impairment					0
Depreciation for the period		-183	-170		-353
Carrying amount at March 31, 2015	**10 847**	**1 174**	**579**	**3**	**12 603**

FINANCIAL RATIOS

	1.1.-31.3.2015	**1.1.-31.3.2014**	**1.1.-31.12.2014**
Earnings per share, diluted, EUR	-0.01	-0.03	-0.09
Earnings per share, EUR	-0.01	-0.04	-0.09
Equity per share, EUR	0.01	0.03	-0.01
Operating cash flow per share, diluted, EUR	-0.02	-0.02	-0.06
Operating cash flow per share, EUR	-0.02	-0.02	-0.06
Return on investment, per cent	-33.0	-69.1	-46.4
Return on equity, per cent	-305.7	-216.4	-672.5
Operating profit/turnover, per cent	-43.1	-48.1	-31.0
Net gearing from total equity, per cent	633.8	593.7	-1 397.7
Equity ratio, per cent	10.3	10.0	-5.6
Equity ratio, per cent, excluding non-controlling interest	9.3	9.0	-6.6
EBITDA, 1,000 EUR	-1 621	-2 315	-4 636

OTHER INFORMATION

	1.1.- 31.3.2015	1.1.- 31.3.2014	1.1.- 31.12.2014
PERSONNEL Employees, average	246	401	320
Employees, at the end of the period	241	377	264
COMMITMENTS, EUR 1,000			
Collateral for own commitments			
Corporate mortgages	23 300	23 300	23 300
Financial bonds	74	388	66
Leasing and other rental commitments			
Falling due within 1 year	2 174	1 769	2 189
Falling due within 1-5 years	2 840	2 640	3 305
Falling due after 5 years	0	0	0
Total	5 004	4 409	5 495
Nominal value of interest rate swap agreement			
Falling due within 1 year	4 611	0	0
Falling due within 1-5 years	0	4 941	4 941
Falling due after 5 years	3 000	0	0
Total	7 611	4 941	4 941
Fair value	-104	-46	-60

CALCULATION OF KEY FIGURES

EBITDA = Earnings before Interest, Taxes, Depreciation and Amortization

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

Earnings per share = profit 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 = (profit before taxes + interest expenses + other financial expenses) ⁄ (balance sheet total - non-interest-bearing liabilities, average) × 100

Return on equity = net profit ⁄ shareholders’ equity, average × 100

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