# Interim report release for the period January 1 - March 31, 2016

## TURNOVER DECREASED, ORDERS BOOKED INCREASED

**The review period in brief (previous year figures in brackets):**

- Orders booked EUR 5,6 million (2015: EUR 5,2 million), 6,4 % growth
- Turnover was EUR 3.9 million (2015: 4.6 million), a change of -14.9 %.
- Earnings before interest, taxes, depreciation and amortization (EBITDA) were EUR -2.1 million,
- 54.2 % of turnover (2015: EUR -1.6 million, -35.4 % of turnover).
- Operating result was EUR -2.2 million, -57.4 % of turnover (2015: EUR -2.0 million, -43.1 % of turnover).
- Net result was EUR -2.8 million, -72.3 % of turnover (2015: EUR -2.1 million, -41.7 % of turnover).
- Earnings per share were EUR -0.01 (2015: EUR -0.01).
- Net cash flow from operating activities was EUR -1,8 million (2015: EUR -3,1 million), 41,9 % improvement.

**Future prospects**

The operating profit of the company is expected to improve compared to 2015.

**CEO Sami Paihonen:**

The company has developed its business according to the strategy and due to this the orders received from new customers have become larger compared to last year and the content of the turnover has been renewed. The reported turnover decreased compared to the comparison period but the turnover cleaned from the Cloud-business that was divested in April is on the same level as it was one year ago. During the reporting period we have won numerous new customers and expanded our relationship with existing customers. Building customer relationships forward is strongly taking the company into the right direction in the change. Especially offering user research oriented digital transformation services have been well received in different customer segments since it forms a base for business transformation consulting that Design and Technology are executing.

At the same time we continue to develop our new Discover, Design, Deliver-as-a-Service business model. In this DDD-as-a-Service – model we offer our customers flexibly different kinds of competences needed during service- or device creation projects. This flexible model has been well received and we continue to build customer relationships through high quality service.

According to our strategy we did during the financial period continue to focus on selected business areas. Following this we sold early April our Cloud and Hosting- business to Datacenter Finland. This way we are in the future able to focus on DevOps that focuses on cloud integrations on different cloud platforms. This is a vital part of our end-to-end offering

## OPERATIONS

Ixonos is a service company that combine design and technology in a versatile way. We offer creative and versatile digital solutions and consulting services for several customer segments. The most important part of our services is a deep understanding of and our employees’ high knowledge in our customer’s digital challenges, such as utilising digitalisation in their business and operations.

We create new digital services for our customers. These services are based on the latest technologies and trends that affect their business. Premium user experience requires design and technology to work seamlessly together and Ixonos strive to be the leading expert on that.

We have updated our Dream – Design – Deliver vision to Discover – Design – Deliver in order to match the user research in the initial phases, strategic design and defining feasible technology. The basic idea is to find the right components that are needed to build the customer delivery, in order to ensure a premium user experience.

Our operations are centralised in Finland, USA and United Kingdom and increasingly in Singapore. The software development is mostly based in Finland but it has been strengthened also in the other locations. There are Design-functions in all locations.

Our **Design services** consists of digital-, mobile- and web design as well as service- and industrial design. We offer design services all the way from design strategy and user research to designing visuals and interaction and further to workshops, designing prototypes and usability testing. All our design innovations are implemented on different devices and platforms, always striving for the best possible implementation that can be done within the time frame requested by the customer.

**As a technology company** we have a deep knowledge in developing creative software solutions for embedded systems and software. We use open standardised technologies (like Linux, Android, iOS, Windows). We combine knowledge in software development with world-class technology competence, deep knowledge in user interface- and usability design and top class project management skills. Our technology expertise comprise for example of wireless connectivity, RF-, audio-, imaging-, cloud- and video technologies.

The **Consulting Services-unit** is responsible for Strategic customers and developing end-to-end solutions to meet our customer’s challenges. Concurrently we help our customers to understand new kinds of business models and competition and how these can be met on the long term in a digitalizing world. The target of consulting services is to build long term partnerships with customers.

Our service offering consist of:

- **Industrial Internet**
- **Media and Online services**
- **Smart devices**
- **Cloud services**
- **Consultative services**

**Organisation**

Our organisation consist of the following functions:

- **Design**, that is responsible of holistic design capabilities that generate strategic service design, deep understanding of users and innovative design of user interfaces and product design.
- **Technology**, that is responsible of implementing technical solutions, software development and customer projects and delivering them cost efficiently.
- **Consulting services**, that is responsible of the specification of end-to-end projects and steering them as a consultative service
- **New sales, marketing and Regions** that is responsible of new sales, new customers, marketing and steering the foreign operations.

**Group Services** that is supporting the entire organisation consists of Finance, HR, It and Legal functions.

**Locations**

- Our offices are situated in our main markets Finland, USA, Great Britain and Singapore.
- Our Technology 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, Great Britain and Singapore.
- Our Sales offices are located in Finland, USA and Great Britain.

## SEGMENT REPORTING

Ixonos reports its operations as a single segment.

## ORDERS BOOKED

Orders booked during the period were EUR 5,6 million (2015: EUR 5,2 million) which is 6,4 % more than last year.

## TURNOVER

The turnover in the first quarter was EUR 3.9 million (2015: EUR 4.6 million), which is 14.9 % lower compared to the corresponding period.

The turnover was less than a year ago due to the decrease of the Cloud-turnover that was divested in April but we received more orders than last year and the content of the turnover has shifted in accordance with the renewed strategy and new customers. Our customers have showed interest into our new services and we see that the selected strategy is accurate.

During the review period, no single customer generated a dominating share of the turnover or exceeded 10 % of the total turnover.

## RESULT

The operating result (EBIT) for the first quarter was EUR -2.2 million (2015: EUR -2.0 million) and the result before taxes was EUR -2.8 million (2015: EUR -2.1 million).

Earnings per share were EUR -0.01 (2015: EUR -0.01) and cash flow from operating activities per share in the first quarter was EUR -0.01 (2015: EUR -0.02).

The financial expenses were higher that a year ago EUR 0,6 million (2015: EUR 0,1 million) due to both increased interest expenses and calculatory foreign exchange losses.

The company did not capitalize the deferred tax assets during the period.

## RETURN ON CAPITAL

Return on equity (ROE) was -900.8 % (2015:-305.7 %) and return on investment (ROI) was -34.8 % (2015: -33.0 %).

## INVESTMENTS

Gross investments during the review period totalled to EUR 0.1 million (2015: EUR 0.1 million). Investments consisted of R&D expenditure and investments in fixed assets. All R&D costs are included in the Group's profit for the reviewing period and nothing is capitalized in the balance sheet.

## BALANCE SHEET AND FINANCING

The balance sheet totalled to EUR 18.3 million (2015: EUR 22.0 million). Shareholders' equity was EUR 0.2 million (2015: EUR 2.3 million). The equity to total assets -ratio was 1.3 % (2015: 10.3 %). The group's liquid assets at the end of the review period amounted to EUR 1.8 million (2015: EUR 0.5 million). Non-controlling interest of the equity was EUR 0.2 million (2015: EUR 0.2 million).

The change in shareholders' equity during the review period was due to a negative result.

At the end of the review period, the balance sheet included EUR 3.1 million (2015: EUR 14.1 million) in loans. This amount covers the overdrafts in use. In addition to this the company has received approximately amount of EUR 9.0 million new loans from Tremoko. The loan agreements related to the Arrangement include covenants regarding equity ratio, EBITDA and net debts/EBITDA which will be considered at the first time on 31 December, 2016.

On March 14, 2016 the company has agreed on loan agreement with Tremoko Oy Ab. The new loan enabled additional financing of 1.5 million Euros which has been withdrawn during the review period.

## CASH FLOW

Consolidated cash flow from operating activities during the review period was EUR -1.8 million (2015: EUR -3.1 million), improvement 41.9 %.

In order to reduce the turnaround time of its receivables the Group sells most of its Finnish account receivables. During the review period EUR 1.7 million (2015: EUR 2.4 million) trade receivables were sold.

## GOODWILL

On March 31, 2016, the consolidated balance sheet included EUR 12.0 million in goodwill (2015: 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 company made an impairment test on March 31, 2016 confirming that there is no need for an impairment. The present value of future cash flows exceeded the carrying value of assets by EUR 10.8 million.

The present value of the cash flow calculation EUR 29.8 million is lower than the sum of the company's financial liabilities EUR 12.5 million and the market price of the shares EUR 21.2 millions of March 31, 2016.

## PERSONNEL

The average number of employees during the review period was 201 (2015: 246) and in the end of the period 199 (2014: 241) employees. In the end of the review period, the Group had 161 employees (2015: 211) stationed in Finnish companies, while Group companies in other countries employed 38 (2015: 30). During review period the number of employees decreased by 2.

## SHARES AND SHARE CAPITAL

### Share turnover and price

During the financial period, the highest price of the company’s share was EUR 0.07 (2015: EUR 0.07) and the lowest price was EUR 0.06 (2015: EUR 0.06). The closing price on March 31, 2015 was EUR 0.06 (2015: EUR 0.06). The weighted average price was EUR 0.06 (2015: EUR 0.06). The number of shares traded during the review period was 3,255,707 (2015: 33,569,612), which corresponds to 0.9 % (2015: 16.5 %) of the total number of shares at the end of the review period. The market value of the share capital was EUR 21,213,894 (2015: EUR 12,381,996) at closing on March 31, 2016.

**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 353,564,898. At the end of the review period, the registered share capital was EUR 585,394.16 and the number of shares was 353,564,898.

**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, The option plans for IV/B options have been cancelled and for the IV/C options the exercise period will begin 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 holders of 2011 stock options, the Board of Directors of Ixonos has, due to the Rights Offering, adjusted the subscription ratios and the subscription prices of the Option Rights 2011 in accordance with the terms and conditions of the aforementioned option rights as follows:

The subscription ratio of stock options IV/A shall be amended to 8.287 and the subscription price shall be amended to EUR 0.2 per share. As regards stock options IV/C, the subscription ratio shall be amended to 8.287 and the subscription price shall be amended to EUR 0.1497 per share.

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 mentioned 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 4,971,966.

**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 with 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 the amount of dividends paid and may also otherwise be subject to change in accordance with the terms and conditions of the stock options among others.

In order to ensure the equal treatment of shareholders and the holders of 2011 stock options, the Board of Directors of Ixonos has, due to the Rights Offering, adjusted the subscription ratios and the subscription prices of the Option Rights 2014 in accordance with the terms and conditions of the aforementioned option rights as follows:

As regards stock options 2014A, the subscription ratio shall be amended to 1.65 and the subscription price shall be amended to EUR 0.0903 per share. As regards stock options 2014B, the subscription ratio shall be amended to 1.65 and the subscription price shall be amended to EUR 0.06 per share.

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 the Option Rights 2014, the adjusted maximum total number of shares to be subscribed for based on the Option Rights 2014 shall be 8,250,000.

**Shareholders**

On March 31, 2016, the company had 3,055 shareholders (2015: 3,918). Private persons owned 12.6 per cent (2015: 21.2 per cent) and institutions 86.8 per cent (2015: 85.9 per cent) and foreigners 0.5 per cent (2015: 0.8 per cent) and nominee registered ownership was 1.8 per cent (2015:2.9 per cent) of all shares.

Tremoko Oy Ab, a related party, owns 82.17 percent of the company’s shares. With the options held by Tremoko the ownership can be increased to 82.29 percent.

**Related-party transactions**

On March 14, 2016 the company has agreed a loan agreement with Tremoko Oy Ab. The new loan enabled additional financing of 1.5 million Euros.

## OTHER EVENTS DURING THE REPORTING PERIOD

**Market events in the review period**

The benefits of digitalization are usually tied to efficiency and cost savings. Ixonos strive to, in addition to this, offer new creative benefits motivated by these aspects. As an interesting finding we can therefore see that the strategic goals of new customer projects are more focused on creating new business that cost savings. The same trend was ruling on the company's domestic market in Finland. Our international R&D customers have increased their investments into development done using user research and design.

There is a clear need for the company's services on the market. The biggest challenges for the customers is to commercialize the combination of design and software- and hardware development, as well as to bring the design-led culture into their projects. To respond to this demand, we did in March organize and Innovation by Design event in Helsinki. The event focused on smart living and IoT solutions related to living. Our Industrial Internet event, The Future on Industrial Experience, was also well received in Helsinki.

Together with customers we did participate in Mobile World Congress in February, focusing on Smart Devices and IoT. Through customer meetings we were able to build forward the opportunities within these areas.

During the financial period we did become a member of the appreciated Digitalist Network and bought our Friction Thinking into the development of the network. Friction Thinking strives to find negative friction, in other words elements that distract operations, and positive friction or elements that makes the service or product interesting for the target group.

The best indication of what we have accomplished on the markets are the different awards and nominations that we have received together with our customers. During the financial period solutions that Ixonos has developed together with its customers did receive the following awards and appreciation:

- The Viking Line Onboard customer experience won the European IF Design Awards in Germany in the best service design category
- The multi-channel retail solution that we have developed together with Sherri Hill was published and it was very well received on New York Fashion Week.

Our way of combining world class design with a high quality technical execution did gain most attention

On the IoT and Smart Devices area we did strengthen our partnerships concerning IBM Bluemix and Watson.

**Stock Exchange releases during the period**

18.2.2016 Financial statements release for the period January 1 – December 31 2015

10.3.2016 Termination of the lease agreement regarding company´s headquarter

14.3.2016 Ixonos structures its financing

14.3.2016 Notice of Ixonos plc's annual general meeting

16.3.2016 Ixonos' financial statements published

16.3.2016 Ixonos' 2015 auditor's report

29.3.2016 Tremoko Oy Ab's proposal for persons to be elected to the board of directors and number of board member.

## EVENTS AFTER THE FINANCIAL PERIOD

**Cloud and hosting –domestic contract base sold to Datacenter Finland Ltd.**

On April 6, 2016 the company sold the domestic contract base of Cloud and Hosting business to Datacenter Finland Ltd. The trade does not have an impact on the result of the company, and it does not have a significant positive impact on the company's cash.

**Annual General Meeting on April 7, 2016**

The company held its annual general meeting on April 7, 2014. The minutes of annual general meeting and decisions are presented in Company's internet page www.ixonos.com. The Board of Directors elected by the Annual General Meeting: Paul Ehrnrooth, Pekka Eloholma, Bo-Erik Ekström, Samu Konttinen, Päivi Marttila and Pekka Pylkäs. In the Board meeting after the Annual General Meeting, the Board elected Paul Ehrnrooth as Chairman and Päivi Marttila as Vice Chairman.

In addition the members of the audit committee and the remuneration committee were decided on in the meeting. Pekka Pylkäs was elected as Chairman of the audit committee and Päivi Marttila and Bo-Erik Ekström as members. Pakko Eloholma, Samu Konttinen, Paul Ehrnrooth and Pekka Pylkäs were elected to the remuneration committee.

**Convertible loan**

On April 8, 2016 Tremoko Oy Ab ("Tremoko") subscribed in full the convertible bond with a capital of EUR 9,200,000.95 ("Loan") and attached option or other special rights referred to in Chapter 10 Section 1(2) of the Limited Liability Companies Act ("Special Rights") which were directed to be subscribed for by Tremoko by the decision of the General Meeting of the Ixonos Plc ("Company") on 7 April, 2016. The board of directors of the Company has accepted Tremoko's subscription.

The Loan and attached Special Rights has been issued in order to strengthen the Company's working capital and reorganise the capital structure as well as lower financing costs. 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 of the Loan and the Special Rights are the following:

- The amount of the Loan is EUR 9,200,000.95.
- The annual interest of Euribor 6 months (at least ≥ 0 %) + 4.0 per cent is paid on the principal of the Loan.
- The conversion option attached to the Loan entitles to a maximum amount 131,428,585 of new Company shares.
- The rate of conversion is fixed at EUR 0.07, and it shall be revised as set out in the Terms.
- The loan period is 8 April 2016 - 8 April 2020 so that as of 8 April 2016 altogether EUR 1,700,000.05 of the loan will be paid biannually in five tranches of EUR 340,000.01 and additionally on 8 April 2020, the remaining loan, altogether EUR 7,500,000.90, will be paid in a one-off payment.

Tremoko has paid the Loan and attached Special Rights in full by setting off receivables it has from the Company, amounting to altogether EUR 9,200,000.95.

**A directly enforceable guarantee**

On April 28, 2016 Turret Oy Ab and Holdix Oy Ab granted a directly enforceable guarantee ("Guarantee") with the total amount of EUR 1.2 million to Nordea Bank Finland Plc on behalf of Ixonos Plc's ("Ixonos") and Ixonos Finland Ltd's commitments. The Guarantee was given as a substitute to former guarantee given by Finnvera Plc. Turret Oy Ab and Holdix Oy Ab are the owners of Tremoko Oy Ab, which is the main owner of Ixonos.

## 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.

Ixonos Plc result has been negative during the recent years despite efficiency actions done. The negative result has direct impact on company's sufficiency of the working capital. The risk related to sufficient working capital is managed by maintaining readiness for various financing methods.

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.

The structure and content of the company's turnover has changed. 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.

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.

## NEXT REPORTS

The interim report for the period January 1 – June 30, 2016 will be published on Thursday, August 18, 2016.

IXONOS PLC

Board of Directors

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## THE IXONOS GROUP

## SUMMARY OF FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS January 1 – March 31, 2016

## CONSOLIDATED INCOME STATEMENT, EUR 1,000

| | 1.1.-31.3.16 | 1.1.-31.3.15 | Change % | 1.1.-31.12.15 |
|---|---|---|---|---|
| Turnover | 3 901 | 4 584 | -14.9 | 17 001 |
| Operating expenses | -6 141 | -6 558 | 6.4 | -25 703 |
| OPERATING RESULT | -2 240 | -1 974 | -13.5 | -8 702 |
| Financial income and expenses | -578 | -121 | -378.8 | 3 047 |
| Result before tax | -2 818 | -2 095 | -34.6 | -5 655 |
| Income tax | 0 | 0 | 0 | -4 956 |
| RESULT FOR THE PERIOD | -2 819 | -2 095 | -34.7 | -10 612 |
| Attributable to: | | | | |
| Equity holders of the parent | -2 816 | -2 092 | -34.6 | -10 599 |
| Non-controlling interests | -2 | -3 | 3.8 | -12 |
| Earnings per share: | | | | |
| Undiluted, EUR | -0.01 | -0.01 | 0.0 | -0.05 |
| Diluted, EUR | -0.01 | -0.01 | 0.0 | -0.05 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, EUR 1,000

| | 1.1.-31.12.16 | 1.1.-31.12.15 | Change % | 1.1-31.12.15 |
|---|---|---|---|---|
| Result for the period | -2 819 | -2 095 | -34.6 | -10 612 |
| Other comprehensive income | | | | |
| Change in translation difference | 374 | -175 | 313.8 | -187 |
| COMPREHENSIVE RESULT FOR THE PERIOD | -2 444 | -2 270 | -25.9 | -10 799 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION, EUR 1,000

| ASSETS | 31.3.2016 | 31.3.2015 | 31.12.2015 |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Goodwill | 12 043 | 10 847 | 12 043 |
| Other intangible assets | 470 | 1 174 | 548 |
| Property, plant and equipment | 365 | 579 | 372 |
| Deferred tax assets | 0 | 4 947 | 0 |
| Available-for-sale investments | 22 | 3 | 23 |
| TOTAL NON-CURRENT ASSETS | 12 900 | 17 550 | 12 987 |
| CURRENT ASSETS | | | |
| Trade and other receivables | 3 639 | 3 942 | 3 459 |
| Cash and cash equivalents | 1 809 | 535 | 1 901 |
| TOTAL CURRENT ASSETS | 5 448 | 4 477 | 5 360 |
| TOTAL ASSETS | 18 348 | 22 027 | 18 347 |
| | | | |

| EQUITY AND LIABILITIES | 31.3.2016 | 31.3.2015 | 31.12.2015 |
|---|---|---|---|
| SHAREHOLDERS' EQUITY | | | |
| Share capital | 585 | 585 | 585 |
| Share premium reserve | 219 | 219 | 219 |
| Invested non-restricted equity fund | 46 969 | 38 047 | 46 994 |
| Retained earnings | -44 936 | -34 717 | -34 712 |
| Result for the period | -2 816 | -2 092 | -10 599 |
| Equity attributable to equity holders of the parent | 22 | 2 042 | 2 486 |
| Non-controlling interests | 219 | 231 | 221 |
| TOTAL SHAREHOLDERS' EQUITY | 241 | 2 273 | 2 708 |
| LIABILITIES | | | |
| Non-current liabilities | 6 395 | 9 887 | 8 095 |
| Current liabilities | 11 713 | 9 867 | 7 544 |
| TOTAL LIABILITIES | 18 107 | 19 754 | 15 639 |
| TOTAL EQUITY AND LIABILITIES | 18 348 | 22 027 | 18 347 |

## 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, 2015** | 585 | 219 | 0 | 32 345 | -71 | -34 524 | -1 447 | 229 | -1 217 |
| Result 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** |
| **Shareholders' equity at January 1, 2016** | 585 | 219 | 0 | 46 994 | -259 | -45 054 | 2 487 | 221 | 2 708 |
| Result for the period | | | | | | -2 816 | -2 816 | -3 | -2 819 |
| Other comprehensive income: | | | | | | -1 | | | |
| Change in translation difference | | | | | 374 | | 374 | | 374 |
| Transactions with shareholders: | | | | | | | | | |
| Share issue | | | | | | | 0 | | 0 |
| Expenses for equity procurement | | | | -25 | | | -25 | | -25 |
| Share-based remuneration | | | | | | 2 | 2 | | 2 |
| **Shareholders' equity at March 31, 2016** | **585** | **219** | **0** | **46 969** | **116** | **-47 869** | **22** | **219** | **241** |

**CONSOLIDATED CASH FLOW STATEMENT, EUR 1,000**

| | 31.3.2016 | 31.3.2015 | 31.12.2015 |
|---|---|---|---|
| Cash flow from operating activities | | | |
| Result for the period | -2 819 | -2 095 | -10 588 |
| Adjustments to cash flow from operating activities | | | |
| Income tax | 0 | 0 | 4 956 |
| Other income and expenses with no payment relation | 0 | 0 | -4 047 |
| Depreciation and impairment | 127 | 353 | 1 310 |
| Financial income and expenses | 578 | 121 | 871 |
| Other adjustments | -336 | 268 | -272 |
| Cash flow from operating activities before change in working capital | -2 449 | -1 352 | -7 769 |
| Change in working capital | 755 | -1 083 | -2 339 |
| Interest received | 1 | 45 | 122 |
| Interest paid | -70 | -662 | -1 524 |
| Tax paid | 0 | 0 | -7 |
| Net cash flow from operating activities | -1 763 | -3 052 | -11 517 |
| Cash flow from investing activities | | | |
| Acquisition of subsidiaries, net of cash acquired | 0 | 0 | -125 |
| Investments in tangible and intangible assets | -44 | -146 | -164 |
| Net cash flow from investing activities | -44 | -146 | -288 |
| Net cash flow before financing | -1 807 | -3 198 | -11 805 |
| | | | |
| Cash flow from financing activities | | | |
| Increase in long-term borrowings | 24 | 9 506 | 10 794 |

| | | | |
|---|---|---|---|
| Repayment of long-term borrowings | 0 | -3 500 | -4 000 |
| Increase in short-term borrowings | 1 918 | 0 | 7 500 |
| Repayment of short-term borrowings | -63 | -8 208 | -5 784 |
| Proceeds from share issue | 0 | 5 800 | 5 793 |
| Expenses for equity procurement | -25 | -99 | -386 |
| Financial leasing payments | -139 | -22 | -466 |
| Net cash flow from financing activities | 1 715 | 3 478 | 13 451 |
| Change in cash and cash equivalents | -92 | 280 | 1 646 |
| Liquid assets at the beginning of the period | 1 901 | 255 | 255 |
| Liquid assets at the end of the period | 1 809 | 535 | 1 901 |

**Accounting principles**

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, 2015. The IFRS amendments and interpretations that entered into force on January 1, 2016 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 annual report is unaudited.

**Going Concern**

This interim report has been prepared according to the going concern principle taking into account the financial arrangements during the financial year 2015-2016 and financial estimations made up to the end of year 2016. The estimations take into consideration probable or foreseeable changes in future expectations in revenues as well as in costs.

The company’s existing working capital may not be sufficient to cover the company’s funding needs over the next 12 months. The company estimates that its 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 among other methods with bridge financing.

The company loan agreements related arrangement include covenants regarding equity ratio, EBITDA and net debts/EBITDA which will be considered at the first time on 31 December, 2016.

**Goodwill impairment**

Ixonos made an impairment testing for the goodwill value on the balance sheet on March 31, 2016. The goodwill is attributed to the one cash generating unit (CGU) starting from November 1, 2013.

The impairment test showed a surplus of EUR 10.8 million based on discounted cash flow valuation compared to tested amount and no impairment was recognized. The carrying amount of goodwill is EUR 12.0 million. The present value of the cash flows calculated, EUR 29.8 million is lower than the sum of the company's financial liabilities (EUR 12.5 million) and the market price of the shares (EUR 21.2 million) on March 31, 2016.

The impairment test of the company is based on operative company value. The forecasting period used in impairment testing at March 31, 2016 was Q2 2016 to Q1 2020.

In the forecast the year 2016 is a year of stabilization with relatively small growth. For the years 2017-2020 the company expects to reach stronger growth, on average of 9.0 %, as digitalization will impact an ever growing part of the business community. The forecasted EBIT level is assumed to increase to on average of 10 %.

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 % p.a. and growth rate used in calculating terminal value is 1 % p.a. When calculating the terminal value the weighted average EBIT % 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 to the discount factor. If the growth rate -23 % had been used instead of 1 %, the tested value would have been equal to the discounted cash flow. If the discount factor had been 21 % instead of 10 %, the tested value would have been equal to the discounted cash flow. If the EBIT % used had been 2 % instead of 11 %, the tested value would have been equal to the discounted cash flow.

**Loan covenants**

The Company has a total amount of loans on March 31, 2016 EUR 12.5 million. The amount of the financing loans that included covenants had a capital of EUR 5.2 million on March 31, 2016 (2015: EUR 6.0 million). The amount of the financing loans that include covenants are after the financial period changed so that the value is 0.7 million.

Loan agreements include covenants regarding equity ratio, EBITDA and net debts/EBITDA which will be considered at the first time on 31 December, 2016. Should the company not be within the limits of a covenant, the creditors are entitled to call in the loans to which that covenant applies. The covenant levels are reviewed semi-annually on a rolling twelve-month basis. Depending on the point in time, the equity ratio must be 15 % – 35 %. The rolling 12 past month EBITDA may not exceed EUR -1.0 million euros on December 31, 2016.  Depending on the point in time the ratio of interest-bearing liabilities (i.e. interest-bearing liabilities in the balance sheet, including leasing liabilities) to EBITDA may not exceed 3.0 -1.0 on June 30, 2017 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.

On March 31, 2016 the company's equity ratio was 1.3 % (2015: 10.3 %), EBITDA was -2.1 MEUR (2014: -1.6 MEUR) and the ratio of interest-bearing liabilities and the EBITDA was negative (2015: negative).

Instalment scheme for loans under covenants:

| Period | Amount of instalment EUR1.000 |
|---|---:|
| 01.01. - 31.12.2016 | 189 |
| 01.01. - 31.12.2017 | 253 |
| 01.01. - 31.12.2018 | 1 008 |
| 01.01. - 31.12.2019 | 755 |
| 01.01. - 31.12.2020 | 755 |
| 01.01. - 31.12.2021 | 2 264 |

## CONSOLIDATED INCOME STATEMENT, QUARTERLY, EUR 1,000

| | Q1/2016 1.1.-31.3.16 | Q4/2015 1.10.-31.12.15 | Q3/2015 1.7.-30.9.15 | Q2/2015 1.4.-30.6.15 | Q1/2015 1.1.-31.3.15 |
|---|---|---|---|---|---|
| | | | | | |
| Turnover | 3 901 | 4 315 | 3 545 | 4 557 | 4 584 |
| Operating expenses | -6 141 | -6 597 | -6 061 | -6 486 | -6 558 |
| OPERATING RESULT | -2 240 | -2 283 | -2 516 | -1 929 | -1 974 |
| Financial income and expenses | -578 | 3 778 | -476 | -135 | -121 |
| Result before tax | -2 818 | 1 495 | -2 992 | -2 064 | -2 095 |
| Income tax | -0,3 | 12 | -30 | -4 938 | 0 |
| RESULT FOR THE PERIOD | -2 819 | 1 507 | -3 023 | -7 002 | -2 095 |

## CHANGES IN FIXED ASSETS, EUR 1,000

| | Goodwill | Intangible assets | Property, plant and equipment | Available-for-sale investments | Total |
|---|---|---|---|---|---|
| Carrying amount at January 1, 2015 | 10 847 | 1 585 | 2 106 | 14 | 14 552 |
| Additions | 0 | 316 | 0 | 0 | 316 |
| Changes in exchange rates | 0 | 0 | 2 | 0 | 2 |
| Disposals and transfers | 0 | 0 | 0 | 0 | 0 |
| Impairment | 0 | 0 | 0 | 0 | 0 |
| Depreciation for the period | 0 | -254 | -341 | 0 | -595 |
| Carrying amount at March 31, 2015 | 10 847 | 1 647 | 1 767 | 14 | 14 275 |

| | | | | | |
|---|---|---|---|---|---|
| Carrying amount at January 1, 2016 | 12 043 | 548 | 372 | 23 | 12 986 |
| Additions | 0 | 0 | 44 | 0 | 44 |
| Changes in exchange rates | 0 | 0 | -3 | -1 | -4 |
| Disposals and transfers | 0 | 0 | 0 | 0 | 0 |
| Impairment | 0 | 0 | 0 | 0 | 0 |
| Depreciation for the period | 0 | -78 | -49 | 0 | -127 |
| Carrying amount at March 31, 2016 | 12 043 | 470 | 365 | 22 | 12 900 |

## FINANCIAL RATIOS

| | 1.1.-31.3.2016 | 1.1.-31.3.2015 | 1.1.-31.12.2015 |
|---|---|---|---|
| Earnings per share, diluted, EUR | -0.01 | -0,01 | -0,05 |
| Earnings per share, EUR | -0.01 | -0,01 | -0,05 |
| Equity per share, EUR | 0.00 | 0,01 | 0,01 |
| Operating cash flow per share, diluted, EUR | -0.005 | -0,02 | -0,06 |
| Operating cash flow per share, EUR | -0.005 | -0,02 | -0,03 |
| Return on investment, per cent | -34.8 | -33,0 | -29,9 |
| Return on equity, per cent | -900.8 | -305,7 | -1421,9 |
| Operating result/turnover, per cent | -57.4 | -43,1 | -51,2 |
| Net gearing from total equity, per cent | 4424.4 | 633,8 | 324,4 |
| Equity ratio, per cent | 1.3 | 10,3 | 14,8 |
| Equity ratio, per cent, excluding non-controlling interest | 0.1 | 9,3 | 13,6 |
| EBITDA, 1,000 EUR | -2 113 | -1 621 | -7 392 |
| | | | |

## OTHER INFORMATION

| | 1.1.-31.3.2016 | 1.1.-31.3.2015 | 1.1.-31.12.2015 |
|---|---|---|---|
| PERSONNEL | 201 | 246 | 217 |
| Employees, average | 199 | 241 | 200 |
| Employees, at the end of the period | | | |
| | | | |
| COMMITMENTS, EUR 1,000 | | | |
| Collateral for own commitments | | | |

| | | | |
|---|---|---|---|
| Corporate mortgages | 23 500 | 23 300 | 23 500 |
| Financial bonds | 0 | 74 | 0 |
| | | | |
| Leasing and other rental commitments | | | |
| Falling due within 1 year | 1 136 | 2 174 | 1 646 |
| Falling due within 1-5 years | 231 | 2 840 | 1 632 |
| Falling due after 5 years | 0 | 0 | 0 |
| Total | 1 367 | 5 004 | 3 278 |
| | | | |
| Nominal value of interest rate swap agreement | | | |
| Falling due within 1 year | 253 | 4 611 | 253 |
| Falling due within 1-5 years | 443 | 0 | 506 |
| Falling due after 5 years | 0 | 3 000 | 0 |
| Total | 696 | 7 611 | 759 |
| Fair value | -13 | -104 | -13 |

## 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 = (result before taxes + interest expenses + other financial expenses) ⁄ (balance sheet total - non-interest-bearing liabilities, average) × 100

Return on equity = net result ⁄ shareholders' equity, average × 100

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