

**Half year financial report release for the period 1 January – 30 June, 2016****CONFIRMED ORDERS INCREASED, EFFICIENCY MEASURES CONTINUED****The second quarter in brief (previous-year figures in brackets):**

- Confirmed orders: EUR 4.9 million (2015: EUR 2.4 million), 106.0 growth.
- Turnover was EUR 3.8 million (2015: EUR 4.6 million), -16.0% decline.
- Earnings before interest, taxes, depreciation, and amortisation (EBITDA) were EUR -2.3 million, -59.6% of turnover (2015: EUR -1.6 million, -35.9% of turnover)
- Operating result was EUR -2.4 million, -62.7% of turnover (2015: EUR -1.9 million, -42.3% of turnover).
- Net result was EUR -2.9 million, -75.9% of turnover (2015: EUR -7.0 million, -153.6% of turnover, including write-off of deferred tax assets EUR -4.9 million.).
- Earnings per share were EUR -0.01 (2015: EUR -0.07).
- Net cash flow from operating activities was EUR -1.6 million (2015: EUR -0.4 million).

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

- Confirmed orders: EUR 10.5 million (2015: EUR 7.6 million), 37.6 % growth.
- Turnover was EUR 7.7 million (2015: EUR 9.1 million), -15.4 % decline.
- Earnings before interest, taxes, depreciation, and amortisation (EBITDA) were EUR -4.4 million -56.9 % of turnover (2015: EUR -3.3 million, -35.6 % of turnover).
- Operating result was EUR -4.6 million, -60.0% of turnover (2015: EUR -3.9 million, -42.7% of turnover).
- Net result was EUR -5.7million, -74.1% of turnover (2015: EUR -9.1 million, -99.4% of turnover, including write-off of deferred tax assets EUR -4.9 million).
- Earnings per share were EUR -0.02 (2015: EUR -0.05).
- Net cash flow from operating activities was EUR -3.4 million (2015: EUR -3.5 million).

**Future prospects**

Ixonos' operating profit is expected to improve as compared to its performance in 2015.

**CEO's Review**

"Ixonos' business has continued to develop in a strong manner, and special attention has been given to simplifying operative actions while making them more efficient. This work will continue. However full effects of these measures will only be seen during the last half of the year. Pleasing is that the number of confirmed orders has increased over 100% as compared to the second quarter last year. Additionally experienced is an increase of more than 36% as compared to the first half of 2015. However, the overall impact on turnover was still limited as the delivery will be done during longer time period.

Our offering covers e.g. the following areas: Digital transformation, In-Venue Solutions, Smart Data and IoT Solutions and Smart Devices.

Combining design and technology in selected areas has proven to be the right decision and is in line with our company's strategy. The demand for these services has been the strongest, and we will develop these services continuously for our customers in order to be well placed as a competitive and interesting partner.

A fine example of the Digital Transformation area is found in *Startup-as-a-Service*. This particular offering enhances the digital transformation process in large companies with agility, transparency and liberality. Startup-as-a-Service introduces not only change in companies' strategies and offerings but also focuses on the approach to new opportunities and the ability to act. In other words, we enable new ways into our customers' operational culture for effective and lasting results. This model has been extremely interesting, and we want to be a leader in this service.

Outside of Finland, the growth of projects enhancing passengers' experience within the In-Venue area is worth mentioning, together with the versatile customer base of the Digital Transformation area in the United States and Great Britain.

The second quarter was encouraging for both confirmed orders and evolving a better focus of the offering areas. We will also continue, with high determination, to further develop our profitability in both the short- and long-term while improving our operative efficiency by focusing on selected customer segments and specific customer relationships."// *CEO Sami Pihonen*

## OPERATIONS

Ixonos is a service company that combines design and technology in a versatile way. We offer creative and versatile digital solutions along with consulting services for several customer segments. The most important part of our services is our deep understanding and extensive knowledge of our customer's digital challenges, such as utilising digitalisation in their businesses and operations.

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

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

Our operations are centralised in Finland, USA, United Kingdom. Our software development activities are mostly based in Finland, but these activities have been strengthened in our other locations. Design functions currently operate in all locations.

Our **Design services** consist 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. Our design services extend further to development workshops, designing prototypes, and usability testing. All our design innovations are implemented on different devices and platforms, as we are always striving for the best possible implementation that can be done within the time frames requested by our customers.

**As a technology company**, we have extensive knowledge in developing creative software solutions for embedded systems and software. We use open standardised technologies (e.g. Java, Linux, Android, iOS, Net) and cooperate with our technology partners (Eg., IBM, Gigya, Redhat, Salesforce, Maxicaster, gimbal, and Brightcove). We combine knowledge in software development with world-class technology competence and expert-level knowledge in user interface and usability design with first-class project management skills. Our technology expertise comprises, for example, Software and Hardware, mobile, wireless connectivity and Online services and devices.

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

types of business models and competition and how these can be met on the long term in a digitalising world. The target of our consulting services is to build long-term partnerships with customers.

### Organisation

From May onwards, our organization is composed of international sales and has the following units relating to our services:

- **Design:** Involving holistic design capabilities that generate strategic service design, a deep understanding of users and innovative design of user interfaces, and product design.
- **Technology:** Comprised of the implementation of technical solutions, software development and customer projects, and delivering them in the most cost-efficient ways.
- **Consulting Services:** Focusing on the specifications of end-to-end projects and steering them as consultative services.

Service Units and Marketing reports directly to the CEO, while Sales is managed by COO.

The entire operations of the organization supports **Group Services** consisting Finance, HR, IT and legal functions.

### Locations

Our offices are situated in our main markets: Finland, United States, Great Britain and Singapore.

- Our technology development sites are mainly located in Finland. Additionally, we have customer-facing technical personnel in the United States and Great Britain.
- Our Design Studios are located in Finland, the United States, Great Britain and Singapore.
- Our Sales offices are located in Finland, the United States and Great Britain.

### SEGMENT REPORTING

Ixonos reports its operations as a single segment.

### CONFIRMED ORDERS

Confirmed orders during the tracked period were EUR 10.5 million (2015: EUR 7.6 million), which represents a 37.6% increase over last year. Our Customers increasingly commit themselves to collaborate with us for longer periods of time, which affects the formation of orders confirmed and turnover at different times.

### TURNOVER

Turnover in the second quarter was EUR 3.8 million (2015: EUR 4.6 million), which is 16.0% lower compared to the corresponding period.

Turnover in the review period was EUR 7.7 million (2015: EUR 9.1 million), which is 15.4% lower compared to the corresponding period.

Turnover for the period was lower than in the previous year. This was mainly due to individual customers' changed situations in the United States, which led to decreased use of our services more than expected.

Business with Finland and Great Britain has developed positively, and our company expects a clear improvement in the US business sector.

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 second quarter was EUR -2.4 million (2015: EUR -1.9 million), and the result before taxes was EUR -2.9 million (2015: EUR -2.1 million). The net result for the second quarter was EUR -2.9 million (EUR -7.0 million), earnings per share were EUR -0.01 (2015: EUR -0.07), and cash flow from operating activities per share in the first quarter was EUR -0.00 (2015: EUR -0.00).

During the review period the operating result (EBIT) was EUR -4.6 million (2015: EUR -3.9 million), and the result before taxes was EUR -5.7 million (2015: EUR -4.2 million) due the decrease in turnover .. The net result for the was EUR -5.7 million (EUR -9.1 million), Earnings per share were EUR -0.02 (2015: EUR -0.05), and cash flow from operating activities per share was EUR -0.01 (2015: EUR -0.02). Previous year net result included write-off of deferred tax assets EUR -4.9 million.

Financial expenses were higher than a year ago at EUR 1.1 million (2015: EUR 0.3 million), due to increased interest expenses and unrealized foreign exchange losses.

Ixonos did not capitalise the deferred tax assets during the period.

## RETURN ON CAPITAL

The Group's equity was negative EUR -0,4 million. The Group's equity was negative, therefore key figure Return on equity (ROE) has not been calculated. Negativity on equity related only to the Group and the parent company.

Return of investments (ROI) was -57.4 % (2016: -39.8%).

## INVESTMENTS

Gross investments during the review period totalled to EUR 0.0million (2015: EUR 0.2 million). All R&D costs are included in the Group's profit for the review period, and nothing is capitalised in the balance sheet.

## BALANCE SHEET AND FINANCING

The balance sheet totalled EUR 16.9 million (2015: EUR 16.6 million). Shareholders' equity was EUR -0.4 million (2015: EUR -4.8 million). The equity to total assets ratio was -2.3% (2015: -29.0%). The Group's liquid assets at the end of the review period amounted to EUR 0.3 million (2015: EUR 0.6 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 both a negative result and a positive impact on convertible bonds of 2.1 million.

At the end of the review period, the balance sheet included EUR 3.0 million (2015: EUR 13.8 million) in loans. This amount covers the overdrafts in use.

Loan agreements with Related party companies are described in detail in 'related party transactions'

## CASH FLOW

Consolidated cash flow from operating activities during the review period was EUR -3.4 million (2015: EUR -3.5 million), showing an improvement of 2.4%.

In order to reduce the turnaround time of its receivables, the Group sells most of its Finnish account receivables. During the review period, EUR 2.8 million (2015: EUR 3.0 million) trade receivables were sold.

## GOODWILL

On 30 June 2016, the consolidated balance sheet included EUR 11.5 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 of 10%
- 1% growth estimate used for terminal value calculation

During the review period of EUR 0.5 million of the group's goodwill has been recorded as one-time depreciation due to the sale of the Cloud - business contract base to DataCenter Finland Oy.

Ixonos conducted an impairment test on 30 June 2016, confirming that there is no need for an any other impairment. The present value of future cash flows exceeded the carrying value of assets by EUR 16.7 million.

The present value of the cash flow calculation EUR 28.2 million is lower than the sum of the Company's financial liabilities EUR 10.5 million and the market price of the shares EUR 24.7 million as of 30 June 2016.

## PERSONNEL

The average number of employees during the review period was 197 (2015: 232), and at the end of the period, there were 191 (2014: 210) employees. At the end of the review period, the Group had 156 employees (2015: 211) stationed in Finnish companies, while Group companies in other countries employed 35 (2015: 39). During review period, the number of employees decreased by 10.

## SHARES AND SHARE CAPITAL

### Share turnover and price

During the financial period, the highest price of the Ixonos' share was EUR 0.08 (2015: EUR 0.07) and the lowest price was EUR 0.06 (2015: EUR 0.05). The closing price on 30 June 2016 was EUR 0.07 (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 6,912,701 (2015: 35,707,874), which corresponds to 1.96% (2015: 17.6%) of the total number of shares at the end of the review period. The market value of the share capital was EUR 24.749.543 (2015: EUR 11.570.062) at closing on 30 June 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 30 November 2011, to grant new options. This decision was based on the authorisation given at the Annual General Meeting on 29 March 2011.

The options were issued by 31 December 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 will decide 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 1 October 2014. The option plans for IV/B options have been cancelled, and for the IV/C options, the exercise period will begin on 1 October 2016. The exercise periods for all options will end on 31 December 2018. The exercise price for each option series is a trade volume weighted average price at NASDAQ OMX Helsinki. 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 December 2015, 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 18 February 2014 on the basis of the authorisation granted by the Extraordinary General Meeting held on 30 October 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 1 March 2016, with 2014B stock options on 1 March 2017 and with 2014C stock options on 1 March 2018. The share subscription period ends with all stock options on 31 December 2018. The share subscription price for each series is the volume weighted average price of Ixonos' share on the Helsinki Exchange during the period of 1 March to 31 May 2014 for 2014A; 1 January to 31 March 2015 for 2014B; and 1 January to 31 March 2016 for 2014C. The subscription price may be decreased with the amount of dividends paid and may also be otherwise 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 December 2015, 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 30 June 2016, Ixonos had 3,081 shareholders (2015: 2,984). Private persons owned 12.7% (2015: 14.1%), institutions owned 86.8% (2015: 83.0%), foreigners owned 0.5% (2015: 0.8%), and nominee-registered ownership was 1.8% (2015: 2.9%) of all shares.

Tremoko Oy Ab, a related party, owns 82.17% of the Company's shares. Options held by Tremoko increases their ownership to 82.29%.

### Related-party transactions

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

On 8 April 2016, Tremoko Oy Ab ("Tremoko") subscribed to a convertible bond in full with a capital of EUR 9,200,000.95 ("Loan") and attached an 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 to by Tremoko as a result of decision-making in the Ixonos Plc ("Company") General Meeting that took place on 7 April 2016. The Board of Directors of our Company has accepted Tremoko's subscription.

The Loan and attached Special Rights have 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 according to market terms.

The main specifications of the Terms of the Loan and the Special Rights are as follows:

- The amount of the Loan is EUR 9,200,000.95.

- A annual interest of Euribor 6 months (at least  $\geq 0\%$ ) + 4.0 per cent is paid on the principal of the Loan.
- The conversion option attached to the Loan entitles Tremoko to a maximum amount of 131,428,585 of new Company's 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. 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 altogether to EUR 9,200,000.95.

On 28 April 2016, Turret Oy Ab and Holdix Oy Ab were 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.

On 13 May 2016, Ixonos Plc's ("Ixonos"), together with Ixonos Finland Ltd, did give countersecurity to Turret Oy Ab and Holdix Oy Ab in which, inter alia, they have undertaken to pay guarantee commission. The countersecurity has been given related to financial arrangements announced on 28 April 2016. The rate of the guarantee commission has been defined in market terms. Turret Oy Ab and Holdix Oy Ab have granted a directly enforceable guarantee with the total amount of EUR 1.2 million to Nordea Bank Finland Plc as collateral for Ixonos and Ixonos Finland Ltd's commitments. Turret Oy Ab and Holdix Oy Ab are the owners of Tremoko Oy Ab, which is the main owner of Ixonos.

On 20 June 2016, Ixonos Plc ("Ixonos") and Savox Communications Oy Ab Ltd ("Savox") concluded a framework agreement concerning product development. Ixonos had, for the duration of the Agreement, undertaken to provide Savox with research, design and/or product development services ordered separately later by Savox.

The Agreement will remain in force for a minimum of one year. The parties have non-bindingly estimated the potential value of the services provided by Ixonos to Savox to amount to EUR 1–2 million.

Savox Communications Oy Ab (Ltd) is part of the Savox Communications Group, which is one of the world's most notable suppliers of communication systems for professional use in demanding and dangerous circumstances. The Savox Communications Group has over three decades of experience in serving police and security, fire and rescue, military, maritime and industrial sectors. The Savox Communications Group is part of the Savox Group, into which Turret Oy Ab, one of the owners of Ixonos' main owner Tremoko Oy Ab, also belongs.

## **OTHER EVENTS DURING THE REPORTING PERIOD**

### **Market events in the review**

Digitalisation projects within Ixonos' focus areas and on the markets moved more clearly towards an implementation phase during the review period, and the knowledge and expertise in the Company was visible on several international forums and in different events. We actively share our views and customer cases, and we take part in thought leadership events.



Our **Digital Transformation** thinking was most visible in Finland in this year's Ixonos Digitalist Customer Experience Forum that we arranged collaboratively with the Digitalist Network. Both network members and Ixonos clients shared successful transformation projects through the event's platform.

In Singapore, the Digital Disruption Asia Summit gathered influencers in the business around the theme of value creation. We also continued with these themes in our Innovation by Design breakfast. Our experts were very active in arranging meetups, as we arranged five of them internationally in the review period.

Within our **Smart Devices** offering area, we participated in the Critical Communications World in Amsterdam to meet our customers' demand. We also published a continuation to our long-term co-operation with Savox Ltd.

In the review period, we commenced cooperation with IBM concerning our **Smart Data** and **IoT** offerings of area solutions. We started joint customer projects, and we also participated together in several Hackathons. Our joint team won the FortumHack arranged by Fortum and received a special citation at the CargoHack organised by Cargotec. We also shared thoughts with our customers on how to design successful IoT solutions in our Future of Industrial Experience event in June in Tampere.

Our thought leadership at our **In Venue** offering area was visible both as new customers that we will be able to publish in Q3 as well as in our Shippax conference participation. In the review period, we published the customer cases of our Valmet iRoll and Sherri Hill projects, and together with Maxicaster, we also brought live TV to the sea, where connectivity normally is an issue, by introducing the TV feature to the Viking Line digital passenger experience.

In addition to these accomplishments, we continued to improve our Design and Delivery skills within the areas of AR, VR and CGI, and we published a partnership with UNDO animation studio.

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

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

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

The Company held its Annual General Meeting on 7 April 2014. The minutes of Annual General Meeting and decisions are presented on the Company's internet page, [www.ixonos.com](http://www.ixonos.com). The Board of Directors elected by the Annual General Meeting are as follows: 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. Pekka Pylkäs was elected as Chairman of the audit committee and Päivi Marttila and Bo-Erik Ekström as members. Pekka Eloholma, Samu Konttinen, Paul Ehrnrooth and Pekka Pylkäs were elected to the remuneration committee.

Related party transactions during the review period: the convertible loan, the directly enforceable guarantee, the countersecurity, the product development agreement with Ixonos and Savox Communications Oy Ab (Ltd) are described in detail in 'related party transactions'.

The company has not paid a dividend or return of capital during the review period.

**Stock Exchange releases** during the period are available on company's website

[www.ixonos.com/investors/releases](http://www.ixonos.com/investors/releases)

## **EVENTS AFTER THE FINANCIAL PERIOD**

On 2 of August 2016 Ixonos started co-operation negotiations with its personnel in Finland except Kemi and Oulu sites in order to adjust personnel costs mainly temporary measures and in order to enhance the efficiency of the company's operation. Outcome of the negotiations will be job terminations not more than 9 persons and not more than 15 persons will be in temporary lay-offs for a maximum of 90 days.

Ixonos has secured a loan agreement in order to strengthen its working capital with Tremoko Oy Ab. The loan agreement enables, if necessary, additional financing for a maximum of 2.5 million Euros until August 18, 2018.

## **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 risk management organisation and process, as well as on recognised risks, are presented on the Company's website at [www.ixonos.com](http://www.ixonos.com).

Despite efficiency actions taken, Ixonos Plc results have been negative during recent years, which has directly impacted Ixonos' sufficiency of 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 the Company 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 is challenging; yet at the same time, the cost structure is fairly rigid. This may result in unexpected fluctuations in turnover and profitability.

The structure and content of the Ixonos' 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. Ixonos manages these risks by negotiating with financiers and by maintaining readiness for various financing methods.

**NEXT REPORTS**

The interim report for the period of 1 January – 30 September 2016 will be published on Friday, 4 November 2016.

IXONOS PLC

Board of Directors

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## THE IXONOS GROUP

### SUMMARY OF FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS

1 January – 30 June, 2016

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

	1.4.-30.6.16	1.4.-30.6.15	Change %	1.1.-30.6.16	1.1.-30.6.15	Change %	1.1.-31.12.15
Turnover	3,830	4,557	-16.0	7,730	9,142	-15.4	17 001
Operating expenses	-6,229	-6,486	4.0	-12,370	-13,044	5.2	-25 703
<b>OPERATING RESULT</b>	<b>-2,400</b>	<b>-1,929</b>	<b>-24.4</b>	<b>-4,640</b>	<b>-3,903</b>	<b>-18.9</b>	<b>- 8 702</b>
Financial income and expenses	-506	-135	-274.5	-1,084	-256	-323.7	3 047
Result before tax	-2,905	-2,064	-40.8	-5,724	-4,158	-37.6	-5 655
Income tax	-1	-4,938	100	-1	-4,938	100.0	-4 956
<b>RESULT FOR THE PERIOD</b>	<b>-2,906</b>	<b>-7,002</b>	<b>58.5</b>	<b>-5,725</b>	<b>-9,096</b>	<b>37.1</b>	<b>-10 612</b>
Attributable to							
Equity holders of the parent	-2,906	-6,997	-58,5	-5,725	-9,089	37.1	-10 599
Non-controlling interests	0	-4	91,7	-2	-7	68.8	-12
Earnings per share							
Undiluted, EUR	-0.01	-0.07	88.0	-0.02	-0.05	68.0	-0.05
Diluted, EUR	-0.01	-0.07	88.,0	-0.02	-0.05	68.0	-0.05

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

	1.4.-30.6.16	1.4.-30.6.15	Change %	1.1.-30.6.16	1.1.-30.6.15	Change%	1.1-31.12.15
Result for the period	-2,906	-7,002	58.5	-5,725	-9,096	37.0	-10 612
Other comprehensive income							
Change in translation difference	156	562	-72.0	530	-284	287	157
COMPREHENSIVE RESULT FOR THE PERIOD	-2 ,751	-6,440	57.3	-5,195	-9,380	-44.6	-10,769

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

ASSETS	30.6.2016	30.6.2015	31.12.2015
NON-CURRENT ASSETS			
Goodwill	11,543	10,847	12 043
Other intangible assets	393	1,002	548
Property, plant and equipment	325	495	372
Deferred tax assets	0	0	0
Available-for-sale investments	8	3	23
TOTAL NON-CURRENT ASSETS	12,269	12,347	12 987
CURRENT ASSETS			
Trade and other receivables	4,278	3,595	3,459
Cash and cash equivalents	347	620	1,901
TOTAL CURRENT ASSETS	4,625	4,214	5,360
TOTAL ASSETS	16,894	16,561	18,347
EQUITY AND LIABILITIES	30.6.2016	30.6.2015	31.12.2015
SHAREHOLDERS' EQUITY			
Share capital	585	585	585
Share premium reserve	219	219	219
Invested non-restricted equity fund	46,969	38,062	46,994
Retained earnings	-42,665	-34,812	-34,712
Result for the period	-5,723	- 9,089	-10,599

Equity attributable to equity holders of the parent	-614	-5,035	2,486
Non-controlling interests	-219	227	221
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>-395</b>	<b>-4,808</b>	<b>2,708</b>
<b>LIABILITIES</b>			
Non-current liabilities	7,493	4,275	8,095
Current liabilities	9,796	17,094	7,544
<b>TOTAL LIABILITIES</b>	<b>17,288</b>	<b>21,369</b>	<b>15,639</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>16,894</b>	<b>16,561</b>	<b>18,347</b>

### 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
<b>Shareholders' equity on 1 January 2015</b>	585	219	0	32,345	-71	-34,524	-1,447	229	-1,217
Result for the period						-9,089	-9,089	-2	-9091
Other comprehensive income:									
Change in translation difference					-284	7	-277		-277
Transactions with shareholders:									
Share issue				5,800			5,800		5,800
Expenses for equity procurement				-83			-83		-83
Share-based remuneration						60	60		60
<b>Shareholders' equity on 30 June 2015</b>	<b>585</b>	<b>219</b>	<b>0</b>	<b>38,062</b>	<b>-355</b>	<b>-43,546</b>	<b>-5,035</b>	<b>227</b>	<b>-4,808</b>

<b>Shareholders' equity on 1 January 2016</b>	585	219	0	46,994	-258	-45,054	2,487	221	2,708
Result for the period						-5,723	-5,723	-2	-5,725
Other comprehensive income:									
Change in translation difference					530		530		530
Transactions with shareholders									
Equity share of convertible loan						2,114	2,114		2,114
Expenses for equity procurement				-25			-25		-25
Share-based remuneration						-3	-3		-3
<b>Shareholders' equity on 30 June 2016</b>	<b>585</b>	<b>219</b>	<b>0</b>	<b>46,969</b>	<b>272</b>	<b>-48,660</b>	<b>-620</b>	<b>219</b>	<b>-395</b>

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

	30.6.2016	30.6.2015	31.12.2015
Cash flow from operating activities			
Result for the period	-5,725	-9,096	-10,588
Adjustments to cash flow from operating activities			
Income tax	1	4,938	4,956
Other income and expenses with no payment relation	0	0	-4,047
Depreciation and impairment	743	647	1,310
Financial income and expenses	873	256	871
Other adjustments	-469	340	-272
Cash flow from operating activities before change in working capital	-4,577	-2,915	-7,769
Change in working capital	1,366	291	-2,339
Interest received	1	63	122
Interest paid	-194	-928	-1,524
Tax paid	-1	-1	-7
Net cash flow from operating activities	-3,405	-3,490	-11,517
Cash flow from investing activities	400	0	0
Acquisition of subsidiaries, net of cash acquired	0	0	-125

Investments in tangible and intangible assets	-47	-185	-164
Net cash flow from investing activities	353	-185	-288
Net cash flow before financing	-3,052	-3 675	-11,805
Cash flow from financing activities			
Increase in long-term borrowings	1,894	9,506	10,794
Repayment of long-term borrowings	0	-9,089	-4,000
Increase in short-term borrowings	48	6,589	7,500
Repayment of short-term borrowings	-127	-8,454	-5,784
Proceeds from share issue	0	5,800	5,793
Expenses for equity procurement	-25	-103	-386
Financial leasing payments	-292	-209	-466
Net cash flow from financing activities	1,498	4,039	13,451
Change in cash and cash equivalents	-1,554	364	1,646
Liquid assets at the beginning of the period	1,901	255	255
Liquid assets at the end of the period	347	620	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 31 December 2015. The IFRS amendments and interpretations that entered into force on 1 January 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. The estimates and assumptions are based on views prevailing at the time of releasing the interim report, which involves 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 current principle, which takes 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 of revenues and costs.



The Company estimates that its net working capital is expected to be sufficient to fund its operations over the next 12 months .

Ixonos loan agreements' related arrangement includes covenants regarding equity ratio, EBITDA, and net debts/EBITDA, which will be considered for the first time on 31 December 2016.

### **Goodwill impairment**

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

The impairment test showed a surplus of EUR 16.7 million, based on discounted cash flow valuation compared to the tested amount, and no impairment was recognised. The carrying amount of goodwill is EUR 11.5 million. Given the present value of the cash flows calculated, EUR 28.2 million is lower than the sum of the Company's financial liabilities (EUR 10.5 million) and the market price of the shares (EUR 24.7 million) on 30 June 2016.

The impairment test of the Company is based on operative Company value. The forecasting period used in impairment testing on 30 June 2016 was Q3 2016 to Q2 2020.

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

The impairment test is conducted by comparing the carrying value of assets to the 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 to the following two factors: the cash flow forecast itself (and the assumptions behind it) and the growth rate used (when calculating the terminal value and to the discount factor). If any of the following conditions applied, then the tested value would have been equal to the discounted cash flow: (1) the growth rate of -23% had been used instead of 1%; (2) the discount factor had been 21% instead of 10%; or (3) the EBIT % used had been 2,2% instead of 11%.

### **Loan covenants**

Ixonos has a total of EUR 10.5 million in loans as of 30 June 2016. The amount of the financing loans that included covenants had a capital of EUR 0.6 million on 30 June 2016 (2015: EUR 5.9 million). The amount of the financing loans that include covenants are after the financial period changed, so the actual value is 0.6 million.

Loan agreements include covenants regarding equity ratio, EBITDA, and net debts/EBITDA, all of which will be considered for 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 each 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 months' EBITDA may not exceed EUR -1.0 million on 31 December 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 from 30 June 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 30 June 2016, the Company's equity ratio was -2.3% (2015: -29.0%), EBITDA was -4.4 MEUR (2014: -3.3 MEUR), and the ratio of interest-bearing liabilities to the EBITDA was negative (2015: negative). Loans under covenants are all described in detail in short-term liabilities.

Instalment scheme for loans under covenants:

Period	Amount of instalment EUR 1,000
01.04. - 31.12.2016	126
01.01. - 31.12.2017	253
01.01. - 31.12.2018	253
01.01. - 31.12.2019	0
01.01. - 31.12.2020	0
01.01. - 31.12.2021	0

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

	Q2/2016 1.4.-30.6.16	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	3,830	3,901	4,315	3,545	4,557	4,584
Operating expenses	-6,229	-6,141	-6,597	-6,061	-6,486	-6,558
<b>OPERATING RESULTS</b>	<b>-2,400</b>	<b>-2,240</b>	<b>-2,283</b>	<b>-2,516</b>	<b>-1,929</b>	<b>-1,974</b>
Financial income and expenses	-506	-578	3,778	-476	-135	-121
Results before tax	-2,905	-2,818	1,495	-2,992	-2,064	-2,095
Income tax	-1	-0.3	12	-30	-4,938	0
<b>RESULTS FOR THE PERIOD</b>	<b>-2,906</b>	<b>-2,819</b>	<b>1,507</b>	<b>-3,023</b>	<b>-7,002</b>	<b>-2,095</b>

**CHANGES IN FIXED ASSETS, EUR 1,000**

	Goodwill	Intangible assets	Property, plant and equipment	Available-for-sale investments	Total
Carrying amount on 1 January 2015	10,847	1,254	697	3	12,801
Additions		103	83		186
Changes in exchange rates			6		
Disposals and transfers					
Impairment					
Depreciation for the period		-355	-292		-647
Carrying amount on 30 June 2016	10,847	1,002	495	3	12,347
Carrying amount on 1 January 2016	12,043	548	372	23	12,986
Additions			46		46
Changes in exchange rates			-2		-2
Disposals and transfers				-15	-15
Impairment			-4		-504
Business sales	-500				-500
Depreciation for the period		-156	-87		-243
Carrying amount on 30 June 2016	11,543	393	325	8	12,269

**FINANCIAL RATIOS**

	1.1.-30.6.2016	1.1.-30.6.2015	1.1.-31.12.2015
Earnings per share, diluted, EUR	-0.02	-0.05	-0.05
Earnings per share, EUR	-0.02	-0.05	-0.05
Equity per share, EUR	-0.00	-0.02	0.01
Operating cash flow per share, diluted, EUR	-0.01	-0.02	-0.06
Operating cash flow per share, EUR	0.00	-0.00	-0.03
Return on investment, per cent	-57.4	-39.8	-29.9
Return on equity, per cent	N/A	N/A	-1,421.9
Operating result/turnover, per cent	-53,5	-42.7	-51.2
Net gearing from total equity, per cent	324.4	-311.7	324.4
Equity ratio, per cent	-2.3	-29.0	14.8
Equity ratio, per cent, excluding non-controlling interest	-3.6	-30.4	13.6
EBITDA, 1,000 EUR	-4,396	-3,255	-7,392

**OTHER INFORMATION**

	1.1.-30.6.2016	1.1.- 30.6.2015	1.1.-31.12.2015
PERSONNEL	197	232	217
Employees, average	191	210	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	71	0
Leasing and other rental commitments			
Falling due within 1 year	1,203	1,794	1,646
Falling due within 1–5 years	764	2,120	1,632
Falling due after 5 years	0	0	0

Total	1,967	3,914	3,278
Nominal value of interest rate swap agreement			
Falling due within 1 year	253	0	253
Falling due within 1–5 years	380	4,282	506
Falling due after 5 years	0	3,000	0
Total	633	7,282	759
Fair value	-11	-37	-13

## CALCULATION DEFINITIONS OF KEY FIGURES

EBITDA = Earnings before Interest, Taxes, Depreciation and Amortisation

Diluted earnings per share = Result for the period/number of shares, adjusted for issues and dilution, on average

Earnings per share = Result for the period/number of shares, adjusted for issues, on 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, on average

Return on investment = (Result before taxes + interest expenses + other financial expenses)/(balance sheet total - non-interest-bearing liabilities, on average) × 100

Return on equity = Net result/shareholders' equity, on average × 100

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