Financial statements release for the period January 1 - March 31, 2017

THE TURNOVER GREW AND NET LOSS DECREASED

SUMMARY

The first quarter 2017 in brief (previous-year figures in brackets):

- Turnover EUR 4.2 (3.9), 8.6 % growth.
- Earnings before interest, taxes, depreciation and amortization (EBITDA) EUR -0.7 million, -16.5 % of turnover (EUR -2.1,-54.2).
- Operating result EUR -0.8 million, -18.8 % of turnover (EUR -2.2, -57.4).
- Net result EUR -1.2 million, -29.2 % of turnover (EUR -2.8,-72.3).
- Earnings per share (undiluted and diluted) EUR 0.00 (EUR -0.01).
- Net cash flow from operating activities EUR -2.0 (EUR -1.8) million.

Future prospects

The operating profit of the company is expected to improve compared to 2016.

CEO's Review

"During the first quarter of 2017, our business continued to develop into the same positive direction as in the last quarter of 2016. In January, we announced the frame agreement that we concluded with the University of Helsinki concerning digital design services. The agreement is extremely significant for us, not only because of the new customer relationship, but also because it is a good example of business model of long-term, close collaboration that we are aiming for. The turnover increased compared to the corresponding period last year as well as EBIT, even though it was still negative. This was for example due to non-recurring expenses related to acquisition and delayed project starts. We were able to react quickly to these deviations and to correct the direction towards the end of Q1 back to the targeted level.

In alignment with our strategy, we want to serve our customers with a turnkey delivery by combining the seamless collection of deep user understanding, innovative design with uncompromised technological implementation. These kind of deliveries are related to either improving areas where most development needs are discovered or ground-breaking solutions based on entirely new service innovations. Our experience and knowledge in user understanding and LeanLab strongly support our customers effectively through the life cycle of a product or service instead of just working as single purpose tools when updating customers' strategies.

In the end of the review period we published an important acquisition of InterQuest Oy, which is very important step in the execution of our strategy. We have built with determination our knowledge and services related to user- and user experience research. The acquisition of user research capabilities in August 2015 was one significant step in this direction. As we see it, different industries have difficulties in finding the right elements to create meaningful and successful products and services in the quickly changing and digitalising world. InterQuest's LeanLab-service development platform strengthens both qualitative and quantitative user- and usability research at Ixonos. We can provide our customers better information about the behaviour of a selected customer segment and through that support our customers in making successful decisions. LeanLab is a forerunner in its own area of co-creation tools and it has tens of satisfied customers both in Finland and abroad.

In our foreign subsidiaries, the key accounts in North America have started to become stronger. It is very satisfying that the positive trend in winning new customers has continued. In addition, in the UK our business has developed into the desired direction and winning new customers over there creates conditions for a continuation of the same positive direction this year. In Singapore our presence in strengthened through the acquisition of InterQuest and we are aiming to grow our business into a new level there.

Our journey as a turnaround company is coming to the point where sustainable profitability and controlled growth are becoming our main goals. We are working very decisively towards these goals as a united, global Ixonos-team." // *CEO Sami Paihonen*

SEGMENT REPORTING

Ixonos reports its operations as a single segment.

TURNOVER

Turnover in the fourth quarter was EUR 4.2 (EUR 3.9) million, which represents 8.6% growth compared to the corresponding period. Especially In-Venue focus area has grown strongly. The comparison period revenue included divested Cloud business (EUR 0.3 million).

During the review period, no single customer generated a dominating share of the turnover or exceeded 10 % of the total turnover. The combined turnover of companies controlled by Savox SA was 21.3% of the Group turnover.

RESULT

The operating result (EBIT) for the first quarter was EUR -0.8 (EUR -2.2) million and the result before taxes was EUR -1.2 (EUR 2.8) million. The net result for the first quarter was EUR -1.2 (EUR -2.8) million, earnings per share were EUR 0.00 (EUR -0.01), and cash flow from operating activities per share in the first quarter was EUR 0.00 (EUR -0.01).

The main reasons for the result improvement during the review period are the revenue growth and lightened cost structure.

RETURN ON CAPITAL

The Group's equity was negative EUR -5.4 (EUR 0.2) million and Return on equity (ROE) was 309.6 (-900.8)%.

Return of investments (ROI) was -54.2 (-34.8)%.

INVESTMENTS

Gross investments during the first quarter totalled EUR 0.0 (0.1) million.

All R&D costs are included in the Group's profit and nothing is capitalised in the balance sheet.

BALANCE SHEET AND FINANCING

The balance sheet totalled EUR 16.1 (EUR 18.3) million. Shareholders' equity was EUR -5.4 (EUR 0.2) million. The equity to total assets ratio was -33.5 (1.3) % The Group's liquid assets at the end of the review period amounted to EUR 0.4 (EUR 1.8) million. Non-controlling interest of the equity was EUR 0.0 (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 2.8 (EUR 3.1) million in loans from the financial institutions. This amount covers the overdrafts in use. The loan agreements from the financial institutions include covenants regarding equity ratio, which will be considered at the first time 31 December 2017.

In addition to that, the company has loan agreements and convertible bond from its main owner. The total amount of interest bearing debts 31 March 2017 are EUR 14.4 million, of which EUR 11.6 million are from related party companies. New loan agreements with related party companies during the review period are described in detail in 'related party transactions'.

CASH FLOW

Consolidated cash flow from operating activities during the first quarter was EUR – 2.0 (EUR -1.8) million, showing a change of -8.5 %.

The Group sells part of its Finnish trade receivables to reduce the turnaround time of its receivables. During the review period, EUR 1.7 (EUR 1.7) million trade receivables were sold.

GOODWILL

On 31 March, 2017, the consolidated balance sheet included EUR 11.5 million in goodwill (EUR 12.0 million).

The following parameters were used in the goodwill impairment testing:

- The review period of 4 years
- WACC discount rate 11 %
- 1 % growth estimate used for terminal value calculation

Ixonos conducted an impairment test on 31 March 2017, confirming that there is no need for any other impairment. The present value of future cash flows exceeded the carrying value of assets by EUR 20.1 million.

The present value of the cash flow calculation of EUR 31.6 million is lower than the sum of the Company's financial liabilities (i.e. EUR 14.4 million) and the market price of the shares (i.e. EUR 46.0 million) as of 31 March 2017.

PERSONNEL

The average number of employees during the first quarter was 168 (201), and at the end of the period, there were 166 (199) employees. At the end of the review period, the Group had 133 (161) employees stationed in Finnish companies, while Group companies in other countries employed 33 (38). During the review period, the number of employees decreased by three.

SHARES AND SHARE CAPITAL

Share turnover and price

During the first quarter, the highest price of the Ixonos' share was EUR 0.16 (0.07) and the lowest price was EUR 0.10 (0.06). The closing price on 31 March 2017 was EUR 0.13 (0.06). The weighted average price was EUR 0.14 (0.06). The number of shares traded during the review period was 17.664.167 (3.255.707), which corresponds to 4.99 % (0.9) of the total number of shares at the end of the review period. The market value of the share capital was EUR 45.963.437 (21.213.894) at closing on 31 March 2017.

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, 2014 and 2016

Ixonos Plc has three Option plans: 2011, 2014 and 2016 plans, The maximum total number of new company shares to be subscribed for based on these stock options shall be 42.018.526. The option plans are described on company's website www.ixonos.com.

Shareholders

On 31 March 2017, Ixonos had 3.706 shareholders (3.055). Private persons owned 12.72% (12.6), institutions owned 86.74% (86.8), and foreigners owned 0.54% (0.5). Nominee-registered ownership was 1.41% (1.8) of all shares.

Tremoko Oy Ab, a related party, owns 82.2% of the Company's shares. Options held by Tremoko can increase their ownership to 82.3%.

Related-party transactions

On 3 February 2017, the company 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 1.0 million Euros.

On 3 March 2017, the company has accepted the binding offer of its main owner Tremoko Oy Ab of a financial arrangement based on borrowed capital of at most EUR 2.0 million ("Financial Arrangement"). The Financial Arrangement is combined with the additional financial arrangement of EUR 1.0 million implemented earlier and announced on 3 February 2017. Thus, the Financial Arrangement executed now enables, if necessary, Ixonos Plc to obtain EUR 1.0 million more than earlier in additional financing. The additional financing under the Financial Arrangement falls due 31 January 2019 at the latest.

Annual General Meeting on 29 March 2017

The Company held its Annual General Meeting on 29 March 2017. The minutes of the Annual General Meeting and decisions are presented on the Company's internet page, www.ixonos.com.

Paul Ehrnrooth, Bo-Erik Ekström, Pekka Eloholma, Samu Konttinen, Päivi Marttila and Pekka Pylkäs were re-elected as members of the Board of Directors and Peter Eriksson was elected as a new member.

At its constitutive meeting following the Annual General Meeting, the Board of Directors elected Paul Ehrnrooth as Chairman of the Board and Päivi Marttila as Deputy Chairman.

Accordingly, the members of the audit committee of the Board were selected in the meeting. Päivi Marttila was elected as Chairman of the Audit Committee and Bo-Erik Ekström and Pekka Eloholma as its members.

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

www.ixonos.com/investors/releases

EVENTS AFTER THE REPORTING PERIOD

13.4.2017 Ixonos Plc has concluded an agreement by which the Finnish company Interquest Oy becomes part of the Ixonos group. With the sale, Ixonos further strengthens its global position as a leading end-to-end digital transformation service provider and enables Ixonos clients to enjoy broader, deeper and faster service globally. As a result of the acquisition, Ixonos will also become the biggest User Insight company in the Nordics, specialized in modern user experience research.

In the transaction, all Interquest shares apart from shares owned by the company itself were transferred to the ownership of Ixonos. As consideration, Ixonos issued a total of 12 012 990 new Ixonos shares ("Consideration Shares") in a directed share issue ("Share Issue") to be subscribed for by the current owners of Interquest. The Share Issue shall be carried out in derogation from the pre-emptive subscription right of the shareholders by the decision of Ixonos' Board of Directors on the authorisation of the Annual General Meeting held on 7 April 2016. The Consideration Shares issued in the Share Issue were issued in order to develop the group's business and finance the corporate transaction, so there is a weighty financial reason for the Share Issue and the deviation from the pre-emptive right of the shareholders within the meaning of the Finnish Limited Liability Companies Act. The subscription price of the Consideration Shares ("Subscription Price") in the Share Issue was EUR 0,115 per Consideration Share. The Subscription Price was defined as the mean price weighted with the trading amounts of the Ixonos share of the period 28 September 2016 – 28 March 2017. The Owners have subscribed the Consideration Shares in total and the Board of Directors of Ixonos has accepted the share subscription made in the Share Issue on 13 April 2017 when the acquisition of Interquest was concluded.

The Consideration Shares will represent 3.3 per cent of Ixonos shares and votes after the Share Issue. The Consideration Shares will entitle to full dividends possibly distributed by Ixonos and to other distribution of assets as well as carry other shareholder rights in the company starting from when the Consideration Shares have been entered in the Trade Register and the shareholders' register of the company. A certain part of the Consideration Shares of Ville Österlund, continuing to work for the group, are subject to a lock-up period of six (6) months to two (2) years starting from the issue of such shares.

In connection with closing of the acquisition of shares in Interquest Oy on 13 April 2017 Ixonos Plc issued a total of 12,012,990 new shares. The shares have been registered with the Finnish Trade Register on 19 April 2017 and were admitted to public trade on the Nasdaq Helsinki stock exchange approximately on 20 April 2017 in the same class of shares as the company's old shares. Ixonos now has a total of 365,577,888 shares and votes.

The acquisition price EUR 1.432.709 will preliminary be recognised in customer agreements and IPR rights.

26 April 2017, Ixonos Plc signed an agreement whereby it acquired the Digitalist business of the Finnish Rome Advisors Oy together with the associated intellectual property rights and brands . By combining Ixonos' know-how of research, design and technology with the Digitalist business' unique way of bringing together experts, know-how and companies, the combination of the business operations and the resulting Digitalist Network will enable a new kind of co-operation and create tomorrow's experiences already today. The corporate transaction supports the realisation of the company's strategy, and the reborn company will lead the way in implementing digitalisation-related know-how in different fields of business.

Rome Advisors Oy is a Finnish company, which provides management consulting services and specialises in creating digital strategies. The company helps corporations to understand the opportunities of growth, change and digitalisation, and teaches them to use the network in business and to build new ways to operate in the digital age. Ville Tolvanen, CEO of of Rome Advisors, has also founded the Digitalist Network and acts as its General Secretary.

With the transaction, Rome Advisors Oy's #DIGITALIST business and related assets and rights have transferred to Ixonos. Ixonos has paid the Purchase Price by a directed share issue ("Share Issue 1") in which it directed altogether 2 677 074 new Ixonos shares ("Consideration Shares") to be subscribed for by Rome Advisors Oy. In connection with the Transaction, Ixonos also directed altogether 2 294 635 new Ixonos shares ("Share") to be subscribed for by Rome Advisors Oy in a directed share issue which is to be paid in cash ("Share Issue 2") and is separate from the Transaction.

Share Issue 1 and Share Issue 2 (jointly "Share Issues") were carried out in derogation from the pre-emptive subscription right of the shareholders by the decision of Ixonos' Board of Directors on the authorisation of the Annual General Meeting held on 29 March 2017. The Consideration Shares issued in Share Issue 1 are issued in order to develop the group's business and finance the corporate transaction, so the company has a weighty financial reason for Share Issue 1 and for the deviation from the pre-emptive right of the shareholders within the meaning of the Finnish Limited Liability Companies Act. The funds derived from Share Issue 2 will be used to maintain and improve the solvency of the group, so the company has weighty financial reasons for Share Issue 2 and for deviating from the pre-emptive right of the shareholders within the meaning of the Finnish Limited Liability Companies Act.

The subscription price of the Shares in the Share Issues is approximately EUR 0.131 per Consideration Share and Share. The Subscription Price has been determined as the mean price weighted with the trading amounts of the Ixonos share of the period 25 January 2017 – 25 April 2017. The subscription of the Consideration Shares and Shares has taken place at the signing of the transaction and the Board of Directors of Ixonos has accepted the share subscriptions.

The Consideration Shares and Shares will represent altogether 1.3 per cent of Ixonos shares and votes after the Share Issues. The Consideration Shares and Shares will entitle to full dividends possibly distributed by Ixonos and to other distribution of assets as well as carry other shareholder rights in the company starting from when the Consideration Shares and Shares have been entered in the Trade Register and the shareholders' register of the company. The Consideration Shares are subject to a lock up period of one (1) – two (2) years starting from the issue of such shares.

27 April 2017 Ixonos Plc gave notice to the Shareholders to an Extraordinary General Meeting to be held 19 May 2017 at 5 pm at the company's head office. The Board of Directors proposes that section "§ 1 Company name and domicile" of Ixonos Plc's Articles of Association be amended to be the following: The company's name is Digitalist Group Oyj, Digitalist Group Abp in Swedish and Digitalist Group Plc in English. The company's registered office is in Helsinki.

The Notice of Ixonos Plc's extraordinary general meeting is available on company's website www.ixonos.com/investors/releases.

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.

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.

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.

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

The Group has a subsidiary in Great Britain. The Brexit influence on the operations of the subsidiary has been evaluated and the influence is estimated to be insignificant.

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.

LONG-TERM GOALS AND STRATEGY

In the long term, Ixonos aims to achieve an operating result of at least 10 per cent. To reach its long-term goals, Ixonos focuses its strategy on deepening the company's service and solution business and combining user- and user experience research, design and technology. The company aims to grow with new accounts within different industries by repeating Ixonos unique way to offer business advantage through digitalisation and mobility.

NEXT REPORTS

The financial statement for the period 1 April – 30 June, 2017 will be published on Wednesday, 23 August, 2017.

IXONOS PLC
Board of Directors

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THE IXONOS GROUP

SUMMARY OF INTERIM REPORT AND NOTES TO THE INTERIM REPORT 1 January – 31 March, 2017

CONSOLIDATED INCOME STATEMENT, EUR 1.000

	1.1.- 31.3.17	1.1.- 31.3.16	Change %	1.1.- 31.12.16
Turnover	4 236	3 901	8.6	15 256
Operating expenses	-5 034	-6 141	-18.0	-22 993
OPERATING RESULT	-798	-2 240	64.4	-7 736
Financial income and expenses	-440	-578	24.0	-1 811
Result before tax	-1 237	-2 819	56.1	-9 547
Income tax	0	0	0	-2
RESULT FOR THE PERIOD	-1 237	-2 819	56.1	-9 550
Attributable to:				
Equity holders of the parent	-1 237	-2 816	100.0	-9 550
Non-controlling interests	0	-2	100.0	0
Earnings per share				
Undiluted, EUR	0.00	-0.01	56.1	-0.03
Diluted, EUR	0.00	-0.01	65.8	-0.02

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, EUR 1.000

	1.1.- 31.3.17	1.1.- 31.3.16	Change %	1.1.- 31.12.16
Result for the period	-1 237	-2 819	56.1	-9 550
Other comprehensive income				
Change in translation difference	34	374	-91.0	538
COMPREHENSIVE RESULT FOR THE PERIOD	-1 204	-2 444	50.8	-9 012

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, EUR 1.000

ASSETS	31.3.2017	31.3.2016	31.12.2016
NON-CURRENT ASSETS			
Goodwill	11 543	12 043	11 543
Other intangible assets	249	470	323
Property, plant and equipment	324	365	340
Deferred tax assets	0	0	0
Available-for-sale investments	8	22	8
Trade and other receivables	78	0	156
TOTAL NON-CURRENT ASSETS	12 201	12 900	12 370
CURRENT ASSETS			
Trade and other receivables	3 519	3 639	3 304
Cash and cash equivalents	448	1 809	422
TOTAL CURRENT ASSETS	3 968	5 448	3 726
TOTAL ASSETS	16 091	18 348	16 095
EQUITY AND LIABILITIES	31.3.2017	31.3.2016	31.12.2016
SHAREHOLDERS' EQUITY			
Share capital	585	585	585
Share premium reserve	219	219	219
Invested non-restricted equity fund	47 191	46 969	47 191
Retained earnings	-52 149	-44 936	-42 645
Result for the period	-1 237	-2 816	-9 550
Equity attributable to equity holders of the parent	-5 390	22	-4 199
Non-controlling interests	0	219	0
TOTAL SHAREHOLDERS' EQUITY	-5 390	241	-4 199
LIABILITIES			
Non-current liabilities	12 153	6 295	10 215
Current liabilities	9 238	11 713	10 078
TOTAL LIABILITIES	21 481	18 107	20 294
TOTAL EQUITY AND LIABILITIES	16 091	18 348	16 095

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	46 994	-259	-45 054	2 487	221	2 708
Other changes									
Result for the period						-2 816	-2 816	-3	-2 819
Other comprehensive income:						-1			-1
Change in translation difference					374		-374		374
Transactions with shareholders:									
Share issue									
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
Shareholders' equity at January 1, 2017	585	219	0	47 190	280	-52 475	-4 421		-4 199
Other changes									
Result for the period						-1 237	-1 237		-1 237
Other comprehensive income									
Change in translation difference					34		34		34
Transactions with shareholders:									
Equity part of the convertible bond									
Expenses for equity procurement									

Share-based remuneration						12	12		12
Shareholders’ equity at March 31, 2017	585	219	0	47 190	314	-53 700	-5 613		5 390

CONSOLIDATED CASH FLOW STATEMENT, EUR 1,000

	31.3.2017	31.3.2016	31.12.2016
Cash flow from operating activities			
Result for the period	-1,237	-2,819	-9,550
Adjustments to cash flow from operating activities			
Income tax	0	0	1
Other income and expenses with no payment relation	0	0	500
Depreciation and impairment	101	127	505
Financial income and expenses	222	578	1 511
Other adjustments	46	-336	-997
Cash flow from operating activities before change in working capital	-868	-2,449	-8,029
Change in working capital	-977	755	2,841
Interest received	0	1	2
Interest paid	-20	-70	-280
Tax paid	0	0	-1
Net cash flow from operating activities	-1,864	-1,763	-5,467
Cash flow from asset sale agreement	0	0	550
Investments in tangible and intangible assets	-11	-44	-364
Net cash flow from sale of tangible assets	0	0	47
Net cash flow from investing activities	-11	-44	233
Net cash flow before financing	-1,876	-1,807	-5,234
Cash flow from financing activities			
Increase in long-term borrowings	2,000	24	4,394
Increase in short-term borrowings	1	1,918	47
Repayment of short-term borrowings	-63	-63	-253
Expenses for equity procurement	0	-25	-24
Financial leasing payments	-35	-139	-457
Net cash flow from financing activities	1,902	1,715	3,755
Change in cash and cash equivalents	26	-92	-1,479
Liquid assets at the beginning of the period	422	1,901	1,901
Liquid assets at the end of the period	448	1,809	422

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, 2014. The IFRS amendments and interpretations that entered into force on January 1, 2016 have not affected the consolidated financial statements.

For IFRS 15 implementation the Group has assessed all customer agreements whre the project delivery has taked place during the review period. Based on these agreemtnts there will not be significant effects on revenue when IFRS 15 is implemented.

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. The original annual report is in Finnish. The annual 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 annual report has been prepared according to the going concern principle taking into account the realized financial arrangements during the financial year 2017 and financial estimations made up for the year 2017. The estimations take into consideration probable or foreseeable changes in future expectations in revenues as well as in costs. On the balance sheet day, the company estimated that its existing working capital is sufficient to cover the company's funding needs over the next 12 months.

Loan agreements include semi-annual covenants regarding equity ratio, which will be considered at the first time on 31 December 2017. The total amount of loan agreements that include loan covenants are 2.5 million euros.

Goodwill impairment

Ixonos made an impairment testing for the goodwill value on the balance sheet on 31 March, 2017. The goodwill is attributed to the one cash generating unit (CGU) starting from November 1, 2013.

The impairment test showed a surplus of EUR 20.1 million based on discounted cash flow valuation compared to tested amount and no impairment was recognized. The carrying amount of goodwill is EUR 11.5 million. The present value of the cash flows calculated, EUR 31.6 million is lower than the sum of the company's financial liabilities (EUR 14.4 million) and the market price of the shares (EUR 46 million) on 31 March 2016.

The impairment test of the company is based on operative company value. The forecasting period used in impairment testing at 31 March 2016 was Q2 2017 to Q1 2021.

In the forecast, the year 2017 is a year of relatively small growth. For the years 2018-2021 the company expects to reach stronger growth, on average of 16 per cent, 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 per cent. Even though the company's long-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 11 per cent p.a. and growth rate used in calculating terminal value is 1 per cent p.a. When calculating the terminal value, the weighted average EBIT %age 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 -31 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 24.6 per cent instead of 11 per cent, the tested value would have been equal to the discounted cash flow. If the EBIT %age used had been 0.4 per cent instead of 10 per cent, the tested value would have been equal to the discounted cash flow.

Loan covenants

The Company has a total amount of bank loans on 31 March 2017 EUR 2.8 million. The amount of loans that include covenants are 2.4 (5.2) million euros 31 March 2017.

The loan agreements include covenants regarding equity ratio, which will be considered at the first time on 31 December, 2017. Should the company not be within the limits of a covenant, the creditor is entitled to call in the loans to which that covenant applies. The covenant levels are reviewed semi-annually on a rolling twelve-month basis after 31 December 2017. The equity ratio must be minimum 30 per cent.

On 31 March 2017 the company's equity ratio was -33.5 per cent (1.3 per cent)
Instalment scheme for loans under covenants:

Period	Amount of bank loan instalment EUR 1.000
01.01 - 31.12.2017	253
01.01. - 31.12.2018	2 190

CONSOLIDATED INCOME STATEMENT, QUARTERLY, EUR 1.000

	Q1/2017 1.1.- 31.3.17	Q4/2016 1.10.- 31.12.16	Q3/2016 1.7.- 30.9.16	Q2/2016 1.4.- 30.6.16	Q1/2016 1.1.- 31.3.16
Turnover	4 236	4 489	3 037	3 830	3 901
Operating expenses	-5 034	-5 572	-5 050	-6 229	-6 141
OPERATING PROFIT BEFORE GOODWILL IMPAIRMENT	-798	-1 083	-2 014	-2 400	-2 240
Financial income and expenses	-440	-231	-495	-506	-578
Result before tax	-1 237	-1 341	-2 510	-2 905	-2 818
Income tax	0	-1	0	-1	0
RESULT FOR THE PERIOD	-1 237	-1 315	-2 510	-2 906	-2 819

CHANGES IN FIXED ASSETS, EUR 1.000

	Goodwill	Intangible assets	Property , plant and	Available-for-sale	Total

			equipm ent	invest ments	
Carrying amount at January 1, 2015	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
Carrying amount at January 1, 2016	11 543	323	340	8	12 214
Additions	0	0	11	0	11
Changes in exchange rates	0	0	0	0	0
Disposals and transfers	0	0	0	0	0
Impairment	0	0	0	0	0
Depreciation for the period	0	-74	-27	0	-101
Carrying amount at March 31, 2017	11 543	249	324	8	12 124

FINANCIAL RATIOS

	1.1.-31.3.2017	1.1.-31.3.2016	1.1.-31.12.2016
Earnings per share, diluted, EUR	0,00	-0,01	- 0,03
Earnings per share, EUR	0,00	-0,01	-0 03
Equity per share, EUR	-0,02	0,00	-0,01
Operating cash flow per share, diluted, EUR	0,00	-0,05	-0,01
Operating cash flow per share, EUR	-0,01	-0,005	-0,01
Return on investment, per cent	-54,2	-34,8	-70,1
Return on equity, per cent	309,6	-900,8	1,5
Operating result/turnover, per cent	-18,8	-57,4	-50,7
Net gearing from total equity, per cent	-259,7	4 424,2	-288,3
Equity ratio, per cent	-33,5	1,3	-26,1
Equity ratio, per cent, excluding non-controlling interest	-33,5	0,1	-26,1
EBITDA, 1.000 EUR	-697	-2 113	-7 231

OTHER INFORMATION

	1.1.-31.3.2017	1.1.- 31.3.2016	1.1.-31.12.2016
PERSONNEL			
Employees, average	168	201	188
Employees, at the end of the period	166	199	174
COMMITMENTS, EUR 1.000			
Collateral for own commitments	23 500	23 500	23 500
Corporate mortgages	0	0	0
Financial bonds			
Leasing and other rental commitments			
Falling due within 1 year	959	1 136	831
Falling due within 1-5 years	1 443	231	1 307
Falling due after 5 years	0	0	0
Total	2 402	1 367	2 043
Nominal value of interest rate swap agreement			
Falling due within 1 year	253	253	253
Falling due within 1-5 years	190	443	253
Falling due after 5 years	0	0	0

Total	443	696	506
Fair value	-5	-13	-7

CALCULATION OF KEY FIGURES

EBITDA = Earnings before Interest, Taxes and 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