Ixonos Plc Interim report 28 October 2009 at 9:30

Interim report for the period 1 January – 30 September 2009

IXONOS' OPERATIONAL RESULT CLEARLY POSITIVE AS PREDICTED

Highlights in the review period:

- Turnover for the review period was EUR 47.6 million (2008: EUR 54.6 million), a change of -12.9 per cent.
- One-off events: The company wrote off EUR 7.2 million in goodwill allocated to the Business Solutions unit. The impairment loss has no cash impact.
- Operating profit before goodwill impairment was EUR 1.5 million (2008: EUR 3.6 million), 3.1 per cent of turnover; operating profit decreased -58.2 per cent.
- Operating profit was EUR -5.7 million (2008: EUR 3.6 million), -12.0 per cent of turnover.
- Net profit was EUR -6.7 million (2008: EUR 2.0 million), -14.1 per cent of turnover.
- Earnings per share were EUR -0.72 (2008: EUR 0.22).
- Diluted earnings per share were EUR -0.72 (2008: EUR 0.22).
- Net cash flow from operative activities was EUR 1.9 million (2008: EUR 1.5 million).

Third quarter 2009 highlights:

- Turnover for the third quarter was EUR 13.8 million (2008: EUR 16.7 million), a change of -16.9 per cent.
- Operating profit before goodwill impairment was EUR 0.5 million (2008: EUR 1.3 million), 3.3 per cent of turnover; operating profit before goodwill impairment decreased -65.6 per cent.
- Operating profit was EUR -6.7 million (2008: EUR 1.3 million), -48.7 per cent of turnover.
- Net profit was EUR -7.1 million (2008: EUR 0.7 million), -51.0 per cent of turnover.
- Earnings per share were EUR -0.76 (2008: EUR 0.07).
- Diluted earnings per share were EUR -0.76 (2008: EUR 0.07).
- The company continued with the business rationalization program it started at the beginning of the year. The program seeks to achieve some EUR 3 million in annual savings.
- The company established, in Jyväskylä, a unit for mechanical engineering and electronics design of smartphones.

Ixonos outlook:

- Due to the market situation, turnover for the final quarter of this year is forecast to be lower than in the previous year, but also clearly the highest of all quarters this year. Operating profit for the final quarter is expected to be decidedly positive as well as satisfactory considering the market situation.
- Turnover for the entire year is envisaged to be lower than in the previous year. Due to the one-off goodwill impairment loss, operating profit for the entire year will be decidedly negative. The operational result, however, is expected to be clearly positive.

Kari Happonen, President and CEO:

Both because of the economic recession that has followed the global financial crisis and because of weakened demand for ICT services, Ixonos' turnover for this year’s first nine months has, as predicted, been lower than in the previous year and profitability has weakened. We expect business for the entire Group to develop favourably in the final quarter, and we expect the Group's turnover in the fourth quarter to be the highest of the year. We also envisage that operative profitability will grow and that operating profit for the entire year before goodwill impairment will be clearly positive.

We estimate that the Mobile Terminals & Software business area, which produces R&D services for mobile terminal devices and their software, has managed to gain market share despite the difficult market situation. The unit has also clearly increased its turnover for the review period as well as its operating profit compared to the previous year. We also anticipate that the unit will continue its growth during the final quarter of the year.

Our Media & Communities business area, which develops device-independent Internet services related to delivery of digital content and to social networking, has recovered from its downturn **–** caused by the end of certain long-term customer projects **–** of earlier this year. The unit's turnover began to climb again in the third quarter. We look forward to excellent performance from the unit during the year's final quarter as well.

Our Business Solutions unit, which is responsible for customers in the Finnish manufacturing and service sectors as well as in the ICT industry, took the deepest drop. The unit's customers have cut down strongly on their ICT investments as well as postponed the launch of new software and systems projects. The decreased turnover caused the unit to show a loss in the beginning of the year. Because of this, we started an operational rationalization program already during the first quarter. This program seeks to achieve some EUR 3 million in annual savings. As early as during the review period, adaptation and rationalization activities brought about an improved ratio of chargeable work as well as better operative efficiency. Costs for personnel and subcontracting during the review period were EUR 5.2 million lower than during the corresponding period in the previous year. We believe that the ratio of chargeable work performed by the company's specialist staff as well as the efficiency of our administration and support functions will continue to improve and that the company's operational profitability thus will increase during the final quarter of 2009.

According to market forecasts by research institutes, Finland's ICT market is shrinking this year and will begin to grow slightly in 2010. Due to the situation on the Finnish market remaining weak, we have had to downgrade considerably the short-term turnover and operating profit forecasts regarding the Business Solutions area. Although we believe that the unit's turnover and profitability will grow significantly in the long term, we must write off EUR 7.2 million of the EUR 18.3-million goodwill allocated to the unit. This one-off impairment loss has no cash impact, but it causes the unit's operating profit during the review period, as well as that of the entire Group, to become clearly negative. However, the Group's operational result is decidedly positive as well as satisfactory considering the market situation.

In September, we established a new unit for the design of next-generation mobile phones in connection with our site in Jyväskylä. This unit expands our smartphone R&D services to cover mechanical engineering and electronics design in addition to software development. The unit will be key as we, together with our international device-manufacturer and operator customers, create devices that inspire consumers with both practical use and pleasure as they take advantage of the ever-increasing supply of services on the wireless Internet.

BUSINESS OPERATIONS

Ixonos is an ICT service company producing innovative solutions for mobile communications, social media and digital services. Together with its customers, the company develops products and services that inspire the digital experience regardless of place and time. The company's corporate customers capitalize on new business opportunities and new productivity.

By offering services that range from concept design, consulting and project management to software production and maintenance, Ixonos strives to be a strategic partner to leading innovators.

The company's clientele comprises globally leading mobile and smartphone manufacturers, network suppliers and telecom carriers as well as Finnish finance, industrial and service companies and public administration organizations.

Ixonos' sites are located in Helsinki and in six other localities in Finland, as well as in Britain, China, Denmark, Estonia, Germany, Slovakia and the United States.

SEGMENTS

Since the beginning of 2009, Ixonos' business operations are organized into three segments: Mobile Terminals & Software; Media & Communities; and Business Solutions. The Mobile Terminals & Software business area involves product development services for mobile terminal devices and their software. The Media & Communities business area consists of device-independent Internet services related to delivery of digital content and to social networking. The Business Solutions area comprises development services pertaining to corporate business software and systems as well as to public administration online services.

Mobile Terminals & Software

Ixonos' Mobile Terminals & Software business area provides its customers with product development services for mobile terminal devices and their software.

Despite the difficult market situation, the Mobile Terminals & Software business area managed to gain market share and to increase turnover and operating profit for the review period as compared to the previous year. Turnover increased by 11.0 per cent to EUR 26.5 million (2008: EUR 23.9 million). Operating profit increased by 27.4 per cent to EUR 4.0 million (2008: EUR 3.1 million), 15.0 per cent of turnover.

The unit's business operations are expected to develop favourably during the final quarter of the year. The growth of turnover and operating profit is anticipated to continue.

The Mobile Terminals & Software segment actively utilized the offering of the Group's international sites in Tallinn, Košice and Beijing. The segment also invested strongly in the development of international sales.

The Jyväskylä smartphone R&D centre that we established in September expands the Group's mobile-terminal R&D services to cover mechanical engineering and electronics design in addition to software development. The unit enables us to provide increasingly comprehensive product development services for next-generation smartphones to current international device-manufacturer and operator customers as well as to new ones. Smartphones based on new, powerful chipsets from the world's leading technology suppliers, and on the Android and Symbian operating systems, will be developed in the new unit.

Media & Communities

Ixonos' Media & Communities business area provides its customers with device-independent Internet services related to the delivery of digital media, entertainment and information as well as to social networking.

During the review period, the segment's turnover fell by 28.7 per cent to EUR 6.7 million (2008: EUR 9.3 million). Operating profit decreased by 80.6 per cent to EUR 0.2 million (2008: EUR 1.1 million), 3.2 per cent of turnover. The reduction in turnover was caused by certain individual large customer projects ending in early 2009 as well as by new project launches being delayed in an unstable market situation. The unit's turnover began to increase again in the third quarter. The decreased profitability of the business area was a combined consequence of a decline in business volume, a temporarily diminished billing ratio and a powerful investment in developing the unit's operations in the United States.

The unit's turnover and profitability are expected to increase vigorously during the remainder of 2009. The Media & Communities segment actively utilized the offering of the Group's site in Košice.

As the global financial crisis subsides, investments in Internet distribution and sales of digital media as well as in social-media Internet services are expected to grow clearly faster than traditional ICT investments. Ixonos offers its customers a uniquely comprehensive service package that enables agile and cost-efficient creation of new Internet services; implementation of a smooth user experience in services and mobile terminals; and flexible further development and maintenance **–** including business critical hosting **–** of services.

Business Solutions

Ixonos' Business Solutions area provides development services pertaining to corporate business software and systems as well as to public administration online services.

Due to the economic recession as well as to attenuated general demand for ICT services, demand for the segment's services decreased significantly during the review period. The segment's turnover decreased by 32.8 per cent to EUR 14.4 million (2008: EUR 21.4 million), and operating profit turned negative. According to market forecasts by research institutes such as Market-Visio, Finland's ICT market is shrinking during the present year, and will begin to grow slightly in 2010. The short-term turnover and operating profit forecasts for the Business Solutions area have been downgraded substantially. This is due to the continuously weak market situation in Finland. Although the segment's turnover and operating profit are believed to grow significantly in the long term, it was decided to write EUR 7.2 million off the EUR 18.3 million goodwill allocated to the unit. This one-off impairment loss has no cash impact.

The Business Solutions area's operating loss before goodwill impairment increased to EUR 1.3 million (2008: operating profit EUR 0.7 million), -9.3 per cent of turnover, during the review period. Operating loss including goodwill impairment increased to EUR 8.5 million (2008: operating profit EUR 0.7 million), -59.3 per cent of turnover.

Although the unit's turnover is envisaged to grow somewhat during the final quarter of 2009, it is also forecast to fall clearly short of the previous year. The unit's final-quarter result is expected to be negative despite the Group's rationalization activities.

The Business Solutions area focuses on acceleration of business processes, on document and event management, on electronic business and communications and on specialist services in project management. As all the Group's business areas, the unit vigorously utilizes open-source solutions and, in chosen solution areas, the product platforms of technology partners. The unit aims e.g. to diversify its solution delivery according to the SaaS business model by utilizing the advanced business-critical hosting services of the Group. The Business Solutions unit also aspires to improve its operative efficiency by concentrating maintenance and further development of certain product platforms so that such work is performed at the Group's site in Košice. The unit's e-business and e-government solutions have been received well by public sector customers.

TURNOVER

Consolidated turnover was EUR 47.6 million (2008: EUR 54.6 million), which is 12.9 per cent less than in the previous year. The Mobile Terminals & Software segment accrued 55.8 per cent (2008: 43.7 per cent) of turnover, the Business Solutions segment accrued 30.2 per cent (2008: 39.2 per cent) and the Media & Communities segment accrued 14.0 per cent (2008: 17.1 per cent).

Turnover in the third quarter was EUR 13.8 million (2008: EUR 16.7 million), which is 16.9 per cent less than in the previous year.

Turnover by segment

EUR 1,000	**1–9 2009**	**1–9 2008**	**1–12 2008**
Mobile Terminals & Software	26,544	23,903	33,830
Media & Communities	6,651	9,325	12,679
Business Solutions	14,393	21,412	28,606
Group total	**47,587**	**54,640**	**75,115**

FINANCIAL RESULT

Consolidated operating profit before impairment of Business Solutions goodwill was EUR 1.5 million (2008: EUR 3.6 million). Consolidated operating profit was EUR -5.7 million (2008: EUR 3.6 million). Profit before tax was EUR -6.5 million (2008: EUR 2.7 million). Profit for the review period was EUR -6.7 million (2008: EUR 2.0 million). Diluted earnings per share were EUR -0.72 (2008: EUR 0.22). Diluted cash flow from operating activities was EUR 0.21 (2008: EUR 0.16) per share. The two main reasons for the reduced operating profit were the decreased ratio of chargeable work performed by the company's specialist staff at the beginning of the review period, and the goodwill depreciation in the Business Solutions area. Thanks to the operational rationalization program started in the first quarter, the company was able to achieve savings during the review period, particularly concerning personnel and subcontracting costs. These costs were some EUR 5.2 million lower than in the previous year despite on an average 40-person staff increase in comparison to the reference period. The construction of the company's international operations network had a cost effect of some EUR 0.9 million during the review period.

Third-quarter operating profit before goodwill impairment was EUR 0.5 million (2008: EUR 1.3 million). Operating profit was EUR -6.7 million (2008: EUR 1.3 million). Profit before tax was EUR -7.0 million (2008: EUR 1.0 million). Profit for the third quarter was EUR -7.1 million (2008: EUR 0.7

million). Diluted third-quarter earnings per share were EUR -0.76 (2008: EUR 0.07). Diluted cash flow from operating activities in the third quarter was EUR 0.13 (2008: EUR -0.04) per share. During the third quarter, an impairment of EUR 7.2 million was recorded for goodwill allocated to the Business Solutions area.

Operating profit by segment

EUR 1,000	**1–9 2009**	**1–9 2008**	**1–12 2008**
Mobile Terminals & Software	3,979	3,124	4,775
Media & Communities	215	1,111	1,601
Business Solutions	-8,535	696	1,240
Administration	-1,367	-1,361	-1,493
Group total	**-5,708**	**3,570**	**6,123**

RATIONALIZATION PROGRAM

On 12 February 2009, Ixonos commenced co-operation negotiations with its personnel in order to rationalize operations and improve profitability. The negotiations were carried out on an accelerated schedule, and they were completed on 10 March 2009. The co-operation negotiations concerned the Ixonos Group's administration and support functions as well as its sites in Finland. As a result of the negotiations, the bonus program for the entire personnel was abandoned for 2009, and the additional holiday pay accrued for the holiday season 2008–2009 was reduced to a third of its normal amount. Additionally, the company's top management waived one month's salary. As an outcome of the negotiations, 25 employees were dismissed from the Ixonos Group. The dismissals focused on employees producing services for which the company does not expect sufficient future demand and that are under increasing international price pressure. The realized savings amount to some EUR 3 million per year from the second quarter of this year.

The negotiations also resulted in an agreement that a maximum of 50 employees could be laid off in April, May or June for not more than five months if demand for the company's services would weaken because of the market situation. By the end of June, the company issued notices of temporary lay-offs to 48 employees. The lay-offs came into force during August. Laid-off employees were offered personal protection against dismissal for six months beginning on the first day of their lay-off. To increase productivity, the company continues to rationalize its operations.

RETURN ON CAPITAL

Consolidated return on equity (ROE) was -41.0 per cent (2008: 11.7 per cent); return on investment (ROI) was -18.1 per cent (2008: 9.6 per cent). The reduced rates of return mainly resulted from the decreased result due to the impairment of Business Solutions area goodwill.

BALANCE SHEET AND FINANCING

The balance sheet total was EUR 48.4 million (2008: EUR 61.2 million). Shareholders' equity was EUR 18.5 million (2008: EUR 23.5 million). The equity ratio was 38.2 per cent (2008: 38.4 per cent). The Group's liquid assets at the end of the review period amounted to EUR 2.2 million (2008: EUR 1.4 million).

During the review period, the company increased its non-equity funding by EUR 8 million in connection with payment of the additional acquisition price for Cidercone Life Cycle Solutions Oy (later Ixonos Outsourcing Services Ltd). Of the non-equity funding, EUR 4 million are non-current liabilities and EUR 4 million are current liabilities. At the end of the review period, the company had interest-bearing bank loans of EUR 15.7 million in all. The bank loans have covenants attached to them. These covenants are based on the company's equity ratio and on the proportion of interest-bearing bank loans (partly interest-bearing net liabilities) to the 12-month rolling operating profit.

GOODWILL

On 30 September 2009, the consolidated balance sheet included EUR 22.9 million in goodwill. This is EUR 9.3 million less than at the beginning of the year (31 December 2008: EUR 32.2 million). The goodwill has been decreased by the third-quarter impairment of goodwill allocated to the Business Solutions area as well as by the change in the additional acquisition price for Cidercone Life Cycle Solutions Oy (later Ixonos Outsourcing Services Ltd), a company Ixonos acquired in 2007.

At the end of September, the company tested for impairment the goodwill distributed among the Group's business segments. The difficult market situation has caused a heavy decrease in the Business Solution area's turnover and operating profit for 2009. This, together with the significantly weakened forecasts regarding the unit's turnover and operating profit in the short term, had such a significant impact on the unit's value, which is determined through cash flow analysis, that although the company believes that in the long term, the unit will grow strongly and its profitability will be restored, it was decided to write EUR 7.2 million off the EUR 18.3 million goodwill associated with the unit. The impairment loss has no cash impact.

On 31 December 2008, the interest-bearing current liabilities in the company's balance sheet included a total of EUR 9.7 million in additional acquisition costs for Cidercone Life Cycle Solutions Oy. On 19 April 2009, the company paid an additional acquisition price of EUR 7.8 million, which was based on Ixonos Plc's view of the correct additional acquisition price. At the end of the review period, the interest-bearing current liabilities in the company's balance sheet no longer include any additional acquisition cost.

CASH FLOW

During the review period, consolidated cash flow from operating activities was EUR 1.9 million (2008: EUR 1.5 million). The change in cash flow from operating activities was mainly due to the change in the Group's working capital.

PERSONNEL

The number of personnel averaged 966 (2008: 928) during the review period, and was 969 (2008: 918) at the end of the period. The number of employees was reduced by rationalization action in the Group's Finnish companies and it was increased by staff employed by companies in other countries, particularly in China. At the end of the review period, companies in Finland had 724 employees, and Group companies in other countries employed 245.

SHARES AND SHARE CAPITAL

Share turnover and price

During the review period, the highest price of the company's share was EUR 3.50 (2008: EUR 6.15) and the lowest EUR 1.70 (2008: EUR 3.49). The closing price on 30 September 2009 was EUR 3.01 (2008: EUR 3.90). The average price over the review period was EUR 2.06 (2008: EUR 4.33). The number of shares traded during the review period was 3,389,774 (2008: 3,385,768), which corresponds to 36.4 per cent (2008: 37.4 per cent) of the total number of shares at the end of the review period. According to the closing price on 30 September 2009, the market value of the company's shares was EUR 28,032,398 (2008: EUR 35,290,652).

Share capital

At the beginning of 2009, the company's registered share capital was EUR 370,123.56, and the number of shares was 9,253,089. During December 2008, a total of 60,000 shares were subscribed for based on the 2002 stock option plan II. The increase in share capital was entered into Finland's Trade Register on 6 March 2009. At the end of the review period, Ixonos' share capital was EUR 372,523.56; the total number of shares was 9,313,089.

Option plan 2006

Under the 2006 stock options plan, 140,000 options have been released under AI; 140,000 options have been released under AII; and 60,000 options have been released under BI. Of the series A options, 15,000 AI options and 15,000 AII options have been returned to the company based on the terms of the options. These options have been converted to series B options in accordance with the option terms, and they have been redistributed. The maximum number of shares that can be subscribed for with outstanding options under options plan 2006 is 391,500, which is equivalent to 4.2 per cent of the company's total shares. The subscription period for the 2006 AI options began on 1 October 2007. The subscription period for AII and BI options began on 1 October 2008, and the subscription period for BII options began on 1 October 2009. The subscription price is EUR 4.13 with AI and AII options and EUR 5.10 with BI and BII options. The subscription period for the 2006 options ends on 31 December 2011.

Shareholders

There were 3,070 shareholders on 30 September 2009 (2008: 2,856). Private persons owned 57 per cent (2008: 57 per cent) and institutions 43 per cent (2008: 43 per cent) of the shares. Foreign ownership was 8 per cent (2008: 3 per cent) of the total number of shares.

Board authorizations

At the end of the review period, the Board of Directors had no valid authorizations pertaining to the company's shares.

SUMMARY OF OTHER EVENTS

Expansion of smartphone R&D services

On 18 September 2009, Ixonos Plc announced that it would expand its smartphone R&D services and establish a new next-generation smartphone design unit in connection with its site in Jyväskylä. The unit extends the company's services to cover smartphone mechanical engineering and electronics design in addition to software development. In the new unit, Ixonos will design smartphones based on new, powerful chipsets from leading technology suppliers and on the Android and Symbian operating systems, for international device-manufacturer and operator customers.

In connection with forming the new unit, Ixonos purchased the hardware of Nokia Corporation's mobile-phone R&D laboratory in Jyväskylä. Ixonos estimates that it will hire approximately 20 specialists in mechanical engineering, electronics design and R&D for its new unit by the end of 2009. The company also plans to increase the unit's specialist staff **–** to several dozen, depending on the market situation **–** during 2010.

Clarification of the organization structure

As part of the Group's operational rationalization program that began in spring, Ixonos' organizational structure was firmed up from 1 September 2009. The administrative and support functions of the Group were unbundled from the Service Production organization into a separate Administration unit. The Service Production unit consists of the Line Management, Service Lines and Project Management Office (PMO) functions, which are responsible for providing the Group's specialist services.

Base prospectus

On 6 April 2009, Finland's Financial Supervisory Authority approved the base prospectus for Ixonos Plc. Base prospectuses are prescribed in Finland's Securities Markets Act (495/1989). Ixonos Plc's base prospectus contains information on the company, on its business operations and on its financial standing. The prospectus is valid for 12 months after its publication. It is available in electronic form on the company's website, at www.ixonos.com/en/investors/, throughout its validity. The prospectus has not been printed up, but printouts are available from the company's head office (Ixonos Plc, Hitsaajankatu 24, 00810 Helsinki, Finland). The base prospectus has been published only in Finnish; it is not available in other languages.

Payment of the additional price related to the acquisition of Cidercone Life Cycle Solutions Oy

On 19 April 2009, Ixonos Plc paid EUR 7.8 million as additional acquisition price in accordance with the share purchase agreement, signed on 4 September 2007, for Cidercone Life Cycle Solutions Oy (later Ixonos Outsourcing Services Ltd). Ixonos funded the payment of the additional acquisition price by undertaking EUR 4 million in non-current liabilities as well as EUR 4 million in current liabilities. The borrowings used for funding do not add to the interest-bearing liabilities in the balance sheet, as the entire additional acquisition price had already been included under interest-bearing current liabilities, as IFRS provisions require.

This amount paid is based on Ixonos Plc's view of the correct additional acquisition price. Negotiations with the party that sold Cidercone Life Cycle Solutions Oy have not led to consensus on the amount of the additional acquisition price. To solve the disagreement regarding the additional acquisition price, arbitration has been initiated at the Arbitration Institute of the Central Chamber of Commerce of Finland. In their request for arbitration, the sellers claim an additional acquisition price of some EUR 8 million. The company considers the supplementary demand unfounded.

Site network expansion

In April 2009, the company opened sites in Boston, USA and in Copenhagen, Denmark. The new sites pertain to the company's strategy of operating close to its major customers. In June, the company proceeded to set up a site in Chengdu, China. The establishment of this site is connected to the company's strategy of increasing its production capacity in lower-cost countries.

RISK MANAGEMENT AND NEAR-FUTURE UNCERTAINTY FACTORS

Ixonos Plc's risk management aims to ensure undisturbed continuity and development of the company's operations, to back up the implementation of the operational targets set by the company and to support increasing the company's value. Details on the risk management organization and process as well as on recognized risks are presented on the company's website, at www.ixonos.com/en/investors/risk_management.

Presently, the major uncertainty factors are related to the global financial crisis and to its potential ramifications. The general financial insecurity and tightened credit conditions also influence companies' investments as well as their propensity to invest. The prevailing economic uncertainty affects the information systems development investments of Ixonos' customers too; such investments may be put on hold, or decisions regarding them may be postponed.

Ixonos' acquisitions, its rapid growth in 2006–2008 and the upswing in its project operations have increased the company's need for working capital. The company manages this requirement by creating adequate buffers to ensure sufficient funds together with the financiers as well as by facilitating the circulation of working capital. The company's balance sheet also includes a significant amount of goodwill. Even after the impairment that was performed in September on the goodwill allocated to the Business Solutions area, the company's goodwill may be impaired should either internal or external factors reduce the profit expectations of the company or any of its cash-generating units. Goodwill will be tested during the fourth quarter of 2009 and, if necessary, at other times.

The company's financial agreements have covenants attached to them. A covenant violation may cause either an increase of the company's financing costs, or a call for swift, either partial or full, repayment of non-equity loans. The biggest risks related to covenant violations are associated with operating profit fluctuation, or with a potential need to increase the company's working capital by non-equity funding, due to the market situation. The company manages risk through negotiations with financiers as well as by maintaining readiness for various financing methods. Ixonos has access to the cash funds its normal operations require.

Ixonos Plc paid EUR 7.8 million as the additional acquisition price in accordance with the share purchase agreement, signed on 4 September 2007, for Cidercone Life Cycle Solutions Oy (later Ixonos Outsourcing Services Ltd). This amount is based on Ixonos Plc's view of the correct additional acquisition price. At the end of the review period, the interest-bearing current liabilities in the company's balance sheet no longer include any additional acquisition cost. Negotiations with the selling party have not led to consensus on the amount of the additional acquisition price. To solve the disagreement regarding the additional acquisition price, arbitration has been initiated at the Arbitration Institute of the Central Chamber of Commerce of Finland. In their request for arbitration, the sellers claim an additional acquisition price of some EUR 8 million. The company considers the supplementary demand unfounded. The arbitrator's decision is expected in February 2010 at the earliest.

FUTURE PROSPECTS

The effects of the global financial crisis also strongly influence the ICT service industry. Because of the economic uncertainty, the predictability of the information technology market remains very low. Gartner research indicates that the total trade volume of the industry has decreased globally in 2009 and will begin to grow moderately in 2010. According to Market Visio, Finland's IT market is shrinking in 2009, but will begin to grow moderately in 2010.

Because of the general economic uncertainty, Ixonos' customer companies are more cautious than normally in their software and information systems investments as well as in commencing new projects. Price pressure also affects services, particularly in relation to international customers.

Due to the market situation, Ixonos' turnover for the final quarter of this year is forecast to be lower than in the previous year but clearly the highest of all quarters this year. Operating profit for the final quarter is expected to be decidedly positive as well as satisfactory considering the market situation.

Turnover for the entire year is envisaged to be lower than in the previous year. Due to the one-off goodwill impairment loss, operating profit for the entire year will be decidedly negative. The operational result, however, is expected to be clearly positive.

This year, the company still aims to continue rationalizing its operations, developing services, expanding service production in lower-cost countries and maintaining the cash flow as well as the profitability of its operations.

NEXT REPORTS

The financial statement bulletin for the period 1 January – 31 December 2009 will be published on 11 February 2010.

IXONOS PLC
Board of Directors

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IXONOS GROUP

ABBREVIATED FINANCIAL STATEMENTS 1 JANUARY – 30 SEPTEMBER 2009

Accounting policies

The interim report has been prepared in accordance with the recognition and valuation principles in the International Financial Reporting Standards (IFRS). However, the report does not comply with all IAS 34 requirements. Income tax expense is based on the performance-based taxes corresponding to the result for the review period.

Since 1 January 2009, the Group has applied the following new standards and revised standards: IFRS 8 (Operating Segments) and IAS 1 (Presentation of Financial Statements). In other respects, the same accounting principles and techniques as in the previous annual financial statements have been applied to the interim report.

Preparing the financial statements in accordance with IFRS requires Ixonos' management to make estimates and assumptions affecting 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, judgment must be used in applying the accounting policies. The estimates and assumptions are based on views at the moment of the interim report, and they may therefore contain risks and uncertainty factors. Actual results may differ from estimates and assumptions.

The figures in the income statement and in the balance sheet are consolidated. All group companies are included in the consolidated balance sheet. The original interim report is in Finnish. The interim report in English is a translation.

As the figures in the report have been rounded, the sums of individual figures may not equal the sums presented. The interim report is unaudited.

CONSOLIDATED INCOME STATEMENT, EUR 1,000

	1.1.–30.9.09	1.1.–30.9.08	Change, per cent	1.7.–30.9.09	1.7.–30.9.08	1.1.–31.12.08
Turnover	47,587	54,640	-12.9	13,840	16,651	75,115
Operating costs	-46,095	-51,070	-9.7	-13,382	-15,318	-68,992
OPERATING PROFIT BEFORE GOODWILL IMPAIRMENT	**1,492**	**3,570**	**-58.2**	**458**	**1,333**	**6,123**
GOODWILL IMPAIRMENT	-7,200	0	0	-7,200	0	0
OPERATING PROFIT	**-5,708**	**3,570**	**-259.9**	**-6,742**	**1,333**	**6,123**
Financial income and costs	-817	-885	-7.6	-266	-367	-1,406
Profit before tax	-6,525	2,685	-343.0	-7,008	966	4,717
Income tax	-175	-717	-75.5	-50	-304	-1,203
PROFIT FOR THE PERIOD	**-6,701**	**1,968**	**-440.4**	**-7,058**	**662**	**3,514**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, EUR 1,000

Profit for the period	-6,701	1,968	-440,4	-7,058	662	3,514
Other comprehensive income						
Change in translation difference	0	2	-100,0	0	0	-16

TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**-6,701**	**1,970**	**-440,1**	**-7,058**	**662**	**3,498**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, EUR 1,000

ASSETS	30.9.2009	30.9.2008	31.12.2008
NON-CURRENT ASSETS			
Goodwill	22,933	31,992	32,195
Intangible assets	5,321	7,143	6,632
Property, plant and equipment	3,589	1,842	3,147
Deferred tax assets	219	113	41
Available-for-sale investments	110	110	110
TOTAL NON-CURRENT ASSETS	**32,173**	**41,200**	**42,125**
CURRENT ASSETS			
Trade and other receivables	13,991	18,599	17,681
Financial assets	0	8	0
Cash and cash equivalents	2,214	1,355	2,913
TOTAL CURRENT ASSETS	**16,205**	**19,962**	**20,594**
TOTAL ASSETS	**48,379**	**61,162**	**62,719**
EQUITY AND LIABILITIES	30.9.2009	30.9.2008	31.12.2008
SHAREHOLDERS' EQUITY			
Share capital	373	362	370
Share premium reserve	219	121	121
Share issue	0	831	100
Invested non-restricted equity fund	14,808	13,985	14,808
Retained earnings	9,760	6,230	6,221
Profit for the period	-6,701	1,968	3,514
TOTAL SHAREHOLDERS´ EQUITY	**18,459**	**23,498**	**25,135**
LIABILITIES			
Non-current liabilities	11,799	7,652	10,532
Current liabilities	18,121	30,012	27,052
TOTAL LIABILITIES	**29,920**	**37,664**	**37,584**
TOTAL EQUITY AND LIABILITIES	**48,379**	**61,162**	**62,719**

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS’ EQUITY, EUR 1,000

	Share capital	Share premium reserve	Share issue	Invested non-restricted equity fund	Translation difference	Retained earnings	Total
Shareholders’ equity at 1 January 2008	355	4,512	77	8,869	0	7,734	21,548
Share-based remuneration expense						98	98
Transfer from the premium fund to the invested non-restricted equity fund		-4,512		4,512			
Share issue	6	121	754	605			1,486

Dividends						-1,604	-1,604
Comprehensive income for the period					2	1,968	1,970
Shareholders' equity at 30 September 2008	362	121	831	13,985	2	8,196	23,498
Shareholders' equity at 1 January 2009	370	121	100	14,808	-16	9,752	25,135
Share-based remuneration expense						25	25
Share issue	2	98	-100				0
Dividends							
Comprehensive income for the period						-6,701	-6,701
Shareholders' equity at 30 September 2009	373	219	0	14,808	-16	3,075	18,459

CONSOLIDATED CASH FLOW STATEMENT, EUR 1,000

	1.1.–30.9.2009	1.1.–30.9.2008	1.1.–31.12.2008
Cash flow from operating activities			
Profit for the period	-6,701	1,968	3,514
Adjustments to cash flow from operating activities			
Tax	175	717	1,203
Depreciation and impairment	9,562	1,577	2,464
Change in provisions	0	0	-93
Finance income and costs	817	885	1,406
Other adjustments	87	98	98
Cash flow from operating activities before change in working capital	**3,940**	**5,425**	**8,593**
Change in working capital	-689	-2,599	-665
Interest received	6	102	165
Interest paid	-561	-445	-596
Gains from sales of fixed assets	5	- 7	-21
Tax paid	-780	-797	-1,229
Net cash flow from operating activities	**1,922**	**1,498**	**6,246**
Cash flow from investing activities			
Investments in tangible and intangible assets	-592	-950	-4,556
Dividends received	2	0	1
Change in financial assets	0	143	143
Acquisition of subsidiaries	-7,836	-3,100	-3,109
Net cash flow from investment activities	**-8,426**	**-3,907**	**-7,521**
Net cash flow before financing	**-6,504**	**-2,410**	**-1,274**
Cash flow from financing activities			
Dividends paid	0	-1,604	-1,604
Increase in long-term borrowings	4,000	464	6,417
Repayment of long-term borrowings	-1,519	-950	-3,400

Increase in short-term borrowings	4,149	3,478	2,787
Repayment of short-term borrowings	-825	0	-2,490
Share issue	0	46	146
Net cash flow from financing activities	**5,806**	**1,434**	**1,856**
Change in cash and cash equivalents	-699	-976	582
Liquid assets at start of period	2,913	2,331	2,331
Liquid assets at end of period	2,214	1,355	2,913

CONSOLIDATED INCOME STATEMENT, QUARTERLY, EUR 1,000

	Q3/2009 1.7.09 – 30.9.09	**Q2/2009** 1.4.09 – 30.6.09	**Q1/2009** 1.1.09 – 31.3.09	**Q4/2008** 1.10.08 – 31.12.08	**Q3/2008** 1.7.08 – 30.9.08
Turnover	13,840	16,304	17,443	20,475	16,651
Operating costs	-13,382	-15,257	-17,456	-17,922	-15,318
OPERATING PROFIT BEFORE GOODWILL IMPAIRMENT	458	1,046	-13	2,553	1,333
GOODWILL IMPAIRMENT	-7,200	0	0	0	0
OPERATING PROFIT	-6,742	1,046	-13	2,553	1,333
Finance income and costs	-266	-228	-323	-521	-367
Profit before tax	-7,008	818	-336	2,032	966
Income tax	-50	-229	104	-486	-304
PROFIT FOR THE PERIOD	-7,058	589	-232	1,546	662

SEGMENT REPORT

	1.1.–30.9.2009	1.1.–30.9.2008	1.1.–31.12.2008
Turnover by segment			
Mobile Terminals & Software	26,544	23,903	33,830
Media & Communities	6,651	9,325	12,679
Business Solutions	14,393	21,412	28,606
Total turnover	47,587	54,640	75,115
Operating profit by segment			
Mobile Terminals & Software	3,979	3,124	4,775
Media & Communities	215	1,111	1,601
Business Solutions	-8,535	696	1,240
Administration	-1,367	-1,361	-1,493
Total operating profit	-5,708	3,570	6,123
Operating profit, per cent of turnover	-12.0	6.5	8.2
Interest and finance income	-817	-885	-1,406
Profit before tax	-6,525	2,685	4,717
Tax	-175	-717	-1,203
PROFIT FOR THE PERIOD	-6,701	1,968	3,514

CHANGES IN FIXED ASSETS, EUR 1,000

	Goodwill	Intangible assets	Property, plant and	Other tangible	Total

			equipment	assets	
Book value 1 January 2008	21,067	6,282	1,332	110	28,791
Additions	10,925	2,274	1,186		14,386
Disposals		-106	-407		-513
Depreciation and amortization during the period		-1,307	-270		-1,577
Book value 30 September 2008	31,992	7,143	1,842	110	41,087
Book value 1 January 2009	32,195	6,632	3,147	110	42,084
Additions		281	1,232		1,512
Disposals	-2,062		-19		-2,081
Impairment	-7,200				-7,200
Depreciation and amortization during the period		-1,592	-770		-2,362
Book value 30 September 2009	22,933	5,321	3,589	110	31,954

FINANCIAL RATIOS

	1.1.– 30.9.2009	1.1.– 30.9.2008	1.1.– 31.12.2008
Earnings per share, diluted, EUR	-0.72	0.22	0.39
Earnings per share, EUR	-0.72	0.22	0.39
Equity per share, EUR	1.98	2.60	2.72
Cash flow from operating activities, per share, diluted, EUR	0.21	0.16	0.69
Return on investment, per cent	-18.1	9.6	15.9
Return on equity, per cent	-41.0	11.7	15.1
Operating profit / turnover, per cent	-12.0	6.5	8.2
Net gearing	88.6	79.0	74.8

OTHER INFORMATION

	1.1.– 30.9.2009	1.1.– 30.9.2008	1.1.– 31.12.2008
PERSONNEL Average number of personnel	966	928	930
Personnel at the end of the period	969	918	957
COMMITMENTS, EUR 1,000	30.9.2009	30.9.2008	31.12.2008
Collateral for own commitments			
Corporate mortgages	9,900	9,800	9,800
Other collateral	0	369	0
Leasing and other rental commitments			
Falling due within 1 year	3,891	3,383	3,968
Falling due within 1–5 years	7,482	7,484	8,365
Falling due after 5 years	0	0	0
Total	11,373	10,867	12,332
Nominal value of interest rate swap agreement			
Falling due within 1 year	2,714	1,400	0
Falling due within 1–5 years	3,321	1,450	6,443

Falling due after 5 years			
Total	6,036	2,850	6,443
Fair value	-200	0	-141

CALCULATION OF KEY FIGURES

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

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

Shareholders' equity per share = shareholders' equity / number of shares, undiluted, on the closing date

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

Return on investment (ROI) = (profit before taxes + interest + other financial expenses) / balance sheet total **–** non-interest-bearing liabilities, average x 100

Return on equity (ROE) = net profit / shareholders' equity, average x 100

Gearing = interest-bearing liabilities **–** liquid assets / shareholders' equity x 100