Ixonos Plc Financial statement release 11 February 2010 at 10:30 am

Financial statement release for the period 1 January - 31 December 2009

YEAR-END UPSURGE IN IXONOS' TURNOVER AND OPERATING PROFIT

The review period in brief

- Turnover for the review period was EUR 67.1 million (2008: EUR 75.1 million), a change of -10.7 per cent.
- Operating profit before goodwill impairment was EUR 3.2 million (2008: EUR 6.1 million), 4.8 per cent of turnover; operating profit decreased -47.6 per cent.
- Operating profit was EUR -4.0 million (2008: EUR 6.1 million), -6.0 per cent of turnover.
- Net profit was EUR -6.0 million (2008: EUR 3.5 million), -8.9 per cent of turnover.
- Earnings per share were EUR -0.64 (2008: EUR 0.39).
- Diluted earnings per share were EUR -0.64 (2008: EUR 0.39).
- Net cash flow from operative activities was EUR 3.1 million (2008: EUR 6.2 million).
- One-off events: In September, the company wrote off EUR 7.2 million in goodwill allocated to the Business Solutions unit. The impairment loss has no cash impact.

Q4/2009 in brief

- Turnover for the fourth quarter was EUR 19.5 million (2008: EUR 20.5 million), a change of -4.9 per cent.
- Operating profit was EUR 1.7 million (2008: EUR 2.6 million), 8.8 per cent of turnover.
- Net profit was EUR 0.7 million (2008: EUR 1.5 million), 3.7 per cent of turnover.
- Earnings per share were EUR 0.08 (2008: EUR 0.17).
- Diluted earnings per share were EUR 0.08 (2008: EUR 0.17).

Future prospects in brief

- Turnover for the first quarter of the current year is forecast to be higher than in the previous year. Operating profit is predicted to be positive.
- Turnover and operating profit for the entire year are estimated clearly to surpass those of the previous year.

Kari Happonen, President and CEO:

As predicted, Ixonos' turnover for 2009 was lower than in the previous year. This was due to the general economic recession and the weakened demand for ICT services. Profitability was also clearly weaker than normal. Still, the business operations of the entire Group developed favourably during the second half-year of the review period; as forecast, turnover for the fourth quarter was the highest of the year.

We estimate that the Mobile Terminals & Software business unit, which provides R&D services for mobile terminal devices and their software, managed to gain market share despite the difficult market situation. The unit also clearly increased its turnover for the review period as well as its operating profit compared to the previous year. We anticipate that the unit will continue its profitable growth during 2010.

In September 2009, we established a product creation centre for the design of next-generation mobile phones in connection with our site in Jyväskylä, Finland. The centre expands the Mobile Terminals & Software unit's smartphone R&D services to cover mechanical engineering and electronics design in addition to software development. The unit will be in a key position as we, together with our international device manufacturer customers and operator customers, create devices that inspire consumers with both practical use and pleasure as they tap into the ever-increasing supply of services on the wireless Internet.

The Media & Communities business unit develops device-independent Internet services related to the delivery of digital media and to social network communication. In the second half-year, the unit recovered from a downturn in its turnover and profitability. This hiccup, which occurred during the first half-year, was caused by certain long-term customer projects ending. In the third quarter, the unit's turnover and operating profit returned to the growth track, a trend that continued during the fourth quarter. We look forward to excellent performance from the unit during 2010 as well.

The most violent drop in turnover and profitability during the review period affected our Business Solutions unit, which is responsible for customer relationships in Finland's manufacturing, service and ICT industries as well as in the Finnish public sector. The unit very successfully competed for public sector information system projects. However, the unit's customers in the private sector cut down strongly on their ICT investments during the year, and they postponed the launch of new software and systems projects. These circumstances reduced turnover, which is why the unit showed a loss in the beginning of the year.

To restore profitability, we launched a rationalization program as early as in the first quarter. This program sought to achieve some EUR 3 million in yearly savings. Our adaptation and rationalization measures improved billing ratios and operative efficiency already during the same financial period. Costs for personnel and subcontracting in 2009 were EUR 5.1 million lower than in the previous year.

According to market forecasts by research institutes, Finland's ICT market will only see a slight upswing in 2010. In September 2009, as the situation on the Finnish market remained weak, we downgraded the forecasts for the Business Solutions unit's short-term turnover and operating profit considerably. Although we believe that the unit's turnover and profitability will grow significantly in the long term, we wrote off EUR 7.2 million of the EUR 18.3-million goodwill allocated to the unit in September 2009. This one-off impairment loss has no cash impact, but it caused the review period's operating profit for the unit as well as for the entire Group to be clearly negative. However, the operational result of the entire Group was clearly positive as well as satisfactory considering the market situation.

After the turn of the year, we continued to rationalize our operations in the Business Solutions segment to adapt to the changed operating environment on the Finnish market. The new rationalization program aims to focus the unit's fields of technology expertise, improving their alignment with business needs; to adapt operations to the reduced demand in certain fields; and to improve the profitability of operations in Finland. The rationalization is forecast to achieve more than EUR 1 million in yearly savings from the second quarter of 2010.

We continued to develop our international operations during the financial period; we opened a site in Boston, USA, established a second Chinese service centre in Chengdu and expanded our operations in Germany, Denmark and Great Britain. The costs relating to the expansion of our international network diluted the operating profit for 2009 by some EUR 1.0 million.

Due to the favourable demand situation of the Mobile Terminals & Software unit and the Media & Communities unit, we believe that the Group's turnover will increase significantly during the current year. We also expect that the billing ratio of the company's specialist staff as well as the efficiency of our administration and support functions will continue to improve and that the Group's operating profit thus will increase clearly during the present financial period.

Once again, I want to thank our customers for their confidence and collaboration as well as everyone at Ixonos for their excellent work in a difficult market situation.

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 aims to be a strategic partner to leading innovators.

One of Ixonos' strategic objectives has been to expand the company's solutions and services to cover the entire life cycle of mobile Internet services, from concept development to maintenance. Ixonos' solutions also encompass all sectors of the user experience, from terminal devices and user interfaces to back-end systems for mobile Internet services. A significant expansion in this field took place in autumn 2009, when Ixonos established a next-generation smartphone design unit providing R&D services, including mechanical engineering and electronics design, for mobile devices.

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 six other Finnish localities as well as in Great 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 segment consists of R&D services for mobile terminal devices and software. The Media & Communities segment comprises device-independent Internet services related to delivery of digital content and to social network communication. The Business Solutions segment encompasses development services for corporate business software and systems and for e-government facilities.

Mobile Terminals & Software

The Mobile Terminals & Software business unit provides its customers with R&D services for mobile terminal devices and software.

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

Despite the difficult market situation, the Mobile Terminals & Software unit managed to gain market share and to increase its turnover and operating profit for the review period as compared to the previous year. Turnover increased by 10.3 per cent to EUR 37.3 million (2008: EUR 33.8 million). Operating profit increased by 18.7 per cent to EUR 5.7 million (2008: EUR 4.8 million), 15.2 per cent of turnover.

The unit's business operations are expected to develop favourably during 2010. Both turnover and operating profit are anticipated to grow from the previous year.

In addition to actively utilizing the offering of the Group's international sites in Tallinn, Košice and Beijing, the Mobile Terminals & Software segment also made strong efforts in the development of international sales.

Media & Communities

The Media & Communities business unit provides its customers with device-independent Internet services related to the delivery of digital media, entertainment and information as well as to social network communication.

As the global financial crisis subsides, investments in Internet distribution and sales of digital media as well as in Internet-based social media services are expected to grow notably 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.

During the review period, the segment's turnover fell by 17.3 per cent to EUR 10.5 million (2008: EUR 12.7 million). Operating profit decreased by 33.7 per cent to EUR 1.1 million (2008: EUR 1.6 million), 10.1 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 the volatile market situation. In the third quarter, the unit's turnover again began to climb. The decreased profitability of the unit was a combined consequence of a decline in business volume, a temporarily diminished billing ratio and a strong investment in the development of the unit's operations in the United States.

The unit's turnover and profitability are expected to continue the profitable growth that began in late 2009. The Media & Communities unit actively utilized the offering of the Group's site in Košice.

Business Solutions

The Business Solutions unit provides development services for corporate business software and systems as well as for e-government facilities.

The unit focuses on acceleration of business processes, on document and event management, on e-commerce and e-government solutions and on specialist services in project management. As all the Group's units do, Business Solutions vigorously utilizes open source solutions and, in chosen solution areas, product platforms of technology partners. The unit aims to diversify its solution delivery according to the SaaS (software as a service) business model by utilizing the Group's advanced business-critical hosting services. 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. Public sector customers have received the unit's e-government solutions well.

Due to the economic recession and the attenuated general demand for ICT services, demand for the segment's services diminished significantly during the review period. The segment's turnover decreased by 32.7 per cent to EUR 19.3 million (2008: EUR 28.6 million), and operating profit turned negative. According to market forecasts by research institutes such as Market-Visio, Finland's ICT market shrank during 2009, but will see moderate growth in 2010. The short-term turnover and operating profit forecasts for the Business Solutions unit have been downgraded substantially due to the continuously weak market situation in Finland. In the long term, the segment's turnover and operating profit are expected to grow significantly, but in September, EUR 7.2 million were written off the EUR 18.3-million goodwill allocated to the unit. This one-off impairment loss has no cash impact.

During the review period, the Business Solutions unit's operating loss before goodwill impairment increased to EUR 1.5 million (2008: operating profit EUR 1.2 million), 7.9 per cent of turnover. Operating loss including goodwill impairment was EUR -8.7 million (2008: operating profit EUR 1.2 million), -45.3 per cent of turnover.

The unit's turnover grew somewhat during the final quarter of 2009. This growth is expected to continue and increase during the present financial period. The unit is forecast to reach a positive result during the first quarter because of the new rationalization program that was launched in January. The result is also anticipated to improve further towards the end of the year.

TURNOVER

Consolidated turnover was EUR 67.1 million (2008: EUR 75.1 million), which is 10.7 per cent less than in the previous year. The Mobile Terminals & Software segment accrued 55.6 per cent (2008: 45.0 per cent) of turnover, the Business Solutions segment accrued 28.7 per cent (2008: 38.1 per cent) and the Media & Communities segment accrued 15.6 per cent (2008: 16.9 per cent).

Turnover for the fourth quarter was EUR 19.5 million (2008: EUR 20.5 million), which is 4.9 per cent less than in the previous year.

Turnover by segment

EUR 1,000	**1–12 2009**	**1–12 2008**
Mobile Terminals & Software	37,310	33,830
Media & Communities	10,488	12,679
Business Solutions	19,261	28,606
Group total	**67,059**	**75,115**

FINANCIAL RESULT

Consolidated operating profit before the goodwill impairment in the Business Solutions unit was EUR 3.2 million (2008: EUR 6.1 million). Consolidated operating profit was EUR -4.0 million (2008: EUR 6.1 million). Profit before tax was EUR -5.5 million (2008: EUR 4.7 million). Profit for the review period was EUR -6.0 million (2008: EUR 3.5 million). Diluted earnings per share were EUR -0.64 (2008: EUR 0.39). Diluted cash flow from operating activities was EUR 0.33 (2008: EUR 0.69) per share. The main reasons for the reduced operating profit were the decreased billing ratio of the company's specialist staff at the beginning of the review period and the goodwill depreciation in the Business Solutions unit. The rationalization program that was launched in the first quarter enabled the company to achieve savings during the review period, particularly in terms of personnel and subcontracting expenses. These costs were some EUR 5.1 million lower than in the previous year, despite an average staff increase of 55 employees in comparison to the reference period. The construction of the company's international operations network had a cost effect of some EUR 1.0 million during the review period.

In the fourth quarter, operating profit was EUR 1.7 million (2008: EUR 2.6 million). Profit before taxes was EUR 1.1 million (2008: EUR 2.0 million). Profit for the fourth quarter was EUR 0.7 million (2008: EUR 1.5 million). Fourth-quarter diluted earnings per share were EUR 0.08 (2008: EUR 0.17). Diluted cash flow from operating activities in the fourth quarter was EUR 0.13 (2008: EUR 0.52) per share.

Operating profit by segment

EUR 1,000	**1–12 2009**	**1–12 2008**
Mobile Terminals & Software	5,667	4,775
Media & Communities	1,061	1,601
Business Solutions	- 8,731	1,240
Administration	-1,990	-1,493
Group total	**-3,993**	**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 negotiations concerned the Ixonos Group's administration and support functions as well as the Group's 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 for the 2008–2009 season 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 providing 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 should demand for the company's services fall 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.

RETURN ON CAPITAL

Consolidated return on equity (ROE) was -27.0 per cent (2008: 15.1 per cent). Return on investment (ROI) was -9.4 per cent (2008: 15.9 per cent). The reduced rates of return were mainly caused by the decreased result due to the goodwill depreciation in the Business Solutions unit.

BALANCE SHEET AND FINANCING

The balance sheet total was EUR 52.1 million (2008: EUR 62.7 million). Equity was EUR 19.2 million (2008: EUR 25.1 million). The equity ratio was 36.8 per cent (2008: 40.1 per cent). The Group's liquid assets at the end of the review period amounted to EUR 2.3 million (2008: EUR 2.9 million).

During the review period, the company increased its non-equity funding by EUR 8 million in connection with the payment of the additional acquisition price for Cidercone Life-Cycle Solutions Oy (later Ixonos Outsourcing Services Ltd). Of the increase in 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 15.3 million. These loans have covenants attached to them; the 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 31 December 2009, the consolidated balance sheet included EUR 22.8 million in goodwill. This is EUR 9.4 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 depreciation of goodwill allocated to the Business Solutions unit 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 and at the end of the financial period, the company performed impairment testing on the goodwill distributed among the Group's business segments. The difficult market situation had caused a heavy decrease in the Business Solutions unit's turnover and operating profit for 2009. In addition, the forecasts regarding the unit's turnover and operating profit in the short term had weakened significantly. When goodwill was tested for impairment at the end of September, those issues had a significant impact on the Business Solutions unit's value, which is determined through cash flow analysis. Although the company believes that in the long term, the unit will grow strongly and its profitability will be restored, the decision was made to write EUR 7.2 million off the EUR 18.3-million goodwill associated with the unit. The impairment loss has no cash impact. The goodwill impairment test at the end of the financial period did not indicate any need for goodwill impairment.

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.

CASH FLOW

During the review period, consolidated cash flow from operating activities was EUR 3.1 million (2008: EUR 6.2 million). The change in cash flow from operating activities was mainly due to the Group's reduced operating profit and to an increase in tax paid.

PERSONNEL

The number of personnel averaged 985 (2008: 930) during the review period and was 1 063 (2008: 957) at the end of the period. The rationalization action in the Group's Finnish companies diminished the number of employees, but the growing number of staff employed by companies in other countries, particularly in China, nevertheless resulted in an overall increase. At the end of the review period, companies in Finland had 748 employees, while Group companies in other countries employed 315.

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 2.00). The closing price on 31 December 2009 was EUR 2.72 (2008: EUR 2.23). The average price over the review period was EUR 2.15 (2008: EUR 4.08). The number of shares traded during the review period was 3,842,270 (2008: 3,985,490), which corresponds to 41.3 per cent (2008: 43.0 per cent) of the total number of shares at the end of the period. According to the closing price on 31 December 2009, the market value of the company's shares was EUR 25,331,602 (2008: EUR 20,634,388).

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, and the total number of shares was 9,313,089.

Option plan 2006

Under the 2006 stock option plan, 140,000 options have been granted under AI; 140,000 options under AII; 60,000 options under BI and 60,000 options under BII. 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 4.92 with BI and BII options. The subscription period for the 2006 options ends on 31 December 2011.

Shareholders

The company had 3,059 shareholders on 31 December 2009 (2008: 2,853). Private persons owned 57 per cent (2008: 59 per cent) and institutions 43 per cent (2008: 41 per cent) of the shares. Foreign ownership was 8 per cent (2008: 2 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 IN 2009

Incorporation of the Business Solutions unit

In December 2009, Ixonos Plc informed that its Business Solutions unit will be incorporated from 1 January 2010. The incorporation aims to simplify the Group's legal structure, develop and rationalize operations and organize the company's operations in Finland for better compatibility with requirements arising from the nature of the operations and from customer relationships.

Formation of the Nomination Committee

The formation of Ixonos' Nomination Committee was announced on 2 December 2009. Paul Ehrnrooth (representing Turret Oy Ab, which is Ixonos Plc's largest shareholder) and Matti Jokinen (the natural person holding the most shares) were elected to the Committee. The Board of Directors appointed Tero Laaksonen (Chairman of the Board) and Esko Siik (Board member) as expert members of the Nomination Committee.

Expansion of smartphone R&D services

On 18 September 2009, Ixonos Plc announced that it would diversify its smartphone R&D services and set up a new next-generation smartphone design centre in connection with its site in Jyväskylä. The centre extends the company's services to cover smartphone mechanical engineering and electronics design in addition to software development. In the new centre, 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 customers and operator customers. When establishing the centre, Ixonos also purchased the hardware of Nokia Corporation's mobile-phone R&D laboratory in Jyväskylä.

Clarification of the organization structure

Changes in Ixonos' organization were announced on 13 August 2009. As part of the rationalization program launched in spring, Ixonos' organizational structure was firmed up from 1 September 2009. The Group's administrative and support functions were unbundled from the Service Production organization into a separate Administration unit. The Service Production unit consists of three functions: Line Management, Service Lines and the Project Management Office. These functions are responsible for providing the Group's specialist services.

Site network expansion

In April 2009, the company opened sites in Boston, USA and Copenhagen, Denmark. The new sites are connected to the company's strategy of operating close to its major customers. In June, Ixonos established a second Chinese service centre in Chengdu. The launching of this site pertains to the company's strategy of increased capacity in lower-cost countries. International operations were expanded also in Germany and Great Britain.

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 and EUR 4 million in current liabilities. The borrowings used for the 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 in accordance with IFRS provisions.

The 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, arbitration has been initiated at the Arbitration Institute of the Central Chamber of Commerce of Finland. In the sellers' request for arbitration, they claim an additional acquisition price of some EUR 8 million on top of the additional acquisition price already paid. The company considers the supplementary demand unfounded.

Annual General Meeting on 19 March 2009

Ixonos Plc held its Annual General Meeting on 19 March 2009. The meeting adopted the company's financial statements, including the consolidated financial statements, for the financial period 1 January – 31 December 2008. The meeting also resolved that no dividend would be paid for the financial period. The meeting re-elected Board members Matti Järvinen, Tero Laaksonen, Matti Makkonen, Esko Siik and Markku Toivanen, and elected Peter Eriksson and Pertti Ervi as new Board members. At its own meeting following the Annual General Meeting, the Board of Directors re-elected Tero Laaksonen Chairman of the Board and elected Pertti Ervi Deputy Chairman.

Sharpened strategy

On 11 March 2009, Ixonos announced that it would sharpen its strategy and focus its business operations on developing software for products and services that utilize the potential of new mobile and Internet technologies. Innovations, solution capability, quality, cost efficiency and continuous development of a customer-oriented service attitude were designated as the company's major development areas. In accordance with the sharpened strategy, the company's business operations were organized into three segments: Mobile Terminals & Software; Media & Communities; and Business Solutions.

Co-operation negotiations and rationalization action

On 12 February 2009, Ixonos commenced co-operation negotiations with its personnel. The completion of the negotiations was announced on 10 March 2009. The negotiations sought to rationalize the Group's administration and support functions, boost the billing ratio of specialist staff and increase the contribution of the international sites in proportion to the service output of the entire Group. The co-operation negotiations applied to the Ixonos Group's administration and support functions as well as to the Group's sites in Finland. The negotiations resulted in economy and rationalization measures including dismissal of 25 employees from the Ixonos Group.

New business unit: Media & Communities

On 29 January 2009, Ixonos announced a new business unit, Media & Communities, which develops device-independent, Internet-based solutions for media, entertainment and information delivery as well as for social network communication. The unit's clientele consists of companies operating on the international market and seeking new business opportunities and competitive advantage through Internet services for consumers and partners. Timo Kaisla was appointed Director of the Media &

Communities unit and Vice President of Ixonos Plc. He is based in Boston, USA.

EVENTS AFTER THE FINANCIAL PERIOD

The streamlining of Finnish operations continues

To better meet the challenges of the changed operating environment on the Finnish market, Ixonos continues to streamline the operations of its Business Solutions unit. On 12 January 2010, Ixonos commenced co-operation negotiations in Ixonos Finland IS Ltd (nowadays Ixonos Business Solutions Ltd), a company in the Ixonos Group. The rationalization aims to focus the company's fields of technology, improving their alignment with business needs; to adapt the company's operations to reduced demand in certain fields; and to improve the profitability of the company's operations in Finland.

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 commercial 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 its potential ramifications. The general financial insecurity and tightened credit conditions also influence corporate investments and propensity to invest. In addition, the prevailing economic uncertainty affects the information systems development investments of Ixonos' customers; 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 necessity by creating, together with financiers, adequate buffers to ensure sufficient funds as well as by facilitating the circulation of working capital. The company's balance sheet also includes a significant amount of goodwill. Despite September's depreciation of goodwill allocated to the Business Solutions unit, the company's goodwill may be impaired further 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 final quarter of the present year and, if necessary, at other times.

The company's financial agreements have covenants attached to them. A covenant violation may increase the company's financing costs or result in a call for swift partial or full repayment of non-equity loans. The biggest risks related to covenant violations are associated with operating profit 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 this risk by negotiating with financiers and by maintaining readiness for various financing methods. Ixonos has access to the cash funds its normal operations require.

Ixonos Plc has recognized EUR 7.8 million as an 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 additional acquisition price. Negotiations with the selling party have not led to consensus on the amount of the additional acquisition price. To solve the disagreement, arbitration has been initiated at the Arbitration Institute of the Central Chamber of Commerce of Finland. In the sellers' request for arbitration, they claim an additional acquisition price of some EUR 8 million on top of the additional acquisition price already paid. The arbitrator's decision is expected in spring 2010 at the latest.

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 IT market remains very low. Gartner research indicates that the total trade volume of the industry has decreased globally in 2009 and begun to increase slightly in 2010. According to Market-Visio, Finland's IT market shrunk in 2009, but is slowly beginning to grow in 2010.

Because of the general economic uncertainty, Ixonos' corporate customers are still more cautious than normally in their software and information systems investments as well as in commencing new projects. Services are also affected by price pressure, particularly concerning international customer relationships.

Turnover for the first quarter of the current year is forecast to be higher than in the previous year and operating profit for the first quarter is envisaged to be positive. Turnover for the entire year is predicted to be higher than in the previous year and clearly positive.

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

THE BOARD'S DIVIDEND PROPOSAL TO THE ANNUAL GENERAL MEETING

The parent company's loss for the financial period was EUR 4.489.157,11. The total distributable assets on 31 December 2009 were EUR 15.218.625,47.

Considering the investments necessary for developing and internationalizing the company's business operations, the Board of Directors proposes that the distributable assets be carried over in shareholders' equity and that no dividend for the financial period of 2009 be paid to shareholders.

Annual General Meeting

The Annual General Meeting of Ixonos Plc will be held in Helsinki from 9:00 on Tuesday, 23 March 2010.

The annual report for 2009 will be published in week 12. Ixonos' printed annual report for the period 1 January-31 December 2009 can be ordered through a form on the company's website, by email to vuosikertomus@ixonos.com or by sending postal mail to Ixonos Plc, Annual report, P.O. Box 284, 00811 Helsinki, Finland. The annual report will also be available on the company's website, at www.ixonos.com/en/investors.

NEXT REPORTS

The interim report for the period 1 January – 31 March 2010 will be published on Wednesday, 28 April 2010. As announced in the bulletin of 21 January 2010, subsequent interim reports will be published on Wednesday, 4 August 2010 (for the period 1 January – 30 June 2010) and Wednesday, 27 October 2010 (for the period 1 January – 30 September 2010).

IXONOS PLC
Board of Directors

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IXONOS GROUP

ABBREVIATED FINANCIAL STATEMENTS 1 JANUARY – 31 DECEMBER 2009

Accounting policies

This financial statement release has been prepared in accordance with IAS 34 (Interim Financial Reporting) and the accounting principles for the annual financial statement of 31 December 2008.

Since 1 January 2009, the Group has applied the following new or revised standards: IFRS 8 (Operating Segments) and IAS 1 (Presentation of Financial Statements).

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. As the estimates and assumptions are based on views at the time of the financial statement release, they may 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 financial statement release is in Finnish; the financial statement release in English is a translation.

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

CONSOLIDATED INCOME STATEMENT, EUR 1,000

	1.1.–31.12.09	1.1.–31.12.08	Change, per cent	1.10.–31.12.09	1.10.–31.12.08
Turnover	67,059	75,115	-10.7	19,472	20,475
Operating costs	-63,853	-68,992	-7.4	-17,758	-17,922
OPERATING PROFIT BEFORE GOODWILL IMPAIRMENT	**3,207**	**6,123**	**-47.6**	**1,715**	**2,553**
GOODWILL IMPAIRMENT	-7,200	0	0	0	0
OPERATING PROFIT	**-3,993**	**6,123**	**-165.2**	**1,715**	**2,553**
Financial income and costs	-1,471	-1,406	4.6	-654	-521
Profit before tax	-5,464	4,717	-215.8	1,061	2,032
Income tax	-523	-1,203	-56.6	-347	-486
PROFIT FOR THE PERIOD	**-5,987**	**3,514**	**-270.4**	**714**	**1,546**

STATEMENT OF COMPREHENSIVE INCOME, EUR 1,000

Profit for the period	-5,987	3,514	-270.4	714	1,546
Other comprehensive income					
Change in translation difference	5	-16	129.6	5	-18
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**-5,982**	**3,498**	**-271.0**	**719**	**1,528**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, EUR 1,000

ASSETS	31.12.2009	31.12.2008
NON-CURRENT ASSETS		
Goodwill	22,826	32,195
Intangible assets	5,061	6,632
Property, plant and equipment	3,942	3,147
Deferred tax assets	233	41
Available-for-sale investments	110	110
TOTAL NON-CURRENT ASSETS	**32,172**	**42,125**
CURRENT ASSETS		
Trade and other receivables	17,691	17,681
Cash and cash equivalents	2,278	2,913
TOTAL CURRENT ASSETS	**19,968**	**20,594**
TOTAL ASSETS	**52,140**	**62,719**
EQUITY AND LIABILITIES	31.12.2009	31.12.2008
SHAREHOLDERS' EQUITY		
Share capital	373	370
Share premium reserve	219	121
Share issue	0	100
Invested non-restricted equity fund	14,808	14,808
Retained earnings	9,764	6,221
Profit for the period	-5,987	3,514
TOTAL SHAREHOLDERS' EQUITY	**19,177**	**25,135**
LIABILITIES		
Non-current liabilities	10,543	10,532
Current liabilities	22,420	27,052
TOTAL LIABILITIES	**32,963**	**37,584**
TOTAL EQUITY AND LIABILITIES	**52,140**	**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						106	106
Transfer from the premium fund to the invested non-restricted equity fund		-4,512		4,512			0
Share issue	15	121	23	1,428			1,587
Dividends						-1,604	-1,604
Comprehensive income for the period					-16	3,514	3,498
Shareholders' equity at 31 December 2008	370	121	100	14,808	-16	9,752	25,135

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							0
Comprehensive income for the period					5	-5,987	-5,982
Shareholders' equity at 31 December 2009	373	219	0	14,808	-11	3,789	19,177

CONSOLIDATED CASH FLOW STATEMENT, EUR 1,000

	1.1.–31.12.2009	1.1.–31.12.2008
Cash flow from operating activities		
Profit for the period	-5,987	3,514
Adjustments to cash flow from operating activities		
Tax	523	1,203
Depreciation and impairment	3,157	2,464
Change in provisions	0	-93
Finance income and costs	1,471	1,406
Goodwill impairment	7,200	0
Other adjustments	93	98
Cash flow from operating activities before change in working capital	**6,457**	**8,593**
Change in working capital	-314	-665
Interest received	25	165
Interest paid	-1,360	-596
Gains from sales of fixed assets	5	-21
Tax paid	-1,709	-1,229
Net cash flow from operating activities	**3,103**	**6,246**
Cash flow from investing activities		
Investments in tangible and intangible assets	-1,369	-4,556
Dividends received	2	1
Change in financial assets	0	143
Acquisition of subsidiaries	-7,486	-3,109
Net cash flow from investment activities	**-8,853**	**-7,521**
Net cash flow before financing	**-5,750**	**-1,274**
Cash flow from financing activities		
Dividends paid	0	-1,604
Increase in long-term borrowings	4,000	6,417
Repayment of long-term borrowings	-2,425	-3,400
Increase in short-term borrowings	4,563	2,787
Repayment of short-term borrowings	-1,024	-2,490
Share issue	0	146
Net cash flow from financing activities	**5,115**	**1,856**
Change in cash and cash equivalents	-635	582

Liquid assets at start of period	2,913	2,331
Liquid assets at end of period	2,278	2,913

CONSOLIDATED INCOME STATEMENT, QUARTERLY, EUR 1,000

	Q4/2009 1.10.09–31.12.09	**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
Turnover	19,472	13,840	16,304	17,443	20,475
Operating costs	-17,758	-13,382	-15,257	-17,456	-17,922
OPERATING PROFIT BEFORE GOODWILL IMPAIRMENT	1,715	458	1,046	-13	2,553
GOODWILL IMPAIRMENT	0	-7,200	0	0	0
OPERATING PROFIT	1,715	-6,742	1,046	-13	2,553
Finance income and costs	-654	-266	-228	-323	-521
Profit before tax	1,061	-7,008	818	-336	2,032
Income tax	-347	-50	-229	104	-486
PROFIT FOR THE PERIOD	714	-7,058	589	-232	1,546

SEGMENT REPORT

	1.1.–31.12.2009	1.1.–31.12.2008
Turnover by segment		
Mobile Terminals & Software	37,310	33,830
Media & Communities	10,488	12,679
Business Solutions	19,261	28,606
Total turnover	67,059	75,115
Operating profit by segment		
Mobile Terminals & Software	5,667	4,775
Media & Communities	1,061	1,601
Business Solutions	-8,731	1,240
Administration	-1,990	-1,493
Total operating profit	-3,993	6,123
Operating profit, per cent of turnover	-6.0	8.2
Interest and finance income	-1,471	-1,406
Profit before tax	-5,464	4,717
Tax	-523	-1,203
PROFIT FOR THE PERIOD	-5,987	3,514
Assets by segment		
Mobile Terminals & Software	16,898	15,942
Media & Communities	9,313	10,232
Business Solutions	18,335	30,296
Others	7,593	6,248
Total assets	52,140	62,719

CHANGES IN FIXED ASSETS, EUR 1,000

	Goodwill	Intangible assets	Property, plant and equipment	Other tangible assets	Total
Book value at 1 January 2008	21,067	6,282	1,332	110	28,791
Additions	11,128	2,377	2,774		16,279
Disposals		-93	-429		-522
Depreciation and amortization during		-1,934	-530		-2,464

the period					
Book value at 31 December 2008	32,195	6,632	3,147	110	42,084
Book value at 1 January 2009	32,195	6,632	3,147	110	42,084
Additions		536	1,864		2,400
Disposals	-2,169		-19		-2,188
Impairment	-7,200				-7,200
Depreciation and amortization during the period		-2,107	-1,050		-3,158
Book value at 31 December 2009	22,826	5,061	3,942	110	31,939

FINANCIAL RATIOS

	1.1.– 31.12.2009	1.1.– 31.12.2008
Earnings per share, diluted, EUR	-0.64	0.39
Earnings per share, EUR	-0.64	0.39
Equity per share, EUR	2.06	2.72
Operating cash flow per share, diluted, EUR	0.33	0.69
Return on investment, per cent	-9.4	15.9
Return on equity, per cent	-27.0	15.1
Operating profit / turnover, per cent	-6.0	8.2
Net gearing	81.4	74.8

OTHER INFORMATION

	1.1.– 31.12.2009	1.1.– 31.12.2008
PERSONNEL Average number of personnel	985	930
Personnel at the end of the period	1,063	957
COMMITMENTS, EUR 1,000	31.12.2009	31.12.2008
Collateral for own commitments		
Corporate mortgages	9,900	9,800
Leasing and other rental commitments		
Falling due within 1 year	4,130	3,968
Falling due within 1–5 years	7,515	8,365
Falling due after 5 years	0	0
Total	11,645	12,332
Nominal value of interest rate swap agreement		
Falling due within 1 year	2,579	0
Falling due within 1–5 years	3,321	6,443
Falling due after 5 years		
Total	5,900	6,443
Fair value	-172	-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