Ixonos Plc	Financial statement release	28 February 2013, 9.45 a.m.

Financial statement release for the period 1 January – 31 December 2012

A YEAR OF CHANGE BEHIND US – RENEWAL CONTINUES IN 2013

The financial period in brief

- Turnover for the financial period was EUR 56.9 million (2011: EUR 81.4 million), a change of −30.2 per cent.
- Operating profit before non-recurring items was EUR −9.3 million (2011: EUR 1.9 million), −16.8 per cent of turnover.
- Goodwill was impaired by EUR 11.2 million.
- Non-recurring items due to restructuring amounted to EUR 3.8 million.
- Operating profit was EUR −24.3 million (2011: EUR 1.9 million), −42.8 per cent of turnover.
- Net profit was EUR −21.9 million (2011: EUR 0.9 million), −38.6 per cent of turnover.
- Earnings per share were EUR −1.46 (2011: EUR 0.06).
- Net cash flow from operating activities was EUR −1.0 million (2011: EUR 5.1 million).

Q4/2013 in brief

- Turnover for the fourth quarter was EUR 12.8 million (2011: EUR 19.5 million), a change of −34.6 per cent.
- Operating profit before non-recurring items was EUR −2.1 million (2011: EUR 3 thousand), −16.5 per cent of turnover.
- Goodwill was impaired by EUR 2.0 million.
- Non-recurring items due to restructuring amounted to EUR 1.2 million.
- Operating profit was EUR −5.3 million (2011: EUR 3 thousand).
- Net profit was EUR −4.4 million (2011: EUR −0.1 million), −34.5 per cent of turnover.
- Earnings per share were EUR −0.29 (2011: EUR −0.01).

Future prospects in brief

- The company estimates turnover for 2013 to be in the range of EUR 40–50 million. Earnings before interest, taxes, depreciation and amortisation (EBITDA) for the entire year are predicted to be positive. EBIT in the second half-year is estimated to be better than in the first half.

Esa Harju, President and CEO:

“Ixonos has gone through an exceptionally difficult transition in 2012. This transition began with the 2011 strategy change of the company’s largest customer, and it accelerated in summer 2012 as the customer continued to close down significant development projects.

Demand for our development services concerning Symbian and MeeGo mobile operating systems and applications has ended during 2012, and we have actively aligned our capabilities and offering with new technologies. In our new mobile device and software accounts, we work on the iOS, Android, Windows Phone, Tizen and webOS platforms. Ixonos has also been active in HTML5 cross-platform applications. We have succeeded in building world-class capabilities covering all new platforms and technologies.

In accordance with our new strategy, we have sought growth opportunities with new customers, winning significant new accounts in 2012. Due to this, our operations were distributed much more evenly at the end of 2012 than a year before. Our list of customers now includes Samsung, Sony, Intel, Hewlett-Packard, Huawei, Qualcomm, Polycom, Vodafone, Yamaha, the BBC, ESPN, the National Health Service, Stockmann and Finland's Ministry of Finance.

We have also focused the solution and service offering of our Connected Devices, Online Solutions and User Experience Design service areas to cater especially for the telecommunications, automotive and media industries.

Still, our new accounts have not made up for the lost volume in Symbian and MeeGo development. To ensure our competitiveness, we have had to adjust our capacity to the reduced turnover as part of our transition process. Last year, our workforce decreased by 199 employees in Finland and by 222 employees in Estonia, Slovakia and China. At the end of 2012, the company employed a staff of 610.

We have also taken many other measures to adjust the company's cost structure to the new situation. In the second half of the year, we recorded non-recurring expenses of EUR 3.8 million in connection with the changes. This amount consists of future rent for redundant premises, upcoming salaries for notice periods and write-downs of capitalised R&D expenditure. Goodwill was also significantly impaired in 2012.

Our transition process continues in 2013. We will focus on steadying our finances through several measures as well as on stabilising our turnover by widening our client base and strengthening our existing customer relationships. Our work to cut costs and increase our efficiency will enter its next phase in early 2013. At the heart of everything is our ambition to restore profitability and positive cash flow.

The global market for wireless devices and for the multi-channel online services those devices use continues to grow substantially. In addition, as embedded systems are fast becoming Android and Linux based, more and more industry verticals will be able to benefit from our capabilities. We believe that our high-quality solutions, which offer outstanding user experiences, make a solid foundation for gaining new accounts and for creating growth in the coming years.

An important development in Ixonos' business strategy for 2013 is our increasingly active marketing and implementation of end-to-end solutions. Since 2012, we have increasingly presented ourselves as a full service provider combining high quality design with profound technology skills, offering our customers a complete one-stop package. What we design together with our customers we also deliver. This commitment is the basis of our updated value proposition *Dream, Design, Deliver*, which our customers have embraced. We have worked diligently to live up this promise in our customer projects, and the collaboration between our service areas has become substantially closer. By offering all stages of a solution, from design to completed product and its maintenance, we can capitalise on several competitive advantages: reliability as well as considerable speed and agility. Ixonos has unique capabilities in this respect.

There is ongoing demand for Ixonos' skills within several industries. Our future builds on our growing base of customers. The year 2013 will be busy and challenging, but we believe it will take our transition a long way in the right direction."

OPERATIONS

Ixonos designs and delivers creative mobile and online solutions. We develop technologies, software and solutions for mobile devices and services. Together with our corporate customers, we design products and services that provide inspiring user experiences. We also improve the competitiveness of our client organisations by shortening the time to market for their devices and services. Our strategy is to position ourselves as a strategic partner to the leading innovators in the mobile and online industry.

We have offices in Finland, China, Denmark, Estonia, Germany, Great Britain, Slovakia, South Korea and the United States.

Our **Connected Devices** service area comprises products and services for R&D of mobile devices:

- Expert services in mobile software development and system integration.

- Testing services for devices and software (websites and Android applications), also on a stand-alone basis for products developed elsewhere.

- Ixonos Smartphone Platform™: A device platform engineered for powerful chipsets, high-quality components and 3D user interfaces.

- Ixonos Smartphone Reference Design: A reference phone implemented on Ixonos' device platform and featuring the Qualcomm Snapdragon chipset as well as the Android Ice Cream Sandwich operating system.

- Ixonos IVI Connect™: This software product integrates in-car infotainment systems with the user's mobile devices and cloud services, supporting the MirrorLink standard as well as iOS and Android devices.

- Device Design Services: Comprehensive device creation services from concept development to manufacturing and maintenance: hardware design, electronics design, mechanical engineering, software development, production and testing.

The clientele of the Connected Devices area comprises wireless technology suppliers, mobile device manufacturers, telecommunications companies, automotive industry companies and entertainment electronics manufacturers operating on the international market. Customers include Bang & Olufsen, Cassidian, Cargotec, Hewlett-Packard, Huawei, Intel, Nokia, Polycom, Qualcomm, Renesas, Broadcom, Volkswagen, Pioneer, Firstbeat, Polar, Samsung and Vodafone. In addition, we provide testing services to Finnish customers who want to take advantage of the proximity of our state-of-the-art laboratories.

The **Online Solutions** service area encompasses global products and services for development of cloud services and mobile applications:

- System integration and expert services for online services.

- Ixonos Elastic Cloud™: A Red Hat certified, scalable and secure enterprise cloud solution, developed especially as a platform for R&D and for online services.

- Ixonos App Agency™: Provides services ranging from mobile business consulting to application production, deployment, maintenance and analysis, on all mobile platforms.

- Ixonos Experience Store™: An e-commerce platform for marketing and sales of digital as well as physical products.

- Ixonos Media Spark™: A set of services and product components to help media businesses face the challenges of digitalisation.

In Finland, the offering is supplemented by online solutions for e-commerce, e-government and service operations:

- Ixonos City Online™: A cloud service that enables municipalities to develop and deploy e-government services in a rapid, standardised and cost-efficient manner.

- System integration and expert services for e-commerce, e-government and service operations.

Our clientele consists of companies in the publishing, communications, telecommunications and service sectors and also includes Finnish public administration organisations. International customers comprise, among others, National Geographic, the Middle East Broadcasting Company, Al Jazeera, the BBC, eBay India, Evri, eZ Systems, Groupon, Hotels.com, the National Health Service, Nokia, Nokia Siemens Networks, Procter & Gamble and Time Out. Finnish customers include Dimcos, Elisa, Fonecta, Kone, Kuntien Tiera, Numpac, OP-Pohjola, the cities of Oulu, Tampere, Lahti and Turku, TeliaSonera, Neste Oil, Sanoma Pro and the Ministry of Finance.

Our **User Experience Design** service area includes concept development and implementation services for brand-supporting comprehensive user experiences as well as user interface products and services for wireless devices, multi-channel online services and mobile applications:

- Expert services in service design, user experience design, user interface design and implementation.
- Ixonos 3D Engine™: A user interface platform that enables customised 3D user interfaces to be developed for devices of all shapes and sizes, regardless of platform and chipset.
- Ixonos Super App™: This next-generation application platform creates a seamless and user-friendly combination of the contents and functionalities of multiple online services, integrating them with social network services.

The customers of this service area include the BBC, ESPN, Intel, National Geographic, the Middle East Broadcasting Company, Nokia, Samsung, ScanLife, Sony, Turner Broadcasting, Vodafone and Yamaha.

More and more customers are utilising the value of our customer promise. Our experts and solutions combine to form a turnkey deliverable.

CHANGES IN SEGMENT REPORTING

Since the beginning of 2012, Ixonos reports its operations as a single segment. The reporting segment comprises the three service areas described above: Connected Devices, Online Solutions and User Experience Design. The product and service offering of the service areas make up the company's core business, which focuses on wireless devices, online services and mobile-application R&D.

TURNOVER

Consolidated turnover for the financial period was EUR 56.9 million (2011: EUR 81.4 million), which is 30.2 per cent less than in the previous year.

Turnover in the fourth quarter was EUR 12.8 million (2011: EUR 19.5 million), 34.6 per cent less than in the previous year.

FINANCIAL RESULT

Consolidated operating profit before goodwill impairment and non-recurring items was EUR −9.3 million (2011: EUR 1.9 million) and profit before tax was EUR −25.0 million (2011: EUR 1.4 million). Profit for the financial period was EUR −21.9 million (2011: EUR 0.9 million). Earnings per share were EUR −1.46 (2011: EUR 0.06). Cash flow from operating activities was EUR −0.07 (2011: EUR 0.34) per share.

Operating profit for the fourth quarter was EUR −5.3 million (2011: EUR 3 thousand) and profit before tax was EUR −5.6 million (2011: EUR −0.1 million). Profit for the fourth quarter was EUR −4.4 million (2011: EUR −0.1 million). Fourth-quarter diluted earnings per share were EUR −0.29 (2011: EUR −0.01). Diluted cash flow from operating activities in the fourth quarter was EUR 0.04 (2011: EUR 0.22) per share. Operating profit and EBITDA for the fourth quarter were negative. Contributing reasons for this include one-time impairment of goodwill and intangible assets as well as redundancy and restructuring expenses of EUR 3.2 million.

RETURN ON CAPITAL

Consolidated return on equity was −119.0 per cent (2011: 3.2 per cent) and return on investment was −81.6 per cent (2011: 5.4 per cent).

INVESTMENTS

Investments during the financial period totalled EUR 3.2 million (2011: EUR 2.9 million). They consisted mostly of hardware investments into the development of cloud and hosting services as well as EUR 0.9 million (2011: EUR 1.1 million) in R&D expenses for new product platforms and solutions.

BALANCE SHEET AND FINANCING

The balance sheet total was EUR 33.3 million (2011: EUR 53.0 million). Shareholders' equity was EUR 7.5 million (2011: EUR 29.4 million). The equity ratio was 22.5 per cent (2011: 55.6 per cent). The group's liquid assets at the end of the financial period amounted to EUR 0.5 million (2011: EUR 1.5 million).

At the end of the review period, the balance sheet showed EUR 10.4 million (2011: EUR 7.3 million) in bank loans. This amount includes overdraft in use.

The company announced in October that it had signed an agreement on changing the maturities of its interest-bearing liabilities as well as on additional funding. In accordance with the agreement, the financiers granted Ixonos a EUR 3 million non-equity loan. Additionally, EUR 3.5 million in short-term financing was converted into a five-year loan. Thus, the overall value of the financial package was approximately EUR 6.5 million. A five-year debt-servicing programme was agreed on, and the loan is non-amortising during the first year. The bank loans have covenants attached to them. These covenants are based on the equity ratio and on the proportion of interest-bearing bank loans to the 12-month rolling operating profit.

At 31 December 2012, the company did not meet the terms of the covenants. The company's non-current borrowings are therefore presented as current liabilities, in accordance with IFRS. However, the company has received waivers from its lenders for the next 6–12 months.

As one way to improve the company's balance sheet and financial position, preparations for a share issue were started. The issue was successfully completed during January and February 2013.

GOODWILL

On 31 December 2012, the consolidated balance sheet included EUR 12.4 million in goodwill. This is EUR 11.2 million less than at the end of the financial period 2011. The amount of goodwill has been reduced due to impairment recognised in March and December.

In February, the company published its financial statement release, in which it estimated that the risk of goodwill impairment had increased substantially. The company noted that should its projections regarding that year's developments and the rationalisation program fail to materialise, goodwill might be impaired. At the end of March, the company tested for impairment the goodwill distributed among the group's new cash generating service areas. The refined estimates of the company's turnover and profit were lower than the ones made at the previous turn of the year. Because of this, the company recognised a EUR 9.2 million goodwill impairment in the first quarter.

In December, the company decided to recognise a EUR 2 million goodwill impairment. The impairment was due to a weakened near-future profitability outlook caused by slower than expected recovery from the market changes in 2011 and 2012.

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CASH FLOW

Consolidated cash flow from operating activities during the financial period was EUR −1.0 million (2011: EUR 5.1 million). By 31 December 2012, the company had sold EUR 2.3 million (2011: EUR 3.0 million) in accounts receivable so as to reduce their turnaround time.

PERSONNEL

The number of personnel averaged 824 (2011: 1,118) during the financial period. At the end of the period, the company had 610 (2011: 1,031) employees. Staff decreased in Finland as well as abroad. At the end of the financial period, the Group had 410 employees (2011: 609) in Finnish companies, while Group companies in other countries employed 200 (2011: 422). During the fourth quarter, the number of employees decreased by 73.

SHARES AND SHARE CAPITAL

Share turnover and price

During the review period, the highest price of the company's share was EUR 1.20 (2011: EUR 2.79) and the lowest price was EUR 0.47 (2011: EUR 0.66). The closing price on 31 December 2012 was EUR 0.48 (2011: EUR 0.80). The average price over the review period was EUR 0.87 (2011: EUR 1.30). The number of shares traded during the financial period was 3,661,398 (2011: 7,065,258), which corresponds to 24.2 per cent (2011: 46.8 per cent) of the total number of shares at the end of the period. According to the closing price on 31 December 2012, the market value of the company's shares was EUR 7,249,192 (2011: EUR 12,081.987).

Ixonos announced on 21 December 2012 that it was preparing a share issue directed at its present shareholders. The company intended to raise a maximum of EUR 4.3 million through the issue, which was successfully completed during January and February 2013.

Share capital

At the beginning as well as the end of the review period, the company's registered share capital was EUR 585,394.16 and the number of shares was 15,102,484.

Option plan 2011

The Board of Directors of Ixonos Plc decided on 30 November 2011 to grant new options. This decision was based on the authorisation given by the Annual General Meeting on 29 March 2011.

The options were issued by 31 December 2011, free of charge, to a subsidiary wholly owned by Ixonos Plc. This subsidiary will distribute the options, as the Board decides, to employees of Ixonos Plc and other companies in the Ixonos Group, to increase their commitment and motivation. Options will not be issued to members of the Board of Directors of Ixonos Plc or to the Ixonos Group's senior management (Ixonos Management Invest Oy shareholders).

The options will be marked IV/A, IV/B and IV/C. A total of 600,000 options will be issued. According to the terms of the options, the Board of Directors decides how the options will be divided between option series and, if needed, how undistributed options will be converted from one series to another.

Each option entitles its holder to subscribe for one new or treasury share in Ixonos Plc. The shares that can be subscribed for with options comprise 3.82 per cent of all Ixonos Plc shares and votes on a fully diluted basis.

The exercise period for the IV/A options will begin on 1 October 2014, for the IV/B options on 1 October 2015 and for the IV/C options on 1 October 2016. The exercise periods for all options will end on 31 December 2018. The exercise price for each option series is a trade volume weighted average price at NASDAQ OMX Helsinki. The period during which this average price is determined is 1 September – 30 November 2011 for the IV/A options (resulting in an exercise price of EUR 0.86), 1 June – 31 August 2012 for the IV/B options and 1 June – 31 August 2013 for the IV/C options. The exercise prices will be reduced by the amount of dividends, and they can also be adjusted under other circumstances specified in the option terms.

A total of 410,000 options have been allocated to series IV/A and granted to employees of group companies, in accordance with the terms of the option plan.

Shareholders

On 31 December 2012, the company had 2,988 shareholders (2011: 3,201). Private persons owned 55.5 per cent (2011: 56.6 per cent) and institutions 44.5 per cent (2011: 43.4 per cent) of the shares. Foreign ownership was 7.6 per cent (2011: 7.2 per cent) of all shares.

Board authorisations

On 4 April 2012, the Annual General Meeting of Ixonos Plc authorised the Board of Directors to decide on a rights issue and on issuing stock options and other special rights entitling to shares pursuant to chapter 10, section 1 of the Limited Liability Companies Act (624/2006) as well as on transferring treasury shares in one or more lots under the following terms:

The number of shares to be issued under the authorisation may not exceed 1,500,000, which corresponds to approximately 10 per cent of all company shares at the time of convening the Annual General Meeting.

Within the limits of the authorisation, the Board of Directors may decide on all terms of the rights issue, of the issue of special rights entitling to shares and of the treasury share transfers.

The meeting also granted the Board of Directors authority to decide on crediting the subscription price to the share capital or, in whole or in part, to the invested non-restricted equity fund.

Shares as well as special rights entitling to shares may also be issued in a way that deviates from the pre-emptive rights of shareholders, if a weighty financial reason for this exists as laid out in the Limited Liability Companies Act. In such a case, the authorisation may be used to finance corporate acquisitions or other investments related to the operations of the company as well as to maintain and improve the solvency of the group of companies.

The Annual General Meeting also authorised the Board of Directors to decide on acquiring, or accepting as pledge, a maximum of 1,500,000 own shares, using the company’s non-restricted equity. This amount of shares corresponds to approximately 10 per cent of all company shares at the time of convening the meeting. The acquisition may take place in one or more lots. The acquisition price will not exceed the highest market price in public trading at the time of the acquisition. In executing the acquisition of its own shares, the company may enter into derivative, share lending and other contracts customary on the capital market, within the limits set by law and regulations. The authorisation entitles the Board to decide on a directed acquisition, i.e. on acquiring shares in a proportion other than that of the shares held by the shareholders.

The shares may be acquired to execute corporate acquisitions or other business arrangements related to the company’s operations, to improve the capital structure of the company, to otherwise transfer the shares or to cancel them.

The authorisation includes the right for the Board of Directors to decide on all other matters related to the acquisition of shares.

The authorisations are effective until the Annual General Meeting 2013.

OTHER EVENTS DURING THE FINANCIAL PERIOD

Focusing of strategy and continuation of cost saving activities

On 25 July 2012, Ixonos announced a refocusing of its strategy as well as the continuation of its cost saving activities. Due to changes in the technology strategy of the company’s single most significant customer, demand for Ixonos’ mobile software development services in Finland had decreased substantially.

Ixonos announced that because of these changes, it would further focus its efforts to seek growth opportunities with European and North American customers. The company also reported that it would sharpen its solution and service offering in the Connected Devices, Online Solutions and User Experience Design service areas, catering especially for the telecommunications, automotive and media industries.

As part of the strategy refocus, Ixonos carried out cooperation negotiations with its personnel in the Connected Devices service area in Finland for reasons related to production, financial position and reorganisation. Action to reorganise operations and improve efficiency was also taken in Estonia, Slovakia and Asia, in accordance with local legislation and policies.

A year of strong product launches

Ixonos launched a multitude of new products and productised services during 2012. These launches have enabled Ixonos to offer concrete, value-adding solutions to new customer segments. They have also brought the company entirely new visibility in Finnish and international media. Ixonos’ press releases on new products and customers were reproduced in international digital media more than 3,200 times.

Ixonos products and services launched in 2012:

- Ixonos IVI Connect, February 2012
- Ixonos Smartphone Platform, February 2012
- Ixonos 3D Engine, April 2012
- Ixonos SuperApp, April 2012
- Ixonos' authorised testing services for MirrorLink products, together with Nemko, May 2012
- Experience Store for Automotive, July 2012
- a self-service tool for the Elastic Cloud service, September 2012.

Partnerships for a strengthened market position

In 2011, Ixonos joined the Car Connectivity Consortium to establish new contacts with automotive companies. Ixonos has succeeded well in gaining industry visibility, e.g. as crowd-pleasing speakers at international events. In spring 2012, Ixonos joined the Genivi alliance to grow its networks in the automotive industry.

Ixonos uses the Red Hat technology platform in its Elastic Cloud service, and the marketing cooperation between the two companies has been intense. Ixonos won the valued Red Hat Nordic Channel Project of The Year award in 2012.

Changes in the Management Team

The following changes have occurred in the Management Team during the financial period:

- Vice President Taina Makkonen left the company in August.
- Senior Vice President Timo Kaisla returned from his sabbatical leave and resumed his position as member of the Management Team. He acted as an interim CEO between 6 November and 31 December 2012.
- Senior Vice President Kari Liuska left the company on 31 October 2012.
- Senior Vice President Pasi Iljin was appointed to the Management Team on 1 November 2012.
- Kari Happonen acted as President and CEO until 5 November 2012.
- Esa Harju was appointed as President and CEO on 14 November 2012. He took up his duties on 1 January 2013.
- CFO Timo Leinonen gave notice on 23 October 2012 and left the company on 22 January 2013.
- Teppo Talvinko took up his duties as CFO on 1 February 2013.

Non-recurring expenses

Ixonos' result for September and December included approximately EUR 3,8 million in one-time restructuring expenses.

EVENTS AFTER THE FINANCIAL PERIOD

Market events in early 2013

At the beginning of 2013, Ixonos announced new accounts, including National Geographic Society and Firstbeat Technologies. Ixonos and Sharp Europe reported that they would collaborate to create a mobile device for a mutual customer. Ixonos announced that Samsung Electronics had chosen Ixonos as its innovation partner, particularly to develop the Android user experience.

Ixonos Media Spark was launched in January 2013. In February, Ixonos launched technology components for embedded systems. These components include a modern embedded Linux solution as well as a fast HD video streaming solution suitable e.g. for closed circuit TV.

New registration document

On 21 January 2013, Ixonos published its registration document, which the Financial Supervisory Authority had approved on 17 January 2013, as provided in the Securities Market Act (746/2012). The registration document contains information about the company, its operations and its financial position. It is valid for 12 months from the date of approval. The new registration document includes a working capital statement noting that the company's present working capital will not be sufficient for the company’s needs over the next twelve months, but that the company’s working capital will be sufficient for the company’s needs over the next twelve months if the company’s cash flow develops as forecast and planned and if the share issue is completed in its entirety. However, there is no guarantee that the company will be able to fulfil its financial covenants under all circumstances. If the company cannot comply with its covenants, the financiers are entitled to e.g. call in the loans or renegotiate the terms of the loans. The company and its financiers have begun negotiations on additional financing. The management of the company trusts that should the working capital requirements cause a need for additional financing, the company will be able to meet that need.

Share issue

Ixonos Plc’s rights issue ended on 7 February 2013. All 20,136,645 shares offered were subscribed for. The number of shares after the issue is 35,239,129. A total of 19,052,212 shares were subscribed for with subscription rights. This amount corresponds to approximately 94.6 per cent of the shares offered. In the secondary subscription, 5,358,879 shares were subscribed for without subscription rights, and subscriptions for 1,084,433 shares were accepted. The subscriptions thus correspond to approximately 121.2 per cent of the shares offered. Ixonos raised approximately EUR 4.23 million gross through the issue. As all offered shares were subscribed for, the underwriting commitments that had been provided were not used.
On 16 January 2013, because of the rights issue, Ixonos’ Board of Directors adjusted the subscription ratio and exercise price associated with the option rights in the 2011 option plan, in accordance with the terms of the options. The adjustment was made to ensure equal treatment of option holders and shareholders. It was announced in a stock exchange release on 13 February 2013.

RISK MANAGEMENT AND NEAR-FUTURE UNCERTAINTY FACTORS

Ixonos Plc’s risk management aims to ensure undisturbed continuity and development of the company’s operations, support attainment of the commercial targets set by the company and promote increasing company value. Details on the risk management organisation and process as well as on recognised risks are presented on the company’s website at www.ixonos.com.

Changes in key customer accounts may have adverse effects on Ixonos’ operations, earning power and financial position. Should a major customer switch its purchases from Ixonos to its competitors or make forceful changes to its own operating model, Ixonos would have limited ability to acquire, in the short term, new customer volume to compensate for such changes.

The reduction and rationalisation of the company’s operations cause one-time expenses, such as redundancy payments in various countries. This increases the company’s need for short-term financing. The company manages this need 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, which may still be impaired should internal or external factors reduce the profit expectations of the company or any of its cash generating units. Goodwill is tested during the final quarter of each year and, if necessary, at other times.

The company’s financial agreements have covenants attached to them. A covenant breach may increase the company’s financial expenses or lead to a call for swift partial or full repayment of non-equity loans. The main risks related to covenant breaches are associated with 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 these risks by negotiating with financiers and by maintaining readiness for various financing methods.

There is a risk that the company’s working capital will not be sufficient to fund the company’s operations over the next twelve months. Although the company considers that it will be able to cover its need for working capital over the next twelve months through various means, there is no guarantee that the company will be able to ensure sufficient working capital under all circumstances. A shortage of working capital may have a substantial adverse effect on the company’s operations, result and financial position.

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LONG-TERM GOALS AND STRATEGY

In the long term, Ixonos aims to achieve an operating profit of at least 10 per cent. To reach its long-term goals, Ixonos focuses its strategy on deepening the company’s product, solution and service operations as well as on new accounts in selected industries.

Our value proposition – *Dream, Design, Deliver* – works best for customers for whom a short time to market and a well thought-through user experience are crucial. Our ability to combine design studio skills, productised solutions, advanced online services and device deliveries is at the top level globally.

FUTURE PROSPECTS

In accordance with its strategy, Ixonos continues to strengthen and expand its customer base by focusing on products, solutions and services for technology suppliers, mobile device manufacturers, consumer electronics manufacturers, the automotive industry and other customers in Finland as well as internationally.

Ixonos aims to restore positive cash flow and profitability by rationalising its operations.

The company estimates turnover for 2013 at EUR 40–50 million. EBITDA for the entire year is predicted to be positive and EBIT in the second half-year is estimated to be better than in the first.

THE BOARD OF DIRECTORS’ PROPOSAL TO THE ANNUAL GENERAL MEETING

Ixonos Plc’s Board of Directors proposes that the distributable funds be left in shareholders’ equity and that no dividend for the financial period 2012 be paid to shareholders. The parent company’s distributable funds on 31 December 2012 were EUR 4,729,568.43

RELEASE OF THE FINANCIAL STATEMENTS

Company’s financial statements and report of the board of directors will be published on 21 March, 2013.

NEXT REPORTS

The interim report for the period 1 January – 31 March 2013 will be published on 23 April 2013.

IXONOS PLC
Board of Directors

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THE IXONOS GROUP

ABBREVIATED FINANCIAL STATEMENTS 1 January – 31 December 2012

Accounting policies

This financial statement bulletin has been prepared in accordance with IAS 34 (Interim Financial Reporting) and the accounting policies for the annual financial statement of 31 December 2011. The IFRS amendments and interpretations that entered into force on 1 January 2012 have not affected the consolidated financial statements.

Preparing the financial statements in accordance with IFRS requires Ixonos' management to make estimates and assumptions that affect the amounts of assets and liabilities on the balance sheet date as well as the amounts of income and expenses for the financial period. In addition, judgment must be used in applying the accounting policies. As the estimates and assumptions are based on views prevailing at the time of releasing the interim report, they involve risks and uncertainty factors. Actual results may differ from estimates and assumptions.

The figures in the income statement and balance sheet are consolidated. The consolidated balance sheet includes all group companies as well as Ixonos Management Invest Oy, a company owned by members of Ixonos' management. The original interim report is in Finnish. The interim report in English is a translation of the original report.

As the figures in the report have been rounded, sums of individual figures may differ from the sums presented. The financial statement bulletin is unaudited.

CONSOLIDATED INCOME STATEMENT, EUR 1,000

	1.1.– 31.12.2012	1.1.– 31.12.2011	Change, per cent	1.10.– 31.12.2012	1.10.– 31.12.2011
Turnover	56,852	81,408	−30.2	12,786	19,537
Operating expenses	−69,696	−79,472	−12.0	−16,060	−19,535
OPERATING PROFIT BEFORE GOODWILL IMPAIRMENT	**−13,117**	**1,937**	**−777.3**	**−3,273**	**3**
Goodwill impairment	−11,200	0		−2,000	0
OPERATING PROFIT	**−24,317**	**1,937**	**-**	**−5,273**	**3**
Financial income and expenses	−700	−528	32.7	−309	−152
Profit before tax	−25,018	1,409	-	−5,582	−149
Income tax	3,043	−478	-	1,162	21
PROFIT FOR THE PERIOD	**−21,975**	**931**	-	**−4,420**	**−128**
Attributable to:					
Equity holders of the parent	−21,948	955	-	−4,415	-122
Non-controlling interests	−27	−24	−13.2	−5	-6

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, EUR 1,000

Profit for the period	−21,975	931	-	−4,420	−128
Other comprehensive income					
Change in translation difference	−11	58	-	5	33
COMPREHENSIVE INCOME FOR THE PERIOD	**−21,694**	**988**	-	**−4,415**	**−95**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, EUR 1,000

ASSETS	31.12.2012	31.12.2011
NON-CURRENT ASSETS		
Goodwill	12,447	23,647
Other intangible assets	2,646	5,138
Property, plant and equipment	3,410	3,391
Deferred tax assets	2,780	27
Available-for-sale investments	19	110
TOTAL NON-CURRENT ASSETS	**21,303**	**32,314**
CURRENT ASSETS		
Trade and other receivables	11,551	19,190
Cash and cash equivalents	477	1,466
TOTAL CURRENT ASSETS	**12,028**	**20,657**
TOTAL ASSETS	**33,331**	**52,970**
EQUITY AND LIABILITIES	31.12.2012	31.12.2011
SHAREHOLDERS' EQUITY		
Share capital	585	585
Share premium reserve	219	219
Invested non-restricted equity fund	20,247	20,313
Retained earnings	8,214	7,177
Profit for the period	−21,948	955
Equity attributable to equity holders of the parent	**7,317**	**29,248**
Non-controlling interests	172	200
TOTAL SHAREHOLDERS' EQUITY	**7,489**	**29,448**
LIABILITIES		
Non-current liabilities	1,521	4,400
Current liabilities	24,320	19,122
TOTAL LIABILITIES	**25,841**	**23,522**
TOTAL EQUITY AND LIABILITIES	**33,331**	**52,970**

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

A: Share capital
B: Share premium reserve
C: Invested non-restricted equity fund
D: Translation difference
E: Retained earnings
F: Total equity attributable to equity holders of the parent
G: Non-controlling interests
H: Total equity

	A	B		C	D	E	F	G	H
Shareholders' equity at 1 January 2011	585	219		20,343	29	7,058	28,234	224	28,457
Profit for the period						955	955	−24	931
Other comprehensive income:									
Change in translation difference					58		58		58
Transactions with shareholders:									

Expenses for equity procurement				−30			−30		−30
Share-based remuneration						33	33		33
Shareholders' equity at 31 December 2011	585	219		20,313	86	8,045	29,248	200	29,448
Shareholders' equity at 1 January 2012	585	219		20,313	86	8,045	29,248	200	29,448
Profit for the period						−21,948	−21,959	−28	21,986
Other comprehensive income:									
Change in translation difference					−11		−11		−11
Transactions with shareholders:									
Expenses for equity procurement				−66			−66		−66
Share-based remuneration						93	93		93
Shareholders' equity at 31 December 2012	585	219		20,247	75	−13,810	7,317	172	7,489

CONSOLIDATED CASH FLOW STATEMENT, EUR 1,000

	1.1.–31.12.2012	1.1.–31.12.2011
Cash flow from operating activities		
Profit for the period	−21,975	931
Adjustments to cash flow from operating activities		
Income tax	−3,043	478
Depreciation and impairment	16,823	4,209
Financial income and expenses	700	528
Other adjustments	-13	−36
Change in provisions	1,066	
Cash flow from operating activities before change in working capital	**−6,441**	**6,110**
Change in working capital	6,491	196
Interest received	79	10
Interest paid	−796	−599
Tax paid	−372	−606
Net cash flow from operating activities	**−1,039**	**5,110**
Cash flow from investing activities		
Investments in tangible and intangible assets	−1,275	−2,207
Dividends received	4	8
Net cash flow from investing activities	**−1,271**	**−2,199**
Net cash flow before financing	**−2,310**	**2,911**
Cash flow from financing activities		
Increase in long-term borrowings	4,415	0
Repayment of long-term borrowings	−1,920	−2,825
Increase in short-term borrowings	588	1,548
Repayment of short-term borrowings	−1,740	−1,391
Expenses for equity procurement	−18	−30
Net cash flow from financing activities	**1,325**	**−2,699**
Change in cash and cash equivalents	−981	240
Liquid assets at the beginning of the period	1466	1,226
Liquid assets at the end of the period	477	1,466

CONSOLIDATED INCOME STATEMENT, QUARTERLY, EUR 1,000

	Q4/2012 1.10.–31.12.12	**Q3/2012** 1.7.–30.9.12	**Q2/2012** 1.4.–30.6.12	**Q1/2012** 1.1.–31.3.12	**Q4/2011** 1.10.–31.12.11
Turnover	12,786	9,977	16,428	17,661	19,537
Operating expenses	−16,060	−17,216	−17,766	−18,928	−19,535
OPERATING PROFIT BEFORE GOODWILL IMPAIRMENT	−3,273	−7,239	−1,338	−1,267	3
Goodwill impairment	−2,000	0	0	−9,200	0
OPERATING PROFIT	−5,273	−7,239	−1,338	−10,467	3
Financial income and expenses	−309	−183	−116	−93	−152
Profit before tax	−5,582	−7,422	−1,454	−10,560	−149
Income tax	1,162	1,190	367	323	21
PROFIT FOR THE PERIOD	4,420	−6,232	−1,087	−10,236	−128

CHANGES IN FIXED ASSETS, EUR 1,000

	Goodwill	Intangible assets	Property, plant and equipment	Available-for-sale investments	Total
Carrying amount at 1 January 2011	23,647	5,580	4,210	110	33,547
Additions		2,267	672		2,940
Changes in exchange rates		6	20		25
Disposals and transfers		−74	57		−17
Impairment					
Depreciation for the period		−2,640	−1,569		−4,209
Carrying amount at 31 December 2011	23,647	5,138	3,391	110	32,286
Carrying amount at 1 January 2012	23,647	5,138	3,391	110	32,286
Additions		1,074	2,083		3,157
Changes in exchange rates			−1		−1
Disposals and transfers			−5	−91	−96
Impairment	−11,200				−11,200
Depreciation for the period		−3,566	−2,057		−5,623
Carrying amount at 31 December 2012	12,447	2,647	3,411	19	18,523

FINANCIAL RATIOS

	1.1.–31.12.2012	1.1.–31.12.2011
Earnings per share, diluted, EUR	−1.46	0.06
Earnings per share, EUR	−1.46	0.06
Equity per share, EUR	0.48	1.94
Operating cash flow per share, diluted, EUR	−0.07	0.34
Return on investment, per cent	−81.6	5.4
Return on equity, per cent	−119.0	3.2
Operating profit⁄turnover, per cent	−42.8	2.4
Net gearing, per cent	161.95	27.5
Equity ratio, per cent	22.5	55.6

OTHER INFORMATION

	1.1.–31.12.2012	1.1.–31.12.2011
PERSONNEL	824	
Employees, average		1,118
Employees, at the end of the period	610	1,031
COMMITMENTS, EUR 1,000	31.12.2012	31.12.2011
Collateral for own commitments		
Corporate mortgages	19,800	19,900
Leasing and other rental commitments		
Falling due within 1 year	2,726	5,665
Falling due within 1–5 years	3,408	3,403
Falling due after 5 years	243	0
Total	6,377	9,068
Nominal value of interest rate swap agreement		
Falling due within 1 year	0	1,375
Falling due within 1–5 years	5,270	1,493
Falling due after 5 years	0	0
Total	5,270	2,868
Fair value	−87	−23

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

Return on equity = net profit ⁄ shareholders’ equity, average × 100

Gearing = (interest-bearing liabilities – liquid assets) / shareholders’ equity × 100