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IXONOS PLC GIVES SUPPLEMENT TO INTERIM REPORT DATED ON 25TH OCTOBER 2013

Ixonos gives supplement to Q3 2013 interim report announced on 25th October 2013 to correspond certain requirements related to the notes to the interim report as set out in IAS 34 standard. For clarity, Ixonos has decided to re-publish the entire interim report in question, and it is presented below in full.

Compared to the interim report for the third quarter of 2013 published on 25 October 2013, the following additions have been made:

- Abbreviated financial statements - section has been completed with estimations concerning the going concern and the ability to utilize the deferred tax assets
- In table of figures section have been added more information concerning the estimation and evaluation basics and parameters of goodwill impairment test, provision of the Asian project and loan covenants.
- Events after the review period –section has been updated with the information concerning the changes of the number of the shares (1 November 2013), information concerning the co-operation negotiations (29.October 2013) and decisions made in extraordinary shareholders meeting and the Board decisions after that (30. October 2013).
- Key figures per share have been updated to reflect the impact of the reverse share split approved by the extraordinary general meeting on 30 October.2013. The new number of shares has been registered on the trade register on 1 November 2013.

Interim report for the period 1 January – 30 September 2013

CHALLENGING Q3, SIGNIFICANT NON-RECURRING ITEMS BURDENED THE QUARTER

- EUR 2.3 million write-off in turnover and EUR 1.5 million loss provision related to a project with an Asian operator signed in 2012.
- EUR 1.6 million goodwill impairment due to changes in calculation mechanism.

Q3/2013 in brief (last year’s reference figures inside brackets):

- Turnover for the third quarter before non-recurring items was EUR 7.8 million.
- Turnover for the third quarter was EUR 5.5 million (2012: EUR 10.0 million), a change of -45.1 per cent.
- Earnings before interest, taxes, depreciation and amortisation (EBITDA) before non-recurring items was EUR -2.0 million.
- Earnings before interest, taxes, depreciation and amortisation (EBITDA) was EUR -5.8 million, -105.9 percent of turnover, (2012: EUR -5.1 million, -51.2 percent of turnover).
- Operating profit before non-recurring items was EUR -2.7 million
- Operating profit was EUR -8.1 million, -147.8 percent of turnover (2012: EUR -7.2 million, -72.6 percent of turnover).
- Net profit was EUR -6.8 million, -124.0 per cent of turnover (2012: EUR -6.2 million, -62.5 percent of turnover).
- Earnings per share were EUR -1.01 (2012: EUR -1.41).

The reasons for the lower turnover in the third quarter compared to the previous quarter, in addition to seasonal variation, were the write-off related to the above-mentioned Asian project, decreased order book due to strategic changes made by certain customers, as well as the challenging situation in the Finnish market.

The operating profit for the third quarter has additionally been affected, in addition to the turnover, by a one-off loss provision related to the above-mentioned project. The company also performed a goodwill impairment test at the end of the third quarter, resulting in impairment.

Review period in brief

- Turnover for the review period was EUR 26.4 million (2012: EUR 44.1 million), a change of -40.1 per cent.
- Earnings before interest, taxes, depreciation and amortisation (EBITDA) was EUR -7.1 million, -27.0 percent of turnover, (2012: EUR -5.4 million, -12.3 percent of turnover).
- Operating profit was EUR -10.9 million, -41.2 per cent of turnover including goodwill impairment of EUR 1.6 million. (2012: EUR -19.0 million, including goodwill impairment of EUR 9.2 million, -43.2 percent of turnover).
- Net profit was EUR -9.4 million, -35.4 per cent of turnover. (2012: EUR -17.5 million, -39.8 percent of turnover).
- Earnings per share were EUR -1.39 (2012: EUR -3.97).
- Net cash flow from operating activities was EUR -6.7 million (2012: EUR -1.6 million).

Future prospects in brief:

- Ixonos estimates turnover for 2013 to be in the range of EUR 35–38 million. EBITDA for the entire year is expected to be negative.

Esa Harju, President and CEO:

“The third quarter has been a disappointment for us after the positive development during the first half of the year. In the end of summer we faced a number of new challenges, the most significant of which was that a project signed in 2012 with an Asian customer got delayed and turned unprofitable. Additionally, certain customers made strategic changes resulting in a weakening of our turnover. Furthermore, the market situation especially in Finland has been difficult, with customers delaying purchase decisions, which has impacted our business operations.

We have started a new significant group level cost saving initiative this autumn, which will align our cost structure with the future revenue outlook. We commenced co-operation negotiations with our personnel in Finland on 16 September 2013. We expect the savings to start having effect in our cost structure from the end of November onwards, with majority of the effects showing an impact within the first quarter of 2014.

Our cash position has continued to be challenging. After the review period, we have announced our intention to structure our financing and to strengthen our equity position with a share issue, as announced on 8 October 2013.

We have sharpened our strategy during the third quarter, and decided together with the Board of Directors on the future direction and focus segments of the company. According to the sharpened strategy, we focus the company’s resources toward the areas where we see the best chances to succeed and differentiate ourselves as a design-oriented technology partner in chosen markets. In future we strive to establish long-lasting relationships with our customers developing for them new creative digital solutions. Our Dream, Design, Deliver value proposal remains our core competitive advantage and we believe it sets us apart from the competitors.

Despite the challenging third quarter and our cash position, we look to the future with confidence. There is a market for our competence and we work together with companies that are world leaders in their respective fields. We move towards 2014 with our sharpened strategy and new organisation.”

OPERATIONS

Ixonos is a design-oriented technology company that provides creative digital solutions and services for customer companies in selected target industries. We help our customer companies embrace Internet and mobility for productivity and unique user experiences for competitive advantage.

Ixonos’ strategy is to operate as a creative technology partner in selected target markets. Our core strength and unique differentiator is our ability to combine our world-class design capability with strong technical implementation skills, hence offering total end-to-end solutions that deliver strategic value to our customers.

Ixonos’ design services cover digital, mobile, web design as well as service and industrial design. These holistic design services are based on interdisciplinary work consisting of design strategy, design and user research, design innovation and workshops, visual and interaction design, and prototyping for various connected devices and services and ranging to complete cross-platform design.

We excel in creative software development, both in embedded SW as well as in online SW. We utilise open standard technologies (e.g. Linux, Android). We combine the SW development capabilities with our world-leading technology knowledge and our deep understanding of user interface design and usability and excellent project management capabilities. This enables us to provide solutions for our customers with quality and agility. Our technology competences cover e.g. wireless connectivity, RF, audio, imaging and video technologies.

As per our sharpened strategy, our future target market segments include:
- **Industry**: Providing embedded and creative digital solutions for the Industrial Internet. We help companies to transform from proprietary technologies into standard open source technologies enabling increased productivity and value for their customers. We provide digital innovations that help them in their transformation to new digitally connected service business. Ixonos partners with leading chipset manufacturers, providing state-of the art platforms for our solutions. Our clientele in this segment consists of companies such as Kone, Outotec, Cargotec, Grundfos and Metso.
- **Media**: Helping TV broadcasters, studios, production companies and operators to offer increasingly interactive and personalised viewing experiences, as well as new business models, through innovations such as Ixonos TV Compass™ 2nd screen solution. Our clientele in this segment consists of companies such as Fox, ESPN, MBC Group, Warner Brothers and Turner Entertainment.
- **Retail & brands**: Helping consumer-facing retail and service brands to embrace Internet-based digital and mobile solutions for excelling in omni-channel retailing, customer experience, productivity and service innovation. Our clientele in this segment consists of companies such as Stockmann and Iittala.
- **Enterprise IT and ISVs**: Providing secure and robust cloud and managed hosting services with Ixonos Elastic Cloud™ solution. Ixonos virtual private cloud has been designed for demanding enterprise use. It combines the security of a private cloud with the scalability and workflow automation of public clouds. Ixonos Elastic Cloud is also used as an operating platform for several end-to-end solutions. Our clientele in this segment consists of companies such as Fonecta, eZ Systems, Improlity, Efecte, Nokia and Propentus.

Utilising our high knowledge and assets we continue to serve our customers also in other market segments, including:
- Automotive and Transportation, where our customers include Marcopolo, Luminator, AvMap and Tier 1 car manufacturers.
- Smartphone OEMs, where our customers include Samsung, Huawei and Nokia.
- Defence & Security, where our customers include Cassidian and Savox Communications.
- Finnish Public Sector, where our customers include Finland’s Ministry of Finance, Finland's Ministry of Social Affairs and Health as well as Tiera.
- Mobile Operators, where our customers include Orange, Vodafone and TeliaSonera.
- Print Media, where our customers include National Geographic.

Organisation

During the review period Ixonos has been functioning as three business units: Connected Devices, Online Solutions and Design. As part of the sharpened strategy that was approved in August 2013, Ixonos has also renewed its organisation.

The new structure, which will become effective on 1 November 2013, consists of:
- **Sales & Marketing** function in charge of customer relationships, sales pipeline, order intake and profitable revenue generation. The unit is headed by Teppo Kuisma, SVP, Sales.
- **Solution Creation** function in charge of customer project management and profitable delivery, as well as offering portfolio management and R&D. The unit is headed by Bo Lönnqvist, SVP, Solution Creation.
- **Design** function in charge of the design capabilities that are a unique differentiator in our Dream Design Deliver approach. The unit is headed by Sami Paihonen, SVP, Design.
- The whole organisation’s operations are supported by efficient and centralised support functions: **Finance & Control** and **Human Resources**.

The former **Connected Devices** and **Online Solutions** business units will be merged into the above new organisational units.

Locations

We have our main offices in Finland, Denmark, Great Britain, Slovakia, and the United States. Additionally we have employees in Estonia, Germany and South Korea.

- Our Solution Creation sites are located in Finland, Denmark and Slovakia.
- Our Design Studios are located in Finland, Great Britain, the United States and Slovakia.
- Our Sales offices are located in Finland, Great Britain, Germany, South Korea and the United States.

SEGMENT REPORTING

Ixonos reports its operations as a single segment. According to the new strategy and organisational structure, Ixonos is seen to be one cash generating unit and segment. Ixonos announced its sharpened strategy on 22 October 2013.

TURNOVER

The company’s turnover in the third quarter was EUR 5.5 million (2012: EUR 10.0 million), which is 45.1 per cent less than in the previous year.

Consolidated turnover for the review period was EUR 26.4 million (2012: EUR 44.1 million), which is 40.1 per cent less than in the previous year.

During the review period, no single customer generated a dominating share of the turnover, or exceeded more than one fourth of the total turnover.

FINANCIAL RESULT

The operating result for the third quarter was EUR -8.1 million including goodwill impairment of EUR 1.6 million (2012: EUR -7.2 million) and the result before taxes was EUR -8.3 million (2012: EUR -7.4 million). The result for the third quarter was EUR -6.8 million (2012: EUR -6.2 million). Third quarter earnings per share was EUR -1.01 (2012: EUR -1.41). Cash flow per share from operating activities in the third quarter was EUR -0.30 (2012: EUR -0.78).

The company’s consolidated operating profit for the review period was EUR -10.9 million including goodwill impairment of EUR 1.6 million (2012: EUR -19.0 million including goodwill impairment of EUR 9.2 million) and profit before tax was EUR -11.5 million (2012: EUR -19.4 million). Profit for the period was EUR -9.4 million (2012: EUR -17.5 million). Earnings per share was EUR -1.39 (2012: EUR -3.97). Cash flow per share from operating activities was EUR -1.00 (2012: EUR -0.36).

RETURN ON CAPITAL

Consolidated return on equity (ROE) was -260.0 per cent (2012: -113.2 per cent) and return on investment (ROI) was -80.0 per cent (2012: -78.7 per cent).

INVESTMENTS

Investments during the period totalled EUR 0.4 million (2012: EUR 2.9 million).

BALANCE SHEET AND FINANCING

The balance sheet total was EUR 28.2 million (2012: EUR 36.7 million). Shareholders’ equity was EUR 2.1 million (2012: EUR 11.9 million). The equity ratio was 7.5 per cent (2012: 32.5 per cent). The Group’s liquid assets at the end of the review period amounted to EUR 0.5 million (2012: EUR 0.5 million).

At the end of the review period, the balance sheet showed EUR 11.9 million (2012: EUR 10.5 million) in bank loans. This amount includes overdraft in use.

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 30 September 2013, 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 second half of the year.

The company has taken a short-term loan from Oy Turreb Ab in the amount of EUR 2.5 million. The company announced the possibility for the loan agreement on 22 July 2013.

GOODWILL

On 30 September 2013, the consolidated balance sheet included EUR 10.8 million in goodwill. This is EUR 3.6 million less than at the end of the review period in 2012. The amount of goodwill has been reduced due to impairments recognised in December 2012 and September 2013.

In September, the following parameters were used in the goodwill impairment testing:
- The review period of 4 years (instead of former 5 years).
- WACC discount rate 12% (remained).
- 1% growth estimate used for terminal value calculation (remained).

Due to the increased speed of development in technology the review period has been reduced to 4 years. The reduction of the review period led to the goodwill impairment recognised in September.

CASH FLOW

Consolidated cash flow from operating activities during the period was EUR -6.7 million (2012: EUR 1.6 million). By 30 September 2013, the company had sold EUR 2.9 million (2012: EUR 3.4 million) in accounts receivable so as to reduce their turnaround time.

PERSONNEL

The number of personnel averaged 523 (2012: 891) during the review period. At the end of the period, the company had 481 (2012: 683) employees. Staff decreased in Finland as well as abroad. At the end of the period, the Group had 351 employees (2012: 432) in Finnish companies, while Group companies in other countries employed 130 (2012: 251). During the review period, the number of employees decreased by 129.

SHARES AND SHARE CAPITAL

Share turnover and price

During the review period, the highest price of the company's share was EUR 0.68 (2012: EUR 1.20) and the lowest price was EUR 0.22 (2012: EUR 0.76). The closing price on 30 September 2013 was EUR 0.24 (2012: EUR 0.82). The average price over the review period was EUR 0.33 (2012: EUR 0.93). The number of shares traded during the review period was 13,980,840 (2012: 2,710,190), which corresponds to 39.7 per cent (2012: 17.9 per cent) of the total number of shares at the end of the period. According to the closing price on 30 September 2013, the market value of the company's shares was EUR 8,457,391 (2012: EUR 12,233,012).

During the review period Ixonos completed a share issue directed to its present shareholders. All of the issued 20,136,645 shares, totalling EUR 4.23 million, were subscribed.

Share capital

At the beginning of the review period, the company's registered share capital was EUR 585,394.16 and the number of shares was 15,102,484. At the end of the review period, the company's registered share capital was EUR 585,394.16 and the number of shares was 35,239,129.

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 1.67 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 exercise prices will be reduced by the amount of dividends, and they can also be adjusted under other circumstances specified in the option terms.

The subscription ratio and exercise price of the option plan have been adjusted with the Board of Directors' approval based on the share issue in February 2013, so that the subscription ratio is 2.333 and exercise price for the IV/A options is 0.489 euros. The option plan's IV/B options have been cancelled and the exercise price for IV/C options is 0.31 euros.

In total 600,000 shares have been allocated to employees in series IV/A, IV/B and IV/C.

Shareholders

On 30 September 2013, the company had 3,445 shareholders (2012: 3,027). Private persons owned 51.3 per cent (2012: 55.2 per cent) and institutions 48.7 per cent (2012: 44.8 per cent) of the shares. Foreign ownership was 8.4 per cent (2012: 7.1 per cent) of all shares.

Related-party transactions

During the review period Ixonos has taken a short term debt of EUR 2.5 million from its largest shareholder, Oy Turret Ab. The debt falls due 31 December 2013. As collateral for the debt the company has put up corporate mortgage bonds.

OTHER EVENTS DURING THE REVIEW PERIOD

Market events in the review period

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 mobile devices for mutual customers. Ixonos also announced that Samsung Electronics had chosen the company as its innovation partner, to focus particularly on developing the Android user experience. A new product Ixonos Media Spark™ was launched in January 2013. In February, technology components for embedded systems, was launched. These components include a modern embedded Linux solution as well as a fast HD video streaming solution suitable e.g. for closed circuit TV. In the end of March, Ixonos reported that it was set to deliver the user experience design and software of the infotainment solution for the luxury coaches of Brazilian bus manufacturer Marcopolo. The solution is based on Ixonos IVI Connect ™ infotainment solution. In May Ixonos announced it had signed a new contract expansion with an existing operator customer in Asia. In May Ixonos brought out a unique service package for testing of smart electronic devices.

In August Ixonos announced that it has delivered for MBC Group a 2nd screen solution based on the Ixonos TV Compass™ called MBC Now. The service, available to MBC viewers in the Middle East and Northern Africa, synchronizes smart devices with the TV set, converting tablets and smart phones into 2nd screen devices. In August Ixonos also joined the 2nd Screen Society, which is collaborating to create simpler, seamless integration of services across devices and enabling increasingly social and stimulating experiences for consumers. In September Ixonos proved itself to be a pioneer as an innovative solutions provider with their virtual private cloud, by winning Red Hat's European Cloud Partner of the Year award. In September and October Ixonos introduced its signature hardware and user interface design languages consecutively via blog posts written by SVP Sami Paihonen. The goal was to show Ixonos' forward-thinking ability to design the best device designs and user interfaces ahead of their time. We will continue to drive design and technology innovations to chosen target customer markets.

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 forecasted 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. If required, the company management negotiates with its financiers on additional financing.

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.

Financial arrangements

In 22 July 2013 the company announced that its financiers had renewed a waiver for premature payback of loans which include covenants until 31.12.2013, and that it had secured a loan agreement for short term debt with Oy Turret Ab. The loan agreement enables, if necessary, additional financing for a maximum of 2.5 million Euros until end of 2013.

Lowered revenue and profitability guidance and cost saving initiatives

Ixonos announced on 16 September 2013 that the forecasted revenue for 2013 will be lower than the earlier guidance range of 40 - 50 MEUR. In the new guidance the Company estimated 2013 revenue to be in the range of 35 - 38 MEUR. As a result of the reduced revenue outlook, EBITDA for the full year is expected to be negative.

The reasons for the changed forecast are the following: Project with an Asian operator (based on contract signed in 2012) being delayed and becoming loss-making, strategy changes amongst some other key customers, and weakening market outlook and demand. Ixonos has booked a significant loss provision in its Q3 profit and loss statement due to the Asian operator project.

Ixonos implements a set of global cost saving initiatives during the second half of 2013, and as part of this commenced co-operation negotiations with its personnel in Finland on 16 September 2013 for reasons related to production and financial position.

The objective of the co-operation negotiations and other saving measures is to align company's cost structure in line with turnover outlook and direction, and to lay basis for profitable operations during 2014. The co-operation negotiations apply to all Ixonos personnel in Finland, and the planned measures include permanent dismissals as well as temporary layoffs, impacting a maximum of 100 people. In addition, fixed-term temporary lay-offs regarding the whole personnel will be under the negotiation scope.

On the date of publication of this review, the negotiations have not yet been concluded.

Changes in the Management Team

During the review period the following changes have taken place:

- Esa Harju took up his duties as President and CEO on 1 January 2013.
- CFO Timo Leinonen left the company on 22 January 2013.

- New CFO Teppo Talvinko took up his duties on 1 February 2013.
- Vice President Pasi Iljin left the company on 11 April 2013.
- Bo Lönnqvist was appointed as the new head of Connect Devices business unit, as of 1 July 2013.
- Satu Roininen was appointed head of Human Resources, as of 8 July 2013.

EVENTS AFTER THE REVIEW PERIOD

Notice of Ixonos Plc's Extraordinary General Meeting on 30 October 2013 and share issue

On 8 October 2013 Ixonos announced it was preparing a share issue pursuant to the shareholders' pre-emptive right to subscription in which a maximum amount of 120,000,000 new shares will be issued for subscription by the shareholders based on the authorisation of the Extraordinary General Meeting. The Share Issue requires, among other things, the approval of the Extraordinary General Meeting and the above share amount is based on the assumption that the shareholders meeting will at the same time decide on a reverse share split where five (5) existing shares are combined into one (1) new share for the purposes laid down in Chapter 15, Section 9 of the Finnish Companies Act.

The Company intends to raise a maximum amount of EUR 10.5 million in the Share Issue of which a maximum amount of EUR 3.5 million may be raised by issuing shares in a directed share issue or option rights or other special rights entitling to shares that are set out in Chapter 10, Section 1 of the Companies Act ("Options or Other Special Rights").

Financial arrangements

In 24 October 2013 the company announced that it had secured a loan agreement for short term debt possibility with Oy Turret Ab. The loan agreement enables, if necessary, additional financing for a maximum of 1.0 million Euros until 30 November 2013.

Ixonos co-operating negotiations concluded

The co-operation negotiations, which Ixonos commenced on 16 September 2013, have been concluded today, 29 October 2013. As the result of the negotiations permanent dismissals and temporary layoffs will be issued to a maximum of 85 persons. In addition, two-week fixed-term temporary lay-offs will be issued to 12 persons in administration.

Decisions of Ixonos Plc's extraordinary general meeting on 30 October 2013 and consecutive decisions by board of directors and new subscription commitments

The company announced decisions of Ixonos Plc's extraordinary general meeting on 30 October 2013 and consecutive decisions by board of directors and new subscription commitments.

Ixonos' number of shares has changed

The Extraordinary General Meeting of Ixonos Plc (the "Company") held on 30 October 2013 decided that the number of shares will be reduced without reducing the share capital by conducting a reverse share split where five (5) existing shares are combined into one (1) new share for the purposes laid down in Chapter 15 Section 9 of the Finnish Limited Liability Companies Act and in accordance with the procedure set out therein. Such procedure has been described in more detail in the Company's stock exchange release given on 30 October 2013.

The new number of shares of the Company 7,047,825 has today been entered into the Trade Register. Trading with the consolidated shares will begin on Monday, 4 November 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.

Part of the company's business operations is based on fixed-price project deliveries. Fixed-price projects may include risks related to their duration and content. These risk are being managed by means of contract management as well as project management.

The reduction and rationalisation of the company's operations causes 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's cash flow. 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.

The company has signed a project agreement in 2012 with an Asian operator customer, as announced on 12 November 2012. The project has been delayed and turned loss-making during the third quarter of 2013, which has led the company to make a significant loss provision in its Q3 profit and loss statement. The project still carries further uncertainties and risks related to differences in opinion concerning the project delivery and its contents as stipulated in the agreement. The company is using usual limitations of liability clauses (as well as insurances when possible) to manage such business risks.

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.

In accordance with its strategy, Ixonos continues to strengthen and expand its customer base by focusing on offering products, solutions and services in particular for industrial companies, media companies, retailers and brands, organisation IT and ISVs, and to other customers in Finland as well as internationally.

FUTURE PROSPECTS

Ixonos estimates turnover for 2013 to be in the range of EUR 35–38 million. EBITDA for the entire year is predicted to be negative.

NEXT REPORTS

The publication of the interim report for the period 1 January – 31 December 2013 will be announced later.

IXONOS PLC
Board of Directors

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THE IXONOS GROUP

ABBREVIATED FINANCIAL STATEMENTS 1 January – 30 September 2013

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 2012. The IFRS amendments and interpretations that entered into force on 1 January 2013 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 review 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 interim report is unaudited.

Going Concern
This interim report has been made according to the going concern principle taking into account the ongoing financial arrangements, new strategy and financial estimations made up to the end of year 2014. The estimations take into consideration probable or foreseeable changes in future expectations in revenues as well as costs. There have been significant challenges after the company's most significant client changed its strategy during years 2011-2012. The profitability has been negative, even though the company has adopted its operations to meet significantly lower cost level and gained new customers. The company has further re-scoped its costs and this will continue after the co-operation talks concluded. The company has taken and takes also further actions to reduce the level of fixed costs like site and office related costs. The ongoing cost saving actions will improve the cost structure and profitability during the Q4 2013 and 2014. The company has renewed its strategy during the 2013 and selected the customer focus segments where mobile internet technology is seen to change the earning fundamentals of Ixonos' target customer segments. The company views, that Ixonos' core competence has a great growth potential in the selected segments.

The company views, that it must ensure additional financing in order to be able to finance its operations and to repay its debts over the next 12 months. Ixonos takes further actions to strengthen its balance sheet and to assure sufficient amount of working capital. On 8 October 2013 Ixonos announced it was preparing a share issue pursuant to the shareholders' pre-emptive right to subscription in which a maximum amount of 120,000,000 new shares will be issued for subscription by the shareholders. The Company intends to raise a maximum amount of EUR 10.5 million in the Share Issue of which a maximum amount of EUR 3.5 million may be raised by issuing shares in a directed share issue or option rights or other special rights entitling to shares that are set out in Chapter 10, Section 1 of the Companies Act . The mandate was given in extraordinary sgeneral meeting on 30.October 2013. The company has also asked a waiver till the end of 2014 for premature payback of loans which include covenants, if covenants would have been broken in 2014. The management of Ixonos is confident that the company will get the waivers.

The sufficient level of working capital and ability to continue as going concern is subject to realization of subscription rights issue and a directed share issue or option rights or other special rights entitling to shares in a sufficient amount, waivers from the financiers not to call in the loans in accordance with the loan agreements as well as realization of the company's estimations concerning the financial performance in 2014. If the above measures do not occur asplanned, this may result a shortage of working capital, premature payback of loans with covenants and difficulties to continue company's operations during the following 12 months.

Deferred tax assets
The company has deferred tax assets MEUR 4,8 of which MEUR 4,5 arises from Finnish companies from year 2012. According to the current tax regulations in Finland, Ixonos has time to utilize tax assets up to 2022. The company views that it is going concern and it has sufficient possibilities with normal business assumptions to utilize the tax assets in the future.

The subsidiary in United Kingdom carries MEUR 0,5 deferred tax assets. The subsidiary was established in October 2011. Ramping up the company, customer base and its operations causes additional costs compared to the normal operating mode which is considered to be achieved at the end of 2013. The subsidiary in UK is part of Ixonos' new, design oriented strategy. The validity of deferred tax assets in UK has no time limit. Ixonos views that the subsidiary has probable possibilities to utilize tax assets during the time.

CONSOLIDATED INCOME STATEMENT, EUR 1,000

	1.1.– 30.9.2013	1.1.– 30.9.2012	Muutos %	1.1.– 31.12.2012
Turnover	26,388	44,066	-40.1	56,852
Operating expenses	-35,660	-53,910	-33.9	-69,969
OPERATING PROFIT BEFORE GOODWILL IMPAIRMENT	**-9,271**	**-9,844**	**-5.8**	**-13,117**
Goodwill impairment	-1,600	-9,200	-82.6	-11,200
OPERATING PROFIT	**-10,871**	**-19,044**	**-42.9**	**-24,317**
Financial income and expenses	-604	-391	54.2	-700
Profit before tax	-11,475	-19,436	-41.0	-25,018
Income tax	2,120	1,881	12.7	3,043
PROFIT FOR THE PERIOD	**-9,356**	**-17,555**	**-46.7**	**-21,975**
Attributable to:				
Equity holders of the parent	-9,430	-17,532	-46.2	-21,948
Non-controlling interests	75	-23	-429.5	-27

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, EUR 1,000

Profit for the period	-9,356	-17,555	-46.7	-21,975
Other comprehensive income				
Change in translation difference	6	-16		-11
COMPREHENSIVE INCOME FOR THE PERIOD	**-9,350**	**17,571**		**-21,987**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, EUR 1,000

ASSETS	30.9.2013	30.9.2012	31.12.2012
NON-CURRENT ASSETS			
Goodwill	10,847	14,447	12,447
Other intangible assets	1,841	3,090	2,646
Property, plant and equipment	2,384	3,863	3,410
Deferred tax assets	4,780	1,853	2,780
Available-for-sale investments	14	19	19
TOTAL NON-CURRENT ASSETS	**19,866**	**23,273**	**21,303**
CURRENT ASSETS			
Trade and other receivables	7,804	12,944	11,551
Cash and cash equivalents	508	526	477

TOTAL CURRENT ASSETS	**8,312**	**13,470**	**12,028**
TOTAL ASSETS	**28,178**	**36,743**	**33,331**
EQUITY AND LIABILITIES	30.9.2013	30.9.2012	31.12.2012
SHAREHOLDERS' EQUITY			
Share capital	585	585	585
Share premium reserve	219	219	219
Invested non-restricted equity fund	24,157	20,277	20,247
Retained earnings	-13,670	8,185	8,214
Profit for the period	-9,430	-17,532	-21,948
Equity attributable to equity holders of the parent	**1,861**	**11,734**	**7,317**
Non-controlling interests	246	177	172
TOTAL SHAREHOLDERS' EQUITY	**2,108**	**11,911**	**7,489**
LIABILITIES			
Non-current liabilities	770	9,035	1,521
Current liabilities	25,300	15,797	24,320
TOTAL LIABILITIES	**26,070**	**24,832**	**25,841**
TOTAL EQUITY AND LIABILITIES	**28,178**	**36,743**	**33,331**

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

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

	A	B	C	D	E	F	G	H	I
Shareholders' equity at 1 January 2012	585	219	0	20 313	86	8,045	29,248	200	29,448
Profit for the period						-17,532	-17,532	-23	-17,555
Other comprehensive income:									
Change in translation difference					-16		-16		-16
Transactions with shareholders:									
Expenses for equity procurement				-36			-36		-36
Share-based remuneration						70	70		70
Shareholders' equity at 30 September 2012	585	219	0	20,276	70	-10,158	11,733	177	11,911
Shareholders' equity at	585	219	0	20 247	75	-13,810	7,317	172	7,489

1 January 2013									
Profit for the period						-9,430	-9,430	75	-9,356
Other comprehensive income:									
Change in translation difference					6		6		6
Transactions with shareholders:									
Share issue				4,229			4,229		4,229
Expenses for equity procurement				-319			-319		-319
Share-based remuneration						59	59		59
Shareholders' equity at 30 September 2013	585	219	0	24,157	81	-23,181	1,861	246	2,108

CONSOLIDATED CASH FLOW STATEMENT, EUR 1,000

	1.1.-30.9.2013	1.1.-30.9.2012	1.1.-31.12.2012
Cash flow from operating activities			
Profit for the period	-9,356	-17,555	-21,975
Adjustments to cash flow from operating activities			
Income tax	-2,120	-1,881	-3,043
Depreciation and impairment	3,750	13,644	16,823
Financial income and expenses	604	392	700
Other adjustments	-26	34	-13
Change in provisions	-936	1,640	1,066
Cash flow from operating activities before change in working capital	**-8,083**	**-3,726**	**-6,441**
Change in working capital	1,781	2,877	6,491
Interest received	166	76	79
Interest paid	-693	-493	-796
Tax paid	140	-324	-372
Net cash flow from operating activities	**-6,690**	**-1,590**	**-1,039**
Cash flow from investing activities			
Investments in tangible and intangible assets	-42	-1,168	-1,275
Dividends received	0	4	4
Net cash flow from investing activities	**-42**	**-1,164**	**-1,271**
Net cash flow before financing	**-6,732**	**-2,755**	**-2,310**
Cash flow from financing activities			
Increase in long-term borrowings	0	4,415	4,415
Repayment of long-term borrowings	-400	-1,520	-1,920
Increase in short-term borrowings	4,500	315	588
Repayment of short-term borrowings	-1,241	-1,363	-1,740
Proceeds from share issue	4,229	0	0
Expenses for equity procurement	-319	-36	-18
Net cash flow from financing activities	**6,769**	**1,812**	**1,325**
Change in cash and cash equivalents	31	-944	-989

Liquid assets at the beginning of the period	477	1,466	1,466
Liquid assets at the end of the period	508	526	477

Notes

Goodwill impairment

Ixonos made impairment test for goodwill as at 30 October 2013. Based on the results of the impairment test Ixonos recognised an impairment loss of 1.6 million euro. The carrying amount of goodwill is 10.8 million euro after the impairment loss recognised. The gross profit of the company is expected to be negative for year 2013. The company has shortened the forecasting period used in value in use calculation from five to four years. This is due to a point of view that the space of change has increased in the business environment of Ixonos. The company has initiated a strategy process during the year 2013 to re-evaluate its business model. In the old business model use in 31 December 2012 there were two cash generating units, Online Solutions and Connected Devices. The old business model was based on services provided. In the new business model implemented in 2013 the Company has been reorganised into on cash generating unit. Based on new strategy the Company has one common Sales & Marketing function and common production and product development functions. These functions will serve all chosen customers. The company prepares its budgets and forecasts as one cash generating unit.

The impairment test of the Company is based on value in use. The forecasting period used in impairment testing as at 30 October 2013 includes Q4 2013 and years 2014-2017. The impairment test is done by comparing the carrying value of assets to present value of future cash flow taking into consideration forecasted cash flows during the forecast period, discount factor and growth rate used in calculating terminal value. The discount factor used is 12 per cent p.a. and growth rate use in calculating terminal value is 1 per cent p.a. These are the same as use in goodwill impairment testing for year-end 2012. The impairment test is the most sensitive to growth rate used when calculating the terminal value and discount factor. If the growth rate had been lowered to 0.5 per cent instead of 1 per cent, and additional impairment loss of 0,5 million euro would have been recognised. If the discount factor had been 13 per cent instead of 12 per cent, it would have resulted in an additional impairment loss of 1.0 million.

Changes in estimates related to revenue recognition

The amount of the reported turnover for the third quarter of 2013 is decreased by material changes in estimates used in recognizing the turnover from a long-term project signed in 2012 with an Asian operator. The multi-million Euro contract price as published in the beginning of the project is estimated to be decreased materially. The estimate is based on the company’s management’s view on the revenue for the remaining project and related need for resources.

Loan covenants

Loans granted by the company’s financiers have covenants attached. Should the company not be within the limits of a covenant, the financiers are entitled to call in the loans to which that covenant applies. The covenant levels are adjusted semi-annually on a rolling twelve-month basis.

Depending on the point in time, the equity ratio must be at least 35 per cent. For some loans, the ratio of interest-bearing liabilities (i.e. interest-bearing liabilities in the balance sheet, including leasing liabilities) to operating profit may not exceed 2.5 on 30 June 2013 onward. The ratios of interest-bearing liabilities to operating profit as well as the ratio of interest-bearing net liabilities to operating profit are calculated based on IFRS principles.

The amount of those financing loans that included covenants had a capital of EUR 7.2 million on 30 October 2013 (31 December 2012: EUR 7.6 million). On 30 October 2013 the company’s equity ratio was 7,5 percent (2012: 32,5 percent) and the ratio of interest-bearing liabilities and the operating profit was negative (2012: negative). Thus, the company does not fulfil the covenant terms on 30 October 2013 and the loans under convent agreements are presented as short-term current liabilities. However, the company has received releasing covenant statements from its financiers until 31 December 2013.

Instalment scheme for borrowings under covenants

Period	Amount of instalment EUR 1,000
01.10. - 31.12.2013	792
01.01. - 31.12.2014	1,974
01.01. - 31.12.2015	1,621

01.01. - 31.12.2016	1,621
01.01. - 31.12.2017	1,229

CONSOLIDATED INCOME STATEMENT, QUARTERLY, EUR 1,000

	Q3/2013 1.7.– 30.9.13	**Q2/2013** 1.4.– 30.6.13	**Q1/2013** 1.1.– 31.3.13	**Q4/2012** 1.10.– 31.12.12	**Q3/2012** 1.7.– 30.9.12
Turnover	5,477	10,112	10,799	12,786	9,977
Operating expenses	-11,972	-10,973	-12,715	-16,060	-17,216
OPERATING PROFIT BEFORE GOODWILL IMPAIRMENT	-6,494	-861	-1,916	-3,273	-7,239
Goodwill impairment	-1,600	0	0	-2,000	0
OPERATING PROFIT	-8,094	-861	-1,916	-5,273	-7,239
Financial income and expenses	-248	-257	-99	-309	-183
Profit before tax	-8,343	-1,117	-2,015	-5,582	-7,422
Income tax	1,550	183	386	1,162	1,190
PROFIT FOR THE PERIOD	-6,793	-934	-1,629	-4,420	-6,232

CHANGES IN FIXED ASSETS, EUR 1,000

	Goodwill	Intangible assets	Property, plant and equipment	Available-for-sale investments	Total
Carrying amount at 1 January 2012	23,647	5,138	3,391	110	32,286
Additions		990	1,887		2,877
Changes in exchange rates		1	4		5
Disposals and transfers			-13	-91	-104
Impairment	-9,200				-9,200
Depreciation for the period		-3,039	-1,405		-4,444
Carrying amount at 30 September 2012	14,447	3,090	3,863	19	21,420
Carrying amount at 1 January 2013	12,447	2,646	3,410	19	18,522
Additions		61	295		356
Changes in exchange rates			-1		-1
Disposals and transfers			-37	-5	-42
Impairment	-1,600				
Depreciation for the period		-866	-1,284		-2,150
Carrying amount at 30 September 2013	10,847	1,841	2,384	14	15,086

FINANCIAL RATIOS

	1.1.– 30.9.2013	1.1.– 30.9.2012	1.1.– 31.12.2012
Earnings per share, diluted, EUR*	-1,39	-3,97	-4,98
Earnings per share, EUR*	-1,39	-3,97	-4,98
Equity per share, EUR*	0,30	1,69	1,03
Operating cash flow per share, diluted, EUR*	-1,00	-0,36	-0,22
Return on investment, per cent	-80,0	-78,2	-81,6
Return on equity, per cent	-260,0	-113,2	-119,0
Operating profit/turnover, per cent	-41,2	-43,2	-42,8
Net gearing, per cent	603,4	104,2	161,95
Equity ratio, per cent	7,5	32,5	22,5
EBITDA, 1000 EUR	-7,121	-5,400	-7,494

***Adjusted to reflect the impact of the reverse share split approved by the extraordinary general meeting on 30 October.2013.

OTHER INFORMATION

	1.1.–30.9.2013	1.1.–30.9.2012	1.1.–31.12.2012
PERSONNEL Employees, average	523	891	824
Employees, at the end of the period	481	683	610
COMMITMENTS, EUR 1,000	30.9.2013	30.9.2012	31.12.2012
Collateral for own commitments			
Corporate mortgages	22,300	19,800	19,800
Leasing and other rental commitments			
Falling due within 1 year	2,661	3,813	2,726
Falling due within 1–5 years	4,521	3,354	3,408
Falling due after 5 years	0	0	243
Total	7,182	7,167	6,377
Nominal value of interest rate swap agreement			
Falling due within 1 year	0	906	0
Falling due within 1–5 years	5,270	1,086	5,270
Falling due after 5 years	0	0	0
Total	5,270	1,992	5,270
Fair value	-47	-30	-87

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