Ixonos Plc Interim Report 5 August 2009

# Interim Report 1 January – 30 June 2009

## IXONOS' TURNOVER AND OPERATING PROFIT REALIZED AS PREDICTED

**Highlights in the review period:**

- Turnover for the review period was EUR 33.7 million (2008: EUR 38.0 million), a change of -11.2 per cent (2008: 38.9 per cent).
- Operating profit was EUR 1.0 million (2008: EUR 2.2 million), 3.1 per cent of turnover; operating profit decreased -53.8 per cent.
- Net profit was EUR 0.4 million (2008: EUR 1.3 million), 1.1 per cent of turnover; net profit decreased -72.7 per cent.
- Earnings per share were EUR 0.04 (2008: EUR 0.15).
- Diluted earnings per share were EUR 0.04 (2008: EUR 0.14).
- Net cash flow from operative activities was EUR 0.7 million (2008: EUR 1.8 million).

**Second quarter 2009 highlights:**

- Turnover for the second quarter was EUR 16.3 million (2008: EUR 19.7 million, a change of -17.3 per cent (2008: 39.6 per cent).
- Operating profit was EUR 1.0 million (2008: EUR 1.6 million), 6.4 per cent of turnover, operating profit decreased -33.6 per cent.
- Net profit was EUR 0.6 million (2008: EUR 0.9 million), 3.6 per cent of turnover; net profit decreased -37.1 per cent.
- Earnings per share were EUR 0.06 (2008: EUR 0.11).
- Diluted earnings per share were EUR 0.06 (2008: EUR 0.10).
- During the second quarter, the company carried out a rationalization program seeking to achieve some EUR 3 million in yearly savings.

**Ixonos outlook:**

- Due to the market situation, turnover for the third quarter of this year is forecasted to be lower than in the previous year. Operating profit for the third quarter is estimated to be positive as well as satisfactory considering the market situation.
- Turnover for the entire year is forecasted to be lower than in the previous year. Operating profit for the entire year will be lower than in the previous year. However, operating profit for the second half of the year is expected to increase compared with the first half of the year.

**Kari Happonen, President and CEO:**

Because of the economic recession that has followed the global financial crisis, as well as due to the weakened general demand for services in the ICT industry, Ixonos' turnover for the first half of the year was lower than in the previous year. During the entire review period, our customers were very cautious about their ICT investments. The start of new software and systems projects was postponed, and product development programs were rearranged.

During the review period, our customer relations in the Finnish manufacturing and service sectors as well as in the operator and ICT industries have been particularly affected by the economic recession and the generally weakened demand. Because of this, turnover has decreased in our Media & Communities business area as well as in our Business Solutions area. We estimate that despite the difficult market situation, the Mobile Terminals & Software business area, which produces R&D services for mobile terminal devices and for their software, managed to gain market share and increase turnover for the review period as compared with the previous year.

Although the prevailing economic climate and market situation appear to remain tense and customers still are very cautious about ICT service purchases, we estimate our business operations to be back on the growth path since the end of the second quarter as well as to continue increasing moderately towards the end of the year. We predict that growth will focus on demand for lower-cost services and for software based on new technologies, both in the IT systems segment and in the smartphone segment. Due to the downswing in the first half of the year, turnover for the remainder of the year is, despite the slight increase, not expected to reach the level of the previous year.

Our ratio of chargeable work as well as our operative effectiveness improved already in the second quarter on account of the adaptation and rationalization activities launched at the end of the first quarter. For the same reason, the result we achieved in the second quarter worked out positive as well as satisfactory considering the market conditions, as predicted. We believe that the ratio of chargeable work performed by the company's specialist staff, as well as the efficiency of the administration and support functions, will continue to improve in future, and thus the profitableness of the company will increase in the second half of the year.

In accordance with our strategy, we continued in the second quarter to increase our software production capacity in China, both in our Beijing service centre and in the new service centre that is being established in Chengdu. Through our operations in China, we aim to expand our clientele, to increase the efficiency of our service production, and to prepare for post-recession growth.

According to last spring's round of an annual survey, our customer satisfaction remains at the top level. Our clientele considers customer orientation, technological skills and knowledge, and flexibility as particular Ixonos strengths. The study shows that our customers are satisfied with the innovative productization of our services and that they are interested in expanding their co-operation with Ixonos.

I warmly thank our entire personnel for their responsible and committed work in a highly challenging market situation. We have had to make difficult choices in order that we may maintain our ability of adapting to a dynamic market situation as well as safeguard the resources we need to develop our operations. I believe that we are even more determined and stronger than before to confront our future challenges and opportunities.

## BUSINESS OPERATIONS

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

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

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

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

## SEGMENTS

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

**Mobile Terminals & Software**

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

During the review period, demand for the segment's services grew compared with the previous year. Turnover increased by 15.0 per cent to EUR 18.7 million (2008: EUR 16.3 million). Operating profit increased by 32.8 per cent to EUR 3.0 million (2008: EUR 2.2 million), 15.8 per cent of turnover. The Mobile Terminals & Software segment actively utilized the offering of the Group's lower-cost sites in Tallinn, Košice, and Beijing.

**Media & Communities**

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

During the review period, demand for the segment's services decreased compared with the previous year. Turnover fell 32.6 per cent to EUR 4.4 million (2008: EUR 6.5 million). Operating profit decreased by 73.7 per cent to EUR 0.2 million (2008: EUR 0.8 million), 5.0 per cent of turnover. The reduction in turnover was due to generally weakened demand for services in the ICT industry after the global financial crisis, to certain individual large customer projects ending at the close of 2008, and to delays in starting new projects. The decreased profitability of the business area was a combined consequence of a decline in business volume, a diminished billing ratio, and a powerful investment in developing the unit's operations in the United States. We believe that the development of our US operations will enable the unit's turnover to grow profitably as the general economic recession eases. The Media & Communities segment actively utilized the offering of the Group's lower-cost sites in Košice.

**Business Solutions**

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

During the review period, demand for the segment's services decreased compared with the previous year. The segment's turnover fell by 30.0 per cent to EUR 10.6 million (2008: EUR 15.2 million). Operating loss increased to EUR 0.9 million (2008: operating profit EUR 0.6 million), -8.9 per cent of turnover. The decrease in turnover as well as the consequential negative result was caused by reduced domestic demand due to the economic recession, by generally weakened demand for services in the ICT industry, by customers' diminished ICT investments, and, particularly regarding operator customers, by a reduced project stock.

**TURNOVER**

Consolidated turnover was EUR 33.7 million (2008: EUR 38.0 million), which is 11.2 per cent less than in the previous year. The Mobile Terminals & Software segment accrued 55.5 per cent (2008: 42.9 per cent) of turnover, the Business Solutions segment accrued 31.4 per cent (2008: 39.9 per cent), and the Media & Communities segment accrued 13.1 per cent (2008: 17.2 per cent).

Turnover for the second quarter was EUR 16.3 million (2008: EUR 19.7 million, which is 17.3 per cent less than in the previous year.

Turnover by segment:

| EUR 1,000 | 1–6 2009 | 1-6 2008 | 1-12 2008 |
|---|---|---|---|
| Mobile Terminals & Software | 18,732 | 16,288 | 33,830 |
| Media & Communities | 4,413 | 6,545 | 12,679 |
| Business Solutions | 10,602 | 15,155 | 28,606 |
| Group total | 33,747 | 37,988 | 75,115 |

## FINANCIAL RESULT

Consolidated operating profit was EUR 1.0 million (2008: EUR 2.2 million), and profit before taxes was EUR 0.5 million (2008: EUR 1.7 million). Profit for the review period was EUR 0.4 million (2008: EUR 1.3 million). Diluted earnings per share were EUR 0.04 (2008: EUR 0.14). Diluted cash flow from operating activities was EUR 0.08 (2008: EUR 0.2) per share. The decreased personnel utilization rate at the beginning of the review period is the main reason for the reduced operating profit.

Operating profit for the second quarter was EUR 1.0 million (2008: EUR 1.6 million) and the profit before taxes was EUR 0.8 million (2008: EUR 1.2 million). The net profit for the second quarter was EUR 0.6 million (2008: EUR 0.9 million). Diluted cash flow from operating activities was EUR 0.06 per share (2008: EUR 0.29). Compared with the previous year, savings were made in particular with subcontractor and personnel expenses as well as other operating expenses. The effect of the company's rationalization program on the second-quarter result amounted to some EUR 0.5 million.

Operating profit by segment:

| EUR 1,000 | 1-6 2009 | 1-6 2008 | 1-12 2008 |
|---|---|---|---|
| Mobile Terminals & Software | 2,962 | 2,230 | 4,775 |
| Media & Communities | 220 | 836 | 1,601 |
| Business Solutions | -940 | 630 | 1,240 |
| Administration | -1,208 | -1,458 | -1,493 |
| Group total | 1,034 | 2,237 | 6,123 |

## RATIONALIZATION PROGRAM

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

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

Based on the rationalization program, EUR 0.3 million was recorded as expenses in the first quarter, and EUR 0.5 million as savings in the second quarter of the year.

## RETURN ON CAPITAL

Consolidated return on equity (ROE) was 2.8 per cent (2008: 12.0 per cent), and return on investment (ROI) was 4.6 per cent (2008: 10.0 per cent). The reduced rates of return were mainly consequences of the decreased result for the review period.

## BALANCE SHEET AND FINANCING

The balance sheet total was EUR 56.8 million (2008: EUR 54.0 million). Shareholders' equity was EUR 25.5 million (2008: EUR 22.0 million). The equity ratio was 44.9 per cent (2008: 40.7 per cent). The Group's liquid assets at the end of the review period amounted to EUR 2.3 million (2008: EUR 2.9 million).
During the review period, the company increased its non-equity funding by EUR 8 million in connection with payment of the additional acquisition price for Ixonos Outsourcing Services Ltd. Of the non-equity funding, EUR 4 million are non-current liabilities and EUR 4 million are current liabilities. At the end of the review period, the company had interest-bearing bank loans of EUR 16.4 million in all. The bank loans have covenants attached to them. These covenants are based on the company's equity ratio and on the proportion of interest-bearing bank loans to the 12-month rolling operating profit. More details on the covenants are available in the company's financial statements for 2008.

## GOODWILL

On 30 June 2009, the consolidated balance sheet included EUR 30.1 million in goodwill. This is a decrease of EUR 2.1 million during the review period (31 December 2008: EUR 32.2 million). In 2007, the company acquired Cidercone Life Cycle Solutions Oy (later Ixonos Outsourcing Services Ltd). The changed additional price of this acquisition has affected the decrease in goodwill. On 31 December 2008, the interest-bearing current liabilities in the company's balance sheet included a total of EUR 9.7 million in additional acquisition costs. On 19 April 2009, the company paid an additional acquisition price of EUR 7.8 million based on Ixonos Plc's view of the correct additional acquisition price. At the end of the review period, the interest-bearing current liabilities in the company's balance sheet no longer include additional acquisition cost.

Negotiations with the selling party have not led to consensus on the amount of the additional acquisition price. Based on preliminary comments previously received from the selling party, the additional acquisition price carries a risk of a supplementary claim of approximately EUR 8 million. The company considers the possible supplementary demand unfounded. The parties have submitted the dispute for settlement by the Arbitration Institute of the Central Chamber of Commerce of Finland. The parties currently wait for an arbitrator to be appointed to the matter.

The company tested goodwill for impairment at the end of June. On the basis of the testing, there is no reason to depreciate goodwill.

## CASH FLOW

During the review period, consolidated cash flow from operating activities was EUR 0.7 million (2008: EUR 1.8 million). The change in cash flow from operating activities was mainly due to the Group's reduced earnings before interest, taxes, depreciation and amortization and to the change in working capital. Of the latter change, some EUR 1.0 million consists of trade receivable related payments being transferred from one review period to another at the turn of the month.

## PERSONNEL

The number of personnel averaged 967 (2008: 930) during the review period and was 956 (2008: 937) at the end of the period. The number of employees was affected by rationalization action in the Group's Finnish companies as well as by an increase of staff employed by companies in other countries. At the end of the review period, companies in Finland had 733 employees, and Group companies in other countries employed 223.

## SHARES AND SHARE CAPITAL

### Share turnover and price

During the review period, the highest price of the company's share was EUR 2.69 (2008: EUR 6.15), and the lowest price was EUR 1.70 (2008: EUR 3.55). The closing price on 30 June 2009 was EUR 2.31

(2008: EUR 3.80). The average price over the review period was EUR 1.99 (2008: EUR 4.38). The number of shares traded during the review period was 2,264,407 (2008: 2,110,324), which corresponds to 24.3 per cent (2008: 23 per cent) of the total number of shares at the end of the review period. According to the closing price on 30 June 2009, the market value of the company's shares was EUR 21,513,236 (2008: EUR 34,332,563).

**Share capital**

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

**Option plan 2006**

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

**Shareholders**

There were 2,910 shareholders on 30 June 2009 (2008: 2,938). Private persons owned 55 per cent (2008: 58 per cent) and institutions 45 per cent (2008: 42 per cent) of the shares. Foreign ownership was 8 per cent (2008: 3 per cent) of the total number of shares.

**Board authorizations**

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

## SUMMARY OF OTHER EVENTS

**Base prospectus**

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

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

Ixonos Plc paid EUR 7.8 million as the additional acquisition price in accordance with the share purchase agreement, signed on 4 September 2007, for Cidercone Life Cycle Solutions Oy (later Ixonos Outsourcing Services Ltd). This amount is based on Ixonos Plc's view of the correct additional acquisition price. Negotiations with the selling party have not led to consensus on the amount of the additional acquisition price. Ixonos funded the payment of the additional acquisition price by undertaking EUR 4 million in non-current liabilities as well as EUR 4 million in current liabilities. The borrowings used for funding do not add to the interest-bearing liabilities in the balance sheet, as the entire additional acquisition price had already been included under interest-bearing current liabilities, as IFRS provisions require.

**Expanding the site network**

In April 2009, the company opened sites in Boston, USA and in Copenhagen, Denmark. The new sites relate to the company's strategy of operating close to its major customers. In June, the company started to establish a site in Chengdu, China. The establishment of this site pertains to the company's strategy to increase its production capacity in lower-cost countries.

**Subsidiary mergers**

In June, the company initiated an affiliate merger of its Finnish subsidiaries. The merger aims to simplify further the Group's legal structure. The objective is to unite the Group's operations in Finland into one company by merging Ixonos Finland OICT Ltd. and Ixonos Finland IS Ltd. with Ixonos Finland MTSW Ltd. in an affiliate merger at the beginning of the financial period 2010.

## RISK MANAGEMENT AND NEAR-FUTURE UNCERTAINTY FACTORS

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

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

Ixonos' acquisitions, its rapid growth in 2006–2008, and the upswing in its project operations have increased the company's need for working capital. The company manages this requirement by creating adequate buffers to ensure sufficient funds together with the financiers, as well as by facilitating the circulation of working capital. The company's balance sheet also includes a significant amount of goodwill, which may be impaired should either internal or external factors reduce the company's profit expectations. Goodwill is tested during the fourth quarter of the year and, if necessary, at other times.

The company tested goodwill for impairment at the end of June. On the basis of the testing, there is no reason to depreciate goodwill.

The company's financial agreements have covenants attached to them. A covenant violation may cause either an increase of the company's financing costs, or a call for swift and either partial or full repayment of non-equity loans. The biggest risks related to covenant violations are associated with operating profit fluctuation, or with a potential need to increase the company's working capital by non-equity funding, due to the market situation. Risk is managed through negotiations with financiers as well as by maintaining readiness for various financing methods. More details on the covenants are available in the company's financial statements for 2008. Ixonos has access to the cash funds required by its normal operations.

Ixonos Plc paid EUR 7.8 million as the additional acquisition price in accordance with the share purchase agreement, signed on 4 September 2007, for Cidercone Life Cycle Solutions Oy (later Ixonos Outsourcing Services Ltd). This amount is based on Ixonos Plc's view of the correct additional acquisition price. The additional acquisition price carries a risk of a supplementary claim of approximately EUR 8 million. The company considers the possible supplementary demand unfounded. The parties have submitted the dispute for settlement by the Arbitration Institute of the Central Chamber of Commerce of Finland. The parties currently wait for an arbitrator to be appointed to the matter.

## FUTURE PROSPECTS

The consequences of the global financial crisis also strongly influence the IT service industry. According to Gartner research, the industry's total volume will decrease globally in 2009. Ixonos' customer companies are more cautious than normally in their software and information system investments and in commencing new projects. Price pressure also affects services, particularly in relation to international customers.

Because of the general economic uncertainty, the predictability of the information technology market is still low. Due to the market situation, turnover for the third quarter of this year is forecast to be lower than in the previous year. Operating profit for the third quarter is estimated to be positive as well as satisfactory considering the market situation. Turnover for the entire year is forecasted to be lower than in the previous year. Operating profit for the entire year will be lower than in the previous year. However, operating profit for the second half of the year is expected to increase compared with the first half of the year.

Company's objectives for the present year are to continue developing services, expanding service production in lower-cost countries, and maintaining cash flow from business operations as well as profitability.

## NEXT REPORT

Ixonos will publish its interim report for the period 1 January – 30 September 2009 on 28 October 2009.

IXONOS PLC
Board of Directors

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**IXONOS GROUP**

## ABBREVIATED FINANCIAL STATEMENTS 1 JANUARY – 30 JUNE 2009

### Accounting policies

This interim report has been prepared in accordance with IAS 34 (Interim Financial Reporting) and with the accounting principles for the financial statements of 31 December 2008. This report also complies with IFRS and its interpretations as adopted by the European Union. Income tax expense is based on the performance-based taxes corresponding to the result for the review period.

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

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. The estimates and assumptions are based on views at the moment of the interim report, and they may therefore contain risks and uncertainty factors. Actual results may differ from estimates and assumptions.

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

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

### CONSOLIDATED INCOME STATEMENT, EUR 1,000

| | 1.1.–30.6.09 | 1.1.–30.6.08 | Change, per cent | 1.4.–30.6.09 | 1.4.–30.6.08 | 1.1.–31.12.08 |
|---|---|---|---|---|---|---|
| Turnover | 33,747 | 37,988 | -11.2 | 16,304 | 19,721 | 75,115 |
| Operating costs | -32,714 | -35,751 | -8.5 | -15,257 | -18,145 | -68,992 |
| OPERATING PROFIT | 1,034 | 2,237 | -53.8 | 1,046 | 1,576 | 6,123 |
| Financial income and costs | -551 | -517 | 6.5 | -228 | -355 | -1,406 |
| Profit before tax | 482 | 1,720 | -71.9 | 818 | 1,221 | 4,717 |
| Income tax | -125 | -412 | -69.6 | -229 | -282 | -1,203 |
| PROFIT FOR THE PERIOD | 357 | 1,307 | -72.7 | 589 | 938 | 3,514 |

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, EUR 1,000

| | | | | | | |
|---|---|---|---|---|---|---|
| Profit for the period | 357 | 1,307 | -72.7 | 589 | 938 | 3,514 |
| Other comprehensive income | | | | | | |
| Change in translation differences | 0 | 2 | -100.0 | 8 | 2 | -16 |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | 357 | 1,309 | -72.7 | 597 | 940 | 3,498 |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION, EUR 1,000**

| ASSETS | 30.6.2009 | 30.6.2008 | 31.12.2008 |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Goodwill | 30,133 | 25,196 | 32,195 |
| Intangible assets | 5,629 | 6,317 | 6,632 |
| Property, plant and equipment | 3,201 | 1,532 | 3,147 |
| Deferred tax assets | 126 | 102 | 41 |
| Available-for-sale investments | 110 | 110 | 110 |
| TOTAL NON-CURRENT ASSETS | 39,199 | 33,258 | 42,125 |
| CURRENT ASSETS | | | |
| Trade and other receivables | 15,352 | 17,832 | 17,681 |
| Financial assets | 0 | 152 | 0 |
| Cash and cash equivalents | 2,266 | 2,761 | 2,913 |
| TOTAL CURRENT ASSETS | 17,618 | 20,745 | 20,594 |
| TOTAL ASSETS | 56,818 | 54,003 | 62,719 |

| EQUITY AND LIABILITIES | 30.6.2009 | 30.6.2008 | 31.12.2008 |
|---|---|---|---|
| SHAREHOLDERS' EQUITY | | | |
| Share capital | 373 | 361 | 370 |
| Share premium reserve | 219 | 76 | 121 |
| Share issue | 0 | 46 | 100 |
| Invested non-restricted equity fund | 14,808 | 13,985 | 14,808 |
| Retained earnings | 9,752 | 6,198 | 6,221 |
| Profit for the period | 357 | 1,307 | 3,514 |
| TOTAL SHAREHOLDERS´ EQUITY | 25,508 | 21,973 | 25,135 |
| LIABILITIES | | | |
| Non-current liabilities | 12,382 | 7,808 | 10,532 |
| Current liabilities | 18,927 | 24,221 | 27,052 |
| TOTAL LIABILITIES | 31,310 | 32,029 | 37,584 |
| TOTAL EQUITY AND LIABILITIES | 56,818 | 54,003 | 62,719 |

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

| | Share capital | Share premium reserve | Share issue | Invested non-restricted equity fund | Translation difference | Retained earnings | Total |
|---|---|---|---|---|---|---|---|
| Equity at 1 January 2008 | 355 | 4,512 | 77 | 8,869 | 0 | 7,734 | 21,548 |
| Share-based remuneration expense | | | | | | 65 | 65 |
| Transfer from the premium fund to the invested non-restricted equity fund | | -4,512 | | 4,512 | | | |
| Share issue | 6 | 76 | -31 | 605 | | | 655 |
| Dividends | | | | | | -1,604 | -1,604 |
| Comprehensive income for the period | | | | | 2 | 1,307 | 1,309 |
| Shareholders’ equity at 30 June 2008 | 361 | 76 | 46 | 13,985 | 2 | 7,502 | 21,973 |
| Equity at 1 January 2009 | 370 | 121 | 100 | 14,808 | -16 | 9,752 | 25,135 |
| Share-based remuneration expense | | | | | | 16 | 16 |
| Share issue | 2 | 98 | -100 | | | | 0 |
| Dividends | | | | | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Comprehensive income for the period | | | | | | 357 | 357 |
| Shareholders’ equity at 30 June 2009 | 373 | 219 | 0 | 14,808 | -16 | 10,124 | 25,508 |

**CONSOLIDATED CASH FLOW STATEMENT, EUR 1,000**

| | **1.1.–30.6.2009** | **1.1.–30.6.2008** | **1.1.–31.12.2008** |
|---|---|---|---|
| Cash flow from operating activities | | | |
| Profit for the period | 357 | 1,307 | 3,514 |
| Adjustments to cash flow from operating activities | | | |
| Tax | 125 | 412 | 1,203 |
| Depreciation and impairment | 1,554 | 1,009 | 2,464 |
| Change in provisions | 0 | 0 | -93 |
| Financial income and costs | 551 | 517 | 1,406 |
| Other adjustments | 59 | -24 | 98 |
| Cash flow from operating activities before change in working capital | **2,647** | **3,221** | **8,593** |
| Change in working capital | -1,036 | -456 | -665 |
| Interest received | 4 | 36 | 165 |
| Interest paid | -327 | -303 | -596 |
| Gains from sales of fixed assets | 4 | -7 | -21 |
| Tax paid | -592 | -642 | -1,229 |
| **Net cash flow from operating activities** | **701** | **1,849** | **6,246** |
| Cash flow from investing activities | | | |
| Investments in tangible and intangible assets | -202 | -828 | -4,556 |
| Dividends received | 2 | 0 | 1 |
| Change in financial assets | 0 | -1 | 143 |
| Acquisition of subsidiaries | -7,836 | -331 | -3,109 |
| **Net cash flow from investment activities** | **-8,036** | **-1,161** | **-7,521** |
| Net cash flow before financing | **-7,335** | **688** | **-1,274** |
| Cash flow from financing activities | | | |
| Dividends paid | 0 | -1,604 | -1,604 |
| Increase in long-term borrowings | 4,000 | 0 | 6,417 |
| Repayment of long-term borrowings | -1,013 | -700 | -3,400 |
| Increase in short-term borrowings | 4,149 | 2,000 | 2,787 |
| Repayment of short-term borrowings | -448 | 0 | -2,490 |
| Share issue | 0 | 46 | 146 |
| **Net cash flow from financing activities** | **6,689** | **- 258** | **1,856** |
| Change in cash and cash equivalents | -647 | 430 | 582 |
| Liquid assets at start of period | 2,913 | 2,331 | 2,331 |
| Liquid assets at end of period | 2,266 | 2,761 | 2,913 |

**CONSOLIDATED INCOME STATEMENT, QUARTERLY, EUR 1,000**

| | **Q2/2009**<br>1.4.09-<br>30.6.09 | **Q1/2009**<br>1.1.09-<br>31.3.09 | **Q4/2008**<br>1.10.08-<br>31.12.08 | **Q3/2008**<br>1.7.08-<br>30.9.08 | **Q2/2008**<br>1.4.08-<br>30.6.08 |
|---|---|---|---|---|---|
| Turnover | 16,304 | 17,443 | 20,475 | 16,651 | 19,721 |
| Operating costs | -15,257 | -17,456 | -17,922 | -15,318 | -18,145 |
| OPERATING PROFIT | 1,046 | - 13 | 2,553 | 1,333 | 1,576 |
| Finance income and costs | -228 | -323 | -521 | -367 | -355 |
| Profit before tax | 818 | -336 | 2,032 | 966 | 1,221 |
| Income tax | -229 | 104 | -486 | -304 | -282 |
| PROFIT FOR THE PERIOD | 589 | -232 | 1,546 | 662 | 938 |

**SEGMENT REPORT**

| | **1.1.– 30.6.2009** | **1.1.– 30.6.2008** | **1.1.– 31.12.2008** |
|---|---|---|---|
| Turnover by segment | | | |
| Mobile Terminals & Software | 18,732 | 16,288 | 33,830 |
| Media & Communities | 4,413 | 6,545 | 12,679 |
| Business Solutions | 10,602 | 15,155 | 28,606 |
| Total turnover | 33,747 | 37,988 | 75,115 |
| Operating profit by segment | | | |
| Mobile Terminals & Software | 2,962 | 2,230 | 4,775 |
| & Communities | 220 | 836 | 1,601 |
| Business Solutions | -940 | 630 | 1,240 |
| Administration | -1,208 | -1,458 | -1,493 |
| Total operating profit | 1,034 | 2,237 | 6,123 |
| Operating profit, per cent of turnover | 3.1 | 5.9 | 8.2 |
| Interest and finance income | -551 | -517 | -1,406 |
| Profit before tax | 482 | 1,720 | 4,717 |
| Tax | -125 | -412 | -1,203 |
| PROFIT FOR THE PERIOD | 357 | 1,307 | 3,514 |

**CHANGES IN FIXED ASSETS, EUR 1,000**

| | Goodwill | Intangible assets | Property, plant and equipment | Other tangible assets | Total |
|---|---|---|---|---|---|
| Carrying amount at 1 January 2008 | 21,067 | 6,282 | 1,332 | 110 | 28,791 |
| Additions | 4,130 | 978 | 779 | | 5,887 |
| Disposals | | -106 | -407 | | -513 |
| Depreciation and amortization during the period | | -837 | -172 | | -1,009 |
| Carrying amount at 30 June 2008 | 25,196 | 6,317 | 1,532 | 110 | 33,156 |
| Carrying amount at 1 January 2009 | 32,195 | 6,632 | 3,147 | 110 | 42,084 |
| Additions | | 60 | 565 | | 625 |
| Disposals | -2,062 | | -19 | | -2,081 |
| Depreciation and amortization during the period | | -1,063 | -491 | | -1,554 |
| Carrying amount at 30 June 2009 | 30,133 | 5,629 | 3,201 | 110 | 39,074 |

**FINANCIAL RATIOS**

| | 1.1.– 30.6.2009 | 1.1.– 30.6.2008 | 1.1.– 31.12.2008 |
|---|---|---|---|
| Earnings per share, diluted, EUR | 0.04 | 0.14 | 0.39 |
| Earnings per share, EUR | 0.04 | 0.15 | 0.39 |
| Equity per share, EUR | 2.74 | 2.43 | 2.72 |
| Cash flow from operating activities, per share, diluted, EUR | 0.08 | 0.20 | 0.69 |
| Return on investment, per cent | 4.6 | 10.0 | 15.9 |
| Return on equity, per cent | 2.8 | 12.0 | 15.1 |
| Operating profit / turnover, per cent | 3.1 | 5.9 | 8.2 |
| Net gearing | 65.7 | 58.4 | 74.8 |

**OTHER INFORMATION**

| | 1.1.– 30.6.2009 | 1.1.– 30.6.2008 | 1.1.– 31.12.2008 |
|---|---|---|---|
| PERSONNEL | | | |
| Average number of personnel | 967 | 930 | 930 |
| Personnel at the end of the period | 956 | 937 | 957 |
| | | | |
| COMMITMENTS, EUR 1,000 | 30.6.2009 | 30.6.2008 | 31.12.2008 |
| Collateral for own commitments | | | |
| Corporate mortgages | 9,900 | 9,800 | 9,800 |
| Other collateral | 0 | 369 | 0 |
| | | | |
| Leasing and other rental commitments | | | |
| Falling due within 1 year | 4,015 | 3,383 | 3,968 |
| Falling due within 1–5 years | 6,932 | 7,484 | 8,365 |
| Falling due after 5 years | 0 | 0 | 0 |
| Total | 10,947 | 10,867 | 12,332 |
| | | | |
| Nominal value of interest rate swap agreement | | | |
| Falling due within 1 year | 0 | 1,400 | 0 |
| Falling due within 1–5 years | 6,171 | 1,750 | 6,443 |
| Falling due after 5 years | 0 | 0 | 0 |
| Total | 6,171 | 3,150 | 6,443 |
| Fair value | -195 | | -141 |

**CALCULATION OF KEY FIGURES**

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

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

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

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

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

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

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