

**Financial statements release for the period January 1 - December 31, 2016****CONFIRMED ORDERS STRENGTHENED SIGNIFICANTLY AND MAIN POINTS OF RESTRUCTURING PROGRESSING AS PLANNED****SUMMARY****The fourth quarter 2016 in brief (previous-year figures in brackets):**

- Confirmed orders: EUR 7.3 (EUR 3.9) million, 88.1 % growth.
- Turnover in the fourth quarter was EUR 4.5 (4.3), 4.1 % growth.
- Earnings before interest, taxes, depreciation and amortization (EBITDA) were EUR -0.9 million, -20.9 percent of turnover (EUR -1.8 million, -42.8 percent of turnover).
- Operating result was EUR -1.1 million, -24.1 percent of turnover (EUR -2.3 million, -52.9 percent of turnover).
- Net result was EUR -1.3 million, -29.3 percent of turnover (EUR 1.5 million, 34.9 percent of turnover).
- Earnings per share were EUR 0.00 (EUR 0.01).
- Net cash flow from operating activities was EUR -0.3 (EUR -3.9) million.

**The review period in brief (previous-year figures in brackets):**

- Confirmed orders: EUR 22.5 (EUR 13.1) million, 71.7 % growth.
- Turnover for the review period was EUR 15.3 (EUR 17.0) million, a change of -10.3 per cent.
- Earnings before interest, taxes, depreciation and amortization (EBITDA) were EUR -7.2 million, -47.4 per cent of turnover, (EUR -7.4 million, -43.5 percent of turnover).
- Operating result was EUR -7.7 million, -50.7 per cent of turnover (EUR -8.7 million, -51.2 per cent of turnover).
- Net result was EUR -9.5 million, -62.6 percent of turnover (EUR -10.6 million, -62.3 percent of turnover).
- Earnings per share were EUR -0.03 (EUR -0.05).
- Net cash flow from operating activities was EUR -5.5 (EUR -11.5) million.

**Future prospects**

The operating profit of the company is expected to improve compared to 2016.

**CEO's Review**

"The positive development of our business has continued in the last quarter of 2016. The impact of streamlining our cost structure has begun to show and now it supports the improvement of our profitability. One indicator that has improved in a positive direction is also the confirmed orders that during the last quarter was at it's highest during three years. The order intake in 2016 increased more than 70 % compared to the previous year. Typically deliveries stretch over a longer period, thus forming a base for long-term operations as well as a moderate impact on turnover. Also the turnover at the last

quarter of the year was higher compared to the previous quarter, which in turn verifies that the company is about to turn and long-term efforts are bearing fruit.

During the last quarter of the year we were able to enter significant new customer agreements. In November we concluded a new three-year contract within our In-Venue solution area where we develop holistic customer experiences to the users of public and commercial venues by combining smart digital solutions to different physical venues and services. Examples of such services are for example stadiums, shopping malls and cruise ferries. Another significant customer agreement that we concluded in November is the continuation of our agreement on a cloud-based online store in Honda cars. According to the contract comprising several years Ixonos continues developing and managing the Honda App Center on Honda's Android based IVI solution that today is sold also in Russia and Turkey in addition to the European market. Also our other focus areas; Smart Citizen, IoT and Smart Data, Smart Devices and Digital Transformations have grown stronger both in terms of new confirmed orders from existing customers and the amount of new customers with whom we have started co-operation.

Discovery as a Service and the 5-day Design Sprint that is derived from it are parts of our service portfolio and continue to open up new customer opportunities. The 5-day Design Sprint is a productized service where we during five days take the key stakeholders of our clients all the way from their challenge through ideation and idea validation to concrete prioritization and decisions about how to proceed. Our customers have appreciated the service that they feel it works as a tool that involves all substantive internal stakeholders into decision-making and helps them to clearly validate their ideas. When providing these services we can together with our clients process concrete issues and create a common roadmap while at the same time considering the wishes and views of the customer's internal stakeholders.

Our service business will continue to be the core of our business. Alongside it we bring asset-based services that aim to benefit our service business, focus our efforts to specific platforms and increase the amount of continuous turnover. These assets can be either provided by some other part or the company's own platform solutions. With this we believe that we can deepen our service portfolio and further develop our praised quality.

The structural change of our North American operations was completed during the last quarter of the year. Now our site- and organizational structure does enable producing services and sales in an operatively efficient way. In Great Britain our turnover increased during year 2016 and during 2017 we are expecting a strong growth in this market. Our journey as a turning company continues and we believe that the positive change that started in 2016 will continue also in 2017.

*// CEO Sami Paihonen*

## **OPERATIONS**

Ixonos is a service company that combines design and technology in a versatile way. We offer creative and versatile digital solutions and consulting services to many different industries. We mainly focus our services towards a deep understanding of the digital challenges (like utilizing digitalization within business) of our customers.

We create new digital solutions for our customers. These services are based on the latest technologies and trends that affect their businesses. Premium user experience requires design and technology to work seamlessly together, and Ixonos strives to be the leading expert for our growing clientele.

Our Vision Discover-Design-Deliver contains user research in the initial phases of strategic design and defining feasible, sustainable technology services. The basic idea is to find the right components that are needed to build into customer order delivery, in order to ensure a premium user experience.

Our operations are centralised in Finland, USA, Canada and United Kingdom. Our software development activities are mostly based in Finland, but these activities have been strengthened in our other locations. Design functions currently operate in Helsinki, London, San Francisco and Vancouver.

Our **design services** consist of digital, mobile, and web design, as well as service and industrial design. We offer design services all the way from design strategy and user research to designing visuals and interaction. Our design services extend further to development workshops, designing prototypes, and usability testing. All our design innovations are implemented on different devices and platforms, as we are always striving for the best possible implementation that can be done within the time frames requested by our customers.

**As a technology company**, we have extensive knowledge in developing creative software solutions for embedded systems and software. We use open standardised technologies (e.g. Java, Linux, Android, iOS, Net) and cooperate with our technology partners (Eg., IBM, Gigya, Redhat, Salesforce, Maxicaster, gimbal, and Brightcove) . We combine knowledge in software development with world-class technology competence and expert-level knowledge in user interface and usability design with first-class project management skills. This combination is a significant competitive advantage for the company. Our technology expertise comprises both software and hardware (mobile, wireless connectivity, Online services and devices).

## Organisation

Regionally our organization is divided into Europe and North America. The operations in both regions comprise sales and design- and technology service units:

- **Design:** Involving holistic design capabilities that generate strategic service design, a deep understanding of users and innovative design of user interfaces, and product design.
- **Technology:** Comprised of the implementation of technical solutions, software development and customer projects, and delivering them successfully.

The company has four focus areas within its offering:

1. **Smart Citizen** – digital services for public actors such as cities, municipalities and ministries
2. **In-Venue** – digital services for different physical venues such as shopping malls, cruise ferries, office- and residential buildings
3. **Smart Devices** – holistic development of smart devices for challenging locations all the way from design to prototyping

4. **Smart Data and IoT** – Internet of Things solutions for different industries utilising for example the IBM BlueMix –platform

In addition to these focus areas we also support our customers in their digital transformation within other sectors. A new area in our service portfolio is Digital Service Platforms, where the business is built on asset based solutions and their development.

The entire operations of the organization are supported by **Group Services** consisting Finance, HR, IT and legal functions.

### **Locations**

Our offices are located in our main markets: Finland, United States, Canada and Great Britain. All sites have both technical and design personnel as well as local sales persons.

### **SEGMENT REPORTING**

Ixonos reports its operations as a single segment.

### **CONFIRMED ORDERS**

Confirmed orders during the review period were EUR 22.5 (EUR 13.1) million, which represents a 71.7% increase compared to the corresponding period.

### **TURNOVER**

Turnover in the fourth quarter was EUR 4.5 (EUR 4.3) million, which represents 4.1% growth compared to the corresponding period.

Turnover in the review period was EUR 15.3 (EUR 17.0) million, which is 10.3% lower compared to the corresponding period.

The main reason for the decline is the divestment of the company's data center business (decline 2.1 million compared to the corresponding period) and the United States declined turnover (decline 2.5 million compared to the corresponding period). The digital transformation services turnover grew 0.8 million compared to the corresponding period although turnover decline in the United States. In particular, the company's Finnish clients have invested heavily with digital technology.

During the review period, no single customer generated a dominating share of the turnover or exceeded 10 % of the total turnover. The combined turnover of companies controlled by Savox SA was 13% of the Group turnover.

### **RESULT**

The operating result (EBIT) for the fourth quarter was EUR -1.1 (EUR -2.3) million and the result before taxes was EUR -1.3 (EUR 1.5) million. The net result for the fourth quarter was EUR -1.3 (EUR

1.5) million, earnings per share were EUR 0.00 (EUR 0.01), and cash flow from operating activities per share in the fourth quarter was EUR 0.00 (EUR -0.03).

During the review period the operating result (EBIT) was EUR -7.7 (EUR -8.7) million. Despite decrease in turnover the operating result improved due to cost efficiency actions made. The result before taxes was EUR -9.5 (EUR -5.7) million. The net result for the review period was EUR -9.5 (EUR -10.6) million, earnings per share were EUR -0.03 (EUR -0.05), and cash flow from operating activities per share was EUR -0.01 (EUR -0.03).

### **RETURN ON CAPITAL**

The Group's equity was negative EUR -4.2 (EUR 2.7) million and Return on equity (ROE) was 1.5 (-1421.9) %.

Return of investments (ROI) was -70.1 (-29.9) %.

### **INVESTMENTS**

Gross investments during the fourth quarter totalled EUR 0.3 (0.0) million.

Investments during the review period were EUR 0.7 (EUR 1.5) million. All R&D costs are included in the Group's profit for the review period, and nothing is capitalised in the balance sheet. The main reason for the decline of investments is the divestment of the company's data center business and no investments to it was done after Q1/2016, but the R&D focused on IoT –solutions.

### **BALANCE SHEET AND FINANCING**

The balance sheet totalled EUR 16.1 (EUR 18.3) million. Shareholders' equity was EUR -4.2 (EUR 2.7) million. The equity to total assets ratio was -26.1 (14.8) % The Group's liquid assets at the end of the review period amounted to EUR 0.4 (EUR 1.9) million. Non-controlling interest of the equity was EUR 0.0 (EUR 0.2) million.

The change in shareholders' equity during the review period was due to both a negative result and a positive impact on convertible bonds of 2.1 million.

At the end of the review period, the balance sheet included EUR 2.9 (EUR 3.0) million in loans from the financial institutions. This amount covers the overdrafts in use. The loan agreements from the financial institutions include covenants regarding equity ratio, which will be considered at the first time 31 December 2017

In addition to that the company has loan agreements and convertible bond from its main owner. Loan agreements with related party companies are described in detail in 'related party transactions'

### **CASH FLOW**

Consolidated cash flow from operating activities during the fourth quarter was EUR - 0.3 (EUR -4.0) million, showing an improvement of 92.3 %.

Consolidated cash flow from operating activities during the review period was EUR -5.5 (EUR -11.5) million, showing an improvement of 52.2 % due to change in working capital.

The Group sells part of its Finnish trade receivables to reduce the turnaround time of its receivables. On the annual closing 31.12.2016 the trade receivables amount that was sold was 0.5 (0.5) million euros. During the review period, EUR 5.1 (EUR 10.0) million trade receivables were sold.

## **GOODWILL**

On December 31, 2016, the consolidated balance sheet included EUR 11.5 million in goodwill (EUR 12.0 million).

The following parameters were used in the goodwill impairment testing:

- The review period of 4 years
- WACC discount rate 11 %
- 1 % growth estimate used for terminal value calculation

Ixonos conducted an impairment test on 31 December 2016, confirming that there is no need for any other impairment. The present value of future cash flows exceeded the carrying value of assets by EUR 17.3 million.

The present value of the cash flow calculation of EUR 28.9 million is lower than the sum of the Company's financial liabilities (i.e. EUR 12.5 million) and the market price of the shares (i.e. EUR 35.4 million) as of 31 December 2016.

## **PERSONNEL**

The average number of employees during the fourth quarter was 178 (203).

The average number of employees during the review period was 188 (217), and at the end of the period, there were 174 (200) employees. At the end of the review period, the Group had 132 (161) employees stationed in Finnish companies, while Group companies in other countries employed 42 (39). During the review period, the number of employees decreased by 26.

## **SHARES AND SHARE CAPITAL**

### **Share turnover and price**

During the financial period, the highest price of the Ixonos' share was EUR 0.11 (EUR 0.11) and the lowest price was EUR 0.06 (EUR 0.05). The closing price on 30 December 2016 was EUR 0.10 (EUR 0.07). The weighted average price was EUR 0.08 (EUR 0.06). The number of shares traded during the review period was 24.568.296 (52.023.432), which corresponds to 6.95 % (14.7 %) of the total number

of shares at the end of the review period. The market value of the share capital was EUR 35.356.490 (EUR 24.749.543) at closing on 30 December 2016.

### **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 353.564.898. At the end of the review period, the registered share capital was EUR 585.394.16 and the number of shares was 353.564.898.

### **Option plans 2011, 2014 and 2016**

#### **2011 plan**

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

The options were issued by December 31, 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.

The options are 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 exercise period for the IV/A options began on October 1, 2014, The option plans for IV/B options have been cancelled and for the IV/C options the exercise period began on October 1, 2016. The exercise periods for all options will end on December 31, 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.

In order to ensure the equal treatment of shareholders and the holders of 2011 stock options, the Board of Directors of Ixonos has, due to the Rights Offering, adjusted the subscription ratios and the subscription prices of the Option Rights 2011 in accordance with the terms and conditions of the aforementioned option rights as follows: The subscription ratio of stock options IV/A shall be amended to 8.287 and the subscription price shall be amended to EUR 0.2 per share. As regards stock options IV/C, the subscription ratio shall be amended to 8.287 and the subscription price shall be amended to EUR 0.1497 per share.

The total amount of shares is rounded down to full shares in connection with subscription of the shares and the total subscription price is calculated using the rounded amount of shares and rounded to the closest cent. Due to the above mentioned adjustments concerning stock options IV/A, the adjusted maximum total number of shares to be subscribed for based on the 2011 stock options shall be 4.971.966.

**2014 plan**

The Board of Directors of Ixonos Plc decided to issue stock options on February 18, 2014, on the basis of the authorization granted by the Extraordinary General Meeting held on October 30, 2013.

The stock options were offered to the global management team and certain key personnel of Ixonos Plc and its subsidiaries for the purpose of improving commitment and motivation. The options are marked 2014A, 2014B and 2014C.

The Board of Directors of the Company has found the option rights 2014A, 2014B and 2014C under option plan V to have lapsed insofar as they remain undistributed. Out of the options belonging in the Company's option plan V, only option rights belonging in 2014A series have been distributed.

Each option entitles its holder to subscribe for one new or treasury share in Ixonos Plc. The share subscription period with 2014A stock options started on March 1, 2016 and ends on December 31, 2018. The share subscription price is the volume weighted average price of the company's share on the Helsinki Exchange during the period March 1 to May 31, 2014. The subscription price may be decreased with the amount of dividends paid and may also otherwise be subject to change in accordance with the terms and conditions of the stock options among others.

In order to ensure the equal treatment of shareholders and the holders of 2011 stock options, the Board of Directors of Ixonos has, due to the Rights Offering December 2015, adjusted the subscription ratios and the subscription prices of the Option Rights 2014 in accordance with the terms and conditions of the aforementioned option rights as follows: the subscription ratio for 2014A shall be amended to 1.65 and share price to EUR 0.0903.

The total amount of shares is rounded down to full shares in connection with subscription of the shares and the total subscription price is calculated using the rounded amount of shares and rounded to the closest cent. Due to the above adjustment concerning the Option Right 2014A, the adjusted maximum total number of shares to be subscribed for based on the Option Rights 2014 shall be 1.690.000.

**2016 Plan**

The Board of Directors of Ixonos Plc ("Ixonos" or "Company") decided to issue option rights on November 21, 2016 on the basis of an authorisation granted by the Annual General Meeting held on 7 April 2016.

The option rights will be distributed as determined by the Board of Directors to key persons employed or recruited by a company belonging in Ixonos Plc's group for the purpose of improving their commitment and motivation.

The option rights will be marked as series 2016A, 2016B and 2016C. The maximum amount of option rights issued is 35.356.560, and they entitle to subscribe altogether a maximum of 35.356.560 of new Company shares. The Board of Directors may decide on any additional conditions related to the receipt of option rights and on the redistribution of option rights that later revert back to the Company.

Each option right entitles its holder to subscribe for one new Ixonos share. Shares subscribed on the basis of the option rights represent, on 3 November 2016, altogether a maximum of approximately 10 per cent of all Company shares and votes, corresponding to a dilution effect of approximately 9 per cent.

The subscription period for shares subscribed for under option rights 2016A starts on 1 October 2017 and ends on 30 September 2018. The subscription price of a share subscribed for under option right 2016A is EUR 0.08, which corresponds to the weighted average price of the Company's shares quoted on Nasdaq Helsinki Ltd ("Helsinki Stock Exchange") between 18 May and 18 November 2016 rounded up to the nearest cent.

The subscription period for shares subscribed for under option rights 2016B starts on 1 October 2018 and ends on 30 September 2019. The subscription price of a share subscribed for under option right 2016B is the weighted average price of the Company's shares quoted on the Helsinki Stock Exchange between 1 July and 31 December 2017 rounded up to the nearest cent.

The subscription period for shares subscribed for under option rights 2016C starts on 1 October 2019 and ends on 30 September 2020. The subscription price of a share subscribed under option right 2016C is the weighted average price of the Company's shares quoted on the Helsinki Stock Exchange between 1 July and 31 December 2018 rounded up to the nearest cent.

The subscription price may be decreased by, inter alia; the amount of dividends paid and may also otherwise be subject to revision in accordance with the terms and conditions. The subscription price, however, may never be lower than EUR 0.01.

The theoretical market value of the incentive scheme is approximately EUR 1.2 million, which is recognised as an expense in accordance with IFRS 2 for the years 2016-2020. The write-down is not based on cash flows.

The theoretical market value of the option rights has been calculated using the Black & Scholes model.

## Shareholders

On 30 December 2016, Ixonos had 3.262 shareholders (3.035). Private persons owned 12.7% (12.5%), institutions owned 86.8% (87.5%), foreigners owned 0.5% (0.5%). Nominee-registered ownership was 1.5% (1.9%) of all shares.

Tremoko Oy Ab, a related party, owns 82.2% of the Company's shares. Options held by Tremoko can increase their ownership to 82.3%.

## Related-party transactions

On 14 March 2016, the Company entered a loan agreement with Tremoko Oy Ab. The new loan enabled additional financing of 1.5 million Euros.

On 8 April 2016, Tremoko Oy Ab ("Tremoko") subscribed to a convertible bond in full with a capital of EUR 9.200.000.95 ("Loan") and attached an option or other special rights referred to in Chapter 10 Section 1(2) of the Limited Liability Companies Act ("Special Rights"), which were directed to be subscribed to by Tremoko as a result of decision-making in the Ixonos Plc ("Company") General Meeting that took place on 7 April 2016. The Board of Directors of our Company has accepted Tremoko's subscription.

The Loan and attached Special Rights have been issued in order to strengthen the Company's working capital and reorganise the capital structure as well as lower financing costs. Hence, there are weighty financial reasons for taking the Loan and granting the Special Rights. The Loan's issuing price and conversion price have been defined according to market terms.

The main specifications of the Terms of the Loan and the Special Rights are as follows:

- The amount of the Loan is EUR 9.200.000.95.
- An annual interest of Euribor 6 months (at least  $\geq 0$  %) + 4.0 per cent is paid on the principal of the Loan.
- The conversion option attached to the Loan entitles Tremoko to a maximum amount of 131.428.585 of new Company's shares.
- The rate of conversion is fixed at EUR 0.07, and it shall be revised as set out in the Terms.
- The loan period is 8 April 2016–8 April 2020, so that as of 8 April 2018, altogether EUR 1.700.000.05 of the loan will be paid biannually in five tranches of EUR 340.000.01. Additionally on 8 April 2020, the remaining loan, altogether EUR 7.500.000.90, will be paid in a one-off payment.

Tremoko has paid the Loan and attached Special Rights in full by setting off receivables it has from the Company, amounting altogether to EUR 9.200.000.95.

On 28 April 2016, Turret Oy Ab and Holdix Oy Ab were granted a directly enforceable guarantee ("Guarantee") with the total amount of EUR 1.2 million to Nordea Bank Finland Plc on behalf of Ixonos Plc's ("Ixonos") and Ixonos Finland Ltd's commitments. The Guarantee was given as a substitute to former guarantee given by Finnvera Plc. Turret Oy Ab and Holdix Oy Ab are the owners of Tremoko Oy Ab, which is the main owner of Ixonos.

On 13 May 2016, Ixonos Plc's ("Ixonos"), together with Ixonos Finland Ltd, did give countersecurity to Turret Oy Ab and Holdix Oy Ab in which, inter alia, they have undertaken to pay guarantee commission. The countersecurity has been given related to financial arrangements announced on 28 April 2016. The rate of the guarantee commission has been defined in market terms. Turret Oy Ab and Holdix Oy Ab have granted a directly enforceable guarantee with the total amount of EUR 1.2 million to Nordea Bank Finland Plc as collateral for Ixonos and Ixonos Finland Ltd's commitments. Turret Oy Ab and Holdix Oy Ab are the owners of Tremoko Oy Ab, which is the main owner of Ixonos.

On 20 June 2016, Ixonos Plc ("Ixonos") and Savox Communications Oy Ab Ltd ("Savox") concluded a framework agreement concerning product development. Ixonos had, for the duration of the Agreement, undertaken to provide Savox with research, design and/or product development services ordered separately later by Savox. The Agreement will remain in force for a minimum of one year. The parties have non-bindingly estimated the potential value of the services provided by Ixonos to Savox to amount to EUR 1–2 million.

Savox Communications Oy Ab (Ltd) is part of the Savox Communications Group, which is one of the world's most notable suppliers of communication systems for professional use in demanding and dangerous circumstances. The Savox Communications Group has over three decades of experience in serving police and security, fire and rescue, military, maritime and industrial sectors. The Savox Communications Group is part of the Savox Group, into which Turret Oy Ab, one of the owners of Ixonos' main owner Tremoko Oy Ab, also belongs.

On 17 August 2016 The Company entered a loan agreement with Tremoko Oy Ab with. The loan agreement enables additional financing for a maximum of 2.5 million Euros until August 18, 2018.

### Market events in the review period

The last quarter of the year was quite active with many events and we were also together with our customers able, especially within the IoT area, to deliver final solutions and commit to new partnerships:

- We expanded our partnership with Wirepass from co-operating with their R&D concerning web tools to also customer solution.
- The highly valued CIOReview named Ixonos as one of the Top 50 most interesting IoT solution providers emphasizing especially Ixonos' know-how within IoT and Business Design
- Slush Shanghai and the main Slush event in Helsinki enabled several product launches that have been developed together with Ixonos' start up customers.
- The move of Ixonos' head office to the heart of Helsinki was noticed among customers, media, personnel and potential recruits. The housewarming party received positive attention and allowed us to share thoughts on the importance of service design when creating new business.

### Annual General Meeting on 7 April 2016

The Company held its Annual General Meeting on 7 April 2014. The minutes of Annual General Meeting and decisions are presented on the Company's internet page, [www.ixonos.com](http://www.ixonos.com). Stock Exchange releases during the period are available on company's website [www.ixonos.com/investors/releases](http://www.ixonos.com/investors/releases)

### EVENTS AFTER THE REPORTING PERIOD

3. February 2017 Ixonos has secured a EUR one (1) million loan agreement in order to strengthen its working capital with Tremoko Oy Ab.

3 February 2017 the Board of Directors have decided to accept Tremoko Oy Ab's two (2) million euro binding offer of a financial arrangement to strengthen its working capital. The Financial arrangement is combined with the additional financial arrangement of EUR 1.0 million implemented earlier and announced on 3 February 2017.

### 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 risk management organisation and process, as well as on recognised risks, are presented on the Company's website at [www.ixonos.com](http://www.ixonos.com).

Despite efficiency actions taken, Ixonos Plc results have been negative during recent years, which has directly impacted Ixonos' sufficiency of working capital. The risk related to sufficient working capital is managed by maintaining readiness for various financing methods.

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 the Company to its competitors or

make forceful changes to its own operating model, Ixonos would have limited ability to acquire, in the short term, new customer volume to compensate for such changes.

The Group's turnover consists primarily of relatively short-term customer contracts. Forecasting the starting dates and scope is from time to time is challenging; yet at the same time, the cost structure is fairly rigid. This may result in unexpected fluctuations in turnover and profitability.

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 risks are being managed by means of contract management as well as project management.

Some part of the Group's turnover is invoiced in foreign currency. Risks related to currency fluctuation are managed through different means.

The Company's balance sheet 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 each quarter 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 EBITDA 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.

## **LONG-TERM GOALS AND STRATEGY**

In the long term, Ixonos aims to achieve an operating result of at least 10 per cent. To reach its long-term goals, Ixonos focuses its strategy on deepening the company's service and solution business and combining technology and design. The company aims to grow with new accounts within different industries by repeating Ixonos unique way to offer business advantage through digitalisation and mobility.

## **THE BOARD OF DIRECTORS' PROPOSAL TO THE ANNUAL GENERAL MEETING**

The Board of Directors of Ixonos Plc proposes to the Annual General Meeting that the distributable funds will be left in shareholders' equity and that no dividend for the financial period 2016 will be paid to shareholders. The parent company's distributable funds on December 31, 2016 are EUR 16.461.631.

Ixonos Plc's Annual General Meeting will be held on Wednesday, 29 March, 2017, in Helsinki, Finland.

## **NEXT REPORTS**

Ixonos' Financial Statements 2016 will be published and posted on the company's website on Tuesday, 7th March 2017.

The financial statement for the period January 1 – March 31, 2017 will be published on Thursday, 4 May, 2017.

IXONOS PLC  
Board of Directors

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Main media

**THE IXONOS GROUP****SUMMARY OF FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS  
January 1 – December 31, 2016****CONSOLIDATED INCOME STATEMENT, EUR 1.000**

	1.1.- 31.12.16	1.1.- 31.12.15	Change e %	1.10.- 31.12.16	1.10.- 31.12.15	Change %
Turnover	15 256	17 001	-10.3	4 489	4 315	4.1
Operating expenses	-22 993	-25 703	10.5	-5 572	-6 597	15.5
<b>OPERATING RESULT</b>	-7 736	-8 702	11.1	-1 083	-2 283	52.6
Financial income and expenses	-1 811	3 047	-159.5	-231	3 778	-106.1
Result before tax	-9 547	-5 655	-68.8	-1 314	1 495	-187.8
Income tax	-2	-4 956	-100.0	-1	12	-108.3
<b>RESULT FOR THE PERIOD</b>	-9 550	-10 612	10.0	-1 315	1 507	-187.2
Attributable to:						
Equity holders of the parent	-9 550	-10 599	9.9	-1 312	1 510	-186.9
Non-controlling interests	0	-12	100.0	-2	-3	19.6
Earnings per share						
Undiluted, EUR	-0.03	-0.05	50.5	0.00	0.01	-148.0
Diluted, EUR	-0.02	-0.05	61.5	0.00	0.01	-148.0

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, EUR 1.000**

	1.1.- 31.12.16	1.1.- 31.12.15	Change %	1.10.- 31.12.16	1.10.- 31.12.15	Change %
Result for the period	-9 550	-10 612	10.0	-1 315	1 507	-187.2
Other comprehensive income						
Change in translation difference	538	-187	387.3	-195	-30	-542.8
<b>COMPREHENSIVE RESULT FOR THE PERIOD</b>	-9 012	-10 799	16.6	-1 510	1 477	-202.2

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION, EUR 1.000**

ASSETS	31.12.2016	31.12.2015
NON-CURRENT ASSETS		
Goodwill	11 543	12 043
Other intangible assets	323	548
Property, plant and equipment	340	372
Deferred tax assets	0	0
Available-for-sale investments	8	23
Trade and other receivables	156	0
<b>TOTAL NON-CURRENT ASSETS</b>	<b>12 370</b>	<b>12 987</b>
CURRENT ASSETS		
Trade and other receivables	3 304	3 459
Cash and cash equivalents	422	1 901
<b>TOTAL CURRENT ASSETS</b>	<b>3 726</b>	<b>5 360</b>
<b>TOTAL ASSETS</b>	<b>16 095</b>	<b>18 347</b>
EQUITY AND LIABILITIES	31.12.2016	31.12.2015
SHAREHOLDERS' EQUITY		
Share capital	585	585
Share premium reserve	219	219
Invested non-restricted equity fund	47 191	46 994
Retained earnings	-42 645	-34 712
Result for the period	-9 550	-10 599
Equity attributable to equity holders of the parent	-4 199	2 486
Non-controlling interests	0	221
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>-4 199</b>	<b>2 708</b>
LIABILITIES		
Non-current liabilities	10 215	8 095
Current liabilities	10 078	7 544
<b>TOTAL LIABILITIES</b>	<b>20 294</b>	<b>15 639</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>16 095</b>	<b>18 347</b>

**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 January 1, 2015	585	219	0	32 345	-71	-34 524	-1 446	229	-1 217
Other changes								5	5
Result for the period						-10 599	-10 599	-12	-10 612
Other comprehensive income:									
Change in translation difference					- 187		-187		- 187
Transactions with shareholders:									
Share issue				15 078			15 078		15 078
Expenses for equity procurement				-429		20	-409		- 409
Share-based remuneration						50	50		50
Shareholders' equity at December 31, 2015	585	219	0	46 994	- 258	-45 054	2 486	221	2 708
Shareholders' equity at January 1, 2016	585	219	0	46 994	- 258	-45 054	2 486	221	2 708
Other changes				221				-221	0
Result for the period						-9 550	-9 550		-9 550
Other comprehensive income									
Change in translation difference					538		538		538
Transactions with shareholders:									
Equity part of the convertible bond						2 115	2 115		2 115
Expenses for equity				-25			-25		-25

procurement									
Share-based remuneration						14	14		14
Shareholders' equity at December 31, 2016	585	219	0	47 190	280	-52 475	-4 421		-4 199

**CONSOLIDATED CASH FLOW STATEMENT, EUR 1.000**

	1.1.- 31.12.2016	1.1.- 31.12.2015
Cash flow from operating activities		
Result for the period	-9 550	-10 599
Adjustments to cash flow from operating activities		
Income tax	1	4 956
Other income and expenses with no payment relation	500	-4 047
Depreciation and impairment	505	1 310
Financial income and expenses	1 511	871
Other adjustments	-997	-261
Cash flow from operating activities before change in working capital	-8 029	-7 769
Change in working capital	2 841	-2 339
Interest received	2	122
Interest paid	-280	-1 524
Tax paid	-1	-7
Net cash flow from operating activities	-5 467	-11 517
Cash flow from investing activities	550	
Acquisition of subsidiaries, net of cash acquired	0	-125
Investments in tangible and intangible assets	-364	-164
Tangible fixed assets sales	47	0
Net cash flow from investing activities	233	-288
Net cash flow before financing	-5 234	-11 805
Cash flow from financing activities		
Increase in long-term borrowings	4 394	10 794
Repayment of long-term borrowings	0	-4 000
Increase in short-term borrowings	47	7 500
Repayment of short-term borrowings	-253	-5 784
Proceeds from share issue	0	5 793
Expenses for equity procurement	24	-386
Financial leasing payments	-457	-466
Net cash flow from financing activities	3 755	13 451

Change in cash and cash equivalents	-1 479	1 646
Liquid assets at the beginning of the period	1 901	255
Liquid assets at the end of the period	422	1 901

### Accounting principles

This interim report has been prepared in accordance with IAS 34 (Interim Financial Reporting) and the accounting policies for the annual financial statement of December 31, 2014. The IFRS amendments and interpretations that entered into force on January 1, 2016 have not affected the consolidated financial statements.

Preparing interim reports 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, judgement 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. Ixonos Management Invest Oy is merged to Ixonos Finland Oy during 2016. The original annual report is in Finnish. The annual 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 annual report is unaudited.

### Going Concern

During the past year the company's confirmed orders improved significantly compared to the previous year. In addition to that the cost structure was lightened. This annual report has been prepared according to the going concern principle taking into account the realized financial arrangements during the financial year 2016 and financial estimations made up for the year 2017. The estimations take into consideration probable or foreseeable changes in future expectations in revenues as well as in costs.

On the balance sheet day, the company estimated that its existing working capital may not be sufficient to cover the company's funding needs over the next 12 months. The financial gap in the cash flow forecast in the beginning of the year 2017 can be filled with bridge financing. After the balance sheet day the company has secured a EUR 1 million loan agreement with its main owner and a EUR 1 million commitment for additional loan with its main owner which company's Board of Directors has approved.

### Goodwill impairment

Ixonos made an impairment testing for the goodwill value on the balance sheet on December 30, 2016. The goodwill is attributed to the one cash generating unit (CGU) starting from November 1, 2013.

The impairment test showed a surplus of EUR 17.3 million based on discounted cash flow valuation compared to tested amount and no impairment was recognized. The carrying amount of goodwill is EUR 11.5 million. The present value of the cash flows calculated, EUR 28.9 million is lower than the sum of the company's financial liabilities (EUR 12.5 million) and the market price of the shares (EUR 35.4 million) on December 31, 2016.

The impairment test of the company is based on operative company value. The forecasting period used in impairment testing at December 31, 2016 was Q1 2017 to Q4 2020.

In the forecast the year 2017 is a year of relatively small growth. For the years 2018-2020 the company expects to reach stronger growth, on average of 20 per cent, as digitalization will impact an ever growing part of the business community. The forecasted EBIT level is assumed to increase to on average of 10 per cent. Even though the company's long term target level for EBIT is 10 per cent the uncertainty of forecasts has been taken into consideration and therefore the average, normalized EBIT level has been used in the calculation.

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 11 per cent p.a. and growth rate used in calculating terminal value is 1 per cent p.a. When calculating the terminal value, the weighted average EBIT percentage level for the period was used.

The impairment test is most sensitive besides to the cash flow forecast itself and the assumptions behind it, to the growth rate used when calculating the terminal value and to the discount factor. If the growth rate -20 per cent had been used instead of 1 per cent, the tested value would have been equal to the discounted cash flow. If the discount factor had been 22 per cent instead of 10 per cent, the tested value would have been equal to the discounted cash flow. If the EBIT percentage used had been 1.6 per cent instead of 10 per cent, the tested value would have been equal to the discounted cash flow.

**Loan covenants**

The Company has a total amount of bank loans on December 30, 2016 EUR 2.9 million. The loan agreements include covenants regarding equity ratio, which will be considered at the first time on 31 December, 2017 (EUR 8.2 million). Should the company not be within the limits of a covenant, the creditor is entitled to call in the loans to which that covenant applies. The covenant levels are reviewed semi-annually on a rolling twelve-month basis after 31 December 2017. The equity ratio must be minimum 30 per cent.

On December 30, 2016 the company's equity ratio was -26.1 per cent (14.8 per cent)  
Instalment scheme for loans under covenants:

Period	Amount of bank loan instalment EUR 1.000
01.01 - 31.12.2017	2 253
01.01. - 31.12.2018	253

**CONSOLIDATED INCOME STATEMENT, QUARTERLY, EUR 1.000**

	Q4/2016 1.10.- 31.12.16	Q3/2016 1.7.- 30.9.16	Q2/2016 1.4.- 30.6.16	Q1/2015 1.1.- 31.3.16	Q4/2014 1.10.- 31.12.15
Turnover	4 489	3 037	3 830	3 901	4 315
Operating expenses	-5 572	-5 050	-6 229	-6 141	-6 597
OPERATING PROFIT BEFORE GOODWILL IMPAIRMENT	-1 083	-2 014	-2 400	-2 240	-2 283
Financial income and expenses	-231	-495	-506	-578	3 778
Result before tax	-1 341	-2 510	-2 905	-2 818	1 495
Income tax	-1	0	-1	0	12
RESULT FOR THE PERIOD	-1 315	-2 510	-2 906	-2 819	1 507

**CHANGES IN FIXED ASSETS, EUR 1.000**

	Goodwill	Intangibl e assets	Property, plant and equipment	Availabl e- for-sale investm ents	Total
Carrying amount at January 1, 2015	10 847	1 254	697	3	12 801
Additions	1 196	109	152	20	1 477
Changes in exchange rates	0	0	8	0	8
Disposals and transfers	0	-203	0	0	-203
Impairment	0	0	0	0	0
Depreciation for the period	0	-612	-485	0	-1 096
Carrying amount at December 31, 2015	12 043	548	372	23	12 986
Carrying amount at January 1, 2016	12 043	548	372	23	12 986
Additions	0	148	217	8	373
Changes in exchange rates	0	0	1	0	1
Disposals and transfers	-500	75	-49	-23	-147
Impairment	0	0	5	0	- 495
Depreciation for the period	0	-298	-207	0	-505
Carrying amount at December 31, 2016	11 543	323	340	8	12 214

**FINANCIAL RATIOS**

	1.1.- 31.12.2016	1.1.- 31.12.2015
Earnings per share, diluted, EUR	-0.03	-0.05
Earnings per share, EUR	-0.03	-0.05
Equity per share, EUR	-0.01	-0.01
Operating cash flow per share, diluted, EUR	-0.01	-0.06
Operating cash flow per share, EUR	-0.01	-0.03
Return on investment, per cent	-70.1	-29.9
Return on equity, per cent	1281.1	-1421.9
Operating result/turnover, per cent	-50.7	-51.2
Net gearing from total equity, per cent	-288.3	324.4
Equity ratio, per cent	-26.1	14.8
Equity ratio, per cent, excluding non- controlling interest	-26.1	13.6
EBITDA, 1.000 EUR	-7 231	-7 392

**OTHER INFORMATION**

	1.1.- 31.12.2016	1.1.- 31.12.2015
<b>PERSONNEL</b>		
Employees, average	188	217
Employees, at the end of the period	174	200
<b>COMMITMENTS, EUR 1.000</b>		
Collateral for own commitments		
Corporate mortgages	23 500	23 500
Financial bonds	0	0
Leasing and other rental commitments		
Falling due within 1 year	831	1 646
Falling due within 1-5 years	1 307	1 632
Falling due after 5 years	0	0
Total	2 043	3 278
Nominal value of interest rate swap agreement		
Falling due within 1 year	253	253
Falling due within 1-5 years	253	506

Falling due after 5 years	0	0
Total	506	759
Fair value	-7	-13

### CALCULATION OF KEY FIGURES

EBITDA = Earnings before Interest, Taxes and Depreciation and Amortization

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

Earnings per share = result 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 = (result before taxes + interest expenses + other financial expenses)/(balance sheet total - non-interest-bearing liabilities, average) × 100

Return on equity = net result/shareholders' equity, average × 100

Net gearing from total equity= (interest-bearing liabilities - liquid assets) / shareholders' equity × 100