TRAINERS’ HOUSE GROUP’S INTERIM REPORT FOR 1 JANUARY – 30 JUNE 2012

Trainers’ House’s first half of 2012 showed a positive operating result.

January–June 2012 in brief (the figures are figures for the company’s continuing operations)

- net sales amounted to EUR 7.4 million (EUR 9.1 million)
- operating profit (EBIT) before non-recurring items and depreciation resulting from the allocation of acquisition cost was EUR 0.7 million (EUR 1.5 million), or 10.1% of net sales (17.0%)
- operating result was EUR -0.1 million (EUR 0.7 million), or -0.9% of net sales (7.9%)
- cash flow from operating activities was EUR 0.8 million (EUR 0.6 million)
- earnings per share were EUR -0.00 (EUR 0.00)

April–June 2012 in brief (the figures are figures for the company’s continuing operations)

- net sales amounted to EUR 3.5 million (EUR 4.6 million)
- operating profit (EBIT) before non-recurring items and depreciation resulting from the allocation of acquisition cost was EUR 0.2 million (EUR 0.9 million), or 5.6% of net sales (19.1%)
- operating result was EUR -0.2 million (EUR 0.5 million), or -5.9% of net sales (10.2%)
- cash flow from operating activities was EUR 0.4 million (EUR 0.8 million)
- earnings per share were EUR -0.00 (EUR 0.00)

Key figures at the end of the second quarter of 2012

- liquid assets totalled EUR 2.8 million (EUR 4.1 million)
- interest-bearing liabilities amounted to EUR 6.3 million (EUR 9.7 million), and interest-bearing net debt totalled EUR 3.5 million (EUR 5.6 million)
- net gearing was 20.9% (15.8%)
- the equity ratio was 58.5% (69.1%)

OUTLOOK FOR 2012

In the current uncertain market conditions, the company's sales in the first half of 2012 have not developed as anticipated. As a result, the company revised its outlook for the development of net sales in 2012 on 20 June. The revised outlook for the company’s net sales also resulted in a lowered outlook for the operating profit despite the fact that the company has successfully reduced expenses.

The company issued a stock exchange release on the matter on 20 June 2012 and revised its expectations for net sales for 2012 to remain lower than in 2011, and operating profit before depreciation resulting from the allocation of acquisition cost to be positive, yet lower than in 2011.

In its previous outlook, Trainer’s House estimated that net sales for 2012 would remain at the same level and operating profit before depreciation resulting from the allocation of acquisition cost would improve year-on-year. Previous year’s comparable figures were EUR 15.7 million in net sales and EUR 1.6 million in operating profit before depreciation resulting from the allocation of acquisition cost.

REPORT OF VESA HONKANEN, CEO

Conditions in the operating environment did not improve during the period under review. As a result, the company's net sales and result declined in comparison to the first half of 2011. Despite this, Trainers' House maintained its position as the largest training company in Finland.

The second quarter showed a positive operating profit despite the decline in net sales because the company has successfully reduced expenses.

Trainers' House will continue to develop its services further to support our customers' everyday leadership. There is a clear need for such services among our customers, and the company believes this need will translate into increasing demand in the future.

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REVIEW OF OPERATIONS

Despite the challenging market conditions, Trainers' House maintained its position as the largest training company in Finland.

Trainer's House helps its customers grow by supporting their everyday leadership.

At the core of the company's operations are training and consultancy operations, which focus on successful execution of various change projects in customer organisations.

The starting point for each change project is a situation prevailing in the customer organisation, which is used as a basis for setting realistic targets for the desired results and the changes in activities required by these. To support the change, an internal coach network is set up to continue to anchor the change in the organisation.

The change projects executed by Trainers' House are usually connected with clarifying our customers' business strategies; marketing the strategies; and implementing them by spurring sales, by enhancing customer service (for example, through service design), and by developing the work of leaders and supervisors along with the skills of their subordinates. Managing work capacity through physical and mental coaching holds an important role in an increasing number of customer projects.

The results of customer projects are verified by auditing customers' everyday work and by bringing in management systems to help monitor the activities and results.

FINANCIAL PERFORMANCE

In the current uncertain market conditions, the company's sales in the first half of 2012 have not developed as anticipated. As a result, the company revised its outlook for the development of net sales in 2012. The revised outlook for the company's net sales also resulted in a lowered outlook for the operating profit despite the fact that the company has successfully reduced expenses. The company issued a stock exchange release on the matter on 20 June 2012 and revised its expectations for net sales for 2012 to remain lower than in 2011, and operating profit before depreciation resulting from the allocation of acquisition cost to be positive, yet lower than in 2011.

In its previous outlook, Trainer's House estimated that net sales for 2012 would remain at the same level and operating profit before depreciation resulting from the allocation of acquisition cost would improve year-on-year. Previous year's comparable figures were EUR 15.7 million in net sales and EUR 1.6 million in operating profit before depreciation resulting from the allocation of acquisition cost.

Net sales from continuing operations in the period under review came to EUR 7.4 million (EUR 9.1 million). Operating profit from continuing operations (operating profit before depreciation resulting from the allocation of the acquisition cost of Trainers' House Oy) was EUR 0.7 million, or 10.1% of net sales (EUR 1.5 million, or 17.0% of net sales). Profit for the period was EUR -0.1 million, or -0.9% of net sales (EUR 0.3 million, or 3.4%).

Result

The comparative figures used for reporting on operating profit include the operating profit reported as well as operating profit before depreciation of allocated acquisition costs related to the acquisition of Trainers' House Oy and non-recurring items (i.e., operating profit, EBIT). According to the company's management, these figures provide a more accurate view of the company's productivity.

The following table itemises the Group's key figures (in thousands of euros unless otherwise noted):

	1-6/2012	1-6/2011
Net sales	7,437	9,056
Expenses:		
Personnel-related expenses	-3,691	-4,045
Other expenses	-2,825	-3,195
EBITDA	920	1,817
Depreciation of non-current assets	-171	-280
Operating profit before depreciation of acquisition cost	749	1,537
% of net sales	10.1	17.0
Depreciation of allocation of acquisition cost *)	-819	-819
EBIT	-70	718
% of net sales	-0.9	7.9

Financial income and expenses	-73	-260
Profit/loss before tax	-143	459
Tax **)	73	-149
Profit/loss for the period	-70	310
% of net sales	-0.9	3.4

*) Of the purchase price for Trainers' House Oy in 2007, EUR 10.2 million has been allocated to intangible assets with a limited useful life. This item is depreciated over five years. The total remaining portion of this item to be depreciated in 2012 is EUR 1.4 million.

**) The tax included in the income statement is deferred. Taxes recognised in the income statement have no effect on cash flow. On 30 June 2012, the company's balance sheet included deferred tax assets from losses carried forward in the amount of EUR 0.5 million. Of the deferred tax assets, EUR 0.1 million will expire in 2012 and the remaining EUR 0.4 million in 2019.

The following table itemises distribution of net sales from continuing operations and shows the quarterly profit/loss from the start of 2011, in thousands of euros.

	Q111	Q211	Q311	Q411	2011	Q112	Q212
Net sales	4420	4636	2812	3790	15658	3901	3536
Operating profit before depreciation of acquisition cost *)	653	884	-124	165	1578	549	200
Operating profit	244	475	-533	-16915	-16731	140	-210

*) excluding non-recurring items

LONG-TERM OBJECTIVES

The company's long-term objective is profitable growth.

FINANCING, INVESTMENTS AND SOLVENCY

In connection with the merger of Trainers' House Oy and Satama Interactive Plc, the company concluded a loan agreement in the amount of EUR 40 million. At the end of the reporting period, the company had loans related to this new loan agreement negotiated in late 2011 in the amount of EUR 5.9 million.

In May 2012, AtBusiness Oy paid off the EUR 1.2 million loan invested by Trainers' House Kasvusysteemiosakeyhtiö into the new company that was established in 2010 in connection with the sales of Trainers' House's IT project business.

Hybrid bond

On 15 January 2010, Trainers' House Plc issued a EUR 5.0 million domestic hybrid bond. Interest of EUR 1.0 million related to the hybrid bond was recognised in shareholders' equity. Interest in the amount of EUR 0.5 million has been paid to the subscribers on 21 January 2011 and EUR 0.5 million on 20 January 2012. The interest paid reduces the non-restricted equity and is not recognised as income.

Cash flow and financing

Cash flow from operating activities before financial items totalled EUR 1.4 million (EUR 1.4 million), and after financial items EUR 0.8 million (EUR 0.6 million).

Cash flow from investments totalled EUR 1.2 million (no investments in 2011). Cash flow from financing came to EUR -2.4 million (EUR -0.2 million).

Total cash flow amounted to EUR -0.5 million (EUR 0.4 million).

On 30 June 2012, the Group’s liquid assets totalled EUR 2.8 million (EUR 4.1 million). The equity ratio was 58.5% (69.1%). Net gearing was 20.9% (15.8%). At the end of the reporting period, the Group had interest-bearing liabilities in the amount of EUR 6.3 million (EUR 9.7 million).

Financial risks

Interest rate risk is managed by covering some of the risk with hedging agreements. A bad-debt provision, which is booked on the basis of ageing and case-specific risk analyses, covers risks to accounts receivable.

SHORT-TERM BUSINESS RISKS AND FACTORS OF UNCERTAINTY

Risks in the company’s operating environment have remained unchanged. On account of the project-based nature of the company’s operations, the order life cycle is short, which makes it more difficult to estimate future developments. Long-term visibility remains limited due to the general economic situation.

Short-term risks

The Group’s goodwill and deferred tax assets recognised in the balance sheet were re-tested for impairment at the end of the quarter. No goodwill write-downs were judged necessary from the results of this impairment testing.

If the company’s profitability should fail to develop as predicted, or if external factors beyond the company’s control, such as interest rates, should change significantly, there is a risk that some of the Group’s goodwill may have to be written down. Such a write-down would not affect the company’s cash flow.

At the end of the period under review, Trainers’ House Plc’s balance sheet included deferred tax assets form losses carried forward in the amount of EUR 0.5 million. Of the deferred tax assets, EUR 0.1 million will expire in 2012 and the remaining EUR 0.4 million in 2019.

If the Group’s taxable income does not reach approximately EUR 0.4 million for

2012, there is a risk that some of the deferred tax assets recognised in the consolidated balance sheet cannot be utilised and therefore will have to be written down.

The company’s new loan agreement, under which there were loans in the amount of EUR 5.9 million at the end of the reporting period, includes standard covenants, including one concerning the ratio of net debt to EBITDA.

If the company’s profitability should fail to develop as expected, there would be a risk of the company being unable to fulfil the covenants, which would increase financial expenses.

Risks are discussed in more detail in the annual report and on the company’s website, at www.trainershouse.fi > Investors.

PERSONNEL

At the end of June 2012, the Group employed 125 (139) people.

DECISIONS REACHED AT THE ANNUAL GENERAL MEETING

The Annual General Meeting of Trainers’ House Plc was held in Espoo on 25 March 2012.

The Annual General Meeting adopted the company’s Financial Statements and discharged the CEO and the members of the Board of Directors from liability for the period 1 January to 31 December 2011.

In accordance with the proposal of the Board of Directors, the Annual General Meeting decided that no dividend be paid and that the company’s premium fund be decreased by EUR 8,865,877.29 to cover the parent company’s losses.

It was confirmed that the Board of Directors shall consist of five (5) members. Aarne Aktan, Jarmo Hyökyvaara, Tarja Jussila, Jari Sarasvuo and Kai Seikku were re-elected as members of the Board of Directors. The Annual General Meeting decided on a monthly emolument for a Board member of EUR 1,500 and of EUR 3,500 for the Chairman of the Board.

Authorized Public Accountants Ernst & Young Oy were elected as the company’s auditors.

In accordance with the proposal of the Board of Directors, the Annual General Meeting decided on the granting of option rights to the key employees of the company and its subsidiaries. The number of option rights granted shall not exceed 5,000,000, and the option rights shall entitle their holders to subscribe for no more than 5,000,000 new shares or treasury shares in total.

In accordance with the proposal of the Board of Directors, the Annual General Meeting decided to authorise the Board of Directors to decide on a share issue, on transfer of own shares and on the granting of special rights entitling to shares, on one or several occasions. The number of shares to be granted or transferred on the basis of the authorisation may not exceed 13,000,000 shares. A share issue, transfer of own shares and the granting of other special rights entitling to shares may take place in deviation of the shareholders' pre-emptive subscription rights (a private placement). The authorization is valid until 30 June 2015.

In its assembly meeting held after the AGM, the Board of Directors elected Aarne Aktan as the Chairman of the Board.

SHARES AND SHARE CAPITAL

The shares of Trainers' House Plc are listed on NASDAQ OMX Helsinki Ltd under the symbol TRH1V.

At the end of the period under review, Trainers' House Plc had issued 68,016,704 shares and the company's registered share capital amounted to EUR 880,743.59. No changes took place in the number of shares or share capital during the period under review.

Share performance and trading

In the period under review, 3.5 million shares in total, or 5.1% of the average number of all company shares (5.1 million shares, or 7.6%), were traded on the Helsinki stock exchange, for a value of EUR 0.5 million (EUR 1.6 million). The period's highest share quotation was EUR 0.22 (EUR 0.36), the lowest EUR 0.10 (EUR 0.26) and the closing price EUR 0.11 (EUR 0.28). The weighted average price was EUR 0.16 (EUR 0.31). With the closing price for 30 June 2012, the company's market capitalisation was EUR 7.5 million (EUR 19.0 million).

PERSONNEL OPTION PROGRAMMES

Trainers' House Plc has two option programmes for its personnel, included in the personnel's commitment and incentive scheme.

The Annual General Meeting held on 25 March 2010 decided to initiate an employee option programme for key employees at Trainers' House and its subsidiaries.

The number of option rights granted shall not exceed 5,000,000, and the option rights shall entitle their holders to subscribe for no more than 5,000,000 new shares or treasury shares in total. The subscription price for the 2010A warrant is EUR 0.46 and for the 2010B warrant, EUR 0.29. The subscription period for shares converted under warrant 2010A is from 1 September 2011 to 31 December 2012, and for shares converted under warrant 2010B from 1 September 2012 to 31 December 2013. No shares have been subscribed under the warrants. The total number of warrants granted to the personnel is 1.8 million. A total cost of EUR 0.03 million has been expensed for the 2012 financial year.

The Annual General Meeting held on 21 March 2012 decided to initiate an employee option programme for key employees at Trainers' House and its subsidiaries.

The number of option rights granted shall not exceed 5,000,000, and the option rights shall entitle their holders to subscribe for no more than 5,000,000 new shares or treasury shares in total. Of the warrants, 3,000,000 will be titled 2012A and 2,000,0000 will be titled 2012B. The subscription price for the warrants is EUR 0.16. The subscription period for shares converted under the 2012A warrant is from 1 September 2013 to 31 December 2014, and for shares converted under the 2012B warrant from 1 September 2014 to 31 December 2015.

The options have not yet been offered.

CONDENSED FINANCIAL STATEMENTS AND NOTES

This report was compiled in accordance with the IAS 34 standard. This interim report has been prepared in accordance with the IFRS standards and interpretations adopted in the EU, valid on 31 December 2011.

In producing this interim report, Trainers' House has applied the same accounting principles for key figures as in its 2011 financial statements. The calculation of key figures is described on page 94 of the financial statements included in the Annual Report 2011.

The figures given in the interim report are unaudited.

INCOME STATEMENT, IFRS (kEUR)

	Group 01/04-30/06/12	Group 01/04-30/06/11	Group 01/01-30/06/12	Group 01/01-30/06/11	Group 01/01-31/12/11
CONTINUING OPERATIONS					
NET SALES	3,536	4,636	7,437	9,056	15,658
Other income from operations	161	163	324	326	648
Costs:					
Materials and services	456	537	994	1,206	2,278
Personnel-related expenses	1,888	2,081	3,691	4,045	7,399
Depreciation	490	544	990	1,099	2,145
Impairment					16,671
Other operating expenses	1,072	1,163	2,155	2,315	4,544
Operating profit/loss	-210	475	-70	718	-16,731
Financial income and expenses	-52	-124	-73	-260	-833
Profit/loss before tax	-262	351	-143	459	-17,564
Tax *)	91	-117	73	-149	-798
PROFIT/LOSS FOR THE PERIOD	-171	234	-70	310	-18,362
Other comprehensive income:					
Cash flow hedges		31		106	174
Income tax relating to components of other comprehensive income		-8		-28	-45
Other comprehensive income for the year, net of tax		23		79	129

TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-171	257	-70	388	-18,233
Profit/loss attributable to:					
Owners of the parent company	-171	234	-70	310	-18,362
Total comprehensive income attributable to:					
Owners of the parent company	-171	257	-70	388	-18,233
Earnings per share, undiluted:					
EPS result for the period from continuing operations	-0.00	0.00	-0.00	0.00	-0.27
EPS attributable to hybrid bond investors			-0.00	-0.00	-0.01
EPS continuing operations	-0.00	0.00	-0.00	0.00	-0.28
EPS attributable to equity holders of the parent company	-0.00	0.00	-0.00	0.00	-0.28
EPS result for the period	-0.00	0.00	-0.00	0.00	-0.27

Diluted earnings per share are the same as undiluted earning per share.

*) The tax included in the income statement is deferred.

BALANCE SHEET IFRS (kEUR)

	Group 30/06/12	Group 30/06/11	Group 31/12/11
ASSETS			
Non-current assets			
Property, plant and equipment	491	755	594
Goodwill	9,135	25,806	9,135
Other intangible assets	10,238	11,989	11,107
Other financial assets	202	202	202
Other receivables	1,607	3,127	1,607
Deferred tax receivables	490	1,335	579
Total non-current assets	22,162	43,213	23,224
Current assets			
Inventories	11	11	11
Accounts receivables and other receivables	3,290	4,122	4,510
Cash and cash equivalents	2,828	4,099	3,280
Total current assets	6,129	8,232	7,800
TOTAL ASSETS	28,290	51,445	31,025

SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent company			
Share capital	881	881	881
Premium fund	5,077	13,943	13,943
Hedging reserve		-50	
Distributable non-restricted equity fund	31,872	31,872	31,872
Other equity fund	4,962	4,962	4,962
Retained earnings	-26,232	-16,051	-35,031
Total shareholders' equity	16,559	35,557	16,627
Long-term liabilities			
Deferred tax liabilities	2,649	3,075	2,862
Other long-term liabilities	4,114	4,540	6,468
Accounts payable and other liabilities	4,968	8,273	5,068
Total liabilities	11,731	15,888	14,398
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	28,290	51,445	31,025

CASH FLOW STATEMENT, IFRS (kEUR)

	Group 01/01-30/06/12	Group 01/01-30/06/11	Group 01/01-31/12/11
Profit/loss for the period	-70	310	-18,362
Adjustments to profit/loss for the period	1,023	1,581	20,552
Change in working capital	468	-499	-142
Financial items	-666	-820	-1,192
Cash flow from operations	755	572	856
Repayment of loan receivables	1,200		
Cash flow from investments	1,200		
Withdrawal of long-term loans			9,300
Repayment of long-term loans	-2,297		-10,296
Repayment of finance lease liabilities	-110	-158	-265

Cash flow from financing	-2,407	-158	-1,261
Change in cash and cash equivalents	-452	414	-405
Opening balance of cash and cash equivalents	3,280	3,686	3,686
Closing balance of cash and cash equivalents	2,828	4,099	3,280

CHANGE IN SHAREHOLDERS' EQUITY (kEUR)
Equity attributable to equity holders of the parent company

A. Share capital
B. Premium fund
C. Hedging reserve
D. Distributable non-restricted equity
E. Other equity fund
F. Retained earnings
G. Total

	A.	B.	C.	D.	E.	F.	G.
Equity 01/01/2011	881	13,943	-129	31,872	4,962	-16,410	35,119
Other comprehensive income			79			310	388
Hybrid bond						-22	-22
Sharebased payments						72	72
Equity 30/06/2011	881	13,943	-50	31,872	4,962	-16,051	35,557
Equity 01/01/2012	881	13,943		31,872	4,962	-35,031	16,627
Other comprehensive income						-70	-70
Hybrid bond						-23	-23
Sharebased payments						25	25
Decrease of share premium fund to cover losses		-8,866				8,866	0
Equity 30/06/2012	881	5,077		31,872	4,962	-26,232	16,559

RESTRUCTURING PROVISION (kEUR)	Group 01/01-30/06/12	Group 01/01-30/06/11	Group 01/01-31/12/11

Provisions 1 January	258	389	389
Provisions used		-106	-130
Provisions 30 June /31 December	258	282	258

PERSONNEL	Group 01/01-30/06/12	Group 01/01-30/06/11	Group 01/01-31/12/11
Average number of personnel	119	132	128
Personnel at the end of the period	125	139	125

COMMITMENTS AND CONTINGENT LIABILITIES (kEUR))	Group 30/06/12	Group 30/06/11	Group 31/12/11
Collaterals and contingent liabilities given for own commitments	11,348	12,460	11,906
Interest rate swaps:			
Fair value		-68	
Nominal value		6,821	5,214

OTHER KEY FIGURES	Group 30/06/12	Group 30/06/11	Group 31/12/11
Equity-to-assets ratio (%)	58.5	69.1	53.6
Net gearing (%)	20.9	15.8	32.4
Shareholders’ equity/share (EUR)	0.24	0.52	0.24
Return on equity (%)	-71.9	-32.9	-71.0
Return on investment (%)	-50.5	-24.3	-46.8

Return on equity and return on investment have been calculated for the previous 12 months.

Helsinki 2 August 2012

TRAINERS’ HOUSE PLC

BOARD OF DIRECTORS

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