TRAINERS' HOUSE GROUP'S INTERIM REPORT FOR 1 JANUARY – 30 JUNE 2013

January–June 2013 in brief (the figures are figures for the company's continuing operations)

- Net sales amounted to EUR 5.5 million (EUR 7.4 million)
- Operating profit (EBIT) before non-recurring items and depreciation resulting from the allocation of acquisition cost was EUR 0.2 million (EUR 0.7 million), or 4.0% of net sales (10.1%)
- Operating profit was EUR -4.4 million (EUR -0.1 million), or -80.0% of net sales (-0.9%)
- Cash flow from operating activities was EUR 1.2 million (EUR 0.8 million)
- Earnings per share were EUR -0.08 (EUR -0.00)

April-June 2013 in brief (the figures are figures for the company's continuing operations)

- Net sales amounted to EUR 2.6 million (EUR 3.5 million)
- Operating profit (EBIT) before non-recurring items and depreciation resulting from the allocation of acquisition cost was EUR 0.1 million (EUR 0.2 million), or 2.2% of net sales (5.6%)
- Operating profit was EUR -4.5 million (EUR -0.2 million), or -172.9% of net sales (-5.9%)
- Cash flow from operating activities was EUR 0.1 million (EUR 0.4 million)
- Earnings per share were EUR -0.08 (EUR -0.00)

Key figures at the end of the second quarter of 2013

- Liquid assets totalled EUR 2.1 million (EUR 2.8 million)
- Interest-bearing liabilities amounted to EUR 4.1 million (EUR 6.3 million), and interest-bearing net debt totalled EUR 2.0 million (EUR 3.5 million)
- Net gearing was 18.5% (20.9%).
- Equity-to-assets ratio was 55.8% (58.5%).

OUTLOOK FOR 2013

During the second quarter the company's orders did not develop in line with the forecast, causing the company's forecast of its net sales for the second half of the year to decrease clearly in comparison to the previous year's level. The clear decrease in net sales will have a negative impact on the company's operating profits despite the cost-reduction measures that have already been implemented.

The company updated on 26 June its forecast, expecting the net sales for the 2013 accounting period to be clearly lower than in 2012. The company estimated the operating profits before non-recurring items and depreciation resulting from the allocation of acquisition cost to decrease from 2012.

Previous release

In its previous release, the company forecast its 2013 net sales to decrease from the 2012 level and the operating profits before non-recurring items and depreciation resulting from the allocation of acquisition cost to remain approximately on the same level as 2012.

REPORT OF ARTO HEIMONEN, CEO

Net sales and operating profit in the first half of the year was weaker in comparison to the same period in the previous year, but operating profits remained positive. The company released a profit warning concerning the entire year in the second quarter, which was caused primarily by sales development in the first half of the year that fell short of targets. Sales development was impacted by the on-going streamlining measures in the company, the reorganisation of tasks as well as market conditions and a persistently demanding operational environment.

The implemented personnel reductions following codetermination negotiations at the beginning of the year and other streamlining measures are expected to create annual savings totalling EUR 0.9 million. These cost-saving measures have been successfully launched. The savings will be realised in full during the third quarter.

During the current state of the company's change process, improving profitability is dependent on the realisation of the initiated cost-reductions. The company expects that the investments currently made into the on-going change process will begin to repay themselves in the form of increasing net sales in the coming years.

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REVIEW OF OPERATIONS

The codetermination negotiations concerning the entire company, which were started at Trainers' House in January, ended in February. As a result of the negotiations, a total of 9 employment contracts in the Group were terminated. The costs of personnel reductions and other non-recurrent costs caused by the reorganization are a total of EUR 0.1 million.

Alongside sales and customer service production, during the reviewed period the company invested in changing its operational model and the development of a product and service model to generate significant improvements to customer results.

The change projects implemented by Trainers' House are related to the clarification of customers' business strategies, strategy marketing and strategy execution by speeding up sales, improving customer service through service tailoring and by developing management, leadership and employee skills. Managing work capacity through physical and mental coaching holds an important role in an increasing number of customer projects.

The starting point for change implementation projects is the latest situation picture in the customer company, based on which realistic objectives are set for the desired results and the changes to activities that they require. If required, an internal trainer network will be created to support the changes and anchor them into the organization.

The results of customer projects are verified by auditing customers' everyday work and by bringing in management systems to help monitor the activities and the results. In January, the company launched a new version of its Pulssi (Pulse) monitoring system. The service has been well received among customers.

FINANCIAL PERFORMANCE

Net sales development in the first half was weaker than in 2012. Operating profit in the first quarter before non-recurring items and depreciation resulting from the allocation of acquisition cost was also lower year-on-year. As the depreciation resulting from the allocation of acquisition cost was completed during the last quarter of 2012, operating result before non-recurring items improved year-on-year. The result for the first half of the year is burdened by the personnel reductions costs and other non-recurring costs related to the codetermination negotiations in January and February that amounted to EUR 0.1 million.

Net sales from continuing operations during the period under review came to EUR 5.5 million (EUR 7.4 million). Operating profit from continuing operations (operating profit before depreciation resulting from the allocation of the acquisition cost of Trainers' House Oy and non-recurring items) was EUR 0.2 million, 4.0 % of net sales (EUR 0.7 million, or 10.1 %). Profit for the period was EUR -5.4 million, or -97.1% of net sales (EUR -0.1 million, or -0.9%).

Non-recurring items

In conjunction with impairment tests after the end of the quarter, the Board of Directors of the company decided to lower the estimates on the profitability and growth of net sales in the training business used in impairment testing. As a result, the Board of Directors resolved that a total of EUR 4.5 million of the Group's goodwill will be written down based on the impairment testing. This write-down has no effect on operating profits or cash flow. After this write-down, the Group balance sheet has EUR 4.6 million of goodwill.

Trainers' House, Sentica Kasvurahasto II Ky and the employee-owners of atBusiness Oy signed an agreement on a corporate transaction on 6 June 2013 under which Innofactor Oyj purchased all of the shares of atBusiness Oy as well as the company's the partnership loans given to atBusiness Oy by the company's old shareholders. As compensation for atBusiness Oy shares and the partnership loans it gave to atBusiness Oy, Trainers' House received EUR 0.5 million in cash and EUR 0.8 million as new shares of Innofactor Oyj, totalling EUR 1.3 million. As a result of the arrangement, Trainers' House recorded a non-recurring EUR 0.9 million loss to its second quarter profits.

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 company productivity.

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

	1-6/2013	1-6/2012
Net sales	5,527	7,437
Expenses:		
Personnel-related expenses	-3,095	-3,691
Other expenses	-2,094	-2,825
EBITDA	338	920
Depreciation of non-current assets	-116	-171
Operating profit before depreciation of acquisition cost	222	749
% of net sales	4,0	10.1
Depreciation of allocation of acquisition cost *)		-819
Operating profit before non-recurring items	222	-70
Non-recurring items **)	-4,646	
EBIT	-4,424	-70
% of net sales	-80.0	-0.9
Financial income and expenses ***)	-943	-73
Profit/loss before tax	-5,367	-143
Tax ****)	1	73
Profit/loss for the period	-5,366	-70
% of net sales	-97.1	-0.9

*) Of the purchase price of Trainers' House Oy in 2007, EUR 10.2 million has been allocated to intangible assets with a limited useful life. These assets have been wholly depreciated during 2007-2012.

**) Non-recurring items in 2013 include a restructuring provision in the amount of EUR 0.1 million, and a write-down in the Group's goodwill in the amount of EUR 4.5 million.

***) Financial items include a non-recurring loss of EUR 0.9 million resulting from the sale of minority stake in atBusiness Oy.

****) The tax included in the income statement is deferred. Taxes recognised in the income statement have no effect on cash flow. On 30 June 2013, the company's balance sheet included deferred tax assets from losses carried forward in the amount of EUR 0.4 million. Of the deferred tax assets, EUR 0.3 million will expire in 2019 and EUR 0.1 million in 2021.

The following table itemises distribution of net sales from continuing operations and shows the quarterly profit/loss from the start of 2012 (unit in thousands of euros).

	Q112	Q212	Q312	Q412	2012	Q113	Q213
Net sales	3901	3536	2485	3381	13302	2945	2582

Operating profit before depreciation of acquisition cost *)	549	200	-20	453	1182	167	56
Operating profit	140	-210	-338	317	-91	42	-4465

*) 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 EUR 4.0 million of loans left from this loan agreement under a new loan agreement negotiated at the end of 2011.

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.

According to the terms of the hybrid bond, the company has the right to decide, subject to certain limitations specified in the terms, either to pay the interest on the hybrid bond annually or to postpone these payments. 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.

In accordance with its stock exchange release dated 17 December 2012, Trainers' House has decided to defer interest payments on the hybrid loan for the time being. The purpose of the deferment of interest payments is to strengthen the company's financial position and to ensure that the company fulfils the terms of its loan agreement. According to the terms of the hybrid bond, the company must pay the deferred interest and any interest accrued on it by the latest if, for example, the company pays dividends in excess of the minimum dividend stipulated in the Companies Act, or otherwise distributes equity to its shareholders. The company aims to refinance the hybrid bond in its entirety in the medium term.

Cash flow and financing

Cash from operating activities before financial items totalled EUR 1.3 million (EUR 1.4 million) and after these, EUR 1.2 million (EUR 0.8 million).

Cash from investments totalled EUR 0.5 million during the period under review (EUR 1.2 million). Cash flow from financing came to EUR -1.1 million (EUR -2.4 million).

Total cash flow amounted to EUR 0.6 million (EUR -0.5 million).

On 30 June 2013, the Group's liquid assets totalled EUR 2.1 million (EUR 2.8 million). The equity ratio was 55.8 % (58.5 %). Net gearing was 18.5 % (20.9%). At the end of the reporting period, the Group had interest-bearing liabilities in the amount of EUR 4.1 million (EUR 6.3 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. Because of the overall economic situation, long-term trends remain unclear.

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 third quarter. Based on the results of this impairment testing, the goodwill values were EUR 4.5 million lower than the book value, resulting in a goodwill write-off.

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 from losses carried forward in the amount of EUR 0.4 million. Of the deferred tax assets, EUR 0.3 million will expire in 2019 and EUR 0.1 million in 2021.

The company's new loan agreement, under which there were loans in an amount of EUR 4.0 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 Web site, at www.trainershouse.fi > Investors.

PERSONNEL

At the end of June 2013, the Group employed 101 (125) people.

DECISIONS REACHED AT THE ANNUAL GENERAL MEETING

The Annual General Meeting of Trainers' House Plc was held on 19 March 2013 in Espoo.

In accordance with the proposal of the Board of Directors, the Annual General Meeting decided that no dividend be paid for the 2012 financial year.

In accordance with the proposal of the Board of Directors, the Annual General Meeting decided that the company’s premium fund be decreased by EUR 823,478.02 to cover the parent company’s losses. On 31 December 2012, before the offsetting of losses, the parent company's premium fund amounted to EUR 5,355,637.99. After the write-off the company's premium fund totals EUR 4,532,159.97.

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 - 31 December 2012.

It was confirmed that the Board of Directors shall consist of five (5) members. Aarne Aktan, Jarmo Hyökyvaara, Tarja Jussila and Jari Sarasvuo were re-elected as members of the Board of Directors. Vesa Honkanen was elected a new member of the Board. In its assembly meeting, the Board of Directors elected Aarne Aktan as the Chairman of the Board.

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.

Authorised 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 held on 21 March 2012 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 authorisation is valid until 30 June 2015.

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 reviewed, 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 share capital or number of shares during the period under review.

Share performance and trading

In the period under review, 4.8 million shares in total, or 7.0% of the average number of all company shares (3.5 million shares, or 5.1%), were traded on the Helsinki stock exchange, for a value of EUR 0.5 million (EUR 0.5 million). The period’s highest share quotation was EUR 0.11 (EUR 0.22), the lowest EUR 0.08 (EUR 0.10) and the closing price EUR 0.09 (EUR 0.11). The weighted average price was EUR 0.10 (EUR 0.16). With the closing price for 30 June 2013, the company’s market capitalisation for the reviewed period was EUR 6.1 million (EUR 7.5 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 2,000,000, and the option rights shall entitle their holders to subscribe for no more than 2,000,000 new shares or treasury shares in total. The subscription prize for the 2010B warrant is EUR 0.29. The subscription period for shares converted under the warrant 2010B is from 1 September 2012 to 31 December 2013. The total number of warrants granted to the personnel is 0.9 million. No shares have been subscribed under the warrants.

The Annual General Meeting held on 21 March 2012 decided to initiate an employee option programme for key employees in 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 no more than 5,000,000 new shares or treasury shares in total. Of the warrants, 3,000,000 will be titled 2012A and 2,000,000 will be titled 2012B. The subscription price for the warrants is EUR 0.16. The subscription period for shares converted under the warrant 2012A is from 1 September 2013 to 31 December 2014, and for shares converted under the warrant 2012B from 1 September 2014 to 31 December 2015. The options have not yet been offered.

CONDENSED FINANCIAL STATEMENTS AND NOTES

The interim 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 2012.

In producing this interim report, Trainers' House has applied the same accounting principles for key figures as in its 2012 financial statements. The calculation of key figures is described on page 92 of the financial statements included in the Annual Report 2012.

The figures given in the interim report are unaudited.

INCOME STATEMENT, IFRS (kEUR)

	Group 01/04-30/06/13	Group 01/04-30/06/12	Group 01/01-30/06/13	Group 01/01-30/06/12	Group 01/01-31/12/12

CONTINUING OPERATIONS

NET SALES	2,582	3,536	5,527	7,437	13,302
Other income from operations	179	161	356	324	797
Costs:					
Materials and services	-276	-456	-599	-994	-1,562
Personnel-related expenses	-1,518	-1,888	-3,210	-3,691	-6,696
Depreciation	-45	-490	-116	-990	-1,689
Impairment	-4,521		-4,521		
Other operating expenses	-866	-1,072	-1,862	-2,155	-4,244
Operating profit/loss	-4,465	-210	-4,424	-70	-91
Financial income and expenses	-944	-52	-943	-73	-303
Profit/loss before tax	-5,410	-262	-5,367	-143	-394
Tax *)	12	91	1	73	151
PROFIT/LOSS FOR THE PERIOD	-5,398	-171	-5,366	-70	-243
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-5,398	-171	-5,366	-70	-243
Profit/loss attributable to:					
Owners of the parent company	-5,398	-171	-5,366	-70	-243
Total comprehensive income attributable to:					
Owners of the parent company	-5,398	-171	-5,366	-70	-243
Earnings per share, undiluted:					
EPS result for the period from continuing operations	-0.08	-0.00	-0.08	-0.00	-0.00
EPS attributable to hybrid bond investors				-0.00	-0.00
EPS continuing operations	-0.08	-0.00	-0.08	-0.00	-0.00
EPS attributable to equity holders of the parent company	-0.08	-0.00	-0.08	-0.00	-0.00
EPS result for the period	-0.08	-0.00	-0.08	-0.00	-0.00

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 30/06/13	Group 30/06/12	Group 31/12/12
ASSETS			
Non-current assets			
Property, plant and equipment	286	491	380
Goodwill	4,614	9,135	9,135

Other intangible assets	9,688	10,238	9,710
Other financial assets	773	202	202
Other receivables	57	1,607	1,490
Deferred tax receivables	383	490	382
Total non-current assets	15,800	22,162	21,299
Current assets			
Inventories	10	11	10
Accounts receivables and other receivables	1,937	3,290	3,776
Cash and cash equivalents	2,097	2,828	1,520
Total current assets	4,044	6,129	5,306
TOTAL ASSETS	19,845	28,290	26,605
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent company			
Share capital	881	881	881
Premium fund	4,253	5,077	5,077
Distributable non-restricted equity fund	31,872	31,872	31,872
Other equity fund	4,962	4,962	4,962
Retained earnings	-30,940	-26,232	-26,397
Total shareholders' equity	11,028	16,559	16,394
Long-term liabilities			
Deferred tax liabilities	2,507	2,649	2,507
Other long-term liabilities	2,029	4,114	3,074
Accounts payable and other liabilities	4,280	4,968	4,629
Total liabilities	8,817	11,731	10,211
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	19,845	28,290	26,605

CASH FLOW STATEMENT, IFRS (kEUR)

	Group 01/01-30/06/13	Group 01/01-30/06/12	Group 01/01-31/12/12
Profit/loss for the period	-5,366	-70	-243

Adjustments to profit/loss for the period	5,602	1,023	1,726
Change in working capital	1,049	468	-100
Financial items	-110	-666	-774
Cash flow from operations	1,175	755	608
Investments in tangible and intangible assets			-49
Divestment of business	472		
Repayment of loan receivables	15	1,200	1,200
Cash flow from investments	487	1,200	1,152
Repayment of long-term loans	-1,000	-2,297	-3,297
Repayment of finance lease liabilities	-85	-110	-223
Cash flow from financing	-1,085	-2,407	-3,520
Change in cash and cash equivalents	577	-452	-1,760
Opening balance of cash and cash equivalents	1,520	3,280	3,280
Closing balance of cash and cash equivalents	2,097	2,828	1,520

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

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

	A.	B.	C.	D.	E.	F.
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

Equity 01/01/2013	881	5,077	31,872	4,962	-26,397	16,394
Other comprehensive income					-5,366	-5,366
Decrease of share premium fund to cover losses		-823			823	0
Equity 30/06/2013	881	4,253	31,872	4,962	-30,940	11,028

RESTRUCTURING PROVISION (kEUR)	Group 01/01-30/06/13	Group 01/01-30/06/12	Group 01/01-31/12/12
Provisions 1 January	240	258	258
Provisions increased	125		
Provisions used	-110		-19
Provisions 30 June/31 December	255	258	240

PERSONNEL	Group 01/01-30/06/13	Group 01/01-30/06/12	Group 01/01-31/12/12
Average number of personnel	98	119	115
Personnel at the end of the period	101	125	108

COMMITMENTS AND CONTINGENT LIABILITIES (kEUR)	Group 30/06/13	Group 30/06/12	Group 31/12/12
Collaterals and contingent liabilities given for own commitments	10,091	11,348	10,716

OTHER KEY FIGURES	Group 30/06/13	Group 30/06/12	Group 31/12/12
Equity-to-assets ratio (%)	55.8	58.5	62.0
Net gearing (%)	18.5	20.9	22.5
Shareholders’ equity/share (EUR)	0.16	0.24	0.24
Return on equity (%)	-40.2	-71.9	-1.5
Return on investment (%)	-22.4	-50.5	0.9

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

Helsinki, 1 August 2013

TRAINERS' HOUSE OYJ

BOARD OF DIRECTORS

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