TRAINERS' HOUSE GROUP'S FINANCIAL STATEMENTS BULLETIN FOR 1 JANUARY – 31 DECEMBER 2012

Trainers’ House achieved reasonable profitability in a difficult market situation.

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

- Net sales amounted to EUR 13.3 million (EUR 15.7 million).
- Operating profit (EBIT) before non-recurring items and depreciation resulting from the allocation of acquisition cost was EUR 1.2 million (EUR 1.6 million), or 8.9% of net sales (10.1%).
- Operating profit was EUR -0.1 million, or -0.7% of net sales (EUR -16.7 million, -106.8%).
- Cash flow from operating activities was EUR 0.6 million (EUR 0.9 million).
- Earnings per share were EUR -0.00 (EUR -0.28).

October – December 2012 in brief (the figures are figures for the company’s continuing operations)

- Net sales amounted to EUR 3.4 million (EUR 3.8 million).
- Operating profit (EBIT) before non-recurring items and depreciation resulting from the allocation of acquisition cost was EUR 0.5 million (EUR 0.2 million), or 13.4% of net sales (4.4%).
- Operating profit was EUR 0.3 million, or 9.4% of net sales (EUR -16.9 million, -446.3%).
- Cash flow from operating activities was EUR 0.3 million (EUR 0.3 million).
- Earnings per share were EUR 0.00 (EUR -0.27).

Key figures at the end of 2012

- Liquid assets totalled EUR 1.5 million (EUR 3.3 million).
- Interest-bearing liabilities amounted to EUR 5.2 million (EUR 8.7 million), and interest-bearing net debt totalled EUR 3.7 million (EUR 5.4 million).
- Net gearing was 22.5% (32.4%).
- Equity-to-assets ratio was 62.0% (53,6%).

OUTLOOK FOR 2013

Trainers’ House estimates that the 2013 net sales will fall below the 2012 level and that operating profit (EBIT) before non-recurring items and depreciation resulting from the allocation of acquisition cost will be at approximately the same level as in 2012.

REPORT OF ARTO HEIMONEN, CEO

”The necessary eventually becomes inevitable”

The core competencies of Trainers’ House's business are on a steady footing, providing a good basis for building the company's next phase. The feedback received by the company for more than 300 client work quality audits is excellent. In the current transition phase of the training industry, particular demand exists for services that are connected with implementing successful change management processes for clients.

The market has been difficult for several years. The net sales for the year under review decreased compared with 2011. This was partly due to the restructuring measures implemented by the company in September, as a result of which the SaaS business was transferred to a new company. The restructuring is expected to improve the company's profitability in the future. As a result of the continued streamlining measures carried out in the company, the reduction in net sales did not have a significant effect on profitability.

Trainers’ House will continue with the development and delivery of the Pulssi (Pulse) management tool and the Lähde (Source) system for the management of prospecting and initial customer contact. The company’s task is to help people grow by supporting everyday leadership. This means analysing a client’s current situation and on the basis of this analysis, clarifying the company’s or organisation’s business strategy, story, or a story that supports sales efforts. The company also helps its clients improve the effectiveness of different encounters, such as management or sales.

Trainers’ House has created a simple methodology by making the necessary eventually inevitable. An example of this is the Pulssi management tool renewed by the company, which enables the monitoring of changes in activities almost in real time. A Trainers’ House client using Pulssi knows whether the personnel started doing the agreed things and whether critical changes in behaviour take place in the daily work. The follow-up improves the quality of management and individuals receive meaningful feedback. Transparency allows people to learn from each other and the quality of activities improves faster.

There is a need for successful change management: measurable results and lasting changes in activities are business-oriented goals that Trainers’ House is committed to.

For more information, please contact:
Arto Heimonen, CEO, +358 40 412 3456
Mirkka Vikström, CFO, +358 50 376 1115

REVIEW OF OPERATIONS

Market situation remained challenging during the year under review, which was reflected in the year's net sales and result. The volume of new orders decreased compared with 2011, but because of high quality redemption work and delivery reliability, the order flow remained steady nevertheless.

The starting point for the change projects 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, when needed, 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 client projects are verified by auditing clients’ everyday work and by bringing in management systems to help monitor the activities and results.

During the third quarter of 2012, Trainers’ House Plc’s subsidiary Trainers’ House Growth System Corporation signed an agreement concerning a transaction whereby the business operations connected with Trainers’ House’s management systems and the construction of online solutions were transferred to a new company. Trainers’ House owns 19.9% of the new company. The remainder of the company is owned by the new company’s key personnel.

The new company operates under the name Cloudriven. Five of Trainers’ House Growth System Corporation’s employees transferred to Cloudriven as part of the arrangement. The SaaS products connected with the training business remained with Trainers’ House, and Trainers’ House will continue with their development in cooperation with Cloudriven and other actors. In the same connection, the parties also signed a partnership agreement concerning the distribution of the products and deployment services.

FINANCIAL PERFORMANCE

Net sales development in the last quarter of the financial year was weaker than in previous year. However, operating profit before non-recurring items and depreciation resulting from the allocation of acquisition costs clearly improved year-on-year. Because of the weak operative result of the second and third quarters, profitability in the reporting period nevertheless remained at the previous year's level.

Net sales from continuing operations during the period under review came to EUR 13.3 million ((EUR 15.7 million). Operating profit from continuing operations before depreciation resulting from the allocation of the acquisition cost of Trainers’ House Oy and non-recurring items was EUR 1.2 million, or 8.9% of net sales ((EUR 1.6 million, 10.1%). Profit for the period was EUR -0.2 million, or -1.8% of net sales (EUR -18.4 million, or -117.3%).

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):

	2012	2011
Net sales	13,302	15,658
Expenses:		
Personnel-related expenses	-6,696	-7,399
Other expenses	-5,101	-6,174

EBITDA	1,506	2,086
Depreciation of non-current assets	-324	-507
Operating profit before depreciation of acquisition cost	1,182	1,578
% of net sales	8.9	10.1
Depreciation of allocation of acquisition cost *)	-1,365	-1,638
Operating profit before non-recurring items	-183	-60
Non-recurring items **)	92	-16,671
EBIT	-91	-16,731
% of net sales	-0.7	-106.8
Financial income and expenses	-303	-833
Profit/loss before tax	-394	-17,564
Tax ***)	151	-798
Profit/loss for the period	-243	-18,362
% of net sales	-1.8	-117.3

*) EUR 10.2 million of the acquisition cost of Trainers' House Oy in 2007 has been allocated in intangible assets with a limited useful life. This item has been wholly depreciated over a period of five years.

**) Non-recurring items in 2012 include capital gains from the SaaS divestment of EUR 0.1 million. Non-recurring items in 2011 include a write-down in the Group's goodwill in the amount of EUR 16.7 million.

***) The tax included in the profit and loss account is deferred. Taxes recognised in the income statement have no effect on cash flow. On 31 December 2012, 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 2011, in thousands of euros.

	Q111	Q211	Q311	Q411	2011	Q112	Q212	Q312	Q412	2012
Net sales	4420	4636	2812	3790	15658	3901	3536	2485	3381	13302
Operating profit before depreciation of acquisition cost *)	653	884	-124	165	1578	549	200	-20	453	1182
Operating profit	244	475	-533	-16915	-16731	140	-210	-338	317	-91

*) excluding non-recurring items

BOARD'S PROPOSAL CONCERNING DISTRIBUTABLE ASSETS

According to the financial statement as of 31 December 2012, the parent company's distributable assets amount to EUR -0.8 million. The Board of Directors will propose to the Annual General Meeting to be held on 19 March 2013 that the company's premium fund be decreased by EUR 0.8 million to offset the parent company's losses. Before the offsetting of losses, the parent company's premium fund amounts to EUR 5.4 million. The Board of Directors will propose to the Annual General Meeting that no dividend be paid for 2012.

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 an amount of EUR 4.9 million.

In May 2012, AtBusiness Oy repaid a loan in the amount of EUR 1.2 million invested by Trainers' House Growth System Corporation in a company incorporated in connection with the divestment in 2010 of the IT project business.

Hybrid bond

On 15 January 2010, Trainers' House Plc issued an 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 1.4 million (EUR 2.0 million) and after these, EUR 0.6 million (EUR 0.9 million).

Cash from investments totalled EUR 1.2 million in 2012 (there were no investments in 2011). Cash flow from financing came to EUR -3.5 million (EUR -1.3 million).

Total cash flow amounted to EUR -1.8 million (EUR -0.4 million).

On 31 December 2012, the Group's liquid assets totalled EUR 1.5 million (EUR 3.3 million). The equity ratio was 62.0 % (53,6%). Net gearing was 22.5% (32,4%). At the end of the reporting period, the Group had interest-bearing liabilities in the amount of EUR 5.2 million (EUR 8.7 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. 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 year. 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 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 4.9 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 Web site, at www.trainershouse.fi > Investors.

PERSONNEL

At the end of 2012, the Group employed 108 (125) people.

DECISIONS REACHED AT THE ANNUAL GENERAL MEETING

The Annual General Meeting of Trainers' House Plc was held on 21 March 2012 in Espoo.

The Annual General Meeting adopted the company's financial statements for 2011 and discharged the members of the Board of Directors and the CEO 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 for the 2011 financial year 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 consists 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 authorisation 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 share capital or number of shares during the period under review.

Share performance and trading

In the period under review, 5.9 million shares in total, or 8.7% of the average number of all company shares (9.5 million shares, or 14.0%), were traded on the Helsinki stock exchange, for a value of EUR 0.8 million (EUR 2.6 million) The period's highest share quotation was EUR 0.22 (EUR 0.36), the lowest EUR 0.09 (EUR 0.17) and the closing price EUR 0.10 (EUR 0.18). The weighted average price was EUR 0.14 (EUR 0.27). With the closing price for 31 December 2012, the company's market capitalisation was EUR 6.8 million (EUR 12.2 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 commence 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. 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 the warrant 2010A is from 1 September 2011 to 31 December 2012, and for shares converted under the 2010B warrant 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 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 2011 financial statements. The calculation of key figures is described on page 94 of the financial statements included in the Annual Report 2011.

The full-year figures given in the financial statements bulletin are audited.

INCOME STATEMENT, IFRS (kEUR)

	Group 01/10-31/12/12	Group 01/10-31/12/11	Group 01/01-31/12/12	Group 01/01-31/12/11
CONTINUING OPERATIONS				
NET SALES	3,381	3,790	13,302	15,658
Other income from operations	184	168	797	648
Costs:				
Materials and services	193	580	1,562	2,278
Personnel-related expenses	1,735	1,894	6,696	7,399
Depreciation	211	523	1,689	2,145
Impairment		16,671		16,671
Other operating expenses	1,109	1,206	4,244	4,544
Operating profit/loss	317	-16,915	-91	-16,731
Financial income and expenses	-192	-480	-303	-833
Profit/loss before tax	125	-17,395	-394	-17,564
Tax *)	-20	-803	151	-798
PROFIT/LOSS FOR THE PERIOD	105	-18,199	-243	-18,362
Other comprehensive income:				
Cash flow hedges		50		174
Income tax relating to components of other comprehensive income		-13		-45
Other comprehensive income for the year, net of tax		37		129
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	105	-18,162	-243	-18,233
Profit/loss attributable to:				
Owners of the parent company	105	-18,199	-243	-18,362
Total comprehensive income attributable to:				
Owners of the parent company	105	-18,162	-243	-18,233
Earnings per share, undiluted:				
EPS result for the period from continuing operations	0.00	-0.27	-0.00	-0.27
EPS attributable to hybrid bond investors		-0.01	-0.00	-0.01
EPS continuing operations	0.00	-0.27	-0.00	-0.28
EPS attributable to equity holders of the parent company	0.00	-0.27	-0.00	-0.28
EPS result for the period	0.00	-0.27	-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 31/12/12	Group 31/12/11
ASSETS		
Non-current assets		
Property, plant and equipment	380	594
Goodwill	9,135	9,135
Other intangible assets	9,710	11,107
Other financial assets	202	202
Other receivables	1,490	1,607
Deferred tax receivables	382	579
Total non-current assets	21,299	23,224
Current assets		
Inventories	10	11
Accounts receivables and other receivables	3,776	4,510
Cash and cash equivalents	1,520	3,280
Total current assets	5,306	7,800
TOTAL ASSETS	26,605	31,025
SHAREHOLDERS' EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent company		
Share capital	881	881
Premium fund	5,077	13,943
Distributable non-restricted equity fund	31,872	31,872
Other equity fund	4,962	4,962
Retained earnings	-26,397	-35,031
Total shareholders' equity	16,394	16,627
Long-term liabilities		
Deferred tax liabilities	2,507	2,862
Other long-term liabilities	3,074	6,468
Accounts payable and other liabilities	4,629	5,068

Total liabilities	10,211	14,398
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	26,605	31,025

CASH FLOW STATEMENT, IFRS (kEUR)

	Group 01/01-31/12/12	Group 01/01-31/12/11
Profit/loss for the period	-243	-18,362
Adjustments to profit/loss for the period	1,726	20,552
Change in working capital	-100	-142
Financial items	-774	-1,192
Cash flow from operations	608	856
Investments in tangible and intangible assets	-49	
Repayment of loan receivables	1,200	
Cash flow from investments	1,152	
Withdrawal of long-term loans		9,300
Repayment of long-term loans	-3,297	-10,296
Repayment of finance lease liabilities	-223	-265
Cash flow from financing	-3,520	-1,261
Change in cash and cash equivalents	-1,760	-405
Opening balance of cash and cash equivalents	3,280	3,686
Closing balance of cash and cash equivalents	1,520	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			129			-18,362	-18,233
Hybrid bond						-370	-370
Sharebased payments						111	111
Equity 31/12/2011	881	13,943		31,872	4,962	-35,031	16,627
Equity 01/01/2012	881	13,943		31,872	4,962	-35,031	16,627
Other comprehensive income						-243	-243
Hybrid bond						-23	-23
Sharebased payments						34	34
Decrease of share premium fund to cover losses		-8,866				8,866	0
Equity 31/12/2012	881	5,077		31,872	4,962	-26,397	16 394

RESTRUCTURING PROVISION (kEUR)	Group 01/01-31/12/12	Group 01/01-31/12/11
Provisions 1 January	258	389
Provisions used	-19	-130
Provisions 31 December	240	258

PERSONNEL	Group 01/01-31/12/12	Group 01/01-31/12/11
Average number of personnel	115	128
Personnel at the end of the period	108	125

COMMITMENTS AND CONTINGENT LIABILITIES (kEUR)	Group 31/12/12	Group 31/12/11
Collaterals and contingent liabilities given for own commitments	10,716	11,906

Interest rate swaps:	
Fair value	5,214

OTHER KEY FIGURES	Group 31/12/12	Group 31/12/11
Equity-to-assets ratio (%)	62.0	53.6
Net gearing (%)	22.5	32.4
Shareholders' equity/share (EUR)	0.24	0.24
Return on equity (%)	-1.5	-71.0
Return on investment (%)	0.9	-46.8

Helsinki, 14 February 2013

TRAINERS' HOUSE PLC

BOARD OF DIRECTORS

For more information, please contact:
Arto Heimonen, CEO, +358 40 412 3456
Mirkka Vikström, CFO +358 50 376 1115

DISTRIBUTION
OMX Nordic Exchange, Helsinki
Main media
www.trainershouse.fi > Investors