



**TECNOTREE**

*powering the digital marketplace*

**Q3**  
**2012**

***Tecnotree***  
***Interim report***

# TECNOTREE CORPORATION INTERIM REPORT 1 JANUARY – 30 SEPTEMBER 2012 (UNAUDITED)

31 October 2012 at 8:30 am

Tecnotree is a global supplier of telecom IT solutions, providing products and services for charging, billing, customer care, and messaging and content services. The company's product portfolio comprises virtually the full range of business management systems for telecom operators, with standard solutions for fixed networks, mobile services and broad band and for managing subscriptions, services and cash flows for prepaid and post-paid customers. Tecnotree has a strong footing especially in developing markets.

## GROWTH IN NET SALES, WEAKER RESULT IN THIRD QUARTER

- Net sales for the nine month review period were EUR 51.0 million (EUR 46.2 million for the same period in the previous year) and the adjusted operating result was EUR -4.6 (0.3) million. The operating result was EUR -8.7 (-7.6) million and the result for the period EUR -10.7 (-8.1) million.
- Third quarter net sales were EUR 19.7 (17.2) million. The adjusted operating result for the quarter was -0.8 (1.9) million and the result was EUR -3.0 (0.9) million.
- The decline in the adjusted operating result was due to higher project costs and investments in growth.
- The order book at the end of the period stood at EUR 59.2 (30 September 2011: 21.0) million. At the end of the previous quarter the order book stood at EUR 58.8 million.
- Cash flow after investments was EUR -6.3 (-14.6) million.
- The third quarter cash flow after investments was EUR 7.4 million negative because of the exceptionally low level of customer payments. The company's financial position is tight.
- On 29 October 2012, Tecnotree changed its prospects for 2012 as follows:  
Tecnotree estimates that net sales in 2012 will be higher than in 2011. The adjusted operating result is estimated to be negative due to increased costs and foreign exchange losses during the third quarter. The cash flow after investments is expected to improve compared to 2011.

Variations in the quarterly figures will be considerable. The adjusted operating result is the operating result before R&D capitalisation, amortisation of this and one-time costs.

KEY FIGURES	7-9/ 2012	7-9/ 2011	1-9/ 2012	1-9/ 2011	1-12/ 2011
Net sales, MEUR	19.7	17.2	51.0	46.2	62.3
Adjusted operating result, MEUR*	-0.8	1.9	-4.6	0.3	-1.7
Operating result, MEUR	-2.1	0.1	-8.7	-7.6	-11.1
Result before taxes, MEUR	-3.0	0.5	-10.6	-6.7	-9.9
Result for the period	-3.0	0.9	-10.7	-8.1	-15.6
Earnings per share, basic, EUR **	-0.02	0.01	-0.11	-0.10	-0.18
Order book, MEUR			59.2	21.0	40.4
Cash flow after investments, MEUR	-7.4	-2.5	-6.3	-14.6	-18.1
Change in cash and cash equivalents, MEUR	-7.4	-2.5	-3.0	-8.8	-9.8
Cash and cash equivalents, MEUR			3.7	7.8	6.7
Equity ratio %			46.1	56.6	50.7
Net gearing %			50.7	28.9	43.1
Personnel at end of period			1,131	928	926

\* Adjusted operating result = operating result before R & D capitalisation, amortisation of this and one-time costs. Details of these are given in the section "Result analysis".

\*\* This key figure has been adjusted for all periods presented to reflect the share issue.

Unless otherwise stated, all figures presented below are for the review period 1-9/2012 and the figures for comparison are for the corresponding period 1-9/2011.

### President and CEO Kaj Hagros:

"Net sales in the first nine months of 2012 totalled EUR 51.0 million, which is 10 % more than in the same period in the previous year (EUR 46.2 million). Thanks to the strong demand and record high order book we estimate that net sales will continue to grow. The outlook for our key customer accounts is promising. However, due to the start-up costs for larger projects, long-term R&D investments and exchange rate losses, the adjusted operating result in the third quarter was a loss. Because of this we have to revise our financial guidelines for the whole year. The process of switching from project to solution based business operations in line with the change in strategy is still incomplete, and the aimed for improvement in productivity is still not evident in the latest quarter. The cash flow from operations was weak in the review period, and to improve this we are focusing more strongly on obtaining receivables from customers and on optimising working capital. "

## SALES AND NET SALES

Tecnotree's net sales in the review period increased 10.4 per cent to EUR 51.0 (46.2) million.

EUR 25.1 million of sales in the review period have been recognised by stage of completion (IAS 11 Construction Contracts) and EUR 25.9 million on delivery (IAS 18 Revenues).

NET SALES BY MARKET AREA	1-9/2012 MEUR	1-9/2011 MEUR	1-9/2012 %	1-9/2011 %
Americas (North, Central and South America)	25.5	18.8	50.0	40.7
Europe	4.9	5.2	9.6	11.1
MEA (Middle East and Africa)	18.3	19.3	35.9	41.8
APAC (Asia and Pacific)	2.3	2.9	4.6	6.4
TOTAL	51.0	46.2	100.0	100.0

CONSOLIDATED ORDER BOOK	30.9.2012 MEUR	30.9.2011 MEUR	30.9.2012 %	30.9.2011 %
Americas (North, Central and South America)	42.9	3.7	72.5	17.6
Europe	2.4	3.3	4.0	15.9
MEA (Middle East and Africa)	13.8	13.4	23.4	63.9
APAC (Asia and Pacific)	0.1	0.5	0.1	2.6
TOTAL	59.2	21.0	100.0	100.0

Maintenance and service sales totalled EUR 16.5 (19.4) million or 32.4 per cent (42.0 %) of net sales.

## RESULT ANALYSIS

The income and costs recorded for Tecnotree's business operations vary considerably from one quarter to another. For this reason it is important to base an examination of the profitability of the company on the result for more than one quarter.

Tecnotree reports its operating result in two stages: first the adjusted operating result and then the operating result after the capitalisation and amortisation of product development costs and one-time costs.

INCOME STATEMENT, KEY FIGURES, MEUR	1-9/2012	1-9/2011	1-12/2011
Net sales	51.0	46.2	62.3
Other operating income	0.0	0.2	0.2
Operating costs excluding product development capitalisation and one-time costs	-55.6	-46.1	-64.2
Adjusted operating result, MEUR	-4.6	0.3	-1.7
Product development capitalisation		0.1	0.1
Product development amortisation	-4.1	-5.5	-7.1
One-time costs		-2.4	-2.4
Operating result	-8.7	-7.6	-11.1
Result before taxes	-10.6	-6.7	-9.9

The adjusted operating result was lower than in the period for comparison because of higher costs. The costs for materials and external software in Tecnotree's project sales vary depending on the content of each project. During 2012 these costs have been higher than in 2011. In addition, the company has made a concerted effort to increase net sales, which has raised costs in the supply organisation, sales and development.

During the third quarter, net sales and the adjusted operating result were weakened by exchange rate losses of EUR 1.0 million. Changes in the company's sales organisation resulted in costs of EUR 0.5 million during the quarter.

Taxes for the period totalled EUR 0.1 (1.4) million, including the following items:

TAXES IN INCOME STATEMENT, MEUR	1-9/2012	1-9/2011	1-12/2011
Withholding tax expenses in parent company	-1.1	-0.9	-1.6
Income taxes on the results of Group companies	-0.4	-2.3	-3.4
Prior year taxes	-0.2	-0.0	-0.2
Deferred tax asset based on tax allowances in India	0.4	1.1	1.0
Change in deferred tax liability based on:			
- R&D capitalisation	0.7	1.1	1.3
- cost capitalisations in Finnish taxation	0.0	0.4	-1.7
- dividend tax in India	0.3	-0.9	-1.4
Other items	0.3	0.2	0.3
TAXES IN INCOME STATEMENT, TOTAL	-0.1	-1.4	-5.6

Earnings per share were EUR -0.11 (-0.10). Equity per share at the end of the period was EUR 0.36 (31 December 2011: EUR 0.58). These key figures have been adjusted for all periods presented to reflect the share issue.

## FINANCING AND INVESTMENTS

Tecnotree's liquid funds totalled EUR 3.7 (31 December 2011: 6.7) million. The change in cash and cash equivalents for the review period was EUR -3.0 million.

The balance sheet total on 30 September 2012 stood at EUR 95.3 (31 December 2011: 99.9) million. Interest-bearing liabilities were EUR 26.0 (31 December 2011: 28.1) million. The net debt to equity ratio (net gearing) was 50.7 per cent (31 December 2011: 43.1 %) and the equity ratio was 46.1 per cent (31 December 2011: 50.7 %).

Tecnotree's gross capital expenditure during the review period, excluding the capitalisation of development costs, was EUR 0.8 (0.6) million or 1.6 per cent (1.2 %) of net sales.

Financial income and expenses (net) during the review period totalled EUR -1.9 (0.9) million. The exchange rate gains and losses consist mainly of exchange rate differences from intragroup payables in the parent company.

FINANCIAL INCOME AND EXPENSES, MEUR	1-9/2012	1-9/2011	1-12/2011
Interest income	0.0	0.1	0.1
Exchange rate gains	1.3	1.2	1.7
Other financial income	0.0	0.5	0.6
FINANCIAL INCOME, TOTAL	1.4	1.9	2.4
Interest expenses	-1.6	-0.4	-0.6
Exchange rate losses	-1.3	-0.1	-0.1
Other financial expenses	-0.4	-0.5	-0.5
FINANCIAL EXPENSES, TOTAL	-3.3	-1.0	-1.3
CHANGE IN WORKING CAPITAL, MEUR (increase - / decrease +)	1-9/2012	1-9/2011	1-12/2011
Change in trade receivables	-6.2	-7.0	-9.1
Change in other short-term receivables	2.6	-7.4	-3.5
Change in inventories	-0.7	0.0	0.2
Change in trade payables	3.1	1.8	1.0
Change in other current liabilities	-0.7	0.7	0.7
CHANGE IN WORKING CAPITAL, TOTAL	-1.9	-11.9	-10.6

Tecnotree estimates that its net sales will increase in 2012. To strengthen the balance sheet and improve the Company's liquidity, Tecnotree's Board of Directors decided on 28 May 2012 to carry out a rights offering. The proceeds from the offering amounted to EUR 5.9 million before related fees and expenses. Due to the reorganising of financing, financial costs were significantly higher in the review period than in the period for comparison.

In July the company agreed on a EUR 5.0 million credit facility for financing working capital agreed. It plans to use this facility during the fourth quarter.

Payments from project sales vary depending on the progress made in the projects and on how the payment instalments have been agreed. The third quarter cash flow after investments was EUR 7.4 million negative because of exceptionally low customer payments. During the first six months this cash flow was EUR 1.1 million positive, so for the nine month period it was EUR 6.3 million negative. The company's financial situation is tight. The lender has agreed to the postponement of repayment instalments on the company's loan, so that the instalments are paid during the fourth quarter.

Tecnotree has overdue receivables totalling EUR 7.7 million from a customer owned by the government of Libya, and impairment of EUR 5.3 million was recognised prior to the current review period. The company is still negotiating with the customer and its state owner on payment of the receivables. The company believes that at least the net value in the balance sheet for the receivable of EUR 2.4 million will be obtained.

## BUSINESS DESCRIPTION

Tecnotree is a global supplier of telecom IT solutions, providing products, services and solutions for charging, billing, customer care, and messaging and content services. The company's product portfolio comprises virtually the full range of business management systems for telecom operators, with standard solutions for fixed networks, mobile services and broad band and for managing subscriptions, services and cash flows for prepaid and post-paid customers. Tecnotree's solutions enable communication service providers to expand their business by creating digital market places, individual service packages and personalised subscriptions, and increase added value throughout their customers' life cycles.

Tecnotree's business is based on solution project sales, system maintenance and on customising, support and operating services. Tecnotree has a strong footing especially in developing markets such as Latin America, Africa and the Middle East.

## SEGMENT INFORMATION

The operating segments under IFRS 8 reported by Tecnotree are the geographical areas, which are Americas (North, Central and South America), Europe, MEA (Middle East and Africa), and APAC (Asia Pacific). This is because their results are monitored separately in the company's internal financial reporting. Tecnotree's chief operating decision maker, as referred to in IFRS 8, is the Group's management board. Net sales for the operating segments are presented based on the location of customers.

## GEOGRAPHICAL AREAS

Tecnotree Group operates in the following geographical areas: Americas (North, Central and South America), Europe, MEA (Middle East and Africa) and APAC (Asia Pacific).

### Americas (North, Central and South America)

Net sales in the Americas rose more than 36 % from the corresponding period in the previous year, and the order book is more than ten times as high. Prospects in the area are positive, with active demand for replacing critical business support systems. Sales in the area comprise expansions and upgrades of solutions installed for current customers, the renewal of annual maintenance contracts, and partial implementation of new orders. The company has succeeded in selling in the area business support systems and services that are part of its strategic core business. The area offers the company significant growth potential.

### Europe

Net sales in Europe declined some 6 % from the corresponding period in the previous year. Low sales in the third quarter are due to normal seasonal fluctuation and do not represent a permanent reduction in sales. The order book fell by almost one third. In Europe Tecnotree supplied completely new systems and expansions of existing systems, mainly to existing customers.

### MEA (Middle East and Africa)

Sales in the Middle East and Africa declined 4 % from the corresponding period in the previous year, but continued to grow clearly in the third quarter. The order book stands at the same level as in the previous last year. Tecnotree has an extremely broad customer base in the MEA region and the business of its customers is growing, so the company has considerable growth potential in the region. Implementation of Tecnotree's new strategy has made encouraging progress in the area.

### APAC (Asia and Pacific)

Net sales in the APAC region declined 17 % from the corresponding period in the previous year. Sales focused on established products to existing customers. The order book is clearly down on the previous year. There has been a delay in implementing Tecnotree's new strategy in the area.

## PERSONNEL

At the end of Septemeber 2012 Tecnotree employed 1,131 (31 December 2011: 926) persons, of whom 91 (31 December 2011: 80) worked in Finland and 1,040 (31 December 2011: 846) elsewhere.

The company employed on average 1,054 (906) people during the review period. Personnel by country were as follows:

PERSONNEL	1-9/2012	1-9/2011	1-12/2011
Personnel, at end of period	<b>1,131</b>	928	926
Finland	<b>91</b>	81	80
Ireland	<b>56</b>	60	58
Brazil	<b>41</b>	42	43
Argentina	<b>39</b>		
India	<b>849</b>	703	690
Other countries	<b>55</b>	42	55
Personnel, average	<b>1,054</b>	906	922
Personnel expenses before R&D capitalisation (MEUR)	<b>24.5</b>	23.1	30.4

## EXTRAORDINARY GENERAL MEETING

Tecnotree Corporation's Extraordinary General Meeting held on 28 May 2012 authorised the Board of Directors to decide on a rights offering. The maximum number of new shares to be issued based on the authorisation was 40,000,000 shares. The Board of Directors was authorised to decide on other terms for the rights offering. The authorisation also included the right to decide on a secondary offering of any remaining shares, as determined by the Board of Directors. The authorisation did not replace the authorisation granted by the Annual General Meeting to the Board of Directors on 28 March 2012 to decide on a share offering.

The authorisation was fully used in the rights offering carried out in the review period.

## RIGHTS OFFERING

Based on the authorisations granted by the Extraordinary General Meeting of 28 May 2012 and the Annual General Meeting of 28 March 2012, the Board of Directors of Tecnotree decided on 28 May 2012 on a rights offering of approximately EUR 5.9 million such that the shareholders of Tecnotree had a pre-emptive right to subscribe for new shares in proportion to their current shareholding in Tecnotree. Altogether 48,997,451 new shares were offered for subscription in the offering. The subscription price for the offer shares was EUR 0.12 per offer share. The subscription period was from 5 June 2012 to 19 June 2012. Trading in the subscription rights commenced on 5 June 2012 and ended on 12 June 2012. A total of 31,394,457 new shares, representing 64.1 per cent of the total number of shares offered in the rights offering, were subscribed pursuant to subscription rights. The remaining 17,602,994 new shares, or 35.9 per cent of the rights offering, were subscribed without subscription rights.

The proceeds from the rights offering amounted to EUR 5.9 million before related fees and expenses. The shares subscribed in the offering were registered with the Trade Register on 29 June 2012 and trading in the new shares commenced on 2 July 2012. Since the actual value of the rights offering was at least EUR 5.0 million, the Company met the conditions for obtaining the credit facility for financing working capital.

## TECNOTREE SHARES AND SHARE CAPITAL

At the end of September 2012 the shareholders' equity of Tecnotree Corporation stood at EUR 43.9 (31 December 2011: 49.5) million and the share capital was EUR 4.7 million. The total number of shares was 122,628,428.



The company held 134,800 of these shares, which represents 0.1 per cent of the company's total number of shares and votes. Equity per share, adjusted to reflect the share issue, was EUR 0.36 (31 December 2011: 0.58).

A total of 34,523,736 Tecnotree shares (EUR 9,030,204) were traded on the Helsinki Exchanges during the period 1 January – 30 September 2012, representing 28.2 per cent of the total number of shares.

The highest share price quoted in the period was EUR 0.35 and the lowest EUR 0.12. The average quoted price was EUR 0.35 and the closing price on 30 June 2012 was EUR 0.24. The market capitalisation of the share stock at the end of the period was EUR 29.4 million.

## CURRENT AUTHORISATIONS

The Annual General Meeting held on 28 March 2012 authorised the Board of Directors in accordance with the proposal of the Board of Directors to decide on the acquisition of a maximum of 7,360,000 of the Company's own shares. Own shares may be acquired with unrestricted shareholders' equity otherwise than in proportion to the holdings of the shareholders through public trading of the securities on NASDAQ OMX Helsinki Oy at the market price of the shares in public trading at the time of the acquisition. Own shares can be acquired for the purpose of developing the capital structure of the Company, carrying out corporate acquisitions or other business arrangements to develop the business of the Company, financing capital expenditure, to be used as part of the Company's incentive schemes, or to be otherwise retained in the possession of the Company, disposed of or nullified in the extent and manner decided by the Board of Directors. The Board of Directors will decide on other terms of the share acquisition. The authorisation is valid for one year from the decision of the Annual General Meeting. The Board of Directors has not exercised this authorisation during the review period.

Furthermore, the Annual General Meeting authorised the Board of Directors in accordance with the proposal of the Board of Directors to decide to issue and/or to convey a maximum of 22,500,000 new shares and/or the Company's own shares either against payment or for free. New shares may be issued and the Company's own shares may be conveyed to the Company's shareholders in proportion to their current shareholdings in the Company or waiving the shareholder's pre-emption right, through a directed share issue if the Company has a weighty financial reason to do so. The Board of Directors may also decide on a free share issue to the Company itself. The Board of Directors is, within the authorisation, authorised to grant the special rights referred to in Chapter 10, Section 1 of the Companies Act, which carry the right to receive, against payment, new shares of the Company or the Company's own shares held by the Company in such a manner that the subscription price of the shares is paid in cash or by using the subscriber's receivable to set off the subscription price. The Board of Directors shall decide on other terms and conditions related to the share issues and granting of the special rights. The said authorisation is valid for one year from the decision of the Annual General Meeting. Due to the rights offering completed during the review period, the authorisation may be used to issue and/or convey a maximum of 13,502,549 new shares and/or the Company's own shares either against payment or for free.

## STOCK OPTION PROGRAMMES AND INCENTIVE SCHEME

During the review period the company had in force the 2006 and 2009 stock option programmes. The exercise period for the 2009B options ended on 31 March 2012 and the exercise period for the 2006C options ended on 30 April 2012.

The state of the options on 30 September 2012 was as follows:

Option series	Maximum number of	Number of options granted	Exercise period	Exercise price
Performance based	2,280,012	876,792		
Time based	1,140,006	1,040,719		
Total based on original option program	3,420,018	1,917,511		
Increase based on share issue	312,932	285,678		
2009C total	3,732,950	2,203,189	1.4.2011–31.3.2013	0.675

The maximum number of 2009C options before the share issue was 3,420,018, of which a total of 1,917,511 options had been allocated as at 30 September 2012. Of the allocated options a total of 876,792 options become available to key personnel based on a performance appraisal in accordance with the terms and conditions of the 2009 option program. The rest of the 2009C allocated options (i.e. 1,040,719 time based options) are available during the exercise period. The stock options are part of the incentive and commitment scheme for key personnel.

Due to the share issue carried out during the review period and in accordance with the terms and conditions of the 2009 option program, the Board of Directors decided to increase the number of shares to be subscribed with the 2009C time based options by multiplying the number of shares to be subscribed by 1.2745. The Board of Directors further decided to reduce the subscription price for the 2009C time based options by the same factor, 1.2745, from EUR 0.86 to EUR 0.675.

After the increase mentioned above, altogether 3,732,950 stock options remained on 30 September 2012 of all the company's stock options in circulation. The shares that could be subscribed on the basis of these stock options accounted for a maximum of 2.95 % of the Company's shares and the votes carried by the shares after any increase in share capital. On 30 September 2012 the Company held 1,529,761 of all the current stock options. The issued stock options had a maximum diluting effect on 30 September 2012 of 1.76 %.

During the review period the Company had a current incentive scheme that the Board of Directors had established on 25 October 2011. Any reward in the scheme for the 2012 earning period is based on Tecnotree Group's earnings per share (EPS), adjusted operating profit and the Company's trade weighted average share price in December 2012, as well as on fulfilling the requirement to purchase shares. No reward will be paid for the 2012 earning period if the Group's cash flow in the 2012 financial year is negative. Share purchases under the scheme by members of the Management Board were made during the first quarter of the year.

## RISKS AND UNCERTAINTY FACTORS

The risks and uncertainty factors for Tecnotree are explained in the 2011 Board of Directors' Report and in the listing prospectus for the share issue in June.

Tecnotree's risks and uncertainties in the near future relate to major projects that are in progress or under negotiation, to the timing of these and progress made in them, to receivables, to changes in foreign exchange rates and to financing.

## EVENTS AFTER THE END OF PERIOD

At the beginning of October Tecnotree sold a vacant plot of land close to its head office to the City of Espoo. The selling price was EUR 980,000. The sale also released the company from its obligation to build on the land. In connection with this, at the end of September the company had a short-term loan of EUR 450,000 which was paid off with the funds received from the sale of the plot of land.

## PROSPECTS IN 2012

In Tecnotree's previous interim report, the prospects for 2012 were stated as follows:

Tecnotree estimates that net sales and the operating result in 2012 will be better than in 2011. The adjusted operating result is estimated to be positive. Variations in the quarterly figures will be considerable. The cash flow after investments is also expected to improve compared to 2011. The adjusted operating result is the operating result before R&D capitalisation, amortisation of this and one-time costs.

In accordance with the press release published on 29 October 2012, the prospects for 2012 are now as follows:

Tecnotree estimates that net sales in 2012 will be higher than in 2011. The adjusted operating result is estimated to be negative due to increased costs and foreign exchange losses during the third quarter. The cash flow after investments is expected to improve compared to 2011.

Variations in the quarterly figures will be considerable. The adjusted operating result is the operating result before R&D capitalisation, amortisation of this and one-time costs.

## FINANCIAL INFORMATION

Tecnotree is holding a conference for analysts and the media to announce its nine month results at 10.00 am on 31 October 2012 in the Bursa conference room at the Scandic Hotel Simonkettä, Simonkatu 9, Helsinki. The interim review will be presented by CEO Kaj Hagros and the conference will be held in Finnish. The material to be presented at the press conference will be available at [www.tecnotree.com](http://www.tecnotree.com).

## TECNOTREE CORPORATION

### Board of Directors

### FURTHER INFORMATION

Mr Kaj Hagros, President and CEO, tel. +358 (0)40 849 1749

Mr Tuomas Wegelius, CFO, tel. +358 (0)400 433 228

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## TABLE SECTION

The financial figures in the income statement, balance sheet and key indicators are presented in million euros. The figures shown here have been calculated using exact values.

CONSOLIDATED INCOME STATEMENT, MEUR	Note	7-9/ 2012	7-9/ 2011	1-9/ 2012	1-9/ 2011	1-12/ 2011
NET SALES	2	19.7	17.2	51.0	46.2	62.3
		-0.0	0.2	0.0	0.2	0.2
Materials and services		-4.5	-3.9	-10.4	-8.7	-10.8
Employee benefit expenses		-8.9	-6.6	-24.5	-23.2	-30.5
Depreciation, amortisation and impairment charges		-1.6	-2.2	-5.5	-7.3	-9.4
Other operating expenses		-6.8	-4.5	-19.4	-14.8	-22.9
OPERATING RESULT	2	-2.1	0.1	-8.7	-7.6	-11.1
Financial income		0.6	0.7	1.4	1.9	2.4
Financial expenses		-1.6	-0.4	-3.3	-1.0	-1.3
RESULT BEFORE TAXES		-3.0	0.5	-10.6	-6.7	-9.9
Income taxes		0.0	0.4	-0.1	-1.4	-5.6
RESULT FOR THE PERIOD		-3.0	0.9	-10.7	-8.1	-15.6
Allocated to:						
Equity holders of parent company		-3.0	0.9	-10.7	-8.1	-15.6
Non-controlling interest		0.0	0.0	0.0	0.0	0.0
Earnings per share calculated from the profit attributable to equity holders of parent company:						
Earnings per share, basic, EUR *		-0.02	0.01	-0.11	-0.10	-0.18
Earnings per share, diluted, EUR *		-0.02	0.01	-0.11	-0.10	-0.18

\* This key figure has been adjusted for all periods presented to reflect the share issue.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, MEUR		7-9/ 2012	7-9/ 2011	1-9/ 2012	1-9/ 2011	1-12/ 2011
RESULT FOR THE PERIOD		-3.0	0.9	-10.7	-8.1	-15.6
Other comprehensive income:						
Translation differences from foreign operations		1.0	-2.1	-0.3	-5.8	-7.3
Tax relating to components of other comprehensive income		-0.1	0.0	-0.0	0.2	0.3
Other comprehensive income, net of tax		1.0	-2.0	-0.3	-5.7	-7.1
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		-2.0	-1.1	-11.0	-13.7	-22.6
Allocated to:						
Equity holders of parent company		-2.0	-1.1	-11.0	-13.8	-22.6
Non-controlling interest		0.0	0.0	-0.0	0.0	0.0

CONSOLIDATED BALANCE SHEET	Note	30.9.2012	30.9.2011	31.12.2011
<b>Assets</b>				
Goodwill		<b>19.3</b>	19.8	19.2
Other intangible assets		<b>5.1</b>	11.6	9.7
Tangible assets		<b>5.1</b>	6.1	6.1
Deferred tax assets		<b>3.5</b>	3.4	3.1
Other non-current trade and other receivables		<b>0.4</b>	0.7	1.3
<b>Current assets</b>				
Inventories		<b>1.5</b>	1.0	0.8
Trade receivables		<b>21.5</b>	22.5	23.7
Other receivables		<b>34.2</b>	31.8	29.3
Investments		<b>0.0</b>	0.9	0.0
Cash and cash equivalents		<b>3.7</b>	7.8	6.7
Non-current assets held for sale *		<b>0.9</b>		
<b>TOTAL ASSETS</b>		<b>95.3</b>	105.6	99.9
<b>Shareholders' equity</b>				
		<b>43.9</b>	58.6	49.5
<b>Non-current liabilities</b>				
Deferred tax liabilities		<b>3.1</b>	2.4	4.4
Non-current interest-bearing liabilities	3	<b>11.1</b>	13.4	12.2
Other non-current liabilities		<b>0.5</b>	0.5	0.4
<b>Current liabilities</b>				
Current interest-bearing liabilities	3	<b>14.9</b>	12.2	15.8
Trade payables and other liabilities		<b>21.7</b>	18.5	17.6
<b>EQUITY AND LIABILITIES, TOTAL</b>		<b>95.3</b>	105.6	99.9

\* At the beginning of October Tecnotree sold a vacant plot of land close to its head office to the City of Espoo. The selling price was EUR 980,000. The sale had not taken place by the end of the review period.

CALCULATION OF CHANGES IN  
SHAREHOLDERS' EQUITY, MEUR

MEUR	A	B	C	D	E	F	G	H	I	J
Shareholders' equity 1 Jan. 2012	4.7	0.8	-0.1	-1.0	12.6	19.0	13.3	49.4	0.1	49.5
Share issue					5.4			5.4		5.4
Covering of loss						-13.9	13.9	0.0		0.0
Other changes							0.0	0.0	0.0	0.0
Total comprehensive income for the period				-0.3			-10.7	-11.0	-0.0	-11.0
<b>Shareholders' equity 30 Sept 2012</b>	<b>4.7</b>	<b>0.8</b>	<b>-0.1</b>	<b>-1.3</b>	<b>18.0</b>	<b>5.2</b>	<b>16.5</b>	<b>43.9</b>	<b>0.1</b>	<b>43.9</b>

MEUR	A	B	C	D	E	F	G	H	I	J
Shareholders' equity 1 Jan. 2011	4.7	0.8	-0.1	6.1	12.6	29.4	18.5	72.1	0.1	72.1
Covering of loss						-10.4	10.4	-0.0		-0.0
Share-based payments							0.0	0.0		0.0
Other changes							0.2	0.2		0.2
Total comprehensive income for the period				-5.7			-8.1	-13.8	0.0	-13.8
Shareholders' equity 30 Sept 2011	4.7	0.8	-0.1	0.4	12.6	19.0	21.0	58.5	0.1	58.6

A = Share capital

B = Share premium fund

C = Own shares

D = Translation differences

E = Invested non-restricted equity reserve

F = Other reserves

G = Retained earnings

H = Total equity attributable to equity holders of parent company

I = Non-controlling interest

J = Total shareholders' equity

CONSOLIDATED CONDENSED CASH FLOW STATEMENT, MEUR **1-9/2012** 1-9/2011 1-12/2011

Cash flow from operating activities			
Result for the period	<b>-10.7</b>	-8.1	-15.6
Adjustments of the result	<b>10.0</b>	9.1	14.2
Changes in working capital	<b>-1.9</b>	-11.9	-10.6
Interest paid	<b>-0.5</b>	-0.8	-0.7
Interest received	<b>0.1</b>	0.4	0.1
Income taxes paid	<b>-2.6</b>	-2.7	-4.7
Net cash flow from operating activities	<b>-5.5</b>	-14.0	-17.3
Cash flow from investing activities			
Investments in intangible assets	<b>-0.1</b>	-0.3	-0.3
Investments in tangible assets	<b>-0.7</b>	-0.4	-0.7
Proceeds from disposal of intangible and tangible assets		0.0	0.0
Investments in other securities		-0.3	-0.2
Interest received from investments		0.1	0.1
Dividends received from investments	<b>0.0</b>	0.2	0.2
Net cash flow from investing activities	<b>-0.8</b>	-0.6	-0.9
Cash flow from financing activities			
Proceeds from share issue	<b>5.4</b>		
Borrowings received	<b>1.2</b>	7.0	9.5
Repayments of borrowings	<b>-3.2</b>	-1.1	-1.1
Repayments of finance lease liabilities	<b>-0.0</b>	-0.1	-0.1
Net cash flow from financing activities	<b>3.3</b>	5.8	8.3
Increase (+) and decrease (-) in cash and cash equivalents	<b>-3.0</b>	-8.8	-9.8
Cash and cash equivalents at beg. of period	<b>6.7</b>	16.7	16.7
Impact of changes in exchange rates	<b>0.0</b>	-0.2	-0.2
Change in fair value of investments	<b>-0.0</b>	0.0	0.0
Cash and cash equivalents at end of period	<b>3.7</b>	7.8	6.7



## 1. ACCOUNTING PRINCIPLES FOR THE INTERIM REPORT

This interim report has been prepared in accordance with IFRS reporting and evaluation principles and applying the same accounting principles as in the previous annual financial statements, but not complying with all the requirements of IAS 34 Interim Financial Reporting. The new and revised IFRS regulations that came into force on 1 January 2012 have not had a significant impact on the accounting principles and basis for preparing the interim report.

## 2. SEGMENT INFORMATION

The operating segments under IFRS 8 reported by Tecnotree are the geographical areas, which are Americas (North, Central and South America), Europe, MEA (Middle East and Africa), and APAC (Asia Pacific). This is because their results are monitored separately in the company's internal financial reporting. Tecnotree's chief operating decision maker, as referred to in IFRS 8, is the Group's management board. Net sales for the operating segments are presented based on the location of customers.

OPERATING SEGMENTS	1-9/2012	1-9/2011	1-12/2011
NET SALES, MEUR			
Americas (North, Central and South America)	25.5	18.8	23.3
Europe	4.9	5.2	7.9
MEA (Middle East and Africa)	18.3	19.3	27.0
APAC (Asia Pacific)	2.3	2.9	4.0
TOTAL	51.0	46.2	62.3

## 3. INTEREST-BEARING LIABILITIES

INTEREST-BEARING LIABILITIES, MEUR	30.9.2012	30.9.2011	31.12.2011
Loans from financial institutions, 1 Jan	28.0	19.7	19.7
Raised loans	1.2	7.0	9.5
Repayments of loans	-3.2	-1.1	-1.1
Loans from financial institutions, end of period	26.0	25.5	28.0
Finance lease liabilities	0.0	0.0	0.0
Interest-bearing liabilities total	26.0	25.6	28.1

## 4. CONSOLIDATED CONTINGENT LIABILITIES

CONSOLIDATED CONTINGENT LIABILITIES, MEUR	30.9.2012	30.9.2011	31.12.2011
On own behalf			
Real estate mortgages	6.4		7.7
Corporate mortgages	42.3		36.6
Pledged deposits	0.0	0.0	0.0
Guarantees	0.8	0.6	0.8
Other liabilities			
Restriction related to real estate in Ireland		0.4	0.4
<b>OTHER OPERATING LEASES, MEUR</b>	<b>30.9.2012</b>	<b>30.9.2011</b>	<b>31.12.2011</b>
Minimum rents payable based on other leases that cannot be cancelled:			
Other operating leases			
Less than one year	1.0	0.7	0.9
Between one and five years	1.0	0.3	0.9

In addition, the shares of the Indian subsidiary held by the parent company are pledged. These shares have a book value of EUR 34.2 million in the parent company. The net assets of the Indian subsidiary in the consolidated balance sheet are estimated at EUR 50.6 million.

During the beginning of the year, the company had funds of EUR 1.6 million temporarily frozen in India, while Atul Chopra's claim was being processed in court. In July, the court rejected the claim and released the funds.

## 5. RELATED PARTY TRANSACTIONS

During the review period, Tecnotree raised a variable-interest short-term working capital finance loan with market-based conditions of EUR 0.35 million from certain shareholders of the company included under related parties. The loans were entirely repaid in June.

## 6. CONSOLIDATED KEY FIGURES

CONSOLIDATED KEY FINANCIAL FIGURES	1-9/2012	1-9/2011	1-12/2011
Return on investment, %	-13.3	-8.6	-10.2
Return on equity, %	-30.5	-16.5	-25.6
Equity ratio, %	46.1	56.6	50.7
Net gearing, %	50.7	28.9	43.1
Investments, MEUR	0.8	0.6	0.9
% of net sales	1.6	1.2	1.4
Research and development, MEUR	9.0	9.0	12.1
% of net sales	17.6	19.5	19.4
Order book, MEUR	59.2	21.0	40.4
Personnel, average	1,054	906	922
Personnel, at end of period	1,131	928	926

CONSOLIDATED KEY FIGURES PER SHARE	1-9/2012	1-9/2011	1-12/2011
Earnings per share, basic, EUR **	<b>-0.11</b>	-0.10	-0.18
Earnings per share, diluted, EUR **	<b>-0.11</b>	-0.10	-0.18
Equity per share, EUR **	<b>0.36</b>	0.69	0.58
Number of shares at end of period, x 1,000	<b>122,494</b>	73,496	73,496
Number of shares on average, x 1,000	<b>90,188</b>	73,496	73,496
Share price, EUR			
Average	<b>0.28</b>	0.46	0.44
Lowest	<b>0.12</b>	0.33	0.33
Highest	<b>0.35</b>	0.63	0.63
Share price at end of period, EUR	<b>0.24</b>	0.35	0.38
Market capitalisation of issued stock at end of period, MEUR	<b>29.4</b>	25.8	28.0
Share turnover, million shares	<b>34.5</b>	17.5	22.8
Share turnover, % of total	<b>28.2</b>	23.8	31.0
Share turnover, MEUR	<b>9.0</b>	8.0	10.0
Price/earnings ratio (P/E)			-1.8

\*\* This key figure has been adjusted for all periods presented to reflect the share issue.

QUARTERLY KEY FIGURES	2Q/12	2Q/12	1Q/12	4Q/11	3Q/11	2Q/11
Net sales, MEUR	<b>19.7</b>	21.3	10.0	16.1	17.2	18.5
Net sales, change %	<b>14.9</b>	15.2	-5.5	15.1	29.3	-4.5
Adjusted operating result *	<b>-0.8</b>	2.0	-5.8	-2.0	1.9	3.3
% of net sales	<b>-4.0</b>	9.3	-57.8	-12.2	10.9	17.8
Operating result, MEUR	<b>-2.1</b>	0.6	-7.2	-3.5	0.1	0.6
% of net sales	<b>-10.4</b>	2.7	-72.3	-22.1	0.7	3.2
Result before taxes, MEUR	<b>-3.0</b>	0.4	-8.0	-3.3	0.5	0.6
Personnel at end of period	<b>1,131</b>	1109	981	926	928	930
Earnings per share, basic, EUR **	<b>-0.02</b>	0.01	-0.10	-0.09	0.01	-0.01
Earnings per share, diluted, EUR **	<b>-0.02</b>	0.01	-0.10	-0.09	0.01	-0.01
Equity per share, EUR **	<b>0.36</b>	0.37	0.49	0.58	0.69	0.70
Net interest-bearing liabilities, MEUR	<b>22.3</b>	14.9	21.0	21.3	16.9	14.2
Order book, MEUR	<b>59.2</b>	58.8	36.2	40.4	21.0	21.5

\* Adjusted result = operating result before R&D capitalisation, amortization of this and one-time costs. Details of these are given in the section "Result analysis".

\*\* This key figure has been adjusted for all periods presented to reflect the share issue.