TECNOTREE

powering the digital marketplace

Tecnotree
ANNUAL REPORT **2011**

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Tecnotree 2011

CEO's Review

In 2011, we renewed Tecnotree's strategy, operational mode and organisation. As a full suite telecom business IT provider, we help operators to develop towards digital marketplaces: create service bundles for every taste, boost customer and service value, and offer flexible end-user payment options and plans. Just like a great supermarket, we want to help operators create the corridors, shelves, carts and checkout counters supporting an enjoyable digital shopping experience.

"We continue to grow and the adjusted operating result is estimated to be positive."

Tecnotree Agility™ – the one Telecom Business IT Suite

In 2011, we restructured and refocused our product suite. Tecnotree Agility™ now covers the full spectrum of core IT products and service platforms needed for managing the telecom operator's convergent business. By convergent we mean managing multiple lines of businesses (mobile, fixed, broadband, cable TV), multiple service types (connectivity, data, entertainment, applications) and multiple transactional and tiered subscription and payment options (prepaid, postpaid, hybrid, corporate, family) through a single, unified IT solution. Tecnotree Agility™ consists of our products for real-time charging and rating, billing and financial administration, dealer and voucher management, customer care, product and order management, customer lifecycle management, voice services and messaging, and content delivery.

Global Delivery Model

In 2011, we also redefined our operational mode and organisational structure. We have separated the core development of reusable modules from customisation and deliveries. As a result, we have two distinct organisations with individual drivers and timescales. Global Product Development drives innovation in convergent and personalised subscriber management. Global Solution Delivery is designed to "delight and thrill" our customers through dedicated and streamlined customisation, installation and commissioning engagements. In completing the company integration process, we have introduced a new management board lineup, and appointed a balanced leadership circle for all global functions.

Back to Profitable Growth

2011 as a whole showed modest growth, but the areas defined in our new strategy grew fast. At the end of the year, Tecnotree entered into the largest agreement in the company's history to deploy a convergent billing and customer management system worth $30.5 million across three countries in Latin America. In terms of on-going operations the year was profitable, but an impairment charge on customer receivables turned the adjusted operating result into a loss. In 2012, we continue to grow and the adjusted operating result is estimated to be positive. During the year, we will put special emphasis on the quality of our products and services. We believe it is our agility and dedication that set us apart and help us develop lasting customer relationships.

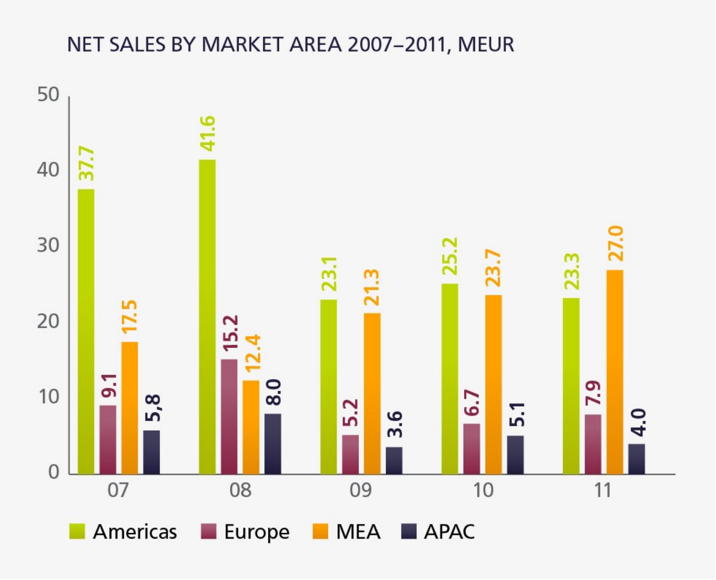
Kaj Hagros
President and CEO

Key Figures

	2011	2010	2009	2008	2007
Net sales, MEUR	62.3	60.7	53.3	77.2	70.1
Net sales, change %	2.6	14.0	-31.0	10.1	-2.4
Adjusted operating result, MEUR (**	-1.7	-2.5	-8.8	8.0	3.7
Operating result, MEUR	-11.1	-8.1	-15.0 (*	11.5	8.9
as % of net sales	-17.8	-13,3	-28.1	14.9	12.7
Profit before taxes, MEUR	-9.9	-9.4	-15.4 (*	13.5	10.0
as % of ner sales	-15.9	-15.5	-29.0	17.5	14.2
Result for the period, MEUR	-15.6	-11.0	-16.2 (*	10.2	8.7
Earnings per share, basic, EUR	-0.21	-0.15	-0.24	0.17	0.15
Earnings per share, diluted, EUR	-0.21	-0.15	-0.24	0.17	0.15
Equity per share, EUR	0.67	0.98	1.05	1.41	1.32
Net interest-bearing liabilities, MEUR	21.3	2.4	-8.3	-31.0	-17.5
Personnel at the end of the period	926	858	779	354	355

(* The figures for the comparative periods have changed due to adjustments to the purchase price calculation of Tecnotree India.

(** Adjusted operating result = operating result before R & D capitalisation, amortization of this and one-time costs.



Year in Brief

February
Tecnotree demonstrated an expanded product and solution offering to support its new corporate strategy as a broad-scale IT solution and service platform provider for communications service provider (CSPs) at the Mobile World Congress in Barcelona.

April
Tecnotree received an order worth USD 2.3 million to supply the Tecnotree Agility™ product suite covering solutions for Convergent Billing, Customer Care and Loyalty and Campaign management to a mobile operator in the Central Asia.

Tecnotree won a new long-term contract worth USD 2.7 million with one of the leading mobile operators in Asia-Pacific for which Tecnotree will supply the Tecnotree Agility™ Messaging platform.

Tecnotree started the delivery of Tecnotree Agility™ Convergent Charging for a Latin American operator group. The value of initial orders is USD 3.3 million.

June
Tecnotree won a new contract from Africa's leading telecommunications group for which Tecnotree will supply Tecnotree Agility™ Convergent Billing, Subscription Management and Customer Care solutions.

Tecnotree won a new USD 4.1 million contract from an operator in Latin America for Tecnotree Agility™ Real-Time Convergent Charging.

Tecnotree received several expansion orders from a Latin American operator group worth USD 15.9 million.

September
Tecnotree appointed Mi liberty, a specialist PR and marketing consultancy in London, to lead its global PR programme.

In partnership with Tecnotree, Mattel launched Ringback Tone service in Mauritania.

October
Tecnotree introduced a new operational mode and a new group structure, driving greater productivity and scalability.

November
Tecnotree announced contracts with Cyta from Cyprus and Tele2 from Norway. Both companies operate in developed and very competitive markets and with these contracts Tecnotree urges African operators to improve efficiency through consolidating voicemail services.

December
Tecnotree agreed on a delivery project worth USD 30.5 million covering a Convergent Billing and Customer Management Solution to serve three country operations of an operator group in Latin America.

Tecnotree expanded its footprint in Africa by supplying convergent billing and customer care, number portability and interconnect billing solutions to a mobile operator in Ghana.

Tecnotree was recognised by Magic Quadrant for Integrated revenue and Customer Management for CSPs.

We received the company history's largest order – order book to a new record level

Americas

- Tecnotree strengthened its position as a Business Support System (BSS) provider.
- Tecnotree closed a 30.5 M US$ deal to deliver a Convergent Billing and Customer Management solution.
- Tecnotree successfully delivered a number of Charging and VAS solutions.
- During 2012 we will capitalize and extend the position acquired as a leading BSS provider.

"Net sales
EUR 23.3 million"

Continued focus on enriching customer experience

Asia Pacific

- Tecnotree won one of the major deals in the region in Next Generation Messaging.
- Evolving to LTE will be a major opportunity for converged business solutions.
- Operators continue to invest focusing on enriching customer experience.
- Entering 2012, innovative IT infrastructure supporting the growth of mobile broadband services will be a major focus.

> Net sales
> EUR 4.0 million

Net sales and order book increased

Europe

- Despite the saturated market in the region, sales in Europe grew 15% in 2011.
- First sale of Tecnotree's Service Mediation Function.
- Focus in 2012 will be on new product sales within the Convergent Product and Customer Management and enhancing our solution footprint in key accounts.
- Interactive Voice Response services based on Tecnotree's Media Server will provide a sound platform for growth in 2012.

"Net sales
EUR 7.9 million"

Strong business growth

Middle East and Africa

- Continued growth based on Convergent Billing and Customer Care solutions – we won several new customers in the region.
- Successful business growth within a leading regional operator group.
- Business outlook remains positive.
- Growing demand for managed services expected in 2012.

"Net sales
EUR 27.0 million"

Solution Delivery Reorganised

Driving Quality and Consistency Across the Portfolio

In 2011 we embarked on a journey of internal transformation and integration where we renewed our strategy and vision, our operational model and refined our product offering. We implemented a new organisation structure and operationalised our go-to-market strategy by streamlining our delivery capability through a global Solution Delivery organisation. Within Tecnotree, Solution Delivery aims to exceed customer expectations in the deployment and support of a broad range of telecom IT solutions and services that focus on charging, billing, customer care, messaging and content services. We provide end-to-end global customer service and through this help acquire new business from our existing strategic customers. While in terms of products and services we have been a challenger in the telecom solutions market, we have been able to differentiate ourselves from our competitors through our delivery flexibility and service excellence. This has led to Tecnotree being recognised by the Gartner Group Magic Quadrant for Integrated Revenue and Customer Management in their November 2011 publication.

During 2012, we will focus and align our efforts to change the way we plan, deliver and support our customers with solutions of high quality, functionality and ease-of-use. We plan to ensure consistency, measurability and predictability in our deliveries. We will focus on greater efficiency and effectiveness through increased knowledge management and re-use across the organisation. We also hope to create greater ownership and pride in our employees towards high quality deliverables and services. Thus we want to truly become the trusted advisor and core IT solution provider to the communication service providers, enabling them to develop towards digital markets.

Padma Ravichander
Chief Delivery Officer

Solution Portfolio Restructured

More Focused, Aligned and Convergent Tecnotree Agility™ Suite

In 2011, we started a company wide restructure of our product portfolio creating an integrated suite of products to meet the demand of a convergent digital marketplace. A dedicated and company wide Product Management organisation was established to overlook the product strategy, product roadmaps and implementation of the product portfolio.

An operator transforming its business towards a digital marketplace must take a few very important steps. First, the capability to bundle services, products and physical goods and form sellable offerings out of these must be put in place. This can be achieved by creating a single view to all products and services in an operator's catalogue and thereafter forming a unified product offering enabling the launch of new bundles faster.

Secondly, with the increasing number of services yielding more data traffic to networks, more flexible ways of performing real time rating and charging are required. In practice, this means for example tiered price plans based on used services, location, time-of-the-day or quality-of-service. In order to implement these tiered plans, it is often necessary to integrate to policy control and other network assets. Furthermore, a digital marketplace provider must be able to bill for all services offered, in a truly convergent manner with all services on one single bill supporting whatever payment methods used in the local market.

Thirdly, as in any supermarket, also with a digital marketplace the customers and their purchase process must be kept at the center at all times. For example, not only customers themselves but also all customer facing staff across all relevant touch points must be empowered to address the customer needs and hence delight the customers with a compelling customer experience. This coupled with the power of predictive analytics brings to the fore the capability to offer new and innovative recommendations across services, hence generating more value across customer lifecycle, both for the operator and for the subscriber herself.

Timo Ahomäki
Vice President, Product Management

Corporate Governance

Board of Directors

Harri Koponen, b. 1962, eMBA, Phd. Econ. h.c.
Main duty: Oy Osaka Ltd, CEO and Chairman of the Board, 2010-
Chairman of the Board, 23.3.2011–
Member of the Board, 2008-
Tecnotree shares 31 Dec 2011: 95,171
Tecnotree stock options 31 Dec 2011: --
Independent of Tecnotree and its significant shareholders

Ilkka Raiskinen, b. 1962, MSc. (Tech.)
Main duty: Aletheia Oy, Executive Management Consultant, 2009–
Vice Chairman of the Board, 23.3.2011–
Member of the Board 2010–
Tecnotree shares 31 Dec 2011: 84,306
Tecnotree stock options 31 Dec 2011: --
Independent of Tecnotree and its significant shareholders

Johan Hammarén, b. 1969, LL.M, MSc (Econ.)
Main Duty: Fondia Oy, Director and Founding Partner, 2006–
Member of the Board, 2007–
Tecnotree shares 31 Dec 2011: 489,176
Tecnotree stock options 31 Dec 2011: --
Independent of Tecnotree and its significant shareholders

Pentti Heikkinen, b. 1960, MSc (Econ)
Main duty: Gateway Technolabs Finland Oy, Founder and CEO, 2008–
Stanford Graduate School of Business (Stanford Executive Program 2001)
Member of the Board, 2009–
Tecnotree shares 31 Dec 2011: 64,361
Tecnotree stock options 31 Dec 2011: --
Independent of Tecnotree and its significant shareholders

Christer Sumelius, b. 1946, MSc. (Econ.)
Main duty: Investsum Ab, President, 1984–
Member of the Board, 2001–
Tecnotree shares 31 Dec 2011: direct holding 375,280 and through Investsum Ab 947,500
Tecnotree stock options 31 Dec 2011: --
Independent of Tecnotree and its significant shareholders

Hannu Turunen, b. 1957, MSc (Tech), MBA
Main duty: Magnolia Ventures Oy, Managing Partner, 2001–
Member of the Board, 2008–
Tecnotree shares 31 Dec 2011: through Magnolia Ventures 154,261
Tecnotree stock options 31 Dec 2011: --
Independent of Tecnotree and its significant shareholders

David K. White, b. 1950, BSc (eng.)
Member of the Board, 2009–
Tecnotree shares 31 Dec 2011: --
Tecnotree stock options 31 Dec 2011: --
Independent of Tecnotree and its significant shareholders

The following person was a member of the Board of Directors up to 21 October 2011:
Atul Chopra, b. 1962, Chartered Accountancy, Bachelor of Laws (LL.B.), Bachelor of Commerce (Hons.)

Management Board

Kaj Hagros, b. 1970, MSc. (Eng.), MBA
Main duty: President and CEO, 1st Nov 2010–
Tecnotree shares 31 Dec 2011: direct holding 39,975, through Hagros & Hagros Oy 100,000
Tecnotree stock options 31 Dec 2011: 490,000

Timo Laaksonen, b. 1961, M.Sc. (Econ.)
Main duty: Chief Commercial Officer, CCO, Oct 11, 2011–
Tecnotree shares 31 Dec 2011: --
Tecnotree stock options 31 Dec 2011: 175,000

Tuomas Wegelius, b. 1955, MSc (Econ)
Main duty: Chief Financial Officer, CFO, 2006–
Tecnotree shares 31 Dec 2011: 21,216
Tecnotree stock options 31 Dec 2011: 116,666

Padma Ravichander, b. 1959, Computer Science and IT (Dip), Concordia University, Montreal Canada, Graduate of Executive Management School Stanford University, California, USA
Main duty: Chief Delivery Officer and Managing Director, Tecnotree Convergence Ltd. India 11.10.2011–
Tecnotree shares 31 Dec 2011: --
Tecnotree stock options 31 Dec 2011: 100,000

The following persons were members of the Management Board: Atul Chopra, b. 1962, COO, 2009–up to 1st Feb 2011 and Naim Kazi, b. 1956, Chief Technical Officer, 2009– up to 31st Dec 2011

Corporate governance statement 2011

In 2011, Tecnotree abided by the Finnish Corporate Governance code for companies listed on the NASDAQ OMX Helsinki Ltd. with one exception from recommendation 9. This statement has been prepared separately from the Report of the Board of Directors and in accordance with the Finnish Corporate Governance Code 2010. The Finnish Corporate Code 2010 can be found at www.cgfinland.fi and this statement at www.tecnotree.com.

Meeting of Shareholders

Tecnotree’s Annual General Meeting of Shareholders is the company’s highest decision-making body. The responsibilities of the Annual General Meeting are defined in the Finnish Companies Act and the Articles of Association of the company. The most important responsibilities include amending the Articles of Association, approving the financial statements, deciding on the dividend to be paid, discharging the Board members and the President and CEO from liability, appointing Board members and auditors and deciding on their fees.

Board of Directors

The tasks and responsibilities of Tecnotree's Board of Directors are defined in the Finnish Companies Act and in other applicable legislation, according to which the Board of Directors is responsible for the appropriate organisation of business operations and corporate administration. The Board also ensures that the company's accounting and financial administration is supervised appropriately. Furthermore, the Board is responsible for promoting the interests of the company and all its shareholders by pursuing a business policy that in the long-term ensures the best possible return on capital invested in the company.

Tecnotree's Board of Directors consists of a minimum of three and a maximum of eight members, as outlined in the Articles of Association. The Annual General Meeting elects the Board and confirms the number of Board members. The Board of Directors elects the Chairman and Vice Chairman among its members for a term of one year at a time. The term of office of Board members expires at the end of the first Annual General Meeting following election. The Board of Directors appoints the President and CEO of the company.

The members of Tecnotree's Board have no special duties related to being a member of the Board other than those designated by law. Some Board members are also members of Board Committees.

To support its work, Tecnotree's Board of Directors has confirmed charter that defines the Board's duties and work methods, as well as meeting and decision-making procedures.

In order to carry out its duties, the Board shall:

- decide upon the group strategy and approves the business strategy
- approve the values of the company and its subsidiaries
- approve the annual business plan and investment plan and supervises their realization
- decide upon the central organization structure and leadership system of the company
- discuss and approve the accounts and interim reports
- define the dividend policy of the company and makes a proposal to the annual general meeting as to the amount of dividend paid
- appoint the managing director of the company and the deputy managing director, decide upon their remuneration and conditions of employment
- decide on the appointment of the members of the company's management group and their remuneration
- approve the principles and methods for ensuring the reliability, suitability and competence of the persons trusted with the direction of the company and its subsidiaries
- decide on the remuneration systems of the company's executives and the principles of the remuneration systems for other personnel
- decide on strategically or economically important investments and the purchase and sale of companies or similar arrangements
- approve annually the risk management strategy of the company and the significant principles of risk management
- decide upon the capital structure of the company and approve annually the fund-raising plan of the company
- approve the principles of internal control and internal audit and the audit plan
- approve annually the continuity plan for essential areas of operation and the information technology plan and
- be responsible for the other duties assigned to it under the Finnish Companies Act or other regulation

The charter of the Board of Directors can be found at www.tecnotree.com.

The Annual General meeting of 23 March 2011 confirmed that the Board of Directors will consist of eight (8) members, and the Board members were elected for a period of office expiring at the end of the first Annual General Meeting following the election. Atul Chopra resigned from the Board of Directors of Tecnotree Corporation on 21st October 2011.

Tecnotree's Board of Directors has assessed the Board members' independence of the company and shareholders in compliance with the Finnish Corporate Governance Code's recommendations. Based on the assessment, all seven Board members are independent on the company and on significant shareholders.

Tecnotree's Board of Directors convened 24 times in 2011. The average attendance of members at Board meetings was about 91 per cent.

Composition of the Board of Directors

Hannu Turunen, b. 1957, MSc (Tech), MBA
Chairman of the Board, 2009-23rd March 2011
Member of the Board, 2008–
Main duty: Managing Partner, Magnolia Ventures Oy, 2001–

Johan Hammarén, b. 1969, LL.M, MSc (Econ.)
Vice Chairman of the Board, 2010-23rd March 2011
Member of the Board, 2007–
Main duty: Founding Partner, Manager, Fondia Oy, 2006–

Christer Sumelius, b. 1946, MSc. (Econ.)
Member of the Board, 2001–
Main duty: President, Investsum Oy Ab, 1984–

Harri Koponen, b. 1962, eMBA, Phd. Econ. H.c.
Chairman of the Board 23rd March 2011-
Member of the Board, 2008–
Main duty: CEO and Chairman of the Board, Oy Osaka Ltd, 2010-

Pentti Heikkinen, b. 1960, MSc (Econ)
Standford Graduate School of Business (Standford Executive Program 2001)
Member of the Board, 2009–
Main duty: Founder and CEO, Gateway Technolabs Finland Oy, 2008–

David K. White, b. 1950, BSc (eng.) Member of the Board, 2009–

Ilkka Raiskinen, b. 1962, MSc (Tech)
Vice Chairman of the Board, 23rd March 2011-
Member of the Board, 2010–
Main duty: Executive Management Consultant, Aletheia Oy, 2009–

The following person was a member of the Board of Directors up to 21 October 2011: Atul Chopra, b. 1962, Chartered Accountancy, Bachelor of Laws (LL.B.), Bachelor of Commerce (Hons.)

Board Committees

Audit Committee
The Audit Committee's task is to assist the company's Board of Directors in ensuring that the company has a sufficient internal control system encompassing all of its operations. In addition, the Committee assists the Board of Directors in ensuring that the monitoring of the company's accounting and asset management has been organised in an appropriate manner.

It is also the Audit Committee's task to monitor that the operations and internal control of the company have been arranged in a manner required by legislation, valid regulations and a good management and administration system, and to monitor the activities of internal auditing. The responsibilities of the Audit Committee are defined in its charter.

To execute its duties, the Audit Committee shall:

- monitor the reporting process of financial statements
- supervise the financial reporting process
- monitor the efficiency of the company's internal control, internal audit, if applicable, and risk management systems
- review the description of the main features of the internal control and risk management systems in relation to the financial reporting process, which is included in the company's Corporate Governance Statement
- monitor the statutory audit of the financial statements and consolidated financial statements
- evaluate the independence of the statutory auditing or audit firm, particularly the provision of related services to the company
- prepare the proposal for resolution on the election of the auditormonitor the financial position of the company and
- contact with the auditor and revision of the reports that the auditor prepares for the Audit Committee.

The charter of the Audit Committee can be found at www.tecnotree.com.

The Audit Committee comprises four members of the Board: Harri Koponen (Chairman), Johan Hammarén, Hannu Turunen and David White. Tecnotree's President and CEO and CFO regularly participate in the Audit Committee's meetings.

The Audit Committee had 4 meetings in 2011, and the average attendance of members at meetings was about 94 per cent.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee helps the Board of Directors in the preparations relating to the election of members of the Board of Directors, and in handling matters within its scope of responsibility that relate to the conditions of employment and remuneration of senior management, and to management's and personnel's remuneration and incentive schemes. The responsibilities of the Remuneration and Nomination Committee are defined in its charter.

The duties of the Remuneration and Nomination Committee are as follows:

- the preparation of the proposal for the appointment of directors to be presented to the general meeting
- the preparation of the proposal to the general meeting on matter pertaining to the remuneration of the directors
- looking for prospective successors for the directorsthe presentation of the proposal on the directors to the general meeting
- the preparation of matters pertaining to the appointment of the President and CEO and the other executives as well as the identification of their possible successors
- the preparation of matters pertaining to the remuneration and other financial benefits of the President and CEO and the other executives
- the preparation of matters pertaining to the remuneration schemes of the company
- the evaluation of the remuneration of the President and CEO and the other executives as well as seeing to it that the remuneration schemes are appropriate
- answering questions related to the remuneration statement at the general meeting.

The charter of the Remuneration and Nomination Committee can be found at www.tecnotree.com.

The Remuneration and Nomination Committee comprises four members of Board: Christer Sumelius (Chairman), Johan Hammarén, Harri Koponen and Ilkka Raiskinen.

The Remuneration and Nomination Committee had 11 meetings in 2011, and the average attendance of members at meetings was about 86 per cent.

President and CEO

The President and Chief Executive Officer is responsible for managing and developing the company's operations as defined in the Finnish Companies Act and in the guidelines and instructions issued by the Board of Directors. The President and CEO may undertake actions that are unusual or far-reaching in view of the scope and quality of the company's operations only if authorised by the Board of Directors.

The President and CEO ensures that the company's accounting complies with legislation and that its assets are managed reliably. The President and CEO is also responsible for investor relations, corporate communication, long-term strategic and financial planning, as well as major operative decisions and the supervision of their implementation. The President and CEO prepares matters to be handled at Board meetings and reports to the Board.

Kaj Hagros, b. 1970, MSc. (Eng.), MBA
President and CEO, 1 November 2010–

Composition of the Management board

At the end of 2011, Tecnotree Group had a four-member Management Board that comprised the President and CEO, Chief Commercial Officer, Chief Delivery Officer and Chief Financial Officer (CFO), The Management Board is chaired by the President and CEO.

The Management Board assists the President and CEO, supervises and develops the company's operations in accordance with the strategies and objectives set, creates group-level procedures, provides support to risk management processes, monitors the global human resources policy and remuneration systems as well as manages stakeholder relations. The Management Board convenes at least once a month.

Kaj Hagros, b. 1970, MSc. (Eng.), MBA
Main duty: President and CEO, 1 November 2010-

Timo Laaksonen, b. 1961, M.Sc. (Econ.)
Main duty: Chief Commercial Officer, 24 November 2010-

Padma Ravichander, b. 1959
from 11th October 2011
Main duty: Chief Delivery Officer, Managing Director of Tecnotree Convergence Ltd.

Tuomas Wegelius, b. 1955, MSc (Econ)
Main duty: Chief Financial Officer, 2006-

The following persons ware members of the Management Board:
Atul Chopra, b. 1962, COO, 2009-up to 1st Feb 2011
Naim Kazi, b. 1956, Chief Technical Officer, 2009 - up to 31st Dec 2011

Objectives for internal control and risk management

The objective of the internal control and reporting methods is to ensure that the company's operations are efficient and that information is reliable and that official regulations and internal operating principles are followed. The Group's financial management is responsible for performing and guiding the internal control as instructed by Audit Committee.

The task of risk management is to identify, manage and track the major risks in the Group's business and business environment to enable the Group to achieve its strategic and financial goals in the best possible way. The Group's management board is responsible for risk management.

Control activities

The main control activities include preparing up-to-date forecasts, analysing deviations in actual data versus forecast and previous periods, performing transaction and process level controls and internal audits.

Based on the strategic plans yearly budgets and action plans containing financial and other targets are prepared. Action plans are broken down into more detailed levels. Development discussions are used for setting and following targets for employees. The consolidated budget is prepared and presented to the Board of Directors. An updated forecast is presented to the Board of Directors in each monthly meeting. Monthly reports contain actual and forecasted figures for past and future performance.

The Group's financial management together with the relevant levels of management prevents, discovers and corrects deviations and possible errors in the monthly reporting. Line organisation is responsible for budgets and forecasts. The role of Group's financial management is to collect these plans according to accepted timetables and to control their reliability. Substantial deviations and possible errors with corrective actions are reported to the Board of Directors.

The Group's financial department performs controls pertaining to the correctness of external and internal reporting. Due to the nature of business a lot of emphasis is put into controlling revenue recognition and receivables.

Risk management

Risk surveys are made yearly, defining the key risks, actions and responsible persons for preventing the realisation of risks. The Group's financial management is responsible for managing foreign exchange, interest rate and liquidity risks and for taking out insurance against operational risks.

The Management Board handles risks and risk management in its meetings on a regular basis and reports the overall risk assessment to the Board of Directors and its Audit Committee.

The methods in financial reporting and control at the group decrease the risks pertaining to the financial reporting: Majority of the sales transactions are at the parent company level, common chart of accounts and IFRS principles applied, common systems with comprehensive database, centralised treasury and financing, and an easy-to access archive for contracts and policies.

Guidelines and Policies

Corporate governance is implemented through documented policies. The main policies are policy for making sales agreements, credit policy, cash management policy, policy for hedging against currency risks, policy for making purchase agreements and approval policy. The Board of Directors approves Tecnotree's Group level policies. The subsidiaries and foreign offices of the parent company have issued guidelines and policies for their own specific purposes that are in line with the Group level policies.

Internal audit

The internal audit plan is presented to the Audit Committee in connection with the yearly external audit plan. Internal audits are performed by external consultants, external auditors or by Tecnotree employees having experience, authority and independence over the audit in question.

External audit

The main task of the statutory audit is to confirm that the financial statements give a true and fair view of the company's financial performance and position for the period ended. The auditor reports regularly to the Audit Committee and audits the correctness of external annual financial reports and, based on them, issues an auditor's statement to shareholders.

Tecnotree's auditor in the financial year 2011 was KPMG Oy Ab, and the principal auditor Sixten Nyman, Authorised Public Accountant.

Insider management

Tecnotree complies with the Guidelines for Insiders issued by NASDAQ OMX Helsinki Ltd. The company has also introduced its own insider guidelines, which include instructions for both permanent and project-specific insiders. These guidelines have been distributed to all insiders, and they are available to all Tecnotree employees. The company keeps its insider register in the SIRE system maintained by the Euroclear Finland Ltd.

Information and Communication

Non-financial and financial information is provided for the management in order to follow up the achievements of targets. An internal meeting about the same, to which all Tecnotree employees are invited, is kept at least each quarter. Employees are encouraged to give feedback and communicate suspected misconducts either during these internal meetings or in other, more discrete ways.

All external communication is carried out in accordance with the Group Disclosure Policy, which can be found at www.tecnotree.com.

The deviation from the Corporate Governance recommendations

Tecnotree Corporation deviates from recommendation 9 of the Finnish Corporate Governance Code 2010 in so far as only one gender is currently represented in the Board of Directors. The company considers it important that the members of the Board of Directors have strong knowledge of the industry. Unfortunately, it was not possible to find a female member with suitable experience for the Board elected in 2011. Board members representing both genders are intended to be proposed to the 2012 shareholders' meeting.

Shares and shareholders

Shares and share capital

Tecnotree has a single share series and all shares hold equal voting rights.

At the end of 2011 the shareholders' equity of Tecnotree Corporation stood at EUR 49.5 (72.1) million and the share capital was EUR 4.7 million. The total number of shares was 73,630,977. The company held 134,800 of these shares, which represents 0.18 per cent of the company's total number of shares and votes.

Equity per share was EUR 0.67 (0,98). 99.95 per cent of the company's shares are entered in the book entry securities system maintained by Euroclear Finland Ltd.

Quotation of shares

Tecnotree's shares are quoted on the NASDAQ OMX Helsinki Ltd. Tecnotree's trading code is TEM1V.

Authorisations of the Board of Directors

Authorisation to decide issuing of shares and granting special rights

Tecnotree's Annual General Meeting held on 23 March 2011 authorised the Board of Directors to decide to issue and/or to convey a maximum of 17,800,000 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. 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.

Authorisation to acquire the Company's own shares

Tecnotree's Annual General Meeting held on 23 March 2011 authorised the Board of Directors to decide to issue and/or to convey a maximum of 17,800,000 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. 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.

Shareholders

On 31 December 2011 Tecnotree had a total of 6,157 shareholders recorded in the book-entry securities system. Of these 6,149 were in direct ownership and 8 were nominee-registered.

On 31 December 2011 the ten largest shareholders together owned approximately 37.94 per cent of the shares and voting rights. On 31 December 2011, altogether 15.12 per cent of Tecnotree's shares were in foreign ownership, with 15.09 per cent in direct ownership and 0.03 per cent nominee-registered. The shareholder information is maintained by Euroclear Finland Oy.

Ownership structure by sector, 31 December 2011

	No. of shares	%
Companies	9,346,278	12.69
Finance houses and insuranse companies	13,488,545	18.32
Public sector	144.46	0.20
Non-profit making asssosiations	385.26	0.52
Households and private persons	39,096,093	53.1
Foreign holders	11,132,740	15.12
Total	73,593,377	99.95
Joint account	37,600	0.05
Share capital	73,630,977	100.00
Nominee registrations	9,455,069	12.84

Tecnotree's shares and share price development

A total 22,829,772 Tecnotree shares (EUR 10,002,577) were traded on the Helsinki Exchanges during the period 1 January – 31 December 2011, representing 31.0 per cent of the total number of shares.

The highest share price quoted in the period was EUR 0.63 and the lowest EUR 0.33. The average quoted price was EUR 0.44 and the closing price on 31 December 2011 was EUR 0.38. The market capitalisation of the share stock at the end of the period was EUR 27,979,771.

Obligation to redeem shares

According to Article 14 of Tecnotree's Articles of Association, a shareholder whose holding reaches or exceeds 33 1/3 per cent or 50 per cent of all the company's shares or of the voting rights held by the shares, is obliged, at the request of other shareholders, to redeem their shares and securities entitling holders to shares, on terms specified in more detail in Article 14 of the Articles of Association.

Shareholdings of the Board of Directors and management

On 31 December 2011 the total number of shares owned by the members of Tecnotree's Board of Directors and the President and CEO was 2,350,030 which includes the shares owned by these persons themselves, by minor children and by companies in which they hold a controlling interest. Altogether these represent 3.19 per cent of the total amount of shares and voting rights.

On 31 December 2011 the total number of shares owned by the members of Tecnotree's Management Board was 21,216 excluding those owned by the President and CEO.

Stock options held by the Board of Directors and management

A total of 490,000 Tecnotree's stock options were held by the President and CEO on 31 December 2011. A total of 736,666 stock options were held by members of Tecnotree's Management Board, excluding the President and CEO, on 31 December 2011. The members of the Board of Directors did not hold any stock options on 31 December 2011.

Company dividend policy

Tecnotree's dividend policy is to base its proposed dividend payment, to be approved by the Annual General Meeting, on the annual result and complying with legal requirements.

Shareholder agreements and shareholding notifications

Tecnotree has no knowledge of shareholder agreements relating to the ownership of the company or to the use of voting rights. During 2011 the company has not received any shareholders notifications.

Stock option programs

During the review period the company had in force the 2006 and 2009 stock option programmes. The exercise period for the 2009A options ended on 31 March 2011 and for the 2006B options on 30 April, 2011. The state of the options on 31 December 2011 was as follows:

Option series

Option series	Maximum number of options	Number of options granted	Exercise period	Exercise price
2006C	667,000	647,000	1.4.2009–30.4.2012	0.98
Total	667,000	647,000		
2009B	2,394,013	1,408,206	1.4.2010–31.3.2012	0.86
2009C	3,420,018	1,917,511	1.4.2011–31.3.2013	0.86
Total	5,814,031	3,325,717		
2006 and 2009 Total	6,481,031	3,972,717		

Some of the 2009B and 2009C stock options become available to key personnel based on a performance appraisal. The stock options are part of the incentive and commitment scheme for key personnel.

Altogether 6,481,031 stock options remained on 31 December 2011 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 8.09% of the Company's shares and the votes carried by the shares after any increase in share capital. On 31 December 2011 the Company still held 2,508,314 of all the current stock options. The issued stock options had a maximum diluting effect on 31 December 2011 of 5.12%.

Shareholders 31 December 2011

The company's ten largest shareholders

No. of shares	% of shares and	voting rights
Nordea Pankki Suomi Oyj	7,236,074	9.83
Hammaren Lars-Olof	5,281,088	7.17
The Orange Company Oy	2,600,000	3.53
APC Securities (India) Private Limited	2,260,434	3.07
Mandatum Henkivakuutusyhtiö	2,224,508	3.02
Carlyle Indiasoft Limited	2,112,733	2.87
Atul Chopra	1,701,821	2.31
Nasdaq OMXBS/Skandinaviska Enskilda Banken AB	1,619,956	2.20
Keskinäinen Vakuutusyhtiö Kaleva	1,533,000	2.08
Aparna Advisory Services Private Ltd	1,368,780	1.86
	27,938,394	37.94

Ownership of Tecnotree shares, 31 December 2011

Shares	Holders	%	Shares and votes	%
1–500	2 340	37.99	544 396	0.73
501–1 000	1 029	16.71	875 683	1.19
1 001–5 000	1 705	27.69	4 443 245	6.03
5 001–10 000	473	7.68	3 647 898	4.95
10 001–50 000	451	7.33	10 212 158	13.87
50 001–100 000	77	1.25	5 619 651	7.63
100 001–500 000	62	1.01	12 714 379	17.27
500 000 <	20	0.33	35 535 967	48.26
Joint account			37 600	0.05
Total	6157	100	73 630 977	100.00

Investor information

Basic Share Information

Listed on:	NASDAQ OMX HELSINKI Oy
Trading code:	TEMV1
ISIN Code:	FI 0009010227
Number of shares, Dec 31, 2011:	73,630,977
Segment:	Small Cap
Sector code:	Technology

The purpose of Tecnotree's Investor relations unit is to provide the capital markets with open and reliable information and increase awareness about the company, facilitate the correct pricing of Tecnotree's share as well as serve Tecnotree's shareholders and other operators on the capital markets. Regulatory communications aims to provide reliable and up-to-date information on an equal basis. Tecnotree has published a Disclosure Policy which can be found on the company website, www.tecnotree.com.

Releases and statements regarding Tecnotree's operations and development are issued by the President and CEO, unless otherwise stated. Concerning financial information, the Chief Financial Officer handles investor relations.

Financial Reporting and Annual General Meeting 2012

- Financial Statement 1 January–31 December 2011
  1 February 2011, week 5
- Annual General Meeting 2012
  28 March 2012, week 13
- Interim Report 1 January–31 March 2012
  27 April 2011, week 17
- Interim Report 1 January–30 June 2012
  8 August 2011, week 32
- Interim Report 1 January–30 September 2012
  31 October 2011, week 44

Tecnotree Interim Reports and the Annual Report, published in English and Finnish, are available on the company website, www.tecnotree.com.

Briefings and closed period

Tecnotree holds briefings for analysts, investors and the media in conjunction with financial reporting. The company observes a three-week closed period before the publication date of financial statements or interim reports.

Shareholder change of address

Shareholders are kindly requested to report any change of address to the bank or brokerage company in which they have their book-entry account. Euroclear Finland Ltd may only update customer information with a book-entry account in its systems. Tecnotree does not maintain an address register.

Analysts

The analysts monitoring Tecnotree are listed on the company website www.tecnotree.com.

Insider register

Information about the company's public insider register can be found at www.tecnotree.com or requested by contacting Euroclear Finland Ltd, Urho Kekkosen katu 5 C, FI-00100 Helsinki, Finland.

Corporate Governance

Information about Corporate Governance at Tecnotree is available on the company website www.tecnotree.com.

Investor relations contacts

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Ordering publications

Orders by email: info (at) tecnotree.com

Releases in 2011

January
17 Jan 2011 Stock Exchange Release
Tecnotree's Annual Summary of releases in 2010

February
1 Feb 2011 Stock Exchange Release
Changes in the management of Tecnotree Corporation

2 Feb 2011 Financial Report
Tecnotree Corporation Interim Report 1 Jan–31 Dec 2010 (unaudited)

14 Feb 2011 Stock Exchange Release
Tecnotree aligns strategy for growth: Repositioning to power digital marketplaces

15 Feb 2011 Press Release
Tecnotree helps CSPs to create personalised, customer driven digital marketplace with new product and solution portfolio

18 Feb 2011 Stock Exchange Release
Settlement reached with Atul Chopra

18 Feb 2011 Stock Exchange Release
Correction to the headline of the previous release: Settlement reached with Atul Chopra and others

March
1 Mar 2011 Stock Exchange Release
Notice to the Annual General Meeting

1 Mar 2011 Stock Exchange Release
Tecnotree's Annual Report and the Corporate Governance Statement 2010 are published

23 Mar 2011 Stock Exchange Release
Prospects for the year 2011

23 Mar 2011 Stock Exchange Release
Resolutions passed by the Annual General Meeting of Tecnotree Corporation

April
18 Apr 2011 Stock Exchange Release
Tecnotree Agility™ product suite chosen by a mobile operator in the Central Asia

19 Apr 2011 Stock Exchange Release
Tecnotree wins a long term messaging contract in Asia-Pacific

20 Apr 2011 Stock Exchange Release
Tecnotree receives an order of USD 3.3. million from an operator group in Latin America

29 Apr 2011 Interim Report
Tecnotree Corporation Interim Report 1 Jan–31 Mar 2011 (unaudited)

June
3 Jun 2011 Stock Exchange Release
Tecnotree wins a new USD 3.8 million contract for Convergent Billing. Subscription management and Customer Care in Africa

29 Jun 2011 Stock Exchange Release
Tecnotree wins a new USD 4.1 million contract for Convergent Charging in Latin America

30 Jun 2011 Stock Exchange Release
Tecnotree wins expansion orders worth USD 15.9 million

July
13 Jul 2011 Stock Exchange release
Tecnotree wins a EUR 1 million contract in Europe with real-time service mediation

August
10 Aug 2011 Interim Report
Tecnotree Corporation Interim report 1 Jan-30 Jun 2011 (unaudited)

September
20 Sep 2011 Press Release
Tecnotree appoints Mi liberty to communicate the importance of personalised service experience

28 Sep 2011 Press Release
In partnership with Tecnotree, Mattel launches Ringback Tone service in Mauritania

October
11 Oct 2011 Stock Exchange Release
New organisation for Tecnotree Corporation

18 Oct 2011 Stock Exchange Release
Tecnotree Corporation has received an execution order by the high court of Delhi

21 Oct 2011 Stock Exchange Release
Atul Chopra has resigned from the Board of Tecnotree Corporation

26 Oct 2011 Interim Report
Tecnotree Corporation Interim Report 1 Jan-30 Sept 2011 (unaudited)

26 Oct 2011 Stock Exchange Release
The Board of Directors of Tecnotree Corporation resolved on an incentive plan for key employees

November
2 Nov 2011 Stock Exchange Release
Tecnotree’s financial reporting and Annual General meeting in 2012

10 Nov 2011 Press Release
Tecnotree urges African operators to improve efficiency through consolidating voicemail services

December

8 Dec 2011 Press Release
Tecnotree expands its footprint in Africa by supplying convergent billing and customer care, number portability and interconnect billing solutions to a mobile operator in Ghana

13 Dec 2011 Press Release
Tecnotree named in magic Quadrant for ‘Integrated revenue and Customer management for CSPs’

20 Dec 2011 Stock Exchange Release
Tecnotree enters into a landmark USD 30.5 million deal on Latin America

Disclosure Policy

Tecnotree Corporation's Disclosure Policy

Purpose
Tecnotree Corporation is listed on the main list of NASDAQ OMX Helsinki Ltd. In its disclosure policy the company complies with Finnish and European Union legislation and with the instructions and regulations of the stock exchange and the Finnish Financial Supervision Authority.

The Central Principles
Tecnotree follows in its communication are openness, integrity, consistency, and clarity. It is the company's objective to give all stakeholder groups correct and up-to-date information about the company's operations, in a balanced and timely manner.

The Information Disclosed
Stock exchange releases report on matters and events that are significant in relation to the company's size and scope of operations and that are deemed to have an essential influence on the stock price.

Tecnotree reports such orders it has received from its customers as are worth at least EUR 1.7 million, if the customer authorises this. Tecnotree may report on two or more normal orders in the same release, if these deals are deemed important with regard to the development of the company. In such cases there may be a delay between the orders and the publication.

The company reports corporate acquisitions when a letter of intent has been signed, if an agreement is regarded as probable. In other cases, the company will not publish a release until the final agreement has been signed.

The company releases information about appointments if they relate to changes in the Management Board of the Group or to the Board of Directors. A stock exchange release is published about significant changes in the structure or organisation of the Group.

The company issues a profit warning if, in its estimation, the trend in its financial position, the earnings forecast, or its prospects have changed fundamentally from those published previously. The company always publishes a stock exchange release if it issues a profit warning.

Comments on Market Information
Tecnotree does not comment on unfinished business, market rumours, stock price trends, the actions of its competitors or customers, or analysts' forecasts, unless doing so is necessary for correction of essential information. However, if a piece of information that has fundamental impact on Tecnotree's stock price has leaked (i.e., become known prematurely), the company issues a stock exchange release addressing the matter.

Responsibilities and Commentators
Statements about the operations, development, and published releases of Tecnotree are issued by the President and CEO, unless otherwise stated in such a release. As far as financial information is concerned, the Chief Financial Officer also handles investor relations.

The Chairman of the Board of Directors or the President and CEO, or the person(s) appointed by them, are responsible for crisis communication.

Language and Channels
All essential information about Tecnotree is published simultaneously in Finnish and English through the stock exchange; with major media; and on the company's Web site www.tecnotree.com, which also contains an archive of previous releases. Other means of communication used are meetings and press conferences.

Closed Period

In its financial reports, Tecnotree observes a three-week closed period before its result is published. During that time, Tecnotree does not discuss its financial position or the development of its business operations with representatives of the capital markets or the media. The dates on which Tecnotree publishes its result are available in the Financial Calendar section of the company's Web site, www.tecnotree.com.

Financial Statements

Board of Directors' Report

Unless otherwise stated, all figures presented below are for the review period 1–12/2011 and the figures for comparison are for the corresponding period 1–12/2010.

In order to read the full Board of Directors' Report as pdf, please refer to the link below.

Board of Directors' Report PDF

Record order book

Net sales for the whole year were EUR 62.3 (60.7) million and the adjusted operating result was EUR -1.7 (-2.5) million. The operating result was EUR -11.1 (-8.1) million and the result for the period EUR -15.6 (-11.0) million.

The order book at the end of the year stood at a record level of EUR 40.4 million (31 December 2010: EUR 14.3 million). The high order book was due to the USD 30.5 million sale in Latin America announced by the company on 20 December 2011.

Tecnotree has succeeded in taking advantage of the synergies in sales and products created through the company acquisition in India through its new strategy. This has taken longer than expected.

KEY FIGURES	**2011**	2010
Net sales, MEUR	**62.3**	60.7
Adjusted operating result, MEUR*	**-1.7**	-2.5
Operating result, MEUR	**-11.1**	-8.1
Result before taxes, MEUR	**-9.9**	-9.4
Result for the period	**-15.6**	-11.0
Earnings per share, basic, EUR	**-0.21**	-0.15
Order book, MEUR	**40.4**	14.3
Cash flow after investments, MEUR	**-18.1**	-10.6
Change in cash and cash equivalents, MEUR	**-9.8**	-9.8
Cash and cash equivalents, MEUR	**6.7**	16.7
Equity ratio %	**50.7**	66.4
Net gearing %	**43.1**	3.3
Personnel at end of period	**926**	858

* 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”.

Main issues 2011

Net sales in 2011 totalled EUR 62.3 million, slightly better than in the previous year (EUR 60.7 million). At the end of the year the company received the biggest order in its history. Thanks to this and other orders received, the order book at the end of the year virtually tripled from the previous year's figure to EUR 40.4 million.

After a weak first quarter in 2011, the second and third quarters were better periods and the adjusted operating result was positive. In terms of the operations of the financial year, the fourth quarter would also have been positive, but an impairment of EUR 2.8 million on receivables from a customer owned by the government of Libya turned the adjusted operating result for the quarter into a loss of EUR 2.0 million. During the whole year, a total of EUR 4.4 million of impairment was recorded on these receivables. The adjusted operating result of the whole year would have been EUR 2.7 million positive without this.

Sales in all geographical regions were at a similar level to the figures for 2010. During 2011 the company has renewed its strategy and its organization, aiming at growth in its business operations, higher profitability and higher quality customer service in 2012. A major part of our sales is in the emerging markets which are not exposed to the same kind finance crisis as the European and the North American economies.

Sales and net sales

Tecnotree's net sales in the review period increased 2.6 per cent to EUR 62.3 (60.7) million.

EUR 27.7 million of sales in the review period have been recognised by stage of completion (IAS 11 Construction Contracts) and EUR 34.6 million on delivery (IAS 18 Revenues).

NET SALES BY MARKET AREA	**2011 MEUR**	2010 MEUR	**2011 %**	2010 %
Americas (North, Central and South America)	**23.3**	25.2	**37.5**	41.5
Europe	**7.9**	6.7	**12.8**	11.1
MEA (Middle East and Africa)	**27.0**	23.7	**43.4**	39.0
APAC (Asia and Pacific)	**4.0**	5.1	**6.4**	8.3
TOTAL	**62.3**	60.7	**100.0**	100.0

CONSOLIDATED ORDER BOOK	**2011 MEUR**	2010 MEUR	**2011 %**	2010 %
Americas (North, Central and South America)	**25.2**	1.5	**62.3**	10.5
Europe	**3.6**	2.6	**9.0**	17.9
MEA (Middle East and Africa)	**11.1**	9.3	**27.5**	65.4
APAC (Asia and Pacific)	**0.5**	0.9	**1.2**	6.3
TOTAL	**40.4**	14.3	**100.0**	100.0

Maintenance and service sales totalled EUR 27.2 (26.2) million or 43.6 per cent (43.2%) of net sales.

Result analysis

Tecnotree's business operations are based on project sales. The income and costs recorded for these 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.

INCOME STATEMENT, KEY FIGURES, MEUR	2011	2010
Net sales	**62.3**	60.7
Other operating income	**0.2**	0.0
Operating costs excluding product development capitalisation and one-time costs	**-64.2**	-63.2
Adjusted operating result	**-1.7**	-2.5
Product development capitalisation	**0.1**	0.6
Product development amortisation	**-7.1**	-6.1
One-time costs	**-2.4**	
Operating result	**-11.1**	-8.1
Result before taxes	**-9.9**	-9.4

The adjusted operating result was EUR 0.8 million higher than in the previous year. The improvement would have been even greater if the company had not recorded an impairment of EUR 4.4 million during the year on receivables from a customer owned by the government of Libya. An impairment of EUR 0.9 million was recorded for these receivables in the previous financial year.

Capitalisation of product development costs and amortisation of these had the net effect of weakening the result by EUR 1.4 million compared to the period for comparison in the previous year.

The operating result for the year includes one-time costs of EUR 2.4 million for settling the law suit brought against the company early in the year.

Taxes for the period totaled EUR 5.6 (1.6) million, including the following items:

TAXES IN INCOME STATEMENT, MEUR	2011	2010
Withholding tax expenses in parent company	**-1.6**	-1.7
Income taxes on the results of Group companies	**-3.6**	-1.5
Deferred tax asset based on tax allowances in India	**1.0**	0.8
Change in deferred tax liability based on:		
- R&D capitalisation	**1.3**	1.1
- cost capitalisations in Finnish taxation	**-1.7**	
- dividend tax in India	**-1.4**	-0.8
Other items	**0.3**	0.5
TAXES IN INCOME STATEMENT, TOTAL	**-5.6**	-1.6

Earnings per share were EUR -0.21 (-0.15). Equity per share at the end of the period was EUR 0.67 (31 December 2010: EUR 0.98).

Financing and investments

Tecnotree's liquid funds totalled EUR 6.7 (31 December 2010: 16.7) million. The change in cash and cash equivalents for the review period was EUR -9.8 million.

The balance sheet total on 31 December 2011 stood at EUR 99.9 (31 December 2010: 109.7) million. Interest-bearing liabilities were EUR 28.1 (31 December 2010: 19.7) million. The net debt to equity ratio (net gearing) was 43.1 per cent (31 December 2010: 3.3%) and the equity ratio was 50.7 per cent (31 December 2010: 66.4%).

Tecnotree's gross capital expenditure during the review period, excluding the capitalisation of development costs, was EUR 0.9 (0.9) million or 1.4 per cent (1.6%) of net sales.

Financial income and expenses (net) during the review period totalled EUR 1.2 (-1.4) million. The exchange rate gains consist mainly of exchange rate differences from intragroup payables in the parent company.

FINANCIAL INCOME AND EXPENSES, MEUR	**2011**	2010
Interest income	**0.1**	0.2
Exchange rate gains	**1.7**	0.4
Other financial income	**0.6**	0.5
FINANCIAL INCOME, TOTAL	**2.4**	1.1
Interest expenses	**-0.6**	-0.8
Exchange rate losses	**-0.1**	-1.7
Other financial expenses	**-0.5**	0.0
FINANCIAL EXPENSES, TOTAL	**-1.3**	-2.4

CHANGE IN WORKING CAPITAL, MEUR (increase - / decrease +)	**2011**	2010
Change in trade receivables	**-9.1**	2.1
Change in other short-term receivables	**-3.5**	-6.5
Change in inventories	**0.2**	0.3
Change in trade payables	**1.0**	3.9
Change in other current liabilities	**0.7**	-7.6
CHANGE IN WORKING CAPITAL, TOTAL	**-10.6**	-7.7

Tecnotree estimates that its net sales will increase in 2012. To finance the company's working capital and improve liquidity, Tecnotree is planning to obtain at least EUR 10 million in additional financing in the first half of 2012. At least EUR 5 million of this is planned to be obtained through a hybrid bond, and major shareholders have already expressed their willingness to participate in this. The company has already negotiated a EUR 5 million credit limit for working capital finance that will become available to the company once commitments to subscribe to the hybrid bond total at least EUR 5 million.

Tecnotree has overdue receivables totalling EUR 7.7 million from a customer owned by the government of Libya, and impairment of EUR 0.9 million was recognised for this in 2010 and EUR 4.4 million during 2011. The company is currently negotiating with the customer and its state owner on payment of the receivables, and this should gain momentum in the first half of 2012. The company believes that at least the net value for the receivable of EUR 2.4 million in the balance sheet will be obtained.

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 and the result for the operating segments are presented based on the location of customers. The result for the operating segments includes the costs that can be allocated to the segments on a reasonable basis. Common costs for the whole Group as well as taxes and financial items are not allocated.

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 in 2011 were slightly below those in the previous year, but the major order received at the end of the year meant that the order book rose to a new record level. Prospects in the area are positive, thanks to the major order and also because Tecnotree has strengthened its position as supplier of support systems for critical business. Sales in the area comprise on the one hand expansions and upgrades of solutions installed for current customers and on the other new projects for Tecnotree replacing the existing billing, charging and customer care systems of customers. Demand for these solutions continues to be active in the Latin American area and Tecnotree is now better placed to take advantage of this potential.

Europe

Net sales and the order book in the Europe region both increased in 2011 from the previous year. Sales to current customers developed encouragingly and lay a firm foundation for the coming year. In Europe Tecnotree is also focusing on growth by actively looking for customers for its new solution offering, especially in the areas of product, order and customer management and in interactive voice service applications.

MEA (Middle East and Africa)

Sales in the Middle East and Africa continued to grow significantly from the previous year, in terms of net sales and order book. The area received new orders for billing and customer management systems and managed services for operators as well as for expansions and upgrades of voice messaging systems. Two system orders were received in the final quarter from new operator customers that belong to a strong regional group of operators. Tecnotree forecasts that the growth experienced in the MEA region during the past few years will continue, but at a slightly slower rate, due to the extremely intense rate of investment in recent years.

APAC (Asia and Pacific)

Sales in the APAC region declined from the previous year. Deliveries to customers in the area have gone well, but there have been few new projects in the region in which Tecnotree would have a natural strong role. Tecnotree is continuing its efforts to strengthen its sales force and broaden the range of solutions on offer to customers. The investments made in the APAC region are only expected to bear fruit in the longer term, since the process for purchasing systems is typically a long one.

Research and development

Research and development costs during the review period totalled EUR 12.1 (13.1) million, corresponding to 19.4 per cent (21.7%) of net sales. EUR 0.1 (0.6) million of development costs were capitalised. Capitalised costs are amortised over 3-5 years from the start of commercial use. R&D costs of EUR 7.1 (6.1) million were amortised during the review period.

Personnel

At the end of December 2011 Tecnotree employed 926 (31 December 2010: 858) persons, of whom 80 (31 December 2010: 70) worked in Finland and 846 (31 December 2010: 788) elsewhere.

The company employed on average 922 (797) people during the review period. Personnel by country were as follows:

PERSONNEL	**2011**	2010	2009
Personnel, at end of period	**926**	858	779
Finland	**80**	70	83
Ireland	**58**	64	87
Brazil	**43**	47	49
India	**690**	625	507
Other countries	**55**	52	53
Personnel, average	**922**	797	665
Salary expenses before R&D capitalisation (MEUR)	**23.5**	23.4	26.0

Tecnotree shares and share price analysis

At the end of December 2011 the shareholders' equity of Tecnotree Corporation stood at EUR 49.5 (31 December 2010: 72.1) million and the share capital was EUR 4.7 million. The total number of shares was 73,630,977.

The company held 134,800 of these shares, which represents 0.18 per cent of the company's total number of shares and votes. Equity per share was EUR 0.67 (31 December 2010 0.98).

A total of 22,829,772 Tecnotree shares (EUR 10,002,577) were traded on the Helsinki Exchanges during the period 1 January – 31 December 2011, representing 31.0 per cent of the total number of shares.

The highest share price quoted in the period was EUR 0.63 and the lowest EUR 0.33. The average quoted price was EUR 0.44 and the closing price on 31 December 2011 was EUR 0.38. The market capitalisation of the share stock at the end of the period was EUR 27,979,771.

Other key financial indicators and key ratios per share are disclosed under the Key financial indicators caption in the financial statements. Information on shareholders is disclosed under the Shares and shareholders caption.

Current authorisations

The Annual General Meeting held on 23 March 2011 authorised 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 may 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 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 to decide to issue and/or to convey a maximum of 17,800,000 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 authorization, authorized to grant the special rights referred to in Chapter 10, Section 1 of the Companies Act. 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.

Stock option programmes and new incentive scheme

During the review period the company had in force the 2006 and 2009 stock option programmes. The exercise period for the 2009A options ended on 31 March 2011 and for the 2006B options on 30 April, 2011.

The state of the options on 31 December 2011 was as follows:

Option series	Maximum number of options	Number of options granted	Exercise period	Exercise price
2006C	667,000	647,000	1.4.2009–30.4.2012	0.98
Total	667,000	647,000		
2009B	2,394,013	1,408,206	1.4.2010–31.3.2012	0.86
2009C	3,420,018	1,917,511	1.4.2011–31.3.2013	0.86
Total	5,814,031	3,325,717		
2006 and 2009 Total	6,481,031	3,972,717		

Some of the 2009B and 2009C stock options become available to key personnel based on a performance appraisal. The stock options are part of the incentive and commitment scheme for key personnel.

Altogether 6,481,031 stock options remained on 31 December 2011 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 8.09 % of the Company's shares and the votes carried by the shares after any increase in share capital. On 31 December 2011 the Company still held 2,508,314 of all the current stock options. The issued stock options had a maximum diluting effect on 31 December 2011 of 5.12 %.

At its meeting on 25 October 2011 the Board of Directors decided on a new incentive scheme for key personnel. The scheme comprises three earning periods of one calendar year each, the calendar years 2012, 2013 and 2014. The Board decides on the earnings criteria and the targets for these before the start of each earning period. To obtain the bonus for the first earning period, the members of the management board and the key personnel specifically nominated by the Board of Directors must obtain company shares in accordance with the Board's decision. Any bonus in the scheme for the 2012 earning period is based on Tecnotree Group's earnings per share (EPS), adjusted operating result and the Company's volume weighted average share price in December 2012, and for the members of the management board and key personnel specifically nominated by the Board also depends on fulfilling the requirement to purchase shares. No bonus will be paid for the 2012 earning period if the Group's cash flow in the 2012 financial year is negative.

Risk and uncertainty factors

The greatest risks in Tecnotree’s operations are related to major customer and partner relationships, to agreements made with these, and to the correct timing of product development decisions.

Tecnotree’s largest customers are much bigger businesses than the company itself and the five largest customers account for more than half of net sales. The relationship between the company and its major customers is one of interdependence, which poses a potential risk but also offers significant new business opportunities.

Certain commitments are associated with the project and maintenance agreements made by the company, and unforeseen costs may arise in the future from these agreements. The company aims to limit these liabilities with limitation of liability clauses in customer contracts. In addition the company has a current global liability insurance to cover any liabilities that may materialise in connection with customer projects.

Project deliveries result in large accounts receivable. Most of Tecnotree’s net sales come from developing countries and some of these contain political and economic challenges. There is the risk of a considerable delay in the payment of invoices in these countries and that Tecnotree will have to record credit losses. The payment record of customers and the situation concerning trade receivables are actively monitored and credit rating checks are made on new customers before confirming an offer.

The company has overdue receivables amounting to EUR 7.7 million from a customer owned by the government of Libya, for which impairment totalling EUR 0.9 million has been booked in 2010 and EUR 4.4 million in the review period. The company is currently negotiating with the customer and its state owner on the payment of receivables, and this should gain momentum in the first half of 2012. The company believes that at least the net value for the receivable of EUR 2.4 million in the balance sheet will be obtained.

Changes in exchange rates create risks especially in sales activities. A significant part of the company’s net sales is in US dollars. The company hedges its currency denominated net position for a maximum period of 12 months, using currency forward contracts and currency options. Liquid funds are invested, avoiding credit and liquidity risks, in money-market deposits and short-term interest funds with a good credit rating.

Carrying out projects creates risks. They are contained for example in projects that require new product development, where creating new product features may prove more difficult than anticipated. Another problem with project sales arises from variations in net sales and profit during the different quarters of the year. Forecasting these variations is often difficult.

Tecnotree operates in a rapidly changing sector. When making R&D decisions there is the risk that the choice made may not bring the expected returns.

The acquisition of Tecnotree Convergence Limited (previously Lifetree Convergence Limited) opened up many new opportunities for Tecnotree. Taking advantage of these has required various changes in sales and R & D activities and in the organisation, and there are risks relating to the success of these changes. The amount paid for the acquisition and the resulting goodwill also involve risks. The calculations made to test goodwill are based on growth expectations that contain risks.

Tecnotree’s risks and uncertainties in the near future relate to major projects that are under negotiation and to their timing, to receivables, to changes in foreign exchange rates and to financing. Tecnotree estimates that its net sales will increase in 2012. To finance the company’s working capital and improve liquidity Tecnotree is planning to obtain additional financing of some EUR 10 million in the first half of 2012. At least EUR 5 million of this is planned to be obtained through a hybrid bond, and major shareholders have already expressed their willingness to participate in this. The company has already negotiated a EUR 5 million credit limit for production finance that will become available to the company once commitments to subscribe to the hybrid bond total at least EUR 5 million.

Tecnotree's management, auditors and corporate governance

Tecnotree’s Board of Directors comprised the following persons in 2011:

Harri Koponen, Member until 23 March 2011, Chairman as from 23 March 2011
Hannu Turunen, Chairman until 23 March 2011, Member as from 23 March 2011
Ilkka Raiskinen, Member until 23 March 2011, Vice Chairman as from 23 March 2011
Johan Hammarén, Vice Chairman until 23 March 2011, Member as from 23 March 2011
Christer Sumelius
Pentti Heikkinen
David White
Atul Chopra until 21 October 2011

Kaj Hagros is President and CEO of the company.

In 2011 the Company’s Management Board comprised Kaj Hagros (President and CEO), Atul Chopra (until 1 February 2011), Naim Kazi (Director Product Engineering until 31 December 2011), Tuomas Wegelius (Chief Financial Officer), Timo Laaksonen (Chief Commercial Officer) and Padma Ravichander (Chief Delivery Officer as from 11 October 2011).

Tecnotree’s auditor in the financial year 2011 was KPMG Oy Ab, and the principal auditor was Sixten Nyman, Authorised Public Accountant.

The Board of Directors has approved the Corporate Governance Statement of the Company for the year 2011.

Events after the end of period

No significant events have occurred after the end of the period.

Prospects 2012

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.

Proposal concerning the result

The Board of Directors proposes to the Annual General Meeting to be held on 28 March 2012 that no dividend be paid for the financial year ended 31 December 2011, and that the parent company's loss for the financial year, EUR -13,872,371.72, be covered by non-restricted equity reserves.

Tecnotree Corporation

Board of Directors

Key financial indicators

	2011	2010	2009	2008	2007
Consolidated income statement					
Net sales, EUR million	**62.3**	60.7	53.3	77.2	70.1
change %	**2.6**	14.0	-31.0	10.1	-2.4
Adjusted operating result, EUR million	**-1.7**	-2.5	-8.8	8.0	3.7
% of net sales	**-2.7**	-4.2	-16.6	10.4	5.2
Operating profit, EUR million	**-11.1**	-8.1	-15.0	11.5	8.9
% of net sales	**-17.8**	-13.3	-28.1	14.9	12.7
Profit before taxes, EUR million	**-9.9**	-9.4	-15.4	13.5	10.0
% of net sales	**-15.9**	-15.5	-29.0	17.5	14.2
Consolidated balance sheet					
Non-current assets, EUR million	**39.4**	49.7	53.3	27.7	24.8
Current assets					
Inventories, EUR million	**0.8**	1.0	1.3	1.1	2.4
Financial assets, EUR million	**59.7**	59.0	63.8	90.0	68.0
Shareholders' equity, EUR million	**49.5**	72.1	77.1	83.5	78
Liabilities					
Non-current liabilities, EUR million	**12.6**	14.9	17.0	0.0	0
Current liabilities, EUR million	**33.4**	19.3	20.4	30.8	13.8
Deferred tax liabilities, EUR million	**4.4**	3.3	4.0	4.5	3.4
Balance sheet total, EUR million	**99.9**	109.7	118.4	118.9	95.2
Financial indicators					
Return on equity (ROE), %	**-25.6**	-14.7	-20.2	12.6	11.4
Return on investment (ROI), %	**-10.2**	-7.4	-13.7	16.0	13.6
Equity ratio, %	**50.7**	66.4	65.6	70.3	83.7
Debt/equity ratio (net gearing), %	**43.1**	3.3	-10.8	-37.2	-22.4
Investments, EUR million	**0.9**	0.9	1.4	1.3	1.2
% of net sales	**1.4**	1.6	2.7	1.7	1.8
Research and development, EUR million	**12.1**	13.1	14.5	15.5	16.1
% of net sales	**19.4**	21.7	27.2	20	22.9
Order book, EUR million	**40.4**	14.3	11.7	9.7	17.5
Personnel, average	**922**	797	665	358	354.4
Personnel at the end of the year	**926**	858	779	354	355
Key ratios per share					
Earnings per share, EUR (basic)	**-0.21**	-0.15	-0.24	0.17	0.15
Earnings per share, EUR (diluted)	**-0.21**	-0.15	-0.24	0.17	0.15
Equity per share, EUR	**0.67**	0.98	1.05	1.41	1.32
Number of shares at the end of the period, 1,000 shares	**73,496**	73,496	73,496	59,142	59,117
Average number of shares, 1,000 shares	**73,496**	73,496	68,039	59,134	58,965
Number of own shares on 1 Jan, 1,000 shares	**135**	135	135	135	135
Numer of disposed own shares, 1,000 shares	**0**	0	0	0	0
Number of own shares on 31 Dec, 1,000 shares	**135**	135	135	135	135
Share price, EUR					
Average price	**0.44**	0.79	1.00	1.00	1.4
Lowest price	**0.33**	0.58	0.78	0.75	1.15
Highest price	**0.63**	1.00	1.21	1.27	1.83
Share price at the end of the period, EUR	**0.38**	0.60	0.94	0.84	1.24
Market value at the end of the period, EUR million	**28.0**	44.2	69.2	49.8	73.3
Share turnover, million shares	**22.8**	16.6	22.6	23.2	38.7
Share turnover, % of total number	**31.0**	22.6	30.7	39.2	65.4
Share turnover, EUR million	**10.0**	13.2	23.2	23.2	53.9
Dividend per share, EUR *				0.07	0.07

Dividend/result, % *				40.7	47.50
Effective dividend yield, % *				8.3	5.6
P/E ratio, %	**-1.8**	-4.0	-4.0	4.9	8.4

*) The Board has proposed that no dividend be paid for the financial year ended 31 December 2011. For the financial years ended 31 December 2010 and 2009, no dividend was paid. In 2007, repayment of capital of EUR 0.10 per share was made.

Calculation of key indicators

Adjusted operating result	=	Operating result before R & D cpitalization, amortization of this and one-time cost	
Return on equity (ROE), %	=	Resut for the period / Shareholders´ equity (average)	x 100
Return on investments (ROI), %	=	Results before taxes + financial expenses / Shareholders´ equity + interest-bearing financial liabilities (average)	x 100
Equity ratio, %	=	Shareholders´ equity / Balance sheet total - advances received	x 100
Earnings per share (EPS)	=	Profit attributable to equity holders of the parent company / Basic average number of shares	
Dividend per share	=	Dividend / Basic number of shares on the reporting date	
Dividend/Result, %	=	Dividend per share / Earnings per share (EPS)	x 100
Equity/Share	=	Equity attributable to equity holders of the parent company / Basic number of shares on the reporting date	
Debt/Equity ratio, % (net gearing)	=	Interest-bearing liabilities - cash and cash equivalents - interest-bearing assets / Shareholders´ equity	x 100
Market capitalization	=	Basic number of shares on the reporting date x share price on the reporting date	
P/E ratio, %	=	Share price on the reporting date / Earnings per share (EPS)	
Effective dividend yield, %	=	Dividend per share / Share price on the reporting date	

Consolidated income statement and consolidated statement of comprehensive income

Consolidated income statement

EUR 1,000	Note	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010
Net sales	1, 3	**62,286**	60,693
Other operating income		**233**	40
Materials and services	4	**-10,789**	-10,135
Employee benefit expenses	5	**-30,529**	-29,116
Depreciation, amortisation and impairment losses	6	**-9,383**	-8,747
Other operating expenses	7	**-22,919**	-20,800
Operating profit		**-11,101**	-8,064
Financial income	9	**2,446**	1,087
Financial expenses	9	**-1,278**	-2,439
Result before taxes		**-9,933**	-9,416
Income taxes	10	**-5,640**	-1,559
Result for the period		**-15,573**	-10,975
Result for the period attributable to:			
Equity holders of the parent company		**-15,590**	-10,957
Non-controlling interest		**17**	-18
Earnings per share calculated on profit attributable to equity holders:			
Basic earnings per share, EUR	11	**-0.21**	-0.15
Diluted earnings per share, EUR	11	**-0.21**	-0.15
Number of shares on average (1000s of shares):			
Basic		**73,496**	73,496
Diluted		**73,496**	73,587

Consolidated statement of comprehensive income

EUR 1,000	Note	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010
Result for the period		**-15,573**	-10,975
Other comprehensive income:			
Translation differences from foreign operations, before tax		**-7,322**	5,788
Tax relating to components of other comprehensive income		**265**	-83
Other comprehensive income, net of tax		**-7,057**	5,705
Total comprehensive income for the period		**-22,630**	-5,270
Comprehensive income for the period attributable to:			
Equity holders of the parent company		**-22,647**	-5,252
Non-controlling interest		**17**	-18

Consolidated balance sheet

EUR 1,000	Note	31 Dec 2011	31 Dec 2010
Assets			
Non-current assets			
Goodwill	2, 12	**19,192**	21,608
Other intangible assets	12	**9,730**	17,959
Property, plant and equipment	13	**6,092**	6,849
Deferred tax assets	14	**3,078**	2,495
Non-current receivables	15	**1,299**	741
Total non-current assets		**39,391**	49,651
Current assets			
Inventories	16	**790**	1,023
Trade and other receivables	17	**53,010**	41,637
Investments	18	**21**	630
Cash and cash equivalents	18	**6,708**	16,737
Total current assets		**60,529**	60,027
Total assets		**99,920**	109,678
Shareholders' equity and liabilities			
Equity attributable to equity holders of the parent			
Share capital		**4,720**	4,720
Share premium fund		**847**	847
Own shares		**-122**	-122
Translation differences		**-981**	6,076
Invested unrestricted equity reserve		**12,634**	12,634
Other reserves		**19,043**	29,433
Retained earnings		**13,302**	18,462
Equity attributable to equity holders of the parent	19	**49,444**	72,050
Non-controlling interest		**64**	56
Total shareholders' equity		**49,507**	72,106
Non-current liabilities			
Deferred tax liabilities	14	**4,402**	3,330
Long-term interest-bearing liabilities	22	**12,239**	14,507
Other non-current liabilities	23	**368**	416
Total non-current liabilities		**17,009**	18,253
Current liabilities			
Current interest-bearing liabilities	22	**15,835**	5,243
Trade payables and other liabilities	24	**17,568**	14,075
Total current liabilities		**33,403**	19,318
Total equity and liabilities		**99,920**	109,678

Statement of changes in shareholders' equity

EUR 1,000	Equity attributable to equity holders of the parent								Non-controlling interest	Total share-holders' equity
	Share capital	Share premium fund	Own shares	Translation differences	Invested unrestricted equity reserve	Other reserves	Retained earnings	Total		
SHAREHOLDERS' EQUITY 1 Jan 2011	4,720	847	-122	6,076	12,634	29,433	18,462	**72,050**	56	**72,106**
Covering of loss						-10,390	10,390			
Share-based payments							29	**29**		**29**
Other changes							12	**12**	-9	**2**
Total comprehensive income for the period				-7,057			-15,590	**-22,647**	17	**-22,630**
TOTAL SHAREHOLDERS' EQUITY 31 DEC 2011	**4,720**	**847**	**-122**	**-981**	**12,634**	**19,043**	**13,302**	**49,444**	**64**	**49,507**
SHAREHOLDERS' EQUITY 1 Jan 2010	4,720	847	-122	371	12,634	52,090	6,448	76,988	72	77,060
Covering of loss						-22,657	22,657			
Share-based payments							303	303		303
Other changes							12	12	2	14
Total comprehensive income for the period				5,705			-10,957	-5,252	-18	-5,270
TOTAL SHAREHOLDERS' EQUITY 31 DEC 2010	4,720	847	-122	6,076	12,634	29,433	18,462	72,050	56	72,106

Consolidated cash flow statement

EUR 1,000	Note	1 Jan–31 Dec 2011	1 Jan–31 Dec 2010
Cash flow from operating activities			
Result for the period		**-15,573**	-10,975
Adjustments for:			
Depreciation, amortization and impairment losses		**9,383**	8,784
Option expenses and employee benefits		**135**	473
Unrealized exchange gains and losses		**-5,710**	-273
Impairment of trade receivables		**4,404**	909
Unrealized gains and losses from assets at fair value through income statement		**5**	255
Other financial income and expenses		**438**	-191
Income taxes		**5,640**	1,559
Other adjustments		**-90**	1
Changes in working capital:			
Change in trade and other receivables		**-12,549**	-4,342
Change in inventories		**233**	308
Change in trade payables and other liabilities		**1,765**	-3,697
Interest paid		**-730**	-335
Interest received		**98**	543
Income taxes paid		**-4,702**	-3,212
Net cash flow from operating activities		**-17,254**	-10,192
Cash flow from investments			
Investments in intangible assets		**-298**	-829
Investments in property, plant and equipment		**-698**	-852
Proceeds from disposal of intangible and tangible assets		**46**	
Investments in other securities		**-247**	
Proceeds from disposal of other securities			948
Interest received from investments		**125**	34
Dividends received from investments		**196**	298
Net cash flow from investments		**-877**	-402
Cash flow from financing activities			
Proceeds from borrowings		**9,500**	3,000
Repayments of borrowings		**-1,111**	-2,166
Payments of finance lease liabilities		**-65**	-14
Net cash flow from financing activities		**8,324**	820
Change in cash and cash equivalents		**-9,808**	-9,774
Cash and cash equivalents at beginning of period		**16,737**	25,674
Change in foreign exchange rates		**-239**	1,093
Change in fair value of investments		**18**	-255
Cash and cash equivalents at end of period	18	**6,708**	16,737

Accounting principles for the consolidated financial statements

Corporate information

Tecnotree develops and supplies messaging and charging solutions for telecom operators and service providers. The Group has operations in Finland and in 18 other locations in 18 countries.

The Group's parent company is Tecnotree Corporation, which is domiciled in Espoo, Finland and its registered address is Finnoonniitynkuja 4, 02770 Espoo. A copy of the consolidated financial statements can be obtained on the Internet at www.tecnotree.com or from the head office of the Group's parent company at Finnoonniitynkuja 7.

Accounting principles

Basis for Preparing Consolidated Financial Statements

Tecnotree's consolidated financial statements have been prepared in accordance with the international financial reporting standards (IFRS) adopted by the EU, applying the IAS and IFRS standards and SIC and IFRIC interpretations in force on 31 December 2011. International Financial Reporting Standards, referred to in the Finnish Accounting Act and in ordinances issued based on the provisions of the Act, refer to the standards and to their interpretations adopted in accordance with the procedure laid down in regulation (EC) No 1606/2002 of the European Parliament and of the Council. The notes to the consolidated financial statements also conform to Finnish accounting and corporate legislation

The consolidated financial statements are prepared on the historical cost basis, apart from the exceptions mentioned later in these accounting principles. The financial statement information is presented in thousands of Euro.

The Group has adopted the following amended standards and new interpretations starting from 1 January 2011:

- Improvements to IFRSs – changes May 2010
- Amendment to IAS 32 *Financial instruments*: Presentation (*Classification on Rights Issues*)
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* – interpretation
- Revised IAS 24 *Related Party Disclosures*
- FRIC 14 *Prepayments of a Minimum Funding Requirement* – amendment to interpretation

These new or revised standards and interpretations did not have a significant impact on the consolidated financial statements.

Use of estimates

The preparation of the financial statements in accordance with IFRS requires management to make certain estimates and assumptions concerning the future. Actual results may differ from these estimates. In addition, management has to make judgments in applying the accounting principles. Information about the judgments made by management in the application of the accounting principles followed by the Group and which have the most significant impact on the financial statements is given in the section "Accounting principles requiring management judgments and key sources of estimation uncertainty".

Accounting principles for the consolidated financial statements

Subsidiaries

Subsidiaries are companies controlled by the Group. Control exists when the Group holds over half of the voting rights or it otherwise has control. Control means the right to govern the financial and operating policies of a company so as to obtain benefits from its activities.

Intra-group holdings are eliminated using the purchase method. The financial statements of subsidiaries are included in the consolidated financial statements from the date that the Group has obtained control and divested subsidiaries until the date that control ceases. Intra-group transactions, unrealized margins, receivables and liabilities, and profit distribution have been eliminated in preparing the consolidated financial statements.

Total comprehensive income for the period attributable to the owners of the parent and non-controlling interests is presented in the income statements and in the statements of comprehensive income. Non-controlling interests are presented as a separate item in the balance sheet within equity of the owners of parent. Non-controlling interests of accrued losses are recognised in the consolidated financial statements up to the maximum amount of their investment.

Foreign currency items

Transactions in foreign currencies are translated to the functional currency at the rates of exchange prevailing on the transaction dates or at the rate close to that on the transaction date. Monetary assets and liabilities denominated in foreign currency are retranslated to the functional currency using the rate of exchange on the closing date. Exchange rate gains and losses arising from the translation of foreign currency transactions and of monetary assets and liabilities are recognized in the income statement. Exchange gains and losses relating to business operations are treated as adjustments to net sales or to purchasing and manufacturing. Exchange rate gains and losses related to financing operations are recognized under financial income and expenses.

The consolidated financial statements are presented in euro, which is the functional and presentation currency of the parent company. The income statements of those foreign Group companies whose functional currency is not the euro are translated into euro using the average exchange rate for the period, and balance sheet items, apart from the result for the period, at the exchange rate on the balance sheet date. Translation differences arising from eliminating the acquisition cost of foreign subsidiaries, the translation of the foreign subsidiaries' accumulated equity subsequent to acquisition, of the income statements and the balance sheets are recognized in translation reserve in equity.

Those translation differences accumulated by the date of transition to IFRSs, 1 January 2004 were recorded against retained earnings. Translation differences arising after the transition date are shown in translation reserve in equity. They are recognized in the income statement as part of the gain or loss on sale when a foreign entity is sold.

Property, plant and equipment

Property, plant and equipment are measured at historical cost less accumulated depreciation and any impairment losses.

Certain parts of items of property, plant and equipment are accounted for as separate items. When such a part is replaced, the costs relating to the new part are capitalized. Other subsequent expenses are capitalized only if it is probable that they will increase the economic benefits that will flow to the company. All other costs, such as normal repair and maintenance costs, are expensed as incurred.

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives. Land is not depreciated. The estimated useful lives are as follows:

- Buildings and structures 25 years
- Machinery and equipment and furniture 3 –5 years
- Computing hardware and equipment 3 –5 years

The residual value of these assets and their useful lives are reassessed annually when the financial statements are prepared, and if necessary are adjusted accordingly to reflect any changes in the expectation of economic benefits expected.

Gains or losses on sale or disposal of property, plant and equipment are recognized in the income statement.

Depreciation on an item of property, plant and equipment ceases when the item is classified as an asset held for sale, in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Intangible assets

Goodwill

After 1 January 2004 goodwill represents the amount of the acquisition cost that exceeds the Group's share in the net fair value of the identifiable assets, liabilities and contingent liabilities of acquiree on the date of acquisition.

In respect of business combinations occurred prior to 1 January 2004 goodwill represents the book value recorded under the previous financial statement standards, and this has been used as the deemed cost under IFRS.

Goodwill is not amortized but it is tested annually for impairment. For this purpose goodwill is allocated to the cash-generating units. Goodwill is measured at cost less any impairment losses.

Other intangible assets

Intangible assets that have finite useful lives are recorded in the balance sheet and amortization is recognized in the income statement on a straight-line basis over the useful lives as follows:

- Intangible rights 3-10 years
- Capitalized development expenditure 3-5 years

Research and development costs

Research costs are charged to the income statement as incurred. Development costs for new products are capitalized when they meet the requirements of IAS 38 Intangible assets. They are amortized over the useful lives of the related products. In Tecnotree development costs are monitored on a project-by-project basis and management decides on the capitalization separately for each project. In order to qualify for capitalization the following criteria are to be met: the results of a project are of use to several customers, the contents, objectives and timetable of a project are documented and a profitability calculation is prepared. Capitalization of product development costs that fulfil IFRS criteria starts when following requirements are met: a product's functional requirements and the plans for product industrialisation, testing and project are complete and have been approved as well as future economic benefits are expected from the product. The useful life of capitalized development expenditure is 3-5 years depending on the expected commercial life cycle, and they are amortized on a straight-line basis over this period from the start of commercial use.

Inventories

Inventories are stated at the lower of acquisition cost and net realisable value. The cost is based on the FIFO principle. The cost of manufactured products and work in progress includes the cost of raw materials, direct labour costs, other direct costs as well as an appropriate share of variable and fixed production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling.

Leases

Leases are classified in accordance with the principles of IAS 17 as either finance leases or operating leases. A finance lease is defined as a lease in which the benefits and risks of ownership are substantially transferred to the lessee. A finance lease is recognized in the balance sheet at the lower of the fair value of the leased asset and the present value of the minimum lease payments at inception of the lease. Assets acquired under a finance lease, less accumulated depreciation, are recorded in property, plant and equipment and related obligations in interest-bearing liabilities, respectively. Lease payments are apportioned between the finance expense and the reduction of the outstanding liability. Depreciation on the assets acquired under a finance lease is recognized over the shorter of the depreciation period applied by the Group to comparable owned assets and the lease term.

Leases in which the lessor retains the risks and benefits of ownership are treated as operating leases. Payments made under operating leases are recognized as other operating expenses in the income statement on a straight-line basis over the lease term.

Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount is also annually estimated for the following assets, irrespective of whether there is any indication of impairment or not: goodwill and intangible assets not yet available for use.

The recoverable amount is determined as the higher of fair value less costs to sell and value in use. At Tecnotree impairment tests are carried out based on the value in use at the cash-generating unit level.

The cash-generating units are the geographical areas, which are Americas (North, Central and South America), Europe, MEA (Middle East and Africa) and APAC (Asia Pasific). The value in use is the present value of the future net cash flows expected to be derived from the asset.

An impairment loss is recognized if the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount. The impairment loss is recognized in the income statement.

An impairment loss is reversed if there are indications that the impairment loss may no longer exist and when conditions have changed and the recoverable amount has changed after the impairment loss was recognized. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognized. An impairment loss in respect of goodwill is never reversed.

Employee benefits

Pension benefits

The Group's pension plans conform to the regulations and practices in force in the countries where the Group operates. Statutory and any voluntary pension plans are managed by pension insurance companies.

Pension plans are classified either as defined benefit and defined contribution plans.

In defined contribution plans the Group pays fixed contributions to a separate entity. The Group has not obligation to pay any additional contributions if the insurer is not able to pay the future employee benefits. Defined contribution plan expenses are recognized in the income statement on the accrual basis. The obligation for defined benefit pension plans is calculated using the projected unit credit method. The pension obligation is discounted to determine its present value using interest rates for government bonds that have maturity dates approximating to the terms of the Group's pension obligation. The pension liability or asset in the balance sheet is formed by the difference between the present value of the defined benefit pension obligation less the fair value of plan assets together with unrecognized actuarial gains and losses and unrecognized past service costs.

At the date of transition to IFRS on 1 January 2004 all actuarial gains and losses were recognized against the opening IFRS balance sheet equity. Actuarial gains and losses subsequent to the transition date are recognized in the income statement over the expected average remaining working lives of the employees participating in the plan to the extent that they exceed 10 per cent of the greater of the present value of the pension obligation and the fair value of plan assets.

Share-based payments

The fair value of the option rights is measured on grant date and is recognized as an expense on a straight-line basis over the vesting period according to IFRS 2 Share-based Payment. The cost determined at the grant date is based on the Group's estimate of the number of the options which are expected to vest by the end of the vesting period. The fair value is measured based on the Black-Scholes formula. Changes in the estimates for the final number of options are recognized in the income statement.

When the option rights granted prior to the effective date of the new Limited Liability Companies Act (1 September 2006) are exercised, payments for share subscriptions are allocated so that the amount equivalent to the nominal value of a share, adjusted by any transaction costs, is recorded in share capital and any excess in the share premium fund. Payments for share subscriptions made with options after 1 September 2006 are recorded in the reserve for invested unrestricted equity, adjusted by any transaction costs.

Incentive programmes where the payments are made in part as company shares and in part as money, the benefits granted are recognised at current value at the time of payment and recognised in the income statement as a cost arising from employee benefits evenly throughout the accrual and commitment period.

Provisions

A provision is recognized in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the obligation will have to be settled, and the amount of the obligation can be reliably estimated. If it is possible to obtain compensation for some of the obligation from a third party, the compensation is recognized as a separate asset, but only when it is virtually certain that the compensation will be received.

A provision for restructuring is recognized when the Group has drawn up a detailed and formal restructuring plan and the restructuring has either commenced or the plan has been announced publicly. A plan for restructuring shall contain at least the following information: the business concerned, the principal locations affected, the location, function and approximate number of employees who will be compensated for having their services terminated, the type of expenditure that will be incurred, and when the plan will be implemented.

Income tax

The income tax expense in the income statement consists of current tax, based on the taxable profit for the period and deferred tax. Current tax is calculated on the taxable profit using the tax rate in force in each country. The resulting tax is adjusted by any tax relating to previous years.

Deferred tax is calculated using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the goodwill which is permanently non-deductible or for the undistributed earnings of foreign subsidiaries to the extent it is probable that the difference will not reverse in the foreseeable future. The principal temporary differences arise from capitalized development expenditure and from investments measured at fair value.

Deferred tax is measured using the tax rates enacted by the balance sheet date. Deferred tax liabilities are recognized in full, but deferred tax assets are only recognized to the extent that it is probable that future taxable income will be available against which they can be utilized

Revenue recognition

At Tecnotree, net sales comprise revenue recognized from project deliveries and goods and service deliveries from which indirect taxes, discounts and exchange rate differences have been deducted.

Revenue from project deliveries is recognized in accordance with IAS 11 Construction Contracts. Project revenue and expenses are recognized in the income statement in proportion to the stage of completion on the balance sheet date, once the outcome of the project can be estimated reliably. The outcome can be estimated reliably when the anticipated revenue and costs of the contract and the progress of the project can be estimated reliably and when it is probable that the economic benefits associated with the project will flow to the Group.

The stage of completion of a project is determined for each contract by the proportion of the estimated total contract costs accounted for by the costs incurred for work performed to date (cost-to-cost method). The revenue recognition for a project will start when the outcome of the project can be estimated reliably. Typically this happens when the management has approved the project and the first delivery to the customer has been made.

The stage of completion method of revenue recognition is based on estimates of the expected revenue and expenses associated with the contract and on estimating the progress of the project. The cost estimates for the projects are monitored quarterly in the management’s revenue review and the revenue and expenses recognized in the income statement are revised if the estimates of the outcome of the project change. The accumulated effect due to the change in the estimates is recognized in the period when the change is known for the first time and its amount can be estimated. If the outcome of a project cannot be estimated reliably, revenue is only recognized to the extent of project costs incurred. This method of recognition is typically applied in first delivery projects for new products or when a delivery project contains a significant amount of customisation for individual customers. The margin on the project is recognized on final acceptance.

A project is considered onerous if its costs exceed total project revenue. The expected loss is then recognized as an expense immediately.

Revenue from the sale of goods and services is recognized in accordance with IAS 18 Revenue. Revenue from the sale of goods is recognized when the significant risks and benefits of ownership have been transferred to the buyer and when the amount of the revenue can be measured reliably and it is probable that the related economic benefits will flow to the company. Revenue from services is recognized when the service has been rendered. Supplementary deliveries that are often sold separately such as maintenance, licences, training, documentation and spare parts are examples of goods and service deliveries. Revenue from fixed-term maintenance contracts is normally recognized over the contract period on a straight-line basis.

Definition of operating profit

IAS 1 Presentation of Financial Statements does not define the term ‘operating profit’. Tecnotree Group has defined it as follows: operating profit is the net sum obtained after adding other operating income to net sales and then deducting purchasing costs adjusted by the change in stocks of finished products and work in progress, employee benefit expenses, depreciation, amortization and any impairment losses, and other operating expenses. Changes in the fair values of derivative financial instruments entered into for hedging purposes are included in the operating profit.

All other income statement items are presented below the operating profit. Exchange rate differences are included in operating profit if they arise from items related to business operations otherwise they are recognized in finance items.

Non-current assets held for sale and discontinued operations

A non-current asset held for sale is classified as held for sale if its carrying amount will be recovered mainly through a sale transaction rather than through continuing use. Non-current assets held for sale as well as assets classified as held for sale that relate to a discontinued operation are measured at the lower of their carrying amount and fair value less costs to sell. Depreciation on these assets ceases on classification as held for sale.

Financial assets and liabilities

Financial assets

Financial assets are classified in accordance with IAS 39 in either of the following two categories: financial assets at fair value through profit or loss held for trading as well as loans and receivables. Financial assets are classified when originally acquired based on their purpose of use. All purchases and sales of financial assets are recognized on the transaction date.

The financial assets at fair value through profit and loss comprise assets held for trading that in the Tecnotree Group include liquid and highly liquid mutual fund investments. Also foreign currency derivatives with positive fair values are classified as financial assets at fair value through profit and loss.

Loans and receivables include trade receivables and other receivables measured at amortized cost less any impairment. Bank deposits are also classified as loans and receivables.

Cash and cash equivalents comprise cash in hand and at banks and other short-term bank deposits with maturities less than three months, and highly liquid mutual fund investments.

Recognition of financial assets takes place when the Group has lost the contractual right to cash flows or when it has substantially transferred the risks and rewards outside the Group.

Construction work in progress

Construction work in progress is stated at the aggregate amount of revenue recognized less the invoiced amount. Costs include all costs directly related to the Group’s construction contracts and the allocation of fixed and production overheads. Allocation is based on normal operating capacity.

Financial liabilities

Foreign currency derivatives with negative fair values are classified as financial liabilities at fair value through profit and loss.

Other financial liabilities are initially recognized at fair value equivalent to the consideration received, adjusted with any transaction costs. Subsequent to initial recognition, these liabilities are stated at amortized cost calculated using the effective interest method. The financial liabilities are classified as current, unless the Group has an unconditional right to postpone the repayments more than 12 months from the reporting date.

Borrowing costs are recorded as an expense in the period in which they incur.

Derivative financial instruments

The derivative contracts entered into by the Tecnotree Group are currency forward contracts and options.

The Group does not apply hedge accounting as defined under IAS 39 although the derivatives are used to hedge trade receivables denominated in foreign currencies.

Derivative instruments are classified as financial assets or liabilities held for trading. Derivatives are fair valued. The fair value of the derivative contracts is determined by using market rates of the counterparty for instruments with similar maturity. Gains and losses arising from changes in the fair values are recognized in the income statement.

Accounting principles requiring management judgments and key sources of estimation uncertainty

To prepare the consolidated financial statements in accordance with IFRSs management has to make estimates and assumptions concerning the future. Actual results may differ from these estimates and assumptions. In addition management has to make judgments in the application of the accounting principles.

These estimates mainly affect recognition of revenue and expenses, the measurement of trade receivables and other assets, the capitalization of development costs and the recognition of deferred tax assets and their utilization against future taxable income.

The projects delivered and services rendered by the Group are often large, complicated and financially significant. Management has to make judgments concerning the circumstances and conditions related to customer projects that may affect the timing of recognitions of project revenue and profitability of the project in its entirety. Such factors include assignment of sufficient number of skilful employees to each project or for example factors in the functioning of international and especially emerging markets that may partly lie out of control of the company or the customers. The completion of projects often requires new technical solutions that may cause unpredictable problems, delays and additional costs.

The Group tests goodwill annually for impairment and evaluates indications of impairment as stated in the accounting principles above. The recoverable amount from the cash-generating units is determined using calculations that are based on value in use and require the use of estimates. In Tecnotree development costs are monitored on a project-by-project basis and management always decides on the capitalization separately for each project. In order to qualify for capitalization the following criteria are to be met: the results of a project are of use to several customers, the product is technically feasible, it can be utilized commercially, its development costs can be monitored reliably and the contents, objectives and timetable of a project are documented and a profitability calculation is prepared. Amortization of development costs commences once the resulting product is ready for sale and its commercial use has begun.

The amortization period is defined based on the useful life of assets and is generally 3-5 years. Management estimates the depreciation period project-by-project basis taking into consideration asset's' foreseeable demand on the market.

Management monitors the feasibility and life cycle estimates for development projects. If these estimates give indication of possible impairment of the capitalized development costs, an impairment test is made based on value in use.

Application of new and amended IFRSs

IASB has issued the following new or revised standards and interpretations, which the Group will adopt as from 1 January 2012:

- Amendments to IFRS 7 *Financial instruments*: *Disclosures* (*Transfers of Financial Assets*)
- Amendments to IAS 12 *Deferred Tax* (*Recovery of Underlying Asset*)

The Group estimates, that these new or revised standards and interpretations will not have a significant impact on the consolidated financial statements.

IASB has issued the following new or revised standards and interpretations, which the Group will adopt as from the effective date approved by EU:

- IFRS 9 *Financial Instruments* – new standard
- FRS 10 *Consolidated Financial Statements* – new standard
- IFRS 11 *Joint Arrangements* – new standard
- FRS 12 *Disclosure of Interests in Other Entities* – new standard
- IFRS 13 *Fair Value Measurement* – new standard
- IAS 28 *Investments in Associates and Joint Ventures* – revised standard
- IAS 19 *Employee Benefits* – revised standard
- IAS 1 *Presentation of Financial Statements* – amendment (*Presentation of Items of Other Comprehensive Income*)

These new or revised standards and interpretations have not yet been adopted by EU. The Group is assessing the impact of these on the consolidated financial statements.

1. Segment reporting

As from the beginning of 2010, 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.

The result of the operating segment is the net of sum obtained after adding other operating income to the net sales and then deducting purchasing costs adjusted by the change in stocks of finished products and work in progress, and other operating expenses that can be allocated to the segments on a reasonable basis. Other segments include costs of product development and administration as well as other operating expenses that can't be directly allocated to the operating segments according to the IFRS 8 -standard.

Tecnotree does not allocate its assets to the operating segments for the reporting purposes. For the purpose of impairment testing, the goodwill is allocated to the cash generating units according to how the synergy benefits are expected to arise, and the other balance sheet items according to the approved allocation principles.

Operatig segments 2011

EUR 1,000	**Americas**	**Europe**	**MEA**	**APAC**	**Other segments**	**Group total**
Net sales (external)	23,331	7,948	27,039	3,969		**62,286**
Segment result	7,294	3,939	14,910	1,903		**28,046**
Non-allocated items					-29,750	**-29,750**
Operating result before R&D capitalisation & amortisation and one-time costs						**-1,704**
Product development capitalisation					134	**134**
Product development amortisation					-7,107	**-7,107**
One-time costs					-2,423	**-2,423**
Operating result						**-11,101**

Operatig segments 2010

EUR 1,000	Americas	Europe	MEA	APAC	Other segments	Group total
Net sales (external)	25,217	6,736	23,689	5,051		60,693
Segment result	8,928	2,966	16,087	1,856		29,837
Non-allocated items					-32,361	-32,361
Operating result before R&D capitalisation & amortisation and one-time costs						-2,524
Product development capitalisation					592	592
Product development amortisation					-6,132	-6,132
Operating result						-8,064

Net sales by geopgraphical areas

EUR 1,000	2011		2010	
Net sales (external)				
Americas:				
Ecuador	**3,362**		5,692	
Other countries	**19,969**	**23,331**	19,525	25,217
Europe:				
Finland	**2,512**		2,225	
Other countries	**5,436**	**7,948**	4,511	6,736
MEA		**27,039**		23,689
APAC		**3,969**		5,051
Group total		**62,286**		60,693

Information about major customers

EUR 1,000		2011		2010	
		Net sales	**% of the Group´s net sales**	Net sales	% of the Group´s net sales
Customer 1, operating segment:	Americas			6,715	11%
Customer 2, operating segment:	MEA	**6,636**	**11%**		

2. Acquisitions

2011

There were no acquisitions of subsidiaries or businesses during 2011.

2010

There were no acquisitions of subsidiaries or businesses during 2010.

The purchase price calculation of Tecnotree India presented in the financial statements 2009 was preliminary. In the final purchase price calculation, the fair value of customer contracts and the related customer relationships was assessed at EUR 482 thousand and the fair value of the order book at EUR 165 thousand. These values were included in goodwill in the preliminary calculation. The amortization period for customer relationships is 5 years and for the order book 5 months, beginning on the date of acquisition 6 May 2009.

3. Construction contracts

EUR 1,000	2011	2010
Revenue from contract work recognised by stage of completion	**27,689**	23,616
Revenue from maintenance and support	**17,154**	26,234
Revenue from goods and services	**17,443**	10,843
Net sales total	**62,286**	60,693
Order book for contract work	**35,397**	8,183
Order book for maintenance and support, goods and services	**4,960**	6,092
Order book total	**40,357**	14,275
Projects in progress:		
Cumulative revenue recognised for projects in progress	**18,401**	18,439
Cumulative invoicing for projects in progress recognised by stage of completion	**8,990**	9,191
Accrued income related to construction contracts, work in progress	**9,411**	9,248
Aggregate amount of costs incurred for projects in progress	**7,221**	6,812

On the reporting date, the Group has no retentions held by customers. The Group has not received any advances related to projects in progress.

4. Materials and services

EUR 1,000	2011	2010
Purchases during the period	**-9,766**	-8,505
Increase/decrease in inventories	**-245**	-863
Materials and supplies	**-10,011**	-9,368
External services	**-778**	-767
Materials and services total	**-10,789**	-10,135

5. Employee benefit expenses

EUR 1,000	**2011**	2010
Wages and salaries	**-23,495**	-23,239
Pension expenses, defined contribution plans	**-1,613**	-1,607
Pension expenses, defined benefit plans	**-85**	-456
Pension expenses total	**-1,697**	-2,063
Share options granted	**-29**	-303
Other employee benefits	**-5,308**	-3,511
Other employee benefits total	**-5,337**	-3,814
Employee benefit expenses total	**-30,529**	-29,116

Information about management board compensation is presented in note 29 and granted share options in note 20.

Average number of employees		
Finland	77	72
Ireland	60	67
Other Europe	8	9
India	695	559
Other East and Southeast Asia	18	20
Middle East	19	23
Brazil	45	47
Total	922	797

6. Depreciations and amortisations

EUR 1,000	2011	2010
Depreciations by class of asset		
Other intangible assets		
Capitalised development costs	**-7,107**	-6,178
Other intangible assets	**-1,026**	-1,111
Total	**-8,134**	-7,288
Property, plant and equipment		
Buildings	**-279**	-279
Machinery and equipment	**-970**	-1,180
Total	**-1,249**	-1,458
Depreciation, amortisation and impairment losses total	**-9,383**	-8,747

7. Other operating expenses

EUR 1,000	2011	2010
Subcontracting	-1,212	-2,828
Office management costs	-4,640	-4,763
Travel expenses	-5,127	-4,776
Impairment losses on trade receivables	-4,620	-909
Agent fees	-1,807	-2,798
Rents	-1,632	-1,727
Professional services	-3,138	-2,274
Marketing	-299	-208
Other expenses	-443	-517
Other operating expenses total	-22,919	-20,800

The subcontracting item in the operating expenses consists largely of amounts paid to Acccenture Service Oy for software development and maintenance for the voice messaging systems. Impairment losses on trade reveivables refer mainly to impairments recognised on overdue receivables from a customer own by the government of Libya.

Auditors' fees		
Audit	-103	-79
Tax consulting	-27	-33
Other services	-26	-40
Auditors' fees total	-156	-152

8. Research and development expenditure

EUR 1,000	2011	2010
Research and development expenses incurred during the year, before capitalisation of development costs	**-12,054**	-13,144
Capitalisation of development costs	**134**	592
Amortisation of capitalised development costs	**-7,107**	-6,132
Research and development expenses recognised in income statement total	**-19,028**	-18,684

9. Financial income and expenses

EUR 1,000	2011	2010
Financial income		
Dividend income from financial assets at fair value through income statement	**196**	297
Financial income from financial assets at fair value through income statement	**339**	74
Financial income from loans and receivables	**192**	189
Other financial income		135
Foreign exchange gains on loans and receivables and on financial liabilities at amortised cost	**1,720**	392
Financial income total	**2,446**	1,087
Financial expenses		
Financial expense from financial liabilities at amortised cost	**-1,023**	-683
Other financial expenses	**-141**	-81
Foreign exchange losses on loans and receivables and on financial liabilities at amortised cost	**-110**	-1,676
Unrealized losses from financial assets at fair value through income statement	**-5**	
Financial expenses total	**-1,278**	-2,439
Financial income and expenses total	**1,168**	-1,352

Items above the operating result include foreign exchange rate gains (net) of EUR 4,458 thousand in 2011 (EUR 1,540 thousand exchange rate gains (net) in 2010). The exchange rate gains consist mainly of exchange rate differences from intragroup payables in the parent company.

10. Income taxes

EUR 1,000	2011	2010
Current taxes	-3,377	-1,391
Withholding taxes paid abroad	-1,559	-1,735
Taxes for previous accounting periods	-216	-102
Change in deferred tax liabilities and deferred tax assets	-488	1,670
Income taxes total	-5,640	-1,559

Reconciliation of effective tax rate

Income tax reconciliation between tax expense computed at statutory rates in Finland (2011/2010: 26 per cent) and income tax expense.

Profit before taxes	-9,933	-9,416
Income tax using Finnish tax rates	2,583	2,448
Effect of different tax rates applied to foreign subsidiaries	-715	-558
Change of tax rate in Finland 2012, impact on deferred taxes	83	
Non-deductible expenses and tax-free income	-1,979	1,494
Forfeited withholding taxes	-1,577	-1,735
Taxes of prior periods	-216	-102
Utilisation of previously unrecognised tax losses	1,203	413
Unrecognised deferred tax assets on tax losses	-73	12
Unrecognised deferred tax assets on research and development costs capitalised in the taxation	-4,846	-3,417
Deferred tax liabilities on undistributed profits of a foreign subsidiary	-1,090	-881
Other capital allowances	988	768
Taxes in income statement	-5,640	-1,559

11. Earnings per share

EUR 1,000	**2011**	2010

Basic earnings per share are calculated by dividing the profit atttibutable to the equity holders of the parent company and the weighted average number of ordinary shares outstanding during the year.

Profit attributable to equity holders (EUR 1,000)	**-15,590**	-10,953
Weighted average number of shares during the year (1,000 shares)	**73,496**	73,496
Basic earnings per share, EUR	**-0.21**	-0.15

The calculate diluted earnings per share, the weighted average number of shares taken into account the dilutive effect of converting all potential ordinary shares into shares. The Group has share options that have a dilutive effect on the number of ordinary shares. Share options have a dilutive effect whenn the exercise price is lower that the fair value of the share. The amount of the dilution is the number of shares that can be considered as issued for no consideration since the company could not issue the same number of shares at fair value with the funds received from the share subscribtion. The fair value of the shares is based on the average proce of the share during the financial year.

Profit attributable to equity holders of the parent company for calculating diluted earnings per share (EUR 1,000)	**-15,590**	-10,953
Weighted average number of shares during period (1,000 shares)	**73,496**	73,496
Effect of share options (1,000 shares)		20
Weighted average number of shares for calculating diluted earnings per share (1,000 shares)	**73,496**	73,516
Diluted earnings per share, EUR	**-0.21**	-0.15

12. Intangible assets

Intangible assets 2011

EUR 1,000	**Goodwill**	**Product development costs**	**Other intangible assets**	**Total**
Acquisition cost 1 Jan	21,608	32,296	9,432	**63,336**
Exchange differences	-2,419	-93	-621	**-3,133**
Increase	3	134	165	**302**
Acquisition cost 31 Dec	19,192	32,337	8,976	**60,505**
Accumulated amortisations and impairment losses 1 Jan		-17,779	-5,990	**-23,769**
Exchange differences		35	284	**320**
Amortisation during period		-7,107	-1,026	**-8,134**
Accumulated amortizations and impairment losses 31 Dec		-24,851	-6,732	**-31,583**
Book value 31 Dec 2011	**19,192**	**7,486**	**2,244**	**28,922**

Intangible assets 2010

EUR 1,000	Goodwill	Product development costs	Other intangible assets	Total
Acquisition cost 1 Jan	19,591	31,493	8,818	59,903
Exchange differences	2,014	61	516	2,591
Increase	2	742	98	842
Acquisition cost 31 Dec	21,608	32,296	9,432	63,336
Accumulated amortisations and impairment losses 1 Jan		-11,588	-4,769	-16,358
Exchange differences		-12	-96	-108
Amortisation during period		-6,178	-1,124	-7,303
Accumulated amortizations and impairment losses 31 Dec		-17,779	-5,990	-23,769
Book value 31 Dec 2010	21,608	14,517	3,442	39,567

Goodwill and impairment testing

The major part ofnthe goodwill arose on the acquisition of Lifetree, which is disclosed in note 2. For the purpose of impairment testing, goodwill has been allocated to the operating segments Europe, Middle-East and Africa, Asia and Pasific and Americas, which constitute cash generating units. The carrying value of goodwill is allocated as follows:

	Europe	Middle-East and Africa	Asia and Pasific	Americas	Total
Goodwill 31 Dec 2011 EUR 1,000	**384**	**13,434**	**576**	**4,798**	**19,192**
Goodwill 31 Dec 2010 EUR 1,000	432	15,126	648	5,402	21,608

The recoverable amounts of goodwill are determined based on value in use calculations. The cash flow forecasts rely on forecasts approved by the Managements Board. The forecasts cover a five-year period. The key variables in defining cash flows are the company´s level of operating result, discount rate and the cash flows subsequent to the forecast period (residual value). The level of operating result is based on budget and forecasts for the years 2013-2016 approved by the Board of Directors. The level of operating result during the forecast period is estimated to improve. The pre-tax discount rate applied is 10.7 (9.7) per cent, determined by using the weighted average cost of capital (WACC). The increase in the discount rate compared to the previous year is mainly due to increase in the industry and general risk levels as well as increased profit requirement used in the calculations. The growth rate used in calculating the cash flows of the residual value is 2.5 (2.5) per cent. The management estimates the development of these factors based on internal and external views of the history and future of the industrial sector.

In the goodwill impairment test, the sensitivity of the outcome is estimated through changes in key variables. The segment wise sensitivity analysis is presented in the table below. In the analyses, it is presented how many percentage points the used pre-tax discounting rate and the growth rate in calculating residual value should change, other variables remaining constant, that the estimated cash flow would match with the carrying amount of the tested assets.

31 Dec 2011	**Europe**	**Middle-East and Africa**	**Asia and Pasific**	**Americas**
The change of (WACC), in percentage points	**0.8%**	**0.9%**	**2.2%**	**0.8%**
Change of estimated growth rate in calculating residual value, in percentage points	**-1.0%**	**-1.3%**	**-3.2%**	**-1.1%**

31 Dec 2010	Europe	Middle-East and Africa	Asia and Pasific	Americas
The change of (WACC), in percentage points	1.1%	3.1%	1.5%	0.5%
Change of estimated growth rate in calculating residual value, in percentage points	-1.3%	-5.0%	-2.0%	-0.7%

Product development costs and impairment testing

Capitalised product development costs inlude EUR 294 (824) thousand such products in progress that are not yet in commercial use, and are therefore not amortised. Based on the annual impairment tests performed, there is no need to recognise an impairment loss on intangibles in progress. Research and development costs recorded in the income statement are presented in note 8.

13. Property, plant and equipment

Property, plant and equipment 2011

EUR 1,000	Land and water areas	Buildings	Machinery and equipment	Investments in progress	Total
Acquisition cost 1 Jan	2,069	7,534	33,272	17	**42,893**
Translation differences			-381		**-381**
Increase			698		**698**
Decrease			-192		**-192**
Regroupings			4	-4	
Acquisition cost 31 Dec	2,069	7,534	33,402	14	**43,018**
Accumulated depreciations and impairment losses 1 Jan		-5,048	-30,996		**-36,044**
Translation differences			221		**221**
Accumulated depreciation for decreases and reclassifications			146		**146**
Depreciation during period		-279	-970		**-1,249**
Accumulated depreciations and impairment losses 31 Dec		-5,327	-31,599		**-36,926**
Book value 31 Dec 2011	**2,069**	**2,207**	**1,803**	**14**	**6,092**

Property, plant and equipment 2010

EUR 1,000	Land and water areas	Buildings	Machinery and equipment	Investments in progress	Total
Acquisition cost 1 Jan	2,069	7,534	32,029	22	41,654
Translation differences			399		399
Increase			856	175	1,031
Decrease			-11	-180	-191
Acquisition cost 31 Dec	2,069	7,534	33,272	17	42,893
Accumulated depreciations and impairment losses 1 Jan		-4,770	-29,574		-34,343
Translation differences			-236		-236
Accumulated depreciation for decreases and reclassifications			8		8
Depreciation during period		-279	-1,194		-1,473
Accumulated depreciations and impairment losses 31 Dec		-5,048	-30,996		-36,044
Book value 31 Dec 2010	2,069	2,485	2,277	17	6,849

14. Deferred tax assets and liabilities

Deferred taxes 2011

EUR 1,000	1 Jan 2011	Translation differences	Recognised in income statement	31 Dec 2011
Deferred tax assets				
Capital allowances in the Ireland subsidiary	155		-31	**124**
Capital allowances in the India subsidiary	2,333	-359	980	**2,954**
Other items	-3	3		
Total	**2,485**	**-356**	**949**	**3,078**
Deferred tax liabilities				
Capitalised development costs at group level and in taxation of the parent company *	791		373	**1,164**
Undistributed profits of foreign subsidiaries	1,453	-265	1,355	**2,543**
Allocations of goodwill on business combination	861	-99	-261	**500**
Net asset in pension plan	12		-12	
Accumulated depreciation difference *	224		-30	**194**
Other items	-12		12	
Total	**3,330**	**-365**	**1,437**	**4,402**

*) The Finnish tax rate was reduced on 1 Jan 2012 from 26 per cent to 24.5 per cent. The impact of the tax rate change on deferred taxes was recognised in the income statement, and it amounts to EUR -71 thousand on capitalised development costs and EUR -12 thousand on accumulated depreciation differences.

Deferred taxes 2010

EUR 1,000	1 Jan 2010	Translation differences	Recognised in income statement	31 Dec 2010
Deferred tax assets				
Capital allowances in the Ireland subsidiary	143		12	155
Capital allowances in the India subsidiary	1,389	169	775	2,333
Other items	-11		7	-3
Total	1,522	169	794	2,485
Deferred tax liabilities				
Capitalised development costs at group level and in taxation of the parent company	2,059		-1,267	791
Undistributed profits of foreign subsidiaries	572		881	1,453
Allocations of goodwill on business combination	997	122	-258	861
Net asset in pension plan	56		-44	12
Change in fair value of investments	68		-68	
Accumulated depreciation difference	254		-29	224
Other items	15		-28	-12
Total	4,022	122	-814	3,330

Tecnotree Oyj has not deducted research and development costs amounting to EUR 42,700 (30,646) thousand in its taxation. The amount can be deducted over an indefinite period with amounts that the company may freely decide. Part of these research and development costs have been capitalised in the consolidated balance sheet, and therefore the deductible temporary difference for which the Group has not recognised a deferred tax asset is EUR 40,986 (23,274) thousand. Deferred tax assets have been recognised to the extent that it is probable that future taxable profits will be available. In addition, the Group has tax losses in Finland of EUR 1,282 (3,815) thousand, tax losses in Brazil of EUR 4,061 (4,914) thousand and other deductible temporary differences of EUR 1,087 (961) thousand, for which deferred tax assets have not been recognised because of the uncertainty about utilising them.

Undistributed profits of foreign subsidiaries, for which no deferred tax liabilities have been recognised since the funds are invested permanently in the counties in questions, amount to EUR 16,149 (16,129) thousand.

15. Non-current receivables

EUR 1,000	2011	2010
Net asset in pension plan (note 21)		45
Bank deposits with maturities of more than 12 months	**856**	
Other non-current receivables	**443**	696
Non-current receivables total	**1,299**	741

16. Inventories

EUR 1,000	**2011**	2010
Materials and consumables	**624**	795
Work in progress	**99**	135
Finished products/goods	**67**	93
Inventories total	**790**	1,023

During the period the write-down of inventories to net realisable value amounted to EUR 153 (114) thousand.

17. Trade and other current receivables

EUR 1,000	2011	2010
Trade receivables related to construction contracts	**15,754**	5,736
Other trade receivables	**7,924**	11,659
Work in progress related to construction contracts	**9,568**	9,248
Finished work related to construction contracts	**9,411**	8,301
Other receivables based on delivery agreements	**7,735**	4,296
Current prepaid expenses and accrued income	**2,560**	2,336
Other current receivables	**58**	63
Trade and other receivables total	**53,010**	41,637

Fair values of receivables are stated in note 26. The retention amount from work in progress related to construction contracts at the end of the year is stated in note 3.

Tecnotree has overdue receivables amounting to EUR 7,740 thousand from a customer owned by the government of Libya, for which impairment totalling EUR 4,404 (909) thousand has been booked. The company is currently negotiating with the customer and its state owner on the payment of receivables, and this should gain momentum in the first half of 2012. The company believes that at least the net value for the reveivable of EUR 2,426 thousand in the balance sheet will be obtained.

Major items included in current prepaid expenses and accrued income		
Valuation of currency derivatives	**241**	336
Prepaid interest	**44**	148
Prepaid income taxes	**146**	63
Advance payments	**1,057**	996
Other prepaid expenses and accrued income	**1,072**	793
Total	**2,560**	2,336

18. Cash and cash equivalents

EUR 1,000	2011	2010
Bank deposits with maturities of more than 3 months	**21**	630
Investments total	**21**	630
Cash in hand and at bank	**5,741**	9,810
Bank deposits with maturities of less than 3 months	**342**	1,602
Mutual fund investments, highly liquid	**625**	5,326
Cash and cash equivalents total	**6,708**	16,737

19. Notes to the shareholders' equity

EUR 1,000	Number of outstanding shares (1,000 shares)	Share capital	Share premium fund	Own shares	Invested unrestricted equity reserve	Total
1 Jan 2011	73,496	4,720	847	-122	12,634	18,080
31 Dec 2011	73,496	4,720	847	-122	12,634	18,080

Tecnomen Corporation has one share series. The maximum number of shares is 98,252 (99,605) thousand. All the issued shares are fully paid.

Descriptions of funds in shareholders' equity

Share premius fund

In those cases where rights were granted during the period when the old Companies Act (29 Sept 1978/734) was in force, the payments received for otioin-based share subscriptions, less transaction costs, have been made recorded in the shre capital and share premium fund in accordance with the terms of the arrangement.

Own shares

Own shares includes the aquisition cost of company shares held by the Group. On the reporting date, the number of company shares held by the Group was 134,800 (134,800 in 2010). Own shares have been deducted from the number of shares when calculating per share ratios.

Reserve for invested unrestricted equity

The reserve for incested unrestricted equity includes ither investments of equity nature and subscription prices for shares to the extent that it is specifically decided not to be credited to the share capital. The payments received for share subscriptions based on the options granted after the entry into force (1 Sept 2006) of the new Limited Liability Companies Act (21 July 2006/624) are fully recognised in the reserve for invested unrestricted equity.

Other reserves

Other reserves contains the reserve of the parent company, where funds were transferred when reducing funds from the share premium fund, as well as the difference between fair value and exercise price of the shares issued in 2009.

Translation differences

Translation differences include exchange gains and losses arising from the translation of the financial statements of foreign subsidiaries.

Dividend

After the reporting date the Board of Directors has proposed that no dividend be paid for the financial year ended 31 December 2011. In 2011 no dividend was paid for the financial year that ended on 31 december 2010.

20. Share-based payments

Share option programmes

In 2011, Tecnotree Group had two effective option programs that are part of the system to motivate and retain the key personnel. The option programs were approved by the Annual General Meeting in 2006 and 2009. The subtypes of the option programs are valid from two to five years from their issue and the exercise period is two or three years. Option rights are issued to the key personnel of Tecnotree Group or to the subsidiary in Tecnotree Group by the decision of the Board of Directors in accordance with the terms of the option programs. The subsidiary can give the options further to the target group by the decision of the Board of Directors. The options are equity-settled.

If the employment of the share option holder ceases before the options are exercible for some other reason than the employee's death or reaching statutory retirement age in accordance with the terms of employment or if the company has otherwise specified retirement, then the employee shall immediately offer the company or a person designated by the company without consideration any share options for which the subscription period has not begun on the date when employment ceased. In addition to the condition of remaining in employment, the start of the exercise period of the maximum of two thirds of the option rights 2009B and 2009C is conditional upon the revenue and profitability targets determined by the company's Board of Directors. Once options subscription period has started they can be freely transferred, so the employee may sell or subscribe the share options to a third party.

The fair value of the options granted is valued using the Black-Scholes formula at their grant date and those will be recorded as an expense in the income statement during the vesting period. The share subscription price for the option includes a dividend adjustment, so it is not necessary to calculate or take into account future Tecnotree dividends when calculating the fair value.

	Share options 2006			Share options 2009		
Basic terms of share-based payments programs	**2006A**	**2006B**	**2006C**	**2009A**	**2009B**	**2009C**
Date of the Annual General Meeting	15.3.2006	15.3.2006	15.3.2006	19.3.2009	19.3.2009	19.3.2009
Grant dates	21.4.2006	20.11.2007	9.3.2011	7.5.2009	7.5.2009	7.5.2009
Maximum number of share options	667,000	667,000	667,000	1,026,005	2,394,013	3,420,018
Number of granted options	304,000	667,000	647,000	686,171	1,408,206	1,917,511
Number of exercisable shares per option	1	1	1	1	1	1
Original exercise price	2.73 €	1.56 €	1.12 €	0.86 €	0.86 €	0.86 €
Dividend adjustment	Yes	Yes	Yes	Yes	Yes	Yes
Exercise price 31 Dec 2009	2.47 €	1.32 €	0.98 €	0.86 €	0.86 €	0.86 €
Exercise price 31 Dec 2010	Expired	1.32 €	0.98 €	0.86 €	0.86 €	0.86 €
Exercise price 31 Dec 2011	Expired	Expired	0.98 €	Expired	0.86 €	0.86 €
Exercise period starts *	1.4.2007	1.4.2008	1.4.2009	1.4.2009	1.4.2010	1.4.2011
Exercise period ends	30.4.2010	30.4.2011	30.4.2012	31.3.2011	31.3.2012	31.3.2013
Agreed term of validity, years	4.1	5.1	6.1	2.0	3.0	4.0
Term to maturity, years	Expired	Expired	0.3	Expired	0.2	1.2

* The start of the exercise period of the maximum of two thirds of the option rights 2009B and 2009C is conditional upon the revenue and profitability targets determined by the company's Board of Directors.

Changes in options during the period and weighted average exercise prices

	Share options 2006			Share options 2009		
2011	**2006A**	**2006B**	**2006C**	**2009A**	**2009B**	**2009C**
Number of options 1 Jan		**173,000**		**686,171**	**1,096,206**	**1,555,181**
Granted options			647,000		312,000	429,000
Returned options						66,670
Expired options		173,000		686,171		
Number of options 31 Dec			**647,000**		**1,408,206**	**1,917,511**
Exercisable number of options 31 Dec			647,000		1,408,206	1,917,511
The trade-weighted average price during the exercise period, EUR *		0,48	0,42	0,50	0,42	0,42

* The trade-weighted average price of the Tecnotree Oyj's share for January - April 2011 (2006B), the whole year 2011 (2006C ja 2009B), January - March (2009B) and April - December (2009C).

	Share options 2006			Share options 2009		
2010	2006A	2006B	2006C	2009A	2009B	2009C
Number of options 1 Jan	304,000	667,000		265,554	619,626	885,181
Granted options				420,617	476,580	680,830
Returned/converted options		494,000				10,830
Expired options	304,000					
Number of options 31 Dec		173,000		686,171	1,096,206	1,555,181
Exercisable number of options 31 Dec		173,000		686,171	1,096,206	
The trade-weighted average price during the exercise period, EUR *	0.93	0.74	0.74	0.74	0.76	

* The trade-weighted average price of the Tecnotree Oyj's share for January - April 2010 (2006A), the whole year 2010 (2006B, 2006C ja 2009A) and April - December 2010 (2009B).

Changes in options during the period and weighted average exercise prices	Share options 2006				Share options 2009			
	2011		2010		**2011**		2010	
	Number of options	**Exercise price, EUR**	Number of options	Exercise price, EUR	**Number of options**	**Exercise price, EUR**	Number of options	Exercise price, EUR
Number of options 1 Jan	**173,000**	**1.32**	971,000	1.68	**3,337,558**	**0.86**	1,770,361	0.86
Exercisable number of options 1 Jan	**173,000**	**1.32**	971,000	1.68	**1,782,377**	**0.86**	265,554	0.86
Granted options	**647,000**				**741,000**		1,578,027	
Returned/converted options			494,000		**66,670**		10,830	
Expired options	**173,000**		304,000		**686,171**			
Number of options 31 Dec	**647,000**	**0.98**	173,000	1.32	**3,325,717**	**0.86**	3,337,558	0.86
Exercisable number of options 31 Dec	**647,000**	**0.98**	173,000	1.32	**3,325,717**	**0.86**	1,782,377	0.86

The payments received for the share subscriptions have been recognised in full in the reserve for invested unrestricted equity. In 2011 and 2010, no options were exercised. EUR 29 (303) thousand were recorded as an expense in the income statement. During the financial year, 1,388,000 (1,578,027) new options were granted.

Tecnotree has issued the share-based instruments in stages, so the program has many grant dates as defined in IFRS 2. The grant date, in other words the date for measuring fair value, is either the final day in the period for defining the share subscription price or the grant date set by the Board for the option series in question, if this date is after the period for setting the subscription price. The prevailing share price on the grant date is based on the closing prices on the grant dates.

The main assumptions in Black-Scholes formula	2009C
Number of granted options	1,917,511
Share price, EUR	0.41
Exercise price, EUR	0.86
Expected term of validity, years	1,2
Volatility *	31.4%
Fair value total, EUR 1,000	3

* The future volatility of Tecnotree Corporation's share is estimated based on the historical share price volatility using monthly observations for a period similar to the maturity of the option. The Black-Scholes formula assumes that option exercises occur at the end of the option's contractual term, which for 2009A options is 31 March 2011, for 2009B options 31 March 2012 and for 2009C options 31 March 2013.

Incentive scheme approved in 2011

At its meeting on 25 October 2011 the Board of Directors decided on a new incentive scheme for key personnel. The scheme comprises three earning periods of one calendar year each, the calendar years 2012, 2013 and 2014. The Board decides on the earnings criteria and the targets for these before the start of each earning period. To obtain the bonus for the first earning period, the members of the management board and the key personnel specifically nominated by the Board of Directors must obtain company shares in accordance with the Board’s decision. Any bonus in the scheme for the 2012 earning period is based on Tecnotree Group’s earnings per share (EPS), adjusted operating result and the Company’s volume weighted average share price in December 2012, and for the members of the management board and key personnel specifically nominated by the Board also depends on fulfilling the requirement to purchase shares. No bonus will be paid for the 2012 earning period if the Group’s cash flow in the 2012 financial year is negative.

21. Pension obligations

The Group has defined benefit pension plans in Finland and India. The pension plans are administered by insurance companies. The amount of the plan benefit is based on final salary and number of years in service. The defined benefit plans in India constitute the obligatory pension and termination benefits for the employees. The defined benefit plan in Finland is a voluntary pension insurance plan for the management, which was settled during the year. The new pension scheme for the management is a defined contribution plan.

EUR 1,000	2011	2010
Defined benefit asset in the balance sheet:		
Present value of funded obligations	**461**	1,554
Present value of unfunded obligations	**307**	388
Fair value of plan assets (-)	**-290**	-950
Surplus (-) / Deficit	**478**	992
Unrecognised actuarial gains (+) / losses (-)	**-111**	-621
Net liability (+) / asset (-)	**367**	371
Pension obligations (note 23)	**367**	415
Pension assets (note 15)		-45
Net liability (+) / asset (-)	**367**	371
Defined benefit expense in the income statement:		
Current service cost	**121**	328
Interest cost	**35**	61
Expected return on plan assets	**-26**	-43
Recognised net actuarial gains (-) / losses (+)		110
Effect of settlements	**-45**	
Pension expense recognised in income statement	**85**	456
Change in the defined benefit obligation:		
Defined benefit obligation in the beginning of the year	**1,912**	1,138
Translation differences	**-74**	61
Current service cost	**114**	328
Interest cost	**33**	61
Actuarial gains (-) / losses (+)	**16**	323
Benefits paid	**-88**	
Settlements	**-1,145**	
Defined benefit obligation at the end of the year	**768**	1,912
Change in plan assets:		
Plan assets beginning of the year	**957**	738
Translation differences	**-57**	11
Expected return on plan assets	**25**	44
Actuarial gains (+) / losses (-)		-36
Contributions paid into the plans	**22**	199
Benefits paid	**-88**	
Settlements	**-568**	
Plan assets end of the year	**290**	957

Recognised gains on plan assets were EUR 26 (15) thousand. Experience adjustments arising on plan assets were EUR 290 (-14) thousand and on plan obligations EUR 104 (199) thousand. There is no information available on plan assets. Contributions to be paid in year 2012 is expected to be EUR 124 thousand.

	2011	2010
Actuarial assumptions at reporting date	%	%
Finland:		
Discount rate	**4.30**	4.30
Expected return on plan assets	**4.50**	4.50
Future salary increases	**3.50**	3.50
India:		
Discount rate	**8.18**	8.00
Expected return on plan assets	**7.00**	7.00
Future salary increases	**10.00**	10.00

22. Interest-bearing liabilities

EUR 1,000	2011	2010
Non-current loans from financial institutions	**12,218**	14,434
Non-current finance lease liabilities	**22**	73
Total	**12,239**	14,507
Current loans from financial institutions	**15,828**	5,216
Current finance lease liabilities	**7**	27
Total	**15,835**	5,243
Interest-bearing liabilities total	**28,074**	19,751

The loans from financial institutions consist of a loan of EUR 15,545 (16,650) thousand which is raised for financing the acquisition of Tecnotree India and a loan of EUR 12,500 (3,000) thousand of the available credit limit. The loan is denominated in Euro with a floating interest rate.

Maturity analysis of finance lease liabilities

Minimum lease payments, less than one year	**8**	28
Minimum lease payments, 1-5 years	**26**	77
Total	**34**	105
Present value of minimum lease payments, less than one year	**7**	27
Present value of minimum lease payments, 1-5 years	**22**	73
Total	**29**	100
Future financial charges	**5**	10

23. Other non-current liabilities

EUR 1,000	2011	2010
Pensions obligations (note 21)	367	415
Non-current tax liabilities	1	1
Other non-current liabilities total	368	416

24. Trade payables and other liabilities

EUR 1,000	2011	2010
Advances received	**2,312**	1,005
Trade payables	**7,192**	5,932
Accrued liabilities and deferred income	**6,477**	5,333
Other liabilities	**1,269**	1,069
Current provisions *	**317**	736
Trade payables and other liabilities total	**17,568**	14,075
Accrued liabilities and deferred income		
Accrued personnel expenses	**2,076**	2,040
Accrued agent fees	**1,740**	1,211
Accrued project costs		652
Accrued income taxes	**377**	377
Valuation of currency derivatives	**1,185**	255
Valuation of interest rate swap	**403**	335
Other accrued liabilities and deferred income	**695**	461
Total	**6,477**	5,333

* In the Europe segment, a provision of EUR 317 (700) thousand was recognised for the costs rising on a customer project. Of the provision, EUR 383 thousand was used during the period, and the rest will be used in 2012.

25. Financial risk management

Risk management principles

The task of risk management is to identify, manage and track the major risks in the Group's business and business environment to enable the Group to achieve its strategic and financial goals in the best possible way. The responsibilities of the Audit Committee include ensuring that the company has adequate internal monitoring system in place. Group's policy for hedging against risks is approved by the Board of Directors and the Group's financial director is responsible for implementing it in practice.

The objective of the Group's financial risk management is to minimise the effects of volatility for recognised major market risks on the Group's result and balance sheet. Tecnotree Group does not apply hedge accounting as defined under IAS 39.

Risk management organisation

The risk management process is supported by the Management Board. The Management Board reports the major risks to the Audit Committee.

The Group's financial management is responsible for managing foreign exchange, interest rate and liquidity risks and for taking out insurance against operational risks.

Market risks

Currency risk

The financial risk to which the Group is exposed in its operations is mainly currency risk. Tecnotree Group uses derivatives in order to eliminate the financial uncertainty caused by the fluctuations of the exchange rates. Changes in exchange rates create risks especially in receivables and order backlog. Tecnotree Group's reporting and presentation currency is Euro, but significant part of Group's revenue is in US dollars. The Group's open translation risk comes from the investments in three foreign subsidiaries, India (Rupees, INR), Brazil (Real, BRL), Argentina (Peso, ARS) and Malaysia (Ringgit, MYR).

Transaction risk

The Group's open currency position comprises foreign currency denominated, sales related balance sheet items, cash and cash equivalents balance, currency denominated order backlog and binding currency denominated purchase and sales contracts. On the reporting date, the open US dollar position was EUR 62,017 (30,623) thousand.

In the policy for approval of sales contracts, it is required that only the Euros or the US dollar can be used as the sales currency. There shall not be any clauses tying the payments into any other currencies. Sales offices, when selling within their own country, use their own local currency. If any other currencies than Euro, US dollar or sales offices' local currency are used in sales contracts, it requires a prior written approval from the group CFO.

In 2011, 19 per cent of invoicing was in Euros, 72 per cent in US dollars, 4 per cent in BRL, and 5 per cent in other currencies. The Group is hedging the open US dollar currency position. The Group does not hedge the open BRL currency position, partly because of local currency restrictions and high cost of hedging. Sales in BRL and purchases related to them form adequate operative hedging and therefore hedging instruments are not used. The open INR currency position is hedged when it is seen necessary. On the reporting date, such hedges didn't exist. The Group does not hedge the other currency positions, since they are not significant.

All decisions about hedging are made in Group's finance department, which assesses the hedging needs on a monthly basis. The hedging actions and hedging position are reported to the Audit Committee on a quarterly basis.

The Group is hedging the US dollar currency denominated cash flow position for a maximum period of 12 months for 50-100 per cent of the net position. Hedging is carried into effect with foreign exchange forwards and options. On the reporting date, 49 per cent (63%) of the open currency position was hedged. Tecnotree received a big USD denominated sales order in December, raising the order book to exceptionally high level and causing a low hedging ratio at year end. US dollar denominated cash inflow is mainly converted into Euros and in India into Rupees. Some cash reserves are held in US dollar in order to manage forthcoming US dollar payments. If such US dollar cash position occurs, it is accounted for as part of total currency exposure, which is hedged against currency risk as described above.

Sensitivity analysis for market risks

The functional currency of the parent company is Euro. Financial assets and liabilities nominated in US dollars are presented in the table below. Figures are translated to Euros at the year-end exchange rate.

EUR 1,000	Note	**2011 USD**	2010 USD
Current assets			
Trade and other receivables	17	**19,195**	11,596
Other receivables related to construction contracts	17	**21,331**	11,727
Cash and cash equivalents	18	**300**	2
Currency derivatives	17	**241**	336
Total current assets		**41,067**	23,661
Current liablities			
Trade payables and other liablities	24	**563**	406
Currency derivatives	24	**1,185**	255
Total current liabilities		**1,748**	661

In the sensitivity analysis below, the effect of strengthening and weakening of the USD exchange rate against EUR is presented with all other factors remaining unchanged. Analysis is performed only for the assets and liabilities denominated in USD as the transaction risk inherent to financial assets and liabilities in other currencies is insignificant. The analysed change in the exchange rate represents a possible volatility of the currency during a 12-month period. The resulted effect in the analysis stems largely from the USD denominated trade receivables and from cash and cash equivalents. Fluctuation in exchange rates has no direct effect on equity as the Group does not apply hedge accounting.

	2011		2010	
EUR 1,000	**USD**	**USD**	USD	USD
Change in percentage	**-10%**	**10%**	-10%	10%
Effect on the result after taxes	**-566**	**1,195**	-1,527	2,568

Translation risk

Tecnotree India and its subsidiaries are consolidated into Tecnotree Group as from 6 May 2009, and the Group is therefore exposed to the risks incurred when the net investments denominated in INR are translated into Euro, the functional currency of the parent company. On the reporting date, the open translation risk for the Indian subgroup was EUR 51,785 (44,491) thousand. This net investment is not hedged, mainly because of local currency restrictions and high cost of hedging. The sensitivity for translation risk was analysed by determining the effects of 10 percent strengthening and weakening of the INR exchange rate against EUR, all other factors remaining unchanged.

	2011		2010	
EUR 1,000	**INR**	**INR**	INR	INR
Change in percentage	**-10%**	**10%**	-10%	10%
Effect on the result after taxes	**-778**	**951**	-439	536
Effect on equity	**-4,708**	**5,754**	-4,044	4,943

The exposure for translation risk related to net investments in other foreign subsidiaries is not significant and is therefore neither hedged nor analysed for sensitivity. On the reporting date, the open translation risk position for the Brazilian subsidiary was EUR 7,133 (6,514) thousand and for the Malaysian subsidiary EUR 2,869 (2,781). The change in translation difference in equity caused by fluctuations in exchange rates for these two subsidiaries was EUR -581 (1,160) thousand.

Interest rate risk

The Group's interest rate risk management focuses on the optimal management of liquid funds in sense of profitability and safety and interest rate risk management of bank loans. The majority of liquid funds are invested in short-term bank deposits and short-term interest funds in which the maturity is not more than three months. On the reporting date, the Group held such investments amounting to EUR 1,844 (7,557) thousand.

On the reporting date, bank loans totalled EUR 28,045 (19,650) thousand consisting of EUR 15,545 thousand bank loan and EUR 12,500 thousand credit facility in use. On the reporting date, bank loans, except for the credit line, were hedged against currency risk. The interest rate risk of the hedged portion is limited to the fair value adjustments of the hedging instruments.

Interest rate sensitivity was analysed by determining the effects of one percentage unit's change in the interest rates on the Group's interest-bearing financial instruments on an annual level. The analysis included all the significant interest-bearing financial instruments of the Group totalling EUR 20,460 (2,294) thousand debt.

On the reporting date, an increase / a decrease of one percentage unit in the interest rates would have increased / decreased the net income after tax by EUR 17 / -17 (140 / -140) thousand, considering that interest rates cannot turn negative. Changes in interest rates would not have had a direct effect on equity. The effect of an increase and a decrease in the interest rates is presented with all other factors remaining unchanged.

Price risk

Tecnotree Group does not own any equity or other financial instruments with values tied to other market prices than interest or currency rates.

Liquidity risk

The Group seeks to constantly assess and monitor the amount of liquid funds to ensure the sufficient amount of funding needed in daily business.

Liquid funds are invested, avoiding credit and liquidity risks, in objects with a good credit rating, making sure of sufficient liquidity for capital expenditure and purchases. According to the Group's cash management policy, investments are made in fixed-term bank deposits with maturities less than 3 months, mutual interest funds or debt instruments of the state of Finland or of legal entities owned over 50% by the state. Equity instruments are not used.

On the reporting date, the Group's cash in hand and at bank were EUR 5,741 (9,810) thousand and cash equivalents EUR 967 (6,928). Tecnotree has a committed credit facility of EUR 12,500 thousand and it was utilised in full on year end 2011.

Maturity analysis of financial liabilities is presented in the table below. The figures are presented in gross amounts. The bank loan agreement includes a financial covenant. A breach of the covenant will give the bank the right to demand the entire loan to be repaid. The covenant is based on interest-bearing net liabilities in proportion to adjusted operating result before depreciations and amortisations (EBITDA). On the reporting date, the covenant requirements were not met. During the reporting period, the company has agreed changes to the terms of the bank loan. The company has entered into an agreement with the bank that the bank does not use its right to demand the entire loan to be repaid due to a breach of the covenant.

To finance the company's working capital and improve liquidity Tecnotree is planning to obtain additional financing of some EUR 10 million in the first half of 2012. At least EUR 5 million of this will be obtained through a hybrid bond, and major shareholders have already expressed their willingness to participate in this. The company has already negotiated a EUR 5 million credit limit for production finance that will become available to the company once commitments to subscribe to the hybrid bond total at least EUR 5 million.

2011	Balance sheet value	Cash flow	Less than 1 year	1-3 years	3-5 years	Over 5 years
Loans from financial institutions	**28,045**	**28,056**	**15,833**	**12,222**		
Trade and other payables	**7,192**	**7,192**	**7,192**			
Derivatives	**1,588**	**1,588**	**1,588**			

2010	Balance sheet value	Cash flow	Less than 1 year	1-3 years	3-5 years	Over 5 years
Loans from financial institutions	19,751	19,767	5,243	4,473	10,051	
Trade and other payables	5,932	5,932	5,932			
Derivatives	590	590	590			

Credit risk

Credit risk arises from the potential failure of counterparty to meet its contractual payment obligations. The amount of risk depends on the creditworthiness of the counterparty. The total amount of credit risk inherent to financial instruments, i.e. the total carrying amount of financial assets on the reporting date, was EUR 30,648 (35,097) thousand. The financial assets are specified in note 26. The most significant separate item of credit risk is the trade receivables.

Responsibility for sales-related credit risks lies primarily with the local sales company. The credit quality of customers is regularly monitored by the finance department together with sales management, using data on payment history and reports from external sources. Credit rating checks are made on new customers before confirming an offer.

The procedure for granting of credit for new customers or customers from countries with high risk rating requires always the acceptance of Group CFO. Tecnotree has not arranged financing for customers with third parties.

Tecnotree's largest customers are much bigger businesses than the Group itself. The relationship between the Group and its major customers is one of interdependence, which poses a potential risk but also offers significant new business opportunities. Information about major customers is disclosed in note 1.

The credit quality of financial institutions is monitored by the finance department. The parent company's counterparties are restricted to financial institutions with legal entities in Finland specified in the Group's cash management policy. The subsidiary in India has its own finance function and their counterparties are also restricted in the Group's cash management policy. The amount of cash reserves in other subsidiaries is minimized.

Analysis of trade receivables by age EUR 1,000	2011	2010
Undue trade receivables	**8,913**	5,671
Trade receivables 1-60 days overdue	**5,775**	2,426
Trade receivables 61-90 days overdue	**1,671**	1,301
Trade receivables more than 90 days overdue	**7,319**	7,913
Total	**23,678**	17,311

Project deliveries result in large accounts receivable. Most of Tecnotree's net sales comes from developing countries and some of these contain political and economic challenges. There is the risk of a considerable delay in the payment of invoices in these countries and that Tecnotree will have to record credit losses. The payment record of customers and the situation concerning trade receivables are actively monitored and credit rating checks are made on new customers before confirming an offer. The company has overdue receivables amounting to EUR 7,740 thousand from a customer owned by the government of Libya, for which impairment totalling EUR 0909 thousand has been booked in 2010 and EUR 4,404 thousand in the review period. The company is currently negotiating with the customer and its state owner on the payment of receivables, and this should gain momentum in the first half of 2012. The company believes that at least the net value for the receivable of EUR 2,426 thousand n in the balance sheet will be obtained.

Capital management

Tecnotree's objective for capital management is to support Group's target for growth and ensure the capability for dividend distribution. Additionally, with capital management the Group is ensuring the operational precondition in capital markets during all conditions irrespective of industry's market volatility. The Board of Directors monitors and assesses the Group's capital structure on a regular basis. The key ratio in monitoring the development of Group's capital structure is net gearing, which is calculated by dividing net interest-bearing liabilities with total shareholders' equity. Net liabilities include interest-bearing liabilities less interest-bearing assets and cash and cash equivalents.

Components of gearing ratio EUR 1,000	2011	2010
Interest-bearing financial liabilities	**28,074**	19,751
Interest-bearing financial assets	**-21**	-630
Cash and cash equivalents	**-6 708**	-16,737
Net interest-bearing liabilities	**21 345**	2,384
Total shareholders' equity	**49,507**	72,106
Gearing ratio	**43.1%**	3.30%

26. Carrying amounts of financial assets and liabilities by measurement categories

2011 EUR 1,000	Note	Financial assets/ liabilities at fair value through income statement	Loans and receivables	Financial liabilities measured at amortised cost	Carrying amounts by balance sheet item	Fair value
Current financial assets						
Trade and other receivables	17	241			**241**	**241**
Investments	18		21		**21**	**21**
Cash and cash equivalents	18	625	6,083		**6,708**	**6,708**
Carrying amount by category		**867**	**6,104**		**6,970**	**6,970**
Non-current financial liabilities						
Non-current interest-bearing liabilities	22			12,218	**12,218**	**12,218**
Carrying amount by category				**12,218**	**12,218**	**12,218**
Current financial liabilities						
Current interest-bearing liabilities	22			15,828	**15,828**	**15,828**
Trade and other payables	24	1,588		7,192	**8,781**	**8,781**
Carrying amount by category		**1,588**		**23,020**	**24,609**	**24,609**

2010 EUR 1,000	Note	Financial assets/ liabilities at fair value through income statement	Loans and receivables	Financial liabilities measured at amortised cost	Carrying amounts by balance sheet item	Fair value
Current financial assets						
Trade and other receivables	17	336	17,395		17,731	17,731
Investments	18		630		630	630
Cash and cash equivalents	18	5,326	11,411		16,737	16,737
Carrying amount by category		5,662	29,435		35,097	35,097
Non-current financial liabilities						
Non-current interest-bearing liabilities	22			14,434	14,434	14,434
Carrying amount by category				14,434	14,434	14,434
Current financial liabilities						
Current interest-bearing liabilities	22			5,216	5,216	5,216
Trade and other payables	24	590		5,932	6,523	6,523
Carrying amount by category		590		11,148	11,739	11,739

The fair value of the currency derivatives is determined by using market rates of the counterparty for instruments with similar maturity. The fair value of the short term investments is determined based on the price quotation of the counterparty. The carrtying amounts of the other financial assets and liabilities correspond to their fair value, since the impact of discounting being not material considering their maturity.

Fair value hierarchy

The items measured at fair value are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy includes the levels 1-3. Level 1: Quoted prices in active markets for identical assets or liabilities. Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. Level 3: Inputs for the asset or liability that are not based on observable market data.

All items measured at fair value are categorized into hierarchy level 2, except for the currency options amounting to EUR -944 (-43) thousand that are categorized into hierarchy level 3. The fair values of the currency options are based on the valuations prepared by the counterparty. During the reporting period, there were no significant transfers between the hierarchy levels.

27. Operating leases

EUR 1,000	**2011**	2010
Group as lessee		
Minimum lease payments of the non-cancellable operating leases are as follows:		
Operating leases		
Less than one year	**913**	641
Between one and five years	**928**	454
Total	**1,841**	1,095

The Group has leased office equipment, office facilities and company cars. The leases typically run for one to three years and normally they include an option to continue the lease agreement after the original ending date. The index, terms of renewal and other conditions in different agreements may vary. EUR 1,632 (1,727) thousand was recognised as an expense in the income statement in respect of operating leases.

28. Contingent liabilities

EUR 1,000	2011	2010
On own behalf		
Real estate mortgages	**7,661**	
Corporate mortgages	**36,572**	
Pledged deposits	**23**	77
Guarantees	**810**	979
Total	**45,066**	1,056
Other contingent liabilities		
Restriction related to real estate in Ireland	**387**	387
Total	**387**	387

In addition, the parent company's shares in the Indian subsidiaries are pledged. These shares have a book value of EUR 35,418 thousand in the parent company. The net assets of the Indian subsidiary in the consolidated balance sheet are estimated at EUR 48,092 thousand.

Legal claims

In October Tecnotree's Board of Directors received an execution order from the High Court of Delhi, in which Atul Chopra, who was a member of the Board of Directors of Tecnotree, claims that Tecnotree has not complied with the settlement agreement made with Atul Chopra on 21 February 2011. Tecnotree denies these claims and has initiated legal action to protect its rights. Atul Chopra has resigned from Tecnotree's Board of Directors.

The company had EUR 1,612 thousand worth funds temporarily frozen in India at the end of the year, for court process of Atul Chopra's claim.

29. Related party transactions

The relationships between the Group's parent company and subsidiaries are as follows:

	Domicile	Group's ownership %	Group's share of voting rights %
Tecnotree Oyj (parent)	Finland		
Tecnotree Services Oy	Finland	100	100
Tecnotree Ltd	Ireland	100	100
Tecnotree GmbH	Germany	100	100
Tecnotree Spain SL	Spain	100	100
Tecnotree Sistemas de Telecommunicacao Ltda	Brazil	100	100
Tecnotree Argentina SRL	Argentina	100	100
Tecnotree (M) Sdn Bhd	Malaysia	100	100
Lifetree Cyberworks Pvt. Ltd	India	100	100
Tecnotree Convergence Ltd	India	99.83	99.83
Quill Publishers Pvt. Ltd	India	99.83	99.83
Lifetree Convergence Pty Ltd	South-Africa	99.83	99.83
Lifetree Convergence (Nigeria) Ltd	Nigeria	99.83	99.83
Lifetree UK Ltd	Great-Britain	99.83	99.83
Tecnotree UK Ltd	Great-Britain	100	100

During the reporting period, Tecnotree has established a subsidiary in Argentina, with the mission to offer technical services to customers.

The parent company has branch offices in the Netherlands and in Taiwan. In addition, the parent company has offices in Austria, Ecuador, Mexico, Iran and the United Arb Emirates.

Except for ordinary intra-group transactions the Group has not entered any significant transactions with, granted any loans to or made any other comparable arrangements with related parties during the year 2011. The Group's related parties include the subsidiaries, the members of the Board of Directors and the Management Board, the CEO and the close family members of the preceding persons, as well as those entities in which these people has control.

EUR 1,000	**2011**	2010
Compensation to related parties		
Salaries and other short-term employee benefits	**-1,222**	-1,115
Other fees	**-143**	
Compensation to related parties total	**-1,365**	-1,115
Salaries and fees		
Kaj Hagros, President and CEO of the parent company as from 1 Nov 2010	**-304**	-48
Eero Mertano, President and CEO of the parent company until 31 Oct 2010		-221
Members of the Board of Directors:		
Harri Koponen, Chairman of the Board as from 23 Mar 2011	**-60**	-34
Hannu Turunen, Chairman of the Board until 23 Mar 2011	**-48**	-74
Ilkka Raiskinen, Vice Chairman of the Board as from 23 Mar 2011	**-43**	-27
Johan Hammarén, Vice Chairman of the Board from 25 Mar 2010 until 23 Mar 2011	**-42**	-37
Carl-Johan Numelin, Vice Chairman of the Board until 25 Mar 2010		-10
Christer Sumelius	**-38**	-33
Pentti Heikkinen	**-32**	-32
David K. White	**-32**	-29
Atul Chopra, former member of the Board	**-21**	-28

In addition, the insider events include compensation for settlement of employment terms of EUR 359 thousand and other compensation of EUR 1,676 thousand to Atul Chopra.

65 per cent of the fees to the Board of Directors has beed settled in shares of Tecnotree Oyj.

The retirement age for the President is 60 years.

The members of the Management Board were granted 1,000,000 share options during the year. On the reporting date, the members of the Management Board held a total of 1,226,666 (323,333) share options. The members of the Board of Directors did not hold any share options on 31 Dec 2011 and nor on 31 Dec 2010.

Parent company’s income statement

EUR 1,000	Note	1 Jan - 31 Dec, 2011	1 Jan - 31 Dec, 2010
Net sales	1	**36,800**	39,903
Materials and services	2	**-8,599**	-8,863
Personnel expenses	3	**-11,864**	-9,623
Depreciation, amortization and impairment losses	4	**-1,499**	-850
Other operating expenses	5	**-24,774**	-28,193
Operating result		**-9,936**	-7,625
Financial income and expenses	6	**-135**	-1,029
Result before extraordinary items		**-10,070**	-8,654
Result before appropriations and taxes		**-10,070**	-8,654
Appropriations	7	**69**	113
Direct taxes	8	**-3,871**	-1,849
Result for the financial year		**-13,872**	-10,390

Parent company's balance sheet

EUR 1,000	Note	31 Dec, 2011	31 Dec, 2010
Assets			
Non-current assets			
Intangible assets	9	**3,668**	484
Tangible assets	10	**3,673**	4,052
Shares in Group companies	11	**36,875**	36,614
Receivables from Group companies	11	**299**	299
Total non-current assets		**44,515**	41,450
Current assets			
Inventories	12	**717**	945
Non-current receivables	13	**15**	2,287
Current receivables	14	**39,813**	31,186
Cash and cash equivalents	15	**2,556**	5,309
Total current assets		**43,102**	39,727
Total assets		**87,617**	81,177
Equity and liabilities			
Shareholders' equity	16		
Share capital		**4,720**	4,720
Share premium fund		**847**	847
Own shares		**-122**	-122
Invested unrestricted equity reserve		**12,634**	12,634
Other reserves		**16,764**	27,154
Retained earnings		**122**	122
Result for the financial year		**-13,872**	-10,390
Total shareholders' equity		**21,093**	34,966
Accumulated appropriations	17	**794**	863
Provisions	18	**317**	700
Liabilities			
Non-current liabilities	19	**12,223**	14,445
Current liabilities	19	**53,190**	30,203
Total liabilities		**65,413**	44,649
Total equity and liabilities		**87,617**	81,177

Parent company's cash flow statement

EUR 1,000	1 Jan - 31 Dec, 2011	1 Jan - 31 Dec, 2010
Cash flow from operating activities		
Result before extraordinary items	**-10,070**	-8,654
Adjustments for:		
Planned depreciation	**1,499**	850
Unrealized exchange rate gains and losses	**-133**	-546
Financial income and expenses	**686**	333
Changes in working capital:		
Current receivables, increase (-) /decrease (+)	**-8,411**	-3,134
Inventories, increase (-) /decrease (+)	**228**	192
Current liabilities, increase (+) /decrease (-)	**11,472**	1,402
Interest paid	**-583**	-255
Interest received	**331**	347
Income taxes paid	**-1,595**	-1,757
Net cash flow from operating activities	**-6,578**	-11,222
Cash flow from investments		
Investments in intangible assets	**-4,106**	-68
Investments in tangible assets	**-197**	-177
Investments in subsidiaries' shares	**-260**	-5
Cash flow from investments	**-4,564**	-249
Cash flow from financiang activities		
Proceeds from borrowings	**9,500**	3,000
Repayments of borrowings	**-1,111**	-2,222
Cash flow from financiang activities	**8,389**	778
Change in cash and cash equivalents	**-2,753**	-10,694
Cash and cash equivalents on 1 Jan	**5,309**	16,003
Cash and cash equivalents on 31 Dec	**2,556**	5,309

Parent company accounting principles

The financial statements of Tecnotree Oyj are prepared in accordance with the Finnish Accounting Act (1997/1336) and Ordinance (1997/1339) and with other legislation and regulations concerning financial statements.

Items denominated in foreign currencies

Transactions in foreign currencies are recorded at the rates of exchange prevailing on the transaction dates. Foreign currency receivables and liabilities in the financial statements, including those hedged with derivative contracts, are translated into euros at the average exchange rate quoted by the European Central Bank on the closing date.

Exchange rate gains and losses relating to business operations are treated as adjustments to net sales or purchasing and manufacturing. Exchange rate gains and losses relating to financing operations are entered under financing income and expenses. Exchange rate gains and losses arising from the translation of balance sheet items are charged to the income statement.

Derivatives entered into by the company comprise currency forward contracts to hedge against changes in the cash flows from purchase and sales agreements denominated in foreign currencies. The company policy is to hedge the net foreign currency exposure over the following 12 months at a maximum.

Those derivatives entered into for hedging purposes are initially recognized at cost equivalent to their fair value. Subsequently derivatives are measured at fair value based on the forward rates quoted at the balance sheet date.

Exchange rate differences on derivative contracts made for hedging purposes are charged to the income statement under other operating income and expenses.

Net sales

At Tecnotree net sales comprise revenue recognized from project deliveries and goods and service deliveries from which indirect taxes, discounts and exchange rate differences have been deducted.

Revenue from project deliveries is mainly recognized according to the stage of completion. Project revenue and expenses are recognized in the income statement in proportion to the stage of completion on the balance sheet date, once the outcome of the project can be estimated reliably. The outcome of a project can be reliably estimated when the anticipated revenue and costs from the contract and the progress of the project can be estimated reliably and when it is probable that the economic benefits associated with the project will flow to the company.

The stage of completion of a project is determined for each contract by the proportion of the estimated total contract costs accounted for by the costs incurred for work performed to date (cost-to-cost method). The revenue recognition for the project will start when the outcome of the project can be estimated reliably. Typically this happens when the management has approved the project and the first delivery to the customer has been made. The stage of completion method of revenue recognition is based on estimates of the expected revenue and expenses associated with the contract and on estimating the progress of the project. The cost estimates for the projects are monitored quarterly in the management's revenue review and the revenue and expenses recognized in the income statement are revised in the estimates of the outcome of the project change. The accumulated effect due to the change in the estimates is recognized in the period when the change is known for the first time and its amount can be estimated.

If the outcome of the project cannot be estimated reliably, revenue is only recognized to the extent of project costs incurred. This method of recognition is typically applied in first delivery projects for new products or when a delivery project contains a significant amount of customisation for individual customers. The margin on the project is recognized on final acceptance.

A project is considered onerous if its costs exceed total project revenue. The expected loss is recognized as an expense immediately.

Revenue from the sale of products and services is recognized when the significant risks and benefits of ownership have been transferred to the buyer and when the amount of the revenue can be measured reliably and it is probable that the economic benefits will flow to the enterprise. The revenue from services is recognized when the service has been rendered. Supplementary deliveries such as maintenance, licences, training, documentation and spare parts are examples of goods and service deliveries. Revenue from fixed-term maintenance contracts is normally recognized over the contract period on a straight-line basis.

Pension plans

Statutory pension and supplementary pension obligations in Finland are covered through payments to pension insurance organisations. Expenses related to pension arrangements are recognized in the income statement in the period on the accrual basis.

Leasing

Leasing payments have been entered as rentals. Contractual leasing fees remaining on the balance sheet date are presented in the financial statements under contingent liabilities.

Research and development expenses

Research and development expenses are expensed as incurred, apart from machinery purchases, which are depreciated over three years on a straight-line basis.

Valuation of inventories

Inventories are valued using the FIFO principle at the lowest of acquisition cost, repurchase price and probable selling price.

Valuation of non-current assets

Non-current assets have been capitalised at the acquisition cost. Planned depreciation and amortization is calculated on a straight-line basis over the useful life of the fixed assets.

The periods for planned depreciation and amortization are as follows:

- Intangible rights 3-10 years
- Other long-term expenditure 5 years
- Buildings and structures 25 years
- Machinery and equipment 3-5 years
- Computing hardware and software 3-5 years

Purchase and disposal of company's own shares

The total purchase cost for the shares is recorded so that it reduces unrestricted shareholders' equity.

Derivative financial instruments

The derivative contracts entered into by the Company are currency forward contracts and options. The derivative contracts are fair valued. The fair value is determined by using market rates of the counterparty for instruments with similar maturity. Gains and losses arising from changes in the fair values are recognized in the income statement in the period in which they arise.

1. Net sales

EUR 1,000	2011	2010
Net sales by market area		
Europe, Middle East and Africa	**12,123**	14,743
Asia Pacific	**2,220**	2,236
Americas	**22,457**	22,924
Net sales total	**36,800**	39,903
Net sales by type of income		
Revenue from contract work recognized by stage of completion	**16,618**	14,457
Revenue from maintenance and support	**11,688**	13,079
Revenue from goods and services, external sales	**7,386**	10,237
Revenue from goods and services, intra-group sales	**1,108**	2,129
Net sales total	**36,800**	39,903
Order book for contract work	**27,113**	812
Order book for maintenance and support, goods and services	**3,391**	4,769
Order book total	**30,504**	5,581
Projects in progress:		
Cumulative revenue recognized for projects in progress	**11,601**	10,920
Cumulative invoicing for projects in progress recognized by stage of completion	**5,034**	5,153
Accrued income related to construction contracts, work in progress	**6,567**	5,767
Aggregate amount of costs incurred for projects in progress	**5,645**	5,217

On the reporting date, the company has no retentions held by customers. The Group has not received any advances related to projects in progress.

2. Materials and services

EUR 1,000	2011	2010
Purchases during financial year	**-7,597**	-7,374
Changes in inventories	**-245**	-723
Total	**-7,842**	-8,097
External services	**-757**	-766
Materials and services total	**-8,599**	-8,863

3. Personnel expenses

EUR 1,000	2011	2010
Wages and salaries	**-8,266**	-8,009
Pension expenses	**-1,052**	-1,041
Other personnel expenses	**-2,546**	-573
Personnel expenses total	**-11,864**	-9,623
Average number of employees	**77**	72
Salaries, fees and remunerations to the management		
Kaj Hagros, President and CEO as from 1 Nov 2010	**-304**	-48
Eero Mertano, President and CEO until 31 Oct 2010		-221
Members of the Board of Directors:		
Harri Koponen, Chairman of the Board as from 23 Mar 2011	**-60**	-34
Hannu Turunen, Chairman of the Board until 23 Mar 2011	**-48**	-74
Ilkka Raiskinen, Vice Chairman of the Board as from 23 Mar 2011	**-43**	-27
Johan Hammarén, Vice Chairman of the Board from 25 Mar 2010 until 23 Mar 2011	**-42**	-37
Carl-Johan Numelin, Vice Chairman of the Board until 25 Mar 2010		-10
Christer Sumelius	**-38**	-33
Pentti Heikkinen	**-32**	-32
David K. White	**-32**	-29
Atul Chopra, former member of the Board	**-21**	-28
Total	**-620**	-572

65 per cent of the fees to the Board of Directors has beed settled in shares of Tecnotree Oyj.
There is a voluntary pension insurance plan for the President. The retirement age is 60 years.

4. Depreciations and amortisations

EUR 1,000	2011	2010
Depreciations and amortizations according to plan		
Intangible assets		
Intangible rights	**-927**	-171
Other long-term expenditure	**-9**	-9
Tangible assets		
Buildings	**-220**	-220
Machinery and equipment	**-342**	-449
Depreciations and amortizations according to plan total	**-1,499**	-850

5. Other operating expenses

EUR 1,000	2011	2010
Subcontracting	**-843**	-2,941
Office management costs	**-2,054**	-2,045
Travel expenses	**-1,039**	-1,211
Agent fees	**-1,491**	-2,138
Rents	**-609**	-660
Professional services	**-1,570**	-1,064
Marketing	**-251**	-159
Other operataing expenses to Group companaies	**-16,853**	-17,941
Other expenses	**-64**	-35
Other operating expenses total	**-24,774**	-28,193
Auditors' fees		
Audit	**-38**	-35
Tax consulting	**-22**	-26
Other services	**-26**	-33
Auditors' fees total	**-86**	-95

6. Financial income and expenses

EUR 1,000	2011	2010
Financial income		
Interest income from Group companies	**5**	4
Interest income from others	**14**	8
Other financial income from Group companies	**244**	
Other financial income from others	**721**	499
Interest and financial income total	**984**	511
Financial expenses		
Interest expenses to others	**-631**	-425
Other financial expenses to Group companies		-576
Financial expenses to others	**-488**	-538
Interest and financial expenses total	**-1,119**	-1,540
Financial income and expenses total	**-135**	-1,029
Other financial income and expenses including:		
Foreign exchange gains	**653**	165
Foreign exchange losses	**-102**	-857
Foreign exchange gains and losses total	**551**	-692

7. Appropriations

EUR 1,000	**2011**	2010
Difference between depreciation according to plan and depreciation made in taxation	**69**	113
Appropriations total	**69**	113

8. Income taxes

EUR 1,000	2011	2010
Income taxes from business operations	**-18**	-22
Taxes for previous accounting periods	**-18**	-104
Withholding taxes paid abroad	**-1,559**	-1,713
Change in deferred tax assets	**-2,275**	-10
Income taxes total	**-3,871**	-1,849

9. Intangible assets

Intangible assets 2011

EUR 1,000	Intangible rights	Other long-term expenditure	Total
Acquisition cost 1 Jan	4,081	1,065	**5,146**
Increase	4,120		**4,120**
Acquisition cost 31 Dec	**8,201**	**1,065**	**9,266**
Accumulated amortization 1 Jan	-3,597	-1,065	**-4,662**
Amortization during the period	-936		**-936**
Accumulated amortization 31 Dec	**-4,533**	**-1,065**	**-5,598**
Book value 31 Dec, 2011	**3,668**		**3,668**

Intangible assets 2010

EUR 1,000	Intangible rights	Other long-term expenditure	Total
Acquisition cost 1 Jan	4,013	1,065	5,078
Increase	68		68
Acquisition cost 31 Dec	4,081	1,065	5,146
Accumulated amortization 1 Jan	-3,417	-1,065	-4,482
Amortization during the period	-180	-1	-180
Accumulated amortization 31 Dec	-3,597	-1,065	-4,662
Book value 31 Dec, 2010	484		484

10. Tangible assets

Tangible assets 2011

EUR 1,000	Land areas	Buildings	Machinery and equipment	Investments in progress	Total
Acquisition cost 1 Jan	1,666	6,045	18,139		**25,850**
Increase			183	150	**333**
Decrease			-38	-150	**-188**
Acquisition cost 31 Dec	**1,666**	**6,045**	**18,284**		**25,995**
Accumulated depreciation 1 Jan		-4,170	-17,628		**-21,797**
Accumulated depreciation for decreases and reclassifications			38		**38**
Depreciation during the period		-220	-342		**-562**
Accumulated depreciation 31 Dec		**-4,390**	**-17,932**		**-22,322**
Book value 31 Dec, 2011	**1,666**	**1,655**	**352**		**3,673**

Tangible assets 2010

EUR 1,000	Land areas	Buildings	Machinery and equipment	Investments in progress	Total
Acquisition cost 1 Jan	1,666	6,045	17,943	22	25,676
Increase			199		199
Decrease			-3	-22	-25
Acquisition cost 31 Dec	1,666	6,045	18,139		25,850
Accumulated depreciation 1 Jan		-3,949	-17,182		-21,131
Accumulated depreciation for decreases and reclassifications			3		3
Depreciation during the period		-220	-449		-669
Accumulated depreciation 31 Dec		-4,170	-17,628		-21,797
Book value 31 Dec, 2010	1,666	1,875	511		4,052

11. Tangible assets

Investments 2011

EUR 1,000	**Shares in Group companies**	**Other investments in group companies**	**Total**
Acquisition cost 1 Jan	36,614	299	36,914
Increase	260		260
Acquisition cost 31 Dec	36,875	299	37,174
Book value 31 Dec, 2011	**36,875**	**299**	**37,174**

Investments 2010

EUR 1,000	Shares in Group companies	Other investments in group companies	Total
Acquisition cost 1 Jan	36,609	299	36,909
Increase	5		5
Acquisition cost 31 Dec	36,614	299	36,914
Book value 31 Dec, 2010	36,614	299	36,914

Shares in subsidiaries held by the parent company

	Domicile	Parent company ownership, %	Carrying value EUR 1,000
Tecnotree Ltd.	County Clare, Ireland	100	124
Tecnotree GmbH	Dreieich, Germany	100	92
Tecnotree Spain SL	Madrid, Spain	100	31
Tecnotree Sistemas de Telecommunicacao Ltda	Sao Paulo, Brazil	100	902
Tecnotree (M) Sdn Bhd	Kuala Lumpur, Malaysia	100	42
Tecnotree Services Oy	Espoo, Finland	100	8
Tecnotree Argentina SRL	Cordoba, Argentina	100	257
Lifetree Cyberworks Pvt. Ltd	Gurgaon, India	100	1,189
Tecnotree Convergence Ltd	Gurgaon, India	46.08	34,229
Total			36,875

During the reporting period, Tecnotree has established a subsidiary in Argentina, with the mission to offer technical services to customers.

12. Inventories

EUR 1,000	2011	2010
Materials and consumables	**552**	680
Work in progress	**99**	135
Finished products/goods	**67**	129
Inventories total	**717**	945

13. Non-current receivables

EUR 1,000	2011	2010
Deferred tax asset		2,275
Non-current other receivables	**15**	12
Non-current receivables total	**15**	2,287

The company has not deducted research and development costs amounting to EUR 42,700 (30,646) thousand in its taxation. The amount can be deducted over an indefinite period with amounts that the company may freely decide. No deferred tax assets have been recognised on these capitalisations because of the uncertainty about utilising them (EUR 2,275 thousand deferred tax assets in 2010).

In addition, the company has tax losses of EUR 1,282 (3,815) thousand and other deductible temporary differences of EUR 1,087 (961) thousand, for which deferred tax assets have not been recognised because of the uncertainty about utilising them

14. Current receivables

EUR 1,000	2011	2010
Trade receivables related to construction contracts	**4,753**	2,339
Other trade receivables	**4,828**	3,595
Work in progress related to construction contracts	**6,567**	5,767
Finished work related to construction contracts	**8,368**	4,487
Other receivables based on delivery agreements	**5,996**	6,557
Current prepaid expenses and accrued income	**937**	886
Other current receivables	**23**	38
Current receivables total	**31,472**	23,670
Receivables from the Group companies:		
Trade receivables	**8,336**	7,516
Other receivables	**5**	
Total	**8,341**	7,516
Current receivables total	**39,813**	31,186
Major items included in prepaid expenses and accrued income		
Valuation of currency derivatives	**241**	336
Other prepaid expenses and accrued income	**696**	550
Total	**937**	886

15. Cash and cash equivalents

EUR 1,000	2011	2010
Cash in hand and at bank	**2,556**	5,309
Cash and cash equivalents total	**2,556**	5,309

16. Shareholders' equity

EUR 1,000	2011	2010
Restricted equity		
Share capital 1 Jan	**4,720**	4,720
Share capital 31 Dec	**4,720**	4,720
Share premium fund 1 Jan	**847**	847
Share premium fund 31 Dec	**847**	847
Restricted equity total	**5,567**	5,567
Unrestricted equity		
Own shares 1 Jan	**-122**	-122
Own shares 31 Dec	**-122**	-122
Invested unrestricted equity reserve 1 Jan	**12,634**	12,634
Invested unrestricted equity reserve 31 Dec	**12,634**	12,634
Other reserves 1 Jan	**27,154**	49,811
Covering of loss	**-10,390**	-22,657
Other reserves 31 Dec	**16,764**	27,154
Retained earnings 1 Jan	**-10,268**	-22,535
Covering of loss	**10,390**	22,657
Retained earnings 31 Dec	**122**	122
Result for the period	**-13,872**	-10,390
Unrestricted equity total	**15,526**	29,398
Total shareholders' equity	**21,093**	34,966

Calculation of distributable equity		
Retained earnings 31 Dec	**-13,750**	-10,268
Own shares	**-122**	-122
Invested unrestricted equity reserve	**12,634**	12,634
Other reserves	**16,764**	27,154
Total	**15,526**	29,398

The Annual General Meeting of Tecnotree Oyj held 23 March 2011 (25 March 2010) resolved, in accordance with the Board of Directors' proposal, that no dividend be paid for the financial year ended 31 December 2010 (2009).

17. Accumulated appropriations

EUR 1,000	2011	2010
Accumulated depreciation difference at 1 Jan	**863**	975
Increase (+), decrease (-)	**-69**	-113
Accumulated appropriations at 31 Dec	**794**	863

18. Provisions

EUR 1,000	2011	2010
Other provisions	**317**	700
Provisions total	**317**	700

Provisions include a provision of EUR 317 (700) thousand that was recognised for the cost rising on a customer project. Of the provision, EUR 383 thousand has been used during 2011 and the rest will be used during 2012.

19. Non-current and current liabilities

EUR 1,000	2011	2010
Non-current liabilities		
Loans from financial institutions	**12,222**	14,444
Non-current tax liabilities	**1**	1
Non-current liabilities total	**12,223**	14,445
Current liabilities		
Loans from financial institutions	**15,833**	5,222
Trade payables	**2,733**	462
Accrued liabilities and deferred income	**5,286**	3,852
Other liabilities	**186**	457
Total	**24,039**	9,992
Liabilities from the Group companies:		
Trade payables	**26,858**	19,496
Other liabilities	**2,293**	715
Total	**29,151**	20,211
Current liabilities total	**53,190**	30,203
Major items included in accrued liabilities and deferred income		
Other accrued personnel expenses	**1,396**	1,094
Accrued project costs		652
Accrued agent fees	**1,740**	1,211
Valuation of currency derivatives	**1,185**	255
Valuation of interest rate swap	**403**	335
Other accrued liabilities and deferred income	**562**	302
Total	**5,286**	3,850

20. Contingent liabilities

EUR 1,000	2011	2010
On own behalf		
Real estate mortgages	**7,661**	
Corporate mortgages	**36,572**	
Pledged deposits	**23**	77
Guarantees	**810**	979
Total	**45,066**	1,056
Leasing liabilities:		
With due date in the next financial year	**210**	75
With later due date	**131**	195
Total	**341**	270
Total contingent liabilities	**45,407**	1,326

In addition, the company's shares in the Indian subsidiaries are pledged. These shares have a bookvalue of EUR 35,418 thousand.

The liabilities, for which the mortgages have been given, consist of the company's loans from financial institutions totalling EUR 28,056 thousand.

Values of underlying instruments of derivative contracts		
Currency call options and termines		
Fair value (negative)	**-1,185**	-255
Value of underlying instruments	**21,631**	10,778
Currency put options and termines		
Fair value (positive)	**241**	336
Value of underlying instruments	**23,429**	10,319
Interest rate swap		
Fair value (positive)	**-403**	-335
Value of underlying instruments	**15,545**	16,666

Signatures of the report of the Board of Directors and the financial statements

Espoo, 1 March 2012

Kaj Hagros
President and CEO

Harri Koponen Chairman of the Board	Ilkka Raiskinen Vice Chairman of the Board
Hannu Turunen	Christer Sumelius
Johan Hammarén	Pentti Heikkinen
David K. White	

Auditor's note

Our auditor's report has been issued today.

Helsinki, 6 March 2012

KPMG OY AB

Sixten Nyman
Authorised Public Accountant

Auditor's report

This document is an English translation of the Finnish auditor’s report. Only the Finnish version of the report is legally binding.

To the Annual General Meeting of Tecnotree Corporation

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Tecnotree Corporation for the year ended December 31, 2011. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in shareholders’ equity and cash flow statement, and notes to the consolidated financial statements, as well as the parent company’s balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company’s accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor’s Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the company's financial statements and the report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki, 6 March 2012

KPMG OY AB

SIXTEN NYMAN
Authorised Public Accountant