Q4

2011

Tecnotree

Financial report

TECNOTREE CORPORATION FINANCIAL REPORT 1 JANUARY – 31 DECEMBER 2011 (UNAUDITED)

1 February 2012 at 8:30 am

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	**10-12/2011**	10-12/2010	**1-12/2011**	1-12/2010
Net sales, MEUR	**16.1**	14.0	**62.3**	60.7
Adjusted operating result, MEUR*	**-2.0**	-3.2	**-1.7**	-2.5
Operating result, MEUR	**-3.5**	-4.9	**-11.1**	-8.1
Result before taxes, MEUR	**-3.3**	-5.2	**-9.9**	-9.4
Result for the period	**-7.5**	-5.3	**-15.6**	-11.0
Earnings per share, basic. EUR	**-0.10**	-0.07	**-0.21**	-0.15
Order book, MEUR			**40.4**	14.3
Cash flow after investments, MEUR	**-3.5**	0.5	**-18.1**	-10.6
Change in cash and cash equivalents, MEUR	**-1.0**	2.5	**-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, amortization of this and one-time costs. Details of these are given in the section “Result analysis”.

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.

President and CEO Kaj Hagros:

Net sales in 2011 totalled EUR 62.3 million, slightly better than in the previous year (EUR 60.7

million). Fourth quarter net sales increased 15% in 2011 from the corresponding period in the previous year. 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 on-going operations 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.

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. Deliveries of information systems for managing the business of teleoperators, in line with the new strategy, will tie up more working capital. For this reason the company intends to strengthen its capital with additional financing. 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).

	1-12/2011	1-12/2010	**1-12/2011**	1-12/2010
NET SALES BY MARKET AREA	**MEUR**	MEUR	**%**	%
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

	31.12.2011	31.12.2010	**31.12.2011**	31.12.2010
CONSOLIDATED ORDER BOOK	**MEUR**	MEUR	**%**	%
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	**1-12/2011**	1-12/2010
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, MEUR	**-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. EUR 2.8 million of this impairment was recorded in the final quarter (EUR 0.9 million in the previous 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	**1-12/2011**	1-12/2010
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	**1-12/2011**	1-12/2010
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 +)	**1-12/2011**	1-12/2010
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 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 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	**1-12/2011**	1-12/2010
Personnel, at end of period	**926**	858
Finland	**80**	70
Ireland	**58**	64
Brazil	**43**	47
India	**690**	625
Other countries	**55**	52
Personnel, average	**922**	797
Personnel expenses before R&D capitalisation (MEUR)	**30.4**	29.3

TECNOTREE SHARES AND SHARE CAPITAL

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.

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.

During the review period the company's Board of Directors allocated altogether 647,000 2006C options, 315,000 2009B options, and 445,000 2009C options.

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	1,984,178	1.4.2011–31.3.2013	0.86
Total	5,814,031	3,392,384		
2006 and 2009 Total	6,481,031	4,039,384		

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 2,441,647 of all the current stock options. The issued stock options had a maximum diluting effect on 31 December 2011 of 5.20 %.

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) and adjusted operating profit, 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.

ATUL CHOPRA

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.

RISKS 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 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.

EVENTS AFTER THE END OF PERIOD

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

PROSPECTS IN 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 capitalization, amortization 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.

FINANCIAL INFORMATION

Tecnotree is holding a conference for analysts and the media to announce its results for the 2011 fiscal year at 10.00 am on 1 February 2012 in the Bulsa-Freda conference room at the Scandic Hotel Simonkenttä, Simonkatu 9, Helsinki. The interim review will be presented by CEO Kaj Hagros and the conference will be held in Finnish. The material to be presented at the press conference will be available at www.tecnotree.com.

TECNOTREE CORPORATION

Board of Directors

FURTHER INFORMATION

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TABLE SECTION

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

CONSOLIDATED INCOME STATEMENT, MEUR	Note	**10-12/2011**	10-12/2010	**1-12/2011**	1-12/2010
NET SALES	2	**16.1**	14.0	**62.3**	60.7
		0.1	0.0	**0.2**	0.0
Materials and services		**-2.1**	-2.4	**-10.8**	-10.1
Employee benefit expenses		**-7.3**	-7.8	**-30.5**	-29.1
Depreciation, amortisation and impairment charges		**-2.1**	-2.4	**-9.4**	-8.7
Other operating expenses		**-8.1**	-6.2	**-22.9**	-20.8
OPERATING RESULT		**-3.5**	-4.9	**-11.1**	-8.1
Financial income		**0.5**	0.4	**2.4**	1.1
Financial expenses		**-0.3**	-0.6	**-1.3**	-2.4
RESULT BEFORE TAXES		**-3.3**	-5.2	**-9.9**	-9.4
Income taxes		**-4.2**	-0.1	**-5.6**	-1.6
RESULT FOR THE PERIOD		**-7.5**	-5.3	**-15.6**	-11.0
Allocated to:					
Equity holders of parent company		**-7.5**	-5.3	**-15.6**	-11.0
Non-controlling interest		**0.0**	0.0	**0.0**	-0.0
Earnings per share calculated from the profit attributable to equity holders of parent company:					
Earnings per share, basic, EUR		**-0.10**	-0.07	**-0.21**	-0.15
Earnings per share, diluted, EUR		**-0.10**	-0.07	**-0.21**	-0.15

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, MEUR	**10-12/2011**	10-12/2010	**1-12/2011**	1-12/2010
RESULT FOR THE PERIOD	**-7.5**	-5.3	**-15.6**	-11.0
Other comprehensive income:				
Translation differences from foreign operations	**-1.5**	1.4	**-7.3**	5.8
comprehensive income	**0.1**	0.0	**0.3**	-0.1
Other comprehensive income, net of tax	**-1.4**	1.4	**-7.1**	5.7
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**-8.9**	-4.0	**-22.6**	-5.3
Allocated to:				
Equity holders of parent company	**-8.9**	-4.0	**-22.6**	-5.3
Non-controlling interest	**0.0**	0.0	**0.0**	0.0

CONSOLIDATED BALANCE SHEET	Note	**31.12.2011**	31.12.2010
Assets			
Goodwill		**19.2**	21.6
Other intangible assets	3	**9.7**	18.0
Tangible assets	4	**6.1**	6.8
Deferred tax assets		**3.1**	2.5
Other non-current trade and other receivables		**1.3**	0.7
Current assets			
Inventories		**0.8**	1.0
Trade receivables		**23.7**	17.3
Other receivables		**29.3**	24.3
Investments		**0.0**	0.6
Cash and cash equivalents		**6.7**	16.7
TOTAL ASSETS		**99.9**	109.7
Shareholders' equity		**49.5**	72.1
Non-current liabilities			
Deferred tax liabilities		**4.4**	3.3
Non-current interest-bearing liabilities		**12.2**	14.5
Other non-current liabilities		**0.4**	0.4
Current liabilities			
Current interest-bearing liabilities		**15.8**	5.2
Trade payables and other liabilities		**17.6**	14.1
EQUITY AND LIABILITIES, TOTAL		**99.9**	109.7

CALCULATION OF CHANGES IN
SHAREHOLDERS' EQUITY, MEUR

MEUR	A	B	C	D	E	F	G	H	I	J
Shareholders' equity 1 Jan. 2011	4.7	0.8	-0.1	6.1	12.6	29.4	18.5	72.1	0.1	72.1
Covering of loss						-10.4	10.4	0.0		0.0
Total comprehensive income for the period				-7.1			-15.6	-22.6	0.0	-22.6
Shareholders' equity 31 Dec. 2011	**4.7**	**0.8**	**-0.1**	**-1.0**	**12.6**	**19.0**	**13.3**	**49.4**	**0.1**	**49.5**

MEUR	A	B	C	D	E	F	G	H	I	J
Shareholders' equity 1 Jan. 2010	4.7	0.8	-0.1	0.4	12.6	52.1	6.4	77.0	0.1	77.1
Covering of loss						-22.7	22.7			
Share-based payments							0.3	0.3		0.3
Total comprehensive income for the period				5.7			-11.0	-5.3	0.0	-5.3
Shareholders' equity 31 Dec. 2010	4.7	0.8	-0.1	6.1	12.6	29.4	18.5	72.1	0.1	72.1

A = Share capital
B = Share premium fund
C = Own shares
D = Translation differences
E = Invested non-restricted equity reserve
F = Other reserves
G = Retained earnings
H = Total equity attributable to equity holders of parent company
I = Non-controlling interest
J = Total shareholders' equity

CONSOLIDATED CONDENSED CASH FLOW STATEMENT, MEUR	**1-12/2011**	1-12/2010
Cash flow from operating activities		
Result for the period	**-15.6**	-11.0
Adjustments of the result	**14.2**	11.5
Changes in working capital	**-10.6**	-7.7
Interest paid	**-0.7**	-0.3
Interest received	**0.1**	0.5
Income taxes paid	**-4.7**	-3.2
Net cash flow from operating activities	**-17.3**	-10.2
Cash flow from investing activities		
Investments in intangible assets	**-0.3**	-0.8
Investments in tangible assets	**-0.7**	-0.9
Proceeds from disposal of intangible and tangible assets	**0.0**	
Investments in other securities	**-0.2**	
Proceeds from disposal of other securities	**0.0**	0.9
Interest received from investments	**0.1**	0.0
Dividends received from investments	**0.2**	0.3
Net cash flow from investing activities	**-0.9**	-0.4
Cash flow from financing activities		
Borrowings received	**9.5**	3.0
Repayments of borrowings	**-1.1**	-2.2
Repayments of finance lease liabilities	**-0.1**	0.0
Net cash flow from financing activities	**8.3**	0.8
Increase (+) and decrease (-) in cash and cash equivalents	**-9.8**	-9.8
Cash and cash equivalents at beg. of period	**16.7**	25.7
Impact of changes in exchange rates	**-0.2**	1.1
Change in fair value of investments	**0.0**	-0.3
Cash and cash equivalents at end of period	**6.7**	16.7

1. ACCOUNTING PRINCIPLES FOR THE INTERIM REPORT

This interim report has been prepared in accordance with the international financial reporting standard IAS 34 Interim Financial Reporting. The formulas for calculating the key figures presented and the accounting principles for the interim report are the same as the principles published in the 2010 Annual Report. The new and revised IFRS regulations that came into force on 1 January 2011 have not had a significant impact on the accounting principles and basis for preparing the interim report.

2. SEGMENT INFORMATION

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

Net sales and the result for the operating segments are presented based on the location of customers. The result of the operating segments includes costs that can be allocated to the segments on a reasonable basis, such as sales, customer service and delivery costs. Product management, product development and administrative costs, depreciation, taxes and financial items are not allocated.

OPERATING SEGMENTS	**1-12/2011**	1-12/2010
NET SALES, MEUR		
Americas (North, Central and South America)	**23.3**	25.2
Europe	**7.9**	6.7
MEA (Middle East and Africa)	**27.0**	23.7
APAC (Asia Pacific)	**4.0**	5.1
TOTAL	**62.3**	60.7
RESULT, MEUR		
Americas (North, Central and South America)	**7.3**	8.9
Europe	**3.9**	3.0
MEA (Middle East and Africa)	**14.9**	16.1
APAC (Asia Pacific)	**1.9**	1.9
TOTAL	**28.0**	29.8
Non-allocated items	**-29.8**	-32.4
OPERATING RESULT BEFORE R&D CAPITALISATION & AMORTISATION AND ONE-TIME COSTS	**-1.7**	-2.5
Product development capitalisation	**0.1**	0.6
Product development amortisation	**-7.1**	-6.1
One-time costs	**-2.4**	0.0
OPERATING RESULT	**-11.1**	-8.1
Financial items	**1.2**	-1.4
RESULT BEFORE TAXES	**-9.9**	-9.4

3. INTANGIBLE ASSETS

During the review period EUR 0.1 (0.6) million of development costs have been capitalised and will be amortised over 3-5 years from the start of commercial use. Research and development costs of EUR 7.1 (6.1) were amortised during the review period.

4. TANGIBLE ASSETS

Acquisitions of tangible assets in the review period totaled EUR 0.7 (0.9) million. Disposals during the review period were EUR 0.0 (0.0) million.

5. CONSOLIDATED CONTINGENT LIABILITIES

CONSOLIDATED CONTINGENT LIABILITIES, MEUR	**31.12.2011**	31.12.2010
On own behalf		
Real estate mortgages	**7,7**	
Corporate mortgages	**36,6**	
Pledged deposits	**0,0**	0,1
Guarantees	**0,8**	1,0
Other liabilities		
Restriction related to real estate in Ireland	**0,4**	0,4

OTHER OPERATING LEASES, MEUR	**31.12.2011**	31.12.2010
Minimum rents payable based on other leases that cannot be cancelled:		
Other operating leases		
Less than one year	**0,9**	0,6
Between one and five years	**0,9**	0,5

In addition, the parent company's shares in the Indian subsidiary are pledged. These shares have a book value of EUR 34.2 million in the parent company. The net assets of the Indian subsidiary in the consolidated balance sheet are estimated at EUR 48.1 million.

The company had EUR 1.6 million worth funds temporarily frozen in India at the end of the year, for court process of Atul Chopra's claim.

6. INSIDER EVENTS

The operating result for the review period includes one-time costs of EUR 2.4 million that are mentioned under 'Result analysis'. The costs are related to settling the law suit against the company at the beginning of the year. EUR 2.1 million of these costs concern the company's insiders. The insider events include compensation of EUR 0.4 million for settlement of terms of employment and share based payments of EUR 1.7 million.

7. CONSOLIDATED KEY FIGURES

CONSOLIDATED KEY FINANCIAL FIGURES	**1-12/2011**	1-12/2010
Return on investment, %	**-10.2**	-7.4
Return on equity, %	**-25.6**	-14.7
Equity ratio, %	**50.7**	66.4
Net gearing, %	**43.1**	3.3
Investments, MEUR	**0.9**	0.9
% of net sales	**1.4**	1.6
Research and development, MEUR	**12.1**	13.1
% of net sales	**19.4**	21.7
Order book, MEUR	**40.4**	14.3
Personnel, average	**922**	797
Personnel, at end of period	**926**	858

CONSOLIDATED KEY FIGURES PER SHARE	**1-12/2011**	1-12/2010
Earnings per share, basic, EUR	**-0.21**	-0.15
Earnings per share, diluted, EUR	**-0.21**	-0.15
Equity per share, EUR	**0.67**	0.98
Number of shares at end of period, x 1,000	**73,496**	73,496
Number of shares on average, x 1,000	**73,496**	73,496
Share price, EUR		
Average	**0.44**	0.79
Lowest	**0.33**	0.58
Highest	**0.63**	1.00
Share price at end of period, EUR	**0.38**	0.60
Market capitalisation of issued stock at end of period, MEUR	**28.0**	44.2
Share turnover, million shares	**22.8**	16.6
Share turnover, % of total	**31.0**	22.6
Share turnover, MEUR	**10.0**	13.2
Price/earnings ratio (P/E)	**-1.8**	-4.0

The Board of Directors proposes that no dividend be paid for the financial year ended 31 December 2011. Also for the year ended 31 December 2010, no dividend was paid.

QUARTERLY KEY FIGURES	**4Q/11**	3Q/11	2Q/11	1Q/11	4Q/10	Q3/10
Net sales, MEUR	**16.1**	17.2	18.5	10.6	14.0	13.3
Net sales, change %	**15.1**	29.3	-4.5	-25.1	3.3	0.5
Adjusted operating result*	**-2.0**	1.9	3.3	-4.9	-3.2	-0.7
% of net sales	**-12.2**	10.9	17.8	-46.3	-22.7	-5.1
Operating result, MEUR	**-3.5**	0.1	0.6	-8.3	-4.9	-2.0
% of net sales	**-22.1**	0.7	3.2	-78.1	-35.1	-14.7
Result before taxes, MEUR	**-3.3**	0.5	0.6	-7.8	-5.2	-1.8
Personnel at end of period	**926**	928	930	914	858	830
Earnings per share, basic, EUR	**-0.10**	0.01	-0.01	-0.11	-0.07	-0.03
Earnings per share, diluted, EUR	**-0.10**	0.01	-0.01	-0.11	-0.07	-0.03
Equity per share, EUR	**0.67**	0.80	0.81	0.83	0.98	1.03
Net interest-bearing liabilities, MEUR	**21.3**	16.9	14.2	8.4	2.4	2.2
Order book, MEUR	**40.4**	21.0	21.5	22.1	14.3	20.1

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