TECNOTREE

*makes business flourish*

ANNUAL REPORT 2009

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# TECNOTREE

Tecnotree, founded in 1978, is one of the leading suppliers of Business and Operations Support Systems and Value Added Services for telecom operators worldwide. The company is listed on the main list of NASDAQ OMX Helsinki Ltd.

## WHAT DIFFERENTIATES US

An unmatched solution portfolio to meet customers' needs

A highly customer-centric approach of providing services throughout every stage of our customers' business life cycles

Offerings which reflect a strong focus on flexibility, creativity and innovation

*"Not a Vendor but a Partner"*

# TECNOTREE'S GLOBAL PRESENCE

## THE AMERICAS

– A strong local presence and development in order to provide needed flexibility and market competitiveness
– The BSS/OSS market, a new area of opportunities
– Convergent Charging solutions supporting broadband wireless prepaid and subscriptions

### Solution

CONECEL, ECUADOR
– PREPAID WIRELESS INTERNET SUBSCRIPTIONS

As part of the already installed Convergent Charging solution, Tecnotree provided Conecel with an innovative PP Wireless Internet Subscription service in order to boost the penetration of wireless Internet on the Ecuadoran market. With such a subscription service, Conecel is able to offer weekly and daily access to the Internet via wireless modem to their customers – thereby increasing their share of data revenues. Now, not only postpaid but also prepaid subscribers have access to Internet services.

## MIDDLE EAST & AFRICA

– The strong organic growth in the MEA region over the last few years continues with new operator licenses still being awarded. Concurrently, major regional players like MTN and ZAIN continue to grow at an impressive pace
– In 2009 we signed many new customers in MEA (e.g. Mozambique, Nigeria, Zambia) and upgraded solutions at existing customer locations

### Solution

MTN IRANCELL
– IT INFRASTRUCTURE CONTRACT

Tecnotree has implemented a state-of-the-art WiMax management solution which fully integrates the core postpaid functionalities (of generating bills and collecting charges) into prepaid subscriptions, as well. The solution covers management of the entire life cycle of a WiMax subscription, starting from prospect management and subsequent registration and going on to pricing, billing and CRM, including CPEmanagement.



## EUROPE

– New customers with VAS solutions
– Increase of customer cases with recurring revenue models increased share of service revenues

### Solution

TELE2, SWEDEN
– FULL-IP VOICE MAIL

– Replacement of Voicemail systems with a new all IP-based Next Generation Platform
– Increasing efficiency and enhancing service quality

## ASIA PACIFIC

– NGM reference list is growing with new customer acquisition
– Successful launch of BSS/OSS suite in BMobile, Papua New Guinea
– Two of the Axiata group's top operators, Celcom and Excelcomindo renewed their maintenance contracts

### Solution

BMOBILE, PAPUA NEW GUINEA
– END-TO-END BSS/OSS AND VAS

Showcasing and commercial launch of
– Billity™ Convergent Billing and Customer Care
– Connect@Billity™ Interconnect and Roaming Applications
– Mediation and Provisioning Systems
– Content Management Platform

# CEO'S REVIEW

## In 2009, Tecnotree continued the success story of Tecnomen and Lifetree by offering even more comprehensive solutions than before.

> "The year 2009 was full of changes, challenges and new possibilities for us."
>
> EERO MERTANO, PRESIDENT AND CEO

### A year of change – heading into the future

The year 2009 was a year of great change and growth for us. Tecnotree was born as Tecnomen and Lifetree were combined into a new, unified company. The most important reason for the transaction was the development and expansion of services. Now we are able to offer our customers even better and more extensive solutions in both of our product groups.

The integration has been received positively by our customers, partners and investors in the market. We have launched the sales of new solutions and have been able to fulfil the expectations that customers have had of Tecnotree. We are exceedingly grateful to our personnel for this achievement.

Last year was also a year of global economic crisis, which affected us too, due to the slowing down of the markets. Our turnover decreased as investments by our customers diminished. As a result of the crisis, we were forced to adjust our operations, and personnel cuts could not be avoided.

However, we will enter 2010 with even more inclusive service solutions, a larger personnel and a broader clientele. In spite of the difficulties, the past year gave us an opportunity to prepare for the future. At the onset of 2010, our capacity to achieve results is stronger than before, owing to an enhanced cost structure. The transaction has also boosted our competitiveness.

### Understanding the customer is the basis for success

Our customers' business operations are going through a transition. While operators are showing highly profitable results, they are also entering into a new, more mature market. Growth is no longer generated only by increasing the number of subscriptions, but also by developing new services and better user experiences.

Operators need partners who understand the business operations of their customers and are able to deliver comprehensive solutions. The integration provides us with sufficient capacity to meet this demand, but also makes us suitably sized to function flexibly and cost-efficiently.

### Experience in a changing environment

In 2010, we will be a considerably larger and more international company than our predecessors. The backgrounds of Tecnomen and Lifetree complement each other, but work is still needed to form a new and unified corporate culture for Tecnotree. Our personnel play a key part in this process.

Our thirty years of experience form a strong basis for our knowledge and skills and, at the same time, are evidence of our ability to change, which is one of the prerequisites of success. Our aim is to continue growing organically, through strategic partnerships and suitable company transactions.

The year 2009 was full of changes, challenges and new possibilities for us. We will continue to build new services on top of the existing, firm groundwork. The solid skills and mutual co-operation of our personnel will take us forward also in the years to come, as long as we stay devoted to our customer orientation and sustain the pride we take in the high quality of our work.

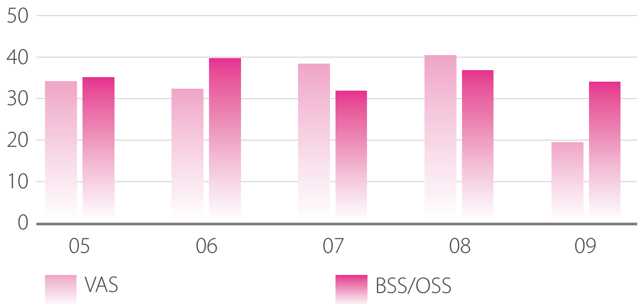
Eero Mertano

President and CEO

# KEY FIGURES

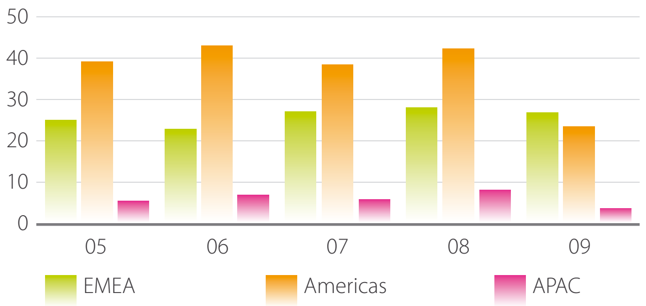
| | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|
| Net sales, MEUR | 69,0 | 71,8 | 70,1 | 77,2 | 53,3 |
| Net sales, change % | 33,7 | 4,1 | -2,4 | 10,1 | -31,0 |
| Operating result, MEUR | 9,6 | 4,9 | 8,9 | 11,5 | -14,7 |
| as % of net sales | 13,9 | 6,8 | 12,7 | 14,9 | -27,7 |
| Profit before taxes, MEUR | 10,3 | 5,2 | 10,0 | 13,5 | -15,2 |
| as % of net sales | 14,9 | 7,3 | 14,2 | 17,5 | -28,6 |
| Result for the period, MEUR | 8,8 | 3,2 | 8,7 | 10,2 | -16,1 |
| Earnings per share, basic, EUR | 0,15 | 0,06 | 0,15 | 0,17 | -0,24 |
| Earnings per share, diluted, EUR | 0,15 | 0,05 | 0,15 | 0,17 | -0,24 |
| Equity per share, EUR | 1,33 | 1,27 | 1,32 | 1,41 | 1,05 |
| Net interest-bearing liabilities, MEUR | -32,8 | -20,4 | -17,5 | -31,0 | -8,3 |
| Personnel at the end of the period | 373 | 374 | 355 | 354 | 779 |

Net sales by product line 2005–2009, MEUR




| MEUR | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|
| Total | 69.0 | 71.8 | 70.1 | 77.2 | 53.3 |
| VAS | 33.9 | 32.2 | 38.3 | 40.4 | 19.4 |
| BSS/OSS | 35.0 | 39.6 | 31.8 | 36.8 | 33.9 |

Net sales by market area 2005–2009, MEUR




| MEUR | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|
| Total | 69.0 | 71.8 | 70.1 | 77.2 | 53.3 |
| EMEA | 24.8 | 22.5 | 26.6 | 27.6 | 26.5 |
| America | 38.7 | 42.5 | 37.7 | 41.6 | 23.1 |
| APAC | 5.3 | 6.8 | 5.8 | 8.0 | 3.6 |

# TECNOTREE'S OFFERINGS

## Tecnotree works together with over 120 network operators, helping them compete by providing solutions which improve the customers' user experience.

Tecnotree offers turnkey BSS/OSS solutions to all networks, providing its customers with the competitive advantage needed in today's challenging market environment. Furthermore, Tecnotree has a strong track record of over 30 years of building future-proof and cost-efficient solutions to match all end-user messaging needs.

Our BSS/OSS solutions include Charging & Billing Solutions, Subscriber Management Solutions, Partner Management Solutions and Services. Our VAS solutions include Voice and Video Service, Content Management, PMR Messaging, Media Server and NGM Platform.

### BSS/OSS SOLUTIONS

- Charging & Billing Solutions
- Subscriber Management Solutions
- Partner Management Solutions
- Services

### VAS SOLUTIONS

- Voice and Video Service
- Content Management
- PMR Messaging
- Media Server
- NGM Platform

"Close engagement with our customers ensures true partnership."

ATUL CHOPRA, COO AND PRESIDENT

# BUSINESS AND OPERATIONS SUPPORT SYSTEMS

## Tecnotree's BSS/OSS solutions deliver fully convergent billing and customer care to network operators worldwide.

Communication Service Providers (CSP) worldwide are experiencing some of their greatest challenges to date. They must finely balance cost reductions, reduced organic growth, greater competition and lower ARPU on the one side, against offering enhanced data services, faster time-to-market and an improved customer experience on the other. In addition, the ongoing transformation from legacy to next-generation networks continues, as does the evolution of CSP offerings away from revenue declining voice and SMS service dependency to the high-value data and mobile internet services arena.

Today's legacy BSS/OSS solutions are incapable of offering unique services allowing real differentiation between operators within the telecom market. In addition, traditional solutions are unable to handle increased traffic volumes, service complexity and the intricacy of managing the 3rd party partner ecosystem.

Tecnotree recognizes that CSPs have invested significantly in their networks and now need solutions to unify, revitalize and rejuvenate disparate systems. At Tecnotree, we have a range of BSS/OSS solutions to suit any CSP's needs.

### Charging & Billing Solutions

Tecnotree has been delivering carrier-grade, future-proof, open and scalable real-time Charging & Billing Solutions to small and large-scale operators worldwide for many years. We provide turnkey solutions, tailored to the exact needs of a CSP, designed to optimize their BSS/OSS architecture, improve operational efficiencies, and support current and emerging business models.

### Subscriber Management Solutions

Tecnotree Subscriber Management Solutions are specifically designed to

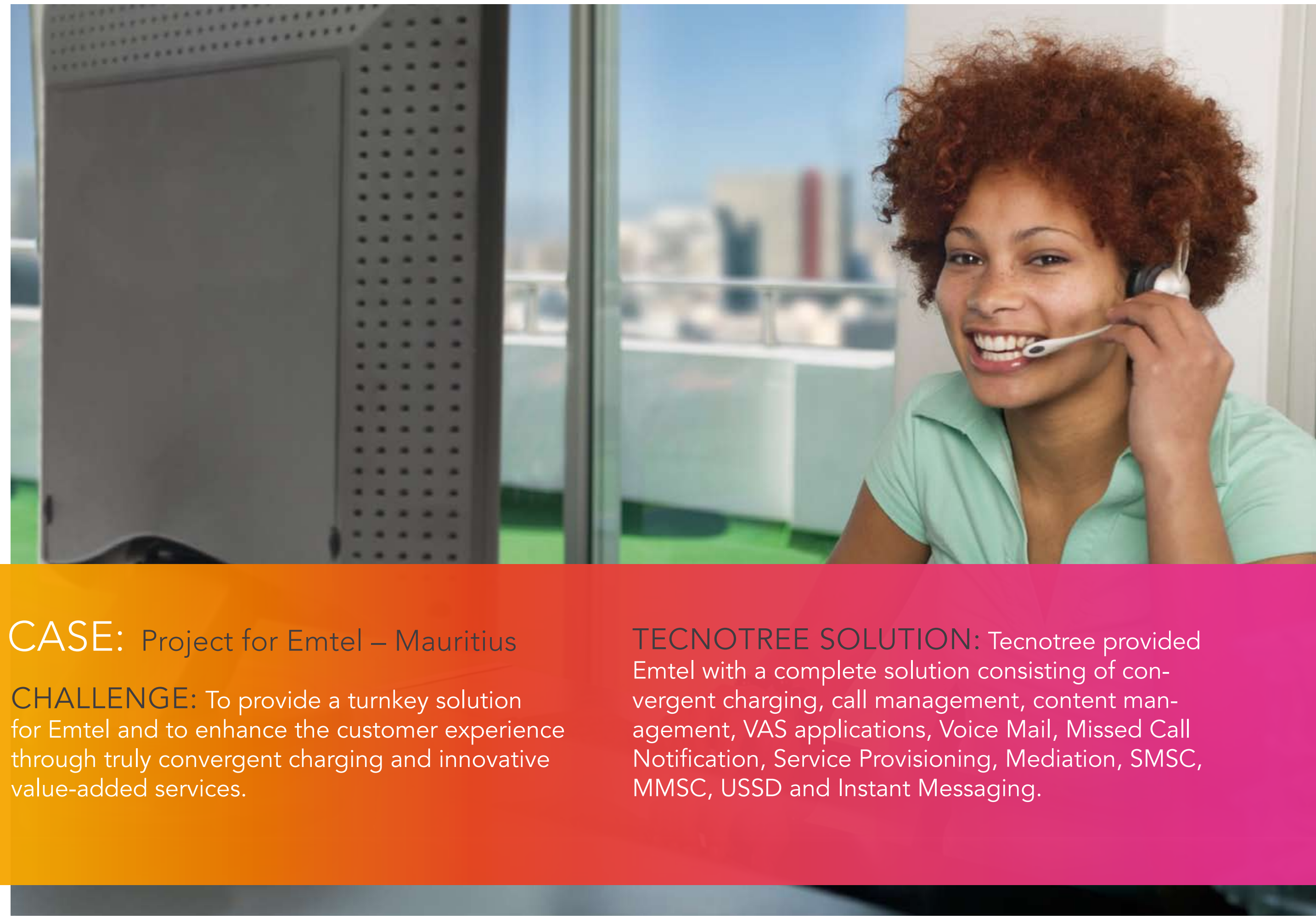
– assist CSPs in finding new ways of acquiring new customers, retaining existing ones and stimulating usage
– improve the quality of your customer services operations at a fraction of the cost by providing a unified subscriber account view and streamlining the flow of information into a single GUI,
– provide a CSP's Marketing Department with substantive subscriber information and innovative Loyalty Management schemes tailored to their subscribers' individual needs.

### Partner Management Solutions

With globalization, the need to partner with multiple 3rd parties to provide a seamless end-to-end service is paramount. As agreements become more complex and multi-dimensional, coupled with the rising volume of transactions spanning multiple countries and networks, operators need effective partner management solutions. Tecnotree's Partner Management Solutions enable a CSP to meet interconnect, revenue share and partner management requirements with ease.

### Services

Tecnotree believes in operators having the opportunity to leverage the experience and knowledge of our staff that understand a CSP's business requirements and their culture, and are committed to delivering a reliable and cost-effective service. Working closely with our customers and utilizing our experience and skills, allows us to provide a range of design, support, managed and hosted services.



CASE: Project for Emtel – Mauritius

CHALLENGE: To provide a turnkey solution for Emtel and to enhance the customer experience through truly convergent charging and innovative value-added services.

TECNOTREE SOLUTION: Tecnotree provided Emtel with a complete solution consisting of convergent charging, call management, content management, VAS applications, Voice Mail, Missed Call Notification, Service Provisioning, Mediation, SMSC, MMSC, USSD and Instant Messaging.

### Highlights of 2009 and outlook for 2010

The telecom industry as a whole faced many challenges during 2009 as the majority of CSPs scaled back both Opex and Capex investments to the bone due to the global economic recession. Notwithstanding these tough challenges, we successfully enhanced our BSS/OSS product portfolio and extended our global footprint even further, by winning customers in the competitive African and Asian-Pacific markets.

A key accomplishment for 2009 was the successful replacement of a major competitor's solution at Emtel, Mauritius, with a range of convergent solutions from our extensive BSS/OSS suite. This project successfully brought together the combined synergies of the merged Tecnomen and Lifetree Convergence organizations and delivered true convergence, innovative value added services, an enhanced customer experience and real service differentiation to the market.

Looking forward, there are tremendous growth opportunities for Tecnotree within the BSS/OSS domain. With ongoing cost reductions now being a business strategy inherent to CSPs, Opex reducing converged solutions, which offer a far greater customer experience, will begin to either replace or unify existing legacy solutions in the future. With the rapid growth expected from high-value next-generation data services, mobile business customers, and the mobile broadband sector, CSPs can rest assured that Tecnotree is ready with BSS/OSS solutions to enhance their product offerings and build a positive, profitable future.

# VALUE ADDED SERVICES

## Tecnotree's innovative VAS services enhance the user experience and provide means for increasing customer satisfaction, loyalty and revenue.

### Value Added Services – powered by innovation

Telecom service providers are facing an increasingly challenging environment as computer and internet-based applications and services are responding to demands from both consumer and enterprise sectors. Mobile devices are commonplace and are developing capabilities which are closer to those of computers. As telecom service providers are facing decreasing Average Revenue Per User (ARPU), they need to focus on alternative sources of revenue.

The VAS industry has come a long way since the days when messaging was the main additional service offered to mobile device users. The first decade of the 21st century has seen a boom in entertainment-related services with ever-improving features and content. The emerging 3G technology enables services requiring wide bandwidth, availability and top-class quality and security. This combined with enhanced mobile device capabilities opens up new opportunities for telecom operators to better serve their users and boost their businesses.

We at Tecnotree recognise the business challenges that telecom service providers are facing today and are proud to offer highly innovative, future-proof solutions, top-class architecture and flexible services. In 2009, we have upgraded our VAS development capabilities to a new level in order to provide increasingly tailored solutions to our customers. We have also extended our VAS product portfolio to include a full set of messaging, content and data services.

### Tecnotree VAS Solution Portfolio

Tecnotree VAS solution portfolio includes an extensive set of voice and video services, content management capabilities and multiple device access to all content and services. The solution is built on top of our Next Generation VAS Platform, while mobile network connectivity is provided by our powerful Media Server.

Voice and Video Services - Increases the revenues and improves call completion rates by turning unprofitable call attempts into profitable airtime

Content Management - Our powerful Content Management System (CMS) is geared to quickly create and deploy data and voice services. The solution is ideal for service providers looking for quick time-to-market capabilities for new services.

PMR Messaging - Messaging systems and services tailored for public authority use.

Media Server - A carrier-grade multipurpose media server that consolidates different media systems into one. Audio, video, fax, or any other media services are delivered to subscribers on any network from a single platform.

NGM Platform - An all-IP next generation VAS technology platform, enabling fast deployment of multiple applications and solutions in a single system.

CASE: Voice service consolidation

CHALLENGE: To provide a future-proof next-generation solution to replace end-of-life voice technology in the operator's network.

TECNOTREE SOLUTION: Tecnotree provided the VAS platform to consolidate legacy voice applications into a single next-generation system. Our solution includes multiple voice services, such as a voice messaging and IVR access, to prepaid self-care services.

### Highlights of 2009 and outlook for 2010

In 2009, the challenging global economy constrained investments as well as telecom service providers' budgets in general. Despite the challenges faced in 2009, we managed to improve our position as a provider of best-in-breed VAS solutions on the telecom operator markets.

One of our key accomplishments of the year was the delivery of a wholly IP-based messaging solution for Tele2 Sweden. In addition to a complete suite of call completion services, the solution provides remarkable cost savings for Tele2, unifies messaging network access by developing the core network and provides a future-proof VAS platform for years to come.

Another highlight last year was the introduction of entertainment services with content management and multidevice access capabilities to our VAS solution portfolio. With content management, delivery and access capabilities, we are well positioned to cover the majority of all VAS service needs telecom service providers have. For example, advertisement services, messaging, voting and video services are now available on a single platform to our valued customers.

The combining of the Tecnomen Corporation and Lifetree Convergence brought remarkable improvements to our solution portfolio and service-tailoring capabilities. Our development center in Bangalore raises our operations to a level where we can truly consider and provide solutions for the specific needs of and business challenges faced by our customers.

Tecnotree continues to invest in and further improve the VAS platform solutions and services for the benefit of telecom service providers worldwide. Outlook for the year 2010 is positive, and we are ready to serve our customers flexibly, innovatively and with enthusiasm.

# CUSTOMERS AND MARKETS

## THE AMERICAS

Established products generated most of the sales, while the introduction of new products to the portfolio untapped potential for new-solution sales.

### Local presence – ensuring customer satisfaction by staying close

Tecnotree has four offices in the Americas: Brazil, Argentina, Mexico and Ecuador. Furthermore, Tecnotree has established a local presence in Guatemala, Nicaragua, Colombia and Panama. By being close to our customers, we are able to ensure customer satisfaction by offering service of the highest quality.

### Local development – providing needed flexibility and market competitiveness

Tecnotree has a development facility in Argentina. This facility allows for our clients to flexibly introduce new functionalities to services to their customers, while ensuring competitiveness and a quick time-to-market. During 2009, a range of new functionalities was developed and successfully launched.

### Our customers – strengthening partnerships

Our largest customer in the region is América Móvil – the biggest telecom operator in the Americas with close to 200 million subscribers. During 2009, we have strengthened our partnership by providing key charging and VAS solutions across América Móvil's different operations. As a whole, our customer base covers the different parts of the region: from the Southern Cone, Andean region and Central America to the Caribbean.

### Charging market – consolidating our presence in convergent charging

Tecnotree is one of the leading charging vendors in the region. In 2009, operators started to offer more complex prepaid packages, primarily for data and content. During the year, Tecnotree reinforced its presence in the region by implementing unified solutions offering a complete range of charging services.

### VAS market – consolidating our presence in messaging

By acquiring new customers and extending existing customer relationships, Tecnotree strengthened its presence in the region. Underlying these developments are our next-generation messaging solutions. The demand for content-related services is increasing. Tecnotree has begun to offer services in this area as well, using the content delivery solution in its portfolio.

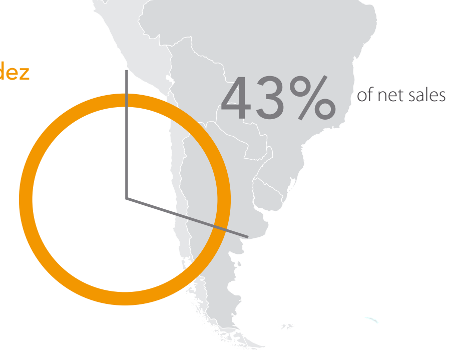
### BSS/OSS market – a new area of opportunity

During 2009, we started to promote our new product and service portfolio extensively across the region's markets. Based on the promotional work and Tecnotree's reputation as a charging provider, we untapped new opportunities and started to offer our solutions in the areas of billing, CRM, provisioning and mediation.

### Outlook

The market in Latin America will remain robust and continue to offer a range of new opportunities for Tecnotree. These opportunities will arise mainly out of the shift away from consolidated products towards new BSS/OSS and VAS solutions. The demand for new hybrid, convergent charging solutions (offering a mixture of pre- and postpaid payment methods) is growing. One of our focus areas is services, where Tecnotree in Latin America is an experienced provider of a range of maintenance, operation and managed services.

Oscar Fernandez






## EUROPE

Economic challenges, market consolidation and the need for increased efficiency provide great opportunities for companies ready for the change. Tecnotree is one of those!

### Growth potential in new sources of revenue

In 2009, the telecom landscape in Europe was characterised by operators focusing on sustaining their businesses and maintaining competitiveness in their established areas. As a result, many operators concentrated on streamlining their organizations and reducing operational expenses. For the latter, Tecnotree's solutions helped many customers achieve their targets. However, investments in new platforms planned earlier were not implemented or were postponed to the following fiscal year. Underlining the issue of OPEX reductions, a number of customers expressed interest in managed services for their Value Added Services (VAS) platforms. The continuance of this trend provides excellent growth potential for Tecnotree's service business.

### New deals

Despite a challenging market situation, Tecnotree managed to win new customers in Europe during the year. One of them was Tele2 in Sweden, where our Next Generation Messaging system was integrated in Tele2's mobile network replacing an old Voice Mail system.

Two of our European customers selected Tecnotree to provide them with a modern Interactive Voice Response (IVR) solution. In the case of both customers, the main purpose of the project was to expand service capabilities and consolidate the heterogeneous IVR landscape with a new architecture. The IVR solution allowed for more rapid service implementation and significant cost reductions with regard to operating and maintaining the IVR environment.

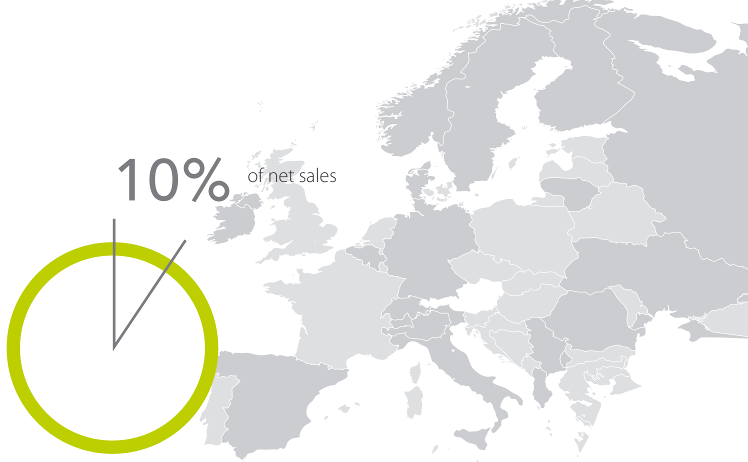
These projects, alongside the fact that further required VAS infrastructure investments are queuing on the operator side, constitute a sound starting point for further CAPEX and service revenue for Tecnotree in Europe.

Tecnotree's extended solution and service portfolio in the BSS/OSS area has been warmly welcomed by many of our existing as well as potential customers in Europe. The convergent charging and customer care solutions have generated particular interest.

### Outlook

The ability to provide both a broad set of products and services, as well as customer-specific solutions which meet the requirements of telecom service providers in a challenging market environment, will be instrumental to expanding Tecnotree's business in Europe.

Kai Honetschläger



## MIDDLE EAST & AFRICA

Growth in the region continues unabated and potential remains strong with operators looking for innovative solutions.

### MIDDLE EAST AND NORTH AFRICA

Tecnotree operates in the MENA region from two locations: the Dubai office, which is responsible for the whole region's sales and ME operations, and the Spain office, which is responsible for deliveries in North Africa.

In conjunction with the combining of Tecnomen and Lifetree, the MEA region was split into two parts, MENA and Africa. The total customer base in MEA had effectively doubled, and splitting the region in two ensures that the organization is more flexible and closer to customers. Despite the split, the teams work well together and support each other, as evidenced by the MENA team selling and delivering solutions to new customers in Mozambique, Nigeria and Zambia.

Tecnotree in MENA has found good traction by concentrating on creating end-to-end solutions for operators. For example, instead of delivering a call completion system, the whole process of marketing, the perspectives of different users, configuration and end-user sales is considered as a whole in order to create a solution that maximises operator revenue.

While the pressures of price and competition are tough, the outlook for 2010 remains positive. There is genuine organic growth in the region and operators are moving towards next-generation BSS/OSS solutions, thereby generating good opportunities for Tecnotree.

Matias Sillanpää

### AFRICA

Tecnotree has its African headquarters in South Africa. In addition, it has a local presence in Nigeria, Ivory Coast and Uganda.

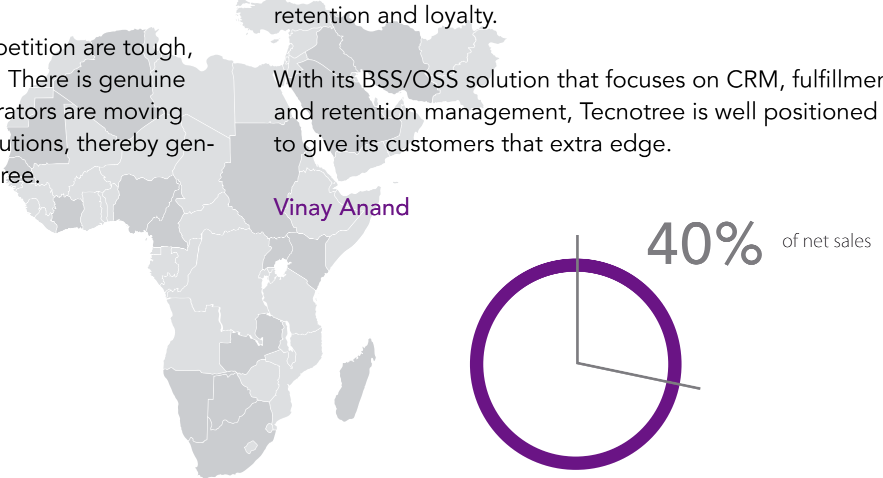
In keeping with its regional strategy to increase its presence and be closer to the customer, Tecnotree established a local presence in Uganda and Nigeria in 2009. In 2010, the company aims to further increase its presence in different areas in the region.

The strong organic growth in the African region over the last few years continues, with major regional players like MTN continuing to grow at an impressive pace. In 2009, Tecnotree further developed its partnership with MTN by deploying new solutions at some locations while upgrading existing solutions at others.

With decreasing ARPU and increasing competition, operators are looking into cutting costs. Nevertheless, the outlook for 2010 remains positive. Tecnotree's focus will move towards offering innovative solutions to operators which will not only enhance customer service but also facilitate retention and loyalty.

With its BSS/OSS solution that focuses on CRM, fulfillment and retention management, Tecnotree is well positioned to give its customers that extra edge.

Vinay Anand




## ASIA PACIFIC

The APAC region has been a catalyst for growth in the global telecom market for the past five years.

At present, the APAC region accounts for more than one third of the world's mobile device users and is poised to reach over 50 per cent of the world's mobile population in the next three years.

APAC, with its diversified cultures and varying socio-economic conditions, offers enormous opportunities for Tecnotree. As the fastest growing telecom market in the world, it is thus also a region of stiff competition. Operators are facing tremendous pressure to differentiate themselves from competitors by offering innovative services to their subscribers while maintaining their quality of service (QoS). Major challenges facing operators in this region are

- declining ARPU (Average Revenue Per User),
- Subscriber Retention (reducing subscriber churn as well as retaining old and attracting new subscribers),
- continual optimisation of Operating Expenses and Capital Expenses to increase Return on Investment.

### Providing innovative solutions

In the APAC region, Tecnotree is positioning itself as a provider of innovative solutions and services by further developing its expertise in the VAS/BSS/OSS domain built over the years. We are organised to partner with our existing and new customers in the region by providing them with

- solutions and services which meet our customers' demands through enriching the end user experience,
- innovative business models,
- managed services which accelerate the customer's revenue growth.

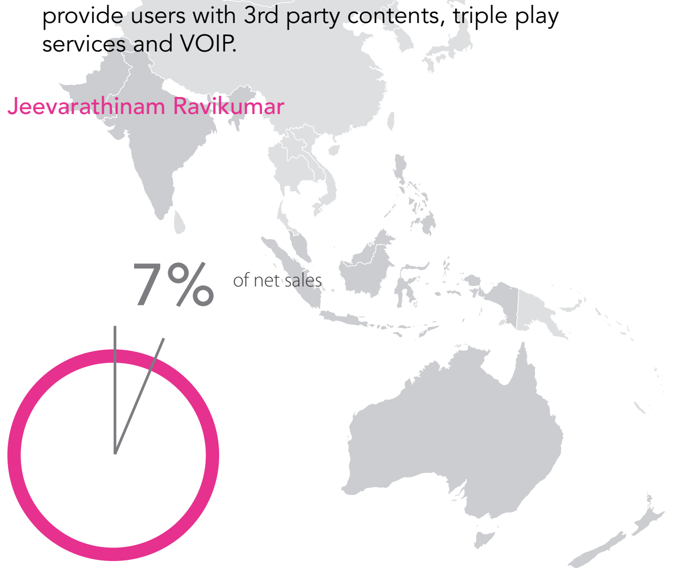
Tecnotree's APAC organization will focus on growth markets such as Southeast Asia, India, Indochina, Australia and New Zealand as well as specific North Asian markets. Sales efforts will be focused on upselling and cross-selling to our existing customers and on acquiring new customers in emerging telecom growth markets in the region.

### Outlook

In anticipation of a vibrant 2010, our solutions and services will be tailored to address

- all segments of users: Both high-end users who are looking for a compelling variety of VAS with complex tariff plans and low-end users who are looking for cost-conscious services with flat tariff plans,
- customer loyalty, proactive churn management, revenue assurance and fraud management and Managed services,
- converged billing and charging for next-generation services such as 3G/3.5G/4G with bundled offerings that provide users with 3rd party contents, triple play services and VOIP.

Jeevarathinam Ravikumar



# PERSONNEL

## The combining of Tecnomen with Lifetree in India changed our human resources significantly in many respects.

With the integration of Tecnomen and Lifetree in India, personnel of the company more than doubled in 2009. This greatly improves Tecnotree's ability to introduce new products. In India, the company has an advanced system in place to develop employee competence and to plan their careers. In addition, there are compensation systems tied to employee progress.

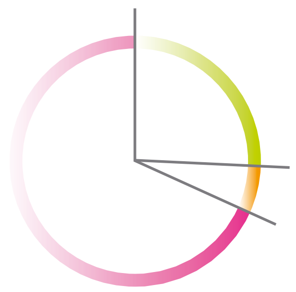
Before the acquisition of Lifetree, employees in Europe, Latin America and India were given cultural training which has helped integrate operations. Most people in the company deal with people outside of their own country on a daily basis. For this reason, Tecnotree employees need to be knowledgeable about how to react to differences in the business environments between the various markets.

Tecnotree's objective is to be an internationally recognised supplier as well as the preferred supplier for its customers and business partners. In day-to-day operations, this calls for a proactive outlook and an understanding of our customers' business needs. Also, ongoing development of products and services is needed to ensure competitiveness.

In order to reach its objective, Tecnotree is committed to maintaining a work environment that encourages employee innovation and boosts the development of professional competence. Tecnotree's human resource planning aims to ensure sufficient internal competence, strengthen expertise, promote the working capacity and wellbeing of personnel, support supervisors and improve internal communications.

Employees by area 2009

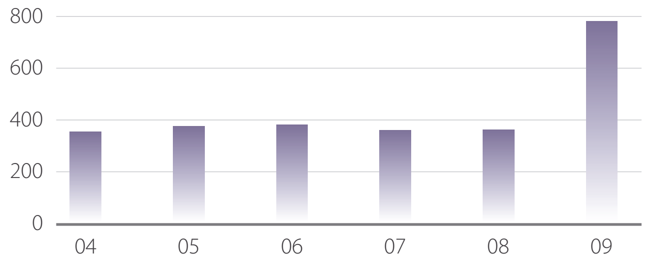
- EMEA 204 (26%)
- Americas 49 (6%)
- APAC 526 (68%)



Employees by company 2009

- Tecnomen Lifetree Corporation (Finland) 83 (11%)
- Tecnotree Ltd. (Ireland) 87 (11%)
- Tecnotree Sistemas de Telecomunicação Ltda (Brazil) 49 (6%)
- Tecnotree Convergence Ltd (India) 507 (65%)
- Other 52 (7%)

Employees at the end of year






# ENVIRONMENT

## Tecnotree is a certified, environmentally friendly company with a small impact on nature.

Tecnotree complies with the principles of sustainable development in its operations. The company aims to prevent any and all harmful effects of its operations on the environment. Tecnotree operates in a field that by nature does not have a major negative impact on the environment.

In its manufacturing, warehousing and transport activities, Tecnotree uses methods and procedures that cause as little damage to the environment as possible.

Tecnotree's Irish manufacturing unit, Tecnotree Ltd, has an ISO 14001 environmental compliance certificate issued by BSI British Standards.

Tecnotree Corporation is a member of the Finnish Environmental Register of Packaging PYR Ltd. The company uses recyclable packaging materials in all deliveries.

# BOARD OF DIRECTORS

HANNU TURUNEN

b. 1957, M.Sc. (Tech), MBA
Chairman of the Board, 19 Mar 2009–
Member of the Board, 2008–
Main duty:
Magnolia Ventures Oy, Managing Parter, 2001–
Tecnomen Lifetree shares, 31 Dec 2009: through Magnolia Ventures Oy 154,261
Tecnomen Lifetree stock options, 31 Dec 2009: –

Independent of Tecnomen Lifetree and its significant shareholders

ATUL CHOPRA

b. 1962, Charterred Accountant, LL.B., Bachelor of Commerce (Hons.)
Member of the Board, 6 May 2009–
Main duty:
COO and President, Operations, Tecnomen Lifetree Corp. 6.5.2009–
Tecnomen Lifetree shares, 31 Dec 2009: direct holding 1,678,550, through Aparna Advisory 1,368,780
Tecnomen Lifetree stock options, 31 Dec 2009: 1,770,362

Dependent of Tecnomen Lifetree Corporation but independent of its significant shareholders.

CARL-JOHAN NUMELIN

b. 1937, M.Sc. (Tech)
Vice Chairman of the Board,
Member of the Board, 2001–
Tecnomen Lifetree shares, 31 Dec 2009:
61,208 (direct holding 60,208)
Tecnomen Lifetree stock options, 31 Dec 2009: –

Independent of Tecnomen Lifetree and its significant shareholders

JOHAN HAMMARÉN

b. 1969, LL.M, M.Sc. (Econ)
Member of the Board, 2007–
Main duty:
Manager and Founding Partner, Fondia Oy, 2006–
Tecnomen Lifetree shares, 31 Dec 2009: 416,056 (direct holding 406,756)
Tecnomen Lifetree stock options, 31 Dec 2009: –

Independent of Tecnomen Lifetree and its significant shareholders

PENTTI HEIKKINEN

b. 1960, M.Sc. (Econ)
Member of the Board, 19 Mar 2009–
Main duty:
Founder and CEO, Gateway Technolabs Finland Oy, 2008–
Tecnomen Lifetree shares, 31 Dec 2009: 3,729
Tecnomen Lifetree stock options, 31 Dec 2009: –

Independent of Tecnomen Lifetree and its significant shareholders

CHRISTER SUMELIUS

b. 1946, M.Sc. (Econ)
Member of the Board, 2001–
Main duty:
President, Investsum Oy Ab, 1984–
Tecnomen Lifetree shares, 31 Dec 2009: 819,442 and through Investsum Oy Ab 947,500
Tecnomen Lifetree stock options, 31 Dec 2009: –

Independent of Tecnomen Lifetree and its significant shareholders

The following people were members of the Board of Directors up to 19 March 2009:

LAURI RATIA, b.1946, M.Sc (Tech)
Chairman of the Board 2001-2009

TIMO TOIVILA, b. 1950, M.Sc (Tech)
Member of the Board 2001–2009

HARRI KOPONEN

b. 1962, eMBA, Phd. Econ. H.c.
Member of the Board, 2008–
Main duty:
President and CEO, Tele2 AB, 2008–
Tecnomen Lifetree shares, 31 Dec 2009: –
Tecnomen Lifetree stock options, 31 Dec 2009: –

Independent of Tecnomen Lifetree and its significant shareholders

DAVID K. WHITE

b. 1950, B.Sc. (Eng)
Member of the Board, 6 May 2009–
Tecnomen Lifetree shares, 31 Dec 2009: –
Tecnomen Lifetree stock options, 31 Dec 2009: –

Independent of Tecnomen Lifetree and its significant shareholders

More detailed background information on the members of the Board of Directors is available at www.tecnotree.com

# MANAGEMENT BOARD

EERO MERTANO

b. 1965, Business IT Graduate
Main duty:
President and CEO, 2 Oct 2009–
Tecnomen Lifetree shares, 31 Dec 2009: –
Tecnomen Lifetree stock options, 31 Dec 2009: 80,000

TUOMAS WEGELIUS

b. 1955, M.Sc. (Econ)
Main duty:
Chief Financial Officer, 2006–
Tecnomen Lifetree shares, 31 Dec 2009: –
Tecnomen Lifetree stock options, 31 Dec 2009: 80,000

ATUL CHOPRA

b. 1962, Chartered Accountant, LL.B.,
Bachelor of Commerce (Hons.)
Main duty:
COO and President, Operations, 6 May 2009–
Tecnomen Lifetree shares, 31 Dec 2009: direct holding 1,678,550, through Aparna Advisory 1,368,780
Tecnomen Lifetree stock options, 31 Dec 2009: 1,770,362

NAIM A. KAZI

b. 1956, M.Sc. (IE)
Main duty:
Chief Technical Officer, 6 May 2009–
Tecnomen Lifetree shares, 31 Dec 2009: 155,391
Tecnomen Lifetree stock options, 31 Dec 2009: –

The following people were members of the Management Board up to 2 October 2009:

JARMO NIEMI, b. 1953, M.Sc (Tech)
President and CEO 2003–2009

MIIKA REINIKKA, b. 1968, M.Sc (Tech)
Vice President, VAS, 2006–2009

More detailed background information on the members of the Management Board is available at www.tecnotree.com



# CORPORATE GOVERNANCE

The Tecnotree corporation is administered and managed in accordance with current legislation and the company's Articles of Association. Ultimate responsibility for the Company's administration and operations is vested in the company's governing bodies, namely the Meeting of Shareholders, the Board of Directors and the President and Chief Executive Officer. The President and CEO is assisted by the Company's Management Board. Tecnotree complies with the Finnish Corporate Governance Code.

## Meeting of Shareholders

Tecnotree's Annual General Meeting of Shareholders is the company's highest decision-making body. According to the Articles of Association, the AGM shall be annually held on the date set by the Board of Directors by the end of May. The Meeting shall be held in the home municipality of the company, in Espoo, or, should the Board of Directors so decide, in Helsinki. An Extraordinary Meeting shall be held if the Board of Directors considers it to be necessary or if the company's auditor, or shareholder with at least one tenth (1/10) of all shares, so requests in writing for the consideration of a specific matter.

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.

Tecnotree provides advance information about AGMs in the invitation to the Shareholders' Meeting at *www.tecnotree.com.*

## 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 organization 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. To support its work, Tecnotree's Board of Directors has confirmed Rules of Procedure that define the Board's duties and work methods, as well as meeting and decision-making procedures.

Tecnotree's Board of Directors acts as a Corporate Board of Directors. It handles and makes decisions on all of the main issues affecting the Company's operations, irrespective of whether the issues legally call for a decision by the Board, if Board handling is deemed to be appropriate.

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 and one Board member also has an operative responsibility at Tecnotree.

## Board members, election and term of office

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 Annual General Meeting held on 19 March 2009 elected six members to the Board and decided as a conditional resolution that should the acquisition of Lifetree Convergence Ltd happen eight members would be elected. The acquisition of Lifetree Convergence Ltd took effect on 6 May 2009 and eight members were elected.

The Articles of Association do not restrict the number of terms in office. Board meetings have a quorum when over half of the Board members are present. Matters are decided by a simple majority vote. In the event of a tied vote, the Chairman has the casting vote.

Based on the assessment, one Board member is dependent of the company. Atul Chopra also has an operative responsibility at Tecnotree Group, i.e. that of COO and President of Operations and Managing Director for the Indian subsidiary, Tecnotree Convergence Ltd.

## Board meetings
Tecnotree's Board of Directors convened 14 times in 2009. Calculated on the basis of the number of meetings and the number of members present, the average attendance of members at Board meetings was 97 per cent.

## Assessment of Board activities
Tecnotree's Board of Directors regularly assesses its activities and work procedures to ensure effective operations and quality. The assessment is carried out as an internal self-evaluation.

## Board Committees
Tecnotree's Board of Directors has established two committees, the Audit Committee and the Remuneration and Nomination Committee. The Board has approved written charters of procedure for the committees that outline the main responsibilities and operating principles for the committees. The Board of Directors makes decisions based on the work of the committees.

The Audit Committee helps the company's Board of Directors ensure that the company has a sufficient internal control system that encompasses all of its operations. The Committee also helps the Board make sure that control of the company's accounting and asset management has been arranged appropriately. In addition, the Committee is responsible for monitoring 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 for monitoring the activities of internal auditing.

The Audit Committee comprises three members of the Board: Hannu Turunen, Johan Hammarén and Harri Koponen. The company's President and CEO and CFO regularly participates the Audit Committee's meetings. The Audit Committee had 4 meetings. The attendance of members at meetings was 100 per cent.

The Remuneration and Nomination Committee prepares proposals for the Board concerning the appointment and remuneration of senior management, including personnel remuneration schemes. It also prepares a proposal of the Board members to be elected by the Annual Shareholders' Meeting.

The Remuneration and Nomination Committee comprises three members of the Board: Carl-johan Numelin, Hannu Turunen and Christer Sumelius. The Remuneration and Nomination Committee had 10 meetings. The attendance of members at meetings was 100 per cent.

## Fees of the Board of Directors
The fees paid to the Chairman and members of the Board in 2009 totaled 268,550 euros and 12,685 in shares. Board members' fees are paid quarterly. The Board members are also entitled to compensation for travel expenses in accordance with Tecnotree's travel guidelines. Further information about the remuneration of the Board of Directors can be found on *www.tecnotree.com*.

## 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 communications, 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.

A written contract of employment has been drawn up for the President and CEO, and it has been approved by the Board. The fees, salaries and benefits paid to the President and CEO in 2009 totaled 320,703.83 euros. The President and CEO had at the end of 2009 80,000 option scheme 2006 rights. No shares have been granted to him.

The term of notice of the employment contract for the CEO is four months from the date the CEO hands in his or her resignation and four months from the date the company serves the notice of termination on the employment contract. The notice of termination shall be provided in writing.

## Management Board
Tecnotree Group has a four-member Management Board that comprises the President and CEO, Chief Financial Officer (CFO), Chief Operations Officer (COO) and Chief Technical Officer (CTO). 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.

## Remuneration of the management
Decisions on the remuneration of Tecnotree's President and CEO and Management Board members are made by the Board of Directors. Their remuneration scheme consists of a monthly salary and a performance-based fee, which is paid on the basis of target results determined in advance.

Fees, salaries and other benefits paid to the President and CEO and members of the Management Board in 2009 amounted to 1,115,625.20 euros. The President and CEO and members of the Group's Management Board do not receive separate remuneration for membership in the Management Board.

The pension benefits of the President and CEO and the Finnish members of the Management Board are determined in accordance with the Employees Pensions Act (TyEL).

Further information about the remuneration of the management can be found at *www.tecnotree.com*.

## Audit
The audit plays an important role as the auditing body appointed by the shareholders. It provides shareholders with an independent statement on how the company's accounts, financial statements and administration have been managed.

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 to the Board of Directors regularly issues an auditor's statement to shareholders as part of the annual financial statements.

The auditor's term of office corresponds to the company's financial year, which expires at the close of the Annual General Meeting following election.

Tecnotree's auditor in the financial year 2009 was KPMG Oy Ab, and the principal auditor was Sixten Nyman, Authorised Public Accountant.

The auditor's fees paid by Tecnotree Group for 2009 totaled 99,417 euros. In addition, the auditor was paid a further 95,121 euros in fees for other services.

## Related parties
Tecnotree has not granted loans to members of the Board of Directors or the Management Board nor has it provided guarantees for them. Members of the Board of Directors and the Management Board and individuals or organizations closely associated with them have no significant business connections with the company.

## Control and reporting
The control and supervision of Tecnotree Group's operations are based on planning and reporting systems at different levels of the organization. The objective of the internal control and reporting methods is to ensure that the company's operations are efficient, information is reliable and official regulations and internal operating principles are followed. The company's Board of Directors is ultimately responsible for the company's accounting and for supervising the management of the company's assets. The President and CEO is responsible for the practical implementation of accounting and the control and reporting systems.

Long-term planning of the company's business is guided by corporate-level strategic plans that are updated regularly. Business risks and the achievement of goals are monitored at the corporate and Board level with a monthly reporting system. Monthly reports presented at meetings contain actual figures for past performance and up-to-date forecasts for future performance.

Further information about internal control can be found in the Corporate Governance Statement at *www.tecnotree.com*.

## Risk management

The task of risk management is to identify, manage and track major risks affecting the company's business operations and operating environment. Risk management enables the company to achieve its strategic and financial goals in the best possible way.

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 its overall risk assessment to the Audit Committee.

Further information about risk management can be found in the Corporate Government Statement on *www.tecnotree.com*.

## 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 Finnish Central Securities Depository Ltd.

Tecnotree's statutory insiders are the members of the Board of Directors, the President and CEO, members of the Management Board and the auditor (insiders with the duty to declare). Tecnotree's company-specific insider register includes persons who in their work regularly obtain information that may have a material impact on the value of the company's shares (permanent company-specific insiders). When necessary, Tecnotree prepares project-specific insider registers for major projects.

Tecnotree's Board of Directors has confirmed a restriction on insider trading. The restriction forbids insiders to trade in the company's shares 14 days prior to the publication of financial reports. Insider issues are managed and monitored by the company's CFO. For further information, visit *www.tecnotree.com*.



# TECNOMEN LIFETREE CORPORATION'S DISCLOSURE POLICY

## Purpose

Tecnomen Lifetree Corporation is listed on the main list of NASDAQ OMX Helsinki Ltd. The company's disclosure policy complies with Finnish and European Union legislation, as well as with the instructions and regulations of the stock exchange and the Finnish Financial Supervision Authority.

## The central principles

Tecnomen Lifetree upholds openness, integrity, consistency and clarity as central principles in its communications. 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 relevant in relation to the company's size and scope of operations, and that are deemed to have an essential influence on the stock price.

Tecnomen Lifetree reports on orders it has received from its customers that are worth at least EUR 1.7 million, pending the customer's authorisation. Tecnomen Lifetree 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 reporting.

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. Stock exchange releases are published about significant changes in the structure or organization 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

Tecnomen Lifetree 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 the correction of essential information. However, if a piece of information that has significant impact on Tecnomen Lifetree'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 Tecnomen Lifetree are issued by the President and CEO, unless otherwise stated in such releases. Concerning financial information, the Chief Financial Officer 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 Tecnomen Lifetree is published simultaneously in Finnish and English through the stock exchange, in major media, and on the company's website, *www.tecnotree.com*, where an archive of previous releases can also be found. Other means of communication used are meetings and press conferences.

## Quiet Period

In its financial reports, Tecnomen Lifetree observes a three-week quiet period before its result is published. During that time, Tecnomen Lifetree 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 Tecnomen Lifetree publishes its result are available in the Financial Calendar section of the company's website *www.tecnotree.com*.

The Tecnomen Lifetree Corporation Board of Directors has confirmed this disclosure policy as of 21st October 2008.

# Report of the Board of Directors

Tecnomen Lifetree Corporation uses the name Tecnotree for itself, and this name is also used in this financial report.

Unless otherwise stated, all figures presented below are for the review period 1–12/2009 and the figures for comparison are for the corresponding period 1–12/2008. The figures for the period 1–12/2009 include the figures for Tecnotree India (formerly Lifetree) for the period 6 May – 31 December 2009.

## Main issues in 2009

Net sales in 2009 were EUR 23.9 million lower than in the previous year. Due to the global financial crisis, operators were cautious about making capital expenditure and many postponed their investments until 2010. The reduction in Tecnotree's sales is mainly due to the postponement of purchasing decisions by customers, falling average deal size in the VAS business and decline in prepaid license revenue.

In response to the global recession, we carried out a major restructuring at Tecnotree in the second half of 2009. Through this we have enhanced the efficiency of our organizational structure and processes, while maintaining our strong commitment to product development. The new solution-based organizational structure enables the company to serve its customers better in raising the efficiency of their business operations. This change is also reflected in our switching to regional segment reporting as from the beginning of 2010.

During 2009 Tecnomen merged with an Indian company Lifetree, forming the new Tecnotree. We have now successfully completed the integration projects relating to the acquisition. Thanks to the expanded product portfolio, the improved cost structure and the solution-based business model, the company has considerably improved its competitive standing. The strong financing structure gives a good basis for the operations of the company.

## Sales and net sales

Tecnotree's net sales in the review period declined -31.0 per cent to EUR 53.3 (77.2) million.

EUR 22.7 million of sales in the review period have been recognized by stage of completion (IAS 11 Construction contracts) and EUR 30.5 million on delivery (IAS 18 Revenues).

Net sales by geographical area were: Americas 43.4 per cent (53.9%), EMEA 49.8 per cent (35.7%) and APAC 6.8 per cent (10.4%).

Net sales by product line were: VAS (Value Added Services, formerly Messaging) 36.4 per cent (52.3%) and BSS/OSS (Business and Operations Support Systems, formerly Charging) 63.6 per cent (47.7%).

Sales through global partners totaled EUR 6.3 (14.5) million or 11.8 per cent (18.7%) of net sales.

Maintenance and service sales totaled EUR 23.6 (18.5) million or 44.3 per cent (24.0%) of net sales.

The order book stood at EUR 11.7 (9.7) million at the end of the review period. Americas accounted for 15.9 per cent of the order book, EMEA for 69.2 per cent and APAC for 14.9 per cent.

## Result development

Net sales in the review period totaled EUR 53.3 (77.2) million and the operating result EUR -14.7 (11.5) million. The fall in net sales was the main cause of the decline in the operating result.

Net sales for the VAS business unit totaled EUR 19.4 (40.4) million, i.e. they decreased EUR 21.0 million from the corresponding period in the previous year, when VAS had an exceptionally large number of projects especially in the EMEA and APAC regions. Net sales of the BSS/OSS business unit totaled EUR 33.9 (36.8) million, a decline of EUR 2.9 million.

Tecnotree announced in September that it was cutting its workforce in Finland by 20 persons. Further cuts of 15 persons were made elsewhere in the Group in the third quarter. One-time costs of EUR 1.0 million were recognized for these.

A reduction of 71 was made in the number of personnel at the company in Ireland in November, which gave rise to one-time costs of EUR 2.3 million.

These and other reductions in costs will give rise to annual savings of more than EUR 10 million, which have a partial impact in the fourth quarter and a full impact from the beginning of 2010.

A provision was recorded for the VAS business unit for one customer for the costs for the possible cancellation of revenue recognition for a project and other related costs. These entries reduced net sales by EUR 2.5 million and the operating result by EUR 3.7 million.

In total, the one-time costs presented above that impact Tecnotree's 2009 operating result amounted to EUR 7.0 million.

Capitalization of research and development costs and amortization of these had the net impact of weakening the result by EUR 2.7 million compared to the previous year. The operating result in the review period was -27.7% (14.9%) of net sales.

Tecnotree Convergence Limited (formerly Lifetree Convergence Limited) has been consolidated as from 6 May 2009. Its impact on net sales was EUR 13.7 million and on the operating profit EUR 3.3 million.

The result for the period before taxes was EUR -15.2 (13.5) million.

Taxes for the period totaled EUR 0.8 (3.3) million, including the following items:

| Taxes in income statement | 2009 | 2008 |
|---|---|---|
| Withholding tax expenses in parent company | -1.5 | -1.1 |
| Income taxes on the results of Group companies | -1.4 | -1.1 |
| Deferred tax asset based on tax allowances in India | 0.6 | |
| Change in deferred tax liability based on: | | |
| -capitalization of R&D costs | 0.6 | -1.1 |
| -cost capitalizations in Finnish taxation | 1.6 | |
| -Indian dividend tax | -0.6 | |
| Other items | -0.1 | -0.0 |
| **Taxes in income statement, total** | -0.8 | -3.3 |

Earnings per share were EUR -0.24 (0.17). Equity per share at the end of the period was EUR 1.05 (1.41).

## Financing and investments

Tecnotree's liquid funds totaled EUR 25.7 (51.0) million. The change in cash and cash equivalents for the review period was EUR -26.0 million, which includes dividends of EUR 5.1 million paid in the second quarter as well as the purchase consideration for the Lifetree acquisition less the cash and cash equivalents of Lifetree at the acquisition date, EUR -14.7 million.

The balance sheet total on 31 December 2009 stood at EUR 118.5 (118.9) million. Interest-bearing liabilities were EUR 18.9 (20.0) million. The net debt to equity ratio (net gearing) was -10.8 per cent (-37.2%). The balance sheet structure remained strong and the equity ratio on 31 December 2009 was 65.7 per cent (70.3%).

Tecnotree's gross capital expenditure during the review period, excluding the capitalization of development costs, was EUR 1.4 (1.3) million or 2.7 per cent (1.7%) of net sales.

Financial income and expenses (net) during the review period totaled EUR -0.5 (1.9) million. The financial income decreased by EUR 1.7 million, due especially to high foreign exchange gains in 2008. The financial expenses increased by EUR 0,7 million, mainly due to interest expenses on the bank loan raised by the parent company in December 2008 for financing the acquisition of Lifetree.

| Change in working capital, MEUR (increase - / decrease +) | 2009 | 2008 |
|---|---|---|
| Change in trade receivables | 1.5 | 11.8 |
| Change in other short-term receivables | 10.9 | -0.6 |
| Change in inventories | -0.1 | 1.3 |
| Change in trade payables | -1.5 | -1.8 |
| Change in other current liabilities | 3.3 | -1.6 |
| **Change in working capital, total** | 14.1 | 9.1 |

## Business units

Following the completion of the acquisition of Lifetree on 6 May 2009, the company has the following business units: VAS (Value Added Services), comprising the former Messaging product line and Lifetree's MDX+ business, and BSS/OSS (Business and Operations Support Systems), formed by the former Charging product line with Lifetree's operations apart from the MDX+ business.

### VAS (Value Added Services), *formerly Messaging*

Tecnotree achieved satisfactory results in maintenance and service sales thanks to its strong global VAS customer base. System sales fell significantly in all market areas, however, as network operators delayed their investment decisions due to the overall weakness of the global market.

During 2009 Tecnotree won new customers in emerging markets, mainly in Africa and Asia, and in Europe it was also able to replace legacy systems with next generation messaging solutions. Towards the end of 2009 the demand of the VAS market showed signs of improvement. Tecnotree's new development center in Bangalore is expected to enhance its position in tailoring solutions and developing new content and data services.

### BSS/OSS (Business and Operations Support Systems), *formerly Charging*

Net sales of the BSS/OSS unit were slightly lower than in the previous year. Demand was strong in the Middle East and Africa and satisfactory in Latin America. During 2009 the unit obtained new customers in the rapidly growing markets in Africa and Asia. The completion percentage of current projects improved during the year, as did the maintenance contract base. Operators have shown much interest in the new BSS/OSS products obtained through the merger of Tecnomen and Lifetree.

## Research and development

Research and development costs during the review period totaled EUR 14.5 (15.5) million, corresponding to 27.2 per cent (20.0%) of net sales. EUR 5.1 (6.9) million of development costs were capitalized and will be amortized over 3–5 years from the start of commercial use. R&D costs of EUR 4.2 (3.4) million were amortized during the review period.

## Personnel

At the end of 2009 Tecnotree employed 779 (354) persons, of whom 83 (89) worked in Finland and 696 (265) elsewhere, with 507 (0) of these in India. The company employed on average 665 (358) people during the review period. Personnel by geographical area were as follows:

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| Personnel, at the end of period | 779 | 354 | 355 |
| Americas | 49 | 65 | 67 |
| EMEA | 204 | 264 | 261 |
| APAC | 526 | 25 | 27 |
| Personnel, average | 665 | 358 | 354 |
| Personnel expenses before R & D capitalization (MEUR) | 26.0 | 21.2 | 19.7 |

## Acquisition of shares of Lifetree Convergence Ltd

The company acquired 96.51 per cent of the shares of Lifetree Convergence Ltd in a transaction on 6 May 2009. After the date of acquisition, Tecnotree acquired a further 3.30 per cent of the company's shares from external shareholders, so that Tecnotree's holding at the end of 2009 stood at 99.81 per cent.

The Annual General Meeting on 12 March 2008 authorized the Board of Directors to issue a maximum of 17,800,000 new shares. Under this authorization the Board of Directors, in accordance with the terms and conditions of the transaction between the owners of Tecnomen and Lifetree, issued new Company shares on the following terms and conditions:

A total of 13,676,658 new Company shares were subscribed in the share issue in May and 677,241 in November. The new shares were offered to the sellers of Lifetree, deviating from the pre-emptive subscription rights of the shareholders. There was therefore a weighty financial reason for the Company to deviate from shareholders' pre-emptive subscription rights. The subscription price for each new share was EUR 0.86. The subscription price was paid as contribution in kind, consisting of Lifetree's shares.

The company published a listing prospectus on 11 May 2009. Trading in the new shares on the main list of NASDAQ Helsinki Oy commenced on 15 May 2009 and 16 November 2009.

Lifetree Convergence Ltd changed its name to Tecnotree Convergence Ltd in June 2009.

## Tecnotree's shares and share capital

At the end of 2009 the shareholders' equity of Tecnotree Corporation stood at EUR 77.2 (83.5) 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 1.05 (1.41).

A total of 22,579,296 Tecnotree shares (EUR 23,157,045) were traded on the Helsinki Exchanges during the period
2 January – 31 December 2009, representing 30.7 per cent of the total number of shares.

The highest share price quoted in the period was EUR 1.21 and the lowest EUR 0.78. The average quoted price was EUR 1.00 and the closing price on 31 December 2009 was EUR 0.94. The market capitalization of the share stock at the end of the period was EUR 69,213,118.

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

## Current authorizations

Tecnomen's Annual General Meeting held on 12 March 2008 authorized the Board of Directors to decide on issuing shares and on giving special rights entitling to shares. The authorization includes the right to decide on issuing and/or conveying a maximum of 17,800,000 new shares and/or the Company's own shares held by the Company either against payment or for free. The authorization is valid for two years from the decision of the Annual General Meeting. Under this authorization, on 6 May 2009 and 28 October 2009 the Board decided on a share issue against payment in connection with the acquisition of the shares of Tecnotree Convergence Ltd by issuing altogether 14,353,899 new shares. At the end of the year, 3,446,101 shares under this authorization were still unused.

Tecnomen Lifetree Corporation's Annual General Meeting held on 19 March 2009 authorized the Board of Directors to decide on acquiring a maximum of 5,790,000 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 arranged by NASDAQ OMX Helsinki Oy at the market price of the shares in public trading at the time of the acquisition. The shares can be acquired for the purpose of developing the capital structure of the Company, carrying out corporate acquisitions or other business arrangements to develop the business of the Company, financing capital expenditure, to be used as part of the Company's incentive schemes, or to be otherwise retained in the possession of the Company, disposed of or nullified in the extent and manner decided by the Board of Directors. The Board of Directors decides on other terms of the share acquisition. This authorization replaces the authorization given by the Annual General Meeting on 12 March 2008 and is valid for one year from the decision of the AGM. This authorization has not been exercised during the review period.

## Segment information

As from 1 January 2009, Tecnotree is applying the new IFRS 8 standard (Operating Segments). Like the former primary segments under IAS 14, in 2009 Tecnotree Group's operating segments under IFRS 8 comprised the developing and supplying of messaging and charging solutions. The operating segments presented are VAS (Value Added Services), the former Messaging product line with Lifetree's MDX+ business, and BSS/OSS (Business and Operations Support Systems), the former Charging product line with Lifetree's business operations apart from the MDX+ business. This is because these are clearly distinct businesses and they are monitored in the company's internal financial reporting as separate business units.

As from the beginning of 2010 the segments reported by Tecnotree will be geographical regions. These will be Americas (North, Central and South America), Europe, MEA (Middle East and Africa), and APAC (Asia Pacific)

## Stock option programs

No changes took place in the company's stock option schemes during the fourth quarter.

During the review period the company had in force a 2006 stock option program. The state of these options on 31 December 2009 was as follows:

| Option series | Maximum number of options | Number of granted options | Exercise period | Exercise price |
|---|---|---|---|---|
| 2006A | 667,000 | 304,000 | 1.4.2007–30.4.2010 | 2.47 |
| 2006B | 667,000 | 667,000 | 1.4.2008–30.4.2011 | 1.32 |
| 2006C | 667,000 | | 1.4.2009–30.4.2012 | 0.98 |
| Total | 2,001,000 | 971,000 | | |

The dividend paid of EUR 0.07 has been deducted from the exercise price for the 2006 options.

The Annual General Meeting of Tecnomen Lifetree Corporation on 19 March 2009 decided on a stock option plan that came into effect after the acquisition of the shares of Lifetree Convergence Ltd was completed. The state of these options on 31 December 2009 was as follows:

| Option series | Maximum number of options | Number of granted options | Exercise period | Exercise price |
|---|---|---|---|---|
| 2006A | 1,026,005 | 265,554 | 1.4.2009–31.3.2011 | 0.86 |
| 2006B | 2,394,013 | 619,627 | 1.4.2010–31.3.2012 | 0.86 |
| 2006C | 3,420,018 | 885,181 | 1.4.2011–31.3.2013 | 0.86 |
| Total | 6,840,036 | 1,770,362 | | |
| 2006 and 2009 total | 8,841,036 | 2,741,362 | | |

Altogether 8,841,036 stock options remained on 30 September 2009 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 10.72 per cent of the Company's shares and the votes carried by the shares after any increase in share capital. On 31 December 2009 the Company still held 6,099,674 of all the current stock options. The issued stock options had a maximum diluting effect on 31 December 2009 of 3.59 per cent.

The company's Board of Directors may issue stock options such that their maximum dilution shall not exceed 8.50 per cent.

## 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 and success of its product development.

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. The payment record of customers and the situation concerning receivables are actively monitored and credit rating checks are made on new customers before confirming an offer.

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. The risks 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 created new opportunities for Tecnotree. Utilization of the opportunities requires many changes e.g. in sales, product development and organization, including risks. The purchase price paid and the consequent goodwill include risks.

Tecnotree's risks and uncertainties in the near future relate to major projects that are under negotiation and to their timing.

## Company management, Auditors and Corporate Governance

Tecnotree Management Board comprised of the following persons in 2009:

Hannu Turunen, Member of the Board 1 Jan–19 Mar 2009, Chairman of the Board, 19 Mar 2009–
Carl-Johan Numelin, Vice Chairman of the Board
Atul Chopra, 6 May 2009–
Johan Hammarén
Pentti Heikkinen, 19 Mar 2009–
Harri Koponen
Christer Sumelius
David White, 6 May 2009–

Lauri Ratia, Chairman of the Board up to 19 Mar 2009
Timo Toivila, Member of the Board up to 19 Mar 2009

Tecnotree's Board of Directors appointed Eero Mertano, Vice President, BSS/OSS, as interim President and CEO of the company as from 2 October 2009. The company's former President and CEO Jarmo Niemi resigned his position on health grounds. He continues for the time being working on special duties assigned by the Board.

As from 2 October 2009 the company's Management Board comprises Eero Mertano, Atul Chopra, Naim Kazi and Tuomas Wegelius. Jarmo Niemi (CEO) and Miika Reinikka, Vice President, VAS, were members of the Management Board until 2 October 2009.

Tecnotree's auditor in the financial year 2009 was KPMG Oy Ab, and the principal auditor was Sixten Nyman, Authorized Public Accountant.

The Board of Directors approved the Corporate Governance Statement of the company for the year 2009 on 3rd February 2010. It has been published on Tecnotree's internet site.

## Events after the end of period

No significant events have occurred after the end of period.

## Prospects

The global financial crisis has caused operators to be cautious in making capital expenditure and many operators have postponed investments until 2010. During the second half of 2009 Tecnotree carried out a major restructuring, and the cost savings from this will have a full impact in 2010.

Thanks to the new cost structure, the broader product offering and the solution-based business model, Tecnotree is now more competitive. Tecnotree estimates that net sales will be considerably higher in 2010 than in 2009. Higher sales and lower costs are expected to improve profitability significantly and the operating result should be positive.

Capitalization of R&D costs is expected to be clearly less in 2010 than in the previous year. This is because product development has a greater emphasis on customer specific projects with an advantage of lower cost base.

Variations between quarterly figures are expected to be considerable.

## Proposal concerning the result

The Board of Directors proposes to the Annual General Meeting to be held on 25 March 2010 that no dividend be paid for the financial year ended 31 December 2009, and that the parent company's loss for the financial year, EUR 22,656,856.24 be covered by non-restricted equity reserves.

Tecnomen Lifetree Corporation

Board of Directos

# Consolidated income statement

| EUR 1,000 | Note | 1 Jan–31 Dec 2009 | 1 Jan–31 Dec 2008 |
|---|---|---|---|
| **Net sales** | 1, 3 | 53,253 | 77,214 |
| Other operating income | 4 | 293 | 2 |
| Materials and services | 5 | -10,681 | -16,722 |
| Employee benefit expenses | 6 | -29,165 | -23,964 |
| Depreciation, amortization and impairment losses | 7 | -6,633 | -5,594 |
| Other operating expenses | 8 | -21,804 | -19,402 |
| **Operating profit** | | -14,737 | 11,534 |
| Financial income | 10 | 1,290 | 3,020 |
| Financial expenses | 10 | -1,770 | -1,076 |
| **Result before taxes** | | -15,217 | 13,479 |
| Income taxes | 11 | -842 | -3,307 |
| **Result for the period** | | -16,059 | 10,172 |
| **Result for the period attributable to:** | | | |
| Equity holders of the parent company | | -16,094 | 10,172 |
| Minority interest | | 35 | |
| Earnings per share calculated on profit attributable to equity holders of the parent company: | 12 | | |
| Basic earnings per share, EUR | | -0.24 | 0.17 |
| Diluted earnings per share, EUR | | -0.24 | 0.17 |
| Number of shares on average, 1,000s of shares | | | |
| -basic | | 68,039 | 59,134 |
| -diluted | | 68,231 | 59,134 |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| EUR 1,000 | Note | 1 Jan–31 Dec 2009 | 1 Jan–31 Dec 2008 |
|---|---|---|---|
| **Result for the period** | | -16,059 | 10,172 |
| Other comprehensive income: | | | |
| Translation differences from foreign operations, before tax | | 428 | -539 |
| Other comprehensive income, net of tax | | 428 | -539 |
| **Total comprehensive income for the period** | | -15,630 | 9,633 |
| **Comprehensive income for the period attributable to:** | | | |
| Equity holders of the parent company | | -15,666 | 9,633 |
| Minority interest | | 35 | |



# Consolidated balance sheet

| EUR 1,000 | Note | 31 Dec 2009 | 31 Dec 2008 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Goodwill | 2,13 | 20,011 | 682 |
| Other intangible assets | 13 | 23,541 | 19,344 |
| Property, plant and equipment | 14 | 7,310 | 7,040 |
| Deferred tax assets | 15 | 1,522 | 137 |
| Other non-current trade and other receivables | 16 | 906 | 531 |
| **Total non-current assets** | | 53,291 | 27,734 |
| **Current assets** | | | |
| Inventories | 17 | 1,331 | 1,091 |
| Trade and other receivables | 18 | 36,582 | 39,015 |
| Investments | 19 | 1,577 | |
| Cash and cash equivalents | 19 | 25,674 | 51,017 |
| **Total current assets** | | 65,164 | 91,123 |
| **Total assets** | | 118,454 | 118,857 |
| **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 | | 374 | -55 |
| Invested unrestricted equity reserve | | 12,634 | 290 |
| Other reserves | | 52,090 | 50,551 |
| Retained earnings | | 6,593 | 27,275 |
| **Equity attributable to equity holders of the parent** | 20 | 77,136 | 83,506 |
| Minority interest | | 72 | |
| **Total shareholders' equity** | | 77,208 | 83,506 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | 15 | 3,882 | 4,529 |
| Long-term interest-bearing liabilities | 23 | 16,664 | |
| Other non-current liabilities | 24 | 307 | 37 |
| **Total non-current liabilities** | | 20,853 | 4,566 |
| **Current liabilities** | | | |
| Current interest-bearing liabilities | 23 | 2,266 | 19,970 |
| Trade payables and other liabilities | 25 | 18,127 | 10,815 |
| **Total current liabilities** | | 20,393 | 30,785 |
| **Total equity and liabilities** | | 118,454 | 118,857 |

# Statement of changes in shareholders' equity

| EUR 1,000 | Equity attributable to equity holders of the parent | | | | | | | | Minority 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 2008 | 4,720 | 847 | -122 | 200 | 264 | 54,689 | 17,391 | 77,989 | | 77,989 |
| Dividend distribution | | | | | | -4,138 | | -4,138 | | -4,138 |
| Options exercised | | | | | 26 | | | 26 | | 26 |
| Share-based payments | | | | | | | 32 | 32 | | 32 |
| Other changes | | | | | | | -35 | -35 | | -35 |
| Total comprehensive income for the period | | | | -255 | | | 9,888 | 9,633 | | 9,633 |
| **Total shareholders' equity 31 Dec 2008** | **4,720** | **847** | **-122** | **-55** | **290** | **50,551** | **27,275** | **83,506** | | **83,506** |
| Shareholders' equity 1 Jan 2009 | 4,720 | 847 | -122 | -55 | 290 | 50,551 | 27,275 | 83,506 | | 83,506 |
| Directed share issue | | | | | 12,344 | 1,997 | | 14,342 | | 14,342 |
| Business combinations | | | | | | | | | 625 | 625 |
| Transactions with minority | | | | | | | -94 | -94 | -588 | -682 |
| Dividend distribution | | | | | | -458 | -4,639 | -5,097 | | -5,097 |
| Share-based payments | | | | | | | 161 | 161 | | 161 |
| Other changes | | | | | | | -15 | -15 | | -15 |
| Total comprehensive income for the period | | | | 428 | | | -16,094 | -15,666 | 35 | -15,630 |
| **Total shareholders' equity 31 Dec 2009** | **4,720** | **847** | **-122** | **374** | **12,634** | **52,090** | **6,593** | **77,136** | **72** | **77,208** |



# Consolidated cash flow statement

| EUR 1,000 | Note | 1 Jan–31 Dec 2009 | 1 Jan–31 Dec 2008 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Result for the period | | -16,059 | 10,172 |
| Adjustments for: | | | |
| Depreciation, amortization and impairment losses | | 6,633 | 5,594 |
| Option expenses and employee benefits | | 134 | -63 |
| Unrealized exchange gains and losses | | 214 | -551 |
| Unrealized gains and losses from assets at fair value through income statement | | -188 | -28 |
| Other financial income and expenses | | 241 | -658 |
| Income taxes | | 842 | 3,307 |
| Other adjustments | | 34 | 17 |
| Changes in working capital: | | | |
| Change in trade and other receivables | | 12,346 | 11,278 |
| Change in inventories | | -101 | 1,270 |
| Change in trade payables and other liabilities | | 1,829 | -3,404 |
| Interest paid | | -1,155 | -49 |
| Interest received | | 415 | 668 |
| Income taxes paid | | -3,216 | -1,425 |
| **Net cash flow from operating activities** | | **1,970** | **26,128** |
| **Cash flow from investments** | | | |
| Acquisitions of subsidiaries less cash and cash equivalents at acq. date | 2 | -13,990 | |
| Transactions with minority | 2 | -671 | |
| Investments in intangible assets | | -5,303 | -7,172 |
| Investments in property, plant and equipment | | -1,191 | -1,034 |
| Investments in other securities | | -781 | |
| Proceeds from disposal of other securities | | 273 | |
| Interest received from investments | | 72 | |
| Dividends received from investments | | 132 | |
| **Net cash flow from investments** | | **-21,459** | **-8,207** |
| **Cash flow from financing activities** | | | |
| Shares subscribed with share options | | | 26 |
| Proceeds from borrowings | | | 20,000 |
| Repayments of borrowings | | -1,369 | |
| Payments of finance lease liabilities | | -18 | |
| Dividend distribution | | -5,097 | -4,138 |
| **Net cash flow from financing activities** | | **-6,484** | 15,888 |
| **Change in cash and cash equivalents** | | **-25,974** | **33,809** |
| Cash and cash equivalents at beginning of period | | 51,017 | 17,469 |
| Change in foreign exchange rates | | 449 | -289 |
| Change in fair value of investments | | 181 | 28 |
| Cash and cash equivalents at end of period | 19 | 25,674 | 51,017 |

# 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 17 other locations in 17 countries.

The Group's parent company is Tecnomen Lifetree 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 4.

## 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 2009. 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 supplementing IFRS requirements.

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 EUR thousands.

Tecnotree Group has adopted the following amended standards and new interpretations starting from 1 January 2009:

IFRIC 13 *Customer Loyalty Programmes* (effective for annual periods beginning on or after 1 July 2008). The Group has no customer loyalty programmes in scope of the interpretation and therefore the IFRIC had no impact on the consolidated financial statements.

IFRIC 16 *Hedges of a Net Investment in a Foreign operation* (effective for annual periods beginning on or after 1 October 2008). The interpretation had no impact on the consolidated financial statements, since the Group does not hedge net investments in foreign operations and does not apply hedge accounting.

IFRS 8 *Operating Segments* (effective for annual periods beginning on or after 1 January 2009). IFRS 8 replaced IAS 14 Segment Reporting. Under IFRS 8 segment information is based on the management reporting and related principles. IFRS 8 requires disclosures on the Group's products, services, geographical areas and major customers. The Group estimates that the new standard will not change the current segment reporting significantly, as the existing primary segments are business segments defined in accordance with management reporting. IFRS 8 mainly affected the presentation of segment information in the notes to the consolidated financial statements.

IAS 23 (revised) *Borrowing Costs* (effective for annual periods beginning on or after 1 January 2009). The revised standard requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised standard had no impact on the consolidated financial statements, since the Group has no borrowing costs directly attributable to qualifying assets.

IAS 1 (revised) *Presentation of Financial Statements* (effective for annual periods beginning on or after 1 January 2009). The revised standard mainly affected the presentation of the income statement and the statement of changes in equity. It had no impact on the calculation of earnings per share (EPS).

Amendment to IFRS 2 *Share-based payment: Vesting Conditions and Cancellations* (effective for annual periods beginning on or after 1 January 2009). The amendment requires that all non-vesting conditions are considered when the fair value for granted equity instruments is determined. The amendment also specifies the guidance for treatment of cancellations. The amendment had no significant impact on the consolidated financial statements.

*Puttable Financial Instruments and Obligations Arising on Liquidation* -amendments to IAS 1 *Presentation of financial statements* and IAS 32 *Financial instruments: Presentation* (effective for annual periods beginning on or after 1 January 2009). The amendments had no impact on the consolidated financial statements, since the Group has no such financial instruments that are affected by the amendments (puttable financial instruments).

IFRIC 15 *Agreements for the Construction of Real Estate* (effective for annual periods beginning on or after 1 January 2009). The interpretation had no impact on the consolidated financial statements, since the Group is not in the real estate business.

Amendments related to *Improvements to IFRSs (Annual Improvements 2007)* (effective for annual periods beginning on or after 1 January 2009). Through the annual improvements project are amendments to altogether 34 standards implemented, with varying impact on different standards. The amendments had no significant impact on the consolidated financial statements.

Amendment to IFRS 7 *Financial instruments: Disclosures* (effective for annual periods beginning on or after 1 January 2009). The amendment brings additions to the disclosure requirements.

IFRIC 18 *Transfers of Assets from Customers* (effective for transfers received on or after 1.7.2009). The Group has not received any transfers in scope of the interpretation and therefore the IFRIC had no 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.

### 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 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 industrialization, 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 realizable 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 realizable 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 VAS and BSS/OSS.

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 or 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 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 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.

## 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, when it is probable that the obligation will have to be settled, and when 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 the 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 often are 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 continued 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.

Derecognition 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, the management has to make judgments on the application of the accounting principles.

These estimates mainly affect recognition of revenue and expenses, the measurement of 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. The 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 not yet effective and which the Group has not yet applied. The Group will adopt them as from their effective dates if the effective date is the same as the beginning of the financial year, or if the effective date is different, they will be adopted as from the beginning of the following financial year.

IFRS 3 *Business Combinations (revised)* (effective for annual periods beginning on or after 1 July 2009). The scope for the revised standard is broader than before. The amendment impacts the amount of goodwill to be recognized for an acquisition as well as the proceeds from businesses. The revised standard also impacts the items to be recognized in the income statement both in the period of acquisition and in those periods when additional purchase consideration is paid or additional acquisitions are made. According to the transitional provisions, business combinations with transaction dates before the required implementation of the revised standard are not adjusted. The revised standard has been adopted by the EU.

IAS 27 *Consolidated and Separate Financial Statements (revised)* (effective for annual periods beginning on or after 1 July 2009). The amendment requires the effects of changes in ownership interests to be recorded in equity if there is no change in control. If the control of a subsidiary is lost, any remaining interest in the entity is re-measured to fair value and a gain or loss is recognized in the income statement. As an impact of the revised standard, losses of a subsidiary can be attributed to the minority, even if they exceed the amount of the minority investment. The revised standard has been adopted by the EU.

Amendment to IAS 39 *Financial Instruments: Recognition and Measurement (Eligible Hedged Items)* (effective for annual periods beginning on or after 1 July 2009). The amendment of the standard does not have an impact on the consolidated financial statements, since the Group does not apply hedge accounting. The amended standard has been adopted by the EU.

IFRIC 17 *Distributions of Non-Cash Assets to Owners* (effective for annual periods beginning on or after 1 July 2009). The interpretation clarifies how an entity should recognize the distribution of non-cash assets from the perspective of the distributing entity. The Group estimates that the interpretation will not have an impact on the consolidated financial statements. The interpretation has not yet been adopted by the EU.

Amendments to IFRS 1 *First-time adoption of IFRSs* (effective for annual periods beginning on or after 1 July 2009). The amendments affect first-time adoptions of IFRS, and have therefore no impact on the consolidated financial statements. The amendment has been adopted by the EU.

The amendment of IFRIC 9 *Reassessment of Embedded Derivatives* (effective for annual periods beginning on or after 30 June 2009). The changes clarify, that when a financial asset item is transferred out of the financial asset at fair value through income statement category, all embedded derivatives are to be reassessed and, if needed, treated separately in the financial statements. The Group estimates that the interpretation will not have an impact on the consolidated financial statements. The interpretation has been adopted by the EU.

Amendments related to *Improvements to IFRSs (Annual Improvements 2007–2009)* (mainly effective for annual periods beginning on or after 1 January 2010). Through the annual improvements project are amendments to altogether 12 standards implemented, with varying impact on different standards. The Group estimates that the amendments will not have a significant impact on the consolidated financial statements. The amendments have not yet been adopted by the EU.

Amendment to IFRS 2 *Share-based payment* (effective for annual periods beginning on or after 1 January 2010). The changes clarify that a company receiving goods or services from suppliers or service providers must apply IFRS 2 even if it would not have the obligation to settle the required share-based cash payments. The Group estimates that the amendment will not have an impact on the consolidated financial statements. The amendment has not yet been adopted by the EU.

Amendment to IAS 32 *Financial instruments: Presentation* (Classification on Rights Issues) (effective for annual periods beginning on or after 1 January 2010). The change concerns the accounting treatment of shares, options and exercise rights in other currencies than the functional currency of the issuer. The Group estimates that the amendment will not have an impact on the consolidated financial statements. The amendment has not yet been adopted by the EU.

IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* (effective for annual periods beginning on or after 1 July 2010). The interpretation gives instructions on the accounting treatment of equity instruments which are issued to creditors extinguishing the liability entirely or partly. The Group estimates that the interpretation will not have an impact on the consolidated financial statements. The interpretation has not yet been adopted by the EU.

Revised IAS 24 *Related Party Disclosures* (effective for annual periods beginning on or after 1 January 2011). The changes simplify the disclosure requirements for companies under public control and clarify the definition of a related party. The Group estimates that the revised standard will not have an impact on the consolidated financial statements. The revised standard has not yet been adopted by the EU.

IFRS 9 *Financial Instruments* (effective for annual periods beginning on or after 1 January 2013). IFRS 9 is a part of the IASB project aiming at a replacement of IAS 39 *Financial Instruments: Recognition and Measurement.* The new standard deals with measurement of financial assets from the classification perspective. Other IAS 39 instructions concerning impairment of financial assets and hedge accounting are still valid. The Group estimates that the new standard will not have a significant impact on the consolidated financial statements. IFRS 9 has not yet been adopted by the EU.

# Notes to the consolidated income statement

## 1. SEGMENT REPORTING

As from 1 January 2009, Tecnotree is applying the new IFRS 8 Operating segments -standard. Like the former primary segments under IAS 14, Tecnotree Group's operating segments under IFRS 8 comprise the developing and supplying of messaging and charging solutions. The operating segments presented are VAS (Value Added Services), the former Messaging product line with Lifetree's MDX+ business, and BSS/OSS (Business and Operations Support Systems), the former Charging product line with Lifetree's business operations apart from the MDX+ business. This is because these are clearly distinct businesses and they are monitored in the company's internal financial reporting as separate business units. Adopting IFRS 8 has not changed the principles for defining the items to be reported or excluded for the segments. Tecnotree's chief operating decision maker, as referred to in IFRS 8, is the Group's management board.

"Other segments" include administrative expenses and assets. "Non-allocated items" include taxes and financial items. The operating results for the operating segments and administrative expenses, with financial income and expenses, form the Group's operating profit or loss before tax.

Tecnotree Group operates in three geographical areas: Americas (North, Central and South America), EMEA (Europe, the Middle East and Africa) and APAC (Asia Pacific). Net sales for the geographical segments are presented based on the location of customers.

### Operating segments

| 2009<br>EUR 1,000 | VAS | BSS/OSS | Other segments | Group total |
|---|---|---|---|---|
| Net sales (external) | 19,375 | 33,878 | | 53,253 |
| Depreciations | -3,206 | -3,304 | -123 | -6,633 |
| Segment operating result | -7,204 | -4,187 | -3,345 | -14,737 |
| Non-allocated items: | | | | |
| Financial income and expenses | | | | -480 |
| Result before taxes | | | | -15,217 |
| Segment assets | 30,588 | 57,366 | 1,466 | 89,420 |
| Non-allocated items: | | | | |
| Deferred taxes and income taxes | | | | 1,784 |
| Investments, cash and cash equivalents | | | | 27,251 |
| Assets total | | | | 118,454 |

| 2008<br>EUR 1,000 | VAS | BSS/OSS | Other segments | Group total |
|---|---|---|---|---|
| Net sales (external) | 40,414 | 36,800 | | 77,214 |
| Depreciations | 2,978 | 2,588 | 28 | 5,594 |
| Segment operating result | 8,836 | 5,517 | -2,819 | 11,534 |
| Non-allocated items: | | | | |
| Financial income and expenses | | | | 1,944 |
| Result before taxes | | | | 13,478 |
| Segment assets | 32,923 | 32,809 | 1,844 | 67,575 |
| Non-allocated items: | | | | |
| Deferred taxes and income taxes | | | | 265 |
| Investments, cash and cash equivalents | | | | 51,017 |
| Assets total | | | | 118,857 |

### Geographical areas

| EUR 1,000 | 2009 | | 2008 | |
|---|---|---|---|---|
| Net sales (external) | | | | |
| Americas | | | | |
| Ecuador | 9,583 | | 9,888 | |
| Brazil | 5,611 | | 9,205 | |
| Argentina | 2,260 | | 8,714 | |
| Other countries | 5,641 | 23,095 | 13,801 | 41,608 |
| EMEA | | | | |
| Finland | 2,133 | | 4,704 | |
| Other countries | 24,385 | 26,518 | 22,856 | 27,560 |
| APAC | | 3,641 | | 8,046 |
| Group total | | 53,253 | | 77,214 |
| Non-current assets | | | | |
| Finland | | 25,346 | | 24,930 |
| India *) | | 23,772 | | |
| Other countries | | 2,436 | | 2,549 |
| Group total | | 51,554 | | 27,479 |

*) In this case, the goodwill arising on the acquisition in India of EUR 19,329 thousand is considered to belong entirely to India. As from the beginning of 2010, the segments reported by Tecnotree will be the geographical areas, whereas this goodwill, for the purpose of impairment testing, will be allocated to segments and cash generating units according to where synergy benefits are expected to arise.

### Information about major customers

| EUR 1,000 | 2009 Net sales | 2009 % of the Group's net sales | 2008 Net sales | 2008 % of the Group's net sales |
|---|---|---|---|---|
| Customer 1, operating segment: VAS and BSS/OSS * | 9,788 | 18% | 9,492 | 12% |
| Customer 2, operating segment: VAS | 6,264 | 12% | 14,145 | 18% |
| Customer 3, operating segment: BSS/OSS | 5,419 | 10% | 1,417 | 2% |

*) VAS net sales EUR 885 (466) thousand and BSS/OSS EUR 8,903 (9,026) thousand.

## 2. ACQUISITIONS

In December 2008 Tecnomen (currently Tecnotree) signed an agreement to acquire the Indian company Lifetree Convergence Ltd. The acquisition was closed on 6 May 2009 after the receipt of regulatory and statutory approvals. Lifetree supplies convergent billing, customer care, rating and messaging platforms.

In consequence of the acquisition, the holding company Lifetree Cyberworks Ltd became a fully owned subsidiary of Tecnomen, and Lifetree Convergence Ltd (currently Tecnotree Convergence Ltd), which is owned 61.02 per cent by Lifetree Cyberworks Ltd and has business operations, became a 96.51 per cent owned subsidiary of Tecnotree Group. The acquisition also included the fully-owned subsidiaries of Lifetree Convergence Ltd: Quill Publishers Private Ltd (India), Lifetree Convergence Pty Ltd (South Africa) and Lifetree UK Ltd (UK), as well as the 95 per cent owned subsidiary Lifetree Convergence Nigeria Ltd (Nigeria).

Tecnomen paid the shareholders of the companies consideration of altogether EUR 21,286 thousand in cash. In addition, altogether 13,676,658 new Tecnomen Corporation shares were issued to those selling the companies, for which the fair value was determined to be EUR 14,087 thousand. The basis for the fair value was the share price for Tecnomen shares on the acquisition date of 6 May 2009. The acquisition cost also includes transaction costs of EUR 1,108 thousand.

The goodwill of EUR 18,904 thousand arising from the acquisition is considered to be attributable to the synergy benefits expected and to the know-how of the personnel transferred in the acquisition. The acquisition also expands Tecnomen's product portfolio and boosts cost efficiency.

Tecnotree's net result for the period 1 January – 31 December 2009 includes a profit of EUR 3,595 thousand recorded by the acquired company Tecnotree India. If the acquisition had taken place on 1 January 2009, Tecnotree's net sales for the period 1 January – 31 December 2009 would have been some EUR 58,212 thousand and the result about EUR -15,809 thousand.

Since Tecnotree did not apply the revised IFRS 3 standard before the effective date 1 July 2009, the IFRS 3 standard effective on the acquisition date 6 May 2009 is applied to the Lifetree acquisition (in force as from 31 March 2004). The acquisition has been recognized on a preliminary basis as permitted by IFRS 3, since determination of the fair value of the company's assets is partly incomplete at the time the financial statements are published.

**Transaction with minority holders after the date of acquisition**
After the date of acquisition, Tecnotree stepwise acquired a further 3.30 per cent of the shares of Tecnotree India from minority holders. A consideration of altogether EUR 671 thousand was paid in cash. In addition, altogether 677,241 new Tecnomen Lifetree Corporation shares were issued to the minority. The fair value of the new shares was determined to be EUR 630 thousand. This increased Tecnotree's ownership from 96.51 to 99.81 per cent and goodwill by EUR 647 thousand.

| EUR 1,000 | Fair value recognized on acquisition 6 May 2009 | Carrying value before acquisition 6 May 2009 |
|---|---|---|
| Intangible assets: | | |
| Software products | 3,273 | 319 |
| Other intangible assets | 732 | 732 |
| Property, plant and equipment | 571 | 571 |
| Deferred tax assets | 788 | 788 |
| Non-current receivables | 284 | 284 |
| Inventories | 139 | 139 |
| Trade and other receivables | 9,781 | 9,781 |
| Investments | 1,069 | 1,069 |
| Cash and cash equivalents | 8,404 | 8,404 |
| **Total assets** | 25,041 | 22,087 |
| Deferred tax liabilities | 1,004 | |
| Non-current liabilities | 274 | 274 |
| Current liabilities | 5,549 | 5,549 |
| **Total liabilities** | 6,827 | 5,823 |
| **Net assets** | 18,214 | 16,264 |
| **Share of net assets based on holding acquired** | 17,577 | 15,619 |
| Acquisition cost: | | |
| Consideration paid, settled in cash | 21,286 | |
| Consideration paid, settled through directed share issue | 14,087 | |
| Transactions costs | 1,108 | |
| **Total acquisition cost** | 36,481 | |

| EUR 1,000 | Fair value recognized on acquisition 6 May 2009 |
|---|---|
| **Goodwill on acquisition** | 18,904 |
| Impact of acquisition on cash flow: | |
| Purchase consideration settled in cash and transaction costs | 22,394 |
| Cash and cash equivalents in subsidiaries acquired | 8,404 |
| **Net cash outflow** | 13,990 |

## 3. CONSTRUCTION CONTRACTS

| EUR 1,000 | 2009 | 2008 |
|---|---|---|
| Revenue from contract work recognized by stage of completion | 22,706 | 46,850 |
| Revenue from maintenance and support | 23,600 | 18,531 |
| Revenue from goods and services | 6,947 | 11,833 |
| Net sales total | 53,253 | 77,214 |
| Order book for contract work | 8,557 | 4,003 |
| Order book for maintenance and support, goods and services | 3,159 | 5,655 |
| Order book total | 11,716 | 9,658 |
| Projects in progress: | | |
| Cumulative revenue recognized for projects in progress | 13,836 | 33,026 |
| Cumulative invoicing for projects in progress recognized by stage of completion | 10,306 | 24,787 |
| Accrued income related to construction contracts, work in progress | 3,530 | 8,239 |
| Aggregated amount of costs incurred for projects in progress | 4,692 | 9,956 |

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. OTHER OPERATING INCOME

| EUR 1,000 | 2009 | 2008 |
|---|---|---|
| Gains on sale of non-current assets | 17 | |
| Commissions from partners | 233 | |
| Other operating income | 43 | 2 |
| Other operating income total | 293 | 2 |

## 5. MATERIALS AND SERVICES

| EUR 1,000 | 2009 | 2008 |
|---|---|---|
| Purchases during the period | -9,469 | -13,405 |
| Increase/decrease in inventories | 94 | -1,270 |
| Materials and supplies | -9,375 | -14,675 |
| External services | -1,305 | -2,047 |
| Materials and services total | -10,681 | -16,722 |

## 6. EMPLOYEE BENEFIT EXPENSES

| EUR 1,000 | 2009 | 2008 |
|---|---|---|
| Wages and salaries | -22,927 | -17,751 |
| | | |
| Pension expenses, defined contribution plans | -2,246 | -2,571 |
| Pension expenses, defined benefit plans | -137 | -50 |
| Pension expenses total | -2,383 | -2,621 |
| | | |
| Share options granted | -161 | -32 |
| Other employee benefits | -3,694 | -3,560 |
| Other employee benefits total | -3,855 | -3,592 |
| | | |
| Employee benefit expenses total | -29,165 | -23,964 |

Information about management board compensation is presented in note 30 and granted share options in note 21.

| **Average number of employees** | | |
|---|---|---|
| Finland | 89 | 90 |
| Ireland | 135 | 139 |
| Other Europe | 11 | 11 |
| India | 327 | |
| Other East and Southeast Asia | 21 | 27 |
| Middle East | 23 | 27 |
| Brazil | 59 | 66 |
| Total | 665 | 358 |

## 7. DEPRECIATIONS AND AMORTIZATIONS

| EUR 1,000 | 2009 | 2008 |
|---|---|---|
| Depreciations by class of asset | | |
| Other intangible assets | | |
| Capitalized development costs | -4,243 | -3,398 |
| Other intangible assets | -799 | -288 |
| Total | -5,042 | -3,685 |
| | | |
| Property, plant and equipment | | |
| Buildings | -279 | -280 |
| Machinery and equipment | -1,313 | -1,628 |
| Total | -1,591 | -1,908 |
| | | |
| Depreciation, amortization and impairment losses total | -6,633 | -5,594 |

## 8. OTHER OPERATING EXPENSES

| EUR 1,000 | 2009 | 2008 |
|---|---|---|
| Subcontracting | -5,079 | -5,205 |
| Office management costs | -3,958 | -3,792 |
| Travel expenses | -4,076 | -3,319 |
| Agent fees | -4,678 | -3,635 |
| Rents | -1,550 | -1,249 |
| Professional services | -1,572 | -1,174 |
| Marketing | -415 | -409 |
| Other expenses | -476 | -619 |
| Other operating expenses total | -21,804 | -19,402 |

The subcontracting item in other operating expenses consists largely of amounts paid to Accenture Service Oy for software development and maintenance for the voice messaging system.

| **Auditors' fees** | | |
|---|---|---|
| Audit | -99 | -78 |
| Tax consulting | -46 | -15 |
| Other services * | -49 | -199 |
| Auditors' fees total | -195 | -292 |

*) An amount of EUR 165 thousand included in auditors' fees for other services for 2008 has beed capitalized related to the acquisition of Lifetree Convergence Ltd.

## 9. RESEARCH AND DEVELOPMENT EXPENDITURE

| EUR 1,000 | 2009 | 2008 |
|---|---|---|
| Research and development expenses incurred during the year, before capitalization of development costs | -14,506 | -15,452 |
| Capitalization of development costs | 5,089 | 6,925 |
| Amortization of capitalized development costs | -4,245 | -3,398 |
| Research and development expenses recognized in income statement total | -13,663 | -11,924 |

## 10. FINANCIAL INCOME AND EXPENSES

| EUR 1,000 | 2009 | 2008 |
|---|---|---|
| **Financial income** | | |
| Financial income from financial assets at fair value through income statement | 162 | |
| Financial income from loans and receivables | 458 | 711 |
| Other financial income | 92 | |
| Foreign exchange gains on loans and receivables | 352 | 2,065 |
| Foreign exchange gains on financial liabilities at amortized cost | 16 | 176 |
| Unrealized gains from financial assets at fair value through income statement | 210 | 69 |
| Financial income total | 1,290 | 3,020 |
| **Financial expenses** | | |
| Financial expense from financial liabilities at amortized cost | -266 | -19 |
| Other financial expenses | -687 | -34 |
| Foreign exchange losses on loans and receivables | -346 | -951 |
| Foreign exchange losses on financial liabilities at amortized cost | -7 | -31 |
| Other foreign exchange losses | -443 | |
| Unrealized losses from financial assets at fair value through income statement | -22 | -41 |
| Financial expenses total | -1,770 | -1,076 |
| Financial income and expenses total | -480 | 1,944 |

Items above the operating result include foreign exchange rate losses (net) of EUR 276 thousand (EUR 336 thousand foreign exchange rate gains (net) in 2008).

## 11. INCOME TAXES

| EUR 1,000 | 2009 | 2008 |
|---|---|---|
| Current taxes | -1,433 | -1,160 |
| Withholding taxes paid abroad | -1,542 | -1,055 |
| Taxes for previous accounting periods | -95 | -67 |
| Change in deferred tax liabilities and deferred tax assets | 2,229 | -1,025 |
| Income taxes total | -842 | -3,307 |

**Reconciliation of effective tax rate**
Income tax reconciliation between tax expense computed at statutory rates in Finland (2009/2008: 26 per cent) and income tax expense.



| EUR 1,000 | 2009 | 2008 |
|---|---|---|
| Profit before taxes | -15,217 | 13,479 |
| Income tax using Finnish tax rates | 3,956 | -3,504 |
| Effect of different tax rates applied to foreign subsidiaries | -414 | -133 |
| Non-deductible expenses and tax-free income | -459 | -412 |
| Forfeited withholding taxes | -1,542 | -567 |
| Taxes of prior periods | -95 | -67 |
| Utilization of previously unrecognized tax losses | 233 | 250 |
| Unrecognized deferred tax assets on tax losses | -1,625 | |
| Utilization of previously unrecognized research and development costs capitalized in the taxation | | 948 |
| Unrecognized deferred tax assets on research and development costs capitalized in the taxation | -919 | |
| Deferred tax liabilities on undistributed profits of a foreign subsidiary | -572 | |
| Other capital allowances | 595 | 179 |
| Taxes in income statement | -842 | -3,307 |

## 12. EARNINGS PER SHARE

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

| EUR 1,000 | 2009 | 2008 |
|---|---|---|
| Profit attributable to equity holders ( EUR 1,000) | -16,094 | 10,172 |
| Weighted average number of shares during the year (1,000 shares) | 68,039 | 59,134 |
| Basic earnings per share, EUR | -0.24 | 0.17 |

To calculate the diluted earnings per share, the weighted average number of shares takes into account the dilutive effect of converting all potential ordinary shares into shares. The Group has share options that have a diluteve effect on the number of ordinary shares. Share options have a dilutive effect when 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 subscription. The fair value of the shares is based on the average price 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) | -16,094 | 10,172 |
| Weighted average number of shares during period (1,000 shares) | 68,039 | 59,134 |
| Effect of share options (1,000 shares) | 193 | |
| Weighted average number of shares for calculating diluted earnings per share (1,000 shares) | 68,231 | 59,134 |
| Diluted earnings per share, EUR | -0.24 | 0.17 |

# Notes to the consolidated balance sheet

## 13. INTANGIBLE ASSETS

| Intangible assets 2009<br>EUR 1,000 | Goodwill | Product development costs | Other intangible assets | Total |
|---|---|---|---|---|
| Acquisition cost 1 Jan | 682 | 26,017 | 4,416 | 31,115 |
| Exchange differences | -222 | -6 | -44 | -272 |
| Business combinations | 18,904 | 393 | 3,612 | 22,909 |
| Increase | 647 | 5,089 | 215 | 5,951 |
| Decrease | | | -18 | -18 |
| Acquisition cost 31 Dec | 20,011 | 31,493 | 8,181 | 59,685 |
| | | | | |
| Accumulated amortizations and impairment losses 1 Jan | | -7,343 | -3,746 | -11,090 |
| Exchange differences | | -2 | -16 | -19 |
| Accumulated amortization for decreases and reclassifications | | | 18 | 18 |
| Amortization during period | | -4,243 | -799 | -5,042 |
| Accumulated amortizations and impairment losses 31 Dec | | -11,588 | -4,544 | -16,132 |
| | | | | |
| Book value 31 Dec 2009 | 20,011 | 19,904 | 3,637 | 43,553 |

| Intangible assets 2008<br>EUR 1,000 | Goodwill | Product development costs | Other intangible assets | Total |
|---|---|---|---|---|
| Acquisition cost 1 Jan | 682 | 19,092 | 4,146 | 23,920 |
| Exchange differences | | | -8 | -8 |
| Increase | | 6,925 | 247 | 7,172 |
| Reclassification between items | | | 30 | 31 |
| Acquisition cost 31 Dec | 682 | 26,017 | 4,416 | 31,115 |
| | | | | |
| Accumulated amortizations and impairment losses 1 Jan | | -3,945 | -3,462 | -7,408 |
| Exchange differences | | | 4 | 4 |
| Amortization during period | | -3,398 | -288 | -3,686 |
| Accumulated amortizations and impairment losses 31 Dec | | -7,343 | -3,746 | -11,090 |
| | | | | |
| Book value 31 Dec 2008 | 682 | 18,674 | 670 | 20,026 |

**Goodwill and impairment testing**

The major part of the 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 VAS and BSS/OSS, which constitute cash generating units. The carrying value of goodwill is allocated as follows: VAS EUR 2,035 thousand (682) and BSS/OSS EUR 17,976 thousand (0).

The recoverable amounts of goodwill are determined based on value in use calculations. The cash flow forecasts rely on forecasts approved by the Management 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. No major change is estimated in level of operating result during the forecast period. The pre-tax discount rate applied is 10.1 per cent, determined by using the weighted average cost of capital (WACC). The growth rate used in calculating the cash flows of the residual value is 3 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.

If the residual value of the cash flow forecasts for the VAS unit would decrease 40 percentage units, other variables remaining constant, the estimated cash flow would match with the carrying amount of the tested assets. The corresponding change for BSS/OSS unit is 55 percentage units. If the discount rate for VAS unit would increase by 2.5 percentage units, other variables remaining constant, the estimated cash flow would match with the carrying amount of the tested assets. The corresponding increase in discount rate for BSS/OSS unit is 4.0 percentage units. In the view of the Management Board, no reasonably possible change in a key variable used, fairly estimated, would cause the units' recoverable amounts to fall below the carrying amounts.

**Product development costs and impairment testing**

Capitalized product development costs inlude EUR 9,226 (7,958) thousand such products that are not yet in commercial use, and therefore not amortized. These intangibles in progress are tested for impairment annually, and they are allocated to cash generating units as follows: VAS EUR 4,481 (4,546) thousand and BSS/OSS EUR 4,745 (3,413) thousand. Based on the impairment tests performed, there is no need to recognize an impairment loss on intangibles in progress. Research and development costs recorded in the income statement are presented in note 9.

## 14. PROPERTY, PLANT AND EQUIPMENT

| Property, plant and equipment 2009<br>EUR 1,000 | Land and water areas | Buildings | Machinery and equipment | Investments in progress | Total |
|---|---|---|---|---|---|
| Acquisition cost 1 Jan | 2,069 | 7,539 | 29,888 | 22 | 39,518 |
| Translation differences | | | 396 | | 396 |
| Increase | | | 1,214 | | 1,214 |
| Business combinations | | | 571 | | 571 |
| Decrease | | | -45 | | -45 |
| Reclassifications between items | | -6 | 6 | | |
| Acquisition cost 31 Dec | 2,069 | 7,534 | 32,029 | 22 | 41,653 |
| | | | | | |
| Accumulated depreciations and impairment losses 1 Jan | | -4,491 | -27,988 | | -32,479 |
| Translation differences | | | -296 | | -296 |
| Accumulated depreciation for decreases and reclassifications | | | 23 | | 23 |
| Depreciation during period | | -279 | -1,313 | | -1,591 |
| Accumulated depreciations and impairment losses 31 Dec | | -4,770 | -29,574 | | -34,343 |
| | | | | | |
| Book value 31 Dec 2009 | 2,069 | 2,764 | 2,455 | 22 | 7,310 |

| Property, plant and equipment 2008<br>EUR 1,000 | Land and water areas | Buildings | Machinery and equipment | Investments in progress | Total |
|---|---|---|---|---|---|
| Acquisition cost 1 Jan | 2,069 | 7,539 | 29,188 | 26 | 38,823 |
| Translation differences | | | -291 | | -291 |
| Increase | | | 1,045 | | 1,045 |
| Decrease | | | -54 | -4 | -59 |
| Acquisition cost 31 Dec | 2,069 | 7,539 | 29,888 | 22 | 39,518 |
| | | | | | |
| Accumulated depreciations and impairment losses 1 Jan | | -4,211 | -26,546 | | -30,756 |
| Translation differences | | | 138 | | 138 |
| Accumulated depreciation for decreases and reclassifications | | | 48 | | 48 |
| Depreciation during period | | -280 | -1,628 | | -1,908 |
| Accumulated depreciations and impairment losses 31 Dec | | -4,491 | -27,988 | | -32,479 |
| | | | | | |
| Book value 31 Dec 2008 | 2,069 | 3,048 | 1,900 | 22 | 7,040 |

### 15. DEFERRED TAX ASSETS AND LIABILITIES

| Deferred taxes 2009<br>EUR 1,000 | 1 Jan 2009 | Translation differences | Recognized in income statement | Business combination | 31 Dec 2009 |
|---|---|---|---|---|---|
| **Deferred tax assets** | | | | | |
| Capital allowances in the Ireland subsidiary | 137 | | 6 | | 143 |
| Capital allowances in the India subsidiary | | | 572 | 816 | 1,389 |
| Other items | | 1 | 17 | -28 | -11 |
| **Total** | 137 | 1 | 595 | 788 | 1,522 |
| | | | | | |
| **Deferred tax liabilities** | | | | | |
| Capitalized development costs at group level and in taxation of the parent company | 4,263 | | -2,204 | | 2,059 |
| Undistributed profits of foreign subsidiaries | | | 572 | | 572 |
| Allocations of goodwill on business combination | | -17 | -129 | 1,004 | 857 |
| Net asset in pension plan | 31 | | 25 | | 56 |
| Change in fair value of investments | 15 | | 53 | | 68 |
| Accumulated depreciation difference | 220 | | 34 | | 254 |
| Other items | 1 | | 15 | | 15 |
| Total | 4,529 | -17 | -1,633 | 1,004 | 3,882 |

| Deferred taxes 2008<br>EUR 1,000 | 1 Jan 2008 | Recognized in income statement | 31 Dec 2008 |
|---|---|---|---|
| **Deferred tax assets** | | | |
| Capital allowances in the Ireland subsidiary | | 137 | 137 |
| Other items | 20 | -20 | |
| **Total** | 20 | 117 | 137 |
| | | | |
| **Deferred tax liabilities** | | | |
| Capitalized development costs | 3,147 | 1,116 | 4,263 |
| Net asset in pension plan | 6 | 25 | 31 |
| Change in fair value of investments | 7 | 7 | 15 |
| Accumulated depreciation difference | 209 | 11 | 220 |
| Other items | 19 | -18 | 1 |
| **Total** | 3,388 | 1,141 | 4,529 |

Tecnomen Lifetree Corporation has not deducted research and development costs amounting to EUR 17,580 (4,740) thousand in its taxation. The amount can be deducted over an indefinite period with amounts that the company may freely decide. On these capitalizations, the company has recognized a deferred tax asset of EUR 2,285 thousand in the period, corresponding to 50 per cent of the capitalized research and development costs. Deferred tax assets have been recognized to the extent that it is probable that future taxable profits will be available.

Part of these research and development costs have been capitalized in the consolidated balance sheet, and therefore the deductible temporary difference for which the Group has not recognized a deferred tax asset is EUR 5,997 (6,508) thousand. In addition, the Group has tax losses in Finland of EUR 6,248 (0) thousand, tax losses in Brazil of EUR 4,904 (5,137) thousand and other deductible temporary differences of EUR 837 (703) thousand, for which deferred tax assets have not been recognized because of the uncertainty about utilizing them.

Undistributed profits of foreign subsidiaries, for which no deferred tax liabilities have been recognized since the funds are invested permanently in the counties in questions, amount to EUR 14,145 (1,802) thousand.



### 16. NON-CURRENT TRADE AND OTHER RECEIVABLES

| EUR 1,000 | 2009 | 2008 |
|---|---|---|
| Net asset in pension plan (note 22) | 215 | 118 |
| Other non-current receivables | 691 | 414 |
| Non-current trade and other receivables total | 906 | 531 |

### 17. INVENTORIES

| EUR 1,000 | 2009 | 2008 |
|---|---|---|
| Materials and consumables | 929 | 820 |
| Work in progress | 180 | 175 |
| Finished products/goods | 222 | 96 |
| Inventories total | 1,331 | 1,091 |

During the period the write-down of inventories to net realisable value amounted to EUR 43 (84) thousand.

### 18. TRADE AND OTHER CURRENT RECEIVABLES

| EUR 1,000 | 2009 | 2008 |
|---|---|---|
| Trade receivables related to construction contracts | 10,906 | 10,869 |
| Other trade receivables | 8,434 | 3,516 |
| Work in progress related to construction contracts | 3,530 | 8,239 |
| Finished work related to construction contracts | 5,597 | 10,341 |
| Other receivables based on delivery agreements | 5,611 | 3,464 |
| Current prepaid expenses and accrued income | 2,391 | 2,540 |
| Other current receivables | 113 | 46 |
| Trade and other receivables total | 36,582 | 39,015 |

Fair values of receivables are stated in note 27. The retention amount from work in progress related to construction contracts at the end of the year is stated in note 3. In 2009 the group has not recorded any credit losses from trade recevables (none in 2008).

| Major items included in current prepaid expenses and accrued income | 2009 | 2008 |
|---|---|---|
| Valuation of currency derivatives | 211 | 459 |
| Prepaid taxes | 262 | 128 |
| Capitalized costs related to the acquisition of Tecnotree India (note 2) | | 564 |
| Other prepaid expenses and accrued income | 1,917 | 1,389 |
| Total | 2,391 | 2,540 |

### 19. CASH AND CASH EQUIVALENTS

| EUR 1,000 | 2009 | 2008 |
|---|---|---|
| Bank deposits with maturities of more than 3 months | 1,577 | |
| Investments total | 1,577 | |
| | | |
| Cash in hand and at bank | 8,946 | 10,913 |
| Bank deposits with maturities of less than 3 months | 415 | 30,987 |
| Mutual fund investments, highly liquid | 16,313 | 9,116 |
| Cash and cash equivalents total | 25,674 | 51,017 |

## 20. 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 2008 | 59,117 | 4,720 | 847 | -122 | 264 | 5,709 |
| Options exercised | 25 | | | | 26 | 26 |
| 31 Dec 2008 | 59,142 | 4,720 | 847 | -122 | 290 | 5,735 |
| Directed share issue | 14,354 | | | | 12,344 | 12,344 |
| 31 Dec 2009 | 73,496 | 4,720 | 847 | -122 | 12,634 | 18,080 |

Tecnomen Corporation has one share series. The maximum number of shares is 100,272 (79,078) thousand. All the issued shares are fully paid.

**Descriptions of funds in shareholders' equity**

**Share premium 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 option-based share subscriptions, less transaction costs, have been made recorded in the share 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 2008). 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 either 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 recognized 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 and capital repayment**
After the reporting date the Board of Directors has proposed that no dividend be paid for the financial year ended 31 December 2009. In 2009, a dividend of EUR 0.07 per share was paid for the finanial period ended on 31 December 2008 (in 2008, EUR 0.07 per share for the finanial period ended on 31 December 2007).

## 21. SHARE-BASED PAYMENTS

In 2009, 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 exercisable 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 the 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 they 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.

**The table below shows the basic terms of share-based payments programs**

| 2009 | Share options 2002 and 2006 | | | | Share options 2009 | | |
|---|---|---|---|---|---|---|---|
| | 2002D | 2006A | 2006B | 2006C | 2009A | 2009B | 2009C |
| **Basic information** | | | | | | | |
| Date of the Annual General Meeting | 11.4.2002 | 15.3.2006 | 15.3.2006 | 15.3.2006 | 19.3.2009 | 19.3.2009 | 19.3.2009 |
| Grant dates | 31.3.2004 | 21.4.2006 | 20.11.2007 | | 7.5.2009 | 7.5.2009 | 7.5.2009 |
| Maximum number of share options | 1,300,000 | 667,000 | 667,000 | 667,000 | 1,026,005 | 2,394,013 | 3,420,018 |
| Number of granted options | 1,087,500 | 304,000 | 667,000 | | 265,554 | 619,627 | 885,181 |
| Number of exercisable shares per option | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Original exercise price | 1.33 € | 2.73 € | 1.56 € | 1.12 € | 0.86 € | 0.86 € | 0.86 € |
| Dividend adjustment | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Exercise price 31 Dec 2007 | 1.11 € | 2.61 € | 1.46 € | | | | |
| Exercise price 31 Dec 2008 [*] | Expired | 2.54 € | 1.39 € | 1.05 € | | | |
| Exercise price 31 Dec 2009 [**] | Expired | 2.47 € | 1.32 € | 0.98 € | 0.86 € | 0.86 € | 0.86 € |
| Exercise period starts [***] | 1.4.2006 | 1.4.2007 | 1.4.2008 | 1.4.2009 | 1.4.2009 | 1.4.2010 | 1.4.2011 |
| Exercise period ends | 30.4.2008 | 30.4.2010 | 30.4.2011 | 30.4.2012 | 31.3.2011 | 31.3.2012 | 31.3.2013 |
| Term to maturity, years | Expired | 0.33 | 1.33 | 2.33 | 1.25 | 2.25 | 3.25 |
| Employees at the end of accounting year | | 25 | 26 | | 1 | 1 | 1 |

[*] A dividend of EUR 0.07 per share was distributed for the accounting period 2007.
[**] A dividend of EUR 0.07 per share was distributed for the accounting period 2008.
[***] 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.

**The changes in options during the period and the weighted average exercise prices are as follows**

| 2009 | Share options 2002 and 2006 | | | | Share options 2009 | | |
|---|---|---|---|---|---|---|---|
| | 2002D | 2006A | 2006B | 2006C | 2009A | 2009B | 2009C |
| **Number of options at the beginning of the period** | | | | | | | |
| Outstanding options 1 Jan | | 304,000 | 667,000 | | | | |
| **Changes during the period** | | | | | | | |
| Granted options | | | | | 265,554 | 619,627 | 885,181 |
| Returned options | | | | | | | |
| Exercised options | | | | | | | |
| **Number of options at the end of the period** | | | | | | | |
| Outstanding options 31 Dec | | 304,000 | 667,000 | | 265,554 | 619,627 | 885,181 |
| Exercisable 31 Dec | | 304,000 | 667,000 | | 265,554 | | |
| The trade-weighted average price during the exercise period, EUR [*] | | 1.02 | 1.02 | 1.04 | 1.04 | | |

[*] The trade-weighted average price of the Tecnomen Lifetree Oyj's share for the whole year 2009 (2006A and B), and April-December 2009 (2006C and 2009A).

| 2008 | Share options 2002 and 2006 | | | |
|---|---|---|---|---|
| | 2002D | 2006A | 2006B | 2006C |
| **Number of options at the beginning of the period** | | | | |
| Outstanding options 1 Jan | 590,000 | 369,000 | 667,000 | |
| | | | | |
| **Changes during the period** | | | | |
| Granted options | | 65,000 | | |
| Returned options | 25,000 | | | |
| Exercised options | 565,000 | | | |
| | | | | |
| **Number of options at the end of the period** | | | | |
| Outstanding options 31 Dec | | 304,000 | 667,000 | |
| Exercisable 31 Dec | | 304,000 | 667,000 | |
| | | | | |
| The trade-weighted average price during the exercise period, EUR* | 1.09 | 1.00 | 0.96 | |

* The trade-weighted average price of the Tecnomen's share in January-April 2008 (2002D), whole year 2008 (2006A) and April-December 2008 (2006B).

**The changes in options during the period and the weighted average exercise prices**

| | Share options 2009 2009 | | Share options 2006 2009 | | Share options 2006 2008 | | Share options 2002 2008 | |
|---|---|---|---|---|---|---|---|---|
| | No. of options | Exercise price | No. of options | Exercise price | No. of options | Exercise price | No. of options | Exercise price |
| Granted 1 Jan | | | 971,000 | 1.75€ | 1,036,000 | 1.87€ | 590,000 | 1.11€ |
| Exercisable at 1 Jan | | | 971,000 | 1.75€ | 369,000 | 2.61€ | 590,000 | 1.11€ |
| | | | | | | | | |
| Granted during the period | 1,770,362 | 0.86€ | | | | | | |
| Returned during the period | | | | | 65,000 | 2.61€ | | |
| Exercised during the period | | | | | | | 25,000 | 1.04€ |
| Expired during the period | | | | | | | 565,000 | 1.04€ |
| | | | | | | | | |
| Granted options 31 Dec | 1,770,362 | 0.86€ | 971,000 | 1.68€ | 971,000 | 1.75€ | | |
| Exercisable 31 Dec | 265,554 | 0.86€ | 971,000 | 1.68€ | 971,000 | 1.75€ | | |

In 2009, no options were exercised. The options exercised in 2008 had an average price of EUR 1.04 and they were exercised in the second quarter. The payments received for the share subscriptions have been recognized in full in the reserve for invested unrestricted equity. The share subscription in 2008 resulted in an increase of the reserve for invested unrestricted equity of EUR 26 thousand and an increase in the number of shares of 25,000. EUR 161 (32) thousand were recorded as an expense in the income statement. During the financial year, 1,770,362 (0) new options were granted.

Tecnomen 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 | 2009A | 2009B | 2009C |
|---|---|---|---|
| Number of granted options | 265,554 | 619,627 | 885,181 |
| Share price | 1.05€ | 1.05€ | 1.05€ |
| Exercise price, EUR | 0.86€ | 0.86€ | 0.86€ |
| Risk-free interest rate | 1.5% | 2.0% | 2.5% |
| Expected term of validity, years | 1.9 | 2.9 | 3.9 |
| Volatility * | 23.9% | 30.8% | 36.9% |
| Options to be forfeited | 0.0% | 66.7% | 66.7% |
| Fair value total, EUR | 69 | 69 | 122 |

* The future volatility of Tecnomen Lifetree Oyj'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.

## 22. 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 plan in Finland is a voluntary pension insurance plan for the management. The defined benefit plans in India constitute the obligatory pension and termination benefits for the employees.

| 1 000 € | 2009 | 2008 |
|---|---|---|
| | | |
| **Defined benefit asset in the balance sheet:** | | |
| Present value of funded obligations | 873 | 309 |
| Present value of unfunded obligations | 266 | |
| Fair value of plan assets (-) | -738 | -379 |
| Surplus (-) / Deficit | 400 | -70 |
| Unrecognized actuarial gains (+) / losses (-) | -309 | -47 |
| Net liability (+) / asset (-) | 91 | -118 |
| | | |
| Pension obligations (note 24) | 306 | |
| Pension assets (note 16) | -215 | -118 |
| Net liability (+) / asset (-) | 91 | -118 |
| | | |
| **Defined benefit expense in the income statement:** | | |
| Current service cost | 135 | 50 |
| Interest cost | 23 | 13 |
| Expected return on plan assets | -22 | -13 |
| Recognized net actuarial gains (-) / losses (+) | 1 | |
| Pension expense recognized in income statement | 137 | 50 |
| | | |
| **Change in the defined benefit obligation:** | | |
| Defined benefit obligation in the beginning of the year | 309 | 204 |
| Business combination | 420 | |
| Translation differences | -4 | |
| Current service cost | 135 | 50 |
| Interest cost | 23 | 13 |
| Actuarial gains (-) / losses (+) | 256 | 42 |
| Defined benefit obligation at the end of the year | 1,138 | 309 |

| EUR 1,000 | 2009 | 2008 |
|---|---|---|
| Change in plan assets: | | |
| Plan assets beginning of the year | 379 | 218 |
| Business combination | 162 | |
| Translation differences | -2 | |
| Expected return on plan assets | 22 | 13 |
| Actuarial gains (+) / losses (-) | -7 | 4 |
| Contributions paid into the plans | 184 | 145 |
| Plan assets end of the year | 738 | 379 |

Recognized gains on plan assets were EUR 15 (17) thousand. Experience adjustments arising on plan assets were EUR -7 (4) thousand and on plan obligations EUR 153 (90) thousand. There is no information available on plan assets. Contributions to be paid in year 2010 is expected to be EUR 262 thousand.

| EUR 1,000 | 2009 | 2008 |
|---|---|---|
| Actuarial assumptions at reporting date, % | | |
| | | |
| Finland: | | |
| Discount rate | 5.10 | 6.25 |
| Expected return on plan assets | 4.50 | 5.25 |
| Future salary increases | 3.50 | 3.50 |
| | | |
| India: | | |
| Discount rate | 7.60 | |
| Expected return on plan assets | 6.00 | |
| Future salary increases | 7.45 | |

## 23. INTEREST-BEARING LIABILITIES

| EUR 1,000 | 2009 | 2008 |
|---|---|---|
| | | |
| Non-current loans from financial institutions | 16,650 | |
| Non-current finance lease liabilities | 14 | |
| Total | 16,664 | |
| | | |
| Current loans from financial institutions | 2,223 | 19,970 |
| Current finance lease liabilities | 44 | |
| Total | 2,266 | 19,970 |
| | | |
| Interest-bearing liabilities total | 18,931 | 19,970 |

The loans from financial institutions consist of one loan which is raised for financing the acquisition of Lifetree Convergence Ltd. The loan is denominated in Euro with a floating interest rate.

| | | |
|---|---|---|
| Maturity analysis of finance lease liabilities | | |
| Minimum lease payments, less than one year | 47 | |
| Minimum lease payments, 1–5 years | 17 | |
| Total | 64 | |



| EUR 1,000 | 2009 | 2008 |
|---|---|---|
| Present value of minimum lease payments, less than one year | 44 | |
| Present value of minimum lease payments, 1-5 years | 14 | |
| Total | 58 | |
| | | |
| Future financial charges | 7 | |

## 24. OTHER NON-CURRENT LIABILITIES

| EUR 1,000 | 2009 | 2008 |
|---|---|---|
| | | |
| Pensions obligations (note 22) | 306 | |
| Non-current tax liabilities | 1 | 37 |
| Other non-current liabilities total | 307 | 37 |

## 25. TRADE PAYABLES AND OTHER LIABILITIES

| EUR 1,000 | 2009 | 2008 |
|---|---|---|
| | | |
| Advances received | 971 | 3 |
| Trade payables | 2,263 | 1,479 |
| Accrued liabilities and deferred income | 7,993 | 8,626 |
| Other liabilities | 2,199 | 706 |
| Current provisions* | 4,700 | |
| Trade payables and other liabilities total | 18,127 | 10,815 |
| | | |
| Accrued liabilities and deferred income | | |
| Accrued personnel expenses | 3,410 | 3,460 |
| Accrued agent fees | 1,583 | 1,566 |
| Accrued project costs | 1,314 | |
| Accrued taxes | 60 | 406 |
| Valuation of currency derivatives | 131 | 271 |
| Valuation of interest rate swap | 95 | |
| Other accrued liabilities and deferred income | 1,399 | 2,923 |
| Total | 7,993 | 8,626 |

*) Current provisions include the following items:
A provision of EUR 3,679 thousand against one VAS business unit customer for the costs for a possible cancellation of project revenue recognition and other related costs. The provision is expeced to be used during the year 2010.
Restructuring provisions of EUR 1,021 thousand due to personnel reductions during 2009 in Finland and Ireland. These are expected to be used during the first half of 2010.

## 26. 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 principles for internal monitoring and financial reporting are defined in the Audit Committee's rules of procedure. 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 minimize the effects of volatility for recognized 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 organization

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. The business units take care of all other risk management concerning their operations.

## 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 trade receivables. 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) 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 16,999 (28,154) 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 2009, 24 per cent of invoicing was in Euros, 64 per cent in US dollars, 6 per cent in BRL, 2 per cent in INR and 4 per cent in other currencies. The Group is hedging the open US dollar currency position. The Group does not hedge the open INR and BRL currency position, partly because of local currency restrictions and high cost of hedging. Sales in INR and BRL and purchases related to them form adequate operative hedging and therefore hedging instruments are not usually used. 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, 74 per cent (59%) of the open currency position was hedged.

US dollar denominated cash inflow is mainly converted into Euros. 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 | 2009<br>USD | 2008<br>USD |
|---|---|---|---|
| **Current assets** | | | |
| Trade and other receivables | 18 | 3,682 | 7,704 |
| Other receivables related to construction contracts | 18 | 8,608 | 17,892 |
| Cash and cash equivalents | 19 | 424 | 1,457 |
| Currency derivatives | 18 | 211 | 459 |
| **Total current assets** | | 12,925 | 27,512 |
| | | | |
| **Current liabilities** | | | |
| Trade payables and other liabilities | 25 | 673 | 35 |
| Currency derivatives | 25 | 131 | 271 |
| **Total current liabilities** | | 804 | 306 |

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 analyzed 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 effect on equity as the Group does not apply hedge accounting.

| EUR 1,000 | 2009<br>USD | 2009<br>USD | 2008<br>USD | 2008<br>USD |
|---|---|---|---|---|
| Change in percentage | -10% | +10% | -10% | +10% |
| Effect on the result after taxes | -1,010 | 1,259 | -1,810 | 2,125 |

*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 39,658 thousand. This net investment is not hedged, mainly because of local currency restrictions and high cost of hedging. The sensitivity for translation risk was analyzed by determining the effects of strengthening and weakening of the INR exchange rate against EUR, all other factors remaining unchanged.

| EUR 1,000 | 2009<br>INR | 2009<br>INR |
|---|---|---|
| Change in percentage | -10% | +10% |
| Effect on the result after taxes | -316 | 387 |
| Effect on equity | -3,605 | 4,406 |

The exposure for translation risk related to net investments in other foreign subsidiaries is not significant and is therefore neither hedged nor analyzed for sensitivity. On the reporting date, the open translation risk position for the Brazilian subsidiary was EUR 4,603 (2,445) thousand and for the Malaysian subsidiary EUR 2,360 (1,844). The change in translation difference in equity caused by fluctuations in exchange rates for these two subsidiaries was EUR 797 (-248) 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. 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 amointing to EUR 18,305 (40,103) thousand.

Interest rate sensitivity was analyzed 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 8,320 (31,047) thousand.

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 182 / -154 (197 / -197) 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 8,946 (10,913) thousand and cash equivalents EUR 16,728 (40,103). Tecnotree has a committed and unutilized credit facility of EUR 10 million both on 31 December 2009 and 2008.

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 operating result before depreciations and amortizations (EBITDA). The Group estimates that a breach of the financial covenant is currently not expected.

| 2009 | Balance sheet value | Cash flow | Less than 1 year | 1–3 years | 3–5 years | Over 5 years |
|---|---|---|---|---|---|---|
| Loans from financial institutions | 18,873 | 18,889 | 2,222 | 4,444 | 12,222 | |
| Trade and other payables | 2,263 | 2,263 | 2,263 | | | |
| Derivatives | 226 | 226 | 226 | | | |

| 2008 | Balance sheet value | Cash flow | Less than 1 year | 1–3 years | 3–5 years | Over 5 years |
|---|---|---|---|---|---|---|
| Loans from financial institutions | 19,970 | 20,000 | 1,111 | 4,444 | 14,444 | |
| Trade and other payables | 1,479 | 1,479 | 1,479 | | | |
| Derivatives | 271 | 271 | 271 | | | |

## 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 46,803 (65,861) thousand. The financial assets are specified in note 27. 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. The amount of credit losses recognized in the income statement during the past few years has not been substantial. However, the acquisition of Tecnotree India in May 2009 has increased the amount of overdue trade receivables in the Group.

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 funcion and its 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<br>EUR 1,000 | 2009 | 2008 |
|---|---|---|
| Undue trade receivables | 4,595 | 9,376 |
| Trade receivables 1–60 days overdue | 5,964 | 2,072 |
| Trade receivables 61–90 days overdue | 361 | 240 |
| Trade receivables more than 90 days overdue | 8,400 | 2,697 |
| Total | 19,340 | 14,385 |

## Capital management

Tecnotree's objective for capital management is to support the 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<br>EUR 1,000 | 2009 | 2008 |
|---|---|---|
| Interest-bearing financial liabilities | 18,931 | 19,970 |
| Interest-bearing financial assets | -1,577 | |
| Cash and cash equivalents | -25,674 | -51,017 |
| Net interest-bearing liabilities | -8,320 | -31,047 |
| Total shareholders' equity | 77,208 | 83,506 |
| **Gearing ratio** | **-10.8%** | **-37.2%** |

## 27. CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORIES

| 2009<br>EUR 1,000 | Note | Financial assets/ liabilities at fair value through income statement | Loans and receivables | Financial liabilities measured at amortized cost | Carrying amounts by balance sheet item | Fair value |
|---|---|---|---|---|---|---|
| **Current financial assets** | | | | | | |
| Trade and other receivables | 18 | 211 | 19,340 | | 19,552 | 19,552 |
| Investments | 19 | | 1,577 | | 1,577 | 1,577 |
| Cash and cash equivalents | 19 | 16,313 | 9,361 | | 25,674 | 25,674 |
| Carrying amount by category | | 16,524 | 30,278 | | 46,803 | 46,803 |
| **Non-current financial liabilities** | | | | | | |
| Non-current interest-bearing liabilities | 23 | | | 16,650 | 16,650 | 16,650 |
| Carrying amount by category | | | | 16,650 | 16,650 | 16,650 |
| **Current financial liabilities** | | | | | | |
| Current interest-bearing liabilities | 23 | | | 2,223 | 2,223 | 2,223 |
| Trade and other payables | 25 | 226 | | 2,263 | 2,490 | 2,490 |
| Carrying amount by category | | 226 | | 4,486 | 4,712 | 4,712 |

| 2008<br>EUR 1,000 | Note | Financial assets/ liabilities at fair value through income statement | Loans and receivables | Financial liabilities measured at amortized cost | Carrying amounts by balance sheet item | Fair value |
|---|---|---|---|---|---|---|
| **Current financial assets** | | | | | | |
| Trade and other receivables | 18 | 459 | 14,385 | | 14,844 | 14,844 |
| Cash and cash equivalents | 19 | 9,116 | 41,900 | | 51,017 | 51,017 |
| Carrying amount by category | | 9,576 | 56,285 | | 65,861 | 65,861 |
| **Current financial liabilities** | | | | | | |
| Current interest-bearing liabilities | 23 | | | 19,970 | 19,970 | 19,970 |
| Trade and other payables | 25 | 271 | | 1,479 | 1,751 | 1,751 |
| Carrying amount by category | | 271 | | 21,449 | 21,721 | 21,721 |

**Basis for fair value measurement**
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 carrying amounts of the other financial assets and liabilities correspond to their fair value, since the impact of discounting is 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 -43 (188) 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.

## 28. OPERATING LEASES

| EUR 1,000 | 2009 | 2008 |
|---|---|---|
| | | |
| Group as lessee | | |
| | | |
| Minimum lease payments of the non-cancellable operating leases are as follows: | | |
| | | |
| **Operating leases** | | |
| Less than one year | 729 | 583 |
| Between one and five years | 534 | 431 |
| Total | 1,263 | 1,014 |

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 1,550 (1,249) thousand was recognized as an expense in the income statement in respect of operating leases.

## 29. CONTINGENT LIABILITIES

| EUR 1,000 | 2009 | 2008 |
|---|---|---|
| | | |
| On own behalf | | |
| Pledged deposits | 41 | 73 |
| Guarantees | 605 | |
| Total | 646 | 73 |
| | | |
| Other contingent liabilities | | |
| Restriction related to real estate in Ireland | 387 | 388 |
| Total | 387 | 388 |

## 30. 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 % |
|---|---|---|---|
| Tecnomen Lifetree Oyj (parent) | Finland | | |
| Tecnotree Ltd | Ireland | 100 | 100 |
| Tecnotree GmbH | Germany | 100 | 100 |
| Tecnotree Spain SL | Spain | 100 | 100 |
| Tecnomen Sistemas de Telecommunicacao Ltda | Brazil | 100 | 100 |
| Tecnotree (M) Sdn Bhd | Malaysia | 100 | 100 |
| Tecnotree Services Oy | Finland | 100 | 100 |
| Lifetree Cyberworks Pvt. Ltd | India | 100 | 100 |
| Tecnotree Convergence Ltd | India | 99.81 | 99.81 |
| Quill Publishers Pvt. Ltd | India | 99.81 | 99.81 |
| Lifetree Convergence Pty Ltd | South-Africa | 99.81 | 99.81 |
| Lifetree Convergence (Nigeria) Ltd | Nigeria | 94.82 | 94.82 |
| Lifetree UK Ltd | Great Britain | 99.81 | 99.81 |

The parent company has branch offices in the Netherlands and in Taiwan. In addition, the parent company has offices in Argentina, Austria, Ecuador, Mexico, Iran and the United Arab 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 2009. 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 | 2009 | 2008 |
|---|---|---|
| **Compensation to related parties** | | |
| Salaries and other short-term employee benefits | -1,409 | -805 |
| Share-based payment | -161 | -32 |
| Compensation to related parties total | -1,570 | -836 |
| **Salaries and fees** | | |
| Jarmo Niemi, President and CEO of the parent company until 2 Oct 2009 | -269 | -262 |
| Eero Mertano, President and CEO of the parent company as from 2 Oct 2009 | -52 | |
| Members of the Board of Directors | | |
| Hannu Turunen, Chairman of the Board | -63 | -33 |
| Carl-Johan Numelin, Vice Chairman of the Board | -42 | -39 |
| Johan Hammarén | -32 | -32 |
| Harri Koponen | -32 | -24 |
| Christer Sumelius | -35 | -33 |
| Pentti Heikkinen | -22 | |
| Atul Chopra | -22 | |
| David K. White | -22 | |
| Lauri Ratia, former member and Chairman of the Board | -16 | -68 |
| Timo Toivila, former member of the Board | -8 | -30 |
| Keijo Olkkola, former member of the Board | | -6 |

11 per cent of the fees to the Board of Directors has beed settled in shares of Tecnomen Lifetree Oyj.

The President and and the former President are entitled to retire at the age of 60 years.

In 2009, Atul Chopra, member of Management Board and Board of Directors, has been granted 1,770,362 (0) share options, of which 265,554 options were exercisable. The other members of the Managment Board or Board of Directors were not granted any share options during 2009 nor during 2008. On the reporting date, other members of Management Board held a total of 160,000 (355,000) options, of which all were exercisable. The other members of the Board of Directors did not hold any options on 31 Dec 2009 nor on 31 Dec 2008.



# Key financial indicators

| | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|
| **Consolidated income statement** | | | | | |
| Net sales, EUR million | 53.3 | 77.2 | 70.1 | 71.8 | 69.0 |
| change % | -31.0 | 10.1 | -2.4 | 4.1 | 33.7 |
| Operating profit, EUR million | -14.7 | 11.5 | 8.9 | 4.9 | 9.6 |
| % of net sales | -27.7 | 14.9 | 12.7 | 6.8 | 13.9 |
| Profit before taxes, EUR million | -15.2 | 13.5 | 10.0 | 5.2 | 10.3 |
| % of net sales | -28.6 | 17.5 | 14.2 | 7.3 | 14.9 |
| **Consolidated balance sheet** | | | | | |
| Non-current assets, MEUR | 53.2 | 27.7 | 24.8 | 20.6 | 14.7 |
| Current assets | | | | | |
| Inventories, MEUR | 1.3 | 1.1 | 2.4 | 1.9 | 2.3 |
| Financial assets, MEUR | 63.8 | 90.0 | 68.0 | 66.3 | 73.4 |
| Shareholders' equity, EUR million | 77.2 | 83.5 | 78.0 | 74.6 | 77.3 |
| Liabilities | | | | | |
| Non-current liabilities, EUR million | 17.0 | 0.0 | 0.0 | 0.1 | 0.7 |
| Current liabilities, EUR million | 20.4 | 30.8 | 13.8 | 11.5 | 10.9 |
| Deferred tax liabilities, EUR million | 3.9 | 4.5 | 3.4 | 2.6 | 1.5 |
| Balance sheet total, EUR million | 118.5 | 118.9 | 95.2 | 88.8 | 90.4 |
| **Financial indicators** | | | | | |
| Return on equity (ROE), % | -20.0 | 12.6 | 11.4 | 4.3 | 12.1 |
| Return on investment (ROI), % | -13.5 | 16.0 | 13.6 | 9.1 | 15.7 |
| Equity ratio, % | 65.7 | 70.3 | 83.7 | 84.3 | 86.9 |
| Debt/Equity (net gearing) ratio, % | -10.8 | -37.2 | -22.4 | -27.4 | -42.4 |
| Investments, EUR million | 1.4 | 1.3 | 1.2 | 2.4 | 2.0 |
| % of net sales | 2.7 | 1.7 | 1.8 | 3.4 | 3.0 |
| Research and development, EUR million | 14.5 | 15.5 | 16.1 | 13.2 | 13.4 |
| % of net sales | 27.2 | 20.0 | 22.9 | 18.4 | 19.5 |
| Order book, EUR million | 11.7 | 9.7 | 17.5 | 15.0 | 27.9 |
| Personnel, average | 665 | 358 | 354 | 387 | 355 |
| Personnel, at year end | 779 | 354 | 355 | 374 | 373 |
| **Key ratios per share** | | | | | |
| Earnings per share, EUR (basic) | -0.24 | 0.17 | 0.15 | 0.06 | 0.15 |
| Earnings per share, EUR (diluted) | -0.24 | 0.17 | 0.15 | 0.05 | 0.15 |
| Equity per share, EUR | 1.05 | 1.41 | 1.32 | 1.27 | 1.33 |
| Number of shares at the end of the period, 1 000 shares | 73,496 | 59,142 | 59,117 | 58,871 | 58,174 |
| Average number of shares, 1 000 shares | 68,039 | 59,134 | 58,965 | 58,673 | 57,919 |
| Number of own shares on 1 Jan, 1 000 shares | 135 | 135 | 135 | 135 | 268 |
| Number of disposed own shares, 1 000 shares | 0 | 0 | 0 | 0 | 133 |
| Number of own shares on 31 Dec, 1 000 shares | 135 | 135 | 135 | 135 | 135 |
| Share price, EUR | | | | | |
| Average price | 1.00 | 1.00 | 1.40 | 2.01 | 1.86 |
| Lowest price | 0.78 | 0.75 | 1.15 | 1.38 | 1.28 |
| Highest price | 1.21 | 1.27 | 1.83 | 3.06 | 2.60 |
| Share price at the end of the period, EUR | 0.94 | 0.84 | 1.24 | 1.68 | 2.45 |
| Market value at the end of the period, EUR million | 69.2 | 49.8 | 73.3 | 99.1 | 142.9 |
| Share turnover, million shares | 22.6 | 23.2 | 38.7 | 59.8 | 42.8 |
| Share turnover, % of total number | 30.7 | 39.2 | 65.4 | 101.4 | 73.4 |
| Share turnover, EUR million | 23.2 | 23.2 | 53.9 | 122.1 | 79.3 |
| Dividend per share, EUR* | | 0.07 | 0.07 | | 0.02 |
| Dividend/result, % | | 40.7 | 47.5 | | 13.3 |
| Effective dividend yield, % | | 8.3 | 5.6 | | 0.8 |
| P/E ratio, % | -3.97 | 4.88 | 8.43 | 27.97 | 16.26 |

*) The Board has proposed that no dividend be paid for the financial year which ended 31 December 2009.

In 2007 and 2006, repayments of capital of EUR 0.10 per share will be made.

# Calculation of key indicators

| | | | |
|---|---|---|---|
| Return on equity (ROE), % | = | Result for the period / Shareholders' equity (average) | x 100 |
| Return on investments (ROI), % | = | Result 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 | |



# Parent company's income statement

| EUR 1,000 | Note | 1 Jan–31 Dec, 2009 | 1 Jan–31 Dec, 2008 |
|---|---|---|---|
| **Net sales** | 1 | 35,447 | 72,118 |
| Other operating income | 2 | 237 | 1 |
| Materials and services | 3 | -8,106 | -16,427 |
| Personnel expenses | 4 | -10,546 | -11,081 |
| Depreciation, amortization and impairment losses | 5 | -952 | -1,152 |
| Other operating expenses | 6 | -38,091 | -38,439 |
| **Operating result** | | -22,012 | 5,021 |
| Financial income and expenses | 7 | -1,095 | 1,828 |
| **Result before extraordinary items** | | -23,107 | 6,849 |
| **Result before appropriations and taxes** | | -23,107 | 6,849 |
| Appropriations | 8 | -130 | -40 |
| Direct taxes | 9 | 581 | -1,450 |
| **Result for the financial year** | | -22,657 | 5,359 |

# Parent company's balance sheet

| EUR 1,000 | Note | 31 Dec 2009 | 31 Dec 2008 |
|---|---|---|---|
| **Assets** | | | |
| | | | |
| **Non-current assets** | | | |
| Intangible assets | 10 | 597 | 625 |
| Tangible assets | 11 | 4,545 | 4,865 |
| Shares in Group companies | 12 | 36,609 | 1,200 |
| Receivables from Group companies | 12 | 299 | 299 |
| **Total non-current assets** | | 42,050 | 6,989 |
| | | | |
| **Current assets** | | | |
| Inventories | 13 | 1,137 | 1,043 |
| Non-current receivables | 14 | 2,306 | |
| Current receivables | 15 | 27,900 | 42,747 |
| Cash and cash equivalents | 16 | 16,003 | 48,110 |
| **Total current assets** | | 47,346 | 91,899 |
| **Total assets** | | 89,396 | 98,888 |
| | | | |
| **Equity and liabilities** | | | |
| | | | |
| **Shareholders' equity** | 17 | | |
| Share capital | | 4,720 | 4,720 |
| Share premium fund | | 847 | 847 |
| Own shares | | -122 | -122 |
| Invested unrestricted equity reserve | | 12,634 | 290 |
| Other reserves | | 49,811 | 50,269 |
| Retained earnings | | 122 | -598 |
| Result for the financial year | | -22,657 | 5,359 |
| **Total shareholders' equity** | | 45,355 | 60,765 |
| | | | |
| **Accumulated appropriations** | 18 | 975 | 845 |
| **Provisions** | 19 | 3,679 | |
| | | | |
| **Liabilities** | | | |
| Non-current liabilities | 20 | 16,667 | |
| Current liabilities | 20 | 22,720 | 37,278 |
| **Total liabilities** | | 39,386 | 37,278 |
| **Total equity and liabilities** | | 89,396 | 98,888 |



# Parent company's cash flow statement

| EUR 1,000 | 1 Jan–31 Dec 2009 | 1 Jan–31 Dec 2008 |
|---|---|---|
| **Cash flow from operating activities** | | |
| Result before extraordinary items | -23,107 | 6,849 |
| Adjustments for: | | |
| Planned depreciation | 952 | 1,152 |
| Unrealized exchange rate gains and losses | -229 | -744 |
| Financial income and expenses | 746 | -505 |
| Other adjustments | | 76 |
| Changes in working capital: | | |
| Current receivables, increase (-) /decrease (+) | 15,043 | 10,569 |
| Inventories, increase (-) /decrease (+) | -94 | 170 |
| Current liabilities, increase (+) /decrease (-) | 7,242 | 332 |
| Interest paid | -893 | -40 |
| Interest received | 263 | 536 |
| Income taxes paid | -2,153 | -1,108 |
| **Net cash flow from operating activities** | -2,230 | 17,287 |
| | | |
| **Cash flow from investments** | | |
| Investments in intangible assets | -199 | -265 |
| Investments in tangible assets | -405 | -583 |
| Investments in subsidiaries' shares | -23,065 | |
| **Cash flow from investments** | -23,669 | -848 |
| | | |
| **Cash flow from financing activities** | | |
| Shares subscribed with stock options | | 26 |
| Proceeds from short-term borrowings | | 20,000 |
| Repayments of long-term borrowings | -1,111 | |
| Dividend distribution | -5,097 | -4,138 |
| **Cash flow from financing activities** | -6,208 | 15,888 |
| | | |
| **Change in cash and cash equivalents** | -32,107 | 32,326 |
| Cash and cash equivalents on 1 Jan | 48,110 | 15,783 |
| **Cash and cash equivalents on 31 Dec** | 16,003 | 48,110 |

# Parent company accounting principles

The financial statements of Tecnomen 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 Tecnomen, 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 the 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 organizations. 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. Unpaid leasing fees 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 capitalized 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
- Company goodwill 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

# Notes to the parent company's income statement

## 1. NET SALES

| EUR 1,000 | 2009 | 2008 |
|---|---|---|
| Net sales by market area | | |
| Europe, Middle East and Africa | 14,396 | 27,560 |
| Asia Pacific | 1,752 | 7,366 |
| Americas | 19,299 | 37,192 |
| Net sales total | 35,447 | 72,118 |
| | | |
| Net sales by product group | | |
| VAS | 17,289 | 38,874 |
| BSS/OSS | 18,158 | 33,244 |
| Net sales total | 35,447 | 72,118 |
| | | |
| Net sales by type of income | | |
| Revenue from contract work recognized by stage of completion | 15,050 | 43,546 |
| Revenue from maintenance and support | 14,531 | 13,112 |
| Revenue from goods and services, external sales | 5,418 | 12,337 |
| Revenue from goods and services, intra-group sales | 448 | 3,123 |
| Net sales total | 35,447 | 72,118 |
| | | |
| Order book for contract work | 3,398 | 3,811 |
| Order book for maintenance and support, goods and services | 2,469 | 4,765 |
| Order book total | 5,867 | 8,576 |
| | | |
| Projects in progress: | | |
| Cumulative revenue recognized for projects in progress | 7,704 | 33,026 |
| Cumulative invoicing for projects in progress recognized by stage of completion | 5,825 | 24,787 |
| Accrued income related to construction contracts, work in progress | 1,879 | 8,239 |
| | | |
| Aggregate amount of costs incurred for projects in progress | 2,704 | 9,956 |

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. OTHER INCOME FROM OPERATIONS

| EUR 1,000 | 2009 | 2008 |
|---|---|---|
| Commissions from partners | 233 | |
| Other operating income | 4 | 1 |
| Other income from operations total | 237 | 1 |

3. MATERIALS AND SERVICES

| EUR 1,000 | 2009 | 2008 |
|---|---|---|
| Purchases during financial year | -6,980 | -14,473 |
| Changes in inventories | 94 | -170 |
| Total | -6,886 | -14,643 |
| External services | -1,220 | -1,784 |
| Materials and services total | -8,106 | -16,427 |

4. PERSONNEL EXPENSES

| EUR 1,000 | 2009 | 2008 |
|---|---|---|
| Wages and salaries | -8,517 | -8,964 |
| Pension expenses | -1,402 | -1,384 |
| Other personnel expenses | -627 | -733 |
| Personnel expenses total | -10,546 | -11,081 |
| Average number of employees | 89 | 90 |
| **Salaries, fees and remunerations to the management** | | |
| Jarmo Niemi, President and CEO of the parent company until 2 Oct 2009 | -269 | -262 |
| Eero Mertano, President and CEO of the parent company as from 2 Oct 2009 | -52 | |
| Board members: | | |
| Hannu Turunen, Chairman of the Board | -63 | -33 |
| Carl-Johan Numelin, Vice Chairman of the Board | -42 | -39 |
| Johan Hammarén | -32 | -32 |
| Harri Koponen | -32 | -24 |
| Christer Sumelius | -35 | -33 |
| Pentti Heikkinen | -22 | |
| Atul Chopra | -22 | |
| David K. White | -22 | |
| Lauri Ratia, former member and Chairman of the Board | -16 | -68 |
| Timo Toivila, former member of the Board | -8 | -30 |
| Keijo Olkkola, former member of the Board | | -6 |
| Total | -614 | -526 |

11 per cent of the fees to the Board of Directors has beed settled in shares of Tecnomen Lifetree Oyj.

There is a voluntary pension insurance plan for the President and former President. The amount of voluntary pension is based on final salary. The final retirement benefit is computed in accordance with the terms of the pension arrangement based on the plan assets accumulated by the beginning of the pension entitlement period. The retirement age is 60 years.

5. DEPRECIATIONS AND AMORTIZATIONS

| EUR 1,000 | 2009 | 2008 |
|---|---|---|
| Depreciations and amortizations according to plan | | |
| Intangible assets | | |
| Intangible rights | -219 | -210 |
| Other long-term expenditure | -9 | -145 |
| Tangible assets | | |
| Buildings | -220 | -220 |
| Machinery and equipment | -505 | -577 |
| Depreciations and amortizations according to plan total | -952 | -1,152 |

6. OTHER OPERATING EXPENSES

| EUR 1,000 | 2009 | 2008 |
|---|---|---|
| Subcontracting | -4,978 | -5,590 |
| Office management costs | -1,975 | -2,058 |
| Travel expenses | -1,117 | -1,345 |
| Agent fees | -4,184 | -3,816 |
| Rents | -786 | -712 |
| Professional services | -888 | -812 |
| Marketing | -348 | -355 |
| Other operataing expenses to Group companaies | -23,731 | -23,365 |
| Other expenses | -85 | -386 |
| Other operating expenses total | -38,091 | -38,439 |
| **Auditors' fees** | | |
| Audit | -36 | -38 |
| Tax consulting | -38 | -11 |
| Other services [*] | -49 | -194 |
| Auditors' fees total | -123 | -242 |

[*] An amount of EUR 165 thousand included in auditors' fees for other services for 2008 has beed capitalized related to the acquisition of Lifetree Convergence Ltd.

### 7. FINANCIAL INCOME AND EXPENSES

| EUR 1,000 | 2009 | 2008 |
|---|---|---|
| **Financial income** | | |
| Interest income from Group companies | 10 | 86 |
| Interest income from others | 205 | 562 |
| Other financial income from others | 409 | 2,269 |
| Interest and financial income total | 624 | 2,918 |
| **Financial expenses** | | |
| Interest expenses to others | -634 | -73 |
| Other financial expenses to Group companies | -360 | -237 |
| Financial expenses to others | -725 | -779 |
| Interest and financial expenses total | -1,719 | -1,090 |
| Financial income and expenses total | -1,095 | 1,828 |
| Other financial income and expenses including | | |
| Foreign exchange gains | 361 | 2,339 |
| Foreign exchange losses | -710 | -1,016 |
| Foreign exchange gains and losses total | -349 | 1,323 |

### 8. APPROPRIATIONS

| EUR 1,000 | 2009 | 2008 |
|---|---|---|
| Difference between depreciation according to plan and depreciation made in taxation | -130 | -40 |
| Appropriations total | -130 | -40 |

### 9. INCOME TAXES

| EUR 1,000 | 2009 | 2008 |
|---|---|---|
| Income taxes from business operations | | -395 |
| Taxes for previous accounting periods | -162 | |
| Withholding taxes paid abroad | -1,542 | -1,055 |
| Change in deferred tax assets | 2,285 | |
| Income taxes total | 581 | -1,450 |

# Notes to the parent company's balance sheet

### 10. INTANGIBLE ASSETS

**Intangible assets 2009**

| EUR 1,000 | Intangible rights | Other long-term expenditure | Total |
|---|---|---|---|
| Acquisition cost 1 Jan | 3,814 | 1,065 | 4,879 |
| Increase | 199 | | 199 |
| Acquisition cost 31 Dec | 4,013 | 1,065 | 5,078 |
| Accumulated amortization 1 Jan | -3,199 | -1,056 | -4,255 |
| Amortization during the period | -219 | -9 | -227 |
| Accumulated amortization 31 Dec | -3,417 | -1,065 | -4,482 |
| **Book value 31 Dec 2009** | **596** | **1** | **597** |

**Intangible assets 2008**

| EUR 1 000 | Intangible rights | Other long-term expenditure | Total |
|---|---|---|---|
| Acquisition cost 1 Jan | 3,549 | 1,065 | 4,614 |
| Increase | 265 | | 265 |
| Acquisition cost 31 Dec | 3,814 | 1,065 | 4,879 |
| Accumulated amortization 1 Jan | -2,989 | -911 | -3,900 |
| Amortization during the period | -210 | -145 | -355 |
| Accumulated amortization 31 Dec | -3,199 | -1,056 | -4,255 |
| **Book value 31 Dec 2008** | **615** | **9** | **625** |

### 11. TANGIBLE ASSETS

**Tangible assets 2009**

| EUR 1,000 | Land areas | Buildings | Machinery and equipment | Investments in progress | Total |
|---|---|---|---|---|---|
| Acquisition cost 1 Jan | 1,666 | 6,045 | 17,542 | 22 | 25,275 |
| Increase | | | 406 | | 406 |
| Decrease | | | -5 | | -5 |
| Acquisition cost 31 Dec | 1,666 | 6,045 | 17,943 | 22 | 25,676 |
| Accumulated depreciation 1 Jan | | -3,729 | -16,681 | | -20,410 |
| Accumulated depreciation for decreases and reclassifications | | | 4 | | 4 |
| Depreciation during the period | | -220 | -505 | | -725 |
| Accumulated depreciation 31 Dec | | -3,949 | -17,182 | | -21,131 |
| **Book value 31 Dec 2009** | **1,666** | **2,096** | **761** | **22** | **4,545** |

| Tangible assets 2008<br>EUR 1,000 | Land areas | Buildings | Machinery and equipment | Investments in progress | Total |
|---|---|---|---|---|---|
| Acquisition cost 1 Jan | 1,666 | 6,045 | 16,935 | 26 | 24,672 |
| Increase | | | 618 | | 618 |
| Decrease | | | -11 | -4 | -16 |
| Acquisition cost 31 Dec | 1,666 | 6,045 | 17,542 | 22 | 25,275 |
| | | | | | |
| Accumulated depreciation 1 Jan | | -3,509 | -16,115 | | -19,624 |
| Accumulated depreciation for decreases and reclassifications | | | 11 | | 11 |
| Depreciation during the period | | -220 | -577 | | -797 |
| Accumulated depreciation 31 Dec | | -3,729 | -16,681 | | -20,410 |
| | | | | | |
| **Book value 31 Dec 2008** | **1,666** | **2,316** | **861** | **22** | **4,865** |

## 12. INVESTMENTS

| Investments 2009<br>EUR 1,000 | Shares in Group companies | Other investments in group companies | Shares other | Total |
|---|---|---|---|---|
| Acquisition cost 1 Jan | 1,200 | 299 | | 1,499 |
| Increase | 35,409 | | | 35,409 |
| Decrease | | | | |
| Reclassifications between items | | | | |
| Acquisition cost 31 Dec | 36,609 | 299 | | 36,909 |
| | | | | |
| **Book value 31 Dec 2009** | 36,609 | 299 | | 36,909 |

| Investments 2008<br>EUR 1,000 | Shares in Group companies | Other investments in group companies | Shares other | Total |
|---|---|---|---|---|
| Acquisition cost 1 Jan | 1,259 | 299 | 17 | 1,575 |
| Decrease | -67 | | -9 | -76 |
| Reclassifications between items | 8 | | -8 | |
| Acquisition cost 31 Dec | 1,200 | 299 | | 1,499 |
| | | | | |
| **Book value 31 Dec 2008** | **1,200** | **299** | | **1,499** |

| 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 |
| Tecnomen 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 |
| Lifetree Cyberworks Pvt. Ltd | Gurgaon, India | 100 | 1,189 |
| Tecnotree Convergence Ltd | Gurgaon, India | 38.79 | 34,220 |
| Total | | | 36,609 |



## 13. INVENTORIES

| EUR 1,000 | 2009 | 2008 |
|---|---|---|
| Materials and consumables | 735 | 771 |
| Work in progress | 180 | 175 |
| Finished products/goods | 222 | 96 |
| Inventories total | 1,137 | 1,043 |

## 14. NON-CURRENT RECEIVABLES

| EUR 1,000 | 2009 | 2008 |
|---|---|---|
| Deferred tax asset | 2,285 | |
| Non-current other receivables | 21 | |
| Non-current receivables total | 2,306 | |

The company has not deducted research and development costs amounting to EUR 17,580 (4,740) thousand in its taxation. The amount can be deducted over an indefinite period with amounts that the company may freely decide. On these capitalizations, the company has recognized a deferred tax asset of EUR 2,285 thousand in the period, corresponding to 50 per cent of the capitalized research and development costs. Deferred tax assets have been recognized to the extent that it is probable that future taxable profits will be available.

The company has the following unused tax losses or tax credits, or deductible temporary differences for which deferred tax assets have not been recognized because of the uncertainty about utilizing them: research and development costs capitalized in the taxation of EUR 8,790 (4,740) thousand, tax losses of 6,248 (0) thousand and other deductible temporary differences of EUR 837 thousand (703).

## 15. CURRENT RECEIVABLES

| EUR 1,000 | 2009 | 2008 |
|---|---|---|
| Trade receivables related to construction contracts | 4,457 | 10,371 |
| Other trade receivables | 4,991 | 2,621 |
| Work in progress related to construction contracts | 1,879 | 8,239 |
| Finished work related to construction contracts | 3,993 | 9,711 |
| Other receivables based on delivery agreements | 4,807 | 3,464 |
| Current prepaid expenses and accrued income | 904 | 2,065 |
| Other current receivables | 32 | 92 |
| Current receivables total | 21,063 | 36,564 |
| | | |
| **Receivables from the Group companies** | | |
| Trade receivables | 6,340 | 5,790 |
| Other receivables | 497 | 394 |
| Total | 6,836 | 6,183 |
| | | |
| Current receivables total | 27,900 | 42,747 |
| | | |
| **Major items included in prepaid expenses and accrued income** | | |
| Valuation of currency derivatives | 211 | 459 |
| Prepaid taxes | 78 | |
| Capitalized costs related to the acquisition of Lifetree | | 564 |
| Other prepaid expenses and accrued income | 615 | 1,042 |
| Total | 904 | 2,065 |

## 16. CASH AND CASH EQUIVALENTS

| EUR 1,000 | 2009 | 2008 |
|---|---|---|
| Cash in hand and at bank | 5,339 | 8,064 |
| Cash equivalents | 10,663 | 40,046 |
| Cash and cash equivalents total | 16,003 | 48,110 |

## 17. SHAREHOLDERS' EQUITY

| EUR 1,000 | 2009 | 2008 |
|---|---|---|
| **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 | 290 | 264 |
| Share issue | 12,344 | |
| Options exercised | | 26 |
| Invested unrestricted equity reserve 31 Dec | 12,634 | 290 |
| Other reserves 1 Jan | 50,269 | 54,407 |
| Dividend distribution | -458 | -4,138 |
| Other reserves 31 Dec | 49,811 | 50,269 |
| Retained earnings 1 Jan | 4,761 | -598 |
| Dividend distribution | -4,639 | |
| Retained earnings 31 Dec | 122 | -598 |
| Result for the period | -22,657 | 5,359 |
| **Unrestricted equity total** | 39,788 | 55,198 |
| **Total shareholders' equity** | 45,355 | 60,765 |
| **Calculation of distributable equity** | | |
| Retained earnings 31 Dec | -22,535 | 4,761 |
| Own shares | -122 | -122 |
| Invested unrestricted equity reserve | 12,634 | 290 |
| Other reserves | 49,811 | 50,269 |
| Total | 39,788 | 55,198 |

The Annual General Meeting of Tecnomen Corporation resolved on 19 March 2009 to authorize the Board of Directors to decide on the dividend distribution of EUR 0.07 per share for the financial year ended on 31 December 2008. After the completion of the acquisition of the shares of Lifetree Convergence Limited, the Board of Directors resolved on the dividend record date and dividend payment date. The dividend was paid to shareholders registered on the record date of 26 May 2009 in the company's shareholder register maintained by Euroclear Finland Ltd. The dividend payment date was 2 June 2009. The payment was made on altogether 72,818,936 shares, giving an aggregate total payment of EUR 5,097,325.52. The dividend payment was not made on the shares in the company's own possession (134,800 shares).

The Annual General Meeting of Tecnomen Corporation held on 12 March 2008 resolved, in accordance with the Board of Directors' proposal, to distribute EUR 0.07 per share form the unrestricted equity fund to the shareholders in proportion to their holdings. Payment was made to shareholders registered on 17 March 2008 in the company's shareholder register maintained by the Finnish Central Securities Depository Ltd. The dividend payment date was 26 March 2008. The payment was made on altogether 59,117,278 shares, giving an aggregate total payment of EUR 4,138,209.46. The dividend payment was not made on the shares in the company's own possession (134,800 shares).

## 18. ACCUMULATED APPROPRIATIONS

| EUR 1,000 | 2009 | 2008 |
|---|---|---|
| Accumulated depreciation difference at 1 Jan | 845 | 804 |
| Increase (+), decrease (-) | 130 | 40 |
| Accumulated appropriations at 31 Dec | 975 | 845 |

## 19. PROVISIONS

| EUR 1,000 | 2009 | 2008 |
|---|---|---|
| Other provisions | 3,679 | |
| Provisions total | 3,679 | |

Provisions include a provision of EUR 3,679 thousand against one VAS business unit customer for the costs for a possible cancellation of project revenue recognition and other related costs. The provision is expeced to be used during the year 2010.

## 20. NON-CURRENT AND CURRENT LIABILITIES

| EUR 1,000 | 2009 | 2008 |
|---|---|---|
| **Non-current liabilities** | | |
| Loans from financial institutions | 16,667 | |
| Non-current liabilities total | 16,667 | |
| **Current liabilities** | | |
| Loans from financial institutions | 2,222 | 20,000 |
| Trade payables | 1,280 | 1,309 |
| Accrued liabilities and deferred income | 4,674 | 6,490 |
| Other liabilities | 172 | 358 |
| Total | 8,349 | 28,157 |
| Liabilities from the Group companies: | | |
| Trade payables | 13,899 | 9,121 |
| Other liabilities | 471 | |
| Total | 14,370 | 9,121 |
| Current liabilities total | 22,720 | 37,278 |

| EUR 1,000 | 2009 | 2008 |
|---|---|---|
| **Major items included in accrued liabilities and deferred income** | | |
| Accrued personnel expenses on restructurings | 210 | |
| Other accrued personnel expenses | 1,260 | 2,095 |
| Accrued project costs | 1,314 | |
| Accrued agent fees | 784 | 1,566 |
| Accrued taxes | | 342 |
| Valuation of currency derivatives | 131 | 271 |
| Valuation of interest rate swap | 95 | |
| Other accrued liabilities and deferred income | 879 | 2,215 |
| Total | 4,674 | 6,490 |

## 21. CONTINGENT LIABILITIES

| EUR 1,000 | 2009 | 2008 |
|---|---|---|
| On own behalf | | |
| Pledged deposits | 41 | 73 |
| Guarantees | 602 | |
| Total | 643 | 73 |
| | | |
| **Leasing liabilities:** | | |
| With due date in the next financial year | 206 | 193 |
| With later due date | 79 | 98 |
| Total | 284 | 291 |
| | | |
| Total contingent liabilities | 927 | 364 |
| | | |
| **Values of underlying instruments of derivative contracts** | | |
| | | |
| Currency call options and termines | | |
| Fair value (negative) | -131 | 271 |
| Value of underlying instruments | 10,092 | 19,097 |
| | | |
| Currency put options and termines | | |
| Fair value (positive) | 211 | 459 |
| Value of underlying instruments | 10,045 | 15,371 |
| | | |
| Interest rate swap | | |
| Fair value (negative) | 95 | |
| Value of underlying instruments | 11,000 | |



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

Espoo, 26 February 2010

Eero Mertano
President and CEO

Hannu Turunen
Chairman of the Board

Carl-Johan Numelin
Vice Chairman of the Board

Atul Chopra

Johan Hammarén

Pentti Heikkinen

Harri Koponen

Christer Sumelius

David K. White

## Auditors' Note

Our auditors' report has been issued today.

Helsinki, 3 March 2010

KPMG OY AB

Sixten Nyman
KHT

# Auditor's report

## To the Annual General Meeting of Tecnomen Lifetree Corporation

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Tecnomen Lifetree Corporation for the financial period 1 January – 31 December 2009. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in shareholders' equity, 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.

## The Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the financial statements and the report of the Board of Directors and for the fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the fair presentation of the parent company's financial statements and the report of the Board of Directors in accordance with 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 perform an audit in accordance with good auditing practice in Finland, and to express an opinion on the parent company's financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. Good auditing practice requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements or 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 and the Managing Director have complied with the Limited Liability Companies Act.

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 of the financial statements or of the report of the Board of Directors, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements and the report of the Board of Directors in order to design audit procedures that are appropriate in the circumstances. 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.

The audit was performed in accordance with good auditing practice in Finland. 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, 3 March 2010

KPMG OY AB

Sixten Nyman
Authorized Public Accountant



# Shares and shareholders

## Shares and share capital

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

At the end of 2009 the shareholders' equity of Tecnotree Corporation stood at EUR 77.2 (83.5) 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 1.05 (1.41). 99.94 per cent of the company's shares are entered in the book entry securities system maintained by Euroclear Finland Ltd (former Finnish Central Securities Depository Ltd.).

## Quotation of shares

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

## Authorizations of the Board of Directors

### *Authorization to decide issuing of shares and granting special rights*

Tecnomen's Annual General Meeting held on 12 March 2008 authorized the Board of Directors to decide on issuing shares and on giving special rights entitling to shares. The authorization includes the right to decide on issuing and/or conveying a maximum of 17,800,000 new shares and/or the Company's own shares held by the Company either against payment or for free. The authorization is valid for two years from the decision of the Annual General Meeting. Under this authorization, on 6 May 2009 and 28 October 2009 the Board decided on a share issue against payment in connection with the acquisition of the shares of Tecnotree Convergence Ltd by issuing altogether 14,353,899 new shares. At the end of the year, 3,446,101 shares under this authorization were still unused.

### *Authorization to acquire the Company's own shares*

Tecnomen Lifetree Corporation's Annual General Meeting held on 19 March 2009 authorized the Board of Directors to decide on acquiring a maximum of 5,790,000 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 arranged by NASDAQ OMX Helsinki Oy at the market price of the shares in public trading at the time of the acquisition. The shares can be acquired for the purpose of developing the capital structure of the Company, carrying out corporate acquisitions or other business arrangements to develop the business of the Company, financing capital expenditure, to be used as part of the Company's incentive schemes, or to be otherwise retained in the possession of the Company, disposed of or nullified in the extent and manner decided by the Board of Directors. The Board of Directors decides on other terms of the share acquisition. This authorization replaces the authorization given by the Annual General Meeting on 12 March 2008 and is valid for one year from the decision of the AGM. This authorization has not been exercised during the review period.

## Shareholders

On 31 December 2009 Tecnotree had a total of 7,185 shareholders recorded in the book-entry securities system. Of these 7,176 were in direct ownership and 9 were nominee-registered.

On 31 December 2009 the ten largest shareholders together owned approximately 36.58 per cent of the shares and voting rights. On 31 December 2009, altogether 16.43 per cent of Tecnotree's shares were in foreign ownership, with 16.42 per cent in direct ownership and 0.004 per cent nominee-registered. The shareholder information is maintained by Euroclear Finland Oy (former Finnish Central Securities Depository Ltd).

Ownership structure by sector, 31 December 2009

| | No. of shares | % |
|---|---|---|
| Companies | 7,336,726 | 9.95 |
| Finance houses and insurance companies | 15,682,647 | 21.30 |
| Public sector | 45,800 | 0.06 |
| Non-profit making associations | 382,952 | 0.52 |
| Households and private persons | 38,045,805 | 51.67 |
| Foreign holders | 12,099,447 | 16.43 |
| Total | 73,596,377 | 99.95 |
| | | |
| Joint account | 37,600 | 0.05 |
| Share capital | 73,630,977 | 100.00 |
| Nominee registrations | 8,868,713 | 12.05 |

## Tecnotree's shares and share capital

A total of 22,579,296 Tecnotree shares (EUR 23,157,045) were traded on the Helsinki Exchanges during the period 2 January – 31 December 2009, representing 30.7 per cent of the total number of shares.

The highest share price quoted in the period was EUR 1.21 and the lowest EUR 0.78. The average quoted price was EUR 1.00 and the closing price on 31 December 2009 was EUR 0.94. The market capitalization of the share stock at the end of the period was EUR 69,213,118.

## 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 2009 the total number of shares owned by the members of Tecnotree's Board of Directors and the President and CEO was 5,449,526 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 7.40 per cent of the total amount of shares and voting rights.

On 31 December 2009 the total number of shares owned by the members of Tecnotree's Management Board was 3,202,729 excluding those owned by the President and CEO.

## Stock options held by the Board of Directors and management

A total of 80,000 Tecnotrees stock options were held by the President and CEO on 31 December 2009. The number of stock options owned by the members of the Board of Directors was 1,770,362 at the end of the period.

A total of 1,850,362 stock options were held by members of Tecnotree's Management Board, excluding the President and CEO, on 31 December 2009.

## 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 2009 the company received three shareholder notifications. International Finance Corporation was a party to a transaction disclosed on 15 December May 2008 by Tecnomen Corporation which, when effected on 7 May 2009, resulted in that the holdings of International Finance Corporation exceeded one twentieth (1/20) threshold in Tecnomen Lifetree Corporation. Post the transaction, the total holdings of International Finance Corporation increased up to 4,543,631 shares representing 6.17 per cent of the voting rights in Tecnomen Lifetree Corporation.

The holdings of Mr Atul Chopra including the Tecnotree stock options of 2009 scheme exceeded on 6 May 2009 one twentieth (1/20) threshold increasing up to 4,817,692 shares representing 6.54 per cent of the voting rights in Tecnomen Lifetree Corporation excluding the options.

The holdings of Mr Lars-Olof Hammarén exceeded one twentieth (1/20) threshold in Tecnomen Lifetree Corporation due to share acquisition, increasing up to 4,681,088 shares representing 6.36 per cent of the voting rights in Tecnomen Lifetree Corporation.

## Stock option programs

During the review period the company had in force a 2006 stock option program. The state of these options on 31 December 2009 was as follows:

| Option series | Maximum number of options | Number of granted options | Exercise period | Exercise price |
|---|---|---|---|---|
| 2006A | 667,000 | 304,000 | 1.4.2007–30.4.2010 | 2.47 |
| 2006B | 667,000 | 667,000 | 1.4.2008–30.4.2011 | 1.32 |
| 2006C | 667,000 | | 1.4.2009–30.4.2012 | 0.98 |
| Total | 2,001,000 | 971,000 | | |

The dividend paid of EUR 0.07 has been deducted from the exercise price for the 2006 options.



The Annual General Meeting of Tecnomen Lifetree Corporation on 19 March 2009 decided on a stock option plan that came into effect after the acquisition of the shares of Lifetree Convergence Ltd was completed. The state of these options on 31 December 2009 was as follows:

| Option series | Maximum number of options | Number of granted options | Exercise period | Exercise price |
|---|---|---|---|---|
| 2009A | 1,026,005 | 265,554 | 1.4.2009–31.3.2011 | 0.86 |
| 2009B | 2,394,013 | 619,627 | 1.4.2010–31.3.2012 | 0.86 |
| 2009C | 3,420,018 | 885,181 | 1.4.2011–31.3.2013 | 0.86 |
| Total | 6,840,036 | 1,770,362 | | |
| 2006 and 2009 total | 8,841,036 | 2,741,362 | | |

Altogether 8,841,036 stock options remained on 30 December 2009 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 10.72 per cent of the Company's shares and the votes carried by the shares after any increase in share capital. On 31 December 2009 the Company still held 6,099,674 of all the current stock options. The issued stock options had a maximum diluting effect on 31 December 2009 of 3.59 per cent.

The company's Board of Directors may issue stock options such that their maximum dilution shall not exceed 8.50 per cent.

## Shareholders 31 December 2009

The company's ten largest shareholders:

| | No. of shares | % of shares and voting rights |
|---|---|---|
| Skandinaviska Enskilda Banken | 5,341,012 | 7.25 |
| Hammarén Lars-Olof | 4,681,088 | 6.36 |
| Nordea Pankki Suomi Oyj | 2,915,508 | 3.96 |
| Mandatum Life Insurance Co. | 2,589,080 | 3.52 |
| APC Securities (India) Private Limited | 2,260,434 | 3.07 |
| Smartum Oy | 2,200,000 | 2.99 |
| Caryle Indiasoft Limited | 2,112,733 | 2.87 |
| Kaleva Mutual Insurance Company | 1,788,000 | 2.43 |
| Chopra Atul | 1,678,550 | 2.28 |
| Aparna Advisory Services Private Ltd | 1,368,780 | 1.86 |

| Ownership of shares, 31 December 2009 | Holders | % | Shares and votes | % |
|---|---|---|---|---|
| 1–500 | 2,726 | 37.93 | 656,687 | 0.89 |
| 501–1,000 | 1,323 | 18.41 | 1,129,808 | 1.52 |
| 1,001–5,000 | 2,107 | 29.33 | 5,400,575 | 7.34 |
| 5,001–10,000 | 502 | 6.99 | 3,883,415 | 5.28 |
| 10,001–50,000 | 392 | 5.46 | 8,810,919 | 11.97 |
| 50,001–100,000 | 58 | 0.81 | 4,222,141 | 5.73 |
| 100,001–500,000 | 52 | 0.73 | 11,263,013 | 15.30 |
| 500,000 < | 25 | 0.35 | 38,235,819 | 51.93 |
| Joint account | | | 37,600 | 0.05 |
| Total | 7,185 | 100.0 | 73,630,977 | 100.0 |

# Releases in 2009

Further information is available at *www.tecnotree.com*.

| | | |
|---|---|---|
| 23 Jan 2009 | Stock Exchange Release | Tecnomen's operating profit significantly higher than previous estimate |
| 27 Jan 2009 | Stock Exchange Release | Tecnomen's annual summary 2009 |
| 06 Feb 2009 | Stock Exchange Release | Tecnomen's Financial Report 1 January – 31 December 2008 (unaudited) |
| 16 Feb 2009 | Press Release | Tecnomen partners with Digia in Visual Voicemail |
| 27 Feb 2009 | Stock Exchange Release | Invitation to the Annual General Meeting of Tecnomen Corporation |
| 12 Mar 2009 | Stock Exchange Release | Tecnome's Annual Report 2008 |
| 13 Mar 2009 | Stock Exchange Release | Election of Members of the Board of Directors in Annual General Meeting |
| 19 Mar 2009 | Stock Exchange Release | Resolution passed by the Annual General Meeting of Tecnomen Corporation |
| 25 Mar 2009 | Stock Exchange Release | The Dividend of Tecnomen Corporation |
| 28 April 2009 | Interim Report | Tecnomen's Interim Report 1 January – 31 March 2009 (unaudited) |
| 28 April 2009 | Stock Exchange Release | Compleetion of the Lifetree Acquisition and Tecnomen's dividend payment |
| 7 May 2009 | Stock Exchange Release | Tecnomen and Lifetree are now Tecnotree |
| 7 May 2009 | Stock Exchange Release | Notification under chapter 2 section 10 of the securities markets act |
| 7 May 2009 | Stock Exchange Release | Tecnomen Corporation's dividend payment |
| 7 May 2009 | Stock Exchange Release | Share subscription price with Tecnomen Lifetree stock options 2009 and market value of the option series |
| 8 May 2009 | Stock Exchange Release | Notification under chapter 2 section 10 of the securities markets act |
| 11 May 2009 | Stock Exchange Release | Tecnomen Lifetree's new shares registered in trade register, listing prospectus approved |
| 26 June 2009 | Stock Exchange Release | Tecnomen Lifetree Corporation's prospects for 2009 |
| 2 July 2009 | Stock Exchange Release | Tecnotree has received expansion orders worth USD 7.3 million from Latin America |
| 12 Aug 2009 | Interim Report | Tecnomen Lifetree's Interim Report 1 January – 30 June 2009 (unaudited) |
| 12 Aug 2009 | Stock Exchange Release | Tecnomen Lifetree's presentation of Interim Report 1 January – 30 June 2009 (unaudited) |
| 12 Aug 2009 | Investor News | Additional information to the Interim Report of Tecnomen Lifetree |
| 19 Aug 2009 | Stock Exchange Release | Notification under chapter 2 section 10 of the securities markets act |
| 25 Aug 2009 | Stock Exchange Release | Tecnotree to start personnel negotiations in Finland |
| 24 Sept 2009 | Investor News | Tecnotree receives a new order from Tele2 Sweden |
| 29 Sept 2009 | Stock Exchange Release | Employee negotiations concluded at Tecnotree |
| 2 Oct 2009 | Stock Exchange Release | CEO of Tecnotree changes |
| 6 Oct 2009 | Stock Exchange Release | Tecnotree to start personnel consultation in Ireland |
| 14 Oct 2009 | Press Release | Tecnotree to participate in AfricaCom 2009 |
| 29 Oct 2009 | Interim Report | Tecnomen Lifetree Corporation's Interim Report 1 January – 30 September 2009 (unaudited) |
| 29 Oct 2009 | Stock Exchange Release | Tecnomen Lifetree's presentation of Interim Report 1 January – 30 September 2009 (unaudited) |
| 30 Oct 2009 | Stock Exchange Release | Tecnotree resolved on directed share issue |
| 13 Nov 2009 | Stock Exchange Release | Tecnomen Lifetree's new shares registered in trade register |
| 26 Nov 2009 | Stock Exchange Release | Tecnotree's financial announcements and Annual General Meeting |
| 27 Nov 2009 | Stock Exchange Release | Tecnotree completes personnel consultation in Ireland |
| 8 Dec 2009 | Press Release | BMobile selects Tecnotree |
| 30 Dec 2009 | Stock Exchange Release | Tecnotree prospects for 2009 and 2010 |



# Investor information

## Basic share information

| | |
|---|---|
| Listed on: | NASDAQ OMX HELSINKI Oy |
| Trading code: | TEMV1 |
| ISIN Code: | FI 0009010227 |
| Number of shares, 31 Dec, 2009: | 73,630,977 |
| Segment: | Small Cap |
| Sector code: | Information 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 2010

- Financial Statement 1 January – 31 December 2009
  **04 February 2010**
- Annual General Meeting
  **25 March 2010**
- Interim Report 1 January – 31 March 2010
  **30 April 2010**
- Interim Report 1 January – 30 June 2010
  **12 August 2010**
- Interim Report 1 January – 30 September 2010
  **27 October 2010**

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*.

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## Ordering publications

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