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Tecnomen in brief

Mission

Tecnomen helps its customers to improve profitability and boost competitiveness by

- providing competitive products and local service
- investing in the development of innovative, cutting-edge products
- developing a global distribution and sales network and by intensifying cooperation with partners.

Tecnomen develops and supplies Messaging and Charging solutions for telecom operators and service providers worldwide. Founded in 1978, Tecnomen is one of the world's leading suppliers of messaging solutions and has a strong market position also in prepaid systems. Tecnomen's product lines are Messaging and Charging.

Messaging

Main products and services in the Messaging product line

- Voice and Video Messaging: voice and video messaging and video content services
- Media Server: multipurpose platform for implementing voice and video applications in circuit switched networks, intelligent networks and IP-based multimedia networks (IMS)
- Professional Mobile Radio (PMR) Messaging: messaging systems and services for public authority use
- Multimedia Messaging and Short Messaging: multimedia and short messaging service centres

Charging

Main products in the Charging product line

- Convergent Charging: the product contains a broad selection of functions that support prepaid and post-paid billing, as well as charging and rating of voice and video calls, data traffic and content services in mobile and fixed networks.
- Complementary services for the Charging product are offered by partners

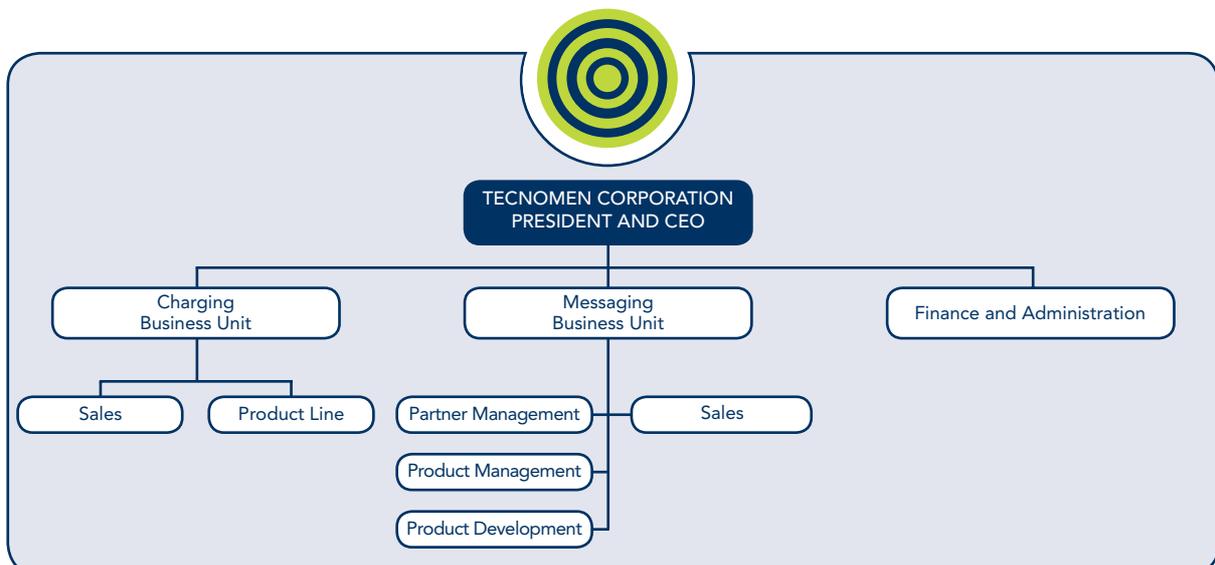
Tecnomen markets and sells its products and services through its own worldwide organisation and global and local partners. The company's products have been delivered to more than 80 customers around the world.

Organisation

Headquartered in Espoo, Finland, Tecnomen also has offices in Ireland, Germany, the Netherlands, Austria, Spain, Brazil, Mexico, Argentina, South Africa, Malaysia, Taiwan, Thailand and the United Arab Emirates. The company has three product development units located in Espoo, Malaysia and Ireland, where Tecnomen also has a production unit.

Tecnomen had 374 employees working in 14 locations at year end.

Tecnomen's shares are quoted on the Main List of the Helsinki Stock Exchange under the trading code TEM1V.



Key figures

	IFRS 2006	IFRS 2005	IFRS 2004	FAS 2004	FAS 2003	FAS 2002
Net sales, MEUR	71.8	69.0	51.6	51.5	45.3	39.9
Net sales, change %	4.1	33.7		13.7	13.6	-30.2
Operating result, MEUR	4.9	9.6	3.9	1.6	-7.0	-14.1
as % of net sales	6.8	13.9	7.5	3.1	-15.6	-35.5
Result before taxes, MEUR	5.2	10.3	4.9	2.6	-6.4	-14.6
as % of net sales	7.3	14.9	9.5	5.1	-14.2	-36.7
Result for the period	3.2	8.8	4.0	2.1	-7.3	-14.3
Personnel at the end of the period	374	373	350	350	398	457
Earning per share, basic, EUR	0.06	0.15	0.07	0.04	-0.13	-0.25
Earning per share, diluted, EUR	0.05	0.15	0.07			
Equity per share, EUR	1.27	1.33	1.16	1.17	1.13	1.26
Net interest-bearing liabilities, MEUR	-20.4	-32.8	-30.2	-30.0	-34.1	-33.8

CEO's review

Highlights of 2006

In 2006 our sales increased in all market areas except Europe, where operators' investments in Next Generation Messaging (NGM) systems did not proceed as expected. However, we maintained a good market position in Europe and other mature markets. Our customers expanded their messaging and prepaid charging systems in the heavily growing Latin American markets. The demand for NGM systems and Telco Server developed well especially in Asia.

Tecnomen's organisation structure was revised in early October. The new organisation consists of the Messaging and Charging Business Units and Finance and Administration. In the same conjunction, the company launched a cost savings programme that reduced the staff in Europe and in Messaging by 29 people. The programme adapted operations to the prevailing market situation and ensured future profitability. It resulted in cost savings of over four million euros that will reach their full effect starting at the beginning of 2007. On the basis of the new organisation, Tecnomen will report in compliance with IFRS the Messaging and Charging Business Units as its primary segments and geographical areas as its secondary segments from the beginning of 2007.

Charging launched customer deliveries of Convergent Charging products. Most customer systems were updated so that they now include sophisticated services for real-time prepaid data charging, such as short messaging, multimedia messaging and GPRS data traffic.

Financial situation

Growth and profitability, which we measure with return on investment, continued as our objectives in 2006.

Net sales in 2006 grew over the previous year to record high EUR 71.8 million. Growth amounted to 4.1 per cent, and came mainly from Charging sales in Latin America, where we saw a growth of 10 per cent. In Europe, the Middle East and Africa (EMEA) sales decreased 9 per cent, while in Asia and the Pacific (APAC) sales grew by 28 per cent.

Net profit totalled EUR 4.9 million. Return on investment (ROI) reached 9.1 per cent. Cash flow was EUR -12.8 million, and the financial situation was good. The equity ratio at the end of the year stood at 84.3 per cent and net gearing -27.4 per cent.

We invested EUR 13.2 million in product development. The number of employees was 374 at the end of the year. In line with our objectives, we made bigger use of our partners' resources compared to previous years. Flexible resourcing follows sales development and enables fast reactions on the market.

Strategy and values

Tecnomen aims to increase its customers' net sales and profitability through its value added services. Our own goal is to grow profitably and reach a global position in which customers and partners put Tecnomen first when selecting partners.

Our Next Generation Messaging product is designed for mature markets, which in the near future will replace traditional closed systems with new, open systems that use IP technology. Open systems will considerably reduce the operating costs of our operator customers. This trend is boosted by the operators' need to obtain cost savings as the prices of voice services are going down. There is no single data service that is expected to attract large numbers of users; instead, data service use and revenues come from several narrow segments. This calls for a flexible product platform on which new services can be built easily and efficiently.

Our Charging products are designed for growing markets in which typically over 80 per cent of subscribers are prepaid customers. Although voice is still the key application we offer to these customers, I believe that billing will increase in GPRS, short messaging services and multimedia data traffic.

Tecnomen's core values are reflected in all of our operations. Open and honest communication with internal and external stakeholders creates the foundation for trust on which we build our future. Showing respect for customers, taking their needs into consideration and understanding their business, as well as continuously improving operations, are Tecnomen's core values. They call for the commitment of all personnel and the allocation of responsibility and authority based on the individual strengths of each employee.



Outlook

Our operations in Europe will focus on updating and expanding current systems, while those in Asia and the Americas will involve the delivery of new messaging and prepaid systems and services. Our objective is also to develop local and regional sales and support networks jointly with our global and local partners.

We expect that market willingness to invest will continue to grow favourably in the future. Strong organic growth and increasing demand for next generation messaging and charging solutions will increase Tecnomen's market potential worldwide.

Organic growth and profitability continue to be our goals in 2007. Achieving significant growth in turnover requires acquisitions or other strategic arrangements.

The past year has been a good and profitable one in view of the market situation. I would like to thank all of Tecnomen's employees for this. Cooperation between the staff and management has followed our values and been open and honest. We have reacted rapidly to changing markets. I wish to express special thanks to our customers, who have trusted us and shown their appreciation in the valuable form of new orders. I would also like to thank our partners and all of Tecnomen's shareholders.

Jarmo Niemi
President and CEO

Tecnomen's product lines

Flexible total solutions

Tecnomen develops and delivers Messaging and Charging solutions for teleoperators and service providers. The company provides its customers with comprehensive solutions that include software licences, hardware, installation and training services, as well as maintenance and support activities. Different kinds of Messaging and Charging solutions enable operators and service providers to build service packages suitable for their own market segments and target groups.

Tecnomen's integratable products and services introduce new options into communication. The company's products incorporate well-known, standardised technology and interfaces that speed up development, ensure that solutions function properly and facilitate the integration of third party applications. Tecnomen employs third party products in its solutions if it is technically and financially justified.

Innovation and hard work

Intensifying competition between mobile operators creates new requirements for suppliers in the telecom sector. Tecnomen's goal is to help operators compete and improve their profitability. In practice this means continuously focusing resources on understanding the business requirements of operators and launching new cost-effective services.

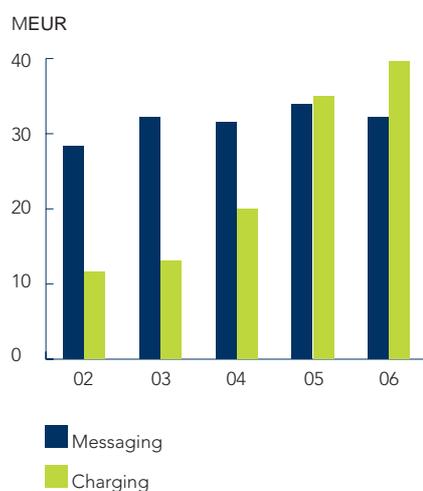
New market requirements have an impact on all Tecnomen products. Products have to be more cost-effective and easier to adapt to the individual business needs of customers. The new 3G and IMS network technologies are changing the core structures of telecom networks, which opens up new opportunities for Tecnomen's products.

Tecnomen's largest investments in the review period were targeted at the development of Next Generation Messaging and Convergent Charging products. Customers have given positive feedback on the results of this work.

In addition to making investments in product development, Tecnomen continued to streamline its product line operations. To improve flexibility it carefully increased the share of variable costs in overall expenses.

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Net sales by product line 2002–2006



Net sales by product line 2002–2006

MEUR	2002	2003	2004	2005	2006
Total	39,9	45,3	51,5	69,0	71,8
Messaging	28,3	32,2	31,5	33,9	32,2
Charging	11,6	13,1	20,0	35,0	39,6

Messaging

Strong player

The customers of Tecnomen's Messaging products include mobile phone operators and fixed network operators, service operators and big global suppliers of network infrastructure that sell Tecnomen's solutions or integrate them into their own solutions. Messaging systems are open, modular and scalable products that offer users a broad range of services, including different types of voice, video, SMS and multimedia messaging services. Tecnomen also offers standardised telecom network components used to build interactive media services. Messaging systems and services are designed to be flexible so that they meet both the current and future needs of operators.

Product strategy

Tecnomen itself develops the core components of its Messaging solutions. This covers both the Next Generation Messaging (NGM) product and the open Media Server product family. Media Server products are used in the NGM system architecture to create a multipurpose platform for voice and video messaging services. They are also sold as independent products directly and through partner sales. Over the past year the company's offering has been expanded to include IMS and convergence solutions. New voice and video messaging solutions are continuously added to the NGM product family.

Tecnomen has a broad network of product development partners. Partners help Tecnomen to speed up the development of products and services, increase the flexibility of product development resources and implement customers' change requests more efficiently. This creates a competitive edge in an evolving and rapidly changing market.

Product solutions

Messaging products and services

- Voice and Video Messaging: voice and video messaging and video content services
- Media Server: multipurpose platform for implementing voice and video applications in circuit switched networks, intelligent networks and IP-based multimedia networks (IMS)
- Professional Mobile Radio (PMR) Messaging: messaging systems and services for public authority use
- Multimedia Messaging and Short Messaging: multimedia and short messaging service centres

Voice and Video Messaging

Tecnomen Voice Mail and Video Mail solutions offer an extensive range of products that enable operators' customers to improve their availability and receive messages even when the phone is switched off. These services simplify personal communications.

Voice Mail and Video Mail increase operators' revenues by turning unprofitable, unanswered calls into answered, profit-generating ones. The services also inform customers about calls they have missed when the phone was turned off, out of coverage or busy. In addition, the services deliver voice and video messages left for subscribers while unavailable.

Video content services enable users to browse different kinds of video content. In the Video Portal solution, content services can be, for example, short news videos, direct television broadcasts or material delivered by web cameras. The Video Blog services allow users to publish their own video content. Operators can use video content services to offer pleasant viewing experience to their main customers and diversify their service offering compared to competitors.



Customer solution

Vodacom – Tecnomen's African star

South African operator Vodacom has been an important Media Server customer for Tecnomen for years. Nearly fifteen million of its customers use Tecnomen's systems, and the figure is rising rapidly. Vodacom has linked Media Servers to different kinds of voice services, such as intelligent network services and voice-based self-service solutions. In 2006 Vodacom acquired a geographically distributed Media Server solution that reduces call routing expenses and service operating costs. The capacity of the company's existing system was increased, and a new ring tone service was added to the system.

Media Server

Based on open standards, the Media Server product family offers a versatile technology solution for the development of new voice, video and messaging solutions. Media Server products are sold to operators and to network infrastructure and other service system suppliers, who integrate them into their own products. Services developed by third parties include ring back tone, customer service and voice self-service solutions, mass voting and virtual exchange (Mobile Centrex and IPCentrex) as well as voice and video conference services. The Media Server product family offers open service creation tools and interfaces that facilitate and speed up the development of new services. Introducing an open media server solution means lower investments in fixed assets and lower operating costs.

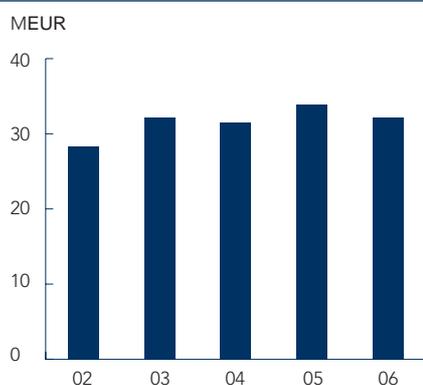
PMR Messaging

Tecnomen Professional Mobile Radio (PMR) Messaging products have been developed for the public authorities to complement the services offered in authority networks. The systems are used to provide alarm services and messaging solutions, for example, to the police, fire brigades, rescue services and social workers.

Multimedia Messaging and Short Messaging

Tecnomen delivers Multimedia Messaging Service Centres (MMSC) and Short Messaging Service Centres (SMSC) with its partner. The services complement Tecnomen's product portfolio and enable the company to offer a wide range of products and services to operators.

Net sales, Messaging 2002–2006



Highlights of 2006

The definite highlight of 2006 was the expansion of deliveries of Tecnomen's open-standard NGM system into the voice and video messaging markets and the Media Server market. Tecnomen has delivered systems based on NGM technology since 2004. In 2006 NGM systems were delivered through partners especially in Asia and the Pacific, as well as the Middle East and Africa.

Outlook

In the increasingly tight and demanding markets, Tecnomen is well positioned in terms of competition, and its NGM system is competitive. Demand in Europe has been slower than expected but the situation in Asia and the Pacific, as well as in the Middle East and Africa looks promising. Tecnomen also has close and good relations with the foremost global sales partners.

This is a good position to start to increase Next Generation Messaging deliveries in 2007. The expansion and maintenance of installed systems are expected to remain at a good level.



Customer solution

HCPT – telecom services develop in Indonesia

PT Hutchison CP Telecommunications (HCPT) operating in Indonesia is part of Hutchison Telecom International Limited, a global telecom service provider. The Group operates in nine countries and has fifteen million customers. In 2006 Tecnomen and Siemens supplied HCPT with a voice mail system and a short message and multimedia message centre. The delivery further increased Tecnomen's market share in Asia and the Pacific and made the company one of the area's most reliable technology partners.

Charging

Development of NGM systems and services will be continued in 2007. Service offering will be enhanced in the traditional voice and video messaging services and systems, as well as in new areas, such as IMS and convergence business. The company also plans to continue investments in product and product development partnerships.

Close cooperation with partners

Tecnomen has several partners. Accenture offers Tecnomen its services for the development of NGM systems. Accenture Services Oy is also responsible for the product development and maintenance of Tecnomen's previous generation Messaging system. Jinny Software Ltd. provides Tecnomen with MMSC and SMSC product development, delivery and maintenance services.

Research and development

Tecnomen's Messaging product development is based on applying open standards, Internet and wireless technologies. Tecnomen's products comply with open standards developed by, for example, Open Mobile Alliance, 3GPP, 3GPP2 and ETSI.

A significant part of product development expenses for the Messaging product range consists of variable costs, including long-term product development partnerships and subcontracting. This provides flexibility and scalability in product development capacity, to meet the needs of a rapidly changing business environment.

Adaptable service offering for a changing market

In 2006 Tecnomen continued to strengthen its position as a leading provider of Charging products in Latin America. The company's success is based on its ability to meet the growing needs of customers. Operators seek competitive advantage increasingly from flexible and versatile charging systems that must be able to simultaneously charge voice and data services and subscribers in both mobile and fixed networks, as well as support prepaid and postpaid billing.

As competition grows more intense, it has become increasingly important for operators to take into account the needs of different customer segments and introduce innovative new services. This, in turn, increases the demand for Tecnomen's Charging solutions and lays a firm foundation for future growth and development in the Charging unit.

Product strategy

The Charging product line develops network-independent Charging solutions for operators worldwide. Tecnomen is known for its reliable, scalable and cost-effective Charging solutions and for its ability to build tailored solutions based on the individual needs of customers and the prevailing market situation.

Tecnomen develops the core components for the Charging solutions in-house. The core of the product consists of prepaid and postpaid billing, charging and rating models and their physical implementation in mobile and fixed networks. Tecnomen cooperates with partners to implement additional functions integral to the charging solutions.

Similar to the Messaging product line, Charging makes extensive use of the resources of product development partners to even out peaks in demand and increase flexibility.

Charging product and services

- Convergent Charging: the product contains a broad selection of functions that support prepaid and postpaid billing, as well as charging and rating of voice and video calls, data traffic and content services in mobile and fixed networks
- Complementary services for the Charging products are offered by partners

Convergent Charging

The Tecnomen Convergent Charging product contains a broad selection of functions that support prepaid and postpaid billing, as well as charging and rating of voice and video calls, data services and content services in mobile and fixed networks. The product has been tested with the systems of leading network suppliers as part of a comprehensive solution for operators.

Prepaid billing has already become more popular than postpaid billing in mobile networks. Its popularity is based on the subscribers' need to control their phone bills and the operators' desire to minimise credit losses. A prepaid subscription can be sold without credit checks and even without the user's personal data. The costs associated with the sale are also small.

With the rating functionality in Convergent Charging, operators can change tariffs and other subscriber parameters in accordance with their unique business model. Rating rules are easy to understand, and they can be changed quickly and effectively in line with the operator's needs and the prevailing market situation.

Tecnomen and its partners offer services that complement Convergent Charging product, such as the Prepaid Calling Card and a Virtual Private Network (VPN) solution.

Highlights of 2006

Charging continued to grow strongly in 2006. Demand for Prepaid Voice increased considerably, and all Charging deliveries also included Prepaid Data as part of the comprehensive delivery.

Outlook

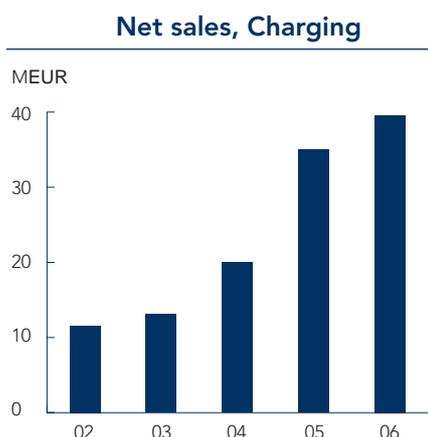
Tecnomen's strength lies in its ability to act more flexibly than major network suppliers and respond quickly to customer expectations. Competitors find it difficult to

copy the customer-oriented properties of Tecnomen's Convergent Charging. Tecnomen's other specialities include insight into mobile phone and data network technology and the merger of networks into flexible and cost-effective solutions.

In addition to organic growth based on an increase in subscriber numbers, leading market research institutions predict strong growth in the demand for real-time Convergent Charging in the coming years. Tecnomen's Charging line grows and develops in close cooperation with customers and partners. Growth prospects are further enhanced by active emphasis on partner sales and expansion into entirely new market areas.

Research and development

In the past year the Charging product line increased its resources working on core component development, and cooperation with partners was enhanced. Product development capacity was put to effective and flexible use through product development partnerships, which enables the company to react faster to changing customer needs.



Customer solution

Brasil Telecom – growth through Charging

Brasil Telecom offers a fixed telephone network, mobile network and broadband Internet services. The company has over eight million fixed network customers and over three million mobile phone customers. Tecnomen provided Brasil Telecom with Charging and Messaging systems. The Charging system is used for prepaid and postpaid billing and it can be used to charge and rate voice calls, data traffic and content services, and it is used for mobile and fixed networks. Tecnomen's system has played an important part in business growth at Brasil Telecom.

Customers and markets

Global and local service

Tecnomen markets, sells, delivers and maintains its products and services through its own worldwide organisation and global and local partners.

An extensive customer service network contributes to making Tecnomen's operations global. At the end of the year, the company had 14 offices worldwide responsible for sales, delivery and system maintenance services, including the headquarters in Espoo.

By the end of 2006 Tecnomen had supplied its systems to more than 80 customers around the world.

Operators invest in next generation systems

In 2006 operators continued to invest in growing market areas, such as Latin America, Africa and Asian countries with large populations.

Demand for Next Generation Messaging (NGM) systems rose in the review period as more and more 3G networks and open IP-based systems were rolled out. Operators also made more investments in next generation voice and video messaging solutions to increase their revenues and profitability. The strongest demand for NGM systems was seen in Asia and the Pacific, the Middle East and Africa.

Convergent Charging sales grew strongly in 2006, driven by growth in subscriber numbers, which was particularly strong in Latin America, as well as the growing need to charge prepaid subscribers for data services.

Active customer acquisition

Tecnomen has three geographical market areas: the Americas (North, Central and South America), EMEA (Europe, the Middle East and Africa) and APAC (Asia and the Pacific). Each regional office is responsible for sales, delivery and maintenance services in the region's countries.

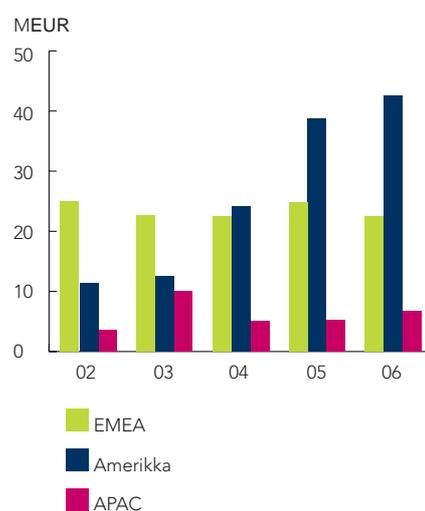
Tecnomen's net sales by market area were as follows: the Americas 59.2 per cent (56.2%), EMEA 31.3 per cent (36.1%) and APAC 9.4 per cent (7.7%).

The focus of regional operations in 2006 was on the expansion of existing systems and their upgrading to next generation systems. Sales to existing customers accounted for 88.0 per cent (89.9%) of net sales.

Customer acquisition continued to be active, and the company won new accounts in all market areas. The best results were achieved in Asia and the Pacific, as well as in Africa. New customer sales contributed to 12.0 per cent (10.2%) of net sales.

System maintenance accounted for 13.6 per cent (11.7%) of net sales.

Net sales by market area 2002–2006



Net sales by market area 2002–2006

MEUR	2002	2003	2004	2005	2006
Yhteensä	39,9	45,3	51,6	69,0	71,8
EMEA	24,9	22,6	22,5	24,8	22,5
America	11,4	12,6	24,1	38,7	42,5
APAC	3,6	10,1	5,1	5,3	6,8

Breakdown of sales to new and established customers, maintenance 2002–2006

%	2002	2003	2004	2005	2006
New	18,8	14,9	25,5	10,2	12,0
Established	81,2	85,1	74,5	89,8	88,0

Customer profits are critical

Tecnomen's main task is to improve the competitiveness and profits of its customers. This requires continuous efforts to understand customers' business. The company supplies customers with comprehensive solutions and related installation, maintenance and support services either on its own or in cooperation with its partners.

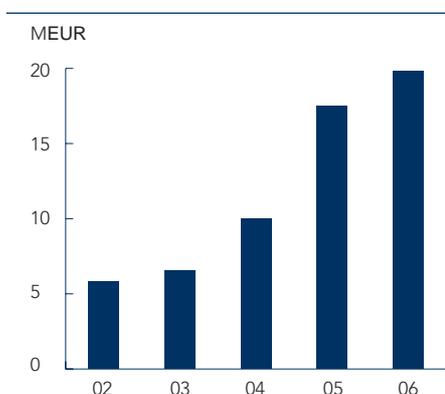
Tecnomen will continue to focus on developing its local and regional sales and support network with partners. The network enables Tecnomen to offer better, more versatile and faster service to its customers and thus improve their revenues and profitability, as well as develop their business. To increase customer satisfaction and project profitability, Tecnomen continues to develop project competence and the supply chain.

Support from a global partner network

Networking plays a major role in Tecnomen's strategy and business concept. Its partner network is important in marketing, sales, product development and deliveries. Tecnomen has set up global marketing, sales and delivery partnerships with Siemens, Nokia, Nortel and Accenture. These partners sell solutions developed by Tecnomen as part of their own network and system deliveries. Tecnomen also engages in active cooperation with local and regional partners.

Cooperation developed positively in the financial year. Sales through global partners totalled EUR 16.4 million, or 22.8 per cent (17.7%) of net sales.

Sales through global partners in 2002–2006



EMEA

Europe

Investments were smaller than expected

Tecnomen operates in all of Europe. In addition to its headquarters in Finland, the company has offices in Ireland, Germany, Spain and the Netherlands. In 2006 Tecnomen opened an office in Austria to develop local sales, delivery and support services.

In Western Europe, mobile network coverage and subscriber numbers are very high. Organic growth continued in subscriber numbers in Eastern Europe, although at a slower pace than the previous year.

Tecnomen considers the markets in Europe as a whole to be challenging. As pressure on prices increases, operators look for cost-efficiency and short payback times for their investments. With demand focusing increasingly on NGM systems, operators want to offer their customers voice services with increasingly lower maintenance expenses. Interest in video services did not reach the expected levels.

Most of the deliveries to European customers in 2006 involved upgrading and maintenance services for messaging systems. ASTRID, the Belgian authority network operator, also purchased an extension to its system from Tecnomen.

The Middle East and Africa

Organic growth and new operators generated net sales

Tecnomen has two offices in the Middle East and Africa market region. The Middle East head office is located in the United Arab Emirates and the African office in South Africa. In 2006 Tecnomen continued to strengthen its presence in these areas by developing local cooperation with partners and focusing on actively broadening its customer base.

Strong organic growth continued in the Middle Eastern and African markets in 2006. New operators and growth in subscriber numbers increased market potential in the Middle East.

Tecnomen obtained several new messaging customers in the area, including customers in Dubai, Iran, Botswana and Namibia. It also signed many major contracts for messaging system expansions and upgrades in rapidly growing markets, such as South Africa. Tecnomen carried out an expansion and upgrade to a prepaid system in Mauritania.

APAC

Asia Pacific

Strong growth continued in the markets

Tecnomen operates throughout the Asia Pacific region. The head office is located in Kuala Lumpur, Malaysia, and other offices have been set up in Taiwan and Thailand.

In 2006 Tecnomen's Asia Pacific offices broadened the company's customer base and developed its sales channels. Activities in the region focused on increasing the number of NGM deliveries.

The Asian telecommunications markets continued to grow strongly, although they are still divided into mature and strongly growing markets. As competition grows stiffer in Asia, the importance of individual, customised and local services is further emphasised.

In the review period Tecnomen won several orders for messaging system expansions and upgrades in the Asia Pacific region, for example, from Indosat in Indonesia and Celcom and Maxis in Malaysia. The company also delivered a wide range of messaging products to Hutchinson in Indonesia. In addition, Tecnomen focused on upgrading maintenance and service contracts in the region.

The Americas

North, Central and South America

Renewability of Charging solutions becomes a competitive factor

Tecnomen's head office in the Americas is located in Brazil. In 2006 the company expanded operations in the region by opening an office in Argentina. The goal is to reinforce local presence in Latin America.

The Latin American market continued to grow in areas where mobile penetration rates are still low. Subscriber numbers in Latin America increased on average about 30 per cent in 2006.

Growth is characterised by rapid development in telecom technology, and the ability to supply new, continuously evolving messaging and other value added services has become an important competitive factor for operators. Operators are also expected to offer real-time invoicing services for voice traffic and to support SMS, MMS or GPRS data traffic in their networks.

Tecnomen's key customer in Latin America is the leading mobile operator group, América Móvil, which is the fourth largest mobile operator in the world. At the end of 2006 Tecnomen's customers in the region included 14 operators from the América Móvil group.

Continued strong growth in subscriber numbers led to many system expansions. Tecnomen supplied expansions and upgrades to prepaid systems, for example, to Porta in Ecuador, Brasil Telecom and Telemig Celular in Brazil, ALO-PCS in Nicaragua and PCS Digital in Guatemala. Significant expansions to messaging systems were also delivered to Corporacion Digitel in Venezuela.

Personnel

Customer-oriented competence as a competitive factor

Tecnomen's business objective is to be one of a leading suppliers of messaging systems and the favoured supplier of customers and partners. In daily operations this calls for a predictive understanding of customers' business needs and continuous development of products and services to ensure good performance.

Fast changes in the field and intense competition require operating methods to be continuously questioned and competence to be developed and focused. Tecnomen's human resources planning focuses on developing the organisation's flexibility and willingness to change, identifying existing competence needs and predicting the competence needed in the future.

The company's business objectives require employees to show commitment, a result-oriented approach and flexible cooperation both inside the company and in relation to external stakeholders. To ensure this Tecnomen strives to maintain an operating environment that renews itself continuously to encourage innovation and competence development in all employees. Annual appraisals turn business objectives into concrete personal goals and development plans. This ensures that competence is developed and that the focus is on the right things.

Development of job satisfaction and well-being at work

In spring 2006 the Finnish offices carried out a survey of the work environment and the physical and emotional load caused by work. The survey analysed factors related to the well-being of individuals and the work community. The survey was completed by 57 per cent of employees. The study results will be used to develop the organisation of work so that duties and tasks promote and support the staff's well-being and strengthen the corporate culture. The company will monitor the results of the measures in each group.

The staff's well-being is also promoted by providing versatile support to the employees' sports activities and clubs. Tecnomen cooperates with occupational

healthcare to draw up an annual action plan that supports and develops the personnel's work ability. Representatives of the committee for occupational safety and health participate in meetings dealing with occupational healthcare.

New customer-focused organisation structure

To adjust its expenses in line with the market situation, the company carried out a streamlining programme in autumn 2006. The goal was to improve profitability and simplify the organisation structure. The new structure supports Tecnomen's business strategy with flexible resourcing, improves the controllability of business and promotes customer-oriented operations.

As a result of the adjustment programme, the Group's staff was reduced in sales and support activities and in Messaging operations in Europe by 29 people. The office in Moscow was closed and German operations were cut back. To promote the employment of those laid off, the company provided relocation training, which took place in both group and individual meetings.

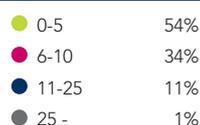
Environment

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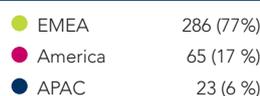
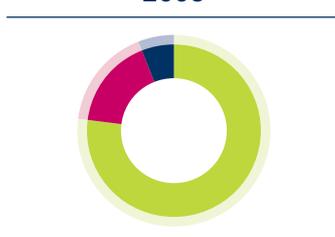
Tecnomen complies with the principles for sustainable development in environmental matters and aims to prevent any harmful effects of its operations in advance by taking into account life cycle-related environmental factors in the product design phase.

In its manufacturing, warehouse and transport activities, Tecnomen uses methods and procedures that cause as little strain as possible on nature and the environment. Tecnomen's Irish manufacturing unit, Tecnomen Ltd, has an ISO 14001 compliant environmental certificate awarded by BSI. Tecnomen Corporation joined the Finnish Environmental Register of Packaging PYR Ltd and now uses recyclable packaging materials in its deliveries.

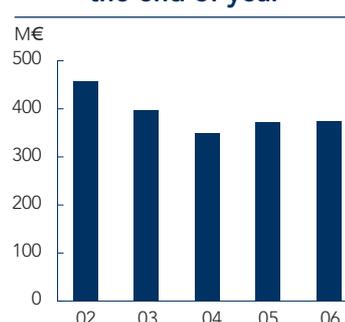
Employees by year of service 2006



Employees by area 2006



Employees at the end of year



Corporate Governance

Tecnomen Corporation is administered and managed in accordance with current legislation and the company's Articles of Association. Ultimate responsibility for the Group's administration and operations is vested in Tecnomen Corporation'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 Group's Management Board.

Tecnomen complies with the Corporate Governance recommendations for companies listed on the Helsinki Stock Exchange.

Meeting of Shareholders

Tecnomen's Annual General Meeting of Shareholders is the company's highest decision-making body. According to the Articles of Association, the AGM is held annually before the end of May on a date determined by the Board of Directors. The Meeting is held in the company's domicile, Espoo, or, if the Board of Directors so decides, 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 shareholders with at least one tenth (1/10) of all shares, so request in writing for the consideration of a specific matter.

The responsibilities of the Annual General Meeting are defined in the Finnish Companies Act. The most important ones are 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.

Tecnomen provides advance information about AGMs in the Invitation to the Shareholders' Meeting and on the company's website at www.tecnomen.com.

Board of Directors

The tasks and responsibilities of Tecnomen's Board of Directors are defined in the Finnish Companies Act and other applicable legislation, according to which the Board of Directors is responsible for the appropriate organisation of business operations and corporate administration. The Board also ensures that the company's accounting and financial administration is supervised appropriately. Furthermore, the Board is responsible for promoting the interests of the company and all its shareholders by pursuing a business policy that in the long term ensures the best possible return on the capital invested in the company. To support its work, Tecnomen's Board of Directors has confirmed Rules of Procedure, which define the Board's duties and work methods, as well as meeting and decision-making procedures.

Tecnomen's Board of Directors acts as a Corporate Board of Directors. It handles and makes decisions on all of the main issues affecting the Group'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 Tecnomen's Board have no special duties other than those designated by law.

Board members, election and term of office

Tecnomen's Board of Directors consists of a minimum of three and a maximum of seven members, as provided 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 third Annual General Meeting following election. The Annual General Meeting held on 24 April 2004 elected six members to the Board. The Articles of Association do not restrict the number of terms of office. A person aged 67 or more may not be elected as Board member.

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.

Tecnomen's Board of Directors has assessed the Board members' independence of the company and shareholders in compliance with the Corporate Governance recommendations. Based on the assessment, the Board members are independent of the company and its major shareholders.

The Board consists of the following members:

Lauri Ratia, b. 1946, MSc (Tech)

Chairman of the Board

Member of Tecnomen Corporation's Board of Directors since 2001

CRH Europe Materials, Senior Advisor, since 2007

Chairman of the Board of Edita plc since 2005

Vice Chairman of the Board of Kemira GrowHow since 2004

Medifiq Healthcare Oy, Chairman of the Board since 2007

Member of the Board of Olvi plc since 1999

Member of the Board of Paloheimo Oy since 2002

Member of the Finnish Association of Professional Board Members (Hallitusammattilaiset ry)

Tecnomen shares: 6 000

Tecnomen stock options: 25 000



From the left: Carl-Johan Nummelin, Christer Sumelius, Lars-Olof Hammarén, Lauri Ratia, Timo Toivila and Keijo Olkkola.

Carl-Johan Numelin, b. 1937, MSc (Tech)
 Vice Chairman of the Board
 Member of Tecnomen Corporation's Board of Directors since 2001
 Chairman of the Board of Kyro Corporation since 1996
 Member of the Finnish Association of Professional Board Members (Hallitusammattilaiset ry)
 Tecnomen shares: 60 208
 Tecnomen stock options: 12 500

Lars-Olof Hammarén, b. 1942, BSc (Eng)
 Member of Tecnomen Corporation's Board of Directors since 2001
 Member of the Board of Aktia Savings Bank plc since 2006
 Chairman of the Board of Oy Arnala Ab since 1996
 Chairman of the Board of Oy Hammaren & Co Ab since 1984
 Member of the Board of Kyro Corporation since 1982
 Tecnomen shares: 2 164 300
 Tecnomen stock options: 37 500

Keijo Olkkola, b. 1939, MSc (Tech)
 Member of Tecnomen Corporation's Board of Directors since 2001
 Tecnomen shares: 9 863
 Tecnomen stock options: 37 500

Christer Sumelius, b. 1946, MSc (Econ)
 Member of Tecnomen Corporation's Board of Directors since 2001
 President of SE-Center Oy since 1988
 President of Investsum Ab since 1984
 Vice Chairman of the Board of Kyro Corporation, member since 1995
 Member of the Finnish Association of Professional Board Members (Hallitusammattilaiset ry)
 Tecnomen shares: 1 322 780
 (direct holding 375 280 shares)
 Tecnomen stock options: 12 500

Timo Toivila, b. 1950, MSc (Tech)
 Member of Tecnomen Corporation's Board of Directors since 2001
 Member of the Board of Teleste Corporation since 2003
 No Tecnomen shares
 No Tecnomen stock options

Secretary to the Board, not a Board member
Kristiina Hoppu, LL.M
 Director, Legal Affairs and Human Resources

Board meetings

Tecnomen's Board of Directors convened 18 times in 2006. Calculated on the basis of the number of meetings and the number of members present, the average attendance of members at Board meetings was 93 per cent.

Assessment of Board activities

Tecnomen'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

Tecnomen's Board of Directors has established two committees: the Audit Committee and the Remuneration Committee. The Board has approved written rules of procedure for the committees, containing 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 assesses the adequacy of the Group's internal auditing, reporting and proactive risk management, as well as prepares related proposals and studies for the Board of Directors. The Committee also assesses the quality and independence of the company's external audit. The Committee comprises two members of the Board (Lauri Ratia and Carl-Johan Numelin). Tecnomen's President and CEO and the company's CFO regularly participate in the Audit Committee's meetings.

The Remuneration Committee prepares proposals for the Board concerning personnel remuneration schemes, including the appointment and remuneration of senior management. The Committee comprises three members of the Board (Lauri Ratia, Carl-Johan Numelin and Christer Sumelius) and one non-Board member (Hannu Turunen).

Fees of the Board of Directors

The fees paid to the Chairman and members of the Board in 2006 totalled EUR 183 000. The fees of Board members are paid quarterly. The Board members are also entitled to compensation for travel expenses in accordance with Tecnomen's travel guidelines.

President and Chief Executive Officer

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

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

A written contract of employment has been drawn up for the President and CEO. It has been approved by the Board.

Management Board

As of 1 October 2006 Tecnomen Group has a four-member Management Board that comprises the President and CEO, the heads of business units and the head of financial administration. The Management Board is chaired by the President and CEO. It assists the President and CEO, supervises and develops the company's operations in accordance with the strategies and objectives set, creates group-level procedures, monitors the global human resources policy and remuneration systems, as well as manages stakeholder relations. The Management Board convenes at least once a month.

Before 1 October 2006 the Management Board comprised the President and CEO and the four heads of operative functions.

Tecnomen's Management Board comprises the following members as of 1 October 2006:

Jarmo Niemi, b. 1953, MSc (Tech)
 President and CEO since 31 October 2003
 Member of the Board of Evox Rifa Group since 2000
 Aspocomp Group Oyj, President, 1993–2003
 Aspo Corporation, various management positions 1986–1993
 Orion Oyj, Medion, various management positions 1981–1986
 Tecnomen shares: 10 000
 Tecnomen stock options: 50 000

Eero Mertano, b. 1965
 Vice President, Charging since 1 October 2006,
 Member of the Management Board
 Previous work experience at Tecnomen

- 19 January 2004–30 September 2006 Vice President, Sales and Marketing
- 1998–2000 Managing Director, Tecnomen Brasilia
- 1997–1998 Director, Product Management
- 1995–1996 Product Manager Add2Phone, Sales Director, President 2000–2003 Merlin Systems, Project Manager, Product Development Director 1993–1995

No Tecnomen shares
 Tecnomen stock options: 30 000



From the left: Tuomas Wegelius, Miika Reinikka, Jarmo Niemi and Eero Mertano.

Miika Reinikka, b. 1968, MSc (Tech)
 Vice President, Messaging and member of the Management Board since 1 October 2006
 Previous work experience at Tecnomen

- 2006–30 September 2006 Sales Director, Europe
- 2002–2004 Director, Mobile Multimedia
- 2000–2002 Business Development Director
- 1999–2000 Partner Sales Manager
- 1997–1998 Account Manager

Parker Hannifin, Chomerics Division, Key Account Manager 2004–2006
 Oy LM Ericsson Ab, Area Sales Manager 1995–1997
 Oy E Sarlin Ab, Product Manager 1993–1995
 No Tecnomen shares
 Tecnomen stock options: 15 000

Tuomas Wegelius, b. 1955, MSc (Econ)
 Chief Financial Officer and member of the Management Board since 14 August 2006
 No previous work experience at Tecnomen
 Valtra Oy Ab, CFO, 1993–2006
 Labsystems Oy, CFO, 1990–1993
 Valmet Oy, Deputy Director, 1987–1990
 Valmet do Brasil, CFO, 1984–1987
 Valmet, Inc. (USA), Controller, 1981–1984
 Valmet Oy, various management positions, 1979–1981
 No Tecnomen shares
 Tecnomen stock options: 30 000

The following people were members of Tecnomen's Management Board up to 30 September 2006

Riitta Järnstedt, b. 1968, MSc (Econ)
 CFO 1 July 2000–13 August 2006
 Vice President, Risk Management and Internal Audit, since 14 August 2006 on maternity leave

Vesa Kemppainen, b. 1970, MSc (Tech)
 Chief Operating Officer 2004–2006

Timo Nykänen, b. 1961, MSc (Tech)
 Vice President, Tecnomen Ventures 2005–2006

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 result and financial position for the period ended. Tecnomen has one auditor. The auditor reports to the Board of Directors in conjunction with each interim report and 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, expiring at the close of the Annual General Meeting following election. Tecnomen's auditor in the financial year 2006 was KPMG Wideri Oy Ab, and the principal auditor was Sixten Nyman, APA.

The auditor's fees paid by Tecnomen Group for 2006 totalled EUR 116 424. In addition, the auditor was paid a further EUR 280 109 in fees for other services.

Remuneration of the President and CEO and other management

An effective remuneration scheme is a key tool in achieving shareholder control. The remuneration scheme aims to increase the motivation of the company's Board of Directors, President and CEO and other management to work in the interest of the company and its shareholders. Decisions on the remuneration of Tecnomen'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 2006 amounted to EUR 1 278 041. The fees, salaries and benefits paid to the President and CEO in 2006 totalled EUR 241 364.

The President and CEO and members of the Group's Management Board do not get separate remuneration for membership in the Management Board.

The pension benefits of the President and CEO and members of the Management Board are determined in accordance with the Employees' Pension Act (TEL). The retirement age for the President and CEO is 60 years, and full pension is 60 per cent of pensionable earnings.

Related parties

The company has not granted loans to members of the Board of Directors or the Management Board nor has it given guarantees for them. Members of the Board of Directors and the Management Board and people or organisations closely associated with them have no significant business connections with the company.

Control and reporting system

The control and supervision of Tecnomen Group's operations are based on planning and reporting systems at different levels of the hierarchy. The objective of the control and reporting systems is to ensure that the company's operations are efficient and profitable, that information is reliable and that official regulations and internal operating principles are observed. 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 each year. Business risks and the achievement of goals are monitored at 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.

Risk management

The task of risk management is to identify, manage and track major risks affecting the company's business operations and operating environment to enable the company to achieve its strategic and financial goals in the best possible way. The principles for internal auditing and financial reporting are defined in the Audit Committee's rules of procedure. The risk management process is supported by a risk management work group, which meets regularly and consists of the President and CEO and financial and sales management.

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.

Insider management

Tecnomen complies with the Guidelines for Insiders issued by the Helsinki Stock Exchange. The company keeps its insider register in the SIRE system maintained by the Finnish Central Securities Depository Ltd.

Tecnomen'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). Tecnomen's company-specific insider register includes people 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). If necessary, Tecnomen prepares project-specific insider registers for major projects.

Tecnomen's Board of Directors has confirmed a restriction on insider trading, which forbids insiders to trade in the company's shares 14 days before the publication of financial reports. Insider issues are managed and monitored by the company's director for legal affairs and human resources.

Further information: www.tecnomen.com



Report of the Board of Directors

Sales and net sales

Tecnomen's net sales in the accounting period increased 4.1 per cent from the corresponding period in 2005 to EUR 71.8 (69.0) million.

EUR 55.5 million of the sales in the accounting period has been recognised in accordance with IAS 11 (Construction contracts) and EUR 16.3 million in accordance with IAS 18 (Revenues).

Net sales by geographical area were: Americas 59.2 per cent (56.2 %), EMEA 31.3 per cent (36.1 %) and APAC 9.4 per cent (7.7 %).

Net sales by product line were: Messaging 44.9 per cent (49.2 %) and Charging 55.1 per cent (50.8 %).

Sales through global partners totalled EUR 16.4 (12.2) million or 22.8 per cent (17.7 %) of net sales.

Maintenance and service sales totalled EUR 9.8 million or 13.6 per cent (11.7 %) of net sales.

The order book stood at EUR 15.0 (27.9) million at the end of the accounting period. Americas accounted for 39.1 per cent of the order book, EMEA for 51.1 per cent and APAC for 9.8 per cent.

Operating result

The operating result for the accounting period was EUR 4.9 (9.6) million.

The profit for the period before taxes was EUR 5.2 (10.3) million.

Earnings per share were EUR 0.06 (0.15). Equity per share at the end of the period was EUR 1.27 (1.33).

Tecnomen's business operations are divided into the Messaging and Charging business units. The focus area for Charging sales has been Latin America, where demand for Prepaid systems has remained strong. In this market area operators' customer numbers continued to grow strongly, which was reflected in rising sales also for the systems supplied by Tecnomen. Net sales of Charging business unit increased 13 per cent to EUR 39.6 million (35.1).

The focus for Messaging has previously been in the European market. The market for conventional voice mail systems has declined significantly in Europe, which has also reduced Tecnomen's sales of Messaging products. The company has developed new generation

product solutions and demand for these has gradually started up. However demand for the older systems has fallen more than that for the new systems has grown, so sales of Messaging products declined 5 per cent in the past year to EUR 32.2 million (33.9).

Expansions for existing customer systems included an exceptionally high number of equipment deliveries, which had a negative impact on the result.

In September Tecnomen started a programme of remedial action which reduced the volume of subcontracting and the number of employees in Europe by 29 people. The statutory personnel negotiations concerning the personnel reductions were completed during September. The third-quarter result was depressed by EUR 0.3 million in one-time costs related to the personnel reductions. The fourth quarter was burdened by similar one-time costs of EUR 0.5 million. In addition the company had one-time costs of EUR 0.5 million in this quarter arising from a review of the strategic options.

Financing and investments

Tecnomen's financial position is strong. Liquid assets totalled EUR 20.4 (33.2) million. The balance sheet total on 31 December 2006 stood at EUR 88.8 (90.4) million. Interest-bearing liabilities amounted to EUR 0.0 (0.4) million. The debt to equity ratio (gearing) was -27.4 per cent (-42.4 %). The balance sheet structure remained strong and the equity ratio on 31 December 2006 was 84.3 per cent (86.9 %).

Tecnomen's gross capital expenditure during the accounting period, excluding the capitalisation of development costs, was EUR 2.4 (2.0) million or 3.4 per cent (3.0 %) of net sales.

The cash flow in the accounting period was EUR -12.8 million; the dividend payment accounted for EUR -1.0 million of this, the payment of interest-bearing liabilities in the year-end balance sheet for EUR -0.5 million, and the capital repayment to shareholders for EUR -5.9 million.

Financial income and expenses during the accounting period totalled EUR 0.3 (0.7) million. The net effect of assessing foreign currency balance sheet items was EUR 0.0 (-0.1) million, profit from assessing the fair value of reserves was EUR 0.2 million, and other financial income totalled EUR 0.1 (0.8) million.

Change in working capital, MEUR

(increase - / decrease +)	1-12/06	1-12/05
Change in accounts receivable and advances	-5.3	-8.9
Change in other short-term receivables, non-interest bearing	-1.8	2.1
Change in inventories	0.3	0.0
Change in accounts payable and advances	0.0	1.6
Change in other current liabilities, non-interest bearing	1.4	1.9
Change in working capital, total	-5.4	-3.3

Markets

During the accounting period, Tecnomen received new orders for new generation messaging systems especially in the Middle East and Africa region. An example of this encouraging trend in this area is the IVR system ordered by South African Vodacom, which Tecnomen is supplying with Siemens. Deliveries of prepaid systems in Latin America also continued to rise. Demand for prepaid systems was boosted not only by growing subscriber numbers but also because operators started to offer data services to prepaid customers. During the year Tecnomen signed major system expansion agreements for example with operators belonging to the America Movil group and with Brasil Telecom.

Research and development

Research and development costs during the review period were EUR 13.2 (13.4) million, corresponding to 18.4 per cent (19.5 %) of net sales. EUR 6.0 (3.8) million of development costs have been capitalised during the accounting period and will be amortised over 3-5 years from the start of commercial use. R&D costs of EUR 1.0 (0.4) million were amortised during the accounting period.

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Net sales by product lines 2006



● Messaging 44,9 % (49,2 %)
● Charging 55,1 % (50,8 %)

Net sales by market area 2006



● America 59,2 % (56,2 %)
● EMEA 31,3 % (36,1 %)
● APAC 9,4 % (7,7 %)

Personnel	2006	2005	2004
Personnel, at end of period	374	373	350
Americas	65	63	52
EMEA	286	286	272
APAC	23	24	26
Personnel, average	387	355	355
Salary expenses (MEUR)	21.2	18.5	16.6

Tecnomen shares and share capital

At the end of 2006 the shareholders' equity of Tecnomen Corporation stood at EUR 74.6 (77.3) million and the share capital was EUR 4,720,446.24, divided into 59,005,578 shares. The company held 134,800 of these shares, which represents 0.23 per cent of the company's share capital and votes. The shares held by the company have an aggregate nominal value of EUR 10,784. Equity per share was EUR 1.27 (1.33).

A total of 59,804,445 Tecnomen shares (EUR 122,085,204) were traded on the Helsinki Exchanges during the period 2 January – 31 December 2006, representing 101.35 per cent of the total number of shares.

The highest share price quoted in the period was EUR 3.06 and the lowest EUR 1.38. The average quoted price was EUR 2.01 and the closing price on 31 December 2006 was EUR 1.68.

The market capitalisation of the share stock at the end of the period was EUR 99,129,371.

Tecnomen's Annual General Meeting, held on 15 March 2006, approved the proposal of the Board of Directors to reduce the share premium fund by at most EUR 66,177,792 and to distribute part of the amount reduced to the shareholders; under the proposal, this would be done by making a capital repayment, from the aggregate amount of the reduction, of EUR 0.10 per share to the shareholders in proportion to their holdings. The permission for this granted by the National Board of Patents and Registration was registered on 23 August 2006.

Shareholders registered on 6 September 2006 in the company's shareholder register maintained by the Finnish Central Securities Depository Ltd were entitled to the capital repayment. The payment date was 11 September 2006. The payment was made on altogether 58,835,778 shares, giving an aggregate total payment of EUR 5,883,577.80. The capital repayment was not

made on the shares in the company's own possession (134,800 shares). The remainder of the share premium fund, EUR 60,294,214.20, was transferred to a fund belonging to the company's non-restricted equity.

Current authorisations

At the end of the accounting period Tecnomen's Board of Directors held the following current authorisations given by the Annual General Meeting on 15 March 2006:

Authorisation to decide on the acquisition of a maximum of 5,817,397 of the Company's own shares. The shares may be acquired for the purpose of developing the capital structure of the Company, to be used in financing corporate acquisitions or for other arrangements to develop the business of the Company, or to be used as part of the Company's incentive and remuneration schemes.

Authorisation to decide to dispose of a maximum of 5,952,197 of the Company's own shares, acquired under the authorisation given to the Board and/or already held by the company.

Authorisation to decide on increasing the share capital by issuing new shares and/or convertible bonds and/or stock options in one or more issues, such that the total number of new shares may be at most 11,661,755 shares and the Company's share capital may rise by at most EUR 932,940.40.

The Board had not exercised the authorisations to acquire or dispose of the company's own shares, or to raise the share capital by the date of publication of these financial statements.

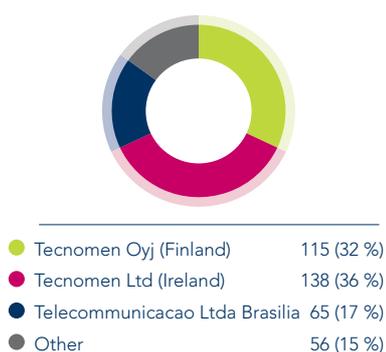
Stock option programme

The company currently has a 2002 stock option programme approved by the AGM on 11 April 2002 and a 2006 stock option programme approved by the AGM on 15 March 2006.

The subscription period for the 2002B stock option is 1 April 2004 – 30 April 2007, for the 2002C stock option 1 April 2005 – 30 April 2007 and for the 2002D stock option 1 April 2006 – 30 April 2008. The share subscription price for stock option 2002B is EUR 1.56, for stock option 2002C EUR 0.34 and for stock option 2002D EUR 1.21. The subscription prices have been reduced by the dividend paid per share (EUR 0.02) and the amount of capital repayment per share (EUR 0.10). During the review period a total of 240,800 shares were subscribed with the 2002A stock options, 103,000 with the 2002B stock options, 90,500 with the 2002C stock options and 262,500 with the 2002D stock options. The company's share capital rose by altogether EUR 55,774 as the result of these subscriptions.

The 2006 stock option programme is divided into three series: the 2006A, 2006B and 2006C stock options. A maximum of 2,001,000 stock options may be issued, which entitle holders to subscribe for altogether 2,001,000 Tecnomen shares. The company's share capital can rise by a maximum of EUR 160,080 as a result of share subscriptions made with these stock options. The subscription period for the 2006A stock option is 1 April 2007 – 30 April 2010, for the 2006B stock option 1 April 2008 – 30 April 2011 and for the

Employees by area 2006



2006C stock option 1 April 2009 – 30 April 2012. The share subscription price for 2006A stock options shall be the trade-weighted average price of the Company share on the Helsinki Exchanges during 1 January – 31 March 2006, ie. EUR 2.71, for 2006B stock options the trade-weighted average price of the Company share on the Helsinki Exchanges during 1 January – 31 March 2007, and for 2006C stock options the trade-weighted average price of the Company share on the Helsinki Exchanges during 1 January – 31 March 2008. Tecnomen's Board of Directors has issued 436,000 2006A stock options to key personnel of Tecnomen Group. The remaining 2006 stock options have been issued to Tecnomen Japan Corp., a wholly owned Tecnomen subsidiary, for issuing at a later date to current or future key Group personnel.

Tecnomen's Board of Directors has cancelled altogether 2,019,500 of the stock options held by Tecnomen subsidiary Tecnomen Japan Corp. from the 2002 stock option scheme. The company's share capital can rise in consequence of share subscriptions made with the outstanding stock options by a maximum of EUR 243,080, which corresponds to 5.15 per cent of the company's shares and votes carried by the shares after the share subscriptions.

Tecnomen's Board of Directors and auditors

During the review year, Tecnomen's Board of Directors had six (6) members: Lauri Ratia, Carl-Johan Numelin, Lars Hammarén, Keijo Olkkola, Christer Sumelius and Timo Toivila. Lauri Ratia was Chairman of the Board and Carl-Johan Numelin Vice Chairman.

On 31 December 2006 Tecnomen's Management Board had four (4) members: Jarmo Niemi, President and CEO, Tuomas Wegelius, CFO (from 14 August 2006), Eero Mertano, VP Charging, and Miika Reinikka, VP Messaging (from 1 October 2006).

Until 30 September 2006 the following were also members of the Tecnomen Management Board: Riitta Järnstedt, Director, Risk Management and Internal Audit, Vesa Kempainen, COO, and Timo Nykänen, VP Ventures.

Tecnomen Corporation's auditor was KPMG Oy Ab and the principal auditor was CPA Sixten Nyman.

Risk factors

The greatest risks in Tecnomen's operations are related to major customer and partner relationships, to agreements made with these partners, and to the correct timing and success of its product development decisions.

Tecnomen'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 liabilities that may materialise in connection with customer projects.

Project deliveries result in significant 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 for sales activities. A significant part of the company's net sales is in US dollars. The company hedges its currency denominated net position of cash flow for a maximum period of 12 months. Currency forward contracts and options are used as hedging instruments. Liquid funds are invested, avoiding credit and liquidity risks, in money-market deposits and short-term interest funds with a good credit rating.

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

Tecnomen operates in a rapidly changing sector. When making R&D decisions there is the risk of making choices which do not necessarily have the expected return.

Events after the end of the period

From the beginning of 2007 Tecnomen will report its Charging and Messaging businesses as its primary segments. This is based on the change in the company's organisation that came into effect on 1 October 2006. In 2006, Tecnomen reports the entire company as its primary segment.

Prospects

Net sales and operating result in 2007 are expected to be at the same level as in 2006. The variations between the different quarters are expected to be considerable and similar to those in the previous years. The largest orders are expected later in 2007 than in the previous year so the second half of the year will make a greater contribution to net sales and operating result.

Dividend proposal

Tecnomen's Board of Directors proposes to the Annual General Meeting to be held on 14 March 2007 that no dividend be paid for the financial year ended 31 December 2006 and that the parent company's loss for the year of EUR 2,893,771.93 be transferred to retained earnings.

Proposal to distribute funds from unrestricted equity fund

The Board of Directors proposes to the Annual General Meeting that EUR 0.10 per share is distributed from the unrestricted equity fund to the Company's shareholders in proportion to their current shareholdings. Funds shall be paid to a shareholder who is registered in the register of shareholders maintained by the Finnish Central Securities Depository Ltd on the record date 19 March 2007. The Board of Directors proposes to the Annual General Meeting that the funds be paid on 26 March 2007.

In connection with the distribution of funds, the Board of Directors proposes that the subscription price of the shares to be subscribed by virtue of the option rights based on the 2002 and 2006 Option Schemes shall be reduced by EUR 0.10 per each option right as of the record date of the fund distribution.

TECNOMEN CORPORATION

Board of Directors

Consolidated income statement

EUR 1 000	Note	1.1.-31.12.2006	1.1.-31.12.2005
Net sales	1, 2	71 822	68 985
Other operating income	3	312	56
Materials and services	4	-18 805	-13 857
Employee benefit expenses	5	-25 635	-23 329
Depreciation, amortisation and impairment losses	6	-3 005	-2 183
Other operating expenses	7	-19 815	-20 111
Operating profit		4 875	9 561
Financial income	9	2 065	1 856
Financial expenses	10	-1 725	-1 129
Result before taxes		5 214	10 288
Income taxes	11	-1 971	-1 523
Result for the period		3 243	8 765
Result for the period attributable:			
To equity holders of the parent		3 243	8 765
Earnings per share calculated on profit attributable to equity holders of the parent	13		
Earnings/share, basic, EUR		0.06	0.15
Earnings/share, diluted, EUR		0.05	0.15
Number of shares on average, 1000s of shares			
-basic		58 871	58 174
-diluted		60 150	59 476

Consolidated balance sheet

EUR 1 000	Note	31.12.2006	31.12.2005
Assets			
Non-current assets			
Goodwill	14	682	682
Other intangible assets	14	10 614	5 390
Tangible assets	15	8 762	8 649
Long-term trade and other receivables	16	522	618
Total non-current assets		20 580	15 340
Current assets			
Inventories	17	1 933	2 254
Trade and other receivables	18	45 831	39 549
Cash and cash equivalents	19	20 446	33 222
Total current assets		68 211	75 025
Total assets		88 790	90 365
Shareholders' equity			
Share capital	20	4 720	4 665
Share premium fund		847	66 178
Invested unrestricted equity reserve		48	
Own shares		-122	-122
Other reserves		60 576	282
Translation differences		171	211
Retained earnings		8 389	6 044
Equity attributable to equity holders of the parent		74 630	77 257
Total shareholders' equity		74 630	77 257
Non-current liabilities			
Deferred tax liability	23	2 623	1 524
Long-term interest-bearing liabilities	24		432
Long-term non-interest-bearing liabilities	25	30	254
Total non-current liabilities		2 653	2 211
Current liabilities			
Short-term interest-bearing liabilities	27		33
Trade payables and other liabilities	28	11 508	10 865
Total current liabilities		11 508	10 897
Equity and liabilities		88 790	90 365

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Statement of changes in shareholders' equity

EUR 1 000

Equity attributable to equity holders of the parent

Change in shareholders' equity 1 - 12 / 2005	Share capital	Share premium fund	Other reserves	Own shares	Translation difference	Retained earnings	Total
Shareholders' equity 1.1.2005	4 647	66 029	381	-259	16	-3 337	67 477
Translation difference					194		194
Change in fair value of available-for-sale investments			-153			153	
Deferred taxes' share of period movements			54			-54	
Net gain recognised directly in shareholders' equity			-100		194	100	194
Result for the period						8 765	8 765
Total profits and losses recognised during period			-100		194	8 864	8 959
Options exercised	17	149					166
Share-based payments						351	351
Other adjustments						171	171
Disposal of own shares					137	-4	133
	17	149			137	517	821
Total shareholders' equity 31.12.2005	4 665	66 178	282	-122	211	6 044	77 257

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Equity attributable to equity holders of the parent

Change in shareholders' equity 1 - 12 / 2006	Share capital	Share premium fund	Other reserves	Own shares	Translation difference	Invested unrestricted equity reserve	Retained earnings	Total
Shareholders' equity 1.1.2006	4 665	66 178	282	-122	211		6 044	77 257
Translation difference					-40			-40
Net gain recognised directly in shareholders' equity					-40			-40
Result for the period							3 243	3 243
Total profits and losses recognised during period					-40		3 243	3 203
Dividend declared							-1 163	-1 163
Options exercised	56	847				48		951
Share-based payments							449	449
Other adjustments							-184	-184
Capital repayment		-5 884						-5 884
Transfer of share premium fund to fund in unrestricted equity		-60 294	60 294					
	56	-65 331	60 294			48	265	-4 668
Total shareholders' equity 31.12.2006	4 720	847	60 576	-122	171	48	8 388	74 630

Consolidated cash flow statement

EUR 1 000	Note	1.1.-31.12.2006	1.1.-31.12.2005
Cash flow from operating activities			
Result for the period		3 243	8 765
Adjustments for:			
Non-cash transactions	33	2 478	2 608
Interest income and other financial income		-829	-1 261
Interest expense and other financial expenses		1 442	447
Income taxes		1 971	1 523
Other adjustments		-518	-250
Changes in working capital			
Change in trade and other receivables		-7 139	-6 745
Change in inventories		321	-33
Change in trade payables and other liabilities		1 442	3 516
Interest paid		-376	-447
Interest received		512	492
Income taxes paid		-730	-335
Net cash flow from operating activities		1 819	8 280
Cash flow from investments			
Investments in intangible assets		-5 974	-3 850
Investments in tangible assets		-2 367	-1 861
Net cash flow from investments		-8 341	-5 711
Cash flow from financing activities			
Shares subscribed with share options		951	
Repayment of current loans		-33	-73
Repayment of non-current loans		-432	-33
Divident declared		-1 036	
Capital repayment		-5 880	
Net cash flow from financing activities		-6 429	-106
Change in cash and cash equivalents			
Cash and cash equivalents at beginning of period		33 222	30 765
Change in foreign exchange rates		219	199
Change in fair value of investments		-43	-193
Cash and cash equivalents at end of period	19	20 446	33 222
Change		-12 952	2 463

Notes to the consolidated financial statements

Tecnomen develops and supplies messaging and charging solutions for telecom operators and service providers. The Group has operations in Finland and in 14 other locations in 14 countries.

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

Accounting principles

Basis for Preparing Consolidated Financial Statements

Tecnomen'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 2006. The notes to the consolidated financial statements also conform to Finnish accounting and corporate legislation.

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

Tecnomen Group has adopted the following amended standards and new interpretations starting from 1 January 2006:

Amendment to IAS 19 Employee Benefits. The adoption of the amended standard has increased the disclosure requirements regarding defined benefit plans.

Amendment to IAS 21 The Effects of Changes in Foreign Exchange Rates, which states that exchange differences arising on loans between group companies that forms a part of a reporting entity's net investment in a foreign operation are recognised in translation differences in equity. This amendment did not have an effect on financial statements.

IFRIC 4 interpretation Determining whether an Arrangement contains a Lease.

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 consolidated financial statements

Subsidiaries

Subsidiaries are companies controlled by the Group. Control exists when the Group holds over half 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, unrealised 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 recognised 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 recognised under finance income and expenses.

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

Gains or losses on sale or disposal of property, plant and equipment are recognised 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.

Borrowing costs

Borrowing costs are recorded as an expense in the period in which they are incurred. Transaction costs that are directly related to the raising of loans and are clearly attributable to a specific loan are included in the amortised cost and are amortised as interest expenses using the effective interest rate method.

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.

Goodwill is not amortised 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 amortisation is recognised in the income statement on a straight-line basis over the useful lives as follows:

- Intangible rights 3–10 years
- Capitalised 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 capitalised when they meet the requirements of IAS 38 Intangible assets. They are amortised over the useful lives of the related products. In Tecnomen development costs are monitored on a project-by-project basis and management decides on the capitalisation separately for each project. In order to qualify for capitalisation 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.

At Tecnomen, capitalisation of product development costs that fulfil IFRS criteria starts when following requirements are met: a product's functional requirements and the plans for product industrialisation, testing and project

are complete and have been approved as well as future economic benefits are expected from the product. The useful life of capitalised development expenditure is 3-5 years depending on the expected commercial life cycle, and they are amortised on a straight-line basis over this period from the start of commercial use.

Inventories

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

Leases

Leases are classified in accordance with the principles of IAS 17 as either finance leases or operating leases. A finance lease is defined as a lease in which the benefits and risks of ownership are substantially transferred to the lessee. A finance lease is recognised 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 recognised 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 recognised 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 Tecnomen impairment tests are carried out based on the value in use at the cash-generating unit level. The cash-generating units are Messaging and Charging. 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 recognised if the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount. The impairment loss is recognised 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 recognised. 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 recognised. An impairment loss in respect of goodwill is never reversed.

Employee benefits

Pension benefits

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

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

In defined contribution plans the Group pays fixed contributions to a separate entity. The Group has no obligation to pay any additional contributions if the insurer is not able to pay the future employee benefits.

Defined contribution plan expenses are recognised 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 unrecognised actuarial gains and losses and unrecognised past service costs.

At the date of transition to IFRS on 1 January 2004 all actuarial gains and losses were recognised against the opening IFRS balance sheet equity.

Actuarial gains and losses subsequent to the transition date are recognised 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 payment

The fair value of the option rights is measured on grant date and is recognised as an expense on a straight-line basis over the period during which the employees become entitled to the options according to IFRS 2 Share-based Payment standard.

The cost determined at the grant date is based on the Group's estimate of the number of the options which are expected to vest by the end of the vesting period. The fair value is measured based on the Black-Scholes formula. Changes in the estimates for the final number of options are recognised in the income statement. When the option rights 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 the effective date of the new Companies' Act, 1 September 2006, 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 the remainder in the fund of invested unrestricted equity reserve.

Provisions

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

A provision for restructuring is recognised 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 recognised 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 capitalised 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 recognised in full, but deferred tax assets are only recognised to the extent that it is probable that future taxable income will be available against which they can be utilised.

Revenue recognition

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

Project deliveries are recognised in accordance with IAS 11 Construction Contracts. Project revenue and expenses are recognised 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 enterprise.

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 recognised 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 recognised 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 recognised to the extent of project costs incurred. This method of recognition is typically applied in first delivery projects for new products or when a delivery project contains a significant amount of customisation for individual customers. The margin on the project is recognised on final acceptance.

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

Revenue from the sale of goods and services is recognised in accordance with IAS 18 Revenue. Revenue from the sale of goods is recognised 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 recognised when the service has been rendered. Supplementary deliveries that are often sold separately such as maintenance, licences, training, documentation and spare parts are examples of goods and service deliveries. Revenue from fixed-term maintenance contracts is normally recognised 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'. Tecnomen 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, amortisation 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 recognised in finance items.

Non-current assets held for sale and discontinued operations

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

Financial assets and liabilities

Financial assets

Financial assets are classified in accordance with IAS 39 in either of the following two categories: financial assets at fair value through profit or loss held for trading as well as loans and receivables.

Financial assets are classified when originally acquired based on their purpose of use. All purchases and sales of financial assets are recognised on the transaction date.

The financial assets at fair value through profit and loss comprise assets held for trading that in the Tecnomen Group include liquid money market investments with maturities of less than 12 months generally.

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 amortised cost.

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 recognised 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.

Trade receivables

Trade receivables are stated at amortised acquisition cost less any impairment.

Cash and cash equivalents comprise cash in hand and at banks and other short-term highly liquid investments.

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 recognised at fair value equivalent to the consideration received, adjusted with any transaction costs. Subsequent to initial recognition, these liabilities are stated at amortised cost calculated using the effective interest method.

Derivative financial instruments

The derivative contracts entered into by the Tecnomen Group are currency forward contracts. 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 values of the currency forward contracts are based on the forward rates quoted at the balance sheet date. Gains and losses arising from changes in the fair values are recognised in the income statement.

Segment information

The primary segment reported is the whole Group and the secondary segment is formed by the geographical areas.

The Group's geographical segments are as follows:

- Americas (North, Central and South America)
- EMEA (Europe, Middle East and Africa)
- APAC (Asia Pacific)

Accounting principles requiring management judgments and key sources of estimation uncertainty

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

These estimates mainly affect recognition of revenue and expenses, the measurement of assets, the capitalisation of development costs and the recognition of deferred tax assets and their utilisation against future taxable income.

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

The Group tests goodwill annually for impairment and evaluates indications of impairment as stated in the accounting principles above. The recoverable amount from the cash-generating units is determined using calculations that are based on value in use and require the use of estimates.

In Tecnomen development costs are monitored on a project-by-project basis and management always decides on the capitalisation separately for each project. In order to qualify for capitalisation 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 utilised 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. Amortisation of development costs commences once the resulting product is ready for sale and its commercial use has begun.

Depreciation 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 capitalised development costs, an impairment test is made based on value in use.

Application of new and amended IFRS standards

Tecnomen Group is adopting in 2007 the following new or amended standards and interpretations published by the IASB in 2005 and 2006:

IFRS 7 Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 January 2007) IFRS 7 requires disclosing more information that enables users of its financial statements to evaluate the significance of financial instruments for its financial position and performance. The standard requires disclosure of qualitative and quantitative information about exposure risks arising from financial instruments. The standard requires disclosures about credit risk, liquidity risk and market risk. In addition the standard includes a requirement to prepare a sensitivity analysis regarding the market risk. The Group estimates that the adoption of the standard will mainly have an impact on the Group's future notes to the consolidated financial statements, for example showing the ageing analysis for overdue receivables.

IFRS 8 Operating Segments (effective for annual periods beginning on or after 1 January 2007). The standard requires the identification of segments be based on how the management is monitoring the business internally.

Amendment to IAS 1 Presentation of Financial Statements: Capital Disclosures (effective for annual periods beginning on or after 1 January 2007). The amendment introduces disclosures about the level of the Group's capital and how it manages capital. The adoption of the amended standard will affect the future notes to the consolidated financial statements.

IFRIC 8 Scope of IFRS 2 (effective for annual periods beginning after 1 May 2006). This interpretation applies to such transactions when the identifiable consideration received appears to be less than the fair value of the equity instruments granted. The Group estimates that the interpretation will not have an impact on the Group's future financial statements.

IFRIC 9 Reassessment of Embedded Derivatives (effective for annual periods beginning after 1 June 2006). The Group estimates that adopting the interpretation will not have an impact on the Group's future financial statements.

IFRIC 10 Interim Financial Reporting and Impairment (effective for annual periods beginning after 1 November 2006). According to the interpretation an entity shall not reverse an impairment loss recognised in a previous interim period in respect of goodwill. The Group estimates that the interpretation will not have an impact on the Group's future financial statements.

Notes to the consolidated income statement

1. Segment reporting

IAS 14 Segment Reporting -standard determines that segment information is presented in respect of Group's business and geographical segments. Tecnomen group's primary segment is the business segment. The business segment includes developing and delivering messaging and charging solutions. Tecnomen reports the whole Group as the business segment. This is based on the Group's internal organisation structure that has been valid until 30 September 2006. Group's new organisation structure from 1 October 2006 includes Messaging and Charging business units and finance and administration. Due to this change Tecnomen group will report as its primary segments Messaging and Charging business units starting from 1 January 2007. This is based on the change in the organisation where these two businesses will be clearly separated and they will be followed as a separate business units in company's management reporting from the beginning of next financial year.

The geographical areas are reported as the secondary segment. Tecnomen Group operates in three geographical areas: Americas (North, Central and South America), EMEA (Europe, the Middle East and Africa) and APAC (Asia Pasific). Inter-segment pricing is determined on an arm's length basis.

Segment assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items include taxes, financial items, and corporate assets and expenses. Investments comprise increases in tangible and intangible assets that are expected to be used for more than one period.

In presenting information for the geographical segments, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.

Starting from 1 January 2007 this new segment reporting will be put into practise so that year 2006 comparable figures will not be presented by new primary segments since the only information that is available with new segments is net sales.

Geographical segments (secondary segment information) EUR 1 000

Net sales	1.1.-31.12.2006	1.1.-31.12.2005
APAC	6 773	5 318
Americas	42 545	38 792
EMEA	22 504	24 875
Total	71 822	68 985

Assets	1.1.-31.12.2006	1.1.-31.12.2005
APAC	3 984	4 979
Americas	4 555	5 283
EMEA	93 702	96 424
Inter-segment items	-13 452	-16 321
Total	88 790	90 365

Investments	1.1.-31.12.2006	1.1.-31.12.2005
APAC	45	19
Americas	155	294
EMEA	8 195	5 576
Total	8 395	5 889

2. Construction contracts	1.1.-31.12.2006	1.1.-31.12.2005
Net sales include revenue from projects recognised in proportion to the stage of completion	55 501	52 272
Cumulative revenue recognised for projects in progress that are recognised by reference to stage of completion	42 098	53 703
Cumulative invoicing for projects in progress that are recognised by reference to stage of completion	30 117	44 559
Work in progress related to construction contracts	11 981	9 144
Advances received from customers		875
Amount of retentions held by customers at the year-end Trade receivables related to the fulfilment of agreed obligations.	9 097	4 908
Goods and services including in net sales	16 321	16 712

NOTES TO THE CONSOLIDATED INCOME STATEMENT EUR 1 000	1.1.-31.12.2006	1.1.-31.12.2005
3. Other operating income		
Other operating income	312	56
Other operating income total	312	56
4. Materials and services		
Purchases during the period	-17 021	-12 423
Increase/decrease in inventories	-278	-202
Materials and supplies	-17 300	-12 624
External services	-1 506	-1 233
Materials and services total	-18 805	-13 857
5. Employee benefit expenses		
Wages and salaries	-18 819	-17 227
Pension expenses, defined contribution plans	-2 588	-3 195
Pension expenses, defined benefit plans	-51	-41
Pension expenses total	-2 639	-3 236
Share options granted	-449	-351
Other employee benefits	-3 727	-2 516
Other employee benefits total	-4 176	-2 866
Employee benefit expenses total	-25 635	-23 329
Information about management board compensation is stated in Note 34. Related parties. Information about granted share options is stated in Note 21. Share-based payment.		
Average number of employees		
Finland	123	125
Germany	13	13
Spain	2	2
East and Southeast Asia	25	25
Ireland	141	120
Brazil	65	53
Middle East	19	16
Total	387	355
6. Depreciation and amortisation by class of asset		
Depreciation by class of asset		
Other intangible assets		
Capitalised development expenditure	-996	-436
Other intangible assets	-136	-147
Total	-1 132	-583
Tangible assets		
Buildings	-289	-306
Machinery and equipment	-1 584	-1 294
Total	-1 872	-1 600
Depreciation, amortisation and impairment losses total	-3 005	-2 183

NOTES TO THE CONSOLIDATED INCOME STATEMENT EUR 1 000

7. Other operating expenses	1.1.-31.12.2006	1.1.-31.12.2005
Subcontracting	-6 439	-5 046
Office management costs	-3 874	-3 611
Travel	-3 700	-3 307
Agent fees	-1 965	-2 188
Rents	-1 220	-1 122
Professional services	-1 535	-1 195
Marketing	-593	-473
Exchange losses on forward contracts		-2 629
Other expenses	-490	-539
Other operating expenses total	-19 815	-20 111

The subcontracting item in other operating expenses consists largely of amounts paid to Accenture Services Oy for software development and maintenance for the voice messaging system. Tecnomen outsourced a major part of these functions to Accenture Service Oy at the beginning of 2004. From the beginning of 2006 Tecnomen has entered realised and imputed changes in the fair value of cash flow hedging for foreign currency sales under adjustments to net sales; under previous practice they were entered under other operating income or expenses. If this recognition principle had been used in financial year 2005, net sales for 2005 would have totalled EUR 66 356 thousand and other operating expenses EUR 17 473 thousand. The change in recording practise does not affect the operating result.

8. Research and development expenditure

Research and development expenditure	6 220	9 140
Amortisation of capitalised development expenditure	996	436
Research and development expenditure total	7 216	9 576

9. Financial income

Interest income	278	625
Foreign exchange gains	1 334	986
Other financial income	453	245
Financial income total	2 065	1 856

Interest income in 2005 includes a total of EUR 434 thousand in realised interest income from sold investments.

10. Financial expenses

Interest expenses	-376	-40
Foreign exchange losses	-1 350	-1 090
Financial expenses total	-1 725	-1 129
Financial income and expenses total	339	726

Items above the operating result include foreign exchange rate losses (net) of EUR 1 497 thousand in 2006 (EUR 1 792 thousand foreign exchange gains (net) in 2005).

11. Income tax

Current tax	-598	-332
Tax for previous accounting periods	-273	-250
Change in deferred tax liabilities and tax assets	-1 099	-941
Income tax total	-1 971	-1 523

12. Reconciliation of effective tax rate

Income taxes		
Income tax reconciliation between tax expense computed at statutory rates in Finland (2006: 26%, 2005: 26%) and income tax expense provided on earnings		
Profit before taxes	5 214	10 288
Income tax using Finnish tax rates	1 356	2 675
Non-deductible expenses and tax-free income	432	373
Forfeited withholding taxes	39	297
Effect of different tax rates applied to foreign subsidiaries	176	170
Taxes of prior periods	310	250
Recognition of deferred tax from operating losses in previous years	-342	-2 241
Taxes in income statement	-1 971	-1 523

NOTES TO THE CONSOLIDATED INCOME STATEMENT EUR 1 000

13. Earnings per share

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

	2006	2005
Profit attributable to equity holders (EUR 1 000)	3 243	8 765
Weighted average number of shares during the year (1 000 shares)	58 871	58 174
Earnings per share, basic (EUR/share)	0.06	0.15

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 dilutive effect on the number of ordinary shares. Share options have a dilutive effect when the exercise price is lower than 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.

	2006	2005
Profit attributable to equity holders for calculating diluted earnings per share (EUR 1 000)	3 243	8 765
Weighted average number of shares during period (1 000 shares)	58 871	58 174
Effect of share options (1 000 shares)	1 279	1 302
Weighted average number of shares for calculating diluted earnings per share (1 000 shares)	60 150	59 476
Earnings per share, diluted (EUR/share)	0.05	0.15

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Notes to the consolidated balance sheet

EUR 1 000

14. Intangible assets

Intangible assets 2006	Goodwill	Development expenditure	Other intangible assets	Total
Acquisition cost 1.1.	682	5 495	3 494	9 672
Increase		5 974	382	6 356
Acquisition cost 31.12.	682	11 469	3 876	16 027
Accumulated amortisation 1.1.		-545	-3 054	-3 599
Amortisation during period		-996	-136	-1 133
Accumulated amortisation 31.12.		-1 542	-3 190	-4 732
Book value 31.12.2006	682	9 928	685	11 296

In 2006 EUR 5 974 thousand of development expenditure was capitalised. Capitalised development expenditure includes EUR 3 802 projects that are not yet in commercial use, so no amortisation has been made on them.

NOTES TO THE CONSOLIDATED BALANCE SHEET EUR 1 000

Intangible assets 2005	Goodwill	Development expenditure	Other intangible assets	Total
Acquisition cost 1.1.	682	1 645	3 317	5 644
Exchange differences			-7	-7
Increase		3 850	186	4 036
Decrease			-1	-1
Acquisition cost 31.12.	682	5 495	3 494	9 672
Accumulated amortisation 1.1.		-109	-2 915	-3 024
Exchange differences			7	7
Accumulated amortisation for decreases and transfers			1	1
Amortisation during period		-436	-147	-583
Accumulated amortisation 31.12.		-545	-3 054	-3 599
Book value 31.12.2005	682	4 950	440	6 072

In 2005 EUR 3 850 thousand of development expenditure was capitalised. These projects were not yet in commercial use, so no amortisation had been made on them.

In impairment testing of intangible assets in progress the recoverable amount is based on its value in use. Cash flow estimates are based on six year's forecasts which are approved by management. The discount rate applied is a pre-tax discount rate of 10,5 percent. The pre-tax discount rate was defined by using the weighted average cost of capital (WACC).

The main variables in defining cash flows are the company's profitability, discounted interest rate and residual value where the cash flow estimates are based on. Management estimates the development of these factors based on internal and external views of the history and future of the industrial sector. No major change is forecast in profitability during the forecast period.

Goodwill from the purchase of Krocus Communications Oy, with a book value of EUR 682 thousand, has been allocated to the Messaging and Charging product lines. In the impairment test on the goodwill, the difference was calculated between the book value and the recoverable amount, and no indication was found of impairment.

Research and development expenditure recorded in the income statement is shown in Notes 8. Research and development expenditure.

15. Tangible assets

Tangible assets 2006	Land and water areas	Buildings	Machinery and equipment	Investments in progress	Total
Acquisition cost 1.1.	2 069	7 511	26 268	42	35 891
Exchange differences			-29		-29
Increase		11	2 039		2 051
Decrease			-115	-11	-126
Acquisition cost 31.12.	2 069	7 522	28 164	31	37 787
Accumulated amortisation 1.1.		-3 646	-23 595		-27 241
Exchange differences			12		12
Accumulated amortisation for decreases and transfers			74		74
Amortisation during period		-289	-1 580		-1 869
Accumulated amortisation 31.12.		-3 935	-25 089		-29 024
Book value 31.12.2006	2 069	3 587	3 075	31	8 762

Tangible assets 2005	Land and water areas	Buildings	Machinery and equipment	Investments in progress	Total
Acquisition cost 1.1.	2 069	7 511	24 693	46	34 320
Exchange differences			72		72
Increase			1 853		1 853
Decrease			-350	-4	-354
Acquisition cost 31.12.	2 069	7 511	26 268	42	35 891

NOTES TO THE CONSOLIDATED BALANCE SHEET EUR 1 000

	Land and water areas	Buildings	Machinery and equipment	Investments in progress	Total
Accumulated amortisation 1.1.		-3 340	-22 545		-25 885
Exchange differences			-84		-84
Accumulated amortisation for decreases and transfers			342		342
Amortisation during period		-306	-1 308		-1 614
Accumulated amortisation 31.12.		-3 646	-23 595		-27 241
Book value 31.12.2005	2 069	3 865	2 673	42	8 649

16. Long-term trade and other receivables	31.12.2006	31.12.2005
Long-term prepaid expenses and accrued income		
Long-term tax assets (indirect tax)	461	570
Other long-term prepaid expenses and accrued income	39	48
Net asset in pension plan	22	
Total long-term prepaid expenses and accrued income	522	618
Long-term trade and other receivables total	522	618

17. Inventories

Materials and consumables	1 288	1 536
Work in progress	121	166
Finished products/goods	524	552
Inventories total	1 933	2 254

In 2006 the write-down of inventories to net realisable value amounted to EUR 526 thousand (EUR 303 thousand in year 2005).

18. Trade and other short-term receivables

Trade receivables	26 159	22 082
Other short-term receivables	80	189
Work in progress related to construction contracts	11 981	9 144
Other receivables based on delivery agreements	5 348	6 390
Short-term prepaid expenses and accrued income	2 263	1 744
Trade and other receivables total	45 831	39 549

Fair value of receivables is stated in Notes 30. Fair value of financial assets and liabilities. In Notes 2. is stated the retention amount from work in progress related to construction contracts at the end of the year. In 2006 group has recorded credit losses from trade receivables EUR 81 thousand (EUR 0 thousand in 2005). Carrying amounts best represent the amount that is the maximum credit risk exposure, without taking account of the fair value of any collateral, in the event of other parties failing to perform their obligations under financial instruments. There are no significant concentrations of credit risk with respect to the current receivables in the Group.

Short-term prepaid expenses and accrued income

Forward contracts	383	
Deferred taxes	542	479
Other prepaid expenses and accrued income	1 338	1 265
Total	2 263	1 744

19. Cash and cash equivalents

Cash	9 368	10 888
Cash equivalents	11 078	22 334
Cash and cash equivalents total	20 446	33 222

Cash equivalents comprise fund units, short-term interest funds and short-term bank deposits in which the maturity is not more than three months.

NOTES TO THE CONSOLIDATED BALANCE SHEET EUR 1 000

20. Notes to the shareholders' equity	Number of out- standing shares (1 000 shares)	Share capital	Share premium fund	Own shares	Invested unrestricted equity reserve	Total
1.1.2005	57 825	4 647	66 029	-259		70 417
Disposal of own shares	133			137		137
Options exercised	216	17	149			166
31.12.2005	58 174	4 665	66 178	-122		70 720
Options exercised	697	56	847		48	951
Lowering of share premium fund			-60 294			-60 294
Capital repayment			-5 884			-5 884
31.12.2006	58 871	4 720	847	-122	48	5 494

The maximum number of shares is 70 667 thousand (65 611 thousand in 2005). The nominal value of a share is EUR 0.08 and the maximum share capital of the parent company is EUR 5 653 thousand (EUR 5 249 thousand in 2005). All the issued shares are fully paid.

The Annual General Meeting of Tecnomen Corporation held on 15 March 2006 resolved reduce the Company's share premium fund by a maximum of EUR 66 177 792 such that from the aggregate amount of the reduction a minimum of EUR 5 817 398 and a maximum of EUR 6 003 928 be distributed to the shareholders as a refund of invested restricted capital in proportion to each shareholder's ownership in the Company, so that the shareholders receive a refund of EUR 0.10 per Company share. The part of the reduction in the share premium fund that is not distributed to the shareholders as a refund of invested capital will be transferred to a fund included in the Company's unrestricted equity.

Shareholders registered on 6 September 2006 in the company's shareholder register maintained by the Finnish Central Securities Depository Ltd were entitled to the capital repayment. The payment date was 11 September 2006. The payment was made on altogether 58 835 778 shares, giving an aggregate total payment of EUR 5 883 577.80. The capital repayment was not made on the shares in the company's own possession (134 800 shares). The remainder of the share premium fund, EUR 60 294 214.20, was transferred to a fund belonging to the company's unrestricted equity.

Descriptions of funds in shareholders' equity

Own shares

Own shares includes the acquisition cost of company shares held by the Group. During the financial year 2005 Tecnomen disposed of 133 200 of its own shares as consideration in a transaction in which Tecnomen purchased the entire share stock of Krocus Communications Oy on 23 April 2003. The consideration received for the shares disposed was 1 euro per share and after this disposal of shares the company held 134 800 of its own shares, with a book value of EUR 122 thousand. Own shares have been deducted from the number of shares when calculating per share ratios.

Translation difference

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

Other reserves

Other reserves comprise the following subreserves: the fair value reserve for available-for-sale investments, other reserves of subsidiaries and the reserve of the parent company, where funds were transferred when lowering the share premium fund. The change in the fair value of available-for-sale investments is presented in the reconciliation of the Group's shareholders' equity.

Dividend

After the balance sheet date the Board of Directors has proposed that no dividend be paid for the financial period ended on 31 December 2006.

Proposal to distribute funds from unrestricted equity fund

The Board of Directors proposes to the Annual General Meeting that EUR 0.10 per share is distributed from the unrestricted equity fund to the Company's shareholders in proportion to their current shareholdings.

21. Share-based payment

Tecnomen Group has two valid incentive and motivation systems that are based on share value. The option programmes are used to motivate the key personnel to increase the shareholder value in the long run.

Option programme that was approved by the Annual General Meeting of Shareholders on 11 April 2002 is divided into four share option series, the 2002A, 2002B, 2002C and 2002D share options. Option rights have been granted to key personnel in the group and to the Board of Directors.

Option programme that was approved by the Annual General Meeting of Shareholders on 15 March 2006 is divided into three share option series, the 2006A, 2006B and 2006C share options. Option rights have been granted to key personnel in the group. If the employment of the share option holder ceases before 1 April 2006 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.

The share options have no transfer restrictions. Once their subscription period has started they can be freely transferred, so the employee may sell the share options to a third party. The share options entitle a holder to subscribe company shares at a price defined in the terms of the arrangement during the specified subscription period. The subscription price is defined in the option terms. The subscription price for the Tecnomen 2002C options is, according to the terms, EUR 0.46, for 2002D options correspondingly EUR 1.33 and for 2006A options EUR 2.73. The share subscription price for the options includes a dividend adjustment, so it is not necessary to calculate or take into account future Tecnomen dividends when calculation the fair value. The Black-Scholes formula assumes that option exercises occur at the end of the option's contractual term, which for Tecnomen's 2002C option is the last exercise date, 30 April 2007, for 2002D options is 30 April 2008, and for 2006A options is 30 April 2010. The fair value of the options granted is valued using the Black-Scholes formula at their grant date and those will be recorded as an expense in the income statement amortised in the vesting period. In 2006 EUR 449 thousand (2005: EUR 351 thousand) were recorded as an expense in the income statement.

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

2006	Share options 2002				Share options 2006		
	2002A	2002B	2002C	2002D	2006A	2006B	2006C
Basic information							
Number of share options	400 000	1 200 000	1 200 000	1 300 000	667 000	667 000	667 000
Number of shares available for subscription per option	1	1	1	1	1	1	1
Original exercise price	1.68 €	1.68 €	0.46 €	1.33 €	2.73 €		
Dividend adjustment	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Exercise price 31 January 2004	1.68 €	1.68 €	0.46 €	1.33 €			
Exercise price 31 January 2005	1.68 €	1.68 €	0.46 €	1.33 €			
Exercise price 31 January 2006	Expired	1.56 €	0.34 €	1.21 €	2.71 €		
Exercise period starts	1.4.2003	1.4.2004	1.4.2005	1.4.2006	1.4.2007	1.4.2008	1.4.2009
Exercise period ends	30.4.2006	30.4.2007	30.4.2007	30.4.2008	30.4.2010	30.4.2011	30.4.2012
Contractual option life, years	Expired	0.3	0.3	1.3	3.3	4.3	5.3
Employees at the end of accounting year		25	13	42	35		

Tecnomen declared dividend EUR 0.02 in 2005. The Annual General Meeting decided that EUR 0.10 per share is distributed from the unrestricted equity fund. The Board of Directors decided that the subscription prices for share options 2002B, 2002C, and 2002D have been reduced accordingly. Capital repayment didn't have effect on the exercise price for 2006A share options.

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

2006	Share options 2002				Share options 2006		
	2002A	2002B	2002C	2002D	2006A	2006B	2006C
Number of options at the beginning of the period							
Outstanding options 1 January	351 800	278 500	182 500	1 052 500			
Changes during the period							
Granted options					436 000		
Forfeited options				20 000	67 000		
Voided options		896 000	856 000	267 500			
Exercised options	240 800	103 000	90 500	262 500			
Expired options	111 000						
Number of options at the end of the period							
Outstanding options 31 December		175 500	92 000	770 000	369 000		
Exercisable 31 December					298 000	667 000	667 000
The trade-weighted average price during the exercise period, EUR *							
	2.68	2.04	2.04	1.87			

* The trade-weighted average price of the Tecnomen's share in January-April 2006 (2002A), January-September 2006 (2002B and 2002C) and April-September 2006 (2002D)

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2005	Share options 2002			
	2002A	2002B	2002C	2002D
Number of options at the beginning of the period				
Outstanding options 1 January	381 000	304 000	359 000	677 500
Changes during the period				
Granted options				395 000
Forfeited options			15 000	20 000
Exercised option	29 200	25 500	161 500	
Number of options at the end of the period				
Outstanding options 31 December	351 800	278 500	182 500	1 052 500
Exercisable 31 December	19 000	896 000	856 000	247 500
The trade-weighted average price during the exercise period, EUR **				
			1.85	

**The trade-weighted average price of the Tecnomen's share in April-September 2005

The changes in shares during the period and the weighted average exercise prices	Share options 2006		Share options 2002		Share options 2005	
	No. of options	Exercise price EUR	No. of options	Exercise price EUR	No. of options	Exercise price EUR
Exercisable at 1 January	2 001 000	1.26	2 018 500	1.26	2 378 500	1.28
Exercised 1 January			1 865 300	1.29	1 721 500	1.29
Granted during the period	436 000	2.71			395 000	1.33
Returned during the period	-67 000	1.31	-20 000	1.31	-35 000	0.96
Exercised during the period			-696 800	1.36	-216 200	0.77
Forfeited during the period			-111 000	1.66		
Voided during the period			-2 019 500			
Granted options 31 December	369 000	1.54	1 037 500	1.29	1 865 300	1.36
Exercisable 31 December	1 632 000	1.40			2 018 500	1.28

The options exercised during the financial year had an average price of EUR 1.26 and exercising them started on 1 January 2006. The Group obtained EUR 951 thousand for the options exercised and of this EUR 56 thousand was recognised in share capital and EUR 845 thousand in share premium fund (In year 2005 EUR 166 thousand in share capital and EUR 149 thousand in share premium fund.). Of the proceeds received from the options exercised after the effective date of the new Companies' Act, 1 September 2006, 3 thousand euro was recognised in the share capital and 48 thousand euro in the fund of invested unrestricted equity. The options exercised during the comparable year had an average price of EUR 0.44 and exercising them started on 1 April 2005.

Tecnomen has issued the share-based instruments in stages, so the system 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 questions, if this date is after the period for setting the subscription price. The prevailing share price on the measuring date is based on the closing prices on the grant dates.

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The main assumptions in Black-Scholes formula *	2006A	2002C	2002D
Number of granted options	436 000	480 000	1 082 500
Weighted average rate of share B, EUR	2.84	0.59	1.24
Exercise price, EUR	2.71	0.46	1.33
Risk-free interest rate	3.6 %	3.0 %	2.7 %
Expected term of validity, years	4.0	4.0	3.6
Volatility	48.0 %	53.3 %	53.2 %
Returned options	10.0 %	33.7 %	48.7 %
Fair value total, EUR	1.22	0.34	0.49

* The figures are weighted averages. The fair values of the 2002A and 2002B options have not been determined as the options vested.

The Black-Scholes formula assumes that option exercises occur at the end of the option's contractual term, which for 2002C options is the last exercise date, 30 April 2007, for 2002D options is 30 April 2008, and for 2006A options 30 April 2010.

The future volatility of Tecnomen's share is estimated from the historical share price volatility using weekly observations starting on 2 January 2002, when the share of the new Tecnomen Corporation, created in a merger, was first quoted on the Helsinki Exchanges.

The fair value of the options granted during the year was valued using the Black-Scholes formula at EUR 534 thousand.

NOTES TO THE CONSOLIDATED BALANCE SHEET EUR 1 000

22. Pension liability

Tecnomen Group's defined benefit plans forms from the voluntary pension insurance plan for management. 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.

Defined benefit obligation in the balance sheet

	31.12.2006	31.12.2005
Present value of funded obligations	166	104
Fair value of plan assets (-)	-159	-101
Deficid	7	2
Unrecognised actuarial loss	-29	-22
Net asset	-22	-20

Defined benefit obligation in the income statement

	31.12.2006	31.12.2005
Current service cost	50	41
Interest cost	8	4
Expected return on plan assets	-7	-4
Recognised net actuarial losses	1	
Pension expense recognised in income statement	51	41

Movement in the liability for defined benefit obligations

	31.12.2006	31.12.2005
Liability for defined benefit obligation beginning of the year	104	40
Current service cost	50	41
Interest cost	8	4
Recognised net actuarial losses	5	19
Liability for defined benefit obligation end of the year	166	104

Movement in plan assets

	31.12.2006	31.12.2005
Plan assets beginning of the year	101	46
Expected return on plan assets	7	4
Actuarial losses	-1	-3
Contributions paid into the plan	53	55
Plan assets end of the year	159	101

Recognised gain on plan assets was EUR 5 thousand in year 2006 (EUR 1 thousand in 2005).

Actuarial assumptions at balance sheet date

	2006	2005
	%	%
Discount rate	5.00	5.00
Expected return on plan assets	5.25	5.25
Future salary increases	3.50	3.50
Inflation	2.00	2.00

Historical information

	2006	2005
Present value of the defined benefit obligation	166	104
Fair value of plan assets	-159	-101
Deficid in the plan	7	2
Experience adjustments arising on plan assets	-4	19
Experience adjustments arising on plan liabilities	1	3

Contribution to be paid in year 2007 is expected to be EUR 55 thousand. There is no information available on plan assets.

NOTES TO THE CONSOLIDATED BALANCE SHEET EUR 1 000

23. Deferred tax assets and liabilities

Deferred tax liabilities 2006	1.1.2006	In income statement	In equity	31.12.2006
Change in fair value of investments	3	57		60
Amortisation of development expenditure	1 287	993		2 280
Depreciation difference	224	7		231
Other items	10	42		52
Total	1 524	1 099		2 624

Deferred tax liabilities 2005	1.1.2005	In income statement	In equity	31.12.2005
Change in fair value of investments	69	-12	-54	3
Amortisation of development expenditure	399	888		1 287
Depreciation difference	159	65		224
Other items	9	1		10
Total	636	942	-54	1 524

On 31 December 2006 the Group had unutilised taxable losses of EUR 11 071 thousand (EUR 12 443 thousand on 31 December 2005) for which deferred tax assets had not been recognised. Deferred tax assets are recognised when the time when the losses can be utilised against future taxable profits can be reliably estimated. These losses expire in the period 2012-2013.

The Group has other deductible items of a temporary nature to the value of EUR 610 thousand, for which deferred tax assets have not been recognised because of the uncertainty about utilising them.

Deferred tax assets have not been recognised for the retained earnings of foreign subsidiaries, EUR 2 705 thousand on 31 December 2006 (EUR 2 081 thousand on 31 December 2005), since the funds are invested permanently in the country in question or are located in countries where payment of a dividend has no tax consequences.

24. Interest-bearing, liabilities to others	31.12.2006	31.12.2005
Pension loans		432
Long-term interest-bearing liabilities total		432

The fair value of the loan is stated in Note 30.

Maturity of non-current liabilities

2007	30
2008	28
2009	26
At a later date	347
Total	432

The loan is a TEL pension loan and the interest rate is the TEL interest rate which was 5.50 per cent as from 1 July 2005 (previously 4.50 per cent). The loan is in euros.

Capital of the loan including interest has been paid in total on 24 of May 2006 earlier than previously agreed.

25. Non-interest-bearing, liabilities to others

Other liabilities	1	1
Advances received	29	254
Long-term non-interest-bearing liabilities total	30	254

NOTES TO THE CONSOLIDATED BALANCE SHEET EUR 1 000

26. Change in provisions

Changes in provisions, long-term 2005	1.1.2005	Reversals of unused provisions	31.12.2005
Tax provisions	96	-96	
Changes in provisions total	96	-96	

Tax provision is related to equity financing given to the subsidiary in Brazil.

27. Interest-bearing, liabilities to others	31.12.2006	31.12.2005
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Pension loans		33
Short-term interest-bearing liabilities total		33

28. Accounts payable and other liabilities to others

Advances received	189	1 193
Accounts payable	2 890	2 860
Accrued liabilities and deferred income	7 856	5 798
Other liabilities	573	1 015
Accounts payable and other liabilities to others total	11 508	10 865
Accrued liabilities and deferred income (long- and short-term)		
Wages, salaries and other employee payments	3 747	2 636
Project provisions	42	123
Agent commissions	1 726	1 441
Other	2 341	1 598
Total	7 856	5 798

29. Financial risks

The task of risk management is to identify, manage and track the major risks in the company's business and business environment to enable the company 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. Supporting the risk management process is the risk management work group, which meets regularly and consists of the President and CEO and financial and sales management. The Group's financial management is responsible for managing the Group's foreign exchange, interest rate and liquidity risks and for insurance concerning operational risks; the business units are responsible for risk management for the rest of their operations. Major risks, after analysis by the risk management work group, are reported to the Audit Committee. The financial risks to which the Group is exposed in its operations are mainly currency and credit risks. The Group has no major loans or credit facilities in use thanks to its strong equity ratio. The objective of the Group's financial risk management is to minimise the effects of volatility for recognised major market risks on the Group's result and balance sheet.

Currency risk

Transaction risk

The Group's open currency position comprises foreign currency denominated balance sheet items, and binding currency denominated purchase and sales contracts. The Group's policy is to hedge at most the currency denominated net position for a maximum period of 12 months. The Group has not hedged other currency risks arising from the transaction position, since they are not significant. Hedging is mainly with foreign exchange forwards; open foreign exchange forwards in the financial statements totalled EUR 12 648 thousand and hedging instruments had a fair value of EUR 12 952 thousand. Tecnomen Group does not apply hedge accounting as stated in IAS 39 to hedging of the currency position, and the change in the fair value of currency hedging is recognised in the adjustments to net sales. During 2006, EUR 872 thousand was recognised in the adjustments to net sales for currency hedging.

A major part of the Group's purchasing and production operations takes place in euros in the euro area. The Group is exposed in its operations to exchange rate risk mainly to the US dollar, since a significant part of the Group's invoicing is in US dollars. In 2006 38 per cent of invoicing was in euros, 50 per cent in US dollars and 7 per cent in Brazilian reals. The Group did not hedge the open BRL currency position, in part because of local currency restrictions.

Translation risk

The Group's open translation risk comes from two subsidiaries, in Brazil and Malaysia. The shareholders' equity of these subsidiaries, which is exposed to translation risk, is not hedged. The open translation risk for the Brazilian subsidiary was EUR 364 thousand on 31 December 2006 and for the Malaysian subsidiary EUR 689 thousand. In 2006, the translation difference in shareholders' equity caused by changes in exchange rates for these two subsidiaries was EUR 10 thousand.

Liquidity and credit risks

Management of the Group's interest rate risk focuses on the optimal management of liquid funds profitably and safely, since the Group does not have significant interest-bearing receivables or liabilities. 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 acquisitions. The investments are made in money market deposits and short-term interest funds.

Credit risk

Responsibility for sales-related credit risks lies primarily with the local sales company. As part of the sales process, the customer's credit rating is checked, as well as the situation concerning receivables from projects previously supplied to the customer. Tecnomen has not arranged financing for customers with third parties.

The proportion of the trade receivables to the net sales of the Tecnomen Group has been high in the past few years. The high amount of trade receivables and the increase in proportion to the net sales is mainly due to the long terms of payment in the deliveries to the Latin America. The amount of credit losses recognised in the income statement during the financial year has not been significant.

The Group aims to decrease the proportion of trade receivables to the net sales e.g. through factoring arrangements.

30. Fair value of financial assets and liabilities

Below are presented the principles used by the Group to determine the fair values of all financial instruments. In addition the table lists the fair values of the financial instruments and the book values by type of instrument in the consolidated balance sheet.

EUR 1 000	Note	Book value 2006	Fair value 2006	Book value 2005	Fair value 2005
Financial assets					
Cash	19	11 078	11 078	10 888	10 888
Cash equivalents	19	9 368	9 368	22 334	22 334
Forward contracts		12 648	12 952	10 850	11 355
Single barrier option trades		11 716	11 738		
Trade and other receivables	16, 18	46 353	46 353	40 165	40 165
Financial liabilities					
Pension loan	24			-432	-359
Accounts payable and other liabilities	28	-11 508	-11 508	-10 865	-10 865

Funds and money market deposits

Cash and cash equivalents includes funds and money market investments.

The change in the fair value of financial instruments on 31 December 2006 was EUR 232 thousand (EUR 13 thousand on 31 December 2005).

Derivatives

The fair value of forward contracts is determined by using the market rate for contracts of a similar duration.

Pension liability

Fair value is based on discounted cash flows. The discounted rate is the interest rate, which corresponds to the rate for a comparable loan that the Group would get from a third party at balance sheet date.

31. Operating leases

Group as lessee

Non-cancellable operating lease rentals are payable as follows:

Operating leases EUR 1 000	31.12.2006	31.12.2005
Less than one year	457	665
Between one and five years	877	1 263
Over five years		10
Total	1 335	1 938

The Group has leased office machines, 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.

During 2006 EUR 1 220 thousand was recognised as an expense in the income statement in respect of operating leases (EUR 1 122 thousand in 2005).

32. Contingent liabilities

EUR 1 000	31.12.2006	31.12.2005
Pledges given	553	689
Debts with mortgages on property as security		
Mortgages on real estate		722
Total		722
Pledges given to cover other own commitments		
Mortgages on real estate	631	1 261
Mortgages on company assets		235
Total	631	1 497
Pledges		
On own behalf	136	666
Total	136	666
Other liabilities		
Rent quarantees		15
Restriction related to real estate in Ireland	1 033	676
Total	1 033	690

32. Non-cash transactions	31.12.2006	31.12.2005
Employee benefits	427	351
Unrealised exchange gains and losses	-734	87
Depreciation, amortisation and impairment losses	3 005	2 183
Unrealised gains on items valued at fair value	-219	-13
Total	2 478	2 608

34. Related parties

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

Group companies	Domicile	Parent company ownership, %	Group ownership, %
Parent company			
Tecnomen Oyj	Espoo, Finland		
Subsidiaries			
Tecnomen Ltd.	County Clare, Ireland	100	100
Tecnomen GmbH	Dreieich, Germany	100	100
Tecnologia de Mensajes Tecnomen SL	Madrid, Spain	100	100
Tecnomen Hong Kong LTD	Wan Chai, HK	100	100
Tecnomen Sistemas de Telecomunicacao Ltda	Sao Paulo - SP CEP Brazil	100	100
Tecnomen (M) Sdn Bhd	Kuala Lumpur, Malaysia	100	100
Tecnomen Japan Corporation	Espoo, Finland	100	100

Tecnomen also has offices in the Netherlands, Argentina, South Africa, Austria, Mexico, Taiwan, Thailand 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 2006. 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 the Group has control.

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EUR 1 000	2006	2005
Management Board compensation		
Salaries and other short-term employee benefits	-1 125	-665
Termination benefits	-153	-80
Share-based payment	-252	-111
Management compensation total	-1 530	-856
Salaries, fees and benefits of President and CEO and of Board of Directors		
President and CEO	-241	-179
Board members		
Ratia Lauri	-55	-62
Hammarén Lars	-24	-22
Numelin Carl-Johan	-29	-25
Olkkola Keijo	-26	-22
Sumelius Christer	-26	-24
Toivila Timo	-25	-31

The CEO of the parent company is entitled to retire at the age of 60 years.

The management was granted 125 000 share options during 2006 (135 000 share options in 2005). The terms and conditions of the share options are the same for management and employees. A total of 125 000 share options were held by members of the Management Board, and 0 of these were exercisable in 2006 (382 000 share options in 2005, of which 117 000 options were exercisable in that year).

The Board of Directors was not granted any share options during 2006 (no share options was granted in 2005). The terms and conditions of the share options are the same for the Board of Directors and employees. A total of 125 000 share options were held by the Board of Directors, of which 125 000 options were exercisable in 2006 (262 500 share options in 2005, of which 175 000 options were exercisable in 2005).

Key financial figures

35. Key financial figures from five years

	IFRS	IFRS	IFRS	FAS	FAS	FAS
	2006	2005	2004	2004	2003	2002
Income statement						
Net sales, EUR million	71.8	69.0	51.6	51.5	45.3	39.9
change %	4.1	33.7		13.7	13.6	-30.2
Operating profit, EUR million	4.9	9.6	3.9	1.6	-7.0	-14.1
% of net sales	6.8	13.9	7.5	3.1	-15.6	-35.5
Profit before taxes, EUR million	5.2	10.3	4.9	2.6	-6.4	-14.6
% of net sales	7.3	14.9	9.5	5.1	-14.2	-36.7
Balance sheet						
Non-current assets, MEUR	20.6	14.7	11.1	9.4	10.1	11.4
Current assets						
Inventories, MEUR	1.9	2.3	2.2	2.2	2.2	3.6
Financial assets, MEUR	66.3	73.4	63.6	65.9	65.2	66.3
Shareholders' equity, EUR million	74.6	77.3	67.5	67.5	65.2	72.5
Provisions, EUR million	0.0	0.0	0.1	0.1	0.6	0.6
Liabilities						
Non-current liabilities, EUR million	0.1	0.7	0.5	0.6	0.7	0.9
Current liabilities, EUR million	11.5	10.9	8.2	9.1	10.9	7.9
Deferred tax liabilities, EUR million	2.6	1.5	0.6	0.2	0.1	
Balance sheet total, EUR million	88.8	90.4	76.9	77.5	77.5	81.3
Financial indicators						
Return on equity (ROE), %	4.3	12.1	6.0	3.2	-10.5	-17.9
Return on investment (ROI), %	9.1	15.7	7.4	4.1	-9.1	-18.0
Equity ratio, %	84.3	86.9	88.8	88.1	85.2	90.1
Debt/Equity (gearing) ratio, %	-27.4	-42.4	-44.7	-44.4	-52.3	-46.6
Investments, EUR million	2.4	2.0	1.6	1.6	1.9	2.2
% of net sales	3.4	3.0	3.1	3.1	4.2	5.5
Research and development, EUR million	13.2	13.4	11.5	11.5	9.4	11.2
% of net sales	18.4	19.5	22.4	22.4	20.8	28.0
Order book, EUR million	15.0	27.9	12.2	9.8	10.0	10.4
Personnel, average	387	355	355	355	440	520
Personnel, at the end of the year	374	373	350	350	398	457
Key ratios per share						
Earnings/share, EUR (basic)	0.06	0.15	0.07	0.04	-0.13	-0.25
Earnings/share, EUR (diluted)	0.05	0.15	0.07	0.04		
Equity per share, EUR	1.27	1.33	1.16	1.17	1.13	1.26
Adjusted number of shares at the end and during of year, 1 000 shares	59 006	58 309	58 093	58 093	58 093	58 093
Number of shares on average, 1 000 shares	58 673	58 147	58 093	58 093	58 093	58 093
Number of company-held shares at the beginning of year, 1 000 shares	135	268	400	400	400	400
Number of disposed company-held shares, 1 000 shares	0	133	132	132		
Number of company-held shares at the end of year, 1 000 shares	135	135	268	268	400	400
Share price trend, EUR						
Average price	2.01	1.86	1.37	1.37	0.86	0.97
Lowest price	1.38	1.28	1.11	1.11	0.39	0.49
Highest price	3.06	2.60	1.82	1.82	1.59	2.10
Share price at the end of the year, EUR	1.68	2.45	1.33	1.33	1.37	0.51
Market value of share capital at the end of year, EUR million	99.1	142.9	77.3	77.3	79.6	29.6
Share turnover, million shares	59.8	42.8	33.1	33.1	32.4	24.3
Share turnover, % of total number	101.4	73.4	57.1	57.1	55.8	41.8
Share turnover, EUR million	122.1	79.3	45.5	45.5	27.9	23.6
(P/E)	27.97	16.26	19.19	35.97	-10.90	-2.05

Calculation of key indicators

Return on equity (ROE), %	=	$\frac{\text{Result for the period}}{\text{Shareholders' equity (average)}} \times 100$
Return on investments (ROI), %	=	$\frac{\text{Result before taxes + financial expenses}}{\text{Balance sheet total - non-interest-bearing liabilities (average)}} \times 100$
Equity ratio, %	=	$\frac{\text{Shareholders' equity}}{\text{Balance sheet total - advances received}} \times 100$
Earnings per share (EPS)	=	$\frac{\text{Profit attributable to equity holders of the parent}}{\text{Adjusted average number of shares during the financial year}}$
Dividend per share	=	$\frac{\text{Dividends distributed for the financial year}}{\text{Adjusted number of shares at the end of the financial year}}$
Dividend/Result, %	=	$\frac{\text{Dividend per share}}{\text{Earnings per share (EPS)}} \times 100$
Equity/Share	=	$\frac{\text{Equity attributable to equity holders of the parent}}{\text{Adjusted number of shares at the end of the financial year}}$
Debt/Equity ratio, % (gearing)	=	$\frac{\text{Net interest-bearing liabilities - rahavarat - cash and other liquid financial assets}}{\text{Shareholders' equity}} \times 100$
Market capitalisation	=	$\text{Number of shares at the end of financial year} \times \text{last trading price of financial year}$
P/E ratio, %	=	$\frac{\text{Adjusted share price at the end of financial year}}{\text{Earnings per share (EPS)}}$
Effective dividend yield, %	=	$\frac{\text{Dividend per share}}{\text{Last trading price of financial year}}$

Parent company's income statement

INCOME STATEMENT	Note	1.1.-31.12.2006	1.1.-31.12.2005
Net sales	1	66 737	64 591
Other operating income	2	312	56
Materials and services	3	-18 407	-13 784
Personnel expenses	4	-11 760	-11 074
Depreciation	5	-1 235	-1 193
Other operating expenses	6	-38 109	-30 058
Operating result		-2 462	8 539
Financial income and expenses	7	-69	2 860
Result before extraordinary items		-2 530	11 399
Result before appropriations and taxes		-2 530	11 399
Appropriations	8	-28	-252
Direct taxes	9	-336	-297
Result for the financial year		-2 894	10 851

Parent company's balance sheet

EUR 1 000	Note	31.12.2006	31.12.2005
Assets			
Long-term assets			
Intangible assets	10	928	828
Tangible assets	11	5 412	5 824
Shares in Group companies	12	1 259	1 259
Receivables from Group companies	12	299	299
Investments	12	17	17
Total long-term assets		7 916	8 228
Current assets			
Inventories	13	677	1 118
Short-term receivables	14	50 157	44 811
Cash at bank and in hand	15	18 565	31 137
Total current assets		69 399	77 067
Total assets		77 315	85 295
Equity and liabilities			
Shareholders' equity			
Share capital	16	4 720	4 665
Share premium fund		847	66 178
Own shares		-122	-122
Invested unrestricted equity reserve		48	
Other reserves		60 294	
Retained earnings		403	-9 284
Result for the financial year		-2 894	10 851
Total shareholders' equity		63 297	72 287
Accumulated appropriations	17	890	862
Liabilities			
Long-term liabilities	18	1	433
Short-term liabilities	19	13 128	11 713
Total liabilities		13 128	12 146
Total equity and liabilities		77 315	85 295

Parent company's cash flow statement

EUR 1 000	1.1.-31.12.2006	1.1.-31.12.2005
Cash flow from operating activities		
Result before taxes	-2 894	11 399
Adjustments for:		
Planned depreciation	1 235	1 193
Unrealised exchange rate gains and losses	-558	903
Financial income and expenses	627	-872
Other adjustments	-75	-74
Changes in working capital:		
Current receivables, non-interest-bearing, increase	-5 285	-10 452
Inventories, increase/decrease	442	-138
Current liabilities, non-interest-bearing, decrease	2 428	663
Interest paid and other financial expenses	-1 357	-332
Interest received	256	435
Income taxes paid	-39	-297
Net cash flow from operations	-5 220	2 430
Cash flow from investments		
Investments in tangible assets	-372	-162
Investments in intangible assets	-551	-692
Cash flow from investments	-923	-854
Cash flow from financing activities		
Shares subscribed with share options	951	
Repayment of current loans	-33	-2
Repayment of non-current loans	-432	-33
Dividend declared	-1 036	
Capital repayment	-5 880	
Cash flow from financing activities	-6 429	-35
Change in liquid funds	-12 572	1 541
Liquid funds on 1 Jan.	31 137	29 596
Liquid funds on 31 Dec.	18 565	31 137

Accounting principles of parent company

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 recognised 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 recognised from project deliveries and goods and service deliveries from which indirect taxes, discounts and exchange rate differences have been deducted.

Project deliveries are mainly recognised according to the stage of completion. Project revenue and project costs are recognised as revenue and expenses respectively by reference to the stage of completion on the balance sheet date, if 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 reliably measured and it is probable that the economic benefits associated with the project will flow to the enterprise.

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 recognised 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 recognised 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 recognised to the extent of project costs incurred. This method of recognition is typically applied in first delivery projects for new products or when a delivery project contains a significant amount of customisation for individual customers. The margin on the project is recognised on final acceptance.

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

Revenue from the sale of products and services is recognised 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 recognised 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 recognised over the contract period on a straight-line basis.

Pension arrangements

Statutory pension and supplementary pension obligations in Finland are covered through payments to pension insurance organisations. Expenses related to pension arrangements are recognised 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 fixed assets

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

The periods for planned depreciation and amortisation are as follows:

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

Purchase and disposal of company's own shares

The total purchase cost for the shares has been recorded so that it reduces unrestricted shareholders' equity. At 31 December 2006 the company held 134 800 of own shares with a book value of EUR 122 097.91. During the financial year 2006 no own shares have been acquired or disposed of.

Notes to the parent company's income statement

EUR 1 000	1.1.-31.12.2006	1.1.-31.12.2005
1. Net sales		
Net sales by market area		
Europe, Middle East and Africa	22 669	25 002
Asia Pacific	6 586	4 911
Americas	37 482	34 678
Net sales total	66 737	64 591
Net sales by product group		
Messaging	29 723	35 763
Charging	37 014	28 828
Total	66 737	64 591
Net sales include revenue from projects recognised in proportion to the stage of completion	55 237	48 873
Cumulative revenue recognised for projects in progress that are recognised by reference to stage of completion	42 098	46 704
Cumulative invoicing for projects in progress that are recognised by reference to stage of completion	30 117	38 445
Work in progress related to construction contracts	11 981	8 259
Advances received from customers		875
Amount of retentions held by customers at the year-end	9 097	3 761
Trade receivables related to the fulfilment of agreed obligations.		
Goods and services revenue including in net sales	11 500	15 719
2. Other income from operations		
Other income	312	56
Other income from operations total	312	56
3. Materials and services		
Purchases during financial year	-16 672	-12 939
Changes in inventories of materials and supplies	-442	83
Total	-17 114	-12 856
External services	-1 293	-928
Materials and services total	-18 407	-13 784
4. Personnel expenses		
Salaries and fees	-9 458	-8 844
Pension expenses	-1 432	-1 509
Other personnel expenses	-870	-721
Personnel expenses total	-11 760	-11 074
Salaries and remuneration paid to Members of the Board and Managing Director		
Managing Director	-241	-179
Members of the Board	-183	-184
Total	-425	-363
Average number of employees		
Parent company	123	125

NOTES TO THE PARENT COMPANY'S INCOME STATEMENT EUR 1 000

1.1.-31.12.2006 1.1.-31.12.2005

5. Depreciation

Depreciation according to plan

Intangible assets

Intangible rights

Other expenditure with long-term impact

-127 -136

-145 -144

Tangible assets

Buildings

Machinery and equipment

-229 -247

-734 -666

Depreciation according to plan total

-1 235 -1 193

6. Other operating expenses

Subcontracting

Travel

Other expenses

-7 406 -6 836

-1 290 -1 299

-29 413 -21 924

Other operating expenses total

-38 109 -30 058

7. Financial income and expenses**Dividend income**

Dividend income from Group companies

2 891

Dividend income from Group companies total

2 891

Financial income

Interest income from Group companies

11 7

Interest income from others

271 619

Other financial income from others

1 452 836

Interest and financial income total

1 734 1 462

Financial expenses

Interest expenses to others

-275 -26

Other financial expenses to Group companies

-437

Financial expenses to others

-1 091 -1 468

Interest and financial expenses total

-1 803 -1 493

Financial income and expenses total

-69 2 860

Other financial income and expenses including

Foreign exchange gains

1 243 649

Foreign exchange losses

-1 528 -1 467

Exchange gains and losses total

-285 -817

8. Appropriations

Difference between depreciation according to plan and depreciation made in taxation

-28 -252

Appropriations total

-28 -252

9. Direct taxes

Income taxes from business operations

-336 -297

Direct taxes total

-336 -297

Notes to the parent company's balance sheet

EUR 1 000

10. Intangible assets

Intangible assets 2006	Intangible rights	Other long-term expenses	Total
Acquisition cost 1.1.	3 057	1 065	4 122
Increase	372		372
Acquisition cost 31.12.	3 429	1 065	4 494
Accumulated depreciation 1.1.	-2 672	-621	-3 294
Depreciation during the period	-127	-145	-272
Accumulated depreciation 31.12.	-2 799	-766	-3 565
Book value 31.12.2006	629	299	928

Intangible assets 2005	Intangible rights	Other long-term expenses	Total
Acquisition cost 1.1.	2 938	1 023	3 960
Increase	119	43	162
Acquisition cost 31.12.	3 057	1 065	4 122
Accumulated depreciation 1.1.	-2 537	-477	-3 014
Depreciation during the period	-136	-144	-280
Accumulated depreciation 31.12.	-2 672	-621	-3 294
Book value 31.12.2005	385	444	828

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11. Tangible assets

Tangible assets 2006	Land areas	Buildings	Machinery and equipment	Investments in progress	Total
Acquisition cost 1.1.	1 666	6 045	16 012	42	23 765
Increase			567		567
Decrease			-77	-11	-88
Acquisition cost 31.12.	1 666	6 045	16 501	31	24 244
Accumulated depreciation 1.1.		-3 059	-14 881		-17 941
Accumulated depreciation for decreases and transfers			73		73
Depreciation during the period		-229	-734		-964
Accumulated depreciation 31.12.		-3 288	-15 543		-18 831
Book value 31.12.2006	1 666	2 757	958	31	5 412

NOTES TO THE PARENT COMPANY'S BALANCE SHEET EUR 1 000

Tangible assets 2005	Land areas	Buildings	Machinery and equipment	Investments in progress	Total
Acquisition cost 1.1.	1 666	6 045	15 582	46	23 339
Increase			696		696
Decrease			-267	-4	-271
Acquisition cost 31.12.	1 666	6 045	16 012	42	23 765
Accumulated depreciation 1.1.		-2 813	-14 482		-17 295
Accumulated depreciation for decreases and transfers			267		267
Depreciation during the period		-247	-666		-912
Accumulated depreciation 31.12.		-3 059	-14 881		-17 941
Book value 31.12.2005	1 666	2 986	1 130	42	5 824

12. Investments

Investments 2006	Shares in Group companies	Investments other	Shares other	Total
Acquisition cost 1.1.	1 259	299	17	1 575
Acquisition cost 31.12.	1 259	299	17	1 575
Book value 31.12.2006	1 259	299	17	1 575

Investments 2005	Shares in Group companies	Investments other	Shares other	Total
Acquisition cost 1.1.	1 259	299	17	1 575
Acquisition cost 31.12.	1 259	299	17	1 575
Book value 31.12.2005	1 259	299	17	1 575

Group companies	Domicile	Parent company ownership, %	Group ownership, %	Parent company shares		
				Number of shares	Nominal value/ share, EUR	Book value EUR 1 000
Tecnomen Ltd.	County Clare, Ireland	100	100	131 428	1.35	124
Tecnomen GmbH	Dreieich, Germany	100	100	200 000	0.50	92
Tecnologia de Mensajes Tecnomen SL	Madrid, Spain	100	100	500	6.05	31
Tecnomen Hong Kong LTD	Wan Chai, HK	100	100	500 000	0.13	59
Tecnomen Sistemas de Telecomunicacao Ltda	Sao Paulo - SP CEP Brazil	100	100	1 154 251	0.54	902
Tecnomen (M) Sdn Bhd	Kuala Lumpur, Malaysia	100	100			42
Tecnomen Japan Corporation	Espoo, Finland	100	100	500	16.80	8
Total						1 259

NOTES TO THE PARENT COMPANY'S BALANCE SHEET EUR 1 000

Current assets	31.12.2006	31.12.2005
13. Inventories		
Materials and consumables	553	940
Finished products/goods	123	178
Inventories total	677	1 118
14. Short-term receivables		
Trade receivables	22 741	19 359
Work in progress related to construction contracts	11 981	8 259
Other receivables based on delivery agreements	5 277	5 013
Short-term prepaid expenses and accrued income	1 625	1 690
Other receivables	75	56
Total	41 699	34 377
Receivables from companies belonging to the Group		
Trade receivables	6 010	6 134
Other receivables	2 449	4 300
Total	8 459	10 434
Short-term receivables total	50 157	44 811
Prepaid expenses and accrued income		
Forward contracts	383	
Deferred taxes		479
Other receivables	1 242	1 211
Total	1 625	1 690
15. Cash at bank and in hand		
Cash at bank and in hand	18 565	31 137

NOTES TO THE PARENT COMPANY'S BALANCE SHEET EUR 1 000

	31.12.2006	31.12.2005
16. Shareholders' equity		
Share capital 1.1.	4 665	4 647
Options exercised	56	17
Share capital 31.12.	4 720	4 665
Share premium fund 1.1.	66 178	66 029
Options exercised	847	149
Transfer of share premium fund to fund in unrestricted equity	-60 294	
Capital repayment	-5 884	
Share premium fund 31.12.	847	66 178
Own shares 1.1.	-122	-259
Disposal of own shares		137
Own shares 31.12.	-122	-122
Invested unrestricted equity reserve 1.1.		
Investment in invested unrestricted equity reserve	48	
Invested unrestricted equity reserve 31.12.	48	
Other reserves 1.1.		
Transfer to other reserve	60 294	
Other reserves 31.12.	60 294	
Retained earnings 1.1.	1 566	-7 982
Loss on sale of own shares		-4
Effect of change in recognition practice		-1 298
Dividend declared	-1 163	
Retained earnings 31.12.	403	-9 284
Result from the financial period	-2 894	10 851
Total shareholders' equity	63 297	72 287

The Annual General Meeting of Tecnomen Corporation held on 15 March 2006 resolved reduce the Company's share premium fund by a maximum of EUR 66 177 792 such that from the aggregate amount of the reduction a minimum of EUR 5 817 398 and a maximum of EUR 6 003 928 be distributed to the shareholders as a refund of invested restricted capital in proportion to each shareholder's ownership in the Company, so that the shareholders receive a refund of EUR 0.10 per Company share. The part of the reduction in the share premium fund that is not distributed to the shareholders as a refund of invested capital will be transferred to a fund included in the Company's unrestricted equity. Shareholders registered on 6 September 2006 in the company's shareholder register maintained by the Finnish Central Securities Depository Ltd were entitled to the capital repayment. The payment date was 11 September 2006. The payment was made on altogether 58 835 778 shares, giving an aggregate total payment of EUR 5 883 577.80. The capital repayment was not made on the shares in the company's own possession (134 800 shares). The remainder of the share premium fund, EUR 60 294 214.20, was transferred to a fund belonging to the company's unrestricted equity.

NOTES TO THE PARENT COMPANY'S BALANCE SHEET EUR 1 000	31.12.2006	31.12.2005
Restricted equity	5 445	70 720
Unrestricted equity	57 851	1 566
Unrestricted equity		
Retained earnings 31.12.	-2 491	1 566
Own shares	-122	-122
Other reserves	60 294	
Unrestricted equity	57 681	1 444
17. Accumulated appropriations		
Provisions at the beginning of the financial year	862	610
Increase (+), decrease (-)	28	252
Accumulated appropriations total	890	862
18. Long-term liabilities		
Pension loans		432
Other liabilities	1	1
Long-term liabilities total	1	433
Maturity of long-term liabilities		
2007		30
2008		28
2009		26
At a later date		347
Total		432
19. Short-term liabilities		
Pension loans		33
Accounts payable	1 480	2 161
Accrued liabilities and deferred income	5 679	4 407
Other liabilities	270	327
Advances received	189	1 190
Total	7 617	8 117
Liabilities from companies belonging to the Group		
Accounts payable	5 510	3 581
Accrued liabilities and deferred income		15
Total	5 510	3 596
Short-term liabilities total	13 128	11 713
Accrued liabilities and deferred income		
Wages and salaries and other employee payments	1 998	1 593
Agent commissions	1 726	1 441
Project provisions	42	123
Other	1 913	1 250
Accrued liabilities and deferred income, Group		15
Total	5 679	4 422

NOTES TO THE PARENT COMPANY'S BALANCE SHEET EUR 1 000	31.12.2006	31.12.2005
20. Contingent liabilities		
Pledges given	553	689
Pledges given to cover other own commitments		
Mortgages on real estate	631	1 261
Mortgages on company assets		235
Total	631	1 497
Other company liabilities		
Leasing liabilities		
With due date in the current financial year	197	213
With later due date	90	162
Total	287	375
Pledges		
On own behalf	136	666
Total	136	666
Other liabilities		
Rent quarantees		15
Total		15
Total other company liabilities	423	1 056
Values of underlying instruments of derivative contracts		
Forward contracts		
Market value	12 952	11 355
Value of underlying instruments	12 648	10 850
Single barrier option trades		
Market value	11 738	
Value of underlying instruments	11 716	

Shares and shareholders

Shares and share capital

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

According to its Articles of Association, Tecnomen has a minimum capital of EUR 2,000,000 and a maximum capital of EUR 15,000,000. The share capital can be increased or decreased within these limits without having to amend the Articles of Association. On 31 December 2006 Tecnomen had a share capital of EUR 4,720,446,24 that was fully paid and registered in the trade register and 59,005,578 shares, of which the company held 134,000. The shares were purchased under the authorisation given by the 2004 Annual General Meeting. The shares held by the company have no voting rights and no dividend is paid to them. Tecnomen's share has a nominal value of 8 cents. Equity per share was EUR 1.27. 99.94 per

cent of the company's shares are entered in the book-entry securities system maintained by the Finnish Central Securities Depository.

Quotation of shares

Tecnomen's shares are quoted on the Helsinki Stock Exchange. Tecnomen's trading code is TEM1V.

Authorisations of the Board of Directors for 2006

Authorisation to acquire of the Company's own shares

The Annual General Meeting of Shareholders on 15 March 2006 authorised the Board to decide on the acquisition of the company's own shares. The shares may be acquired for the purpose of developing the capital structure of the Company, to be used in financing corporate acquisitions or for other arrangements to develop the business of the Company, or to be used as part of the Company's incentive and remuneration schemes or to be otherwise disposed of or nullified in the extent and manner decided by the Board of Directors. The authorisation includes the right to decide on the acquisition of a maximum of 5,817,397 of the Company's own shares. The authorisation is in force for one year from the decision of the Annual General Meeting. The company had not exercised the authorisations during 2006.

Authorisation to dispose of the Company's own shares

The Annual General Meeting of Shareholders on 15 March 2006 authorised the Board to dispose of the company's own shares. The authorisation allows the disposal of all company shares acquired under the authorisation given to the Board and of company shares already held by the company maximum of 5,952,197 of the Company's own shares.

The shares may be disposed for the purpose to be used in financing corporate acquisitions or for other arrangements to develop the business of the Company, or

to realize or to finance investments or to be used as part of the Company's incentive and remuneration schemes in the extent and manner decided by the Board. The authorisation includes the right to decide to disapply the pre-emptive subscription rights of shareholders. The authorisation is in force for one year from the decision of the Annual General Meeting. The company had not exercised the authorisations during 2006.

Authorisation of the Board of Directors to increase the company's share capital

Tecnomen's Annual General Meeting of Shareholders on 15 March 2006 authorised the Board of Directors to decide on raising the company's share capital by issuing new shares or convertible bonds or stock options. Under the authorisation the share capital can be raised, in one or more issues, by a maximum of EUR 932,940.40, by issuing a maximum of 11,661,755 new shares.

The authorisation includes the right to decide to disapply the pre-emptive subscription rights of shareholders provided that there is a justified and valid economic reason from the viewpoint of the company, such as carrying out corporate acquisitions or other arrangements related to developing the Company's business operations, financing investments, reinforcing the Company's capital structure, covering the social security costs arising from share options, or establishing a remuneration or incentive scheme. The Board is authorized to determine the criteria for the setting of the subscription price and the right to set the subscription price. The subscription price may not be less than the nominal value of the shares. The authorisation is in force for one year from the decision of the Annual General Meeting. The company had not exercised the authorisations during 2006.

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Ownership structure by sector, 31 December 2006



	No. of shares	%
● Companies	6 301 763	10.68
● Finance houses and insurance companies	14 066 351	23.84
● Public sector	1 264 800	2.15
● Non-profit making associations	2 740 390	4.64
● Households and private persons	32 723 822	55.46
● Foreign holders	1 870 852	3.17
TOTAL	58 967 978	99.94
Joint account	37 600	0.06
Share capital	59 005 578	100.00
Nominee registrations	4 497 662	7.62

Shareholders

On 31 December 2006 Tecnomen had a total of 6,602 shareholders recorded in the book-entry securities system. Of these 6,589 were in direct ownership and 13 were nominee-registered.

On 31 December 2006 the ten largest shareholders (excluding nominee-registered shareholders) together owned approximately 26.28 per cent of the shares and voting rights. On 31 December 2006, altogether 10.60 per cent of Tecnomen's shares were in foreign ownership, with 2.98 per cent in direct ownership and 7.62 per cent nominee-registered. The shareholder information is maintained by Finnish Central Securities Depository Ltd

Trading and share performance

A total of 59,804,445 Tecnomen shares (EUR 122,085,204) were traded on the Helsinki Exchanges during the period 2 January – 31 December 2006, representing 101.35 per cent of the total number of shares.

The highest share price quoted in the accounting period was EUR 3.06 and the lowest EUR 1.38. The average quoted price was EUR 2.01 and the closing price on 31 December 2006 was EUR 1.68. The market capitalisation of the share stock at the end of the accounting period was EUR 99,129,371.

Tecnomen's Annual General Meeting, held on 15 March 2006, approved the proposal of the Board of Directors to reduce the share premium fund by at most EUR 66,177,792 and to distribute part of the amount reduced to the shareholders; under the proposal, this would be done by making a capital repayment, from the aggregate amount of the reduction, of EUR 0.10 per share to the shareholders in proportion to their holdings. The permission for this granted by the National Board of Patents and Registration was registered on 23 August 2006.

Shareholders registered on 6 September 2006 in the company's shareholder register maintained by the Finnish Central Securities Depository Ltd were entitled to the capital repayment. The payment date was 11 September 2006. The payment was made on altogether 58,835,778 shares, giving an aggregate total payment of EUR 5,883,577.80. The capital repayment was not made on the shares in the company's own possession (134,800 shares). The remainder of the share premium fund, EUR 60,294,214.20, was transferred to a fund belonging to the company's non-restricted equity.

Obligation to redeem shares

According to Article 15 of Tecnomen'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 15 of the Articles of Association.

Shareholdings of the Board of Directors and management

On 31 December 2006 the total number of shares owned by the members of Tecnomen's Board of Directors and the President and CEO was 3,573,151, 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 6.06 per cent of the total share capital and voting rights.

On 31 December 2006 the members of Tecnomen's Management Board did not hold Tecnomen shares, excluding those owned by the President and CEO.

Stock options held by the Board of Directors and management

A total of 175,000 Tecnomen stock options were held by members of the Board of Directors and the President and CEO on 31 December 2006. Altogether these stock options represent 0.30 per cent of the total share capital and voting rights after share subscription.

A total of 75,000 stock options were held by members of Tecnomen's Management Board, excluding the President and CEO, on 31 December 2006. Altogether these shares represent 0.13 per cent of the total share capital and voting rights after share subscription.

Company dividend policy

Tecnomen'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. In year 2006 a dividend of 0,02 euros per share was distributed.

Shareholder agreements and shareholding notifications

Tecnomen has no knowledge of shareholder agreements relating to the ownership of the company or to the use of voting rights.

During 2006 the company did not received any shareholder notification.

Stock option programme

The company currently has a 2002 stock option programme approved by the AGM on 11 April 2002 and a 2006 stock option programme approved by the AGM on 15 March 2006.

The subscription period for the 2002B stock option is 1 April 2004 – 30 April 2007, for the 2002C stock option 1 April 2005 – 30 April 2007 and for the 2002D stock option 1 April 2006 – 30 April 2008. The share subscription price for stock option 2002B is EUR 1.56, for stock option 2002C EUR 0.34 and for stock option 2002D EUR 1.21. From the share subscription price of the stock options shall, as per the dividend record date, be deducted the amount of the dividend decided after the beginning of the period for determination of the share subscription price but before share subscription. The subscription prices have been reduced by the dividend paid per share (EUR 0.02) and the

amount of capital repayment per share (EUR 0.10). During the accounting period a total of 240,800 shares were subscribed with the 2002A stock options, 103,000 with the 2002B stock options, 90,500 with the 2002C stock options and 262,500 with the 2002D stock options. The company's share capital rose by altogether EUR 55,774 as the result of these subscriptions.

The 2006 stock option programme is divided into three series: the 2006A, 2006B and 2006C stock options. Of the stock options, 667,000 is marked with the symbol 2006A, 667,000 with the symbol 2006B and 667,000 with the symbol 2006C. A maximum of 2,001,000 stock options may be issued, which entitle holders to subscribe for altogether 2,001,000 Tecnomen shares. The company's share capital can rise by a maximum of EUR 160,080 as a result of share subscriptions made with these stock options. The subscription period for the 2006A stock option is 1 April 2007 – 30 April 2010, for the 2006B stock option 1 April 2008 – 30 April 2011 and for the 2006C stock option 1 April 2009 – 30 April 2012. The share subscription price for 2006A stock options shall be the trade-weighted average price of the Company share on the Helsinki Exchanges during 1 January – 31 March 2006, ie. EUR 2.71, for 2006B stock options the trade-weighted average price of the Company share on the Helsinki Exchanges during 1 January

– 31 March 2007, and for 2006C stock options the trade-weighted average price of the Company share on the Helsinki Exchanges during 1 January – 31 March 2008. From the share subscription price of the stock options shall, as per the dividend record date, be deducted the amount of the dividend decided after the beginning of the period for determination of the share subscription price but before share subscription. Tecnomen's Board of Directors has issued 436,000 2006A stock options to key personnel of Tecnomen Group. The remaining 2006 stock options have been issued to Tecnomen Japan Corp., a wholly owned Tecnomen subsidiary, for issuing at a later date to current or future key Group personnel.

Tecnomen's Board of Directors has cancelled altogether 2,019,500 of the stock options held by Tecnomen subsidiary Tecnomen Japan Corp. from the 2002 stock option scheme. The company's share capital can rise in consequence of share subscriptions made with the outstanding stock options by a maximum of EUR 243,080, which corresponds to 5.15 per cent of the company's shares and votes carried by the shares after the share subscriptions.

The company has no convertible bonds or bonds with warrants.

Shareholders 31 December 2006

The company's ten largest shareholders, excluding nominee registrations, on 31 December 2006:

	No. of shares	%
Sampo Life Insurance Co. Ltd	3 083 400	5.23
Hammaren Lars-Olof	2 164 300	3.67
Sumelius Henning	2 022 300	3.43
FIM Fenno Fund	1 466 600	2.49
Suupohja Cooperative Bank	1 419 300	2.41
Kaleva Mutual Insurance Company	1 300 000	2.20
Sumelius Johanna Marina	1 122 400	1.90
Varma, Mutual Employee Pension Insurance Company	1 069 000	1.81
Investsum Oy	947 500	1.61
Estate of Suutarinen Helen	901 200	1.53
TOTAL	15 496 000	26.28

Ownership of Tecnomen shares, 31 December 2006

Shares	Holders	%	Shares and votes	%
1-500	2 835	42.94	653 803	1.11
501-1 000	1 182	17.90	968 460	1.64
1 001-5 000	1 708	25.87	4 313 677	7.31
5 001-10 000	414	6.27	3 212 586	5.44
10 001-50 000	328	4.97	7 607 721	12.89
50 001-100 000	51	0.77	3 757 308	6.37
100 001-500 000	63	0.96	13 173 053	22.33
500 001<	21	0.32	25 281 370	42.85
Joint account			37 600	0.06
Total	6 602	100.00	59 005 578	100.00

Auditor's report

To the shareholders of Tecnomen Corporation

We have audited the accounting records, the report of the Board of Directors, the financial statements and the administration of Tecnomen Corporation for the period 1 January - 31 December 2006. The Board of Directors and the Managing Director have prepared the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, containing the consolidated balance sheet, income statement, cash flow statement, statement on the changes in equity and notes to the financial statements, as well as the report of the Board of Directors and the parent company's financial statements, prepared in accordance with prevailing regulations in Finland, containing the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, as well as on the report of the Board of Directors, the parent company's financial statements and the administration.

We conducted our audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the report of the Board of Directors and the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the report and in the financial statements, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. The purpose of our audit of the administration is to examine whether the members of the Board of Directors and the Managing Director of the parent company have complied with the rules of the Companies Act.

Consolidated financial statements

In our opinion the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view, as defined in those standards and in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position.

Parent company's financial statements, report of the Board of Directors and administration

In our opinion the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The parent company's financial statements give a true and fair view of the parent company's result of operations and of the financial position.

In our opinion the report of the Board of Directors has been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The report of the Board of Directors is consistent with the consolidated financial statements and the parent company's financial statements and gives a true and fair view, as defined in the Finnish Accounting Act, of the result of operations and of the financial position.

The consolidated financial statements and the parent company's financial statements can be adopted and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the disposal of result for the period is in compliance with the Companies Act.

Espoo, 6 March 2007
KPMG OY AB

Sixten Nyman
Authorized Public Accountant

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

Espoo March 1, 2007

Jarmo Niemi
CEO and President

Lauri Ratia
Chairman of the Board

Keijo Olkkola

Christer Sumelius

Carl-Johan Numelin
Vice Chairman of the Board

Lars Hammarén

Timo Toivila

Releases in 2006

Further information is available at www.tecnomen.com.

4 Jan 2006	Press release	Tecnomen has received a Prepaid System order from América Móvil's subsidiary in Paraguay
9 Feb 2006	Press release	Tecnomen demonstrates the latest Messaging and Charging solutions at 3GSM World Congress
13 Feb 2006	Stock exchange announcement	Notification under Chapter 2, section 10 of the Securities Markets Act.
14 Feb 2006	Stock exchange release	Tecnomen's IFRS-compliant financial statements 1 January–31 December 2005 (unaudited)
14 Feb 2006	Stock exchange release	Tecnomen's Board of Directors' proposals to the Annual General Meeting
14 Feb 2006	Stock exchange release	Correction to the stock exchange release on financial statements
23 Feb 2006	Stock exchange release	Invitation to the Annual General Meeting
9 Mar 2006	Stock exchange announcement	Tecnomen's Annual Report 2005
15 Mar 2006	Stock exchange release	Resolutions passed by the Annual General Meeting of Tecnomen Corporation
29 Mar 2006	Stock exchange release	Tecnomen receives EUR 2.3 million Messaging order from Siemens in Indonesia
13 Apr 2006	Stock exchange announcement	Notification under Chapter 2, section 10 of the Securities Markets Act
26 Apr 2006	Stock exchange release	Tecnomen's Interim Report for 1–3/2006 (unaudited)
27 Apr 2006	Stock exchange announcement	Notification under Chapter 2, section 10 of the Securities Markets Act
18 May 2006	Stock exchange release	Tecnomen receives USD 2.3 million Prepaid expansion order from Telemig Celular in Brazil
23 May 2006	Stock exchange release	Tecnomen and Nokia Services partner in Messaging solutions
30 May 2006	Press release	Brasil Telecom migrates its prepaid fixed line service to Tecnomen GSM Prepaid System
9 Jun 2006	Stock exchange release	Tuomas Wegelius appointed as CFO of Tecnomen Corporation
14 Jun 2006	Stock exchange release	Tecnomen receives USD 2.4 million Prepaid order from Nicaragua
15 Jun 2006	Stock exchange announcement	Subscription for Tecnomen shares by exercising the 2002 stock options
29 Jun 2006	Stock exchange release	Tecnomen receives USD 2.1 million Prepaid expansion order from Guatemala
5 Jul 2006	Stock exchange announcement	Tecnomen Board decided distribution and cancellation of stock options
10 Jul 2006	Stock exchange release	Tecnomen receives USD 12.2 million Convergent Charging order from Porta in Ecuador
15 Aug 2006	Stock exchange release	Tecnomen's Interim Report for 1–6/2006 (unaudited)
15 Aug 2006	Stock exchange release	Correction to Tecnomen's Interim Report for 1–6/2006 (unaudited)
4 Sep 2006	Stock exchange release	Schedule of Tecnomen's return of capital
5 Sep 2006	Stock exchange release	Tecnomen refocuses its resources and looks for cost savings
21 Sep 2006	Stock exchange release	Tecnomen renews its organisation structure
26 Sep 2006	Stock exchange release	Tecnomen receives USD 2.6 million Voice Mail order from Venezuela
27 Sep 2006	Stock exchange release	Employee negotiations concluded at Tecnomen
24 Oct 2006	Stock exchange release	Tecnomen's Interim Report for 1–9/2006 (unaudited)
5 Dec 2006	Stock exchange release	Tecnomen receives USD 3.3 million expansion order from Brasil Telecom
11 Dec 2006	Stock exchange announcement	Subscription for Tecnomen shares by exercising stock options
19 Dec 2006	Stock exchange announcement	Tecnomen's financial announcements and Annual General Meeting

Information for investors

Regular communication aims to provide capital markets with open and reliable information about Tecnomen, increase public awareness of the company, support the correct price setting of Tecnomen's share and promote general confidence in Tecnomen as an investment. Tecnomen's investor relations are managed by CFO Tuomas Wegelius.

Financial reporting and Annual General Meeting in 2007

- Financial statement
1 January–31 December 2006 14 February 2007
- Annual General Meeting 14 March 2007
- Interim report
1 January–31 March 2007 25 April 2007
- Interim report
1 January–30 June 2007 15 August 2007
- Interim report
1 January–30 September 2007 24 October 2007

The interim reports and annual report are published in English and Finnish. The publications are available on Tecnomen's website at www.tecnomen.com.

Briefings and closed period

Tecnomen holds briefings for analysts, investors and the media in conjunction with financial reporting. Tecnomen applies a three-week closed period before the publication date of financial statement or interim reports.

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Address change of shareholders

Shareholders report their address change to the bank or brokerage company that manages their book-entry account. The Finnish Central Securities Depository (APK) may only update the information of customers with a book-entry account in APK. Tecnomen does not maintain an address register.

Analysts monitoring Tecnomen

The analysts monitoring Tecnomen are listed on the company's website at www.tecnomen.com.

Availability of the company's insider register

Information about the company's public insider register can be found at www.tecnomen.com or from Finnish Central Securities Depository, Urho Kekkosen katu 5 C, FI-00100 Helsinki, Finland.

Corporate Governance

Information about Corporate Governance at Tecnomen is available on the company's website at www.tecnomen.com.

Ordering publications

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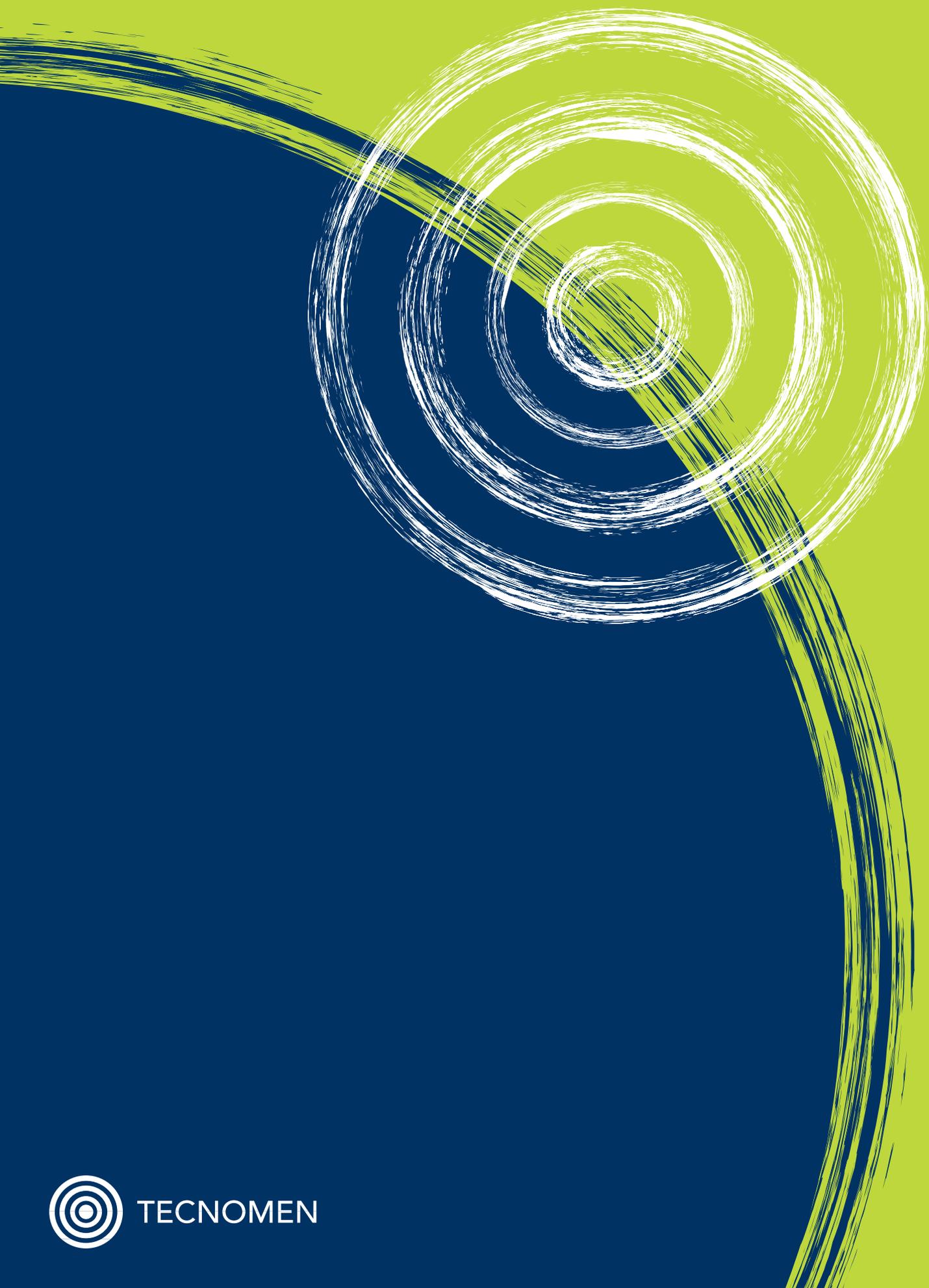
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