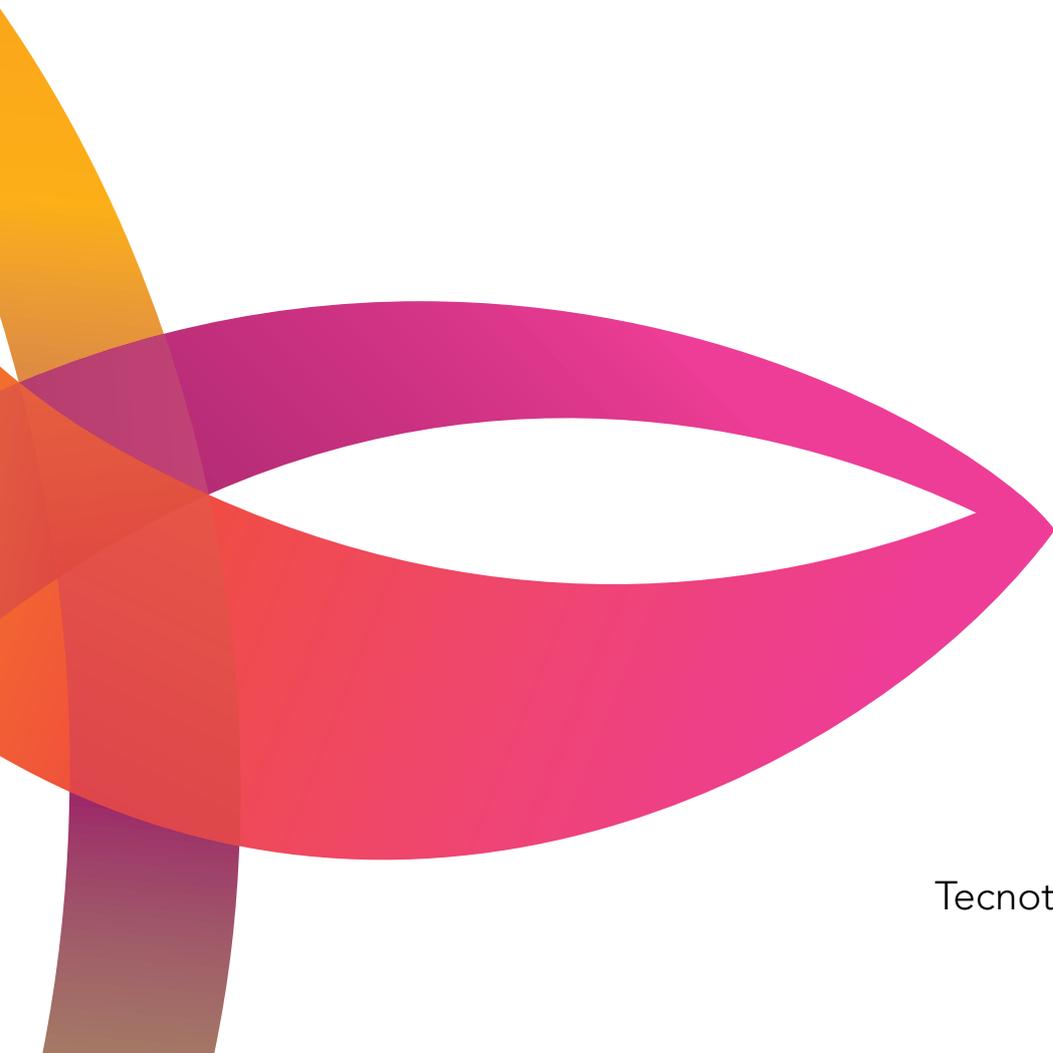


Powering the digital marketplace



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Operators are turning into broad providers of connectivity services, business solutions, media and entertainment, local content, and popular application bundles. In the meantime, internet businesses have created a wealth of services beyond existing operator domains. Operators are redefining their role in this new market.

And so are we.

TECNOTREE

Tecnotree is a global provider of a broad range of telecom IT solutions focused on charging, billing, customer care, messaging and content services.

Tecnotree empowers communication service providers to create and monetize a broad marketplace of digital services, and augment value across the customer lifecycle. Acknowledged for agility and commitment, Tecnotree has more than 800 employees serving over 100 operators globally. Tecnotree is listed on the main list of NASDAQ OMX Helsinki Ltd with the trading code TEM1V.



www.tecnotree.com



Expanding towards a broad telecom IT supplier

Positive development throughout 2010

In 2010, we clearly started to see the benefits of our new, unified company in terms of operational and strategic improvements. Our emphasis moved towards delivering broader telecom business IT solutions, whereas before the acquisition, Tecnomen and Lifetree were more focused on stand-alone charging, billing, and messaging product areas.

Our financial situation has developed well during the year. We have improved both in terms of revenue and profitability, and we have further gained ground in Latin America, Africa and the Middle East. We made particularly good progress with the two operator groups América Móvil in Latin America and the MTN Group in Africa and Middle East.

This year has also been a year of several changes. The transition from a product focus into becoming a broad solutions provider involves new processes and ways of working. Our global personnel has made a remarkable effort in broadening horizons, and I want to thank them for their flexibility, commitment, and customer service attitude. Owing to our personnel, we can realize our vision to become a broad telecom IT supplier on a global scale.

Towards digital marketplaces

The role of the communication service provider is changing, and so are we. We have defined our strategy to respond to the increasing demand for operator solutions enabling marketing agility, end-user service bundling and pricing flexibility, service personalization, and customer lifecycle value management. Utilizing the assets of both Tecnomen and Lifetree, we are ideally positioned to take an extensive role in solving tomorrow's business needs.

We believe operators will become digital marketplaces with telecom, content, media, and entertainment services from a plethora of both local and global partners – not only telecom connectivity providers or bitpipes. With this evolution, operators need to unify and streamline their IT and business systems and service platforms, and with our versatile solution offering and agile as well as responsive customer services, we have the opportunity to be among the first to recognize, embrace, and accelerate this transformation.

Tecnotree is ideally positioned to take a broad role in solving tomorrow's business needs.

Now, with critical revenue-generating solutions completely at the core of the operator's business, we engage in much deeper customer relationships. We are not only a product supplier, but we become a strategic partner, also making our own business more lasting and predictable.

Operators are increasingly focusing on maximizing customer value rather than on acquiring new subscribers or striving to have the lowest plans. To accomplish this, a key



avenue is to provide flexible, even personalized service bundles and subscriptions, where people build an individual package not only consisting of voice and data services to their needs, but also including for instance their preferred news, music, and video services delivered and bundled by the operator. Our development focus is to enable operators to build and monetize such marketplaces enabling new ways of customer analytics and promotion with extremely flexible tariffing and charging options.

We are not only a product supplier, but we become a strategic partner, also making our own business more lasting and predictable.

Optimistic outlook at the onset of 2011

In line with our strategy of enabling flexible service bundling, boosting customer lifecycle value management, and enabling and monetizing digital marketplaces, we will continue to strengthen our relationships with existing customers and penetrate into new markets.

The concept of digital marketplaces has raised a lot of interest and traction and is something that operators want to invest in. Coupled with the industry trend towards convergent charging and billing as well as flexible service bundling, this creates a favorable market outlook for us.

We believe to have uncovered a substantial growth opportunity as a broad telecom IT supplier. With our broad portfolio, agile processes, and devoted personnel, we are ready and excited to turn the page into 2011.

Kaj Hagros
President and CEO

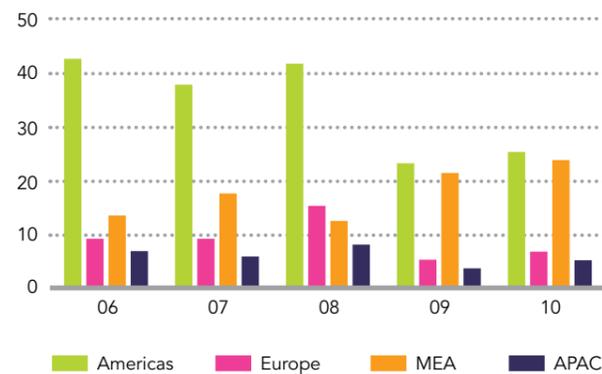
Key figures

| | 2010 | 2009 | 2008 | 2007 | 2006 |
|--|-------|--------|-------|-------|-------|
| Net sales, MEUR | 60.7 | 53.3 | 77.2 | 70.1 | 71.8 |
| Net sales, change % | 14.0 | -31.0 | 10.1 | -2.4 | 4.1 |
| Adjusted operating result**, MEUR | -2.5 | -8.8 | 8.0 | 3.7 | 1.2 |
| as % of net sales | -4.2 | -16.6 | 10.4 | 5.2 | 1.7 |
| Operating result, MEUR | -8.1 | -15.0* | 11.5 | 8.9 | 4.9 |
| as % of net sales | -13.3 | -28.1 | 14.9 | 12.7 | 6.8 |
| Result before taxes, MEUR | -9.4 | -15.4* | 13.5 | 10.0 | 5.2 |
| as % of net sales | -15.5 | -29.0 | 17.5 | 14.2 | 7.3 |
| Result for the period, MEUR | -11.0 | -16.2* | 10.2 | 8.7 | 3.2 |
| Earnings per share, basic, EUR | -0.15 | -0.24 | 0.17 | 0.15 | 0.06 |
| Earnings per share, diluted, EUR | -0.15 | -0.24 | 0.17 | 0.15 | 0.05 |
| Equity per share, EUR | 0.98 | 1.05 | 1.41 | 1.32 | 1.27 |
| Net interest-bearing liabilities, MEUR | 2.4 | -8.3 | -31.0 | -17.5 | -20.4 |
| Personnel at the end of the period | 858 | 779 | 354 | 355 | 374 |

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

**Operating result before R & D capitalization, amortization of this and one-time costs.

Net Sales by market area 2006–2010, MEUR



Year in Brief

• February

Tecnotree wins a new operator customer in Latin America with solutions for enterprise rating and content delivery.

• March

Tecnotree receives a managed services order from a customer in Middle East, worth EUR 2.3 million.

• March

Tecnotree implements an integrated sales & customer service solution for a leading operator in the Middle East with over 25 million subscribers.

• April

Tecnotree completes the integration process and Tecnotree Lifetree becomes Tecnotree Corporation.

• April

Tecnotree chosen to implement a convergent charging and billing solution and unified messaging platform with Emtel, Mauritius.

• June

Tecnotree receives expansion orders on its Convergent Charging, Next Generation Messaging and VPN solutions in Latin America worth USD 4.0 million.

• July

Tecnotree chosen to deliver a customer care and billing solution to MTL, Malawi worth USD 2.2 million, further strengthening the company's footprint in Africa.

• August

Tecnotree extends its partnership with Celcom, Malaysia by implementing its Next Generation Mail services.

• November

Kaj Hagros started as President and CEO on November 1, 2010.



Leveraging opportunities in a transforming CSP market

Communication service provider business under transformation

Communication service providers throughout the world are going through a profound change. The emergence of Web 2.0 as well as the convergent triple and quad play business models combining mobile, fixed, broadband, and Internet TV services forces operators to reshape their business. Much of the new service innovation on a global scale takes place within the internet paradigm. However, for communication service providers significant business opportunities lie on the local level, where they can play on their strategic assets, such as licensing to radio spectrum, nationwide voice and data networks, strong local brands, extensive distribution channels, and wide customer bases.

The transformation of communication service providers from telecom-only to broad content and service supermarkets requires an extensive overhaul in the underlying business support and customer care systems. The one-size-fits-all paradigm dating back to early GSM adoption is gone forever.

We believe that communication service providers are in an ideal position to extract significant value from providing rich bundles of services from an array of content partners. We intend to be among the first companies to explore and embrace the new market trends and support the communication service providers with innovative technology, business solutions, and services.

Consumers deserve to be offered a totally new level of empowerment and freedom to choose which services they want to use, how they want to bundle them, how much, and through which channels. Communication service providers need the capability to provide, charge, and bill ser-

vice bundles for every taste, and ultimately let customers self-provision the most fitting packages or subscriptions all by themselves.

Towards versatile service bundles and personal customer experiences

What does it mean for charging and billing systems if the customer wants not only 100 minutes and 1,000 text messages, but also a movie download, a ticket to a music show, or a popular t-shirt? And how do customer care agents respond to customer inquiries about Skype settings or zero-rated mobile internet applications? What does it mean for service provisioning if the prepaid SIM includes also other services depending on the customer's choice? We attempt to make it easier to answer these questions.

The one-size-fits-all paradigm dating back to early GSM adoption is gone forever.

Today, mobile penetration rates are passing 100% in several countries around the world. In line with this trend communication service providers are starting to focus more on retaining existing customers instead of investing heavily into acquiring new customers at decreased returns. Communica-

tion service providers are looking to provide their best and most loyal customers a predictable, personalized service experience to ensure satisfaction and drive service usage.

Furthermore, communication service providers are looking to provide their customers with more products and services to increase their potential lifetime value. Our extensive solution offering enables service providers to offer an exciting set of both operator branded and third party services. This portfolio covers messaging and content services, as well as the provisioning, charging, billing, and customer care for basically any third party service on any network.

Our solutions also give the operators the possibility to generate and accumulate customer insight, to predict individual preferences and requirements, and subsequently to take relevant action based on these insights. These actions can, for instance, lead to more personalized customer care, to retaining customers, or to inducing cross-selling of services.

Emergence of digital marketplaces

Our mission is to empower communication service providers to leverage the business opportunities described above to their full potential: To create, distribute, and monetize a broad marketplace of digital services, and augment value across the customer lifecycle. We explore this new space together with our customers, and drive our R&D and marketing to develop and launch new, unique products and solutions.

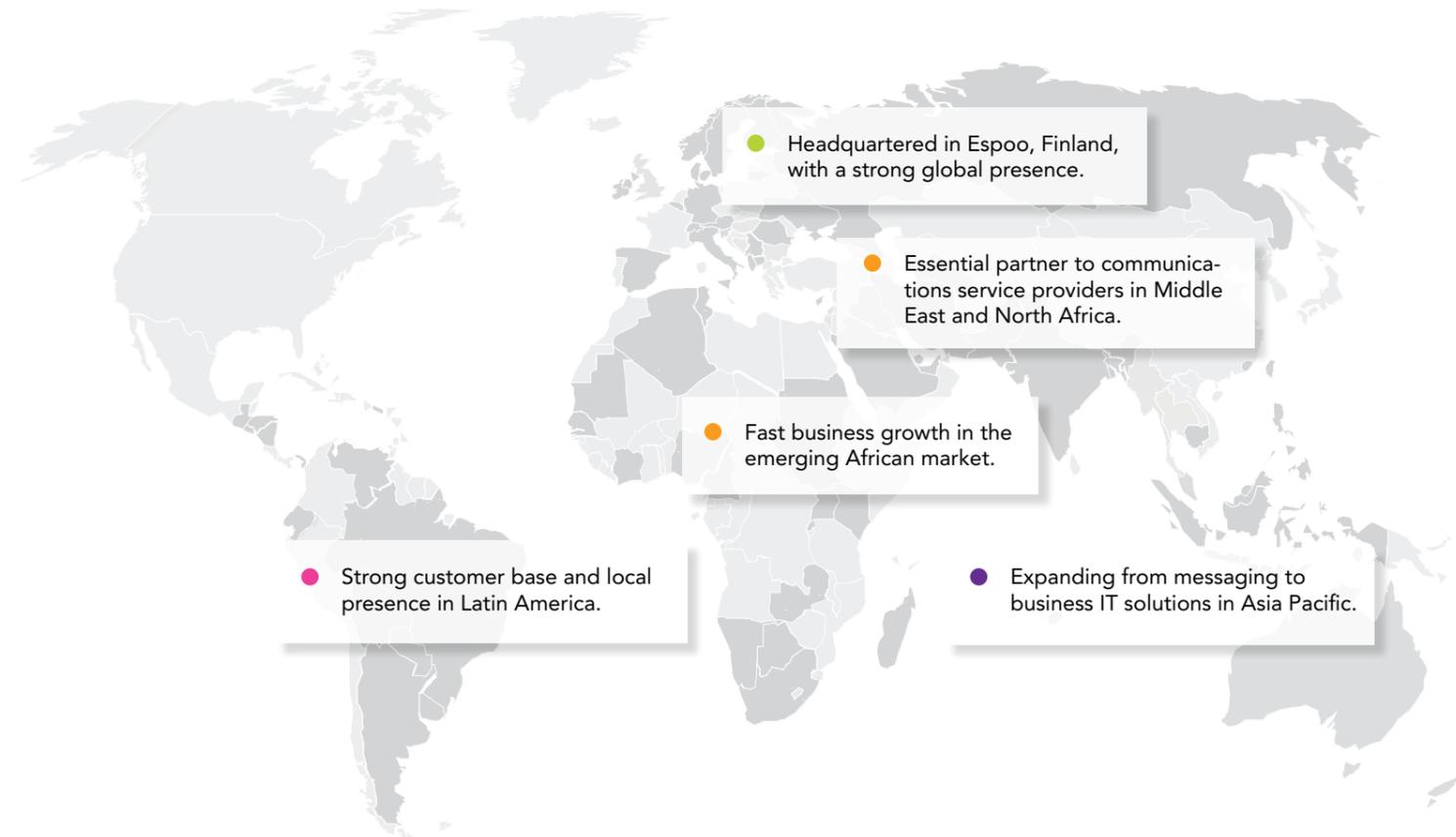
We have uncovered a substantial growth opportunity as a broad telecom IT supplier. Bundling, provisioning,

charging, and billing of third party services requires agility, flexibility and integration from the underlying business IT system. This is not a characteristic for systems currently in use by communication service providers around the world, and therefore, we are constantly working on providing solutions for these needs. We seek to penetrate the wider market of business critical telecom IT systems in addition to focusing on our traditionally strong prepaid charging, messaging and value added service solutions.

We will market our solutions through three parallel approaches, combining the capabilities of the full suite of our products. In short, we will empower communication service providers to:

- promote convergent services with service bundles for every taste,
- boost value across the customer lifecycle through adaptive customer care, cross-sales, and retention based on customer insight, and
- enable and monetize a marketplace of a wide range of digital services adapting to individual preferences.

All three approaches require communication service providers to renew and extend their charging, billing, customer care, and service delivery platforms and applications currently in use. Our solutions for these challenges form the core of our offerings, which are covered in more detail in the solutions section on pages 10–12.



Strong footprint in emerging markets a key advantage

To a large extent, the innovation in mobile services in the 2G era took place in Western Europe, Asia Pacific, and North America. During the last ten years, the innovation drive and rapid market growth has moved to emerging markets. Especially in the recent years emerging markets have constantly been able to find new innovate approaches to their business by building strong local offerings, complemented by global service and content brands, and generating healthy cash flows even with relatively low revenue per user.

We take great pride in being an essential partner to communication service providers in emerging markets. We have an exceptionally strong market position in Latin America and Africa where we have provided business critical solutions to market leading communication service providers, powering core business IT and value added services platforms. The holistic solutions that we have developed for the needs of these markets represent best-in-class for any market in the world.

We believe that our exceptionally strong position as a trusted partner to communication service providers in emerging markets coupled with our global footprint gives us a strategic advantage. The experience we have accumulated in designing, building, and operating innovative business solutions in complex environments gives us a stepping stone for further growth in the more mature markets. Operator drive for increased flexibility and cost-efficiency will continue across the globe, and operators worldwide will have to adopt new technologies and thought patterns. When this gradually starts to happen in the developed economies as well, our track record as an agile partner in the emerging countries puts us ahead of our global competition and enables us to grab an increasing market share across regions.

Looking ahead with confidence

Now, after the integration of Tecnomen and Lifetree has taken place, we continue to develop unified and harmonized core processes and best practices. We are in a strong position to deliver on our strategy having implemented global processes, including areas such as solution management, marketing, common architecture development, and customer solution delivery.

In our pursuit to push the boundaries of business and technology innovation at an ever increasing speed, we realize that our most important asset is our highly knowledgeable and motivated personnel. We invest heavily into the well-being and competence development of our personnel. We intend to promote skills development especially in customer service operations and in understanding the business needs of the market to boost our service level to new heights and drive solution innovation across the organization.

With an extensive solution offering, we tackle the critical business requirements and market trends that communications service providers are experiencing across the

We take great pride in being an essential partner to communication service providers in emerging markets.

world. We have a globally present, talented personnel to innovate and stay ahead of the pack. We are consistently recognized for our agility, flexibility, attitude, and commitment to deliver. We are ready to jump on the wave of the most substantial value chain redefinition in the history of modern communications services. We have the building blocks to succeed.

Playing on product strengths to provide business critical solutions

The profound transformation of the communication service business is inducing, if not outright forcing, communication service providers to invest significantly into upgrading their business, customer care, and service infrastructure.

Based on a market study carried out by Tecnotree in 2010, key themes driving operator investments include:

- process streamlining and reduction of operating expenses,
- improving and personalizing the customer experience,
- retaining existing customers and increasing their value through the lifecycle,
- ensuring financial sustainability and scalability of data services,
- embracing service, network, and charging convergence.

We tackle these critical business needs through further developing our existing products, providing completely new products and focusing especially on innovative business solutions combining capabilities across our whole product portfolio. We have decided to focus our offering to communication service providers around three solution areas addressing the market trends described. We help our customers to bundle services for every taste, boost customer lifetime value, and build digital marketplaces.

Bundling services for every taste

Communication service providers need flexibility to serve different customer segments by creating a host of alternative service packages or subscription types, i.e. service bundles. One size definitely does not fit all, nor do three or even five different flavors. Customer bases of millions of

people contain a multitude of sub-segments that an operator should address with relevant service bundles.

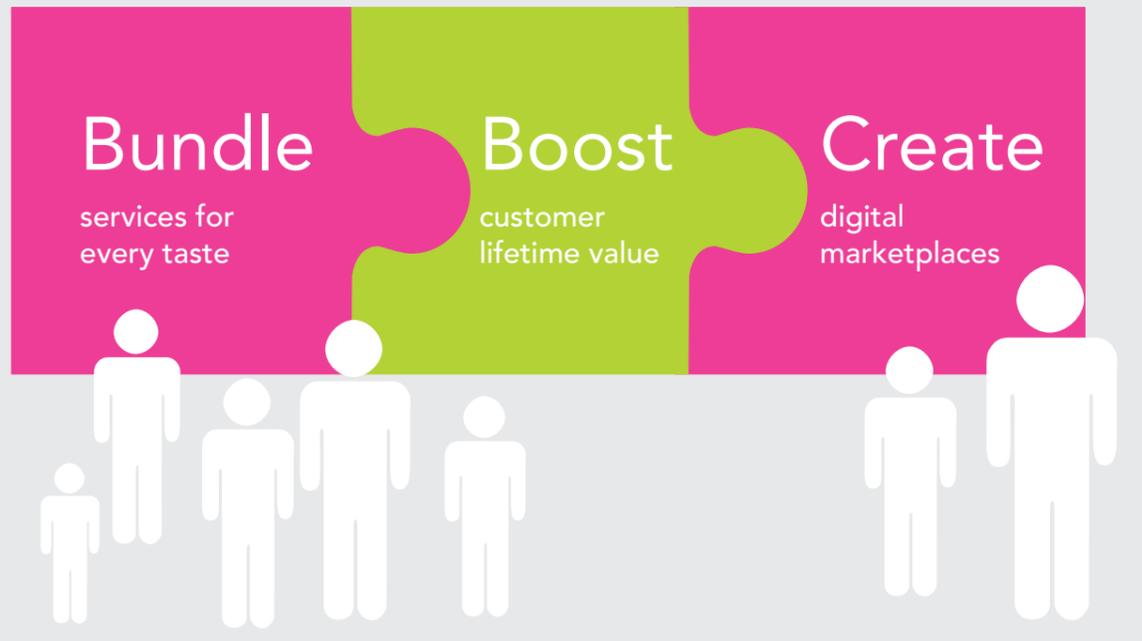
Our solutions enable operators to form such service bundles with ease. We cover all the aspects from provisioning triple-play (fixed telephony, mobile, broadband) or quad-play services (including cable or Internet TV), to charging, rating, and ultimately billing. Customers can choose from prepaid, postpaid, and hybrid charging models for these services. The subscription bundles can

We enable operators to combine all of their products and services into a single repository and selection menu.

contain services covering any network domain. Furthermore, the bundles can contain products and services from the operator as well as from a number of content and application partners, including music, media, gaming, or entertainment services.

Everyone's idea of the perfect service bundle is different. One customer may choose a bundle of 400 text messages, unlimited smartphone browsing, 50 MB laptop broadband connection, antivirus, unlimited domestic calls on a fixed line, and push e-mail. The next customer, on the

Powering the Digital Marketplace



other hand, may want a completely different setup with all-you-can-eat gaming and video, and a Spotify music subscription. Customers need an easy means of packaging services into fully personalized bundles through either self-care or assisted customer care facilities.

We enable operators to consolidate all of their products into a single service repository. We provide a customer self-care view into these services for an individual shopping experience. We also furnish operator personnel with a customer care application for serving the customers who require assistance, either face-to-face or over the phone. The flexibility of serving every need does not end with selecting individual service bundles, but the bundles can be charged according to fully customized schemes, using prepaid, postpaid, combinations of the two, or sponsored, real-time, flat rate, or usage-based charging. Any way the operator and their customers want to have it, we can accommodate it.

An operator's enterprise customers can experience the same agility as consumers do in service bundling and charging. For example, our solutions allow the operator to implement corporate numbering plans where internal calls are charged at discounted rates. Furthermore, employees may have different enterprise application packages available to them on specific rates. Or, the employer may specify which services are included in the company's plan and the rest will be paid by the employee.

We offer a host of solutions that are proven to deliver concrete business value and much needed agility to serve modern digital consumers and enterprise customers. We seek to drive innovation in convergent customer management. It is no longer only about prepaid and postpaid, or voice and data, but convergence of access network lines, services, content, applications, and payment types.

Boosting customer lifecycle value

We know that the cost of acquiring new customers typically outweighs the cost of holding on to existing customers. With mobile and broadband penetration rates hitting high double-digit numbers in most markets around the world, the spotlight is moving on to generating more value from the existing customer base.

We provide solutions accumulating a wealth of information about customers, analyzing this data and turning the insight into loyalty enhancing activities. These activities can, for instance, take the shape of personalized customer care. In addition, service usage analytics and automated enactment can be used for triggering personalized marketing offers.

Another challenge that communication service providers are exposed to is the proliferation of separated islands of customer care. This can take the form of multiple different care units serving different customer domains, where broadband and mobile customers, as well as fixed

telephony and third party value added services, are served by different units. Having a centralized customer care function, yet with a multitude of underlying care applications each one with distinct user interfaces, is equally problematic. The costs of maintaining separate help desks quickly become excessive, and building dedicated pools of customer care competences requires an excess overhead of service representatives. For the end-consumer, dealing with a number of different care desks takes up valuable time and may become a frustrating experience for both parties.

Our solutions allow operators to provide central and unified customer care. Independent of network domain, service type, or customer segment, all care functions can be effectively and quickly managed from a unified service desk. We have developed a Service Oriented Architecture

We offer a wide range of solutions covering the requirements for creating digital marketplaces.

(SOA) and Business Process Management (BPM) based solution to integrate all customer care applications and portals into one. Customer service representatives no longer need to learn a number of different systems as one application does it all.

The customer care unit will thus have a 360 degree view of the customer, including all active network services and applications. This results in major cost savings in personnel training, contingency plans as well as shorter time required to serve each customer. Operators have cut their customer issue resolution times by as much as 50% after deploying the unified, fully integrated Tecnotree customer care solution.

Building digital marketplaces

We offer a range of solutions covering the essential requirements for creating and cultivating digital marketplaces. These solutions can be implemented stand-alone or as readily integrated suites of business functionality.

Operators have realized that they need to extend their offering to third party products and services if they want to keep growing their business in the future. In-house developed operator services form the backbone of any service portfolio, yet on the longer term, these own services are not enough to provide long-term business growth. Service innovation in the internet service and media industries will help communication service providers to keep their digital storefronts stocked with exciting new products and services.

Operators command a position as trusted partners to their customer bases of millions. This puts operators in an excellent position to expand their offering to popular third party services and make the services available to their customers through digital marketplaces.

An integrated, agile business infrastructure is the foundation for a digital operator marketplace. This infrastructure should cover the whole operator business cycle: Service creation and management, provisioning, charging and rating, billing, and customer care. The marketplace needs to allow customer access through any network type and support all kinds of services. Our solutions cover these requirements within an integrated business suite, thus forming the crucial business engine for a digital marketplace.

Communication service providers will provision a plethora of third party applications, media, and content in a digital marketplace, and manage their revenue settlement. Furthermore, a variety of critical service enabler functions will be needed. Operators wish to act as payment brokers for third party services, and a digital marketplace needs to provide access to customers through service discovery storefronts and channels.

Premium products require tools for promotion, including auctioning of the scarcest and most valuable products. Operators wish to provide alternative business models for innovative products and services, including ad-funded services and sponsored services. In addition, content and subscription management is required for operator and third party services alike and messaging, call completion, infotainment, gaming, and voting services require their own delivery and management solutions. Finally, digital marketplaces require advanced analytics to drive personalized promotions, building on the extensive customer data accumulated over the years.

New solutions contribute to area revenues

THE AMERICAS

Reinforcing our position as a telecom business IT solutions provider

During 2010 we have reinforced our presence in the area, becoming a broader IT solutions provider. Our operator customers recognize us as an agile supplier that is quick to deliver new solutions answering to their business needs. This has brought us new business in content charging and enterprise charging solutions.

América Móvil continues to be our largest customer in the area. Today, the operator is the number one communication service provider in the Americas, and ranks as one of the top 5 in the world with around 300 million subscribers.

New solutions to the market

In 2010, operators have been focusing on increasing revenue from existing customers rather than acquiring new subscribers. We have taken steps to respond to this need by broadening our solutions portfolio.

During the year, we have launched several new business IT solutions, including Enterprise Rating, Content Charging, and Online Data Charging. We have also deployed Mobile Content Delivery, SMS Broadcasting, and Ring Back Tone solutions in Value Added Services.

Outlook

Going into 2011, we expect an increase in demand of new solutions helping operators to bundle flexible services and manage customer lifecycle value. Operators combine network services (fixed, mobile, broadband), end-user applications, and payment models in new ways, which requires more flexibility from the underlying business IT infrastructure. In this process, we take the role of a flexible challenger, with modern technology aimed at replacing legacy systems.

Quick box

- 47 (49) employees
- 41.5% (43.4) of net sales
- New charging, content and messaging solutions delivered in 2010 have made us a more strategic partner to our operator customers.
- In 2011, we will take an active role in reshaping the operator infrastructure, enabling flexible and convergent service bundles.



Oscar Fernandez

Value Added Services main revenue source

EUROPE

New business opportunities arising

Next Generation Messaging service platforms, Call Completion, Interactive Voice Response (IVR) systems and messaging solutions for the Professional Mobile Radio segment were the strongest contributors for our sales in Europe. As solutions provider for Professional Mobile Radio operators, new business opportunities are arising in Eastern Europe.

Messaging consolidation continues

The activities of communication service providers to upgrade and modernize their messaging platforms gained momentum during the year, and we expect the replacements of legacy voicemail systems to continue in 2011. Main drivers are the reduction of operational expenses, introduction of new services, concentration to centralized systems, and support of the internet interfaces.

Further potential lies in the consolidation of Interactive Voice Response services within our customers' service platform infrastructure. Interactive Voice Response services are mainly used for providing a voice interface access to different kinds of information sources, and for handling pre-paid top-ups as well as automated customer care requests or self-care options. Consolidation and improvements in this area help our customers increase customer satisfaction while also reducing costs for customer care and IT.

Outlook

In 2011, we will continue our efforts to increase our business IT sales: customer analytics, loyalty management, service bundling, and convergent charging. The convergence of networks and services, the requirements of our customers to serve multiple lines of businesses such as mobile, fixed, and broadband services leads to an increasing demand for flexible charging and customer care solutions.

Quick box

- 134 (181) employees
- 11.1% (9.8) of net sales
- During 2010 we expanded our messaging solutions towards customer care applications, in particular through Interactive Voice Response solutions.
- In 2011 the modernization of voicemail and call completion infrastructure continues.



Kai Honetschläger

A valuable partner through a broad solutions portfolio

MIDDLE EAST & NORTH AFRICA

Increasing demand for business IT solutions
In 2010, the Gulf countries continued to show good momentum, while the progress in most other MENA regions was slower. Our sales decreased due to cautiousness in operator investments in some parts of the region.

Operators however show an increasing interest towards our offerings, and see us as a valuable partner with a complete product portfolio. Messaging and Value Added Services continued to be a major part of our business, while charging, billing, customer care, and revenue management are growing in importance.

We see 2011 as a year of making important progress in telecom business IT in MENA, with expected sales growth. This outlook is supported by our broad solution offering, operators' business IT transformation programs, and requirements for greater end-user experience and marketing agility.

AFRICA

Increasing mobile penetration and new licenses drive growth

With our new regional headquarters in South Africa and offices in Nigeria, Ivory Coast, and Uganda, we are set to explore a growing telecom market in Africa. Further, we increased our footprint by establishing local presence in Senegal.

Our relationship with operators like Vodafone, NetOne and MTL deepened. We also widened our footprint within MTL to some new operation along with cross-selling to existing MTN operations.

With mobile penetration levels currently averaging 50%, the market is experiencing robust growth. New licenses and decreasing revenue per user have led to growing competition. Operators have started focusing on solutions such as customer relationship management, loyalty, and churn prevention. Our broad product suite, local customer relationships, continuous innovation, and delivery agility make us an ideal partner to support the operators' business needs.

Quick box

- 24 (23) employees
- 39.0% (40.0) of net sales
- In 2010 we delivered new solutions for streamlining customer care operations, simplifying customer inquiry process and reducing handling time.
- In 2011, we expect to see operators focusing more on customer relationship management.



Ramy Fares



Vinay Anand

APAC sets the pace for broadband data

ASIA PACIFIC

Call for innovative solutions

In 2010, we have succeeded in adding a new customer as well as upgrading an existing customer in Value Added Services. We have also made good progress in telecom IT solutions.

Operators in APAC are actively embracing mobile broadband data services. Flat-rate data plans create challenges in increasing the revenue per user, calling for new approaches in innovative tariffing options. Operators also seek to improve customer experience, making services easier to use and improving the quality of customer care. We offer solutions to answer these needs.

APAC to be the fastest broadband data growth market

With broadband data finally moving up the track after years of slow progress, operators are facing pressure to provide a network infrastructure that meets the demands of an increasing number of smartphone users. The underlying IT infrastructure needs to cater for far greater service packaging, tariffing, and billing flexibility, which is a key theme for us going forward.

Outlook

Entering into 2011, we will focus on growth markets such as Southeast Asia, India, Indochina, Australia and Oceania, as well as specific markets in North Asia.

We continue to re-position ourselves to provide solutions and high quality services with a diverse business IT, messaging and content applications offering. Our solutions encompass analyzing subscriber behavior, creating schemes for loyalty and retention, and enabling completely new business models.

Quick box

- 644 (526) employees
- 8.3% (6.8) of net sales
- In 2010 we added one new operator customer in APAC.
- We expect 2011 to be a year of broadband mobile data growth.



Jeevarathinam Ravikumar

Our personnel at the core of the company

Increased resourcing for broader scope delivery capability

In 2009, our number of personnel increased considerably as a result of the Tecnomen and Lifetree merger. In 2010, the number of employees increased in India, but staff level was reduced in the rest of the group. Consequently, 73% (65%) of the personnel works in India and 27% (35%) in other countries. Our focus is on research and development, customer operations, and managed services, in which the majority of our employees is working.

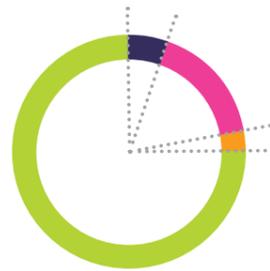
Global footprint

After Tecnomen's acquisition of Lifetree, we have become a truly international company. We support our geographically dispersed workforce by providing best of breed tools and processes. Our people are recognized for their flexibility, agility, commitment, and attitude to deliver.

Even though we have increased in scale and now employ more than 800 people, we still operate in a very entrepreneurial and customer committed mode. We strive to improve collaboration between our people to accelerate innovation and stay ahead of our competition. Our global presence gives us insights in different markets, and enables our employees to exchange ideas and develop them further with our customers on a local level.

Employees by area 2010

- APAC 644
- Europe 143
- MEA 24
- Americas 47

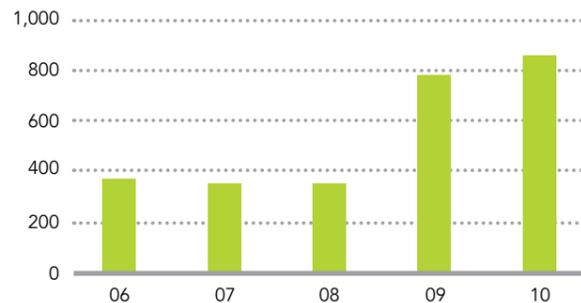


Employees by company 2010

- Tecnotree Convergence Ltd (India) 625
- Tecnotree Corporation (Finland) 70
- Tecnotree Ltd. (Ireland) 64
- Tecnotree Sistemas de Telecomunicacao Ltda (Brazil) 47
- Other 52



Employees at the end of the year



Focus on first-rate quality and processes

We strive to be the most agile company in the business by revolutionizing our management and process principles and continuously developing and communicating a corporation-wide quality philosophy.

Unified tools

Our common processes, facilitation of collaboration and support of a distributed workplace has resulted in a common quality vocabulary, common cloud-based tools, and the deployment of global quality auditing. We also manage a customer support help desk and service level agreements with unified, globally shared tools and practices.

Visibility into quality and operations

We provide our customers with improved visibility and proactive engagement. We provision customer portals for project, product, and support data sharing. We offer our personnel periodic communication and quality feedback through internal audits and the publication of a quarterly global quality newsflash.

Global quality and IT organization

We offer common tools and processes for root cause analysis and improvement identification, provide collaborative tools for teaming, and sponsor cross-organizational projects. This has resulted in a cross-geographical quality and process organization, deploying the root cause tool across all sales regions and publishing quality standards comparisons. We also provide an integrated internal voice and messaging platform and deploy global information security management systems across core sites.

New thinking

Our actions towards improving product quality and reducing delivery time have resulted in new key performance indicators being deployed across all sales regions and solution centers. These indicators cover early detection of software defects, project delivery accuracy, and service level compliance. In addition, we have improvement projects in place across several areas of core development and delivery process development.

Our quality and process mission is to create the most agile company in the business.

Board of Directors



In order of appearance (left to right).

JOHAN HAMMARÉN

b. 1969, LL.M, MSc (Econ)
Vice President of the Board 25 March 2010–
Member of the Board, 2007–

Main duty:

Founding Partner, Manager, Fondia Oy, 2006–
Tecnotree shares, 31 Dec 2010: 430,491
Tecnotree stock options, 31 Dec 2010: –

Independent of Tecnotree and its significant shareholders

ATUL CHOPRA

b. 1962, Chartered Accountancy, Bachelor of Laws (LL.B.),
Bachelor of Commerce (Hons.)
Member of the Board, 2009–

Main duty:

Managing Director and CEO,
Tecnotree Convergence Limited
Tecnotree shares, 31 Dec 2010: direct holding 1,678,550,
through Aparna Advisory 1,368,788
Tecnotree stock options, 31 Dec 2010: 1,770,362

Dependent of Tecnotree but independent of its significant shareholders.

HANNU TURUNEN

b. 1957, MSc (Tech), MBA
Chairman of the Board, 2009–
Member of the Board, 2008–

Main duty:

Managing Partner, Magnolia Ventures Oy, 2001–
Tecnotree shares, 31 Dec 2010:
through Magnolia Ventures Oy 154,261
Tecnotree stock options, 31.12.2010: –

Independent of Tecnotree and its significant shareholders.

PENTTI HEIKKINEN

b. 1960, MSc (Econ)
Stanford Graduate School of Business (Stanford Executive
Program 2001)
Member of the Board, 2009–

Main duty:

Founder and CEO, Gateway Technolabs Finland Oy, 2008–
Tecnotree shares, 31 Dec 2010: 26,715
Tecnotree stock options, 31 Dec 2010: –

Independent of Tecnotree and its significant shareholders.

DAVID K. WHITE

b. 1950, BSc (Eng)
Member of the Board, 2009–

Tecnotree shares, 31 Dec 2010: –

Tecnotree stock options, 31 Dec 2010: –

Independent of Tecnotree and its significant shareholders.

CHRISTER SUMELIUS

b. 1946, MSc (Econ)
Member of the Board, 2001–

Main duty:

President, Investsum Oy Ab, 1984–
Tecnotree shares, 31 Dec 2010: 819,442 and through
Investsum Oy Ab 947,500
Tecnotree stock options, 31.12.2010: –

Independent of Tecnotree and its significant shareholders.

HARRI KOPONEN

b. 1962, eMBA, Phd. Econ. H.c.
Member of the Board, 2008–

Main duty:

President and CEO, Tele2 AB, 2008–2010
Tecnotree shares, 31 Dec 2010: 13,859
Tecnotree stock options, 31 Dec 2010: –

Independent of Tecnotree and its significant shareholders.

ILKKA RAISKINEN

b. 1962, MSc. (Tech.)
Member of the Board 25 March 2010 –

Main Duty:

Aletheia Oy, Executive Management Consultant, 2009
Tecnotree shares, 31 Dec 2010: 33,807
Tecnotree stock options, 31 Dec 2010: –

Independent of Tecnotree and its significant shareholders.

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

The following person was member of the Board of Directors up to 25 March 2010:

CARL-JOHAN NUMELIN, b. 1937, M.Sc. (Tech.)
Vice Chairman of the Board 2001–2010

Management Board

In order of appearance (left to right).

ATUL CHOPRA

b. 1962, Chartered Accountancy, Bachelor of Laws (LL.B.), Bachelor of Commerce (Hons.)

Main duty:

COO and President, Operations, 2009–2/2011

Tecnotree shares, 31 Dec 2010: direct holding 1,678,550, through Aparna Advisory 1,368,788

Tecnotree stock options, 31 Dec 2010: 1,770,362

KAJ HAGROS

b. 1970, MSc. (Eng.), MBA

Main duty:

President and CEO, 1 Nov 2010–

Tecnotree shares, 31 Dec 2010: direct holding 2,307, through Hagros & Hagros Oy 35,000.

Tecnotree stock options, 31 Dec 2010: –

TIMO LAAKSONEN

b. 1961, M.Sc. (Econ.)

Main duty:

Vice President, Strategy and Business Development, Nov 2010–

Tecnotree shares, 31 Dec 2010: –

Tecnotree stock options, 31 Dec 2010: –

NAIM A. KAZI

b. 1956, B.E., M.S.

Main duty:

Chief Technical Officer, 2009–

Tecnotree shares, 31 Dec 2010: 155,391

Tecnotree options, 31 Dec 2010: 200,000

TUOMAS WEGELIUS

b. 1955, MSc (Econ)

Main duty:

Chief Financial Officer, 2006–

Tecnotree shares, 31 Dec 2010: –

Tecnotree stock options, 31 Dec 2010: 123,333

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

The following person was member of the Management Board up to 30 November 2010:

EERO MERTANO, b 1965, Business IT Graduate President and CEO 2009–2010



Corporate governance statement 2010

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

Description of the composition and operations of the meeting of shareholders, board and board committees and other controlling bodies

Meeting of Shareholders

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

Board of Directors

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

Tecnotree's Board of Directors consists of a minimum of three and a maximum of eight members, as outlined in the Articles of Association. The Annual General Meeting elects the Board and confirms the number of Board members. The Board of Directors elects the Chairman and Vice Chairman among its members for a term of one year at a time.

The term of office of Board members expires at the end of the first Annual General Meeting following election. The Board of Directors appoints the President and the CEO of the company.

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

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

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

- decide upon the group strategy and approve the business strategy
- approve the values of the company and its subsidiaries
- approve the annual business plan and investment plan and supervises their realization
- decide upon the central organization structure and leadership system of the company
- discuss and approve the accounts and interim reports
- define the dividend policy of the company and make proposals to the Annual General Meeting as to the amount of dividend paid
- appoint the managing director of the company and the deputy managing director, decide upon their remuneration and conditions of employment
- decide on the appointment of the members of the company's management group and their remuneration
- approve the principles and methods for ensuring the reliability, suitability and competence of the persons trusted with the direction of the company and its subsidiaries
- decide on the remuneration systems of the company's executives and the principles of the remuneration systems for other personnel
- decide on strategically or economically important investments and the purchase and sale of companies or similar arrangements
- approve annually the risk management strategy of the company and the significant principles of risk management

- decide upon the capital structure of the company and approve annually the fund-raising plan of the company
- approve the principles of internal control and internal audit and the audit plan
- approve annually the continuity plan for essential areas of operation and the information technology plan, and be responsible for the other duties assigned to it under the Finnish Companies Act or other regulation. The charter of the Board of Directors can be found at www.tecnotree.com.

The Annual General Meeting of 25 March 2010 confirmed that the Board of Directors will consist of eight (8) members, and the Board members were elected for a period of office expiring at the end of the first Annual General Meeting following the election.

Tecnotree's Board of Directors has assessed the Board members' independence of the company and shareholders in compliance with the Finnish Corporate Governance Code's recommendations. Based on the assessment, one Board member is dependent on the company: Atul Chopra also has an operative responsibility at Tecnotree Group i.e. COO and President and Managing Director for the Indian subsidiary, Tecnotree Convergence Ltd.

Tecnotree's Board of Directors convened 13 times in 2010. The average attendance of members at Board meetings was approximately 95 per cent.

Composition of the Board

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

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

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

Harri Koponen, b. 1962, eMBA, Phd. Econ. H.c.
Member of the Board, 2008–
Main duty: President and CEO, Tele2 AB, 2008–2010

Pentti Heikkinen, b. 1960, MSc (Econ)
Member of the Board, 2009–
Main duty: Founder and CEO, Gateway Technolabs Finland Oy, 2008–

Atul Chopra, b. 1962, Chartered Accountancy, Bachelor of Laws (LL.B.),
Bachelor of Commerce (Hons.)
Member of the Board, 2009–
Main duty: Managing Director and CEO, Tecnotree Convergence Limited

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

Ilkka Raiskinen, b. 1962, MSc (Tech)
Member of the Board, 2010–
Main duty: Aletheia Oy, Executive Management Consultant, 2009–

The following person was a member of the Board of Directors up to 25 March 2010:

Carl-Johan Numelin, b. 1937, M.Sc (Tech)
Vice Chairman of the Board, 2001–2010

Board Committees

Audit Committee

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

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

To execute its duties, the Audit Committee shall:

- monitor the reporting process of financial statements
- supervise the financial reporting process
- monitor the efficiency of the company's internal control, internal audit, if applicable, and risk management systems

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

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

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

The Audit Committee had 4 meetings in 2010, and the average attendance of members at meetings was about 93 per cent.

Remuneration and Nomination Committee

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

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

- the preparation of the proposal for the appointment of directors to be presented to the general meeting
- the preparation of the proposal to the general meeting on matters pertaining to the remuneration of the directors
- the looking for prospective successors for the directors
- the presentation of the proposal on the directors to the general meeting

- the preparation of matters pertaining to the appointment of the President and CEO and the other executives as well as the identification of their possible successors
- the preparation of matters pertaining to the remuneration and other financial benefits of the President and CEO and the other executives
- the preparation of matters pertaining to the remuneration schemes of the company
- the evaluation of the remuneration of the President and CEO and the other executives as well as seeing to it that the remuneration schemes are appropriate
- answering questions related to the remuneration statement at the general meeting.

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

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

The Remuneration and Nomination Committee had 8 meetings in 2010, and the average attendance of members at meetings was about 93 per cent.

President and CEO

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

Eero Mertano, b. 1965, Business IT Graduate
President and CEO, 2 October 2009–31 October 2010

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

Management Board

At the end of 2010, the Tecnotree Group had a five-member Management Board that comprised the President and CEO, Chief Financial Officer (CFO), Chief Operations Officer (COO), Chief Technical Officer (CTO) and Vice President, Strategy and Business Development. The Management Board is chaired by the President and CEO.

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

Composition of the Management Board

Kaj Hagros, b. 1970, MSc. (Eng.), MBA

Main duty: President and CEO, 1 November 2010–

Atul Chopra, b. 1962, Chartered Accountancy, Bachelor of Laws (LL.B.), Bachelor of Commerce (Hons.)/

Main duty: COO and President, 2009–2/2011

Tuomas Wegelius, b. 1955, MSc (Econ)

Main duty: Chief Financial Officer, 2006–

Naim A. Kazi, b. 1956, B.E., M.S.

Main duty: Chief Technical Officer, 2009–

Timo Laaksonen, b. 1961, M.Sc. (Econ.)

Main duty: Vice President, Strategy and Business Development, 24 November 2010–

The following person was member of the Management Board up to 31 October 2010:

Eero Mertano, b. 1965, IT graduate

President and CEO 2 October 2009–31 October 2010

Description of the main features of the internal control and risk management systems pertaining to the financial reporting process

Objectives for internal control and risk management

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

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

Control activities

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

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

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

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

Risk management

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

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

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

Guidelines and Policies

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

Internal audit

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

External audit

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

Tecnotree's auditor in the financial year 2010 was KPMG Oy Ab, and the principal auditor was Sixten Nyman, Authorized Public Accountant.

Insider management

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

Information and communication

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

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

The deviation from the Corporate Governance recommendations

Tecnotree Corporation deviates from recommendation 9 of the Finnish Corporate Governance Code 2010 in so far as only one gender is currently represented in the Board of Directors. The company considers it important that the members of the Board of Directors have strong knowledge of the industry. Unfortunately, it was not possible to find a female member with suitable experience for the current Board. However, it is an imperative long-term goal of the company to have Board members representing both genders, and the company will continue to work to achieve this goal.

Tecnotree Corporation's Disclosure Policy

Purpose

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

The Central Principles

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

The Information Disclosed

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

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

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

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

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

Comments on Market Information

Tecnotree does not comment on unfinished business, market rumors, stock price trends, the actions of its competitors or customers, or analysts' forecasts, unless doing so is necessary for correction of essential information. How-

ever, if a piece of information that has fundamental impact on Tecnotree's stock price has leaked (i.e., become known prematurely), the company issues a stock exchange release addressing the matter.

Responsibilities and Commentators

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

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

Language and Channels

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

Closed Period

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

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

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Report of the Board of Directors 2010

Unless otherwise stated, all figures presented below are for the accounting year 2010 and the figures for comparison are for the accounting year 2009. The figures for the accounting year 2009 include the figures for Tecnotree India (formerly Lifetree) for the period 6 May–31 December 2009.

Main issues in 2010

During 2010, developments in sales were encouraging following the challenging year of 2009. The structural improvements carried out in 2009 resulted in improved profitability, although the full year was still below break-even.

In 2010 the company introduced new management and is formulating a new strategy. Tecnotree will be repositioning as a provider of broad-scale, business-critical IT solutions to operator service providers.

During the year, net sales increased to EUR 60.7 (53.3) million. New order intake was worth EUR 63.3 million, the order backlog at the end of the year increased from EUR 11.7 million to EUR 14.3 million. Revenue from maintenance services also improved to EUR 26.2 (23.6) million.

Tecnotree has implemented synergies of the Lifetree acquisition and delivered new IT solutions to existing customers especially in Latin America, while maintaining a healthy business level in the Middle East and Africa, where Tecnotree has established itself as a strong IT partner for operators.

Sales and net sales

Tecnotree's net sales in the review period increased 14.0 per cent to EUR 60.7 (53.3) million.

EUR 23.6 million of sales in the review period have been recognized by stage of completion (IAS 11 Construction Contracts) and EUR 37.1 million on delivery (IAS 18 Revenues).

| Net sales by market area, MEUR | 1–12/2010 | 1–12/2009 |
|---|-------------|-------------|
| Americas (North, Central and South America) | 25.2 | 23.1 |
| Europe | 6.7 | 5.2 |
| MEA (Middle East and Africa) | 23.7 | 21.3 |
| APAC (Asia and Pacific) | 5.1 | 3.6 |
| Total | 60.7 | 53.3 |

| Consolidated order book, MEUR | 31 Dec 2010 | 31 Dec 2009 |
|---|-------------|-------------|
| Americas (North, Central and South America) | 1.5 | 1.9 |
| Europe | 2.6 | 1.2 |
| MEA (Middle East and Africa) | 9.3 | 6.9 |
| APAC (Asia and Pacific) | 0.9 | 1.7 |
| Total | 14.3 | 11.7 |

Maintenance and service sales totaled EUR 26.2 (23.6) million or 43.2 per cent (44.3%) of net sales.

Result analysis

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

| Income statement, key figures, MEUR | 1–12/2010 | 1–12/2009 |
|---|-----------|-----------|
| Net sales | 60.7 | 53.3 |
| Other operating income | 0.0 | 0.3 |
| Operating costs excluding product development capitalization and one-time costs | 63.2 | 62.4 |
| Adjusted operating result | -2.5 | -8.8 |
| Product development capitalization | 0.6 | 5.1 |
| Product development amortization | -6.1 | -4.2 |
| One-time costs | 0.0 | -7.0* |
| Operating result | -8.1 | -15.0 |
| Result before taxes | -9.4 | -15.4 |

* One-time costs in 2009 consist of 3.3 million euro due to personnel reductions and a provision of 3.7 million related to the cancellation of a project and related revenue recognition of one customer.

The adjusted result showed an improvement of EUR 6.3 million from the previous year. This was due in particular to the increase in net sales of EUR 7.4 million.

Capitalization of research and development costs and amortization of these had the net impact of weakening the result by EUR 6.4 million compared to the corresponding period in the previous year. Capitalization was EUR 4.5 million less and amortization EUR 1.9 million more than in the previous year. Significant decrease in capitalization of development costs in 2010 is due to more customer specific development work than previously and these customer specific development costs are recorded directly as costs when occurred.

The operating result in the review period was -13.3% (-28.1%) of net sales.

Tecnotree Convergence Limited has been consolidated as from 6 May 2009. Thus, the figures for 2009 do not include the figures for India for the period 1 January – 6 May 2009. These were: net sales EUR 5.0 million, operating costs EUR 4.9 million and operating profit EUR 0.1 million. Net sales in the review period were EUR 2.4 million more than the corresponding 2009 figure when these omitted net sales of EUR 5.0 million are included. Costs adjusted by the net impact of R&D capitalization and by one-time items totaled EUR 63.2 million in the period, compared with a total of EUR 67.3 million in the previous year including Tecnotree Convergence Limited's costs in the first part of the year. Thus, savings of EUR 4.1 million have been achieved. The savings would have been EUR 3.1 million greater if the euro had not declined against the Indian and Brazilian currencies in 2010.

Taxes for the period totaled EUR 1.6 (0.8) million, including the following items:

| Taxes in income statement, MEUR | 1–12/2010 | 1–12/2009 |
|---|-------------|-------------|
| Withholding tax expenses in parent company | -1.7 | -1.5 |
| Income taxes on the results of Group companies | -1.5 | -1.4 |
| Deferred tax asset based on tax allowances in India | 0.8 | 0.6 |
| Change in deferred tax liability based on: | | |
| -R&D capitalization | 1.1 | 2.2 |
| -dividend tax in India | -0.8 | -0.6 |
| Other items | 0.5 | -0.0 |
| Taxes in income statement, total | -1.6 | -0.8 |

Earnings per share were EUR -0.15 (-0.24). Equity per share at the end of the period was EUR 0.98 (EUR 1.05).

Financing and investments

Tecnotree's liquid funds totaled EUR 16.7 (25.7) million. The change in cash and cash equivalents for the review period was EUR -9.8 million.

The balance sheet total on 31 December 2010 stood at EUR 109.7 (118.4) million. Interest-bearing liabilities were EUR 19.7 (18.9) million. The net debt to equity ratio (net gearing) was 3.3 per cent (-10.8%). The balance sheet structure remained strong and the equity ratio on 31 December 2010 was 66.4 per cent (65.6%).

Tecnotree's gross capital expenditure during the review period, excluding the capitalization of development costs,

was EUR 1.2 (1.4) million or 2.1 per cent (2.7%) of net sales.

Financial income and expenses (net) during the review period totaled EUR -1.4 (-0.4) million. The change from the comparative period is due mainly to the reduction in exchange rate gains and the increase in exchange rate losses due to unfavorable developments in the exchange rates for the Group's main currencies during the first half of the year.

| Financial income and expenses, MEUR | 1–12/2010 | 1–12/2009 |
|-------------------------------------|-------------|-------------|
| Interest income | 0.2 | 0.3 |
| Exchange rate gains | 0.4 | 0.4 |
| Other financial income | 0.5 | 0.6 |
| Financial income, total | 1.1 | 1.3 |
| Interest expenses | -0.8 | -0.4 |
| Exchange rate losses | -1.7 | -0.8 |
| Other financial expenses | 0.0 | -0.6 |
| Financial expenses, total | -2.4 | -1.8 |

| Change in working capital, MEUR (increase - / decrease +) | 1–12/2010 | 1–12/2009 |
|---|-------------|-------------|
| Change in trade receivables | 2.1 | 1.5 |
| Change in other short-term receivables | -6.5 | 10.9 |
| Change in inventories | 0.3 | -0.1 |
| Change in trade payables | 3.9 | -1.5 |
| Change in other current liabilities | -7.6 | 3.3 |
| Change in working capital, total | -7.7 | 14.1 |

The change in current liabilities had a negative impact of EUR 7.6 million on the cash flow for the review period. This item includes payments made in 2010 from provisions for one-time costs made in the 2009 closing.

In the MEA region, there have been delays in the payments from one government owned customer. Due to the situation, an impairment of EUR 0.9 million has been booked in the financial statements in respect of trade receivables which totaled EUR 5.9 million.

Segment information

As from the beginning of 2010, the operating segments under the IFRS 8 standard reported by Tecnotree are the geographical areas, which are the Americas (North, Central and South America), Europe, MEA (Middle East and Africa), and APAC (Asia Pacific). This is because their results are monitored separately in the company's internal financial reporting. Tecnotree's chief operating decision maker, as referred to in the IFRS 8 standard, is the Group's management board.

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

Geographical areas

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

The Americas (North, Central and South America)

Sales and the order book grew encouragingly in Latin America, and Tecnotree obtained major new customers and expansion projects in the region. Income recognition made encouraging progress for the expansion projects and the new products developed in India. Mobile phone operators in the region have significantly increased their level of investment from the previous year.

Europe

The completion degree of delivery projects in progress rose as planned. European operators seem to be making slightly bigger investments than in the previous year, especially in Eastern Europe.

MEA (Middle East and Africa)

In the Middle East and Africa, sales and the order book grew. Particularly sales of billing, customer management, and managed services solutions increased. Operators in the region continue to have heavy investment needs, which are boosted by the growth in subscriber numbers.

APAC (Asia Pacific)

Also sales in the APAC region grew from the previous year. The willingness of operators to make investments varies greatly from one country to another, but the overall situation seems to be better than in 2009.

Research and development

Research and development costs during the review period totaled EUR 13.1 (14.5) million, corresponding to 21.7 per cent (27.2%) of net sales. EUR 0.6 (5.1) million of development costs were capitalized. Once projects are completed, their capitalized costs are amortized over 3–5 years from the start of commercial use. R&D costs of EUR 6.1 (4.2) million were amortized during the review period.

Personnel

At the end of December 2010 Tecnotree employed 858 (779) persons, of whom 70 (83) worked in Finland and 788 (696) elsewhere. The company employed on average 797 (665) people during the review period. Personnel by country was as follows:

| | 2010 | 2009 | 2008 |
|---|------|------|------|
| Personnel, at end of period | 858 | 779 | 354 |
| Finland | 70 | 83 | 89 |
| Ireland | 64 | 87 | 139 |
| Brazil | 47 | 49 | 65 |
| India | 625 | 507 | - |
| Other countries | 52 | 53 | 61 |
| Personnel, average | 797 | 665 | 358 |
| Personnel expenses before R&D capitalization (MEUR) | 29.3 | 32.3 | 27.4 |

Tecnotree shares and share capital

At the end of 2010 the shareholders' equity of Tecnotree Corporation stood at EUR 72.1 (77.1) million and the share capital was EUR 4.7 million. The total number of shares was 73,630,977. The company held 134,800 of these shares, which represents 0.18 per cent of the company's total number of shares and votes. Equity per share was EUR 0.98 (1.05).

A total of 16,629,837 Tecnotree shares (EUR 13,216,479) were traded on the Helsinki Exchanges during the period 2 January – 31 December 2010, representing 22.6 per cent of the total number of shares.

The highest share price quoted in the period was EUR 1.00 and the lowest EUR 0.58. The average quoted price was EUR 0.79 and the closing price on 31 December 2010 was EUR 0.60. The market capitalization of the share stock at the end of the period was EUR 44,178,586.

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

Current authorizations

The Annual General Meeting held on 25 March 2010 authorized the Board of Directors to decide on the acquisition of a maximum of 7,360,000 of the Company's own shares. Own shares may be acquired with unrestricted shareholders' equity otherwise than in proportion to the holdings of the shareholders through public trading of the securities on NASDAQ OMX Helsinki Oy at the market price of the shares in public trading at the time of the acquisition. Own shares may be acquired for the purpose of developing the capital structure of the Company, carrying out corporate acquisitions or other business arrangements to develop the business of the Company, financing capital expenditure, to be used as part of the Company's incentive schemes, or to be otherwise retained in the possession of the Company, disposed of or nullified in the extent and manner decided by the Board of Directors. The authorization is valid for one year from the decision of the Annual General Meeting. The Board of Directors has not exercised this authorization during the review period.

Furthermore, the Annual General Meeting authorized the Board of Directors to decide to issue and/or convey a maximum of 17,800,000 new shares and/or the Company's own shares either against payment or for free. New shares may be issued and the Company's own shares may be conveyed to the Company's shareholders in proportion to their current shareholdings in the Company or waiving the shareholder's pre-emption right, through a directed share issue if the Company has a weighty financial reason to do so. The Board of Directors may also decide on a free share issue to the Company itself. The Board of Directors is, within the authorization, authorized to grant the special rights referred to in Chapter 10, Section 1 of the Companies Act. The authorization is valid for one year from the decision of the Annual General Meeting. The Board of Directors has not exercised this authorization during the review period.

Stock option programs

During the review period the company had the 2006 and 2009 stock option programs in force. The exercise period for the 2006A options ended on 30 April 2010.

The state of the options on 31 December 2010 was as follows:

| Option series | Maximum number of options | Number of options granted | Exercise period | Exercise price |
|---------------------|---------------------------|---------------------------|--------------------|----------------|
| 2006B | 173,000 | 173,000 | 1.4.2008–30.4.2011 | 1.32 |
| 2006C | 667,000 | | 1.4.2009–30.4.2012 | 0.98 |
| Total | 840,000 | 173,000 | | |
| 2009A | 1,026,005 | 686,171 | 1.4.2009–31.3.2011 | 0.86 |
| 2009B | 2,394,013 | 1,096,207 | 1.4.2010–31.3.2012 | 0.86 |
| 2009C | 3,420,018 | 1,555,181 | 1.4.2011–31.3.2013 | 0.86 |
| Total | 6,840,036 | 3,337,559 | | |
| 2006 and 2009 total | 7,680,036 | 3,510,559 | | |

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

Altogether 7,680,036 stock options remained on 31 December 2010 of all the company's stock options in circulation. The shares that could be subscribed on the basis of these stock options accounted for a maximum of 9.45% of the Company's shares and the votes carried by the shares after any increase in share capital. On 31 December 2010 the Company still held 4,169,477 of all the current stock options. The issued stock options had a maximum diluting effect on 31 December 2010 of 4.55%.

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

Risks and uncertainty factors

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

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

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

Project deliveries result in large accounts receivable. Most of Tecnotree's net sales come from developing countries and some of these contain political and economic challenges. There is the risk of a considerable delay in the payment of invoices in these countries and that Tecnotree will have to record credit losses. The payment record of customers and the situation concerning trade receivables are actively monitored and credit rating checks are made on new customers before confirming an offer. An impairment of EUR 0.9 million has been booked into the financial statements in respect of receivables totaling EUR 5.9 million.

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

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

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

The acquisition of Tecnotree Convergence Limited opened up many new opportunities for Tecnotree. Taking advantage of these requires various changes in sales and R&D activities and in the organization, and there are risks relating to the success of these changes. The amount paid for the acquisition and the resulting goodwill also involve risks.

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

Tecnotree's management, auditors, and corporate governance

Tecnotree's Board of Directors comprised of the following persons in 2010:

Hannu Turunen, Chairman of the Board
 Johan Hammarén, Member of the Board 1 Jan–25 Mar 2010,
 Vice Chairman of the Board 25 Mar 2010–
 Atul Chopra
 Pentti Heikkinen
 Harri Koponen
 Christer Sumelius
 David White
 Ilkka Raiskinen

Carl-Johan Numelin was Vice Chairman of the Board until 25 March, 2010.

Eero Mertano was President and CEO of the company until 31 October 2010. Tecnotree's Board of Directors appointed Kaj Hagros as President and CEO as of 1 November 2010. Before joining Tecnotree, Kaj Hagros held positions as Managing Director and Chief Operating Officer within Fox Mobile Group, a subsidiary of News Corporation (NASDAQ: NWS).

In 2010 the Company's Management Board comprised Eero Mertano (until 31 October 2010), Kaj Hagros (from 1 November 2010 onwards), Atul Chopra, Naim Kazi, Tuomas Wegelius and Timo Laaksonen (from 24 November 2010 onwards).

Tecnotree's auditor in the financial year 2010 was KPMG Oy Ab, and the principal auditor was Sixten Nyman, Authorized Public Accountant.

The Board of Directors has approved the Corporate Governance Statement of the Company for the year 2010. It has been published on Tecnotree's internet site.

Events after the end of period

The composition of the Management Board changed on 1 February 2011. Atul Chopra does not continue in the role as Chief Operating Officer and member of the Management Board of Tecnotree. He shall continue to serve on the Board of Directors of Tecnotree Corporation and as the Managing Director and CEO of the Indian subsidiary Tecnotree Convergence Limited with special focus on key customers and new business opportunities.

Prospects 2011

The prospects for year 2011 will be informed later on.

Variations between quarterly figures are expected to continue to be considerable.

Proposal concerning the result

The Board of Directors proposes to the Annual General Meeting to be held on 23 March 2011 that no dividend be paid for the financial year ended 31 December 2010, and that the parent company's loss for the financial year, EUR 10,389,877.77 be covered by non-restricted equity reserves.

Tecnotree Corporation

Board of Directors

Consolidated income statement

| EUR 1,000 | Note | 1 Jan–31 Dec 2010 | 1 Jan–31 Dec 2009 |
|---|------|-------------------|-------------------|
| Net sales | 1, 3 | 60,693 | 53,253 |
| Other operating income | 4 | 40 | 293 |
| Materials and services | 5 | -10,135 | -10,681 |
| Employee benefit expenses | 6 | -29,116 | -29,165 |
| Depreciation, amortization, and impairment losses | 7 | -8,747 | -6,855* |
| Other operating expenses | 8 | -20,800 | -21,804 |
| Operating profit | | -8,064 | -14,958* |
| Financial income | 10 | 1,087 | 1,290 |
| Financial expenses | 10 | -2,439 | -1,770 |
| Result before taxes | | -9,416 | -15,438* |
| Income taxes | 11 | -1,559 | -766* |
| Result for the period | | -10,975 | -16,205* |
| Result for the period attributable to: | | | |
| Equity holders of the parent company | | -10,957 | -16,240* |
| To non-controlling interest | | -18 | 35 |
| Earnings per share calculated on profit attributable to equity holders of the parent company: | 12 | | |
| Basic earnings per share, EUR | | -0.15 | -0.24 |
| Diluted earnings per share, EUR | | -0.15 | -0.24 |
| Number of shares on average, 1,000s of shares | | | |
| -basic | | 73,496 | 68,039 |
| -diluted | | 73,587 | 68,231 |

Consolidated statement of comprehensive income

| EUR 1,000 | Note | 1 Jan–31 Dec 2010 | 1 Jan–31 Dec 2009 |
|---|------|-------------------|-------------------|
| Result for the period | | -10,975 | -16,205* |
| Other comprehensive income: | | | |
| Translation differences from foreign operations, before tax | | 5,788 | 425* |
| Tax relating to components of other comprehensive income | | -83 | |
| Other comprehensive income, net of tax | | 5,705 | 425* |
| Total comprehensive income for the period | | -5,270 | -15,780* |
| Comprehensive income for the period attributable to: | | | |
| Equity holders of the parent company | | -5,252 | -15,815* |
| To non-controlling interest | | -18 | 35 |

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

Consolidated balance sheet

| EUR 1,000 | Note | 31 Dec 2010 | 31 Dec 2009 |
|--|-------|-------------|-------------|
| Assets | | | |
| Non-current assets | | | |
| Goodwill | 2, 13 | 21,608 | 19,591* |
| Other intangible assets | 13 | 17,959 | 23,953* |
| Property, plant and equipment | 14 | 6,849 | 7,310 |
| Deferred tax assets | 15 | 2,495 | 1,522 |
| Other non-current trade and other receivables | 16 | 741 | 906 |
| Total non-current assets | | 49,651 | 53,283* |
| Current assets | | | |
| Inventories | 17 | 1,023 | 1,331 |
| Trade and other receivables | 18 | 41,637 | 36,582 |
| Investments | 19 | 630 | 1,577 |
| Cash and cash equivalents | 19 | 16,737 | 25,674 |
| Total current assets | | 60,027 | 65,164 |
| Total assets | | 109,678 | 118,446* |
| Shareholders' equity and liabilities | | | |
| Equity attributable to equity holders of the parent | | | |
| Share capital | | 4,720 | 4,720 |
| Share premium fund | | 847 | 847 |
| Own shares | | -122 | -122 |
| Translation differences | | 6,076 | 371* |
| Invested unrestricted equity reserve | | 12,634 | 12,634 |
| Other reserves | | 29,433 | 52,090 |
| Retained earnings | | 18,462 | 6,448* |
| Equity attributable to equity holders of the parent | 20 | 72,050 | 76,988* |
| Non-controlling interest | | 56 | 72 |
| Total shareholders' equity | | 72,106 | 77,060* |
| Non-current liabilities | | | |
| Deferred tax liabilities | 15 | 3,330 | 4,022* |
| Long-term interest-bearing liabilities | 23 | 14,507 | 16,664 |
| Other non-current liabilities | 24 | 416 | 307 |
| Total non-current liabilities | | 18,253 | 20,993* |
| Current liabilities | | | |
| Current interest-bearing liabilities | 23 | 5,243 | 2,226 |
| Trade payables and other liabilities | 25 | 14,075 | 18,127 |
| Total current liabilities | | 19,318 | 20,393* |
| Total equity and liabilities | | 109,678 | 118,446* |

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

Statement of changes in shareholders' equity

| EUR 1,000 | Equity attributable to equity holders of the parent | | | | | | | Non-controlling interest | Total shareholders' equity |
|---|---|--------------------|-------------|-------------------------|--------------------------------------|----------------|-------------------|--------------------------|----------------------------|
| | Share capital | Share premium fund | Own shares | Translation differences | Invested unrestricted equity reserve | Other reserves | Retained earnings | | |
| Shareholders' equity 1 Jan 2009 | 4,720 | 847 | -122 | -55 | 290 | 50,551 | 27,275 | 83,506 | 83,506 |
| Directed share issue | | | | | 12,344 | 1,997 | | 14,342 | 14,342 |
| Business combinations | | | | | | | | 625 | 625 |
| Transactions with minority | | | | | | | -94 | -94 | -588 |
| Dividend distribution | | | | | | | -458 | -4,639 | -5,097 |
| Share-based payments | | | | | | | 161 | 161 | 161 |
| Other changes | | | | | | | -15 | -15 | -15 |
| Total comprehensive income for the period | | | | 425 | | | -16,240 | -15,814 | 35 |
| Total shareholders' equity 31 Dec 2009 | 4,720 | 847 | -122 | 371 | 12,634 | 52,090 | 6,448 | 76,988 | 72 |
| Shareholders' equity 1 Jan 2010 | 4,720 | 847 | -122 | 371 | 12,634 | 52,090 | 6,448 | 76,988 | 72 |
| Directed share issue | | | | | | | -22,657 | 22,657 | |
| Share-based payments | | | | | | | 303 | 303 | 303 |
| Other changes | | | | | | | 12 | 12 | 2 |
| Total comprehensive income for the period | | | | 5,705 | | | -10,957 | -5,252 | -18 |
| Total shareholders' equity 31 Dec 2010 | 4,720 | 847 | -122 | 6,076 | 12,634 | 29,433 | 18,462 | 72,050 | 56 |

Consolidated cash flow statement

| 1 000 € | Note | 1 Jan–31 Dec 2010 | 1 Jan–31 Dec 2009 |
|--|------|-------------------|-------------------|
| Cash flow from operating activities | | | |
| Result for the period | | -10,975 | -16,205* |
| Adjustments for: | | | |
| Depreciation, amortization, and impairment losses | | 8,784 | 6,855* |
| Option expenses and employee benefits | | 473 | 134 |
| Unrealized exchange gains and losses | | -273 | 214 |
| Impairment of trade receivables | | 909 | |
| Unrealized gains and losses from assets at fair value through income statement | | 255 | -188 |
| Other financial income and expenses | | -191 | 241 |
| Income taxes | | 1,559 | 766 |
| Other adjustments | | 1 | 34 |
| Changes in working capital: | | | |
| Change in trade and other receivables | | -4,342 | 12,346 |
| Change in inventories | | 308 | -101 |
| Change in trade payables and other liabilities | | -3,697 | 1,829 |
| Interest paid | | -335 | -1,155 |
| Interest received | | 543 | 415 |
| Income taxes paid | | -3,212 | -3,216 |
| Net cash flow from operating activities | | -10,192 | 1,970 |
| Cash flow from investments | | | |
| Acquisitions of subsidiaries less cash and cash equivalents at acq. date | 2 | | -13,990 |
| Transactions with minority | 2 | | -671 |
| Investments in intangible assets | | -829 | -5,303 |
| Investments in property, plant and equipment | | -852 | -1,191 |
| Investments in other securities | | | -781 |
| Proceeds from disposal of other securities | | 948 | 273 |
| Interest received from investments | | 34 | 72 |
| Dividends received from investments | | 298 | 132 |
| Net cash flow from investments | | -402 | -21,459 |
| Cash flow from financing activities | | | |
| Proceeds from borrowings | | 3,000 | |
| Repayments of borrowings | | -2,166 | -1,369 |
| Payments of finance lease liabilities | | -14 | -18 |
| Dividend distribution | | | -5,097 |
| Net cash flow from financing activities | | 820 | -6,484 |
| Change in cash and cash equivalents | | -9,774 | -25,973 |
| Cash and cash equivalents at beginning of period | | 25,674 | 51,017 |
| Change in foreign exchange rates | | 1,093 | 449 |
| Change in fair value of investments | | -255 | 181 |
| Cash and cash equivalents at end of period | 19 | 16,737 | 25,674 |

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

Accounting principles for the consolidated financial statements

Corporate information

Tecnotree develops and supplies messaging and charging solutions for telecom operators and service providers. The Group has operations in Finland and in 17 other locations in 17 countries.

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

Accounting principles

Basis for Preparing Consolidated Financial Statements

Tecnotree's consolidated financial statements have been prepared in accordance with the international financial reporting standards (IFRS) adopted by the EU, applying the IAS and IFRS standards and SIC and IFRIC interpretations in force on 31 December 2010. International Financial Reporting Standards, referred to in the Finnish Accounting Act and in ordinances issued based on the provisions of the Act, refer to the standards and to their interpretations adopted in accordance with the procedure laid down in regulation (EC) No 1606/2002 of the European Parliament and of the Council. The notes to the consolidated financial statements also conform to Finnish accounting and corporate legislation.

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

Tecnotree Group has adopted the following amended standards and new interpretations starting from 1 January 2010:

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

estimates that the standard has not had an impact on the consolidated financial statements.

IAS 27 *Consolidated and Separate Financial Statements (revised)* (effective for annual periods beginning on or after 1 July 2009). The amendment requires the effects of changes in ownership interests to be recorded in equity if there is no change in control. If the control of a subsidiary is lost, any remaining interest in the entity is re-measured to fair value and a gain or loss is recognized in the income statement. As an impact of the revised standard, losses of a subsidiary can be attributed to the minority, even if they exceed the amount of the minority investment. The Group estimates that the standard has not had an impact on the consolidated financial statements.

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

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

IFRIC 18 *Transfers of assets from customers* (effective for financial year beginning on or after 1 July 2009). The interpretation clarifies the requirements for agreements in which an entity receives from a customer an item of property, plant, and equipment or cash that must be used to acquire that item of property, plant and equipment and the entity must then use the item to either connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or both. The Group estimates that the interpretation has not had an impact on the consolidated financial statements.

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

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

Use of estimates

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

Accounting principles for the consolidated financial statements

Subsidiaries

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

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

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

Foreign currency items

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

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

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

Property, plant and equipment

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

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

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

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

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

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

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

Intangible assets

Goodwill

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

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

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

Other intangible assets

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

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

Research and development costs

Research costs are charged to the income statement as incurred. Development costs for new products are capitalized

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

Inventories

Inventories are stated at the lower of acquisition cost and net 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 realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling.

Leases

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

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

Impairment

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

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

The cash-generating units are the geographical areas, which are the Americas (North, Central, and South America), Europe, MEA (Middle East and Africa) and APAC (Asia Pacific).

The value in use is the present value of the future net cash flows expected to be derived from the asset.

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

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

Employee benefits

Pension benefits

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

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

In defined contribution plans the Group pays fixed contributions to a separate entity. The Group has not obligation to pay any additional contributions if the insurer is not able to pay the future employee benefits.

Defined contribution plan expenses are recognized in the income statement on the accrual basis. The obligation for defined benefit pension plans is calculated using the projected unit credit method. The pension obligation is discounted to determine its present value using interest rates for government bonds that have maturity dates approximating to the terms of the Group's pension obligation. The pension liability or asset in the balance sheet is formed by the difference between the present value of the defined benefit pension obligation less the fair value of plan assets together with unrecognized actuarial gains and losses and unrecognized past service costs.

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

Share-based payments

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

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

Provisions

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

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

Income tax

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

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

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

Revenue recognition

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

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

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

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

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

Revenue from the sale of goods and services is recognized in accordance with IAS 18 *Revenue*. Revenue from the sale of goods is recognized when the significant risks and benefits of ownership have been transferred to the buyer and when the amount of the revenue can be measured reliably and it is probable that the related economic benefits will flow to the company. Revenue from services is recognized when the service has been rendered. Supplementary deliveries that are often sold separately such as maintenance, licences, training, documentation, and spare

parts are examples of goods and service deliveries. Revenue from fixed-term maintenance contracts is normally recognized over the contract period on a straight-line basis.

Definition of operating profit

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

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

Non-current assets held for sale and discontinued operations

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

Financial assets and liabilities

Financial assets

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

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

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

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

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

Construction work in progress

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

Financial liabilities

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

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

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

Derivative financial instruments

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

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

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

Accounting principles requiring management judgments and key sources of estimation uncertainty

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

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

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

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

In Tecnotree development costs are monitored on a project-by-project basis and management always decides on the capitalization separately for each project. In order to qualify for capitalization the following criteria are to be met: the results of a project are of use to several customers, the product is technically feasible, it can be utilized commercially, its development costs can be monitored reliably and the contents, objectives and timetable of a project are documented and a profitability calculation is prepared. Amortization of development costs commences once the resulting product is ready for sale and its commercial use has begun.

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

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

Application of new and amended IFRSs

IASB has issued the following new or revised standards and interpretations not yet effective and which the Group has not yet applied. The Group will adopt them as from their effective dates if the effective date is the same as the beginning of the financial year, or if the effective date is different, they will be adopted as from the beginning of the following financial year.

Improvements to IFRSs, April 2010 (effective for annual periods beginning on or after July 2010). Minor and less urgent amendments to the standards are collected and implemented once a year through the annual improvements procedure. The Group estimates that the interpretations will not have an impact on the consolidated financial statements. The amendments have not yet been adopted by the EU.

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

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

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

IFRS 9 *Financial Instruments* (effective for annual periods beginning on or after 1 January 2013). IFRS 9 is a part of the IASB project aiming at a replacement of IAS 39 *Financial Instruments: Recognition and Measurement*. The

new standard deals with measurement of financial assets from the classification perspective. Other IAS 39 instructions concerning impairment of financial assets and hedge accounting are still valid. IFRS 9 has not yet been adopted by the EU.

IFRIC 14 *Prepayments of a Minimum Funding Requirement* (effective for annual periods beginning on or after 1 January 2011). The aim of the amendments is to remove an unintended consequence of IFRIC 14 IAS 19 in cases where an entity subject to a minimum funding requirement makes an early payment of contributions where under certain circumstances the entity making such a prepayment would be required to recognize an expense. In the case where a defined benefit plan is subject to a minimum funding requirement the amendment to IFRIC 14 prescribes to treat this prepayment, like any prepayment, as an asset. The Group estimates an impact on the consolidated financial statements.

Amendments to IFRS 7 *Financial instruments* (effective for annual periods beginning on or after 1 July 2011). The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks of any require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The Group estimates that the revised standard will not have an impact on the consolidated financial statements. This amendment has not yet been adopted by EU.

Amendments to IAS 12 *Deferred Tax: recovery of Underlying Asset* (effecting for annual periods beginning on or after 1 January 2011). The amendment does provide an exception to the measurement of deferred tax liabilities and deferred tax assets should reflect the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities. The Group estimates that the revised standard will not have an impact on the consolidated financial statements. This amendment has not yet been adopted by EU.

Notes to the consolidated income statement

1. Segment reporting

As from the beginning of 2010, the operating segments under IFRS 8 reported by Tecnotree are the geographical areas, which are the Americas (North, Central and South America), Europe, MEA (Middle East and Africa), and APAC (Asia Pacific). This is because their results are monitored separately in the company's internal financial reporting. Tecnotree's chief operating decision maker, as referred to in IFRS 8, is the Group's management board.

The result of the operating segment is the net of sum obtained after adding other operating income to the net sales and

then deducting purchasing costs adjusted by the change in stocks of finished products and work in progress, and other operating expenses that can be allocated to the segments on a reasonable basis. Other segments include costs of product development and administration as well as other operating expenses that can not be directly allocated to the operating segments according to the IFRS 8 standard.

The new operating segments are reported from 1 January 2010 onwards. The segment results of year 2009 are not presented in accordance with the new segment structure, since the information is not available and the cost to develop it would be excessive.

Operating segments 2010

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

Tecnotree does not allocate its assets to the operating segments for the reporting purposes. For the purpose of impairment testing, the goodwill is allocated to the cash generating units according to how

the synergy benefits are expected to arise, and the other balance sheet items according to the approved allocation principles.

Net sales by geographical areas

| EUR 1,000 | 2010 | | 2009 | |
|----------------------|------|--------|--------|--------|
| Net sales (external) | | | | |
| Americas | | | | |
| Ecuador | | 5,692 | | 9,583 |
| Brazil | | 3,461 | | 5,611 |
| Argentina | | 3,450 | | 2,260 |
| Other countries | | 12,614 | 25,217 | 5,641 |
| | | | | 23,095 |
| Europe | | | | |
| Finland | | 2,225 | | 2,133 |
| Other countries | | 3,011 | 6,736 | 3,103 |
| | | | | 5,236 |
| MEA | | | 23,689 | |
| | | | | 21,282 |
| APAC | | | 5,051 | |
| | | | | 3,641 |
| Group total | | | 60,693 | |
| | | | | 53,253 |

Information about major customers

| EUR 1,000 | | 2010 | | 2009 | |
|--------------------------------|----------|-----------|----------------------------|-----------|----------------------------|
| | | Net sales | % of the Group's net sales | Net sales | % of the Group's net sales |
| Customer 1, operating segment: | Americas | 6,715 | 11% | 9,788 | 18% |
| Customer 2, operating segment: | Europe | | | 1,388 | |
| | APAC | | | 478 | |
| | MEA | | | 4,398 | 12% |
| Customer 3, operating segment: | MEA | | | 5,419 | 10% |

2. Acquisitions

2010

There were no acquisitions of subsidiaries or businesses during 2010.

The purchase price calculation of Tecnotree India presented in the financial statements 2009 was preliminary. In the final purchase price calculation, the fair value of customer contracts and the related customer relationships was assessed at EUR 482 thousand and the fair value of the order book at EUR 165 thousand. These values were included in goodwill in the preliminary calculation. The amortization period for customer relationships is 5 years and for the order book 5 months, beginning on the date of acquisition 6 May 2009. The figures for the comparative period have been adjusted accordingly. The adjustments affecting the result in the comparative period are in amortizations of other intangible assets and deferred taxes relating to these.

2009

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

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

Tecnomen paid the shareholders of the companies consideration of altogether EUR 21,286 thousand in cash. In addition,

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

The goodwill of EUR 18,491* thousand arising from the acquisition is considered to be attributable to the synergy benefits expected and to the know-how of the personnel transferred in the acquisition. The acquisition also expands Tecnomen's product portfolio and boosts cost efficiency.

Tecnotree's net result for the period 1 January–31 December 2009 includes a profit of EUR 3,595 thousand recorded by the acquired company Tecnotree India. If the acquisition had taken place on 1 January 2009, Tecnotree's net sales for the period 1 January–31 December 2009 would have been some EUR 58,212 thousand and the result about EUR -15,956* thousand.

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

Transaction with minority holders after the date of acquisition.

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

| EUR 1,000 | Fair value recognized on acquisition 6 May 2009 | Carrying value before 6 May 2009 |
|--|---|-------------------------------------|
| Intangible assets: | | |
| Software products | 3,273 | 319 |
| Customer contracts and the related customer relationships | 482* | |
| Fair value of order book | 165* | |
| Other intangible assets | 732 | 732 |
| Property, plant, and equipment | 571 | 571 |
| Deferred tax assets | 788 | 788 |
| Non-current receivables | 284 | 284 |
| Inventories | 139 | 139 |
| Trade and other receivables | 9,781 | 9,781 |
| Investments | 1,069 | 1,069 |
| Cash and cash equivalents | 8,404 | 8,404 |
| Total assets | 25,688* | 22,087 |
| Deferred tax liabilities | 1,224 | |
| Non-current liabilities | 274 | 274 |
| Current liabilities | 5,549 | 5,549 |
| Total liabilities | 7,047 | 5,823 |
| Net assets | 18,641 | 16,264 |
| Share of net assets based on holding acquired | 17,989* | 15,619 |
| Acquisition cost: | | |
| Consideration paid, settled in cash | 21,286 | |
| Consideration paid, settled through directed share issue | 14,087 | |
| Transactions costs | 1,108 | |
| Total acquisition cost | 36,481 | |
| Goodwill on acquisition | 18,492* | |
| Impact of acquisition on cash flow: | | |
| Purchase consideration settled in cash and transaction costs | 22,394 | |
| Cash and cash equivalents in subsidiaries acquired | 8,404 | |
| Net cash outflow | 13,990 | |

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

3. Construction contracts

| EUR 1,000 | 2010 | 2009 |
|---|---------------|---------------|
| Revenue from contract work recognized by stage of completion | 23,616 | 22,706 |
| Revenue from maintenance and support | 26,234 | 23,600 |
| Revenue from goods and services | 10,843 | 6,947 |
| Net sales total | 60,693 | 53,253 |
| Order book for contract work | 8,183 | 8,557 |
| Order book for maintenance and support, goods, and services | 6,092 | 3,159 |
| Order book total | 14,275 | 11,716 |
| Projects in progress: | | |
| Cumulative revenue recognized for projects in progress | 18,439 | 13,836 |
| Cumulative invoicing for projects in progress recognized by stage of completion | 9,191 | 10,306 |
| Accrued income related to construction contracts, work in progress | 9,248 | 3,530 |
| Aggregate amount of costs incurred for projects in progress | 6,812 | 4,692 |

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

4. Other operating income

| EUR 1,000 | 2010 | 2009 |
|-------------------------------------|-----------|------------|
| Gains on sale of non-current assets | 1 | 17 |
| Commissions from partners | | 233 |
| Other operating income | 40 | 43 |
| Other operating income total | 40 | 293 |

5. Materials and services

| EUR 1,000 | 2010 | 2009 |
|-------------------------------------|----------------|----------------|
| Purchases during the period | -8,505 | -9,469 |
| Increase/decrease in inventories | -863 | 94 |
| Materials and supplies | -9,368 | -9,375 |
| External services | -767 | -1,305 |
| Materials and services total | -10,135 | -10,681 |

6. Employee benefit expenses

| EUR 1,000 | 2010 | 2009 |
|--|---------|---------|
| Wages and salaries | -23,239 | -22,927 |
| Pension expenses, defined contribution plans | -1,607 | -2,246 |
| Pension expenses, defined benefit plans | -456 | -137 |
| Pension expenses total | -2,063 | -2,383 |
| Share options granted | -303 | -161 |
| Other employee benefits | -3,511 | -3,694 |
| Other employee benefits total | -3,814 | -3,855 |
| Employee benefit expenses total | -29,116 | -29,165 |

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

| Average number of employees | 2010 | 2009 |
|-------------------------------|------|------|
| Finland | 72 | 89 |
| Ireland | 67 | 135 |
| Other Europe | 9 | 11 |
| India | 559 | 327 |
| Other East and Southeast Asia | 20 | 21 |
| Middle East | 23 | 23 |
| Brazil | 47 | 59 |
| Total | 797 | 665 |

7. Depreciations and amortizations

| EUR 1,000 | 2010 | 2009 |
|--|--------|---------|
| Depreciations by class of asset | | |
| Other intangible assets | | |
| Capitalized development costs | -6,178 | -4,243 |
| Other intangible assets | -1,111 | -1,020* |
| Total | -7,288 | -5,263* |
| Property, plant and equipment | | |
| Buildings | -279 | -279 |
| Machinery and equipment | -1,180 | -1,313 |
| Total | -1,458 | -1,591 |
| Depreciation, amortization and impairment losses total | -8,747 | -6,855* |

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

8. Other operating expenses

| EUR 1,000 | 2010 | 2009 |
|--------------------------------|---------|---------|
| Subcontracting | -2,828 | -5,079 |
| Office management costs | -4,763 | -3,958 |
| Travel expenses | -4,776 | -4,076 |
| Agent fees | -3,707 | -4,678 |
| Rents | -1,727 | -1,550 |
| Professional services | -2,274 | -1,572 |
| Marketing | -208 | -415 |
| Other expenses | -516 | -476 |
| Other operating expenses total | -20,800 | -21,804 |

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

| Auditors' fees | 2010 | 2009 |
|----------------------|------|------|
| Audit | -79 | -99 |
| Tax consulting | -33 | -46 |
| Other services | -40 | -49 |
| Auditors' fees total | -152 | -195 |

9. Research and development expenditure

| EUR 1,000 | 2010 | 2009 |
|--|---------|---------|
| Research and development expenses incurred during the year, before capitalization of development costs | -13,144 | -14,506 |
| Capitalization of development costs | 592 | 5,089 |
| Amortization of capitalized development costs | -6,132 | -4,245 |
| Research and development expenses recognized in income statement total | -18,684 | -13,663 |

The capitalization of the product developments expenses has decreased remarkable because the product development has focused more on the certain customers. These expenses has been booked as cost.

10. Financial income and expenses

| EUR 1,000 | 2010 | 2009 |
|--|--------|--------|
| Financial income | | |
| Financial income from financial assets at fair value through income statement | 298 | 162 |
| Financial income from loans and receivables | 189 | 458 |
| Other financial income | 208 | 92 |
| Foreign exchange gains on loans and receivables | 392 | 352 |
| Foreign exchange gains on financial liabilities at amortized cost | | 16 |
| Unrealized gains from financial assets at fair value through income statement | | 210 |
| Financial income total | 1,087 | 1,290 |
| Financial expenses | | |
| Financial expense from financial liabilities at amortized cost | -258 | -266 |
| Other financial expenses | -511 | -687 |
| Foreign exchange losses on loans and receivables | -231 | -346 |
| Foreign exchange losses on financial liabilities at amortized cost | | -7 |
| Other foreign exchange losses | -1,392 | -443 |
| Unrealized losses from financial assets at fair value through income statement | -48 | -22 |
| Financial expenses total | -2,439 | -1,770 |
| Financial income and expenses total | -1,352 | -480 |

Items above the operating result include foreign exchange rate gains (net) EUR 99 thousand (EUR 276 thousand exchange gain losses (net) in 2009).

11. Income taxes

| EUR 1,000 | 2010 | 2009 |
|--|--------|--------|
| Current taxes | -1,391 | -1,433 |
| Withholding taxes paid abroad | -1,735 | -1,542 |
| Taxes for previous accounting periods | -102 | -95 |
| Change in deferred tax liabilities and deferred tax assets | 1,670 | 2,034* |
| Income taxes total | -1,559 | -766* |

Reconciliation of effective tax rate

Income tax reconciliation between tax expense computed at statutory rates in Finland (2010/2009: 26 per cent) and income tax expense.

| EUR 1,000 | 2010 | 2009 |
|--|--------|---------|
| Profit before taxes | -9,416 | -15,569 |
| Income tax using Finnish tax rates | 2,448 | 4,048* |
| Effect of different tax rates applied to foreign subsidiaries | -558 | -414 |
| Non-deductible expenses and tax-free income | 1,494 | -475* |
| Forfeited withholding taxes | -1,735 | -1,542 |
| Taxes of prior periods | -102 | -95 |
| Utilization of previously unrecognized tax losses | 413 | 233 |
| Unrecognized deferred tax assets on tax losses | 12 | -1,625 |
| Unrecognized deferred tax assets on research and development costs capitalized in the taxation | -3,417 | -919 |
| Deferred tax liabilities on undistributed profits of a foreign subsidiary | -881 | 572 |
| Other capital allowances | 768 | -595 |
| Taxes in income statement | -1,559 | -766* |

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

12. Earnings per share

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

| EUR 1,000 | 2010 | 2009 |
|--|---------|---------|
| Profit attributable to equity holders (EUR 1,000) | -10,953 | -16,240 |
| Weighted average number of shares during the year (1,000 shares) | 73,496 | 68,039 |
| Basic earnings per share, EUR | -0.15 | -0.24 |

To calculate diluted earnings per share, the weighted average number of shares taken into account the dilutive effect of converting all potential ordinary shares into shares. The Group has share options that have a dilutive effect on the number of ordinary shares. Share options have a dilutive effect 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.

| | | |
|--|---------|----------|
| Profit attributable to equity holders of the parent company for calculating diluted earnings per share (EUR 1,000) | -10,953 | -16,240* |
| Weighted average number of shares during period (1,000 shares) | 73,496 | 68,039 |
| Effect of share options (1,000 shares) | 20 | 193 |
| Weighted average number of shares for calculating diluted earnings per share (1,000 shares) | 73,516 | 68,231 |
| Diluted earnings per share, EUR | -0.15 | -0.24 |

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

Notes to the consolidated balance sheet

13. Intangible assets

| Intangible assets 2010 EUR 1,000 | Goodwill | Product development costs | Other intangible assets | Total |
|---|---------------|------------------------------|----------------------------|---------------|
| Acquisition cost 1 Jan | 19,591 | 31,493 | 8,818 | 59,903 |
| Exchange differences | 2,014 | -8 | 585 | 2,591 |
| Increase | 2 | 592 | 248 | 842 |
| Acquisition cost 31 Dec | 21,608 | 32,077 | 9,651 | 63,336 |
| Accumulated amortizations and impairment losses 1 Jan | | -11,588 | -4,769 | -16,358 |
| Exchange differences | | -12 | -96 | -108 |
| Amortization during period | | -6,178 | -1,124 | -7,303 |
| Accumulated amortizations and impairment losses 31 Dec | | -17,779 | -5,990 | -23,769 |
| Book value 31 Dec 2010 | 21,608 | 14,298 | 3,661 | 39,567 |

| Intangible assets 2009 EUR 1,000 | Goodwill | Product, development costs | Other intangible assets | Total |
|--|---------------|-------------------------------|----------------------------|----------------|
| Acquisition cost 1 Jan | 682 | 26,017 | 4,416 | 31,115 |
| Exchange differences | -220 | -6 | -54 | -280* |
| Business combinations | 18,492 | 393 | 4,259 | 23,143* |
| Increase | 638 | 5,089 | 215 | 5,941* |
| Decrease | | | -18 | -18 |
| Acquisition cost 31 Dec | 19,591 | 31,493 | 8,818 | 59,903* |
| Accumulated amortizations and impairment losses 1 Jan | | -7,343 | -3,746 | -11,090 |
| Exchange differences | | -2 | -21 | -23 |
| Accumulated amortization for decreases and reclassifications | | | 18 | 18 |
| Amortization during period | | -4,243 | -1,020 | -5,263 |
| Accumulated amortizations and impairment losses 31 Dec | | -11,588 | -4,769 | -16,358* |
| Book value 31 Dec 2009 | 19,591 | 19,904 | 4,049 | 43,545* |

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

Goodwill and impairment testing

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

| | Europe | Middle-East and Africa | Asia and Pasific | Americas | Total |
|-----------------------------------|--------|---------------------------|------------------|----------|--------|
| Goodwill 31 Dec 2010 EUR 1,000 | 432 | 15 126 | 648 | 5 402 | 21 608 |

The recoverable amounts of goodwill are determined based on value in used calculations. The cash flow forecasts rely on forecasts approved by the Managements Board. The forecasts cover a five-year period. The key variables in defining cash flows are the company's level of operating result, discount rate and the cash flows subsequent to the forecast period (residual value). The level of operating result is based on budget and forecasts. The level of operating result during the forecast period is estimated to improve. The pre-tax discount rate applied is 9.7 (10.1) per cent, determined by using the weighted average cost of capital (WACC). The decrease in the discount rate compared to the previous year is mainly due to decrease in the expected risk-free interest rate and calculatory risk premium related to liabilities. The growth rate used

in calculating the cash flows of the residual value is 2.5 per cent (3.0). The management estimates the development of these factors based on internal and external views of the history and future of the industrial sector.

In the goodwill impairment test, the sensitivity of the outcome is estimated through changes in key variables. The segment-wise sensitivity analysis is presented in the table below. In the analysis, it is presented how many percentage points the used pre-tax discounting rate and the growth rate in calculating residual value should change, other variables remaining constant, that the estimated cash flow would match with the carrying amount of the tested assets on 31 December 2010.

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

Product development costs and impairment testing

Capitalized product development costs include EUR 824 (9,226) thousand such products in progress that are not yet in commercial use, and are therefore not amortized. These intangibles in progress are tested for impairment annually, and they are allocated

to cash generating units as follows: VAS EUR 824 (4,481) thousand and BSS/OSS 0 (4,745) thousand. Based on the impairment tests performed, there is no need to recognize an impairment loss on intangibles in progress. Research and development costs recorded in the income statement are presented in note 9.

14. Property, plant and equipment

| Property, plant and equipment 2010 EUR 1,000 | Land and water areas | Buildings | Machinery and equipment | Investments in progress | Total |
|---|-------------------------|--------------|----------------------------|----------------------------|--------------|
| Acquisition cost 1 Jan | 2,069 | 7,534 | 32,023 | 22 | 41,648 |
| Translation differences | | | 405 | | 405 |
| Increase | | | 856 | 175 | 1,031 |
| Decrease | | | -11 | -180 | -191 |
| Acquisition cost 31 Dec | 2,069 | 7,534 | 33,272 | 17 | 42,893 |
| Accumulated depreciations and impairment losses 1 Jan | | -4,770 | -29,574 | | -34,343 |
| Translation differences | | | -236 | | -236 |
| Accumulated depreciation for decreases and reclassifications | | | 8 | | 8 |
| Depreciation during period | | -279 | -1,194 | | -1,473 |
| Accumulated depreciations and impairment losses 31 Dec | | -5,048 | -30,996 | | -36,044 |
| Book value 31 Dec 2010 | 2,069 | 2,485 | 2,277 | 17 | 6,849 |

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

15. Deferred tax assets and liabilities

| Deferred taxes 2010 EUR 1,000 | 1 Jan 2010 | Translation differences | Recognized in income statement | Business combination | 31 Dec 2010 |
|---|--------------|----------------------------|-----------------------------------|-------------------------|--------------|
| Deferred tax assets | | | | | |
| Capital allowances in the Ireland subsidiary | 143 | | 12 | | 155 |
| Capital allowances in the India subsidiary | 1,389 | 169 | 775 | | 2,333 |
| Other items | -11 | | 7 | | -3 |
| Total | 1,522 | 169 | 794 | | 2,485 |
| Deferred tax liabilities | | | | | |
| Capitalized development costs at group level and in taxation of the parent company | 2,059 | | -1,267 | | 792 |
| Undistributed profits of foreign subsidiaries | 572 | | 881 | | 1,453 |
| Allocations of goodwill on business combination | 997 | 122 | -258 | | 861 |
| Net asset in pension plan | 56 | | -44 | | 12 |
| Change in fair value of investments | 68 | | -68 | | |
| Accumulated depreciation difference | 254 | | -29 | | 225 |
| Other items | 15 | | -28 | | -13 |
| Total | 4,022 | 122 | -814 | | 3,330 |

| Deferred taxes 2009 EUR 1,000 | 1 Jan 2009 | Translation differences | Recognized in income statement | Business combination | 31 Dec 2009 |
|---|--------------|----------------------------|-----------------------------------|-------------------------|----------------|
| Deferred tax assets | | | | | |
| Capital allowances in the Ireland subsidiary | 137 | | 6 | | 143 |
| Capital allowances in India | | | 572 | 816 | 1 389 |
| Other items | | 1 | 17 | -28 | -11 |
| Total | 137 | 1 | 595 | 788 | 1 522 |
| Deferred tax liabilities | | | | | |
| Capitalized development costs at group level and in taxation of the parent company | 4,263 | | -2,204 | | 2,059 |
| Undistributed profits of foreign subsidiaries | | | 572 | | 572 |
| Allocations of goodwill on business combination | | -22 | -204 | 1,224 | 997 * |
| Net asset in pension plan | 31 | | 25 | | 56 |
| Change in fair value of investments | 15 | | 53 | | 68 |
| Accumulated depreciation difference | 220 | | 34 | | 254 |
| Other items | 1 | | 15 | | 15 |
| Total | 4,529 | -22 | -1,709 | 1,224 | 4,022 * |

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

Tecnomen Lifetree Corporation has not deducted research and development costs amounting to EUR 30,646 (17,580) thousand in its taxation. The amount can be deducted over an indefinite period with amounts that the company may freely decide. On these capitalizations, the company has recognized a deferred tax asset of EUR 2,275 thousand, corresponding to 29 per cent of the capitalized research and development costs. Deferred tax assets have been recognized to the extent that it is probable that future taxable profits will be available.

Part of these research and development costs have been capitalized in the consolidated balance sheet, and therefore the deductible temporary difference for which the Group has not recognized a deferred tax asset is EUR 5,887 (5,997) thousand. In addition, the Group has tax losses in Finland of EUR 4,515 (6,248) thousand, tax losses in Brazil of EUR 4,914 (4,904) thousand and other deductible temporary differences of EUR 961 (837) thousand, for which deferred tax assets have not been recognized because of the uncertainty about utilizing them.

Undistributed profits of foreign subsidiaries, for which no deferred tax liabilities have been recognized since the funds are invested permanently in the counties in questions, amount to EUR 16,129 (14,185) thousand.

16. Non-current trade and other receivables

| EUR 1,000 | 2010 | 2009 |
|---|------|------|
| Net asset in pension plan (note 22) | 45 | 215 |
| Other non-current receivables | 696 | 691 |
| Non-current trade and other receivables total | 741 | 906 |

17. Inventories

| EUR 1,000 | 2010 | 2009 |
|---------------------------|-------|-------|
| Materials and consumables | 795 | 929 |
| Work in progress | 135 | 180 |
| Finished products/goods | 93 | 222 |
| Inventories total | 1,023 | 1,331 |

During the period the write-down of inventories to net realizable value amounted to EUR 114 (43) thousand.

18. Trade and other current receivables

| EUR 1,000 | 2010 | 2009 |
|---|--------|--------|
| Trade receivables related to construction contracts | 5,736 | 10,906 |
| Other trade receivables | 11,659 | 8,434 |
| Work in progress related to construction contracts | 9,248 | 3,530 |
| Finished work related to construction contracts | 8,301 | 5,597 |
| Other receivables based on delivery agreements | 4,296 | 5,611 |
| Current prepaid expenses and accrued income | 2,336 | 2,391 |
| Other current receivables | 63 | 113 |
| Trade and other receivables total | 41,637 | 36,582 |

Fair values of receivables are stated in note 27. The retention amount from work in progress related to construction contracts at the end of the year is stated in note 3. In the MEA region, there have been delays in the payments from one government owned customer. Due to the situation, an impairment of EUR 0.9 million has been booked in respect of trade receivables which totalled EUR 5.9 million.

| Major items included in current prepaid expenses and accrued income | 2010 | 2009 |
|---|-------|-------|
| Valuation of currency derivatives | 336 | 211 |
| Prepaid taxes | 63 | 262 |
| Other prepaid expenses and accrued income | 1,937 | 1,917 |
| Total | 2,336 | 2,391 |

19. Cash and cash equivalents

| EUR 1,000 | 2010 | 2009 |
|---|--------|--------|
| Bank deposits with maturities of more than 3 months | 630 | 1,577 |
| Investments total | 630 | 1,577 |
| Cash in hand and at bank | 9,810 | 8,946 |
| Bank deposits with maturities of less than 3 months | | 415 |
| Mutual fund investments, highly liquid | 6,928 | 16,313 |
| Cash and cash equivalents total | 16,737 | 25,674 |

20. Notes to the shareholders' equity

| EUR 1,000 | Number of outstanding shares (1,000 shares) | Share capital | Share premium fund | Own shares | Invested unrestricted equity reserve | Total |
|-------------|---|---------------|-----------------------|------------|--|--------|
| 1 Jan 2010 | 73,496 | 4,720 | 847 | -122 | 12,634 | 18,080 |
| 31 Dec 2010 | 73,496 | 4,720 | 847 | -122 | 12,634 | 18,080 |

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

Descriptions of funds in shareholders' equity

Share premium fund

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

Own shares

Own shares includes the acquisition cost of company shares held by the Group. On the reporting date, the number of company shares held by the Group was 134,800 (134,800 in 2009). Own shares have been deducted from the number of shares when calculating per share ratios.

Reserve for invested unrestricted equity

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

Other reserves

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

Translation differences

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

Dividend and capital repayment

After the reporting date the Board of Directors has proposed that no dividend be paid for the financial year ended 31 December 2010. In 2010 no dividend was paid for the financial year that ended on 31 December 2009.

21. Share-based payments

In 2010, Tecnotree Group had two effective option programs that are part of the system to motivate and retain the key personnel. The option programs were approved by the Annual General Meeting in 2006 and 2009. The subtypes of the option programs are valid from two to five years from their issue and the exercise period is two or three years. Option rights are issued to the key personnel of Tecnotree Group or to the subsidiary in Tecnotree Group by the decision of the Board of Directors in accordance with the terms of the option programs. The subsidiary can give the options further to the target group by the decision of the Board of Directors. The options are equity-settled.

If the employment of the share option holder ceases before the options are exercisable for some other reason than the employee's death or reaching statutory retirement age in accordance with the terms of employment or if the company has otherwise specified retirement, then the employee shall immediately offer the company or a person designated by the company without consideration any share options for which the subscription period has not begun on the date when employment ceased. In

addition to the condition of remaining in employment, the start of the exercise period of the maximum of two thirds of the option rights 2009B and 2009C is conditional upon the revenue and profitability targets determined by the company's Board of Directors. Once options subscription period has started they can be freely transferred, and the employee may sell or subscribe the share options to a third party.

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

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

| 2010 | Share options 2006 | | | Share options 2009 | | |
|---|--------------------|------------|-----------|--------------------|-----------|-----------|
| | 2006A | 2006B | 2006C | 2009A | 2009B | 2009C |
| Basic information | | | | | | |
| Date of the Annual General Meeting | 15.3.2006 | 15.3.2006 | 15.3.2006 | 19.3.2009 | 19.3.2009 | 19.3.2009 |
| Grant dates | 21.4.2006 | 20.11.2007 | | 7.5.2009 | 7.5.2009 | 7.5.2009 |
| Maximum number of share options | 667,000 | 667,000 | 667,000 | 1,026,005 | 2,394,013 | 3,420,018 |
| Number of granted options | 304,000 | 667,000 | | 686,171 | 1,096,207 | 1,566,011 |
| Number of exercisable shares per option | 1 | 1 | 1 | 1 | 1 | 1 |
| Original exercise price | 2.73 € | 1.56 € | 1.12 € | 0.86 € | 0.86 € | 0.86 € |
| Dividend adjustment | Yes | Yes | Yes | Yes | Yes | Yes |
| Exercise price 31 Dec 2006 | 2.71 € | | | | | |
| Exercise price 31 Dec 2007 | 2.61 € | 1.46 € | | | | |
| Exercise price 31 Dec 2008 * | Expired | 1.39 € | 1.05 € | | | |
| Exercise price 31 Dec 2009 ** | Expired | 1.32 € | 0.98 € | 0.86 € | 0.86 € | 0.86 € |
| Exercise period starts *** | 1.4.2007 | 1.4.2008 | 1.4.2009 | 1.4.2009 | 1.4.2010 | 1.4.2011 |
| Exercise period ends | 30.4.2010 | 30.4.2011 | 30.4.2012 | 31.3.2011 | 31.3.2012 | 31.3.2013 |
| Term to maturity, years | Expired | 0.33 | 1.33 | 0.25 | 1.25 | 2.25 |

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

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

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

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

| 2010 | Share options 2006 | | | Share options 2009 | | |
|--|--------------------|----------|-------|--------------------|-----------|-----------|
| | 2006A | 2006B | 2006C | 2009A | 2009B | 2009C |
| Number of options at the beginning of the period | | | | | | |
| Outstanding options 1 Jan | 304,000 | 667,000 | | 265,554 | 619,627 | 885,181 |
| Changes during the period | | | | | | |
| Granted options | | | | 354,750 | 476,580 | 680,830 |
| Returned options | | -494,000 | | 65,867 | | -10,830 |
| Exercised options | | | | | | |
| Number of options at the end of the period | | | | | | |
| Outstanding options 31 Dec | 0 | 173,000 | | 686,171 | 1,096,207 | 1,555,181 |
| Exercisable 31 Dec | 0 | 173,000 | | 686,171 | 1,096,207 | |
| | | | | | | |
| The trade-weighted average price during the exercise period, EUR * | | 0.74 | 0.74 | 0.74 | | |

* The trade-weighted average price of Tecnotree Corporation's share for the whole year 2010.

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

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

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

| | Share options 2009 2010 | | Share options 2009 2009 | | Share options 2006 2010 | | Share options 2006 2009 | |
|-----------------------------|----------------------------|----------------|----------------------------|----------------|----------------------------|----------------|----------------------------|----------------|
| | No. of options | Exercise price |
| Granted 1 Jan | 1,770,362 | | | | 971,000 | 1.68 € | 971,000 | 1.75 € |
| Exercisable at 1 Jan | 265,554 | 0.86 € | | | 971,000 | 1.68 € | 971,000 | 1.75 € |
| Granted during the period | 1,578,027 | | 1,770,362 | 0.86 € | | | | |
| Returned during the period | -10,830 | | | | -494,000 | | | |
| Exercised during the period | | | | | | | | |
| Expired during the period | | | | | -304,000 | | | |
| Granted options 31 Dec | 3,337,559 | 0.86 € | 1,770,362 | 0.86 € | 173,000 | 1.68 € | 971,000 | 1.68 € |
| Exercisable 31 Dec | 1,782,378 | 0.86 € | 265,554 | 0.86 € | 173,000 | 1.68 € | 971,000 | 1.68 € |

In 2009 and 2010, no options were exercised. EUR 303 (161) thousand were recorded as an expense in the income statement. During the financial year, 1,578,027 (1,770,362) new options were granted.

Tecnotree has issued the share-based instruments in stages, so the program has many grant dates as defined in IFRS 2. The

grant date, in other words the date for measuring fair value, is either the final day in the period for defining the share subscription price or the grant date set by the Board for the option series in question, if this date is after the period for setting the subscription price. The prevailing share price on the grant date is based on the closing prices on the grant dates.

The main assumptions in the Black-Scholes formula

| | 2009A | 2009B | 2009C |
|----------------------------------|---------|---------|---------|
| Number of granted options | 420,617 | 476,580 | 680,830 |
| Share price | 0.97 € | 0.97 € | 0.97 € |
| Exercise price, EUR | 0.86 € | 0.86 € | 0.86 € |
| Risk-free interest rate | 1.2% | 1.3% | 1.8% |
| Expected term of validity, years | 1.2 | 2.2 | 3.2 |
| Volatility * | 32.6% | 32.4% | 32.5% |
| Options to be forfeited | 0.0% | 42.1% | 42.1% |
| Fair value total, EUR 1,000 | 70 | 68 | 104 |

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

22. Pension obligations

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

| EUR 1,000 | 2010 | 2009 |
|---|-------|-------|
| Defined benefit asset in the balance sheet: | | |
| Present value of funded obligations | 1,554 | 873 |
| Present value of unfunded obligations | 388 | 266 |
| Fair value of plan assets (-) | -950 | -738 |
| Surplus (-) / Deficit | 992 | 400 |
| Unrecognized actuarial gains (+) / losses (-) | -621 | -309 |
| Net liability (+) / asset (-) | 371 | 91 |
| Pension obligations (note 24) | 415 | 306 |
| Pension assets (note 16) | -45 | -215 |
| Net liability (+) / asset (-) | 371 | 91 |
| Defined benefit expense in the income statement: | | |
| Current service cost | 328 | 135 |
| Interest cost | 61 | 23 |
| Expected return on plan assets | -43 | -22 |
| Recognized net actuarial gains (-) / losses (+) | 110 | 1 |
| Pension expense recognized in income statement | 456 | 137 |
| Change in the defined benefit obligation: | | |
| Defined benefit obligation in the beginning of the year | 1,138 | 309 |
| Business combination | | 420 |
| Translation differences | 61 | -4 |
| Current service cost | 328 | 135 |
| Interest cost | 61 | 23 |
| Actuarial gains (-) / losses (+) | 323 | 256 |
| Defined benefit obligation at the end of the year | 1,912 | 1,138 |
| Change in plan assets: | | |
| Plan assets beginning of the year | 738 | 379 |
| Business combination | | 162 |
| Translation differences | 11 | -2 |
| Expected return on plan assets | 44 | 22 |
| Actuarial gains (+) / losses (-) | -36 | -7 |
| Contributions paid into the plans | 199 | 184 |
| Plan assets end of the year | 957 | 738 |

Recognized gains on plan assets were EUR 15 (15) thousand. Experience adjustments arising on plan assets were EUR -14 (-7) thousand and on plan obligations EUR 199 (153) thousand. There is no information available on plan assets. Contributions to be paid in year 2011 is expected to be EUR 262 thousand.

| EUR 1,000 | 2010 | 2009 |
|--|----------|----------|
| Actuarial assumptions at reporting date | % | % |
| Finland: | | |
| Discount rate | 4.30 | 5.10 |
| Expected return on plan assets | 4.50 | 4.50 |
| Future salary increases | 3.50 | 3.50 |
| India: | | |
| Discount rate | 8.00 | 7.60 |
| Expected return on plan assets | 7.00 | 6.00 |
| Future salary increases | 10.00 | 7.45 |

23. Interest-bearing liabilities

| EUR 1,000 | 2010 | 2009 |
|---|---------------|---------------|
| Non-current loans from financial institutions | 14,434 | 16,650 |
| Non-current finance lease liabilities | 73 | 14 |
| Total | 14,507 | 16,664 |
| Current loans from financial institutions | 5,216 | 2,223 |
| Current finance lease liabilities | 27 | 44 |
| Total | 5,243 | 2,266 |
| Interest-bearing liabilities total | 19,751 | 18,931 |

The loans from financial institutions consist of one loan EUR 16,650 thousand which is raised for financing the acquisition of Lifetree Convergence Ltd and loan EUR 3,000 thousand from the available credit limit. The loan is denominated in euro with a floating interest rate.

| Maturity analysis of finance lease liabilities | | |
|---|------------|-----------|
| Minimum lease payments, less than one year | 28 | 47 |
| Minimum lease payments, 1–5 years | 77 | 17 |
| Total | 105 | 64 |
| Present value of minimum lease payments, less than one year | 27 | 44 |
| Present value of minimum lease payments, 1–5 years | 73 | 14 |
| Total | 100 | 58 |
| Future financial charges | 10 | 7 |

24. Other non-current liabilities

| EUR 1,000 | 2010 | 2009 |
|--|------------|------------|
| Pensions obligations (note 22) | 415 | 306 |
| Non-current tax liabilities | 1 | 1 |
| Other non-current liabilities total | 416 | 307 |

25. Trade payables and other liabilities

| EUR 1,000 | 2010 | 2009 |
|---|---------------|---------------|
| Advances received | 1,005 | 971 |
| Trade payables | 5,932 | 2,263 |
| Accrued liabilities and deferred income | 5,333 | 7,993 |
| Other liabilities | 1,069 | 2,199 |
| Current provisions * | 736 | 4,700 |
| Trade payables and other liabilities total | 14,075 | 18,127 |
| Accrued liabilities and deferred income | | |
| Accrued personnel expenses | 2,040 | 3,410 |
| Accrued agent fees | 1,211 | 1,583 |
| Accrued project costs | 652 | 1,314 |
| Accrued taxes | 377 | 60 |
| Valuation of currency derivatives | 255 | 131 |
| Valuation of interest rate swap | 335 | 95 |
| Other accrued liabilities and deferred income | 461 | 1,399 |
| Total | 5,333 | 7,993 |

* Current provisions include the following items: In the Europe segment, a provision of EUR 700 (EUR 3,679) thousand was directed for the costs rising from a customer project. Of the provision, EUR 2,979 thousand has been used during the year 2010, and the rest will be used in 2011.

Restructuring provisions of EUR 1,021 thousand due to personnel reductions during 2009 in Finland and Ireland. The provision has been used during 2010.

26. Financial risk management

Risk management principles

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

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

Risk management organization

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

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

Market risks

Currency risk

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

Transaction risk

The Group's open currency position comprises foreign currency denominated, sales related balance sheet items, cash and cash equivalents balance, currency denominated order backlog and binding currency denominated purchase and sales contracts. On the reporting date, the open US dollar position was EUR 30,623 (16,999) thousand.

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

In 2010, 23 per cent of invoicing was in euro, 70 per cent in US dollars, 4 per cent in BRL, and 3 per cent in other currencies. The Group is hedging the open US dollar currency position. The Group does not hedge the open INR and BRL currency position, partly because of local currency restrictions and high cost of hedging. Sales in INR and BRL and purchases related to them form ade-

quate operative hedging and therefore hedging instruments are not usually used. The Group does not hedge the other currency positions, since they are not significant.

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

The Group is hedging the US dollar currency denominated cash flow position for a maximum period of 12 months for 50–100 per cent of the net position. Hedging is carried into effect with foreign exchange forwards and options. On the reporting date, 63 per cent (74%) of the open currency position was hedged.

US dollar denominated cash inflow is mainly converted into euros and in India into rupees. Some cash reserves are held in US dollar in order to manage forthcoming US dollar payments. If such US dollar cash position occurs, it is accounted for as part of total currency exposure, which is hedged against currency risk as described above.

Sensitivity analysis for market risks

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

| EUR 1,000 | Note | 31 Dec 2010 USD | 31 Dec 2009 USD |
|---|------|-----------------------|-----------------------|
| Current assets | | | |
| Trade and other receivables | 18 | 11,596 | 3,682 |
| Other receivables related to construction contracts | 18 | 11,727 | 8,608 |
| Cash and cash equivalents | 19 | 2 | 424 |
| Currency derivatives | 18 | 336 | 211 |
| Total current assets | | 23,661 | 12,925 |
| Current liabilities | | | |
| Trade payables and other liabilities | 25 | 406 | 673 |
| Currency derivatives | 25 | 255 | 131 |
| Total current liabilities | | 661 | 804 |

In the sensitivity analysis below, the effect of strengthening and weakening of the USD exchange rate against EUR is presented with all other factors remaining unchanged. Analysis is performed only for the assets and liabilities denominated in USD as the transaction risk inherent to financial assets and liabilities in other currencies is insignificant. The analyzed change in the exchange rate represents a possible volatility of the currency during a twelve

month period. The resulted effect in the analysis stems largely from the USD denominated trade receivables and from cash and cash equivalents. Fluctuation in exchange rates has no direct effect on equity as the Group does not apply hedge accounting.

| EUR 1,000 | 2010 | | 2009 | |
|----------------------------------|--------|-------|--------|-------|
| | USD | USD | USD | USD |
| Change in percentage | -10% | +10% | -10% | +10% |
| Effect on the result after taxes | -1,527 | 2,568 | -1,010 | 1,259 |

Translation risk

Tecnotree India and its subsidiaries are consolidated into Tecnotree Group as from 6 May 2009, and the Group is therefore exposed to the risks incurred when the net investments denominated in INR are translated into euro, the functional currency of the parent company. On the reporting date, the open translation risk for the Indian subgroup was EUR 44,491 (39,658) thousand. This net investment is not hedged, mainly because of local currency restrictions and high cost of hedging. The sensitivity for translation risk was analyzed by determining the effects of 10 per cent strengthening and weakening of the INR exchange rate against EUR, all other factors remaining unchanged.

| EUR 1,000 | 2010 | | 2009 | |
|----------------------------------|--------|-------|--------|-------|
| | INR | INR | INR | INR |
| Change in percentage | -10% | +10% | -10% | +10% |
| Effect on the result after taxes | -439 | 536 | -316 | 387 |
| Effect on equity | -4,044 | 4,943 | -3,605 | 4,406 |

The exposure for translation risk related to net investments in other foreign subsidiaries is not significant and is therefore neither hedged nor analysed for sensitivity. On the reporting date, the open translation risk position for the Brazilian subsidiary was EUR 6,514 (4,603) thousand and for the Malaysian subsidiary EUR 2,781 (2,360). The change in translation difference in equity caused by fluctuations in exchange rates for these two subsidiaries was EUR 1,160 (797) thousand.

Interest rate risk

The Group's interest rate risk management focuses on the optimal management of liquid funds in sense of profitability and safety and interest rate risk management of bank loans. The majority of liquid funds are invested in short-term bank deposits and short-term interest funds in which the maturity is not more than three months.

On the reporting date, the Group held such investments amounting to EUR 7,557 (18,305) thousand.

On the reporting date, bank loans totaled EUR 19,650 (18 889) thousand consisting of EUR 16,650 thousand bank loan and EUR 3,000 thousand credit facility in use. On the reporting date, bank loans, except for the credit line, were hedged against currency risk. The interest rate risk of the hedged portion is limited to the fair value adjustments of the hedging instruments.

Interest rate sensitivity was analyzed by determining the effects of one percentage unit's change in the interest rates on the Group's interest-bearing financial instruments on an annual level. The analysis included all the significant interest-bearing financial instruments of the Group totaling EUR 8,705 (8,320) thousand.

On the reporting date, an increase / a decrease of one percentage unit in the interest rates would have increased / decreased the net income after tax by EUR 140 / -140 (182 / -154) thousand, considering that interest rates cannot turn negative. Changes in interest rates would not have had a direct effect on equity. The effect of an increase and a decrease in the interest rates is presented with all other factors remaining unchanged.

Price risk

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

Liquidity risk

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

On the reporting date, the Group's cash in hand and at bank were EUR 11,897 (8,946) thousand and cash equivalents EUR 7,557 (16,728). Tecnotree has a committed credit facility of EUR 10 million of which EUR 3 million was utilized on year end.

Maturity analysis of financial liabilities is presented in the table below. The figures are presented in gross amounts. The bank loan agreement includes a financial covenant. A breach of the covenant will give the bank the right to demand the entire loan to be repaid. The covenant is based on interest-bearing net liabilities in proportion to adjusted operating result before depreciations and amortizations (EBITDA). On the reporting date, the covenant requirements were met with a 6 per cent margin.

| 31 Dec 2010 | Balance sheet value | Cash flow | Less than 1 year | 1–3 years | 3–5 years | Over 5 years |
|-----------------------------------|---------------------|-----------|------------------|-----------|-----------|--------------|
| Loans from financial institutions | 19,751 | 19,767 | 5,243 | 4,473 | 10,051 | |
| Trade and other payables | 5,932 | 5,932 | 5,932 | | | |
| Derivatives | 590 | 590 | 590 | | | |

| 31 Dec 2009 | Balance sheet value | Cash flow | Less than 1 year | 1–3 years | 3–5 years | Over 5 years |
|-----------------------------------|---------------------|-----------|------------------|-----------|-----------|--------------|
| Loans from financial institutions | 18,873 | 18,889 | 2,222 | 4,444 | 12,222 | |
| Trade and other payables | 2,263 | 2,263 | 2,263 | | | |
| Derivatives | 226 | 226 | 226 | | | |

Credit risk

Credit risk arises from the potential failure of counterparty to meet its contractual payment obligations. The amount of risk depends on the creditworthiness of the counterparty. The total amount of credit risk inherent to financial instruments, i.e. the total carrying amount of financial assets on the reporting date, was EUR 35,097 (46,803) thousand. The financial assets are specified in note 27. The most significant separate item of credit risk is the trade receivables.

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

The procedure for granting of credit for new customers or customers from countries with high risk rating always requires the acceptance of the Group CFO. Tecnotree has not arranged financing for customers with third parties. The amount of credit losses recognized in the income statement during the past few years has not been substantial. However, the acquisition of Tecnotree India in May 2009 has increased the amount of overdue trade receivables in the Group.

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

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

| Analysis of trade receivables by age EUR 1,000 | 2010 | 2009 |
|---|---------------|---------------|
| Undue trade receivables | 5,671 | 4,595 |
| Trade receivables 1–60 days overdue | 2,426 | 5,964 |
| Trade receivables 61–90 days overdue | 1,301 | 361 |
| Trade receivables more than 90 days overdue | 7,913 | 8,400 |
| Total | 17,311 | 19,340 |

Project deliveries result in large accounts receivable. Most of Tecnotree's net sales comes from developing countries and some of these contain political and economic challenges. There is the risk of a considerable delay in the payment of invoices in these countries and that Tecnotree will have to record credit losses. The payment record of customers and the situation concerning trade receivables are actively monitored and credit rating checks are made on new customers before confirming an offer. In the MEA region, there have been delays in the payments from one government owned customer. Due to the situation, an impairment of EUR 0.9 million has been booked in the financial statements in respect of trade receivables which totaled EUR 5.9 million.

Capital management

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

| Components of gearing ratio 1 000 € | 31 Dec 2010 | 31 Dec 2009 |
|--|----------------|----------------|
| Interest-bearing financial liabilities | 19,751 | 18,931 |
| Interest-bearing financial assets | -630 | -1,577 |
| Cash and cash equivalents | -16,737 | -25,674 |
| Net interest-bearing liabilities | 2,384 | -8,320 |
| Total shareholders' equity | 72,106 | 77,060 |
| Gearing ratio | 3.3% | -10.8% |

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

| 2010 EUR 1,000 | Note | Financial assets/liabilities at fair value through income statement | Loans and receivables | Financial liabilities measured at amortized cost | Carrying amounts by balance sheet item | Fair value |
|--|------|---|--------------------------|--|--|------------|
| Current financial assets | | | | | | |
| Trade and other receivables | 18 | 336 | 17,395 | | 17,731 | 17,731 |
| Investments | 19 | | 630 | | 630 | 630 |
| Cash and cash equivalents | 19 | 6,928 | 9,810 | | 16,737 | 16,737 |
| Carrying amount by category | | 7,264 | 27,834 | | 35,097 | 35,097 |
| Non-current financial liabilities | | | | | | |
| Non-current interest-bearing liabilities | 23 | | | 14,434 | 14,434 | 14,434 |
| Carrying amount by category | | | | 14,434 | 14,434 | 14,434 |
| Current financial liabilities | | | | | | |
| Current interest-bearing liabilities | 23 | | | 5,216 | 5,216 | 5,216 |
| Trade and other payables | 25 | 590 | | 5,932 | 6,523 | 6,523 |
| Carrying amount by category | | 590 | | 11,148 | 11,739 | 11,739 |

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

Basis for fair value measurement

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

Fair value hierarchy

The items measured at fair value are classified using a fair value hierarchy that reflects the significance of the inputs used in making

the measurements. The fair value hierarchy includes the levels 1–3. Level 1: Quoted prices in active markets for identical assets or liabilities. Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. Level 3: Inputs for the asset or liability that are not based on observable market data.

All items measured at fair value are categorized into hierarchy level 2, except for the currency options amounting to EUR -43 (188) thousand that are categorized into hierarchy level 3. The fair values of the currency options are based on the valuations prepared by the counterparty. During the reporting period, there were no significant transfers between the hierarchy levels.

28. Operating leases

| EUR 1,000 | 2010 | 2009 |
|--|-------|-------|
| Group as lessee | | |
| Minimum lease payments of the non-cancellable operating leases are as follows: | | |
| Operating leases | | |
| Less than one year | 641 | 729 |
| Between one and five years | 454 | 534 |
| Total | 1,095 | 1,263 |

The Group has leased office equipment, office facilities, and company cars. The leases typically run for one to three years and normally include an option to continue the lease agreement after the original ending date. The index, terms of renewal, and other

conditions in different agreements may vary. EUR 1,727 (1,550) thousand was recognized as an expense in the income statement in respect of operating leases.

29. Contingent liabilities

| EUR 1,000 | 2010 | 2009 |
|---|-------|------|
| On own behalf | | |
| Pledged deposits | 77 | 41 |
| Guarantees | 979 | 605 |
| Total | 1,056 | 646 |
| Other contingent liabilities | | |
| Restriction related to real estate in Ireland | 387 | 387 |
| Total | 387 | 387 |

30. Related party transactions

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

| | Domicile | Group's ownership % | Group's share of voting rights % |
|--|---------------|---------------------|----------------------------------|
| Tecnotree Oyj (parent) | Finland | | |
| Tecnotree Ltd | Ireland | 100 | 100 |
| Tecnotree GmbH | Germany | 100 | 100 |
| Tecnotree Spain SL | Spain | 100 | 100 |
| Tecnotree Sistemas de Telecomunicacao Ltda | Brazil | 100 | 100 |
| Tecnotree (M) Sdn Bhd | Malaysia | 100 | 100 |
| Tecnotree Services Oy | Finland | 100 | 100 |
| Lifetree Cyberworks Pvt. Ltd | India | 100 | 100 |
| Tecnotree Convergence Ltd | India | 99.82 | 99.82 |
| Quill Publishers Pvt. Ltd | India | 99.82 | 99.82 |
| Lifetree Convergence Pty Ltd | South Africa | 99.82 | 99.82 |
| Lifetree Convergence (Nigeria) Ltd | Nigeria | 94.82 | 94.82 |
| Lifetree UK Ltd | Great Britain | 99.82 | 99.82 |

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

Except for ordinary intra-group transactions the Group has not entered any significant transactions with, granted any loans to, or made any other comparable arrangements with related parties

during the year 2010. The Group's related parties include the subsidiaries, the members of the Board of Directors and the Management Board, the CEO and the close family members of the preceding persons, as well as those entities in which these people has control.

| EUR 1,000 | 2010 | 2009 |
|--|--------|--------|
| Compensation to related parties | | |
| Salaries and other short-term employee benefits | -1,406 | -1,409 |
| Share-based payment | | -161 |
| Compensation to related parties total | -1,406 | -1,570 |
| Salaries and fees | | |
| Jarmo Niemi, President and CEO of the company until 2 Oct 2009 | | -269 |
| Eero Mertano, President and CEO of the company until 31 Oct 2010 | -221 | -52 |
| Kaj Hagros, President and CEO of the company as of 1 Nov 2010 | -48 | |
| Members of the Board of Directors | | |
| Hannu Turunen, Chairman of the Board | -74 | -63 |
| Johan Hammarén, Vice Chairman of the Board as of 25 Mar 2010 | -37 | -32 |
| Carl-Johan Numelin, Vice Chairman of the Board until 25 Mar 2010 | -10 | -42 |
| Harri Koponen | -34 | -32 |
| Christer Sumelius | -33 | -35 |
| Pentti Heikkinen | -32 | -22 |
| Atul Chopra | -28 | -22 |
| David K. White | -29 | -22 |
| Ilkka Raiskinen | -27 | |
| Lauri Ratia, former member and Chairman of the Board | | -16 |
| Timo Toivola, former member of the Board | | -8 |

39 per cent of the fees to the Board of Directors has been settled in shares of Tecnotree Oyj.

The President is entitled to retire at the age of 60 years.

In 2009, Atul Chopra, member of Management Board and Board of Directors, has been granted 1,770,362 share options, of which 265,554 options were exercisable. The other members of

the Management Board or Board of Directors were not granted any share options during 2010 nor during 2009. On the reporting date, other members of Management Board held a total of 323,333 (160,000) options, of which all were exercisable. The other members of the Board of Directors did not hold any options on 31 December 2010 nor on 31 December 2009.

Key financial indicators

| | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|--------|--------|--------|--------|--------|
| Consolidated income statement | | | | | |
| Net sales, EUR million | 60.7 | 53.3 | 77.2 | 70.1 | 71.8 |
| change % | 14.0 | -31.0 | 10.1 | -2.4 | 4.1 |
| Adjusted operating result, EUR million | -2.5 | -8.8 | 8.0 | 3.7 | 1.2 |
| % of net sales | -4.2 | -16.6 | 10.4 | 5.2 | 1.7 |
| Operating profit, EUR million | -8.1 | -15.0 | 11.5 | 8.9 | 4.9 |
| % of net sales | -13.3 | -28.1 | 14.9 | 12.7 | 6.8 |
| Profit before taxes, EUR million | -9.4 | -15.4 | 13.5 | 10.0 | 5.2 |
| % of net sales | -15.5 | -29.0 | 17.5 | 14.2 | 7.3 |
| Consolidated balance sheet | | | | | |
| Non-current assets, EUR million | 49.7 | 53.3 | 27.7 | 24.8 | 20.6 |
| Current assets | | | | | |
| Inventories, EUR million | 1.0 | 1.3 | 1.1 | 2.4 | 1.9 |
| Financial assets, EUR million | 59.0 | 63.8 | 90.0 | 68.0 | 66.3 |
| Shareholders' equity, EUR million | 72.1 | 77.1 | 83.5 | 78 | 74.6 |
| Liabilities | | | | | |
| Non-current liabilities, EUR million | 14.9 | 17.0 | 0.0 | 0 | 0.1 |
| Current liabilities, EUR million | 19.3 | 20.4 | 30.8 | 13.8 | 11.5 |
| Deferred tax liabilities, EUR million | 3.3 | 4.0 | 4.5 | 3.4 | 2.6 |
| Balance sheet total, EUR million | 109.7 | 118.4 | 118.9 | 95.2 | 88.8 |
| Financial indicators | | | | | |
| Return on equity (ROE), % | -14.7 | -20.2 | 12.6 | 11.4 | 4.3 |
| Return on investment (ROI), % | -7.4 | -13.7 | 16.0 | 13.6 | 9.1 |
| Equity ratio, % | 66.4 | 65.6 | 70.3 | 83.7 | 84.3 |
| Debt/Equity (net gearing) ratio, % | 3.3 | -10.8 | -37.2 | -22.4 | -27.4 |
| Investments, EUR million | 1.8 | 1.4 | 1.3 | 1.2 | 2.4 |
| % of net sales | 3.0 | 2.7 | 1.7 | 1.8 | 3.4 |
| Research and development, EUR million | 13.1 | 14.5 | 15.5 | 16.1 | 13.2 |
| % of net sales | 21.7 | 27.2 | 20 | 22.9 | 18.4 |
| Order book, EUR million | 14.3 | 11.7 | 9.7 | 17.5 | 15.0 |
| Personnel, average | 797 | 665 | 358 | 354.4 | 387 |
| Personnel, at the end of the year | 858 | 779 | 354 | 355 | 374 |
| Key ratios per share | | | | | |
| Earnings per share, EUR (basic) | -0.15 | -0.24 | 0.17 | 0.15 | 0.06 |
| Earnings per share, EUR (diluted) | -0.15 | -0.24 | 0.17 | 0.15 | 0.05 |
| Equity per share, EUR | 0.98 | 1.05 | 1.41 | 1.32 | 1.27 |
| Number of shares at the end of the period, 1,000 shares | 73,496 | 73,496 | 59,142 | 59,117 | 58,871 |
| Average number of shares, 1,000 shares | 73,496 | 68,039 | 59,134 | 58,965 | 58,673 |
| Number of own shares on 1 Jan, 1,000 shares | 135 | 135 | 135 | 135 | 135 |
| Number of disposed own shares, 1,000 shares | 0 | 0 | 0 | 0 | 0 |
| Number of own shares on 31 Dec, 1,000 shares | 135 | 135 | 135 | 135 | 135 |

| | 2010 | 2009 | 2008 | 2007 | 2006 |
|--|-------|-------|------|-------|-------|
| Share price, EUR | | | | | |
| Average price | 0.79 | 1.00 | 1.00 | 1.4 | 2.01 |
| Lowest price | 0.58 | 0.78 | 0.75 | 1.15 | 1.38 |
| Highest price | 1.00 | 1.21 | 1.27 | 1.83 | 3.06 |
| Share price at the end of the period, EUR | 0.60 | 0.94 | 0.84 | 1.24 | 1.68 |
| Market value at the end of the period, EUR million | 44.2 | 69.2 | 49.8 | 73.3 | 99.1 |
| Share turnover, million shares | 16.6 | 22.6 | 23.2 | 38.7 | 59.8 |
| Share turnover, % of total number | 22.6 | 30.7 | 39.2 | 65.4 | 101.4 |
| Share turnover, EUR million | 13.2 | 23.2 | 23.2 | 53.9 | 122.1 |
| Dividend per share, EUR * | | | 0.07 | 0.07 | |
| Dividend/result, % | | | 40.7 | 47.50 | |
| Effective dividend yield, % | | | 8.3 | 5.6 | |
| P/E ratio, % | -4.00 | -3.97 | 4.88 | 8.43 | 27.97 |

*) The Board has proposed that no dividend be paid for the financial year ended 31 December 2010. In 2010 no dividend was paid for the financial year that ended on 31 December 2009. In 2007 and 2006, repayments of capital of EUR 0.10 per share were made.

Calculation of key indicators

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

Parent company's income statement

| EUR 1,000 | Note | 1 Jan–31 Dec 2010 | 1 Jan–31 Dec 2009 |
|---|------|-------------------|-------------------|
| Net sales | 1 | 39,903 | 35,447 |
| Other operating income | 2 | 0 | 237 |
| Materials and services | 3 | -8,863 | -8,106 |
| Personnel expenses | 4 | -9,623 | -10,546 |
| Depreciation, amortization, and impairment losses | 5 | -850 | -952 |
| Other operating expenses | 6 | -28,193 | -38,091 |
| Operating result | | -7,625 | -22,012 |
| Financial income and expenses | 7 | -1,029 | -1,095 |
| Result before extraordinary items | | -8,654 | -23,107 |
| Result before appropriations and taxes | | -8,654 | -23,107 |
| Appropriations | 8 | 113 | -130 |
| Direct taxes | 9 | -1,849 | 581 |
| Result for the financial year | | -10,390 | -22,657 |

Parent company's balance sheet

| EUR 1,000 | Note | 31 Dec 2010 | 31 Dec 2009 |
|--------------------------------------|------|---------------|---------------|
| Assets | | | |
| Non-current assets | | | |
| Intangible assets | 10 | 484 | 597 |
| Tangible assets | 11 | 4,052 | 4,545 |
| Shares in Group companies | 12 | 36,614 | 36,609 |
| Receivables from Group companies | 12 | 299 | 299 |
| Total non-current assets | | 41,450 | 42,050 |
| Current assets | | | |
| Inventories | 13 | 945 | 1,137 |
| Non-current receivables | 14 | 2,287 | 2,306 |
| Current receivables | 15 | 31,186 | 27,900 |
| Cash and cash equivalents | 16 | 5,309 | 16,003 |
| Total current assets | | 39,727 | 47,346 |
| Total assets | | 81,177 | 89,396 |
| Equity and liabilities | | | |
| Shareholders' equity | | | |
| Share capital | 17 | 4,720 | 4,720 |
| Share premium fund | | 847 | 847 |
| Own shares | | -122 | -122 |
| Invested unrestricted equity reserve | | 12,634 | 12,634 |
| Other reserves | | 27,154 | 49,811 |
| Retained earnings | | 122 | 122 |
| Result for the financial year | | -10,390 | -22,657 |
| Total shareholders' equity | | 34,966 | 45,355 |
| Accumulated appropriations | 18 | 863 | 975 |
| Provisions | 19 | 700 | 3,679 |
| Liabilities | | | |
| Non-current liabilities | 20 | 14,445 | 16,667 |
| Current liabilities | 20 | 30,203 | 22,720 |
| Total liabilities | | 44,649 | 39,386 |
| Total equity and liabilities | | 81,177 | 89,396 |

Parent company's cash flow statement

| EUR 1,000 | 1 Jan–31 Dec 2010 | 1 Jan–31 Dec 2009 |
|---|-------------------|-------------------|
| Cash flow from operating activities | | |
| Result before extraordinary items | -8,654 | -23,107 |
| Adjustments for: | | |
| Planned depreciation | 850 | 952 |
| Unrealized exchange rate gains and losses | -546 | -229 |
| Financial income and expenses | 333 | 746 |
| Changes in working capital: | | |
| Current receivables, increase (-) /decrease (+) | -3,134 | 15,043 |
| Inventories, increase (-) /decrease (+) | 192 | -94 |
| Current liabilities, increase (+) /decrease (-) | 1,402 | 7,242 |
| Interest paid | -255 | -893 |
| Interest received | 347 | 263 |
| Income taxes paid | -1,757 | -2,153 |
| Net cash flow from operating activities | -11,222 | -2,230 |
| Cash flow from investments | | |
| Investments in intangible assets | -68 | -199 |
| Investments in tangible assets | -177 | -405 |
| Investments in subsidiaries' shares | -5 | -23,065 |
| Cash flow from investments | -249 | -23,669 |
| Cash flow from financing activities | | |
| Proceeds from short-term borrowings | 3,000 | |
| Repayments of long-term borrowings | -2,222 | -1,111 |
| Dividend distribution | | -5,097 |
| Cash flow from financing activities | 778 | -6,208 |
| Change in cash and cash equivalents | -10,694 | -32,107 |
| Cash and cash equivalents on 1 Jan | 16,003 | 48,110 |
| Cash and cash equivalents on 31 Dec | 5,309 | 16,003 |

Parent company accounting principles

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

Items denominated in foreign currencies

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

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

Derivatives entered into by the company comprise currency forward contracts to hedge against changes in the cash flows from purchase and sales agreements denominated in foreign currencies. The company policy is to hedge the net foreign currency exposure over the following 12 months at a maximum. Those derivatives entered into for hedging purposes are initially recognized at cost equivalent to their fair value. Subsequently derivatives are measured at fair value based on the forward rates quoted at the balance sheet date. Exchange rate differences on derivative contracts made for hedging purposes are charged to the income statement under other operating income and expenses.

Net sales

At Tecnotree, net sales comprise revenue recognized from project deliveries and goods and service deliveries from which indirect taxes, discounts and exchange rate differences have been deducted. Revenue from project deliveries is mainly recognized according to the stage of completion. Project revenue and expenses are recognized in the income statement in proportion to the stage of completion on the balance sheet date, once the outcome of the project can be estimated reliably. The outcome of a project can be reliably estimated when the anticipated revenue and costs from the contract and the progress of the project can be estimated reliably and when it is probable that the economic benefits associated with the project will flow to the company.

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

The stage of completion method of revenue recognition is based on estimates of the expected revenue and expenses associated with the contract and on estimating the progress of the project. The cost estimates for the projects are monitored quarterly in the management's revenue review and the revenue and expenses recognized in the income statement are revised in the estimates of the outcome of the project change. The accumulated effect due to the change in the estimates is recognized in the period when the change is known for the first time and its amount can be estimated.

If the outcome of the project cannot be estimated reliably, revenue is only recognized to the extent of project costs incurred. This method of recognition is typically applied in first delivery projects

for new products or when a delivery project contains a significant amount of customization for individual customers. The margin on the project is recognized on final acceptance.

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

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

Pension plans

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

Leasing

Leasing payments have been entered as rentals. Unpaid leasing fees are presented in the financial statements under contingent liabilities.

Research and development expenses

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

Valuation of inventories

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

Valuation of non-current assets

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

The periods for planned depreciation and amortization are as follows:

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

Purchase and disposal of company's own shares

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

Derivative financial instruments

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

Notes to the parent company's income statement

1. Net sales

| EUR 1,000 | 2010 | 2009 |
|---|--------|--------|
| Net sales by market area | | |
| Europe, Middle East and Africa | 14,743 | 14,396 |
| Asia Pacific | 2,236 | 1,752 |
| Americas | 22,924 | 19,299 |
| Net sales total | 39,903 | 35,447 |
| Net sales by type of income | | |
| Revenue from contract work recognized by stage of completion | 14,457 | 15,050 |
| Revenue from maintenance and support | 13,079 | 14,531 |
| Revenue from goods and services, external sales | 10,237 | 5,418 |
| Revenue from goods and services, intra-group sales | 2,129 | 448 |
| Net sales total | 39,903 | 35,447 |
| Order book for contract work | 812 | 3,398 |
| Order book for maintenance and support, goods, and services | 4,769 | 2,469 |
| Order book total | 5,581 | 5,867 |
| Projects in progress: | | |
| Cumulative revenue recognized for projects in progress | 10,920 | 7,704 |
| Cumulative invoicing for projects in progress recognized by stage of completion | 5,153 | 5,825 |
| Accrued income related to construction contracts, work in progress | 5,767 | 1,879 |
| Aggregate amount of costs incurred for projects in progress | 5,217 | 2,704 |

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

2. Other income from operations

| EUR 1,000 | 2010 | 2009 |
|------------------------------------|------|------|
| Commissions from partners | | 233 |
| Other operating income | 0 | 4 |
| Other income from operations total | 0 | 237 |

3. Materials and services

| EUR 1,000 | 2010 | 2009 |
|---------------------------------|--------|--------|
| Purchases during financial year | -7,374 | -6,980 |
| Changes in inventories | -723 | 94 |
| Total | -8,097 | -6,886 |
| External services | -766 | -1,220 |
| Materials and services total | -8,863 | -8,106 |

4. Personnel expenses

| EUR 1,000 | 2010 | 2009 |
|---|--------|---------|
| Wages and salaries | -8,009 | -8,517 |
| Pension expenses | -1,041 | -1,402 |
| Other personnel expenses | -573 | -627 |
| Personnel expenses total | -9,623 | -10,546 |
| Average number of employees | 72 | 89 |
| Salaries, fees, and remunerations to the management | | |
| Jarmo Niemi, President and CEO of parent company until 2 Oct 2009 | | -269 |
| Eero Mertano, President and CEO until 31 Oct 2010 | -221 | -52 |
| Kaj Hagros, President and CEO of parent company from 1 Nov 2010 | -48 | |
| Board members: | | |
| Hannu Turunen, Chairman of the Board | -74 | -63 |
| Johan Hammarén, Vice President of the Board from 25.3.2010 | -37 | -32 |
| Carl-Johan Numelin, Vice President of the Board until 25.3.2010 | -10 | -42 |
| Harri Koponen | -34 | -32 |
| Christer Sumelius | -33 | -35 |
| Pentti Heikkinen | -32 | -22 |
| Atul Chopra | -28 | -22 |
| David K. White | -29 | -22 |
| Ilkka Raiskinen | -27 | |
| Lauri Ratia, former member and Chairman of the Board | | -16 |
| Timo Toivola, former member of the Board | | -8 |
| Total | -572 | -614 |

39 per cent of the fees to the Board of Directors has been settled in shares of Tecnotree Corporation.

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

5. Depreciations and amortizations

| EUR 1,000 | 2010 | 2009 |
|---|------|------|
| Depreciations and amortizations according to plan | | |
| Intangible assets | | |
| Intangible rights | -171 | -219 |
| Other long-term expenditure | -9 | -9 |
| Tangible assets | | |
| Buildings | -220 | -220 |
| Machinery and equipment | -449 | -505 |
| Depreciations and amortizations according to plan total | -850 | -952 |

6. Other operating expenses

| EUR 1,000 | 2010 | 2009 |
|---|---------|---------|
| Subcontracting | -2,941 | -4,978 |
| Office management costs | -2,045 | -1,975 |
| Travel expenses | -1,211 | -1,117 |
| Agent fees | -2,138 | -4,184 |
| Rents | -660 | -786 |
| Professional services | -1,064 | -888 |
| Marketing | -159 | -348 |
| Other operating expenses to Group companies | -17,941 | -23,731 |
| Other expenses | -35 | -85 |
| Other operating expenses total | -28,193 | -38,091 |
| Auditors' fees | | |
| Audit | -35 | -36 |
| Tax consulting | -26 | -38 |
| Other services | -33 | -49 |
| Auditors' fees total | -95 | -123 |

7. Financial income and expenses

| EUR 1,000 | 2010 | 2009 |
|--|---------------|---------------|
| Financial income | | |
| Interest income from Group companies | 4 | 10 |
| Interest income from others | 8 | 205 |
| Other financial income from others | 499 | 409 |
| Interest and financial income total | 511 | 624 |
| Financial expenses | | |
| Interest expenses to others | -425 | -634 |
| Other financial expenses to Group companies | -576 | -360 |
| Financial expenses to others | -538 | -725 |
| Interest and financial expenses total | -1,540 | -1,719 |
| Financial income and expenses total | -1,029 | -1,095 |
| Other financial income and expenses including | | |
| Foreign exchange gains | 165 | 361 |
| Foreign exchange losses | -857 | -710 |
| Foreign exchange gains and losses total | -692 | -349 |

8. Appropriations

| EUR 1,000 | 2010 | 2009 |
|---|------|------|
| Difference between depreciation according to plan and depreciation made in taxation | 113 | -130 |
| Appropriations total | 113 | -130 |

9. Income taxes

| EUR 1,000 | 2010 | 2009 |
|---------------------------------------|--------|--------|
| Income taxes from business operations | -22 | |
| Taxes for previous accounting periods | -104 | -162 |
| Withholding taxes paid abroad | -1,713 | -1,542 |
| Change in deferred tax assets | -10 | 2,285 |
| Income taxes total | -1,849 | 581 |

Notes to the parent company's balance sheet

10. Intangible assets

| Intangible assets 2010 EUR 1,000 | Intangible rights | Other long-term expenditure | Total |
|-------------------------------------|-------------------|-----------------------------|------------|
| Acquisition cost 1 Jan | 4,013 | 1,065 | 5,078 |
| Increase | 68 | | 68 |
| Acquisition cost 31 Dec | 4,067 | 1,065 | 5,132 |
| Accumulated amortization 1 Jan | -3,417 | -1,065 | -4,482 |
| Amortization during the period | -180 | -1 | -180 |
| Accumulated amortization 31 Dec | -3,597 | -1,065 | -4,662 |
| Book value 31 Dec 2010 | 484 | | 484 |

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

11. Tangible assets

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

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

12. Investments

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

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

| Shares in subsidiaries held by the parent company | Domicile | Parent company ownership % | Carrying value EUR 1,000 |
|---|------------------------|-------------------------------|-----------------------------|
| Tecnotree Ltd. | County Clare, Ireland | 100 | 124 |
| Tecnotree GmbH | Dreieich, Germany | 100 | 92 |
| Tecnotree Spain SL | Madrid, Spain | 100 | 31 |
| Tecnotree Sistemas de Telecomunicacao Ltda | Sao Paulo, Brazil | 100 | 902 |
| Tecnotree (M) Sdn Bhd | Kuala Lumpur, Malaysia | 100 | 42 |
| Tecnotree Services Oy | Espoo, Finland | 100 | 8 |
| Lifetree Cyberworks Pvt. Ltd | Gurgaon, India | 100 | 1 189 |
| Tecnotree Convergence Ltd | Gurgaon, India | 38.80 | 34,225 |
| Total | | | 36,614 |

13. Inventories

| EUR 1,000 | 2010 | 2009 |
|---------------------------|------------|--------------|
| Materials and consumables | 795 | 735 |
| Work in progress | 135 | 180 |
| Finished products/goods | 14 | 222 |
| Inventories total | 945 | 1 137 |

14. Non-current receivables

| EUR 1,000 | 2010 | 2009 |
|--------------------------------------|--------------|--------------|
| Deferred tax asset | 2,275 | 2,285 |
| Non-current other receivables | 12 | 21 |
| Non-current receivables total | 2,287 | 2,306 |

The company has not deducted research and development costs amounting to EUR 30,646 (17,580) thousand in its taxation. The amount can be deducted over an indefinite period with amounts that the company may freely decide. On these capitalizations, the company has recognized a deferred tax asset of EUR -10 thousand in the period (2,285), corresponding to 29 per cent of the capitalized research and development costs. Deferred tax assets have been recognized to the extent that it is probable that future taxable profits will be available.

The company has the following unused tax losses or tax credits, or deductible temporary differences for which deferred tax assets have not been recognized because of the uncertainty about utilizing them: research and development costs capitalized in the taxation of EUR 21,895 (8,790) thousand, tax losses of 4,515 (6,248) thousand and other deductible temporary differences of EUR 961 thousand (837).

15. Current receivables

| EUR 1,000 | 2010 | 2009 |
|---|---------------|---------------|
| Trade receivables related to construction contracts | 2,339 | 4,457 |
| Other trade receivables | 3,595 | 4,991 |
| Work in progress related to construction contracts | 5,767 | 1,879 |
| Finished work related to construction contracts | 4,487 | 3,993 |
| Other receivables based on delivery agreements | 6,557 | 4,807 |
| Current prepaid expenses and accrued income | 886 | 904 |
| Other current receivables | 38 | 32 |
| Current receivables total | 23,670 | 21,063 |

Receivables from the Group companies

| | | |
|-------------------|--------------|--------------|
| Trade receivables | 7,516 | 6,340 |
| Other receivables | | 497 |
| Total | 7,516 | 6,836 |

| | | |
|----------------------------------|---------------|---------------|
| Current receivables total | 31,186 | 27,900 |
|----------------------------------|---------------|---------------|

Major items included in prepaid expenses and accrued income

| | | |
|---|------------|------------|
| Valuation of currency derivatives | 336 | 211 |
| Prepaid taxes | | 78 |
| Other prepaid expenses and accrued income | 550 | 615 |
| Total | 886 | 904 |

16. Cash and cash equivalents

| EUR 1,000 | 2010 | 2009 |
|---------------------------------|-------|--------|
| Cash in hand and at bank | 5,309 | 5,339 |
| Cash equivalents | | 10,663 |
| Cash and cash equivalents total | 5,309 | 16,003 |

17. Shareholders' equity

| EUR 1,000 | 2010 | 2009 |
|---|---------------|---------------|
| Restricted equity | | |
| Share capital 1 Jan | 4,720 | 4,720 |
| Share capital 31 Dec | 4,720 | 4,720 |
| Share premium fund 1 Jan | 847 | 847 |
| Share premium fund 31 Dec | 847 | 847 |
| Restricted equity total | 5,567 | 5,567 |
| Unrestricted equity | | |
| Own shares 1 Jan | -122 | -122 |
| Own shares 31 Dec | -122 | -122 |
| Invested unrestricted equity reserve 1 Jan | 12,634 | 290 |
| Share issue | | 12,344 |
| Options exercised | | |
| Invested unrestricted equity reserve 31 Dec | 12,634 | 12,634 |
| Other reserves 1 Jan | 49,811 | 50,269 |
| Dividend distribution | | -458 |
| Other reserves 31 Dec | 49,811 | 49,811 |
| Retained earnings 1 Jan | -22,535 | 4,761 |
| Dividend distribution | | -4,639 |
| Retained earnings 31 Dec | -22,535 | 122 |
| Result for the period | -10,390 | -22,657 |
| Unrestricted equity total | 29,398 | 39,788 |
| Total shareholders' equity | 34,966 | 45,355 |
| Calculation of distributable equity | | |
| Retained earnings 31 Dec | -32,925 | -22,535 |
| Own shares | -122 | -122 |
| Invested unrestricted equity reserve | 12,634 | 12,634 |
| Other reserves | 49,811 | 49,811 |
| Total | 29,398 | 39,788 |

The annual general meeting of Tecnotree Corporation held on 25 March 2009 resolved, in accordance with the Board of Directors' proposal that no dividend be paid for the financial year ended 31 December 2010.

The Annual General Meeting of Tecnomen Corporation resolved on 19 March 2009 to authorize the Board of Directors to decide on the dividend distribution of EUR 0.07 per share for the financial year ended on 31 December 2008. After the completion of the acquisition of the shares of Lifetree Convergence Limited, the

Board of Directors resolved on the dividend record date and dividend payment date. The dividend was paid to shareholders who were registered on the record date of 26 May 2009 in the company's shareholder register maintained by Euroclear Finland Ltd. The dividend payment date was 2 June 2009. The payment was made on altogether 72,818,936 shares, giving an aggregate total payment of EUR 5,097,325.52. The dividend payment was not made on the shares in the company's own possession (134,800 shares).

18. Accumulated appropriations

| EUR 1,000 | 2010 | 2009 |
|--|------|------|
| Accumulated depreciation difference at 1 Jan | 975 | 845 |
| Increase (+), decrease (-) | -113 | 130 |
| Accumulated appropriations at 31 Dec | 863 | 975 |

19. Provisions

| EUR 1,000 | 2010 | 2009 |
|------------------|------|-------|
| Other provisions | 700 | 3,679 |
| Provisions total | 700 | 3,679 |

Provisions include the following item: In the Europe segment, a provision of EUR 700 (EUR 3,679) thousand was directed for the cost ris-

ing from a customer project. Of the provision, EUR 2,979 thousand has been used during 2010 and the rest will be used in 2011.

20. Non-current and current liabilities

| EUR 1,000 | 2010 | 2009 |
|--|---------------|---------------|
| Non-current liabilities | | |
| Loans from financial institutions | 14,445 | 16,667 |
| Non-current liabilities total | 14,445 | 16,667 |
| Current liabilities | | |
| Loans from financial institutions | 5,222 | 2,222 |
| Trade payables | 462 | 1,280 |
| Accrued liabilities and deferred income | 3,850 | 4,674 |
| Other liabilities | 457 | 172 |
| Total | 9,992 | 8,349 |
| Liabilities from the Group companies: | | |
| Trade payables | 19,496 | 13,899 |
| Other liabilities | 715 | 471 |
| Total | 20,211 | 14,370 |
| Current liabilities total | 30,203 | 22,720 |

| EUR 1,000 | 2010 | 2009 |
|--|-------|-------|
| Major items included in accrued liabilities and deferred income | | |
| Accrued personnel expenses on restructurings | | 210 |
| Other accrued personnel expenses | 1,094 | 1,260 |
| Accrued project costs | 652 | 1,314 |
| Accrued agent fees | 1,211 | 784 |
| Valuation of currency derivatives | 255 | 131 |
| Valuation of interest rate swap | 335 | 95 |
| Other accrued liabilities and deferred income | 303 | 879 |
| Total | 3,850 | 4,674 |

21. Contingent liabilities

| EUR 1,000 | 2010 | 2009 |
|---|--------|--------|
| On own behalf | | |
| Pledged deposits | 77 | 41 |
| Guarantees | 979 | 602 |
| Total | 1,056 | 643 |
| Leasing liabilities: | | |
| With due date in the next financial year | 75 | 206 |
| With later due date | 195 | 79 |
| Total | 270 | 284 |
| Total contingent liabilities | 1,326 | 927 |
| Values of underlying instruments of derivative contracts | | |
| Currency call options and termines | | |
| Fair value (negative) | -255 | -131 |
| Value of underlying instruments | 10,778 | 10,092 |
| Currency put options and termines | | |
| Fair value (positive) | 336 | 211 |
| Value of underlying instruments | 10,319 | 10,045 |
| Interest rate swap | | |
| Fair value (negative) | -335 | -95 |
| Value of underlying instruments | 16,666 | 11,000 |

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

Espoo, 24 February 2011

Kaj Hagros
President and CEO

Hannu Turunen
Chairman of the Board

Johan Hammarén
Vice Chairman of the Board

Atul Chopra

Christer Sumelius

Pentti Heikkinen

Harri Koponen

Ilkka Raiskinen

David K. White

Auditor's note

Our auditor's report has been issued today.

Helsinki, 28 February 2011

KPMG OY AB

Sixten Nyman
Authorized Public Accountant

Auditor's report

To the Annual General Meeting of Tecnotree Corporation

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Tecnotree Corporation for the year ended December 31, 2010. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in shareholders' equity and cash flow statement, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

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

Auditor's Responsibility

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

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

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

Opinion on the consolidated financial statements

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

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

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

Helsinki, 28 February 2011

KPMG OY AB

Sixten Nyman
Authorized Public Accountant

Shares and shareholders

Shares and share capital

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

At the end of 2010 the shareholders' equity of Tecnotree Corporation stood at EUR 72.1 (77.1) million and the share capital was EUR 4.7 million. The total number of shares was 73,630,977. The company held 134,800 of these shares, which represents 0.18 per cent of the company's total number of shares and votes.

Equity per share was EUR 0.98 (1.05). 99.94 per cent of the company's shares are entered in the book entry securities system maintained by Euroclear Finland Ltd (former Finnish Central Securities Depository Ltd.).

Quotation of shares

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

Authorizations of the Board of Directors

Authorization to decide issuing of shares and granting special rights

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

Authorization to acquire the Company's own shares

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

Shareholders

On 31 December 2010 Tecnotree had a total of 6,418 shareholders recorded in the book-entry securities system. Of these 6,409 were in direct ownership and 9 were nominee-registered.

On 31 December 2010 the ten largest shareholders together owned approximately 36.83 per cent of the shares and voting rights. On 31 December 2010, altogether 15.60 per cent of Tecnotree's shares were in foreign ownership, with 15.58 per cent in direct ownership and 0.019 per cent nominee-registered. The shareholder information is maintained by Euroclear Finland Oy (former Finnish Central Securities Depository Ltd.).

Ownership structure by sector, 31 December 2010

| | No. of shares | % |
|--|-------------------|--------------|
| Companies | 8,700,319 | 11.81 |
| Finance houses and insurance companies | 6,026,556 | 8.18 |
| Public sector | 144,459 | 0.19 |
| Non-profit making associations | 392,252 | 0.53 |
| Households and private persons | 37,731,878 | 51.24 |
| Foreign holders | 20,597,913 | 28.97 |
| Total | 73,593,377 | 99.95 |
| Joint account | 37 600 | 0.05 |
| Share capital | 73 630 977 | 100.00 |
| Nominee registrations | 9,115,390 | 12.38 |



Tecnotree's shares and share price development

A total of 16,629,837 Tecnotree shares (EUR 13,216,479) were traded on the Helsinki Exchanges during the period 4 January – 31 December 2010, representing 22.6 per cent of the total number of shares.

The highest share price quoted in the period was EUR 1.00 and the lowest EUR 0.58. The average quoted price was EUR 0.79 and the closing price on 31 December 2010 was EUR 0.60. The market capitalization of the share stock at the end of the period was EUR 44,178,586.

Obligation to redeem shares

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

Shareholdings of the Board of Directors and management

On 31 December 2009 the total number of shares owned by the members of Tecnotree's Board of Directors and the President and CEO was 5,510,720 which includes the shares owned by these persons themselves, by minor children and by companies in which they hold a controlling interest. Altogether these represent 7.49 per cent of the total amount of shares and voting rights.

On 31 December 2010 the total number of shares owned by the members of Tecnotree's Management Board was 3,202,729 excluding those owned by the President and CEO.

Stock options held by the Board of Directors and management

A total of 0 Tecnotrees stock options were held by the President and CEO on 31 December 2010. The number of stock options owned by the members of the Board of Directors was 1,770,362 at the end of the period.

A total of 2,093,695 stock options were held by members of Tecnotree's Management Board, excluding the President and CEO, on 31 December 2010.

Company dividend policy

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

Shareholder agreements and shareholding notifications

Tecnotree has no knowledge of shareholder agreements relating to the ownership of the company or to the use of voting rights. During 2010 the company has not received any shareholders notifications.

Stock option programs

During the review period the company had in force a 2006 stock option programme. The state of these options on 31 December 2010 was as follows:

| Option series | Maximum number of options | Number of granted options | Exercise period | Exercise price |
|---------------|---------------------------|---------------------------|--------------------|----------------|
| 2006B | 173,000 | 173,000 | 1.4.2008–30.4.2011 | 1.32 |
| 2006C | 667,000 | | 1.4.2009–30.4.2012 | 0.98 |
| Total | 840,000 | 173,000 | | |

| Option series | Maximum number of options | Number of granted options | Exercise period | Exercise price |
|---------------|---------------------------|---------------------------|--------------------|----------------|
| 2009A | 1,026,005 | 686,171 | 1.4.2009–31.3.2011 | 0.86 |
| 2009B | 2,394,013 | 1,096,207 | 1.4.2010–31.3.2012 | 0.86 |
| 2009C | 3,420,018 | 1,555,011 | 1.4.2011–31.3.2013 | 0.86 |
| Total | 6,840,036 | 3,337,181 | | |

| | | | | |
|---------------------|-----------|-----------|--|--|
| 2006 and 2009 total | 7,680,036 | 3,510,559 | | |
|---------------------|-----------|-----------|--|--|

Altogether 7,680,036 stock options remained on 31 December 2010 of all the company's stock options in circulation. The shares that could be subscribed on the basis of these stock options accounted for a maximum of 9.45% of the Company's shares and the votes carried by the shares after any increase in share capital. On 31 December 2010 the Company still held 4,169,477 of all the current stock options. The issued stock options had a maximum diluting effect on 31 December 2010 of 4.55%.

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

Shareholders 31 December 2010

The company's ten largest shareholders:

| | No. of shares | % of shares and voting rights |
|--|---------------|-------------------------------|
| Skandinaviska Enskilda Banken | 5,604,268 | 7.61 |
| Hammarén Lars-Olof | 4,681,088 | 6.36 |
| Nordea Pankki Suomi Oyj | 2,900,484 | 3.94 |
| Mandatum Henkivakuutusyhtiö | 2,589,080 | 3.52 |
| APC Securities (India) Private Limited | 2,260,434 | 3.07 |
| Smartum Oy | 2,200,000 | 2.99 |
| Caryle Indiasoft Limited | 2,112,733 | 2.87 |
| Keskinäinen Vakuutusyhtiö Kaleva | 1,788,000 | 2.43 |
| Chopra Atul | 1,678,550 | 2.28 |
| Aparna Advisory Services Private Ltd | 1,368,780 | 1.86 |

Ownership of Tecnotree shares, 31 December 2010

| Shares | Holders | % | Shares and votes | % |
|-----------------|---------|--------|------------------|--------|
| 1–500 | 2,450 | 38.2 | 583,942 | 0.79 |
| 501–1 000 | 1,102 | 17.17 | 933,716 | 1.26 |
| 1001–5 000 | 1,855 | 28.90 | 4,827,653 | 6.55 |
| 5001–10 000 | 455 | 7.08 | 3,492,884 | 4.74 |
| 10,001–50,000 | 414 | 6.45 | 9,494,507 | 12.89 |
| 50,001–100,000 | 64 | 0.99 | 4,612,632 | 6.26 |
| 100,001–500,000 | 53 | 0.82 | 11,278,274 | 15.31 |
| 500,000 < | 25 | 0.39 | 38,369,769 | 52.11 |
| Joint account | | | 37,600 | 0.05 |
| Total | 6418 | 100.00 | 73,593,377 | 100.00 |

Releases in 2010

Further information is available at www.tecnotree.com.

| | | |
|-------------|------------------------|---|
| 13 Jan 2010 | Stock Exchange Release | Tecnotree's Annual Summary 2009 |
| 4 Feb 2010 | Financial Report | Tecnomen Lifetree Corporation financial report 1 Jan-31 Dec 2009 (unaudited) |
| 4 Feb 2010 | Stock Exchange Release | Exchange offer for option rights 2006B and distribution of stock options 2009 |
| 17 Feb 2010 | Press Release | Tecnotree partners with Airwide Solutions for comprehensive VAS solutions |
| 18 Feb 2010 | Stock Exchange Release | Tecnotree has received a BSS/OSS and VAS order worth 2.7 million dollars from a new customer in Latin America |
| 26 Feb 2010 | Stock Exchange Release | Notice to the Annual General Meeting |
| 3 Mar 2010 | Stock Exchange Release | Tecnotree's Annual Report 2009 |
| 23 Mar 2010 | Stock Exchange Release | Tecnotree has received a 2.3 million euros Managed Services order from a customer in Middle East |
| 25 Mar 2010 | Stock Exchange Release | Resolutions passed by the Annual General meeting of Tecnomen Lifetree Corporation |
| 29 Mar 2010 | Press Release | Tecnotree implements its cutting edge integrated sales & service framework for a leading Middle East telecom operator |
| 13 Apr 2010 | Stock Exchange Release | Tecnomen Lifetree Corporation is now Tecnotree Corporation |
| 26 Apr 2010 | Press Release | Emtel deploys Tecnotree's Convergent Charging and Billing platform (CCB) and Unified Messaging platform in Mauritius |
| 30 Apr 2010 | Interim Report | Tecnotree Corporation Interim Report 1 Jan-31 March 2010 (unaudited) |
| 30 Jun 2010 | Stock Exchange Release | Tecnotree has received expansion orders worth USD 4 million from Latin America |
| 15 Jul 2010 | Stock Exchange Release | MTL chooses Tecnotree's future-ready OSS/BSS product suite worth USD 2.2 million |
| 12 Aug 2010 | Interim Report | Tecnotree Corporation Interim Report 1 Jan-30 Jun 2010 (unaudited) |
| 17 Aug 2010 | Press Release | Tecnotree continues to be the preferred choice of Celcom |
| 16 Sep 2010 | Stock Exchange Release | Tecnotree appoints Kaj Hagros as President and CEO as of Nov 1, 2010 |
| 27 Oct 2010 | Interim Report | Tecnotree Corporation Interim Report 1 Jan-30 Sept 2010 (unaudited) |
| 24 Nov 2010 | Stock Exchange Release | Timo Laaksonen appointed Member of Management Board |
| 24 Nov 2010 | Stock Exchange Release | Tecnotree's Financial Announcement and Annual General Meeting |
| 24 Nov 2010 | Stock Exchange Release | Correction to Tecnotree's Financial Announcements and Annual General Meeting |

Investor information

Basic Share Information

| | |
|----------------------------|------------------------|
| Listed on: | NASDAQ OMX Helsinki Oy |
| Trading code: | TEMV1 |
| ISIN Code: | FI0009010227 |
| No. of shares, 31 Dec 2010 | 73,630,977 |
| Segment: | Small Cap |
| Sector code: | Information technology |

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

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

Financial Reporting and Annual General Meeting 2011

- Financial Statement 1 January-31 December 2010
2 February 2011, week 5
- Annual General Meeting 2011
23 March 2011, week 12
- Interim Report 1 January-31 March 2011
29 April 2011, week 17
- Interim Report 1 January-30 June 2011
10 August 2011, week 32
- Interim Report 1 January-30 September 2011
26 October 2011, week 43

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

Briefings and closed period

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

Shareholder change of address

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

Analysts

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

Insider register

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

Corporate Governance

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

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In 2011, we will...

promote convergent services with service bundles for every taste,

boost value across the customer lifecycle through adaptive customer care, cross-sales, and retention based on customer insight, and

enable and monetize a marketplace with a wide range of digital services adapting to individual preferences.

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