TEKLA

Tekla Corporation
Annual Report 2008

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TEKLA

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FROM THE CEO

Tekla's net sales for 2008 reached the previous year's level, nearly EUR 60 million. The year got off to a good start but fell short of our expectations towards the end of the year. However, our operating result of approximately EUR 14 million did not reach the previous year's record-breaking level. Nevertheless, our profitability was still good and one of the best among Finnish listed companies.

In the uncertain global economic situation, customers are cautious with their investments, decision-making times are long and the start-up of projects is postponed until the operating environment clears up. Our competitors have also reported similar trends. In our view, we have not lost customers and Tekla's market position remains good despite the challenges.

Tekla has a long history and solid competence in Building Information Modeling (BIM), which is still gaining ground around the world. There are customers on every continent – in a total of more than 80 countries. In addition, it is very favorable for us that the building industry is increasingly acknowledging that information model-based processes are more efficient than the traditional way of working.

The sales of our main business area, Building & Construction, remained at the previous year's level. B&C's profitability was excellent. The largest markets in terms of net sales were North America, Western Europe, the Middle East and India. Sales developed favorably in Germany, the Middle East and several other Asian countries. The year 2008 saw negative development in the Nordic countries and the United Kingdom due to the recession in construction activity. In North America, sales fell slightly short of the year before as a whole, also in US dollars, due to the rather soft last quarter.

Sales of the other business area, Infra & Energy, increased slightly on the previous year, thanks to favorable sales in Finland. I&E's profitability continued to be satisfactory to say the least. The operating environment in the energy and municipal sector is stable. Tekla's products improve our customers' productivity, which is why we believe that our sales will continue to develop favorably.

The number of Tekla personnel increased by 16% during 2008, mainly during the first two quarters. The increases in personnel during the latter half of the year focused mainly on the customer interface in growing markets.

The duration and extent of the recession are unknown at the moment. Nevertheless, we believe that Tekla's long-term outlook is favorable. This is due to our expanded product offering, for instance. The product development of our software is continuing strongly, listening to our customers, in cooperation with them, and following the development of our customer industries. We believe that demand will pick up rather swiftly as the customers' outlooks clear up. Customers have postponed their purchases rather than decided to abandon them altogether. Tekla's good financial position enables long-term operation regardless of economic fluctuations.

I wish to thank Tekla's customers, partners, other stakeholders, and above all our proficient personnel for the year 2008!

Ari Kohonen, President and CEO

FIVE YEARS IN FIGURES 2004 – 2008

(Million euros)		IFRS 2008	2007	2006	2005	2004
SCALE OF OPERATIONS:						
Net sales		**58.90**	59.25	49.78	37.95	37.89
Change, %		**–0.6**	19.0	31.2	0.2	-
Net sales, continuing businesses		**58.90**	58.24	47.64		
Change, %		**1.1**	22.3			
Exports and international operations		**48.81**	47.89	37.44	27.29	21.49
Change, %		**1.9**	27.9	37.2	27.0	-
% of net sales		**82.9**	80.8	75.2	71.9	56.7
Balance sheet total		**44.76**	47.00	39.75	28.59	33.53
Research and development expenses	1)	**15.13**	12.93	10.66	9.50	11.05
% of net sales		**25.7**	21.8	21.4	25.0	29.2
Investments in property, plant and equipment		**2.02**	1.66	1.33	1.30	0.84
% of net sales		**3.4**	2.8	2.7	3.4	2.2
Personnel, on average		**430**	374	324	299	368
Net sales / employee (1,000 euros)		**137.0**	158.4	153.6	126.9	103.0
Personnel expenses / employee (1,000 euros)		**64.7**	69.5	70.7	66.3	58.5
PROFITABILITY:						
Operating profit (loss)		**14.10**	20.68	13.62	6.39	-0.80
% of net sales		**23.9**	34.9	27.4	16.8	-2.1
Operating profit (loss), continuing businesses		**14.10**	17.90	13.38		
% of net sales		**23.9**	30.7	28.1		
Operating profit (loss) before extraordinary items		**15.15**	21.21	13.77	7.08	-0.96
% of net sales		**25.7**	35.8	27.7	18.7	-2.5
Profit / loss before appropriations and taxes		**15.15**	21.21	13.77	7.08	-0.96
% of net sales		**25.7**	35.8	27.7	18.7	-2.5
Return on equity (ROE), %		**35.4**	55.4	48.5	28.3	-0.1
Return on investment (ROI), %		**49.0**	74.5	63.1	32.7	-3.2
Operating profit (loss) / employee (1,000 euros)		**32.8**	55.3	42.0	21.4	-2.2
FINANCING AND FINANCIAL POSITION:						
Shareholders' equity		**30.34**	31.45	24.72	17.21	23.79
Interest-bearing liabilities		**0.12**	0.34	0.69	1.34	1.76
Non-interest-bearing liabilities		**14.30**	15.21	14.34	10.04	7.98
Equity ratio, %		**68.4**	67.5	63.4	61.1	71.8
Net gearing, %		**–86.3**	-94.8	-95.2	-81.2	-78.5
SHARE RELATED DATA:						
Earnings per share (euros)		**0.49**	0.69	0.45	0.26	0.0
Earnings per share (euros), continuing businesses		**0.49**	0.60	0.44		
Earnings per share (euros), discontinued operations			0.09	0.01		
Equity per share (euros)		**1.35**	1.40	1.10	0.76	1.06
Dividend per share (euros)	2)	**0.25**	0.50	0.40	0.12	0.0
Dividend (1,000 euros)	2)	**5,604**	11,258	9,007	2,702	0.0
Dividend to earnings ratio, %		**51.0**	72.5	88.9	46.2	0.0
Effective dividend yield, %		**6.7**	3.9	5.1	3.5	0.0
Price / earnings (P/E)		**7.6**	18.4	17.5	13.2	-
Share prices, euros						
- period's lowest		**3.25**	7.60	3.38	1.85	1.71
- period's highest		**13.00**	14.94	7.90	3.60	2.80
- period's average		**8.32**	10.88	5.24	2.87	2.16
- on December 31		**3.73**	12.70	7.88	3.42	1.87
Market capitalization		**83.61**	285.96	177.43	77.01	42.11
Share turnover (in 1,000s)		**6,879**	13,797	13,742	8,026	3,901
Share turnover, %		**30.7**	61.3	61.0	35.6	17.3
Number of issue-adjusted shares at year's end		**22,416,600**	22,516,600	22,516,600	22,516,600	22,516,600
Average number of issue-adjusted shares		**22,485,500**	22,516,600	22,516,600	22,516,600	22,516,600

1) The calculation principles of research and development expenses were specified in 2007.
2) The Board's proposal to the AGM.

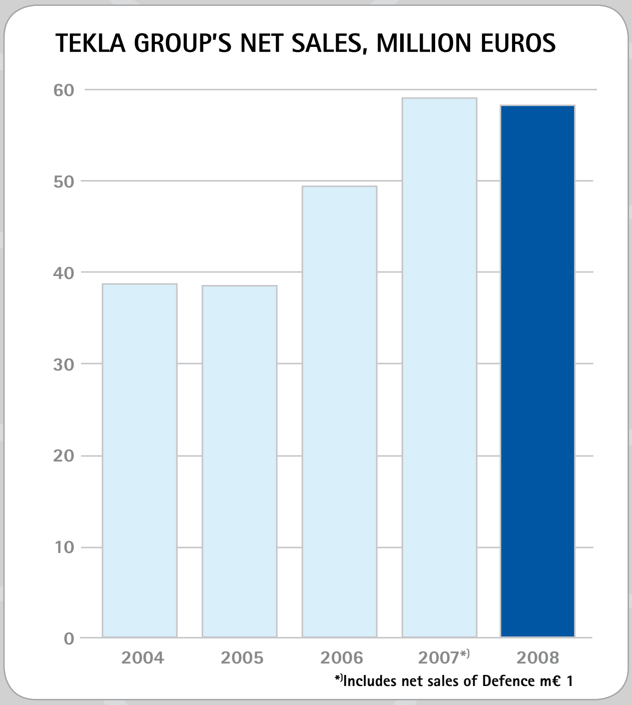
Calculation of financial indicators on page 58.

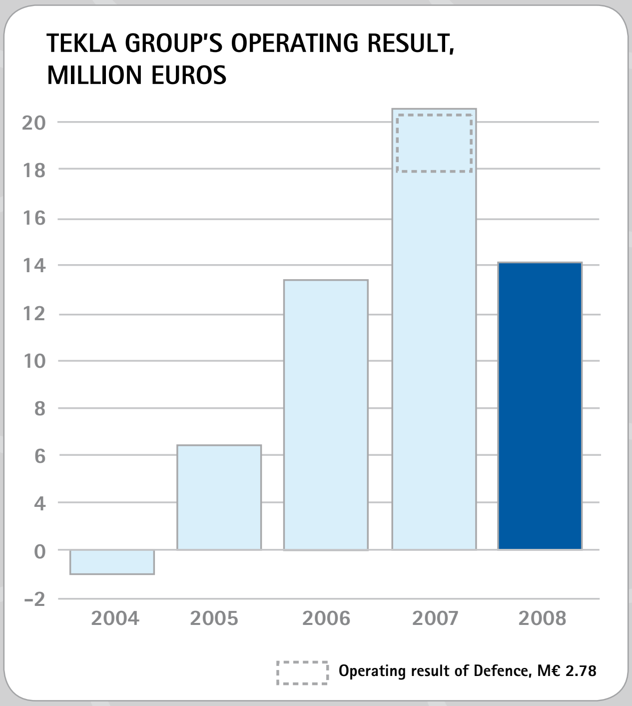
REVIEW BY THE BOARD OF DIRECTORS 2008

FINANCIAL YEAR IN BRIEF

- Tekla Group's *)
  - Net sales were 58.90 (in 2007 58.24) million euros.
  - Operating result was 14.10 (17.90) million euros.
  - Operating result percentage was 23.9 (30.7)
- The share of operations outside of Finland amounted to 83 (82) percent of net sales.
- The net sales of Tekla's main business area, Building & Construction, amounted to 46.07 million euros for January-December 2008, i.e. they were on a par with the previous year. Operating result was 12.13 million euros. B&C's profitability remained excellent; its operating result percentage for 2008 was 26.3%. Operations outside of Finland accounted for 95% of B&C's net sales. In 2008, the largest markets in terms of net sales were North America, Western Europe, the Middle East and India.
- As for the other business area, Infra & Energy, the net sales amounted to 12.95 million euros for January–December 2008. I&E's operating result for the reporting period was 1.97 million euros. Net sales and operating result remained at the previous year's level. I&E's operating result percentage was 15.2%, which can be considered very satisfactory. Operations outside of Finland accounted for 39% of I&E's net sales.
- Tekla Corporation's Board will propose to the Annual General Meeting, to be held March 18, 2009, that a dividend of 0.25 euros per share be distributed for the financial period 2008. This translates into a total dividend payment of 5,604,150 euros.

**) The figures related to the Defence business area are not included in these figures for the comparison period.*





BUSINESS

Tekla develops and markets software products and related services that make customers' core business more effective. The products are used in building and construction, in energy companies and in infrastructure management.

The ingenuity of Tekla's products is in their model-based technology, and in this development Tekla is an international forerunner in its customer segments. Tekla also has decades of experience in select customer industries.

Tekla's software products are sold in the international market to a clearly defined customer segments and they are meant for professional use. For Tekla, focusing on the software product business enables more unified processes in the product development and among others customer relations management.

GROUP STRUCTURE

Tekla operates in two business areas: Building & Construction, which focuses on software products for the construction industry, and Infra & Energy, which provides software products for energy distribution companies and infrastructure management. In 2008, Building & Construction stood for nearly 80 percent and Infra & Energy for about 20 percent of Tekla's net sales. Shared functions for the whole Group are technology, and support functions, such as finance, administration, information management, human resources and corporate communications.

NET SALES AND RESULT

Net sales of Tekla Group for January-December 2008 totaled 58.90 (comparable net sales for 2007: 58.24) million euros. Growth in net sales was approximately 1%. The operating result was 14.10 (17.90) million euros, 23.9% (30.7%) of net sales. Earnings per share were 0.49 (0.60) euros.

TEKLA GROUP'S NET SALES AND OPERATING RESULT

Net sales, million euros / **Share of net sales, %**

	2008	2007	Change	Share 2008	Share 2007
Building & Construction	46.07	45.50	0.57	78.2	76.8
Infra & Energy	12.95	12.76	0.19	22.0	21.5
Defence *)		1.00	-1.00		1.7
Others	0.00	0.02	-0.02	0.0	0.0
Net sales between segments	-0.12	-0.03	-0.09	-0.2	0.0
Total	**58.90**	**59.25**	**-0.35**	**100**	**100**

Operating result, million euros

	2008	2007	Change
Building & Construction	12.13	15.96	-3.83
Infra & Energy	1.97	1.96	0.01
Defence *)		2.78	-2.78
Others	0.00	-0.02	0.02
Operating result between segments	0.00	0.00	0.00
Total	**14.10**	**20.68**	**-6.58**

**) Defence business was sold in April 2007.*

The comparable figures for 2007 have been calculated by excluding the Defence business, which was divested in April 2007.

PROFITABILITY

Return on investment (ROI) was 49.0 (74.5) percent and return on equity (ROE) 35.4 (55.4) percent. Earnings per share were 0.49 (0.69) euros and for the continuing businesses earnings per share were 0.49 (0.60) euros. Equity per share at the end of the period was 1.35 (1.40) euros.

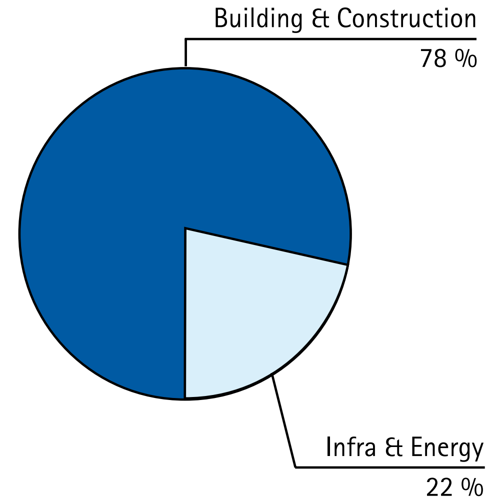
FINANCIAL POSITION

The consolidated balance sheet totaled 44.76 (47.00) million euros. Equity ratio was 68.4 (67.5) percent. Interest-bearing debts were 0.12 (0.34) million euros. Liquid assets stood at 26.30 (30.15) million euros, constituting 58.8 (64.2) percent of the balance sheet total.

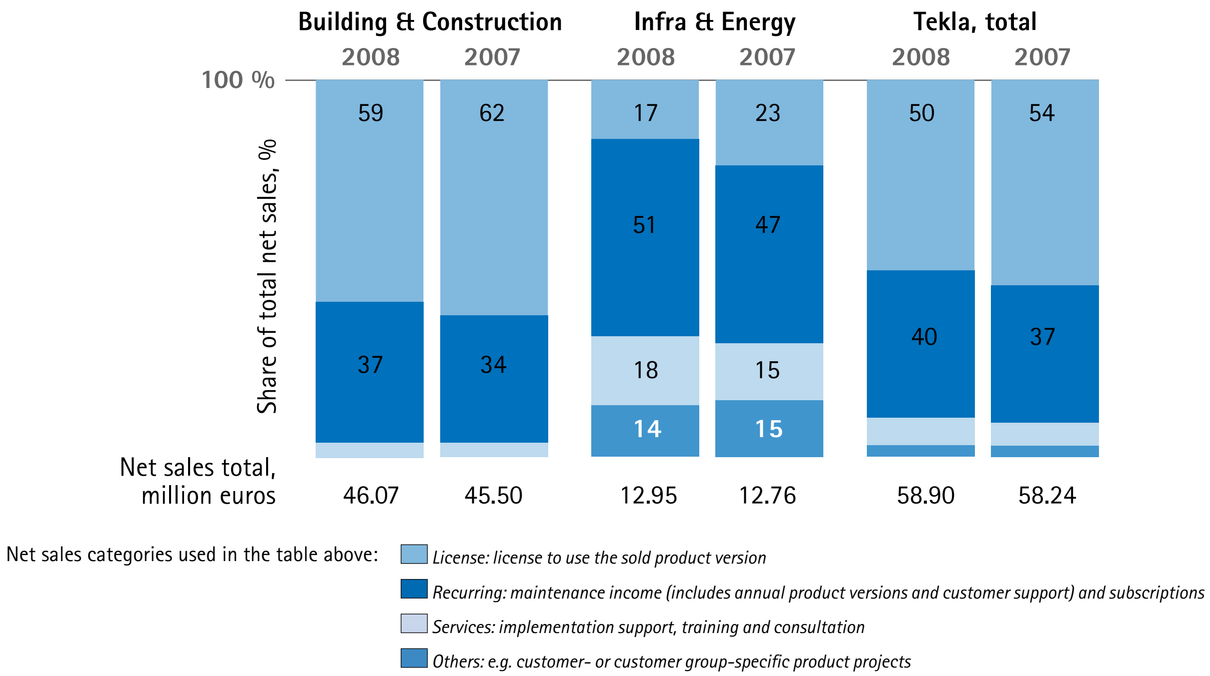
INVESTMENTS

Gross investments in 2008 amounted to 2.02 (1.66) million euros, consisting of normal acquisitions of hardware, software and equipment.

NET SALES 2008 BY BUSINESS AREA, %



NET SALES BY CATEGORY



BUILDING & CONSTRUCTION

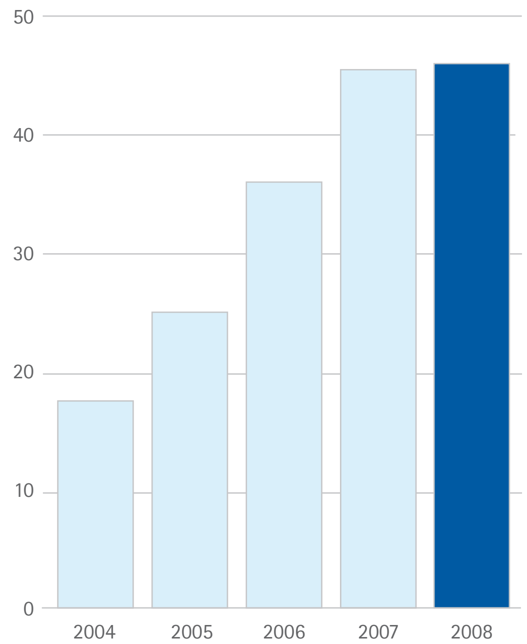
Tekla's Building & Construction business area (B&C) develops and markets the Tekla Structures software product for information-model-based design of steel and concrete structures as well as the management of fabrication and construction.

Strong fluctuations in demand are possible in license-based sales. Particularly from the fall onward, the growth of the building industry slowed down in all of Tekla's key market areas. Uncertainty of financing adds to the slowing down of growth, which is particularly seen in new larger projects. The general economic uncertainty affects customers' investments, making their decision-making times longer and postponing the start-up of projects into the future. Built up demand is accumulating in the market. Instead of large one-off sales, software is purchased in smaller batches. Many of the purchases are strategic with customers preparing for information-model-based way of working.

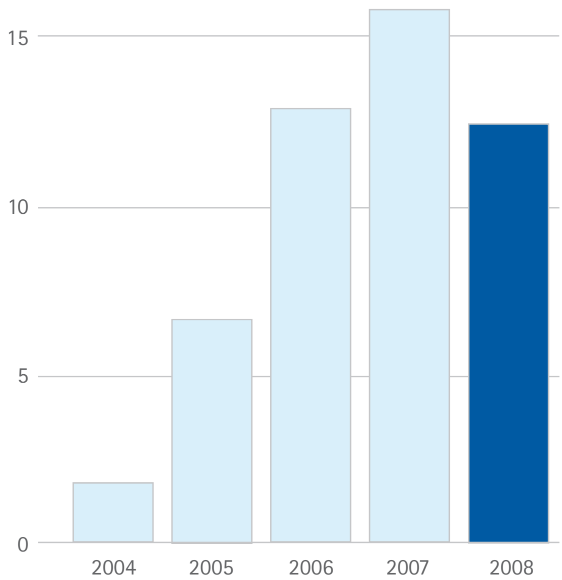
Despite the building industry's challenging situation, Tekla's market position remained unchanged. Tekla's position as a supplier of 3D modeling software is strong in all markets and the numbers of users are on the increase. Customers in the building industry are seeking tools that make their operations more efficient, which is what Tekla's products are. Demand for modeling systems continues to increase, and information modeling is strengthening its foothold in structural design and other stages of the building process. The benefits of information modeling are seen more clearly in the site management in particular.

It is favorable for Tekla that the building industry's move to information-model-based 3D processes from traditional 2D ways of working continues. Building Information Modeling (BIM) is a trend that is gaining momentum in the industry. BIM means that the information of the product model is transferred and shared between the parties of the construction process.

NET SALES, BUILDING & CONSTRUCTION, MILLION EUROS



OPERATING RESULT, BUILDING & CONSTRUCTION, MILLION EUROS



The net sales of B&C amounted to 46.07 (45.50) million euros for January-December 2008. Net sales were on a par with the previous year. License sales decreased by 5%, while maintenance sales increased by 11%. Operating result was 12.13 (15.96) million euros. B&C's operating result percentage for 2008 was 26.3% (35.1%), meaning that its profitability was still excellent. Fluctuations in exchange rates had a minor negative effect on both net sales and operating result on a yearly level.

During the fourth quarter, B&C's net sales amounted to 11.35 (12.04) million euros, decreasing by 5.7%. Sales peak that is normally generated at the end of December did not realize. B&C's operating result for October-December was 2.36 (3.85) million euros and operating result percentage was 20.8% (32.0%).

International operations accounted for 95% (94%) of B&C's net sales in January-December 2008. Of B&C's main markets, development was negative in the Nordic countries and the United Kingdom due to the recession in construction activity. In North America, sales fell short of the year before, also in US dollars, due to the rather soft last quarter. Sales developed favorably in Germany, the Middle East and several other Asian countries. In 2008, the largest markets in terms of net sales were North America, Western Europe, the Middle East and India.

B&C events in 2008:

- Gulf Steel Work (GSW), a fabricator of process equipment and heavy steel structures in the Kingdom of Saudi Arabia and the Gulf region, expanded its use of Tekla Structures and signed a two-year frame agreement with Tekla in December.
- In August, Tekla announced a deal with Al Habtoor-Murray & Roberts Joint Venture chosen to construct the Trump International Hotel and Tower in Palm Jumeirah, Dubai. Murray & Roberts purchased a significant number of Tekla Structures software licenses to make the 62-story hotel project and other major projects in the future happen. Construction has not started as yet.
- In September, US precaster Shockey Precast Group and Barton Marlow, one of the largest general contractors in the United States, announced that they were using Tekla Structures BIM in their collaborative projects.
- Once complete, Burj Dubai in the U.A.E will be among the tallest buildings in the world. Tekla Structures is also being used in this project.
- In March, Tekla announced closing a considerable license deal in India. Prothius Engineering Services, one of the world's largest engineering offices, acquired more than one hundred new Tekla Structures licenses.

B&C's product offering expanded significantly at the beginning of November with the release of Tekla Structures for Construction Management, a product specially meant for controlling and site management phase of construction projects. Construction companies and developers had already piloted the product in major projects in the United States, the Middle East and Nordic countries.

During the fourth quarter, Tekla Structures product development concentrated on improving the usability of the product, support for collaboration between different parties in the planning process and increasing the efficiency of the tools required in planning tasks.

INFRA & ENERGY

The Infra & Energy business area focuses on the development and sales of model-based software solutions that support customers' core processes. Its key customer industries (products in parentheses) are energy distribution (Tekla Xpower), infrastructure management (Tekla Xcity), water and sewage (Tekla Xpipe) as well as infrastructure construction (Tekla Xstreet).

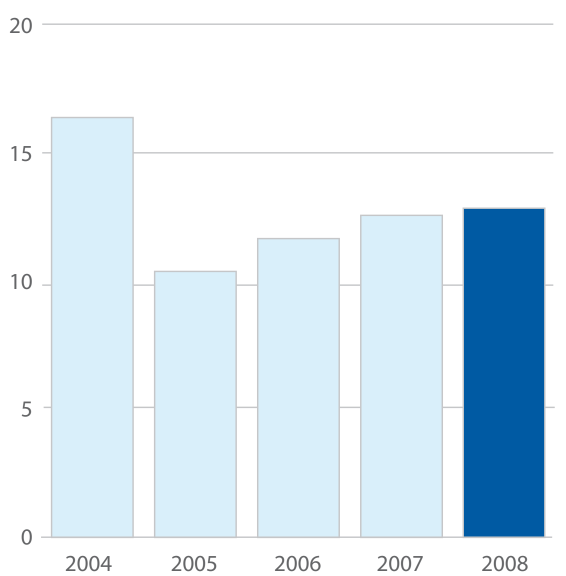
In the energy industry, the importance of distribution companies' information systems is emphasized in asset management with increasing requirements of the reliability and efficiency of energy distribution. Information systems are also seen as a way of improving customer service further. Tekla's market position as a supplier of network information system is strong in the Nordic and Baltic countries.

The Finnish municipal sector is undergoing changes. Municipalities seek efficiency and savings through methods of regional collaboration and merging of municipalities. This development emphasizes the role of information systems even further. Service processes are made more efficient with information technology and online customer service is developed. Tekla's market position has strengthened in Finland.

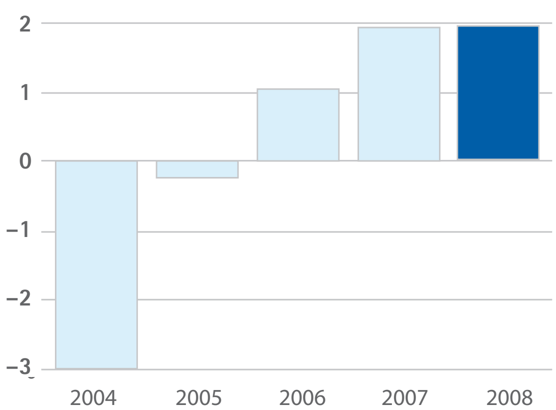
The net sales of I&E amounted to 12.95 (12.76) million euros for January-December 2008. I&E's operating result for the reporting period was 1.97 (1.96) million euros. I&E operates in a stable business environment. Some deferred sales was seen, which made the business area's net sales and operating profit remain at the previous year's level. I&E's operating result percentage was 15.2% (15.4%), which can be considered very satisfactory. International operations accounted for 39% (42%) of net sales.

I&E's net sales for the fourth quarter amounted to 4.50 (4.40) million euros and operating result was 1.26 (1.20) million euros. I&E's operating result percentage was 28.0% (27.3%).

NET SALES, INFRA & ENERGY, MILLION EUROS



OPERATING RESULT, INFRA & ENERGY, MILLION EUROS



The majority of I&E's net sales consists of additional and service sales to existing customers. New customers are expected from the strong markets in the Nordic countries. Efforts for business growth are underway in Germany and in the new EU countries.

I&E events in 2008:

- Further development of Tekla Xpower to support contractor cooperation in planning and construction activities was agreed with Vattenfall Verkko Oy.
- Vattenfall Europe Distribution Berlin GmbH in Germany started an implementation project with the aim of adopting Tekla Xpower to production use throughout the Berlin distribution area.
- In order to strengthen its supply to the energy industry, Tekla acquired the Swedish company OakTree Software AB in September. The beginning of business operations was promising and new customer accounts were gained. The acquisition had no material impact on Tekla's net sales and result for 2008. The acquisition is described also in the notes to the financial statements.
- Latvenergo acquired the Tekla Xpower Distribution Management System (DMS) for use throughout Latvia.

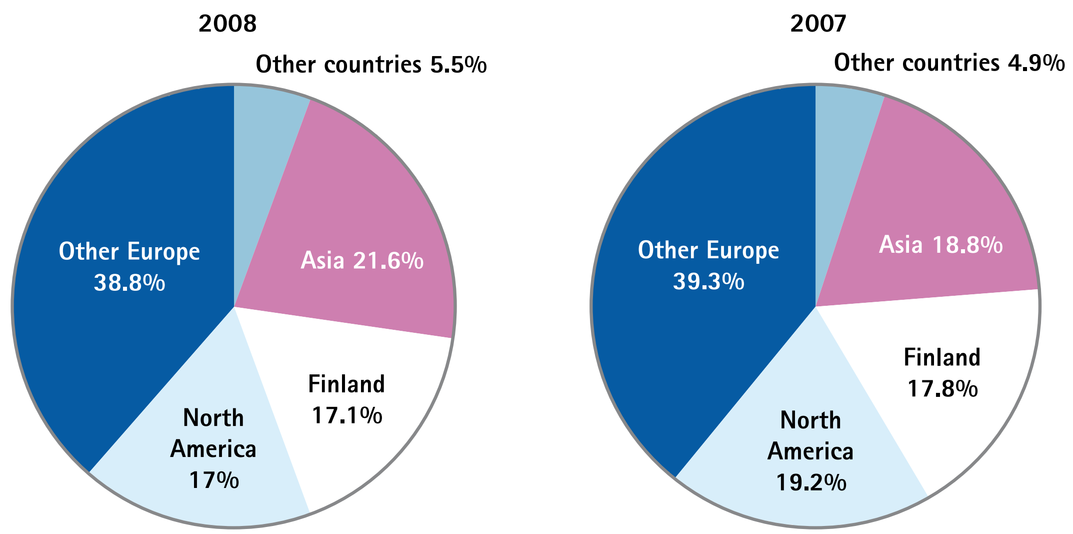
In Infra & Energy's product development, the main versions of the products were completed during November-December according to plans. Support for the Finnish KuntaGML (geographic information service interface) data transfer was completed in the Tekla Xcity and WebMap systems toward the end of 2008.

In Tekla Xpower software product development, the integration projects of operational support and calculation with automatic meter reading (AMR) were completed. In addition, new functionalities for district heating and gas network service outage management were developed.

TEKLA GROUP'S NET SALES BY GEOGRAPHICAL AREA, %

– Sales outside of Finland 83 (82) percent

– Customers in more than 80 countries



RISKS AND UNCERTAINTY FACTORS

Possible risks and uncertainty factors associated with Tekla's business are mainly related to the market and competition situation and the general economic situation. Trends in the building industry have weakened significantly in several markets, and it has had a negative impact on the demand for Tekla products.

In the software product business, it is possible to react swiftly to growing demand, and profits from additional sales are good. The majority of net sales comprises of sales of licenses entitling to use software products. Fluctuation in their demand can be rapid and significant. In the short term and in case of quick changes, it is challenging to proportion fixed personnel expenses, which account for the majority of Tekla's costs.

The sales of Tekla software are geographically distributed. Also individual customers do not account for a significant share of net sales, and therefore these risks are not significant.

Financial risks are discussed further in the notes to the financial statements. A more detailed description of risk management can be found on Tekla's IR site under Corporate Governance.

PRODUCT DEVELOPMENT

Tekla's product development was reorganized as of the beginning of 2008, and software product development was transferred to the corresponding business areas. This was made to ensure that product development will take place even closer to the customers. Product development activity is described under each business area. The Technology & Architecture unit is responsible for the technology and architecture shared by all of the products.

Research and development expenses in 2008 amounted to 25.7 (2007: 21.8) percent of net sales. Corresponding figures for earlier years are presented in 'the five years in figures' table in this annual report.

ENVIRONMENT

The direct environmental consequences of Tekla's business are minimal. The direct environmental effects arising from the use of the company's products are not considered to be significant.

PERSONNEL AND ORGANIZATION

Personnel

The Group personnel averaged 430 (in 2007: 374 and in 2006: 324) in January-December 2008; on average 174 (2007: 144; 2006: 107) worked outside Finland. In these figures, the number of part-time staff has been converted to correspond to full-time work contribution. The Defence personnel (approximately 20) are included in the number of personnel until the end of April 2007.

At the end of the year, Tekla personnel totaled 464 (2007: 400; 2006: 365) including part-time staff, of them 189 (2007: 158; 2006: 123) outside Finland.

The number of personnel increased by 64 during the year, mainly during the first two quarters. The increases in personnel during the latter half of the year focused on the customer interface in growing markets.

The average age of Tekla's employees was 37.0 (2007: 37.5; 2006: 37.5) years. Of the personnel, 64% (2007: 64%; 2006: 66%) had a higher academic degree or university-level studies. 32% (2007: 29%; 2006: 27%) of Tekla employees were female, and 68% (2007: 71%; 2006: 73%) male. The turnover of personnel was 6.6% (2007: 7.7%; 2006: 8.2%).

The company has a compensation and incentive system applied to all employees, and the Tekla Board of Directors decides on its principles on an annual basis. The principles are connected with the achievement of the previous year's operative and financial goals as well as share price development. Tekla has no valid option programs.

In 2008 salaries totaled 23.1 (2007: 21.5 and 2006: 18.7) million euros.

Senior management

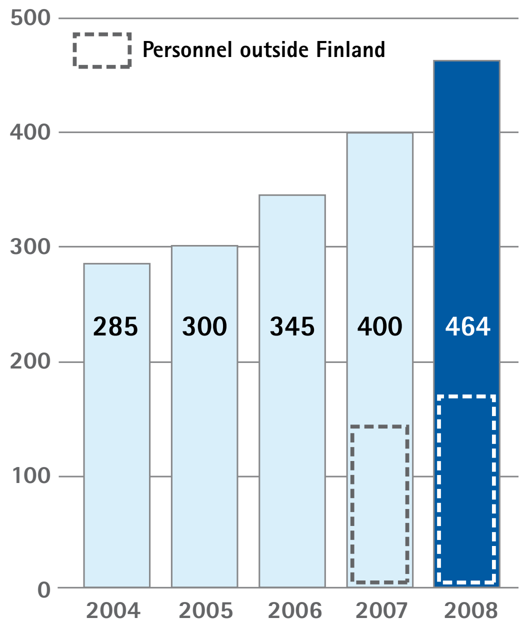
No changes took place in the composition of the Tekla Management Team during 2008. The members of the Management Team are Ari Kohonen, President and CEO; Risto Räty, Executive Vice President and CEO's deputy (Building & Construction); Heikki Multamäki, Executive Vice President (Business Development); Kai Lehtinen, Senior Vice President (Infra & Energy); Petri Raitio, Senior Vice President (Technology & Architecture); Leif Granholm, Senior Vice President (Tekla B&C Nordic Area); Harald Lundberg, Vice President (Information Management); Anneli Bergström, Vice President (Human Resources) and Timo Keinänen, CFO.

CORPORATE GOVERNANCE

Corporate Governance in Tekla Corporation complied with the provisions of the Finnish Companies Act, Tekla's Articles of Association, and until the end of 2008 the Corporate Governance Recommendation given in 2003 by the Helsinki Stock Exchange, the Central Chamber of Commerce of Finland and the Confederation of Finnish Industry and Employers. In October 2008 the above-mentioned Recommendation was replaced by the Finnish Corporate Governance Code 2008 issued by the Securities Market Association. As of January 1, 2009, Tekla complies with the new Code, taking into account the implementing provisions given in it.

Further information on Corporate Governance can be found on Tekla's IR site at www.tekla.com > Investors > Corporate Governance.

PERSONNEL IN CONTINUING BUSINESSES, END OF YEAR



ANNUAL GENERAL MEETING 2008

Tekla Corporation's Annual General Meeting on March 19, 2008 adopted the company's financial statements and the Group income statement and balance sheet for 2007. The Annual General Meeting also discharged the CEO and the Board members from liability. The AGM accepted the Board's proposal whereby a dividend of 0.50 euros per share was distributed for 2007. The dividend payment date was April 3, 2008.

Board of Directors

Ari Kohonen, Olli-Pekka Laine (Vice Chair), Heikki Marttinen (Chair) and Erkki Pehu-Lehtonen were re-elected Board members until the conclusion of the Annual General Meeting in 2009. Reijo Sulonen was elected as a new Board member. Timo Keinänen was re-elected deputy member of the Board. Juha Kajanen is the Tekla personnel representative on the Board and Pirjo Lundén his personal deputy.

Auditors

PricewaterhouseCoopers Oy were re-elected as auditors. Markku Marjomaa, Authorized Public Accountant, acts as the auditor in charge.

Authorizations

The AGM gave the Board the following authorizations:

> The Board was authorized to decide on the increase of the company's share capital in one or several tranches of new shares so that a maximum of 4,500,000 new shares may be subscribed. The share capital can be raised by a maximum of 135,000 euros on the basis of this authorization.

> The Board was authorized to decide on the acquisition of the company's own shares for the development of the company's capital structure. The maximum number of shares to be acquired was 500,000.

> The Board was authorized to decide on the transfer of the company's own shares. The authorization concerns all the company's own shares acquired by the company based on the authorizations given to the Board, in total 569,600 shares.

According to the above mentioned authorizations the new and acquired shares may be used as means of payment at the discretion of the Board regarding object and extent when the company acquires assets related to its business operations or renders its own shares as payment in potential acquisitions or to be used as part of the company's remuneration and incentive system.

All the above mentioned four authorizations are valid until the Annual General Meeting 2009, but not longer than one year from the Annual General Meeting's decision, i.e. until March 19, 2009.

The Board used its authorization regarding share repurchase during 2008. The share repurchase is described in more detail in this report.

Amendments to the Articles of Association

Additionally, the AGM decided to make changes to the Articles of Association due to the amended Finnish Companies Act, and other mainly technical changes. They were done in order to make the Articles of Association clearer and compliant with the terms and provisions of the current Companies Act.

DIVIDEND AND DISTRIBUTABLE FUNDS

The parent company's distributable funds amount to 22,803,202 euros, of which the profit for the financial period is 11,753,367 euros.

The Board will propose to the Annual General Meeting, to be held March 18, 2009, that a dividend of 0.25 euros per share be distributed for the financial period 2008. This translates into a total dividend payment of 5,604,150 euros. No dividends shall be paid on the 169,600 shares held by the company.

OUTLOOK FOR 2009

As for this year, the Board of Directors has decided not to give estimates on net sales in such an uncertain economic environment and so early into the year. The economic recession will continue for the time being, and its duration is unknown. Operating profit will be clearly lower in 2009 than 2008. The beginning of the year is challenging in particular, as the comparable period in 2008 was extremely good. Cost level and possible actions to ensure profitability are continuously monitored.

SHARES AND SHAREHOLDERS

SHARE REPURCHASE

Tekla's Board of Directors decided on August 8, 2008 to start purchases of a maximum of 100,000 Tekla shares for the development of the company's capital structure. The decision was based on the authorization given by the Annual General Meeting on March 19, 2008, authorizing the Board to decide on the acquisition of a maximum of 500,000 Tekla shares. Purchases started on August 18, 2008 and ended on October 10, 2008.

Summary of share repurchase:

Month	Amount	Average price/share	Total cost
August	44,500	7.24	322,394.52
September	38,766	6.85	265,388.20
October	16,734	5.36	89,727.17
Total	**100,000**	**6.78**	**677,509.89**

SHARES AND SHARE CAPITAL

The total number of Tekla Corporation shares at the end of December 2008 was 22,586,200, of which the company owned 169,600. The total book counter value of those was 5,088 euros, representing 0.75% of the company's shares and the total number of votes. A total of 898,212.35 euros had been used for acquiring the company's own shares, and their market value was 632,608 euros on December 31, 2008. The book counter value of the share is 0.03 euros. At the end of the period, share capital stood at 677,586 euros.

SHARE PRICE TRENDS AND TRADING

The highest quotation of the share in January-December 2008 was 13.00 (14.94) euros, the lowest 3.25 (7.60) euros. The average quotation was 8.32 (10.88) euros. On the last trading day of December, trading closed at 3.73 (12.70) euros.

A total of 6,879,065 (13,797,159) Tekla shares changed hands in January-December 2008 at NASDAQ OMX Helsinki Oy, amounting to 30.5% (61%) of the entire share capital.

CHANGES IN OWNERSHIP STRUCTURE

Threadneedle Asset Management Holdings Limited announced that their holdings in Tekla Corporation crossed above the 5% threshold on January 14, 2008. According to the notification, Threadneedle's holdings stood at 5.098%.

Threadneedle Asset Management Holdings Limited announced that their holdings in Tekla Corporation crossed above the 10% threshold on August 1, 2008. According to the notification, Threadneedle's holdings amounted to 2,264,730 Tekla shares, or 10.027% of Tekla's shares and votes.

The share of nominee registered and foreign owners increased from 21.90% to 25.07% during 2008.

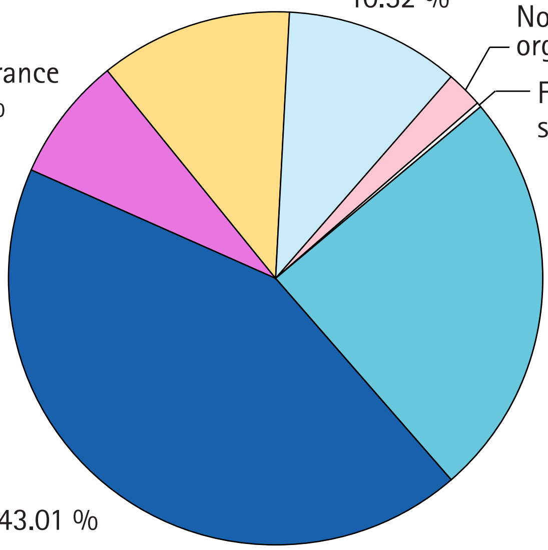
OWNERSHIP OF THE MANAGEMENT

The Board of Directors and the CEO owned or controlled 8,610,270 shares of Tekla Corporation at year's end. These shares represented 38.1 percent of share capital and 38.4 percent of votes.

THE LARGEST SHAREHOLDERS 31.12.2008

	No of shares	Share of shares and votes,%
Gerako Oy	8,596,020	38.06%
Nordea Bank Finland (nominee reg.)	3,576,985	15.84%
Omxbs/Skandinaviska Enskilda Banken Ab (nominee reg.)	1,122,735	4.97%
Tapiola Mutual Pension Insurance Company	1,029,000	4.56%
Ilmarinen Mutual Pension Insurance Company	860,370	3.81%
Northern Trust Global Services Ltd (nominee reg.)	763,141	3.38%
Etera Mutual Pension Ins. Company	505,439	2.24%
Mutual Fund FIM Forte	497,229	2.20%
Ereka Oy	480,000	2.13%
Mutual Fund FIM Fenno	371,043	1.64%
Investment Fund Aktia Capital	265,000	1.17%
Fondita Nordic Micro Cap Placeringsfond	235,000	1.04%
Tapiola General Mutual Ins. Company	220,000	0.97%
Heinonen Reino	187,000	0.83%
Tekla Oyj	169,600	0.75%
Veritas Pension Insurance Company Ltd	165,002	0.73%
Svenska Handelsbanken Ab (publ), Filialv. Finland (nominee reg.)	140,791	0.62%
OP-Suomi Pienyhtiöt	130,000	0.58%
Tapiola Mutual Life Ins. Company	122,550	0.54%
Evli Wealth Manager Fund	100,000	0.44%
20 largest shareholders total	**19,536,905**	**86.50%**
Others	3,049,295	13.50%
All shares total	**22,586,200**	**100.00%**

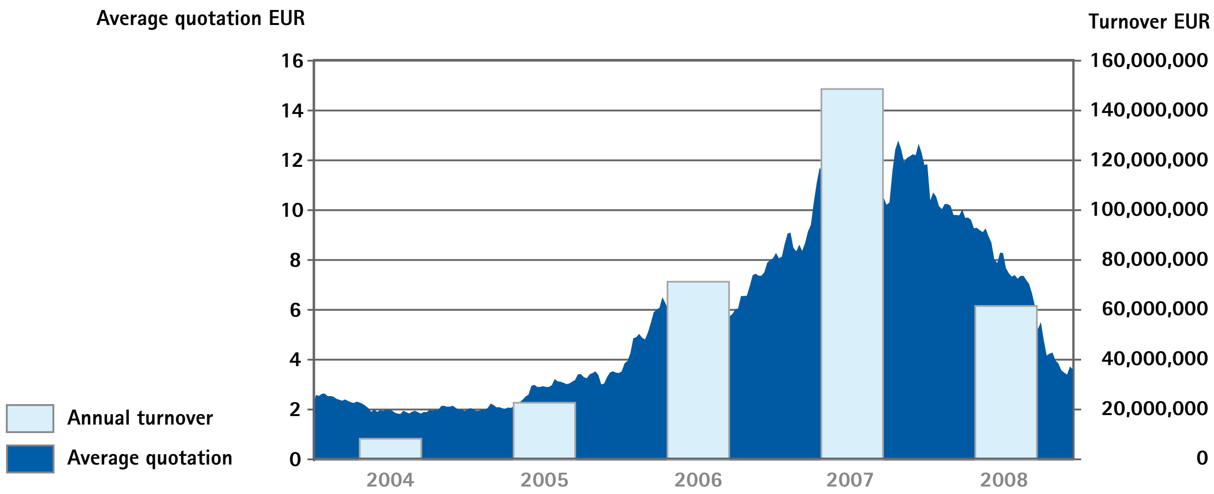
OWNERSHIP BREAKDOWN BY SECTOR 31.12.2008



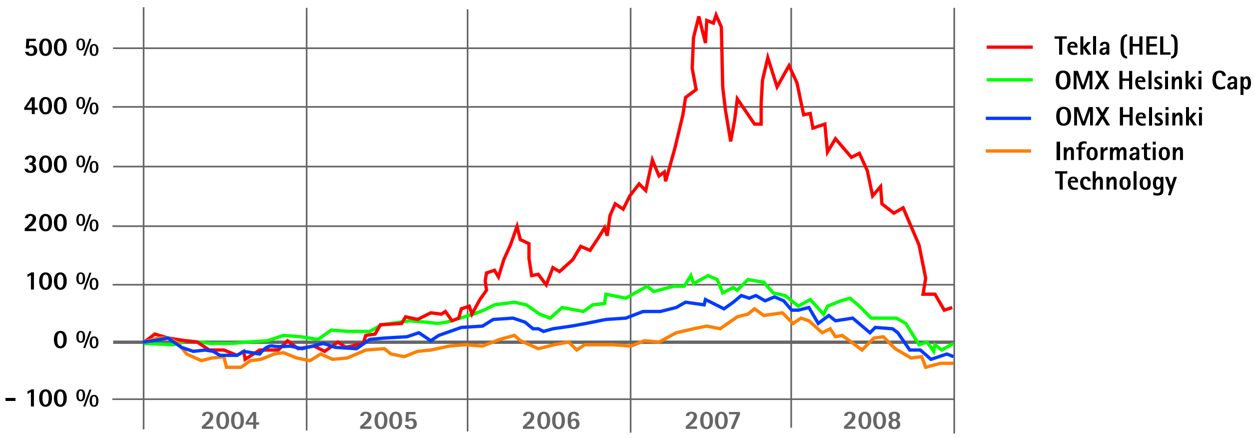
OWNERSHIP BREAKDOWN BY NUMBER OF SHARES 31.12.2008

	No of owners	%	No of shares	%
1 – 1,000	2,252	83.10	777,887	3.44
1,001 – 10,000	396	14.61	1,137,280	5.04
10,001 – 100,000	43	1.59	1,234,128	5.46
100,001 – 500,000	12	0.44	2,983,215	13.21
500,001 – 1,000,000	3	0.11	2,128,950	9.43
1,000,001 –	4	0.15	14,324,740	63.42
Total	**2,710**	**100.00**	**22,586,200**	**100.00**

SHARE TURNOVER AND AVERAGE QUOTATION 2004 – 2008



OMX INDICES AND SHARE PRICE 2004 – 2008



BASIC FACTS ON SHARE

Listed on	22.5.2000
Trade symbol	TLA1V
Industry:	Information technology
ISIN	FI0009008833

CONSOLIDATED INCOME STATEMENT, IFRS

Continuing businesses

1,000 euros

	Note	1.1. – 31.12.2008	1.1. – 31.12.2007
Net sales	1, 4	58,899	58,243
Other operating income	5	1,014	1,019
Change in inventories of finished goods and work in progress		-42	33
Raw materials and consumables used		-2,859	-2,037
Employee compensation and benefit expense	6	-27,836	-25,492
Depreciation	7	-1,173	-1,143
Other operating expenses	8	-13,904	-12,725
Operating profit		14,099	17,898
Financial income	10	2,443	1,861
Financial expenses	10	-1,389	-1,325
Profit before taxes		15,153	18,434
Income taxes	11	-4,202	-4,921
Result for the period from continuing businesses		**10,951**	**13,513**
Discontinued operations			
Result for the period from discontinued operations	2		2,057
Net profit for the period		**10,951**	**15,570**

Attributable to		
Equity holders of the parent company	10,951	15,570

Earnings per share calculated from the profits attributable to the equity holders of the parent company:

Earnings per share (EUR)	0.49	0.69

Earnings per share (EUR):		
From the profit from continuing businesses	0.49	0.60
From the profit from discontinued operations		0.09

Earnings are not diluted.

CONSOLIDATED BALANCE SHEET, IFRS

1,000 euros	Note	31.12.2008	31.12.2007
Assets			
Non-current assets			
Property, plant and equipment	13	1,697	1,795
Goodwill	3, 14	189	101
Intangible assets	3, 14	1,640	743
Other financial assets	15, 16	300	300
Receivables	15, 19	267	481
Deferred tax assets	17	180	111
		4,273	**3,531**
Current assets			
Inventories	18	30	73
Trade and other receivables	3, 15, 19	13,871	12,958
Current income tax assets	15	259	
Other financial assets	15, 16	19,986	25,217
Cash and cash equivalents	3, 15, 20	6,343	4,972
		40,489	**43,220**
Assets related to discontinued operations	2		**250**
Assets total		**44,762**	**47,001**
Equity and liabilities			
Capital and reserves attributable to the equity holders of the parent company			
Share capital	21	678	678
Share premium account	21	8,893	8,893
Legal reserve	21	1,325	1,325
Treasury shares	21	-898	-221
Translation differences	21	302	-458
Fair value reserve	21	242	298
Retained earnings		19,796	20,939
		30,338	**31,454**
Non-current liabilities			
Deferred tax liabilities	3, 17	76	131
Financial liabilities	15, 24	81	69
		157	**200**
Current liabilities			
Trade and other payables	3, 15, 25	14,137	13,347
Current income tax liabilities	15	90	1,003
Financial liabilities	15, 24	40	274
		14,267	**14,624**
Liabilities total		**14,424**	**14,824**
Liabilities related to discontinued operations	2		**723**
Equity and liabilities total		**44,762**	**47,001**

CONSOLIDATED CASH FLOW STATEMENT, IFRS

1,000 euros	Note	1.1. – 31.12.2008	1.1. – 31.12.2007
Cash flows from operating activities			
Profit (loss) before income taxes		15,153	18,434
Adjustments; transactions with no associated payment:			
Depreciation		1,173	1,143
Financial income and expenses		-1,040	-500
Other adjustments		35	244
Cash flow before working capital changes		15,321	19,321
Changes in working capital:			
Change in trade and other current receivables		-813	-2,350
Change in inventories		42	-33
Change in trade and other payables		593	449
Change in provisions			-833
Net cash from operating activities		15,143	16,554
Interest paid		-4	-9
Interest received		252	195
Other financial expenses		-94	-82
Income taxes paid		-6,265	-4,350
Cash flow from continuing businesses		**9,032**	**12,308**
Cash flow from discontinued operations	2		**1,242**
Net cash flows from operating activities		**9,032**	**13,550**
Cash flows from investing activities			
Investments in property, plant and equipment		-1,798	-1,657
Proceeds from sale of property, plant and equipment		-11	254
Cash flow from sale of discontinued operations	2	250	2,346
Cash outflow on acquisition	3	-153	
Purchases of available-for-sale financial assets		-52,839	-55,159
Proceeds from sale of available-for-sale financial assets		55,199	50,110
Interests received from available-for-sale financial assets		1,058	649
Net cash flow from investing activities		**1,706**	**-3,457**
Cash flows from financing activities			
Repayments of long-term debt		-217	-389
Own shares		-677	
Payments of finance lease liabilities		-31	-43
Payment of dividend		-11,258	-9,007
Net cash used in financing activities		**-12,183**	**-9,439**
Change in cash and cash equivalents		**-1,445**	**654**
Cash and cash equivalents at beginning of the period		8,433	7,779
Cash and cash equivalents at end of the period		**6,988**	**8,433**

1,000 euros	1.1. – 31.12.2008	1.1. – 31.12.2007
Reconciliation of cash and cash equivalents in the balance sheet and cash flow statement		
Cash and cash equivalents according to balance sheet at beginning of the period	4,972	5,692
Available-for-sale financial assets, cash equivalents	3,461	2,087
Cash and cash equivalents according to cash flow statement at beginning of the period	8,433	7,779
Cash and cash equivalents according to balance sheet at end of the period	6,343	4,972
Available-for-sale financial assets, cash equivalents	645	3,461
Cash and cash equivalents according to cash flow statement at end of the period	6,988	8,433

STATEMENT OF CHANGES IN EQUITY, IFRS

1,000 euros	Equity attributable to equity holders of the parent							
	Share capital	Share premium account	Reserve fund	Treasury shares	Acc. transl. differences	Fair value reserves	Retained earnings	**Total**
Equity Jan 1, 2007	**678**	**8,893**	**1,325**	**-221**	**-205**	**101**	**14,153**	**24,724**
Transl. differences			0		-253		223	-30
Changes in available-for-sale investments						197		197
Items recognized directly in equity	0	0	0	0	-253	197	223	167
Net profit for the period							15,570	15,570
Total income and expenses recognized in the period	0	0	0	0	-253	197	15,793	15,737
Payment of dividend							-9,007	-9,007
Equity Dec 31, 2007	**678**	**8,893**	**1,325**	**-221**	**-458**	**298**	**20,939**	**31,454**
Equity Jan 1, 2008	**678**	**8,893**	**1,325**	**-221**	**-458**	**298**	**20,939**	**31,454**
Transl. differences			0		760		-836	-76
Changes in available-for-sale investments						-56		-56
Items recognized directly in equity	0	0	0	0	760	-56	-836	-132
Net profit for the period							10,951	10,951
Total income and expenses recognized in the period	0	0	0	0	760	-56	10,115	10,819
Payment of dividend							-11,258	-11,258
Acquisition of own shares				-677				-677
Equity Dec 31, 2008	**678**	**8,893**	**1,325**	**-898**	**302**	**242**	**19,796**	**30,338**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL

Tekla Corporation (the parent company) is a Finnish public limited company, domiciled in Espoo, and its registered address is Metsänpojankuja 1, 02130 Espoo, Finland.

Tekla is an international software product company whose model-based software products make customers' core processes more effective in building and construction, energy distribution, infrastructure management and water supply. Tekla has customers in more than 80 countries.

The Board of Directors of Tekla Corporation has authorized the 2008 financial statements for issue on February 5, 2009.

BASIS OF PREPARATION

In preparing the financial statements, the IAS and IFRS standards and SIC and IFRIC interpretations effective on December 31, 2008 were observed. International Financial Reporting Standards refer to the standards defined in the Finnish Accounting Act and related regulations approved for application in the EU and their interpretations in accordance with the EU regulation (EC) 1606/2002.

The financial statements have been prepared based on historical cost conventions, excluding available-for-sale investments and derivative instruments, which are measured at fair value.

The financial statements are presented in thousands of euros, unless otherwise stated.

New and amended standards and interpretations, that are effective in year 2008, but not relevant to the Group's financial statements:

- IAS 39 (Amendment) and IFRS 7 (Amendment) Reclassification of Financial Assets. The amendment permits an entity to reclassify non-derivative financial assets out of the held for trading category and from the available-for-sale category in particular circumstances and with certain criteria. In case of reclassification additional disclosures are required. The amendment is effective from July 1, 2008. The Group has not applied the treatment allowed by the amendment during the financial year.

The Group has not adopted certain new standards, amendments and interpretations to existing standards, which have been published and which are mandatory for accounting periods beginning on or after January 1, 2009:

- IAS 1 (Revised), Presentation of Financial Statements. It is likely that the Group will in the future present the statement of comprehensive income.
- IFRS 3 (Revised), Business Combinations. The Group is assessing the impact of the revised standard.
- IFRS 8, Operating Segments. The segments reported by the Group will also in the future be the same as the business segments under IAS 14. The Group is assessing the impact of the standard in the presentation of segment information.
- IAS 20 (Amendment), Accounting for Government Grants and Disclosure of Government Assistance. The amendment is part of the IASB's annual improvements project published in May 2008. The Group management assesses, that the amendment will not have a material impact on the financial statements of the Group.

- IAS 36 (Amendment), Impairment of Assets. The amendment is part of the IASB's annual improvements project published in May 2008. The Group management assesses, that the change has no relevant impact on the financial statements of the Group.

The Group has not adopted certain amendments and interpretations to existing standards, which have been published and which are mandatory for accounting periods beginning on or after January 1, 2009 and which are not expected to be relevant to the Group's operations:

- IAS 1 (Amendment), Presentation of Financial Statements. The amendment is part of the IASB's annual improvements project published in May 2008.
- IAS 19 (Amendment), Employee Benefits. The amendment is part of the IASB's annual improvements project published in May 2008.
- IAS 23 (Amendment and Revised), Borrowing Costs. The amendment is part of the IASB's annual improvements project published in May 2008.
- IAS 32 (Amendment), Financial Instruments: Presentation and IAS 1 (Amendment), Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation.
- IAS 16 (Amendment), Property, Plant and Equipment (and consequential amendment to IAS 7, Cash Flow Statements). The amendment is part of the IASB's annual improvements project published in May 2008.
- IAS 27 (Amendment and Revised), Consolidated and Separate Financial Statements. The amendment is part of the IASB's annual improvements project published in May 2008.
- IAS 28 (Amendment), Investments in Associates (and consequential amendments to IAS 32, Financial Instruments: Presentation and IFRS 7, Financial Instruments: Disclosures). The amendment is part of the IASB's annual improvements project published in May 2008.
- IAS 31 (Amendment), Interests in Joint Ventures (and consequential amendments to IAS 32 and IFRS 7). The amendment is part of the IASB's annual improvements project published in May 2008.
- IAS 38 (Amendment), Intangible Assets. The amendment is part of the IASB's annual improvements project published in May 2008.
- IAS 39 (Amendment), Financial Instruments: Recognition and Measurement. The amendment is part of the IASB's annual improvements project published in May 2008.
- IAS 39 (Amendment), Financial Instruments: Recognition and Measurement – Eligible Hedged Items.
- IAS 40 (Amendment), Investment Property (and consequential amendments to IAS 16). The amendment is part of the IASB's annual improvements project published in May 2008.
- IAS 41 (Amendment), Agriculture. The amendment is part of the IASB's annual improvements project published in May 2008.
- IFRS 1 (Amendment), First-time Adoption of IFRS, and IAS 27 (Amendment), Consolidated and Separate Financial Statements.
- IFRS 2 (Amendment), Share-based Payment.
- IFRS 5 (Amendment), Non-current Assets Held for Sale and Discontinued Operations (and consequential amendment to IFRS 1, First-time Adoption). The amendment is part of the IASB's annual improvements project published in May 2008.
- IFRIC 11, IFRS 2 - Group and Treasury Share Transactions.
- IFRIC 12, Service Concession Arrangements. *)
- IFRIC 13, Customer Loyalty Programmes.

- IFRIC 14, IAS 19 – Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.
- IFRIC 15, Agreements for the Construction of Real Estate.
- IFRIC 16, Hedges of a Net Investment in a Foreign Operation.
- IFRIC 17, Distributions of Non-cash Assets to Owners.

*) The interpretation is still subject to endorsement by the European Union.

USE OF ESTIMATES

When preparing the financial statements, the Group's management is required to make estimates and assumptions influencing the content of the financial statements, and it must exercise its judgment regarding the application of accounting policies. These estimates are based on the management's best knowledge, but it is possible that actual results may ultimately differ from the estimates used in the financial statements. Tax losses carried forward are recognized as deferred tax assets only to the extent that it is probable that future taxable profits will be available against which unused tax losses can be utilized. Actual results could differ from those estimates.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the parent company Tekla Corporation and the subsidiaries in which the parent company holds directly or indirectly more than half of the votes or in which the parent company directly or indirectly has the right to decide on the principles of the company's finances and business activity. Subsidiaries acquired during the financial year are included in the financial statements from the date of acquisition, and divested subsidiaries up to the date when control has been relinquished.

Acquired subsidiaries are included in the financial statements using the purchase method of accounting, i.e. the assets, liabilities and contingent liabilities are measured at fair value at the time of acquisition. The acquisition cost less the fair value of specifiable assets, liabilities and contingent liabilities constitutes goodwill. In accordance with the IFRS 1 standard, business acquisitions preceding the IFRS transition date are not adjusted to the IFRS principles; they remain in the pretransition date values based on the Finnish Accounting Standards.

All intragroup transactions, unrealized margins of internal deliveries, internal liabilities and receivables, and internal profit distribution are eliminated.

Intragroup holding is eliminated using the purchase method of accounting. The exchange differences arising from elimination of intragroup holdings are entered under consolidated shareholders' equity.

FOREIGN CURRENCY TRANSACTIONS

The figures on Group units' results and financial standing are measured in the currency that is the currency of the primary operating environment of each unit ('functional currency'). The consolidated financial statements are presented in euros, which is the parent company's functional and presentation currency.

Transactions in foreign currencies are recorded at the exchange rate on the date of transaction. At the end of the financial period, foreign currency monetary items are translated to the functional currency using the exchange rate at the balance sheet date. Non-monetary items are carried at the exchange rate at the date of the transaction.

All foreign exchange gains and losses from operational and financial items are entered as exchange rate differences in the income statement under financial income and expenses. Exchange differences arising from a monetary item that forms a part of the company's net investment in a foreign operation is recognized in shareholders' equity.

In the consolidated financial statements, the income statements of foreign subsidiaries are translated into euros at the average rate for the year and balance sheets at the average exchange rate of the balance sheet date. An exchange difference resulting from translation of the income statement and balance sheet at different rates is entered under consolidated shareholders' equity. An exchange difference resulting from the translation of a subsidiary's equity in the consolidation is entered under shareholders' equity.

FINANCIAL ASSETS AND LIABILITIES

The Group's financial assets are classified as follows: financial assets at fair value through profit or loss, loans and other receivables, and available-for-sale financial assets. The categorization is based on the purpose of the acquisition of the financial assets, and it is performed in connection with the original acquisition. The classification is always re-evaluated at the balance sheet date.

Transaction costs are included in the original book value of the financial assets, when the item in question is not recognized as income at fair value. The financial assets measured at fair value are originally recognized at fair value, and the transaction costs are entered in the income statement. All purchases and sales of financial assets are recorded on the date of the transaction.

Derecognition of a financial asset is done when the Group has lost its contractual right to cash flow or when it has, for a significant extent, transferred risks and rewards to outside the Group.

Financial assets and liabilities at fair value through profit or loss

Derivatives that do not meet the requirements of hedge accounting, are categorized as held for trading and they are measured at fair value through profit or loss. Profit and loss, both realized and unrealized, from fair value changes is recognized in the income statement for the period during which they arise.

Loans and other receivables

Loans and other receivables are non-derivative financial assets, with fixed or determinable payments, which are not traded in an active market and not held for trading. They are measured at amortized cost. They are recognized in the balance sheet's Trade and other receivables group as current or non-current assets based on their nature; non-current, if they mature after 12 months.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets specifically designated to this group or not classified otherwise. Available-for-sale financial assets are measured at fair value, using quoted market prices. The unlisted securities whose fair value cannot be reliably determined are measured at cost with impaired losses. Fair value changes on available-for-sale financial assets are recognized directly in equity, in the fair value reserve. When such an asset is sold, the cumulative fair value changes are recognized in profit or loss.

Available-for-sale financial assets are included in non-current assets excluding those that are meant to be held for less than 12 months after the balance sheet date, in which case they are included in current assets.

Cash and cash equivalents

Cash and cash equivalents are reported at cost in the balance sheet. Cash and cash equivalents include cash and bank deposits that can be withdrawn on demand. In the cash flow statement, cash and cash equivalents also contain the liquid investments whose remaining maturity at date of purchase is at the most 3 months. Such investments are originally recognized in accounting as belonging to available-for-sale financial assets.

Financial liabilities

Financial liabilities are initially recognized at fair value based on the consideration received or paid in a transaction. Subsequently, (interest-bearing) loans are measured at amortized cost using the effective interest method. The amount of financial liabilities that is to be settled within 12 months of the balance sheet date is presented as a current liability. Other liabilities are presented as non-current liabilities.

DERIVATIVE CONTRACTS AND HEDGE ACCOUNTING

The Group uses derivative contracts to hedge against the exchange rate risks of prospective sales agreements. Hedge accounting as defined in IAS 39 is not in use in the Group.

Derivatives are initially recognized at cost, corresponding to their fair value. After this, derivatives are measured at fair value. All fair value changes of derivatives are recognized directly in financial income and expenses. In the balance sheet, the fair value of derivatives is presented in non-current receivables or liabilities, based on whether their fair value is positive or negative.

The fair value of foreign exchange forward contracts is calculated by valuing the forward contract at the forward rate on the balance sheet date and by comparing it with the equivalent value calculated through the forward rate when the forward contract was entered into.

REVENUE RECOGNITION

Revenue is recognized when risks and rewards connected with ownership of the goods have been transferred to the buyer. Usually, the revenue is recognized upon delivery. When net sales are calculated, indirect sales taxes and discounts, for instance, are deducted from sales revenue.

Revenue from goods or services sold is recognized at the time of delivery, except for revenue on significant long-term (generally lasting more than 6 months) projects, which is recognized on the percentage of completion method. The percentage of completion method is also applied to projects that take place during two interim report periods.

The percentage of completion is defined as the proportion of costs incurred for work performed to date compared to the total estimated project costs. When it is likely that the total costs required for completing the project exceed the total revenue from the project, the expected loss is recognized as an expense immediately.

When the outcome of a long-term project cannot be reliably estimated, project-related costs are recognized as an expense in the period in which they are incurred, and revenue from the project is recognized only to the extent of recoverable expenses. Loss on the project is recognized as an expense immediately.

Should the estimates on the outcome of the project change, recognized sales and profit will be adjusted in the period in which the change first becomes known and can be estimated.

As available-for-sale financial assets are measured at their fair value, interest income related to these is not accrued.

INCOME TAXES

The Group income statement includes current taxes of Group companies based on taxable profit for the financial period according to local tax regulations as well as adjustments to prior year taxes and changes in deferred taxes.

Deferred tax assets and liabilities are recognized for all temporary differences arising from the difference between the tax basis of assets and liabilities and their book values in financial reporting. In the determination of deferred income tax the enacted tax rate is used. Principal temporary differences arise from property, plant and equipment, provisions, tax losses carried forward and financial instruments. A deferred tax asset is recognized only to the extent that it is probable that it can be utilized for future taxable income.

GOODWILL AND OTHER INTANGIBLE ASSETS

In calculating goodwill, the net fair value of the acquiree's assets, liabilities and contingent liabilities is deducted from the cost of the transaction. Goodwill is not amortized. Instead, goodwill is tested for impairment at least annually whenever there is an indication of impairment.

Other intangible rights comprise trademarks and patents, other intangible assets software licenses, for instance. Patents and software licenses are recognized in the balance sheet at cost. Other intangible rights comprise trademarks and patents, other intangible assets, software licenses, for instance. Patents and software licenses are recognized in the balance sheet at cost. Software licenses are amortized on a straight-line basis during an expected useful life of from two to six years. Trademarks and patents are amortized over ten years.

RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses are expensed in the period in which they are incurred, except for development costs capitalized based on IAS 38, which are capitalized and amortized during the useful life. So far, the company has not capitalized development expenses in the balance sheet.

DISCONTINUED OPERATIONS

Held-for-sale non-current assets and assets associated with discontinued operations are classified as held for sale and measured at the lower of book value and fair value less costs to sell, if their amount corresponding to the book value will mostly be recovered through the sale of the asset instead of continued use. Depreciation of these assets is discontinued upon classification.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost. Property, plant and equipment are depreciated using the straight-line method over their useful lives. The depreciation period of machinery and equipment is 2 to 5 years. The useful life of an asset is reviewed at each financial year-end and, if necessary, any change in expectations for financial benefit reflected as an adjustment to the estimated useful life.

Property, plant and equipment are stated in the Notes at cost less accumulated depreciation and impairment loss. Cost includes only the commodities for which the acquisition cost has not yet been depreciated in full according to plan. Sales gains and losses on machinery and equipment are included in other operating income and expenses.

BORROWING COSTS

Borrowing costs are recognized as an expense in the period in which they are incurred.

GOVERNMENT GRANTS

The Group receives government grants, intended to, e.g., promote the companies' research and development activity. Such grants are reported as other income and recognized in proportion with the costs incurred in each project subject to the grant.

Grants relating to acquisition of assets (property, plant and equipment) are presented by deducting the grant from the tangible asset's carrying amount. Grants are recognized in the income statement through smaller depreciations over the useful life of the asset. So far, Tekla has not received government grants related to the acquisition of assets.

IMPAIRMENT OF ASSETS

With regard to assets subject to depreciation, it is reviewed whether there are indications that an asset's value may be impaired. If there are indications, the recoverable amount of the item is estimated based on its net selling price or a higher value in use. The need for impairment is assessed at the level of cash generating units, i.e. at the lowest possible level largely independent of others, the cash flows of which can be separated from other units. If the carrying amount exceeds the recoverable amount, the difference is recognized in the income statement as an impairment loss.

Goodwill is not amortized. Instead, it is tested for impairment annually or whenever there is an indication of impairment.

A previously recognized impairment is reversed, if the assumptions used in estimating the recoverable amount change. The extent of impairment loss to be reversed should not be more than what the asset's carrying amount would have been if the impairment had not been recognized. Impairment loss for goodwill is not reversed.

According to IAS 39, all financial assets are assessed at each balance sheet date by examining whether there is any objective evidence of impairment of the value of item or item group in the financial assets. Impairment losses recognized as income relating to investments in available-for-sale equity instruments are not reversed. If, in a subsequent period, the fair value of a debt instrument carried as available-for-sale increases due to an event occurring after the impairment was originally recognized, the previously recognized impairment loss is reversed through profit and loss.

LEASES

Leases on property, plant and equipment are classified as finance leases if they transfer a substantial portion of the risks and rewards incident to ownership. Finance leases are recognized in the balance sheet as assets and liabilities at the lower of the fair value of the leased asset and the present value of the minimum lease payments at the inception of the lease. Assets held under finance leases are depreciated over the shorter of the useful life of the asset or the lease term. Finance lease payments are apportioned between finance charges and reductions of outstanding liability.

Leases where substantially all the risks and rewards of ownership are retained by the lessor are classified as other rental contracts. Other rental expenses based on a lease are recognized as expenses in the income statement on a straight-line basis over the lease term. Lease commitments are presented as off-balance sheet commitments in the Notes.

INVENTORIES

Inventories are measured at the lower of cost or net realizable value. Cost is determined using the FIFO method. Cost of finished goods and work in progress includes direct production related wages, other direct production expenses and the share of general production costs. Net realizable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and the estimated costs necessary to make the sale.

TRADE RECEIVABLES

Trade receivables are measured at their expected net present value, which is the original invoice amount less expected impairment. A trade receivable is impaired when it is justifiably probable that the Group will not collect all amounts due on the original terms. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default in payments are considered as indicators that a trade receivable is impaired. The impairment amount is classified as other operating expense.

SHARE CAPITAL AND TREASURY SHARES

The entire share capital consists of ordinary shares. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds, net of tax.

When purchasing Tekla Corporation's own shares, equity is deducted by the consideration paid for the shares including transaction costs. When treasury shares are sold, retained earnings are increased by the consideration received for the shares less direct costs, taking taxes into account.

PENSION BENEFITS

The pension arrangements of the Group companies comply with local regulations and practices. Pension plans are classified as defined contribution plans.

Contributions for defined contribution plans are recognized as expenses in the balance sheet for the period for which they are contributed.

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 and it is probable that fulfilling the obligation requires payment or induces financial loss and the amount of the loss can be estimated reliably. Provisions can be related to restructuring, loss-making contracts and tax-related risks.

Provisions are measured at the present value of the expenditure required in order to cover the obligation.

SHARE-BASED PAYMENT

Tekla Corporation has no valid share option programs.

DIVIDENDS

Dividends distributed by the Group are recognized during the period in which shareholders have approved the dividend to be distributed. No dividends or return of capital is paid on treasury shares held by the company.

EARNINGS PER SHARE

Basic earnings per share are computed by dividing net profit or loss by the weighted average number of shares outstanding during the period.

Tekla has no options, so there is no need to compute the dilution effect of options.

NOTES TO THE FINANCIAL STATEMENTS

In 1,000 euros unless otherwise noted.

1. Segment information

Segment information is presented based on the Group's business and geographical segments. The primary segment reporting form of the Group is based on business segments. The business segments are based on the Group's internal organizational structure and internal financial reporting.

Building & Construction develops and markets software products for product model-based engineering as well as management of building and fabrication of steel and concrete structures.

At the beginning of 2007, Energy & Utilities and Public Infra were merged into the **Infra & Energy** business area.

Infra & Energy supplies solutions that improve business and operative efficiency and competitiveness to energy distribution companies and water utilities, and it also offers information systems in the technical sector that make municipal operations more efficient.

The business segments consist of business operations, whose product and service-related risks and profitability differ from other business segments. The products and services of the geographical segments are sold in a certain economic environment where risks and profitability differ from the risks and profitability of the economic environment in other geographical segments.

The assets and liabilities of a segment are business items used by the segment in its business or which can be reasonably allocated to the segment. The non-allocated items include tax and financial items and items shared by the entire company. Investments consist of property, plant and equipment and intangible asset additions, which are used over more than one period.

Net sales are divided into license, recurring, service and other sales. License sales comprise of the right to use the sold product version. Recurring sales include maintenance income (annual product versions and customer support) and subscriptions. Service sales refer to implementation support, training and consultation. Other sales comprise of customer- or customer group-specific product projects.

Business segments **2008**

	Building & Construction	Infra & Energy	Unallocated items	Eliminations	Group
External sales					
Licenses	26,939	2,218			29,157
Recurring	16,998	6,538			23,536
Services	1,910	2,283			4,193
Others	98	1,914	1		2,013
External sales	45,945	12,953	1	0	58,899
Internal sales	118			-118	0
Net sales total	46,063	12,953	1	-118	58,899
Operating profit	12,134	1,973	-8		14,099
Unallocated items					-3,148
Profit (loss) for the period					10,951

2008

	Building & Construction	Infra & Energy	Unallocated items	Segments' internal items	Total
Segment assets	11,522	3,412	30,365	-537	44,762
Segment liabilities	10,951	1,567	2,443	-537	14,424
Segment depreciation	638	229	306		1,173
Segment investments	924	284	895		2,103

Business segments **2007**

Continuing businesses	Building & Construction	Infra & Energy	Unallocated items	Eliminations	Group
External sales					
Licenses	28,335	2,963			31,298
Recurring	15,337	6,047			21,384
Services	1,568	1,908			3,476
Others	239	1,840	6		2,085
External sales	45,479	12,758	6	0	58,243
Internal sales	25		10	-35	0
Net sales total	45,504	12,758	16	-35	58,243
Operating profit	15,962	1,959	-23		17,898
Unallocated items					-4,385
Profit (loss) for the period					13,513

2007	Building & Construction	Infra & Energy	Unallocated items	Segments' internal items	Total
Segment assets	10,279	4,048	32,925	-502	46,750
Segment liabilities	9,651	1,922	3,753	-502	14,824
Segment depreciation	524	222	397		1,143
Segment investments	957	343	468		1,768

The Group's operations are located in four geographical segments: Finland, other Europe, North America, and Asia. The net sales of the geographical segments are presented based on the location of the customers or the resellers. Assets are presented based on the location of the assets.

Geographical segments **2008**

	Finland	Other Europe	North America	Asia	Others	Group
Net sales	10,093	22,804	10,020	12,730	3,252	58,899
Segment assets	31,320	3,841	5,016	4,585		44,762
Investments	1,569	426	51	57		2,103

2007

Continuing businesses	Finland	Other Europe	North America	Asia	Others	Group
Net sales	10,357	22,880	11,191	10,926	2,889	58,243
Segment assets	35,417	4,370	4,177	2,786		46,750
Investments	1,379	257	38	94		1,768

2. Discontinued operations

Defence business

Tekla's Defence business was transferred to Patria on May 1, 2007. The calculations below present the sold business' profit and cash flow impact in the reporting and comparison periods.

Result for the Defence business	**2008**	**2007**
Net sales		1,003
Expenses		-808
Profit (loss) before income taxes		195
Taxes		-51
Profit (loss) after income taxes	0	144
Sales profit from the Defence business sale		2,585
Taxes		-672
Sales profit after taxes		1,913
Profit (loss) for the period from discontinued operations	0	2,057
Cash flow statement, Defence		
Cash flows from operating activities		1,242
Cash flows from investing activities	250	2,346
Total cash flow	250	3,588
The effect of the sale of the Defence business on the financial position of the Group		
	Dec 31, 2008	**Dec 31, 2007**
Other receivables		250
Tax liabilities		723
Consideration received and effect on cash flow		
Cash received	250	2,346

3. Acquired businesses

Tekla Corporation strengthened the Tekla Xpower system for the asset management of energy companies by acquiring the Swedish company OakTree Software AB in September 2008. Tekla is liable to pay an additional purchase price depending on the sales development of the acquired operations in 2009 – 2011. The additional purchase price is established as 0.07 million euros in the financial statements, and the resulting liability will possibly be payable in 2010 – 2012.

Had the figures for OakTree Software AB been consolidated from the beginning of the financial period, Tekla's net sales would have been approximately 0.16 million euros higher, but the consolidation would not have had an impact on the operating result. Consolidation as from the acquisition (September 1, 2008) has not had material effects on Tekla's net sales and operating result.

Net assets acquired and goodwill	**2008**
Total acquisition cost	
Consideration paid in cash	166
Additional purchase price	74
Total	240

Assets and liabilities at the date of acquisition	Fair value	Acquiree's carrying amount
Customer agreements	176	
Trade and other receivables	23	23
Cash and cash equivalents	13	13
Assets total	212	36
Deferred tax liabilities	46	
Other liabilities	22	22
Liabilites total	68	22
Net assets	144	14
Goodwill	96	
Acquisition cost, total	**240**	

The goodwill comprises the acquired customer base and opportunities to leverage OakTree AB's expertise in the market for fiber optic network management software also outside Sweden.

Consideration paid in cash	166
Subsidiary's cash and cash equivalents	-13
Effect on cash flow	153

4. Long-term projects

	2008	**2007**
Income recognized	449	326
Not recognized		364
Revenues recorded prior to billings, incl. in receivables	223	85
Advances received	-167	-168
Receivables / liabilities from long-term contracts	**56**	**-83**

In 2007 – 2008 the long-term projects consisted of two Tekla Xcity projects in the Infra & Energy business area.

5. Other operating income

	2008	2007
Sales gains from property, plant and equipment	4	5
Product development grants	395	591
Rental income	54	359
Others	561	64
Total	**1,014**	**1,019**

Tekla Corporation's product development grants have been given by Tekes (the Finnish Funding Agency for Technology and Innovation). The grants are meant to promote companies' research and development activities and share their risks, encourage commercializing the outcome of the projects, increase networking and make use of international collaboration.

Rental income in 2008 includes a lease compensation of 49 thousand euros, which is related to termination of the lease of the previous premises. Rental income in 2007 is generated by the sublease of the Group's previous premises. The sublease contracts were transferred to Kiinteistö Oy Espoon Koronakatu 1 with the termination of the lease of the previous premises on December 31, 2007.

6. Employee benefits expense

	2008	2007
Salaries	23,137	21,076
Pension expenses, defined contribution plans	2,834	2,643
Other personnel expenses	1,865	1,773
Total	**27,836**	**25,492**
Group headcount:		
Personnel, on average	430	367
Personnel, end of period	464	400
of whom part-time	20	21

Information on the executive compensation and benefits is presented in Note 28. Related party transactions.

7. Depreciation and amortization

	2008	2007
Intangible assets		
Intangible rights	24	14
Other intangible assets	342	292
Tangible assets		
Machinery and equipment	807	837
Total	**1,173**	**1,143**

8. Other operating expenses

	2008	2007
Rental expenses	1,873	2,045
Travel expenses	2,420	2,257
IT expenses	1,223	976
Marketing expenses	2,725	2,100
Others	5,663	5,347
Total	**13,904**	**12,725**

Rental expenses consist mainly of lease payments for the Group's offices.

The item 'Others' consists of a number of expenses connected with administration and maintenance, which are not significant individually.

9. Research and development expenses

The income statement includes 15.13 million euros of research and development expenses recognized as expense in 2008 (12.93 million euros in 2007).

The research and development expenses are primarily comprised of expenses allocated to the development of Tekla's own software. More than half of these expenses are personnel related.

10. Financial income and expenses

Financial income	**2008**	**2007**
Interest income		
From available-for-sale investments	1,114	690
From loans and other receivables	215	171
Foreign exchange gains from loans and other receivables	1,110	542
Foreign exchange forward contract value changes	4	458
	2,443	**1,861**

The Group's interest income derives mainly from the parent company's investments in commercial papers, municipal bonds, certificates of deposit and other negotiable debt instruments (See Note 16. Available-for-sale financial assets).

Financial expenses		
Interest expenses from financial liabilities		
measured at amortized cost	-9	-12
Foreign exchange losses from loans and other receivables	-1,147	-1,225
Foreign exchange forward contract value changes	-139	-6
Other financial expenses	-94	-82
	-1,389	**-1,325**
Exchange rate differences, total	**-172**	**-231**

11. Income taxes

	2008	2007
Current tax	-4,371	-4,502
Taxes for previous periods	2	-43
Deferred taxes	167	-376
Total	**-4,202**	**-4,921**

Reconciliation of the tax expense in the income statement and the taxes calculated based on the tax rate of the Group's domicile:

	2008	2007
Profit before income taxes	15,153	18,434
Taxes calculated with the domicile's tax rate	-3,940	-4,793
Utilization of previously unrecorded tax losses	186	110
Deferred tax asset recorded on previous years' losses		111
Tax losses for which no deferred tax asset was recorded	-232	-140
Effect of consolidation	-143	-34
Effect of differing foreign tax rates	-217	-112
Effect of non-deductible expenses/non-taxable income	136	-27
Others	8	-36
Income taxes in the income statement	**-4,202**	**-4,921**
Effective tax rate	28%	27%

12. Earnings per share

Earnings per share are computed by dividing the profits attributable to equity holders of the parent company by the weighted average number of shares outstanding during the period.

	2008	2007
Profits attributable to the equity holders of the parent company	10,951	15,570
Weighted average number of shares outstanding during the period	22,485,500	22,516,600
Earnings per share for profit attributable to the equity holders of the Company (EUR)	0.49	0.69
Earnings per share (EUR)		
for profit of continuing businesses	0.49	0.60
for profit of discontinued operations		0.09

There was no dilution effect on the company's equity during the period.

13. Property, plant and equipment

	2008 Machinery and equipment	2007 Machinery and equipment
Cost January 1	7,201	6,669
Exchange differences	-96	-89
Additions	745	1,163
Disposals	-91	-542
Cost December 31	**7,759**	**7,201**
Accumulated depreciation January 1	5,406	4,933
Exchange differences	-93	-57
Accumulated depreciation on disposals	-58	-307
Depreciation for the year	807	837
Accumulated depreciation December 31	**6,062**	**5,406**
Net book amount December 31	**1,697**	**1,795**

Property, plant and equipment include the following assets held under finance leases:

	2008 Machinery and equipment	2007 Machinery and equipment
Cost December 31	166	192
Accumulated depreciation December 31	-36	-50
Net book amount December 31	**130**	**142**

14. Goodwill and intangible assets

Goodwill	**2008**	**2007**
Cost January 1	494	494
Exchange differences	-8	
Additions	96	
Cost December 31	**582**	**494**
Accumulated amortization January 1	393	393
Accumulated amortization December 31	**393**	**393**
Net book amount December 31	**189**	**101**

The goodwill (in total 100 thousand euros) originates primarily in the acquisition of the Group's French subsidiary, where goodwill is also allocated in connection with impairment testing. The goodwill (in total 89 thousand euros) comprises the acquired customer base and opportunities to leverage OakTree AB's expertise in the market for fiber optic network management software also outside Sweden.

The cash flow projections used for the test for impairment are based on budgeted sales approved by the management, covering a period of five years, during which the profit margin ratio as well as market position are expected to remain at the current level. Cash flows after this period have been extrapolated without a growth factor. The pre-tax discount rate used in the calculations is 8%. The management estimates that no reasonably foreseeable change of any of the key variables used in the calculations would lead to a situation where the recoverable amount of the subsidiary would be below its carrying amount.

Intangible assets

	Intangible rights	Other intangible assets	**Total**
Cost January 1, 2008	183	2,040	2,223
Exchange differences	-2	-27	-29
Additions	162	1,100	1,262
Cost December 31, 2008	**343**	**3,113**	**3,456**
Accumulated amortization January 1, 2008	159	1,321	1,480
Exchange differences	-2	-28	-30
Amortization for the year	24	342	366
Accumulated amortization December 31, 2008	**181**	**1,635**	**1,816**
Net book amount December 31, 2008	**162**	**1,478**	**1,640**
Cost January 1, 2007	183	1,487	1,670
Exchange differences		-16	-16
Additions		605	605
Disposals		-36	-36
Cost December 31, 2007	**183**	**2,040**	**2,223**
Accumulated amortization January 1, 2007	145	1,036	1,181
Exchange differences		-6	-6
Accumulated amortization on disposals		-1	-1
Amortization for the year	14	292	306
Accumulated amortization December 31, 2007	**159**	**1,321**	**1,480**
Net book amount December 31, 2007	**24**	**719**	**743**

15. Carrying amounts of financial assets and liabilities by valuation category

	Financial assets/ liabilities at fair value through profit and loss	Loans and other receivables	Available-for-sale financial assets	Financial liabilities measured at amortized cost	Balance sheet item carrying amounts	Fair value
Balance sheet item December 31, 2008						
Non-current financial assets						
Other financial assets			300		300	300
Receivables		267			267	267
Current financial assets						
Trade and other receivables		13,871			13,871	13,871
Current income tax assets		259			259	259
Other financial assets			19,986		19,986	19,986
Cash and cash equivalents		6,343			6,343	6,343
Carrying amount by category	**0**	**20,740**	**20,286**	**0**	**41,026**	**41,026**
Non-current financial liabilities						
Financial liabilities				81	81	81
Current financial liabilities						
Trade and other payables				13,998	13,998	13,998
Derivative contracts	139				139	139
Current income tax liabilities				90	90	90
Financial liabilities				40	40	40
Carrying amount by category	**139**	**0**	**0**	**14,209**	**14,348**	**14,348**

	Financial assets/ liabilities at fair value through profit and loss	Loans and other receivables	Available-for-sale financial assets	Financial liabilities measured at amortized cost	Balance sheet item carrying amounts	Fair value
Balance sheet item December 31, 2007						
Non-current financial assets						
Other financial assets			300		300	300
Receivables		481			481	481
Current financial assets						
Trade and other receivables		12,650			12,650	12,650
Derivative contracts	308				308	308
Other financial assets			25,217		25,217	25,217
Cash and cash equivalents		4,972			4,972	4,972
Carrying amount by category	**308**	**18,103**	**25,517**	**0**	**43,928**	**43,928**
Non-current financial liabilities						
Financial liabilities				69	69	69
Current financial liabilities						
Trade and other payables				13,347	13,347	13,347
Current income tax liabilities				1,003	1,003	1,003
Financial liabilities				274	274	274
Carrying amount by category	**0**	**0**	**0**	**14,693**	**14,693**	**14,693**

16. Other financial assets

Available-for-sale financial assets

Available-for-sale financial assets are mainly comprised of the parent's investments in commercial papers, municipal bonds, certificates of deposit and other negotiable debt instruments, which are measured at fair value.

A total of 1,114,158 euros of interest income and sales gains were recognized for these investments in 2008 (689,582 euros in 2007).

With an agreement signed on June 23, 2005, Tekla Corporation became a minority shareholder in Tocoman Services Oy (10%) and TocoSoft Oy (10%), whose shares make up the Group's long-term shareholding. Unlisted equity investments are measured at cost, since there is no market price defined by a functioning market and changes in the fair value are not materially.

Changes in the value of available-for-sale investments recorded in the fair value reserve have been detailed in the statement of changes in the group's equity.

Long-term

	2008	**2007**
Measured at cost		
Shareholdings	300	300
Total	**300**	**300**

Short-term

Measured at fair value		
Bonds	19,954	25,182
Other shares	32	35
Total	**19,986**	**25,217**

17. Deferred tax assets and liabilities

Changes in deferred taxes in 2008:

	31.12.07	Recognized in the income statement	Transfer/ exchange differences	Acquired businesses	31.12.08
Deferred tax assets:					
Tax losses	111	35			146
Other items		125	-91		34
Total	**111**	**160**	**-91**	**0**	**180**
Deferred tax liabilities:					
Intangible assets valued at fair value		4	4	-46	-38
Accumulated depreciation difference	-41	3			-38
Other items	-91		91		0
Total	**-132**	**7**	**95**	**-46**	**-76**
Deferred tax assets, net	**-21**	**167**	**4**	**-46**	**104**

Changes in deferred taxes in 2007:

	31.12.06	Recognized in the income statement	31.12.07
Deferred tax assets:			
Tax losses	198	-87	111
Provisions	216	-216	0
Total	**414**	**-303**	**111**
Deferred tax liabilities:			
Other items	-7	-83	-90
Accumulated depreciation difference	-51	10	-41
Total	**-58**	**-73**	**-131**
Deferred tax liabilities, net	**356**	**-376**	**-20**

The Group companies had a total of 4.38 million euros of tax losses on December 31, 2008 (5.79 million euros in 2007) for which no tax asset is recognized as the Group is not likely to accumulate taxable income against which the losses could be used before the losses in question expire.

The balance sheet on December 31, 2008 includes 0.15 million euros deferred tax assets in companies who made a loss in the current period or previous financial periods. Recognition of these deferred tax assets is based on profit estimates that show that it is probable that the losses in question can be utilized. The management estimates that most of the deferred tax assets recorded will be used during the following financial period, i.e. the nature of the asset is mostly short term.

18. Inventories

	2008	2007
Work in progress	30	66
Finished goods		7
Total	**30**	**73**

19. Receivables

Current receivables	**2008**	**2007**
Trade receivables	11,076	10,119
Other receivables	899	410
Prepaid expenses and accrued income	1,896	2,429
Total	**13,871**	**12,958**
Prepaid expenses and accrued income		
Product development and other grants	444	721
Receivables from long-term contracts	56	
Accrued sales income	721	872
Financial assets at fair value through profit or loss		308
Other prepaid expenses and accrued income	675	528
Total	**1,896**	**2,429**
Losses for doubtful accounts deducted from trade receivables	49	195

Non-current receivables

Trade receivables	267	481

The non-current trade receivables consisted of a customer receivable in the Building & Construction business area.

Neither the current nor the non-current receivables bear any interest.

20. Cash and cash equivalents

	2008	2007
Cash at bank and in hand	6,343	4,972

21. Notes concerning shareholders' equity

	Number of shares	Share capital	Share premium account	Reserve fund	Treasury shares
1.1.2007	**22,586,200**	**678**	**8,893**	**1,325**	**-221**
Translation differences				0	
31.12.2007	**22,586,200**	**678**	**8,893**	**1,325**	**-221**
Translation differences				0	
Purchase of treasury shares					-677
31.12.2008	**22,586,200**	**678**	**8,893**	**1,325**	**-898**

The number of shares is 22,586,200 (22,586,200 in 2007). The total book countervalue of the share is 0.03 euros per share, and the Group share capital is 678 thousand euros (678 thousand euros in 2007). All issued shares have been fully paid. The maximum share capital of the Group is 1.80 million euros (1.80 million euros in 2007).

Share premium account

Share premiums from the subscription price of shares exceeding the nominal value in share issues that took place before the new Companies Act came into force (September 1, 2006) are recognized in the share premium account. Share premium was entered in Tekla's share premium account for the first time in 1999. The share premium account increased significantly in connection with the listing in spring 2000.

The share premium account has been reduced in 2003 – 2005 in order to cover retained losses in the balance sheet.

In November 2005, the share premium account was reduced by 12.38 million euros due to return of capital to shareholders.

Reserve fund

The portion of equity transferred based on the decision of the General Meeting has been entered in the reserve fund.

Fair value reserve

The fair value reserve includes fair value adjustments of available-for-sale investments.

Translation differences

The translation differences include translation differences from the translation of foreign units' financial statements, and translation differences from the parent company's long-term receivables from the Group's foreign subsidiaries.

Treasury shares

Treasury shares include the acquisition cost of the 169,600 treasury shares held by the parent company. The cost of the shares was 898 thousand euros, which is presented as a deduction from equity.

In the financial period Tekla Corporation purchased 100,000 treasury shares authorized by the General Meeting of March 19, 2008. The purchases started on August 18, 2008 and ended on October 10, 2008.

22. Share-based payment

Tekla has no valid share option programs.

23. Pension benefit liabilities

In December 2004, the Ministry of Social Affairs and Health approved changes to the calculation principles of disability pension liabilities in the Finnish employment pension system (TEL), which took effect on January 1, 2006. According to the new practice, the disability pension part of TyEL is classified as a defined contribution plan in IFRS financial statements.

In the Tekla Group's foreign subsidiaries, pensions are arranged in accordance with local, defined contribution pension plans.

After the aforementioned calculation principle change took effect as of the beginning of 2006, the Group's pension plans are classified as defined contribution plans.

24. Financial liabilities

The Group's financial liabilities consist of product development loans granted by the Finnish Funding Agency for Technology and Innovation (Tekes) and finance lease liabilities. The book amounts of the liabilities correspond to their fair values.

	2008	2007
Non-current		
Finance lease liabilities	81	69
Total	**81**	**69**
Current		
Other liabilities		217
Finance lease liabilities	40	57
Total	**40**	**274**

The terms of the product development loans limit the use of the loan for reasons other than promoting research and development. Tekla Corporation has committed to pay an interest rate on the loans equal to the standing Bank of Finland interest rate less three percent, but at least one percent. The repayment obligation of the loans can be avoided as a result of a separate application only, if the funded project fails to result in profitable business or if the borrower is materially unsuccessful in achieving the technological goals presented in the project plan.

	2008	2007
The non-current liabilities mature as follows:		
2009		32
2010	46	37
2011	35	
Total	**81**	**69**
The currency mix of the non-current liabilities is as follows:		
SEK	81	69
Total	**81**	**69**
The currency mix of the current liabilities is as follows:		
EUR		217
SEK	40	57
Total	**40**	**274**
The weighted average of the effective rates of interest of the non-current liabilities were:		
Finance lease liabilities	7.36%	6.63 %
The weighted average of the effective rates of interest of the current liabilities were:		
Other liabilities		1.00 %
Finance lease liabilities	7.03%	5.58 %
The finance lease liabilities will mature as follows:		
Finance lease liabilities – total amount of minimum lease payments		
In one year	48	63
1 – 5 years	87	74
Total	**135**	**137**
Finance lease liabilities – present value of minimum lease payments		
In one year	40	57
1 – 5 years	81	69
Total	**121**	**126**
Future finance charges	14	11

25. Trade and other payables

	2008	2007
Advances received	427	413
Trade and other payables	1,090	957
Other liabilities	1,517	1,368
Accrued liabilities and deferred income		
Accrued salaries and social expenses	4,135	5,260
Accrued sales income	6,197	4,088
Accrued liabilities related to long-term contracts		83
Financial assets at fair value through profit or loss	139	
Other items	632	1,178
Total	**11,103**	**10,609**
Total	**14,137**	**13,347**

The item 'Other liabilities' consists of payroll withholding tax, value added tax and other non-interest-bearing current liabilities.

26. Other lease agreements

The Group as lessee

Minimum lease payments due to non-cancellable other lease agreements:

	2008	2007
Premises		
In one year	1,756	1,610
1 – 5 years	3,821	3,125
After five years		14
Total	**5,577**	**4,749**
Others		
In one year	419	408
1 – 5 years	289	403
Total	**708**	**811**

Tekla Corporation has extended its current office lease by 2 years until 31.12.2012 with current terms and conditions.

Most of the lease commitments under 'Others' derive from car leasing contracts.

The income statement for 2008 includes rental expenses paid based on other lease agreements in the amount of 2.3 million euros (2.4 million euros in 2007).

The Group subleased its prior office premises. The premise lease agreement was terminated on December 31, 2007. A one-time payment of 312 thousand euros was paid as a compensation lease and management expense consideration in 2007. The Group's 750-thousand-euro provision connected with these agreements was cancelled in 2007. The amount of minimum lease costs concerning these buildings was 435 thousand euros in 2007. Minimum lease income from the sublease agreements was 359 thousand euros in 2007.

The Group as lessor

The sublease agreements were transferred to Kiinteistö Oy Espoon Koronakatu 1 in connection with the termination of the lease of the previous premises on December 31, 2007.

27. Contingent liabilities

Collateral given for own commitments	**2008**	**2007**
Business mortgages		
(as collateral for bank guarantee limit)	505	505
Pledged funds	58	65
Total	**563**	**570**

A repayment liability is connected with the product development grants from Tekes, according to which the grants have to be returned only if they have been received in error, in excess or on apparently erroneous grounds, or if they have been used for a purpose significantly different from the one intended for.

Derivative contracts		
Forward foreign exchange contracts		
Fair value	-139	308
Nominal values of underlying securities	2,384	3,634

The forward agreements mainly mature within the next 12 months.

28. Related party transactions

The Group's subsidiary and parent company relationships

Company	Domicile	Ownership (%)	Share of votes (%)
Parent company of the Tekla Group			
Tekla Corporation	Finland	-	-
Subsidiaries of the Tekla Group			
Tekla GmbH	Germany	100	100
Tekla Inc.	U.S.A.	100	100
Tekla India Private Limited	India	100	100
Tekla K.K.	Japan	100	100
Tekla (M) Sdn Bhd	Malaysia	100	100
Tekla Oak Tree AB	Sweden	100	100
Tekla Sarl	France	100	100
Tekla Software AB	Sweden	100	100
Tekla (UK) Limited	United Kingdom	100	100
Tekla Software (Shanghai) Ltd. Co.	China	100	100

The Norwegian subsidiary was closed down in June 2008.

Tekla Corporation's largest shareholder is Gerako Oy.
On December 31, 2008, Gerako Oy held 38.06% of Tekla Corporation, and it is domiciled in Finland.

Transactions with related parties

Purchases and sales of goods and services	2008	2007
Gerako Oy		
purchases of services	209	61
reimbursed expenses	2	13
Outstanding balances for purchases and sales of services		
Gerako Oy		
trade payable	23	8

The terms and conditions of the related party transactions have been arm's length.

Management remuneration *

	2008	2007
Salaries and other short-term employee benefits	1,402	1,273
Termination benefits	192	182
Post-employment benefits	389	352

* Management herein refers to members of the Tekla Corporation Management Team and Directors of the business areas.

29. Financial risk management

Tekla Group faces normal financial risks associated with international operations. In relation to this, the objective of risk management is to supervise and, if necessary, limit risks. The Group's financial risks are centrally managed and administered by the Group Treasury which reports to the Board of Directors on a regular basis in accordance with the Company's policies and guidelines.

Currency risk

Currency risks due to the Group's international business are managed by hedging net payment flow in US dollars. Even though the hedge ratios meet the effective hedging requirements of the Group's risk management policy, they do not fully meet the hedging requirements of IAS 39. The Group uses forward foreign exchange contracts to hedge against the exchange rate risks of prospective sales agreements. Gains and losses of forward foreign exchange contracts are recognized in the income statement at the end of each reporting period. In general, the maximum tenor of the forward contracts is 12 months.

Foreign exchange risk arising from investments in foreign operations is not hedged, and it is included in the Group's net foreign currency position in accordance with the Group risk management policy.

Sensitivity to market risks arising from financial instruments as required by IFRS 7

The following sensitivity analysis, required by IFRS 7, is intended to illustrate the sensitivity of the Group's profit for the year and equity to changes in the EUR/USD exchange rate resulting from financial instruments: financial assets and liabilities included in the balance sheet on December 31, 2008. Financial instruments affected by the above market risks include working capital items, such as trade and other receivables and trade and other payables, deposits, cash and cash equivalents, and derivative financial instruments. The following assumptions were made when calculating the sensitivity to changes in the EUR/USD foreign exchange rates:

- the variation in EUR/USD rate is assumed to be +/- 10%
- the position includes USD-denominated financial assets and liabilities, i.e. deposits, trade and other receivables, trade and other payables, cash and cash equivalents, as well as derivative financial instruments
- the position excludes USD-denominated future cash flows.

The sensitivity analysis does not take into account future cash flows, which the Group hedges in significant volumes, it only reflects the change in fair value of hedging instruments.

	31.12.2008	**31.12.2007**
Net position	114	-746
Effect on net profit	+8/-8	-55/+55
Effect on shareholders' equity	0	0

Liquidity risk

Liquidity risk refers to the impact on the Company's profit and cash flow arising if it cannot ensure sufficient financing for its operations. The Group's main source of financing is cash flow from operating activities.

Investing the liquid assets of the Group takes place according to principles dictated by the Board in certificates of deposit, bonds and similar securities where the risks are almost nonexistent. Liquid assets are invested in bonds, commercial papers and other instruments issued by large-cap and mid-cap companies listed in the NASDAQ OMX Helsinki Ltd. Other potential investment objects include bonds issued by banks, the state, municipalities and the European Central

Bank. The Group's investments in bonds are staggered so that only bonds issued by the State of Finland and the European Central Bank have no upper limits in euros.

The maximum allowed remaining term to maturity of an individual financial instrument is 18 months. The average term to maturity of bonds may be a maximum of 12 months measured by duration.

Due to the Group's rather large amount of liquid assets, the liquidity risk is very low.

Maturities of financial liabilities on Dec 31, 2008:

	2009	2010–2011	2012–	Total
Fx forward contracts, outflow	-2,523			-2,523
Fx forward contracts, inflow	2,384			2,384
Derivatives, net	**-139**	**0**	**0**	**-139**
Accounts payable and other liabilities	-14,227			-14,227
Finance leases, repayments	-40	-81		-121
Finance leases, financial expenses	-7	-6		-13
Total	**-14,413**	**-87**	**0**	**-14,500**

Repayments for 2009 are disclosed under current liabilities in the balance sheet. The financial expenses mainly comprise of interest expenses.

Maturities of financial liabilities on Dec 31, 2007:

	2008	2009–2010	2011–	Total
Fx forward contracts, outflow	-3,326			-3,326
Fx forward contracts, inflow	3,634			3,634
Derivatives, net	**308**	**0**	**0**	**308**
Accounts payable and other liabilities	-14,350			-14,350
Other liabilities, repayments (product development loans)	-217			-217
Other liabilities, financial expenses (product development loans)	-3			-3
Finance leases, repayments	-57	-69		-126
Finance leases, financial expenses	-6	-5		-11
Total	**-14,325**	**-74**	**0**	**-14,399**

Repayments for 2008 are disclosed under current liabilities in the balance sheet. The financial expenses mainly comprise of interest expenses.

Credit risk

Credit risks related to trade and other receivables are minimized with short terms of payment, efficient methods of collecting and by considering the contracting party's credit rating. The credit quality of the customer is assessed by taking into account its financial position, past experience and other factors. The Company does not have significant concentrations of credit risk associated with receivables, as the Company's customer base is large and geographically dispersed across the globe. The largest individual customer account receivable accounts for approximately 3% of trade receivables.

Analysis of trade receivables by age	**2008**	**2007**
Undue trade receivables	8,206	7,478
Trade receivables 1 – 60 days overdue	2,181	1,940
Trade receivables 61 – 180 days overdue	749	902
Trade receivables more than 180 days overdue	207	280
Total	**11,343**	**10,600**

The credit risk related to investments and derivative contract parties is low, as the contracting party's credit rating has to be high according to the Group's risk management policy.

Interest rate risk

The Group does not have significant liabilities. The interest rate risk of available-for-sale investments is low, since their time to maturity is generally rather short. The Group can raise both fixed and variable rate loans.

Due to the balance sheet structure of the Group, the management of interest rate risk in focused on investments. The Group's profit and cash flow from operating activities are essentially independent of market interest rate fluctuations.

Capital structure management

The goal of capital structure management is to secure the continuity of operations, support the Company's growth targets and ensure increase in shareholder value. The structure can be managed through decisions on, e.g., distribution of dividends, acquisition of the Company's own shares and share issues.

The Company monitors the development of its capital structure through equity ratio and net gearing. The purpose is to maintain a solid equity ratio and moderate net gearing. At the end of 2008, the Company's equity ratio was 68.4% (67.5% in 2007). Net gearing in 2008 amounted to -86.3% (-94.8% in 2007).

Fair value estimation

The fair value of financial instruments traded in active markets, such as available-for-sale financial assets, is based on quoted market prices at the balance sheet date.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

30. Events after the balance sheet date

The company's management is not aware of any significant events after the balance sheet date that would have affected the financial statements data.

PARENT COMPANY'S INCOME STATEMENT, FAS 1.1.2008 – 31.12.2008

1,000 euros	**2008**	**2007**
Net sales	45,683	45,526
Change in inventories of finished goods and in work in progress (+/-)	-14	-16
Other operating income	1,716	4,337
Materials and services	-3,577	-2,585
Personnel expenses	-18,369	-17,511
Depreciation and value adjustments	-1,129	-1,148
Other operating expenses	-10,280	-9,912
Operating profit (loss)	14,030	18,691
Financial income and expenses	1,692	627
Profit (loss) before extraordinary items	15,722	19,318
Profit (loss) before appropriations and taxes	15,722	19,318
Appropriations	13	40
Income taxes	-3,982	-4,828
Net profit (loss) for the period	**11,753**	**14,530**

TEKLA

PARENT COMPANY BALANCE SHEET, FAS 31.12.2008

1,000 euros	2008	2007
ASSETS		
Fixed assets and other long-term investments		
Intangible assets	2,304	1,787
Tangible assets	1,091	1,229
Long-term investments	3,214	3,042
Total fixed assets and long-term investments	**6,609**	**6,058**
Current assets		
Inventories	30	44
Short-term receivables	14,716	12,286
Marketable securities	19,696	24,871
Cash and cash equivalents	1,390	803
Total current assets	**35,832**	**38,004**
TOTAL ASSETS	**42,441**	**44,062**
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity		
Share capital	678	678
Share premium account	8,893	8,893
Legal reserve	1,323	1,323
Treasury shares	-898	-221
Profit from the previous periods	11,948	8,676
Net profit (loss) for the period	11,753	14,530
Shareholders' equity total	**33,697**	**33,879**
Accumulated appropriations	**144**	**157**
Liabilities		
Short-term liabilities	8,600	10,026
Liabilities total	**8,600**	**10,026**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**42,441**	**44,062**

PARENT COMPANY CASH FLOW STATEMENT, FAS 1.1. – 31.12.2008

1,000 euros	2008	2007
Cash flow from operating activities:		
Profit (loss) before extraordinary items:	15,722	19,318
Adjustments:		
Depreciation according to plan	1,129	1,148
Other operating income and expenses (not received/paid)	73	-56
Financial income and expenses	-1,692	-627
Other adjustments		-3,309
Cash flow before change in working capital	15,232	16,474
Change in working capital:		
Increase (-) / decrease (+) in non-interest-bearing short-term receivables	-2,546	1,459
Increase (-) / decrease (+) in inventories	14	16
Increase (+) / decrease (-) in non-interest-bearing short-term liabilities	397	-284
Cash flow from operations before financial items and taxes	13,097	17,665
Interest paid and payments of other financial expenses	-54	-7
Dividend received	514	259
Interest received	1,251	779
Other financial income and expenses	85	-590
Income taxes paid	-5,768	-3,946
Cash flow before extraordinary items	9,125	14,160
Net cash provided by operating activities (A)	**9,125**	**14,160**
Cash flow from investing activities:		
Investments in tangible and intangible assets	-1,574	-1,379
Proceeds from sale of tangible and intangible assets	67	242
Increase (-) / decrease (+) in loans receivable	-77	24
Cash flow from sale of discontinued operations	250	2,346
Investments in subsidiaries	-226	
Net cash (used in) provided by investing activities (B)	**-1,560**	**1,233**
Cash flow from financing activities:		
Investment in own shares	-678	
Repayments of long-term debt	-217	-389
Dividends paid and other distribution of profit	-11,258	-9,007
Net cash (used in) provided by financing activities (C)	**-12,153**	**-9,396**
Increase (+) / decrease (-) in cash and cash equivalents (A+B+C)	**-4,588**	**5,997**
Cash and cash equivalents at beginning of year	25,674	19,677
Cash and cash equivalents at end of year	**21,086**	**25,674**

CALCULATION OF FINANCIAL INDICATORS

$$\text{Equity ratio, \%} = \frac{\text{Shareholders' equity}}{\text{Balance sheet total - Advances received}} \times 100$$

$$\text{Net gearing, \%} = \frac{\text{Interest-bearing liabilities - Cash and cash equivalents}}{\text{Shareholders' equity}} \times 100$$

$$\text{Return of investment, \%} = \frac{\text{Profit (loss) for the period + Financial expenses}}{\text{Balance sheet total - Non-interest-bearing liabilities (average for the year)}} \times 100$$

$$\text{Return on equity, \%} = \frac{\text{Profit (loss) for the period - Taxes}}{\text{Shareholders' equity (average for the year)}} \times 100$$

$$\text{Earnings per share} = \frac{\text{Profits attributable to equity holders of the parent company}}{\text{Average number of shares}}$$

$$\text{Equity / share} = \frac{\text{Shareholders' equity}}{\text{Number of shares at the end of the period}}$$

$$\text{Dividend to earnings ratio, \%} = \frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$$

$$\text{Effective dividend yield, \%} = \frac{\text{Dividend per share}}{\text{Share price at the end of the year}} \times 100$$

$$\text{Price / earnings ratio} = \frac{\text{Share price at the end of the year}}{\text{Earnings per share}}$$

Market capitalization = Number of shares at the end of the period X share price at the close of the period

In the calculation of financial indicators, the number of treasury shares has been deducted from the total number of shares and the purchase cost from shareholders' equity.

BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF PROFITS

Tekla Corporation's Board proposes to the Annual General Meeting, to be held on March 18, 2009, that a dividend of 0.25 euros per share be distributed for the financial period 2008, in total 5,604,150 euros. No dividend shall be paid on the 169,600 shares held by the Company.

Espoo, February 5, 2009

Heikki Marttinen, Chairman of the Board

Ari Kohonen, President and CEO

Olli-Pekka Laine

Erkki Pehu-Lehtonen

Reijo Sulonen

Juha Kajanen

AUDITOR'S REPORT

To the Annual General Meeting of Tekla Oyj

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Tekla Oyj for the year ended on 31st December 2008. The financial statements comprise the consolidated balance sheet, income statement, cash flow statement, statement of changes in equity 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 President

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

Auditor's Responsibility

Our responsibility is to perform an audit in accordance with good auditing practice in Finland, and to express an opinion on the parent company's financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. Good auditing practice requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements 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 President have complied with the Limited Liability Companies Act.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

The audit was performed in accordance with good auditing practice in Finland. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Consolidated Financial Statements

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

Opinion on the Company's Financial Statements and the Report of the Board of Directors

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

Helsinki, 27 February 2009

PricewaterhouseCoopers Oy

Authorized Public Accountants

Markku Marjomaa

APA

BOARD OF DIRECTORS 2008

Heikki Marttinen, M.Sc. (Econ. and Business Administration)
Chairman of the Board since 2001
Board member since 2000
b. 1946
Strategic Management Consultant
Ownership 31.12.2008: –

Olli-Pekka Laine, M.Sc. (Engineering)
Deputy Chairman of the Board and Board member since 2003
b. 1948
Managing Director of Tapiola Pension until 31.8.2008
Ownership 31.12.2008: 10,000 shares

Ari Kohonen M.Sc. (Engineering), B Sc. (Econ.)
Board member since 2003
b. 1955
Tekla Corporation's President and CEO since 2004
Ownership 31.12.2008: 8,596,020 shares through Gerako Oy

Erkki Pehu-Lehtonen, M.Sc. (Mech. Engineering)
Board member since 2006
b. 1950
President and CEO, Pöyry Plc until 31.5.2008, and as of June 2008 Senior Adviser to the Board of Pöyry Plc
Ownership 31.12.2008: related persons 3,000 shares

Reijo Sulonen, Doctor of Technology
Board member since 2008
b. 1945
Professor of Information Processing Science at Helsinki University of Technology
Ownership 31.12.2008: –

Timo Keinänen, M.Sc. (Econ.)
Deputy member of the Board since 2004
b. 1960
Tekla's CFO as of August 2003
Ownership 31.12.2008: 5,000 shares

Juha Kajanen, Licentiate in Technology
Representative of the personnel as of 16.2.2006
b. 1965
Development Manager
Ownership 31.12.2008: 1,250 shares

Pirjo Lundén, M.Sc. (Engineering)
Deputy to the representative of the personnel for the period 2008 – 2009
b. 1969
Training Manager
Ownership 31.12.2008: 450 shares

Independent Board members are Mr Marttinen, Mr Laine, Mr Pehu-Lehtonen and Mr Sulonen.
Other information related to Board members can be found on Tekla's IR site at www.tekla.com > Investors > Corporate Governance > Board of directors

TEKLA MANAGEMENT TEAM 2009

Ari Kohonen, M.Sc. (Engineering) and B.Sc. (Econ.)
Tekla's President and CEO as of 1.1.2004, Board member since 2003
b. 1955
Ownership 31.12.2008: 8,596,020 shares through Gerako Oy

Anneli Bergström M.Sc. (Computer Science)
Vice President, Human Resources since 2003, in the Management Team since 2006
b. 1952
Ownership 31.12.2008: 40,000 shares

Leif Granholm, M.Sc. (Engineering)
Senior Vice President, Country Director, Building & Construction Nordic Area since 2007, in the Management Team since 2003
b. 1955
Ownership 31.12.2008: 9,600 shares

Timo Keinänen, M.Sc. (Econ.)
Deputy member of the Board since 2004, Tekla's CFO and in the Management Team since 2003
b. 1960
Ownership 31.12.2008: 5,000 shares

Kai Lehtinen, M.Sc. (Engineering)
Senior Vice President, Infra & Energy business area and in the Management Team since 2007
b. 1966
Ownership 31.12.2008: 800 (+ related persons 1,200) shares

Harald Lundberg, M.Sc. (Engineering)
Vice President, CIO since 2004, in the Management Team since 2006
b. 1963
Ownership 31.12.2008: -

Heikki Multamäki, M.Sc. (Engineering)
Executive Vice President since 1966, Business Development, in the Management Team since 1985
b. 1949
Ownership 31.12.2008: 34,000 shares

Petri Raitio
Senior Vice President, Technology and Architecture since 2008, in the Management Team since 2003
b. 1966
Ownership 31.12.2008: –

Risto Räty, M.Sc. (Engineering)
CEO's Deputy and Executive Vice President, Building & Construction business area since 2001, in the Management Team since 1994
b. 1961
Ownership 31.12.2008: 15,000 shares

Further information related to the Management Team members can be found at:
www.tekla.com > Investors > Corporate Governance > Management team

CORPORATE GOVERNANCE

Corporate Governance in Tekla Corporation complies with the provisions of the Finnish Companies Act, Tekla's Articles of Association and, as of January 1, 2009, the Finnish Corporate Governance Code 2008 issued by the Securities Market Association taking into account the implementing provisions given in the code.

> See also www.tekla.com > Investors > Corporate Governance

GENERAL MEETING

The General Meeting is the highest decision-making body of the company. For instance, it adopts the company's income statement and balance sheet and decides on the distribution of profits, appointment of Board members and auditors as well as their fees. The Board shall summon an Annual General Meeting within six months of the end of the financial period.

Tekla Corporation´s Annual General Meeting 2008 was held on March 19, 2008. The authorizations given to the Board are described in this Annual Report on page 14.

BOARD OF DIRECTORS

Tekla's governance and proper organization of operation is the responsibility of the Board of Directors, consisting of a minimum of three and maximum of five actual members and one deputy member. The members of the Board are elected by the General Meeting.

According to the Articles of Association, a representative of the personnel plus a personal deputy may also be nominated to the Board.

Tekla reports the number of board meetings held and the average attendance of members at the board meetings as well as the fees and other benefits of the board members by financial period.

In 2008 the Board of Tekla Corporation held 12 meetings and the average attendance was 94 percent.

According to the Annual General Meeting 2008 the fees for the members of Tekla Board as follows: chairman 3,000 euros per month, vice chairman 2,500 euros per month and members 2,000 euros (member) per month. In addition, their travel expenses were reimbursed according to Tekla's travel policy. The members of the Board, who are employed by the Tekla Group, were not paid any fees for their board work. The members of the Board had no other benefits, nor were they paid any fees in the form of Tekla shares or share-related rights.

Introduction of Tekla's Board on page 61.

BOARD COMMITTEES

Being rather small, the Board works effectively in close co-operation and meets regularly, whereby it has not been considered necessary to establish any separate committees. The Board takes care of the duties of the audit committee.

PRESIDENT AND CEO

The President and CEO manages the company's operative activity according to the instructions and orders given by the Board. He manages and controls the operation of Tekla and its business areas, prepares the issues to be discussed by the Board and is responsible for their execution.

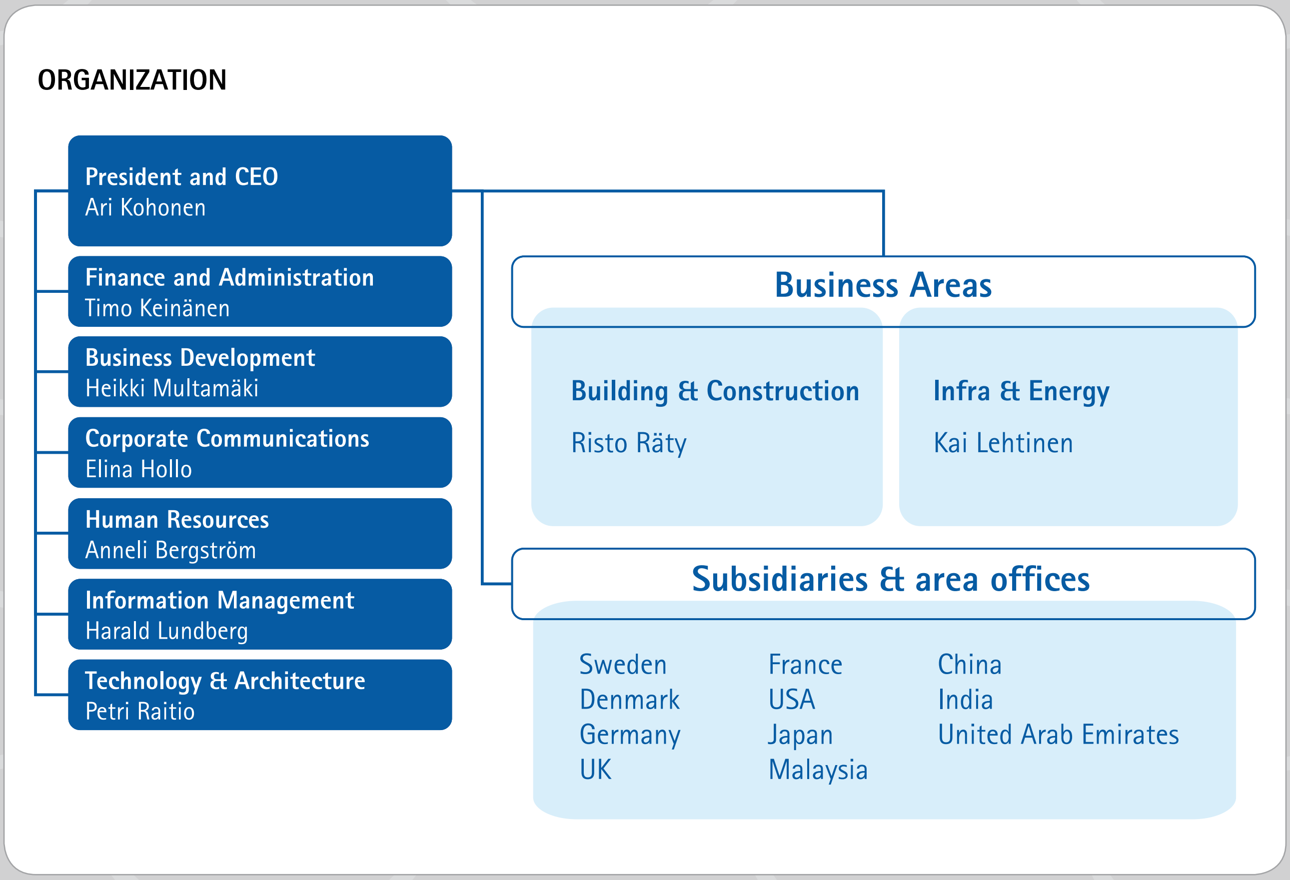
M.Sc. (Eng.), Bachelor of Econ. Ari Kohonen has been Tekla Corporation's President and CEO as of January 1, 2004. According to his employment contract, Ari Kohonen will retire at the age of 60, unless otherwise agreed. Should Tekla terminate Kohonen's employment, he is entitled to an extra pay corresponding to 12 month's salary.

CEO's fees and other benefits are reported by financial period. In 2008 Ari Kohonen was paid a total of 303,177.32 euros in remuneration (mobile phone benefit included). The CEO had no other benefits, nor was he paid any fees in the form of Tekla shares or share-related rights.

MANAGEMENT TEAM

The Management Team assists the President and CEO in e.g. preparing the company's strategy, operating principles and other issues shared by the business areas and the Group. The Tekla Management Team consists of the President and CEO and the Directors of the business areas and key support functions. The Management Team met regularly at least once a month during 2008. The Management Team was not paid any fees in the form of Tekla shares or share-related rights.

Introduction of the Tekla Management Team on page 62.



COMPENSATION

The company has a compensation and incentive system applied not only to the President and CEO and other members of the Management Team, but to all employees of the company.

The Board of Directors decides on the principles of compensation on an annual basis. They are based on reaching the operative and financial goals, and on the share price development.

INTERNAL CONTROL, AUDIT AND RISK MANAGEMENT

In accordance with the Companies Act, the supreme responsibility for the organization of the control over accounting and financial administration lies with the company's Board. Ultimate responsibility for the organization of accounting and financial administration lies with the President.

It is the purpose of the statutory audit to verify that the financial statements give true and fair information on the company's result and financial position in the financial period. The company's auditor gives a statutory auditor's report to the shareholders in connection with the company's financial statements. Reports on audits carried out during the financial period are given to the Board.

The auditor is elected by the General Meeting. The term of the auditor is the financial period under way at the time of selection, and it ends when the next Annual General Meeting after the selection ends.

The AGM of 2008 re-elected PricewaterhouseCoopers Oy as Tekla's auditors, with Markku Marjomaa, A.P.A, as the responsible auditor.

Tekla reports the fees as well as possible fees for non-audit services paid to the external auditors by financial period. In 2008 the auditors of the parent company and subsidiaries were paid a total of 129,875 euros. The sum includes 70,812 euros for audit and 59,063 euros for IFRS, taxation and other consulting.

In defining the extent and contents of the external audit, the fact that the company has no internal control organization is taken into account.

The purpose of Tekla's risk management is to detect, analyze and aim to control possible threats and risks connected with operations. Group-level policies and guidelines define the principles and key content of risk management with regard to certain risks. Risks are monitored, coordinated and managed on the group level, but each unit is responsible for managing risks of its own activity. Insurance policies covering the Group as a whole are also a part of damage risk management.

INSIDERS

Tekla complies with the Guidelines for Insiders issued by the Helsinki Exchange, supplemented by the company's own guidelines. Insiders are not allowed to deal with the company's shares for one month before the publication of interim reports and financial statements (so called closed window).

As of January 1, 2006 Tekla's public insiders include members and deputy member of the Board, President and CEO, Executive Vice Presidents, members of the Tekla Management Team and the auditors. Tekla's public insiders can be found at www.tekla.com > Investors > Corporate Governance > Insiders

The permanent and project-specific insiders belong to Tekla's company specific insiders. Tekla's all insider insiders are kept in the company headquarters in Espoo, Finland. Tekla's communications manager is responsible for the insider management. The assistant to Tekla's President and CEO is responsible for the insider registers.

OTHER INFORMATION

ANNUAL SUMMARY

All stock exchange releases and announcements, as well as flagging notifications Tekla Corporation has published in 2008, are available on the company's Internet site at www.tekla.com > Investors > Financial information > Stock exchange releases > 2008

INTERIM REPORTS IN 2009

– Financial Statements 2008 bulletin on Friday, February 6, 2009
– Interim Report 1-3/2009 on Wednesday, May 6
– Interim Report 1-6/2009 on Friday, August 7 and
– Interim Report 1-9/2009 on Friday, October 30.

ANNUAL GENERAL MEETING 2009

Tekla Corporation´s Annual General Meeting 2009 will be held on Wednesday, March 18, 2009 at Tekla headquarters in Espoo. The invitation to the meeting has been published as a stock exchange release on February 25, 2009.

The decisions of the AGM will be found after the meeting at www.tekla.com > Investors > Corporate Governance > Shareholder meetings