TECNOTREE

Powering the digital marketplace

Tecnotree Oyj
ANNUAL REPORT 2013

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TECNOTREE 2013

CEO's Review

"Market dynamics call for more efficiency and agility"

The competitive advantage of our service provider customers is no longer defined by the network technologies they deploy or devices they sell. Increasingly, their success depends on the ability to offer personalised service bundles and on continuous execution of highly efficient and well-integrated business processes. These capabilities are at the very heart of what we call the digital marketplace.

Towards the end of 2013 as we continued to execute on our strategy, we were delighted to get positioned for the third consecutive year in Gartner's Magic Quadrant for Integrated Revenue and Customer Management for CSPs. In my opinion, this is a manifestation of our vision shared also by our customers. For example, we are increasingly being asked to innovate on integrated solutions utilising analytics and actionable insight to improve customer interaction and experience.

Products and solutions in transition
In 2013, our deliveries for offering management and monetisation continued with Tecnotree AgilityTM Unified Product Catalogue, Commerce Engine, and billing solutions. In addition, well in line with the industry trend to improve customer experience, we also started several deliveries in the area of customer lifecycle management.

The requirements for charging are evolving as service offerings grow and more flexible ways to pay are demanded by consumers. Our introduction of new charging capabilities continued in project mode to our existing customer serving over 40 million prepaid subscribers worldwide. By the end of 2014, we expect to have made a transition from project mode to product mode in all our key R&D areas.

Yet another sign of transition from pure project to product based business was the reduction of our order backlog. This was due to shorter delivery cycles and lowered average contract size, which in turn will help us manage the project risks better and ensure quicker payments to us.

Expanding the customer base
In 2013 we expanded our client base to include a satellite-TV operator providing pay TV services. For them, we started the delivery of our recently launched convergent customer and billing solution. This case, I strongly believe, is an indication of an emerging customer segment for Tecnotree: agile service providers looking for quick ways to be in business.

Our relationships and projects with existing key customers are progressing as planned. Open and trustful dialogue continues while projects focus on quality and timeliness of deliveries.

Operational improvements
After two years of rapid growth, personnel numbers leveled off in 2013 and we made good progress in streamlining our internal processes. As a result, we have become very responsive and in addition many of our projects are now run according to agile software development principles. This has also given us more competitive advantage to meet the high quality and robustness standards our customers require.

Moving forward, we are challenged to find a balance between being flexible and delivering strictly to agreed specifications, while keeping working capital and cash flow in control. Over 2013 we made improvements in both of these, but not at a speed I could be fully satisfied with. We will continue to raise the awareness and importance of working capital and cash flow amongst all our employees.

Looking ahead

The outlook for the year 2014 looks promising. The markets our customers operate in are growing, and we are well positioned to capture part of the IRCM market growth Gartner predicts.

I would like to thank our customer, employees, partners, and investors for their relentless support and dedication towards our business in 2013. We are determined to live up to Tecnotree values to retain your trust also in 2014.

Ilkka Raiskinen
Chief Executive Officer

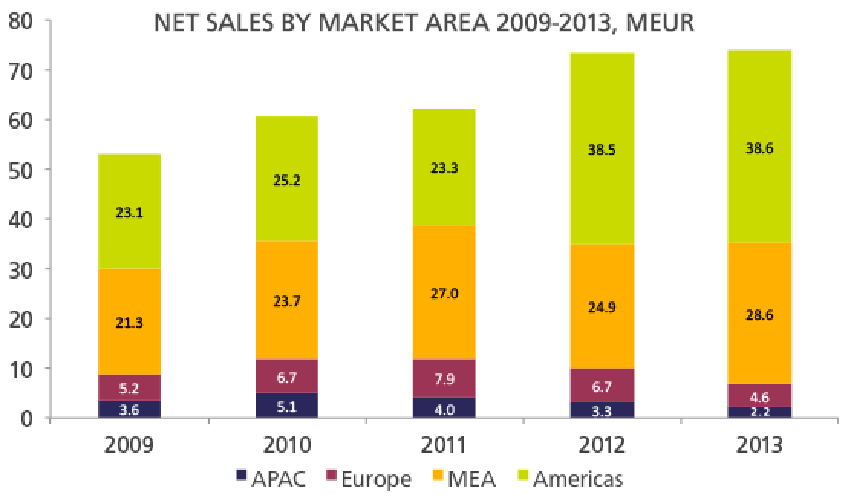
Key Figures

YEAR 2013

- Net sales for the review period increased 0.7 per cent from the corresponding period in the previous year to EUR 73.9 (73.4) million.
- The adjusted operating result improved EUR 8.2 million from the previous year to EUR 3.3 (-4.9) million. The operating result was EUR 1.6 (-12.4) million and the result for the period EUR -2.5 (-17.0) million.
- Cash flow after investments for the review period was EUR -7.3 (-0.8) million and the company's cash and cash equivalents were EUR 6.6 (31 December 2012: 11.3) million.
- Earnings per share were EUR -0.02 (-0.16).
- On 30 August 2013 Tecnotree reached agreement with its bank on renewing its loan financing and on additional financing of EUR 5 million. The agreement is in force until 2018.

	2013	2012	2011	2010	2009
Net sales, MEUR	**73.9**	73.4	62.3	60.7	53.3
Net sales, change %	**0.7**	17.9	2.6	14	-31
Adjusted operating result, MEUR [1]	**3.3**	-4.9	-1.7	-2.5	-8.8
Operating result, MEUR	**1.6**	-12.4	-11.1	-8.1	-15
as % of net sales	**2.2**	-16.9	-17.8	-13.3	-28.1
Profit before taxes, MEUR	**4.1**	-13.7	-9.9	-9.4	-15.4
as % of ner sales	**5.6**	-18.7	-15.9	-15.5	-29
Result for the period, MEUR	**-2.5**	-17	-15.6	-11	-16.2
Earnings per share, basic, EUR [2]	**-0.02**	-0.16	-0.18	-0.13	-0.21
Order book, MEUR	**45**	54.2	40.4	14.3	11.7
Cash flow after investments, MEUR	**-7.3**	-0.8	-18.1	-10.6	-4.8
Change in cash and cash equivalents, MEUR	**-3.8**	4.8	-9.8	-9.8	-26
Cash and cash equivalents, MEUR	**6.6**	11.3	6.7	16.7	25.7
Equity ratio % [3]	**30.3**	40.2	50.7	66.4	65.6
Net gearing % [3]	**113.4**	50	43.1	3.3	-10.8
Personnel at the end of the period	**1,059**	1,116	926	858	779

[1] Adjusted operating result = operating result before R & D capitalisation, amortisation of this and one-time costs.
[2] This key figure has been adjusted for the comparative periods presented to reflect the share issue.
[3] This key figure has been corrected for the comparative period 2012, see note 10 in the consolidated financial statements.



Year in Brief

February

- Tecnotree and MTN broaden partnership to boost operations across the operator group.
- Zain partnering with Tecnotree to launch consumer appealing Visual Voicemail service.

March

- Telenor Norway to secure voice revenue opportunity with Tecnotree solution.

April

- Tecnotree and Lap GreenN renew strategic partnership and agree on receivables.

May

- Tecnotree appointed to replace competitor's legacy solution in Brazil.
- Tecnotree receives a USD 2.1 million prepaid modernization order from Latin America.
- Tecnotree appoints Ilkka Raiskinen as President and CEO.
- Changes in the roles of the Board members.

June

- Tecnotree's Coworking Campus attracting startups.

July

- Tecnotree receives a USD 5 million prepaid expansion order from Latin America.

August

- Tecnotree has agreed on the terms of the renewal of its debt.
- Tecnotree receives a EUR 2.2 million order from Nigeria.
- Tecnotree has signed an agreement for long-term financing of EUR 33.8 million.

October

- Tecnotree updates Disclosure Policy.

November

- Tecnotree positioned for the third year in a row in Gartner's Magic Quadrant for Integrated Revenue and Customer Management for CSPs.
- Tecnotree launces Commerce Engine for scaling up partnered real-time offerings.

December

- Tecnotree receives several orders worth EUR 7.7 million from Middle East.

Business growth continues

Americas

- Maintained strong sales totaling EUR 38.6 million.
- Strong partnership with América Móvil Group, the number one group operator in the LATAM region.
- Data traffic continues to grow in the region driving capacity expansions. During the year Tecnotree implemented a number of capacity expansions to secure the capacity for growth.
- Completed first implementations of the Tecnotree AgilityTM Commerce Engine solution in the region strengthening Tecnotree's position in the digital content delivery area.
- Completed a successful replacement of a competitor's Value Added Services platform with Tecnotree AgilityTM Call Completion solution.
- Business outlook for 2014 remains solid based on existing footprint and identified opportunities with order back log of EUR 20.7 million in the region.

"Net sales
EUR 38.6 million"

Extending reach for new clients

Asia Pacific

- Sales decreased to EUR 2.2 million.
- Successful execution of the new strategy focusing on digital marketplaces and sales of Business Support Systems by winning a new billing project for a leading digital services service provider in Thailand.
- Maintained customer base through extended support contracts for licenses and related services.
- Expanded licenses and service offerings for two operators in Oceania and Southeast Asia.
- Business outlook for 2014 is positive based on the strong order back log, EUR 2.3 million, and the new account.

"
Net sales
EUR 2.2 million
"

Defending positions on mature markets

Europe

- Sales decreased to EUR 4.6 million due to overall business maturity in call completion and messaging product and related services.
- The installed base of Value Added Service (VAS) platforms in Europe requires both renewal and a shift to new deployment models at lower cost creating opportunities for replacements.
- A major Call Completion replacement project in the Nordic area was won and delivered in 2013.
- The roll-out of 4G networks, monetisation of mobile data and introduction of digital content marketplaces require upgrades in Business Support Systems which provides opportunities for Tecnotree.
- Business outlook for 2014 is cautiously positive.

"

Net sales
EUR 4.6 million

"

Strenghthening our growth in emerging markets

Middle East and Africa

- Sales grew by 15% to EUR 28.6 million reconfirming Africa's expansion in the Telecoms Market.
- Acquired two new accounts in Africa and re-established relations with Lap Green Networks Group.
- Continued growth in Revenue and Subscriber Management Solutions with Africa's leading operator group MTN Group.
- Business outlook for 2014 is positive as the region remains a growth market for telecommunication services and backed up by a healthy order back log of EUR 20.3 million.

"Net sales
EUR 28.6 million"

CORPORATE GOVERNANCE

Board of Directors


Harri Koponen


Pentti Heikkinen


Ilkka Raiskinen


Johan Hammarén


Christer Sumelius


Tuija Soanjärvi

Harri Koponen, b. 1962, eMBA, Phd. Econ. h.c.
Chairman of the Board, 2011–
Member of the Board, 2008-
Main duty: CEO, NPTV, 2013-
Tecnotree shares 31 Dec 2013: 586,955
Independent of Tecnotree and its significant shareholders.

Pentti Heikkinen, b. 1960, MSc. (Econ.)
Stanford Graduate School of Business (Stanford Executive Program 2001)
Vice Chairman of the Board, 28 May 2013-
Member of the Board, 2009–
Main duty: Founder and CEO, Gateway Technolabs Finland Oy, 2008-
Tecnotree shares 31 Dec 2013: 285,840
Independent of Tecnotree and its significant shareholders.

Johan Hammarén, b. 1969, LL.M, MSc (Econ.)
Member of the Board, 2007–
Main duty: Founding Partner, JAM Advisors, 2013-
Tecnotree shares 31 Dec 2013: 1,010,262
Independent of Tecnotree and its significant shareholders.

Ilkka Raiskinen, b. 1962, MSc (Tech)
Member of the Board, 2010–
Vice Chairman of the Board, 2011-28 May 2013
Main duty: CEO, Tecnotree Corp., 28 May 2013-
Tecnotree shares 31 Dec 2013: 350,910
Independent of Tecnotree and its significant shareholders.

Christer Sumelius, b. 1946, MSc. (Econ.)
Member of the Board, 2001–
Main duty: President and CEO, Investsum Oy, 1984-
Tecnotree shares 31 Dec 2013: direct holding 2,026,028 and through Investsum Oy 1,578,500
Independent of Tecnotree and its significant shareholders.

Tuija Soanjärvi, b. 1955, MSc. (Econ.)
Member of the Board, 2012-
Tecnotree shares 31 Dec 2013: 51,561
Independent of Tecnotree and its significant shareholders.

The following person was a member of the Board of Directors 2008 - 25 March 2013:
Hannu Turunen, b. 1957, MSc (Tech), MBA

Management Board

Ilkka Raiskinen, b. 1962, MSc. (Eng.)
Main duty: Chief Executive Officer, 28 May 2013–
Tecnotree shares 31 Dec 2013: 350,910

Timo Ahomäki, b. 1966, BSc Eng.
Main duty: Chief Technology Officer, 2012-
Tecnotree shares 31 Dec 2013: 40,931

Ilkka Aura, b. 1962, M.Sc. (Econ.)
Main duty: Chief Commercial Officer, 2012–
Tecnotree shares 31 Dec 2013: 400,000

Padma Ravichander, b. 1959, Computer Science and IT (Dip), Concordia University, Montreal Canada, Graduate of Executive Management School Stanford University, California, USA
Main duty: Chief Delivery Officer, 2011–
Tecnotree shares 31 Dec 2013: 147,303

Tuomas Wegelius, b. 1955, MSc (Econ)
Main duty: Chief Financial Officer, 2006–
Tecnotree shares 31 Dec 2013: 114,624

The following person was member of the Management Board and the CEO: Kaj Hagros, b.1970, 2010–28 May 2013.

Corporate governance statement 2013

Tecnotree Corporation is a Finnish Public Limited Company. The responsibilities and oblications of the Corporate management are based on the Finnish legislation. Tecnotree Group comprises Tecnotree Corporation and its subsidiaries. The company is registered and domiciled in Espoo Finland.

In 2013, Tecnotree abided by the Finnish Corporate Governance code for companies listed on the NASDAQ OMX Helsinki Ltd. This statement has been prepared separately from the Report of the Board of Directors and in accordance with the Finnish Corporate Governance Code 2010. The Finnish Corporate Code 2010 can be found at www.cgfinland.fi and this statement at www.tecnotree.com.

Meeting of Shareholders

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

Board of Directors

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

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

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

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

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

- decide upon the group strategy and approves the business strategy
- approve the values of the company and its subsidiaries
- approve the annual business plan and supervises the realization
- decide upon the central organization structure and leadership system of the company
- discuss and approve the accounts and interim reports
- define the dividend policy of the company and makes a proposal to the annual general meeting as to the amount of dividend paid
- appoint the managing director of the company and the deputy managing director, decide upon their remuneration and conditions of employment
- decide on the appointment of the members of the company's management group and their remuneration
- decide on the remuneration systems of the company's executives and the principles of the remuneration systems for other personnel
- decide on strategically or economically important investments and the purchase and sale of companies or similar arrangements
- approve the significant principles of risk management
- decide upon the capital structure of the company
- approve the principles of internal control
- annually assess its activities and working methods
- be responsible for the other duties assigned to it under the Finnish Companies Act or other regulation

The charter of the Board of Directors can be found at www.tecnotree.com.

The Annual General meeting of 25 March 2013 confirmed that the Board of Directors will consist of six (6) members, and the Board members were elected for a period of office expiring at the end of the first Annual General Meeting following the election.

Tecnotree's Board of Directors has assessed the Board members' independence of the company and shareholders in compliance with the Finnish Corporate Governance Code's recommendations. Based on the assessment, all six Board members are independent of the company and of significant shareholders.

Tecnotree's Board of Directors convened 15 times in 2013. The average attendance of members at Board meetings was about 91 per cent.

Composition of the Board of Directors

Johan Hammaren, b. 1969. LL.M, MSc (Econ)
Member of the Board, 2007-
Main duty: Founding Partner, JAM Advisors, 2013–

Pentti Heikkinen, b. 1960, MSc (Econ)
Standford Graduate School of Business (Standford Executive Program 2001)
Member of the Board, 2009–
Vice Chairman of the Board, 28 May 2013-
Main duty: Founder and CEO, Gateway Technolabs Finland Oy, 2008-

Harri Koponen, b. 1962, eMBA, Phd. Econ. H.c.
Chairman of the Board, 2011-
Member of the Board, 2008–
Main duty: CEO, NPTV, 2013-

Ilkka Raiskinen, b. 1962, MSc (Tech)
Vice Chairman of the Board, 2011-28 May 2013
Member of the Board, 2010–
Main duty: CEO, Tecnotree Corporation, 28 May 2013–

Tuija Soanjärvi, b. 1955, M.Sc.(Econ.)
Member of the Board, 2012-

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

The following person was a member of the Board of Directors 2008 - 25 March 2013: Hannu Turunen, b. 1957, MSc (Tech), MBA

Board Committees

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

The responsibilities of the Audit Committee are defined in its charter.

To execute its duties, the Audit Committee shall:

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

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

The Audit Committee comprises three (3) members of the Board: Harri Koponen, Tuija Soanjärvi (Chairman from 25 March 2013) and Pentti Heikkinen from 28 May 2013. Ilkka Raiskinen was the Chairman till 25 March 2013 and a member till 28 May 2013. Hannu Turunen was a member till 25 March 2013. Tecnotree's CEO and CFO regularly participate in the Audit Committee's meetings.

The Audit Committee had 8 meetings in 2013, and the average attendance of members at meetings was about 81 per cent.

Remuneration and Nomination Committee

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

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

- the preparation of the proposal for the appointment of directors to be presented to the general meeting
- the preparation of the proposal to the general meeting on matter pertaining to the remuneration of the directors
- looking for prospective successors for the directors
- the presentation of the proposal on the directors to the general meeting
- the preparation of matters pertaining to the appointment of the CEO and the other executives as well as the identification of their possible successors
- the preparation of matters pertaining to the remuneration and other financial benefits of the CEO and the other executives
- the preparation of matters pertaining to the remuneration schemes of the company
- the evaluation of the remuneration of the CEO and the other executives as well as seeing to it that the remuneration schemes are appropriate
- answering questions related to the remuneration statement at the general meeting.

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

The Remuneration and Nomination Committee comprises three (3) members of Board: Johan Hammarén, Harri Koponen, and Christer Sumelius (Chairman). Ilkka Raiskinen was a member till 28 May 2013 and Hannu Turunen till 25 March 2013.

The Remuneration and Nomination Committee had 6 meetings in 2013, and the average attendance of members at meetings was about 96 per cent.

CEO

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

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

Ilkka Raiskinen, b. 1962, MSc (Tech.)
CEO, 28 May 2013-
Board Member, 2010-
Vice Chairmann of the Board, 211-28 May 2013

Kaj Hagros, b. 1970, MSc. (Eng.), MBA
President and CEO, 2010–28 May 2013

Management Board

At the end of 2013, Tecnotree Group had a five-member Management Board that comprised the Chief Executive Officer, Chief Commercial Officer, Chief Delivery Officer, Chief Technology Officer and Chief Financial Officer, The Management Board is chaired by the CEO.

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

Composition of the Management Board

Ilkka Raiskinen, b. 1962, MSc. (Eng.)
Main duty: Chief Executive Officer, 28 May 2013-
Member of the Board, 2010-
Vice Chairman of the Board, 2011-28 May 2013

Timo Ahomäki, b. 1966, BSc. Eng.
Main duty: Chief Technology Officer, 2012-

Ilkka Aura, b. 1962, M.Sc. (Econ.)
Main duty: Chief Commercial Officer, 2012-

Padma Ravichander, b. 1959, Computer Science and IT (Dip), Concordia University, Montreal Canada, Graduate of Executive Management School Stanford University, California USA
Main duty: Chief Delivery Officer, 2011-

Tuomas Wegelius, b. 1955, MSc (Econ)
Main duty: Chief Financial Officer, 2006-

The following person was a member of the Management Board and CEO:
Kaj Hagros, b. 1962, MSc. (Eng.), MBA, 2010 - 28 May 2013

Companys general objectives for internal control and risk management

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

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

Control activities

The company mainly uses a common finance system for its financial reporting, and the information in this system for the different companies can also be viewed at head office. Similarly, where necessary the parent company accounts can also be examined at the other offices. Group reporting is performed using a separate system on a monthly basis. Actual figures are compared to the budget, and at the highest level also to the previous forecast. Major deviations are looked into.

The main control activities include preparing up-to-date forecasts, analysing deviations in actual data versus forecast and previous periods, performing transaction and process level controls and internal audits. The company does not have an own internal auditor. A development plan of internal control will be compiled for 2014. The Finance department in HQ is responsible for control activities. An external auditing office has been used as an internal auditor in India since 2012.

Annual budgets are prepared and detailed targets set based on the strategic plans in the October-December period. A preliminary budget proposal is presented to the Board of Directors in November and the final budget is drawn up based on the feedback received, and this is examined at the Board meeting in December. It also includes plans of action. These are then used as the basis for defining individual targets for each person.

The budget is revised in May and June and presented to the Board.

The operating result forecast is updated and presented at the monthly Board meeting. Monthly reporting shows the latest forecast for the period that has ended, the actual figure and the forecast for the following period.

Forecast for sales and revenues to be recognised are examined on a monthly basis, region by region in telephone conferences. The forecasts are graded in different categories according to their probability, and this information is used by the management board to decide on the forecast to be presented to the Board.

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

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

Company’s controls in India have been improved in financial reporting and especially in project accounting. Findings and recommendations of an internal audit performed by an advisor have been utilised. Controls and actions will continue to be developped.

Since the end of 2011 the company has produced a separate weekly short-term cash flow forecast. Collection of trade receivables was enhanced during 2012. This continued in 2013. Group management held numerous regular regional telephone conferences on collection. The project launched in 2012 to make more efficient use of working capital ended in the middle of 2013. Personnel from many different sectors in the company participated in the project. A separate working group for reporting and forecasting of the customer projects was established. In the end of 2013 an Excel based reporting tool was prepared to systematize the follow-up of the projects.

Risk management

Tecnotree's general annual assessments of external risks assessed by the Management Board define the biggest risks. These assessments are made by evaluating the probability and the impact of the different risks, and based on this a risk map is comprised. Actions and a person in charge are defined for each significant risk.

Corporate governance is implemented through documented policies. The main policies are policy for making sales agreements, credit policy, cash management policy, policy for hedging against currency risks, policy for making purchase agreements and approval policy.

In 2013 Tecnotree has taken uniform principles in bid reviews. A big part of the risks in Tecnotree are related to sales. These risks can be mitigated through systematic processing of offers. To strengthen this operation a pre-sales department has been established with the purpose to evaluate the most significant new deals and to secure that all needed information has been examined and approvals have been finalised. The above mentioned written policies are used in this work.

The Board of Directors approves Tecnotree's Group level policies. The subsidiaries and foreign offices of the parent company have issued guidelines and policies for their own specific purposes that are in line with the Group level policies. The company has defined its Code of Conduct in 2012. The Code of Conduct has been amended in the end of 2013.

The Group's financial management is responsible for managing foreign exchange, interest rate and liquidity risks and for taking out insurance against operational risks according to the guidelines set by the Board.

The Management Board handles risks and risk management in its meetings on a regular basis. The CEO reports these to the Board of Directors and its Audit Committee.

The risks pertaining to the financial reporting are mitigated by the methods in financial reporting and control of the group. Majority of the sales transactions are at the parent company level, common chart of accounts and IFRS principles applied, common systems with comprehensive database, centralised treasury and financing, and an easy-to access archive for contracts and policies. Some adjustments were made at the end of 2013 to the earlier figures reported by the legal entity in India. This was mainly due to major changes in the financial department and the systems of the company.

Investor information

Basic Share Information

Listed on:	NASDAQ OMX HELSINKI Oy
Trading code:	TEM1V
ISIN Code:	FI 0009010227
Number of shares, Dec 31, 2013:	122 628 428
Segment:	Small Cap
Sector code:	Technology

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

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

Financial Reporting and Annual General Meeting 2014

- Financial Statement 1 January–31 December 2013,
  Wed 5 February 2014, week 6
- Annual General Meeting 2014,
  Wed 26 March 2014, week 13
- Interim Report 1 January–31 March 2014
  Tue 29 April 2014, week 18
- Interim Report 1 January–30 June 2014
  Wed 13 August 2014, week 33
- Interim Report 1 January–30 September 2014
  Wed 29 October 2014, week 44

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

Briefings and quiet period

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

Shareholder change of address

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

Insider register

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

Corporate Governance

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

Investor relations contacts

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Disclosure Policy

Tecnotree Corporation's Disclosure Policy
Updated 29 October 2013

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

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

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

Tecnotree reports using stock exchange releases such orders it has received from its customers as are worth at least 10 % of the net sales of the previous financial year. The company may also, at its discretion, disclose a stock exchange release for an order with a lower value but with a high importance for the company. Significant orders with lower value are principally reported in the form of a press release, instead of a stock exchange release.

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

The company releases information about appointments if they relate to changes concerning the Chief Executive Officer or the members of the Board of Directors. A stock exchange release is published about significant changes in the structure or organisation of the Group.

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

Comments on Market Information
Tecnotree does not comment on unfinished business, market rumours, stock price trends, the actions of its competitors or customers, or analysts' forecasts, unless doing so is necessary for correction of essential information. However, if a piece of information that has fundamental impact on Tecnotree's stock price has leaked (i.e., become known prematurely), the company issues a stock exchange release addressing the matter.

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

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

Language and Channels

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

Quiet Period

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

The Disclosure Policy was confirmed on 21 Oct 2008.

FINANCIAL STATEMENTS

Board of Directors' Report

Unless otherwise stated, all consolidated figures presented below are for the financial year 2013 and the figures for comparison are for the corresponding period 2012. Key figures are presented as part of the notes to the financial statements.

Business description

Tecnotree is a global supplier of telecom IT solutions, providing products, services and solutions for charging, billing, customer care, and messaging and content services. The company's product portfolio comprises virtually the full range of business management systems for telecom operators, with standard solutions for fixed networks, mobile services and broad band and for managing subscriptions, services and cash flows for prepaid and post-paid customers. Tecnotree's solutions enable communication service providers to expand their business by creating digital market places, individual service packages and personalised subscriptions, and increase added value throughout their customers' life cycles.

Tecnotree's business is based on system project sales, system maintenance and on customising, support and operating services. Tecnotree has a strong footing especially in developing markets such as Latin America, Africa and the Middle East.

Sales and net sales

Tecnotree's net sales in the review period increased 0.7 per cent to EUR 73.9 (73.4) million.

EUR 23.9 million of sales in the review period have been recognised by stage of completion (IAS 11 Construction Contracts) and EUR 50.0 million on delivery (IAS 18 Revenues).

Tecnotree's net sales were more emphasized than before on the Latin America and Middle East -Africa regions, while net sales in Europe and Asia Pacific regions declined. Net sales in MEA region increased from EUR 24.9 million to EUR 28.6 million. The markets in the two main areas continue their growth and remain being the areas in focus.

Tecnotree's order book declined from EUR 54.2 million at the end of year 2012 to EUR 45.0 million at the end of year 2013. Despite this, it is high. The decrease was mainly due to the revenue recognition of the two largest projects received earlier in Latin America.

Maintenance and service sales totalled EUR 29.6 (26.1) million or 40.1 per cent (35.6 %) of net sales.

NET SALES BY MARKET AREA	**2013 MEUR**	2012 MEUR	**2013 %**	2012 %
Americas (North, Central and South America)	**38.6**	38.5	**52.2**	52.4
Europe	**4.6**	6.7	**6.2**	9.1
MEA (Middle East and Africa)	**28.6**	24.9	**38.7**	34.0
APAC (Asia and Pacific)	**2.2**	3.3	**2.9**	4.5
TOTAL	**73.9**	73.4	**100.0**	100.0

CONSOLIDATED ORDER BOOK	**2013 MEUR**	2012 MEUR	**2013 %**	2012 %
Americas (North, Central and South America)	**20.7**	36.7	**46.0**	67.6
Europe	**1.6**	2.9	**3.6**	5.4
MEA (Middle East and Africa)	**20.3**	14.5	**45.2**	26.7
APAC (Asia and Pacific)	**2.3**	0.1	**5.2**	0.2
TOTAL	**45.0**	54.2	**100.0**	100.0

Result analysis

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

Tecnotree reports its operating result in two stages: first the adjusted operating result and then the operating result after the capitalisation and amortisation of product development costs and one-time costs:

INCOME STATEMENT, KEY FIGURES, MEUR	**2013**	2012
Net sales	**73.9**	73.4
Other operating income	**0.1**	0.1
Operating costs excluding product development capitalisation and one-time costs	**-70.6**	-78.4
Adjusted operating result, MEUR [1]	**3.3**	-4.9
Product development capitalisation		
Product development amortisation	**-1.7**	-5.4
One-time costs		-2.1
Operating result	**1.6**	-12.4

[1] Adjusted operating result is a derived performance measure: operating result before R & D capitalisation, amortisation of this and one-time costs.

The adjusted operating result for the full year improved EUR 8.2 million from the previous year. Material and service costs fell EUR 3.8 million. This reduction was because projects included less equipment, and as a result the sales margin improved. Other operating costs declined EUR 3.6 million, and a particular factor in this was that in 2012 these costs included write-downs of EUR 3.9 million on customer receivables. The average exchange rate for the Indian rupee was 12 % lower than in the previous year, which compensated for inflation of more than 10 %.

Other factors in the improvement of EUR 14.0 million in the operating result for the year, in addition to the improvement in the adjusted operating result, were a reduction of EUR 3.7 million in amortisation of capitalised product development costs and the fact that Tecnotree recorded no one-time costs in 2013, where in 2012 these amounted to EUR 2.1 million. Tecnotree has no capitalised product development costs remaining in its balance sheet.

In April, Tecnotree and LapGreenN, a company based in Africa and Middle East areas and owned by the Libyan government, have agreed to renew their strategic partnership and as part of that process have amicably resolved their disputes related to past dues of Tecnotree. After receiving payments from LapGreenN, EUR 1.1 million of the credit loss provision was reversed in the review period.

Financial income and expenses (net) during the review period totalled a net gain of EUR 2.5 million (net loss of EUR 1.3 million). The exchange rate gains and losses consist mainly of exchange rate differences from intragroup payables in the parent company.

FINANCIAL INCOME AND EXPENSES, MEUR	**2013**	2012
Interest income	**0.1**	0.1
Exchange rate gains	**5.1**	1.5
Other financial income	**0.1**	0.2
FINANCIAL INCOME, TOTAL	**5.2**	1.8
Interest expenses	**-1.4**	-2.0
Exchange rate losses	**-0.6**	-0.7
Other financial expenses	**-0.7**	-0.5
FINANCIAL INCOME, TOTAL	**-2.7**	-3.2
FINANCIAL ITEMS TOTAL	**2.5**	-1.3

Taxes for the period totalled EUR 6.6 (3.3) million, including the following items:

TAXES IN INCOME STATEMENT, MEUR	**2013**	2012
Withholding tax expenses in parent company	**-2.8**	-3.0
Change in withholding tax provision	**-0.1**	
Income taxes on the results of Group companies	**-2.3**	-0.9
Prior year taxes	**0.0**	-0.4
Change in Indian deferred tax assets	**-0.7**	-0.4
Change in deferred tax liability:		
- R&D capitalisation	**0.3**	0.9
- dividend tax in India	**-1.2**	0.1
Other items	**0.2**	0.4
TAXES IN INCOME STATEMENT, TOTAL	**-6.6**	-3.3

The parent company has changed its accounting practice for withholding taxes. Previously the parent company estimated to get credited in Finnish taxation with the withholding tax deducted at source from customer payments. Since the parent company has a large reserve of costs from previous years to be used in taxation, utilising withholding taxes in Finland has been put off to the future. For this reason, it was decided to record a provision for withholding taxes in the parent company’s receivables, and this provision is included in accrued expenses and prepaid income. This provision stood at EUR 1.8 million at the end of 2013 and at EUR 1.7 million at the beginning and end of 2012. The situation concerning the withholding taxes occurred already prior to the 2013 period, so consequently the parent company has retroactively adjusted the figures for retained earnings and accrued expenses and prepaid income in the 2012 balance sheet by EUR 1.7 million.

Earnings per share were EUR -0.02 (-0.16 adjusted to reflect the share issue). Equity per share at the end of the period was EUR 0.18 (31 December 2012: EUR 0.27 adjusted to reflect the share issue and corrected as shown in Key figures section).

Financing and investments

On 30 August 2013 Tecnotree reached agreement with its bank on the renewal of the company's loan financing. The financing is in force until 30 June 2018 and it comprises a long-term loan of EUR 21.8 million and a credit facility of EUR 10.0 million to finance working capital. In addition, the company received a EUR 2.0 million bank guarantee limit.

The semi-annual amortisations of the long-term loan are EUR 1.1 million, starting on 31 December 2014 and the balance, EUR 14.1 million, is due on 30 June 2018. The credit facility is in force until 30 June 2018. This arrangement gave Tecnotree additional financing of EUR 5.0 million, as the credit facility for financing working capital went up from EUR 5.0 million to EUR 10.0 million. The company has not had a separate bank guarantee limit.

The covenants for the financing agreement involve testing semi-annually Tecnotree's key figures for EBITDA, cash flow, capital expenditure, equity and overdue receivables (which are tested on a monthly basis). To compensate for seasonal fluctuation, many key figures are calculated using 12 month cumulative figures. The covenants are also considered under section "Risks and uncertainty factors". The financing agreement includes typical conditions for this kind of arrangement.

Tecnotree's working capital grew during the period by EUR 5.4 million:

CHANGE IN WORKING CAPITAL, MEUR (increase - / decrease +)	**2013**	2012
Change in trade receivables	**5.6**	-4.5
Change in other short-term receivables	**-8.3**	9.1
Change in inventories	**0.0**	0.2
Change in trade payables	**-1.2**	-3.4
Change in other current liabilities	**-1.6**	2.0
CHANGE IN WORKING CAPITAL, TOTAL	**-5.4**	3.4

Project revenue is recognised in other receivables. When the agreement or purchase order allows the customer to be invoiced, the receivables are regrouped in trade receivables. Trade and other receivables should be treated as one item when assessing changes in Tecnotree's working capital.

Tecnotree's liquid funds totalled EUR 6.6 (31 December 2012: 11.3) million. Cash flow after investments for the review period ended up EUR 7.3 million negative. EUR 5.4 million of additional cash was bound in working capital. In the future, the plan is to improve cash flow by reducing working capital and increase the operating efficiency. The change in cash and cash equivalents for the review period was EUR -3.8 million. The company had no unused credit facilities at the end of the review period (31.12.2012: 0.0).

The balance sheet total on 31 December 2013 stood at EUR 71.6 (31 December 2012: 81.8) million. Interest-bearing liabilities were EUR 31.8 (31 December 2012: 28.3) million. The net debt to equity ratio (net gearing) was 113.4 per cent (31 December 2012: 50.0 % corrected) and the equity ratio was 30.3 per cent (31 December 2012: 40.2 % corrected). During the period, total equity has been reduced by negative translation differences of EUR 8.7 million, of which EUR 6.7 million is due to the devaluation of the Indian rupee. Net gearing has gone up due to the reduction in equity and the increase in interest-bearing liabilities.

Tecnotree's gross capital expenditure during the review period was EUR 0.6 (0.9) million or 0.8 per cent (1.2 %) of net sales.

Segment information

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

Net sales and the result for the operating segments are presented based on the location of customers. The result for the operating segments includes the costs that can be allocated to the segments on a reasonable basis. Costs for product management, R & D and administration, depreciations, taxes and financial items are not allocated.

Geographical areas

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

Americas (North, Central and South America)
Net sales in the Americas remained the highest of all the Group's geographical areas and totalled EUR 38.6 million. The increase from the previous year was EUR 0.1 million. The order book for major deliveries turned into net sales, which contributed to a fall of just under 44 per cent in the order book. The order book remained high, at EUR 20.7 million. The proportion of the region's sales provided by the service business has developed positively. Demand in the region for replacing business support systems has remained active. Sales in the area comprise expansions and upgrades of solutions installed for current customers, the renewal of annual maintenance contracts, and partial implementation of new orders. The company has succeeded in selling business support systems and services that are part of its strategic core business. The area offers the company growth potential.

Europe
Net sales in Europe declined 31 per cent from the same period in 2012. The decline in sales was due to the fall in sales of the company's established messaging solutions, while the company's efforts to sell the business support system products contained in the new strategy have not brought results yet. The order book in the region declined 45 per cent. In Europe Tecnotree has supplied completely new systems and expansions of existing systems, mainly to existing customers.

MEA (Middle East and Africa)
The strong growth in sales that began towards the end of 2012 continued in the Middle East and Africa. Sales increased by EUR 3.7 million, or 15 per cent, from the same period in 2012 and the order book rose 40 per cent to EUR 20.3 million. Tecnotree has an extremely broad customer base in the MEA region and this expanded even more in 2013. In addition, the business of its customers is growing, which offers considerable growth potential for Tecnotree's business operations in the region. Implementation of Tecnotree's new strategy has made encouraging progress in the area, while demand for its established products has remained firm.

APAC (Asia and Pacific)
Net sales in the Asia and Pacific region fell 33 per cent from the previous year. At the end of the year Tecnotree signed its first delivery contract outside the telecommunications sector, with a satellite television operator. The order book in the region increased by EUR 2.2 million, and was more than twenty times as high as in the corresponding period in the previous year. The decline in sales in the area was due to the fall in sales of the company's established messaging solutions, but the contract signed in the final quarter will move the focus for net sales to products covered by the company's new strategy. At the end of the year the order book was evenly split between messaging solution products and the business support system products included in the new strategy. The area offers growth potential for the company.

Personnel

At the end of December 2013 Tecnotree employed 1,059 (31 December 2012: 1,116) persons, of whom 89 (31 December 2012: 90) worked in Finland and 970 (31 December 2012: 1,026) elsewhere. The company employed on average 1,067 (1,070) people during the review period. Personnel by country were as follows:

PERSONNEL	**2013**	2012	2011
Personnel, at end of period	**1,059**	1,116	926
Finland	**89**	90	80
Ireland	**49**	56	58
Brazil	**34**	40	43
Argentina	**31**	36	
India	**809**	843	690
Other countries	**47**	51	55
Personnel, average	**1,067**	1,070	922
Salary expenses (MEUR)	**28.9**	29.7	23.5

Shares and price analysis

At the end of December 2013 the shareholders' equity of Tecnotree Corporation stood at EUR 21.7 (31 December 2012: 32.8 corrected) million and the share capital was EUR 4.7 million. Tecnotree has a single share series and the total number of shares at the end of the period was 122,628,428.

At the end of the period, the company held 64,704 (31 December 2012: 134,800) of these shares, which represents 0.05 per cent of the company's total number of shares and votes. During the period 70,096 own shares were used for management rewards. Equity per share was EUR 0.18 (31 December 2012: 0.27 adjusted to reflect the share issue and corrected).

A total of 72,385,456 Tecnotree shares (EUR 15,522,238) were traded on the Helsinki Exchanges during the period 1 January – 31 December 2013, representing 59.0 per cent of the total number of shares.

The highest share price quoted in the period was EUR 0.29 and the lowest EUR 0.15. The average quoted price was EUR 0.21 and the closing price on 31 December 2013 was EUR 0.21. The market capitalisation of the share stock at the end of the period was EUR 25.8 million.

Shareholders

Tecnotree has a single share series and all shares hold equal voting rights. Tecnotree’s shares are quoted on the NASDAQ OMX Helsinki Ltd. Tecnotree’s trading code is TEM1V. 99.97 per cent of the company's shares are entered in the book entry securities system maintained by Euroclear Finland Ltd.

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

Tecnotree has no knowledge of shareholder agreements relating to the ownership of the company or to the use of voting rights. During 2013 the company has not received any shareholders notifications.

On 31 December 2013 Tecnotree had a total of 7,007 shareholders recorded in the book-entry securities system. Of these were 6,999 in direct ownership and 8 were nominee-registered.

On 31 December 2013 the ten largest shareholders together owned approximately 32.00 per cent of the shares and voting rights. On 31 December 2013, altogether 4.05 per cent of Tecnotree’s shares were in foreign ownership, with 3.94 per cent in direct ownership and 0.11 per cent nominee-registered.

On 31 December 2013 the total number of shares owned by the members of Tecnotree’s Board of Directors and the CEO was 5,905,556 which includes the shares owned by these persons themselves, by close family members and by companies in which they hold a controlling interest. Altogether these represent 4.82 per cent of the total amount of shares and voting rights. On 31 December 2013 the total number of shares owned by the members of Tecnotree’s Management Board was 702,858 excluding those owned by the CEO.

On 31 December 2013 Tecnotree had no option series in force.

Ownership structure by sector 31 December 2013

	No. of shares	%
Companies	18,597,065	15.17%
Finance houses and insurance companies	17,070,319	13.92%
Public sector	98,659	0.08%
Non-profit making assosiations	20,560	0.02%
Households and private persons	81,837,485	66.74%
Foreign holders	4,966,740	4.05%
Total	122,590,828	99.97%
Joint account	37,600	0.03%
Total number of shares	122,628,428	100.00%
Nominee registrations	3,572,870	2.91%

Largest shareholders 31 December 2013

The company´s ten largest shareholders	No. of shares	% of shares and voting rights
Hammaren Lars-Olof Edvin	8,803,480	7.18%
The Orange Company Oy	6,066,666	4.95%
Keskinäinen Vakuutusyhtiö Kaleva	6,000,000	4.89%
Mandatum Henkivakuutusosakeyhtiö	5,940,000	4.84%
Sijoitusrahasto Taaleritehdas Arvo Markka Osake	2,680,493	2.19%
Kettunen Risto Juhani	2,100,000	1.71%
Puurtinen Jukka Tapani	2,026,851	1.65%
Sumelius Bertil Christer	2,026,028	1.65%
Sumelius Bjarne Henning	1,920,065	1.57%
APC Securities (India) Private Limited	1,672,434	1.36%
Total	39,236,017	32.00%

Ownership of shares 31 December 2013

No. of shares	Holders	%	Shares and votes	%
1–500	1,987	28.36%	472,254	0.39%
501–1 000	937	13.37%	769,626	0.63%
1 001–5 000	2,163	30.87%	5,931,169	4.84%
5 001–10 000	773	11.03%	6,124,829	5.00%
10 001–50 000	859	12.26%	19,876,334	16.21%
50 001–100 000	155	2.21%	11,271,266	9.19%
100 001–500 000	102	1.46%	19,360,807	15.79%
> 500 000	31	0.44%	58,784,543	47.94%
Joint account			37,600	0.03%
Total	7,007	100.00%	122,628,428	100.00%

Current authorisations

The Annual General Meeting of Tecnotree Corporation held on 25 March 2013 authorised the Board of Directors in accordance with the proposal of the Board of Directors to decide on the acquisition of a maximum of 12,262,842 of the Company's own shares. Own shares shall be acquired with unrestricted shareholders' equity otherwise than in proportion to the holdings of the shareholders through public trading of the securities on NASDAQ OMX Helsinki Oy at the market price of the shares in public trading at the time of the acquisition. Own shares can be acquired for the purpose of developing the capital structure of the Company, carrying out corporate acquisitions or other business arrangements to develop the business of the Company, financing capital expenditure, to be used as part of the Company's incentive schemes, or to be otherwise retained in the possession of the Company, disposed of or nullified in the extent and manner decided by the Board of Directors. The Board of Directors will decide on other terms of the share acquisition. The authorisation will be valid for one year from the decision of the Annual General Meeting. The Board of Directors has not exercised this authorisation during the review period.

In addition, the Annual General Meeting authorised the Board of Directors in accordance with the proposal of the Board of Directors to decide to issue and/or to convey a maximum of 60,000,000 new shares and/or the Company's own shares either against payment or for free. New shares may be issued and the Company's own shares may be conveyed to the Company's shareholders in proportion to their current shareholdings in the Company or waiving the shareholder's pre-emption right, through a directed share issue if the Company has a weighty financial reason to do so. The Board of Directors may also decide on a free share issue to the Company itself. The Board of Directors is, within the authorization, authorized to grant the special rights referred to in Chapter 10, Section 1 of the Companies Act, which carry the right to receive, against payment, new shares of the Company or the Company's own shares held by the Company in such a manner that the subscription price of the shares is paid in cash or by using the subscriber's receivable to set off the subscription price. The Board of Directors shall decide on other terms and conditions related to the share issues and granting of the special rights. The said authorisations will be valid for one year from the decision of the Annual General Meeting. The Board of Directors has not exercised this authorisation during the review period.

Stock option programmes and incentive scheme

During the review period the company had in force one option series 2009C of the 2009 stock option programme. The exercise period for the 2009C options ended on 31 March 2013. This means that the company now has no stock option programmes.

During the review period the company had a current share-based incentive scheme that the Board of Directors had established on 25 October 2011. Any reward in the scheme for the 2013 earning period was based on Tecnotree Group’s operating profit and the company’s trade weighted average share price in December 2013. No reward accrued based on the 2013 targets.

Legal proceedings

An action was brought against Tecnotree at the start of the year by Atul Chopra and his related party Aparna company in a court of arbitration in Singapore, claiming that Tecnotree has failed to honour the Settlement Agreement dated 21 February 2011 reached with Atul Chopra. Atul Chopra and Aparna are claiming indemnity of about EUR 1.1 million. This claim is mainly unprovided for in the Group's accounts.

In October 2011 Atul Chopra brought an action relating to the same matter in the High Court of Delhi. According to the decision of the High Court of Delhi in July 2012, all disputes relating to the Settlement Agreement shall be resolved in arbitration in Singapore, as pleaded by Tecnotree. In September 2012 the Division Bench of the High Court of Delhi dismissed the appeal made by Atul Chopra regarding the High Court of Delhi’s decision in July.

Tecnotree denies the claims presented by Atul Chopra and is initiating legal action in order to protect its rights. The proceedings are in progress in the court of arbitration.

The company is not involved in any other major legal proceedings.

Risk and uncertainty factors

Dependence on key customers

Tecnotree’s largest customers are much bigger businesses than the company itself and the two largest customers accounted for 77 % of net sales in 2013. The relationship between the company and its major customers is one of interdependence, which offers business opportunities but also poses risks.

Carrying out customer projects, profitability, forecasting

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

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

The company's order book includes large projects with deliveries of over a year, some deliveries even several years. These include customer specific customizations, in which success lies risk. During the long time of delivery, the needs of the customers change and this can lead to unforeseen problems.

Risks relating to international operations, receivables and developing markets

Project deliveries result in large accounts receivable. Most of Tecnotree’s net sales come from developing countries and some of these contain political and economic challenges. There is the risk of a considerable delay in the payment of invoices in these countries and that Tecnotree will have to record credit losses. Regulation by the authorities of foreign payment transactions and international sanctions hamper operations in certain countries. Various regulations can change frequently and may be ambiguous. In many countries it is common practice to delay payment of invoices. For these reasons forecasting customer payments is often unreliable and delays occur.

Changes in exchange rates create risks especially in sales activities, but also in other income statement and balance sheet items and in cash flow. A significant part of the company’s net sales is in US dollars. The company hedges its currency denominated net position for a maximum period of 12 months, using currency forward contracts and currency options. The exchange rate fluctuations of Indian Rupies also have a significant impact on the Group's net result. The translation and transaction risks created by the changes in exchange rates have been explained in more detail in note 24 of the consolidated financial statements.

Financing

The company had all its credit facilities in use at the end of 2013. The cash flow varies considerably from one quarter to another, which at times makes the cash supply tight. The risk exists that the company will have to postpone payment of expenses. The financing agreement made by Tecnotree in August 2013 that is in force until 2018 contains six different covenants. One of these is tested monthly, four at half year intervals, and one annually. The terms of three covenants become tighter as the loan period progresses. If a condition for a covenant is not met, the financier is entitled to demand payment of the loans taken. Previously in similar situations the company has succeeded in negotiating an agreement with its financier under which it has not needed to repay the loans. In the 2013 accounts, two covenants were very close to breach.

Technology

Tecnotree operates in a rapidly changing sector. When making R&D decisions there is the risk that the choice made may not bring the expected returns. Products in Tecnotree's sector have a fairly short life span, and the company has changed course several times during its history to new product areas.

High tech products require skilled people, and personnel turnover is quite high for example in India. Copyright issues can result in disputes and loss of income.

Company acquisition and goodwill

Following the acquisition of Tecnotree Convergence Limited (previously Lifetree Convergence Limited) Tecnotree has made various changes, for example in sales and R & D activities and in the organisation, and there are risks relating to the success of these changes. Changes are needed, however, to be able to take advantage of the opportunities opened up by the acquisition. The amount paid for the acquisition and the resulting goodwill also involve risks. The calculations made to test goodwill are based on management's financial expectations and assumptions that contain risks.

Taxation

Operating in developing markets often involves problems relating to taxation. Local tax legislation can change rapidly and may be subject to conflicting interpretations. It is possible for the tax authorities in different countries to demand taxation of the same revenue. Tax deducted at source is often imposed on sales of systems and services, and obtaining credit for this in the country receiving the revenue is not a clear case. In Finland Tecnotree has a large amount of tax-deductible costs from previous fiscal periods, so it is difficult to obtain credit for tax deducted at source.

As a rule Tecnotree applies the cost plus method in its transfer pricing. This clarifies the taxable result recorded in different countries. When the Group makes a loss, however, the consequence is that it has to pay tax in countries where it has subsidiaries. It also often has to pay tax deducted at source on dividends.

Risks and uncertainties in the near future

Tecnotree's risks and uncertainties in the near future relate to projects, to their timing, to receivables, to changes in foreign exchange rates and to financing (explained in more detailed under Financing above).

Management, auditors and corporate governance

Tecnotree made a change in its management and appointed the deputy chairman of its Board of Directors, Ilkka Raiskinen, as CEO as from 28 May 2013. Ilkka Raiskinen remained a member of the Board of Directors. Before 28 May 2013 Kaj Hagros was the President and CEO of the company.

After the appointment of Ilkka Raiskinen as Tecnotree president and CEO, the Board decided on the following changes in the duties of Board members: Pentti Heikkinen was elected deputy chairman of the Board. Ilkka Raiskinen resigned from the Board committees. Tuija Soanjärvi was elected chairman of the Audit Committee and Pentti Heikkinen was elected a new member of the committee.

After the changes mentioned above, Tecnotree's Board of Directors comprised the following persons:

Harri Koponen, Chairman
Pentti Heikkinen, Vice Chairman
Johan Hammarén
Ilkka Raiskinen
Tuija Soanjärvi
Christer Sumelius

In 2013 the Company's Management Board comprised Ilkka Raiskinen (CEO as from 28 May 2013), Timo Ahomäki (Chief Technology Officer), Ilkka Aura (Chief Commercial Officer), Padma Ravichander (Chief Delivery Officer), Tuomas Wegelius (Chief Financial Officer) and Kaj Hagros (President and CEO until 28 May 2013).

Tecnotree's auditor in the financial year 2013 was KPMG Oy Ab, and the principal auditor was Toni Aaltonen, Authorised Public Accountant.

The Board of Directors has approved the Corporate Governance Statement of the Company for the year 2013.

According to the Articles of Association the 3-8 members of the Board of Directors are elected at the yearly Shareholders' meeting. The members are appointed for the period ending at the end of the following ordinary Shareholders' meeting. The Board of Directors appoints the CEO.

Items presented in the notes to the financial statements

Financial key figures and key figures per share as well as figures describing the product development activities are presented in the Key Figures section in the financial statements. Figures describing the product development activities are also presented in note 8 in the consolidated financial statements. The Group's subsidiaries and branch offices are presented in note 28.

Significant agreements, which validity can end if there is a change in control of the company, are disclosed in note 22 of the consolidated financial statements. The terms of the agreement between the company and the CEO concerning compensations in connection with termination of the employment are disclosed in note 28.

Events after the end of period

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

Prospects in 2014

Tecnotree estimates that its net sales and operating result will improve from 2013. Variations in the quarterly figures will be considerable.

Proposal concerning the result

The Board of Directors proposes to the Annual General Meeting, that no dividend be paid for the financial year ended 31 December 2013, and that the parent company's loss for the financial year, EUR 2,138,056.64, be covered by non-restricted equity reserves. In addition, losses for previous periods are proposed to be covered by EUR 1,690,237.98 of the non-restricted equity reserves.

Tecnotree Corporation

Board of Directors

Key financial indicators

	2013	2012	2011	2010	2009
Consolidated income statement					
Net sales, EUR million	**73.9**	73.4	62.3	60.7	53.3
change %	**0.7**	17.9	2.6	14.0	-31.0
Adjusted operating result, EUR million	**3.3**	-4.9	-1.7	-2.5	-8.8
% of net sales	**4.5**	-6.6	-2.7	-4.2	-16.6
Operating profit, EUR million	**1.6**	-12.4	-11.1	-8.1	-15.0
% of net sales	**2.2**	-16.9	-17.8	-13.3	-28.1
Profit before taxes, EUR million	**4.1**	-13.7	-9.9	-9.4	-15.4
% of net sales	**5.6**	-18.7	-15.9	-15.5	-29.0
Profit for the perios, EUR million	**-2.5**	-17.0	-15.6	-11.0	-16.2
% of net sales	**-3.4**	-23.2	-25.0	-18.1	-30.4
Consolidated balance sheet					
Non-current assets, EUR million	**22.0**	28.0	39.4	49.7	53.3
Current assets					
Inventories, EUR million	**0.6**	0.6	0.8	1.0	1.3
Trade and other receivables, EUR million	**41.9**	41.2	53.0	41.6	36.6
Investments and cash equivalents, EUR million	**7.2**	11.9	6.7	17.4	27.3
Shareholders' equity, EUR million	**21.7**	32.8	49.5	72.1	77.1
Liabilities					
Non-current liabilities, EUR million	**21.6**	0.4	12.6	14.9	17.0
Current liabilities, EUR million	**25.3**	45.7	33.4	19.3	20.4
Deferred tax liabilities, EUR million	**3.0**	2.8	4.4	3.3	4.0
Balance sheet total, EUR million	**71.6**	81.8	99.9	109.7	118.4
Financial indicators					
Return on equity (ROE), % [3]	**-9.1**	-41.3	-25.6	-14.7	-20.2
Return on investment (ROI), % [3]	**11.9**	-15.2	-10.2	-7.4	-13.7
Equity ratio, % [3]	**30.3**	40.2	50.7	66.4	65.6
Debt/equity ratio (net gearing), % [3]	**113.4**	50.0	43.1	3.3	-10.8
Investments, EUR million	**0.6**	0.9	0.9	1.8	1.4
% of net sales	**0.8**	1.2	1.4	3.0	2.7
Research and development, EUR million	**14.0**	10.4	12.1	13.1	14.5
% of net sales	**19.0**	14.2	19.4	21.7	27.2
% total expenses (above operating result)	**19.3**	12.1	16.4	19.0	21.2
Order book, EUR million	**45.0**	54.2	40.4	14.3	11.7
Personnel, average	**1,067**	1,070	922	797	665
Personnel at the end of the year	**1,059**	1,116	926	858	779

	2013	2012	2011	2010	2009
Key ratios per share					
Earnings per share, EUR (basic) [2]	**-0.02**	-0.16	-0.18	-0.13	-0.21
Earnings per share, EUR (diluted) [2]	**-0.02**	-0.16	-0.18	-0.13	-0.21
Equity per share, EUR [2] [3]	**0.18**	0.27	0.58	0.85	0.91
Number of shares at the end of the period, 1,000 shares	**122,564**	122,494	73,496	73,496	73,496
Average number of shares, 1,000 shares	**122,551**	98,264	73,496	73,496	68,039
Number of own shares on 1 Jan, 1,000 shares	**135**	135	135	135	135
Numer of disposed own shares, 1,000 shares	**70**	0	0	0	0
Number of own shares on 31 Dec, 1,000 shares	**65**	135	135	135	135
Share price, EUR					
Average price	**0.21**	0.25	0.44	0.79	1.00
Lowest price	**0.15**	0.12	0.33	0.58	0.78
Highest price	**0.29**	0.35	0.63	1.00	1.21
Share price at the end of the period, EUR	**0.21**	0.17	0.38	0.60	0.94
Market value at the end of the period, EUR million	**25.8**	20.8	28.0	44.2	69.2
Share turnover, million shares	**72.4**	49.7	22.8	16.6	22.6
Share turnover, % of total number	**59.0**	40.5	31.0	22.6	30.7
Share turnover, EUR million	**15.5**	11.7	10.0	13.2	23.2
Dividend per share, EUR [1]					
Dividend/result, %					
Effective dividend yield, %					
P/E ratio, %	**-10.3**	-1.0	-1.8	-4.0	-4.0

[1] The Board has proposed that no dividend be paid for the financial year ended 31 December 2013. For the financial years ended 31 December 2012, 2011, 2010 and 2009, no dividend was paid.
[2] This key figure has been adjusted for the comparative periods to reflect the share issue.
[3] This key figure has been corrected for the comparative period 2012, see note 10 in the consolidated financial statements.

Calculation of key indicators

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

Consolidated income statement and consolidated statement of comprehensive income

Consolidated income statement

EUR 1,000	Note	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Net sales	1, 2	**73,901**	73,426
Other operating income	3	**62**	71
Materials and services	4	**-10,591**	-14,415
Employee benefit expenses	5	**-34,623**	-35,406
Depreciation, amortisation and impairment losses	6	**-3,513**	-8,883
Other operating expenses	7	**-23,634**	-27,169
Operating profit		**1,602**	-12,375
Financial income	9	**5,210**	1,817
Financial expenses	9	**-2,684**	-3,144
Result before taxes		**4,128**	-13,701
Income taxes	10	**-6,622**	-3,306
Result for the period		**-2,493**	-17,007
Result for the period attributable to:			
Equity holders of the parent company		**-2,501**	-17,000
Non-controlling interest		**-7**	-7
EPS calculated on profit attributable to equity holders (adjusted to reflect share issue for the comparative period):			
Basic earnings per share, EUR	11	**-0.02**	-0.16
Diluted earnings per share, EUR	11	**-0.02**	-0.16
Number of shares on average (1000s of shares) (adjusted to reflect the share issue for the comparative period):			
Basic		**122,551**	103,856
Diluted		**122,551**	103,856

Consolidated statement of comprehensive income

EUR 1,000	Note	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Result for the period		**-2,493**	-17,007
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Translation differences from foreign operations, before tax	24	**-9,121**	-3,389
Tax relating to components of other comprehensive income		**468**	128
Other comprehensive income, net of tax		**-8,652**	-3,261
Total comprehensive income for the period		**-11,146**	-20,268
Comprehensive income for the period attributable to:			
Equity holders of the parent company		**-11,139**	-20,261
Non-controlling interest		**-7**	-7

Consolidated balance sheet

EUR 1,000	Note	31 Dec 2013	31 Dec 2012
Assets			
Non-current assets			
Goodwill	12	**15,266**	17,420
Other intangible assets	12	**436**	3,035
Property, plant and equipment	13	**4,049**	4,671
Deferred tax assets	14	**1,472**	2,515
Non-current receivables	15	**780**	402
Total non-current assets		**22,004**	28,043
Current assets			
Inventories	16	**576**	585
Trade and other receivables	17	**41,106**	39,631
Income tax receivables		**793**	1,566
Investments	18	**589**	624
Cash and cash equivalents	18	**6,572**	11,306
Total current assets		**49,635**	53,712
Total assets		**71,638**	81,755
Shareholders' equity and liabilities			
Equity attributable to equity holders of the parent			
Share capital		**4,720**	4,720
Share premium fund		**847**	847
Own shares		**-59**	-122
Translation differences		**-12,894**	-4,241
Invested unrestricted equity reserve		**5,452**	18,007
Other reserves		**2,279**	5,171
Retained earnings		**21,312**	8,401
Equity attributable to equity holders of the parent	19	**21,659**	32,782
Non-controlling interest		**51**	53
Total shareholders' equity		**21,710**	32,835
Non-current liabilities			
Deferred tax liabilities	14	**3,033**	2,835
Non-current interest-bearing liabilities	22	**20,681**	
Pension obligations	21	**239**	228
Other non-current non interest-bearing liabilities	23	**697**	200
Total non-current liabilities		**24,650**	3,263
Current liabilities			
Current interest-bearing liabilities	22	**11,100**	28,333
Trade payables and other liabilities	23	**14,000**	16,847
Income tax liabilities		**179**	477
Total current liabilities		**25,279**	45,658
Total equity and liabilities		**71,638**	81,755

Statement of changes in shareholders' equity

EUR 1,000	**Equity attributable to equity holders of the parent**								**Non-controlling interest**	**Total shareholders' equity**
	Share capital	**Share premium fund**	**Own shares**	**Translation differences**	**Invested unrestricted equity reserve**	**Other reserves**	**Retained earnings**	**Total**		
Shareholders' equity 1 Jan 2013	4,720	847	-122	-4,241	18,007	5,171	8,401	**32,782**	53	**32,835**
Result for the period							-2,501	**-2,501**	7	**-2,493**
Other comprehensive income:										
Translation differences, net of tax				-8,652				**-8,652**		**-8,652**
Total comprehensive income for the period				-8,652			-2,501	**-11,153**	7	**-11,146**
Disposal of own shares			63				-55	**9**		**9**
Sharebased payments							11	**11**		**11**
Transactions with shareholders, total			63				-43	**20**		**20**
Covering of loss					-12,555	-2,891	15,446			
Other changes							10	**10**	-8	**1**
Total shareholders' equity 31 Dec 2013	**4,720**	**847**	**-59**	**-12,894**	**5,452**	**2,279**	**21,312**	**21,659**	**51**	**21,710**

EUR 1,000	Equity attributable to equity holders of the parent								Non-controll-ing interest	Total share-holders' equity
	Share cap-ital	Share pre-mium fund	Own shares	Trans-lation diffe-rences	In-vested unre-stricted equity reserve	Other re-serves	Re-tained earn-ings	Total		
Shareholders' equity 1 Jan 2012	4,720	847	-122	-981	12,634	19,043	13,302	49,444	64	49,507
Result for the period							-17,000	-17,000	-7	-17,007
Other comprehensive income:										
Translation differences, net of tax				-3,261				-3,261		-3,261
Total comprehensive income for the period				-3,261			-17,000	-20,261	-7	-20,268
Share issue					5,372			5,372		5,372
Share-based payments							4	4		4
Transactions with shareholders, total					5,372		4	5,376		5,376
Covering of loss						-13,872	13,872			
Correction of error (note 10)							-1,699	-1,699		-1,699
Other changes							-78	-78	-4	-82
Total shareholders' equity 31 Dec 2012	4,720	847	-122	-4,241	18,007	5,171	8,401	32,782	53	32,835

Consolidated cash flow statement

EUR 1,000	Note	1 Jan–31 Dec 2013	1 Jan–31 Dec 2013
Cash flow from operating activities			
Result for the period		**-2,493**	-17,007
Adjustments for:			
Depreciation, amortisation and impairment losses		**3,513**	8,883
Option expenses and employee benefits		**518**	222
Impairment of receivables		**778**	4,363
Unrealised exchange gains and losses		**-5,334**	1,823
Other financial income and expenses		**1,962**	2,144
Income taxes		**6,622**	3,306
Gains and losses on disposal of intangibles and tangibles		**-12**	-58
Other adjustments			-143
Changes in working capital:			
Change in trade and other receivables		**-2,665**	4,593
Change in inventories		**9**	205
Change in trade payables and other liabilities		**-2,729**	-1,433
Interest paid		**-2,746**	-3,160
Interest received		**86**	86
Income taxes paid		**-4,349**	-5,104
Net cash flow from operating activities		**-6,841**	-1,280
Cash flow from investments			
Investments intangible assets		**-65**	-220
Investments in property, plant and equipment		**-534**	-679
Proceeds from disposal of intangible and tangible assets		**48**	1,037
Proceeds from disposal of other securities		**35**	253
Interest received from investments		**73**	54
Net cash flow from investments		**-443**	446
Cash flow from financing activities			
Proceeds from share issue			5,372
Proceeds from borrowings		**28,781**	9,800
Repayments of borrowings		**-25,333**	-9,522
Payments of finance lease liabilities			-19
Net cash flow from financing activities		**3,448**	5,631
Change in cash and cash equivalents		**-3,836**	4,797
Cash and cash equivalents at beginning of period		**11,306**	6,708
Change in foreign exchange rates		**-898**	-200
Cash and cash equivalents at end of period	18	**6,572**	11,306

Accounting principles for the consolidated financial statements

Corporate information

Tecnotree is a global supplier of telecom IT solutions, providing products and services for charging, billing, customer care, and messaging and content services. Tecnotree has subsidiaries and branch offices in 14 countries.

The Group's parent company is Tecnotree Corporation, which is domiciled in Espoo, Finland and its registered address is Finnoonniitynkuja 7, 02770 Espoo. Tecnotree Corporation is listed on the NASDAQ OMX Helsinki (TEM1V). A copy of the consolidated financial statements can be obtained on the Internet at www.tecnotree.com or from the head office of the Group's parent company at Finnoonniitynkuja 7.

In its meeting on 28 February 2014 the Board of Directors of Tecnotree Corporation approved the publishing of these consolidated financial statements. According to the Finnish Limited Liability Companies Act, shareholders have the right to approve or reject the financial statements in the Annual General Meeting held after the publication of the financial statements. The Annual General Meeting also has the right to make a decision to amend the financial statements.

Accounting principles

Basis for Preparation

Tecnotree's consolidated financial statements have been prepared in accordance with the international financial reporting standards (IFRS) adopted by the EU, applying the IAS and IFRS standards and SIC and IFRIC interpretations in force on 31 December 2013. International Financial Reporting Standards, referred to in the Finnish Accounting Act and in ordinances issued based on the provisions of the Act, refer to the standards and to their interpretations adopted in accordance with the procedure laid down in regulation (EC) No 1606/2002 of the European Parliament and of the Council. The notes to the consolidated financial statements also conform to Finnish accounting and corporate legislation.

Tecnotree Oyj's consolidated financial statements for the year 2013 are prepared on a going concern basis. The previous years' losses of Tecnotree's business have weakened the financial position of the company. In 2013, Tecnotree reached agreement on the renewal of long-term financing and the operating profitability of the business improved. The company's management believes that the completed and planned actions for further improvement of the profitability and financial situation will be sufficient for preparing the financial statements on a going concern basis. The long-term forecasts are estimated in note 12 in connection with the goodwill impairment testing. The profitability is further improved by developing productivity and efficiency. The financial situation is being improved by boosting the turnover of trade receivables and by speeding up the payments of long-term projects. In case the above mentioned actions are not efficient enough, due to the risks associated with the company or other reasons, additional financing might be needed. A possible additional financing is planned to get achieved for example by using the authorisations of the Board of Directors to decide upon a share issue, by negotiating with possible new financiers or by a combination of these. The financial risks associated with the company's business are further disclosed in note 24 and in the report of the Board of Directors.

The consolidated financial statements are prepared on the historical cost basis, apart from the exceptions mentioned later in these accounting principles.

The financial statement information is presented in thousands of Euro. All figures presented are rounded, so the total of separate figures might differ from the total presented. The comparable figures presented in text sections are in brackets.

The Group has adopted the following new and amended standards starting from 1 January 2013:

- Revised IAS 19 Employee Benefits: The major changes are as follows: all remeasurement items (previously “actuarial gains and losses”) are immediately recognised in other comprehensive income, i.e. the corridor approach is no longer applied, and finance costs are calculated on a net funding basis. The amended standard has been applied retrospectively. The comparative information for the financial year 2012 has been adjusted in accordance with the amended standard. Further information is provided in note 21. The impacts of the adoption of IAS 19 have not been significant.
- New IFRS 13 Fair Value Measurement: IFRS 13 establishes a single source for all fair value measurements and disclosure requirements for use across IFRSs. The new standard also provides a precise definition of fair value. IFRS 13 does not extend the use of fair value accounting, but it provides guidance on how to measure fair value under IFRSs when fair value is required or permitted. IFRS 13 has expanded some notes to the consolidated financial statements.
- Amendments to IAS 1 Presentation of Financial Statements: The major change is the requirement to group items of other comprehensive income as to whether or not they will be reclassified subsequently to profit or loss when specific conditions are met. The amendments have only had an impact on the presentation of Group’s other comprehensive income.

Other amendments have not had an impact on the 2013 consolidated financial statements.

Use of estimates

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

Accounting principles for the consolidated financial statements

Subsidiaries

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

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

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

The parent company had no interests in joint ventures, nor investments in associated companies as at 31 December 2013 or 31 December 2012.

Foreign currency items

The result and financial position of a Group company are measured using the currency of the primary economic environment in which the entity operates (functional currency).

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

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

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

Property, plant and equipment

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

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

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

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

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

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

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

Intangible assets

Goodwill

Goodwill arising on a business combination is recognised as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree and any previously held equity interests in the acquiree, over the Group's share of the fair value of the identifiable net assets acquired.

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

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

Other intangible assets

An intangible asset is recognised only if it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group, and the cost of the asset can be measured reliably. Intangible assets that have finite useful lives are recorded in the balance sheet and amortisation is recognised in the income statement on a straight-line basis over the useful lives as follows:

- Intangible rights 3-10 years
- Capitalised development expenditure 3-5 years

Research and development costs

Research costs are charged to the income statement as incurred. Development costs for new products are capitalised when they meet the requirements of IAS 38 Intangible assets. They are amortised over the useful lives of the related products. In Tecnotree development costs are monitored on a project-by-project basis and the Group's management decides on the capitalisation separately for each project. In order to qualify for capitalisation the following criteria are to be met: the results of a project are of use to several customers, the contents, objectives and timetable of a project are documented and a profitability calculation is prepared. Capitalisation of product development costs that fulfil IFRS criteria starts when following requirements are met: a product's functional requirements and the plans for product industrialisation, testing and project are complete and have been approved as well as future economic benefits are expected from the product. The useful life of capitalised development expenditure is 3-5 years depending on the expected commercial life cycle, and they are amortised on a straight-line basis over this period from the start of commercial use. The consolidated balance sheet of 31 December 2013 did not include any capitalised product development costs.

Inventories

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

Leases

Leases are classified in accordance with the principles of IAS 17 as either finance leases or operating leases. A finance lease is defined as a lease in which the benefits and risks of ownership are substantially transferred to the lessee. An asset acquired under a finance lease agreement is recognised in the balance sheet at the lower of the fair value of the leased asset and the present value of the minimum lease payments at inception of the lease. Assets acquired under a finance lease, less accumulated depreciation, are recorded in property, plant and equipment and related obligations in interest-bearing financial liabilities, respectively. Lease payments are apportioned between the finance expense and the reduction of the outstanding liability. Depreciation on the assets acquired under a finance lease is recognised over the shorter of the depreciation period applied by the Group to comparable owned assets and the lease term. The Group did not have any assets acquired under a finance lease during the period 2013 or 2012.

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

Impairments of tangible and intangible assets

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

The recoverable amount is determined as the higher of fair value less costs of disposal or value in use. The value in use is the present value of the future net cash flows expected to be derived from the asset or the cash-generating unit. Impairment tests of Tecnotree are carried out based on the value in use at the cash-generating unit level.

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

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

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

Employee benefits

Pension benefits

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

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

In defined contribution plans the Group pays fixed contributions to a separate entity. The Group has not obligation to pay any additional contributions if the insurer is not able to pay the future employee benefits. Defined contribution plan expenses are recognised in the income statement on an accrual basis.

The obligation for defined benefit pension plans is calculated using the projected unit credit method. The pension obligation is discounted to determine its present value using interest rates for government bonds that have maturity dates approximating to the terms of the Group's pension obligation. The present value of the pension obligation is reduced by the fair value of the plan assets as of the end of the reporting period. The net defined pension liability (or asset) is recorded in the balance sheet.

Current service costs and net interest income or expense of the defined net liability is recorded in the income statement and presented as part of the employee benefit expenses. The remeasurement items of the defined net liability (or asset) are recorded in other comprehensive income in the period they occurred.

Past service costs are recorded as expense in the income statement at the earlier of the following dates: when the plan amendment or curtailment occurs, or when the entity recognises related restructuring costs or termination benefits.

Other long-term employee benefits

In addition to defined benefit plans, Tecnotree has other long-term employee benefits. They are presented separately from the defined benefit plans. The related benefits are such that personnel in certain subsidiaries or branch offices are entitled to receive cash compensation when employment ends. The related liability is recognised in the balance sheet.

Share-based payments – option programmes

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

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

Share-based payments – incentive programmes

Incentive programmes where the payments are made in part as parent company shares and in part as money, the benefits granted are recognised at current value at the time of payment and recognised in the income statement as a cost arising from employee benefits evenly throughout the accrual and commitment period.

Provisions and contingent liabilities

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

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

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of uncertain future events not wholly within the control of the entity. Such present obligation that probably does not require settlement of a payment obligation and the amount of which cannot be reliably measured is also considered to be a contingent liability. Contingent liabilities are disclosed in the notes to the financial statements.

Income tax

The income tax expense in the income statement consists of current tax, based on the taxable profit for the period and deferred tax. Current tax is calculated on the taxable profit using the tax rate and based on the tax legislation in force in each country. The resulting tax is adjusted by any tax relating to previous years. Tax effects related to transactions recognised in the income statement or other events are recognised in the income statement. If the taxes are related to items of other comprehensive income or to transactions or other events recognised directly in equity, income taxes are recognised within the respective items.

The parent company has changed its accounting practice for withholding taxes in 2013. Previously the parent company was credited in Finnish taxation with the withholding tax deducted at source from customer payments. Since the parent company has a large reserve of costs from previous years to be used in taxation, utilising withholding taxes in Finland has been put off to the future. For this reason, it was decided to record a provision for withholding taxes in the parent company's receivables, and this provision is included in accrued expenses and prepaid income. Additional information is disclosed in note 10.

Deferred tax is calculated using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for the goodwill which is permanently non-deductible or for the undistributed earnings of foreign subsidiaries to the extent it is probable that the difference will not reverse in the foreseeable future.

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

Revenue recognition

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

Construction Contracts

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

The stage of completion of a project is determined for each contract by the proportion of the estimated total contract costs accounted for by the costs incurred for work performed to date (cost-to-cost method). The revenue recognition for a project will start when the outcome of the project can be estimated reliably. The progress of a project is regularly monitored and is based on several factors including deliveries made or likely to be made, completion of customer obligations etc. Costs may include those that maybe incurred before receipt of formal customer order.

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

If the outcome of a project cannot be estimated reliably, revenue is recognised only to the extent of project costs incurred. This method of recognition is typically applied in first delivery projects for new products or when a delivery project contains a significant amount of customisation for individual customers. The margin on the project is recognised on final acceptance. This method of revenue recognition requires management estimates and judgment. Issues related to these are described later in the accounting principles section “Accounting principles requiring management judgments and key sources of estimation uncertainty”.

Construction work in progress is stated at the aggregate amount of revenue recognised less the invoiced amount. Project costs recognised in income statement include all costs directly related to the Group’s construction contracts and the allocation of fixed and production overheads.

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

Sale of products and services

Revenue from the sale of goods and services is recognised in accordance with IAS 18 Revenue. Revenue from the sale of goods is recognised when the significant risks and benefits of ownership have been transferred to the buyer and the amount of revenue can be measured reliably and it is probable that the related economic benefits will flow to the Group. Revenue from services is recognised when the services have been rendered and when a flow of economic benefits associated with the service is probable. Supplementary deliveries that are often sold separately such as maintenance, licences, training, documentation and spare parts are examples of goods and service deliveries. Revenue from fixed-term maintenance contracts is normally recognised over the contract period on a straight-line basis.

Definition of operating result and adjusted operating result

IAS 1 Presentation of Financial Statements does not define the term ‘operating result’. Tecnotree Group has defined it as follows: operating result is the net sum obtained after adding other operating income to net sales and then deducting purchasing costs adjusted by the change in stocks of finished products and work in progress, employee benefit expenses, depreciation, amortisation and any impairment losses, and other operating expenses. Changes in the fair values of derivative financial instruments entered into for hedging purposes are included in the operating result (Tecnotree does not apply hedge accounting). All other income statement items are presented below the operating result. Exchange rate differences are included in operating result if they arise from items related to business operations otherwise they are recognised in finance items.

The group’s adjusted operating result is the operating result before R&D capitalisation, amortisation of this and one-time costs. Events that occur only once or very seldom are recorded as one-time costs. These events can be for example business disposals, restructurings, impairment losses or legal proceedings. The last R&D amortisations were recorded in the 2013 period, thus no R&D capitalisations are included in the Group’s balance sheet as of 31 December 2013.

Non-current assets held for sale and discontinued operations

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

Financial assets and liabilities

Financial assets

The Group´s financial assets are classified in the following two categories: financial assets at fair value through profit or loss held for trading as well as loans and receivables. Financial assets are classified when originally acquired based on their purpose of use. All purchases and sales of financial assets are recognised on the transaction date. Recognition of financial assets takes place when the Group has lost the contractual right to cash flows or when it has substantially transferred the risks and rewards outside the Group.

The financial assets at fair value through profit and loss comprise assets held for trading that in the Tecnotree Group include the positive fair value of the currency derivatives and interest rate swaps.

Loans and receivables include trade receivables and other receivables measured at amortised cost less any impairment. The Group records impairment on trade receivables when there is objective evidence that the receivable will not be fully recoverable. Financial difficulties, probable bankruptcy and default or significant delays in payments of the debtor are evidence of the receivables being impaired. An impairment loss or its possible reversal is recorded in the income statement.

Bank deposits with maturities of more than 3 months are also classified as loans and receivables.

Cash and cash equivalents comprise cash in hand and at bank and other short-term bank deposits with maturities less than three months.

Financial liabilities

The Group’s financial liabilities are categorised into financial liabilities at fair value through profit and loss (foreign currency derivatives with negative fair values) and other financial liabilities (financial liabilities at amortised cost). Other financial liabilities comprise for example bank loans and trade payables of the Group. The financial liabilities are classified as current unless the Group has an unconditional right to postpone the payments more than 12 months from the reporting date. A financial liability (or part of the liability) is not derecognised until the liability has ceased to exist, that is, when the obligation identified in a contract has been fulfilled or cancelled or is no longer effective. Bank overdrafts are included within borrowings in current financial liabilities in the balance sheet.

Financial liabilities at fair value through profit or loss are recognised initially at fair value and subsequently at fair value at the end of each reporting period. Other financial liabilities are initially recognised at fair value adjusted by major transaction costs. Subsequent to initial recognition, these liabilities are stated at amortised cost calculated using the effective interest method.

Borrowing costs (mainly interest costs) directly attributable to the acquisition or construction of a qualifying asset are capitalised in the balance sheet as part of the carrying amount of the asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are recorded as expense in the period in which they incur.

Derivative financial instruments

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

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

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

Accounting principles requiring management judgments and key sources of estimation uncertainty

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

These estimates mainly relate to revenue recognition and the valuation of trade receivables and goodwill.

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

The Group tests goodwill at least yearly for impairment and evaluates indications of impairment as stated in the accounting principles above. The recoverable amount from the cash-generating units is determined using calculations that are based on value in use and require the use of estimates. These calculations require use of estimates to a significant extent. Impairment tests for 2013 are disclosed in note 12.

Application of new and amended IFRSs

Tecnotree has not yet adopted the following new and amended standards and interpretations already issued by the IASB but not effective on the reporting date 31 December 2013. The Group will adopt them as of the effective date or, if the date is other than the first day of the financial year, from the beginning of the subsequent financial year.

* = not yet endorsed for use by the European Union as of 31 December 2013.

- New IFRS 10 Consolidated Financial Statements (in the EU effective for financial years beginning on or after 1 January 2014)
- New IFRS 11 Joint Arrangements (in the EU effective for financial years beginning on or after 1 January 2014)
- New IFRS 12 Disclosures of Interests in Other Entities (in the EU effective for financial years beginning on or after 1 January 2014)
- IAS 28 Investments in Associates and Joint Ventures (revised 2011) (in the EU effective for financial years beginning on or after 1 January 2014)
- Amendments to IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (effective for financial years beginning on or after 1 January 2014)
- Amendments to IAS 36 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (effective for financial years beginning on or after 1 January 2014)
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (effective for financial years beginning on or after 1 January 2014)
- New interpretation IFRIC 21 Levies* (effective for financial years beginning on or after 1 January 2014)
- Amendments to IAS 19 Employee Benefits - Defined Benefit Plans: Employee Contributions* (effective for financial years beginning on or after 1 July 2014)
- Annual Improvements to IFRSs (2011-2013 cycle* and 2010-2012 cycle*, December 2013) (effective for financial years beginning on or after 1 July 2014)
- IFRS 9 Financial Instruments* (effective for financial years beginning on or after 1 January 2018)

Other new and amended standards and interpretations are not expected to have a significant impact on the consolidated financial statements when adopted.

1. Segment reporting

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

The result of the operating segment is the net of sum obtained after adding other operating income to the net sales and then deducting purchasing costs adjusted by the change in stocks of finished products and work in progress, and other operating expenses that can be allocated to the segments on a reasonable basis. Other segments include costs of product development and administration as well as other operating expenses that can't be directly allocated to the operating segments according to the IFRS 8 -standard. Most of the company's expenses are fixed by nature, and therefore considered not appropriate to allocate to the segments.

Tecnotree does not allocate its assets to the operating segments for the reporting purposes. For the purpose of impairment testing, the goodwill is allocated to the cash generating units according to how the synergy benefits are expected to arise, and other balance sheet items allocable on a reasonable basis according to the approved allocation principles.

Operatig segments 2013

EUR 1,000	**Americas**	**Europe**	**MEA**	**APAC**	**Other segments**	**Group total**
Net sales (external)	38,552	4,559	28,627	2,164		**73,901**
Segment result	20,008	1,780	19,589	375		**41,751**
Non-allocated items					-38,434	**-38,434**
Operating result before R&D capitalisation & amortisation and one-time costs						**3,317**
Product development amortisation					-1,715	**-1,715**
Operating result						**1,602**

Operatig segments 2012

EUR 1,000	Americas	Europe	MEA	APAC	Other segments	Group total
Net sales (external)	38,483	6,700	24,931	3,312		73,426
Segment result	14,610	3,186	14,490	1,261		33,548
Non-allocated items					-38,407	-38,407
Operating result before R&D capitalisation & amortisation and one-time costs						-4,859
Product development amortisation					-5,395	-5,395
One-time costs					-2,121	-2,121
Operating result						-12,375

Net sales from Finnish customers were EUR 906 thousand (1,689) and the total of all other countries EUR 72,995 thousand (71,736). Non-current assets located in Finland at the balance sheet date were EUR 2,767 (4,638) thousand, and in other countries a total of EUR 16,984 (20,488) thousand.

Information about major customers

EUR 1,000		**2013**		2012	
		Net sales	**% of the Group´s net sales**	Net sales	% of the Group´s net sales
Customer 1, operating segment:	Americas	**37,513**	**51%**	34,669	47%
Customer 2, operating segment:	MEA	**19,319**	**26%**	17,242	23%

2. Net sales

EUR 1,000	2013	2012
Revenue from contract work recognised by stage of completion	**23,943**	31,839
Revenue from maintenance and support	**29,635**	26,119
Revenue from goods and services	**20,323**	15,468
Net sales total	**73,901**	73,426
Order book for contract work	**34,844**	49,581
Order book for maintenance and support, goods and services	**10,191**	4,608
Order book total	**45,035**	54,189
Projects in progress:		
Cumulative revenue recognised for projects in progress	**42,078**	32,738
Cumulative invoicing for projects in progress recognised by stage of completion	**30,284**	21,289
Accrued income related to construction contracts, work in progress	**72,362**	11,449
Aggregate amount of costs incurred for projects in progress	**20,147**	13,042

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

3. Other operating income

EUR 1,000	2013	2012
Gains on disposal of tangible and intangible assets	12	64
Rental income	50	7
Other operating income total	62	71

4. Materials and services

EUR 1,000	2013	2012
Purchases during the period	**-8,355**	-10,390
Increase/decrease in inventories	**-9**	-205
Materials and supplies	**-8,364**	-10,595
External services	**-2,227**	-3,820
Materials and services total	**-10,591**	-14,415

5. Employee benefit expenses

EUR 1,000	2013	2012
Wages and salaries	**-28,923**	-29,758
Pension expenses, defined contribution plans	**-1,732**	-1,866
Pension expenses, defined benefit plans (note 21)	**-50**	-188
Incentive shceme expenses (note 20)	**-11**	-9
Other long-term employee benefit expenses (note 23)	**-552**	-25
Other employee benefits	**-3,355**	-3,560
Employee benefit expenses total	**-34,623**	-35,406

Information about management compensation is presented in note 28.

Average number of employees		
Finland	**88**	87
Ireland	**49**	56
Other Europe	**6**	7
India	**806**	801
Other East and Southeast Asia	**9**	15
Middle East	**36**	32
Latin America	**72**	72
Total	**1,067**	1,070

6. Depreciations, amortisations and impairment losses

EUR 1,000	2013	2012
Depreciations and amortisations by class of asset:		
Other intangible assets		
Capitalised development costs	**-1,715**	-5,395
Other intangible assets	**-820**	-939
Property, plant and equipment		
Buildings	**-279**	-279
Machinery and equipment	**-699**	-747
Depreciations total	**-3,513**	-7,360
Impairment losses by class of asset:		
Goodwill		-969
Other intangible assets		
Capitalised development costs		-376
Other intangible assets		-150
Property, plant and equipment		
Machinery and equipment		-27
Impairment losses total		**-1,523**
Depreciation, amortisation and impairment losses total	**-3,513**	**-8,883**

7. Other operating expenses

EUR 1,000	2013	2012
Subcontracting	**-2,243**	-1,576
Office management costs	**-4,441**	-5,060
Travel expenses	**-6,501**	-7,134
Impairment losses on receivables	**334**	-4,364
Agent fees	**-3,200**	-2,560
Rents	**-1,818**	-1,630
Professional services	**-4,030**	-4,102
Marketing	**-604**	-449
Other expenses	**-1,131**	-295
Other operating expenses total	**-23,634**	-27,169

After receiving payments from LapGreenN, a company owned by the Libyan government, EUR 1,112 thousand of the credit loss provision was reversed in the 2013 period. In addition, new impairment losses were recognised on trade receivables totalling EUR 154 thousand and on receivables related to construction contracts totalling EUR 623 thousand. In the comparative period 2012, impairment losses amounting to EUR 2,539 thousand were recognised on trade receivables from the Libyan government owned customer and EUR 1,336 thousand on trade receivables from another MEA based customer.

Auditors' fees

Audit	**-168**	-146
Tax consulting	**-27**	-44
Other services	**-21**	-21
Auditors' fees total	**-215**	-211

8. Research and development expenditure

EUR 1,000	2013	2012
Product development expenses incurred during the year	**-14,018**	-10,416
Amortisation of capitalised product development costs	**-1,715**	-5,395
Product development expenses recognised in income statement total	**-15,733**	-15,811

Product development expenses have not been capitalised since 2011. The last amortisations on capitalised product development costs were made in 2013. Product development expenses in relation to net sales and total expenses are disclosed in the Key figures section for five years.

9. Financial income and expenses

EUR 1,000	2013	2012
Financial income		
Change in value of interest rate swaps at fair value through income statement		173
Financial income from loans and receivables	**159**	127
Foreign exchange gains on loans and receivables and on financial liabilities at amortised cost	**5,051**	1,518
Financial income total	**5,210**	1,817
Financial expenses		
Interest expenses from financial liabilities at amortised cost	**-1,615**	-2,120
Interest expenses from interest rate swaps at fair value through income statement	**-278**	-236
Change in value of interest rate swaps at fair value through income statement	**-13**	
Other financial expenses	**-216**	-88
Foreign exchange losses on loans and receivables and on financial liabilities at amortised cost	**-563**	-700
Financial expenses total	**-2,684**	-3,144
Financial income and expenses total	**2,526**	-1,326

The exchange rate gains consist mainly of exchange rate differences from intragroup payables in the parent company. Items above the operating result include foreign exchange rate gains (net) of EUR 1,287 thousand in 2013 (EUR 2,536 thousand exchange rate losses (net) in 2012).

10. Income taxes

EUR 1,000	2013	2012
Current taxes	**-2,315**	-904
Withholding taxes paid abroad	**-2,755**	-2,968
Change in withholding tax provision * (note 23)	**-142**	
Taxes for previous accounting periods	**26**	-430
Change in deferred tax liabilities and deferred tax assets (note 14)	**-1,436**	996
Income taxes total	**-6,622**	-3,306

* The parent company has changed its accounting practice for withholding taxes. Previously the parent company estimated to get credited in Finnish taxation with the withholding tax deducted at source from customer payments. Since the parent company has a large reserve of costs from previous years to be used in taxation, utilising withholding taxes in Finland has been put off to the future. For this reason, it was decided to record a provision for withholding taxes in the parent company's receivables, and this provision is included in accrued expenses and prepaid income. This provision stood at EUR 1,841 million at the end of 2013 and at EUR 1,699 million at the beginning and end of 2012. The situation concerning the withholding taxes occurred already prior to the 2013 period, so consequently the company has retroactively adjusted the figures for retained earnings and accrued expenses and prepaid income in the 2012 balance sheet by EUR 1,699 thousand.

Reconciliation of effective tax rate

Income tax reconciliation between tax expense computed at statutory rates in Finland (2013 and 2012: 24,5 per cent) and income tax expense is presented below. Those deferred tax items, that are calculated using the statutory tax rate of the parent company, were derecognised before the approval of the change in statutory tax rate (from 24.5 % to 20 %, 1 Jan 2014), wherefore this change has not impacted the deferred taxes.

Profit before taxes	**4,128**	-13,701
Income tax using Finnish tax rates	**-1,011**	3,357
Effect of different tax rates applied to foreign subsidiaries	**-836**	-172
Non-deductible expenses and tax-free income	**944**	863
Withholding and income taxes paid abroad	**-2,755**	-3,000
Change in withholding tax provision	**-142**	
Taxes of prior periods	**26**	-430
Goodwill impairment losses		-238
Utilisation of previously unrecognised tax losses	**710**	241
Unrecognised deferred tax assets on tax losses		-242
Unrecognised deferred tax assets on research and development costs not deducted for tax purposes	**-2,222**	-2,994
Deferred tax liabilities on undistributed profits of a foreign subsidiary	**-1,198**	120
Other capital allowances	**-137**	-812
Taxes in income statement	**-6,622**	-3,306

11. Earnings per share

EUR 1,000	2013	2012

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

Result attributable to equity holders (EUR 1,000)	**-2,501**	-17,000
Weighted average number of shares during the year, adjusted to reflect the share issue for the comparative period (1,000 shares)	**122,551**	103,856
Basic earnings per share, (EUR/share)	**-0.02**	-0.16

In the calculation of diluted earnings per share, the weighted average number of shares is adjusted by the dilutive effect of converting all potential ordinary shares into shares. At the end of the comparative period, the Group had share option series with no dilutive effect since the fair value of the share was lower than the excercise price of the share options. At end of 2013, the Group had no share option series anymore.

Result attributable to equity holders of the parent company for calculating diluted earnings per share (EUR 1,000)	**-2,501**	-17,000
Weighted average number of shares during the year, adjusted to reflect the share issue for the comparative period (1,000 shares)	**122,551**	103,856
Weighted average number of shares for calculating diluted earnings per share (1,000 shares)	**122,551**	103,856
Diluted earnings per share, (EUR/share)	**-0.02**	-0.16

12. Intangible assets

Intangible assets 2013

EUR 1,000	**Goodwill**	**Product development costs**	**Other intangible assets**	**Total**
Acquisition cost 1 Jan	18,337	32,337	8,940	**59,614**
Exchange differences	-2,292		-633	**-2,925**
Additions			65	**65**
Disposals			-3,067	**-3,067**
Acquisition cost 31 Dec	16,045	32,337	5,306	**53,687**
Accumulated amortisations and impairment losses 1 Jan	-917	-30,622	-7,620	**-39,159**
Exchange differences	138		504	**642**
Accumulated amortisations on disposals			3,067	**3,067**
Amortisation during period		-1,715	-820	**-2,535**
Accumulated amortisations and impairment losses 31 Dec	-779	-32,337	-4,869	**-37,986**
Book value 31 Dec 2013	**15,266**		**436**	**15,702**

Intangible assets 2012

EUR 1,000	Goodwill	Product development costs	Other intangible assets	Total
Acquisition cost 1 Jan	19,192	32,337	8,976	60,505
Exchange differences	-855		-231	-1,087
Additions			220	220
Disposals			-24	-24
Acquisition cost 31 Dec	18,337	32,337	8,940	59,614
Accumulated amortisations and impairment losses 1 Jan		-24,851	-6,708	-31,559
Exchange differences	53		153	205
Accumulated amortisations on disposals			24	24
Amortisation during period		-5,395	-939	-6,334
Impairment losses during period	-969	-376	-150	-1,496
Accumulated amortisations and impairment losses 31 Dec	-917	-30,622	-7,620	-39,159
Book value 31 Dec 2012	17,420	1,715	1,320	20,454

Allocation of goodwill

The major part of the goodwill arose on the acquisition of the Lifetree company in 2009. For the purpose of impairment testing, goodwill has been allocated to the operating segments Europe, Middle-East and Africa, Asia and Pasific and Americas, which constitute cash generating units. The carrying value of goodwill (after impairment losses for the comparative period) is allocated as follows:

EUR 1,000	Europe	Middle-East and Africa	Asia and Pasific	Americas	Total
Goodwill 31 Dec 2013		**11,249**		**4,017**	**15,266**
Goodwill 31 Dec 2012		12,836		4,584	17,420

As a result of the impairment testing for the comparative period 2012, impairment losses totalling EUR 1,471 thousand were recorded, of which EUR 917 thousand on goodwill and EUR 554 thousand on other intangible and tangible assets. After recognition of these impairment losses, no goodwill is allocated to Europe and APAC regions.

Impairment testing

Goodwill impairment is tested at least at each balance sheet date and at any occurence of an indication that the goodwill or another asset may be impaired. The recoverable amounts of goodwill are determined based on value in use calculations. The cash flow forecasts rely on forecasts approved by the management. The forecasts cover a five-year period. The key variables in defining cash flows are the following:

Discount rate: The post-tax discount rate applied is 8.9 per cent (9.2 % in the 2012 testing) and correspondingly the pre-tax rate 11.4 per cent (11.7 % in the 2012 testing), determined by using the weighted average cost of capital (WACC). The decrease in the discount rate compared to the previous year is mainly due to decrease in the industry and general risk levels as well as decreased profit requirement used in the calculations.

Adjusted operating result: The adjusted operating result is based on the budget for 2014 and forecasts for the years 2015-2018 approved by the Board of Directors. The adjusted operating result in relation to revenues during the forecast period is estimated to remain at a level of 9 per cent (improve from 7 % to 9 % in the 2012 testing). The America and MEA markets are expected to grow, and Tecnotree's current and future products are expected to make the estimated growth of Tecnotree possible. The estimated profitability is especially based on an increase in revenue. The increase during the years 2013-2018 is based on a yearly average increase of 6.5 per cent (6.6 % in the 2012 testing).

Residual value growth rate factor: The residual value growth rate factor is 2.5 per cent (2.5 % in the 2012 testing). The management estimates the development of these factors based on internal and external views of the history and future of the industrial sector.

Sensitivity analysis of the impairment tests

In the goodwill impairment test, the sensitivity of the outcome is estimated through changes in key variables. The segment wise sensitivity analysis is presented in the table below. In the analyses, it is presented how many percentage points the used post-tax discounting rate, the terminal period adjusted operating result and the residual value growth rate factor should change, other variables remaining constant, that the estimated cash flow would match with the carrying amount of the tested assets on 31 Dec 2013. The sensitivity analysis were not made for the Europe and APAC regions because no goodwill was allocated to these segments.

31 Dec 2013	Middle-East and Africa 2013	Americas 2013	Middle-East and Africa 2012	Americas 2012
The change of discount rate (WACC), in percentage points	**3.1%**	**2.6%**	1.8%	2.9%
Change in adjusted operating result for terminal period, in percentage	**-44%**	**-39%**	-28%	-42%
Change in residual value growth rate factor, in percentage points	**-5.1%**	**-4.1%**	-2.7%	-4.8%
Amount by which the recoverable amount exceeds the carrying value, EUR 1,000	**11,708**	**10,178**	8,579	9,777

13. Property, plant and equipment

Property, plant and equipment 2013

EUR 1,000	**Land and water areas**	**Buildings**	**Machinery and equipment**	**Total**
Acquisition cost 1 Jan	1,142	7,534	33,674	**42,350**
Translation differences			-625	**-625**
Additions			534	**534**
Disposals			-13,913	**-13,913**
Acquisition cost 31 Dec	1,142	7,534	19,670	**28,346**
Accumulated depreciations and impairment losses 1 Jan		-5,606	-32,073	**-37,679**
Translation differences			438	**438**
Accumulated depreciation on disposals			13,876	**13,876**
Depreciation during period		-279	-654	**-932**
Accumulated depreciations and impairment losses 31 Dec		-5,885	-18,413	**-24,297**
Book value 31 Dec 2013	**1,142**	**1,649**	**1,258**	**4,049**

Property, plant and equipment 2012

EUR 1,000	Land and water areas	Buildings	Machinery and equipment	Total
Acquisition cost 1 Jan	2,069	7,534	33,402	43,004
Translation differences			-316	-316
Additions			679	679
Disposals	-927		-90	-1,017
Acquisition cost 31 Dec	1,142	7,534	33,674	42,350
Accumulated depreciations and impairment losses 1 Jan		-5,327	-31,599	-36,926
Translation differences			248	248
Accumulated depreciation on disposals			52	52
Depreciation during period		-279	-747	-1,026
Impairment losses during period			-27	-27
Accumulated depreciations and impairment losses 31 Dec		-5,606	-32,073	-37,679
Book value 31 Dec 2012	1,142	1,928	1,601	4,671

14. Deferred tax assets and liabilities

Deferred taxes 2013

EUR 1,000	1 Jan 2013	Translation differences	Recognised in income statement	31 Dec 2013
Deferred tax assets				
Capital allowances in the Ireland subsidiary	68		-26	**42**
Tax losses in the Ireland subsidiary	38		16	**54**
Capital allowances in the India subsidiary	1,300	-183	-137	**980**
Pension obligations and impairment provisions in the India subsidiary	1,109	-114	-599	**396**
Total	**2,515**	**-297**	**-746**	**1,472**
Deferred tax liabilities				
Capitalised development costs at group level and in taxation of the parent company	273		-273	
Undistributed profits of foreign subsidiaries	2,294	-468	1,198	**3,024**
Allocations of goodwill on business combination	234	-24	-201	**9**
Accumulated depreciation difference	34		-34	
Total	**2,835**	**-492**	**690**	**3,033**

Deferred taxes 2012

EUR 1,000	1 Jan 2012	Translation differences	Recognised in income statement	31 Dec 2012
Deferred tax assets				
Capital allowances in the Ireland subsidiary	109		-41	68
Tax losses in the Ireland subsidiary	15		24	38
Capital allowances in the India subsidiary	2,184	-72	-812	1,300
Pension obligations and impairment provisions in the India subsidiary	770	-63	401	1,109
Total	3,078	-134	-428	2,515
Deferred tax liabilities				
Capitalised development costs at group level and in taxation of the parent company	1,164		-892	273
Undistributed profits of foreign subsidiaries	2,543	-128	-120	2,294
Allocations of goodwill on business combination	500	-15	-251	234
Accumulated depreciation difference	194		-161	34
Total	4,402	-143	-1,424	2,835

Items for which the Group has not recognised a deferred tax asset

EUR 1,000	2013	2012
Product development costs		
Tecnotree's product development costs not deducted in its taxation *	**61,633**	53,116
Part of above that have been capitalised in the consolidated balance sheet	**-68**	-601
Deductible temporary difference for which no deferred asset has been recognised	**61,565**	52,515

*) Tecnotree Oyj has research and development costs not deducted in its taxation. The amount can be deducted over an indefinite period with amounts that the company may freely decide.

Other deductible temporary differences	**1,548**	1,081
Tax losses in Finland		2,277
Tax losses in Brazil	**1,963**	2,912
Items for which the Group has not recognised a deferred tax asset because of the uncertainty about utilising them, total	**65,076**	58,786
Undistributed profits of foreign subsidiaries, for which no deferred tax liabilities have been recognised since distribution is not likely in the forseeable future	**4,052**	16,097

15. Non-current receivables

EUR 1,000	2013	2012
Rent guarantees	**454**	304
Other non-current receivables	**326**	98
Non-current receivables total	**780**	402

16. Inventories

EUR 1,000	2013	2012
Materials and consumables	523	471
Work in progress	46	74
Finished products/goods	7	40
Inventories total	576	585

During the period the write-down of inventories to net realisable value amounted to EUR 372 (283) thousand.

17. Trade and other current receivables

EUR 1,000	2013	2012
Trade receivables related to construction contracts	**5,132**	16,064
Other trade receivables	**12,400**	6,161
Work in progress related to construction contracts	**11,794**	11,449
Finished work related to construction contracts	**5,707**	603
Other receivables based on delivery agreements	**1,746**	1,704
Current prepaid expenses and accrued income	**4,045**	3,226
Other current receivables	**281**	425
Trade and other receivables total	**41,106**	39,631

A large part of the trade receivables are from two major customers, which are disclosed in note 1 and under Credit risk in note 24. Impairment losses recorded during the period on trade receivables and other receivables related to construction contracts are disclosed in note 7.

EUR 2,234 thousand of the trade receivables and EUR 8,570 thousand of other receivables related to construction contracts are related to such long-term projects for which total income is pledged under the working capital credit facility agreement.

Fair values of receivables are disclosed in note 25.

Major items included in current prepaid expenses and accrued income

Valuation of currency derivatives	**175**	259
VAT receivables	**391**	541
Service tax receivables in india	**1,689**	591
Advance payments	**1,425**	1,092
Other prepaid expenses and accrued income	**365**	743
Total	**4,045**	3,226

18. Cash and cash equivalents

EUR 1,000	2013	2012
Bank deposits with maturities of more than 3 months	**589**	624
Investments total	**589**	624
Cash in hand and at bank	**6,572**	11,306
Cash and cash equivalents total	**6,572**	11,306

Part of the investments and cash and cash equivalents are located in countries from where the money cannot be freely transferred to other contries. The bank deposits with maturities of more than three months are located in Nigeria, and of the cash and cash equivalents an amount of EUR 1,158 thousand is located in Nigeria and EUR 765 thousand in Argentina.

19. Notes to the shareholders' equity

EUR 1,000	Number of outstanding shares (1,000 shares)	Share capital	Share premium fund	Own shares	Invested unrestricted equity reserve	Total
1 Jan 2012	73,496	4,720	847	-122	12,634	18,080
Share issue	48,997				5,372	5,372
31 Dec 2012	122,494	4,720	847	-122	18,007	23,452
Covering of loss					-12,555	-12,555
Disposal of own shares	70			63		63
31 Dec 2013	122,564	4,720	847	-59	5,452	10,961

Tecnomen Corporation has one single share series. The maximum number of shares is 182,628 (137,661) thousand. All the issued shares are fully paid.

Descriptions of funds in shareholders' equity

Share premius fund

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

Own shares

Own shares includes the aquisition cost of company shares held by the Group. On the reporting date, the number of company shares held by the Group was 64,704 (134,800 in 2012). During the period 70,096 own shares were used for management rewards. Own shares have been deducted from the number of shares when calculating per share ratios.

Reserve for invested unrestricted equity

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

Based on the authorisations granted by the Extraordinary General Meeting of 28 May 2012 and the Annual General Meeting of 28 March 2012, the Board of Directors of Tecnotree decided on 28 May 2012 on a rights offering such that the shareholders of Tecnotree had a pre-emptive right to subscribe for new shares in proportion to their current shareholding in Tecnotree. In the offering, altogether 48,997,451 new shares were offered for subscription, of which all were subscribed. The subscription price for the offer shares was EUR 0.12 per offer share and the subscription period was from 5 June 2012 to 19 June 2012. The proceeds from the rights offering amounted to EUR 5,880 thousand, which was recorded in the reserve for invested unrestricted equity less transaction costs related to the issue amounting to EUR 508 thousand.

Other reserves

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

Translation differences

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

Dividend

After the reporting date the Board of Directors has proposed that no dividend be paid for the financial year ended 31 December 2013. In 2013 no dividend was paid for the financial year that ended on 31 december 2012.

20. Share-based payment

Incentive scheme

At its meeting on 25 October 2011 the Board of Directors decided on an incentive scheme for key personnel. The scheme comprises three earning periods of one calendar year each, the calendar years 2012, 2013 and 2014. The Board decides on the earnings criteria and the targets for these before the start of each earning period. Any bonus in the scheme for the 2013 earning period was based on Tecnotree Group's earnings per share (EPS), adjusted operating result and the Company's volume weighted average share price in December 2013, as well as a requirement to purchase shares. EUR 11 (9) thousand was recorded in the profit and loss for 2013 for reward not based on targets and partly to be paid in shares. No reward accrued for the 2013 earning period based on the performance targets.

Share option programmes

In 2013, Tecnotree Group had only one effective option program as part of the system to motivate and retain the key personnel. The option programs were approved by the Annual General Meeting in 2006 and 2009. Option rights were issued to the key personnel of Tecnotree Group by the decision of the Board of Directors in accordance with the terms of the option programs. The options were equity-settled. In addition to a condition of remaining in employment, the start of the exercise period of the maximum of two thirds of the option rights 2009B and 2009C was conditional upon the revenue and profitability targets determined by the company's Board of Directors.

The fair value of the options granted were valued using the Black-Scholes formula at their grant date and they were recorded as an expense in the income statement during the vesting period. The payments received for the share subscriptions were recognised in full in the reserve for invested unrestricted equity. In 2013 and 2012, no options were exercised and the options had no impact on the income statement.

	Share options 2006	**Share options 2009**	
Basic terms of share-based payments programs	**2006C**	**2009B**	**2009C**
Date of the Annual General Meeting	3/15/2006	3/19/2009	3/19/2009
Grant dates	3/9/2011	5/7/2009	5/7/2009
Maximum numner of share options *	667,000	2,394,013	3,732,950
Number of granted options *	667,000	1,408,206	2,203,189
Number of exercisable shares per option	1	1	1
Original exercise price	1.12 €	0.86 €	0.86 €
Dividend adjustment	Yes	Yes	Yes
Exercise price 31 Dec 2011	0.98 €	0.86 €	0.86 €
Exercise price 31 Dec 2012 *	Expired	Expired	0.675 €
Exercise price 31 Dec 2013	Expired	Expired	Expired
Exercise period started	4/1/2009	4/1/2010	4/1/2011
Exercise period ended	4/30/2012	3/31/2012	3/31/2013
Agreed term of validity, years	6.1	3.0	4.0
Term to maturity, years	Expired	Expired	Expired

* Due to the share issue carried out during 2012 and in accordance with the terms and conditions of the 2009 option program, the Board of Directors decided to increase the number of shares to be subscribed with the 2009C time based options by multiplying the number of shares to be subscribed by 1.2745. The Board of Directors further decided to reduce the subscription price for the 2009C time based options by the same factor, 1.2745, from EUR 0.86 to EUR 0.675. After this increase, altogether 3,732,950 stock options remained on 31 December 2012 of all the company's stock options in circulation.

Changes in options during the period and weighted average exercise prices

2013	Share options 2006 2006C		Share options 2009 2009B		2009C	
	Number of options	Exercise price, EUR	Number of options	Exercise price, EUR	Number of options	Exercise price, EUR
Number of options 1 Jan					2,203,189	0.675
Exercisable number of options 1 Jan					2,203,189	0.675
Expired options					2,203,189	
Number of options 31 Dec						
The trade-weighted average price during January - March 2013, EUR					0,18	

2012	Share options 2006 2006C		Share options 2009 2009B		2009C	
	Number of options	Exercise price, EUR	Number of options	Exercise price, EUR	Number of options	Exercise price, EUR
Number of options 1 Jan	647,000	0.98	1,408,206	0.86	1,917,511	0.675
Exercisable number of options 1 Jan	647,000	0.98	1,408,206	0.86	1,917,511	0.675
Granted options					285,678	
Expired options	647,000		1,408,206			
Number of options 31 Dec					2,203,189	0.675
Exercisable number of options 31 Dec					2,203,189	0.675
The trade-weighted average price during the exercise period, EUR *	0,38		0,40		0,22	

* The trade-weighted average price of the Tecnotree Oyj's share for January - April (2006C), January - March (2009B) and the whole year 2012 (2009C).

21. Pension obligations

The Group has one defined benefit pension plan in India, including the whole personnel of the Indian subsidiary. The pension plan constitute the obligatory pension and termination benefits for the employees, and the amount of the plan benefit is based on final salary and number of years in service. The obligations and assets of the pension plan are valued in accordance with IAS 19R, but the disclosures do not meet all requirements in IAS 19R.

EUR 1,000	2013	2012
Defined benefit liability in the balance sheet:		
Present value of funded obligations	**447**	481
Fair value of plan assets (-)	**-208**	-254
Surplus (-) / Deficit (+)	**239**	228
Net liability (+) / net asset (-) in the balance sheet	**239**	228
Recociliation of the changes in balance sheet		
Net liability (+) / net asset (-) in the balance sheet in the beginning of the period	**228**	60
Pension expense recognised in profit and loss	**50**	188
Contributions by the employer		-34
Translation differences	**-39**	14
Net liability (+) / net asset (-) in the balance sheet at the end of the period	**239**	228
Defined benefit expense in profit and loss		
Current service cost	**88**	98
Interest income (-) and expense (+), net	**21**	20
Recognised actuarial gains (-) / losses (+)	**-59**	70
Pension expense recognised in profit and loss (note 5)	**50**	188
Change in the defined benefit obligation:		
Defined benefit obligation in the beginning of the period	**481**	359
Current service cost	**80**	93
Interest cost	**31**	39
Remeasurement items:		
Actuarial gains (-) / losses (+) arising from changes in financial assumptions	**-66**	110
Translation differences	**-72**	-19
Payments from the plan:		
Benefits paid (-)	**-7**	-102
Defined benefit obligation at the end of the period	**447**	481
Change in plan assets:		
Plan assets in the beginning of the period	**254**	299
Interest income	**12**	21
Remeasurement items:		
Return on plan assets excluding amounts included in interest income (+/-)	**-13**	17
Translation differences	**-38**	-16
Contribution payments:		
By the employer (+)		34
Payments from the plan:		
Benefits paid (-)	**-7**	-102
Plan assets at the end of the period	**208**	254

	2013	2012
Actuarial assumptions at the reporting date	%	%
Discount rate	**9.3**	8.1
Future salary increases, first year	**10.0**	10.0
Future salary increases, thereafter	**7.0**	7.0

Assumed normal retirement age is 60 years. The turnover of the employees is assumed to decline evenly in line with the growing age, being 1 % for over 55 year olds and 15 % for under 30 year olds. Assumptions concerning mortality are made in accordance with the actuary's instructions and they are based on statistics and experience.

There is no information available on plan assets because they are commonly invested by the incurance company.

Contributions to be paid in year 2014 are expected to be EUR 23 thousand. The estimated term of the benefit obligation is 10.5 years.

Sensitivity analysis

The sensitivity analysed below is calculated all other factors remaining unchanged.

EUR 1,000		
Change in discount rate, percentage points	**+1%**	**-1%**
Impact on the defined benefit obligation	**-42**	**51**
Change in future salary increases, percentage	**+1%**	**-1%**
Impact on the defined benefit obligation	**37**	**-35**

22. Interest-bearing liabilities

EUR 1,000	2013	2012
Loans from financial institutions, non-current	**20,681**	
Loans from financial institutions, current (next 12 months repayments)	**1,100**	13,333
Credit facility to financing working capital, current	**10,000**	5,000
Other credit facilities, current		10,000
Interest-bearing liabilities total	**31,781**	28,333

At the end of the period, Tecnotree had a new long-term loan of EUR 21,781 thousand as well as a fully used credit facility of EUR 10,000 thousand to finance working capital. The credit facility is long-term in nature and in force until 30 June 2018, but is based on financing individual customer receivables. Financing taken under the credit facility falls due on payment of the receivables for which they were taken, but is renewed by financing new receivables. The covenants for the financing agreement involve testing semi-annually Tecnotree's key figures. The covenants and the repayments and interest payments are disclosed in more detail in note 24 under Liquidity risk. According to the loan agreement the loans falls due if there is a change in control of Tecnotree or the company is delisted.

At the end of 2012, the previous financial arrangement with the bank was ending during 2013, so the EUR 13,333 thousand loan and the EUR 15,000 thousand credit facility in use were current liabilities.

23. Trade payables and other liabilities

EUR 1,000	2013	2012
Non-current non-interest bearing liabilities		
Other long-term employee benefits (note 5)	**697**	200
Non-current non-interest bearing liabilities, total	**697**	200
Trade payables and other liabilities		
Trade payables	**2,430**	3,734
Accrued liabilities and deferred income	**10,267**	11,428
Other liabilities	**1,303**	897
Current provisions *		787
Trade payables and other liabilities total	**14,000**	16,847
Accrued liabilities and deferred income		
Accrued personnel expenses	**3,036**	3,465
Accrued agent fees	**1,878**	1,861
Withholding tax provision (note 10)	**1,841**	1,699
Accrued interest fees	**144**	785
Valuation of currency derivatives	**71**	233
Valuation of interest rate swap	**293**	279
Other accrued liabilities and deferred income **	**3,004**	3,106
Total	**10,267**	11,428

* Current provisions for 2012 included the following items:
In the Europe segment, a provision of EUR 135 thousand was recognised for the costs rising on a customer project. The provision was fully used during 2013.
Restructuring provision of EUR 652 thousand due to recutions in personnel in Finland and Ireland during 2012. The provision was fully used during first half of 2013.

** The other accrued liabilities and deferred income include other expense accruals.

24. Financial risk management

Risk management principles

The task of risk management is to identify, manage and track the major risks in the Group's business and business environment to enable the Group to achieve its strategic and financial goals in the best possible way. The responsibilities of the Audit Committee include ensuring that the Group has adequate internal monitoring system in place. Group's policy for hedging against risks is approved by the Board of Directors and the Group's financial director is responsible for implementing it in practice. The objective of the Group's financial risk management is to minimise the effects of volatility for recognised major market risks on the Group's result and balance sheet. Tecnotree Group does not apply hedge accounting as defined under IAS 39.

Risk management organisation

The risk management process is supported by the Management Board, who handles risks and risk management in its meetings on a regular basis. CEO reports the major risks to the Audit Committee.

The Group's financial management is responsible for managing foreign exchange, interest rate and liquidity risks and for taking out insurance against operational risks according to the guidelines set by the Board.

Capital management

Tecnotree's objective for capital management is to ensure cash sufficiency and support Group's growth targets. Additionally, with capital management the Group is ensuring the operational precondition in capital markets during all conditions irrespective of industry's market volatility. The key ratio in monitoring the development of Group's capital structure is equity ratio, which is calculated by dividing equity with total balance sheet less advances reveiced. This target for this measure of capital structure is an increase to 45 per cent in year 2017.

At the end of the period, Tecnotree had a new long-term loan of EUR 21,781 thousand as well as a fully used credit facility of EUR 10,000 thousand to finance working capital. The credit facility is long-term in nature and in force until 30 June 2018, but is based on financing individual customer receivables. Financing taken under the credit facility falls due on payment of the receivables for which they were taken, but is renewed by financing new receivables.

Components of equity ratio

EUR 1,000	2013	2012
Equity at the end of period	**21,710**	32,835
Balance sheet total	**71,638**	81,755
Advances received		
Total balance sheet less advances reveiced	**71,638**	81,755
Equity ratio	**30.3%**	40.2%

Liquidity risk

The Group seeks to constantly assess and monitor the amount of liquid funds to ensure the sufficient amount of funding needed to finance the business.

On the reporting date, the Group's cash and cash equivalents were EUR 6,572 (11,306) thousand, and bank deposits with maturities over 3 months were EUR 589 (624) thousand. Part of the investments and cash and cash equivalents are located in countries from where the money cannot be freely transferred to other contries. These are disclosed in note 18.

On 30 August 2013 Tecnotree reached agreement with its bank on the renewal of the company's loan financing. The financing is in force until 30 June 2018 and it comprises a long-term loan of EUR 21,781 thousand and a credit facility of EUR 10,000 thousand to finance working capital. In addition, the company received a EUR 2,000 thousand bank guarantee limit, which the company has not had before. The company had no unused credit facilities. The semi-annual repayments of the long-term loan are EUR 1,100 thousand, starting on 31 December 2014, and the balance EUR 14,081 thousand is due on 30 June 2018.

The credit facility to finance working capital requires project receivables as warranty. A maximum of 70 % of the receivables is financed. The use of this finance is limited to the largest customers in certain counties and obtaining a legal opinion is a requirement.
The credit facility is in force until 30 June 2018 and so long-term in nature, but is based on financing individual customer receivables. Financing taken under the credit facility falls due on payment of the receivables for which they were taken, but is renewed by financing new receivables.

The company had all its credit facilities in use at the end of 2013. The cash flow varies considerably from one quarter to another, which at times makes the cash supply tight. The risk exists that the company will have to postpone payment of expenses. The financing agreement described above contains six different covenants, by which key figures for EBTDA, cash flow and equity are tested semi-annually, overdue receivables monthly and capital expenditure annually. The terms of three covenants become tighter as the loan period progresses. If a condition for a covenant is not met, the financier is entitled to demand immediate payment of the loans taken. Previously in similar situations the company has succeeded in negotiating an agreement with its financier under which it has not needed to repay the loans prematurely. In the 2013 accounts, two covenants were very close to breach.

Maturity analysis of financial liabilities is presented in the table below. The figures are presented in gross amounts.

2013	**Balance sheet value**	**Cash flow**	**Less than 3 month**	**3-12 months**	**1-3 years**	**Over 3 years**
Loans from financial institutions	**21,781**	**21,781**		**1,100**	**4,400**	**16,281**
Interest payments on the loans		**4,804**	**315**	**964**	**2,205**	**1,319**
Credit facilities in use	**10,000**	**10,000**		**10,000**		
Interest payments on the credit facilities		**91**	**23**	**68**		
Trade payables	**2,430**	**2,430**	**2,430**			
Derivative liabilities	**364**	**364**	**364**			
Total	**34,575**	**39,470**	**3,132**	**12,132**	**6,605**	**17,601**

2012	Balance sheet value	Cash flow	Less than 3 month	3-12 months	1-3 years	Over 3 years
Loans from financial institutions	13,333	13,333	1,111	12,222		
Interest payments on the loans		1,073	103	971		
Credit facilities in use	15,000	15,000		15,000		
Interest payments on the credit facilities		499		499		
Trade payables	3,734	3,734	3,734			
Derivative liabilities	513	513	513			
Total	32,580	34,153	5,461	28,692		

Credit risk

Credit risk arises from the potential failure of counterparty to meet its contractual payment obligations. The amount of risk depends on the creditworthiness of the counterparty. The total amount of credit risk inherent to financial instruments, i.e. the total carrying amount of financial assets on the reporting date, was EUR 24,867 (34,414) thousand. The financial assets are specified in note 25. The most significant separate item of credit risk is the trade receivables.

The credit quality of customers is regularly monitored by the finance department together with sales management, using data on payment history and reports from external sources. Credit rating checks are made on new customers before confirming an offer. The procedure for granting of credit for new customers or customers from countries with high risk rating requires always the acceptance of Group CFO. Tecnotree has not arranged financing for customers with third parties.

Tecnotree's largest customers are much bigger businesses than the Group itself. The relationship between the Group and its major customers is one of interdependence, which poses a potential risk but also offers significant new business opportunities. The two largest customers accounted for 77 % of net sales in 2013 (disclosed in note 1) and for 60 % of the trade receivables at the end of 2013. These customers are large listed companies which credit ratings in February 2014 were A2 and Baa2 respectively according to Moody's rating. In addition, the customers of Tecnotree are mainly in developing markets, with consequenses such as currency transfer regulations and limitations, exchange rate fluctuations and other politic and financial challanges.

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

Analysis of trade receivables by age

EUR 1,000	2013	2013
Undue trade receivables	**7,659**	3,859
Trade receivables 1-90 days overdue	**3,295**	7,575
Trade receivables 91-360 days overdue	**2,224**	9,742
Trade receivables more than 360 days overdue	**4,355**	1,050
Total	**17,532**	22,225

Project deliveries result in large accounts receivable. Most of Tecnotree's net sales comes from developing countries and some of these contain political and economic challenges. There is the risk of a considerable delay in the payment of invoices in these countries and that Tecnotree will have to record credit losses. The payment record of customers and the situation concerning trade receivables are actively monitored and credit rating checks are made on new customers before confirming an offer. During the period, new impairment losses of EUR 154 thousand were recorded for over one year overdue trade receivables. After receiving payments from LapGreenN, a company owned by the Libyan government, EUR 1,112 thousand of the credit loss provision was reversed in the 2013 period. At the end of the comparative period 2012 the impairment provision for this customer was EUR 7,590 thousand and for another MEA region based customer EUR 1,336 thousand. The above analysis of trade receivables by age shows net trade receivables, thus after recognition of impairment losses.

Market risks

Currency risk

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

Transaction risk

The Group's open currency position comprises foreign currency denominated, sales related balance sheet items, cash and cash equivalents balance, currency denominated order backlog and binding currency denominated purchase and sales contracts. On the reporting date, the open US dollar position was EUR 54,745 (68,929) thousand.

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

In 2013, 20 per cent of external invoicing was in Euros, 68 per cent in US dollars, 4 per cent in Brazil Reals, 4 per cent in Argentinian Pesos and 4 per cent in other currencies. The Group is hedging the open US dollar currency position. The Group does not hedge the open BRL currency position, partly because of local currency restrictions and high cost of hedging. Sales in BRL and purchases related to them form adequate operative hedging and therefore hedging instruments are not used. The open INR currency position is hedged when it is seen necessary. On the reporting date, the Group had no such INR hedges. The Group does not hedge the other currency positions, since they are not significant.

Currency risks can also arise on intragroup currency positions. The Indian subsidiary has intragroup receivables denominated in EUR, on which exchange rate differences amounting to EUR 2,907 thousand arose due to devaluation of Indian Rupies. Also the intragroup liabilities denominated in BRL held by the parent company gave rise to exchange rate differences of EUR 700 thousand in 2013. Intragroup currency positions are not hedged. A weakening / strengthening of 10 per cent of the Indian Rupie would have had an impact of EUR 1,428 / -1,428 (853 / -853) thousand on the Group's result after taxes, all other factors remaining unchanged.

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

The Group is hedging the US dollar currency denominated cash flow position for a maximum period of 12 months for 50-100 per cent of the net position. Hedging is carried into effect with foreign exchange forwards and options. On the reporting date, 40 per cent (49%) of the open currency position was hedged. Due to the high USD denominated order backlog, the hedged part has been held on a low level.

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

Sensitivity analysis for market risks

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

EUR 1,000	Note	**2013 USD**	2012 USD
Current assets			
Trade and other receivables	17	**16,331**	17,115
Other receivables related to construction contracts	17	**15,122**	13,047
Cash and cash equivalents	18	**3,090**	4,343
Currency derivatives	23	**-798**	-1,327
Total current assets		**33,744**	33,178
Nominal value of currency derivatives	17, 23	**-21,753**	-29,559
Total current liabilities		**11,991**	3,619

In the sensitivity analysis below, the effect of strengthening and weakening of the USD exchange rate against EUR is presented with all other factors remaining unchanged. Analysis is performed only for the assets and liabilities denominated in USD as the transaction risk inherent to external financial assets and liabilities in other currencies is insignificant. The analysed change in the exchange rate represents a possible volatility of the currency during a 12-month period. The resulted effect in the analysis stems largely from the USD denominated trade receivables and from cash and cash equivalents. Fluctuation in exchange rates has no direct effect on equity as the Group does not apply hedge accounting.

EUR 1,000	**2013 USD**	**2013 USD**	2012 USD	2012 USD
Change in percentage	**-10%**	**+10%**	-10%	10%
Effect on the result after taxes	**-1,361**	**2,148**	-1,412	2,635

Translation risk

Tecnotree India and its subsidiaries are consolidated into Tecnotree Group as from 6 May 2009, and the Group is therefore exposed to the risks incurred when the net investments denominated in INR are translated into Euro, the functional currency of the parent company. On the reporting date, the open translation risk for the Indian subgroup was EUR 43,439 (45,932) thousand. This net investment is not hedged, mainly because of local currency restrictions and high cost of hedging. The sensitivity for translation risk was analysed by determining the effects of 10 percent strengthening and weakening of the INR exchange rate against EUR, all other factors remaining unchanged.

	2013		2012	
EUR 1,000	**INR**	**INR**	INR	INR
Change in percentage	**-10%**	**+10%**	-10%	+10%
Effect on the result after taxes	**-442**	**540**	209	-256
Effect on equity	**-3,949**	**4,827**	-4,176	5,104

During 2013 Indian Rupie weakened 17.6 per cent compared to Euro, INR/EUR rate being 85.366 at the end of 2013 and 75.56 at the end of 2012. This gave rise to a negative translation difference in the Group's equity amounting to EUR 6,713 thousand.

The exposure for translation risk related to net investments in other foreign subsidiaries is not significant and is therefore neither hedged nor analysed for sensitivity. On the reporting date, the open translation risk position for the Brazilian subsidiary was EUR 6,107 (7,601) thousand, for the Argentine subsidiary EUR 713 (562) thousand, for the Malaysian subsidiary EUR 590 (2,640) thousand and correspondingly for the new subsidiary in the United Arab Emirates EUR 4 thousand. The change in translation difference in equity caused by fluctuations in exchange rates for these subsidiaries was EUR -1,939 (-870) thousand.

Interest rate risk

The Group's interest rate risk management focuses on the optimal management of liquid funds in sense of profitability and safety and interest rate risk management of bank loans.

On the reporting date, bank loans totalled EUR 31,791 (28,333) thousand consisting of EUR 21,781 (13,333) thousand bank loan and EUR 10,000 (15,000) thousand fully used credit facilities. On the reporting date, a little under half of the bank loans were hedged against interest risk, thus changed to fixed-interest. The interest rate risk of the hedged portion is limited to the fair value adjustments of the hedging instruments.

The majority of liquid funds are invested in short-term bank deposits and short-term interest funds in which the maturity is not more than three months. On the reporting date, the Group held such investments amounting to EUR 589 (624) thousand.

Interest rate sensitivity was analysed by determining the effects of one percentage unit's change in the interest rates on the Group's interest-bearing financial instruments on an annual level. The analysis included all the significant interest-bearing financial instruments of the Group totalling EUR 24,621 (16,406) thousand debt. On the reporting date, an increase / a decrease of one percentage unit in the interest rates would have decreased / increased the net income after tax by EUR -155 / 155 (-128 /128) thousand. Changes in interest rates would not have had a direct effect on equity. The effect of an increase and a decrease in the interest rates is presented with all other factors remaining unchanged.

Price risk

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

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

2013	Note	Financial assets/ liabilities at fair value through income statement	Loans and receivables	Financial liabilities measured at amortised cost	Carrying amounts by balance sheet item	Fair value
Current financial assets						
Trade and other receivables	17		17,532		**17,532**	**17,532**
Derivative assets	17	175			**175**	**175**
Investments	18		589		**589**	**589**
Cash and cash equivalents	18		6,572		**6,572**	**6,572**
Carrying amount by category		**175**	**24,692**		**24,867**	**24,867**
Non-current financial liabilities						
Non-current interest-bearing liabilities	22			20,681	**20,681**	**20,681**
Carrying amount by category				**20,681**	**20,681**	**20,681**
Current financial liabilities						
Current interest-bearing liabilities	22			11,100	**11,100**	**11,100**
Trade and other payables	23			2,430	**2,430**	**2,430**
Derivative liabilities	23	364			**364**	**364**
Carrying amount by category		**364**		**13,530**	**13,894**	**13,894**

2012	Note	Financial assets/ liabilities at fair value through income statement	Loans and receivables	Financial liabilities measured at amortised cost	Carrying amounts by balance sheet item	Fair value
Current financial assets						
Trade and other receivables	17		22,225		22,225	22,225
Derivative assets	17	259			259	259
Investments	18		624		624	624
Cash and cash equivalents	18		11,306		11,306	11,306
Carrying amount by category		259	34,155		34,414	34,414
Non-current financial liabilities						
Non-current interest-bearing liabilities	22					
Carrying amount by category						
Current financial liabilities						
Current interest-bearing liabilities	22			28,333	28,333	28,333
Trade and other payables	23			3,734	3,734	3,734
Derivative liabilities	23	513			513	513
Carrying amount by category		513		32,068	32,580	32,580

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

Fair value hierarchy

Items measured at fair value or for which fair value is disclosed in the financial statements, are categorised using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy includes the levels 1-3. Level 1: Quoted prices in active markets for identical assets or liabilities. Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. Level 3: Inputs for the asset or liability that are not based on observable market data.

Items measured at fair value or for which fair value is disclosed in the financial statements, are categorised into hierarchy level 2. During the reporting period, there were no transfers between the hierarchy levels.

Values of underlying instruments of derivative contracts

		2013		2012	
EUR 1,000	Note	**Value of underlying instruments**	**Fair value**	Value of underlying instruments	Fair value
Derivative assets					
Currency derivatives	17	**21,483**	**175**	29,453	259
Derivative assets total			**175**		259
Derivative liabilities					
Currency derivatives	23	**22,569**	**71**	35,897	233
Interest rate swaps	23	**14,521**	**293**	13,333	279
Derivative liabilities total			**364**		513

26. Operating leases

EUR 1,000	2013	2012
Group as lessee		
Minimum lease payments of the non-cancellable operating leases are as follows:		
Muut vuokrasopimukset		
Less than one year	**425**	461
Between one and five years	**272**	221
Total	**696**	682

The Group has leased office equipment, office facilities and company cars. The leases typically run for one to three years and normally they include an option to continue the lease agreement after the original ending date. The index, terms of renewal and other conditions in different agreements may vary. EUR 1,818 (1,630) thousand was recognised as an expense in the income statement in respect of operating leases.

27. Contingent liabilities

EUR 1,000	2013	2012
On own behalf		
Real estate mortgages	**4,400**	4,400
Corporate mortgages	**45,336**	42,336
Guarantees	**301**	519
Total	**50,037**	47,255
Other contingent liabilities		
Desputed income tax liabilities in India	**364**	682
Total	**364**	682

In addition, the parent company’s shares in the Indian subsidiaries are pledged. These shares have a book value of EUR 35,418 thousand in the parent company. The net assets of the Indian subsidiaries in the consolidated balance sheet are EUR 44,117 thousand.

Due to the uncertainty related to the income tax dispute the Group has not recognised a provision.

The liabilities, for which the mortgages have been given, consist of the parent company's loans from financial institutions totalling EUR 31,781 thousand.

Pledged trade and other receivables are disclosed in note 17.

Legal proceedings

An action was brought against Tecnotree at the start of the year by Atul Chopra and and his related party Aparna company, in a court of arbitration in Singapore, claiming that Tecnotree has failed to honour the Settlement Agreement dated 21 February 2011 reached with Atul Chopra. Atul Chopra and Aparna are claiming indemnity of about EUR 1.1 million. This claim is mainly unprovided for in the Group's accounts. Tecnotree denies the claims presented by Atul Chopra and is initiating legal action in order to protect its rights. The proceedings are in progress in the court of arbitration.

28. Related party transactions

The Group's related parties include the subsidiaries, the members of the Board of Directors and the Management Board, the CEO and the close family members of the preceding persons, as well as those entities in which these people have control. According to the Finnish Securities Markets Act, a controlled entity is an entity in which a shareholder, a member or another person exercises the control referred to in the Act.

In 2012, Tecnotree raised a variable-interest short-term working capital finance loan with market-based conditions of EUR 350 thousand from certain shareholders of the company included under related parties. The loans were entirely repaid in the same year. Except for these loans and ordinary intra-group transactions, the Group has not entered any significant transactions with, granted any loans to or made any other comparable arrangements with related parties during 2013.

EUR 1,000	**2013**	2012
Compensation to management		
Salaries, fees and other short-term employee benefits	**-1,613**	-1,457
Termination benefits	**-319**	
Share based compensations	**-11**	-9
Compensation to management total	**-1,942**	-1,465

Salaries and fees

Ilkka Raiskinen, CEO as from 28 May 2013	**-184**	
Kaj Hagros, President and CEO unti 28 May 2013	**-586**	-418
Members of the Board of Directors:		
Harri Koponen, Chairman of the Board	**-66**	-51
Pentti Heikkinen, Vice Chairman of the Board as from 28 May 2013	**-36**	-23
Ilkka Raiskinen, Vice Chairman of the Board until 28 May 2013	**-18**	-31
Johan Hammarén	**-31**	-25
Tuija Soanjärvi, as from 28 March 2012	**-34**	-17
Christer Sumelius	**-29**	-25
Hannu Turunen, former member of the Board	**-8**	-24
David K. White, former member of the Board		-8

The company considers the management to include members of the Boars of Directors, the CEO and the other members of the Management Board. 76 (68) per cent of the fees to the Board of Directors has beed settled in shares of Tecnotree Oyj.

The retiment age of the CEO is 60 years. The period of notice of the CEO’s contract is 6 months from the time of resignation and from 0 to 6 months’ period of notice from the company, at the company’s discretion. Salary is paid for the period of notice and, in the case of notice given by the company, an additional compensation equal to 12 months’ salary will be paid. The company can terminate the contract of the CEO with immediate effect, without a separate compensation, if the CEO has materially breached his CEO contract, convicted guilty to a crime or otherwise caused substantial damage to the company. If a new shareholder becomes owner of more than 50% of the shares of the company or more than 50% of the assets of the company are transferred to a new owner, the CEO can give a 3 months’ notice and he is entitled to a compensation equal to 6 months’ salary.

At the end of the period, the Group had no effective option series anymore. The exercise period for the last effective option series 2009C ended on 31 March 2013. The members of the Management Board were granted 77 775 2009C share options in 2012 based on the share issue. At the end of 2012, the members of the Management Board held a total of 361,108 granted 2009C share options, of which all were exercisable. The members of the Board of Directors did not hold any share options on 31 Dec 2012.

The relationships between the Group`s parent company and subsidiaries on 31 Dec 2013:

	Domicile	Group's ownership %	Group's share of voting rights %
Tecnotree Oyj (parent)	Finland		
Tecnotree Services Oy	Finland	100	100
Tecnotree Convergence (Middle East) FZ-LLC	The United Arab Emirates	100	100
Tecnotree Ltd	Ireland	100	100
Tecnotree GmbH	Germany	100	100
Tecnotree Spain SL	Spain	100	100
Tecnotree Sistemas de Telecommunicacao Ltda	Brazil	100	100
Tecnotree Argentina SRL	Argentina	100	100
Tecnotree (M) Sdn Bhd	Malaysia	100	100
Lifetree Cyberworks Pvt. Ltd	India	100	100
Tecnotree Convergence Ltd	India	99.83	99.83
Quill Publishers Pvt. Ltd	India	99.83	99.83
Lifetree Convergence Pty Ltd	South-Africa	99.83	99.83
Lifetree Convergence (Nigeria) Ltd	Nigeria	94.84	94.84
Lifetree UK Ltd	Great-Britain	99.83	99.83
Tecnotree UK Ltd	Great-Britain	99.83	99.83

During 2013 the Group established a subsidiary in the United Arab Emirates. The parent company has branch offices in Singapore, Taiwan and the United Arab Emirates.

29. Events after the end of period

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

Parent company's income statement

EUR 1,000	Note	1 Jan - 31 Dec, 2013	1 Jan - 31 Dec, 2012
Net sales	1	**56,652**	47,400
Other operating income	2	**50**	60
Materials and services	3	**-8,494**	-11,900
Personnel expenses	4	**-13,141**	-13,148
Depreciation, amortisation and impairment losses	5	**-1,892**	-1,891
Other operating expenses	6	**-38,476**	-31,273
Operating result		**-5,300**	-10,751
Financial income and expenses	7	**5,784**	-2,327
Result before extraordinary items		**484**	-13,078
Result before appropriations and taxes		**484**	-13,078
Appropriations	8	**138**	655
Direct taxes	9	**-2,760**	-3,023
Result for the financial year		**-2,138**	-15,446

Parent company's balance sheet

EUR 1,000	Note	31 Dec, 2013	31 Dec, 2012
Assets			
Non-current assets			
Intangible assets	10	**865**	2,262
Tangible assets	11	**2,472**	2,596
Shares in Group companies	12	**36,875**	36,875
Receivables from Group companies	12	**299**	299
Total non-current assets		**40,511**	42,033
Current assets			
Inventories	13	**531**	532
Non-current receivables	14	**26**	26
Current receivables	15	**33,676**	34,120
Cash and cash equivalents	16	**2,865**	5,827
Total current assets		**37,098**	40,504
Total assets		**77,609**	82,537
Equity and liabilities			
Shareholders' equity	17		
Share capital		**4,720**	4,720
Share premium fund		**847**	847
Own shares		**-59**	-122
Invested unrestricted equity reserve		**5,960**	18,514
Other reserves			2,891
Retained earnings		**-1,632**	-1,577
Result for the financial year		**-2,138**	-15,446
Total shareholders' equity		**7,699**	9,828
Accumulated appropriations	18		138
Provisions	19		135
Liabilities			
Non-current liabilities	20	**20,994**	
Current liabilities	20	**48,916**	72,435
Total liabilities		**69,910**	72,435
Total equity and liabilities		**77,609**	82,537

Parent company's cash flow statement

EUR 1,000	1 Jan - 31 Dec, 2013	1 Jan - 31 Dec, 2012
Cash flow from operating activities		
Result before extraordinary items	**484**	-13,078
Adjustments for:		
Planned depreciation	**1,892**	1,891
Impairment of receivables	**185**	489
Unrealised exchange rate gains and losses	**330**	181
Financial income and expenses	**-5,121**	2,690
Other adjustments	**322**	-39
Changes in working capital:		
Current receivables, increase (-) /decrease (+)	**-71**	5,135
Inventories, increase (-) /decrease (+)	**1**	186
Current liabilities, increase (+) /decrease (-)	**1,226**	3,681
Interest paid	**-2,686**	-2,136
Dividends received from operating activities	**7**	
Interest received	**8**	7
Income taxes paid	**-2,618**	-3,023
Net cash flow from operating activities	**-6,041**	-4,017
Cash flow from investments		
Investments in intangible assets	**-39**	-55
Investments in tangible assets	**-331**	-294
Proceeds from disposal of tangible assets		980
Cash flow from investments	**-370**	631
Cash flow from financiang activities		
Proceeds from share issue		5,880
Proceeds from borrowings from Group companies		1,500
Repayments of borrowings to Group companies		-1,000
Proceeds from borrowings	**28,781**	9,800
Repayments of borrowings	**-25,333**	-9,522
Cash flow from financiang activities	**3,448**	6,657
Change in cash and cash equivalents	**-2,963**	3,271
Cash and cash equivalents on 1 Jan	**5,827**	2,556
Cash and cash equivalents on 31 Dec	**2,865**	5,827

Parent company accounting principles

The financial statements of Tecnotree Oyj are prepared in accordance with the Finnish Accounting Act (1997/1336) and Ordinance (1997/1339) and with other legislation and regulations concerning financial statements. The financial statements are also prepared on a going concern basis. The situation is disclosed in more detail in the accounting principles of the Group.

Items denominated in foreign currencies

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

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

Derivatives entered into by the company comprise currency forward contracts to hedge against changes in the cash flows from purchase and sales agreements denominated in foreign currencies. The company policy is to hedge the net foreign currency exposure over the following 12 months at a maximum.

Those derivatives entered into for hedging purposes are initially recognized at cost equivalent to their fair value. Subsequently derivatives are measured at fair value based on the forward rates quoted at the balance sheet date.

Exchange rate differences on derivative contracts made for hedging purposes are charged to the income statement under other operating income and expenses.

Net sales

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

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

The stage of completion of a project is determined for each contract by the proportion of the estimated total contract costs accounted for by the costs incurred for work performed to date (cost-to-cost method). The revenue recognition for the project will start when the outcome of the project can be estimated reliably. Typically this happens when the management has approved the project and the first delivery to the customer has been made. The stage of completion method of revenue recognition is based on estimates of the expected revenue and expenses associated with the contract and on estimating the progress of the project. The cost estimates for the projects are monitored quarterly in the management's revenue review and the revenue and expenses recognized in the income statement are revised in the estimates of the outcome of the project change. The accumulated effect due to the change in the estimates is recognized in the period when the change is known for the first time and its amount can be estimated.

If the outcome of the project cannot be estimated reliably, revenue is only recognized to the extent of project costs incurred. This method of recognition is typically applied in first delivery projects for new products or when a delivery project contains a significant amount of customisation for individual customers. The margin on the project is recognized on final acceptance.

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

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

Pension plans

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

Leasing

Leasing payments have been entered as rentals. Contractual leasing fees remaining on the balance sheet date are presented in the financial statements under contingent liabilities.

Research and development expenses

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

Valuation of inventories

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

Valuation of non-current assets

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

The periods for planned depreciation and amortization are as follows:

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

Purchase and disposal of company’s own shares

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

Derivative financial instruments

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

Adjustments to previous period

The company has changed its accounting practice for withholding taxes. Previously the company estimated to get credited in Finnish taxation with the withholding tax deducted at source from customer payments. Since the company has a large reserve of costs from previous years to be used in taxation, utilising withholding taxes in Finland has been put off to the future. For this reason, it was decided to record a provision for withholding taxes in the parent company's receivables. This provision is included in accrued expenses and prepaid income. This provision stood at EUR 1, 841 million at the end of 2013 and at EUR 1, 699 million at the beginning and end of 2012. The situation concerning the withholding taxes occurred already prior to the 2013 period, so consequently the company has retroactively adjusted the figures for retained earnings and accrued expenses and prepaid income in the 2012 balance sheet by EUR 1,699.

1. Net sales

EUR 1,000	2013	2012
Net sales by market area		
Europe, Middle East and Africa	**20,844**	12,074
Asia Pacific	**2,218**	1,288
Americas	**33,590**	34,038
Net sales total	**56,652**	47,400
Net sales by type of income		
Revenue from contract work recognised by stage of completion	**26,463**	25,378
Revenue from maintenance and support	**16,756**	12,268
Revenue from goods and services, external sales	**12,219**	9,376
Revenue from goods and services, intra-group sales	**1,214**	377
Net sales total	**56,652**	47,399
Order book for contract work	**22,108**	35,271
Order book for maintenance and support, goods and services	**9,036**	11,805
Order book total	**31,144**	47,076

Projects in progress:

Cumulative revenue recognised for projects in progress	**32,741**	23,251
Cumulative invoicing for projects in progress recognised by stage of completion	**22,774**	16,937
Accrued income related to construction contracts, work in progress	**9,967**	6,314
Aggregate amount of costs incurred for projects in progress	**15,751**	8,812

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

2. Other operating income

EUR 1,000	2013	2012
Gains on sales of non-current assets		53
Rental income	**50**	7
Other operating income total	**50**	60

3. Materials and services

EUR 1,000	2013	2012
Purchases during financial year	**-8,261**	-10,310
Changes in inventories	**-1**	-186
Total	**-8,262**	-10,496
External services	**-232**	-1,403
Materials and services total	**-8,494**	-11,900

4. Personnel expenses

EUR 1,000	2013	2012
Wages and salaries	**-10,870**	-11,003
Pension expenses	**-1,169**	-1,360
Other personnel expenses	**-1,102**	-784
Personnel expenses total	**-13,141**	-13,148

Salaries, fees and remunerations to the management

Ilkka Raiskinen, CEO as from 28 May 2013	**-184**	
Kaj Hagros, President and CEO unti 28 May 2013	**-586**	-418
Members of the Board of Directors:		
Harri Koponen, Chairman of the Board	**-66**	-51
Pentti Heikkinen, Vice Chairman of the Board as from 28 May 2013	**-36**	-23
Ilkka Raiskinen, Vice Chairman of the Board until 28 May 2013	**-18**	-31
Johan Hammarén	**-31**	-25
Tuija Soanjärvi, as from 28 March 2012	**-34**	-17
Christer Sumelius	**-29**	-25
Hannu Turunen, former member of the Board	**-8**	-24
David K. White, former member of the Board		-8
Total	**-991**	-622

76 (68 %) per cent of the fees to the Board of Directors has beed settled in shares of Tecnotree Oyj.
The retirement age is 60 years.

Average number of employees during the period	2013	2012
Management and administration	**29**	25
Other personnel	**101**	91
Total average number of employees	**130**	116

5. Depreciations and amortisations

EUR 1,000	2013	2012
Depreciations and amortisations according to plan		
Intangible assets		
Intangible rights	**-1,436**	-1,447
Tangible assets		
Buildings	**-220**	-220
Machinery and equipment	**-235**	-223
Depreciations and amortisations according to plan total	**-1,892**	-1,891

6. Other operating expenses

EUR 1,000	2013	2012
Subcontracting	**-955**	-1,047
Office management costs	**-1,918**	-2,008
Travel expenses	**-1,399**	-1,345
Agent fees	**-2,776**	-2,907
Impairment losses on receivables	**-185**	-489
Rents	**-873**	-906
Professional services	**-2,063**	-1,658
Marketing	**-566**	-417
Other operataing expenses to Group companaies	**-26,707**	-19,683
Other expenses	**-1,034**	-813
Other operating expenses total	**-38,476**	-31,273

Auditors' fees		
Audit	**97**	69
Tax consulting	**19**	27
Other services	**21**	21
Auditors' fees total	**137**	118

7. Financial income and expenses

EUR 1,000	2013	2012
Financial income		
Dividend income from Group companies	**7,167**	
Dividend income from others	**2**	5
Interest income from others	**6**	1
Other financial income from Group companies	**657**	414
Other financial income from others	**406**	361
Interest and financial income total	**8,239**	781
Financial expenses		
Interest expenses to others	**-1,386**	-1,719
Other financial expenses to Group companies	**-4**	-244
Financial expenses to others	**-1,064**	-1,145
Interest and financial expenses total	**-2,455**	-3,108
Financial income and expenses total	**5,784**	-2,327
Other financial income and expenses including:		
Foreign exchange gains	**1,061**	759
Foreign exchange losses	**-399**	-396
Foreign exchange gains and losses total	**663**	363

8. Appropriations

EUR 1,000	**2013**	2012
Difference between depreciation according to plan and depreciation made in taxation	**138**	655
Appropriations total	**138**	655

9. Income taxes

EUR 1,000	2013	2012
Income taxes from business operations		-32
Taxes for previous accounting periods	-2	-223
Withholding taxes paid abroad	-2,617	-2,768
Change in withholding tax provision *	-142	
Income taxes total	-2,760	-3,023

The company has not deducted research and development costs amounting to EUR 61,633 (53,116) thousand in its taxation. The amount can be deducted over an indefinite period with amounts that the company may freely decide. The company has no tax losses on 31 Dec 2013 (EUR 2,277 thousand on 31 Dec 2012). Other deductible temporary differences amount to EUR 1,548 (1,081) thousand. No deferred tax assets have been recognised on these capitalisations because of the uncertainty about utilising them.

* The company has changed its accounting practice for withholding taxes. Previously the company estimated to get credited in Finnish taxation with the withholding tax deducted at source from customer payments. Since the company has a large reserve of costs from previous years to be used in taxation, utilising withholding taxes in Finland has been put off to the future. For this reason, it was decided to record a provision for withholding taxes in the parent company's receivables. This provision is included in accrued expenses and prepaid income. This provision stood at EUR 1, 841 thousand at the end of 2013 and at EUR 1, 699 thousand at the beginning and end of 2012. The situation concerning the withholding taxes occurred already prior to the 2013 period, so consequently the company has retroactively adjusted the figures for retained earnings and accrued expenses and prepaid income in the 2012 balance sheet by EUR 1,699 thousand.

10. Intangible assets

Intangible assets 2013

EUR 1,000	**Intangible rights**	**Other long-term expenditure**	**Total**
Acquisition cost 1 Jan	8,243	1,065	**9,308**
Additions	39		**39**
Disposals	-2,277	-790	**-3,067**
Acquisition cost 31 Dec	**6,005**	**275**	**6,280**
Accumulated amortisation 1 Jan	-5,980	-1,065	**-7,046**
Accumulated amortisation on disposals	2,277	790	**3,067**
Amortisation during the period	-1,436		**-1,436**
Accumulated amortisation 31 Dec	**-5,140**	**-275**	**-5,415**
Book value 31 Dec, 2013	**865**		**865**

Intangible assets 2012

EUR 1,000	Intangible rights	Other long-term expenditure	Total
Acquisition cost 1 Jan	8,201	1,065	9,266
Additions	55		55
Disposals	-14		-14
Acquisition cost 31 Dec	8,243	1,065	9,308
Accumulated amortization 1 Jan	-4,533	-1,065	-5,598
Amortisation during the period	-1,447		-1,447
Accumulated amortization 31 Dec	-5,980	-1,065	-7,046
Book value 31 Dec, 2012	2,262		2,262

11. Tangible assets

Tangible assets 2013

EUR 1,000	**Land areas**	**Buildings**	**Machinery and equipment**	**Total**
Acquisition cost 1 Jan	739	6,045	18,568	**25,352**
Additions			331	**331**
Disposals			-13,830	**-13,830**
Acquisition cost 31 Dec	**739**	**6,045**	**5,070**	**11,854**
Accumulated depreciation 1 Jan		-4,610	-18,146	**-22,756**
Accumulated depreciation on disposals			13,830	**13,830**
Depreciation during the period		-220	-235	**-456**
Accumulated depreciation 31 Dec		**-4,831**	**-4,551**	**-9,382**
Book value 31 Dec, 2013	**739**	**1,214**	**518**	**2,472**

Tangible assets 2012

EUR 1,000	Land areas	Buildings	Machinery and equipment	Total
Acquisition cost 1 Jan	1,666	6,045	18,284	25,995
Additions			294	294
Disposals	-927		-10	-937
Acquisition cost 31 Dec	739	6,045	18,568	25,352
Accumulated depreciation 1 Jan		-4,390	-17,932	-22,322
Accumulated depreciation on disposals			9	9
Depreciation during the period		-220	-223	-443
Accumulated depreciation 31 Dec		-4,610	-18,146	-22,756
Book value 31 Dec, 2012	739	1,435	423	2,596

12. Investments

Investments 2013

EUR 1,000	Shares in Group companies	Other investments in group companies	Total
Acquisition cost 1 Jan	36,875	299	**37,174**
Acquisition cost 31 Dec	36,875	299	**37,174**
Book value 31 Dec, 2013	**36,875**	**299**	**37,174**

Investments 2012

EUR 1,000	Shares in Group companies	Other investments in group companies	Total
Acquisition cost 1 Jan	36,875	299	37,174
Acquisition cost 31 Dec	36,875	299	37,174
Book value 31 Dec, 2012	36,875	299	37,174

Shares in subsidiaries held by the parent company

	Domicile	Parent company ownership, %	Carrying value EUR 1,000
Tecnotree Ltd.	County Clare, Ireland	100	124
Tecnotree GmbH	Dreieich, Germany	100	92
Tecnotree Spain SL	Madrid, Spain	100	31
Tecnotree Sistemas de Telecommunicacao Ltda	Sao Paulo, Brazil	100	902
Tecnotree (M) Sdn Bhd	Kuala Lumpur, Malaysia	100	42
Tecnotree Services Oy	Espoo, Finland	100	8
Tecnotree Argentina SRL	Cordoba, Argentina	100	257
Lifetree Cyberworks Pvt. Ltd	Gurgaon, India	100	1,189
Tecnotree Convergence Ltd	Gurgaon, India	46.08	34,229
Total			36,875

13. Inventories

EUR 1,000	**2013**	2012
Materials and consumables	**478**	418
Work in progress	**46**	74
Finished products/goods	**7**	40
Inventories total	**531**	532

14. Non-current receivables

EUR 1,000	2013	2012
Rent guarantees	**26**	26
Non-current receivables total	**26**	26

15. Current receivables

EUR 1,000	2013	2012
Trade receivables related to construction contracts	**975**	10,622
Other trade receivables	**10,793**	5,128
Work in progress related to construction contracts	**9,967**	6,314
Finished work related to construction contracts	**4,690**	270
Other receivables based on delivery agreements	**1,740**	1,704
Current prepaid expenses and accrued income	**1,313**	1,707
Other current receivables	**227**	367
Current receivables total	**29,704**	26,112
Receivables from the Group companies:		
Trade receivables	**3,930**	8,008
Other receivables	**42**	
Total	**3,972**	8,008
Current receivables total	**33,676**	**34,120**
Major items included in prepaid expenses and accrued income		
Valuation of currency derivatives	**175**	259
VAT receivables	**391**	541
Other prepaid expenses and accrued income	**747**	907
Total	**1,313**	1,707

EUR 2,234 thousand of the trade receivables and EUR 8,570 thousand of other receivables related to construction contracts are related to such long-term projects for which total income is pledged under the working capital credit facility agreement.

16. Cash and cash equivalents

EUR 1,000	**2013**	2012
Cash in hand and at bank	**2,865**	5,827
Cash and cash equivalents total	**2,865**	5,827

17. Shareholders' equity

EUR 1,000	2013	2012
Restricted equity		
Share capital 1 Jan	**4,720**	4,720
Share capital 31 Dec	**4,720**	4,720
Share premium fund 1 Jan	**847**	847
Share premium fund 31 Dec	**847**	847
Restricted equity total	**5,567**	5,567
Unrestricted equity		
Own shares 1 Jan	**-122**	-122
Disposal of own shares	**63**	
Own shares 31 Dec	**-59**	-122
Invested unrestricted equity reserve 1 Jan	**18,514**	12,634
Share issue		5,880
Covering of loss	**-12,555**	
Invested unrestricted equity reserve 31 Dec	**5,960**	18,514
Other reserves 1 Jan	**2,891**	16,764
Covering of loss	**-2,891**	-13,872
Other reserves 31 Dec		2,891
Retained earnings 1 Jan	**-17,023**	-13,750
Disposal of own shares	**-55**	
Correction of error (note 9)		-1,699
Covering of loss	**15,446**	13,872
Retained earnings 31 Dec	**-1,632**	-1,577
Result for the period	**-2,138**	-15,446
Unrestricted equity total	**2,131**	4,261
Total shareholders' equity	**7,699**	9,828

Calculation of distributable equity		
Retained earnings 31 Dec	**-3,770**	-17,023
Own shares	**-59**	-122
Invested unrestricted equity reserve	**5,960**	18,514
Other reserves		2,891
Total	**2,131**	4,261

After the reporting date the Board of Directors has proposed that no dividend be paid for the financial year ended 31 December 2013. In 2013 no dividend was paid for the financial year that ended on 31 December 2012.

18. Accumulated appropriations

EUR 1,000	2013	2012
Accumulated depreciation difference at 1 Jan.	138	794
Increase (+), decrease (-)	-138	-655
Accumulated appropriations at 31 Dec.		138

19. Provisions

EUR 1,000	**2013**	2012
Other provisions		135
Provisions total		135

Provisions for 2012 include a provision of EUR 135 thousand that was recognised for the cost rising on a customer project. The provision was fully used during 2013.

20. Non-current and current liabilities

EUR 1,000	2013	2012
Non-current liabilities		
Loans from financial institutions	**20,681**	
Termination benefits	**313**	
Non-current liabilities total	**20,994**	
Current liabilities		
Loans from financial institutions	**11,100**	28,333
Trade payables	**1,136**	2,370
Accrued liabilities and deferred income	**6,695**	7,453
Other liabilities	**194**	192
Total	**19,125**	38,349
Liabilities from the Group companies:		
Loans	**500**	500
Trade payables	**25,064**	32,780
Other liabilities	**4,227**	806
Total	**29,791**	34,086
Current liabilities total	**48,916**	72,435
Major items included in accrued liabilities and deferred income		
Other accrued personnel expenses	**2,161**	2,385
Withholding tax provision (note 9)	**1,841**	1,699
Accrued interest expenses	**144**	785
Accrued agent fees	**1,768**	1,204
Valuation of currency derivatives	**71**	233
Valuation of interest rate swap	**293**	279
Other accrued liabilities and deferred income	**417**	869
Total	**6,695**	7,453

21. Contingent liabilities

EUR 1,000	2013	2012
On own behalf		
Real estate mortgages	**4,400**	4,400
Corporate mortgages	**45,336**	42,336
Guarantees	**269**	484
Total	**50,005**	47,220
Leasing liabilities:		
With due date in the next financial year	**74**	75
With later due date	**88**	60
Total	**162**	135
Other liabilities		
With due date in the next financial year	**134**	105
With later due date		
Total	**134**	105
Total contingent liabilities	**50,301**	47,459

In addition, the company's shares in the Indian subsidiaries are pledged. These shares have a bookvalue of EUR 35,418 thousand.

The liabilities, for which the mortgages have been given, consist of the company's loans from financial institutions totalling EUR 31,781 thousand.

Pledged trade and other receivables are disclosed in note 15.

Values of underlying instruments of derivative contracts

Currency call options and termines		
Fair value (negative)	**-71**	-233
Value of underlying instruments	**22,569**	35,897
Currency put options and termines		
Fair value (positive)	**175**	259
Value of underlying instruments	**21,483**	29,453
Interest rate swap		
Fair value (positive)	**-293**	-279
Value of underlying instruments	**14,521**	13,333

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

Espoo, 28 February 2014

Ilkka Raiskinen
CEO and member of the Board

Harri Koponen
Chairman of the Board

Pentti Heikkinen
Vice Chairman of the Board

Johan Hammarén

Tuija Soanjärvi

Christer Sumelius

Auditor's note
Our auditor's report has been issued today.

Helsinki, 28 February 2014

KPMG OY AB

Toni Aaltonen
Authorised Public Accountant

Auditor's report

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

To the Annual General Meeting of Tecnotree Corporation

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Tecnotree Corporation for the year ended 31 December 2013. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

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

Auditor's Responsibility

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

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

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

Opinion on the consolidated financial statements

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

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

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

Emphasizing of certain matters

We want to draw attention to the section *Basis of preparation* under going concern in the accounting principles, to the note 24 *Liquidity risk* in the financial statements and to the *Risk and uncertainties* section in the report of the Board of Directors. Group's and parent's company liquidity position is tight. At the year end all credit lines were fully in use and two of the financial covenants almost defaulted.

We want to draw also attention to the section *Customer projects, their profitability and predictability in the Risk and uncertainties* section in the report of the Board of Directors. As disclosed in the financial statements trade and project accounting receivables need significant amount of working capital. Some of these receivables carry higher than usual valuation risk as stated in the note 24 *Liquidity risk*.

Further in the *Risk and uncertainties* section in the report of the Board of Directors it is disclosed that there are risks relating to goodwill and to the assumptions used in the goodwill impairment tests.

Helsinki, 28 February 2014

KPMG OY AB

Toni Aaltonen
Authorised Public Accountant