TECNOTREE

Powering the digital marketplace

Annual Report 2014

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CEO's Review

Performance on target in an eventful year


Ilkka Raiskinen

Tecnotree's business performed on target throughout 2014 amid drastic seasonal changes. In fact, 2014 is an excellent example of the dynamic and hard-to-predict nature of our market. The year was characterized by quarters of record revenue and profit, but also by a disappointing Q2 with extremely poor results - when compared with corresponding quarters in previous years. Dramatic macro level events in our market areas included the Ebola epidemic in Africa, which has now taken a turn for the better, and the strong decline in oil price affecting the business environment in markets that depend on oil exports. Central banks have limited the availability of the US dollar in many of our markets, extending payment times with a negative effect on our cash flow.

Seasonal changes are also part of our business. Therefore, it is important to look beyond the short-term changes and note the strategically significant advances achieved. The structural change in our order backlog may be the most significant single advancement. The share of large projects is now effectively zero and the order backlog consists of projects that tie up less working capital and contribute to faster cash flow. One can say that our end-of-year 2014 order backlog is a concrete sign of the strategic shift towards product and service sales.

> "Significant structural change in our order backlog"

Back to product sales

When Tecnomen achieved its record profits in 2008, the company mainly sold products and licenses. Since then, Tecnotree has radically renewed its product portfolio, and this change has been carried out through large-scale client projects. Tecnotree is now in a situation where these large projects are in their final stretches, and both our revenue breakdown and operating model are close to those of a product-based company.

Deployment of cloud services is one of the major changes in the huge transformation in our industry. Last year, we kicked off the first client deployment of BSS Express, Tecnotree's first product family enabling the delivery of cloud-based products. Our clients will benefit from lower and more predictable costs. In the future, we believe that our clients will prefer business models based on monthly fees per person. This trend is likely to benefit Tecnotree in the following years, as our degree of productization continues to increase.

Profitability is paramount

Tecnotree's operating profit was satisfactory for the whole year and good for the latter half. This implies that our operational efficiency is improving and we believe that this progress will continue in 2015. As internal financing items due to currency fluctuations significantly affect Tecnotree's financials, we have introduced 'adjusted profit' as a new item in our income statement. Adjusted profit is profit without currency gains or losses that mostly consist of subsidiaries' receivables from the parent company. We trust that it will be easier to follow our financial situation as the income statement now details business operations, source taxes, and internal financial items.

Profitable growth necessitates continued focus on efficiency in product development and delivery. The telecommunications industry continues to be in turmoil due to the changes required by the Internet and digitalization. Innovation and development are Tecnotree's ways of ensuring competitiveness. We have opened a new product development centre in Tampere, Finland and believe that this will play an important role in our product development in 2015.

Future outlook

While 2014 was highly challenging, the outlook for 2015 is positive. A good end to the year and a healthy order backlog provide a good starting point for 2015. Our customers and market areas also have a very positive tone for the year, despite occasional instability.

I would like to take this opportunity to thank our customers, employees, partners, and investors for their support and dedication to our business in 2014.

Ilkka Raiskinen
Chief Executive Officer

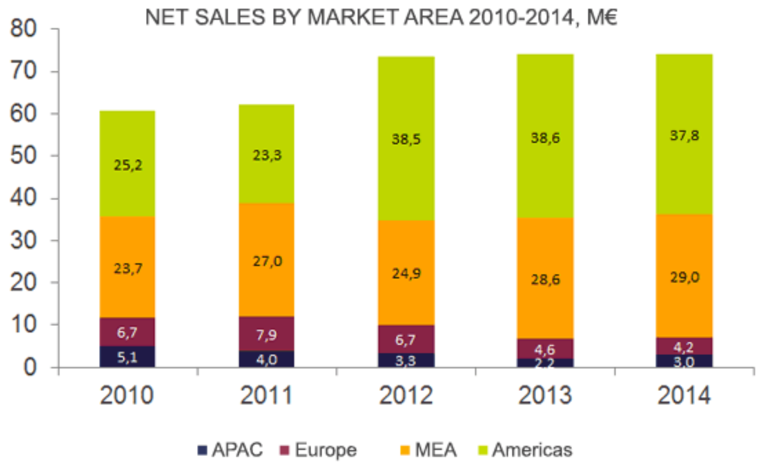
Key Figures

YEAR 2014

- Net sales for the review period were EUR 74.0 (73.9) million.
- The adjusted operating result was EUR 3.7 (3.3) million and the operating result was EUR 3.3 (1.6) million.
- The adjusted result for the period was EUR -6.4 (-7.0) million and the result EUR -9.3 (-2.5) million.
- Cash flow after investments for the review period was EUR -1.8 (-4.6) million and the company's cash and cash equivalents were EUR 2.5 (31 December 2013: 6.6) million. The company's cash situation continued to be tight.
- Earnings per share were EUR -0.08 (-0.02).

	2014	2013	2012	2011	2010
Net sales, MEUR	74.0	73.9	73.4	62.3	60.7
Net sales, change %	0.1	0.7	17.9	2.6	14.0
Adjusted operating result, MEUR [1]	3.7	3.3	-4.9	-1.7	-2.5
Operating result, MEUR	3.3	1.6	-12.4	-11.1	-8.1
as % of net sales	4.4	2.2	-16.9	-17.8	-13.3
Profit before taxes, MEUR	-2.4	4.1	-13.7	-9.9	-9.4
Adjusted result for the period, MEUR [2]	-6.4	-7.0	-17.8	-17.2	-9.7
Result for the period, MEUR	-9.3	-2.5	-17.0	-15.6	-11.0
Earnings per share, basic, EUR	-0.08	-0.02	-0.16	-0.18	-0.13
Order book, MEUR	38.9	45.0	54.2	40.4	14.3
Cash flow after investments, MEUR	-1.8	-4.6	1.3	-17.7	-10.4
Change in cash and cash equivalents, MEUR	-4.2	-3.8	4.8	-9.8	-9.8
Cash and cash equivalents, MEUR	2.5	6.6	11.3	6.7	16.7
Equity ratio %	22.5	30.3	40.2	50.7	66.4
Net gearing %	172.7	113.4	50.0	43.1	3.3
Personnel at the end of the period	993	1,059	1,116	926	858

[1] Adjusted operating result = operating result before R & D capitalisation, amortisation of this and one-time costs.
[2] Adjusted result for the period = result for the period without exchange rate gains and losses, included in financial items, on intra-group balances being typically receivables due to subsidiaries from the parent company.



Board of Directors

Harri Koponen, b. 1962, eMBA, Phd. Econ. h.c.
Chairman of the Board, 2011–
Member of the Board, 2008–
Main duty: CEO, SSH Communications Security, 2.10.2014-
Tecnotree shares 31 Dec 2014: 658,352
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, 2013–
Member of the Board, 2009–
Main duty: Founder and CEO, Gateway Technolabs Finland Oy, 2008-
Tecnotree shares 31 Dec 2014: 357,807
Independent of Tecnotree and its significant shareholders.

Johan Hammarén, b. 1969, LL.M, MSc (Econ.)
Member of the Board, 2007– 5 Mar 2015
Main duty: Founding Partner, JAM Advisors, 2013–
Tecnotree shares 31 Dec 2014: 1,071,949, holding of interest parties 15,500
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: 2,073,659, holding of interes parties 1,632,796
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 2010 - 26 March 2014:
Ilkka Raiskinen, b. 1962, MSc (Tech), CEO, Tecnotree Corp.

Management Board

Ilkka Raiskinen, b. 1962, MSc. (Eng.)
Main duty: Chief Executive Officer, 2013–
Member of the Board: 2010-26 March 2014
Tecnotree shares 31 Dec 2014: 410,910

Timo Ahomäki, b. 1966, BSc Eng.
Main duty: Chief Technology Officer, 2012–
Tecnotree shares 31 Dec 2014: 40,931

Ilkka Aura, b. 1962, M.Sc. (Econ.)
Main duty: Executive Vice President, Europe and Americas, 2012– (in the current position from 1 October 2014)
Tecnotree shares 31 Dec 2014: 375,000

Padma Ravichander, b. 1959, Computer Science and IT (Dip), Concordia University, Montreal Canada, Graduate of Executive Management School Stanford University, California, USA
Main duty: Executive Vice President, MEA and APAC, 2011– (in the current position from 1 October 2014)
Tecnotree shares 31 Dec 2014: 197,303

Tuomas Wegelius, b. 1955, MSc (Econ)
Main duty: Chief Financial Officer, 2006–
Tecnotree shares 31 Dec 2014: 139,624

Reija Virrankoski, b. 1965, M.Sc. (International Communication)
Main duty: Vice President, Human Resources, 1 April 2014–
Tecnotree shares 31 Dec 2014: --, holding of interest parties 5,000

Corporate governance statement 2014

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 2014, 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. 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 realisation
- decide upon the central organisation 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 26 March 2014 confirmed that the Board of Directors will consist of five (5) 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 18 times in 2014. The average attendance of members at Board meetings was about 95 per cent.

Composition of the Board of Directors

Johan Hammaren, b. 1969. LL.M, MSc (Econ)
Member of the Board, 2007– 5 Mar 2015
Main duty: Founding Partner, JAM Advisors, 2013–

Pentti Heikkinen, b. 1960, MSc (Econ)
Standford Graduate School of Business (Standford Executive Program 2001)
Vice Chairman of the Board, 2013–
Member of the Board, 2009–
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, SSH Communications Security, 1 October 2014-

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 2010 - 26 March 2014: Ilkka Raiskinen, b. 1962, MSc (Tech)
Main duty: CEO, Tecnotree Corp.

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) and Pentti Heikkinen. Tecnotree's CEO and CFO regularly participate in the Audit Committee's meetings.

The Audit Committee had 6 meetings in 2014, and the average attendance of members at meetings was about 89 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 (until 5 Mar 2015), Harri Koponen and Christer Sumelius (Chairman).

The Remuneration and Nomination Committee had 4 meetings in 2014, and the average attendance of members at meetings was about 83 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–
Member of the Board, 2010-26 March 2014

Management Board

At the end of 2014, Tecnotree Group had a six-member (6) Management Board that comprised the Chief Executive Officer, two Executive Vice Presidents for the geographic areas, Chief Technology Officer, Chief Financial Officer and Vice President Human Resources. 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, 2013–
Member of the Board, 2010-26 March 2014

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

Ilkka Aura, b. 1962, M.Sc. (Econ.)
Main duty: Executive Vice President, Europe and Americas, 2012– (in the current position from 1 October 2014)

Padma Ravichander, b. 1959, Computer Science and IT (Dip), Concordia University, Montreal Canada, Graduate of Executive Management School Stanford University, California USA
Main duty: Executive Vice President, MEA and APAC, 2011– (in the current position from 1 October 2014)

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

Reija Virrankoski, b. 1965, M.Sc. (International Communication)
Main duty: Vice President, Human Recourses, 1 April 2014–

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

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 The Audit Committee concluded in its meeting in October that the actions are progressing according to the plan. 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. The observations have been reported to the Group's financial management which has been presented evaluations also to the Audit Committee.

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 or more often, if needed, 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.

Since the end of 2011 the company has produced a separate weekly short-term cash flow forecast.

The company has specified its policies in 2014. Among other things, a separate policy for recognising revenue has been created for Tecnotree. Matters presented in the financial statements and in the interim reports have been thoroughly gone through and the matters to be disclosed have been specified and added.

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.

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.

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

The Management Board handles risks and risk management in its meetings on a regular basis. 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.

Key financial indicators and key figures per share

	2014	2013	2012	2011	2010
Consolidated income statement					
Net sales, EUR million	**74.0**	73.9	73.4	62.3	60.7
change %	**0.1**	0.7	17.9	2.6	14.0
Adjusted operating result, EUR million [1]	**3.7**	3.3	-4.9	-1.7	-2.5
% of net sales	**5.0**	4.5	-6.6	-2.7	-4.2
Operating profit, EUR million	**3.3**	1.6	-12.4	-11.1	-8.1
% of net sales	**4.4**	2.2	-16.9	-17.8	-13.3
Profit before taxes, EUR million	**-2.4**	4.1	-13.7	-9.9	-9.4
% of net sales	**-3.2**	5.6	-18.7	-15.9	-15.5
Adjusted result for the period [2]	**-6.4**	-7.0	-17.8	-17.2	-9.7
% of net sales	**-8.7**	-9.5	-24.2	-27.6	-16.0
Profit for the period, EUR million	**-9.3**	-2.5	-17.0	-15.6	-11.0
% of net sales	**-12.6**	-3.4	-23.2	-25.0	-18.1
Consolidated balance sheet					
Non-current assets, EUR million	**22.8**	22.0	28.0	39.4	49.7
Current assets					
Inventories, EUR million	**0.5**	0.6	0.6	0.8	1.0
Trade and other receivables, EUR million	**49.0**	41.9	41.2	53.0	41.6
Investments and cash equivalents, EUR million	**2.6**	7.2	11.9	6.7	17.4
Shareholders' equity, EUR million	**16.9**	21.7	32.8	49.5	72.1
Liabilities					
Non-current liabilities, EUR million	**1.2**	21.6	0.4	12.6	14.9
Current liabilities, EUR million	**53.5**	25.3	45.7	33.4	19.3
Deferred tax liabilities, EUR million	**3.4**	3.0	2.8	4.4	3.3
Balance sheet total, EUR million	**75.0**	71.6	81.8	99.9	109.7
Financial indicators					
Return on equity (ROE), %	**-48.2**	-9.1	-41.3	-25.6	-14.7
Return on investment (ROI), %	**7.1**	11.9	-15.2	-10.2	-7.4
Equity ratio, %	**22.5**	30.3	40.2	50.7	66.4
Debt/equity ratio (net gearing), %	**172.7**	113.4	50.0	43.1	3.3
Investments, EUR million	**0.7**	0.6	0.9	0.9	1.8
% of net sales	**1.0**	0.8	1.2	1.4	3.0
Research and development, EUR million	**12.0**	14.0	10.4	12.1	13.1
% of net sales	**16.2**	19.0	14.2	19.4	21.7
% total expenses (above operating result)	**16.6**	19.3	12.1	16.4	19.0
Order book, EUR million	**38.9**	45.0	54.2	40.4	14.3
Personnel, average	**1,038**	1,067	1,070	922	797
Personnel at the end of the year	**993**	1,059	1,116	926	858

	2014	2013	2012	2011	2010
Key ratios per share					
Earnings per share, EUR (basic)	**-0.08**	-0.02	-0.16	-0.18	-0.13
Earnings per share, EUR (diluted)	**-0.08**	-0.02	-0.16	-0.18	-0.13
Equity per share, EUR	**0.14**	0.18	0.27	0.58	0.85
Number of shares at the end of the period, 1,000 shares	**122,628**	122,564	122,494	73,496	73,496
Average number of shares, 1,000 shares	**122,605**	122,551	98,264	73,496	73,496
Number of own shares on 1 Jan, 1,000 shares	**65**	135	135	135	135
Numer of disposed own shares, 1,000 shares	**65**	70	0	0	0
Number of own shares on 31 Dec, 1,000 shares	**0**	65	135	135	135
Share price, EUR					
Average price	**0.19**	0.21	0.25	0.44	0.79
Lowest price	**0.13**	0.15	0.12	0.33	0.58
Highest price	**0.26**	0.29	0.35	0.63	1.00
Share price at the end of the period, EUR	**0.14**	0.21	0.17	0.38	0.60
Market value at the end of the period, EUR million	**17.0**	25.8	20.8	28.0	44.2
Share turnover, million shares	**44.6**	72.4	49.7	22.8	16.6
Share turnover, % of total number	**36.3**	59.0	40.5	31.0	22.6
Share turnover, EUR million	**8.7**	15.5	11.7	10.0	13.2
Dividend per share, EUR [3]					
Dividend/result, %					
Effective dividend yield, %					
P/E ratio, %	**-1.8**	-10.3	-1.0	-1.8	-4.0

[1] Adjusted operating result = operating result before R&D capitalisation, amortisation of this and one-time costs.
[2] Adjusted result for the period = result for the period without exchange rate gains and losses, included in financial items, on intra-group balances being typically receivables due to subsidiaries from the parent company.
[3] The Board of Directors proposes, that no dividend be paid for the financial year ended 31 December 2014. No dividend was paid either for the financial years ended 31 December 2013, 31 December 2012 and 31 December 2010.

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	

Board of Directors' Report

Unless otherwise stated, all consolidated figures presented below are for the financial year 2014 and the figures for comparison are for the corresponding period 2013. Key figures are presented in a separate section in the group 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 0.1 per cent to EUR 74.0 (73.9) million.

The differences between the market area sales in 2014 and in the previous year were very small. The order book in the Middle East and Africa region increased strongly while that in the Americas declined. One factor in this decline was that the company reached agreement with a an operator group in Latin America to split delivery of the USD 30.5 million contract announced on 20 December 2011 into two delivery projects. Since agreement has not yet been reached on the second project, the order book at the end of year 2014 has been reduced by the outstanding amount exceeding the value of the first project, USD 17.3 million or EUR 13.5 million. The second project will be added as a new deal in the order book, when it has been agreed. A more detailed explanation is given below in the section “Events after the end of period”.

Further information about sales and net sales is given below in the section “Geographical areas”.

SPECIFICATION OF NET SALES	**2014 MEUR**	2013 MEUR	**2014 %**	2013 %
Revenue from contract work recognised by stage of completion (IAS 11)	**27.7**	23.9	**37.5**	32.4
Revenue from maintenance and support (IAS 18)	**27.4**	29.6	**37.0**	40.1
Revenue from goods and services (IAS 18)	**16.5**	21.5	**22.3**	29.0
Currency exchange gains and losses	**2.4**	-1.1	**3.2**	-1.5
TOTAL	**74.0**	73.9	**100.0**	100.0

NET SALES BY MARKET AREA	**2014 MEUR**	2013 MEUR	**2014 %**	2013 %
Americas (North, Central and South America)	**37.8**	38.6	**51.0**	52.2
Europe	**4.2**	4.6	**5.7**	6.2
MEA (Middle East and Africa)	**29.0**	28.6	**39.3**	38.7
APAC (Asia and Pacific)	**3.0**	2.2	**4.0**	2.9
TOTAL	**74.0**	73.9	**100.0**	100.0

CONSOLIDATED ORDER BOOK	**2014 MEUR**	2013 MEUR	**2014 %**	2013 %
Americas (North, Central and South America)	**3.8**	20.7	**9.8**	46.0
Europe	**1.4**	1.6	**3.5**	3.6
MEA (Middle East and Africa)	**32.1**	20.3	**82.5**	45.2
APAC (Asia and Pacific)	**1.6**	2.3	**4.2**	5.2
TOTAL	**38.9**	45.0	**100.0**	100.0

Tecnotree’s key customers operate in markets that are experiencing strong growth. The internet and digitalisation coupled with the spread of smartphones mean that teleoperators need greater capabilities for managing services. In particular the management of service life cycle, billing and charging for services, and marketing of service packages tailored for consumers are some of the main goals for the customers this year. Increased investment in this area is already reflected in the order book, and the Group management believes that demand for Tecnotree's products will continue to develop positively.

Result analysis

Tecnotree reports its operating result as follows:

INCOME STATEMENT, KEY FIGURES, MEUR	**2014**	2013
Net sales	**74.0**	73.9
Other operating income	**0.1**	0.1
Operating costs excluding product development capitalisation and one-time costs	**-70.4**	-70.6
Adjusted operating result, MEUR [1]	**3.7**	3.3
Product development amortisation	**0.0**	-1.7
One-time costs	**-0.4**	
OPERATING RESULT	**3.3**	1.6
Financial items without foreign currency differences	**-2.8**	-2.0
Income taxes	**-6.9**	-6.6
Adjusted result for the period [2]	**-6.4**	-7.0
Foreign currency differences included in financial items	**-2.9**	4.5
RESULT FOR THE PERIOD	**-9.3**	-2.5

[1] Adjusted operating result is a derived performance measure: operating result before product development amortisation and one-time costs.
[2] Adjusted result for the period is a derived performance measure: result for the period wihtout exchange rate gains and losses, included in financial items, on intra-group balances being typically receivables due to subsidiaries from the parent company.

Net sales in 2014 were EUR 0.1 million more than in the previous year. The strengthening of the US dollar had a positive impact on net sales in the second half of the year.

The operating result for the year improved by EUR 1.3 million on the previous year. Amortisation was EUR 2.4 million less. Of this, EUR 1.7 million was because Tecnotree no longer had any amortisation of R&D capitalisation. Amortisation declined by a further EUR 0.5 million from the previous year with the ending of the amortisation of assets recognized at the purchase of the company in India, since five years had passed since the acquisition. The costs for materials and services increased EUR 1.3 million in particular because of larger equipment deliveries included in projects. The 2014 costs include one-time costs of EUR 0.4 million arising from redundancies.

Financial income and expenses (net) during the review period totalled a net loss of EUR 5.7 million (net gain of EUR 2.5 million). The foreign currency differences included in financial items are mainly due to the impact of intra-group balance sheet items, when for example a subsidiary records an exchange rate gain or loss on a euro denominated receivable from the parent company. These intra-group items are large, so the exchange rates have a significant impact. It is important to examine Tecnotree's operative result without the impact of exchange rates, which is why they are shown separately. Exchange rate differences have no direct impact on the Group's cash flow.

FINANCIAL INCOME AND EXPENSES, MEUR	2014	2013
Exchange rate gains	0.3	5.1
Interest and other financial income	0.1	0.2
FINANCIAL INCOME, TOTAL	0.4	5.2
Interest expenses	-2.4	-1.9
Exchange rate losses	-3.1	-0.6
Other financial expenses	-0.5	-0.2
FINANCIAL INCOME, TOTAL	-6.0	-2.7
FINANCIAL ITEMS TOTAL	-5.7	2.5

Taxes recognised in profit and loss for the period totalled EUR 6.9 (6.6) million, including the following items:

TAXES IN INCOME STATEMENT, MEUR	2014	2013
Withholding tax expenses in parent company	-4.5	-2.8
Change in withholding tax accrual	-1.3	-0.1
Income taxes on the results of Group companies	-0.3	-2.3
Change in Indian deferred tax assets	-0.7	-0.7
Change in deferred tax liability:		
- R&D capitalisation		0.3
- dividend tax in India	-0.2	-1.2
Other items	0.0	0.2
TAXES IN INCOME STATEMENT, TOTAL	-6.9	-6.6

Earnings per share were EUR -0.08 (-0.02). Equity per share at the end of the period was EUR 0.14 (31 December 2013: EUR 0.18).

Financing, cash flow and balance sheet

The company's cash situation remained tight during the year. The company raised a new short-term bank loan of EUR 0.8 million in June 2014, and obtained a short-term loan of EUR 0.8 million from certain shareholders in the company who are related parties. These loans were repaid in December 2014. In September the company raised and repaid a short-term loan of EUR 0.5 million. In addition, in October the bank granted a EUR 0.7 million short-term bank loan, which the company repaid in November and December. The Group's trade payables increased significantly from the previous year due to the tight cash situation. Tecnotree had overdue trade payables at the end of the year.

Tecnotree's working capital increased during the year by EUR 0.3 million:

CHANGE IN WORKING CAPITAL, MEUR (increase - / decrease +)	2014	2013
Change in trade receivables	**1.5**	5.6
Change in other short-term receivables	**-7.5**	-8.3
Change in inventories	**0.1**	0
Change in trade payables	**5.0**	-1.2
Change in other current liabilities	**0.7**	-1.6
CHANGE IN WORKING CAPITAL, TOTAL	**-0.3**	-5.4

Project revenue (receivables from construciton contracts) is recognised in other receivables. When the agreement allows the customer to be invoiced, these 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 cash and cash equivalents totalled EUR 2.5 (31 December 2013: 6.6) million. Cash flow after investments for the review period ended up EUR 1.8 million negative. The change in cash and cash equivalents for the review period was EUR 4.2 million. During 2014 Tecnotree was working on two large projects with a combined original value of USD 54.5 million that began in 2012. A large part of the payments will be received at the end of the projects. In 2014 Tecnotree received no payment at all for these projects, which resulted in a growth of other receivables and had a negative impact on the company's cash flow. The company had no unused credit facilities at the end of the review period (31.12.2013: 0.0).

The balance sheet total on 31 December 2014 stood at EUR 75.0 (31 December 2013: 71.6) million. Tecnotree's gross capital expenditure during the review period was EUR 0.7 (0.6) million or 1.0 per cent (0.8 %) of net sales. Interest-bearing liabilities were EUR 31.8 (31 December 2013: 31.8) million. The net debt to equity ratio (net gearing) was 172.7 per cent (31 December 2013: 113.4 %) and the equity ratio was 22.5 per cent (31 December 2013: 30.3 %). The increase of net gearing and the decrease of equity ratio have been affected by the accumulated losses. During the period, total equity was affected by positive translation differences of EUR 4.4 million (2013: negatve translation differences of EUR 8.7 million).

The financing agreement

Tecnotree has reached agreement with its bank that any failure to achieve the performance ratios as stated in the loan covenants in the financing agreement signed in August 2013, will not result in the sanctions contained in the financing agreement, such as the obligation to repay the loans. This waiver regarding the covenants is valid for the year 2014 financial statements.

The following covenants (four out of six) as calculated on 30 December 2014 did not comply with the requirements of the financing agreement: interest coverage, leverage, cash flow cover and equity ratio.

Interest coverage, leverage and equity ratio are tested every six months and the terms for these get tougher as the loan period progresses. For interest coverage the full year operating profit should have been at least EUR 11.1 million, and leverage would have demanded an operating profit of at least EUR 6.9 million to comply with the terms of the test date on 31 December 2014. Similarly for the equity ratio, shareholders' equity on 31 December 2014 should have been at least EUR 26.2 million. The actual operating result for year 2014 was EUR 3.3 million and shareholders' equity on 31 December 2014 was EUR 16.9 million.

Cash flow cover is also tested at six month intervals but the terms for this do not get tougher as the loan period progresses. Cash flow after investments for the year was EUR -1.8 million, when to comply with the terms of the covenant it should have been at least EUR 2.4 million.

Next significant test date for the covenants will be on 30 June 2015.

Gross capital expenditure is tested annually and overdue trade receivables monthly. The figures for these are at the level required by the financial agreements and are not close to breaking these.

Since the waiver regarding the covenants is for a period of less than 12 months, the company's EUR 21.8 million loan is classified as a current loan, in accordance with the IFRS standards. Tecnotree has reached agreement with its bank to postpone payment of the EUR 1.1 million instalment that was due in December 2014 to June 2015, when the next instalment of the same amount will be due. The six-monthly repayment instalments of EUR 1.1 million continue until December 2017, and the outstanding balance, EUR 14.1 million, falls due for payment on 30 June 2018.

Parent company's equity less than half of share capital

The shareholders’ equity of the parent company on 31 December 2014 was EUR 2,193,142.25, or 46.5 % of the share capital. So the parent company shareholders’ equity has fallen below half of the share capital. According to section 23 of chapter 20 of the Limited Liability Companies Act, if a public company’s shareholders’ equity according to the balance sheet is less than half of its share capital, the Board of Directors shall without delay call a general meeting of shareholders to decide on any measures to remedy the financial position. The general meeting of shareholders shall be held no later than three months after the financial statements have been completed. Measures to remedy the financial position will be discussed in the Annual General Meeting of Tecnotree Corporation.

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 ultimate 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. These are costs of sales, customer service and delivery functions and part of product management and R&D costs. Administration costs, depreciations, taxes and financial items are not allocated.

Above mentioned definition of segments' result has been implemented during 2014. The segment results have been amended during the period to include some of the cost for product management and product development. Improved monitoring of working hours means that costs can be allocated more precisely to the segments. Similarly, the segment results in the comparative period have been changed.

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 market area fell 2.1 per cent from the previous year to EUR 37.8 (38.6) million. To clarify the scope of the delivery for one project, with the original value of USD 30.5 million, and to release working capital, the company agreed to split this delivery project into two separate projects. Since agreement has not yet been reached on the second project, the order book at the end of year 2014 has been reduced by the outstanding amount exceeding the value of the first project, USD 17.3 million or EUR 13.5 million. The second project will be added as a new deal in the order book, when it has been agreed. This affected the decline of the order book of 81.7 per cent to EUR 3.8 (20.7) million. Sales comprised expansions and upgrades of solutions installed for current customers, the renewal of annual maintenance contracts, and partial implementation of new orders.

Europe

Net sales in Europe declined 8.1 per cent from the previous year, to EUR 4.2 (4.6) million. The order book in the region declined 15.4 per cent to EUR 1.4 (1.6) million. The decline in sales was due to falling sales of the company's established messaging solutions. In Europe Tecnotree has supplied completely new systems and expansions of existing systems, mainly to existing customers. In order to stop the fall in net sales, the focus in new sales is on the business support systems contained in the new strategy.

MEA (Middle East and Africa)

Net sales in the Middle East and Africa increased 1.4 per cent from the previous year, totalling EUR 29.0 (28.6) million. Tecnotree has obtained a good number of new orders in the area, and the order book was 57.8 per cent higher than at the end of 2013, standing at EUR 32.1 (20.3) million. Tecnotree has a broad customer base in the MEA region and this continued to expand during 2014. Tecnotree has succeeded particularly in sales of its business support systems, while demand for its established products has remained firm.

APAC (Asia and Pacific)

Net sales in the Asia and Pacific region increased 37.9 per cent from the previous year, to EUR 3.0 (2.2) million. The order book for a major delivery in the region turned into net sales, which meant that the order book declined 30.3 per cent to EUR 1.6 (2.3) million. Sales comprised expansions and upgrades of solutions installed for current customers, the renewal of annual maintenance contracts, and partial implementation of new orders.

Personnel

At the end of December 2014 Tecnotree employed 993 (31 December 2013: 1,059) persons, of whom 89 (31 December 2013: 89) worked in Finland and 904 (31 December 2013: 970) elsewhere. The Group employed on average 1,038 (1,067) people during the year. Personnel by country were as follows:

PERSONNEL	**2014**	2013	2012
Personnel, at end of period	**993**	1,059	1,116
Finland	**89**	89	90
Ireland	**51**	49	56
Brazil	**31**	34	40
Argentina	**35**	31	36
India	**743**	809	843
Other countries	**44**	47	51
Personnel, average	**1,038**	1,067	1,070
Salary expenses (MEUR)	**27.7**	28.9	29.7

Share and price analysis

At the end of December 2014 the shareholders' equity of Tecnotree Corporation stood at EUR 16.9 (31 December 2013: 21.7) million and the share capital was EUR 4.7 million. The total number of shares was 122,628,428.

At the end of the period, the company did not hold any own shares anymore (31 December 2013: 64,704). During the period all 64,704 own shares were used for management rewards. Equity per share was EUR 0.14 (31 December 2013: EUR 0.18).

A total of 44,560,721 Tecnotree shares (EUR 8,668,831) were traded on the Helsinki Exchanges during the period 1 Jan – 31 Dec 2014, representing 36.3 per cent of the total number of shares.

The highest share price quoted in the period was EUR 0.26 and the lowest EUR 0.13. The average quoted price was EUR 0.19 and the closing price on 31 December 2014 was EUR 0.14. The market capitalisation of the share stock at the end of the period was EUR 17.0 million.

Shareholders

Tecnotree has a single share series and all shares hold equal voting rights. Tecnotree's share is 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 2014 the company has not received any shareholders notifications.

On 31 December 2014 Tecnotree had a total of 6,579 shareholders recorded in the book-entry securities system. Of these were 6,571 in direct ownership and 8 were nominee-registered.

On 31 December 2014 the ten largest shareholders together owned approximately 33.03 per cent of the shares and voting rights. On 31 December 2014, altogether 3.91 per cent of Tecnotree's shares were in foreign ownership, with 3.73 per cent in direct ownership and 0.18 per cent nominee-registered.

On 31 December 2014 the total number of shares owned by the members of Tecnotree's Board of Directors and the CEO was 6,272,534 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 5.12 per cent of the total amount of shares and voting rights. On 31 December 2014 the total number of shares owned by the members of Tecnotree's Management Board was 757,858 excluding those owned by the CEO.

On 31 December 2014 Tecnotree had no option series in force.

Ownership structure by sector 31 December 2014

	No. of shares	%
Companies	18,870,793	15.39%
Finance houses and insurance companies	15,454,418	12.60%
Public sector	98,659	0.08%
Non-profit making assosiations	6,350	0.01%
Households and private persons	83,368,182	67.98%
Foreign holders	4,792,426	3.91%
Total	122,590,828	99.97%
Joint account	37,600	0.03%
Total number of shares	122,628,428	100.00%
Nominee registrations	3,337,102	2.72%

Largest shareholders 31 December 2014

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	6,040,000	4.93%
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%
Wilenius Markku Johannes	2,650,000	2.16%
Kettunen Risto Juhani	2,402,000	1.96%
Sumelius Bertil Christer	2,073,659	1.69%
Puurtinen Jukka Tapani	2,000,587	1.63%
Sumelius Bjarne Henning	1,920,065	1.57%
Total	40,510,284	33.03%

Ownership of shares 31 December 2014

No. of shares	Holders	%	Shares and votes	%
1–500	1,918	29.15%	450,278	0.37%
501–1 000	890	13.53%	731,963	0.60%
1 001–5 000	1,963	29.84%	5,355,293	4.37%
5 001–10 000	709	10.78%	5,610,038	4.58%
10 001–50 000	810	12.31%	18,567,515	15.14%
50 001–100 000	141	2.14%	10,147,776	8.28%
100 001–500 000	119	1.81%	22,343,074	18.22%
> 500 000	29	0.44%	59,384,891	48.43%
Joint account			37,600	0.03%
Total	6,579	100.00%	122,628,428	100.00%

Current authorisations

The Annual General Meeting of Tecnotree Corporation held on 26 March 2014 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 may be acquired with unrestricted shareholders' equity otherwise than in proportion to the holdings of the shareholders through public trading of the securities on NASDAQ OMX Helsinki Oy at the market price of the shares in public trading at the time of the acquisition. Own shares 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 shall decide on other terms of the share acquisition. The authorisation is 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 is 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.

Incentive scheme

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 2014 earning period is based on Tecnotree Group's operating profit and the company's trade weighted average share price in December 2014. No rewards were recognised based on these criteria.

Legal proceedings

Atul Chopra withdrew and waived a legal action taken against Tecnotree in the court of arbitration in Singapore on 12 March 2013. In the claim Atul Chopra and Aparna, a company close to him, requested indemnity of about EUR 1.1 million. In relation to the matter Tecnotree, Atul Chopra and Aparna agreed to settle the matter and withdrawn all legal actions and other claims against each other. On 30 May 2014, the Singapore International Arbitration Centre confirmed the settlement between the parties. As part of the settlement Tecnotree paid a lump sum of EUR 0.1 million to Atul Chopra.

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

Risks 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 79 % of net sales in 2014 (77 % 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. Long-term projects can tie up significant amounts of capital.

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. Intra-group receivables and liabilities are large and these result in large exchange rate differences in the consolidated income statement, since the Group companies usually have different functional currencies.

Financing

Long-term projects generate receivables through revenue recognition, but there may be a long delay in invoicing for these and receiving payment. This delay increases the risk for the payment.

The company had all its credit facilities in use at the end of 2014. The cash flow varies considerably from one quarter to another, and this in turn places strain on the money situation. The risk exists that the company will have to postpone payment of expenses. The company had overdue trade payables to its suppliers at the end of the review period. This may make it more difficult for the company to obtain materials and services from external suppliers and may create the risk of legal action by suppliers.

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.

Tecnotree has reached agreement with its bank that any failure to achieve the performance ratios as stated in the loan covenants in the financing agreement, will not result in the sanctions contained in the financing agreement, such as the obligation to repay the loans. This waiver regarding the covenants is valid for the year 2014 financial statements. As stated above in the section "Financing, cash flow and balance sheet", some of the covenants failed to achieve the figures specified in the financing agreement on 31 December 2014. The company has also reached agreement with its bank to postpone payment of the EUR 1.1 million instalment due in December 2014 of its loan until June 2015.

As far as can be seen, the company has no chance of paying a dividend in the next few years. Contributing factors are the lack of distributable funds, the terms of the financing agreement, and the reduction in the share capital that is being proposed to the meeting of shareholders.

Further information about significant uncertainty factors related to going coincern is given in the Accounting principles for the consolidated financial statements under “Going concern basis”.

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

The goodwill of EUR 16.6 million resulting from the acquisition in 2009 of Tecnotree Convergence Limited (previously Lifetree Convergence Limited) involve risks. The goodwill impairment tests are based on management's financial expectations and assumptions, which contain uncertainty factors.

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. Withholding taxes are 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 withholding taxes in Finland.

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 withholding taxes.

Risks and uncertainties in the near future

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

The company has sales to a client in Argentina. The Argentine government is having difficulties in connection with old foreign debt, which may have a negative impact on payments due from Argentina. There are similar risks in several other countries where Tecnotree has customers and sales.

At the end of the year the Group's shareholders' equity of stood at EUR 16.9 million. However, the shareholders' equity of the parent company was only EUR 2.2 million while its share capital stood at EUR 4.7 million. So the shareholders' equity of the parent company has fallen below half of the share capital. More details about the general meeting of shareholders stipulated in section 23 of chapter 20 of the Limited Liability Companies Act is given above in a separate section "Parent company's equity less than half of share capital".

Restructuring proceedings

Tecnotree Corporation decided on 5 March 2015 to apply for debt restructuring proceedings. The district court of Espoo decided on 9 March 2015 to commence the corporate restructuring proceedings. The district court appointed Mr. Jari Salminen, Attorney-at-Law, from JB Eversheds Oy as the administrator in respect of the restructuring process. The creditors must announce their claims (receivables) in writing to the administrator not later than 7 April 2015, if the amounts differ from the ones announced by the debtor. The administrator must send a statement of the financial status of the debtor to the interest parties on 5 May 2015 at the latest. Not later that 6 July 2015 the administrator must prepare and deliver his proposed restructuring program to the district court of Espoo. Tecnotree Corporation is obliged to comply with the program approved by the court. This involves risk. Tecnotree is responsible for all its liabilities in full after the date of application for restructuring proceedings. This requires sufficient cash inflow or payments by customers.

After the date of applicatioin for restructuring proceedings, problems can be anticipated, in particular with those companies from which Tecnotree has had purchases. Also customers might be suspicious of the risks related to Tecnotree, which might have some impact on future orders.

Management, auditors and corporate governance

Tecnotree's Board of Directors comprised the following persons in 2014:

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

*) Johan Hammarén announced on 5 March 2015 his resignation from the Board of Directors of the company with immediate effect, after which the Board of Directors continues with four members.

Ilkka Raiskinen is the CEO of the company.

In 2014 the Group'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 Reija Virrankoski (Vice President, Human Resources as from 1 April 2014).

Tecnotree's auditor in the financial year 2014 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 2014.

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 consolidated financial statements

Financial key figures and key figures per share as well as figures describing the product development activities are presented in the section "Key financial indicators and key figures per share" in the consolidated financial statements. Total amount of product development costs recognised in profit and loss is 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

Restructuring proceedings

Tecnotree Corporation's business operations have been loss-making for several years. In the unaudited financial report for 1 January 2014 – 31 December 2014, published on 30 January 2015, the Company announced that the result of the whole year 2014 remained a loss despite the encouraging final part of the year. The Company's situation is still challenging, even though the Company estimates that its operating result of 2015 will improve from 2014.

The Company's fourth quarter net sales and adjusted operating result set new records. During the same period the Company's customer deliveries included a large number of third-party products (computers and licenses) leading to an increase in the trade payables. Significant part of the Company's customers operate in countries where central banks restrict the availability of currency, for which reason the payments to the Company are delayed. The Company's customers in these areas are leading operators, who have always made their payments.

In the financial report the Company told that also its cash situation remained tight during the review period. The change in cash and cash equivalents during 2014 was EUR -4.2 million. The Company had no unused credit facilities at the end of the year. The Company has previously informed the markets that it has restructured its financing, renegotiated the repayment schedules and covenants of its loans as well as implemented certain cost reduction measures.

In addition, in the financial report Tecnotree announced that at the end of the year the Group's shareholders' equity of stood at EUR 16.9 million. However, the shareholders' equity of the parent company was only EUR 2.2 million while its share capital stood at EUR 4.7 million. This means that the shareholders' equity of the parent company has fallen below half of the share capital. According to section 23 of chapter 20 of the Limited Liability Companies Act, if a public company's shareholders' equity according to the balance sheet is less than half of its share capital, the Board of Directors shall without delay convene a General Meeting to consider measures to remedy the financial position of the company. Measures to remedy the financial position will be discussed in the Annual General Meeting of Tecnotree Corporation.

The Company has actively searched for a solution to improve its financial standing and carefully studied different options for solving the situation. Based on the study the Company concludes that it would in the best interest of the Company and its stakeholders, if the Company applied for restructuring proceedings in accordance with the Act on Restructuring of Enterprises. The Company assess that its difficulties are temporary, and via restructuring it would be possible to remedy the Company's financing and equity structure and thus secure the long-term continuation of the Company's business operations. When materialised, restructuring eases the debt liability of the Company and consequently also improves the shareholders' equity. The main creditor of the Company, Nordea Bank Finland Plc, together with another creditor, have announced being in support of placing the Company in the restructuring proceedings.

Based on the above, the Board of Directors of Tecnotree decided to file an application for restructuring proceedings with the district court of Espoo. The application was filed on 5 March 2015 with the district court, which on 9 March 2015 decided to commence the corporate restructuring proceedings. According to section 24 of chapter 20 of the Limited Liability Companies Act, the application was filed by the Board of Directors, as the matter was urgent. According to the same paragraph, the Board of Directors shall without delay convene the General Meeting to decide on the continuation of the application. The Board of Directors proposes to the Extraordinary General Meeting of Shareholders to be held on Friday 27 March that the application for restructuring proceedings will be continued. The creditors must announce their claims (receivables) in writing to the administrator not later than 7 April 2015, if the amounts differ from the ones announced by the debtor. The administrator must send a statement of the financial status of the debtor to the interest parties on 5 May 2015 at the latest. Not later that 6 July 2015 the administrator must prepare and deliver his proposed restructuring program to the district court of Espoo.

Measures to be taken based on the result shown by balance sheet and possible other measures to be taken to remedy the Company's financial situation in accordance with section 23 of chapter 20 of the Limited Liability Companies Act will be handled in the Annual General Meeting.

The filing of the restructuring application has no direct effects on Tecnotree's business operations and the Company continues to carry out the agreed customer projects and serve its customers as usual. Related uncertainty factors are disclosed in the Report of the Board of Directors in the section "Risks and uncertainty factors" under "Risks and uncertainties in the near future".

Phasing of a customer project

Tecnotree reached agreement with an operator group in Latin America to split delivery of the USD 30.5 million contract announced on 20 December 2011 into two delivery projects. The first phase is valued at USD 13.2 million and this includes delivery of a charging system for prepaid customers and a subscription management system. This first phase is being completed and will come to an end during the first half of 2015.

Phasing the project as agreed reduced Tecnotree's order book at the end of year 2014 by USD 17.3 million, since the USD 30.5 million contract signed on 20 December 2011 has been split into two projects and commercial negotiations on the second part are still in progress. Phasing the project clarifies the overall project and releases USD 5.6 million in working capital, since under the terms of the original agreement Tecnotree's right to invoice depended on progress in delivery of the entire system. Under the phasing agreed now, Tecnotree has the right to invoice after completion of partial deliveries.

As part of the phasing, the parties have agreed on the delivery of the Tecnotree Agility TM Converging Charging Solution as the mobile data charging platform in three countries. Tecnotree will also provide expert services to ensure the smooth integration of the solution with existing network operations and business support systems. The precise commercial value of the second phase will be determined during negotiations, and deliveries will be spread over 2015 and 2016.

Prospects in 2015

Tecnotree estimates that its operating result will improve from 2014. 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 2014, and that the parent company's accumulated loss of EUR 5,505,421.98 (of which loss for the financial year is EUR 5,519,009.82) be covered by non-restricted equity reserves of EUR 2,131,259.02 and the rest EUR 3,374,162.96 by reducing share capital.

Tecnotree Corporation

Board of Directors

Consolidated income statement and statement of comprehensive income

Consolidated income statement, EUR 1,000	Note	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Net sales	1, 2	**73,973**	73,901
Other operating income	3	**138**	62
Materials and services	4	**-11,870**	-10,591
Employee benefit expenses	5	**-33,552**	-34,623
Depreciation, amortisation and impairment losses	6	**-1,079**	-3,513
Other operating expenses	7	**-24,351**	-23,634
Operating profit		**3,259**	1,602
Financial income	9	**355**	5,210
Financial expenses	9	**-6,018**	-2,684
Result before taxes		**-2,404**	4,128
Income taxes	10	**-6,904**	-6,622
Result for the period		**-9,308**	-2,493
Result for the period attributable to:			
Equity holders of the parent company		**-9,305**	-2,501
Non-controlling interest		**-3**	7
EPS calculated on profit attributable to equity holders:			
Basic earnings per share, EUR	11	**-0.08**	-0.02
Diluted earnings per share, EUR	11	**-0.08**	-0.02
Number of shares on average (1000s of shares):			
Basic		**122,605**	122,551
Diluted		**122,605**	122,551

Consolidated statement of comprehensive income, EUR 1,000	Note	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Result for the period		**-9,308**	-2,493
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement items on net defined benefit liability	21	**-63**	59
Tax on items that will not be reclassified subsequently to profit or loss		**21**	-20
Items that may be reclassified subsequently to profit or loss:			
Translation differences from foreign operations, before tax	24	**4,747**	-9,121
Tax relating to translation differences		**-342**	468
Other comprehensive income, net of tax		**4,363**	-8,614
Total comprehensive income for the period		**-4,944**	-11,107
Comprehensive income for the period attributable to:			
Equity holders of the parent company		**-4,941**	-11,100
Non-controlling interest		**-3**	-7

Consolidated balance sheet

EUR 1,000	Note	31 Dec 2014	31 Dec 2013
Assets			
Non-current assets			
Goodwill	12, 13	**16,642**	15,266
Other intangible assets	12	**358**	436
Property, plant and equipment	14	**3,813**	4,049
Deferred tax assets	15	**905**	1,472
Non-current receivables	16	**1,128**	780
Total non-current assets		**22,845**	22,004
Current assets			
Inventories	17	**523**	576
Trade and other receivables	18	**46,915**	41,106
Income tax receivables		**2,083**	793
Investments	19	**76**	589
Cash and cash equivalents	19	**2,536**	6,572
Total current assets		**52,134**	49,635
Total assets		**74,979**	71,638
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
Translation differences		**-8,489**	-12,894
Invested unrestricted equity reserve		**1,624**	5,452
Other reserves		**2,308**	2,279
Retained earnings		**15,829**	21,312
Equity attributable to equity holders of the parent	20	**16,839**	21,659
Non-controlling interest		**52**	51
Total shareholders' equity		**16,892**	21,710
Non-current liabilities			
Deferred tax liabilities	15	**3,390**	3,033
Non-current interest-bearing liabilities	22		20,681
Pension obligations	21	**482**	239
Other non-current non interest-bearing liabilities	23	**732**	697
Total non-current liabilities		**4,605**	24,650
Current liabilities			
Current interest-bearing liabilities	22	**31,781**	11,100
Trade payables, provisions and other liabilities	23	**21,355**	14,000
Income tax liabilities		**346**	179
Total current liabilities		**53,483**	25,279
Total equity and liabilities		**74,979**	71,638

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	Invested unrestricted equity reserve	Other reserves	Translation differences	Retained earnings	Total		
Shareholders' equity 1 Jan 2014	4,720	847	-59	5,452	2,279	-12,894	21,312	**21,659**	51	**21,710**
Result for the period							-9,305	**-9,305**	-3	**-9,308**
Other comprehensive income:										
Translation differences, net of tax						4,405		**4,405**		**4,405**
Total comprehensive income for the period						4,405	-9,305	**-4,900**	-3	**-4,903**
Disposal of own shares			59				-45	**14**		**14**
Sharebased payments							-9	**-9**		**-9**
Transactions with shareholders, total			59				-54	**5**		**5**
Covering of loss				-3,828			3,828			
Transfer to legal reserve					29		-29			
Other changes							75	**75**	4	**79**
Total shareholders' equity 31 Dec 2014	**4,720**	**847**		**1,624**	**2,308**	**-8,489**	**15,829**	**16,839**	**52**	**16,892**

Additional details are presented in note 20. Notes to the 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	Invested unrestricted equity reserve	Other reserves	Translation differences	Retained earnings	Total		
Shareholders' equity 1 Jan 2013	4,720	847	-122	18,007	5,171	-4,241	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	5,452	2,279	-12,894	21,312	21,659	51	21,710

Consolidated cash flow statement

EUR 1,000	**Note**	**1 Jan–31 Dec 2014**	1 Jan–31 Dec 2013
Cash flow from operating activities			
Result for the period		**-9,308**	-2,493
Adjustments for:			
Depreciation, amortisation and impairment losses		**1,079**	3,513
Employee benefits		**291**	518
Impairment of receivables	7	**2,600**	778
Unrealised exchange gains and losses		**316**	-5,334
Other financial income and expenses		**2,772**	1,962
Income taxes		**6,904**	6,622
Gains and losses on disposal of intangibles and tangibles		**-37**	-12
Changes in working capital:			
Change in trade and other receivables		**-5,998**	-2,665
Change in inventories		**53**	9
Change in trade payables and other liabilities		**5,665**	-2,729
Interest paid *		**-197**	-84
Interest received		**69**	86
Income taxes paid		**-5,932**	-4,349
Net cash flow from operating activities		**-1,721**	-4,180
Cash flow from investments			
Investments intangible assets		**-68**	-65
Investments in property, plant and equipment		**-652**	-534
Proceeds from disposal of intangible and tangible assets		**64**	48
Proceeds from disposal of other securities		**512**	35
Interest received from investments		**31**	73
Net cash flow from investments		**-113**	-443
Cash flow from financing activities			
Proceeds from borrowings		**2,800**	21,781
Repayments of borrowings		**-2,800**	-13,333
Changes in credit facilities in use			-5,000
Interest paid *		**-2,379**	-2,662
Net cash flow from financing activities		**-2,379**	786
Change in cash and cash equivalents		**-4,213**	-3,836
Cash and cash equivalents at beginning of period		**6,572**	11,306
Change in foreign exchange rates		**178**	-898
Cash and cash equivalents at end of period	19	**2,536**	6,572

* Interest and other financial items paid related to the Group's loan arrangement have been regrouped from Net cash flow from operating activities to Net cash flow from financing activities. The figures for the comparative period have been retrospectively changed to reflect this.

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 12 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.

The Board of Directors of Tecnotree Corporation has approved the publishing of these 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.

Basis for preparation for the consolidated financial statements

Tecnotree’s consolidated financial statements have been prepared in accordance with the international financial reporting standards (IFRS) adopted by the EU, applying the IAS and IFRS standards and SIC and IFRIC interpretations in force on 31 December 2014. International Financial Reporting Standards, referred to in the Finnish Accounting Act and in ordinances issued based on the provisions of the Act, refer to the standards and to their interpretations adopted in accordance with the procedure laid down in regulation (EC) No 1606/2002 of the European Parliament and of the Council. The notes to the consolidated financial statements also conform to Finnish accounting and corporate legislation.

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

The consolidated financial statements are presented in Euros, which is the functional and presentation currency of the parent company. Unless otherwise stated, 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. Key indicators are calculated using exact values. The comparable figures presented in text sections are in brackets.

Going concern basis

Uncertainty factors

The uncertainty factors relating to Tecnotree’s operations are explained in section “Risks and uncertainty factors” in the Board of Directors’ report. The company has significant uncertainty factors relating to the continuity of its operations. In practice these risks are related to financing and they are described in the section mentioned above under the heading “Financing” as well as in note 24 of the consolidated financial statements. In addition Tecnotree has a risk relating to the sufficiency of the shareholders’ equity of the parent company. This is explained in the Board of Directors’ report under its own heading and in the section “Risks and uncertainty factors" under "Risks and uncertainties in the near future”.

Restructuring proceedings

Tecnotree Corporation decided on 5 March 2015 to apply for debt restructuring proceedings. The district court of Espoo decided on 9 March 2015 to commence the corporate restructuring proceedings. The district court appointed

Mr. Jari Salminen, Attorney-at-Law, from JB Eversheds Oy as the administrator in respect of the restructuring process. The creditors must announce their claims (receivables) in writing to the administrator not later than 7 April 2015, if the amounts differ from the ones announced by the debtor. The administrator must send a statement of the financial status of the debtor to the interest parties on 5 May 2015 at the latest. Not later that 6 July 2015 the administrator must prepare and deliver his proposed restructuring program to the district court of Espoo. Tecnotree Corporation is obliged to comply with the program approved by the court. This involves risk. Tecnotree is responsible for all its liabilities in full after the date of application for restructuring proceedings. This requires sufficient cash inflow or payments by customers.

After the date of applicatioin for restructuring proceedings, problems can be anticipated, in particular with those companies from which Tecnotree has had purchases. Also customers might be suspicious of the risks related to Tecnotree, which might have some impact on future orders. If, in the foreseeable future, it is apparent that preparing the financial statements based on going concern principle is not appropriate, the carrying values of the assets of Tecnotree Corporation will have to be changed.

Basis for applying the going concern principle

The consolidated financial statements of Tecnotree Corporation have been prepared in accordance with the going concern principle. This is justified on the following grounds:

Tecnotree's business operations have been loss-making for several years. One key reason for this has been the decline in sales of old products, for which sales of new products have not fully managed to compensate. Another contributing factor to the losses before 2014 was that as from 2009 Tecnotree no longer capitalised R & D costs and previous capitalisation, some EUR 20 million, was amortised in the years 2009-2013.

The consolidated result for 2014 was weakened by exchange rate losses totalling EUR 2.9 million recorded mainly for intra-group receivables that are included in financial items and have no impact on the Group's cash flow. Without these, the consolidated result would have been a loss of EUR 6.4 million. The company believes that the result will turn positive thanks to improved efficiency. This means i.a. increasing the degree of productisation, clear sets of projects and projects being more efficient. It also believes that sales will increase. The decline in the sale of old products is considered to be of less importance than growth in the sale of new products.

The company's financial situation in 2014 was tight. One contributing factor has been two exceptionally large customer projects from which no payments were received during the year. The cash flow for these projects is estimated to turn positive in 2015. The company does not intend in future to undertake projects of such a large scale. Instead it will make customer agreements in which the projects consist of smaller elements, for which payment is received more quickly and that are easier to manage.

The liquidity during the restructuring proceedings will be based on normal business revenue. Future cash flows are discussed in note 24 under "Restructuring proceedings".

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

The consolidated financial statements include the parent company Tecnotree Corporation as well as its all directly or indirectly owned subsidiaries (over 50 % of the voting rights) or companies otherwise under its control. Tecnotree is considered to control an entity when Tecnotree is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Generally, control exists when the Group holds directly or indirectly over half of the voting rights.

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, dividend distribution, receivables, liabilities and unrealised margins on intra-group transactions are 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 statement of comprehensive income. Net result attributable to non-controlling interests is presented within equity in the consolidated balance sheet separately from equity attributable to the owners of the parent. Non-controlling interests of accrued losses are recognised in the consolidated financial statements up to the maximum amount of their investment.

The parent company had no investments in joint arrangements, nor in associated companies as at 31 December 2014 or 31 December 2013.

Foreign currency items

Group companes report their operations in their financial statements using the currency of the economic environment in which the entity primarily operates (functional currency).

Transactions in foreign currencies are translated 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 valuated 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 materials and services. 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. 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.

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 accumulated 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. The estimated useful life for intangible rights is 3-10 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 2014 did not include any capitalised product development costs.

Inventories

Inventories are stated at the lower of acquisition cost and net realisable value. The valuation 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 2014 or 2013.

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. In practice this determination is done separately for each group of asset. 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 either present value of the future net cash flows (value in use) or fair value less costs of disposal. Impairment tests of Tecnotree are carried out based on the value in use at the cash-generating unit level.

The Group's cash-generating units are the operating segments: 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. When recognising an impairment loss, the useful life of the asset group subject to the impairment is re-evaluated.

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.

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.

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. The conditions for recognition of any deferred tax asset are evaluated at the end of each reporting period.

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, adjusted operating result and adjusted profit for the period

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 costs for 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 2014 nor are any amortisations included in the 2014 income statement.

Adjusted result for the period is result for the period without exchange rate gains and losses, included in financial items, on intra-group balances being typically receivables due to subsidiaries from the parent company.

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.

Trade receivables are 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. This evaluation is done at the end of each reporting period. Additional information on impairment losses are disclosed in note 7 to the consolidated financial statements.

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. Additional information on impairment tests are disclosed in note 13 to the consolidated financial statements.

New and amended standards applied in financial year ended

The Group has applied as from 1 January 2014 the following new amended standards that have come into effect:

- IFRS 10 Consolidated Financial Statements and subsequent amendments (in the EU effective for financial years beginning on or after 1 January 2014): IFRS 10 builds on existing principles by identifying the concept of control as the determining factor when deciding whether an entity should be incorporated within the consolidated financial statements. The standard also provides additional guidance to assist in the determination of control where this is difficult to assess. The new standard had no significant impact on consolidated financial statements.
- IFRS 12 Disclosures of Interests in Other Entities and subsequent amendments (in the EU effective for financial years beginning on or after 1 January 2014): IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including associates, joint arrangements, structured entities and other off-balance sheet vehicles. The new standard expanded the notes the Group provides for its interests in other entities.

Other new or amended standards have not had an impact on the 2014 consolidated financial statements.

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 2014. 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 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)
- Amendment to IAS 1 Presentation of Financial Statements: Disclosure Initiative* (effective for financial years beginning on or after 1 January 2016).
- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation* (effective for financial years beginning on or after 1 January 2016)
- Annual Improvements to IFRSs, 2012-2014 cycle* (effective for financial years beginning on or after 1 January 2016)

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

- New IFRS 15 Revenue from Contracts with Customers* (effective for financial years beginning on or after 1 January 2017)
- IFRS 9 Financial Instruments* (effective for financial years beginning on or after 1 January 2018)

The Group is still investigating the impact of these standards.

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 ultimate 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. These are costs of sales, customer service and delivery functions and part of product management and R&D costs. Other segments item include depreciations as well as such administration and other operating expenses that can't be allocated to the segments on a reasonable basis. Most of the company's expenses are fixed by nature, and therefore considered not appropriate to allocate to the segments.

Above mentioned definition of segments' result has been implemented during 2014. The segment results have been amended during the period to include some of the cost for product management and product development. Improved monitoring of working hours means that costs can be allocated more precisely to the segments. Similarly, the segment results in the comparative period have been changed.

Tecnotree does not allocate its assets to the operating segments for the reporting purposes.

Operatig segments 2014

EUR 1,000	**Americas**	**Europe**	**MEA**	**APAC**	**Other segments**	**Group total**
Net sales (external)	37,761	4,190	29,038	2,985		**73,973**
Segment result	14,429	1,538	13,587	86		**29,641**
Non-allocated items					-25,932	**-25,932**
Operating result before R&D capitalisation & amortisation and one-time costs						**3,709**
One-time costs					-450	**-450**
Operating result						**3,259**

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	16,945	1,656	10,278	-2		28,877
Non-allocated items					-25,561	-25,561
Operating result before R&D capitalisation & amortisation and one-time costs						3,317
Product development amortisation					-1,715	-1,715
Operating result						1,602

Net sales from Finnish customers were EUR 1,047 (906) thousand and the total of all other countries EUR 72,926 (72,995) thousand. Non-current assets located in Finland at the balance sheet date were EUR 2,448 (2,767) thousand, and in other countries a total of EUR 18,364 (16,984) thousand.

Information about major customers

EUR 1,000		**2014**		2013	
		Net sales	**% of the Group's net sales**	Net sales	% of the Group's net sales
Customer 1, operating segment:	Americas	**35,196**	**48%**	37,513	51%
Customer 2, operating segment:	MEA	**23,059**	**31%**	19,319	26%

2. Net sales

EUR 1,000	**2014**	2013
Revenue from contract work recognised by stage of completion	**27,732**	23,943
Revenue from maintenance and support	**27,377**	29,635
Revenue from goods and services	**16,496**	21,462
Currency exchange gains and losses	**2,369**	-1,139
Net sales total	**73,973**	73,901
Order book for contract work	**21,592**	34,844
Order book for maintenance and support, goods and services	**17,306**	10,191
Order book total	**38,899**	45,035
Projects in progress:		
Cumulative revenue recognised for projects in progress	**43,819**	42,078
Cumulative invoicing for projects in progress recognised by stage of completion	**26,704**	30,284
Accrued income related to construction contracts, work in progress	**17,115**	11,794
Aggregate amount of costs incurred for projects in progress	**26,081**	20,147

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	2014	2013
Rental income	**84**	50
Gains on disposal of tangible and intangible assets	**38**	12
Other income items	**16**	
Other operating income total	**138**	62

4. Materials and services

EUR 1,000	**2014**	2013
Purchases during the period	**-10,161**	-8,159
Increase/decrease in inventories	**-53**	-205
Materials and supplies	**-10,214**	-8,364
External services	**-1,655**	-2,227
Materials and services total	**-11,870**	-10,591

5. Employee benefit expenses

EUR 1,000	2014	2013
Wages and salaries	**-27,734**	-28,923
Pension expenses, defined contribution plans	**-1,899**	-1,673
Pension expenses, defined benefit plans (note 21)	**-141**	-109
Share based compensation (incentive scheme)	**-12**	-11
Other long-term employee benefit expenses (note 23)	**-268**	-552
Other employee benefits	**-3,497**	-3,355
Employee benefit expenses total	**-33,552**	-34,623

Information about management compensation is presented in note 28.

Average number of employees		
Finland	**91**	88
Ireland	**51**	49
Other Europe	**6**	6
India	**783**	806
Other East and Southeast Asia	**6**	9
Middle-East	**34**	36
Latin America	**68**	72
Total	**1,038**	1,067

Incentive scheme

During the period, the company had a current share-based incentive scheme that the Board of Directors had established on 25 October 2011. 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 reward in the scheme for the 2014 earning period was based on Tecnotree Group's operating result and the Company's volume weighted average share price in December 2014. Based on the performance targets, no reward accrued for the 2014 earning period. Expenses of EUR 12 thousand for earning periods 2012 and 2013 have been recorded in the income statement for 2014 (EUR 11 thousand for 2013).

6. Depreciations, amortisations and impairment losses

EUR 1,000	2014	2013
Depreciations and amortisations by class of asset:		
Other intangible assets		
Capitalised development costs		-1,715
Other intangible assets	**-164**	-820
Property, plant and equipment		
Buildings	**-279**	-279
Machinery and equipment	**-636**	-699
Depreciations total	**-1,079**	-3,513

7. Other operating expenses

EUR 1,000	2014	2013
Subcontracting	**-3,983**	-2,243
Office management costs	**-4,628**	-4,403
Travel expenses	**-5,792**	-6,501
Impairment losses on receivables	**-2,600**	334
Agent fees	**-1,326**	-3,200
Rents	**-1,952**	-1,855
Professional services	**-3,012**	-4,030
Marketing	**-585**	-604
Other expenses	**-473**	-1,131
Other operating expenses total	**-24,351**	-23,634

Impairment losses were recognised on trade receivables totalling EUR 797 (154) thousand and on receivables related to construction contracts totalling EUR 1,803 (623) thousand. In the comparative period, EUR 1,112 thousand of the credit loss for a company owned by the Libyan governmen was reversed after receiving payments during 2013.

Auditors' fees		
Audit	**-154**	-168
Tax consulting	**-44**	-27
Other services	**-36**	-21
Auditors' fees total	**-233**	-215

8. Research and development expenditure

EUR 1,000	2014	2013
Product development expenses incurred during the year	**-12,001**	-14,018
Amortisation of capitalised product development costs		-1,715
Product development expenses recognised in income statement total	**-12,001**	-15,733

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	2014	2013
Financial income		
Financial income from loans and receivables	**100**	159
Foreign exchange gains on loans and receivables and on financial liabilities at amortised cost	**255**	5,051
Financial income total	**355**	5,210
Financial expenses		
Interest expenses from financial liabilities at amortised cost	**-2,209**	-1,615
Interest expenses from interest rate swaps at fair value through income statement	**-176**	-278
Change in value of interest rate swaps at fair value through income statement	**-237**	-13
Other financial expenses	**-253**	-216
Foreign exchange losses on loans and receivables and on financial liabilities at amortised cost	**-3,143**	-563
Financial expenses total	**-6,018**	-2,684
Financial income and expenses total	**-5,663**	2,526

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 5,893 thousand in 2014 (EUR 1,287 thousand exchange rate losses (net) in 2013).

10. Income taxes

EUR 1,000	2014	2013
Current taxes	-287	-2,315
Withholding taxes paid abroad	-4,513	-2,755
Change in withholding tax accrual * (note 23)	-1,281	-142
Taxes for previous accounting periods	22	26
Change in deferred tax assets (note 15)	-685	-746
Change in deferred tax liabilities (note 15)	-10	-690
Dividend tax paid on intra-group dividends	-151	
Income taxes total	-6,904	-6,622

Reconciliation of effective tax rate

Income tax reconciliation between tax expense computed at statutory rates in Finland (2014: 20.0 per cent and 2013: 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	-2,404	4,128
Income tax using Finnish tax rates	481	-1,011
Effect of different tax rates applied to foreign subsidiaries	-184	-836
Non-deductible expenses and tax-free income	123	944
Withholding taxes paid abroad	-4,513	-2,755
Change in withholding tax accrual *	-1,281	-142
Taxes of prior periods	22	26
Utilisation of previously unrecognised tax losses	208	710
Unrecognised deferred tax assets on research and development costs not deducted for tax purposes	-541	-2,222
Deferred tax liabilities on undistributed profits of a foreign subsidiary	-176	-1,198
Other capital allowances	-1,043	-137
Taxes in income statement	-6,904	-6,622

*) 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, an accrual for withholding taxes has been recognised in the parent company's liabilities.

11. Earnings per share

EUR 1,000	2014	2013

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)	**-9,305**	-2,501
Weighted average number of shares during the year, adjusted to reflect the share issue for the comparative period (1,000 shares)	**122,605**	122,551
Basic earnings per share, (EUR/share)	**-0.08**	-0.02

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 end of years 2014 and 2013, the Group had no share option series anymore.

12. Intangible assets

Intangible assets 2014

EUR 1,000	**Goodwill**	**Product development costs**	**Other intangible assets**	**Total**
Acquisition cost 1 Jan	16,045	32,036	5,306	**53,387**
Exchange differences	2,145		1,508	**3,654**
Additions			68	**68**
Disposals			-5	**-5**
Acquisition cost 31 Dec	18,191	32,036	6,877	**57,104**
Accumulated amortisations and impairment losses 1 Jan	-779	-32,036	-4,869	**-37,685**
Exchange differences	-770		-1,490	**-2,260**
Accumulated amortisations on disposals			4	**4**
Amortisation during period			-164	**-164**
Accumulated amortisations and impairment losses 31 Dec	-1,549	-32,036	-6,519	**-40,104**
Book value 31 Dec 2014	**16,642**		**358**	**16,999**

Intangible assets 2013

EUR 1,000	Goodwill	Product development costs	Other intangible assets	Total
Acquisition cost 1 Jan	18,337	32,036	8,940	59,313
Exchange differences	-2,292		-633	-2,925
Additions			65	65
Disposals			-3,067	-3,067
Acquisition cost 31 Dec	16,045	32,036	5,306	53,387
Accumulated amortisations and impairment losses 1 Jan	-917	-30,321	-7,620	-38,858
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	-32,036	-4,869	-37,685
Book value 31 Dec 2013	15,266		436	15,702

13. Goodwill impairment testing

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. After recognition of goodwill impairment losses in 2012, no goodwill is allocated to Europe and APAC regions. The carrying value of goodwill is allocated as follows:

EUR 1,000	Europe	Middle-East and Africa	Asia and Pasific	Americas	Total
Goodwill 31 Dec 2014		**12,263**		**4,379**	**16,642**
Goodwill 31 Dec 2013		11,249		4,017	15,266

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 of revenue and cost development approved by the management. The forecasts cover a five-year period. The key variables in defining cash flows are the following:

	Middle-East and Africa 2014	**Americas 2014**	Middle-East and Africa 2013	Americas 2013
Discount rate (WACC), post-tax	**10.5%**	**10.8%**	8.9%	8.9%
Discount rate (WACC), pre-tax	**12.6%**	**13.2%**	11.4%	11.4%
Adjusted operating result in relation to revenues for the forecast period 2016 - 2019 (2015 - 2018), per cent	**9.7 % – 13.4 %**	**7.5 % – 11.8 %**	9.2 % – 9.6 %	7.9 % – 8.6 %
Adjusted operating result for the foercast period 2016 - 2019 (2015 - 2018), EUR million	**3.2 – 4.2**	**2.4 – 4.8**	3.2 – 4.3	3.0 – 3.8
Residual value growth rate factor	**2.5%**	**2.5%**	2.5%	2.5%

Discount rate: The discount rate applied in the calculations is determined by using the weighted average cost of capital (WACC). The increase in the discount rate compared to the previous year is mainly due to increase in the industry and general risk levels as well as increased profit requirement used in the calculations.

Adjusted operating result: The adjusted operating result is based on the budget for 2015 and forecasts for the years 2016 - 2019 (years 2015 - 2018 in the 2013 testing) approved by the Board of Directors. The adjusted operating result in relation to revenues during the forecast period is estimated to improve to a level of 9.7 - 10.5 per cent being EUR 7.4 - 9.3 million (a level of 8.6 - 9.4 per cent being EUR 7.3 - 9.5 million in the 2013 testing) and a typical level for the industrial sector.

Residual value growth rate factor: 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 2014. The sensitivity analysis were not made for the Europe and APAC regions because no goodwill was allocated to these segments.

	Middle-East and Africa 2014	**Americas 2014**	Middle-East and Africa 2013	Americas 2013
The change of discount rate (WACC), in percentage points	**9.8%**	**0.9%**	3.1%	2.6%
Change in adjusted operating result for terminal period, in percentage	**-79%**	**-16%**	-44%	-39%
Change in residual value growth rate factor, in percentage points	**-30.3%**	**-1.6%**	-5.1%	-4.1%
Amount by which the recoverable amount exceeds the carrying value, EUR 1,000	**19,932**	**3,733**	11,708	10,178

Impacts of restructuring of debt

Based on Tecnotree’s application, the district court of Espoo decided to commence the corporate restructuring proceedings concerning Tecnotree Corporation on 9 March 2015. The restructuring eases the debt liability of the company. The court will make a decision on the proposed restructuring program, a proposal of which will have to be given by 6 July 2015 to the court.

The corporate restructuring program is expected to have a positive impact due to the reduced amount of debt and additional payment time to be given to the remaining part of the debt under restructuring. In the short term, difficulties may come up with purchases. In addition, the competitors may utilize the restructuring situation against Tecnotree in their discussions with the customers. However, these are expected to be short-term matters which do not change the outcome of the above goodwill impairment evaluations.

14. Property, plant and equipment

Property, plant and equipment 2014

EUR 1,000	**Land and water areas**	**Buildings**	**Machinery and equipment**	**Total**
Acquisition cost 1 Jan	1,142	7,534	19,670	**28,346**
Translation differences			319	**319**
Additions			652	**652**
Disposals			-380	**-380**
Acquisition cost 31 Dec	1,142	7,534	20,262	**28,938**
Accumulated depreciations and impairment losses 1 Jan		-5,885	-18,413	**-24,297**
Translation differences			-265	**-265**
Accumulated depreciation on disposals			353	**353**
Depreciation during period		-279	-636	**-915**
Accumulated depreciations and impairment losses 31 Dec		-6,163	-18,961	**-25,125**
Book value 31 Dec 2014	**1,142**	**1,370**	**1,300**	**3,813**

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			483	483
Accumulated depreciation on disposals			13,876	13,876
Depreciation during period		-279	-699	-977
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

15. Deferred tax assets and liabilities

Deferred taxes 2014

EUR 1,000	**1 Jan 2014**	**Translation differences**	**Recognised in income statement**	**31 Dec 2014**
Deferred tax assets				
Capital allowances in the Ireland subsidiary	42		-14	**28**
Tax losses in the Ireland subsidiary	54		-7	**47**
Capital allowances in the India subsidiary	980	49	-1,029	
Pension obligations and impairment losses in the India subsidiary	396	69	366	**831**
Total	**1,472**	**118**	**-685**	**905**
Deferred tax liabilities				
Undistributed profits of foreign subsidiaries	3,024	342	24	**3,390**
Allocations of goodwill on business combination	9	6	-15	
Total	**3,033**	**348**	**10**	**3,390**

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 losses 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

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

EUR 1,000	2014	2013
Deductible temporary difference for which no deferred asset has been recognised		
Tecnotree's product development costs not deducted in its taxation *	**64,340**	61,633
*) 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	**1,425**	1,548
Tax losses in Brazil	**1,393**	1,963
Items for which the Group has not recognised a deferred tax asset because of the uncertainty about utilising them, total	**67,158**	65,144
Undistributed profits of foreign subsidiaries, for which no deferred tax liabilities have been recognised since distribution is not likely in the forseeable future	**10,341**	9,135

16. Non-current receivables

EUR 1,000	2014	2013
Rent guarantees	**803**	454
Other non-current receivables	**325**	326
Non-current receivables total	**1,128**	780

17. Inventories

EUR 1,000	2014	2013
Materials and consumables	**498**	523
Work in progress	**22**	46
Finished products/goods	**3**	7
Inventories total	**523**	576

During the period the write-down of inventories to net realisable value amounted to EUR 333 (372) thousand.

18. Trade and other current receivables

EUR 1,000	**2014**	2013
Trade receivables related to construction contracts	**8,104**	5,132
Other trade receivables	**7,064**	12,400
Trade receivables total	**15,168**	17,532
Work in progress related to construction contracts	**17,115**	11,794
Finished work related to construction contracts	**5,447**	5,707
Other receivables based on delivery agreements	**4,418**	1,746
Other receivables related to construction contracts total	**26,980**	19,248
Current prepaid expenses and accrued income	**3,469**	4,045
Other current receivables	**1,298**	281
Trade and other receivables total	**46,915**	41,106

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 0 (2,234) thousand of the trade receivables and EUR 20,337 (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	**15**	175
VAT receivables	**168**	391
Service tax receivables in india	**2,505**	1,689
Advance payments	**507**	1,425
Other prepaid expenses and accrued income	**275**	365
Total	**3,469**	4,045

19. Cash and cash equivalents

EUR 1,000	2014	2013
Bank deposits with maturities of more than 3 months	**76**	589
Investments total	**76**	589
Cash in hand and at bank	**2,536**	6,572
Cash and cash equivalents total	**2,536**	6,572

Part of the investments and cash and cash equivalents, EUR 1,184 (765) thousad, are located in Argentina from where the money cannot be freely transferred to other contries. During 2014, the Group managed to transfer cash and cash equivalents from Nigeria without problems. 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 183 (1,158) thousand.

20. Notes to the shareholders' equity

EUR 1,000	Number of outstanding shares (1,000 shares)	Share capital	Share premium fund	Own shares	Invested unrestricted equity reserve	Total
1 Jan 2013	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
Covering of loss					-3,828	-3,828
Disposal of own shares	65			59		59
31 Dec 2014	122,628	4,720	847		1,624	7,191

Tecnomen Corporation has one single share series. The maximum number of shares is 182,628 (182,628) 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 0 (64,704 in 2013). During the period the rest 64,704 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.

Other reserves
Other reserves contain the parent company's reserve, where funds were transferred when reducing 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 2014. In 2014 no dividend was paid for the financial year that ended on 31 december 2013.

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.

EUR 1,000	**2014**	2013
Defined benefit liability in the balance sheet:		
Present value of funded obligations	**678**	447
Fair value of plan assets (-)	**-195**	-208
Net liability (+) / net asset (-) in the balance sheet	**482**	239
Recociliation of the changes in balance sheet		
Net liability (+) / net asset (-) in the balance sheet in the beginning of the period	**239**	228
Pension expense recognised in profit and loss	**141**	109
Remeasurement items recognised in other comprehensive income	**63**	-59
Translation differences	**39**	-39
Net liability (+) / net asset (-) in the balance sheet at the end of the period	**482**	239
Defined benefit expense in profit and loss		
Current service cost	**109**	88
Interest income (-) and expense (+), net	**32**	21
Pension expense recognised in profit and loss (note 5)	**141**	109
Change in the defined benefit obligation:		
Defined benefit obligation in the beginning of the period	**447**	481
Current service cost	**116**	80
Interest cost	**55**	31
Remeasurement items:		
Actuarial gains (-) / losses (+) arising from changes in financial assumptions	**82**	-66
Gains (-) / losses (+) arising from experience adjustments	**-8**	
Translation differences	**50**	-72
Payments from the plan:		
Benefits paid (-)	**-64**	-7
Defined benefit obligation at the end of the period	**678**	447
Change in plan assets:		
Plan assets in the beginning of the period	**208**	254
Interest income	**21**	12
Remeasurement items:		
Return on plan assets excluding amounts included in interest income (+/-)	**7**	-13
Translation differences	**23**	-38
Payments from the plan:		
Benefits paid (-)	**-64**	-7
Plan assets at the end of the period	**195**	208

	2014	2013
Actuarial assumptions at the reporting date	**%**	%
Discount rate	**8.1**	9.3
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 2015 are expected to be EUR 41 thousand. The estimated term of the benefit obligation is 12 years.

Sensitivity analysis

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

2014		
Change in discount rate, percentage points	**+1%**	**-1%**
Impact on the defined benefit obligation, EUR 1,000	**-69**	**83**
Change in future salary increases, percentage points	**+1%**	**-1%**
Impact on the defined benefit obligation, EUR 1,000	**55**	**-54**

2013		
Change in discount rate, percentage points	+1%	-1%
Impact on the defined benefit obligation, EUR 1,000	-42	51
Change in future salary increases, percentage points	+1%	-1%
Impact on the defined benefit obligation, EUR 1,000	37	-35

22. Interest-bearing liabilities

EUR 1,000	**2014**	2013
Loans from financial institutions, non-current		20,681
Loans from financial institutions, current	**21,781**	1,100
Credit facility to financing working capital, current	**10,000**	10,000
Interest-bearing liabilities total	**31,781**	31,781

At the end of the period, Tecnotree had a long-term in nature 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, which is why it is classified as a short-term liability, but is renewed by financing new receivables. Likewise the long-term loan from financial institutions is classified as short-term in the balance sheet, because the waiver regarding the covenants is for a period of less than 12 months. Tecnotree has reached agreement with its bank that any failure to achieve the performance ratios on the test date 31 December 2014 as stated in the loan covenants in the financing agreement signed in August 2013, will not result in the sanctions contained in the financing agreement, such as the obligation to repay the loans. Four out of six covenants as calculated on 31 December 2014 did not comply with the requirements of the financing agreement. 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.

23. Trade payables and other liabilities

EUR 1,000	2014	2013
Non-current non-interest bearing liabilities		
Other long-term employee benefits (note 5)	**732**	697
Non-current non-interest bearing liabilities, total	**732**	697
Trade payables, provisions and other liabilities		
Trade payables	**7,539**	2,430
Accrued liabilities and deferred income	**12,301**	10,267
Other liabilities	**1,225**	1,303
Current provisions *	**290**	
Trade payables, provisions and other liabilities total	**21,355**	14,000
Accrued liabilities and deferred income		
Accrued personnel expenses	**4,180**	3,036
Accrued agent fees	**1,654**	1,878
Withholding tax provision (note 10)	**3,122**	1,841
Accrued interest fees	**207**	144
Valuation of currency derivatives	**86**	71
Valuation of interest rate swap	**530**	293
Other accrued expenses related to customer projects	**1,646**	
Other accrued liabilities and deferred income **	**878**	3,004
Total	**12,301**	10,267

The Group has overdue trade payables.

* Current provisions includes a restructuring provision of EUR 150 thousand due to reductions in personnel in Finland during 2014 and provision of EUR 140 thousand due to an ongoing legal proceeding in APAC area. Both provisions are expected to be fully used during 2015.

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

24. Financial risk management

Financial risk management principles

The task of financial risk management is to identify, manage and track the major financial 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.

Financial risk management organisation

The financial 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 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.

The shareholders' equity of the parent company on 31 December 2014 was EUR 2,193 thousand, or 46.5 % of the share capital. So the parent company shareholders' equity has fallen below half of the share capital. According to section 23 of chapter 20 of the Limited Liability Companies Act, if a public company's shareholders' equity according to the balance sheet is less than half of its share capital, the Board of Directors shall without delay call a general meeting of shareholders to decide on any measures to remedy the financial position. Measures to remedy the financial position will be discussed in the Annual General Meeting of Tecnotree Corporation.

At the end of the period, Tecnotree had a bank 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 financing agreement with the bank signed in August 2013 contains covenants of which one is equity ratio. On the test date of 31 December 2014, the required level for the equity ratio was 35 per cent when the actual equity ratio was 22.5 per cent. Tecnotree has reached agreement with its bank that any failure to achieve the performance ratios as stated in the loan covenants in the financing agreement on the test date 31 December 2014 will not result in the sanctions contained in the financing agreement, such as the obligation to repay the loans. The target is to increase equity ratio to 45 per cent by the year 2017.

Components of equity ratio

EUR 1,000	2014	2013
Equity at the end of period	**16,892**	21,710
Balance sheet total	**74,979**	71,638
Advances received		
Total balance sheet less advances reveiced	**74,979**	**71,638**
Equity ratio	**22.5%**	**30.3%**

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 2,536 (6,572) thousand, and bank deposits with maturities over 3 months were EUR 76 (589) 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 19.

The financing agreement with the bank signed in August 2013 is in force until 30 June 2018 and it comprises a loan of EUR 21,781 thousand and a credit facility of EUR 10,000 thousand to finance working capital. In addition, the company has a EUR 2,000 thousand bank guarantee limit. The semi-annual repayments of the loan are EUR 1,100 thousand, starting on 31 December 2014 and continuing until 31 December 2017. The balance EUR 14,081 thousand is due on 30 June 2018. Tecnotree has reached agreement with its bank to postpone payment of the EUR 1,100 thousand instalment that was due in December 2014 to June 2015, when the next instalment of the same amount will be due.

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, which is why it is classified as a short-term liability, but is renewed by financing new receivables.

The Group had all its credit facilities in use at the end of 2014. The cash flow varies considerably from one quarter to another, and this in turn places strain on the money situation. The company had overdue trade payables to its suppliers at the end of the period. This may make it more difficult for the company to obtain materials and services from external suppliers and may create the risk of legal action by suppliers.

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 negoatiating an agreement with its financier under which it has not needed to repay te loans prematurely.

Tecnotree has reached agreement with its bank that any failure to achieve the performance ratios as stated in the loan covenants in the financing agreement on the test date 31 December 2014, will not result in the sanctions contained in the financing agreement, such as the obligation to repay the loans. Next significant test date for the covenants will be on 30 June 2015. The following covenants (four out of six) as calculated on 31 December 2014 did not comply with the requirements of the financing agreement: interest coverage, leverage, cash flow cover and equity ratio.

Interest coverage, leverage and equity ratio are tested every six months and the terms for these get tougher as the loan period progresses. For interest coverage the full year operating profit should have been at least EUR 11,066 thousand, and leverage would have demanded an operating profit of at least EUR 6,866 thousand to comply with the terms of the test date on 31 December 2014. Similarly for the equity ratio, shareholders' equity on 31 December 2014 should have been at least EUR 26,243 thousand. The actual operating result for year 2014 was EUR 3,259 thousand and shareholders' equity on 31 December 2014 was EUR 16,892 thousand. Cash flow cover is also tested at six month intervals but the terms for this do not get tougher as the loan period progresses. Cash flow after investments for the year was EUR -1,834 thousand, when to comply with the terms of the covenant it should have been at least EUR 2,379 thousand. Gross capital expenditure is tested annually and overdue trade receivables monthly. These figures are at the level required by the financial agreement and are not close to break.

Additional financing through the agreed phasing of a certain project, which is disclosed in more detail in note 29 Events after the end of the period, will alleviate the liquidity managment in the near future.

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

2014	**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**		21,781		
Interest payments on the loans		**1,154**	304	850		
Credit facilities in use	**10,000**	**10,000**	5,000	5,000		
Interest payments on the credit facilities		**325**	38	287		
Trade payables	**7,539**	**7,539**	7,539			
Derivative liabilities	**615**	**615**	615			
Total	**39,936**	**41,414**	**13,496**	**27,918**		

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

Restructuring proceedings

After the end of the period, the Board of Directors of Tecnotree decided to file an application for restructuring proceedings with the district court of Espoo. The application was filed on 5 March 2015 with the district court, which on 9 March 2015 decided to commence the corporate restructuring proceedings. The Company has actively searched for a solution to improve its financial standing and carefully studied different options for solving the situation. Based on the study the Company concludes that it would in the best interest of the Company and its stakeholders, if the Company applied for restructuring proceedings in accordance with the Act on Restructuring of Enterprises. The Company assess that its difficulties are temporary, and via restructuring it would be possible to remedy the Company's financing and equity structure and thus secure the long-term continuation of the Company's business operations. When materialised, restructuring eases the debt liability of the Company and consequently also improves the shareholders' equity. The main creditor of the Company, Nordea Bank Finland Plc, together with another creditor, have announced being in support of placing the Company in the restructuring proceedings.

Tecnotree has prepared a cash flow estimate until 31 March 2016 without the possible effects of the restructuring proceedings applied for. According to this estimate, the company's cash will be sufficient during the time of the restructuring proceedings. The restructuring proceedings will result in significant cash flow benefits related to payment of liabilities. These benefits compensate for the risk inherent in the estimate. The realisation of the benefits require the court's approval of the restructuring plan. Typically, part of the liabilities are cut out in restructuring proceedings, and for the remaining part the maturity will be extended.

However, at the time of preparing the financial statements, it is not possible to estimate the impacts of the restructuring proceedings on the business or the financial position. The assets and liabilities disclosed in the financial statements do not include any adjustments, which possibly will be suggested or approved as part of the restructuring program. The following table describe the maturity analysis of the financial liabilities for the estimated time of the restructuring proceedings, in which the starting point is the time of finalizing the financial statements and in which figures are presented in gross amounts.

2015	**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**		21,781		
Interest payments on the loans		**1,154**	304	850		
Credit facilities in use	**10,000**	**10,000**	5,000	5,000		
Interest payments on the credit facilities		**330**	43	287		
Trade payables	**7,722**	**7,722**	7,722			
Derivative liabilities	**815**	**815**	815			
Total	**40,319**	**41,802**	**13,884**	**27,918**		

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 amount of credit risk inherent to financial instruments is the carrying value of the financial assets, which was EUR 17,796 (24,867) thousand at the reporting date. 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 79 % of net sales in 2014 (2013: 77 %) and for 78 % of the trade receivables at the end of 2014 (2013: 60 %). 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	2014	2013
Undue trade receivables	**7,487**	7,659
Trade receivables 1-90 days overdue	**5,094**	5,519
Trade receivables 91-360 days overdue	**996**	2,897
Trade receivables more than 360 days overdue	**1,592**	1,457
Total	**15,168**	17,531

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 797 (154) thousand were recorded for over one year overdue trade receivables. In the comparative period, EUR 1,112 thousand of the credit loss for a company owned by the Libyan governmen was reversed after receiving payments during 2013. 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 four foreign subsidiaries, India (Rupees, INR), Brazil (Real, BRL), Argentina (Peso, ARS), Malaysia (Ringgit, MYR) and The United Arab Emirates (Dirham, AED).

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 29,063 (33,744) 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 2014, 22 per cent of external invoicing was in Euros, 67 per cent in US dollars, 4 per cent in Argentinian Pesos, 3 per cent in Nigerian Nairas, 2 per cent in Brazil Reals, and 2 per cent in other currencies. The Group is hedging the open US dollar currency position. The Group does not hedge the open ARS, NGN and BRL currency positions, 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 losses amounting to EUR 2,411 thousand arose due to rate changes of Indian Rupies (2013: exchange rate gains of EUR 2,907 thousand). Also the intragroup liabilities denominated in BRL held by the parent company gave rise to exchange rate losses of EUR 805 thousand in 2014 (2013: exchange rate gains of EUR 700 thousand). Intragroup currency positions are not hedged.

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 not more than 100 per cent of the net position. Hedging is carried into effect with foreign exchange forwards and options. On the reporting date, 23 per cent (47%) of the open currency position was hedged. The general sentiment of the markets for the US dollar to strengthen against the Euro affected the decline in the hedging rate compared to last year.

US dollar denominated cash inflow is mainly converted into Euros. Some cash reserves are held in US dollar in order to manage forthcoming US dollar payments.

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	**2014 INR**	2013 INR	**2014 USD**	2013 USD
Current assets					
Trade and other receivables	17	**26,713**	20,115	**13,064**	16,331
Other receivables related to construction contracts	17			**17,143**	15,122
Cash and cash equivalents	18			**79**	3,090
Currency derivatives	23	**-208**	-385	**-1,222**	-798
Total current assets		**26,505**	19,730	**29,063**	33,744
Nominal value of currency derivatives	17, 23			**-8,237**	-21,753
Total current liabilities				**20,827**	11,991

In the sensitivity analysis below, the effect of weakening and strengthening of the INR and USD exchange rate against EUR is presented with all other factors remaining unchanged. The analysed change in the exchange rate represents a possible volatility of the currency during a 12-month period. Fluctuation in exchange rates has no direct effect on equity as the Group does not apply hedge accounting.

EUR 1,000	USD	USD	USD	USD
Change in percentage, INR	**-10%**	**+10%**	-10%	+10%
Effect on the result after taxes	**1,656**	**-1,656**	1,428	-1,428
Change in percentage, USD	**-10%**	**+10%**	-10%	+10%
Effect on the result after taxes	**-2,302**	**2,442**	-1,361	2,148

Translation risk

Tecnotree India and its subsidiaries are consolidated into Tecnotree Group as from 6 May 2009, hence the Group is 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 45,534 (43,439) 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.

	2014		2013	
EUR 1,000	**INR**	**INR**	INR	INR
Change in percentage	**-10%**	**+10%**	-10%	+10%
Effect on the result after taxes	**171**	**-209**	-442	540
Effect on equity	**-4,139**	**5,059**	-3,949	4,827

During 2014 Indian Rupie strenghtened 10 per cent compared to Euro, INR/EUR rate being 76.719 at the end of 2014 and 85.366 at the end of 2013. This gave rise to a positive translation difference in the Group's equity amounting to EUR 4,358 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 5,509 (6,107) thousand, for the Argentine subsidiary EUR 787 (713) thousand, for the Malaysian subsidiary EUR 273 (590) thousand and correspondingly for the subsidiary in the United Arab Emirates EUR 61 (4) thousand. The change in translation difference in equity caused by fluctuations in exchange rates for these subsidiaries was EUR 47 (-1,939) 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 31,781 (31,781) thousand consisting of EUR 21,781 (21,781) thousand bank loan and EUR 10,000 (10,000) 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 interest funds in which the maturity is not more than 3 months. On the reporting date, the Group held such investments amounting to EUR 76 (589) 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 29,169 (24,621) 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 -169 / 169 (-155 / 155) 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

2014	**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	18		15,168		**15,168**	**15,168**
Derivative assets	18	15			**15**	**15**
Investments	19		76		**76**	**76**
Cash and cash equivalents	19		2,536		**2,536**	**2,536**
Carrying amount by category		**15**	**17,781**		**17,796**	**17,796**
Non-current financial liabilities						
Non-current interest-bearing liabilities	22					
Carrying amount by category						
Current financial liabilities						
Current interest-bearing liabilities	22			31,781	**31,781**	**31,781**
Trade and other payables	23			7,539	**7,539**	**7,539**
Derivative liabilities	23	615			**615**	**615**
Carrying amount by category		**615**		**39,321**	**39,936**	**39,936**

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	18		17,532		17,532	17,532
Derivative assets	18	175			175	175
Investments	19		589		589	589
Cash and cash equivalents	19		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

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

		2014		2013	
EUR 1,000	Note	**Value of underlying instruments**	**Fair value**	Value of underlying instruments	Fair value
Derivative assets					
Currency derivatives	17	**7,828**	**15**	21,483	175
Derivative assets total			**15**		175
Derivative liabilities					
Currency derivatives	23	**8,365**	**86**	22,569	71
Interest rate swaps	23	**14,521**	**530**	14,521	293
Derivative liabilities total			**615**		364

26. Operating leases

EUR 1,000	2014	2013

Group as lessee

Minimum lease payments of the non-cancellable operating leases are as follows:

Muut vuokrasopimukset		
Less than one year	**746**	425
Between one and five years	**313**	272
Total	**1,058**	696

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 1,952 (1,855) thousand was recognised as an expense in the income statement in respect of operating leases.

27. Contingent liabilities

EUR 1,000	Note	2014	2013
On own behalf			
Real estate mortgages		**4,400**	4,400
Corporate mortgages		**45,336**	45,336
Guarantees		**159**	301
Total		**49,895**	50,037
Other contingent liabilities			
Desputed income tax liabilities in India		**1,284**	364
Total		**1,284**	364

In addition, the parent company's shares in the Indian subsidiries 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 45,587 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 18.

Legal proceedings

Atul Chopra withdrew and waived a legal action taken against Tecnotree in the court of arbitration in Singapore on 12 March 2013. In the claim Atul Chopra and Aparna, a company close to him, requested indemnity of about EUR 1.1 million. In relation to the matter Tecnotree, Atul Chopra and Aparna agreed to settle the matter and withdrawn all legal actions and other claims against each other. On 30 May 2014, the Singapore International Arbitration Centre confirmed the settlement between the parties. As part of the settlement Tecnotree paid a lump sum of EUR 100 thousand to Atul Chopra.

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 2014, Tecnotree raised a variable-interest short-term working capital finance loan with market-based conditions of EUR 800 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 2014.

The company considers the management to include members of the Boars of Directors, the CEO and the other members of the Management Board.

EUR 1,000	**2014**	2013
Compensation to management		
Salaries, fees and other short-term employee benefits	**-1,451**	-1,613
Termination benefits		-319
Share based compensations	**-12**	-11
Compensation to management total	**-1,463**	-1,942
Salaries and fees		
Ilkka Raiskinen, CEO as from 28 May 2013	**-307**	-184
Kaj Hagros, President and CEO unti 28 May 2013		-586
Members of the Board of Directors:		
Harri Koponen, Chairman of the Board	**-64**	-66
Pentti Heikkinen, Vice Chairman of the Board as from 28 May 2013	**-39**	-36
Ilkka Raiskinen, Vice Chairman of the Board until 28 May 2013		-18
Johan Hammarén	**-30**	-31
Tuija Soanjärvi, as from 28 March 2012	**-32**	-34
Christer Sumelius	**-30**	-29
Hannu Turunen, former member of the Board		-8

47 (76%) per cent of the fees to the Board of Directors has beed settled in shares of Tecnotree Oyj. At the end of 2014 and 2013, the Group had no effective option series anymore.

The pension benefits of the CEO and members of Board of Directors are determined by the Finnish Employees Pensions Act (TyEl). The obligatory pension expenses for the CEO were EUR 56 (134) thousand and for the mebers of the Board of Directors totally EUR 33 (42) thousand. The pension expenses are presented per person in note 4 of the parent company. The retiment age of the CEO is 60 years according to the CEO agreement. The CEO is entitled to a monthly pension insurance premium of EUR 500. The CEO has not used this right. The other members of the Management Board and the Board of Directors have no additional pension arrangements.

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.

The relationships between the Group's parent company and subsidiaries on 31 Dec 2014:

	Nature of company activities	Domicile	Group's ownership %	Group's share of voting rights %
Tecnotree Oyj (parent)	Operative parent company	Finland		
Tecnotree Services Oy	Dormant company	Finland	100	100
Tecnotree Convergence (Middle East) FZ-LLC	Sales company	The United Arab Emirates	100	100
Tecnotree Ltd	Product development and managment	Ireland	100	100
Tecnotree GmbH	Sales company	Germany	100	100
Tecnotree Spain SL	Sales company	Spain	100	100
Tecnotree Sistemas de Telecommunicacao Ltda	Sales company	Brazil	100	100
Tecnotree Argentina SRL *	Sales company	Argentina	100	100
Tecnotree (M) Sdn Bhd	Sales company	Malaysia	100	100
Tecnotree Nigeria Ltd	New sales company	Nigeria	100	100
Lifetree Cyberworks Pvt. Ltd	Holding company	India	100	100
Tecnotree Convergence Ltd	Product development and managment, sales co.	India	99.83	99.83
Quill Publishers Pvt. Ltd	Dormant company	India	99.83	99.83
Lifetree Convergence Pty Ltd	Dormant company	South-Africa	99.83	99.83
Lifetree Convergence (Nigeria) Ltd	Current sales company	Nigeria	94.84	94.84

During 2014 the Group established a new subsidiary in Nigeria. The parent company has branch offices in Taiwan and in the United Arab Emirates.

*) Cash in the Argentine subsidiary cannot be freely transferred to other contries, which might slow down for example dividend distribution.

29. Events after the end of period

Restructuring proceedings

Tecnotree Corporation's business operations have been loss-making for several years. In the unaudited financial report for 1 January 2014 – 31 December 2014, published on 30 January 2015, the Company announced that the result of the whole year 2014 remained a loss despite the encouraging final part of the year. The Company's situation is still challenging, even though the Company estimates that its operating result of 2015 will improve from 2014.

The Company's fourth quarter net sales and adjusted operating result set new records. During the same period the Company's customer deliveries included a large number of third-party products (computers and licenses) leading to an increase in the trade payables. Significant part of the Company's customers operate in countries where central banks restrict the availability of currency, for which reason the payments to the Company are delayed. The Company's customers in these areas are leading operators, who have always made their payments.

In the financial report the Company told that also its cash situation remained tight during the review period. The change in cash and cash equivalents during 2014 was EUR -4.2 million. The Company had no unused credit facilities at the end of the year. The Company has previously informed the markets that it has restructured its financing, renegotiated the repayment schedules and covenants of its loans as well as implemented certain cost reduction measures.

In addition, in the financial report Tecnotree announced that at the end of the year the Group's shareholders' equity of stood at EUR 16.9 million. However, the shareholders' equity of the parent company was only EUR 2.2 million while its share capital stood at EUR 4.7 million. This means that the shareholders' equity of the parent company has fallen below half of the share capital. According to section 23 of chapter 20 of the Limited Liability Companies Act, if a public company's shareholders' equity according to the balance sheet is less than half of its share capital, the Board of Directors shall without delay convene a General Meeting to consider measures to remedy the financial position of the company. Measures to remedy the financial position will be discussed in the Annual General Meeting of Tecnotree Corporation.

The Company has actively searched for a solution to improve its financial standing and carefully studied different options for solving the situation. Based on the study the Company concludes that it would in the best interest of the Company and its stakeholders, if the Company applied for restructuring proceedings in accordance with the Act on Restructuring of Enterprises. The Company assess that its difficulties are temporary, and via restructuring it would be possible to remedy the Company's financing and equity structure and thus secure the long-term continuation of the Company's business operations. When materialised, restructuring eases the debt liability of the Company and consequently also improves the shareholders' equity. The main creditor of the Company, Nordea Bank Finland Plc, together with another creditor, have announced being in support of placing the Company in the restructuring proceedings.

Based on the above, the Board of Directors of Tecnotree decided to file an application for restructuring proceedings with the district court of Espoo. The application was filed on 5 March 2015 with the district court, which on 9 March 2015 decided to commence the corporate restructuring proceedings. According to section 24 of chapter 20 of the Limited Liability Companies Act, the application was filed by the Board of Directors, as the matter was urgent. According to the same paragraph, the Board of Directors shall without delay convene the General Meeting to decide on the continuation of the application. The Board of Directors proposes to the Extraordinary General Meeting of Shareholders to be held on Friday 27 March that the application for restructuring proceedings will be continued. The creditors must announce their claims (receivables) in writing to the administrator not later than 7 April 2015, if the amounts differ from the ones announced by the debtor. The administrator must send a statement of the financial status of the debtor to the interest parties on 5 May 2015 at the latest. Not later that 6 July 2015 the administrator must prepare and deliver his proposed restructuring program to the district court of Espoo.

Measures to be taken based on the result shown by balance sheet and possible other measures to be taken to remedy the Company's financial situation in accordance with section 23 of chapter 20 of the Limited Liability

Companies Act will be handled in the Annual General Meeting.

The filing of the restructuring application has no direct effects on Tecnotree's business operations and the Company continues to carry out the agreed customer projects and serve its customers as usual. Related uncertainty factors are disclosed in the Report of the Board of Directors in the section "Risks and uncertainty factors" under "Risks and uncertainties in the near future".

Phasing of a customer project

Tecnotree reached agreement with an operator group in Latin America to split delivery of the USD 30.5 million contract announced on 20 December 2011 into two delivery projects. The first phase is valued at USD 13.2 million and this includes delivery of a charging system for prepaid customers and a subscription management system. This first phase is being completed and will come to an end during the first half of 2015.

Phasing the project as agreed has reduced Tecnotree's order book at the end of year 2014 by USD 17.3 million, since the USD 30.5 million contract signed on 20 December 2011 has been split into two projects and commercial negotiations on the second part are still in progress. Phasing the project clarifies the overall project and releases USD 5.6 million in working capital, since under the terms of the original agreement Tecnotree's right to invoice depended on progress in delivery of the entire system. Under the phasing agreed now, Tecnotree has the right to invoice after completion of partial deliveries.

As part of the phasing, the parties have agreed on the delivery of the Tecnotree Agility TM Converging Charging Solution as the mobile data charging platform in three countries. Tecnotree will also provide expert services to ensure the smooth integration of the solution with existing network operations and business support systems. The precise commercial value of the second phase will be determined during negotiations, and deliveries will be spread over 2015 and 2016.

Parent company's income statement

EUR 1,000	Note	1 Jan - 31 Dec, 2014	1 Jan - 31 Dec, 2013
Net sales	1	**64,443**	56,652
Other operating income	2	**109**	50
Materials and services	3	**-10,269**	-8,494
Personnel expenses	4	**-13,009**	-13,141
Depreciation, amortisation and impairment losses	5	**-1,095**	-1,892
Other operating expenses	6	**-40,222**	-38,476
Operating result		**-42**	-5,300
Financial income and expenses	7	**179**	5,784
Result before extraordinary items		**136**	484
Result before appropriations and taxes		**136**	484
Appropriations	8		138
Direct taxes	9	**-5,655**	-2,760
Result for the financial year		**-5,519**	-2,138

Parent company's balance sheet

EUR 1,000	Note	31 Dec, 2014	31 Dec, 2014
Assets			
Non-current assets			
Intangible assets	10	**296**	865
Tangible assets	11	**2,152**	2,472
Shares in Group companies	12	**36,894**	36,875
Receivables from Group companies	12	**299**	299
Total non-current assets		**39,642**	40,511
Current assets			
Inventories	13	**476**	531
Non-current receivables	14	**26**	26
Current receivables	15	**43,995**	33,676
Cash and cash equivalents	16	**125**	2,865
Total current assets		**44,622**	37,098
Total assets		**84,264**	77,609
Equity and liabilities			
Shareholders' equity	17		
Share capital		**4,720**	4,720
Share premium fund		**847**	847
Own shares			-59
Invested unrestricted equity reserve		**2,131**	5,960
Retained earnings		**14**	-1,632
Result for the financial year		**-5,519**	-2,138
Total shareholders' equity		**2,193**	7,699
Accumulated appropriations	18	**290**	
Liabilities			
Non-current liabilities	19	**276**	20,994
Current liabilities	19	**81,505**	48,916
Total liabilities		**81,781**	69,910
Total equity and liabilities		**84,264**	77,609

Parent company's cash flow statement

EUR 1,000	1 Jan- 31 Dec, 2014	1 Jan - 31 Dec, 2013
Cash flow from operating activities		
Result before extraordinary items	136	484
Adjustments for:		
Planned depreciation	1,095	1,892
Impairment of receivables	2,192	185
Unrealised exchange rate gains and losses	-2,936	330
Financial income and expenses	-765	-5,121
Other adjustments	-24	322
Changes in working capital:		
Current receivables, increase (-) /decrease (+)	-9,078	-71
Inventories, increase (-) /decrease (+)	55	1
Current liabilities, increase (+) /decrease (-)	12,823	1,226
Interest paid *	-44	-2,686
Dividends received from operating activities	777	7
Interest received	2	8
Income taxes paid	-4,374	-2,618
Net cash flow from operating activities	-142	-6,041
Cash flow from investments		
Investments in intangible assets	-64	-39
Investments in tangible assets	-143	-331
Cash flow from investments	-206	-370
Cash flow from financiang activities		
Borrowings received	2,800	21,781
Repayments of borrowings	-2,800	-13,333
Changes in credit facilities in use		-5,000
Interest and other financial items paid *	-2,392	-2,662
Cash flow from financiang activities	-2,392	786
Change in cash and cash equivalents	-2,740	-2,963
Cash and cash equivalents on 1 Jan	2,865	5,827
Cash and cash equivalents on 31 Dec	125	2,865

* Interest and other financial items paid related to the Company's loan arrangement have been regrouped from Net cash flow from operating activities to Net cash flow from financing activities. The figures for the comparative periods have been retrospectively changed to reflect this.

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. After the end of the period, the Board of Directors of Tecnotree decided to file an application for restructuring proceedings with the district court of Espoo. The application was filed on 5 March 2015 with the district court, which on 9 March 2015 decided to commence the corporate restructuring proceedings. Additional information about the restructurng proceedings is given in note 21 Events after the end of the period, and the basis for applying the going concern principle is disclosed 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.

1. Net sales

EUR 1,000	**2014**	2013
Net sales by market area		
Europe, Middle East and Africa	**28,204**	20,844
Asia Pacific	**2,345**	2,218
Americas	**33,894**	33,590
Net sales total	**64,443**	56,652
Net sales by type of income		
Revenue from contract work recognised by stage of completion	**20,495**	26,463
Revenue from maintenance and support	**18,608**	16,756
Revenue from goods and services, external sales	**15,461**	13,398
Currency exchange gains and losses related to external sales	**2,840**	-1,178
Revenue from goods and services, intra-group sales	**7,040**	1,214
Net sales total	**64,443**	56,652
Order book for contract work	**12,488**	22,108
Order book for maintenance and support, goods and services	**12,039**	9,036
Order book total	**24,527**	31,144
Projects in progress:		
Cumulative revenue recognised for projects in progress	**32,495**	32,741
Cumulative invoicing for projects in progress recognised by stage of completion	**17,193**	22,774
Accrued income related to construction contracts, work in progress	**15,302**	9,967
Aggregate amount of costs incurred for projects in progress	**12,053**	8,825

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	2014	2013
Rental income	**84**	50
Gains on sales of non-current assets	**12**	
Other operating income	**13**	
Other operating income total	**109**	50

3. Materials and services

EUR 1,000	2014	2013
Purchases during financial year	**-10,080**	-8,261
Changes in inventories	**-55**	-1
Total	**-10,135**	-8,262
External services	**-134**	-232
Materials and services total	**-10,269**	-8,494

4. Personnel expenses

EUR 1,000	2014	2013
Wages and salaries	**-10,572**	-10,870
Pension expenses	**-1,385**	-1,169
Other personnel expenses	**-1,051**	-1,102
Personnel expenses total	**-13,009**	-13,141

Average number of employees during the period	2014	2013
Management and administration	**33**	29
Other personnel	**95**	101
Total average number of employees	**128**	130

Salaries, fees, remunerations and pensions to the management

1 000 €	Salaries, fees, remunerations 2014	Obligatory pension expenses 2014	Salaries, fees, remunerations 2013	Obligatory pension expenses 2013
Ilkka Raiskinen, CEO as from 28 May 2013	**-307**	**-56**	-184	-32
Kaj Hagros, President and CEO unti 28 May 2013			-586	-102
Members of the Board of Directors:				
Harri Koponen, Chairman of the Board	**-64**	**-12**	-66	-11
Pentti Heikkinen, Vice Chairman as from 28 May 2013	**-39**	**-7**	-36	-6
Ilkka Raiskinen, Vice Chairman until 28 May 2013			-18	-5
Johan Hammarén	**-30**	**-5**	-31	-5
Tuija Soanjärvi, as from 28 March 2012	**-32**	**-6**	-34	-6
Christer Sumelius	**-30**	**-3**	-29	-5
Hannu Turunen, former member of the Board			-8	-3
Yhteensä	**-501**	**-88**	-991	-176

47 (76%) per cent of the fees to the Board of Directors has beed settled in shares of Tecnotree Oyj.

The pension benefits of the CEO and members of Board of Directors are determined by the Finnish Employees Pensions Act (TyEl). The retiment age of the CEO is 60 years according to the CEO agreement. The CEO is entitled to a monthly pension insurance premium of EUR 500. The CEO has not used his right to this. The other members of the Management Board and the Board of Directors have no additional pension arrangements.

5. Depreciations and amortisations

EUR 1,000	2014	2013
Depreciations and amortisations according to plan		
Intangible assets		
Intangible rights	**-633**	-1,436
Tangible assets		
Buildings	**-220**	-220
Machinery and equipment	**-242**	-235
Depreciations and amortisations according to plan total	**-1,095**	-1,892

6. Other operating expenses

EUR 1,000	**2014**	2013
Subcontracting	**-1,743**	-955
Office management costs	**-2,253**	-1,918
Travel expenses	**-1,243**	-1,399
Agent fees	**-1,159**	-2,776
Impairment losses on receivables	**-2,192**	-185
Rents	**-900**	-873
Professional services	**-1,593**	-2,063
Marketing	**-546**	-566
Other operataing expenses to Group companaies	**-28,772**	-26,707
Other expenses	**181**	-1,034
Other operating expenses total	**-40,222**	-38,476

Auditors' fees		
Audit	**-77**	97
Tax consulting	**-40**	19
Other services	**-30**	21
Auditors' fees total	**-146**	137

7. Financial income and expenses

EUR 1,000	2014	2013
Financial income		
Dividend income from Group companies	**3,493**	7,167
Interest income from Group companies	**2**	2
Interest income from others		6
Other financial income from Group companies		657
Other financial income from others	**72**	406
Interest and financial income total	**3,568**	8,239
Financial expenses		
Interest expenses to others	**-1,902**	-1,386
Interest expenses to Group companies	**-8**	-4
Financial expenses to others	**-919**	-1,064
Other financial expenses to Group companies	**-559**	
Interest and financial expenses total	**-3,389**	-2,455
Financial income and expenses total	**179**	5,784
Other financial income and expenses including:		
Foreign exchange gains	**72**	1,061
Foreign exchange losses	**-658**	-399
Foreign exchange gains and losses total	**-586**	663

8. Appropriations

EUR 1,000	2014	2013
Difference between depreciation according to plan and depreciation made in taxation		138
Appropriations total		138

9. Income taxes

EUR 1,000	2014	2013
Income taxes from business operations	**-2**	
Taxes for previous accounting periods	**22**	-2
Withholding taxes paid abroad	**-4,394**	-2,617
Change in withholding tax accrual *	**-1,281**	-142
Income taxes total	**-5,655**	-2,760

The company has not deducted research and development costs amounting to EUR 64,340 (61,633) 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 at the end of 2014 and 2013. Other deductible temporary differences amount to EUR 1,425 (1,548) thousand. No deferred tax assets have been recognised on these capitalisations because of the uncertainty about utilising them.

* 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, an accrual for withholding taxes has been recognised in the company's liabilities.

10. Intangible assets

Intangible assets 2014

EUR 1,000	**Intangible rights**	**Other long-term expenditure**	**Total**
Acquisition cost 1 Jan	6,005	275	**6,280**
Additions	64		**64**
Acquisition cost 31 Dec	**6,068**	**275**	**6,344**
Accumulated amortisation 1 Jan	-5,140	-275	**-5,415**
Amortisation during the period	-633		**-633**
Accumulated amortisation 31 Dec	**-5,772**	**-275**	**-6,048**
Book value 31 Dec, 2014	**296**		**296**

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 amortization 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 amortization 31 Dec	-5,140	-275	-5,415
Book value 31 Dec, 2013	865		865

11. Tangible assets

Tangible assets 2014

EUR 1,000	**Land areas**	**Buildings**	**Machinery and equipment**	**Total**
Acquisition cost 1 Jan	739	6,045	5,070	**11,854**
Additions			143	**143**
Acquisition cost 31 Dec	**739**	**6,045**	**5,212**	**11,996**
Accumulated depreciation 1 Jan		-4,831	-4,551	**-9,382**
Depreciation during the period		-220	-242	**-462**
Accumulated depreciation 31 Dec		**-5,051**	**-4,793**	**-9,844**
Book value 31 Dec, 2014	**739**	**994**	**419**	**2,152**

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

12. Investments

Investments 2014

EUR 1,000	**Shares in Group companies**	**Other investments in group companies**	**Total**
Acquisition cost 1 Jan	36,875	299	37,174
	20		20
Acquisition cost 31 Dec	36,875	299	37,174
Book value 31 Dec, 2014	**36,875**	**299**	**37,174**

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

Shares in subsidiaries held by the parent company

	Domicile	Parent company ownership, %	Carrying value EUR 1,000
Tecnotree Ltd.	County Clare, Irlanti	100	124
Tecnotree GmbH	Dreieich, Saksa	100	92
Tecnotree Spain SL	Madrid, Espanja	100	31
Tecnotree Sistemas de Telecommunicacao Ltda	Sao Paulo, Brasilia	100	902
Tecnotree (M) Sdn Bhd	Kuala Lumpur, Malesia	100	42
Tecnotree Services Oy	Espoo, Suomi	100	8
Tecnotree Argentina SRL	Cordoba, Argentiina	100	257
Lifetree Cyberworks Pvt. Ltd	Gurgaon, Intia	100	1,189
Tecnotree Convergence Ltd	Gurgaon, Intia	46	34,229
Tecnotree Convergence (Middle East) FZ-LLC	Dubai, Yhdistyneet Arabiemiirikunnat	100	20
Total			36,894

13. Inventories

EUR 1,000	2014	2013
Materials and consumables	**451**	478
Work in progress	**22**	46
Finished products/goods	**3**	7
Inventories total	**476**	531

14. Non-current receivables

EUR 1,000	**2014**	2013
Rent guarantees	**26**	26
Non-current receivables total	**26**	26

15. Current receivables

EUR 1,000	2014	2013
Trade receivables related to construction contracts	**5,660**	975
Other trade receivables	**6,196**	10,793
Trade receivables total	**11,856**	11,768
Work in progress related to construction contracts	**15,302**	9,967
Finished work related to construction contracts	**5,447**	4,690
Other receivables based on delivery agreements	**4,648**	1,740
Receivables related to construction contracts total	**25,396**	16,397
Current prepaid expenses and accrued income	**1,023**	1,313
Other current receivables	**1,281**	227
Current receivables total	**39,557**	29,704
Receivables from the Group companies:		
Trade receivables	**3,951**	3,930
Dividend receivables	**483**	
Other receivables	**4**	42
Total	**4,438**	3,972
Current receivables total	**43,995**	33,676
Major items included in prepaid expenses and accrued income		
Valuation of currency derivatives	**15**	175
VAT receivables	**168**	391
Other prepaid expenses and accrued income	**840**	747
Total	**1,023**	1,313

EUR 0 (2,234) thousand of the trade receivables and EUR 20,337 (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	2014	2013
Cash in hand and at bank	**125**	2,865
Cash and cash equivalents total	**125**	2,865

17. Shareholders' equity

EUR 1,000	2014	2013
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	**-59**	-122
Disposal of own shares	**59**	63
Own shares 31 Dec		-59
Invested unrestricted equity reserve 1 Jan	**5,960**	18,514
Covering of loss	**-3,828**	-12,555
Invested unrestricted equity reserve 31 Dec	**2,131**	5,960
Other reserves 1 Jan		2,891
Covering of loss		-2,891
Other reserves 31 Dec		
Retained earnings 1 Jan	**-3,770**	-17,023
Disposal of own shares	**-45**	-55
Covering of loss	**3,828**	15,446
Retained earnings 31 Dec	**14**	-1,632
Result for the period	**-5,519**	-2,138
Unrestricted equity total	**-3,374**	2,131
Total shareholders' equity	**2,193**	7,699

Calculation of distributable equity		
Retained earnings 31 Dec	**-5,505**	-3,770
Own shares		-59
Invested unrestricted equity reserve	**2,131**	5,960
Other reserves		
Total	**-3,374**	2,131

After the reporting date the Board of Directors has proposed that no dividend be paid for the financial year ended 31 December 2014. In 2014 no dividend was paid for the financial year that ended on 31 December 2013.

The shareholders' equity of the company on 31 December 2014 was EUR 2,193 thousand, or 46.5% of the share capital. So the parent company shareholders' equity has fallen below half of the share capital. According to section 23 of chapter 20 of the Limited Liability Companies Act, if a public company's shareholders' equity according to the balance sheet is less than half of its share capital, the Board of Directors shall without delay call a general meeting of shareholders to decide on any measures to remedy the financial position. The general meeting of shareholders shall be held no later than three months after the financial statements have been completed. Measures to remedy the financial position will be discussed in the Annual General Meeting of Tecnotree Corporation.

18. Provisions

1 000 €	2014	2013
Other provisions	290	
Provisions total	290	

Provisions for 2014 include a provision of EUR 150 thousand due to personnel reductions in Finland and a provision of EUR 140 thousand due to an ongoing legal proceeding in APAC area. Both provisions are expected to be fully used during 2015.

19. Non-current and current liabilities

EUR 1,000	2014	2013
Non-current liabilities		
Loans from financial institutions		20,681
Termination benefits	**276**	313
Non-current liabilities total	**276**	20,681
Current liabilities		
Loans from financial institutions	**31,781**	11,100
Trade payables	**5,798**	1,136
Accrued liabilities and deferred income	**9,806**	6,695
Other liabilities	**232**	194
Total	**47,618**	19,125
Liabilities from the Group companies:		
Loans		500
Trade payables	**33,268**	25,064
Other liabilities	**620**	4,227
Total	**33,887**	29,791
Current liabilities total	**81,505**	48,916
Major items included in accrued liabilities and deferred income		
Other accrued personnel expenses	**2,163**	2,161
Withholding tax accrual (note 9)	**3,122**	1,841
Accrued interest expenses	**207**	144
Accrued agent fees	**1,654**	1,768
Valuation of currency derivatives	**86**	71
Valuation of interest rate swap	**530**	293
Other accruals related to customer contracts	**1,646**	
Other accrued liabilities and deferred income	**400**	417
Total	**9,806**	6,695

*) At the end of the period, Tecnotree had a long-term in nature 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, which is why it is classified as a short-term liability, but is renewed by financing new receivables. Likewise the long-term loan from financial institutions is classified as short-term in the balance sheet, because the waiver regarding the covenants is for a period of less than 12 months. Tecnotree has reached agreement with its bank that any failure to achieve the performance ratios on the test date 31 December 2014 as stated in the loan covenants in the financing agreement signed in August 2013, will not result in the sanctions contained in the financing agreement, such as the obligation to repay the loans. Four out of six covenants as calculated on 31 December 2014 did not comply with the requirements of the financing agreement.

The company has overdue trade payables.

20. Contingent liabilities

EUR 1,000	2014	2013
On own behalf		
Real estate mortgages	**4,400**	4,400
Corporate mortgages	**45,336**	45,336
Guarantees	**123**	269
Total	**49,860**	50,005
Leasing liabilities:		
With due date in the next financial year	**58**	74
With later due date	**54**	88
Total	**112**	162
Other liabilities		
With due date in the next financial year	**16**	134
With later due date	**51**	
Total	**67**	134
Total contingent liabilities	**50,039**	50,301

In addition, the company's shares in the Indian subsidiaries are pledged. These shares have a book value 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 14.

Values of underlying instruments of derivative contracts

Currency call options and termines		
Fair value (negative)	**-86**	-71
Value of underlying instruments	**8,365**	22,569
Currency put options and termines		
Fair value (positive)	**15**	175
Value of underlying instruments	**7,828**	21,483
Interest rate swap		
Fair value (positive)	**-530**	-293
Value of underlying instruments	**14,521**	14,521

21. Events after the end of period

Restructuring proceedings

Tecnotree Corporation's business operations have been loss-making for several years. In the unaudited financial report for 1 January 2014 – 31 December 2014, published on 30 January 2015, the Company announced that the result of the whole year 2014 remained a loss despite the encouraging final part of the year. The Company's situation is still challenging, even though the Company estimates that its operating result of 2015 will improve from 2014.

The Company's fourth quarter net sales and adjusted operating result set new records. During the same period the Company's customer deliveries included a large number of third-party products (computers and licenses) leading to an increase in the trade payables. Significant part of the Company's customers operate in countries where central banks restrict the availability of currency, for which reason the payments to the Company are delayed. The Company's customers in these areas are leading operators, who have always made their payments.

In the financial report the Company told that also its cash situation remained tight during the review period. The change in cash and cash equivalents during 2014 was EUR -4.2 million. The Company had no unused credit facilities at the end of the year. The Company has previously informed the markets that it has restructured its financing, renegotiated the repayment schedules and covenants of its loans as well as implemented certain cost reduction measures.

In addition, in the financial report Tecnotree announced that at the end of the year the Group's shareholders' equity of stood at EUR 16.9 million. However, the shareholders' equity of the parent company was only EUR 2.2 million while its share capital stood at EUR 4.7 million. This means that the shareholders' equity of the parent company has fallen below half of the share capital. According to section 23 of chapter 20 of the Limited Liability Companies Act, if a public company's shareholders' equity according to the balance sheet is less than half of its share capital, the Board of Directors shall without delay convene a General Meeting to consider measures to remedy the financial position of the company. Measures to remedy the financial position will be discussed in the Annual General Meeting of Tecnotree Corporation.

The Company has actively searched for a solution to improve its financial standing and carefully studied different options for solving the situation. Based on the study the Company concludes that it would in the best interest of the Company and its stakeholders, if the Company applied for restructuring proceedings in accordance with the Act on Restructuring of Enterprises. The Company assess that its difficulties are temporary, and via restructuring it would be possible to remedy the Company's financing and equity structure and thus secure the long-term continuation of the Company's business operations. When materialised, restructuring eases the debt liability of the Company and consequently also improve the shareholders' equity. The main creditor of the Company, Nordea Bank Finland Plc, together with another creditor, have announced being in support of placing the Company in the restructuring proceedings.

Based on the above, the Board of Directors of Tecnotree decided to file an application for restructuring proceedings with the district court of Espoo. The application was filed on 5 March 2015 with the district court, which on 9 March 2015 decided to commence the corporate restructuring proceedings. According to section 24 of chapter 20 of the Limited Liability Companies Act, the application was filed by the Board of Directors, as the matter was urgent. According to the same paragraph, the Board of Directors shall without delay convene the General Meeting to decide on the continuation of the application. The Board of Directors proposes to the Extraordinary General Meeting of Shareholders to be held on Friday 27 March that the application for restructuring proceedings will be continued. The creditors must announce their claims (receivables) in writing to the administrator not later than 7 April 2015, if the amounts differ from the ones announced by the debtor. The administrator must send a statement of the financial status of the debtor to the interest parties on 5 May 2015 at the latest. Not later that 6 July 2015 the administrator must prepare and deliver his proposed restructuring program to the district court of Espoo.

Measures to be taken based on the result shown by balance sheet and possible other measures to be taken to remedy the Company's financial situation in accordance with section 23 of chapter 20 of the Limited Liability Companies Act will be handled in the Annual General Meeting.

The filing of the restructuring application has no direct effects on Tecnotree's business operations and the Company continues to carry out the agreed customer projects and serve its customers as usual. Related uncertainty factors are disclosed in the Report of the Board of Directors in the section "Risks and uncertainty factors" under "Risks and uncertainties in the near future".

Phasing of a customer project

Tecnotree reached agreement with an operator group in Latin America to split delivery of the USD 30.5 million contract announced on 20 December 2011 into two delivery projects. The first phase is valued at USD 13.2 million and this includes delivery of a charging system for prepaid customers and a subscription management system. This first phase is being completed and will come to an end during the first half of 2015.

Phasing the project as agreed has reduced Tecnotree's order book at the end of year 2014 by USD 17.3 million, since the USD 30.5 million contract signed on 20 December 2011 has been split into two projects and commercial negotiations on the second part are still in progress. Phasing the project clarifies the overall project and releases USD 5.6 million in working capital, since under the terms of the original agreement Tecnotree's right to invoice depended on progress in delivery of the entire system. Under the phasing agreed now, Tecnotree has the right to invoice after completion of partial deliveries.

As part of the phasing, the parties have agreed on the delivery of the Tecnotree Agility TM Converging Charging Solution as the mobile data charging platform in three countries. Tecnotree will also provide expert services to ensure the smooth integration of the solution with existing network operations and business support systems. The precise commercial value of the second phase will be determined during negotiations, and deliveries will be spread over 2015 and 2016.

Intra-group dividend

In February 2015 the Company received dividends for the 2014 period of EUR 831 thousand from a Group company. These dividends were not recignised in 2014 due to the uncertainty related to the payment.

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

Espoo, 16 March 2015

Ilkka Raiskinen
CEO

Harri Koponen
Chairman of the Board

Pentti Heikkinen
Vice Chairman of the Board

Tuija Soanjärvi

Christer Sumelius

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

Helsinki, 17 March 2015

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, 2014. The financial statements comprise the consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, statement of changes in shareholder's equity and consolidated cash flow statement and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the President and CEO

The Board of Directors and the President and CEO 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 President and CEO 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 President and CEO 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.

Basis for a qualified opinion

As presented in Note 18. *Trade and other current receivables*, the consolidated balance sheet includes project accounting receivables totaling EUR 22.5 million related to long-term projects. Thereof EUR 12.7 million relates to a project for which we have not received sufficient appropriate audit evidence for measurement purposes. This receivable is also included in the project accounting receivables in the parent company's balance sheet.

A qualified 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, except for the possible effects of the matter described in Basis for a qualified opinion above.

A qualified opinion on the parent company's financial statements and Board of Directors' Report

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of 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, except for the possible effects of the matter described in Basis for a qualified opinion above. The information in the report of the Board of Directors is consistent with the information in the financial statements

Remark

As stated in the Board of Directors' Report and the financial statements, the parent company's equity was less than one half of share capital on 31 December 2014. We would like to remark that the parent company's equity has already fallen below the limit required under the Limited Liability Companies Act (Chapter 20, section 23) during the financial year and the Board of Directors of the parent company has not without delay taken measures required under the Act.

Emphasis of matter

Financial position

We draw attention to the Note 24 *Financial risk management* to the consolidated financial statements, *Accounting principles for the consolidated financial statements*, section *Going concern basis* and to the Board of Directors' Report, section *Risks and uncertainty factors*. As disclosed in these sections, the financial position of the Group and the parent company is tight and there are material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. The Company had all its credit facilities in full use and the Company has partly breached financing-related covenants. During the financial year the parent company has had to rely on very short-term financing obtained under separate agreements, totaling EUR 2.8 million. The parent company has continuously had significant amounts of overdue trade payables to its suppliers during the year. On 5 March 2015 the Company decided to apply for debt restructuring proceedings as its liquidity position has further weakened.

Going concern principle and debt restructuring proceedings

We draw attention to the sections dealing with the debt restructuring proceedings in the consolidated financial statements and the Board of Directors' Report, as well as to the sections discussing going concern basis under the accounting policies for the consolidated financial statements and under the parent company's accounting principles.

On 5 March 2015 the Company filed an application for debt restructuring proceedings with the District Court of Espoo and on 9 March 2015 the District Court of Espoo decided to commence the corporate debt restructuring proceedings. The Administrator has to prepare and deliver the draft restructuring program to the District Court of Espoo on 6 July 2015 at the latest.

Tecnotree Corporation has comply with the plan to be authorized by the court. As explained in the Board of Directors' Report and the accounting policies for the consolidated financial statements this involves risks. Tecnotree Corporation has to fully take care of its post-restructuring obligations which requires sufficient cash flow financing, i.e. payments from clients. As explained in the Board of Directors' Report and the accounting policies for the consolidated financial statements, after filing the application for debt restructuring proceedings the Company is likely to face problems, especially with those companies from which Tecnotree has previously made purchases. Also clients may have doubts about risks related to Tecnotree which may impact future orders to be received.

There are material uncertainties relating to the going concern basis of the Company. The financial position described above and debt restructuring proceedings indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Should the going concern basis prove inappropriate in the foreseeable future, adjustments to the carrying amounts of Tecnotree Corporation’s and the Group’s assets would be necessary.

Customer receivables

We also draw attention to the section *Risks and uncertainty factors* in the Board of Directors' Report and the subsections *Carrying out customer projects, profitability, forecasting, and Risks relating to international operations, receivables and developing markets*. As disclosed in Note 18. *Trade and other current receivables* to the consolidated financial statements, customer and project accounting receivables need significant amount of working capital, totaling EUR 42.2 million. Part of these items include measurement risk higher than normally, as explained in the Board of Directors' Report, section *Risks and uncertainty factors*.

Goodwill

Consolidated assets include goodwill amounting to EUR 16.6 million. It is further stated in the Board of Directors’ Report, section *Risks and uncertainty factors*, that there are risks relating to goodwill and to management's financial expectations and assumptions used in the goodwill impairment tests.

Interim Report for period from 1 January to 30 June 2014

We refer to the Securities Market Act, Chapter 7, section 8, subsection 2 and state that the matters described above shall be considered when assessing the compliance of the consolidated interim report with the related rules and regulations for the period from 1 January to 30 June 2014.

Helsinki, March 17, 2015

KPMG OY AB

Toni Aaltonen
Authorised Public Accountant