TECNOTREE

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Q2

2013

Tecnotree

Interim review

TECNOTREE CORPORATION INTERIM REVIEW 1 JANUARY – 30 JUNE 2013 (UNAUDITED)

14 August 2013 at 8:30 am

Tecnotree is a global supplier of telecom IT solutions, providing products and services 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 has a strong footing especially in developing markets.

PROFITABILITY IMPROVED

Second quarter

- Second quarter net sales were a record of EUR 22.5 (21.3) million.
- The adjusted operating result for the quarter rose to EUR 2.7 (2.0) million positive and the result was EUR 2.1 (1.2) million.
- The order book at the end of the period stood at EUR 53.3 (31 December 2012: 54.2) million.
- Second quarter cash flow after investments was EUR -6.5 (0.8) million.

January – June 2013

- Net sales for the review period increased 16.4 per cent from the corresponding period in the previous year to EUR 36.4 (31.3) million.
- The adjusted operating result improved EUR 2.5 million from the previous year to EUR -1.3 (-3.8) million negative. The operating result was EUR -2.4 (-6.7) million and the result for the period EUR -3.4 (-7.7) million.
- Cash flow after investments for the review period was EUR -5.0 (1.1) million and the company's cash and cash equivalents were EUR 3.8 (31 December 2012: 11.3) million.

Events after the end of the period

- Tecnotree has agreed on the conditions of the renewal of its debt (Term Sheet) for the following five years. This arrangement gives Tecnotree EUR 5 million more financing as the credit facility to finance working capital goes up from EUR 5 million to EUR 10 million. A standard form of financing agreement has been agreed to be made according to the now agreed conditions by the end of August.
- After the end of June, the company has announced new orders totalling USD 5 million.

KEY FIGURES	**4-6/ 2013**	4-6/ 2012	**1-6/ 2013**	1-6/ 2012	1-12/ 2012
Net sales, MEUR	**22.5**	21.3	**36.4**	31.3	73.4
Adjusted operating result, MEUR*	**2.7**	2.0	**-1.3**	-3.8	-4.9
Operating result, MEUR	**2.2**	0.6	**-2.4**	-6.7	-12.4
Result before taxes, MEUR	**4.2**	0.4	**-1.4**	-7.6	-13.7
Result for the period	**2.1**	1.2	**-3.4**	-7.7	-17.0
Earnings per share, basic, EUR **	**0.02**	0.01	**-0.03**	-0.09	-0.16
Order book, MEUR			**53.3**	58.8	54.2
Cash flow after investments, MEUR	**-6.5**	0.8	**-5.0**	1.1	-1.3
Change in cash and cash equivalents, MEUR	**-6.1**	5.1	**-7.2**	4.4	4.8
Cash and cash equivalents, MEUR			**3.8**	11.0	11.3
Equity ratio %			**38.0**	50.0	42.2
Net gearing %			**77.4**	32.4	47.5
Personnel at end of period			**1,068**	1,109	1,116

* Adjusted operating result = operating result before R & D capitalisation, amortisation of this and one-time costs. Details of these are given in the section “Result analysis”.
** This key figure has been adjusted for the comparative periods to reflect the share issue.

Unless otherwise stated, all figures presented below are for the review period 1-6/2013 and the figures for comparison are for the corresponding period 1-6/2012.

President and CEO Ilkka Raiskinen:

”Net sales continued to rise encouragingly in the second quarter and profitability also improved clearly. Recognition of revenue from the two large projects in the order book has continued and these projects have made progress according to plan. The company’s prospects in its main market areas are good, so we believe that the growth in net sales will continue.

The renewal of our strategy that has taken place over the past few years and the increase in personnel this has required have now reached the point where net sales continue to grow but the number of personnel is no longer rising. We believe that profitability will improve still further as we are able to utilise in new projects the products and components that we have already developed.

The cash flow was positive in the first quarter thanks to large payments made by customers. In the second quarter we received fewer payments, so the cash flow for the six months period was negative. This is part of normal seasonal fluctuation.

We completed the negotiations on financing and as a result the company obtained EUR 5 million in additional financing. ”

SALES AND NET SALES

Tecnotree's net sales in the review period increased 16.4 per cent to EUR 36.4 (31.3) million.

EUR 12.1 million of sales in the review period have been recognised by stage of completion (IAS 11 Construction Contracts) and EUR 24.3 million on delivery (IAS 18 Revenues).

	1-6/2013	1-6/2012	**1-6/2013**	1-6/2012
NET SALES BY MARKET AREA	**MEUR**	MEUR	**%**	%
Americas (North, Central and South America)	**17.9**	15.4	**49.2**	49.3
Europe	**2.6**	3.9	**7.1**	12.5
MEA (Middle East and Africa)	**14.6**	10.3	**40.2**	32.8
APAC (Asia and Pacific)	**1.3**	1.7	**3.5**	5.3
TOTAL	**36.4**	31.3	**100.0**	100.0

	30.6.2013	30.6.2012	**30.6.2013**	30.6.2012
CONSOLIDATED ORDER BOOK	**MEUR**	MEUR	**%**	%
Americas (North, Central and South America)	**32.5**	43.8	**61.0**	74.6
Europe	**3.1**	2.9	**5.7**	4.9
MEA (Middle East and Africa)	**16.6**	11.7	**31.1**	20.0
APAC (Asia and Pacific)	**1.1**	0.3	**2.2**	0.5
TOTAL	**53.3**	58.8	**100.0**	100.0

Maintenance and service sales totalled EUR 14.5 (11.4) million or 39.7 per cent (36.5 %) of net sales.

RESULT ANALYSIS

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

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

INCOME STATEMENT, KEY FIGURES, MEUR	**1-6/2013**	1-6/2012	1-12/2012
Net sales	**36,4**	31,3	73,4
Other operating income	**0,0**	0,0	0,1
Operating costs excluding product development capitalisation and one-time costs	**-37,7**	-35,1	-78,4
Adjusted operating result	**-1,3**	-3,8	-4,9
Product development capitalisation			
Product development amortisation	**-1,1**	-2,8	-5,4
One-time costs			-2,1
Operating result	**-2,4**	-6,7	-12,4
Result before taxes	**-1,4**	-7,6	-13,7

The adjusted operating result for the six month period improved EUR 2.5 million from the corresponding period in the previous year as the result of higher net sales. The second quarter adjusted operating result was a profit of EUR 2.7 million, compared to a loss of EUR 4.0 million in the first quarter. Tecnotree usually records low net sales in the first quarter, which affects the half year result.

Another factor contributing to the improvement in the operating result for the period by EUR 4.4 million was a reduction of EUR 1.7 million in amortisation of capitalised R & D costs. Tecnotree only has EUR 0.6 million in capitalised R & D costs remaining in its balance sheet.

After receiving payment from LapGreenN, a company owned by the Libyan government, EUR 0.4 million of the credit loss provision was reversed in the first quarter.

Financial income and expenses (net) during the review period totalled EUR 1.0 (-0.9) million. The exchange rate gains and losses consist mainly of exchange rate differences from intragroup payables in the parent company.

FINANCIAL INCOME AND EXPENSES, MEUR	**1-6/2013**	1-6/2012	1-12/2012
Interest income	**0.0**	0.0	0.1
Exchange rate gains	**1.9**	0.7	1.5
Other financial income	**0.2**	0.0	0.2
FINANCIAL INCOME, TOTAL	**2.1**	0.8	1.8
Interest expenses	**-0.6**	-1.3	-2.0
Exchange rate losses	**-0.3**	-0.3	-0.7
Other financial expenses	**-0.2**	-0.1	-0.5
FINANCIAL EXPENSES, TOTAL	**-1.1**	-1.7	-3.1
FINANCIAL ITEMS, TOTAL	**1.0**	-0.9	-1.3

Taxes for the period totalled EUR 1.9 (0.1) million, including the following items:

TAXES IN INCOME STATEMENT, MEUR	**1-6/2013**	1-6/2012	1-12/2012
Withholding tax expenses in parent company	**-1.2**	-0.8	-3.0
Income taxes on the results of Group companies	**-0.5**	-0.2	-0.9
Prior year taxes		-0.1	-0.4
Change in deferred tax asset in India	**-0.3**		-0.4
Change in deferred tax liability based on:		0.5	
- R&D capitalisation	**0.2**	0.0	0.9
- dividend tax in India	**-0.3**	0.4	0.1
Other items	**0.1**	0.2	0.4
TAXES IN INCOME STATEMENT, TOTAL	**-1.9**	-0.1	-3.3

Earnings per share were EUR -0.03 (-0.09). Equity per share at the end of the period was EUR 0.23 (31 December 2012: EUR 0.28). These key figures have been adjusted for the comparative periods to reflect the share issue.

FINANCING AND INVESTMENTS

Tecnotree's working capital grew during the period by EUR 0.4 million:

CHANGE IN WORKING CAPITAL, MEUR (increase - / decrease +)	**1-6/2013**	1-6/2012	1-12/2012
Change in trade receivables	**5.7**	5.1	-4.5
Change in other receivables	**-6.0**	3.6	9.1
Change in inventories	**-0.6**	-0.3	0.2
Change in trade payables	**0.5**	0.2	-3.4
Change in other liabilities	**-0.1**	-2.2	2.0
CHANGE IN WORKING CAPITAL, TOTAL	**-0.4**	6.4	3.4

Project revenue is recognised in other receivables. When the agreement allows the customer to be invoiced, the receivables are regrouped into trade receivables. The trade and other receivables should be treated as one item in assessing the changes in working capital of Tecnotree.

Tecnotree's liquid funds totalled EUR 3.8 (31 December 2012: 11.3) million. The change in cash and cash equivalents for the review period was EUR -7.2 million. The company had no unused credit facilities at the end of the review period (31.12.2012: 0.0). One year earlier the cash and cash equivalents were EUR 11.0 million, which included proceeds from the share issue of EUR 5.4 million. After the end of the period, Tecnotree has agreed on the conditions of the renewal of its debt for the following five years. As a result, the company will receive additional financing of EUR 5 million. A standard form of financing agreement has been agreed to be made according to the now agreed conditions by the end of August.

The balance sheet total on 30 June 2013 stood at EUR 73.0 (31 December 2012: 81.8) million. Interest-bearing liabilities were EUR 26.1 (31 December 2012: 28.3) million. The net debt to equity ratio (net gearing) was 77.4 per cent (31 December 2012: 47.5 %) and the equity ratio was 38.0 per cent (31 December 2012: 42.2 %).

Tecnotree's gross capital expenditure during the review period, excluding the capitalisation of development costs, was EUR 0.4 (0.4) million or 1.1 per cent (1.4 %) of net sales.

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.

SEGMENT INFORMATION

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

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

GEOGRAPHICAL AREAS

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

Americas (North, Central and South America)

Net sales in the Americas rose more than 16 per cent, making them the largest area in the group in terms of net sales. The order book declined slightly more than 25 per cent as the order book for major deliveries turned into net sales. Prospects in the area remain positive, with active demand for replacing critical business support systems. Sales in the area comprise expansions and upgrades of solutions installed for current customers, the renewal of annual maintenance contracts, and partial implementation of new orders. The company has succeeded in selling in the area business support systems and services that are part of its strategic core business. The area offers the company growth potential.

Europe

Net sales in Europe declined some 34 per cent from 2012. The decline in sales in the area is due to the fall in sales of the company's established messaging solutions, while the company's efforts to sell the business support system products contained in the new strategy has not yet been realised in profit. The order book improved by almost 6 per cent. In Europe Tecnotree has supplied completely new systems and expansions of existing systems, mainly to existing customers.

MEA (Middle East and Africa)

The strong growth in sales that began towards the end of 2012 continued in the Middle East and Africa. Sales increased more than 42 per cent from 2012 and the order book rose 41 per cent. Tecnotree has an extremely broad customer base in the MEA region and the business of its customers is growing, so the company has considerable growth potential in the region. Implementation of Tecnotree's new strategy has made encouraging progress in the area, while demand for its established products has remained firm.

APAC (Asia and Pacific)

Net sales in the Asia and Pacific region fell some 23 per cent from the corresponding period in the previous year. The decline in sales in the area is due to the fall in sales of the company's established messaging solutions, while sales of the business support system products contained in the new strategy have still not compensated for this fall. Sales focused on established products to existing customers. The order book was almost four times as high as in the corresponding period in the previous year, but was still only EUR 1.1 million.

PERSONNEL

At the end of June 2013 Tecnotree employed 1,068 (31 December 2012: 1,116) persons, of whom 89 (31 December 2012: 90) worked in Finland and 979 (31 December 2012: 1,026) elsewhere. The company employed on average 1,073 (1,017) people during the review period. Personnel by country were as follows:

PERSONNEL	**1-6/2013**	1-6/2012	1-12/2012
Personnel, at end of period	**1,068**	1,109	1,116
Finland	**89**	86	90
Ireland	**48**	56	56
Brazil	**40**	42	40
Argentina	**33**	37	36
India	**802**	831	843
Other countries	**56**	57	51
Personnel, average	**1,073**	1,017	1,070
Personnel expenses before R&D capitalisation (MEUR)	**17.2**	15.6	35.4

TECNOTREE SHARES AND SHARE CAPITAL

At the end of June 2013 the shareholders' equity of Tecnotree Corporation stood at EUR 27.7 (31 December 2012: 34.5) 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 held 32,842 (31 December 2012: 134,800) of these shares, which represents 0.03 per cent of the company's total number of shares and votes. During the period 101,958 own shares were used for management rewards. Equity per share was EUR 0.23 (31 December 2012: 0.28 adjusted to reflect the share issue).

A total of 35,103,928 Tecnotree shares (EUR 6,748,322) were traded on the Helsinki Exchanges during the period 1 January – 30 June 2013, representing 28.6 per cent of the total number of shares.

The highest share price quoted in the period was EUR 0.24 and the lowest EUR 0.15. The average quoted price was EUR 0.19 and the closing price on 30 June 2013 was EUR 0.19. The market capitalisation of the share stock at the end of the period was EUR 23.3 million.

CURRENT AUTHORISATIONS

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

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

STOCK OPTION PROGRAMMES AND INCENTIVE SCHEME

During the review period the company had in force one option series 2009C of the 2009 stock option program. The exercise period for the 2009C options ended on 31 March 2013.

During the review period the company had a current incentive scheme that the Board of Directors had established on 25 October 2011. Any reward in the scheme for the 2013 earning period is based on Tecnotree Group's operating profit and the company's trade weighted average share price in December 2013.

PRESIDENT AND CEO; DUTIES OF BOARD OF DIRECTORS

Tecnotree made a change in its management and appointed the deputy chairman of its Board of Directors, Ilkka Raiskinen, as president and CEO as from 28 May 2013. Ilkka Raiskinen remains a member of the Board of Directors.

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

LEGAL PROCEEDINGS

An action was brought against Tecnotree at the start of the year by Atul Chopra and Aparna, a company close to him, in a court of arbitration in Singapore, claiming that Tecnotree has failed to honour the Settlement Agreement dated 21 February 2011 reached with Atul Chopra. Atul Chopra and Aparna are claiming indemnity of about EUR 1.1 million.

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

Tecnotree denies the claims presented by Atul Chopra and is initiating legal action in order to protect its rights. The court of arbitration has not started its proceedings.

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

RISKS AND UNCERTAINTY FACTORS

The risks and uncertainty factors for Tecnotree are explained in the 2012 Board of Directors' Report and in the notes to the Financial Statements.

Tecnotree's risks and uncertainties in the near future relate to major projects that are under negotiation and to their timing and costs, to receivables, to changes in foreign exchange rates and to financing. The company's financial position is tight. The company's current finance arrangement with the bank ends in December 2013. Under this arrangement, at the end of June 2013 the company had a loan of EUR 11.1 million and a EUR 10.0 million credit facility. In addition the company has a separate EUR 5.0 million credit facility to finance working capital. Both credit facilities are fully used. The company has to arrange replacement financing during 2013 for the loan and credit facility that mature in December. Mention about agreed actions can be found under Events after the end of the period.

EVENTS AFTER THE END OF PERIOD

In July, Tecnotree has received a USD 5 million order from an operator group in Latin America to provide subscriber and traffic expansions to Tecnotree real-time charging systems. The deliveries will start immediately and they are expected to be completed by the end of this year.

Tecnotree has agreed with its bank on the conditions of the renewal its debt (Term Sheet). The term of financing is five years and it consists of a long-term loan of approximately EUR 21.8 million, a credit facility of EUR 10 million to finance working capital and a EUR 2 million bank guarantee limit. This arrangement gives Tecnotree EUR 5 million more financing as the credit facility to finance working capital goes up from EUR 5 million to EUR 10 million. A standard form of financing agreement has been agreed to be made according to the now agreed conditions by the end of August.

PROSPECTS IN 2013

Tecnotree's order book at the end of 2012 stood at EUR 54.2 million, so the company moved into 2013 in a good position. The company estimates that its net sales and operating result will improve from the previous year. Variations in the quarterly figures will be considerable.

Prospects have not changed from the previous interim review.

FINANCIAL INFORMATION

Tecnotree is holding a conference for analysts, investors and the media to announce its second quarter results on 14 August 2013 at 10.00 am in the Tapiola conference room at the Scandic Hotel Simonkenttä, Simonkatu 9, Helsinki. The interim review will be presented by CEO Ilkka Raiskinen and the conference will be held in Finnish. The material to be presented at the press conference will be available at www.tecnotree.com.

TECNOTREE CORPORATION

Board of Directors

FURTHER INFORMATION

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TABLE SECTION

The financial figures in the income statement, balance sheet and key indicators are presented in million euros. The figures shown here have been calculated using exact values.

CONSOLIDATED INCOME STATEMENT, MEUR	Note	**4-6/ 2013**	4-6/ 2012	**1-6/ 2013**	1-6/ 2012	1-12/ 2012
NET SALES	2	**22.5**	21.3	**36.4**	31.3	73.4
Other operating income		**0.0**	0.0	**0.0**	0.0	0.1
Materials and services		**-3.6**	-4.0	**-7.3**	-5.9	-14.4
Employee benefit expenses		**-8.5**	-7.8	**-17.2**	-15.6	-35.4
Depreciation, amortisation and impairment charges		**-1.0**	-1.9	**-2.1**	-3.9	-8.9
Other operating expenses		**-7.2**	-7.0	**-12.2**	-12.6	-27.2
OPERATING RESULT	2	**2.2**	0.6	**-2.4**	-6.7	-12.4
Financial income		**1.7**	0.7	**2.1**	0.8	1.8
Financial expenses		**0.2**	-0.9	**-1.1**	-1.7	-3.1
RESULT BEFORE TAXES		**4.2**	0.4	**-1.4**	-7.6	-13.7
Income taxes		**-2.1**	0.8	**-1.9**	-0.1	-3.3
RESULT FOR THE PERIOD		**2.1**	1.2	**-3.4**	-7.7	-17.0
Allocated to:						
Equity holders of parent company		**2.1**	1.2	**-3.4**	-7.7	-17.0
Non-controlling interest		**0.0**	0.0	**-0.0**	-0.0	-0.0
Earnings per share calculated from the profit attributable to equity holders of parent company:						
Earnings per share, basic, EUR *		**0.02**	0.01	**-0.03**	-0.09	-0.16
Earnings per share, diluted, EUR *		**0.02**	0.01	**-0.03**	-0.09	-0.16

* This key figure has been adjusted for the comparative periods to reflect the share issue.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, MEUR	**4-6/ 2013**	4-6/ 2012	**1-6/ 2013**	1-6/ 2012	1-12/ 2012
RESULT FOR THE PERIOD	**2.1**	1.2	**-3.4**	-7.7	-17.0
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Translation differences from foreign operations	**-5.9**	-2.0	**-3.6**	-1.3	-3.4
Tax relating to components of other comprehensive income	**0.1**	0.1	**0.2**	0.0	0.1
Other comprehensive income, net of tax	**-5.8**	-1.9	**-3.4**	-1.3	-3.3
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**-3.7**	-0.7	**-6.8**	-9.0	-20.3
Allocated to:					
Equity holders of parent company	**-3.7**	-0.7	**-6.8**	-8.9	-20.3
Non-controlling interest	**0.0**	0.0	**-0.0**	-0.0	-0.0

CONSOLIDATED BALANCE SHEET	Note	**30.6.2013**	30.6.2012	31.12.2012
Assets				
Goodwill		**16.5**	18.9	17.4
Other intangible assets		**1.4**	6.5	3.0
Tangible assets		**4.5**	5.8	4.7
Deferred tax assets		**2.0**	2.9	2.5
Other non-current trade and other receivables		**0.8**	0.4	0.4
Current assets				
Inventories		**1.2**	1.1	0.6
Trade receivables		**17.2**	17.6	22.2
Other receivables		**24.8**	27.7	19.0
Investments		**0.9**	0.0	0.6
Cash and cash equivalents		**3.8**	11.0	11.3
TOTAL ASSETS		**73.0**	91.9	81.8
Shareholders' equity		**27.7**	46.0	34.5
Non-current liabilities				
Deferred tax liabilities		**2.6**	3.3	2.8
Non-current interest-bearing liabilities	3	**0.0**	11.1	0.0
Other non-current liabilities		**0.5**	0.4	0.4
Current liabilities				
Current interest-bearing liabilities	3	**26.1**	14.8	28.3
Trade payables and other liabilities		**16.0**	16.3	15.6
EQUITY AND LIABILITIES, TOTAL		**73.0**	91.9	81.8

CALCULATION OF CHANGES IN
SHAREHOLDERS' EQUITY, MEUR

MEUR	A	B	C	D	E	F	G	H	I	J
Shareholders' equity 1 Jan. 2013	4.7	0.8	-0.1	-4.2	18.0	5.2	10.1	34.5	0.1	34.5
Covering of loss					-12.6	-2.9	15.4	0.0		0.0
Disposal of own shares			0.1				-0.1	0.0		0.0
Sharebased payments							0.0	0.0		0.0
Other changes							-0.0	-0.0	-0.0	-0.0
Total comprehensive income for the period				-3.4			-3.4	-6.8	-0.0	-6.8
Shareholders' equity 30 June 2013	**4.7**	**0.8**	**-0.0**	**-7.7**	**5.5**	**2.3**	**22.1**	**27.7**	**0.0**	**27.7**

MEUR	A	B	C	D	E	F	G	H	I	J
Shareholders' equity 1 Jan. 2012	4.7	0.8	-0.1	-1.0	12.6	19.0	13.3	49.4	0.1	49.5
Sharebased payments					5.9	-0.5		5.4		5.4
Covering of loss						-13.9	13.9	0.0		0.0
Other changes							-0.0	-0.0	-0.0	-0.0
Total comprehensive income for the period				-1.3			-7.7	-8.9	-0.0	-9.0
Shareholders' equity 30 June 2012	4.7	0.8	-0.1	-2.3	18.5	4.7	19.5	45.9	0.1	46.0

A = Share capital
B = Share premium fund
C = Own shares
D = Translation differences
E = Invested non-restricted equity reserve
F = Other reserves
G = Retained earnings
H = Total equity attributable to equity holders of parent company
I = Non-controlling interest
J = Total shareholders' equity

CONSOLIDATED CONDENSED CASH FLOW STATEMENT, MEUR	**1-6/2013**	1-6/2012	1-12/2012
Cash flow from operating activities			
Result for the period	**-3.4**	-7.7	-17.0
Adjustments of the result	**2.2**	5.1	20.5
Changes in working capital	**-0.4**	6.4	3.4
Interest paid	**-0.7**	-0.6	-3.2
Interest received	**0.0**	0.0	0.1
Income taxes paid	**-2.1**	-1.8	-5.1
Net cash flow from operating activities	**-4.4**	1.5	-1.3
Cash flow from investing activities			
Investments in intangible assets	**-0.0**	-0.2	-0.2
Investments in tangible assets	**-0.4**	-0.3	-0.7
Proceeds from disposal of intangible and tangible assets	**0.0**	0.0	1.0
Investments in other securities	**-0.2**	0.0	
Proceeds from disposal of other securities			0.3
Interest received from other securities	**0.0**	0.0	0.0
Dividends received from other securities		0.0	0.0
Net cash flow from investing activities	**-0.6**	-0.4	0.4
Cash flow from financing activities			
Proceeds from share issue		5.4	5.4
Borrowings received	**1.5**		9.8
Repayments of borrowings	**-3.7**	-2.2	-9.5
Repayments of finance lease liabilities		-0.0	-0.0
Net cash flow from financing activities	**-2.2**	3.3	5.6
Increase (+) and decrease (-) in cash and cash equivalents	**-7.2**	4.4	4.8
Cash and cash equivalents at beg. of period	**11.3**	6.7	6.7
Impact of changes in exchange rates	**-0.4**	-0.1	-0.2
Cash and cash equivalents at end of period	**3.8**	11.0	11.3

1. ACCOUNTING PRINCIPLES FOR THE FINANCIAL REVIEW

This interim review has been prepared in accordance with the international financial reporting standard IAS 34 Interim Financial Reporting. The formulas for calculating the key figures presented and the accounting principles for the interim review are the same as the principles published in the 2012 Annual Report. The new and revised IFRS regulations that came into force on 1 January 2013 have not had a significant impact on the accounting principles and basis for preparing the interim report.

2. SEGMENT INFORMATION

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

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

OPERATING SEGMENTS	**1-6/2013**	1-6/2012	1-12/2012
NET SALES, MEUR			
Americas (North, Central and South America)	**17.9**	15.4	38.5
Europe	**2.6**	3.9	6.7
MEA (Middle East and Africa)	**14.6**	10.3	24.9
APAC (Asia Pacific)	**1.3**	1.7	3.3
TOTAL	**36.4**	31.3	73.4
RESULT, MEUR			
Americas (North, Central and South America)	**7.5**	4.4	14.6
Europe	**1.1**	2.2	3.2
MEA (Middle East and Africa)	**9.6**	6.6	14.5
APAC (Asia Pacific)	**0.3**	0.9	1.3
TOTAL	**18.5**	14.1	33.5
Non-allocated items	**-19.8**	-17.9	-38.4
OPERATING RESULT BEFORE R&D CAPITALISATION & AMORTISATION AND ONE-TIME COSTS	**-1.3**	-3.8	-4.9
Product development capitalisation	**0.0**	0.0	0.0
Product development amortisation	**-1.1**	-2.8	-5.4
One-time costs	**0.0**	0.0	-2.1
OPERATING RESULT	**-2.4**	-6.7	-12.4
Financial items	**1.0**	-0.9	-1.3
RESULT BEFORE TAXES	**-1.4**	-7.6	-13.7

3. INTEREST-BEARING LIABILITIES

Tecnotree's current finance arrangement with the bank ends in December 2013 wherefore the company has no long-term loans. Short-term loans amounted to EUR 11.1 (31 December 2012: 13.3) million and used credit facilities totalled EUR 15.0 (31 December 2012: 15.0) million.

INTEREST-BEARING LIABILITIES, MEUR	**30.6.2013**	30.6.2012	31.12.2012
Loans from financial institutions, 1 Jan	**28.3**	28.0	28.0
Raised loans	**1.5**	0.0	9.8
Repayments of loans	**-3.7**	-2.2	-9.5
Loans from financial institutions, end of period	**26.1**	25.9	28.3
Finance lease liabilities		0.0	
Interest-bearing liabilities total	**26.1**	25.9	28.3

4. CONSOLIDATED CONTINGENT LIABILITIES

CONSOLIDATED CONTINGENT LIABILITIES, MEUR	**30.6.2013**	30.6.2012	31.12.2012
On own behalf			
Real estate mortgages	**4.4**	7.7	4.4
Corporate mortgages	**42.3**	36.6	42.3
Pledged deposits		0.0	
Guarantees	**0.9**	0.7	0.5
Other liabilities			
Desputed income tax liabilities in India	**0.4**		0.7

OTHER OPERATING LEASES, MEUR	**30.6.2013**	30.6.2012	31.12.2012
Minimum rents payable based on other leases that cannot be cancelled:			
Other operating leases			
Less than one year	**0.4**	1.1	0.5
Between one and five years	**0.2**	1.1	0.2

In addition, the shares of the Indian subsidiary held by the parent company are pledged. These shares have a book value of EUR 35.4 million in the parent company. The net assets of the Indian subsidiary in the consolidated balance sheet are estimated at EUR 42.6 million.

5. CONSOLIDATED KEY FIGURES

CONSOLIDATED KEY FINANCIAL FIGURES	**1-6/2013**	1-6/2012	1-12/2012
Return on investment, %	**-1.2**	-15.7	-15.0
Return on equity, %	**-21.6**	-32.1	-40.5
Equity ratio, %	**38.0**	50.0	42.2
Net gearing, %	**77.4**	32.4	47.5
Investments, MEUR	**0.4**	0.4	0.9
% of net sales	**1.1**	1.4	1.2
Research and development, MEUR	**6.6**	6.0	13.0
% of net sales	**18.3**	19.2	17.7
Order book, MEUR	**53.3**	58.8	54.2
Personnel, average	**1,073**	1,017	1,070
Personnel, at end of period	**1,068**	1,109	1,116

CONSOLIDATED KEY FIGURES PER SHARE	**1-6/2013**	1-6/2012	1-12/2012
Earnings per share, basic, EUR **	**-0.03**	-0.09	-0.16
Earnings per share, diluted, EUR **	**-0.03**	-0.09	-0.16
Equity per share, EUR **	**0.23**	0.37	0.28
Number of shares at end of period, x 1,000	**122,596**	122,494	122,494
Number of shares on average, x 1,000	**122,538**	74,035	98,264
Share price, EUR			
Average	**0.19**	0.37	0.25
Lowest	**0.15**	0.12	0.12
Highest	**0.24**	0.45	0.35
Share price at end of period, EUR	**0.19**	0.16	0.17
Market capitalisation of issued stock at end of period, MEUR	**23.3**	19.6	20.8
Share turnover, million shares	**35.1**	15.7	49.7
Share turnover, % of total	**28.6**	12.8	40.5
Share turnover, MEUR	**6.7**	4.9	11.7
Price/earnings ratio (P/E)			-1.0

** This key figure has been adjusted for the comparative periods to reflect the share issue.

QUARTERLY KEY FIGURES	**2Q/13**	1Q/13	4Q/12	3Q/12	2Q/12	1Q/12
Net sales, MEUR	**22.5**	13.9	22.4	19.7	21.3	10.0
Net sales, change %	**5.6**	39.3	39.5	14.9	15.2	-5.5
Adjusted operating result *	**2.7**	-4.0	-0.3	-0.8	2.0	-5.8
% of net sales	**12.2**	-28.8	-1.1	-4.0	9.3	-57.8
Operating result, MEUR	**2.2**	-4.6	-3.7	-2.1	0.6	-7.2
% of net sales	**9.7**	-32.9	-16.3	-10.4	2.7	-72.3
Result before taxes, MEUR	**4.2**	-5.6	-3.1	-3.0	0.4	-8.0
Personnel at end of period	**1,068**	1,073	1,116	1,131	1,109	981
Earnings per share, basic, EUR **	**0.02**	-0.04	-0.05	-0.02	0.01	-0.10
Earnings per share, diluted, EUR **	**0.02**	-0.04	-0.05	-0.02	0.01	-0.10
Equity per share, EUR **	**0.23**	0.26	0.28	0.36	0.37	0.49
Net interest-bearing liabilities, MEUR	**21.5**	14.6	16.4	22.3	14.9	21.0
Order book, MEUR	**53.3**	55.3	54.2	59.2	58.8	36.2

* Adjusted result = operating result before R&D capitalisation, amortization of this and one-time costs. Details of these are given in the section “Result analysis”.
** This key figure has been adjusted for the comparative periods to reflect the share issue.