

TECNOTREE

Powering the digital marketplace

Q1
2014

*Tecnotree
Interim Review*

TECNOTREE CORPORATION INTERIM REVIEW 1 JANUARY – 31 MARCH 2014 (UNAUDITED)

29 April 2014 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.

FIRST QUARTER WITH NORMAL SEASONAL FLUCTUATIONS

- First quarter net sales were EUR 14.4 (13.9) million.
- The adjusted operating result was EUR -1.8 (-4.0) million, operating result EUR -1.8 (-4.6) million and the result for the period was EUR -4.8 (-5.5) million.
- The order book at the end of the period stood at EUR 49.1 (31 December 2013: 45.0) million.
- First quarter cash flow after investments was EUR -3.2 (1.7) million and cash and cash equivalents at the end of the period were EUR 2.9 (31 December 2013: 6.6) million.
- Earnings per share were EUR -0.04 (-0.04).

KEY FIGURES	1-3/ 2014	1-3/ 2013	1-12/ 2013
Net sales, MEUR	14.4	13.9	73.9
Adjusted operating result, MEUR ¹	-1.8	-4.0	3.3
Operating result, MEUR	-1.8	-4.6	1.6
Result before taxes, MEUR	-3.7	-5.6	4.1
Result for the period	-4.8	-5.5	-2.5
Earnings per share, basic, EUR	-0.04	-0.04	-0.02
Order book, MEUR	49.1	55.3	45.0
Cash flow after investments, MEUR	-3.2	1.7	-4.6
Change in cash and cash equivalents, MEUR	-3.7	-1.0	-3.8
Cash and cash equivalents, MEUR	2.9	10.5	6.6
Equity ratio % ²	26.1	39.2	30.3
Net gearing % ²	154.5	49.3	113.4
Personnel at end of period	1,042	1,073	1,059

¹ 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".

² This key figure has been corrected for the period 1-3/2013, see note 4 in the table section.

Unless otherwise stated, all figures presented below are for the review period 1-3/2014 and the figures for comparison are for the corresponding period 1-3/2013.

CEO Ilkka Raiskinen:

"This was now the fourth quarter in succession when we improved our operating profit from the corresponding period in the previous year. Demand for our new products has remained strong, and the order book in the MEA area grew strongly to EUR 22.4 million compared to EUR 14.4 million in the previous year. The major projects in Latin America are progressing on schedule, and new business in this region is increasingly becoming product and service business. Cash flow management is still a priority for the year."

SALES AND NET SALES

Tecnotree's net sales in the review period increased 3.1 per cent to EUR 14.4 (13.9) million.

EUR 5.1 (2.7) million of sales in the review period have been recognised by stage of completion (IAS 11 Construction Contracts) and EUR 9.3 (11.2) million on delivery (IAS 18 Revenues).

	1-3/2014	1-3/2013	1-3/2014	1-3/2013
NET SALES BY MARKET AREA	MEUR	MEUR	%	%
Americas (North, Central and South America)	5.7	4.6	39.9	32.7
Europe	1.0	1.1	7.1	8.0
MEA (Middle East and Africa)	6.8	7.7	47.3	55.3
APAC (Asia and Pacific)	0.8	0.6	5.7	4.0
TOTAL	14.4	13.9	100.0	100.0

	31.3.2014	31.3.2013	31.3.2014	31.3.2013
CONSOLIDATED ORDER BOOK	MEUR	MEUR	%	%
Americas (North, Central and South America)	21.4	36.3	43.5	65.7
Europe	3.2	4.1	6.5	7.5
MEA (Middle East and Africa)	22.4	14.4	45.7	26.1
APAC (Asia and Pacific)	2.2	0.4	4.4	0.8
TOTAL	49.1	55.3	100.0	100.0

Maintenance and service sales totalled EUR 5.8 (6.5) million or 40.7 per cent (46.6 %) 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	1-3/2014	1-3/2013	1-12/2013
Net sales	14,4	13,9	73,9
Other operating income	0,0	0,0	0,1
Operating costs excluding product development capitalisation and one-time costs	-16,2	-18,0	-70,6
Adjusted operating result	-1,8	-4,0	3,3
Product development amortisation		-0,6	-1,7
Operating result	-1,8	-4,6	1,6

Tecnotree's net sales are usually lower in the first quarter than average quarterly net sales. One reason for this is the internal budgeting process at customers, which results in investment decisions being made in later quarters of the year.

During the review period the exchange rate for the US dollar, which is the company's most important invoicing currency, was 4 % lower than a year earlier. Differences in exchange rates reduced net sales by EUR 0.9 million. The net change in net sales was EUR 0.5 million positive.

The euro was markedly stronger during the first quarter against the currencies of subsidiaries than in the corresponding period in the previous year. The Indian rupee was 15 % weaker than at the beginning of 2013, and the Brazilian real weakened 19 %. The changes in exchange rates reduced the costs for subsidiaries in the consolidated income statement by some EUR 1.0 million from the corresponding period last year.

Material costs have fallen by EUR 1.0 million as projects include less equipment. As a result, the sales margin has improved.

The adjusted operating result for the quarter improved EUR 2.2 million from the previous year.

The improvement of EUR 2.8 million in the operating result for the period was due, in addition to the improved adjusted operating result, to the fact that in the previous year Tecnotree recognised EUR 0.6 million for amortisation of capitalised R & D costs, and Tecnotree no longer has any of these.

Financial income and expenses (net) during the review period totalled a net loss of EUR 1.9 million (net loss of EUR 1.0 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	1-3/2014	1-3/2013	1-12/2013
Interest income	0.0	0.0	0.1
Exchange rate gains	0.0	0.3	5.1
Other financial income	0.0	0.0	0.1
FINANCIAL INCOME, TOTAL	0.1	0.3	5.2
Interest expenses	-0.4	-0.3	-1.4
Exchange rate losses	-1.4	-1.0	-0.6
Other financial expenses	-0.2	-0.0	-0.7
FINANCIAL EXPENSES, TOTAL	-2.0	-1.3	-2.7
FINANCIAL ITEMS, TOTAL	-1.9	-1.0	2.5

Taxes for the period totalled EUR -1.1 (0.1) million, including the following items:

TAXES IN INCOME STATEMENT, MEUR	1-3/2014	1-3/2013	1-12/2013
Withholding tax expenses in parent company	-0.9	-0.7	-2.8
Change in withholding tax provision	0.1		-0.1
Income taxes on the results of Group companies	0.4	-0.5	-2.3
Prior year taxes	0.0	-0.0	0.0
Change in deferred tax asset in India	-1.0	0.7	-0.7
Change in deferred tax liability based on:			
- capitalisation of product development costs	0.0	0.1	0.3
- dividend tax in India	0.2	0.4	-1.2
Other items	0.0	0.1	0.2
TAXES IN INCOME STATEMENT, TOTAL	-1.1	0.1	-6.6

Earnings per share were EUR -0.04 (-0.04). Equity per share at the end of the period was EUR 0.15 (31 December 2013: EUR 0.18).

FINANCING AND INVESTMENTS

The company's cash situation remained tight during the review period.

Tecnotree's working capital grew during the period by EUR 1.1 million:

CHANGE IN WORKING CAPITAL, MEUR (increase - / decrease +)	1-3/2014	1-3/2013	1-12/2013
Change in trade receivables	-1.4	4.7	5.0
Change in other receivables	-1.6	2.2	-7.7
Change in inventories	-0.3	-0.3	0.0
Change in trade payables	1.3	0.0	-1.2
Change in other liabilities	0.9	0.3	-1.6
CHANGE IN WORKING CAPITAL, TOTAL	-1.1	6.8	-5.4

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

Tecnotree's cash and cash equivalents totalled EUR 2.9 (31 December 2013: 6.6) million. The change in cash and cash equivalents for the review period was EUR -3.7 million. The company had no unused credit facilities at the end of the review period (31.12.2013: 0.0). Due to bureaucracy related problems in customer countries, customer payments of EUR 2.1 million and EUR 1.2 million made in March from Middle East and Africa areas did not arrive at Tecnotree's bank account until beginning of April.

The balance sheet total on 31 March 2014 stood at EUR 70.4 (31 December 2013: 71.6) million. Interest-bearing liabilities were EUR 31.8 (31 December 2013: 31.8) million. The net debt to equity ratio (net gearing) was 154.5 per cent (31 December 2013: 113.4 %) and the equity ratio was 26.1 per cent (31 December 2013: 30.3 %). During the period, total equity was affected by positive translation differences of EUR 1.5 million. Net gearing has gone up due to the reduction in equity.

Tecnotree's gross capital expenditure during the review period, excluding the capitalisation of development costs, was EUR 0.2 (0.1) million or 1.5 per cent (1.0 %) 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 for the operating segments are presented based on the location of customers.

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 increased 26 per cent from the previous year to EUR 5.7 (4.6) million. The order book for major deliveries turned into net sales, which meant that the order book declined 41 per cent. The order book still remained at a healthy level at EUR 21.4 million. The proportion of the region's sales accounted for by the service business has developed positively. Sales comprised expansions and upgrades of solutions installed for current customers, the renewal of annual maintenance contracts, and partial implementation of new orders. The company has succeeded in selling business support systems and services that are part of its strategic core business. Sales in the area are forecast to remain stable.

Europe

Net sales in Europe declined 9 per cent from the same period in 2013, to EUR 1.0 (1.1) million. The decline in sales was due to the fall in sales of the company's established messaging solutions, while the company's efforts to sell the business support system products contained in the new strategy have not brought results yet. The order book in the region declined 23 per

cent. In Europe Tecnotree has supplied completely new systems and expansions of existing systems, mainly to existing customers.

MEA (Middle East and Africa)

Net sales in the Middle East and Africa declined 12 per cent from the same period in 2013, totalling EUR 6.8 (7.7) million. Tecnotree has obtained a good number of new orders in the area, and the order book was 55 per cent higher than at the same time in the previous year, standing at EUR 22.4 (14.4) million. Tecnotree has an extremely broad customer base in the MEA region and this expanded even more in the first months of 2014. In addition, the business of its customers is growing, which offers considerable growth potential for Tecnotree's business operations in the region. Implementation of Tecnotree's new strategy has made encouraging progress in the area, while demand for its established products has remained firm.

APAC (Asia and Pacific)

Net sales in the Asia and Pacific region increased 48 per cent from the corresponding period in the previous year, to EUR 0.8 (0.6) million. At the end of 2013 Tecnomen signed its first delivery contract outside the telecommunications sector, with a satellite television operator, so the order book in the region increased by EUR 1.7 million, and was more than five times as high as in the corresponding period in the previous year. At the end of the quarter the order book was evenly split between messaging solution products and the business support system products included in the new strategy. The area offers growth potential for the company.

PERSONNEL

At the end of March 2014 Tecnotree employed 1,042 (31 December 2013: 1,059) persons, of whom 91 (31 December 2013: 89) worked in Finland and 951 (31 December 2013: 970) elsewhere. The company employed on average 1,051 (1,077) people during the review period. Personnel by country were as follows:

PERSONNEL	1-3/2014	1-3/2013	1-12/2013
Personnel, at end of period	1,042	1,073	1,059
Finland	91	85	89
Ireland	50	50	49
Brazil	32	40	34
Argentina	32	36	31
India	796	810	809
Other countries	41	52	47
Personnel, average	1,051	1,077	1,067
Personnel expenses (MEUR)	7.8	8.8	34.6

SHARES AND SHARE CAPITAL

At the end of March 2014 the shareholders' equity of Tecnotree Corporation stood at EUR 18.4 (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 held 64,704 (31 December 2013: 64,704) of these shares, which represents 0.05 per cent of the company's total number of shares and votes. Equity per share was EUR 0.15 (31 December 2013: EUR 0.18).

A total of 14,130,543 Tecnotree shares (EUR 3,302,455) were traded on the Helsinki Exchanges during the period 1 January – 31 March 2014, representing 11.5 per cent of the total number of shares.

The highest share price quoted in the period was EUR 0.26 and the lowest EUR 0.21. The average quoted price was EUR 0.23 and the closing price on 31 March 2014 was EUR 0.22. The market capitalisation of the share stock at the end of the period was EUR 27.0 million.

ANNUAL GENERAL MEETING

The Annual General Meeting of Tecnotree Corporation held on 26th March 2014 confirmed the financial statements and the consolidated financial statements for the financial year 2013 and discharged the Board of Directors and the CEOs from liability for the year 2013. The Annual General Meeting resolved in accordance with the proposal of the Board of Directors that no dividend be paid for the year 2013, and that the parent company's loss for the financial year, 2,138,056.64 euros, be covered by non-restricted equity reserves. In addition, losses for previous periods be covered by EUR 1,690,237.98 of the non-restricted equity reserves.

Board of Directors

The Annual General Meeting confirmed that the Board of Directors will consist of five members. Johan Hammarén, Pentti Heikkinen, Harri Koponen, Tuija Soanjärvi and Christer Sumelius were re-elected as Board members. The Board members were elected for a period of office expiring at the end of the first Annual General Meeting following the election.

In the assembly meeting of the Board of Directors following the Annual General Meeting, Harri Koponen was elected as Chairman and Pentti Heikkinen as Vice Chairman of the Board of Directors. Tuija Soanjärvi was elected as Chairman of the Audit Committee and Harri Koponen and Pentti Heikkinen as members. Christer Sumelius was elected as Chairman of the Compensation and Nomination Committee and Johan Hammarén and Harri Koponen as members.

The Annual General Meeting resolved that the annual remunerations to the members of the Board of Directors be 23,000 euros, for the Chairman, 50,000 euros and for the Vice Chairman 30,000 euros. In addition it was decided that a compensation of 800 euros for the Chairman and 500 euros for a member of the Board of Directors be paid for attendance at Board and Committee meetings.

Auditors

KPMG Oy Ab, Authorised Public Accountants, will continue as the Company's auditor until the end of the following Annual General Meeting. The principal auditor appointed by them is Mr. Toni Aaltonen, Authorized Public Accountant.

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.

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 was based on Tecnotree Group's operating profit and the company's trade weighted average share price in December 2014.

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 proceedings are in progress in the court of arbitration.

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 2013 Board of Directors' Report and in the notes to the Financial Statements.

Tecnotree's risks and uncertainties in the near future relate to projects, to their timing, to receivables, to changes in foreign exchange rates and to financing.

The company had all its credit facilities in use at the end of 2013. The cash flow varies considerably from one quarter to another, and this in turn places strain on the money situation. At times the company has had to negotiate an extension to the payment period for its purchases. The financing agreement made by Tecnotree in August 2013 that is in force until 2018 contains six different covenants. One of these is tested monthly, four at half year intervals, and one annually. The terms of three covenants become tighter as the loan period progresses. If a condition for a covenant is not met, the financier is entitled to demand payment of the loans taken. Previously in similar situations the company has succeeded in negotiating an agreement with its financier under which it has not needed to repay the loans. In the 2013 accounts, two covenants were very close to breach, and the next major covenant compliance review date is 30 June 2014.

At the end of March 2014 the Group's shareholders' equity of stood at EUR 18.4 million. However, the shareholders' equity of the parent company was only EUR 3.8 million while its share capital stood at EUR 4.7 million. The low level of the shareholders' equity of the parent company creates the risk of the measures required in Section 23 of Chapter 20 of the Limited Liability Companies Act if equity falls to less than half of share capital.

EVENTS AFTER THE END OF PERIOD

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

PROSPECTS IN 2014

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

FINANCIAL INFORMATION

Tecnotree is holding a conference for analysts, investors and the media to announce its first quarter results on 29 April 2014 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	1-3/ 2014	1-3/ 2013	1-12/ 2013
NET SALES	2	14.4	13.9	73.9
Other operating income		0.0	0.0	0.1
Materials and services		-2.7	-3.7	-10.6
Employee benefit expenses		-7.8	-8.8	-34.6
Depreciation, amortisation and impairment charges		-0.3	-1.0	-3.5
Other operating expenses		-5.3	-5.1	-23.6
OPERATING RESULT	2	-1.8	-4.6	1.6
Financial income		0.1	0.3	5.2
Financial expenses		-2.0	-1.3	-2.7
RESULT BEFORE TAXES		-3.7	-5.6	4.1
Income taxes		-1.1	0.1	-6.6
RESULT FOR THE PERIOD		-4.8	-5.5	-2.5
Allocated to:				
Equity holders of parent company		-4.8	-5.4	-2.5
Non-controlling interest		-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		-0.04	-0.04	-0.02
Earnings per share, diluted, EUR		-0.04	-0.04	-0.02
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, MEUR		1-3/ 2014	1-3/ 2013	1-12/ 2013
RESULT FOR THE PERIOD		-4.8	-5.5	-2.5
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Translation differences from foreign operations		1.6	2.3	-9.1
Tax relating to components of other comprehensive income		-0.1	0.0	0.5
Other comprehensive income, net of tax		1.5	2.3	-8.7
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		-3.4	-3.1	-11.1
Allocated to:				
Equity holders of parent company		-3.4	-3.1	-11.2
Non-controlling interest		-0.0	-0.0	0.0

CONSOLIDATED BALANCE SHEET	Note	31.3.2014	31.3.2013	31.12.2013
Assets				
Goodwill		15.7	18.0	15.3
Other intangible assets		0.5	2.3	0.4
Tangible assets		4.0	4.6	4.0
Deferred tax assets		0.5	3.3	1.5
Other non-current trade and other receivables		0.8	0.8	0.8
Current assets				
Inventories		0.8	0.9	0.6
Trade receivables		18.6	18.1	17.5
Other receivables		26.2	16.6	24.4
Investments		0.6	0.6	0.6
Cash and cash equivalents		2.9	10.5	6.6
TOTAL ASSETS		70.4	75.7	71.6
Shareholders' equity *	4	18.4	29.7	21.7
Non-current liabilities				
Deferred tax liabilities		2.9	2.2	3.0
Non-current interest-bearing liabilities	3	20.7	0.0	20.7
Other non-current liabilities		1.0	0.5	0.9
Current liabilities				
Current interest-bearing liabilities	3	11.1	25.7	11.1
Trade payables and other liabilities *	4	16.4	17.6	14.2
EQUITY AND LIABILITIES, TOTAL		70.4	75.7	71.6

* The figure for period 31.3.2013 has been retrospectively corrected, see note 4.

CALCULATION OF CHANGES IN
SHAREHOLDERS' EQUITY, MEUR

MEUR	A	B	C	D	E	F	G	H	I	J
SHAREHOLDERS' EQUITY 1 JAN 2014	4.7	0.8	-0.1	-12.9	5.5	2.3	21.3	21.7	0.1	21.7
Result for the period							-4.8	-4.8	-0.0	-4.8
Other comprehensive income:										
Translation differences, net of tax				1.5				1.5		1.5
Total comprehensive income for the period				1.5			-4.8	-3.4	-0.0	-3.4
Sharebased payments							0.0	0.0		0.0
Transactions with shareholders, total			0.0				0.0	0.0		0.0
Covering of loss					-3.8		3.8	0.0		0.0
Other changes							0.0	0.0	0.0	0.0
SHAREHOLDERS' EQUITY 31 MAR 2014	4.7	0.8	-0.1	-11.4	1.6	2.3	20.3	18.3	0.1	18.4
Me	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	8.4	32.8	0.1	32.8
Result for the period							-5.4	-5.4	-0.0	-5.5
Other comprehensive income:										
Translation differences, net of tax				2.3				2.3		2.3
Total comprehensive income for the period				2.3			-5.4	-3.1	-0.0	-3.1
Transactions with shareholders, total			0.0				0.0	0.0		0.0
Covering of loss					-12.6	-2.9	15.4	0.0		0.0
Other changes							-0.0	-0.0	-0.0	-0.0
SHAREHOLDERS' EQUITY 31 MAR 2013	4.7	0.8	-0.1	-1.9	5.5	2.3	18.4	29.6	0.0	29.7

* Retained earnings (column G) has been retrospectively corrected, see note 4.

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 1-3/2014 1-3/2013 1-12/2013

Cash flow from operating activities			
Result for the period	-4,8	-5,5	-2,5
Adjustments of the result	4,0	1,8	8,0
Changes in working capital	-1,1	6,8	-5,4
Interest paid *	-0,1	-0,0	-0,1
Interest received	0,0	-0,1	0,1
Income taxes paid	-1,0	-1,4	-4,3
Net cash flow from operating activities	-3,1	1,8	-4,2
Cash flow from investing activities			
Investments in intangible assets	-0,1	-0,0	-0,1
Investments in tangible assets	-0,1	-0,1	-0,5
Proceeds from disposal of intangible and tangible assets		0,0	0,0
Proceeds from disposal of other securities	0,0	0,0	0,0
Interest received from other securities	0,0	0,0	0,0
Dividends received from other securities			0,0
Net cash flow from investing activities	-0,2	-0,1	-0,4
Cash flow from financing activities			
Borrowings received	0,0		28,8
Repayments of borrowings	0,0	-2,6	-25,3
Interest paid *	-0,4	-0,1	-2,7
Net cash flow from financing activities	-0,4	-2,7	0,8
Increase (+) and decrease (-) in cash and cash equivalents	-3,7	-1,0	-3,8
Cash and cash equivalents at beg. of period	6,6	11,3	11,3
Impact of changes in exchange rates	-0,1	0,2	-0,9
Cash and cash equivalents at end of period	2,9	10,5	6,6

* 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 periods have been retrospectively changed to reflect this.

1. ACCOUNTING PRINCIPLES FOR THE INTERIM REVIEW

This interim review has been prepared in accordance with IFRS reporting and evaluation principles and applying the same accounting principles as in the previous annual financial statements, but not complying with all the requirements of IAS 34 Interim Financial Reporting. The new and revised IFRS regulations that came into force on 1 January 2014 have not had a significant impact on the accounting principles and basis for preparing the interim review.

The interim review is prepared on a going concern basis. The going concern circumstances are commented in the Accounting principles for the consolidated financial statements 2013. The situation has not significantly changed during the review period.

The presentation of cash flow statement has changed so that interest and other financial items paid 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.

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 for the operating segments are presented based on the location of customers.

OPERATING SEGMENTS	1-3/2014	1-3/2013	1-12/2013
NET SALES, MEUR			
Americas (North, Central and South America)	5.7	4.6	38.6
Europe	1.0	1.1	4.6
MEA (Middle East and Africa)	6.8	7.7	28.6
APAC (Asia Pacific)	0.8	0.6	2.2
TOTAL	14.4	13.9	73.9

3. INTEREST-BEARING LIABILITIES

At the end of the review period, Tecnotree had a long-term loan of EUR 21.8 million (31 December 2013: 21.8) as well as a fully used credit facility of EUR 10.0 million (31 December 2013: 10.0) 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.

INTEREST-BEARING LIABILITIES, MEUR	31.3.2014	31.3.2013	31.12.2013
Loans from financial institutions, 1 Jan	31.8	28.3	28.3
Raised loans	0.0	0.0	28.8
Repayments of loans	0.0	-2.6	-25.3
Loans from financial institutions, end of period	31.8	25.7	31.8
Interest-bearing liabilities total	31.8	25.7	31.8

4. WITHHOLDING TAX PROVISION

The company changed its accounting practice for withholding taxes during the fourth quarter 2013 by booking a withholding tax provision to year 2012 retained earnings and accrued expenses and prepaid income amounting to EUR 1.7 million. Details related to the provision can be found in note 10 in 2013 consolidated financial statements. The company has retrospectively added this provision to the equity and accrued expenses and prepaid income for the 2013 comparative figures in its interim reporting.

At the end March 2014 this provision stood at EUR 1.7 million (31 December 2013: 1.8).

5. RELATED PARTY TRANSACTIONS

Tecnotree'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, and those entities in which these people have control. Except for regularly paid salaries and fees as well as ordinary intra-group transactions, Tecnotree has not entered any significant transactions with related parties during the year.

In the second quarter 2013 the former CEO Kaj Hagros was in accordance with the employment agreement paid a lump-sum compensation of EUR 0.3 million at the end of service.

6. CONTINGENT LIABILITIES

CONSOLIDATED CONTINGENT LIABILITIES, MEUR	31.3.2014	31.3.2013	31.12.2013
On own behalf			
Real estate mortgages	4.4	4.4	4.4
Corporate mortgages	45.3	42.3	45.3
Guarantees	0.3	0.5	0.3
Other liabilities			
Disputed income tax liabilities in India	0.4	0.4	0.4
OTHER OPERATING LEASES, MEUR	31.3.2014	31.3.2013	31.12.2013
Minimum rents payable based on other leases that cannot be cancelled:			
Other operating leases			
Less than one year	0.5	0.4	0.4
Between one and five years	0.6	0.2	0.3

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 EUR 43.5 million.

7. KEY FIGURES

CONSOLIDATED KEY FINANCIAL FIGURES	1-3/2014	1-3/2013	1-12/2013
Return on investment, % *	-13.1	-29.3	11.9
Return on equity, % *	-96.8	-69.8	-9.1
Equity ratio, % *	26.1	39.2	30.3
Net gearing, % *	154.5	49.3	113.4
Investments, MEUR	0.2	0.1	0.6
% of net sales	1.5	1.0	0.8
Research and development, MEUR	3.7	2.8	14.0
% of net sales	25.5	20.0	19.0
Order book, MEUR	49.1	55.3	45.0
Personnel, average	1,051	1,077	1,067
Personnel, at end of period	1,042	1,073	1,059

CONSOLIDATED KEY FIGURES PER SHARE	1-3/2014	1-3/2013	1-12/2013
Earnings per share, basic, EUR	-0.04	-0.04	-0.02
Earnings per share, diluted, EUR	-0.04	-0.04	-0.02
Equity per share, EUR *	0.15	0.24	0.18
Number of shares at end of period, x 1,000	122,564	122,494	122,564
Number of shares on average, x 1,000	122,564	122,494	122,551
Share price, EUR			
Average	0.23	0.18	0.21
Lowest	0.21	0.15	0.15
Highest	0.26	0.20	0.29
Share price at end of period, EUR	0.22	0.17	0.21
Market capitalisation of issued stock at end of period, MEUR	27.0	20.8	25.8
Share turnover, million shares	14.1	15.2	72.4
Share turnover, % of total	11.5	12.4	59.0
Share turnover, MEUR	3.3	2.7	15.5
Price/earnings ratio (P/E)			-10.3

* The figure for period 1-3/2013 has been retrospectively corrected, see note 4.

QUARTERLY KEY FIGURES	1Q/14	4Q/13	3Q/13	2Q/13	1Q/13	4Q/12
Net sales, MEUR	14.4	20.0	17.4	22.5	13.9	22.4
Net sales, change %	3.1	-10.6	-11.5	5.6	39.3	39.5
Adjusted operating result ¹	-1.8	3.6	1.0	2.7	-4.0	-0.3
% of net sales	-12.3	17.8	5.8	12.2	-28.8	-1.1
Operating result, MEUR	-1.8	3.6	0.5	2.2	-4.6	-3.7
% of net sales	-12.3	17.7	2.7	9.7	-32.9	-16.3
Result before taxes, MEUR	-3.7	3.7	1.9	4.2	-5.6	-3.1
Personnel at end of period	1,042	1,059	1,053	1,068	1,073	1,116
Earnings per share, basic, EUR ²	-0.04	0.00	0.00	0.02	-0.04	-0.05
Earnings per share, diluted, EUR ²	-0.04	0.00	0.00	0.02	-0.04	-0.05
Equity per share, EUR ^{2,3}	0.15	0.18	0.18	0.21	0.24	0.27
Net interest-bearing liabilities, MEUR	28.4	24.6	24.2	21.5	14.6	16.4
Order book, MEUR	49.1	45.0	48.0	53.3	55.3	54.2

¹ 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".

² This key figure has been adjusted for the period 4Q/12 to reflect the share issue.

³ Figures for periods 4Q/12, 1Q/13, 2Q/13 and 3Q/13 have been retrospectively corrected, see note 4.