TECNOTREE

Annual Report 2015

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Good results in a difficult environment

For Tecnotree, 2015 was a year of major events. In March 2015 the company filed an application for debt restructuring proceedings. Particular factors leading to this situation were the capital tied up in two major projects that originally had a combined value of USD 54.6 million and the large trade payables incurred at the end of 2014 for hardware for several projects. In addition, a lack of foreign currency in the central banks in certain developing countries where clients are located significantly delayed customer payments at the start of the year. In January 2015 one of the two major projects was terminated under an agreement made with the client and payment was received for the outstanding receivables for the project during the second quarter. The debt restructuring proceedings stabilized the company’s situation and the 2015 cash flow after investments was EUR 6.3million positive.

"The operative performance of the company has improved"

The markets require new products

Tecnotree’s key markets are in areas which are still growing both in terms of subscribers and usage of services. The growth, however, is no longer the key driver for the market dynamics. The digitalization of services has made basic communications and content services a commodity. Services are available from multiple sources and consumers are known to change from one provider to another (churn) if a better offering is available. In response, Communication Services Providers are launching new offers at an accelerated pace and investing in capabilities to increase customer loyalty, minimize churn and improve the overall consumer experience. As a consequence, Tecnotree has put more emphasis on developing new products and enhancing the old portfolio to better address the changing market needs. New products such as Customer Lifecycle Management and Unified Product Catalogue continue to raise interest among our old customers as well as helping us to attract new ones.

Managing Working Capital is becoming the key topic

The improvements in operational efficiency have been significant during the last years. The operating result (EBIT) has improved from -12,4 MEUR in 2012 to 11,7 MEUR in 2015. The key contributors to this positive development have been increased productization and the change in product mix. These changes are also important to minimize the working capital required which will help in managing the cash flow as well.

We are also changing our delivery practices and business models to meet customers’ requirements to use our software and services from the cloud. This will further help us to minimize working capital and improve cash flow.

Future outlook

The operative performance of the company has improved. Tecnotree believes that the filing of its draft debt restructuring plan in early 2016, along with its continued focus on cost, product renewal and better serving its customers will give the company a solid base to continue to improve both its operating efficiency and addressable revenue opportunities. However, Tecnotree does not provide an annual outlook for 2016 due to several uncertainty factors having impact on customer investments. These uncertainty factors relate to a strengthening dollar as well as the softening macroeconomic environment and political instability in some of its key markets in Latin America, the Middle East and Africa.

I would like to take this opportunity to thank our customers, employees, partners, and investors for their support and dedication to our business in 2015.

Ilkka Raiskinen, Chief Executive Officer

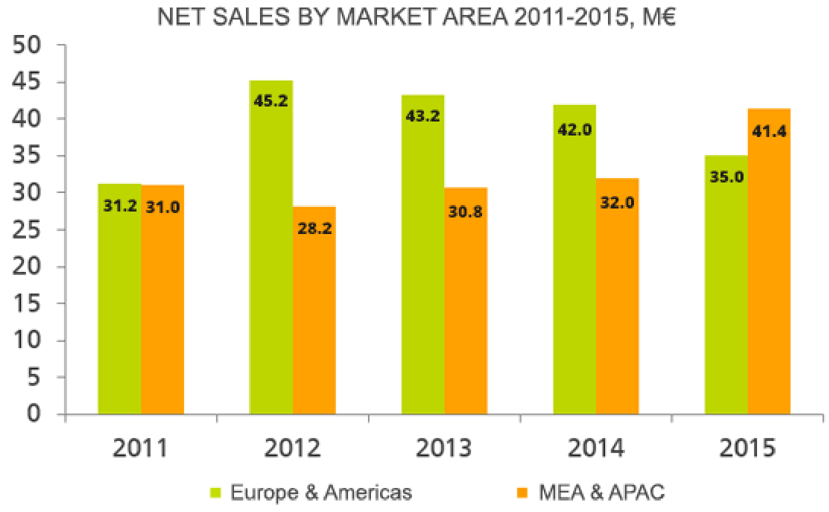
Key Figures

YEAR 2015

- Net sales for the review period were EUR 76.5 (74.0) million.
- The adjusted operating result was EUR 12.0 (3.7) million and the operating result EUR 11.7 (3.3) million.
- The adjusted result for the period was EUR 0.6 (-6.4) million and the result EUR 0.2 (-9.3) million.
- Cash flow after investments for the review period was EUR 6.3 (-1.8) million and the company's cash and cash equivalents were EUR 6.4 (2.5) million. The company's cash situation continued to be tight.
- Earnings per share were EUR 0.00 (-0.08).

	2015	2014	2013	2012	2011
Net sales, MEUR	76.5	74.0	73.9	73.4	62.3
Net sales, change %	3.4	0.1	0.7	17.9	2.6
Adjusted operating result, MEUR [1]	12.0	3.7	3.3	-4.9	-1.7
Operating result, MEUR	11.7	3.3	1.6	-12.4	-11.1
as % of net sales	15.2	4.4	2.2	-16.9	-17.8
Profit before taxes, MEUR	7.8	-2.4	4.1	-13.7	-9.9
Adjusted result for the period, MEUR [2]	0.6	-6.4	-7.0	-17.8	-17.2
Result for the period, MEUR	0.2	-9.3	-2.5	-17.0	-15.6
Earnings per share, basic, EUR	0.00	-0.08	-0.02	-0.16	-0.18
Order book, MEUR	26.8	38.9	45.0	54.2	40.4
Cash flow after investments, MEUR	6.3	-1.8	-4.6	1.3	-17.7
Change in cash and cash equivalents, MEUR	4.2	-4.2	-3.8	4.8	-9.8
Cash and cash equivalents, MEUR	6.4	2.5	6.6	11.3	6.7
Equity ratio %	23.9	22.5	30.3	40.2	50.7
Net gearing %	145.2	172.7	113.4	50.0	43.1
Personnel at the end of the period	934	993	1,059	1,116	926

[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, Oy Osaka Ltd, 2010-
Tecnotree shares 31 Dec 2015: 658,352
Independent of Tecnotree and its significant shareholders.

Pentti Heikkinen, b. 1960, M.Sc. (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 2015: 398,019
Independent of Tecnotree and its significant shareholders.

Matti Jaakola, b. 1955, M.Sc. (Econ.)
Member of the Board, 14 April 2015
Main duty: CEO, CapWell Oy, 2006–
Tecnotree shares 31 Dec 2015: - , holding of interest parties 36,000
Independent of Tecnotree and its significant shareholders.

Christer Sumelius, b. 1946, M.Sc. (Econ.)
Member of the Board, 2001–
Main duty: President and CEO, Investsum Oy, 1984–
Tecnotree shares 31 Dec 2015: 2,147,937, holding of interes parties 1,632,796
Independent of Tecnotree and its significant shareholders.

The following persons ware members of the Board of Directors:
Johan Hammarén, b. 1969, LL.M., MSc (Econ.), 2007- 5 Mar 2015
Tuija Soanjärvi, b. 1955, MSc. (Econ.), 2012 - 14 April 2015

Management Board

Ilkka Raiskinen, b. 1962, M.Sc. (Tech.)
Main duty: Chief Executive Officer, 2013–
Tecnotree shares 31 Dec 2015: 410,910

Timo Ahomäki, b. 1966, B.Sc. (Eng.)
Main duty: Chief Technology Officer, 2012–
Tecnotree shares 31 Dec 2015: 40,931

Ilkka Aura, b. 1962, M.Sc. (Econ.)
Main duty: Executive Vice President, Europe and Americas, 2012– (in the current position from 1 Oct 2014)
Tecnotree shares 31 Dec 2015: 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 Oct 2014)
Tecnotree shares 31 Dec 2015: 197,303

Tuomas Wegelius, b. 1955, M.Sc. (Econ.)
Main duty: Chief Financial Officer, 2006–
Tecnotree shares 31 Dec 2015: 139,624

Reija Virrankoski, b. 1965, M.Sc. (International Communication)
Main duty: Vice President, Human Resources, 2014–
Tecnotree shares 31 Dec 2015: --, holding of interest parties 10,000

Corporate governance statement 2015

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 2015, Tecnotree abided by the Finnish Corporate Governance code for companies listed on the NASDAQ 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 and a new Corporate Governance Code 2015, effect date 1 January 2016, can be found at www.cgfinland.fi and this statement at Tecnotree's web site www.tecnotree.com .

Tecnotree has abided by the Finnish Corporate Governance code for companies listed on the NASDAQ Helsinki Ltd in 2015 but the company deviates from recommendation 9 of the Finnish Corporate Governance Code in so far as only men are currently represented in the Board of Directors. The Remuneration and Nomination Committee didn't have enough time to find a female representative for the current Board before the AGM.

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
- may establish an audit, a remuneration and/or nomination committee, or another committee.

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

The Annual General meeting of 14 April 2015 confirmed that the Board of Directors will consist of four (4) 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 25 times in 2015. The average attendance of members at Board meetings was about 96 per cent.

Composition of the Board of Directors

Pentti Heikkinen, b. 1960, M.Sc. (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-

Matti Jaakola, b. 1955, M.Sc. (Econ.)
Member of the Board 14 April 2015 -
Main duty: CEO, CapWell Oy, 2006-

Harri Koponen, b. 1962, eMBA, Phd. Econ. H.c.
Chairman of the Board, 2011–
Member of the Board, 2008–
Main duty: CEO, Oy Osaka Ltd., 2010-

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

The following persons were members of the Board of Directors at the beginning of 2015:

Johan Hammarén, b. 1969, LL.M, M.Sc. (Econ.)
Member of the Board, 2007-5 March 2015
Main duty: Founding Partner, JAM Advisors, 2013-

Tuija Soanjärvi, b. 1955, M.Sc. (Econ.)
Member of the Board, 2012-14 April 2015

Board Committees

Audit Committee, acting till 14 April 2015
The Audit Committee comprised 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 2 meetings in 2015, and the average attendance of members at meetings was about 83 per cent.

The Board has been responsible for the duties of the Audit Committee since 14 April 2015. The CFO has arranged separate meetings for the Board members before disclosing interim reports, presenting matters influencing the interim reports.

Remuneration and Nomination Committee, acting till 14 April 2015
The Remuneration and Nomination Committee comprised three (3) members of Board: Johan Hammarén (until 5 Mar 2015), Harri Koponen and Christer Sumelius (Chairman).

The Remuneration and Nomination Committee had one meeting in 2015, and the average attendance of members at meetings was 100 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, M.Sc. (Tech.)
CEO, 2013–
Member of the Board, 2010-2014

Management Board

At the end of 2015, Tecnotree Group had a six-member (6) Management Board that comprised the Chief Executive Officer, two (2) 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, M.Sc. (Tech.)
Main duty: Chief Executive Officer, 2013–

Timo Ahomäki, b. 1966, B.Sc. (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 Oct 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 Oct 2014)

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

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

Description of the main features of 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 The Finance department in HQ is responsible for control activities.

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.

Forecasts for sales, revenues to be recognised and cash flow 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. Tecnotree has a separate policy for revenue recognition. 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.

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. The most significant risks have been described in the Board of Directors' Report. The Board approves the significant principles of risk management.

Sufficiency of funds has been one of the significant risks in the company. The district court of Espoo decided on 9 March 2015 to commence the corporate restructuring proceedings concerning Tecnotree Corporation in accordance with the Act on Restructuring of Enterprises. Consequently, the company has executed separate evaluations, control actions and plans.

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.

A big part of the risks is related to sales. These risks can be mitigated by reviewing offers systematically. Tecnotree has uniform principles and practices in bid reviews.

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.

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

	2015	2014	2013	2012	2011
Consolidated income statement					
Net sales, EUR million	**76.5**	74.0	73.9	73.4	62.3
change %	**3.4**	0.1	0.7	17.9	2.6
Adjusted operating result, EUR million [1]	**12.0**	3.7	3.3	-4.9	-1.7
% of net sales	**15.7**	5.0	4.5	-6.6	-2.7
Operating profit, EUR million	**11.7**	3.3	1.6	-12.4	-11.1
% of net sales	**15.2**	4.4	2.2	-16.9	-17.8
Profit before taxes, EUR million	**7.8**	-2.4	4.1	-13.7	-9.9
% of net sales	**10.2**	-3.2	5.6	-18.7	-15.9
Adjusted result for the period [2]	**0.6**	-6.4	-7.0	-17.8	-17.2
% of net sales	**0.7**	-8.7	-9.5	-24.2	-27.6
Profit for the period, EUR million	**0.2**	-9.3	-2.5	-17.0	-15.6
% of net sales	**0.3**	-12.6	-3.4	-23.2	-25.0
Consolidated balance sheet					
Non-current assets, EUR million	**23.7**	22.8	22.0	28.0	39.4
Current assets					
Inventories, EUR million	**0.5**	0.5	0.6	0.6	0.8
Trade and other receivables, EUR million	**43.9**	49.0	41.9	41.2	53.0
Investments and cash equivalents, EUR million	**6.4**	2.6	7.2	11.9	6.7
Shareholders' equity, EUR million	**17.8**	16.9	21.7	32.8	49.5
Liabilities					
Non-current liabilities, EUR million	**2.2**	1.2	21.6	0.4	12.6
Current liabilities, EUR million	**54.6**	53.5	25.3	45.7	33.4
Deferred tax liabilities, EUR million		3.4	3.0	2.8	4.4
Balance sheet total, EUR million	**74.6**	75.0	71.6	81.8	99.9
Financial indicators					
Return on equity (ROE), %	**1.4**	-48.2	-9.1	-41.3	-25.6
Return on investment (ROI), %	**24.7**	7.1	11.9	-15.2	-10.2
Equity ratio, %	**23.9**	22.5	30.3	40.2	50.7
Debt/equity ratio (net gearing), %	**145.2**	172.7	113.4	50.0	43.1
Investments, EUR million	**1.2**	0.7	0.6	0.9	0.9
% of net sales	**1.5**	1.0	0.8	1.2	1.4
Research and development, EUR million	**13.0**	12.0	14.0	10.4	12.1
% of net sales	**17.0**	16.2	19.0	14.2	19.4
% total expenses (above operating result)	**20.0**	16.9	19.3	12.1	16.4
Order book, EUR million	**26.8**	38.9	45.0	54.2	40.4
Personnel, average	**950**	1,038	1,067	1,070	922
Personnel at the end of the year	**934**	993	1,059	1,116	926

	2015	2014	2013	2012	2011
Key ratios per share					
Earnings per share, EUR (basic)	**0.00**	-0.08	-0.02	-0.16	-0.18
Earnings per share, EUR (diluted)	**0.00**	-0.08	-0.02	-0.16	-0.18
Equity per share, EUR	**0.14**	0.14	0.18	0.27	0.58
Number of shares at the end of the period, 1,000 shares	**122,628**	122,628	122,564	122,494	73,496
Average number of shares, 1,000 shares	**122,628**	122,605	122,551	98,264	73,496
Number of own shares on 1 Jan, 1,000 shares	**0**	65	135	135	135
Numer of disposed own shares, 1,000 shares	**0**	65	70	0	0
Number of own shares on 31 Dec, 1,000 shares	**0**	0	65	135	135
Share price, EUR					
Average price	**0.11**	0.19	0.21	0.25	0.44
Lowest price	**0.07**	0.13	0.15	0.12	0.33
Highest price	**0.20**	0.26	0.29	0.35	0.63
Share price at the end of the period, EUR	**0.10**	0.14	0.21	0.17	0.38
Market value at the end of the period, EUR million	**12.5**	17.0	25.8	20.8	28.0
Share turnover, million shares	**69.1**	44.6	72.4	49.7	22.8
Share turnover, % of total number	**56.4**	36.3	59.0	40.5	31.0
Share turnover, EUR million	**7.5**	8.7	15.5	11.7	10.0
Dividend per share, EUR [3]					
Dividend/result, %					
Effective dividend yield, %					
P/E ratio, %	**51.7**	-1.8	-10.3	-1.0	-1.8

[1] Adjusted operating result = operating result before 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 2015. No dividend was paid either for the financial years ended 31 December 2014, 31 December 2013, 31 December 2012 and 31 December 2011.

Calculation of key indicators

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

Board of Directors' Report

Unless otherwise stated, all consolidated figures presented below are for the financial year 2015 and the figures for comparison are for the corresponding period 2014. 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 for the review period were EUR 76.5 (74.0) million, 3.4 per cent higher than a year ago. Net sales in the MEA & APAC area increased EUR 9.4 million. Tecnotree has expanded sales of its products in several countries thanks to its established customer relationships and has succeeded in selling new products. Net sales in the Europe & Americas area declined EUR 6.9 million due to the weak state of the markets.

No income was recognized at all during the year for the two major projects obtained in 2011 and 2012 in Latin America, which originally had values of USD 30.5 million and USD 24.1 million. The first of these was completed under an agreement made with the client in January 2015 and most of the work for the second had been carried out by the end of 2014. In the previous year the two projects had combined net sales of EUR 6.3 million, and at the end of 2015 EUR 14.1 million unbilled revenue in other receivables in the company's balance sheet.

Net sales in the review period included EUR 2.4 million positive in currency exchange gains arising mainly from the strengthening of the US dollar against the euro.

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

SPECIFICATION OF NET SALES	**2015 MEUR**	2014 MEUR	**2015 %**	2014 %
Revenue from contract work recognised by stage of completion (IAS 11)	**23.5**	27.7	**30.7**	37.5
Revenue from maintenance and support (IAS 18)	**31.1**	27.4	**40.7**	37.0
Revenue from goods and services (IAS 18)	**19.4**	16.5	**25.4**	22.3
Currency exchange gains and losses	**2.4**	2.4	**3.1**	3.2
TOTAL	**76.5**	74.0	**100.0**	100.0

NET SALES BY MARKET AREA	**2015 MEUR**	2014 MEUR	**2015 %**	2014 %
Europe & Americas	**35.0**	42.0	**45.8**	56.7
MEA & APAC	**41.4**	32.0	**54.2**	43.3
TOTAL	**76.5**	74.0	**100.0**	100.0

CONSOLIDATED ORDER BOOK	**2015 MEUR**	2014 MEUR	**2015 %**	2014 %
Europe & Americas	**7.0**	5.2	**26.2**	13.3
MEA & APAC	**19.8**	33.7	**73.8**	86.7
TOTAL	**26.8**	38.9	**100.0**	100.0

The order book at the end of the year only contains EUR 8.6 million in maintenance sales. Most of these orders will be obtained during the coming year.

Result analysis

Tecnotree reports its result as follows:

INCOME STATEMENT, KEY FIGURES, MEUR	**2015**	2014
Net sales	**76.5**	74.0
Other operating income	**0.1**	0.1
Operating costs excluding product development capitalisation and one-time costs	**-64.6**	-70.4
Adjusted operating result, MEUR [1]	**12.0**	3.7
One-time costs	**-0.3**	-0.4
OPERATING RESULT	**11.7**	3.3
Financial items without foreign currency differences	**-3.5**	-2.8
Income taxes	**-7.6**	-6.9
Adjusted result for the period [2]	**0.6**	-6.4
Foreign currency differences included in financial items	**-0.3**	-2.9
RESULT FOR THE PERIOD	**0.2**	-9.3

[1] Adjusted operating result is a derived performance measure: operating result without one-time costs.
[2] Adjusted result for the period is a derived performance measure: 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.

The impact of the restructuring proceedings currently in process at Tecnotree Corporation has not been recorded separately in the financial statements. Their impact are determined after the court has approved the restructuring program proposal filed on 30 March 2016. The one-off positive income effect included in the proposal amounts to EUR 5.6 million. More details are given below in the section “Restructuring proceedings”.

Tecnotree’s net sales for the review period increased 3.4 per cent to EUR 76.5 (74.0) million. Net sales included EUR 2.4 million in positive foreign currency differences, which were mainly due to the strengthening of the US dollar against the euro.

Costs for subsidiaries in the consolidated income statement rose EUR 1.9 million from the period for comparison because of the strengthening of the subsidiary company currencies. Tecnotree’s costs for materials and services were down EUR 4.0 million. One factor in this was that deliveries included fewer products from external suppliers, in particular hardware. The costs for the review period include one-time costs of EUR 0.3 million arising from redundancies.

Negative foreign currency differences of EUR 0.3 million were recorded in financial items. These 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 exchange rates have a significant impact. It is important to examine Tecnotree's operative result without the impact of exchange rates, which is why this is shown separately in the table above. It has no direct impact on the Group's cash flow. Exchange rates also have a direct impact on shareholders' equity in terms of translation differences arising from foreign companies, which totalled EUR 0.7 million positive in the review period. Financial income and expenses (net) during the review period totalled a net loss of EUR 3.8 million (net loss of EUR 5.7 million). Here is a breakdown of these:

FINANCIAL INCOME AND EXPENSES, MEUR	**2015**	2014
Interest income	**0.0**	0.0
Exchange rate gains	**0.3**	0.3
Other financial income	**0.3**	0.1
FINANCIAL INCOME, TOTAL	**0.6**	0.4
Interest expenses	**-1.9**	-2.4
Exchange rate losses	**-0.6**	-3.1
Other financial expenses	**-2.0**	-0.5
FINANCIAL INCOME, TOTAL	**-4.4**	-6.0
FINANCIAL ITEMS TOTAL	**-3.8**	-5.7

Other financial expenses, that is excluding interest expenses and exchange rate losses, totalled EUR 2.0 million. EUR 1.4 million of this relates to the additional costs for using an exceptional procedure to repatriate funds from a country that has a lack of foreign currency.

Taxes for the period totalled EUR 7.6 (6.9) million, including the following items:

TAXES IN INCOME STATEMENT, MEUR	**2015**	2014
Withholding taxes paid abroad	**-6.3**	-4.5
Change in withholding tax accrual	**-2.4**	-1.3
Income taxes on the results of Group companies	**-0.8**	-0.3
Prior year taxes	**-1.4**	0.0
Change in Indian deferred tax assets	**-0.4**	-0.7
Change in deferred tax liability:		
- dividend tax in India	**3.7**	-0.2
Other items	**0.0**	0.0
TAXES IN INCOME STATEMENT, TOTAL	**-7.6**	-6.9

Earnings per share were EUR 0.00 (-0.08). Equity per share at the end of the period was EUR 0.14 (31 December 2014: EUR 0.14).

Financing, cash flow and balance sheet

The company's cash situation remained tight during the review period. This resulted in Tecnotree Corporation applying for debt restructuring proceedings in March 2015. The Company's debts on 4 March 2015 will be dealt with in the restructuring proceedings and the court will make a decision about them. During the second quarter, the bank granted a short-term loan of EUR 1.5 million, of which the company paid back EUR 1.0 million during the second quarter and EUR 0.5 million during the third quarter. In addition, the company received and paid back a loan of EUR 0.6 million during the third quarter. In the fourth quarter, the company received and paid back a loan of EUR 0.5 million.

Tecnotree's working capital decreased during the period by EUR 2.9 million:

CHANGE IN WORKING CAPITAL, MEUR (increase - / decrease +)	**2015**	2014
Change in trade receivables	**2.1**	1.5
Change in other short-term receivables	**4.2**	-7.5
Change in inventories	**0.0**	0.1
Change in trade payables	**-1.4**	5.0
Change in other current liabilities	**-1.9**	0.7
CHANGE IN WORKING CAPITAL, TOTAL	**2.9**	-0.3

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.

In other receivables in the company's balance sheet was EUR 14.1 million unbilled revenue from the remaining large project in Latin America.

Tecnotree's cash and cash equivalents totalled EUR 6.4 (31 December 2014: 2.5) million. Cash flow after investments for the review period ended up EUR 6.3 million positive. A particular factor in this was the decrease in receivables. The change in cash and cash equivalents for the review period was EUR 4.2 million positive. The company had no unused credit facilities at the end of the review period (31.12.2014: 0.0). After the debt restructuring proceedings began, the company's EUR 10 million working capital credit facility was frozen, and payments of EUR 0.7 million received from clients relating to pledged receivables are in a pledged blocked account.

The balance sheet total on 31 December 2015 stood at EUR 74.6 (31 December 2014: 75.0) million. Tecnotree's gross capital expenditure during the review period was EUR 1.2 (0.7) million or 1.5 per cent (1.0%) of net sales. Interest-bearing liabilities were EUR 32.3 (31 December 2014: 31.8) million. The net debt to equity ratio (net gearing) was 145.2 per cent (31 December 2014: 172.7 %) and the equity ratio was 23.9 per cent (31 December 2014: 22.5 %). 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 0.7 million, mainly from Indian rupees (INR).

The financing agreement

The financing agreement signed by Tecnotree with its bank in 2013 contains loan covenants. Tecnotree had discussions in May with its bank concerning the state of these covenants. The company estimated then that the figures for the covenants on 30 June 2015 would not all be at the level stipulated in the financing agreement. The company intended to reach agreement with the bank in the same way as in 2014, when the bank agreed that failure to achieve the figures stated in the covenants would not result in the consequences specified in the financing agreement, such as the obligation to repay the loans. In the discussions with the bank, however, it was recognised that there was no need for a separate agreement on this matter because of the restructuring proceeding currently in progress at Tecnotree Corporation.

On the 31 December 2015 test date, all covenants except for interest coverage and equity ratio complied with the requirements of the financing agreement. A sensitivity analysis as of 31 December 2015 of the covenants is presented in the table below. Overdue trade receivables are tested monthly. The other covenants are tested at six month intervals by using the last 12 months values.

COVENANT	Meeting /failing to meet covenant	Needed improvement or amount below /above limit
Interest coverage	Failed to meet	Needed improvement in operating result 2.1 MEUR
Leverage	Met	Operating result 1.9 MEUR above limit
Cash flow cover	Met	Cash flow after investments 4.5 MEUR above limit
Equity ratio	Failed to meet	Needed improvement in equity 12.1 MEUR
Capital expenditure	Met	Capital expenditure 0.3 MEUR below limit
Overdue trade receivables	Met	Overdue trade receivables 6.1 MEUR below limit

Shareholders' equity of parent company

After the interim financial statements of Tecnotree Group for the first half of 2015 were completed, it was realised that the shareholders' equity of the Group's parent company Tecnotree Corporation was negative. The company's Board of Directors has recognised the loss of shareholders' equity and delivered a statement concerning the matter to the Trade Register. The parent company's shareholders' equity was EUR 3.0 million negative on 31 December 2015 but the Group's shareholders' equity was EUR 17.8 million positive.

Segment information

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

The operating segments have changed in 2015. The former segments Americas (North, Central and South America) and Europe have been combined to form a single segment called Europe & Americas, and the former segments MEA (Middle East and Africa) and APAC (Asia Pacific) have also been combined to form a single segment called MEA & APAC. The segment figures for the comparative period have been correspondingly adjusted. The segments were combined because the management considered the Europe and APAC segments to be insignificant in respect of reporting.

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, being costs of sales and marketing, customer service and delivery functions as well as product development. Costs for product management and administration, depreciations, taxes and financial items are not allocated.

The segment results have been amended during the period to include costs for marketing and product development. Similarly, the segment results in the comparative periods have been changed.

Geographical areas

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

Europe & Americas

Operations in the market area remained stable. Net sales in the area fell 16.5 per cent from the previous year to EUR 35.0 (42.0) million. The decline in sales was due to seasonal fluctuations and above all to the sales structure focusing more on Tecnotree's own products and less on third party hardware and software. The company succeeded well in achieving its goal of switching the business focus, in line with its strategy, from delivery projects with a long time scale to the service business and deliveries with shorter deadlines. These measures helped reduce the amount of capital tied up in operations in the area. The USD 24 million delivery of a convergent charging system to a group of operators in Latin America announced in April 2012 is drawing to a close. Most of the customers are covered by the new system, and transferring the last customer groups to Tecnotree's system will begin in February 2016 and will be completed in April 2016. The proportion of net sales accounted for by the service business increased, which offers more stable and longer term business operations. The number of new orders remained low, which is due to the recession in the major economies in Latin America. However, the order book for the area rose 35.6 per cent from the end of the previous year to EUR 7.0 (5.2) million. Sales comprises expansions and upgrades of solutions installed for current customers, the renewal of annual maintenance contracts, and partial implementation of new orders.

MEA & APAC

Business continued to develop positively in the area, supported by the strong order book, and boosted growth in net sales for the entire company. Net sales increased 29.3 per cent from the previous year, to EUR 41.4 (32.0) million. The major deliveries completed during the final quarter reduced the order book 42 per cent from the end of the previous year, but considering the nature of the business in the area it remained at a healthy EUR 19.8 (33.7) million. The company's customer base and long-standing customer relationships in Africa provide a firm base for stable business operations in the area. The growth in the national economies in Africa supports growth in the company's business in the area. The growth in net sales was affected by Deliveries of the latest Customer Lifecycle Management and Unified Product Catalogue products to key clients in the area. Sales in the period comprise 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 2015 Tecnotree employed 934 (31 December 2014: 993) persons, of whom 105 (31 December 2014: 89) worked in Finland and 829 (31 December 2014: 904) elsewhere. During the third quarter certain people who had been employed under contract as consultants became Tecnotree employees and are included in the personnel at end of period in the line “Other countries”. The company employed on average 950 (1,038) people during the review period. Personnel by country were as follows:

PERSONNEL	**2015**	2014	2013
Personnel, at end of period	**934**	993	1,059
Finland	**105**	89	89
Ireland	**46**	51	49
Brazil	**22**	31	34
Argentina	**37**	35	31
India	**648**	743	809
United Arab Emirates	**33**	32	34
Other countries	**43**	12	13
Personnel, average	**950**	1,038	1,067
Salary expenses (MEUR)	**27.6**	27.7	28.9

Share and price analysis

At the end of December 2015 the shareholders’ equity of Tecnotree Group stood at EUR 17.8 (31 December 2014: 16.9) million and the share capital was EUR 1.3 (31 December 2014: 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. Equity per share was EUR 0.14 (31 December 2014: EUR 0.14).

A total of 69,127,180 Tecnotree shares (EUR 7,524,573) were traded on the Helsinki Exchanges during the period 1 January – 31 December 2015, representing 56.4 per cent of the total number of shares.

The highest share price quoted in the period was EUR 0.20 and the lowest EUR 0.07. The average quoted price was EUR 0.11 and the closing price on 31 December 2015 was EUR 0.10. The market capitalisation of the share stock at the end of the period was EUR 12.5 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 2015 the company received one shareholders notifications. Markku Wilenius announced on 13th July 2015 that he has acquired shares in Tecnotree Corporation, which resulted in his holdings of the total shares and voting rights in Tecnotree Corporation exceeding five (5) per cent. According to the register of shares and shareholders, Markku Wilenius' total holdings as of 30th June 2015 were 6,386,492 shares and votes, corresponding to 5.21 per cent of the total shares and voting rights in Tecnotree Corporation. On 13th July 2015, the day Tecnotree received the flagging notification, Markku Wilenius' total holdings according to the register of shares and shareholders were 6,877,192 shares and votes, corresponding to 5.61 per cent of the total shares and voting rights in Tecnotree Corporation.

On 31 December 2015 Tecnotree had a total of 5,916 shareholders recorded in the book-entry securities system. Of these were 5,909 in direct ownership and 7 were nominee-registered.

The ten largest shareholders together owned approximately 35.73 per cent of the shares and voting rights on 31 December 2015. On 31 December 2015, altogether 3.95 per cent of Tecnotree's shares were in foreign ownership, with 3.85 per cent in direct ownership and 0.10 per cent nominee-registered.

On 31 December 2015, the total number of shares owned by the members of Tecnotree's Board of Directors and the CEO was 5,284,014 which includes the shares owned by these persons themselves, by close family members and by companies in which they hold a controlling interest. Altogether these represent 4.31 per cent of the total amount of shares and voting rights. On 31 December 2015 the total number of shares owned by the members of Tecnotree's Management Board was 762,858 excluding those owned by the CEO.

Ownership structure by sector 31 December 2015

	No. of shares	%
Companies	25,038,984	20.42%
Finance houses and insurance companies	14,024,669	11.44%
Public sector	98,659	0.08%
Non-profit making assosiations	6,350	0.01%
Households and private persons	78,577,575	64.08%
Foreign holders	4,844,591	3.95%
Total	122,590,828	99.97%
Joint account	37,600	0.03%
Total number of shares	122,628,428	100.00%
Nominee registrations	2,537,677	2.07%

Largest shareholders 31 December 2015

The company´s ten largest shareholders	No. of shares	% of shares and voting rights
Hammaren & Co Oy Ab	8,803,480	7.18%
Wilenius Markku Johannes	7,127,000	5.81%
The Orange Company Oy	6,000,000	4.89%
Mandatum Henkivakuutusosakeyhtiö	5,740,000	4.68%
Keskinäinen Vakuutusyhtiö Kaleva	5,500,000	4.49%
Puurtinen Jukka Tapani	2,602,216	2.12%
Kettunen Risto Juhani	2,270,000	1.85%
Sumelius Bertil Christer	2,147,937	1.75%
Sumelius Bjarne Henning	1,920,065	1.57%
Gripenberg Jarl dödsbo	1,700,000	1.39%
Total	43,810,698	35.73%

Ownership of shares 31 December 2015

No. of shares	Holders	%	Shares and votes	%
1–500	1,802	30.46%	420,078	0.34%
501–1 000	817	13.81%	670,711	0.55%
1 001–5 000	1,700	28.74%	4,594,604	3.75%
5 001–10 000	623	10.53%	4,972,228	4.06%
10 001–50 000	711	12.02%	16,440,599	13.41%
50 001–100 000	112	1.89%	8,020,449	6.54%
100 001–500 000	120	2.03%	24,061,853	19.62%
> 500 000	31	0.52%	63,410,306	51.71%
Joint account			37,600	0.03%
Total	5,916	100.00%	122,628,428	100.00%

Current authorisations

The Annual General Meeting of Tecnotree Corporation held on 14 April 2015 authorized 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 100,000,000 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 limits of the authorization, authorized to grant 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.

Restructuring proceedings

On 5 March 2015 Tecnotree Corporation filed an application with the district court of Espoo for debt restructuring proceedings. The court decided on 9 March 2015 to commence the corporate restructuring proceedings. The extraordinary meeting of shareholders of Tecnotree Corporation held on 27 March 2015 decided to approve the application made by the Board of Directors and to continue with the restructuring proceedings.

Tecnotree Corporation's business operations have been loss-making for several years, the cash situation remained tight during 2014, and on 31 December 2014 the shareholders' equity of the parent company fell below half of the share capital. The Company actively searched for a solution to improve its financial standing and carefully studied different options for solving the situation. As the result, the Company came to the conclusion that it was in the best interest of the Company and its shareholders for the Company to apply for restructuring proceedings in accordance with the Act on Restructuring of Enterprises. The Company considered that its difficulties were temporary in nature, and that the restructuring proceedings would in the Company's assessment make it possible to remedy the Company's financing and equity structure and thus secure the long-term continuation of the Company's business operations. As it is implemented, the restructuring eases the debt liability of the Company and consequently also improves the shareholders' equity.

On 9 March 2015 the district court appointed Mr. Jari Salminen, Attorney-at-Law, from Eversheds Attorneys Ltd as the administrator in respect of the restructuring process. The administrator delivered his proposed restructuring programme to the district court of Espoo on 30 March 2016. Tecnotree Corporation has to comply with the restructuring programme to be confirmed through court proceedings. This requires a sufficient cash inflow, in other words payments by customers.

Filing the application for restructuring has had no direct impact on Tecnotree's business operations, and the Company has continued to carry out agreed customer projects and to serve its customers as usual.

Content of the draft restructuring programme of Tecnotree Corporation

The Administrator of the corporate restructuring of Tecnotree Corporation filed the draft restructuring programme to the District Court of Espoo on 30 March 2016. The Administrator considers that the draft restructuring programme will result in a more favorable outcome for the creditors compared to bankruptcy. The Administrator's view is that if implemented, the draft restructuring programme would lead to the Company's operations being rehabilitated. The essential content of the draft restructuring programme is as follows:

- At the moment, the total amount of the restructuring debts to be taken into ac-count in the restructuring proceedings is approximately 73.9 million euros. The Company has intragroup restructuring debts approximately 36.7 million euros. According to the Administrator's draft programme the intragroup restructuring debts will be fully cut. In addition, the Company has 11.1 million euros unsecured debt. The total amount of the restructuring debts includes also approximately 26.1 million euros secured debts out of which approximately 8.9 million euros is secured by business mortgage. The Administrator is proposing that the unsecured restructuring debts be cut by 50% which would leave 50% of the amount of such debt to be repaid.
- The draft restructuring programme does include a provision on a duty to make supplementary payments on restructuring debts with no priority if the Company's actual cash flow exceeds the projected cash flow during the payment programme.
- Payments under the restructuring programme will end on 31 December 2020.
- The draft restructuring programme contains obligations concerning the sale of the Company's property. The sales proceeds will be used to fund some of the payments to secured creditors and to creditors holding a business mortgage as security for their claims.

If the draft restructuring programme is approved, the group will record a one-off positive income effect of approximately 5.6 million euros as a result of debt rearrangement.

The approval and entry into force of the draft programme are conditional upon Tecnotree Corporation's General Meeting approving the draft programme.

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 80 % of net sales in 2014 (79 % in 2014). 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, like was the case with one Latin America project.

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 exchange rate fluctuations of Indian Rupies also have a significant impact on the Group's net result because of the costs for the large number of employees in India and other costs denominated in rupees. 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 2015. Payments received relating to receivables pledged for working capital credit facilities go into a pledged blocked account, so for the time being the company cannot use the funds accumulated there. The company will have to agree on new financing arrangements once the restructuring proceedings have been completed.

The cash flow varies considerably from one quarter to another, and this places strain on the money situation at times. The risk exists that the company will have to postpone payment of expenses.

The financing agreement made by Tecnotree in August 2013 that is in force until 2018 contains six different covenants. One of these is tested monthly, four at half year intervals, and one annually. The terms of three covenants become tighter as the loan period progresses. If a condition for a covenant is not met, the financier is entitled to demand payment of the loans taken. Tecnotree had discussions in May 2015 with its bank concerning the state of these covenants. The company estimated then that the figures for the covenants on 30 June 2015 would not all be at the level stipulated in the financing agreement. The company intended to reach agreement with the bank in the same way as in 2014, when the bank agreed that failure to achieve the figures stated in the covenants would not result in the consequences specified in the financing agreement, such as the obligation to repay the loans. In the discussions with the bank, however, it was recognised that there was no need for a separate agreement on this matter because of the restructuring proceeding currently in progress at Tecnotree Corporation. The state of the covenants on 31 December 2015 is given above in the section “Financing, cash flow and balance sheet”.

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 was approved by the Annual General Meeting of shareholders.

The parent company’s shareholders’ equity was EUR 3.0 million negative on 31 December 2015.

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 particularly in India. Copyright issues can result in disputes and loss of income.

Goodwill

The goodwill of EUR 17.5 million resulting from company acquisitions involve risks. The Group’s shareholders’ equity was EUR 17.8 million at the end of 2015. 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 in the current situation it is not possible to obtain credit in taxation for withholding taxes and they remain as costs for the company.

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 financing, projects, to their timing, to trade receivables and receivables from construction contracts and to changes in foreign exchange rates. Having sufficient cash funds is the biggest single risk. The financing agreement contains covenants that create risk.

The company has sales in several countries where the country's central bank has a shortage of foreign currency. This causes additional delays in payments, costs and even the risk of not receiving payment at all.

Tecnotree Corporation's restructuring proceedings are still in progress. The administrator delivered his proposed restructuring program to the district court of Espoo on 30 March 2016. The draft restructuring programme contains obligations concerning the sale of the Company's property. The court will take the decision on this matter later. In case an acceptable restructuring plan does not come into force, the company will have to pay its creditors in full for its debts in the restructuring process. The Company is also obliged to fulfil the terms of the restructuring programme, which includes risk.

At the end of the year the Group's shareholders' equity of stood at EUR 17.8 million. However, the shareholders' equity of the parent company was EUR 3.0 million negative.

Management, auditors and corporate governance

Tecnotree’s Board of Directors comprised the following persons in 2015:

Harri Koponen, Chairman
Pentti Heikkinen, Vice Chairman
Christer Sumelius
Matti Jaakola, as from 14 April 2015

Johan Hammarén, until 5 March 2015
Tuija Soanjärvi, until 14 April 2015

Ilkka Raiskinen is the CEO of the company.

In 2015 the Group’s Management Board comprised Ilkka Raiskinen (CEO), 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 2015 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 2015.

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

The administrator of Tecnotree's restructuring proceedings delivered his proposed restructuring program to the district court of Espoo on 30 March 2016. The content of this proposal is disclosed above under "Restructuring proceedings".

Prospects in 2016

The operative performance of the company has improved. Tecnotree believes that the filing of its draft debt restructuring plan in early 2016, along with its continued focus on cost, product renewal and better serving its customers will give the company a solid base to continue to improve both its operating efficiency and addressable revenue opportunities. However, Tecnotree does not provide an annual outlook for 2016 due to several uncertainty factors having impact on customer investments. These uncertainty factors relate to a strengthening dollar as well as the softening macroeconomic environment and political instability in some of its key markets in Latin America, the Middle East and Africa.

As in previous years, variations in the quarterly figures are estimated to 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 2015, and that the parent company's loss for the financial year, EUR 5,213,387.24, be remained in retained earnings.

Tecnotree Corporation

Board of Directors

Consolidated income statement and statement of comprehensive income

Consolidated income statement, EUR 1,000	Note	1.1.-31.12.2015	1.1.-31.12.2014
Net sales	1, 2	**76,462**	73,973
Other operating income	3	**107**	138
Materials and services	4	**-7,887**	-11,870
Employee benefit expenses	5	**-33,488**	-33,552
Depreciation, amortisation and impairment losses	6	**-991**	-1,079
Other operating expenses	7	**-22,548**	-24,351
Operating profit		**11,654**	3,259
Financial income	9	**561**	355
Financial expenses	9	**-4,404**	-6,018
Result before taxes		**7,811**	-2,404
Income taxes	10	**-7,574**	-6,904
Result for the period		**237**	-9,308
Result for the period attributable to:			
Equity holders of the parent company		**211**	-9,305
Non-controlling interest		**26**	-3
EPS calculated on profit attributable to equity holders:			
Basic earnings per share, EUR	11	**0.00**	-0.08
Diluted earnings per share, EUR	11	**0.00**	-0.08
Number of shares on average (1000s of shares):			
Basic		**122,628**	122,605
Diluted		**122,628**	122,605

Consolidated statement of comprehensive income, EUR 1,000	Note	1.1.-31.12.2015	1.1.-31.12.2014
Result for the period		**237**	-9,308
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement items on net defined benefit liability	21	**-107**	-63
Tax on items that will not be reclassified subsequently to profit or loss		**36**	21
Items that may be reclassified subsequently to profit or loss:			
Translation differences from foreign operations, before tax	24	**1,154**	4,747
Tax relating to translation differences		**-437**	-342
Other comprehensive income, net of tax		**646**	4,363
Total comprehensive income for the period		**883**	-4,944
Comprehensive income for the period attributable to:			
Equity holders of the parent company		**857**	-4,941
Non-controlling interest		**26**	-3

Consolidated balance sheet

EUR 1,000	Note	31.12.2015	31.12.2014
Assets			
Non-current assets			
Goodwill	12, 13	**17,525**	16,642
Other intangible assets	12	**647**	358
Property, plant and equipment	14	**3,649**	3,813
Deferred tax assets	15	**593**	905
Non-current receivables	16	**1,310**	1,128
Total non-current assets		**23,725**	22,845
Current assets			
Inventories	17	**530**	523
Trade and other receivables	18	**41,830**	46,915
Income tax receivables		**2,103**	2,083
Investments	19		76
Cash and cash equivalents	19	**6,433**	2,536
Total current assets		**50,895**	52,134
Total assets		**74,620**	74,979
Shareholders' equity and liabilities			
Equity attributable to equity holders of the parent			
Share capital		**1,346**	4,720
Share premium fund		**847**	847
Translation differences		**-7,764**	-8,489
Invested unrestricted equity reserve			1,624
Other reserves		**2,033**	2,308
Retained earnings		**21,254**	15,829
Equity attributable to equity holders of the parent	20	**17,717**	16,839
Non-controlling interest		**81**	52
Total shareholders' equity		**17,797**	16,892
Non-current liabilities			
Deferred tax liabilities	15		3,390
Non-current interest-bearing liabilities	22	**451**	
Pension obligations	21	**735**	482
Other non-current non interest-bearing liabilities	23	**1,019**	732
Total non-current liabilities		**2,205**	4,605
Current liabilities			
Current interest-bearing liabilities	22	**31,830**	31,781
Trade payables, provisions and other liabilities	23	**22,188**	21,355
Income tax liabilities		**599**	346
Total current liabilities		**54,617**	53,483
Total equity and liabilities		**74,620**	74,979

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 2015	4,720	847		1,624	2,308	-8,489	15,829	**16,839**	52	**16,892**
Result for the period							211	**211**	26	**237**
Other comprehensive income, net of tax					-8	725	-71	**646**		**646**
Total comprehensive income for the period					-8	725	140	**857**	26	**883**
Sharebased payments							7	**7**		**7**
Transactions with shareholders, total							7	**7**		**7**
Covering of loss	-3,374			-2,131			5,505			
Other transfers				508	-267		-241			
Other changes							14	**14**	2	**15**
Total shareholders' equity 31 Dec 2015	**1,346**	**847**			**2,033**	**-7,764**	**21,254**	**17,717**	**81**	**17,797**

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 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 the reserve fund					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

Consolidated cash flow statement

EUR 1,000	**Note**	**31.12.2015**	31.12.2014
Cash flow from operating activities			
Result for the period		**237**	-9,308
Adjustments for:			
Depreciation, amortisation and impairment losses		**991**	1,079
Employee benefits		**476**	291
Impairment of receivables	7	**1,779**	2,600
Unrealised exchange gains and losses		**-2,491**	316
Other financial income and expenses		**3,518**	2,772
Income taxes		**7,574**	6,904
Gains and losses on disposal of intangibles and tangibles		**18**	-37
Changes in working capital:			
Change in trade and other receivables		**6,278**	-5,998
Change in inventories		**-7**	53
Change in trade payables and other liabilities		**-3,334**	5,665
Interest paid		**-414**	-197
Interest received		**33**	69
Income taxes paid		**-7,797**	-5,932
Net cash flow from operating activities		**6,862**	-1,721
Cash flow from investments			
Investments intangible assets		**-399**	-68
Investments in property, plant and equipment		**-232**	-652
Proceeds from disposal of intangible and tangible assets		**5**	64
Proceeds from disposal of other securities		**76**	512
Interest received from investments			31
Net cash flow from investments		**-549**	-113
Cash flow from financing activities			
Proceeds from borrowings		**2,900**	2,800
Repayments of borrowings		**-2,900**	-2,800
Finance lease liabilities, repayments and interest		**-22**	
Changes in credit facilities in use		**-821**	
Interest paid		**-1,256**	-2,379
Net cash flow from financing activities		**-2,099**	-2,379
Change in cash and cash equivalents		**4,214**	-4,213
Cash and cash equivalents at beginning of period		**2,536**	6,572
Change in foreign exchange rates		**-317**	178
Cash and cash equivalents at end of period	19	**6,433**	2,536

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 2015. 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

Tecnotree has significant uncertainty factors relating to the continuity of its operations. The company's risks and uncertainties in the near future relate to financing, projects, to their timing, to trade receivables and receivables from construction contracts and to changes in foreign exchange rates. Having sufficient cash funds is the biggest single risk. The financing agreement contains covenants that create risk.

The company has sales in several countries where the country's central bank has a shortage of foreign currency. This causes additional delays in payments, costs and even the risk of not receiving payment at all.

Tecnotree Corporation's restructuring proceedings are still in progress. The administrator delivered his proposed restructuring program to the district court of Espoo on 30 March 2016. The draft restructuring programme contains obligations concerning the sale of the Company's property. The court will take the decision on this matter later. In case an acceptable restructuring plan does not come into force, the company will have to pay its creditors in full for its debts in the restructuring process. The Company is also obliged to fulfil the terms of the restructuring programme, which includes risk.

In addition Tecnotree has a risk affected by the negative shareholders' equity of the parent company.

The uncertainty factors relating to Tecnotree's operations are explained in more detail in section "Risks and uncertainty factors" in the Board of Directors' report. Financial risk management is described in note 24 of the consolidated financial statements. Information about the restructuring proceedings is disclosed in note 29.

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 company's financial situation has been tight for the past couple of years. One contributing factor has been two exceptionally large customer projects obtained in 2011 and 2012 that originally had a combined value of USD 54.6 million. It had been agreed that the payments for these projects would mainly take place towards the end of the projects. The first project was completed in an agreement made with the client in January 2015. At the end of 2015 the company still had recognised receivables of EUR 14.1 million from the other project in its balance sheet. The company estimates that it will bring this project to a conclusion in 2016. 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 financial performance in 2015 was positive. It is estimated that the decline in sales of old products will become of less significance when compared to the growth in sales of new products. The company recognised no income for the two projects mentioned above during 2015 apart from exchange rate differences on receivables for the projects. Even so, Tecnotree's net sales increased in 2015.

It is estimated that the debt restructuring will have a stabilising influence on the company's operations.

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".

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.

There are no joint arrangements or associated companies in the Group.

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 2015 and 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.

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 following: 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 costs are recognised as expense during the period of service based on calculations prepared by authorised actuaries. 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. The Group did not have share-based incentive programmes in force during 2015.

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 2015 and 31 December 2014 nor are any amortisations included in the 2015 and 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 2015 the following new amended standards that have come into effect:

- Amendments to IAS 19 Employee Benefits - Defined Benefit Plans: Employee Contributions (effective for financial years beginning on or after 1 July 2014): The amendments clarify the accounting treatment under IAS 19 in respect of defined benefit plans that involve contributions from employees or third parties towards the cost of benefits. The amended standard had no significant impact on consolidated financial statements.
- Annual Improvements to IFRSs (2011-2013 cycle and 2010-2012 cycle) (effective for financial years beginning on or after 1 July 2014): The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments cover in total four (2011-2013 cycle) and seven (2010-2012 cycle) standards. Their impacts vary standard by standard but are not significant.

Other new or amended standards have not had an impact on the 2015 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 2015. 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 2015.

- 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 2018)
- 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 Europe & Americas (Europe, North, Central and South America), MEA & APAC (Middle East and Africa & 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 operating segments have changed in 2015. The former segments Americas (North, Central and South America) and Europe have been combined to form a single segment called Europe & Americas, and the former segments MEA (Middle East and Africa) and APAC (Asia Pacific) have also been combined to form a single segment called MEA & APAC. The segment figures for the comparative period have been correspondingly adjusted. Segments were combined since the management consider Europe and APAC segments were currently immaterial in terms of reporting.

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 and marketing, customer service and delivery functions as well as product development 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.

Above mentioned definition of segments' result has been implemented during 2015. The segment results have been amended during the period to include costs of marketing 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 2015

EUR 1,000	**Americas & Europe**	**MEA & APAC**	**Other segments**	**Group total**
Net sales (external)	35,047	41,416		**76,462**
Segment result	7,832	16,994		**24,826**
Non-allocated items			-12,859	**-12,859**
Operating result before one-time costs				**11,967**
One-time costs				**-312**
Operating result				**11,654**

Operatig segments 2014

EUR 1,000	Americas & Europe	MEA & APAC	Other segments	Group total
Net sales (external)	41,950	32,023		73,973
Segment result	12,353	6,861		19,215
Non-allocated items			-15,506	-15,506
Operating result before one-time costs				3,709
One-time costs				-450
Operating result				3,259

Net sales from Finnish customers were EUR 1,338 (1,047) thousand and the total of all other countries EUR 75,124 (72,926) thousand. Non-current assets located in Finland at the balance sheet date were EUR 2,140 (2,448) thousand, and in other countries a total of EUR 19,682 (18,364) thousand.

Information about major customers

EUR 1,000		**2015**		2014	
		Net sales	**% of the Group's net sales**	Net sales	% of the Group's net sales
Customer 1, operating segment:	Americas & Europe	**28,128**	**37%**	35,196	48%
Customer 2, operating segment:	MEA & APAC	**33,348**	**44%**	23,059	31%

2. Net sales

EUR 1,000	2015	2014
Revenue from contract work recognised by stage of completion (IAS 11)	**23,496**	27,732
Revenue from maintenance and support (IAS 18)	**31,138**	27,377
Revenue from goods and services (IAS 18)	**19,433**	16,496
Currency exchange gains and losses	**2,395**	2,369
Net sales total	**76,462**	73,973
Order book for contract work	**15,361**	21,592
Order book for maintenance and support, goods and services	**11,422**	17,306
Order book total	**26,783**	38,899
Projects in progress:		
Cumulative revenue recognised for projects in progress	**38,389**	43,819
Cumulative invoicing for projects in progress recognised by stage of completion	**21,720**	26,704
Accrued income related to construction contracts, work in progress	**16,669**	17,115
Aggregate amount of costs incurred for projects in progress	**21,072**	26,081

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	2015	2014
Rental income	79	84
Gains on disposal of tangible and intangible assets	25	38
Other income items	2	16
Other operating income total	107	138

4. Materials and services

EUR 1,000	**2015**	2014
Purchases during the period	**-6,767**	-10,161
Increase/decrease in inventories	**7**	-53
Materials and supplies	**-6,760**	-10,214
External services	**-1,127**	-1,655
Materials and services total	**-7,887**	-11,870

5. Employee benefit expenses

EUR 1,000	2015	2014
Wages and salaries	**-27,552**	-27,734
Pension expenses, defined contribution plans	**-1,768**	-1,899
Pension expenses, defined benefit plans (note 21)	**-187**	-141
Share based compensation (incentive scheme)	**-7**	-12
Other long-term employee benefit expenses (note 23)	**-581**	-268
Other employee benefits	**-3,393**	-3,497
Employee benefit expenses total	**-33,488**	-33,552

Information about management compensation is presented in note 28.

Average number of employees		
Finland	**95**	91
Ireland	**48**	51
Other Europe	**3**	6
India	**688**	783
Other East and Southeast Asia	**3**	6
Middle-East	**51**	34
Latin America	**62**	68
Total	**950**	1,038

Incentive scheme

During the comparative period, the company had a current share-based incentive scheme established by the Board of Directors on 25 October 2011. The scheme comprised three earning periods of one calendar year each, the calendar years 2012, 2013 and 2014. Based on the performance targets, no reward accrued for the 2014 earning period. In the income statement for 2015, expenses of EUR 7 thousand were recorded for the earning period 2013 (in 2014 EUR 12 thousand were recorded for the earning periods 2012 and 2013).

6. Depreciations, amortisations and impairment losses

EUR 1,000	2015	2014
Depreciations and amortisations by class of asset:		
Other intangible assets	**-113**	-164
Property, plant and equipment		
Buildings	**-279**	-279
Machinery and equipment	**-547**	-636
Machinery and equipment, finance lease	**-53**	
Depreciations total	**-991**	-1,079

7. Other operating expenses

EUR 1,000	2015	2014
Subcontracting	**-5,018**	-3,983
Office management costs	**-3,870**	-4,628
Travel expenses	**-5,392**	-5,792
Impairment losses on receivables	**-1,779**	-2,600
Agent fees	**-787**	-1,326
Rents	**-2,390**	-1,952
Professional services	**-2,703**	-3,012
Marketing	**-543**	-585
Other expenses	**-21**	-473
Other operating expenses total	**-22,504**	-24,351

Impairment losses were recognised on trade receivables totalling EUR 1,052 (797) thousand and on receivables related to construction contracts totalling EUR 727 (1,803) thousand.

Auditors' fees		
Audit	**-187**	-154
Tax consulting	**-45**	-44
Other services	**-55**	-36
Auditors' fees total	**-286**	-233

8. Research and development expenditure

EUR 1,000	2015	2014
Product development expenses recognised in income statement total	**-12,985**	-12,001
Product development expenses in relation to net sales	**17.0%**	16.2%
Product development expenses in relation to total expenses	**20.0%**	16.9%

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	2015	2014
Financial income		
Change in value of interest rate swaps at fair value through income statement	5	
Financial income from loans and receivables	33	100
Other financial income	264	
Foreign exchange gains on loans and receivables and on financial liabilities at amortised cost	259	255
Financial income total	561	355
Financial expenses		
Interest expenses from financial liabilities at amortised cost	-1,981	-2,209
Interest expenses from interest rate swaps at fair value through income statement		-176
Change in value of interest rate swaps at fair value through income statement		-237
Other financial expenses	-1,839	-253
Foreign exchange losses on loans and receivables and on financial liabilities at amortised cost	-584	-3,143
Financial expenses total	-4,404	-6,018
Financial income and expenses total	-3,843	-5,663

The exchange rate gains and losses 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 2,397 thousand in 2015 (EUR 2,612 thousand exchange rate gains (net) in 2014).

Other financial expenses in 2015 include EUR 1,425 thousand of additional costs for using an exceptional procedure to repatriate funds from a country that has a lack of foreign currency.

10. Income taxes

EUR 1,000	2015	2014
Current taxes	**-802**	-287
Withholding taxes paid abroad	**-6,334**	-4,513
Change in withholding tax accrual (note 23)	**-2,359**	-1,281
Taxes for previous accounting periods	**-1,363**	22
Change in deferred tax assets (note 15)	**-371**	-685
Change in deferred tax liabilities (note 15)	**3,827**	-10
Dividend tax paid on intra-group dividends	**-172**	-151
Income taxes total	**-7,574**	-6,904

Reconciliation of effective tax rate

Income tax reconciliation between tax expense computed at statutory rates in Finland (2015 and 2014: 20.0 per cent) and income tax expense is presented below.

Profit before taxes	**7,811**	-2,404
Income tax using Finnish tax rates	**-1,562**	481
Effect of different tax rates applied to foreign subsidiaries	**-908**	-184
Non-deductible expenses and tax-free income	**546**	123
Withholding taxes	**-6,735**	-5,794
Taxes of prior periods	**-1,363**	22
Utilisation of previously unrecognised tax losses	**10**	208
Unrecognised deferred tax assets on research and development costs not deducted for tax purposes	**-1,733**	-541
Deferred tax liabilities on undistributed profits of a foreign subsidiary	**3,655**	-176
Other capital allowances	**516**	-1,043
Taxes in income statement	**-7,574**	-6,904

11. Earnings per share

EUR 1,000	2015	2014

Basic earnings per share are calculated by dividing the profit attibutable 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)	**211**	-9,305
Weighted average number of shares during the year, adjusted to reflect the share issue for the comparative period (1,000 shares)	**122,628**	122,605
Basic earnings per share, (EUR/share)	**0.00**	-0.08

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 2015 and 2014, the Group had no share option series anymore.

12. Intangible assets

Intangible assets 2015

EUR 1,000	**Goodwill**	**Product development costs**	**Other intangible assets**	**Total**
Acquisition cost 1 Jan	17,509	32,036	6,877	**56,422**
Exchange differences	941		277	**1,217**
Additions			399	**399**
Disposals		-17,630		
Acquisition cost 31 Dec	18,449	14,406	7,553	**58,038**
Accumulated amortisations and impairment losses 1 Jan	-867	-32,036	-6,519	**-39,423**
Exchange differences	-57		-273	**-329**
Accumulated amortisations on disposals		17,630		
Amortisation during period			-113	**-113**
Accumulated amortisations and impairment losses 31 Dec	-924	-14,406	-6,905	**-39,865**
Book value 31 Dec 2015	**17,525**		**647**	**18,173**

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	1,464		1,508	2,972
Additions			68	68
Disposals			-5	-5
Acquisition cost 31 Dec	17,509	32,036	6,877	56,422
Accumulated amortisations and impairment losses 1 Jan	-779	-32,036	-4,869	-37,685
Exchange differences	-88		-1,490	-1,578
Accumulated amortisations on disposals			4	4
Amortisation during period			-164	-164
Accumulated amortisations and impairment losses 31 Dec	-867	-32,036	-6,519	-39,423
Book value 31 Dec 2014	16,642		358	16,999

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 2015		**12,914**		**4,612**	**17,525**
Goodwill 31 Dec 2014		12,263		4,379	16,642

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 2015	Americas 2015	Middle-East and Africa 2014	Americas 2014
Discount rate (WACC), post-tax	**11.8%**	**12.5%**	10.5%	10.8%
Discount rate (WACC), pre-tax	**14.7%**	**15.0%**	12.6%	13.2%
Adjusted operating result in relation to revenue for the forecast period 2016 - 2020 (2015 - 2019), per cent	**10.0 % - 25.0 %**	**7.0 % - 14.4 %**	9.7 % - 13.4 %	7.5 % - 11.8 %
Adjusted operating result for the foercast period 2016 - 2020 (2015 - 2019), EUR million	**4.6 - 9.5**	**2.2 - 2.8**	3.2 - 4.2	2.4 - 4.8
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 the change in the market risk premiums.

Adjusted operating result: The adjusted operating result is based on the budget for 2016 (2014: on the budget for 2015) and forecasts for the years 2017 - 2020 (2014: for the years 2016 - 2019) 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 9.4 - 13.8 per cent being EUR 7.9 - 10.7 million (2014: a level of 9.7 - 10.5 per cent being EUR 7.4 - 9.3 million) 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 December 2015.

	Middle-East and Africa 2015	**Americas 2015**	Middle-East and Africa 2014	Americas 2014
The change of discount rate (WACC), in percentage points	**8.0%**	**6.6%**	9.8%	0.9%
Change in adjusted operating result for terminal period, in percentage	**-73%**	**-61%**	-79%	-16%
Change in residual value growth rate factor, in percentage points	**-25.7%**	**-22.3%**	-30.3%	-1.6%
Amount by which the recoverable amount exceeds the carrying value, EUR 1,000	**16,377**	**8,640**	19,932	3,733

14. Property, plant and equipment

Property, plant and equipment 2015

EUR 1,000	**Land and water areas**	**Buildings**	**Machinery and equipment**	**Total**
Acquisition cost 1 Jan	1,142	7,534	20,262	**28,938**
Translation differences			-287	**-287**
Additions			753	**753**
Disposals			-705	**-705**
Acquisition cost 31 Dec	1,142	7,534	20,022	**28,698**
Accumulated depreciations and impairment losses 1 Jan		-6,163	-18,961	**-25,125**
Translation differences			272	**272**
Accumulated depreciation on disposals			682	**682**
Depreciation during period		-279	-599	**-878**
Accumulated depreciations and impairment losses 31 Dec		-6,442	-18,607	**-25,049**
Book value 31 Dec 2015	**1,142**	**1,092**	**1,415**	**3,649**

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

15. Deferred tax assets and liabilities

Deferred taxes 2015

EUR 1,000	**1.1.2015**	**Translation differences**	**Recognised in income statement**	**31.12.2015**
Deferred tax assets				
Capital allowances in the Ireland subsidiary	28		-27	
Tax losses in the Ireland subsidiary	47		8	**55**
Capital allowances in the India subsidiary		-6	543	**537**
Pension obligations and impairment losses in the India subsidiary	831	65	-896	
Total	**905**	**58**	**-371**	**593**
Deferred tax liabilities				
Undistributed profits of foreign subsidiaries	3,390	437	-3,827	
Total	**3,390**	**437**	**-3,827**	

Deferred taxes 2014

EUR 1,000	1.1.2014	Translation differences	Recognised in income statement	31.12.2014
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

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

EUR 1,000	**2015**	2014
Deductible temporary difference for which no deferred asset has been recognised		
Tecnotree's product development costs not deducted in its taxation *	**73,003**	64,340
*) 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	**2,241**	2,141
Tax losses in Brazil	**358**	1,393
Items for which the Group has not recognised a deferred tax asset because of the uncertainty about utilising them, total	**75,601**	67,158
Undistributed profits of foreign subsidiaries, for which no deferred tax liabilities have been recognised since distribution is not likely in the forseeable future	**294**	10,341

16. Non-current receivables

EUR 1,000	2015	2014
Rent guarantees	**1,009**	803
Pledged cash and cash equivalents	**288**	
Other non-current receivables	**13**	325
Non-current receivables total	**1,310**	1,128

17. Inventories

EUR 1,000	2015	2014
Materials and consumables	**495**	498
Work in progress	**29**	22
Finished products/goods	**6**	3
Inventories total	**530**	523

During the period the write-down of inventories to net realisable value amounted to EUR 251 (333) thousand.

18. Trade and other current receivables

EUR 1,000	2015	2014
Trade receivables related to construction contracts	**5,871**	8,104
Other trade receivables	**6,182**	7,064
Trade receivables total	**12,053**	15,168
Work in progress related to construction contracts	**16,669**	17,115
Finished work related to construction contracts	**2,736**	5,447
Other receivables based on delivery agreements	**6,268**	4,418
Other receivables related to construction contracts total	**25,673**	26,980
Current prepaid expenses and accrued income	**3,348**	3,469
Other current receivables	**756**	1,298
Trade and other receivables total	**41,830**	46,915

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 (0) thousand of the trade receivables and EUR 14,979 (14,470) 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.

1 000 €	2015	2014
Major items included in current prepaid expenses and accrued income:		
Valuation of currency derivatives		15
VAT receivables	**261**	168
Service Tax receivables in india	**1,289**	1,879
Advance payments	**739**	507
Other prepaid expenses and accrued income	**1,059**	901
Total	**3,348**	3,469

19. Cash and cash equivalents

EUR 1,000	**2015**	2014
Bank deposits with maturities of more than 3 months		76
Investments total		76
Bank deposits with maturities of less than 3 months	**565**	
Cash in hand and at bank	**5,868**	2,536
Cash and cash equivalents total	**6,433**	2,536

Part of the investments and cash and cash equivalents, EUR 564 (1,184) thousad, are located in Argentina from where the money cannot be freely transferred to other contries. In 2015 the Group managed to repatriate part of these funds using an exceptional procedure.

In 2015 and 2014, the Group has managed to transfer investments and cash from Nigeria without problems. EUR 1,040 (183) thousand of the cash and cash equivalents are located in Nigeria, as well as the over three months investments of the comparative period.

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 2014	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
Covering of loss		-3,374			-1,624	-4,998
Disposal of own shares						
31 Dec 2015	122,628	1,346	847			2,193

Tecnotree Corporation has one single share series. The maximum number of shares is 222,628 (182,628) thousand. All the issued shares are fully paid.

In August 2015, the company's Board of Directors recognised the loss of shareholders' equity of the Group's parent company Tecnotree Corporation and delivered a statement concerning the matter to the Trade Register. The parent company's shareholders' equity was EUR 3,020 thousand negative on 31 December 2015 (EUR 2,193 thousand positive).

In its decision on 9 March 2015, the district court of Espoo ordered the corporate restructuring proceedings as prescribed in law to be started for Tecnotree Corporation. The administrator delivered his proposed restructuring program to the district court of Espoo on 30 March 2016. If the court approves the restructuring program for the company and the cutting of its debts, the shareholder equity of Tecnotree Corporation will improve.

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
On the reporting date, the number of company shares held by the Group was 0 (2014: 0 shares). During the comparative period the rest 64,704 own shares were used for management rewards.

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. Reserve for invested unrestricted equity was used completely to cover the loss during the comparative period.

Other reserves
Other reserves contain the difference between fair value and exercise price of the new shares issued in 2009 and reserve fund of Argentina.

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

Dividend and treatment of the result
After the reporting date the Board of Directors has proposed that no dividend be paid for the financial year ended 31 December 2015 and that the parent company's loss for the financial year, EUR 5,213 thousand, be remained in retained earnings.

In 2015 no dividend was paid for the financial year that ended on 31 december 2014. Instead, based on the decision of the Annual General Meeting, the parent company's accumulated loss of EUR 5,505 thousand was covered by non-restricted equity reserves of EUR 2,131 thousand and the rest EUR 3,374 thousand by reducing share capital.

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	2015	2014
Defined benefit liability in the balance sheet:		
Present value of funded obligations	**877**	678
Fair value of plan assets (-)	**-142**	-195
Net liability (+) / net asset (-) in the balance sheet	**735**	482
Recociliation of the changes in balance sheet		
Net liability (+) / net asset (-) in the balance sheet in the beginning of the period	**482**	239
Pension expense recognised in profit and loss	**187**	141
Remeasurement items recognised in other comprehensive income	**107**	63
Translation differences	**-41**	39
Net liability (+) / net asset (-) in the balance sheet at the end of the period	**735**	482
Defined benefit expense in profit and loss		
Current service cost	**147**	109
Interest income (-) and expense (+), net	**40**	32
Pension expense recognised in profit and loss (note 5)	**187**	141
Change in the defined benefit obligation:		
Defined benefit obligation in the beginning of the period	**678**	447
Current service cost	**146**	116
Interest cost	**56**	55
Remeasurement items:		
Gains (-) / losses (+) arising from changes in demographical assumptions	**102**	
Actuarial gains (-) / losses (+) arising from changes in financial assumptions	**23**	82
Gains (-) / losses (+) arising from experience adjustments	**-22**	-8
Translation differences	**44**	50
Benefits paid (-)	**-150**	-64
Defined benefit obligation at the end of the period	**877**	678
Change in plan assets:		
Plan assets in the beginning of the period	**195**	208
Interest income	**17**	21
Remeasurement items:		
Return on plan assets excluding amounts included in interest income (+/-)	**-2**	7
Translation differences	**13**	23
Payments from the plan:	**69**	
Benefits paid (-)	**-150**	-64
Plan assets at the end of the period	**142**	195

	2015	**2014**
Actuarial assumptions at the reporting date	%	%
Discount rate	**8.0**	8.1
Future salary increases, first year	**8.0**	10.0
Future salary increases, thereafter	**8.0**	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 2016 are expected to be EUR 141 thousand. The duration is five years.

Sensitivity analysis

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

2015

Change in discount rate, percentage points	**+1%**	**-1%**
Impact on the defined benefit obligation, EUR 1,000	**-37**	**40**
Change in future salary increases, percentage points	**+1%**	**-1%**
Impact on the defined benefit obligation, EUR 1,000	**33**	**-32**

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

22. Interest-bearing liabilities

EUR 1,000	2015	2014
Finance lease liabilities, non-current	451	
Finance lease liabilities, current	48	
Loans from financial institutions, current	21,781	21,781
Credit facility to financing working capital, current	10,000	10,000
Current interest-bearing liabilities total	31,830	31,781
Interest-bearing liabilities total	32,281	31,781
Maturity of the finance lease liabilities		
Total of minimum lease less than one year	122	
Total of minimum lease between one and five years	610	
Total of minimum lease over five years	61	
Total	793	
Future financial expenses	-294	
Present value of finance lease liabilities	499	
Present value of minimum lease less than one year	48	
Present value of minimum lease between one and five years	392	
Present value of minimum lease over five years	58	
Finance lease liabilities, total	499	

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 EUR 21,781 thousand is classified as short-term in the balance sheet, because the financing agreement signed by Tecnotree with its bank in 2013 contains loan covenants and Tecnotree does not fulfill all the terms. Both the loan os EUR 21,781 thousand and the credit facility of EUR 10,000 thousand are secured restructuring debt. Additional information about restructuring debt can be found in notes 23 and 29.

Tecnotree had discussions in May with its bank concerning the state of these covenants. The company estimated then that the figures for the covenants on 30 June 2015 would not all be at the level stipulated in the financing agreement. The company intended to reach agreement with the bank in the same way as in 2014, when the bank agreed that failure to achieve the figures stated in the covenants would not result in the consequences specified in the financing agreement, such as the obligation to repay the loans. In the discussions with the bank, however, it was recognised that there was no need for a separate agreement on this matter because of the restructuring proceeding currently in progress at Tecnotree Corporation. On the 31 December 2015 test date, all covenants except for interest coverage and equity ratio complied with the requirements of the financing agreement. Additional information about covenant testing can be found in note 24 under Liquidity risk.

23. Trade payables and other liabilities

EUR 1,000	2015	2014
Non-current non-interest bearing liabilities		
Other long-term employee benefits (note 5)	**1,019**	**732**
Non-current non-interest bearing liabilities, total	**1,019**	732
Trade payables, provisions and other liabilities		
Trade payables	**6,060**	7,539
Accrued liabilities and deferred income	**15,045**	12,301
Other liabilities	**1,083**	1,225
Current provisions *		290
Trade payables, provisions and other liabilities total	**22,188**	21,355
Accrued liabilities and deferred income		
Accrued personnel expenses	**3,305**	4,180
Accrued agent fees	**1,121**	1,654
Withholding tax provision (note 10)	**5,481**	3,122
Accrued interest fees	**1,923**	207
Valuation of currency derivatives		86
Valuation of interest rate swap	**424**	530
Other accrued expenses related to customer projects	**1,696**	1,646
Other accrued liabilities and deferred income **	**1,095**	878
Total	**15,045**	12,301

* 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 were used in 2015.

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

In its decision on 9 March 2015, the district court of Espoo ordered the corporate restructuring proceedings as prescribed in law to be started for Tecnotree Corporation. The administrator delivered his proposed restructuring program to the district court of Espoo on 30 March 2016. The above liabilities and the liabilities in note 22 include restructuring debt as follows:

EUR 1,000	2015	2014
Loans from financial institutions, current (note 22)	**21,781**	
Credit facility to financing working capital, current (note 22)	**10,000**	
Restructuring debt included in trade payables	**4,780**	
Restructuring debt included in accrued liabilities	**650**	

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 Board of Directors 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 CFO 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 Board of Directors. 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.

In August 2015, the company's Board of Directors recognised the loss of shareholders' equity of the Group's parent company Tecnotree Corporation and delivered a statement concerning the matter to the Trade Register. The parent company's shareholders' equity was EUR 3,020 thousand negative on 31 December 2015, but the Group's shareholders' equity was EUR 17,797 million positive.

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 2015, the required level for the equity ratio was 40.0 % when the actual equity ratio was 23.9 %. Failure to achieve the figures stated in the covenants on the test date of 31 December 2015 would not result in the consequences specified in the financing agreement, such as the obligation to repay the loans, because of the restructuring proceeding currently in progress at Tecnotree Corporation. Equity ratio target is to rise to 45 per cent in 2017.

Components of equity ratio

EUR 1,000	2015	2014
Equity at the end of period	**17,797**	16,892
Balance sheet total	**74,620**	74,979
Advances received		
Total balance sheet less advances reveiced	**74,620**	74,979
Equity ratio	**23.9%**	22.5%

Liquidity risk

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

On the reporting date, the Group's cash and cash equivalents were EUR 6,433 (2,536) thousand, and bank deposits with maturities over 3 months were EUR 0 (31 December 2014: 79) 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 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. 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 2015. Both the loan of EUR 21,781 thousand and the credit facility of EUR 10,000 thousand are secured restructuring debt. The cash flow varies considerably from one quarter to another, and this in turn places strain on the money situation.

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. Failure to achieve the figures stated in the covenants on the 31 December 2015 test date would not result in the consequences specified in the financing agreement, such as the obligation to repay the loans, because of the restructuring proceeding currently in progress at Tecnotree Corporation.

On the 31 December 2015 test date, all covenants except for interest coverage and equity ratio complied with the requirements of the financing agreement. A sensitivity analysis as of 31 December 2015 of the covenants is presented in the table below.

Covenant	Meeting /failing to meet covenant	Needed improvement or amount below /above limit
Interest coverage	Failed to meet	Needed improvement in operating result EUR 2,083 thousand
Leverage	Met	Operating result EUR 1,886 thousand above limit
Cash flow cover	Met	Cash flow after investments EUR 4,536 thousand above limit
Equity ratio	Failed to meet	Needed improvement in equity EUR 12,051 thousand
Capital expenditure	Met	Capital expenditure EUR 348 thousand below limit
Overdue trade receivables	Met	Overdue trade receivables EUR 6,084 thousand below limit

Maturity analysis of financial liabilities is presented in the following table. The figures are presented in gross amounts. Interest on the loans and credit facilities is calculated 12 months after the reporting date because those have been treated as current liabilities in the balance sheet. Part of the liabilities will mature according to the draft restructuring program filed by the administrator on 30 March 2016, provided that it is approved by the district court. More information about the restructuring proceedings are given in note 29.

2015	**Balance sheet value**	**Cash flow**	**Less than 3 months**	**3-12 months**	**In accordance with the restructuring program**
Loans from financial institutions	**21,781**	**21,781**			21,781
Interest payments on the loans		**2,418**	1,290	898	230
Credit facilities in use	**10,000**	**10,000**			10,000
Interest payments on the credit facilities		**1,229**	565	394	269
Trade payables	**6,060**	**6,060**	1,280		4,780
Derivative liabilities	**424**	**424**	391		33
Total	**38,265**	**41,912**	**3,526**	**1,293**	**37,093**

2014	Balance sheet value	Cash flow	Less than 3 months	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		

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 18,486 (17,796) 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 80 % of net sales in 2015 (2014: 79 %) and for 86 % of the trade receivables at the end of 2015 (2014: 78 %). These customers are large listed companies which credit ratings in February 2015 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	**2015**	2014
Undue trade receivables	**6,220**	7,487
Trade receivables 1-90 days overdue	**4,552**	5,094
Trade receivables 91-360 days overdue	**633**	996
Trade receivables more than 360 days overdue	**648**	1,592
Total	**12,053**	15,168

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 1,052 (797) thousand were recorded for over one year overdue trade receivables. 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 six foreign subsidiaries, India (Rupees, INR), Brazil (Real, BRL), Argentina (Peso, ARS), Malaysia (Ringgit, MYR), The United Arab Emirates (Dirham, AED) and Nigeria (Naira, NGN).

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. Of these the Group has been hedging during the period the items in the balance sheet. On the reporting date, the open US dollar position was EUR 31,049 (29,063) 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 2015, 21 per cent of external invoicing was in Euros, 67 per cent in US dollars, 5 per cent in Argentinian Pesos, 4 per cent in Nigerian Nairas, 1 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 intra-group currency positions. The Indian subsidiary has intragroup receivables denominated in EUR, on which exchange rate losses amounting to EUR 1,491 thousand arose due to rate changes of Indian Rupies (2014: exchange rate losses of EUR 2,411 thousand). Also the intra-group liabilities denominated in BRL held by the parent company gave rise to exchange rate gains of EUR 1,451 thousand in 2015 (2014: exchange rate losses of EUR 805 thousand). Intra-group 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, 0 per cent (23 %) 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 foreign currency are presented in the table below. Figures are translated to Euros at the year-end exchange rate.

EUR 1,000	Note	**2015 INR**	2014 INR	**2015 USD**	2014 USD
Current assets					
Trade and other receivables	17	**30,236**	26,713	**11,077**	13,064
Other receivables related to construction contracts	17			**18,202**	17,143
Cash and cash equivalents	18			**2,892**	79
Trade and other payables	23	**-208**	-208	**-1,123**	-1,222
Total current assets		**30,028**	26,505	**31,049**	29,063
Nominal value of currency derivatives	17, 23				-8,237
Total current liabilities				**31,049**	20,827

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	**2015**		2014	
Change in percentage, INR	**-10%**	**+10%**	-10%	+10%
Effect on the result after taxes	**2,006**	**-2,006**	1,656	-1,656
Change in percentage, USD	**-10%**	**+10%**	-10%	+10%
Effect on the result after taxes	**-2,823**	**3,450**	-2,302	2,442

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 50,653 (45,534) 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.

	2015		2014	
EUR 1,000	**INR**	**INR**	INR	INR
Change in percentage	**-10%**	**+10%**	-10%	+10%
Effect on the result after taxes	**-309**	**378**	131	-161
Effect on equity	**-4,605**	**5,628**	-4,139	5,059

During 2015 Indian Rupie strenghtened 6 per cent compared to Euro, INR/EUR rate being 72.0215 at the end of 2015 and 76.719 at the end of 2014. This gave rise to a positive translation difference in the Group's equity amounting to EUR 2,627 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. However, during 2015, Brazilian Real (BRL) and Argentinian Peso (ARS) changed exceptionally compared to Euro. The BRL/EUR rate weakened 34 per cent being 4.3117 at the end of 2015 and 3.2207 at the end of 2014, which caused a negative translation difference of EUR 1,314 thousand in Group's equity. The ARS/EUR rate weakened 39 per cent being 14.1367 at the end of 2015 and 10.1652 at the end of 2014, which caused a negative translation difference EUR 571 thousand in Group's equity. On the reporting date, the open translation risk position for the Brazilian subsidiary was EUR 2,961 (5,509) thousand, for the Argentine subsidiary EUR 1,218 (787) thousand.

On the reporting date, the open translation risk position for the Malaysian subsidiary was EUR 149 (273) thousand, for the Nigeria subsidiary EUR 30 thousand and correspondingly for the subsidiary in the United Arab Emirates EUR 319 (61) thousand. The change in translation difference in equity caused by fluctuations in exchange rates for these subsidiaries was EUR -18 (47) 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 over 3 months investments amounting to EUR 0 (76) 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 25,348 (29,169) 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 -174 / 174 (-169 / 169) 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

2015	**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		12,053		**12,053**	**12,053**
Derivative assets	18					
Cash and cash equivalents	19		6,433		**6,433**	**6,433**
Carrying amount by category			**18,486**		**18,486**	**18,486**
Current financial liabilities						
Current interest-bearing liabilities	22			31,781	**31,781**	**31,781**
Trade and other payables	23			6,060	**6,060**	**6,060**
Derivative liabilities	23	424			**424**	**424**
Carrying amount by category		**424**		**37,841**	**38,265**	**38,265**

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
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

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

		2015		2014	
EUR 1,000	Note	**Value of underlying instruments**	**Fair value**	Value of underlying instruments	Fair value
Derivative assets					
Currency derivatives	17			7,828	15
Derivative assets total					15
Derivative liabilities					
Currency derivatives	23			8,365	86
Interest rate swaps	23	**13,054**	**424**	14,521	530
Derivative liabilities total			**424**		615

26. Operating leases

EUR 1,000	2015	2014

Group as lessee

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

Operating leases		
Less than one year	**1,079**	746
Between one and five years	**2,253**	313
Total	**3,333**	1,058

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 2,390 (1,952) thousand was recognised as an expense in the income statement in respect of operating leases.

27. Contingent liabilities

EUR 1,000	**2015**	2014
On own behalf		
Real estate mortgages	**4,400**	4,400
Corporate mortgages	**45,336**	45,336
Pledged deposits	**808**	
Guarantees	**197**	159
Pledged trade receivables and accrued income related to construction contracts *	**14,979**	14,470
Total	**65,721**	64,365
Other contingent liabilities		
Desputed income tax liabilities in India	**1,345**	1,284
Total	**1,345**	1,284

* In addition to these trade and other receivables recognised in the balance sheet, EUR 2,210 (2,073) thousand of the order book are related to such long-term projects for which total income is pledged under the working capital credit facility agreement.

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.

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.

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

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 2015 and 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	**2015**	2014
Compensation to management		
Salaries, fees and other short-term employee benefits	**-1,553**	-1,451
Share based compensations	**-7**	-12
Compensation to management total	**-1,560**	-1,463

Salaries and fees

Ilkka Raiskinen, CEO	**-324**	-307
Members of the Board of Directors:		
Harri Koponen, Chairman of the Board	**-67**	-64
Pentti Heikkinen, Vice Chairman of the Board	**-39**	-39
Johan Hammarén, member of the Board until 5 March 2015	**-15**	-30
Matti Jaakola, member of the Board as from 14 April 2015	**-15**	
Tuija Soanjärvi, member of the Board until 14 April 2015	**-18**	-32
Christer Sumelius	**-32**	-30

23 (47%) per cent of the fees to the Board of Directors has beed settled in shares of Tecnotree Oyj. The Group had no effective option series anymore at the end of 2015 or 2014.

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 60 (56) thousand and for the mebers of the Board of Directors totally EUR 42 (33) 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. CEO or 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 December 2015:

Company name	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

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. Restructuring proceedings

On 5 March 2015 Tecnotree Corporation filed an application with the district court of Espoo for debt restructuring proceedings. The court decided on 9 March 2015 to commence the corporate restructuring proceedings. The extraordinary meeting of shareholders of Tecnotree Corporation held on 27 March 2015 decided to approve the application made by the Board of Directors and to continue with the restructuring proceedings.

Tecnotree Corporation's business operations have been loss-making for several years, the cash situation remained tight during 2014, and on 31 December 2014 the shareholders' equity of the parent company fell below half of the share capital. The Company actively searched for a solution to improve its financial standing and carefully studied different options for solving the situation. As the result, the Company came to the conclusion that it was in the best interest of the Company and its shareholders for the Company to apply for restructuring proceedings in accordance with the Act on Restructuring of Enterprises. The Company considered that its difficulties were temporary in nature, and that the restructuring proceedings would in the Company's assessment make it possible to remedy the Company's financing and equity structure and thus secure the long-term continuation of the Company's business operations. As it is implemented, the restructuring eases the debt liability of the Company and consequently also improves the shareholders' equity.

On 9 March 2015 the district court appointed Mr. Jari Salminen, Attorney-at-Law, from Eversheds Attorneys Ltd as the administrator in respect of the restructuring process. The administrator delivered his proposed restructuring programme to the district court of Espoo on 30 March 2016. Tecnotree Corporation has to comply with the restructuring programme to be confirmed through court proceedings. This requires a sufficient cash inflow, in other words payments by customers.

Filing the application for restructuring has had no direct impact on Tecnotree's business operations, and the Company has continued to carry out agreed customer projects and to serve its customers as usual.

Content of the draft restructuring programme of Tecnotree Corporation

The Administrator of the corporate restructuring of Tecnotree Corporation filed the draft restructuring programme to the District Court of Espoo on 30 March 2016. The Administrator considers that the draft restructuring programme will result in a more favorable outcome for the creditors compared to bankruptcy. The Administrator's view is that if implemented, the draft restructuring programme would lead to the Company's operations being rehabilitated. The essential content of the draft restructuring programme is as follows:

- At the moment, the total amount of the restructuring debts to be taken into account in the restructuring proceedings is EUR 73,885 thousand. The Company has intragroup restructuring debts totaling EUR 36,674 thousand. According to the Administrator's draft programme the intragroup restructuring debts will be fully cut. In addition, the Company has EUR 11,118 thousand unsecured debt. The total amount of the restructuring debts includes also EUR 26,093 thousand secured debts out of which EUR 8,881 thousand is secured by business mortgage. The Administrator is proposing that the unsecured restructuring debts be cut by 50% which would leave 50% of the amount of such debt to be repaid.
- The draft restructuring programme does include a provision on a duty to make supplementary payments on restructuring debts with no priority if the Company's actual cash flow exceeds the projected cash flow during the payment programme.
- Payments under the restructuring programme will end on 31 December 2020.
- The draft restructuring programme contains obligations concerning the sale of the Company's property. The sales proceeds will be used to fund some of the payments to secured creditors and to creditors holding a business mortgage as security for their claims.

If the draft restructuring programme is approved, the group will record a one-off positive income effect of approximately EUR 5,559 thousand as a result of debt rearrangement.

The approval and entry into force of the draft programme are conditional upon Tecnotree Corporation's General Meeting approving the draft programme.

30. Events after the end of period

The administrator of Tecnotree’s restructuring proceedings delivered his proposed restructuring program to the district court of Espoo on 30 March 2016. The content of this proposal is disclosed above in note 29.

Parent company's income statement

EUR 1,000	**Note**	**1.1-31.12.2015**	1.1.-31.12.2014
Net sales	1	**62,477**	64,443
Other operating income	2	**79**	109
Materials and services	3	**-6,889**	-10,269
Personnel expenses	4	**-13,327**	-13,009
Depreciation, amortisation and impairment losses	5	**-474**	-1,095
Other operating expenses	6	**-39,764**	-40,222
Operating result		**2,102**	-42
Financial income and expenses	7	**1,102**	**179**
Result before extraordinary items		**3,204**	136
Result before appropriations and taxes		**3,204**	136
Direct taxes	8	**-8,417**	-5,655
Result for the financial year		**-5,213**	-5,519

Parent company's balance sheet

EUR 1,000	Note	1.1.-31.12.2015	1.1.-31.12.2014
Assets			
Non-current assets			
Intangible assets	9	**318**	296
Tangible assets	10	**1,822**	2,152
Shares in Group companies	11	**36,939**	36,894
Receivables from Group companies	11	**299**	299
Total non-current assets		**39,378**	39,642
Current assets			
Inventories	12	**530**	476
Non-current receivables	13	**338**	26
Current receivables	14	**43,628**	43,995
Cash and cash equivalents	15	**2,671**	125
Total current assets		**47,166**	44,622
Total assets		**86,545**	84,264
Equity and liabilities			
Shareholders' equity	16		
Share capital		**1,346**	4,720
Share premium fund		**847**	847
Invested unrestricted equity reserve			2,131
Retained earnings			14
Result for the financial year		**-5,213**	-5,519
Total shareholders' equity		**-3,020**	2,193
Accumulated appropriations	17		290
Liabilities			
Non-current liabilities	18	**799**	276
Current liabilities	18	**88,766**	81,505
Total liabilities		**89,565**	81,781
Total equity and liabilities		**86,545**	84,264

Parent company's cash flow statement

EUR 1,000	1.1.-31.12.2015	1.1.-31.12.2014
Cash flow from operating activities		
Result before extraordinary items	**3,204**	136
Adjustments for:		
Depreciations according to plan	**474**	1,095
Impairment of receivables	**1,253**	2,192
Unrealised exchange rate gains and losses	**-4,530**	-2,936
Financial income and expenses	**734**	-765
Other adjustments	**116**	-24
Changes in working capital:		
Current receivables, increase (-) /decrease (+)	**4,191**	-9,078
Inventories, increase (-) /decrease (+)	**-54**	55
Current liabilities, increase (+) /decrease (-)	**3,821**	12,823
Interest paid	**-41**	-44
Dividends received from operating activities	**1,410**	777
Interest received	**1**	2
Income taxes paid	**-6,058**	-4,374
Net cash flow from operating activities	**4,522**	-142
Cash flow from investments		
Investments in intangible assets	**-78**	-64
Investments in tangible assets	**-87**	-143
Investments in subsidiaries' shares	**-45**	
Cash flow from investments	**-210**	-206
Cash flow from financiang activities		
Borrowings received from financial institutions	**2,900**	2,800
Repayments of borrowings from financial institutions	**-2,900**	-2,800
Borrowings received from Group companies	**407**	
Changes in pledged cash deposits	**-821**	
Interest and other financial items paid	**-1,351**	-2,392
Cash flow from financiang activities	**-1,765**	-2,392
Change in cash and cash equivalents	**2,547**	-2,740
Cash and cash equivalents on 1 Jan	**125**	2,865
Cash and cash equivalents on 31 Dec	**2,671**	125

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. On 5 March 2015 Tecnotree Corporation filed an application for restructuring proceedings with the district court of Espoo, which on 9 March 2015 decided to commence the corporate restructuring proceedings. The administrator delivered his proposed restructuring program to the district court of Espoo on 30 March 2016. Additional information about the restructurng proceedings is given in note 20, 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

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	**2015**	2014
Net sales by market area		
Europe, Middle East and Africa	**34,980**	28,204
Asia Pacific	**1,366**	2,345
Americas	**26,131**	33,894
Net sales total	**62,477**	64,443
Net sales by type of income		
Revenue from contract work recognised by stage of completion	**15,616**	20,495
Revenue from maintenance and support	**20,769**	18,608
Revenue from goods and services, external sales	**16,393**	15,461
Currency exchange gains and losses related to external sales	**3,111**	2,840
Revenue from goods and services, intra-group sales	**6,588**	7,040
Net sales total	**62,477**	64,443
Order book for contract work	**10,357**	12,488
Order book for maintenance and support, goods and services	**7,842**	12,039
Order book total	**18,199**	24,527
Projects in progress:		
Cumulative revenue recognised for projects in progress	**30,417**	32,495
Cumulative invoicing for projects in progress recognised by stage of completion	**14,619**	17,193
Accrued income related to construction contracts, work in progress	**15,798**	15,302
Aggregate amount of costs incurred for projects in progress	**7,307**	12,053

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	2015	2014
Rental income	**79**	84
Gains on sales of non-current assets		12
Other operating income		13
Other operating income total	**79**	109

3. Materials and services

EUR 1,000	2015	2014
Purchases during financial year	**-6,841**	-10,080
Changes in inventories	**54**	-55
Total	**-6,788**	-10,135
External services	**-101**	-134
Materials and services total	**-6,889**	-10,269

4. Personnel expenses

EUR 1,000	**2015**	2014
Wages and salaries	**-10,753**	-10,572
Pension expenses	**-1,368**	-1,385
Other personnel expenses	**-1,207**	-1,051
Personnel expenses total	**-13,327**	-13,009

Average number of employees during the period	**2015**	2014
Management and administration	**32**	**33**
Other personnel	**101**	**95**
Total average number of employees	**133**	128

Salaries, fees, remunerations and pensions to the management

1 000 €	**Salaries, fees, remunerations 2015**	**Obligatory pension expenses 2015**	Salaries, fees, remunerations 2014	Obligatory pension expenses 2014
Ilkka Raiskinen, CEO	**-324**	**-60**	-307	-56
Members of the Board of Directors:				
Harri Koponen, Chairman of the Board	**-67**	**-15**	-64	-12
Pentti Heikkinen, Vice Chairman	**-39**	**-9**	-39	-7
Johan Hammarén, member of the Board until 5 March 2015	**-15**	**-3**	-30	-5
Matti Jaakola, member of the Board as from 14 April 2015	**-15**	**-4**		
Tuija Soanjärvi, member of the Board until 14 April 2015	**-18**	**-3**	-32	-6
Christer Sumelius	**-32**	**-7**	-30	-3
Yhteensä	**-509**	**-101**	-501	-88

23 (47%) 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 members of the Management Board and the Board of Directors have no additional pension arrangements.

5. Depreciations and amortisations

EUR 1,000	2015	2014
Depreciations and amortisations according to plan		
Intangible assets		
Intangible rights	**-56**	-633
Tangible assets		
Buildings	**-220**	-220
Machinery and equipment	**-197**	-242
Depreciations and amortisations according to plan total	**-474**	-1,095

6. Other operating expenses

EUR 1,000	2015	2014
Subcontracting	**-3,558**	-1,743
Office management costs	**-2,188**	-2,253
Travel expenses	**-1,117**	-1,243
Agent fees	**-772**	-1,159
Impairment losses on receivables	**-1,253**	-2,192
Rents	**-1,175**	-900
Professional services	**-1,548**	-1,593
Marketing	**-511**	-546
Other operataing expenses to Group companaies	**-27,425**	-28,772
Other expenses	**-216**	181
Other operating expenses total	**-39,764**	-40,222
Auditors' fees		
Audit	**-102**	-77
Tax consulting	**-20**	-40
Other services	**-14**	-30
Auditors' fees total	**-136**	-146

7. Financial income and expenses

EUR 1,000	2015	2014
Financial income		
Dividend income from Group companies	**2,565**	3,493
Interest income from Group companies	**1**	2
Other financial income from Group companies	**2,024**	
Other financial income from others	**76**	72
Interest and financial income total	**4,666**	3,567
Financial expenses		
Interest expenses to Group companies	**-28**	-8
Other financial expenses to Group companies		-559
Interest expenses to others	**-1,783**	-1,902
Financial expenses to others	**-1,754**	-919
Interest and financial expenses total	**-3,565**	-3,389
Financial income and expenses total	**1,102**	178
Other financial income and expenses including:		
Foreign exchange gains	**2,095**	72
Foreign exchange losses	**-260**	-658
Foreign exchange gains and losses total	**1,835**	-586

8. Income taxes

EUR 1,000	2015	2014
Income taxes from business operations	**-2**	-2
Taxes for previous accounting periods	**2**	22
Withholding taxes paid abroad	**-6,058**	-4,394
Change in withholding tax accrual	**-2,359**	-1,281
Income taxes total	**-8,417**	-5,655

The company has not deducted research and development costs amounting to EUR 73,003 (64,340) 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 2015 and 2014. Other deductible temporary differences amount to EUR 2,241 (2,141) thousand. No deferred tax assets have been recognised on these capitalisations because of the uncertainty about utilising them.

9. Intangible assets

Intangible assets 2015

EUR 1,000	**Intangible rights**	**Other long-term expenditure**	**Total**
Acquisition cost 1 Jan	6,068	275	**6,344**
Additions	78		**78**
Acquisition cost 31 Dec	**6,146**	**275**	**6,422**
Accumulated amortisation 1 Jan	-5,772	-275	**-6,048**
Amortisation during the period	-56		**-56**
Accumulated amortisation 31 Dec	**-5,829**	**-275**	**-6,104**
Book value 31 Dec, 2015	**318**		**318**

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 amortization 1 Jan	-5,140	-275	-5,415
Amortisation during the period	-633		-633
Accumulated amortization 31 Dec	-5,772	-275	-6,048
Book value 31 Dec, 2014	296		296

10. Tangible assets

Tangible assets 2015

EUR 1,000	**Land areas**	**Buildings**	**Machinery and equipment**	**Total**
Acquisition cost 1 Jan	739	6,045	5,212	**11,996**
Additions			87	**87**
Acquisition cost 31 Dec	**739**	**6,045**	**5,299**	**12,083**
Accumulated depreciation 1 Jan		-5,051	-4,793	**-9,844**
Depreciation during the period		-220	-197	**-417**
Accumulated depreciation 31 Dec		**-5,272**	**-4,990**	**-10,261**
Book value 31 Dec, 2015	**739**	**774**	**310**	**1,822**

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

11. Investments

Investments 2015

EUR 1,000	**Shares in Group companies**	**Other investments in group companies**	**Total**
Acquisition cost 1 Jan	36,894	299	37,194
Additions	45		45
Acquisition cost 31 Dec	36,939	299	37,239
Book value 31 Dec, 2015	**36,939**	**299**	**37,239**

Investments 2014

EUR 1,000	Shares in Group companies	Other investments in group companies	Total
Acquisition cost 1 Jan	36,875	299	37,174
Additions	20		
Acquisition cost 31 Dec	36,894	299	37,174
Book value 31 Dec, 2014	36,894	299	37,174

Shares in subsidiaries held by the parent company

	Domicile	Parent company ownership, %	Carrying value EUR 1,000
Tecnotree Ltd.	County Clare, Ireland	100	124
Tecnotree GmbH	Dreieich, Germany	100	92
Tecnotree Spain SL	Madrid, Spain	100	31
Tecnotree Sistemas de Telecommunicacao Ltda	Sao Paulo, Brazil	100	902
Tecnotree (M) Sdn Bhd	Kuala Lumpur, Malaysia	100	42
Tecnotree Services Oy	Espoo, Finland	100	8
Tecnotree Argentina SRL	Cordoba, Argentina	100	257
Lifetree Cyberworks Pvt. Ltd	Gurgaon, India	100	1,189
Tecnotree Convergence Ltd	Gurgaon, India	46	34,229
Tecnotree Convergence (Middle East) FZ-LLC	Dubai, United Arab Emirates	100	20
Tecnotree Nigeria Limited	Lagos, Nigeria	100	45
Total			36,939

12. Inventories

EUR 1,000	2015	2014
Materials and consumables	**495**	451
Work in progress	**29**	22
Finished products/goods	**6**	3
Inventories total	**530**	476

13. Non-current receivables

EUR 1,000	2015	2014
Rent guarantees	**49**	26
Pledged cash deposits	**288**	
Non-current receivables total	**338**	26

14. Current receivables

EUR 1,000	2015	2014
Trade receivables related to construction contracts	**4,146**	5,660
Other trade receivables	**6,816**	6,196
Trade receivables total	**10,963**	11,856
Work in progress related to construction contracts	**15,798**	15,302
Finished work related to construction contracts	**2,736**	5,447
Other receivables based on delivery agreements	**2,008**	4,648
Receivables related to construction contracts total	**20,542**	25,396
Current prepaid expenses and accrued income	**1,462**	1,023
Other current receivables	**713**	1,281
Current receivables total	**33,680**	39,557
Receivables from the Group companies:		
Trade receivables	**6,506**	3,951
Dividend receivables		483
Other receivables	**3,443**	4
Total	**9,948**	4,438
Current receivables total	**43,628**	43,995
Major items included in prepaid expenses and accrued income		
Valuation of currency derivatives		15
VAT receivables	**261**	168
Advance payments to vendors	**425**	117
Other prepaid expenses and accrued income	**775**	723
Total	**1,462**	1,023

EUR 0 (0) thousand of the trade receivables and EUR 14,979 (14,470) 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.

15. Cash and cash equivalents

EUR 1,000	2015	2014
Cash in hand and at bank	**2,671**	125
Cash and cash equivalents total	**2,671**	125

16. Shareholders' equity

EUR 1,000	2015	2014
Share capital 1 Jan	**4,720**	4,720
Reduction of share capital	**-3,374**	
Share capital 31 Dec	**1,346**	4,720
Share premium fund 1 Jan	**847**	847
Share premium fund 31 Dec	**847**	847
Restricted equity total	**2,193**	5,567
Own shares 1 Jan		-59
Disposal of own shares		59
Own shares 31 Dec		
Invested unrestricted equity reserve 1 Jan	**2,131**	5,960
Covering of loss	**-2,131**	-3,828
Invested unrestricted equity reserve 31 Dec		2,131
Retained earnings 1 Jan	**-5,505**	-3,770
Disposal of own shares		-45
Covering of loss	**5,505**	3,828
Retained earnings 31 Dec		14
Result for the period	**-5,213**	-5,519
Unrestricted equity total	**-5,213**	-3,374
Total shareholders' equity	**-3,020**	2,193

In August 2015 the company’s Board of Directors recognised the loss of shareholders’ equity and delivered a statement concerning the matter to the Trade Register. At the end of 2015 the company's shareholders' equity was EUR 3,020 million negative (EUR 2,193 million positive).

In its decision on 9 March 2015, the district court of Espoo ordered the corporate restructuring proceedings as prescribed in law to be started for Tecnotree Corporation. The administrator delivered his proposed restructuring program to the district court of Espoo on 30 March 2016. If the court approves the restructuring program for the company and the cutting of its debts, the shareholder equity of Tecnotree Corporation will improve.

The company had no distributable equity at the end of 2015 nor at the end of 2014. After the reporting date the Board of Directors has proposed that no dividend be paid for the financial year ended 31 December 2015, and that the company’s loss for the financial year, EUR 5,213 thousand, be remained in retained earnings. In 2015 no dividend was paid for the financial year that ended on 31 december 2014. Instead, based on the decision of the Annual General Meeting, the company's accumulated loss of EUR 5,505 thousand was covered by non-restricted equity reserves of EUR 2,131 thousand and the rest EUR 3,374 thousand by reducing share capital.

17. Provisions

1 000 €	2015	2014
Other provisions		290
Provisions total		290

Provisions for 2014 included a provision of EUR 150 thousand due to personnel reductions in Finland and a provision of EUR 140 thousand due to a legal proceeding in APAC area. Both provisions were fully used during 2015.

18. Non-current and current liabilities

EUR 1,000	2015	2014
Non-current liabilities		
Loans from Group companies	**407**	
Termination benefits	**392**	276
Non-current liabilities total	**799**	276
Current liabilities		
Loans from financial institutions *	**31,781**	31,781
Trade payables	**5,329**	5,798
Accrued liabilities and deferred income	**13,704**	9,806
Other liabilities	**297**	232
Total	**51,111**	47,618
Liabilities from Group companies:		
Trade payables	**36,246**	33,268
Other liabilities	**1,409**	620
Total	**37,655**	33,887
Current liabilities total	**88,766**	81,505
Major items included in accrued liabilities and deferred income		
Other accrued personnel expenses	**2,217**	2,163
Withholding tax accrual (note 9)	**5,481**	3,122
Accrued interest expenses	**1,923**	207
Accrued agent fees	**1,121**	1,654
Valuation of currency derivatives		86
Valuation of interest rate swap	**424**	530
Other accruals related to customer contracts	**1,696**	1,646
Other accrued liabilities and deferred income	**841**	400
Total	**13,704**	9,806

*) 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 financing agreement signed by Tecnotree with its bank in 2013 contains loan covenants with terms that the company does not comply with in every respect. Tecnotree had discussions in May with its bank concerning the state of these covenants. The company estimated then that the figures for the covenants on 30 June 2015 would not all be at the level stipulated in the financing agreement. The company intended to reach agreement with the bank in the same way as in 2014, when the bank agreed that failure to achieve the figures stated in the covenants would not result in the consequences specified in the financing agreement, such as the obligation to repay the loans. In the discussions with the bank, however, it was recognised that there was no need for a separate agreement on this matter because of the restructuring proceeding currently in progress at Tecnotree Corporation. On the 31 December 2015 test date, all covenants except for interest coverage and equity ratio complied with the requirements of the financing agreement.

In its decision on 9 March 2015, the district court of Espoo ordered the corporate restructuring proceedings as prescribed in law to be started for Tecnotree Corporation. The administrator delivered his proposed restructuring program to the district court of Espoo on 30 March 2016. The liabilities above include restructuring debt as follows:

EUR 1,000	**2015**	2014
Short-term loans from financial institutions	**31,781**	
Restructuring debt included in trade payables	**4,780**	
Restructuring debt included in accrued liabilities	**650**	
Restructuring debt included in liabilities from Group companies	**36,674**	

19. Contingent liabilities

EUR 1,000	2015	2014
On own behalf		
Real estate mortgages	**4,400**	4,400
Corporate mortgages	**45,336**	45,336
Pledged deposits	**808**	
Guarantees	**188**	123
Pledged trade and other receivables related to construction contracts *	**14,979**	14,470
Total	**65,712**	64,329
Leasing liabilities:		
With due date in the next financial year	**39**	58
With later due date	**16**	54
Total	**56**	112
Other liabilities		
With due date in the next financial year	**133**	16
With later due date	**81**	51
Total	**214**	67
Total contingent liabilities	**65,981**	64,509

* In addition to these trade and other receivables recognised in the balance sheet, EUR 2,210 (2,073) thousand of the order book are related to such long-term projects for which total income is pledged under the working capital credit facility agreement.

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.

Values of underlying instruments of derivative contracts

Currency call options and termines		
Fair value (negative)		-86
Value of underlying instruments		8,365
Currency put options and termines		
Fair value (positive)		15
Value of underlying instruments		7,828
Interest rate swap		
Fair value (positive)	**-424**	-530
Value of underlying instruments	**13,054**	14,521

20. Restructuring proceedings

On 5 March 2015 Tecnotree Corporation filed an application with the district court of Espoo for debt restructuring proceedings. The court decided on 9 March 2015 to commence the corporate restructuring proceedings. The extraordinary meeting of shareholders of Tecnotree Corporation held on 27 March 2015 decided to approve the application made by the Board of Directors and to continue with the restructuring proceedings.

Tecnotree Corporation's business operations have been loss-making for several years, the cash situation remained tight during 2014, and on 31 December 2014 the shareholders' equity of the parent company fell below half of the share capital. The Company actively searched for a solution to improve its financial standing and carefully studied different options for solving the situation. As the result, the Company came to the conclusion that it was in the best interest of the Company and its shareholders for the Company to apply for restructuring proceedings in accordance with the Act on Restructuring of Enterprises. The Company considered that its difficulties were temporary in nature, and that the restructuring proceedings would in the Company's assessment make it possible to remedy the Company's financing and equity structure and thus secure the long-term continuation of the Company's business operations. As it is implemented, the restructuring eases the debt liability of the Company and consequently also improves the shareholders' equity.

On 9 March 2015 the district court appointed Mr. Jari Salminen, Attorney-at-Law, from Eversheds Attorneys Ltd as the administrator in respect of the restructuring process. The administrator delivered his proposed restructuring programme to the district court of Espoo on 30 March 2016. Tecnotree Corporation has to comply with the restructuring programme to be confirmed through court proceedings. This requires a sufficient cash inflow, in other words payments by customers. Filing the application for restructuring has had no direct impact on Tecnotree's business operations, and the Company has continued to carry out agreed customer projects and to serve its customers as usual.

Content of the draft restructuring programme of Tecnotree Corporation

The Administrator of the corporate restructuring of Tecnotree Corporation filed the draft restructuring programme to the District Court of Espoo on 30 March 2016. The Administrator considers that the draft restructuring programme will result in a more favorable outcome for the creditors compared to bankruptcy. The Administrator's view is that if implemented, the draft restructuring programme would lead to the Company's operations being rehabilitated. The essential content of the draft restructuring programme is as follows:

- At the moment, the total amount of the restructuring debts to be taken into account in the restructuring proceedings is EUR 73,885 thousand. The Company has intragroup restructuring debts totaling EUR 36,674 thousand. According to the Administrator's draft programme the intragroup restructuring debts will be fully cut. In addition, the Company has EUR 11,118 thousand unsecured debt. The total amount of the restructuring debts includes also EUR 26,093 thousand secured debts out of which EUR 8,881 thousand is secured by business mortgage. The Administrator is proposing that the unsecured restructuring debts be cut by 50% which would leave 50% of the amount of such debt to be repaid.
- The draft restructuring programme does include a provision on a duty to make supplementary payments on restructuring debts with no priority if the Company's actual cash flow exceeds the projected cash flow during the payment programme.
- Payments under the restructuring programme will end on 31 December 2020.
- The draft restructuring programme contains obligations concerning the sale of the Company's property. The sales proceeds will be used to fund some of the payments to secured creditors and to creditors holding a business mortgage as security for their claims.

The approval and entry into force of the draft programme are conditional upon Tecnotree Corporation's General Meeting approving the draft programme.

21. Events after the end of period

The administrator of Tecnotree’s restructuring proceedings delivered his proposed restructuring program to the district court of Espoo on 30 March 2016. The content of this proposal is disclosed above in note 20.

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

Espoo, 12 April 2016

Ilkka Raiskinen
CEO

Harri Koponen
Chairman of the Board

Pentti Heikkinen
Vice Chairman of the Board

Matti Jaakola

Christer Sumelius

The Auditor's note
A report on the audit performed has been issued today.

Helsinki, 13 April 2016

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 were engaged to audit the accounting records, the financial statements, the report of the Board of Directors and the administration of Tecnotree Corporation for the period 1 January – 31 December 2015. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the CEO

The Board of Directors and the 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 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. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide basis for an audit opinion.

Basis for Disclaimer of Opinion

As described in the report of the Board of Directors in section *Risks and uncertainty factors* and subsections *Carrying out customer projects, profitability and forecasting* and *Risks relating to international operations, receivables and developing markets* and disclosed in *Note 18. Trade and other current receivables* to the consolidated financial statements, a project accounting receivable totaling EUR 14.1 million is included in the customer and project accounting receivables. The project accounting receivable is also included in the parent company's project accounting receivables on the balance sheet. We were not able to obtain sufficient audit evidence upon the project accounting receivable.

Disclaimer of Opinions

Due to the significance of the matter described in the *Basis for Disclaimer of Opinion* paragraph, we have not been able to obtain sufficient audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements or the report of the Board of Directors.

Interim Report for period from 1 January to 30 June 2015

We refer to the Securities Market Act, Chapter 7 section 8 subsection 2 and state that the matters described above are to be considered when assessing the compliance of the consolidated interim report for the period from 1 January to 30 June 2015 with the related rules and regulations.

Helsinki, 13 April 2016

KPMG OY AB

Toni Aaltonen
Authorised Public Accountant