

TECNOTREE

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Q3
2014

*Tecnotree
Interim Report*

TECNOTREE CORPORATION INTERIM REPORT 1 JANUARY – 30 SEPTEMBER 2014 (UNAUDITED)

29 October 2014 at 8:30 am

Tecnotree is a global supplier of telecom IT solutions, providing products and services for charging, billing, customer care, and messaging and content services. The company's product portfolio comprises virtually the full range of business management systems for telecom operators, with standard solutions for fixed networks, mobile services and broad band and for managing subscriptions, services and cash flows for prepaid and post-paid customers. Tecnotree has a strong footing especially in developing markets.

QUARTER IN LINE WITH EXPECTATIONS

Third quarter

- Third quarter net sales were EUR 23.7 (17.4) million. This is the highest net sales figure ever for any quarter in the history of Tecnotree.
- The adjusted operating result was EUR 4.7 (1.0) million and the result for the period was EUR 1.2 (0.4) million. The adjusted operating result also set a new record.
- The order book at the end of the period stood at EUR 52.7 (31 December 2013: 45.0) million.
- Third quarter cash flow after investments was EUR -0.7 (-0.5) million.
- Earnings per share were EUR 0.01 (0.00).

Jan – Sept 2014

- Net sales for the review period decreased 7.5 per cent from the corresponding period in the previous year to EUR 49.8 (53.9) million.
- The adjusted operating result was EUR -1.4 (-0.3) million. The operating result was EUR -1.4 (-2.0) million and the result for the period EUR -9.8 (-3.0) million.
- Cash flow after investments for the review period was EUR -4.5 (-4.8) million and the company's cash and cash equivalents were EUR 2.0 (31 December 2013: 6.6) million.
- Earnings per share were EUR -0.08 (-0.02).

KEY FIGURES	7-9/ 2014	7-9/ 2013	1-9/ 2014	1-9/ 2013	1-12/ 2013
Net sales, MEUR	23.7	17.4	49.8	53.9	73.9
Adjusted operating result, MEUR ¹	4.7	1.0	-1.4	-0.3	3.3
Operating result, MEUR	4.7	0.5	-1.4	-2.0	1.6
Result before taxes, MEUR	2.8	1.9	-6.4	0.5	4.1
Result for the period	1.2	0.4	-9.8	-3.0	-2.5
Earnings per share, basic, EUR	0.01	0.00	-0.08	-0.02	-0.02
Order book, MEUR			52.7	48.0	45.0
Cash flow after investments, MEUR	-0.7	-0.5	-4.5	-4.8	-4.6
Change in cash and cash equivalents, MEUR	-1.3	3.7	-4.7	-3.5	-3.8
Cash and cash equivalents, MEUR			2.0	7.0	6.6
Equity ratio % ²			20.8	29.9	30.3
Net gearing % ²			196.0	109.5	113.4
Personnel at end of period			1,059	1,053	1,059

¹ Adjusted operating result = operating result before R & D capitalisation, amortisation of this and one-time costs. Details of these are given in the section "Result analysis".

² This key figure has been corrected for the period 1-9/2013, see note 4 in the table section.

Unless otherwise stated, all figures presented below are for the review period 1-9/2014 and the figures for comparison are for the corresponding period 1-9/2013.

CEO Ilkka Raiskinen:

"The recently ended third quarter was a very concrete example of how significant seasonal fluctuations are in our business: a weak second quarter was followed by a historically strong third quarter. Net sales were the highest ever, the adjusted operating profit was the best ever, and the order book for our new products was strong, especially in the MEA region – in other words our customers have confidence in our products and our knowhow.

While demand for our new products is encouraging, we still have to admit, however, that the company is still facing the same challenges. Capital is still tied up in two major projects, so the company's ability to generate cash flow is insufficient. Progress on two major projects has been positive, and significant parts of the systems supplied have been taken into production use."

SALES AND NET SALES

Tecnotree's net sales in the review period decreased 7.5 per cent to EUR 49.8 (53.9) million.

EUR 18.2 (19.0) million of sales in the review period have been recognised by stage of completion (IAS 11 Construction Contracts) and EUR 31.6 (34.9) million on delivery (IAS 18 Revenues).

	1-9/2014	1-9/2013	1-9/2014	1-9/2013
NET SALES BY MARKET AREA	MEUR	MEUR	%	%
Americas (North, Central and South America)	24.3	26.4	48.9	49.0
Europe	3.1	3.7	6.3	6.8
MEA (Middle East and Africa)	19.9	22.1	40.0	41.1
APAC (Asia and Pacific)	2.4	1.7	4.8	3.1
TOTAL	49.8	53.9	100.0	100.0

	30.9.2014	30.9.2013	30.9.2014	30.9.2013
CONSOLIDATED ORDER BOOK	MEUR	MEUR	%	%
Americas (North, Central and South America)	23.5	29.0	44.6	60.5
Europe	1.5	2.2	2.9	4.6
MEA (Middle East and Africa)	26.3	15.8	49.9	33.0
APAC (Asia and Pacific)	1.4	0.9	2.6	2.0
TOTAL	52.7	48.0	100.0	100.0

Maintenance and service sales totalled EUR 20.0 (22.3) million or 40.1 per cent (41.4 %) of net sales.

RESULT ANALYSIS

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

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

INCOME STATEMENT, KEY FIGURES, MEUR	1-9/2014	1-9/2013	1-12/2013
Net sales	49.8	53.9	73.9
Other operating income	0.1	0.1	0.1
Operating costs excluding product development capitalisation and one-time costs	-51.3	-54.2	-70.6
Adjusted operating result	-1.4	-0.3	3.3
Product development amortisation		-1.7	-1.7
Operating result	-1.4	-2.0	1.6

Tecnotree's net sales in the first nine months of this year EUR 4.1 million were lower than the corresponding period in the previous year. The company usually has low net sales in the first quarter, and one factor in this is the timing of decisions on capital expenditure by clients. Net sales in the second quarter are normally higher than in the first, but this year some of the orders expected in the second quarter were postponed to the second half of the year. As a result, net sales for the first half of the year were less than normal. Third quarter net sales were high, and the orders postponed from the first half of the year contributed to this. During the third quarter Tecnotree received new orders to the value of EUR 29.7 million. The strengthening of the US dollar also boosted net sales.

The operating result for the nine month review period was EUR 0.5 million higher than in the previous year, even though net sales were lower. Costs in the period were EUR 2.3 million less than in the period for comparison.

Tecnotree's amortisation of R & D capitalisation ended in 2013. In the period for comparison they weakened the result by EUR 1.7 million. Amortisation declined by a further EUR 0.4 million from the previous year with the ending of the amortisation of balance sheet items recognized at the purchase of the company in India, since five years had passed since the acquisition.

Financial income and expenses (net) during the review period totalled a net loss of EUR 5.0 million (net gain of EUR 2.4 million). The exchange rate gains and losses consist mainly of exchange rate differences from intragroup payables in the parent company. These do not have impact on the Group's cash flow.

FINANCIAL INCOME AND EXPENSES, MEUR	1-9/2014	1-9/2013	1-12/2013
Interest income	0.0	0.1	0.1
Exchange rate gains	0.2	4.2	5.1
Other financial income	0.0	0.1	0.1
FINANCIAL INCOME, TOTAL	0.2	4.3	5.2
Interest expenses	-1.8	-1.0	-1.4
Exchange rate losses	-3.1	-0.3	-0.6
Other financial expenses	-0.3	-0.6	-0.7
FINANCIAL EXPENSES, TOTAL	-5.2	-1.9	-2.7
FINANCIAL ITEMS, TOTAL	-5.0	2.4	2.5

Taxes for the period totalled EUR 3.4 (3.4) million, including the following items:

TAXES IN INCOME STATEMENT, MEUR	1-9/2014	1-9/2013	1-12/2013
Withholding tax expenses in parent company	-2.2	-1.5	-2.8
Change in withholding tax provision	-0.7		-0.1
Income taxes on the results of Group companies	-0.1	-1.0	-2.3
Prior year taxes	0.0		0.0
Change in deferred tax asset in India	-0.9	-0.2	-0.7
Change in deferred tax liability based on:			
- R&D capitalisation	0.0	0.3	0.3
- dividend tax in India	0.3	-1.2	-1.2
Other items	0.1	0.2	0.2
TAXES IN INCOME STATEMENT, TOTAL	-3.4	-3.4	-6.6

Earnings per share were EUR -0.08 (-0.02). Equity per share at the end of the period was EUR 0.13 (31 December 2013: EUR 0.18).

FINANCING AND INVESTMENTS

The company's cash situation remained tight during the review period. The company raised a new short-term bank loan of EUR 0.8 million in June, and obtained a short-term loan of EUR 0.8 million from certain shareholders in the company who are related parties. These loans mature in December 2014. In addition, in September the bank granted a short-term loan of EUR 0.5 million, which the company repaid during the same month. After the close of the quarter the

company has taken out a EUR 0.7 million short-term bank loan that matures in November. Tecnotree had overdue trade payables at the end of September.

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

CHANGE IN WORKING CAPITAL, MEUR (increase - / decrease +)	1-9/2014	1-9/2013	1-12/2013
Change in trade receivables	4.4	7.3	5.0
Change in other receivables	-11.2	-9.1	-7.7
Change in inventories	-1.2	-0.3	0.0
Change in trade payables	6.4	-0.2	-1.2
Change in other liabilities	2.0	-0.0	-1.6
CHANGE IN WORKING CAPITAL, TOTAL	0.4	-2.3	-5.4

Project revenue is recognised in other receivables. When the agreement allows the customer to be invoiced, the receivables are regrouped in trade receivables. Trade and other receivables should be treated as one item when assessing changes in Tecnotree's working capital. In particular the orders received during the third quarter totaling EUR 29.7 million had an impact on the increase in other receivables. Part of these were recognised as revenue but will be invoiced only after the end of third quarter.

Tecnotree's cash and cash equivalents totalled EUR 2.0 (31 December 2013: 6.6) million. The change in cash and cash equivalents for the review period was EUR -4.7 million. The company had no unused credit facilities at the end of the review period (31.12.2013: 0.0).

The balance sheet total on 30 September 2014 stood at EUR 76.9 (31 December 2013: 71.6) million. Tecnotree's gross capital expenditure during the review period was EUR 0.6 (0.4) million or 1.3 per cent (0.8 %) of net sales. Interest-bearing liabilities were EUR 33.4 (31 December 2013: 31.8) million. The net debt to equity ratio (net gearing) was 196.0 per cent (31 December 2013: 113.4 %) and the equity ratio was 20.8 per cent (31 December 2013: 30.3 %). During the period, total equity was affected by positive translation differences of EUR 4.1 million.

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

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

Interest coverage, leverage and equity ratio are tested every six months and the terms for these get tougher as the loan period progresses. For interest coverage the January-September operating profit should have been at least EUR 6.6 million, and leverage would have demanded an operating profit of at least EUR 3.5 million to comply with the terms of the next test date on 31 December 2014. Similarly for the equity ratio, shareholders' equity on 30 September 2014 should have been at least EUR 26.9 million. The actual operating result for the January-September 2014 period was EUR -1.4 million and shareholders' equity on 30 September 2014 was EUR 16.0 million.

Cash flow cover is also tested at six month intervals but the terms for this do not get tougher as the loan period progresses. Cash flow after investments for the January-September 2014 period was EUR -4.5 million, when to comply with the terms of the covenant it should have been at least EUR 2.2 million.

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

Since the waiver regarding the covenants is for a period of less than 12 months, the company's EUR 21.8 million loan is classified as a current loan, in accordance with the Standard. The six-monthly repayment instalments of EUR 1.1 million begin in December 2014, and the outstanding balance, EUR 14.1 million, falls due for payment on 30 June 2018.

BUSINESS DESCRIPTION

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

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

SEGMENT INFORMATION

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

GEOGRAPHICAL AREAS

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

Americas (North, Central and South America)

Net sales in the market area fell 7.7 per cent from the previous year to EUR 24.3 (26.4) million. This decline is due to the timing of orders and deliveries in different quarters of the year and does not represent a permanent reduction in net sales in the area. The order book for major deliveries turned into net sales, which meant that the order book declined 19.0 per cent. The order book was EUR 23.5 (29.0) million. Sales comprised expansions and upgrades of solutions installed for current customers, the renewal of annual maintenance contracts, and partial implementation of new orders.

Europe

Net sales in Europe declined 14.2 per cent from the same period in 2013, to EUR 3.1 (3.7) million. The order book in the region declined 29.2 per cent to EUR 1.5 (2.1) million. The decline in sales was due to the fall in sales of the company's established messaging solutions, while sales of the business support system products contained in the new strategy have not brought results yet. In Europe Tecnotree has supplied completely new systems and expansions of existing systems, mainly to existing customers.

MEA (Middle East and Africa)

Net sales in the Middle East and Africa declined 10.0 per cent from the same period in 2013, totalling EUR 19.9 (22.1) million, as the result of seasonal fluctuations in orders and deliveries. Tecnotree has obtained a good number of new orders in the area, and the order book was 66.0 per cent higher than at the same time in the previous year, standing at EUR 26.3 (16.6) million. Tecnotree has an extremely broad customer base in the MEA region and this has expanded during 2014. In addition, the business of its customers is growing, which offers growth potential for Tecnotree's business operations in the region. Implementation of Tecnotree's new strategy has made encouraging progress in the area, while demand for its established products has remained firm.

APAC (Asia and Pacific)

Net sales in the Asia and Pacific region increased 43.3 per cent from the corresponding period in the previous year, to EUR 2.4 (1.7) million. The order book in the region increased 46.9 per cent to EUR 1.7 (0.9) million. The area offers growth potential for the company.

PERSONNEL

At the end of September 2014 Tecnotree employed 1,059 (31 December 2013: 1,059) persons, of whom 90 (31 December 2013: 89) worked in Finland and 969 (31 December 2013: 970) elsewhere. The company employed on average 1,052 (1,073) people during the review period. Personnel by country were as follows:

PERSONNEL	1-9/2014	1-9/2013	1-12/2013
Personnel, at end of period	1,059	1,053	1,059
Finland	90	88	89
Ireland	52	47	49
Brazil	29	36	34
Argentina	41	34	31
India	801	799	809
Other countries	46	49	47
Personnel, average	1,052	1,073	1,067
Personnel expenses (MEUR)	24.3	25.7	34.6

SHARES AND SHARE CAPITAL

At the end of September 2014 the shareholders' equity of Tecnotree Corporation stood at EUR 16.0 (31 December 2013: 21.7) million and the share capital was EUR 4.7 million. The total number of shares was 122,628,428.

At the end of the period, the company did not hold any of these shares anymore (31 December 2013: 64,704). During the period all 64,704 own shares were used for management rewards. Equity per share was EUR 0.13 (31 December 2013: EUR 0.18).

A total of 35,352,482 Tecnotree shares (EUR 7,276,034) were traded on the Helsinki Exchanges during the period 1 Jan – 30 September 2014, representing 28.8 per cent of the total number of shares.

The highest share price quoted in the period was EUR 0.26 and the lowest EUR 0.13. The average quoted price was EUR 0.21 and the closing price on 30 September 2014 was EUR 0.16. The market capitalisation of the share stock at the end of the period was EUR 19.1 million.

CURRENT AUTHORISATIONS

The Annual General Meeting of Tecnotree Corporation held on 26 March 2014 authorised the Board of Directors in accordance with the proposal of the Board of Directors to decide on the acquisition of a maximum of 12,262,842 of the Company's own shares. Own shares may be acquired with unrestricted shareholders' equity otherwise than in proportion to the holdings of the shareholders through public trading of the securities on NASDAQ OMX Helsinki Oy at the market price of the shares in public trading at the time of the acquisition. Own shares can be acquired for the purpose of developing the capital structure of the Company, carrying out corporate acquisitions or other business arrangements to develop the business of the Company, financing capital expenditure, to be used as part of the Company's incentive schemes, or to be otherwise retained in the possession of the Company, disposed of or nullified in the extent and manner decided by the Board of Directors. The Board of Directors shall decide on other terms of the share acquisition. The authorisation is valid for one year from the decision of the Annual General Meeting. The Board of Directors has not exercised this authorisation during the review period.

In addition, the Annual General Meeting authorised the Board of Directors in accordance with the proposal of the Board of Directors to decide to issue and/or to convey a maximum of 60,000,000 new shares and/or the Company's own shares either against payment or for free. New shares may be issued and the Company's own shares may be conveyed to the Company's shareholders in proportion to their current shareholdings in the Company or waiving the shareholder's pre-emption right, through a directed share issue if the Company has a weighty financial reason to do so. The Board of Directors may also decide on a free share issue to the Company itself. The Board of Directors is, within the authorization, authorized to grant the special rights referred to in Chapter 10, Section 1 of the Companies Act, which carry the right to receive, against payment, new shares of the Company or the Company's own shares held by the Company in such a manner that the subscription price of the shares is paid in cash or by using the subscriber's receivable to set off the subscription price. The Board of Directors shall decide on other terms and conditions related to the share issues and granting of the special rights. The

said authorisations is valid for one year from the decision of the Annual General Meeting. The Board of Directors has not exercised this authorisation during the review period.

INCENTIVE SCHEME

During the review period the company had a current share-based incentive scheme that the Board of Directors had established on 25 October 2011. Any reward in the scheme for the 2014 earning period is based on Tecnotree Group's operating profit and the company's trade weighted average share price in December 2014.

LEGAL PROCEEDINGS

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

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

RISKS AND UNCERTAINTY FACTORS

The risks and uncertainty factors for Tecnotree are explained in the 2013 Board of Directors' Report and in the notes to the Financial Statements. Tecnotree's risks and uncertainties in the near future relate to projects, to their timing, to receivables, to changes in foreign exchange rates and to financing.

The company has sales to a client in Argentina. The Argentine government is having difficulties in connection with old foreign debt, which may have a negative impact on payments due from Argentina.

The company has large volumes of goods deliveries which may hinder progress in some of the projects and cause cash flow problems.

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

Tecnotree has reached agreement with its bank that any failure to achieve the performance ratios as stated in the loan covenants in the financing agreement signed in August 2013, will not result in the sanctions contained in the financing agreement, such as the obligation to repay the loans. This waiver regarding the covenants is valid also for the year 2014 financial statements. As stated above in the section 'Financing and Investments', some of the covenants failed to achieve the figures specified in the financing agreement on 30 September 2014.

The company has short-term loans totalling EUR 1.6 million and a repayment of the long-term loan amounting to EUR 1.1 million, which fall due for payment in December, as well as a short-term loan of EUR 0.7 million due in November. The company needs to get sufficient cash in-flow to fund these loan repayments.

At the end of September 2014 the Group's shareholders' equity stood at EUR 16.0 million. However, the shareholders' equity of the parent company was only EUR 4.1 million while its share capital stood at EUR 4.7 million. The low level of the shareholders' equity of the parent company creates the risk of the measures required in Section 23 of Chapter 20 of the Limited Liability Companies Act if equity falls to less than half of share capital.

Because of the risks related to the sufficiency of cash and to shareholders' equity, the company is currently examining the possibility of obtaining new, primarily equity financing.

EVENTS AFTER THE END OF PERIOD

Tecnotree announced on 30 September 2014 that it was starting statutory employee negotiations in Finland concerning the redundancy of at most 17 people on production-related and financial grounds. The negotiations affected all personnel in Finland but the planned measures were mainly focused on the Value Added Services unit. The objective of these negotiations was to adjust the level of costs so that they correspond to the current situation and to raise the efficiency of the company's operations to meet market requirements.

On 28 October 2014, the company announced that the co-operation negotiations have been completed. The staff reduction will be in total 12 employees of which 8 via lay-offs and 4 via other voluntary measures. These measures will lead to over one million Euros cost savings per annum. The related savings will in major part be effective as of the beginning of the year 2015.

PROSPECTS IN 2014

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

FINANCIAL INFORMATION

Tecnotree is holding a conference for analysts, investors and the media to announce its third quarter results on 29 October 2014 at 10.00 am in the Tapiola conference room at the Scandic Hotel Simonkenttä, Simonkatu 9, Helsinki. The interim report will be presented by CEO Ilkka Raiskinen and the conference will be held in Finnish. The material to be presented at the press conference will be available at www.tecnotree.com.

TECNOTREE CORPORATION

Board of Directors

FURTHER INFORMATION

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TABLE SECTION

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

CONSOLIDATED INCOME STATEMENT, MEUR	Note	7-9/ 2014	7-9/ 2013	1-9/ 2014	1-9/ 2013	1-12/ 2013
NET SALES	2	23.7	17.4	49.8	53.9	73.9
Other operating income		0.0	0.0	0.1	0.1	0.1
Materials and services		-3.7	-2.2	-8.2	-9.5	-10.6
Employee benefit expenses		-8.1	-8.5	-24.3	-25.7	-34.6
Depreciation, amortisation and impairment charges		-0.3	-1.0	-0.8	-3.1	-3.5
Other operating expenses		-6.9	-5.3	-18.0	-17.6	-23.6
OPERATING RESULT	2	4.7	0.5	-1.4	-2.0	1.6
Financial income		0.1	2.2	0.2	4.3	5.2
Financial expenses		-2.0	-0.8	-5.2	-1.9	-2.7
RESULT BEFORE TAXES		2.8	1.9	-6.4	0.5	4.1
Income taxes		-1.6	-1.5	-3.4	-3.4	-6.6
RESULT FOR THE PERIOD		1.2	0.4	-9.8	-3.0	-2.5
Allocated to:						
Equity holders of parent company		1.2	0.4	-9.8	-3.0	-2.5
Non-controlling interest		0.0	0.0	-0.0	0.0	0.0
Earnings per share calculated from the profit attributable to equity holders of parent company:						
Earnings per share, basic, EUR		0.01	0.00	-0.08	-0.02	-0.02
Earnings per share, diluted, EUR		0.01	0.00	-0.08	-0.02	-0.02
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, MEUR		7-9/ 2014	7-9/ 2013	1-9/ 2014	1-9/ 2013	1-12/ 2013
RESULT FOR THE PERIOD		1.2	0.4	-9.8	-3.0	-2.5
Other comprehensive income profit or loss:						
Translation differences from foreign		2.1	-4.7	4.3	-8.3	-9.1
Tax relating to components of other comprehensive income		-0.1	0.3	-0.2	0.5	0.5
Other comprehensive income, net of tax		2.0	-4.4	4.1	-7.8	-8.7
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		3.2	-4.0	-5.7	-10.8	-11.1
Allocated to:						
Equity holders of parent company		3.2	-4.0	-5.7	-10.8	-11.2
Non-controlling interest		-0.0	0.0	-0.0	0.0	0.0

CONSOLIDATED BALANCE SHEET	Note	30.9.2014	30.9.2013	31.12.2013
Assets				
Goodwill		16.4	15.3	15.3
Other intangible assets		0.4	0.6	0.4
Tangible assets		4.0	4.2	4.0
Deferred tax assets		0.7	2.0	1.5
Other non-current trade and other receivables		0.9	0.7	0.8
Current assets				
Inventories		1.8	0.9	0.6
Trade receivables		13.1	15.3	17.5
Other receivables		37.6	27.0	24.4
Investments		0.0	0.6	0.6
Cash and cash equivalents		2.0	7.0	6.6
TOTAL ASSETS		76.9	73.7	71.6
Shareholders' equity *	4	16.0	22.1	21.7
Non-current liabilities				
Deferred tax liabilities		2.8	3.1	3.0
Non-current interest-bearing liabilities	3	0.0	21.8	20.7
Other non-current liabilities		1.1	0.5	0.9
Current liabilities				
Current interest-bearing liabilities	3	33.4	10.0	11.1
Trade payables and other liabilities *	4	23.6	16.3	14.2
EQUITY AND LIABILITIES, TOTAL		76.9	73.7	71.6

* The figure for period 30.9.2013 has been retrospectively corrected, see note 4.

CALCULATION OF CHANGES IN
SHAREHOLDERS' EQUITY, MEUR

MEUR	A	B	C	D	E	F	G	H	I	J
SHAREHOLDERS' EQUITY 1 JAN 2014	4.7	0.8	-0.1	-12.9	5.5	2.3	21.3	21.7	0.1	21.7
Result for the period							-9.8	-9.8	-0.0	-9.8
Other comprehensive income:										
Translation differences, net of tax				4.1				4.1		4.1
Total comprehensive income for the period				4.1			-9.8	-5.7	-0.0	-5.7
Disposal of own shares			0.1				-0.0	0.0		0.0
Sharebased payments							-0.0	-0.0		-0.0
Transactions with shareholders, total			0.1				-0.1	0.0		0.0
Covering of loss					-3.8		3.8	0.0		0.0
Other changes							0.1	0.1	0.0	0.1
SHAREHOLDERS' EQUITY 30 SEP 2014	4.7	0.8	0.0	-8.8	1.6	2.3	15.3	16.0	0.0	16.0
Me	A	B	C	D	E	F	G	H	I	J
SHAREHOLDERS' EQUITY 1 JAN 2013 *	4.7	0.8	-0.1	-4.2	18.0	5.2	8.4	32.8	0.1	32.8
Result for the period							-3.0	-3.0	0.0	-3.0
Other comprehensive income:										
Translation differences, net of tax				-7.8				-7.8		-7.8
Total comprehensive income for the period				-7.8			-3.0	-10.8	0.0	-10.8
Share issue			0.1				-0.1	0.0		0.0
Sharebased payments							0.0	0.0		0.0
Transactions with shareholders, total			0.1				-0.0	0.0		0.0
Covering of loss					-12.6	-2.9	15.4	0.0		0.0
Other changes							0.0	0.0	-0.0	0.0
SHAREHOLDERS' EQUITY 30 SEP 2013	4.7	0.8	-0.1	-12.1	5.5	2.3	20.8	22.0	0.1	22.1

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

A = Share capital

B = Share premium fund

C = Own shares

D = Translation differences

E = Invested non-restricted equity reserve

F = Other reserves

G = Retained earnings

H = Total equity attributable to equity holders of parent company

I = Non-controlling interest

J = Total shareholders' equity

CONSOLIDATED CONDENSED CASH FLOW STATEMENT, MEUR	1-9/2014	1-9/2013	1-12/2013
Cash flow from operating activities			
Result for the period	-9.8	-3.0	-2.5
Adjustments of the result	8.0	3.7	8.0
Changes in working capital	0.4	-2.3	-5.4
Interest paid *	-0.1	-0.1	-0.1
Interest received	0.1	0.1	0.1
Income taxes paid	-3.1	-2.9	-4.3
Net cash flow from operating activities	-4.5	-4.5	-4.2
Cash flow from investing activities			
Investments in intangible assets	-0.1	-0.0	-0.1
Investments in tangible assets	-0.6	-0.4	-0.5
Proceeds from disposal of intangible and tangible assets	0.1	0.0	0.0
Proceeds from disposal of other securities	0.6	0.0	0.0
Interest received from other securities	0.0	0.0	0.0
Dividends received from other securities			0.0
Net cash flow from investing activities	0.0	-0.3	-0.4
Cash flow from financing activities			
Borrowings received	2.1	21.8	21.8
Repayments of borrowings	-0.5	-13.3	-13.3
Changes in credit facilities in use		-5.0	-5.0
Interest paid *	-1.8	-2.2	-2.7
Net cash flow from financing activities	-0.2	1.3	0.8
Increase (+) and decrease (-) in cash and cash equivalents	-4.7	-3.5	-3.8
Cash and cash equivalents at beg. of period	6.6	11.3	11.3
Impact of changes in exchange rates	0.1	-0.8	-0.9
Cash and cash equivalents at end of period	2.0	7.0	6.6

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

1. ACCOUNTING PRINCIPLES FOR THE INTERIM REPORT

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

The presentation of the cash flow statement has changed so that interest and other financial items paid have been regrouped from 'Net cash flow from operating activities' to 'Net cash flow from financing activities'. The figures for the comparative periods have been retrospectively changed to reflect this.

Going concern basis

The interim report has been prepared on a going concern basis. The accounting principles for the 2013 consolidated financial statements explain the state of its operations as a going concern. Operations were loss-making during the nine month review period, weakening the company's financial position. As was forecast in the previous interim report, the company's net sales and result in the third quarter were clearly better than in the first two quarters of the year. The figures for the fourth quarter are also expected to show a clear improvement on the first half of the year. The company has taken measures to improve profitability, and will continue with these systematically. Significant uncertainty factors are the company's loss bringing operations, sufficiency of financing and the low level of shareholder's equity. To ensure it has sufficient financing, during the review period the company obtained short-term finance from its financing bank and from related parties. Because of the significant uncertainty factors, the company is currently examining the possibility of obtaining new, primarily equity financing.

2. SEGMENT INFORMATION

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

OPERATING SEGMENTS	1-9/2014	1-9/2013	1-12/2013
NET SALES, MEUR			
Americas (North, Central and South America)	24.3	26.4	38.6
Europe	3.1	3.7	4.6
MEA (Middle East and Africa)	19.9	22.1	28.6
APAC (Asia Pacific)	2.4	1.7	2.2
TOTAL	49.8	53.9	73.9

3. INTEREST-BEARING LIABILITIES

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

The credit facility is long-term in nature and in force until 30 June 2018, but is based on financing individual customer receivables. Financing taken under the credit facility falls due on payment of the receivables for which they were taken, but is renewed by financing new receivables. This is the reason for presenting the credit facility as current liability in the balance sheet.

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

Likewise the long-term loan from financial institutions is classified as current in the balance sheet, because the waiver regarding the covenants is for a period of less than 12 months. Tecnotree has reached agreement with its bank that any failure, during the period 30 June – 31 December 2014, to achieve the performance ratios as stated in the loan covenants in the financing agreement signed in August 2013, will not result in the sanctions contained in the financing agreement, such as the obligation to repay the loans. This waiver regarding the covenants is valid also for the year 2014 financial statements. As mentioned in the “Financing and investments” chapter in the first part of the interim report, the figures for some of the covenants as calculated on 30 September 2014 did not comply with the requirements of the financing agreement. The six-monthly repayment instalments of EUR 1.1 million begin in December 2014, and the outstanding balance, EUR 14.1 million, falls due for payment on 30 June 2018.

In addition, in June the company received a short-term bank loan of EUR 0.8 million, as well as short-term loans amounting to EUR 0.8 million from certain shareholders in the company who are related parties. These loans fall due for payment in December 2014.

INTEREST-BEARING LIABILITIES, MEUR	30.9.2014	30.9.2013	31.12.2013
Loans from financial institutions, 1 Jan	31.8	28.3	28.3
Raised loans	1.3	21.8	21.8
Repayments of loans	-0.5	-13.3	-13.3
Changes in credit facilities in use	0.0	-5.0	-5.0
Loans from financial institutions, end of period	32.6	31.8	31.8
Loans from related parties, 1 Jan	0.0		
Raised loans	0.8		
Repayments of loans			
Loans from related parties, end of period	0.8		
Interest-bearing liabilities total	33.4	31.8	31.8

4. WITHHOLDING TAX PROVISION

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

At the end September 2014 this provision stood at EUR 2.5 million (31 December 2013: 1.8).

5. RELATED PARTY TRANSACTIONS

Tecnotree's related parties include the subsidiaries, the members of the Board of Directors and the Management Board, the CEO and the close family members of the preceding persons, and those entities in which these people have control.

In June 2014 Tecnotree raised a variable-interest short-term loan with market-based conditions of EUR 0.8 million from certain shareholders in the company who are related parties.

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

Except for the above mentioned transactions and regularly paid salaries and fees as well as ordinary intra-group transactions, Tecnotree has not entered any significant transactions with related parties during the review period or previous year.

6. CONTINGENT LIABILITIES

CONSOLIDATED CONTINGENT LIABILITIES, MEUR	30.9.2014	30.9.2013	31.12.2013
On own behalf			
Real estate mortgages	4.4	4.4	4.4
Corporate mortgages	45.3	45.3	45.3
Guarantees	0.3	0.5	0.3
Other liabilities			
Disputed income tax liabilities in India	1.3	0.4	0.4
OTHER OPERATING LEASES, MEUR	30.9.2014	30.9.2013	31.12.2013
Minimum rents payable based on other leases that cannot be cancelled:			
Other operating leases			
Less than one year	0.8	0.3	0.4
Between one and five years	0.5	0.2	0.3

DERIVATIVE CONTRACTS, MEUR	30.9.2014	30.9.2013	31.12.2013
Currency call options, fair value (negative)	-0.2	-0.0	-0.1
Currency call options, value of underlying instruments	7.9	24.0	22.6
Currency put options, fair value (positive)	0.0	0.1	0.2
Currency put options, value of underlying instruments	7.4	22.4	21.5
Currency termines, fair value (negative)		-0.5	
Currency termines, value of underlying instruments		5.2	
Interest rate swap, fair value (negative)	-0.6	-0.3	-0.3
Interest rate swap, value of underlying instruments	14.5	24.5	14.5

In addition, the shares of the Indian subsidiary held by the parent company are pledged. These shares have a book value of EUR 35.4 million in the parent company. The net assets of the Indian subsidiary in the consolidated balance sheet are EUR 43.1 million.

7. KEY FIGURES

CONSOLIDATED KEY FINANCIAL FIGURES	1-9/2014	1-9/2013	1-12/2013
Return on investment, % *	-3.1	5.5	11.9
Return on equity, % *	-69.5	-14.4	-9.1
Equity ratio, % *	20.8	29.9	30.3
Net gearing, % *	196.0	109.5	113.4
Investments, MEUR	-0.6	-0.4	-0.6
% of net sales	-1.3	-0.8	-0.8
Research and development, MEUR	9.1	10.3	14.0
% of net sales	18.4	19.2	19.0
Order book, MEUR	52.7	48.0	45.0
Personnel, average	1,052	1,073	1,067
Personnel, at end of period	1,059	1,053	1,059

CONSOLIDATED KEY FIGURES PER SHARE	1-9/2014	1-9/2013	1-12/2013
Earnings per share, basic, EUR	-0.08	-0.02	-0.02
Earnings per share, diluted, EUR	-0.08	-0.02	-0.02
Equity per share, EUR *	0.13	0.18	0.18
Number of shares at end of period, x 1,000	122,628	122,564	122,564
Number of shares on average, x 1,000	122,597	122,546	122,551
Share price, EUR			
Average	0.21	0.21	0.21
Lowest	0.13	0.15	0.15
Highest	0.26	0.29	0.29
Share price at end of period, EUR	0.16	0.24	0.21
Market capitalisation of issued stock at end of period, MEUR	19.1	29.4	25.8
Share turnover, million shares	35.4	61.6	72.4
Share turnover, % of total	28.8	50.3	59.0
Share turnover, MEUR	7.3	13.1	15.5
Price/earnings ratio (P/E)			-10.3

* The figure for period 1-9/2013 has been retrospectively corrected, see note 4.

QUARTERLY KEY FIGURES	3Q/14	2Q/14	1Q/14	4Q/13	3Q/13	2Q/13
Net sales, MEUR	23.7	11.7	14.4	20.0	17.4	22.5
Net sales, change %	35.7	-47.7	3.1	-10.6	-11.5	5.6
Adjusted operating result ¹	4.7	-4.3	-1.8	3.6	1.0	2.7
% of net sales	19.8	-36.9	-12.3	17.8	5.8	12.2
Operating result, MEUR	4.7	-4.3	-1.8	3.6	0.5	2.2
% of net sales	19.8	-36.9	-12.3	17.7	2.7	9.7
Result before taxes, MEUR	2.8	-5.5	-3.7	3.7	1.9	4.2
Personnel at end of period	1,059	1,052	1,042	1,059	1,053	1,068
Earnings per share, basic, EUR	0.01	-0.05	-0.04	0.00	0.00	0.02
Earnings per share, diluted, EUR	0.01	-0.05	-0.04	0.00	0.00	0.02
Equity per share, EUR ²	0.13	0.10	0.15	0.18	0.18	0.21
Net interest-bearing liabilities, MEUR	31.4	30.3	28.4	24.6	24.2	21.5
Order book, MEUR	52.7	46.7	49.1	45.0	48.0	53.3

¹ Adjusted result = operating result before R&D capitalisation, amortization of this and one-time costs. Details of these are given in the section "Result analysis".

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