TEKLA

Tekla Corporation

Annual Report 2005

3	Five years in figures
4–11	Review by the Board of Directors 1.1. – 31.12.2005
12–13	Shares and shareholders
14	Consolidated income statement, IFRS 1.1. – 31.12.2005
15	Consolidated balance sheet, IFRS 31.12.2005
16–17	Consolidated cash flow statement, IFRS 1.1. – 31.12.2005
18–53	Notes to the consolidated Financial Statements
54	Income statement, parent company, FAS 1.1.-31.12.2005
55	Balance sheet, parent company, FAS 31.12.2005
56	Cash flow statement, parent company, FAS 1.1.-31.12.2005
57	Calculation of financial indicators
58	Board of Directors' proposal for the distribution of profits
59	Auditors' report
60	Board of Directors
61	Management Team
62–63	Corporate Governance
64	Other information

TEKLA

www.tekla.com

Tekla Corporation | Metsänpojankuja 1, P.O. Box 1 | FI-02131 Espoo, Finland | Tel. +358 30 661 10

See Tekla's investor site at www.tekla.com > Investors

(Million EUR)		IFRS 2005	IFRS 2004	FAS 2004	FAS 2003	FAS 2002	FAS 2001
SCALE OF OPERATIONS:							
Net sales		**37.95**	37.89	37.89	39.81	41.47	39.20
Change, %		**0.2**	–	-4.8	-4.0	5.8	48.1
Exports and international operations		**27.29**	21.49	21.49	20.73	21.36	22.44
Change, %		**27.0**	–	3.7	-3.0	-4.8	21.3
% of net sales		**71.9**	56.7	56.7	52.1	51.5	57.2
Balance sheet total		**28.59**	33.53	32.91	35.71	43.11	50.61
Research and development expenses	1)	**7.86**	9.14	9.14	10.25	12.08	9.69
% of net sales		**20.7**	24.1	24.1	25.8	29.1	24.7
Investments in property, plant and equipment		**1.30**	0.84	0.84	1.34	5.58	14.31
% of net sales		**3.4**	2.2	2.2	3.4	13.4	36.5
Personnel, on average		**299**	368	368	428	456	382
Net sales / employee (1,000 euros)		**126.9**	103.0	103.0	93.0	90.9	102.6
Personnel expenses / employee (1,000 euros)		**66.3**	58.5	58.3	54.7	54.7	54.5
PROFITABILITY:							
Operating profit (loss)		**6.39**	-0.80	-1.47	-9.45	-3.50	2.50
% of net sales		**16.8**	-2.1	-3.9	-23.7	-8.4	6.4
Profit (loss) before extraordinary items		**7.08**	-0.96	-1.60	-9.32	-3.18	3.60
% of net sales		**18.7**	-2.5	-4.2	-23.4	-7.7	9.2
Profit/loss before appropriations and taxes		**7.08**	-0.96	-1.60	-9.32	-3.18	3.60
% of net sales		**18.7**	-2.5	-4.2	-23.4	-7.7	9.2
Return on equity (ROE), %		**28.3**	-0.1	-4.6	-33.0	-8.2	7.9
Return on investment (ROI), %		**32.7**	-3.2	-5.8	-29.9	-8.0	12.0
Operating profit (loss) / employee (1,000 euros)		**21.4**	-2.2	-4.0	-22.1	-7.7	6.6
FINANCING AND FINANCIAL POSITION:							
Equity		**17.21**	23.79	23.31	24.17	33.44	37.37
Interest-bearing liabilities		**1.34**	1.76	1.57	2.02	2.29	2.35
Non-interest-bearing liabilities		**10.04**	7.98	7.90	9.38	7.28	10.68
Equity ratio, %		**61.1**	71.8	72.0	69.0	78.4	75.4
Net gearing, %		**-81.2**	-78.5	-89.2	-50.6	-40.0	-45.2
SHARE RELATED DATA:							
Earnings per share (euros)		**0.26**	0.00	-0.05	-0.42	-0.13	0.12
Equity per share (euros)		**0.76**	1.06	1.04	1.07	1.49	1.66
Dividend per share (euros)	2)	**0.12**	0.00	0.00	0.00	0.00	0.04
Dividend to earnings ratio, %		**46.2**	0.0	0.0	0.0	0.0	34.4
Effective dividend yield, %		**3.5**	0.0	0.0	0.0	0.0	1.2
Price / earnings (P/E)		**13.2**	–	-38.5	-4.6	-12.2	29.3
Share prices, euros							
– period's lowest		**1.85**	1.71	1.71	0.98	1.50	2.62
– period's highest		**3.60**	2.80	2.80	2.15	4.12	5.15
– period's average		**2.84**	2.16	2.16	1.46	3.54	3.44
– on December 31		**3.42**	1.87	1.87	1.93	1.58	3.40
Market capitalization		**77.01**	42.11	42.11	43.46	35.58	76.56
Share turnover (in 1,000s)		**8,437**	3,901	3,901	2,269	6,533	3,046
Share turnover, %		**37.5**	17.3	17.3	10.1	29.0	13.5
No. of issue-adjusted shares at year's end		**22,516,600**	22,516,600	22,516,600	22,516,600	22,516,600	22,518,200
Average no. of issue-adjusted shares		**22,516,600**	22,516,600	22,516,600	22,516,600	22,516,631	20,588,996

1) The calculation principles of research and development expenses were specified in 2003-2004.
2) The Board's proposal to the AGM
In calculating share related data, the company's own shares are deducted from the total number of shares and the value of treasury shares from shareholders' equity.
Calculation of financial indicators on page 57.

REVIEW BY THE BOARD OF DIRECTORS 2005

Financial year in brief

- Tekla Group's consolidated net sales were 37.95 (37.89) million euros. The comparable net sales in 2004 were 31.67 million euros. The comparable growth of net sales was nearly 20 percent.
- Operating result was 6.39 (-0.80) million euros.
- International operations accounted for 72% (57%) of net sales.
- The Extraordinary General Meeting on June 30, 2005, accepted the Board of Directors' proposal that the company's share premium account be decreased by 0.55 euros per each Tekla Corporation share. The return of capital amounted to 12,384,130 euros and it was paid to the shareholders on November 25, 2005.
- Tekla Corporation's Board will propose to the Annual General Meeting, to be held on March 16, 2006, that a dividend of 0.12 euros per share be distributed for the financial period 2005 for a total dividend payment of 2,701,992 euros.

BUSINESS ENVIRONMENT

Tekla develops and markets software products and related services that make customers' core business more effective. The products are used in building and construction, in energy companies and water utilities as well as in municipalities. The ingenuity of Tekla's products is in their model-based technology; Tekla is an international forerunner in developing model-based technology in its customer segments. Tekla also has decades of experience in select customer industries.

Tekla's software solutions make customers' core business processes more effective, enable their further development and enhance customers' competitiveness.

The building industry grew throughout 2005, and the demand for software was brisk. Product offerings for the industry are still evolving, and there are a lot of players. The prospects of the implementation of product modeling are good in several countries. It seems that the product development carried out during the softer market situation is contributing to the strengthening of Tekla's market position.

As for the energy industry, structural changes in network companies continued in 2005. The high price of energy improves the profitability of the companies and improves IT investment opportunities. In the Nordic countries, there was particular demand for network information systems that provide operative support due to storms and other failure situations. Tekla's market position grew in Sweden and remained strong in Finland and the Baltic states.

Demand for geographic information systems was steady in Europe, and its increase focused on the developing regions of Eastern Europe in particular. The requirements for operative efficiency in the public sector continue to increase in Finland. Information systems are in a central role, especially with increasing regional collaboration. Tekla's market position strengthened in large and medium-sized Finnish municipalities.

NET SALES AND RESULT

Tekla's net sales were 37.95 (37.89) million euros. The comparable net sales in 2004 were 31.67 million euros. The comparable growth of net sales was nearly 20 percent.

Tekla's operating result was 6.39 (-0.80) million euros. Profit (loss) before taxes amounted to 7.08 (-0.96) million euros.

Tekla Group's net sales and operating result are shown in the following tables.

Net sales, million euros

1.1.– 31.12.	2005	2004	Change	% of net sales (2005)
Building & Construction	25.19	17.76	7.43	66.4
Energy & Utilities	6.29	11.71	-5.42	16.6
Public Infra	4.23	4.88	-0.65	11.1
Defence	2.24	2.30	-0.06	5.9
Others *)	0.00	1.24	-1.24	0.0
Total	**37.95**	**37.89**	**0.06**	**100.0**

Operating result, million euros

1.1.–31.12.	2005	2004	Change
Building & Construction	6.54	1.73**)	4,81
Energy & Utilities	-0.48	-2.30**)	1,82
Public Infra	0.28	-0.53	0,81
Defence	0.14	0.23	-0,09
Others*)	-0.09	0.07	-0,16
Total	**6.39**	**-0.80**	**7,19**

*) Hardware sales were transferred over to E&U as of January 1, 2005.

**) Incl. non-recurring items of some 0.5 million euros (B&C) and some 3 million euros (E&U).

Proforma net sales without sold businesses (2004), million euros

1.1.– 31.12	2005	2004	Change
Building & Construction	25.19	17.76	7.43
Energy & Utilities	6.29	6.43	-0.14
Public Infra	4.23	3.94	0.29
Defence	2.24	2.30	-0.06
Others	0.00	1.24	-1.24
Total	**37.95**	**31.67**	**6.28**

PROFITABILITY

Return on investment (ROI) was 37.2% (-3.2%) and return on equity (ROE) 28.3% (-0.1%). Earnings per share were 0.26 (0.00) euros and equity per share at the end of the period was 0.75 (1.06) euros.

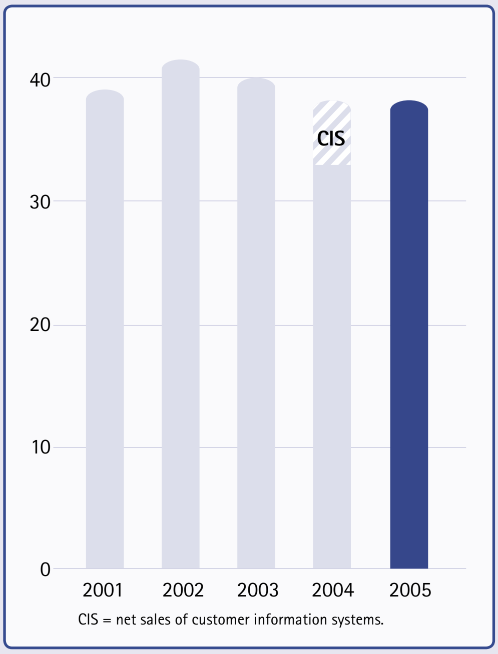
FINANCIAL POSITION

The consolidated balance sheet totaled 28.59 (33.53) million euros. Equity ratio was 61.1% (71.8%). Liabilities totaled 11.38 (9.74) million euros. Liquid assets stood at 15.31 (22.42) million euros, constituting 53.6% (66.9%) of the balance sheet total. Return of capital paid on November 25, 2005 decreased liquid assets by 12.38 million euros.

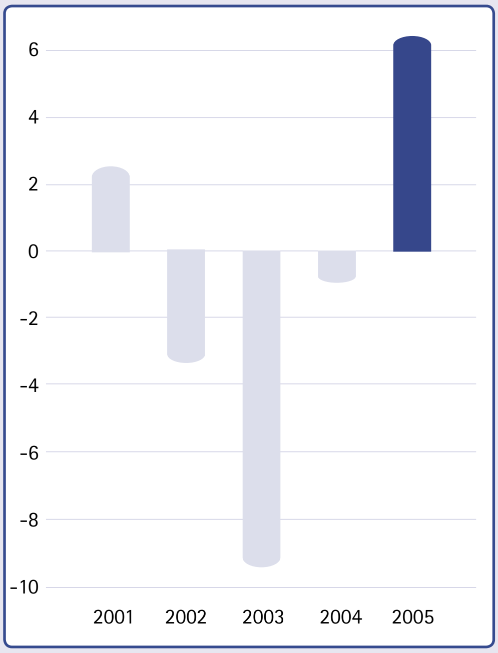
INVESTMENTS

Gross investments amounted to 1.30 (0.84) million euros, mainly consisting of normal acquisitions of hardware, software and equipment.

Tekla net sales, million euros



Tekla operating result, million euros



BUSINESS AREAS

Building & Construction

The Building & Construction business area (B&C) develops and markets software products for model-based engineering as well as the management of building and fabrication of steel and concrete structures.

The net sales of B&C amounted to 25.19 (17.76) million euros for 2005. Net sales increased by approximately 42% compared to the previous year. Operating profit improved noticeably from the previous year, reaching 6.54 (1.73) million euros. International operations accounted for 94% (94%) of net sales. The last quarter of 2005 was the business area's all-time best; its net sales were 7.41 million euros, generating 2.27 million euros of operating profit.

In B&C's main market area, North America, growth in sales was strong throughout the year. This market area accounted for approximately one fourth of the business area's sales. Almost all market areas were growing, especially Australia, Southeast Asia and India.

Most of B&C's sales in 2005 were due to Tekla Structures' offering for structural steel engineering. The expanded product offering, covering the engineering of concrete structures, for instance, was successful in the Nordic countries.

The product development project between Tekla and the PCSC (Precast Concrete Software Consortium) kicked off in 2003 was completed, as final testing of the Tekla Structures software was approved in the fall. As a result of the project, Tekla Structures was localized for the North American precast concrete industry. The software could be adopted by PCSC companies, and further product development will be continued with these customer companies under normal circumstances.

In September, Tekla signed a cooperation agreement with the Finnish company Lujabetoni Oy in order to develop the Tekla Structures software for precast concrete structural design. In June, Tekla acquired minority interests in the Finnish companies Tocoman Group Oy and Tocosoft Oy.

The building industry trends remained good throughout the year 2005, and seem to be the same for the start of 2006 as well. However, B&C's annual growth is not expected to be as strong as it was in 2005. In order to facilitate long-term growth, B&C's resources are being increased, and the business area's profitability is expected to continue at a good level.

Energy & Utilities

The Energy & Utilities business area (E&U) supplies energy distribution companies and water utilities with solutions that improve their business and operative efficiency and competitiveness.

The net sales of E&U amounted to 6.29 (11.71) million euros in 2005. Excluding the CIS business, net sales for 2004 amounted to 6.43 million euros. E&U's operating result was -0.48 (-2.30) million euros. The operating result for 2004 included non-recurring costs in the amount of some 3 million euros. International operations accounted for 51% (36%) of net sales. The comparable figure for 2004 excluding the CIS business was 57%.

E&U's business comprises mostly of sales of additional licenses and services to existing customers. Customer interest in system extensions continued since the spring 2005. This could be seen in a slight recovery in net sales and growth in the order backlog since the fall.

In December, E&U announced a cooperation agreement signed with the German company SHH - SystemHaus Hemminger on the resale of Tekla Xpower in Germany and Poland.

Tekla Xpower orders were delivered to new customers in Sweden. Interest in Tekla's offering continued, as there are still several companies in Sweden that plan to renew their network information systems in the next few years. The use of Tekla Xpower continued expansion in Malaysia. China's pilot project was implemented during the year.

Latvia's national energy company Latvenergo ordered an expansion of the Tekla Xpower network information system in May.

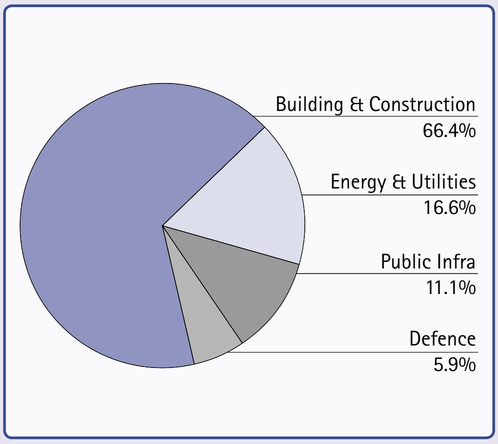
Building & Construction offers the building industry the first structural Building Information Modeling (BIM) system, Tekla Structures. The model-based 3D software covers the entire structural design process from conceptual design to detailing, fabrication and construction. Its innovative tools provide possibilities to design and create an intelligent building model of any size or complexity. Tekla Structures allows also for real-time collaboration between users across industries and project phases. Tekla Structures has thousands of users in nearly 80 countries.

Energy & Utilities provides software solutions for energy distribution companies and water utilities. Tekla Xpower and Tekla Xpipe network information systems offer users versatile tools for network planning, documentation, operation and maintenance. E&U's clientele consists of some 70 energy distribution companies in Northern Europe and almost 20 water utilities in Finland and Sweden.

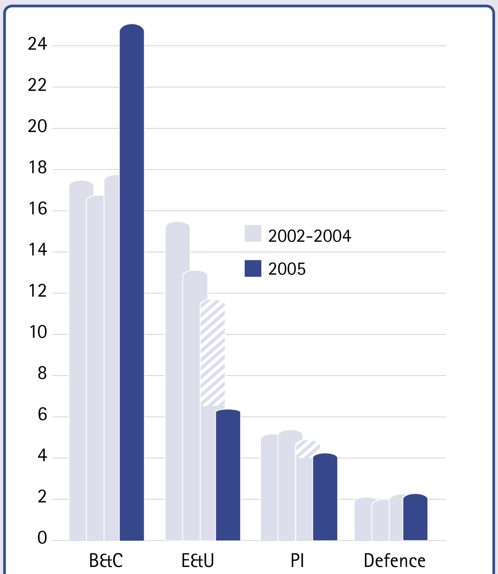
Public Infra provides software solutions for the municipality sector and infrastructure consultants. With the Tekla Xcity –solution, local administrations can improve their effectiveness and provide the inhabitants with eGovernment services. The Tekla Xstreet –solution and the land property management of Tekla Xcity support the life cycle of infrastructure from planning to maintenance. Public Infra's products are used in over 60 organizations, mainly in Finland and Sweden.

Tekla Defence works in close cooperation with the Finnish Defence Forces providing supremacy in situation awareness and decision-making with the development of integrated C4SRI systems.

Net sales 2005 by business area, %



Net sales by business area, million euros



Striped areas mark the share of customer information systems in 2004.

Since the beginning of 2005, E&U's product range has also included the Tekla Xpipe network information system for water utilities, and systems were delivered to several Finnish municipalities.

Public Infra

The Public Infra business area (PI) offers municipalities information systems for the technical sector.

The net sales of PI amounted to 4.23 (4.88) million euros in 2005. Excluding the CIS business, net sales for 2004 were 3.94 million euros. The net sales of PI's Tekla Xcity and Tekla Xstreet products increased by more than 20%. PI's operating result was 0.28 (-0.53) million euros. International operations accounted for 5% (6%) of net sales.

The market position of Tekla Xcity strengthened in the field of municipal information systems, and its implementation proceeded in several Finnish municipalities. The UKTJ (new land property information system) project was completed as a result of close collaboration with customers at the beginning of the year. Development of operational management systems of municipalities' public spaces proceeded according to plan in cooperation with customers. Several regional implementations of the Tekla Xcity system commenced towards the end of the year.

Defence

The Defence business area develops reconnaissance, command and control systems in close cooperation with the Finnish Defence Forces.

The business area's net sales for 2005 amounted to 2.24 (2.30) million euros. Its operating result was 0.14 (0.23) million euros. The development of business and prospects are stable in this business area.

In 2001, Tekla signed a command and control system delivery agreement with the Finnish Defence Forces Materiel Command on the development of the AHJO fire control and battlefield management system. In addition to the original agreement, the system project also contained the AMOS-AHJO fire control system and weapon terminal project for mortar vehicles. The AHJO system was approved for military use on December 30, 2005. For Defence, this system development project has been a significant part of long-span collaboration with the Finnish Defence Forces and the Army in particular. During the project, a nationally significant center of expertise in indirect fire control systems has developed within Tekla.

RESEARCH AND PRODUCT DEVELOPMENT

Around a third of Tekla's personnel are engaged in product development.

Product development of Tekla Structures focused on the next main version of the software in the latter part of the year. The steel segment was more emphasized than in the previous versions, which focused on the needs of new segments. Focus was put on the usability of the product both by increasing the number of Tekla personnel and through collaboration with Finnish and foreign universities. Completing the PCSC project was a significant milestone.

Significant renewed printing functionality was added to the Tekla Xpower network information system during the year. The focus of development for 2006 is on renewing the user interface.

New versions of the Tekla Xcity software's municipal information system and WebMap service were completed by the end of the year. Development will continue with regard to operational management of public spaces, for instance.

Product development also prepared for 64-bit processors becoming significantly more widespread in the near future.

BUSINESS RISKS

Tekla takes business risks connected primarily with strategy and objectives. These risks are managed and decreased in several ways. The company aims to avoid risks that jeopardize or damage the continuity of operation. Risk management responsibilities are decentralized to the business units, and a separate risk management organization does not exist.

Intellectual property rights are protected primarily with copyrights, registration of trademarks, business secrets and non-disclosure agreements.

ENVIRONMENT

The direct environmental consequences of Tekla's operation are minor. Nor are the direct environmental effects arising from the use of the company's products considered to be significant.

PERSONNEL

The Group personnel averaged 299 (368) in 2005; on average 95 (98) worked outside Finland. In these figures, the number of part-time staff has been converted to correspond to full-time work contribution. At the end of 2005, Tekla personnel totaled 324 (309) including part-time staff, of them 100 (99) worked outside Finland.

The average age of Tekla's employees was 37.9 years. Of the personnel, 66% had a higher academic degree or university-level studies. 27% of Tekla employees were female, 73% male. The turnover of personnel in 2005 was 7.5%.

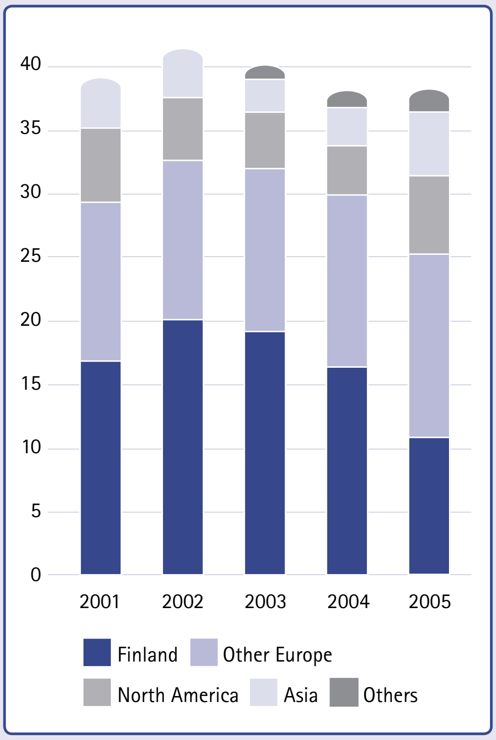
The entire personnel participated in the "Tekla Spirit" value and leadership project during 2005. The long-term aim of the project is to develop the work community and corporate culture.

CHANGES IN OWNERSHIP

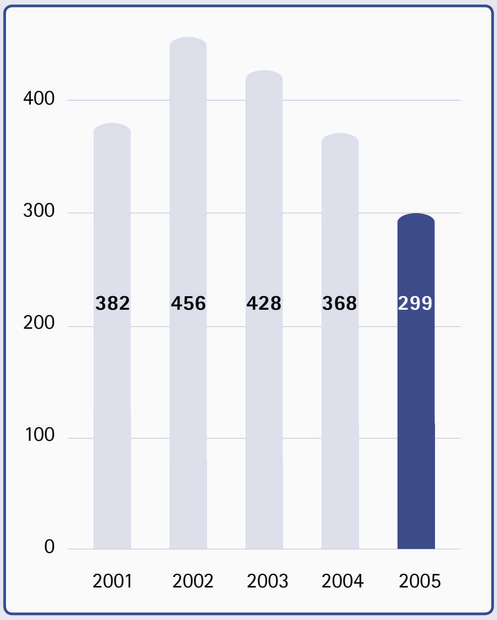
There were no significant changes in the ownership of Tekla Corporation in 2005. However, worth of noticing was the share of nominee-registered owners, which grew from 0.13 percent to 4.48 percent during 2005.

In January 2006 one of the world's largest investment funds, Fidelity International and its subsidiaries, became owners of Tekla. According to their notification the Fidelity funds acquired 10 percent of Tekla shares. In this connection Gerako Oy, Tekla's long-time majority owner sold its Tekla shares whereby its ownership at Tekla decreased from over 50 percent to approximately 38 percent.

Net sales by market area, million euros



Personnel (average)



CORPORATE GOVERNANCE

Corporate Governance in Tekla Corporation complies with the provisions of the Finnish Companies Act, Tekla's Articles of Association and, as of July 1, 2004, the Corporate Governance Recommendation prepared by the Helsinki Stock Exchange, the Central Chamber of Commerce of Finland and the Confederation of Finnish Industry and Employers.

Further information on Corporate Governance at Tekla can be found on the Internet at www.tekla.com > Investors > Corporate Governance.

MANAGEMENT

Tekla Management Team consisted of following members in 2005: Ari Kohonen (President and CEO), Heikki Multamäki (Director responsible for Energy & Utilities and Public Infra), Leif Granholm (Director of Tekla's subsidiaries in Sweden and Norway), Risto Räty (Building & Construction), Harri Nurmi (Corporate Planning), Petri Raitio (Software Production) and Timo Keinänen (CFO).

GENERAL MEETINGS

Tekla Corporation´s Annual General Meeting on March 17, 2005 adopted the financial statements for 2004 and discharged the CEO and the Board from liability. The AGM accepted the Board's proposal whereby no dividend was to be distributed. The AGM decided to carry over the parent company's operating loss of 164,958.07 euros for the financial period in shareholders' equity and reduce the share premium account in order to cover the loss.

Board of Directors

Pauli Heikkilä, Heikki Marttinen (Chair), Ari Kohonen and Olli-Pekka Laine (Vice Chair) were re-elected Board members and Timo Keinänen as deputy Board member. Esa Korvenmaa was elected as a new Board member. Kaija Komulainen-Laakso was the Tekla personnel representative on the Board and Juha Kajanen her personal deputy.

Auditors

The AGM re-elected PricewaterhouseCoopers Oy auditors, with Jukka Ala-Mello, Authorized Public Accountant, as the responsible auditor.

Authorizations

The AGM gave the Board the following authorizations:

- The AGM authorized the Board to decide on offering of option rights to the personnel of Tekla Corporation and its subsidiaries ("Company") and the CEO of Tekla Corporation in 2006 - 2009.
- The Board was authorized to decide on the increase of the company´s share capital in one or several tranches of new shares so that a maximum of 4,500,000 new shares with a nominal value of 0.03 euros may be subscribed. The authorization gives the right to waive the pre-emptive rights of shareholders in the event that there is a compelling financial reason.
- The AGM authorized the Board to decide on the increase of the company´s share capital in a directed issue of new shares for the Board and personnel of the company and the personnel of its subsidiaries so that a maximum of 500,000 new shares with a nominal value of 0.03 euros may be subscribed.
- The AGM authorized the Board to decide on the transfer of the company´s own shares. The maximum number of shares that may be transferred is 69,600 and their total nominal book value is 2,088 euros.

The Board did not use the authorizations given by the AGM during 2005.

EXTRAORDINARY GENERAL MEETING

Tekla Corporation's Extraordinary General Meeting on June 30, 2005, accepted the Board of Directors' proposal that the company's share premium account be decreased by a minimum of 12,384,130.00 and maximum of 13,247,410.00 euros by decreasing the share premium account 0.55 euros per each Tekla Corporation share, and that the sum be distributed entirely to shareholders as return of invested restricted capital in relation to each shareholder's ownership in the company. The permission to decrease the share premium fund pursuant to the Companies Act,Section 6 (5) was registered with the Trade Register on October 19, 2005.

The exact amount by which the share premium fund was decreased was determined by the number of shares on the record date (November 22, 2005): 22,516,600. No return of capital was paid to shares held by Tekla Corporation (69,600 shares). The payment date of the return of capital was November 25, 2005.

The plan to decrease the share premium account and distribute funds to shareholders, including its reasons, was published in a stock exchange release dated June 9, 2005.

DIVIDEND

Tekla Corporation's Board will propose to the Annual General Meeting, to be held on March 16, 2006, that a dividend of 0.12 euros per share be distributed for the financial period 2005 for a total dividend payment of 2,701,992 euros.

IMPACTS OF ADOPTING IFRS

Tekla adopted the International Financial Reporting Standards (IFRS) in its financial reporting as of the beginning of 2005. The date of transition for calculating comparative information was January 1, 2004, for which Tekla prepared an opening balance sheet according to the IFRS principles.

Tekla reported the effects of the adoption of the IFRS on financial information on April 7, 2005.

PROSPECTS FOR YEAR 2006

Tekla's net sales for 2006 are expected to increase by more than ten percent. Operating profit is expected to reach the previous year's level at the least.

According to the Board's estimate, the increase in the net sales of the main business area, Building & Construction, will be faster than in other business areas. However, in total they are expected to improve their profitability and grow moderately.

SHARES AND SHARE CAPITAL

The total number of Tekla Corporation shares at the end of 2005 was 22,586,200, of which the company owned 69,600. The total nominal value of those was 2,088 euros, representing 0.3% of the total share capital and the total number of votes. A total of 220,702.46 euros had been used for acquiring the company´s own shares, and their market value was 238,032.00 euros on the last record date of the year (December 30, 2005). The nominal value of the share is 0.03 euros. At the end of the period, share capital stood at 677,586 euros.

SHARE PRICE TRENDS AND TRADING

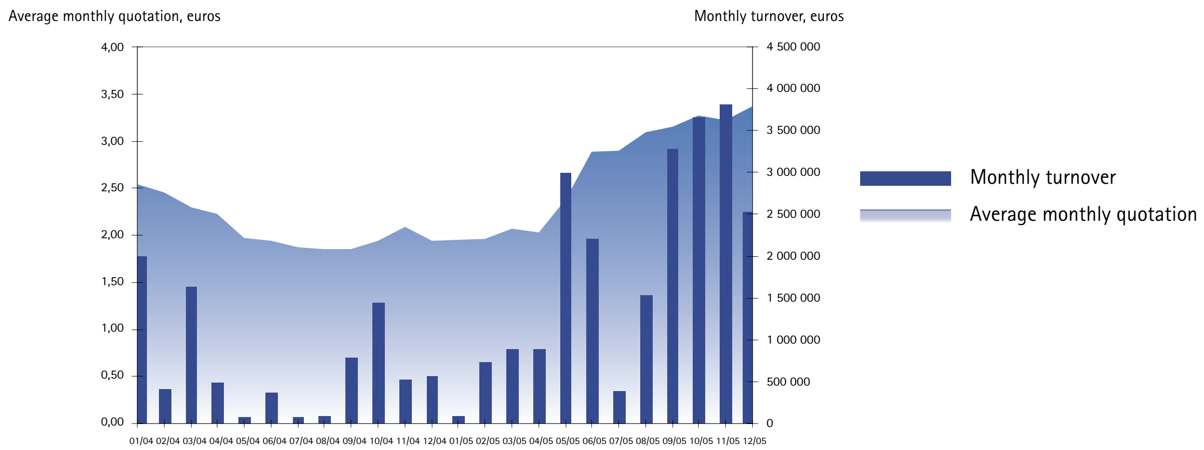
A total of 8,026,165 Tekla shares changed hands at Helsinki Stock Exchange during 2005, amounting to 35.5% (in 2004 17.3%) of the entire share capital.
The highest quotation of the share was 3.60 (2.80) euros, the lowest 1.85 (1.71) euros. The average quotation was 2.87 (2.16) euros. On the last trading day of the year, trading closed at 3.42 (1.87) euros. The taxation value of Tekla share was 2.41 in 2005.

OWNERSHIP

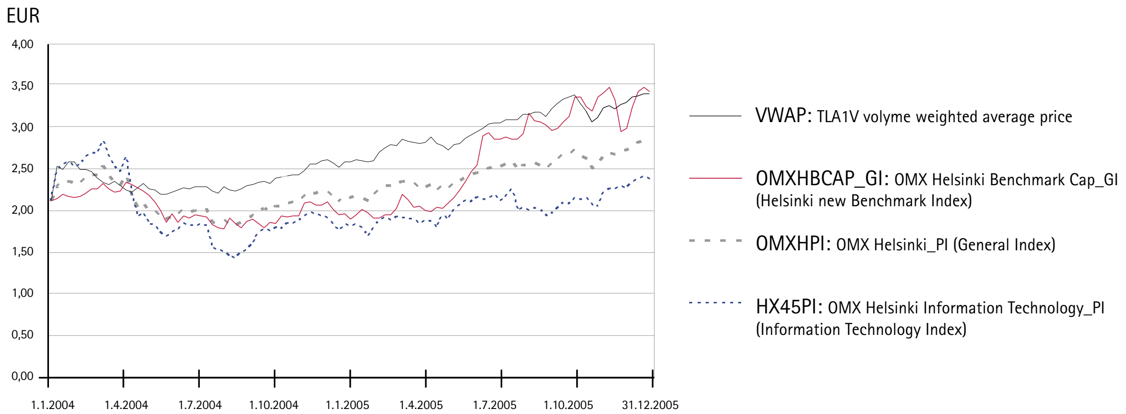
Tekla Corporation’s largest shareholder Gerako Oy owned 50.53% of the capital stock, and its ownership remained unchanged in 2005. Other significant owners included several investment funds and insurance companies. There were no major changes in the status of their ownerships during 2005.

The Board of Directors and the CEO owned or controlled 11,430,120 shares of Tekla Corporation at year’s end. These shares represented 50.8% of share capital and votes.

Tekla share trading and average quotation 2004 – 2005



OMX-indices (adjusted) and share price 2004 – 2005



The largest shareholders 31.12.2005

	No of shares	% of shares and votes
Gerako Oy	11,412,020	50.53
Tapiola Pension	1,029,000	4.56
Tapiola General	884,600	3.92
Etera Mutual Pension Insurance Company	816,400	3.61
Nordea Bank Finland (nominee-registered)	707,502	3.13
Mutual Fund FIM Forte	500,000	2.21
Tapiola Life	480,550	2.13
Ereka Oy	475,000	2.10
Mutual Fund FIM Fenno	375,500	1.66
Mutual Fund Pohjola Finland Growth	307,800	1.36
Ten largest, total	16,988,572	75.21
Others	5,597,628	24.79
Total	**22,586,200**	**100.00**

Ownership breakdown by sector 31.12.2005

	Shares, %	Votes, %
Companies	54.76	54.76
Financial and insurance institutions	13.98	13.98
Public-sector corporations	8.88	8.88
Non-profit organizations	2.97	2.97
Households	14.12	14.12
Foreign shareholders	0.81	0.81
Nominee-registered	4.48	4.48
Total	**100.00**	**100.00**

Ownership breakdown by number of shares, 31.12.2005

	No. of shareholders	%	No. of shares	%
1-1,000	1,248	70.59	545,005	2.41
1,001-10,000	445	25.17	1,447,698	6.41
10,001-100,000	50	2.83	1,268,830	5.62
100,001- 500,000	20	1.13	4,475,145	19.81
500,001-1,000,000	3	0.17	2,408,502	10.67
1,000 001 -	2	0.11	12,441,020	55.08
Total	**1,768**	**100.00**	**22,586,200**	**100.00**

CONSOLIDATED INCOME STATEMENT, IFRS

1000 euro

	Note	1.1. – 31.12.2005	1.1. – 31.12.2004
Net sales	1, 2	37,950	37,893
Other operating income	3	485	510
Change in inventories of finished goods and work in progress		–208	125
Raw materials and consumables used		–1,627	–2,434
Employee compensation and benefit expense	4	–19,811	–21,534
Depreciation	5	–1,092	–1,601
Other operating expenses	6	–9,307	–10,723
Loss due to disposal of operation	8	0	–3,039
Operating profit		6,390	–803
Financial income	9	1,156	678
Financial expense	9	–470	–834
Profit before taxes		7,076	–959
Income taxes	10	–1,275	928
Net profit for the period		**5,801**	**–31**
Attributable to			
Equity holders of the parent		5,801	-31

Earnings per share calculated from the profits attributable to equity holders of the parent company:

Earnings per share (EUR)		0.26	0.00

There is no dilution effect on the earnings.

CONSOLIDATED BALANCE SHEET, IFRS

1000 EUR	Note	31.12.2005	31.12.2004
Assets			
Non-current assets			
Property, plant and equipment	12	1,857	1,712
Goodwill	13	101	101
Intangible assets	13	452	594
Other financial assets	14	300	1,999
Receivables	17	0	21
Deferred tax assets	15	675	1,883
		3,385	**6,310**
Current assets			
Inventories	16	33	241
Trade and other current receivables	17	9,799	6,500
Current income tax assets		3	5
Other financial assets	14	11,704	16,374
Cash and cash equivalents	18	3,661	4,102
		25,200	**27,222**
Assets total		**28,585**	**33,532**
Equity and liabilities			
Capital and reserves attributable to the equity holders of the parent			
Share capital	19	678	678
Share premium account	19	8,893	21,442
Legal reserve	19	1,325	1,323
Treasury shares	19	-221	-221
Translation differences	19	-46	-85
Fair value reserve	19	36	63
Retained earnings		6,545	586
		17,210	**23,786**
Non-current liabilities			
Pension benefit liabilities	21	0	87
Provisions	22	492	579
Interest-bearing liabilities	23	690	1,266
		1,182	**1,932**
Current liabilities			
Trade and other payables	24	9,346	7,159
Current income tax liabilities		10	21
Provisions	22	188	142
Current interest-bearing liabilities	23	649	492
		10,193	**7,814**
Liabilities total		**11,375**	**9,746**
Equity and liabilities total		**28,585**	**33,532**

CONSOLIDATED CASH FLOW STATEMENT, IFRS

1000 EUR	Note	1.1. – 31.12.2005	1.1. – 31.12.2004
Cash flows from operating activities			
Profit (loss) before income taxes		7,076	–959
Adjustments for:		0	0
Depreciation		1,092	1,601
Employee benefits		–87	–238
Financial income and expenses		–89	156
Other adjustments		45	3,099
Cash flow before working capital changes		8,037	3,659
Changes in working capital:			
Change in trade and other current receivables		-3,770	2,102
Change in inventories		208	–125
Change in trade and other payables		2,186	–1,565
Change in provisions		–42	0
Net cash from operating activities		6,619	4,071
Interest paid		–31	–73
Interest received		161	108
Income taxes paid		–80	–12
Net cash flows from operating activities		**6,669**	**4,094**
Cash flows from investing activities			
Investments in property, plant and equipment		–1,004	–842
Proceeds from sale of property, plant and equipment		16	99
Proceeds from disposal of operation	8	0	5,400
Change in loans receivable		0	–21
Purchases of available-for-sale financial assets		–50,014	–47,170
Proceeds from sale of available-for-sale financial assets		56,415	38,531
Interest received from available-for-sale financial assets		431	268
Investments in subsidiaries		0	0
Net cash flow from investing activities		**5,844**	**–3,735**
Cash flows from financing activities			
Return of capital		–12,384	0
Proceeds from borrowings		0	46
Repayments of borrowings		–374	–495
Payment of finance lease liabilities		–136	–424
Net cash used in financing activities		**–12,894**	**–873**

Net decrease in cash and cash equivalents	–381	–514
Cash and cash equivalents at beginning of the period	4,102	4,616
Cash and cash equivalents at end of the period	3,721	4,102

Reconciliation of cash and cash equivalents in the balance sheet and cash flow statement		
Cash and cash equivalents according to balance sheet at beginning of the period	4,102	3,819
Available-for-sale financial assets, cash equivalents	0	797
Cash and cash equivalents according to cash flow statement at beginning of the period	4,102	4,616
Cash and cash equivalents according to balance sheet at end of the period	3,661	4,102
Available-for-sale financial assets, cash equivalents	60	0
Cash and cash equivalents according to cash flow statement at end of the period	3,721	4,102

STATEMENT OF CHANGES IN EQUITY, IFRS

1000 EUR	Equity attributable to equity holders of the parent							
	Share capital	Share premium account	Treasury shares	Reserve fund	Fair value reserves	Acc. transl. differences	Retained earnings	**Total**
Balance December 31, 2003	**678**	**31,680**	**134**	**1,323**	**0**	**–159**	**–9,354**	**24,302**
Effects of transition to IFRS	0	0	–355	0	51	0	–432	**–736**
Adjusted balance January 1, 2004	**678**	**31,680**	**–221**	**1,323**	**51**	**–159**	**–9,786**	**23,566**
Translation differences						74	165	239
Available-for-sale investments					12			12
Transfer from reserves		–10,238					10,238	0
Net profit for the period							–31	–31
Balance December 31, 2004	**678**	**21,442**	**–221**	**1,323**	**63**	**–85**	**586**	**23,786**
Balance January 1, 2005	**678**	**21,442**	**–221**	**1,323**	**63**	**–85**	**586**	**23,786**
Translation differences				0		39	–5	34
Available-for-sale investments					–27			–27
Transfer to / from retained earnings		–165		2			163	0
Return of capital		–12,384						–12,384
Net profit for the period							5,801	5,801
Balance December 31, 2005	**678**	**8,893**	**–221**	**1,325**	**36**	**–46**	**6,545**	**17,210**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Tekla Corporation (the parent company) is a Finnish public limited company, domiciled in Espoo, and its registered address is Metsänpojankuja 1, 02130 Espoo, Finland.

Tekla is an international software company whose software solutions are developed for making customers' core business more effective in building and construction, energy distribution and the public sector. The company's model-based software products and related services are used in more than 70 countries.

The Board of Directors of Tekla Corporation has authorized the 2005 financial statements for issue on 16 February 2005.

Tekla is part of the Gerako Group. Copies of the Gerako Group's financial statements can be obtained from Gerako Oy, Koronakatu 2, 02210 Espoo, Finland.

BASIS OF PREPARATION

Tekla Corporation adopted the International Financial Reporting Standards (IFRS) in its financial reporting as of January 1, 2005, the date of transition being January 1, 2004. The financial statements for the financial period ending December 31, 2005, are the Tekla Group's first IFRS financial statements. In preparing the financial statements, the IAS and IFRS standards and SIC and IFRIC interpretations effective on December 31, 2005 were observed. International Financial Reporting Standards refer to the standards defined in the Finnish Accounting Act and related regulations approved for application in the EU and their interpretations in accordance with the EU regulation (EC) 1606/2992.

Tekla makes use of the IFRS 1 transition standard and its exemptions with regard to business combinations and employee benefits.

The financial statements have been prepared based on historical cost conventions, excluding available-for-sale investments and derivative instruments, which are measured at fair value.

The financial statements are presented in thousands of euros.

The following new standards and interpretations and amendments to previous standards were published by December 31, 2005:

- IFRIC 8, Scope of IFRS 2
- IAS 21 (Amendment) Net Investment in a Foreign Operation (effective January 1, 2006)
- IFRIC 7, Applying the Restatement Approach under IAS 29, Financial Reporting in Hyper-inflationary Economies (effective March 1, 2006)
- IFRIC 6, Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment (effective December 1, 2005)
- IFRS 7, Financial Instruments: Disclosures, and a Complementary Amendment to IAS 1 (effective January 1, 2007)
- IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts (effective January 1, 2006)
- IFRS 1 (Amendment), First-time Adoption of

International Financial Reporting Standards, and IFRS 6 (Amendment), Exploration for and Evaluation of Mineral Assets

- IAS 39 (Amendment), Fair Value Option (effective January 1, 2006)
- IAS 39 (Amendment) Cash Flow Hedge Accounting of Forecast Intragroup Transactions (effective January 1, 2006)
- IAS 19 (Amendment), Employee Benefits (effective January 1, 2006)
- IFRS 6, Exploration for and Evaluation of Mineral Assets (effective January 1, 2006)
- IFRIC 4, Determining Whether an Arrangement Contains a Lease (effective January 1, 2006)
- IFRIC 5, Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (effective January 1, 2006)

Tekla has not adopted new or amended standards in its financial statements for 2005. According to the management's view, their adoption will not have a significant effect on the consolidated financial statements for 2006.

USE OF ESTIMATES

When preparing the financial statements, the Group's management is required to make estimates and assumptions influencing the content of the financial statements, and it must exercise its judgment regarding the application of accounting policies. Although these estimates are based on the management's best knowledge, actual results may ultimately differ from the estimates used in the financial statements.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the parent company Tekla Corporation and the subsidiaries in which the parent company holds directly or indirectly more than half of the votes or in which the parent company directly or indirectly has the right to decide on the principles of the company's finances and business activity. Subsidiaries acquired during the financial year are included in the financial statements from the date of acquisition, and divested subsidiaries up to the date when control has been relinquished.

Acquired subsidiaries are included in the financial statements using the purchase method of accounting, i.e. the assets, liabilities and contingent liabilities are measured at fair value at the time of acquisition. The acquisition cost less the fair value of specifiable assets, liabilities and contingent liabilities constitutes goodwill. In accordance with the IFRS 1 standard, business acquisitions preceding the IFRS transition date are not adjusted to the IFRS principles; they remain in the pre-transition date values based on the Finnish Accounting Standards.

All intragroup transactions, unrealized margins of internal deliveries, internal liabilities and receivables, and internal profit distribution are eliminated.

Intragroup holding is eliminated using the purchase method of accounting. The exchange differences arising from elimination of intragroup holdings are entered under consolidated shareholders' equity.

FOREIGN CURRENCY TRANSACTIONS

The figures on Group units' results and financial standing are measured in the currency that is the currency of the primary operating environment of each unit ("functional currency"). The consolidated financial statements are presented in euros, which is the parent company's functional and presentation currency.

Transactions in foreign currencies are recorded at the exchange rate on the date of transaction. At the end of the financial period, foreign currency monetary items are translated to the functional currency using the exchange rate at the balance sheet date. Non-monetary items are carried at the exchange rate at the date of the transaction.

Foreign exchange gains and losses are entered as exchange rate differences in the income statement under financial income and expenses. Exchange differences arising from a monetary item that forms a part of the company's net investment in a foreign operation is recognized in shareholders' equity.

In the consolidated financial statements, the income statements of foreign subsidiaries are translated into euros at the weighted average rate for the year and balance sheets at the average exchange rate of the balance sheet date. An exchange difference resulting from translation of the income statement and balance sheet at different rates is entered under consolidated retained earnings.

FINANCIAL ASSETS AND LIABILITIES

The Group's financial assets are classified as follows: financial assets at fair value through profit or loss, loans and other receivables, and available-for-sale financial assets. The categorization is based on the purpose of the acquisition of the financial assets, and it is performed in connection with the original acquisition. The classification is always re-evaluated at the balance sheet date.

Transaction costs are included in the original book value of the financial assets, when the item in question is not recognized as income at fair value. The financial assets measured at fair value are originally recognized at fair value, and the transaction costs are entered in the income statement. All purchases and sales of financial assets are recorded on the date of the transaction.

Derecognition of a financial asset is done when the Group has lost its contractual right to cash flow or when it has, for a significant extent, transferred risks and rewards to outside the group.

Financial assets and liabilities at fair value through profit or loss

Derivatives that do not meet the requirements of hedge accounting, are categorized as held for trading and they are measured at fair value through profit or loss. Profit and loss, both realized and unrealized, from fair value changes is recognized in the income statement for the period during which they arise.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets specifically designated to this group or not classified otherwise. Available-for-sale financial assets are measured at fair value, using quoted market prices.

The unlisted securities whose fair value cannot be reliably determined are measured at cost with impaired losses. Fair value changes on available-for-sale financial assets are recognized directly in equity, in the fair value reserve. When such an asset is sold, the cumulative fair value changes are recognized in profit or loss.

Available-for-sale financial assets are included in non-current assets excluding those that are meant to be held for less than 12 months after the balance sheet date, in which case they are included in current assets.

Cash and cash equivalents

Cash and cash equivalents include cash and bank deposits that can be withdrawn on demand. In the cash flow statement, cash and cash equivalents contain the liquid investments whose remaining maturity at date of purchase is below 3 months. Such investments are originally recognized in accounting as belonging to available-for-sale financial assets.

Financial liabilities

Financial liabilities are initially recognized at fair value based on the consideration received. Subsequently, (interest-bearing) loans are measured at amortized cost using the effective interest method. The amount of financial liabilities that is to be settled within 12 months of the balance sheet date is presented as a current liability. Other liabilities are presented as non-current liabilities.

DERIVATIVE CONTRACTS AND HEDGE ACCOUNTING

The Group uses derivative contracts to hedge against the exchange rate risks of prospective sales agreements. Hedge accounting as defined in IAS 39 is not in use in the Group.

Derivatives are initially recognized at cost, corresponding to their fair value. After this, derivatives are measured at fair value. All fair value changes of derivatives are recognized directly in financial income and expenses. In the balance sheet, the fair value of derivatives is presented in non-current receivables or liabilities, based on whether their fair value is positive or negative.

The fair value of foreign exchange forward contracts is calculated by valuing the forward contract at the forward rate on the balance sheet date and by comparing it with the equivalent value calculated through the forward rate when the forward contract was entered into.

REVENUE RECOGNITION

Revenue is recognized when risks and rewards connected with ownership of the goods have been transferred to the buyer. Usually, the revenue is recognized upon delivery. When net sales are calculated, indirect sales taxes and discounts, for instance, are deducted from sales revenue.

Revenue from goods or services sold is recognized at the time of delivery, except for revenue on significant (> 0.2 million euros) long-term (generally lasting more than 6 months) projects, which is recognized on the percentage of completion method. The percentage of completion method is also applied to projects with a value of > 0.2 million euros that take place during two interim report periods.

The percentage of completion is defined as the proportion of costs incurred for work performed to date compared to the total estimated project costs. When it is likely that the total costs required for completing the project exceed the total revenue from the project, the expected loss is recognized as an expense immediately.

When the outcome of a long-term project cannot be reliably estimated, project-related costs are recognized as an expense in the period in which they are incurred, and revenue from the project is recognized only to the extent of recoverable expenses. Loss on the project is recognized as an expense immediately.

Should the estimates on the outcome of the project change, recognized sales and profit will be adjusted in the period in which the change first becomes known and can be estimated.

As available for sale financial assets are measured at their fair value, interest income related to these is not accrued.

INCOME TAXES

The Group income statement taxes include the current taxes corresponding to the Group companies' profit for the financial year, based on each company's taxable income and tax adjustments for earlier financial years, in accordance with the tax legislation of each company's local domicile, as well as changes in deferred tax assets and liabilities.

Deferred tax liabilities and assets are calculated on temporary differences between the book and tax base of assets and liabilities with the tax rate enacted by the balance sheet date. The most significant temporary differences arise from property, plant and equipment, appropriations, provisions, unused tax losses, financial instruments and defined benefit pension plans. A deferred tax asset is recognized to the extent that it is probable that it can be utilized for future taxable income.

GOODWILL AND OTHER INTANGIBLE ASSETS

In calculating goodwill, the net fair value of the acquiree's assets, liabilities and contingent liabilities is deducted from the cost of the transaction. Goodwill is not amortized. Instead, goodwill is tested for impairment at least annually whenever there is an indication of impairment.

Other intangible rights comprise trademarks and patents, other intangible assets software licenses, for instance. Patents and software licenses are recognized in the balance sheet at cost and amortized on a straight-line basis during an expected useful life of from five to fifteen years. Trademarks are amortized over ten years.

RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses are recognized in the period in which they are incurred, except for development costs capitalized based on IAS 38, which are capitalized and charged to expense during the useful life. So far, the company has not capitalized development expenses in the balance sheet.

DISPOSED OPERATIONS

Held-for-sale non-current assets and assets associated with discontinued operations are classified as held for sale and measured at the lower of book value and fair value less costs to sell, if their amount corresponding to the book value will mostly be recovered through the sale of the asset instead of continued use. Depreciation of these assets is discontinued upon classification. Tekla applies the IFRS 5 standard as of January 1, 2005.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost. Property, plant and equipment are depreciated using the straight-line method over their useful lives. The depreciation period of machinery and equipment is 2 to 5 years. The useful life of an asset is reviewed at each financial year-end and, if necessary, any change in expectations for financial benefit is reflected as an adjustment to the estimated useful life.

Property, plant and equipment are stated in the Notes at cost less accumulated depreciation and impairment loss. Cost includes only the commodities for which the acquisition cost has not yet been depreciated in full according to plan. Ordinary sales gains and losses on machinery and equipment are included in other operating income and expenses.

GOVERNMENT GRANTS

The Group receives government grants, intended to, e.g., promote the companies' research and development activity. Such grants are reported as other income and recognized in proportion with the costs incurred in each project subject to the grant.

Grants relating to acquisition of assets (property, plant and equipment) are presented by deducting the grant from the tangible asset's carrying amount. Grants are recognized in the income statement through smaller depreciations over the useful life of the asset. So far, Tekla has not received government grants related to the acquisition of assets.

IMPAIRMENT OF ASSETS

With regard to assets subject to depreciation, it is reviewed whether there are indications that an asset's value may be impaired. If there are such indications, the recoverable amount of the item is estimated based on its net selling price or a higher value in use. The need for impairment is assessed at the level of cash generating units, i.e. at the lowest possible level largely independent of others, the cash flows of which can be separated from other units. If the carrying amount exceeds the recoverable amount, the difference is recognized in the income statement as an impairment loss.

Goodwill is not amortized. Instead, it is tested for impairment annually or whenever there is an indication of impairment.

A previously recognized impairment is reversed, if the assumptions used in estimating the recoverable amount change. The extent of impairment loss to be reversed should not be more than what the asset's carrying amount would have been if the impairment had not been recognized. Impairment loss for goodwill is not reversed.

Goodwill has been tested for impairment in accordance with the transition standard on the transition date to IFRS standards, January 1, 2004.

According to IAS 39, all financial assets are assessed at each balance sheet date by examining whether there is any objective evidence of impairment of the value of item or item group in the financial assets. Impairment losses recognized as income relating to investments in available-for-sale equity instruments are not reversed. If, in a subsequent period, the fair value of a debt instrument carried as available-for-sale increases due to an event occurring after the impairment was originally recognized, the previously recognized impairment loss is reversed through profit and loss.

LEASES

Leases on property, plant and equipment are classified as finance leases if they transfer a substantial portion of the risks and rewards incident to ownership. Finance leases are recognized in the balance sheet as assets and liabilities at the lower of the fair value of the leased asset and the present value of the minimum lease payments at the inception of the lease. Assets held under finance leases are depreciated over the shorter of the useful life of the asset or the lease term. Finance lease payments are apportioned between finance charges and reductions of outstanding liability.

Leases where substantially all the risks and rewards of ownership are retained by the lessor and classified as other rental contracts. Other rental expenses based on a lease are recognized as expenses in the income statement on a straight-line basis over the lease term. Lease commitments are presented as off-balance sheet commitments in the Notes.

INVENTORIES

Inventories are measured at the lower of cost or net realizable value. Cost is determined using the FIFO method. Cost of finished goods and work in progress includes direct production related wages, other direct production expenses and the share of general production costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and the estimated costs necessary to make the sale.

TRADE RECEIVABLES

Trade receivables are measured at their expected net present value, which is the original invoice amount less expected impairment. A trade receivable is impaired when it is justifiably probable that the group will not collect all amounts due on the original terms. The impairment amount is classified as other expense.

SHARE CAPITAL AND TREASURY SHARES

The entire share capital consists of ordinary shares. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds, net of tax.

When purchasing Tekla Corporation's own shares, equity is deducted by the consideration paid for the shares including post-tax transaction costs. When treasury shares are sold, retained earnings are increased by the consideration received for the shares less direct costs, taking taxes into account.

PENSION BENEFITS

The pension arrangements of the Group companies comply with local regulations and practices. Most pension plans are classified as defined contribution plans.

Contributions for defined contribution plans are recognized as expenses in the balance sheet for the period for which they are contributed. The present value of defined benefit pension plan obligations is measured using the projected unit credit method, and any plan assets are measured at their fair value on the balance sheet date.

Actuarial gains and losses are recognized in the income statement over the average remaining working life of the participating employees to the extent that it exceeds 10% of the present value of the defined benefit obligation or, if greater, the fair value of plan assets. In accordance with the exemption permitted by the IFRS standard, actuarial gains and losses were recognized in the opening IFRS balance sheet at the date of transition.

PROVISIONS

A provision is recognized in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event and it is probable that fulfilling the obligation requires payment or induces financial loss and the amount of the loss can be estimated reliably. Provisions can be related to restructuring, loss-making contracts and tax-related risks.

Provisions are measured at the present value of the expenditure required in order to cover the obligation.

SHARE-BASED PAYMENT

Based on Tekla's stock option programs in 2000 and 2002, options were issued to employees of the company and its subsidiaries.

Each warrant entitled the holder to subscribe for one share, with a nominal value of 0.03 euros. The subscription period for all the warrants ended on October 31, 2005, but they were not used to subscribe for Tekla Corporation shares.

Tekla has applied the exemption compliant with the transitional regulations of the IFRS 1 standard and has not recognized options issued before November 7, 2002 through profit and loss, as the options of the option program were available prior to January 1, 2005.

DIVIDENDS AND RETURN OF CAPITAL

Dividends distributed by the Group are recognized during the period in which shareholders have approved the dividend to be distributed.

Tekla Corporation's Extraordinary General Meeting in June 2005 accepted the Board of Directors' proposal that the company's share premium fund be decreased and that the sum be distributed entirely to shareholders as return on invested restricted capital in relation to each shareholder's ownership in the company. The return of capital took place in November 2005. The share premium account in the balance sheet was reduced by an amount corresponding to the return of capital.

No dividends or return of capital is paid on treasury shares held by the company.

EARNINGS PER SHARE

Basic earnings per share are computed by dividing net profit or loss by the weighted average number of shares outstanding during the period.

Tekla has no options, so there has not been any need to compute the dilution effect of options.

NOTES TO THE FINANCIAL STATEMENTS

In 1,000 euros unless otherwise noted.

1. Segment information

Segment information is presented based on the Group's business and geographical segments. The primary segment reporting form of the Group is based on business segments. The business segments are based on the Group's internal organizational structure and internal financial reporting.

Building & Construction develops and markets software products for product model-based engineering as well as management of building and fabrication of steel and concrete structures.

Energy & Utilities supplies energy distribution companies and water utilities with solutions that improve their business and operative efficiency and competitiveness.

Public Infra offers municipalities information systems for the technical sector.

Defence develops reconnaissance, command and control systems in close cooperation with the Finnish Defence Forces.

The business segments consist of asset groups and business operations, whose product and service-related risks and profitability differ from other business segments. The products and services of the geographical segments are sold in a certain economic environment where risks and profitability differ from the risks and profitability of the economic environment in other geographical segments.

Inter-segment pricing is based on fair market value.

The assets and liabilities of a segment are business items used by the segment in its business or which can be reasonably allocated to the segment. The non-allocated items include tax and financial items and items shared by the entire company. Investments consist of property, plant and equipment and intangible asset additions, which are used over more than one periods.

Business segments **2005**

	Building & Construction	Energy & Utilities	Public Infra	Defence	Unallocated items	Group
External sales						
License sales	15,547	1,507	709	0	0	17,763
Maintenance sales	8,646	3,188	1,536	76	0	13,446
Other sales	996	1,598	1,983	2,164	0	6,741
External sales total	25,189	6,293	4,228	2,240	0	37,950
Net sales	25,189	6,293	4,228	2,240	0	37,950
Operating profit	6,543	-485	284	144	-96	6,390
Unallocated items						-589
Profit (loss) for the period						5,801

	Building & Construction	Energy & Utilities	Public Infra	Defence	Unallocated items	Segments' int. items	Group
Segment assets	7,253	1,592	1,101	630	18,282	–273	28,585
Segment liabilities	5,273	1,428	919	504	3,524	–273	11,375
Segment depr. and amort.	324	143	71	58	496	0	1,092
Segment investments	229	210	77	39	589	0	1,144

Business segments **2004**

	Building & Construction	Energy & Utilities	Public Infra	Defence	Others	Eliminations	Group
External sales							
License sales	9,672	3,301	834	0	0	0	13,807
Maintenance sales	7,157	4,615	1,934	72	164	0	13,942
Other sales	932	3,795	2,116	2,223	1,078	0	10,144
External sales total	17,761	11,711	4,884	2,295	1,242	0	37,893
Internal sales	0	0	0	0	56	–56	0
Net sales	17,761	11,711	4,884	2,295	1,298	–56	37,893
Operating profit	1,727	–2,303	–529	232	70	0	–803
Unallocated items							772
Profit (loss) for the period							–31

	Building & Construction	Energy & Utilities	Public Infra	Defence	Others	Segment int. items	Group
Segment assets	4,415	1,035	1,175	458	2,122	-69	9,136
Unallocated assets							24,396
Assets total							33,532
Segment liabilities	3,603	662	918	367	2,470	-69	7,951
Unallocated liabilities							1,795
Liabilities total							9,746
Segment depr. and amort.	340	180	60	45	976	0	1,601
Segment investments	274	97	41	54	377	0	843

The Group's operations are located in four geographical segments: Finland, Other Europe, North America, and Asia. The net sales of the geographical segments are presented based on the location of the customers or the resellers. Assets are presented based on the location of the assets.

Geographical segments 2005

	Finland	Rest of Europe	North America	Asia	Others	Group
Net sales	10656	14411	6220	4938	1725	37,950
Segment assets	6395	2675	2468	704	0	12,242
Investments	895	204	26	19	0	1,144

Geographical segments 2004

	Finland	Rest of Europe	North America	Asia	Others	Group
Net sales	16,398	13,566	3,826	3,088	1,014	37,893
Segment assets	5,431	1,755	1,500	451	0	9,136
Investments	646	85	24	88	0	843

2. Long-term projects

	2005	2004
Income recognized	141	312
Not recognized	324	0
Revenues recorded prior to billings, incl. in receivables	141	312
Advances received	-222	-171
Receivables / liabilities from long-term contracts	**-81**	**141**

In 2004, percentage of completion accounting was applied on one project in the Energy & Utilities business area. In 2005, long-term projects consisted of one project in the Energy & Utilities business area and one project in the Public Infra business area.

3. Other operating income

	2005	2004
Sales gains from property, plant and equipment	7	7
Product development grants	269	426
Rental income	130	13
Others	79	64
Total	**485**	**510**

Tekla Corporation's product development grants have been given by Tekes (National Technology Agency of Finland). The grants are meant to promote companies' research and development activities and share their risks, encourage commercializing the outcome of the projects, increase networking and make use of international collaboration.

Rental income is generated by the sublease of the Group's previous premises.

4. Employee benefits expense

	2005	2004
Salaries	15,791	17,479
Pension expenses -defined contribution plans	2,231	2,065
Other personnel expenses	1,789	1,990
Total	**19,811**	**21,534**

Group headcount

	2005	2004
Personnel, on average	299	368
Personnel, end of period,	324	309
of whom part-time	33	28

Information on the executive compensation and benefits is presented in Note 27, Related party transactions.

5. Depreciation and amortization

	2005	2004
Intangible assets		
Intangible rights	18	18
Other intangible assets	237	620
Tangible assets		
Machinery and equipment	837	963
Total	**1,092**	**1,601**

6. Other operating expenses

	2005	2004
Rental expenses	2,271	2,594
Travel expenses	1,272	1,510
IT expenses	761	1,149
Marketing expenses	1,067	1,224
Others	3,936	4,246
Total	**9,307**	**10,723**

Rental expenses consist mainly of lease payments for the Group's offices.

The item 'others' consists of a number of expenses connected with administration and maintenance, which are not significant individually.

7. Research and development expenses

The income statement includes 7.86 million euros of research and development expenses recognized as expense in 2005 (9.14 million euros in 2004).

The research and development expenses are primarily comprised of expenses allocated to Tekla's own software development. More than half of these expenses are personnel related.

8. Disposed operations

Tekla sold its customer information systems for the energy industry and the municipal sector to TietoEnator Corporation in fall 2004. The agreement was signed in mid-September, and the business areas transferred to the buyer at the beginning of October. Net sales of the disposed business operations amounted to some 8.8 million euros in 2003 and 6.2 million euros in January-September 2004.

The deal included Tekla's customer information and billing systems Forum, Efekto and EDM products for the energy industry, and the Tekla Aqua and Community products for the municipal and water utility sector. In connection with this business sale, Tekla closed down its office in Kuopio, and 117 employees transferred to the buyer, most of them from the Kuopio office.

The loss due to disposal of operation presented in the income statement is comprised as follows:

	2004
Other operating income	
Sales gains from property, plant and equipment	602
Other operating expenses	
Sales losses from property, plant and equipment	-3,458
Other operating expenses	-183
Loss due to disposal of operation	**-3,039**
Total consideration received and effect on cash flow	
The total disposal consideration	5,400
The portion of the disposal consideration discharged by means of cash and cash equivalents	5,400
The amount of cash and cash equivalents in the operation disposed of	0
The amount of the assets in the operation disposed of	
Property, plant and equipment	270
The amount of the liabilities in the operation disposed of	
Other current liabilities	648

9. Financial income and expenses

Financial income	**2005**	**2004**
Interest income		
From available-for-sale investments	498	295
Other interest income	28	44
Foreign exchange gains	630	335
Other financial income	0	4
	1,156	**678**

Financial expense		
Interest expenses	-23	-63
Foreign exchange losses	-286	-712
Foreign exchange forward contract value changes		
– not in hedge accounting	-43	0
Other financial expenses	-118	-59
	-470	**-834**

The Group's interest income derives mainly from the parent company's investments in commercial papers, municipal bonds, certificates of deposit and other negotiable debt instruments. (See Note 14 on available-for-sale financial assets)

10. Income taxes

	2005	**2004**
Current tax	-69	-65
Taxes for prior periods	1	0
Deferred taxes	-1,207	993
Total	**-1,275**	**928**

Reconciliation of the tax expense in the income statement and the taxes calculated based on the tax rate of the Group's domicile:

Profit (loss) before income taxes	7,076	-959
Taxes calculated with the domicile's tax rate	-1,840	278
Effect of change in tax rate	0	-2
Utilisation of previously unrecorded tax losses	2,042	76
Utilisation of deferred tax asset	-1,563	0
Deferred tax asset recorded on previous years' losses	200	616
Deferred tax asset recorded on provisions	177	0
Tax losses for which no deferred tax asset was recorded	-292	0
Effect of consolidation	-43	13
Effect of differing foreign tax rates	-11	-7
Effect of non-deductible expenses/non-taxable income	57	-12
Other	-2	-34
Income taxes in the income statement	**-1,275**	**928**

Effect of change in tax rate was due to the decrease of Finland's corporate tax rate from 29% to 26% on January 1, 2005.

Effective tax rate	18 %	-97 %

11. Earnings per share

Earnings per share are computed by dividing the profits attributable to equity holders of the parent company by the weighted average number of shares outstanding during the period.

	2005	2004
Profits attributable to equity holders of the parent company	5,801	–31
Weighted average number of shares outstanding during the period	22,516,600	22,516,600
Basic earnings per share (EUR/share)	0.26	0.00

There was no dilution effect on the company's equity during the period.

12. Property, plant and equipment

	2005	2004
	Machinery and equip.	Machinery and equip.
Cost on January 1	5,943	6,298
Exchange differences	42	–23
Additions	1,034	525
Disposals	–553	–857
Cost December 31	**6,466**	**5,943**
Accumulated depreciation January 1	4,231	3,823
Exchange differences	43	–24
Accumulated depreciation on disposals	–502	–531
Depreciation for the year	837	963
Accumulated depreciation December 31	**4,609**	**4,231**
Net book amount December 31	**1,857**	**1,712**

In 2004, the disposals included the property, plant and equipment transferred in connection with the sale of the CIS business.

Property, plant and equipment include the following assets held under finance leases:

	2005	2004
	Machinery and equip.	Machinery and equip.
Cost December 31	351	744
Accumulated depreciation December 31	–197	–559
Net book amount December 31	**154**	**185**

13. Goodwill and intangible assets

Goodwill

	Goodwill	Goodwill on consolidation	**Total**
Cost January 1, 2005	0	494	494
Cost December 31, 2005	**0**	**494**	**494**
Accumulated amortization January 1, 2005	0	393	393
Accumulated amortization December 31, 2005	**0**	**393**	**393**
Net book amount December 31, 2005	**0**	**101**	**101**
Cost January 1, 2004	16,129	494	16,623
Exchange differences	1	0	1
Additions	0	0	0
Disposals	-16,130	0	-16,130
Cost December 31, 2004	**0**	**494**	**494**
Accumulated amortization January 1, 2004	8,007	393	8,400
Exchange differences	1	0	1
Accumulated amortization on disposals	-8,008	0	-8,008
Accumulated amortization December 31, 2004	**0**	**393**	**393**
Net book amount December 31, 2004	**0**	**101**	**101**

Goodwill allocated to the CIS business was 8.1 million euros on January 1,2004. The goodwill was allocated to the sale price in connection with the sale of the CIS business in September 2004.

The goodwill on consolidation (in total 101 thousand euros) originates primarily in the acquisition of the Group's French subsidiary, where goodwill is also allocated in connection with testing for impairment.

The cash flow projections used for the test for impairment are based on budgeted sales approved by the management, covering a period of five years, during which the profit margin ratio as well as market position are expected to remain at the current level. Cash flows after this period have been extrapolated without a growth factor. The pre-tax discount rate used in the calculations is 9%. The management estimates that no reasonably foreseeable change of any of the key variables used in the calculations would lead to a situation where the recoverable amount of the subsidiary would be below its carrying amount.

Intangible assets

	Intangible rights	Other intangible assets	**Total**
Cost January 1, 2005	183	2,965	3,148
Exchange differences	0	12	12
Additions	0	110	110
Disposals	0	–16	–16
Cost December 31, 2005	**183**	**3,071**	**3,254**
Accumulated amortization January 1, 2005	111	2,443	2,554
Exchange differences	0	–1	–1
Accumulated amortization on disposals	0	–6	–6
Amortization for the year	18	237	255
Accumulated amortization December 31, 2005	**129**	**2,673**	**2,802**
Net book amount December 31, 2005	**54**	**398**	**452**
Cost January 1, 2004	183	2,844	3,027
Exchange differences	0	–7	–7
Additions	0	317	317
Disposals	0	–189	–189
Cost December 31, 2004	**183**	**2,965**	**3,148**
Accumulated amortization January 1, 2004	92	2,120	2,212
Exchange differences	0	–8	–8
Accumulated amortization on disposals	0	–288	–288
Amortization for the year	18	620	638
Accumulated amortization December 31, 2004	**110**	**2,444**	**2,554**
Net book amount December 31, 2004	**73**	**521**	**594**

14. Other financial assets

Available-for-sale financial assets

Available-for-sale financial assets are mainly comprised of the parent's investments in in commercial papers, municipal bonds, certificates of deposit and other negotiable debt instruments, which are measured at fair value.

A total of 498 thousand euros of interest income and sales gains were recognized for these investments in 2005 (295 thousand euros in 2004).

With an agreement signed on June 23, 2005, Tekla Corporation became a minority shareholder in Tocoman Group Oy and TocoSoft Oy, whose shares make up the Group's long-term shareholding. Unlisted equity instruments are measured at cost, since there is no market price defined by a functioning market and the fair value cannot be reliably determined.

Changes in the value of available-for-sale investments recorded in the fair value reserve have been detailed in the statement of changes in the group's equity.

Long-term

	2005	**2004**
Measured at fair value		
Bonds	0	1,999
Measured at cost		
Shareholdings	300	0
Total	**300**	**1,999**

Short-term

	2005	**2004**
Measured at fair value		
Bonds	11,646	16,316
Other shares	58	58
Total	**11,704**	**16,374**

During the financial year 2005, Tekla Corporation returned capital to shareholders in the amount of 12.38 million euros. The return of capital was in part funded with available-for-sale financial assets.

15. Deferred tax liabilities and assets

Changes in deferred taxes in 2005:

	31.12.04	Recognized in the income statement	31.12.05
Deferred tax assets:			
Tax losses	1,893	–1,364	529
Provisions	0	177	177
Other items	43	–37	6
Total	**1,936**	**–1,224**	**712**
Deferred tax liabilities:			
Accumulated depreciation difference	–53	16	–37
Total	**–53**	**16**	**–37**
Deferred tax assets, net	**1,883**	**–1,208**	**675**

Change in deferred tax liabilities and assets in 2004:

	31.12.03	Recognized in the income statement	31.12.04
Deferred tax assets:			
Tax losses	1,277	616	1,893
Other items	267	–224	43
Total	**1,544**	**392**	**1,936**
Deferred tax liabilities:			
Accumulated depreciation difference	–653	600	–53
Total	**–653**	**600**	**–53**
Deferred tax assets, net	**891**	**992**	**1,883**

The Group companies had a total of 6.88 million euros of tax losses on December 31, 2005 (5.82 million euros in 2004) for which no tax asset is recognized as the Group is not likely to accumulate taxable income against which the losses could be used before the losses in question expire.

The balance sheet includes 0.71 million euros (1.94 million euros in 2004) of deferred tax assets in companies who made a loss in the current period or previous financial periods. Recognition of these deferred tax assets is based on profit estimates that show that it is probable that the losses in question can be utilized. The management estimates that most of the deferred tax assets recorded will be used during the following financial period, i.e. the nature of the asset is mostly short term.

16. Inventories

	2005	2004
Work in progress	29	182
Finished goods	4	59
Total	**33**	**241**

17. Receivables

Current receivables	**2005**	**2004**
Trade receivables	8,560	5,048
Other receivables	117	158
Prepaid expenses and accrued income	1,122	1,294
Total	**9,799**	**6,500**
Prepaid expenses and accrued income		
Product development and other grants	486	333
Receivables from long-term contracts	0	141
Accrued sales income	296	412
Other prepaid income and accrued income	340	408
Total	**1,122**	**1,294**
Allowances for doubtful accounts deducted from trade receivables	142	176

Non-current receivables	**2005**	**2004**
Other receivables	0	21

The non-current receivable consisted of a long-term loan receivable.

Neither the current nor the non-current receivables bear any interest.

18. Cash and cash equivalents

	2005	2004
Cash at bank and in hand	3,661	4,102

19. Share capital and reserves

	Number of shares	Share capital	Share premium account	Reserve fund	Treasury shares
1.1.2004	**22,586,200**	**678**	**31,680**	**1,323**	**–221**
Transfer to retained earnings			–10,238		
31.12.2004	**22,586,200**	**678**	**21,442**	**1,323**	**–221**
Translation differences				0	
Transfer to/from retained earnings			–165	2	
Return of capital			–12,384		
31.12.2005	**22,586,200**	**678**	**8,893**	**1,325**	**–221**

The maximum number of shares is 22,586,200 (22,586,200 in 2004). The nominal value of the share is 0.03 euros per share, and the Group share capital is 678 thousand euros (678 thousand euros in 2004). All issued shares have been fully paid. The maximum share capital of the Group is 1.8 million euros (1.8 million euros in 2004).

Share premium account

The share premium account is used for entering share premium from share issues when the subscription price of the share exceeds its nominal value. The first time when share premium was entered in Tekla's share premium account was in 1999. The share premium account increased significantly in connection with the listing in the spring of 2000.

The share premium account has been reduced in 2003, 2004 and 2005 in order to cover retained losses in the balance sheet.

In November 2005, the share premium account was reduced by 12.38 million euros due to return of capital to shareholders.

Reserve fund

The portion of equity transferred based on the decision of the General Meeting has been entered in the reserve fund.

Fair value reserve

The fair value reserve includes fair value adjustments of available-for-sale investments.

Translation differences

The translation differences include translation differences from the translation of foreign units' financial statements, and translation differences from the parent company's long-term receivables from the Group's foreign subsidiaries.

Treasury shares

Treasury shares include the acquisition cost of the 69,600 treasury shares held by the parent company. The cost of the shares was 221 thousand euros, which is presented as a deduction from equity.

Group distributable earnings

The Group's distributable earnings totalled 6.22 million euros on December 31, 2005:

Retained earnings	6,545
Equity portion of depreciation difference	-104
Treasury shares	-221
	6,220

The calculation of group distributable earnings is based on IFRS balance sheet and Finnish legislation.

20. Share-based payment

An Extraordinary General Meeting on May 16, 2000 and the Annual General Meeting on March 21, 2002 authorized the Board of Directors to decide on the issue of option rights to staff members of the company and its subsidiaries. A total of 1,500,000 option warrants were issued, divided into four 375,000 warrant tranches.

Each warrant entitled the holder to subscribe for one share, with a nominal value of 0.03 euros. The subscription period for all the warrants ended on October 31, 2005, but they were not used to subscribe for Tekla Corporation shares.

21. Pension benefit liabilities

In December 2004, the Ministry of Social Affairs and Health approved changes to the calculation principles of disability pension liabilities in the Finnish employment pension system (TEL), which took effect on January 1, 2006. According to the new practice, the disability pension part of TEL is classified as a defined contribution plan in IFRS financial statements. Due to this change, Tekla has recognized as income a previous provision made in 2004 and 2005 and included a non-recurring item in the amount of 72 thousand euros in the operating profit for 2005 (468 thousand euros in 2004).

In the Tekla Group's foreign subsidiaries, pensions are arranged in accordance with local, primarily defined contribution pension plans.

After the aforementioned calculation principle change took effect as of the beginning of 2006, the Group's essential pension plans are classified as defined contribution plans.

	2005	**2004**
Present value of unfunded obligations	0	87
Present value of funded obligations	0	0
Fair value of plan assets	0	0
Deficit	0	87
Unrecognized actuarial losses	0	0
Unrecognized past service cost	0	0
Accrued defined benefit pension obligations at year end	**0**	**87**

22. Provisions

	Loss-making contracts	Provision for pensions	Total
1.1.2005	**500**	**221**	**721**
Additional provisions	100	0	100
Utilized provisions	0	-58	-58
Reversals of unutilized provisions	0	-83	-83
31.12.2005	**600**	**80**	**680**
Non-current provisions	440	52	492

Loss-making contracts

The Group has a non-cancellable lease agreement for a building that the Group no longer uses in its business. The Group has been able to sublet a part of the premises, but the rental income does not cover the rental expenses paid by the Group. The provision for loss-making contracts is based on an estimate of the net losses in the remaining period of lease. The provision will be utilized in full during the remaining period of lease, ending on September 30, 2009.

Provisions for pension obligations

Provisions for pension obligations consist of provisions for unemployment pension obligations of employees dismissed in 2003. Reversals of unutilized provisions are due to changes in the calculation principles of unemployment pensions and Tekla Corporation's decreased share in the liability.

23. Interest-bearing liabilities

The Group's interest-bearing liabilities consist of product development loans granted by The National Technology Agency of Finland (Tekes) and finance lease liabilities. The book amounts of the liabilities correspond to their fair values.

	2005	2004
Non-current		
Other liabilities	606	1,197
Finance lease liabilities	84	69
Total	**690**	**1,266**
Current		
Other liabilities	591	374
Finance lease liabilities	58	118
Total	**649**	**492**

The terms of the product development loans limit the use of the loan for reasons other than promoting research and development. Tekla Corporation has committed to pay an interest rate on the loans equal to the standing Bank of Finland interest rate less three percent, but at least one percent. The repayment obligation of the loans can be avoided as a result of a separate application only, if the funded project fails to result in profitable business or if the borrower is materially unsuccessful in achieving the technological goals presented in the project plan.

The non-current liabilities mature as follows:

	2005	2004
2006	-	660
2007	473	389
2008	217	217
Total	**690**	**1,266**

The currency mix of the non-current interest-bearing liabilities is as follows:

	2005
EUR	606
SEK	84

The currency mix of the current interest-bearing liabilities is as follows:

	2005
EUR	627
SEK	22

The weighted average of the effective rates of interest of the non-current interest-bearing liabilities were, on December 31, 2005, as follows:

Other liabilities	1.00 %
Finance lease liabilities	5.46 %

The weighted average of the effective rates of interest of the current interest-bearing liabilities were, on December 31, 2005, as follows:

Other liabilities	1.00 %
Finance lease liabilities	2.08 %

The finance lease liabilities will mature as follows:

	2005	2004
Finance lease liabilities - total amount of minimum lease payments		
In one year	64	141
1–5 years	104	52
After five years	0	0
Total	**168**	**193**
Finance lease liabilities - present value of minimum lease payments		
In one year	58	118
1–5 years	84	69
After five years	0	0
Total	**142**	**187**
Future finance charges	26	6

24. Trade and other payables

	2005	2004
Advances received	412	411
Trade and other payables	678	771
Other liabilities	1,499	1,784
Accrued liabilities and deferred income		
Accrued salaries and social expenses	3,391	2,067
Accrued sales income	2,748	1,729
Accrued liabilities related to long-term contracts	81	0
Financial assets at fair value through profit or loss	43	0
Other	494	397
Total	**6,757**	**4,193**
Total	**9,346**	**7,159**

The item 'Other liabilities' consists of payroll withholding tax, value added tax and other non-interest-bearing current liabilities. In 2004, the item included current liabilities due to the CIS business transaction in the amount of 677 thousand euros.

Financial assets at fair value through profit or loss

The financial assets at fair value through profit and loss consist of derivative instruments. The Group uses derivative contracts to hedge against the exchange rate risks of prospective sales agreements. Foreign exchange gains and losses on forward contracts and currency options are recognized at fair value through profit or loss. The derivative contracts hedge US dollar-based sales.

25. Other lease agreements

The Group as lessee

Minimum lease payments due to non-cancellable other lease agreements:

	2005	2004
Premises		
In one year	1,665	1,930
1–5 years	2,698	3,712
After five years	146	0
Total	**4,509**	**5,642**
Others		
In one year	439	409
1–5 years	416	455
After five years	0	0
Total	**855**	**864**

Tekla has a right to extend its current office lease by 3 years with current terms and conditions remaining effective, if the lessor is notified before a set date.

Most of the lease commitments under 'other' derive from car leasing contracts.

The income statement for 2005 includes rental expenses paid based on other lease agreements in the amount of 2.5 million euros (2.9 million euros in 2004).

The Group is still the lessee of its previous office premises. The minimum lease payments for these buildings amounted to 426 thousand euros in 2005 (426 thousand euros in 2004). The minimum lease payments of sublease contracts signed were 130 thousand euros in 2005 (13 thousand euros in 2004). The Group has a 600 thousand euros provision for these agreements (Note 22).

The Group as lessor

Minimum lease payments to be received due to non-cancellable other lease agreements:

	2005	2004
In one year	282	63
1–5 years	684	228
After five years	0	0
Total	**966**	**291**

26. Other contingent liabilities

Collateral given for own commitments	2005	2004
Business mortgages		
(as collateral for bank guarantee limit)	505	505
Pledged funds	32	8
Other contingent liabilities		
Guarantees	264	296
Total	**801**	**809**

A repayment liability is connected with the product development grants from Tekes, according to which the grants have to be returned only if they have been received in error, in excess or on apparently erroneous grounds, or if they have been used for a purpose significantly different from the one intended for.

27. Related party transactions

The Group's subsidiary and parent company relationships

Company	Domicile	Ownership (%)	Share of votes (%)
Parent company of the Tekla Group			
Tekla Oyj	Finland	-	-
Subsidiaries of the Tekla Group:			
Tekla Software (Shanghai) Ltd. Co.	China	100	100
Tekla Sarl	France	100	100
Tekla GmbH	Germany	100	100
Tekla K.K.	Japan	100	100
Tekla (M) Sdn Bhd	Malaysia	100	100
Tekla AS	Norway	100	100
Tekla Software AB	Sweden	100	100
Tekla (UK) Limited	United Kingdom	100	100
Tekla Inc.	U.S.A.	100	100

Tekla Corporation's largest shareholder is Gerako Oy, and the Tekla Group is its sub group.
On December 31, 2005, Gerako Oy held 50.53% of Tekla Corporation, and it is domiciled in Finland.

Transactions with related parties

Purchases and sales of goods and services	**2005**	**2004**
Gerako Oy		
purchases of services	46	33
Outstanding liabilities for purchases of services		
Gerako Oy		
trade payable	5	5

The terms and conditions of the related party transactions have been arm's length.

Management remuneration*

	2005	**2004**
Salaries and other short-term employee benefits	1,232	1,204
Termination benefits	177	173
Post-employment benefits	72	8

* Management herein refers to members of the Tekla Corporation Management Team and Directors of the business areas.

28. Financial risk management

Currency risk

Currency risks due to the Group's international business are managed by hedging the net payment flow in US dollars. Even though the hedge ratios meet the effective hedging requirements of the Group's risk management policy, they do not fully meet the hedging requirements of IAS 39. The Group uses forward foreign exchange contracts to hedge against the exchange rate risks of prospective sales agreements. Gains and losses of forward foreign exchange contracts are recognized in the income statement at the end of each reporting period. In general, the maximum tenor of the forward contracts is 12 months.

Foreign exchange risk arising from investments in foreign operations is not hedged, and it is included in the Group's net foreign currency position in accordance with the Group risk management policy.

Liquidity risk

Investing the liquid assets of the company takes place according to principles dictated by the Board in certificates of deposit, bonds and similar securities where the risk is next to non-existent.

Due to the company's rather large amount of liquid assets, the liquidity risk is very low.

Credit risk

Credit risks related to trade and other receivables are minimized with short terms of payment, efficient methods of collecting and by considering the contracting party's credit rating.

The credit risk related to investments and derivative contract parties is low, as the contracting party's credit rating has to be high according to the Group's risk management policy.

Interest rate risk

The Group does not have significant liabilities. Items exposed to interest rate risk includes the fair value interest rate risk connected with the company's long-term product development loans, which is relatively low. The interest rate risk of available-for-sale investments is low as well, since their time to maturity is generally rather short.

The Group can raise both fixed and variable rate loans.

Due to the balance sheet structure of the Group, the management of interest rate risk in focused on investments. The Group's profit and cash flow from operating activities are essentially independent of market interest rate fluctuations.

29. Events after the balance sheet date

Gerako Oy's share of Tekla Corporation's votes and share capital decreased to under 50% due to a sale of shares on January 27, 2006.

After the sale of shares, holdings of Gerako Oy were as follows:

	Number	Proportion of stock and voting rights
Shares	8,596,020	38.06 %

According to a flagging announcement, Fidelity's funds acquired 10% of Tekla Corporation shares on January 31, 2006.

The company's management is not aware of any other significant events after the balance sheet date that would have affected the financial statements data.

30. Adoption of IFRS financial standards

As mentioned under Basis of preparation, this is Tekla Group's first financial statements prepared in accordance with the IFRS principles. Prior to adopting the IFRS standards, the Tekla Group's financial statements have been prepared according to Finnish Accounting Standards.

The adoption of IFRS financial statements has changed the financial statements, notes and accounting principles compared to the previous financial statements. The principles presented under Basis of preparation of the financial statements have been adopted in preparing the financial statements for the period ended December 31, 2005, the comparison figures for the period ended December 31, 2004 and the opening IFRS balance January 1, 2004.

The reconciliations and descriptions presented hereinafter describe the differences between IFRS financial statements and the Finnish Accounting Standards (FAS) in 2004 and the IFRS standards on the date of transition, January 1, 2004.

Reconciliation of equity January 1, 2004 and December 31, 2004

Million euros	Note	**1.1. 2004**	**31.12. 2004**
Shareholders' equity according to FAS		24.30	23.44
Effects of transition to IFRS			
IAS 19 Employee Benefits	1	-0.54	-0.09
IAS 16 Property, Plant and Equipment	2	-0.33	-0.22
IFRS 3 Business Combinations			
Cancellation of goodwill amort.	3		0.09
IAS 12 Income Taxes	4	0.27	0.69
IAS 32 Treasury shares	5	-0.13	-0.12
IAS 39 Financial Instruments	6	0.01	
IAS 17 Leases	7	-0.01	
Shareholders' equity according to IFRS		23.57	23.79

Reconciliation of profit for the period

Million euros	Note	**31.12.2004**
Profit for the period according to FAS		-1.09
IAS 19 Employee benefits	1	0.45
IAS 16 Property, Plant and Equipment	2	0.11
IFRS 3 Business Combinations		
Cancellation of goodwill amort.	3	0.09
IAS 12 Income Taxes	4	0.42
IAS 39 Financial Instruments	6	-0.01
Profit for the period according to IFRS		-0.03

Consolidated balance sheet

Million euros	Note	**FAS 31.12. 2003**	**Effects of transition to IFRS**	**IFRS 1.1. 2004**	**FAS 31.12. 2004**	**Effects of transition to IFRS**	**IFRS 31.12. 2004**
Assets							
Non-current assets							
Property, plant and equipmen	2,7	1.55	0.92	2.47	1.31	0.40	1.71
Goodwill	3	8.22		8.22	0.01	0.09	0.10
Other intangible assets	2	1.47	-0.65	0.82	1.03	-0.43	0.60
Other financial assets	6					2.00	2.00
Receivables					0.02		0.02
Deferred tax assets	4	0.62	0.27	0.89	1.19	0.69	1.88
Non-current assets, total		11.86	0.54	12.40	3.56	2.75	6.31
Current assets							
Inventories		0.12		0.12	0.24		0.24
Trade and other current receivables	6	9.31	-0.11	9.20	6.57	-0.06	6.51
Current income tax assets			0.06	0.06	0.00		0.00
Other financial assets	5,6	10.60	-0.08	10.52	18.44	-2.07	16.37
Cash and cash equivalents		3.82		3.82	4.10		4.10
Current assets total		23.85	-0.13	23.72	29.35	-2.13	27.22
Assets total		35.71	0.41	36.12	32.91	0.62	33.53

Million euros	Note	**FAS 31.12. 2003**	**Effects of transition to IFRS**	**IFRS 1.1. 2004**	**FAS 31.12. 2004**	**Effects of transition to IFRS**	**IFRS 31.12. 2004**
Equity and liabilities							
Equity							
Share capital		0.68		0.68	0.68		0.68
Share premium account		31.68		31.68	21.44		21.44
Other equity	6	1.16	0.05	1.21	1.23	0.07	1.30
Treasury shares	5	0.13	-0.35	-0.22	0.13	-0.35	-0.22
Retained earnings		-9.35	-0.43	-9.78	-0.04	0.63	0.59
Equity total		24.30	-0.73	23.57	23.44	0.35	23.79
Non-current liabilities							
Pension benefit liabilities	1		0.54	0.54		0.09	0.09
Provisions		0.72		0.72	0.72		0.72
Interest-bearing liabilities	7	1.53	0.23	1.76	1.20	0.06	1.26
Non-current liabilities total		2.25	0.77	3.02	1.92	0.15	2.07
Current liabilities							
Trade and other payables		8.66	-0.01	8.65	7.18	-0.02	7.16
Current income tax liabilities			0.01	0.01		0.02	0.02
Current interest-bearing liabilities	7	0.50	0.37	0.87	0.37	0.12	0.49
Current liabilities total		9.16	0.37	9.53	7.55	0.12	7.67
Liabilities total		11.41	1.14	12.55	9.47	0.27	9.74
Equity and liabilities total		35.71	0.41	36.12	32.91	0.62	33.53

Consolidated income statement January 1–December 31, 2004

Million euros	Note	**FAS 1.1.– 31.12.2004**	**Effects of transition to IFRS**	**IFRS 1.1.– 31.12.2004**
Net sales		37.89		37.89
Other operating income *		0.51		0.51
Change in inventories of finished goods and in work in progress		0.12		0.12
Raw materials and consumables used		–2.43		–2.43
Employee compensation and benefit expense	1,8	–21.45	–0.08	–21.53
Depreciation and impairment charges	2,3,7	–1.99	0.39	–1.60
Other operating expenses*	3,7	–11.59	0.87	–10.72
Loss due to disposal of operation*	3	–2.53	–0.51	–3.04
Operating profit (loss)		–1.47	0.67	–0.80
% of net sales		–3.88		–2.11
Finance costs (net)	6,7	–0.13	–0.03	–0.16
Profit (loss) before income taxes		–1.60	0.64	–0.96
% of net sales		–4.22		–2.53
Income taxes	4	0.51	0.42	0.93
Profit (loss) for the period		–1.09	1.06	–0.03
Earnings per share				
Undiluted earnings per share (EPS), EUR		–0.05		0.00
Diluted earnings per share (EPS), EUR		–0.05		0.00

* The loss due to disposal of operation has been reclassified in the FAS 2004 income statement. The changes have no effect on the total loss nor the operating result.

Cash flow statement

Million euros		FAS 1.1.–31.12.2004	Effects of transition to IFRS	IFRS 1.1.–31.12.2004
Cash flows from operating activities		4.04	0.05	4.09
Cash flow from investing activities:				
Investments		–0.87		–0.87
Sale of intangible assets, disposed operation and property plant and equipment		5.40	0.10	5.50
Changes in available-for-sale investments	6		–8.36	–8.36
Net cash from investing activities		4.53	–8.26	–3.73
Cash flows from financing activities:				
Proceeds from borrowings		0.05		0.05
Repayments of long-term borrowings		–0.50	–0.42	–0.92
Net cash used in financing activities		–0.45	–0.42	–0.87
Net decrease/increase in cash and cash equivalents		8.12	–8.63	–0.51
Cash and cash equivalents at beginning of the period	6	14.24	–9.63	4.61
Cash and cash equivalents at end of the period		22.36	–18.26	4.10

Financial indicators	**FAS 31.12. 2004**	**IFRS 31.12. 2004**
Equity/share, EUR	1.04	1.06
Interest-bearing liabilities	1.57	1.76
Equity ratio, %	72.00	71.80
Net gearing, %	–89.20	–78.50
Return on investment, %	–5.80	–3.20
Return on equity, %	–4.60	–0.10
Gross investments, MEUR	0.84	0.84
% of net sales	2.22	2.22

The calculation of financial indicators has not changed.

Notes to the reconciliation of shareholders' equity January 1, 2004 and December 31, 2004 and the profit for the period January 1–December 31, 2004

1. Pension obligations

Tekla Group companies comply with pension plans of national requirements and practices. The majority of the plans are classified as defined contribution plans. The pension plans are reported in accordance with IAS 19 (Employee benefits).

The disability element of the Finnish TEL pension scheme has been accounted for as a defined benefit plan in the transition. The actuarially calculated disability obligation of 0.54 million euros has been recognized in the balance sheet on the date of transition. As a result of the TEL pension scheme changes, decided in December 2004, the TEL disability element is accounted for as a defined contribution plan under IFRS. The resulting material reduction in pension obligations has been recognized as a non-recurring gain in the 2004 IFRS income statement, amounting to 0.47 million euros. In the balance sheet of December 31, 2004, the disability obligation amounts to 0.07 million euros.

2. Intangible assets and property, plant and equipment

In accordance with IAS 16 leasehold improvement expenses of rented premises has been transferred from intangible assets to the property, plant and equipment. Additionally, a software expense related to a product development project, which was booked as cost and capitalized in the FAS balance sheet, has been reduced from the intangible assets in the IFRS balance sheet. The change improves the 2004 profit before taxes by 0.11 million euros.

Research expenses are recognized in the period in which they are incurred. At the moment, there are no development expenses in accordance with IAS 38 that could be recognized and separated from normal product development, so that they would be recorded in the balance sheet.

3. Goodwill

According to IFRS 3, goodwill is no longer amortized according to plan; instead, any impairment of value is tested for impairment annually in accordance with IAS 36. The change improves the profit before taxes for 2004 by 0.09 million euros.

The operations related to customer information systems for the energy industry and municipal sector were sold in fall 2004. The loss due to disposal of operation was higher according to IFRS by the amount of goodwill amortization booked according to FAS. The total net effect of the loss and goodwill amortization on operating profit is the same according to both IFRS and FAS.

4. Income taxes

Income taxes include taxes based on the results of the Group companies (calculated according to the local tax rules of each country) and changes in deferred taxes arising from temporary differences.

A deferred tax asset in the amount of 0.62 million euros has been recognized for the parent company's tax losses. No deferred tax assets have been recognized for the subsidiaries, as their profit development has not yet made it possible.

The deferred tax assets for 2004 include tax effects of other IFRS adjustments in the amount of 0.07 million euros.

5. Treasury shares

In accordance with the Finnish Accounting Standards, treasury shares are presented under investments in fixed assets and long-term investments at cost, or at fair value if below cost, and as a separate item in shareholders' equity. In the IFRS balance sheet, treasury shares are deducted from shareholders' equity.

6. Cash and cash equivalents

Liquid assets include cash and bank balances. Marketable securities are categorized as available-for-sale financial assets, they are stated at fair value and the change is entered in the fair value reserve under shareholders' equity. Marketable securities are presented under cash flow from investing activities in the cash flow statement.

7. Leasing

Finance leases are recognized in the balance sheet as assets and liabilities at fair value of the leased asset at the inception of the lease. Finance leasing causes a depreciation according to plan and finance expense recognized each financial period.

8. Employee benefits

Employee benefits include also non-cash benefits to personnel, which under Finnish Accounting Standards have been classified as other operating expense.

PARENT COMPANY INCOME STATEMENT, FAS 1.1.2005–31.12.2005

1000 euro	**2005**	**2004**
Net sales	**29,600**	**31,615**
Change in inventories of finished goods and in work in progress (+/-)	–208	125
Other operating income	1,057	1,271
Materials and services	–1,903	–2,843
Personnel expenses	–13,710	–16,115
Depreciation and value adjustments	–883	–1,590
Other operating expenses	–6,409	–14,451
Operating profit (loss)	**7,544**	**–1,988**
Financial income and expenses	940	–222
Profit (loss) before extraordinary items	**8,484**	**–2,210**
Profit (loss) before appropriations and taxes	**8,484**	**–2,210**
Appropriations	62	2,049
Income taxes	–2	–4
Net profit (loss) for the period	**8,544**	**–165**

PARENT COMPANY BALANCE SHEET, FAS 31.12.2005

1000 EUR	2005	2004
ASSETS		
Fixed assets and other long-term investments		
Intangible assets	1,028	970
Tangible assets	981	1,028
Long-term investments	3,277	2,563
Total fixed assets and long-term investments	**5,286**	**4,561**
Current assets		
Inventories	33	241
Long-term receivables		21
Short-term receivables	9,604	6,570
Marketable securities	11,620	18,261
Cash and cash equivalents	993	1,061
Total current assets	**22,250**	**26,154**
TOTAL ASSETS	**27,536**	**30,715**
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity		
Share capital	678	678
Share premium account	8,893	21,442
Reserve for own shares	221	130
Legal reserve	1,323	1,323
Net profit (loss) for the period	8,544	-165
Shareholders' equity total	**19,659**	**23,408**
Accumulated appropriations	**141**	**202**
Provisions	**679**	**721**
Liabilities		
Long-term liabilities	606	1,197
Short-term liabilities	6,451	5,187
Liabilities total	**7,057**	**6,384**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**27,536**	**30,715**

PARENT COMPANY CASH FLOW STATEMENT, FAS 1.1.–31.12.2005

1000 EUR	**2005**	**2004**
Cash flow from operating activities:		
Profit (loss) before extraordinary items:	8,484	–2,210
Adjustments:		
Depreciation according to plan	883	1,590
Other operating income and expenses (not received/paid)	142	2,603
Financial income and expenses	–940	222
Other adjustments	–20	2,852
Cash flow before change in working capital	8,549	5,057
Change in working capital:		
Increase (-) / decrease (+) in non-interest-bearing short-term receivables	–3,532	–336
Increase (-) / decrease (+) in inventories	208	–125
Increase (+) / decrease (-) in non-interest-bearing short-term liabilities	1,046	–1,647
Cash flow from operations before financial items and taxes	6,271	2,949
Interest paid and payments of other financial expenses	–13	–20
Dividend received	156	195
Interest received	522	388
Other financial income and expenses	308	–264
Income taxes paid	–2	–11
Cash flow before extraordinary items	7,242	3,237
Net cash provided by operating activities (A)	**7,242**	**3,237**
Cash flow from investing activities:		
Investments in tangible and intangible assets	–900	–664
Proceeds from sale of tangible and intangible assets	7	4,804
Increase (-) / decrease (+) in loans receivable	0	–21
Other investments	–300	0
Net cash (used in) provided by investing activities (B)	**–1,193**	**4,119**
Cash flow from financing activities:		
Return of capital	–12,384	0
Proceeds from long-term debt	0	46
Repayments of long-term debt	–374	–495
Net cash (used in) provided by financing activities (C)	**–12,758**	**–449**
Increase (+) / decrease (–) in cash and cash equivalents (A+B+C)	**–6,709**	**6,907**
Cash and cash equivalents at beginning of year	19,322	12,415
Cash and cash equivalents at end of year	**12,613**	**19,322**

CALCULATION OF FINANCIAL INDICATORS

Equity ratio, % = $\frac{\text{Shareholders' equity}}{\text{Balance sheet total – Advances received}}$ x 100

Net gearing, % = $\frac{\text{Interest-bearing liabilities – Cash and cash equivalents}}{\text{Shareholders' equity}}$ x 100

Return on investment, % = $\frac{\text{Profit before extraordinary items + Financial expenses}}{\text{Balance sheet total – Non-interest-bearing liabilities (average for the year)}}$ x 100

Return on equity, % = $\frac{\text{Profit before extraordinary items - Taxes}}{\text{Shareholders' equity (average for the year)}}$ x 100

Earnings per share= $\frac{\text{Profit before extraordinary items – Taxes}}{\text{Average number of shares}}$

Equity per share = $\frac{\text{Shareholders' equity}}{\text{Number of shares at the end of the year}}$

Dividend to earnings ratio, % = $\frac{\text{Dividend per share}}{\text{Earnings per share}}$ x 100

Effective dividend yield, % = $\frac{\text{Dividend per share}}{\text{Share price at the end of the year}}$ x 100

Price / earnings ratio = $\frac{\text{Share price at the end of the year}}{\text{Earnings per share}}$

Market capitalization = Number of shares at the end of the year x share price at the close of the year

BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF PROFITS

Tekla Corporation's Board proposes to the Annual General Meeting, to be held on March 16, 2006, that a dividend of 0.12 euros per share be distributed for the financial period 2005 for a total dividend payment of 2,701,992 euros. No dividends shall be paid on the 69,600 shares held by the company.

Espoo, February 16, 2006

Heikki Marttinen, Chairman

Pauli Heikkilä

Ari Kohonen, President and CEO

Esa Korvenmaa

Olli-Pekka Laine

Kaija Komulainen-Laakso

AUDITORS' REPORT

To the shareholders of Tekla Corporation

We have audited the accounting records, the financial statements and the administration of Tekla Corporation for the financial year 1.1. – 31.12.2005. The Board of Directors and the President have prepared the report of the Board of Directors and the consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the parent company's financial statements prepared in accordance with prevailing regulations in Finland, that include the parent company's balance sheet, income statement, cash flow statement and the notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, the parent company's financial statements and on the administration of the parent company.

We have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. The purpose of our audit of administration is to examine that the members of the Board of Directors and the President of the parent company have complied with the rules of the Companies' Act.

Consolidated financial statements

In our opinion the consolidated financial statements give a true and fair view, as referred to in the IFRS as adopted by the EU and defined in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position. The consolidated financial statements can be adopted.

Parent company's financial statements and administration

In our opinion the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other rules and regulations governing the preparation of financial statements in Finland. The financial statements give a true and fair view, as defined in the Finnish Accounting Act, of the parent company's result of operations as well as of the financial position. The financial statements can be adopted and the members of the Board of Directors and the President of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the distributable funds is in compliance with the Companies' Act.

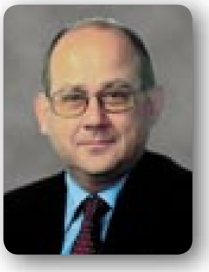
Espoo, 1 March 2006

PricewaterhouseCoopers Oy, Authorized Public Accountants

Jukka Ala-Mello, Authorized Public Accountant

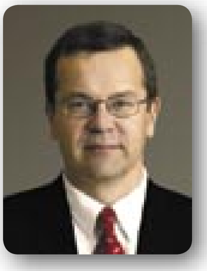
BOARD

Heikki Marttinen
Chairman of the Board
of Tekla Corporation;
Strategic Management Consultant



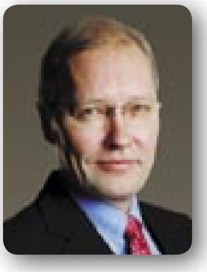
Olli-Pekka Laine
Deputy Chairman of the Board
of Tekla Corporation;
Managing Director of Tapiola Pension

Pauli Heikkilä
Member of the Board
of Tekla Corporation;
Managing Director of Finnvera Plc



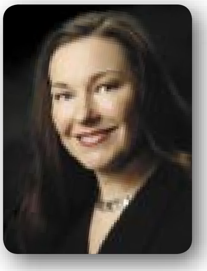
Ari Kohonen
Tekla's President and CEO;
Member of the Board
Member of the Board of Gerako Oy

Esa Korvenmaa
Member of the Board of Tekla Corporation;
Senior Vice President of
TeliaSonera Finland Oyj



Timo Keinänen
Deputy Member of the Board
of Tekla Corporation;
Tekla Corporation's CFO

Kaija Komulainen-Laakso
Personnel's Representative;
Product Program Manager,
Building & Construction



Juha Kajanen
Deputy member of the
Personnel's Representative;
Group Manager, PI platform

MANAGEMENT TEAM 2006

Ari Kohonen
President and CEO;
Member of the Board of Tekla Corporation

Heikki Multamäki
Executive Vice President,
Director of Energy & Utilities

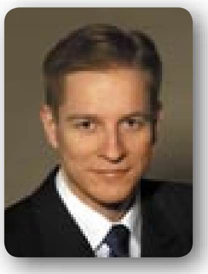
Anneli Bergström
Vice President
Human Resources

Leif Granholm
Executive Vice President, Director of Tekla's subsidiaries in Sweden and Norway

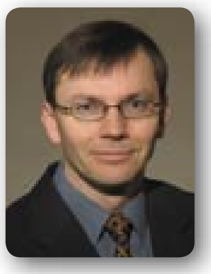
Timo Keinänen
CFO, Deputy Member of the Board of Tekla Corporation

Harald Lundberg
CIO
Information Management

Harri Nurmi
Vice President
Corporate Planning



Petri Raitio
Vice President
Software Production



Risto Räty
Executive Vice President
Building & Construction

CORPORATE GOVERNANCE

Governance in Tekla Corporation complies with the provisions of the Finnish Companies Act, Tekla's Articles of Association and, as of July 1, 2004, the Corporate Governance Recommendation prepared by HEX Plc, the Central Chamber of Commerce of Finland and the Confederation of Finnish Industry and Employers.

Governance and operation of Tekla are managed by the General Meeting, the Board of Directors and the President and CEO. The Board of Directors supervises the company's profit development, governance and organization on behalf of shareholders. Tekla's President and CEO is responsible for operative activity on the corporate level, assisted by the Tekla Management Team.

For a more detailed description of Tekla's Corporate Governance, please visit the company's web site at www.tekla.com > Investors > Corporate Governance.

GENERAL MEETING

The General Meeting is the highest decision-making body of the company. For instance, it adopts the company's income statement and balance sheet and decides on the distribution of profits, appoints Board members and auditors as well as decides on their fees. See also Annual General Meeting.

Tekla Corporation´s Annual General Meeting (AGM) 2005 was held on March 17, 2005. The Board was authorized to decide on the increase of the company´s share capital to develop business operations, on a personnel issue, and on offering of option rights, and to transfer the company´s treasury shares. For a more detailed description of the authorizations, please see the stock exchange release dated 17.3.2005 or page 11 in this report. The Board did not use the authorizations given by the AGM during 2005.

Tekla Corporation´s Extraordinary General Meeting was held on June 30, 2005. The meeting accepted the Board of Directors' proposal of decreasing the company's share premium fund by 0.55 euros per each Tekla Corporation share, and that the sum be distributed entirely to shareholders as return on invested restricted capital in relation to each shareholder's ownership in the company. The payment date of the return of capital was November 25, 2005.

The plan to decrease the share premium account and distribute funds to shareholders, including its reasons, was published in a stock exchange release dated June 9, 2005.

BOARD OF DIRECTORS

Tekla's governance and proper organization of operation is the responsibility of the Board of Directors, consisting of a minimum of three and maximum of five actual members and one deputy member. The members of the Board are elected by the Annual General Meeting. The Board elects a Chairperson from among its members. According to the Articles of Association, a representative of the personnel plus a personal deputy may also be elected to the Board. See also introduction of the current Tekla Board of Directors.

- The Tekla Annual General Meeting 2005 elected the following five persons to the board: Heikki Marttinen (Chairman), Olli-Pekka Laine (Deputy Chairman), Pauli Heikkilä, Ari Kohonen and Esa Korvenmaa. Timo Keinänen was chosen as the deputy member. Additionally, Kaija Komulainen-Laakso had been chosen by Tekla's personnel as their representative and Juha Kajanen as her personal deputy.
- Of the members Heikki Marttinen, Olli-Pekka Laine, Pauli Heikkilä and Esa Korvenmaa are

independent Board members.

- The Board of Directors of Tekla Corporation held 11 meetings in 2005, and the average attendance was 89 percent. %.
- According to the decision by the AGM of 2005, the members of Tekla Board were paid 2,200 euros (chairman) or 1,800 euros (member) per month. In addition, their travel expenses were reimbursed according to Tekla's travel policy.
- The members of the Board, who are employed by the Tekla Group, were not paid any fees for their board work.
- The members of the Board had no other benefits, nor were they paid any fees in the form of Tekla shares or share-related rights.

BOARD COMMITTEES

Being rather small, the Board works effectively in close co-operation and meets regularly, whereby it has not been considered necessary to establish any separate committees.

PRESIDENT AND CEO

The President and CEO manages the company's operative activity according to the instructions and orders given by the Board. He manages and controls the operation of Tekla and its business areas, prepares the issues to be discussed by the Board and is responsible for their execution. The President is also the Chair of the Tekla Management Team.

M.Sc.(Eng.), Bachelor of Econ. Ari Kohonen has been Tekla Corporation's President and CEO as of January 1, 2004. According to his employment contract, Ari Kohonen will retire at the age of 60, unless otherwise agreed. Should Tekla terminate Kohonen's employment, he is entitled to an extra pay corresponding to 12 months' salary.

President's fees and other benefits are reported by financial period. In 2005 Ari Kohonen was paid a total of 178,663.44 euros in remuneration (mobile phone benefit included).

The President had no other benefits, nor was he paid any fees in the form of Tekla shares or share-related rights. The personnel's incentive system is applied also to the President.

MANAGEMENT TEAM

The Management Team assists the President and CEO in e.g. preparing the company's strategy, operating principles and other issues shared by the business areas and the Group. The Tekla Management Team consists of the President and CEO and the Directors of the key business areas and support functions. The Management Team met regularly circa twice a month during 2005. See also Introduction of the current Tekla Management Team.

AUDIT

It is the purpose of the statutory audit to verify that the financial statements give true and fair information on the company's result and financial position in the financial period. The company's auditor gives a statutory auditor's report to the shareholders in connection with the company's financial statements. Reports on audits carried out during the financial period are given to the Board. The auditor is elected by the General Meeting.

The AGM of 2005 chose as Tekla Corporation's auditor PricewaterhouseCoopers Oy, with Jukka Ala-Mello, A.P.A, as the responsible auditor.

The auditors of the parent company and subsidiaries were paid a total of 96,328 euros in 2005. The sum includes 35,012 euros for IFRS, taxation and other consulting.

OTHER INFORMATION

RELEASES

All stock exchange and other releases Tekla Corporation has published in 2005, are available on the company's Internet site at www.tekla.com > Investors > Releases > 2005

Tekla published no notification releases (flaggings) in 2005.

INTERIM REPORTS IN 2006

> Financial Statements 2005 bulletin;	16.2.2006
> Interim Report 1-3/2006;	27.4.2006
> Interim Report 1-6/2006;	4.8.2006
> Interim Report 1-9/2006;	27.10.2006

ANNUAL GENERAL MEETING 2006

The Annual General Meeting of Tekla Corporation will be held on 16.3.2006 at Tekla headquarters in Espoo. The invitation to the meeting has been published as a stock exchange release on 27.2.06.

The decisions of the AGM will be found after the meeting on the company's Internet site at www.tekla.com > Investors > Corporate Governance > Shareholder meetings