TECNOMEN

ANNUAL REPORT 2007

Contents

Tecnomen in brief

Tecnomen develops and supplies Messaging and Charging solutions for telecom operators and service providers worldwide. With 30 years of experience in the telecommunications industry, the company is one of the world's leading suppliers of messaging solutions and has a strong market position also in prepaid systems.

Tecnomen's product lines are Messaging and Charging.

Mission

Tecnomen helps its customers to improve profitability and boost competitiveness by

- Providing competitive products and local service
- Investing in the development of innovative, cutting-edge products
- Developing a global distribution and sales network as well as working in close cooperation with partners

Messaging

Main products and services:

- Next Generation Messaging – voice and video mail and call completion services
- Media Server – delivers versatile services to any handset within any network
- IVR Application Server – enables operators to independently develop and deploy services
- Professional Mobile Radio Messaging (PMR) – reliable messaging for public authority use

Charging

Main products:

- Convergent Charging: the product consists of a wide selection of functions that support prepaid and postpaid billing services, as well as charging and rating of voice and video calls, data traffic and content services in mobile and fixed networks
- Complementary services for the Charging product are offered by partners

Tecnomen markets and sells its products and services through its own worldwide organisation as well as through global and local partners. Tecnomen strives to maintain its competitive edge through best-in-class service and customer satisfaction. The company's products have been delivered to more than 80 customers worldwide.

Organisation

Headquartered in Espoo, Finland, Tecnomen has offices in Argentina, Austria, Brazil, Ecuador, Germany, Ireland, Malaysia, Mexico, the Netherlands, Singapore, Spain, South Africa, Taiwan and the United Arab Emirates. The company has three product development units located in Finland, Ireland and Malaysia. Tecnomen also has a production unit in Ireland.

Tecnomen had 355 employees at year-end working in 15 locations.

Tecnomen's shares are quoted on the Helsinki Main List of the OMX Nordic Exchange under the trading code TEM1V.

Key figures

	IFRS 2007	IFRS 2006	IFRS 2005	IFRS 2004	FAS 2004	FAS 2003
Net sales, MEUR	70.1	71.8	69.0	51.6	51.5	45.3
Net sales, change %	-2.4	4.1	33.7		13.7	13.6
Operating result, MEUR	8.9	4.9	9.6	3.9	1.6	-7.0
as % of net sales	12.7	6.8	13.9	7.5	3.1	-15.6
Result before taxes, MEUR	10.0	5.2	10.3	4.9	2.6	-6.4
as % of net sales	14.2	7.3	14.9	9.5	5.1	-14.2
Result for the period, MEUR	8.7	3.2	8.8	4.0	2.1	-7.3
Personnel at the end of the period	355	374	373	350	350	398
Earning per share, basic, EUR	0.15	0.06	0.15	0.07	0.04	-0.13
Earning per share, diluted, EUR	0.15	0.05	0.15	0.07		
Equity per share, EUR	1.32	1.27	1.33	1.16	1.17	1.13
Net interest-bearing liabilities, MEUR	-17.5	-20.4	-32.8	-30.2	-30.0	-34.1

CEO's review

Profitability improved

Tecnomen's year of 2007 was highly influenced by the nature of the company's project-based business model. The first quarter of this year was weak. In the second quarter, we achieved an exceptionally high sales result, while the third quarter saw a good profit. Despite such wide fluctuations, the year was on the level we estimated at the beginning of the year.

The Messaging Business Unit grew significantly during 2007 with a net sales growth of 46 per cent. The challenges this Business Unit faced a few years ago have passed, and the heavy investments made earlier in Next Generation Messaging (NGM) systems began to pay back. The cost savings programme in Messaging, started during the fourth quarter of 2006, has brought about EUR 4 million of cost savings this year, resulting in good profitability.

The Charging Business Unit has enjoyed strong growth in the last few years in Latin America. This has been favourable for the company as we have been able to focus on developing our Messaging Business Unit. Now Charging is entering a substantial investment phase to better respond to customer needs. We have delivered Convergent Charging systems that offer a single approach for prepaid and post-paid functionality, and plan to further enhance our system to deliver seamless account balance management and rating.

Reaching our financial targets

Although we saw basically no growth in net sales for 2007, we have been able to improve our internal productivity to respond to declining sales prices. We have systematically aimed at an operating margin (EBIT) of between 10–15 per cent. In 2007, we achieved a 12.7 per cent operating profit. Return on investment (ROI) grew from 9.1 the previous year to 13.6 per cent. Net profit for the financial period rose to EUR 8.7 million from EUR 3.2 million the year before.

The division of our net sales changed by region: America's share was 54 per cent (59%), EMEA's 38 per cent (31%) and APAC's 8 per cent (9%).

Two business approaches

Thanks to our new two-business-unit organisation set up in the autumn of 2006, we have been able to improve each of these units' performance by focusing on the right business model for each to make an impact.

Messaging is part of a longer supply chain, whereas Charging sells directly to the operators. The large one-stop-shopping providers in Messaging have undergone significant consolidation. These vendors we serve as a small, niche vendor, providing them with complementary products. Nearly 60 per cent of Messaging sales are sold to large vendors.

In Charging, we have a very strong market position in Latin and Central America, and the number of subscribers is growing briskly. We must, however, achieve more business growth from the emerging Middle East, African and Asian markets where the number of subscribers is the driver of growth there.

Future challenges

Our greatest challenge in the future will be growth. Overall, the telecommunication industry has reached the point of maturity. Growth is not possible on the same scale as before. We too need to become a part of the consolidation movement, so mergers and acquisitions continue to be of interest to us.

Central and South America, where we have enjoyed strong growth over the past few years, are becoming saturated. The Middle East and Africa show the strongest potential for growth with new countries and operators coming to the scene. Also Asia has less mature countries with high potential.

Europe, excluding Eastern Europe, is very saturated. Revenue per customer is decreasing. Voice has been a killer application, but data is not growing fast enough to compensate the decreasing revenue in voice. New technologies, such as Skype and VoIP, are eating the revenue of operators. So Europe will invest if there is a chance for a rapid return on investment, new ARPU or a decrease in OPEX. That's where Tecnomen comes in. Our Next Generation Messaging offers new services from a single platform based on open standards as well as open source software.

Tecnomen's service and maintenance is a stable and growing business, accounting now for 22 per cent of our entire net sales. During 2007, we increased this part of the business to EUR 15.1 million from EUR 9.8 million a year ago. We estimate this share to grow as the Charging systems delivered in 2005–2006 come off warranty.

Restructuring for greater productivity

In terms of our organisational restructuring, we have been successful. With two business units – Messaging and Charging – we can manage the business processes even better.

Our personnel have undergone significant redistribution, and the transition has proceeded according to plan. We have moved resources from the more saturated markets of Europe to the rapidly developing markets of the Middle East and Africa. I'd like to emphasise the role of our personnel in this change, as we have been able to achieve success primarily thanks to them.

Although we still have the same number of employees, the geographic distribution of our personnel is different. The outcome of these moves is currently reflected in our productivity with improvements in profitability. In the future, we will increase the recruitment of local talent that can support our focus on customer service in local languages.

Tecnomen is not a start-up company. We will celebrate our 30th anniversary in 2008. During this time we have experienced the entire history of wireless communications. Products that were around at the start of our company no longer exist because we have always concentrated on developing something new.

As a project-oriented company, Tecnomen is not an easy target for shareholders to evaluate. They must take a longer-term perspective to see the big picture. Major fluctuations in every quarter due to the nature of a project business do not appeal to a short-term investment philosophy. We have made profit since 2003, although these were not easy years. The industry has seen a considerable amount of consolidation, and a number of weaker players have completely disappeared. Customer needs have changed continuously, but we have adapted to the changes and made a steady profit.

I wish to thank our personnel, business partners and shareholders. Our target is to continue on our chosen path.

Jarmo Niemi
President and CEO

Tecnomen's product lines

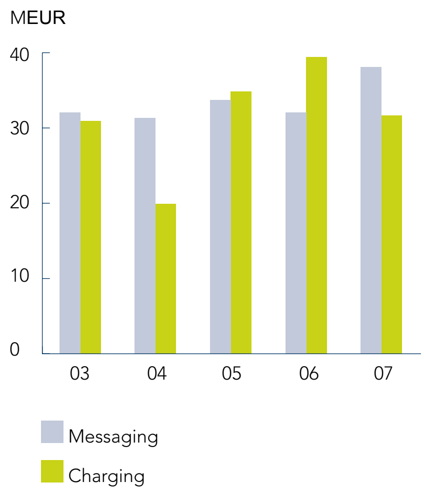
Two separate units and strategies

Tecnomen consists of two business units, Messaging and Charging, whose sales strategy and geographical focus have been very different from the very start.

The Messaging Business Unit provides value-added services for teleoperators across the world through its own worldwide organisation and global and local partners. The strategy of Messaging is to approach the market in collaboration with partners such as Nokia Siemens Networks. The share of partner sales has grown over the past few years and was 53 per cent of the business unit's sales in 2007.

The Charging Business Unit provides Convergent Charging solutions for teleoperators mainly through its own regional organisation and local partners. The business primarily takes place in Latin America where Tecnomen is one of the leading charging vendors. The Charging Business Unit has revised its strategy to now include global markets as well by investing in a sales and customer services organisation outside Latin America.

Net sales by product line 2003–2007



Net sales by product line 2003–2007

MEUR	2003	2004	2005	2006	2007
Total	45.3	51.5	69.0	71.8	70.1
Messaging	32.2	31.5	33.9	32.2	38.3
Charging	13.1	20.0	35.0	39.6	31.8

Messaging

Fixed and mobile networks

Tecnomen Messaging caters to fixed and mobile network operators worldwide who seek increased revenue derived from higher rates of call completion and inexpensive yet rapid service deployment. Its solutions are sold both directly to operators as well as in collaboration with network infrastructure suppliers who resell the products or combine them within their own service portfolios. In response to operator demand for standardisation and flexibility, Messaging solutions are designed with a focus on openness, reliability and scalability.

The business unit's leading new products include its Interactive Voice Response (IVR) Application Server, its reliable and multipurpose Media Server, as well as its cornerstone, a family of voice and video communication services.

Product Solutions

- Next Generation Messaging – voice and video mail and call completion services
- Media Server – delivers versatile services to any handset within any network
- IVR Application Server – enables operators to independently develop and deploy services
- Professional Mobile Radio Messaging – reliable messaging for public authority use

Voice and Video Messaging

The challenge facing operators is to respond better to people's needs of being ever more available. Products offered by the Messaging Business Unit help operators to keep their subscribers in better reach to each other, irrespective of the handset or network in use. The solutions available are flexible for the operators, who are able to tailor services to meet the unique needs of their particular market segments.

Media Server

Originally a component of the Next Generation Messaging (NGM) solution, the Media Server is offered to operators to enable them to integrate their divergent fixed and mobile services within a single platform. The Media Server also provides a reliable base from which to offer new voice, video and data services to any handset within any network. Operators and network suppliers consider this component to be an essential element of their range of services not only because of its reliability and low operational expense, but also because the component is designed to adapt well to the needs of both current and future network architectures.

IVR Application Server

Operators demand the flexible capability to offer the newest services their particular market segments may desire. In response, Tecnomen launched the IVR Application Server. Several operators have already taken this innovation into use, which predicts its increasing popularity. Using the IVR Application Server's open standards, operators are easily able to create interactive carrier-grade media services for distinct market segments.

Professional Mobile Radio

Professional Mobile Radio (PMR) products have been developed for the communication of public authorities to effectively serve their communities. The systems provide alarm services and messaging solutions to a diverse group of emergency and other public services, including the police, social workers, rescue services and border guards.

Highlights of 2007

The new partnership of Nokia Siemens Networks and Messaging Business Unit confirms Tecnomen's channel business model and strengthens its competitiveness.

Customer solutions

Telkomsel: Building a strong video service portfolio

Telkomsel, the mobile business arm of PT Telkom, is the leading operator of mobile telecommunications services in Indonesia with a holding in the largest 3G network in the country and over 42 million subscribers. Together with Nokia Siemens Networks (NSN), Tecnomen delivered a Next Generation Messaging solution for a circuit switched 3G network integrated with an NSN service delivery platform to Indonesia.

Telkomsel is able to use this system to provide a large range of video services to its customers. The most important offering created to meet Indonesian market needs was Video Portal, which delivers live TV streaming to any handset as well as on-demand video content. Included in the mobile video services are Video Blog, which publishes user-generated video content, and a user-friendly Video SMS service. These applications were rapidly developed and deployed to all Telkomsel's customers and are equipped with real-time charging.

The year saw the Messaging unit gain more of a presence in the Middle East and Africa. Demand grew, and the business unit was able to work closely with its customers and supply appropriate solutions that grow as fast as the burgeoning market. Operation and maintenance revenues grew considerably in 2007 due to the streamlining of processes.

Product strategy

Tecnomen develops both so-called end-to-end Messaging products as well as solutions enabling different interactive media services for mobile and fixed operators.

The end-to-end solutions include all end-user functionality and user interfaces, whereas the solutions enabling interactive media services provide open interfaces and application interfaces for 3rd party applications. They cover both the Next Generation Messaging (NGM) product and the open Media Server product families.

Messaging products are sold both directly and through partners. Tecnomen maintains a broad network of product development partners. Co-operation helps Tecnomen to speed up the development of products and services, increase the flexibility of product development resources and implement customer change requests more efficiently.

Outlook

The price decline of basic voice messaging products will continue, but this decline has been significantly mitigated by more efficient product technologies and the further tailoring of product features to the needs of the market. Tecnomen expects the sales of Next Generation Messaging to continue to grow as customers currently using conventional solutions to upgrade their systems to become more cost efficient. The market demand for consolidated, network supplier independent media servers continues to develop and may bring some sizable results in the very near future, although the sales cycle of this product remains considerably long.

The Messaging Business Unit has worked extensively on its channel sales, and together with its partners, it is now well positioned in terms of competition. Demand in Europe is now increasing after a few slow years. Demand in the Middle East and Africa area is still growing as predicted, and this region is becoming of greater importance to the business unit.

Tecnomen Messaging expects to sustain its strong customer relations and accompanying agreements for support and maintenance. The revenue derived from the expansion and maintenance of installed systems is predicted to remain at a healthy level.

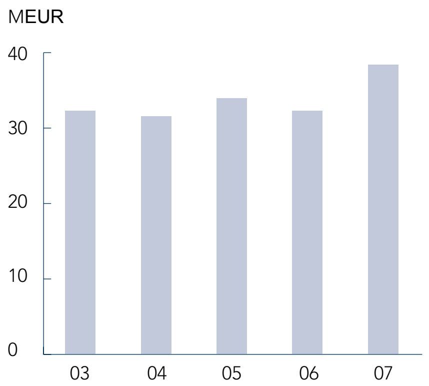
Tecnomen will continue to develop and invest in the NGM, IVR, and Media Server product lines throughout 2008.

Research and Development

The Messaging product development is based on applying open standards, Internet and wireless technologies. Tecnomen's products are based on open standards developed by entities including Open Mobile Alliance, 3GPP, 3GPP2 and ETSI among others.

A significant part of the product development expenses for the Messaging product range consists of variable costs, including long-term product development partnerships and subcontracting. The cultivation of a tightly integrated network of development partners provides Messaging with extensive product development flexibility and allows the business unit to function within a dynamic business environment.

Net sales, Messaging 2003–2007



Customer solutions
MTN Irancell increased its capacity

The Iranian operator MTN Irancell is an important new customer for Tecnomen. Nearly five million MTN Irancell customers are now using the company's systems, and this number is growing quickly. The operator is using Tecnomen's speech-based, self-service and video content solutions. In 2007, Irancell launched a geographically decentralised solution and expanded the capacity of its system.

Charging

Convergent Charging – unlocking the value

The increase in the convergence of networks, infrastructure, services and payment methodologies, coupled with subscriber desire for data services, ensured that demand for our real-time Convergent Charging solution continued to grow in 2007.

As subscriber demand for data services increases, operators need to rapidly adapt to changes in the market. They also need to introduce unique and exciting data and content-based services, such as IPTV, streaming services and user-generated content, irrespective of whether they are prepaid or post-paid. Tecnomen's Convergent Charging real-time voice and data charging solutions allow operators to develop and charge for new services faster than their competitors.

With Convergent Charging operators can reduce their dependency on multiple charging solutions. At the same time, they can streamline system architecture, create operational efficiencies and ultimately improve profitability based primarily on a network-independent solution.

Tecnomen continues to lead the way with innovative real-time solutions designed to support the operators' existing investment whilst providing the pathway to allow the operators to evolve and meet the increasingly complex market requirements and business models.

Product strategy

The Charging Business Unit develops network-independent, reliable, scalable and cost-effective charging solutions for operators. Tecnomen, one of the market leaders, is known for its ability to develop customised solutions based on customer needs and market demands.

Tecnomen utilises extensive telecom, real-time rating and balance management experience to develop its core charging components in-house. Co-operation with strategic partners provides the necessary conditions to support the customers' market and business requirements.

Tecnomen co-operates with product development partners to even out peaks in demand and increase flexibility.

Versatile solutions

Convergent Charging delivers flexible and versatile real-time IP multimedia, charging, balance management and speech control solutions. The solution supports online and offline rating and charging of voice, data, content and streaming-based services for fixed, mobile and Internet subscribers, irrespective of payment method.

Operators can rapidly deploy new products and services and create dynamic and flexible offerings, which can be selectively bundled together for sale. In many markets the bundling of services, such as voice, SMS, MMS, IPTV, is very popular.

Depending on the market, subscribers have access to a range of user-friendly features such as designated service specific accounts; a broad range of bonus and incentive schemes; real-time notifications; secure methods of account recharging; and full roaming support. These services are designed to stimulate usage, reduce churn and increase market share.

Customer solutions

Brasil Telecom – leveraging investment

Brasil Telecom has over eight million fixed-network customers and over three million mobile phone customers.

Tecnomen Convergent Charging leverages Brasil Telecom's charging solution investment by providing the company with a tailored convergent product. With the introduction of the Tecnomen Fixed-Line Prepaid solution, together with our existing mobile-based solution, Brasil Telecom now offers a comprehensive Fixed-Mobile Convergent Prepaid solution targeted at cost-conscious customers within its market.

Highlights of 2007

Demand for data services increased, which in turn led to strong continued growth for the Convergent Charging solution. By utilising Tecnomen's IMS standard 3GPP Diameter CCA based real-time online charging solution, together with new advanced features, operators have quickly been able to introduce new and innovative services for their customers. The company has deployed data charging solutions in the expanding markets of Latin America and Africa.

Tecnomen provided Brasil Telecom with a Fixed-Mobile Convergent prepaid solution for the highly competitive Brazilian market.

Tecnomen also increased its global sales presence in both the APAC (Asia Pacific) and MEA (Middle East and Africa) regions, with a greater emphasis on charging opportunities in these emerging markets. In addition, Tecnomen opened a new office in Ecuador to provide greater support to customers.

As well as having a strong presence at major telecom events worldwide, Tecnomen was extremely active in the area of marketing its charging solutions in Africa, Asia and Europe by co-sponsoring several major charging and billing conferences.

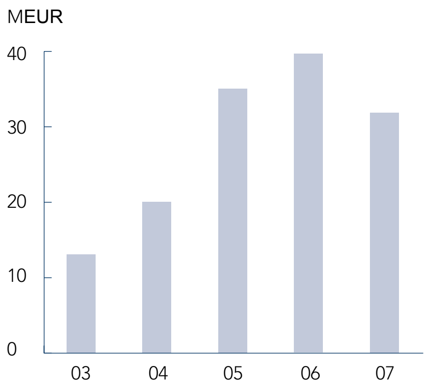
Outlook

Extensive knowledge of the charging market, a well-defined product roadmap and the new company structure allow Tecnomen to provide a flexible development platform from which to quickly respond to both customer requests and market demands. Therefore, Tecnomen is now well positioned to capitalise on the strong growth market analysts predict in the demand for cost-effective, real-time convergent charging solutions globally.

The Latin American market will remain robust with continued organic growth, together with the new opportunities that will arise due to the shift away from voice-centric prepaid solutions to convergent charging solutions.

The emerging markets still offer untapped potential, because low penetration rates and new operator license grants will sustain growth for years to come. The Charging Business Unit will constantly increase its investments in global sales activities and product development.

Net sales, Charging 2003–2007



Customer solutions

CTI Móvil, Argentina – delivering a difference

Tecnomen has been providing CTI Móvil of Argentina with real-time charging solutions for over five years and has played an integral part in their successful growth. CTI Móvil utilises Tecnomen's geographically redundant Convergent Charging solution, distributed over multiple sites. With the implementation of this versatile, real-time solution, CTI Móvil can provide continuous voice and data services to its 12.3 million subscribers, even in the event of a natural catastrophe.

Customers and markets

Global solutions

Tecnomen markets, sells, delivers and maintains its products and services through its own worldwide organisation as well as through global and local partners.

An extensive sales and customer service organisation contributes to Tecnomen's sales and operations globally. This network supports the company's partners and end customers from pre-sales to maintenance. Each area organisation also provides 24/7 customer support services locally. At year-end, the company had 15 offices worldwide, including the headquarters in Finland, responsible for sales, delivery and system maintenance services.

By the end of 2007, the company's systems had been delivered to more than 80 customers worldwide.

Operators invest in emerging markets

Operators continued to invest especially in emerging market areas, such as the Middle East, Africa and Latin America as well as Asian countries with large populations.

Next Generation Messaging (NGM) sales were strong especially in the Middle East and Africa where new networks rolled out. Demand for open, consolidated Media Server and IVR solutions rose in the same areas. In addition, interest in video services was high in Asia-Pacific. Operators in Latin America continued to expand existing Voice Mail along with their growing subscriber base.

Operators in Latin America witnessed strong sales growth coupled with a favourable development in profitability. Convergent Charging sales remained strong in Latin America, driven by growth in subscriber numbers, as well as by the growing need to charge prepaid subscribers for data services.

Excellent development in EMEA

Tecnomen has three geographical market areas: the Americas (North, Central and South America), EMEA (Europe, the Middle East and Africa) and APAC (Asia and the Pacific). Each regional office is responsible for sales, delivery and maintenance services in its region's countries.

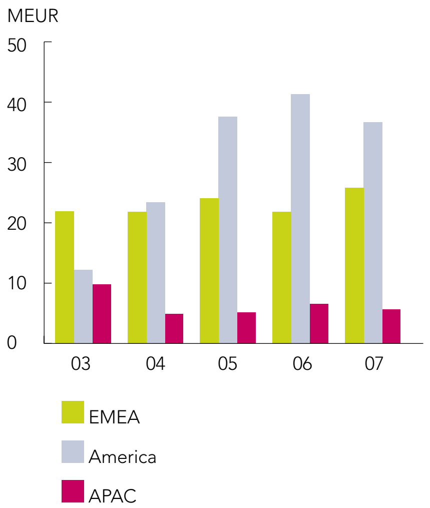
A breakdown of Tecnomen's net sales by market area was as follows: the Americas 53.8 per cent (59.2%), EMEA 38.0 per cent (31.3%) and APAC 8.2 per cent (9.4%).

In 2007, the focus of regional operations was on the expansion of existing systems, rolling out Next Generation Messaging Systems and upgrading prepaid systems to Convergent Charging systems. Sales to existing customers accounted for 82.9 per cent (73.6%) of net sales.

Customer acquisition also continued with global partners, and the company won new accounts mainly in the African region. New customer sales contributed to 10.2 per cent (12.0%) of net sales.

Tecnomen's strategy is to increase recurring revenues. A growth in maintenance sales was targeted, and their share accounted for 21.5 per cent (13.6%) of net sales.

Net sales by market area 2003–2007



Net sales by market area 2003–2007

MEUR	2003	2004	2005	2006	2007
Total	45.3	51.6	69.0	71.8	70.1
EMEA	22.6	22.5	24.8	22.5	26.6
America	12.6	24.1	38.7	42.5	37.7
APAC	10.1	5.1	5.3	6.8	5.8

Breakdown of sales to new and established customers, maintenance 2003–2007

%	2003	2004	2005	2006	2007
New	14.9	25.5	10.2	12.0	10.2
Established	85.1	74.5	89.9	88.0	89.8

The customer is key

Tecnomen's mission is to improve the competitiveness and profits of its customers. The company provides revenue generating value-added services and solutions for charging the end-users. Understanding the customer's business in various markets is key when delivering competitive solutions that meet the requirements of the markets. Open and active communication with customers and partners helps us to be their preferred partner.

One of Tecnomen's values is continuous improvement. The company continues to invest in developing cutting-edge product platforms and features. In addition, the global sales and customer support organisation together with our partners enables Tecnomen to offer better, more versatile and faster service to its customers and thus improve their revenues and profitability, as well as develop their business. To increase customer satisfaction and project profitability, Tecnomen continues to develop its project competence and supply chain.

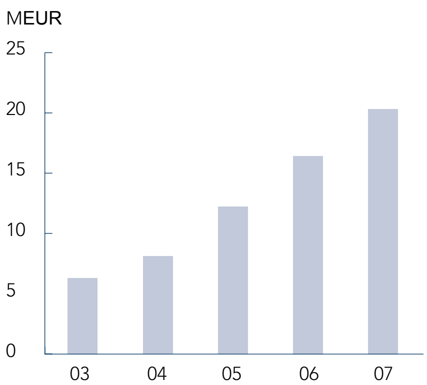
Partnering for success

Partners play a major role in Tecnomen's strategy and business development. The company's partner network is important in marketing, sales, product development and deliveries.

Tecnomen has set up global marketing, sales, development and delivery partnerships with leading companies like Nokia Siemens Networks, Sun Microsystems and Accenture, among others. Nokia Siemens Networks sells solutions developed by Tecnomen as part of its own system deliveries. Sun Microsystems plays an important role as a technology provider, and Accenture is Tecnomen's major product development partner. The company also engages in active co-operation with local and regional partners.

Partnerships developed positively during the financial year. Sales through global partners totalled EUR 20.3 million, or 28.9 per cent (22.8%) of net sales.

Sales through global partners 2003–2007



EMEA

Europe

Replacement wave for Voice Mail Systems continues

Tecnomen operates throughout all of Europe. In addition to its headquarters in Finland, the company has offices in Austria, Germany, Ireland, the Netherlands and Spain.

The market in Europe remains challenging due to the saturated mobile penetration in Western Europe and only a small remaining growth potential in Eastern Europe. Tecnomen won two NGM delivery projects for new operators in the Southeast European Area.

The strong competition between operators has led to further consolidation of the operator market and encourages all players to be cautious with new investments, as well as to further reduce operational expenses.

New investments in VAS platforms are mainly driven by their effect on lowering costs for operation and maintenance. In 2007 the wave of replacing legacy Voice Mail Systems with modern Next Generation Messaging Platforms has clearly continued, and Tecnomen closed contracts for corresponding projects.

The Middle East and Africa

Record-high growth

Tecnomen has two offices in the Middle East and Africa market region. The Middle East head office is located in the United Arab Emirates, and the African office is in South Africa. In 2007 Tecnomen continued to strengthen its presence in these areas by developing local co-operation with partners and focusing on actively broadening its customer base.

Strong organic growth continued in the Middle Eastern and African markets in 2007, and together with Tecnomen's flexible approach, this guaranteed record net sales in the region. New operators and growth in subscriber numbers increased market potential in the Middle East. On the solution side, Tecnomen customers in the Middle East and Africa market are seeing the value of distributed architecture, which is one of Tecnomen's core competencies and areas of growth.

Tecnomen obtained new messaging customers in Kenya and Saudi Arabia. The company also signed many major contracts for messaging system expansions and upgrades in rapidly growing markets, such as Iran and South Africa.

Tecnomen also carried out a prepaid system expansion and upgrade in Mauritania.

APAC

Asia Pacific

Strong market growth continued

Tecnomen operates throughout the entire Asia-Pacific region. The regional head office is located in Kuala Lumpur, Malaysia, and the company has another office in Taiwan. In 2007 the company opened a new office in Singapore, which mainly supports operations with partners and sales channels in the region. During the year, Tecnomen closed its office in Thailand and, according to strategy, will now concentrate increasingly on realising its technology programme in co-operation with its partners as part of acquiring new customers.

Tecnomen's Asia-Pacific offices broadened the company's customer base mainly through their sales channels, and simultaneously delivered expansions to existing direct customers. Special emphasis was placed on upgrading maintenance and service agreements, as well as on a broader service range for existing maintenance agreements. In this respect, Tecnomen was very successful during the year. The company also delivered its Media Server and NGM systems within the region.

The Asian telecommunications markets continued to grow strongly, although they can still clearly be divided into mature and emerging markets. Especially in Indonesia, Tecnomen's customers have invested heavily in the expansion of the systems' capacities and functionality. In the emerging markets, customers are looking for new functionality and 3G capabilities, such as video support for different applications.

In the review period Tecnomen won several orders for messaging system expansions and upgrades in the Asia-Pacific region, for example from Indosat and Hutchinson in Indonesia. Indosat acquired new video services specifically. Tecnomen also delivered a wide range of 3G video services to Telkomsel in Indonesia.

The Americas

North, Central and South America

Sustained growth

Tecnomen has four offices in the Americas: in Brazil, home of the regional head office, and in Argentina, Mexico and Ecuador, where Tecnomen opened a new office in 2007. According to Tecnomen's strategy, the company is now located closer to customers by operating in a distributed way throughout the region, and reinforcing its sales, delivery and support capabilities.

Organic growth in the Latin American markets continued during 2007. Despite strong growth, penetration is still on relatively low level.

Apart from basic Voice Prepaid, demand is increasing for convergent charging services from mobile and fixed networks with regard to data and voice services, and pre- and postpaid subscribers. Tecnomen has positioned itself as a leading provider not just in the prepaid area but also in the convergent charging market.

The arrival of UMTS/3G in Latin America has created an increasing interest in NGM (Next Generation Messaging). As a leading provider of NGM solutions, Tecnomen has begun to actively promote these solutions in the market as a shift from current legacy Voice Mail systems to these new solutions for services like Video Mailbox among others.

Replacement opportunities in the area started to increase. In addition to leveraging continuing organic growth, Tecnomen is also focusing on new possibilities as operators shift from basic voice centric solutions to convergent charging types of solutions.

Tecnomen's key customer in Latin America is América Móvil, which is the largest operator group in the Americas region and the second largest operator worldwide, serving 141 millions subscribers. Tecnomen has been working closely with América Móvil since 2000 when the company started its rapid expansion in Latin America.

Several orders for system expansions were received from customers such as Telemig Celular y Amazonia Celular (Brazil), Brasil Telecom (Brazil), Claro (Central America), CTI (Argentina), Conecel (Ecuador) and others. Messaging systems were also delivered to Digitel in Venezuela, as well as Brasil Telecom, Telemig Celular and Claro of Brazil.

Personnel

Customer-oriented competence as a competitive factor

Tecnomen's business objective is to be a leading supplier of messaging and charging systems for the telecommunications industry as well as the preferred supplier for customers and partners. In daily operations this calls for a proactive understanding of our customers' business needs and an ongoing development of products and services to ensure good performance.

Rapid changes in the industry and an ever-intense competitive environment require business processes to be continuously questioned and competence to be concentrated and further enhanced. The main focus for Tecnomen's human resource planning is to develop the organisation's flexibility and willingness to change, to identify core competence needs and to predict new skills needed for the future.

The company's business objectives require employees to demonstrate diverse skills, a result-oriented approach and flexible co-operation both inside the company and together with external stakeholders. To ensure this, Tecnomen strives to create a continuously evolving environment to encourage employee innovation and professional competence development. Annual reviews crystallise business objectives into concrete personal goals and development plans. This assures constant competence development and a focus on specific actions that will make a difference.

Development of job satisfaction and well-being at work

In spring 2007 Tecnomen carried out a job satisfaction survey, which was completed by 60 per cent of the employees. Thus, we got a clear picture of our strengths and the need for development on departmental, divisional and company levels. Based on these results, action plans were created with milestones to be monitored accordingly.

New organisational structure

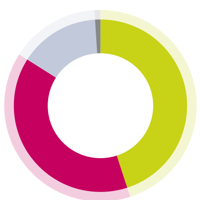
In autumn 2006 Tecnomen changed to a new organisational structure, which consists of the Messaging and Charging Business Units as well as Finance and Administration. The change has enhanced and clarified the business direction and promoted more customer-oriented operations.

Environment

Tecnomen complies with the principles for sustainable development in environmental matters and aims to prevent any harmful effects of its operations in advance by taking a life-cycle approach to environmental factors in its product design phase.

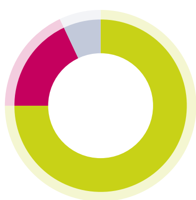
In its manufacturing, warehouse and transport activities, Tecnomen uses methods and procedures that cause as little damage as possible on nature and the environment. The company's Irish manufacturing unit, Tecnomen Ltd, received the ISO 14001 environmental compliance certificate by BSI. Tecnomen Corporation is a member of the Finnish Environmental Register of Packaging PYR Ltd and uses recyclable packaging materials in all its deliveries.

Employees by years of service 2007



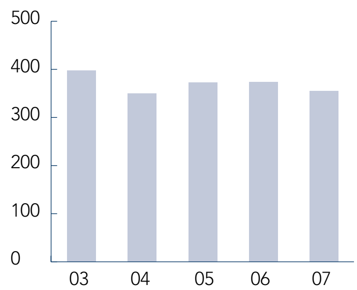
0–5	45%
6–10	39%
11–25	15%
25 –	1%

Employees by area 2007



EMEA	264 (75%)
America	65 (18%)
APAC	26 (7%)

Employees at the end of year



Corporate Governance

Tecnomen Corporation is administered and managed in accordance with current legislation and the company's Articles of Association. Ultimate responsibility for the Group's administration and operations is vested in Tecnomen Corporation's governing bodies, namely the Meeting of Shareholders, the Board of Directors and the President and Chief Executive Officer. The President and CEO is assisted by the Group's Management Board.

Tecnomen complies with the Corporate Governance recommendations for companies listed on the OMX Nordic Exchange Helsinki.

Meeting of Shareholders

Tecnomen's Annual General Meeting of Shareholders is the company's highest decision-making body. According to the Articles of Association, the AGM is held annually before the end of May on a date determined by the Board of Directors. The Meeting is held in the company's domicile, Espoo, or, if the Board of Directors so decides, in Helsinki. An Extraordinary Meeting shall be held if the Board of Directors considers it to be necessary, or if the company's auditor, or shareholders with at least one tenth (1/10) of all shares, so request in writing for the consideration of a specific matter.

The responsibilities of the Annual General Meeting are defined in the Finnish Companies Act. The most important ones are amending the Articles of Association, approving the financial statements, deciding on the dividend to be paid, discharging the Board members and the President and CEO from liability, appointing Board members and auditors and deciding on their fees.

Tecnomen provides advance information about AGMs in the Invitation to the Shareholders' Meeting and at www.tecnomen.com.

Board of Directors

The tasks and responsibilities of Tecnomen's Board of Directors are defined in the Finnish Companies Act and other applicable legislation, according to which the Board of Directors is responsible for the appropriate organisation of business operations and corporate administration. The Board also ensures that the company's accounting and financial administration is supervised appropriately. Furthermore, the Board is responsible for promoting the interests of the company and all its shareholders by pursuing a business policy that in the long term ensures the best possible return on the capital invested in the company.

To support its work, Tecnomen's Board of Directors has confirmed Rules of Procedure, which define the Board's duties and work methods, as well as meeting and decision-making procedures.

Tecnomen's Board of Directors acts as a Corporate Board of Directors. It handles and makes decisions on all of the main issues affecting the Group's operations, irrespective of whether the issues legally call for a decision by the Board, if Board handling is deemed to be appropriate.

The members of Tecnomen's Board have no special duties other than those designated by law.

Board members, election and term of office

Tecnomen's Board of Directors consists of a minimum of three and a maximum of seven members, as provided in the Articles of Association. The Annual General Meeting elects the Board and confirms the number of Board members. The Board of Directors elects the Chairman and Vice Chairman among its members for a term of one year at a time. The term of office of Board members expires at the end of the third Annual General Meeting following election. The Annual General Meeting held on 14 March 2007 elected six members to the Board. The Articles of Association do not restrict the number of terms of office.

Board meetings have a quorum when over half of the Board members are present. Matters are decided by a simple majority vote. In the event of a tied vote, the Chairman has the casting vote.

Tecnomen's Board of Directors has assessed the Board members' independence of the company and shareholders in compliance with the Corporate Governance recommendations. Based on the assessment, the Board members are independent of the company and its major shareholders.

The Board of Directors

Lauri Ratia, b. 1946, MSc (Tech)
Chairman of the Board,
member of the Board since 2001
Inspecta Holding 3 Oy, member of the Board
since 19.11.2007
Same-Invest Oy, member of the Board since 2008
Sponda Plc, Chairman of the Board from 2007
OJSC LSR Group, St. Petersburg (Russia),
member of the Board from 2007
CRH Europe Materials, Senior Advisor, 2007–1.4.2008
Medifiq Healthcare Oy,
Chairman of the Board since 2007
Kemira GrowHow Oyj, Vice Chairman of the Board
2004–22.10.2007
Edita plc, Chairman of the Board since 2005
Paloheimo Oy, Vice Chairman of the Board and
member of the Board since 2002

Carl-Johan Nummelin (left), Christer Sumelius, Keijo Olkkola, Timo Toivila, Lauri Ratia and Johan Hammarén.

Olvi plc, member of the Board since 1999
Member of the Finnish Association of Professional Board Members
Tecnomen shares: 6 000
Tecnomen stock options: 25 000

Carl-Johan Numelin, b. 1937, MSc (Tech)
Vice Chairman of the Board,
member of the Board since 2001
Member of the Riihimäki–Hyvinkää Chamber of Commerce since 2007
Member of the Finnish Association of Professional Board Members
Tecnomen shares: 61 208 (direct holding 60 208)
Tecnomen stock options: 12 500

Johan Hammarén, b. 1969, LLM, MSc (Econ)
Member of the Board as of 14 March 2007
Fondia Oy, Managing Director since 2006
Aspocomp Group Oyj,
member of the Board since 2007
Impera Electronics Ltd,
member of the Board since 2007
Beneq Oy, member of the Board since 2006
Tecnomen shares: 307 100 (direct holding 297 800)

Lars-Olof Hammarén, b. 1942, BSc (Eng)
Member of the Board 2001–14 March 2007

Keijo Olkkola, b. 1939, MSc (Tech)
Member of the Board since 2001
Tecnomen shares: 22 363
Tecnomen stock options: 12 500

Christer Sumelius, b. 1946, MSc (Econ)
Member of the Board since 2001
Investsum Ab, President since 1984
Chemdyes Sdn. Bhd.,
member of the Board since 2006
Glaston Oyj Abp, Vice Chairman of the Board,
member since 1995
Member of the Finnish Association of Professional Board Members
Tecnomen shares: 1 325 358
(direct holding 375 280 shares)
Tecnomen stock options: 12 500

Timo Toivila, b. 1950, MSc (Tech)
Member of the Board since 2001
Teleste Corporation, member of the Board since 2003
No Tecnomen shares

Board meetings

Tecnomen's Board of Directors convened 13 times in 2007. Calculated on the basis of the number of meetings and the number of members present, the average attendance of members at Board meetings was 95 per cent.

Assessment of Board activities

Tecnomen's Board of Directors regularly assesses its activities and work procedures to ensure effective operations and quality. The assessment is carried out as an internal self-evaluation.

Board Committees

Tecnomen's Board of Directors has established two committees, the Audit Committee and the Remuneration Committee. The Board has approved written rules of procedure for the committees, containing the main responsibilities and operating principles for the committees. The Board of Directors makes decisions based on the work of the committees.

The Audit Committee assesses the adequacy of the Group's internal auditing, reporting and proactive risk management, as well as prepares related proposals and studies for the Board of Directors. The Committee also assesses the quality and independence of the company's external audit.

The Committee comprises three members of the Board (Lauri Ratia, Johan Hammarén, Carl-Johan Numelin). Tecnomen's President and CEO and the company's CFO regularly participate in the Audit Committee's meetings.

The Remuneration Committee prepares proposals for the Board concerning the appointment and remuneration of senior management, including personnel remuneration schemes.

The Committee comprises three members of the Board (Lauri Ratia, Carl-Johan Numelin, Christer Sumelius) and one non-Board member (Hannu Turunen).

Fees of the Board of Directors

The fees paid to the Chairman and members of the Board in 2007 totalled EUR 170 000. The fees of Board members are paid quarterly. The Board members are also entitled to compensation for travel expenses in accordance with Tecnomen's travel guidelines.

President and CEO

The President and Chief Executive Officer is responsible for managing and developing the company's operations as defined in the Finnish Companies Act and in the guidelines and instructions issued by the Board of Directors. The President and CEO may undertake actions that are unusual or far-reaching in view of the scope and quality of the company's operations only if authorised by the Board of Directors.

The President and CEO ensures that the company's accounting complies with legislation and that its assets are managed reliably. The President and CEO is also responsible for investor relations, corporate communication, long-term strategic and financial planning, as well as major operative decisions and the supervision of their implementation. The President and CEO prepares matters to be handled at Board meetings and reports to the Board.

A written contract of employment has been drawn up for the President and CEO. It has been approved by the Board.

Management Board

Tecnomen Group has a four-member Management Board that comprises the President and CEO, the heads of business units and the head of Finance and Administration. The Management Board is chaired by the President and CEO.

The Management Board assists the President and CEO, supervises and develops the company's operations in accordance with the strategies and objectives set, creates group-level procedures, provides support to risk management processes, monitors the global human resources policy and remuneration systems, as well as manages stakeholder relations. The Management Board convenes at least once a month.

Management Board

Jarmo Niemi, b. 1953, MSc (Tech)
President and CEO since 31 October 2003
QPR Software Oyj, member of the Board since 2007
Evox Rifa Group, member of the Board 2000–2007
Aspocomp Group Oyj, President, 1993–2003
Aspo Corporation,
various management positions 1986–1993
Orion Oyj, Medion,
various management positions 1981–1986
Tecnomen shares: 10 000
Tecnomen stock options: 130 000

Tuomas Wegelius (left), Miika Reinikka, Jarmo Niemi and Eero Mertano.

Eero Mertano, b. 1965
Vice President, Charging since 1 October 2006
Previous work experience at Tecnomen
• Vice President, Sales and Marketing 2004–2006
• Managing Director, Tecnomen Brazil 1998–2000
• Director, Product Management 1997–1998
• Product Manager 1995–1996
Add2Phone Oy, Sales Director, President 2000–2003
Merlin Systems Oy, Project Manager,
Product Development Director 1993–1995
No Tecnomen shares
Tecnomen stock options: 80 000

Miika Reinikka, b. 1968, MSc (Tech)
Vice President, Messaging since 1 October 2006
Previous work experience at Tecnomen
• Sales Director, Europe 2006
• Director, Mobile Multimedia 2002–2004
• Business Development Director 2000–2002
• Partner Sales Manager 1999–2000
• Account Manager 1997–1998
Parker Hannifin, Chomerics Division,
Key Account Manager 2004–2006
Oy LM Ericsson Ab, Area Sales Manager 1995–1997
Oy E Sarlin Ab, Product Manager 1993–1995
No Tecnomen shares
Tecnomen stock options: 65 000

Tuomas Wegelius, b. 1955, MSc (Econ)
Chief Financial Officer since 14 August 2006
No previous work experience at Tecnomen
Valtra Inc., CFO, 1993–2006
Labsystems Oy, CFO, 1990–1993
Valmet Oy, Deputy Director, 1987–1990
Valmet do Brasil, CFO, 1984–1987
Valmet, Inc. (USA), Controller, 1981–1984
Valmet Oy, various management positions, 1979–1981
No Tecnomen shares
Tecnomen stock options: 80 000

Audit

The audit plays an important role as the auditing body appointed by the shareholders. It provides shareholders with an independent statement on how the company's accounts, financial statements and administration have been managed.

The main task of the statutory audit is to confirm that the financial statements give a true and fair view of the company's financial performance and position for the period ended. Tecnomen has one auditor. The auditor reports to the Board of Directors in conjunction with each interim report and issues an auditor's statement to shareholders as part of the annual financial statements. The auditor's term of office corresponds to the company's financial year, expiring at the close of the Annual General Meeting following election.

Tecnomen's auditor in the financial year 2007 was KPMG Wideri Oy Ab, and the principal auditor was Sixten Nyman, Authorised Public Accountant.

The auditor's fees paid by Tecnomen Group for 2007 totalled EUR 118 952. In addition, the auditor was paid a further EUR 190 887 in fees for other services.

Remuneration of the President and CEO and other management

An effective remuneration scheme is a key tool in achieving shareholder control. The remuneration scheme aims to increase the motivation of the company's Board of Directors, President and CEO and other management to work in the interest of the company and its shareholders. Decisions on the remuneration of Tecnomen's President and CEO and Management Board members are made by the Board of Directors. Their remuneration scheme consists of a monthly salary and a performance-based fee, which is paid on the basis of target results determined in advance.

Fees, salaries and other benefits paid to the President and CEO and members of the Management Board in 2007 amounted to EUR 850 015. The fees, salaries and benefits paid to the President and CEO in 2007 totalled EUR 208 764.

The President and CEO and members of the Group's Management Board do not get separate remuneration for membership in the Management Board.

The pension benefits of the President and CEO and members of the Management Board are determined in accordance with the Employees Pensions Act (TyEL). The retirement age for the President and CEO is 60 years, and full pension is 60 per cent of pensionable earnings.

Related parties

Tecnomen has not granted loans to members of the Board of Directors or the Management Board nor has it given guarantees for them. Members of the Board of Directors and the Management Board and people or organisations closely associated with them have no significant business connections with the company.

Control and reporting system

The control and supervision of Tecnomen Group's operations are based on planning and reporting systems at different levels of the hierarchy. The objective of the control and reporting systems is to ensure that the company's operations are efficient and profitable, that information is reliable and that official regulations and internal operating principles are observed. The company's Board of Directors is ultimately responsible for the company's accounting and for supervising the management of the company's assets. The President and CEO is responsible for the practical implementation of accounting and the control and reporting systems.

Long-term planning of the company's business is guided by corporate-level strategic plans that are updated each year. Business risks and the achievement of goals are monitored at corporate and Board level with a monthly reporting system. Monthly reports presented at meetings contain actual figures for past performance and up-to-date forecasts for future performance.

Risk management

The task of risk management is to identify, manage and track major risks affecting the company's business operations and operating environment to enable the company to achieve its strategic and financial goals in the best possible way. The principles for internal auditing and financial reporting are defined in the Audit Committee's rules of procedure. The risk management process is supported by the Management Board, which handles risks and their management in its meetings on a regular basis.

The Group's financial management is responsible for managing foreign exchange, interest rate and liquidity risks and for taking out insurance against operational risks. The business units take care of all other risk management concerning their operations. The Management Board reports the most significant risks to the Audit Committee.

Insider management

Tecnomen complies with the Guidelines for Insiders issued by OMX Nordic Exchange Helsinki. The company keeps its insider register in the SIRE system maintained by the Finnish Central Securities Depository Ltd.

Tecnomen's statutory insiders are the members of the Board of Directors, the President and CEO, members of the Management Board and the auditor (insiders with the duty to declare). Tecnomen's company-specific insider register includes people who in their work regularly obtain information that may have a material impact on the value of the company's shares (permanent company-specific insiders). If necessary, Tecnomen prepares project-specific insider registers for major projects.

Tecnomen's Board of Directors has confirmed a restriction on insider trading, which forbids insiders to trade in the company's shares 14 days before the publication of financial reports. Insider issues are managed and monitored by the company's CFO.

Further information: www.tecnomen.com

Report of the Board of Directors

Sales and net sales

Tecnomen's net sales in the review period decreased by 2.4% to EUR 70.1 (71.8) million.

EUR 49.7 million of the sales in the review period have been recognised in accordance with IAS 11 (Construction contracts) and EUR 20.4 million in accordance with IAS 18 (Revenues).

Net sales by geographical area were: Americas 53.8% (59.2%), EMEA 38.0% (31.3%) and APAC 8.2% (9.4%).

Net sales by product line were: Messaging 54.7% (44.9%) and Charging 45.3% (55.1%).

Sales through global partners totalled EUR 20.3 (16.4) million or 28.9% (22.8%) of net sales.

Maintenance and service sales increased 54.8% and totalled EUR 15.1 (9.8) million or 21.5% (13.6%) of net sales.

The order book stood at EUR 17.5 (15.0) million at the end of the review period. Americas accounted for 31.6%of the order book, EMEA for 57.8% and APAC for 10.6%.

Operating result

The operating result for the review period was EUR 8.9 (4.9) million.

Factors contributing to this improvement were lower project material and service costs than in the previous year, a larger share of operations accounted for by maintenance and service, and lower employee benefit costs due to the reduction in the number of personnel.

The result for the period before taxes was EUR 10.0 (5.2) million.

Earnings per share were EUR 0.15 (0.06). Equity per share at the end of the period was EUR 1.32 (1.27).

Financing and investments

Tecnomen's liquid assets totalled EUR 17.5 (20.4) million. The cash flow for the review period was EUR -2.8 million. The last quarter cash flow was EUR 8.3 million. The first quarter cash flow included a repayment of capital to shareholders of EUR 5.9 million.

The balance sheet total on 31 December 2007 stood at EUR 95.2 (88.8) million. Interest-bearing liabilities amounted to EUR 0.0 (0.0) million. The debt to equity ratio (gearing) was –22.4% (-27.4%). The balance sheet structure remained strong and the equity ratio on 31 December 2007 was 83.7% (84.3%).

Tecnomen's gross capital expenditure during the review period, excluding the capitalisation of development costs, was EUR 1.2 (2.4) million or 1.8% (3.4%) of net sales.

Financial income and expenses (net) during the review period totalled EUR 1.1 (0.3) million. The net effect of assessing foreign currency balance sheet items was EUR 0.7 (0.0) million, the loss from assessing the fair value of funds was EUR -0.2 (0.2) million, and other financial income totalled EUR 0.6 (0.1) million.

CHANGE IN WORKING CAPITAL, MEUR

(increase - / decrease +)	1-12/07	1-12/06
Change in accounts receivable	2.3	-5.3
Change in other short-term receivables	-5.4	-1.8
Change in inventories	-0.4	0.3
Change in accounts payable	0.5	0.0
Change in other current liabilities	2.1	1.4
CHANGE IN WORKING CAPITAL, TOTAL	-1.0	-5.4

Markets

Messaging

During the year Tecnomen delivered major Messaging expansion orders in Europe, Asia, the Middle East, Africa and Latin America. Maintenance sales increased considerably during the year. Cash flow was strong in the second half of the year as several major delivery projects were completed.

Charging

The growth in subscriber numbers continued in South and Central America and in Africa. Tecnomen received major orders for system expansions in Latin America during the year. Several projects were successfully completed which created a strong cash in-flow in the final quarter.

Research and development

Research and development costs during the review period were EUR 16.1 (13.2) million, corresponding to 22.9% (18.4%) of net sales. EUR 7.6 (6.0) million of development costs were capitalised during the review period and will be amortised over 3-5 years from the start of commercial use. R&D costs of EUR 2.4 (1.0) million were amortised during the review period.

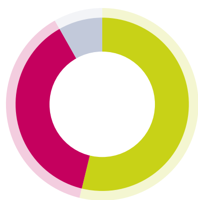
Personnel

At the end of December 2007 Tecnomen employed 355 (374) persons, of whom 89 (115) worked in Finland and 266 (259) elsewhere. The company employed on average 354 (387) people during the review period. Personnel by geographical area were as follows:

Net sales by product lines 2007

Messaging	54.7% (44.9%)
Charging	45.3% (55.1%)

Net sales by market area 2007



America	53.8% (59.2%)
EMEA	38.0% (31.3%)
APAC	8.2% (9.4%)

	2007	2006	2005
Personnel, at end of period	355	374	373
Americas	67	65	63
EMEA	261	286	286
APAC	27	23	24
Personnel, average	354	387	355
Personnel expenses before R&D capitalisation (MEUR)	19.7	21.2	18,5

Tecnomen shares and share capital

At the end of December 2007 the shareholders' equity of Tecnomen Corporation stood at EUR 78.0 (74.6) million and the share capital was EUR 4 720 446.24, divided into 59 252 078 shares. The company held 134 800 of these shares, which represents 0.23% of the company's share capital and votes. Equity per share was EUR 1.32 (1.27).

A total of 38 721 977 Tecnomen shares (EUR 53 923 125) were traded on the Helsinki Exchanges during the period 2 January – 31 December 2007, representing 65.35% of the total number of shares.

The highest share price quoted in the period was EUR 1.83 and the lowest EUR 1.15. The average quoted price was EUR 1.40 and the closing price on 31 December 2007 was EUR 1.24. The market capitalisation of the share stock at the end of the period was EUR 73 472 577.

Current authorisations

At the end of the year Tecnomen's Board of Directors had the following current authorisations given by the Annual General Meeting on 14 March 2007:

Authorisation to decide on acquiring a maximum of 5 800 000 of the Company's own shares. Own shares may be acquired with unrestricted shareholders' equity at the market price of the shares at the time of the acquisition. The shares can be acquired for the purpose of developing the capital structure of the Company, carrying out corporate acquisitions or other business arrangements to develop the business of the Company, financing capital expenditure, to be used as part of the Company's incentive schemes, or to be otherwise retained in the possession of the Company, disposed of or nullified in the extent and manner decided by the Board of Directors.

Authorisation to decide on issuing and/or conveying a maximum of 17 800 000 new shares and/or the Company's own shares either against payment or for free. The new shares may be issued and the Company's own shares may be conveyed to the Company's shareholders in proportion to their current shareholdings in the Company or waiving the shareholder's pre-emption right through a directed share issue, if the Company has weighty financial grounds for doing so. Such grounds could be the development of the capital structure of the Company, carrying out corporate acquisitions or other business arrangements to develop the business of the Company, financing capital expenditure or using the shares as part of the Company's incentive schemes in the extent and manner decided by the Board of Directors.

Authorisation to decide on a free share issue to the Company itself. The number of shares to be issued to the Company together with the shares repurchased to the Company on the basis of the repurchase authorisation shall be a maximum of one tenth (1/10) of all the Company's shares.

Authorisation to grant special rights by giving, against payment, new Company shares or the Company's own shares held by the Company.

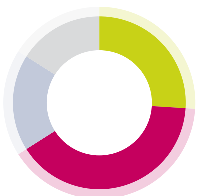
Stock option programme

The company currently has a 2002 stock option scheme and a 2006 stock option scheme.

In the 2002 stock option scheme, the 2002B, 2002C and 2002D stock options were current. The subscription period for the 2002B stock option was 1 April 2004 – 30 April 2007, for the 2002C stock option 1 April 2005 – 30 April 2007 and for the 2002D stock option 1 April 2006 – 30 April 2008.

During the review period shares were subscribed with the 2002C and 2002D stock options. The share subscription price for stock option 2002C is EUR 0.24 and for stock option 2002D EUR 1.11. The amount of the capital repayment per share (EUR 0.10) has been deducted from the subscription prices. A total of 66 500 new shares were subscribed with the 2202C stock options and 180 000 new shares with the 2002D stock options. The payments received for share subscriptions were recorded in their entirety in the invested non-restricted equity reserve.

Employees by area 2007



Tecnomen Oyj (Finland)	93 (26%)
Tecnomen Ltd (Ireland)	140 (40%)
Telecommunicação Ltda Brasilia	65 (18%)
Other	57 (16%)

The 2006 stock option programme is divided into three series: the 2006A, 2006B and 2006C stock options. A maximum of 2 001 000 stock options may be issued, which entitle holders to subscribe for altogether 2 001 000 Tecnomen shares. The subscription period for the 2006A stock option is 1 April 2007 – 30 April 2010, for the 2006B stock option 1 April 2008 – 30 April 2011 and for the 2006C stock option 1 April 2009 – 30 April 2012. The share subscription price for 2006A stock options is EUR 2.61, for 2006B stock options EUR 1.46, and for 2006C stock options the trade-weighted average price of the Company share on the Helsinki Exchanges during 1 January – 31 March 2008. The amount of the capital repayment per share (EUR 0.10) has been deducted from the subscription prices for the 2006A and 2006B stock options. Tecnomen's Board of Directors has issued 436 000 2006A stock options and 667 000 2006B stock options to key personnel of Tecnomen Group. The remaining 2006 stock options have been issued to Tecnomen Japan Oy, a wholly owned Tecnomen subsidiary, for issuing at a later date to current or future key Group personnel.

Altogether 2 713 000 stock options remain on 31 December 2007 of all Tecnomen's stock options in circulation. The shares that can be subscribed on the basis of these stock options account for a maximum of 4.38% of the Company's shares and the votes carried by the shares after any increase in share capital. On 31 December 2007 the Company still held 1 087 000 of all the current stock options. The issued stock options had a maximum diluting effect on 31 December 2007 of 2.67%.

Segment information

The Group's organisation as from 1 October 2006 comprises the Messaging and Charging business units and support functions. Based on this organisation, as from the beginning of this year the primary segments in Tecnomen Group's financial reporting, in accordance with IFRS, are the Messaging and Charging product lines. This is because these are two clearly distinct businesses and they are also being monitored in the company's internal financial reporting as separate business units as from the beginning of this year.

Risk management and uncertain factors

The greatest risks in Tecnomen's operations are related to major customer and partner relationships, to agreements made with these, and to the correct timing of its product development.

Tecnomen's largest customers are much bigger businesses than the company itself and the five largest customers account for more than half of net sales. The relationship between the company and its major customers is one of interdependence, which poses a potential risk but also offers significant new business opportunities.

Certain commitments are associated with the project and maintenance agreements made by the company, and unforeseen costs may arise in the future from these agreements. The company aims to limit these liabilities with limitation of liability clauses in customer contracts. In addition the company has a current global liability insurance to cover any liabilities that may materialise in connection with customer projects.

Project deliveries result in large accounts receivable. The payment record of customers and the situation concerning receivables are actively monitored and credit rating checks are made on new customers before confirming an offer.

Changes in exchange rates create risks especially in sales activities. A significant part of the company's net sales is in US dollars. The company hedges its currency denominated net position for a maximum period of 12 months, using currency forward contracts and currency options. Liquid funds are invested, avoiding credit and liquidity risks, in money-market deposits and short-term interest funds with a good credit rating.

Carrying out projects creates risks. They are contained for example in projects that require new product development, where creating new product features may prove more difficult than anticipated. Another problem with project sales arises from variations in net sales and profit during the different quarters of the year. Forecasting these variations is often difficult.

Tecnomen operates in a rapidly changing sector. When making R&D decisions there is the risk that the choice made may not bring the expected returns.

Tecnomen's risks and uncertainties in the near future relate to major projects that are under negotiation and to their timing.

Events after the end of the period

Tecnomen has decided to examine the option of liquidizing its assests from the real estate owned by the company, and has given Catella Corporate Finance Oy the task of exploring the possibility of selling the Tecnomen headquarters property in Espoo. If the real estate is sold, Tecnomen will continue functioning on the premises as a tenant. An investigation into the possibility of selling the real estate owned by Tecnomen in Shannon, Ireland will also be made.

Tecnomen expects to book a profit by selling the real estate in Espoo. It is not certain that the sale will take place. If it does, it is expected to take place in the second quarter of 2008.

Prospects

The overall market for Messaging and Charging in 2008 is expected to remain unchanged from the previous year. The market for conventiona proprietary systems is declining but for IP-based solutions the market is growing.

Net sales in 2008 are expected to be similar to those in 2007. To safeguard its growth potential in the coming years and, through this, better profits, Tecnomen is putting much effort in 2008 into the new convergent charging products and into new markets of its Charging business.

Because of these major efforts, it is estimated that the 2008 operating profit will be smaller than the 2007 figure.

Variations between quarterly figures are expected to be considerable.

Proposal for distribution of profits

Tecnomen's Board of Directors proposes to the Annual General Meeting to be held on 12 March 2008 that a dividend of EUR 0.07 per share be paid for the fiscal year ended on 31 December 2007.

The dividend will be paid to shareholders who are registered on the record date of 17 March 2008 in the company's shareholder register maintained by the Finnish Central Securities Depository Ltd. The Board proposes to the AGM that the dividend is paid on 26 March 2008.

TECNOMEN CORPORATION
Board of Directors

Consolidated income statement

EUR 1 000	Note	1 Jan - 31 Dec 2007	1 Jan - 31 Dec 2006
Net sales	1, 2	70 131	71 822
Other operating income	3	194	312
Materials and services	4	-15 153	-18 805
Employee benefit expenses	5	-23 252	-25 635
Depreciation, amortisation and impairment losses	6	-4 637	-3 005
Other operating expenses	7	-18 386	-19 815
Operating profit		8 896	4 875
Financial income	9	1 518	2 065
Financial expenses	10	-458	-1 725
Result before taxes		9 956	5 214
Income taxes	11	-1 257	-1 971
Result for the period		8 699	3 243
Result for the period attributable:			
To equity holders of the parent		8 699	3 243
Earnings per share calculated on profit attributable to equity holders of the parent	13		
Earnings/share, basic, EUR		0.15	0.06
Earnings/share, diluted, EUR		0.15	0.05
Number of shares on average, 1000s of shares			
-basic		59 117	58 871
-diluted		59 846	60 150

Consolidated balance sheet

EUR 1 000	Note	31 Dec 2007	31 Dec 2006
Assets			
Non-current assets			
Goodwill	14	682	682
Other intangible assets	14	15 830	10 614
Tangible assets	15	8 066	8 762
Long-term trade and other receivables	16	239	522
Total non-current assets		24 817	20 580
Current assets			
Inventories	17	2 361	1 933
Trade and other receivables	18	50 598	45 831
Cash and cash equivalents	19	17 469	20 446
Total current assets		70 428	68 211
Total assets		95 245	88 790
Shareholders' equity			
Share capital	20	4 720	4 720
Share premium fund		847	847
Invested unrestricted equity reserve		264	48
Own shares		-122	-122
Other reserves		54 689	60 576
Translation differences		200	171
Retained earnings		17 391	8 389
Equity attributable to equity holders of the parent		77 989	74 630
Total shareholders' equity		77 989	74 630
Non-current liabilities			
Deferred tax liability	23	3 388	2 623
Long-term non-interest-bearing liabilities	24	37	30
Total non-current liabilities		3 425	2 653
Current liabilities			
Trade payables and other liabilities	25	13 831	11 508
Total current liabilities		13 831	11 508
Equity and liabilities		95 245	88 790

Statement of changes in shareholders' equity

EUR 1 000 — **Equity attributable to equity holders of the parent**

Change in shareholders' equity 1 - 12 / 2006	Share capital	Share premium fund	Own shares	Translation difference	Invested unrestricted equity reserve	Other reserves	Retained earnings	Total
Shareholders' equity 1 Jan 2006	4 665	66 178	-122	211		282	6 044	77 257
Translation difference				-40				-40
Net gain recognised directly in shareholders' equity				-40				-40
Result for the period							3 243	3 243
Total profits and losses recognised during period				-40			3 243	3 203
Dividend declared							-1 163	-1 163
Options exercised	56	847			48			951
Share-based payments							449	449
Other adjustments							-184	-184
Capital repayment		-5 884						-5 884
Transfer of share premium fund to fund in unrestricted equity		-60 294				60 294		
	56	-65 331			48	60 294	-899	-5 832
Total shareholders' equity 31 Dec 2006	4 720	847	-122	171	48	60 576	8 389	74 630

EUR 1 000 — **Equity attributable to equity holders of the parent**

Change in shareholders' equity 1 - 12 / 2007	Share capital	Share premium fund	Own shares	Translation difference	Invested unrestricted equity reserve	Other reserves	Retained earnings	Total
Shareholders' equity 1 Jan 2007	4 720	847	-122	171	48	60 576	8 389	74 630
Translation difference				29				29
Net gain recognised directly in shareholders' equity				29				29
Result for the period							8 699	8 699
Total profits and losses recognised during period				29			8 699	8 727
Options exercised					216			216
Share-based payments							200	200
Other adjustments							103	103
Capital repayment						-5 887		-5 887
					216	-5 887	303	-5 368
Total shareholders' equity 31 Dec 2007	4 720	847	-122	200	264	54 689	17 391	77 989

Consolidated cash flow statement

EUR 1 000	Note	1 Jan - 31 Dec 2007	1 Jan - 31 Dec 2006
Cash flow from operating activities			
Result for the period		8 699	3 243
Adjustments for:			
Non-cash transactions	30	3 263	2 478
Interest income and other financial income		-834	-829
Interest expense and other financial expenses		203	1 442
Income taxes		1 257	1 971
Other adjustments		138	-518
Changes in working capital			
Change in trade and other receivables		-3 118	-7 139
Change in inventories		-428	321
Change in trade payables and other liabilities		2 558	1 442
Interest paid		-11	-376
Interest received		610	512
Income taxes paid		-286	-730
Net cash flow from operating activities		12 052	1 819
Cash flow from investments			
Investments in intangible assets		-7 622	-5 974
Investments in tangible assets		-1 565	-2 367
Net cash flow from investments		-9 187	-8 341
Cash flow from financing activities			
Shares subscribed with share options		216	951
Repayment of current loans			-33
Repayment of non-current loans			-432
Divident declared			-1 036
Capital repayment		-5 883	-5 880
Net cash flow from financing activities		-5 668	-6 429
Change in cash and cash equivalents		-2 803	-12 952
Cash and cash equivalents at beginning of period		20 446	33 222
Change in foreign exchange rates		28	219
Change in fair value of investments		-202	-43
Cash and cash equivalents at end of period	19	17 469	20 446
Change		-2 803	-12 952

Notes to the consolidated financial statements

Corporate information

Tecnomen develops and supplies messaging and charging solutions for telecom operators and service providers. The Group has operations in Finland and in 14 other locations in 14 countries.

The Group's parent company is Tecnomen Corporation, which is domiciled in Espoo, Finland and its registered address is Finnoonniitynkuja 4, 02770 Espoo. A copy of the consolidated financial statements can be obtained on the Internet at www.tecnomen.com or from the head office of the Group's parent company at Finnoonniitynkuja 4.

Accounting principles

Basis of preparation

Tecnomen's consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, applying the IAS and IFRS standards and SIC and IFRIC interpretations in force on 31 December 2007. International Financial Reporting Standards, referred to in the Finnish Accounting Act and in ordinances issued based on the provisions of the Act, refer to the standards and to their interpretations adopted in accordance with the procedure laid down in regulation (EC) No 1606/2002 of the European Parliament and of the Council. The notes to the consolidated financial statements also conform to Finnish accounting and corporate legislation supplementing IFRS requirements.

The consolidated financial statements are prepared on the historical cost basis, apart from the exceptions mentioned later in these accounting principles. The amounts in the financial statements are presented in thousands of Euro.

Tecnomen Group has adopted the following new and amended standards and new interpretations starting from 1 January 2007:

IFRS 7 Financial Instruments: Disclosures. IFRS 7 requires disclosing information both on the significance of financial instruments for an entity's financial position and performance and for the nature and extent of risks arising from financial instruments. The standard has expanded the notes to the consolidated annual financial statements, new notes mainly relate to sensitivity analyses.

Amendment to IAS 1 Presentation of Financial Statements - Capital Disclosures. The amended IAS 1 requires disclosing information about an entity's level of capital and its capital management during the financial year. The adoption of the amended standard has expanded the notes to the consolidated financial statements.

IFRIC 8 Scope of IFRS 2. IFRIC 8 applies to such transactions where equity instruments are granted and the identifiable consideration received appears to be less than the fair value of the equity instruments granted. The Group didn't have transactions mentioned in the interpretation during the ended financial year or in financial years before that.

IFRIC 9 Reassessment of Embedded Derivatives. Under IFRIC 9 it is prohibited to reassess the separation of embedded derivatives from the host contract unless there is a change in the terms of the contract that significantly modifies the expected cash flows on the host contract. The adoption of the interpretation did not have an impact on the consolidated financial statements.

IFRIC 10 Interim Financial Reporting and Impairment. According to the interpretation an entity shall not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an equity instrument classified as available for sale or an unquoted equity instrument that is carried at cost at a subsequent balance sheet date. The adoption of the interpretation did not have an impact on the consolidated financial statements.

Use of estimates

The preparation of the financial statements in accordance with IFRS requires management to make certain estimates and assumptions concerning the future. Actual results may differ from these estimates. In addition, management has to make judgments in applying the accounting principles. Information about the judgments made by management in the application of the accounting principles followed by the Group and which have the most significant impact on the financial statements is given in the section "Accounting principles requiring management judgments and key sources of estimation uncertainty".

Accounting principles for consolidated financial statements

Subsidiaries

Subsidiaries are companies controlled by the Group. Control exists when the Group holds over half of the voting rights or it otherwise has control over an entity. Control means the right to govern the financial and operating policies of a company so as to obtain benefits from its activities.

Intra-group holdings are eliminated using the purchase method. The financial statements of subsidiaries are included in the consolidated financial statements from the date that the Group has obtained control and divested subsidiaries until the date that control ceases. Intra-group transactions, unrealised margins, receivables and liabilities, and profit distribution are eliminated in preparing the consolidated financial statements.

Foreign currency items

Transactions in foreign currencies are translated to the functional currency at the rates of exchange prevailing on the transaction dates or at the rate close to that on the transaction date. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency using the rate of exchange on the closing date. Exchange rate gains and losses arising from the translation of foreign currency transactions and of monetary assets and liabilities are recognised in the income statement. Exchange gains and losses relating to business operations are treated as adjustments to net sales or to purchasing and manufacturing. Exchange rate gains and losses related to financing operations are recognised under finance income and expenses.

The consolidated financial statements are presented in euro, which is the functional and presentation currency of the parent company. The income statements of those foreign Group companies whose functional currency is not the euro are translated into euro using the average exchange rate for the period, and balance sheet items, apart from the result for the period, at the exchange rate on the balance sheet date. Translation differences arising from eliminating the cost of foreign subsidiaries, the translation of the foreign subsidiaries' accumulated equity subsequent to acquisition and of the income statements and the balance sheets are recognised in translation reserve in equity.

Those translation differences accumulated by the date of transition to IFRSs, 1 January 2004 were recorded against retained earnings. Translation differences arising after the transition date are shown in translation reserve in equity. They are recognised in the income statement as part of the gain or loss on sale when a foreign entity is sold.

Property, plant and equipment

Property, plant and equipment are measured at historical cost less accumulated depreciation and any impairment losses. When certain parts of items of property, plant and equipment are accounted for as separate assets, the replacement costs for these parts are capitalised. Other subsequent expenses are capitalised only if it is probable that they will increase the economic benefits that will flow to the company. All other costs, such as normal repair and maintenance costs, are expensed as incurred.

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives. Land is not depreciated. The estimated useful lives are as follows:

- Buildings and structures 25 years
- Machinery and equipment and furniture 3 –5 years
- IT equipment 3 –5 years

The residual value of these assets and their useful lives are reassessed when the financial statements are prepared, and if necessary are adjusted accordingly to reflect any changes in the future economic benefits expected.

Gains or losses on sale or disposal of property, plant and equipment are recognised in the income statement.

Depreciation on an item of property, plant and equipment ceases when the item is classified as an asset held for sale, in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Borrowing costs

Borrowing costs are recorded as an expense in the period in which they are incurred. Transaction costs that are directly related to the borrowing of funds and are clearly attributable to a specific loan are included in the amortised cost and are amortised as interest expenses using the effective interest rate method.

Intangible assets

Goodwill

After 1 January 2004 goodwill represents the amount of the cost that exceeds the Group's share in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree on the date of acquisition.

In respect of business combinations occurred prior to 1 January 2004 goodwill represents the book value recorded under the previous accounting standards, and this has been used as the deemed cost under IFRS.

Goodwill is not amortised but it is tested annually for impairment. For this purpose goodwill is allocated to the cash-generating units. Goodwill is measured at cost less any impairment losses.

Other intangible assets

Intangible assets that have finite useful lives are recorded in the balance sheet and amortisation is recognised in the income statement on a straight-line basis over the useful lives. The estimated useful lives are as follows

- Intangible rights 3–10 years
- Capitalised development expenditure 3–5 years

Research and development costs

Research costs are charged to the income statement as incurred. Development costs for new products are capitalised when they meet the requirements of IAS 38 Intangible Assets. They are amortised over the useful lives of the related products. In Tecnomen development costs are monitored on a project-by-project basis and management decides on the capitalisation separately for each project. In order to qualify for capitalisation the following criteria are to be met: the results of a project are of use to several customers, the contents, objectives and timetable of a project are documented and a profitability calculation is prepared. At Tecnomen, capitalisation of product development costs that fulfil IFRS criteria starts when following requirements are met: a product's functional requirements and the plans for product industrialisation, testing and project are complete and have been approved as well as future economic benefits are expected from the product. The useful life of capitalised development expenditure is 3-5 years depending on the expected commercial life cycle, and they are amortised on a straight-line basis over this period from the start of commercial use.

Inventories

Inventories are stated at the lower of cost and net realisable value. The cost is measured based on the FIFO principle. The cost of finished goods and work in progress includes the cost of raw materials, direct labour costs, other direct costs as well as an appropriate share of variable and fixed production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling.

Leases

Leases are classified in accordance with the principles of IAS 17 as either finance leases or operating leases. A finance lease is defined as a lease in which the benefits and risks of ownership are substantially transferred to the lessee. An asset acquired under a finance lease is recognised in the balance sheet at the lower of the fair value of the leased asset and the present value of the minimum lease payments at inception of the lease. Assets acquired under a finance lease, less accumulated depreciation, are recorded in property, plant and equipment and related obligations in interest-bearing liabilities, respectively. Lease payments are apportioned between the finance expense and the reduction of the outstanding liability. Depreciation on the assets acquired under a finance lease is recognised over the shorter of the depreciation period applied by the Group to comparable owned assets and the lease term.

Leases in which the lessor retains the risks and benefits of ownership are treated as operating leases. Payments made under operating leases are recognised as other operating expenses in the income statement on a straight-line basis over the lease term.

Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount is also annually estimated for the following assets, irrespective of whether there is any indication of impairment or not: goodwill and intangible assets not yet available for use.

The recoverable amount is determined as the higher of fair value less costs to sell and value in use. At Tecnomen impairment tests are carried out based on the value in use at the cash-generating unit level. The cash-generating units are Messaging and Charging. The value in use is the present value of the future net cash flows expected to be derived from the asset. An impairment loss is recognised if the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount. The impairment loss is recognised in the income statement. An impairment loss is reversed if there are indications that the impairment loss may no longer exist and when conditions have changed and the recoverable amount has changed after the impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised. An impairment loss in respect of goodwill is never reversed.

Employee benefits

Pension benefits

The Group's pension plans conform to the regulations and practices in force in the countries where the Group operates. Statutory and any voluntary pension plans are managed by pension insurance companies.

Pension plans are classified either as defined benefit or defined contribution plans.

In defined contribution plans the Group pays fixed contributions to a separate entity. The Group has no obligation to pay any additional contributions if the insurer is not able to pay the future employee benefits.

Defined contribution plan expenses are recognised in the income statement on the accrual basis. The obligation for defined benefit pension plans is calculated using the projected unit credit method. The pension obligation is discounted to determine its present value using interest rates for government bonds that have maturity dates approximating to the terms of the Group's pension obligation. The pension liability or asset in the balance sheet is formed by the difference between the present value of the defined benefit pension obligation and the fair value of plan assets together with unrecognised actuarial gains and losses and unrecognised past service costs.

At the date of transition to IFRS on 1 January 2004 all actuarial gains and losses were recognised against the opening IFRS balance sheet equity.

Actuarial gains and losses subsequent to the transition date are recognised in the income statement over the expected average remaining working lives of the employees participating in the plan to the extent that they exceed 10 per cent of the greater of the present value of the pension obligation and the fair value of plan assets.

Share-based payments

The fair value of the option rights is measured on the grant date and is recognised as an expense on a straight-line basis over the vesting period in accordance with IFRS 2 Share-based Payment. The cost determined at the grant date is based on the Group's estimate of the number of the options which are expected to vest by the end of the vesting period. The fair value is measured based on the Black-Scholes formula. Changes in the estimates for the final number of options are recognised in the income statement. When the option rights granted prior to the effective date of the new Limited Liability Companies Act (1 September 2006) are exercised, payments for share subscriptions are allocated so that the amount equivalent to the nominal value of a share, adjusted by any transaction costs, is recorded in share capital and any excess in the share premium fund. Payments for share subscriptions made with options after 1 September 2006, are allocated so that the amount equivalent to the nominal value of a share, adjusted by any transaction costs, is recorded in share capital and the remainder in the reserve for invested unrestricted equity.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the obligation will have to be settled, and the amount of the obligation can be reliably estimated. If it is possible to obtain compensation for some of the obligation from a third party, the compensation is recognised as a separate asset, but only when it is virtually certain that the compensation will be received.

A provision for restructuring is recognised when the Group has a detailed and formal restructuring plan and the restructuring has either commenced or the plan has been announced publicly. A plan for restructuring shall contain at least the following information: the business concerned, the principal locations affected, the location, function and approximate number of employees who will be compensated for having their services terminated, the type of expenditure that will be incurred, and when the plan will be implemented.

Income tax

The income tax expense in the income statement consists of current tax, based on the taxable profit for the period and deferred tax. Current tax is calculated on the taxable profit using the tax rate in force in each country. The resulting tax is adjusted by any tax relating to previous years.

Deferred tax is calculated using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the goodwill which is permanently non-deductible or for the undistributed earnings of foreign subsidiaries to the extent it is probable that the difference will not reverse in the foreseeable future.

The principal temporary differences arise from capitalised development expenditure and from investments measured at fair value.

Deferred tax is measured using the tax rates enacted by the balance sheet date. Deferred tax liabilities are recognised in full, but deferred tax assets are only recognised to the extent that it is probable that future taxable income will be available against which they can be utilised.

Revenue recognition

At Tecnomen, net sales comprise revenue recognised from project deliveries and goods and service deliveries from which indirect taxes, discounts and exchange rate differences have been deducted.

Revenue from project deliveries is recognised in accordance with IAS 11 Construction Contracts Project revenue and expenses are recognised in the income statement in proportion to the stage of completion on the balance sheet date, once the outcome of the project can be estimated reliably. The outcome can be estimated reliably when the anticipated revenue and costs of the contract and the progress of the project can be estimated reliably and when it is probable that the economic benefits associated with the project will flow to the Group.

The stage of completion of a project is determined for each contract by the proportion of the estimated total contract costs accounted for by the costs incurred for work performed to date (cost-to-cost method). The revenue recognition for a project will start when the outcome of the project can be estimated reliably. Typically this happens when the management has approved the project and the first delivery to the customer has been made.

The stage of completion method of revenue recognition is based on estimates of the expected revenue and expenses associated with the contract and on estimating the progress of the project. The cost estimates for the projects are monitored quarterly in the management's revenue review and the revenue and expenses recognised in the income statement are revised if the estimates of the outcome of the project change. The accumulated effect due to the change in the estimates is recognised in the period when the change is known for the first time and its amount can be estimated. If the outcome of a project cannot be estimated reliably, revenue is only recognised to the extent of project costs incurred. This method of recognition is typically applied in first delivery projects for new products or when a delivery project contains a significant amount of customisation for individual customers. The margin on the project is recognised on final acceptance.

A project is considered onerous if its costs exceed total project revenue. The expected loss is then recognised as an expense immediately.

Revenue from the sale of goods and services is recognised in accordance with IAS 18 Revenue. Revenue from the sale of goods is recognised when the significant risks and benefits of ownership have been transferred to the buyer and when the amount of the revenue can be measured reliably and it is probable that the related economic benefits will flow to the company. Revenue from services is recognised when the service has been rendered. Supplementary deliveries that are often sold separately such as maintenance, licences, training, documentation and spare parts are examples of goods and service deliveries. Revenue from fixed-term maintenance contracts is normally recognised over the contract period on a straight-line basis.

Definition of operating profit

IAS 1 Presentation of Financial Statements does not define the term 'operating profit'. Tecnomen Group has defined it as follows: operating profit is the net sum obtained after adding other operating income to net sales and then deducting purchasing costs adjusted by the change in inventories of finished goods and work in progress, employee benefit expenses, depreciation, amortisation and any impairment losses, and other operating expenses. Changes in the fair values of derivative financial instruments entered into for hedging purposes are included in the operating profit.

All other income statement items are presented below the operating profit. Exchange rate differences are included in operating profit if they arise from items related to business operations otherwise they are recognised in financial items.

Non-current assets held for sale and discontinued operations

A non-current asset is classified as held for sale if its carrying amount will be recovered mainly through a sale transaction rather than through continuing use. Non-current assets held for sale as well as assets classified as held for sale that relate to a discontinued operation are measured at the lower of their carrying amount and fair value less costs to sell. Depreciation on these assets ceases on classification as held for sale.

Financial assets and liabilities

Financial assets

Financial assets are classified in accordance with IAS 39 in either of the following two categories: financial assets at fair value through profit or loss or loans and receivables.

Financial assets are classified when originally acquired based on their purpose of use. All purchases and sales of financial assets are recognised on the transaction date.

The financial assets at fair value through profit or loss comprise assets held for trading that in the Tecnomen Group include liquid money market investments with maturities of less than 12 months generally. Also foreign currency derivatives with positive fair values are classified as financial assets at fair value through profit and loss.

Loans and receivables include trade receivables and other receivables measured at amortised cost.

Derecognition of financial assets takes place when the Group has lost the contractual right to cash flows or when it has substantially transferred the risks and rewards outside the Group.

Construction work in progress

Construction work in progress is stated at the aggregate amount of revenue recognised less the invoiced amount. Costs include all costs directly related to the Group's construction contracts and the allocation of fixed and production overheads. Allocation is based on normal operating capacity.

Trade receivables

Trade receivables are stated at amortised cost less any impairment.

Cash and cash equivalents comprise cash in hand and at banks and short-term bank deposits .

Financial liabilities

Foreign currency derivatives with negative fair values are classified as financial liabilities at fair value through profit or loss.

Other financial liabilities are initially recognised at fair value equivalent to the consideration received, adjusted with any transaction costs. Subsequent to initial recognition, these liabilities are stated at amortised cost calculated using the effective interest method.

Derivative financial instruments

The derivative contracts entered into by the Tecnomen Group are currency forward contracts and options. The Group does not apply hedge accounting as defined under IAS 39 although the derivatives are used to hedge trade receivables denominated in foreign currencies.

Derivative instruments are classified as financial assets or liabilities held for trading. Derivatives are fair valued. The fair values of the currency forward contracts are based on the forward rates quoted at the balance sheet date. Gains and losses arising from changes in the fair values are recognised in the income statement.

Segment information

Tecnomen Group reports as its primary segments Messaging and Charging business units. The geographical areas are reported as the secondary segment. Tecnomen Group operates in three geographical areas: Americas (North, Central and South America), EMEA (Europe, Middle East and Africa) and APAC (Asia Pacific). Unallocated items include taxes, financial items, and corporate assets and expenses. Segment revenue is based on the geographical location of customers. Starting from 1 January 2007 this segment reporting format was implemented and therefore the comparative information for the year 2006 is not presented by new primary segments since the only information that is available for the new segments is net sales.

Accounting principles requiring management judgments and key sources of estimation uncertainty

To prepare the consolidated financial statements in accordance with IFRSs management has to make estimates and assumptions concerning the future. Actual results may differ from these estimates and assumptions. In addition management has to make judgments in the application of the accounting principles.

These estimates mainly affect recognition of revenue and expenses, the measurement of assets, the capitalisation of development costs and the recognition of deferred tax assets and their utilisation against future taxable income.

The projects delivered and services rendered by the Group are often large, complicated and financially significant. Management has to make judgments concerning the circumstances and conditions related to customer projects that may affect the timing of recognition of project revenue and profitability of the project in its entirety. Such factors include assignment of sufficient number of skilful employees to each project or for example factors in the functioning of international and especially emerging markets that may partly lie out of control of the company or the customers.

The completion of projects often requires new technical solutions that may cause unpredictable problems, delays and additional costs.

The Group tests goodwill annually for impairment and evaluates indications of impairment as stated in the accounting principles above. The recoverable amount from the cash-generating units is determined using calculations that are based on value in use and require the use of estimates.

In Tecnomen development costs are monitored on a project-by-project basis and management always decides on the capitalisation separately for each project. In order to qualify for capitalisation the following criteria are to be met: the results of a project are of use to several customers, the product is technically feasible, it can be utilised commercially, its development costs can be monitored reliably and the contents, objectives and timetable of a project are documented and a profitability calculation is prepared. Amortisation of development costs commences once the resulting product is ready for sale and its commercial use has begun.

The amortisation period is defined based on the useful life of the assets and is generally 3-5 years. Management estimates the amortisation period on project-by project basis taking into consideration product's foreseeable demand on the market.

Management monitors the feasibility and life cycle estimates for development projects. If these estimates give indication of possible impairment of the capitalised development costs, an impairment test is made based on value in use.

Application of new and amended IFRSs

IASB has issued the following new or revised standards and interpretations not yet effective and which the Group has not yet applied. The Group will adopt them as from their effective dates if the effective date is the same as the beginning of the financial year,.or if the effective date is different, they will be adopted as from the beginning of the following financial year.

IFRIC 11 IFRS 2 – Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007). The new interpretation clarifies the scope of equity-settled transactions (IFRS 2) and requires these transactions be reconsidered in subsidiaries. The Group estimates that IFRIC 11 has no impact on the consolidated financial statements. The interpretation has been adopted by the European Union (EU).

IFRIC 12 Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008). The Group does not have service concession arrangements with the public sector addressed in the interpretation and therefore the new interpretation has no impact on the consolidated financial statements. The interpretation is still subject to endorsement by the EU.

IFRIC 13 Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008). The Group has no customer loyalty programmes in the scope of the interpretation and therefore IFRIC 13 has no impact on the consolidated financial statements. The interpretation has not yet been adopted by the EU.

IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective on annual periods beginning on or after 1 January 2008). The interpretation applies to post-employment defined benefits and other long-term employee defined benefits within the scope of IAS 19 when a minimum funding requirement is involved. It also clarifies recoqnition requirements for assets based on refunds or reductions in future contributions. The Group has an additional pension insurance for Group management which is classified as a defined benefit plan. The Group estimates that the new interpretation has no material impact on the consolidated financial statements. The interpretation is still subject to endorsement by the EU.

IFRS 8 Operating Segments (effective for annual periods beginning on or after 1 January 2009). IFRS 8 replaces IAS 14 Segment Reporting. Under IFRS 8 segment information is based on the internal reports reviewed by the Group's management and related principles. IFRS 8 requires disclosures on Group's products, services, geographical areas and major customers. An entity is also required to disclose the principles for defining reportable segments and the accounting principles used in segment reporting. In addition a reconciliation between certain balance sheet and income statement items to segment information is required. The Group estimates that the new standard will not change the current segment reporting significantly, as the existing primary segments are business segments defined in accordance with management reporting. The Group assesses the impacts of the new standard on the disclosures for geographical segment information. The Group estimates that IFRS 8 mainly impacts the presentation of segment information in the notes to the consolidated financial statements. IFRS 8 has been adopted by the EU.

IAS 23 (revised) Borrowing Costs (effective for annual periods beginning on or after 1 January 2009). The revised standard requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset, e.g. production facility, as part of the cost of that asset. The Group has earlier expensed borrowing costs as incurred following the previous allowed alternative treatment. However, the Group estimates that the adoption of the revised standard will not have a material impact on the consolidated financial statements. The revised standard is still subject to endorsement by the EU.

IAS 1 (revised) Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009). The revised standard affects the presentation of the financial statements. The Group estimates that mainly the presentation of the income statement and the statement of changes in equity will be changed. It does not have an impact on the calculation of earnings per share (EPS). The revised standard has not yet been adopted by the EU.

Notes to the consolidated income statements

1. Segment reporting

IAS 14 Segment Reporting determines that segment information is presented in respect of Group's business and and geographical segments. Tecnomen Group's primary segment is the business segment. The business segment includes developing and delivering Messaging and Charging solutions. The Messaging and Charging product lines are reported as business segments and those together with support functions forms the Group's organisation. This is because these are two clearly distinct businesses and they are also being monitored in the company's internal financial reporting as separate business units.

The geographical areas are reported as the secondary segment. Tecnomen Group operates in three geographical areas: Americas (North, Central and South America), EMEA (Europe, the Middle East and Africa) and APAC (Asia Pasific).
Inter-segment pricing is determined on an arm's length basis.

Segment assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items include taxes, financial items, and corporate assets and expenses. Capital expenditures comprise increases in tangible and intangible assets that are expected to be used for more than one period. In presenting information for the geographical segments, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.

The new segment reporting has started on 1 January 2007 and it is put into practise so that year 2006 comparable figures are not presented by new primary segments since the only information that is available with new segments is net sales.

Business segments EUR 1 000

2007	Messaging	Charging	Others	Group in total
Net sales	38 337	31 794		70 131
Segment operating profit/(loss)	9 988	1 448	-2 540	8 896
Segment assets	31 503	31 244	32 498	95 245
Segment liabilities	4 483	6 970	83 791	95 245
Investments	4 240	4 457	170	8 867
Depreciations	2 683	1 837	117	4 637

2006	Messaging	Charging	Group in total
Net sales	32 213	39 610	71 822

Geographical segments

2007	Americas	EMEA	APAC	Inter-segment items	Group in total
Net sales	37 728	26 642	5 761		70 131
Segment assets	9 016	99 498	4 254	-17 524	95 245
Investments	144	8 692	30		8 867

2006	Americas	EMEA	APAC	Inter-segment items	Group in total
Net sales	42 545	22 504	6 773		71 822
Segment assets	4 555	93 702	3 984	-13 452	88 790
Investments	155	8 195	45		8 395

Notes to the consolidated income statement EUR 1 000

2. Construction contracts	**1 Jan - 31 Dec, 2007**	**1 Jan - 31 Dec, 2006**
Net sales include revenue from projects recognised in proportion to the stage of completion	49 704	55 501
Cumulative profits recognised for projects in progress that are recognised by stage of completion	47 192	42 098
Cumulative invoicing for projects in progress that are recognised by stage of completion	28 795	30 117
Work in progress related to construction contracts	18 397	11 981
Retention held by customers	8 062	9 097
Trade receivables related to the fullfilment of agreed obligations.		
Goods and services including in net sales	20 427	16 321
3. Other operating income		
Other operating income	194	312
Other operating income total	194	312
4. Materials and services		
Purchases during the period	-13 037	-17 021
Increase/decrease in inventories	64	-278
Materials and supplies	-12 974	-17 300
External services	-2 180	-1 506
Materials and services total	-15 153	-18 805
5. Employee benefit expenses		
Wages and salaries	-17 462	-18 819
Pension expenses, defined contribution plans	-2 170	-2 588
Pension expenses, defined benefit plans	-56	-51
Pension expenses total	-2 226	-2 639
Share options granted	-200	-449
Other employee benefits	-3 364	-3 727
Other employee benefits total	-3 564	-4 176
Employee benefit expenses total	-23 252	-25 635

Information about management board compensation is stated in Note 31. Related parties.
Information about granted share options is stated in Note 21. Share-based payment.

Average number of employees		
Finland	93	123
Germany	7	13
Spain	3	2
East and Southeast Asia	26	25
Ireland	140	141
Brazil	65	65
Middle East	21	19
Total	354	387

Notes to the consolidated income statement EUR 1 000

6. Depreciation and amortisation by class of asset	1 Jan - 31 Dec, 2007	1 Jan - 31 Dec, 2006
Depreciation by class of asset		
Other intangible assets		
Capitalised development expenditure	-2 404	-996
Other intangible assets	-272	-136
Total	-2 675	-1 132
Tangible assets		
Buildings	-276	-289
Machinery and equipment	-1 686	-1 584
Total	-1 961	-1 872
Depreciation, amortisation and impairment losses total	-4 637	-3 005

7. Other operating expenses		
Subcontracting	-4 918	-6 439
Office management costs	-3 851	-3 874
Travel	-3 728	-3 700
Agent fees	-2 673	-1 965
Rents	-1 101	-1 220
Professional services	-1 146	-1 535
Marketing	-441	-593
Other expenses	-516	-490
Other operating expenses total	-18 375	-19 815

The subcontracting item in other operating expenses consists largely of amounts paid to Accenture Services Oy for software development and maintenance for the voice messaging system.

8. Research and development expenditure		
Research and development expenditure	-6 058	-6 220
Amortisation of capitalised development expenditure	-2 404	-996
Research and development expenditure total	-8 462	-7 216

9. Financial income		
Financial income from financial assets at fair value through income statement	576	501
Foreign exchange gains on loans and other receivables	604	489
Foreign exchange gains from financial assets at fair value through income statement	211	158
Unrealised gains from financial assets measured at amortised cost		219
Foreign exchange gains on cash and cash equivalents	112	695
Other financial income	14	3
Financial income total	1 518	2 065

10. Financial expenses		
Interest expenses on loans and other receivables		-11
Financial expense from financial assets at fair value through income statement		-263
Financial expense from financial assets measured at amortised cost	-1	-1
Foreign exchange losses on loans and other receivables	-83	-1 055
Foreign exchange losses from financial assets at fair value through income statement	-154	-249
Unrealised losses from financial assets at fair value through income statement	-202	
Other foreign exchange losses	-8	-46
Other financial expenses	-9	-101
Financial expenses total	-458	-1 725
Financial income and expenses total	1 060	339

Items above the operating result include foreign exchange rate losses (net) of EUR 1 534 thousand in 2007 (EUR 1 497 thousand foreign exchange rate losses (net) in 2006).

Notes to the consolidated income statement EUR 1 000

11. Income tax	1 Jan - 31 Dec, 2007	1 Jan - 31 Dec, 2006
Current tax	-480	-598
Tax for previous accounting periods	-12	-273
Change in deferred tax liabilities and tax assets	-765	-1 099
Income tax total	-1 257	-1 971

12. Reconciliation of effective tax rate

Income taxes

Income tax reconciliation between tax expense computed at statutory rates in Finland (2007/2006: 26%) and income tax expense provided on earnings

Profit before taxes	9 956	5 214
Income tax using Finnish tax rates	-2 589	-1 356
Non-deductible expenses and tax-free income	-325	-432
Forfeited withholding taxes	-37	-39
Effect of different tax rates applied to foreign subsidiaries	-219	-176
Taxes of prior periods	-12	-310
Recognition of deferred tax from operating losses in previous years	1 924	342
Taxes in income statement	-1 257	-1 971

13. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

	2007	2006
Profit attributable to equity holders (EUR 1 000)	8 699	3 243
Weighted average number of shares during the year (1 000 shares)	59 117	58 871
Earnings per share, basic (EUR/share)	0.15	0.06

To calculate the diluted earnings per share, the weighted average number of shares takes into account the dilutive effect of converting all potential ordinary shares into shares.
The Group has share options that have a dilutive effect on the number of ordinary shares. Share options have a dilutive effect when the exercise price is lower that the fair value of the share. The amount of the dilution is the number of shares that can be considered as issued for no consideration since the company could not issue the same number of shares at fair value with the funds received from the share subscription. The fair value of the shares is based on the average price of the share during the financial year.

	2007	2006
Profit attributable to equity holders for calculating diluted earnings per share (EUR 1 000)	8 699	3 243
Weighted average number of shares during period (1 000 shares)	59 117	58 871
Effect of share options (1 000 shares)	729	1 279
Weighted average number of shares for calculating diluted earnings per share (1 000 shares)	59 846	60 150
Earnings per share, diluted (EUR/share)	0.15	0.05

Notes to the consolidated balance sheet

EUR 1 000

14. Intangible assets

Intangible assets 2007	Goodwill	Development expenditure	Other intangible assets	Total
Acquisition cost 1 Jan	682	11 469	3 876	16 028
Exchange differences			4	4
Reclassifications between items			120	120
Increase		7 622	146	7 768
Acquisition cost 31 Dec	682	19 092	4 146	23 920
Accumulated amortisation 1 Jan		-1 542	-3 190	-4 733
Exchange differences			-3	-3
Accumulated amortisation for decreases and transfers			3	3
Amortisation during period		-2 404	-272	-2 676
Accumulated amortisation 31 Dec		-3 945	-3 462	-7 408
Book value 31 Dec 2007	682	15 146	683	16 512

In 2007 EUR 7 622 thousand of development expenditure was capitalised. Capitalised development expenditure inludes EUR 1 812 projects that are not yet in commercial use, so no amortisation has been made on them.

Intangible assets 2006	Goodwill	Development expenditure	Other intangible assets	Total
Acquisition cost 1 Jan	682	5 495	3 494	9 672
Increase		5 974	382	6 356
Acquisition cost 31 Dec	682	11 469	3 876	16 027
Accumulated amortisation 1 Jan		-545	-3 054	-3 599
Amortisation during period		-996	-136	-1 133
Accumulated amortisation 31 Dec		-1 542	-3 190	-4 732
Book value 31 Dec 2006	682	9 928	685	11 296

In 2006 EUR 5 974 thousand of development expenditure was capitalised.
Capitalised development expenditure inludes EUR 3 802 projects that are not yet in commercial use, so no amortisation has been made on them.

In impairment testing of intangible assets in progress the recoverable amount is based on its value in use. Cash flow estimates are based on six year's forecasts which are approved by management. The discount rate applied is a pre-tax discount rate of 11.0 percent. The pre-tax discount rate was defimed by using the weighted average cost of capital (WACC).

The main variables in defining cash flows are the company's profitability, discounted interest rate and residual value where the cash flow estimates are based on. Management estimates the development of these factors based on internal and external views of the history and future of the industrial sector. No major change is forecast in profitability during the forecast period.

Goodwill from the purchase of Krocus Communications Oy, with a book value of EUR 682 thousand, has been allocated to the Messaging and Charging product lines. In the impairment test on the goodwill, the difference was calculated between the book value and the recoverable amount, and no indication was found of impairment.

Research and development expenditure recorded in the income statement is shown in Notes 8. Research and development expenditure.

Notes to the consolidated balance sheet EUR 1 000

15. Tangible assets

Tangible assets 2007	Land and water areas	Buildings	Machinery and equipment	Investments in progress	Total
Acquisition cost 1 Jan	2 069	7 522	28 164	31	37 787
Exchange differences			382		382
Increase		17	1 052		1 068
Decrease			-270	-5	-275
Reclassifications between items			-139		-139
Acquisition cost 31 Dec	2 069	7 539	29 188	26	38 823
Accumulated amortisation 1 Jan		-3 935	-25 089		-29 024
Exchange differences			-46		-46
Accumulated amortisation for decreases and transfers			275		275
Amortisation during period		-276	-1 686		-1 961
Accumulated amortisation 31 Dec		-4 211	-26 546		-30 756
Book value 31 Dec 2007	2 069	3 328	2 642	26	8 066

Tangible assets 2006	Land and water areas	Buildings	Machinery and equipment	Investments in progress	Total
Acquisition cost 1 Jan	2 069	7 511	26 268	42	35 891
Exchange differences			-29		-29
Increase		11	2 039		2 051
Decrease			-115	-11	-126
Acquisition cost 31 Dec	2 069	7 522	28 164	31	37 787
Accumulated amortisation 1 Jan		-3 646	-23 595		-27 241
Exchange differences			12		12
Accumulated amortisation for decreases and transfers			74		74
Amortisation during period		-289	-1 580		-1 869
Accumulated amortisation 31 Dec		-3 935	-25 089		-29 024
Book value 31 Dec 2006	2 069	3 587	3 075	31	8 762

16. Long-term trade and other receivables	31 Dec 2007	31 Dec 2006
Other long-term receivables		
Long-term prepaid expenses and accrued income		
Long-term tax assets (indirect tax)	22	461
Other long-term prepaid expenses and accrued income	194	39
Net asset in pension plan	23	22
Total long-term prepaid expenses and accrued income	239	522
Long-term trade and other receivables total	239	522

Notes to the consolidated balance sheet EUR 1 000

17. Inventories	31 Dec 2007	31 Dec 2006
Materials and consumables	2 361	1 288
Work in progress		121
Finished products/goods		524
Inventories total	2 361	1 933

In 2007 the write-down of inventories to net realisable value amounted to EUR 164 thousand (EUR 526 thousand in year 2006).

18. Trade and other short-term receivables		
Trade receivables	25 782	26 159
Other short-term receivables	72	80
Work in progress related to construction contracts	18 397	11 981
Other receivables based on delivery agreements	1 430	5 348
Short-term prepaid expenses and accrued income	4 917	2 263
Trade and other receivables total	50 598	45 831

Fair value of receivables is stated in Note 27. Fair value of financial assets and liabilities.
In Note 2. is stated the retention amount from work in progress related to construction contracts at the end of the year.
In 2007 group has recorded credit losses from trade recevables EUR 117 thousand (EUR 81 thousand in 2006).

Short-term prepaid expenses and accrued income		
Forward contracts		383
Valuation of foreign exchange option	1 950	
Deferred taxes	878	542
Other prepaid expenses and accrued income	2 089	1 338
Total	4 917	2 263

19. Cash and cash equivalents		
Cash and cash equivalents	8 197	4 933
Other financial assets	9 272	15 513
Cash and cash equivalents total	17 469	20 446

Cash equivalents comprise fund units, short-term interest funds and short-term bank deposits in which the maturity is not more than three months.

Notes to the consolidated balance sheet EUR 1 000

20. Notes to the shareholders' equity	Number of outstanding shares (1 000 shares)	Share capital	Share premium fund	Own shares	Invested unrestricted equity reserve	Total
1 Jan 2006	58 174	4 665	66 178	-122		70 720
Options exercised	697	56	847		48	951
Reduction of share premium fund			-60 294			-60 294
Capital repayment			-5 884			-5 884
31 Dec 2006	58 871	4 720	847	-122	48	5 494
Options exercised	247				216	216
31 Dec 2007	59 117	4 720	847	-122	264	5 709

The maximum number of shares is 77 052 thousand (70 667 thousand in 2006).
The Annual General Meeting of Tecnomen Corporation held on 14 March 2007 approved the Board of Directors' proposal on the amendment of the articles of association so that the article regarding the minimum and maximum share capital and the nominal value of the share shall be deleted.
All the issued shares are fully paid.

The Annual General Meeting of Tecnomen Corporation held on 14 March 2007 resolved, in accordance with the Board of Directors' proposal, to distribute EUR 0.10 per share from the unrestricted equity fund to the shareholders in proportion to their holdings.The payment was made to the shareholders registered on 19 March 2007 in the company's shareholder register maintained by the Finnish Central Securities Depository Ltd. The capital repayment date was 26 March 2007. The payment was made on altogether 58 833 178 shares, giving an aggregate total payment of EUR 5 883 317.80. The capital repayment was not made on the shares in the company's own possession (134 800 shares). In the financial year 2006, in accordance with the resolution of the Annual General Meeting of Tecnomen Corporation held on 15 March 2006, the Company's share premium fund was reduced by distributing EUR 0.10 per share altogether on 58 835 778 shares, giving an aggregate total payment of EUR 5 883 577.80. The reminder of the share premium fund EUR 60 294 214.20, was transferred to a fund belonging to the company's unrestricted equity. The shareholders registered on 6 September 2006 in the company's shareholder register maintained by the Finnish Central Securities Depository Ltd were entitled to the capital repayment. The payment date was 11 September 2006. The capital repayment was not made on the shares in the company's own possession (134 800 shares).

Descriptions of funds in shareholders' equity

Share premium fund
In those cases where option rights were granted during the period when the old Companies Act (29 Sept 1978/734) was in force, the payments received for option-based share subscriptions, less transaction costs, have been recorded in share capital and share premium fund in accordance with the terms of the arrangement.

Own shares
Own shares includes the aquisition cost of company shares held by the Group.
Own shares have been deducted from the number of shares when calculating per share ratios.

Reserve for invested unrestricted equity
The reserve for invested unrestricted equity includes other investments of equity nature and subscription prices for shares to the extent that it is specifically not to be credited to share capital. The payments received for share subscriptions based on the options granted after the entry into force (1 September 2006) of the new Limited Liability Companies Act (21 July 2006/624) are fully recognised in the reserve for invested unrestricted equity.

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

Other reserves
Other reserves contains the reserve of the parent company, where funds were transferred when reducing funds from the share premium fund.

Dividend
After the balance sheet date the Board of Directors has proposed that dividend of EUR 0.07 will be paid for the financial period ended on 31 December 2007.

21. Share-based payment

In 2007 Tecnomen Group had two valid option programs that are part of the system to motivate and retain the key personnel. The option programs were approved by the Annual General Meeting of Shareholders in 2002 and 2006. The subtypes of the option programs are valid from four to five years from their issue and the exercise period is from two to three years. In 2002 options were issued also to the members of the Board of Directors. Option rights are issued to the key personnel of Tecnomen Group or to the subsidiary in Tecnomen Group by the decision of the Board of Directors in accordance with the terms of the option programs. The subsidiary can give the options further to the target group by the decision of the Board of Directors.
If the employment of the share option holder ceases before the options are exercible for some other reason than the employee's death or reaching statutory retirement age in accordance with the terms of employment or if the company has otherwise specified retirement, then the employee shall immediately offer the company or a person designated by the company without consideration any share options for which the subscription period has not begun on the date when employment ceased. Once options subscription period has started they can be freely transferred, so the employee may sell the share options to a third party. The fair value of the options granted is valued using the Black-Scholes formula at their grant date and those will be recorded as an expense in the income statement amortised in the vesting period. The share subscription price for the option includes a divident adjustment, so it is not necessary to calculate or take into account future Tecnomen dividents when calculating the fair value.
In 2007 EUR 200 thousand (2006: EUR 449 thousand) were recorded as an expense in the income statement.
The table below shows the basic terms of share-based payments arrangements

2007	Share options 2002				Share options 2006		
	2002A	2002B	2002C	2002D	2006A	2006B	2006C
Basic information							
Date of the Annual General Meeting	11.4.2002	11.4.2002	11.4.2002	11.4.2002	15.3.2006	15.3.2006	15.3.2006
Grant date	28.6.2002	28.6.2002	31.3.2003	31.3.2004	21.4.2006	20.11.2007	
Maximum number of share options	400 000	1 200 000	1 200 000	1 300 000	667 000	667 000	667 000
Number of granted options	396 000	477 000	480 000	1 087 500	436 000	667 000	
Number of exercised shares per option	1	1	1	1	1	1	1
Original exercise price	1.68 €	1.68 €	0.46 €	1.33 €	2.73 €	1.56 €	
Divident adjustment	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Exercise price 31 December 2005	1.68 €	1.68 €	0.46 €	1.33 €			
Exercise price 31 December 2006 *	Expired	1.56 €	0.34 €	1.21 €	2.71 €		
Exercise price 31 December 2007 **	Expired	Expired	Expired	1.11 €	2.61 €	1.46 €	
Exercise period starts	1.4.2003	1.4.2004	1.4.2005	1.4.2006	1.4.2007	1.4.2008	1.4.2009
Exercise period ends	30.4.2006	30.4.2007	30.4.2007	30.4.2008	30.4.2010	30.4.2011	30.4.2012
Contractual option life, years	Expired	Expired	Expired	0.3	2.3	3.3	4.3
Employees at the end of accounting year				42	32	27	

* Tecnomen distributed dividend EUR 0.02 per share in the accounting period 2005. The reconciliation date for dividend distribution was 20 March 2006. The Annual General Meeting held on 15 March 2006 decided on the repayment of capital. The reconciliation date was 6 September 2006 and the amount repaid was EUR 0.10 per share. By the decision of the Board of Directors the exercise prices for the 2002B, 2002C and 2002D options were adjusted accordingly. The repayment did not have an effect on the exercise price of the 2006A options.
** Tecnomen did not distribute dividend for the accounting period 2006. Instead of dividend distribution the Annual General Meeting held on 14 March 2007 decided on the repayment of capital. The amount was EUR 0.10 per share and the reconciliation date was 19 March 2007. By the decision of the Board of Directors the exercise prices for the 2002 and 2006 options were adjusted accordingly.

The changes in shares during the period and the weighted average exercise prices are as follows

2007	Share options 2002				Share options 2006		
	2002A	2002B	2002C	2002D	2006A	2006B	2006C
Number of options at the beginning of the period							
Outstanding options 1 January		175 500	92 000	770 000	369 000		
Changes during the period							
Granted options						667 000	
Exercised options			66 500	180 000			
Expired options		175 500	25 500				
Number of options at the end of the period							
Outstanding options 31 December				590 000	369 000	667 000	
Exercisable 31 December				590 000	369 000		
The trade-weighted average price during the exercise period, EUR *		1.50	1.50	1.39	1.32		

* The trade-weighted average price of the Tecnomen's share in January-April 2007 (2002B and 2002C), whole year 2007 (2002D) and April-December 2007 (2006A)

2006	Share options 2002				Share options 2006		
	2002A	2002B	2002C	2002D	2006A	2006B	2006C
Number of options at the beginning of the period							
Outstanding options 1 January	351 800	278 500	182 500	1 052 500			
Changes during the period							
Granted options					436 000		
Forfeited options				20 000	67 000		
Exercised options	240 800	103 000	90 500	262 500			
Expired options	111 000						
Number of options at the end of the period							
Outstanding options 31 December		175 500	92 000	770 000	369 000		
Exercisable 31 December		175 500	92 000	770 000			
The trade-weighted average price during the exercise period, EUR *	2.68	2.04	2.04	1.87			

* The trade-weighted average price of the Tecnomen's share in January-April 2006 (2002A), whole year 2006 (2002B and 2002C) and April-December 2006 (2002D)

The changes in shares during the period and the weighted average exercise prices	Share options 2006 2007		Share options 2002 2007		Share options 2006 2006		Share options 2002 2006	
	No. of options	Exercise price EUR	No. of options	Exercise price EUR	No. of options	Exercise price EUR	No. of options	Exercise price EUR
Exercisable at 1 January			1 037 500	1.19			812 800	1.41
Exercised 1 January	369 000	2.71	1 037 500	1.19			1 865 300	1.36
Granted during the period	667 000	1.46			436 000	2.71		
Returned during the period					-67 000	1.31	-20 000	1.31
Exercised during the period			-246 500				-696 800	1.36
Forfeited during the period			-201 000				-111 000	1.66
Granted options 31 December	1 036 000	1.87	590 000	1.11	369 000	2.71	1 037 500	1.19
Exercisable 31 December	369 000	2.61	590 000	1.11			1 037 500	1.19

The options exercised during the financial year had an average price of EUR 0.88 and exercising them started on second and third quarter of 2007. The options exercised during the comparable year had an average price of EUR 1.36 and exercising them started on 1 January 2006. The payments received for share subscriptions were recognised in full in the reserve for invested unrestricted equity. The share subscriptions resulted in an increase of the company's share capital of EUR 216 thousand and an increase in the number of shares of 247 thousand.
In year 2006, from the subscription pricce EUR 56 thousand was recognised in share capital and EUR 847 thousand in share premium fund. After the effective date of the new Companies' Act. 1 September 2006, EUR 3 thousand was recognised in the share capital and EUR 48 thousand in the fund of invested unrestricted equity. Tecnomen has issued the share-based instruments in stages, so the system has many grant dates as defined in IFRS 2. The grant date, in other words the date for measuring fair value, is either the final day in the period for defining the share subscription price or the grant date set by the Board for the option series in questions, if this date is after the period for setting the subscription price. The prevailing share price on the measuring date is based on the closing prices on the grant dates.

The main assumptions in Black-Scholes formula	2006A	2006B	2002D
Number of granted options	436 000	667 000	1 082 500
Weighted average rate of share B, EUR	2.84	1.26	1.24
Exercise price, EUR	2.71	1.46	1.33
Risk-free interest rate	3.6%	3.9 %	2.7%
Expected term of validity, years	4.0	3.4	3.6
Volatility	48.0%	35.9%	53.2%
Returned options	10.0%	0.0%	48.7%
Fair value total, EUR	1.22	0.32	0.49

The Black-Scholes formula assumes that option exercises occur at the end of the option's contractual term, which for 2002C options is the last exercise date, 30 April 2007, for 2002D options is 30 April 2008, and for 2006A options 30 April 2010. The future volatility of Tecnomen's share is estimated from the historical share price volatility using weekly observations starting on 2 January 2002, when the share of the new Tecnomen Corporation, created in a merger, was first quoted on the Helsinki Exchanges.
The fair value of the options granted during the year was valued using the Black-Scholes formula at EUR 215 thousand.

Notes to the consolidated balance sheet EUR 1 000

22. Pension liability

Tecnomen Group's defined benefit plans forms from the voluntary pension insurance plan for management. The amount of voluntary pension is based on final salary. The final retirement benefit is computed in accordance with the terms of the pension arrangement based on the plan assets accumulated by the beginning of the pension entitlement period. The retirement age is 60 years.

Defined benefit obligation in the balance sheet

	31 Dec 2007	31 Dec 2006
Present value of funded obligations	204	166
Fair value of plan assets (-)	-218	-159
Surplus (-) / Deficit	-14	7
Unrecognised actuarial loss	-9	-29
Net asset	-23	-22

Defined benefit obligation in the income statement

	1 Jan - 31 Dec 2007	1 Jan - 31 Dec 2006
Current service cost	54	50
Interest cost	11	8
Expected return on plan assets	-10	-7
Recognised net actuarial losses	1	1
Pension expense recognised in income statement	56	51

Movement in the liability for defined benefit obligations

	31 Dec 2007	31 Dec 2006
Liability for defined benefit obligation beginning of the year	166	104
Current service cost	54	50
Interest cost	11	8
Recognised net actuarial gains (-) / losses	-27	5
Liability for defined benefit obligation end of the year	204	166

Movement in plan assets

	31 Dec 2007	31 Dec 2006
Plan assets beginning of the year	159	101
Expected return on plan assets	10	7
Actuarial losses	-9	-1
Contributions paid into the plan	58	53
Plan assets end of the year	218	159

Recognised gain on plan assets was EUR 1 thousand in year 2007 (EUR 5 thousand in 2006).

Actuarial assumptions at balance sheet date	2007	2006
	%	%
Discount rate	5.25	5.00
Expected return on plan assets	5.25	5.25
Future salary increases	3.50	3.50
Inflation	2.00	2.00

Historical information	2007	2006	2005
Present value of the defined benefit obligation	204	166	104
Fair value of plan assets	-218	-159	-101
Surplus (-) / Deficid in the plan	-14	7	2
Experience adjustments arising on plan assets	9	1	3
Experience adjustments arising on plan liabilities	-11	-4	19

Contribution to be paid in year 2008 is expected to be EUR 58 thousand. There is no information available on plan assets.

Notes to the consolidated balance sheet EUR 1 000

23. Deferred tax assets and liabilities

Deferred tax liabilities 2007	1 Jan 2007	In income statement	31 Dec 2007
Change in fair value of investments	60	-53	7
Amortisation of development expenditure	2 280	867	3 147
Depreciation difference	231	-22	209
Other items	52	-27	25
Total	2 623	765	3 388

Deferred tax liabilities 2006	1 Jan 2006	In income statement	31 Jan 2006
Change in fair value of investments	3	57	60
Amortisation of development expenditure	1 287	993	2 280
Depreciation difference	224	7	231
Other items	10	42	52
Total	1 524	1 099	2 623

The Group has no unused taxable losses at the end of the accounting period (EUR 11 071 thousand at 31 December 2006). Tecnomen Corporation has not deducted research and development expenditure amounting to EUR 11 255 thousand in its taxation in 2006. The amount can be deducted over an indefinite period with amounts that the company may freely decide. Part of this research and development expenditure has been capitalised in the consolidated balance sheet, and therefore the deductible temporary difference for which the Group has not recognised a deferred tax asset is EUR 8 211 thousand. The deferred tax asset will be recognised when it is certain that the tax benefit will be received.

The Group has other deductible items of a temporary nature to the value of EUR 610 thousand, for which deferred tax assets have not been recognised because of the uncertainty about utilising them.

Deferred tax assets have not been recognised for the retained earnings of foreign subsidiaries, EUR 1 057 thousand at 31 December 2007 (EUR 646 thousand at 31 December 2006), since the funds are invested permanently in the country in question.

24. Non-interest-bearing, liabities to others	31 Dec 2007	31 Dec 2006
Other liabilities	37	1
Advances received		29
Long-term non-interest-bearing liabilities total	37	30

25. Accounts payable and other liabilities to others		
Advances received	2 066	189
Accounts payable	3 357	2 890
Accrued liabilities and deferred income	7 484	7 856
Other liabilities	924	573
Accounts payable and other liabilities to others total	13 831	11 508

Accrued liabilities and deferred income (long- and short-term)		
Wages, salaries and other employee payments	3 227	3 747
Project provisions	117	42
Agent commissions	1 533	1 726
Other accrued liabilities	2 607	2 341
Total	7 484	7 856

26. Financial risk management

Risk management principles

The task of risk management is to identify, manage and track the major risks in the company's business and business environment to enable the company to achieve its strategic and financial goals in the best possible way. The principles for internal monitoring and financial reporting are defined in the Audit Committee's rules of procedure. Group's policy for hedging against currency risks is approved by the Board of Directors and the Group's financial director is responsible for implementing it in practice.
The objective of the Group's financial risk management is to minimise the effects of volatility for recognised major market risks on the Group's result and balance sheet. Tecnomen Group does not apply hedge accounting as defined under IAS 39.

Risk management organisation

The risk management process is supported by the risk management work group.
The Group's financial management is responsible for managing foreign exchange, interest rate and liquidity risks and for taking out insurance against operational risks. The business units take care of all other risk management concerning their operations.
The risk management work group reports the major risks to the Audit Committee.

Market risks

Foreign exchange risk

The financial risk to which the Group is exposed in its operations is mainly currency risk. Tecnomen Group uses derivatives in order to eliminate the financial uncertainty caused by the fluctuations of the exchange rates. Changes in exchange rates create risks especially in accounts receivables. Tecnomen Group's reporting currency is Euro, but significant part of Group's invoicing is in US dollars.
The Group's open translation risk comes from the investments in two foreign subsidiaries, Brazil (Brazil Reais, BRL) and Malaysia (Malaysian Ringit, MYR).

Transaction risk

The Group's open currency position comprises foreign currency denominated, sales related balance sheet items, currency denominated order backlog and binding currency denominated purchase and sales contracts. In the policy for approval of sales contracts, it is required that only the euros or the US dollar can be used as the sales currency. Generally, there shall not be any clauses tying the payments into any other currencies. Sales offices, when selling into their own country, use their own local currency. If any other currencies than Euro, US dollar or sales offices' local currency are used in sales contracts, it requires a prior written approval from the group CFO.
In 2007 46 per cent of invoicing was in Euros, 43 per cent in US dollars and 9 per cent in Brazil Reais. The Group did not hedge the open BRL currency position. This is in part because of local currency restrictions and high cost of hedging. Sales in BRL and purchases related to them form adequate operative hedging and therefore hedging instruments are not usually used.
The Group is hedging the currency denominated cash flow position for a maximum period of 12 months for 50-100 per cent of the net position. Hedging is carried into effect with foreign exchange forwards and options. 105 per cent of the open currency position was hedged as per 31 December 2007 (87 per cent, 31 December 2006). The high hedged currency position was due to a large currency settlement received at the end of the financial year which lowered the position.
All decisions about hedging are made in Group's finance department, which valuates the hedging needs on a monthly basis.
The hedging actions and hedging position are reported to the Audit Committee on a quarterly basis.
On the reporting date Tecnomen Group has not hedged other currency risks arising from the transaction position, since they are not significant.

Sensitivity analysis for market risks

The functional currency of the entity is Euro. Financial assets and liabilities nominated in foreign currencies are presented in the table below. Figures are converted in euros at the year-end exchange rate.

		31 Dec, 2007	31 Dec, 2006
1 000 €	Note	USD	USD
Current assets			
Trade and other receivables	18	13 197	21 254
Cash and cash equivalents	19	6 786	3 338
Currency derivatives		1 950	383
Total current assets		21 933	24 975
Current liabilities			
Trade payables and other liabilities	25	323	269
Total current liabilities		323	269

In the sensitivity analysis below, the effect of strengthening and weakening of the exchange rate is presented with all other factors remaining unchanged. Analysis is performed only for the assets and liabilities denominated in USD as the transaction risk inherent to financial assets and liabilities in other currencies is insignificant. The analyzed change in the exchange rate represents a possible volatility of the currency during a 12-month period. The resulted effect in the analysis stems largely from the USD denominated sales receivables.

	2007		2006	
1 000 €	USD	USD	USD	USD
Change in percentage	-10%	+10%	-10%	+10%
Effect in the result after taxes	813	435	-1 863	3 128

Fluctuation in exchange rates has no direct effect to equity as the group does not apply hedge accounting.

Translation risk
The shareholders' equity of subsidiaries, which is exposed to translation risk, is not hedged.
The open translation risk for the Brazilian subsidiary was EUR 1 313 thousand on 31 December 2007 and for the Malaysian subsidiary EUR 1 099 thousand. In 2007, the translation difference in shareholders' equity caused by changes in exchange rates for these two subsidiaries was EUR -1 thousand.

Interest risk
Management of the Group's interest rate risk focuses on the optimal management of liquid funds profitability and safely, since Group does not have significant interest-bearing liabilities. The majority of liquid funds are invested in short-term bank deposits, fund units and short-term interest funds in which the maturity is not more than three months. On the reporting date EUR 9 272 thousand was invested in cash equivalents (EUR 15 513 thousand in 31 December 2006). Interest rate sensitivity was analysed by determining the effect of one percentage unit's change in the interest rates on the group's interest-bearing financial instruments on an annual level. The analysis included all the significant interest-bearing financial instruments of the group totaling EUR 17 440 thousand (EUR 20 214 thousand in 31 December 2006).
At the balance sheet date, the upward movement of one percentage unit in the interest rates would have increased the interest income on the annual basis by EUR 174 thousand (EUR 202 thousand in 2006). Respectively, a similar downward movement in the interest rates would have decreased the group's annual interest income by EUR -174 thousand (EUR -202 thousand in 2006). Changes in interest rates would not have had a direct effect on equity.

Price risk
Tecnomen Group does not own any stocks quoted on the Stock Market.

Liquidity risk
Group seeks to constantly assess and monitor the amount of liquid funds to ensure the sufficient amount of funding needed in daily business. Liquid funds are invested, avoiding credit and liquidity risks, in objects with a good credit trading, making sure of sufficient liquidity for capital expenditure and acquisitions. The investments are made in money market deposits and short-term interest funds. Tecnomen has committed and unutilized credit facility of 8 million euros. Group's cash and cash equivalents were EUR 8 197 thousand in 31 December 2007 (EUR 4 933 in 31 December 2006).

Maturity analysis of financial liabilities, figures are presented in gross amounts.

31 Dec 2007	Balance sheet value	Cash flow	Less than 1 year	From 1 to 2 years	Over 2 years
Trade and other payables	3 357	3 357	3 357	0	0
Exchange forwards					
Outflow	0	0	0	0	0
Inflow	0	0	0	0	0

31 Dec 2006	Balance sheet value	Cash flow	Less than 1 year	From 1 to 2 years	Over 2 years
Trade and other payables	2 890	2 890	2 890	0	0
Exchange forwards					
Outflow		-1 508	-1 508	0	0
Inflow	-2	1 505	1 505	0	0

Credit risk
Credit risk arises from the potential failure of counterparty to meet its contractual payment obligations. The amount of risk depends on the creditworthiness of the counterparty. The total amount of credit risk inherent to financial instruments i.e. the total carrying amount of financial assets as per 31 December 2007 was EUR 45 219 thousand (EUR 47 005 thousand in 31 December 2006). More detailed classification of separate items can be found in note 27. The most significant separate item of credit risk is the sales receivables.

Responsibility for sales-related credit risks lies primarily with the local sales company. The payment record of customers and the situation concerning receivables are actively monitored and credit rating checks are made on new customers before confirming an offer.
The procedure for granting of credit for new customers or customers from countries with high risk rating requires always the acceptance of Group CFO. Tecnomen has not arranged financing for customers with third parties. The proportion of the trade receivables to the net sales of the Tecnomen Group has been high in the past few years. The high amount of trade receivables and the increase in proportion to the net sales is mainly due to long terms of payment in the deliveries to the Latin America. The amount of credit losses recognised in the income statement during the last years has not been substantial. The Group aims to decrease the proportion of trade receivables to the net sales e.g. through factoring arrangements. Tecnomen's largest customers are much bigger businesses than the company itself and the five largest customers account for more than half of the net sales. The relationship between the company and its major customers is one of interdependence, which poses a potential risk but also offers significant new business opportunities. The credit quality of customers is monitored by using data on payment history and reports from external sources.

Analysis of trade receivables by age

	31 Dec 2007	31 Dec 2006
Undue trade receivables	20 282	17 459
Trade receivables 1-60 days overdue	4 600	5 300
Trade receivables 61-90 days overdue	300	1 200
Trade receivables more than 90 days overdue	5 200	2 200
Total	25 782	26 159

Capital management

Tecnomen's objective for capital management is to support group's target for growth and ensure the capability for dividend distribution. Additionally, with capital management the group is ensuring the operational precondition in capital markets during all conditions irrespective of industry's market volatility. The board is monitoring and assessing the group's capital structure on a regular basis.

The key ratio in monitoring the development of group's capital structure is gearing. Group's interest bearing net liabilities as per 331 December 2007 were EUR -17 469 thousand (EUR -20 446 thousand in 31 December 2006). Gearing ratio calculated by dividing interest bearing liabilities with equity. Net liabilities include interest bearing liabilities subtracted with interest bearing assets and cash and cash equivalents. Gearing ratio was -22.4 per cent as per 31 December 2007 (-27.4 per cent in 31 December 2006).

Notes to the consolidated balance sheet EUR 1 000

27. Carrying amounts of financial assets and liabilities by measurement categories

2007	Note	Financial assets at fair value through income statement	Loans and receivables	Financial assets/liabilities measured at amortised cost	Carrying amounts by balance sheet item	Fair value
Non-current financial assets						
Long-term other assets				17	17	17
Current financial assets						
Trade and other receivables	18		25 782		25 782	25 782
Other financial assets	19	17 469			17 469	17 469
Currency derivatives		1 950			1 950	1 950
Carrying amount by category		19 419	25 782	17	45 219	45 219
Current financial liabilities						
Trade and other payables	25			3 357	3 357	3 357
Carrying amount by category				3 357	3 357	3 357

2006	Note	Financial assets at fair value through income statement	Loans and receivables	Financial assets/liabilities measured at amortised cost	Carrying amounts by balance sheet item	Fair value
Non-current financial assets						
Long-term other assets				17	17	17
Current financial assets						
Trade and other receivables	18		26 159		26 159	26 159
Other financial assets	19	20 446			20 446	20 446
Currency derivatives		383			383	383
Carrying amount by category		20 829	26 159	17	47 005	47 005
Current financial liabilities						
Trade and other payables	25			2 890	2 890	2 890
Carrying amount by category				2 890	2 890	2 890

Derivatives

The fair value of forward contracts is determined by using the market rate for contracts of a similar duration.

Notes to the consolidated balance sheet EUR 1 000

28. Operating leases

Group as lessee

Non-cancellable operating lease rentals are payable as follows:

Operating leases	31 Dec 2007	31 Dec 2006
Less than one year	647	457
Between one and five years	657	877
Over five years	0	0
Total	1 304	1 335

The Group has leased office machines, office facilities and company cars. The leases typically run for one to three years and normally they include an option to continue the lease agreement after the original ending date. The index, terms of renewal and other conditions in different agreements may vary. During 2007 EUR 1 101 thousand was recognised as an expense in the income statement in respect of operating leases (EUR 1 220 thousand in 2006).

29. Contingent liabilities	31 Dec 2007	31 Dec 2006
Pledges given		553
Pledges given to cover other own commitments		
Mortgages on real estate		631
Total		631
Pledges		
On own behalf	34	136
Total	34	136
Other liabilities		
Restriction related to real estate in Ireland	388	1 033
Total	388	1 033

30. Non-cash transactions	31 Dec 2007	31 Dec 2006
Employee benefits	199	427
Unrealised exchange gains and losses	-1 370	-734
Depreciation, amortisation and impairment losses	4 637	3 005
Unrealised gains on items valued at fair value	-202	-219
Total	3 263	2 478

31. Related parties

The relationships between the Group's parent and subsidiaries are as follows:

Group companies	Domicile	Parent company ownership, %	Group ownership, %
Parent company			
Tecnomen Oyj	Espoo, Finland		
Subsidiaries			
Tecnomen Ltd.	County Clare, Ireland	100	100
Tecnomen GmbH	Dreieich, Germany	100	100
Tecnologia de Mensajes Tecnomen SL	Madrid, Spain	100	100
Tecnomen Hong Kong LTD	Wan Chai, HK	100	100
Tecnomen Sistemas de Telecommunicação Ltda	Sao Paulo - SP CEP Brazil	100	100
Tecnomen (M) Sdn Bhd	Kuala Lumpur, Malaysia	100	100
Tecnomen Japan Oy	Espoo, Finland	100	100

Tecnomen also has offices in Argentina, Austria, Ecuador, Mexico, the Netherlands, Singapore, South Africa, Taiwan and the United Arab Emirates.
Except for ordinary intra-group transactions the Group has not entered any significant transactions with, granted any loans to or made any other comparable arrangements with related parties during the year 2007. The Group's related parties include the subsidiaries, the members of the Board of Directors and the Management Board, the CEO and the close family members of the preceding persons, as well as those entities in which the Group has control.

Management Board compensation EUR 1 000	2007	2006
Salaries and other short-term employee benefits	-850	-1 125
Termination benefits	-159	-153
Share-based payment	-13	-252
Management compensation total	-1 022	-1 530
Salaries, fees and benefits of President and CEO and of Board of Directors		
President and CEO	-209	-241
Board members		
Ratia Lauri	-54	-55
Hammarén Johan	-17	
Hammarén Lars	-6	-24
Numelin Carl-Johan	-25	-29
Olkkola Keijo	-23	-26
Sumelius Christer	-23	-26
Toivila Timo	-23	-25

The CEO of the parent company is entitled to retire at the age of 60 years.

The management was granted 80 000 share options during 2007 (125 000 share options in 2006). The terms and conditions of the share options are the same for management and employees. A total of 205 000 share options were held by members of the Management Board, and 125 000 of these were exercisable in 2007 (125 000 share options in 2006, of which 0 options were exercisable in that year).

The Board of Directors was not granted any share options during 2007 (no share options was granted in 2006). The terms and conditions of the share options are the same for the Board of Directors and employees. A total of 87 500 share options were held by the Board of Directors, of which all options were exercisable in 2007 (125 000 share options in 2006, of which 125 000 options were exercisable in 2006).

Key financial figures

32. Key financial figures

Income statement	IFRS 2007	IFRS 2006	IFRS 2005	IFRS 2004	FAS 2004	FAS 2003
Net sales, EUR million	70.1	71.8	69.0	51.6	51.5	45.3
change %	-2.4	4.1	33.7		13.7	13.6
Operating profit, EUR million	8.9	4.9	9.6	3.9	1.6	-7.0
% of net sales	12.7	6.8	13.9	7.5	3.1	-15.6
Profit before taxes, EUR million	10.0	5.2	10.3	4.9	2.6	-6.4
% of net sales	14.2	7.3	14.9	9.5	5.1	-14.2
Balance sheet						
Non-current assets, MEUR	24.8	20.6	14.7	11.1	9.4	10.1
Current assets						
Inventories, MEUR	2.4	1.9	2.3	2.2	2.2	2.2
Financial assets, MEUR	68.0	66.3	73.4	63.6	65.9	65.2
Shareholders' equity, EUR million	78.0	74.6	77.3	67.5	67.5	65.2
Provisions, EUR million	0.0	0.0	0.0	0.1	0.1	0.6
Liabilities						
Non-current liabilities, EUR million	0.0	0.1	0.7	0.5	0.6	0.7
Current liabilities, EUR million	13.8	11.5	10.9	8.2	9.1	10.9
Deferred tax liabilities, EUR million	3.4	2.6	1.5	0.6	0.2	0.1
Balance sheet total, EUR million	95.2	88.8	90.4	76.9	77.5	77.5
Financial indicators						
Return on equity (ROE), %	11.4	4.3	12.1	6.0	3.2	-10.5
Return on investment (ROI), %	13.6	9.1	15.7	7.4	4.1	-9.1
Equity ratio, %	83.7	84.3	86.9	88.8	88.1	85.2
Debt/Equity (gearing) ratio, %	-22.4	-27.4	-42.4	-44.7	-44.4	-52.3
Investments, EUR million	1.2	2.4	2.0	1.6	1.6	1.9
% of net sales	1.8	3.4	3.0	3.1	3.1	4.2
Research and development, EUR million	16.1	13.2	13.4	11.5	11.5	´9.4
% of net sales	22.9	18.4	19.5	22.4	22.4	20.8
Order book, EUR million	17.5	15.0	27.9	12.2	9.8	10.0
Personnel, average	354	387	355	355	355	440
Personnel, at the end of the year	355	374	373	350	350	398
Key ratios per share						
Earnings/share, EUR (basic)	0.15	0.06	0.15	0.07	0.04	-0.13
Earnings/share, EUR (diluted)	0.15	0.05	0.15	0.07	0.04	
Equity per share, EUR	1.32	1.27	1.33	1.16	1.17	1.13
Adjusted number of shares at the end and during of year, 1 000 shares	59 252	59 006	58 309	58 093	58 093	58 093
Number of shares on average, 1 000 shares	58 965	58 673	58 147	58 093	58 093	58 093
Number of company-held shares at the beginning of year, 1 000 shares	135	135	268	400	400	400
Number of disposed company-held shares, 1 000 shares	0	0	133	132	132	
Number of company-held shares at the end of year, 1 000 shares	135	135	135	268	268	400
Share price trend, EUR						
Average price	1.40	2.01	1.86	1.37	1.37	0.86
Lowest price	1.15	1.38	1.28	1.11	1.11	0.39
Highest price	1.83	3.06	2.60	1.82	1.82	1.59
Share price at the end of the year, EUR	1.24	1.68	2.45	1.33	1.33	1.37
Market value of share capital at the end of year, EUR million	73.3	99.1	142.9	77.3	77.3	79.6
Share turnover, million shares	38.7	59.8	42.8	33.1	33.1	32.4
Share turnover, % of total number	65.4	101.4	73.4	57.1	57.1	55.8
Share turnover, EUR million	53.9	122.1	79.3	45.5	45.5	27.9
(P/E)	8.43	27.97	16.26	19.19	35.97	-10.90

Calculation of key indicators

Return on equity (ROE), %	=	$\frac{\text{Result for the period}}{\text{Shareholders' equity (average)}} \times 100$
Return on investments (ROI), %	=	$\frac{\text{Result before taxes + financial expenses}}{\text{Balance sheet total - non-interest-bearing liabilities (average)}} \times 100$
Equity ratio, %	=	$\frac{\text{Shareholders' equity}}{\text{Balance sheet total - advances received}} \times 100$
Earnings per share (EPS)	=	$\frac{\text{Profit attributable to equity holders of the parent}}{\text{Adjusted average number of shares during the financial year}}$
Dividend per share	=	$\frac{\text{Dividends distributed for the financial year}}{\text{Adjusted number of shares at the end of the financial year}}$
Dividend/Result, %	=	$\frac{\text{Dividend per share}}{\text{Earnings per share (EPS)}} \times 100$
Equity/Share	=	$\frac{\text{Equity attributable to equity holders of the parent}}{\text{Adjusted number of shares at the end of the financial year}}$
Debt/Equity ratio, % (gearing)	=	$\frac{\text{Net interest-bearing liabilities - cash and other liquid financial assets}}{\text{Shareholders' equity}} \times 100$
Market capitalisation	=	Number of shares at the end of financial year x last trading price of financial year
P/E ratio, %	=	$\frac{\text{Adjusted share price at the end of financial year}}{\text{Earnings per share (EPS)}}$
Effective dividend yield, %	=	$\frac{\text{Dividend per share}}{\text{Last trading price of financial year}}$

Parent company's income statement

INCOME STATEMENT EUR 1 000	Note	1 Jan - 31 Dec, 2007	1 Jan - 31 Dec, 2006
Net sales	1	66 008	66 737
Other operating income	2	132	312
Materials and services	3	-14 601	-18 407
Personnel expenses	4	-9 938	-11 760
Depreciation	5	-1 156	-1 235
Other operating expenses	6	-39 343	-38 109
Operating profit/(loss)		1 101	-2 462
Financial income and expenses	7	836	-69
Profit/(loss) before extraordinary items		1 937	-2 530
Profit/(loss) before appropriations and taxes		1 937	-2 530
Appropriations	8	85	-28
Direct taxes	9	-129	-336
Profit/(loss) for the financial year		1 893	-2 894

Parent company’s balance sheet

EUR 1 000	Note	31 Dec, 2007	31 Dec, 2006
Assets			
Long-term assets			
Intangible assets	10	714	928
Tangible assets	11	5 049	5 412
Shares in Group companies	12	1 259	1 259
Receivables from Group companies	12	299	299
Investments	12	17	17
Total long-term assets		7 338	7 916
Current assets			
Inventories	13	1 213	677
Short-term receivables	14	52 686	50 157
Cash at bank and in hand	15	15 783	18 565
Total current assets		69 682	69 399
Total assets		77 020	77 315
Equity and liabilities			
Shareholders’ equity	16		
Share capital		4 720	4 720
Share premium fund		847	847
Own shares		-122	-122
Invested unrestricted equity reserve		264	48
Other reserves		54 407	60 294
Retained earnings		-2 491	403
Result for the financial year		1 893	-2 894
Total shareholders’ equity		59 518	63 297
Accumulated appropriations	17	804	890
Liabilities			
Short-term liabilities	18	16 697	13 128
Total liabilities		16 697	13 128
Total equity and liabilities		77 020	77 315

Parent company's cash flow statement

EUR 1 000	1 Jan - 31 Dec, 2007	1 Jan - 31 Dec, 2006
Cash flow from operating activities		
Result before extraordinary items	1 937	-2 530
Adjustments for:		
Planned depreciation	1 156	1 235
Unrealised exchange rate gains and losses	-202	-558
Financial income and expenses	-634	627
Other adjustments	199	-439
Changes in working capital:		
Current receivables, non-interest-bearing, increase	-2 686	-5 285
Inventories, decrease	-536	442
Current liabilities, non-interest-bearing, decrease	3 778	2 428
Interest paid and other financial expenses	-1	-1 357
Interest received	593	256
Income taxes paid	-109	-39
Net cash flow from operations	3 495	-5 220
Cash flow from investments		
Investments in tangible assets	-489	-372
Investments in intangible assets	-120	-551
Cash flow from investments	-609	-923
Cash flow from financing activities		
Shares subscribed with stock options	216	951
Repayment of current loans		-33
Repayment of non-current loans		-432
Divident declared		-1 036
Capital repayment	-5 883	-5 880
Cash flow from financing activities	-5 668	-6 429
Change in liquid funds	-2 782	-12 572
Liquid funds on 1 Jan.	18 565	31 137
Liquid funds on 31 Dec.	15 783	18 565

Parent company's accounting principles

The financial statements of Tecnomen Oyj are prepared in accordance with the Finnish Accounting Act (1997/1336) and Ordinance (1997/1339) and with other legislation and regulations concerning financial statements.

Items denominated in foreign currencies

Transactions in foreign currencies are recorded at the rates of exchange prevailing on the transaction dates. Foreign currency receivables and liabilities in the financial statements, including those hedged with derivative contracts, are translated into euros at the average exchange rate quoted by the European Central Bank on the closing date.

Exchange rate gains and losses relating to business operations are treated as adjustments to net sales or purchasing and manufacturing. Exchange rate gains and losses relating to financing operations are entered under financing income and expenses. Exchange rate gains and losses arising from the translation of balance sheet items are charged to the income statement.

Derivatives entered into by the company comprise currency forward contracts to hedge against changes in the cash flows from purchase and sales agreements denominated in foreign currencies. The company policy is to hedge the net foreign currency exposure over the following 12 months at a maximum. Those derivatives entered into for hedging purposes are initially recognised at cost equivalent to their fair value. Subsequently derivatives are measured at fair value based on the forward rates quoted at the balance sheet date.

Exchange rate differences on derivative contracts made for hedging purposes are charged to the income statement under other operating income and expenses.

Net sales

At Tecnomen, net sales comprise revenue recognised from project deliveries and goods and service deliveries from which indirect taxes, discounts and exchange rate differences have been deducted.

Revenue from project deliveries is mainly recognised according to the stage of completion. Project revenue and expenses are recognised in the income statement in proportion to the stage of completion on the balance sheet date, once the outcome of the project can be estimated reliably. The outcome of a project can be reliably estimated when the anticipated revenue and costs from the contract and the progress of the project can be estimated reliably and when it is probable that the economic benefits associated with the project will flow to the company.

The stage of completion of a project is determined for each contract by the proportion of the estimated total contract costs accounted for by the costs incurred for work performed to date (cost-to-cost method). The revenue recognition for the project will start when the outcome of the project can be estimated reliably. Typically this happens when the management has approved the project and the first delivery to the customer has been made.

The stage of completion method of revenue recognition is based on estimates of the expected revenue and expenses associated with the contract and on estimating the progress of the project. The cost estimates for the projects are monitored quarterly in the management's revenue review and the revenue and expenses recognised in the income statement are revised in the estimates of the outcome of the project change. The accumulated effect due to the change in the estimates is recognised in the period when the change is known for the first time and its amount can be estimated.

If the outcome of the project cannot be estimated reliably, revenue is only recognised to the extent of project costs incurred. This method of recognition is typically applied in first delivery projects for new products or when a delivery project contains a significant amount of customisation for individual customers. The margin on the project is recognised on final acceptance.

A project is considered onerous if its costs exceed total project revenue. The expected loss is recognised as an expense immediately.

Revenue from the sale of products and services is recognised when the significant risks and benefits of ownership have been transferred to the buyer and when the amount of the revenue can be measured reliably and it is probable that the economic benefits will flow to the enterprise. The revenue from services is recognised when the service has been rendered. Supplementary deliveries such as maintenance, licences, training, documentation and spare parts are examples of goods and service deliveries. Revenue from fixed-term maintenance contracts is normally recognised over the contract period on a straight-line basis.

Pension arrangements

Statutory pension and supplementary pension obligations in Finland are covered through payments to pension insurance organisations. Expenses related to pension arrangements are recognised in the income statement in the period on the accrual basis.

Leasing

Leasing payments have been entered as rentals. Unpaid leasing fees are presented in the financial statements under contingent liabilities.

Research and development expenses

Research and development expenses are expensed as incurred, apart from machinery purchases, which are depreciated over three years on a straight-line basis.

Valuation of inventories

Inventories are valued using the FIFO principle at the lowest of acquisition cost, repurchase price and probable selling price.

Valuation of fixed assets

Fixed assets have been capitalised at the acquisition cost. Planned depreciation and amortisation is calculated on a straight-line basis over the useful life of the fixed assets.

The periods for planned depreciation and amortisation are as follows:

- Intangible rights 3–10 years
- Other capitalised long-term expenditure 5 years
- Buildings and structures 25 years
- Machinery and equipment 3–5 years
- Computing hardware and software 3–5 years
- Corporate goodwill 5 years

Purchase and disposal of company's own shares

The total purchase cost for the shares has been recorded so that it reduces unrestricted shareholders' equity. At 31 December 2007 the company held 134 800 of own shares with a book value of EUR 122 097.91. During the financial year 2007 no own shares have been acquired or disposed of.

Notes to the parent company's income statement

EUR 1 000	1 Jan - 31 Dec, 2007	1 Jan - 31 Dec, 2006
1. Net sales		
Net sales by market area		
Europe, Middle East and Africa	26 642	22 669
Asia Pacific	5 224	6 586
Americas	34 142	37 482
Net sales total	66 008	66 737
Net sales by product group		
Messaging	37 051	29 723
Charging	28 957	37 014
Total	66 008	66 737
Net sales include revenue from projects recognised in proportion to the stage of completion	48 131	55 237
Cumulative profits recognised for projects in progress that are recognised by stage of completion	47 192	42 098
Cumulative invoicing recognised for projects in progress that are recognised by stage of completion	28 795	30 117
Work in progress related to construction contracts	18 397	11 981
Retentions held by customers	8 062	9 097
Items in trade receivables that are linked to the fullfilment of agreed obligations.		
Goods and services revenue including in net sales	17 877	11 500
2. Other income from operations		
Other income	132	312
Other income from operations total	132	312
3. Materials and services		
Purchases during financial year	-12 352	-16 672
Changes in inventories of materials and supplies	-307	-442
Total	-12 659	-17 114
External services	-1 942	-1 293
Materials and services total	-14 601	-18 407
4. Personnel expenses		
Salaries and fees	-8 118	-9 458
Pension expenses	-1 225	-1 432
Other personnel expenses	-594	-870
Personnel expenses total	-9 938	-11 760
Salaries and remuneration paid to Members of the Board and Managing Director		
Managing Director and his surrogate	-380	-241
Members of the Board	-170	-183
Total	-550	-425
Average number of employees	93	123

5. Depreciation	1 Jan - 31 Dec, 2007	1 Jan - 31 Dec, 2006
Depreciation according to plan		
Intangible assets		
Intangible rights	-189	-127
Other expenditure with long-term impact	-145	-145
Tangible assets		
Buildings	-220	-229
Machinery and equipment	-602	-734
Depreciation according to plan total	-1 156	-1 235

6. Other operating expenses		
Subcontracting	-6 619	-7 406
Travel	-1 160	-1 290
Other expenses	-31 564	-29 413
Other operating expenses total	-39 343	-38 109

7. Financial income and expenses

Financial income		
Interest income from Group companies	24	11
Interest income from others	543	271
Other financial income from others	908	1 452
Interest and financial income total	1 474	1 734

Financial expenses		
Interest expenses to others	-1	-275
Other financial expenses to Group companies	-450	-437
Financial expenses to others	-187	-1 091
Interest and financial expenses total	-638	-1 803
Financial income and expenses total	836	-69
Other financial income and expenses including		
Foreign exchange gains	885	1 243
Foreign exchange losses	-637	-1 528
Exchange gains and losses total	248	-285

8. Appropriations		
Difference between depreciation according to plan and depreciation made in taxation	85	-28
Appropriations total	85	-28

9. Direct taxes		
Income taxes from business operations	-129	-336
Direct taxes total	-129	-336

Notes to the parent company's balance sheet

EUR 1 000

10. Intangible assets

Intangible assets 2007	Intangible rights	Other long-term expenses	Total
Acquisition cost 1 Jan	3 429	1 065	4 494
Increase	120		120
Acquisition cost 31 Dec	3 549	1 065	4 614
Accumulated depreciation 1 Jan	-2 799	-766	-3 565
Depreciation during the period	-189	-145	-334
Accumulated depreciation 31 Dec	-2 989	-911	-3 900
Book value 31 Dec, 2007	560	154	714

Intangible assets 2006	Intangible rights	Other long-term expenses	Total
Acquisition cost 1 Jan	3 057	1 065	4 122
Increase	372		372
Acquisition cost 31 Dec	3 429	1 065	4 494
Accumulated depreciation 1 Jan	-2 672	-621	-3 294
Depreciation during the period	-127	-145	-272
Accumulated depreciation 31 Dec	-2 799	-766	-3 565
Book value 31 Dec, 2006	629	299	928

11. Tangible assets

Tangible assets 2007	Land areas	Buildings	Machinery and equipment	Investments in progress	Total
Acquisition cost 1 Jan	1 666	6 045	16 501	31	24 244
Increase			469		469
Decrease			-35	-5	-40
Acquisition cost 31 Dec	1 666	6 045	16 935	26	24 672
Accumulated depreciation 1 Jan		-3 288	-15 543		-18 831
Accumulated depreciation for decreases and transfers			29		29
Depreciation during the period		-220	-602		-822
Accumulated depreciation 31 Dec		-3 509	-16 115		-19 624
Book value 31 Dec, 2007	1 666	2 536	820	26	5 049

Notes to the balance sheet EUR 1 000

Tangible assets 2006	Land areas	Buildings	Machinery and equipment	Investments in progress	Total
Acquisition cost 1 Jan	1 666	6 045	16 012	42	23 765
Increase			567		567
Decrease			-77	-11	-88
Acquisition cost 31 Dec	1 666	6 045	16 501	31	24 244
Accumulated depreciation 1 Jan		-3 059	-14 881		-17 941
Accumulated depreciation for decreases and transfers			73		73
Depreciation during the period		-229	-734		-964
Accumulated depreciation 31 Dec		-3 288	-15 543		-18 831
Book value 31 Dec, 2006	1 666	2 757	958	31	5 412

12. Investments

Investments 2007	Shares in Group companies	Investments other	Shares other	Total
Acquisition cost 1 Jan	1 259	299	17	1 575
Acquisition cost 31 Dec	1 259	299	17	1 575
Book value 31 Dec, 2007	1 259	299	17	1 575

Investments 2006	Shares in Group companies	Investments other	Shares other	Total
Acquisition cost 1 Jan	1 259	299	17	1 575
Acquisition cost 31 Dec	1 259	299	17	1 575
Book value 31 Dec, 2006	1 259	299	17	1 575

					Parent company shares	
Group companies	Domicile	Parent company owner-ship, %	Group owner-ship, %	Number of shares	Nominal value/ share, EUR	Book value EUR 1 000
Tecnomen Ltd	County Clare, Ireland	100	100	131 428	1.35	124
Tecnomen GmbH	Dreieich, Germany	100	100	200 000	0.50	92
Tecnologia de Mensajes Tecnomen SL	Madrid, Spain	100	100	500	6.05	31
Tecnomen Hong Kong LTD	Wan Chai, HK	100	100	500 000	0.13	59
Tecnomen Sistemas de Telecommunicação Ltda	Sao Paulo - SP CEP Brazil	100	100	1 154 251	0.54	902
Tecnomen (M) Sdn Bhd	Kuala Lumpur, Malaysia	100	100			42
Tecnomen Japan Oy	Espoo, Finland	100	100	500	16.80	8
Total						1 259

Notes to the balance sheet EUR 1 000

13. Inventories	31 Dec, 2007	31 Dec, 2006
Materials and consumables	1 213	553
Finished products/goods		123
Inventories total	1 213	677

14. Short-term receivables		
Trade receivables	20 959	22 741
Work in progress related to construction contracts	18 397	11 981
Other receivables based on delivery agreements	571	5 277
Short-term prepaid expenses and accrued income	3 432	1 625
Other receivables	157	75
Total	43 516	41 699
Receivables from companies belonging to the Group		
Trade receivables	7 211	6 010
Other receivables	1 958	2 449
Total	9 170	8 459
Short-term receivables total	52 686	50 157

Prepaid expenses and accrued income		
Forward contracts		383
Valuation of foreign exchange options	1 950	
Other receivables	1 482	1 242
Total	3 432	1 625

15. Cash and cash equivalents		
Cash and cash equivalents	6 511	3 052
Other financial assets	9 272	15 513
Cash and cash equivalents total	15 783	18 565

Notes to the balance sheet EUR 1 000

16. Shareholders' equity	31 Dec, 2007	31 Dec, 2006
Share capital 1 Jan	4 720	4 665
Options exercised		56
Share capital 31 Dec	4 720	4 720
Share premium fund 1 Jan	847	66 178
Options exercised		847
Transfer of share premium fund to fund in non-restricted equity		-60 294
Capital repayment		-5 884
Share premium fund 31 Dec	847	847
Own shares 1 Jan	-122	-122
Own shares 31 Dec	-122	-122
Invested unrestricted equity reserve 1 Jan	48	
Investment in invested unrestricted equity reserve		48
Options exercised	216	
Invested unrestricted equity reserve 31 Dec	264	48
Other reserves 1 Jan	60 294	
Transfer to other reserve		60 294
Capital repayment	-5 887	
Other reserves 31 Dec	54 407	60 294
Retained earnings 1 Jan	-2 491	1 566
Dividend declared		-1 163
Retained earnings 31 Dec	-2 491	403
Result from the financial period	1 893	-2 894
Total shareholders' equity	59 518	63 297

The Annual General Meeting of Tecnomen Corporation held on 14 March 2007 resolved, in accordance with the Board of Directors' proposal, to distribute EUR 0.10 per share from the unrestricted equity fund to the shareholders in proportion to their holdings. The payment was made to the shareholders registered on 19 March 2007 in the company's shareholder register maintained by the Finnish Central Securities Depository Ltd. The capital repayment date was 26 March 2007. The payment was made on altogether 58 833 178 shares, giving an aggregate total payment of EUR 5 883 317.80. The capital repayment was not made on the shares in the company's own possession (134 800 shares). In the financial year 2006, in accordance with the resolution of the Annual General Meeting of Tecnomen Corporation held on 15 March 2006, the Company's share premium fund was reduced by distributing EUR 0.10 per share altogether on 58 835 778 shares, giving an aggregate total payment of EUR 5 883 577.80. The reminder of the share premium fund EUR 60 294 214.20, was transferred to an fund belonging to the company's unrestricted equity. The shareholders registered on 6 September 2006 in the company's shareholder register maintained by the Finnish Central Securities Depository Ltd were entitled to the capital repayment. The payment date was 11 September 2006. The capital repayment was not made on the shares in the company's own possession (134 800 shares).

Notes to the balance sheet EUR 1 000	31 Dec, 2007	31 Dec, 2006
Restricted equity	5 445	5 445
Unrestricted equity	54 073	57 851
Distributable equity		
Retained earnings 31 Dec	-598	-2 491
Own shares	-122	-122
Other reserves	54 407	60 294
Distributable equity	53 687	57 681

17. Accumulated appropriations		
Provisions at the beginning of the financial year	890	862
Increase (+), decrease (-)	-85	28
Accumulated appropriations total	804	890

Tecnomen Oyj doesn’t have any material long-term liabilities.

18. Short-term liabilities		
Accounts payable	2 116	1 480
Accrued liabilities and deferred income	5 424	5 679
Other liabilities	258	270
Advances received		189
Total	7 797	7 617
Liabilities from companies belonging to the Group		
Accounts payable	6 831	5 510
Advances received	2 069	
Total	8 900	5 510
Short-term liabilities total	16 697	13 128
Accrued liabilities and deferred income		
Wages and salaries and other employee payments	1 861	1 998
Agent commissions	1 533	1 726
Project provisions	117	42
Other accrued liabilities	1 912	1 913
Total	5 424	5 679

Notes to the balance sheet EUR 1 000	31 Dec, 2007	31 Dec, 2006
19. Contingent liabilities		
Pledges given		553
Pledges given to cover other own commitments		
Mortgages on real estate		631
Total		631
Other company liabilities		
Leasing liabilities:		
With due date in the current financial year	156	197
With later due date	136	90
Total	292	287
Pledges		
On own behalf	34	136
Total	34	136
Total other company liabilities	326	423
Values of underlying instruments of derivative contracts		
Currency derivatives		
Market value	1 950	383
Value of underlying instruments	31 475	24 364

Shares and shareholders

Shares and share capital

Tecnomen has a single share series and all shares hold equal voting rights.

The Annual General Meeting of Shareholders on 14 March 2007 resolved on the amendments of the Articles of Association proposed by the Board of Directors that the minimum and maximum share capital and the nomination value shall be deleted.

On 31 December 2007 Tecnomen had a share capital of EUR 4 720 446,24 that was fully paid and registered in the trade register and 59 252 078 shares, of which the company held 134 000. The shares were purchased under the authorisation given by the 2004 Annual General Meeting. The shares held by the company have no voting rights and no dividend is paid to them.

Equity per share was EUR 1.32. 99.94 per cent of the company's shares are entered in the book entry securities system maintained by the Finnish Central Securities Depository.

Quotation of shares

Tecnomen's shares are quoted on the OMX Nordic Exchange Helsinki Oy. Tecnomen's trading code is TEM1V.

Authorisations of the Board of Directors for 2006

Authorisation to acquire of the Company's own shares

The Annual General Meeting of Shareholders on 14 March 2007 authorised the Board to decide on the acquisition of the company's own shares. The shares may be acquired for the purpose of developing the capital structure of the Company, to be used in financing corporate acquisitions or for other arrangements to develop the business of the Company, or to be used as part of the Company's incentive and remuneration schemes or to be otherwise disposed of or nullified in the extent and manner decided by the Board of Directors. The authorisation includes the right to decide on the acquisition of a maximum of 5 800 000 of the Company's own shares. The authorisation is in force for one year from the decision of the Annual General Meeting. The company had not exercised the authorisations during 2007.

Authorisation to decide issuing of shares and granting special rights

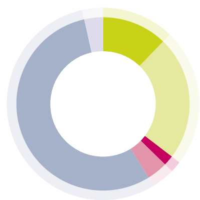
The Annual General Meeting of Shareholders on 14 March 2007 authorised the Board to issue and/or convey a maximum of 17 800 000 new shares and/or the Company's own shares either against payments or for free. The new shares may be issued and the Company's own shares may be conveyed to the Company's shareholders in proportion to their current shareholdings in the Company or waiving the shareholder's pre-emption right through a directed share issue, if the company has weighty financial grounds for doing so. Such ground could be the development of the capital structure of the Company, carrying out corporate acquisitions or other business arrangements to develop the business of the Company, financial capital expenditure or using the shares as part of the Company's incentive schemes in the extent and manner decided by the Board of Directors. The authorisation includes the right to decide on a free share issue to the Company itself and grant special rights according to Chapter 10, Section 1 of the Company's Act. The authorisation is in force for one year from the decision of the Annual General meeting. The company had not exercised the authorisations during 2007.

Shareholders

On 31 December 2007 Tecnomen had a total of 6 079 shareholders recorded in the book-entry securities system. Of these 6 068 were in direct ownership and 11 were nominee-registered.

On 31 December 2007 the ten largest shareholders (excluding nominee-registered shareholders) together owned approximately 25.22 per cent of the shares and voting rights. On 31 December 2007, altogether 12.60 per cent of Tecnomen's shares were in foreign ownership, with 3.49 per cent in direct ownership and 9.11 per cent nominee-registered. The shareholder information is maintained by Finnish Central Securities Depository Ltd.

Ownership structure by sector, 31 December 2007



	No. of shares	%
Companies	7 227 040	12.20
Finance houses and insurance companies	13 730 980	23.17
Public sector	1 134 800	1.91
Non-profit making associations	2 300 898	3.88
Households and private persons	32 751 263	55.27
Foreign holders	2 069 497	3.49
TOTAL	59 214 478	99.94
Joint account	37 600	0.06
Share capital	59 252 078	100.00
Nominee registrations	5 401 948	9.12

Trading and share performance

A total of 38 721 977 Tecnomen shares (EUR 53 923 125) were traded on the Helsinki Exchanges during the period 2 January – 31 December 2007, representing 65.35% of the total number of shares.

The highest share price quoted in the period was EUR 1.83 and the lowest EUR 1.15. The average quoted price was EUR 1.40 and the closing price on 31 December 2007 was EUR 1.24. The market capitalisation of the share stock at the end of the period was EUR 73 472 577.

Obligation to redeem shares

According to Article 14 of Tecnomen's Articles of Association, a shareholder whose holding reaches or exceeds 33 1/3 per cent or 50 per cent of all the company's shares or of the voting rights held by the shares, is obliged, at the request of other shareholders, to redeem their shares and securities entitling holders to shares, on terms specified in more detail in Article 14 of the Articles of Association.

Shareholdings of the Board of Directors and management

On 31 December 2007 the total number of shares owned by the members of Tecnomen's Board of Directors and the President and CEO was, 1 732 029 which includes the shares owned by these persons themselves, by minor children and by companies in which they hold a controlling interest. Altogether these represent 2.92 per cent of the total share capital and voting rights.

On 31 December 2007 the members of Tecnomen's Management Board did not hold Tecnomen shares, excluding those owned by the President and CEO.

Stock options held by the Board of Directors and management

A total of 192 500 Tecnomen stock options were held by members of the Board of Directors and the President and CEO on 31 December 2007. Altogether these stock options represent 0.32 per cent of the total share capital and voting rights after share subscription.

A total of 225 000stock options were held by members of Tecnomen's Management Board, excluding the President and CEO, on 31 December 2007. Altogether these shares represent 0.38 per cent of the total share capital and voting rights after share subscription.

Company dividend policy

Tecnomen's dividend policy is to base its proposed dividend payment, to be approved by the Annual General Meeting, on the annual result and complying with legal requirements.

Shareholder agreements and shareholding notifications

Tecnomen has no knowledge of shareholder agreements relating to the ownership of the company or to the use of voting rights.

During 2007 the company did not received any shareholder notification.

Stock option programme

The company currently has a 2002 stock option scheme and a 2006 stock option scheme.

In the 2002 stock option scheme, the 2002B, 2002C and 2002D stock options were current. The subscription period for the 2002B stock option was 1 April 2004 – 30 April 2007, for the 2002C stock option 1 April 2005 – 30 April 2007 and for the 2002D stock option 1 April 2006 – 30 April 2008.

During the review period shares were subscribed with the 2002C and 2002D stock options. The share subscription price for stock option 2002C is EUR 0.24 and for stock option 2002D EUR 1.11. The amount of the capital repayment per share (EUR 0.10) has been deducted from the subscription prices. A total of 66 500 new shares were subscribed with the 2202C stock options and 180 000 new shares with the 2002D stock options. The payments received for share subscriptions were recorded in their entirety in the invested non-restricted equity reserve.

The 2006 stock option programme is divided into three series: the 2006A, 2006B and 2006C stock options. A maximum of 2 001 000 stock options may be issued, which entitle holders to subscribe for altogether 2 001 000 Tecnomen shares. The subscription period for the 2006A stock option is 1 April 2007 – 30 April 2010, for the 2006B stock option 1 April 2008 – 30 April 2011 and for the 2006C stock option 1 April 2009 – 30 April 2012. The share subscription price for 2006A stock options is EUR 2.61, for 2006B stock options EUR 1.46, and for 2006C stock options the trade-weighted average price of the Company share on the Helsinki Exchanges during 1 January – 31 March 2008. The amount of the capital repayment per share (EUR 0.10) has been deducted from the subscription prices for the 2006A and 2006B stock options. Tecnomen's Board of Directors has issued 436 000 2006A stock options and 667 000 2006B stock options to key personnel of Tecnomen Group. The remaining 2006 stock options have been issued to Tecnomen Japan Oy, a wholly owned Tecnomen subsidiary, for issuing at a later date to current or future key Group personnel.

Altogether 2 713 000 stock options remain on 31 December 2007 of all Tecnomen's stock options in circulation. The shares that can be subscribed on the basis of these stock options account for a maximum of 4.38% of the Company's shares and the votes carried by the shares after any increase in share capital. On 31 December 2007 the Company still held 1 087 000 of all the current stock options. The issued stock options had a maximum diluting effect on 31 December 2007 of 2.67%.

The company has no convertible bonds or bonds with warrants.

Shareholders 31 December 2007

The company's ten largest shareholders, excluding nominee registrations, on 31 December 2007:

	No. of shares	%
Sampo Life Insurance Co. Ltd	2 850 000	4.81
Hammaren Lars-Olof	2 164 300	3.65
Sumelius Henning	2 022 300	3.41
Kaleva Mutual Insurance Company	1 300 000	2.19
FIM Fenno Investmen Fund	1 266 600	2.14
Suupohja Cooperative Bank	1 200 000	2.03
Sumelius Johanna Maria	1 122 400	1.89
Varma, Mutual Employee Pension Insurance Company	1 079 000	1.82
ESR EQ Pikkujättiläiset	1 000 000	1,68
Oy Investsum Ab	947 500	1.60
TOTAL	14 952 100	25.22

Ownership of Tecnomen shares, 31 December 2007

Shares	Holders	%	Shares and votes	%
1-500	2 532	41.65	581 375	0.98
501-1 000	1 052	17.30	872 334	1.47
1 001-5 000	1 604	26.39	4 050 590	6.83
5 001-10 000	402	6.61	3 121 756	5.27
10 001-50 000	350	5.76	7 940 243	13.40
50 001-100 000	55	0.90	4 025 079	6.79
100 001-500 000	66	1.08	14 997 949	25.31
500 001<	18	0.30	23 625 152	39.87
Joint account			37 600	0.06
Total	6 079	100.00	59 252 078	100.00

Auditor’s report

To the shareholders of Tecnomen Corporation
We have audited the accounting records, the report of the Board of Directors, the financial statements and the administration of Tecnomen Corporation for the period 1 January - 31 December 2007. The Board of Directors and the Managing Director have prepared the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, containing the consolidated balance sheet, income statement, cash flow statement, statement on the changes in equity and notes to the financial statements, as well as the report of the Board of Directors and the parent company’s financial statements, prepared in accordance with prevailing regulations in Finland, containing the parent company’s balance sheet, income statement, cash flow statement and notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, as well as on the report of the Board of Directors, the parent company’s financial statements and the administration.

We conducted our audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the report of the Board of Directors and the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the report and 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 the administration is to examine whether the members of the Board of Directors and the Managing Director of the parent company have complied with the rules of the Limited Liability Companies Act.

Consolidated financial statements
In our opinion the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view, as defined in those standards and in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position.

Parent company’s financial statements, report of the Board of Directors and administration
In our opinion the parent company’s financial statements have been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The parent company’s financial statements give a true and fair view of the parent company’s result of operations and of the financial position.

In our opinion the report of the Board of Directors has been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The report of the Board of Directors is consistent with the consolidated financial statements and the parent company’s financial statements and gives a true and fair view, as defined in the Finnish Accounting Act, of the result of operations and of the financial position.

The consolidated financial statements and the parent company’s financial statements can be adopted and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the disposal of result for the period is in compliance with the Limited Liability Companies Act.

Espoo, 4 March 2008
KPMG OY AB

Sixten Nyman
Authorized Public Accountant

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

Espoo March 3, 2008

Jarmo Niemi
President and CEO

Lauri Ratia
Chairman of the Board

Carl-Johan Numelin
Vice Chairman of the Board

Keijo Olkkola

Johan Hammarén

Christer Sumelius

Timo Toivila

Releases in 2007

Further information is available at www.tecnomen.com.

04 Jan 2007	Press release	Vodacom selects Next Generation IVR from Siemens and Tecnomen
08 Feb 2007	Press release	Wataniya Telecom selects Tecnomen Next Generation Messaging system
14 Feb 2007	Stock exchange release	1–12/2006 Financial Statements (unaudited)
14 Feb 2007	Stock exchange release	Invitation to the Annual General Meeting of Tecnomen Corporation
05 Mar 2007	Press release	Tecnomen receives fixed-mobile Convergent Charging order from Brasil Telecom
12 Mar 2007	Stock exchange release	Tecnomen's Annual Report and Annual Summary 2006
14 Mar 2007	Stock exchange release	Resolutions passed by the Annual General Meeting of Tecnomen Corporation
04 Apr 2007	Stock exchange release	Tecnomen Corporation preliminary information about first quarter in 2007
17 Apr 2007	Stock exchange release	Tecnomen has received new orders worth 10 million euros
25 Apr 2007	Stock exchange release	Tecnomen's Interim Report for 1–3/2007 (unaudited)
03 May 2007	Stock exchange release	Notification under Chapter 2 Section 10 of the Securities Markets Act
29 May 2007	Stock exchange announcement	Subscription of Tecnomen shares with stock options
03 Jul 2007	Stock exchange release	Tecnomen receives new orders worth USD 4 million from Central America
05 Jul 2007	Stock exchange release	Tecnomen has received two new orders worth 6 million euros
15 Aug 2007	Stock exchange release	Tecnomen's Interim Report for 1–6/2007 (unaudited)
21 Aug 2007	Stock exchange release	Tecnomen receives USD 7.5 million expansion order from Latin America
09 Oct 2007	Stock exchange release	Tecnomen has received two new orders worth 5.3 million dollars from Latin America
17 Oct 2007	Corporate announcement	Subscription for Tecnomen shares by exercising stock options
24 Oct 2007	Stock exchange release	Tecnomen's Interim Report for 1–9/2007 (unaudited)
01 Nov 2007	Stock exchange announcement	Tecnomen's financial announcements and Annual General Meeting
04 Dec 2007	Stock exchange release	Tecnomen receives USD 6.5 million expansion order from Latin America
19 Dec 2007	Stock exchange release	Tecnomen receives Next Generation Messaging order from Swisscom

Information for investors

Regulatory communication aims to provide capital markets with open and reliable information about Tecnomen, increase awareness about the company, support the correct pricing of Tecnomen's share as well as to promote general confidence in the company as an investment. Tuomas Wegelius, CFO of Tecnomen, is responsible for all investor relations.

Financial Reporting and Annual General Meeting 2008

- Financial Statement
  1 January–31 December 2007 — 6 February 2008
- Annual General Meeting — 12 March 2008
- Interim report
  1 January–31 March 2008 — 23 April 2008
- Interim report
  1 January–30 June 2008 — 13 August 2008
- Interim report
  1 January–30 September 2008 — 22 October 2008

Tecnomen Interim Reports and Annual Report are published in English and Finnish. These publications are available at www.tecnomen.com.

Briefings and closed period

Tecnomen holds briefings for analysts, investors and the media in conjunction with financial reporting. Tecnomen applies a three-week closed period before the publication date of financial statements or interim reports.

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Address change of shareholders

Shareholders report their address change to the bank or brokerage company that manages their book-entry account. The Finnish Central Securities Depository (APK) may only update the information of customers with a book-entry account in APK. Tecnomen does not maintain an address register.

Analysts monitoring Tecnomen

The analysts monitoring Tecnomen are listed at www.tecnomen.com.

Availability of the company's insider register

Information about the company's public insider register can be found at www.tecnomen.com or from the Finnish Central Securities Depository, Urho Kekkosen katu 5 C, FI-00100 Helsinki, Finland.

Corporate Governance

Information about Corporate Governance at Tecnomen is available at www.tecnomen.com.

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