ANNUAL REPORT 2008

TECNOMEN

Contents

Tecnomen in brief

Tecnomen develops and supplies Messaging and Charging solutions for mobile 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. Tecnomen also enjoys a strong market position in the prepaid system segment.

Tecnomen's product lines are Messaging and Charging.

Mission

Tecnomen provides mobile operators with revenue generating services and platforms that increase their profitability. Tecnomen's mission is to

- Provide competitive products and local service
- Invest in the development of innovative, cutting-edge products
- Develop a global distribution and sales network and work in close co-operation with partners

Vision

Tecnomen grows profitably; the company is recognised globally by its customers and partners as a preferred provider.

Values

The values that guide our operations are open and honest co-operation, respect for customers and continuous improvement.

Messaging

Messaging main products and services

- Next Generation Messaging (NGM) – voice and video mail and call completion services
- Visual Voicemail – provides a graphical email-like user interface enabled by the latest touch screen smart phones from various suppliers
- 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 (PMR) – reliable messaging for public authority use

Charging

Charging main products

- Convergent Charging: a feature-rich real-time charging solution that supports prepaid and post-paid subscribers and utilises voice and data services in fixed, mobile and IP networks
- Complementary services for the Charging product are offered by partners

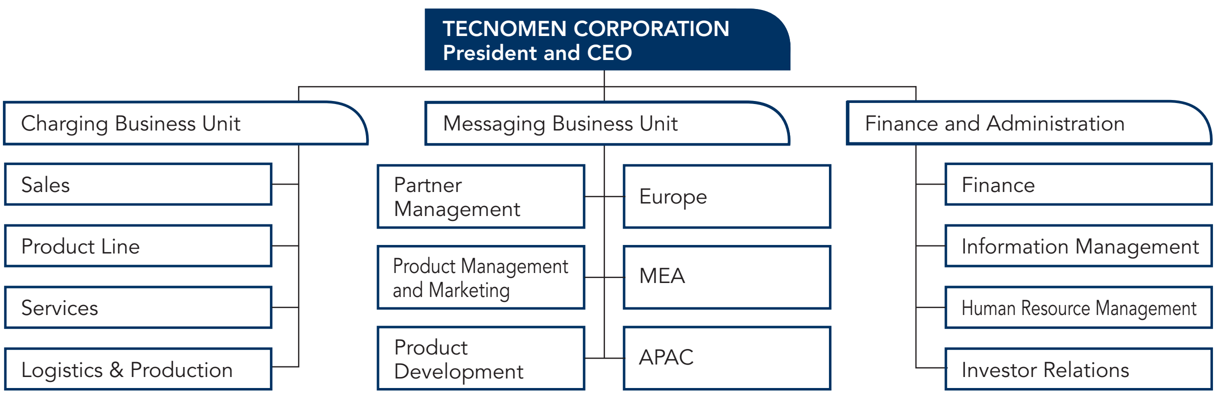
Tecnomen markets and sells its products and services through its own worldwide organisation as well as through global and local partners. Tecnomen strives to maintain its competitive edge through best-in-class service and customer satisfaction. The company's products have been delivered to more than 100 customers around the world.

Organisation

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

Tecnomen had 354 employees at year-end working in 14 locations.

Tecnomen's shares are quoted on the main list of the NASDAQ OMX Helsinki Ltd.



CEO’s review

Tecnomen’s best year to date

2008 was the best year thus far in Tecnomen’s history, both in terms of our net sales and result.

The markets continued to grow for Tecnomen’s products. The number of mobile phone users increased by 600 million and global mobile subscribers passed the four billion mark. Growth was most substantial in Latin America, the Middle East and Africa – all significant market areas for us.

We increased our net sales by 10 percent in the advantageous market situation. Approximately half of our net sales are denominated in U.S. dollars, and accordingly the weakening of the dollar average rate in relation to the euro decreased our final net sales. The dollar average rate has an especially significant effect on the net sales of our Charging Business Unit, yet the unit increased its net sales by 16 percent. Our Messaging Business Unit also increased its net sales by five percent. The development of the dollar rate will have an impact on Tecnomen’s future net sales as well.

During 2008, we reached our goal and achieved profitable growth. Our operating profit was 14.9 percent of our net sales. Tecnomen’s long-term goal is an annual operating profit of 10–15 percent of our net sales.

The financial decline that started in 2008 does not show in Tecnomen’s result, as our customers’ balance sheets and liquidity are strong. The overall economic situation’s impact on consumer purchases should affect the future demand for Tecnomen’s products. The scale of this effect remains to be seen.

The economic decline – a challenge and an opportunity

The economic decline slows down telecom investments in developed markets. Tecnomen’s main areas of interest are, however, emerging markets that have not shown signs of decreased demand. This should lessen the impact that the economic decline has on our business.

Achieving the figures from 2008 will, nevertheless, be a challenge in 2009. Tecnomen’s balance sheet is strong and our cash position excellent, so we can endure through difficult times. It should also be noted that the general decline in the economy may provide us an opportunity. The economic trends should alleviate competition as a number of competitors are lost to the downturn.

We are in a good position in comparison to our competitors, many of which are U.S. based companies, whose key markets are in recession.

Focusing on our core competence

Tecnomen’s number of personnel has remained steady for a long time. We made a strategic decision in 2004 to keep our personnel as small as possible and to outsource all processes that were not directly associated with our core competence. By means of outsourcing we can obtain substantial flexibility and additional resources when needed, even if the outsourcing would not bring forth cost benefits.

The vast majority of Tecnomen’s sales are acquired from existing customers, which is a clear sign of the trust that our clients place in us. Our sales comprise mainly from project sales that call for considerable sales efforts. Maintenance net sales have grown significantly and now form a notable share of our total net sales. Tecnomen's goal is to reach long-term maintenance agreements with our customers.

Investors find Tecnomen challenging to analyse as our business typically fluctuates considerably from quarter to quarter. In general, the beginning of the year is much slower for our business in comparison to the end of the year. However, we are operating very successfully in these conditions and Tecnomen's share is priced affordably in relation to our balance sheet value. We are also known as a good dividend payer.

Merging with Lifetree, the India-based provider of convergent billing and customer care, rating, and messaging platforms will further enhance Tecnomen's strong position amongst competitors.

Lifetree answers our strategic goals

In 2008 we signed an agreement to acquire Lifetree's stocks and Tecnomen and Lifetree will combine in 2009. This will be a significant change for our company, as the transaction doubles Tecnomen's personnel and adds a fourth to our net sales. Our multicultural personnel will enjoy even greater diversity, as half of our staff will be working from India.

We achieve three important goals with this transaction. First, Lifetree's product portfolio complements Tecnomen's portfolio in a very good way. Second, we gain a strong stand in important emerging markets, the Middle East, Africa and India – areas, where the number of mobile phone users is increasing significantly. And third, the transaction brings forth cost benefits as over half of Tecnomen's personnel will be operating in a country with a considerably lower cost level. Lifetree is a highly profitable company with a cost level of approximately one fifth of that of Tecnomen.

By combining Lifetree and Tecnomen, we can offer our customers a significantly broader product and service range, thus enabling further growth.

The most considerable challenge for 2009 is integrating Tecnomen and Lifetree and closing the agreement. Our organisations will be combined, which will require considerable effort from all our personnel. Both Tecnomen and Lifetree have lean, efficient organisations and substantial goals – ones that we aim to meet in addition to completing our integration process.

The timing of the Lifetree transaction was good. We are facing a challenging year, during which we will do our utmost to reach our goals. When the economic decline has passed and the markets move on to a new growth, we will be in better shape than ever.

Tecnomen Lifetree has set itself one primary goal: profitable growth. The combined company aspires to be the leading convergent charging and messaging service provider especially in emerging markets.

I wish to thank Tecnomen's affiliates and employees for their indispensable input this past year. To our customers, owners and other stakeholders I wish to express my most sincere gratitude for the trust you have placed in our company.

Jarmo Niemi

Key figures

	IFRS 2008	IFRS 2007	IFRS 2006	IFRS 2005	IFRS 2004	FAS 2004
Net sales, MEUR	77.2	70.1	71.8	69.0	51.6	51.5
Net sales, change %	10.1	-2.4	4.1	33.7		13.7
Operating result, MEUR	11.5	8.9	4.9	9.6	3.9	1.6
as % of net sales	14.9	12.7	6.8	13.9	7.5	3.1
Profit before taxes, MEUR	13.5	10.0	5.2	10.3	4.9	2.6
as % of net sales	17.5	14.2	7.3	14.9	9.5	5.1
Result for the period, MEUR	10.2	8.7	3.2	8.8	4.0	2.1
Personnel at the end of the period	354	355	374	373	350	350
Earnings per share, basic, EUR	0.17	0.15	0.06	0.15	0.07	0.04
Earnings per share, diluted, EUR	0.17	0.15	0.05	0.15	0.07	
Equity per share, EUR	1.41	1.32	1.27	1.33	1.16	1.17
Net interest-bearing liabilities, MEUR	-31.0	-17.5	-20.4	-32.8	-30.2	-30.0

Tecnomen's product lines

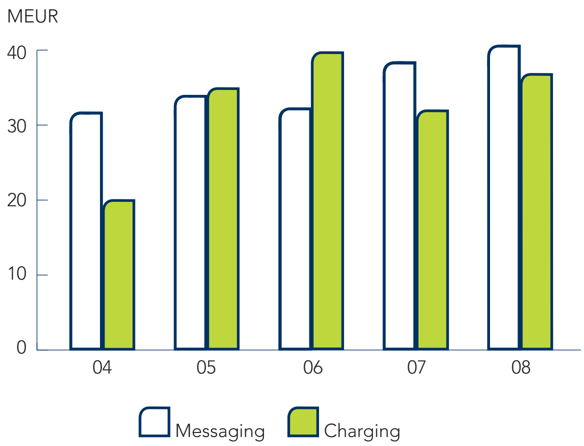
Two units, two strategies

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

The Messaging Business Unit provides value-added services for teleoperators worldwide through its global organisation and regional and local partners. Its strategy is to approach the market in collaboration with partners such as Nokia Siemens Networks, EADS and range of regional partners. The share of partner sales was 36 per cent of the business unit's sales in 2008.

The Charging Business Unit meanwhile 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 business unit has revised its strategy to now include global markets. Other changes include investing in a sales and customer services organisation outside Latin America.

Net sales by product line 2004–2008



Net sales by product line 2004–2008

MEUR	2004	2005	2006	2007	2008
Total	51.5	69.0	71.8	70.1	77.2
Messaging	31.5	33.9	32.2	38.3	40.4
Charging	20.0	35.0	39.6	31.8	36.8

Messaging

Openness, reliability and scalability

The Tecnomen Messaging Business Unit provides solutions for fixed and mobile network operators worldwide who seek increased revenue derived from premium messaging services, higher rates of call completion and inexpensive yet rapid deployment of customised services.

Tecnomen sells its Messaging solutions 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.

CUSTOMER SOLUTIONS
PT Excelcomindo Pratama, Tbk (XL): Distributed Next Generation Messaging for 4.2 million mailboxes

Tecnomen was selected in April 2008 to supply a voicemail service capacity expansion to PT Excelcomindo Pratama Tbk. (XL) of Indonesia. XL is part of TM International Berhad group of companies and serves today more than 25 million subscribers. The voicemail expansion with Tecnomen Next Generation Messaging increased the overall voicemail capacity and replaced an existing legacy system.

The NGM platform was delivered in two main phases and went to commercial use in June 2008. This project allows XL to take advantage of using the remote media server concept and capabilities and it also allows XL to maximize their investments. The system consists of two main cluster sites, Bandung and Denpasar, and three additional remote media server sites installed in Medan, Banjarmasin and Jogya respectively.

The business unit's leading new products include Visual Voicemail that brings the voicemail end-user's experience to the 21st century by providing a graphical email-like user interface enabled by the latest touch screen smart phones from various suppliers. Visual Voicemail was deployed to Swisscom Mobile that offered the service to its Apple iPhone customers.

Products

- Next Generation Messaging (NGM) – voice and video mail and call completion services
- Visual Voicemail – provides a graphical email-like user interface enabled by the latest touch screen smart phones from various suppliers
- 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 (PMR) – reliable messaging for public authority use

Next Generation Messaging

Operators are currently faced with challenges involving the optimisation of voice and video services. That said, the call completion products offered by Tecnomen help operators to keep their subscribers in better reach, irrespective of the handset or network in use.

One of the main future challenges facing operators lies in managing the change in basic voice services from time-based charging to profitable, bundled service packages based on monthly fees. Tecnomen Visual Voicemail addresses this requirement by providing superior user experience for premium service that fits perfectly with the operator's strategic need to provide bundled voice, data, application and device packages.

The solutions available are flexible for the operators and allow operators to tailor services to meet the unique needs of their particular market segments.

Media Server

The Media Server is offered to operators and third party companies to enable them to integrate their divergent voice and video services within a single media resource

platform. The platform provides important enabling features required for end-to-end voice and video services with advanced media features such as automated announcement and voice dialogues, speech recognition and conferencing. Operators and network suppliers consider this component an essential element in their service range, 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 flexible capability to offer automated voice and video customer services and content services. The automated voice and video customer services allow the end-user to self administrate various operator services such as prepaid voucher top-up or ring-back tone selection without involving a costly human service agent.

Content services include voice or video call portals that allow the user to navigate through various premium content, such as music, web cams, live television shows or movie trailers. The Tecnomen IVR Application Server provides flexible tools for creating and managing customised voice and video user interfaces that are integrated to the operator's existing systems.

Professional Mobile Radio
Professional Mobile Radio (PMR) products have been developed for public authorities to effectively serve the communications needs of 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 2008
In 2008 Tecnomen saw a strong increase in demand for its Next Generation Messaging products. Furthermore, various large deployment projects were successfully completed. The introduction of iPhone to new markets by Apple increased the demand for Tecnomen Visual Voicemail.

CUSTOMER SOLUTIONS
Mobilkom Austria Group – Combining tradition with state-of-the-art technology

Mobilkom Austria group is an important player in the region with operations in eight Central Eastern European countries, connecting around 18 million people. The history of the business relationship between Mobilkom Austria and Tecnomen goes back to the early 90s when the first voicemail system was installed for Mobilkom Austria's network.

In 2008 Mobilkom Austria group deployed Next Generation Messaging systems based on Tecnomen's technology for Vip operator (Macedonia), Vip mobile (Serbia), Si.mobil (Slovenia) and UML (United Mobile Liechtenstein). The subsequent replacement of Mobilkom Austria's legacy voicemail system will continue throughout 2009–2010.

Next generation services for mobile operations in several countries using state-of-the-art technology allow the Mobilkom Austria group to benefit from better time-to-market, higher flexibility and efficiency.

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 third 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. Partners are also used in software development and customer services. Accenture continued as the strategic partner in NGM software development. Co-operation with various partners helps Tecnomen to address major markets, offer customer services based on demand, 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 successfully 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 many customers currently using conventional solutions need to upgrade their systems to more cost-efficient solutions. The demand for Visual Voicemail service is expected to increase in all market areas. Sales of conventional messaging solutions are meanwhile expected to decline further.

The Messaging Business Unit expects to sustain its strong relations with existing customers and partners. The revenue derived from the expansion and maintenance of installed systems is predicted to remain at a healthy level.

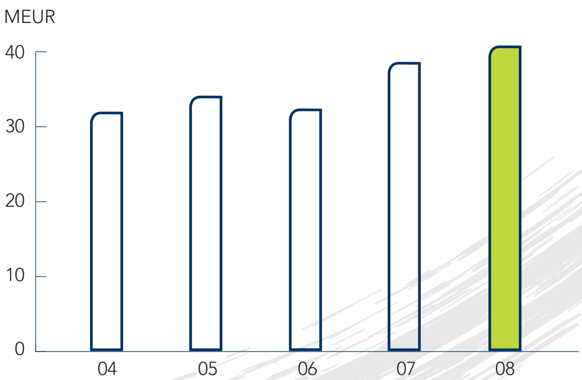
Tecnomen will continue to develop and invest in the NGM, IVR and Media Server products throughout 2009.

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 2004–2008



Charging

Future-proofing your business

The increase in the convergence of networks, infrastructure, services and payment methods, coupled with subscribers' desire for data services, ensured that demand for Tecnomen real-time Convergent Charging solution continued to grow in 2008.

Operators the world-over are tackling the phenomenon of rising revenues and falling margins. The former is primarily due to increasing subscriber bases, while the latter largely results from unrelenting downward market price pressure for voice services. To counteract this trend, operators need to diversify their product portfolios away from voice-centric services and more towards data-related ones. According to most telecom market analysts, by 2012 almost 30 per cent of operator revenue worldwide will be derived from data services, an increase of nearly 11 per cent over current market levels.

Operators who have implemented Tecnomen's Convergent Charging solution have already reaped the benefits of securing and enhancing their market leading position for data services.

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 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 streamline their system architecture, create operational efficiencies, reduce capital and operational expenditure and ultimately improve profitability based on a network-independent solution, which delivers future proof investment protection, greater scalability and a secure upgrade path.

Tecnomen's extensive experience in both emerging and developed markets has established the company as one the leading providers of customer-centric, real-time, convergent charging solutions.

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 increasingly complex market requirements and business models.

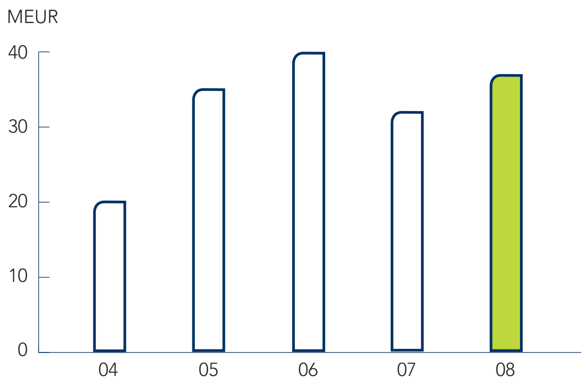
Product strategy

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's standards-based open design provides operators with the required flexibility, scalability, openness and future proof solution to succeed in their increasingly complex and demanding markets.

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

Net sales, Charging 2004–2008



Versatile solutions

Tecnomen 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 and 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, discount and incentive schemes, real-time communications, convenient account recharging and full roaming support. These services are designed to stimulate usage, reduce churn and increase market share.

Diameter-based charging forms an integral component of the Convergent Charging solution. The Tecnomen OCS-based solution offers a high-capacity, flexible and true real-time charging solution, designed with both an operator and their customer in mind. The company was one of the first vendors in the market to offer, implement and put Diameter-based charging into commercial use.

Operators who have already implemented Tecnomen's Charging solution are on their way to implementing the IMS or 4G-based networks. In doing so, they can be secure in the knowledge that their charging solution will support them into the future.

We offer more

For over 30 years, Tecnomen has been building long-lasting relationships with its customers. Tecnomen's proven commitment to rapidly developing and deploying solutions matching its customers' current and future business requirements has generated significant growth to customers' subscriber bases and market share in the highly competitive telecoms environment. This together with its superior customer support and maintenance ensures that Tecnomen remains one of the most customer-focused solution providers in the market today.

Highlights of 2008

Demand for data services continued to increase, 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, innovative services for their customers. Tecnomen deployed several data charging solution expansions to support its customers' increased demand for data services.

Tecnomen developed a comprehensive Mobile Number Portability solution for customers in Brazil to support number portability in both their mobile and fixed networks. Demand for Tecnomen's Geographical Redundant solution increased and additional operators purchased this solution in 2008. Tecnomen provided managed services solutions to two of its customers in Latin America.

CUSTOMER SOLUTIONS
Porta, Ecuador – Data ready

Tecnomen completed the implementation and expansion of its 3GPP Diameter-based data charging services to Porta in Ecuador. This included a wide range of data charging services, such as SMS, MMS, GPRS and content charging services. The solution included a variety of data packages, loyalty and promotional features to enable an enhanced subscriber experience.

The long-standing business partnership with one of Tecnomen's major customers in Latin America was further enhanced by the opening of a joint software development centre in the region. In addition, Tecnomen's Convergent Charging solution was selected by a major vendor as the preferred solution to enhance their current product portfolio in specific targeted markets.

The Convergent Charging solution was selected for a green field operation in Latin America, providing a full range of convergent charging solutions.

Tecnomen's increased global sales presence in both the Asia-Pacific and Middle East and Africa regions has generated increased sales opportunities and activities in these areas. The company also continued to have a strong presence at major telecoms events worldwide.

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 new opportunities arising from the shift away from voice-centric prepaid solutions to convergent charging solutions. Similarly, the demand for data services in other regions will provide a good opportunity to develop new business in these regions.

Emerging markets continue to offer untapped potential as low penetration rates and new operator license grants will sustain growth for years to come. The Charging Business Unit's extensive work and investments into direct sales and partnership sales in the Asia-Pacific and Middle East and Africa regions place Tecnomen in a strong position to capitalise on the opportunities in these emerging markets.

The Charging Business Unit will continue to increase its investments in global sales activities and product development.

CUSTOMER SOLUTIONS
Brasil Telecom
– Number Portability

Mobile Number Portability was introduced in Brazil in 2008, allowing subscribers to retain their phone number when switching from one mobile network operator to another.

Given the unique nature of the number and location-based services provided by Brasil Telecom, Tecnomen developed a comprehensive Number Portability solution for both their mobile and fixed networks.

Anatel (Agência Nacional de Telecomunicacões), the Brazilian telecommunications authority, set clear timelines and requirements for the introduction of Number Portability. Tecnomen delivered a unique and highly customised solution to Brasil Telecom to meet the targets set out by Anatel.

Tecnomen also aided Brasil Telecom in migrating subscribers from a competitor's platform onto the Tecnomen Convergent Platform.

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 of the organisation also provides 24/7 local customer support service. At year-end, the company had 14 offices worldwide, including the headquarters in Finland, responsible for sales, delivery and system maintenance services.

By the end of 2008, the company's systems had been delivered to more than 100 customers worldwide.

iPhone increased interest in Visual Voicemail

Operators continued to particularly invest in emerging markets with large populations, such as in the Middle East, Africa, Latin America and Asia. Tecnomen also experienced growth in Europe, mainly by replacing traditional voice messaging solutions with Next Generation Messaging (NGM) systems.

Next Generation Messaging products were rolled out in all market areas for both new and existing customers. NGM was moreover delivered for the first time to the Latin American market. Apple iPhone increased interest in Visual Voicemail service among operators, and Tecnomen made its first delivery to Swisscom in Europe.

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

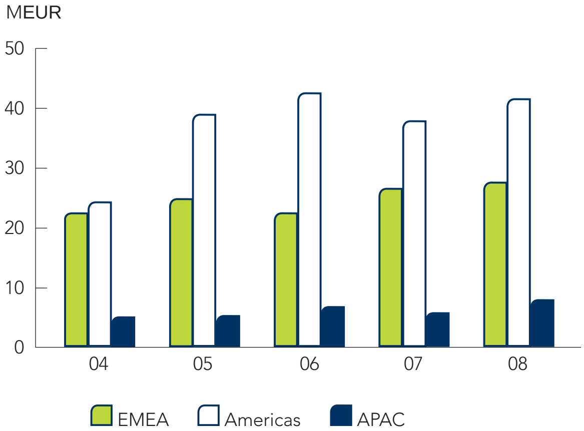
Solid local know-how

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.

Tecnomen's net sales by market area were as follows: the Americas 53.9 per cent (53.8%), EMEA 35.7 per cent (38.0%) and APAC 10.4 per cent (8.2%). In the EMEA region, sales were growing especially in Europe, whereas in the Middle East and Africa sales declined compared to the previous year.

In 2008, regional operations focused on rolling out NGM systems and upgrading prepaid systems to Convergent Charging systems. Sales to existing customers accounted for 96.9 per cent (89.8%) of net sales.

Net sales by market area 2004–2008



Net sales by market area 2004–2008

MEUR	2004	2005	2006	2007	2008
Total	51.6	69.0	71.8	70.1	77.2
EMEA	22.5	24.8	22.5	26.6	27.6
Americas	24.1	38.7	42.5	37.7	41.6
APAC	5.1	5.3	6.8	5.8	8.0

Customer acquisition also continued with global partners, and Tecnomen won new accounts in all market areas. New customer sales contributed to 3.1 per cent (10.2%) of net sales.

Tecnomen's strategy is to increase recurring revenues. An increase in maintenance sales was set as a goal. Their share accounted for 24.0 per cent (21.5%) of net sales.

Understanding the customer's business

Tecnomen's mission is to improve the competitiveness and profitability of its customers. The company provides its customers with revenue generating value-added services and solutions for charging end-users. Understanding the customer's business in various markets is key when delivering competitive solutions that meet market requirements. 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 its partners enable Tecnomen to offer better, more versatile and faster service to its customers. Tecnomen continues to develop its project competence and supply chain to increase customer satisfaction and project profitability.

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.

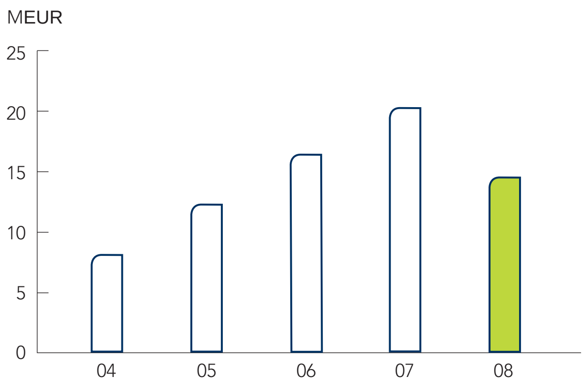
Tecnomen has set up global marketing, sales, development and delivery partnerships with leading companies such as Nokia Siemens Networks, Sun Microsystems and Accenture, among others. Nokia Siemens Networks sells solutions developed by Tecnomen as part of its own system deliveries. Sun Microsystems meanwhile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

Partner sales declined during the financial year. Sales through global partners totalled EUR 14.5 million, or 18.7 per cent (28.9%) of net sales. Tecnomen, however, continues to work closely with its sales partners with the strategy of increasing sales via partners.

Breakdown of sales to new and established customers, maintenance 2004–2008

%	2004	2005	2006	2007	2008
New	25.5	10.2	12.0	10.2	3.1
Established	74.5	89.8	88.0	89.8	96.9

Sales through global partners 2004–2008



EMEA

EUROPE
Exceptional growth

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

Going against the general trend of stagnation of the European telecom market, Tecnomen achieved strong growth by winning new customers in several messaging product segments.

A large customer project in Germany was won through EADS, Tecnomen's channel partner for PMR networks.

The roll-out of Next Generation Networks projects continued with several replacements of competitors' legacy voicemail systems. Furthermore, Tecnomen's Media Server was sold for the first time in Europe independently from Voice Messaging applications.

Swisscom in Switzerland was Tecnomen's first customer to launch Visual Voicemail services for its Apple iPhone users based on Tecnomen's Visual Voicemail Gateway.

The partnership with Nokia Siemens Networks' Hosting business line led to the first common project for an Interactive Voice Response system; a hosted service for a Mobile Virtual Network Operator (MVNO) customer in Europe.

Although competition and price pressure on both system sales and support services is increasing, the success of placing several new products in the market provides a good potential and starting point for system expansions and further new projects in the area.

MIDDLE EAST AND AFRICA
Expanding sales partner networks and customer base

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. The head office moved to the Dubai Internet City in 2008, resulting in significant synergies as the office is now located in the same community as the company's main channel partner and main customer in Dubai.

In 2008 Tecnomen continued to strengthen its presence by signing deals via a new channel partner and focusing on actively broadening its customer base.

The strong organic growth experienced during 2007 in the Middle East and Africa markets slowed down in 2008. On the solution side, operators in this market have been and are replacing legacy VMS platforms with NGM platforms. This is expected to continue in 2009.

Tecnomen obtained new messaging customers in Afghanistan, Cameroon and Ivory Coast. The company also signed major contracts for messaging system expansions and upgrades in rapidly growing markets, such as Saudi Arabia and the United Arab Emirates.

Tecnomen also carried out a prepaid system upgrade in Mauritania.

APAC

ASIA-PACIFIC
Major expansion wave

Tecnomen's Asia-Pacific headquarters are located in Kuala Lumpur, Malaysia. The company also has an office in Taiwan.

Tecnomen works with multiple partners in the region and has invested in long-term customer relationships with key operators.

The company's 2008 sales activities and revenue grew steadily due to several key capacity expansions. Tecnomen won a strategic distributed Next Generation Messaging tender from Excelcomindo Pratama of Indonesia, a new key customer. Furthermore, Tecnomen expanded multiple existing systems within the region. Maintenance sales are relatively stable and at a good level. Sales grew mainly thanks to capacity expansions and new site installations. The largest expansion deals were Celcom in Malaysia and Indosat in Indonesia.

Asia-Pacific consists of several sub-regions, which are all in different growth phases. Tecnomen's key markets experienced continued growth in terms of new subscribers. A new wave of 3G licenses has been distributed in the region. In these countries there are significant opportunities to replace existing legacy systems and install Next Generation Messaging systems capacity during 2009.

The competition in Asia-Pacific is fierce, but Tecnomen's position and good relations with key operators provide a good business platform for further upgrade sales to Next Generation platforms.

THE AMERICAS

NORTH, CENTRAL AND SOUTH AMERICA
Focus on strengthening partnerships

Tecnomen has four offices in the Americas: in Brazil, home of the regional head office, Argentina, Mexico and Ecuador. In addition, Tecnomen has a local presence in Guatemala, Nicaragua and Colombia, and it provides on-site technical support in these countries. This is in accordance with Tecnomen's strategy in the area to enforce its presence in the market and be close to its customers.

In 2008 a development facility was established in Cordoba, Argentina, with the objective to start developing certain functionalities in partnership with local operators. This is a strategic step to further strengthen Tecnomen's partnership with operators and to bring them more functionality that will help maintain competitiveness and leadership in the markets in which they operate.

Organic growth in the Latin American market continued, with América Móvil once again leading the market ahead of its competition. During 2008 Tecnomen further strengthened its partnership with América Móvil in all the regions they operate in South and Central America.

Most Latin American operators have deployed UMTS/3G service. Tecnomen's customers were able to successfully launch 3G ahead of the competition by using Tecnomen platform, which provides real-time, convergent charging.

The introduction of UMTS/3G has increased demand for Convergent Charging. Rating in real-time for voice-centric services and a number of data services are now key for the operators in the region. Data services such as broadband Internet access provided by mobile operators has experienced an even higher demand than expected due to the lack of fixed network Internet access in many of the regions.

Tecnomen sold a number of expansions, upgrades and new functionalities, such as Mobile Number Portability. The company entered new markets, such as Panama, and it also replaced some of the competitors' systems in the area.

In the Messaging area, Tecnomen consolidated its presence not only by selling voicemail expansion for its current customers but also by selling its first Next Generation Messaging products in Ecuador and Panama. During 2008, demand for new functionalities grew coinciding with the launch of new services, such as the iPhone service. Tecnomen sold its first Visual Voicemail platforms as part of the NGM strategy in the area.

Operation and maintenance services are an important component of Tecnomen sales in the area. Tecnomen is focusing on increasing that revenue stream by offering a number of operations and maintenance (O&M) and BOT (build, operate & transfer) services.

Personnel

Competence and professionalism are key

Tecnomen's objective is to be an internationally recognised supplier as well as the preferred supplier for its customers and business partners. In daily operations, this calls for proactivity, an understanding of our customers' business needs, and ongoing development of products and services to ensure competitiveness.

To reach this objective, Tecnomen strives to continually improve its work environment and takes extra measures to encourage each and every employee to be innovative and to develop their own professional competence. The main emphases in Tecnomen's human resources planning are on ensuring sufficient competence, strengthening expertise, promoting the working capacity and well-being of the personnel, supporting supervisors, and improving internal communications.

Better performance reviews

The hiring and retention of competent and motivated personnel are of crucial importance to Tecnomen's strategy. In addition, personnel development is key to the company's overall strategy. For example, training in how to moderate and improve employee performance reviews was provided for supervisors in early 2008 at the company's headquarters in Finland.

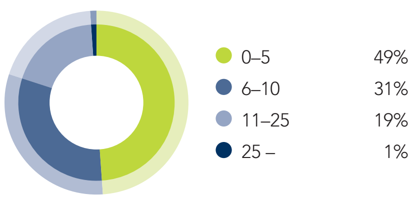
Development tools outlined through a work satisfaction survey

In spring 2008, Tecnomen carried out a job satisfaction survey for the entire company, for which the response rate was 86 per cent of employees. The goal of this questionnaire was to determine employees' views concerning the organisation and their well-being at work.

Staff were particularly satisfied with the work of the supervisors and with the employee performance reviews, which had been handled methodically. The personnel also praised the attention paid to the customers' point of view in all operations. Communications was perceived as the area requiring the most development.

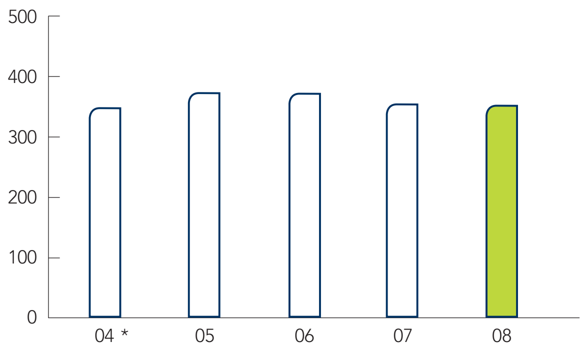
On the basis of the results, plans for each business unit were prepared. These will be used as a basis for continued application of development measures and follow-up work.

Employees by years of service 2008



Employees by area 2008

Employees at the end of year



* 59 persons joined Accenture as a result of an outsourcing agreement

Environment

Tecnomen complies with the principles for sustainable development in environmental matters, and the company aims to prevent any harmful effects of its operations. Tecnomen is mainly a software producer which, by nature, does not create major negative environmental impacts.

In its manufacturing, warehouse and transport activities, Tecnomen uses methods and procedures that cause as little damage as possible on nature and the environment.

Tecnomen's Irish manufacturing unit, Tecnomen Ltd, has an ISO 14001 environmental compliance certificate issued by BSI British Standards.

Tecnomen Corporation is a member of the Finnish Environmental Register of Packaging PYR Ltd. The company uses recyclable packaging materials in all its deliveries.

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 the company'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.

In 2008, Tecnomen abided by the Corporate Governance recommendations for companies listed on the NASDAQ OMX Helsinki Ltd. As of 1 January 2009, the company will comply with the Finnish Corporate Governance Code.

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 shall be annually held on the date set by the Board of Directors by the end of May. The Meeting shall be held in the home municipality of the company, in Espoo, or, should the Board of Directors so decide, 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 shareholder with at least one tenth (1/10) of all shares, so requests in writing for the consideration of a specific matter.

The responsibilities of the Annual General Meeting are defined in the Finnish Companies Act and the Articles of Association of the company. The most important responsibilities include amending the Articles of Association, approving the financial statements, deciding on the dividend to be paid, discharging the Board members and the 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 that 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. Some Board members are also members of Board Committees.

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 outlined in the Articles of Association. The Annual General Meeting elects the Board and confirms the number of Board members. The Board of Directors elects the Chairman and Vice Chairman among its members for a term of one year at a time. The term of office of Board members expires at the end of the first Annual General Meeting following election. The Annual General Meeting held on 12 March 2008 elected seven 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 Finnish Corporate Governance Code's recommendations. Based on the assessment, the Board members are independent of the company and its significant shareholders.

Lauri Ratia (left), Harri Koponen, Johan Hammarén, Timo Toivila, Hannu Turunen, Carl-Johan Numelin and Christer Sumelius.

The Board of Directors

LAURI RATIA, b. 1946, MSc (Tech)
Chairman of the Board,
member of the Board since 2001
Primary business experience:
CRH plc, Europe Materials, Senior Advisor for Russia 2007–2008
Lohja Rudus Oy Ab, Group Managing Director 1998–2006
Scancem International ANS, Norway, Deputy CEO and Managing Director of Lohja Rudus Oy Ab, Finland 1996–1997
Euroc Abp, Sweden, Mananging Director, Managing Director of the Concrete and Aggregates Division and Lohja Rudus Oy Ab, Finland 1994–1996
KONE Corporation, Cranes Division, Finland and Lille, France, Development and Area Director 1993–1994
Euroventures Nordica Ab, Sweden, Equity Financing, Partner 1990–1993
Nokia Corporation, various management positions 1978–1990
UPM-Kymmene Corporation, Metals division, Marketing and Sales Manager 1973–1990
Enso-Gutzeit Oyj, Paper Division, Product Development and Sales Engineer 1971–1973
Key positions of trust:
VR-Group Ltd, Chairman 2008–
Samesor Oy, Board Member 2008–
Inspecta Oy, Board Member 2007–
LSR Group, St. Petersburg, Board Member 2007–
Sponda Plc, Chairman 2007–
Medisize Oy, Chairman 2007–
Edita Plc, Chairman 2005–
Olvi plc, Board Member 1999–
Advisory committee of Helsinki University of Technology, Member 2004–2006
Confederation of the Finnish Industry and Employees TT, Board Member 1998–2004, member of the Board Working Committee 2003–2004
Finnish Construction Industry Confederation RT, Chairman 2003–2004
Finnish Building Materials Confederation RTT, Chairman 1998–2001
Tecnomen shares 31 000
No Tecnomen stock options
Independent of Tecnomen and its significant shareholders

CARL-JOHAN NUMELIN, b. 1937, MSc (Tech)
Vice Chairman of the Board, member of the Board since 2001
Primary business experience:
Konecranes Oyj, Sales Director 1997–2002
KONE Corporation, Sales Director Cranes 1973–1993
KONE AB, Sweden, Managing Director 1968–1975, Export Manager 1965–1968
KONE Corporation, Design/Sales Engineer 1962–1965
Key positions of trust:
Kyro Corporation, Chairman 1996–2007
The Riihimäki–Hyvinkää Chamber of Commerce, Member 1997–, Chairman 1998–2003
Member of the Finnish Association of Professional Board Members
Tecnomen shares 61 208 (direct holding 60 208)
No Tecnomen stock options
Independent of Tecnomen and its significant shareholders

JOHAN HAMMARÉN, b. 1969, LLM, MSc (Econ)
Member of the Board since 2007
Main duty:
Fondia Oy, Managing Director, 2006–
Primary business experience:
Nokia Emerging Business Unit, Legal Director 2006
Nokia Customer and Market Operations, Senior Legal Counsel 2005–2006
Nokia Multimedia Business Unit, Legal Counsel 2003–2004
Nokia Home Communications (Stockholm), Legal Counsel 2001–2003
Nokia Ventures Organisation, Legal Counsel 2000–2001
Waselius & Wist, lawyer 1999–2000
Key positions of trust:
Aspocomp Technology Oy, Chairman 2008–
Aspocomp Group Oyj, Board Member 2007–
Impera Electronics Oy, Board Member 2007–
Impera Electronics, Inc., Board Member 2007–
Fondia Oy, Board Member 2006–
Beneq Oy, Board Member 2006–
Tecnomen shares: 307 100 (direct holding 297 800),
No Tecnomen stock options
Independent of Tecnomen and its significant shareholders

HARRI KOPONEN, b. 1962, eMBA, Phd. Econ. H.c.
Member of the Board since12 March 2008–
Main duty:
Tele2 Ab, President and CEO August 2008–
Primary business experience:
Wataniya Telecom, Kuwait, General Manager and CEO 2004–2008
TeliaSonera, Deputy CEO 2003–2004
Sonera Corporation, President and CEO 2001–2003
Ericsson Inc., Executive Vice President, Consumer Products North and Central American region 2000–2001
Ericsson Inc., Global Account Executive 1998–2000
Oy L M Ericsson Ab, head of business unit, sales director 1994–1998
Hewlett-Packard Oy, Telecom, Area Sales Director 1989–1994
Key positions of trust:
Aina Group Oyj, Advisor to the Board 2005–
UTele International, Board Member 2006–
No Tecnomen shares or stock options
Independent of Tecnomen and its significant shareholders

CHRISTER SUMELIUS, b. 1946, MSc (Econ)
Member of the Board since 2001
Main duty:
Investsum Ab, President 1984–
Key positions of trust:
Chemdyes Sdn. Bhd., Board Member 2006–
Glaston Corporation, Vice Chairman, Board Member 1995–
Xemet Oy, Board Member 2008–
Nikolai Sourcing Ltd., Board Member 2008–
Member of the Finnish Association of Professional Board Members
Tecnomen shares 1 325 358 (direct holding 375 280 shares)
No Tecnomen stock options
Independent of Tecnomen and its significant shareholders

TIMO TOIVILA, b. 1950, MSc (Tech)
Member of the Board since 2001
Primary business experience:
Teleste Corporation, CEO 1996–2002
Sponsor Oy, Director 1994–1997
Huurre Group Oy, Managing Director 1994–1995
Key positions of trust:
Teleste Corporation, Board Member 2003–
No Tecnomen shares or stock options
Independent of Tecnomen and its significant shareholders

HANNU TURUNEN, b. 1957, MSc (Tech), MBA
Member of the Board since March 2008–
Main duty:
Magnolia Venture, Managing Partner since 2001–
Primary business experience:
Stonesoft Corporation, President 2000–2001
Stonesoft Corporation, CEO and co-founder 1992–2000
Oracle Finland Oy, Sales Director 1988–1992
Key positions of trust:
Member of the Finnish Association of Professional Board Members
Stonesoft Corporation, Board Member 1999–
Chairman 2000–2002
BLStream Oy, Gamelion Oy, dSign Oy, Chairman
Men & Mice, Board Member
No Tecnomen shares or stock options
Independent of Tecnomen and its significant shareholders

Board meetings
Tecnomen's Board of Directors convened 21 times in 2008. Calculated on the basis of the number of meetings and the number of members present, the average attendance of members at Board meetings was 85 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 and Nomination Committee. The Board has approved written charters of procedure for the committees that outline 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** helps the company's Board of Directors ensure that the company has a sufficient internal control system that encompasses all of its operations. The Committee also helps the Board make sure that control of the company's accounting and asset management has been arranged appropriately. In addition, the Committee is responsible for monitoring that the operations and internal control of the company have been arranged in a manner required by legislation, valid regulations and a good management and administration system, and for monitoring the activities of internal auditing

The Audit Committee comprises three members of the Board: Lauri Ratia, Johan Hammarén and Harri Koponen, Tecnomen's President and CEO. The company's CFO regularly participates in the Audit Committee's meetings. The Audit Committee had 4 meetings. The average attendance of members at meetings was approximately 80 per cent.

The **Remuneration and Nomination Committee** prepares proposals for the Board concerning the appointment and remuneration of senior management, including personnel remuneration schemes. It also prepares a proposal of the Board members to be elected by the Annual Shareholders' Meeting.

The Remuneration and Nomination Committee comprises three members of the Board: Carl-Johan Numelin, Christer Sumelius and Hannu Turunen. The Remuneration and Nomination Committee had 5 meetings. The average attendance of members at meetings was 100 per cent.

Fees of the Board of Directors

The fees paid to the Chairman and members of the Board in 2008 totalled EUR 228 100. Board members' fees 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, and it has been approved by the Board.

The fees, salaries and benefits paid to the President and CEO in 2008 totalled EUR 261 815. He was not granted any shares or share-related rights.

The retirement age for the President and CEO is 60 years, and full pension is 60 per cent of pensionable earnings.

The term of notice of the employment contract for the CEO is six months when the CEO hands in his or her resignation and six months when the company serves the notice of termination on the employment contract. The notice of termination shall be provided in writing. If the contract is terminated by the company, the CEO is entitled to a compensation that is equal to six months' salary, not including the salary paid during the period of notice. The compensation, hereby agreed upon, will also become effective if the contract is terminated due to a merger to another company as a result of which the CEO cannot be offered a corresponding task in the receiving company.

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 2003
Main duty:
President and CEO of Tecnomen Corporation, 2003–
Primary business experience:
Aspocomp Group Oyj, President 1993–2003
Aspo Corporation, various management positions 1986–1993
Orion Corporation, Medion, various management positions 1981–1986
Key positions of trust:
QPR Software Oyj, Board Member 2007–
Okmetic Oyj, Board Member 2008–
Tecnomen shares 10 000
Tecnomen stock options 130 000

EERO MERTANO, b. 1965
Vice President, Charging since 2006
Main duty:
Vice President of Tecnomen Corporation Charging Business Unit 2006–
Primary business experience:
Tecnomen Corporation:
- Vice President, Sales and Marketing 2004–2006
- Managing Director, Tecnomen Brazil 1998–2000
- Director, Product Management 1997–1998
- Product Manager 1995–1996

Add2Phone Oy, Vice President Sales, CEO 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 2006
Main duty:
Vice President of Tecnomen Corporation Messaging Business Unit, 2006–
Primary business experience:
Tecnomen Corporation:
- Sales Director, Europe 2006
- Director, Mobile Multimedia 2002–2004
- Business Development Director 2000–2002
- Partner Sales Manager 1999–2000
- Area Sales 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 2006
Main duty:
Chief Financial Officer of Tecnomen Corporation 2006–
Primary business experience:
Valtra Oy Ab, 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, which expires at the close of the Annual General Meeting following election.

Tecnomen's auditor in the financial year 2008 was KPMG Wideri Oy Ab, and the principal auditor was Sixten Nyman, Authorised Public Accountant.

The auditor's fees paid by Tecnomen Group for 2008 totalled EUR 77 796. In addition, the auditor was paid a further EUR 214 024 in fees for other services.

Remuneration of the 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

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

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 2008 amounted to EUR 540 514.

The President and CEO and members of the Group's Management Board do not receive 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).

Related parties

Tecnomen has not granted loans to members of the Board of Directors or the Management Board nor has it provided 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. Risk management enables 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 risk 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 NASDAQ OMX Helsinki Ltd. The company has also introduced its own insider guidelines, which include instructions for both permanent and project-specific insiders. These guidelines have been distributed to all insiders and they are available to all Tecnomen employees. 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). When necessary, Tecnomen prepares project-specific insider registers for major projects.

Tecnomen's Board of Directors has confirmed a restriction on insider trading. The restriction forbids insiders to trade in the company's shares 14 days prior to 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 increased by 10.1 per cent to EUR 77.2 (70.1) million.

EUR 46.9 million of the sales in the review period has been recognised in accordance with IAS 11 (Construction contracts) and EUR 30.4 million in accordance with IAS 18 (Revenues).

Net sales by geographical area were: Americas 53.9 per cent (53.8%), EMEA 35.7 per cent (38.0%) and APAC 10.4 per cent (8.2%).

Net sales by product line were: Messaging 52.3 per cent (54.7 %) and Charging 47.7 per cent (45.3 %).

Sales through global partners totalled EUR 14.5 (20.3) million or 18.7 per cent (28.9%) of net sales.

Maintenance and service sales totalled EUR 18.5 (15.1) million or 24.0 per cent (21.5%) of net sales.

The order book stood at EUR 9.7 (17.5) million at the end of the review period. Americas accounted for 45.2 per cent of the order book, EMEA for 39.9 per cent and APAC for 14.9 per cent.

Operating result

Net sales in the review period totalled EUR 77.2 (70.1) million and the operating result EUR 11.5 (8.9) million.

The operating result improved from the previous year especially because of the EUR 7.1 million increase in net sales. Net sales for the Charging business unit increased EUR 5.0 million and for Messaging EUR 2.1 million. Net sales for maintenance and service rose EUR 3.4 million and product net sales EUR 3.7 million. By market area net sales increased as follows: Americas EUR 3.9 million, EMEA EUR 0.9 million and APAC EUR 2.3 million.

Capitalisation of research and development costs and amortisation of these had the net impact of weakening the result by EUR 1.7 million compared to the previous year. The operating result in the review period was 14.9% (12.7%) of net sales.

Tecnomen's business operations are based on project sales. The income and costs recorded for these vary considerably from one quarter to another. For this reason it is important to base an examination of the profitability of the company on the result for more then one quarter.

The result for the period before taxes was EUR 13.5 (10.0) million.

Taxes for the period totalled EUR 3.3 (1.3) million, including a change in the deferred tax liability recorded on the basis of the capitalization of R&D costs (EUR 1.1 million), withholding taxes recognised as parent company expenses (EUR 1.1 million), and income taxes recognised based on the results of Group companies (EUR 1.1 million).

Earnings per share were EUR 0.17 (0.15). Equity per share at the end of the period was EUR 1.41 (1.32).

Other key financial indicators are disclosed under the Key financial indicators –caption in the financial statements.

Financing and investments

Tecnomen's liquid funds totalled EUR 51.0 (17.5) million. The cash flow for the review period was EUR 33.8 million, which includes dividends of EUR 4.1 million paid in the first quarter and the EUR 20.0 million loan taken in the fourth quarter to finance the acquisition announced on 15 December 2008. The cash flow in the fourth quarter was EUR 26.0 million.

One factor that made a positive impact on the cash flow for the year, in addition to the excellent result, was the efficient carrying through of projects. One consequence of this was that the volume of trade receivables fell by EUR 11.4 million.

The balance sheet total on 31 December 2008 stood at EUR 118.9 (95.2) million. Interest-bearing liabilities were EUR 20.0 (0.0) million. The net debt to equity ratio (net gearing) was –37.2 per cent (-22.4%). The balance sheet structure remained strong and the equity ratio on 31 December 2008 was 70.3 per cent (83.7%).

Tecnomen's gross capital expenditure during the review period, excluding the capitalisation of development costs, was EUR 1.3 (1.2) million or 1.7 per cent (1.8%) of net sales.

Financial income and expenses (net) during the year totalled EUR 1.9 (1.1) million. The increase in financial income was due especially to realised foreign exchange gains.

CHANGE IN WORKING CAPITAL, MEUR

(increase - / decrease +)	2008	2007
Change in trade receivables	11.8	2.3
Change in other short-term receivables	-0.6	-5.4
Change in inventories	1.3	-0.4
Change in trade payables	-1.8	0.5
Change in other current liabilities	-1.6	2.1
Change in working capital, total	**9.1**	**-1.0**

Net sales by product line 2008

- Messaging 52.3% (54.7%)
- Charging 47.7% (45.3%)

Net sales by market area 2008

- Americas 53.9% (53.8%)
- EMEA 35.7% (38.0%)
- APAC 10.4% (8.2%)

Business units

Messaging

During the year Tecnomen supplied several Next Generation Messaging (NGM) systems in Europe, Asia, the Middle East, Africa and Latin America, to existing and new customers. Sales of Ezoner systems fell as had been expected, especially in the second half of the year, but maintenance sales remained strong. The cash flow was excellent throughout the year.

The Messaging business unit had net sales of EUR 40.4 (38.3) and operating profit of EUR 8.8 (10.0) million.

Charging

The growth in subscriber numbers continued encouragingly in South and Central America and in Africa and as a result demand for Charging products was strong. During 2008 Tecnomen received several expansion orders and obtained a major new charging customer in Latin America. The completion percentage of current projects improved well and the cash flow was clearly positive.

The Charging business unit had net sales of EUR 36.8 (31.8) million and operating profit of EUR 5.5 (1.4) million.

Research and development

Research and development costs during the year totalled EUR 15.5 (16.1) million, corresponding to 20.0 per cent (22.9%) of net sales. EUR 6.9 (7.6) million of development costs were capitalised during the year and will be amortised over 3-5 years from the start of commercial use. R&D costs of EUR 3.4 (2.4) million were amortised during the review period

Personnel

At the end of December 2008 Tecnomen employed 354 (355) persons, of whom 89 (89) worked in Finland and 265 (266) elsewhere. The company employed on average 358 (354) people during the year. Personnel by geographical area were as follows:

Tecnomen shares and share capital

At the end of 2008 the shareholders' equity of Tecnomen Corporation stood at EUR 83.5 (78.0) million and the share capital was EUR 4 720 446.24, divided into 59 277 078 shares. The company held 134 800 of these shares, which represents 0.23 per cent of the company's share capital and votes. Equity per share was EUR 1.41 (1.32).

A total of 23 159 187 Tecnomen shares (EUR 23 179 392) were traded on the Helsinki Exchanges during the period 2 January – 31 December 2008, representing 39.2 per cent of the total number of shares.

The highest share price quoted in the period was EUR 1.27 and the lowest EUR 0.75. The average quoted price was EUR 1.00 and the closing price on 31 December 2008 was EUR 0.84. The market capitalisation of the share stock at the end of the period was EUR 49 792 746.

Other key financial indicators and key ratios per share are disclosed under the Key financial indicators –caption in the financial statements. Information about shareholders is disclosed under the Shares and shareholders –caption in the financial statements.

Current authorisations

Tecnomen's Annual General Meeting held on 12 March 2008 authorized the Board of Directors to decide on acquiring a maximum of 5 790 000 of the Company's own shares. Own shares may be acquired with unrestricted shareholders' equity otherwise than in proportion to the holdings of the shareholders through public trading of the securities arranged by NASDAQ OMX Helsinki Oy at the market price of the shares in public trading 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. The Board of Directors has the right to decide on other terms of the share acquisition. This authorisation is valid for one year from the decision of the Annual General Meeting. The authorization has not been exercised during the review period.

The AGM also authorised the Board to decide on issuing and/or conveying a maximum of 17 800 000 new shares and/or the Company's own shares held by the Company either against payment or for free. The AGM authorized the Board of Directors to grant the special rights referred to in Chapter 10, Section 1 of

	2008	2007	2006
Personnel, at end of period	354	355	374
Americas	65	67	65
EMEA	264	261	286
APAC	25	27	23
Personnel, average	358	354	387
Salaries and wages (MEUR)	21.2	19.7	21.2

Employees by area 2008

Tecnomen Oyj (Finland)	89 (25%)
Tecnomen Ltd (Ireland)	139 (39%)
Tecnomen Ltda (Brazil)	65 (18%)
Other	61 (18%)

the Companies Act. The Board was authorized to decide on how to use the shares, and the authorization includes the right 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. These authorisations are valid for two years from the decision of the Annual General Meeting. The authorisations have not been exercised during the review period.

Stock option programmes

During the review period the company had in force a 2002 stock option programme and a 2006 stock option programme.

In the 2002 stock option scheme, the only current series were the 2002D stock options. The subscription period for these was 1 April 2006 – 30 April 2008. The share subscription price for the 2002D stock option was EUR 1.04. The subscription price for the 2002D stock option was reduced by the amount of the dividend paid per share (EUR 0.07).

During the review period 25,000 new company shares were subscribed with the 2002D stock options. At the end of December 2008 the company had 59 277 078 shares registered in the Trade Register.

Since the subscription period for the 2002D stock options ended on 30 April 2008, the 2002 stock options have been removed from the book-entry securities system and the option has been nullified.

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 2.54, for 2006B stock options EUR 1.39, and for 2006C stock options EUR 1.05. The subscription prices for the 2006A, 2006B and 2006C stock options have been reduced by the amount of the dividend paid per share (EUR 0.07). Tecnomen's Board of Directors has issued 304 000 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 2 001 000 stock options remain on 31 December 2008 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 3.27% of the Company's shares and the votes carried by the shares after any increase in share capital. On 31 December 2008 the Company still held 1 030 000 of all the current stock options. The issued stock options had a maximum diluting effect on 31 December 2008 of 1.61%.

Tecnomen announced on 15 December 2008 that it had signed an agreement to purchase the shares of Lifetree Convergence Ltd. If the transaction takes place, Tecnomen will establish a new stock option scheme. A more detailed explanation of the matter is given later in this release under "Acquisition of Lifetree Convergence Ltd".

Acquisiton of Lifetree Convergence Ltd

As stated in the release published on 15 December 2008, Tecnomen has signed agreements under which the company will acquire up to 96.6% of the shares of Lifetree Convergence Ltd ("Lifetree"). Lifetree is an India-based provider of convergent billing and customer care, rating, and messaging platforms. In the transaction, the agreed total consideration for these Lifetree shares is EUR 33.2 million, to be paid through a combination of cash and issuance of new Tecnomen shares. For the financial period ending on 31 March 2008, according to Indian GAAP and with 63.0 as the EUR/INR exchange rate, Lifetree's net sales came to EUR 11.3 million; profit after taxes was EUR 3.4 million, and the company had no debt and net assets of EUR 8.4 million. Lifetree had cash funds of EUR 9.5 million as of 31 October 2008. This translates to an enterprise value (for 100% of the shares) of EUR 24.9 million.

Of the consideration, EUR 21.4 million will be paid in cash and the remaining EUR 11.8 million in new Tecnomen shares to be issued. In the transaction, the issue price applied for Tecnomen's shares will be EUR 0.86 per share. The cash portion will be financed in part with a long-term loan and partly from the cash funds of Tecnomen. The shareholders of Lifetree will be paid partly in cash and partly in new Tecnomen shares. The new Tecnomen shares issued to Management Shareholders are subject to a three-year lock-up. Tecnomen will establish a new option scheme which shall be a maximum of 8.5% of Tecnomen's fully diluted shares, not however exceeding 6 840 036 options. After closing, International Financne Corporation (IFC), as a current Lifetree shareholder, will become a shareholder in Tecnomen holding about 6.17% shares and 5.65% on a fully diluted basis.

The closing of the transaction is subject to certain approvals at the Tecnomen shareholders' meeting and is subject to standard regulatory and statutory approvals. The transaction is expected to be completed by the end of March 2009. Upon completion of the transaction, Lifetree will become a subsidiary of Tecnomen. Also prior to closure, a proposal to rename the company as "Tecnomen Lifetree Plc" will be put for shareholder approval. In connection with the listing of new shares, Tecnomen will publish a prospectus.

The management and audit of Tecnomen Corporation

Tecnomen's Board of Directors in the financial year consisted of seven members: Lauri Ratia, Carl-Johan Numelin, Johan Hammarén, Harri Koponen, Christer Sumelius, Timo Toivila and Hannu Turunen. Lauri Ratia acted as Chairman of the Board and Carl-Johan Numelin as Vice President of the Board.

Tecnomen Group had a four-member Management Board 31.12.2008 that comprises Jarmo Niemi, the President and CEO, Tuomas Wegelius, CFO Eero Mertano, Vice President of the Charging Business Unit and Miika Reinikka, Vice President of the Messaging Business Unit.

Tecnomen's auditor in the financial year 2008 was KPMG Wideri Oy Ab, and the principal auditor was Sixten Nyman, Authorised Public Accountant.

Segment information

Tecnomen Group's primary reporting 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 these together with support functions form the Group's organisation. This is because these two are clearly distinct businesses and they are also monitored in the company's internal financial reporting as separate business units.

Risks and uncertainty 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 and success 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

No significant events have occurred after the end of period.

Prospects

Because of the overall economic situation, the state of the market in Tecnomen's business sector, and the acquisition of Lifetree Convergence Ltd proposed by the Board of Directors, the Company is not making any estimates for 2009 at this stage. Variations between quarterly figures are expected to be considerable.

Proposal for distribution of funds

The distributable equity of the parent company is EUR 55.2 million, of which EUR 5.4 million is the profit for the period.

The Board of Directors of Tecnomen Corporation proposes that the Annual General Meeting shall authorise the Board of Directors to resolve on the distribution of a dividend of EUR 0.07 per share for the financial year ended on 31 December 2008. This authority is valid until the next Annual General Meeting.

The dividend will be paid to shareholders who are registered on the record date in the Company's shareholder register maintained by Euroclear Finland Ltd (formerly Finnish Central Securities Depository Ltd). The Board of Directors decides on the dividend record date and the dividend payment date.

The company's liquidity is good and in the opinion of the Board the proposed distribution of profit will not put the Company's liquidity at risk.

TECNOMEN CORPORATION
Board of Directors

Consolidated income statement

EUR 1 000	Note	1 Jan - 31 Dec 2008	1 Jan - 31 Dec 2007
Net sales	1, 2	77 214	70 131
Other operating income	3	2	194
Materials and services	4	-16 722	-15 153
Employee benefit expenses	5	-23 964	-23 252
Depreciation, amortisation and impairment losses	6	-5 594	-4 637
Other operating expenses	7	-19 402	-18 386
Operating profit		11 534	8 896
Financial income	9	3 020	1 518
Financial expenses	10	-1 076	-458
Result before taxes		13 479	9 956
Income taxes	11	-3 307	-1 257
Result for the period		10 172	8 699
Result for the period attributable:			
To equity holders of the parent company		10 172	8 699
Earnings per share calculated on profit attributable to equity holders of the parent company	12		
Basic earnings per share, EUR		0.17	0.15
Diluted earnings per share, EUR		0.17	0.15
Number of shares on average, 1000s of shares			
-basic		59 134	58 965
-diluted		59 134	59 065

Consolidated balance sheet

EUR 1 000	Note	31 Dec 2008	31 Dec 2007
Assets			
Non-current assets			
Goodwill	13	682	682
Other intangible assets	13	19 344	15 830
Property, plant and equipment	14	7 040	8 066
Non-current receivables	15	668	239
Total non-current assets		27 734	24 817
Current assets			
Inventories	16	1 091	2 361
Trade and other receivables	17	39 015	50 598
Cash and cash equivalents	18	51 017	17 469
Total current assets		91 123	70 428
Total assets		118 857	95 245
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	19	4 720	4 720
Share premium fund		847	847
Own shares		-122	-122
Translation differences		-55	200
Invested unrestricted equity reserve		290	264
Other reserves		50 551	54 689
Retained earnings		27 275	17 391
Equity attributable to equity holders of the parent		83 506	77 989
Total shareholders' equity		83 506	77 989
Non-current liabilities			
Deferred tax liability	23	4 529	3 388
Long-term non-interest-bearing liabilities	24	37	37
Total non-current liabilities		4 566	3 425
Current liabilities			
Current interest-bearing liabilities	24	19 970	
Trade payables and other liabilities	25	10 815	13 831
Total current liabilities		30 785	13 831
Total equity and liabilities		118 857	95 245

Statement of changes in shareholders' equity

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

Change in shareholders' equity 1 - 12 / 2007	Share capital	Share premium fund	Own shares	Translation differences	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 differences				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
Capital repayment						-5 887		-5 887
Other changes							103	103
					216	-5 887	303	-5 368
Total shareholders' equity 31 Dec 2007	4 720	847	-122	200	264	54 689	17 391	77 989

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

Change in shareholders' equity 1 - 12 / 2008	Share capital	Share premium fund	Own shares	Translation differences	Invested unrestricted equity reserve	Other reserves	Retained earnings	Total
Shareholders' equity 1 Jan 2008	4 720	847	-122	200	264	54 689	17 391	77 989
Translation differences				-255			-284	-539
Net gain recognised directly in shareholders' equity				-255			-284	-539
Result for the period							10 172	10 172
Total profits and losses recognised during period				**-255**			**9 888**	**9 633**
Options exercised					26			26
Share-based payments							32	32
Dividend distribution						-4 138		-4 138
Other changes							-35	-35
					26	-4 138	-4	-4 116
Total shareholders' equity 31 Dec 2008	4 720	847	-122	-55	290	50 551	27 275	83 506

Consolidated cash flow statement

EUR 1 000	Note	1 Jan - 31 Dec 2008	1 Jan - 31 Dec 2007
Cash flow from operating activities			
Result for the period		10 172	8 699
Adjustments for:			
Non-cash transactions	30	4 952	3 263
Interest income and other financial income		-711	-834
Interest expense and other financial expenses		53	203
Income taxes		3 307	1 257
Other adjustments		17	138
Changes in working capital:			
Change in trade and other receivables		11 278	-3 118
Change in inventories		1 270	-428
Change in trade payables and other liabilities		-3 404	2 558
Interest paid		-49	-11
Interest received		668	610
Income taxes paid		-1 425	-286
Net cash flow from operating activities		26 128	12 052
Cash flow from investments			
Investments in intangible assets		-7 172	-7 622
Investments in tangible assets		-1 034	-1 565
Net cash flow from investments		-8 207	-9 187
Cash flow from financing activities			
Shares subscribed with share options		26	216
Proceeds from short-term borrowings		20 000	
Dividend distribution		-4 138	
Capital repayment			-5 883
Net cash flow from financing activities		15 888	-5 668
Change in cash and cash equivalents		33 809	-2 803
Cash and cash equivalents at beginning of period		17 469	20 446
Change in foreign exchange rates		-289	28
Change in fair value of investments		28	-202
Cash and cash equivalents at end of period	18	51 017	17 469
Change		33 809	-2 803

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 for Preparing Consolidated Financial Statements

Tecnomen's consolidated financial statements have been prepared in accordance with the international financial reporting standards (IFRS) adopted by the EU, applying the IAS and IFRS standards and SIC and IFRIC interpretations in force on 31 December 2008. 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 financial statement information is presented in thousands of Euro.

Tecnomen Group has adopted the following amended standards and new interpretations starting from 1 January 2008:

IFRIC 11 IFRS 2 Group and Treasury Share Transactions. The interpretation clarifies the scope of equity-settled transactions (IFRS 2) and requires these transactions be reconsidered in subsidiaries. This interpretation did not have an impact on the consolidated financial statements.

IFRIC 12 Service Concession Arrangements. The Group does not have service concession arrangements with the public sector addressed in the interpretation and therefore the interpretation did not have an impact on the consolidated financial statements.

IFRIC 14, IAS 19 The Limit on a Defined Benefit Asset, Minimum Finding Requirements and their Interaction. The interpretation applies 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 recognition requirements for assets based on refunds or reductions in future contributions. The Group has an additional pension insurance for the Group management which is classified as a defined benefit plan. The interpretation did not have a significant impact on the consolidated financial statements.

Reclassification of Financial Assets -amendments to the standards IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures (the amendments were effective retrospectively from 1 July 2008 and until 1 November 2008). The standards were amended specifically for financial institutions, and they were approved by the EU on 15 October 2008. The amendments 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 the consolidated financial statements

Subsidiaries

Subsidiaries are companies controlled by the Group. Control exists when the Group holds over half the voting rights or it otherwise has control. 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 have been 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 currency 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 financial income and expenses.

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

Certain parts of items of property, plant and equipment are accounted for as separate items. When such a part is replaced, the costs relating to the new part are capitalised. Other subsequent expenses are capitalised only if it is probable that they will increase the economic benefits that will flow to the 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
- Computing hardware and equipment 3 –5 years

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

Intangible assets

Goodwill

After 1 January 2004 goodwill represents the amount of the acquisition cost that exceeds the Group's share in the net fair value of the identifiable assets, liabilities and contingent liabilities of 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 financial statement 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 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. 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 acquisition cost and net realisable value. The cost is based on the FIFO principle. The cost of manufactured products and work in progress includes the cost of raw materials, direct labour costs, other direct costs as well as an appropriate share of variable and fixed production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling.

Leases

Leases are classified in accordance with the principles of IAS 17 as either finance leases or operating leases. A finance lease is defined as a lease in which the benefits and risks of ownership are substantially transferred to the lessee. 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 and defined contribution plans.

In defined contribution plans the Group pays fixed contributions to a separate entity. The Group has not obligation to pay any additional contributions if the insurer is not able to pay the future employee benefits.

Defined contribution plan expenses are recognised in the income statement on 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 less 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 grant date and is recognised as an expense on a straight-line basis over the vesting period according to 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 recorded in the reserve for invested unrestricted equity, adjusted by any transaction costs.

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

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 stocks of finished products and work in progress, employee benefit expenses, depreciation, amortisation and any impairment losses, and other operating expenses. Changes in the fair values of derivative financial instruments entered into for hedging purposes are included in the operating 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 finance items.

Non-current assets held for sale and discontinued operations

A non-current asset held for sale 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 held for trading as well as loans and receivables. Financial assets are classified when originally acquired based on their purpose of use. All purchases and sales of financial assets are recognised on the transaction date.

The financial assets at fair value through profit and 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 less any impairment.

Cash and cash equivalents comprise cash in hand and at banks and other short-term bank deposits with maturities less than 3 months measured at their fair value.

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.

Financial liabilities

Foreign currency derivatives with negative fair values are classified as financial liabilities at fair value through profit and 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. The financial liabilities are classified as current, unless the Group has an unconditional right to postpone the repayments more than 12 months from the reporting date. Borrowing costs are recorded as an expense in the period in which they incur.

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 value of the derivative contracts is determined by using market rates of the counterparty for instruments with similar maturity. Gains and losses arising from changes in 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. Revenue for geographical segments is based on the geographical location of customers.

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 recognitions of project revenue and profitability of the project in its entirety. Such factors include assignment of sufficient number of skilful employees to each project or for example factors in the functioning of international and especially emerging markets that may partly lie out of control of the 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 assets and is generally 3-5 years. Management estimates the depreciation period project-by-project basis taking into consideration asset'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 13 Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008). The Group has no customer loyalty programmes in scope of the interpretation and therefore IFRIC 13 has no impact on the consolidated financial statements. The interpretation has been adopted by the EU.

IFRIC 16 Hedges of a Net Investment in a Foreign operation (effective for annual periods beginning on or after 1 October 2008). The interpretation has no impact on the consolidated financial statements, since the Group does not hedge net investments in foreign operations and does not apply hedge accounting. The interpretation has not yet been adopted 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 management reporting and related principles. IFRS 8 requires disclosures on the Group's products, services, geographical areas and major customers. 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. 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 capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised standard will not have an impact on the consolidated financial statements, since the Group has no borrowing costs directly attributable to qualifying assets. The revised standard has been adopted 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 been adopted by the EU.

Amendment to IFRS 2 Share-based payment: Vesting Conditions and Cancellations (effective for annual periods beginning on or after 1 January 2009). The amendment requires that all non-vesting conditions are considered when the fair value for granted equity instruments is determined. The amendment also specifies the guidance for treatment of cancellations. The Group is evaluating the impact on the consolidated financial statements. The amendment has been adopted by the EU.

Puttable Financial Instruments and Obligations Arising on Liquidation -amendments to IAS 1 Presentation of financial statements and IAS 32 Financial instruments: Presentation (effective for annual periods beginning on or after 1 January 2009). The amendments will not have an impact on the consolidated financial statements, since the Group has no such financial instruments that are affected by the amendments (puttable financial instruments). The amendments have been adopted by the EU.

IFRIC 15 Agreements for the Construction of Real Estate (effective for annual periods beginning on or after 1 January 2009). The interpretation will not have an impact on the consolidated financial statements, since the Group is not in the real estate business. The interpretation has not yet been adopted by the EU.

Amendments related to Improvements to IFRSs (Annual Improvements 2007) (effective for annual periods beginning on or after 1 January 2009). Through the annual improvements project are amendments to altogether 34 standards implemented, with varying impact on different standards. The Group estimates that the amendments will not have a significant impact on the consolidated financial statements. The amendments have been adopted by the EU.

IFRS 3 Business Combinations (revised) (effective for annual periods beginning on or after 1 July 2009). The scope for the revised standard is broader than before. The amendment impacts the amount of goodwill to be recognised for an acquisition as well as the proceeds from businesses. The revised standard also impacts the items to be recognised in the income statement both in the period of acquisition and in those periods when additional purchase consideration is paid or additional acquisitions are made. According to the transitional provisions, business combinations with transaction dates before the required implementation of the revised standard are not adjusted. The revised standard has not yet been adopted by the EU.

IAS 27 Consolidated and Separate Financial Statements (revised) (effective for annual periods beginning on or after 1 July 2009). The amendment requires the effects of changes in ownership interests to be recorded in equity if there is no change in control. If the control of a subsidiary is lost, any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in the income statement. As an impact of the revised standard, losses of a subsidiary can be attributed to the minority, even if they exceed the amount of the minority investment. The revised standard has not yet been adopted by the EU.

Amendment to IAS 39 Financial Instruments: Recognition and Measurement (Eligible Hedged Items) (effective for annual periods beginning on or after 1 July 2009). The amendment of the standard does not have an impact on the consolidated financial statements, since the Group does not apply hedge accounting. The amended standard has not yet been adopted by the EU.

IFRIC 17 Distributions of Non-Cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009). The interpretation clarifies how an entity should recognise the distribution of non-cash assets from the perspective of the distributing entity. The Group estimates that the interpretation will not have an impact on the consolidated financial statements. The interpretation has not yet been adopted by the EU.

Notes to the consolidated income statement

1. Segment reporting

IAS 14 Segment Reporting -standard 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 messasing and charging solutions. The Messaging and Charging product lines are reported as business segments and those together with support functions form the Group's organisation. This is because these are two clearly distinct businesses and they are being monitored in the company's internal financial reporting as separate business units.

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 items. Investments comprise increases in tangible and intangible assets that are expected to be used for more than one period.

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. 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.

Business segments EUR 1 000

2008	Messaging	Charging	Others	Group in total
Net sales	40 414	36 800		77 214
Segment operating profit (loss)	8 836	5 517	-2 819	11 534
Segment assets	32 923	32 809	53 125	118 857
Segment liabilities	3 700	5 374	26 277	35 351
Investments	3 490	4 670	57	8 218
Depreciations	2 978	2 588	28	5 594

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	40 290	33 476	21 479	95 245
Segment liabilities	4 483	6 970	5 803	17 256
Investments	4 240	4 457	170	8 867
Depreciations	2 683	1 837	117	4 637

Geographical segments EUR 1 000

2008	Americas	EMEA	APAC	Inter-segment items	Group in total
Net sales	41 608	27 560	8 046		77 214
Segment assets	4 396	125 387	4 001	-14 928	118 857
Investments	237	7 944	37		8 218

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

EUR 1 000	1 Jan - 31 Dec 2008	1 Jan - 31 Dec 2007
2. Construction contracts		
Revenue from contract work recognised by stage of completion	46 850	49 704
Revenue from maintenance and support	18 531	15 101
Revenue from goods and services	11 833	5 326
Net sales total	77 214	70 131
Order book for contract work	4 003	6 516
Order book for maintenance and support, goods and services	5 655	11 015
Order book total	9 658	17 531
Projects in progress:		
Cumulative revenue recognised for projects in progress	33 026	47 192
Cumulative invoicing for projects in progress recognised by stage of completion	24 787	28 795
Accrued income related to construction contracts, work in progress	8 239	18 397
Aggregate amount of costs incurred for projects in progress	9 956	16 054

On the reporting date, the Group has no retentions held by customers.

The Group has not received any advances related to projects in progress.

3. Other operating income		
Gains on sale of non-current assets		61
Other operating income	2	133
Other operating income total	2	194
4. Materials and services		
Purchases during the period	-13 405	-13 401
Increase/decrease in inventories	-1 270	428
Materials and supplies	-14 675	-12 974
External services	-2 047	-2 180
Materials and services total	-16 722	-15 153
5. Employee benefit expenses		
Wages and salaries	-17 751	-17 462
Pension expenses, defined contribution plans	-2 571	-2 170
Pension expenses, defined benefit plans	-50	-56
Pension expenses total	-2 621	-2 226
Share options granted	-32	-200
Other employee benefits	-3 560	-3 364
Other employee benefits total	-3 592	-3 564
Employee benefit expenses total	-23 964	-23 252

Information about management board compensation is presented in note 31 and granted share options in note 20.

EUR 1 000	1 Jan - 31 Dec 2008	1 Jan - 31 Dec 2007
Average number of employees		
Finland	90	93
Ireland	139	140
Other Europe	11	10
Brazil	66	65
East and Southeast Asia	27	26
Middle East	27	21
Total	358	354

6. Depreciations and amortisations

Depreciations by class of asset		
Other intangible assets		
Capitalised development costs	-3 398	-2 404
Other intangible assets	-288	-272
Total	-3 685	-2 675
Tangible assets		
Buildings	-280	-276
Machinery and equipment	-1 628	-1 686
Total	-1 908	-1 961
Depreciation, amortisation and impairment losses total	-5 594	-4 637

7. Other operating expenses

Subcontracting	-5 205	-4 918
Office management costs	-3 792	-3 851
Travel expenses	-3 319	-3 728
Agent fees	-3 635	-2 673
Rents	-1 249	-1 101
Professional services	-1 174	-1 146
Marketing	-409	-441
Other expenses	-619	-527
Other operating expenses total	-19 402	-18 386

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.

Auditors' fees

Audit	-78	-94
Tax consulting	-15	-12
Other services *	-199	-93
Auditors' fees total	-292	-199

*) An amount of EUR 165 thousand included in auditors' fees for other services for 2008 has been capitalized related to the acquisition of Lifetree Convergence Ltd.

8. Research and development expenditure

Research and development expenses incurred during the year, before capitalization of development costs	-15 452	-16 084
Capitalization of development costs	6 925	7 622
Amortisation of capitalised development costs	-3 398	-2 404
Research and development expenses recognised in income statement total	-11 924	-10 866

EUR 1 000	1 Jan - 31 Dec 2008	1 Jan - 31 Dec 2007
9. Financial income		
Financial income from financial assets at fair value through income statement	613	576
Other financial income	98	14
Foreign exchange gains on loans and other receivables	159	604
Foreign exchange gains on financial assets at fair value through income statement	1 936	211
Other foreign exchange gains	145	112
Unrealised gains from financial assets at fair value through income statement	69	
Financial income total	3 020	1 518
10. Financial expenses		
Financial expense from financial liabilities at amortised cost	-19	-1
Other financial expenses	-34	-9
Foreign exchange losses on loans and other receivables	-336	-83
Foreign exchange losses on financial assets at fair value through income statement	-615	-154
Other foreign exchange losses	-31	-8
Unrealised losses from financial assets at fair value through income statement	-41	-202
Financial expenses total	-1 076	-458
Financial income and expenses total	1 944	1 060

Items above the operating result include foreign exchange rate gains (net) of EUR 336 thousand in 2008 (EUR 757 thousand foreign exchange rate losses (net) in 2007).

11. Income taxes

Current taxes	-2 215	-480
Taxes for previous accounting periods	-67	-12
Change in deferred tax liabilities and deferred tax assets	-1 025	-765
Income taxes total	-3 307	-1 257

Reconciliation of effective tax rate

Income tax reconciliation between tax expense computed at statutory rates in Finland (2008/2007: 26%) and income tax expense.

Profit before taxes	13 479	9 956
Income tax using Finnish tax rates	-3 504	-2 589
Non-deductible expenses and tax-free income	-412	-325
Forfeited withholding taxes	-567	-37
Effect of different tax rates applied to foreign subsidiaries	-133	-219
Taxes of prior periods	-67	-12
Utilization of tax losses previously unrecognised	250	
Utilization of development costs capitalized in the taxation	948	1 924
Other capital allowances	179	
Taxes in income statement	-3 307	-1 257

12. Earnings per share

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

	2008	2007
Profit attributable to equity holders (EUR 1 000)	10 172	8 699
Weighted average number of shares during the year (1 000 shares)	59 134	58 965
Basic earnings per share, EUR	0.17	0.15

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 diluteve 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.

	2008	2007
Profit attributable to equity holders of the parent company for calculating diluted earnings per share (EUR 1 000)	10 172	8 699
Weighted average number of shares during period (1 000 shares)	59 134	58 965
Effect of share options (1 000 shares)		100
Weighted average number of shares for calculating diluted earnings per share (1 000 shares)	59 134	59 065
Diluted earnings per share, EUR	0.17	0.15

Notes to the consolidated balance sheet

13. Intangible assets

Intangible assets 2008 EUR 1 000	Goodwill	Development expenditure	Other intangible assets	Total
Acquisition cost 1 Jan	682	19 092	4 146	23 920
Exchange differences			-8	-8
Reclassifications between items			30	31
Increase		6 925	247	7 172
Acquisition cost 31 Dec	682	26 017	4 416	31 115
Accumulated amortisation 1 Jan		-3 945	-3 462	-7 408
Exchange differences			4	4
Accumulated amortisation for decreases and transfers				
Amortisation during period		-3 398	-288	-3 685
Accumulated amortisation 31 Dec		-7 343	-3 746	-11 090
Book value 31 Dec 2008	682	18 674	670	20 026

Intangible assets 2007 EUR 1 000	Goodwill	Development expenditure	Other intangible assets	Total
Acquisition cost 1 Jan	682	11 469	3 876	16 027
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	-4 732
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 2008 EUR 6 925 thousand of development expenditure was capitalised (2007: EUR 7 622 thousand). Capitalised development expenditure inludes EUR 7 958 thousand (2007: EUR 1 812 thousand) projects that are not yet in commercial use, so no amortisation has been made on them. Research and development expenditure recorded in the incomen statement is presented in note 8.

Impairment testing

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 10 %. The pre-tax discount rate was determined by using the weighted average cost of capital (WACC). The main variables in defining cash flows are the company's profitability, discount 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 estimated 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 of the goodwill, the difference was calculated between the book value and the recoverable amount, and there was no need for impairment.

14. Property, plant and equipment

Property, plant and equipment 2008 EUR 1 000	Land and water areas	Buildings	Machinery and equipment	Investments in progress	Total
Acquisition cost 1 Jan	2 069	7 539	29 188	26	38 823
Translation differences			-291		-291
Increase			1 045		1 045
Decrease			-54	-4	-59
Reclassifications between items					
Acquisition cost 31 Dec	2 069	7 539	29 888	22	39 518
Accumulated depreciation 1 Jan		-4 211	-26 546		-30 756
Translation differences			138		138
Accumulated depreciation for decreases and transfers			48		48
Depreciation during period		-280	-1 628		-1 908
Accumulated depreciation 31 Dec		-4 491	-27 988		-32 479
Book value 31 Dec 2008	2 069	3 048	1 900	22	7 040

Property, plant and equipment 2007 EUR 1 000	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
Translation 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 depreciation 1 Jan		-3 935	-25 089		-29 024
Translation differences			-46		-46
Accumulated depreciation for decreases and transfers			275		275
Depreciation during period		-276	-1 686		-1 961
Accumulated depreciation 31 Dec		-4 211	-26 546		-30 756
Book value 31 Dec 2007	2 069	3 328	2 642	26	8 066

15. Non-current receivables	31 Dec 2008	31 Dec 2007
Deferred tax assets	137	20
Net asset in pension plan	118	23
Other non-current receivables	414	196
Non-current receivables total	668	239

The change in deferred tax assets is recognised in the income statement, and is due to a change in the capital allowances in the Irish subsidiary. Unrecognised deferred tax assets are disclosed in note 22.

16. Inventories

EUR 1 000	31.12.2008	31.12.2007
Materials and consumables	820	1 757
Work in progress	175	342
Finished products/goods	96	262
Inventories total	1 091	2 361

In 2008, the write-down of inventories to net realisable value amounted to EUR 248 thousand (EUR 164 thousand in year 2007).

EUR 1 000	31.12.2008	31.12.2007
17. Trade and other short-term receivables		
Trade receivables related to construction contracts	10 869	18 472
Other trade receivables	3 516	7 310
Work in progress related to construction contracts	8 239	18 397
Finished work related to construction contracts	10 341	427
Other receivables based on delivery agreements	3 464	1 003
Current prepaid expenses and accrued income	2 540	4 917
Other current receivables	46	72
Trade and other receivables total	39 015	50 598

Fair values of receivables are stated in note 27. The retention amount from work in progress related to construction contracts at the end of the year is stated in note 2. In 2008 the group has not recorded any credit losses from trade recevables (EUR 117 thousand in 2007).

Major items included in current prepaid expenses and accrued income		
Valuation of currency options	459	1 950
Prepaid taxes	128	878
Capitalized costs related to the acquisition of Lifetree *	564	
Other prepaid expenses and accrued income	1 389	2 089
Total	2 540	4 917

* On 14 December 2008, Tecnomen signed agreements under which the company will acquire up to 96.6% of the shares of Lifetree Convergence Ltd (“Lifetree”). For the financial period ending on 31 March 2008, according to Indian GAAP and with 63.0 as the EUR/INR exchange rate, Lifetree’s net sales came to EUR 11.3 million; profit after taxes was EUR 3.4 million, and the company had no debt and net assets of EUR 8.4 million. The closing of the transaction is subject to certain approvals at the Tecnomen shareholders’ meeting and is subject to standard regulatory and statutory approvals. The transaction is expected to be completed by the end of March 2009.

18. Cash and cash equivalents		
Cash in hand and at bank	10 913	8 197
Cash equivalents	40 103	9 272
Cash and cash equivalents total	51 017	17 469

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

19. Notes to the shareholders' equity

EUR 1 000	Number of outstanding shares (1 000 shares)	Share capital	Share premium fund	Own shares	Invested unrestricted equity reserve	Total
1 Jan 2007	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
Options exercised	25				26	26
31 Dec 2008	59 142	4 720	847	-122	290	5 735

Tecnomen Corporation has one share series. The maximum number of shares is 79 078 thousand (79 856 thousand in 2007). 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 was deleted. All the issued shares are fully paid.

Descriptions of funds in shareholders' equity

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

Own shares
Own shares includes the aquisition cost of company shares held by the Group. On the reporting date, the number of company shares held by the Group was 134 800 (134 800 in 2007). Own shares have been deducted from the number of shares when calculating per share ratios.

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

Translation differences
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 and capital repayment
After the balance sheet date the Board of Directors has proposed that a dividend of EUR 0.07 per share will be paid for the financial period ended on 31 December 2008. In 2008, a dividend of EUR 0.07 per share was paid for the financial period ended on 31 December 2007. In 2007, the Group made a capital repayment of EUR 0.10 per share.

20. Share-based payment

In 2008, Tecnomen Group had two effective 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 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. Share options 2002 were issued also to the members of the Boars 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. The options are equity-settled.

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 or subscribe 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 during the vesting period. The share subscription price for the option includes a dividend adjustment, so it is not necessary to calculate or take into account future Tecnomen dividends when calculating the fair value.

The table below shows the basic terms of share-based payments programs

2008	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 dates	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	304 000	667 000	
Number of exercisable 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€	1.12€
Dividend adjustment	Yes	Yes	Yes	Yes	Yes	Yes	Yes
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 price 31 December 2008 **	Expired	Expired	Expired	Expired	2.54 €	1.39 €	1.05 €
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
Term to maturity, years	Expired	Expired	Expired	Expired	1.3	2.3	3.3
Employees at the end of accounting year					25	26	

* Tecnomen did not distrubute 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.

** Tecnomen distrubuted a dividend of EUR 0.07 per share for the accounting period 2007.

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

2008	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				590 000	369 000	667 000	
Changes during the period							
Returned options					65 000		
Exercised options				25 000			
Expired options				565 000			
Number of options at the end of the period							
Outstanding options 31 December					304 000	667 000	
Exercisable 31 December					304 000	667 000	
The trade-weighted average price during the exercise period, EUR *				1.09	1.00	0.96	

* The trade-weighted average price of the Tecnomen's share in January-April 2008 (2002D), whole year 2008 (2006A) and April-December 2008 (2006B).

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).

The changes in options during the period and the weighted average exercise prices	Share options 2006 2008		Share options 2002 2008		Share options 2006 2007		Share options 2002 2007	
	No. of options	Exercise price	No. of options	Exercise price	No. of options	Exercise price	No. of options	Exercise price
Granted 1 January	1 036 000	1.87€	590 000	1.11€	369 000	2.71€	1 037 500	1.19€
Exercisable at 1 January	369 000	2.61€	590 000	1.11€	369 000	2.71€	1 037 500	1.19€
Granted during the period					667 000	1.46€		
Returned during the period	65 000	2.61€						
Exercised during the period			25 000	1.04€			246 500	0.88€
Expired during the period			565 000	1.04€			201 000	1.31€
Granted options 31 December	971 000	1.75€			1 036 000	1.87€	590 000	1.11€
Exercisable 31 December	971 000	1.75€			369 000	2.61€	590 000	1.11€

The options exercised during the financial year had an average price of EUR 1.04 (0.88 in 2007) and they were exercised in the second quarter of 2008 (second and third quarter of 2007). The payments received for the share subscriptions were recognised in full in the reserve for invested unrestricted equity. The share subscriptions resulted in an increase of the company's shareholders' equity of EUR 26 thousand and an increase in the number of shares of 25 000 (EUR 216 thousand and 246 500 shares in 2007). In 2008, EUR 32 thousand (2007: EUR 200 thousand) were recorded as an expense in the income statement. During the financial year, no new options were granted (667 000 options in 2007).

Tecnomen has issued the share-based instruments in stages, so the program 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 question, if this date is after the period for setting the subscription price. The prevailing share price on the grant date is based on the closing prices on the grant dates.

The main assumptions in Black-Scholes formula	2006A	2006B
Number of granted options	436 000	667 000
Share price	2.84€	1.26€
Exercise price, EUR	2.71€	1.46€
Risk-free interest rate	3.6%	3.9%
Expected term of validity, years	4.0	3.4
Volatility	48.0%	35.9%
Options to be forfeited	30.3%	0.0%
Fair value total, EUR	372	215

The future volatility of Tecnomen's share is estimated based on the historical share price volatility using monthly observations for a period similar to the maturity of the option. The Black-Scholes formula assumes that option exercises occur at the end of the option's contractual term, which for 2006A options is 30 April 2010 and for 2006B options 30 April 2011.

21. 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.

EUR 1 000	31 Dec 2008	31 Dec 2007
Defined benefit asset in the balance sheet		
Present value of funded obligations	309	204
Fair value of plan assets (-)	-379	-218
Surplus (-) / Deficit	-70	-14
Unrecognised actuarial loss	-47	-9
Net asset	-118	-23
Defined benefit expense in the income statement		
Current service cost	50	54
Interest cost	13	11
Expected return on plan assets	-13	-10
Recognised net actuarial losses		1
Pension expense recognised in income statement	50	56
Change in the defined benefit obligation		
Defined benefit obligation in the beginning of the year	204	166
Current service cost	50	54
Interest cost	13	11
Recognised net actuarial gains (-) / losses	42	-27
Defined benefit obligation at the end of the year	309	204
Change in plan assets		
Plan assets beginning of the year	218	159
Expected return on plan assets	13	10
Actuarial losses	4	-9
Contributions paid into the plan	145	58
Plan assets end of the year	379	218

Recognised gain on plan assets was EUR 17 thousand in year 2008 (one thousand in 2007).

	2008	2007
Actuarial assumptions at balance sheet date	%	%
Discount rate	6.25	5.25
Expected return on plan assets	5.25	5.25
Future salary increases	3.50	3.50
Inflation	2.00	2.00
Historical information		
EUR 1 000		
Present value of the defined benefit obligation	309	204
Fair value of plan assets	-379	-218
Surplus (-) / Deficid in the plan	-70	-14
Experience adjustments arising on plan assets	-4	9
Experience adjustments arising on plan liabilities	90	20

Contribution to be paid in year 2009 is expected to be EUR 73 thousand. There is no information available on plan assets.

22. Deferred tax liabilities

Deferred tax liabilities 2008

EUR 1 000	1 Jan 2008	In income statement	31 Dec 2008
Capitalized development expenditure	3 147	1 116	4 263
Net asset in pension plan	6	25	31
Change in fair value of investments	7	7	15
Accumulated depreciation difference	209	11	220
Other items	19	-18	1
Total	3 388	1 141	4 529

Deferred tax liabilities 2007

EUR 1 000	1 Jan 2007	In income statement	31 Dec 2007
Capitalized development expenditure	2 280	867	3 147
Net asset in pension plan	6		6
Change in fair value of investments	60	-53	7
Accumulated depreciation difference	231	-22	209
Other items	46	-27	19
Total	2 623	765	3 388

Tecnomen Corporation has not deducted research and development expenditure amounting to EUR 8 787 thousand in its taxation. 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 6 508 thousand (EUR 8 211 thousand in 2007). 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 (EUR 610 thousand in 2007) for which deferred tax assets have not been recognised because of the uncertainty about utilising them. Deferred tax assets are disclosed in note 15.

Deferred tax liabilities have not been recognised for the retained earnings of foreign subsidiaries, EUR 1 802 thousand on 31 December 2008 (EUR 1 057 thousand on 31 December 2007), since the funds are invested permanently in the country in question.

EUR 1 000	31 Dec 2008	31 Dec 2007
23. Non-current non-interest-bearing liabities		
Non-current tax liabilities	37	37
Non-current non-interest-bearing liabilities total	37	37
24. Current interest-bearing liabilities		
Loans from financial institutions	19 970	
Current interest-bearing liabilities total	19 970	

The loans from financial institutions consist of one loan which is raised for financing the acquisition of Lifetree Convergence Ltd. The loan is agreed to be a five year loan with a floating interest rate linked to one month Euribor reference rate. According to the agreement, the loan will be repaid unless the acquisition is realised. Under these circumstances, the Group has no unconditional right to postpone the repayments at least 12 month from the reporting date, wherefore the loan is classified as current.

EUR 1 000	31 Dec 2008	31 Dec 2007
25. Trade payables and other liabilities		
Advances received	3	2 066
Trade payables	1 479	3 357
Accrued liabilities and deferred income	8 626	7 484
Other liabilities	706	924
Trade payables and other liabilities total	10 815	13 831
Accrued liabilities and deferred income (current and non-current)		
Accrued personnel expenses	3 460	3 227
Project provisions		117
Accrued agent fees	1 566	1 533
Accrued taxes	406	63
Valuation of currency options	271	
Other accrued liabilities and deferred income	2 923	2 544
Total	8 626	7 484

26. Financial risk management

Risk management principles

The task of risk management is to identify, manage and track the major risks in the Group's business and business environment to enable the Group to achieve its strategic and financial goals in the best possible way. The principles for internal monitoring and financial reporting are defined in the Audit Committee's rules of procedure. Group's policy for hedging against 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 Management Board. The Management Board reports the major risks to the Audit Committee.

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.

Market risks

Currency 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 trade receivables. Tecnomen Group's reporting and presentation currency is Euro, but significant part of Group's revenue is in US dollars. The Group's open translation risk comes from the investments in two foreign subsidiaries, Brazil (Brazil Real, BRL) and Malaysia (Malaysian Ringgit, MYR).

Transaction risk

The Group's open currency position comprises foreign currency denominated, sales related balance sheet items, cash and cash equivalents balance, currency denominated order backlog and binding currency denominated purchase and sales contracts. On 31 December 2008, the open US dollar position was EUR 28 154 thousand (EUR 35 248 thousand on 31 December 2007).

In the policy for approval of sales contracts, it is required that only the Euros or the US dollar can be used as the sales currency. There shall not be any clauses tying the payments into any other currencies. Sales offices, when selling within their own country, use their own local currency. If any other currencies than Euro, US dollar or sales offices' local currency are used in sales contracts, it requires a prior written approval from the group CFO.

In 2008, 42 per cent of invoicing was in Euros, 46 per cent in US dollars, 7 per cent in BRL and 5 per cent in MYR and under 1 per cent in other currencies. The Group is hedging the open US dollar currency position. The Group does not hedge the open BRL currency position, partly because of local currency restrictions and high cost of hedging. Sales in BRL and purchases related to them form adequate operative hedging and therefore hedging instruments are not usually used. The Group does not hedge the other currency positions, since they are not significant.

All decisions about hedging are made in Group's finance department, which assesses the hedging needs on a monthly basis. The hedging actions and hedging position are reported to the Audit Committee on a quarterly basis.

The Group is hedging the US dollar currency denominated cash flow position for a maximum period of 12 months for 50-100 per cent of the net position. Hedging is carried into effect with foreign exchange forwards and options. 59 per cent of the open currency position was hedged as per 31 December 2008 (105 per cent 31 December 2007). The high hedged currency position in 2007 was due to a large currency settlement received at the end of the financial year which lowered the position.

US dollar denominated cash inflow is mainly converted into Euros. Some cash reserves are held in US dollar in order to manage forthcoming US dollar payments. If such US dollar cash position occurs, it is accounted for as part of total currency exposure, which is hedged against currency risk as described above.

Sensitivity analysis for market risks

The functional currency of the parent company is Euro. Financial assets and liabilities nominated in US dollars are presented in the table below. Figures are translated to Euros at the year-end exchange rate.

		31 Dec 2008	31 Dec 2007
EUR 1 000	Note	USD	USD
Current assets			
Trade and other receivables	17	7 704	13 197
Other receivables related to construction contracts	17	17 892	9 035
Cash and cash equivalents	18	1 457	6 786
Currency derivatives	17	459	1 950
Total current assets		27 512	30 968
Current liabilities			
Trade payables and other liabilities	25	35	323
Currency derivatives	25	271	
Total current liabilities		306	323

In the sensitivity analysis below, the effect of strengthening and weakening of the USD exchange rate against EUR 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 analysed 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 trade receivables and from cash and cash equivalents. Fluctuation in exchange rates has no effect on equity as the Group does not apply hedge accounting.

	2008		2007	
EUR 1 000	USD	USD	USD	USD
Change in percentage	-10%	+10%	-10%	+10%
Effect on the result after taxes	-1 810	2 125	-1 958	1 439

Translation risk

The exposure for translation risk, which consists of net investments in foreign subsidiaries, is not significant and is therefore neither hedged nor analysed for sensitivity. The open translation risk position for the Brazilian subsidiary was EUR 2 445 thousand on 31 December 2008 and for the Malaysian subsidiary EUR 1 844 thousand (EUR 1 313 thousand and EUR 1 099 thousand respectively on 31 December 2007). In 2008, the change in translation difference in equity caused by fluctuations in exchange rates for these two subsidiaries was EUR -248 thousand (EUR -1 thousand in 2007).

Interest rate risk

The Group's interest rate risk management focuses on the optimal management of liquid funds in sense of profitability and safety. The majority of liquid funds are invested in short-term bank deposits and short-term interest funds in which the maturity is not more than three months. On the reporting date, the Group held cash equivalents of EUR 40 103 thousand (EUR 9 272 thousand on 31 December 2007).

Interest rate sensitivity was analysed by determining the effects of one percentage unit's change in the interest rates on the Group's interest-bearing financial instruments on an annual level. The analysis included all the significant interest-bearing financial instruments of the Group totalling EUR 31 047 thousand (EUR 17 469 thousand in 31 December 2007).

At the balance sheet date, an increase / a decrease of one percentage unit in the interest rates would have increased / decreased the net income after tax by EUR 197 / -197 thousand (EUR 174 / -174 thousand in 2007). Changes in interest rates would not have had a direct effect on equity. The effect of an increase and a decrease in the interest rates is presented with all other factors remaining unchanged.

Price risk

Tecnomen Group does not own any equity or other financial instruments with values tied to other market prices than interest or currency rates.

Liquidity risk

The 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 rating, making sure of sufficient liquidity for capital expenditure and purchases. According to the Group's cash management policy, investments are made in fixed-term bank deposits with maturities less than 3 months, mutual interest funds or debt instruments of the state of Finland or of legal entities owned over 50% by the state. Equity instruments are not used.

On 31 December 2008, the Group's liquid funds were EUR 10 913 thousand and short-term investments with maturities less than 3 months were EUR 40 103 thousand (EUR 8 197 thousand and EUR 9 272 thousand, respectively on 31 December 2007). Tecnomen has a committed and unutilized credit facility of EUR 10 million on 31 December 2008 (EUR 8 million on 31 December 2007).

Maturity analysis of financial liabilities is presented in the table below. The figures are presented in gross amounts. The five year bank loan is presented according to the agreed repayment schedule, although classified as current in the balance sheet (see note 24). The Group did not have any exchange forwards on 31.12.2008 or 31.12.2007. The derivative instruments consisted of currency options with insignificant fair values.

31 Dec 2008	Balance sheet value	Cash flow	Less than 1 year	1-3 years	3-5 years	Over 5 years
Loans from financial institutions	19 970	20 000	1 111	4 444	4 444	0
Trade and other payables	1 479	1 479	1 479	0	0	0

31 Dec 2008	Balance sheet value	Cash flow	Less than 1 year	1-3 years	3-5 years	Over 5 years
Trade and other payables	3 357	3 357	3 357	0	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 2008, was EUR 65 861 thousand (EUR 45 219 thousand on 31 December 2007). The financial assets are specified in note 27. The most significant separate item of credit risk is the trade receivables.

Responsibility for sales-related credit risks lies primarily with the local sales company. The credit quality of customers is regularly monitored by the finance department together with sales management, using data on payment history and reports from external sources. Credit rating checks are made on new customers before confirming an offer.

The procedure for granting of credit for new customers or customers from countries with high risk rating requires always the acceptance of Group CFO. Tecnomen has not arranged financing for customers with third parties. The amount of trade receivables has been high in the past few years, but decreased during 2008. The amount of credit losses recognised in the income statement during the past few years has not been substantial.

Tecnomen's largest customers are much bigger businesses than the Group itself. The five largest customers account for 53% of the consolidated net sales in 2008 and 56% of the trade receivables on 31 December 2008. The relationship between the Group and its major customers is one of interdependence, which poses a potential risk but also offers significant new business opportunities.

The credit quality of financial institutions is monitored by the finance department. The parent company's counterparties are restricted to financial institutions with legal entities in Finland specified in the Group's cash management policy. The amount of cash reserves in subsidiaries is minimized.

Analysis of trade receivables by age

EUR 1 000	31 Dec 2008	31 Dec 2007
Undue trade receivables	9 376	20 282
Trade receivables 1-60 days overdue	2 072	4 600
Trade receivables 61-90 days overdue	240	300
Trade receivables 90 days – 1 year overdue	2 697	5 200
Total	14 385	25 782

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 of Directors monitors and assesses the Group's capital structure on a regular basis. The key ratio in monitoring the development of Group's capital structure is net gearing, which is calculated by dividing net interest-bearing liabilities with total shareholders' equity. Net liabilities include interest-bearing liabilities less interest-bearing assets and cash and cash equivalents.

Components of gearing ratio

EUR 1 000	31 Dec 2008	31 Dec 2007
Interest-bearing financial liabilities	19 970	
Interest-bearing financial assets		
Cash and cash equivalents	-51 017	-17 469
Net interest-bearing liabilities	-31 047	-17 469
Total shareholders' equity	83 506	77 989
Gearing ratio	-37.2%	-22.4%

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

2008 EUR 1 000	Note	Financial assets at fair value through income statement	Loans and receivables	Financial liabilities measured at amortised cost	Carrying amounts by balance sheet item	Fair value
Current financial assets						
Trade and other receivables	17	459	14 385		14 844	14 844
Other financial assets	18	51 017			51 017	51 017
Carrying amount by category		51 476	14 385		65 861	65 861
Current financial liabilities						
Current interest-bearing liabilities	23			19 970	19 970	19 970
Trade and other payables	25	271		1 479	1 751	1 751
Carrying amount by category		271		21 449	21 721	21 721

2007 EUR 1 000	Note	Financial assets at fair value through income statement	Loans and receivables	Financial 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	17	1 950	25 782		27 732	27 732
Other financial assets	18	17 469			17 469	17 469
Carrying amount by category		19 419	25 782		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

The fair value of the currency derivatives is determined by using market rates of the counterparty for instruments with similar maturity. The fair value of the short term investments is determined based on the price quotation of the counterparty. The carrty-ing amounts of the other financial assets and liabilities correspond to their fair value, since the impact of discounting being not material considering their maturity.

EUR 1 000	31 Dec 2008	31 Dec 2007

28. Operating leases

Group as lessee

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

Operating leases		
Less than one year	583	647
Between one and five years	431	657
Total	1 014	1 304

The Group has leased office equipment, office facilities and company cars. The leases typically run for one to three years and normally they include an option to continue the lease agreement after the original ending date. The index, terms of renewal and other conditions in different agreements may vary. During 2008 EUR 1 249 thousand was recognised as an expense in the income statement in respect of operating leases (EUR 1 101 thousand in 2007).

29. Contingent liabilities

On own behalf		
Pledged deposits	73	
Guarantees		34
Total	73	34

Other contingent liabilities		
Restriction related to real estate in Ireland	388	388
Total	388	388

30. Non-cash transactions

Employee benefits	-63	199
Unrealised exchange gains and losses	-551	-1 370
Depreciation, amortisation and impairment losses	5 594	4 637
Unrealised gains from assets at fair value through income statement	-28	-202
Total	4 952	3 263

31. Related parties transactions

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

Group companies	Domicile	Parent company ownership, %	Share of voting right, %
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 Sistemas de Telecommunicacao Ltda	Sao Paulo - SP CEP, Brazil	100	100
Tecnomen (M) Sdn Bhd	Kuala Lumpur, Malaysia	100	100
Tecnomen Japan Oy	Espoo, Finland	100	100

The company has branch offices in the Netherlands and in Taiwan. In addition, Tecnomen has offices in Argentina, Austria, Ecuador, Mexico, South Africa and the United Arb 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 these people has control.

EUR 1 000	2008	2007
Compensation to related parties		
Salaries and other short-term employee benefits	-805	-850
Share-based payment		-13
Compensation to related parties total	-805	-863
Salaries and fees		
President and CEO of the parent company	-262	-209
Vice president of the parent company	-172	-171
Board members		
Ratia Lauri	-68	-54
Hammarén Johan	-32	-17
Hammarén Lars, former member of the board		-6
Numelin Carl-Johan	-39	-25
Olkkola Keijo, former member of the board	-6	-23
Sumelius Christer	-33	-23
Toivila Timo	-30	-23
Turunen Hannu	-33	
Koponen Harri	-24	

The President and Vice president of the parent company is entitled to retire at the age of 60 years.

The members of the Management Board was not granted any share options during 2008 (230 000 share options in 2007). The terms and conditions of the share options are the same for the members of Management Board and employees. A total of 355 000 share options were held by members of the Management Board as of 31 Dec 2008, and all of these were exercisable (355 000 share options as of 31 Dec 2007, of which 125 000 options were exercisable).

The members of Board of Directors was not granted any share options during 2008 (no share options was granted in 2007). The terms and conditions of the share options are the same for the members of Board of Directors and employees. The members of Board of Directors did not hold any share options as of 31 Dec 2008 (62 500 share options as of 31 Dec 2007, of which all were exercisable).

Key financial figures

32. Key financial indicators	2008	2007	2006	2005	2004
Consolidated income statement					
Net sales, EUR million	77.2	70.1	71.8	69.0	51.6
change %	10.1	-2.4	4.1	33.7	
Operating profit, EUR million	11.5	8.9	4.9	9.6	3.9
% of net sales	14.9	12.7	6.8	13.9	7.5
Profit before taxes, EUR million	13.5	10.0	5.2	10.3	4.9
% of net sales	17.5	14.2	7.3	14.9	9.5
Consolidated balance sheet					
Non-current assets, MEUR	27.7	24.8	20.6	14.7	11.1
Current assets					
Inventories, MEUR	1.1	2.4	1.9	2.3	2.2
Financial assets, MEUR	90.0	68.0	66.3	73.4	63.6
Shareholders' equity, EUR million	83.5	78.0	74.6	77.3	67.5
Provisions, EUR million	0.0	0.0	0.0	0.0	0.1
Liabilities					
Non-current liabilities, EUR million	0.0	0.0	0.1	0.7	0.5
Current liabilities, EUR million	30.8	13.8	11.5	10.9	8.2
Deferred tax liabilities, EUR million	4.5	3.4	2.6	1.5	0.6
Balance sheet total, EUR million	118.9	95.2	88.8	90.4	76.9
Financial indicators					
Return on equity (ROE), %	12.6	11.4	4.3	12.1	6.0
Return on investment (ROI), %	16.0	13.6	9.1	15.7	7.4
Equity ratio, %	70.3	83.7	84.3	86.9	88.8
Debt/Equity (net gearing) ratio, %	-37.2	-22.4	-27.4	-42.4	-44.7
Investments, EUR million	1.3	1.2	2.4	2.0	1.6
% of net sales	1.7	1.8	3.4	3.0	3.1
Research and development, EUR million	15.5	16.1	13.2	13.4	11.5
% of net sales	20.0	22.9	18.4	19.5	22.4
Order book, EUR million	9.7	17.5	15.0	27.9	12.2
Personnel, average	358	354	387	355	355
Personnel, at the end of the year	354	355	374	373	350
Key ratios per share					
Earnings per share, EUR (basic)	0.17	0.15	0.06	0.15	0.07
Earnings per share, EUR (diluted)	0.17	0.15	0.05	0.15	0.07
Equity per share, EUR	1.41	1.32	1.27	1.33	1.16
Number of shares at the end of the period, 1 000 shares	59 142	59 117	58 871	58 174	57 825
Average number of shares, 1 000 shares	59 134	58 965	58 673	57 919	57 825
Number of own shares on 1 Jan, 1 000 shares	135	135	135	268	400
Number of disposed own shares, 1 000 shares	0	0	0	133	132
Number of own shares on 31 Dec, 1 000 shares	135	135	135	135	268
Share price, EUR					
Average price	1.00	1.40	2.01	1.86	1.37
Lowest price	0.75	1.15	1.38	1.28	1.11
Highest price	1.27	1.83	3.06	2.60	1.82
Share price at the end of the period, EUR	0.84	1.24	1.68	2.45	1.33
Market value at the end of the period, EUR million	49.8	73.3	99.1	142.9	77.3
Share turnover, million shares	23.2	38.7	59.8	42.8	33.1
Share turnover, % of total number	39.2	65.4	101.4	73.4	57.1
Share turnover, EUR million	23.2	53.9	122.1	79.3	45.5
Dividend per share, EUR *	0.07	0.07		0.02	
Dividend/result, %	40.7	47.5		13.3	
Effective dividend yield, %	8.3	5.6		0.8	
P/E ratio, %	4.88	8.43	27.97	16.26	19.19

*) The 2008 dividend is based on the Board proposal. In 2007 and 2006, repayments of capital of EUR 0.10 per share were made. No dividend was paid for the financial year 2004.

Calculation of key indicators

Return on equity (ROE), %
$$= \frac{\text{Result for the period}}{\text{Shareholders' equity (average)}} \times 100$$

Return on investments (ROI), %
$$= \frac{\text{Result before taxes + financial expenses}}{\text{Shareholders' equity + interest-bearing financial liabilities (average)}} \times 100$$

Equity ratio, %
$$= \frac{\text{Shareholders' equity}}{\text{Balance sheet total - advances received}} \times 100$$

Earnings per share (EPS)
$$= \frac{\text{Profit attributable to equity holders of the parent company}}{\text{Basic average number of shares}}$$

Dividend per share
$$= \frac{\text{Dividend}}{\text{Basic number of shares on the reporting date}}$$

Dividend/Result, %
$$= \frac{\text{Dividend per share}}{\text{Earnings per share (EPS)}} \times 100$$

Equity/Share
$$= \frac{\text{Equity attributable to equity holders of the parent company}}{\text{Basic number of shares on the reporting date}}$$

Debt/Equity ratio, % (net gearing)
$$= \frac{\text{Interest-bearing liabilities - cash and cash eqvivalents - interest-bearing assets}}{\text{Shareholders' equity}} \times 100$$

Market capitalisation
$$= \text{Basic number of shares on the reporting date} \times \text{share price on the reporting date}$$

P/E ratio, %
$$= \frac{\text{Share price on the reporting date}}{\text{Earnings per share (EPS)}}$$

Effective dividend yield, %
$$= \frac{\text{Dividend per share}}{\text{Share price on the reporting date}}$$

Parent company's income statement

EUR 1 000	Note	1 Jan - 31 Dec, 2008	1 Jan - 31 Dec, 2007
Net sales	1	72 118	66 008
Other operating income	2	1	132
Materials and services	3	-16 427	-14 601
Personnel expenses	4	-11 081	-9 938
Depreciation, amortization and impairment losses	5	-1 152	-1 156
Other operating expenses	6	-38 439	-39 343
Operating result		5 021	1 101
Financial income and expenses	7	1 828	836
Result before extraordinary items		6 849	1 937
Result before appropriations and taxes		6 849	1 937
Appropriations	8	-40	85
Direct taxes	9	-1 450	-129
Result for the financial year		5 359	1 893

Parent company's balance sheet

EUR 1 000	Note	31 Dec, 2008	31 Dec, 2007
Assets			
Non-current assets			
Intangible assets	10	625	714
Tangible assets	11	4 865	5 049
Shares in Group companies	12	1 200	1 259
Receivables from Group companies	12	299	299
Investments	12		17
Total non-current assets		6 989	7 338
Current assets			
Inventories	13	1 043	1 213
Current receivables	14	42 747	52 686
Cash and cash equivalents	15	48 110	15 783
Total current assets		91 899	69 682
Total assets		98 888	77 020
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		290	264
Other reserves		50 269	54 407
Retained earnings		-598	-2 491
Result for the financial year		5 359	1 893
Total shareholders' equity		60 765	59 518
Accumulated appropriations	17	845	804
Liabilities			
Current liabilities	18	37 278	16 697
Total liabilities		37 278	16 697
Total equity and liabilities		98 888	77 020

Parent company's cash flow statement

EUR 1 000	1 Jan - 31 Dec, 2008	1 Jan - 31 Dec, 2007
Cash flow from operating activities		
Result before extraordinary items	6 849	1 937
Adjustments for:		
Planned depreciation	1 152	1 156
Unrealised exchange rate gains and losses	-744	-202
Financial income and expenses	-505	-634
Other adjustments	76	199
Changes in working capital:		
Current receivables, increase (-) /decrease (+)	10 569	-2 686
Inventories, increase (-) /decrease (+)	170	-536
Current liabilities, increase (+) /decrease (-)	332	3 778
Interest paid and other financial expenses	-40	-1
Interest received	536	593
Income taxes paid	-1 108	-109
Net cash flow from operating activities	17 287	3 495
Cash flow from investments		
Investments in intangible assets	-265	-489
Investments in property, plant and equipment	-583	-120
Cash flow from investments	-848	-609
Cash flow from financing activities		
Shares subscribed with stock options	26	216
Proceeds from short-term borrowings	20 000	
Dividend distribution	-4 138	
Capital repayment		-5 883
Cash flow from financing activities	15 888	-5 668
Change in cash and cash equivalents	32 326	-2 782
Cash and cash equivalents on 1 Jan.	15 783	18 565
Cash and cash equivalents on 31 Dec.	48 110	15 783

Parent company 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 plans

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 non-current assets

Non-current 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 long-term expenditure 5 years
- Buildings and structures 25 years
- Machinery and equipment 3-5 years
- Computing hardware and software 3-5 years
- Company goodwill 5 years

Purchase and disposal of company's own shares

The total purchase cost for the shares is recorded so that it reduces unrestricted shareholders' equity.

Derivative financial instruments

The derivative contracts entered into by the Company are currency forward contracts and options. The derivative contracts are fair valued. The fair value is determined by using market rates of the counterparty for instruments with similar maturity. Gains and losses arising from changes in the fair values are recognised in the income statement in the period in which they arise.

Notes to the parent company's income statement

EUR 1 000	1 Jan - 31 Dec, 2008	1 Jan - 31 Dec, 2007
1. Net sales		
Net sales by market area		
Europe, Middle East and Africa	27 560	26 642
Asia Pacific	7 366	5 224
Americas	37 192	34 142
Net sales total	72 118	66 008
Net sales by product group		
Messaging	38 874	37 051
Charging	33 244	28 957
Net sales total	72 118	66 008
Net sales by type of income		
Revenue from contract work recognised by stage of completion	43 546	48 131
Revenue from maintenance and support	13 112	11 863
Revenue from goods and services, external sales	12 337	5 095
Revenue from goods and services, intra-group sales	3 123	919
Net sales total	72 118	66 008
Order book for contract work	3 811	5 563
Order book for maintenance and support, goods and services	4 765	10 899
Order book total	8 576	16 462
Projects in progress:		
Cumulative revenue recognised for projects in progress	33 026	47 192
Cumulative invoicing for projects in progress recognised by stage of completion	24 787	28 795
Accrued income related to construction contracts, work in progress	8 239	18 397
Aggregate amount of costs incurred for projects in progress	9 956	16 054

On the reporting date, the company has no retentions held by customers.

The Group has not received any advances related to projects in progress.

2. Other income from operations		
Other operating income	1	132
Other income from operations total	1	132
3. Materials and services		
Purchases during financial year	-14 473	-13 195
Changes in inventories	-170	536
Total	-14 643	-12 659
External services	-1 784	-1 942
Materials and services total	-16 427	-14 601

EUR 1 000	1 Jan - 31 Dec, 2008	1 Jan - 31 Dec, 2007
4. Personnel expenses		
Wages and salaries	-8 964	-8 118
Pension expenses	-1 384	-1 225
Other personnel expenses	-733	-594
Personnel expenses total	-11 081	-9 938
Average number of employees	90	93
Salaries, fees and remunerations to the management		
President and CEO	-262	-209
Vice President	-172	-171
Board members:		
Ratia Lauri	-68	-54
Hammarén Johan	-32	-17
Hammarén Lars, former member of the Board		-6
Numelin Carl-Johan	-39	-25
Olkkola Keijo, former member of the Board	-6	-23
Sumelius Christer	-33	-23
Toivila Timo	-30	-23
Turunen Hannu	-33	
Koponen Harri	-24	
Total	-698	-550

There is a voluntary pension insurance plan for the President and the Vice President. 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.

5. Depreciations and amortizations		
Depreciations and amortizations according to plan		
Intangible assets		
Intangible rights	-210	-189
Other long-term expenditure	-145	-145
Tangible assets		
Buildings	-220	-220
Machinery and equipment	-577	-602
Depreciations and amortizations according to plan total	-1 152	-1 156

6. Other operating expenses		
Subcontracting	-5 590	-6 619
Travel expenses	-1 345	-1 160
Other expenses	-31 503	-31 564
Other operating expenses total	-38 439	-39 343
Auditors' fees		
Audit	-38	-35
Tax consulting	-11	-9
Other services *	-194	-74
Auditors' fees total	-242	-117

*) An amount of EUR 165 thousand included in auditors' fees for other services for 2008 has beed capitalized related to the acquisition of Lifetree Convergence Ltd.

EUR 1 000	1 Jan - 31 Dec, 2008	1 Jan - 31 Dec, 2007
7. Financial income and expenses		
Financial income		
Interest income from Group companies	86	24
Interest income from others	562	543
Other financial income from others	2 269	908
Interest and financial income total	2 918	1 474
Financial expenses		
Interest expenses to others	-73	-1
Other financial expenses to Group companies	-237	-450
Financial expenses to others	-779	-187
Interest and financial expenses total	-1 090	-638
Financial income and expenses total	1 828	836
Other financial income and expenses including		
Foreign exchange gains	2 339	885
Foreign exchange losses	-1 016	-637
Foreign exchange gains and losses total	1 323	248
8. Appropriations		
Difference between depreciation according to plan and depreciation made in taxation	-40	85
Appropriations total	-40	85
9. Income taxes		
Income taxes from business operations	-395	-129
With-holding taxes paid abroad	-1 055	
Income taxes total	-1 450	-129

Notes to the parent company's balance sheet

10. Intangible assets

Intangible assets 2008 EUR 1 000	Intangible rights	Other long-term expenditure	Total
Acquisition cost 1 Jan	3 549	1 065	4 614
Increase	265		265
Acquisition cost 31 Dec	3 814	1 065	4 879
Accumulated amortization 1 Jan	-2 989	-911	-3 900
Amortization during the period	-210	-145	-355
Accumulated amortization 31 Dec	-3 199	-1 056	-4 255
Book value 31 Dec, 2008	615	9	625

Intangible assets 2008 EUR 1 000	Intangible rights	Other long-term expenditure	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 amortization 1 Jan	-2 799	-766	-3 565
Amortization during the period	-189	-145	-334
Accumulated amortization 31 Dec	-2 989	-911	-3 900
Book value 31 Dec, 2007	560	154	714

11. Tangible assets

Tangible assets 2008 EUR 1 000	Land areas	Buildings	Machinery and equipment	Investments in progress	Total
Acquisition cost 1 Jan	1 666	6 045	16 935	26	24 672
Increase			618		618
Decrease			-11	-4	-16
Acquisition cost 31 Dec	1 666	6 045	17 542	22	25 275
Accumulated depreciation 1 Jan		-3 509	-16 115		-19 624
Accumulated depreciation for decreases and transfers			11		11
Depreciation during the period		-220	-577		-797
Accumulated depreciation 31 Dec		-3 729	-16 681		-20 410
Book value 31 Dec, 2008	1 666	2 316	861	22	4 865

Tangible asset 2007 EUR 1 000	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

12. Investments

Investments 2008 EUR 1 000	Shares in Group companies	Other investments in group companies	Shares other	Total
Acquisition cost 1 Jan	1 259	299	17	1 575
Decrease	-67		-9	-76
Reclassifications between items	8		-8	
Acquisition cost 31 Dec	1 200	299		1 499
Book value 31 Dec, 2008	1 200	299		1 499

Investments 2007 EUR 1 000	Shares in Group companies	Other investments in group companies	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

Information about subsidiaries

Group company	Domicile	Parent company ownership, %	Group ownership, %	Parent company ownership 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 Sistemas de Telecommunicacao 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						1 200

EUR 1 000	31 Dec, 2008	31 Dec, 2007
13. Inventories		
Materials and consumables	771	1 102
Work in progress	175	33
Finished products/goods	96	77
Inventories total	1 043	1 213
14. Current receivables		
Trade receivables related to construction contracts	10 371	18 472
Other trade receivables	2 621	2 487
Work in progress related to construction contracts	8 239	18 397
Finished work related to construction contracts	9 711	427
Other receivables based on delivery agreements	3 464	144
Current prepaid expenses and accrued income	2 065	3 432
Other current receivables	92	157
Current receivables total	36 564	43 516
Receivables from the Group companies		
Trade receivables	5 790	7 211
Other receivables	394	1 958
Total	6 183	9 170
Current receivables total	42 747	52 686
Major items included in prepaid expenses and accrued income		
Valuation of currency options	459	1 950
Capitalized costs related to the acquisition of Lifetree	564	
Other prepaid expenses and accrued income	1 042	1 482
Total	2 065	3 432
15. Cash and cash equivalents		
Cash in hand and at bank	8 064	6 511
Cash equivalents	40 046	9 272
Cash and cash equivalents total	48 110	15 783

EUR 1 000	31 Dec, 2008	31 Dec, 2007
16. Shareholders' equity		
Restricted equity		
Share capital 1 Jan	4 720	4 720
Share capital 31 Dec	4 720	4 720
Share premium fund 1 Jan	847	847
Share premium fund 31 Dec	847	847
Restricted equity total	5 567	5 567
Unrestricted equity		
Own shares 1 Jan	-122	-122
Own shares 31 Dec	-122	-122
Invested unrestricted equity reserve 1 Jan	264	48
Options exercised	26	216
Invested unrestricted equity reserve 31 Dec	290	264
Other reserves 1 Jan	54 407	60 294
Capital repayment		-5 887
Dividend distribution	-4 138	
Other reserves 31 Dec	50 269	54 407
Retained earnings 1 Jan	-598	-2 491
Retained earnings 31 Dec	-598	-2 491
Result for the period	5 359	1 893
Unrestricted equity total	55 198	53 951
Total shareholders' equity	60 765	59 518

Calculation of distributable equity		
Retained earnings 31 Dec	4 761	-598
Own shares	-122	-122
Invested unrestricted equity reserve	290	264
Other reserves	50 269	54 407
Total	55 198	53 951

The Annual General Meeting of Tecnomen Corporation held on 12 March 2008 resolved, in accordance with the Board of Directors' proposal, to distribute EUR 0.07 per share form the unrestricted equity fund to the shareholders in proportion to their holdings. Payment was made to shareholders registered on 17 March 2008 in the company's shareholder register maintained by the Finnish Central Securities Depository Ltd. The dividend payment date was 26 March 2008. The payment was made on altogether 59 117 278 shares, giving an aggregate total payment of EUR 4 138 209.46. The dividend payment was not made on the shares in the company's own possession (134 800 shares).

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 form the unrestricted equity fund to the shareholders in proportion to their holdings. Payment was made to 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).

EUR 1 000	31 Dec, 2008	31 Dec, 2007
17. Accumulated appropriations		
Accumulated depreciation difference at 1 Jan.	804	890
Increase (+), decrease (-)	40	-85
Accumulated appropriations at 31 Dec.	845	804

Tecnomen Oyj does not have any material long-term liabilities.

18. Current liabilities		
Loans from financial institutions	20 000	
Accounts payable	1 309	2 116
Accrued liabilities and deferred income	6 490	5 424
Other liabilities	358	258
Total	28 157	7 797
Liabilities from the Group companies		
Accounts payable	9 121	6 831
Advances received		2 069
Total	9 121	8 900
Current liabilities total	37 278	16 697
Major items included in accrued liabilities and deferred income		
Accrued personnel expenses	2 095	1 861
Project provisions		117
Accrued agent fees	1 566	1 533
Accrued taxes	342	2
Valuation of currency options	271	
Other accrued liabilities and deferred income	2 215	1 910
Total	6 490	5 424

19. Contingent liabilities		
On own behalf		
Pledged deposits	73	
Guarantees		34
Total	73	34
Leasing liabilities:		
With due date in the next financial year	193	156
With later due date	98	136
Total	291	292
Total contingent liabilities	365	326
Values of underlying instruments of derivative contracts		
Currency call options		
Fair value (negative)	271	
Value of underlying instruments	19 097	
Currency put options		
Fair value (positive)	459	1 950
Value of underlying instruments	15 371	31 475

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

Espoo, March 6 2009

Jarmo Niemi
President and CEO

Lauri Ratia
Chairman of the Board

Carl-Johan Numelin
Vice Chairman of the Board

Johan Hammarén

Christer Sumelius

Timo Toivila

Hannu Turunen

Harri Koponen

Auditors' Note

Our auditors' report has been issued today.

Espoo, March 9 2009
KPMG OY AB

Sixten Nyman
KHT

Auditor's report

To the Annual General Meeting of Tecnomen Corporation

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Tecnomen Corporation for the financial period 1 January - 31 December 2008. The financial statements comprise the consolidated balance sheet, income statement, cash flow statement, statement of changes in equity and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

The responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the financial statements and the report of the Board of Directors and for the fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the fair presentation of the parent company's financial statements and the report of the Board of Directors in accordance with laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's responsibility

Our responsibility is to perform an audit in accordance with good auditing practice in Finland, and to express an opinion on the parent company's financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. Good auditing practice requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements and the report of the Board of Directors are free from material misstatement and whether the members of the Board of Directors and the Managing Director have complied with the Limited Liability Companies Act.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.
The audit was performed in accordance with good auditing practice in Finland. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the company's financial statements and the report of the Board of Directors

In our opinion, the financial statements, together with the consolidated financial statements included therein, and the report of the Board of Directors give a true and fair view of the financial performance and financial position of the company in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Espoo, March 9 2009
KPMG OY AB

SIXTEN NYMAN
Authorized Public Accountant

Shares and shareholders

Shares and share capital

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

On 31 December 2008 Tecnomen had a share capital of EUR 4 720 446.24 that was fully paid and registered in the trade register and 59 277 078 shares, of which the company held 134 000 shares, which represents 0.23 per cent of the company's share capital and votes. 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 1.41. 99.94 per cent of the company's shares are entered in the book entry securities system maintained by Euroclear Finland Ltd (former Finnish Central Securities Depository Ltd.).

Quotation of shares

Tecnomen's shares are quoted on the NASDAQ OMX Helsinki Ltd. Tecnomen's trading code is TEM1V.

Authorisations of the Board of Directors

Authorisation to acquire of the Company's own shares

Tecnomen's Annual General Meeting held on 12 March 2008 authorized the Board of Directors to decide on acquiring a maximum of 5 790 000 of the Company's own shares. Own shares may be acquired with unrestricted shareholders' equity otherwise than in proportion to the holdings of the shareholders through public trading of the securities arranged by NASDAQ OMX Helsinki Oy at the market price of the shares in public trading 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. The Board of Directors has the right to decide on other terms of the share acquisition. This authorisation is valid for one year from the decision of the Annual General Meeting. The authorization has not been exercised during the review period.

Authorisation to decide issuing of shares and granting special rights

The AGM also authorised the Board to decide on issuing and/or conveying a maximum of 17 800 000 new shares and/or the Company's own shares held by the Company either against payment or for free. The AGM authorized the Board of Directors to grant the special rights referred to in Chapter 10, Section 1 of the Companies Act. The Board was authorized to decide on how to use the shares, and the authorization includes the right 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. These authorisations are valid for two years from the decision of the Annual General Meeting. The authorisations have not been exercised during the review period.

Shareholders

On 31 December 2008 Tecnomen had a total of 6 697 shareholders recorded in the book-entry securities system. Of these 6 686 were in direct ownership and 11 were nominee-registered.

On 31 December 2008 the ten largest shareholders (excluding nominee-registered shareholders) together owned approximately 21.64 per cent of the shares and voting rights. On 31 December 2008, altogether 13.75 per cent of Tecnomen's shares were in foreign ownership, with 3.32 per cent in direct ownership and 10.42 per cent nominee-registered. The shareholder information is maintained by Euroclear Finland Oy (former Finnish Central Securities Depository Ltd).

Ownership structure by sector, 31 December 2008

	No. of shares	%
Companies	6 867 840	11.59
Finance houses and insurance companies	13 009 448	21.95
Public sector	1 185 800	2.00
Non-profit making associations	1 543 838	2.60
Households and private persons	34 659 335	58.47
Foreign holders	1 973 217	3.33
TOTAL	59 239 478	99.94
Joint account	37 600	0.06
Share capital	59 277 078	100.00
Nominee registrations	6 179 167	10.42

Trading and share performance

A total of 23 159 187 Tecnomen shares (EUR 23 179 392) were traded on the Helsinki Exchanges during the period 2 January – 31 December 2008, representing 39.2 per cent of the total number of shares.

The highest share price quoted in the period was EUR 1.27 and the lowest EUR 0.75. The average quoted price was EUR 1.00 and the closing price on 31 December 2008 was EUR 0.84. The market capitalisation of the share stock at the end of the period was EUR 49 792 746.

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 2008 the total number of shares owned by the members of Tecnomen's Board of Directors and the President and CEO was, 1 734 666 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 2008 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 130 000 Tecnomen stock options were held by the President and CEO on 31 December 2008. Altogether these stock options represent 0.22 per cent of the total share capital and voting rights after share subscription. The members of the board of directors did not held any stock options at the end of the period.

A total of 225 000 stock options were held by members of Tecnomen's Management Board, excluding the President and CEO, on 31 December 2008. 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 2008 the company received one shareholder notification. International Finance Corporation is a party to a transaction disclosed today by Tecnomen Corporation which, when effected, will result that the holdings of International Finance Corporation will exceed one twentieth (1/20) threshold in Tecnomen Corporation. Post the transaction, the total holdings of International Finance Corporation will increase up to 4 543 631, shares representing 6.17 per cent of the voting rights in Tecnomen Corporation and 5.65 per cent on a fully diluted basis.

Stock option programmes

During the review period the company had in force a 2002 stock option programme and a 2006 stock option programme.

In the 2002 stock option scheme, the only current series were the 2002D stock options. The subscription period for these was 1 April 2006 – 30 April 2008. The share subscription price for the 2002D stock option was EUR 1.04. The subscription price for the 2002D stock option was reduced by the amount of the dividend paid per share (EUR 0.07).

During the review period 25 000 new company shares were subscribed with the 2002D stock options. At the end of December 2008 the company had 59 277 078 shares registered in the Trade Register.

Since the subscription period for the 2002D stock options ended on 30 April 2008, the 2002 stock options have been removed from the book-entry securities system and the option has been nullified.

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 2.54, for 2006B stock options EUR 1.39, and for 2006C stock options EUR 1.05. The subscription prices for the 2006A, 2006B and 2006C stock options have been reduced by the amount of the dividend paid per share (EUR 0.07). Tecnomen's Board of Directors has issued 304 000 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 2 001 000 stock options remain on 31 December 2008 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 3.27 per cent of the Company's shares and the votes carried by the shares after any increase in share capital. On 31 December 2008 the Company still held 1 030 000 of all the current stock options. The issued stock options had a maximum diluting effect on 31 December 2008 of 1.61 per cent.

Tecnomen announced on 15 December 2008 that it had signed an agreement to purchase the shares of Lifetree Convergence Ltd. If the transaction takes place, Tecnomen will establish a new stock option scheme.

Shareholders 31 December 2008

The company's ten largest shareholders, excluding nominee registrations:

	No. of shares	%
Mandatum Life Insurance Co.	2 850 000	4.81
Hammaren Lars-Olof	2 164300	3.65
Sumelius Henning	2 022 300	3.41
Kaleva Mutual Insurance Company	1 300 000	2.19
FIM Fenno Investmen Fund	1 153 788	1.95
Varma. the Mutual Employee Pension Insurance Company	1 130 000	1.91
Sumelius Johanna Maria	1 122 400	1.89
Suupohja Cooperative bank	1 100 000	1.86
Smartum Oy	1 040 000	1.75
Oy Investsum Ab	947 500	1.60
Total	14 830 288	25.02

Ownership of Tecnomen shares, 31 December 2008

Shares	Holders	%	Shares and votes	%
1-500	2 638	39.39	623 813	1.05
501-1 000	1 150	17.17	964 201	1.62
1 001-5 000	1 923	28.17	4 878 730	8.23
5 001-10 000	473	7.06	3 681 302	6.21
10 001-50 000	382	5.70	8 590 110	14.49
50 001-100 000	61	0.91	4 479 071	7.56
100 001-500 000	52	0.77	11 602 225	19.57
500 001<	18	0.27	24 420 026	41.20
Joint account			37 600	0.06
Total	6 697	100.00	59 277 078	100.00

Releases in 2008

Further information is available at www.tecnomen.com

25 Jan 2008	Company Announcement	Tecnomen is exploring the possibility of selling real estate
6 Feb 2008	Stock Exchange Release	Tecnomen's financial statements 1 Jan–31 Dec 2007 (unaudited)
7 Feb 2008	Company Announcement	Tecnomen's annual summary of the releases in 2007
13 Feb 2008	Stock Exchange Release	Invitation to the Annual General Meeting of Tecnomen Corporation
3 March 2008	Company Release	Tecnomen has received two new orders worth USD 5.6 million from Latin America
10 March 2008	Company Release	Tecnomen's Annual Report 2007
12 March 2008	Stock Exchange Release	Resolutions passed by the Annual General Meeting of Tecnomen Corporation
17 April 2008	Stock Exchange Release	Tecnomen has received new orders worth 7.5 million dollars from Latin America
23 April 2008	Stock Exchange Release	Tecnomen's Interim Report 1 Jan–31 March 2008 (unaudited)
7 May 2008	Stock Exchange Release	Tecnomen has received an expansion order worth EUR 1.7 million from the Middle East
13 May 2008	Press Release	Tecnomen receives a significant order from EADS Secure Networks in Germany
3 Jun 2008	Stock Exchange Release	Tecnomen has received new expansion order worth USD 12 million from Latin America
6 Jun 2008	Stock Exchange Release	Subscription for Tecnomen shares by exercising stock options
7 Jul 2008	Stock Exchange Release	Tecnomen receives USD 10 million expansion orders from Latin America
22 Jul 2008	Stock Exchange Release	Tecnomen provides Visual Voicemail to Swisscom – supports Apple's iPhone
13 Aug 2008	Interim Report	Tecnomen's Interim Report 1 Jan–30 Jun 2008 (unaudited)
2 Sept 2008	Stock Exchange Release	Tecnomen has received a new order worth USD 2.7 million from Latin America
25 Sept 2008	Investor News	Tecnomen launched a new communication tool with Vodafone Ireland
18 Oct 2008	Press Release	Tecnomen demonstrated Visual Voicemail at AfricaCom
22 Oct 2008	Interim Report	Tecnomen's Interim Report 1 Jan–30 Sept 2008 (unaudited)
22 Oct 2008	Investor News	Tecnomen Corporation's Disclosure Policy
18 Nov 2008	Press Release	Tecnomen demonstrates Visual Voicemail at AfricaCom
11 Dec 2008	Stock Exchange Release	Tecnomen has received an expansion order worth USD 3.6 million from Latin Amemrica
15 Dec 2008	Stock Exchange Release	Tecnomen and Lifetree combine
15 Dec 2008	Stock Exchange Release	Notification under chapter 2 section 10 of the securities markets act
15 Dec 2008	Press Release	Tecnomen demonstrates Visual Voicemail at GSM 3G Middle East
18 Dec 2008	Company Release	Tecnomen's financial announcements and Annual General Meeting

Investor information

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 promote general confidence in the company. Tecnomen has published a Disclosure Policy that can be found on the company's website.

Releases as well as statements regarding Tecnomen's operations and development are issued by the President and CEO, unless otherwise stated. As far as financial information is concerned, the Chief Financial Officer also manages investor relations.

Financial Reporting and Annual General Meeting 2009

- Financial Statement 1 January–31 December 2008
  6 February 2009
- Annual General Meeting
  19 March 2009
- Interim report 1 January–31 March 2009
  28 April 2009
- Interim report 1 January–30 June 2009
  12 August 2009
- Interim report 1 January–30 September 2009
  29 October 2009

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

Briefings and closed period

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

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Shareholders' address changes

Shareholders are to report their address change to the bank or brokerage company that manages their bookentry account. Euroclear Finland Ltd (formerly the Finnish Central Securities Depository) may only update the information of customers with a book-entry account in its systems. Tecnomen does not maintain an address register.

Analysts monitoring Tecnomen

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

Insider register

Information about the company's public insider register can be found at www.tecnomen.com or by contacting Euroclear Finland Ltd, 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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