NETHAWK OYJ

Business Id 0631056-0

FINANCIAL STATEMENTS FOR THE PERIOD 1.1.2008 – 31.12.2008

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Market environment 2008

NetHawk Group was strengthening its position on telecommunication network testing market during 2008, especially on LTE technology based load testing products despite the common market situation. NetHawk brought several new products to the governmental institution markets and sales of these products were growing to the end of the financial year 2008.

First half of 2008 was challenging for NetHawk. NetHawk started operations for cost cutting and making the testing business more efficient on June, 2008. The growth of LTE technology based and government solutions products and cost cuttings rose NetHawk's fourth quarter's net sales to the second best and operating income to the best on NetHawk's history. NetHawk also booked 0.4 million Euros of credit losses for fourth quarter of 2008.

A total of 79% (79%) of the Group's sales was generated outside Finland. The Americas formed 37% (30%) of total sales, Asia 18% (21%), and Europe and other areas of the world generated a total of 45% (49%) of overall sales.

Net sales and result

NetHawk Group's net sales during the financial period from 1 January 2008 to 31 December 2008 was 26.9 million Euros (28.8), representing a decrease of 6.6% (decrease 16.4%). The Group's financial result was -0.9 million Euros (-0.5), which was -3.3% (-1.7%) of the net sales. The Group's net income after taxes was -0.9 million Euros (-0.7), corresponding to -3.4% (-2.5%) of net sales. Earnings per share were -0.03 Euros (-0.03).

Financial position and investments

The financial position of NetHawk Group during the financial year remained moderate. The value of assets in the balance sheet amounted to 27.4 million Euros (28.7) at the end of the financial period. The value of receivables and liquid financial assets totalled 16.3 million Euros (16.9). The Group's interest-bearing net debt totalled -4.6 million Euros (-5.8). The amount of liabilities totalled 6.9 million Euros (7.0), of which long-term debt accounted for 0.1 million Euros (0.1). Return on equity was -4.3% (-3.3%), and return on capital invested was -2.3% (-1.4%). At the end of the financial year, the equity ratio was 81.3% (81.3%).

The Group's liquid assets amounted to 5.1 million Euros (6.1). Accounts receivable totalled 9.4 million Euros (9.0) and accounts payable 0.9 million Euros (1.3).

Gross investments during the financial year amounted to 2.9 million Euros (4.2). These consisted of investments in fixed assets and capitalisation of development costs. All investments were funded through cash flow from operations.

Significant events during the financial year

NetHawk started operations for cost cutting and reduced the amount of employees in Finland and in the United States. NetHawk Oyj's Espoo site office was closed at the end of September.

During the financial year, the number of employees decreased by 12.9 percent. The cost savings related temporary dismissals in the parent company were realized in October 2008. There were no such realized risks or on-going court proceedings or other legal proceedings or measures by the authorities that would significantly affect the Group during the financial year 2008.

Research and development

Total investments in research and development activities during the financial year totalled 9.3 million Euros (11.4). Of the total costs 1.8 (1.9) million Euros were capitalized and 7.5 million Euros (9.5) were expensed as incurred. The depreciations of capitalized development expenses amounted to 1.2 (0.9) million Euros. The research and development costs represented 34.6 % (39.5%) of net sales. The major part of the capitalizations related to the development of the new government solutions products.

NetHawk introduced in 2008 EAST simulation platform for LTE (3GPP Long Term Evolution) testing. EAST LTE simulation platform was received very well in the market place and NetHawk captured a significant market share by delivering LTE simulation platforms to six major customers during the 2008.

In addition, NetHawk launched a number of new versions of its NetHawk M5 analyzer product including LTE based M5 analyzer, NetHawk Air UE air interface option, NetHawk Sampo multi-user analyzer system and database option for processing a large amount of data.

NetHawk Oyj has established IP business program, which invest to the development of IP based testing and monitoring products utilizing Open Source software and agility software development model. During the second half of 2008, the IP business program released the first product called NetHawk iPro, which is efficient traffic recorder in IP based networks. In the future NetHawk iPro is a technology platform for test and monitoring applications for future IP based networks including LTE in manufacturer and operator markets.

For government solution products NetHawk developed innovative solutions, where the need is to handle several technologies seamlessly, flexibly and fast. The competitive edge at government solution products has been protected by several international patents.

Risk management

Risk management in NetHawk Group is an important part of the Company's decision-making, planning, and control system. The objective of risk management is to cover the risks related to business, market environment, technology development, contracts, financial position, personnel, data security and information systems. In NetHawk, risk management is a continuous process that has been divided into responsibility areas in compliance with the business processes. The Group monitors the implementation of risk management measures on a regular basis.

According to NetHawk Group's business model, the parent company NetHawk Oyj bears the risks related to the Group's business, IPR, strategy, operational planning and finance. The fully owned and controlled subsidiaries of the parent company NetHawk Oyj can be considered as extensions of the parent company NetHawk Oyj's operations. The subsidiaries are mainly responsible for sales and contract product development for the parent company. NetHawk's most important strategic risks relate to new technologies, IPR, number of customers and the downward trend in the telecommunication network testing market.

NetHawk's most significant operative risks relate to products, customer projects and personnel. NetHawk's deliveries to customers bear a risk that a fault, neglect or other negligence in the products or services causes significant financial or other damage. In order to manage such risks, the Group operates in compliance with a quality management system, code of practice, acceptance procedure and centralised contract management. NetHawk has a Group-wide liability insurance scheme to cover liability risks related to products and services.

NetHawk's business is based on skilled and professional employees. The Group's business requires committing the necessary key persons and the recruitment of new employees. In addition, the global organisation requires a harmonised management culture and the development of common practices.

Financial risks have been categorised to interest, currency, liquidity and credit risks. Credit risks are minimised by constantly monitoring the customers' payments. Liquidity and cash risks are minimised by only investing to financial instruments that can be rapidly liquidised. Forward currency contracts are made in order to protect accounts receivable in the balance sheet against currency fluctuations. Unrealized and realized gains and losses of the currency derivatives used for hedging are presented in the financial statement in the same line as the hedged item. NetHawk does not hedge forecasted currency denominated sales and purchases.

Changes in the Group structure

NetHawk Oyj's Espoo site office was closed at the end of September. No changes for Group structure and no corporate acquisitions were made during the financial period.

Personnel

At the end of year 2008, NetHawk Group employed a total of 344 (395) people. Of these, 127 (168) worked for the Group's parent company in Finland. The average number of employees was 384 (403). NetHawk started operations for cost cutting and reduced the amount of employees in Finland and in the United States. NetHawk Oyj's Espoo site office was closed at the end of September 2008. During the financial year, the number of employees decreased by 12.9 percent. The cost savings related temporary dismissals in the parent company were realized in October 2008.

The average age of the personnel was 32.5 (36.1) years. The amount of women was 12.8% (13.6%) and men 87.2% (86.4%) of all employees.

During the financial year 2008 global human resources management and common operating procedures have been promoted by means of process work using the principle of continuous development. The Group has an incentive system and it uses option programmes for committing and rewarding the personnel.

Environment

NetHawk assumes its environmental responsibility by making initiatives and by complying with the environmental legislation in its business as well as constantly monitoring changes made in legislation. NetHawk aims to develop its products, production processes and operating procedures in order to minimise their environmental impacts during the entire life-span. NetHawk is ISO14001 certified.

Board of Directors and CEO

NetHawk Oyj's Annual General Meeting was held on 24 April 2008. The number of board members was confirmed as five. The members of the Board have been Jukka Holkeri, James Lovett, Seppo Matikainen, Jouko Sankala ja Hannu Turunen. The Chairman of the Board has been Mr. Seppo Matikainen. The CEO of the Company has been Mr. Hannu Huttunen. The term of the members of the Board will terminate at the next Annual General Meeting.

Auditor

Ernst & Young Oy, with Juhani Rönkkö, Authorized Public Accountant as the principal auditor, has acted as the Company's auditor.

Annual General Meeting

The Annual General Meeting held on 24 April 2008 authorized the Board to resolve on the purchase of the Company's own shares within one year from the Annual General Meeting. The amount of the own shares purchased is not more than 300,000 shares, which represents approximately 1.12 per cent of all of the Company shares. Only the unrestricted equity of the Company can be used to purchase own shares on the basis of the authorization.

Own shares can be repurchased at a price formed in public trading on the date of repurchase or otherwise on the market. Shares can be repurchased at the original subscription price from the Company's former employees. However, in both the above-mentioned cases, the repurchase price shall not exceed the maximum purchase price paid during the 12-month-period, known by the Board of Directors prior to the repurchase decision.

The Board of Directors shall resolve how the repurchase of shares is to be carried out. The repurchase can be carried out by using, among others, derivatives. Shares may also be repurchased otherwise than in proportion to the shares owned by the shareholders of the Company (directed repurchase of shares).

In addition, the Annual General Meeting authorized the Board to resolve, within one year of the Annual General Meeting, on the issue of shares and stock options and other special rights entitling to shares as specified in Chapter 10, section 1 of the Companies Act. The aggregate number of shares issued on the basis of the authorization may not exceed 9,000,000 shares, which represents approximately 33.49 per cent of all Company's shares. The Board of Directors is authorized to resolve on all of the terms and conditions concerning the issue of shares and stock options and other special rights entitling to shares. The authorization concerns both the issue of new shares and the transfer of the Company's own shares. Issue of shares and other special rights entitling to shares can be carried out as a directed issue.

None of the Board's authorization by the Annual General Meeting on 24 April 2008 have been used during the financial year.

Options, shares and shareholders

NetHawk Oyj has one series of shares. All shares have equal rights. At the end of December 2008, the registered share capital was 96,907.09 Euros and the number of registered shares was 26,942,928.

At the end of December, the total number of outstanding option rights granted was 2,188,734. Share subscription period for option programs P003, P005, P007 and P008 has ended 31 December 2008. During the financial year, the share capital has been raised by 264.05 Euros by subscribing for shares with option programs P003 and P009.

NetHawk Oyj does not own shares or hold as collateral any of its own shares on 31 December 2008. No own shares were acquired, assigned or nullified during the financial year. The Company had 311 (314) shareholders at the end of year 2008, of which ten major shareholders hold 58.5% of the voting rights.

Events after the balance sheet and future outlook

Due to the uncertainty that relates to the general economic trends and the rapid fluctuation of demand typical to the industry segment, the market visibility is very limited. With the new products and technologies, NetHawk believes in holding its strong position in the telecommunications network testing market. The sales of the government solutions products are expected to increase.

Board of Director's proposal for profit distribution

In addition to the dividend policy of the company, the Board also takes the Group's financial results and solvency and significant events in the Company's financial status after the balance sheet date into account when making the annual dividend proposal. After the end of financial period no material transactions have incurred that would have effect on the proposal for profit distribution.

According to the 2008 financial statements, the distributable funds of the parent company NetHawk Oyj as of 31 December 2008 totalled 18.8 million Euros.

The Board of Directors of NetHawk Oyj proposes to the Annual General Meeting that [ ].

INCOME STATEMENT **EUR**

	Note	1.1.-31.12.2008	1.1.-31.12.2007
NET SALES	1	26 905 602,16	28 795 268,24
Other operating income	2	1 316 258,96	1 382 516,90
Materials and services	3	-3 742 546,19	-3 932 127,48
Personnel expenses	4	-16 171 492,34	-17 181 966,65
Depreciation and write-downs	5	-3 428 468,40	-2 888 992,42
Other operating expenses	6	-5 770 800,14	-6 661 904,75
OPERATING INCOME		-891 445,95	-487 206,16
Financial income and expenses	7	221 988,10	-27 213,33
INCOME BEFORE EXTRAORDINARY ITEMS		-669 457,85	-514 419,49
INCOME BEFORE APPROPRIATIONS AND TAXES		-669 457,85	-514 419,49
Income taxes	8	-234 802,04	-209 070,59
NET INCOME		-904 259,89	-723 490,08

BALANCE SHEET	EUR	Note	31.12.2008	31.12.2007
A S S E T S				
NON-CURRENT ASSETS				
Intangible assets		9	6 392 435,44	5 875 896,75
Consolidated goodwill		10	914 168,90	1 662 170,79
Tangible assets		11	1 888 647,81	2 237 628,17
Investments		12	10 000,18	5 300,18
NON-CURRENT ASSETS, TOTAL			9 205 252,33	9 780 995,89
CURRENT ASSETS				
Inventories		13	1 899 103,16	1 980 259,08
Deferred tax receivables		8	141 994,71	113 653,82
Long-term receivables		14	145 396,01	139 412,76
Short-term receivables		15	10 844 526,62	10 563 080,51
Marketable securities		16	0,00	2 111 168,19
Cash in hand and at banks			5 121 844,50	3 966 855,13
CURRENT ASSETS TOTAL			18 152 865,00	18 874 429,49
A S SE T S, T O T A L			27 358 117,33	28 655 425,38

EQUITY AND LIABILITIES	Note	31.12.2008	31.12.2007
SHAREHOLDERS' EQUITY			
Share capital	17	96 984,70	97 406,73
Share premium fund		2 988 200,03	2 970 737,58
Reserve fund		2 839,93	3 196,11
Fair value reserve		0,00	296 737,20
Retained earnings		18 280 261,47	18 975 628,88
Net income for the year		-904 259,89	-723 490,08
SHAREHOLDERS' EQUITY, TOTAL	17	20 464 026,24	21 620 216,42
PROVISIONS	18	14 370,91	40 758,10
LIABILITIES			
Deferred tax liability	8	83 848,17	128 652,68
Long-term liabilities	19	65 021,09	149 032,35
Short-term liabilities	20	6 730 850,92	6 716 765,83
LIABILITIES, TOTAL		6 879 720,18	6 994 450,86
E Q U I T Y A N D L I A B I L I T I E S, T O T A L		27 358 117,33	28 655 425,38

CASH FLOW	1.1.-31.12.2008	1.1.-31.12.2007	1.1.-31.12.2008	1.1.-31.12.2007
Cash flow from operating activities				
Profit (loss) before extraordinary items	-669	-514	-669 458	-514 419
Adjustments:				
Depreciation according to plan	3 428	2 889	3 428 468	2 888 992
Financial income and expenses	-222	10	-221 988	9 721
Other adjustments	634	103	633 598	103 049
Capital gains on the sale of fixed assets	-3	0	-3 466	-386
Cash flow before change in working capital	3 167	2 487	3 167 154	2 486 957
Change in working capital:				
Increase (-)/decrease (+) in non-interest short-term receivables	-680	-35	-679 904	-35 009
Increase (-)/decrease (+) in non-interest long-term receivables and liabilities	-32	-90	-32 295	-89 711
Increase (-)/decrease (+) in inventories	-307	167	-307 449	166 920
Increase (+)/decrease (-) in non-interest short-term liabilities	-208	-331	-208 030	-331 327
Cash flow from operating activities before financial items and taxes	1 939	2 198	1 939 476	2 197 830
Interest and other financial expenses	-150	-191	-150 103	-190 514
Interest and other financial income	143	84	142 899	84 417
Income taxes paid	-213	-348	-212 823	-348 036
Cash flow from operating activities	1 719	1 744	1 719 449	1 743 697
Cash flow from investing activities				
Investments in tangible and intangible assets	-2 848	-3 415	-2 848 024	-3 415 168
Proceeds from disposal of tangible and intangible assets	3	0	3 466	386
Investments in shares of other companies	-5	0	-4 700	0
Sales of marketable securities	1 945	1 068	1 944 664	1 068 324
Translation differences	24	-14	23 569	-14 065
Cash flow from investing activities	-881	-2 361	-881 025	-2 360 523
Cash flow from financing activities				
Chargeable issue of shares	17	115	17 040	115 294
Own option rights	-5	-25	-5 300	-24 638
Withdrawals of short-term liabilities	500	0	500 000	0
Repayment of long-term liabilities	-195	-259	-195 174	-259 424
Cash flow from financing activities	317	-169	316 566	-168 768
Change in liquid assets	1 155	-786	1 154 990	-785 594
Liquid assets at the beginning of the financial period	3 967	4 752	3 966 855	4 752 449
Liquid assets at the end of the financial period	5 122	3 967	5 121 845	3 966 855

INCOME STATEMENT **EUR**

	Note	1.1.-31.12.2008	1.1.-31.12.2007
NET SALES	1	20 626 766,02	22 105 874,72
Other operating income	2	1 308 396,46	1 348 783,27
Materials and services	3	-3 787 443,04	-3 640 941,51
Personnel expenses	4	-8 901 128,95	-8 793 441,17
Depreciation and write-downs	5	-2 266 697,62	-1 694 947,16
Other operating expenses	6	-8 022 596,36	-9 752 353,05
OPERATING INCOME		-1 042 703,49	-427 024,90
Financial income and expenses	7	326 097,90	211 451,43
INCOME BEFORE EXTRAORDINARY ITEMS		-716 605,59	-215 573,47
INCOME BEFORE APPROPRIATIONS AND TAXES		-716 605,59	-215 573,47
Income taxes	8	0,00	0,00
NET INCOME		-716 605,59	-215 573,47

BALANCE SHEET	EUR	Note	31.12.2008	31.12.2007
A S S E T S				
NON-CURRENT ASSETS				
Intangible assets		9	6 317 556,75	5 702 009,35
Tangible assets		11	1 108 020,14	1 481 268,61
Investments		12	6 401 414,44	6 450 237,57
NON-CURRENT ASSETS, TOTAL			13 826 991,33	13 633 515,53
CURRENT ASSETS				
Inventories		13	1 899 103,16	1 919 220,23
Long-term receivables		14	26 849,22	34 129,78
Short-term receivables		15	8 751 056,76	8 945 535,69
Marketable securities		16	0,00	2 111 168,19
Cash in hand and at banks			3 399 525,63	2 278 982,95
CURRENT ASSETS TOTAL			14 076 534,77	15 289 036,84
A S S E T S, T O T A L			27 903 526,10	28 922 552,37

EQUITY AND LIABILITIES	Note	31.12.2008	31.12.2007
SHAREHOLDERS' EQUITY			
Share capital	17	96 984,70	97 406,73
Share premium fund		2 988 200,03	2 970 737,58
Fair value reserve		0,00	400 996,21
Retained earnings		19 546 613,75	19 762 187,22
Net income for the year		-716 605,59	-215 573,47
SHAREHOLDERS' EQUITY, TOTAL	17	21 915 192,89	23 015 754,27
LIABILITIES			
Long-term liabilities	19	188 712,04	248 467,99
Short-term liabilities	20	5 799 621,17	5 658 330,11
LIABILITIES, TOTAL		5 988 333,21	5 906 798,10
E Q U I T Y A N D L I A B I L I T I E S, T O T A L		27 903 526,10	28 922 552,37

CASH FLOW

	1.1.-31.12.2008	1.1.-31.12.2007	1.1.-31.12.2008	1.1.-31.12.2007
Cash flow from operating activities				
Profit before extraordinary items	-717	-216	-716 606	-215 573
Adjustments:				
Depreciation according to plan	2 267	1 695	2 266 698	1 694 947
Financial income and expenses	-326	-211	-326 098	-211 451
Other adjustments			419 871	6 546
Capital gains on the sale of fixed assets	-1	0	-594	0
Losses from liquidation of investments			0	129 893
Cash flow before change in working capital	1 223	1 268	1 643 271	1 404 362
Change in working capital:				
Increase(-)/decrease (+) in non-interest short-term receivables	165	229	165 210	228 767
Increase (-)/decrease (+) in non-interest long-term receivables and liabilities	15	-32	15 225	-32 190
Increase (-)/decrease (+) in inventories	-368	-895	-368 488	-895 453
Increase (+)/decrease (-) in non-interest short-term liabilities	-83	915	-83 232	914 696
Cash flow from operating activities before financial items and taxes	952	1 484	1 371 986	1 620 182
Interest and other financial expenses	-41	-41	-41 021	-40 609
Interest and other financial income	131	191	131 450	190 669
Cash flow from operating activities	1 043	1 634	1 462 415	1 770 242
Cash flow from investing activities				
Investments in tangible and intangible assets	-2 509	-3 280	-2 508 996	-3 279 614
Proceeds from disposal of tangible and intangible assets	1	0	594	0
Investments in shares of other companies	-10	0	-10 000	0
Received proceeds from operative activities	0	262	0	261 861
Sales of marketable securities	1 945	1 068	1 944 664	1 068 324
Repayments of loans receivable	60	200	60 000	200 000
Cash flow from investing activities	-514	-1 749	-513 738	-1 749 429
Cash flow from financing activities				
Chargeable issue of shares	17	115	17 040	115 294
Own option rights	0	-25	0	-24 638
Withdrawals of short-term liabilities	500	0	500 000	0
Repayments of long-term liabilities	-345	-459	-345 174	-459 424
Cash flow from financing activities	172	-369	171 866	-368 768
Change in liquid assets	1 121	-348	1 120 543	-347 955
Liquid assets at the beginning of the financial period	2 279	2 627	2 278 983	2 626 938
Liquid assets at the end of the financial period	3 400	2 279	3 399 526	2 278 983