

TECNOTREE

A photograph of three business professionals in a meeting. A woman in the center is smiling and looking at a tablet held by a man on the right. Another man on the left is also looking at the tablet. The background is a bright office setting. The image is partially obscured by a dark blue triangle in the bottom right corner.

Short Report Q1 2019

TECNOTREE CORPORATION SHORT REPORT

1 JAN – 31 MAR 2019 (UNAUDITED)

For Digital Service providers, Tecnotree is the only full stack digital BSS service provider with over 40 years of deep domain knowledge, proven delivery and transformation capability across the globe. Our open source technology based agile products and solutions comprises the full range (order-to-cash) of business management solutions for Core telecom and Digital Service providers.

A STRONG START FOR THE YEAR – THE BEST FIRST QUARTER RESULT IN THE COMPANY'S HISTORY

KEY FIGURES	1-3/ 2019	1-3/ 2018	1-12/ 2017
Net sales, MEUR	9,5	7,6	41,9
Adjusted operating result, MEUR ¹	1,0	-2,4	5,9
Operating result, MEUR	2,4	-2,4	5,3
Result before taxes, MEUR	2,4	-1,8	4,4
Adjusted result for the period, MEUR ²	-0,1	-2,8	0,1
Result for the period, MEUR	1,3	-2,8	-0,5
Earnings per share, basic, EUR	0,01	-0,02	0,00
Order book, MEUR	22,8	27,3	21,1
Cash flow after investments, MEUR	0,2	4,7	1,3
Change in cash and cash equivalents, MEUR	-0,2	4,6	1,9
Cash and cash equivalents, MEUR	3,9	6,8	4,2
Equity ratio %	-9,7	-41,3	-22,8
Net gearing %	-	-	-
Personnel at end of period	529	641	543

¹ Adjusted operating result = operating result before one-time items.

² Adjusted result for the period = result for the period before one-time items.

Unless otherwise stated, all figures presented below are for the review period 1-3/2019 and the figures for comparison are for the corresponding period 1-3/2018.

CEO Padma Ravichander: Consistent and encouraging Corporate Performance in Q1 2019

Since the stabilization of the company seen in the second half of 2018, the Q1 2019 results indicate a strong trend towards a consistent and motivating corporate performance of Tecnotree. We have many positive indications about the stability and growth of the company demonstrated in the financial results for this quarter.

Revenue

The revenue of the first quarter stood at EUR 9.5 million, being higher by 26% on Q1 of 2018. This is a clear indication of the company's performance in the market. During the report period, the company received orders worth EUR 11.3 million, which is 31% more than the same quarter last year and one among our best quarterly performances for Q1 orders.

Costs

We believe that cost optimization is not a one-time exercise but needs constant monitoring and dynamic realignment without affecting delivery capability to our customers. Due to persistent and prudent focus on costs, the first quarter experienced a 14% reduction in costs, from EUR 9.0 million to EUR 7.8 million.

Profit

After considering operating costs, the company earned adjusted profit of nearly EUR 1 million against a loss of EUR 2.4 million in Q1 2018. This further confirms that the strategy and operations of our company are in the right direction. During the quarter, we sold the premises in Espoo, Finland and realized EUR 2.4 million, which has been paid back as per the debt restructuring scheme. On this transaction, the company earned a profit of EUR 1.4 million, which helped to improve the profitability further. Another major cost impacting the profitability of the company are withholding taxes. The company is constantly exploring options to optimize the taxes and hope to achieve desired results in this year.

Other business updates

Tecnotree has during the report period launched the next generation Digital BSS Suite 5 for the global market. The Digital BSS Suite 5 comprises of a complete set of products, which will revolutionize the way subscribers can manage their own subscriptions and pay from a single digital wallet. Digital BSS Suite 5 also comes with inherent capabilities to reduce operational expenses with complete open source technology based cloud-native products, operation's management with zero downtime and self-healing capabilities, faster time-to-market for new features with micro services and containerized continuous deliveries, as well as world-leading Omni-channel Omni-device customer experience management. This is a tremendous achievement and I trust that it will be a big game changer.

The company was awarded a contract from Telefonica Peru to replace their current service delivery platform. With this contract, Tecnotree continues expanding its market share in Latin America.

We also completed the full rollout of multi-play enabled digital BSS platform for Mauritius Telecom, facilitating the deployment of fixed, IPTV and broadband services for subscribers with

superior customer experience. This further demonstrated the company's ability to develop and implement innovative technology, to the benefit of our customers.

During the report period, the District Court of Länsi-Uusimaa passed judgment rejecting the petition of Viking Acquisitions Corp. for the payment of a supplementary share under the restructuring programme of the company. According to Viking's petition, the company would have had to pay a supplementary share of 1.95 million euro to its creditors, part of which would have been payable to Viking.

Fitzroy Investments Ltd and Luminos Sun completed their investments in the company as per the subscription-based agreement signed by them with Tecnotree in September 2018. As a result of the warrant exercise by Fitzroy and Luminos, Tecnotree has received in the aggregate EUR 5 million. This further demonstrates the confidence reposed by the investors in the company.

Tecnotree is now in a strong position to grow its business across global markets, taking advantage of the onset of 5G implementations and the digital transformation requirements of our customers. We hope to synergize new partnerships to increase our competitive edge, our new market reach and to strengthen our customer base globally by having additional resources to implement our full range of digital products and services.

SALES AND NET SALES

Tecnotree's net sales for the review period were EUR 9.5 (7.6) million, or 26% higher than during the corresponding period last year.

SPECIFICATION OF NET SALES, MEUR	1-3/ 2019	1-3/ 2018	1-12/ 2018
Revenue from maintenance and support	6,7	6,5	29,3
Revenue from goods and services	2,8	1,1	12,7
Currency exchange gains and losses	0,0	0,0	-0,1
TOTAL	9,5	7,6	41,9

NET SALES BY MARKET AREA, MEUR	1-3/ 2019	1-3/ 2018	1-12/ 2018
Europe & Americas	3,3	2,8	16,3
MEA & APAC	6,3	4,8	25,6
TOTAL	9,5	7,6	41,9

CONSOLIDATED ORDER BOOK, MEUR	31.3. 2019	31.3. 2018	31.12. 2018
Europe & Americas	6,3	8,8	4,8
MEA & APAC	16,5	18,5	16,3
TOTAL	22,8	27,3	21,1

RESULT ANALYSIS

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

The Company has selected to adopt the new IFRS 16 leases standard by using modified retrospective approach for transition. IFRS 16 requires a lessor to recognize future lease payments in its balance sheet assets and liabilities, unless the lease term is 12 months or less or the underlying asset value is less than 5.000 US dollars. The new standard is similar to treatment of finance leases under IAS 17, separating depreciation charge for the assets and interest expense. The impact of the initial adoption to Tecnotree's opening balance 1.1.2019 is EUR 2.3 million increasing both assets and liabilities. No adjustment done to comparative amounts.

In the first quarter, Tecnotree sold its premises located in Espoo for 2.4 million and recorded a capital gain of 1.4 million euros. The cash received from the transaction amortized interest-bearing loans, according to debt restructuring payment plan.

Tecnotree reports its result as follows:

INCOME STATEMENT, KEY FIGURES, MEUR	1-3/ 2019	1-3/ 2018	1-12/ 2018
Net sales	9,5	7,6	41,9
Other operating income	0,1	0,0	0,1
Operating costs excluding one-time costs	-8,6	-10,0	-36,1
Adjusted operating result	1,0	-2,4	5,9
One-time items	1,4	0,0	-0,6
OPERATING RESULT	2,4	-2,4	5,3
Financial items without foreign currency differences	-0,1	-0,1	-1,1
Exchange rate gains and losses in financial items	0,1	0,7	0,3
Income taxes	-1,1	-1,0	-4,9
Adjusted result for the period	-0,1	-2,8	0,1
One-time items	1,4	0,0	-0,6
RESULT FOR THE PERIOD	1,3	-2,8	-0,5

Foreign currency differences of EUR 0.1 million (0.3 MEUR in 2018) were recorded in financial items. These are mainly due to the impact of intra-group balance sheet items, when for example a subsidiary records an exchange rate gain or loss on a euro denominated receivable from the parent company. It has no direct impact on the Group's cash flow.

Exchange rates also have a direct impact on shareholders' equity in terms of translation differences arising from foreign companies, which totalled EUR 0.3 million in the review period.

Financial income and expenses (net) during the review period totalled EUR 0.0 million (0.6). Here is a breakdown of these:

	1-3/ 2019	1-3/ 2018	1-12/ 2018
FINANCIAL INCOME AND EXPENSES, MEUR			
Interest income	0,1	0,0	0,3
Exchange rate gains	0,2	1,0	0,5
Other financial income	0,0	0,0	0,0
FINANCIAL INCOME, TOTAL	0,3	1,0	0,8
Interest expenses	-0,2	-0,1	-0,5
Exchange rate losses	-0,1	-0,2	-0,2
Other financial expenses	-0,0	0,0	-1,0
FINANCIAL EXPENSES, TOTAL	-0,3	-0,4	-1,7
FINANCIAL ITEMS, TOTAL	0,0	0,6	-0,8

Taxes for the period totalled EUR 1.0 (1.0) million, including the following items:

	1-3/ 2019	1-3/ 2018	1-12/ 2018
TAXES IN INCOME STATEMENT, MEUR			
Withholding taxes paid abroad	-0,9	-1,4	-3,9
Change in withholding tax accrual	0,0	0,6	0,1
Income taxes on the results of Group companies	-0,1	-0,2	-0,9
Prior year taxes	-0,0	0,0	-0,0
Other items	0,0	0,0	-0,2
TAXES IN INCOME STATEMENT, TOTAL	-1,0	-1,0	-4,9

Earnings per share were EUR 0.01 (-0.02). Equity per share at the end of the period was EUR -0.01 (31 December 2018: EUR -0.04).

PERSONNEL

At the end of March 2019 Tecnotree employed 529 (31 December 2018: 543) persons, of whom 42 (31 December 2018: 56) worked in Finland and 487 (31 December 2018: 487) elsewhere. The company employed on average 530 (604) people during the review period. Personnel by country were as follows:

PERSONNEL	1-3/2019	1-3/2018	1-12/2018
Personnel, at end of period	529	641	543
Finland	42	65	56
Brazil	10	10	10
Argentina	44	43	43
India	342	447	347
United Arab Emirates	14	17	14
Other countries	77	59	73
Personnel, average	530	654	604
Personnel expenses (MEUR)	-4,4	-5,1	-18,9

EVENTS AFTER THE END OF THE PERIOD

On 3 April 2019 Tecnotree announced that Fitzroy had exercised all of the 21,444,960 warrants still held by it pursuant to the warrants terms for a total subscription price of 861,410 euros. As a result of the warrant exercise, the total number of shares in Tecnotree will increase by 21,444,960 new shares to 247,628,428 shares. As a result of the warrant exercise made by Fitzroy, Tecnotree received in the aggregate EUR 5,000,000 based on the subscription agreement signed with Fitzroy on 18 September 2018 (including the warrant exercises made by Luminos based on the warrants acquired by it from Fitzroy). The new shares are of the same class as the existing shares in Tecnotree. The new shares carry a right to dividend and other shareholder rights as from their registration with the Finnish Trade Register took place 10 April 2019.

On 4 April 2019 Tecnotree announced the annual report, corporate governance statement and auditors report for 2018.

On 16 April 2019 Tecnotree announced that Telefonica Peru had chosen Tecnotree to deliver a new Service Delivery Platform.

PROSPECTS IN 2019

The company strengthened and stabilised its operations in 2018 and in 2019 the company continues with the efforts to improve its net sales while focusing on profitable growth.

TECNOTREE CORPORATION

Board of Directors

FURTHER INFORMATION

Further information, investors and media:

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TABLE SECTION (UNAUDITED)

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

	1-3/ 2019	1-3/ 2018	1-12/ 2018
CONSOLIDATED INCOME STATEMENT, MEUR			
NET SALES	9,5	7,6	41,9
Other operating income	1,5	0,0	0,1
Materials and services	-0,8	-0,3	-2,3
Employee benefit expenses	-4,4	-5,1	-18,9
Depreciation, amortisation and impairment charges	-0,2	-0,2	-0,6
Other operating expenses	-3,2	-4,5	-14,9
OPERATING RESULT	2,4	-2,4	5,3
Financial income	0,3	1,0	0,8
Financial expenses	-0,3	-0,4	-1,7
RESULT BEFORE TAXES	2,4	-1,8	4,4
Income taxes	-1,1	-1,0	-4,9
RESULT FOR THE PERIOD	1,3	-2,8	-0,5
Allocated to:			
Equity holders of parent company	1,3	-2,8	-0,5
Non-controlling interest	-0,0	0,0	0,0
EPS calculated on the profit attributable to equity holders of parent company:			
Earnings per share, basic, EUR	0,01	-0,02	0,00
Earnings per share, diluted, EUR	0,01	-0,02	0,00

CONSOLIDATED BALANCE SHEET	31.3.2019	31.3.2018	31.12.2018
Assets			
Other intangible assets	0,2	0,2	0,2
Tangible assets	0,4	1,9	1,5
Deferred tax assets	0,6	0,6	0,6
Other non-current trade and other receivables	0,7	0,6	0,7
Right-of-use assets	2,3	0,0	0,0
Current assets			
Inventories	0,0	0,6	0,1
Trade receivables	12,8	8,8	11,6
Other receivables	9,4	6,9	9,7
Cash and cash equivalents	3,9	6,8	4,2
TOTAL ASSETS	30,4	26,3	28,6
Shareholders' equity	-3,0	-10,8	-6,5

Non-current liabilities			
Deferred tax liabilities	0,0	0,0	0,0
Non-current interest-bearing liabilities	12,4	16,9	12,5
Other non-current liabilities	8,2	7,0	7,7
Lease liability (non-current)	1,8	0,0	0,0
Current liabilities			
Current interest-bearing liabilities	2,1	1,0	4,5
Lease liability (current)	0,6	0,0	0,0
Trade payables and other liabilities	8,2	12,0	10,3
EQUITY AND LIABILITIES, TOTAL	30,4	26,3	28,6

CONSOLIDATED CONDENSED CASH FLOW STATEMENT, MEUR	1-3/ 2019	1-3/ 2018	1-12/ 2018
Cash flow from operating activities			
Result for the period	1,3	-2,8	-0,5
Adjustments of the result	-0,6	0,8	6,6
Changes in working capital	-1,7	9,6	2,0
Financial income and expenses	-0,1	-1,0	-0,8
Income taxes paid	-1,2	-1,9	-5,6
Net cash flow from operating activities	-2,2	4,8	1,7
Cash flow from investing activities			
Investments in intangible assets	-0,0	0,0	-0,0
Investments in tangible assets	-0,0	-0,0	0,0
Proceeds from disposal of intangible and tangible assets	2,4	0,0	0,0
Net cash flow from investing activities	2,4	-0,0	-0,0
Cash flow from financing activities			
Borrowings received	0,0	0,0	0,0
Repayments of borrowings	-2,4	0,0	-1,5
Proceeds from share issue	2,0	0,0	2,1
Other financial expense	-0,0	-0,1	-0,2
Net cash flow from financing activities	-0,4	-0,1	0,4
Increase (+) and decrease (-) in cash and cash equivalents	-0,2	4,6	-0,9
Cash and cash equivalents at beg. of period	4,2	2,3	2,3
Impact of changes in exchange rates	-0,0	-0,1	-0,2
Cash and cash equivalents at end of period	3,9	6,8	4,2

KEY FIGURES

CONSOLIDATED KEY FINANCIAL FIGURES	1-3/2019	1-3/2018	1-12/2018
Return on investment, %	-	-	-
Return on equity, %	-	-	-
Equity ratio, %	-9,7	-41,3	-22,8
Net gearing, %	-	-	-
Investments, MEUR	0,0	0,0	0,0
% of net sales	0,5	0,6	0,0
Research and development, MEUR	0,8	1,4	5,3
% of net sales	8,1	17,9	12,5
Order book, MEUR	22,8	27,3	21,1
Personnel, average	530	654	604
Personnel, at end of period	529	641	543

QUARTERLY KEY FIGURES	Q1/19	Q4/18	Q3/18	Q2/18	Q1/18
Net sales, MEUR	9,5	12,1	12,4	9,8	7,6
Net sales, change %	25,9	-22,2	1,6	-35,3	-37,7
Adjusted operating result ¹	1,0	4,5	2,7	1,0	-2,4
% of net sales	10,2	37,4	21,8	10,3	-31,6
Operating result, MEUR	2,4	4,0	2,7	1,0	-2,4
% of net sales	25,1	32,6	21,8	10,3	-31,6
Adjusted result for the period, MEUR ²	-0,1	1,7	1,2	0,0	-2,8
Result for the period, MEUR	1,3	1,1	1,2	0,0	-2,8
Personnel at end of period	529	543	571	616	641
Earnings per share, basic, EUR	0,01	0,01	0,01	0,00	-0,02
Earnings per share, diluted, EUR	0,01	0,01	0,01	0,00	-0,02
Equity per share, EUR	-0,01	-0,04	-0,06	-0,09	-0,09
Net interest-bearing liabilities, MEUR	10,7	12,9	14,4	14,8	11,2
Order book, MEUR	22,8	21,1	24,6	25,6	27,3

¹ Adjusted operating result = operating result before one-time items.

² Adjusted result for the period = result for the period before one-time items.