

# TECNOTREE

*Powering the digital marketplace*

## Interim Report Q2 2015



# TECNOTREE CORPORATION INTERIM REPORT 1 JAN – 30 JUNE 2015 (UNAUDITED)

13 August 2015 at 8:30 am

Tecnotree is a global supplier of telecom IT solutions, providing products and services for charging, billing, customer care, and messaging and content services. The company's product portfolio comprises virtually the full range of business management systems for telecom operators, with standard solutions for fixed networks, mobile services and broad band and for managing subscriptions, services and cash flows for prepaid and post-paid customers. Tecnotree has a strong footing especially in developing markets.

## POSITIVE CASH FLOW

### Second quarter

- Second quarter net sales were EUR 17.1 (11.7) million.
- The operating result for the quarter was EUR 1.5 (-4.3) million.
- The adjusted result for the quarter was EUR -2.9 (-5.8) million and result EUR -1.7 (-6.2) million.
- The order book at the end of the period stood at EUR 37.4 (31 December 2014: 38.9) million.
- Second quarter cash flow after investments was EUR 2.8 (-0.5) million.
- Earnings per share were EUR -0.01 (-0.05).

### Jan-June 2015

- Net sales for the review period were EUR 34.2 (26.1) million.
- The operating result was EUR 2.5 (-6.1) million.
- The adjusted result for the period was EUR -3.3 (-9.3) million and the result EUR -5.0 (-11.0) million.
- Cash flow after investments for the review period was EUR 3.6 (-3.8) million and the company's cash and cash equivalents were EUR 5.6 (31 December 2014: 2.5) million.
- Earnings per share were EUR -0.04 (-0.09).

KEY FIGURES	4-6/ 2015	4-6/ 2014	1-6/ 2015	1-6/ 2014	1-12/ 2014
Net sales, MEUR	17.1	11.7	34.2	26.1	74.0
Adjusted operating result, MEUR <sup>1</sup>	1.5	-4.3	2.8	-6.1	3.7
Operating result, MEUR	1.5	-4.3	2.5	-6.1	3.3
Result before taxes, MEUR	1.0	-5.5	-1.4	-9.2	-2.4
Adjusted result for the period, MEUR <sup>2</sup>	-2.9	-5.8	-3.3	-9.3	-6.4
Result for the period	-1.7	-6.2	-5.0	-11.0	-9.3
Earnings per share, basic, EUR	-0.01	-0.05	-0.04	-0.09	-0.08
Order book, MEUR			37.4	46.7	38.9
Cash flow after investments, MEUR	2.8	-0.5	3.6	-3.8	-1.8
Change in cash and cash equivalents, MEUR	2.4	0.2	3.0	-3.5	-4.2
Cash and cash equivalents, MEUR			5.6	3.1	2.5
Equity ratio %			19.6	18.9	22.5
Net gearing %			181.3	238.8	172.7
Personnel at end of period			939	1,052	993

<sup>1</sup> Adjusted operating result = operating result before one-time costs. Details of these are given in the section "Result analysis".

<sup>2</sup> Adjusted result for the period = result for the period without exchange rate gains and losses, included in financial items, on intra-group balances being typically receivables due to subsidiaries from the parent company.

Unless otherwise stated, all figures presented below are for the review period 1-6/2015 and the figures for comparison are for the corresponding period 1-6/2014.

### CEO Ilkka Raiskinen:

"The company's performance during the second quarter of the year was encouraging in many areas: profitability and cash flow developed positively and demand for new products remained good. The measures to improve productisation have brought results: the costs of business operations have declined and the operating profit has clearly improved from the previous year.

The restructuring proceedings have not had a significant impact on the company's business operations, and the company has been able to continue its investment in new products and new customers according to plan.

The company has continued its activities aiming to have an impact on costs outside the operating profit, in particular on the management of withholding tax."

## SALES AND NET SALES

Tecnotree's net sales for the review period was EUR 34.2 (26.1) million, 30.9 per cent higher than a year ago. Net sales in the first half of 2014 were low because some of the orders expected in the second quarter were delayed until the second half of the year. Net sales in the review period included EUR 1.9 million positive in currency exchange gains arising mainly from the strengthening of the US dollar against the euro.

Further information about sales and net sales is given below in the section "Geographical areas".

SPECIFICATION OF NET SALES, MEUR	4-6/ 2015	4-6/ 2014	1-6/ 2015	1-6/ 2014	1-12/ 2014
Revenue from contract work recognised by stage of completion (IAS 11)	7.0	4.8	11.1	9.9	27.7
Revenue from maintenance and support (IAS 18)	7.9	5.5	15.6	11.3	27.4
Revenue from goods and services (AS 18)	3.6	1.3	5.6	5.0	16.5
Currency exchange gains and losses	-1.5	0.2	1.9	-0.1	2.4
<b>TOTAL</b>	<b>17.1</b>	<b>11.7</b>	<b>34.2</b>	<b>26.1</b>	<b>74.0</b>

NET SALES BY MARKET AREA, MEUR	4-6/ 2015	4-6/ 2014	1-6/ 2015	1-6/ 2014	1-12/ 2014
Europe & Americas	8.1	6.4	16.9	13.1	42.0
MEA & APAC	9.0	5.3	17.3	13.0	32.0
<b>TOTAL</b>	<b>17.1</b>	<b>11.7</b>	<b>34.2</b>	<b>26.1</b>	<b>74.0</b>

CONSOLIDATED ORDER BOOK, MEUR	<b>30.6.</b>	30.6.	31.12.
Americas (North, Central and South America)	<b>9.8</b>	20.8	5.2
APAC (Asia and Pacific)	<b>27.6</b>	25.9	33.7
<b>TOTAL</b>	<b>37.4</b>	46.7	38.9

## 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.

Tecnotree reports its result as follows:

INCOME STATEMENT, KEY FIGURES, MEUR	4-6/ 2015	4-6/ 2014	1-6/ 2015	1-6/ 2014	1-12/ 2014
Net sales	17.1	11.7	34.2	26.1	74.0
Other operating income	0.0	0.1	0.1	0.1	0.1
Operating costs excluding one-time costs	-15.7	-16.2	-31.4	-32.3	-70.4
Adjusted operating result	1.5	-4.3	2.8	-6.1	3.7
One-time costs			-0.3		-0.4
OPERATING RESULT	1.5	-4.3	2.5	-6.1	3.3
Financial items without foreign currency differen	-1.7	-0.8	-2.2	-1.4	-2.8
Income taxes	-2.7	-0.7	-3.6	-1.8	-6.9
Adjusted result for the period	-2.9	-5.8	-3.3	-9.3	-6.4
Foreign currency differences included in financial items	1.2	-0.4	-1.7	-1.7	-2.9
RESULT FOR THE PERIOD	-1.7	-6.2	-5.0	-11.0	-9.3

The impact of the restructuring proceedings currently in process at Tecnotree Corporation has not been recorded separately in the interim financial statements for the review period. Their impact will be determined after the court has examined the restructuring program that is being drafted. The administrator in respect of the restructuring proceedings has to draw up and deliver their restructuring program proposal to the district court of Espoo by 30 September 2015. More details are given below in the section "Restructuring proceedings".

The costs for the review period include one-time costs of EUR 0.3 million arising from redundancies.

Tecnotree's net sales for the review period increased 30.9 per cent and was EUR 34.2 (26.1) million. Net sales in the first half of 2014 were low because some of the orders expected in the second quarter were delayed until the second half of the year.

Exchange rates had a significant impact on the result for the period. Net sales included EUR 1.9 million in positive foreign currency differences, which were mainly due to the strengthening of the US dollar against the euro. Exchange rate differences had a EUR 3.3 million positive impact in the first quarter but a negative impact of EUR 1.5 million in the second quarter. Costs for subsidiaries in the consolidated income statement rose EUR 1.8 million from the period for comparison because of the strengthening of the subsidiary company currencies.

Negative foreign currency differences of EUR 1.7 million 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. These intra-group items are large, so exchange rates have a significant impact. In the first quarter negative exchange rate differences of EUR 2.9 million were recorded, but in the second quarter positive exchange rate differences of EUR 1.2 million were recorded. It is important to examine Tecnotree's operative result without the impact of exchange rates, which is why this is shown separately in the table above. 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 2.8 million positive in the review period.

Financial income and expenses (net) during the review period totalled a net loss of EUR 3.9 million (net loss of EUR 3.1 million). Here is a breakdown of these:

	4-6/ 2015	4-6/ 2014	1-6/ 2015	1-6/ 2014	1-12/ 2014
FINANCIAL INCOME AND EXPENSES, MEUR					
Interest income	0.0	0.0	0.0	0.0	0.0
Exchange rate gains	-0.2	0.0	0.7	0.1	0.3
Other financial income	0.1	0.0	0.1	0.0	0.1
FINANCIAL INCOME, TOTAL	-0.1	0.1	0.8	0.1	0.4
Interest expenses	-0.5	-0.5	-0.9	-0.9	-2.4
Exchange rate losses	1.5	-0.5	-2.4	-1.8	-3.1
Other financial expenses	-1.3	-0.3	-1.4	-0.5	-0.5
FINANCIAL EXPENSES, TOTAL	-0.4	-1.2	-4.7	-3.2	-6.0
FINANCIAL ITEMS, TOTAL	-0.5	-1.2	-3.9	-3.1	-5.7

Other financial expenses, that is excluding interest expenses and exchange rate losses, totalled EUR 1.3 million. EUR 0.6 million of this relates to the additional costs for using an exceptional procedure during the quarter to repatriate funds from a country that has a lack of foreign currency. EUR 0.6 million is a provision for using the same procedure for the payment after the second quarter of receivables in the balance sheet on 30 June 2015.

Taxes for the period totalled EUR 3.6 (1.8) million, including the following items:

	4-6/ 2015	4-6/ 2014	1-6/ 2015	1-6/ 2014	1-12/ 2014
TAXES IN INCOME STATEMENT, MEUR					
Withholding tax expenses in parent company	-1.7	-0.6	-3.2	-1.5	-4.5
Change in withholding tax provision	0.1	-0.1	0.1	0.0	-1.3
Income taxes on the results of Group companies	-0.5	-0.2	-0.7	0.2	-0.3
Prior year taxes	0.2	0.0	-0.6	0.0	0.0
Change in deferred tax asset in India	-0.3	-0.0	0.8	-1.0	-0.7
Change in deferred tax liability based on:					
- dividend tax in India	-0.5	0.2	0.0	0.4	-0.2
Other items		0.0		0.0	0.0
TAXES IN INCOME STATEMENT, TOTAL	-2.7	-0.7	-3.6	-1.8	-6.9

Earnings per share were EUR -0.04 (-0.09). Equity per share at the end of the period was EUR 0.12 (31 December 2014: EUR 0.14).

## FINANCING, CASH FLOW AND BALANCE SHEET

The company's cash situation remained tight during the review period. This resulted in Tecnotree Corporation applying for debt restructuring proceedings in March. The Company's debts on 4 March 2015 will be dealt with in the restructuring proceedings and the court will make a decision about them.

Tecnotree's working capital decreased during the period by EUR 6.0 million:

CHANGE IN WORKING CAPITAL, MEUR (increase - / decrease +)	4-6/ 2015	4-6/ 2014	1-6/ 2015	1-6/ 2014	1-12/ 2014
Change in trade receivables	5.0	2.9	6.6	1.5	1.5
Change in other receivables	-2.9	0.5	0.1	-1.1	-7.5
Change in inventories	0.2	-0.2	-0.3	-0.4	0.1
Change in trade payables	0.6	1.3	0.3	2.6	5.0
Change in other liabilities	-0.6	-0.3	-0.7	0.6	0.7
CHANGE IN WORKING CAPITAL, TOTAL	2.3	4.2	6.0	3.1	-0.3

Project revenue is recognised in other receivables. When the agreement allows the customer to be invoiced, the receivables are regrouped in trade receivables. Trade and other receivables should be treated as one item when assessing changes in Tecnotree's working capital.

Tecnotree's cash and cash equivalents totalled EUR 5.6 (31 December 2014: 2.5) million. Cash flow after investments for the review period ended up EUR 3.6 million positive. Payments received for trade receivables were a particular factor in this. The change in cash and cash equivalents for the review period was EUR 3.0 million positive. The company had no unused credit facilities at the end of the review period (31.12.2014: 0.0). During the second quarter, the bank granted short-term loans in total of EUR 1.5 million, of which the company has paid back EUR 1.0 million and EUR 0.5 million is due in August.

The balance sheet total on 30 June 2015 stood at EUR 74.9 (31 December 2014: 75.0) million. Tecnotree's gross capital expenditure during the review period was EUR 0.1 (0.5) million or 0.1 per cent (2.0 %) of net sales. Interest-bearing liabilities were EUR 32.3 (31 December 2014: 31.8) million. The net debt to equity ratio (net gearing) was 181.3 per cent (31 December 2014: 172.7 %) and the equity ratio was 19.6 per cent (31 December 2014: 22.5 %). During the period, total equity was affected by positive translation differences of EUR 2.8 million, mainly from Indian rupees (INR).

The financing agreement signed by Tecnotree with its bank in 2013 contains loan covenants. Tecnotree had discussions in May with its bank concerning the state of these covenants. The company estimated then that the figures for the covenants on 30 June 2015 would not all be at the level stipulated in the financing agreement. The company intended to reach agreement with the bank in the same way as in 2014, when the bank agreed that failure to achieve the figures stated in the covenants would not result in the consequences specified in the financing agreement, such as the obligation to repay the loans. In the discussions with the bank, however, it was recognised that there was no need for a separate agreement on this matter because of the restructuring proceeding currently in progress at Tecnotree Corporation.

On the test date 30 June 2015 all covenants except for equity ratio complied with the requirements of the financing agreement. The next significant test date for the covenants will be on 31 December 2015. A sensitivity analysis of the covenants is presented in the table below. Overdue trade receivables are tested monthly. The other covenants are tested at six month intervals by using the last 12 months values. As a balance sheet item, equity ratio is tested using the values on 30 June 2015.

COVENANT	Meeting /failing to meet covenant	Needed improvement or amount below /above limit
Interest coverage	Met	Operating result 0.3 MEUR above limit
Leverage	Met	Operating result 4.8 MEUR above limit
Cash flow cover	Met	Cash flow after investments 4.2 MEUR above limit
Equity ratio	Failed to meet	Needed improvement in equity 15.3 MEUR
Capital expenditure	Met	Capital expenditure 1.2 MEUR below limit
Overdue trade receivables	Met	Overdue trade receivables 4.2 MEUR below limit

## SHAREHOLDERS' EQUITY OF PARENT COMPANY

After the interim financial statements of Tecnotree Group for the first half of 2015 were completed, it was realised that the shareholders' equity of the Group's parent company Tecnotree Corporation was negative. The company's Board of Directors has recognised the loss of shareholders' equity and delivered a statement concerning the matter to the Trade Register. The Group's shareholders' equity was EUR 14.7 million positive on 30 June 2015.

In its decision on 9 March 2015, the district court of Espoo ordered the corporate restructuring proceedings as prescribed in law to be started for Tecnotree Corporation. The proposal for the restructuring program must be deposited by 30 September 2015. If the court approves the restructuring program for the company and the cutting of its debts, the shareholder equity of Tecnotree Corporation will improve.

## BUSINESS DESCRIPTION

Tecnotree is a global supplier of telecom IT solutions, providing products, services and solutions for charging, billing, customer care, and messaging and content services. The company's product portfolio comprises virtually the full range of business management systems for telecom operators, with standard solutions for fixed networks, mobile services and broad band and for managing subscriptions, services and cash flows for prepaid and post-paid customers. Tecnotree's solutions enable communication service providers to expand their business by creating digital market places, individual service packages and personalised subscriptions, and increase added value throughout their customers' life cycles.

Tecnotree's business is based on system project sales, system maintenance and on customising, support and operating services. Tecnotree has a strong footing especially in developing markets such as Latin America, Africa and the Middle East.

## SEGMENT INFORMATION

The operating segments under IFRS 8 reported by Tecnotree are the geographical areas, which are Europe & Americas (Europe and North, Central and South America) and MEA & APAC (Middle East and Africa, Asia Pacific). This is because their results are monitored separately in the company's internal financial reporting. Tecnotree's chief operating decision maker, as referred to in IFRS 8, is the Group's management board.

The operating segments have changed in 2015. The former segments Americas (North, Central and South America) and Europe have been combined to form a single segment called



Europe & Americas, and the former segments MEA (Middle East and Africa) and APAC (Asia Pacific) have also been combined to form a single segment called MEA & APAC. The segment figures for the comparative period have been correspondingly adjusted.

Net sales and the result for the operating segments are presented based on the location of customers. The result for the operating segments includes the costs that can be allocated to the segments, being costs of sales and marketing, customer service and delivery functions as well as product development. Costs for product management and administration, depreciations, taxes and financial items are not allocated.

The segment results have been amended during the period to include costs for product development. Similarly, the segment results in the comparative periods have been changed.

## GEOGRAPHICAL AREAS

Tecnotree Group operates in the following geographical areas: Europe & Americas (Europe and North, Central and South America) and MEA & APAC (Middle East and Africa, Asia Pacific).

### Europe & Americas

Operations in the market area developed positively and net sales increased 28.5 per cent from the previous year to EUR 16.9 (13.1) million. The focus in business switched from delivery projects with a long time scale to the service business and deliveries with shorter deadlines. The change in focus meant that the order book for the area declined 52.8 per cent from the previous year to EUR 9.8 (20.8) million. Sales comprised expansions and upgrades of solutions installed for current customers, the renewal of annual maintenance contracts, and partial implementation of new orders.

### MEA & APAC

The positive developments in business continued, supported by the strong order book. Net sales increased 33.3 per cent from the previous year, to EUR 17.3 (13.0) million. The order book rose 6.7 % from the previous year, standing at EUR 27.6 (25.9) million at the end of the period. The growth in the order book focused in particular on Tecnotree's newest Customer Lifecycle Management and Unified Product Catalogue products. Sales in the period comprised expansions and upgrades of solutions installed for current customers, the renewal of annual maintenance contracts, and partial implementation of new orders.

## PERSONNEL

At the end of June 2015 Tecnotree employed 939 (31 December 2014: 993) persons, of whom 92 (31 December 2014: 89) worked in Finland and 847 (31 December 2014: 904) elsewhere. The company employed on average 963 (1,047) people during the review period. Personnel by country were as follows:

PERSONNEL	1-6/2015	1-6/2014	1-12/2014
Personnel, at end of period	<b>939</b>	1,052	993
Finland	<b>92</b>	94	89
Ireland	<b>49</b>	51	51
Brazil	<b>25</b>	31	31
Argentina	<b>38</b>	45	35
India	<b>694</b>	784	743
Yhdistyneet arabiemiirikunnat	<b>37</b>	35	32
Other countries	<b>4</b>	12	12
Personnel, average	<b>963</b>	1,047	1,038
Personnel expenses (MEUR)	<b>17.0</b>	16.2	33.6

## SHARES AND SHARE CAPITAL

At the end of June 2015 the shareholders' equity of Tecnotree Group stood at EUR 14.7 (31 December 2014: 16.9) million and the share capital was EUR 1.3 million. The total number of shares was 122,628,428.

At the end of the period, the company did not hold any own shares. Equity per share was EUR 0.12 (31 December 2014: EUR 0.14).

A total of 55,963,556 Tecnotree shares (EUR 6,076,429) were traded on the Helsinki Exchanges during the period 1 Jan – 30 June 2015, representing 45.6 per cent of the total number of shares.

The highest share price quoted in the period was EUR 0.20 and the lowest EUR 0.07. The average quoted price was EUR 0.11 and the closing price on 30 June 2015 was EUR 0.11. The market capitalisation of the share stock at the end of the period was EUR 13.9 million.

## CURRENT AUTHORISATIONS

The Annual General Meeting of Tecnotree Corporation held on 14 April 2015 authorized the Board of Directors in accordance with the proposal of the Board of Directors to decide to issue and/or to convey a maximum of 100,000,000 new shares and/or the company's own shares either against payment or for free. New shares may be issued and the company's own shares may be conveyed to the company's shareholders in proportion to their current shareholdings in the company or waiving the shareholder's pre-emption right, through a directed share issue if the company has a weighty financial reason to do so. The Board of Directors may also decide on a free share issue to the company itself. The Board of Directors is, within the limits of the authorization, authorized to grant special rights referred to in Chapter 10, Section 1 of the Companies Act, which carry the right to receive, against payment, new shares of the company or the company's own shares held by the company in such a manner that the subscription price of the shares is paid in cash or by using the subscriber's receivable to set off the subscription price. The Board of Directors shall decide on other terms and conditions related to the share issues and granting of the special rights. The said authorisations will be valid for one year from the decision of the Annual General Meeting. The Board of Directors has not exercised this authorisation during the review period.

## RESTRUCTURING PROCEEDINGS

On 5 March 2015 Tecnotree Corporation filed an application with the district court of Espoo for debt restructuring proceedings. The court decided on 9 March 2015 to commence the corporate restructuring proceedings. The extraordinary meeting of shareholders of Tecnotree Corporation held on 27 March 2015 decided to approve the application made by the Board of Directors and to continue with the restructuring proceedings.

Tecnotree Corporation's business operations have been loss-making for several years, the cash situation remained tight during 2014, and on 31 December 2014 the shareholders' equity of the parent company fell below half of the share capital. The Company has actively searched for a solution to improve its financial standing and carefully studied different options for solving the situation. As the result, the Company came to the conclusion that it would be in the best interest of the Company and its shareholders for the Company to apply for restructuring proceedings in accordance with the Act on Restructuring of Enterprises. The Company considers that its difficulties are temporary in nature, and that the restructuring proceedings would in the Company's assessment make it possible to remedy the Company's financing and equity structure and thus secure the long-term continuation of the Company's business operations. If it takes place, the restructuring will ease the debt liability of the Company and consequently will also improve the shareholders' equity.

On 9 March 2015 the district court appointed Mr. Jari Salminen, Attorney-at-Law, from JB Eversheds Oy as the administrator in respect of the restructuring process. Creditors must state their claims (receivables) in writing to the administrator by 7 April 2015, if the amounts differ from the ones announced by the debtor. The administrator must send a statement on the financial status of the debtor to the interested parties by 5 May 2015. The administrator must prepare and deliver his proposed restructuring programme to the district court of Espoo by 30 September 2015. Tecnotree Corporation has to comply with the restructuring programme to be confirmed through court proceedings. This requires a sufficient cash inflow, in other words payments by customers.

Filing the application for restructuring has no direct impact on Tecnotree's business operations, and the Company is continuing to carry out agreed customer projects and to serve its customers as usual.

## RISKS AND UNCERTAINTY FACTORS

The risks and uncertainty factors for Tecnotree are explained in the 2014 Board of Directors' Report and in the notes to the Financial Statements.

### Risks and uncertainties in the near future

Tecnotree's risks and uncertainties in the near future relate to projects, to their timing, to receivables from the recognition of partial deliveries and for sales, to changes in foreign exchange rates and to financing. Having sufficient cash funds is the biggest single risk. The financing agreement contains covenants that create risk. More details are given in the section "Financing, cash flow and balance sheet" above.

The company has sales in several countries where the country's central bank has a shortage of foreign currency. This causes additional delays in payments, costs and even the risk of not receiving payment at all.

On 30 June 2015 the Group's shareholders' equity stood at EUR 14.7 million. However, the shareholders' equity of the parent company was EUR 1.1 million negative.

### **Restructuring proceedings**

Tecnotree Corporation filed an application for debt restructuring proceedings with the district court of Espoo on 5 March 2015. The court decided on 9 March 2015 to commence the corporate restructuring proceedings. The district court appointed Mr. Jari Salminen, Attorney-at-Law, from JB Eversheds Oy as the administrator in respect of the restructuring process. Creditors must state their claims (receivables) in writing to the administrator by 7 April 2015, if the amounts differ from those stated by the debtor. The administrator must send a statement on the financial status of the debtor to the interested parties by 5 May 2015. The administrator must prepare and deliver his proposed restructuring programme to the district court of Espoo by 30 September 2015. Tecnotree Corporation has to comply with the programme approved by the court. This involves risk. Tecnotree is responsible for all its liabilities in full after the date of application for restructuring proceedings. This requires a sufficient cash inflow, in other words payments by customers.

After filing its application for restructuring proceedings, Tecnotree has had problems in individual cases, in particular with companies from which Tecnotree has made purchases. Customers may also be afraid of the risks relating to Tecnotree, which may have some impact on future orders.

## **EVENTS AFTER THE END OF THE PERIOD**

### **Postponing of the draft restructuring program for Tecnotree Corporation**

The district court of Espoo decided on 9 March 2015 to commence the corporate restructuring proceedings concerning Tecnotree Corporation in accordance with the Act on Restructuring of Enterprises. The district court appointed Mr. Jari Salminen, Attorney-at-Law, from JB Eversheds Oy as the administrator in respect of the restructuring process. The court decided that a draft restructuring program should be submitted to the district court of Espoo by 6 July 2015.

The district court of Espoo decided on 3 July 2015 at the request of the administrator to postpone the deadline for submitting the draft restructuring program till 30 September 2015. The contents of the request were as follows:

"The administrator appointed in respect of the restructuring process requests that the district court postpones the deadline for submitting the draft restructuring program till 30 September 2015.

It is not possible to compile a draft restructuring program by the 6 July 2015 deadline because:

- the company is doing business in several continents causing the evaluations to take more time;
- the definition of the amount of secured debt is pending; and
- the financial statements for the financial year ended 31 March 2015 of Tecnotree Convergence Private Limited, a subsidiary in India, have not been completed yet. Tecnotree Convergence Private Limited forms an integral part of the group activities.

Compiling of the draft restructuring program has progressed and no obstacles for creating an implementable restructuring program and reorganization of the business have come up in the evaluations during the restructuring process. “

## **PROSPECTS IN 2015**

Tecnotree estimates that its operating result will improve from 2014. Variations in the quarterly figures will be considerable.

## **FINANCIAL INFORMATION**

Tecnotree is holding a conference for analysts, investors and the media to present its interim report on 13 August 2015 at 10.00 am in the Tapiola conference room at the Scandic Hotel Simonkenttä, Simonkatu 9, Helsinki. The interim report will be presented by CEO Ilkka Raiskinen and the conference will be held in Finnish. The material to be presented at the press conference will be available at [www.tecnotree.com](http://www.tecnotree.com).

## **TECNOTREE CORPORATION**

### **Board of Directors**

## **FURTHER INFORMATION**

Mr Ilkka Raiskinen, CEO, tel. +358 (0)45 311 3113

Mr Tuomas Wegelius, CFO, tel. +358 (0)400 433 228

## **DISTRIBUTION**

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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.

CONSOLIDATED INCOME STATEMENT, MEUR	Note	4-6/ 2015	4-6/ 2014	1-6/ 2015	1-6/ 2014	1-12/ 2014
NET SALES	2	17.1	11.7	34.2	26.1	74.0
Other operating income		0.0	0.1	0.1	0.1	0.1
Materials and services		-2.0	-1.7	-3.1	-4.5	-11.9
Employee benefit expenses		-8.3	-8.4	-17.0	-16.2	-33.6
Depreciation, amortisation and		-0.2	-0.3	-0.5	-0.6	-1.1
Other operating expenses		-5.2	-5.8	-11.1	-11.1	-24.4
OPERATING RESULT	2	1.5	-4.3	2.5	-6.1	3.3
Financial income		-0.1	0.1	0.8	0.1	0.4
Financial expenses		-0.4	-1.2	-4.7	-3.2	-6.0
RESULT BEFORE TAXES		1.0	-5.5	-1.4	-9.2	-2.4
Income taxes		-2.7	-0.7	-3.6	-1.8	-6.9
RESULT FOR THE PERIOD		-1.7	-6.2	-5.0	-11.0	-9.3
Allocated to:						
Equity holders of parent company		-1.7	-6.2	-5.0	-11.0	-9.3
Non-controlling interest		0.0	-0.0	-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	-0.05	-0.04	-0.09	-0.08
Earnings per share, diluted, EUR		-0.01	-0.05	-0.04	-0.09	-0.08
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, MEUR		4-6/ 2015	4-6/ 2014	1-6/ 2015	1-6/ 2014	1-12/ 2014
RESULT FOR THE PERIOD		-1.7	-6.2	-5.0	-11.0	-9.3
Other comprehensive income:						
Items that may be reclassified subsequently to profit or loss:						
Translation differences from foreign oper.		-2.7	0.6	3.1	2.2	4.7
Tax relating to translation differences		0.2	-0.0	-0.3	-0.1	-0.3
Other comprehensive income, net of tax		-2.6	0.6	2.8	2.1	4.4
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		-4.3	-5.6	-2.2	-9.0	-4.9
Allocated to:						
Equity holders of parent company		-4.3	-5.6	-2.2	-8.9	-4.9
Non-controlling interest		0.0	-0.0	-0.0	-0.0	-0.0

CONSOLIDATED BALANCE SHEET	Note	30.6.2015	30.6.2014	31.12.2014
<b>Assets</b>				
Goodwill		<b>17.7</b>	15.7	16.6
Other intangible assets		<b>0.3</b>	0.4	0.4
Tangible assets		<b>3.5</b>	4.1	3.8
Deferred tax assets		<b>1.7</b>	0.5	0.9
Other non-current trade and other receivables		<b>1.3</b>	1.0	1.1
<b>Current assets</b>				
Inventories		<b>0.8</b>	1.0	0.5
Trade receivables		<b>8.3</b>	16.0	15.2
Other receivables		<b>35.7</b>	25.2	33.8
Investments		<b>0.0</b>	0.0	0.1
Cash and cash equivalents		<b>5.6</b>	3.1	2.5
<b>TOTAL ASSETS</b>		<b>74.9</b>	67.0	75.0
<b>Shareholders' equity</b>				
		<b>14.7</b>	12.7	16.9
<b>Non-current liabilities</b>				
Deferred tax liabilities		<b>3.4</b>	2.7	3.4
Non-current interest-bearing liabilities	3	<b>0.0</b>	0.0	0.0
Other non-current liabilities		<b>1.8</b>	1.1	1.2
<b>Current liabilities</b>				
Current interest-bearing liabilities	3	<b>32.3</b>	33.4	31.8
Trade payables and other liabilities		<b>22.7</b>	17.2	21.7
<b>EQUITY AND LIABILITIES, TOTAL</b>		<b>74.9</b>	67.0	75.0

CALCULATION OF CHANGES IN  
SHAREHOLDERS' EQUITY, MEUR

MEUR	A	B	C	D	E	F	G	H	I	J
SHAREHOLDERS' EQUITY 1 JAN 2015	4.7	0.8		-8.5	1.6	2.3	15.8	16.8	0.1	16.9
Result for the period							-5.0	-5.0	-0.0	-5.0
Other comprehensive income:										
Translation differences, net of tax				2.8				2.8		2.8
Total comprehensive income for the period				2.8			-5.0	-2.2	-0.0	-2.2
Sharebased payments							0.0	0.0		0.0
Transactions with shareholders, total							0.0	0.0		0.0
Covering of loss	-3.4				-2.1		5.5	-0.0		-0.0
					0.5	-0.3	-0.2	0.0		0.0
Other changes							0.0	0.0	0.0	0.0
<b>SHAREHOLDERS' EQUITY 30 JUNE 2015</b>	<b>1.3</b>	<b>0.8</b>	<b>0.0</b>	<b>-5.7</b>	<b>0.0</b>	<b>2.0</b>	<b>16.1</b>	<b>14.6</b>	<b>0.1</b>	<b>14.7</b>
Me	A	B	C	D	E	F	G	H	I	J
SHAREHOLDERS' EQUITY 1 JAN 2014	4.7	0.8	-0.1	-12.9	5.5	2.3	21.3	21.7	0.1	21.7
Result for the period							-11.0	-11.0	-0.0	-11.0
Other comprehensive income:										
Translation differences, net of tax				2.1				2.1		2.1
Total comprehensive income for the period				2.1			-11.0	-8.9	-0.0	-9.0
Disposal of own shares			0.1				-0.0	0.0		0.0
Sharebased payments							-0.0	-0.0		-0.0
Transactions with shareholders, total							-0.0	-0.0		-0.0
Covering of loss					-3.8		3.8	0.0		0.0
Other changes							-0.1	-0.1	0.0	-0.1
<b>SHAREHOLDERS' EQUITY 30 JUNE 2014</b>	<b>4.7</b>	<b>0.8</b>	<b>0.0</b>	<b>-10.8</b>	<b>1.6</b>	<b>2.3</b>	<b>14.0</b>	<b>12.6</b>	<b>0.0</b>	<b>12.7</b>

A = Share capital

B = Share premium fund

C = Own shares

D = Translation differences

E = Invested non-restricted equity reserve

F = Other reserves

G = Retained earnings

H = Total equity attributable to equity holders of parent company

I = Non-controlling interest

J = Total shareholders' equity



CONSOLIDATED CONDENSED CASH FLOW STATEMENT, MEUR	4-6/ 2015	4-6/ 2014	1-6/ 2015	1-6/ 2014	1-12/ 2014
Cash flow from operating activities					
Result for the period	-1.7	-6.2	-5.0	-11.0	-9.3
Adjustments of the result	4.4	1.9	6.9	5.8	13.9
Changes in working capital	2.3	4.2	6.0	3.1	-0.3
Interest paid	-0.7	0.0	-0.8	-0.1	-0.2
Interest received	0.1	0.0	0.1	0.1	0.1
Income taxes paid	-1.6	-0.8	-3.6	-1.8	-5.9
Net cash flow from operating activities	2.7	-0.9	3.6	-3.9	-1.7
Cash flow from investing activities					
Investments in intangible assets		0.0		-0.1	-0.1
Investments in tangible assets	-0.0	-0.3	-0.1	-0.4	-0.7
Proceeds from disposal of intangible and tangible assets	-0.0	0.1	0.0	0.1	0.1
Changes in other securities	0.1	0.5	0.1	0.6	0.5
Interest received from other securities	0.0	0.0	0.0	0.0	0.0
Net cash flow from investing activities	0.1	0.3	0.0	0.1	-0.1
Cash flow from financing activities					
Borrowings received	1.5	1.6	1.8	1.6	2.8
Repayments of borrowings	-1.0		-1.3		-2.8
Changes in credit facilities in use					
Changes in pledged cash deposits	-0.8		-0.8		
Interest paid	-0.1	-0.9	-0.2	-1.3	-2.4
Net cash flow from financing activities	-0.5	0.7	-0.6	0.3	-2.4
Increase (+) and decrease (-) in cash and cash eq	2.4	0.2	3.0	-3.5	-4.2
Cash and cash equivalents at beg. of period	3.4	2.9	2.5	6.6	6.6
Impact of changes in exchange rates	-0.1	0.0	0.1	-0.0	0.2
Cash and cash equivalents at end of period	5.6	3.1	5.6	3.1	2.5

## 1. ACCOUNTING PRINCIPLES FOR THE FINANCIAL REPORT

This interim report has been prepared in accordance with the international financial reporting standard IAS 34 Interim Financial Reporting. The formulas for calculating the key figures presented and the accounting principles for the interim report are the same as the principles published in the 2014 Annual Report. The new and revised IFRS regulations that came into force on 1 January 2015 have not had a significant impact on the accounting principles and basis for preparing the interim report.

### Going concern basis

The uncertainty factors relating to Tecnotree's operations are explained in the 2014 financial statements and in the section "Risks and uncertainty factors" above. The company has significant uncertainty factors relating to the continuity of its operations. In practice these risks are related to financing. In addition Tecnotree has a risk affected by the negative shareholders' equity of the parent company. This is explained above in the section "Risks and uncertainties in the near future". Tecnotree observes the going concern principle. It is estimated that the restructuring proceedings will have a stabilising effect on the company's operations.

## 2. SEGMENT INFORMATION

The operating segments under IFRS 8 reported by Tecnotree are the geographical areas, which are Europe & Americas (Europe and North, Central and South America) and MEA & APAC (Middle East and Africa, Asia Pacific). This is because their results are monitored separately in the company's internal financial reporting. Tecnotree's chief operating decision maker, as referred to in IFRS 8, is the Group's management board.

The operating segments have changed in 2015. The former segments Americas (North, Central and South America) and Europe have been combined to form a single segment called Europe & Americas, and the former segments MEA (Middle East and Africa) and APAC (Asia Pacific) have also been combined to form a single segment called MEA & APAC. The segment figures for the period for comparison have been correspondingly adjusted.

Net sales and the result for the operating segments are presented based on the location of customers. The result for the operating segments includes the costs that can be allocated to the segments, being costs of sales and marketing, customer service and delivery functions as well as product development. Costs for product management and administration, depreciations, taxes and financial items are not allocated.

The segment results have been amended during the period to include costs for product development. Similarly, the segment results in the comparative periods have been changed.

OPERATING SEGMENTS	1-6/2015	1-6/2014	1-12/2014
<b>NET SALES, MEUR</b>			
Americas (North, Central and South America)	<b>16.9</b>	13.1	42.0
APAC (Asia Pacific)	<b>17.3</b>	13.0	32.0
<b>TOTAL</b>	<b>34.2</b>	26.1	74.0
<b>RESULT, MEUR</b>			
Americas (North, Central and South America)	<b>4.2</b>	0.6	12.4
APAC (Asia Pacific)	<b>4.9</b>	1.0	6.9
<b>TOTAL</b>	<b>9.1</b>	1.6	19.2
Non-allocated items	<b>-6.3</b>	-7.7	-15.5
<b>OPERATING RESULT BEFORE R&amp;D CAPITALISATION &amp; AMORTISATION AND ONE-TIME COSTS</b>			
One-time costs	<b>-0.3</b>	0.0	-0.4
<b>OPERATING RESULT</b>	<b>2.5</b>	-6.1	3.3

### 3. INTEREST-BEARING LIABILITIES

At the end of the review period, Tecnotree had a long-term bank loan of EUR 21.8 million (31 December 2014: 21.8), a short-term bank loan of EUR 0.5 million as well as a fully used credit facility of EUR 10.0 million (31 December 2014: 10.0) to finance working capital. The company had all its credit facilities in use at the end of the review period.

The credit facility is long-term in nature and in force until 30 June 2018, but is based on financing individual customer receivables. Financing taken under the credit facility falls due on payment of the receivables for which they were taken, but is renewed by financing new receivables. This is the reason for presenting the credit facility as current liability in the balance sheet.

Likewise the long-term in nature loan is classified as current in the balance sheet, because the financing agreement signed with its bank in 2013 by Tecnotree contains loan covenants. The financing agreement signed by Tecnotree with its bank in 2013 contains loan covenants.

Tecnotree had discussions in May with its bank concerning the state of these covenants. The company estimated then that the figures for the covenants on 30 June 2015 would not all be at the level stipulated in the financing agreement. The company intended to reach agreement with the bank in the same way as in 2014, when the bank agreed that failure to achieve the figures stated in the covenants would not result in the consequences specified in the financing agreement, such as the obligation to repay the loans. In the discussions with the bank, however, it was recognised that there was no need for a separate agreement on this matter because of the restructuring proceeding currently in progress at Tecnotree Corporation.

INTEREST-BEARING LIABILITIES, MEUR	30.6.2015	30.6.2014	31.12.2014
Loans from financial institutions, 1 Jan	31.8	31.8	31.8
Raised loans	1.8	0.8	2.0
Repayments of loans	-1.3	0.0	-2.0
Changes in credit facilities in use			
Loans from financial institutions, end of period	32.3	32.6	31.8
Loans from related parties, 1 Jan	0.0	0.0	0.0
Raised loans		0.8	0.8
Repayments of loans			-0.8
Loans from related parties, end of period	0.0	0.8	0.0
Interest-bearing liabilities total	32.3	33.4	31.8

## 4. RELATED PARTY TRANSACTIONS

Tecnotree'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, and those entities in which these people have control.

In June 2014 Tecnotree raised a variable-interest short-term loan with market-based conditions of EUR 0.8 million from certain shareholders in the company who are related parties. The company repaid these loans in December.

Except for the above mentioned transactions and regularly paid salaries and fees as well as ordinary intra-group transactions, Tecnotree has not entered any significant transactions with related parties during the review period or previous year.

## 5. CONTINGENT LIABILITIES

CONSOLIDATED CONTINGENT LIABILITIES, MEUR	30.6.2015	30.6.2014	31.12.2014
On own behalf			
Real estate mortgages	4.4	4.4	4.4
Corporate mortgages	45.3	45.3	45.3
Pledged deposits	0.8		
Pledged trade and other receivables related to construction contracts	18.2	19.8	20.3
Guarantees	0.2	0.3	0.2
Other liabilities			
Disputed income tax liabilities in India	1.4	0.4	1.3
OTHER OPERATING LEASES, MEUR	30.6.2015	30.6.2014	31.12.2014
Minimum rents payable based on other leases that cannot be cancelled:			
Other operating leases			
Less than one year	0.9	0.9	0.7
Between one and five years	0.4	0.5	0.3

DERIVATIVE CONTRACTS, MEUR	30.6.2015	30.6.2014	31.12.2014
Currency call options, fair value (negative)	-0.0	-0.0	-0.1
Currency call options, value of underlying instruments	0.1	18.7	8.4
Currency put options, fair value (positive)	0.1	0.0	0.0
Currency put options, value of underlying instruments	0.1	17.6	7.8
Interest rate swap, fair value (negative)	-0.4	-0.5	-0.5
Interest rate swap, value of underlying instruments	14.5	14.5	14.5

In addition, the shares of the Indian subsidiary held by the parent company are pledged. These shares have a book value of EUR 35.4 million in the parent company. The net assets of the Indian subsidiary in the consolidated balance sheet are EUR 48.1 million.

## 6. KEY FIGURES

CONSOLIDATED KEY FINANCIAL FIGURES	1-6/2015	1-6/2014	1-12/2014
Return on investment, %	13.9	-24.0	7.1
Return on equity, %	-63.4	-128.4	-48.2
Equity ratio, %	19.6	18.9	22.5
Net gearing, %	181.3	238.8	172.7
Investments, MEUR	0.1	0.5	0.7
% of net sales	0.1	2.0	1.0
Research and development, MEUR	6.7	6.8	12.0
% of net sales	19.5	26.2	16.2
Order book, MEUR	37.4	46.7	38.9
Personnel, average	963	1,047	1,038
Personnel, at end of period	939	1,052	993

CONSOLIDATED KEY FIGURES PER SHARE	1-6/2015	1-6/2014	1-12/2014
Earnings per share, basic, EUR	-0.04	-0.09	-0.08
Earnings per share, diluted, EUR	-0.04	-0.09	-0.08
Equity per share, EUR	0.12	0.10	0.14
Number of shares at end of period, x 1,000	122,628	122,628	122,628
Number of shares on average, x 1,000	122,628	122,581	122,605
Share price, EUR			
Average	0.11	0.22	0.19
Lowest	0.07	0.19	0.13
Highest	0.20	0.26	0.26
Share price at end of period, EUR	0.11	0.19	0.14
Market capitalisation of issued stock at end of period, MEUR	13.9	23.5	17.0
Share turnover, million shares	56.0	23.9	44.6
Share turnover, % of total	45.6	19.5	36.3
Share turnover, MEUR	6.1	5.3	8.7
Price/earnings ratio (P/E)			-1.8

QUARTERLY KEY FIGURES	2Q/15	1Q/15	4Q/14	3Q/14	2Q/14	1Q/14
Net sales, MEUR	<b>17.1</b>	17.1	24.2	23.7	11.7	14.4
Net sales, change %	<b>45.6</b>	18.9	20.6	35.7	-47.7	3.1
Adjusted operating result <sup>1</sup>	<b>1.5</b>	1.4	5.1	4.7	-4.3	-1.8
% of net sales	<b>8.6</b>	8.0	21.3	19.8	-36.9	-12.3
Operating result, MEUR	<b>1.5</b>	1.1	4.7	4.7	-4.3	-1.8
% of net sales	<b>8.6</b>	6.2	19.4	19.8	-36.9	-12.3
Result before taxes, MEUR	<b>1.0</b>	-2.4	4.0	2.8	-5.5	-3.7
Personnel at end of period	<b>939</b>	970	993	1,059	1,052	1,042
Earnings per share, basic, EUR	<b>-0.01</b>	-0.03	0.00	0.01	-0.05	-0.04
Earnings per share, diluted, EUR	<b>-0.01</b>	-0.03	0.00	0.01	-0.05	-0.04
Equity per share, EUR	<b>0.12</b>	0.15	0.14	0.13	0.10	0.15
Net interest-bearing liabilities, MEUR	<b>26.7</b>	28.2	29.2	31.4	30.3	28.4
Order book, MEUR	<b>37.4</b>	48.1	38.9	52.7	46.7	49.1

<sup>1</sup> Adjusted operating result = operating result before one-time costs. Details of these are given in the section "Result analysis".