

# TECNOTREE

A photograph of three business professionals in a meeting. A woman in a white blazer is pointing at a tablet held by a man in a light blue shirt. Another woman is partially visible on the right. The background is a bright office setting. The image is partially obscured by a dark blue triangle in the bottom right corner.

## Short Report Q3 2016

# TECNOTREE CORPORATION SHORT REPORT

## 1 JAN – 30 SEP 2016 (UNAUDITED)

28 October 2016 at 8:30 am

According to the Finnish Securities Market Act, chapter 7, sections 10 and 11, listed companies are obliged to publish a half-year report of the first six months of the fiscal year. However, as from 2016 it is no longer obligatory to publish interim reports after three months and nine months. Tecnotree announced on 26 November 2015 that it would publish summary versions of the 1-3/2016 and 1-9/2016 reports, which would contain the figures for the period with a short commentary on them and a summary of the events in the period. This is therefore not an interim report as defined in IAS 34.

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.

### Challenging quarter and cost savings continue

KEY FIGURES	7-9/ 2016	7-9/ 2015	1-9/ 2016	1-9/ 2015	1-12/ 2015
Net sales, MEUR	16.2	17.7	45.4	51.9	76.5
Adjusted operating result, MEUR <sup>1</sup>	1.8	2.7	0.5	5.6	12.0
Operating result, MEUR	0.8	2.7	-0.5	5.3	11.7
Result before taxes, MEUR	-0.3	3.8	-5.4	2.4	7.8
Adjusted result for the period, MEUR <sup>2</sup>	-0.8	-0.0	-7.0	-3.4	0.6
Result for the period, MEUR	-1.1	1.9	-8.2	-3.1	0.2
Earnings per share, basic, EUR	-0.01	0.02	-0.07	-0.03	0.00
Order book, MEUR			23.9	33.7	26.8
Cash flow after investments, MEUR	-2.4	-1.7	-4.7	1.9	6.3
Change in cash and cash equivalents, MEUR	-2.1	-2.3	-5.3	0.7	4.2
Cash and cash equivalents, MEUR			1.0	3.2	6.4
Equity ratio %			11.4	18.8	23.9
Net gearing %			399.8	204.7	145.2
Personnel at end of period			892	932	934

<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 that are included in financial items and mainly arise on receivables due to subsidiaries from the parent company.

With reference to the new guidelines on alternative performance measures issued by the European Securities and Markets Authority (ESMA), Tecnotree uses the alternative performance measures “adjusted operating result” and “adjusted result for the period”. These measures are defined in the footnote to the above table, and in the table “Income statement, Key figures” under the section “Result analysis”.

Unless otherwise stated, all figures presented below are for the review period 1-9/2016 and the figures for comparison are for the corresponding period 1-9/2015.

### **CEO Padma Ravichander:**

The company’s focus during this review period were – holding on to revenue levels and cost optimization. The company was able to achieve both these objectives. The revenue for Q3 2016 was almost identical to that of Q2 2016.

One of the highlights of the quarter was winning a new customer, a South East African operator to deliver a full BSS transformation project. The order is worth USD 8 million and deliveries are expected to be completed in 2017.

The multi-year strategic project will see Tecnotree deploying a complete BSS platform transformation based on Tecnotree Agility™ Enterprise Suite of products, comprising of Unified Product Catalog, Customer Lifecycle Management, Convergent Billing System, Loyalty & Campaign Management System and Tecnotree Application Platforms. The operator has initiated this project to offer unmatched omni-channel customer experience to drive customer value across their quad play offerings on GSM, FXL, ISP and IPTV.

The total net sales of the third quarter was down by EUR 1.5 million compared to previous year and for the January–September review period EUR 6.5 million, mainly due to weak South America market. Last year at this time, currency exchange gains totalling EUR 1.8 million were recorded in net sales and in the result, mainly due to strengthening of USD. This year the corresponding figure was a currency exchange loss of EUR 0.7 million, so these figures had a negative impact EUR 2.5 million when comparing the results.

The other objective of the quarter was cost optimization including reduction of personnel by 100 man years, yielding a savings of EUR 5 million per year. The company has begun the implementation of the cost saving measures and the full impact of all these actions will be visible in the coming year 2017.

The most important single event in the third quarter for Tecnotree was the revised restructuring programme filed by the Administrator with the court on 30 September 2016. This reduces the uncertainty surrounding the issue and clarifies the company’s situation. If the program is approved, the Group’s debt will be cut by EUR 6.7 million, and EUR 2.4 million of recognized interest costs will be cancelled.

## SALES AND NET SALES

Tecnotree's net sales for the review period were EUR 45.4 (51.9) million.

Net sales in the review period included EUR 0.7 million currency exchange losses, whereas in the comparative period EUR 1.8 million currency exchange gains were recorded. These arose mainly from the fluctuations 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	7-9/ 2016	7-9/ 2015	1-9/ 2016	1-9/ 2015	1-12/ 2015
Revenue from contract work recognised by stage of completion (IAS 11)	7.3	4.7	16.4	15.8	23.5
Revenue from maintenance and support (IAS 18)	6.8	7.6	21.6	23.1	31.1
Revenue from goods and services (AS 18)	2.2	5.5	8.0	11.1	19.4
Currency exchange gains and losses	-0.2	-0.1	-0.7	1.8	2.4
<b>TOTAL</b>	<b>16.2</b>	<b>17.7</b>	<b>45.4</b>	<b>51.9</b>	<b>76.5</b>

NET SALES BY MARKET AREA, MEUR	7-9/ 2016	7-9/ 2015	1-9/ 2016	1-9/ 2015	1-12/ 2015
Europe & Americas	5.9	8.3	18.6	25.2	35.0
MEA & APAC	10.3	9.4	26.7	26.6	41.4
<b>TOTAL</b>	<b>16.2</b>	<b>17.7</b>	<b>45.4</b>	<b>51.9</b>	<b>76.5</b>

CONSOLIDATED ORDER BOOK, MEUR	30.9. 2016	30.9. 2015	31.12. 2015
Europe & Americas	7.5	8.2	7.0
MEA & APAC	16.3	25.4	19.8
<b>TOTAL</b>	<b>23.9</b>	<b>33.7</b>	<b>26.8</b>

## 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	7-9/ 2016	7-9/ 2015	1-9/ 2016	1-9/ 2015	1-12/ 2015
Net sales	16.2	17.7	45.4	51.9	76.5
Other operating income	0.0	0.0	0.1	0.1	0.1
Operating costs excluding one-time costs	-14.4	-15.0	-45.0	-46.4	-64.6
Adjusted operating result	1.8	2.7	0.5	5.6	12.0
One-time costs	-1.0		-1.0	-0.3	-0.3
OPERATING RESULT	0.8	2.7	-0.5	5.3	11.7
Financial items without foreign currency differences	-0.8	-0.9	-3.6	-3.2	-3.5
Income taxes	-0.8	-1.8	-2.8	-5.4	-7.6
Adjusted result for the period	-0.8	-0.0	-7.0	-3.4	0.6
Foreign currency differences included in financial items	-0.3	2.0	-1.2	0.3	-0.3
RESULT FOR THE PERIOD	-1.1	1.9	-8.2	-3.1	0.2

The impact of the restructuring proceedings currently in process at Tecnotree Corporation has not been recorded separately in the interim financial statements. Their impact will be determined after the court has processed the restructuring programme proposal that was filed on 30 March 2016 and amended on 30 September 2016. The suggested cutting of debt included in the proposal filed on 30 September 2016, would have a positive impact of EUR 6.7 million on the result. In addition, EUR 2.4 million in interest provisions on interest-bearing liabilities recorded by 30 September 2016 would be cancelled.

Tecnotree's net sales for the review period decreased 12.5 per cent to EUR 45.4 (51.9) million. Net sales in the review period included EUR 0.7 million currency exchange losses, whereas in the comparative period EUR 1.8 million currency exchange gains were recorded. These arose mainly from the fluctuations of the US dollar against the euro.

Costs for subsidiaries in the consolidated income statement decreased EUR 2.9 million from the period for comparison because of the weakening of the subsidiary company currencies.

The costs for the review period include one-time costs of EUR 1.0 million arising from redundancies.

Negative foreign currency differences of EUR 1.2 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. 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 1.4 million negative in the review period.

Financial income and expenses (net) during the review period totalled a net loss of EUR 4.9 million (net loss of EUR 2.9 million). Here is a breakdown of these:

FINANCIAL INCOME AND EXPENSES, MEUR	7-9/ 2016	7-9/ 2015	1-9/ 2016	1-9/ 2015	1-12/ 2015
Interest income	0.1	-0.0	0.1	0.0	0.0
Exchange rate gains	0.0	2.1	0.0	0.8	0.3
Other financial income	0.0	0.1	0.0	0.1	0.3
<b>FINANCIAL INCOME, TOTAL</b>	<b>0.1</b>	<b>2.1</b>	<b>0.2</b>	<b>0.9</b>	<b>0.6</b>
Interest expenses	-0.6	-0.5	-2.0	-1.4	-1.9
Exchange rate losses	-0.3	-0.1	-1.2	-0.5	-0.6
Other financial expenses	-0.3	-0.5	-1.8	-1.9	-2.0
<b>FINANCIAL EXPENSES, TOTAL</b>	<b>-1.2</b>	<b>-1.1</b>	<b>-5.1</b>	<b>-3.8</b>	<b>-4.4</b>
<b>FINANCIAL ITEMS, TOTAL</b>	<b>-1.1</b>	<b>1.0</b>	<b>-4.9</b>	<b>-2.9</b>	<b>-3.8</b>

Other financial expenses, that is excluding interest expenses and exchange rate losses, totalled EUR 1.8 million. EUR 1.7 million of this relates to the additional costs for using an exceptional procedure to repatriate funds from Nigeria.

Taxes for the period totalled EUR 2.8 (5.4) million, including the following items:

TAXES IN INCOME STATEMENT, MEUR	7-9/ 2016	7-9/ 2015	1-9/ 2016	1-9/ 2015	1-12/ 2015
Withholding taxes paid abroad	-0.8	-1.7	-2.9	-4.5	-6.3
Change in withholding tax accrual	0.0	0.1	0.5	0.1	-2.4
Income taxes on the results of Group companies	-0.1	-0.5	-0.4	-0.9	-0.8
Prior year taxes	-0.0	0.2	-0.0	-0.6	-1.4
Change in deferred tax asset in India	-0.0	-0.3	0.0	0.7	-0.4
Change in deferred tax liability based on:					
- dividend tax in India		-0.5		-0.3	3.7
Other items					-0.0
<b>TAXES IN INCOME STATEMENT, TOTAL</b>	<b>-0.8</b>	<b>-2.7</b>	<b>-2.8</b>	<b>-5.4</b>	<b>-7.6</b>

Earnings per share were EUR -0.07 (-0.03). Equity per share at the end of the period was EUR 0.07 (31 December 2015: EUR 0.14).

## PERSONNEL

At the end of September 2016 Tecnotree employed 892 (31 December 2015: 934) persons, of whom 107 (31 December 2015: 105) worked in Finland and 785 (31 December 2015: 829) elsewhere. The company employed on average 919 (956) people during the review period. Personnel by country were as follows:

PERSONNEL	1-9/2016	1-9/2015	1-12/2015
Personnel, at end of period	892	932	934
Finland	107	99	105
Ireland	29	44	46
Brazil	16	22	22
Argentina	36	39	37
India	622	649	648
United Arab Emirates	23	36	33
Other countries	59	43	43
Personnel, average	919	956	950
Personnel expenses (MEUR)	24.9	25.4	33.5

## 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 district court appointed Mr. Jari Salminen, Attorney-at-Law, from Eversheds Attorneys Ltd as the administrator in respect of the restructuring process. The administrator delivered his proposed restructuring programme to the district court of Espoo on 30 March 2016, and an amended proposed restructuring programme on 30 September 2016.

The Administrator considers that the draft restructuring programme filed on 30 September 2016 will result in a more favourable outcome for the creditors compared to bankruptcy. The Administrator's view is that if implemented, the draft restructuring programme would lead to the Company's operations being rehabilitated.

Compared to the restructuring programme proposal filed to the District Court of Espoo on 30 March 2016, the programme is no longer based so strongly on the realization of the Company's assets but rather on the operative cash-flow of the Company.

The essential content of the draft restructuring programme is as follows:

- At the moment, the total amount of the restructuring debts to be taken into account in the restructuring proceedings is approximately EUR 73.9 million. The Company has intragroup restructuring debts approximately EUR 36.7 million. According to the Administrator's draft programme the intragroup restructuring debts will be fully cut. In addition, the Company has EUR 13.2 million unsecured debt. The total amount of the restructuring debts includes also approximately EUR 23.8 million secured debts out of which approximately EUR 7.9 million is secured by business mortgage. The Administrator is proposing that the unsecured restructuring debts be cut by 50% which would leave 50% of the amount of such debt to be repaid.
- The draft restructuring programme does include a provision on a duty to make supplementary payments on restructuring debts with no priority if the Company's actual cash flow exceeds the projected cash flow during the payment programme.
- Payments under the restructuring programme will end on 30 June 2025. The payments are broken down in appendix 15 of the draft restructuring programme. The company pays EUR 0.1 million in 2016, correspondingly EUR 1.5 million in 2017 and EUR 2.0 million in 2018.

If the draft restructuring programme is approved, the group will record a one-off positive income effect of approximately EUR 6.7 million as a result of debt rearrangement. In addition, the company will cancel provisions for interest expenses. A total of EUR 2.4 million of these had been accrued by 30 September 2016.

The approval and entry into force of the draft programme are conditional upon Tecnotree Corporation's General Meeting approving the draft programme.

## RISKS AND UNCERTAINTY FACTORS

The risks and uncertainty factors for Tecnotree are explained in the 2015 Board of Directors' Report and in the notes to the Financial Statements.

Tecnotree's risks and uncertainties in the near future relate to financing, projects, to their timing, to trade receivables and receivables from construction contracts and to changes in foreign exchange rates. Having sufficient cash funds is the biggest single risk and during the third quarter, the financial situation was very tight.

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.

Tecnotree Corporation's restructuring proceedings are still in progress. The administrator delivered his revised restructuring program to the district court of Espoo on 30 September 2016. The proposed restructuring programme contains obligations concerning the sale of the Company's property. The court will take the decision on this matter later. In case an acceptable restructuring plan does not come into force, the company will have to pay its creditors in full for its debts in the restructuring process. The Company is also obliged to fulfil the terms of the restructuring programme, which includes risk.

At the end of September 2016, the Group's shareholders' equity stood at EUR 8.1 million. However, the shareholders' equity of the parent company remains negative.

## PROSPECTS IN 2016

The company estimates that its net sales and operating result will be clearly lower than in the previous year. The weak state of the market in Latin America is a particular factor in this decline. The company continues to be financially very constrained and the liquidity will remain very tight. Tecnotree started a cost savings plan with the target to reduce personnel costs by EUR 5.0 million, representing 100 man years. A part of the savings will happen in 2016 when one-time costs for these actions will also happen. The savings will have a full impact in 2017.

As in previous years, variations in the quarterly figures are estimated to be considerable.

## FINANCIAL INFORMATION

Tecnotree is holding a conference for analysts, investors and the media to present its short financial report on 28 October 2016 at 10.00 am in the Tapiola conference room at the Scandic Hotel Simonkenttä, Simonkatu 9, Helsinki. The result will be presented by CEO Padma



Ravichander and the conference will be held in English. 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**

Mrs. Padma Ravichander, CEO, tel. +97 156 414 1420

Ms Kirsti Parvi, CFO, tel. +358 (0)50 517 4569

### **Distruibution**

NASDAQ Helsinki Ltd

Main media

[www.tecnotree.com](http://www.tecnotree.com)

## 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	7-9/ 2016	7-9/ 2015	1-9/ 2016	1-9/ 2015	1-12/ 2015
NET SALES	16.2	17.7	45.4	51.9	76.5
Other operating income	0.0	0.0	0.1	0.1	0.1
Materials and services	-0.7	-1.1	-3.9	-4.2	-7.9
Employee benefit expenses	-8.4	-8.4	-24.9	-25.4	-33.5
Depreciation, amortisation and impairment	-0.2	-0.2	-0.7	-0.7	-1.0
Other operating expenses	-6.1	-5.3	-16.5	-16.4	-22.5
OPERATING RESULT	0.8	2.7	-0.5	5.3	11.7
Financial income	0.1	2.1	0.2	0.9	0.6
Financial expenses	-1.2	-1.1	-5.1	-3.8	-4.4
RESULT BEFORE TAXES	-0.3	3.8	-5.4	2.4	7.8
Income taxes	-0.8	-1.8	-2.8	-5.4	-7.6
RESULT FOR THE PERIOD	-1.1	1.9	-8.2	-3.1	0.2
Allocated to:					
Equity holders of parent company	-1.1	1.9	-8.2	-3.1	0.2
Non-controlling interest	0.0	0.0	0.0	0.0	0.0

CONSOLIDATED BALANCE SHEET	30.9.2016	30.9.2015	31.12.2015
Assets			
Goodwill	17.1	17.2	17.5
Other intangible assets	0.5	0.6	0.6
Tangible assets	3.2	3.3	3.6
Deferred tax assets	0.6	1.6	0.6
Other non-current trade and other receivables	1.2	1.4	1.3
Current assets			
Inventories	0.7	1.2	0.5
Trade receivables	14.5	12.1	12.1
Other receivables	32.4	33.4	31.9
Investments	0.0	0.0	0.0
Cash and cash equivalents	1.0	3.2	6.4
TOTAL ASSETS	71.2	74.2	74.6
Shareholders' equity			
	8.1	14.0	17.8
Non-current liabilities			
Deferred tax liabilities	0.0	3.6	0.0
Non-current interest-bearing liabilities	0.4	0.0	0.5
Other non-current liabilities	2.0	1.8	1.8
Current liabilities			
Current interest-bearing liabilities	33.1	31.8	31.8
Trade payables and other liabilities	27.6	23.0	22.8
EQUITY AND LIABILITIES, TOTAL	71.2	74.2	74.6

CONSOLIDATED CONDENSED CASH FLOW STATEMENT, MEUR	7-9/ 2016	7-9/ 2015	1-9/ 2016	1-9/ 2015	1-12/ 2015
Cash flow from operating activities					
Result for the period	-1.1	1.9	-8.2	-3.1	0.2
Adjustments of the result	2.7	1.0	8.7	7.8	11.9
Changes in working capital	-2.5	-1.7	-1.6	4.3	2.9
Interest paid	-0.0	-0.5	-0.1	-1.3	-0.4
Interest received	0.0	0.1	0.1	0.1	0.0
Income taxes paid	-1.5	-2.0	-3.4	-5.6	-7.8
Net cash flow from operating activities	-2.4	-1.2	-4.6	2.3	6.9
Cash flow from investing activities					
Investments in intangible assets	0.0	-0.4	-0.0	-0.4	-0.4
Investments in tangible assets	-0.0	-0.1	-0.2	-0.2	-0.2
Proceeds from disposal of intangible and tangible assets	0.0	0.0	0.1	0.0	0.0
Changes in other securities		0.0		0.1	0.1
Interest received from other securities		0.0		0.0	0.0
Net cash flow from investing activities	-0.0	-0.5	-0.2	-0.5	-0.5
Cash flow from financing activities					
Borrowings received	1.2	0.6	2.1	2.4	2.9
Repayments of borrowings	-0.5	-1.1	-0.9	-2.4	-2.9
Changes in credit facilities in use					
Finance lease liabilities, repayments and interest	-0.0		-0.0		-0.0
Changes in pledged cash deposits	0.0	0.0	0.0	-0.8	-0.8
Interest paid	-0.4	-0.1	-1.8	-0.4	-1.3
Net cash flow from financing activities	0.4	-0.6	-0.6	-1.2	-2.1
Increase (+) and decrease (-) in cash and cash equivalents					
	-2.1	-2.3	-5.3	0.7	4.2
Cash and cash equivalents at beg. of period					
	3.1	5.6	6.4	2.5	2.5
Impact of changes in exchange rates					
	-0.0	-0.1	-0.1	-0.1	-0.3
Cash and cash equivalents at end of period					
	1.0	3.2	1.0	3.2	6.4

## KEY FIGURES

CONSOLIDATED KEY FINANCIAL FIGURES	1-9/2016	1-9/2015	1-12/2015
Return on investment, %	<b>-1.0</b>	17.5	24.7
Return on equity, %	<b>-84.6</b>	-26.5	1.4
Equity ratio, %	<b>11.4</b>	18.8	23.9
Net gearing, %	<b>399.8</b>	204.7	145.2
Investments, MEUR	<b>0.2</b>	0.5	1.2
% of net sales	<b>0.5</b>	1.0	1.5
Research and development, MEUR	<b>5.6</b>	9.9	13.0
% of net sales	<b>12.4</b>	19.0	17.0
Order book, MEUR	<b>23.9</b>	33.7	26.8
Personnel, average	<b>919</b>	956	950
Personnel, at end of period	<b>892</b>	932	934

QUARTERLY KEY FIGURES	Q3/16	Q2/16	Q1/16	Q4/15	Q3/15	Q2/15
Net sales, MEUR	<b>16.2</b>	16.2	13.0	24.6	17.7	17.1
Net sales, change %	<b>-8.6</b>	-5.4	-23.7	1.7	-25.3	45.6
Adjusted operating result <sup>1</sup>	<b>1.8</b>	1.0	-2.4	6.4	2.7	1.5
% of net sales	<b>11.3</b>	6.2	-18.3	25.9	15.5	8.6
Operating result, MEUR	<b>0.8</b>	1.0	-2.4	6.4	2.7	1.5
% of net sales	<b>5.2</b>	6.2	-18.3	25.9	15.5	8.6
Adjusted result for the period, MEUR <sup>2</sup>	<b>-0.8</b>	-1.1	-5.1	3.9	0.0	-2.9
Result for the period, MEUR	<b>-1.1</b>	-2.6	-4.8	3.3	1.9	-1.7
Personnel at end of period	<b>892</b>	926	922	934	932	939
Earnings per share, basic, EUR	<b>-0.01</b>	-0.02	-0.04	0.03	0.02	-0.01
Earnings per share, diluted, EUR	<b>-0.01</b>	-0.02	-0.04	0.03	0.02	-0.01
Equity per share, EUR	<b>0.07</b>	0.07	0.09	0.14	0.11	0.12
Net interest-bearing liabilities, MEUR	<b>32.5</b>	29.7	28.9	25.8	28.6	26.7
Order book, MEUR	<b>23.9</b>	29.8	28.2	26.8	33.7	37.4

<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 that are included in financial items and arise mainly on receivables due to subsidiaries from the parent company.