

# 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, out-of-focus office setting. The image is partially obscured by a dark blue triangle in the bottom right corner.

## Short Report Q1 2018

# TECNOTREE CORPORATION SHORT REPORT

## 1 JAN – 31 MAR 2018 (UNAUDITED)

Tecnotree is a global provider of IT solutions for the management of services, products, customers and revenue for Communications Service Providers. Tecnotree helps customers to monetise and transform their business towards a marketplace of digital services. Together with its customers, Tecnotree empowers people to self-serve, engage and take control of their own digital life.

### A CHALLENGING QUARTER – CONTINUED FOCUS ON INVESTMENT FUNDING

KEY FIGURES	1-3/ 2018	1-3/ 2017	1-12/ 2017
Net sales, MEUR	7,6	12,1	55,1
Adjusted operating result, MEUR <sup>1</sup>	-2,4	0,1	9,8
Operating result, MEUR	-2,4	-0,2	-8,0
Result before taxes, MEUR	-1,8	-1,3	-10,5
Adjusted result for the period, MEUR <sup>2</sup>	-2,8	-1,9	2,3
Result for the period, MEUR	-2,8	-2,2	-15,5
Earnings per share, basic, EUR	-0,02	-0,02	-0,13
Order book, MEUR	27,3	28,3	26,2
Cash flow after investments, MEUR	4,7	2,6	4,8
Change in cash and cash equivalents, MEUR	4,6	-2,1	-0,9
Cash and cash equivalents, MEUR	6,8	1,4	2,3
Equity ratio %	-41,3	16,3	-19,1
Net gearing %	N/A	255,7	N/A
Personnel at end of period	641	771	666

<sup>1</sup> Adjusted operating result = operating result before one-time items.

<sup>2</sup> 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 1-3/2018 and the figures for comparison are for the corresponding period 1-3/2017.

**CEO Padma Ravichander:**

“The financial result of the company for January-March 2018 was below expectation while the net cash inflow position improved.

At the top level, we reached the revenue of EUR 7.6 million, which is 52% lower than in the previous quarter and nearly 38% lower than the same quarter in 2017. Our first quarter revenue is typically lower than for other quarters because of the internal budget process at customers.

The revenue in Project was very low compared with the corresponding period last year based on the public tender offer process, which caused our customers to withhold their orders.

The revenue in Maintenance & Support was EUR 6.5 million (EUR 7.9 million). The decrease was mainly due to exchange rate changes, a maintenance discount, reduced value of maintenance in Southern America and implementation of IFRS 15. We have retained the Maintenance & Support service of our current customers, while not being able to get major new orders for projects.

The order book at the end of the period amounted to EUR 27.3 being approximately at the same level than the year before (EUR 28.3). The new orders received during the first quarter were quite low at EUR 8.6 million, i.e. almost half of the same in last year same quarter. The major reason for this was the public tender offer, because of which the customers were waiting for the process to come to a conclusion.

While the revenue was falling, we were quick enough to ensure that the costs were contained. The employee costs came down by 25% and the overall operating costs were down by 18%. With lower financial expenses - both one-time and other expenses - the net income for the quarter was EUR -2.8 million against EUR -2.2 million in the same quarter in 2017.

### **Prospects for the future**

After the cancellation of the public tender offer, we continue to seek new investment to address the ongoing concerns on our financial position. Finding a solution in financing would help us get the order book and sales back on track, as there are multiple opportunities in the pipeline for our Digital commerce, BSS Stack in new markets, among others.

Our operating environment still is challenging. We operate in countries facing exchange problems, and we also are dependent on a few major customers. The uncertainty related to the completion and timetable of Offeror’s tender offer resulted in delays in order intake. However, our Maintenance & Support revenue continues to be stable and has significant committed ongoing orders.

In order to balance the financials of the company, we will continue our ongoing exercise to optimize and lower costs.

Our major preference today is to continue efforts for finding a durable solution for financing so that we can ensure the company’s stable operations and further development.”

## **SALES AND NET SALES**

Tecnotree's net sales for the review period were EUR 7.6 (12.1) million.

The Company has selected to adopt the new IFRS 15 standard by using simplified retrospective method for transition. The impact of transition adjustment of EUR -1.1 million is recorded in retained earnings for financial period starting 1.1.2018. No adjustment done to comparative amounts in 2017.

SPECIFICATION OF NET SALES, MEUR	1-3/ 2018	1-3/ 2017	1-12/ 2017
Revenue from contract work recognised by stage of completion (IAS 11)		3,1	11,3
Revenue from maintenance and support (IAS 18)		7,9	31,2
Revenue from goods and services (IAS 18)		1,4	13,8
Revenue from maintenance and support (IFRS 15)	6,5		
Revenue from goods and services (IFRS 15)	1,1		
Currency exchange gains and losses	0,0	-0,3	-1,3
<b>TOTAL</b>	<b>7,6</b>	<b>12,1</b>	<b>55,1</b>

NET SALES BY MARKET AREA, MEUR	1-3/ 2018	1-3/ 2017	1-12/ 2017
Europe & Americas	2,8	4,5	24,2
MEA & APAC	4,8	7,7	30,9
<b>TOTAL</b>	<b>7,6</b>	<b>12,1</b>	<b>55,1</b>

CONSOLIDATED ORDER BOOK, MEUR	31.3. 2018	1-3/ 2017	31.12. 2017
Europe & Americas	8,8	9,0	10,7
MEA & APAC	18,5	19,4	15,5
<b>TOTAL</b>	<b>27,3</b>	<b>28,3</b>	<b>26,2</b>

Tecnotree's first quarter net sales are usually lower than average quarterly net sales. One reason for this is the internal budget process at customers, which results in investment decisions being taken in later quarters in the year.

## 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	1-3/ 2018	1-3/ 2017	1-12/ 2017
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Net sales	7,6	12,1	55,1
Other operating income	0,0	0,2	0,2
Operating costs excluding one-time costs	-10,0	-12,2	-45,5
Adjusted operating result	-2,4	0,1	9,8
One-time costs	0,0	-0,3	-17,8
OPERATING RESULT	-2,4	-0,2	-8,0
Financial items without foreign currency differences	-0,1	-0,4	-0,8
Exchange rate gains and losses in financial items	0,7	-0,8	-1,8
Income taxes	-1,0	-0,9	-5,0
Adjusted result for the period	-2,8	-1,9	2,3
One times income in financial items		-0,3	-17,8
RESULT FOR THE PERIOD	-2,8	-2,2	-15,5

Tecnotree's net sales for the review period decreased 37.7 per cent to EUR 7.6 (12.1) million.

Foreign currency differences of EUR 0.8 million (0.7 MEUR negative 2017) 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 0.8 million negative in the review period.

Financial income and expenses (net) during the review period totalled EUR 0.6 million (-1.1). Here is a breakdown of these:

FINANCIAL INCOME AND EXPENSES, MEUR	1-3/ 2018	1-3/ 2017	1-12/ 2017
Interest income	0,0	0,1	0,2
Exchange rate gains	1,0	0,1	0,1
Other financial income	0,0	0,0	0,0
FINANCIAL INCOME, TOTAL	1,0	0,2	0,4
Interest expenses	-0,1	-0,3	-0,6
Exchange rate losses	-0,2	-0,8	-1,9
Other financial expenses	0,0	-0,2	-0,4
FINANCIAL EXPENSES, TOTAL	-0,4	-1,3	-2,9
FINANCIAL ITEMS, TOTAL	0,6	-1,1	-2,5

Taxes for the period totalled EUR 1.0 (0.9) million, including the following items:

TAXES IN INCOME STATEMENT, MEUR	1-3/ 2018	1-3/ 2017	1-12/ 2017
Withholding taxes paid abroad	-1,4	-0,8	-4,6
Change in withholding tax accrual	0,6	0,0	0,2
Income taxes on the results of Group companies	-0,2	-0,1	-0,5
Prior year taxes	0,0	0,0	0,0
Change in deferred tax asset in India	0,0	0,0	-0,0
TAXES IN INCOME STATEMENT, TOTAL	-1,0	-0,9	-5,0

Earnings per share were EUR -0.02 (-0.02). Equity per share at the end of the period was EUR -0.09 (31 December 2017: EUR -0.05).

## PERSONNEL

At the end of March 2018 Tecnotree employed 641 (31 December 2017: 666) persons, of whom 65 (31 December 2017: 67) worked in Finland and 576 (31 December 2017: 599) elsewhere. The company employed on average 654 (792) people during the review period. Personnel by country were as follows:

PERSONNEL	1-3/2018	1-3/2017	1-12/2017
Personnel, at end of period	641	771	666
Finland	65	90	67
Ireland	0	14	0
Brazil	10	12	10
Argentina	43	44	46
India	447	540	453
United Arab Emirates	17	20	18
Other countries	59	51	72
Personnel, average	654	792	727
Personnel expenses (MEUR)	5,1	6,8	25,2

## EVENTS AFTER THE END OF THE PERIOD

On 16 April, the company announced the preliminary results of Viking Acquisition Corp's tender offer which expired on 13 April. As Viking's holding did not exceed the fully diluted 90% threshold, it had decided to extend the offer period until 30 April 2018.

On 25 April Tecnotree published the Auditors' report for 2017. In the report, the auditors wanted to draw attention to the accounting principles for the consolidated financial statements and for the parent company's financial statements that state that Tecnotree has significant uncertainty factors relating to the continuity of its operations. The company'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. Further, Tecnotree's liquidity has remained critical and having sufficient cash funds is the biggest single risk. The company has sales to 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. In addition, Tecnotree has the risk caused by negative equity in the parent company.

On 27 April Tecnotree announced that the uncertainty related to the completion and timetable of the tender offer of Viking is causing uncertainty among the company's customers and delays in order intake. Therefore it has become difficult to estimate the revenue and operational result and the company is unable to provide any guidance for 2018.

On 1 May, Tecnotree announced that Viking has supplemented the tender offer document relating to the profit warning issued by Tecnotree on 25 April 2018 and the audited financial statements and annual report for the financial year 2017.

On 2 May, Tecnotree announced that its remuneration and nomination committee will propose to the annual general meeting of Tecnotree to be held on 30 May 2018 that Mike Shinya and Andrew Price of Viking Acquisitions Corp. be nominated as members of the board of directors of Tecnotree.

On 4 May, it was announced that according to the final results of the extended period, the shares tendered during the offer period and the extended period amounted to 78,613,283 and represent approximately 64.1% of all the shares and votes in Tecnotree on a fully diluted basis as defined in the terms and conditions of the tender offer. Viking had acquired 29,321,685 Tecnotree shares outside the tender offer representing approximately 23.9% of all the shares and votes in Tecnotree, and together with the shares tendered during the offer period and the extended period a total of approximately 88.0% of all the shares and votes in Tecnotree.

According to the terms and conditions, the completion of the tender offer is subject to the valid tender of Tecnotree shares representing more than 90% of all the shares and voting rights in Tecnotree, together with any other Tecnotree shares acquired by the offeror, on a fully diluted basis. As the condition to completion of the tender offer of reaching the 90% threshold has not been met, the offeror has decided that it will not complete the tender offer.

On 9 May, Tecnotree published a notice to the shareholders of Tecnotree Corporation to the Annual General Meeting to be held on Wednesday 30 May 2018 at 11 a.m. at Tecnotree Corporation Headquarters, Finnooniityнкуја 7, Espoo, Finland.

## **PROSPECTS IN 2018**

The liquidity of the company is extremely tight and the financial situation and liquidity are critical. The company continues seeking long-term financing, which could be implemented through company or restructuring arrangements. The company also continues reducing operational costs further. The company's ability as going concern is dependent on the successful completion of getting new financing. Negotiations are on-going and will be continued.

Tecnotree does not provide an estimate for full year 2018 due to several uncertainty factors having impact on customer investments.

## **TECNOTREE CORPORATION**

### **Board of Directors**

### **FURTHER INFORMATION**

Further information, investors and media:

Padma Ravichander, CEO, tel +97 156 414 1420

Kirsti Parvi, CFO, tel +358 50 5174569



## 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/ 2018	1-3/ 2017	1-12/ 2017
<b>CONSOLIDATED INCOME STATEMENT, MEUR</b>			
NET SALES	7,6	12,1	55,1
Other operating income	0,0	0,2	0,2
Materials and services	-0,3	-1,0	-1,8
Employee benefit expenses	-5,1	-6,8	-25,2
Depreciation, amortisation and impairment charges	-0,2	-0,2	-17,4
Other operating expenses	-4,5	-4,6	-18,9
<b>OPERATING RESULT</b>	<b>-2,4</b>	<b>-0,2</b>	<b>-8,0</b>
Financial income	1,0	0,2	0,4
Financial expenses	-0,4	-1,3	-2,9
<b>RESULT BEFORE TAXES</b>	<b>-1,8</b>	<b>-1,3</b>	<b>-10,5</b>
Income taxes	-1,0	-0,9	-5,0
<b>RESULT FOR THE PERIOD</b>	<b>-2,8</b>	<b>-2,2</b>	<b>-15,5</b>
Allocated to:			
Equity holders of parent company	-2,8	-2,3	-15,6
Non-controlling interest	0,0	0,1	0,1
EPS calculated on the profit attributable to equity holders of parent company:			
Earnings per share, basic, EUR	-0,02	-0,02	-0,13
Earnings per share, diluted, EUR	-0,02	-0,02	-0,13

	31.3.2018	31.3.2017	31.12.2017
<b>CONSOLIDATED BALANCE SHEET</b>			
Assets			
Goodwill	0,0	18,1	0,0
Other intangible assets	0,2	0,4	0,3
Tangible assets	1,9	2,4	2,1
Deferred tax assets	0,6	0,9	0,6
Other non-current trade and other receivables	0,6	1,1	0,7
Current assets			
Inventories	0,6	0,9	0,5
Trade receivables	8,8	11,7	15,3
Other receivables	6,9	18,6	10,2
Investments	0,0	0,0	0,0
Cash and cash equivalents	6,8	1,4	2,3
<b>TOTAL ASSETS</b>	<b>26,3</b>	<b>55,5</b>	<b>31,8</b>
Shareholders' equity	-10,8	9,2	-6,1

<b>Non-current liabilities</b>			
Deferred tax liabilities	<b>0,0</b>	0,0	0,0
Non-current interest-bearing liabilities	<b>16,9</b>	23,2	17,0
Other non-current liabilities	<b>7,0</b>	8,7	7,3
<b>Current liabilities</b>			
Current interest-bearing liabilities	<b>1,0</b>	0,4	1,2
Trade payables and other liabilities	<b>12,0</b>	13,9	12,5
<b>EQUITY AND LIABILITIES, TOTAL</b>	<b>26,3</b>	55,5	31,8

<b>CONSOLIDATED CONDENSED CASH FLOW STATEMENT, MEUR</b>	<b>1-3/ 2018</b>	<b>1-3/ 2017</b>	<b>1-12/ 2017</b>
<b>Cash flow from operating activities</b>			
Result for the period	<b>-2,8</b>	-2,2	-15,5
Adjustments of the result	<b>0,8</b>	1,4	26,7
Changes in working capital	<b>9,6</b>	5,5	-0,9
Interest paid	<b>-1,0</b>	-0,8	-0,1
Interest received	<b>0,1</b>	0,1	0,2
Income taxes paid	<b>-1,9</b>	-1,4	-5,4
<b>Net cash flow from operating activities</b>	<b>4,8</b>	2,5	5,0
<b>Cash flow from investing activities</b>			
Investments in intangible assets	<b>0,0</b>	0,0	-0,1
Investments in tangible assets	<b>-0,0</b>	0,1	-0,1
Proceeds from disposal of intangible and tangible assets	<b>0,0</b>	0,0	0,0
Changes in other securities		0,0	0,0
Interest received from other securities			0,0
<b>Net cash flow from investing activities</b>	<b>-0,0</b>	0,1	-0,2
<b>Cash flow from financing activities</b>			
Borrowings received	<b>0,0</b>	1,2	0,1
Repayments of borrowings	<b>0,0</b>	-1,2	-6,3
Changes in credit facilities in use			
Finance lease liabilities, repayments and interest	<b>0,0</b>		-0,1
Changes in pledged cash deposits	<b>0,0</b>		1,0
Interest paid	<b>-0,1</b>	0,1	-0,5
<b>Net cash flow from financing activities</b>	<b>-0,1</b>	0,1	-5,7
<b>Increase (+) and decrease (-) in cash and cash equivalents</b>	<b>4,6</b>	-2,1	-0,9
Cash and cash equivalents at beg. of period	<b>2,3</b>	3,5	3,5
Impact of changes in exchange rates	<b>-0,1</b>	0,0	-0,3
<b>Cash and cash equivalents at end of period</b>	<b>6,8</b>	1,4	2,3

## KEY FIGURES

CONSOLIDATED KEY FINANCIAL FIGURES	1-3/2018	1-3/2017	1-12/2017
Return on investment, %	<b>-58,4</b>	-14,1	-32,2
Return on equity, %	<b>132,3</b>	-125,1	-674,3
Equity ratio, %	<b>-41,3</b>	16,3	-19,1
Net gearing, %	<b>N/A</b>	255,7	<b>N/A</b>
Investments, MEUR	<b>-0,1</b>	0,1	1,2
% of net sales	<b>-0,7</b>	1,0	2,1
Research and development, MEUR	<b>1,4</b>	1,3	13,0
% of net sales	<b>17,9</b>	10,5	23,6
Order book, MEUR	<b>27,3</b>	28,3	26,2
Personnel, average	<b>654</b>	792	727
Personnel, at end of period	<b>641</b>	771	666

QUARTERLY KEY FIGURES	Q1/18	Q4/17	Q3/17	Q2/17	Q1/17	Q4/16
Net sales, MEUR	<b>7,6</b>	15,6	12,2	15,1	12,1	14,7
Net sales, change %	<b>-37,7</b>	6,1	-24,5	-6,4	-6,8	-40,2
Adjusted operating result <sup>1</sup>	<b>-2,4</b>	4,4	1,6	3,6	-0,2	0,8
% of net sales	<b>-31,6</b>	28,4	13,4	23,6	-1,7	5,2
Operating result, MEUR	<b>-2,4</b>	-12,2	1,4	3,1	-0,2	-9,6
% of net sales	<b>-31,6</b>	-78,4	11,4	20,3	-1,7	-65,0
Adjusted result for the period, MEUR <sup>2</sup>	<b>-2,8</b>	2,6	0,3	1,9	-1,5	3,0
Result for the period, MEUR	<b>-2,8</b>	-14,1	0,1	1,4	-2,5	2,0
Personnel at end of period	<b>641</b>	666	696	719	771	818
Earnings per share, basic, EUR	<b>-0,02</b>	-0,11	0,00	0,01	-0,02	0,02
Earnings per share, diluted, EUR	<b>-0,02</b>	-0,11	0,00	0,01	-0,02	0,02
Equity per share, EUR	<b>-0,09</b>	-0,05	0,06	0,07	0,09	0,09
Net interest-bearing liabilities, MEUR	<b>11,2</b>	15,9	16,2	17,4	28,9	20,9
Order book, MEUR	<b>27,3</b>	26,2	25,4	30,4	28,3	24,9

<sup>1</sup> Adjusted operating result = operating result before one-time items.

<sup>2</sup> Adjusted result for the period = result for the period before one-time items.