

TECNOTREE

Powering the digital marketplace

Financial Report Q4 2018 and Full Year 2018



TECNOTREE CORPORATION FINANCIAL REPORT 1 JAN – 31 DEC 2017 (UNAUDITED)

IMPROVED PROFITABILITY RESULTS THROUGH STRONG COST MANAGEMENT

Fourth quarter 2018

- Fourth quarter net sales were EUR 12.1 (15.6) million.
- The adjusted operating result for the quarter was EUR 4.5 (4.4) million and the operating result 4.0 (-12.2) million.
- The adjusted result for the quarter was EUR 1.7 (2.6) million and result EUR 1.1 (-14.1) million
- The order book at the end of the period stood at EUR 21.1 (26.2) million.
- Fourth quarter cash flow after investments was EUR 0.9 (0.0) million.
- Earnings per share were EUR 0.01 (-0.11).
- One-time cost EUR 0.6 million related to redundancies.

Jan-Dec 2018

- Net sales for the financial period were EUR 41.9 (55.1) million.
- The adjusted operating result was EUR 5.9 (9.8) and the operating result 5.3 (-8.0) million.
- The adjusted result for the period was EUR 0.1 (2.3) million and the result EUR -0.5 (-15.5) million.
- Cash flow after investments for the financial period was EUR 1.3 million (4.8) and the company's cash and cash equivalents were EUR 4.2 (2.3) million.
- Earnings per share were EUR -0.00 (-0.13).
- One-time write of EUR 0,6 million related to redundancies (EUR 17,8 million including one-time goodwill write off EUR 16.7 million and EUR 1.1 million related to redundancies)

KEY FIGURES	10-12/ 2018	10-12/ 2017	1-12/ 2018	1-12/ 2017
Net sales, MEUR	12,1	15,6	41,9	55,1
Adjusted operating result, MEUR ¹	4,5	4,4	5,9	9,8
Operating result, MEUR	4,0	-12,2	5,3	-8,0
Result before taxes, MEUR	3,3	-12,6	4,4	-10,5
Adjusted result for the period, MEUR ²	1,7	2,6	0,1	2,3
Result for the period, MEUR	1,1	-14,1	-0,5	-15,5
Earnings per share, basic, EUR	0,01	-0,11	0,00	-0,13
Order book, MEUR			21,1	26,2
Cash flow after investments, MEUR	0,9	-0,0	1,3	4,8
Change in cash and cash equivalents, MEUR	1,1	0,1	1,9	-0,9
Cash and cash equivalents, MEUR			4,2	2,3
Equity ratio %			-22,8	-19,1
Net gearing %			-	-
Personnel at end of period			543	666

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

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

Significant transactions that are not part of the normal course of business, infrequently occurring events or valuation items that do not affect cash flow are treated as adjustment items affecting comparability between reporting periods. According to Tecnotree's definition, such items include, for example, impairment of assets and the remeasurement to fair value, the costs of closing down offices, restructuring measure and personnel related redundancy costs. Adjusted operating result included personnel related redundancies EUR 0.6 million (EUR 17.8 million divided to write-down of goodwill EUR 16.7 million and personnel related redundancies EUR 1.1 million). Adjusted result included one-time items included in operating result. For more details, see table income statement key figures on page 6.

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 above paragraph.

Unless otherwise stated, all figures presented below are for the financial period 1-12/2018 and the figures for comparison are for the corresponding period in 2017.

CEO Padma Ravichander

2018 – Prudent cost management yields strong profitability improvement

For Tecnotree, 2018 was a year, where we clearly demonstrated our resilience and ability to make massive turn-around of our results, especially in the second half of the year. While we showed stable performance on the revenue growth in Q4 we also improved our operating result significantly in the fourth quarter. This certainly confirms that we are on the right path to recovery and growth.

The company's long term viability, was further endorsed by the capital infusion that we received from Fitzroy Investments Limited during H2. This further strengthened our overall financial situation and the new investors believe in the company's overall turn-around and growth strategy.

The investment by Fitzroy also enhanced the confidence of our major customers and that has reflected in order volumes in Q3 and Q4 of 2018.

New Orders

Tecnotree was able to garner new orders and some of the major ones were

- Order for Wholesale Billing from Nepal Telecom for the International Roaming as a turnkey project
- Renewal of Maintenance contracts of EUR 1.9 million from a major operator in Middle East
- Delivery of a VAS platform for a new customer in Europe
- Renewal of Maintenance contract with Net One
- Implementation of Tecnotree My life Dashboard Self-care product in Mauritius Telecom

By focusing on our key customers in terms of high quality delivery and SLA compliance during 2018, we also won many accolades from our customers and they clearly stand as a testimony to our product features as well as to our stability and delivery competence.

We are now confident that our customers are convinced about the stability and our ability to deliver state-of-the-art products and excellent services, which will result in good new business opportunities.

Costs

Tecnotree has been increasing the efficiency of operations over the last few years, at the same time reducing the costs prudently. In 2018, the company continued to optimize costs. During the Q4-2018, Tecnotree completed the negotiations in Finland, which will result in further reduction of costs by EUR 2 million, the full impact of which will be realized in 2019.

Costs were optimized in other areas also, resulting in overall reduction in opex by 21% over the previous year.

Given that the company operates in emerging markets with multiple tax regimes, the withholding taxes continue to be a major concern. The company is trying to optimize the tax burdens and to ensure lesser tax impacts in the coming years.

To ensure the stable cash position the company continues to enforce restraint in all areas of expenditure and is focused on the aggressive and timely collection of the outstanding receivables.

2019 – The road ahead

In 2019, Tecnotree will strive to recover in terms of order intake and focus on profitable business growth by efficient cost management.

While expanding its market reach to new geographies, the company also will focus on delivering cutting-edge technology based Digital BSS 5.0 stack to new and existing customers and providing state-of-the-art digital transformation capabilities. Tecnotree's products will help the customers to grow revenue while reducing operational costs and will deliver superior speed of service.

NET SALES

Tecnotree's net sales for the financial period were EUR 41.9 (55.1) million, 23.9 % lower than a year ago. Revenue from goods and services decreased by EUR 12.4 million (including revenue from contract work recognized by stage of completion in 2017) and revenue from maintenance and support decreased EUR 1.9 million. The net sales was impacted by EUR 0.1 million of negative exchange rate differences (EUR 1.3 million negative), mainly due to the fluctuations of the US dollar against the euro.

Order book in end of the financial period stood at EUR 21.1 (26.2) million

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

SPECIFICATION OF NET SALES, MEUR	10-12/ 2018	10-12/ 2017	1-12/ 2018	1-12/ 2017
Revenue from contract work recognised by stage of completion (IAS 11)		2,0		11,3
Revenue from maintenance and support (IAS 18)		7,4		31,2
Revenue from goods and services (AS 18)		6,5		13,8
Revenue from maintenance and support (IFRS 15)	7,7		29,3	
Revenue from goods and services (IFRS 15)	4,8		12,7	
Currency exchange gains and losses	-0,4	-0,2	-0,1	-1,3

TOTAL	12,1	15,6	41,9	55,1
	10-12/ 2018	10-12/ 2017	1-12/ 2018	1-12/ 2017
NET SALES BY MARKET AREA, MEUR				
Europe & Americas	4,5	8,3	16,3	24,2
MEA & APAC	7,6	7,3	25,6	30,9
TOTAL	12,1	15,6	41,9	55,1
			31.12. 2018	31.12. 2017
CONSOLIDATED ORDER BOOK, MEUR				
Europe & Americas			4,8	10,7
MEA & APAC			16,3	15,5
TOTAL			21,1	26,2

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 review the financial results of the company on the result for more than one quarter.

Tecnotree reports its result as follows:

INCOME STATEMENT, KEY FIGURES, MEUR	Adjustments		Adjusted operating result and result for the period 2018	Adjustments		Adjusted operating result and result for the period 2017
	1-12/ 2018	1-12/ 2018		1-12/ 2017	1-12/ 2017	
Net sales	41,9			55,1		
Other operating income	0,1			0,2		
Operating costs	-36,7	0,6		-63,3	17,8	
OPERATING RESULT	5,3	0,6	5,9	-8,0	17,8	9,8
Financial items exclusive exchange rate items and adjustments	-1,1			-0,8		
Exchange rate gains and costs	0,3			-1,8		
Income taxes	-4,9			-5,0		
RESULT FOR THE PERIOD	-0,5	0,6	0,1	-15,5	17,8	2,3

Tecnotree's net sales for the financial period were EUR 41.9 (55.1). The adjusted operating result was 5.9 (9.8) million and the operating result EUR 5.3 (-8.0) million. The adjusted result for the period was EUR 0.1 million (2.3) and the result for the financial period was EUR -0.5 million (-15.5)

Tecnotree's fourth quarter net sales were EUR 12.1 (15.6) million. The adjusted operating result was 4.5 (4.4) million and the operating result EUR 4.0 (-12.2) million. The adjusted result was EUR 1.7 (2.6) and the result for the fourth quarter was EUR 1.1 million (-14.1).

In the fourth quarter, exchange rate differences were EUR -0.3 (-0.4) million and in the financial period EUR 0.3 (-1.8) million in the financial items. It is important to examine Tecnotree's result without the impact of exchange rates, which is why this is shown separately in the table above. Exchange rate differences in financial items include mainly exchange rate differences in group items that have no direct impact on the Group's cash flow.

Financial income and expenses (net) during the financial period totalled a net loss of EUR 0.8 million (net loss of EUR 2.5 million). Here is a breakdown of these:

FINANCIAL INCOME AND EXPENSES, MEUR	10-12/ 2018	10-12/ 2017	1-12/ 2018	1-12/ 2017
Interest income	0,3	0,1	0,3	0,2
Exchange rate gains	-0,6	0,0	0,5	0,1
Other financial income	0,0	0,0	0,0	0,0
FINANCIAL INCOME, TOTAL	-0,3	0,1	0,8	0,4
Interest expenses	-0,2	-0,0	-0,5	-0,6
Exchange rate losses	0,4	-0,4	-0,2	-1,9
Other financial expenses	-0,5	-0,0	-1,0	-0,4
FINANCIAL EXPENSES, TOTAL	-0,3	-0,5	-1,7	-2,9
FINANCIAL ITEMS, TOTAL	-0,6	-0,4	-0,8	-2,5

Taxes for the period totalled EUR 4.9 million (5.0) including the following items:

TAXES IN INCOME STATEMENT, MEUR	10-12/ 2018	10-12/ 2017	1-12/ 2018	1-12/ 2017
Withholding taxes paid abroad	-0,6	-1,2	-3,9	-4,6
Change in withholding tax accrual	-0,9	-0,2	0,1	0,2
Income taxes on the results of Group companies	-0,5	-0,0	-0,9	-0,5
Prior year taxes	0,0	0,0	-0,0	0,0
Change in deferred tax asset and liability in India	0,0	-0,0	0,0	-0,0
Other items	-0,2	0,0	-0,2	0,0
TAXES IN INCOME STATEMENT, TOTAL	-2,2	-1,5	-4,9	-5,0

Earnings per share were EUR -0.00 (-0.13). Equity per share at the end of the period was EUR -0.04 (-0.05).

FINANCING, CASH FLOW AND BALANCE SHEET

The liquidity of the company has been challenging during the year, however, new capital investments done to the company in autumn 2018 and beginning of 2019 have significantly improved the financial position of the company.

Tecnotree's working capital decreased during the period by EUR 1.7 (increased EUR 0.9) million:

CHANGE IN WORKING CAPITAL, MEUR (increase - / decrease +)	10-12/ 2018	10-12/ 2017	1-12/ 2018	1-12/ 2017
Change in trade and other receivables	0,7	5,2	4,9	2,8
Change in inventories	0,2	-0,2	0,3	0,4
Change in trade and other payables	-3,3	0,1	-3,5	-4,1
CHANGE IN WORKING CAPITAL, TOTAL	-2,5	5,1	1,7	-0,9

Project revenue is recognized in other receivables. When the agreement allows the customer to be invoiced, the receivables are regrouped in trade receivables.

Tecnotree's cash and cash equivalents totalled EUR 4.2 (2.3) million. Cash flow after investments for the financial period ended up EUR 1.3 million positive. The change in cash and cash equivalents for the financial period was EUR 1.9 million positive.

The balance sheet total on 31 December 2018 stood at EUR 26.7 (31.8) million. Tecnotree's investments during the financial period was EUR 0.0 (0.2) million or 0.0% (0.5%) of net sales. Interest-bearing liabilities were EUR 17.0 (18.2). The equity ratio was -24.3% (-19.1%). During the period, total equity was affected by negative translation differences of EUR 0.7 million (-1.2), mainly from Indian rupees (INR).

SHAREHOLDERS' EQUITY OF PARENT COMPANY

After the interim financial statements of Tecnotree Group for the first half of 2015 were completed, it was noticed 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 submitted a statement on this matter to the Trade Register. The parent company's shareholders' equity was EUR 7.7 million negative on 31 December 2018.

RISKS AND SHORT-TERM UNCERTAINTY FACTORS

Tecnotree's risks and uncertainties in the near future relate to development of net sales, projects, to their timing, to trade receivables and to changes in foreign exchange rates. Risks related to having sufficient cash funds and financing have reduced after new capital investments done to the company. Fitzroy subscribed for 52,555,040 new shares in the company with the total subscription price of 2.09 million euros at a price per share of about 0.04 euros. In

addition, Fitzroy has subscribed for 72,444,960 freely transferable warrants entitling, but not obligating, their holder to subscribe for 72,444,960 new shares in the company with the total subscription price of 2.91 million euros.

According to company's cash flow forecast its cash flow will be positive during the next 12 months period. This along with ensuring the going concern principle assumes net sales of the company to remain at the same level as in 2018 and cost management according to the plan.

Risks and uncertainty factors relating to business operations

As part of its strategic change and the streamlining of its business, Tecnotree is in the process of shifting the focus of its operations from services to product-based solutions. This change may involve risks, such as the time to develop new products, the timely market introduction of products, the competitive situation as well as the company's ability to respond to customer and market demand.

Dependence on key customers

Tecnotree's largest customers are much bigger businesses than the company itself and the two largest customers accounted for 84% of net sales in 2018 (88%). The relationship between the company and its major customers is one of interdependence, which offers business opportunities but also poses risks.

According to the company's view, new capital investments done to the company in autumn 2018 and beginning of 2019 return the confidence of the customers for the company and resonate in new orders.

Carrying out customer projects, profitability, forecasting

Certain commitments are associated with the project and maintenance agreements made by the company, and unforeseen costs may arise in the future from these agreements. The company aims to limit these commitments with limitation of liability clauses in customer contracts. In addition, the company has a current global liability insurance to cover any liabilities that may materialise in connection with customer projects in accordance with the insurance agreement.

Carrying out projects involves risks. They are contained for example in projects that require new product development, where creating new product features may prove more difficult than anticipated. Another problem with project sales arises from variations in net sales and profit during the different quarters of the year. Forecasting these variations is often difficult.

Risks relating to international operations, receivables and developing markets

Project deliveries result in large accounts receivable. Most of Tecnotree's net sales come from developing countries and some of these contain political and economic challenges. There is the risk of a considerable delay in the payment of invoices in these countries and that Tecnotree will have to record credit losses. Regulation by the authorities of foreign payment transactions and international sanctions hamper operations in certain countries. Various regulations can change frequently and may be ambiguous. In many countries it is common practice to delay payment of invoices. For these reasons forecasting customer payments is often unreliable and delays occur.

Exchange rate risks

Changes in exchange rates create risks especially in sales activities, but also in other income statement and balance sheet items and in cash flow. A significant part of the company's net sales is in US dollars. The exchange rate fluctuations of Indian Rupees also have a significant impact on the Group's net result because of the costs for the large number of employees in India and other costs denominated in rupees. Intra-group receivables and liabilities result exchange rate differences in the consolidated income statement, since the Group companies usually have different functional currencies.

Financing and liquidity risks

The cash position of the company has improved through capital investments. The company reduced its debt under debt restructuring payment programme by EUR 1.2 million during the period.

LIQUIDITY RISK 2018, Me	Balance sheet value	Cash flow	Overdue	0 - 3 months	3-12 months	1-3 years	Over 3 years
Guaranteed restructuring debts from financial institutions, interest-bearing	16,6	16,6		0,0	4,5	3,3	8,9
Interest payments on the loans	0,0	1,3		0,0	0,3	0,7	0,3
Trade payables	3,6	3,6	1,7	0,3	0,4	1,1	0,0
Non-interest bearing liabilities	4,0	4,0		0,0	0,3	1,6	2,1
Total	24,2	25,5	1,7	0,3	5,5	6,7	11,3

Overdue trade payables included EUR 1.1 million over 90 days overdue.

Grounds for observing the going concern principle

The grounds for observing the going concern principle are described in a separate section under accounting principles for the financial report.

Taxation

Operating in developing markets often involves problems relating to taxation. Local tax legislation can change rapidly and may be subject to conflicting interpretations. It is possible for the tax authorities in different countries to demand taxation of the same revenue. Withholding taxes are often imposed on sales of systems and services, and obtaining credit for this in the country receiving the revenue is not a clear case. In Finland Tecnotree has a large amount of tax-deductible costs from previous fiscal periods, which can be capitalized in taxation.

As a rule, Tecnotree applies the cost-plus method in its transfer pricing. This clarifies the taxable result recorded in different countries. When the Group makes a loss, however, the consequence is that it has to pay tax in countries where it has subsidiaries. In many cases, withholding taxes have to be paid for dividends, too.

BUSINESS DESCRIPTION

Tecnotree is a global supplier of telecom IT software products and solutions, for charging, billing, customer care, messaging and content management services. The company's product portfolio comprises virtually the full range (order-to-cash) of business management solutions 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.

Going forward in 2019 and beyond, we continue our transformation to a product company, with deep telecom experience, engaged in creating a continuous customer experience with signature Finnish design and quality excellence.

Our cloud enabled micro-services based interoperable products helps our customers to create a "digital marketplace" of their offerings, and an ecosystem of partner products and services that fosters true business value for subscribers.

Tecnotree's cutting-edge products enable communication service providers to expand their footprint and transform their business into that of a digital service provider, thus helping expand and increase their value to their large customer base.

Tecnotree's business is based on our product licenses, professional services for customization of our products, and maintenance and support services on our products to a global customer base. Tecnotree has an especially strong footprint in developing markets such as Americas, Africa and the Middle East, serving more than 700 million subscribers worldwide and supporting more than 65 operators/CSPs worldwide.

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.

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 to the segments.

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

The net sales in the market area declined from last year and was 16.3 million (24.2)

The legacy business decreased from last year but remained still solid. One new logo was won in the region. During the year, Tecnotree delivered the first Diameter Ro interface to provide operator's full VoLTE/VoWiFi prepaid service, building confidence on Tecnotree's abilities to fully support 5G oriented standards.

The year-end order book in the area stood at EUR 4.8 million (10.7).

MEA & APAC

The net sales in the market area declined from last year and was 25.6 million (30.9)

Business with the current customers remained strong and focused and concentrated efforts were directed towards opening new accounts in new geographies in the region. The traction build was progressive indicating generation of revenue in the subsequent year.

The year-end order book in the area grew from last year and stood at EUR 16.3 million (15.5).

PERSONNEL

At the end of December 2018 Tecnotree employed 543 (666) persons, of whom 56 (67) worked in Finland and 487 (599) elsewhere. The company employed on average 604 (727) people during the financial period. Personnel by country were as follows:

PERSONNEL	1-12/2018	1-12/2017
Personnel, at end of period	543	666
Finland	56	67
Brazil	10	10
Argentina	43	46
India	347	453
United Arab Emirates	14	18
Other countries	73	72
Personnel, average	604	727
Personnel expenses (MEUR)	-18,9	-25,2

SHARE AND PRICE ANALYSIS

At the end of December 2018 the shareholders' equity of Tecnotree Group stood at negative EUR 6.5 million (-6.1) and the share capital was EUR 1.3 (1.3) million. The total number of shares was 175,183,468 (122,628,428). At the end of the period, the company did not hold any own shares. Equity per share was EUR -0.04 (EUR -0.05).

A total of 48,184,720 Tecnotree shares (EUR 4,275,131) were traded on the Helsinki Exchanges during the period 1 January – 31 December 2018, representing 27.5 % of the total number of shares.

The highest share price quoted in the period was EUR 0.11 and the lowest EUR 0.04. The average quoted price was EUR 0.07 and the closing price on 31 December 2018 was EUR 0.05. The market capitalisation of the share stock at the end of the period was EUR 8.1 million.

CURRENT AUTHORISATIONS

The Board of Directors has two valid mandates.

Authorization granted by the AGM

The Annual General Meeting (the “AGM”) held on 30 May 2018 authorized 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.

The Board of Directors may also decide on a free share issue to the company itself. The number of shares issued to the company shall be a maximum of 1/10 of all the company’s shares. Further, the Board of Directors is authorized, within the limits of the above described authorization, to grant also special rights referred to in chapter 10, section 1 of the Companies Act.

The Board of Directors decides on the other terms and conditions related to the share issues and granting of the special rights. The authorization is valid for one year from the decision of the Annual General Meeting, i.e. until 30 May 2019.

The Board of Directors has not exercised this authorization during the financial period.

Authorization granted by the EGM

The Extraordinary General Meeting (the “EGM”) held 14 September 2017 authorized the Board of Directors to decide to issue and/or convey a maximum of 900,000,000 new shares and/or the company’s own shares either against payment or for free.

The Board of Directors may also decide on a free share issue to the company itself. The number of shares issued to the company shall be a maximum of 1/10 of all the company’s shares.

The Board of Directors is authorized, within the limits of the above described authorization, to grant also special rights referred to in chapter 10, section 1 of the Companies Act.

The authorization is valid no longer than five years from the decision of the EGM, i.e. until 14 September 2022. The authorization did not revoke the previous authorizations. The authorization granted by the Extraordinary General Meeting may also be used part of the company’s incentive schemes.

The Board of Directors has exercised this authorization during the financial period as follows:

The Board of Directors approved on 3 September 2018 the offer made on 2 September 2018 by Fitzroy Investments Limited ("Fitzroy") regarding an equity investment in the total amount of 5 million euros. Fitzroy subscribed for 52,555,040 new shares in the company with the total subscription price of 2.09 million euros at a price per share of about 0.04 euros. In addition, Fitzroy has subscribed for 72,444,960 freely transferable warrants entitling, but not obligating, their holder to subscribe for 72,444,960 new shares in the company with the total subscription price of 2.91 million euros at a price per share of about 0.04 euros prior 24 September 2019. The issuance of the shares and warrants was resolved by the Board of Directors of the company under the authorization granted by the Extraordinary General Meeting of the company on 14 September 2017. The company raised gross proceeds of 2.09 million euros and the subscribed shares represent approximately 29.99% ownership in the company.

RESTRUCTURING PROCEEDINGS

The District Court of Espoo has confirmed by a decision on 15 November 2016 the amended restructuring programme drafted by the administrator Jari Salminen as the payment program of the company.

The Company has followed the provisions of the payment program and has paid the payments to the creditors as stated in the payment program.

The total amount of the restructuring debts taken into account in the payment program was approximately 73.9 million euros. The amount of intragroup restructuring debts that was fully cut was approximately 36.7 million euros. The amount of normal unsecured restructuring debts was approximately 13.2 million euros that was cut off by 50 percent. The amount of the secured restructuring debts was approximately 23.8 million euros out of which approximately 7.9 million euros was secured by business mortgage.

On December 31, 2018, balance of the secured restructuring debts was 16.6 million euros and normal unsecured restructuring debts was 5.6 million euros. Payments under the payment program will end on 30 June 2025.

The restructuring programme includes a provision regarding a duty to make supplementary payments on the unsecured restructuring debts if the actual cash flow of Tecnotree Oyj exceeds the projected cash flow during the payment program.

Company's creditor Viking Acquisitions Corp. has claimed in the District Court of Espoo supplementary payments of EUR 1.95 million during the restructuring programme for years 2016 – 2017. The case will be dealt in the District Court during spring 2019. Viking has considered that the repatriation of receivables pledged by the Company to Nordea and Finnvera for approximately EUR 6 million must be taken into account in the Company's operational cash flow. The Company has made a supplementary payment calculation without taking into account the pledged receivables mentioned above.

Jari Salminen, the administrator of the company's restructuring programme, has considered that the receivables have not been taken into account in preparing the Company's restructuring budget and are therefore not taken into account when calculating the cash flow of the Company. The funds did not belong to the Company but to its creditors and the Company has no control over the funds. The repatriated funds have been credited directly to creditors without any cash flow / impact in supplementary payments in accordance with the terms of the restructuring programme approved by the District Court. The administrator considers that no supplementary payments will be made.

As stated in the restructuring programme, Tecnotree Oyj has committed to sell its real estate used as its office premises by 31.12.2019. The sale price shall be paid to the collateral holder Viking Acquisition Corp. The company has a right not to sell the real estate in the given time only if approved by the supervisor and Viking Acquisition Corp.

The District Court has appointed Attorney-at-Law Jari Salminen to supervise the implementation of the restructuring programme. The supervisor monitors the progress of the payment program and gives reports to the creditors.

EVENTS AFTER THE END OF THE PERIOD

Tecnotree announced on 25 January 2019 that Fitzroy Investments Limited had transferred a number of 50.000.000 million warrants to Luminos Sun Holding Limited. According to the information provided to Tecnotree by Luminos, Luminos is a company incorporated under the laws of the British Virgin Islands and its ultimate beneficial owner is Mr. Prakash K Aildasani. Luminos has further informed Tecnotree that it will exercise the warrants transferred to it within 15 days.

OUTLOOK FOR 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.

PROPOSAL CONCERNING THE RESULT

Considering the parent company's accumulated losses of EUR 6,839,442.02 in retained earnings, the Board of Directors proposes to the annual to the Annual General Meeting that no dividends will be paid for the financial period ended 31 December 2018.

FURTHER INFORMATION

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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	10-12/ 2018	10-12/ 2017	1-12/ 2018	1-12/ 2017
NET SALES		12,1	15,6	41,9	55,1
Other operating income		0,0	0,0	0,1	0,2
Materials and services		-0,8	-0,7	-2,3	-1,8
Employee benefit expenses		-4,2	-5,1	-18,9	-25,2
Depreciation, amortisation and impairment charges		-0,1	-16,8	-0,6	-17,4
Other operating expenses		-3,1	-5,3	-14,9	-18,9
OPERATING RESULT		4,0	-12,2	5,3	-8,0
Financial income		-0,3	0,1	0,8	0,4
Financial expenses		-0,3	-0,5	-1,7	-2,9
RESULT BEFORE TAXES		3,3	-12,6	4,4	-10,5
Income taxes		-2,2	-1,5	-4,9	-5,0
RESULT FOR THE PERIOD		1,1	-14,1	-0,5	-15,5
Allocated to:					
Equity holders of parent company		1,1	-14,1	-0,5	-15,5
Non-controlling interest		0,0	-0,0	0,0	0,1
EPS calculated on the profit attributable to equity holders of parent company:					
Earnings per share, basic, EUR		0,01	-0,11	0,00	-0,13
Earnings per share, diluted, EUR		0,01	-0,11	0,00	-0,13
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, MEUR		10-12/ 2018	10-12/ 2017	1-12/ 2018	1-12/ 2017
RESULT FOR THE PERIOD		1,1	-14,1	-0,5	-15,5
Other comprehensive income:					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement items on net defined benefit liability		-0,0	0,1	-0,0	0,1
Tax on items that will not be reclassified subsequently to profit or loss		0,0	-0,0	0,0	-0,0
Items that may be reclassified subsequently to profit or loss:					
Translation differences from foreign oper.		-0,5	0,8	-1,1	-1,8
Tax relating to translation differences		0,3	-0,3	0,4	0,6
Other comprehensive income, net of tax		-0,3	0,6	-0,8	-1,1
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		0,8	-13,5	-1,3	-16,6
Allocated to:					
Equity holders of parent company		0,8	-13,5	-1,3	-16,6

Non-controlling interest	0,0	0,0	0,0	0,0
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CONSOLIDATED BALANCE SHEET	31.12.2018	31.12.2017
Assets		
Goodwill	0,0	0,0
Other intangible assets	2,2	0,3
Tangible assets	-0,4	2,1
Deferred tax assets	0,6	0,6
Other non-current trade and other receivables	0,7	0,7
Current assets		
Inventories	0,1	0,5
Trade receivables	11,6	15,3
Other receivables	9,7	10,2
Investments	0,0	0,0
Cash and cash equivalents	4,2	2,3
TOTAL ASSETS	28,6	31,8
Shareholders' equity	-6,5	-6,1
Non-current liabilities		
Deferred tax liabilities	0,0	0,0
Non-current interest-bearing liabilities	12,5	17,0
Other non-current liabilities	7,7	7,3
Current liabilities		
Current interest-bearing liabilities	4,5	1,2
Trade payables and other liabilities	10,3	12,5
EQUITY AND LIABILITIES, TOTAL	28,6	31,8

CALCULATION OF CHANGES IN SHAREHOLDERS' EQUITY, MEUR

MEUR	A	B	C	D	E	F	G	H	I
SHAREHOLDERS' EQUITY 1 JAN 2018	1,3	0,8	-9,7	0,0	2,0	-0,8	-6,3	0,2	-6,1
Result for the period						-0,5	-0,5	0,0	-0,5
Other comprehensive income, net of tax:									
Remeasurement items							0,0		0,0
Translation differences			-0,7				-0,7		-0,7
Total compr. income for the period			-0,7			-0,5	-1,3	0,0	-1,3
Sharebased payments				2,1			2,1		2,1
Transactions with shareholders, total				2,1			2,1		2,1
IFRS 15 adjustment 1.1.						-1,1	-1,1		-1,1
Share issue expenses						-0,1	-0,1		-0,1
Other transfer between items					-0,0	-0,0	-0,0		-0,0
Other changes						-0,0	-0,0	-0,0	-0,0

SHAREHOLDERS' EQUITY 31 DEC 2018									
	1,3	0,8	-10,4	2,1	2,0	-2,6	-6,7	0,2	-6,5
Me	A	B	C	D	E	F	G	H	I
SHAREHOLDERS' EQUITY 1 JAN 2017	1,3	0,8	-8,5	0,0	2,0	14,9	10,6	0,1	10,7
Result for the period						-15,6	-15,6	0,1	-15,5
Other comprehensive income:									
Remeasurement items						-0,0	0,1		0,1
Translation differences, net of tax			-1,2		-0,0		-1,2		-1,2
Total compr. income for the period			-1,2		-0,0	-15,6	-16,7	0,1	-16,6
Sharebased payments						0,0	0,0		0,0
Transactions with shareholders, total						0,0	0,0		0,0
Covering of loss							0,0		0,0
Transfer to legal reserve					-0,0		-0,0		-0,0
Other changes				-0,0		-0,1	-0,1	0,0	-0,1
SHAREHOLDERS' EQUITY 31 DEC 2017									
	1,3	0,8	-9,7	0,0	2,0	-0,8	-6,3	0,2	-6,1

A = Share capital

B = Share premium fund

C = Translation differences

D = Invested non-restricted equity reserve

E = Other reserves

F = Retained earnings

G = Total equity attributable to equity holders of parent company

H = Non-controlling interest

I = Total shareholders' equity

CONSOLIDATED CONDENSED CASH FLOW STATEMENT, MEUR	10-12/ 2018	10-12/ 2017	1-12/ 2018	1-12/ 2017
Cash flow from operating activities				
Operating profit	4,0	-12,2	5,3	-15,5
Depreciation and amortization	0,1	16,8	0,6	26,7
Adjustment to cashflow	-0,1	2,0	-0,1	-0,9
Changes in working capital	-2,5	-5,5	1,7	-0,1
Financial income and expenses	0,7	0,2	-0,5	0,2
Income taxes paid	-1,3	-1,1	-5,6	-5,4
Net cash flow from operating activities	1,0	0,1	1,4	5,0
Cash flow from investing activities				

Capital expenditure on non-current tangible and intangible assets	0,1	-0,1	-0,0	-0,2
Proceeds from sale of tangible and intangible non-current assets	-0,1	0,0	0,0	0,0
Net cash flow from investing activities	-0,0	-0,1	-0,0	-0,2
Cash flow from financing activities				
Withdrawal of loans	0,0	0,1	0,0	0,1
Repayment of loans	-0,4	-0,1	-1,7	-5,3
Other change in equity	0,5	0,0	2,3	-0,7
Net cash flow from financing activities	0,1	-0,0	0,5	-5,8
Increase (+) and decrease (-) in cash and cash equivalents				
	1,0	0,1	1,9	-0,9
Cash and cash equivalents at beg. of period	3,1	2,1	2,3	3,5
Cash and cash equivalents at end of period	4,2	2,3	4,2	2,3

1. ACCOUNTING PRINCIPLES FOR THE FINANCIAL REPORT

This financial 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 financial report are the same as the principles published in the 2017 Annual Report.

Going concern basis

Uncertainty factors

The uncertainty factors relating to Tecnotree's operations are explained in the section "Risks and uncertainty factors" above. Tecnotree has risk relating to negative equity in the mother company.

Grounds for observing the going concern principle

The consolidated financial statements of Tecnotree Corporation in year 2018 have been prepared in accordance with the going concern principle. New capital investments done to the company in autumn 2018 and beginning of 2019 have significantly improved the financial position of the company. According to company's cash flow forecast its cash flow will be positive during the next 12 months period. This along with ensuring the going concern principle assumes net sales of the company to remain at the same level as in 2018 and cost management according to the plan.

In 2019, based on the company's sales forecast projections and new capital investment funds received, it will cautiously invest on product portfolio and market expansion plans while continuously ensuring careful monitoring and management of operational costs to ensure cash

resilience and profitability quarter on quarter. Tecnotree continues to focus on cost optimization, and in addition, concentrate on minimizing currency exchange risks and withholding taxes by initiating actions to further optimize these processes.

IFRS standards IFRS 15 and IFRS 9

Starting from 1.1.2018 Tecnotree has adopted two new IFRS standards – IFRS 15 Revenue from Contracts with Customers and IFRS 9 - Financial Instruments.

Tecnotree adopted IFRS 15 Revenue from Contracts with Customers, with effect from 01st January 2018. The objective of IFRS 15 Revenue from Contracts with Customers, is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. The Company has considered key areas of the new standard and analyzed their impact on revenue recognition principles it is following in earlier years and identified changes required to comply with the new standard. The implementation of the standard has no significant impact on year 2018 revenue. The Company has selected to adopt simplified retrospective method for transition in which it computed the impact of IFRS 15 for earlier years amounting to EUR 1.05 million and adjusted the opening balance for the current financial period starting 1.1.2018 in retained earnings

In consequence of IFRS 9 Tecnotree changed the principles how it records impairment losses for trade receivables based on lifetime expected credit losses instead of objective evidence that the Company will not be able to collect. The company has updated its policy for treatment of bad debts according to the IFRS 9 regulation. The other new regulations of IFRS 9 are either not applicable, or do not cause any changes to accounting principles followed earlier in the group. The year-end provision for bad debts is EUR 0.5 million, being at the same level as in the end of 2017.

New IFRS standard IFRS 16

Starting from 1.1.2019 Tecnotree has adopted new IFRS standard – IFRS 16 leases. IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. An estimated impact of IFRS 16 to Tecnotree's opening balance is EUR 2.4 million of which EUR 2.2 million is related to an office lease in India.

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.

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 to the segments.

OPERATING SEGMENTS	1-12/2018	1-12/2017
NET SALES, MEUR		
Europe & Americas	16,3	24,2
MEA & APAC	25,6	30,9
TOTAL	41,9	55,1
RESULT, MEUR		
Europe & Americas	7,7	9,2
MEA & APAC	6,4	10,2
TOTAL	14,1	19,4
Non-allocated items	-8,3	-9,6
OPERATING RESULT BEFORE R&D CAPITALISATION & AMORTISATION AND ONE-TIME COSTS	5,9	9,8
One-time costs	-0,6	-17,8
OPERATING RESULT	5,3	-8,0

3. GOODWILL

The write-down was recorded as a one-off item in 2017 and it had no cash flow impact.

4. INTEREST-BEARING AND NON-INTEREST BEARING LIABILITIES

At the end of the financial period, the company had interest-bearing liabilities EUR 17.0 (18.2) million. This included 16.6 (17.6) million loan as part of debt restructuring programme and EUR 0.4 (0.6) million other short-term debt.

Interest-bearing liabilities

INTEREST-BEARING LIABILITIES, MEUR	31.12.2018	31.12.2017
Loans, 1 Jan	17,8	23,9
Raised loans	0,0	0,1
Repayments of loans	-1,2	-6,3

Loans, end of period	16,6	17,8
Finance lease liabilities, 1 Jan	0,4	0,4
Finance lease liabilities, additions	0,0	0,0
Finance lease liabilities, decreases	-0,0	-0,1
Finance lease liabilities, end of period	0,4	0,4
Interest-bearing liabilities total	17,0	18,2

Non-interest bearing liabilities

At the end of the financial period, the company had non-interest bearing liabilities as part of debt restructuring programme EUR 5.5 (5.8) million.

5. 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.

Regularly paid salaries and fees as well as ordinary intra-group transactions, Tecnotree has not entered any significant transactions with related parties during the financial period or previous year.

6. CONTINGENT LIABILITIES

CONSOLIDATED CONTINGENT LIABILITIES, MEUR	31.12.2018	31.12.2017
On own behalf		
Real estate mortgages	4,4	4,4
Corporate mortgages	45,3	45,3
Pledged deposits	0,5	0,4
Guarantees	0,0	0,0
Other liabilities		
Disputed income tax liabilities in India	1,8	3,1
OTHER OPERATING LEASES, MEUR	31.12.2018	31.12.2017
Minimum rents payable based on other leases that cannot be cancelled:		
Other operating leases		
Less than one year	0,6	0,4
Between one and five years	0,5	1,0

DERIVATIVE CONTRACTS, MEUR	31.12.2018	31.12.2017
Interest rate swap, fair value (negative)	0,0	-0,1
Interest rate swap, value of underlying instruments	0,0	10,1

7. KEY FIGURES

CONSOLIDATED KEY FINANCIAL FIGURES	1-12/2018	1-12/2017
Return on investment, %	-	-
Return on equity, %	-	-
Equity ratio, %	-22,8	-19,1
Net gearing, %	-	-
Investments, MEUR	0,0	0,2
% of net sales	0,0	0,5
Research and development, MEUR	5,3	6,0
% of net sales	12,5	10,8
Order book, MEUR	21,1	26,2
Personnel, average	604	727
Personnel, at end of period	543	666

CONSOLIDATED KEY FIGURES PER SHARE	1-12/2018	1-12/2017
Earnings per share, basic, EUR	0,00	-0,13
Earnings per share, diluted, EUR	0,00	-0,13
Equity per share, EUR	-0,04	-0,05
Number of shares at end of period, x 1,000	175 183	122 628
Number of shares on average, x 1,000	122 839	122 628
Share price, EUR		
Average	0,07	0,09
Lowest	0,04	0,07
Highest	0,11	0,13
Share price at end of period, EUR	0,05	0,07
Market capitalisation of issued stock at end of period, MEUR	8,1	8,6
Share turnover, million shares	48,2	63,3
Share turnover, % of total	28,0	51,6
Share turnover, MEUR	4,3	5,5
Price/earnings ratio (P/E)	0,0	0,0

QUARTERLY KEY FIGURES	Q4/18	Q3/18	Q2/18	Q1/18	Q4/17	Q3/17	Q2/17	Q1/17
Net sales, MEUR	12,1	12,4	9,8	7,6	12,1	12,2	15,1	12,1
Net sales, change %	-22,2	1,6	-35,3	-37,7	-22,2	-24,5	-6,4	-6,8
Adjusted operating result ¹	4,5	2,7	1,0	-2,4	4,5	1,6	3,6	-0,2
% of net sales	37,4	21,8	10,3	-31,6	37,4	13,4	23,6	-1,7
Operating result, MEUR	4,0	2,7	1,0	-2,4	4,0	1,4	3,1	-0,2
% of net sales	32,6	21,8	10,3	-31,6	32,6	11,4	20,3	-1,7
Adjusted result for the period, MEUR ²	1,7	1,2	0,0	-2,8	1,7	0,3	1,9	-1,5
Result for the period, MEUR	1,1	1,2	0,0	-2,8	1,1	0,1	1,4	-2,5
Personnel at end of period	543	571	616	641	543	696	719	771
Earnings per share, basic, EUR	0,01	0,01	0,00	-0,02	0,01	0,00	0,01	-0,02
Earnings per share, diluted, EUR	0,01	0,01	0,00	-0,02	0,01	0,00	0,01	-0,02
Equity per share, EUR	-0,04	-0,06	-0,09	-0,09	-0,04	0,06	0,07	0,09
Net interest-bearing liabilities, MEUR	12,9	14,4	14,8	11,2	12,9	16,2	17,4	28,9
Order book, MEUR	21,1	24,6	25,6	27,3	4,8	25,4	30,4	28,3

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

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