

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.

Half Year Report H1 2016



TECNOTREE CORPORATION HALF YEAR REPORT 1 JAN – 30 JUNE 2016 (UNAUDITED)

12 August 2016 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.

NET SALES IN SOUTH AMERICA HAVE DECLINED AND TECNOTREE HAS INITIATED A COST SAVINGS PLAN

Second quarter

- Second quarter net sales were EUR 16.2 (17.1) million.
- The operating result for the quarter was EUR 1.0 (1.5) million.
- The adjusted result for the quarter was EUR -1.1 (-2.9) million and result EUR -2.6 (-1.7) million.
- The order book at the end of the period stood at EUR 29.8 (31 December 2015: 26.8) million.
- Second quarter cash flow after investments was EUR -0.4 (2.8) million.
- Earnings per share were EUR -0.02 (-0.01).

January-June 2016

- Net sales for the review period were EUR 29.2 (34.2) million.
- The operating result was EUR -1.4 (2.5) million.
- The adjusted result for the period was EUR -6.2 (-3.3) million and the result EUR -7.1 (-5.0) million.
- Cash flow after investments for the review period was EUR -2.3 (3.6) million and the company's cash and cash equivalents were EUR 3.1 (31 December 2015: 6.4) million.
- Earnings per share were EUR -0.06 (-0.04).
- Tecnotree has decided to start a cost savings plan with the target to reduce personnel costs by 5.0 million euros on an annual level, representing 100 man years.

CEO Padma Ravichander:

“Net sales of the second quarter of 2016 were 3.2 million euros higher than in the first quarter. Since the net sales of the first quarter were 4.1 million euros lower than last year, net sales in the first half of 2016 were EUR 5.0 million down on the previous year. Last year at this time currency exchange gains totalling EUR 1.9 million were recorded in net sales and the result, mainly due to the strengthening of the US dollar. This year the corresponding figure for currency exchange was a loss of EUR 0.5 million, so these figures had an impact of EUR 2.4 million when comparing the results. Net sales otherwise fell EUR 2.6 million, with the weak state of the South American market being a particular factor in this decline.

Tecnotree has had EUR 0.8 million euros lower costs in the first half of the year than last year. In addition, the company will implement a cost savings plan by the end of the third quarter. The target is to reduce the personnel costs in the entire Group on an annual level by 5.0 million euros, representing 100 man years.

Tecnotree obtained two major new orders during the second quarter. Tecnotree won a contract to supply the Tecnotree Agility TM Mediation and Interconnect system to Nepal Telecom. Tecnotree also obtained an order to supply the operator EMTEL Mauritius, part of Airtel Group, with expansions to the operator’s reachability and content management platforms.”

KEY FIGURES	4-6/ 2016	4-6/ 2015	1-6/ 2016	1-6/ 2015	1-12/ 2015
Net sales, MEUR	16.2	17.1	29.2	34.2	76.5
Adjusted operating result, MEUR ¹	1.0	1.5	-1.4	2.8	12.0
Operating result, MEUR	1.0	1.5	-1.4	2.5	11.7
Result before taxes, MEUR	-1.4	1.0	-5.1	-1.4	7.8
Adjusted result for the period, MEUR ²	-1.1	-2.9	-6.2	-3.3	0.6
Result for the period, MEUR	-2.6	-1.7	-7.1	-5.0	0.2
Earnings per share, basic, EUR	-0.02	-0.01	-0.06	-0.04	0.00
Order book, MEUR			29.8	37.4	26.8
Cash flow after investments, MEUR	-0.4	2.8	-2.3	3.6	6.3
Change in cash and cash equivalents, MEUR	-0.3	2.4	-3.3	3.0	4.2
Cash and cash equivalents, MEUR			3.1	5.6	6.4
Equity ratio %			13.1	19.6	23.9
Net gearing %			323.7	181.3	145.2
Personnel at end of period			926	939	934

¹ Adjusted operating result = operating result before one-time costs. Details of these are given in the section “Result analysis”.

² 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 1-6/2016 and the figures for comparison are for the corresponding period 1-6/2015.

SALES AND NET SALES

Tecnotree’s net sales for the review period were EUR 29.2 (34.2) million.

Net sales in the review period included EUR 0.5 million currency exchange losses, whereas in the comparative period EUR 1.9 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	4-6/ 2016	4-6/ 2015	1-6/ 2016	1-6/ 2015	1-12/ 2015
Revenue from contract work recognised by stage of completion (IAS 11)	5.6	7.0	9.1	11.1	23.5
Revenue from maintenance and support (IAS 18)	7.9	7.9	14.8	15.6	31.1
Revenue from goods and services (AS 18)	2.2	3.6	5.8	5.6	19.4
Currency exchange gains and losses	0.5	-1.5	-0.5	1.9	2.4
TOTAL	16.2	17.1	29.2	34.2	76.5

NET SALES BY MARKET AREA, MEUR	4-6/ 2016	4-6/ 2015	1-6/ 2016	1-6/ 2015	1-12/ 2015
Europe & Americas	6.3	8.1	12.8	16.9	35.0
MEA & APAC	9.9	9.0	16.4	17.3	41.4
TOTAL	16.2	17.1	29.2	34.2	76.5

CONSOLIDATED ORDER BOOK, MEUR			30.6. 2016	30.6. 2015	31.12. 2015
Europe & Americas			9.9	9.8	7.0
MEA & APAC			19.9	27.6	19.8
TOTAL			29.8	37.4	26.8

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/ 2016	4-6/ 2015	1-6/ 2016	1-6/ 2015	1-12/ 2015
Net sales	16.2	17.1	29.2	34.2	76.5
Other operating income	0.0	0.0	0.0	0.1	0.1
Operating costs excluding one-time costs	-15.2	-15.7	-30.6	-31.4	-64.6
Adjusted operating result	1.0	1.5	-1.4	2.8	12.0
One-time costs				-0.3	-0.3
OPERATING RESULT	1.0	1.5	-1.4	2.5	11.7
Financial items without foreign currency differen	-1.0	-1.7	-2.8	-2.2	-3.5
Income taxes	-1.1	-2.7	-2.0	-3.6	-7.6
Adjusted result for the period	-1.1	-2.9	-6.2	-3.3	0.6
Foreign currency differences included in financial items	-1.5	1.2	-0.9	-1.7	-0.3
RESULT FOR THE PERIOD	-2.6	-1.7	-7.1	-5.0	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 has to be amended by 30 September 2016. The suggested cutting of debt included in the proposal filed on 30 March 2016, would have a positive impact of EUR 5.6 million on the result. In addition, EUR 2.0 million in interest provisions on interest-bearing liabilities recorded by 30 June 2016 would be cancelled.

Tecnotree's net sales for the review period decreased 14.6 per cent to EUR 29.2 (34.2) million. Net sales in the review period included EUR 0.5 million currency exchange losses, whereas in the comparative period EUR 1.9 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 1.3 million from the period for comparison because of the weakening of the subsidiary company currencies.

Negative foreign currency differences of EUR 0.9 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 1.5 million negative in the review period.

Financial income and expenses (net) during the review period totalled a net loss of EUR 3.7 million (net loss of EUR 3.9 million). Here is a breakdown of these:

	4-6/ 2016	4-6/ 2015	1-6/ 2016	1-6/ 2015	1-12/ 2015
FINANCIAL INCOME AND EXPENSES, MEUR					
Interest income	-0.0	0.0	0.0	0.0	0.0
Exchange rate gains	-0.0	1.4	0.0	0.1	0.3
Other financial income	0.0	0.1	0.0	0.1	0.3
FINANCIAL INCOME, TOTAL	0.0	1.5	0.1	0.2	0.6
Interest expenses	-0.5	-0.5	-1.4	-0.9	-1.9
Exchange rate losses	-1.5	-0.2	-0.9	-1.8	-0.6
Other financial expenses	-0.4	-1.3	-1.5	-1.4	-2.0
FINANCIAL EXPENSES, TOTAL	-2.5	-2.0	-3.8	-4.1	-4.4
FINANCIAL ITEMS, TOTAL	-2.5	-0.5	-3.7	-3.9	-3.8

Other financial expenses, that is excluding interest expenses and exchange rate losses, totalled EUR 1.5 million. EUR 1.3 million of this relates to the additional costs for using an exceptional procedure to repatriate funds from Nigeria.

Taxes for the period totalled EUR 2.0 (3.6) million, including the following items:

	4-6/ 2016	4-6/ 2015	1-6/ 2016	1-6/ 2015	1-12/ 2015
TAXES IN INCOME STATEMENT, MEUR					
Withholding taxes paid abroad	-1.3	-1.7	-2.1	-3.2	-6.3
Change in withholding tax accrual	0.3	0.1	0.4	0.1	-2.4
Income taxes on the results of Group companies	-0.2	-0.5	-0.4	-0.7	-0.8
Prior year taxes		0.2		-0.6	-1.4
Change in deferred tax asset in India	0.0	-0.3	0.0	0.8	-0.4
Change in deferred tax liability based on:					
- dividend tax in India		-0.5		0.0	3.7
Other items					-0.0
TAXES IN INCOME STATEMENT, TOTAL	-1.1	-2.7	-2.0	-3.6	-7.6

Earnings per share were EUR -0.06 (-0.04). Equity per share at the end of the period was EUR 0.07 (31 December 2015: EUR 0.14).

FINANCING, CASH FLOW AND BALANCE SHEET

The company's cash situation remained tight during the review period.

Tecnotree's working capital decreased during the period by EUR 1.0 million:

	4-6/ 2016	4-6/ 2015	1-6/ 2016	1-6/ 2015	1-12/ 2015
CHANGE IN WORKING CAPITAL, MEUR (increase - / decrease +)					
Change in trade receivables	-3.3	5.0	-0.6	6.6	2.1
Change in other receivables	2.2	-2.9	-0.4	0.1	4.2
Change in inventories	-0.1	0.2	-0.2	-0.3	-0.0
Change in trade payables	1.1	0.6	1.6	0.3	-1.4
Change in other liabilities	0.4	-0.6	0.6	-0.7	-1.9
CHANGE IN WORKING CAPITAL, TOTAL	0.2	2.3	1.0	6.0	2.9

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

In other receivables in the company's balance sheet was EUR 14.1 million unbilled revenue from the remaining large project in Latin America.

Tecnotree's cash and cash equivalents totalled EUR 3.1 (31 December 2015: 6.4) million. Cash flow after investments for the review period ended up EUR 2.3 million negative. The change in cash and cash equivalents for the review period was EUR 3.3 million negative. The company had no unused credit facilities at the end of the review period (31.12.2015: 0.0). After the debt restructuring proceedings began, the company's EUR 10 million working capital credit facility was frozen, and payments of EUR 0.7 million received from clients relating to pledged receivables are in a pledged blocked account.

In March, the bank granted a short-term loan of EUR 0.4 million, which the company paid back within the same month. In addition, the company received a short-term loan of EUR 0.5 million in June.

The balance sheet total on 30 June 2016 stood at EUR 69.8 (31 December 2015: 74.6) million. Tecnotree's gross capital expenditure during the review period was EUR 0.2 (0.1) million or 0.7 per cent (0.1%) of net sales. Interest-bearing liabilities were EUR 32.8 (31 December 2015: 32.3) million. The net debt to equity ratio (net gearing) was 323.7 per cent (31 December 2015: 145.2 %) and the equity ratio was 13.1 per cent (31 December 2015: 23.9 %). During the period, total equity was affected by negative translation differences of EUR 1.5 million, mainly from Indian rupees (INR).

The financing agreement signed by Tecnotree with its bank in 2013 contains loan covenants. In 2015, Tecnotree had discussions with its bank, in which it was recognised that there was no need for a separate agreement on the possible failure to achieve the figures stated in the covenants, because of the restructuring proceeding currently in progress at Tecnotree Corporation.

On the 30 June 2016 test date, three covenants complied with the requirements of the financing agreement and the rest failed. A sensitivity analysis as of 30 June 2016 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.

COVENANT	Meeting /failing to meet covenant	Needed improvement or amount below /above limit
Interest coverage	Failed to meet	Needed improvement in operating result 7.6 MEUR
Leverage	Failed to meet	Needed improvement in operating result 2.2 MEUR
Cash flow cover	Met	Cash flow after investments 6.6 MEUR above limit
Equity ratio	Failed to meet	Needed improvement in equity 20.8 MEUR
Capital expenditure	Met	Capital expenditure 0.7 MEUR below limit
Overdue trade receivables	Met	Overdue trade receivables 3.1 MEUR below limit

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.

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, administration as well as product development. Costs for product management and depreciations, taxes and financial items are not allocated.

The segment results have been amended during the period to include costs for administration. 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

Net sales for Q2 2016 did not see any growth compared to Q1 2016. Since net sales in Q1 were lower than last year, net sales for the review period declining by 24.4 per cent from the previous year. The decline was due to the cost saving measures taken by the largest customer and to the recessionary economic environment on the main markets. In order to improve the profitability, measures have been taken to reduce cost structure to accommodate the declined net sales. In addition, measures are taken to improve profitability and reduce working capital by 1) shifting the structure of sales from multiannual delivery projects to fast turnaround deployments, 2) increasing the portion of recurring services business to provide steadier and long lasting business, and 3) shifting the structure of sales from 3rd party software and hardware to Tecnotree's own products and services. Sales comprised expansions and upgrades of solutions installed for current customers, the renewal of annual maintenance contracts, and partial implementation of new orders.

The order book grew by 0.5 per cent and was EUR 9.9 (9.8) million. The net sales in the region are anticipated to grow during the second half of 2016 compared to the first half, but the whole year net sales are estimated to be less than the previous year.

MEA & APAC

Business developed positively during the second quarter. The net sales in Q2 2016 was up by 51.3 per cent compared to Q1 2016. Due to extraordinarily low volume of business during the first quarter of 2016, net sales in the review period fell 4.9 per cent from the previous year. Towards the end of the period Tecnotree was selected by Nepal Telecom to supply its Tecnotree Agility™ Mediation and Interconnect system. Likewise, EMTel Mauritius, part of Airtel Group, selected Tecnotree's Content Management and Service Delivery System to enhance its digital strategy. These contracts did not contribute to the first half net sales yet, but will help to boost second half net sales. Sales comprised expansions and upgrades of solutions installed for current customers, the renewal of annual maintenance contracts, and partial implementation of new orders.

The order book remained at a healthy level, but declined 27.9 per cent from the same period previous year. The order book was EUR 19.9 (27.6) million. The volume of the net sales is expected to grow during the second half of the year from the first half of the year, but for the whole year net sales are expected to be less than the previous year.

PERSONNEL

At the end of June 2016 Tecnotree employed 926 (31 December 2015: 934) persons, of whom 115 (31 December 2015: 105) worked in Finland and 811 (31 December 2015: 829) elsewhere. The company employed on average 927 (963) people during the review period. Personnel by country were as follows:

PERSONNEL	1-6/2016	1-6/2015	1-12/2015
Personnel, at end of period	926	939	934
Finland	115	92	105
Ireland	45	49	46
Brazil	20	25	22
Argentina	39	38	37
India	624	694	648
United Arab Emirates	29	37	33
Other countries	54	4	43
Personnel, average	927	963	950
Personnel expenses (MEUR)	16.5	17.0	33.5

SHARE AND PRICE ANALYSIS

At the end of June 2016 the shareholders' equity of Tecnotree Group stood at EUR 9.2 (31 December 2015: 17.8) million and the share capital was EUR 1.3 (31 December 2015: 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 0.07 (31 December 2015: EUR 0.14).

A total of 16,435,406 Tecnotree shares (EUR 2,042,747) were traded on the Helsinki Exchanges during the period 1 January – 30 June 2016, representing 13.4 per cent of the total number of shares.

The highest share price quoted in the period was EUR 0.17 and the lowest EUR 0.10. The average quoted price was EUR 0.12 and the closing price on 30 June 2016 was EUR 0.10. The market capitalisation of the share stock at the end of the period was EUR 12.8 million.

ANNUAL GENERAL MEETING

The Annual General Meeting of Tecnotree Corporation held on 9 May 2016 confirmed the financial statements and the consolidated financial statements for the financial year 2015 and discharged the Board of Directors and the CEO from liability for the year 2015. The Annual General Meeting resolved in accordance with the proposal of the Board of Directors that no dividend is paid for the financial year 2015, and that the parent company's loss for the financial year, EUR 5,213,387.24, be remained in retained earnings.

Board of Directors

The Annual General Meeting confirmed that the Board of Directors will consist of five members. Pentti Heikkinen, Matti Jaakola, Harri Koponen and Christer Sumelius were re-elected as Board members and Pirjo Pakkanen was elected as a new member of the Board. The Board members were elected for a period of office expiring at the end of the first Annual General Meeting following the election.

The Annual General Meeting resolved that the annual fee to the chairman of the Board of Directors will be EUR 50,000, the annual fee of the vice chairman of the Board will be EUR 30,000 and the annual fee of the members of the Board of Directors will be EUR 23,000. In addition it was decided that a compensation of EUR 800 for the chairman and EUR 500 for a member of the Board of Directors be paid for attendance at Board and possible Committee meetings.

In the meeting of the Board of Directors, Harri Koponen was elected as Chairman and Pentti Heikkinen as Vice Chairman of the Board of Directors. The Board decided to establish an Audit Committee and a Remuneration and Nomination Committee. Pirjo Pakkanen was elected Chairman of the Audit Committee and Pentti Heikkinen, Harri Koponen and Matti Jaakola as members. Christer Sumelius was elected Chairman of the Remuneration and Nomination Committee and Harri Koponen and Matti Jaakola as members. The Board of Directors has assessed the independence of the Board members in compliance with the recommendations of the Finnish Corporate Governance Code. Based on the assessment, all Board members elected are independent of the company and its major shareholders. The Board of Directors has appointed Padma Ravichander CEO of the company as of 9 May 2016. She was held the position as interim CEO since 18 April 2016.

Auditors

KPMG Oy Ab, Authorised Public Accountants, will continue as the company's auditor until the end of the following Annual General Meeting. The principal auditor appointed by them is Mr. Toni Aaltonen, Authorized Public Accountant. The auditor's fees are paid according to invoice.

Current authorisations

The Annual General Meeting 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.

On 9 March 2015 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. The District Court of Espoo has on 10.6.2016 by a decision prolonged the deadline for the filing of the modified restructuring programme until 30.9.2016. 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.

Content of the draft restructuring programme of Tecnotree Corporation

The Administrator of the corporate restructuring of Tecnotree Corporation filed the draft restructuring programme to the District Court of Espoo on 30 March 2016. The Administrator considers that the draft restructuring programme will result in a more favorable 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. 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 73.9 million euros. The Company has intragroup restructuring debts approximately 36.7 million euros. According to the Administrator's draft programme the intragroup restructuring debts will be fully cut. In addition, the Company has 11.1 million euros unsecured debt. The total amount of the restructuring debts includes also approximately 26.1 million euros secured debts out of which approximately 8.9 million euros 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 31 December 2020.
- The draft restructuring programme contains obligations concerning the sale of the Company's property. The sales proceeds will be used to fund some of the payments to secured creditors and to creditors holding a business mortgage as security for their claims.

If the draft restructuring programme is approved, the group will record a one-off positive income effect of approximately 5.6 million euros as a result of debt rearrangement.

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.

Risks and uncertainties in the near future

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.

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 proposed restructuring program to the district court of Espoo on 30 March 2016. The deadline for the filing of the modified restructuring programme is 30 September 2016. The draft 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 June 2016, the Group's shareholders' equity stood at EUR 9.2 million. However, the shareholders' equity of the parent company was EUR 12.4 million negative.

EVENTS AFTER THE END OF THE PERIOD

Tecnotree has decided to start a cost savings plan covering the entire Group to be implemented by the end of the third quarter. In connection with this, Tecnotree has the target to reduce personnel costs by 5.0 million euros on an annual level, representing 100 man years. A part of the savings will be implemented in 2016 when one-time costs of approximately 1.9 million euros are estimated to happen. The savings will have a full impact in 2017.

PROSPECTS IN 2016

The company estimates that its net sales and operating result will be lower than in the previous year. The weak state of the market in Latin America is a particular factor in this decline.

Tecnotree has decided to start a cost savings plan with the target to reduce personnel costs by 5.0 million euros, representing 100 man years. A part of the savings will happen in 2016 when one-time costs for these action 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 half year financial report on 12 August 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.

TECNOTREE CORPORATION

Board of Directors

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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/ 2016	4-6/ 2015	1-6/ 2016	1-6/ 2015	1-12/ 2015
NET SALES	2	16.2	17.1	29.2	34.2	76.5
Other operating income		0.0	0.0	0.0	0.1	0.1
Materials and services		-1.6	-2.0	-3.2	-3.1	-7.9
Employee benefit expenses		-8.1	-8.3	-16.5	-17.0	-33.5
Depreciation, amortisation and		-0.2	-0.2	-0.5	-0.5	-1.0
Other operating expenses		-5.2	-5.2	-10.4	-11.1	-22.5
OPERATING RESULT	2	1.0	1.5	-1.4	2.5	11.7
Financial income		0.0	1.5	0.1	0.2	0.6
Financial expenses		-2.5	-2.0	-3.8	-4.1	-4.4
RESULT BEFORE TAXES		-1.4	1.0	-5.1	-1.4	7.8
Income taxes		-1.1	-2.7	-2.0	-3.6	-7.6
RESULT FOR THE PERIOD		-2.6	-1.7	-7.1	-5.0	0.2
Allocated to:						
Equity holders of parent company		-2.6	-1.7	-7.1	-5.0	0.2
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		-0.02	-0.01	-0.06	-0.04	0.00
Earnings per share, diluted, EUR		-0.02	-0.01	-0.06	-0.04	0.00
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, MEUR		4-6/ 2016	4-6/ 2015	1-6/ 2016	1-6/ 2015	1-12/ 2015
RESULT FOR THE PERIOD		-2.6	-1.7	-7.1	-5.0	0.2
Other comprehensive income:						
Items that will not be reclassified subsequently to profit or loss:						
Remeasurement items on net defined benefit liability						-0.1
Tax on items that will not be reclassified subsequently to profit or loss						0.0
Items that may be reclassified subsequently to profit or loss:						
Translation differences from foreign oper.		0.4	-2.7	-1.5	3.1	1.2
Tax relating to translation differences			0.2		-0.3	-0.4
Other comprehensive income, net of tax		0.4	-2.6	-1.5	2.8	0.6
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		-2.1	-4.3	-8.6	-2.2	0.9
Allocated to:						
Equity holders of parent company		-2.1	-4.3	-8.6	-2.2	0.9
Non-controlling interest		-0.0	0.0	-0.0	-0.0	0.0

CONSOLIDATED BALANCE SHEET	Note	30.6.2016	30.6.2015	31.12.2015
Assets				
Goodwill		17.0	17.7	17.5
Other intangible assets		0.6	0.3	0.6
Tangible assets		3.4	3.5	3.6
Deferred tax assets		0.6	1.7	0.6
Other non-current trade and other receivables		1.2	1.3	1.3
Current assets				
Inventories		0.8	0.8	0.5
Trade receivables		12.1	8.3	12.1
Other receivables		31.1	35.7	31.9
Investments		0.0	0.0	0.0
Cash and cash equivalents		3.1	5.6	6.4
TOTAL ASSETS		69.8	74.9	74.6
Shareholders' equity		9.2	14.7	17.8
Non-current liabilities				
Deferred tax liabilities		0.0	3.4	0.0
Non-current interest-bearing liabilities	3	0.4	0.0	0.5
Other non-current liabilities		1.9	1.8	1.8
Current liabilities				
Current interest-bearing liabilities	3	32.3	32.3	31.8
Trade payables and other liabilities		26.0	22.7	22.8
EQUITY AND LIABILITIES, TOTAL		69.8	74.9	74.6

CALCULATION OF CHANGES IN
SHAREHOLDERS' EQUITY, MEUR

MEUR	A	B	C	D	E	F	G	H	I	J
SHAREHOLDERS' EQUITY 1 JAN 2016	1.3	0.8	0.0	-7.8	0.0	2.0	21.3	17.7	0.1	17.8
Result for the period							-7.1	-7.1	-0.0	-7.1
Other comprehensive income, net of tax:										
Remeasurement items								0.0		0.0
Translation differences				-1.5		-0.0		-1.5		-1.5
Total compr. income for the period				-1.5		-0.0	-7.1	-8.6	-0.0	-8.6
Other changes							-0.0	-0.0	-0.0	-0.0
SHAREHOLDERS' EQUITY 30 JUN 2016	1.3	0.8	0.0	-9.3	0.0	2.0	14.2	9.1	0.0	9.2
Me	A	B	C	D	E	F	G	H	I	J
SHAREHOLDERS' EQUITY 1 JAN 2015	4.7	0.8	0.0	-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:										
Remeasurement items										
Translation differences, net of tax				2.8				2.8		2.8
Total compr. 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
Transfer to legal reserve					0.5	-0.3	-0.2	0.0		
Other changes							0.0	0.0	0.0	0.0
SHAREHOLDERS' EQUITY 30 JUN 2015	1.3	0.8	0.0	-5.7	0.0	2.0	16.1	14.6	0.1	14.7

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/ 2016	4-6/ 2015	1-6/ 2016	1-6/ 2015	1-12/ 2015
Cash flow from operating activities					
Result for the period	-2.6	-1.7	-7.1	-5.0	0.2
Adjustments of the result	2.7	4.4	6.0	6.9	11.9
Changes in working capital	0.2	2.3	1.0	6.0	2.9
Interest paid	-0.1	-0.7	-0.1	-0.8	-0.4
Interest received	0.0	0.1	0.0	0.1	0.0
Income taxes paid	-0.6	-1.6	-1.9	-3.6	-7.8
Net cash flow from operating activities	-0.4	2.7	-2.1	3.6	6.9
Cash flow from investing activities					
Investments in intangible assets	-0.0		-0.0		-0.4
Investments in tangible assets	-0.1	-0.0	-0.2	-0.1	-0.2
Proceeds from disposal of intangible and tangible assets	0.0	-0.0	0.1	0.0	0.0
Changes in other securities		0.1		0.1	0.1
Interest received from other securities		0.0		0.0	0.0
Net cash flow from investing activities	-0.0	0.1	-0.1	0.0	-0.5
Cash flow from financing activities					
Borrowings received	0.5	1.5	0.9	1.8	2.9
Repayments of borrowings	0.0	-1.0	-0.4	-1.3	-2.9
Changes in credit facilities in use					
Finance lease liabilities, repayments and interes	-0.0		-0.0		-0.0
Changes in pledged cash deposits	-0.0	-0.8	0.0	-0.8	-0.8
Interest paid	-0.4	-0.1	-1.5	-0.2	-1.3
Net cash flow from financing activities	0.1	-0.5	-1.0	-0.6	-2.1
Increase (+) and decrease (-) in cash and cash eqi	-0.3	2.4	-3.3	3.0	4.2
Cash and cash equivalents at beg. of period	3.3	3.4	6.4	2.5	2.5
Impact of changes in exchange rates	0.1	-0.1	-0.1	0.1	-0.3
Cash and cash equivalents at end of period	3.1	5.6	3.1	5.6	6.4

1. ACCOUNTING PRINCIPLES FOR THE HALF YEAR REPORT

This half year 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 half year report are the same as the principles published in the 2015 Annual Report. The new and revised IFRS regulations that came into force on 1 January 2016 have not had a significant impact on the accounting principles and basis for preparing the half year report.

Going concern basis

The uncertainty factors relating to Tecnotree's operations are explained in the 2015 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.

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, administration as well as product development. Costs for product management and depreciations, taxes and financial items are not allocated.

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

OPERATING SEGMENTS	1-6/2016	1-6/2015	1-12/2015
NET SALES, MEUR			
Europe & Americas	12.8	16.9	35.0
MEA & APAC	16.4	17.3	41.4
TOTAL	29.2	34.2	76.5
RESULT, MEUR			
Europe & Americas	1.1	2.8	5.0
MEA & APAC	2.7	4.3	15.4
TOTAL	3.8	7.1	20.4
Non-allocated items	-5.1	-4.2	-8.4
OPERATING RESULT BEFORE ONE-TIME COSTS	-1.4	2.8	12.0
One-time costs	0.0	-0.3	-0.3
OPERATING RESULT	-1.4	2.5	11.7

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 2015: 21.8), and a fully used credit facility of EUR 10.0 million (31 December 2015: 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. After the debt restructuring proceedings began, the credit facility was frozen, and payments of EUR 0.7 million received from clients relating to pledged receivables are in a pledged blocked account.

Likewise the previously mentioned loan of EUR 21.8 million that is long-term in nature is classified as current in the balance sheet, because the financing agreement signed by Tecnotree with its bank in 2013 contains loan covenants with terms that the company does not comply with in every respect. A more detailed explanation of the situation concerning the covenants is given in the section "Financing, cash flow and balance sheet" above.

INTEREST-BEARING LIABILITIES, MEUR	30.6.2016	30.6.2015	31.12.2015
Loans from financial institutions, 1 Jan	31.8	31.8	31.8
Raised loans	0.9	1.8	2.9
Repayments of loans	-0.4	-1.3	-2.9
Changes in credit facilities in use			
Loans from financial institutions, end of period	32.3	32.3	31.8
Finance lease liabilities, 1 Jan	0.5		
Finance lease liabilities, additions	0.0		0.6
Finance lease liabilities, decreases	-0.0		-0.1
Finance lease liabilities, end of period	0.5		0.5
Interest-bearing liabilities total	32.8	32.3	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.

Tecnotree's CEO changed during the review period. In accordance with the employment agreement, the former CEO Ilkka Raiskinien was paid a lump-sum compensation of EUR 267 thousand at the end of service.

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	30.6.2016	30.6.2015	31.12.2015
On own behalf			
Real estate mortgages	4.4	4.4	4.4
Corporate mortgages	45.3	45.3	45.3
Pledged deposits	0.8		0.8
Guarantees	0.6	0.2	0.2
Pledged trade and other receivables related to construction contracts	14.7	18.2	15.0
Other liabilities			
Desputed income tax liabilities in India	2.5	1.4	1.3
OTHER OPERATING LEASES, MEUR	30.6.2016	30.6.2015	31.12.2015
Minimum rents payable based on other leases that cannot be cancelled:			
Other operating leases			
Less than one year	1.0	0.9	1.1
Between one and five years	1.9	0.4	2.3
DERIVATIVE CONTRACTS, MEUR	30.6.2016	30.6.2015	31.12.2015
Currency call options, fair value (negative)		-0.0	
Currency call options, value of underlying instruments		0.1	
Currency put options, fair value (positive)		0.1	
Currency put options, value of underlying instruments		0.1	
Currency termines, fair value (positive)	0.1		
Currency termines, value of underlying instruments	5.0		
Interest rate swap, fair value (negative)	-0.4	-0.4	-0.4
Interest rate swap, value of underlying instruments	12.3	14.5	13.1

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.

6. KEY FIGURES

CONSOLIDATED KEY FINANCIAL FIGURES	1-6/2016	1-6/2015	1-12/2015
Return on investment, %	-5.7	11.4	24.7
Return on equity, %	-105.8	-63.4	1.4
Equity ratio, %	13.1	19.6	23.9
Net gearing, %	323.7	181.3	145.2
Investments, MEUR	0.2	0.1	1.2
% of net sales	0.7	0.1	1.5
Research and development, MEUR	5.7	6.7	13.0
% of net sales	19.6	19.5	17.0
Order book, MEUR	29.8	37.4	26.8
Personnel, average	927	963	950
Personnel, at end of period	926	939	934

CONSOLIDATED KEY FIGURES PER SHARE	1-6/2016	1-6/2015	1-12/2015
Earnings per share, basic, EUR	-0.06	-0.04	0.00
Earnings per share, diluted, EUR	-0.06	-0.04	0.00
Equity per share, EUR	0.07	0.12	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	122,628	122,628
Share price, EUR			
Average	0.12	0.11	0.11
Lowest	0.10	0.07	0.07
Highest	0.17	0.20	0.20
Share price at end of period, EUR	0.10	0.11	0.10
Market capitalisation of issued stock at end of period, MEUR	12.8	13.9	12.5
Share turnover, million shares	16.4	56.0	69.1
Share turnover, % of total	13.4	45.6	56.4
Share turnover, MEUR	2.0	6.1	7.5
Price/earnings ratio (P/E)			51.7

QUARTERLY KEY FIGURES	Q2/16	Q1/16	Q4/15	Q3/15	Q2/15	Q1/15
Net sales, MEUR	16.2	13.0	24.6	17.7	17.1	17.1
Net sales, change %	-5.4	-23.7	1.7	-25.3	45.6	18.9
Adjusted operating result ¹	1.0	-2.4	6.4	2.7	1.5	1.4
% of net sales	6.2	-18.3	25.9	15.5	8.6	8.0
Operating result, MEUR	1.0	-2.4	6.4	2.7	1.5	1.1
% of net sales	6.2	-18.3	25.9	15.5	8.6	6.2
Adjusted result for the period, MEUR ²	-1.1	-5.1	3.9	0.0	-2.9	-0.4
Result for the period, MEUR	-2.6	-4.8	3.3	1.9	-1.7	-3.3
Personnel at end of period	926	922	934	932	939	970
Earnings per share, basic, EUR	-0.02	-0.04	0.03	0.02	-0.01	-0.03
Earnings per share, diluted, EUR	-0.02	-0.04	0.03	0.02	-0.01	-0.03
Equity per share, EUR	0.07	0.09	0.14	0.11	0.12	0.15
Net interest-bearing liabilities, MEUR	29.7	28.9	25.8	28.6	26.7	28.2
Order book, MEUR	29.8	28.2	26.8	33.7	37.4	48.1

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

² 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.