

TECNOTREE

A photograph of three business professionals in an office setting. A woman in the center is smiling and looking at a tablet held by a man on the left. Another woman on the right is pointing at the tablet with a pen. The background is a bright, out-of-focus office with windows. The image is partially obscured by a dark blue triangle in the bottom right corner.

Short Report Q1 2016

TECNOTREE CORPORATION SHORT REPORT

1 JAN – 31 MAR 2016 (UNAUDITED)

27 April 2016 at 8:30 am

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

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

FIRST QUARTER WITH CURRENCY FLUCTUATIONS

KEY FIGURES	1-3/ 2016	1-3/ 2015	1-12/ 2015
Net sales, MEUR	13.0	17.1	76.5
Adjusted operating result, MEUR ¹	-2.4	1.4	12.0
Operating result, MEUR	-2.4	1.1	11.7
Result before taxes, MEUR	-3.7	-2.4	7.8
Adjusted result for the period, MEUR ²	-5.1	-0.4	0.6
Result for the period, MEUR	-4.6	-3.3	0.2
Earnings per share, basic, EUR	-0.04	-0.03	0.00
Order book, MEUR	28.2	48.1	26.8
Cash flow after investments, MEUR	-1.9	0.8	6.3
Change in cash and cash equivalents, MEUR	-2.9	0.7	4.2
Cash and cash equivalents, MEUR	3.3	3.4	6.4
Equity ratio %	16.3	24.5	23.9
Net gearing %	255.7	149.0	145.2
Personnel at end of period	922	970	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.

Unless otherwise stated, all figures presented below are for the review period 1-3/2016 and the figures for comparison are for the corresponding period 1-3/2015.

Interim CEO Padma Ravichander:

“Looking at the figures without the impact of the entries for currency exchange differences, the operating result for the first quarter of 2016 was EUR 1.0 million better than in the corresponding quarter in the previous year. Last year at this time currency exchange gains totalling EUR 3.3 million were recorded in net sales and the result, mainly due to the strengthening of the US dollar. This year currency exchange losses of EUR 1.1 million were recorded, so these figures had an impact of EUR 4.4 million when comparing the results.

The cash flow after investments for the quarter was EUR 1.9 million negative. A major factor in this was the large customer payments made in the final quarter of last year, which resulted in the cash flow after investments in that quarter being EUR 4.4 million positive.

The most important single event in the first quarter for Tecnotree was the draft restructuring programme filed by the Administrator with the court on 30 March 2016. This reduces the uncertainty surrounding the issue and clarifies the company’s situation. If the draft is approved, the Group’s debt will be cut by EUR 5.6 million and EUR 1.6 million of recognized interest costs will be cancelled.

Tecnotree won two major new orders during the quarter. Tecnotree agreed with the Ukkoverkot company in Finland to supply the BSS Express system as a cloud service. This will provide Ukkoverkot’s key business support functions, such as the sales interface, customer care, billing and product management. Tecnotree supplied the Convergent Billing Platform to a West African operator. The solution will significantly improve efficiency in managing the life cycle of 60 million customers thanks to the Tecnotree Unified Product Catalogue application.”

SALES AND NET SALES

Tecnotree’s net sales for the review period were EUR 13.0 (17.1) million.

Net sales in the review period included EUR 1.1 million currency exchange losses, whereas in the comparative period EUR 3.3 million currency exchange gains were recorded. These arose mainly from the fluctuations of the US dollar against the euro.

	1-3/ 2016	1-3/ 2015	1-12/ 2015
SPECIFICATION OF NET SALES, MEUR			
Revenue from contract work recognised by stage of completion (IAS 11)	3.5	4.1	23.5
Revenue from maintenance and support (IAS 18)	6.9	7.7	31.1
Revenue from goods and services (AS 18)	3.6	2.0	19.4
Currency exchange gains and losses	-1.1	3.3	2.4
TOTAL	13.0	17.1	76.5
NET SALES BY MARKET AREA, MEUR			
Europe & Americas	6.5	8.8	35.0
MEA & APAC	6.5	8.3	41.4
TOTAL	13.0	17.1	76.5
CONSOLIDATED ORDER BOOK, MEUR			
Europe & Americas	10.5	12.5	7.0
MEA & APAC	17.7	35.6	19.8
TOTAL	28.2	48.1	26.8

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

RESULT ANALYSIS

The income and costs recorded for Tecnotree's business operations vary considerably from one quarter to another. For this reason it is important to base an examination of the profitability of the company on the result for more than one quarter.

Tecnotree reports its result as follows:

	1-3/ 2016	1-3/ 2015	1-12/ 2015
INCOME STATEMENT, KEY FIGURES, MEUR			
Net sales	13.0	17.1	76.5
Other operating income	0.0	0.0	0.1
Operating costs excluding one-time costs	-15.4	-15.7	-64.6
Adjusted operating result	-2.4	1.4	12.0
One-time costs	0.0	-0.3	-0.3
OPERATING RESULT	-2.4	1.1	11.7
Financial items without foreign currency differences	-1.8	-0.5	-3.5
Income taxes	-0.9	-0.9	-7.6
Adjusted result for the period	-5.1	-0.4	0.6
Foreign currency differences included in financial items	0.5	-2.9	-0.3
RESULT FOR THE PERIOD	-4.6	-3.3	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 are determined after the court has approved the restructuring program proposal filed on 30 March 2016. The proposed cutting of debt would have a positive impact of EUR 5.6 million on the result. In addition, EUR 1.6 million in interest provisions on interest-bearing liabilities recorded by 31 March 2016 would be cancelled.

Tecnotree's net sales for the review period decreased 23.7 per cent to EUR 13.0 (17.1) million. Net sales in the review period included EUR 1.1 million currency exchange losses, whereas in the comparative period EUR 3.3 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 0.5 million from the period for comparison because of the weakening of the subsidiary company currencies.

Positive foreign currency differences of EUR 0.5 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 1.9 million negative in the review period.

Financial income and expenses (net) during the review period totalled a net loss of EUR 1.3 million (net loss of EUR 3.5 million). Here is a breakdown of these:

	1-3/ 2016	1-3/ 2015	1-12/ 2015
FINANCIAL INCOME AND EXPENSES, MEUR			
Interest income	0.0	0.0	0.0
Exchange rate gains	0.7	0.1	0.3
Other financial income	0.0	0.0	0.3
FINANCIAL INCOME, TOTAL	0.7	0.1	0.6
Interest expenses	-0.8	-0.5	-1.9
Exchange rate losses	-0.1	-3.0	-0.6
Other financial expenses	-1.1	-0.1	-2.0
FINANCIAL EXPENSES, TOTAL	-2.0	-3.5	-4.4
FINANCIAL ITEMS, TOTAL	-1.3	-3.5	-3.8

Other financial expenses, that is excluding interest expenses and exchange rate losses, totalled EUR 1.1 million. EUR 1.0 million of this relates to the additional costs for using an exceptional procedure to repatriate funds from Nigeria.

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

TAXES IN INCOME STATEMENT, MEUR	1-3/ 2016	1-3/ 2015	1-12/ 2015
Withholding taxes paid abroad	-0.9	-1.4	-6.3
Change in withholding tax accrual	0.2	-0.0	-2.4
Income taxes on the results of Group companies	-0.2	-0.2	-0.8
Prior year taxes	0.0	-0.8	-1.4
Change in deferred tax asset in India		1.0	-0.4
Change in deferred tax liability based on:			
- dividend tax in India		0.6	3.7
Other items		0.0	-0.0
TAXES IN INCOME STATEMENT, TOTAL	-0.9	-0.9	-7.6

Earnings per share were EUR -0.04 (-0.03). Equity per share at the end of the period was EUR 0.09 (31 December 2015: EUR 0.14).

PERSONNEL

At the end of March 2016 Tecnotree employed 922 (31 December 2015: 934) persons, of whom 111 (31 December 2015: 105) worked in Finland and 811 (31 December 2015: 829) elsewhere. The company employed on average 925 (964) people during the review period. Personnel by country were as follows:

PERSONNEL	1-3/2016	1-3/2015	1-12/2015
Personnel, at end of period	922	970	934
Finland	111	90	105
Ireland	45	50	46
Brazil	22	25	22
Argentina	38	37	37
India	626	729	648
United Arab Emirates	30	30	33
Other countries	50	9	43
Personnel, average	925	964	950
Personnel expenses (MEUR)	8.4	8.7	33.5

EVENTS AFTER THE END OF THE PERIOD

Tecnotree appointed Executive Vice President MEA & APAC Padma Ravichander as interim CEO as from 18 April 2016. As part of these arrangements Harri Koponen took on the role of Executive Chairman.

PROSPECTS IN 2016

Tecnotree believes that the filing of its draft debt restructuring plan in early 2016, along with its continued focus on cost, product renewal and better serving its customers will give the company a solid base to continue to improve both its operating efficiency and addressable revenue opportunities. However, Tecnotree does not provide an annual outlook for 2016 due to several uncertainty factors having impact on customer investments. These uncertainty factors

relate to a strengthening dollar as well as the softening macroeconomic environment and political instability in some of its key markets in Latin America, the Middle East and Africa.

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 first quarter result on 27 April 2016 at 10.00 am in the Tapiola conference room at the Scandic Hotel Simonkenttä, Simonkatu 9, Helsinki. The result will be presented by Interim 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

FURTHER INFORMATION

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

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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	1-3/ 2016	1-3/ 2015	1-12/ 2015
NET SALES	13.0	17.1	76.5
Other operating income	0.0	0.0	0.1
Materials and services	-1.5	-1.1	-7.9
Employee benefit expenses	-8.4	-8.7	-33.5
Depreciation, amortisation and impairment charges	-0.2	-0.2	-1.0
Other operating expenses	-5.2	-5.9	-22.5
OPERATING RESULT	-2.4	1.1	11.7
Financial income	0.7	0.1	0.6
Financial expenses	-2.0	-3.5	-4.4
RESULT BEFORE TAXES	-3.7	-2.4	7.8
Income taxes	-0.9	-0.9	-7.6
RESULT FOR THE PERIOD	-4.6	-3.3	0.2
Allocated to:			
Equity holders of parent company	-4.5	-3.3	0.2
Non-controlling interest	-0.0	-0.0	0.0
CONSOLIDATED BALANCE SHEET	31.3.2016	31.3.2015	31.12.2015
Assets			
Goodwill	16.9	18.5	17.5
Other intangible assets	0.6	0.3	0.6
Tangible assets	3.5	3.7	3.6
Deferred tax assets	0.6	2.1	0.6
Other non-current trade and other receivables	1.3	1.3	1.3
Current assets			
Inventories	0.7	1.0	0.5
Trade receivables	8.9	13.7	12.1
Other receivables	33.8	33.1	31.9
Investments	0.0	0.2	0.0
Cash and cash equivalents	3.3	3.4	6.4
TOTAL ASSETS	69.4	77.4	74.6
Shareholders' equity	11.3	18.9	17.8
Non-current liabilities			
Deferred tax liabilities	0.0	3.1	0.0
Non-current interest-bearing liabilities	0.4	0.0	0.5
Other non-current liabilities	1.7	1.7	1.8
Current liabilities			
Current interest-bearing liabilities	31.8	31.8	31.8
Trade payables and other liabilities	24.2	21.8	22.8
EQUITY AND LIABILITIES, TOTAL	69.4	77.4	74.6

CONSOLIDATED CONDENSED CASH FLOW STATEMENT, MEUR	1-3/ 2016	1-3/ 2015	1-12/ 2015
Cash flow from operating activities			
Result for the period	-4.6	-3.3	0.2
Adjustments of the result	3.3	2.5	11.9
Changes in working capital	0.8	3.8	2.9
Interest paid	-0.0	-0.1	-0.4
Interest received	0.0	0.0	0.0
Income taxes paid	-1.3	-2.0	-7.8
Net cash flow from operating activities	-1.8	0.9	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
Proceeds from disposal of intangible and tangible assets	0.0	0.0	0.0
Changes in other securities		-0.1	0.1
Interest received from other securities			0.0
Net cash flow from investing activities	-0.1	-0.1	-0.5
Cash flow from financing activities			
Borrowings received	0.4	0.3	2.9
Repayments of borrowings	-0.4	-0.3	-2.9
Changes in credit facilities in use			
Finance lease liabilities, repayments and interest	-0.0		-0.0
Changes in pledged cash deposits	0.0		-0.8
Interest paid	-1.0	-0.1	-1.3
Net cash flow from financing activities	-1.0	-0.1	-2.1
Increase (+) and decrease (-) in cash and cash equivalents	-2.9	0.7	4.2
Cash and cash equivalents at beg. of period	6.4	2.5	2.5
Impact of changes in exchange rates	-0.2	0.2	-0.3
Cash and cash equivalents at end of period	3.3	3.4	6.4

KEY FIGURES

CONSOLIDATED KEY FINANCIAL FIGURES	1-3/2016	1-3/2015	1-12/2015
Return on investment, %	-14.1	9.1	24.7
Return on equity, %	-125.1	-73.6	1.4
Equity ratio, %	16.3	24.5	23.9
Net gearing, %	255.7	149.0	145.2
Investments, MEUR	0.1	0.0	1.2
% of net sales	1.1	0.3	1.5
Research and development, MEUR	3.0	3.2	13.0
% of net sales	22.8	18.7	17.0
Order book, MEUR	28.2	48.1	26.8
Personnel, average	925	964	950
Personnel, at end of period	922	970	934

QUARTERLY KEY FIGURES	Q1/16	Q4/15	Q3/15	Q2/15	Q1/15	Q4/14
Net sales, MEUR	13.0	24.6	17.7	17.1	17.1	24.2
Net sales, change %	-23.7	1.7	-25.3	45.6	18.9	20.6
Adjusted operating result ¹	-2.4	6.4	2.7	1.5	1.4	5.1
% of net sales	-18.3	25.9	15.5	8.6	8.0	21.3
Operating result, MEUR	-2.4	6.4	2.7	1.5	1.1	4.7
% of net sales	-18.3	25.9	15.5	8.6	6.2	19.4
Adjusted result for the period, MEUR ²	-5.1	3.9	0.0	-2.9	-0.4	0.5
Result for the period, MEUR	-4.8	3.3	1.9	-1.7	-3.3	0.5
Personnel at end of period	922	934	932	939	970	993
Earnings per share, basic, EUR	-0.04	0.03	0.02	-0.01	-0.03	0.00
Earnings per share, diluted, EUR	-0.04	0.03	0.02	-0.01	-0.03	0.00
Equity per share, EUR	0.09	0.14	0.11	0.12	0.15	0.14
Net interest-bearing liabilities, MEUR	28.9	25.8	28.6	26.7	28.2	29.2
Order book, MEUR	28.2	26.8	33.7	37.4	48.1	38.9

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.