TECNOTREE

Annual Report 2017

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CEO's Review

For Tecnotree, 2017 was a year of consolidation and stabilization. The journey we commenced in 2016 towards transforming the company into a full-fledged product company continued in 2017. We attained greater velocity and are clearly in the right path to reaching our goals.

"Cost rationalising shows in result – significant improvement in adjusted operating profitability"

We delivered successfully our full digital BSS stack and our BSS suite products to many of our customers and renewed contracts towards support and maintenance services for 2018. Even though we did not add new customers, we made complete significant deliveries successfully from our order backlog of prior years to our key customers, and we expect these deliveries to help initiate new orders in 2018.

The overall revenue for 2017 was EUR 55.1 million being 8% less than in 2016. The decrease of USD by more than 15% had a negative impact on the revenue. The revenue in Latin America region amounted to about EUR 22 million, staying at the same level as in 2016. The European region revenue degreased from EUR 2.6 million in 2016 to EUR 1.9 million in 2017. Lower revenue figures were seen in both MEA (from EUR 32 million to EUR 30 million in 2017) and APAC region (from EUR 3 million to EUR 1 million in 2017).

The order backlog showed a positive trend year-on-year and stood at the end of 2017 at EUR 26.2 million compared with EUR 24.9 million a year before.

The company was included in the Magic Quadrant for “Integrated Revenue and Customer Management for CSPs” published by Gartner, and Tecnotree was placed among the Niche Players quadrant.

In 2017, we continued to consolidate our operations across regions, optimized our headcounts and minimized overall costs and other expenses.

We successfully achieved the cost reductions of EUR 5 million, in accordance with our promise given in March of 2017. All these actions along with enhanced cash collections resulted in the company delivering a strong adjusted operating result of EUR 9.8 million compared with the EUR 1.2 million in 2016. While achieving this we at the same time successfully ensured that all delivery commitments to our customers were met and that our overall customer satisfaction remained excellent.

Our liquidity and cash position remained extremely challenging and we did not succeed in realizing the needed financing arrangement.

Focus and outlook in 2018

In 2018, we will focus on profitable growth and realization of financing arrangement.

We continue to emphasize our role as a product company, driving the digital transformation of our customers with our enriched and differentiated BSS product portfolio. We will go to market with improved execution, quality and agility and innovative business models.

We continue with cost optimization and other measures for increased efficiency. We develop our current structures and processes further to minimize currency exchange risks and withholding taxes. We continue with increased focus on ensuring timely collections of receivables by further improving the quality and timeliness of our deliveries.

One of our most important tasks is to realize a financing arrangement so that we can ensure the company’s stable operations and further development.

The company announced on 8 March 2018 that it has entered with Viking Acquisitions Corp. into a transaction agreement, under which Viking undertakes to make a voluntary public cash tender offer to purchase all of the issued and outstanding shares in Tecnotree. The tender offer is subject Viking gaining control of more 90% of shares and voting rights of Tecnotree. According to the preliminary results of the tender offer, Viking had gained a total of approximately 79.0 % of all the shares and votes. The acceptance period was extended and expire on 30 April 2018."

Padma Ravichander, Chief Executive Officer

Key figures

YEAR 2017

- Net sales for the financial period were EUR 55.1 (60.1) million.
- The adjusted operating result was EUR 9.8 (1.2) and the operating result -8.0 (-10.1) million.
- The adjusted result for the period was EUR 2.3 (-4.2) million and the result EUR -15.5 (-6.3) million.
- Cash flow after investments for the financial period was EUR 4.8 million (-0.9) and the company's cash and cash equivalents were EUR 2.3 (3.5) million.
- Earnings per share were EUR -0.13 (-0.05).
- One-time goodwill write down EUR 16.7 million and EUR 1.1 million related to redundancies.

	2017	**2016**	**2015**	**2014**	**2013**
Net sales, MEUR	55.1	60.1	76.5	74.0	73.9
Net sales, change %	-8.3	-21.4	3.4	0.1	0.7
Adjusted operating result, MEUR [1]	9.8	1.2	12.0	3.7	3.3
Operating result, MEUR	-8.0	-10.1	11.7	3.3	1.6
as % of net sales	-14.5	-16.8	15.2	4.4	2.2
Profit before taxes, MEUR	-10.5	-5.6	7.8	-2.4	4.1
Adjusted result for the period, MEUR [2]	2.3	-4.2	0.6	-8.9	-0.8
Result for the period, MEUR	-15.5	-6.3	0.2	-9.3	-2.5
Earnings per share, basic, EUR	-0.13	-0.05	0.00	-0.08	-0.02
Order book, MEUR	26.2	24.9	26.8	38.9	45.0
Cash flow after investments, MEUR	4.8	-0.9	6.3	-1.8	-4.6
Change in cash and cash equivalents, MEUR	-0.9	-3.0	4.2	-4.2	-3.8
Cash and cash equivalents, MEUR	2.3	3.5	6.4	2.5	6.6
Equity ratio %	-19.1	17.9	23.9	22.5	30.3
Net gearing %	-261.2	195.6	145.2	172.7	113.4
Personnel at the end of the period	666	818	934	993	1,059

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

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

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".

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 write-down of goodwill of EUR 16.7 million and personnel-related redundancies of EUR 1.1 million (EUR 9.0 million related to a large project delivery and EUR 2.3 million to personnel reductions). Adjusted result included one-time items in operating result (income in financial items from debt restructuring EUR 9.3 million in addition to one-time items in operating result). For more details, see table income statement key figures on page 6.

Board of Directors

Harri Koponen, b. 1962, eMBA, Phd. Econ. h.c.
Chairman of the Board, 2011–
Member of the Board, 2008–
Main duty: CEO, Oy Osaka Ltd, 2010-
Tecnotree shares 31 Dec 2017: 658,352
Independent of Tecnotree and its significant shareholders.

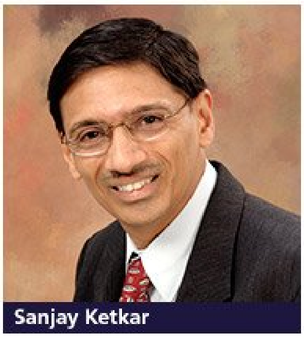
Pentti Heikkinen, b. 1960, M.Sc. (Econ.)
Stanford Graduate School of Business (Stanford Executive Program 2001)
Vice Chairman of the Board, 2013–
Member of the Board, 2009–
Main duty: Founder and Chairman, Solidabis Oy, 2016-
Tecnotree shares 31 Dec 2017: 398,019
Independent of Tecnotree and its significant shareholders.

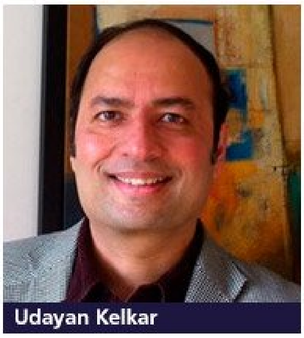
Matti Jaakola, b. 1955, M.Sc. (Econ.)
Member of the Board, 2015
Main duty: CEO, CapWell Oy, 2006–
Tecnotree shares 31 Dec 2017: - , holding of interest parties 36,000
Independent of Tecnotree and its significant shareholders.

Christer Sumelius, b. 1946, M.Sc. (Econ.)
Member of the Board, 2001–
Main duty: President and CEO, Investsum Oy, 1984–
Tecnotree shares 31 Dec 2017: 2,147,937, holding of interest parties 1,632,796
Independent of Tecnotree and its significant shareholders.

Pirjo Pakkanen, b. 1954, BBA (Econ.), eMBA
Member of the Board, 9 May 2016 – 3 June 2017

Management Board





Padma Ravichander, b. 1959

Main duty: Chief Executive Officer, CEO, 9 May 2016 -

Tecnotree shares: 197,303

Kirsti Parvi, b. 1958
Main duty: Chief Financial Officer, CFO, 1 Oct 2016 –

Tecnotree shares: -

Reija Virrankoski, b. 1965

Main duty: Vice President, Human Resources, 1 April 2014-
Tecnotree shares: -
Holding of interest parties: 10,000

Indrajit Chaudhuri, b. 1970

Main duty: Senior Vice President, Product Creation and Consulting, 1 June 2016 -

Tecnotree shares: -

Sanjay Ketkar, b. 1956

Main duty: Vice President, Product Engineering, India, 1 June 2016-

Tecnotree shares: -

Mike Keegan, b. 1965

Main duty: Vice President, Sales, Latin America, 1 June 2016-

Tecnotree shares: -

Udayan Kelkar, b. 1963

Main duty: Senior Director, Sales, Europe, MEA and APAC, 1 June 2016 -

Tecnotree shares: -

Sheela Singh, b. 1960

Main duty: Vice President - Quolity & India Center, 1 March 2017

Tecnotree shares: -

Corporate governance statement 2017

Tecnotree Corporation is a Finnish Public Limited Company. The responsibilities and oblications of the Corporate management are based on the Finnish legislation. Tecnotree Group comprises Tecnotree Corporation and its subsidiaries. The company is registered and domiciled in Espoo Finland.

In 2017, Tecnotree abided by the Finnish Corporate Governance code for companies listed on the NASDAQ Helsinki Ltd..This statement has been prepared separately from the Report of the Board of Directors and in accordance with the Finnish Corporate Governance Code 2015. The Finnish Corporate Code 2015, can be found at www.cgfinland.fi and this statement at Tecnotree's web site www.tecnotree.com .

Description of the composition and operations of the meeting of shareholders, board and board committees and other controlling bodies

Meeting of Shareholders

Tecnotree's Annual General Meeting of Shareholders is the company's highest decision-making body. The responsibilities of the Annual General Meeting are defined in the Finnish Companies Act and the Articles of Association of the company. The most important responsibilities include amending the Articles of Association, approving the financial statements, deciding on the dividend to be paid, discharging the Board members and the CEO from liability, appointing Board members and auditors and deciding on their fees.

The Annual General Meeting was held on 29 May 2017. The Annual General Meeting confirmed the financial statements and the consolidated financial statements for the financial year 2016 and discharged the Board of Directors and the CEO from liability for the year 2016. The Annual General Meeting resolved in accordance with the proposal of the Board of Directors that no dividend is paid for the financial year 2016, and that the parent company's gain for the financial year, EUR 1,816,403.05, be remained in retained earnings.

The Extraordinary General Meeting of Tecnotree Corporation was held on 14 September 2017 in Espoo. The Extraordinary General Meeting authorized the Board of Directors in accordance with the proposal of 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.

Board of Directors

The tasks and responsibilities of Tecnotree's Board of Directors are defined in the Finnish Companies Act and in other applicable legislation, according to which the Board of Directors is responsible for the appropriate organisation of business operations and corporate administration.

The Board also ensures in addition to the CEO that the company's accounting and financial administration is supervised appropriately. Furthermore, the Board is responsible for promoting the interests of the company and all its shareholders by pursuing a business policy that in the long-term ensures the best possible return on capital invested in the company.

Tecnotree's Board of Directors consists of a minimum of three and a maximum of eight members, as outlined in the Articles of Association. The Annual General Meeting elects the Board and confirms the number of Board members. The Board of Directors elects the Chairman and Vice Chairman among its members for a term of one year at a time. The term of office of Board members expires at the end of the first Annual General Meeting following election.

Majority of Board Members have to be independent of the company. In addition to that at least two members of mentioned majority have to be independent of the company and significant shareholders.

The members of Tecnotree's Board have no special duties related to being a member of the Board other than those designated by law. Board members are also members of Board Committees.

To support its work, Tecnotree's Board of Directors has confirmed charter that defines the Board's duties and work methods, as well as meeting and decision-making procedures.

In order to carry out its duties, the Board shall:

- decide upon the group strategy and approves the business strategy
- approve the values of the company and its subsidiaries
- approve the annual business plan and supervises the realisation
- decide upon the central organisation structure and leadership system of the company
- discuss and approve the accounts and interim reports
- define the dividend policy of the company and makes a proposal to the annual general meeting as to the amount of dividend paid
- appoint the managing director of the company and the deputy managing director, decide upon their remuneration and conditions of employment
- decide on the appointment of the members of the company's management group and their remuneration
- decide on the remuneration systems of the company's executives and the principles of the remuneration systems for other personnel
- decide on strategically or economically important investments and the purchase and sale of companies or similar arrangements
- approve the significant principles of risk management
- decide upon the capital structure of the company
- approve the principles of internal control
- annually assess its activities and working methods
- be responsible for the other duties assigned to it under the Finnish Companies Act or other regulation
- may establish an audit, a remuneration and/or nomination committee, or another committee.

The Board evaluates its operations and working methods once a year through self-assessment. The charter of the Board of Directors is available at **www.tecnotree.com.**

The principles of Board diversity:

In proposing and deciding the number of the members and the composition of the Board, the diversity of the board, the requirements of the company's operations and the development phase of the company shall be taken into account, with the aim of ensuring an efficient management of the Board tasks. The persons elected as members of the Board shall have the competencies required in this duty and the possibility to devote sufficient time to attend to their duties. When preparing its proposal concerning the composition of the Board, the Board shall consider the age, gender, education and experience of the members to ensure the diversity of the Board.

The objective of the company is that expertise from various industries and markets, varied professional and educational backgrounds, a diverse age distribution as well as both sexes are all diversely represented in the Board.

Since June 2017 there is no woman member in the Board. Age of Board members is between 56 and 72 years. In the current situation of the company, continuity is deemed important, but the Board will strive to improve diversity further.

Composition of the Board

The Annual General Meeting of 29 May 20176 confirmed that the Board of Directors will consist of five (5) members, and 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 elected as Board Members Pentti Heikkinen, Matti Jaakola, Harri Koponen, Pirjo Pakkanen and Christer Sumelius

Tecnotree's Board of Directors has assessed the Board members' independence of the company and shareholders in compliance with the Finnish Corporate Governance Code's recommendations. Based on the assessment, all five Board members are independent of the company and of significant shareholders.

Harri Koponen,b. 1962, eMBA, Phd. Econ. h.c.
Chairman of the Board, 2011–

Member of the Board, 2008–
Main duty: CEO, Oy Osaka Ltd, 2010-,
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Pirjo Pakkanen, b. 1954, BBA (Econ.), eMBA
Member of the Board, 9 May 2016 - 3 June 2017

Tecnotree' s Board of Directors convened twenty eight times in 2017. The average attendance was 95 per cent.

The Annual General Meeting 2017 decided the following existing Board member remuneration; Chairman of the Board EUR 50,000, Vice-chairman of the board EUR 30,000 and members of the Board EUR 23,000 in a year. The Chairman shall receive an attendance fee of EUR 800 and the members EUR 500 per meeting, respectively the members of committees shall receive an attendance fee of EUR 500 per meeting.
In accordance with the decision of the Annual General Meeting, reasonable travel expenses shall also be reimbursed to Board members.

Remuneration paid to the Chairman and members of the Board of Directors from 1 January to 31 December totaled EUR 186 138. Board members do not have share-based incentive schemes.

Board attendance to meetings and remuneration 2017:

Board Member	Attendance	Remuneration (euro)
Harri Koponen	26/28	63 200
Pentti Heikkinen	27/28	38 500
Matti Jaakola	26/28	31 000
Christer Sumelius	2728	31 000
Pirjo Pakkanen	11/11	22 438

Board Committees

Audit Committee

Audit committee responsibilites include:

• monitor the reporting process of financial statements
• supervise the financial reporting process
• monitor the efficiency of the company's internal control, internal audit, if applicable, and risk management systems
• review the description of the main features of the internal control and risk management systems in relation to the financial reporting process, which is included in the company's Corporate Governance Statement
• monitor the statutory audit of the financial statements and consolidated financial statements
• evaluate the independence of the statutory auditing or audit firm, particularly the provision of related services to the company
• prepare the proposal for resolution on the election of the auditor
• monitor the financial position of the company and
• contact with the auditor and revision of the reports that the auditor prepares for the Audit Committee.

The Audit Committee comprised four members of the Board: Pirjo Pakkanen (Chairman), Harri Koponen, Matti Jaakola and Pentti Heikkinen. Tecnotree's CEO and CFO regularly participated in the Audit Committee's meetings.

The Audit Committee convened five times in 2017. The average attendance was 75 per cent.

Board has confirmed an official written procedure to Audit Committee.

Audit Committee attendance to meetings 2017:

Pirjo Pakkanen	3/3
Harri Koponen	2/3
Matti Jaakola	1/3
Pentti Heikkinen	3/3

The board has been responsible for the duties of the Audit Committee sice 29 May 2017.

Remuneration and Nomination Committee

Duties of the Remuneration and Nomination Committee include:

• preparing a proposal of the Board members for the Annual General Meeting
• preparing a proposal of the remuneration of the Board members for the Annual General Meeting
• finding successor candidates for the members of the Board
• presenting the proposal of the Board members to the Annual General Meeting
• preparing the nomination of the CEO and other executives and identifying potential successors
• preparing the remuneration and other financial benefits of the CEO and other executives
• preparing matters related to the remuneration systems in the Company
• evaluating the remuneration of the CEO and other executives and ensuring
• the appropriateness of remuneration systems
• answering questions related to the Salary and Remuneration Report in the Annual General Meeting.

The Remuneration and Nomination Committee comprised three members of Board: Harri Koponen, Matti Jaakola and Christer Sumelius (Chairman).

The Remuneration and Nomination Committee convened two times. The average attendance was 83 per cent.

Board has confirmed an official written procedure to Remuneration and Nomination Committee.

Remuneration and Nomination Committee attendance to meetings 2017:

Christer Sumelius	2/2
Harri Koponen	2/2
Matti Jaakola	1/2

CEO

The Chief Executive Officer is responsible for managing and developing the company's operations as defined in the Finnish Companies Act and in the guidelines and instructions issued by the Board of Directors. The CEO may undertake actions that are unusual or far-reaching in view of the scope and quality of the company's operations only if authorised by the Board of Directors.

The CEO ensures that the company's accounting complies with legislation and that its assets are managed reliably. The CEO is also responsible for investor relations, corporate communication, long-term strategic and financial planning, as well as major operative decisions and the supervision of their implementation. The CEO prepares matters to be handled at Board meetings and reports to the Board.

Padma Ravichander, b. 1959, Computer Science and IT (Dip), Concordia University, Montreal Canada, Graduate of Executive Management School Stanford University, California, USA, Executive CEO 18.4 - 8.5.2016
Chief Executive Officer, CEO, 9 May 2016-

Management Board

Management Boards main duty is to assist CEO, monitor and develop business activities according to strategy and targets, create group level policies, support risk management procedures, follow solid human resources policy and remuneration as well as manage stakeholder relations. Management Board convened at least once a month.

At the end of 2017 Tecnotree Group Management Board had eight (8) members, which were CEO, two Sales Directors, VP Product Engineering, SVP Product Creation and Consulting, VP Quality, Chief Financial Officer, and VP Human Resources. CEO acted as Chairman of the Management Board.

Composition of the Management Board

Management team members, responsibilities and period of membership:

Padma Ravichander, b. 1959, Computer Science and IT (Dip), Concordia University, Montreal Canada, Graduate of Executive Management School Stanford University, California, USA
Main duty: Chief Executive Officer, 2011 -
Tecnotree shares 31 Dec 2017: 197,303

Kirsti Parvi, b. 1958, Executive Master of Business Administration, eMBA
Main duty: Chief Financial Officer, CFO, 1 Oct 2016 –
Tecnotree shares 31 Dec 2017: -

Reija Virrankoski, b. 1965, M.Sc. (International Communication)
Main duty: Vice President, Human Resources, 2014-
Tecnotree shares 31 Dec 2017: -;Holding of interest parties: 10,000

Indrajit Chaudhuri, b. 1970, Master of Computer Science and Eng.
Main duty: Senior Vice President, Product Creation and Consulting, 1 June 2016 –
Tecnotree shares 31 Dec 2017: -

Sanjay Ketkar, b. 1956, Master of Engineering (Automation), Indian Institute of Science

Main duty: Vice President, Product Engineering, India, 1 June 2016-
Tecnotree shares 31 Dec 2017: -

Mike Keegan, b. 1965, B.Eng.
Main duty: Vice President, Sales, Latin America, 1 June 2016-
Tecnotree shares 31 Dec 2017: -

Udayan Kelkar, b. 1963, Bachelor degree in Engineering from India's premier Indian Institute of Technology
Main duty: Senior Director, Sales, Europe, MEA and APAC, 1 June 2016 –
Tecnotree shares 31 Dec 2017: -

Sheela Singh, b. 1960, Bachelor of Engineering (Electronics)
Main duty: Vice President - Quolity & India Center, 1 March 2017
Tecnotree shares 31 Dec 2017: -

Description of the main features of the internal control and risk management systems pertaining to the financial reporting process

Company’s general objectives for internal control and risk management

The objective of the internal control and reporting methods is to ensure that the company’s operations are efficient and that information is reliable and that official regulations and internal operating principles are followed. The Group’s management is responsible for performing and guiding the internal control.

The task of risk management is to identify, manage and track the major risks in the Group’s business and business environment to enable the Group to achieve its strategic and financial goals in the best possible way. The Group’s management board is responsible for risk management.

Control activities

The company mainly uses a common finance system for its financial reporting, and the information in this system for the different companies can also be viewed at head office. Similarly, where necessary the parent company accounts can also be examined at the other offices. Group reporting is performed using a separate system on a monthly basis. Actual figures are compared to the budget, and at the highest level also to the previous forecast. Major deviations are looked into.

The main control activities include preparing up-to-date forecasts, analysing deviations in actual data versus forecast and previous periods, performing transaction and process level controls and internal audits. The company does not have an own internal audit function. The Finance department in HQ is responsible for control activities.

Annual budgets are prepared and detailed targets set based on the strategic plans in the October-December period. A preliminary budget proposal is presented to the Board of Directors in November and the final budget is drawn up based on the feedback received, and this is examined at the Board meeting in December. It also includes plans of action. These are then used as the basis for defining individual targets for each person.

The operating result forecast is updated and presented at the monthly Board meeting. Monthly reporting shows the latest forecast for the period that has ended, the actual figure and the forecast for the following period.

Forecasts for sales, revenues to be recognised and cash flow are examined on a monthly basis or more often, if needed, region by region in telephone conferences. The forecasts are graded in different categories according to their probability, and this information is used by the Management Board to decide on the forecast to be presented to the Board.

The Group’s financial management together with the relevant levels of management prevents, discovers and corrects deviations and possible errors in the monthly reporting. Tecnotree has a separate policy for revenue recognition. Line organisation is responsible for budgets and forecasts. The role of Group's financial management is to collect these plans according to accepted timetables and to control their reliability. Substantial deviations and possible errors with corrective actions are reported to the Board of Directors.

The Group's financial department performs controls pertaining to the correctness of external and internal reporting. Due to the nature of business a lot of emphasis is put into controlling revenue recognition and receivables.

Risk management

Tecnotree's general annual assessments of external risks assessed by the Management Board define the biggest risks. These assessments are made by evaluating the probability and the impact of the different risks, and based on this a risk map is comprised. Actions and a person in charge are defined for each significant risk. The most significant risks have been described in the Board of Directors' Report. The Board approves the significant principles of risk management.

Sufficiency of funds has been one of the significant risks in the company. The Espoo District Court confirmed 15 November 2016 the amended restructuring programme and along with the confirmation of the payment programme the restructuring programme ended. The reimbursements of payment plan will end 20 June 2025.

Corporate governance is implemented through documented policies. The main policies are policy for making sales agreements, credit policy, cash management policy, policy for hedging against currency risks, policy for making purchase agreements and approval policy.

A big part of the risks is related to sales. These risks can be mitigated by reviewing offers systematically. Tecnotree has uniform principles and practices in bid reviews.

The subsidiaries and foreign offices of the parent company have issued guidelines and policies for their own specific purposes that are in line with the Group level policies. The company has defined its Code of Conduct.

The Group's financial management is responsible for managing foreign exchange, interest rate and liquidity risks and for taking out insurance against operational risks.

The Management Board handles risks and risk management in its meetings on a regular basis. The CEO reports these to the Board of Directors.

The risks pertaining to the financial reporting are mitigated by the methods in financial reporting and control of the group. Majority of the sales transactions are at the parent company level, common chart of accounts and IFRS principles applied, common systems with comprehensive database, centralised treasury and financing, and an easy-to access archive for contracts and policies. The company has analyzed the effect of the IFRS 15 Sales Revenue from Customer Contracts as effective on January 1, 2018, and adopted the Standard for the financial period beginning January 1, 2018.

Related party transactions

Tecnotree monitors and assesses any transactions with its related parties and ensures that potential conflicts of interest are appropriately considered in the company's decision-making. The company maintains a list of its related parties. The company is responsible for determining and identifying the parties and transactions included in related party transactions.

Certain related party transactions shall be published as required by stock exchange rules.

In 2017, Tecnotree Corporation did not have material related party transactions that were not in line with its regular business operations or market conditions.

Insider issues

Tecnotree Group complies with the currently valid insider dealing regulations and the Nasdaq Helsinki Guidelines for Insiders. The Group also has its own Insider Guidelines complementing Nasdaq Helsinki Guidelines for Insiders. The Insider Guidelines are updated as necessary. The Insider Guidelines are available on the company's intranet site.

The person in charge of insider issues (insider issues officer) and insider register manager in Tecnotree is the CFO. The duties of the insider issues officer include internal communication and training and the monitoring of insider issues (including the whistleblowing system). The insider issue officer is also responsible for managing the closed periods and ensuring that executives and their related parties meet their obligations related to the notification and publication of related party transactions.

Tecnotree has opted to maintain a separate list of permanent insiders who, on the basis of their position or duties, have permanent access to all inside information concerning the company. Tecnotree has defined the following persons as permanent insiders:

• members of the Tecnotree Board of Directors, the CEO and the CFO, and

• the secretary of the Board of Directors.

A project-specific insider list is maintained of all insider projects in line with the stock exchange's Guidelines for Insiders.

In accordance with the applicable legislation, persons in managerial positions in Tecnotree Corporation (the Board of Directors, the CEO and the Management Board) and their related parties report any transactions conducted on their own account to the company and to the Finnish Financial Supervisory Authority within three days of the completion of such transactions. According to the company's Insider Guidelines, executives shall, however, notify the transactions on the following working day. The company publishes a stock exchange release of the transactions of the executives and their related parties in accordance with the applicable legislation.

Tecnotree executives shall schedule their transactions with Tecnotree's financial instruments to avoid the transactions undermining confidence in the securities market. Tecnotree executives shall not trade in Tecnotree's financial instruments during the period starting 30 days before the publication of each financial statements bulletin, half year financial report or three- or nine-month financial report and ending on the day following the publication of such data. The closed period also covers the persons participating in the preparation, drafting and publication of Tecnotree's financial reports.

Auditing of accounts

The principal purpose of auditing is to verify that the financial statements provide correct and sufficient information on the company's result and financial position. In addition, the auditor verifies the legality of the company's administration.

The auditor is appointed annually in the Annual General Meeting for a term ending at the end of the following Annual General Meeting. A proposal of the auditor made by the Board of Directors or any shareholder holding at least 10% of the voting rights shall be published in the invitation to the Annual General Meeting, provided that the candidate has given his or her consent to be appointed and that the company has been informed of the proposal sufficiently early for it to be included in the invitation. If the auditor candidate is not known by the Board of Directors at the time of submitting the invitation, the name of the candidate, who has been presented in this manner, shall be published separately.

The fees of the auditor and any remuneration for services not related to the audit for the financial period shall be published in the annual report and on the company's website. The Annual General Meeting 2017 appointed the auditing firm KPMG Oy to continue as the auditor. The principal auditor was Leenakaisa Winberg. In 2017, KPMG Oy was paid EUR 143 thousand for the audit and EUR 9 thousand for other services. KPMG in other countries was paid EUR 68 thousand for the audit. To the others was paid EUR 23 thousand for the audit and EUR 31 thousand for the other services.

Communication

In its disclosure policy the company complies with Finnish and European Union legislation and with the instructions and regulations of Nasdaq Helsinki Ltd, the Financial Supervisory Authority and the European Securities and Markets Authority (ESMA) and the provisions of the Finnish Corporate Governance for Finnish listed companies as well as other rules concerning listed companies.

The central principles Tecnotree follows in its communication are openness, integrity, consistency, and clarity. It is the company's objective to give all stakeholder groups correct and up-to-date information about the company's operations, in a balanced and timely manner

Tecnotree Corporation
The Board of Directors

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Remuneration Statement

Decision making

According to the Tecnotree Corporation's Articles of Association, the Annual General Meeting decides on the remuneration to be paid to the Members of the Board. The Board makes a decision on the salary and other financial benefits of the Group executives according to grandfathering principle.

Key principles

The variable compensation system in the Tecnotree Group is designed to promote competitiveness and the company's long-term financial success and to contribute to a positive development of owner value. Compensation plans are based on predetermined and measurable performance and result criteria. At the moment Tecnotree has only short-term compensation plans.

Annual remuneration of Board members

The Annual General Meeting 2017 decided to maintain the following existing Board member remuneration:

• Chairman of the Board: EUR 50,000 a year
• Vice Chairman of the Board: EUR 30,000 a year
• Members of the Board: EUR 23,000 a year
• the Chairman and members shall receive an attendance fee of EUR 800 and EUR 500 per meeting, respectively
• the members of committees shall receive an attendance fee of EUR 500 per meeting.

In accordance with the decision of the Annual General Meeting, reasonable travel expenses shall also be reimbursed to Board members.

Remuneration paid to the Chairman and members of the Board of Directors from 1 January to 31 December 2017 totaled EUR 186 138.

REMUNERATION PAID TO THE CHAIRMAN AND MEMBERS OF THE BOARD 2017	Board member remuneration, EUR
Harri Koponen, hallituksen puheenjohtaja	**63,200**
Pentti Heikkinen, hallituksen varapuheenjohtaja	**38,500**
Christer Sumelius	**31,000**
Matti Jaakola	**31,000**
Pirjo Pakkanen	**22,438**
TOTAL	**186,138**

*Includes fixed board member remunerations and remuneration of the board and the board committee meetings.

Compensation for the CEO and other executives

The purpose of the remuneration system is competitive remuneration in order to acquire and commit key resources. The current remuneration system of the CEO and other executives consists of a fixed monthly salary and a performance-related bonus based on short-term financial targets. Potential returns from the performance-related bonus system is tied to the achievement of Group's targets of net sales and operating profit development. The managers of divisions have an additional target related to the development of received orders. The targets are determined annually.

Compensation of the CEO

The variable compensation of the CEO, the annual short-term incentive scheme (STI), is 50% at the target level and, not more than, 100% of the annual basic salary. The annual bonus is based on net sales, the quality index and net sales cash inflow. CEO’s annual bonus requires a valid employment contract at the end of the year.

The notice period of the CEO is six months if the company terminates his or her contract, and six months, if the contract is terminated by the CEO. Salary is paid for the period of notice and, in the case of the notice given by the company, a compensation equal to 12 months’ salary will be paid. The company can terminate the contract of the CEO with immediate effect, without a separate compensation, if the CEO has materially breached his or her CEO contract, convicted guilty to a crime or otherwise caused substantial damage to the company.

If a new shareholder is acquiring more than 50% of the company’s shares or if more than 50% of the company’s assets are transferred to a new owner, the CEO can terminate the contract with the period of notice of 3 months and he or she is entitled for a compensation equivalent to 6 months’ salary.

Retirement age is determined by the employee pension law.

In 2017, CEO Padma Ravichander was paid a total of EUR 412 770 as salaries and other compensation.

Other executives

The variable compensation of the members of the Management Board, the annual short-term incentive scheme (STI), has a target and a maximum level depending on the role of the Member. The Management Board member’s annual bonus requires a valid employment contract at the end of the year. The retirement ages of the Management Board members are based on applicable local legislation. The period of notice for Management Board members varies between two and six months if the Company terminates the member’s contract, and between two and six months if the member terminates the contract.

In 2017, members of the Management Board was paid a total of EUR 1,037,068 as salaries and other employee benefits, of which fixed salaries accounted for 97 per cent.

Loans and guarantees

No guarantees or loans have been granted to members of the Board of Directors or Management Board, nor do they or persons or organisations closely associated with them have any significant business connections with the company.

Key financial indicators and key figures per share

	2017	2016	2015	2014	2013
Consolidated income statement					
Net sales, EUR million	**55.1**	60.1	76.5	74.0	73.9
change %	**-8.3**	-21.4	3.4	0.1	0.7
Adjusted operating result, EUR million [1]	**9.8**	1.2	12.0	3.7	3.3
% of net sales	**17.8**	2.1	15.7	5.0	4.5
Operating profit, EUR million	**-8.0**	-10.1	11.7	3.3	1.6
% of net sales	**-14.5**	-16.8	15.2	4.4	2.2
Profit before taxes, EUR million	**-10.5**	-5.6	7.8	-2.4	4.1
% of net sales	**-19.1**	-9.4	10.2	-3.2	5.6
Adjusted result for the period [2]	**2.3**	-4.2	0.6	-8.9	-0.8
% of net sales	**4.1**	-7.0	0.7	-12.0	-1.1
Profit for the period, EUR million	**-15.5**	-6.3	0.2	-9.3	-2.5
% of net sales	**-28.1**	-10.5	0.3	-12.6	-3.4
Consolidated balance sheet					
Non-current assets, EUR million	**3.6**	22.4	23.7	22.8	22.0
Current assets					
Inventories, EUR million	**0.5**	0.9	0.5	0.5	0.6
Trade and other receivables, EUR million	**25.5**	33.0	43.9	49.0	41.9
Investments and cash equivalents, EUR million	**2.3**	3.5	6.4	2.6	7.2
Shareholders' equity, EUR million	**-6.1**	10.7	17.8	16.9	21.7
Liabilities					
Non-current liabilities, EUR million	**24.2**	32.8	2.2	1.2	21.6
Current liabilities, EUR million	**13.7**	16.3	54.6	53.5	25.3
Deferred tax liabilities, EUR million				3.4	3.0
Balance sheet total, EUR million	**31.8**	59.8	74.6	75.0	71.6
Financial indicators					
Return on equity (ROE), %	**-674.3**	-43.9	1.4	-48.2	-9.1
Return on investment (ROI), %	**-32.2**	-7.6	24.7	7.1	11.9
Equity ratio, %	**-19.1**	17.9	23.9	22.5	30.3
Debt/equity ratio (net gearing), %	**-261.2**	195.6	145.2	172.7	113.4
Investments, EUR million	**0.2**	0.3	1.2	0.7	0.6
% of net sales	**0.5**	0.5	1.9	1	0.8
Research and development, EUR million	**6.0**	6.5	13.0	12.0	14
% of net sales	**10.8**	10.8	21.6	16.2	19.0
% total expenses (above operating result)	**9.4**	9.2	20.0	16.9	19.3
Order book, EUR million	**26.2**	24.9	26.8	38.9	45.0
Personnel, average	**727**	895	950	1,038	1067
Personnel at the end of the year	**666**	818	934	993	1059

	2017	2016	2015	2014	2013
Key ratios per share					
Earnings per share, EUR (basic)	**-0.13**	-0.05	0.00	-0.08	-0.02
Earnings per share, EUR (diluted)	**-0.13**	-0.05	0.00	-0.08	-0.02
Equity per share, EUR	**-0.05**	0.09	0.14	0.14	0.18
Number of shares at the end of the period, 1,000 shares	**122,628**	122,628	122,628	122,628	122,564
Average number of shares, 1,000 shares	**122,628**	122,628	122,628	122,605	122,551
Number of own shares on 1 Jan, 1,000 shares	**0**	0	0	65	135
Numer of disposed own shares, 1,000 shares	**0**	0	0	65	70.096
Number of own shares on 31 Dec, 1,000 shares	**0**	0	0	0	65
Share price, EUR					
Average price	**0.09**	0.11	0.11	0.19	0.21
Lowest price	**0.07**	0.09	0.07	0.13	0.15
Highest price	**0.13**	0.17	0.20	0.26	0.29
Share price at the end of the period, EUR	**0.07**	0.10	0.10	0.14	0.21
Market value at the end of the period, EUR million	**8.6**	12.2	12.5	17.0	25.8
Share turnover, million shares	**63.3**	29.7	69.1	44.561	72.4
Share turnover, % of total number	**51.6**	24.3	56.4	36.3	59.0
Share turnover, EUR million	**5.5**	3.5	7.5	8.7	15.5
Dividend per share, EUR [3]					
Dividend/result, %					
Effective dividend yield, %					
P/E ratio, %	**0.0**	-2.0	-2.0	51.7	-10.3

[1] Adjusted operating result = operating result before one-time items. Adjusted operating result included in 2017 write-down of goodwill EUR 16.7 million and personnel related redundancies EUR 1.1 million.
[2] Adjusted result for the period = result for the period without one-time items.
[3] The Board of Directors proposes, that no dividend be paid for the financial year ended 31 December 2017. No dividend was paid either for the financial years ended 31 December 2016, 31 December 2015, 31 December 2014 and 31 December 2013.

Calculation of key indicators

Adjusted operating result	=	Operating result before R & D capitalisation, amortisation of this and one-time cost	
Return on equity (ROE), %	=	Resut for the period / Shareholders´ equity (average)	x 100
Return on investments (ROI), %	=	Results before taxes + financial expenses / Shareholders´ equity + interest-bearing financial liabilities (average)	x 100
Equity ratio, %	=	Shareholders´ equity / Balance sheet total - advances received	x 100
Earnings per share (EPS)	=	Profit attributable to equity holders of the parent company / Basic average number of shares	
Dividend per share	=	Dividend / Basic number of shares on the reporting date	
Dividend/Result, %	=	Dividend per share / Earnings per share (EPS)	x 100
Equity/Share	=	Equity attributable to equity holders of the parent company / Basic number of shares on the reporting date	
Debt/Equity ratio, % (net gearing)	=	Interest-bearing liabilities - cash and cash equivalents - interest-bearing assets / Shareholders´ equity	x 100
Market capitalization	=	Basic number of shares on the reporting date x share price on the reporting date	
P/E ratio, %	=	Share price on the reporting date / Earnings per share (EPS)	
Effective dividend yield, %	=	Dividend per share / Share price on the reporting date	

Board of Directors' Report

Unless otherwise stated, all consolidated figures presented below are for the financial year 2017 and the figures for comparison are for the corresponding period 2016. Key figures are presented in a separate section in the group financial statements.

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) 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 2018 and beyond, we continue on our vision as a product company, with deep telecom experience, Tecnotree is engaged on creating a continuous customer experience on our BSS platform with signature Finnish design and quality excellence.

Our cloud enabled micro-services based interoperable products helps us create a “digital marketplace” with our own, and an ecosystem of partner products and services that fosters true business value for our customers.

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.

Sales and net sales

Tecnotree’s net sales for the financial period were EUR 55.1 (60.1) million, 8.3 % lower than a year ago. Revenue from goods and services increased by EUR 2.7 million, revenue from contract work recognized by stage of completion declined by EUR 8.4 million and revenue from maintenance and support increased EUR 2.3 million. The net sales for 2017 was impacted by EUR 1.3 million of negative exchange rate differences, mainly due to the fluctuations of the US dollar against the euro (EUR 0.4 million positive).

Order book in end of the financial period stood at EUR 26.2 million having increase of EUR 1.3 million.

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

SPECIFICATION OF NET SALES	**2017 Me**	2016 Me	**2017 %**	2016 %
Revenue from contract work recognised by stage of completion (IAS 11)	**11.3**	19.7	**20.5**	32.7
Revenue from maintenance and support (IAS 18)	**31.2**	28.9	**56.7**	48.2
Revenue from goods and services (IAS 18)	**13.8**	11.1	**25.0**	18.4
Currency exchange gains and losses	**-1.3**	0.4	**-2.3**	0.7
TOTAL	**55.1**	60.1	**100.0**	100.0

NET SALES BY MARKET AREA	**2017 Me**	2016 Me	**2017 %**	2016 %
Europe & Americas	**24.2**	25.0	**43.9**	41.6
MEA & APAC	**30.9**	35.1	**56.1**	58.4
TOTAL	**55.1**	60.1	**100.0**	100.0

CONSOLIDATED ORDER BOOK	**2017 Me**	2016 Me	**2017 %**	2016 %
Europe & Americas	**10.7**	7.5	**40.9**	30.1
MEA & APAC	**15.5**	17.4	**59.1**	69.9
TOTAL	**26.2**	24.9	**100.0**	100.0

Result analysis

Tecnotree reports its result as follows:

INCOME STATEMENT, KEY FIGURES, MEUR	2017	2016
Net sales	55.1	60.1
Other operating income	0.2	0.3
Operating costs excluding one-time costs	-45.5	-59.1
Adjusted operating result, MEUR [1]	9.8	1.2
One-time costs	-17.8	-11.3
OPERATING RESULT	-8.0	-10.1
Financial items without foreign currency differences	-0.8	-4.1
Exchange rates gains and losses	-1.8	-0.7
Income taxes	-5.0	-0.6
Adjusted result for the period [2]	2.3	-4.2
Debt restructuring income in financial items, one-time		9.3
RESULT FOR THE PERIOD	-15.5	-6.3

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

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

Tecnotree's net sales for the financial period were EUR 55.1 (60.1). The adjusted operating result was 9.8 (1.2) million and the operating result EUR -8.0 (-10.1) million. The adjusted result for the period was EUR 2.3 million (-4.2) and the result for the financial period was EUR -15.5 million (-6.3)

In the fourth quarter, exchange rate differences were EUR -0.4 (0.6) million and in the financial period EUR -1.8 (-0.7) 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 2.5 million (net profit of EUR 4.5 million). Here is a breakdown of these:

FINANCIAL INCOME AND EXPENSES, MEUR	2017	2016
Interest income	0.2	0.1
Exchange rate gains	0.1	0.1
Other financial income	0.0	6.7
FINANCIAL INCOME, TOTAL	0.4	6.9
Interest expenses	-0.6	0.3
Exchange rate losses	-1.9	-0.7
Other financial expenses	-0.4	-2.0
FINANCIAL INCOME, TOTAL	-2.9	-2.4
FINANCIAL ITEMS TOTAL	-2.5	4.5

Other financial expenses, excluding interest expenses and exchange rate losses, were EUR 0.0 (0.1) million during the fourth quarter and to EUR 0.4 (EUR 2.0 of which EUR 1.8 million was related to additional cost for using an exceptional procedure to repatriate funds from a country that has a lack of foreign currency) million during the financial period.

Taxes for the period totalled EUR 0.6 (7.6) million, including the following

TAXES IN INCOME STATEMENT, MEUR	**2017**	2016
Withholding taxes paid abroad	**-4.6**	-4.5
Change in withholding tax accrual	**0.2**	4.3
Income taxes on the results of Group companies	**-0.5**	-0.4
Prior year taxes	**0.0**	0.0
Change in Indian deferred tax assets	**0.0**	0.0
TAXES IN INCOME STATEMENT, TOTAL	**-5.0**	-0.6

Earnings per share were EUR -0.13 (-0.05). Equity per share at the end of the period was EUR -0.05 (EUR 0.09).

Financing, cash flow and balance sheet

The company’s cash situation remained tight during the financial period.

Tecnotree’s working capital increased during the period by EUR 0.9 (decreased EUR 3.5) million:

CHANGE IN WORKING CAPITAL, MEUR (increase - / decrease +)	**2017**	2016
Change in trade receivables	**-2.2**	-1.7
Change in other short-term receivables	**5.0**	2.2
Change in inventories	**0.4**	-0.3
Change in trade payables	**-0.5**	3.6
Change in other current liabilities	**-3.7**	-0.2
CHANGE IN WORKING CAPITAL, TOTAL	**-0.9**	3.5

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 2.3 (3.5) million. Cash flow after investments for the financial period ended up EUR 4.8 million positive. The change in cash and cash equivalents for the financial period was EUR 0.9 million negative. At the end of the year company had EUR 0.2 million short-term credit limit from the bank in use.

The balance sheet total on 31 December 2017 stood at EUR 31.8 (59.8) million. Tecnotree’s investments during the financial period was EUR 0.2 (0.3) million or 0.5% (0.5%) of net sales. Interest-bearing liabilities were EUR 18.2 (24.4). The net debt to equity ratio (net gearing) was -261.2% (195.6%) and the equity ratio was -19.1% (17.9%). During the period, total equity was affected by negative translation differences of EUR 1.2 million, 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 while the Group shareholders equity value was positive 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 3.1 million negative on 31 December 2017.

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 business operations in the market area stabilized after the 29% decline in net sales in year 2016. Year 2017 net sales in the area was EUR 24.2 (25.0) million. Decline in year 2017 came from Europe area for the most part. The order book in the area grew compared to the previous year and stood at EUR 10.7 million (7.4).

The Latin America business was flat for 2017. The legacy business remains solid but the acquisition of new accounts proved elusive. During this period Tecnotree delivered the first solution into a customer’s private cloud, building confidence in the technologies and deployment model that underpin the new product portfolio.

In Europe year 2017 had virtualization of VAS platforms with multiple customers and Nokia sale co-operation started introducing hot new sales opportunities for early 2018.

MEA & APAC

Net sales decreased 12.0% from the previous year, to EUR 30.9 (35.1) million. The sales for the financial period consisted of the extension and update of the solutions carried out to current customers, the renewal of annual maintenance agreements, as well as the partial implementation of new deals. At the end of 2017, the order book stood at EUR 15.5 million (17.4).

In MEA company made substantial progress in modernising the legacy base with upgrades to the latest products in the portfolio. CLM and MyLife Dashboard (MLD) were successfully deployed across a number of important operators in the region. In year 2018 this roll-out is expected to continue.

APAC saw continuing business with the customers acquired in recent years, but a number of new logo opportunities were delayed and will be pursued in 2018.

Personnel

At the end of December 2017 Tecnotree employed 666 (818) persons, of whom 67 (88) worked in Finland and 599 (730) elsewhere. The company employed on average 727 (895) people during the financial period. Personnel by country were as follows:

PERSONNEL	**2017**	2016
Personnel, at end of period	**666**	818
Finland	**67**	88
Ireland	**0**	24
Brazil	**10**	11
Argentina	**46**	41
India	**453**	567
United Arab Emirates	**18**	25
Other countries	**72**	62
Personnel, average	**727**	895
Salary expenses (MEUR)	**25.2**	33.6

Salary expences include one-time costs EUR 1.1 (2.3) million in 2017.

Share and price analysis

At the end of December 2017 the shareholders' equity of Tecnotree Group stood at negative EUR 6.1 million (10.7) and the share capital was EUR 1.3 (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 -0.05 (EUR 0.09).

A total of 63,291 thousand Tecnotree shares (EUR 5,517 thousand) were traded on the Helsinki Exchanges during the period 1 January – 31 December 2017, representing 51.6 % of the total number of shares.

The highest share price quoted in the period was EUR 0.13 and the lowest EUR 0.07. The average quoted price was EUR 0.09 and the closing price on 31 December 2017 was EUR 0.07. The market capitalisation of the share stock at the end of the period was EUR 8.6 million.

Shareholders

Tecnotree has a single share series and all shares hold equal voting rights. Tecnotree's share is quoted on the NASDAQ OMX Helsinki Ltd. Tecnotree's trading code is TEM1V. 99.97 per cent of the company's shares are entered in the book entry securities system maintained by Euroclear Finland Ltd.

According to Article 14 of Tecnotree's Articles of Association, a shareholder whose holding reaches or exceeds 33 1/3 per cent or 50 per cent of all the company's shares or of the voting rights held by the shares, is obliged, at the request of other shareholders, to redeem their shares and securities entitling holders to shares, on terms specified in more detail in Article 14 of the Articles of Association. In Tecnotree Corporate Extraordinary General Meeting 9 November 2016, the General Meeting resolved to remove Article 14 in its entirety.

On 31 December 2017 Tecnotree had a total of 5,687 shareholders recorded in the book-entry securities system.

The ten largest shareholders together owned approximately 35.68 per cent of the shares and voting rights on 31 December 2017.

On 31 December 2017, altogether 6.24 per cent of Tecnotree's shares were in foreign ownership.

On 31 December 2017, the total number of shares owned by the members of Tecnotree's Board of Directors and the CEO was 5,070,407 which includes the shares owned by these persons themselves, by close family members and by companies in which they hold a controlling interest. Altogether these represent 4.17 per cent of the total amount of shares and voting rights. On 31 December 2017 the total number of shares owned by the members of Tecnotree's Management Board was 10,000 excluding those owned by the CEO.

Ownership structure by sector 31 December 2017

	No. of shares	%
Companies	27,247,147	22.22%
Finance houses and insurance companies	11,935,229	9.73%
Non-profit making assosiations	6,350	0.01%
Households and private persons	75,753,655	61.77%
Foreign holders	7,648,447	6.24%
Total	122,590,828	99.97%
Joint account	37,600	0.03%
Total number of shares	122,628,428	100.00%
Nominee registrations	3,069,506	2.50%

Largest shareholders 31 December 2017

The company´s ten largest shareholders	No. of shares	% of shares and voting rights
Hammaren & Co Oy Ab	8,803,480	7.18%
Wilenius Markku Johannes	7,127,000	5.81%
The Orange Company Oy	6,000,000	4.89%
Mandatum Henkivakuutusosakeyhtiö	5,740,000	4.68%
Keskinäinen Vakuutusyhtiö Kaleva	5,500,000	4.49%
Tuomela Matti Veikko Antero	2,687,162	2.19%
Sumelius Christer	2,147,937	1.75%
Gripenberg Jarl kuolinpesä	2,100,000	1.71%
Saarelainen Mika Pekka	1,999,626	1.63%
Nieminen Jorma Juhani	1,650,000	1.35%
Total	43,755,205	35.68%

Ownership of shares 31 December 2017

No. of shares	Holders	%	Shares and votes	%
1–500	1,842	32.39%	416,548	0.34%
501–1 000	807	14.19%	668,606	0.55%
1 001–5 000	1,594	28.03%	4,262,186	3.48%
5 001–10 000	532	9.35%	4,290,300	3.50%
10 001–50 000	642	11.29%	15,047,216	12.27%
50 001–100 000	126	2.22%	9,210,985	7.51%
100 001–500 000	111	1.95%	21,872,463	17.84%
> 500 000	33	0.58%	66,822,524	54.49%
Joint account			37,600	0.03%
Total	5,687	100.00%	122,628,428	100.00%

Current authorisations

The Board of Directors has two valid mandates.

The Annual General Meeting held on 29 May 2017 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 authorization is valid for one year from the decision of the Annual General Meeting, i.e. until 29 May 2018.

The Extraordinary General Meeting 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 authorization is valid no longer than five years, i.e. until 14 September 2022. The authorization did not revoke the previous authorizations and it may also be used as part of the company's incentive schemes.

The Board of Directors may also decide on a free share issue to the Company itself, so that the number of shares to be issued to the Company may not exceed 1/10 of all the Company's shares.
The Board of Directors is authorized, within the limits of the authorization, to grant also 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 (convertible loan).

The subscription price of the new shares and the consideration payable for the company's own shares may be recorded partially or fully in the reserve for invested non-restricted equity or in the share capital to the extent and in the manner decided by the Board of Directors.

The Board of Directors decides on the other terms and conditions related to the share issues and granting of the special rights. The Board of Directors has not exercised this authorisation during the financial period.

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 were fully cut was approximately 36.7 million euros. The amount of normal unsecured restructuring debts was approximately 13.2 million euros. 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. The capital of the unsecured restructuring debts was cut by 50 percent. 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.

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

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 committee of creditors and to the creditors.

Non-Financial Information (Bookkeeping Act 3a)

Tecnotree compiles a separate non-financial infornation report and publish it on its internet pages www.tecnotree.com

Risks and short-term uncertainty factors

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 and the development of net sales are the most significant single risks.

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 88% of net sales in 2017 (77%). The relationship between the company and its major customers is one of interdependence, which offers business opportunities but also poses risks.

Critical financial situation causes uncertainty in acquiring new customers and receiving new orders coming from the existing customers.

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. Tecnotree has a credit insurance in place from a well-known global credit insurance company.

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 Rupies 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 remains critical. However, the company managed to reduce its debt under debt restructuring payment programme by EUR 6.3 million during the period. In the end of 2017, the company's had

interest payments due under restructuring proceedings amounted to a total of EUR 1.1 million, which it the company paid in January 2018.

2017	Balance sheet value	Cash flow	Due	Less than 3 months	3-12 months	1-3 years	Over 3 years
Guaranteed restructuring debts from financial institutions, interest-bearing	**17.9**	17.9		**0.5**	0.5	6.7	10.3
Interest payments on the loans	**1.2**	0.0		**1.2**			
Trade payables	**5.5**	5.5	**2.9**	**0.6**	0.3	1.6	0.0
Non-interest bearing liabilities	**4.4**	4.4			0.4	1.2	2.8
Derivative liabilities	**0.1**	0.1		**0.0**	0.1		
Total	**29.1**	27.9	**2.9**	**2.3**	1.3	9.4	13.1

Of the overdue account payables, EUR 1.5 million was more than 90 days due.

Grounds for observing the going concern principle

The consolidated financial statements of Tecnotree Corporation for 2017 have been prepared in accordance with the going concern principle. The liquidity of the company has been tight for a long period and finding an additional financing is required to meet with the going concern principle.

Viking Acquisitions Corp committed on 8 March 2018 to make a voluntary public cash tender offer to purchase all of the issued and outstanding shares in Tecnotree. The tender offer is realized only if 90% of shareholders approve the offer. The offeror is the biggest debtor of the company having receivables of approximately EUR 21.6 million from the company. The receivables consist of both secured and unsecured loans under the restructuring payment programme. During the preparation of the financial statements, according to the preliminary results of the tender offer on 13 April 2018, the shares tendered in the tender offer represent approximately 59.9% of all the shares and votes in Tecnotree on a fully diluted basis as defined in the terms and conditions of the tender offer. The offeror has acquired 23,393,197 shares of Tecnotree outside the tender offer, representing approximately 19.1% of all the shares and votes in Tecnotree. These shares together with the shares tendered in the tender offer amount to a total of approximately 79.0% of all the shares and votes in Tecnotree. The acceptance period of the tender offer has been extended and will expire on 30 April 2018. According to the company’s estimate, the compliance with the going concern principle is based on the assumption that the tender offer is approved or the company finds some other short-term solution to its difficult cash situation.

The Board of Directors of Tecnotree published on 13 March 2018 its statement on the tender offer of Viking Acquisitions Corp and recommended unanimously that the shareholders of Tecnotree accept the tender offer.

The going concern assumption contains significant uncertainty.

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.

Management, auditors and corporate governance

Tecnotree’s Board of Directors comprised the following persons in 2017:

Harri Koponen, Chairman
Pentti Heikkinen, Vice Chairman
Christer Sumelius
Matti Jaakola
Pirjo Pakkanen, until 3 June 2017

Padma Ravichander, the CEO of the company

In 2017 the Group’s Management Board comprised Padma Ravichander CEO, Kirsti Parvi CFO, Indrajit Chaudhuri Senior Vice President, Sanjay Ketkar Vice President, Mike Keegan Vice President, Udayan Kelkar Senior Director, Reija Virrankoski Vice President and Sheela Singh Vice President

Tecnotree’s auditor in the financial year 2017 was KPMG Oy Ab, and the principal auditor was Leenakaisa Winberg, Authorised Public Accountant.

The Board of Directors has approved the Corporate Governance Statement of the Company for the year 2017.

According to the Articles of Association the 3-8 members of the Board of Directors are elected at the yearly Shareholders' meeting. The members are appointed for the period ending at the end of the following ordinary Shareholders' meeting. The Board of Directors appoints the CEO.

Items presented in the notes to the consolidated financial statements

Financial key figures and key figures per share as well as figures describing the product development activities are presented in the section "Key financial indicators and key figures per share" in the consolidated financial statements. Total amount of product development costs recognised in profit and loss is also presented in note 8 in the consolidated financial statements. The Group's subsidiaries and branch offices are presented in note 28.

Significant agreements, which validity can end if there is a change in control of the company, are disclosed in note 22 of the consolidated financial statements. The terms of the agreement between the company and the CEO concerning compensations in connection with termination of the employment are disclosed in note 28.

Events after the end of period

In January 2018, Tecnotree repatriated net EUR 9.3 million of receivables from its customer in Latin America, out of which EUR 4.2 million were related to maintenance and support services for second and third quarters of 2018.

Tecnotree announced on 26 February 2018 that it will in the financial statements for 2017 write down the goodwill of approximately EUR 16.7 million in its consolidated balance sheet. The goodwill in the balance sheet was mainly related to the business transaction implemented in 2009, and a write-down of EUR 1.2 million was already made in 2012. The write-down is made now, because the business development in Middle East, Africa and Americas has not met with expectations. The delay of financial arrangements has also contributed to hindering the growth of business volumes. The write-down has been recorded as a one-time item having no impact on cash flow.

The company announced on 8 March 2018 that it has entered with Viking Acquisitions Corp. into a transaction agreement, under which Viking undertakes to make a voluntary public cash tender offer to purchase all of the issued and outstanding shares in Tecnotree that are not owned by Tecnotree or any of its subsidiaries. The price offered for each share validly tendered in the tender offer will be EUR 0.10 in cash. The tender offer values Tecnotree at approximately EUR 12.26 million, on a fully diluted basis. Shareholders representing approximately 41.45% of the shares in Tecnotree, have irrevocably undertaken to accept the tender offer. The tender offer is subject to e.g. necessary regulatory approvals and Viking gaining control of more 90% of shares and voting rights of Tecnotree.

On 8 March 2018 the company further announced that the Annual General Meeting of Tecnotree Corporation will be held on 30 May 2018 and the company's financial report for January-March will be published on 28 May 2018.

The Board of Directors of Tecnotree published on 13 March 2018 its statement on the tender offer of Viking Acquisitions Corp and recommended unanimously that the shareholders of Tecnotree accept the tender offier.

The company announced on 16 March 2018 that the Financial Supervisory Authority has approved the tender offer document of Viking Acquisitions Corp. concerning the tender offer. The acceptance period under the tender 0ffer commenced on 19 March 2018 and expired on 13 April 2018. The acceptance period was extended and expire on 30 April 2018. The tender offer document is available on the company's website and in internet at www.evli.com/tecnotree.

Prospects in 2018

The company is unable to provide any guidance for 2018.

Proposal concerning the result

The Board of Directors proposes to the Annual General Meeting that no dividend be paid for the financial period ended 31 December 2017, and that the parent company's loss for the financial period, EUR 1,862,707.61, be in retained earnings.

Tecnotree Corporation

Board of Directors

Consolidated income statement and statement of comprehensive income

Consolidated income statement, EUR 1,000	Note	1.1.-31.12.2017	1.1.-31.12.2016
Net sales	1, 2	**55,075**	60,075
Other operating income	3	**213**	270
Materials and services	4	**-1,824**	-4,697
Employee benefit expenses	5	**-25,171**	-33,629
Impairment loss on consolidated goodwill	6	**-16,660**	
Depreciation, amortisation and impairment losses	6	**-696**	-895
Other operating expenses	7	**-18,911**	-31,214
Operating profit		**-7,974**	-10,090
Financial income	9	**366**	6,852
Financial expenses	9	**-2,903**	-2,384
Result before taxes		**-10,511**	-5,621
Income taxes	10	**-4,980**	-635
Result for the period		**-15,492**	-6,256
Result for the period attributable to:			
Equity holders of the parent company		**-15,583**	-6,290
Non-controlling interest		**92**	34
Earnings per share	11	**-0.13**	-0.05

Consolidated statement of comprehensive income, EUR 1,000	Note	1.1.-31.12.2017	1.1.-31.12.2016
Result for the period		**-15,492**	-6,256
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement items on net defined benefit liability	21	**144**	**-59**
Tax on items that will not be reclassified subseqvebtly to profit or loss		**-49**	**12**
Items that may be reclassified subsequently to profit or loss:			
Translation differences from foreign operations	24	**-1,185**	**-752**
Other comprehensive income, net of tax		**-1,090**	**-799**
Total comprehensive income for the period		**-16,582**	-7,055
Comprehensive income for the period attributable to:			
Equity holders of the parent company		**-16,673**	-7,089
Non-controlling interest		**92**	34

Consolidated balance sheet

EUR 1,000	Note	31.12.2017	31.12.2016
Assets			
Non-current assets			
Goodwill	12, 13		17,612
Other intangible assets	12	**263**	426
Property, plant and equipment	14	**2,061**	2,497
Deferred tax assets	15	**589**	568
Non-current receivables	16	**670**	1,262
Total non-current assets		**3,584**	22,364
Current assets			
Inventories	17	**460**	869
Trade and other receivables	18	**22,882**	30,773
Income tax receivables		**2,628**	2,253
Cash and cash equivalents	19	**2,293**	3,503
Total current assets		**28,264**	37,399
Total assets		**31,847**	59,763
Shareholders' equity and liabilities			
Equity attributable to equity holders of the parent			
Share capital		**1,346**	1,346
Share premium fund		**847**	847
Translation differences		**-9,695**	-8,510
Other reserves		**2,020**	2,028
Retained earnings		**-804**	14,857
Equity attributable to equity holders of the parent	20	**-6,285**	10,568
Non-controlling interest		**197**	116
Total shareholders' equity		**-6,089**	10,684
Non-current liabilities			
Non-current interest-bearing liabilities	22	**16,968**	23,956
Other non-current non interest-bearing liabilities	23	**6,393**	7,902
Pension obligations	21	**859**	930
Total non-current liabilities		**24,220**	32,789
Current liabilities			
Current interest-bearing liabilities	22	**1,231**	440
Trade payables, provisions and other liabilities	23	**11,634**	15,031
Income tax liabilities		**851**	819
Total current liabilities		**13,716**	16,290
Total equity and liabilities		**31,847**	59,763

Statement of changes in shareholders' equity

EUR 1,000	Equity attributable to equity holders of the parent						Non-controlling interest	Total shareholders' equity
	Share capital	Share premium fund	Other reserves	Translation differences	Retained earnings	Total		
Shareholders' equity 1 Jan 2017	1,346	847	2,028	-8,510	14,857	**10,568**	116	**10,684**
Result for the period					-15,583	**-15,583**	92	**-15,492**
Other comprehensive income, net of tax				-1,185	95	**-1,090**		**-1,090**
Total comprehensive income for the period				-1,185	-15,488	**-16,673**	92	**-16,581**
Other changes			-8		-173	**-180**	-11	**-191**
Total shareholders' equity 31 Dec 2017	**1,346**	**847**	**2,020**	**-9,695**	**-804**	**-6,286**	**197**	**-6,089**

Additional details are presented in note 20. Notes to the shareholders' equity.

EUR 1,000	Equity attributable to equity holders of the parent						Non-controlling interest	Total shareholders' equity
	Share capital	Share premium fund	Other reserves	Translation differences	Retained earnings	Total		
Shareholders' equity 1 Jan 2016	1,346	847	2,033	-7,764	21,254	17,717	81	17,797
Result for the period					-6,290	-6,290	34	-6,256
Other comprehensive income:			-6	-746	-47	-799		-799
Total comprehensive income for the period			-6	-746	-6,337	-7,089	34	-7,055
Other changes					-60	-60	2	-58
Total shareholders' equity 31 Dec 2016	1,346	847	2,028	-8,510	14,857	10,568	116	10,684

Consolidated cash flow statement

EUR 1,000	Note	31.12.2017	31.12.2016
Cash flow from operating activities			
Result for the period		**-15,492**	-6,256
Adjustments for:			
Depreciation, amortisation and impairment losses		**696**	895
Impairment loss goodwill		**16,660**	
Employee benefits		**468**	195
Impairment of receivables	7	**839**	11,143
Unrealised exchange gains and losses		**2,259**	-1,115
Other financial income and expenses		**751**	-5,212
Income taxes		**4,980**	635
Gains and losses on disposal of intangibles and tangibles		**36**	-77
Changes in working capital:			
Change in trade and other receivables		**2,756**	452
Change in inventories		**409**	-340
Change in trade payables and other liabilities		**-4,113**	3,404
Interest paid		**-51**	-27
Interest received		**249**	125
Income taxes paid		**-5,430**	-5,017
Net cash flow from operating activities		**5,016**	-1,194
Cash flow from investments			
Investments intangible assets		**-129**	-16
Investments in property, plant and equipment		**-119**	-281
Proceeds from disposal of intangible and tangible assets		**32**	588
Interest received from investments			
Net cash flow from investments		**-217**	292
Cash flow from financing activities			
Proceeds from borrowings		**131**	2,140
Repayments of borrowings		**-6,254**	-1,740
Finance lease liabilities, repayments and interest		**-72**	
Changes in credit facilities in use		**1,036**	-215
The other financing expenses		**-534**	-2,240
Net cash flow from financing activities		**-5,694**	-2,054
Change in cash and cash equivalents		**-895**	-2,957
Cash and cash equivalents at beginning of period		**3,503**	6,433
Change in foreign exchange rates		**-316**	27
Cash and cash equivalents at end of period	19	**2,293**	3,503

Accounting principles for the consolidated financial statements

Corporate information

Tecnotree is a global supplier of telecom IT solutions, providing products and services for charging, billing, customer care, and messaging and content services. Tecnotree has subsidiaries and branch offices in 12 countries.

The Group's parent company is Tecnotree Corporation, which is domiciled in Espoo, Finland and its registered address is Finnoonniitynkuja 7, 02770 Espoo. Tecnotree Corporation is listed on the NASDAQ OMX Helsinki (TEM1V). A copy of the consolidated financial statements can be obtained on the Internet at www.tecnotree.com or from the head office of the Group's parent company at Finnoonniitynkuja 7.

The Board of Directors of Tecnotree Corporation has approved the publishing of these financial statements. According to the Finnish Limited Liability Companies Act, shareholders have the right to approve or reject the financial statements in the Annual General Meeting held after the publication of the financial statements. The Annual General Meeting also has the right to make a decision to amend the financial statements.

Basis for preparation for the consolidated financial statements

Tecnotree's consolidated financial statements have been prepared in accordance with the international financial reporting standards (IFRS) adopted by the EU, applying the IAS and IFRS standards and SIC and IFRIC interpretations in force on 31 December 2017 International Financial Reporting Standards, referred to in the Finnish Accounting Act and in ordinances issued based on the provisions of the Act, refer to the standards and to their interpretations adopted in accordance with the procedure laid down in regulation (EC) No 1606/2002 of the European Parliament and of the Council. The notes to the consolidated financial statements also conform to Finnish accounting and corporate legislation.

The consolidated financial statements are prepared on the historical cost basis, apart from the exceptions mentioned later in these accounting principles.

The consolidated financial statements are presented in Euros, which is the functional and presentation currency of the parent company. Unless otherwise stated, the financial statement information is presented in thousands of Euro. All figures presented are rounded, so the total of separate figures might differ from the total presented. Key indicators are calculated using exact values. The comparable figures presented in text sections are in brackets.

Going concern basis

Uncertainty factors

Tecnotree has significant uncertainty factors relating to the continuity of its operations. The company's risks and uncertainties in the near future relate to financing, projects, to their timing, to trade receivables and receivables from construction contracts and to changes in foreign exchange rates. Having sufficient cash funds is the biggest single risk. The financing agreement contains covenants that create 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.

In addition Tecnotree has a risk affected by the negative shareholders' equity of the parent company.

The uncertainty factors relating to Tecnotree's operations are explained in more detail in section "Risks and uncertainty factors" in the Board of Directors' report. Financial risk management is described in note 24 of the consolidated financial statements. Information about the restructuring proceedings is disclosed in note 29.

Basis for applying the going concern principle

The consolidated financial statements of Tecnotree Corporation have been prepared in accordance with the going concern principle. This is justified on the following grounds:

Tecnotree's business operations have been loss-making for several years. One key reason for this has been the decline in sales of old products, for which sales of new products have not fully managed to compensate. In 2018, Tecnotree will continue to focus on stringent control of operating expenses while launching its new open source products.

The company is well underway in its own internal transformation journey of moving from a services company to a fully-fledged digital services product company. The advantage of a product company is that they attract exceptional talent, being able to sell license, which increases the revenue and enhances the cash inflows. Product companies have shorter revenue turnaround time which increases the revenue and cash flow. In addition to garnering top talent the necessary to continuously scale resources to deliver customized projects across the globe so that increased risk and costs are further eliminated.

The company has complied with the restructuring payment programme and made debt payments worth of EUR 6.3 million under the programme during the financial period 2017. In the end of 2017, the company's interest payments due under restructuring proceedings amounted to a total of EUR 1.1 million, which the company paid in January 2018.

Viking Acquisitions Corp committed on 8 March 2018 to make a voluntary public cash tender offer to purchase all of the issued and outstanding shares in Tecnotree. The tender offer is realized only if 90% of shareholders approve the offer. The offeror is the biggest debtor of the company having receivables of approximately EUR 21.6 million from the company. The receivables consist of both secured and unsecured loans under the restructuring payment programme. During the preparation of the financial statements, according to the preliminary results of the tender offer on 13 April 2018, the shares tendered in the tender offer represent approximately 59.9% of all the shares and votes in Tecnotree on a fully diluted basis as defined in the terms and conditions of the tender offer. The offeror has acquired 23,393,197 shares of Tecnotree outside the tender offer, representing approximately 19.1% of all the shares and votes in Tecnotree. These shares together with the shares tendered in the tender offer amount to a total of approximately 79.0% of all the shares and votes in Tecnotree. The acceptance period of the tender offer has been extended and will expire on 30 April 2018. According to the company's estimate, the compliance with the going concern principle is based on the assumption that the tender offer is approved or the company finds some other short-term solution to its difficult cash situation.

The Board of Directors of Tecnotree published on 13 March 2018 its statement on the tender offer of Viking Acquisitions Corp and recommended unanimously that the shareholders of Tecnotree accept the tender offer.

The going concern assumption contains significant uncertainty.

Subsidiaries

The consolidated financial statements include the parent company Tecnotree Corporation as well as its all directly or indirectly owned subsidiaries (over 50 % of the voting rights) or companies otherwise under its control. Tecnotree is considered to control an entity when Tecnotree is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Generally, control exists when the Group holds directly or indirectly over half of the voting rights.

Intra-group holdings are eliminated using the purchase method. The financial statements of subsidiaries are included in the consolidated financial statements from the date that the Group has obtained control and divested subsidiaries until the date that control ceases. Intra-group transactions, dividend distribution, receivables, liabilities and unrealised margins on intra-group transactions are eliminated in preparing the consolidated financial statements.

Net result and total other comprehensive income for the period attributable to the owners of the parent and non-controlling interests is presented in the statement of comprehensive income. Net result attributable to non-controlling interests is presented within equity in the consolidated balance sheet separately from equity attributable to the owners of the parent. Non-controlling interests of accrued losses are recognised in the consolidated financial statements up to the maximum amount of their investment.

There are no joint arrangements or associated companies in the Group.

Foreign currency items

Group companes report their operations in their financial statements using the currency of the economic environment in which the entity primarily operates (functional currency). Transactions in foreign currencies are translated at the rates of exchange prevailing on the transaction dates or at the rate close to that on the transaction date. Monetary assets and liabilities denominated in foreign currency are valuated using the rate of exchange on the closing date. Exchange rate gains and losses arising from the translation of foreign currency transactions and of monetary assets and liabilities are recognised in the income statement. Exchange gains and losses relating to business operations are treated as adjustments to net sales or to materials and services. Exchange rate gains and losses related to financing operations are recognised under financial income and expenses.

The consolidated financial statements are presented in euro, which is the functional and presentation currency of the parent company. The income and expenses for income statements and comprehensive income statements as well as items in cash flow statements of those foreign Group companies whose functional currency is not the euro, are translated into euro using the average exchange rate for the period, and balance sheet items, apart from the result for the period, at the exchange rate on the balance sheet date. Translation differences arising from eliminating the acquisition cost of foreign subsidiaries in non-euro-area, the translation of the foreign subsidiaries' accumulated equity subsequent to acquisition, of the income statements and the balance sheets are recognised in other comprehensive income and presented as a change in equity. They are recognised in the income statement as part of the gain or loss on sale on the disposal of all or part of a foreign subsidiary.

Property, plant and equipment

Property, plant and equipment are measured at historical cost less accumulated depreciation and any impairment losses.

Certain parts of items of property, plant and equipment are accounted for as separate items. When such a part is replaced, the costs relating to the new part are capitalised. Other subsequent expenses are capitalised only if it is probable that they will increase the economic benefits that will flow to the Group. All other costs, such as normal repair and maintenance costs, are expensed as incurred.

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives. Land is not depreciated. The estimated useful lives are as follows:

- Buildings and structures 25 years
- Machinery and equipment and furniture 3–5 years
- Computing hardware and equipment 3–5 years

The residual value of these assets and their useful lives are reassessed annually when the financial statements are prepared, and if necessary are adjusted accordingly to reflect any changes in the expectation of economic benefits expected.

Gains or losses on disposal of property, plant and equipment are recognised in the income statement.

Depreciation on an item of property, plant and equipment ceases when the item is classified as an asset held for sale, in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Intangible assets

Goodwill

Goodwill arising on a business combination is recognised as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree and any previously held equity interests in the acquiree, over the Group’s share of the fair value of the identifiable net assets acquired.

Goodwill is not amortised but it is tested at least annually for impairment. For this purpose goodwill is allocated to the cash-generating units. Goodwill is measured at cost less any accumulated impairment losses.

Other intangible assets

An intangible asset is recognised only if it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group, and the cost of the asset can be measured reliably. Intangible assets that have finite useful lives are recorded in the balance sheet and amortisation is recognised in the income statement on a straight-line basis over the useful lives. The estimated useful life for intangible rights is 3-10 years.

Research and development costs

Research costs are charged to the income statement as incurred. Development costs for new products are capitalised when they meet the requirements of IAS 38 Intangible assets. They are amortised over the useful lives of the related products. In Tecnotree development costs are monitored on a project-by-project basis and the Group’s management decides on the capitalisation separately for each project. In order to qualify for capitalisation the following criteria are to be met: the results of a project are of use to several customers, the contents, objectives and timetable of a project are documented and a profitability calculation is prepared. Capitalisation of product development costs that fulfil IFRS criteria starts when following requirements are met: a product’s functional requirements and the plans for product industrialisation, testing and project are complete and have been approved as well as future economic benefits are expected from the product. The useful life of capitalised development expenditure is 3-5 years depending on the expected commercial life cycle, and they are amortised on a straight-line basis over this period from the start of commercial use. The consolidated balance sheet of 31 December 2016 and 31 December 2015 did not include any capitalised product development costs.

Inventories

Inventories are stated at the lower of acquisition cost and net realisable value. The valuation is based on the FIFO principle. The cost of manufactured products and work in progress includes the cost of raw materials, direct labour costs, other direct costs as well as an appropriate share of variable and fixed production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling.

Leases

Leases are classified in accordance with the principles of IAS 17 as either finance leases or operating leases. A finance lease is defined as a lease in which the benefits and risks of ownership are substantially transferred to the lessee. An asset acquired under a finance lease agreement is recognised in the balance sheet at the lower of the fair value of the leased asset and the present value of the minimum lease payments at inception of the lease. Assets acquired under a finance lease, less accumulated depreciation, are recorded in property, plant and equipment and related obligations in interest-bearing financial liabilities, respectively. Lease payments are apportioned between the finance expense and the reduction of the outstanding liability. Depreciation on the assets acquired under a finance lease is recognised over the shorter of the depreciation period applied by the Group to comparable owned assets and the lease term.

Leases in which the lessor retains the risks and benefits of ownership are treated as operating leases. Payments made under operating leases are recognised as other operating expenses in the income statement on a straight-line basis over the lease term.

Impairments of tangible and intangible assets

The carrying amounts of the Group’s assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. In addition, this is done at any occurence of an indication, that the carrying amount of an asset may be impaired. In practice this determination is done separately for each group of asset. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount is also annually estimated for the following assets, irrespective of whether there is any indication of impairment or not: goodwill and intangible assets not yet available for use.

The recoverable amount is determined as the higher of either present value of the future net cash flows (value in use) or fair value less costs of disposal. Impairment tests of Tecnotree are carried out based on the value in use at the cash-generating unit level.

The Group's cash-generating units are the following: Americas (North, Central and South America), Europe, MEA (Middle East and Africa) and APAC (Asia Pacific).

An impairment loss is recognised if the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount. The impairment loss is recognised in the income statement. When recognising an impairment loss, the useful life of the asset group subject to the impairment is re-evaluated.

An impairment loss is reversed if there are indications that the impairment loss may no longer exist and when conditions have changed and the recoverable amount has changed after the impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised. An impairment loss in respect of goodwill is never reversed.

Employee benefits

Pension benefits

The Group's pension plans conform to the regulations and practices in force in the countries where the Group operates. Statutory and any voluntary pension plans are managed by pension insurance companies.

Pension plans are classified either as defined benefit and defined contribution plans.

In defined contribution plans the Group pays fixed contributions to a separate entity. The Group has not obligation to pay any additional contributions if the insurer is not able to pay the future employee benefits. Defined contribution plan expenses are recognised in the income statement on an accrual basis.

The obligation for defined benefit pension plans is calculated using the projected unit credit method. The pension costs are recognised as expense during the period of service based on calculations prepared by authorised actuaries. The pension obligation is discounted to determine its present value using interest rates for government bonds that have maturity dates approximating to the terms of the Group's pension obligation. The present value of the pension obligation is reduced by the fair value of the plan assets as of the end of the reporting period. The net defined pension liability (or asset) is recorded in the balance sheet.

Current service costs and net interest income or expense of the defined net liability is recorded in the income statement and presented as part of the employee benefit expenses. The remeasurement items of the defined net liability (or asset) are recorded in other comprehensive income in the period they occurred.

Past service costs are recorded as expense in the income statement at the earlier of the following dates: when the plan amendment or curtailment occurs, or when the entity recognises related restructuring costs or termination benefits.

Other long-term employee benefits

In addition to defined benefit plans, Tecnotree has other long-term employee benefits. They are presented separately from the defined benefit plans. The related benefits are such that personnel in certain subsidiaries or branch offices are entitled to receive cash compensation when employment ends. The related liability is recognised in the balance sheet.

Provisions and contingent liabilities

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the obligation will have to be settled, and the amount of the obligation can be reliably estimated. If it is possible to obtain compensation for some of the obligation from a third party, the compensation is recognised as a separate asset, but only when it is virtually certain that the compensation will be received.

A provision for restructuring is recognised when the Group has drawn up a detailed and formal restructuring plan and the restructuring has either commenced or the plan has been announced publicly. A plan for restructuring shall contain at least the following information: the business concerned, the principal locations affected, the location, function and approximate number of employees who will be compensated for having their services terminated, the type of expenditure that will be incurred, and when the plan will be implemented.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of uncertain future events not wholly within the control of the entity. Such present obligation that probably does not require settlement of a payment obligation and the amount of which cannot be reliably measured is also considered to be a contingent liability. Contingent liabilities are disclosed in the notes to the financial statements.

Income tax

The income tax expense in the income statement consists of current tax, based on the taxable profit for the period and deferred tax. Current tax is calculated on the taxable profit using the tax rate and based on the tax legislation in force in each country. The resulting tax is adjusted by any tax relating to previous years. Tax effects related to transactions recognised in the income statement or other events are recognised in the income statement. If the taxes are related to items of other comprehensive income or to transactions or other events recognised directly in equity, income taxes are recognised within the respective items.

Deferred tax is calculated using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the goodwill which is permanently non-deductible or for the undistributed earnings of foreign subsidiaries to the extent it is probable that the difference will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates enacted by the balance sheet date or substantially enacted tax rates. Deferred tax liabilities are mainly recognised in full, but deferred tax assets are only recognised to the extent that it is probable that future taxable income will be available against which they can be utilised. The conditions for recognition of any deferred tax asset are evaluated at the end of each reporting period.

Revenue recognition

At Tecnotree, net sales comprise revenue recognised from project deliveries and goods and service deliveries from which indirect taxes, discounts and exchange rate differences have been deducted.

Construction Contracts

Revenue from project deliveries is recognised in accordance with IAS 11 Construction Contracts. Project revenue and expenses are recognised in the income statement in proportion to the stage of completion on the balance sheet date, once the outcome of the project can be estimated reliably. The outcome can be estimated reliably when the anticipated revenue and costs of the contract and the progress of the project can be estimated reliably and when it is probable that the economic benefits associated with the project will flow to the Group.

The stage of completion of a project is determined for each contract by the proportion of the estimated total contract costs accounted for by the costs incurred for work performed to date (cost-to-cost method). The revenue recognition for a project will start when the outcome of the project can be estimated reliably. The progress of a project is regularly monitored and is based on several factors including deliveries made or likely to be made, completion of customer obligations etc. Costs may include those that maybe incurred before receipt of formal customer order.

The stage of completion method of revenue recognition is based on estimates of the expected revenue and costs associated with the contract and on estimating the progress of the project. The cost estimates for the projects are monitored regularly in the management's revenue review and the revenue and expenses recognised in the income statement are revised if the estimates of the outcome of the project change. The accumulated effect due to the change in the estimates is recognised in the period when the change is known for the first time and its amount can be estimated.

If the outcome of a project cannot be estimated reliably, revenue is recognised only to the extent of project costs incurred. This method of recognition is typically applied in first delivery projects for new products or when a delivery project contains a significant amount of customisation for individual customers. The margin on the project is recognised on final acceptance. This method of revenue recognition requires management estimates and judgment. Issues related to these are described later in the accounting principles section "Accounting principles requiring management judgments and key sources of estimation uncertainty".

Construction work in progress is stated at the aggregate amount of revenue recognised less the invoiced amount. Project costs recognised in income statement include all costs directly related to the Group's construction contracts and the allocation of fixed and production overheads.

A project is considered onerous if its costs exceed total project revenue. The expected loss is then recognised as an expense immediately.

Sale of products and services

Revenue from the sale of goods and services is recognised in accordance with IAS 18 Revenue. Revenue from the sale of goods is recognised when the significant risks and benefits of ownership have been transferred to the buyer and the amount of revenue can be measured reliably and it is probable that the related economic benefits will flow to the Group. Revenue from services is recognised when the services have been rendered and when a flow of economic benefits associated with the service is probable. Supplementary deliveries that are often sold separately such as maintenance, licences, training, documentation and spare parts are examples of goods and service deliveries. Revenue from fixed-term maintenance contracts is normally recognised over the contract period on a straight-line basis.

Definition of operating result, adjusted operating result and adjusted profit for the period

IAS 1 Presentation of Financial Statements does not define the term 'operating result'. Tecnotree Group has defined it as follows: operating result is the net sum obtained after adding other operating income to net sales and then deducting purchasing costs adjusted by the change in stocks of finished products and work in progress, employee benefit expenses, depreciation, amortisation and any impairment losses, and other operating expenses. Changes in the fair values of derivative financial instruments entered into for hedging purposes are included in the operating result (Tecnotree does not apply hedge accounting). All other income statement items are presented below the operating result. Exchange rate differences are included in operating result if they arise from items related to business operations otherwise they are recognised in finance items.

The Group's adjusted operating result and the result for the period are one-time items. Events that occur only once or very seldom are recorded as one-time items. These events can be for example business disposals, restructurings, impairment losses or costs for legal proceedings.

Non-current assets held for sale and discontinued operations

Non-current assets or a disposal group as well as assets and liabilities related to discontinued operations are classified as held for sale if its carrying amount will be recovered mainly through a sale transaction rather than through continuing use. Non-current assets held for sale as well as assets classified as held for sale that relate to a discontinued operation are measured at the lower of their carrying amount and fair value less costs to sell. Depreciation on these assets ceases on classification as held for sale.

Financial assets and liabilities

Financial assets

The Group´s financial assets are classified in the following two categories: financial assets at fair value through profit or loss held for trading as well as loans and receivables. Financial assets are classified when originally acquired based on their purpose of use. All purchases and sales of financial assets are recognised on the transaction date. Recognition of financial assets takes place when the Group has lost the contractual right to cash flows or when it has substantially transferred the risks and rewards outside the Group.

The financial assets at fair value through profit and loss comprise assets held for trading that in the Tecnotree Group include the positive fair value of the currency derivatives and interest rate swaps.

Loans and receivables include trade receivables and other receivables measured at amortised cost less any impairment. The Group records impairment on trade receivables when there is objective evidence that the receivable will not be fully recoverable. Financial difficulties, probable bankruptcy and default or significant delays in payments of the debtor are evidence of the receivables being impaired. An impairment loss or its possible reversal is recorded in the income statement.

Bank deposits with maturities of more than 3 months are also classified as loans and receivables.

Cash and cash equivalents comprise cash in hand and at bank and other short-term bank deposits with maturities less than three months.

Financial liabilities

The Group's financial liabilities are categorised into financial liabilities at fair value through profit and loss (foreign currency derivatives with negative fair values) and other financial liabilities (financial liabilities at amortised cost). Other financial liabilities comprise for example bank loans and trade payables of the Group. The financial liabilities are classified as current unless the Group has an unconditional right to postpone the payments more than 12 months from the reporting date. A financial liability (or part of the liability) is not derecognised until the liability has ceased to exist, that is, when the obligation identified in a contract has been fulfilled or cancelled or is no longer effective. Bank overdrafts are included within borrowings in current financial liabilities in the balance sheet.

Financial liabilities at fair value through profit or loss are recognised initially at fair value and subsequently at fair value at the end of each reporting period. Other financial liabilities are initially recognised at fair value adjusted by major transaction costs. Subsequent to initial recognition, these liabilities are stated at amortised cost calculated using the effective interest method.

Borrowing costs (mainly interest costs) directly attributable to the acquisition or construction of a qualifying asset are capitalised in the balance sheet as part of the carrying amount of the asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are recorded as expense in the period in which they incur.

Derivative financial instruments

The derivative contracts entered into by the Tecnotree Group are currency forward contracts and options and interest rate swaps.

The Group does not apply hedge accounting as defined under IAS 39 although the derivatives are used to hedge trade receivables denominated in foreign as well as the Group´s bank loans.

Derivative instruments are classified as financial assets or liabilities held for trading. Derivatives are fair valued. The fair value of the derivative contracts is determined by using market rates of the counterparty for instruments with similar maturity. Gains and losses arising from changes in realised and unrealised fair values are recognised in the income statement in the period they incur.

Accounting principles requiring management judgments and key sources of estimation uncertainty

To prepare the consolidated financial statements in accordance with IFRSs the Group management has to make estimates and assumptions concerning the future. Actual results may differ from these estimates and assumptions. In addition management has to make judgments in the application of the accounting principles.

These estimates mainly relate to revenue recognition and the valuation of trade receivables and goodwill.

The projects delivered and services rendered by the Group are often large, complicated and financially significant. The Group management has to make judgments concerning the circumstances and conditions related to customer projects that may affect the timing of recognitions of project revenue and profitability of the project in its entirety. Such factors include assignment of sufficient number of skilful employees to each project or for example factors in the functioning of international and especially emerging markets that may partly lie out of control of the Group or the customers. The completion of projects often requires new technical solutions that may cause unpredictable problems, delays and additional costs.

Trade receivables are measured at amortised cost less any impairment. The Group records impairment on trade receivables when there is objective evidence that the receivable will not be fully recoverable. This evaluation is done at the end of each reporting period. Additional information on impairment losses are disclosed in note 7 to the consolidated financial statements.

The Group tests goodwill at least yearly for impairment and evaluates indications of impairment as stated in the accounting principles above. The recoverable amount from the cash-generating units is determined using calculations that are based on value in use and require the use of estimates. These calculations require use of estimates to a significant extent. Additional information on impairment tests are disclosed in note 13 to the consolidated financial statements.

New and amended standards and interpretations to be applied in future financial periods

The Tecnotree Group has not yet applied the following new or revised standards and interpretations published by the IASB. The Group will introduce each standard and interpretation as of its effective date or, if the effective date is some other date than the first day of the fiscal period, as of the beginning of the fiscal period following the effective date.

* The regulation has not been approved for application within the EU on 31 December 2017.

• IFRS 15 Revenue from Contracts with Customers (effective for financial periods beginning on or after 1 January 2018): The new standard replaces the current IAS 18 and IAS 11 standards and their related interpretations. IFRS 15 includes a five-step model for the recognition of revenue with respect to the timing and amount. Revenue is recognised as control is passed, either over time or at a point in time. The standard also increases the amount of disclosures in the notes to the financial statements. The effects of IFRS 15 on Tecnotree's consolidated financial statements have been assessed as follows:

The key concepts of IFRS 15 have been analysed with respect to different revenue flows. These include own licences and their maintenance, third-party licences and their maintenance, and the sale of work and services.

The standard will be adopted at the beginning of 2018, using a partly retroactive approach and practical tools. The company will apply this standard to each previous reporting period presented.

The IFRS 15 project has been launched as follows:

The Company has considered key areas of the new standard and analyzed their impact on revenue recognition principles it is following in year 2017 and identified changes required to comply with the new standard. It is estimated not to have a significant impact on year 2018 revenue. The Company has selected to adopt simplified retrospective method for transition in which it computes the impact of IFRS 15 for 2017 and adjusts the opening balance for financial period starting 1.1.2018 in retained earnings. Estimated impact of the transition adjustment is negative EUR 1.1 million and the final figure will be confirmed in the first quarter of 2018.

• IFRS 9 Financial Instruments and its amendments (effective for financial periods beginning on or after 1 January 2018): IFRS 9 replaces the current IAS 39. The new standard includes revised guidance on the recognition and measurement of financial instruments. It also incorporates a new expected loss impairment model to be used for specifying impairment recognised on financial assets. The general provisions regarding hedge accounting have also been revised. The provisions included in IAS 39 concerning the recognition and derecognition of financial instruments remain unchanged.

In consequence of IFRS 9 Tecnotree will change 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 impact of the change is estimated to stay minor. The Company estimates that other new regulations of IFRS 9 are either not applicable, or do not cause any changes to accounting practices followed earlier.

• IFRS 16 Leases* (effective for financial periods beginning on or after 1 January 2019): The new standard replaces IAS 17 and related interpretations. IFRS 16 requires lessees to recognise leases as lease payment obligations and related asset items in the balance sheet. Balance sheet entry is very similar to the accounting treatment of finance leases under IAS 17. There are two concessions with regard to recognition of leases in the balance sheet, relating to leases with a short term of less than 12 months and leases in respect of assets valued at no more than USD 5,000. For lessors, accounting treatment will largely remain the same as under the current IAS 17. The Group has started the preliminary assessment of the effects of the standard. Based on that, it is estimated Tecnotree’s lease payment obligation in the consolidated financial statements and balance sheet.

Other new or amended standards and interpretations have no effect on the consolidated financial statements.

1. Segment reporting

The operating segments under IFRS 8 reported by Tecnotree are the geographical areas, which are Europe & Americas (Europe, North, Central and South America), 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 ultimate 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.

The result of the operating segment is the net of sum obtained after adding other operating income to the net sales and then deducting purchasing costs adjusted by the change in stocks of finished products and work in progress, and other operating expenses that can be allocated to the segments on a reasonable basis. These are costs of sales and marketing, customer service and delivery functions as well as product development costs. Other segments item include depreciations as well as such administration and other operating expenses that can't be allocated to the segments on a reasonable basis.

Tecnotree does not allocate its assets to the operating segments for the reporting purposes.

Operatig segments 2017

EUR 1,000		**Americas & Europe**	**MEA & APAC**	**Other segments**	**Group total**
Net sales (external)		24,165	30,910		**55,075**
Segment result		4,452	3,777		**8,229**
Non-allocated items				-17,294	**-17,294**
Operating result before one-time costs	*)				**9,777**
One-time costs	**)				**-17,751**
Operating result					**-7,974**

Operatig segments 2016

EUR 1,000		Americas & Europe	MEA & APAC	Other segments	Group total
Net sales (external)		24,975	35,100		60,075
Segment result		-11,394	2,013		-9,381
Non-allocated items				10,616	10,616
Operating result before one-time costs	*)				1,235
One-time costs	**)				-11,325
Operating result					-10,090

Net sales from Finnish customers were EUR 709 (839) thousand and the total of all other countries EUR 54,366 (59,236) thousand. Non-current assets located in Finland at the balance sheet date were EUR 1,528 (1,846) thousand, and in other countries a total of EUR 852 (18,688) thousand.

*) Operating result before one-time costs = Adjusted operating result

**) One-time costs 2017 = Impairment lossa of consolidated goodwill EUR 16,7 million and EUR 1.1 million (EUR 2.3 million 2016) one-time costs related to redundancies.

Information about major customers

EUR 1,000		**2017**		2016	
		Net sales	**% of the Group's net sales**	Net sales	% of the Group's net sales
Customer 1, operating segment:	Americas & Europe	**25,328**	**46%**	21,772	36%
Customer 2, operating segment:	MEA & APAC	**22,194**	**40%**	23,864	40%

2. Net sales

EUR 1,000	2017	2016
Revenue from contract work recognised by stage of completion (IAS 11)	11,311	19,667
Revenue from maintenance and support (IAS 18)	31,237	28,947
Revenue from goods and services (IAS 18)	13,777	11,060
Currency exchange gains and losses	-1,252	402
Net sales total	55,075	60,075
Order book for contract work	2,311	12,742
Order book for maintenance and support, goods and services	23,928	12,112
Order book total	26,238	24,854
Projects in progress:		
Cumulative revenue recognised for projects in progress	9,495	15,050
Cumulative invoicing for projects in progress recognised by stage of completion	11,966	14,651
Accrued income related to construction contracts, work in progress	-2,471	399
Aggregate amount of costs incurred for projects in progress	6,145	4,372

On the reporting date, the Group has no retentions held by customers. The Group has not received any advances related to projects in progress.

3. Other operating income

EUR 1,000	2017	2016
Rental income	**76**	79
Gains on disposal of tangible and intangible assets	**133**	82
Compensatory damages		108
Other income items	**4**	1
Other operating income total	**213**	270

4. Materials and services

EUR 1,000	2017	2016
Purchases during the period	**-1,280**	-2,518
Increase/decrease in inventories	**409**	340
Materials and supplies	**-871**	-2,179
External services	**-954**	-2,518
Materials and services total	**-1,824**	-4,697

During the period the write-down of inventories to net realisable value amounted to EUR 409 (-285) thousand.

5. Employee benefit expenses

EUR 1,000	**2017**	2016
Wages and salaries	**-21,272**	-27,874
Pension expenses, defined contribution plans	**-1,125**	-1,835
Pension expenses, defined benefit plans (note 21)	**-196**	-199
Other long-term employee benefit expenses (note 23)	**-112**	-375
Other employee benefits	**-2,467**	-3,345
Employee benefit expenses total *)	**-25,171**	-33,629

*) Employee benefit expenses include one-time costs 2017 EUR 1.1 million (EUR 2.3 million 2016)

Information about management compensation is presented in note 28.

Average number of employees		
Finland	**79**	108
Ireland	**8**	37
Other Europe	**1**	1
India	**514**	617
Other East and Southeast Asia	**1**	4
Middle-East	**70**	72
Latin America	**55**	57
Total	**727**	895

Employee incentive scheme

The group had no effective share option incentive financial periods 2016 - 2017

6. Depreciations, amortisations and impairment losses

EUR 1,000	2017	2016
Depreciations and amortisations by class of asset:		
Other intangible assets	**-134**	-132
Impairment loss on consolidated goodwill	**-16,660**	
Property, plant and equipment		
Buildings	**-184**	-264
Machinery and equipment	**-276**	-398
Machinery and equipment, finance lease	**-102**	-101
Depreciations and impairment loss on consolidated goodwill total	**-17,355**	-895

7. Other operating expenses

EUR 1,000	**2017**	2016
Subcontracting	**-2,456**	-3,175
Office management costs	**-2,672**	-4,372
Travel expenses	**-5,430**	-6,563
Impairment losses on receivables	**-839**	-10,897
Agent fees	**-603**	-84
Rents	**-1,812**	-2,248
Professional services	**-2,434**	-3,229
Marketing	**-325**	-488
Other expenses	**-2,340**	-153
Other operating expenses total	**-18,911**	-31,214

Impairment losses were recognised on trade receivables totalling EUR 273 (64) thousand and on receivables related to construction contracts totalling EUR 566 (11,143) thousand.

Auditors' fees		
Audit KPMG Oy Ab	**-144**	-98
Tax consulting KPMG Oy Ab	**-2**	-19
Other services KPMG Oy Ab	**-7**	-27
Audit KPMG, other counties	**-68**	-47
Tax consulting KPMG, other countries	**-39**	-10
Audit, others	**-23**	-4
Tax conulting, others	**-1**	
Other services, others	**-30**	-74
Audotrs' fees total	**-314**	-278

8. Research and development expenditure

EUR 1,000	2017	2016
Product development expenses recognised in income statement total	**-5,973**	-6,514
Product development expenses in relation to net sales	**10.8%**	10.8%
Product development expenses in relation to total expenses	**9.4%**	9.2%

Product development expenses in relation to net sales and total expenses are disclosed in the Key figures section for five years.

9. Financial income and expenses

EUR 1,000	2017	2016
Financial income		
Change in value of interest rate swaps at fair value through income statement		58
Financial income from loans and receivables	**233**	75
Other financial income	**16**	19
Foreign exchange gains on loans and receivables and on financial liabilities at amortised cost	**117**	63
Restructuring income, write-down of the debts		6,636
Financial income total	**366**	6,852
Financial expenses		
Change in value of interest rate swaps at fair value through income statement	**-30**	
Interest expenses from financial liabilities at amortised cost	**-674**	292
Other financial expenses	**-296**	-1,958
Foreign exchange losses on loans and receivables and on financial liabilities at amortised cost	**-1,904**	-717
Financial expenses total	**-2,903**	-2,384
Financial income and expenses total	**-2,538**	4,468

The District Court of Espoo 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. Along with the confirmation of the payment program, the group recorded a one-off positive income effect of approximately 6.6 million euros as a result of debt rearrangement. Details can be found in the payment programme for the company in Annex 15, which is published in the Tecnotree Corporation's stock exchange release of 30 September 2016 under the title The Restructuring Programme proposal.

The exchange rate gains and losses consist mainly of exchange rate differences from intragroup payables in the parent company. Items above the operating result include foreign exchange rate losses (net) of EUR 1,252 thousand in 2017 (EUR 402 thousand exchange rate gains (net) in 2016).

Other financial expenses in 2016 include EUR 1,727 thousand of additional costs for using an exceptional procedure to repatriate funds from a country that has a lack of foreign currency.

10. Income taxes

EUR 1,000	**2017**	2016
Current taxes	**-477**	-413
Withholding taxes paid abroad	**-811**	-4,456
Change in withholding tax accrual (note 23)	**-3,876**	4,278
Taxes for previous accounting periods	**-4**	-11
Change in deferred tax assets (note 15)	**-13**	-33
Change in deferred tax liabilities (note 15)		
Dividend tax paid on intra-group dividends		
Income taxes total	**-4,980**	-635

Reconciliation of effective tax rate

Income tax reconciliation between tax expense computed at statutory rates in Finland (2017 and 2016: 20.0 per cent) and income tax expense is presented below.

Profit before taxes	**-10,511**	-5,621
Income tax using Finnish tax rates	**2,102**	1,124
Effect of different tax rates applied to foreign subsidiaries	**-990**	3,981
Non-deductible expenses and tax-free income	**-1,391**	-5,551
Withholding taxes	**-4,487**	-178
Taxes of prior periods	**-4**	-11
Utilisation of previously unrecognised tax losses	**-211**	
Unrecognised deferred tax assets on research and development costs not deducted for tax purposes		
Deferred tax liabilities on undistributed profits of a foreign subsidiary		
Other capital allowances		
Taxes in income statement	**-4,980**	-635

11. Earnings per share

EUR 1,000	2017	2016

Basic earnings per share are calculated by dividing the profit attibutable to the equity holders of the parent company and the weighted average number of ordinary shares outstanding during the year.

Result attributable to equity holders (EUR 1,000)	**-15,583**	-6,290
Weighted average number of shares during the year, adjusted to reflect the share issue for the comparative period (1,000 shares)	**122,628**	122,628
Basic earnings per share, (EUR/share)	**-0.13**	-0.05

In the calculation of diluted earnings per share, the weighted average number of shares is adjusted by the dilutive effect of converting all potential ordinary shares into shares. At end of years 2017 and 2016, the Group had no share option series anymore.

12. Intangible assets

Intangible assets 2017

EUR 1,000	**Goodwill**	**Product development costs**	**Other intangible assets**	**Total**
Acquisition cost 1 Jan	18,541	14,406	7,501	**40,448**
Exchange differences	-1,013		-344	**-1,357**
Additions			42	**42**
Disposals			-65	**-65**
Acquisition cost 31 Dec	17,528	14,406	7,134	**39,068**
Accumulated amortisations and impairment losses 1 Jan	-929	-14,406	-7,075	**-22,411**
Exchange differences	61		333	**394**
Accumulated amortisations on disposals				
Impairment loss on goodwill	-16,660			**-16,660**
Amortisation during period			-129	**-129**
Accumulated amortisations and impairment losses 31 Dec	-17,528	-14,406	-6,871	**-38,805**
Book value 31 Dec 2017			**263**	**263**

Intangible assets 2016

EUR 1,000	Goodwill	Product development costs	Other intangible assets	Total
Acquisition cost 1 Jan	18,449	14,406	7,553	40,408
Exchange differences	92		37	129
Additions			16	16
Disposals			-105	-105
Acquisition cost 31 Dec	18,541	14,406	7,501	40,448
Accumulated amortisations and impairment losses 1 Jan	-924	-14,406	-6,905	-22,235
Exchange differences	-6		-39	-44
Accumulated amortisations on disposals				
Amortisation during period			-132	-132
Accumulated amortisations and impairment losses 31 Dec	-929	-14,406	-7,075	-22,411
Book value 31 Dec 2016	17,612		426	18,038

13. Goodwill impairment testing

Allocation of goodwill

As a result of the goodwill impairment testing made in connection with the preparation of financial statement Tecnotree made a write-down to goodwill of approximately EUR 16.7 million in its consolidated balance sheet. In the profit and loss statement the impact is shown in line depreciations, amortizations and impairment losses. The write-down was done to Middle East, Africa and Americas cash genereating units. The write-down was made now, because the business development in Middle-East and Africa and Americas regions has not met with expectations. The delay of financial arrangements has also contributed to hindering the growth of business volumes.
The major part of the goodwill arose on the acquisition of the Lifetree company in 2009. For the purpose of impairment testing, goodwill has been allocated to the operating segments Europe, Middle-East and Africa, Asia and Pasific and Americas, which constitute cash generating units. After recognition of goodwill impairment losses in 2012, no goodwill is allocated to Europe and APAC regions. After the year 2017 write-down there is no goodwill value left anymore.

EUR 1,000	**Europe**	**Middle-East and Africa**	**Asia and Pasific**	**Americas**	**Total**
Goodwill 31 Dec 2017		**0**		**0**	**0**
Goodwill 31 Dec 2016		12,977		4,635	17,612

Impairment testing

Goodwill impairment is tested at least at each balance sheet date and at any occurence of an indication that the goodwill or another asset may be impaired. The recoverable amounts of goodwill are determined based on value in use calculations. The cash flow forecasts rely on forecasts of revenue and cost development approved by the management. The forecasts cover a five-year period. The key variables in defining cash flows are the following:

	Middle-East and Africa 2017	**Americas 2017**	Middle-East and Africa 2016	Americas 2016
Discount rate (WACC), post-tax	**11.0%**	**10.5%**	11.8%	12.4%
Discount rate (WACC), pre-tax	**14.2%**	**13.6%**	14.8%	15.4%
Adjusted operating result in relation to revenue for the forecast period 2018 - 2022 (2017 - 2021), per cent	**4,7 % - 9,6 %**	**4,3 % - 5,8 %**	5,2 % - 11,5 %	10,5 % - 12,7 %
Adjusted operating result for the foercast period 2018 - 2021 (2017 - 2021), EUR million	**1,4 - 2,8**	**0,8 - 1,1**	2,2 - 4,4	2,4 - 2,7
Residual value growth rate factor	**2,0 %- 2,5 %**	**1,0 % - 2,5 %**	2.5%	2.3%

Discount rate: The discount rate applied in the calculations is determined by using the weighted average cost of capital (WACC). The increase in the discount rate compared to the previous year is mainly due to the change in the market risk premiums.

Adjusted operating result: The adjusted operating result is based on the budget for 2018 (2016: on the budget for 2017) and forecasts for the years 2019 - 2022 (2016: for the years 2018 - 2021) approved by the Board of Directors. The adjusted operating result in relation to revenues during the forecast period is estimated to improve to a level of 3.0 - 6.5 per cent being EUR 1.6 - 3.4 million (2016: a level of 7.1 - 10.5 per cent being EUR 5.2 - 6.9 million).

Residual value growth rate factor: The management estimates the development of these factors based on internal and external views of the history and future of the industrial sector.

14. Property, plant and equipment

Property, plant and equipment 2017

EUR 1,000	Land and water areas	*) Buildings	Machinery and equipment	Total
Acquisition cost 1 Jan	739	6,623	20,413	**27,774**
Translation differences			-635	**-635**
Additions			217	**217**
Disposals			-34	**-34**
Acquisition cost 31 Dec	739	6,623	19,960	**27,321**
Accumulated depreciations and impairment losses 1 Jan		-6,069	-19,208	**-25,277**
Translation differences			564	**564**
Accumulated depreciation on disposals				
Depreciation during period		-184	-363	**-547**
Accumulated depreciations and impairment losses 31 Dec		-6,253	-19,007	**-25,260**
Book value 31 Dec 2017	**739**	**369**	**953**	**2,061**

Property, plant and equipment 2016

EUR 1,000	Land and water areas	Buildings	Machinery and equipment	Total
Acquisition cost 1 Jan	1,142	7,534	20,022	28,698
Translation differences			112	112
Additions			281	281
Disposals	-404	-911	-3	-1,317
Acquisition cost 31 Dec	739	6,623	20,413	27,774
Accumulated depreciations and impairment losses 1 Jan		-6,442	-18,607	-25,049
Translation differences			-49	-49
Accumulated depreciation on disposals		637	-53	584
Depreciation during period		-264	-500	-764
Accumulated depreciations and impairment losses 31 Dec		-6,069	-19,208	-25,277
Book value 31 Dec 2016	739	553	1,205	2,497

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

15. Deferred tax assets and liabilities

Deferred taxes 2017

EUR 1,000	1.1.2017	Translation differences	Recognised in income statement	1.1.2017
Deferred tax assets				
Capital allowances in the India subsidiary	569	43	-23	**589**
Pension obligations and impairment losses in the India subsidiary				
Total	**569**	**43**	**-23**	**589**
Deferred tax liabilities				
Undistributed profits of foreign subsidiaries				
Total				

Deferred taxes 2016

EUR 1,000	1.1.2016	Translation differences	Recognised in income statement	1.1.2016
Deferred tax assets				
Tax losses in the Ireland subsidiary	55		-55	
Capital allowances in the India subsidiary	537	54	-23	568
Pension obligations and impairment losses in the India subsidiary				
Total	593	54	-78	568
Deferred tax liabilities				
Undistributed profits of foreign subsidiaries				
Total				

Items for which the Group has not recognised a deferred tax asset

EUR 1,000	2017	2016
Deductible temporary difference for which no deferred asset has been recognised		
Tecnotree's product development costs not deducted in its taxation *	**71,267**	76,971
*) Tecnotree Oyj has research and development costs not deducted in its taxation. The amount can be deducted over an indefinite period with amounts that the company may freely decide.		
Other deductible temporary differences	**2,374**	2,322
Tax losses in Brazil	**239**	408
Items for which the Group has not recognised a deferred tax asset because of the uncertainty about utilising them, total	**73,880**	79,716
Undistributed profits of foreign subsidiaries, for which no deferred tax liabilities have been recognised since distribution is not likely in the forseeable future	**335**	423

16. Non-current receivables

EUR 1,000	**2017**	2016
Rent guarantees	**465**	952
Pledged cash and cash equivalents		288
Other non-current receivables	**205**	21
Non-current receivables total	**670**	1,262

17. Inventories

EUR 1,000	**2017**	2016
Materials and consumables	**460**	827
Work in progress		30
Finished products/goods		12
Inventories total	**460**	869

During the period the write-down of inventories to net realisable value amounted to EUR 409 (-285) thousand.

18. Trade and other current receivables

EUR 1,000	2017	2016
Trade receivables related to construction contracts	**4,691**	8,112
Other trade receivables	**10,603**	5,663
Trade receivables total	**15,294**	13,775
Work in progress related to construction contracts	**-2,471**	399
Finished work related to construction contracts	**2,026**	8,356
Other receivables based on delivery agreements	**5,105**	4,377
Other receivables related to construction contracts total	**4,660**	13,131
Current prepaid expenses and accrued income	**2,460**	2,449
Other current receivables	**469**	1,417
Trade and other receivables total	**22,882**	30,773

A large part of the trade receivables are from two major customers, which are disclosed in note 1 and under Credit risk in note 24. Impairment losses recorded during the period on trade receivables and other receivables related to construction contracts are disclosed in note 7.

EUR 0 (5,982) thousand of other receivables related to construction contracts are related to such long-term projects for which total income is pledged under the working capital credit facility agreement.

Fair values of receivables are disclosed in note 25.

1 000 €	2017	2016
Major items included in current prepaid expenses and accrued income:		
Valuation of currency derivatives		
VAT receivables	**58**	41
Service Tax receivables in india	**552**	790
Advance payments	**553**	518
Other prepaid expenses and accrued income	**1,297**	1,100
Total	**2,460**	2,449

19. Cash and cash equivalents

EUR 1,000	2017	2016
Cash in hand and at bank	**2,293**	3,503
Cash and cash equivalents total	**2,293**	3,503

20. Notes to the shareholders' equity

EUR 1,000	Number of outstanding shares (1,000 shares)	Share capital	Share premium fund	Other reserves	Translation differences	Total
1 Jan 2016	122,628	1,346	847	2,028	-8,510	-4,289
Covering of loss						
Changes					-1,185	-1,185
31 Dec 2016	122,628	1,346	847	2,028	-9,695	-5,474
Covering of loss						
Changes				-8	-1,185	-1,193
31 Dec 2017	122,628	1,346	847	2,020	-9,695	-5,482

Tecnotree Corporation has one single share series. The maximum number of shares is 122,628 (122,628) thousand. All the issued shares are fully paid.

In August 2015, the company's Board of Directors recognised the loss of shareholders’ equity of the Group’s parent company Tecnotree Corporation and delivered a statement concerning the matter to the Trade Register. The parent company’s shareholders’ equity was EUR 3,067 thousand negatice on 31 December 2017 (EUR 1,204 thousand negative)

In its decision on 9 March 2015, the district court of Espoo ordered the corporate restructuring proceedings as prescribed in law to be started for Tecnotree Corporation. The District Court of Espoo confirmed by the decision on 15 November 2016 the amended restructuring programme as the payment programme of the company. Along with the decision, the restructuring proceedings of Tecnotree Oyj came to an end.

Descriptions of funds in shareholders' equity

Share premius fund
In those cases where rights were granted during the period when the old Companies Act (29 Sept 1978/734) was in force, the payments received for otioin-based share subscriptions, less transaction costs, have been made recorded in the shre capital and share premium fund in accordance with the terms of the arrangement.

Reserve for invested unrestricted equity
The reserve for invested unrestricted equity includes either investments of equity nature and subscription prices for shares to the extent that it is specifically decided not to be credited to the share capital. The payments received for share subscriptions based on the options granted after the entry into force (1 Sept 2006) of the new Limited Liability Companies Act (21 July 2006/624) are fully recognised in the reserve for invested unrestricted equity. Reserve for invested unrestricted equity was used completely to cover the loss.

Other reserves
Other reserves contain the difference between fair value and exercise price of the new shares issued in 2009 and reserve fund of Argentina.

Translation differences
Translation differences include exchange gains and losses arising from the translation of the financial statements of foreign subsidiaries.

Dividend and treatment of the result

After the reporting date the Board of Directors has proposed that no dividend be paid for the financial year ended 31 December 2017 and that the parent company's loss for the financial year, EUR 1,863 thousand, be remained in retained earnings.

In 2017 no dividend was paid for the financial year that ended on 31 december 2016. Instead, based on the decision of the Annual General Meeting, the parent company's accumulated profit of EUR 1,816 thousand was remained in retained earnings.

21. Pension obligations

The Group has one defined benefit pension plan in India, including the whole personnel of the Indian subsidiary. The pension plan constitute the obligatory pension and termination benefits for the employees, and the amount of the plan benefit is based on final salary and number of years in service.

EUR 1,000	**2017**	2016
Defined benefit liability in the balance sheet:		
Present value of funded obligations	**859**	988
Fair value of plan assets (-)		-58
Net liability (+) / net asset (-) in the balance sheet	**859**	930
Recociliation of the changes in balance sheet		
Net liability (+) / net asset (-) in the balance sheet in the beginning of the period	**930**	735
Pension expense recognised in profit and loss	**196**	199
Remeasurement items recognised in other comprehensive income	**-105**	59
Translation differences	**-163**	-63
Net liability (+) / net asset (-) in the balance sheet at the end of the period	**859**	930
Defined benefit expense in profit and loss		
Current service cost	**136**	146
Interest income (-) and expense (+), net	**60**	53
Pension expense recognised in profit and loss (note 5)	**196**	199
Change in the defined benefit obligation:		
Defined benefit obligation in the beginning of the period	**988**	877
Current service cost	**136**	146
Interest cost	**55**	65
Remeasurement items:		
Gains (-) / losses (+) arising from changes in demographical assumptions		
Actuarial gains (-) / losses (+) arising from changes in financial assumptions	**-6**	61
Gains (-) / losses (+) arising from experience adjustments	**-97**	5
Translation differences	**-65**	5
Benefits paid (-)	**-147**	-172
Defined benefit obligation at the end of the period	**865**	988
Change in plan assets:		
Plan assets in the beginning of the period	**57**	142
Interest income	**4**	11
Remeasurement items:		
Return on plan assets excluding amounts included in interest income (+/-)	**-3**	5
Translation differences	**-4**	1
Payments from the plan:	**92**	70
Benefits paid (-)	**-147**	-172
Plan assets at the end of the period	**0**	57

	2017	2016
Actuarial assumptions at the reporting date	**%**	%
Discount rate	**6.9**	6.6
Future salary increases, first year	**8.0**	8.0
Future salary increases, thereafter	**8.0**	8.0

Assumed normal retirement age is 60 years. The turnover of the employees is assumed to decline evenly in line with the growing age, being 1 % for over 55 year olds and 15 % for under 30 year olds. Assumptions concerning mortality are made in accordance with the actuary's instructions and they are based on statistics and experience.

There is no information available on plan assets because they are commonly invested by the incurance company.

Sensitivity analysis

The sensitivity analysed below is calculated all other factors remaining unchanged.

2017		
Change in discount rate, percentage points	**+1%**	**-1%**
Impact on the defined benefit obligation, EUR 1,000	**-240**	**-198**
Change in future salary increases, percentage points	**+1%**	**-1%**
Impact on the defined benefit obligation, EUR 1,000	**-199**	**-240**

2016		
Change in discount rate, percentage points	+1%	-1%
Impact on the defined benefit obligation, EUR 1,000	-43	47
Change in future salary increases, percentage points	+1%	-1%
Impact on the defined benefit obligation, EUR 1,000	36	33

22. Interest-bearing liabilities

EUR 1,000	2017	2016
Finance lease liabilities, non-current	**361**	435
Loans from financial institutions, non-current	**16,606**	23,521
Non-current interest-bearing liabilities total	**16,968**	23,956
Finance lease liabilities, current	**39**	40
Loans from financial institutions, current	**1,191**	400
Credit facility to financing working capital, current		
Current interest-bearing liabilities total	**1,231**	440
Interest-bearing liabilities total	**18,198**	24,396
Maturity of the finance lease liabilities		
Total of minimum lease less than one year	**120**	123
Total of minimum lease between one and five years	**941**	647
Total of minimum lease over five years		
Total	**1,061**	770
Future financial expenses	**-660**	-295
Present value of finance lease liabilities	**401**	475
Present value of minimum lease less than one year	**39**	40
Present value of minimum lease between one and five years	**361**	435
Present value of minimum lease over five years		
Finance lease liabilities, total	**401**	475

At the end of the financial year, the company had a debt restructuring related, non-current interest-bearing debt EUR 16.6 million (23.5) and current interest-bearing debt EUR 1.2 (0.4) million to financial institutions.

23. Trade payables and other liabilities

EUR 1,000	2017	2016
Non-current non-interest bearing liabilities		
Non-current liabilities to financial institutions - ordinary restructuring debts	**1,556**	2,423
Non-current liabilities to others - ordinary restructuring debts	**3,996**	4,396
Other long-term employee benefits (note 5)	**842**	1,083
Non-current non-interest bearing liabilities, total	**6,393**	7,902
Trade payables, provisions and other liabilities		
Trade payables	**4,234**	4,917
Accrued liabilities and deferred income	**5,323**	7,832
Other liabilities	**2,906**	1,954
Current provisions	**23**	495
Trade payables, provisions and other liabilities total	**12,485**	15,197
Accrued liabilities and deferred income		
Accrued personnel expenses	**471**	3,305
Accrued agent fees	**326**	1,121
Withholding tax provision (note 10)	**1,050**	5,481
Accrued interest fees	**415**	1,923
Valuation of interest rate swap	**128**	424
Other accrued expenses related to customer projects	**288**	1,696
Other accrued liabilities and deferred income *	**2,645**	1,095
Total	**5,323**	7,832

* The other accrued liabilities and deferred income include other expense accruals.

EUR 1,000	2017	2016
Restructuring debt		
Restructuring debt included in trade payables	**2,207**	2,423
Guaranteed restructuring debts from financial institutions, interest-bearing	**9,654**	15,640
Corporate mortgage debts from financial institutions, interest-bearing	**7,881**	7,881
Ordinary restructuring debts from financial institutions, non-interest bearing	**4,396**	4,396

EUR 1,000	2017	2016
Liquidity risk		
Current interest-bearing liabilities, debt restructuring	**1,231**	440
Current non interest-bearing liabilities, debt restructuring	**733**	372
Non-current interest-bearing liabilities, debt restructuring	**16,606**	23,521
Non-current non interest-bearing liabilities, debt restructuring	**5,552**	6,819
Interest liabilities, debt restructuring	**1,243**	793
Derivative liabilities	**128**	314
Finance lease liabilities	**401**	475
Kokonaisvelat rahoitustoiminnoista	**25,894**	**32,736**

24. Financial risk management

Financial risk management principles

The task of financial risk management is to identify, manage and track the major financial risks in the Group’s business and business environment to enable the Group to achieve its strategic and financial goals in the best possible way. The responsibilities of the Board of Directors include ensuring that the Group has adequate internal monitoring system in place. Group’s policy for hedging against risks is approved by the Board of Directors and the Group’s CFO is responsible for implementing it in practice. The objective of the Group’s financial risk management is to minimise the effects of volatility for recognised major market risks on the Group’s result and balance sheet. Tecnotree Group does not apply hedge accounting as defined under IAS 39.

Financial risk management organisation

The financial risk management process is supported by the Management Board, who handles risks and risk management in its meetings on a regular basis. CEO reports the major risks to the Board of Directors. The Group’s financial management is responsible for managing foreign exchange, interest rate and liquidity risks according to the guidelines set by the Board.

Capital management

Tecnotree’s objective for capital management is to ensure cash sufficiency and support Group’s growth targets. Additionally, with capital management the Group is ensuring the operational precondition in capital markets during all conditions irrespective of industry’s market volatility. The key ratio in monitoring the development of Group’s capital structure is equity ratio, which is calculated by dividing equity with total balance sheet less advances reveiced.

In August 2015, the company's Board of Directors recognised the loss of shareholders’ equity of the Group’s parent company Tecnotree Corporation and delivered a statement concerning the matter to the Trade Register. The parent company’s shareholders’ equity was EUR 3,067 thousand negative on 31 December 2017 (EUR 1,204 thousand negative) and the Group’s shareholders’ equity was EUR 6,089 million positive (EUR 10,684 million positive).

Components of equity ratio

EUR 1,000	**2017**	2016
Equity at the end of period	**-6,089**	10,684
Balance sheet total	**31,847**	59,763
Advances received		
Total balance sheet less advances reveiced	**31,847**	59,763
Equity ratio	**-19.1%**	17.9%

Liquidity risk

The Group seeks to constantly assess and monitor the amount of liquid funds to ensure the sufficient amount of funding needed to finance the business.

On the reporting date, the Group’s cash and cash equivalents were EUR 2,293 (3,503) thousand.

At the end of the financial year, the company had a short-term loan of EUR 166 thousand. The company had in accordance to the payment program secured interest-bearing liabilities to financial institutions EUR 9,654 thousand, business mortgage debts EUR 7,881 thousand as well as restruturing debts EUR 4,396 thousand.

The cash flow situation of the company has continued to be critical. In long-term projects. The billing of the receivablen can take place with a long delay. This delay increases the risk associated with payments.

The cash flow varies considerably from one quarter to another, and this in turn places strain on the money situation.

2017	**Balance sheet value**	**Cash flow**	**Due**	**Less than 3 months**	**3-12 months**	**1-3 years**	**Over 3 years**
Guaranteed restructuring debts from financial institutions, interest-bearing	17,853	17,853		465	465	6,652	10,272
Interest payments on the loans	1,243	1,243		1,243			
Trade payables	5,498	5,498	2,946	640	333	1,579	
Non-interest bearing liabilities	4,396	4,396			400	1,205	2,791
Derivative liabilities	128	128			128		
Total	**29,118**	**29,118**	**2,946**	**2,348**	**1,326**	**9,436**	**13,063**

Of the overdue account payables, EUR 1.5 million was more than 90 days due.

2016	Balance sheet value	Cash flow	Due	Less than 3 months	3-12 months	1-3 years	over 3 years
Guaranteed restructuring debts from financial institutions, interest-bearing	23,521	23,521	725	725	818	2,799	19,179
Interest payments on the loans		1,279	122	122	1,157		
Trade payables	7,340	7,340	4,915	4,915	222	2,202	
Non-interest bearing liabilities	4,396	4,396			150	793	3,453
Derivative liabilities	314	314	38	38	76	200	
Total	35,571	36,850	5,800	5,800	2,424	5,995	22,631

Credit risk

Credit risk arises from the potential failure of counterparty to meet its contractual payment obligations. The amount of risk depends on the creditworthiness of the counterparty. The amount of credit risk inherent to financial instruments is the carrying value of the financial assets, which was EUR 17,587 (17,278) thousand at the reporting date. The financial assets are specified in note 25. The most significant separate item of credit risk is the trade receivables.

The credit quality of customers is regularly monitored by the finance department together with sales management, using data on payment history and reports from external sources. Credit rating checks are made on new customers before confirming an offer. The procedure for granting of credit for new customers or customers from countries with high risk rating requires always the acceptance of Group CFO. Tecnotree has not arranged financing for customers with third parties.

Tecnotree's largest customers are much bigger businesses than the Group itself. The relationship between the Group and its major customers is one of interdependence, which poses a potential risk but also offers significant new business opportunities. The two largest customers accounted for 86 % of net sales in 2016 (2016: 77 %) and for 88 % of the trade receivables at the end of 2017 (2016: 80 %). Parent companies of these customers are large listed companies which credit ratings in February 2017 were A3 and Baa3 respectively according to Moody's rating. In addition, the customers of Tecnotree are mainly in developing markets, with consequenses such as currency transfer regulations and limitations, exchange rate fluctuations and other politic and financial challanges.

The credit quality of financial institutions is monitored by the finance department. The parent company's counterparties are restricted to financial institutions with legal entities in Finland specified in the Group's cash management policy. The subsidiary in India has its own finance function and their counterparties are also restricted in the Group's cash management policy. The amount of cash reserves in other subsidiaries is minimized.

Analysis of trade receivables by age

EUR 1,000	**2017**	2016
Trade receivables not due	**8,694**	6,592
Trade receivables 1-90 days overdue	**2,756**	4,288
Trade receivables 91-360 days overdue	**2,856**	2,428
Trade receivables more than 360 days overdue	**989**	467
Total	**15,294**	13,775

Project deliveries result in large accounts receivable. Most of Tecnotree's net sales comes 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. The payment record of customers and the situation concerning trade receivables are actively monitored and credit rating checks are made on new customers before confirming an offer. During the period, new impairment losses of EUR 273 (64) thousand were recorded for over one year overdue trade receivables. The above analysis of trade receivables by age shows net trade receivables, thus after recognition of impairment losses.

Market risks

Currency risk

The financial risk to which the Group is exposed in its operations is mainly currency risk. Changes in exchange rates create risks especially in receivables and order backlog. Tecnotree Group's reporting and presentation currency is Euro, but significant part of Group's revenue is in US dollars. The Group's open translation risk comes from the investments in six foreign subsidiaries, India (Rupees, INR), Brazil (Real, BRL), Argentina (Peso, ARS), Malaysia (Ringgit, MYR), The United Arab Emirates (Dirham, AED) and Nigeria (Naira, NGN).

Transaction risk

The Group's open currency position comprises foreign currency denominated, sales related balance sheet items, cash and cash equivalents balance, currency denominated order backlog and binding currency denominated purchase and sales contracts.

In the policy for approval of sales contracts, it is required that only the Euros or the US dollar can be used as the sales currency. There shall not be any clauses tying the payments into any other currencies. Sales offices, when selling within their own country, use their own local currency. If any other currencies than Euro, US dollar or sales offices' local currency are used in sales contracts, it requires a prior written approval from the group CFO.

In 2017, 24 per cent of external invoicing was in Euros, 56 per cent in US dollars, 9 per cent in Argentinian Pesos, 8 per cent in Nigerian Nairas, and 3 per cent in other currencies. The Group is hedging the open US dollar currency position. The Group does not hedge the open ARS, NGN and BRL currency positons, partly because of local currency restrictions and high cost of hedging. Sales in BRL and purchases related to them form adequate operative hedging and therefore hedging instruments are not used. The open INR currency position is hedged when it is seen necessary. On the reporting date the Group had no such INR hedges. The Group does not hedge the other currency position positons, since they are not significant.

Currency risks can also arise on intra-group currency positions. The Indian subsidiary has intragroup receivables denominated in EUR, on which exchange rate gains amounting to EUR 148 thousand arose due to rate changes of Indian Rupies (2016: exchange rate lossed of EUR 1,043 thousand). Also the intra-group liabilities denominated in BRL held by the parent company gave rise to exchange rate gains of EUR 7 thousand in 2017 (2016: exchange rate losses of EUR 904 thousand). Similarly, EUR dominated intragroup receivables from Nigeria gave rise to exchange rate lossed of EUR 437 thousand and AED dominated intragroup receivables from UAE exchange rate losses of EUR 640 thousand. Intra-group currency positions are not hedged.

The Group is hedging the US dollar currency denominated cash flow position for a maximum period of 12 months for not more than 100 per cent of the net position. Hedging is carried into effect with foreign exchange forwards and options. On the reporting date, 0 per cent (0 %) of the open currency position was hedged.

US dollar denominated cash inflow is mainly converted into Euros. Some cash reserves are held in US dollar in order to manage forthcoming US dollar payments.

Sensitivity analysis for market risks

The functional currency of the parent company is Euro. Financial assets and liabilities nominated in foreign currency are presented in the table below. Figures are translated to Euros at the year-end exchange rate.

EUR 1,000	Note	**2017 INR**	2016 INR	**2017 USD**	2016 USD
Current assets					
Trade and other receivables	18	**9,440**	4,532	**3,213**	7,193
Other receivables related to construction contracts	18			**1,927**	9,745
Cash and cash equivalents	19			**317**	2,098
Trade and other payables	23	**-121**	-121	**-397**	-2,851
Total current assets		**9,319**	4,411	**5,059**	16,184

In the sensitivity analysis below, the effect of weakening and strengthening of the INR and USD exchange rate against EUR is presented with all other factors remaining unchanged. The analysed change in the exchange rate represents a possible volatility of the currency during a 12-month period. Fluctuation in exchange rates has no direct effect on equity as the Group does not apply hedge accounting.

EUR 1,000	**2017**		2016	
Change in percentage, INR	**-10%**	**+10%**	-10%	+10%
Effect on the result after taxes	**641**	**-641**	280	-280
Change in percentage, USD	**-10%**	**+10%**	-10%	+10%
Effect on the result after taxes	**-460**	**562**	-1,471	1,798

Translation risk

Tecnotree India and its subsidiaries are consolidated into Tecnotree Group as from 6 May 2009, hence the Group is exposed to the risks incurred when the net investments denominated in INR are translated into Euro, the functional currency of the parent company. On the reporting date, the open translation risk for the Indian subgroup was EUR 20,512 (21,948) thousand. This net investment is not hedged, mainly because of local currency restrictions and high cost of hedging. The sensitivity for trnslation risk was analysed by determining the effects of 10 percent strengthening and wakening of the INR exchange rate against EUR, all other factors remaining unchanged.

EUR 1,000	**2017 INR**	**INR**	2016 INR	INR
Change in percentage	**-10%**	**+10%**	-10%	+10%
Effect on the result after taxes	**2,569**	**-3,140**	2,653	-3,242
Effect on equity	**-1,865**	**2,279**	-1,995	2,439

During 2017 Indian Rupie weakened 7 per cent compared to Euro, INR/EUR rate being 76.6055 at the end of 2017 and 71.5935 at the end of 2016. This gave rise to a negative translation difference in the Group's equity amounting to EUR 1,595 thousand negative.

The exposure for translation risk related to net investments in other foreign subsidiaries is not significant and is therefore neither hedged nor analysed for sensitivity. However, during 2017, Brazilian Real (BRL) and Argentinian Peso (ARS) changed exceptionally compared to Euro. The EUR/BRL rate strenghened 8 per cent being 3.9729 at the end of 2017 and 4.4305 at the end of 2016, which caused a positive translation difference of EUR 283 thousand in Group's equity. The EUR/ARS rate weakened 34 per cent being 22.339 at teh end of 2017 and 16.6814 at the end of 2016, which caused a negative translation difference EUR 206 thousand in Group's equity. On the reporting date, the open translation risk position for the Brazilian subsidiary was EUR - 1,798 (-2,089) thousand, for the Argentine subsidiary EUR 736 (789) thousand.

On the reporting date, the open translation risk position for the Malaysian subsidiary was EUR 114 (133) thousand, for the Nigeria subsidiary EUR -943 (-283) thousand and correspondingly for the subsidiary in the United Arab Emirates EUR -1,413 (-403) thousand, The change in translation difference in equity caused by fluctuations in exchange rates for these subsidiaries was EUR 295 (6) thousand.

Interest rate risk

The Group’s interest rate risk management focuses on the optimal management of liquid funds in sense of profitability and safety and interest rate risk management of bank loans.

At the end of the financial period, the company had interest-bearing loans from financial institutions EUR 17.8 (23.9) million. This included 17.6 (23.5) million loan as part of debt restructuring programme and EUR 0.2 (0.4) million other short-term credi

Interest rate sensitivity was analysed by determining the effects of one percentage unit’s change in the interest rates on the Group’s interest-bearing financial instruments on an annual level. The analysis included all the significant interest-bearing financial instruments of the Group totalling EUR 15,408 (20,418) thousand debt. On the reporting date, an increase / decrease of one percentage unit in the interest rates would have decreased / increased the net income after tax by EUR -96 / 96 (-109 / 109) thousand. Changes in interest rates would not have had a direct effect on equity. The effect of an increase and a decrease in the interest rates is presented with all other factors remaining unchanged.

Price risk

Tecnotree Group does not own any equity or other financial instruments with values tied to other market prices than interest or currency rates.

25. Carrying amounts of financial assets and liabilities by measurement categories

2017	**Note**	**Financial assets/ liabilities at fair value through income statement**	**Loans and receivables**	**Financial liabilities measured at amortised cost**	**Carrying amounts by balance sheet item**	**Fair value**
Current financial assets						
Trade and other receivables	18		15,294		**15,294**	**15,294**
Cash and cash equivalents	19		2,293		**2,293**	**2,293**
Carrying amount by category			**17,587**		**17,587**	**17,587**
Current financial liabilities						
Current interest-bearing liabilities	22			1,231	**1,231**	**1,231**
Trade and other payables	23			4,234	**4,234**	**4,234**
Derivative liabilities	23	128			**128**	**128**
Carrying amount by category		**128**		**5,465**	**5,593**	**5,593**

2016	Note	Financial assets/ liabilities at fair value through income statement	Loans and receivables	Financial liabilities measured at amortised cost	Carrying amounts by balance sheet item	Fair value
Current financial assets						
Trade and other receivables	18		13,775		13,775	13,775
Cash and cash equivalents	19		3,503		3,503	3,503
Carrying amount by category			17,278		17,278	17,278
Current financial liabilities						
Current interest-bearing liabilities	22			440	440	440
Trade and other payables	23			4,917	4,917	4,917
Derivative liabilities	23	314			314	314
Carrying amount by category		314		5,357	5,671	5,671

The fair value of interest rate swap is determined by using market rates of the counterparty for instruments with similar maturity. The fair value of the short term investments is determined based on the price quotation of the counterparty. The carrtying amounts of the other financial assets and liabilities correspond to their fair value, since the impact of discounting being not material considering their maturity.

Fair value hierarchy

Items measured at fair value or for which fair value is disclosed in the financial statements, are categorised using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy includes the levels 1-3. Level 1: Quoted prices in active markets for identical assets or liabilities. Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. Level 3: Inputs for the asset or liability that are not based on observable market data.

Items measured at fair value or for which fair value is disclosed in the financial statements, are categorised into hierarchy level 2. During the reporting period, there were no transfers between the hierarchy levels.

Values of underlying instruments of derivative contracts

		2017		2016	
EUR 1,000	Note	**Value of underlying instruments**	**Fair value**	Value of underlying instruments	Fair value
Derivative liabilities					
Currency derivatives	23				
Interest rate swaps	23	**10,121**	**128**	11,588	314
Derivative liabilities total			**128**		**314**

26. Operating leases

EUR 1,000	**2017**	2016

Group as lessee

Minimum lease payments of the non-cancellable operating leases are as follows:

Operating leases

Less than one year	**273**	898
Between one and five years	**979**	1,712
Total	**1,251**	2,610

The Group has leased office equipment, office facilities and company cars. The leases typically run for one to three years and normally they include an option to continue the lease agreement after the original ending date. The index, terms of renewal and other conditions in different agreements may vary. EUR 1,812 (2,248) thousand was recognised as an expense in the income statement in respect of operating leases.

27. Contingent liabilities

EUR 1,000	2017	2016
On own behalf		
Real estate mortgages	**4,400**	4,400
Corporate mortgages	**45,336**	45,336
Pledged deposits		1,221
Guarantees		474
Pledged trade receivables and accrued income related to construction contracts *		5,982
Total	**49,736**	57,414
Other contingent liabilities		
Desputed income tax liabilities in India	**3,062**	3,988
Total	**3,062**	3,988

In addition, the parent company's shares in the Indian subsidiries are pledged. These shares have a book value of EUR 7,418 thousand in the parent company.

Due to the uncertainty related to the income tax dispute the Group has not recognised a provision.

28. Related party transactions

The Group'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, as well as those entities in which these people have control. According to the Finnish Securities Markets Act, a controlled entity is an entity in which a shareholder, a member or another person exercises the control referred to in the Act. The company considers the management to include members of the Boars of Directors, the CEO and the other members of the Management Board.

The company considers the management to include members of the Boars of Directors, the CEO and the other members of the Management Board.

EUR 1,000	**2017**	2016
Compensation to management		
Salaries, fees and other short-term employee benefits	**-1,636**	-2,116
Share based compensations		
Compensation to management total	**-1,636**	-2,116
Salaries and fees		
Padma Ravichander, CEO as from 18 April 2016	**-413**	**-479**
Ilkka Raiskinen, CEO until 17 April 2016		-428
Members of the Board of Directors:		
Harri Koponen, Chairman of the Board	**-63**	-57
Pentti Heikkinen, Vice Chairman of the Board	**-39**	-36
Matti Jaakola, member of the Board as from 14 April 2015	**-31**	-30
Christer Sumelius	**-31**	-30
Pirjo Pakkanen, as from 9 May 2016	**-22**	-13

0 (0%) per cent of the fees to the Board of Directors has beed settled in shares of Tecnotree Oyj. The Group had no effective option series anymore at the end of 2017.

The pension benefits of the CEO and members of Board of Directors are determined by the Finnish Employees Pensions Act (TyEl). The obligatory pension expenses for the CEO were EUR 0 (12) thousand and for the mebers of the Board of Directors totally EUR 39 (26) thousand. The pension expenses are presented per person in note 4 of the parent company. The retiment age of the CEO is determined by the employee pension law. CEO or the other members of the Management Board and the Board of Directors have no additional pension arrangements.

The period of notice of the CEO’s contract is 6 months from the time of resignation and from 0 to 6 months’ period of notice from the company, at the company’s discretion. Salary is paid for the period of notice and, in the case of notice given by the company, an additional compensation equal to 12 months’ salary will be paid. The company can terminate the contract of the CEO with immediate effect, without a separate compensation, if the CEO has materially breached his CEO contract, convicted guilty to a crime or otherwise caused substantial damage to the company. In case new owner will acquire over 50 % of the company's outstanding shares, or over 50 % of company's assets are moved to a new owner, the CEO has a right to terminate contract with three months notice period and is entitled to an additional compensation equal to six months salary.

The relationships between the Group's parent company and subsidiaries on 31 December 2017:

Company name	Nature of company activities	Domicile	Group's ownership %	Group's share of voting rights %
Tecnotree Oyj (parent)	Operative parent company	Finland		
Tecnotree Services Oy	Dormant company	Finland	100	100
Tecnotree Convergence (Middle East) FZ-LLC	Sales company	The United Arab Emirates	100	100
Tecnotree Ltd	Product development and managment	Ireland	100	100
Tecnotree Spain SL	Sales company	Spain	100	100
Tecnotree Sistemas de Telecommunicacao Ltda	Sales company	Brazil	100	100
Tecnotree Argentina SRL *	Sales company	Argentina	100	100
Tecnotree (M) Sdn Bhd	Sales company	Malaysia	100	100
Tecnotree Nigeria Ltd	Sales company	Nigeria	100	100
Lifetree Cyberworks Pvt. Ltd	Holding company	India	100	100
Tecnotree Convergence Ltd	Product development, delivery and management company	India	99.83	99.83
Lifetree Convergence Pty Ltd	Dormant company	South-Africa	99.83	99.83
Lifetree Convergence (Nigeria) Ltd	Dormant company	Nigeria	94.84	94.84

The parent company has branch offices in Taiwan, in the United Arab Emirates and in Peru.

29. 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 were fully cut was approximately 36.7 million euros. The amount of normal unsecured restructuring debts was approximately 13.2 million euros. 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. The capital of the unsecured restructuring debts was cut by 50 percent. 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.

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

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 committee of creditors and to the creditors.

30. Events after the end of period

In January 2018, Tecnotree repatriated net EUR 9.3 million of receivables from its customer in Latin America, out of which EUR 4.2 million were related to maintenance and support services for second and third quarters of 2018.

Tecnotree announced on 26 February 2018 that it will in the financial statements for 2017 write down the goodwill of approximately EUR 16.7 million in its consolidated balance sheet. The goodwill in the balance sheet was mainly related to the business transaction implemented in 2009, and a write-down of EUR 1.2 million was already made in 2012. The write-down is made now, because the business development in Middle East, Africa and Americas has not met with expectations. The delay of financial arrangements has also contributed to hindering the growth of business volumes. The write-down has been recorded as a one-time item having no impact on cash flow.

The company announced on 8 March 2018 that it has entered with Viking Acquisitions Corp. into a transaction agreement, under which Viking undertakes to make a voluntary public cash tender offer to purchase all of the issued and outstanding shares in Tecnotree that are not owned by Tecnotree or any of its subsidiaries. The price offered for each share validly tendered in the tender offer will be EUR 0.10 in cash. The tender offer values Tecnotree at approximately EUR 12.26 million, on a fully diluted basis. Shareholders representing approximately 41.45% of the shares in Tecnotree, have irrevocably undertaken to accept the tender offer. The tender offer is subject to e.g. necessary regulatory approvals and Viking gaining control of more 90% of shares and voting rights of Tecnotree.

On 8 March 2018 the company further announced that the Annual General Meeting of Tecnotree Corporation will be held on 30 May 2018 and the company's financial report for January-March will be published on 28 May 2018.

The Board of Directors of Tecnotree published on 13 March 2018 its statement on the tender offer of Viking Acquisitions Corp and recommended unanimously that the shareholders of Tecnotree accept the tender offier.

The company announced on 16 March 2018 that the Financial Supervisory Authority has approved the tender offer document of Viking Acquisitions Corp. concerning the tender offer. The acceptance period under the tender 0ffer commenced on 19 March 2018 and expired on 13 April 2018. The acceptance period was extended and expire on 30 April 2018. The tender offer document is available on the company's website and in internet at www.evli.com/tecnotree.

Parent company's income statement

EUR 1,000	Note	1.1-31.12.2017	1.1-31.12.2016
Net sales	1	**47,136**	46,977
Other operating income	2	**208**	278
Materials and services	3	**-899**	-2,194
Personnel expenses	4	**-9,655**	-14,094
Depreciation, amortisation and impairment losses	5	**-318**	-411
Other operating expenses	6	**-32,699**	-44,442
Operating result		**3,773**	-13,887
Financial income and expenses	7	**-1,909**	**15,219**
Result before appropriations and taxes		**1,864**	1,332
Direct taxes	8	**-3,726**	484
Result for the financial year		**-1,863**	1,816

Parent company's balance sheet

EUR 1,000	Note	1.1.-31.12.2017	1.1.-31.12.2016
Assets			
Non-current assets			
Intangible assets	9	**233**	271
Tangible assets	10	**1,296**	1,574
Shares in Group companies	11	**8,825**	8,825
Receivables from Group companies	11	**299**	299
Total non-current assets		**10,652**	10,970
Current assets			
Inventories	12	**460**	869
Non-current receivables	13	**27**	318
Current receivables	14	**27,728**	32,446
Cash and cash equivalents	15	**623**	770
Total current assets		**28,838**	34,404
Total assets		**39,490**	45,374
Equity and liabilities			
Shareholders' equity	16		
Share capital		**1,346**	1,346
Share premium fund		**847**	847
Retained earnings		**-3,397**	-5,213
Result for the financial year		**-1,863**	1,816
Total shareholders' equity		**-3,067**	-1,204
Accumulated appropriations	17	**23**	495
Liabilities			
Non-current liabilities	18	**22,748**	31,170
Current liabilities	18	**19,786**	14,913
Total liabilities		**42,534**	46,083
Total equity and liabilities		**39,490**	45,374

Parent company’s cash flow statement

EUR 1,000	1.1.-31.12.2017	1.1.-31.12.2016
Cash flow from operating activities		
Result before extraordinary items	1,864	1,332
Adjustments for:		
Depreciations according to plan	318	411
Impairment of receivables	1,040	11,175
Unrealised exchange rate gains and losses	1,902	-502
Financial income and expenses	415	-14,717
Other adjustments	-153	
Changes in working capital:		
Current receivables, increase (-) /decrease (+)	1,964	681
Inventories, increase (-) /decrease (+)	409	-340
Current liabilities, increase (+) /decrease (-)	1,620	3,629
Interest paid	-522	-429
Dividends received from operating activities	220	678
Interest received	169	58
Income taxes paid	-3,879	-3,794
Net cash flow from operating activities	5,366	-1,817
Cash flow from investments		
Investments in intangible assets		
Investments in tangible assets		-117
Investments in subsidiaries' shares		
Cash flow from investments		-117
Cash flow from financiang activities		
Borrowings received from financial institutions	35	1,400
Repayments of borrowings from financial institutions	-6,254	-1,000
Borrowings received from Group companies	-137	44
Changes in pledged cash deposits	1,036	-215
Interest and other financial items paid	-194	-196
Cash flow from financiang activities	-5,513	33
Change in cash and cash equivalents	-148	-1,901
Cash and cash equivalents on 1 Jan	770	2,671
Cash and cash equivalents on 31 Dec	623	770

Parent company accounting principles

The financial statements of Tecnotree Oyj are prepared in accordance with the Finnish Accounting Act (1997/1336) and Ordinance (1997/1339) and with other legislation and regulations concerning financial statements. The financial statements are also prepared on a going concern basis. On 5 March 2015 Tecnotree Corporation filed an application for restructuring proceedings with the district court of Espoo, which the District Court confirmed the amended restructuring programme proposal on 15 November 2016. Additional information about the restructurng proceedings is given in note 20, and the basis for applying the going concern principle is disclosed in the accounting principles of the Group.

The consolidated financial statements of Tecnotree Corporation have been prepared in accordance with the going concern principle. This is justified on the following grounds:

Tecnotree has significant uncertainty factors relating to the continuity of its operations. The company's risks and uncertainties in the near future relate to financing, projects, to their timing, to trade receivables and receivables from construction contracts and to changes in foreign exchange rates. Having sufficient cash funds is the biggest single risk. The financing agreement contains covenants that create 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.

In addition Tecnotree has a risk affected by the negative shareholders' equity of the parent company.

The uncertainty factors relating to Tecnotree's operations are explained in more detail in section "Risks and uncertainty factors" in the Board of Directors' report. Financial risk management is described in note 24 of the consolidated financial statements. Information about the restructuring proceedings is disclosed in note 29.

Tecnotree's business operations have been loss-making for several years. One key reason for this has been the decline in sales of old products and no corresponding decrease in operating expenses. In 2017 Tecnotree will continue to focus on stringent control of operating expenses while launching its new open source products.

The company is well underway in its own internal transformation journey of moving from a services company to a fully-fledged digital services product company. The advantage of a product company is that they attract exceptional talent, being able to sell license, which increases the revenue and enhances the cash inflows. Product companies have shorter revenue turnaround time which increases the revenue and cash flow. In addition to garnering top talent the necessary to continuously scale resources to deliver customized projects across the globe so that increased risk and costs are further eliminated.

The company has complied with the restructuring payment programme and made debt payments worth of EUR 6.3 million under the programme during the financial period 2017. In the end of 2017, the company's interest payments due under restructuring proceedings amounted to a total of EUR 1.1 million, which the company paid in January 2018.

Viking Acquisitions Corp committed on 8 March 2018 to make a voluntary public cash tender offer to purchase all of the issued and outstanding shares in Tecnotree. The tender offer is realized only if 90% of shareholders approve the offer. The offeror is the biggest debtor of the company having receivables of approximately EUR 21.6 million from the company. The receivables consist of both secured and unsecured loans under the restructuring payment programme. During the preparation of the financial statements, according to the preliminary results of the tender offer on 13 April 2018, the shares tendered in the tender offer represent approximately 59.9% of all the shares and votes in Tecnotree on a fully diluted basis as defined in the terms and conditions of the tender offer. The offeror has acquired 23,393,197 shares of Tecnotree outside the tender offer, representing approximately 19.1% of all the shares and votes in Tecnotree. These shares together with the shares tendered in the tender offer amount to a total of approximately 79.0% of all the shares and votes in Tecnotree. The acceptance period of the tender offer has been extended and will expire on 30 April 2018. According to the company's estimate, the compliance with the going concern principle is based on the assumption that the tender offer is approved or the company finds some other short-term solution to its difficult cash situation.

The Board of Directors of Tecnotree published on 13 March 2018 its statement on the tender offer of Viking Acquisitions Corp and recommended unanimously that the shareholders of Tecnotree accept the tender offer.

The going concern assumption contains significant uncertainty.

Items denominated in foreign currencies

Transactions in foreign currencies are recorded at the rates of exchange prevailing on the transaction dates. Foreign currency receivables and liabilities in the financial statements, including those hedged with derivative contracts, are translated into euros at the average exchange rate quoted by the European Central Bank on the closing date.

Exchange rate gains and losses relating to business operations are treated as adjustments to net sales or purchasing and manufacturing. Exchange rate gains and losses relating to financing operations are entered under financing income and expenses. Exchange rate gains and losses arising from the translation of balance sheet items are charged to the income statement.

Derivatives entered into by the company comprise currency forward contracts to hedge against changes in the cash flows from purchase and sales agreements denominated in foreign currencies. The company policy is to hedge the net foreign currency exposure over the following 12 months at a maximum.

Those derivatives entered into for hedging purposes are initially recognized at cost equivalent to their fair value. Subsequently derivatives are measured at fair value based on the forward rates quoted at the balance sheet date.

Exchange rate differences on derivative contracts made for hedging purposes are charged to the income statement under other operating income and expenses.

Net sales

At Tecnotree net sales comprise revenue recognized from project deliveries and goods and service deliveries from which indirect taxes, discounts and exchange rate differences have been deducted.

Revenue from project deliveries is mainly recognized according to the stage of completion. Project revenue and expenses are recognized in the income statement in proportion to the stage of completion on the balance sheet date, once the outcome of the project can be estimated reliably. The outcome of a project can be reliably estimated when the anticipated revenue and costs from the contract and the progress of the project can be estimated reliably and when it is probable that the economic benefits associated with the project will flow to the company.

The stage of completion of a project is determined for each contract by the proportion of the estimated total contract costs accounted for by the costs incurred for work performed to date (cost-to-cost method). The revenue recognition for the project will start when the outcome of the project can be estimated reliably. Typically this happens when the management has approved the project and the first delivery to the customer has been made. The stage of completion method of revenue recognition is based on estimates of the expected revenue and expenses associated with the contract and on estimating the progress of the project. The cost estimates for the projects are monitored quarterly in the management's revenue review and the revenue and expenses recognized in the income statement are revised in the estimates of the outcome of the project change. The accumulated effect due to the change in the estimates is recognized in the period when the change is known for the first time and its amount can be estimated.

If the outcome of the project cannot be estimated reliably, revenue is only recognized to the extent of project costs incurred. This method of recognition is typically applied in first delivery projects for new products or when a delivery project contains a significant amount of customisation for individual customers. The margin on the project is recognized on final acceptance.

A project is considered onerous if its costs exceed total project revenue. The expected loss is recognized as an expense immediately.

Revenue from the sale of products and services is recognized when the significant risks and benefits of ownership have been transferred to the buyer and when the amount of the revenue can be measured reliably and it is probable that the economic benefits will flow to the enterprise. The revenue from services is recognized when the service has been rendered. Supplementary deliveries such as maintenance, licences, training, documentation and spare parts are examples of goods and service deliveries. Revenue from fixed-term maintenance contracts is normally recognized over the contract period on a straight-line basis.

Pension plans

Statutory pension and supplementary pension obligations in Finland are covered through payments to pension insurance organisations. Expenses related to pension arrangements are recognized in the income statement in the period on the accrual basis.

Leasing

Leasing payments have been entered as rentals. Contractual leasing fees remaining on the balance sheet date are presented in the financial statements under contingent liabilities.

Research and development expenses

Research and development expenses are expensed as incurred, apart from machinery purchases, which are depreciated over three years on a straight-line basis.

Valuation of inventories

Inventories are valued using the FIFO principle at the lowest of acquisition cost, repurchase price and probable selling price.

Valuation of non-current assets

Non-current assets have been capitalised at the acquisition cost. Planned depreciation and amortization is calculated on a straight-line basis over the useful life of the fixed assets. The periods for planned depreciation and amortization are as follows:

- Intangible rights 3-10 years
- Other long-term expenditure 5 years
- Buildings and structures 25 years
- Machinery and equipment 3-5 years
- Computing hardware and software 3-5 years

Derivative financial instruments

The derivative contracts entered into by the Company are currency forward contracts and options as well as interest rate swaps. The derivative contracts are fair valued. The fair value is determined by using market rates of the counterparty for instruments with similar maturity. Gains and losses arising from changes in the fair values are recognised in the income statement in the period in which they arise.

1. Net sales

EUR 1,000	2017	2016
Net sales by market area		
Europe, Middle East and Africa	**32,621**	31,875
Asia Pacific	**555**	962
Americas	**13,959**	14,140
Net sales total	**47,136**	46,977
Net sales by type of income		
Revenue from contract work recognised by stage of completion	**3,933**	6,470
Revenue from maintenance and support	**17,080**	16,694
Revenue from goods and services, external sales	**12,718**	9,250
Currency exchange gains and losses related to external sales	**-1,410**	610
Revenue from goods and services, intra-group sales	**14,814**	13,953
Net sales total	**47,136**	46,977
Order book for contract work	**320**	4,961
Order book for maintenance and support, goods and services	**9,682**	7,417
Order book total	**10,002**	12,378
Projects in progress:		
Cumulative revenue recognised for projects in progress	**3,366**	8,157
Cumulative invoicing for projects in progress recognised by stage of completion	**3,366**	6,806
Accrued income related to construction contracts, work in progress		1,351
Aggregate amount of costs incurred for projects in progress	**1**	432

On the reporting date, the company has no retentions held by customers. The Group has not received any advances related to projects in progress.

2. Other operating income

EUR 1,000	2017	2016
Rental income	**76**	79
Other operating income	**132**	199
Other operating income total	**208**	278

3. Materials and services

EUR 1,000	2017	2016
Purchases during financial year	**-1,066**	-2,502
Changes in inventories	**195**	340
Total	**-871**	-2,162
External services	**-28**	-32
Materials and services total	**-899**	-2,194

4. Personnel expenses

EUR 1,000	**2017**	2016
Wages and salaries	**-8,047**	-11,396
Pension expenses	**-920**	-1,268
Other personnel expenses	**-687**	-1,431
Personnel expenses total	**-9,655**	-14,094

Average number of employees during the period	**2017**	2016
Management and administration	**18**	27
Other personnel	**61**	80
Total average number of employees	**79**	107

Salaries, fees, remunerations and pensions to the management

1 000 €	**Salaries, fees, remunerations 2017**	**Obligatory pension expenses 2017**	Salaries, fees, remunerations 2016	Obligatory pension expenses 2016
Padma Ravichander, CEO as from 18 April 2016	**-413**		-479	
Ilkka Raiskinen, CEO until 17 April 2016			-428	-12
Members of the Board of Directors:				
Harri Koponen, Chairman of the Board	**-63**	**-16**	-57	-10
Pentti Heikkinen, Vice Chairman	**-39**	**-10**	-36	-7
Matti Jaakola, member of the Board	**-31**	**-8**	-30	-6
Christer Sumelius	**-31**		-30	
Pirjo Pakkanen, as from 9 May 2016 to 3 June 2017	**-22**	**-6**	-13	-3
Yhteensä	**-599**	**-39**	-1,072	-37

The pension benefits of the members of Board of Directors are determined by the Finnish Employees Pensions Act (Tyel). The members of Board of Directors have no additional pension arrangements.

The CEO has a CEO contract, which is made according to Finnish law. The CEO is responsible for tax and other compulsory payments.

5. Depreciations and amortisations

EUR 1,000	2017	2016
Depreciations and amortisations according to plan		
Intangible assets		
Intangible rights	**-39**	-46
Tangible assets		
Buildings	**-184**	-220
Machinery and equipment	**-95**	-144
Depreciations and amortisations according to plan total	**-318**	-411

6. Other operating expenses

EUR 1,000	**2017**	2016
Subcontracting	**-1,620**	-2,282
Office management costs	**-2,539**	-2,256
Travel expenses	**-1,033**	-1,367
Agent fees	**-603**	-114
Impairment losses on receivables	**-1,040**	-11,223
Rents	**-826**	-1,048
Professional services	**-1,351**	-2,036
Marketing	**-316**	-476
Other operataing expenses to Group companies	**-23,372**	-23,572
Other expenses		-70
Other operating expenses total	**-32,699**	-44,442

Impairment losses were recognised on trade receivables totalling EUR 474 (96) thousand and on receivables related to construction contracts totalling EUR 566 (11 079) thousand.

Auditors' fees		
Audit KPMG	**-144**	-98
Tax consulting KPMG Oy Ab	**-2**	-19
Other services KPMG Oy Ab	**-7**	-12
Other services, others		-15
Auditotrs' fees total	**-152**	-143

7. Financial income and expenses

EUR 1,000	2017	2016
Financial income		
Dividend income from Group companies	220	678
Interest income from Group companies		
Other financial income from Group companies		
Other financial income from others	73	160
Other financial income in Group companies	98	36,211
Other financial income in other companies		6,636
Interest and financial income total	391	43,686
Financial expenses		
Impairments of Group shares		-28,088
Interest expenses to Group companies	-60	-70
Other financial expenses to Group companies	-816	444
Interest expenses to others	-448	-352
Financial expenses to others	-975	-400
Interest and financial expenses total	-2,300	-28,466
Financial income and expenses total	-1,909	15,219
Other financial income and expenses including:		
Foreign exchange gains	71	101
Foreign exchange losses	-1,423	-689
Foreign exchange gains and losses total	-1,352	-587

In 2016 other financial income in Group companies and in other companies are related to debt write-off entries under the debt restructuring program.

8. Income taxes

EUR 1,000	2017	2016
Income taxes from business operations	**-4**	-8
Taxes for previous accounting periods		-3
Withholding taxes paid abroad	**-3,876**	-3,783
Change in withholding tax accrual	**153**	4,278
Income taxes total	**-3,726**	484

The company has not deducted research and development costs amounting to EUR 71,267 (76 971) thousand in its taxation. The amount can be deducted over an indefinite period with amounts that the company may freely decide. The company has no tax losses at the end of 2016 and 2017. Other deductible temporary differences amount to EUR 2,374 (2,322) thousand. No deferred tax assets have been recognised on these capitalisations because of the uncertainty about utilising them.

9. Intangible assets

Intangible assets 2017

EUR 1,000	**Intangible rights**	**Other long-term expenditure**	**Total**
Acquisition cost 1 Jan	6,146	275	**6,422**
Additions			
Acquisition cost 31 Dec	**6,146**	**275**	**6,422**
Accumulated amortisation 1 Jan	-5,875	-275	**-6,150**
Amortisation during the period	-39		**-39**
Accumulated amortisation 31 Dec	**-5,914**	**-275**	**-6,189**
Book value 31 Dec, 2017	**233**		**233**

Intangible assets 2016

EUR 1,000	Intangible rights	Other long-term expenditure	Total
Acquisition cost 1 Jan	6,146	275	6,422
Additions			
Acquisition cost 31 Dec	6,146	275	6,422
Accumulated amortization 1 Jan	-5,829	-275	-6,104
Amortisation during the period	-46		-46
Accumulated amortization 31 Dec	-5,875	-275	-6,150
Book value 31 Dec, 2016	271		271

10. Tangible assets

Tangible assets 2017

EUR 1,000	**Land areas**	***) Buildings**	**Machinery and equipment**	**Total**
Acquisition cost 1 Jan	739	6,045	5,416	**12,200**
Additions				
Acquisition cost 31 Dec	**739**	**6,045**	**5,416**	**12,200**
Accumulated depreciation 1 Jan		-5,492	-5,134	**-10,626**
Depreciation during the period		-184	-95	**-279**
Accumulated depreciation 31 Dec		**-5,676**	**-5,229**	**-10,905**
Book value 31 Dec, 2017	**739**	**369**	**188**	**1,296**

Tangible assets 2016

EUR 1,000	Land areas	Buildings	Machinery and equipment	Total
Acquisition cost 1 Jan	739	6,045	5,299	12,083
Additions			117	117
Acquisition cost 31 Dec	739	6,045	5,416	12,200
Accumulated depreciation 1 Jan		-5,272	-4,990	-10,261
Depreciation during the period		-220	-144	-365
Accumulated depreciation 31 Dec		-5,492	-5,134	-10,626
Book value 31 Dec, 2016	739	553	282	1,574

*) As stated in the restructuring programme, Tecnotree Oyj has committed itself to sell its real estate used as its office premises by 31.12.2019. The sales price shall be paid to the collateral holder Nordea Pankki Suomi Oyj. The company has a right not to sell the real estate in the given time only if approved by the supervisor and Nordea Pankki Suomi Oyj.

11. Investments

Investments 2017

EUR 1,000	Shares in Group companies	Other investments in group companies	Total
Acquisition cost 1 Jan	8,825	299	9,124
Reclassifications between items			
Additions			
Acquisition cost 31 Dec	8,825	299	9,124
Book value 31 Dec, 2017	**8,825**	**299**	**9,124**

Investments 2015

EUR 1,000	Shares in Group companies	Other investments in group companies	Total
Acquisition cost 1 Jan	36,939	299	37,239
Reclassifications between items	-28,092		-28,092
Additions	-22		-22
Acquisition cost 31 Dec	8,825	299	9,124
Book value 31 Dec, 2016	8,825	299	9,124

Shares in subsidiaries held by the parent company

	Domicile	Parent company ownership, %	Carrying value EUR 1,000
Tecnotree Ltd.	County Clare, Ireland	100	124
Tecnotree Spain SL	Madrid, Spain	100	31
Tecnotree Sistemas de Telecommunicacao Ltda	Sao Paulo, Brazil	100	902
Tecnotree (M) Sdn Bhd	Kuala Lumpur, Malaysia	100	42
Tecnotree Services Oy	Espoo, Finland	100	8
Tecnotree Argentina SRL	Cordoba, Argentina	100	257
Lifetree Cyberworks Pvt. Ltd	Bangalore, India	100	1,189
Tecnotree Convergence Ltd	Bangalore, India	46	6,229
Tecnotree Convergence (Middle East) FZ-LLC	Dubai, United Arab Emirates	100	20
Tecnotree Nigeria Limited	Lagos, Nigeria	100	23
Total			8,825

12. Inventories

EUR 1,000	2017	2016
Materials and consumables	**460**	827
Work in progress		30
Finished products/goods		12
Inventories total	**460**	869

During the period the write-down of inventories to net realisable value amounted to EUR 409 (-285) thousand.

13. Non-current receivables

EUR 1,000	2017	2016
Rent guarantees	27	30
Pledged cash deposits		288
Non-current receivables total	27	318

14. Current receivables

EUR 1,000	2017	2016
Trade receivables related to construction contracts	3,203	2,666
Other trade receivables	6,209	5,039
Trade receivables total	9,412	7,705
Work in progress related to construction contracts	-720	1,351
Finished work related to construction contracts	2,026	8,356
Other receivables based on delivery agreements	3,859	574
Receivables related to construction contracts total	5,164	10,282
Current prepaid expenses and accrued income	645	755
Other current receivables	4	932
Current receivables total	15,225	19,673
Receivables from the Group companies:		
Trade receivables	8,693	9,746
Other receivables	3,810	3,027
Total	12,503	12,773
Current receivables total	27,728	32,446

Major items included in prepaid expenses and accrued income

VAT receivables	58	41
Advance payments to vendors	31	134
Other prepaid expenses and accrued income	556	579
Total	645	755

EUR 0 (0) thousand of the trade receivables and EUR 0 (5,982) thousand of other receivables related to construction contracts are related to such long-term projects for which total income is pledged under the working capital credit facility agreement.

15. Cash and cash equivalents

EUR 1,000	2017	2016
Cash in hand and at bank	**623**	770
Cash and cash equivalents total	**623**	770

16. Shareholders' equity

EUR 1,000	2017	2016
Share capital 1 Jan	**1,346**	1,346
Reduction of share capital		
Share capital 31 Dec	**1,346**	1,346
Share premium fund 1 Jan	**847**	847
Share premium fund 31 Dec	**847**	847
Restricted equity total	**2,193**	2,193
Invested unrestricted equity reserve 1 Jan		
Covering of loss		
Invested unrestricted equity reserve 31 Dec		
Retained earnings 1 Jan	**-3,397**	-5,213
Covering of loss		
Retained earnings 31 Dec	**-3,397**	-5,213
Result for the period	**-1,863**	1,816
Unrestricted equity total	**-5,260**	-3,397
Total shareholders' equity	**-3,067**	-1,204

In August 2015 the company's Board of Directors recognised the loss of shareholders' equity and delivered a statement concerning the matter to the Trade Register. At the end of 2016 the company's shareholders' equity was EUR 3,067 million negative (EUR 1,204 million negative).

In its decision on 9 March 2015, the district court of Espoo ordered the corporate restructuring proceedings as prescribed in law to be started for Tecnotree Corporation. The District Court of Espoo confirmed by the decision on 15 November 2016 the amended restructuring programme as the payment programme of the company. Along with the decision, the restructuring proceedings of Tecnotree Oyj came to an end.

The company had no distributable equity at the end of 2017 nor at the end of 2016. After the reporting date the Board of Directors has proposed that no dividend be paid for the financial year ended 31 December 2017, and that the company's loss for the financial year, EUR 1,863 thousand, be remained in retained earnings. In 2017 no dividend was paid for the financial year that ended on 31 december 2016. The profit of the year 2016 EUR 1,816 thousand was remained in retained earnings.

17. Provisions

1 000 €	2017	2016
Other provisions	**23**	495
Provisions total	**23**	495

Provision for 2017 included a provision of EUR 23 (495) thousand due to personnel reductions in Finland.

18. Non-current and current liabilities

EUR 1,000	2017	2016
Non-current liabilities		
Restructuring debts from financial institutions, interest-bearing	**16,606**	23,521
Loans from Group companies	**289**	425
Restructuring debts from financial institutions, non-interest bearing	**3,996**	4,396
Other restructuring debts, non-interest bearing	**1,556**	2,423
Termination benefits	**301**	404
Non-current liabilities total	**22,748**	31,170
Current liabilities		
Loans from financial institutions *	**1,096**	400
Trade payables	**3,331**	2,851
Accrued liabilities and deferred income	**4,317**	6,296
Other liabilities	**1,192**	174
Total	**9,935**	9,721
Liabilities from Group companies:		
Trade payables	**8,503**	5,352
Other liabilities	**1,348**	6
Total	**9,851**	5,358
Current liabilities total	**19,786**	15,079
Major items included in accrued liabilities and deferred income		
Other accrued personnel expenses	**1,300**	1,594
Withholding tax accrual (note 8)	**1,050**	1,203
Accrued interest expenses	**415**	794
Accrued agent fees	**326**	500
Valuation of interest rate swap	**128**	314
Other accruals related to customer contracts	**288**	1,250
Other accrued liabilities and deferred income	**810**	640
Total	**4,317**	6,296

At the end of the financial period, the company had a payment programme related long-term interest bearing debt EUR 16.6 million (23.5) and EUR 1.2 (0.4) million short-term interest bearing liabilities to financial institutions.

Payments will be due in payment semi-annually at the end of June and December and the final installments will be paid in June 2025. Details can be found in the payment programme for the company in Annex 15, which is published in the Tecnotree Corporation's stock exchange release of 30 September 2016 under the title The Restructuring Programme proposal.

The liabilities above include restructuring debt as follows:

EUR 1,000	2017	2016
Restructuring debt included in trade payables	**1,889**	2,423
Short-term loans from financial institutions		400
Guaranteed restructuring debts from financial institutions, interest bearing	**9,654**	15,640
Corporate mortgage debts from financial institutions, interest bearing	**7,881**	7,881
Ordinary restructuring debts from financial institutions, interest-free	**4,396**	4,396

19. Contingent liabilities

EUR 1,000	2017	2016
On own behalf		
Real estate mortgages	**4,400**	4,400
Corporate mortgages	**45,336**	45,336
Pledged deposits		1,221
Guarantees		474
Pledged trade and other receivables related to construction contracts *		5,982
Total	**49,736**	57,414
Leasing liabilities:		
With due date in the next financial year	**1**	16
With later due date		1
Total	**1**	16
Other liabilities		
With due date in the next financial year	**144**	150
With later due date		
Total	**144**	150
Total contingent liabilities	**49,881**	57,580

In addition, the company's shares in the Indian subsidiaries are pledged. These shares have a book value of EUR 7,418 thousand.

Values of underlying instruments of derivative contracts

Interest rate swap		
Fair value (positive)	**-128**	-314
Value of underlying instruments	**10,121**	11,568

20. 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 were fully cut was approximately 36.7 million euros. The amount of normal unsecured restructuring debts was approximately 13.2 million euros. 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. The capital of the unsecured restructuring debts was cut by 50 percent. 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.

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

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 committee of creditors and to the creditors.

21. Events after the end of period

The company announced on 8 March 2018 that it has entered with Viking Acquisitions Corp. into a transaction agreement, under which Viking undertakes to make a voluntary public cash tender offer to purchase all of the issued and outstanding shares in Tecnotree that are not owned by Tecnotree or any of its subsidiaries. The price offered for each share validly tendered in the tender offer will be EUR 0.10 in cash. The tender offer values Tecnotree at approximately EUR 12.26 million, on a fully diluted basis. Shareholders representing approximately 41.45% of the shares in Tecnotree, have irrevocably undertaken to accept the tender offer. The tender offer is subject to e.g. necessary regulatory approvals and Viking gaining control of more 90% of shares and voting rights of Tecnotree.

On 8 March 2018 the company further announced that the Annual General Meeting of Tecnotree Corporation will be held on 30 May 2018 and the company's financial report for January-March will be published on 28 May 2018.

The Board of Directors of Tecnotree published on 13 March 2018 its statement on the tender offer of Viking Acquisitions Corp and recommended unanimously that the shareholders of Tecnotree accept the tender offier.

The company announced on 16 March 2018 that the Financial Supervisory Authority has approved the tender offer document of Viking Acquisitions Corp. concerning the tender offer. The acceptance period under the tender 0ffer commenced on 19 March 2018 and expired on 13 April 2018. The acceptance period was extended and expire on 30 April 2018. The tender offer document is available on the company's website and in internet at www.evli.com/tecnotree.

Signatures of the financial statements and the report of the Board of Directors

Espoo, 27 April 2018

Padma Ravichander
CEO

Harri Koponen
Chairman of the Board

Pentti Heikkinen
Vice Chairman of the Board

Matti Jaakola

Christer Sumelius

The Auditor's note

A report on the audit performed has been issued today.

Helsinki, 27 April 2018

KPMG OY AB

Leenakaisa Winberg
Authorised Public Accountant, KHT

Auditor's report

This document is an English translation of the Finnish auditor’s report. Only the Finnish version of the report is legally binding.

Auditor’s Report

To the Annual General Meeting of Tecnotree Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Tecnotree Corporation (business identity code 1651577-0) for the year ended 31 December, 2017. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company’s balance sheet, income statement, statement of cash flows and notes.

In our opinion

— the consolidated financial statements give a true and fair view of the group’s financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU,

— the financial statements give a true and fair view of the parent company’s financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Board of Directors.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 7 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern basis

We would like to draw attention to the accounting principles for the consolidated financial statements and for the parent company's financial statements that state that Tecnotree has significant uncertainty factors relating to the continuity of its operations. The company's risks and uncertainties in the near future relate to financing, projects, to their timing, to trade receivables and receivables from construction contracts and to changes in foreign exchange rates. Tecnotree's liquidity has remained critical and having sufficient cash funds is the biggest single risk. The company has sales to several countries where the country's central bank has a shortage of foreign currency. This causes additional delays in payments, costs and even the risk of not receiving payment at all. In addition, Tecnotree has the risk caused by negative equity in the parent company.

Viking Acquisitions Corp committed on 8 March 2018 to make a voluntary public cash tender offer to purchase all of the issued and outstanding shares in Tecnotree. The tender offer realized only if 90 per cent of shareholders approve the offer. The offeror is the biggest debtor of the company having receivables of approximately EUR 21,6 million from the company. The receivables consist of both secured and unsecured loans under the restructuring payment program. The acceptance period of the tender offer has been extended and will expire on 30 April 2018. According to the company's estimate, the compliance with the going concern principle is based on the assumption that the tender offer is approved or the company finds some other short-term solution to its difficult cash situation.

In our opinion, the abovementioned circumstances involve material uncertainty that may cast significant doubt upon Tecnotree Corporation and its subsidiaries to continue as a going concern.

Our opinion has not been qualified by this matter.

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Impairment of goodwill (Accounting principles and notes 12 and 13 for the consolidated financial statements)	
— The amount of goodwill included in the consolidated balance sheet before impairment testing for financial year 2017 was material (€16.7 million).	— We considered the company's estimation process and analyzed the assumptions used in the impairment tests for 2016 by comparing to performance in 2017, especially in respect of net sales and profitability. In addition, we assessed the reasonableness of and grounds for the assumptions underlying the goodwill impairment tests, and the technical

	accuracy of the impairment model.
— Based on impairment testing results Tecnotree recorded in its consolidated financial statements for 2017 impairment on entire goodwill totalling €16.7 million relating to cash generating units Middle East and Africa as well as Americas.	— We involved our own valuation specialists when assessing the technical accuracy of the calculations and comparing the assumptions used to market and industry information.
— The recoverable amounts of goodwill are determined based on value in use calculations. The value in use is determined based on discounted future cash flow forecasts in which management makes judgements over certain key assumptions, for example net sales growth rate, discount rate, long-term growth rate and inflation rates.	— Furthermore, we assessed the appropriateness of the Group's disclosures in respect of goodwill and impairment testing.
— Due to the high level of judgement related to the forecasts used, estimation uncertainty and the significant carrying amount involved, valuation of goodwill is considered a key audit matter.	
Revenue recognition principles, project accounting and valuation of receivables (Accounting principles and note 18 for the consolidated financial statements)	
— The company's order book includes projects with deliveries of over a year, some deliveries even several years. Revenue recognition for fixed-price projects requires management to use judgement and make assumptions, especially in respect of future costs and work load estimates to complete a project.	— Our audit procedures focused on substantive testing in order to assure completeness and accuracy of revenue.
— The majority of the Group's net sales are generated from developing countries and many of these have political and economic challenges.	— In respect of most significant long-term projects accounted for using the percentage-of-completion method, we analysed the revenue recognition principles applied by comparing to IFRS standards, the company's accounting practices and terms of sale in the contracts. We assessed the Group's monitoring procedures in place for provision of client work and projects accounted using the percentage-of-completion method. Furthermore, we analyzed current projects and work load estimates.
— The two largest customers accounted for 86 per cent of net sales in 2017.	— As part of our year-end audit procedures we assessed the recognition of revenues on accrual basis by testing entries, project calculations and accruals affecting revenues.
— The Group's trade receivables and receivables from construction contracts comprise 63 per cent of the consolidated assets and receivables involve a valuation risk.	— We evaluated monitoring routines for trade receivables and analyzed open trade receivables and assessed the payments received after the financial year-end to identify any receivables potentially impaired.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

— Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting from the financial period ended in 31.12.2001 and our appointment represents a total period of uninterrupted engagement of 17 years.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor’s report thereon. We have obtained the report of the Board of Directors and the Annual Report prior to the date of this auditor’s report.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki, 27. April 2018

KPMG OY AB

Leenakaisa Winberg
Authorised Public Accountant, KHT