

# TECNOTREE

A photograph of three business professionals in a meeting. A woman in the center is smiling and looking at a tablet held by a man on the left. Another woman on the right is pointing at the tablet with a pen. The tablet displays a line graph. The image is partially obscured by a dark blue triangle in the bottom right corner.

## Half Year Report H1 2018

# TECNOTREE CORPORATION HALF YEAR REPORT 1 JAN – 30 JUNE 2018 (UNAUDITED)

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

## **SALES LOWER THAN H1 2017 HOWEVER Q2 2018 DEMONSTRATED IMPROVED OVERALL RESULT COMPARED TO Q1 2018**

### **Second quarter**

- Second quarter net sales were EUR 9.8 (15.1) million.
- Financial situation and liquidity remain critical.
- The adjusted operating result for the quarter was EUR 1.0 (3.6) million and operating result EUR 1.0 (3.1) million.
- The adjusted result for the quarter was EUR 0.0 (1.2) million and result EUR 0.0 (0.7) million.
- The order book at the end of the period stood at EUR 25.6 (31 December 2017: 26.2) million.
- Second quarter cash flow after investments was negative EUR 2.2 (0.6) million.
- Earnings per share were EUR 0.0 (0.01).

### **January-June 2018**

- Net sales for the review period were EUR 17.4 (27.3) million.
- The adjusted operating result was EUR -1.4 (3.7) and the operating result EUR -1.4 (2.9) million.
- The adjusted result for the period was negative EUR 2.8 (-0.7) million and the result negative EUR 2.8 (-1.5) million.
- Cash flow after investments for the review period was EUR 2.2 (3.2) million and the company's cash and cash equivalents were EUR 2.8 (31 December 2017: 2.3) million.
- Earnings per share were EUR -0.02 (-0.01).

## CEO Padma Ravichander:

### Broader Outlook

At the outset, the Q2 results once again reiterates the tenacity of the company in bouncing back from difficult periods. Q1 2018 was one of the toughest period encountered, by the company. The voluntary public tender offer from an investor had a severe impact on the performance of the company. This had resulted in substantial lower revenues and negative financial result during Q1 2018.

However, Q2 2018, again demonstrates that the company is slowly but surely coming back on track.

### Revenue

Revenue for Q2 2018 was nearly 10 Me, which is 30% higher than the previous quarter, albeit, lower than Q2 2017. The revenue in Q2 2018, witnessed growth over previous quarter in all regions, with bigger increase in MEA region.

Order intake continues to pose challenges and the major customers are concerned about the liquidity position of the company. Frequent public announcements from large shareholder are not helping in allaying customers apprehensions. The wait and watch policy adopted by customers are affecting the new orders coming in company's way

Inspite of above situation, the customers still have unflinched confidence on the company, as evidenced by the recent two major orders placed by Nepal Telecom and a leading operator at Iran

### Costs

The cost optimization plan initiated last year continued this year also. The costs are coming down and are kept under tight control. Productivity optimization is given top priority and consequently, the head count of the company is brought down to 616 at the end of Q2 2018 against 641 at the end of previous quarter

This has resulted in keeping the personnel costs under a reasonable level. The company believes in optimizing costs, not just at personnel costs, but also the other operational costs. As a result, the other operating costs were down by 18% in this quarter compared to previous quarter

### Result

As a result of increase in Revenue coupled with reduction in costs, resulted in a positive EBITDA of 1.2 Me in this quarter, against a negative 2.4 Me in the previous quarter. The quick turnaround indicates the inherent strength of the company to endure tough times and bounce back at the earliest opportunity.

Our operating environment continues to be challenging one. We operate in countries facing currency exchange and withholding tax issues, and we also continue to be dependent on a few major customers. However, our Maintenance & Support revenue continues to be stable and has significant committed ongoing orders.

As the cash positions remain tight and the order backlog needs to improve, the company plans to announce further cost reductions in Opex to improve cash positions in the coming quarters without affecting delivery of licenses and services to its customers.

The company still continues to aggressively pursue long term solution to its current financial position.

KEY FIGURES	4-6/ 2018	4-6/ 2017	1-6/ 2018	1-6/ 2017	1-12/ 2017
Net sales, MEUR	9,8	15,1	17,4	27,3	55,1
Adjusted operating result, MEUR <sup>1</sup>	1,0	3,6	-1,4	3,7	9,8
Operating result, MEUR	1,0	3,1	-1,4	2,9	-8,0
Result before taxes, MEUR	0,7	2,2	-1,1	0,9	-10,5
Adjusted result for the period, MEUR <sup>2</sup>	0,0	1,2	-2,8	-0,7	2,3
Result for the period, MEUR	0,0	0,7	-2,8	-1,5	-15,5
Earnings per share, basic, EUR	0,00	0,01	-0,02	-0,01	-0,13
Order book, MEUR			25,6	0,0	26,2
Cash flow after investments, MEUR	-2,2	0,6	2,2	3,2	4,8
Change in cash and cash equivalents, MEUR	-3,7	-0,1	0,6	-2,2	-0,9
Cash and cash equivalents, MEUR			2,8	1,1	2,3
Equity ratio %			-43,1	17,4	-19,1
Net gearing %			-139,1	202,5	-261,2
Personnel at end of period			616	719	666

<sup>1</sup> Adjusted operating result = operating result before one-time costs. Details are given in the section "Result analysis".

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

With reference to the new guidelines on alternative performance measures issued by the European Securities and Markets Authority (ESMA), Tecnotree uses the alternative performance measures "adjusted operating result" and "adjusted result for the period". These measures are defined in the footnote to the above table, and in the table "Income statement, Key figures" under the section "Result analysis".

Unless otherwise stated, all figures presented below are for the review period 1-6/2018 and the figures for comparison are for the corresponding period 1-6/2017.

## SALES AND NET SALES

Tecnotree's net sales for the review period were EUR 17.4 (27.3) million.

Net sales in the review period included EUR 0.2 million currency exchange rate gains, whereas in the comparative period EUR 0.8 of currency exchange losses were recorded. These arose mainly from the fluctuations of the US dollar against the euro.

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

SPECIFICATION OF NET SALES, MEUR	4-6/ 2018	4-6/ 2017	1-6/ 2018	1-6/ 2017	1-12/ 2017
Revenue from contract work recognised by stage of completion (IAS 11)		3,4		6,5	11,3
Revenue from maintenance and support (IAS 18)		8,2		16,2	31,2
Revenue from goods and services (AS 18)		4,0		5,4	13,8
Revenue from maintenance and support (IFRS 15)	<b>7,9</b>		<b>14,4</b>		
Revenue from goods and services (IFRS 15)	<b>1,7</b>		<b>2,8</b>		
Currency exchange gains and losses	<b>0,2</b>	-0,5	<b>0,2</b>	-0,8	-1,3
<b>TOTAL</b>	<b>9,8</b>	15,1	<b>17,4</b>	27,3	55,1

NET SALES BY MARKET AREA, MEUR	4-6/ 2018	4-6/ 2017	1-6/ 2018	1-6/ 2017	1-12/ 2017
Europe & Americas	<b>3,2</b>	6,8	<b>6,2</b>	11,2	24,2
MEA & APAC	<b>6,6</b>	8,4	<b>11,2</b>	16,1	30,9
<b>TOTAL</b>	<b>9,8</b>	15,1	<b>17,4</b>	27,3	55,1

CONSOLIDATED ORDER BOOK, MEUR	30.6. 2018	30.6. 2017	31.12. 2017
Europe & Americas	<b>6,9</b>	7,0	10,7
MEA & APAC	<b>18,7</b>	23,4	15,5
<b>TOTAL</b>	<b>25,6</b>	30,4	26,2

## RESULT ANALYSIS

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

Tecnotree reports its result as follows:

INCOME STATEMENT, KEY FIGURES, MEUR	4-6/ 2018	4-6/ 2017	1-6/ 2018	1-6/ 2017	10-12/ 2017
Net sales	<b>9,8</b>	15,1	<b>17,4</b>	27,3	15,6
Other operating income	<b>0,0</b>	0,0	<b>0,0</b>	0,2	0,0
Operating costs excluding one-time costs	<b>-8,8</b>	-11,6	<b>-18,8</b>	-23,7	-11,2
Adjusted operating result	<b>1,0</b>	3,6	<b>-1,4</b>	3,7	4,4
One-time costs-/income+	<b>0,0</b>	-0,5	<b>0,0</b>	-0,8	-16,7
<b>OPERATING RESULT</b>	<b>1,0</b>	3,1	<b>-1,4</b>	2,9	-12,2
Financial items without currency differences	<b>-0,1</b>	-0,2	<b>-0,2</b>	-0,5	0,0
Exchange rate gains and losses in financial items	<b>-0,2</b>	-0,6	<b>0,5</b>	-1,4	-0,4
Income taxes	<b>-0,7</b>	-1,5	<b>-1,7</b>	-2,4	-1,5
Adjusted result for the period	<b>0,0</b>	1,2	<b>-2,8</b>	-0,7	2,6
One-time costs	<b>0,0</b>	-0,5	<b>0,0</b>	-0,8	-16,7
<b>RESULT FOR THE PERIOD</b>	<b>0,0</b>	0,7	<b>-2,8</b>	-1,5	-14,2

Tecnotree's net sales for the review period decreased 36.3 per cent to EUR 17.4 (27.3) million.

The operating result was negative EUR 1.4 (2.9) and the result negative EUR 2.8 (-1.5) million. Financial income and expenses during the review period totalled a net gain of EUR 0.3 million (net loss of EUR 1.9 million). Here is a breakdown of these:

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

Financial income and expenses included EUR 0.5 (-1.4) million currency exchange gains. These are mainly due to the impact of intra-group balance sheet items, when for example a subsidiary records an exchange rate gain or loss on a euro denominated receivable from the parent company. It has no direct impact on the Group's cash flow.

Exchange rates also have a direct impact on shareholders' equity in terms of translation differences arising from foreign companies, which totalled negative EUR 2.1 (-0.7) million in the review period.

Other financial expenses, that is excluding interest expenses and exchange rate losses, totalled EUR 0.0 (0.3) million.

Taxes for the period totalled EUR 1.7 (2.4) million, including the following items:

	<b>4-6/ 2018</b>	4-6/ 2017	<b>1-6/ 2018</b>	1-6/ 2017	1-12/ 2017
TAXES IN INCOME STATEMENT, MEUR					
Withholding taxes paid abroad	<b>-1,0</b>	-1,6	<b>-2,5</b>	-2,5	-4,6
Change in withholding tax accrual	<b>0,3</b>	0,2	<b>1,0</b>	0,2	0,2
Income taxes on the results of Group companies	<b>0,0</b>	-0,0	<b>-0,2</b>	-0,1	-0,5
Change in deferred tax asset in India	<b>0,0</b>	0,0	<b>0,0</b>	0,0	-0,0
TAXES IN INCOME STATEMENT, TOTAL	<b>-0,7</b>	-1,5	<b>-1,7</b>	-2,4	-5,0

Earnings per share were EUR -0.02 (-0.01). Equity per share at the end of the period was EUR -0.09 (31 December 2017: EUR -0.05).

## FINANCING, CASH FLOW AND BLANCE SHEET

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

Tecnotree's working capital decreased during the review period by EUR 4.2 (decreased 2.5) million:

CHANGE IN WORKING CAPITAL, MEUR (increase - / decrease +)	4-6/ 2018	4-6/ 2017	1-6/ 2018	1-6/ 2017	1-12/ 2017
Change in trade receivables	-2,8	0,4	3,8	2,5	-2,2
Change in other receivables	-1,3	3,0	1,8	3,3	5,0
Change in inventories	-0,1	-0,3	-0,2	-0,3	0,4
Change in trade payables	1,6	-2,6	-0,3	1,9	-0,5
Change in other liabilities	-2,4	-3,5	-0,9	-4,8	-3,7
CHANGE IN WORKING CAPITAL, TOTAL	-5,1	-2,9	4,2	2,5	-0,9

Project revenue is recognised 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 2.8 (31 December 2017: 2.3) million. Cash flow after investments for the review period ended up EUR 2.2 million positive. The change in cash and cash equivalents for the review period was EUR 0.5 million positive. The company had no unused credit facilities at the end of the review period. The amount of overdue trade payables have reduced during the review period.

The balance sheet total on 30 June 2018 stood at EUR 24.9 (31 December 2017: 31.8) million. Tecnotree's gross capital expenditure during the review period was EUR 0.0 (0.0). Interest-bearing liabilities were EUR 17.6 (31 December 2017: 18.2) million. During the review period, total equity was affected by translation differences of negative EUR 2.1 (0.7) million, mainly from Indian rupees (INR).

## 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 broadband and for managing subscriptions, services and cash flows for prepaid and post-paid customers.

Tecnotree continues on its vision as a product company. Tecnotree is engaged on creating a continuous customer experience on its BSS platform by combining its deep telecom experience with signature Finnish design and quality excellence. The cloud enabled micro-services based interoperable products help Tecnotree create a "digital marketplace" that fosters significant added value for its 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 them expand and increase their value to their customer base. Tecnotree's business is based on our product licenses, professional services for customization of our products, and maintenance and support services on its products to a global customer base. Tecnotree operates in the following geographical areas: Europe & Americas (Europe and North, Central and South America) and MEA & APAC (Middle East and Africa, Asia Pacific). The company has an especially strong footprint in developing markets such as markets such as Latin America, Africa and the Middle East, serving more than 700 million subscribers worldwide and supporting more than 65 operators/CSPs worldwide.

## SEGMENT INFORMATION

The operating segments under IFRS 8 reported by Tecnotree are the geographical areas, which are Europe & Americas (Europe and North, Central and South America) and MEA & APAC (Middle East and Africa, Asia Pacific). This is because their results are monitored separately in the company's internal financial reporting. Tecnotree's chief operating decision maker, as referred to in IFRS 8, is the Group's management board.

Net sales and the result for the operating segments are presented based on the location of customers. The result for the operating segments includes the costs that can be allocated to the segments, being costs of sales and marketing, customer service and delivery functions, administration as well as product development. Costs for product management and depreciations, taxes and financial items and group's administration costs are not allocated to the segments.

## GEOGRAPHICAL AREAS

Tecnotree Group operates in the following geographical areas: Europe & Americas (Europe and North, Central and South America) and MEA & APAC (Middle East and Africa, Asia Pacific).

### Europe & Americas

The net sales for the review period declined by 45.1 per cent from the previous year being EUR 6.2 (11.2) million. The net sales in the region are anticipated to grow during the second half of 2017 compared to the first half, but the whole year net sales are estimated to be less than in the previous year. The order book in review period remained at the same level as previous year and stood at EUR 6.9 (7.0) million.

In LATAM a Central American operator has chosen Tecnotree to develop Voice over WiFi capability, building on the well-established OCS platform.

### MEA & APAC



The net sales for the review period declined by 30.5 per cent from the previous year being EUR 11.2 (16.1) million. The net sales in the region are anticipated to grow during the second half of 2018 compared to the first half, but the whole year net sales are estimated to be less than in the previous year. The order book in review period remained at a healthy level and stood at EUR 18.7 (23.4) million.

In MEA much of the focus in H1 was on completing deployments and Tecnotree's Customer Lifecycle / Customer Care product (CLM) is now live in 3 new operators. Also negotiations were concluding with an Iranian operator in Q2 towards a close collaboration to accelerate time to market for Digital Services.

In APAC the company competed for a Roaming Billing solution with its customer Nepal Telecom and was awarded with a contract in July.

## PERSONNEL

At the end of June 2018 Tecnotree employed 641 (31 December 2017: 666) persons, of whom 65 (31 December 2017: 67) worked in Finland and 576 (31 December 2017: 599) elsewhere. The company employed on average 641 (727) people during the review period. Personnel by country were as follows:

PERSONNEL	1-6/2018	1-6/2017	1-12/2017
Personnel, at end of period	616	719	666
Finland	65	82	67
Ireland	0	10	0
Brazil	9	10	10
Argentina	41	45	46
India	404	498	453
United Arab Emirates	18	20	18
Other countries	79	54	72
Personnel, average	641	761	727
Personnel expenses (MEUR)	-10,0	-14,2	-25,2

## SHARE AND PRICE ANALYSIS

At the end of June 2018 the shareholders' equity of Tecnotree Group stood at negative EUR 10.7 (31 December 2017: -6.1) million and the share capital was EUR 1.3 million (31 December 2017: 1.3). 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 negative EUR 0.09 (31 December 2017: EUR -0.05).

A total of 41,750,564 Tecnotree shares were traded on the Helsinki Exchanges during the period 1 January – 30 June 2018, representing 34.0 per cent of the total number of shares.

The highest share price quoted in the period was EUR 0.11 and the lowest EUR 0.05. The average quoted price was EUR 0.08 and the closing price on 30 June 2018 was EUR 0.06. The market capitalisation of the share stock at the end of the period was EUR 7.4 million.

## ANNUAL GENERAL MEETING

The Annual General Meeting of Tecnotree Corporation held on 30 May 2018 unanimously confirmed the financial statements and the consolidated financial statements for the financial year 2017 and unanimously discharged the Board of Directors and the CEO from liability for the year 2017. The Annual General Meeting resolved in accordance with the proposal of the Board of Directors that no dividend is paid for the financial year 2017, and that the parent company's gain for the financial year, EUR 1,862,707.61, be remained in retained earnings.

### Board of Directors

Based on a vote, the Annual General Meeting confirmed that the Board of Directors will consist of four (4) members. The Annual General Meeting therefore rejected the proposal by the Remuneration and Nomination Committee for the number of Board members be elected 6 (six). Pentti Heikkinen, Matti Jaakola, Harri Koponen, and Christer Sumelius were re-elected as Board members. 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 unanimously resolved that the annual fee to the chairman of the Board of Directors will be EUR 50,000, the annual fee of the vice chairman of the Board will be EUR 30,000 and the annual fee of the members of the Board of Directors will be EUR 23,000. In addition it was decided that a compensation of EUR 800 for the chairman and EUR 500 for a member of the Board of Directors be paid for attendance at Board and possible Committee meetings.

In the organizing meeting of the Board of Directors following the Annual General Meeting, Harri Koponen was re-elected as Chairman and Pentti Heikkinen as Vice Chairman of the Board of Directors. The Board will be responsible for the duties of Audit Committee. The Board decided to establish a Remuneration and Nomination Committee. Christer Sumelius was elected as Chairman and Harri Koponen and Matti Jaakola as members.

The Board of Directors has assessed the independence of the Board members in compliance with the recommendations of the Finnish Corporate Governance Code. Based on the assessment, all Board members elected are independent of the company and its major shareholders.

### Auditors

KPMG Oy Ab, Authorised Public Accountants, were unanimously elected as the company's auditor until the end of the following Annual General Meeting. The principal auditor appointed by them is Ms. Leenakaisa Winberg, Authorized Public Accountant. The auditor's fees are paid according to reasonable invoice.

### Current authorisations

The Annual General Meeting unanimously authorized the Board of Directors in accordance with the proposal of the Board of Directors to decide to issue and/or to convey a maximum of 100,000,000 new shares and/or the company's own shares either against payment or for free. New shares may be issued and the company's own shares may be conveyed to the company's shareholders in proportion to their current shareholdings in the company or waiving the shareholder's pre-emption right, through a directed share issue if the company has a weighty financial reason to do so. The Board of Directors may also decide on a free share issue to the company itself. The Board of Directors is, within the limits of the authorization, authorized to grant special rights referred to in Chapter 10, Section 1 of the Companies Act, which carry the right to receive, against payment, new shares of the company or the company's own shares held by the company in such a manner that the subscription price of the shares is paid in cash or by using the subscriber's receivable to set off the subscription price. The Board of Directors shall decide on other terms and conditions related to the share issues and granting of the special rights. The said authorizations will be valid for one year from the decision of the Annual General Meeting. The authorization does not revoke the authorization granted to the Board of Directors on 14 September 2017 by the Extraordinary General Meeting of Shareholders.

## **RISKS AND UNCERTAINTY FACTORS**

The risks and uncertainty factors for Tecnotree are explained in the 2017 Board of Directors' Report and in the notes to the Financial Statements.

### **Risks and uncertainties in the near future**

Tecnotree's risks and uncertainties in the near future relate to financial risk, availability of funding and sufficiency, 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.

The liquidity of the company continues to remain tight and hence the financial situation of the company remains critical. The company continues to be engaged aggressively to collect its receivables from the key customers to secure liquidity. The company's ability as going concern is dependent on the successful completion of getting new financing. The company is currently negotiating with financiers and the negotiations are on-going and will be continued.

The following payment according to the restructuring payment schedule fall due on 31<sup>st</sup> of December. The stringent financial situation and uncertainty of sufficient funding create uncertainty about obtaining new customers.

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.

At the end of June 2018, the Group's shareholders' equity of stood at EUR 10.7 million negative.

## **EVENTS AFTER THE END OF THE PERIOD**

Tecnotree announced on 3 July 2018 that the company has received from Viking Acquisition Corp. (“Viking”) on Friday 29 June 2018 an offer and a request to convene an extraordinary General Meeting in respect of the offer. The offer relates to a divestment of assets of the company to Viking and does not include a cash offer for the shares of the company. The offer is preliminary and non-binding.

Tecnotree announced on 4 July that Nepal Telecom selects it as the provider of its roaming system and on 9 July on rapid service creation initiative with a key operator in Iran.

## **PROSPECTS IN 2018**

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

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

## **TECNOTREE CORPORATION**

### **Board of Directors**

### **FURTHER INFORMATION**

Further information, investors and media:  
Padma Ravichander, CEO, tel +97 156 414 1420  
Kirsti Parvi, CFO, tel +358 50 5174569

## **TABLE SECTION (UNAUDITED)**

The financial figures in the income statement, balance sheet and key indicators are presented in million euros. The figures shown here have been calculated using exact values.

CONSOLIDATED INCOME STATEMENT, MEUR	4-6/ 2018	4-6/ 2017	1-6/ 2018	1-6/ 2017	1-12/ 2017
NET SALES	9,8	15,1	17,4	27,3	55,1
Other operating income	0,0	0,0	0,0	0,2	0,2
Materials and services	-0,3	0,0	-0,6	-0,9	-1,8
Employee benefit expenses	-5,0	-7,5	-10,0	-14,2	-25,2
Depreciation, amortisation and	-0,2	-0,2	-0,3	-0,4	-17,4
Other operating expenses	-3,4	-4,5	-7,8	-9,0	-18,9
OPERATING RESULT	1,0	3,1	-1,4	2,9	-8,0
Financial income	-0,1	0,0	0,9	0,2	0,4
Financial expenses	-0,2	-0,9	-0,6	-2,1	-2,9
RESULT BEFORE TAXES	0,7	2,2	-1,1	0,9	-10,5
Income taxes	-0,7	-1,5	-1,7	-2,4	-5,0
RESULT FOR THE PERIOD	0,0	0,7	-2,8	-1,5	-15,5

## Allocated to:

Equity holders of parent company	0,0	0,7	-2,8	-1,6	-15,5
Non-controlling interest	0,0	0,0	0,0	0,1	0,1

## EPS calculated on the profit attributable to equity holders of parent company:

Earnings per share, basic, EUR	0,00	0,01	-0,02	-0,01	-0,13
Earnings per share, diluted, EUR	0,00	0,01	-0,02	-0,01	-0,13

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, MEUR	4-6/ 2018	4-6/ 2017	1-6/ 2018	1-6/ 2017	1-12/ 2017
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RESULT FOR THE PERIOD	0,0	0,7	-2,8	-1,5	-15,5
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## Other comprehensive income:

## Items that will not be reclassified subsequently to profit or loss:

Remeasurement items on net defined benefit liability					0,1
Tax on items that will not be reclassified subsequently to profit or loss					-0,0

## Items that may be reclassified subsequently to profit or loss:

Translation differences from foreign	-2,0	-2,4	-2,0	-0,7	-1,8
Tax relating to translation differences					0,6

Other comprehensive income, net of tax	-2,0	-2,4	-2,0	-0,7	-1,1
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TOTAL COMPREHENSIVE INCOME FOR THE PE	-2,0	-1,7	-4,8	-2,2	-16,6
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## Allocated to:

Equity holders of parent company	-2,0	-1,7	-4,8	-2,1	-16,6
Non-controlling interest	-0,0	-0,0	-0,0	-0,0	0,0

## CONSOLIDATED BALANCE SHEET

30.6.2018 30.6.2017 31.12.2017

	30.6.2018	30.6.2017	31.12.2017
<b>Assets</b>			
Goodwill	0,0	17,2	0,0
Other intangible assets	0,2	0,3	0,3
Tangible assets	1,8	2,2	2,1
Deferred tax assets	0,6	1,1	0,6
Other non-current trade and other receivables	0,7	0,7	0,7
<b>Current assets</b>			
Inventories	0,7	1,2	0,5
Trade receivables	11,1	10,3	15,3
Other receivables	7,2	15,3	10,2
Investments	0,0	0,0	0,0
Cash and cash equivalents	2,8	1,1	2,3
<b>TOTAL ASSETS</b>	<b>24,9</b>	<b>49,4</b>	<b>31,8</b>
<b>Shareholders' equity</b>	<b>-10,7</b>	<b>8,6</b>	<b>-6,1</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	0,0	0,0	0,0
Non-current interest-bearing liabilities	16,7	18,0	17,0
Other non-current liabilities	6,7	8,6	7,3
<b>Current liabilities</b>			
Current interest-bearing liabilities	0,9	0,5	1,2
Trade payables and other liabilities	11,2	13,7	12,5
<b>EQUITY AND LIABILITIES, TOTAL</b>	<b>24,9</b>	<b>49,4</b>	<b>31,8</b>

CALCULATION OF CHANGES IN  
SHAREHOLDERS' EQUITY, MEUR

MEUR	A	B	C	D	E	F	G	H	I	J
SHAREHOLDERS' EQUITY 1 JAN 2018	1,3	0,8	0,0	-9,7	0,0	2,0	-0,8	-6,3	0,2	-6,1
Result for the period							-2,8	-2,8	-0,0	-2,8
Other comprehensive income, net of tax:										
Remeasurement items										
Translation differences				-2,1				-2,1		-2,1
Total compr. income for the period				-2,1			-2,8	-4,8	-0,0	-4,9
Other changes						-0,0	0,5	0,5	-0,2	0,3
<b>SHAREHOLDERS' EQUITY 30 JUN 2018</b>	<b>1,3</b>	<b>0,8</b>	<b>0,0</b>	<b>-11,8</b>	<b>0,0</b>	<b>2,0</b>	<b>-3,1</b>	<b>-10,7</b>	<b>0,0</b>	<b>-10,7</b>
Me	A	B	C	D	E	F	G	H	I	J
SHAREHOLDERS' EQUITY 1 JAN 2017	1,3	0,8	0,0	-8,5	0,0	2,0	14,9	10,6	0,1	10,7
Result for the period							-1,6	-1,6	0,1	-1,5
Other comprehensive income:										
Remeasurement items								0,0		0,0
Translation differences, net of tax				-0,7		-0,0		-0,7		-0,7
Total compr. income for the period				-0,7		-0,0	-1,6	-2,3	0,1	-2,2
Other changes							0,1	0,1	-0,0	0,1
<b>SHAREHOLDERS' EQUITY 30 JUN 2017</b>	<b>1,3</b>	<b>0,8</b>	<b>0,0</b>	<b>-9,2</b>	<b>0,0</b>	<b>2,0</b>	<b>13,3</b>	<b>8,4</b>	<b>0,2</b>	<b>8,6</b>

A = Share capital

B = Share premium fund

C = Own shares

D = Translation differences

E = Invested non-restricted equity reserve

F = Other reserves

G = Retained earnings

H = Total equity attributable to equity holders of parent company

I = Non-controlling interest

J = Total shareholders' equity

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



## 1. ACCOUNTING PRINCIPLES FOR THE HALF YEAR REPORT

This half year report has been prepared in accordance with the international financial reporting standard IAS 34 Interim Financial Reporting. The formulas for calculating the key figures presented and the accounting principles for the half year report are the same as the principles published in the 2017 Annual Report. The new and revised IFRS regulations that came into force on 1 January 2018 have not had a significant impact on the accounting principles and basis for preparing the half year report.

### Going concern basis

The uncertainty factors relating to Tecnotree's operations are explained in the 2017 financial statements and in the section "Risks and uncertainty factors" above. The company has significant uncertainty factors relating to the continuity of its operations. In practice these risks are related to financing. Because the liquidity of the company continues to be extremely tight, its financial situation and liquidity remain critical. In addition Tecnotree has a risk affected by the negative shareholders' equity of the company. Tecnotree observes the going concern principle.

## 2. SEGMENT INFORMATION

The operating segments under IFRS 8 reported by Tecnotree are the geographical areas, which are Europe & Americas (Europe and North, Central and South America) and MEA & APAC (Middle East and Africa, Asia Pacific). This is because their results are monitored separately in the company's internal financial reporting. Tecnotree's chief operating decision maker, as referred to in IFRS 8, is the Group's management board.

Net sales and the result for the operating segments are presented based on the location of customers. The result for the operating segments includes the costs that can be allocated to the segments, being costs of sales and marketing, customer service and delivery functions, administration as well as product development. Costs for product management and depreciations, taxes and financial items are not allocated to the segments.

OPERATING SEGMENTS	1-6/2018	1-6/2017	1-12/2017
<b>NET SALES, MEUR</b>			
Europe & Americas	6,2	11,2	24,2
MEA & APAC	11,2	16,1	30,9
<b>TOTAL</b>	<b>17,4</b>	<b>27,3</b>	<b>55,1</b>
<b>RESULT, MEUR</b>			
Europe & Americas	2,5	3,4	4,5
MEA & APAC	5,4	4,1	3,8
<b>TOTAL</b>	<b>7,9</b>	<b>7,5</b>	<b>8,2</b>
Non-allocated items	-9,3	-4,6	1,5
<b>OPERATING RESULT BEFORE ONE-TIME COSTS</b>	<b>-1,4</b>	<b>2,9</b>	<b>9,8</b>
One-time costs	0,0	-0,8	-17,8
<b>OPERATING RESULT</b>	<b>-1,4</b>	<b>2,1</b>	<b>-8,0</b>

### 3. INTEREST-BEARING LIABILITIES

#### Interest bearing liabilities

At the end of the review period, the company had interest-bearing loans EUR 17.2 (18.1) million.

INTEREST-BEARING LIABILITIES, MEUR	30.6.2018	30.6.2017	31.12.2017
Loans, 1 Jan	17,8	23,9	23,9
Raised loans	0,0	0,0	0,1
Repayments of loans	-0,7	-5,9	-6,3
Changes in credit facilities in use	0,0	0,0	0,0
Loans, end of period	17,2	18,1	17,8
Finance lease liabilities, 1 Jan	0,4	0,5	0,4
Finance lease liabilities, additions	0,0	0,0	0,0
Finance lease liabilities, decreases	0,0	-0,0	-0,1
Finance lease liabilities, end of period	0,4		0,4
Interest-bearing liabilities total	17,6	18,1	17,8

#### Non-interest bearing liabilities

At the end of the review period, the company had non-interest bearing loans as part of debt restructuring programme EUR 4.1 (4.4) million.

### 4. RELATED PARTY TRANSACTIONS

Tecnotree's related parties include the subsidiaries, the members of the Board of Directors and the Management Board, the CEO and the close family members of the preceding persons, and those entities in which these people have control.

Except for the above mentioned transactions and regularly paid salaries and fees as well as ordinary intra-group transactions, Tecnotree has not entered any significant transactions with related parties during the review period or previous year.

## 5. CONTINGENT LIABILITIES

CONSOLIDATED CONTINGENT LIABILITIES, MEUR	30.6.2018	30.6.2017	31.12.2017
On own behalf			
Real estate mortgages	4,4	4,4	4,4
Corporate mortgages	45,3	45,3	45,3
Pledged deposits	0,4		0,4
Guarantees	0,0	0,4	0,0
Pledged trade and other receivables related to construction contracts	0,0	0,3	0,0
Other liabilities			
Disputed income tax liabilities in India	1,8	3,9	3,1
<b>OTHER OPERATING LEASES, MEUR</b>	<b>30.6.2018</b>	<b>30.6.2017</b>	<b>31.12.2017</b>
Minimum rents payable based on other leases that cannot be cancelled:			
Other operating leases			
Less than one year	0,7	0,9	0,4
Between one and five years	0,7	1,6	1,0
<b>DERIVATIVE CONTRACTS, MEUR</b>	<b>30.6.2018</b>	<b>30.6.2017</b>	<b>31.12.2017</b>
Interest rate swap, fair value (negative)	0,0	-0,2	-0,1
Interest rate swap, value of underlying instruments	0,0	11,6	10,1

## 6. KEY FIGURES

CONSOLIDATED KEY FINANCIAL FIGURES	1-6/2018	1-6/2017	1-12/2017
Return on investment, %	-10,5	19,7	-32,2
Return on equity, %	66,5	-31,2	-674,3
Equity ratio, %	-43,1	17,4	-19,1
Net gearing, %	-139,1	202,5	-261,2
Investments, MEUR	0,1	0,0	0,2
% of net sales	0,4	0,0	0,5
Research and development, MEUR	3,0	3,0	6,0
% of net sales	17,3	10,9	10,8
Order book, MEUR	25,6	0,0	26,2
Personnel, average	641	0	727
Personnel, at end of period	616	0	666

CONSOLIDATED KEY FIGURES PER SHARE	1-6/2018	1-6/2017	1-12/2017
Earnings per share, basic, EUR	<b>-0,02</b>	-0,01	-0,13
Earnings per share, diluted, EUR	<b>-0,02</b>	-0,01	-0,13
Equity per share, EUR	<b>-0,09</b>	0,07	-0,05
Number of shares at end of period, x 1,000	<b>122 628</b>	122 628	122 628
Number of shares on average, x 1,000	<b>122 628</b>	122 628	122 628
Share price, EUR			
Average	<b>0,08</b>	0,10	0,09
Lowest	<b>0,05</b>	0,07	0,07
Highest	<b>0,11</b>	0,13	0,13
Share price at end of period, EUR	<b>0,06</b>	0,07	0,07
Market capitalisation of issued stock at end of period, MEUR	<b>7,4</b>	8,8	8,6
Share turnover, million shares	<b>41,8</b>	41,4	63,3
Share turnover, % of total	<b>34,0</b>	33,8	51,6
Share turnover, MEUR	<b>2,5</b>	3,8	5,5
Price/earnings ratio (P/E)	<b>0,0</b>	0,0	0,0

QUARTERLY KEY FIGURES	Q2/18	Q1/18	Q4/17	Q3/17	Q2/17	Q1/17
Net sales, MEUR	<b>9,8</b>	7,6	15,6	12,2	15,1	12,1
Net sales, change %	<b>-35,3</b>	-37,7	6,1	-24,5	-6,4	-6,8
Adjusted operating result <sup>1</sup>	<b>1,0</b>	-2,4	4,4	1,6	3,6	-0,2
% of net sales	<b>10,3</b>	-31,6	28,4	13,4	23,6	-1,7
Operating result, MEUR	<b>1,0</b>	-2,4	-12,2	1,4	3,1	-0,2
% of net sales	<b>10,3</b>	-31,6	-78,4	11,4	20,3	-1,7
Adjusted result for the period, MEUR <sup>2</sup>	<b>0,0</b>	-2,8	2,6	0,3	1,9	-1,5
Result for the period, MEUR	<b>0,0</b>	-2,8	-14,1	0,1	1,4	-2,5
Personnel at end of period	<b>616</b>	641	666	696	719	771
Earnings per share, basic, EUR	<b>-0,02</b>	-0,02	-0,11	0,00	0,01	-0,02
Earnings per share, diluted, EUR	<b>-0,02</b>	-0,02	-0,11	0,00	0,01	-0,02
Equity per share, EUR	<b>-0,09</b>	-0,09	-0,05	0,06	0,07	0,09
Net interest-bearing liabilities, MEUR	<b>14,8</b>	11,2	15,9	16,2	17,4	28,9
Order book, MEUR	<b>25,6</b>	27,3	26,2	25,4	30,4	28,3

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

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