

Tecnotree

Empowering Digitally Connected Communities

SHORT REPORT Q3 2019



TECNOTREE CORPORATION SHORT REPORT 1 JAN – 30 SEP 2019 (UNAUDITED)

Tecnotree is the backbone of digital service providers. Tecnotree's software solutions, through telecom operators, cover approximately 10% of the world population. Tecnotree has over 40 years of deep domain knowledge in the Telecom Industry with proven delivery and transformation capability across the globe. Our state-of-the-art, open source based digital platform for Internet Service Providers (ISPs) comprises of a full range of business processes and subscription management services based on TM Forum standards. Our catalogue driven order fulfillment product helps to on-board digital partners and IoT providers with ease, thus enabling increase in revenue, speed in delivery and reduction in cost of service for our customers.

TECNOTREE REPORTS ANOTHER STRONG THIRD QUARTER PERFORMANCE

KEY FIGURES	7-9/ 2019	7-9/ 2018	1-9/ 2019	1-9/ 2018	1-12/ 2018
Net sales, MEUR	12.4	12.4	32.9	29.8	41.9
Adjusted operating result, MEUR ¹	4.3	2.7	8.9	1.3	5.9
Operating result, MEUR	4.3	2.7	10.3	1.3	5.3
Result before taxes, MEUR	3.6	2.2	8.4	1.1	4.4
Adjusted result for the period, MEUR ²	2.1	1.2	3.5	-1.6	0.1
Result for the period, MEUR	2.1	1.2	4.9	-1.6	-0.5
Earnings per share, basic, EUR	0.01	0.01	0.02	-0.01	0.00
Order book, MEUR			26.3	24.6	21.1
Cash flow after investments, MEUR	2.1	-1.9	1.4	0.4	1.3
Change in cash and cash equivalents, MEUR	2.1	0.5	1.3	1.1	1.9
Cash and cash equivalents, MEUR			5.4	3.1	4.2
Equity ratio %			3.6	-28.1	-22.8
Net gearing %			702.6	-	-
Personnel at end of period			586	571	543

¹ Adjusted operating result = operating result without one-time items.

² adjusted result for the period = result for the period without one-time items.

Significant transactions that are not part of the normal course of business, infrequently occurring events or valuation items that do not affect cash flow are treated as adjustment items affecting comparability between reporting periods. According to Tecnotree's definition, such items include, for example, impairment of assets and the re-measurement

to fair value, sale of assets, costs of closing down offices, restructuring measure and personnel related redundancy 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 1-9/2019 and the figures for comparison are for the corresponding period 1-9/2018.

From the CEO’s Desk - “Robust third quarter performance”

I am happy to report that the Company continued its on-track performance this quarter. The last few quarters performance should dispel any doubts about the long-term prospects of the Company. The performance this year reinforces the fact that the Company has focused on the right priorities and has demonstrated growth in profits, while increasing the topline.

While revenue growth has been our priority, we are equally focused on delivering the highest quality of service to our clients, optimizing our costs globally and thereby ensuring profitable growth.

In the beginning of 2019, Tecnotree invested in renewing its portfolio and build a state-of-the-art micro-services and open API based Digital product suite – Tecnotree Digital BSS Suite 5 to help operators in their Digital Transformation journey and already the deliveries of a few of these new products have started for our key customers. We believe that with the help of these products, our operator customers will be able to improve customer experience, reduce TCO, increase agility & speed and also increase revenues.

Revenue

Revenue continues to be on the growth track and the third quarter revenue of EUR 12.4 million is same as same quarter last year and 13% higher than the previous quarter of 2019 of EUR 11.0 million and year-to-date revenue of EUR 32.9 million is 10% higher compared to the same period last year. The growth in the Middle East & Africa region, that witnessed 37% revenue growth in the second quarter, delivered a solid growth of 17% over the previous quarter thereby making two very strong back-to-back quarters. In the third quarter Asia Pacific and Europe region demonstrated strong recovery by reporting 72% and 244% growths compared to previous quarter respectively.

Costs

In the third quarter, we continued our focus on cost optimization, which we believe is an ongoing exercise and needs close attention and continuous realignment. We are also cognizant of the fact that while the cost controls are important, such measures should not impede Tecnotree’s growth and R&D trajectory.

Operating costs in the third quarter were EUR 1.6 million lower than in the same quarter last year and EUR 2.9 million lower during the first three quarters last year. Actions taken

to improve cost efficiency continue to bear fruit. We will continue to monitor the costs closely and ensure optimal utilization of our resources.

Profit

Superior results in terms of profitability underlines the turnaround accomplished not only compared to difficult last year but also years before that. Now reported year-to-date EBIT of 10.3 million is the best achievement in the company's history and EUR 9.0 million or 683% better compared to last year. Third quarter EBIT of EUR 4.3 million is 59% better compared to last year. Importantly to us this reflected also in cash flow being safe EUR 2.1 million positive in the third quarter, well supporting the improved overall cash situation of the company.

I am now delighted to report that the progress shown by the company in the last few quarters has brought it back into black and the Company is reporting, for the first nine months of the year, an Earnings per share of 0.02 Euros and Equity per share in the end of review period of 0.01 Euros, as against negative EPS in the same period last year.

Other Business Updates

Tecnotree continues to grow its business across global markets by increasing the presence of our brand and taking advantage of the onset of 5G implementations and the digital transformation requirements of our customers. We hope to synergize new partnerships with other internet of things (IOT) providers, to increase our competitive edge, our reach to new markets and to strengthen our customer base globally, so that our customers may benefit from the full range of the state-of-the-art Tecnotree Digital BSS Suite 5 products and our high quality digital Deployment, Operational and Managed Services capabilities.

SALES AND NET SALES

Net sales for January-September were EUR 32.9 (29.8) million and included EUR negative 0.3 million currency exchange losses (0.1). In the MEA & APAC market net sales was EUR 4.0 million higher and in the Europe & Americas marked EUR 0.9 million lower than in the comparative period.

SPECIFICATION OF NET SALES, MEUR	7-9/ 2019	7-9/ 2018	1-9/ 2019	1-9/ 2018	1-12/ 2018
Revenue from maintenance and support (IFRS 15)	8.1	7.2	21.9	21.6	29.3
Revenue from goods and services (IFRS 15)	4.5	5.2	11.3	8.0	12.7
Currency exchange gains and losses	-0.2	-0.0	-0.3	0.1	-0.1
TOTAL	12.4	12.4	32.9	29.8	41.9

NET SALES BY MARKET AREA, MEUR	7-9/ 2019	7-9/ 2018	1-9/ 2019	1-9/ 2018	1-12/ 2018
Europe & Americas	4.3	5.6	10.9	11.8	16.3
MEA & APAC	8.1	6.8	22.0	17.9	25.6
TOTAL	12.4	12.4	32.9	29.8	41.9

CONSOLIDATED ORDER BOOK, MEUR	30.9. 2019	30.9. 2018	31.12. 2018
Europe & Americas	5.6	5.6	4.8
MEA & APAC	20.6	19.1	16.3
TOTAL	26.3	24.6	21.1

RESULT ANALYSIS

The operating result for the review period amounted to EUR 10.3 million being 9.0 million higher than in the comparative period (1.3) and the operating result in the third quarter was EUR 4.3 million being EUR 1.5 million higher than last year (2.7). Operating expenses during the review period were EUR 25.6 million being EUR 2.9 million lower than in the comparison period (28.5). The result for the period was EUR 4.9 million being EUR 6.5 million higher than in the comparative period (-1.6) and the result in the third quarter was EUR million 2.1 being EUR 1.0 million better than last year (1.2).

Product Development Cost Capitalization

In keeping with the demand of the market, Tecnotree is developing a cutting-edge digital product portfolio called “Digital BSS suite 5”. In the third quarter Tecnotree has decided to capitalize its development expenses incurred during the review period totalling to EUR 2.1 million. The portion of the expenses capitalized attributable to the first quarter were EUR 0.6 million and to the second quarter EUR 0.8 million.

Tecnotree reports its result as follows:

INCOME STATEMENT, KEY FIGURES, MEUR	7-9/ 2019	7-9/ 2018	1-9/ 2019	1-9/ 2018	1-12/ 2018
Net sales	12.4	12.4	32.9	29.8	41.9
Other operating income	0.0	0.0	1.6	0.1	0.1
Operating costs excluding one-time costs	-8.1	-9.7	-25.6	-28.5	-36.1
Adjusted operating result	4.3	2.7	8.9	1.3	5.9
One-time costs-/income+	0.0	0.0	1.4	0.0	-0.6
OPERATING RESULT	4.3	2.7	10.3	1.3	5.3
Financial items without currency differences	-0.1	-0.5	-0.4	-0.8	-1.1
Exchange rate gains and losses in financial items	-0.5	0.0	-1.5	0.6	0.3
Income taxes	-1.5	-1.0	-3.5	-2.7	-4.9
Adjusted result for the period	2.1	1.2	3.5	-1.6	0.1
One-time costs	0.0	0.0	1.4	0.0	-0.6
RESULT FOR THE PERIOD	2.1	1.2	4.9	-1.6	-0.5

The company’s financial expenses during the review period were EUR 1.9 million being EUR 1.7 million higher than in the comparison period (0.2). The impact of exchange rate changes during the review period were EUR negative 1.5 (0.6) million.

Exchange rates also have a direct impact on shareholders' equity in terms of translation differences arising from foreign companies, which totalled EUR 0.0 (-2.8) million in the review period.

Financial income and expenses breakdown are as follows:

FINANCIAL INCOME AND EXPENSES, MEUR	7-9/ 2019	7-9/ 2018	1-9/ 2019	1-9/ 2018	1-12/ 2018
Interest income	0.0	0.0	0.1	0.1	0.3
Exchange rate gains	0.1	0.3	0.1	1.1	0.5
Other financial income	0.0	0.0	0.0	-0.0	0.0
FINANCIAL INCOME, TOTAL	0.1	0.3	0.2	1.2	0.8
Interest expenses	-0.1	-0.1	-0.5	-0.4	-0.5
Exchange rate losses	-0.6	-0.3	-1.6	-0.5	-0.2
Other financial expenses	-0.0	-0.5	-0.0	-0.5	-1.0
FINANCIAL EXPENSES, TOTAL	-0.7	-0.8	-2.1	-1.4	-1.7
FINANCIAL ITEMS, TOTAL	-0.7	-0.5	-1.9	-0.2	-0.8

Taxes for the period totalled EUR 3.5 (2.7) million, including the following items:

TAXES IN INCOME STATEMENT, MEUR	7-9/ 2019	7-9/ 2018	1-9/ 2019	1-9/ 2018	1-12/ 2018
Withholding taxes paid abroad	-0.9	-0.8	-2.4	-3.3	-3.9
Change in withholding tax accrual	-0.1	0.0	-0.3	1.0	0.1
Income taxes on the results of Group companies	-0.2	-0.2	-0.4	-0.3	-0.9
Change in deferred tax asset in India	-0.3	0.0	-0.4	0.0	-0.2
TAXES IN INCOME STATEMENT, TOTAL	-1.5	-1.0	-3.5	-2.7	-4.9

Company's equity ratio was 3.6 % (-28.1 %). Earnings per share were EUR 0.02 (-0.01). Equity per share at the end of the period was EUR 0.01 (-0.06).

PERSONNEL

At the end of September 2019 Tecnotree employed 586 (571) persons, of which 38 (61) worked in Finland and 550 (510) elsewhere. The company employed on an average 532 (626) people during the review period. Personnel by country were as follows:

PERSONNEL	1-9/2019	1-9/2018	1-12/2018
Personnel, at end of period	586	571	543
Finland	38	61	56
Brazil	10	10	10
Argentina	42	40	43
India	390	370	347
United Arab Emirates	16	15	14
Other countries	90	75	73
Personnel, average	532	626	604
Personnel expenses (MEUR)	-11.4	-14.7	-18.9

Tecnotree

EVENTS AFTER THE END OF THE PERIOD

No significant events after the period.

PROSPECTS IN 2019

The company strengthened and stabilized its operations in 2018, and in 2019 the company continues with the efforts to improve its net sales while focusing on profitable growth.

TECNOTREE CORPORATION

Board of Directors

FURTHER INFORMATION

Further information, investors and media:

Padma Ravichander, CEO, tel +97 156 414 1420

Priyesh Ranjan, CFO, tel +971 50 955 1188

TABLE SECTION (UNAUDITED)

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

CONSOLIDATED INCOME STATEMENT, MEUR	7-9/ 2019	7-9/ 2018	1-9/ 2019	1-9/ 2018	1-12/ 2018
NET SALES	12.4	12.4	32.9	29.8	41.9
Other operating income	0.0	0.0	1.6	0.1	0.1
Materials and services	-0.4	-0.9	-1.4	-1.5	-2.3
Employee benefit expenses	-2.9	-4.6	-11.4	-14.7	-18.9
Depreciation, amortisation and impairment charges	-0.3	-0.1	-0.8	-0.5	-0.6
Other operating expenses	-4.7	-4.0	-10.6	-11.9	-14.9
OPERATING RESULT	4.3	2.7	10.3	1.3	5.3
Financial income	0.1	0.3	0.2	1.2	0.8
Financial expenses	-0.7	-0.8	-2.1	-1.4	-1.7
RESULT BEFORE TAXES	3.6	2.2	8.4	1.1	4.4
Income taxes	-1.5	-1.0	-3.5	-2.7	-4.9
RESULT FOR THE PERIOD	2.1	1.2	4.9	-1.6	-0.5
Allocated to:					
Equity holders of parent company	2.1	1.2	4.9	-1.6	-0.5
Non-controlling interest	-0.0	-0.0	-0.0	0.0	0.0
EPS calculated on the profit attributable to equity holders of parent company:					
Earnings per share, basic, EUR	0.01	0.01	0.02	-0.01	0.00
Earnings per share, diluted, EUR	0.01	0.01	0.02	-0.01	0.00

CONSOLIDATED BALANCE SHEET	30.9.2018	30.9.2018	31.12.2018
Assets			
Other intangible assets	2.2	0.2	0.2
Tangible assets	0.3	1.6	1.5
Deferred tax assets	0.6	0.5	0.6
Other non-current trade and other receivables	0.7	0.6	0.7
Right-of-use assets	2.1		
Current assets			
Inventories	0.1	0.3	0.1
Trade receivables	10.5	12.4	11.6
Other receivables	13.6	8.9	9.7
Cash and cash equivalents	5.4	3.1	4.2
TOTAL ASSETS	35.4	27.7	28.6
Shareholders' equity			
	1.3	-7.8	-6.5
Non-current liabilities			
Non-current interest-bearing liabilities	13.8	16.7	12.5
Other non-current liabilities	7.8	6.8	7.7
Lease liability (non-current)	1.5		
Current liabilities			
Current interest-bearing liabilities	0.6	0.8	4.5
Lease liability (current)	0.6		
Trade payables and other liabilities	9.9	11.2	10.3
EQUITY AND LIABILITIES, TOTAL	35.4	27.7	28.6

CONSOLIDATED CONDENSED CASH FLOW STATEMENT, MEUR	7-9/ 2019	7-9/ 2018	1-9/ 2019	1-9/ 2018	1-12/ 2018
Cash flow from operating activities					
Result for the period	2.1	1.2	4.9	-1.6	-0.5
Adjustments of the result	3.4	0.8	5.5	3.4	6.6
Changes in working capital	-1.0	-0.1	-4.2	4.1	2.0
Financial income and expenses	0.9	-1.1	-1.9	-1.2	-0.8
Income taxes paid	-1.3	-2.6	-3.2	-4.3	-5.6
Net cash flow from operating activities	4.2	-1.9	1.1	0.4	1.7
Cash flow from investing activities					
Investments in tangible and intangible assets	-2.1	0.1	-2.1	0.0	-0.0
Proceeds from disposal of intangible and tangible assets	0.0	0.1	2.4	0.1	0.0
Net cash flow from investing activities	-2.1	0.1	0.3	0.1	-0.0
Cash flow from financing activities					
Repayments of borrowings	0.0	-0.2	-3.0	-1.3	-1.5
Proceeds from share issue	0.0	2.1	2.9	2.1	2.1
Other financial costs	0.0	0.4	-0.0	-0.1	-0.2
Net cash flow from financing activities	0.0	2.4	-0.1	0.7	0.4
Increase (+) and decrease (-) in cash and cash equivalents	2.1	0.6	1.3	1.2	-0.9
Cash and cash equivalents at beg. of period	3.3	2.8	4.2	2.3	2.3
Impact of changes in exchange rates	-0.1	-0.1	-0.1	-0.3	-0.2
Cash and cash equivalents at end of period	5.4	3.1	5.4	3.1	4.2

KEY FIGURES

CONSOLIDATED KEY FINANCIAL FIGURES	1-9/2019	1-9/2018	1-12/2018
Return on investment, %	107.4	30.4	8.2
Equity ratio, %	3.6	-28.1	-22.8
Net gearing, %	702.6	-	-
Investments, MEUR	0.3	0.1	0.0
% of net sales	0.8	0.3	0.0
Research and development, MEUR	4.7	4.0	5.3
% of net sales	14.3	13.5	12.5
Order book, MEUR	26.3	24.6	21.1
Personnel, average	532	626	604
Personnel, at end of period	586	571	543

CONSOLIDATED KEY FIGURES PER SHARE	1-9/2019	1-9/2018	1-12/2018
Earnings per share, basic, EUR	0.02	-0.01	0.00
Earnings per share, diluted, EUR	0.02	-0.01	0.00
Equity per share, EUR	0.01	-0.06	-0.04
Number of shares at end of period, x 1,000	247.628	122.628	175.183
Number of shares on average, x 1,000	231.314	122.628	136.559
Share price, EUR			
Average	0.07	0.09	0.07
Lowest	0.05	0.04	0.04
Highest	0.14	0.11	0.11
Share price at end of period, EUR	0.11	0.06	0.05
Market capitalization of issued stock at end of period, MEUR	27.5	7.6	8.1
Share turnover, million shares	10.1	46.7	48.2
Share turnover, % of total	4.0	38.0	28.0
Share turnover, MEUR	0.9	4.2	4.3
Price/earnings ratio (P/E)	0.2	-	-

QUARTERLY KEY FIGURES	Q3/19	Q2/19	Q1/19	Q4/18	Q3/18	Q2/18	Q1/18
Net sales, MEUR	12.4	11.0	9.5	12.1	12.4	9.8	7.6
Net sales, change %	-0.1	12.0	25.9	-22.2	1.6	-35.3	-37.7
Adjusted operating result ¹	4.3	3.6	1.0	4.5	2.7	1.0	-2.4
% of net sales	34.6	33.2	10.2	37.4	21.8	10.3	-31.6
Operating result, MEUR	4.3	3.6	2.4	4.0	2.7	1.0	-2.4
% of net sales	34.6	33.2	25.1	32.6	21.8	10.3	-31.6
Adjusted result for the period, MEUR ²	2.1	1.4	-0.1	1.7	1.2	0.0	-2.8
Result for the period, MEUR	2.1	1.4	1.3	1.1	1.2	0.0	-2.8
Personnel at end of period	586	515	529	543	571	616	641
Earnings per share, basic, EUR	0.01	0.01	0.01	0.01	0.01	0.00	-0.02
Earnings per share, diluted, EUR	0.01	0.01	0.01	0.01	0.01	0.00	-0.02
Equity per share, EUR	0.01	0.00	-0.01	-0.04	-0.06	-0.09	-0.09
Net interest-bearing liabilities, MEUR	9.0	11.0	10.7	12.9	14.4	14.8	11.2
Order book, MEUR	26.3	33.2	22.8	21.1	24.6	25.6	27.3

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

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

