Tecnotree

Empowering Digitally
Connected Comunities

Annual Report 2019

Table of Contents

CEO's Review

In 2019, we witnessed a true turnaround story. The improvement in profitability was unprecedented in recent history of the company and the 2019 performance outweighed 2018 on all key performance indicators. During the year, we also reinforced our product roadmap vision with a strong response from customers and fortified our values among employees across different geographies, making the Company stronger and better aligned to achieve targets set for 2020.

"

Year 2019 "a historical year of turnaround and profitablity growth"

Revenue
The revenue in the fourth quarter was EUR 14.1 million (16% higher than the same quarter last year). The growth was especially strong in the Middle East and Africa (MEA) region being 34%. The full year revenue was EUR 47.0 million (12% higher compared to last year). The growth in revenue took place in all four subsequent quarters in 2019 compared to same quarters last year showcasing renewed customer confidence in the company and its offerings.

Profitability
The operating profit and net profit improved in all four quarters in 2019 compared to same quarters last year. The full year improvement in operating profit was EUR 9.1 million and in net profit EUR 8.3 million. The fourth quarter net profit was EUR 2.8 million being 155% better than the same quarter last year. Earnings per share (EPS) was 0.01 euros in the fourth quarter and 0.03 euros in the full year 2019. Strong net profit supported by capital investments done the company beginning of the year lifted Tecnotree's shareholders equity back to positive and equity per share at the end of the period was 0.015 euros compared to -0.037 euros end of last year.

Order intake
New orders recorded during the year amounted to EUR 51.4 million, providing a strong EUR 25.5 million order back to start year 2020 with. Tecnotree had big wins during 2019 and the good momentum has continued in the beginning of 2020. The increase in order intake in 2019 was EUR 14.7 million and 40% compared to previous year. It is a clear indication of regained customer confidence in the Company after a more challenging period during the past years.

Financial situation
Tecnotree's financial situation stabilized more during the year through capital investment of EUR 2.9 million done to the company and sales proceeding of EUR 2.4 million from sale of its premises in Espoo. The amount of debt repayments in 2019 was EUR 3.6 million. Improved cash situation allowed Tecnotree to increase its investments to product development in a cautious but steady manner.

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 Tecnotree Digital BSS Suite 5 products and our high quality digital Deployment, Operational and Managed Services capabilities.The Company also made substantial investment in 2019 in augmenting the sales & marketing and product development and delivery teams by increasing the manpower by almost 10%. We have already started seeing these investments translate into new orders and thereby revenue boost. We will also focus on receivable and cash management in 2020.

Padma Ravichander, Chief Executive Officer

Key figures

YEAR 2019

- Net sales for the financial period were EUR 47.0 (41.9) million.
- The adjusted operating result was EUR 13.0 (5.9) and the operating result 14.4 (5.3) million.
- The adjusted result for the period was EUR 6.3 (0.1) million and the result EUR 7.7 (-0.5) million.
- Cash flow after investments for the financial period was EUR 0.1 million (1.7) and the company's cash and cash equivalents were EUR 3.4 (4.2) million.
- Earnings per share were EUR 0.03 (-0.00).

	2019	2018	2017	2016	2015
Net sales, MEUR	47.0	41.9	55.1	60.1	76.5
Net sales, change %	12.2	-23.9	-8.3	-21.4	3.4
Adjusted operating result, MEUR [1]	13.0	5.9	9.8	1.2	12.0
Operating result, MEUR	14.4	5.3	-8.0	-10.1	11.7
as % of net sales	30.6	12.6	-14.5	-16.8	15.2
Profit before taxes, MEUR	11.8	4.4	-10.5	-5.6	7.8
Adjusted result for the period, MEUR [2]	6.3	0.1	2.3	-4.2	0.6
Result for the period, MEUR	7.7	-0.5	-15.5	-6.3	0.2
Earnings per share, basic, EUR	0.03	0.00	-0.13	-0.05	0.00
Order book, MEUR	25.5	21.2	26.2	24.9	26.8
Cash flow after investments, MEUR	0.1	1.7	4.8	-0.9	6.3
Change in cash and cash equivalents, MEUR	-0.6	1.9	-0.9	-3.0	4.2
Cash and cash equivalents, MEUR	3.4	4.2	2.3	3.5	6.4
Equity ratio %	9.9	-22.8	-19.1	17.9	23.9
Net gearing %	292.2			195.6	145.2
Personnel at the end of the period	600	543	666	818	934

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

2 Adjusted result for the period = result for the period without 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".

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 income from sale of premises in Espoo EUR 1.4 million (cost from personnel related redundancies EUR 0.6 million).

Board of Directors

Neil Macleod, b. 1971, HND, Engineering Systems (Napier University), Diploma in Agriculture and Farm Business (Royal Agricultural College) ja M.Sc. Property Development and Planning Law (Southbank University)
Chairman of the Board, 15.5.2019-
Member of the Board, 24.9.2018 –
Main duty: Phoenix Macleod Ltd.
Tecnotree shares 31.12.2019 –, holding of interest parties 74,000,000
Independent of Tecnotree and non-independent of its significant shareholders.

Jyoti Desai, b. 1957, BA (Hons), B Com Economics and Law, CAIB (SA),Financial Services qualification
Vice Chairman of the Board, 15.5.2019-
Member of the Board, 24.9.2018 –
Main duty: Digital consultation services practice
Tecnotree shares 31 Dec 2019: -
Independent of Tecnotree and its significant shareholders.

Conrad Neil Phoenix, b. 1944, MBE, FRICS
Member of the Board, 24.9.2018 -
Main duty: Director, Solargise UK Ltd.
Tecnotree shares 31 Dec 2019 – , holding of interest parties 74,000,000
Independent of Tecnotree and non-independent of its significant shareholders.

Kaj Hagros, b. 1970,MSc. (Eng.), MBA
Member of the Board,15.5.2019 -
Main Occupation: Managing Partner, Redstone Nordics
Tecnotree shares as on 31.12.2019: 104,271
Independent of Tecnotree and its significant shareholders

Anders Fornander, b. 1957, Master of Science in Management of Technology

Member of the Board, 5.9.2019 -
Rheinmetall Air Defence AG, Head of System Engineering
Tecnotree shares as on 31.12.2019: -
Independent of Tecnotree and its significant shareholders

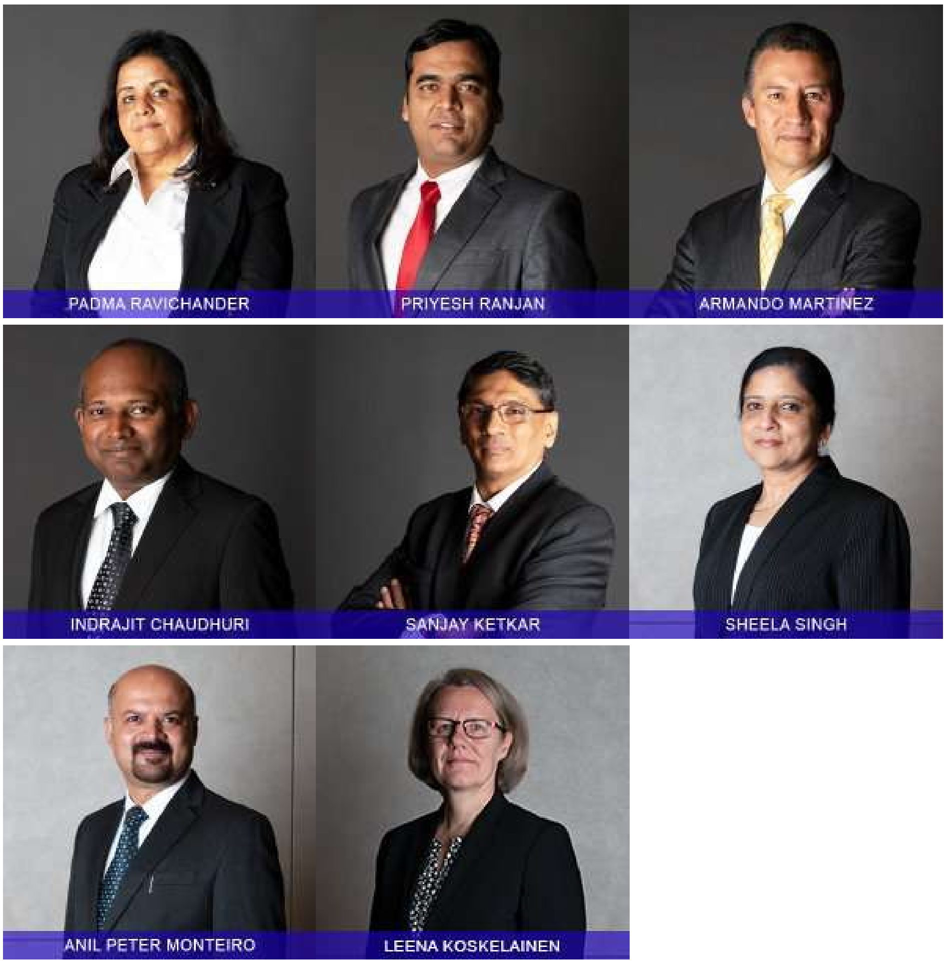
Priyesh Ranjan, b. 1980, Bachelor in Technology, Indian Institute of Technology.
Member of the Board, 24.9.2018 - 1.7.2019

Harri Koponen, b. 1962, eMBA, Phd. Econ. h.c.
Member of the Board, 2008– 15.5.2019

Pentti Heikkinen, b. 1960, M.Sc. (Econ.)
Stanford Graduate School of Business (Stanford Executive Program 2001)
Member of the Board, 2009– 15.5.2019

Christer Sumelius, b. 1946, M.Sc. (Econ.)
Member of the Board, 2001– 15.5.2019

Management Board



Padma Ravichander, b. 1959
Main duty: Chief Executive Officer, CEO, 9. May 2016-
Tecnotree shares as on 31.12.2019: 197,303

Priyesh Ranjan, b. 1980
Main duty: Group Chief Financial Officer, CFO, 1 July 2019.
Tecnotree shares as on 31.12.2019: -

Armando Martinez, b.1968
Main duty: Vice President Regional LATAM, 1 January 2019
Tecnotree shares as on shares 31 Dec 2019: -

Indrajit Chaudhuri, b. 1970
Main duty: Chief Product & Technology Officer, CPTO, 1 June 2016
Tecnotree shares as on 31.12.2019: -

Sanjay Ketkar, b. 1956
Main duty: Vice President, Product Engineering, India, 1.6.2016 -
Tecnotree shares as on 31.12.2019: -

Sheela Singh, b. 1960
Main duty: Vice President, Quality & India Center , 1.3.2017 -
Tecnotree shares as on 31.12.2019: -

Anil Peter Monteiro, b. 1976
Main duty: Vice President, Human Resources, 1.12.2018 -
Tecnotree shares as on 31.12.2019: -

Leena Koskelainen, b. 1965
Main duty: Vice President, Global Managed Operations, 1.2.2018 -
Tecnotre shares as on 31.12.2019 : 19,275 ; holding of interest parties 23,961

Corporate governance statement 2019

Tecnotree Corporation ("Tecnotree" or "Company") is a Finnish Public Limited Company. The responsibilities and obligations of the corporate management are based on the Finnish legislation. The company complies in its decision-making and governance the Finnish Companies Act, the regulations for public companies, the Articles of Association of Tecnotree, the rules set for the Board and its committees, as well as the rules and regulations of Nasdaq Helsinki Ltd. Tecnotree Group comprises Tecnotree Corporation and its subsidiaries. The company is registered and domiciled in Espoo Finland.

Tecnotree follows the Finnish Corporate Governance Code for listed companies which has become valid on 1 January 2016. Tecnotree follows all the recommendations of the Corporate Governance Code. This statement has been prepared in accordance with the Finnish Corporate Governance Code and it has been given separately from the Report of the Board of Directors. The Finnish Corporate Governance Code is available at https://cgfinland.fi/en/corporate-governance-code/. This statement can be found at Tecnotree' s website www.tecnotree.com and in Tecnotree' s Annual Report for 2019.

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

Meeting of Shareholders

Annual General Meeting of Shareholders is the highest decision-making body of Tecnotree. The responsibilities of the Annual General Meeting are defined in the Finnish Companies Act and the Articles of Association of the company. The Annual General Meeting is held annually, on a date designated by the Company's Board of Directors. 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.

In 2019, the Annual General Meeting was held on 15 May 2019. The Annual General Meeting confirmed the financial statements and the consolidated financial statements for the financial year 2018 and unanimously discharged the Board of Directors and the CEO from liability for the year 2018. The Annual General Meeting resolved in accordance with the proposal of the Board of Directors that no dividend is paid for the financial year 2018, and that the parent company's loss for the financial year, EUR 6,839,442.02 be transferred to the accrued earnings account.

The Extraordinary General Meeting of Tecnotree was held on 5 September 2019 in Espoo. The Extraordinary General Meeting elected Anders Fornander as a new member of the Board of Directors for a term that expires at in the upcoming Annual General Meeting.

Board of Directors

Formation and term of office of the Board of Directors:

The operations of Tecnotree are managed under the direction of the Board, within the framework set by the Finnish Companies Act and Tecnotree's Articles of Association as well as any complementary rules of procedure as defined by the Board, such as the Corporate Governance Guidelines and the charters of the Board's committees, if any.

The Board of Directors is responsible for the appropriate organisation of the company's administration, business operations, accounting and financial controlling.

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.

Description of the operations of the Board of Directors and the main contents of its charter:

Tecnotree's Board of Directors is responsible for the Company's corporate governance and for the proper organisation of its operations. 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 a charter that defines the Board's duties and work methods, as well as meeting and decision-making procedures.

In accordance with the charter, the Board deals with and makes decisions on matters that are financially, operationally or fundamentally significant to the Group. According to the elementary tasks listed in the charter, the Board shall among others:

- decide upon the group strategy and approve the business strategy
- approve the values of the company and its subsidiaries
- approve the annual business plan and supervise its implementation
- decide upon the central organization structure and management system of the company
- discuss and approve the accounts and interim reports
- define the dividend policy of the company and make 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 employment terms
- 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 acquisitions and divestments of companies or similar arrangements
- approve the significant principles of risk management
- decide upon the capital structure of the company
- confirm 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
- 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 competence 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 balanced age distribution as well as both sexes are all diversely represented in the Board.

Monitoring of the principles of Board diversity in 2019:
At the beginning of the year the Board comprised of seven directors, which consisted of one female member and six male members.

At the Annual General Meeting held on 15 May 2019 the composition of the board changed to four male members and one female member.

After the Annual General Meeting held on 15 May 2019, one male director resigned, and one male director was appointed. Board diversity remained unchanged post these changes.

The experience of the Board members is versatile and diverse. The age of the Board members is between 49 and 75 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 & Its independence
The Annual General Meeting of 15 May 2019 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 re-elected as Board Members Ms. Jyoti Desai, Mr. Neil Macleod,

Mr. Conrad Neil Phoenix, Mr. Priyesh Ranjan and appointed Mr. Kaj Hagros as a new member of the Board.

On 1 July 2019 Mr. Priyesh Ranjan was appointed as CFO of the Company. Due to this appointment, Priyesh resigned from the post of director on 1 July 2019.

The Extraordinary General Meeting on 5 September 2019 appointed Anders Fornander as a new director. It was confirmed that the Board 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 Extraordinary General Meeting elected as Board Members Jyoti Desai, Anders Fornander, Kaj Hagros, Neil Macleod and Conrad Neil Phoenix.

Independence:
As per the Corporate Governance Code, Majority of Board Members must be independent of the company. In addition to that at least two members of mentioned majority must be independent of the company and its significant shareholders.

Tecnotree' s Board of Directors has assessed the Board members' independence of the company and shareholders in compliance with the Finnish Corporate Governance Code. Based on the assessment, three Board members are independent of the company and of significant shareholders and two Board members are independent of the company but non-independent of the significant shareholders.

Neil Macleod, b. 1971, HND, Engineering Systems (Napier University), Diploma in Agriculture and Farm Business (Royal Agricultural College) ja M.Sc. Property Development and Planning Law (Southbank University)
Chairman of the Board, 15.5.2019 -
Member of the Board, 24.9.2018 -
Main duty: Phoenix Macleod Ltd.
Tecnotree shares 31.12.2019 –, holding of interest parties 74,000,000
Indepent of Tecnotree and non-independent of its significant shareholders.

Jyoti Desai, b. 1957, BA (Hons), B Com Economics and Law, CAIB (SA),Financial Services qualification
Vice Chairman of the Board, 15.5.2019 -
Member of the Board, 24.9.2018 -
Main duty: Digital consultation services practice
Tecnotree shares 31 Dec 2019: -
Independent of Tecnotree and its significant shareholders.

Conrad Neil Phoenix, b. 1944, MBE, FRICS
Member of the Board, 24.9.2018 -
Main duty: Director, Solargise UK Ltd.
Tecnotree shares 31 Dec 2019 – , holding of interest parties 74,000,000
Indepent of Tecnotree and non-independent of its significant shareholders.

Kaj Hagros, b. 1970, MSc. (Eng.), MBA
Member of the Board, 15.5.2019 -
Main Occupation: Managing Partner, Redstone Nordics
Tecnotree shares as on 31.12.2019: 104,271
Independent of Tecnotree and its significant shareholders

Anders Fornander, b. 1957, Master of Science in Management of Technology
Member of the Board, 5.9.2019 -
Rheinmetall Air Defence AG, Head of System Engineering
Tecnotree shares as on 31.12.2019: -
Independent of Tecnotree and its significant shareholders

Priyesh Ranjan, b. 1980, Bachelor in Technology, Indian Institute of Technology.
Member of the Board, 24.9.2018 - 1.7.2019

Harri Koponen, b. 1962, eMBA, Phd. Econ. h.c.
Member of the Board, 2008 – 15.5.2019

Pentti Heikkinen, b. 1960, M.Sc. (Econ.) Stanford Graduate School of Business
Member of the Board, 2009 - 15.5.2019

Christer Sumelius, b. 1946, M.Sc. (Econ.)
Member of the Board, 2001– 15.52019

The Annual General Meeting 2019 decided the following remuneration for the Board members: 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 2019 to 31 December 2019 totalled EUR 215,457. Board members have no share-based incentive schemes.

Tecnotree' s Board of Directors convened eighteen (18) times in 2019. The average attendance was approximately 85 per cent.

Board attendance to meetings and remuneration 2019:

Board Member	**Attendance**	**Remuneration (euro)**
Neil Macleod	18/18	55,133
Jyoti Desai	18/18	38,438
Conrad Neil Phoenix	8/18	27,938
Kaj Hagros	10/11	19,407
Anders Fornander	5/8	9,438
Priyesh Ranjan (till 01.07.2019)	9/9	15,938
Harri Koponen (till 15.05.2019)	7/9	23,481
Pentti Heikkinen (till 15.05.2019)	9/9	13,093
Christer Sumelius (till 15.05.2019)	9/9	12,593
Total Remuneration		**215,457**

Board Committees
At the Annual General Meeting of the Company held on 15 May 2019, the board decided to establish an Audit Committee, a Remuneration Committee and a Nomination Committee. Prior to this the Company had an Audit committee, a Remuneration, a Nomination Committee and a Strategy and Investment Committee.

Thereafter the Company held an Extraordinary General Meeting on 5 September 2019 and established Strategy Committee. After the above meeting the Company has the below committees:

• Audit Committee;
• Remuneration Committee;
• Nomination Committee; and
• Strategy Committee

Audit Committee
The Audit Committee's duty to assist the company's Board of Directors in ensuring that the company has sufficient internal control system encompassing all of its operations. In addition, the Committee assists the Board of Directors in ensuring that the monitoring of the company's accounting and asset management have been organised in an appropriate manner. It is also the Audit Committee's duty to monitor that the operations and internal control of the company have been arranged in a manner required by legislation, valid regulations and a good management and administration system, and to monitor the activities of internal auditing.

To execute its duties, the Audit Committee shall:

• 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; and
•make recommendations to the Board in matters requiring a Board resolution.

At the end of the financial year the Audit Committee comprised of three members of the Board: Jyoti Desai (Chairman), Neil Macleod and Conrad Neil Phoenix. The Audit convened four (4) times during the period. The average attendance was 100 per cent.

Committee members	Attendance
Jyoti Desai	2/4
Neil Macleod	2/4
Conrad Neil Phoenix	2/4
Harri Koponen	2/4
Pentti Heikkinen	2/4
Priyesh Ranjan	2/4

Board has confirmed a written procedure to Audit Committee.

Remuneration Committee
The Remuneration Committee shall prepare matters pertaining to the appointment and remuneration of the CEO and other executives of the company as well as remuneration principles observed by the company and make recommendations to the Board of Directors in these matters.

Duties of the Remuneration and Nomination Committee include:

• the preparation of matters pertaining to the remuneration and other financial benefits of the CEO and the other executives;
• the preparation of matters pertaining to the remuneration schemes of the company;
• the evaluation of the remuneration of the CEO and the other executives as well as ensuring that the remuneration schemes are appropriate; and
• answering questions related to the Remuneration Statement at the general meeting;

• the preparation of matters pertaining to the appointment of the CEO and the other executives as well as the identification of their possible successors.

At the beginning of the year i.e. as on 01.01.2019 the Remuneration Committee comprised of three members of Board: Jyoti Desai, Pentti Heikkinen and Priyesh Ranjan.

At the Extra ordinary General meeting of held on 5 September 2019, the Company elected Neil Macleod, Jyoti Desai and Conrad Phoenix as the members of the Remuneration Committee. The Remuneration Committee meetings were convened four (4) times during the period. The average attendance was 100 per cent.

Committee members	Attendance
Neil Macleod	1/1
Jyoti Desai	4/4
Conrad Neil Phoenix	1/1
Pentti Heikkinen	3/3
Priyesh Ranjan	3/3

Nomination Committee

The Nomination Committee assists the Board of Directors in the preparations of the matters pertaining to the appointment and remuneration of members of the Board of Directors and makes recommendations to the Board of Directors in these matters.

The main duties of the Nomination Committee are as follows:

• the preparation of the proposal for the appointment of directors to be presented to the general meeting
•the preparation of the proposal to the general meeting on matters pertaining to the remuneration of the directors
•the presentation of the proposal on the directors to the general meeting; and
•identification of prospective successors for the directors.

At the beginning of the year i.e. as on 01.01.2019 the Nomination Committee comprised of three members of Board: Christer Sumelius, Neil Macleod and Conrad Phoenix.

At the Extra ordinary General meeting held on 5 September 2019, the Company elected Neil Macleod, Jyoti Desai and Conrad Phoenix as the members of the Nomination Committee. The Nomination Committee meetings were convened two (2) times during the period. The average attendance was 100 per cent.

Committee members	Attendance
Neil Macleod	2/2
Jyoti Desai	1/1
Conrad Neil Phoenix	2/2
Christer Sumelius	1/1

Strategy Committee

The Strategy and Investment Committee shall prepare matters pertaining to key strategic choices of the company and make recommendations to the Board of Directors in such matters.

The main duties of the Strategy- and investment Committee are as follows:

• reviewing significant strategic initiatives proposed by management and making recommendations to the Board regarding the same;
• reviewing the Tecnotree product strategy and roadmaps planned on and providing the necessary advice on competitive positioning of products and technologies; and
• attending from time to time customer meetings and events as needed to support management in explaining Tecnotree's strategy and convincing customers that it has the Board buy in etc.

At the beginning of the year i.e. 01.01.2019 the Company had Strategy- and investment Committee which comprised of Harri Koponen (Chairman), Jyoti Desai and Priyesh Ranjan.

At the Extra ordinary General meeting of held on 5 September 2019, the board renamed the committee name to “Strategy Committee” and elected Jyoti Desai, Kaj Hagros and Anders Fornander as the members of the committee. The Strategy committee convened one meeting during the period. The average attendance was 100 per cent.

Committee members	Attendance
Jyoti Desai	1/1
Kaj Hagros	1/1
Anders Fornander	1/1

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
Chief Executive Officer, CEO, 9 May 2016 –

Management Board

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

At the end of 2019 Tecnotree Group Management Board had eight (8) members: CEO, CFO, Senior VP Product Creation, VP Product Engineering, VP Quality & India Head, VP Digital Transformation Global Human Resources Head and VP, Regional LATAM. CEO acted as Chairman of the Management Board. Management team members, responsibilities and period of membership:

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, 9.5.2016-
Tecnotree shares 31 Dec 2019: 197,303

Priyesh Ranjan, b. 1980, Bachelor of Technology (IIT Delhi)
Main duty: Group Chief Financial Officer, CFO, 1 July 2019.
Tecnotree shares as on 31.12.2019: -

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 2019: -

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 2019: -

Leena Koskelainen, s. 1965, Diploma in Business Information
Main duty: Vice President, Global Managed Operations, 1 Feb 2018
Tecnotre shares 31 Dec 2019 : 19,275 ; holding of interest parties 23,961

Anil Peter Monteiro, b. 1976, Human Resources Management, XLRI
Main duty: Global Head, Human Resources, 13 Dec. 2018
Tecnotree shares 31 Dec 2019: -

Sheela Singh, b. 1960, Bachelor of Engineering (Electronics)
Main duty: Vice President - Quolity & India Center, 1 March 2017
Tecnotree shares 31 Dec 2019: -

Armando Martinez, b.1968, master's degree (MBA) and Bachelor of Communications and Electronics Engineering (BCEE), Specialization: Digital Electronics and Telecommunications
Main duty: Vice President Regional LATAM, 1 January 2019
Tecnotree shares as on 31.12.2019: -

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 company's business and business environment to enable the company to achieve its strategic and financial goals in the best possible way. The company'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 monthly basis. Actual figures are compared to the budget, and at the highest level also to the previous forecast. Major deviations are cleared up.

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 head office is responsible for control activities.

Annual budgets are prepared and detailed targets are set based on the strategic plans in October-December. 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 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 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 company has also a vigilant cash monitoring system in place with weekly assessment reporting.

The company's financial management together with the relevant levels of management aims at ensuring the correctness in the monthly reporting. 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 eventual 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.

The Espoo District Court confirmed 15 November 2016 the amended restructuring programme and along with the confirmation 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.

Major part of Tecnotree's 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 company'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 of the company 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. The companies have a 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.

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 are published as required by the stock exchange rules.

In 2019, Tecnotree did not have any material related party transactions that would not be 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 and it is updated when necessary. The Insider Guidelines are available on the company's website.

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 2019 appointed the auditing firm Tietotili Audit Oy as the auditors of the company till the end of the first Annual General Meeting following the election. In 2019, the auditor was paid EUR 142 thousand for the audit 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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SALARY AND REMUNERATION REPORT FOR A PERIOD FROM 1 JANUARY TO 31 DECEMBER 2019

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 2019 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 2019 totaled EUR 215 457.

REMUNERATION PAID TO THE CHAIRMAN AND MEMBERS OF THE BOARD 2019	Board member remuneration, EUR*
Neil Macleod, Chairman of the Board 24.9.2018-	-55,133
Jyoti Desai, Vice Chairman of the Board 24.9.2018-	-38,438
Conrad Neil Phoenix 24.9.2018 -	-27,938
Kaj Hagros 15.5.2019 -	-19,407
Anders Fornander 5.9.2019 -	-9,438
Priyesh Ranjan 24.9.2018 - 1.7.2019	-15,938
Harri Koponen 2008 - 15.5.2019	-23,481
Christer Sumelius 2001 - 15.5.2019	-12,593
Pentti Heikkinen 2009 - 15.5.2019	-13,093
TOTAL	-215,457

*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 upto 100% of the annual basic salary. The annual bonus is based on net sales, net sales cash inflow, opex and customer satisfaction. CEO's annual bonus requires a valid employment contract at the end of the year. The notice period of the CEO is thirty 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 36 months' base pay 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.

In 2019, CEO Padma Ravichander was paid a total of EUR 431 000 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 2019, members of the Management Board was paid a total of EUR 1.243 million as salaries and other employee benefits, of which fixed salaries accounted for 100 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.

Board of Directors' Report

Unless otherwise stated, all consolidated figures presented below are for the financial year 2019 and the figures for comparison are for the corresponding period 2018. Key figures are presented in the end of Board of Directors' report.

Business description

Tecnotree is a full stack digital business management solution provider for digital service providers, with over 40 years of deep domain knowledge, proven delivery and transformation capability across the globe. Our open source technology based agile products and solutions comprise the full range (order-to-cash) of business process and subscription management for telecom and other digital service providers.

In 2020 and beyond, we will continue to complete our digital products and services offerings to ensure that our customers' digital transformation journeys are fulfilled and successful with Tecnotree's digital suite. We will expand our footprint within the current geographies and customers and we will also explore new markets, adjacent market opportunities and establish a community of services providers and IOT partners to increase revenue and monetization capabilities for our customers within their geographies.

Our cloud enabled micro-services based interoperable products and digital platforms helps our customers to create a "digital marketplace and Digital communities" of their offerings, and an ecosystem of partner products and services that fosters true business value for their customers and subscribers.

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 subscriber 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.

Tecnotree operates globally and has development and operational support centres in LATAM, Europe, Middle East, Africa, and Asia.

Sales and net sales

Tecnotree's net sales for the financial period were EUR 47.0 (41.9) million, 12.2 % higher than a year ago. Revenue from goods and services increased by EUR 5.2 million and revenue from maintenance and support decreased EUR 0.1 million. The net sales was impacted by EUR -0.2 (-0.1) exchange rate differences, mainly due to the fluctuations of the US dollar against the euro.

Order book in end of the financial period stood at EUR 25.5 (21.1) million

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

SPECIFICATION OF NET SALES	**2019 Me**	2018 Me	**2019 %**	2018 %
Revenue from maintenance and support (IFRS 15)	**29.2**	29.3	**62.2**	69.9
Revenue from goods and services (IFRS 15)	**17.9**	12.7	**38.1**	30.3
Currency exchange gains and losses	**-0.2**	-0.1	**-0.3**	-0.2
TOTAL	**47.0**	41.9	**100.0**	100.0

NET SALES BY MARKET AREA	**2019 Me**	2018 Me	**2019 %**	2018 %
Europe & Americas	**14.9**	16.3	**32%**	39.0
MEA & APAC	**32.1**	25.6	**68%**	61.0
TOTAL	**47.0**	41.9	**100%**	100.0

CONSOLIDATED ORDER BOOK	**2019 Me**	2018 Me	**2019 %**	2018 %
Europe & Americas	**5.6**	4.8	**22%**	22.7
MEA & APAC	**19.9**	16.3	**78%**	77.3
TOTAL	**25.5**	21.1	**100%**	100.0

Result analysis

Tecnotree's net sales for the financial period were EUR 47.0 (41.9). The adjusted operating result was 13.0 (5.9) million and the operating result EUR 14.4 (5.3) million. The adjusted result for the period was EUR 6.3 million (0.1) and the result for the financial period was EUR 7.7 million (-0.5)

Tecnotree's fourth quarter net sales were EUR 14.1 (12.1) million. The adjusted operating result was 4.1 (4.5) million and the operating result EUR 4.1 (4.0) million. The adjusted result was EUR 2.8 (1.7) and the result for the fourth quarter was EUR 2.8 million (1.1).

Financial items without currency differences and other one-time costs in financial items for the financial period were EUR -0.3 (-1.1) million and in the fourth quarter EUR 0.1 (-0.3) million. Exchange rate differences for the financial period were EUR -2.3 (0.3) million and in the fourth quarter EUR -0.8 (-0.3) 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.

Tecnotree reports its result as follows:

Financial income and expenses (net) during the financial period totalled a net loss of EUR 2.6 million (net loss of EUR 0.8 million). Here is a breakdown of these:

FINANCIAL INCOME AND EXPENSES, MEUR	**2019**	2018
Interest income	**0.3**	0.3
Exchange rate gains	**0.2**	0.5
Other financial income	**0.0**	0.0
FINANCIAL INCOME, TOTAL	**0.5**	0.8
Interest expenses	**-0.6**	-0.5
Exchange rate losses	**-2.4**	-0.2
Other financial expenses	**-0.1**	-1.0
FINANCIAL INCOME, TOTAL	**-3.1**	-1.7
FINANCIAL ITEMS TOTAL	**-2.6**	-0.8

Taxes for the period totalled EUR 4.0 million (4.9) including the following items:

TAXES IN INCOME STATEMENT, MEUR	**2019**	2018
Withholding taxes paid abroad	**-2.9**	-3.9
Change in withholding tax accrual	**-0.4**	0.1
Income taxes on the results of Group companies	**-0.3**	-0.9
Other items	**-0.4**	-0.2
TAXES IN INCOME STATEMENT, TOTAL	**-4.0**	-4.9

Earnings per share were EUR 0.03 (-0.00) in the financial period and EUR 0.01 (0.01) in the fourth quarter. Equity per share at the end of the period was EUR 0.01 (-0.04).

Financing, cash flow and balance sheet

New capital investments done to the company in autumn 2018 and beginning of 2019 have significantly improved the financial position of the company.

Tecnotree's working capital increased during the period by EUR 6.4 (decreased EUR 2.0) million:

CHANGE IN WORKING CAPITAL, MEUR (increase - / decrease +)	**2019**	2018
Current receivables, increase (-) /decrease (+)	**-6.4**	3.3
Inventories, increase (-) /decrease (+)	**0.1**	0.3
Current liabilities, increase (+) /decrease (-)	**-0.2**	-1.6
CHANGE IN WORKING CAPITAL, TOTAL	**-6.4**	2.0

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 3.4 (4.2) million. Cash flow after investments for the financial period ended up EUR 0.1 million positive. The change in cash and cash equivalents for the financial period was EUR 0.8 million negative.

The balance sheet total on 31 December 2019 stood at EUR 36.8 (28.6) million. Tecnotree's investments during the financial period was EUR 3.4 (0.2) million or 7.1% (0.0%) of net sales. Interest-bearing liabilities were EUR 14.0 (17.0). The equity ratio was 10.1% (-22.8%). During the period, total equity was affected by negative translation differences of EUR 0.5 million (-0.7), 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 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 1.2 million on 31 December 2019 (31 December 2019: EUR 7.7 million negative).

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 net sales in the market area declined from last year and was 14.9 million (16.3)

The year-end order book in the area stood at EUR 5.6 million (4.8).

MEA & APAC
The net sales in the market area increased from last year and was 32.1 million (25.6)

The year-end order book in the area grew from last year and stood at EUR 19.9 million (16.3).

Personnel

At the end of December 2019 Tecnotree employed 600 (543) persons, of whom 40 (56) worked in Finland and 560 (487) elsewhere. The company employed on average 554 (604) people during the financial period. Personnel by country were as follows:

PERSONNEL	2019	2018
Personnel, at end of period	**600**	543
Finland	**40**	56
Brazil	**9**	10
Argentina	**41**	43
India	**412**	347
United Arab Emirates	**13**	14
Other countries	**85**	73
Personnel, average	**554**	604
Salary expenses (MEUR)	**-16.0**	-18.9

The Company also made substantial investment in 2019 in augmenting the sales & marketing and product development and delivery teams by increasing the manpower by almost 10%. We have already started seeing these investments translate into new orders and thereby revenue boost.

Share and price analysis

At the end of December 2019 the shareholders' equity of Tecnotree Group stood at EUR 3.6 million (-6.5) and the share capital was EUR 1.3 (1.3) million. The total number of shares was 247,628,428 (175,183,468). At the end of the period, the company did not hold any own shares. Equity per share was EUR 0.01 (EUR -0.04).

A total of 18,270,834 Tecnotree shares (EUR 2,093,701) were traded on the Helsinki Exchanges during the period 1 January – 31 December 2019, representing 7.3 % of the total number of shares.

The highest share price quoted in the period was EUR 0.24 and the lowest EUR 0.05. The average quoted price was EUR 0.09 and the closing price on 31 December 2019 was EUR 0.17. The market capitalisation of the share stock at the end of the period was EUR 42.1 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. 99.98 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 2019 Tecnotree had a total of 4,802 shareholders recorded in the book-entry securities system.

On 31 December 2019 the ten largest shareholders together owned approximately 79.46 per cent of the shares and voting rights.

On 31 December 2019, altogether 64.76 per cent of Tecnotree's shares were in foreign ownership.

On 31 December 2019, the total number of shares owned by the members of Tecnotree's Board of Directors and the CEO was 74,197,303 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 29.96 per cent of the total amount of shares and voting rights. On 31 December 2019 the total number of shares owned by the members of Tecnotree's Management Board was 43,236 excluding those owned by the CEO.

Ownership structure by sector 31 December 2019

	No. of shares	%
Companies	20,919,576	8.45%
Finance houses and insurance companies	11,747,448	4.74%
Non-profit making assosiations	6,350	0.00%
Households and private persons	54,561,358	22.03%
Foreign holders	160,356,096	64.76%
Total	247,590,828	99.98%
Joint account	37,600	0.02%
Total number of shares	247,628,428	100.00%

Largest shareholders 31 December 2019

The company´s ten largest shareholders	No. of shares	% of shares and voting rights
Fitzroy Investments Limited	74,000,000	29.88%
Euroclear Bank Sa/Nv	51,000,000	20.60%
Viking Acquisitions Corp.	29,353,295	11.85%
Hammaren & Co Oy Ab	8,803,480	3.56%
Nieminen Jorma Juhani	6,993,000	2.82%
The Orange Company Oy	6,000,000	2.42%
Mandatum Henkivakuutusosakeyhtiö	5,887,446	2.38%
Wilenius Markku Johannes	5,741,373	2.32%
Kaleva Mutual Insurance Company	5,500,000	2.22%
Saarelainen Mika Pekka	3,496,928	1.41%
Yhteensä	247,628,428	79.46%

Ownership of shares 31 December 2019

Number of shares	Number of shareholders	%	Total number of shares	%
1–500	1,868	38.9%	401,833	0.16%
501–1 000	722	15.0%	595,900	0.24%
1 001–5 000	1,323	27.6%	3,440,181	1.39%
5 001–10 000	370	7.7%	2,928,436	1.18%
10 001–50 000	374	7.8%	8,527,801	3.44%
50 001–100 000	65	1.4%	4,874,162	1.97%
100 001–500 000	51	1.1%	9,766,734	3.94%
> 500 000	29	0.6%	217,055,781	87.65%
Joint account			37,600	0.02%
Total	4,802	100.0%	247,628,428	100.00%

Current authorisations

The Board of Directors has two valid mandates.

The Annual General meeting held on 15 May 2019 authorized as follows:

1) Authorization replacing the authorization granted by the Extraordinary General Meeting of Shareholders on 14 September 2017:

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 in one or several transactions. The authorization is valid for a period of five years from the date of the Annual General Meeting. This authorization will revoke the authorization granted by the Extraordinary General Meeting on 14 September 2017.

The Board of Directors has not exercised this authorization during the financial period.

2) General authorization

The Board of Directors to decide to issue and/or convey a maximum of 100,000,000 new shares and/or the company's own shares either against payment or for free in one or several transactions. The authorization is valid for a period of five years from the date of the Annual General Meeting. This authorization revokes the authorization granted by the Annual General Meeting of Shareholders on 30 May 2018.

The Board of Directors has exercised this authorization on 31 October 2019 as follows:

Tecnotree's Board of Directors has resolved to issue, without consideration, [14.5] million Tecnotree shares to Tecnotree to be later used to fulfil the company's obligations under the LTI Plan.

In recognition of the good work done over the last few years without an increment or a bonus-payout and with an intention to align the interest of the CEO to the long-term financial interest of the Company, the Board of Directors of Tecnotree Corporation has resolved to carry out a directed share issue of 12,500,000 shares to the company's CEO.

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 programme of the company.

The Company has followed the provisions of the payment programme and has paid the payments to the creditors as stated in the payment programme.

The total amount of the restructuring debts taken into account in the payment programme was approximately 73.9 million euros. The amount of intragroup restructuring debts that was fully cut was approximately 36.7 million euros. The amount of normal unsecured restructuring debts was approximately 13.2 million euros that was cut off by 50 percent. 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.

On December 31, 2019, balance of the secured restructuring debts was 13.7 million euros and normal unsecured restructuring debts was 4.8 million euros. Payments under the payment programme 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 programme. No supplementary payments have fallen due.

As per the restructuring programme, Tecnotree Oyj has sold its real estate used as its office premises. The sale price was paid to the collateral holder Viking Acquisition Corp. 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 programme and gives reports to the creditors.

Restructuring debt by category

EUR 1,000	**2019**	2018
Restructuring debt		
Ordinary restructuring debts, interest-free	**1,109**	1,552
Ordinary restructuring debts from the main creditor, interest-free	**3,725**	3,997
Guaranteed restructuring debts from the main creditor, interest bearing	**7,242**	9,654
Corporate mortgage debts from the main creditor, interest bearing	**6,487**	6,952
Restructuring debt total	**18,563**	22,156

Current and non-current restructuring debt

EUR 1,000	**2019**	2018
Current interest-bearing liabilities, debt restructuring	**465**	4,465
Current non interest-bearing liabilities, debt restructuring	**1,380**	716
Non-current interest-bearing liabilities, debt restructuring	**13,264**	12,142
Non-current non interest-bearing liabilities, debt restructuring	**3,454**	4,834
Restructuring debt total	**18,563**	22,156

Non-Financial Information (Bookkeeping Act 3a)

This statement describes how Tecnotree manages environmental matters, respect for human rights, anti-corruption and bribery matters, and employee well-being in its business activities. This statement has been compiled in order to fulfil the reporting requirements on non-financial information as outlined in Chapter 3a, Sections 1-6 of the Finnish Accounting Act. Tecnotree continues to develop suitable non-financial indicators during the year 2020. Tecnotree's governance model has been described in Tecnotree Corporation's Corporate Governance Statement for 2019.

Responsible operating principles

Tecnotree adheres to all relevant laws and regulations in its operations, as well as to best practices in business, included in the company's guidelines. The company constantly develops its operations to correspond with the current operating environment and possible risks.

Tecnotree's business model

Tecnotree is a full stack digital business management solution provider for digital service providers, with over 40 years of deep domain knowledge, proven delivery and transformation capability across the globe. Our open source technology based agile products and solutions comprise the full range (order-to-cash) of business process and subscription management for telecom and other digital service providers.

In 2020 and beyond, we will continue to complete our digital products and services offerings to ensure that our customers' digital transformation journeys are fulfilled and successful with Tecnotree's digital suite. We will expand our footprint within the current geographies and customers and we will also explore new markets, adjacent market opportunities and establish a community of services providers and IOT partners to increase revenue and monetization capabilities for our customers within their geographies.

Our cloud enabled micro-services based interoperable products and digital platforms helps our customers to create a "digital marketplace and Digital communities" of their offerings, and an ecosystem of partner products and services that fosters true business value for their customers and subscribers.

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 subscriber 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.

We operate globally and have development and operational support centres in LATAM, Europe, Middle East, Africa, and Asia.

Risk management

The goal of Tecnotree's risk management is to offer the Board of Directors and Management Board reasonable certainty on the achievement of the company's strategic and operative objectives, reliability and accuracy of financial reporting as well as compliance with regulations and internal guidelines. 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 persons in charge are defined for each significant risk. The Board approves the significant principles of risk management. The Management Board handles risks and risk management in its meetings on a regular basis. The

CEO reports these to the Board of Directors.

Sufficiency of funds has been one of the significant risks in the company. The district court of Espoo confirmed the amended corporate restructuring programme on 15 November 2016. Along with the decision, the restructuring proceedings of Tecnotree came to an end. Payments under the payment programme will end on 20 June 2025.

Tecnotree's 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.

Currently, the company's most significant risks are related to the development of net sales, projects and their timing, trade receivables and changes in exchange rates. On September 3, 2018, Tecnotree published an offer made by Fitzroy Investments Limited, regarding an equity investment of up to EUR 5 million in Tecnotree. The arrangement strengthened Tecnotree's balance sheet and financial position significantly.

In order to mitigate the risks related to sales, 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 risks pertaining to the financial reporting are mitigated by the methods in financial reporting and control of the group. The Group companies utilize a common chart of accounts and IFRS principles as well as common systems with comprehensive database. Treasury and financing have been centralised in the Group administration, and contracts and policies are stored in an easy-to access archive. The Group's financial management is responsible for managing foreign exchange, interest rate and liquidity risks and for taking out insurance against operational risks.

Due to the nature of Tecnotree's business, the company estimates its environmental impact to be relatively low. The company's Management Board is responsible for the management of environmental risks and takes proactive action to prevent them.

Together with HR, the company's Management Board administers and develops management and prevention of risks related to employee well-being, human rights and social responsibility. Tecnotree also enforces internal processes that are meant to minimize and transfer risks, should it not be possible to avoid them. The personnel's annual performance reviews are a key element in supporting employee well-being.

There are some malpractice and fraud risks related to personnel and external parties which the company does, however, estimate to be low. Tecnotree's personnel is encouraged to report any found or suspected violations either personally or anonymously, and all reported instances are investigated.

Information security

Tecnotree operates in an industry that is subject to particularly large number of risks related to information security and privacy. The management and staff of Tecnotree are committed to the company's information security policy that covers the principles of careful risk management, protection of intellectual property, and the processing of customer, vendor, partner and employee related information assets.

Environmental responsibility

Tecnotree follows the applicable environmental laws in its business operations and expects all its partners to equally do so. The company follows and develops business processes that support compliance with environmental laws, regulations and policies.

Due to the nature of Tecnotree's business, the company estimates its environmental impact to be relatively low. Tecnotree seeks to prevent environmental damage by, for example, reducing business travel by using electronic conferencing tools and other technologies, reducing electricity and water consumption, and reducing waste volumes with proper treatment of waste.

Employee well-being, human rights and social reposnibility

Tecnotree has defined its Code of Conduct to be followed by each employee. 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. Impacts related to staff and working conditions are managed and developed in accordance with Tecnotree's personnel policy.

At the end of December 2019 Tecnotree employed 600 (543) persons, of whom 40 (56) worked in Finland and 560 (487) elsewhere. The company employed on average 554 (604) people during the financial period.

Tecnotree's goal is to provide its employees a safe and healthy working environment that offers everyone the opportunity to develop. Tecnotree's senior management is committed to maintain employee well-being in all organization levels and locations. All the physical safety elements including occupational safety plans, emergency plans, etc. are based on local laws and practices in each country. Tecnotree does not tolerate employee harassment at any organization levels.

Tecnotree emphasises employee equality. Employees are not discriminated against based on their race, colour, age, gender, sexual orientation, religion, political affiliation, union membership, disability or ethnicity. In 2019, no human rights violations were detected.

Tecnotree seeks to make a contribution to the surrounding communities in all regions it operates. Other than pure financial benefit from business operations, Tecnotree seeks to contribute to the society by engaging different partners in collaboration, participating in discussion on economic and social issues, offering employment to students or other people in need of jobs, and by creating and participating in campaigns and activities that drive the development and vitality of the local business ecosystem.

Quality and customer satisfaction

Tecnotree's business is based on offering products, services and solutions to a large customer base. The company strives for the highest possible customer satisfaction, where the quality of products and services plays a key role. The goal is to provide agile, customer-oriented and high-quality services and to develop new competitive innovations. The quality of products and services is supported by a comprehensive quality management system. Quality is also bolstered by respecting customers, partners and employees in all interactions. Customer satisfaction is measured annually.

The company audits its operations on a regular basis. Tecnotree is ISO 9001:2015 (Quality Management System) and ISO 27001:2013 (Information Security Management System) standard certified. ISO 9001:2015 standard was re-certified in year 2018, and it is valid until 2021. ISO 27001:2013 standard was re-certified in 2017, and it is valid until 2020.

Anti-corruption and anti-bribery

Tecnotree's anti-corruption and anti-bribery methods are described in the company's Code of Conduct. All employees are required to familiarize themselves with the Code of Conduct. Tecnotree adheres to responsible business practices in all areas of its operations.

Tecnotree requires its employees to follow laws and regulations as well as generally accepted best practices and standards related to business ethics in all their actions. Employee representatives shall not receive gifts that influence business solutions or have significant monetary value. No nepotism in business decisions, corruption or bribery of any kind shall be tolerated. All of the company's business dealings are transparently performed and accurately reflected on Tecnotree's financial books and records. Tecnotree has a whistleblowing channel through which it is possible to report any suspicions of misconduct or policy violations for internal investigation within the company. In 2019, no cases of corruption or bribery were detected.

Risks and short-term uncertainty factors

Tecnotree's risks and uncertainties in the near future relate to development of net sales, projects, to their timing, to trade receivables and to changes in foreign exchange rates.

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 80% of net sales in 2019 (84%). The relationship between the company and its major customers is one of interdependence, which offers business opportunities but also poses risks.

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.

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 Rupees 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 overall financial position of the company has improved through capital investments in end of year 2018 and beginning of 2019. The company reduced its debt under debt restructuring payment programme by EUR 3.6 million during the period. The aforementioned risks continue to put pressure on cash management.

Liquidity risk 2019, Me	Balance sheet value	Cash flow	Due	Less than 3 months	3-12 months	1-3 years	Over 3 years
		Upcoming due schedule					
Guaranteed restructuring debts, interest-bearing	**13.7**	13.7		**0.0**	0.5	6.4	6.9
Interest payments on the loans	**0.0**	1.1		**0.0**	0.3	0.5	0.4
Trade payables	**2.8**	2.8	**1.4**	**0.2**	1.1	0.0	0.0
Non-interest bearing liabilities	**3.7**	3.7		**0.0**	0.3	1.3	2.1
TOTAL	**20.2**	21.3	**1.4**	**0.2**	2.1	8.2	9.4

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 2019:

Neil Macleod, Chairman of the Board
Jyoti Desai, Vice Chairman of the Board
Conrad Neil Phoenix
Kaj Hagros 15.5.2019-
Anders Fornander 5.9.2019 -
Priyesh Ranjan 24.9.2018 - 1.7.2019
Harri Koponen 2008 - 15.5.2019
Christer Sumelius 2001 - 15.5.2019
Pentti Heikkinen 2009 - 15.5.2019

Padma Ravichander, the CEO of the company

In the end of 2019 the Group’s Management Board comprised Padma Ravichander CEO, Priyesh Ranjan CFO, Indrajit Chaudhuri Chief Product & Technology Officer, Sanjay Ketkar Vice President Product Engineering, Leena Koskelainen Vice President Global Management Operations, Anil Peter Monteiro Vice President Human Resources, Sheela Singh Vice President Quality & India Center, Armando Martinez Vice President Reional LATAM.

Tecnotree’s auditor in the financial year 2019 was Tietotili Audit Oy, and the principal auditor was Urpo Salo, Authorised Public Accountant.

The Board of Directors has approved the Corporate Governance Statement of the Company for the year 2019.

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.

Events after the end of period

25.2.2020 Tecnotree announced that MTN Group Selects Tecnotree as the strategic partner for Digital Transformation of their operations across Middle East and Africa

27.2.2020 Tecnotree announced a total of 14,500,000 new shares (the “New Shares”) issued in Tecnotree Corporation’s (the “Company”) share issue to the Company itself without consideration have been registered with the Trade Register on February 27, 2020. Following the registration of the New Shares, the total number of the Company’s shares is 262,128,428 shares, of which 14,500,000 shares in total are held by the Company.

11.3.2020 Tecnotree announced a total 12,500,000 new shares (the “New Shares”) issued in Tecnotree Plc's (the “Company”) has offered against payment to the CEO of the Company have been registered with the Trade Register on March 11, 2020.The subscription price, EUR 125,000, will be recorded in full in the reserve of invested unrestricted equity. The subscribed new shares will carry out full shareholders rights as of the entry into the Trade Register. Following the registration of the New Shares, the total number of the Company’s shares is 274,628,428 shares.

11.3.2020 Tecnotree announced that the Board of Directors of Tecnotree Plc has on February 27th, 2020 decided on a directed share issue, by authorization of the General Meeting of Shareholders on May 15th, 2019 for the purpose of implementation of the incentive and commitment program directed to the key personnel of the Group. In the share issue, Tecnotree Plc has on March 11th, 2020 transferred without consideration a total of 1,740,832 of the company's own shares to the key employees participating in the program in accordance with the terms and conditions of the program. More detailed information about launch the terms and conditions of the program is available in a stock exchange release published on 31 October 2019. Following the transfer, Tecnotree Plc holds a total of 12,759,168 of its own shares.

19.3.2020 Tecnotree announced that Viking Acquisition Corporation has filed a claim before the District Court of Länsi-Uusimaa to nullify certain resolutions of Tecnotree’s board from 2018 and 2019 that approved the previously announced investments of Fitzroy Investments Limited and Luminos Sun Holding Limited into Tecnotree. Viking Acquisition Corporation has also filed a claim for damages against the previous and current board of directors of Tecnotree.

Tecnotree firmly believes that the claims do not hold any merit and will take all necessary measures to contest the claims. Additionally, Tecnotree has received a non-binding offer from Viking Acquisition Corporation for the purchase of Tecnotree’s certain operational assets. The offer has been rejected by Tecnotree’s Board as it is not in line with the strategy of the Company and not in the best interests of Tecnotree or the shareholders of Tecnotree.

Prospects in 2020

The company further strengthened and stabilized its operations and restarted capital deployment to fuel growth in 2019. In 2020 the company will continue to focus on market expansion and profitable growth.

Proposal concerning the result

Despite the parent company's accumulated profits of EUR 6,017,010.08 in retained earnings, the Board of Directors, owing to the restructuring programme, proposes to the Annual General Meeting that no dividends will be paid for the financial period ended 31 December 2019.

Tecnotree Corporation

Board of Directors

Key financial indicators and key figures per share

	2019	2018	2017	2016	2015
Consolidated income statement					
Net sales, EUR million	**47.0**	**41.9**	55.1	60.1	76.5
change %	**12.2**	**-23.9**	-8.3	-21.4	3.4
Adjusted operating result, EUR million [1]	**13.0**	**5.9**	9.8	1.2	12.0
% of net sales	**27.6**	**14.0**	17.8	2.1	15.7
Operating profit, EUR million	**14.4**	**5.3**	-8.0	-10.1	11.7
% of net sales	**30.6**	**12.6**	-14.5	-16.8	15.2
Profit before taxes, EUR million	**11.8**	**4.4**	-10.5	-5.6	7.8
% of net sales	**25.0**	**10.6**	-19.1	-9.4	10.2
Adjusted result for the period [2]	**6.3**	**0.1**	2.3	-4.2	0.6
% of net sales	**13.4**	**0.2**	4.1	-7.0	0.7
Profit for the period, EUR million	**7.7**	**-0.5**	-15.5	-6.3	0.2
% of net sales	**16.4**	**-1.2**	-28.1	-10.5	0.3
Consolidated balance sheet					
Non-current assets, EUR million	**6.8**	**3.0**	3.6	22.4	23.7
Current assets					
Inventories, EUR million	**0.0**	**0.1**	0.5	0.9	0.5
Trade and other receivables, EUR million	**26.7**	**21.3**	25.5	33.0	43.9
Investments and cash equivalents, EUR million	**3.4**	**4.2**	2.3	3.5	6.4
Shareholders' equity, EUR million	**3.6**	**-6.5**	-6.1	10.7	17.8
Liabilities					
Non-current liabilities, EUR million	**21.8**	**18.3**	24.2	32.8	2.2
Current liabilities, EUR million	**11.5**	**16.7**	13.7	16.3	54.6
Deferred tax liabilities, EUR million					
Balance sheet total, EUR million	**36.8**	**28.6**	31.8	59.8	74.6
Financial indicators					
Return on equity (ROE), %				-43.9	1.4
Return on investment (ROI), %	**105.4**			-7.6	24.7
Equity ratio, %	**9.9**	**-22.8**	-19.1	17.9	23.9
Debt/equity ratio (net gearing), %	**292.2**			195.6	145.2
Investments, EUR million	**3.4**	**0.0**	0.2	0.3	1.2
% of net sales	**7.1**	**0.0**	0.5	0.5	1.9
Research and development, EUR million	**3.3**	**5.3**	6.0	6.5	13.0
% of net sales	**7.0**	**12.5**	10.8	10.8	21.6
% total expenses (above operating result)	**9.6**	**8.3**	9.4	9.2	20.0
Order book, EUR million	**25.5**	**21.1**	26.2	24.9	26.8
Personnel, average	**554**	**604**	727	895	950
Personnel at the end of the year	**600**	**543**	666	818	934

	2019	2018	2017	2016	2015
Key ratios per share					
Earnings per share, EUR (basic)	**0.03**	**0.00**	-0.13	-0.05	0.00
Earnings per share, EUR (diluted)	**0.03**	**0.00**	-0.13	-0.05	0.00
Equity per share, EUR	**0.01**	**-0.04**	-0.05	0.09	0.14
Number of shares at the end of the period, 1,000 shares	**247,628**	**175,183**	122,628	122,628	122,628
Average number of shares, 1,000 shares	**235,295**	**136,559**	122,628	122,628	122,628
Number of own shares on 1 Jan, 1,000 shares	**0**	**0**	0	0	0
Numer of disposed own shares, 1,000 shares	**0**	**0**	0	0	0
Number of own shares on 31 Dec, 1,000 shares	**0**	**0**	0	0	0
Share price, EUR					
Average price	**0.09**	**0.07**	0.09	0.11	0.11
Lowest price	**0.05**	**0.04**	0.07	0.09	0.07
Highest price	**0.24**	**0.11**	0.13	0.17	0.20
Share price at the end of the period, EUR	**0.17**	**0.05**	0.07	0.10	0.10
Market value at the end of the period, EUR million	**42.1**	**8.1**	8.6	12.2	12.5
Share turnover, million shares	**18.3**	**48.2**	63.3	29.7	69.1
Share turnover, % of total number	**7.4**	**28.0**	51.6	24.3	56.4
Share turnover, EUR million	**2.1**	**4.3**	5.5	3.5	7.5
Dividend per share, EUR [3]					
Dividend/result, %					
Effective dividend yield, %					
P/E ratio, %	**5.2**	**0.0**	0.0	-2.0	-2.0

[1] Adjusted operating result = operating result before one-time items
[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 2019. No dividend was paid either for the financial years ended 31 December 2018, 31 December 2017, 31 December 2016 and 31 December 2015.

Calculation of key indicators

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

Consolidated income statement and statement of comprehensive income

Consolidated income statement, EUR 1,000	Note	1.1.-31.12.2019	1.1.-31.12.2018
Net sales	1, 2	**46,991**	41,896
Other operating income	3	**1,647**	86
Materials and services	4	**-2,048**	-2,266
Employee benefit expenses	5	**-15,961**	-18,911
Depreciation, amortisation and impairment losses	6	**-1,018**	-586
Other operating expenses	7	**-15,238**	-14,944
Operating profit		**14,373**	5,274
Financial income	9	**453**	834
Financial expenses	9	**-3,074**	-1,679
Result before taxes		**11,752**	4,429
Income taxes	10	**-4,047**	-4,944
Result for the period		**7,705**	-514
Result for the period attributable to:			
Equity holders of the parent company		**7,705**	-514
Non-controlling interest		**-10**	22
Earnings per share, eur	11	**0.03**	0.00

Consolidated statement of comprehensive income, EUR 1,000	Note	1.1.-31.12.2019	1.1.-31.12.2018
Result for the period		**7,705**	-514
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:		**-10**	
Remeasurement items on net defined benefit liability	20	**3**	-10
Tax on items that will not be reclassified subseqvebtly to profit or loss		**-777**	3
Translation differences from foreign operations	23	**255**	-747
Other comprehensive income, net of tax		**-527**	-753
Total comprehensive income for the period		**7,177**	-1,267
Comprehensive income for the period attributable to:			
Equity holders of the parent company		**7,187**	-1,289
Non-controlling interest		**-10**	22

Consolidated balance sheet

EUR 1,000	Note	31.12.2019	31.12.2018
Assets			
Non-current assets			
Other intangible assets	12	**2,997**	199
Property, plant and equipment	13	**169**	1,527
Deferred tax assets	14	**563**	566
Non-current receivables	15	**795**	688
Right-of-use assets	15	**2,241**	
Total non-current assets		**6,765**	2,980
Current assets			
Inventories	16		126
Trade and other receivables	17	**21,320**	16,573
Income tax receivables		**5,375**	4,717
Cash and cash equivalents	18	**3,381**	4,158
Total current assets		**30,075**	25,574
Total assets		**36,840**	28,554
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		**-10,963**	-10,442
Other reserves		**7,015**	4,099
Retained earnings		**5,187**	-2,563
Equity attributable to equity holders of the parent	19	**3,433**	-6,713
Non-controlling interest		**200**	211
Total shareholders' equity		**3,633**	-6,502
Non-current liabilities			
Non-current interest-bearing liabilities	21	**13,455**	12,480
Other non-current non interest-bearing liabilities	22	**6,016**	5,345
Lease liability (non-current)	22	**1,521**	
Pension obligations	20	**765**	510
Total non-current liabilities		**21,757**	18,335
Current liabilities			
Current interest-bearing liabilities	21	**539**	4,536
Lease liability (current)	22	**716**	9,566
Trade payables, provisions and other liabilities	22	**9,447**	
Income tax liabilities	22	**749**	2,618
Total current liabilities		**11,451**	16,720
Total equity and liabilities		**36,840**	28,554

Statement of changes in shareholders' equit

EUR 1,000	Equity attributable to equity holders of the parent							Non-controll-ing interest	Total share-holders' equity
	Share cap-ital	Share pre-mium fund	Unrestricted equity reserve	Other re-serves	Trans-lation diffe-rences	Re-tained earn-ings	Total		
Shareholders' equity 1 Jan 2019	1,346	847	2,090	2,009	-10,442	-2,563	**-6,713**	211	**-6,502**
Result for the period						7,715	**7,715**	-5	**7,709**
Other comprehensive income, net of tax					-521	-54	**-575**		**-575**
Total comprehensive income for the period					-521	7,660	**7,139**	-5	**7,134**
Share issue			2,909				**2,909**		**2,909**
Share issue expenses						-139	**-139**		**-139**
Argentina hyperinflation						52	**52**		**52**
Other changes				7		177	**184**	-5	**178**
Total shareholders' equity 31 Dec 2019	**1,346**	**847**	**4,999**	**2,016**	**-10,963**	**5,187**	**3,432**	**200**	**3,633**

Additional details are presented in note 19. Notes to the shareholders' equity.

EUR 1,000	Equity attributable to equity holders of the parent							Non-controll-ing interest	Total share-holders' equity
	Share cap-ital	Share pre-mium fund	Unrestricted equity reserve	Other re-serves	Trans-lation diffe-rences	Re-tained earn-ings	Total		
Shareholders' equity 1 Jan 2018	1,346	847		2,020	-9,695	-804	-6,286	197	-6,089
IFRS 15 adjustment						-1,052	-1,052		-1,052
Adjusted shareholders' equity 1 Jan 2018	1,346	847		2,020	-9,695	-1,856	-7,338	197	-7,141
Result for the period						-536	-536	22	-514
Other comprehensive income, net of tax					-747	-6	-753		-753
Total comprehensive income for the period					-747	-543	-1,289	22	-1,267
Share issue			2,090				2,090		2,090
Share issue expenses						-143	-143		-143
Argentina hyperinflation						180	180		180
Other changes				-12		-202	-213	-8	-221
Total shareholders' equity 31 Dec 2018	1,346	847	2,090	2,009	-10,442	-2,563	-6,713	211	-6,502

Consolidated cash flow statement

1 000 €	1.1.-31.12.2019	1.1.-31.12.2018
Cash flow from operating activities		
Result for the period:	**7,705**	-514
Adjustements for:		
Depreciations	**1,018**	586
Impairment loss goodwill		
Financial income and expenses	**2,621**	845
Other adjustments	**-2,434**	197
Income taxes	**4,047**	4,944
Changes in working capital:		
Current receivables, increase (-) /decrease (+)	**-6,362**	3,302
Inventories, increase (-) /decrease (+)	**126**	335
Current liabilities, increase (+) /decrease (-)	**-211**	-1,624
Financial income and expenses	**-1,631**	-760
Income taxes paid	**-3,820**	-5,573
Net cash flow from operating activities	**1,058**	1,737
Cash flow from investing activities		
Capital expenditure on non-current tangible and intangible assets	**-3,350**	-40
Proceeds from sale of tangible and intangible non-current assets	**2,412**	1
Net cash flow from investing activities	**-939**	**-40**
Cash flow from financing activities		
Repayment of loans	**-3,592**	-1,461
Proceeds from share issues	**2,909**	2,090
Other financial expenses	**-8**	-247
Net cash flow from financing activities	-692	382
Change in cash and cash equivalents	**-573**	2,080
Cash and cash equivalents on 1 Jan	**4,158**	2,293
Change in foreign exchange rates	**-204**	-215
Cash and cash equivalents on 31 Dec	**3,381**	4,158

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 23.4.2020, Finland and its registered address is Miestentie 9 C, 02150 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 Miestentie 9 C.

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 2019 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. Starting from 1.1.2019 Tecnotree group has adopted one new IFRS standard - IFRS 16 - lease agreements. More information on the adoptions is presented under sections "Financial assets and liabilities" and "Revenue recognition".

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

The consolidated financial statements of Tecnotree Corporation have been prepared in accordance with the going concern principle.

Uncertainty factors

Tecnotree's risks and uncertainties in the near future relate to development of net sales, projects, to their timing, to trade receivables and to changes in foreign exchange rates.

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 23 the consolidated financial statements. Information about the restructuring proceedings is disclosed in note 28.

Accounting principles requiring management judgments

To prepare the consolidated financial statements in accordance with IFRS standards 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. More information on the judgements is presented in section "Accounting principles requiring management judgments and key sources of estimation 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 Argentinian peso is the functional currency of the company’s subsidiary in Argentina. During 2018, the economic crisis led to the economy of Argentina to be classified as hyperinflationary. Because of this development, adoption of IAS 29 Financial Reporting in Hyperinflationary Economies applies that means from the beginning of the relevant reporting period financial statements of the Argentine subsidiary are to be restated into the current purchasing power that reflects a price index current at the end of the reporting period. Hyperinflation adjustment impact on profit was negative 43 thousand euros in the consolidated financial statements 2019.

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.

In the first quarter of 2019, Tecnotree sold its premises located in Espoo for 2.4 million and recorded a capital gain of 1.4 million euros. The cash received from the transaction amortized interest-bearing loans, according to debt restructuring payment plan.

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 2019 included 3.0 million euros capitalized product development costs (31 December 2018 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

Starting from 1.1.2019, a new IFRS standard, IFRS 16 - Leases, replaced IAS 17 standard. IFRS 16 standard requires a lessor to recognise future lease payments in its balance sheet assets and liabilities, unless the lease term is 12 months or less or the underlying asset value is less than 5.000 US dollars. Lease contract payments not recognised in the balance sheet 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.

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

In accordance with IFRS 15 Tecnotree recognizes revenue depicting the pattern of the transfer of the goods and services to customers in an amount that reflects the amount to which the entity expects to be entitled in exchange for those goods or services. This is done applying the following five-step method:

1. Identify the contract with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation

Revenue is recognized as a performance obligation is satisfied when a promised good or service is transferred to the customer. This happens as the control is passed to the customer either over time or at a point in time. If a performance obligation is not satisfied over time, it is satisfied at a point in time. In case, the performance obligation is satisfied at a point of time this is determined based on the completion confirmations issued by the customer.

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

In accordance with IFRS 9 Tecnotre'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 financial assets recognised at amortized cost. 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.

Trade receivables and other receivables are measured at amortised cost less any impairment. The Group records the impairment of expected credit losses applying a simplified model, in which the estimated amount of credit losses is based on the receivables aging. The Group records realized 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 IFRS 9 although derivatives can be used to hedge trade receivables denominated in foreign currency as well as Group´s 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.

In the end of 2019, Tecnotree had no derivate contracts in place.

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.

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. The company has its policy for treatment of bad debts according to the IFRS 9 regulation

New and amended standards and interpretations to be applied in future financial periods
New or amended standards and interpretations published by IASB, with effetive date 1.1.2020, 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, as they can't be allocated to the segments on a reasonable basis. These costs are presented under Other costs in the below table.

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

Operating segments 2019

EUR 1,000		**Americas & Europe**	**MEA & APAC**	**Other segments**	**Group total**
Net sales (external)		14,873	32,118		**46,991**
Segment result		6,971	14,900		**21,871**
Non-allocated items				-8,913	**-8,913**
Operating result before one-time costs	*)				**12,958**
One-time costs	**)				**1,415**
Operating result					**14,373**

Operating segments 2018

EUR 1,000		Americas & Europe	MEA & APAC	Other segments	Group total
Net sales (external)		16,335	25,561		41,896
Segment result		7,698	6,426		14,124
Non-allocated items				-8,259	-8,259
Operating result before one-time costs	*)				5,865
One-time costs	**)				-591
Operating result					5,274

Net sales from Finnish customers were EUR 717 (549) thousand and the total of all other countries EUR 46,990 (41,437) thousand. Non-current assets located in Finland at the balance sheet date were EUR 290 (1,334) thousand, and in other countries a total of EUR 6,475 (1,646) thousand.

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

**) one-time income EUR 1,415 million related to sale of Espoo office premises

Information about major customers

EUR 1,000		**2019**		2018	
		Net sales	**% of the Group's net sales**	Net sales	% of the Group's net sales
Customer 1, operating segment:	Americas & Europe	**12,250**	**26%**	14,834	35%
Customer 2, operating segment:	MEA & APAC	**25,339**	**54%**	20,382	49%

2. Net sales

EUR 1,000	2019	2018
Revenue from maintenance and support (IFRS 15)	**29,238**	29,304
Revenue from goods and services (IFRS 15)	**17,909**	12,775
Currency exchange gains and losses	**-156**	-183
Net sales total	**46,991**	41,896
Order book total	**25,497**	21,093

Order book included EUR 7.4 million related to maintenance and support and EUR 18.1 million related to goods and services.

3. Other operating income

EUR 1,000	2019	2018
Rental income	**26**	84
Gain on disposal of non-current assets*	**1,415**	
Other income items	**206**	2
Other operating income total	**1,647**	86

*In the first quarter, Tecnotree sold its premises located in Espoo for 2.4 million and recorded a capital gain of 1.4 million euros. The cash received from the transaction amortized interest-bearing loans, according to debt restructuring payment plan.

4. Materials and services

EUR 1,000	2019	2018
Purchases during the period	**-641**	-1,078
Increase/decrease in inventories	**303**	-335
Materials and supplies	**-338**	-1,413
External services	**-1,710**	-853
Materials and services total	**-2,048**	-2,266

5. Employee benefit expenses

EUR 1,000	2019	2018
Wages and salaries	**-13,541**	-16,539
Pension expenses, defined contribution plans	**-601**	-706
Pension expenses, defined benefit plans (note 20)	**-136**	-166
Other long-term employee benefit expenses		
Other employee benefits	**-1,683**	-1,501
Employee benefit expenses total *)	**-15,961**	-18,911

*) Include one-time costs EUR 0 thousand (591) in year 2019

Information about management compensation is presented in note 27.

Average number of employees		
Finland	**40**	63
India	**379**	414
Middle-East	**82**	76
Latin America	**53**	52
Total	**554**	605

Employee incentive scheme

Tecnotree group has an employee incentive program for 2020 -2022 designed to align the participants' focus with Tecnotree's growth strategy and long-term success. The LTI Plan includes Restricted Share Units (RSUs) giving a contractual right to receive shares over the next 3 year period as per an equated semi-annual vesting schedule.

6. Depreciations, amortisations and impairment losses

EUR 1,000	2019	2018
Depreciations and amortisations by class of asset:		
Other intangible assets	**-168**	-68
Right-of-use leases	**-570**	
Property, plant and equipment		
Buildings	**-1**	-111
Machinery and equipment	**-203**	-246
Machinery and equipment, finance lease	**-76**	-162
Depreciations and impairment loss on consolidated goodwill total	**-1,018**	-586

7. Other operating expenses

EUR 1,000	2019	2018
Subcontracting	-2,668	-2,670
Office management costs	-3,620	-2,260
Travel expenses	-3,604	-3,856
Impairment losses on receivables	-576	-1,025
Agent fees	-658	-624
Rents	-235	-1,071
Professional services	-2,284	-2,614
Marketing	-442	-165
Other expenses	-1,152	-660
Other operating expenses total	-15,238	-14,944

Impairment losses were recognised on trade receivables totalling EUR 576 (386) thousand and on other accrued income related to projects totalling EUR 0 (639) thousand.

Auditors' fees		
Audit Finland	-142	-154
Audit, other countries	-49	-33
Other services	-31	-27
Audotrs' fees total	-223	-214

8. Research and development expenditure

EUR 1,000	2019	2018
Product development expenses incurred during the year, befofre capitalization of development costs	**-6,234**	-5,257
Capitalization of development costs	**2,947**	**0**
Product development expenses recognised in income statement total	**-3,287**	-5,257
Product development expenses in relation to net sales recognised in income statement	**7.0%**	12.5%
Product development expenses in relation to total expenses recognized in income statement	**9.6%**	14.6%

Research costs are charged to the income statement as incurred. Development costs for new products are capitalized when they meet the requirements of IAS 38 Intangible assets. They are amortized over the useful lives of the related products. At Tecnotree development costs are monitored on a project-by-project basis and management decides on the capitalization separately for each project. In order to qualify for capitalization 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. Capitalization of product development costs that fulfil IFRS criteria starts when following requirements are met: a product’s functional requirements and the plans for product industrialization, testing and project are complete and have been approved as well as future economic benefits are expected from the product. The useful life of capitalized development expenditure is 3 years, and they are amortized on a straight-line basis over this period from the start of commercial use.

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	2019	2018
Financial income		
Financial income from loans and receivables	**287**	349
Other financial income	**4**	30
Foreign exchange gains on loans and receivables and on financial liabilities at amortised cost	**162**	456
Financial income total	**453**	834
Financial expenses		
Interest expenses from financial liabilities at amortised cost	**-363**	-546
Argentina hyperinflation	**-48**	-143
Other financial expenses	**-224**	-817
Foreign exchange losses on loans and receivables and on financial liabilities at amortised cost	**-2,439**	-173
Financial expenses total	**-3,074**	-1,679
Financial income and expenses total	**-2,621**	-845

10. Income taxes

EUR 1,000	2019	2018
Current taxes	-293	-889
Withholding taxes paid abroad	-2,887	-3,893
Change in withholding tax accrual (note 23)	-407	70
Taxes for previous accounting periods	-22	-37
Other direct taxes	-437	-195
Income taxes total	-4,047	-4,944

Reconciliation of effective tax rate

Income tax reconciliation between tax expense computed at statutory rates in Finland (2019 and 2018: 20.0 per cent) and income tax expense is presented below.

Profit before taxes	11,752	4,429
Income tax using Finnish tax rates	-2,350	-886
Effect of different tax rates applied to foreign subsidiaries	-293	-357
Non-deductible expenses and tax-free income	449	160
Withholding taxes	-3,295	-3,823
Taxes of prior periods	-22	-37
Taxes in income statement	-5,512	-4,944

11. Earnings per share

EUR 1,000	**2019**	2018

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)	**7,715**	-536
Weighted average number of shares during the year, adjusted to reflect the share issue for the comparative period (1,000 shares)	**235,295**	136,559
Basic earnings per share, (EUR/share)	**0.03**	0.00

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.

12. Intangible assets

Intangible assets 2019

EUR 1,000	**Goodwill**	**Product development costs**	**Other intangible assets**	**Total**
Acquisition cost 1 Jan	17,528	14,406	6,952	**38,886**
Exchange differences			-75	**-75**
Additions		2,947		**2,947**
Disposals			-755	**-755**
Acquisition cost 31 Dec	17,528	17,353	6,122	**41,003**
Accumulated amortisations and impairment losses 1 Jan	-17,528	-14,406	-6,753	**-38,687**
Exchange differences			849	**849**
Accumulated amortisations on disposals				
Impairment loss on goodwill				
Amortisation during period			-168	**-168**
Accumulated amortisations and impairment losses 31 Dec	-17,528	-14,406	-6,072	**-38,006**
Book value 31 Dec 2019		**2,947**	**50**	**2,997**

Product development costs and impairment testing

Capitalized product development costs inlude EUR 2,947 (0) thousand such products that are not yet in commercial use, and therefore not amortized. These intangibles in progress are tested for impairment annually, and they are allocated to operating segments as follows: MEA & APAC EUR 2,071 (0) thousand and Americas & Europe EUR 876 (0) thousand. Based on the impairment tests performed, there is no need to recognize an impairment loss on intangibles in progress. Research and development costs recorded in the income statement are presented in note 8.

Intangible assets 2018

EUR 1,000	Goodwill	Product development costs	Other intangible assets	Total
Acquisition cost 1 Jan	17,528	14,406	7,134	39,068
Exchange differences			-147	-147
Additions				
Disposals			-34	-34
Acquisition cost 31 Dec	17,528	14,406	6,952	38,886
Accumulated amortisations and impairment losses 1 Jan	-17,528	-14,406	-6,871	-38,805
Exchange differences			186	186
Accumulated amortisations on disposals				
Amortisation during period			-68	-68
Accumulated amortisations and impairment losses 31 Dec	-17,528	-14,406	-6,753	-38,687
Book value 31 Dec 2018			199	199

13. Property, plant and equipment

Property, plant and equipment 2019

EUR 1,000	**Land and water areas**	***) Buildings**	**Machinery and equipment**	**Total**
Acquisition cost 1 Jan	739	6,623	19,796	**27,157**
Translation differences			204	**204**
Additions			27	**27**
Disposals			-260	**-260**
Acquisition cost 31 Dec	739	6,623	19,767	**27,128**
Accumulated depreciations and impairment losses 1 Jan		-6,364	-19,266	**-25,630**
Translation differences			129	**129**
Accumulated depreciation on disposals				
Depreciation during period	-739	-259	-461	**-1,458**
Accumulated depreciations and impairment losses 31 Dec	-739	-6,623	-19,598	**-26,959**
Book value 31 Dec 2019			**169**	**169**

Property, plant and equipment 2018

EUR 1,000	Land and water areas	Buildings	Machinery and equipment	Total
Acquisition cost 1 Jan	739	6,623	19,960	27,321
Translation differences			-192	-192
Additions			77	77
Disposals			-49	-49
Acquisition cost 31 Dec	739	6,623	19,796	27,157
Accumulated depreciations and impairment losses 1 Jan		-6,253	-19,007	-25,260
Translation differences			129	129
Accumulated depreciation on disposals				
Depreciation during period		-111	-388	-499
Accumulated depreciations and impairment losses 31 Dec		-6,364	-19,266	-25,630
Book value 31 Dec 2018	739	259	530	1,527

14. Deferred tax assets and liabilities

Deferred taxes 2019

EUR 1,000	**1.1.2019**	**Translation differences**	**Recognised in income statement**	**31.12.209**
Deferred tax assets				
Capital allowances in the India subsidiary	566	-3		**563**
Pension obligations and impairment losses in the India subsidiary				
Total	**566**	**-3**		**563**

Deferred taxes 2018

EUR 1,000	1.1.2018	Translation differences	Recognised in income statement	31.12.2018
Deferred tax assets				
Capital allowances in the India subsidiary	589	-23		566
Pension obligations and impairment losses in the India subsidiary				
Total	589	-23		566

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

EUR 1,000	**2019**	2018
Deductible temporary difference for which no deferred asset has been recognised		
Tecnotree's product development costs not deducted in its taxation *	**71,282**	71,282
*) 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	**4,853**	2,418
Tax losses in Brazil		197
Items for which the Group has not recognised a deferred tax asset because of the uncertainty about utilising them, total	**76,135**	73,897
Undistributed profits of foreign subsidiaries, for which no deferred tax liabilities have been recognised since distribution is not likely in the forseeable future		86

15. Non-current receivables

EUR 1,000	2019	2018
Non-current receivables		
Rent guarantees	**579**	495
Other non-current receivables	**217**	193
Non-current receivables total	**795**	688

Käyttöoikeus vuokrasopimukset

Starting from 1.1.2019, a new IFRS standard, IFRS 16 - Leases, replaced IAS 17 standard. IFRS 16 standard requires a lessor to recognise future lease payments in its balance sheet assets and liabilities, unless the lease term is 12 months or less or the underlying asset value is less than 5.000 US dollars. Lease contract payments not recognised in the balance sheet are recognised as other operating expenses in the income statement on a straight-line basis over the lease term.

1 000 €	2019	2018
Book value 1.1.	**2,318**	
Changes in lease agreements		
Depreciation during period	**-77**	
Book value 31 Dec 2019	**2,241**	

16. Inventories

EUR 1,000	2019	2018
Materials and consumables		126
Inventories total		126

During the period the change in inventories amounted to negative EUR 126 (-335) thousand.

17. Trade and other current receivables

EUR 1,000	2019	2018
Trade receivables total	**15,220**	11,609
Other receivables based on delivery agreements	**3,049**	1,434
Other receivables related to projects total	**3,049**	1,434
Current prepaid expenses and accrued income	**2,926**	2,141
Other current receivables	**124**	1,389
Trade and other receivables total	**21,320**	16,573

A large part of the trade receivables are from one of the major customers, which are disclosed in note 1 and under Credit risk in note 23. Impairment losses recorded during the period on trade receivables and other receivables based on delivery agreements are disclosed in note 7.

Fair values of receivables are disclosed in note 24.

1 000 €	2019	2018
Major items included in current prepaid expenses and accrued income:		
VAT receivables	**37**	96
Service Tax receivables in india	**1,160**	934
Advance payments	**479**	261
Other prepaid expenses and accrued income	**1,249**	851
Total	**2,926**	2,141

18. Cash and cash equivalents

EUR 1,000	2019	2018
Cash in hand and at bank	**3,381**	4,158
Cash and cash equivalents total	**3,381**	4,158

19. Notes to the shareholders' equity

EUR 1,000	Number of outstanding shares (1,000 shares)	Share capital	Share premium fund	Unrestricted equity reserve	Other reserves	Translation differences	Total
1.1.2018	122,628	1,346	847		2,020	-9,695	-5,482
Changes	52,555			2,090	-12	-747	1,331
31.12.2018	175,183	1,346	847	2,090	2,008	-10,442	-4,150
Changes	72,445			2,909	8	-521	2,395
31.12.2019	247,628	1,346	847	4,999	2,016	-10,963	-1,755

Tecnotree Corporation has one single share series. The maximum number of shares is 247,628 (175,183) 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 1,228 thousand on 31 December 2019 (EUR 7,698 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. In 2018, the share issue subscription price EUR 2 909 thousand was recorded in the reserve for invested unrestricted equity.

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 2019 and that the parent company’s profit for the financial year, EUR 6,017 thousand, be placed in retained earnings.

In 2019 no dividend was paid for the financial year that ended on 31 december 2018. Instead, based on the decision of the Annual General Meeting, the parent company's accumulated loss of EUR 6,839 thousand was placed in retained earnings.

20. 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	2019	2018
Defined benefit liability in the balance sheet:		
Present value of funded obligations	765	742
Fair value of plan assets (-)		
Net liability (+) / net asset (-) in the balance sheet	765	742
Recociliation of the changes in balance sheet		
Net liability (+) / net asset (-) in the balance sheet in the beginning of the period	743	859
Pension expense recognised in profit and loss	136	166
Remeasurement items recognised in other comprehensive income	77	5
Translation differences	-167	-287
Net liability (+) / net asset (-) in the balance sheet at the end of the period	789	742
Defined benefit expense in profit and loss		
Current service cost	92	115
Interest income (-) and expense (+), net	45	51
Pension expense recognised in profit and loss (note 5)	136	166
Change in the defined benefit obligation:		
Defined benefit obligation in the beginning of the period	743	865
Current service cost	92	106
Interest cost	45	47
Remeasurement items:		
Gains (-) / losses (+) arising from changes in demographical assumptions		
Actuarial gains (-) / losses (+) arising from changes in financial assumptions	62	-6
Gains (-) / losses (+) arising from experience adjustments	16	11
Translation differences	-4	-34
Benefits paid (-)	-164	-246
Defined benefit obligation at the end of the period	789	743
Change in plan assets:		
Plan assets in the beginning of the period	1	
Interest income		
Remeasurement items:		
Return on plan assets excluding amounts included in interest income (+/-)	1	
Translation differences		
Payments from the plan:	186	246
Benefits paid (-)	-164	-246
Plan assets at the end of the period		

	2019	2018
Actuarial assumptions at the reporting date	**%**	%
Discount rate	**6.2**	7.2
Future salary increases, first year	**10.0**	8.0
Future salary increases, thereafter	**8.0**	8.0

Assumed normal retirement age is 60 years in India. 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.

2019

Change in discount rate, percentage points	**+ 1%**	**-1%**
Impact on the defined benefit obligation, EUR 1,000	**-22**	**25**
Change in future salary increases, percentage points	**+ 1%**	**-1%**
Impact on the defined benefit obligation, EUR 1,000	**22**	**-20**

2018

Change in discount rate, percentage points	+ 1%	-1%
Impact on the defined benefit obligation, EUR 1,000	-18	21
Change in future salary increases, percentage points	+ 1%	-1%
Impact on the defined benefit obligation, EUR 1,000	20	-18

21. Interest-bearing liabilities

EUR 1,000	2019	2018
Finance lease liabilities, non-current	**191**	338
Loans from the main creditor, non-current	**13,264**	12,142
Non-current interest-bearing liabilities total	**13,455**	12,480
Finance lease liabilities, current	**74**	72
Loans from the main creditor, current	**465**	4,465
Current interest-bearing liabilities total	**539**	4,536
Interest-bearing liabilities total	**13,994**	17,016
Maturity of the finance lease liabilities		
Total of minimum lease payments less than one year	**148**	150
Total of minimum lease payments between one and five years	**296**	395
Total of minimum lease over five years		
Total	**444**	545
Future financial expenses	**-179**	-135
Present value of finance lease liabilities	**265**	410
Present value of minimum lease less than one year	**74**	72
Present value of minimum lease between one and five years	**191**	338
Present value of minimum lease over five years		
Finance lease liabilities, total	**265**	410

At the end of the financial year, the company had a debt restructuring related, non-current interest-bearing debt EUR 13.3 million (12.1) and current interest-bearing debt EUR 0.5 (4.5) million to the main creditor.

Debts under restructuring are presented in note 28.

22. Trade payables and other liabilities

EUR 1,000	2019	2018
Non-current non-interest bearing liabilities		
Non-current liabilities to financial institutions - ordinary restructuring debts		1,109
Non-current liabilities to others - ordinary restructuring debts	**3,454**	3,725
Lease liability (non-current)	**1,521**	
Tax reserve	**1,840**	
Other long-term employee benefits	**687**	511
Other long-term liabilities	**35**	
Non-current non-interest bearing liabilities, total	**7,537**	5,345
Trade payables, provisions and other liabilities		
Trade payables	**1,649**	2,068
Accrued liabilities and deferred income	**5,895**	6,044
Other liabilities	**1,903**	1,463
Lease liability (current)	**716**	
Income tax liability	**749**	2,609
Trade payables, provisions and other liabilities total	**10,912**	12,184
Accrued liabilities and deferred income		
Accrued personnel expenses	**2,292**	1,523
Accrued agent fees	**667**	301
Withholding tax provision (note 10)	**1,198**	980
Other accrued expenses related to customer projects	**640**	1,683
Other accrued liabilities and deferred income*	**1,099**	1,548
Total	**5,895**	6,035

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

Debts under restructuring are presented in note 28.

23. 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 IFRS 9.

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 1,228 thousand on 31 December 2019 (EUR 7,698 thousand negative) and the Group's shareholders' equity was EUR 3,633 million negative (EUR 6,502 million negative).

Components of equity ratio

EUR 1,000	**2019**	2018
Equity at the end of period	**3,633**	-6,502
Balance sheet total	**36,840**	28,554
Advances received		
Total balance sheet less advances reveiced	**36,840**	28,554
Equity ratio	**9.9%**	-22.8%

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 3,381 (4,158) thousand.

At the end of the financial year, he company had in accordance to the payment program secured interest-bearing liabilities to the main creditor EUR 7,242 thousand, business mortgage debts EUR 6,487 thousand as well as restruturing debts EUR 3,725 thousand.

The cash flow varies considerably from one quarter to another.

Upcoming due schedule

2019	**Balance sheet value**	**Cash flow**	**Due**	**Less than 3 months**	**3-12 months**	**1-3 years**	**Over 3 years**
Guaranteed restructuring debts the main creditor, interest-bearing	13,729	13,729			465	6,377	6,887
Interest payments on the loans		1,126			272	499	355
Trade payables	2,758	2,758	1,429	220	1,109		
Non-interest bearing liabilities	3,725	3,725			272	1,323	2,131
Total	**20,213**	**21,339**	**1,429**	**220**	**2,117**	**8,199**	**9,373**

Minumum lease payments less than one year EUR 148 thousand and between one and five years EUR 296 thousand

2018	Balance sheet value	Cash flow	Due	Less than 3 months	3-12 months	1-3 years	Over 3 years
Guaranteed restructuring debts the main creditor, interest-bearing	16,606	16,606			4,465	3,288	8,853
Interest payments on the loans		1,281			330	676	276
Trade payables	3,621	3,621	1,729	340	443	1,109	
Non-interest bearing liabilities	3,997	3,997			272	1,594	2,131
Derivative liabilities							
Total	24,224	25,506	1,729	340	5,510	6,667	11,260

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 18,601 (15,767) thousand at the reporting date. The financial assets are specified in note 24. 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 80% of net sales in 2019 (2018: 84 %) and for 82 % of the trade receivables at the end of 2019 (2018: 82 %). Parent companies of these customers are large listed companies. 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 and impairment losses recognized

EUR 1,000	2019	Impairmet loss recognised	-%	2018	Impairmet loss recognised	-%
Trade receivables not due	**5,456**			2,945		
Trade receivables 1-90 days overdue	**5,540**	**14**	**0%**	3,092	**1**	0%
Trade receivables 91-360 days overdue	**3,743**	**52**	**1%**	3,919	**253**	6%
Trade receivables more than 360 days overdue	**482**	**168**	**35%**	1,653	**457**	28%
Total	**15,220**	**234**	**2%**	11,609	**711**	6%

Change in impairment loss provisions

1 000 €	Impairment loss provisions 1.1.2019	Realised provisions	Cancelled provisions	New provisions	Impairment loss provisions 31.12.2018	Change in provision
MEA & APAC	**603**		370		**234**	-369
Europe & Americas	**108**	100	8		**0**	-108
Total	**711**	**-100**	**-378**	**0**	**234**	**-477**

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 0 (280) 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 2019, 28 per cent of external invoicing was in Euros, 44 per cent in US dollars, 10 per cent in Argentinian Pesos, 10 per cent in Nigerian Nairas, and 8 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. The Group does not hedge the other currency positions, since they are not significant.

The Argentinian peso is the functional currency of the company's subsidiary in Argentina. During 2018, the economic crisis led to the economy of Argentina to be classified as hyperinflationary. Because of this development, adoption of IAS 29 Financial Reporting in Hyperinflationary Economies applies that means from the beginning of the relevant reporting period financial statements of the Argentine subsidiary are to be restated into the current purchasing power that reflects a price index current at the end of the reporting period. Hyperinflation adjustment impact on profit was negative 43 thousand euros in the consolidated financial statements 2019.

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 74 thousand (238) arose due to rate changes of Indian Rupies. Also the intra-group liabilities denominated in BRL held by the parent company gave rise to exchange rate gains of EUR 3 thousand (2018: loss of 126 EUR thousand) in 2019. Similarly, EUR dominated intragroup receivables from Nigeria gave rise to exchange rate gain loss of EUR 88 thousand (2018: gain of EUR 63 thousand) and AED dominated intragroup receivables from the subisdiary UAE exchange rate gains of EUR 114 thousand (2018: gains of EUR 148 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	**2019 INR**	2018 INR	**2019 USD**	2018 USD
Current assets					
Trade and other receivables	17	**9,069**	6,520	**6,615**	6,371
Other receivables related to projects	17			**2,478**	1,851
Cash and cash equivalents	18			**144**	113
Trade and other payables	22			**-429**	-444
Total current assets		**9,069**	6,520	**8,808**	**7,891**

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	**2019**		2018	
Change in percentage, INR	**-10%**	**+10%**	-10%	+10%
Effect on the result after taxes	**609**	**-609**	425	-425
Change in percentage, USD	**-10%**	**+10%**	-10%	+10%
Effect on the result after taxes	**-883**	**1,079**	-717	877

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 11,024 (14,306) 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	**2019 INR**	**INR**	2018 INR	INR
Change in percentage	**-10%**	**+10%**	-10%	+10%

Effect on the result after taxes	**294**	**-360**	2,339	-2,858
Effect on equity	**-600**	**733**	-603	-737

During 2019 Indian Rupie weakened 2 per cent compared to Euro, INR/EUR rate being 80.1870 at the end of 2019 and 79.7298 at the end of 2018. This gave rise to a negative translation difference in the Group's equity amounting to EUR 194 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 2019, Argentinian Peso (ARS) changed exceptionally compared to Euro. The EUR/ARS rate strenghtened 56 per cent being 67.2223 at the end of 2019 and 43.0692 at the end of 2018, which caused a negative translation difference of EUR 245 thousand in Group's equity. On the reporting date, the open translation risk position for the Argentine subsidiary EUR 498 (736) thousand.

On the reporting date, the open translation risk position for the Brazilian subsidiary was negative EUR -1 271 (-1 426) thousands, Malaysian subsidiary was EUR 55 (129) thousand, for the Nigeria subsidiary EUR -126 (-437) thousand and correspondingly for the subsidiary in the United Arab Emirates EUR -188 (-1 792) thousand, The change in translation difference in equity caused by fluctuations in exchange rates for these subsidiaries was EUR 372 (111) 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 the main creditor EUR 13.7 (16.6) million.

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 10,348 (12,448) 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 -114 / 114 (-140 / 140) 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.

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

2019	**Note**	**Financial assets/ liabilities at fair value through income statement**	**Financial assets measured at amortised cost**	**Financial liabilities measured at amortised cost**	**Carrying amounts by balance sheet item**	**Fair value**
Current financial assets						
Trade and other receivables	17		15,220		**15,220**	**15,220**
Cash and cash equivalents	18		3,381		**3,381**	**3,381**
Carrying amount by category			**18,601**		**18,601**	**18,601**
Current financial liabilities						
Current interest-bearing liabilities	21			539	**539**	**539**
Trade and other payables	22			1,649	**1,649**	**1,649**
Carrying amount by category				**2,188**	**2,188**	**2,188**

2018	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	17		11,609		11,609	11,609
Cash and cash equivalents	18		4,158		4,158	4,158
Carrying amount by category			15,767		15,767	15,767
Current financial liabilities						
Current interest-bearing liabilities	21			4,536	4,536	4,536
Trade and other payables	22			2,068	2,068	2,068
Carrying amount by category				6,605	6,605	6,605

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.

25. Operating leases

EUR 1,000	2019	2018

Group as lessee

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

Operating leases

Less than one year	**310**	578
Between one and five years	**407**	459
Total	**718**	1,037

The Group has leased office equipment and office facilities. 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 382 (1,071) thousand was recognised as an expense in the income statement in respect of operating leases.

26. Contingent liabilities

EUR 1,000	2019	2018
On own behalf		
Real estate mortgages		4,400
Corporate mortgages	**45,336**	45,336
Total	**45,336**	49,736
Other contingent liabilities		
Desputed income tax liabilities in India	**1,756**	1,759
Total	**1,756**	1,759

27. 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	2019	2018
Compensation to management		
Salaries, fees and other short-term employee benefits	**-1,234**	-965
Compensation to management total	**-1,234**	-965
Salaries and fees		
Padma Ravichander, CEO	**-431**	-465
Members of the Board of Directors:		
Neil Macleod, Chairman of the Board 24.9.2018-	**-55**	
Jyoti Desai, Vice Chairman of the Board 24.9.2018-	**-38**	
Conrad Neil Phoenix 24.9.2018 -	**-28**	
Kaj Hagros 15.5.2019 -	**-19**	
Anders Fornander 5.9.2019 -	**-9**	
Priyesh Ranjan 24.9.2018 - 1.7.2019	**-16**	
Harri Koponen 2008 - 15.5.2019	**-23**	-116
Christer Sumelius 2001 - 15.5.2019	**-13**	-65
Pentti Heikkinen 2009 - 15.5.2019	**-13**	-74

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 (0) thousand and for the members of the Board of Directors totally EUR 14 (63) 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 36 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 compensation equal to 36 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.

The relationships between the Group's parent company and subsidiaries on 31 December 2019:

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	Dormant company	Ireland	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
Tecnotree France SARL	Sales company	France	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
Dehrekat Zindagi LLC	Service and sale company	Iran	100.00	100.00
Lifetree Convergence Pty Ltd	Dormant company	South-Africa	99.83	99.83
Lifetree Convergence (Nigeria) Ltd	Dormant company	Nigeria	94.84	94.84
LIFETREE RWANDA Limited	Sales company	Rwanda	100	100

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

28. 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 programme of the company.

The Company has followed the provisions of the payment programme and has paid the payments to the creditors as stated in the payment programme.

The total amount of the restructuring debts taken into account in the payment programme was approximately 73.9 million euros. The amount of intragroup restructuring debts that was fully cut was approximately 36.7 million euros. The amount of normal unsecured restructuring debts was approximately 13.2 million euros that was cut off by 50 percent. 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.

On December 31, 2019, balance of the secured restructuring debts was 13.7 million euros and normal unsecured restructuring debts was 4.8 million euros. Payments under the payment programme 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 programme. No supplementary payments have fallen due.

As per the restructuring programme, Tecnotree Oyj has sold its real estate used as its office premises. The sale price was paid to the collateral holder Viking Acquisition Corp. 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 programme and gives reports to the creditors.

Restructuring debt by category

EUR 1,000	**2019**	2018
Restructuring debt		
Ordinary restructuring debts, interest-free	**1,109**	1,552
Ordinary restructuring debts from the main creditor, interest-free	**3,725**	3,997
Guaranteed restructuring debts from the main creditor, interest bearing	**7,242**	9,654
Corporate mortgage debts from the main creditor, interest bearing	**6,487**	6,952
Restructuring debt total	**18,563**	22,156

Current and non-current restructuring debt

EUR 1,000	**2019**	2018
Current interest-bearing liabilities, debt restructuring	**465**	4,465
Current non interest-bearing liabilities, debt restructuring	**1,380**	716
Non-current interest-bearing liabilities, debt restructuring	**13,264**	12,142
Non-current non interest-bearing liabilities, debt restructuring	**3,454**	4,834
Restructuring debt total	**18,563**	22,156

29. Events after the end of period

25.2.2020 Tecnotree announced that MTN Group Selects Tecnotree as the strategic partner for Digital Transformation of their operations across Middle East and Africa

27.2.2020 Tecnotree announced a total of 14,500,000 new shares (the “New Shares”) issued in Tecnotree Corporation’s (the “Company”) share issue to the Company itself without consideration have been registered with the Trade Register on February 27, 2020. Following the registration of the New Shares, the total number of the Company’s shares is 262,128,428 shares, of which 14,500,000 shares in total are held by the Company.

11.3.2020 Tecnotree announced a total 12,500,000 new shares (the “New Shares”) issued in Tecnotree Plc's (the “Company”) has offered against payment to the CEO of the Company have been registered with the Trade Register on March 11, 2020.The subscription price, EUR 125,000, will be recorded in full in the reserve of invested unrestricted equity. The subscribed new shares will carry out full shareholders rights as of the entry into the Trade Register. Following the registration of the New Shares, the total number of the Company’s shares is 274,628,428 shares.

11.3.2020 Tecnotree announced that the Board of Directors of Tecnotree Plc has on February 27th, 2020 decided on a directed share issue, by authorization of the General Meeting of Shareholders on May 15th, 2019 for the purpose of implementation of the incentive and commitment program directed to the key personnel of the Group. In the share issue, Tecnotree Plc has on March 11th, 2020 transferred without consideration a total of 1,740,832 of the company's own shares to the key employees participating in the program in accordance with the terms and conditions of the program. More detailed information about launch the terms and conditions of the program is available in a stock exchange release published on 31 October 2019. Following the transfer, Tecnotree Plc holds a total of 12,759,168 of its own shares.

19.3.2020 Tecnotree announced that Viking Acquisition Corporation has filed a claim before the District Court of Länsi-Uusimaa to nullify certain resolutions of Tecnotree’s board from 2018 and 2019 that approved the previously announced investments of Fitzroy Investments Limited and Luminos Sun Holding Limited into Tecnotree. Viking Acquisition Corporation has also filed a claim for damages against the previous and current board of directors of Tecnotree.

Tecnotree firmly believes that the claims do not hold any merit and will take all necessary measures to contest the claims. Additionally, Tecnotree has received a non-binding offer from Viking Acquisition Corporation for the purchase of Tecnotree’s certain operational assets. The offer has been rejected by Tecnotree’s Board as it is not in line with the strategy of the Company and not in the best interests of Tecnotree or the shareholders of Tecnotree.

Parent company's income statement

EUR 1,000	Note	1.1.-31.12.2019	1.1.-31.12.2018
Net sales	1	**35,146**	27,386
Other operating income	2	**1,643**	84
Materials and services	3	**-705**	-1,327
Personnel expenses	4	**-7,840**	-8,012
Depreciation, amortisation and impairment losses	5	**-259**	-239
Other operating expenses	6	**-18,306**	-20,204
Operating result		**9,679**	-2,312
Financial income and expenses	7	**-410**	-604
Result before appropriations and taxes		**9,269**	-2,917
Direct taxes	8	**-3,252**	-3,923
Result for the financial year		**6,017**	-6,839

Parent company's balance sheet

EUR 1,000	Note	1.1.-31.12.2019	1.1.-31.12.2018
Assets			
Non-current assets			
Intangible assets	9	30	194
Tangible assets	10	3	1,095
Shares in Group companies	11	8,794	8,794
Total non-current assets		8,827	10,084
Current assets			
Inventories	12		126
Non-current receivables	13	258	45
Current receivables	14	23,041	15,216
Cash and cash equivalents	15	316	868
Total current assets		23,614	16,255
Total assets		32,441	26,338
Equity and liabilities			
Shareholders' equity	16		
Share capital		1,346	1,346
Share premium fund		847	847
Unrestricted equity reserve		4,999	2,090
Retained earnings		-11,981	-5,141
Result for the financial year		6,017	-6,839
Total shareholders' equity		1,228	-7,698
Accumulated appropriations	17		315
Liabilities			
Non-current liabilities	18	16,940	17,204
Current liabilities	18	14,273	16,517
Total liabilities		31,213	33,721
Total equity and liabilities		32,441	26,338

Parent company's cash flow statement

EUR 1,000	1.1.-31.12.2019	1.1.-31.12.2018
Cash flow from operating activities		
Result before extraordinary items	9,269	-2,917
Adjustements for:		
Depreciations according to plan	259	239
Financial income and expenses	410	605
Other adjustments	-1,071	1,788
Changes in working capital:		
Current receivables, increase (-) /decrease (+)	-8,146	11,064
Inventories, increase (-) /decrease (+)	126	335
Current liabilities, increase (+) /decrease (-)	281	-6,349
Financial income and expenses	-373	-859
Income taxes paid	-3,035	-3,956
Net cash flow from operating activities	-2,281	-50
Cash flow from investing activities		
Capital expenditure on non-current tangible and intangible assets		
Proceeds from sale of tangible and intangible non-current assets	2,413	
Net cash flow from investing activities	2,413	
Cash flow from financing activities		
Repayment of loans	-3,592	-1,795
Proceeds from share issue	2,909	2,090
Other financial expenses		
Net cash flow from financing activities	-684	295
Change in cash and cash equivalents	-552	245
Cash and cash equivalents on 1 Jan	868	623
Cash and cash equivalents on 31 Dec	316	868

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 in year 2019 have been prepared in accordance with the going concern principle.

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 23 of the consolidated financial statements. Information about the debt restructuring proceedings is disclosed in note 28.

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

The parent company revenue recognition principles have been adjusted to comply with the principles applied in the Group. The group revenue recognition principles are presented in the section "Accounting principles for consolidated financials statements"

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.

In the end of 2019, Tecnotree had no derivate contracts in place.

1. Net sales

EUR 1,000	2019	2018
Net sales by market area		
Europe, Middle East and Africa	**24,672**	15,854
Asia Pacific	**458**	313
Americas	**10,015**	11,219
Net sales total	**35,146**	27,386
Net sales by type of income		
Revenue from maintenance and support	**12,225**	16,770
Revenue from goods and services, external sales	**7,225**	5,783
Revenue from goods and services, intra-group sales	**15,584**	4,779
Currency exchange gains and losses related to external sales	**112**	54
Net sales total	**35,146**	27,386
Order book for maintenance and support	**947**	2,828
Order book for goods and services	**6,807**	2,967
Order book total	**7,755**	5,795

2. Other operating income

EUR 1,000	2019	2018
Rental income	26	84
Gain on disposal of non-current assets	1,415	
Other operating income	202	
Other operating income total	1,643	84

3. Materials and services

EUR 1,000	2019	2018
Purchases during financial year	**-663**	-948
Changes in inventories	**303**	-335
Total	**-361**	-1,282
External services	**-344**	-44
Materials and services total	**-705**	-1,327

4. Personnel expenses

EUR 1,000	2019	2018
Wages and salaries	-6,953	-7,115
Pension expenses	-550	-668
Other personnel expenses	-338	-229
Personnel expenses total	-7,840	-8,012

Average number of employees during the period	2019	2018
Management and administration	10	12
Other personnel	30	51
Total average number of employees	40	63

Salaries, fees, remunerations and pensions to the management

1 000 €	Salaries, fees, remunerations 2019	Obligatory pension expenses 2019	Salaries, fees, remunerations 2018	Obligatory pension expenses 2018
Padma Ravichander, CEO as from 18 April 2016	-431		-465	
Members of the Board of Directors:				
Neil Macleod, Chairman of the Board 24.9.2018-	-55			
Jyoti Desai, Vice Chairman of the Board 24.9.2018-	-38			
Conrad Neil Phoenix 24.9.2018 -	-28			
Kaj Hagros 15.5.2020-	-19	-5		
Anders Fernander 5.9.2020 -	-9			
Priyesh Ranjan 24.9.2018 - 1.7.2020	-16			
Harri Koponen 2008 - 15.5.2020	-23	-6	-116	-29
Christer Sumelius 2001 - 15.5.2020	-13		-65	
Pentti Heikkinen 2009 - 15.5.2020	-13	-3	-74	-29
Total	-646	-14	-719	-58

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	2019	2018
Depreciations and amortisations according to plan		
Intangible assets		
Intangible rights	**-164**	-39
Tangible assets		
Buildings	**-1**	-111
Machinery and equipment	**-95**	-89
Depreciations and amortisations according to plan total	**-259**	-239

6. Other operating expenses

EUR 1,000	2019	2018
Subcontracting	**-1,560**	-1,407
Office management costs	**-2,455**	-1,841
Travel expenses	**-1,018**	-752
Agent fees	**-658**	-624
Impairment losses on receivables	**-576**	-756
Rents	**-331**	-331
Professional services	**-961**	-1,761
Marketing	**-435**	-158
Other operataing expenses to Group companies	**-10,170**	-12,574
Other operating expenses total	**-18,164**	-20,204

Impairment losses were recognised on trade receivables totalling EUR 576 (116) thousand and on receivables related to other project receivables totallling EUR 0 (639) thousand.

Auditors' fees

Auditors fees	**-142**	-154
Auditors' fees total	**-142**	-154

7. Financial income and expenses

EUR 1,000	2019	2018
Financial income		
Dividend income from Group companies		1
Other financial income from others	**22**	314
Other financial income in Group companies	**31**	764
Interest and financial income total	**54**	1,079
Financial expenses		
Impairments of Group shares		-31
Interest expenses to Group companies		-58
Other financial expenses to Group companies	**-293**	-446
Interest expenses to others	**-134**	-728
Financial expenses to others	**-36**	-421
Interest and financial expenses total	**-464**	-1,683
Financial income and expenses total	**-410**	-604
Other financial income and expenses including:		
Foreign exchange gains	**47**	343
Foreign exchange losses	**-183**	-446
Foreign exchange gains and losses total	**-136**	-103

8. Income taxes

EUR 1,000	**2019**	2018
Income taxes from business operations	**-240**	-99
Withholding taxes paid abroad	**-2,887**	-3,893
Change in withholding tax accrual	**-125**	70
Income taxes total	**-3,252**	-3,923

The company has not deducted research and development costs amounting to EUR 71,282 (71,282) thousand in its taxation. The amount can be deducted over an indefinite period with amounts that the company may freely decide. The company had tax losses at the end of 2019 EUR 2,391 thousand (0 thousand). Other deductible temporary differences amount to EUR 2 462 (2,418) thousand. No deferred tax assets have been recognised on these capitalisations because of the uncertainty about utilising them.

9. Intangible assets

Intangible assets 2019

EUR 1,000	**Intangible rights**	**Total**
Acquisition cost 1 Jan	6,146	**6,146**
Acquisition cost 31 Dec	**6,146**	**6,146**
Accumulated amortisation 1 Jan	-5,953	**-5,953**
Amortisation during the period	-164	**-164**
Accumulated amortisation 31 Dec	**-6,116**	**-6,116**
Book value 31 Dec, 2019	**30**	**30**

Intangible assets 2018

EUR 1,000	Intangible rights	Total
Acquisition cost 1 Jan	6,146	6,146
Acquisition cost 31 Dec	6,146	6,146
Accumulated amortisation 1 Jan	-5,914	-5,914
Amortisation during the period	-39	-39
Accumulated amortisation 31 Dec	-5,953	-5,953
Book value 31 Dec, 2018	194	194

10. Tangible assets

Tangible assets 2019

EUR 1,000	**Land areas**	***) Buildings**	**Machinery and equipment**	**Total**
Acquisition cost 1 Jan	739	6,045	5,416	**12,200**
Acquisition cost 31 Dec	**739**	**6,045**	**5,416**	**12,200**
Accumulated depreciation 1 Jan		-5,787	-5,318	**-11,105**
Depreciation during the period	-739	-259	-95	**-353**
Accumulated depreciation 31 Dec	**-739**	**-6,045**	**-5,413**	**-11,458**
Book value 31 Dec, 2019			**3**	**3**

Tangible assets 2018

EUR 1,000	Land areas	Buildings	Machinery and equipment	Total
Acquisition cost 1 Jan	739	6,045	5,416	12,200
Acquisition cost 31 Dec	739	6,045	5,416	12,200
Accumulated depreciation 1 Jan		-5,676	-5,229	-10,905
Depreciation during the period		-111	-89	-200
Accumulated depreciation 31 Dec		-5,787	-5,318	-11,105
Book value 31 Dec, 2018	739	259	98	1,095

11. Investments

Investments 2019

EUR 1,000	**Shares in Group companies**	**Other investments in group companies**	**Total**
Acquisition cost 1 Jan	8,794		8,794
Reclassifications between items			
Acquisition cost 31 Dec	8,794		8,794
Book value 31 Dec, 2019	**8,794**		**8,794**

Investments 2018

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	-31	-299	-330
Additions			
Acquisition cost 31 Dec	8,794		8,794
Book value 31 Dec, 2018	8,794		8,794

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 Sistemas de Telecommunicacao Ltda	Sao Paulo, Brazil	100	902
Tecnotree (M) Sdn Bhd	Kuala Lumpur, Malaysia	100	42
Tecnotree France SARL	Paris, France	100	1
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			8,794

12. Inventories

EUR 1,000	2019	2018
Materials and consumables		126
Inventories total		126

During the period the change in inventories value amounted to EUR -126 (-335) thousand.

13. Non-current receivables

EUR 1,000	2019	2018
Rent guarantees	**46**	29
Pledged cash deposits	**212**	16
Non-current receivables total	**258**	45

14. Current receivables

EUR 1,000	2019	2018
External trade receivables	**6,494**	6,614
Other receivables based on delivery agreements	**1,850**	1,149
Other receivables related to delivety agreements	**8,344**	7,763
Current prepaid expenses and accrued income	**381**	746
Other current receivables	**522**	391
Current receivables total	**9,247**	8,899
Receivables from the Group companies:		
Trade receivables	**13,216**	5,259
Other receivables	**839**	1,058
Total	**14,055**	6,317
Current receivables total	**23,302**	15,216
Major items included in prepaid expenses and accrued income		
VAT receivables		96
Advance payments to vendors	**379**	310
Other prepaid expenses and accrued income	**2**	339
Total	**381**	746

15. Cash and cash equivalents

EUR 1,000	**2019**	2018
Cash in hand and at bank	**316**	868
Cash and cash equivalents total	**316**	868

16. Shareholders' equity

EUR 1,000	2019	2018
Share capital 1 Jan	**1,346**	1,346
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	**2,090**	
Covering of loss	**2,909**	2,090
Invested unrestricted equity reserve 31 Dec	**4,999**	2,090
Retained earnings 1 Jan	**-11,981**	-5,260
Change in accounting principles		118
Retained earnings 31 Dec	**-11,981**	-5,141
Result for the period	**6,017**	-6,839
Unrestricted equity total	**-965**	-9,891
Total shareholders' equity	**1,228**	-7,698

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 2019 the company's shareholders' equity was EUR 1,228 million (EUR 7,698 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 2019 nor at the end of 2018. After the reporting date the Board of Directors has proposed that no dividend be paid for the financial year ended 31 December 2019, and that the company’s profit for the financial year, EUR 6,017 thousand, be placed in retained earnings.

17. Provisions

1 000 €	2019	2018
Other statutory provisions		315
Other statutory provisions total		315

In year 2019 there was no other statutory provisions. Provision for 2018 included a provision of EUR 315 thousand due to personnel reductions in Finland.

18. Non-current and current liabilities

EUR 1,000	2019	2018
Non-current liabilities		
Restructuring debts from the main creditor, interest-bearing	**13,264**	12,142
Loans from Group companies	**34**	34
Restructuring debts from the main creditor, non-interest bearing	**3,455**	3,725
Other restructuring debts, non-interest bearing		1,109
Termination benefits	**188**	194
Non-current liabilities total	**16,941**	17,204
Current liabilities		
Loans from the main creditor, interest bearing	**465**	4,465
Loans from the main creditor, non-interest bearing	**1,109**	272
Other restruturing debt, non-interest bearing	**272**	444
Trade payables	**679**	1,395
Accrued liabilities and deferred income	**4,060**	2,790
Other liabilities	**52**	603
Total	**6,636**	9,969
Liabilities from Group companies:		
Trade payables	**7,465**	6,328
Other liabilities	**91**	220
Total	**7,556**	6,548
Current liabilities total	**14,193**	16,517
Major items included in accrued liabilities and deferred income		
Other accrued personnel expenses	**1,788**	728
Withholding tax accrual (note 8)	**1,198**	980
Accrued agent fees	**667**	301
Other accruals related to customer contracts	**152**	433
Other accrued liabilities and deferred income	**256**	348
Total	**4,060**	2,790

At the end of the financial period, the company had a payment programme related long-term interest bearing debt EUR 13.3 million (12.1), EUR 0.5 (4.5) million short-term interest bearing liabilities, EUR 3.5 (3.7) million long-term non-interest bearing debt and EUR 1.1 million (0.3) short-term non-interest bearing debt to the main creditor. Total debt to the main creditor was EUR 18.6 million.

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	2019	2018
Ordinary restructuring debts from the main creditor, interest-free	**1,109**	1,552
Ordinary restructuring debts, interest-free	**3,725**	3,997
Guaranteed restructuring debts from the main creditor, interest bearing	**7,242**	9,654
Corporate mortgage debts from the main creditor, interest bearing	**6,487**	6,952
Restructuring debt total	**18,563**	22,156

19. Contingent liabilities

EUR 1,000	2019	2018
On own behalf		
Real estate mortgages		4,400
Corporate mortgages	**45,336**	45,336
Total	**45,336**	49,736
Other liabilities		
With due date in the next financial year	**100**	76
Total	**100**	76
Total contingent liabilities	**45,436**	49,812

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 programme of the company.

The Company has followed the provisions of the payment programme and has paid the payments to the creditors as stated in the payment programme.

The total amount of the restructuring debts taken into account in the payment programme was approximately 73.9 million euros. The amount of intragroup restructuring debts that was fully cut was approximately 36.7 million euros. The amount of normal unsecured restructuring debts was approximately 13.2 million euros that was cut off by 50 percent. 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.

On December 31, 2019, balance of the secured restructuring debts was 13.7 million euros and normal unsecured restructuring debts was 4.8 million euros. Payments under the payment programme 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 programme. No supplementary payments have fallen due.

As per the restructuring programme, Tecnotree Oyj has sold its real estate used as its office premises. The sale price was paid to the collateral holder Viking Acquisition Corp. 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 programme and gives reports to the creditors.

Restructuring debt by category

EUR 1,000	2019	2018
Restructuring debt		
Ordinary restructuring debts, interest-free	**1,109**	1,552
Ordinary restructuring debts from the main creditor, interest-free	**3,725**	3,997
Guaranteed restructuring debts from the main creditor, interest bearing	**7,242**	9,654
Corporate mortgage debts from the main creditor, interest bearing	**6,487**	6,952
Restructuring debt total	**18,563**	22,156

Current and non-current restructuring debt

EUR 1,000	2019	2018
Current interest-bearing liabilities, debt restructuring	**465**	4,465
Current non interest-bearing liabilities, debt restructuring	**1,380**	716
Non-current interest-bearing liabilities, debt restructuring	**13,264**	12,142
Non-current non interest-bearing liabilities, debt restructuring	**3,454**	4,834
Restructuring debt total	**18,563**	22,156

21. Events after the end of period

25.2.2020 Tecnotree announced that MTN Group Selects Tecnotree as the strategic partner for Digital Transformation of their operations across Middle East and Africa

27.2.2020 Tecnotree announced a total of 14,500,000 new shares (the “New Shares”) issued in Tecnotree Corporation’s (the “Company”) share issue to the Company itself without consideration have been registered with the Trade Register on February 27, 2020. Following the registration of the New Shares, the total number of the Company’s shares is 262,128,428 shares, of which 14,500,000 shares in total are held by the Company.

11.3.2020 Tecnotree announced a total 12,500,000 new shares (the “New Shares”) issued in Tecnotree Plc's (the “Company”) has offered against payment to the CEO of the Company have been registered with the Trade Register on March 11, 2020.The subscription price, EUR 125,000, will be recorded in full in the reserve of invested unrestricted equity. The subscribed new shares will carry out full shareholders rights as of the entry into the Trade Register. Following the registration of the New Shares, the total number of the Company’s shares is 274,628,428 shares.

11.3.2020 Tecnotree announced that the Board of Directors of Tecnotree Plc has on February 27th, 2020 decided on a directed share issue, by authorization of the General Meeting of Shareholders on May 15th, 2019 for the purpose of implementation of the incentive and commitment program directed to the key personnel of the Group. In the share issue, Tecnotree Plc has on March 11th, 2020 transferred without consideration a total of 1,740,832 of the company's own shares to the key employees participating in the program in accordance with the terms and conditions of the program. More detailed information about launch the terms and conditions of the program is available in a stock exchange release published on 31 October 2019. Following the transfer, Tecnotree Plc holds a total of 12,759,168 of its own shares.

19.3.2020 Tecnotree announced that Viking Acquisition Corporation has filed a claim before the District Court of Länsi-Uusimaa to nullify certain resolutions of Tecnotree’s board from 2018 and 2019 that approved the previously announced investments of Fitzroy Investments Limited and Luminos Sun Holding Limited into Tecnotree. Viking Acquisition Corporation has also filed a claim for damages against the previous and current board of directors of Tecnotree.

Tecnotree firmly believes that the claims do not hold any merit and will take all necessary measures to contest the claims. Additionally, Tecnotree has received a non-binding offer from Viking Acquisition Corporation for the purchase of Tecnotree’s certain operational assets. The offer has been rejected by Tecnotree’s Board as it is not in line with the strategy of the Company and not in the best interests of Tecnotree or the shareholders of Tecnotree.

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

Espoo, 23.March 2020

Padma Ravichander
CEO

Neil Macleod Chairman of the Board	Jyoti Desai Vice Chairman of the Board
Conrad Neil Phoenix	Kaj Hagros
Anders Fornander	

The Auditor's note

A report on the audit performed has been issued today.

Helsinki, 13.March 2020

Tietotili Audit Oy, Authorised Public Accountants

Urpo Salo
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, 2019. 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.

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.

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
Revenue recognition principles, valuation of receivables and intangible assets (Accounting principles and notes 2, 8, 12, 17 and 23 for the consolidated financial statements)	
— Appropriate revenue recognition requires accurate and timely measurement of different stages of each project to ensure correct revenue recognition	— Substantive testing measures on the material concerning turnover. Review of the Group’s processes concerning sales and project monitoring. Revenue recognition principles were assessed regarding applicable IFRS principles
— Significant amount of the Group’s turnover accrues from countries which are developing and politically unstable. The two largest customers accounted for 80 % of the turnover for year 2019 and 82 % of the total amount of sales receivables at the end of the financial period	— We have carried out procedures concerning accuracy of the revenue recognition and correctness of the revenue accrual. We have reviewed the Group’s process concerning evaluation and monitoring of the sales receivables. We have analysed the estimates and expectations of the Group concerning credit loss recognition
— The Group’s other intangible assets accounted for 8 % of the Group’s assets and 44 % of the Group’s long-term assets	— We analysed the correctness of the valuation in the balance sheet and consistency and nature of the costs recognized in the amount. We have analysed the consistency in relation to applicable IFRS principles
— The Group's trade receivables and other assets comprise 46 % of the total assets of the Group. These assets involve a valuation risk	— We analysed the Group’s estimates and expectations concerning measurement of credit losses and related available historical information of the Group concerning previous years. We have evalued the consistency of the sales receivables

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 31.12.2019.

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 knowlegde 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, 13.March 2020

Tietotili Audit Oy, Authorised Public Accountants

Urpo Salo
Authorised Public Accountant, KHT