

Tecnotree

Empowering Digitally
Connected Communities

Short Report
Q3 2020

1.1.2020 – 30.9.2020



TECNOTREE CORPORATION SHORT REPORT

1 JAN – 30 SEP 2020 (UNAUDITED)

Tecnotree is the only 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. Tecnotree products and platforms service over 800 million subscribers worldwide.

A ROBUST THIRD QUARTER RESULT

KEY FIGURES	7-9/ 2020	7-9/ 2019	1-9/ 2020	1-9/ 2019	1-12/ 2019
Net sales, MEUR	14.7	12.4	38.6	32.9	47.0
Adjusted operating result, MEUR ¹	6.9	4.3	15.0	8.9	13.0
Operating result, MEUR	6.9	4.3	14.3	10.3	14.4
Result before taxes, MEUR	5.4	3.6	11.7	8.4	11.8
Adjusted result for the period, MEUR ²	4.4	2.1	9.9	3.5	6.3
Result for the period, MEUR	4.4	2.1	9.3	4.9	7.7
Earnings per share, basic, EUR	0.02	0.01	0.03	0.02	0.03
Order book, MEUR			26.7	26.3	25.5
Cash flow after investments, MEUR	1.2	2.1	4.7	1.4	0.1
Change in cash and cash equivalents, MEUR	1.1	2.1	3.5	1.3	-0.8
Cash and cash equivalents, MEUR			6.8	5.4	3.4
Equity ratio %			33.6	3.6	9.9
Net gearing %			43.5	702.6	292.2
Personnel at end of period			653	586	600

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

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

Significant transactions that are not part of the normal course of business, infrequently occurring events or valuation items that do not affect cash flow are treated as adjustment items affecting comparability between reporting periods. According to Tecnotree's definition, such items include, for example, impairment of assets and the re-measurement to fair value, sale of assets, costs of closing down offices, restructuring measure and personnel related redundancy costs.

With reference to the new guidelines on alternative performance measures issued by the European Securities and Markets Authority (ESMA), Tecnotree uses the alternative

performance measures “adjusted operating result” and “adjusted result for the period”. These measures are defined in the footnote to the above table, and in the table “Income statement, Key figures” under the section “Result analysis”.

Unless otherwise stated, all figures presented below are for the review period 1-9/2020 and the figures for comparison are for the corresponding period 1-9/2019.

CEO Padma Ravichander: Continued positive growth and an improved EBIT

Tecnotree delivered a strong result for the third quarter. We continued strengthening our market position, especially in the Middle-east Africa region, and increased both revenue and profitability compared to previous quarter and the same quarter last year. Tecnotree Digital BSS suite 5 product offering and the company’s vast experience in driving digital transformation continue to generate interests in the Telecom industry markets, where digitalization has become a necessity to compete and survive in the post Covid-19 era.

Revenue

The revenue in the third quarter was EUR 14.7 million being 18% higher than the same quarter last year. The revenue in the first nine months was EUR 38.6 million being 17% higher than last year. The growth in revenue came from Middle-East and Africa region, that constituted 75% of the total revenue, and was 39% higher compared to last year.

Profitability

The profitability in the third quarter was again record high with operating margin (EBIT) of 47% leading to EUR 6.9 million operating result. The adjusted operating margin in the first nine months was EUR 15.0 million with 39% margin compared to EUR 8.9 million with 27% margin last year. Net profit in the first nine months was EUR 9.3 million compared to EUR 4.9 million last year. Earnings per share (EPS) in the first nine months was 0.03 euros compared to 0.02 euros and equity per share was 0.06 euros compared 0.01 euros last year.

Financial situation

The net cash flow after investments in the third quarter was EUR 1.2 million positive and in the first nine months EUR 4.7 million positive. Cash and cash equivalents in the end of September was EUR 6.8 million. Liquidity wise the company is well-positioned to meet its operating expense, investment and debt repayment requirements.

Other business updates

Tecnotree continues robust growth in 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 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

SALES AND NET SALES

Net sales for January-September were EUR 38.6 (32.9) million and included EUR negative 0.4 million currency exchange losses (-0.3). In the MEA & APAC market net sales were EUR 11.0 million higher and in the Europe & Americas marked EUR 2.3 million lower than in the comparative period.

SPECIFICATION OF NET SALES, MEUR	7-9/ 2020	7-9/ 2019	1-9/ 2020	1-9/ 2019	1-12/ 2019
Revenue from maintenance and support (IFRS 15)	5.7	8.1	19.4	21.9	29.2
Revenue from goods and services (IFRS 15)	9.2	4.5	19.6	11.3	17.9
Currency exchange gains and losses	-0.3	-0.2	-0.4	-0.3	-0.2
TOTAL	14.7	12.4	38.6	32.9	47.0

NET SALES BY MARKET AREA, MEUR	7-9/ 2020	7-9/ 2019	1-9/ 2020	1-9/ 2019	1-12/ 2019
Europe & Americas	1.7	4.3	7.6	10.9	14.9
MEA & APAC	12.9	8.1	31.0	22.0	32.1
TOTAL	14.7	12.4	38.6	32.9	47.0

CONSOLIDATED ORDER BOOK, MEUR	30.9. 2020	30.9. 2019	31.12. 2019
Europe & Americas	5.0	5.6	5.6
MEA & APAC	21.7	20.6	19.9
TOTAL	26.7	26.3	25.5

RESULT ANALYSIS

Tecnotree's net sales for the financial period were EUR 38.6 (32.9). The adjusted operating result was 15.0 (8.9) million and the operating result EUR 14.3 (10.3) million. The adjusted result for the period was EUR 9.9 million (3.5) and the result for the financial period was EUR 9.3 million (4.9).

Tecnotree's third quarter net sales were EUR 14.7 (12.4) million. The adjusted operating result was 6.9 (4.3) million and the operating result EUR 6.9 (4.3) million. The adjusted result was EUR 4.4 (2.1) and the result for the third quarter was EUR 4.4 million (2.1).

Financial items without currency differences for the financial period were EUR -0.3 (-0.4) million and in the third quarter EUR -0.1 (-0.1) million. Exchange rate differences for the financial period were EUR -2.3 (-1.5) million and in the third quarter EUR -1.4 (-0.5) 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 below.

Capitalized product development expenses during the period were EUR 2.7 (2.1) million and EUR 0.8 (0.7) million in the third quarter. Amortizations on capitalized development costs during the period were EUR 0.8 (0.0) million and EUR 0.3 (0.0) million in the third quarter.

Tecnotree reports its result as follows:

INCOME STATEMENT, KEY FIGURES, MEUR	7-9/ 2020	7-9/ 2019	1-9/ 2020	1-9/ 2019	1-12/ 2019
Net sales	14.7	12.4	38.6	32.9	47.0
Other operating income	0.4	0.0	0.9	1.6	0.2
Operating costs excluding one-time costs	-8.2	-8.1	-24.6	-25.6	-34.3
Adjusted operating result	6.9	4.3	15.0	8.9	13.0
One-time costs-/income+	0.0	0.0	-0.7	1.4	1.4
OPERATING RESULT	6.9	4.3	14.3	10.3	14.4
Financial items without currency differences	-0.1	-0.1	-0.3	-0.4	-0.3
Exchange rate gains and losses in financial items	-1.4	-0.5	-2.3	-1.5	-2.3
Income taxes	-0.9	-1.5	-2.5	-3.5	-4.0
Adjusted result for the period	4.4	2.1	9.9	3.5	6.3
One-time costs	0.0	0.0	-0.7	1.4	1.4
RESULT FOR THE PERIOD	4.4	2.1	9.3	4.9	7.7

Financial income and expenses during the review period totalled a net loss of EUR 2.6 million (net loss of EUR 1.9 million), including following items:

FINANCIAL INCOME AND EXPENSES, MEUR	7-9/ 2020	7-9/ 2019	1-9/ 2020	1-9/ 2019	1-12/ 2019
Interest income	0.1	0.0	0.2	0.1	0.3
Exchange rate gains	0.6	0.1	2.4	0.1	0.2
Other financial income	0.0	0.0	0.0	0.0	0.0
FINANCIAL INCOME, TOTAL	0.7	0.1	2.6	0.2	0.5
Interest expenses	-0.1	-0.1	-0.4	-0.5	-0.6
Exchange rate losses	-2.0	-0.6	-4.7	-1.6	-2.4
Other financial expenses	-0.0	-0.0	-0.1	-0.0	-0.1
FINANCIAL EXPENSES, TOTAL	-2.2	-0.7	-5.1	-2.1	-3.1
FINANCIAL ITEMS, TOTAL	-1.5	-0.7	-2.6	-1.9	-2.6

Taxes for the financial period totalled EUR 2.5 (3.5) million, including following items:

TAXES IN INCOME STATEMENT, MEUR	7-9/ 2020	7-9/ 2019	1-9/ 2020	1-9/ 2019	1-12/ 2019
Withholding taxes paid abroad	-0.8	-0.9	-1.9	-2.4	-2.9
Change in withholding tax accrual	0.0	-0.1	0.1	-0.3	-0.4
Income taxes on the results of Group companies	-0.1	-0.2	-0.3	-0.4	-0.3
Change in deferred tax asset in India	-0.1	-0.3	-0.4	-0.4	-0.4
TAXES IN INCOME STATEMENT, TOTAL	-0.9	-1.5	-2.5	-3.5	-4.0

Company's equity ratio at the end of the financial period was 33.3 % (3.6 %) and equity per share EUR 0.06 (0.01). Earnings per share in the financial period were EUR 0.03 (0.02).

PERSONNEL

At the end of September 2020 Tecnotree employed 653 (586) persons, of which 39 (38) worked in Finland and 614 (548) elsewhere. The company employed on an average 629 (532) people during the review period. Personnel by country were as follows:

PERSONNEL	1-9/2020	1-9/2019	1-12/2019
Personnel, at end of period	653	586	600
Finland	39	38	40
Brazil	9	10	9
Argentina	39	42	41
India	442	390	412
United Arab Emirates	16	16	13
Other countries	108	90	85
Personnel, average	629	532	554
Personnel expenses (MEUR)	-13.2	-11.4	-16.0

EVENTS AFTER THE END OF THE PERIOD

No significant events after the period

PROSPECTS IN 2020

We are witnessing encouraging interest in our digital BSS 5 product suite, however, we are sensitive to the risks associated with the Covid-19 and its potential economic impact and therefore would refrain from giving a guidance at this time. We will focus on delivering high quality products on time to our customers, while being vigilant on cash collection and controlling operating expenses globally.

TECNOTREE CORPORATION

Board of Directors

Further information

Padma Ravichander, CEO, tel +97 156 414 1420

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TABLE SECTION (UNAUDITED)

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

CONSOLIDATED INCOME STATEMENT, MEUR	7-9/ 2020	7-9/ 2019	1-9/ 2020	1-9/ 2019	1-12/ 2019
NET SALES	14.7	12.4	38.6	32.9	47.0
Other operating income	0.4	0.0	0.9	1.6	1.6
Materials and services	-0.9	-0.4	-1.9	-1.4	-2.0
Employee benefit expenses	-4.4	-2.9	-13.2	-11.4	-16.0
Depreciation, amortisation and impairment charges	-0.5	-0.3	-1.4	-0.8	-1.0
Other operating expenses	-2.4	-4.7	-8.7	-10.6	-15.2
OPERATING RESULT	6.9	4.3	14.3	10.3	14.4
Financial income	0.7	0.1	2.6	0.2	0.5
Financial expenses	-2.2	-0.7	-5.1	-2.1	-3.1
RESULT BEFORE TAXES	5.4	3.6	11.7	8.4	11.8
Income taxes	-0.9	-1.5	-2.5	-3.5	-4.0
RESULT FOR THE PERIOD	4.4	2.1	9.3	4.9	7.7
Allocated to:					
Equity holders of parent company	4.4	2.1	9.3	4.9	7.7
Non-controlling interest	-0.0	-0.0	0.0	-0.0	-0.0
EPS calculated on the profit attributable to equity holders of parent company:					
Earnings per share, basic, EUR	0.02	0.01	0.03	0.02	0.03
Earnings per share, diluted, EUR	0.02	0.01	0.03	0.02	0.03

CONSOLIDATED BALANCE SHEET	30.9.2020	30.9.2019	31.12.2019
Assets			
Other intangible assets	4.9	2.2	3.0
Tangible assets	0.1	0.3	0.2
Deferred tax assets	0.5	0.6	0.6
Other non-current trade and other receivables	1.0	0.7	0.8
Right-of-use assets	1.6	2.1	2.2
Current assets			
Inventories	-0.0	0.1	0.0
Trade receivables	11.3	10.5	15.2
Other receivables	20.7	13.6	11.5
Cash and cash equivalents	6.8	5.4	3.4
TOTAL ASSETS	46.9	35.4	36.8
Shareholders' equity	15.8	1.3	3.6
Non-current liabilities			

Non-current interest-bearing liabilities	13.0	13.8	13.5
Other non-current liabilities	6.5	7.8	6.8
Lease liability (non-current)	0.9	1.5	1.5
Current liabilities			
Current interest-bearing liabilities	0.7	0.6	0.5
Lease liability (current)	0.7	0.6	0.7
Trade payables and other liabilities	9.3	9.9	10.2
EQUITY AND LIABILITIES, TOTAL	46.9	35.4	36.8

CONSOLIDATED CONDENSED CASH FLOW STATEMENT, MEUR	7-9/ 2020	7-9/ 2019	1-9/ 2020	1-9/ 2019	1-12/ 2019
Cash flow from operating activities					
Result for the period	4.4	2.1	9.3	4.9	7.7
Adjustments of the result	2.8	3.4	10.4	5.5	5.3
Changes in working capital	-3.3	-1.0	-6.7	-4.2	-6.4
Financial income and expenses	-1.1	0.9	-3.0	-1.9	-1.6
Income taxes paid	-0.8	-1.3	-2.6	-3.2	-3.8
Net cash flow from operating activities	2.0	4.2	7.4	1.1	1.1
Cash flow from investing activities					
Investments in tangible and intangible assets	-0.8	-2.1	-2.7	-2.1	-3.4
Proceeds from disposal of intangible and tangible assets	0.0	0.0	0.0	2.4	2.4
Net cash flow from investing activities	-0.8	-2.1	-2.7	0.3	-0.9
Cash flow from financing activities					
Repayments of borrowings	0.0	0.0	-0.9	-3.0	-3.6
Proceeds from share issue	0.0	0.0	0.1	2.9	2.9
Other financial costs	0.0	0.0	0.0	-0.0	-0.0
Net cash flow from financing activities	0.0	0.0	-0.8	-0.1	-0.7
Increase (+) and decrease (-) in cash and cash equivalents	1.2	2.1	3.9	1.3	-0.6
Cash and cash equivalents at beg. of period	5.8	3.3	3.4	4.2	4.2
Impact of changes in exchange rates	-0.2	-0.1	-0.4	-0.1	-0.2
Cash and cash equivalents at end of period	6.8	5.4	6.8	5.4	3.4

KEY FIGURES

CONSOLIDATED KEY FINANCIAL FIGURES	1-9/2020	1-9/2019	1-12/2019
Return on investment, %	95.4	107.4	105.4
Return on equity, %	127.3	-	-
Equity ratio, %	33.6	3.6	9.9
Net gearing, %	43.5	702.6	292.2
Investments, MEUR	2.7	0.3	3.4
% of net sales	7.0	0.8	7.1
Research and development, MEUR	3.0	2.3	3.3
% of net sales	7.9	7.1	7.0
Order book, MEUR	26.7	26.3	25.5
Personnel, average	629	532	554
Personnel, at end of period	653	586	600

CONSOLIDATED KEY FIGURES PER SHARE	1-9/2020	1-9/2019	1-12/2019
Earnings per share, basic, EUR	0.03	0.02	0.03
Earnings per share, diluted, EUR	0.03	0.02	0.03
Equity per share, EUR	0.06	0.01	0.01
Number of shares at end of period, x 1,000	274,628	247,628	247,628
Number of shares on average, x 1,000	268,848	231,314	235,295
Share price, EUR			
Average	0.26	0.07	0.09
Lowest	0.11	0.05	0.05
Highest	0.59	0.14	0.24
Share price at end of period, EUR	0.45	0.11	0.17
Market capitalisation of issued stock at end of period, MEUR	123.0	27.5	42.1
Share turnover, million shares	48.4	10.1	18.3
Share turnover, % of total	17.6	4.0	7.4
Share turnover, MEUR	14.7	0.9	2.1
Price/earnings ratio (P/E)	0.1	0.2	5.2

QUARTERLY KEY FIGURES	Q3/20	Q2/20	Q1/20	Q4/19	Q3/19	Q2/19	Q1/19
Net sales, MEUR	14.7	14.1	9.8	14.1	12.4	11.0	9.5
Net sales, change %	18.4	28.5	3.4	16.2	-0.1	12.0	25.9
Adjusted operating result ¹	6.9	5.8	2.3	4.1	4.3	3.6	1.0
% of net sales	46.8	41.5	23.0	28.7	34.6	33.2	10.2
Operating result, MEUR	6.9	6.3	1.1	4.1	4.3	3.6	2.4
% of net sales	46.8	44.7	11.6	28.7	34.6	33.2	25.1
Adjusted result for the period, MEUR ²	4.4	3.8	1.7	2.8	2.1	1.4	-0.1
Result for the period, MEUR	4.4	4.2	0.6	2.8	2.1	1.4	1.3
Personnel at end of period	653	622	616	600	586	515	529
Earnings per share, basic, EUR	0.02	0.02	0.00	0.01	0.01	0.01	0.01
Earnings per share, diluted, EUR	0.02	0.02	0.00	0.01	0.01	0.01	0.01
Equity per share, EUR	0.06	0.04	0.02	0.01	0.01	0.00	-0.01
Net interest-bearing liabilities, MEUR	6.9	7.9	9.4	10.6	9.0	11.0	10.7
Order book, MEUR	26.7	39.4	35.5	25.5	26.3	33.2	22.8

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

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

