

TECNOTREE

Powering the digital marketplace

Interim Report Q3 2015



TECNOTREE CORPORATION INTERIM REPORT 1 JAN – 30 SEPT 2015 (UNAUDITED)

29 October 2015 at 8:30 am

Tecnotree is a global supplier of telecom IT solutions, providing products and services for charging, billing, customer care, and messaging and content services. The company's product portfolio comprises virtually the full range of business management systems for telecom operators, with standard solutions for fixed networks, mobile services and broad band and for managing subscriptions, services and cash flows for prepaid and post-paid customers. Tecnotree has a strong footing especially in developing markets.

PROFITABILITY IMPROVED IN THE REVIEW PERIOD

Third quarter

- Third quarter net sales were EUR 17.7 (23.7) million.
- The operating result for the quarter was EUR 2.7 (4.7) million.
- The adjusted result for the quarter was EUR 0.0 (2.4) million and result EUR 1.9 (1.2) million.
- The order book at the end of the period stood at EUR 33.7 (31 December 2014: 38.9) million.
- Second quarter cash flow after investments was EUR -1.7 (-0.7) million.
- Earnings per share were EUR 0.02 (0.01).

Jan-Sept 2015

- Net sales for the review period were EUR 51.9 (49.8) million.
- The operating result was EUR 5.3 (-1.4) million.
- The adjusted result for the period was EUR -3.4 (-6.9) million and the result EUR -3.1 (-9.8) million.
- Cash flow after investments for the review period was EUR 1.9 (-4.5) million and the company's cash and cash equivalents were EUR 3.2 (31 December 2014: 2.5) million.
- Earnings per share were EUR -0.03 (-0.08).

KEY FIGURES	7-9/ 2015	7-9/ 2014	1-9/ 2015	1-9/ 2014	1-12/ 2014
Net sales, MEUR	17.7	23.7	51.9	49.8	74.0
Adjusted operating result, MEUR ¹	2.7	4.7	5.6	-1.4	3.7
Operating result, MEUR	2.7	4.7	5.3	-1.4	3.3
Result before taxes, MEUR	3.8	2.8	2.4	-6.4	-2.4
Adjusted result for the period, MEUR ²	0.0	2.4	-3.4	-6.9	-6.4
Result for the period, MEUR	1.9	1.2	-3.1	-9.8	-9.3
Earnings per share, basic, EUR	0.02	0.01	-0.03	-0.08	-0.08
Order book, MEUR			33.7	52.7	38.9
Cash flow after investments, MEUR	-1.7	-0.7	1.9	-4.5	-1.8
Change in cash and cash equivalents, MEUR	-2.3	-1.3	0.7	-4.7	-4.2
Cash and cash equivalents, MEUR			3.2	2.0	2.5
Equity ratio %			18.8	20.8	22.5
Net gearing %			204.7	196.0	172.7
Personnel at end of period			932	1,059	993

¹ Adjusted operating result = operating result before one-time costs. Details of these are given in the section "Result analysis".

² Adjusted result for the period = result for the period without exchange rate gains and losses that are included in financial items and mainly arise on receivables due to subsidiaries from the parent company.

Unless otherwise stated, all figures presented below are for the review period 1-9/2015 and the figures for comparison are for the corresponding period 1-9/2014.

CEO Ilkka Raiskinen:

"The year is going according to plan

Developments in profitability have been encouraging. Compared to the previous year sales have clearly focused more on Tecnotree's own products – one particular aspect worth mentioning is that hardware deliveries were significantly down on the previous year. Net sales no longer include income recognised from two projects in Latin America begun in 2012 that originally had a total value of USD 54.7 million. As a result, profitability has improved.

Cash flow from operations in the nine month period was positive but in the third quarter was negative, mainly due to seasonal fluctuation, and cash flow remains one of the biggest challenges facing the company. Development of operations continues, and this will also improve the cash flow.

We expect to complete the corporate restructuring proceedings during the fourth quarter, which will clarify the company's situation. "

SALES AND NET SALES

Tecnotree's net sales for the review period were EUR 51.9 (49.8) million, 4.2 per cent higher than a year ago. Net sales in the first half of 2014 were low because some of the orders expected in the second quarter were delayed until the second half of the year. This meant that net sales in the third and fourth quarters of 2014 were high. Net sales in the review period included EUR 1.8 million positive in currency exchange gains arising mainly from the strengthening of the US dollar against the euro.

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

SPECIFICATION OF NET SALES, MEUR	7-9/ 2015	7-9/ 2014	1-9/ 2015	1-9/ 2014	1-12/ 2014
Revenue from contract work recognised by stage of completion (IAS 11)	4.7	8.3	15.8	18.2	27.7
Revenue from maintenance and support (IAS 18)	7.6	8.6	23.1	20.0	27.4
Revenue from goods and services (AS 18)	5.5	5.3	11.1	10.3	16.5
Currency exchange gains and losses	-0.1	1.5	1.8	1.4	2.4
TOTAL	17.7	23.7	51.9	49.8	74.0

NET SALES BY MARKET AREA, MEUR	7-9/ 2015	7-9/ 2014	1-9/ 2015	1-9/ 2014	1-12/ 2014
Europe & Americas	8.3	14.3	25.2	27.5	42.0
MEA & APAC	9.4	9.3	26.6	22.3	32.0
TOTAL	17.7	23.7	51.9	49.8	74.0

CONSOLIDATED ORDER BOOK, MEUR	30.9. 2015	30.9. 2014	31.12. 2014
Europe & Americas	8.2	25.0	5.2
MEA & APAC	25.4	27.7	33.7
TOTAL	33.7	52.7	38.9

The order book in the MEA & APAC area remained at a good level but in the Europe & Americas area it was EUR 16.8 million less than in the previous year. One factor in this was that in January 2015 the company reached agreement with a group of operators in Latin America on splitting a USD 30.5 million contract announced on 20 December 2011 into two delivery projects. The first of these has been completed and it is planned to carry out the second at a later date, so the part of the original project relating to this latter project, EUR 13.5 million, was deducted from the order book at the end of 2014. The second project will be processed as a new project in the order book when agreement has been reached on it. In consequence of this, the order book increasingly comprises short-term projects that do not tie up so much working capital.

RESULT ANALYSIS

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

Tecnotree reports its result as follows:

INCOME STATEMENT, KEY FIGURES, MEUR	7-9/ 2015	7-9/ 2014	1-9/ 2015	1-9/ 2014	1-12/ 2014
Net sales	17.7	23.7	51.9	49.8	74.0
Other operating income	0.0	0.0	0.1	0.1	0.1
Operating costs excluding one-time costs	-15.0	-19.0	-46.4	-51.3	-70.4
Adjusted operating result	2.7	4.7	5.6	-1.4	3.7
One-time costs			-0.3		-0.4
OPERATING RESULT	2.7	4.7	5.3	-1.4	3.3
Financial items without foreign currency differen	-0.9	-0.7	-3.2	-2.1	-2.8
Income taxes	-1.8	-1.6	-5.4	-3.4	-6.9
Adjusted result for the period	0.0	2.4	-3.4	-6.9	-6.4
Foreign currency differences included in financial items	2.0	-1.2	0.3	-2.9	-2.9
RESULT FOR THE PERIOD	1.9	1.2	-3.1	-9.8	-9.3

The impact of the restructuring proceedings currently in process at Tecnotree Corporation has not been recorded separately in the interim financial statements for the review period. Their impact will be determined after the court has examined the restructuring program that is being drafted. The administrator in respect of the restructuring proceedings has to draw up and deliver their restructuring program proposal to the district court of Espoo by 31 December 2015. More details are given below in the section "Restructuring proceedings".

The costs for the review period include one-time costs of EUR 0.3 million arising from redundancies.

Tecnotree's net sales for the review period increased 4.2 per cent to EUR 51.9 (49.8) million. Net sales in the first half of 2014 were low because some of the orders expected in the second quarter were delayed until the second half of the year. This meant that net sales in the third and fourth quarters were high.

Tecnotree's costs for materials and services were down EUR 4.0 million. One factor in this was that deliveries included fewer products from external suppliers, in particular hardware.

Exchange rates had a significant impact on the result for the period. Net sales included EUR 1.8 million in positive foreign currency differences, which were mainly due to the strengthening of the US dollar against the euro. Costs for subsidiaries in the consolidated income statement rose EUR 2.0 million from the period for comparison because of the strengthening of the subsidiary company currencies.

Positive foreign currency differences of EUR 0.3 million were recorded in financial items. These are mainly due to the impact of intra-group balance sheet items, when for example a subsidiary records an exchange rate gain or loss on a euro denominated receivable from the parent company. These intra-group items are large, so exchange rates have a significant impact. In the first quarter negative exchange rate differences of EUR 2.9 million were recorded, but in the second and third quarter positive exchange rate differences of EUR 1.2 million and EUR 2.0 million were recorded. It is important to examine Tecnotree's operative result without the impact of exchange rates, which is why this is shown separately in the table above. It has no direct impact on the Group's cash flow.

Exchange rates also have a direct impact on shareholders' equity in terms of translation differences arising from foreign companies, which totalled EUR 0.1 million positive in the review period.

Financial income and expenses (net) during the review period totalled a net loss of EUR 2.9 million (net loss of EUR 5.0 million). Here is a breakdown of these:

	7-9/ 2015	7-9/ 2014	1-9/ 2015	1-9/ 2014	1-12/ 2014
FINANCIAL INCOME AND EXPENSES, MEUR					
Interest income	-0.0	0.0	0.0	0.0	0.0
Exchange rate gains	2.1	0.0	0.8	0.2	0.3
Other financial income	0.1	0.0	0.1	0.0	0.1
FINANCIAL INCOME, TOTAL	2.1	0.1	0.9	0.2	0.4
Interest expenses	-0.5	-0.9	-1.4	-1.8	-2.4
Exchange rate losses	-0.1	-1.2	-0.5	-3.1	-3.1
Other financial expenses	-0.5	0.2	-1.9	-0.3	-0.5
FINANCIAL EXPENSES, TOTAL	-1.1	-1.9	-3.8	-5.2	-6.0
FINANCIAL ITEMS, TOTAL	1.0	-1.9	-2.9	-5.0	-5.7

Other financial expenses, that is excluding interest expenses and exchange rate losses, totalled EUR 1.9 million. EUR 1.4 million of this relates to the additional costs for using an exceptional procedure to repatriate funds from a country that has a lack of foreign currency.

Taxes for the period totalled EUR 5.4 (3.4) million, including the following items:

	7-9/ 2015	7-9/ 2014	1-9/ 2015	1-9/ 2014	1-12/ 2014
TAXES IN INCOME STATEMENT, MEUR					
Withholding tax expenses in parent company	-1.3	-0.7	-4.5	-2.2	-4.5
Change in withholding tax provision	0.0	-0.7	0.1	-0.7	-1.3
Income taxes on the results of Group companies	-0.2	-0.2	-0.9	-0.1	-0.3
Prior year taxes	-0.0	-0.0	-0.6	0.0	0.0
Change in deferred tax asset in India	-0.0	0.1	0.7	-0.9	-0.7
Change in deferred tax liability based on:					
- dividend tax in India	-0.3	-0.1	-0.3	0.3	-0.2
Other items		0.0		0.1	0.0
TAXES IN INCOME STATEMENT, TOTAL	-1.8	-1.6	-5.4	-3.4	-6.9

Earnings per share were EUR -0.03 (-0.08). Equity per share at the end of the period was EUR 0.11 (31 December 2014: EUR 0.14).

FINANCING, CASH FLOW AND BALANCE SHEET

The company's cash situation remained tight during the review period. This resulted in Tecnotree Corporation applying for debt restructuring proceedings in March. The Company's debts on 4 March 2015 will be dealt with in the restructuring proceedings and the court will make a decision about them.

Tecnotree's working capital decreased during the period by EUR 4.3 million:

CHANGE IN WORKING CAPITAL, MEUR (increase - / decrease +)	7-9/ 2015	7-9/ 2014	1-9/ 2015	1-9/ 2014	1-12/ 2014
Change in trade receivables	-4.0	2.9	2.6	4.4	1.5
Change in other receivables	2.4	-10.1	2.4	-11.2	-7.5
Change in inventories	-0.4	-0.8	-0.6	-1.2	0.1
Change in trade payables	0.3	3.8	0.7	6.4	5.0
Change in other liabilities	-0.1	1.4	-0.8	2.0	0.7
CHANGE IN WORKING CAPITAL, TOTAL	-1.7	-2.7	4.3	0.4	-0.3

Project revenue is recognised in other receivables. When the agreement allows the customer to be invoiced, the receivables are regrouped in trade receivables.

In other receivables in the company's balance sheet was EUR 13.7 million unbilled revenue from the remaining large project in Latin America.

Tecnotree's cash and cash equivalents totalled EUR 3.2 (31 December 2014: 2.5) million. Cash flow after investments for the review period ended up EUR 1.9 million positive. A particular factor in this was the decrease in receivables. The change in cash and cash equivalents for the review period was EUR 0.7 million positive. The company had no unused credit facilities at the end of the review period (31.12.2014: 0.0). After the debt restructuring proceedings began, the company's EUR 10 million working capital credit facility was frozen, and payments of EUR 0.7 million received from clients relating to pledged receivables are in a pledged blocked account.

During the second quarter, the bank granted a short-term loan of EUR 1.5 million, of which the company paid back EUR 1.0 million during the second quarter and EUR 0.5 million during the third quarter. In addition, the company received and paid back a loan of EUR 0.6 million during the third quarter.

The balance sheet total on 30 September 2015 stood at EUR 74.2 (31 December 2014: 75.0) million. Tecnotree's gross capital expenditure during the review period was EUR 0.5 (0.6) million or 1.0 per cent (1.3%) of net sales. Interest-bearing liabilities were EUR 31.8 (31 December 2014: 31.8) million. The net debt to equity ratio (net gearing) was 204.7 per cent (31 December 2014: 172.7 %) and the equity ratio was 18.8 per cent (31 December 2014: 22.5 %). During the period, total equity was affected by positive translation differences of EUR 0.1 million, mainly from Indian rupees (INR).

The financing agreement signed by Tecnotree with its bank in 2013 contains loan covenants. Tecnotree had discussions in May with its bank concerning the state of these covenants. The company estimated then that the figures for the covenants on 30 June 2015 would not all be at the level stipulated in the financing agreement. The company intended to reach agreement with the bank in the same way as in 2014, when the bank agreed that failure to achieve the figures stated in the covenants would not result in the consequences specified in the financing agreement, such as the obligation to repay the loans. In the discussions with the bank, however, it was recognised that there was no need for a separate agreement on this matter because of the restructuring proceeding currently in progress at Tecnotree Corporation.

The next significant test date for the covenants according to the agreement will be on 31 December 2015. According to the target covenants for the 31 December 2015 test date and calculations made as per 30 September 2015, all covenants except for interest coverage and equity ratio complied with the requirements of the financing agreement. A sensitivity analysis as of 30 September 2015 of the covenants is presented in the table below. Overdue trade receivables are tested monthly. The other covenants are tested at six month intervals by using

the last 12 months values. As a balance sheet item, equity ratio is calculated using the values on 30 September 2015.

COVENANT	Meeting /failing to meet covenant	Needed improvement or amount below /above limit
Interest coverage	Failed to meet	Needed improvement in operating result 5.4 MEUR
Leverage	Met	Operating result 0.4 MEUR above limit
Cash flow cover	Met	Cash flow after investments 2.0 MEUR above limit
Equity ratio	Failed to meet	Needed improvement in equity 15.7 MEUR
Capital expenditure	Met	Capital expenditure 0.9 MEUR below limit
Overdue trade receivables	Met	Overdue trade receivables 3.2 MEUR below limit

SHAREHOLDERS' EQUITY OF PARENT COMPANY

After the interim financial statements of Tecnotree Group for the first half of 2015 were completed, it was realised 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 delivered a statement concerning the matter to the Trade Register. The parent company's shareholders' equity was EUR 1.0 million negative on 30 September 2015 but the Group's shareholders' equity was EUR 14.0 million positive.

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 proposal for the restructuring program must be deposited by 31 December 2015. If the court approves the restructuring program for the company and the cutting of its debts, the shareholder equity of Tecnotree Corporation will improve.

BUSINESS DESCRIPTION

Tecnotree is a global supplier of telecom IT solutions, providing products, services and solutions for charging, billing, customer care, and messaging and content services. The company's product portfolio comprises virtually the full range of business management systems for telecom operators, with standard solutions for fixed networks, mobile services and broad band and for managing subscriptions, services and cash flows for prepaid and post-paid customers. Tecnotree's solutions enable communication service providers to expand their business by creating digital market places, individual service packages and personalised subscriptions, and increase added value throughout their customers' life cycles.

Tecnotree's business is based on system project sales, system maintenance and on customising, support and operating services. Tecnotree has a strong footing especially in developing markets such as Latin America, Africa and the Middle East.

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.

The operating segments have changed in 2015. The former segments Americas (North, Central and South America) and Europe have been combined to form a single segment called Europe & Americas, and the former segments MEA (Middle East and Africa) and APAC (Asia Pacific) have also been combined to form a single segment called MEA & APAC. The segment figures for the comparative period have been correspondingly adjusted. Net sales for the operating segments are presented based on the location of customers.

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

Operations in the market area developed positively. Although net sales declined 8.2 per cent from the previous year to EUR 25.2 (27.5) million, the gross margin on sales improved considerably. The sales structure focused more on Tecnotree's own products and less on third party hardware and software. The switch in business focus from delivery projects with a long time scale to the service business and deliveries with shorter deadlines succeeded well. The USD 24 million delivery of a convergent charging system to a group of operators in Latin America announced in April 2012 is drawing to a close. Most of the customers are covered by the new system, and transferring the last customer groups to Tecnotree's system will begin in November 2015 and will be completed in January 2016. The proportion of net sales accounted for by the service business increased during the period, which offers more stable business operations in the long term. The number of new orders remained low, which is due to the recession in the major economies in Latin America. The order book for the area rose EUR 3.0 million from the end of the previous year to EUR 8.2 million. The volume of new orders is expected to pick up in the first half of 2016. Sales comprises expansions and upgrades of solutions installed for current customers, the renewal of annual maintenance contracts, and partial implementation of new orders.

MEA & APAC

Business continued to develop positively in the area, supported by the strong order book. Net sales increased 19.4 per cent from the previous year, to EUR 26.6 (22.3) million. The order book declined EUR 8.3 million from the end of the previous year, but considering the size of the business in the area remained at a healthy EUR 25.4 million after deliveries had reduced the order book that had swollen to a high level. The company's customer base and long-standing customer relationships in Africa provide a firm base for stable business operations in the area. The growth in the national economies in Africa supports growth in the company's business in the area. The growth in net sales derived in particular from deliveries of Tecnotree's newest Customer Lifecycle Management and Unified Product Catalogue products to key clients in the area. Sales in the period comprises expansions and upgrades of solutions installed for current

customers, the renewal of annual maintenance contracts, and partial implementation of new orders.

PERSONNEL

At the end of September 2015 Tecnotree employed 932 (31 December 2014: 993) persons, of whom 99 (31 December 2014: 89) worked in Finland and 833 (31 December 2014: 904) elsewhere. During the third quarter certain people who had been employed under contract as consultants became Tecnotree employees and are included in the personnel at end of period in the line "Other countries". The company employed on average 956 (1,052) people during the review period. Personnel by country were as follows:

PERSONNEL	1-9/2015	1-9/2014	1-12/2014
Personnel, at end of period	932	1,059	993
Finland	99	90	89
Ireland	44	52	51
Brazil	22	29	31
Argentina	39	41	35
India	649	801	743
United Arab Emirates	36	35	32
Other countries	43	11	12
Personnel, average	956	1,052	1,038
Personnel expenses (MEUR)	25.4	24.3	33.6

SHARES AND SHARE CAPITAL

At the end of September 2015 the shareholders' equity of Tecnotree Group stood at EUR 14.0 (31 December 2014: 16.9) million and the share capital was EUR 1.3 (31 December 2014: 4.7) million. The total number of shares was 122,628,428.

At the end of the period, the company did not hold any own shares. Equity per share was EUR 0.11 (31 December 2014: EUR 0.14).

A total of 60,431,000 Tecnotree shares (EUR 6,626,687) were traded on the Helsinki Exchanges during the period 1 January – 30 September 2015, representing 49.3 per cent of the total number of shares.

The highest share price quoted in the period was EUR 0.20 and the lowest EUR 0.07. The average quoted price was EUR 0.11 and the closing price on 30 September 2015 was EUR 0.10. The market capitalisation of the share stock at the end of the period was EUR 11.6 million.

CURRENT AUTHORISATIONS

The Annual General Meeting of Tecnotree Corporation held on 14 April 2015 authorized the Board of Directors in accordance with the proposal of the Board of Directors to decide to issue and/or to convey a maximum of 100,000,000 new shares and/or the company's own shares either against payment or for free. New shares may be issued and the company's own shares may be conveyed to the company's shareholders in proportion to their current shareholdings in the company or waiving the shareholder's pre-emption right, through a directed share issue if

the company has a weighty financial reason to do so. The Board of Directors may also decide on a free share issue to the company itself. The Board of Directors is, within the limits of the authorization, authorized to grant special rights referred to in Chapter 10, Section 1 of the Companies Act, which carry the right to receive, against payment, new shares of the company or the company's own shares held by the company in such a manner that the subscription price of the shares is paid in cash or by using the subscriber's receivable to set off the subscription price. The Board of Directors shall decide on other terms and conditions related to the share issues and granting of the special rights. The said authorisations will be valid for one year from the decision of the Annual General Meeting. The Board of Directors has not exercised this authorisation during the review period.

RESTRUCTURING PROCEEDINGS

On 5 March 2015 Tecnotree Corporation filed an application with the district court of Espoo for debt restructuring proceedings. The court decided on 9 March 2015 to commence the corporate restructuring proceedings. The extraordinary meeting of shareholders of Tecnotree Corporation held on 27 March 2015 decided to approve the application made by the Board of Directors and to continue with the restructuring proceedings.

Tecnotree Corporation's business operations have been loss-making for several years, the cash situation remained tight during 2014, and on 31 December 2014 the shareholders' equity of the parent company fell below half of the share capital. The Company has actively searched for a solution to improve its financial standing and carefully studied different options for solving the situation. As the result, the Company came to the conclusion that it would be in the best interest of the Company and its shareholders for the Company to apply for restructuring proceedings in accordance with the Act on Restructuring of Enterprises. The Company considers that its difficulties are temporary in nature, and that the restructuring proceedings would in the Company's assessment make it possible to remedy the Company's financing and equity structure and thus secure the long-term continuation of the Company's business operations. If it takes place, the restructuring will ease the debt liability of the Company and consequently will also improve the shareholders' equity.

On 9 March 2015 the district court appointed Mr. Jari Salminen, Attorney-at-Law, from Eversheds Attorneys Ltd as the administrator in respect of the restructuring process. Creditors must state their claims (receivables) in writing to the administrator by 7 April 2015, if the amounts differ from the ones announced by the debtor. The administrator must send a statement on the financial status of the debtor to the interested parties by 5 May 2015. The administrator must prepare and deliver his proposed restructuring programme to the district court of Espoo by 31 December 2015. Tecnotree Corporation has to comply with the restructuring programme to be confirmed through court proceedings. This requires a sufficient cash inflow, in other words payments by customers.

Filing the application for restructuring has no direct impact on Tecnotree's business operations, and the Company is continuing to carry out agreed customer projects and to serve its customers as usual.

Postponing of the draft restructuring program of Tecnotree Corporation

The district court of Espoo decided on 9 March 2015 to commence the corporate restructuring proceedings concerning Tecnotree Corporation in accordance with the Act on Restructuring of

Enterprises. The district court appointed Mr. Jari Salminen, Attorney-at-Law, from Eversheds Attorneys Ltd. as the administrator in respect of the restructuring process.

The district court of Espoo has decided on 28 September 2015, at the request of the administrator, to postpone the deadline so that the draft restructuring program shall be submitted latest on 31 December 2015. According to the former order of the court, the draft restructuring program was to be submitted latest on 30 September 2015. The contents of the request were as follows:

“Due to the wide international business conducted by the company, the evaluations needed and the compiling of the draft restructuring program are pending, and the administrator does not consider it to be possible to submit a draft restructuring program by 30 September 2015.

Compiling the most meaningful restructuring program for the benefit of the creditors requires that the consequences of a possible debt arrangement, e.g. to the status of the foreign subsidiaries in their home countries, will be carefully evaluated.

In the evaluations made during the restructuring proceedings so far, no obstacles for creating an implementable restructuring program and reorganization of the business have come up.”

RISKS AND UNCERTAINTY FACTORS

The risks and uncertainty factors for Tecnotree are explained in the 2014 Board of Directors' Report and in the notes to the Financial Statements.

Risks and uncertainties in the near future

Tecnotree's risks and uncertainties in the near future relate to projects, to their timing, to receivables from the recognition of partial deliveries and for sales, to changes in foreign exchange rates and to financing. Having sufficient cash funds is the biggest single risk. The financing agreement contains covenants that create risk. More details are given in the section “Financing, cash flow and balance sheet” above.

The company has sales in several countries where the country's central bank has a shortage of foreign currency. This causes additional delays in payments, costs and even the risk of not receiving payment at all.

On 30 September 2015 the Group's shareholders' equity stood at EUR 14.0 million. However, the shareholders' equity of the parent company was EUR 1.0 million negative.

Restructuring proceedings

Tecnotree Corporation filed an application for debt restructuring proceedings with the district court of Espoo on 5 March 2015. The court decided on 9 March 2015 to commence the corporate restructuring proceedings. The district court appointed Mr. Jari Salminen, Attorney-at-Law, from Eversheds Attorneys Ltd as the administrator in respect of the restructuring process. The administrator must prepare and deliver his proposed restructuring programme to the district court of Espoo by 31 December 2015. Tecnotree Corporation has to comply with the programme approved by the court. This involves risk. Tecnotree is responsible for all its liabilities in full after the date of application for restructuring proceedings. This requires that cash inflow, in other words payments by customers, is sufficient for paying of expenses.

After filing its application for restructuring proceedings, Tecnotree has had problems in individual cases, in particular with companies from which Tecnotree has made purchases.

Customers may also be afraid of the risks relating to Tecnotree, which may have some impact on future orders.

EVENTS AFTER THE END OF THE PERIOD

No significant events have occurred after the end of the period.

PROSPECTS IN 2015

Tecnotree estimates that its operating result will improve from 2014. Variations in the quarterly figures will be considerable.

FINANCIAL INFORMATION

Tecnotree is holding a conference for analysts, investors and the media to present its interim report on 29 October 2015 at 10.00 am in the Tapiola conference room at the Scandic Hotel Simonkenttä, Simonkatu 9, Helsinki. The interim report will be presented by CEO Ilkka Raiskinen and the conference will be held in Finnish. The material to be presented at the press conference will be available at www.tecnotree.com.

TECNOTREE CORPORATION

Board of Directors

FURTHER INFORMATION

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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	Note	7-9/ 2015	7-9/ 2014	1-9/ 2015	1-9/ 2014	1-12/ 2014
NET SALES	2	17.7	23.7	51.9	49.8	74.0
Other operating income		0.0	0.0	0.1	0.1	0.1
Materials and services		-1.1	-3.7	-4.2	-8.2	-11.9
Employee benefit expenses		-8.4	-8.1	-25.4	-24.3	-33.6
Depreciation, amortisation and		-0.2	-0.3	-0.7	-0.8	-1.1
Other operating expenses		-5.3	-6.9	-16.4	-18.0	-24.4
OPERATING RESULT	2	2.7	4.7	5.3	-1.4	3.3
Financial income		2.1	0.1	0.9	0.2	0.4
Financial expenses		-1.1	-1.9	-3.8	-5.2	-6.0
RESULT BEFORE TAXES		3.8	2.8	2.4	-6.4	-2.4
Income taxes		-1.8	-1.6	-5.4	-3.4	-6.9
RESULT FOR THE PERIOD		1.9	1.2	-3.1	-9.8	-9.3
Allocated to:						
Equity holders of parent company		1.9	1.2	-3.1	-9.8	-9.3
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	-0.08	-0.08
Earnings per share, diluted, EUR		0.02	0.01	-0.03	-0.08	-0.08
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, MEUR		7-9/ 2015	7-9/ 2014	1-9/ 2015	1-9/ 2014	1-12/ 2014
RESULT FOR THE PERIOD		1.9	1.2	-3.1	-9.8	-9.3
Other comprehensive income:						
Items that may be reclassified subsequently to profit or loss:						
Translation differences from foreign oper.		-2.8	2.1	0.3	4.3	4.7
Tax relating to translation differences		0.1	-0.1	-0.1	-0.2	-0.3
Other comprehensive income, net of tax		-2.7	2.0	0.1	4.1	4.4
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		-0.7	3.2	-2.9	-5.7	-4.9
Allocated to:						
Equity holders of parent company		-0.7	3.2	-2.9	-5.7	-4.9
Non-controlling interest		-0.0	0.0	-0.0	-0.0	-0.0

CONSOLIDATED BALANCE SHEET	Note	30.9.2015	30.9.2014	31.12.2014
Assets				
Goodwill		17.2	16.4	16.6
Other intangible assets		0.6	0.4	0.4
Tangible assets		3.3	4.0	3.8
Deferred tax assets		1.6	0.7	0.9
Other non-current trade and other receivables		1.4	0.9	1.1
Current assets				
Inventories		1.2	1.8	0.5
Trade receivables		12.1	13.1	15.2
Other receivables		33.4	37.6	33.8
Investments		0.0	0.0	0.1
Cash and cash equivalents		3.2	2.0	2.5
TOTAL ASSETS		74.2	76.9	75.0
Shareholders' equity				
		14.0	16.0	16.9
Non-current liabilities				
Deferred tax liabilities		3.6	2.8	3.4
Non-current interest-bearing liabilities	3	0.0	0.0	0.0
Other non-current liabilities		1.8	1.1	1.2
Current liabilities				
Current interest-bearing liabilities	3	31.8	33.4	31.8
Trade payables and other liabilities		23.0	23.6	21.7
EQUITY AND LIABILITIES, TOTAL		74.2	76.9	75.0

CALCULATION OF CHANGES IN
SHAREHOLDERS' EQUITY, MEUR

MEUR	A	B	C	D	E	F	G	H	I	J
SHAREHOLDERS' EQUITY 1 JAN 2015	4.7	0.8		-8.5	1.6	2.3	15.8	16.8	0.1	16.9
Result for the period							-3.1	-3.1	0.0	-3.1
Other comprehensive income:										
Translation differences, net of tax				0.1		-0.0		0.1		0.1
Total comprehensive income for the period				0.1			-3.1	-3.0	0.0	-2.9
Sharebased payments							0.0	0.0		0.0
Transactions with shareholders, total							0.0	0.0		0.0
Covering of loss	-3.4				-2.1		5.5	-0.0		-0.0
					0.5	-0.3	-0.2	0.0		0.0
Other changes							0.0	0.0	0.0	0.0
SHAREHOLDERS' EQUITY 30 SEPT 2015	1.3	0.8	0.0	-8.4	0.0	2.0	18.0	13.9	0.1	14.0
Me	A	B	C	D	E	F	G	H	I	J
SHAREHOLDERS' EQUITY 1 JAN 2014	4.7	0.8	-0.1	-12.9	5.5	2.3	21.3	21.7	0.1	21.7
Result for the period							-9.8	-9.8	-0.0	-9.8
Other comprehensive income:										
Translation differences, net of tax				4.1				4.1		4.1
Total comprehensive income for the period				4.1			-9.8	-5.7	-0.0	-5.7
Disposal of own shares			0.1				-0.0	0.0		0.0
Sharebased payments							-0.0	-0.0		-0.0
Transactions with shareholders, total			0.1				-0.1	0.0		0.0
Covering of loss					-3.8		3.8	0.0		0.0
Other changes							0.1	0.1	0.0	0.1
SHAREHOLDERS' EQUITY 30 SEPT 2014	4.7	0.8	0.0	-8.8	1.6	2.3	15.3	16.0	0.0	16.0

A = Share capital

B = Share premium fund

C = Own shares

D = Translation differences

E = Invested non-restricted equity reserve

F = Other reserves

G = Retained earnings

H = Total equity attributable to equity holders of parent company

I = Non-controlling interest

J = Total shareholders' equity

CONSOLIDATED CONDENSED CASH FLOW STATEMENT, MEUR	7-9/ 2015	7-9/ 2014	1-9/ 2015	1-9/ 2014	1-12/ 2014
Cash flow from operating activities					
Result for the period	1.9	1.2	-3.1	-9.8	-9.3
Adjustments of the result	1.0	2.1	7.8	8.0	13.9
Changes in working capital	-1.7	-2.7	4.3	0.4	-0.3
Interest paid	-0.5	0.0	-1.3	-0.1	-0.2
Interest received	0.1	0.0	0.1	0.1	0.1
Income taxes paid	-2.0	-1.2	-5.6	-3.1	-5.9
Net cash flow from operating activities	-1.2	-0.6	2.3	-4.5	-1.7
Cash flow from investing activities					
Investments in intangible assets	-0.4	0.0	-0.4	-0.1	-0.1
Investments in tangible assets	-0.1	-0.1	-0.2	-0.6	-0.7
Proceeds from disposal of intangible and tangible assets	0.0	0.0	0.0	0.1	0.1
Changes in other securities	0.0	-0.0	0.1	0.6	0.5
Interest received from other securities	0.0	0.0	0.0	0.0	0.0
Net cash flow from investing activities	-0.5	-0.1	-0.5	0.0	-0.1
Cash flow from financing activities					
Borrowings received	0.6	0.5	2.4	2.1	2.8
Repayments of borrowings	-1.1	-0.5	-2.4	-0.5	-2.8
Changes in credit facilities in use					
Changes in pledged cash deposits	0.0		-0.8		
Interest paid	-0.1	-0.6	-0.4	-1.8	-2.4
Net cash flow from financing activities	-0.6	-0.6	-1.2	-0.2	-2.4
Increase (+) and decrease (-) in cash and cash eqi	-2.3	-1.3	0.7	-4.7	-4.2
Cash and cash equivalents at beg. of period	5.6	3.1	2.5	6.6	6.6
Impact of changes in exchange rates	-0.1	0.2	-0.1	0.1	0.2
Cash and cash equivalents at end of period	3.2	2.0	3.2	2.0	2.5

1. ACCOUNTING PRINCIPLES FOR THE FINANCIAL REPORT

This interim review has been prepared in accordance with IFRS reporting and evaluation principles and applying the same accounting principles as in the previous annual financial statements, but not complying with all the requirements of IAS 34 Interim Financial Reporting. The new and revised IFRS regulations that came into force on 1 January 2015 have not had a significant impact on the accounting principles and basis for preparing the interim review.

Going concern basis

The uncertainty factors relating to Tecnotree's operations are explained in the 2014 financial statements and in the section "Risks and uncertainty factors" above. The company has significant uncertainty factors relating to the continuity of its operations. In practice these risks are related to financing. In addition Tecnotree has a risk affected by the negative shareholders' equity of the parent company. This is explained above in the section "Risks and uncertainties in the near future". Tecnotree observes the going concern principle. It is estimated that the restructuring proceedings will have a stabilising effect on the company's operations.

2. SEGMENT INFORMATION

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

The operating segments have changed in 2015. The former segments Americas (North, Central and South America) and Europe have been combined to form a single segment called Europe & Americas, and the former segments MEA (Middle East and Africa) and APAC (Asia Pacific) have also been combined to form a single segment called MEA & APAC. The segment figures for the period for comparison have been correspondingly adjusted. Net sales for the operating segments are presented based on the location of customers.

OPERATING SEGMENTS	1-9/2015	1-9/2014	1-12/2014
NET SALES, MEUR			
Europe & Americas	25.2	27.5	42.0
MEA & APAC	26.6	22.3	32.0
TOTAL	51.9	49.8	74.0

3. INTEREST-BEARING LIABILITIES

At the end of the review period, Tecnotree had a long-term bank loan of EUR 21.8 million (31 December 2014: 21.8), and a fully used credit facility of EUR 10.0 million (31 December 2014: 10.0) to finance working capital. The company had all its credit facilities in use at the end of the review period.

The credit facility is long-term in nature and in force until 30 June 2018, but is based on financing individual customer receivables. Financing taken under the credit facility falls due on payment of the receivables for which they were taken, but is renewed by financing new receivables. This is the reason for presenting the credit facility as current liability in the balance sheet. After the debt restructuring proceedings began, the credit facility was frozen, and payments of EUR 0.7 million received from clients relating to pledged receivables are in a pledged blocked account.

Likewise the loan that is long-term in nature is classified as current in the balance sheet, because the financing agreement signed by Tecnotree with its bank in 2013 contains loan covenants with terms that the company does not comply with in every respect. A more detailed explanation of the situation concerning the covenants is given in the section “Financing, cash flow and balance sheet” above.

INTEREST-BEARING LIABILITIES, MEUR	30.9.2015	30.9.2014	31.12.2014
Loans from financial institutions, 1 Jan	31.8	31.8	31.8
Raised loans	2.4	1.3	2.0
Repayments of loans	-2.4	-0.5	-2.0
Changes in credit facilities in use			
Loans from financial institutions, end of period	31.8	32.6	31.8
Loans from related parties, 1 Jan	0.0	0.0	0.0
Raised loans		0.8	0.8
Repayments of loans			-0.8
Loans from related parties, end of period	0.0	0.8	0.0
Interest-bearing liabilities total	31.8	33.4	31.8

4. RELATED PARTY TRANSACTIONS

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

In June 2014 Tecnotree raised a variable-interest short-term loan with market-based conditions of EUR 0.8 million from certain shareholders in the company who are related parties. The company repaid these loans in December.

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

5. CONTINGENT LIABILITIES

CONSOLIDATED CONTINGENT LIABILITIES, MEUR	30.9.2015	30.9.2014	31.12.2014
On own behalf			
Real estate mortgages	4.4	4.4	4.4
Corporate mortgages	45.3	45.3	45.3
Pledged deposits	0.8		
Pledged trade and other receivables related to construction contracts	16.1	13.7	20.3
Guarantees	0.2	0.3	0.2
Other liabilities			
Desputed income tax liabilities in India	1.3	1.3	1.3
OTHER OPERATING LEASES, MEUR	30.9.2015	30.9.2014	31.12.2014
Minimum rents payable based on other leases that cannot be cancelled:			
Other operating leases			
Less than one year	1.1	0.8	0.7
Between one and five years	2.5	0.5	0.3
DERIVATIVE CONTRACTS, MEUR	30.9.2015	30.9.2014	31.12.2014
Currency call options, fair value (negative)	-0.0	-0.2	-0.1
Currency call options, value of underlying instruments	0.1	7.9	8.4
Currency put options, fair value (positive)	0.1	0.0	0.0
Currency put options, value of underlying instruments	0.1	7.4	7.8
Interest rate swap, fair value (negative)	-0.4	-0.6	-0.5
Interest rate swap, value of underlying instruments	14.5	14.5	14.5

In addition, the shares of the Indian subsidiary held by the parent company are pledged. These shares have a book value of EUR 35.4 million in the parent company. The net assets of the Indian subsidiary in the consolidated balance sheet are EUR 48.1 million.

6. KEY FIGURES

CONSOLIDATED KEY FINANCIAL FIGURES	1-9/2015	1-9/2014	1-12/2014
Return on investment, %	17.5	-3.1	7.1
Return on equity, %	-26.5	-69.5	-48.2
Equity ratio, %	18.8	20.8	22.5
Net gearing, %	204.7	196.0	172.7
Investments, MEUR	0.5	0.6	0.7
% of net sales	1.0	1.3	1.0
Research and development, MEUR	9.9	9.1	12.0
% of net sales	19.0	18.4	16.2
Order book, MEUR	33.7	52.7	38.9
Personnel, average	956	1,052	1,038
Personnel, at end of period	932	1,059	993

CONSOLIDATED KEY FIGURES PER SHARE	1-9/2015	1-9/2014	1-12/2014
Earnings per share, basic, EUR	-0.03	-0.08	-0.08
Earnings per share, diluted, EUR	-0.03	-0.08	-0.08
Equity per share, EUR	0.11	0.13	0.14
Number of shares at end of period, x 1,000	122,628	122,628	122,628
Number of shares on average, x 1,000	122,628	122,597	122,605
Share price, EUR			
Average	0.11	0.21	0.19
Lowest	0.07	0.13	0.13
Highest	0.20	0.26	0.26
Share price at end of period, EUR	0.10	0.16	0.14
Market capitalisation of issued stock at end of period, MEUR	11.6	19.1	17.0
Share turnover, million shares	60.4	35.4	44.6
Share turnover, % of total	49.3	28.8	36.3
Share turnover, MEUR	6.6	7.3	8.7
Price/earnings ratio (P/E)			-1.8

QUARTERLY KEY FIGURES	3Q/15	2Q/15	1Q/15	4Q/14	3Q/14	2Q/14
Net sales, MEUR	17.7	17.1	17.1	24.2	23.7	11.7
Net sales, change %	-25.3	45.6	18.9	20.6	35.7	-47.7
Adjusted operating result ¹	2.7	1.5	1.4	5.1	4.7	-4.3
% of net sales	15.5	8.6	8.0	21.3	19.8	-36.9
Operating result, MEUR	2.7	1.5	1.1	4.7	4.7	-4.3
% of net sales	15.5	8.6	6.2	19.4	19.8	-36.9
Adjusted result for the period, MEUR ²	0.0	-2.9	-0.4	0.5	2.4	-5.8
Result for the period, MEUR	1.9	-1.7	-3.3	0.5	1.2	-6.2
Personnel at end of period	932	939	970	993	1,059	1,052
Earnings per share, basic, EUR	0.02	-0.01	-0.03	0.00	0.01	-0.05
Earnings per share, diluted, EUR	0.02	-0.01	-0.03	0.00	0.01	-0.05
Equity per share, EUR	0.11	0.12	0.15	0.14	0.13	0.10
Net interest-bearing liabilities, MEUR	28.6	26.7	28.2	29.2	31.4	30.3
Order book, MEUR	33.7	37.4	48.1	38.9	52.7	46.7

¹ Adjusted operating result = operating result before one-time costs. Details of these are given in the section "Result analysis".

² Adjusted result for the period = result for the period without exchange rate gains and losses that are included in financial items and arise mainly on receivables due to subsidiaries from the parent company.