

Financial Report for Q1 2023

1.1.2023 – 31.3.2023



Tecnotree Corporation Interim Report 1st Jan – 31st Mar 2023 (unaudited)

STRONG GROWTH IN REVENUE AND PROFITABILITY

First quarter (1st Jan – 31st Mar 2023)

- Net sales increased 17.0% to EUR 15.5 (13.3) million.
- Operating result increased 80.5% to EUR 3.6 (2.0) million.
- Net result increased by 79.2% to EUR 1.8 (1.0) million.
- Order book at the end of the period stood at EUR 67.8 (64.0) million.
- Cash flow after investments was EUR -0.4 (-2.1) million.
- Earnings per share were EUR 0.01 (0.00)

Key figures, MEUR	1-3/2023	1-3/2022	1-12/2022
Net sales	15.5	13.3	71.6
Operating result	3.6	2.0	18.3
Result before taxes	2.7	1.6	17.2
Result for the period	1.8	1.0	11.6
Earnings per share, basic, EUR	0.01	0.00	0.04
Order book	67.8	64.0	68.9
Cash flow after investments	-0.4	-2.1	-4.8
Change in cash and cash equivalents	-0.9	-2.1	-5.3
Cash and cash equivalents	10.9	15.6	12.3
Equity ratio %	74.6	81.6	77.1
Net gearing %	-8.1	-22.7	-9.3
Personnel at end of period	884	756	857

Unless otherwise stated, all figures presented below are for the financial period 1-3/2023 and the figures for comparison are for the corresponding period in 1-3/2022.

Prospects 2023

Tecnotree expects in 2023:

- Revenue to be higher by 7%-15% compared to 2022
- Operating profit (EBIT) to be higher by 10%-20% compared to 2022

Assumptions behind the prospects

The demand for our products and solutions continues to grow and we expect to receive increasing orders from new and existing Tier 1 operators. The investments in Artificial Intelligence and

Machine Learning in the new verticals of Telco, Healthcare and Fintech are strategic to the company and in line with emerging industry trends, which will yield long term benefits.

In 2023, these planned investments are expected to have an adverse impact on Tecnotree's EBIT in the short term. Such investment is necessary to further cement our position in the AI/ML space.

Tecnotree has seen significant growth in the last couple of years. In order to ensure competitive advantage in its core digital business, Tecnotree will implement cost rationalization in Q2 of 2023 to the tune of 5 - 7%. These cost savings are expected to be realized in Q4 of 2023 and 2024, thus positively benefiting the company's profitability.

Foreign exchange rates are expected to remain at approximately current levels.

From the CEO –Record Q1 performance

Revenue

Tecnotree witnessed a strong Q1 performance with 17% growth in Net sales to Euro 15.5 million (13.3), making this the highest Q1 revenue performance in the last four years.

Substantial additional revenue growth came from the Americas Region. This growth was fuelled by higher R&D investments made in Tecnotree Sensa AI/ML engineering platform and multi-cloud technologies.

Tecnotree increased R&D investments to Euro 3.4 million (1.8) in Q1 2023. Tecnotree launched Sensa AI/ML engineering platform and integrated it across the digital portfolio for Telecom, Fintech and Digital Commerce, in order to address increasing customer demand in these segments.

Tecnotree added two new Tier-1 logos from North America, one in the United States of America and Telus in Canada. Further Claro Peru, an existing customer expanded its digital portfolio to include Sensa AI for Customer 360 Experience Management validating the R&D investments. Many erstwhile clients of Cognitive Scale have expressed confidence in Tecnotree's capabilities and are in the process of entering into new contracts for our Sensa AI platform.

Collections

Tecnotree operates across the world. While the company is winning new customers in North America and Middle East, still majority of the business comes from Africa. The customers in Africa are large and stable global Tier 1 Telecom companies or Government entities. Tecnotree faces challenges in collecting the money from these countries, due to foreign exchange constraints within the country. Similar challenges are faced in a few Latin American countries. The business model of Telecom companies has long gestation period commencing from Scope Study to Go Live and payment schedules are skewed towards closure to the Go Live. All these factors have historically resulted in higher receivables for Tecnotree. This is not peculiar to Tecnotree and a market norm in the region Tecnotree operates Tecnotree is currently engaged in diversifying market presence, which should result in further improvement of cash collection.

Tecnotree has been rigorously pursuing the Account Receivables. During the Q1 2023 Tecnotree was able to collect Euro 15 million which was 39% more than collections in Q1 2022 (10.8) and 35% more than collections in Q4 2022(11.2) and this was the largest receivable collections for the Q1 over the last 4 years.

While the amount of AR is high, 78% of total receivables are less than 9 months outstanding (which is the normal credit period in most countries Tecnotree operates). Adequate provisions

have been made to secure the remaining 22%. Tecnotree continues to expect higher cash collections in 2023 over 2022 by 12%-18%

Profitability

The operating result in the first quarter was EUR 3.6 million compared to EUR 2.0 million of Q1 last year. While we cautiously increase our investments in R&D, Tecnotree continues to implement strong cost saving measures. Tecnotree's net result in the first quarter was EUR 1.8 million compared to EUR 1.0 million Q1 last year. As stated in the last Annual Report, Tecnotree will initiate cost rationalization in Q2 of 2023 to the tune of 5%-7%. These cost savings are expected to be realized in Q4 of 2023 and 2024, thus positively benefiting the company's profitability.

Order Book

Tecnotree's Order book grew by 6% year on year to Euro 67.8 million across Latam and North America, Middle East and Africa and APAC and included License and Managed Services Sales.

Recognitions

Tecnotree has been recognized by Gartner's Market Guide again in Q1 of 2023 for Customer Experience and Management for Telecom Operators and has been consistently recognized for the same since 2020.

Additionally, Tecnotree has been recognized by Gartner's Market Guide for Revenue Monetization and Management for Telecom Operators consistently since 2020.

Tecnotree continues to be among the leading vendors in TM Forum Open APIs certification standards with a 44 APIs certified by the industry standards body, the highest in the Internet Service community.

Further Tecnotree Moments has been awarded the best telecom monetization platform by the Government of Dubai at the FTNFT awards in Q1 of 2023.

Financial Performance

Net sales in the first quarter were EUR 15.5 million (13.3) being 17.0% higher compared to last year. Net sales from sale of third-party hardware and software were EUR 0.5 (0.9) million, own licenses EUR 2.2 (4.5) million, delivery EUR 4.4 (1.9) million and maintenance and management services EUR 8.5 (6.1) million.

The order book at the end review period stood at EUR 67.8 (64.0) million showing 6% growth compared to last year. Tecnotree's operating result in the first quarter was EUR 3.6 million and increased by EUR 1.6 million (81%) compared to EUR 2.0 million last year.

Tecnotree's net result in the first quarter was EUR 1.8 million and increased by EUR 0.8 (79%) million compared to EUR 1.0 million last year

Nature of goods and services offered, MEUR	1-3/2023	1-3/2022	1-12/2022
Sale of third party hardware and software	0.5	0.9	4.7
Own licenses	2.2	4.5	18.8
Delivery	4.4	1.9	22.9
Maintenance and management services	8.5	6.1	25.2
Net sales total	15.5	13.3	71.6

Methods used to recognise revenue, MEUR	1-3/2023	1-3/2022	1-12/2022
Point in time:			
Third party hardware and software	0.5	0.9	4.7
Own license	2.2	4.5	18.8
Overtime:			
Delivery	4.4	1.9	22.9
Maintenance and management services	8.5	6.1	25.2
Net sales total	15.5	13.3	71.6

Recognition of revenue by operating segment, MEUR	1-3/2023	1-3/2022	1-12/2022
Europe & Americas:			
Third party hardware and software	0.0	-	1.0
Own license	0.6	-	0.9
Delivery	0.1	0.0	4.2
Maintenance and management services	3.1	1.7	6.6
Net sales total	3.8	1.7	12.7
MEA & APAC:			
Third party hardware and software	0.5	0.9	3.7
Own license	1.5	4.5	17.9
Delivery	4.3	1.9	18.7
Maintenance and management services	5.4	4.3	18.6
Net sales total	11.7	11.5	58.9

Order book by operating segment, MEUR	31.3.2023	31.3.2022	31.12.2022
Europe & Americas	7.6	7.2	8.3
MEA & APAC	60.2	56.8	60.6
Order book total	67.8	64.0	68.9

Result analysis

The operating result for the first quarter was 3.6 (2.0) million and the result EUR 1.8 (1.0) million. Financial items without exchange rate differences in financial items for the first quarter were EUR 0.0 (0.1) million. Exchange rate differences for the first quarter were EUR -1.0 (-0.5) million. 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.

Income statement, key figures, MEUR	1-3/2023	31.3.2022	1-12/2022
Net sales	15.5	13.3	71.6
Other operating income	0.0	0.1	0.1
Operating costs	-11.9	-11.3	-53.3
Operating result	3.6	2.0	18.3
Financial items without currency differences	0.0	0.1	1.8
Exchange rate gains and losses in financial items	-1.0	-0.5	-2.9
Income taxes	-0.9	-0.6	-5.7
Result for the period	1.8	1.0	11.6

Financial income and expenses during the first quarter totalled a net loss of EUR 1.0 (net loss of EUR 0.4) million, including following items:

Financial income and expenses, MEUR	1-3/2023	1-3/2022	1-12/2022
Interest income	0.2	0.2	1.3
Exchange rate gains	2.9	0.6	1.8
Other financial income	-0.0	-0.0	-0.0
Financial income, total	3.1	0.8	3.1
Interest expenses	-0.1	-0.0	-0.1
Exchange rate losses	-3.9	-1.1	-4.7
Other financial expenses	-0.0	-0.0	0.6
Financial expenses, total	-4.1	-1.2	-4.2
Financial items, total	-1.0	-0.4	-1.1

Taxes for the first quarter totalled EUR 0.9 (0.6) million, including following items:

Taxes in income statement, MEUR	1-3/2023	1-3/2022	1-12/2022
Withholding taxes paid abroad	-0.7	-0.9	-3.4
Change in withholding tax accrual	0.0	0.4	-0.4
Income taxes on the results of Group companies	-0.1	-0.1	-1.3
Other items	-0.1	-0.1	-0.6
Taxes in income statement, total	-0.9	-0.6	-5.7

Earnings per share in the first quarter were EUR 0.01 (0.00) and equity per share at the end of the period was EUR 0.25 (0.21).

Personnel

At the end of the first quarter, Tecnotree employed 884 (756) persons, of whom 40 (42) worked in Finland and 844 (714) globally. Personnel by country were as follows:

Personnel	31.3.2023	31.3.2022	31.12.2022
Personnel, at end of period	884	756	857
Finland	40	42	43
Brazil	6	8	6
Argentina	37	38	37
India	654	537	638
United Arab Emirates	20	21	21
United States	17	0	0
Other countries	110	110	112
Personnel, average	885	753.	794
Personnel expenses (MEUR)	-5.4	-5.8	-23.7

Business description

Tecnotree is a 5G-ready digital Business Support System (BSS) player with AI/ML capabilities and multi-cloud extensibility. It has over 40 years of deep domain expertise and it is amongst the first few companies to attain Platinum Badge in the world for Open API standards by TM Forum. It's agile and open-source Digital BSS Stack comprises of the full range (order-to-cash) of business processes and subscription management for telecommunication players and other digital services providers, creating opportunities beyond connectivity. Tecnotree also provides a Fintech solution and a B2B2X multi-experience digital marketplace to its subscriber base through the Tecnotree Moments platform to empower digitally connected communities across gaming, health, education, OTT and other vertical ecosystems.

In 2023 and beyond, Tecnotree will continue to offer its digital products and services to expand its reach to help telecom operators globally in their digital transformation journeys. Tecnotree will focus on expanding its footprint within the current geographies and customers and it will also explore new markets in Europe, Oceanic and Asia Pacific and adjacent vertical market opportunities.

With Tecnotree Moments platform and its Fintech offerings, Tecnotree continues to hope to synergize new partnerships with digital service providers, eco-system players and internet of things (IOT) providers, to introduce new revenue models and API frameworks to take advantage of the 5G roll-outs world-wide and forge new frontiers to empower digitally connected communities in the sectors of Education, Health, E-commerce, Gaming, Sports and Entertainment.

Tecnotree plans to achieve this with its cloud enabled micro-services based interoperable products and digital platforms that will help its customers to create a "Digital Marketplace and Digital Communities" for their traditional offerings, and an additional ecosystem of partner products and services that fosters true business value and improved revenue models for stakeholders.

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 its product licenses, professional services for customization of its products, and maintenance and support services on its products to a global customer base and is planning on capturing subscription and transaction-based business through its B2B2X offerings. Tecnotree has an especially strong footprint in developing markets such as Latin America, Africa and the Middle East, serving more than 1 billion subscribers worldwide and supporting more than 90 operators/CSPs worldwide.

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

Events after end of the period

No material changes regarding the company's business or financial position have materialized after the end of the review period.

Tecnotree Corporation
Board of Directors

Further information

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Table section (unaudited)

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

Consolidated income statement, MEUR	1-3/2023	31.3.2022	1-12/2022
Net sales	15.5	13.3	71.6
Other operating income		0.1	0.1
Materials and services	-0.6	-0.8	-7.1
Employee benefit expenses	-5.4	-5.8	-23.7
Depreciation, amortisation and impairment charges	-0.6	-0.9	-1.5
Other operating expenses	-5.4	-3.8	-21.0
Operating result	3.6	2.0	18.3
Financial income	3.1	0.8	3.1
Financial expenses	-4.1	-1.2	-4.2
Result before taxes	2.7	1.6	17.2
Income taxes	-0.9	-0.6	-5.7
Result for the period	1.8	1.0	11.6
Allocated to:			
Equity holders of parent company	1.8	1.0	11.6
Non-controlling interest	-0.0	0.0	-0.0
EPS calculated on the profit attributable to equity holders of parent company:			
Earnings per share, basic, EUR	0.01	0.00	0.04
Earnings per share, diluted, EUR	0.01	0.00	0.04

Consolidated balance sheet, MEUR	31.3.2023	31.3.2022	31.12.2022
Non-current assets			
Intangible assets	26.3	10.7	23.6
Tangible assets	0.4	0.3	0.4
Deferred tax assets	0.6	0.6	0.6
Other non-current trade and other receivables	2.2	1.1	1.8
Current assets			
Trade receivables	36.1	29.1	37.8
Other receivables	26.3	21.7	26.1
Cash and cash equivalents	10.9	15.6	12.3
Assets total	102.9	79.2	102.6
Shareholders' equity	80.7	68.5	80.1
Non-current liabilities			
Non-current interest-bearing liabilities	2.3	0.0	2.4

Other non-current liabilities	3.5	2.5	3.1
Current liabilities			
Current interest-bearing liabilities	2.0	0.0	2.5
Trade payables and other liabilities	14.3	8.0	14.5
Equity and liabilities total	102.9	10.6	102.6

Consolidated condensed cash flow statement, MEUR	1-3/2023	1-3/2022	1-12/2022
Cash flow from operating activities			
Result for the period	1.8	5.2	11.6
Adjustments of the result	2.5	-1.2	12.2
Changes in working capital	0.6	1.9	-10.3
Financial income and expenses	-1.0	0.4	-2.3
Income taxes paid	-0.9	-0.8	-5.1
Net cash flow from operating activities	3.0	5.4	6.0
Cash flow from investing activities			
Capital expenditure on non-current tangible and intangible assets	-3.4	-1.7	-10.8
Net cash flow from investing activities	-3.4	-1.7	-10.8
Cash flow from financing activities			
Repayments of borrowings	-0.5	0.0	-0.2
Proceeds from share issue	0.0	0.0	0.1
Other financial costs	-0.0	-0.2	0.0
Net cash flow from financing activities	-0.5	-0.1	-0.1
Increase (+) and decrease (-) in cash and cash equivalents	-0.9	3.6	-4.9
Cash and cash equivalents at beg. of period	12.3	13.9	17.6
Impact of changes in exchange rates	-0.5	0.0	-0.4
Cash and cash equivalents at end of period	10.9	17.6	17.6

Key figures

Consolidated key financial figures	1-3/2023	1-3/2022	1-12/2022
Return on investment, %	13.4	16.4	23.1
Return on equity, %	9.0	5.9	15.7
Equity ratio, %	74.6	81.6	77.1
Net gearing, %	-8.1	-22.7	-9.3
Investments, MEUR	3.4	1.7	10.8
% of net sales	21.9	12.4	15.1
Research and development, MEUR	3.4	1.8	9.5

% of net sales	21.9	13.2	13.3
Order book, MEUR	67.8	64.0	68.9
Personnel, average	885	753	794
Personnel, at end of period	884	756	857

Consolidated key figure per share	1-3/2023	1-3/2022	1-12/2022
Earnings per share, basic, EUR	0.01	0.00	0.04
Earnings per share, diluted, EUR	0.01	0.00	0.04
Equity per share, EUR	0.25	0.21	0.25
Number of shares at end of period, x 1,000	318.956	318.956	318.956
Number of shares on average, x 1,000	318.956	318.956	318.956
Share price, EUR			
Average	0.53	1.24	0.84
Lowest	0.41	0.97	0.41
Highest	0.64	1.52	1.52
Share price at end of period, EUR	0.49	1.14	0.62
Market capitalisation of issued stock at end of period, MEUR	155.0	363.0	199.0
Share turnover, million shares	30.8	76.1	191.6
Share turnover, % of total	9.6	23.9	60.10
Share turnover, MEUR	16.4	92.8	175.9
Price/earnings ratio (P/E)	86.3	359.9	17.1

Quarterly key figures	Q1/23	Q4/22	Q3/22	Q2/22	Q1/22	Q4/21	Q3/21
Net sales, MEUR	15.5	20.1	19.9	18.3	13.3	18.1	18.2
Net sales, change %	17.0	11.2	19.1	9.5	18.7	27.2	24.5
Operating result, MEUR	3.6	6.1	5.0	5.1	2.0	5.9	7.1
% of net sales	23.3	30.6	25.2	28.1	15.1	32.8	39.0
Result for the period, MEUR	1.8	3.2	3.4	4.0	1.0	5.2	5.4
Personnel at end of period	884	857	798	778	756	750	715
Earnings per share, basic, EUR	0.01	0.01	0.01	0.01	0.00	0.02	0.02
Earnings per share, diluted, EUR	0.01	0.01	0.01	0.01	0.00	0.02	0.02
Equity per share, EUR	0.25	0.25	0.25	0.23	0.21	0.21	0.19
Net interest-bearing liabilities, MEUR	-6.5	-7.5	-19.9	-13.9	-15.6	-17.6	-13.9
Order book, MEUR	67.8	68.9	76.1	72.8	64.0	53.5	58.6

