

Tecnotree

Empowering Digitally
Connected Communities

Financial Report Q3 2023

1.1.2023 – 30.9.2023



Tecnotree Corporation Financial Report

1st Jan – 30th Sep 2023 (unaudited)

Record Order Book backed by repeatable product deliveries enabling stable growth

Third quarter (July-September 2023)

- Net sales increased by 7.4% to EUR 21.4 (19.9) million.
- Operating result increased by 23.0% to EUR 6.2 (5.0) million.
- Net result decreased by 3.3% to EUR 3.2 (3.4) million.
- Cash flow after investments was EUR -7.9 (5.5) million.
- Earnings per share were EUR 0.01 (0.01).
- Order book at the end of the period stood at EUR 78.0 (76.1) million.
- Prospects 2023 retained and further refined.

January-September 2023

- Net sales increased 9.1% to EUR 56.2 (51.5) million.
- Operating result increased 31.4% to EUR 16.0 (12.2) million.
- Net result increased by 5.3% to EUR 8.8 (8.3) million.
- Cash flow after investments was EUR -9.1 (1.2) million.
- Earnings per share were EUR 0.03 (0.03).

Key figures, MEUR	7-9/2023	7-9/2022	1-9/2023	1-9/2022	1-12/2022
Net sales	21.4	19.9	56.2	51.5	71.6
Operating result	6.2	5.0	16.0	12.2	18.3
Financial Expenses including Exchange gain or loss	-2.0	0.1	-4.8	0.3	-1.1
Result before taxes	4.2	5.1	11.2	12.5	17.2
Result for the period	3.2	3.4	8.8	8.3	11.6
Earnings per share, basic, EUR	0.01	0.01	0.03	0.03	0.04
Order book			78.0	76.1	68.9
Cash flow after investments	-7.9	5.5	-9.1	1.2	-4.8
Change in cash and cash equivalents	4.9	5.6	3.3	2.3	-5.3
Cash and cash equivalents			15.5	19.9	12.3
Equity over Total assets ratio %			70.8	80.8	77.1
Net gearing (Debt to equity) %			-11.1	-25.2	-9.3
Personnel at end of period			836	798	857

Unless otherwise stated, all figures presented below are for the financial period 1-9/2023 and the figures for comparison are for the corresponding period in 1-9/2022.

From the CEO's desk–

Tecnotree continues a strong growth trajectory despite inflationary cost pressures and slower cash collections.

Financial Performance

- ❑ **Revenue:** Tecnotree continued to demonstrate strong growth in revenue in Q3 with increase of 7.4% to EUR 21.4 (19.9) million. The January-September revenue growth increased by 9.1% to 56.2 (51.5) million. The Middle east, APAC and Africa markets contributed to the maximum revenue for Tecnotree, while the Europe and North America grew in Order Intake, opportunities and order pipeline. License revenue for this quarter increased from EUR 3.2 million to EUR 5.2 million and ARR in MEA & APAC region also increased from EUR 4.6 million to EUR 5.3 million. In 2023, year to date revenue from new customers has exceeded revenue from legacy customers.
- ❑ **Profitability:** Tecnotree had an increased operating result of 23.0% in Q3 to EUR 6.2 (5.0) million. The January-September operating result increased by 31% to EUR 16.0 (12.2) million. This profitability was enhanced by growing ARR to 22% YoY to EUR 24.3 (19.9) million. While the revenue in Q3 grew by 7.4% over previous year, the opex grew by 2% to EUR 15.2 (14.9) million. The January-September opex also grew by a similar 2% to EUR 40.2 (39.3) million. The management of opex has been a key focus by implementing greater levels of productization and automation.
- ❑ **Net Result:** The Net Result for the Q3 decreased by 3.3% to EUR 3.2 (3.4) million. The January-September Net Income increased by 5% to EUR 8.8 (8.3) million. Tecnotree continues to face growing pressures from currency devaluation and hyper inflationary trends. Even though Tecnotree exercised prudent cost management, this was offset by the higher financial expenses and taxes in Q3 amounting to EUR 2.9 million compared to EUR 1.7 million in the same quarter of the previous year. Similarly, the financial expenses including taxes for January-September is EUR 7.2 (3.8) million. We believe these financial pressures will continue to exist in the near term. In the long term, as Tecnotree expands its market presence in new regions of North America and Europe and we hope to mitigate these acute financial pressures.

- ❑ **Cash Flow:** The cash inflow for Q3 of 2023 was EUR 11.9 (21.8) million for the same period last year. The January-September cash inflow is EUR 43.4 (47.7) million. The lower cash collection in Q3 is attributed to the retirement of many deliveries, which will result in invoices to be generated in the coming quarter. The Nigerian currency faces significant devaluation pressures causing payment delays. In countries that face extreme financial pressures, Tecnotree continues to negotiate alternative payment terms. The company allotted Compulsorily Convertible Debentures amounting to EUR 43.1 million, out of which EUR 14.1 million has been collected thus far. The cash balance at the end of Q3 was EUR 15.5 (12.3 at the end of 2022) million.
- ❑ **Cost Optimization:** Tecnotree plans to focus on strategic cost reductions in Q4 across its businesses to ensure profitability and optimize cash consumption. This is in line with the guidance provided.
- ❑ **Order Book:** Tecnotree's Order Book continues to grow at a record high EUR 78.0 (76.1) million fueled by Tecnotree's growth strategy of further penetrating into Europe & APAC and winning several new customer logos. The Q3 order intake also stood at a record high of EUR 31.0 (16.1) million. The orders grew for the existing digital BSS platform which helps CSPs to transform their businesses and enable faster-time-to-market for 5G monetization. The order intake also included for Fintech, Moments, VAS and Sensa Ai Products.

Tecnotree Q3 Market Highlights

- ❑ Tecnotree launched MTN D-Stack, under the transformation program MTN Metamorphose powered by Tecnotree. Driven by Tecnotree's digital suite, the project signifies a major leap towards enhancing MTN's offerings, enabling them to benefit from wide-ranging automation-driven solutions.
- ❑ Tecnotree signed a multi-million Euro, 5-year agreement with Telenor Group, to supply Tecnotree Voice Mail System (VMS) for Norway, Denmark and Sweden operations in the Nordic region.
- ❑ Tecnotree signed a multi-million Euro agreement with Telikom in Papua New Guinea. Under this new agreement, Tecnotree will provide support to Telikom through its BSS-Edge platform, with products like mobile & fixed line business integration.
- ❑ Tecnotree signed a multi-million Euro deal with a rising telco services provider from the African region. This collaboration will see Tecnotree deliver advanced digital Business Support Systems (BSS) stack, coupled with Fintech and Value-Added Services (VAS). The

new logo is another successful endeavor towards the company's strong presence in the African region.

- ❑ This quarter Briclinks Africa Plc 'BTEL' selects Tecnotree BSS, Moments B2B2X Marketplace and Diwa Fintech platform to super charge Go-to-market, and revenue monetization capabilities.
- ❑ In addition to this, in Q3 Tecnotree won a Sensa AI/ML and Digital BSS transformation deal with a Tier-1 CSP in the Middle East.
- ❑ Tecnotree achieves the Diamond Badge for TM Forum Open API Conformance, solidifying a leading position with total of 59 certified Open APIs including 9 real world open APIs. The recognition signifies Tecnotree's commitment to creating an open digital ecosystem for customers and matching the increasing expectations of the global communications industry.
- ❑ Tecnotree has been ranked 4th among the top companies in the world for Ai and Autonomous Agents by Markets and Markets Analyst firm in 2023.
- ❑ Tecnotree has also been ranked among the top 2 vendor companies globally for Revenue Monetization Market Share in 2023 by Precision Reports and Digital Journal a renowned Canadian analyst firm for CSPs.
- ❑ Tecnotree was recognized by TM Forum as a finalist in its most prestigious TMF Excellence awards for Customer Experience that was delivered to MTN Uganda.
- ❑ Tecnotree was honored with two prestigious awards - 'Best Innovation in Information Technology' and 'Best Workplace Diversity Award'. The awards acknowledged Tecnotree's achievements in the fields of innovation and novel technology implementation, as well as its dedication to fostering exceptional digital talents through workplace diversity.

Prospects 2023

Despite significant pressures expected in Q4 of 2023 from cost inflation and margin erosions, the company at this stage maintains its original guidance range and further refines as follows:

- Revenue to be higher by 9% -13% (earlier guidance 7% -15%) compared to 2022
- Operating profit (EBIT) to be higher by 15% -20% (earlier guidance 10%-20%) compared to 2022
- Cash recovery is revised to increase by 12%-14% (earlier guidance 12%-18%) compared to 2022
- Cost rationalization by Q4 of 2023 approximately by 5%-7%.

Financial Performance

Income Statement

Tecnotree's net sales for the review period were EUR 56.2 (51.5) million, 9.1% higher compared to last year. Net sales from sale of third-party hardware and software were EUR 2.3 (4.1) million, own licenses EUR 12.8 (10.9) million, delivery EUR 16.8 (16.6) million and maintenance and management services EUR 24.3 (19.9) million.

Net sales for the third quarter were EUR 21.4 (19.9) million, 7.4% higher compared to last year. Net sales from sale of third-party hardware and software were EUR 0.9 (1.9) million, own licenses EUR 5.2 (3.2) million, delivery EUR 7.6 (6.4) million and maintenance and management services EUR 7.6 (8.3) million.

While Company was able to achieve the sustained growth in revenue and EBIT, the net result in Q3 was slightly lower due to higher financial expenses.

Balance sheet

The company received EUR 14.1 million towards Compulsory Convertible Debentures.

The company continuous to face challenges in collection from certain Geographies. This has resulted in higher accounts receivable below.

Accounts receivable aging, MEUR	30th Sep 2023	30th Jun 2023	31st Dec 2022
not due	9.3	14.0	11.8
0-90 days	12.2	2.6	8.9
90-270 days	5.7	8.5	7.3
270-365 days	2.5	2.6	4.6
>1 year	6.1	4.9	7.9
Total (Gross)	35.9	32.5	40.5

The order book at the end review period stood at EUR 78.0 (76.1) million.

The net result for the review period was EUR 8.8 million (8.3) and EUR 3.2 million (3.4) in the third quarter. Earnings per share in the review period were EUR 0.03 (0.03) and EUR 0.01 in the third quarter (0.01).

Nature of goods and services offered, MEUR	7-9/2023	7-9/2022	1-9/2023	1-9/2022	1-12/2022
Sale of third-party hardware and software	0.9	1.9	2.3	4.1	4.7
Own licenses	5.2	3.2	12.8	10.9	18.8
Delivery	7.6	6.4	16.8	16.6	22.9
Maintenance and management services	7.6	8.3	24.3	19.9	25.2
Net sales total	21.4	19.9	56.2	51.5	71.6

Methods used to recognize revenue, MEUR	7-9/2023	7-9/2022	1-9/2023	1-9/2022	1-12/2022
Point in time:					
Third party hardware and software	0.9	1.9	2.3	4.1	4.7
Own license	5.2	3.2	12.8	10.9	18.8
Overtime:					
Delivery	7.6	6.4	16.8	16.6	22.9
Maintenance and management services	7.6	8.3	24.3	19.9	25.2
Net sales total	21.4	19.9	56.2	51.5	71.6

Recognition of revenue by operating segment, MEUR	7-9/2023	7-9/2022	1-9/2023	1-9/2022	1-12/2022
Europe & Americas:					
Third party hardware and software	0.1	0.2	0.1	0.9	1.0
Own license	0.2	-0.0	1.0	0.2	0.9
Delivery	1.1	0.6	2.0	1.6	4.2
Maintenance and management services	2.3	2.4	8.8	6.2	6.6
Net sales total	3.6	3.1	11.9	8.9	12.7
MEA & APAC:					
Third party hardware and software	0.9	1.7	2.2	3.2	3.7
Own license	5.0	3.3	11.7	10.6	17.9

Delivery	6.6	7.2	14.8	15.1	18.7
Maintenance and management services	5.3	4.6	15.5	13.7	18.6
Net sales total	17.7	16.8	44.3	42.6	58.9

Order book by operating segment, MEUR	1-9/2023	1-9/2022	31.12.2022
Europe & Americas	4.6	6.0	8.3
MEA & APAC	73.4	70.0	60.6
Order book total	78.0	76.1	68.9

Result analysis

The operating result for the review period was EUR 16.0 (12.2) million and the result EUR 8.8 (8.3) million. The operating result for the third quarter was EUR 6.2 (5.0) million and the result EUR 3.2 (3.4) million.

Financial items without currency differences in financial items for the review period were EUR -1.1 (1.0) million and EUR -0.1 (0.6) million in the third quarter. Exchange rate differences in the financial items in the review period were EUR -3.8 (-0.6) million and EUR -1.9 (-0.5) million in the third quarter. 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	7-9/2023	7-9/2022	1-9/2023	1-9/2022	1-12/2022
Net sales	21.4	19.9	56.2	51.5	71.6
Other operating income	0.2	0.0	0.2	0.1	0.1
Operating costs excluding	-15.4	-14.9	-40.4	-39.4	-53.3
Operating result	6.2	5.0	16.0	12.2	18.3
Financial items without currency differences	-0.1	0.6	-1.1	1.0	1.8
Exchange rate gains and losses in financial items	-1.9	-0.5	-3.8	-0.6	-2.9
Income taxes	-1.0	-1.7	-2.4	-4.2	-5.7
Result for the period	3.2	3.4	8.8	8.3	11.6

Financial income and expenses during the review period totalled a net impact of EUR 4.8 million (net profit EUR 0.3 million).

Financial income and expenses, MEUR	7-9/2023	7-9/2022	1-9/2023	1-9/2022	1-12/2022
Interest income	0.1	0.5	0.4	1.0	1.3
Exchange rate gains	0.3	0.4	4.9	2.2	1.8
Other financial income	-0.0	-0.0	-0.0	-0.0	-0.0
Financial income, total	0.4	0.8	5.3	3.2	3.1
Interest expenses	-0.2	-0.0	-0.5	-0.0	-0.1
Exchange rate losses	-2.2	-0.9	-8.7	-2.8	-4.7
Other financial expenses	0.0	0.1	-1.0	-0.0	0.6
Financial expenses, total	-2.3	-0.8	-10.1	-2.9	-4.2
Financial items, total	-1.9	0.0	-4.8	0.3	-1.1

Taxes for the review period totalled EUR 2.4 (4.2) million, including following items:

Taxes in income statement, MEUR	7- 9/2023	7- 9/2022	1- 9/2023	1- 9/2022	1- 12/2022
Withholding taxes paid abroad	-0.8	-1.0	-2.3	-2.9	-3.4
Change in withholding tax accrual	0.0	0.0	0.9	-0.0	-0.4
Income taxes on the results of Group companies	-0.2	-0.5	-0.9	-0.9	-1.3
Other items	-0.1	-0.3	-0.1	-0.4	-0.6
Taxes in income statement, total	-1.0	-1.7	-2.4	-4.2	-5.7

Personnel

At the end review period, Tecnotree employed 836 (31 December 2022: 857) persons, of whom 39 (31 December 2022: 43) worked in Finland and 797 (31 December 2022: 814) globally. The company employed on average 868 (774) people during the review period. Personnel by country were as follows:

Personnel	1-9/2023	1-9/2022	31.12.2022
Personnel, at end of period	836	798	857
Finland	39	42	43
Brazil	6	7	6
Argentina	39	42	37
India	691	578	638
United Arab Emirates	24	21	21
Other countries	37	108	112
Personnel, average	868	774	794
Personnel expenses (MEUR)	-16.9	-18.3	-23.7

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	7-9/2023	7-9/2022	1-9/2023	1-9/2022	1-12/2022
Net sales	21.4	19.9	56.2	51.5	71.6
Other operating income	0.2	0.0	0.2	0.1	0.1
Materials and services	-1.6	-3.1	-3.9	-5.4	-7.1
Employee benefit expenses	-6.6	-6.3	-16.9	-18.3	-23.7
Depreciation, amortisation and impairment charges	-1.2	0.9	-2.5	-0.9	-1.5
Other operating expenses	-5.9	-6.5	-17.0	-14.8	-21.0
Operating result	6.2	5.0	16.0	12.2	18.3
Financial income	0.4	0.8	5.3	3.2	3.1
Financial expenses	-2.3	-0.8	-10.1	-2.9	-4.2
Result before taxes	4.2	5.1	11.2	12.5	17.2
Income taxes	-1.0	-1.7	-2.4	-4.2	-5.7
Result for the period	3.2	3.4	8.8	8.3	11.6
Allocated to:					
Equity holders of parent company	3.2	3.4	8.8	8.3	11.6
Non-controlling interest	0.0	-0.0	-0.0	-0.0	-0.0
EPS calculated on the profit attributable to equity holders of parent company:					
Earnings per share, basic, EUR	0.01	0.01	0.03	0.03	0.04
Earnings per share, diluted, EUR	0.01	0.01	0.03	0.03	0.04

Consolidated balance sheet, MEUR	30.9.2023	30.9.2022	31.12.2022
Non-current assets			
Intangible assets	31.4	14.4	23.6
Tangible assets	0.4	0.4	0.4
Deferred tax assets	0.9	0.7	0.6
Other non-current trade and other receivables	2.0	1.7	1.8
Current assets			
Trade receivables	33.3	35.8	37.8
Other receivables	38.0	25.0	27.3
Cash and cash equivalents	15.5	19.9	12.3
Assets total	121.6	97.9	103.8
Shareholders' equity			
	86.1	79.1	80.1
Compulsory convertible debendures	14.1	0.0	0.0

Non-current liabilities			
Non-current interest-bearing liabilities	1.2	0.0	2.4
Other non-current liabilities	3.7	3.2	3.1
Current liabilities			
Current interest-bearing liabilities	4.7	0.0	2.5
Trade payables and other liabilities	11.8	15.6	15.8
Equity and liabilities total	121.6	97.9	103.8

Consolidated condensed cash flow statement, MEUR

	7-9/2023	7-9/2022	1-9/2023	1-9/2022	1-12/2022
Cash flow from operating activities					
Result for the period	3.2	3.4	8.8	8.3	11.6
Adjustments of the result	3.4	3.8	8.1	7.3	12.2
Changes in working capital	-5.4	2.1	-9.3	-5.7	-10.3
Financial income and expenses	-2.9	0.2	-2.6	0.7	-2.3
Income taxes paid	-2.4	-1.8	-3.4	-3.9	-5.1
Net cash flow from operating activities	-4.1	7.6	1.6	6.6	6.0
Cash flow from investing activities					
Capital expenditure on non-current tangible and intangible assets	-3.8	-2.1	-10.6	-5.4	-10.8
Net cash flow from investing activities	-3.8	-2.1	-10.6	-5.4	-10.8
Cash flow from financing activities					
Repayments of borrowings	-3.6	0.0	-4.5	0.0	-0.2
Compulsory convertible debentures	14.1	0.0	14.1	0.1	0.1
New loans	2.3	0.0	5.5	0.0	0.0
Other financial costs	-0.0	0.1	0.0	0.0	0.0
Net cash flow from financing activities	12.9	0.1	15.0	0.1	0.0
Increase (+) and decrease (-) in cash and cash equivalents	5.0	5.6	6.0	1.4	-4.9
Cash and cash equivalents at beg. of period	10.7	13.9	12.3	17.6	17.6
Impact of changes in exchange rates	-0.1	0.4	-2.7	1.0	-0.4
Cash and cash equivalents at end of period	15.5	19.9	15.5	19.9	12.3

Consolidated key financial figures

	1-9/2023	1-9/2022	1-12/2022
Return on investment, %	18.3	23.3	23.1
Return on equity, %	14.1	15.1	15.7
Equity ratio, %	70.8	80.8	77.1
Net gearing, %	-11.1	-25.2	-9.3
Investments, MEUR	10.6	5.4	10.8
% of net sales	18.9	10.5	15.1
Research and development, MEUR	7.9	7.5	9.5

% of net sales	14.1	14.6	13.3
Order book, MEUR	78.0	76.1	68.9
Personnel, average	868	774	794
Personnel, at end of period	836	798	857

Consolidated key figure per share	1-9/2023	1-9/2022	1-12/2022
Earnings per share, basic, EUR	0.03	0.03	0.04
Earnings per share, diluted, EUR	0.03	0.03	0.04
Equity per share, EUR	0.27	0.25	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	0.48	0.93	0.84
Lowest	0.40	0.41	0.41
Highest	0.52	1.52	1.52
Share price at end of period, EUR	0.43	0.43	0.62
Market capitalization of issued stock at end of period, MEUR	136.8	135.9	199.0
Share turnover, million shares	65.1	165.0	191.6
Share turnover, % of total	20.4	51.7	60.10
Share turnover, MEUR	32.9	160.9	175.9
Price/earnings ratio (P/E)	14.3	16.5	17.1

Quarterly key figures	Q3/23	Q2/23	Q1/23	Q4/22	Q3/22	Q2/22	Q1/22	Q4/21
Net sales, MEUR	21.4	19.3	15.5	20.1	19.9	18.3	13.3	18.1
Net sales, change %	10.9	24.0	-22.7	1.0	8.8	37.7	-26.5	18.7
Operating result, MEUR	6.2	6.2	3.6	6.1	5.0	5.1	2.0	5.9
% of net sales	28.9	32.1	23.3	30.6	25.2	28.1	15.1	32.8
Result for the period, MEUR	3.2	3.7	1.8	3.2	3.4	4.0	1.0	5.2
Personnel at end of period	836	895	884	857	798	778	756	750
Earnings per share, basic, EUR	0.01	0.01	0.01	0.01	0.01	0.01	0.00	0.02
Earnings per share, diluted, EUR	0.01	0.01	0.01	0.01	0.01	0.01	0.00	0.02
Equity per share, EUR	0.27	0.26	0.25	0.25	0.25	0.23	0.21	0.21
Net interest-bearing liabilities, MEUR	-9.6	-3.6	-6.5	-7.5	-19.9	-13.9	-15.6	-17.6
Order book, MEUR	78.0	68.4	67.8	68.9	76.1	72.8	64.0	53.5

