Tecnotree

Empowering Digitally
Connected Comunities

Annual Report 2020

23rd March 2021

CEO's Review

Year 2020 turned out to be an unprecedented year due to Covid-19. The pandemic reshaped the world and also forced the telecommunication industry to reposition itself in a changed market environment. While the slowdown of the global economy was evident, we at Tecnotree, persistently continued to serve our customers and enhance the product offering, leading to new record high profit levels and highest order book position in last five years and overall a strong financial position. The net profit margin was a record 25.7 % and the EBIT margin 35.3 %, being at a remarkably satisfactory level. This performance in 2020 helped Tecnotree establish a strong footing, as we start the new year 2021.

Revenue
Full year revenue was EUR 52.8 million, 12.4 % higher than last year. Middle-East and Africa region represented 74.6 % of the total revenue and witnessed 27.5 % growth from last year. Asia and Pacific region demonstrated very promising development and outlook by doubling the revenue from last year from EUR 1.2 million to EUR 2.4 million. Europe and Americas regions faced decline in revenue, mainly due to the implications of COVID-19, however their outlook for 2021 seems positive. It is worthwhile to note that the Company was able to demonstrate this growth despite the headwind caused by unfavorable EUR/USD exchange rate movement.

Profitability
Operating profit and net profit improved in all four quarters of 2020 compared to same quarters last year. The full year improvement in operating profit was EUR 4.3 million and in net profit EUR 5.9 million. The fourth quarter net profit was EUR 4.3 million being 54% higher than the same quarter last year. Earnings per share (EPS) was 0.02 euros in the fourth quarter and 0.05 euros for the full year 2020.

Order intake
Value of new orders recorded during financial period amounted to EUR 59.5 million, providing a solid EUR 32.1 million year-end order book compared to EUR 25.5 million in end of last year. The full year order intake was 16% higher compared to previous year. During

the fourth quarter, Tecnotree recorded an order intake of EUR 19.7 million.

Financial situation

Net cash flow after investments in the fourth quarter was EUR 2.3 million positive and for the full year EUR 7.0 million positive. Cash and cash equivalents in the end of the year were EUR 8.0 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. In 2020, Tecnotree released a range of new products and solutions, including a Fintech offering, Tecnotree Surge platform for Dual speed transformation and a 5G convergent charging platform, BSS Edge. We also acquired new customers for our product suites in all geographies including Latin America (Altice), Middle East (STC) and APAC (TRAI).

In 2021, we 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.

Padma Ravichander, Chief Executive Officer

Key figures

	2020	2019	2018	2017	2016
Net sales, MEUR	**52.8**	47.0	41.9	55.1	60.1
Net sales, change %	**14.4**	12.2	-23.9	-8.3	-21.4
Adjusted operating result, MEUR [1]	**19.3**	13.0	5.9	9.8	1.2
Operating result, MEUR	**18.6**	14.4	5.3	-8.0	-10.1
as % of net sales	**35.3**	30.6	12.6	-14.5	-16.8
Profit before taxes, MEUR	**15.9**	11.8	4.4	-10.5	-5.6
Adjusted result for the period, MEUR [2]	**14.2**	6.3	0.1	2.3	-4.2
Result for the period, MEUR	**13.6**	7.7	-0.5	-15.5	-6.3
Earnings per share, basic, EUR	**0.05**	0.0	0.0	-0.1	-0.1
Order book, MEUR	**32.1**	25.5	21.2	26.2	24.9
Cash flow after investments, MEUR	**7.0**	0.1	1.7	4.8	-0.9
Change in cash and cash equivalents, MEUR	**4.7**	-0.6	1.9	-0.9	-3.0
Cash and cash equivalents, MEUR	**8.0**	3.4	4.2	2.3	3.5
Equity ratio %	**39.3**	9.9	-22.8	-19.1	17.9
Net gearing %	**27.1**	292.2			195.6
Personnel at the end of the period	**659**	600	543	666	818

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

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

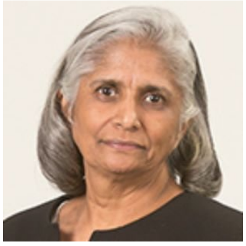
With reference to the new guidelines on alternative performance measures issued by the European Securities and Markets Authority (ESMA), Tecnotree uses the alternative performance measures “adjusted operating result” and “adjusted result for the period”.

Board of Directors

Macleod Neil

b. 1971, HND, Engineering Systems (Napier University), Diploma in Agriculture and Farm Business (Royal Agricultural College) ja M.Sc. Property Development and Planning Law (Southbank University)
Chairman of the Board: 15.5.2019-
Member of the Board: 24.9.2018-
Main duty: Phoenix Macleod Ltd.
Tecnotree shares as on 31.12.2020: -
Holding of interest parties as on 31.12.2020: 74,000,000

Independent of Tecnotree and non-independent of its significant shareholders



Desai Jyoti

b. 1957, BA (Hons), B Com Economics and Law, CAIB (SA),Financial Services qualification
Vice Chairman of the Board: 15.5.2019-
Member of the Board: 24.9.2018-
Main duty: Entrepreneur and consultant
Tecnotree shares as on 31.12.2020: -

Independent of Tecnotree and its significant shareholders.

Phoenix Conrad Neil

b. 1944, MBE, FRICS
Member of the Board: 24.9.2018 -
Main duty: Businessman
Tecnotree shares as on 31.12.2020: -
Holding of interest parties as on 31.12.2020: 74,000,000

Independent of Tecnotree and non-independent of its significant shareholders.

Fornander Anders

b. 1957, MSc. in Computer Science and Technology (LiTH / Sweden) and MSc. in Management of Technology (MIT / USA)
Member of the Board: 5.9.2019 -
Main duty: Rheinmetall Air Defence AG, Head of System Engineering
Tecnotree shares as on 31.12.2020: -

Independent of Tecnotree and its significant shareholders

Wilenius Markku

b. 1961, Professor, Futurist, authoer & speaker
Member of the Board: 10.9.2020 -
Main duty: Dean of Dubai Future Academy
Tecnotree shares as on 31.12.2020: 4,929,689

Independent of Tecnotree and independent of its significant shareholders.

Hagros Kaj

Member of the Board: 15.5.2019 - 10.9.2020

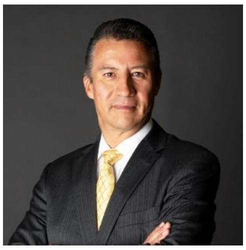
Management Board

Ravichander Padma

b. 1959, Computer Science and IT (Dip), Concordia University, Montreal, Canada, Graduate of Executive Management School Stanford University, California, USA
Main duty: Chief Executive Officer, 9.5.2016-
Tecnotree shares as on 31.12.2020: 14,197,303

Ranjan Priyesh

b. 1980, Bachelor of Technology (IIT Delhi)
Main duty: Chief Financial Officer, 1.7..2019-
Tecnotree shares as on 31.12.2020: 400,000

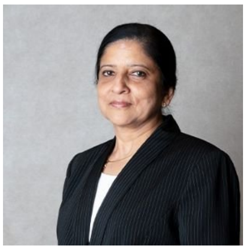


Martinez Armando

b.1968, Master's degree (MBA) and Bachelor of Communications and Electronics Engineering (BCEE), Specialization: Digital Electronics and Telecomminications
Main duty: Vice President Regional LATAM, 1.1.2019-
Tecnotree shares as on 31.12.2020: 100,000

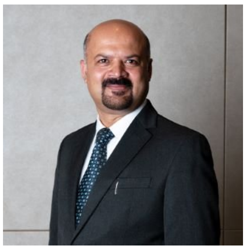
Ketkar Sanjay

b. 1956, Master of Engineering (Automation), Indian Institute of Science
Main duty: Vice President, Managed Services and Support Operations, 1.6.2016-
Tecnotree shares as on 31.12.2020: 53,813



Singh Sheela

b. 1960, Bachelor of Engineering (Electronics)
Main duty: Vice President, Quality & India Center head, 1.3.2017 - 31.12.2020
Tecnotree shares as on 31.12.2020: 81,834



Monteiro Anil Peter

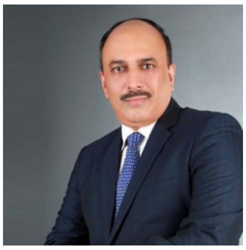
b. 1976, Human Resources Management, XLRI
Main duty: Vice President, People & Academy, 13.12.2018-
Tecnotree shares as on 31.12.2020: 100,000

Koskelainen Leena

b. 1965, Diploma in Business Information Technology
Main duty: Vice President, Product Engineering, 1.2.2018-
Tecnotre shares as on 31.12.2020: 80,941
Holding of interest parties as on 31.12.2020: 38,968

Thomas Sajan Joy

b. 1978, degree in Business Management from IIMC and Bachelor of Commerce from Delhi University
Main duty: Vice President, Product Office, 1.6.2020-
Tecnotree shares as on 31.12.2020: 100,000



Subramanian Ramaseshan

b. 1970, M. Sc (computer Science)
Main duty: Vice President, Value Engineering 1.12.2020-
Tecnotree shares as on 31.12.2020: -

Corporate governance statement 2020

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

Tecnotree follows all the recommendations of the year 2020 Finnish Corporate Governance Code for listed companies. This statement has been prepared in accordance with the Finnish Corporate Governance Code and it has been given separately from the Report of the Board of Directors. The Finnish Corporate Governance Code is available at https://cgfinland.fi/en/corporate-governance-code/. This statement can be found at Tecnotree’ s website www.tecnotree.com and in Tecnotree’ s Annual Report for 2020.

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

Meeting of Shareholders
Annual General Meeting of Shareholders is the highest decision-making body of Tecnotree. The responsibilities of the Annual General Meeting are defined in the Finnish Companies Act and the Articles of Association of the company. The Annual General Meeting is held annually, on a date designated by the Company's Board of Directors. The most important responsibilities include amending the Articles of Association, approving the financial statements, deciding on the dividend to be paid, discharging the Board members and the CEO from liability, appointing Board members and auditors and deciding on their fees.

In 2020, the Annual General Meeting was held on 10 September 2020. The Annual General Meeting confirmed the financial statements and the consolidated financial statements for the financial year 2019 and unanimously discharged the Board of Directors and the CEO from liability for the year 2019. The Annual General Meeting resolved in accordance with the proposal of the Board of Directors that no dividend is paid for the financial year 2019, and that the parent company's profit for the financial year, EUR 6,017,010.08 be transferred to the retained earnings account.

Board of Directors
Formation and term of office of the Board of Directors:

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

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

Furthermore, the Board is responsible for promoting the interests of the company and all its shareholders by pursuing a business policy that in the long-term ensures the best possible return on capital invested in the company.

Tecnotree's Board of Directors consists of a minimum of three and a maximum of eight members, as outlined in the Articles of Association. The Annual General Meeting elects the Board and confirms the number of Board members. The Board of Directors elects the Chairman and Vice Chairman among its members for a term of one year at a time. The term of office of Board members expires at the end of the first Annual General Meeting following election.

Description of the operations of the Board of Directors and the main contents of its charter:
Tecnotree's Board of Directors is responsible for the Company's corporate governance and for the proper organisation of its operations. The members of Tecnotree's Board have no special duties related to being a member of the Board other than those designated by law. Board members are also members of Board Committees.

To support its work, Tecnotree's Board of Directors has confirmed a charter that defines the Board's duties and work methods, as well as meeting and decision-making procedures. In accordance with the charter, the Board deals with and makes decisions on matters that are financially, operationally or fundamentally significant to the Group.

According to the elementary tasks listed in the charter, the Board shall among others:

- decide upon the group strategy and approve the business strategy
- approve the values of the company and its subsidiaries
- approve the annual business plan and supervise its implementation
- decide upon the central organization structure and management system of the company
- discuss and approve the accounts and interim reports
- define the dividend policy of the company and make a proposal to the annual general meeting as to the amount of dividend paid
- appoint the managing director of the company and the deputy managing director, decide upon their remuneration and employment terms
- decide on the appointment of the members of the company's management group and their remuneration
- decide on the remuneration systems of the company's executives and the principles of the remuneration systems for other personnel
- decide on strategically or economically important investments and the acquisitions and divestments of companies or similar arrangements
- approve the significant principles of risk management
- decide upon the capital structure of the company
- confirm the principles of internal control
- annually assess its activities and working methods
- be responsible for the other duties assigned to it under the Finnish Companies Act or other regulation
- establish an audit, a remuneration and/or nomination committee, or another committee.

The Board evaluates its operations and working methods once a year through self-assessment. The charter of the Board of Directors is available at www.tecnotree.com.

The principles of Board diversity

In proposing and deciding the number of the members and the composition of the Board, the diversity of the Board, the requirements of the company's operations and the development phase of the company shall be taken into account, with the aim of ensuring an efficient management of the Board tasks. The persons elected as members of the Board shall have the competence required in this duty and the possibility to devote sufficient time to attend to their duties. When preparing its proposal concerning the composition of the Board, the Board shall consider the age, gender, education and experience of the members to ensure the diversity of the Board.

The objective of the company is that expertise from various industries and markets, varied professional and educational backgrounds, a balanced age distribution as well as both sexes are all diversely represented in the Board.

Monitoring of the principles of Board diversity in 2020

At the beginning of the year the Board comprised of five directors, which consisted of one female member and four male members.

At the Annual General Meeting held on 10 September 2020, one male director resigned, and one male director was appointed. 9 the composition of the board changed to four male members and one female member. Board diversity remained unchanged post these changes.

The experience of the Board members is versatile and diverse. The age of the Board members is between 49 and 75 years. In the current situation of the company, continuity is deemed important, but the Board will strive to improve diversity further.

Composition of the Board & Its independence
The Annual General Meeting of 10 September 2020 confirmed that the Board of Directors will consist of five (5) members, and the Board members were elected for a period of office expiring at the end of the first Annual General Meeting following the election. The Annual General Meeting re-elected as Board Members Ms. Jyoti Desai, Mr. Neil Macleod, Mr. Conrad Neil Phoenix, Mr. Anders Fornander and appointed Mr. Markku Wilenius as a new member of the Board.

Mr. Kaj Hagros ceased to be a director on 10 September 2020.

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

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

Members of the Board

Neil Macleod, b. 1971, HND, Engineering Systems (Napier University), Diploma in Agriculture and Farm Business (Royal Agricultural College) ja M.Sc. Property Development and Planning Law (Southbank University)
Executive Chairman of the Board, 15.5.2019-
Member of the Board, 24.9.2018-
Main duty: Phoenix Macleod Ltd.
Tecnotree shares as on 31.12.2020: -, holding of interest parties as on 31.12.2020: 74,000,000
Indepent of Tecnotree and non-independent of its significant shareholders.

Jyoti Desai, b. 1957, BA (Hons), B Com Economics and Law, CAIB (SA),Financial Services qualification
Vice Chairman of the Board, 15.5.2019-
Member of the Board, 24.9.2018-
Main duty: Entrepreneur and consultant
Tecnotree shares as on 31.12.2020: -
Independent of Tecnotree and its significant shareholders.

Conrad Neil Phoenix, b. 1944, MBE, FRICS
Member of the Board, 24.9.2018-
Main duty: Businessman
Tecnotree shares as on 31.12.2020: -, holding of interest parties as on 31.12.2020: 74,000,000
Indepent of Tecnotree and non-independent of its significant shareholders.

Anders Fornander, s.1957, MSc. in Computer Science and Technology (LiTH / Sweden) and MSc. in Management of Technology (MIT / USA)
Member of the Board, 5.9.2019-
Main duty: Rheinmetall Air Defence AG, Head of System Engineering
Tecnotree shares as on 31.12.2020: -
Independent of Tecnotree and its significant shareholders

Professor Markku Wilenius, b. 1961, Futurist, Author & speaker
Member of the Board, 10.9.2020-
Main duty: Dean of DUbai Future Academy
Tecnotree shares as on 31.12.2020: 4,929,689
Independent of Tecnotree and its significant shareholders

Kaj Hagros, b. 1970, MSc. (Eng.), MBA
Member of the Board, 15.5.2019 - 10.9.2020

The Annual General Meeting 2020 decided the following remuneration for the Board members: Chairman of the Board EUR 50,000, Vice-chairman of the Board EUR 30,000 and members of the Board EUR 23,000 in a year. The Chairman shall receive an attendance fee of EUR 800 and the members EUR 500 per meeting, respectively the members of committees shall receive an attendance fee of EUR 500 per meeting. In accordance with the decision of the Annual General Meeting, reasonable travel expenses shall also be reimbursed to Board members.

Remuneration paid to the Chairman and members of the Board of Directors from 1 January 2020 to 31 December 2020 totalled EUR 194,703. Board members have no share-based incentive schemes.

Tecnotree' s Board of Directors convened ten (10) times in 2020. The average attendance was approximately 98 per cent.

Board attendance to meetings and remuneration 2020:

Board Member	**Attendance**	**Remuneration (euro)**
Neil Macleod	10/10	63,500
Jyoti Desai	10/10	41,500
Conrad Neil Phoenix	9/10	31,500
Anders Fornander	10/10	29,500
Markku Wilenius	3/3	9,063
Kaj Hagros	7/7	19,640
Total Remuneration		**194,703**

Board Committees
At the Annual General Meeting of the Company held on 10 September 2020, the board decided to establish the below committees:

- Audit Committee;
- Remuneration Committee;
- Nomination Committee; and

- Strategy Committee

Audit Committee

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

To execute its duties, the Audit Committee shall:

- monitor the reporting process of financial statements
- supervise the financial reporting process
- monitor the efficiency of the company's internal control, internal audit, if applicable, and risk management systems
- review the description of the main features of the internal control and risk management systems in relation to the financial reporting process, which is included in the company's Corporate Governance Statement
- monitor the statutory audit of the financial statements and consolidated financial statements
- evaluate the independence of the statutory auditing or audit firm, particularly the provision of related services to the company
- prepare the proposal for resolution on the election of the auditor
- monitor the financial position of the company and
- contact with the auditor and revision of the reports that the auditor prepares for the Audit Committee; and
- make recommendations to the Board in matters requiring a Board resolution.

At the end of the financial year the Audit Committee comprised of three members of the Board: Jyoti Desai (Chairman), Neil Macleod and Conrad Neil Phoenix. The Audit convened four (4) times during the period. The average attendance was 92 per cent.

Committee members	Attendance
Jyoti Desai	4/4
Neil Macleod	4/4
Conrad Neil Phoenix	3/4

Board has confirmed a written procedure to Audit Committee.

Remuneration Committee

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

The main duties of the Remuneration Committee are as follows:

- the preparation of matters pertaining to the remuneration and other financial benefits of the CEO and the other executives;
- the preparation of matters pertaining to the remuneration schemes of the company;
- the evaluation of the remuneration of the CEO and the other executives as well as ensuring that the remuneration schemes are appropriate; and
- answering questions related to the Remuneration Statement at the general meeting;
- the preparation of matters pertaining to the appointment of the CEO and the other executives as well as the identification of their possible successors.

At the beginning of the year i.e. as on 01.01.2020 the Remuneration Committee comprised of three members of Board: Jyoti Desai, Neil Macleod and Conrad Phoenix.

At the General meeting of held on 10 September 2020, the Company elected Jyoti Desai (Chairman), Neil Macleod and Anders Fornander as the members of the Remuneration Committee. The Remuneration Committee meetings were convened three (3) times during the period. The average attendance was 89 per cent.

Committee members	Attendance
Jyoti Desai	3/3
Neil Macleod	3/3
Conrad Neil Phoenix	1/2
Anders Fornander	1/2

Nomination Committee

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

The main duties of the Nomination Committee are as follows:

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

At the beginning of the year 2020 the Nomination Committee comprised of three members of Board: Neil Macleod, Jyoti Desai and Conrad Phoenix as the members of the Nomination Committee.

At the General meeting held on 10 September 2020, the Company re-elected Neil Macleod, Jyoti Desai and Conrad Phoenix as the members of the Nomination Committee. The Nomination Committee meetings were convened four (4) times during the period. The average attendance was 100 per cent.

Committee members **Attendance**

Neil Macleod	4/4
Jyoti Desai	4/4
Conrad Neil Phoenix	4/4

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

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

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

At the beginning of the 2020 the Company had Strategy Committee which comprised of Jyoti Desai, Kaj Hagros, and Anders Fornander as the members of the committee.

At the General meeting of held on 10 September 2020, the board elected Jyoti Desai, Anders Fornander and Markku Wilenius as the members of the committee. The Strategy committee convened two (2) times during the period. The average attendance was 100 per cent.

Committee members	Attendance
Jyoti Desai	2/2
Kaj Hagros	1/1
Anders Fornander	2/2
Markku Wilenius	1/1

CEO
The Chief Executive Officer is responsible for managing and developing the company's operations as defined in the Finnish Companies Act and, in the guidelines, and instructions issued by the Board of Directors. The CEO may undertake actions that are unusual or far-reaching in view of the scope and quality of the company's operations only if authorised by the Board of Directors.

The CEO ensures that the company's accounting complies with legislation and that its assets are managed reliably. The CEO is also responsible for investor relations, corporate communication, long-term strategic and financial planning, as well as major operative decisions and the supervision of their implementation. The CEO prepares matters to be handled at Board meetings and reports to the Board.

The Chief Executive Officer has been **Mrs. Padma Ravichander** since 9 May 2016.

Management Board
Management Boards main duty is to assist CEO in operative management, monitor and develop business activities according to

strategy and targets, create group level policies, support risk management procedures, follow coherent human resources policy and remuneration as well as manage stakeholder relations. Management Board convenes at least once a month.

At the end of 2020 Tecnotree Group Management Board had nine (9) members: CEO, CFO, Vice President Managed Services and Support Operations, Vice President Quality, Vice President Product Engineering, Vice President People & Academy, Vice President Regional LATAM, Vice President Product Office and Vice President Value Engineering. CEO acted as Chairman of the Management Board.

Management team members, responsibilities and period of membership:

Padma Ravichander, b. 1959, Computer Science and IT (Dip), Concordia University, Montreal Canada, Graduate of Executive Management School Stanford University, California, USA
Main duty: Chief Executive Officer, 9.5.2016-
Tecnotree shares as on 31.12.2020: 14,197,303

Priyesh Ranjan, b. 1980, Bachelor of Technology (IIT Delhi)
Main duty: Group Chief Financial Officer, CFO, 1.7.2019-
Tecnotree shares as on 31.12.2020: 400,000

Sanjay Ketkar, b. 1956, Master of Engineering (Automation), Indian Institute of Science
Main duty: Vice President, Managed Services and Support Operations
Tecnotree shares 31 Dec 2020: 53,813

Sheela Singh, b. 1960, Bachelor of Engineering (Electronics)
Main duty: Vice President - Quality, 1.3.2017-
Tecnotree shares as on 31.12.2020: 81,834

Leena Koskelainen, s. 1965, Diploma in Business Information
Main duty: Vice President, Global Managed Operations, 1.2.2018-
Tecnotre shares as on 31.12.2020: 80,941 ; holding of interest parties as on 31.12.2020: 38,968

Anil Peter Monteiro, b. 1976, Human Resources Management, XLRI
Main duty: Vice President, People & Academy, 13.12.2018-
Tecnotree shares as on 31.12.2020: 100,000

Armando Martinez, b.1968, master's degree (MBA) and Bachelor of Communications and Electronics Engineering (BCEE), Specialization: Digital Electronics and Telecommunications
Main duty: Vice President Regional LATAM, 1.1.2019-
Tecnotree shares as on 31.12.2020: 100,000

Sajan Joy Thomas, b.1978, degree in Business Management from IIMC and Bachelor of Commerce from Delhi University
Main duty: Vice President, Product Office, 1.6.2020-
Tecnotree shares as on 31.12.2020: 100,000

Subramanian Ramaseshan b. 1970, M. Sc (computer Science)

Main duty: Vice President, Value Engineering 1.12.2020-
Tecnotree shares as on 31.12.2020: -

Description of the main features of the internal control and risk management systems pertaining to the financial reporting process

Company's general objectives for internal control and risk management
The objective of the internal control and reporting methods is to ensure that the company's operations are efficient and that information is reliable and that official regulations and internal operating principles are followed. The Group's management is responsible for performing and guiding the internal control.

The task of risk management is to identify, manage and track the major risks in the company's business and business environment to enable the company to achieve its strategic and financial goals in the best possible way. The company's management Board is responsible for risk management.

Control activities
The company mainly uses a common finance system for its financial reporting, and the information in this system for the different companies can also be viewed at head office. Similarly, where necessary the parent company accounts can also be examined at the other offices. Group reporting is performed using a separate system on monthly basis. Actual figures are compared to the budget, and at the highest level also to the previous forecast. Major deviations are cleared up.

The main control activities include preparing up-to-date forecasts, analysing deviations in actual data versus forecast and previous periods, performing transaction and process level controls and internal audits. The company does not have an own internal audit function. The Finance department in head office is responsible for control activities.

Annual budgets are prepared and detailed targets are set based on the strategic plans in October-December. A preliminary budget proposal is presented to the Board of Directors in November and the final budget is drawn up based on the feedback received, and this is examined at the Board meeting in December. It also includes plans of action. These are then used as the basis for defining individual targets for each person.

The operating result forecast is updated and presented at the Board meeting. Monthly reporting shows the latest forecast for the period that has ended, the actual figure and the forecast for the following period.

Forecasts for sales, revenues to be recognised and cash flow are examined on monthly basis or more often, if needed, region by region in telephone conferences. The forecasts are graded in different categories according to their probability, and this information is used by the Management Board to decide on the forecast to be presented to the Board. The company has also a vigilant cash monitoring system in place with weekly assessment reporting.

The company's financial management together with the relevant levels of management aims at ensuring the correctness in the monthly reporting. Line organisation is responsible for budgets and forecasts. The role of Group's financial management is to collect these plans according to accepted timetables and to control their reliability. Substantial deviations and eventual errors with corrective actions are reported to the Board of Directors.

The Group's financial department performs controls pertaining to the correctness of external and internal reporting. Due to the nature of business a lot of emphasis is put into controlling revenue recognition and receivables.

Risk management

Tecnotree's general annual assessments of external risks assessed by the Management Board define the biggest risks. These assessments are made by evaluating the probability and the impact of the different risks, and based on this a risk map is comprised. Actions and a person in charge are defined for each significant risk. The most significant risks have been described in the Board of Directors' Report. The Board approves the significant principles of risk management.

The Espoo District Court confirmed 15 November 2016 the amended restructuring programme and along with the confirmation the restructuring programme ended. The reimbursements of payment plan will end 20 June 2025.

Corporate governance is implemented through documented policies. The main policies are policy for making sales agreements, credit policy, cash management policy, policy for hedging against currency risks, policy for making purchase agreements and approval policy.

Major part of Tecnotree's risks is related to sales. These risks can be mitigated by reviewing offers systematically. Tecnotree has uniform principles and practices in bid reviews.

The subsidiaries and foreign offices of the parent company have issued guidelines and policies for their own specific purposes that are in line with the Group level policies. The company has defined its Code of Conduct.

The company's financial management is responsible for managing foreign exchange, interest rate and liquidity risks and for taking out insurance against operational risks.

The Management Board of the company handles risks and risk management in its meetings on a regular basis. The CEO reports these to the Board of Directors.

The risks pertaining to the financial reporting are mitigated by the methods in financial reporting and control of the Group. Majority of the sales transactions are at the parent company level. The companies have a common chart of accounts and IFRS principles applied, common systems with comprehensive database, centralised treasury and financing, and an easy-to-access archive for contracts and policies.

Related party transactions

Tecnotree monitors and assesses any transactions with its related parties and ensures that potential conflicts of interest are appropriately considered in the company's decision-making. The company maintains a list of its related parties. The company is responsible for determining and identifying the parties and transactions included in related party transactions.

Certain related party transactions are published as required by the stock exchange rules.

In 2020, Tecnotree did not have any material related party transactions that would not be in line with its regular business operations or market conditions.

Insider issues

Tecnotree Group complies with the currently valid insider dealing regulations and the Nasdaq Helsinki Guidelines for Insiders. The Group also has its own Insider Guidelines complementing Nasdaq Helsinki Guidelines for Insiders and it is updated when necessary. The Insider Guidelines are available on the company's website.

The person in charge of insider issues (insider issues officer) and insider register manager in Tecnotree is the CFO. The duties of the insider issues officer include internal communication and training and the monitoring of insider issues (including the whistleblowing system). The insider issue officer is also responsible for managing the closed periods and ensuring that executives and their related parties meet their obligations related to the notification and publication of related party transactions.

Tecnotree has opted to maintain a separate list of permanent insiders who, on the basis of their position or duties, have permanent access to all inside information concerning the company. Tecnotree has defined the following persons as permanent insiders:

- members of the Tecnotree Board of Directors, the CEO
- the secretary of the Board of Directors.

A project-specific insider list is maintained of all insider projects in line with the stock exchange's Guidelines for Insiders.

In accordance with the applicable legislation, persons in managerial positions in Tecnotree Corporation (the Board of Directors, the CEO and the Management Board) and their related parties report any transactions conducted on their own account to the company and to the Finnish Financial Supervisory Authority within three days of the completion of such transactions. According to the company's Insider Guidelines, executives shall, however, notify the transactions on the following working day. The company publishes a stock exchange release of the transactions of the executives and their related parties in accordance with the applicable legislation.

Tecnotree executives shall schedule their transactions with Tecnotree's financial instruments to avoid the transactions undermining confidence in the securities market. Tecnotree executives shall not trade in Tecnotree's financial instruments during the period starting 30 days before the publication of each financial statements bulletin, half year financial report or three- or nine-month financial report and ending on the day following the publication of such data. The closed period also covers the persons participating in the preparation, drafting and publication of Tecnotree's financial reports.

Auditing of accounts

The principal purpose of auditing is to verify that the financial statements provide correct and sufficient information on the company's result and financial position. In addition, the auditor verifies the legality of the company's administration.

The auditor is appointed annually in the Annual General Meeting for a term ending at the end of the following Annual General Meeting. A proposal of the auditor made by the Board of Directors or any shareholder holding at least 10% of the voting rights shall be published in the invitation to the Annual General Meeting, provided that the candidate has given his or her consent to be appointed and that the company has been informed of the proposal sufficiently early for it to be included in the invitation. If the auditor candidate is not known by the Board of Directors at the time of submitting the invitation, the name of the candidate, who has been presented in this manner, shall be published separately.

The fees of the auditor and any remuneration for services not related to the audit for the financial period shall be published in the annual report and on the company's website.

The Annual General Meeting 2020 appointed the auditing firm Tietotili Audit Oy as the auditors of the company till the end of the first Annual General Meeting following the election. In 2020, the auditor was paid EUR 141 thousand for the audit services.

Communication

In its disclosure policy the company complies with Finnish and European Union legislation and with the instructions and regulations of

Nasdaq Helsinki Ltd, the Financial Supervisory Authority and the European Securities and Markets Authority (ESMA) and the provisions of the Finnish Corporate Governance for Finnish listed companies as well as other rules concerning listed companies.

The central principles Tecnotree follows in its communication are openness, integrity, consistency, and clarity. It is the company's objective to give all stakeholder groups correct and up-to-date information about the company's operations in a balanced and timely manner

Tecnotree Corporation
The Board of Directors

Salary and remuneration report for period 1 January to 31 December 2020

Decision making

According to the Tecnotree Corporation's Articles of Association, the Annual General Meeting decides on the remuneration to be paid to the Members of the Board. The Board makes a decision on the salary and other financial benefits of the Group executives according to grandfathering principle.

Key principles

The variable compensation system in the Tecnotree Group is designed to promote competitiveness and the company's long-term financial success and to contribute to a positive development of owner value. Compensation plans are based on predetermined and measurable performance and result criteria. At the moment Tecnotree has only short-term compensation plans.

Annual remuneration of Board members

The Annual General Meeting 2020 decided to maintain the following existing Board member remuneration:

• Chairman of the Board: EUR 50,000 a year
• Vice Chairman of the Board: EUR 30,000 a year
• Members of the Board: EUR 23,000 a year
• the Chairman and members shall receive an attendance fee of EUR 800 and EUR 500 per meeting, respectively
• the members of committees shall receive an attendance fee of EUR 500 per meeting.

In accordance with the decision of the Annual General Meeting, reasonable travel expenses shall also be reimbursed to Board members.

Remuneration paid to the Chairman and members of the Board of Directors from 1 January to 31 December 2020 totaled EUR 194,703.

Remuneration paid to the chairman and members of the Board 2020

	Board member remuneration, EUR
Neil Macleod, Chairman of the Board	63,500
Jyoti Desai, Vice Chairman of the Board	41,500
Conrad Neil Phoenix	31,500
Anders Fornander	29,500
Markku Wilenius 10.9.2020 -	9,063
Kaj Hagros 15.5.2019 - 10.9.2020	19,640
Total	194,703

*Includes fixed board member remunerations and remuneration of the board and the board committee meetings.

Compensation for the CEO and other executives

The purpose of the remuneration system is competitive remuneration in order to acquire and commit key resources. The current remuneration system of the CEO and other executives consists of a fixed monthly salary and a performance-related bonus based on short-term financial targets. Potential returns from the performance-related bonus system is tied to the achievement of Group's targets of net sales and operating profit development. The managers of divisions have an additional target related to the development of received orders. The targets are determined annually.

Compensation of the CEO

The variable compensation of the CEO, the annual short-term incentive scheme (STI), is upto 100% of the annual basic salary. The annual bonus is based on net sales, net sales cash inflow, opex and customer satisfaction. CEO's annual bonus requires a valid employment contract at the end of the year. The notice period of the CEO is thirty six months if the company terminates his or her contract, and six months, if the contract is terminated by the CEO. Salary is paid for the period of notice and, in the case of the notice given by the company, a compensation equal to 36 months' base pay will be paid. The company can terminate the contract of the CEO with immediate effect, without a separate compensation, if the CEO has materially breached his or her CEO contract, convicted guilty to a crime or otherwise caused substantial damage to the company.

In 2020, CEO Padma Ravichander was paid a total of EUR 2 584 thousand as salaries and other compensation, of which EUR 1 496 thousand were share-based payments (according to IFRS2) .

Other executives

The variable compensation of the members of the Management Board, the annual short-term incentive scheme (STI), has a target and a maximum level depending on the role of the Member. The Management Board member's annual bonus requires a valid employment contract at the end of the year. The retirement ages of the Management Board members are based on applicable local legislation. The period of notice for Management Board members varies between two and six months if the Company terminates the member's contract, and between two and six months if the member terminates the contract.

In 2020, members of the Management Board was paid a total of EUR 1 502 thousand as salaries and other employee benefits, of which EUR 273 thousand were share-based payments (according to IFRS2).

Loans and guarantees

No guarantees or loans have been granted to members of the Board of Directors or Management Board, nor do they or persons or organisations closely associated with them have any significant business connections with the company.

Board of Directors' Report

Unless otherwise stated, all consolidated figures presented below are for the financial year 2020 and the figures for comparison are for the corresponding period 2019. Key figures are presented in the end of Board of Directors' report.

Business description

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 products and solutions comprise the full range (order-to-cash) of business process and subscription management services for telecom and other digital service providers.

In 2021 and beyond, we will continue to complete our digital products and services offerings to ensure that our customers' digital transformation journeys are fulfilled and successful with Tecnotree's digital BSS Suite 5. We will expand our footprint within the current geographies and customers and we will also explore new markets and adjacent market opportunities.

We also 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.

We plan to achieve this with our cloud enabled micro-services based interoperable products and digital platforms that will help our 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 their customers and subscribers.

Tecnotree's cutting-edge products enable communication service providers to expand their footprint and transform their business into that of a digital service provider, thus helping expand and increase their value to their subscriber base.

Tecnotree's business is based on our product licenses, professional services for customization of our products, and maintenance and support services on our products to a global customer base. Tecnotree has an especially strong footprint in developing markets such as Latin America, Africa and the Middle East, serving more than 800 million subscribers worldwide and supporting more than 65 operators/CSPs worldwide.

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

Sales and net sales

Tecnotree's net sales for the financial period were EUR 52.8 (47.0) million, 12.4 % higher than a year ago. Revenue from goods and services increased by EUR 10.3 million and revenue from maintenance and support decreased by EUR 4.5 million. The net sales was impacted by EUR -0.2 (-0.2) exchange rate differences.

The order book represents the total value of confirmed customer orders not yet recognized as revenue and stood at EUR 32.1 (25.5) million in the end of the financial period.

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

Specification of net sales, M€

	2020	2019	2020, %	2019, %
Revenue from maintenance and support (IFRS 15)	**24.7**	29.2	**46.8 %**	62.2 %
Revenue from goods and services (IFRS 15)	**28.2**	17.9	**53.5 %**	38.1 %
Currency exchange gains and losses	**-0.2**	-0.2	**-0.3 %**	-0.3 %
Total	**52.8**	47.0	**100 %**	100 %

Net sales by market area, M€

	2020	2019	2020, %	2019, %
Europe & Americas	**11.0**	14.9	**20.8 %**	32.0 %
MEA & APAC	**41.8**	32.1	**79.2 %**	68.0 %
Total	**52.8**	47.0	**100 %**	100 %

Consolidated order book, M€

	2020	2019	2020, %	2019, %
Europe & Americas	**4.0**	5.6	**12.5 %**	22.0 %
MEA & APAC	**28.1**	19.9	**87.5 %**	78.0 %
Total	**32.1**	25.5	**100 %**	100 %

Result analysis

The adjusted operating result was 19.3 (13.0) million and the operating result EUR 18.6 (14.4) million in the financial period. The adjusted result was EUR 14.2 million (6.3) and the result EUR 13.6 million (7.7).

The fourth quarter adjusted operating result was 4.3 (4.1) million and the operating result EUR 4.3 (4.1) million. The adjusted result was EUR 4.3 (2.8) and the result was EUR 4.3 million (2.8).

Capitalized product development expenses in the financial period were EUR 3.4 (2.9) million and EUR 0.7 (0.8) million in the fourth quarter. Amortizations on capitalized development costs during in the financial period were EUR 0.9 (0.0) million and EUR 0.3 (0.0) million in the fourth quarter.

Financial items without currency differences in financial items in the financial period were EUR -0.2 (-0.3) million and EUR 0.1 (0.1) million in the fourth quarter. Exchange rate differences in financial items in the financial period were EUR -2.5 (-2.3) million and EUR -0.3 (-0.8) million in the fourth 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 above.

Income statement, key figures, M€

	2020	2019
Net sales	**52.8**	47.0
Other operating income	**0.9**	0.2
Operating costs excluding one-time costs	**-34.5**	-34.3
Adjusted operating result, MEUR [1]	**19.3**	13.0
One-time costs	**-0.7**	1.4
Operating result	**18.6**	14.4
Financial items without foreign currency differences	**-0.2**	-0.3
Exchange rates gains and losses	**-2.5**	-2.3
Income taxes	**-2.3**	-4.0
Adjusted result for the period [2]	**14.2**	6.3
One-time costs	**-0.7**	1.4
Result for the period	**13.6**	7.7
1 Adjusted operating result = operating result before one-time items.		
2 Adjusted result for the period = result for the period before one-time items.		

Financial income and expenses (net) during the financial period totalled a net loss of EUR 2.7 million (net loss of EUR 2.6 million), including following items:

Financial income and expenses, M€	2020	2019
Interest income	**0.4**	0.3
Exchange rate gains	**3.2**	0.2
Other financial income	**0.0**	0.0
Financial income total	**3.6**	0.5
Interest expenses	**-0.5**	-0.6
Exchange rate losses	**-5.7**	-2.4
Other financial expenses	**-0.1**	-0.1
Financial expenses total	**-6.3**	-3.1
Financial items total	**-2.7**	-2.6

Taxes for the period totalled EUR 2.3 (4.0) million, including following items:

Taxes in income statement, M€	2020	2019
Withholding taxes paid abroad	**-2.2**	-2.9
Change in withholding tax accrual	**0.6**	-0.4
Income taxes on the results of Group companies	**-0.3**	-0.3
Other items	**-0.4**	-0.4
Taxes in income statement, Total	**-2.3**	-4.0

Earnings per share in the reporting period were EUR 0.05 (0.03) and equity per share at the end of the period was EUR 0.07 (0.01) .

Financing, cash flow and balance sheet

Tecnotree’s working capital increased during the period by EUR 8.1 (decreased EUR 6.4) million:

Change in working capital, M€ (increase - / decrease +)	2020	2019
Current receivables, increase (-) /decrease (+)	**-8.6**	-6.4
Inventories, increase (-) /decrease (+)		0.1
Current liabilities, increase (+) /decrease (-)	**0.5**	-0.2
Total change in working capital	**-8.1**	-6.4

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

Tecnotree’s cash and cash equivalents totalled EUR 8.0 (3.4) million. Cash flow after investments for the financial period ended up EUR 7.0 (0.1) million positive. The change in cash and cash equivalents for the financial period was EUR 4.7 million positive.

The balance sheet total on 31 December 2020 stood at EUR 50.6 (36.8) million. Tecnotree’s investments during the financial period were EUR 3.6 (3.4) million or 6.9% (7.1%) of net sales. Interest-bearing liabilities were EUR 13.4 (14.0). The equity ratio was 39.3% (9.9%). During the period, total equity was affected by negative translation differences of EUR 0.5 million (-0.5).

Shareholders' equity of parent company

After the interim financial statements of Tecnotree Group for the first half of 2015 were completed, it was noticed that the shareholders’ equity of the Group’s parent company Tecnotree Corporation was negative. The company’s Board of Directors has recognised the loss of shareholders’ equity and submitted a statement on this matter to the Trade Register. The parent company’s shareholders’ equity was EUR 9.8 million on 31 December 2020 (31 December 2019: EUR 1.2 million).

Segment information

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

Net sales and the result for the operating segments are presented based on the location of customers. The result for the operating segments includes the costs that can be allocated to the segments, being costs of sales and marketing, product management, customer service and delivery functions as well as product development. Costs for administration, depreciations, taxes and financial items are not allocated to the segments.

Geographical areas

Tecnotree Group operates in the following geographical areas: Europe & Americas (Europe and North, Central and South America) and MEA & APAC (Middle East and Africa, Asia Pacific).

Europe & Americas
The net sales in the market area declined from last year and was 11.0 million (14.9)

The year-end order book in the area stood at EUR 4.0 million (5.6).

MEA & APAC
The net sales in the market area increased from last year and was 41.8 million (32.1)

The year-end order book in the area grew from last year and stood at EUR 28.1 million (19.9).

Personnel

At the end of December 2020 Tecnotree employed 659 (600) persons, of whom 40 (40) worked in Finland and 619 (560) elsewhere. The company employed on average 637 (554) people during the financial period. Personnel by country were as follows:

Personnel		
	2020	**2019**
Personnel, at end of period	**659**	600
Finland	**40**	40
Brazil	**8**	9
Argentina	**41**	41
India	**464**	412
United Arab Emirates	**15**	13
Other countries	**91**	85
Personnel, average	**637**	554
Salary expenses (MEUR)	**-18,239**	-15,961

Tecotree continued to make substantial investments in personnel by increasing the manpower by 10% in 2020.

Share and price analysis

At the end of December 2020 the shareholders' equity of Tecnotree Group stood at EUR 19.9 million (3.6) and the share capital was EUR 1.3 (1.3) million. The total number of shares was 274.628.428 (247.628.428). At the end of the period the company hold 10.941.667 (0) own shares. Equity per share was EUR 0.07 (EUR 0.01).

A total of 82.172.144 Tecnotree shares (EUR 35.538.637) were traded on the Helsinki Exchanges during the period 1 January – 31 December 2020, representing 29.9 % of the total number of shares.

The highest share price quoted in the period was EUR 0.90 and the lowest EUR 0.11. The average quoted price was EUR 0.34 and the closing price on 31 December 2020 was EUR 0.70. The market capitalisation of the share stock at the end of the period was EUR 193.3 (42.1) million.

Shareholders

Tecnotree has a single share series and all shares hold equal voting rights. Tecnotree's share is quoted on the NASDAQ OMX Helsinki Ltd. Tecnotree's trading code is TEM1V. 99.98 per cent of the company's shares are entered in the book entry securities system maintained by Euroclear Finland Ltd.

According to Article 14 of Tecnotree's Articles of Association, a shareholder whose holding reaches or exceeds 33 1/3 per cent or 50 per cent of all the company's shares or of the voting rights held by the shares, is obliged, at the request of other shareholders, to redeem their shares and securities entitling holders to shares, on terms specified in more detail in Article 14 of the Articles of Association. In Tecnotree Corporate Extraordinary General Meeting 9 November 2016, the General Meeting resolved to remove Article 14 in its entirety.

On 31 December 2020 Tecnotree had a total of 7,660 shareholders recorded in the book-entry securities system.

On 31 December 2020 the ten largest shareholders together owned approximately 76.8 per cent of the shares and voting rights.

On 31 December 2020, altogether 63.7 per cent of Tecnotree's shares were in foreign ownership.

On 31 December 2020, the total number of shares owned by the members of Tecnotree's Board of Directors and the CEO was 93,126,992 which includes the shares owned by these persons themselves, by close family members and by companies in which they hold a controlling interest. Altogether these represent 33.9 per cent of the total amount of shares and voting rights. On 31 December 2020 the total number of shares owned by the members of Tecnotree's Management Board was 955,556 excluding those owned by the CEO.

Ownership structure by sector

	Number of shares	%
Companies	31,461,161	11.5 %
Finance houses and insurance companies	11,811,833	4.3 %
Non-profit making assosiations	6,360	0.0 %
Households and private persons	56,271,102	20.5 %
Foreign holders	175,040,372	63.7 %
Total	274,590,828	100 %
Joint account	37,600	0.0 %
Total number of shares	274,628,428	100 %

Largest shareholders

The company´s ten largest shareholders	No. of shares	% of shares and

		voting rights
Fitzroy Investments Limited	74,000,000	26.9 %
Euroclear Bank Sa/Nv	51,221,000	18.7 %
Viking Acquisitions Corp.	29,353,295	10.7 %
Hammaren & Co Oy Ab	14,197,303	5.2 %
Nieminen Jorma Juhani	10,941,667	4.0 %
The Orange Company Oy	8,803,480	3.2 %
Mandatum Henkivakuutusosakeyhtiö	6,000,000	2.2 %
Wilenius Markku Johannes	5,500,000	2.0 %
Kaleva Mutual Insurance Company	5,397,870	2.0 %
Saarelainen Mika Pekka	5,363,248	2.0 %
Total	**210,777,863**	**76.8 %**

Ownership of shares

Number of shares	Number of shareholders	%	Total number of shares	%
1–500	3,059	39.9 %	624,376	0.2 %
501–1 000	1,222	16.0 %	1,005,726	0.4 %
1 001–5 000	2,125	27.7 %	5,506,177	2.0 %
5 001–10 000	559	7.3 %	4,323,817	1.6 %
10 001–50 000	546	7.1 %	11,419,733	4.2 %
50 001–100 000	68	0.9 %	5,119,567	1.9 %
100 001–500 000	50	0.7 %	8,985,247	3.3 %
> 500 000	31	0.4 %	237,606,185	86.5 %
Joint account			37,600	0.0 %
Total	**7,660**	**100 %**	**274,628,428**	**100 %**

Current authorisations

Due to the coronavirus pandemic, Tecnotree convened the year 2020 Annual General at a later stage on 9 September 2020.

The Board of Directors has two valid mandates authorized by the Annual General Meeting held on 15 May 2019.

1) The Board of Directors has authorization to decide to issue and/or convey a maximum of 900.000.000 new shares and/or the company’s own shares either against payment or for free in one or several transactions. The authorization is valid for a period of five years from the date of the Annual General Meeting. This authorization will revoke the authorization granted by the Extraordinary General Meeting on 14 September 2017.

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

2) General authorization

The Board of Directors has authorization to decide to issue and/or convey a maximum of 100.000.000 new shares and/or the company’s own shares either against payment or for free in one or several transactions. The authorization is valid for a period of five years from the date of the Annual General Meeting. This authorization revokes the authorization granted by the Annual General Meeting of Shareholders on 30 May 2018.

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

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

The Board of Directors has resolved to carry out a directed share issue of 12.5 million shares to the company's CEO.

Restructuring proceedings

The District Court of Espoo has confirmed by a decision on 15 November 2016 the amended restructuring programme drafted by the administrator Jari Salminen as the payment program of the company.

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

The total amount of the restructuring debts taken into account in the payment programme was approximately 73.9 million euros. The amount of intragroup restructuring debts that was fully cut was approximately 36.7 million euros. The amount of normal unsecured restructuring debts was approximately 13.2 million euros that was cut off by 50 percent. The amount of the secured restructuring debts was approximately 23.8 million euros out of which approximately 7.9 million euros was secured by business mortgage.

On December 31.12.2020 balance of the secured restructuring debts was 13.3 million euros and normal unsecured restructuring debt was 3.5 million euros. Payments under the payment program will end on 30 June 2025.

The restructuring programme includes a provision regarding a duty to make supplementary payments on the unsecured restructuring debts if the actual cash flow of Tecnotree Oyj exceeds the projected cash flow during the payment program. No supplementary payments have fallen due.

The District Court has appointed Attorney-at-Law Jari Salminen to supervise the implementation of the restructuring programme. The supervisor monitors the progress of the payment programme and gives reports to the creditors.

Non-Financial Information (Bookkeeping Act 3a)

This statement describes how Tecnotree manages environmental matters, respect for human rights, anti-corruption and bribery matters, and employee well-being in its business activities. This statement has been compiled in order to fulfil the reporting requirements on non-financial information as outlined in Chapter 3a, Sections 1-6 of the Finnish Accounting Act. Tecnotree continues to develop suitable non-financial indicators during the year 2021. Tecnotree's governance model has been described in Tecnotree Corporation's Corporate Governance Statement for 2020.

Responsible operating principles

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

Tecnotree's business model

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

In 2021 and beyond, we will continue to complete our digital products and services offerings to ensure that our customers' digital transformation journeys are fulfilled and successful with Tecnotree's digital suite. We will expand our footprint within the current geographies and customers and we will also explore new markets, adjacent market opportunities and establish a community of services providers and IOT partners to increase revenue and monetization capabilities for our customers within their geographies.

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

Tecnotree's cutting-edge products enable communication service providers to expand their footprint and transform their business into that of a digital service provider, thus helping expand and increase their value to their subscriber base.

Tecnotree's business is based on our product licenses, professional services for customization of our products, and maintenance and support services on our products to a global customer base. Tecnotree has an especially strong footprint in developing markets such as Americas, Africa and the Middle East, serving more than 800 million subscribers worldwide and supporting more than 65 operators/CSPs worldwide.

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

Risk management

The goal of Tecnotree's risk management is to offer the Board of Directors and Management Board reasonable certainty on the achievement of the company's strategic and operative objectives, reliability and accuracy of financial reporting as well as compliance with regulations and internal guidelines. Tecnotree's general annual assessments of external risks assessed by the Management Board define the biggest risks. These assessments are made by evaluating the probability and the impact of the different risks, and based on this, a risk map is comprised. Actions and persons in charge are defined for each significant risk. The Board approves the significant principles of risk management. The Management Board handles risks and risk management in its meetings on a regular basis. The CEO reports these to the Board of Directors.

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

Tecnotree's corporate governance is implemented through documented policies. The main policies are policy for making sales agreements, credit policy, cash management policy, policy for hedging against currency risks, policy for making purchase agreements and approval policy.

Currently, the company's most significant risks are related to the development of net sales, projects and their timing, trade receivables and changes in exchange rates.

In order to mitigate the risks related to sales, Tecnotree has uniform principles and practices in bid reviews. The subsidiaries and foreign offices of the parent company have issued guidelines and policies for their own specific purposes that are in line with the Group level policies. The company has defined its Code of Conduct.

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

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

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

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

Information security

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

Environmental responsibility

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

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

Employee well-being, human rights and social reposnibility

Tecnotree has defined its Code of Conduct to be followed by each employee. The subsidiaries and foreign offices of the parent company have issued guidelines and policies for their own specific purposes that are in line with the Group level policies. Impacts related to staff and working conditions are managed and developed in accordance with Tecnotree's personnel policy.

At the end of December 2020 Tecnotree employed 659 (600) persons, of whom 40 (40) worked in Finland and 619 (560) elsewhere. The company employed on average 637 (554) people during the financial period.

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

Tecnotree emphasises employee equality. Employees are not discriminated against based on their race, colour, age, gender, sexual orientation, religion, political affiliation, union membership, disability or ethnicity. In 2020, no human rights violations were detected.

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

Quality and customer satisfaction

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

The company audits its operations on a regular basis. Tecnotree is ISO 9001:2015 (Quality Management System) and ISO 27001:2013 (Information Security Management System) standard certified. ISO 9001:2015 standard was re-certified in year 2018, and it is valid until 2021. ISO 27001:2013 standard was re-certified in 2020, and it is valid until 2023.

Anti-corruption and anti-bribery

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

Tecnotree requires its employees to follow laws and regulations as well as generally accepted best practices and standards related to business ethics in all their actions. Employee representatives shall not receive gifts that influence business solutions or have significant monetary value. No nepotism in business decisions, corruption or bribery of any kind shall be tolerated. All of the company’s business dealings are transparently performed and accurately reflected on Tecnotree’s financial books and records. Tecnotree has a whistleblowing channel through which it is possible to report any suspicions of misconduct or policy violations for internal investigation within the company. In 2020, no cases of corruption or bribery were detected.

Risks and short-term uncertainty factors

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

Risks and uncertainty factors relating to business operations

As part of its strategic change and the streamlining of its business, Tecnotree has shifted shifting the focus of its operations from services to product-based solutions. This change may involve risks, such as the time to develop new products, the timely market introduction of products, the competitive situation as well as the company's ability to respond to customer and market demand.

Dependence on key customers

Tecnotree's largest customers are much bigger businesses than the company itself and the two largest customers accounted for 76% of net sales in 2020 (80%). The relationship between the company and its major customers is one of interdependence, which offers business opportunities but also poses risks.

Carrying out customer projects, profitability, forecasting

Certain commitments are associated with the project and maintenance agreements made by the company, and unforeseen costs may arise in the future from these agreements. The company aims to limit these commitments with limitation of liability clauses in customer contracts. In addition, the company has a current global liability insurance to cover any liabilities that may materialize in connection with customer projects in accordance with the insurance agreement.

Carrying out projects involves risks. They are contained for example in projects that require new product development, where creating new product features may prove more difficult than anticipated. Another problem with project sales arises from variations in net sales and profit during the different quarters of the year. Forecasting these variations is often difficult.

Risks relating to international operations, receivables and developing markets

Project deliveries result in large accounts receivable. Most of Tecnotree's net sales come from developing countries and some of these contain political and economic challenges. There is the risk of a considerable delay in the payment of invoices in these countries and that Tecnotree will have to record credit losses. Regulation by the authorities of foreign payment transactions and international sanctions hamper operations in certain countries. Various regulations can change frequently and may be ambiguous. In many countries it is common practice to delay payment of invoices. For these reasons forecasting customer payments is often unreliable and delays occur.

Exchange rate risks

Changes in exchange rates create risks especially in sales activities, but also in other income statement and balance sheet items and in cash flow. A significant part of the company's net sales is in US dollars. The exchange rate fluctuations of Indian Rupees also have a significant impact on the Group's net result because of the costs for the large number of employees in India and other costs denominated in rupees. Intra-group receivables and liabilities result exchange rate differences in the consolidated income statement, since the Group companies usually have different functional currencies.

Financing and liquidity risks

The overall financial position of the company is solid. The company reduced its debt under debt restructuring payment programme by EUR 1.8 million during the period and ended the year with EUR 8.0 million in cash and cash equivalents. However the aforementioned risks continue to put pressure on cash management.

Upcoming due schedule, M€						
Liquidity risk 2020	**Balance sheet value**	**Cash flow**	**Due**	**Less than 3 months**	**3-12 months**	**Over 12 months**
Guaranteed restructuring debts, interest-bearing	13.3	13.3		0	1.0	12.3
Interest payments on the loans	0	0.9		0	0.3	0.6
Trade payables	1.6	1.6	0.7	0.9	0	0
Non-interest bearing liabilities	3.5	3.5		0	0.7	2.8
Total	18.3	19.2	0.7	0.9	1.9	15.7

Taxation

Operating in developing markets often involves problems relating to taxation. Local tax legislation can change rapidly and may be subject to conflicting interpretations. It is possible for the tax authorities in different countries to demand taxation of the same revenue. Withholding taxes are often imposed on sales of systems and services, and obtaining credit for this in the country receiving the revenue is not a clear case. In Finland the company has a large amount of tax-deductible costs from previous fiscal periods, which can be capitalized in taxation.

As a rule, Tecnotree applies the cost-plus method in its transfer pricing. This clarifies the taxable result recorded in different countries. When the Group makes a loss, however, the consequence is that it has to pay tax in countries where it has subsidiaries. In many cases, withholding taxes have to be paid for dividends, too.

Management, auditors and corporate governance

Tecnotree's Board of Directors comprised the following persons in 2020:

Neil Macleod, Chairman of the Board
Jyoti Desai, Vice Chairman of the Board
Conrad Neil Phoenix
Anders Fornander
Markku Wilenius from 10.9.2020
Kaj Hagros until 10.9.2020

Padma Ravichander, the CEO of the company

At the end of 2020 Tecnotree Group Management Board had nine (9) members: CEO, CFO, Vice President Managed Services and Support
Operations, Vice President Quality, Vice President Product Engineering, Vice President People & Academy, Vice President Regional LATAM, Vice President Product Office and Vice President Value Engineering. CEO acted as Chairman of the Management Board.

Tecnotree's auditor in the financial year 2020 was Tietotili Audit Oy, and the principal auditor was Urpo Salo, Authorised Public Accountant.

The Board of Directors has approved the Corporate Governance Statement of the Company for the year 2020.

According to the Articles of Association the 3-8 members of the Board of Directors are elected at the yearly Shareholders' meeting. The members are appointed for the period ending at the end of the following ordinary Shareholders' meeting. The Board of Directors appoints the CEO.

Events after the end of period

4.1.2021 Tecnotree announced it wins a new delivery agreement worth Euro 6 million

26.2.2021 Tecnotree announced that Tecnotree Board of Directors approves the Long Term Incentive (LTI) plan for 2021-2024 and the issuance of shares to Tecnotree

2.3.2021 Tecnotree announced it receives Digital BSS transformation award worth USD 11.7 million

Prospects in 2021

While we witnessed strong growth in our business in 2020 and continue to see encouraging interest in our product and services despite the current pandemic, we are sensitive to the risks that this pandemic could potentially cause to our customers' operations and to the safety of our employees and therefore would refrain from giving any guidance.

Proposal concerning the result

The Board of Directors proposes to the Annual General Meeting that the profit of the parent company EUR 8,437,595.58 is transferred to the retained earnings account and that no dividend be paid for the financial year 1 January - 31 December 2020.

Tecnotree Corporation
Board of Directors

Key financial indicators and key figures per share

Consolidated income statement	2020	2019	2018	2017	2016
Net sales, EUR million	**52.8**	47.0	41.90	55.08	60.07
change %	***12.4***	*12.2*	-23.93	-8.32	-21.43
Adjusted operating result, EUR million [1]	**19.3**	13.0	5.86	9.78	1.24
% of net sales	***36.5***	*27.6*	14.00	17.75	2.06
Operating profit, EUR million	**18.6**	14.4	5.27	-7.98	-10.09
% of net sales	***35.3***	*30.6*	12.59	-14.48	-16.79
Profit before taxes, EUR million	**15.9**	11.8	4.43	-10.51	-5.62
% of net sales	***30.1***	*25.0*	10.57	-19.09	-9.36
Adjusted result for the period [2]	**14.2**	6.3	0.08	2.26	-4.23
% of net sales	***27.0***	*13.4*	0.18	4.10	-7.04
Profit for the period, EUR million	**13.6**	7.7	-0.51	-15.49	-6.29
% of net sales	**25.7**	16.4	-1.23	-28.13	-10.47

Consolidated balance sheet	2020	2019	2018	2017	2016
Non-current assets, EUR million	7.3	6.8	2.98	3.58	22.40
Current assets					
Inventories, EUR million	0.0	0.0	0.13	0.46	0.90
Trade and other receivables, EUR million	35.3	26.7	21.29	25.51	33.00
Investments and cash equivalents, EUR million	8.0	3.4	4.16	2.29	3.50
Shareholders' equity, EUR million	19.9	3.6	-6.50	-6.09	10.70
Liabilities					
Non-current liabilities, EUR million	18.8	21.8	18.30	24.22	32.80
Current liabilities, EUR million	12.0	11.5	16.70	13.72	16.30
Balance sheet total, EUR million	50.6	36.8	28.55	31.85	59.80

Financial indicators	2020	2019	2018	2017	2016
Return on equity (ROE), %	**96.8**				-43.9

Return on investment (ROI), %	**87.3**	105.4			-7.6
Equity ratio, %	**39.3**	9.9	-22.8	-19.1	17.9
Debt/equity ratio (net gearing), %	**27.1**	292.2			195.6
Investments, EUR million	**3.6**	3.4	0.0	0.2	0.3
% of net sales	***6.9***	7.1	0.0	0.5	0.5
Research and development, EUR million	**3.6**	3.3	5.3	6.0	6.5
% of net sales	***6.9***	7.0	12.5	10.8	10.8
% total expenses (above operating result)	***13.0***	9.6	8.3	9.4	9.2
Order book, EUR million	**32.1**	25.5	21.1	26.2	24.9
Personnel, average	**637**	554	604	727	895
Personnel at the end of the year	**659**	600	543	666	818

Key ratios per share	2020	2019	2018	2017	2016
Earnings per share, EUR (basic)	**0.05**	0.03	0.00	-0.13	-0.05
Earnings per share, EUR (diluted)	**0.05**	0.03	0.00	-0.13	-0.05
Equity per share, EUR	**0.01**	0.01	-0.04	-0.05	0.09
Number of shares at the end of the period, 1,000 shares	**247,628**	247,628	175,183	122,628	122,628
Average number of shares, 1,000 shares	**270,293**	235,295	136,559	122,628	122,628
Number of own shares on 1 Jan, 1,000 shares					
Numer of disposed own shares, 1,000 shares					
Number of own shares on 31 Dec, 1,000 shares	**10,942**				
Share price, EUR					
	0.34	0.09	0.07	0.09	0.11
	0.11	0.05	0.04	0.07	0.09
	0.90	0.24	0.11	0.13	0.17
Share price at the end of the period, EUR	**0.70**	0.17	0.05	0.07	0.10
Market value at the end of the period, EUR million	**42.1**	42.1	8.1	8.6	12.2
Share turnover, million shares	**18.3**	18.3	48.2	63.3	29.7
Share turnover, % of total number	**29.9**	7.4	28.0	51.6	24.3
Share turnover, EUR million	**35.5**	2.1	4.3	5.5	3.5
Dividend per share, EUR [3]					
Dividend/result, %					
Effective dividend yield, %					
P/E ratio, %	**13.9**	5.2			

[1] Adjusted operating result = operating result before one-time items

[2] Adjusted result for the period = result for the period without one-time items.

[3] The Board of Directors proposes, that no dividend be paid for the financial year ended 31 December 2020. No dividend was paid either for the financial years ended 31 December 2019, 31 December 2018, 31 December 2017 and 31 December 2016.

Calculation of key indicators

Adjusted operating result	=	Operating result before R & D capitalisation, amortisation of this and one-time cost	
Return on equity (ROE), %	=	Resut for the period / Shareholders´ equity (average)	x 100
Return on investments (ROI), %	=	Results before taxes + financial expenses / Shareholders´ equity + interest-bearing financial liabilities (average)	x 100
Equity ratio, %	=	Shareholders´ equity / Balance sheet total - advances received	x 100
Earnings per share (EPS)	=	Profit attributable to equity holders of the parent company / Basic average number of shares	
Dividend per share	=	Dividend / Basic number of shares on the reporting date	
Dividend/Result, %	=	Dividend per share / Earnings per share (EPS)	x 100
Equity/Share	=	Equity attributable to equity holders of the parent company / Basic number of shares on the	

		reporting date	
Debt/Equity ratio, % (net gearing)	=	Interest-bearing liabilities - cash and cash equivalents - interest-bearing assets / Shareholders´ equity	x 100
Market capitalization	=	Basic number of shares on the reporting date x share price on the reporting date	
P/E ratio, %	=	Share price on the reporting date / Earnings per share (EPS)	
Effective dividend yield, %	=	Dividend per share / Share price on the reporting date	

Consolidated income statement and statement of comprehensive income

Consolidated income statement, EUR 1,000	Note	1.1.-31.12.2020	1.1.-31.12.2019
Net sales	1, 2	**52,821**	46,991
Other operating income	3	**948**	1,647
Materials and services	4	**-2,747**	-2,048
Employee benefit expenses	5	**-18,239**	-15,961
Depreciation, amortisation and impairment losses	6	**-1,730**	-1,018
Other operating expenses	7	**-12,425**	-15,238
Operating profit		**18,629**	14,373
Financial income	9	**3,608**	453
Financial expenses	9	**-6,334**	-3,074
Result before taxes		**15,902**	11,752
Income taxes	10	**-2,328**	-4,047
Result for the period		**13,574**	7,705
Result for the period attributable to:			
Equity holders of the parent company		**13,574**	7,705
Non-controlling interest		**7**	-10
Earnings per share, eur	11	**0.05**	0.03
Number of shares (1000s of shares)		**274,628**	122,628

Consolidated statement of comprehensive income, EUR 1,000	Note	1.1.-31.12.2020	1.1.-31.12.2019
Result for the period		**13,574**	7,705
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			

Remeasurement items on net defined benefit liability	20	**-34**	-10
Tax on items that will not be reclassified subseqvebtly to profit or loss		**11**	3
Items that may be reclassified subsequently to profit or loss:			
Translation differences from foreign operations		**-678**	-777
Tax relating to translation differences	23	**223**	255
Other comprehensive income, net of tax		**-478**	-527
Total comprehensive income for the period		**13,096**	7,177
Comprehensive income for the period attributable to:			
Equity holders of the parent company		**13,106**	7,187
Non-controlling interest		**-10**	-10

Consolidated balance sheet

EUR 1,000	Note	31.12.2020	31.12.2019
Assets			
Non-current assets			
Other intangible assets	12	**5,333**	2,997
Property, plant and equipment	13	**297**	169
Deferred tax assets	14	**512**	563
Non-current receivables	15	**970**	795
Right-of-use assets	15	**209**	2,241
Total non-current assets		**7,321**	6,765
Current assets			
Trade and other receivables	17	**29,053**	21,320
Income tax receivables		**6,241**	5,375
Cash and cash equivalents	18	**8,035**	3,381
Total current assets		**43,329**	30,075
Total assets		**50,650**	36,840
Shareholders' equity and liabilities			
Equity attributable to equity holders of the parent			
Share capital		**1,346**	1,346
Share premium fund		**847**	847
Translation differences		**-11,418**	-10,963
Other reserves		**7,237**	7,015
Retained earnings		**21,710**	5,187
Equity attributable to equity holders of the parent	19	**19,722**	3,433
Non-controlling interest		**185**	200
Total shareholders' equity		**19,907**	3,633
Non-current liabilities			
Non-current interest-bearing liabilities	21	**12,448**	13,455
Other non-current non interest-bearing liabilities	22	**5,354**	6,016
Lease liability (non-current)	22	**187**	1,521
Pension obligations	20	**793**	765

Total non-current liabilities		**18,783**	21,757
Current liabilities			
Current interest-bearing liabilities	21	**978**	539
Lease liability (current)	22	**116**	716
Trade payables, provisions and other liabilities	22	**10,393**	9,447
Income tax liabilities	22	**473**	749
Total current liabilities		**11,960**	11,451
Total equity and liabilities		**50,650**	36,840

Statement of changes in shareholders’ equity

EUR 1,000	Equity attributable to equity holders of the parent								
	Share capital	Share premium fund	Unrestri equity reserve	Other reserves	Translation differences	Retained earnings	Total	Non-controlling interest	Total shareholders' equity
Shareholders' equity 1 Jan 2020	1,346	847	4,999	2,009	-10,963	5,187	**3,433**	200	**3,633**
Result for the period						13,567	**13,567**	6	**13,574**
Other comprehensive income, net of tax					-455	-182	**-637**		**-637**
Total comprehensive income for the period					-455	13,385	**12,930**	6	**12,936**
Share issue			125			1,125	**1,250**		**1,250**
Share based payments						2,077	**2,077**		**2,077**
Revaluation reserve				97			**97**		**97**
Argentina hyperinflation						119	**119**		**119**
Other changes				0		-182	**-182**	-21	**-204**
Total shareholders' equity 31 Dec 2020	1,346	847	5,124	2,106	-11,418	21,710	**19,722**	185	**19,907**

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

Financial statements / Consolidated Financial Statements / Statement of changes in shareholders' equity

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

Consolidated cash flow statement

1 000 €	1.1.-31.12.2020	1.1.-31.12.2019
Cash flow from operating activities		
Result for the period:	**13,574**	7,705
Adjustements for:		
Depreciations	**1,730**	1,018
Financial income and expenses	**2,726**	2,621
Other adjustments	**4,787**	-2,434
Income taxes	**2,328**	4,047
Changes in working capital:		
Current receivables, increase (-) /decrease (+)	**-8,629**	-6,362
Inventories, increase (-) /decrease (+)	**0**	126
Current liabilities, increase (+) /decrease (-)	**482**	-211
Financial income and expenses	**-3,170**	-1,631
Income taxes paid	**-3,219**	-3,820
Net cash flow from operating activities	**10,610**	1,058
Cash flow from investing activities		
Capital expenditure on non-current tangible and intangible assets	**-3,534**	-3,350
Proceeds from sale of tangible and intangible non-current assets	**-94**	2,412
Net cash flow from investing activities	**-3,627**	-939
Cash flow from financing activities		
Repayment of loans	**-1,845**	-3,592
Proceeds from share issues	**125**	2,909
Other financial expenses		-8
Net cash flow from financing activities	**-1,720**	-692
Change in cash and cash equivalents	**5,262**	-573
Cash and cash equivalents on 1 Jan	**3,381**	4,158
Change in foreign exchange rates	**-609**	-204
Cash and cash equivalents on 31 Dec	**8,035**	3,381

Accounting principles for the consolidated financial statements

Corporate information

Tecnotree is a global supplier of telecom IT solutions, providing products and services for charging, billing, customer care, and messaging and content services. Tecnotree has subsidiaries and branch offices in 10 countries.

The Group's parent company is Tecnotree Corporation, which is domiciled in Espoo 23.4.2020, Finland and its registered address is Tekniikantie 14, 02150 Espoo. Tecnotree Corporation is listed on the NASDAQ OMX Helsinki (TEM1V). A copy of the consolidated financial statements can be obtained on the Internet at www.tecnotree.com.

The Board of Directors of Tecnotree Corporation has approved the publishing of these financial statements. According to the Finnish Limited Liability Companies Act, shareholders have the right to approve or reject the financial statements in the Annual General Meeting held after the publication of the financial statements. The Annual General Meeting also has the right to make a decision to amend the financial statements.

Basis for preparation for the consolidated financial statements

Tecnotree's consolidated financial statements have been prepared in accordance with the international financial reporting standards (IFRS) adopted by the EU, applying the IAS and IFRS standards and SIC and IFRIC interpretations in force on 31 December 2020 International Financial Reporting Standards, referred to in the Finnish Accounting Act and in ordinances issued based on the provisions of the Act, refer to the standards and to their interpretations adopted in accordance with the procedure laid down in regulation (EC) No 1606/2002 of the European Parliament and of the Council. The notes to the consolidated financial statements also conform to Finnish accounting and corporate legislation.

The consolidated financial statements are prepared on the historical cost basis, apart from the exceptions mentioned later in these accounting principles.

The consolidated financial statements are presented in Euros, which is the functional and presentation currency of the parent company. Unless otherwise stated, the financial statement information is presented in thousands of Euro. All figures presented are rounded, so the total of separate figures might differ from the total presented. Key indicators are calculated using exact values. The comparable figures presented in text sections are in brackets.

Going concern basis

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

Uncertainty factors

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

The uncertainty factors relating to Tecnotree's operations are explained in more detail in section "Risks and uncertainty factors" in the Board of Directors' report. Financial risk management is described in note 23 the consolidated financial statements. Information about the restructuring proceedings is disclosed in note 28.

Accounting principles requiring management judgments

To prepare the consolidated financial statements in accordance with IFRS standards the Group management has to make estimates and assumptions concerning the future. Actual results may differ from these estimates and assumptions. In addition management has to make judgments in the application of the accounting principles. More information on the judgements is presented in section "Accounting principles requiring management judgments and key sources of estimation uncertainty".

Subsidiaries

The consolidated financial statements include the parent company Tecnotree Corporation as well as its all directly or indirectly owned subsidiaries (over 50 % of the voting rights) or companies otherwise under its control. Tecnotree is considered to control an entity when Tecnotree is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Generally, control exists when the Group holds directly or indirectly over half of the voting rights.

Intra-group holdings are eliminated using the purchase method. The financial statements of subsidiaries are included in the consolidated financial statements from the date that the Group has obtained control and divested subsidiaries until the date that control ceases. Intra-group transactions, dividend distribution, receivables, liabilities and unrealised margins on intra-group transactions are eliminated in preparing the consolidated financial statements.

Net result and total other comprehensive income for the period attributable to the owners of the parent and non-controlling interests is presented in the statement of comprehensive income. Net result attributable to non-controlling interests is presented within equity in the consolidated balance sheet separately from equity attributable to the owners of the parent. Non-controlling interests of accrued losses are recognised in the consolidated financial statements up to the maximum amount of their investment.

There are no joint arrangements or associated companies in the Group.

Foreign currency items

Group compames report their operations in their financial statements using the currency of the economic environment in which the entity primarily operates (functional currency). Transactions in foreign currencies are translated at the rates of exchange prevailing on the transaction dates or at the rate close to that on the transaction date. Monetary assets and liabilities denominated in foreign currency are valuated using the rate of exchange on the closing date. Exchange rate gains and losses arising from the translation of foreign currency transactions and of monetary assets and liabilities are recognised in the income statement. Exchange gains and losses relating to business operations are treated as adjustments to net sales or to materials and services. Exchange rate gains and losses related to financing operations are recognised under financial income and expenses.

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

The consolidated financial statements are presented in euro, which is the functional and presentation currency of the parent company. The income and expenses for income statements and comprehensive income statements as well as items in cash flow statements of those foreign Group companies whose functional currency is not the euro, are translated into euro using the average exchange rate for the period, and balance sheet items, apart from the result for the period, at the exchange rate on the balance sheet date. Translation differences arising from eliminating the acquisition cost of foreign subsidiaries in non-euro-area, the translation of the foreign subsidiaries' accumulated equity subsequent to acquisition, of the income statements and the balance sheets are recognised in other comprehensive income and presented as a change in equity. They are recognised in the income statement as part of the gain or loss on sale on the disposal of all or part of a foreign subsidiary.

Property, plant and equipment
Property, plant and equipment are measured at historical cost less accumulated depreciation and any impairment losses.

Certain parts of items of property, plant and equipment are accounted for as separate items. When such a part is replaced, the costs relating to the new part are capitalised. Other subsequent expenses are capitalised only if it is probable that they will increase the economic benefits that will flow to the Group. All other costs, such as normal repair and maintenance costs, are expensed as incurred.

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives. Land is not depreciated. The estimated useful lives are as follows:

- Buildings and structures 25 years
- Machinery and equipment and furniture 3–5 years
- Computing hardware and equipment 3–5 years

The residual value of these assets and their useful lives are reassessed annually when the financial statements are prepared, and if necessary are adjusted accordingly to reflect any changes in the expectation of economic benefits expected.

Gains or losses on disposal of property, plant and equipment are recognised in the income statement.

Depreciation on an item of property, plant and equipment ceases when the item is classified as an asset held for sale, in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Intangible assets

Goodwill
Goodwill arising on a business combination is recognised as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree and any previously held equity interests in the acquiree, over the Group’s share of the fair value of the identifiable net assets acquired.

Goodwill is not amortised but it is tested at least annually for impairment. For this purpose goodwill is allocated to the cash-generating units. Goodwill is measured at cost less any accumulated impairment losses.

Other intangible assets
An intangible asset is recognised only if it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group, and the cost of the asset can be measured reliably. Intangible assets that have finite useful lives are recorded in the balance sheet and amortisation is recognised in the income statement on a straight-line basis over the useful lives. The estimated useful life for intangible rights is 3-10 years.

Research and development costs
Research costs are charged to the income statement as incurred. Development costs for new products are capitalised when they meet the requirements of IAS 38 Intangible assets. They are amortised over the useful lives of the related products. In Tecnotree development costs are monitored on a project-by-project basis and the Group’s management decides on the capitalisation separately for each project. In order to qualify for capitalisation the following criteria are to be met: the results of a project are of use to several customers, the contents, objectives and timetable of a project are documented and a profitability calculation is prepared.

Capitalisation of product development costs that fulfil IFRS criteria starts when following requirements are met: a product's functional requirements and the plans for product industrialisation, testing and project are complete and have been approved as well as future economic benefits are expected from the product. The useful life of capitalised development expenditure is 3-5 years depending on the expected commercial life cycle, and they are amortised on a straight-line basis over this period from the start of commercial use. The consolidated balance sheet of 31 December 2020 included 5.3 million euros capitalized product development costs (31 December 2019: 3.0 million euros capitalized product development costs).

Inventories

Inventories are stated at the lower of acquisition cost and net realisable value. The valuation is based on the FIFO principle. The cost of manufactured products and work in progress includes the cost of raw materials, direct labour costs, other direct costs as well as an appropriate share of variable and fixed production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling.

Leases

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

Impairments of tangible and intangible assets

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. In addition, this is done at any occurence of an indication, that the carrying amount of an asset may be impaired. In practice this determination is done separately for each group of asset. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount is also annually estimated for the following assets, irrespective of whether there is any indication of impairment or not: goodwill and intangible assets not yet available for use.

The recoverable amount is determined as the higher of either present value of the future net cash flows (value in use) or fair value less costs of disposal. Impairment tests of Tecnotree are carried out based on the value in use at the cash-generating unit level.

An impairment loss is recognised if the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount. The impairment loss is recognised in the income statement. When recognising an impairment loss, the useful life of the asset group subject to the impairment is re-evaluated.

An impairment loss is reversed if there are indications that the impairment loss may no longer exist and when conditions have changed and the recoverable amount has changed after the impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised. An impairment loss in respect of goodwill is never reversed.

Employee benefits

Pension benefits

The Group's pension plans conform to the regulations and practices in force in the countries where the Group operates. Statutory and any voluntary pension plans are managed by pension insurance companies.

Pension plans are classified either as defined benefit and defined contribution plans.

In defined contribution plans the Group pays fixed contributions to a separate entity. The Group has not obligation to pay any additional contributions if the insurer is not able to pay the future employee benefits. Defined contribution plan expenses are recognised in the income statement on an accrual basis.

The obligation for defined benefit pension plans is calculated using the projected unit credit method. The pension costs are recognised as expense during the period of service based on calculations prepared by authorised actuaries. The pension obligation is discounted to determine its present value using interest rates for government bonds that have maturity dates approximating to the terms of the Group's pension obligation. The present value of the pension obligation is reduced by the fair value of the plan assets as of the end of the reporting period. The net defined pension liability (or asset) is recorded in the balance sheet.

Current service costs and net interest income or expense of the defined net liability is recorded in the income statement and presented as part of the employee benefit expenses. The remeasurement items of the defined net liability (or asset) are recorded in other comprehensive income in the period they occurred.

Past service costs are recorded as expense in the income statement at the earlier of the following dates: when the plan amendment or curtailment occurs, or when the entity recognises related restructuring costs or termination benefits.

Other long-term employee benefits

In addition to defined benefit plans, Tecnotree has other long-term employee benefits. They are presented separately from the defined benefit plans. The related benefits are such that personnel in certain subsidiaries or branch offices are entitled to receive cash compensation when employment ends. The related liability is recognised in the balance sheet.

Provisions and contingent liabilities

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the obligation will have to be settled, and the amount of the obligation can be reliably estimated. If it is possible to obtain compensation for some of the obligation from a third party, the compensation is recognised as a separate asset, but only when it is virtually certain that the compensation will be received.

A provision for restructuring is recognised when the Group has drawn up a detailed and formal restructuring plan and the restructuring has either commenced or the plan has been announced publicly. A plan for restructuring shall contain at least the following information: the business concerned, the principal locations affected, the location, function and approximate number of employees who will be compensated for having their services terminated, the type of expenditure that will be incurred, and when the plan will be implemented.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of uncertain future events not wholly within the control of the entity. Such present obligation that probably does not require settlement of a payment obligation and the amount of which cannot be reliably measured is also considered to be a contingent liability. Contingent liabilities are disclosed in the notes to the financial statements.

Income tax

The income tax expense in the income statement consists of current tax, based on the taxable profit for the period and deferred tax. Current tax is calculated on the taxable profit using the tax rate and based on the tax legislation in force in each country. The resulting tax is adjusted by any tax relating to previous years. Tax effects related to transactions recognised in the income statement or other events are recognised in the income statement. If the taxes are related to items of other comprehensive income or to transactions or other events recognised directly in equity, income taxes are recognised within the respective items.

Deferred tax is calculated using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the goodwill which is permanently non-deductible or for the undistributed earnings of foreign subsidiaries to the extent it is probable that the difference will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates enacted by the balance sheet date or substantially enacted tax rates. Deferred tax liabilities are mainly recognised in full, but deferred tax assets are only recognised to the extent that it is probable that future taxable income will be available against which they can be utilised. The conditions for recognition of any deferred tax asset are evaluated at the end of each reporting period.

Revenue recognition

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

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

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

Definition of operating result, adjusted operating result and adjusted profit for the period

IAS 1 Presentation of Financial Statements does not define the term ‘operating result’. Tecnotree Group has defined it as follows: operating result is the net sum obtained after adding other operating income to net sales and then deducting purchasing costs adjusted by the change in stocks of finished products and work in progress, employee benefit expenses, depreciation, amortisation and any impairment losses, and other operating expenses. Changes in the fair values of derivative financial instruments entered into for hedging purposes are included in the operating result (Tecnotree does not apply hedge accounting). All other income statement items are presented below the operating result. Exchange rate differences are included in operating result if they arise from items related to business operations otherwise they are recognised in finance items.

The Group’s adjusted operating result and the result for the period are one-time items. Events that occur only once or very seldom are recorded as one-time items. These events can be for example business disposals, restructurings, impairment losses or costs for legal proceedings.

Non-current assets held for sale and discontinued operations

Non-current assets or a disposal group as well as assets and liabilities related to discontinued operations are classified as held for sale if its carrying amount will be recovered mainly through a sale transaction rather than through continuing use. Non-current assets held for sale as well as assets classified as held for sale that relate to a discontinued operation are measured at the lower of their carrying amount and fair value less costs to sell. Depreciation on these assets ceases on classification as held for sale.

Financial assets and liabilities

Financial assets

In accordance with IFRS 9 Tecnotre's financial assets are classified in the following two categories: financial assets at fair value through profit or loss held for trading as well as financial assets recognised at amortized cost. Financial assets are classified when originally acquired based on their purpose of use. All purchases and sales of financial assets are recognised on the transaction date. Recognition of financial assets takes place when the Group has lost the contractual right to cash flows or when it has substantially transferred the risks and rewards outside the Group.

The financial assets at fair value through profit and loss comprise assets held for trading that in the Tecnotree Group include the positive fair value of the currency derivatives and interest rate swaps.

Trade receivables and other receivables are measured at amortised cost less any impairment. The Group records the impairment of expected credit losses applying a simplified model, in which the estimated amount of credit losses is based on the receivables aging. The Group records realized impairment on trade receivables when there is objective evidence that the receivable will not be fully recoverable. Financial difficulties, probable bankruptcy and default or significant delays in payments of the debtor are evidence of the receivables being impaired. An impairment loss or its possible reversal is recorded in the income statement.

Bank deposits with maturities of more than 3 months are also classified as loans and receivables.

Cash and cash equivalents comprise cash in hand and at bank and other short-term bank deposits with maturities less than three months.

Financial liabilities

The Group’s financial liabilities are categorised into financial liabilities at fair value through profit and loss (foreign currency derivatives with negative fair values) and other financial liabilities (financial liabilities at amortised cost). Other financial liabilities comprise for example bank loans and trade payables of the Group. The financial liabilities are classified as current unless the Group has an unconditional right to postpone the payments more than 12 months from the reporting date. A financial liability (or part of the liability) is not derecognised until the liability has ceased to exist, that is, when the obligation identified in a contract has been fulfilled or cancelled or is no longer effective. Bank overdrafts are included within borrowings in current financial liabilities in the balance sheet.

Financial liabilities at fair value through profit or loss are recognised initially at fair value and subsequently at fair value at the end of each reporting period. Other financial liabilities are initially recognised at fair value adjusted by major transaction costs. Subsequent to initial recognition, these liabilities are stated at amortised cost calculated using the effective interest method.

Borrowing costs (mainly interest costs) directly attributable to the acquisition or construction of a qualifying asset are capitalised in the balance sheet as part of the carrying amount of the asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are recorded as expense in the period in which they incur.

Derivative financial instruments

The derivative contracts entered into by the Tecnotree Group are currency forward contracts and options and interest rate swaps.

The Group does not apply hedge accounting as defined under IFRS 9 although derivatives can be used to hedge trade receivables denominated in foreign currency as well as Group´s loans.

Derivative instruments are classified as financial assets or liabilities held for trading. Derivatives are fair valued. The fair value of the derivative contracts is determined by using market rates of the counterparty for instruments with similar maturity. Gains and losses arising from changes in realised and unrealised fair values are recognised in the income statement in the period they incur.

In the end of 2020, Tecnotree had no derivate contracts in place.

Accounting principles requiring management judgments and key sources of estimation uncertainty
To prepare the consolidated financial statements in accordance with IFRSs the Group management has to make estimates and assumptions concerning the future. Actual results may differ from these estimates and assumptions. In addition management has to make judgments in the application of the accounting principles.

These estimates mainly relate to revenue recognition and the valuation of trade receivables.

The projects delivered and services rendered by the Group are often large, complicated and financially significant. The Group management has to make judgments concerning the circumstances and conditions related to customer projects that may affect the timing of recognitions of project revenue and profitability of the project in its entirety. Such factors include assignment of sufficient number of skilful employees to each project or for example factors in the functioning of international and especially emerging markets that may partly lie out of control of the Group or the customers. The completion of projects often requires new technical solutions that may cause unpredictable problems, delays and additional costs.

Trade receivables are measured at amortised cost less any impairment. The Group records impairment on trade receivables when there is objective evidence that the receivable will not be fully recoverable. This evaluation is done at the end of each reporting period. The company has its policy for treatment of bad debts according to the IFRS 9 regulation

New and amended standards and interpretations to be applied in future financial periods
New or amended standards and interpretations published by IASB, with effetive date 1.1.2021, have no effect on the consolidated financial statements.

1. Segment reporting

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

Net sales and the result for the operating segments are presented based on the location of customers. The result for the operating segments includes the costs that can be allocated to the segments, being costs of sales and marketing, product management, customer service and delivery functions as well as product development. Costs for administration, depreciations, taxes and financial items are not allocated to the segments, as they can't be allocated to the segments on a reasonable basis. These costs are presented under Other costs in the below table.

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

Operating segments 2020

EUR 1,000	Americas & Europe	MEA & APAC	Other segments	Group total
Net sales (external)	11,000	41,822		**52,822**
				0
Segment result	3,928	26,970		**30,898**
Non-allocated items			-11,600	**-11,600**
Operating result before one-time costs*				**19,298**
One-time costs**				**-669**
Operating result				**18,629**

Operating segments 2019

EUR 1,000	Americas & Europe	MEA & APAC	Other segments	Group total
Net sales (external)	14,873	32,118		**46,991**
				0
Segment result	6,971	14,900		**21,871**
Non-allocated items			-8,913	**-8,913**
Operating result before one-time costs				**12,958**
One-time costs				**1,415**
Operating result				**14,373**

Net sales from Finnish customers were EUR 522 (717) thousand and the total of all other countries EUR 52,299 (46,990) thousand. Non-current assets located in Finland at the balance sheet date were EUR 209 (290) thousand, and in other countries a total of EUR 7,112 (6,475) thousand.

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

**) Share issue expenses 1,125 thousand euros and tax income 456 thousand euros

Information about major customers

EUR 1,000		2020	2020	2020	2020
		Net sales	% of the Group's net sales	Net sales	% of the Group's net sales
Customer 1, operating segment:	Americas & Europe	9,359	17.7 %	12,250	**26.1 %**
Customer 2, operating segment:	MEA & APAC	30,861	58.4 %	25,339	**53.9 %**

2. Net sales

EUR 1,000	2020	2019
Revenue from maintenance and support	**24,730**	29,238
Revenue from goods and services	**28,246**	17,909
Currency exchange gains and losses	**-155**	-156
Net sales total	**52,821**	46,991
Order book total	**32,146**	25,497

Order book included EUR 9.4 million related to maintenance and support and EUR 22.7 million related to goods and services.

3. Other operating income

EUR 1,000	2020	2019
Rental income		26
Gain on disposal of non-current assets*	**17**	1,415
Other income items'	**931**	206
Other operating income total	**948**	1,647

*Tecnotree received a tax refund of 465 thousand euros related to operation of the subsidiary in Ireland in years 2014 - 2016

4. Materials and services

EUR 1,000	2020	2019
Purchases during the period	**-1,618**	-641
Increase/decrease in inventories		303
Materials and supplies	**-1,618**	-338
External services	**-1,129**	-1,710
Materials and services total	**-2,747**	-2,048

5. Employee benefit expenses

EUR 1,000	2020	2019
Wages and salaries	**-13,446**	-13,541
Pension expenses, defined contribution plans	**-577**	-601
Pension expenses, defined benefit plans (note 20)	**-124**	-136
Other employee benefits	**-4,091**	-1,683
Employee benefit expenses total *)	**-18,239**	-15,961

*) Includes 3,359 thousand euros of share-based expensives

Information about management compensation is presented in note 27.

Average number of employees		
Finland	**39**	40
India	**439**	379
Middle-East	**110**	82
Latin America	**49**	53
Total	**637**	554

Share-based incentive scheme

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

Share based incentives during the period 1.1.2020 - 31.12.2020

Plan	Restricted Share Unit Plan 2020	Restricted Share Unit Plan 2020	Restricted Share Unit Plan 2020	Restricted Share Unit Plan 2020	Restricted Share Unit Plan 2020	Restricted Share Unit Plan 2020	TOTAL
Instrument	**RSUP 2020-2022 - 1st installment**	**RSUP 2020-2022 - 2nd installment**	**RSUP 2020-2022 - 3rd installment**	**RSUP 2020-2022 - 4th installment**	**RSUP 2020-2022 - 5th installment**	**RSUP 2020-2022 - 6th installment**	**TOT/WA**
Initial amount, pcs	14,500,000	14,500,000	14,500,000	14,500,000	14,500,000	14,500,000	**87,000,000**

Initial allocation date	24.1.2020	24.1.2020	24.1.2020	24.1.2020	24.1.2020	24.1.2020	
Vesting date	28.2.2020	31.8.2020	28.2.2021	31.8.2021	28.2.2022	31.8.2022	
Maximum contractual life, yrs	0.10	0.60	1.1	1.6	2.1	2.6	**1.4**
Remaining contractual life, yrs	0.00	0.00	0.2	0.7	1.2	1.7	**0.6**
Number of persons at the end of reporting year	0.00	0.00	51	51	51	51	
Payment method	Equity	Equity	Equity	Equity	Equity	Equity	

Changes during period	**RSUP 2020-2022 - 1st installment**	**RSUP 2020-2022 - 2nd installment**	**RSUP 2020-2022 - 3rd installment**	**RSUP 2020-2022 - 4th installment**	**RSUP 2020-2022 - 5th installment**	**RSUP 2020-2022 - 6th installment**	**TOT/WA**
1.1.2020							
Outstanding in the beginning of the period	0	0	0	0	0	0	**0.00**
Changes during period							
Granted	2050013	2127213	2327207	2327207	2327180	2327180	**13,486,000**
Forfeited	0	0	0	0	0	0	**0**
Exercised	2050013	2127213	0	0	0	0	**4,177,226**
Expired	0	0	0	0	0	0	**0**
31.12.2020							
Exercised at the end of the period	2050013	2127213					**4,177,226**
Outstanding at the of the period	0	0	2327207	2327207	2327180	2327180	**9,308,774**
Fair value determination							

The fair value of share based incentives have been determined at grant date and the fair value is expensed until vesting. The pricing of the share based incentives granted during the period was determined by the following inputs and had the following effect:

Valuation parameters for instruments granted during period	
Share price at grant, €	**0.247**
Share price at reporting period end, €	**0.704**
Expected dividends, €	**0.00**
Fair Value	**3,216,079**
Effect of Share-based Incentives on the result and financial position during period	
Expenses for the financial year, share-based payments, equity-settled	**3,359,430**
Estimated amount of taxes to be paid to the tax authorities from share-based payments, estimated at the end of the period	**3,998,293**

6. Depreciations, amortisations and impairment losses

EUR 1,000	2020	2019
Depreciations and amortisations by class of asset:		
Amortisation on development costs	**-1,036**	
Intangible assets	**-12**	-168
Right-of-use leases	**-413**	-570
Property, plant and equipment		
Buildings		-1
Machinery and equipment	**-212**	-203
Machinery and equipment, finance lease	**-57**	-76
Depreciations and amortisations loss total	**-1,730**	-1,018

7. Other operating expenses

1 000 €	2020	2019
Subcontracting	**-2,711**	-2,668
Office management costs	**-2,715**	-3,620
Travel expenses	**-1,987**	-3,604
Impairment losses on receivables	**-187**	-576
Agent fees	**-794**	-658
Rents	**-426**	-235
Professional services	**-2,176**	-2,284
Marketing	**-293**	-442
Other expenses	**-1,135**	-1,152
Other operating expenses total	**-12,425**	-15,238

1 000 €	2020	2019
Auditors' fees		
Audit Finland	**-91**	-142
Audit, other countries	**-54**	-49
Other services	**-2**	-31
Auditors' fees total	**-148**	-223

8. Research and development expenditure

EUR 1,000	2020	2019
Product development expenses incurred during the year, befofre capitalization of development costs	**-7,030**	-6,234
Capitalization of development costs	**3,403**	2,947
Product development expenses recognised in income statement total	**-3,627**	-3,287
Product development expenses in relation to net sales recognised in income statement	**6.9 %**	7.0 %
Product development expenses in relation to total expenses recognized in income statement	**13.0 %**	9.6 %

Research costs are charged to the income statement as incurred. Development costs for new products are capitalized when they meet the requirements of IAS 38 Intangible assets. They are amortized over the useful lives of the related products. At Tecnotree development costs are monitored on a project-by-project basis and management decides on the capitalization separately for each project. In order to qualify for capitalization the following criteria are to be met: the results of a project are of use to several customers, the contents, objectives and timetable of a project are documented and a profitability calculation is prepared. Capitalization of product development costs that fulfil IFRS criteria starts when following requirements are met: a product's functional requirements and the plans for product industrialization, testing and project are complete and have been approved as well as future economic benefits are expected from the product. The useful life of capitalized development expenditure is 3 years, and they are amortized on a straight-line basis over this period from the start of commercial use. The intangible assets that are not yet ready for use are tested annually for impairment. The recoverable amount of these assets is based on estimated future cash flows from sales and/or use of the asset.

9. Financial income and expenses

EUR 1,000	2020	2019
Financial income		
Financial income from loans and receivables	**379**	287
Other financial income	**27**	4
Foreign exchange gains on loans and receivables and on financial liabilities at amortised cost	**3,202**	162
Financial income total	**3,608**	453
Financial expenses		
Interest expenses from financial liabilities at amortised cost	**-343**	-363
Argentina hyperinflation	**-114**	-48
Other financial expenses	**-133**	-224
Foreign exchange losses on loans and receivables and on financial liabilities at amortised cost	**-5,744**	-2,439
Financial expenses total	**-6,334**	-3,074
Financial income and expenses total	**-2,726**	-2,621

10. Income taxes

EUR 1,000	2020	2019
Current taxes	**-272**	-293
Withholding taxes paid abroad	**-2,242**	-2,887
Change in withholding tax accrual (note 23)	**624**	-407
Taxes for previous accounting periods	**10**	-22
Other direct taxes	**-448**	-437
Income taxes total	**-2,328**	-4,047

Reconciliation of effective tax rate

Income tax reconciliation between tax expense computed at statutory rates in Finland (2020 and 2019: 20.0 %) and income tax expense is presented below.

EUR 1,000	2020	2019
Profit before taxes	**15,902**	11,752
Income tax using Finnish tax rates	**-3,180**	-2,350
Effect of different tax rates applied to foreign subsidiaries	**-772**	580
Non-deductible expenses and tax-free income	**3,232**	1,041
Withholding taxes	**-1,618**	-3,295
Taxes of prior periods	**10**	-22
Taxes in income statement	**-2,328**	-4,047

11. Earnings per share

EUR 1,000	2020	2018
Basic earnings per share are calculated by dividing the profit attibutable to the equity holders of the parent company and the weighted average number of ordinary shares outstanding during the year.		
Result attributable to equity holders (EUR 1,000)	**13,567**	7,715
Weighted average number of shares during the year, adjusted to reflect the share issue for the comparative period (1,000 shares)	**274,628**	235,295
Basic earnings per share, (EUR/share)	**0.05**	0.03
In the calculation of diluted earnings per share, the weighted average number of shares is adjusted by the dilutive effect of converting all potential ordinary shares into shares.		

12. Intangible assets

Intangible Assets 2020			
EUR 1,000	**Product development costs**	**Other intangible assets**	**Total**
Acquisition cost 1 Jan	17,353	6,122	**23,475**
Exchange differences		-560	**-560**
Additions	3,403		**3,403**
Disposals		2	**2**
Acquisition cost 31 Dec	20,756	5,564	**26,320**
Accumulated amortisations and impairment losses 1 Jan	-14,406	-5,531	**-19,937**
Exchange differences		12	**12**
Amortisation during period	-1,036	-26	**-1,062**
Accumulated amortisations and impairment losses 31 Dec	-15,442	-5,545	**-20,987**
Book value 31 Dec 2020	5,314	19	**5,333**

Product development costs and impairment testing

Capitalized product development costs inlude EUR 3,449 (2,947) thousand such products that are not yet in commercial use, and therefore not amortized. These intangibles in progress are tested for impairment annually, and they are allocated to operating segments as follows: MEA & APAC EUR 2,771 (2,071) thousand and Americas & Europe EUR 729 (876) thousand. Based on the impairment tests performed, there is no need to recognize an impairment loss on intangibles in progress. Research and development costs recorded in the income statement are presented in note 8.

Intangible Assets 2019			
EUR 1,000	**Product development costs**	**Other intangible assets**	**Total**
Acquisition cost 1 Jan	14,406	6,952	**38,886**
Exchange differences		-75	**-75**
Additions	2,947		**2,947**
Disposals		-755	**-755**
Acquisition cost 31 Dec	17,353	6,122	**41,003**

Accumulated amortisations and impairment losses 1 Jan	-14,406	-6,753	**-38,687**
Exchange differences		849	**849**
Amortisation during period		-168	**-168**
Accumulated amortisations and impairment losses 31 Dec	-14,406	-6,072	**-38,006**
Book value 31 Dec 2019	2,947	50	**2,997**

13. Property, plant and equipment

Property, Land and Equipment 2020

EUR 1,000	Land and water areas	Buildings	Machinery and equipment	Total
Acquisition cost 1 Jan	739	6,623	19,767	**27,128**
Translation differences			1,113	**1,113**
Additions			119	**119**
Disposals			-10,852	**-10,852**
Acquisition cost 31 Dec	739	6,623	10,147	**17,509**
Accumulated depreciations and impairment losses 1 Jan	-739	-6,623	-19,598	**-26,959**
Translation differences			76	**76**
Accumulated depreciation on disposals			9,939	**9,939**
Depreciation during period			-269	**-269**
Accumulated depreciations and impairment losses 31 Dec	-739	-6,623	-9,850	**-17,212**
Book value 31 Dec 2020	0	0	297	**297**

Property, Land and Equipment 2019

EUR 1,000	Land and water areas	Buildings	Machinery and equipment	Total
Acquisition cost 1 Jan	739	6,623	19,796	**27,157**
Translation differences			204	**204**
Additions			27	**27**
Disposals			-260	**-260**
Acquisition cost 31 Dec	739	6,623	19,767	**27,128**
Accumulated depreciations and impairment losses 1 Jan	0	-6,364	-19,266	**-25,630**
Translation differences			129	**129**
Accumulated depreciation on disposals		0	0	**0**
Depreciation during period	-739	-259	-461	**-1,458**

Accumulated depreciations and impairment losses 31 Dec	-739	-6,623	-19,598	**-26,959**
Book value 31 Dec 2019	0	0	169	**169**

14. Deferred tax assets and liabilities

Deferred taxes 2020

EUR 1,000	1.1.2020	Translation differences	Recognised in income statement	31.12.2020
Deferred tax assets				
Capital allowances in the India subsidiary	0	503		**504**
Total	563	-60		**504**

Deferred taxes 2019

EUR 1,000	1.1.2019	Translation differences	Recognised in income statement	31.12.2019
Deferred tax assets				
Capital allowances in the India subsidiary	566	-3		**563**
Total	566	-3		**563**

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

EUR 1,000	2020	2019
Deductible temporary difference for which no deferred asset has been recognised		
Tecnotree's product development costs not deducted in its taxation *	**71,282**	71,282
Other deductible temporary differences	**14,622**	4,853
Items for which the Group has not recognised a deferred tax asset because of the uncertainty about utilising them, total	**85,904**	76,135

*) Tecnotree Oyj has research and development costs not deducted in its taxation. The amount can be deducted over an indefinite period with amounts that the company may freely decide.

15. Non-current receivables

EUR 1,000	2020	2019
Non-current receivables		
Rent guarantees	**509**	579
Other non-current receivables	**461**	217
Non-current receivables total	**970**	795

Right-of-use assets

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

EUR 1,000	2020	2019
Right-of-use assets		
Book value 1.1.	**2,241**	2,318
Changes in lease agreements	**-1,620**	
Depreciation during period	**-413**	-77
Book value 31 Dec 2020	**209**	2,241

16. Inventories

EUR 1,000	2020	2019
Materials and consumables		
Inventories total		

During the period the change in inventories amounted to EUR o thoudands (-126) thousand. The company had not inventory at the end of 2020 or 2019.

17. Trade and other current receivables

EUR 1,000	2020	2019
Trade receivables total	**13,522**	15,220
Other receivables based on delivery agreements	**12,287**	3,049
Other receivables related to projects total	**25,809**	18,269
Current prepaid expenses and accrued income	**3,097**	2,926
Other current receivables	**147**	124
Trade and other receivables total	**29,053**	21,320

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

Fair values of receivables are disclosed in note 24.

EUR 1,000	2020	2019
Major items included in current prepaid expenses and accrued income:		
VAT receivables		37
Service Tax receivable in India	**433**	1,160
Advance payments	**610**	479
Other prepaid expenses and accrued income	**2,054**	1,249
Total	**3,097**	2,926

18. Cash and cash equivalents

EUR 1,000	2020	2019
Cash in hand and at bank	**8,035**	3,381
Cash and cash equivalents total	**8,035**	3,381

19. Notes to the shareholders' equity

EUR 1,000	Number of outstanding shares (1,000 shares)	Share capital	Share premium fund	Unrestricted equity reserve	Other reserves	Translation differences	Total
1.1.2018	175,183	1,346	847	2,090	2,008	-10,442	**-4,150**
Changes	72,445			2,909	8	-521	**2,395**
31.12.2018	247,628	1,346	847	4,999	2,016	-10,963	**-1,755**
Changes	27,000			125	97	-455	**-233**
31.12.2019	274,628	1,346	847	5,124	2,113	-11,418	**-1,988**

Tecnotree Corporation has one single share series. The maximum number of shares is 274,628 (247,628) thousand. At the end of the year compnay had 10 942 thousand of its own shares.

In August 2015, the company's Board of Directors recognised the loss of shareholders' equity of the Group's parent company Tecnotree Corporation and delivered a statement concerning the matter to the Trade Register. The parent company's shareholders' equity was EUR 9,787 thousand on 31 December 2020 (EUR 1,228 thousand)

In its decision on 9 March 2015, the district court of Espoo ordered the corporate restructuring proceedings as prescribed in law to be started for Tecnotree Corporation. The District Court of Espoo confirmed by the decision on 15 November 2016 the amended restructuring programme as the payment programme of the company. Along with the decision, the restructuring proceedings of Tecnotree Oyj came to an end.

Descriptions of funds in shareholders' equity

Share premius fund

In those cases where rights were granted during the period when the old Companies Act (29 Sept 1978/734) was in force, the payments received for otioin-based share subscriptions, less transaction costs, have been made recorded in the shre capital and share premium fund in accordance with the terms of the arrangement.

Reserve for invested unrestricted equity

The reserve for invested unrestricted equity includes either investments of equity nature and subscription prices for shares to the extent that it is specifically decided not to be credited to the share capital. The payments received for share subscriptions based on the options granted after the entry into force (1 Sept 2006) of the new Limited Liability Companies Act (21 July 2006/ 624) are fully recognised in the reserve for invested unrestricted equity. In 2018, the share issue subscription price EUR 2 909 thousand was recorded in the reserve for invested unrestricted equity.

Other reserves

Other reserves contain the difference between fair value and exercise price of the new shares issued in 2009 and reserve fund of Argentina.

Translation differences

Translation differences include exchange gains and losses arising from the translation of the financial statements of foreign subsidiaries.

Dividend and treatment of the result
In 2020 no dividend was paid for the financial year that ended on 31 december 2019. Instead, based on the decision of the Annual General Meeting, the parent company's accumulated loss of EUR 6,017 thousand was placed in retained earnings.

20. Pension obligations

The Group has one defined benefit pension plan in India, including the whole personnel of the Indian subsidiary. The pension plan constitute the obligatory pension and termination benefits for the employees, and the amount of the plan benefit is based on final salary and number of years in service.

EUR 1,000	2020	2019
Defined benefit liability in the balance sheet:		
Present value of funded obligations	**810**	765
Fair value of plan assets (-)		
Net liability (+) / net asset (-) in the balance sheet	**810**	765
Recociliation of the changes in balance sheet		
Net liability (+) / net asset (-) in the balance sheet in the beginning of the period	**789**	743
Pension expense recognised in profit and loss	**123**	136
Remeasurement items recognised in other comprehensive income	**32**	77
Translation differences	**-133**	-167
Net liability (+) / net asset (-) in the balance sheet at the end of the period	**811**	789
Defined benefit expense in profit and loss		
Current service cost	**86**	92
Interest income (-) and expense (+), net	**37**	45
Pension expense recognised in profit and loss (note 5)	**124**	136
Change in the defined benefit obligation:		
Defined benefit obligation in the beginning of the period	**789**	743
Current service cost	**86**	92
Interest cost	**37**	45
Remeasurement items:		
Gains (-) / losses (+) arising from changes in demographical assumptions		0
Actuarial gains (-) / losses (+) arising from changes in financial assumptions	**-165**	62
Gains (-) / losses (+) arising from experience adjustments	**198**	16
Translation differences	**-83**	-4
Benefits paid (-)	**-51**	-164
Defined benefit obligation at the end of the period	**811**	789

Change in plan assets:		
Plan assets in the beginning of the period	**24**	1
Interest income	**1**	0
Remeasurement items:		
Return on plan assets excluding amounts included in interest income (+/-)	**0**	1
Translation differences	**-3**	-0
Payments from the plan:	**46**	186
Benefits paid (-)	**-51**	-164
Plan assets at the end of the period	**18**	24

	2020	2019
Actuarial assumptions at the reporting date	%	%
Discount rate	**6.1**	6.2
Future salary increases, first year	**7.0**	10.0
Future salary increases, thereafter	**7.0**	8.0

Assumed normal retirement age is 60 years in India. The turnover of the employees is assumed to decline evenly in line with the growing age, being 1 % for over 55 year olds and 15 % for under 30 year olds. Assumptions concerning mortality are made in accordance with the actuary's instructions and they are based on statistics and experience.

There is no information available on plan assets because they are commonly invested by the incurance company.

Sensitivity analysis

The sensitivity analysed below is calculated all other factors remaining unchanged.

2020

Change in discount rate, percentage points	**+ 1%**	**-1%**
Impact on the defined benefit obligation, EUR 1,000	**-56**	**76**
Change in future salary increases, percentage points	**+ 1%**	**-1%**
Impact on the defined benefit obligation, EUR 1,000	**-49**	**59**

2019

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

Impact on the defined benefit obligation, EUR 1,000	22	-20

21. Interest-bearing liabilities

EUR 1,000	2020	2019
Finance lease liabilities, non-current	**29**	191
Loans from the main creditor, non-current	**12,286**	13,264
Non-current interest-bearing liabilities total	**12,316**	13,455
Finance lease liabilities, current	**132**	74
Loans from the main creditor, current	**978**	465
Current interest-bearing liabilities total	**1,110**	539
Interest-bearing liabilities total	**13,426**	13,994
Maturity of the finance lease liabilities		
Total of minimum lease payments less than one year	**132**	148
Total of minimum lease payments between one and five years	**88**	296
Total	**220**	444
Future financial expenses	**-59**	-179
Present value of finance lease liabilities	**161**	265
Present value of minimum lease less than one year	**132**	74
Present value of minimum lease between one and five years	**29**	191
Finance lease liabilities, total	**161**	265

At the end of the financial year, the company had a debt restructuring related, non-current interest-bearing debt EUR 12.3 million (13.3) and current interest-bearing debt EUR 1.0 (0.5) million to the main creditor.

Debts under restructuring are presented in note 28.

22. Trade payables and other liabilities

EUR 1,000	2020	2019
Non-current non-interest bearing liabilities		
Non-current liabilities to others - ordinary restructuring debts	**2,792**	3,454
Lease liability (non-current)	**187**	1,521
Tax reserve	**1,645**	1,840
Other long-term employee benefits	**326**	687
Other long-term liabilities	**591**	35
Non-current non-interest bearing liabilities, total	**5,542**	7,537
Trade payables, provisions and other liabilities		
Trade payables	**1,619**	1,649
Accrued liabilities and deferred income	**6,447**	5,895
Other liabilities	**1,846**	1,903
Lease liability (current)	**116**	716
Income tax liability	**473**	749
Trade payables, provisions and other liabilities total	**10,502**	10,912
Accrued liabilities and deferred income		
Accrued personnel expenses	**1,834**	2,292
Accrued agent fees	**390**	667
Withholding tax provision (note 10)	**574**	1,198
Other accrued expenses related to customer projects	**1,962**	640
Other accrued liabilities and deferred income*	**1,688**	1,099
Total	**6,447**	5,895

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

Debts under restructuring are presented in note 28.

23. Financial risk management

Financial risk management principles
The task of financial risk management is to identify, manage and track the major financial risks in the Group's business and business environment to enable the Group to achieve its strategic and financial goals in the best possible way. The responsibilities of the Board of Directors include ensuring that the Group has adequate internal monitoring system in place. Group's policy for hedging against risks is approved by the Board of Directors and the Group's CFO is responsible for implementing it in practice. The objective of the Group's financial risk management is to minimise the effects of volatility for recognised major market risks on the Group's result and balance sheet. Tecnotree Group does not apply hedge accounting as defined under IFRS 9.
Financial risk management organisation
The financial risk management process is supported by the Management Board, who handles risks and risk management in its meetings on a regular basis. CEO reports the major risks to the Board of Directors. The Group's financial management is responsible for managing foreign exchange, interest rate and liquidity risks according to the guidelines set by the Board.
Capital management
Tecnotree's objective for capital management is to ensure cash sufficiency and support Group's growth targets. Additionally, with capital management the Group is ensuring the operational precondition in capital markets during all conditions irrespective of industry's market volatility. The key ratio in monitoring the development of Group's capital structure is equity ratio, which is calculated by dividing equity with total balance sheet less advances reveiced. In August 2015, the company's Board of Directors recognised the loss of shareholders' equity of the Group's parent company Tecnotree Corporation and delivered a statement concerning the matter to the Trade Register. The parent company's shareholders' equity was EUR 9,787 thousand on 31 December 2020 (EUR 1,228 thousand) and the Group's shareholders' equity was EUR 19,907 million negative (EUR 3,633 million).

Components of equity ratio

EUR 1,000	2020	2019
Equity at the end of period	**19,907**	3,633
Balance sheet total	**50,650**	36,840
Advances received		
Total balance sheet less advances reveiced	**50,650**	36,840
Equity ratio	**39.3 %**	9.9 %

Liquidity risk
The Group seeks to constantly assess and monitor the amount of liquid funds to ensure the sufficient amount of funding

needed to finance the business.

On the reporting date, the Group's cash and cash equivalents were EUR 8,034 (3,381) thousand.

At the end of the financial year, he company had in accordance to the payment program secured interest-bearing liabilities to the main creditor EUR 7,242 thousand, business mortgage debts EUR 6,032 thousand as well as restruturing debts EUR 3,454 thousand.

Upcoming due schedule, EUR 1,000

2020	Balance sheet value	Cash flow	Due	Less than 3 months	3-12 months	Over 12 months
Guaranteed restructuring debts the main creditor, interest-bearing	13,264	13,264		0	978	12,286
Interest payments on the loans	0	853		0	260	593
Trade payables	1,619	1,619	685	934	0	0
Non-interest bearing liabilities	3,454	3,454		0	661	2,792
Total	**18,337**	**19,190**	**685**	**934**	**1,899**	**15,672**

2019	Balance sheet value	Cash flow	Due	Less than 3 months	3-12 months	Over 12 months
Guaranteed restructuring debts the main creditor, interest-bearing	13,729	13,729		0	465	13,264
Interest payments on the loans	0	1,126		0	272	854
Trade payables	2,758	2,758	1,429	220	1,109	0
Non-interest bearing liabilities	3,725	3,725		0	272	3,454
Total	**20,213**	**21,339**	**1,429**	**220**	**2,117**	**17,572**

Credit risk

Credit risk arises from the potential failure of counterparty to meet its contractual payment obligations. The amount of risk depends on the creditworthiness of the counterparty. The amount of credit risk inherent to financial instruments is the carrying value of the financial assets, which was EUR 21,557 (18,601) thousand at the reporting date. The financial assets are specified in note 24. The most significant separate item of credit risk is the trade receivables.

The credit quality of customers is regularly monitored by the finance department together with sales management, using data on payment history and reports from external sources. Credit rating checks are made on new customers before confirming an offer. The procedure for granting of credit for new customers or customers from countries with high risk rating requires always the acceptance of Group CFO. Tecnotree has not arranged financing for customers with third parties.

Tecnotree's largest customers are much bigger businesses than the Group itself. The relationship between the Group and its major customers is one of interdependence, which poses a potential risk but also offers significant new business opportunities. The two largest customers accounted for 76% of net sales in 2020 (2019: 80 %) and for 64 % of the trade receivables at the end of 2020 (2019: 82 %). Parent companies of these customers are large listed companies. In addition, the customers of Tecnotree are mainly in developing markets, with consequenses such as currency transfer regulations and limitations, exchange rate fluctuations and other politic and financial challanges.

The credit quality of financial institutions is monitored by the finance department. The parent company's counterparties are restricted to financial institutions with legal entities in Finland specified in the Group's cash management policy. The subsidiary in India has its own finance function and their counterparties are also restricted in the Group's cash management policy. The amount of cash reserves in other subsidiaries is minimized.

ANALYSIS OF TRADE RECEIVABLES BY AGE AND IMPAIRMENT LOSSES RECOGNIZED

EUR 1,000	2020	Impairmet loss recognised	-%	2019	Impairmet loss recognised	-%
Trade receivables not due	4,591			5,456		
Trade receivables 1-90 days overdue	3,965	69	2 %	5,540	14	0 %
Trade receivables 91-360 days overdue	4,056	123	3 %	3,742	52	1 %
Trade receivables more than 360 days overdue	908	253	28 %	481	168	35 %
Total	**13,520**	**446**	**3 %**	**15,220**	**234**	**2 %**

CHANGE IN IMPAIRMENT LOSS PROVISIONS

1 000 €	Impairment	Realised	Cancelled	New	Impairment	Change

	loss provisions 1.1.2020	provisions	provisions	provisions	loss provisions 1.1.2020	in provision
MEA & APAC	234		22	217	429	195
Europe & Americas	0			16	16	16
Total	**234**		**22**	**234**	**446**	**212**

Project deliveries result in large accounts receivable. Most of Tecnotree's net sales comes from developing countries and some of these contain political and economic challenges. There is the risk of a considerable delay in the payment of invoices in these countries and that Tecnotree will have to record credit losses. The payment record of customers and the situation concerning trade receivables are actively monitored and credit rating checks are made on new customers before confirming an offer. During the period, new impairment losses of EUR 0 (280) thousand were recorded for over one year overdue trade receivables. The above analysis of trade receivables by age shows net trade receivables, thus after recognition of impairment losses.

Market risks

Currency risk

The financial risk to which the Group is exposed in its operations is mainly currency risk. Changes in exchange rates create risks especially in receivables and order backlog. Tecnotree Group's reporting and presentation currency is Euro, but significant part of Group's revenue is in US dollars. The Group's open translation risk comes from the investments in six foreign subsidiaries, India (Rupees, INR), Brazil (Real, BRL), Argentina (Peso, ARS), Malaysia (Ringgit, MYR), The United Arab Emirates (Dirham, AED) and Nigeria (Naira, NGN).

Transaction risk

The Group's open currency position comprises foreign currency denominated, sales related balance sheet items, cash and cash equivalents balance, currency denominated order backlog and binding currency denominated purchase and sales contracts.

In the policy for approval of sales contracts, it is required that only the Euros or the US dollar can be used as the sales currency. There shall not be any clauses tying the payments into any other currencies. Sales offices, when selling within their own country, use their own local currency. If any other currencies than Euro, US dollar or sales offices' local currency are used in sales contracts, it requires a prior written approval from the group CFO.

In 2020, 26 per cent of external invoicing was in Euros, 49 per cent in US dollars, 13 per cent in Nigerian Nairas, 8 per cent in Argentinian Pesos, and 4 per cent in other currencies. The Group is hedging the open US dollar currency position. The Group does not hedge the open ARS, NGN and BRL currency positons, partly because of local currency restrictions and high cost of hedging. The Group does not hedge the other currency positions, since they are not significant.

The Argentinian peso is the functional currency of the company's subsidiary in Argentina. During 2018, the economic crisis led to the economy of Argentina to be classified as hyperinflationary. Because of this development, adoption of IAS 29 Financial Reporting in Hyperinflationary Economies applies that means from the beginning of the relevant reporting period financial statements of the Argentine subsidiary are to be restated into the current purchasing power that reflects a price index current at the end of the reporting period. Hyperinflation adjustment impact on profit was negative EUR 114 thousand in the consolidated financial statements 2020.

Currency risks can also arise on intra-group currency positions. The Indian subsidiary has intragroup receivables denominated in EUR, on which exchange rate gains amounting to EUR 1,182 thousand (74) arose due to rate changes of Indian Rupies. Also the intra-group liabilities denominated in BRL held by the parent company gave rise to exchange rate gains of EUR 293 thousand (2019: gain of EUR 3 thousand) in 2020. Similarly, EUR dominated intragroup receivables from Nigeria gave exchange rate gains of EUR 531 thousand (2019: gain of EUR 88 thousand) and AED dominated intragroup receivables from the subisdiary UAE exchange rate gains of EUR 750 thousand (2019: gains of EUR 114 thousand). Intra-group currency positions are not hedged.

The Group is hedging the US dollar currency denominated cash flow position for a maximum period of 12 months for not more than 100 per cent of the net position. Hedging is carried into effect with foreign exchange forwards and options. On the reporting date, 0 per cent (0 %) of the open currency position was hedged.

Sensitivity analysis for market risks

The functional currency of the parent company is Euro. Financial assets and liabilities nominated in foreign currency are presented in the table below. Figures are translated to Euros at the year-end exchange rate.

EUR 1,000	Note	INR 2019	INR 2019	USD 2019	USD 2019
Current assets					
Trade and other receivables		**13,028**	9,069	**6,070**	6,615
Other receivables related to projects				**1,561**	2,478
Cash and cash equivalents				**534**	144
Trade and other payables				**-543**	-472
Total current assets		**13,028**	9,069	**7,622**	8,765

In the sensitivity analysis below, the effect of weakening and strengthening of the INR and USD exchange rate against EUR is presented with all other factors remaining unchanged. The analysed change in the exchange rate represents a possible volatility of the currency during a 12-month period. Fluctuation in exchange rates has no direct effect on equity as the Group does not apply hedge accounting.

EUR 1,000	2020		2019	
Change in	**-10%**	**+10%**	-10%	+10%

percentage, INR				
Effect on the result after taxes	**912**	**-912**	609	-609
Change in percentage, USD	**-10%**	**+10%**	-10%	+10%
Effect on the result after taxes	**-693**	**847**	-797	974

Translation risk

Tecnotree India and its subsidiaries are consolidated into Tecnotree Group as from 6 May 2009, hence the Group is exposed to the risks incurred when the net investments denominated in INR are translated into Euro, the functional currency of the parent company. On the reporting date, the open translation risk for the Indian subgroup was EUR 13,716 (11,024) thousand. This net investment is not hedged, mainly because of local currency restrictions and high cost of hedging. The sensitivity for trnslation risk was analysed by determining the effects of 10 percent strengthening and wakening of the INR exchange rate against EUR, all other factors remaining unchanged.

EUR 1,000	INR 2020	INR 2020	INR 2019	INR 2019
Change in percentage	**-10%**	**+10%**	-10%	+10%
Effect on the result after taxes	**-387**	**473**	294	-360
Effect on equity	**-536**	**656**	-600	733

During 2020 Indian Rupie weakened 12 % compared to Euro. INR/EUR rate was 89.66 at the end of 2020 and 80.18 at the end of 2019. This gave rise to a negative translation difference in the Group's equity amounting to EUR 708 thousand.

The exposure for translation risk related to net investments in other foreign subsidiaries is not significant and is therefore neither hedged nor analysed for sensitivity.

On the reporting date, the open translation risk position for the Brazilian subsidiary was negative EUR -853 (-1 271) thousands, Malaysian subsidiary was EUR 37 (55) thousand, for the Nigeria subsidiary EUR 1 061 (-126) thousand and correspondingly for the subsidiary in the United Arab Emirates EUR 302 (-188) thousand. The change in translation difference in equity caused by fluctuations in exchange rates for these subsidiaries was EUR 87 (372) thousand.

Intererst rate risk

The Group’s interest rate risk management focuses on the optimal management of liquid funds in sense of profitability and safety and interest rate risk management of bank loans. At the end of the financial period, the company had interest-bearing loans from the main creditor EUR 13.3 (13.7) million.

Interest rate sensitivity was analysed by determining the effects of one percentage unit’s change in the interest rates on the

Group's interest-bearing financial instruments on an annual level. The analysis included all the significant interest-bearing financial instruments of the Group totalling EUR 3,831 (10,348) thousand debt. On the reporting date, an increase / decrease of one percentage unit in the interest rates would have decreased / increased the net income after tax by EUR -71 / 71 (-114 / 114) thousand. Changes in interest rates would not have had a direct effect on equity. The effect of an increase and a decrease in the interest rates is presented with all other factors remaining unchanged.

Price risk

Tecnotree Group does not own any equity or other financial instruments with values tied to other market prices than interest or currency rates.

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

2020	Note	Financial assets/ liabilities at fair value through income statement	Financial assets measured at amortised cost	Financial liabilities measured at amortised cost	Carrying amounts by balance sheet item	Fair value
Current financial assets						
Trade and other receivables	17		13,522		13,522	13,522
Cash and cash equivalents	18		8,035		8,035	8,035
Carrying amount by category			21,557		21,557	21,557
Current financial liabilities						
Current interest-bearing liabilities	21			1,110	1,110	1,110
Trade and other payables	22			1,619	1,619	1,619
Carrying amount by category				2,729	2,729	2,729

2019	Note	Financial assets/ liabilities at fair value through income statement	Loans and receivables	Financial liabilities measured at amortised cost	Carrying amounts by balance sheet item	Fair value
Current financial assets						
Trade and other receivables	17		15,220		15,220	15,220
Cash and cash equivalents	18		3,381		3,381	3,381
Carrying amount by category		0.00	18,601	0	18,601	18,601
Current financial liabilities						
Current interest-bearing liabilities	21			539	539	539
Trade and other payables	22			1,649	1,649	1,649
Carrying amount by category			0	2,188	2,188	2,188

Fair value hierarchy

Items measured at fair value or for which fair value is disclosed in the financial statements, are categorised using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy includes the levels 1-3. Level 1: Quoted prices in active markets for identical assets or liabilities. Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. Level 3: Inputs for the asset or liability that are not based on observable market data.

25. Operating leases

EUR 1,000	2020	2019
Group as lessee		
Minimum lease payments of the non-cancellable operating leases are as follows:		
Less than one year	**1,073**	310
Between one and five years	**810**	407
Total	**1,883**	718

The Group has leased office equipment and office facilities. The leases typically run for one to three years and normally they include an option to continue the lease agreement after the original ending date. The index, terms of renewal and other conditions in different agreements may vary. In 2020 EUR 871 (382) thousand was recognised as an expense in the income statement in respect of operating leases.

26. Contingent liabilities

EUR 1,000	2020	2019
On own behalf		
Corporate mortgages	**45,336**	45,336
Total	**45,336**	45,336

EUR 1,000	2020	2019
Other contingent liabilities		
Desputed income tax liabilities in India	**1,571**	1,756
Total	**1,571**	1,756

27. Related party transactions

The Group's related parties include the subsidiaries, the members of the Board of Directors and the Management Board, the CEO and the close family members of the preceding persons, as well as those entities in which these people have control. According to the Finnish Securities Markets Act, a controlled entity is an entity in which a shareholder, a member or another person exercises the control referred to in the Act. The company considers the management to include members of the Boars of Directors, the CEO and the other members of the Management Board.

The company considers the management to include members of the Boars of Directors, the CEO and the other members of the Management Board.

EUR 1,000	2020	2019
Compensation to management		
Salaries, fees and other short-term employee benefits	**1,502**	1,243
Compensation to management total	**1,502**	1,243
Salaries and fees		
Padma Ravichander, CEO	**2,584**	431
Members of the Board of Directors:		
Neil Macleod, Chairman of the Board 24.9.2018-	**64**	55
Jyoti Desai, Vice Chairman of the Board 24.9.2018-	**42**	38
Conrad Neil Phoenix 24.9.2018 -	**32**	28
Anders Fornander 5.9.2019 -	**30**	9
Markku Wilenius 10.9.2020 -	**9**	
Kaj Hagros 15.5.2019 - 10.9.2020	**20**	19
Priyesh Ranjan 24.9.2018 - 1.7.2019		16
Harri Koponen 2008 - 15.5.2019		23
Christer Sumelius 2001 - 15.5.2019		13
Pentti Heikkinen 2009 - 15.5.2019		13

The pension benefits of the CEO and members of Board of Directors are determined by the Finnish Employees Pensions Act (TyEl). The obligatory pension expenses for the CEO were EUR 0 (0) thousand and for the members of the Board of Directors totally EUR 0 (14) thousand. The pension expenses are presented per person in note 4 of the parent company. The retiment age of the CEO is determined by the employee pension law. CEO or the other members of the Management Board and the Board of Directors have no additional pension arrangements.

The period of notice of the CEO’s contract is 6 months from the time of resignation and from 36 months’ period of notice from the company, at the company’s discretion. Salary is paid for the period of notice and, in the case of notice given by the company compensation equal to 36 months’ salary will be paid. The company can terminate the contract of the CEO with immediate effect, without a separate compensation, if the CEO has materially breached his CEO contract, convicted guilty to a

crime or otherwise caused substantial damage to the company.

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The relationships between the Group's parent company and subsidiaries on 31 December 2020:

Company name	Nature of company activities	Domicile	Group's ownership %	Group's share of voting rights %
Tecnotree Oyj (parent)	Operative parent company	Finland		
Tecnotree Services Oy	Dormant company	Finland	100.00	100.00
Tecnotree Convergence (Middle East) FZ-LLC	Sales company	The United Arab Emirates	100.00	100.00
Tecnotree Ltd	Dormant company	Ireland	100.00	100.00
Tecnotree Sistemas de Telecommunicacao Ltda	Sales company	Brazil	100.00	100.00
Tecnotree Argentina SRL *	Sales company	Argentina	100.00	100.00
Tecnotree (M) Sdn Bhd	Sales company	Malaysia	100.00	100.00
Tecnotree Nigeria Ltd	Sales company	Nigeria	100.00	100.00
Tecnotree France SARL	Sales company	France	100.00	100.00
Lifetree Cyberworks Pvt. Ltd	Holding company	India	100.00	100.00
Tecnotree Convergence Ltd	Product development, delivery and management company	India	99.83	99.83
Dehrekat Zindagi LLC	Service and sale company	Iran	100.00	100.00
Lifetree Convergence Pty Ltd	Dormant company	South-Africa	99.83	99.83
Lifetree Convergence (Nigeria) Ltd	Dormant company	Nigeria	94.84	94.84
LIFETREE RWANDA Limited	Sales company	Rwanda	100.00	100.00

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

28. Restructuring proceedings

Restructuring debt by category

EUR 1,000	2020	2019
Ordinary restructuring debts, interest-free		1,109
Ordinary restructuring debts from the main creditor, interest-free	**3,454**	3,725
Guaranteed restructuring debts from the main creditor, interest bearing	**7,242**	7,242
Corporate mortgage debts from the main creditor, interest bearing	**6,023**	6,487
Restructuring debt total	**16,718**	18,563

Current and non-current restructuring debt

EUR 1,000	2020	2019
Current interest-bearing liabilities, debt restructuring	**978**	465
Current non interest-bearing liabilities, debt restructuring	**661**	1,380
Non-current interest-bearing liabilities, debt restructuring	**12,286**	13,264
Non-current non interest-bearing liabilities, debt restructuring	**2,792**	3,454
Restructuring debt total	**16,718**	18,563

29. Events after the end of period

4.1.2021 Tecnotree announced it wins a new delivery agreement worth Euro 6 million

26.2.2021 Tecnotree announced that Tecnotree Board of Directors approves the Long Term Incentive (LTI) plan for 2021-2024 and the issuance of shares to Tecnotree

2.3.2021 Tecnotree announced it receives Digital BSS transformation award worth USD 11.7 million

Parent company's income statement

EUR 1,000	Note	1.1.-31.12.2020	1.1.-31.12.2019
Net sales	1	**41,822**	35,146
Other operating income	2	**837**	1,643
Materials and services	3	**-2,247**	-705
Personnel expenses	4	**-7,689**	-7,840
Depreciation, amortisation and impairment losses	5	**-19**	-259
Other operating expenses	6	**-20,873**	-18,306
Operating result		**11,831**	9,679
Financial income and expenses	7	**-2,205**	-410
Result before appropriations and taxes		**9,626**	9,269
Direct taxes	8	**-1,188**	-3,252
Result for the financial year		**8,438**	6,017

Parent company's balance sheet

EUR 1,000	Note	1.1.-31.12.2020	1.1.-31.12.2019
Assets			
Non-current assets			
Intangible assets	9	**19**	30
Tangible assets	10	**89**	3
Shares in Group companies	11	**8,671**	8,794
Total non-current assets		**8,778**	8,827
Current assets			
Inventories	12		
Non-current receivables	13	**102**	258
Current receivables	14	**33,147**	23,041
Cash and cash equivalents	15	**1,002**	316
Total current assets		**34,250**	23,614
Total assets		**43,029**	32,441
Equity and liabilities			
Shareholders' equity	16		
Share capital		**1,346**	1,346
Share premium fund		**847**	847
Unrestricted equity reserve		**5,124**	4,999
Retained earnings		**-5,967**	-11,981
Result for the financial year		**8,438**	6,017
Total shareholders' equity		**9,787**	1,228
Accumulated appropriations	17		
Liabilities			
Non-current liabilities	18	**15,439**	16,940
Current liabilities	18	**17,802**	14,273
Total liabilities		**33,241**	31,213
Total equity and liabilities		**43,029**	32,441

Parent company's cash flow statement

EUR 1,000	1.1.-31.12.2020	1.1.-31.12.2019
Cash flow from operating activities		
Result before extraordinary items	**9,626**	9,269
Adjustements for:		
Depreciations according to plan	**19**	259
Financial income and expenses	**2,205**	410
Other adjustments	**139**	-1,071
Changes in working capital:		
Current receivables, increase (-) /decrease (+)	**-9,875**	-8,146
Inventories, increase (-) /decrease (+)		126
Current liabilities, increase (+) /decrease (-)	**3,452**	281
Financial income and expenses	**-1,254**	-373
Income taxes paid	**-1,812**	-3,035
Net cash flow from operating activities	**2,499**	-2,281
Cash flow from investing activities		
Capital expenditure on non-current tangible and intangible assets	**-93**	
Proceeds from sale of tangible and intangible non-current assets		2,413
Net cash flow from investing activities	**-93**	2,413
Cash flow from financing activities		
Repayment of loans	**-1,845**	-3,592
Proceeds from share issue	**125**	2,909
Other financial expenses		
Net cash flow from financing activities	**-1,720**	-684
Change in cash and cash equivalents	**686**	-552
Cash and cash equivalents on 1 Jan	**316**	868
Cash and cash equivalents on 31 Dec	**1,001**	316

Parent company accounting principles

The financial statements of Tecnotree Oyj are prepared in accordance with the Finnish Accounting Act (1997/1336) and Ordinance (1997/1339) and with other legislation and regulations concerning financial statements.

The consolidated financial statements of Tecnotree Corporation in year 2020 have been prepared in accordance with the going concern principle.

The uncertainty factors relating to Tecnotree's operations are explained in more detail in section "Risks and uncertainty factors" in the Board of Directors report. Financial risk management is described in note 23 of the consolidated financial statements. Information about the debt restructuring proceedings is disclosed in note 28.

Items denominated in foreign currencies
Transactions in foreign currencies are recorded at the rates of exchange prevailing on the transaction dates. Foreign currency receivables and liabilities in the financial statements, including those hedged with derivative contracts, are translated into euros at the average exchange rate quoted by the European Central Bank on the closing date.

Exchange rate gains and losses relating to business operations are treated as adjustments to net sales or purchasing and manufacturing. Exchange rate gains and losses relating to financing operations are entered under financing income and expenses. Exchange rate gains and losses arising from the translation of balance sheet items are charged to the income statement.

Derivatives entered into by the company comprise currency forward contracts to hedge against changes in the cash flows from purchase and sales agreements denominated in foreign currencies. The company policy is to hedge the net foreign currency exposure over the following 12 months at a maximum.

Those derivatives entered into for hedging purposes are initially recognized at cost equivalent to their fair value. Subsequently derivatives are measured at fair value based on the forward rates quoted at the balance sheet date.

Exchange rate differences on derivative contracts made for hedging purposes are charged to the income statement under other operating income and expenses.

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

Pension plans
Statutory pension and supplementary pension obligations in Finland are covered through payments to pension insurance organisations. Expenses related to pension arrangements are recognized in the income statement in the period on the accrual basis.

Leasing
Leasing payments have been entered as rentals. Contractual leasing fees remaining on the balance sheet date are presented in the financial statements under contingent liabilities.

Research and development expenses
Research and development expenses are expensed as incurred, apart from machinery purchases, which are depreciated over three

years on a straight-line basis.

Valuation of inventories
Inventories are valued using the FIFO principle at the lowest of acquisition cost, repurchase price and probable selling price.

Valuation of non-current assets
Non-current assets have been capitalised at the acquisition cost. Planned depreciation and amortization is calculated on a straight-line basis over the useful life of the fixed assets. The periods for planned depreciation and amortization are as follows:

- Intangible rights 3-10 years
- Other long-term expenditure 5 years
- Buildings and structures 25 years
- Machinery and equipment 3-5 years
- Computing hardware and software 3-5 years

Derivative financial instruments
The derivative contracts entered into by the Company are currency forward contracts and options as well as interest rate swaps. The derivative contracts are fair valued. The fair value is determined by using market rates of the counterparty for instruments with similar maturity. Gains and losses arising from changes in the fair values are recognised in the income statement in the period in which they arise.

In the end of 2020, Tecnotree had no derivate contracts in place.

1. Net sales

EUR 1,000	2020	2019
Net sales by market area		
Europe, Middle East and Africa	**33,146**	24,672
Asia Pacific	**2,278**	458
Americas	**6,398**	10,015
Net sales total	**41,822**	35,146
Net sales by type of income		
Revenue from maintenance and support	**8,246**	12,225
Revenue from goods and services, external sales	**9,854**	7,225
Revenue from goods and services, intra-group sales	**24,496**	15,584
Currency exchange gains and losses related to external sales	**-774**	112
Net sales total	**41,822**	35,146
Order book for maintenance and support	**2,563**	947
Order book for goods and services	**16,593**	6,807
Order book total	**19,156**	7,755

2. Other operating income

EUR 1,000	2020	2019
Rental income		26
Gain on disposal of non-current assets		1,415
Other operating income	**837**	202
Other operating income total	**837**	1,643

3. Materials and services

EUR 1,000	2020	2019
Purchases during financial year	**-1,618**	-663
Changes in inventories		303
Total	**-1,618**	-361
External services	**-629**	-344
Materials and services total	**-2,247**	-705

4. Personnel expenses

EUR 1,000	2020	2019
Wages and salaries	**-6,363**	-6,953
Pension expenses	**-551**	-550
Other personnel expenses	**-775**	-338
Personnel expenses total	**-7,689**	-7,840

Average number of employees during the period	2020	2019
Management and administration	**10**	10
Other personnel	**29**	30
Total average number of employees	**39**	40

Salaries, fees, remunerations and pensions to the management

EUR 1,000	Salaries, fees, remunerations 2020	Salaries, fees, remunerations 2019	Obligatory pension expenses 2020	Obligatory pension expenses 2019
Padma Ravichander, CEO as from 18 April 2016	**2,584**	431		
Members of the Board of Directors:				
Neil Macleod, Chairman of the Board 24.9.2018-	**64**	55		
Jyoti Desai, Vice Chairman of the Board 24.9.2018-	**42**	38		
Conrad Neil Phoenix 24.9.2018-	**32**	28		
Anders Fernander 5.9.2019-	**30**	9		
Markku Wilenius 10.9.2020-	**9**			
Kaj Hagros 15.5.2019 - 10.9.2020	**20**	19		5
Priyesh Ranjan 24.9.2018 - 1.7.2019		16		
Harri Koponen 2008 - 15.5.2019		23		6
Christer Sumelius 2001 - 15.5.2019		13		
Pentti Heikkinen 2009 - 15.5.2019		13		3

Total	**195**	646	**0**	14

The pension benefits of the members of Board of Directors are determined by the Finnish Employees Pensions Act (Tyel). The members of Board of Directors have no additional pension arrangements.
The CEO has a CEO contract, which is made according to Finnish law. The CEO is responsible for tax and other compulsory payments.
Share-based incentive scheme
Tecnotree group has an employee incentive program for 2020 -2022 designed to align the participants' focus with Tecnotree’s growth strategy and long-term success. The LTI Plan includes Restricted Share Units (RSUs) giving a contractual right to receive shares over the next 3 year period as per an equated semi-annual vesting schedule. More details on the incentive scheme in note 5 in the consolidated financial statements.

5. Depreciations and amortisations

EUR 1,000	2020	2019
Depreciations and amortisations according to plan		
Intangible assets		
Intangible rights	**-11**	-164
Tangible assets		
Buildings		-1
Machinery and equipment	**-8**	-95
Depreciations and amortisations according to plan total	**-19**	-259

6. Other operating expenses

EUR 1,000	2020	2019
Subcontracting	**-1,516**	-1,560
Office management costs	**-2,150**	-2,455
Travel expenses	**-639**	-1,018
Agent fees	**-389**	-658
Impairment losses on receivables	**-199**	-576
Rents	**-771**	-331
Professional services	**-954**	-961
Marketing	**-281**	-435
Other operataing expenses to Group companies	**-13,973**	-10,170
Other operating expenses total	**-20,873**	-18,164
Impairment losses were recognised on trade receivables totalling EUR 576 (116) thousand and on receivables related to other project receivables totallling EUR 0 (639) thousand.		

Auditors' fees		
Auditors fees	**-91**	**-142**
Auditors' fees total	**-91**	-142

7. Financial income and expenses

EUR 1,000	2020	2019
Financial income		
Other financial income from others	**95**	22
Other financial income in Group companies	**82**	31
Interest and financial income total	**177**	54
Financial expenses	**-124**	
Other financial expenses to Group companies	**-272**	-293
Interest expenses to others	**-328**	-134
Financial expenses to others	**-1,658**	-36
Interest and financial expenses total	**-2,382**	-464
Financial income and expenses total	**-2,300**	-432
Other financial income and expenses including:		
Foreign exchange gains	**151**	47
Foreign exchange losses	**-1,983**	-183
Foreign exchange gains and losses total	**-1,833**	-136

8. Income taxes

EUR 1,000	2020	2019
Income taxes from business operations	**-179**	-240
Withholding taxes paid abroad	**-995**	-2,887
Change in withholding tax accrual	**-14**	-125
Income taxes total	**-1,188**	-3,252

The company has not deducted research and development costs amounting to EUR 71,282 (71,282) thousand in its taxation. The amount can be deducted over an indefinite period with amounts that the company may freely decide. Other deductible temporary differences amount to EUR 14 622 (4,853) thousand. No deferred tax assets have been recognised on these capitalisations because of the uncertainty about utilising them.

9. Intangible assets

Intangible assets 2020		
EUR 1,000	**Intangible rights**	**Total**
Acquisition cost 1 Jan	6,146	**6,146**
Additions		
Acquisition cost 31 Dec	6,305	**6,305**
Accumulated amortisation 1 Jan	-6,116	**-6,116**
Amortisation during the period	-11	**-11**
Accumulated amortisation 31 Dec	-6,127	**-6,127**
Book value 31 Dec, 2020	19	**19**

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

10. Tangible assets

Tangible assets 2020

EUR 1,000	Land areas	*) Buildings	Machinery and equipment	Total
Acquisition cost 1 Jan		6,045	5,415	**11,460**
Additions			94	**94**
Acquisition cost 31 Dec		5,787	5,508	**11,295**
Accumulated depreciation 1 Jan		-5,787	-5,412	**-11,198**
Depreciation during the period		-259	-8	**-266**
Accumulated depreciation 31 Dec		-5,787	-5,419	**-11,206**
Book value 31 Dec, 2020		-1	89	**89**

Tangible assets 2019

EUR 1,000	Land areas	Buildings	Machinery and equipment	Total
Acquisition cost 1 Jan	739	6,045	5,416	12,200
Additions			0	0
Acquisition cost 31 Dec	739	6,045	5,416	12,200
				0
Accumulated depreciation 1 Jan		-5,787	-5,318	-11,105
Depreciation during the period	-739	-259	-95	-353
Accumulated depreciation 31 Dec	-739	-6,045	-5,413	-11,458
Book value 31 Dec, 2019			3	3

11. Investments

Investments 2020

EUR 1,000	Shares in Group companies	Other investments in group companies	Total
Acquisition cost 1 Jan	8,794		**8,794**
Additions	-124		**-124**
Acquisition cost 31 Dec	8,670		**8,670**
Book value 31 Dec, 2020	8,670		**8,670**

Investments 2019

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

Shares in subsidiaries held by the parent company

Name of the subsidiary	Domicile	Parent company ownership, %	Carrying value EUR 1,000
Tecnotree Ltd.	County Clare, Ireland	100.00	
Tecnotree Sistemas de Telecommunicacao Ltda	Sao Paulo, Brazil	100.00	902
Tecnotree (M) Sdn Bhd	Kuala Lumpur, Malaysia	100.00	42
Tecnotree France SARL	Paris, France	100.00	1
Tecnotree Services Oy	Espoo, Finland	100.00	8

Tecnotree Argentina SRL	Cordoba, Argentina	100.00	257
Lifetree Cyberworks Pvt. Ltd	Bangalore, India	100.00	1,189
Tecnotree Convergence Ltd	Bangalore, India	46.08	6,229
Tecnotree Convergence (Middle East) FZ-LLC	Dubai, United Arab Emirates	100.00	20
Tecnotree Nigeria Limited	Lagos, Nigeria	99.99	23
Total			**8,671**

12. Inventories

EUR 1,000	2020	2019
Materials and consumables		
Work in progress		
Finished products/goods		
Inventories total		

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

13. Non-current receivables

EUR 1,000	2020	2019
Rent guarantees	**79**	46
Pledged cash deposits	**22**	212
Non-current receivables total	**102**	258

14. Current receivables

EUR 1,000	2020	2019
External current receivables		
External trade receivables	**5,333**	6,494
Other receivables based on delivery agreements	**4,972**	1,850
Other receivables related to delivety agreements	**10,306**	8,344
Current prepaid expenses and accrued income	**533**	381
Other current receivables	**377**	522
Current receivables total	**11,215**	9,247
Receivables from the Group companies:		
Trade receivables	**21,407**	13,216
Other receivables	**525**	839
Total	**21,931**	14,055
Current receivables total	**33,147**	23,302
Major items included in prepaid expenses and accrued income		
Advance payments to vendors	**502**	379
Other prepaid expenses and accrued income	**30**	2
Total	**533**	381

15. Cash and cash equivalents

EUR 1,000	2020	2019
Cash in hand and at bank	**1,002**	316
Cash and cash equivalents total	**1,002**	316

16. Shareholders' equity

EUR 1,000	2020	2019
Share capital 1 Jan	**1,346**	1,346
Share capital 31 Dec	**1,346**	1,346
Share premium fund 1 Jan	**847**	847
Share premium fund 31 Dec	**847**	847
Restricted equity total	**2,193**	2,193
Invested unrestricted equity reserve 1 Jan	**4,999**	2,090
Covering of loss	**125**	2,909
Invested unrestricted equity reserve 31 Dec	**5,124**	4,999
Retained earnings 1 Jan	**-5,967**	-11,981
Change in accounting principles		
Retained earnings 31 Dec	**-5,967**	-11,981
Result for the period	**8,438**	6,017
Unrestricted equity total	**7,594**	-965
Total shareholders' equity	**9,787**	1,228

In August 2015 the company’s Board of Directors recognised the loss of shareholders’ equity and delivered a statement concerning the matter to the Trade Register. At the end of 2019 the company's shareholders' equity was EUR 1,228 million (EUR 7,698 million negative).

In its decision on 9 March 2015, the district court of Espoo ordered the corporate restructuring proceedings as prescribed in law to be started for Tecnotree Corporation. The District Court of Espoo confirmed by the decision on 15 November 2016 the amended restructuring programme as the payment programme of the company. Along with the decision, the restructuring proceedings of Tecnotree Oyj came to an end.

The company had no distributable equity at the end of 2019 nor at the end of 2018. After the reporting date the Board of Directors has proposed that no dividend be paid for the financial year ended 31 December 2019, and that the company’s profit for the financial year, EUR 6,017 thousand, be placed in retained earnings.

17. Provisions

1 000 €	2020	2019
Other statutory provisions		
Other statutory provisions total		

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

18. Non-current and current liabilities

EUR 1,000	2020	2019
Non-current liabilities		
Restructuring debts from the main creditor, interest-bearing	**12,286**	13,264
Loans from Group companies	**34**	34
Restructuring debts from the main creditor, non-interest bearing	**2,792**	3,455
Termination benefits	**326**	188
Non-current liabilities total	**15,439**	16,941
Current liabilities		
Loans from the main creditor, interest bearing	**978**	465
Loans from the main creditor, non-interest bearing	**661**	1,109
Other restruturing debt, non-interest bearing		272
Trade payables	**946**	679
Accrued liabilities and deferred income	**4,357**	4,060
Other liabilities	**303**	52
Total	**7,245**	6,636
Liabilities from Group companies:		
Trade payables	**10,550**	7,465
Other liabilities	**7**	91
Total	**10,557**	7,556
Current liabilities total	**17,802**	14,193
Major items included in accrued liabilities and deferred income		
Other accrued personnel expenses	**1,834**	1,788
Withholding tax accrual (note 8)	**574**	1,198
Accrued agent fees	**389**	667
Other accruals related to customer contracts	**348**	152
Other accrued liabilities and deferred income	**1,212**	256
Total	**4,357**	4,060

At the end of the financial period, the company had a payment programme related long-term interest bearing debt EUR 12.3 million (13.3), EUR 1.1 (0.5) million short-term interest bearing liabilities, EUR 2.7 (3.5) million long-term non-interest bearing debt and EUR 0.7 million (1.1) short-term non-interest bearing debt. Total payment programme related debt was EUR 16.7 (18.6) million.

Payments will be due in payment semi-annually at the end of June and December and the final installments will be paid in June 2025. Details can be found in the payment programme for the company in Annex 15, which is published in the Tecnotree

Corporation's stock exchange release of 30 September 2016 under the title The Restructuring Programme proposal.

The liabilities above include restructuring debt as follows:

EUR 1,000	2020	2019
Ordinary restructuring debts from the main creditor, interest-free		1,109
Ordinary restructuring debts, interest-free	**3,454**	3,725
Guaranteed restructuring debts from the main creditor, interest bearing	**7,242**	7,242
Corporate mortgage debts from the main creditor, interest bearing	**6,023**	6,487
Restructuring debt total	**16,718**	18,563

19. Contingent liabilities

EUR 1,000	2020	2019
On own behalf		
Corporate mortgages	**45,336**	45,336
Total	**45,336**	45,336
Other liabilities		
With due date in the next financial year	**132**	100
Total	**132**	100
Total contingent liabilities	**45,469**	45,436

20. Restructuring proceedings

The District Court of Espoo has confirmed by a decision on 15 November 2016 the amended restructuring programme drafted by the administrator Jari Salminen as the payment program of the company.

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

The total amount of the restructuring debts taken into account in the payment programme was approximately 73.9 million euros. The amount of intragroup restructuring debts that was fully cut was approximately 36.7 million euros. The amount of normal unsecured restructuring debts was approximately 13.2 million euros that was cut off by 50 percent. The amount of the secured restructuring debts was approximately 23.8 million euros out of which approximately 7.9 million euros was secured by business mortgage.

On December 31.12.2020 balance of the secured restructuring debts was 13.3 million euros and normal unsecured restructuring debt was 3.5 million euros. Payments under the payment program will end on 30 June 2025.

The restructuring programme includes a provision regarding a duty to make supplementary payments on the unsecured restructuring debts if the actual cash flow of Tecnotree Oyj exceeds the projected cash flow during the payment program. No supplementary payments have fallen due.

The District Court has appointed Attorney-at-Law Jari Salminen to supervise the implementation of the restructuring programme. The supervisor monitors the progress of the payment programme and gives reports to the creditors.

21. Events after the end of period

4.1.2021 Tecnotree announced it wins a new delivery agreement worth Euro 6 million

26.2.2021 Tecnotree announced that Tecnotree Board of Directors approves the Long Term Incentive (LTI) plan for 2021-2024 and the issuance of shares to Tecnotree

2.3.2021 Tecnotree announced it receives Digital BSS transformation award worth USD 11.7 million

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

22.March 2021

Padma Ravichander
CEO

Neil Macleod
Chairman of the Board

Jyoti Desai
Vice Chairman of the Board

Conrad Neil Phoenix

Anders Fornander

Markku wilenius

The Auditor's note

A report on the audit performed has been issued today.

Helsinki, __.March 2021

Tietotili Audit Oy, Authorised Public Accountants

Urpo Salo
Authorised Public Accountant, KHT

Auditor's report

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

Auditor's Report

To the Annual General Meeting of Tecnotree Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Tecnotree Corporation (business identity code 1651577-0) for the year ended 31 December, 2019. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU,
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 7 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

Revenue recognition principles, valuation of receivables and intangible assets (Accounting principles and notes 2, 8, 12, 17 and 23 for the consolidated financial statements)

THE KEY AUDIT MATTER

— Appropriate revenue recognition requires accurate and timely measurement of different stages of each project to ensure correct revenue recognition

— Significant amount of the Group’s turnover accrues from countries which are developing and politically unstable. The two largest customers accounted for 76 % of the turnover for year 2020 and 64 % of the total amount of sales receivables at the end of the financial period

— The Group’s other intangible assets accounted for 11 % of the Group’s assets and 73 % of the Group’s long-term assets

— The Group's trade receivables and other assets comprise 57 % of the total assets of the Group. These assets involve a valuation risk

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HOW THE MATTER WAS ADDRESSED IN THE AUDIT

— Substantive testing measures on the material concerning turnover. Review of the Group’s processes concerning sales and project monitoring. Revenue recognition principles were assessed regarding applicable IFRS principles

— We have carried out procedures concerning accuracy of the revenue recognition and correctness of the revenue accrual. We have reviewed the Group’s process concerning evaluation and monitoring of the sales receivables. We have analysed the estimates and expectations of the Group concerning credit loss recognition

— We analysed the correctness of the valuation in the balance sheet and consistency and nature of the costs recognized in the amount. We have analysed the consistency in relation to applicable IFRS principles

— We analysed the Group’s estimates and expectations concerning measurement of credit losses and related available historical information of the Group concerning previous years. We have evalued the consistency of the sales receivables

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Responsibilities of the Board of Directors and the Managing Director for the Financial Statements
The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements
Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other reporting requirements

Information on our audit engagement
We were first appointed as auditors by the Annual General Meeting from the financial period ended in 31.12.2019.

Other Information
The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors and the Annual Report prior to the date of this auditor's report.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowlegde obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki, 19.March 2021

Tietotili Audit Oy, Authorised Public Accountants

Urpo Salo
Authorised Public Accountant, KHT

Tecnotree

Global Headquarters

Tecnotree Corporation

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