

# Tecnotree

Empowering Digitally  
Connected Communities

## Annual Report 2021



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## CEO's Review

2021 was a historical year for Tecnotree as it registered high growth in revenue (higher by 21.6% compared to last year) and net income (higher by 34.6% compared to last year) and strengthened its balance sheet in addition to investing across key products and offerings.

Tecnotree continued to reinforce its position as one of the leading Digital BSS service providers by increasing its order intake to EUR 85.6 million, highest in the last nine years (43.9% higher than the last year). Tecnotree has a strong competitive advantage to serve the fast-evolving global telecom industry as its 5G ready and cloud native Digital BSS solutions have been tested by multiple telecom operators for large digital transformations especially in the growth markets which is further accelerated by their 5G deployment.

Further, the fund raising through equity of ~EUR 22 million, retiring of debt and coming out of restructuring programme in 2021 built strong confidence among Tecnotree's stakeholders which led to new customer and partnership opportunities; it is expected to remain strong in 2022 as well. Tecnotree has also continued to be an attractive company for global talent and added 91 employees during 2021 despite the hiring challenges related to the pandemic.

Tecnotree will continue to have a balanced approach towards strategic growth investments as well as maintaining a strong liquidity position with focus on receivables and cash management. Also, we believe that the investments committed in 2020 and 2021 have started translating into winning new logos across markets which is visible in our order intake and order book growth.

Tecnotree continues to monitor the Covid-19 pandemic situation and takes necessary actions and mitigation steps to reduce any impact it may cause.

### Revenue and profitability

The full year revenue was highest in the last six years and the strongest growth came from MEA & APAC region demonstrating 23.6% growth compared to last year. Full year operating result was EUR 23.7 million compared to EUR 18.6 million last year and was equal to 36.9% of revenue, the record operating result and operating result margin. Net result for the full year was EUR 18.3 million compared to EUR 13.6 million and was equal to 28.50% of revenue, a record net result and net result margin. The earning per share (EPS) was 0.06 euros compared to 0.05 euros last year.

### Order intake

New orders recorded for the full year totalled to EUR 85.6 million showing 43.9% increase compared to last year and being the highest in the last nine years. Year-end order book was EUR 53.5 million being 66.5% higher compared to EUR 32.1 million last year. During the year, Tecnotree enhanced its customer portfolio by adding large telecom operators such as Zain Group and Ooredoo Group for the digital transformations of their operating companies.

Tecnotree has also signed a first of its kind, subscription based recurring revenue agreement with MTN Nigeria, one of the largest telecom operators in Africa, for a B2B2X ecosystem play on Tecnotree Moments platform with pre-integrated partner offerings in esports, gaming, sports, media entertainment, education and healthcare. Tecnotree has also signed an exclusive technology partnership agreement with Dubai Sports Council, the official sports governance body of Government of Dubai, under the Digital Dubai initiative to provide Tecnotree Moments platform which will streamline event ticketing, e-sports tournament leagues, high-quality OTT video streaming of live games with AR & VR capabilities, coaching, training and gym subscriptions with the aim of socialising Sports, Health and Wellness in Dubai.

### Financial situation

In 2021, Tecnotree purchased its outstanding debt under the debt restructuring programme and the company became debt free. At the



## Tecnotree 2021 / CEO's Review

year end, Tecnotree had a strong liquidity cash reserve and no interest bearing liabilities. Cash and cash equivalents at the end of year were EUR 17.6 million compared to EUR 8.0 million last year.

### Other business updates

Tecnotree continues to be on the accelerated growth trajectory in its business across global markets by increasing the presence of its brand and taking advantage of the onset of digital transformation requirements of communication and digital service providers. We strongly believe that the readiness of our digital stack brings a unique opportunity to increase the operational efficiency and optimize cost of our customers especially those in markets suffering inflationary pressure.

With Tecnotree Moments platform and its Fintech offerings, we hope to synergize new partnerships with communication and 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

	2021	2020	2019	2018	2017
Net sales, MEUR	<b>64.2</b>	52.8	47.0	41.9	55.1
Net sales, change %	<b>21.6</b>	14.4	12.2	-23.9	-8.3
Adjusted operating result, MEUR <sup>1</sup>	<b>23.7</b>	19.3	13.0	5.9	9.8
Operating result, MEUR	<b>23.7</b>	18.6	14.4	5.3	-8.0
as % of net sales	<b>36.9</b>	35.3	30.6	12.6	-14.5
Profit before taxes, MEUR	<b>21.4</b>	15.9	11.8	4.4	-10.5
Adjusted result for the period, MEUR <sup>2</sup>	<b>18.3</b>	14.2	6.3	0.1	2.3
Result for the period, MEUR	<b>18.3</b>	13.6	7.7	-0.5	-15.5
Earnings per share, basic, EUR	<b>0.06</b>	0.1	0.0	0.0	-0.1
Order book, MEUR	<b>53.5</b>	32.1	25.5	21.2	26.2
Cash flow after investments, MEUR	<b>4.0</b>	7.0	0.1	1.7	4.8
Change in cash and cash equivalents, MEUR	<b>9.5</b>	4.7	-0.6	1.9	-0.9
Cash and cash equivalents, MEUR	<b>17.6</b>	8.0	3.4	4.2	2.3
Equity ratio %	<b>85.2</b>	39.3	9.9	-22.8	-19.1
Net gearing %	<b>-26.0</b>	27.1	292.2		
Personnel at the end of the period	<b>750</b>	659	600	543	666

<sup>1</sup> Adjusted operating result = operating result before one-time items.

<sup>2</sup> 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-

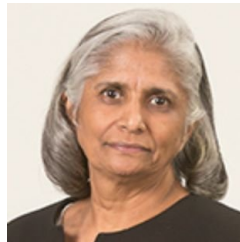
**Member of the Board:** 24.9.2018-

**Main duty:** Phoenix Macleod Ltd.

**Tecnotree shares as on 31.12.2021:** -

**Holding of interest parties as on 31.12.2021:** 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 31.12.2021:** -

Independent of Tecnotree and its significant shareholders.



**Phoenix Conrad Neil**

b. 1944, MBE, FRICS

**Member of the Board:** 24.9.2018 -

**Main duty:** Director of Harvy Rix Investment Company

**Tecnotree shares as on 31.12.2021:** -

**Holding of interest parties as on 31.12.2021:** 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 31.12.2021:** -

Independent of Tecnotree and its significant shareholders

[Corporate governance](#) / Board of Directors



## Wilenius Markku

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b. 1961, Doctor of Political Sciences at the University of Helsinki,  
Futurist, Author & Speaker

**Member of the Board:** 10.9.2020 -

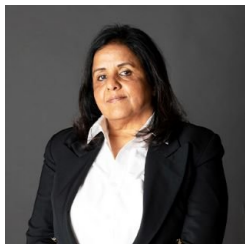
**Main duty:** Professor of Futures Studies at the Turku School of  
Economics

**Tecnotree shares as on 31.12.2021:** 4,489,689

Independent of Tecnotree and independent of its significant  
shareholders.



## 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 31.12.2021:** 17,127,835

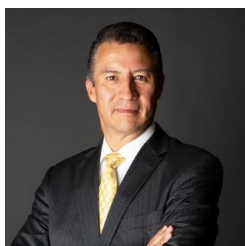


**Ranjan Priyesh**

b. 1980, Bachelor of Technology (IIT Delhi)

**Main duty:** Chief Financial Officer, 1.7..2019 -

**Tecnotree shares as on 31.12.2021:** 1,084,928



**Martinez Armando**

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 31.12.2021:** 413,767



**Ketkar Sanjay**

b. 1956, Master of Engineering (Automation), Indian Institute of Science

**Main duty:** Vice President, MSO and IT, 1.6.2016-

**Tecnotree shares as on 31.12.2020:** 148,538



**NK Savitha**

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b. 1973, MBA (HR & Marketing)

**Main duty:** Chief People Officer, 19.7.2021 -

**Tecnotree shares as on 31.12.2021:** 11,500



**Koskelainen Leena**

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b. 1965, Diploma in Business Information Technology

**Main duty:** Vice President, Product Engineering, 1.2.2018-

**Tecnotre shares as on 31.12.2021:** 247,315

**Holding of interest parties as on 31.12.2021:** 38,968



**Thomas Sajan Joy**

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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 31.12.2021:** 359,875



**Subramanian Ramaseshan**

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b. 1970, M. Sc (computer Science)

**Main duty:** Vice President, Value Engineering 1.12.2020 -

**Tecnotree shares as on 31.12.2021:** 33,750

## Corporate governance statement

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 OMX Helsinki. Tecnotree Group comprises Tecnotree Corporation and its subsidiaries. The company is registered and domiciled in Espoo Finland.

The company complies with the Finnish Corporate Governance Code 2020 published by the Securities Market Association. 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](http://www.tecnotree.com) and in Tecnotree's Annual Report for 2021.

### 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

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 2021, the Annual General Meeting was held on 15th April 2021. The Annual General Meeting confirmed the financial statements and the consolidated financial statements for the financial year 2020 and unanimously discharged the Board of Directors and the CEO from liability for the year 2020. The Annual General Meeting resolved in accordance with the proposal of the Board of Directors that no dividend is paid for the financial year 2020, and that the parent company's profit for the financial year, EUR 8,437,595.58 be transferred to the retained earnings account.

##### Extraordinary General Meeting

In addition to the Annual General Meeting, an Extraordinary General Meeting may be convened when the Board considers such a meeting to be necessary, or when the provisions of the Finnish Companies Act mandate that such a meeting must be held.

In 2021, the Extraordinary General Meeting of the shareholders was held on 30th July 2021. The Extraordinary General Meeting of the shareholders authorized the Board of Directors to decide on a directed share issue. The Board of Directors were directed to issue maximum 30,577,778 new shares. The shares were offered in deviation from the Company's shareholder's pre-emptive subscription right to be subscribed by Joensuun Kauppa ja Kone Oy and Oy Hammarén & Co Ab at a subscription price of EUR 0.72 per share.

#### 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.

## Corporate governance / Corporate governance statement

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](http://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,

## Corporate governance / Corporate governance statement

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 2021

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 15th April 2021, all the directors were re-appointed. There was no change in the composition of the board of directors. 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 15th April 2021 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 Mr. Neil Macleod, Ms. Jyoti Desai, Mr. Anders Fornander, Mr. Conrad Neil Phoenix, and Mr. Markku Wilenius.

### 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 have 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 31.12.2021: -, holding of interest parties as on 31.12.2021: 74,000,000

Independent 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 31.12.2021: -

Independent of Tecnotree and its significant shareholders.



## Corporate governance / Corporate governance statement

**Conrad Neil Phoenix**, b. 1944, MBE, FRICS

Member of the Board, 24.9.2018-

Main duty: Director of Harvy Rix Investment Company

Tecnotree shares as on 31.12.2021: -, holding of interest parties as on 31.12.2021: 74,000,000

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

**Anders Fornander**, b. 1957, Master of Science in Management of Technology

Member of the Board, 5.9.2019-

Main duty: Rheinmetall Air Defence AG, Head of System Engineering

Tecnotree shares as on 31.12.2021: -

Independent of Tecnotree and its significant shareholders

**Markku Wilenius**, b. 1961, Doctor of Political Sciences at the University of Helsinki, Futurist, Author & Speaker

Member of the Board, 10.9.2020-

Main duty: Professor of Futures Studies at the Turku School of Economics

Tecnotree shares as on 31.12.2021: 4,489,689

Independent of Tecnotree and its significant shareholders

The Annual General Meeting 2021 decided the following annual remuneration for the Board members:

- Chairman- EUR 110,000
- Vice Chairman- EUR 70,000
- Other members- EUR 40,000

Remuneration paid to the Chairman and members of the Board of Directors from 1 January 2021 to 31 December 2021 totaled EUR 274,255. Board members have no share-based incentive schemes.

Tecnotree' s Board of Directors convened Sixteen (16) times in 2021. The average attendance was approximately 100 per cent.

Board attendance to meetings and remuneration 2021:

Members of the Board	Attendance	Remuneration (EUR)
Neil Macleod	16/16	98,100
Jyoti Desai	16/16	63,000
Conrad Neil Phoenix	16/16	37,750
Anders Fornander	16/16	37,750
Markku Wilenius	16/16	37,655
<b>Total:</b>		<b>274,255</b>

## Board Committees

At the Annual General Meeting of the Company held on 15th April 2021, the Company decided to establish the below committees:

- Audit Committee
- Remuneration Committee
- Nomination Committee
- Strategy Committee
- Investment 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 financial position of the Company
- Supervise the financial reporting process and risk management process
- Ensure the proper functioning of the corporate governance of the Company
- Evaluate the use and presentation of alternative performance measures
- Approve the operating instructions for internal audit
- Handle the plans and report of the internal audit function
- Evaluate the processes aimed at ensuring compliance with laws and regulations
- Communicate with the auditor in addition to the duties required by regulation
- Monitor the Company's funding and tax position
- Monitor the significant financial, funding, and tax risks
- Monitor the processes and risks relating to IT security
- Handle the Company's corporate governance statement and non-financial report
- Work with the CEO and CFO of the Company, and further direct the CEO and CFO in relation to taking any necessary steps as felt appropriate by the Committee
- Pass resolutions and monitor any special issues allocated by the Board and falling within the competence of the Committee (such as issues relating to the Company's procedures and/or specific risks).

At the end of the financial year the Audit Committee comprised of three members of the Board: Neil Macleod (Chairman), Jyoti Desai and Conrad Neil Phoenix. The Audit convened five (5) times during the period. The average attendance was 100 per cent.

Committee members	Attendance
Jyoti Desai	5/5
Neil Macleod	5/5
Conrad Neil Phoenix	5/5

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:

- Develop the remuneration policy and remuneration report for the Company's management team
- Present the remuneration policy and the remuneration report at the general meeting of the Company and respond to questions related thereto
- Preparation of the appointment of core management and the rest of the management team, along with successor planning
- Prepare and assess the remuneration of the CEO and the rest of the management of the Company
- Plan matters pertaining to the remuneration of other personnel and the development of the organization.
- Work with the CEO and CFO of the Company, and further direct the CEO and CFO in relation to taking any necessary steps as felt

## Corporate governance / Corporate governance statement

appropriate by the Committee

- Pass resolutions and monitor any special issues allocated by the Board and falling within the competence of the Committee (such as issues relating to the Company's procedures and/or specific risks).

At the end of the financial year the Remuneration Committee comprised of three members of the Board -Jyoti Desai, Neil Macleod and Anders Fornander as the members of the Remuneration Committee. The Remuneration Committee meetings were convened seven (7) times during the period. The average attendance was 100 per cent.

Committee members	Attendance
Jyoti Desai	7/7
Neil Macleod	7/7
Anders Fornander	7/7

### 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:

- Prepare a proposal to be presented to the general meeting of the Company regarding the composition of the Board (including information on the number of candidates and their details)
- Prepare a proposal to be presented to the general meeting concerning the remuneration of the Board in accordance with the remuneration policy prepared by the Remuneration Committee
- Present the proposal to the shareholders at the general meeting
- Prepare the Board of Directors' diversity principles
- Prepare plans regarding succession planning for the members of the Board
- Evaluate the processes aimed at ensuring compliance with laws and regulations
- Work with the CEO and CFO of the Company, and further direct the CEO and CFO in relation to taking any necessary steps as felt appropriate by the Committee
- Pass resolutions and monitor any special issues allocated by the Board and falling within the competence of the Committee (such as issues relating to the Company's procedures and/or specific risks).

At the beginning of the year 2021 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 15th April 2021, the Company re-elected Conrad Neil Phoenix (Chairman), Neil Macleod, Jyoti Desai as the members of the Nomination Committee. The Nomination Committee meeting convened only once during the period. The average attendance was 100 per cent.

Committee members	Attendance
Neil Macleod	1/1
Jyoti Desai	1/1
Conrad Neil Phoenix	1/1

### 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.

## Corporate governance / Corporate governance statement

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 and providing the necessary advice on competitive positioning of products and technologies
- Attending from time-to-time customer meetings and events as needed to support Management in explaining Tecnotree's strategy
- Work with the CEO and CFO of the Company, and further direct the CEO and CFO in relation to taking any necessary steps as felt appropriate by the Committee
- Pass resolutions and monitor any special issues allocated by the Board and falling within the competence of the Committee (such as issues relating to the Company's procedures and/or specific risks).

At the beginning of the 2021 the Company had Strategy Committee which comprised of Jyoti Desai, Markku Wilenius , and Anders Fornander as the members of the committee.

At the General meeting held on 15th April 2021, the Company re-elected Jyoti Desai (Chairman) Anders Fornander and Markku Wilenius as themember of the committee. The Strategy committee convened twice during the period. The average attendance was 100 per cent.

Committee members	Attendance
Jyoti Desai	2/2
Anders Fornander	2/2
Markku Wilenius	2/2

### Investment Committee

The Investment Committee evaluates the investment options and determine its feasibility and impact on the long-term goals and vision of the Company, and to update the Board of Directors of (the "Board") of the Company only upon the finalization of a proposed transaction.

The main duties of the Investment Committee are as follows:

- Discuss matters and issues solely pertaining to the investment options
- Prepare reports and other relevant documents for recording the developments in the matters pertaining to the investment options received by the Company
- Work independently from the broader Board in making decisions relating to the investment options
- Answer questions related to the investment options at the general meeting
- Work with the CEO and CFO of the Company, and further direct the CEO and CFO in relation to taking any necessary steps as felt appropriate by the Committee
- Pass resolutions and monitor any special issues allocated by the Board and falling within the competence of the Committee.

At the General meeting held on 15th April 2021 the Company formed an Investment Committee. Jyoti Desai (Chair) and Anders Fornander were elected as members of the Committee. The Investment Committee did not convene any meeting during the period.

### 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 authorized 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

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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 2021 Tecnotree Group Management Board had Eight (8) members: CEO, CFO, Vice President Managed Services and Support Operations, Vice President Quality, Vice President Global Managed Operations, Chief People Officer, 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 31.12.2021: 17,127,835

**Priyesh Ranjan**, b. 1980, Bachelor of Technology (IIT Delhi)

Main duty: Group Chief Financial Officer, CFO, 1.7.2019-

Tecnotree shares as on 31.12.2021: 1,084,928

**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 2021: 148,528

**Leena Koskelainen**, s. 1965, Diploma in Business Information

Main duty: Vice President, Global Managed Operations, 1.2.2018-

Tecnotree shares as on 31.12.2021: 247,315 ; holding of interest parties as on 31.12.2021: 38,968

**Savitha NK**, b. 1973, Chief People Officer, (Global Head-HR)

Main duty: Global Head- HR, 19.07.2021-

Tecnotree shares as on 31.12.2021: 11,500

**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 31.12.2021: 413,767

**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 31.12.2021: 359,875



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

Main duty: Vice President, Value Engineering 1.12.2020-

Tecnotree shares as on 31.12.2021:87,533

## **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, analyzing 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 recognized 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.

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## **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.

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 2021, 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.

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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 2021 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 2021, the auditor was paid EUR 274 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

## Compensation

### 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 2021 decided to following board member remuneration:

- Chairman of the Board: EUR 110,000
- Vice Chairman of the Board: EUR 70,000
- Members of the Board: EUR 40,000

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 2021 totaled EUR 274,255.

### Remuneration paid to the chairman and members of the Board 2021

Board member remuneration, EUR	
Neil Macleod, Chairman	98,100
Jyoti Desai, Vice Chairman	63,000
Conrad Neil Phoenix	37,750
Anders Fornander	37,750
Markku Wilenius	37,655
Total	274,255

### Compensation of 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

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The variable compensation of the CEO, the annual short-term incentive scheme, is upto 100% of the annual basic salary. The annual bonus is based on net sales, net sales cash inflow, EBIT, new logos 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 2021, CEO Padma Ravichander was paid a total of EUR 3,040 thousand as salaries and other compensation.

### **Other executives**

The variable compensation of the members of the Management Board, the annual short-term incentive scheme, 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 2021, members of the Management Board excluding the CEO was paid a total of EUR 3,035 thousand as salaries and other employee benefits.

### **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

## Board of Directors' Report

Unless otherwise stated, all consolidated figures presented below are for the financial year 2021 and the figures for comparison are for the corresponding period 2020. Key figures are presented in the end of Board of Directors' report.

## Business description

Tecnotree is the only full stack digital business management solution player for digital service providers, with over 40 years of deep domain knowledge, proven delivery, and transformation capabilities across the globe. Tecnotree's open-source technology-based agile products and solutions comprise of the full range (order-to-cash) of business processes and subscription management services for telecom players and other digital service providers. Tecnotree's products and platforms service over 800 million subscribers worldwide. Tecnotree also provides Fintech and B2B2X multi-experience digital marketplace to its subscriber base through the Tecnotree Moments platform to empower digitally connected communities & ecosystems.

In 2022 and beyond, Tecnotree will continue to offer its digital products and services to expand its reach to help telecom operators globally in their digital transformation journeys. Tecnotree will focus on expanding its footprint within the current geographies and customers and it will also explore new markets in Europe, Oceanic and Asia Pacific and adjacent vertical market opportunities.

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

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

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

Tecnotree's business is based on its product licenses, professional services for customization of its products, and maintenance and support services on its products to a global customer base and is planning on capturing subscription and transaction-based business through its B2B2X offerings. Tecnotree has an especially strong footprint in developing markets such as Latin America, Africa and the Middle East, serving more than 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 review period were EUR 64.2 (52.8) million, 21.6 % higher compared to last year. Revenue from goods and services were EUR 39.5 (28.2) million and revenue from maintenance and support were EUR 23.7 (24.7) million. The net sales were impacted by EUR 1.0 million positive exchange rate differences (EUR 0.2 million negative).

The order book at the end of the financial period stood at EUR 53.5 million

### Specification of net sales, MEUR

	2021	2020	2021, %	2020, %
Revenue from maintenance and support (IFRS 15)	23.7	24.7	36.9 %	46.8 %
Revenue from goods and services (IFRS 15)	39.5	28.2	61.5 %	53.5 %
Currency exchange gains and losses	1.0	-0.2	1.6 %	-0.3 %
Total	64.2	52.8	100 %	100 %

### Net sales by market area, MEUR

	2021	2020	2021, %	2020, %
Europe & Americas	12.5	11.0	19.5 %	20.8 %
MEA & APAC	51.7	41.8	80.5 %	79.2 %
Total	64.2	52.8	100 %	100 %

### Consolidated order book, MEUR

	2021	2020	2021, %	2020, %
Europe & Americas	5.1	4.0	9.6 %	12.5 %
MEA & APAC	48.4	28.1	90.4 %	87.5 %
Total	53.5	32.1	100 %	100 %

## Result analysis

Tecnotree's net sales for the financial period were EUR 64.2 (52.8). The adjusted operating result was 23.7 (19.3) million and the operating result was EUR 23.7 (18.6) million. The adjusted result for the period was EUR 18.3 million (14.2) and the result for the financial period was EUR 18.3 million (13.6).

Capitalization of product development expenses during the review period were EUR 5.3 (3.4) million and amortizations on total capitalized development costs EUR 1.3 (0.9) million.

Financial items without exchange rate differences in financial items for the financial period were EUR 0.2 (-0.2) million. Exchange rate differences for the financial period were EUR -2.5 (-2.5) million. It is important to examine Tecnotree's result without the impact of exchange rates, which is why this is shown separately in the table below.

### Income statement, key figures, MEUR

	2021	2020
Net sales	64.2	52.8
Other operating income	0.1	0.9
Operating costs excluding one-time costs	-40.6	-34.5
Adjusted operating result <sup>1</sup>	23.7	19.3
One-time costs	0	-0.7
Operating result	23.7	18.6
Financial items without foreign currency differences	0.2	-0.2
Exchange rates gains and losses	-2.5	-2.5
Income taxes	-3.1	-2.3
Adjusted result for the period <sup>2</sup>	18.3	14.2
One-time costs	0	-0.7
Result for the period	18.3	13.6
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 during the review period totalled a net loss of EUR 2.3 (net loss of EUR 2.7) million, including following items:

### Financial income and expenses, MEUR

	2021	2020
Interest income	0.4	0.4
Exchange rate gains	0.3	3.2
Other financial income	0.0	0.0
Financial income total	0.7	3.6
Interest expenses	-0.2	-0.5
Exchange rate losses	-2.7	-5.7
Other financial expenses	-0.0	-0.1
Financial expenses total	-3.0	-6.3
Financial income and expenses total	-2.3	-2.7

Taxes for the period totalled EUR 3.1 (2.3) million, including following items:

Taxes in income statement, MEUR		
	2021	2020
Withholding taxes paid abroad	-2.0	-2.2
Change in withholding tax accrual	0.1	0.6
Income taxes on the results of Group companies	-0.8	-0.3
Other items	-0.4	-0.4
Taxes in income statement, Total	-3.1	-2.3

Earnings per share in the reporting period were EUR 0.06 (0.05) and equity per share at the end of the period was EUR 0.21 (0.07).



## Financing, cash flow and balance sheet

Tecnotree's working capital increased during the review period by EUR 15.9 (increased 8.1) million and decreased by EUR 1.9 (increased 1.5) million in the fourth quarter.

Change in working capital, MEUR (increase - / decrease +)		
	2021	2020
Current receivables, increase (-) /decrease (+)	-14.5	-8.6
Inventories, increase (-) /decrease (+)	0	0
Current liabilities, increase (+) /decrease (-)	-1.4	0.5
Total change in working capital	-15.9	-8.1

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 in the end of the review period totalled to EUR 17.6 (8.0) million. Cash flow after investments for the review period was EUR 4.0 (7.0) million.

The balance sheet total at the end of the review period stood at EUR 79.4 (50.6) million. Interest-bearing liabilities were EUR 0.0 (13.4) million. Tecnotree's investments during the review period were EUR 5.9 (3.6) or 9.2% (6.9%) of net sales and the total equity was affected by translation differences of EUR 0.7 (0.5) 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 (the 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, customer service and delivery functions as well as product development. Costs for product management and 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 (the Middle East and Africa, Asia Pacific).

### Europe & Americas

Net sales for the financial year increased by 13.9% from previous year being EUR 12.5 (11.0) million.

Order book at the end of the year increased by 28.0% from previous year and stood at EUR 5.1 (4.0) million.

### Middle East and Africa & Asia Pacific

Net sales for the financial year period increased by 23.6% from previous year being EUR 51.7 (41.8) million.

Order book at the end year increased by 72.0% from previous year and stood at EUR 48.4 (28.1) million.

## Personnel

At the end of the financial year, Tecnotree employed 750 (659) persons, of whom 42 (40) worked in Finland and 708 (619) globally. The company employed on average 703 (637) people during the financial year. Personnel by country were as follows:

Personnel		
	2021	2020
Personnel at the end of period	750	659
Finland	42	40
Brazil	8	8
Argentina	36	41
India	541	464
United Arab Emirates	20	15
Other countries	103	91
Personnel, average	703	637
Salary expenses (1,000€)	-22,133	-18,239

Tecnotree continued to make substantial investments in personnel by increasing its own employees by 13.8% in 2021.

## Share and price analysis

At the end of the period, the shareholders' equity of Tecnotree Group stood at EUR 67.7 (19.9) million and the share capital was EUR 1.3 million (1.3). The total number of shares was 318,956,206. The company hold 16,192,334 own shares. Equity per share was EUR 0.21 (0.07).

A total of 293,519,557 Tecnotree shares (EUR 312,256,083) were traded on the Helsinki Exchanges during the period 1 January – 31 December 2021, representing 92.03% of the total number of shares.

The highest share price quoted in the period was EUR 1.71 and the lowest EUR 0.51. The average quoted price was EUR 1.02 and the closing price on 31 December 2021 was EUR 1.47. The market capitalisation of the share stock at the end of the period was EUR 469.5 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. 99.99 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 2021 Tecnotree had a total of 20,957 shareholders recorded in the book-entry securities system. The ten largest shareholders together owned approximately 65.1 per cent of the shares and voting rights.

On 31 December 2021, altogether 48.1 per cent of Tecnotree's shares were in foreign ownership or nominee registered shares.

On 31 December 2021, the total number of shares owned by the members of Tecnotree's Board of Directors and the CEO was 95,617,524 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 30.0 per cent of the total amount of shares and voting rights. On 31 December 2021 the total number of shares owned by the members of Tecnotree's Management Board was 2,342,381 excluding those owned by the CEO.

### Ownership structure by sector

	Number of shares	%
Companies	68,113,409	21.4 %
Finance houses and insurance companies	1,045,109	0.3 %
Non-profit making associations	67,830	0.0 %
Households and private persons	96,329,893	30.2 %
Foreign holders	153,362,365	48.1 %
Joint account	37,600	0.0 %
<b>Total number of shares</b>	<b>318,956,206</b>	<b>100.0 %</b>

### Largest shareholders

The company's ten largest shareholders	No. of shares	% of shares and voting rights
Fitzroy Investments Limited	74,000,000	23.2 %

## Board of Directors' Report / Shareholders

Euroclear Bank Sa/Nv	44,386,932	13.9 %
Joensuun Kauppa ja Kone Oy	22,301,200	7.0 %
Ravichander Padma	17,127,835	5.4 %
Tecnotree Oyj	16,192,334	5.1 %
Hammaren & Co Oy Ab	11,581,258	3.6 %
Skandinaviska Enskilda Banken AB	8,243,076	2.6 %
Nieminen Jorma Juhani	5,235,200	1.6 %
Wilenius Markku	4,489,689	1.4 %
The Orange Company Oy	4,000,000	1.3 %
<b>Total</b>	<b>207,557,524</b>	<b>65.1 %</b>

## Ownership of shares

Number of shares	Number of shareholders	%	Total number of shares	%
1–500	8,200	39.1 %	1,676,058	0.5 %
501–1 000	3,641	17.4 %	2,932,515	0.9 %
1 001–5 000	6,330	30.2 %	15,601,855	4.9 %
5 001–10 000	1,371	6.5 %	10,291,183	3.2 %
10 001–50 000	1,165	5.6 %	24,591,615	7.7 %
50 001–100 000	113	0.5 %	7,540,145	2.4 %
100 001–500 000	103	0.5 %	19,195,145	6.0 %
> 500 000	34	0.2 %	237,090,090	74.3 %
Join account		0.0 %	37,600	0.0 %
<b>Total</b>	<b>20,957</b>	<b>100.0 %</b>	<b>318,956,206</b>	<b>100.0 %</b>

## Current authorisations

The Board of Directors has two valid mandates.

The Annual General Meeting held on 15 May 2019 authorized as follows

1) Authorization replacing the authorization granted by the Extraordinary General Meeting of Shareholders on 14 September 2017: The Board of Directors 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 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:

- Tecnotree's Board of Directors resolved to issue without consideration 14.500.000 Tecnotree shares to Tecnotree to be later used to fulfil the company's obligations under the LTI Plan.
- The Board of Directors of Tecnotree Corporation resolved to carry out a directed share issue of 12.500.000 shares to the company's CEO.

The Board of Directors has exercised this authorization on 26 February 2021 as follows:

- Tecnotree's Board of Directors resolved to issue, without consideration, 8.000.000 Tecnotree shares to Tecnotree to be later used to fulfil the company's obligations under the LTI-2 Plan.

The Board of Directors has exercised this authorization on 30 July 2021 as follows:

- The Board of Directors resolved to propose to the Extraordinary General Meeting to carry out a directed share issue of 30.577.778 new shares to support the debt repayment capability and strengthen the working capital of the Company. The Extraordinary General Meeting resolved on 30 July 2021 in accordance with the proposal of the Board of Directors to authorize the Board of Directors to decide on a directed share issue.

The Board of Directors has exercised this authorization on 11 August 2021 as follows:

- Tecnotree's Board of Directors resolved to issue without consideration 5,750,000 Tecnotree shares to Tecnotree to be used as a part of the implementation of the company's incentive programs.

## 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 2022. Tecnotree's governance model has been described in Tecnotree Corporation's Corporate Governance Statement for 2021.

### 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.

### 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.

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.

## Board of Directors' Report / Non-Financial Information (Bookkeeping Act 3a)

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 responsibility

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 2021 Tecnotree employed 750 (659) persons, of whom 42 (40) worked in Finland and 708 (619) elsewhere. The company employed on average 703 (637) 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 2021, 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 and the company audits its operations on a regular basis.

### Anti-corruption and anti-bribery



## [Board of Directors' Report](#) / Non-Financial Information (Bookkeeping Act 3a)

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 2021, 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 the continuing effects of the COVID -19 pandemic, development of net sales, projects delivery timelines, trade receivables and to changes in foreign exchange rates.

### Risks and uncertainty factors relating to business operations

Tecnotree focuses on R&D led, product-based solutions for Communication and Digital Service Providers in emerging markets. This involves risks, such as the time to develop new products, the timely market introduction of products, the competitive situations as well as the company's ability to respond to customer and market demand. The company has also noted the impact of inflation on its cost and is taking appropriate measures to mitigate the same.

### Dependence on key customers

Tecnotree's largest customers are much bigger businesses than the company itself and the two largest customers accounted for 68% of net sales in 2021 (76%). The relationship between the company and its major customers is one of interdependence, which offers business opportunities but also poses risks. This reduction has been a part of the company's risk reduction strategy.

### Carrying out customer projects, profitability, forecasting

Certain commitments are associated with the project delivery 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 challenging 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 strong. The company is debt free and have healthy cash reserve.

The restructuring program of Tecnotree Corporation ended with the supervisor providing final account of the restructuring program to the creditors on 30 September 2021.

## **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 Tecnotree 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.

## Management, auditors and corporate governance

Tecnotree's Board of Directors comprised the following persons in 2021:

Neil Macleod, Chairman of the Board  
Jyoti Desai, Vice Chairman of the Board  
Conrad Neil Phoenix  
Anders Fornander  
Markku Wilenius

Padma Ravichander, the CEO of the company

At the end of 2021 Tecnotree Group Management Board had eight (8) members: CEO, CFO, Vice President Managed Services & IT, Vice President Product Engineering, Chief People Officer, 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 2021 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 2021.

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

28-01-2022 Tecnotree announced on change in the company's holding of treasury shares

17-03-2022 Tecnotree announced on change in the company's holding of treasury shares

21-03-2022 Tecnotree announced it won one of the largest Digital Transformation Projects worth USD 10.4 Mn



## Prospects in 2022

Tecnotree continues to witness strong interest in its digital products and zero-touch deployment and DevOps services in the markets we serve. However, the beginning of 2022, Tecnotree did witness a resurgence of the COVID 19 variants in different parts of its operations and has been monitoring the cases carefully among its employee population and so far, it has not adversely affected any of its operations. Tecnotree is sensitive to the risks that the pandemic continues to potentially cause to its customers' operations and to the well-being of its 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 18,522,673.02 is transferred to the retained earnings account and that no dividend be paid for the financial year 1 January - 31 December 2021.

**Tecnotree Corporation**

Board of Directors

## Key financial indicators and key figures per share

### Consolidated income statement

EUR million	2021	2020	2019	2018	2017
Net sales	<b>64.2</b>	52.8	47.0	41.9	55.1
<i>change %</i>	<b>21.6</b>	12.4	12.2	-23.9	-8.3
Adjusted operating result <sup>1</sup>	<b>23.7</b>	19.3	13.0	5.9	9.8
<i>% of net sales</i>	<b>36.9</b>	36.5	27.6	14.0	17.8
Operating profit	<b>23.7</b>	18.6	14.4	5.3	-8.0
<i>% of net sales</i>	<b>36.9</b>	35.3	30.6	12.6	-14.5
Profit before taxes	<b>21.4</b>	15.9	11.8	4.4	-10.5
<i>% of net sales</i>	<b>33.4</b>	30.1	25.0	10.6	-19.1
Adjusted result for the period <sup>2</sup>	<b>18.3</b>	14.2	6.3	0.1	2.3
<i>% of net sales</i>	<b>28.5</b>	27.0	13.4	0.2	4.1
Profit for the period	<b>18.3</b>	13.6	7.7	-0.5	-15.5
<i>% of net sales</i>	<b>28.5</b>	25.7	16.4	-1.2	-28.1

<sup>1</sup> Adjusted operating result = operating result before one-time items

<sup>2</sup> Adjusted result for the period = result for the period without one-time items.

### Consolidated balance sheet

EUR million	2021	2020	2019	2018	2017
Non-current assets	<b>13.2</b>	7.3	6.8	3.0	3.6
Current assets:					
Inventories	<b>0.0</b>	0.0	0.0	0.1	0.5
Trade and other receivables	<b>48.7</b>	35.3	26.7	21.3	25.5
Investments and cash equivalents	<b>17.6</b>	8.0	3.4	4.2	2.3
Shareholders' equity	<b>67.7</b>	19.9	3.6	-6.5	-6.1
Liabilities:					
Non-current liabilities	<b>2.7</b>	18.8	21.8	18.3	24.2
Current liabilities	<b>9.0</b>	12.0	11.5	16.7	13.7
Balance sheet total	<b>79.4</b>	50.6	36.8	28.6	31.9

Financial indicators					
	2021	2020	2019	2018	2017
Return on equity (ROE), %	<b>31.9</b>	96.8			
Return on investment (ROI), %	<b>48.3</b>	87.3	105.4		
Equity ratio, %	<b>85.2</b>	39.3	9.9	-22.8	-19.1
Debt/equity ratio (net gearing), %	<b>-26.0</b>	27.1	292.2		
Investments, EUR million	<b>5.9</b>	3.6	3.4	0.0	0.2
% of net sales	<b>9.2</b>	6.9	7.1	0.0	0.5
Research and development, EUR million	<b>5.7</b>	3.6	3.3	5.3	6.0
% of net sales	<b>8.8</b>	6.9	7.0	12.5	10.8
Order book, EUR million	<b>53.5</b>	32.1	25.5	21.1	26.2
Personnel, average	<b>703</b>	637	554	604	727
Personnel at the end of the year	<b>750</b>	659	600	543	666

Key ratios per share					
	2021	2020	2019	2018	2017
Earnings per share, EUR (basic)	<b>0.06</b>	0.05	0.03	0.00	-0.13
Earnings per share, EUR (diluted)	<b>0.06</b>	0.05	0.03	0.00	-0.13
Equity per share, EUR	<b>0.21</b>	0.01	0.01	-0.04	-0.05
Number of shares at the end of the period, 1,000 shares	<b>318,956</b>	247,628	247,628	175,183	122,628
Average number of shares, 1,000 shares	<b>292,528</b>	270,293	235,295	136,559	122,628
Number of own	<b>16,192</b>	<b>10,942</b>			

## Board of Directors' Report / Key financial indicators and key figures per share

shares on 31 Dec, 1,000 shares					
Share price, EUR					
Average	<b>1.02</b>	0.34	0.09	0.07	0.09
Lowest	<b>0.51</b>	0.11	0.05	0.04	0.07
Highest	<b>1.71</b>	0.90	0.24	0.11	0.13
Share price at the end of the period, EUR	<b>1.47</b>	0.70	0.17	0.05	0.07
Market value at the end of the period, EUR million	<b>469.5</b>	42.1	42.1	8.1	8.6
Share turnover, million shares	<b>293.5</b>	18.3	18.3	48.2	63.3
Share turnover, % of total number	<b>92.0</b>	29.9	7.4	28.0	51.6
Share turnover, EUR million	<b>312.3</b>	35.5	2.1	4.3	5.5
Dividend per share, EUR					
Dividend/result, %					
Effective dividend yield, %					
P/E ratio, %	<b>23.5</b>	13.9	5.2		



## Calculation of key indicators

Return on equity (ROE), %	=	$\frac{\text{Result for the period}}{\text{Shareholders' equity (average)}} \times 100$
Return on investments (ROI), %	=	$\frac{\text{Results before taxes + financial expenses}}{\text{Shareholders' equity + interest-bearing financial liabilities (average)}} \times 100$
Equity ratio, %	=	$\frac{\text{Shareholders' equity}}{\text{Balance sheet total - advances received}} \times 100$
Earnings per share (EPS)	=	$\frac{\text{Profit attributable to equity holders of the parent company}}{\text{Basic average number of shares}}$
Dividend per share	=	$\frac{\text{Dividend}}{\text{Basic number of shares on the reporting date}}$
Dividend/Result, %	=	$\frac{\text{Dividend per share}}{\text{Earnings per share (EPS)}} \times 100$
Equity/Share	=	$\frac{\text{Equity attributable to equity holders of the parent company}}{\text{Basic number of shares on the reporting date}}$
Debt/Equity ratio, % (net gearing)	=	$\frac{\text{Interest-bearing liabilities - cash and cash equivalents -}}{\text{Equity/Share}} \times 100$

		<u>interest-bearing assets</u>
		Shareholders' equity
Market capitalization	=	Basic number of shares on the reporting date x share price on the reporting date
P/E ratio, %	=	<u>Share price on the reporting date</u> Earnings per share (EPS)
Effective dividend yield, %	=	<u>Dividend per share</u> Share price on the reporting date

# Consolidated income statement and statement of comprehensive income

Consolidated income statement, EUR 1,000	Note	1.1.-31.12.2021	1.1.-31.12.2020
<b>Net sales</b>	1, 2	<b>64,221</b>	52,821
Other operating income	6	<b>98</b>	948
Materials and services	3	<b>-2,275</b>	-2,747
Personnel expenses	4	<b>-22,133</b>	-18,239
Depreciation, amortisation and impairment losses	5	<b>-1,605</b>	-1,730
Other operating expenses	6	<b>-14,623</b>	-12,425
<b>Operating profit</b>		<b>23,684</b>	18,629
Financial income	7	<b>698</b>	3,608
Financial expenses	7	<b>-2,962</b>	-6,334
<b>Result before taxes</b>		<b>21,420</b>	15,902
Income taxes	8	<b>-3,147</b>	-2,328
<b>Result for the period</b>		<b>18,273</b>	13,574
<b>Total earnings attributable to:</b>			
Equity holders of the parent company		<b>18,273</b>	13,574
Non-controlling interest		<b>2</b>	7
<b>Earnings per share attributable to the ordinary equity holders of the parent</b>			
Earnings per share basic, eur	9	<b>0.06</b>	0.05
Earnings per share diluted, eur	9	<b>0.06</b>	0.05
Number of shares (1000s of shares)		<b>318,956</b>	274,628
<b>Consolidated statement of comprehensive income</b>			
<b>Result for the period</b>		<b>18,273</b>	13,574
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Remeasurement items on net defined benefit liability	18	<b>-5</b>	-34
Tax on items that will not be reclassified subsequently to profit or loss		<b>2</b>	11
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Translation differences from foreign operations	19	<b>1,113</b>	-678
Tax relating to translation differences		<b>-366</b>	223
Other comprehensive income, net of tax		<b>744</b>	-478
Total comprehensive income for the period		<b>19,017</b>	13,096
<b>Comprehensive income for the period attributable to:</b>			
Equity holders of the parent company		<b>19,019</b>	13,106
Non-controlling interest		<b>-2</b>	-10

## Consolidated balance sheet

EUR 1,000	Note	31.12.2021	31.12.2020
<b>Non-current assets</b>			
Intangible assets	10	9,916	5,333
Property, plant and equipment	11	337	297
Deferred tax assets	8	621	512
Non-current receivables	12	2,192	970
Right-of-use assets	13	120	209
Total non-current assets		13,186	7,321
<b>Current assets</b>			
Trade and other receivables	14	42,903	29,053
Income tax receivables		5,760	6,241
Cash and cash equivalents		17,565	8,035
Total current assets		66,227	43,329
<b>Assets total</b>		<b>79,413</b>	<b>50,650</b>
<b>Shareholders' equity and liabilities</b>			
Equity attributable to equity holders of the parent			
Share capital		1,346	1,346
Share premium fund		847	847
Translation differences		-10,671	-11,418
Other reserves		29,611	7,237
Retained earnings		46,337	21,710
Equity attributable to equity holders of the parent	15	67,470	19,722
Non-controlling interest		199	185
Total shareholders' equity		67,669	19,907
<b>Non-current liabilities</b>			
Non-current interest-bearing liabilities	16	0	12,448
Other non-current non interest-bearing liabilities	17	1,619	5,354
Lease liability (non-current)	17	86	187
Pension obligations	18	1,001	793
Total non-current liabilities		2,706	18,783
<b>Current liabilities</b>			
Current interest-bearing liabilities	16	0	978
Lease liability (current)	17	88	116
Trade payables, provisions and other liabilities	17	8,950	10,866
Total current liabilities		9,038	11,960
<b>Total equity and liabilities</b>		<b>79,413</b>	<b>50,650</b>

## Statement of changes in shareholders' equity

EUR 1,000

Equity attributable to equity holders of the parent

	Share capital	Share premium fund	Unrestricted equity reserve	Other reserves	Translation difference	Retained earnings	Total	Non-controlling interest	Total shareholders' equity
<b>Shareholders' equity 1.1.2021</b>	1,346	847	5,124	2,106	-11,418	21,710	<b>19,722</b>	185	<b>19,907</b>
Result for the period						18,272	<b>18,272</b>	2	<b>18,273</b>
Other comprehensive income, net of tax					747	-4	<b>743</b>		<b>743</b>
Total comprehensive income for the period					747	18,268	<b>19,015</b>	2	<b>19,017</b>
Share issue			22,016				<b>22,016</b>		<b>22,016</b>
Stock options exercised			327				<b>327</b>		<b>327</b>
Share based payments						5,718	<b>5,718</b>	0	<b>5,718</b>
Revaluation reserve				35			<b>35</b>		<b>35</b>
Argentina hyperinflation					0	211	<b>211</b>		<b>243</b>
Transfers between items						299	<b>299</b>		<b>267</b>
Other changes				3		123	<b>126</b>	-3	<b>130</b>
<b>Total shareholders' equity 31.12.2021</b>	1,346	847	27,466	2,145	-10,671	46,330	<b>67,470</b>	199	<b>67,669</b>
Shareholders' equity 1.1.2020	1,346	847	4,999	2,009	-10,963	5,187	<b>3,433</b>	200	<b>3,633</b>
Result for the period						13,567	<b>13,567</b>	6	<b>13,574</b>
Other comprehensive income, net of tax					-455	-182	<b>-637</b>		<b>-637</b>
Total comprehensive income for the period					-455	13,385	<b>12,930</b>	6	<b>12,936</b>
Share issue			125			1,125	<b>1,250</b>		<b>1,250</b>
Share based payments						2,077	<b>2,077</b>		<b>2,077</b>
Revaluation reserve				97			<b>97</b>		<b>97</b>
Argentina hyperinflation						119	<b>119</b>		<b>119</b>
Other changes				0		-182	<b>-182</b>	-21	<b>-204</b>
<b>Total shareholders' equity 31.12.2020</b>	1,346	847	5,124	2,106	-11,418	21,710	<b>19,722</b>	185	<b>19,907</b>



## Consolidated cash flow statement

EUR 1 000	1.1.-31.12.2021	1.1.-31.12.2020
<b>Cash flow from operating activities</b>		
Result for the period:	18,273	13,574
<b>Adjustments to the result</b>		
Depreciations	1,605	1,730
Financial income and expenses	2,264	2,726
Other adjustments	5,619	4,787
Income taxes	3,147	2,328
Changes in working capital:		
Current receivables, increase (-) /decrease (+)	-14,489	-8,629
Current liabilities, increase (+) /decrease (-)	-1,426	482
Financial income and expenses	-1,385	-3,170
Income taxes paid	-3,738	-3,219
Net cash flow from operating activities	9,869	10,610
<b>Cash flow from investing activities</b>		
Investments to tangible and intangible assets	-5,877	-3,627
Net cash flow from investing activities	-5,877	-3,627
<b>Cash flow from financing activities</b>		
Repayment of loans	-16,704	-1,845
Proceeds from share issues	22,343	125
Other financial expenses	-158	
Net cash flow from financing activities	5,481	-1,720
<b>Change in cash and cash equivalents</b>		
Cash and cash equivalents on 1.1	8,035	3,381
Change in foreign exchange rates	57	-609
Cash and cash equivalents on 31.12.	17,565	8,035

## 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.

The Group's parent company is Tecnotree Corporation, which is domiciled in Espoo, 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](http://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 of preparation

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 2021. 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 presented in EUR, which is also the Group's functional currency.

Amounts are rounded to the nearest thousand, unless otherwise stated.

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements are listed under section critical accounting estimates and judgements.

### Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except for the following items:

- Financial instruments – fair value through profit or loss
- Financial instruments – fair value through other comprehensive income
- Net defined benefit liability
- Equity settled share-based payments

### Critical accounting estimates and judgements

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

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## *Revenue recognition: Assessment of performance obligations, method of determination of percentage of completion*

The Company's contracts with customers include promises to transfer multiple products and services to a customer. The Company assesses the services promised in a contract and identifies distinct performance obligations in the contract. Identification of distinct performance obligations to determine the deliverables and the ability of the customer to benefit independently from such deliverables, and allocation of transaction price to these distinct performance obligations involve significant judgment.

In arrangements for sale of third-party hardware and software, own software licences, implementation services (referred to as 'delivery' in the financial statements) and related maintenance and managed services, by applying the revenue recognition criteria for each distinct performance obligation, the arrangements with customers generally meet the criteria for considering sale of licence, implementation and related support/maintenance services as distinct performance obligations.

For allocating the transaction price, the Company measures the revenue in respect of each performance obligation of a contract at its relative standalone selling price. The price that is regularly charged for an item when sold separately is the best evidence of its standalone selling price. In cases where the Company is unable to determine the standalone selling price, the Company uses the expected cost plus margin approach in estimating the standalone selling price.

For sale of third-party hardware and software the performance obligations are satisfied upon delivery to the customers.

Revenue from licenses where the customer obtains a "right to use" the licenses is recognized at the time the license is made available to the customer.

For software implementation services (delivery) the performance obligations are satisfied as and when the services are rendered since the customer generally obtains control of the work as it progresses.

Revenue from maintenance and managed services are recognised rateably over the term of the contract.

## *Impairment of financial assets*

The Company determines the allowance for credit losses based on historical loss experience adjusted to reflect current and estimated future economic conditions. The Company considered current and anticipated future economic conditions relating to industries the Company deals with and the countries where it operates.

## *Post employment benefit liabilities*

The present value of post-employment benefit obligations is determined on an actuarial basis using various assumptions, including the discount rate, inflation rate and mortality assumptions. Any changes in these assumptions will impact the carrying amount as well as the net pension cost/(income).

## *Share based payments*

The share-based compensation expense is determined based on the Company's estimate of equity instruments that will eventually vest.

## *Fair value measurement*

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value. The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

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

## **Basis of consolidation**

Where the company has control over an investee, it is classified as a subsidiary. The company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the company considers all relevant facts and circumstances, including:

- The size of the company's voting rights relative to both the size and dispersion of other parties who hold voting rights.
- Substantive potential voting rights held by the company and by other parties
- Other contractual arrangements
- Historic patterns in voting attendance.

The consolidated financial statements present the results of the company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

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

## **Non-controlling interests**

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

## **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

Revenues from customer contracts are considered for recognition and measurement when the contract has been approved by the parties, in writing, to the contract, the parties to the contract are committed to perform their respective obligations under the contract, and the contract is legally enforceable. Revenue is recognized upon transfer of control of promised products or services ("performance obligations") to customers in an amount that reflects the consideration the Company has received or expects to receive in exchange for these products or services ("transaction price"). When there is uncertainty as to collectability, revenue recognition is postponed until such uncertainty is resolved. The Company assesses the services promised in a contract and identifies distinct performance obligations in the contract. The Company allocates the transaction price to each distinct performance obligation based on the relative standalone selling price. The price that is regularly charged for an item when sold separately is the best evidence of its standalone selling price. In the absence of such evidence, the primary method used to estimate standalone selling price is the expected cost plus a margin, under which the Company estimates the cost of satisfying the performance obligation and then adds an appropriate margin based on similar services. The Company's contracts may include variable consideration including rebates, volume discounts and penalties. The Company includes variable consideration as part of transaction price when there is a basis to reasonably estimate the amount of the variable consideration and when it is probable that a significant reversal of cumulative revenue recognized will not



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occur when the uncertainty associated with the variable consideration is resolved. Revenue from fixed-price, fixed-timeframe contracts, where the performance obligations are satisfied over time is recognized using the percentage-of-completion method. Progress towards completion is measured on the output method as it is a fair and reliable representation of the progress considering the nature of performance obligations. The management continuously monitors the appropriateness of the method used for determining percentage of completion throughout the term of the contracts. Provisions for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable based on the estimated efforts or costs to complete the contract.

The billing schedules agreed with customers include periodic performance-based billing and / or milestone-based progress billings. Revenues in excess of billing are classified as unbilled revenue while billing in excess of revenues are classified as contract liabilities (which we refer to as unearned revenues).

The incremental costs of obtaining a contract (i.e. costs that would not have been incurred if the contract had not been obtained) are recognized as an asset if the Company expects to recover them. Certain eligible, non-recurring costs (e.g. set-up or transition or transformation costs) that do not represent a separate performance obligation are recognized as an asset when such costs (a) relate directly to the contract; (b) generate or enhance resources of the Company that will be used in satisfying the performance obligation in the future; and (c) are expected to be recovered. Such capitalized contract costs are amortized over the respective contract life on a systematic basis consistent with the transfer of goods or services to customer to which the asset relates.

#### **Impairment of non-financial assets (excluding inventories, investment properties and deferred tax assets)**

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income.

There are no goodwill assets in the Group as of 31 December 2021.

#### **Foreign currency translation**

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss, except for foreign currency borrowings qualifying as a hedge of a net investment in a foreign operation, in which case exchange differences are recognised in other comprehensive income and accumulated in the foreign exchange reserve along with the exchange differences arising on the retranslation of the foreign operation.

Exchange gains and losses arising on the retranslation of monetary financial assets are treated as a separate component of the change in fair value and recognised in profit or loss. Exchange gains and losses on non-monetary OCI financial assets form part of the overall gain or loss in OCI recognised in respect of that financial instrument.

On consolidation, the results of overseas operations are translated into EUR at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income and accumulated in the translation differences.

Exchange differences recognised in profit or loss in Group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the overseas operation concerned are reclassified to other comprehensive income and accumulated in the translation differences in consolidation.



On disposal of a foreign operation, the cumulative exchange differences recognised in the translation differences relating to that operation up to the date of disposal are transferred to the consolidated statement of comprehensive income as part of the profit or loss on disposal.

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.

## Financial assets

The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. Other than financial assets in a qualifying hedging relationship, the Group's accounting policy for each category is as follows:

### *Fair value through profit or loss*

This category comprises in-the-money derivatives and out-of-the-money derivatives where the time value offsets the negative intrinsic value (see "Financial liabilities" section for out-of-the-money derivatives classified as liabilities). They are carried in the statement of financial position at fair value with changes in fair value recognised in the consolidated statement of comprehensive income in the finance income or expense line.

There were no derivatives held by the group as of 31 December 2021.

### *Amortised cost*

These assets arise principally from the provision of goods and services to customers (eg trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised in profit or loss. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision. The Group's financial assets measured at amortised cost comprise trade and other receivables and in the consolidated statement of financial position. Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less. Based on the long-term partnerships with MTN Group and American Movil and the payments received, Tecnotree will treat these separately at the discretion of management and the above principles will not apply.

### *Fair value through other comprehensive income*

Dividends are recognised in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment, in which case the full or partial amount of the dividend is recorded against the associated investments carrying amount.

Purchases and sales of financial assets measured at fair value through other comprehensive income are recognised on settlement date with any change in fair value between trade date and settlement date being recognised in the fair value through other comprehensive income reserve.

## Financial liabilities

The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired.

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Other than financial liabilities in a qualifying hedging relationship, the Group's accounting policy for each category is as follows:

#### *Fair value through profit or loss*

This category comprises out-of-the-money derivatives where the time value does not offset the negative intrinsic value (see "Financial assets" for in-the-money derivatives and out-of-the-money derivatives where the time value offsets the negative intrinsic value). They are carried in the consolidated statement of financial position at fair value with changes in fair value recognised in the consolidated statement of comprehensive income. The Group does not hold or issue derivative instruments for speculative purposes, but for hedging purposes. Other than these derivative financial instruments, the Group does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss.

#### *Other financial liabilities include the following items:*

Bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Trade payables are carried at invoiced amount, which is considered to be equal to the fair value due to the short-term nature of the Group's trade payables.

#### **Share capital**

Financial instruments issued by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The Group's ordinary shares are classified as equity instruments.

#### **Defined contribution schemes**

Contributions to defined contribution pension schemes are charged to the consolidated statement of comprehensive income in the year to which they relate.

#### **Defined benefit schemes**

Defined benefit scheme surpluses and deficits are measured at:

- The fair value of plan assets at the reporting date; less
- Plan liabilities calculated using the projected unit credit method discounted to its present value using yields available on high quality corporate bonds that have maturity dates approximating to the terms of the liabilities and are denominated in the same currency as the post-employment benefit obligations; less
- The effect of minimum funding requirements agreed with scheme trustees.

Remeasurements of the net defined obligation are recognised directly within equity. The remeasurements include:

- Actuarial gains and losses
- Return on plan assets (interest exclusive)
- Any asset ceiling effects (interest exclusive).

Service costs are recognised in profit or loss, and include current and past service costs as well as gains and losses on curtailments.

Net interest expense (income) is recognised in profit or loss, and is calculated by applying the discount rate used to measure the defined benefit obligation (asset) at the beginning of the annual period to the balance of the net defined benefit obligation (asset), considering the effects of contributions and benefit payments during the period.

Gains or losses arising from changes to scheme benefits or scheme curtailment are recognised immediately in profit or loss.

Settlements of defined benefit schemes are recognised in the period in which the settlement occurs.

## Other long-term service benefits

Other employee benefits that are expected to be settled wholly within 12 months after the end of the reporting period are presented as current liabilities. Other employee benefits that are not expected to be settled wholly within 12 months after the end of the reporting period are presented as non-current liabilities.

## Share-based payments

The Group offers share-based compensation plans for employees. Employee services received and the corresponding increase in equity are measured by reference to the fair value of the equity instruments as of the grant date, excluding the impact of any nonmarket vesting conditions. Non-market vesting conditions attached to the performance shares are included in assumptions about the number of shares that the employee will ultimately receive. The Group reviews the assumptions made on a regular basis and, where necessary, revises its estimates of the number of performance shares that are expected to be settled. Plans that apply tranched vesting are accounted for under the graded vesting model. Share-based compensation is recognized as an expense in the consolidated income statement over the relevant service periods.

## Leases

The Group accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

1. there is an identified asset;
2. the Group obtains substantially all the economic benefits from use of the asset; and
3. the Group has the right to direct use of the asset.

In determining whether the Group obtains substantially all the economic benefits from use of the asset, the Group considers only the economic benefits that arise use of the asset, not those incidental to legal ownership or other potential benefits.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

1. leases of low value assets; and
2. leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

## Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when declared by the directors. In the case of final dividends, this is when approved by the shareholders at the General Meeting.

## 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 contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence

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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 taxes

Income tax expense comprises current and deferred income tax. Income tax expense is recognized in net profit in the Statement of Profit and Loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in other comprehensive income. Current income tax for current and prior periods is recognized at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date.

## Deferred taxation

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.

## Externally acquired intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives.

In-process research and development programmes acquired in such combinations are recognised as an asset even if subsequent expenditure is written off because the criteria specified in the policy for development costs below are not met.

Immaterial rights include obtained technology patents, trademarks, customer registers, and technology rights. These are entered in the balance sheet at cost and depreciated on a straight-line basis over their economic lifetime. The residual value and useful life of assets are reviewed for each financial statement and, if necessary, adjusted to indicate changes expected in the assets' economic benefits. The economic lifetime is generally 3 to 10 years.

## Internally generated intangible assets (development costs)

Expenditure on internally developed products is capitalised if it can be demonstrated that:

1. it is technically feasible to develop the product for it to be sold
2. adequate resources are available to complete the development
3. there is an intention to complete and sell the product
4. the Group is able to sell the product
5. sale of the product will generate future economic benefits, and
6. expenditure on the project can be measured reliably.

Capitalised development costs are amortised over the periods the Group expects to benefit from selling the products developed. The amortisation expense is included within the depreciation and amortisation line in the consolidated statement of comprehensive income.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the consolidated statement of comprehensive income as incurred.

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

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amount of these assets is based on estimated future cash flows from sales and/or use of the asset.

## **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.

Depreciation on assets under construction does not commence until they are complete and available for use. 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.



## 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.

Operating segments 2021				
EUR 1,000	Americas & Europe	MEA & APAC	Other segments	Group total
Net sales (external)	12,533	51,688		64,221
Segment result	5,618	25,701		31,319
Non-allocated items			-7,635	-7,635
Operating result before one-time costs				23,684
One-time costs				
Operating result				23,684
1 Adjusted operating result = operating result before one-time items.				

Operating segments 2020				
EUR 1,000	Americas & Europe	MEA & APAC	Other segments	Group total
Net sales (external)	11,000	41,822		52,822
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

Information about major customers				
EUR 1,000	2021	2021	2020	2020

		Net sales	% of the Group's net sales	Net sales	% of the Group's net sales
Customer 1, operating segment: Americas & Europe		10,668	16.6 %	9,359	17.7 %
Customer 2, operating segment: MEA & APAC		33,119	51.6 %	30,861	58.4 %

## 2. Revenue recognition

EUR 1,000	2021	2020
Revenue from maintenance and support	23,690	24,730
Revenue from goods and services	39,515	28,246
Currency exchange gains and losses	1,016	-155
Net sales total	64,221	52,821

### Nature of goods and services offered

EUR 1,000	2021	2020
Sale of third party hardware and software	580	773
Own licenses	16,404	9,700
Delivery	23,547	17,619
Maintenance and management services	23,690	24,730
Net sales total	64,221	52,822
Refer accounting policy for details on revenue recognition principles for each category of revenue streams.		

### Methods used to record revenue

EUR 1,000	2021	2020
<b>Point in time</b>		
Third party hardware & software	580	773
Own license	16,404	9,700
<b>Overtime</b>		
Delivery	23,547	17,619
Maintenance and management services	23,690	24,730
Net sales total	64,221	52,822

### Recognition of revenue by operating segment

EUR 1,000	2021	2020
<b>Europe and Americas</b>		
Third party hardware & software	580	773
Own license	741	527
Delivery	2,333	1,163

Maintenance and management services	7,398	8,537
Net sales total	11,052	11,000
<b>MEA &amp; APAC</b>		
Own license	15,663	9,173
Delivery	21,215	16,456
Maintenance and management services	16,291	16,193
Net sales total	53,169	41,822

## Contract balances

Payment terms are a matter of commercial decision of the Group with the customers. While the Group endeavors to ensure that the billing is in line with the fulfilment of performance obligation, it cannot always be achieved, which results in contract assets and liabilities. Below is a summary of the typical terms of payment against performance obligations.

### Third party hardware & software

Invoiced at the time of delivery. Generally, no contract asset arises.

### Own license

Generally, invoiced at the time of delivery. However, in some cases the invoicing may be with a lag. Contract asset in the form of unbilled revenue is recognized to the extent revenue is recognized on delivery of license for which the invoice has not been raised. Invoicing is linked to commercial discussions and negotiations with each customer. It is not uncommon for certain license revenue to be in unbilled revenue as at the reporting date. However, this does not dilute the customer's obligation for payment.

### Delivery

Invoiced based on milestones agreed in the contract. However, in some cases the invoicing may be with a lag. Given the way the contracts are agreed with the customer, contract assets arise when the invoicing for the milestone achieved is not aligned with the completion of milestone, primarily because of commercial reasons. Advances from customers are presented as contract liabilities.

### Maintenance and management services

Generally, invoiced in at regular intervals in advance as agreed with the customer. Contract assets results from revenue being recognized which is in excess of the invoices raised in a contract and vice versa for contract liabilities.

EUR 1,000	2021	2020
<b>Contract assets</b>		
1st January	12,287	3,049
Impairment of contract assets/liabilities	-354	50
Transfers in the period from contract assets to trade receivables	-12,143	-1,896
Amounts included in contract assets that was recognised as revenue during the period	10,219	11,084
Total	10,009	12,287
<b>Contract liabilities</b>		

1st January	941	640
Amount recognised as revenue related to contract liabilities	-941	-1,921
Cash received in advance of performance and not recognised as revenue during the period	1,296	2,222
Total	1,296	941

## Order backlog

As of December 31, 2021, the aggregate amount of the transaction price allocated to partially or wholly unsatisfied performance obligations arising from fixed contractual commitments amounted to EUR 53.5 million (EUR 32.1 million in 2020). These unsatisfied performance obligations will be recognized as revenue as follows:

%	2021	2020
With in one year	75%	80%
2-3 years	20%	10%
Over 3 years	5%	10%
Total	100%	100%



## 3. Materials and services

Materials and services		
EUR 1,000	2021	2020
Purchases during the period	-18	-1,618
External services	-2,257	-1,129
Materials and services total	-2,275	-2,747

## 4. Personnel expenses

Salaries and fees		
EUR 1,000	2021	2020
Wages and salaries	-14,657	-13,446
Pension expenses, defined contribution plans	-656	-577
Pension expenses, defined benefit plans	-193	-124
Other employee benefits	-6,627	-4,091
Employee benefit expenses total <sup>1</sup>	-22,133	-18,239

<sup>1</sup>Includes 6,971 (3,359) thousand euros of share-based expenses. More information on share-based payments in note 21.

Information about management compensation is presented in note 23.

## 5. Depreciations, amortisations and impairment losses

Depreciations and amortisations		
EUR 1,000	2021	2020
<b>Depreciations and amortisations by class of asset:</b>		
Amortisation on development costs	-1,282	-1,036
Intangible assets	-96	-12
Right-of-use leases	-125	-413
<b>Property, plant and equipment</b>		
Machinery and equipment	-102	-212
Machinery and equipment, finance lease	0	-57
Depreciations and amortisations loss total	-1,605	-1,730

## 6. Other operating income and expenses

Other operating income and expenses		
1,000	2021	2020
<b>Other operating income</b>		
Rental income	26	17
Other income items'	72	931
Other operating income total	98	948
<b>Other operating expenses</b>		
Subcontracting	-1,776	-2,711
Office management costs	-239	-2,715
Travel expenses	-910	-1,987
Impairment losses on receivables	-2,121	-187
Agent fees	-513	-794
Rents	-766	-426
Professional services	-3,842	-2,176
Marketing	-390	-293
Other expenses	-4,066	-1,135
Other operating expenses total	-14,623	-12,425
<b>Auditors' fees</b>		
Audit Finland	-190	-91
Audit, other countries	-48	-54
Other services	-36	-2
Auditors' fees total	-274	-148

## 7. Financial income and expenses

Financial income and expenses		
EUR 1,000	2021	2020
<b>Financial income</b>		
Financial income from deposits	421	379
Other financial income	21	27
Forex exchange gains on loans and receivables	257	3,202
Financial income total	698	3,608
<b>Financial expenses</b>		
Interest expenses	-195	-343
Argentina hyperinflation	9	-114
Other financial expenses	-34	-133
Forex exchange losses on loans and receivables	-2,741	-5,744
Financial expenses total	-2,962	-6,334
<b>Financial income and expenses total</b>	<b>-2,264</b>	<b>-2,726</b>

## 8. Income taxes

Income taxes		
EUR 1,000	2021	2020
Current taxes	-917	-272
Withholding taxes paid abroad	-2,033	-2,242
Change in withholding tax accrual	93	624
Taxes for previous accounting periods	75	10
Other direct taxes	-365	-448
Income taxes total	-3,147	-2,328

Reconciliation of effective tax rate		
EUR 1,000	2021	2020
Profit before taxes	21,420	15,902
Income tax using Finnish tax rates	-4,284	-3,180
Effect of different tax rates applied to foreign subsidiaries	-93	-772
Non-deductible expenses and tax-free income	3,095	3,232
Withholding taxes	-1,940	-1,618
Taxes of prior periods	75	10
Taxes in income statement	-3,147	-2,328

Deferred tax assets and liabilities 2021		
EUR 1,000	2021	2020
Capital allowances in the India subsidiary 1.1.	504	563
Recognised in income statement	78	
Translation differences	38	-60
Capital allowances in the India subsidiary 31.12.	621	504

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



EUR 1,000	2021	2020
<b>Deductible temporary difference for which no deferred asset has been recognised</b>		
Tecnotree's product development costs not deducted in its taxation *	<b>69,920</b>	71,282
Other deductible temporary differences	<b>10,758</b>	14,622
Items for which the Group has not recognised a deferred tax asset because of the uncertainty about utilising them, total	<b>80,678</b>	85,904
*) 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.		

## 9. Earnings per share

Earnings per share		
EUR 1,000	2021	2020
Basic earnings per share are calculated by dividing the profit attributable 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)	18,273	13,567
Weighted average number of shares during the year, adjusted to reflect the share issue for the comparative period (1,000 shares)	292,528	274,628
Basic earnings per share (EUR/share)	0.06	0.05
Diluted earnings per share, diluted (EUR/share)	0.06	0.05

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.

## 10. Intangible assets

### Intangible Assets 2021

EUR 1,000	Product development costs	Other intangible assets	Total
Acquisition cost 1 Jan	20,756	5,564	26,320
Exchange differences		207	207
Additions	5,353	608	5,960
Disposals			
Acquisition cost 31 Dec	26,108	6,379	32,487
Accumulated amortisations and impairment losses 1 Jan	-15,442	-5,545	-20,987
Exchange differences	-0	-207	-207
Amortisation during period	-1,282	-95	-1,377
Accumulated amortisations and impairment losses 31 Dec	-16,724	-5,847	-22,571
Book value 31 Dec 2021	9,384	532	9,916

### 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		
EUR 1,000	2021	2020
Product development expenses incurred during the year, before capitalization of development costs	-5,656	-3,857
Capitalization of development costs	5,353	3,403
Product development expenses recognised in income statement total	-303	-454
Product development expenses in relation to net sales recognised in income statement	0.5 %	-0.9 %
Product development expenses recognised in income statement in relation to total product development expenses	5.4 %	11.8 %
In addition to non-capitalized product development costs, the expense is recognized as depreciation on development costs	1,282	1,036

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.

Capitalized product development costs include EUR 728 (3,449) 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 585 (2,771) thousand and Americas & Europe EUR 142 (729) thousand. Based on the impairment tests performed, there is no need to recognize an impairment loss on intangibles in progress.

## 11. Property, plant and equipment

### Property, Plant and Equipment 2021

EUR 1,000	Land and water areas	Buildings	Machinery and equipment	Total
Acquisition cost 1 Jan	739	6,623	10,147	17,509
Translation differences			266	266
Additions			141	141
Disposals			-85	-85
Acquisition cost 31 Dec	739	6,623	10,469	17,830
Accumulated depreciations and impairment losses 1 Jan	-739	-6,623	-9,850	-17,211
Translation differences			-242	-242
Accumulated depreciation on disposals			-26	-26
Depreciation during period			-12	-12
Accumulated depreciations and impairment losses 31 Dec	-739	-6,623	-10,131	-17,492
Book value 31.12.2021	0	0	337	337

### Property, Plant 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	-739	-6,623	-19,598	-26,959

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depreciations and impairment losses 1 Jan				
Translation differences		76		<b>76</b>
Accumulated depreciation on disposals		9,939		<b>9,939</b>
Depreciation during period		-269		<b>-269</b>
Accumulated depreciations and impairment losses 31 Dec	-739	-6,623	-9,850	<b>-17,212</b>
Book value 31.12.2020	0	0	297	<b>297</b>



## 12. Non-current receivables

Non-current receivables		
EUR 1,000	2021	2020
Rent guarantees	213	509
Security deposits for customer projects	1,591	
Other non-current receivables	388	461
Non-current receivables total	2,192	970

## 13. 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.

Leases		
EUR 1,000	2021	2020
<b>Right-of-use assets</b>		
Book value 1.1.	209	2,241
Changes in lease agreements	36	-1,620
Depreciation during period	-125	-413
Book value 31.12.	120	209
<b>Minimum lease payments of the non-cancellable other operating leases</b>		
Less than one year	247	1,073
Between one and five years	9	810
Total	256	1,883

The Group has leased office equipment and office facilities. The index, terms of renewal and other conditions in different agreements may vary. In 2021 EUR 766 (871) thousand was recognised as an expense in the income statement in respect of operating leases.

## 14. Trade and other current receivables

Trade and other receivables		
EUR 1,000	2021	2020
Trade receivables	27,847	13,522
Contract assets	10,009	12,287
Sales receivables total	37,857	25,809
Current prepaid expenses and accrued income	4,969	3,097
Other current receivables	77	147
Trade and other receivables total	42,903	29,053
Contract assets arises largely from sale of own licenses and delivery projects for which the revenue is recognized but not invoiced as invoicing is also linked with commercial discussions & negotiations with each customer and hence, the revenue recognized and amount of invoice shall not necessarily be equal.		
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 19. Impairment losses recorded during the financial period on trade receivables and contract assets were 2,121 (187) thousand euros.		
Fair values of receivables are disclosed in note 20.		

EUR 1,000	2021	2020
<b>Major items included in current prepaid expenses and accrued income:</b>		
Withholding tax receivables	876	653
Service tax receivables	886	433
Advance payments	805	610
Other prepaid expenses and accrued income	2,402	2,054
Total	4,969	3,097

## 15. Notes to the shareholders' equity

Changes in equity							
EUR 1,000	Number of outstanding shares 000s	Share capital	Share premium fund	Unrestricted equity reserve	Other reserves	Translation differences	Total

31.12.2019	247,628	1,346	847	4,999	2,016	-10,963	<b>-1,755</b>
Changes	27,000			125	97	-455	<b>-233</b>
31.12.2020	274,628	1,346	847	5,124	2,113	-11,418	<b>-1,988</b>
Changes	44,328			22,343	32	747	<b>23,121</b>
31.12.2021	318,956	1,346	847	27,466	2,145	-10,671	<b>21,133</b>

Parent Company has one class of shares. Each share entitles the holder to one vote at general meetings. The number of shares at the end of the financial year is 318,956,206 (274,628,428), out of which the company holds 16 192 334 shares (10 941 667).

### Reconciliation of the number of shares outstanding at the beginning and at the end of the period

Number of shares 000s	2021	2020
1.1.	<b>274,628</b>	247,628
Issuing of new shares to company itself	<b>13,750</b>	14,500
Directed share issue	<b>30,578</b>	12,500
31.12.	<b>318,956</b>	274,628

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 50,652 thousand on 31 December 2021 (EUR 9,787 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. Tecnotree Corporation purchased back its restructuring debt and payment programme ended on 30 September 2021.

### Descriptions of funds in shareholders' equity

#### Share premium 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 option-based share subscriptions, less transaction costs, have been made recorded in the share 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. Share subscription payments made in year 2021 (22 016 thousand euros) and in year 2020 (125 thousand euros) were 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 2021 no dividend was paid for the financial year that ended on 31 December 2020. Instead, based on the decision of the Annual General Meeting, the parent company's profit for the period of EUR 8,438 thousand was transferred to the retained earning account.



## 16. Interest-bearing liabilities

Interest bearing liabilities		
EUR 1,000	2021	2020
Finance lease liabilities, non-current	0	29
Loans from the main creditor, non-current	0	12,286
Non-current interest-bearing liabilities total	0	12,316
Finance lease liabilities, current	0	132
Loans from the main creditor, current	0	978
Current interest-bearing liabilities total	0	1,110
<b>Interest-bearing liabilities total</b>	<b>0</b>	<b>13,426</b>

The restructuring program of Tecnotree Corporation ended with the supervisor providing his final account of the restructuring program to the creditors on 30 September 2021. At the end of the financial year the company had no interest-bearing liabilities.

## 17. Trade payables and other liabilities

Trade payables and other liabilities		
EUR 1,000	2021	2020
<b>Non-current non-interest bearing liabilities</b>		
Non-current liabilities to others - ordinary restructuring debts	0	2,792
Lease liability (non-current)	86	187
Tax reserve	12	1,645
Other long-term employee benefits	1,001	326
Other long-term liabilities	1,607	591
Non-current non-interest bearing liabilities, total	2,706	5,542
<b>Trade payables, provisions and other liabilities</b>		
Trade payables	1,310	1,619
Accrued liabilities and deferred income	5,938	6,447
Other liabilities	1,660	1,846
Lease liability (current)	88	116
Income tax liability	40	473
Trade payables, provisions and other liabilities total	9,037	10,502
<b>Accrued liabilities and deferred income</b>		
Accrued personnel expenses	1,545	1,834
Accrued agent fees	3	390
Withholding tax provision	480	574
Contract liabilities (note 2)	1,296	941
Other accrued liabilities related to customer projects	599	1,021
Other accrued liabilities	-2,613	1,688
Total	1,310	6,447

## 18. 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	2021	2020
<b>Defined benefit liability in the balance sheet:</b>		
Present value of funded obligations	1,001	810
Fair value of plan assets (-)		
Net liability (+) / net asset (-) in the balance sheet	1,001	810
<b>Recociliation of the changes in balance sheet</b>		
Net liability (+) / net asset (-) in the balance sheet in the beginning of the period	811	789
Pension expense recognised in profit and loss	175	123
Remeasurement items recognised in other comprehensive income	5	32
Translation differences	12	-133
Net liability (+) / net asset (-) in the balance sheet at the end of the period	1,004	811
<b>Defined benefit expense in profit and loss</b>		
Current service cost	126	86
Interest income (-) and expense (+), net	50	37
Pension expense recognised in profit and loss (note 5)	176	124
<b>Change in the defined benefit obligation:</b>		
Defined benefit obligation in the beginning of the period	811	789
Current service cost	126	86
Interest cost	50	37
Remeasurement items:		

Gains (-) / losses (+) arising from changes in demographical assumptions		0
Actuarial gains (-) / losses (+) arising from changes in financial assumptions	28	-165
Gains (-) / losses (+) arising from experience adjustments	-24	198
Translation differences	52	-83
Benefits paid (-)	-40	-51
Defined benefit obligation at the end of the period	1,004	811
<b>Change in plan assets:</b>		
Plan assets in the beginning of the period	18	24
Interest income	1	1
Remeasurement items:		
Return on plan assets excluding amounts included in interest income (+/-)	-1	0
Translation differences	1	-3
Payments from the plan:	24	46
Benefits paid (-)	-40	-51

2021

2020

Actuarial assumptions at the reporting date	%	%
Discount rate	6.3	6.1
Future salary increases, first year	7.0	7.0
Future salary increases, thereafter	7.0	7.0

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 insurance company.

## Sensitivity analysis

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

2021

Change in discount rate, percentage points	+ 1%	-1%
--	------	-----

Impact on the defined benefit obligation, EUR 1,000	-45	55
Change in future salary increases, percentage points	+ 1%	-1%
Impact on the defined benefit obligation, EUR 1,000	42	-38

## 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

## 19. 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 received.

### Components of equity ratio

EUR 1,000	2021	2020
Equity at the end of period	67,669	19,907
Balance sheet total	79,413	50,650
Advances received		
Total balance sheet less advances received	79,413	50,650
Equity ratio	85.2 %	39.3 %

### 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 17,565 (8,034) 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. Tecnotree Corporation purchased back its restructuring debt and payment programme ended on 30 September 2021. Changes in interested-bearing liabilities are presented in note 16.



## 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 48,551 (21,557) thousand at the reporting date. The financial assets are specified in note 20. 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 68% of net sales in 2021 (2020: 76%) and for 66 % of the trade receivables at the end of 2021 (2020: 64%). Parent companies of these customers are large listed companies. In addition, the customers of Tecnotree are mainly in developing markets, with consequences such as currency transfer regulations and limitations, exchange rate fluctuations and other politic and financial challenges.

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.

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. The above analysis of trade receivables by age shows net trade receivables, thus after recognition of impairment losses.

## ANALYSIS OF TRADE RECEIVABLES BY AGE AND IMPAIRMENT LOSSES RECOGNIZED

EUR 1,000	2021	Impairmet loss provisions	%	2020	Impairmet loss provisions	-%
Trade receivables not due	7,766			4,591		
Trade receivables 1-90 days overdue	10,169	59	1 %	3,965	69	2 %
Trade receivables 91-360 days overdue	8,118	483	6 %	4,056	123	3 %
Trade receivables more than 360	1,794	405	23 %	908	253	28 %

days overdue						
<b>Total</b>	<b>27,847</b>	<b>947</b>	<b>3 %</b>	<b>13,520</b>	<b>446</b>	<b>3 %</b>

## CHANGE IN IMPAIRMENT LOSS PROVISIONS

EUR 1,000	Impairment loss provisions 1.1.2021	Realised provisions	Cancelled provisions	New provisions	Impairment loss provisions 1.1.2021	Change in provision
MEA & APAC	429	27	49	594	947	518
Europe & Americas	16		16		0	-16
<b>Total</b>	<b>446</b>	<b>27</b>	<b>65</b>	<b>594</b>	<b>947</b>	<b>502</b>

## 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 2021, 25% of external invoicing was in Euros, 38% in US dollars, 15% in Nigerian Nairas, 15% Kuwaiti dinar, and 8% in other currencies.

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 8 thousand in the consolidated financial statements 2021.

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 Rupees. The intra-group liabilities denominated in BRL held by the parent company gave rise to exchange rate gains of EUR 293

thousand (2020: gain of EUR 293 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 subsidiary 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	2021 INR	2020 INR	2021 USD	2020 USD
Trade and other receivables	9,664	13,028	14,189	6,070
Other receivables related to projects			1,156	1,561
Cash and cash equivalents			2,881	534
Trade and other payables			-167	-543
Total net assets	9,664	13,028	18,059	7,622

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	2021		2020	
Change in percentage, INR	-10 %	10 %	-10%	+10%
Effect on the result after taxes	614	-6,145	912	-912
Change in percentage, USD	-10 %	10 %	-10%	+10%
Effect on the result after taxes	-1,642	2,007	-693	847

## 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 14,558 (13,716) thousand. This net investment is not hedged. The sensitivity for translation 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	2021	2021	2020	2020
Change in percentage	-10 %	10 %	-10%	+10%
Effect on the result after taxes	19	-23	-387	473

Effect on equity	-571	698	-536	656
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During 2021 Indian Rupie gained strenght 6% compared to Euro. INR/EUR rate was 84.23 at the end of 2020 and 89.66 at the end of 2019. This gave rise to a positive translation difference in the Group's equity amounting to EUR 381 thousand. The exposure for translation risk related to net investments in other foreign subsidiaries is not significant.

On the reporting date, the open translation risk position for the Brazilian subsidiary was negative EUR -679 (853) thousands, Malaysian subsidiary EUR 134 (37) thousand, Nigeria subsidiary EUR 1,544 (1,061) thousand, subsidiary in the United Arab Emirates EUR 144 (302) thousand, and for the subsidiary in Argentina 608 (76) thousand. The change in translation difference in equity caused by fluctuations in exchange rates for these subsidiaries was EUR 366 (87) thousand.

## Interest 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 no interest-bearing loans (EUR 13.4 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.

## 20. Carrying amounts of financial assets and liabilities by measurement categories

2021	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
<b>Non-current financial assets</b>					
Non-current receivables		2,192		2,192	2,192
<b>Current financial assets</b>				0	
Trade and other receivables		28,794		28,794	28,794
Cash and cash equivalents		17,565		17,565	17,565
Carrying amount by category		48,551		48,551	48,551
<b>Non-current financial liabilities</b>					
Non-current interest-bearing liabilities					
<b>Current financial liabilities</b>					
Current interest-bearing liabilities					
Trade and other payables			1,310	1,310	1,310
Carrying amount by category			1,310	1,310	1,310

2020	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
<b>Non-current financial assets</b>					
Non-current receivables		970		970	970
<b>Current financial assets</b>					
Trade and other receivables		13,522		13,522	13,522
Cash and cash equivalents		8,035		8,035	8,035
Carrying amount by category		22,527		22,527	22,527
<b>Non-current financial liabilities</b>					
Non-current interest-bearing			12,316	12,316	12,316



liabilities			
<b>Current financial liabilities</b>			
Current interest-bearing liabilities	1,110	1,110	1,110
Trade and other payables	1,619	1,619	1,619
Carrying amount by category	15,044	15,044	15,044

## 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.



## 21. Share-based payments

Tecnotree has employee incentive programs for 2020-2022 and 2021-2023 designed to align the participants' focus with Tecnotree's growth strategy and long-term success. The LTI Plans 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.

Further, Tecnotree has a stock option program 2021 for the key personnel of the Group. The stock options are marked with four different symbols, all of which have a release criterion based on a different market value

### Share based incentives during the period 1.1.2021 - 31.12.2021

Incentive program 2020-2022					
Instrument	3rd installment	4th installment	5th installment	6th installment	
Initial amount, pcs			14,500,000		
Initial allocation date	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	
Maximum contractual life, yrs	1.10	1.60	2.1	2.6	
Remaining contractual life, yrs	0.00	0.00	0.2	0.7	
Number of persons at the end of reporting year	0.00	0.00	49	49	
Payment method	Cash & Equity	Cash & Equity	Cash & Equity	Cash & Equity	
Changes during period					
	3rd installment	4th installment	5th installment	6th installment	Total
1.1.2021					
Outstanding in the beginning of the period	2,327,207	2,327,207	2,327,180	2,327,180	9,308,774
Changes					

during period							
Granted	293,353	301,445	114,309	114,313			823,420
Forfeited	25,000	50,000	139,129	139,132			353,261
Exercised	2,595,560	2,578,652					5,174,212
<b>31.12.2021</b>							
Exercised at the end of the period	2,595,560	2,578,652	0	0			5,174,212
Outstanding at the of the period	0	0	2,302,360	2,302,361			4,604,721
Incentive program 2021-2023							
Instrument	1st installment	2nd installment	3rd installment	4th installment	5th installment	6th installment	
Initial amount, pcs				8,000,000			
Initial allocation date	26.02.2021	26.02.2021	26.02.2021	26.02.2021	26.02.2021	26.02.2021	
Vesting date	31.08.2021	28.02.2022	31.08.2022	28.02.2023	31.08.2023	29.02.2024	
Maximum contractual life, yrs	0.51	1.01	1.5	2.0	2.5	3.0	
Remaining contractual life, yrs	0.00	0.16	0.7	1.2	1.7	2.2	
Number of persons at the end of reporting year	0.00	126.00	126	126	126	126	
Payment method	Cash & Equity	Cash & Equity	Cash & Equity	Cash & Equity	Cash & Equity	Cash & Equity	
Changes during period	1st installment	2nd installment	3rd installment	4th installment	5th installment	6th installment	Total
<b>1.1.2021</b>							
Outstanding in the beginning of	0	0	0	0	0	0	0

the period							
<b>Changes during period</b>							<b>0</b>
Granted	1,246,482	1,250,682	1,246,481	1,246,481	1,246,477	1,246,477	<b>7,483,080</b>
Forfeited	4,200	15,880	15,880	15,880	15,880	15,880	<b>83,600</b>
Exercised	1,242,282	0	0	0	0	0	<b>1,242,282</b>
<b>31.12.2021</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Exercised at the end of the period	1,242,282	0	0	0	0	0	<b>1,242,282</b>
Outstanding at the of the period	0	1,234,802	1,230,601	1,230,601	1,230,597	1,230,597	<b>6,157,198</b>
<b>Option plan 2021</b>							
<b>Instrument</b>	<b>2021 A</b>	<b>2021 B</b>	<b>2021 C</b>	<b>2021 D</b>	<b>Total</b>		
Initial amount, pcs	5,750,000	8,050,000	5,750,000	3,450,000	<b>23,000,000</b>		
Initial allocation date	09.07.2021	09.07.2021	09.07.2021	09.07.2021			
Vesting date	01.09.2021	31.12.2026	31.12.2026	31.12.2026			
Maximum contractual life, yrs	0.15	*	*	*			
Remaining contractual life, yrs	0.00	*	*	*			
Number of persons at the end of reporting year	0.00	44	44	44	<b>44</b>		
Payment method	Equity	Equity	Equity	Equity			
<b>Changes during period</b>	<b>2021 A</b>	<b>2021 B</b>	<b>2021 C</b>	<b>2021 D</b>	<b>Total</b>		
<b>1.1.2021</b>							
Outstanding	0	0	0	0	<b>0</b>		

in the beginning of the period					
<b>Changes during period</b>					
Granted	5,701,250	7,981,750	5,701,250	3,420,750	<b>22,805,000</b>
Forfeited	0	0	0	0	<b>0</b>
Exercised	1,575,000	0	0	0	<b>1,575,000</b>
<b>31.12.2021</b>					
Exercised at the end of the period	1,575,000	0	0	0	<b>1,575,000</b>
Outstanding at the of the period	4,126,250	7,981,750	5,701,250	3,420,750	<b>21,230,000</b>

\* The Share subscription period for stock options will not commence, if the following Vesting Criteria have not been achieved:

- stock option 2021B; the market value of the Company is at least 500 M€,

- stock option 2021C; the market value of the Company is at least 750 M€, and

- stock option 2021D; the market value of the Company is at least 1,000 M€.

If a Vesting Criterion is fulfilled and confirmed by the Board of Directors, the relevant Share subscription period will commence on the first day of the month following the fulfillment of the Vesting Criterion.

## 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	Shares	Options
Share price at grant, €	<b>0.63</b>	<b>0.91</b>
Share price at reporting period end, €	<b>1.47</b>	<b>0.70</b>
Expected dividends, €	<b>0.00</b>	<b>0.00</b>
Exercise price	-	<b>0.40</b>
Risk-free interest rate	-	<b>-0.58 %</b>
Volatility	-	<b>61.72 %</b>
Time in years	-	<b>4.98</b>
Number of simulations	-	<b>1,000,000</b>

Fair Value	6,161,862	3,973,121
<b>Effect of Share-based Incentives on the result and financial position during period</b>		
Expenses for the financial year, share-based payments, equity-settled		6,970,782

## Share based incentives during the period 1.1.2020 - 31.12.2020

Incentive program 2020-2022							
Instrument	1st installment	2nd installment	3rd installment	4th installment	5th installment	6th installment	Total
Initial amount, pcs							14,500,000
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	Cash & Equity	Cash & Equity	Cash & Equity	Cash & Equity	Cash & Equity	Cash & 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	<b>13,486,000</b>
Forfeited	0	0	0	0	0	0	<b>0</b>
Exercised	2050013	2127213	0	0	0	0	<b>4,177,226</b>
Expired	0	0	0	0	0	0	<b>0</b>
<b>31.12.2020</b>							
Exercised at the end of the period	2050013	2127213					<b>4,177,226</b>
Outstanding at the of the period	0	0	2327207	2327207	2327180	2327180	<b>9,308,774</b>
<b>Fair value determination</b>							

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:

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



## 22. Contingent liabilities

Contingent liabilities		
EUR 1,000	2021	2020
<b>On own behalf</b>		
Corporate mortgages	45,336	45,336
Total	45,336	45,336
<b>Other contingent liabilities</b>		
Disputed income tax liabilities in India	0	1,571
Total	0	1,571
<b>Minimum lease payments of the non-cancellable operating leases are as follows:</b>		
Less than one year	247	1,073
Between one and five years	9	810
Total	256	1,883
<p>The Group has leased office equipment, office facilities and cars. 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 2021 EUR 766 (871) thousand was recognised as an expense in the income statement in respect of operating leases.</p>		

## 23. 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 Boards of Directors, the CEO and the other members of the Management Board.

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

### Compensation to management

EUR 1,000	2021	2020
Salaries and fees, Padma Ravichander, CEO	3,040	2,584
Salaries and fees, other members of the management board	3,035	1,502
Board members:		
Neil Macleod, Chairman of the Board 24.9.2018-	98	64
Jyoti Desai, Vice Chairman of the Board 24.9.2018-	63	42
Conrad Neil Phoenix 24.9.2018 -	38	32
Anders Fornander 5.9.2019 -	38	30
Markku Wilenius 10.9.2020 -	38	9
Board fees total	274	175

The pension benefits of the CEO and members of Board of Directors are determined by the Finnish Employees Pensions Act (TyEI). The obligatory pension expenses for the CEO were EUR 0 (0) thousand and for the members of the Board of Directors totally EUR 3 (0) thousand. 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.

### The relationships between the Group's parent company and subsidiaries on 31 December 2021:

Company name	Nature of company activities	Domicile	Group's ownership %	Group's share of voting rights %
Tecnotree Oyj (parent)	Operative parent	Finland		

company				
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 Telecomunicacao 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	99.83	99.83
The parent company has branch offices in the United Arab Emirates and Peru.				

## 24. Events after the end of period

28-01-2022 Tecnotree announced on change in the company's holding of treasury shares

17-03-2022 Tecnotree announced on change in the company's holding of treasury shares

21-03-2022 Tecnotree announced it won one of the largest Digital Transformation Projects worth USD 10.4 Mn

## Parent company's income statement

EUR 1,000		1.1.-31.12.2021	1.1.-31.12.2020
Net sales	1	51,782	41,822
Materials and services	2	-1,129	-2,247
Personnel expenses	3	-7,197	-7,689
Depreciation, amortisation and impairment losses	4	-38	-19
Other operating income and expenses	5	-23,028	-20,036
Operating result		20,391	11,831
Financial income and expenses	6	-435	-2,205
Result before appropriations and taxes		19,956	9,626
Income taxes	7	-1,433	-1,188
Result for the financial year		18,523	8,438

## Parent company's balance sheet

EUR 1,000	Note	1.1.-31.12.2021	1.1.-31.12.2020
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	8	0	19
Tangible assets	8	70	89
Non-current receivables	10	664	102
Shares in Group companies	9	8,734	8,671
Total non-current assets		9,468	8,880
<b>Current assets</b>			
Current receivables	10	50,832	33,147
Cash and cash equivalents	10	5,174	1,002
Total current assets		56,006	34,148
Total assets		65,473	43,029
<b>Liabilities</b>			
<b>Equity</b>			
Shareholders' equity	11		
Share capital		1,346	1,346
Share premium fund		847	847
Unrestricted equity reserve		27,466	5,124
Retained earnings		2,471	-5,967
Result for the financial year		18,523	8,438
Total shareholders' equity		50,652	9,787
<b>Liabilities</b>			
Non-current liabilities	12	542	15,439
Current liabilities	12	14,279	17,802
Total liabilities		14,821	33,241
Total equity and liabilities		65,473	43,029



## Parent company's cash flow statement

EUR 1,000	1.1.-31.12.2021	1.1.-31.12.2020
<b>Cash flow from operating activities</b>		
Result before extraordinary items	19,956	9,626
Adjustements for:		
Depreciations according to plan	38	19
Financial income and expenses	435	2,205
Other adjustments	-696	139
Changes in working capital:		
Current receivables, increase (-) /decrease (+)	-17,314	-9,875
Inventories, increase (-) /decrease (+)	0	
Current liabilities, increase (+) /decrease (-)	-2,732	3,452
Financial income and expenses	373	-1,254
Income taxes paid	-1,526	-1,812
Net cash flow from operating activities	-1,466	2,499
<b>Cash flow from investing activities</b>		
Capital expenditure on non-current tangible and intangible assets	0	-93
Net cash flow from investing activities	0	-93
<b>Cash flow from financing activities</b>		
Repayment of debt	-806	-1,845
Lending	-15,899	
Proceeds from share issue	22,343	125
Net cash flow from financing activities	5,638	-1,720
<b>Change in cash and cash equivalents</b>	4,172	686
Cash and cash equivalents on 1.1.	1,001	316
Cash and cash equivalents on 31.12.	5,174	1,001

## Parent company accounting principles

The financial statements of the parent company, Tecnotree Corporation, have been prepared in accordance with the provisions of the Finnish Accounting Standards (FAS).

The preparation of the financial statements requires management, in compliance with the regulations in force and good accounting practice, to make estimates and assumptions that affect the measurement and timing of the reported information. Actual results may differ from these estimates.

### Transactions denominated in foreign currencies and derivatives

Business transactions in foreign currencies are recorded at the rates of exchange prevailing on the transaction date. Receivables and payables on the balance sheet date are valued at the exchange rates prevailing on that date. Exchange gains and losses related to business operations are treated as adjustments to other operating income and operating expenses. Exchange gains and losses related to financing operations are entered under financial income and expenses.

Derivatives are measured at fair value. Open currency derivatives, including interest components, are valued at the balance sheet date. Derivative changes in fair value are immediately recognised in financial income or expenses in the statement of income.

### 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"

### Receivables

Receivables are valued to acquisition cost or to a lower probable value

### 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 are treated as rentals.

### Research and development expenses

Research and development expenses are expensed as incurred.

### 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

## 1. Net sales

### Net sales by market area

EUR 1,000	2021	2020
Europe, Middle East and Africa	44,700	33,146
Asia Pacific	1,248	2,278
Americas	5,834	6,398
Net sales total	51,782	41,822

### Net sales by type of income

EUR 1,000	2021	2020
Revenue from maintenance and support	6,918	8,246
Revenue from goods and services, external sales	22,562	9,854
Revenue from goods and services, intra-group sales	21,494	24,496
Currency exchange gains and losses related to external sales	808	-774
Net sales total	51,782	41,822

### Order book

EUR 1,000	2021	2020
Order book for maintenance and support	26,767	2,563
Order book for goods and services	9,600	16,593
Order book total	36,367	19,156

## 2. Materials and services

EUR 1,000	2021	2020
Purchases during financial year	11	-1,618
External services	-1,140	-629
Materials and services total	-1,129	-2,247

## 3. Personnel expenses

Personnel expenses		
EUR 1,000	2021	2020
Wages and salaries	-5,839	-6,363
Pension expenses	-638	-551
Other personnel expenses	-720	-775
Personnel expenses total	-7,197	-7,689

Average number of employees during the financial year		
	2021	2020
Management and administration	9	10
Other personnel	32	29
Total average number of employees	41	39

Salaries, fees, remunerations and pensions to the management				
EUR 1,000	Salaries, fees, remunerations 2021	Salaries, fees, remunerations 2020	Obligatory pension expenses 2021	Obligatory pension expenses 2020
Padma Ravichander, CEO as from 18 April 2016	3,040	2,584		
<b>Members of the Board of Directors:</b>				
Neil Macleod, Chairman of the Board 24.9.2018-	98	64		
Jyoti Desai, Vice Chairman of the Board 24.9.2018-	63	42		

Conrad Neil Phoenix 24.9.2018-	38	32		
Anders Fernander 5.9.2019-	38	30		
Markku Wilenius 10.9.2020-	38	9	3	
Board fees total	274	195	3	

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 programs for 2020 - 2022 and 2021 -2023 designed to align the participants' focus with Tecnotree's growth strategy and long-term success. The LTI plans 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. In addition, the Group has a stock option program 2021 for the key personnel of the Group. The stock options are marked with four different symbols, all of which have a release criterion based on a different market value. For more information, see the consolidated notes to share-based payments.



## 4. Depreciations and amortisations

Depreciations and amortisations by asset type		
EUR 1,000	2021	2020
Intangible assets		
Intangible rights	-19	-11
Tangible assets		
Machinery and equipment	-19	-8
Depreciations and amortisations according to plan total	-38	-19

## 5. Other operating income and expenses

Other operating income		
EUR 1,000	2021	2020
Other operating income	69	837
Other operating income total	69	837

Other operating expenses		
EUR 1,000	2021	2020
Subcontracting	-1,440	-1,516
Office management costs	-1,857	-1,082
Equipment and software	-932	-1,068
Travel expenses	-222	-639
Agent fees	-492	-389
Impairment losses on receivables	-1,414	-199
Rents	-743	-771
Professional services	-2,333	-954
Marketing	-383	-281
Other operating expenses to Group companies	-13,281	-13,973
Other operating expenses total	-23,097	-20,873

Impairment losses were recognised on trade receivables totalling EUR 1,079 (250) thousand and EUR 336 thousand (losses reversed EUR 50 thousand) on other project receivables.

Auditors' fees		
Auditors fees	-190	-91
Auditors' fees total	-190	-91

## 6. Financial income and expenses

EUR 1,000	2021	2020
<b>Financial income</b>		
Other financial income from others	21	26
Foreign exchange gains	164	68
Financial income total	185	95
<b>Financial expenses</b>		
Impairment of subsidiary shares		-124
Interest expenses	-142	-272
Other financial expenses	-4	-2
Foreign exchange losses	-241	-325
Foreign exchange losses, group internal	-233	-1,576
Financial expenses total	-619	-2,300
Financial income and expenses total	-435	-2,205

## 7. Income taxes

EUR 1,000	2021	2020
Income taxes from business operations	-13	-179
Withholding taxes paid abroad	-1,513	-995
Change in withholding tax accrual	93	-14
Income taxes total	-1,433	-1,188

The company has not deducted research and development costs amounting to EUR 69,920 (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 10,758 (14,622) thousand. No deferred tax assets have been recognised on these capitalisations because of the uncertainty about utilising them.

## 8. Intangible and tangible assets

### Intangible assets 2021

EUR 1,000	2021	2021
Acquisition cost 1.1	6,146	6,146
Additions		
Acquisition cost 31.12.	6,146	6,146
Accumulated amortisation 1.1.	-6,127	-6,116
Amortisation during the period	-19	-11
Accumulated amortisation 31.12.	-6,146	-6,127
Book value 31.12.	0	19

### Tangible assets 2021

EUR 1,000	2021	2020
<b>Machinery and equipment</b>		
Acquisition cost 1.1	5,510	5,416
Additions		94
Acquisition cost 31.12.	5,510	5,510
Accumulated amortisation 1.1.	-5,420	-5,413
Amortisation during the period	-19	-8
Accumulated amortisation 31.12.	-5,440	-5,420
Book value 31.12.	70	89

## 9. Investments

### Investments in group companies

EUR 1,000	2021	2020
Acquisition cost 1.1.	8,671	8,794
Additions	63	1
Disposals		-124
Book value 31.12.	8,734	8,671

### 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 Telecomunicacao Ltda	Sao Paulo, Brazil	100.00	902
Tecnotree (M) Sdn Bhd	Kuala Lumpur, Malaysia	100.00	106
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			8,734



## 10. Receivables

Current receivables		
EUR 1,000	2021	2020
<b>Current external receivables</b>		
Trade receivables total	15,508	5,333
Contract assets	5,755	4,972
Sales receivables total	21,263	10,306
Current prepaid expenses and accrued income	818	533
Other current receivables	4	377
Current receivables total		11,215
<b>Current receivables from the Group companies:</b>		
Trade receivables	28,355	21,407
Other receivables	392	525
Total	28,747	21,931
<b>Current receivables total</b>	<b>50,832</b>	<b>33,147</b>
<b>Major items included in prepaid expenses and accrued income:</b>		
Advance payments to vendors	737	502
Other prepaid expenses and accrued income	80	30
Total	818	533

Non-current receivables		
EUR 1,000	2021	2020
Rent guarantees	52	79
Pledged cash deposits	613	22
Non-current receivables total	664	102

Cash and cash equivalents		
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EUR 1,000	2021	2020
Cash in hand and at bank	5,174	1,002
Cash and cash equivalents total	5,174	1,002

## 11. Shareholders' equity

EUR 1,000	2021	2020
Share capital	1,346	1,346
Share premium fund	847	847
Restricted equity total	2,193	2,193
Invested unrestricted equity reserve 1.1.	5,124	4,999
Share issue	22,343	125
Invested unrestricted equity reserve 31.12.	27,466	5,124
Retained earnings 1 Jan	2,471	-5,967
Result for the period	18,523	8,438
Unrestricted equity total	48,459	7,594
Total shareholders' equity	50,652	9,787

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 50,652 thousand on 31 December 2021 (EUR 9,787 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. Tecnotree Corporation purchased back its restructuring debt and payment programme ended on 30 September 2021.

In 2021 no dividend was paid for the financial year that ended on 31 December 2020. Instead, based on the decision of the Annual General Meeting, the parent company's profit for the period of EUR 8,438 thousand was placed in retained earnings.

## 12. Liabilities

EUR 1,000	2021	2020
<b>Non-current liabilities</b>		
Interest bearing debt		12,286
Loans from Group companies		34
Restructuring debts from the main creditor, non-interest bearing		2,792
Termination benefits	542	326
Non-current liabilities total	542	15,439
<b>Current liabilities</b>		
Loans from the main creditor, interest bearing		978
Loans from the main creditor, non-interest bearing		661
Trade payables	509	946
Accrued liabilities and deferred income	3,760	4,357
Other liabilities	490	303
Total	4,759	7,245
<b>Liabilities from Group companies:</b>		
Trade payables	9,520	10,550
Other liabilities		7
Total	9,520	10,557
Current liabilities total	14,279	17,802
<b>Major items included in accrued liabilities and deferred income</b>		
Other accrued personnel expenses	1,509	1,834
Withholding tax accrual (note 8)	480	574
Accrued agent fees	3	389
Other accruals related to customer contracts	916	348
Other accrued liabilities and deferred income	852	1,212
Total	3,760	4,357

## 13. Contingent liabilities

EUR 1,000	2021	2020
<b>On own behalf</b>		
Corporate mortgages	45,336	45,336
Total	45,336	45,336
<b>Other liabilities</b>		
With due date in the next financial year	104	132
Total	104	132
Total contingent liabilities	45,441	45,469

## 14. Events after the end of period

28-01-2022 Tecnotree announced on change in the company's holding of treasury shares

17-03-2022 Tecnotree announced on change in the company's holding of treasury shares

21-03-2022 Tecnotree announced it won one of the largest Digital Transformation Projects worth USD 10.4 Mn



[Financial statements](#) / Signatures of the financial statements and the report of the Board of Directors

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

24 March 2022

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 2022. 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.

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### 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, 2021. 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.

Our opinion is consistent with the additional report submitted to the Audit Committee.

#### 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 6 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	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
— Appropriate revenue recognition requires accurate and timely measurement of different stages of each project to ensure correct revenue recognition	— 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
— Significant amount of the Group's turnover accrues from countries which are developing and politically unstable. The two largest customers accounted for 68 % of the turnover for year 2021 and 66 % of the total amount of sales receivables at the end of the financial period	— 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
— The Group's other intangible assets accounted for 12 % of the Group's assets and 75 % of the Group's long-term assets	— 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
— The Group's trade receivables and other assets comprise 54 % of the total assets of the Group. These assets involve a valuation risk	— 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 evaluated the consistency of the sales receivables

## 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.

## [Financial statements](#) / Auditor's report

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 for the financial period ended 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 knowledge 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, \_\_ March 2022

Tietotili Audit Oy, Authorised Public Accountants

Urpo Salo

Authorised Public Accountant, KHT



# Tecnotree

Global Headquarters

Tecnotree Corporation

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