Published: 2007-08-08 08:02:00 CEST

Solteq Oyj - Half Year financial report

SOLTEQ PLC S INTERIM REPORT 1.1.-30.6.2007

- Turnover increased by 13,3% and totalled 13,5 million euros (11,9 million euros)
- Operating result was 0,5 million euros (0,2 million euros)
- The company estimates turnover to increase over 20 % on a yearly basis and the operating result to improve substantially.
- The board of directors decided an equity return of 0,10 euros per share

KEY FIGURES

Turnover by operation:

%	1-06/07	1-06/06	1-12/06
Services	65	62	60
Licences	24	25	26
Hardware	11	13	14

Turnover by segment:

Me	1-06/07	1-06/06	1-12/06
Trade	7,9	8,0	-0,1
Industry and services	5,6	3,9	+1,7
Total	13,5	11,9	+1,6

Operating result by segment:

Me	1-06/07	1-06/06	1-12/06
Trade	0,1	-0,1	+0,2
Industry and services	0,4	0,3	+0,1
Total	0,5	0,2	+0,3

Managing Director Hannu Ahola:" Business operations during the review period continued as planned.
The new sales and favorable continuance of the sales of IT services have guaranteed a good level of employment during the whole review period. In connection with new sales it is noteworthy that new significant ERP system -projects have been launched and at the same time the investments in developing the added value products and integration knowledge, that have been continued for years, have begun to produce results. At the moment it can be already estimated that the recent corporate acquisitions have been successful and those acquisitions give a very good support to our range of solutions. On the whole the course of events during the first half of the year gives us a good basis also for the rest of the year. This is supported by the increase in turnover of 16 % and the substantial improvement in result during the last quarter."

BUSINESS ENVIRONMENT AND BUSINESS DEVELOPMENT

Solteq is a strategic partner for trade and industry, whose core competency is IT solutions that are critical to business. Solteq combines its own product portfolio with the products from the leading software companies in the world to deliver individual business development and ERP solutions for its customers. The information that is processed by means of these solutions is helping customers to lead their business even better than before and to improve their profitability.

According to the research institute Gartner, data management and quality improvement are the most essential trends in the development work that concerns IT systems. The benefits of many significant IT-projects such as data warehousing, ERP- or customer information-projects remain inadequate because of the poor quality of data. The technology that is used to improve the quality of data is developing rapidly, but the information management in the companies couldn't be resolved only with technological competence. The improvement of data quality is a part of overall business process development. Quality requirements, which the user has to comply with, have to be set for example to all of the data that is received and processed in the organisation. When the development of the data processing is done it is also important to understand the requirements that are set by different industry specific business environments.

At the moment Solteq is expanding its data processing competence that was acquired in connection with Artekus and Fulmentum acquisitions to all of the business branches in which the company is active. In consequence the company is able to offer the best solution for its customer's data processing and enterprise resource planning needs that also support the whole value chain, whether it is car sales, chained commerce, wholesale trade, individual speciality stores or industry in question.

TRADE

Business environment

The economic boom in the retail trade is still reflected also in the demand for store management systems that has remained active during the review period. The demand is driven by both the expansion and chaining of domestic stores and foreign store chains, which are expanding into the Finnish market alike. Foreign companies often need a store management system that is applicable to the Finnish environment. This change in the structure of commerce appears as corporate acquisitions and mergers that occur in more and more swiftly pace, these mergers and acquisitions demand swiftness also in the integration and harmonisation of store management systems. A part of these arrangements is connected with generational changes in companies, but at the moment also small scale store chains arise faster than before in the trade branch.

In addition the increased need for more effective customer service is in the background of the intense demand. The availability of products and the delivery speed are more important than before for the retail trade customers. In practice this requires completion, spending up and more intensive integration of systems, so that the transparency of the whole supply chain could be improved.

The new technologies that aiming to rationalise logistics are expanding step by step: for example picking that is based on voice recognition has made the operations more effective and reduced the faults. Procurement optimising can be made more accurate by the means of system automation. At the same time the orders from the stores don't mean only the optimising of main warehouse. It is paid more detailed attention to the shelf space planning and also the stores itself, not only the suppliers, are more interested in controlling of the usage of self space.

In the trade branch the companies are still waiting for the definition of policies in connection with EU's regulations over payment cards, but the quickness, easiness and safety of different payment instruments have been arisen to a very important factor in the retail trade. The cost-effectiveness of operations is crucial for the channel and payment instruments, that are as versatile as possible and which have reasonable costs, are an integral part of the efficient and modern customer service.

The below par sales during the first months of the present year in the car sales have not been directly reflected to the development work of IT systems. The markets of delivering ERP-systems in the car sales are fairly saturated and there is not large growth in sales to

be expected. Main part of the demand consists of the improvement and development of existing systems that has been very active in connection with many actors in the branch.

In the companies acting in the trade the growing demand of integration projects in which the store systems are integrated to background systems are expected to continue. Harmonisation projects, in which the product databases of different chains are harmonised and cleared, are expected to increase in all areas of trade.

Business development

The demand for advisory services in the segment trade remained strong during the review period. During the review period Solteq delivered also completely new store management systems and expanded the existing systems of its customers. The favorable development in the branch is also believed to reflect positively to the demand during the last part of the year.

Especially the demand for Microsoft Dynamics -system appears to be good at the moment. During the review period Solteq launched several new projects and the integration between Solteq TP.Net -store management system and Microsoft Dynimics Nav -enterprise resource planning has also been completed. The first delivery contracts have been made in connection with this comprehensive solution for chained commerce during the review period.
The modernization project in connection with the e-commerce systems of Onninen, that is heating, plumbing and air conditioning supplier, is another example of successful utilization of Microsoft's system architecture. The renewed web store of Onninen has been implemented in June and its usage is increasing rapidly.
The business environment of car unit has remained stable and the unit achieved its budget objectives during the review period. The operations were emphasized in the sales of such services in which the customer's pre-existing systems were developed. The service sales to the customers of car trade unit remained stabile.

The modernization of IT systems of retailing chain Automaa and system deliveries to Renault, that were launched earlier this year, have progressed according to plan. Solteq believes that there is demand in the car sales for the new services in connection with data processing and harmonising, especially in connection with the harmonization of customer databases.

INDUSTRY AND SERVICES

Business environment

The internationalisation of the Finnish industry continues, and more effectiveness than before is sought from the IT system projects to support the global activities. Large scale IT system projects that are carried through at once are made even less than before. The development and rationalisation projects of the existing information systems have been the focus areas in operations recently. This trend is reflected to the demand for the services for IT systems, which has liven up in the year end 2006 and remained strong also in the last quarter. According to the market researcher Market-Visio the development of operative applications is one of the growing focus areas during year 2007. Industry companies are looking for efficiency to their operations from development projects that relate to data processing and harmonising, reporting and customer management systems.

Business development

The reorganization of operations in industry and services has continued according to plans. The merger of Artekus Oy and Fulmentum Oy with the parent company is going to be finished up by the end of the present year.

During the review period the industry segment achieved its setting of financial objectives. The demand for services among existing customers increased. The hardware sales were liven up a bit, for example access rights were bought more. The amount of contacts in the

solicitation of new customers has been increased. This segment has invested in the training of the latest SAP -versions and developing knowledge and that gives a good opportunity to respond to the increased demand. The segment has also recruited more knowledgeable personnel during the past quarter and it is supposed to continue to acquire more resources during the last part of the year.

During the review period the continuance of implementation of IDO's Sanitec -unit's SAP ERP-system has been financially more significant than expected among the large IT-system projects.

The demand for the services of the maintenance and harmonization service has been extremely brisk and the operation is supposed to exceed its budget objectives for the present year. After the acquisition of Fulmentum the operations have furthermore picked up and the backlog of orders has grown intensively. The maintenance and harmonisation unit has recruited altogether ten persons to respond to the growing demand. There are plans to gradually expand the harmonising and processing of data also to the other lines of business, car sales among others.

Among remarkable contracts the UPM delivery has been advanced completely as scheduled and among the projects that were agreed during the last quarter, Rautaruukki is well on the way. The maintenance project in connection with Pohjolan Voima's hydroelectric power plant was launched in June.

TURNOVER AND RESULT

Turnover increased 13,3% compared to the previous year and totalled 13.525 thousand euros (11.940 thousand euros).

Turnover consists of several individual customerships. At the most, one client corresponds to a less than five percentages from the turnover.

The operating profit for the review period totalled 455 thousand euros (177 thousand euros), result before taxes was 385 thousand euros (276 thousand euros) and the profit for the review period 445 thousand euros (193 thousand euros).

BALANCE SHEET AND FINANCING

The total assets amounted to 20.592 thousand euros (17.313 thousand euros). Liquid assets totalled 277 thousand euros (233 thousand euros).

The company's interest-bearing liabilities were 5.330 thousand euros (3.465 thousand euros).

The company's equity ratio was 49,4 % (54,8%).

INVESTMENTS, RESEARCH AND DEVELOPMENT

Gross investments during the review period were 1.585 thousand euros (4.387 thousand euros). For the most part these consist of corporate acquisitions that have been carried out during the review period.

Corporate acquisitions

Solteq Plc announced 13.3.2007 that the company acquires all the shares of Fulmentum Oy. Fulmentum is specialised in global master data harmonising and maintenance projects. The company has been consolidated in the financial statements starting from 1.5.2007.

The basic purchase price was 1.500 thousand euros and from that have been paid 1.000 thousand euros in cash according to the purchase agreement. The rest of the acquisition price will be paid in the autumn 2007. The additional price, that is 1.400 thousand euros at the maximum, consists of the possible financial benefit received from the ongoing and future projects of Fulmentum at the time of acquisition in the forthcoming three years.

The acquisition price exceeding Fulmentum Oy's equity at the time of the acquisition has been allocated as goodwill totalling 1.422 thousand euros. The goodwill represents future income expectations relating to cross-utilising customers, knowledgeable personnel and complementing product knowledge.

Changes in the group structure

The company has taken measures to merge Artekus Oy, Tampereen Systeemitiimi Oy and Fulmentum Oy with their parent company as announced earlier. The planned registration date for the implementation of the merger of Artekus Oy is 1.10.2007 and for other companies 31.12.2007.

Research and development

Solteq's research and development costs consist mainly of personnel costs. When developing basic products, it is Solteq's strategy to co-operate with global actors such as SAP and Wincor-Nixdorf and utilise their resources and distribution channels. Own development efforts are focused on added value products and developing tailored service concepts.

During the review period development costs under IFRS have been capitalised in the amount of 10 thousand euros (249 thousand euros). Mainly the costs relating to research and development are presented due to their nature as yearly costs in profit and loss account. Two development projects have been completed during the previous financial year and thus the depreciation according to plan have been started for the capitalized amount. Two other development projects are still unfinished and the depreciation according to plan will be started along with the commercial implementation of the projects.

PERSONNEL

The number of permanent employees at the end of the review period was 251(252). Average number of personnel during the review period was 241 (238). At the end of the review period the number of personnel divided as follows: trade 118, industry and services 95 and shared functions 38.

RELATED PARTY TRANSACTIONS

The company has related party relationships with members of the Board of Directors, the managing director and the management group of the company. There have not been significant changes in the company's related party transactions after financial statements from year 2006.

SHARES AND SHAREHOLDERS

Solteq Plc's equity on 30.6.2007 was 1.000.498,41 euros which was represented by 12 044 229 shares. The shares have no nominal value.

Exchange and rate

During the review period, the exchange of Solteq's shares in the Helsinki Stock Exchange was 1,4 million shares (2,5 million shares) and 2,0 million euros (4,9 million euros). Highest rate during the review period was 1,74 euros and lowest rate 1,28 euros. Weighted average rate of the share was 1,49 euros and end rate 1,70 euros. The market value of the company's shares at the end of the review period totalled 20,5 million euros (16,8 million euros).

Ownership

At the end of the review period, Solteq had a total of 2.314 shareholders (2.665 shareholders). Solteq's 10 largest shareholders owned 7.285 thousand shares i.e. they owned 60,5 per cent of the company's shares and votes.

Solteq Plc's members of the board owned a total of 4.862 thousand

shares which equals 40,4 per cent of the company's shares and votes.

During the review period there has been one announcement on change of ownership in accordance with chapter 2, section 9, of the securities market act, as Profiz Business Solution Plc's ownership of Solteq shares exceeded 28.5.2007 the 5 % proportion.

ANNUAL GENERAL MEETING

Solteq Plc's annual general meeting on 23.3.2007 adopted the financial statements for 2006 and the members of the board and the managing director were discharged from liability for the financial year 2006.

The annual general meeting decided in accordance with the board's proposal to authorize the board of directors to decide on dividend distribution or other distribution of funds from the distributable equity fund. The board of directors is authorized to decide on dividend distribution or other distribution of funds from the distributable equity fund or both, totalling altogether a maximum of 0,10 euros per share. The authorization is valid until the beginning of the next annual general meeting.

The annual general meeting decided that the equity account formed in the extraordinary general meeting on 9.9.2005 and governed by the general meeting of shareholders, an amount of 5.962.338,50 euros is transferred to the distributable equity fund. The distributable equity fund is a fund based on the new Finnish Companies Act and may be used among other things to dividend distribution or other distribution of funds.

The annual general meeting decided that the company's share capital is increased from 993.654,69 euros to one million (1.000.000) euros by transferring the respective amount from the distributable equity fund.

The annual general meeting decided to authorize the board of directors to decide on acquiring the company's own shares so that the amount in the possession of the company does not exceed 10 percent of the company's total shares at that moment. The shares can be acquired in order to develop the company's capital structure, finance and execute acquisitions or similar arrangements or used as part of the incentive scheme of the personnel or convey otherwise or be invalidated. The shares can be acquired in other proportion than the shareholders' holdings. The shares are to be acquired through public trading and at market price. The acquiring is to be done with the unrestricted shareholders' equity. The authorization is valid until the beginning of the next annual general meeting.

The annual general meeting decided to authorize the board of directors to give or convey company's own shares, maximum amount being 3.000.000 shares. The shares can be given or conveyed in order to finance and fulfill terms of an acquisition or similar or develop company's capital structure or be used as part of the incentive scheme of the personnel or otherwise develop the company's business operations. The authorization includes a right to deviate from the shareholders' preemptive right of subscription if there is a weighty financial reason for the company. The authorization includes that the board of directors may decide the terms and other matters concerning the share issue according to the instructions of the FinnishCompanies Act. The authorization is valid for five years starting from the decision.

The annual general meeting decided that the funds in the share premium account at the time of the annual general meeting totaling 2.164.197,45 euros are transferred to the distributable equity fund.

BOARD OF DIRECTORS AND AUDITORS

Five members were elected to the board of directors. Seppo Aalto, Ari Heiniö, Veli-Pekka Jokiniva, Ali Saadetdin and Jukka Sonninen will continue as members of the board. The board elected Ali Saadetdin to act as the chairman of the board.

KPMG Oy Ab, Authorised Public Accountants, were re-elected as Solteq's auditors. Frans Kärki, APA, acts as the lead partner.

EVENTS AFTER THE REVIEW PERIOD

No significant new reportable matters have taken place since after the review period.

RISKS AND UNCERTAINITIES

The key uncertainties and risks are related to the timing and pricing of the business deals that are the basis of the turnover, changes in the level of costs and to the company's ability to manage extensive contract agreements and deliveries.
The key business risks and uncertainties of the company are monitored constantly as a part of the board and management group work. The company has not organized a separate internal audit organisation or committee.

PROSPECTS

In the Solteq Plc's stock exchange bulletin relating to the first quarter of the year 2007 the turnover was estimated to increase over 20 % on a yearly basis and the operating result was estimated to improve substantially. The development during the second quarter has further strengthened this outlook and there isn't reason to make changes to the company's estimate.

Strategic objectives for 2008-2010

During the following three years the company aims to achieve an average of 10 % yearly organic growth in domestic market. Additional growth is searched by allocated acquisitions.

The expectations for additional sales are in Russian markets. During this year the active marketing will start and the building of local organization will begin.

The substantial improvement in operating profit in comparison with the profits for the last years is to be achieved. The objective for yearly operating profit is 10 % of turnover. This is planned to be achieved by improving the sales operations and by concentrating on tight cost-control.

The equity ratio is to be held over 40 %.

The company will follow active dividend policy. The minimum goal for the dividend is 50 % of the yearly profit with the exception if the assets are needed for definite investments.

RETURN OF EQUITY

The board of directors has decided in yesterday's meeting to return equity the amount of 0,10 euros per share using the maximum authorization granted by the annual general meeting. The date of dividend ex-date is 14 August 2007, the date of record is 16 August 2007 and the payment date is 23 August 2007.

FINANCIAL INFORMATION

GROUP PROFIT AND LOSS ACCOUNT (TEUR)

	1.4.-30.6.07	1.4.-30.6.06	1.1.-30.6.07	1.1.-30.6.06	1.1.-31.12.06
NET TURNOVER	7 147	6 162	13 525	11 940	23 166
Other operating income	20	15	55	21	42

Raw materials and services	-1 329	-1 416	-2 673	-2 602	-5 378
Staff expenses	-3 985	-3 552	-7 434	-6 663	-12 831
Depreciation	-206	-172	-387	-333	-698
Other operating expenses	-1 319	-1 083	-2 631	-2 186	-4 799
OPERATING RESULT	328	-46	455	177	-498
Financial income and expenses	-45	-27	-70	99	19
PROFIT/LOSS BEFORE APPROPRIATION AND TAXES	283	-73	385	276	-479
Income taxes	8	7	60	-83	602
PROFIT/LOSS FOR THE PERIOD	291	-66	445	193	123
Earnings / share, e (undiluted)	0,03	0,00	0,04	0,02	0,01
Earnings / share, e (diluted)	0,03	0,00	0,04	0,02	0,01

GROUP BALANCE SHEET (TEUR)	30.6.07	30.6.06	31.12.06
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Intangible rights	2 055	2 122	2 140
Goodwill	8 086	5 394	6 600
Tangible assets	2 799	3 135	3 019
Investments			
Other shares and similar rights of ownership	122	89	81
Other long-term debtors	0	140	0
Deferred tax assets	836	0	663
Total non-current assets	13 898	10 880	12 503
CURRENT ASSETS			
Short-term debtors	6 417	5 985	5 619
Investments	0	215	1 579
Cash in hand and at banks	277	233	646
Total current assets	6 694	6 433	7 844

TOTAL ASSETS	20 592	17 313	20 347
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY			
Share capital	1 001	994	994
Share premium account	2 168	2 164	2 164
Equity account	0	5 963	5 962
Unrestricted equity fund	6 254	0	298
Retained earnings	300	170	173
Profit for the financial year	445	193	123
Total equity	10 168	9 484	9 714
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	0	92	0
Interest bearing liabilities	163	163	163
Current liabilities	10 261	7 574	10 470
Total liabilities	10 424	7 829	10 633
TOTAL EQUITY AND LIABILITIES	20 592	17 313	20 347

FINANCIAL PERFORMANCE INDICATORS	1-06/07	1-06/06	1-12/06
Net turnover MEUR	13,52	11,94	23,17
Change in net turnover	13,27 %	9,23 %	7,41 %
Operating result MEUR	0,46	0,18	-0,50
% of turnover	3,37 %	1,48 %	-2,15 %
Result before taxes MEUR	0,39	0,28	-0,48
% of turnover	2,85 %	2,31 %	-2,07 %
Equity ratio, %	49,38	54,78	47,74
Gearing, %	49,70 %	32,07 %	15,78 %
Gross investments in non-current assets MEUR	1,59	4,39	7,68
Return on equity, %	9,14 %	4,01 %	1,20 %
Return on investment, %	6,62 %	5,31 %	-2,44 %

Personnel at end of period	251	252	234
Personnel average for period	241	238	240

KEY INDICATORS PER SHARE

Earnings / share, e	0,04	0,02	0,01
Earnings / share, e (diluted)	0,04	0,02	0,01
Equity / share, e	0,84	0,80	0,81

QUARTERLY KEY INDICATORS (MEUR)

	3Q/05	4Q/05	1Q/06	2Q/06	3Q/06	4Q/06	1Q/07	2Q/07
Net turnover	4,58	6,06	5,78	6,16	4,65	6,58	6,38	7,14
Operating result	0,35	0,46	0,22	-0,04	-0,70	0,02	0,13	0,33
Result before taxes	0,46	0,46	0,35	-0,07	-0,73	-0,03	0,10	0,29

CASH FLOW STATEMENT (MEUR)

	1-06/07	1-06/06	1-12/06
Cash flow from business operations	-0,64	0,27	0,25
Cash flow from capital expenditure	-2,76	0,25	1,86
Cash flow from financing activities			
Income from issued shares	0,01	0,02	0,02
Return of equity(paid)	0,00	-3,54	-3,54
Loan agreement	1,57	3,00	3,27
Cash flow from financing activities	1,58	-0,52	-0,24
Change in cash and cash equivalents	-1,82	0,00	1,87

TOTAL INVESTMENTS (MEUR)

	1-06/07	1-06/06	1-12/06
Continuing operations, group total	1 585	4 387	7 680

LIABILITIES (MEUR)	30.6.07	30.6.06	31.12.06
Perfomance bonds	0,05	0,05	0,05
Lease contracts,machin.&equipment	0,74	0,97	0,71
Lease liability,premises	3,15	3,46	3,42

The Group has no

liabilities from derivative instruments.

STATEMENT OF CHANGES IN GROUP EQUITY (TEUR)

	Share Capital	Share premium account	Equity account	Unrestr. equity fund	Ret. earn.	Total
EQUITY 1.1.2006	908	234	9 500	0	167	10 809
Granted option rights					3	3
Result for the period					193	193
Total gains and losses					196	196
Subscription issue	2					2
Directed issue	84					84
Emission gain		1 930				1 930
Return of equity			-3 538			-3 538
EQUITY 30.6.2006	994	2 164	5 962	0	364	9 484
EQUITY 1.1.2007	994	2 164	5 962	298	296	9 714
Granted option rights					4	4
Result for the period					445	445
Total gains and losses					449	449
Subscription issue	1	4				5
Transfer between equity accounts	6		-5 962	5 956		0
EQUITY 30.6.2007	1 001	2 168	0	6 254	745	10 168

Taxes corresponding to the result have been presented as taxes for the review period

The Financial Statements is unaudited.

CALCULATION OF FINANCIAL RATIOS

Return on Equity (ROE) in percentage:
profit or loss before taxation

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                        - taxes                          x 100
                        equity

Profit from invested equity in percentage:
                        profit or loss before
                        taxation+
                         interest expenses and other
                        financing expenses               x 100
                        balance sheet total - non-interest
                        bearing liabilities

Solvency ratio, in
percentage
                        equity                           x 100
                        balance sheet total - advances
                        received

Gearing:
                        interest-bearing liabilities - cash,
                        bank balances and securities           x 100
                        equity

Diluted earnings per share:
                        diluted profit before taxation -
                        taxes +/- minority interest
                        diluted average share issue
                        corrected number of shares

Earnings per share:
                        Pre-tax result - taxes +/
                        minority interest
                        diluted average share issue
                        corrected number of shares
Equity per share
                        Equity
                        Number of shares



This interim report has been prepared in accordance with IAS 34
-standard and the same accounting policies as in the annual financial
statements 2006.

Financial reporting in 2007

Solteq Plc will publish the next interim reports for 2007 as follows:

January - September 24.10.2007

More information for investors at Solteq's website at www.solteq.com.


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