

18.10.2013 at 9.00 am

## SOLTEQ PLC'S INTERIM REPORT 1.1.-30.9.2013

Solteq Plc Stock Exchange Bulletin 18.10.2013 at 9.00 am

- Solteq Plc changes the turnover and result estimates for the whole financial year. We estimate our turnover to be approx. 38-40 million EUR and the operating profit 5-7% from the turnover (earlier our turnover estimate was 40-43 million EUR and the level of EBIT 6-9% from the turnover).
- Solteq Plc's turnover increased 1.8 per cent and totalled 28.3 million euros (27.8 million euros).
- Solteq Plc's operating profit totalled 1.712 thousand euros (1.853 thousand euros). The operating profit for the collation period includes a total of 276 thousand EUR of one-time profit and expenses as gross.
- The company's operating margin was 6.0 % (6.7 % in 2012, cleared from one-time profit and expenses 5.7 %).
- Solteq Group's equity ratio was 41.7 per cent (36.5 per cent).
- Earnings per share were 0.08 euros (0.08 euros).

### KEY FIGURES

Turnover by operation:

%	1-9/13	1-9/12	1-12/12
Softwareservices	67	61	61
Licences	27	33	32
Hardware	6	6	7

### CEO Repe Harmanen:

CEO Repe Harmanen:

"Like the previous two quarters, the third quarter was as expected. Both the turnover and financial result improved from the previous year. In the current market situation, I feel that in this respect our position has been fairly consistent during the quarter. However, we estimate that during the last quarter the growth in turnover will be slower than earlier this year because of postponing of new projects. Because of this, we will not quite reach the earlier turnover estimates, which we estimate to be at the same level as last year.

The business operations during the third quarter were burdened by the risks of one major project in the Wholesale Trade, Logistics and Services Unit. Preparations and corrective measures are still being made in this area.

In our operative activities, we have succeeded well in terms of cost control as well as personnel and other expenses. Through this action, we will ensure the predicted result level for the rest of the year. We will continue implementing such projects that help us make our cost structure flexible and boost our operations.

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Due to the mentioned reasons the level of our operation profit will decrease by some to the level 5-7% compared to our earlier estimate for the year 2013. I see this preparation successful as the impact in level of operating profit is limited, but in the future we have to be able to be even more flexible with our cost structure in case of similar situations.

As to demand, the situation has remained at the same level as in summer. The first weak signals that economy is picking up in Finland and in Europe have not materialized into faster project launches. The general uncertainty in the economy is still reflected in a hesitation to start major project and in slow investment willingness. In our opinion, it is more a question of postponing projects than cancelling them.

Operations with our long-term and large-scale clients have continued the same as last year. These long-term, confidential client relationships are the major factor that explains why our financial situation continues comparatively stable.

Our strategy work has been started and continues during the coming months. I feel that after this strategy period, which will end in 2014, we should follow the current strategy lines but at the same time look for new, sufficiently challenging and bold goals. With the continuity of our clients' businesses as our first priority, we will seek new directions for our operations.

The agreement that we published after the quarter in our Stock Exchange Release on 2 October 2013 is significant for us economically and strategically. In terms of strategy, the agreement is important because it implements the strategy that we published on 4 February 2011. With this long-term project, we also ensure growth for the future financial periods.

I feel that the strategic solutions that we have made so far have been successful.

I wish all our stakeholders and interest groups brisk autumn days."

## **BUSINESS ENVIRONMENT AND BUSINESS DEVELOPMENT**

Solteq is a leading retail and service industry software service company. We offer long-term partnership and the markets' widest range of retail and service industry software services, from the optimisation of the entire supply chain to the management of consumer-customer information. Our technology-independent solutions help our customers to guide their business operations as efficiently and profitably as possible.

Solteq Plc's reported segments are Grocery and special retail, HoReCa; Wholesale trade, Logistics and Services and Service Business and Maintenance Management.

The aim of the segmentation is to respond to customer demand as a field total supplier and therefore to improve the availability of services and ease for our customers.

Solteq's turnover for the review period was 28.303 thousand euros (27.811 thousand euros).

Solteq's operating profit was 1.712 thousand euros (1.853 thousand euros). The operating profit for the collation period includes a total of 276 thousand EUR of one-time profit and expenses as gross.

The company's operating margin was 6.0 % (6.7 % in 2012, cleared from one-time profit and expenses 5.7 %).

### **Grocery and Special Retail, HoReCa**

Solteq's *Grocery and Special Retail* Segment provides its clients with total solutions that they can utilise to improve efficiency in terms of logistics, store operations, customer service, point of sale operations, as well as loyal customer management.

The grocery and special retail solutions help optimise the management of the product selection, space, deliveries, logistics and customer satisfaction while increasing sales and improving the result. The solutions speed up the basic operations, improve delivery reliability, reduce storage

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value, increase stock turnover and enhance predictability. The store always has the right products in the right place, at the right time, and at the right price.

During the review period the revenue of the Grocery and Special Retail segment totalled 13.2 million euros and the operating result was 0.8 million euros.

## Wholesale Trade, Logistics and Services

Solteq's *Wholesale Trade, Logistics and Services* Segment provides its clients with ERP and financial management systems, as well as optimisation, integration and reporting solutions that support these systems.

Solteq's solutions help clients manage their operations and enhance purchases, sales, stock management and reporting. The systems can be utilised to improve delivery reliability, reduce storage value, increase stock turnover and enhance predictability. Materials flow management ensures that the right goods reach the right customers at the right time, packed in an optimal manner.

Solteq's wholesale trade, logistics and services systems improve the effectiveness of operations and enable more flexible and versatile customer service. At the same time, automated data management enhances the company's internal operations. Solteq's solutions are used daily by a large number of clients representing various industries and sectors, such as wholesale, retail and public administration.

During the review period the revenue of the Wholesale Trade, Logistics and Services segment totalled 11.2 million euros and the operating result was 0.2 million euros. In the third quarter, one major project in progress had an adverse effect on the result level of the Wholesale Trade, Logistics and Services Unit. Corrective measures are, however, being taken.

## Service Business and Maintenance Management

Solteq's *Service Business and Maintenance Management* Segment provides its clients with ERP and master data management solutions.

The enterprise resource planning solutions developed for the optimisation of service processes help clients manage their operations in many ways, for instance enhance production plant reliability, task and resources management, field work, sales and customer service, partner network management and materials management. The solutions are utilised by a large number of clients representing various industries and sectors, such as energy production, maintenance services, life cycle services, engineering and technical services of cities and municipalities, property management services, and home and care services.

The *Service Business and Maintenance Management* Segment also provides client companies with services and products related to business critical data (master data) in the form of master data improvement projects, data maintenance services outsourced to master data service centres, software technologies for master data management, and consultation services. The aim of these services is to ensure that the data in the systems that support the clients' enterprise resource planning and decision making processes are of high quality, compatible and up-to-date. Solteq's master data management solutions are used by clients across industries and sectors.

During the review period the revenue of the Enterprise resource planning of services segment totalled 3.9 million euros and the operating result was 0.7 million euros.

## TURNOVER AND RESULT

Turnover increased by 1.8 % compared to the previous review period and totalled 28.303 thousand euros (previous review period 27.811 thousand euros).

Turnover consists of several individual clienteles. At the most, one client corresponds to less than ten per cent of the turnover.

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The profit for the review period was 1.712 thousand euros (1.853 thousand euros), the operating profit before taxes was 1.572 thousand euros (1.592 thousand euros) and the operating profit for the review period was 1.192 thousand euros (1.078 thousand euros).

Due to successful customer projects and the intensification and specification of own activities, the company has managed to maintain the turnover and level of EBIT at the level of the year of comparison despite the weakened general market situation.

During the second and the third quarters, we put into practice cost saving measures which are estimated to contribute to some extent to our relative profitability in the second half year.

## **BALANCE SHEET AND FINANCING**

The total assets amounted to 25.686 thousand euros (25.914 thousand euros). Liquid assets totalled 2.390 thousand euros (501 thousand euros). In addition to liquid assets the company had unused account limits totalling 1.500 thousand euros at the end of the review period. Solteq Group's interest-bearing liabilities were 5.688 thousand euros (6.674 thousand euros).

Solteq Group's equity ratio was 41.7 per cent (36.5 per cent).

## **INVESTMENTS, RESEARCH AND DEVELOPMENT**

Net investment during the review period was 713 thousand euros (7.373 thousand euros).

### **Research and development**

Solteq's research and development costs consist mainly of personnel costs. When developing basic products, it is Solteq's strategy to cooperate with global actors such as SAP, Symphony EYC and Microsoft and utilize their resources and distribution channels. Own development efforts are focused on added value products and developing tailored service concepts.

During the review period product development costs were not amortized in accordance with IFRS standards (none in the reference year, either).

## **PERSONNEL**

The number of permanent employees at the end of the review period was 287 (287). The average number of personnel during the review period was 290 (257). In the end of the review period the number of personnel could be divided as follows: Grocery and special retail, HoReCa segment: 99 people; Wholesale trade, Logistics and Services: 95 people; Service Business and Maintenance Management segment: 41 people and 52 people in shared functions.

## **RELATED PARTY TRANSACTIONS**

Solteq's related parties include the board of directors, managing director and the management team. There has not been any significant changes related parties after the 2012 year end closing.

## **SHARES, SHAREHOLDERS AND TREASURY SHARES**

Solteq Plc's equity on 30.9.2013 was 1.009.154,17 euros which was represented by 14.998.061 shares. The shares have no nominal value.

At the end of the review period, the amount of treasury shares in Solteq Plc and the group companies Solteq Management Oy's and Solteq Management Team Oy's possessions were 773.404 shares. The amount of treasury shares represented 5.2 % of the total amount of

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shares and votes at the end of the review period. The equivalent value of acquired shares was 52.039 euros.

During the review period, 2.4.2013 one flagging announcement was made. The Mutual Insurance Company Pension Fennia and LocalTapiola Mutual Pension Insurance Company will form a new Pension Company starting from 1.1.2014. The merger still requires the acceptance from the authorities and the general meeting. If the merger is realized, this leads to a situation where the new company owns more than 10 % of the shares and votes in Solteq Plc.

## Exchange and share price

During the review period, the exchange of Solteq's shares on the Helsinki Stock Exchange was 0.6 million shares (1.7 million shares) and 1.0 million euros (1.9 million euros). The highest price during the review period was 1.77 euros and the lowest price was 1.20 euros. The weighted average price of the share was 1.48 euros and the price ending was 1.55 euros. The market value of the company's shares in the end of the review period totalled 23.2 million euros (20.2 million euros).

## Ownership

At the end of the review period, Solteq had a total of 1.759 shareholders (1.809 shareholders). Solteq's 10 largest shareholders owned 11.316 thousand shares, amounting to 75.4 per cent of the company's shares and votes. Solteq Plc board members owned a total of 5.524 thousand shares which equals 36.8 per cent of the company's shares and votes.

## ANNUAL GENERAL MEETING

At Solteq Plc's Annual General Meeting on 15 March 2013 the 2012 financial statements were adopted and the members of the board and the managing director were discharged from liability for the 2012 review period.

In the meeting was accepted the proposal by the board that for the financial year 2012, there will be paid a dividend of 0.04 euros per each share on the market. In addition to this, the annual general meeting authorized the board to decide on a distribution of dividend, or other distribution of funds from the equity trust, for an amount of maximum 0.04 euros. The board is also allowed to decide on the timing and other details of this.

The Annual General Meeting authorized the board to acquire or pledge the company's own shares in such a way that the amount of own shares can be at any time maximum 10 per cent of the whole amount of company shares. With this authorization, shares can be acquired or pledged in order to develop the equity structure; or to be used as part of the personnel incentive system; or as a funding or for the realization of acquisitions of another company; or for other business arrangements; or they can be disclosed or invalidated. These shares can be acquired also in other ratios than the shareowners ownership ratio. The shares should be acquired from the public stock exchange. The board can decide on the other conditions for this procedure. This authorization is valid until next annual general meeting.

The Annual General Meeting authorized the board to decide on an issue of shares for a maximum amount of 3 000 000 new or existing shares, owned by the company, in one or several lots. The issue of shares should be implemented as a directed issue, on the contrary to shareowners subscription rights. With this authorization the board decides on all other conditions for the share issue. This authorization is valid until next Annual General Meeting.

## BOARD OF DIRECTORS AND AUDITORS

Six members were elected to the Board of Directors. Ali Saadetdin, Seppo Aalto, Markku Pietilä, Matti Roininen, Sirpa Sara-aho and Jukka Sonninen continued as members of the board. The Board elected Ali Saadetdin to act as the Chairman of the Board.

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KPMG Oy Ab, Authorized Public Accountants, is re-elected as Solteq's auditors. Lotta Nurminen, APA, was elected to act as the chief auditor.

## EVENTS AFTER THE REVIEW PERIOD

Solteq Plc concluded a significant software deal with Veljekset Halonen Ltd and Carlson Ltd Department Store Chains. That was reported 2.10.2013.

## RISKS AND UNCERTAINTIES

The key uncertainties and risks in short term are related to the timing and pricing of business deals that are the basis for revenue, changes in the level of costs and 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 of directors' and management team's duties. The company has not organized a separate internal audit organization or committee.

## PROSPECTS

Solteq Plc changes the turnover and result estimates for the whole financial year. We estimate our turnover to be approx. 38-40 million EUR and the operating profit 5-7% from the turnover (earlier our turnover estimate was 40-43 million EUR and the level of EBIT 6-9% from the turnover).

## Financial Reporting

This interim report has been prepared in accordance with the recognition and measurement principles of IFRS-standards as is Financial Statements 2012.

The financial result is reported through three business areas: Grocery and special retail, HoReCa; Wholesale Trade, Logistics and Services and Service Business and Maintenance Management. The most essential product and service types of the Solteq group of companies are software services, licenses and hardware sales.

All forecasts and estimates presented in the interim report are based on the current views of management on the economic environment and outlook. Because of this, the results can differ as a result of, among other factors, changes in economy, markets and competitive conditions, changes in the regulatory environment and other government actions.

The interim report is unaudited.

### GROUP PROFIT AND LOSS ACCOUNT (TEUR)

	1.7.- 30.9.2013	1.7.- 30.9.2012	1.1.- 30.9.2013	1.1.- 30.9.2012	1.1.- 31.12.2012
NET TURNOVER	8 587	8 521	28 303	27 811	39 016
Other operating income	4	9	12	900	900
Raw materials and					

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services	-2 335	-2 283	-6 623	-7 366	-10 369
Staff expenses	-3 944	-4 066	-14 283	-13 878	-19 304
Depreciation and impairments	-309	-320	-918	-846	-1 126
Other operating expenses	-1 370	-1 350	-4 778	-4 769	-6 386
<b>OPERATING RESULT</b>	<b>632</b>	<b>511</b>	<b>1 712</b>	<b>1 853</b>	<b>2 731</b>
Financial income and expenses	-33	-76	-140	-261	-298
<b>RESULT BEFORE TAXES</b>	<b>599</b>	<b>435</b>	<b>1 572</b>	<b>1 592</b>	<b>2 433</b>
Income taxes	-152	-102	-380	-514	-735
<b>RESULT FOR THE PERIOD</b>	<b>447</b>	<b>333</b>	<b>1 192</b>	<b>1 078</b>	<b>1 697</b>
<b>OTHER ITEMS OF TOTAL COMPREHENSIVE INCOME</b>					
Cash flow hedging	13	-25	33	-37	-45
Other items of total comprehensive income after taxes	11	-19	26	-28	-34
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>458</b>	<b>314</b>	<b>1 218</b>	<b>1 050</b>	<b>1 663</b>
Total profit for the period attributable to Owners of the parent	447	333	1 192	1 078	1 697
Total comprehensive income attributable to Owners of the parent	458	314	1 218	1 050	1 663
Earnings / share, e(undiluted)	0,03	0,03	0,08	0,08	0,12
Earnings / share, e(diluted)	0,03	0,03	0,08	0,08	0,12

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

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GROUP BALANCE SHEET (TEUR)	30.9.2013	30.9.2012	31.12.2012
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Intangible assets			
Intangible rights	3 036	3 738	3 590
Goodwill	12 730	12 728	12 728
Tangible assets	1 290	1 079	942
Investments			
Other shares and similar rights of ownership	546	537	538
Trade receivables	63	67	63
Total non-current assets	17 665	18 150	17 861
<b>CURRENT ASSETS</b>			
Inventories	131	86	126
Short-term debtors	5 500	7 177	7 867
Cash and cash equivalents	2 390	501	1 242
Total current assets	8 021	7 764	9 235
<b>TOTAL ASSETS</b>	<b>25 686</b>	<b>25 914</b>	<b>27 096</b>
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY</b>			
Share capital	1 009	1 009	1 009
Company's own shares	-933	-933	-933
Share premium account	74	74	75
Account for cash flow hedging	-23	-43	-49
Unrestricted equity fund	6 392	6 368	6 368



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Retained earnings	3 004	1 911	1 910
Result for the financial period	1 192	1 078	1 697
Total equity	10 715	9 464	10 077
Non-current liabilities			
Deferred tax liabilities	1 217	809	1 048
Other non-current liabilities	3 974	5 101	4 827
Current liabilities	9 780	10 540	11 144
Total liabilities	14 971	16 450	17 019
TOTAL EQUITY AND LIABILITIES	25 686	25 914	27 096
FINANCIAL PERFORMANCE INDICATORS (IFRS)	1-9/2013	1-9/2012	1-12/2012
Net turnover MEUR	28,3	27,8	39,0
Change in net turnover	1,8 %	42,7 %	43,7 %
Operating result MEUR	1,7	1,9	2,7
% of turnover	6,0 %	6,7 %	7,0 %
Result before taxes MEUR	1,6	1,6	2,4
% of turnover	5,6 %	5,7 %	6,2 %
Equity ratio, %	41,7	36,5	37,2
Gearing, %	30,8 %	65,2 %	51,5 %
Gross investments in non-current assets MEUR	0,7	7,4	7,4
Return on equity, %	15,8 %	19,0 %	21,2 %
Return on investment, %	14,5 %	18,8 %	20,8 %
Personnel at end of period	287	287	288
Personnel average for period	290	257	270
KEY INDICATORS PER SHARE			
Earnings / share, e	0,08	0,08	0,12
Earnings / share, e(diluted)	0,08	0,08	0,12
Equity / share, e	0,72	0,67	0,67

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## SEGMENT INFORMATION

### Turnover by segment:

Me	1-9/13	1-9/12	Change
Grocery and special retail, HoReCa	13,2	11,7	+1,5
Wholesale trade, Logistics and Services	11,2	12,4	-1,2
Service Business and Maintenance Management	3,9	3,7	+0,2
Total	28,3	27,8	+0,5

### Operating result by segment:

Me	1-9/13	1-9/12	Change
Grocery and special retail, HoReCa	0,8	0,4	+0,4
Wholesale trade, Logistics and Services	0,2	1,8	-1,6
Service Business and Maintenance Management	0,7	-0,3	+1,0
Total	1,7	1,9	-0,2

## QUARTERLY KEY INDICATORS (MEUR)

	4Q/11	1Q/12	2Q/12	3Q/12
Net turnover	7,65	8,85	10,40	8,52
Operating result	0,47	0,95	0,39	0,51
Result before taxes	0,43	0,84	0,32	0,44

  

	4Q/12	1Q/13	2Q/13	3Q/13
Net turnover	11,21	9,99	9,73	8,59
Operating result	0,88	0,54	0,54	0,63
Result before taxes	0,84	0,48	0,49	0,60

## CASH FLOW STATEMENT (MEUR)

	1-9/2013	1-9/2012	1-12/2012
Cash flow from business operations	3,19	0,80	2,28
Cash flow from capital expenditure	-0,72	-5,96	-5,95
Cash flow from financing activities			
Own shares	0,00	-0,10	-0,10

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Dividend distribution	-0,60	0,00	0,00
Return of equity (paid)	0,00	0,00	-0,45
Directed issue	0,00	3,02	3,02
Loan agreements	-0,72	2,46	2,17
Cash flow from financing activities	-1,32	5,38	4,64

Change in cash and cash equivalents	1,15	0,22	0,97
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TOTAL INVESTMENTS (TEUR)

	1-9/2013	1-9/2012	1-12/2012
Continuing operations, group total	713	7 373	7 439

LIABILITIES (MEUR)

	30.9.2013	30.9.2012	31.12.2012
Company guarantee for credit limits	10,00	10,00	10,00
Lease contracts, machinery & equipment	0,05	0,30	0,10
Lease liability, premises	3,51	4,26	4,08

MAJOR SHAREHOLDERS SEPTEMBER 30, 2013

	Shares and votes	
	Number	%
1. Saadetdin Ali	3 481 383	23,2
2. Eläke-Fennia Keskinäinen vakuutusyhtiö	2 000 000	13,3
3. Profiz Business Solution Oyj	1 747 180	11,6
4. Aalto Seppo	1 662 206	11,1
5. Keskinäinen Työeläkevakuutusyhtiö Varma	644 917	4,3
6. Pirhonen Jalo	513 380	3,4
7. Solteq Management Oy	400 000	2,7
8. Roininen Matti	360 000	2,4
9. Solteq Management Team Oy	350 000	2,3
10. Saadetdin Katiye	156 600	1,0
10 largest shareholders total	11 315 666	75,4 %
Total of nominee-registered	19 987	0,1 %
Others	3 662 408	24,4 %
Total	14 998 061	100 %

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## STATEMENT OF CHANGES IN GROUP EQUITY (TEUR)

A=Share capital

B=Company's own shares

C=Share premium account

D=Account for cash flow  
hedging

E=Unrestricted equity fund

F=Retained earnings

G=Total

	A	B	C	D	E	F	G
EQUITY 1.1.2012	1 009	-835	75	-14	3 800	1 910	5 945
Total comprehensive income				-28		1 078	1 050
Acquiring of own shares		-99					-99
Directed issue					3 017		3 017
Return of equity (paid)					-449		-449
EQUITY 30.9.2012	1 009	-934	75	-42	6 368	2 988	9 464
EQUITY 1.1.2013	1 009	-933	75	-49	6 368	3 607	10 077
Total comprehensive income				26		1 192	1 218
Directed issue					24		24
Dividend distribution						-603	-603
EQUITY 30.9.2013	1 009	-933	75	-23	6 392	4 196	10 715

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## CALCULATION OF FINANCIAL RATIOS

Solvency ratio, in percentage

$$\frac{\text{equity}}{\text{balance sheet total - advances received}} \times 100$$

Gearing

$$\frac{\text{interest bearing liabilities - cash, bank balances and securities}}{\text{equity}} \times 100$$

Return on Equity (ROE) in percentage

$$\frac{\text{profit or loss before taxation - taxes}}{\text{equity}} \times 100$$

Profit from invested equity in percentage

$$\frac{\text{profit or loss before taxation + interest expenses and other financing expenses}}{\text{balance sheet total - non-interest bearing liabilities}} \times 100$$

Earnings per share

$$\frac{\text{pre-tax result - taxes +/- minority interest}}{\text{diluted average share issue corrected number of shares}}$$

Diluted earnings per share

$$\frac{\text{diluted profit before taxation - taxes +/- minority interest}}{\text{diluted average share issue corrected number of shares}}$$

Equity per share

$$\frac{\text{equity}}{\text{number of shares}}$$

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**Financial Reporting**

Solteq Plc estimates to publish the financial statements bulletin from the financial year 2013 February 14, 2014 at 9.00 am

More investor information is available from Solteq's website at [www.solteq.com](http://www.solteq.com)

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