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SOLTEQ

Q2 2016
Interim Report
1 Jan–30 Jun 2016

Q2 2016

Interim Report

1 Jan–30 Jun 2016

PROFIT GUIDANCE 2016

Solteq Group's revenue is expected to grow significantly compared to financial year 2015. The operating result and the adjusted operating profit are expected to grow compared to financial year 2015 as well.

The expected growth of revenue and operating profit is mainly related to the M&A activity completed during the previous financial year and during the review period. In addition the cost synergies arising from the M&A activity are expected to be realized mainly during the year 2016.

Solteq in brief

Solteq is an expert in digital commerce. We deliver comprehensive solutions for digital commerce under one roof: from back-office processes to customer experience – from supply chain management to online marketing. We have the passion to deliver the unexpected – in a fast-changing world our customers need a partner who can deliver today what they need tomorrow. We employ ca. 500 experts in three different countries and we make deliveries to Europe, North America, Asia and Australia.

Revenue and operating profit developed as expected, focusing on omnichannel and digital commerce continues

- Revenue totalled 31.8 million euros (19.0 million euros)
- Operating profit was 5,735 thousand euros (1,119 thousand euros). The impact of the business divested in the first quarter on the operating result was –212 thousand euros.
- Adjusted operating profit was 1,606 thousand euros (1,119 thousand euros). The nonrecurring income and costs related to the divestment of MainIoT Software Ltd totalled +4,129 thousand euros.
- Solteq Group's equity ratio was 32.4% (52.0%).
- Earnings per share was 0.29 euros (0.06 euros)
- As a part of the strategic focusing on the omnichannel and digital commerce solutions, the company decided to sell the entire share capital of MainIoT Software Ltd that provides software solutions for maintenance and services management.
- Solteq initiated an efficiency programme to improve the profitability in a few business areas
- In the review period, Solteq published the new strategy, in which the key elements are digital commerce, growth and internationalisation.

KEY FIGURES

	4–6/16	4–6/15	Change–%	1–6/16	1–6/15	Change–%	1–12/15
Revenue, TEUR	16,402	9,824	67.0	31,775	18,958	67.6	54,215
Operating profit, TEUR	816	655	24.6	5,735	1,119	412.5	1,288
Adjusted operating profit, TEUR	874	655	33.4	1,606	1,119	43.5	2,990
Profit for the financial, TEUR	487	538	–9.5	4,879	881	453.8	102
Earnings/share, e	0.02	0.04	–50.0	0.29	0.06	379.4	0.01
Operating profit-%	5.0	6.7	–25.3	18.0	5.9	205.1	2.4,
Equity ratio, %	32.4	52.0	–37.8	32.4	52.0	–37.8	24.4,

New strategy, focus on digital commerce and improved profitability



We are an expert in digital commerce. We offer comprehensive solutions for multichannel and digital commerce: backend processes all the way to customer experience – from supply chain management to digital marketing. This is the core, the mission and the goal of our business operations.

Our performance in the past quarter and the first half year was mainly positive and met our expectations.

The most positive development in terms of the revenue and operating profit was seen in the key strategic areas. At the same time, we had a few business units in which the improvement of profitability required special measures. Improvements were started in the first quarter, and results will be seen towards the end of the year.

An example of the strength of our strategy is the framework agreement with the Mustija Mirri Group Oy on the delivery of a retail business solution to the Finnish, Swedish and Norwegian markets that we published at the beginning of July. During the latter part of the year, we will strengthen the part of our operations that is related to digital commerce.

The key elements of our strategy are digital commerce, growth and internationalisation. In the Nordic countries, we will focus on solutions for retail chains and digital commerce. Globally, digital commerce solutions is in the core of our strategy. In Finland, we will mainly grow organically, but in the Nordic countries and globally, we also aim at being active in mergers and acquisitions to implement our strategy. Strategic action plans to improve growth and profitability are being implemented to ensure that we will stay ahead our competitors.

The positive development of our main financial key figures has continued, which means that we are well prepared for implementing our strategic measures.

We will estimate the competitiveness of our solution offering in the Nordic market to allow us to strengthen our main strategic areas if necessary. At the same time, we believe that focusing on certain solutions will enhance our operations.

The excellent contribution of our experts has taken us huge steps forward, and I am pleased with our achievements in this respect. The feedback that we have received on our recent development and strategy outlines has been extremely promising from our experts and clients. The structural change that we are implementing is clearly the right way to grow and develop in view of the drastic changes taking place in the digital world.

We will maintain our earlier profit guidance concerning the revenue and operating profit for 2016.

We wish all our stakeholders an excellent summer season!

Repe Harmanen
CEO

Business environment and business development

Solteq is an expert in digital commerce. We offer comprehensive solutions for omnichannel commerce: backend processes extend all the way to the customer experience – from supply chain management to digital marketing. Solteq offers its clients know-how in the field of commerce, service and industry.

Solteq Group's business is divided into two segments: Customer Solutions and Digital Solutions. The segmentation, which is adopted in the beginning of the year 2016, reflects company's growth into digital commerce service provider.

Solteq's Digital Solutions Segment offers its clients the following:

- Services and consultation related to digital commerce and supply chain management
- Digital marketing and analytics services
- Customer experience planning and implementation services
- Master data and master data integration services
- Customised continuous service packages

During the review period the revenue of the Digital Solutions segment totalled 16.1 million euros (3.8 million euros) and the operating result was 1.3 million euros (0.2 million euros).

The business of the Digital Solutions Segment has developed as planned during the review period. The huge growth leap in Digital Solutions Segment is mainly due to the Descom's acquisition made last accounting period. Substantial part of the Descom's business is now presented in the segment as well as the similar synergic businesses from Solteq. This new business area is presented in the Group's figures starting from Q3/2015.

Solteq's Customer Solutions Segment offers its clients the following:

- Integrated total solutions related to logistics, store operations, restaurant operations, customer service, payments and management of loyal customer relationships to enhance business operations
- ERP and financial management systems and related optimisation, integration and application management services and reporting solutions
- MainIoT Software Ltd, divested as published on 1 March 2016, is reported as a part of the Customer Solutions segment until 29 February 2016. During the review period, the effect of MainIoT Software Ltd on the revenue of the segment was +0.6 million euros and the effect on the operating profit was –0.2 million euros.

During the review period the revenue of the Customer Solutions segment totalled 15.6 million euros (15.2 million euros) and the operating result was 0.3 million euros (0.9 million euros).

The business of Customer Solutions Segment consists from the parts of original business areas of Solteq, synergic business areas of Descom and the business of MainIoT Software for the two months period. The impact on the operating result of the sold business for the review period is –0.2 million euros.

On 23 June Solteq announced that it will initiate an efficiency programme concerning commerce back-end system solutions. The results of the efficiency programme are expected to be realized during the end of the year.

Divestment of MainIoT Software Ltd

In the end of February Solteq sold the entire share capital of MainIoT Software Ltd, its fully owned subsidiary, to IFS Group. Debt free purchase price of MainIoT Software Ltd was about 7.4 million euros. An additional purchase price of 0.6 million euros within next two years is conditional of fulfilment of certain objectives set for the acquired business by the purchaser.

The auditing and payment process of the purchase price was completed during the second quarter of the year. The capital gain arising from the divestment of the subsidiary is 4.1 million euros and it is presented as other income in the financial result of the review period.

Strategic outlines of the new merged company

On 25 May 2016 we published the new growth strategy, which focuses on international digital commerce and improvement of the customer experience.

During the new strategy period, our goal is to grow Solteq into a new size category by focusing on digital commerce services that will improve our client's business operations. Our services will help our clients increase their revenue and improve their competitive advantages in the world of globalisation and digitalisation. Multichannel commerce is here to stay, and understanding and meeting the customer in all the channels are important ways of increasing sales and enhancing operations. We will grow domestically by expanding the overall digital commerce offering and internationally by operating in the Nordic countries and with our global clients. We are a visionary expert of multichannel and digital commerce.

Our long-term financial targets are:

KEY FIGURE:	TARGET
Minimum average annual increase in turnover	20%
Operating profit %	8%
Net debt / EBITDA	< 3.5
Dividend, approx. % of the net profit	30%

REVENUE AND RESULT

Turnover by operation:

%	1-6/16	1-6/15	1-12/15
Software services	82	67	72
Licenses	17	27	25
Hardware	1	6	3

Revenue increased by 67.6 per cent compared to the previous year and totalled 31,775 thousand euros (previous review period 18,958 thousand euros).

Revenue consists of several individual customerships. At the most, one client corresponds to less than ten percentages of the revenue.

From the beginning of the financial year 2016 the company has adopted the sales margin (Calculation of Financial Ratios) as an operative financial performance indicator to measure the growth. In future the sales margin is commented as a part of the financial indicators of the interim report. The sales margin for the review period was 24,064 thousand euros (14,484 thousand euros).

The operating result for the review period was 5,735 thousand euros (1,119 thousand euros). The adjusted operating result increased 44% and was 1,606 thousand euros (1,119 thousand euros).

Result before taxes was 4,895 thousand euros (1,074 thousand euros) and result for the financial year was 4,879 thousand euros (881 thousand euros).

BALANCE SHEET AND FINANCE

The total assets amounted to 63,367 thousand euros (22,902 thousand euros). Liquid assets totalled 9,538 thousand euros (1,135 thousand euros). In addition to liquid assets, the company has unused bank account limits amounting to a total of 2,000 thousand euros in the end of the review period and in addition the company has an unused standby credit limit amounting to a total of 4,000 thousand euros.

The Group's interest-bearing liabilities were 27,816 thousand euros (3,569 thousand euros). The Group's net liabilities were 18,278 thousand euros (2,434 thousand euros).

On 1 July 2015 Solteq Plc issued an unsecured bond of 27 million euros. The five-year bond carries a fixed annual interest of 6 per cent. The financial covenants concerning the distribution of funds and incurring financial indebtedness other than permitted in the terms of the Bond (Incurrence Covenant) require that at any agreed review date, the Equity Ratio exceeds 27.5 per cent, the Interest Coverage Ratio (EBITDA / net interest cost) exceeds 3.00:1 and that the Group's Net Interest Bearing Debt to EBITDA ratio does not exceed 3.50:1.

Solteq Group's equity ratio was 32.4 per cent (52.0%).

The divestment of the MainIoT Software Ltd during the review period improved significantly the liquidity of Solteq Group's balance sheet and improved the equity ratio as well. As a part of its continuous work Company's Board of directors monitors the alternative ways to improve Company's business operations and balance sheet structure in current situation.

INVESTMENTS, RESEARCH AND DEVELOPMENT

Gross investment during the review period was +2,752 thousand euros (–76 thousand euros). 65 thousand euros of the gross investments of the financial period are replacement investments and 3,285 thousand euros were divestments mainly related to the sale of the share capital of MainIoT Software Oy. Investments in the reference period are mainly replacement investments.

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 IBM, 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 (none in the reference period, either).

PERSONNEL

The number of permanent employees at the end of the review period was 465 (281). In the end of the review period the number of personnel could be divided as follows: Solteq's Digital Solutions segment: 198 people, Solteq's Customer Solutions segment: 198 people and 69 people in shared functions. The number of employees of the MainIoT Software Ltd, sold during the review period, was 41 people at the time of the transaction.

Key figures for Group's personnel:

	1–6/16	1–6/15	1–6/14
Average number of the personnel during the review period (rolling 12 months)	489	276	283
Employee benefit expenses (1,000 €)	13,189	7,730	7,995

RELATED PARTY TRANSACTIONS

Solteq's related parties include the board of directors, managing director and the management team.

Information on related party transactions and the amounts are presented in tables presented in the end of this financial statement bulletin.

SHARES, SHAREHOLDERS AND TREASURY SHARES

Solteq Plc's equity on 30 June 2016 was 1,009,154.17 euros which was represented by 17,798,059 shares. The shares have no nominal value. All shares have an equal entitlement to dividends and company assets. Shares are governed by a redemption clause.

At the end of the review period, the amount of treasury shares in Solteq was 825,881 shares. The amount of treasury shares represented 4,6 per cent of the total amount of shares and votes at the end of the review period. The equivalent value of acquired shares was 46,828 euros.

No flagging announcements were made during the review period.

Exchange and rate

During the financial year, the exchange of Solteq's shares in the Helsinki Stock Exchange was 0.9 million shares (0.6 million shares) and 1.6 million euros (1.0 million euros). Highest rate during the financial year was 1.96 euros and lowest rate 1.50 euros. Weighted average rate of the share was 1.69 euros and end rate 1.70 euros. The market value of the company's shares in the end of the financial year totalled 30.3 million euros (23.7 million euros).

Ownership

In the end of the financial year, Solteq had a total of 1,942 shareholders (1,683 shareholders). Solteq's 10 largest shareholders owned 13,371 thousand shares i.e. they owned 75.1 per cent of the company's shares and votes. Solteq Plc's members of the board own personally 15 thousand shares on 30 June 2016.

ANNUAL GENERAL MEETING

At Solteq Plc's Annual General Meeting on 16 March 2016 the 2015 financial statements were adopted and the members of the board and the managing director were discharged from liability for the 2015 financial period.

The Board of Directors' proposal of to the General Meeting that no dividend will be paid from the financial period ended on 31 December 2015 was accepted.

The Annual General Meeting decided to change the Company's domicile to Vantaa.

The Annual General Meeting authorized the Board of Directors to decide on share issue, carried out with or without payment and on issuing share options, and other special rights referred to in Chapter 10, Section 1 of the Finnish Companies Act as follows:

The maximum total amount of shares or other rights is 5,000,000. The authorization includes the right to give new shares or convey company's own shares. The authorization includes both issuing new shares and rights as well as giving the own shares of the company. The authorization includes a right to deviate from the shareholders' pre-emptive right of subscription if there is a significant reason in company's opinion, e.g. to improve the capital structure, to finance and execute business acquisitions and other business improvement arrangements or to be used as a part of remuneration of personnel. The authorization includes that the board of directors may decide the terms and other matters concerning the share issue. The authorization is effective until the next Annual General Meeting, however, no longer than until 30 April 2017.

BOARD OF DIRECTORS AND AUDITORS

At Solteq Plc's Annual General Meeting on 16 March 2016, six members were elected to the Board of Directors: Aarne Aktan, Eeva Grannenfelt, Kirsi Harra-Vauhkonen, Markku Pietilä, Mika Uotila and Olli Väättäin.

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

In the Board meeting, held after the Annual General Meeting, Mika Uotila was elected as the Chairman of the Board. In addition the Board of Directors decided to appoint the Audit Committee. The members of the Audit Committee are Aarne Aktan, Markku Pietilä and Mika Uotila. Markku Pietilä acts as the Chairman of the Audit Committee.

EVENTS AFTER THE REVIEW PERIOD

No events requiring reporting have taken place after the review period.

RISKS AND UNCERTAINTIES

The key uncertainties and risks in short term are related to the management of changes in financing and balance sheet structures, 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. In addition, the Company has the Audit Committee appointed by the Board of Directors.

Financial reporting

This Interim Report 1 January–30 June 2016 has been prepared in accordance with IAS 34 Interim Financial Reporting standard and using the same accounting policies as the financial statements 2015.

The financial result is reported through two business segments. Solteq's Digital Solutions Segment includes services and consultation related to digital commerce and supply chain management, digital marketing and analytics services, customer experience planning and implementation services, master data and master data integration services and customised continuous service packages. Solteq's Customer Solutions Segment includes integrated total solutions related to logistics, store operations, restaurant operations, customer service, payments and management of loyal customer relationships to enhance business operations as well as ERP and financial management systems and related optimisation, integration and application management services and reporting solutions. MainIoT Software Ltd, divested as published on 1 March 2016, is reported as a part of the Customer Solutions -segment until 29 February 2016.

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 bulletin 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.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(The interim report is unaudited.)

(TEUR)	1 APR–30 JUN 2016	1 APR–30 JUN 2015	1 JAN–30 JUN 2016	1 JAN–30 JUN 2015	1 JAN–31 DEC 2015
REVENUE	16,402	9,824	31,775	18,958	54,215
Other income	–25	0	4,162	0	125
Materials and services	–4,446	–2,308	–7,711	–4,474	–15,153
Employee benefit expenses	–8,470	–4,874	–16,579	–9,520	–26,374
Depreciation	–457	–325	–950	–661	–1,782
Other expenses	–2,187	–1,662	–4,962	–3,184	–9,744
OPERATING RESULT	816	655	5,735	1,119	1,288
Financial income and expenses	–420	–16	–840	–45	–984
RESULT BEFORE TAXES	397	639	4,895	1,074	305
Income tax expenses	90	–101	–16	–193	–203
RESULT FOR THE FINANCIAL PERIOD	487	538	4,879	881	102
OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS:					
Cash flow hedges	0	0	0	9	29
Other comprehensive income, net of tax	0	0	0	7	23
TOTAL COMPREHENSIVE INCOME	487	538	4,879	888	125
Total profit for the period attributable to owners of the parent	487	538	4,879	881	102
Total comprehensive income attributable to owners of the parent	487	538	4,879	888	125
Earnings/share, e (undiluted)	0.02	0.04	0.29	0.06	0.01
Earnings/share, e (diluted)	0.02	0.04	0.29	0.06	0.01

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

CONSOLIDATED BALANCE SHEET

(TEUR)	30 JUN 2016	30 JUN 2015	31 DEC 2015
ASSETS			
NON-CURRENT ASSETS			
Tangible assets	2,043	1,421	2,032
Intangible assets			
Goodwill	34,261	12,730	35,235
Other intangible assets	1,869	1,877	4,958
Available-for-sale financial assets	571	552	987
Trade and other receivables	260	15	207
Total non-current assets	39,004	16,595	43,419
CURRENT ASSETS			
Inventories	14	41	23
Trade and other receivables	14,811	5,130	18,190
Cash and cash equivalents	9,538	1,135	2,619
Total current assets	24,363	6,307	20,832
TOTAL ASSETS	63,367	22,902	64,251

EQUITY AND LIABILITIES

TEUR	30 JUN 2016	30 JUN 2015	31 DEC 2015
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Share capital	1,009	1,009	1,009
Share premium reserve	75	75	75
Hedging reserve	0	-16	0
Reserve for own shares	-1,109	-1,109	-1,109
Distributable equity reserve	10,449	6,064	10,449
Retained earnings	9,817	5,763	4,983
Total equity	20,241	11,786	15,407
Non-current liabilities			
Deferred tax liabilities	802	514	1,019
Financial liabilities	27,816	1,770	27,385
Current liabilities	14,508	8,832	20,440
Total liabilities	43,126	11,116	48,844
TOTAL EQUITY AND LIABILITIES	63,367	22,902	64,251

CASH FLOW STATEMENT

(MEUR)	1-6/2016	1-6/2015	1-12/2015
Cash flow from business operations	1.34	0.36	0.4
Cash flow from capital expenditure	6.49	-0.03	-16.5
Cash flow from financing activities			
Own shares	0.00	-0.37	-0.43
Dividend distribution	0.00	-0.45	-0.45
Loan agreements	-0.91	-0.91	17.07
Cash flow from financing activities	-0.91	-1.73	16.19
Change in cash and cash equivalents	6.92	-1.40	0.09

The net cash flow +6,700 thousand euros arising from the divestment of the subsidiary MainIoT Software Ltd is presented in the cash flow from capital expenditure.

STATEMENT OF CHANGES IN GROUP EQUITY

(TEUR)	SHARE CAPITAL	RESERVE FOR OWN SHARES	SHARE PREMIUM ACCOUNT	HEDGING RESERVE	DISTRIB-UTABLE EQUITY RESERVE	RETAINED EARNINGS	TOTAL
EQUITY 1 JAN 2015	1,009	-1,069	75	-23	6,392	5,328	11,712
Total comprehensive income				7		881	888
Transactions with owners							
Own shares acquired		-40			-389		-429
Fees for the board members in the form of treasury shares					61		61
Dividend distribution						-447	-447
Transactions with owners		-40			-328	-447	-815
EQUITY 30 JUN 2015	1,009	-1,109	75	-16	6,064	5,763	11,786
EQUITY 1 JAN 2016	1,009	-1,109	75	0	10,449	4,983	15,407
Total comprehensive income						4,879	4,879
Translation difference						-45	-45
EQUITY 30 JUN 2016	1,009	-1,109	75	0	10,449	9,817	20,241

SEGMENT INFORMATION

Turnover by segment:

Me	1-6/16	1-6/15	CHANGE
Digital Solutions	16.1	3.8	+12.4
Customer Solutions*	15.6	15.2	+0.5
Total	31.8	19.0	+12.8

*The subsidiary sold during the review period is included in Customer Solutions segment 1-2/2016 and 1-6/2015

Operating result by segment:

Me	1-6/16	1-6/15	CHANGE
Digital Solutions	1.3	0.2	+1.1
Customer Solutions*	0.3	0.9	-0.6
Total	1.6	1.1	+0.5

*The subsidiary sold during the review period is included in Customer Solutions segment 1-2/2016 and 1-6/2015

QUARTERLY KEY INDICATORS

(MEUR)	3Q/14	4Q/14	1Q/15	2Q/15
Net turnover	8.33	12.22	9.13	9.82
Operating result	0.44	0.91	0.46	0.66
Result before taxes	0.41	0.86	0.44	0.64
	3Q/15	4Q/15	1Q/16	2Q/16
Net turnover	14.90	20.36	15.37	16.40
Operating result	-0.06	0.23	4.92	0.82
Result before taxes	-0.55	-0.22	4.50	0.40

TOTAL INVESTMENTS

(TEUR)	1-6/2016	1-6/2015	1-12/2015
Continuing operations, group total	-2,752	76	23,259
LIABILITIES (MEUR)	30 JUN 2016	30 JUN 2015	31 DEC 2015
Business mortgages	10.00	10.00	10.00
Other lease liabilities	0.15	0.10	0.25
Lease liabilities for premises	5.49	4.53	6.20
RELATED PARTY TRANSACTIONS (TEUR)	30 JUN 2016	30 JUN 2015	31 DEC 2015
Renting arrangements	0	42	80
Sales to group company	0	0	70
Outsourcing expenses	0	0	3
Purchasing the capital stocks of the Management companies	0	0	383

Transactions with the insiders have been done at market price and are part of the company's normal software service business.

FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The fair values of the financial assets and liabilities are mainly the same as the book values on both 30 June 2016 and 30 June 2015. Hence they are not presented in table form in the bulletin.

MAJOR SHAREHOLDERS 30 JUNE 2016

	Shares and votes	
	NUMBER	%
1. Sentica Buyout III Ky	4,621,244	26.0
2. Keskinäinen Työeläkevakuutusyhtiö Elo	2,000,000	11.2
3. Profiz Business Solution Oyj	1,781,790	10.0
4. Saadetdin Ali	1,400,000	7.9
5. Keskinäinen Työeläkevakuutusyhtiö Varma	1,245,597	7.0
6. Solteq Oyj	825,881	4.6
7. Aalto Seppo	671,882	3.8
8. Roininen Matti	420,000	2.4
9. Lamy Oy	225,000	1.3
10. Sentica Buyout III Co-Investment	180,049	1.0
10 largest shareholders total	13,371,443	75.1
Total of nominee-registered	142,294	0.8
Others	4,284,322	24.1
Total	17,798,059	100.0

FINANCIAL PERFORMANCE INDICATORS (IFRS)

	1-6/2016	1-6/2015	1-12/2015
Net turnover MEUR	31.8	19.0	54.2
Change in net turnover	67.6	-7.0	32.5
Operating result MEUR	5.7	1.1	1.3
% of turnover	18.0	5.9	2.4
Result before taxes MEUR	4.9	1.1	0.3
% of turnover	15.4	5.7	0.6
Equity ratio, %	32.4	52.0	24.4
Gearing, %	90.3	20.7	167.4
Gross investments in non-current assets MEUR	-2.8	0.1	23.3
Return on equity, %	18.4	15.5	0.8
Return on investment, %	15.2	14.7	4.5
Personnel at end of period	465	281	500
Personnel average for period	489	276	391

KEY INDICATORS PER SHARE

Earnings/share, e	0.29	0.06	0.01
Earnings/share, e (diluted)	0.29	0.06	0.01
Equity/share, e	1.19	0.79	0.91

Alternative performance measures to be used by Solteq in financial reporting

The new guidelines of the European Securities and Markets Authority (ESMA) on Alternative Performance Measures (APM) entered into force on 3 July 2016. In response to the new regulations, Solteq has revised its terminology related to financial key figures.

Solteq uses alternative performance measures to describe the company's underlying financial performance and to improve the comparability between reporting periods. The alternative performance measures should not be regarded as indicators that replace the financial key figures as defined in IFRS standards.

As from the second quarter of 2016, Solteq's new definition for the earlier term "excluding (or before) non-recurring items" will be "adjusted". Operating profit (EBIT) excluding non-recurring items will be replaced by adjusted operating profit.

Solteq's other alternative performance measures will be sales margin, equity ratio, gearing, return on equity, profit from invested equity and net debt. The calculation principles of these financial key figures are presented as part of this interim report, and their contents correspond to the principles applied in the first interim report for 2016.

The adjusted items and alternative performance measures in terms of the new terminology are the following:

Adjusted items:

Transactions that are not related to the regular business operations or valuation items that do not affect the cash flow but have an important impact on the income statement are adjusted as items that affect comparability. These non-recurring items may include the following:

- Significant restructuring arrangements and related financial items
- Impairments
- Items related to the sale or discontinuation of significant business operations

- Costs incurred by the reorganisation of operations
- Costs incurred by the integration of acquired business operations
- Non-recurring severance packages
- Fee items that are not based on cash flow
- Costs incurred by changes in legislation
- Fines and similar indemnities, damages and legal costs

Adjusted operating profit (EBIT)

Adjusted operating profit = Operating profit – adjustment items

By their contents, the definitions correspond to the financial key figures reported earlier as "excluding non-recurring items".

The reconciliations of the adjusted operating to operating profit are presented in the table below:

TEUR	Q2/16	Q1/16	Q4/15	Q3/15	Q2/15	Q1/15	2015
Adjusted operating profit (EBIT)	874	732	1,143	728	655	464	2,990
Adjustment items:							
Divestment of MainIoT Software Ltd	58	-4,187	0	0	0	0	0
Acquisition of Descom Group Ltd	0	0	31	789	0	0	820
Integration of Descom Group Ltd	0	0	882	0	0	0	882
Adjustment items, total	58	-4,187	913	789	0	0	1,702
Operating profit (EBIT)	816	4,919	230	-61	655	464	1,288

CALCULATION OF FINANCIAL RATIOS

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

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

$$\text{Return on Equity (ROE) in percentage: } \frac{\text{profit or loss before taxation} - \text{taxes (rolling 12 months)}}{\text{equity (average during the period)}} \times 100$$

$$\text{Profit from invested equity in percentage: } \frac{\text{profit or loss before taxation} + \text{interest expenses and other financing expenses (rolling 12 months)}}{\text{balance sheet total} - \text{non-interest bearing liabilities (average during the period)}} \times 100$$

$$\text{Earnings per share: } \frac{\text{pre-tax result} - \text{taxes} \pm \text{minority interest}}{\text{diluted average share issue corrected number of shares}}$$

$$\text{Diluted earnings per share: } \frac{\text{diluted profit before taxation} - \text{taxes} \pm \text{minority interest}}{\text{diluted average share issue corrected number of shares}}$$

$$\text{Equity per share: } \frac{\text{equity}}{\text{number of shares}}$$

$$\text{Sales margin: Revenue} - \text{Materials and services}$$

Q2 2016

Interim Report

1.1.–30.6.2016

FINANCIAL REPORTING

Solteq Plc's financial information bulletins in 2016 have been scheduled as follows:

- Interim report 1–9/2016 on Tuesday 25 October 2016 at 8.00 am

More investor information is available from Solteq's website at www.solteq.com.

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