



# SOLTEQ

**Q3 2016**  
Interim Report  
1 Jan–30 Sep 2016

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## Interim Report

### 1 Jan–30 Sep 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.

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#### **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.

# The year of sowing the seeds and sprouting the new greenish crop of international growth – focusing on omnichannel and digital commerce continues

- Revenue totalled 45.3 million euros (33.9 million euros)
- Operating profit was 5,742 thousand euros (1,058 thousand euros). The impact of the business divested in the first quarter on the operating result was –212 thousand euros.
- Adjusted operating profit was 2,209 thousand euros (1,847 thousand euros).
- Solteq Group's equity ratio was 32.4% (27.1%).
- Earnings per share was 0.26 euros (0.03 euros).
- In the review period, Solteq published the new strategy, in which the key elements are digital commerce, growth and internationalization.
- As part of its strategic focus on multi-channel and digital commerce, Solteq decided to sell its subsidiary MainIoT Software Oy, which supplied service and maintenance systems, in the first quarter of the year. In the third quarter of the year, it decided to establish a dedicated omnichannel competence center of excellence that would serve Nordic retailers.
- During the third quarter of the year we won many new customer projects in Finland as well as internationally.
- After the review period, at the same time with the interim report, we published that we have acquired the entire share capital of Swedish Aponsa AB. The acquisition executes the strategy focusing on digital commerce and international growth. A separate stock exchange bulletin on the acquisition has been published on 25 October 2016. Related to another discontinued acquisition an adjustment item totaling to 503 thousand euros is recognized during the review period.

## KEY FIGURES

	7–9/16	7–9/15	Change-%	1–9/16	1–9/15	Change-%	1–12/15	Rolling 12 months
Revenue, TEUR	13,570	14,900	–8.9	45,345	33,858	33.9	54,215	65,702
Operating profit, TEUR	7	–61	–111.5	5,742	1,058	442.7	1,288	5,972
Adjusted operating profit	603	728	–17.2	2,209	1,847	19.6	2,990	3,352
Result for the financial period, TEUR	–485	–442	9.7	4,394	439	900.9	102	4,058
Earnings/share, e	–0.03	–0.03	0.0	0.26	0.03	766.7	0.01	0.25
Operating profit-%	0.1	–0.4		12.7	3.1		2.4	9.1
Adjusted operating profit	4.4	4.9		4.9	5.5		5.5	5.1
Equity ratio, %	32.4	27.1		32.4	27.1		24.4	32.4

# Strategic actions, new projects and focus on the final spurt towards the end of the year



**During the third quarter of the year, we won several new client projects. We have released information on some of them, but the contractual extent of others has not reached the limit set in our stock exchange release policy.**

At the review period level, our revenue grew as expected, and our operative profitability improved. The slight decline in the revenue for the third quarter was partly due to the changes that took place in the operating environments of some of our long-term clients, but the rationalisation programmes and more flexible cost structures have maintained and improved relative profitability.

The key elements of our strategy are digital commerce, growth and internationalisation. In the Nordic countries, we will focus on solutions for chain-based and digital commerce. Globally, digital commerce solutions will be 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.

From strategic point of view, our most significant client project was the framework agreement with the Musti ja Mirri Group Oy concerning the delivery of a retail business solution to the Finnish, Swedish and Norwegian markets that we published in the review period. This is an excellent example of the implementation of our strategy and its goals. We will continue this work systematically and strengthen these areas both geographically and operationally. At the same time, we have also started collaboration with a few new digital commerce clients in Europe.

At the end of the past quarter, a total of about 10 new top experts joined Solteq and started to work in our key business areas in Finland, Sweden and Poland. During the last few months of the year, we will continue recruiting in these areas. The establishment and the expansion of the Magento Omncommerce Competence Center, which we published some time ago, will also increase the number of employees both in Finland and abroad.

A significant factor related to the third quarter is a non-recurring cost item for a company acquisition project. However, we decided to discontinue the process due to

the risks involved. The risk of a negative development was also too high in terms of the owner value. At the same time with this interim report we published a release of another, successful company acquisition.

The last quarter of the year will be full of activity, and our aim is to successfully complete several concurrent digital commerce projects with our clients. During the last few months of the year, we will continue our investments in strategic areas in Finland, Sweden and Poland. In this way, we will create growth for years to come.

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

**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 22.9 million euros (11.0 million euros) and the operating result was 1.7 million euros (0.8 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. At the quarter-year level the figures are comparable from Q3/2016.

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 22.5 million euros (22.9 million euros) and the operating result was 0.5 million euros (1.1 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 co-operation negotiations related to the efficiency programme concerning commerceback-end system solutions announced in the previous quarter has ended. The negotiations resulted in the lay offs of 8 employees.

## Divestment of MainIoT Software Ltd

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%

### Growth investment in digital commerce – Omncommerce Competence Center for Nordic customers to be launched

During the review period, we made a decision to invest in the growth of online retail by establishing an omncommerce competence center. The competence center will especially serve medium-sized Nordic retailers. The center of excellence will supplement Solteq's current solution offering.

The target of the growth investment is to give work to 40–50 online retail and Magento technology experts in Finland and in Sweden during next 12 months. The recruitments have started in the fourth quarter of this year.

The omncommerce competence center will be reported in the Digital Solutions Segment.

### REVENUE AND RESULT

#### Turnover by operation:

%	1–9/ 16	1–9/ 15	1–12/ 15
Software services	80	71	72
Licenses	19	25	25
Hardware	1	4	3

Revenue increased by 33.9 per cent compared to the corresponding period previous year and totalled 45,345 thousand euros (previous review 33,858 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 33,455 thousand euros (24,835 thousand euros).

The operating result for the review period was 5,742 thousand euros (1,058 thousand euros). The adjusted operating result increased 20% and was 2,209 thousand euros (1,847 thousand euros).

Result before taxes was 4,458 thousand euros (528 thousand euros) and result for the financial year was 4,394 thousand euros (439 thousand euros).

### Discontinued company acquisition

In line with its strategy, Solteq aims to grow both organically and inorganically. Negotiations on one significant company acquisition, which would have sped up the achievement of the strategic goals, were underway during the review period. Due to the integration and business risks that arose during the due diligence and negotiation process of the company acquisition, the company acquisition was decided to be discontinued. The decision was made in the final stage of the negotiation process.

The costs of external due diligence and negotiation related to the discontinued company acquisition project, totaling to 503 thousand euros, were recognized in the third quarter of the year. The costs are presented as an adjustment item in the calculation of the adjusted operating profit.

## BALANCE SHEET AND FINANCE

The total assets amounted to 62,375 thousand euros (58,399 thousand euros). Liquid assets totalled 10,094 thousand euros (3,321 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 27,701 thousand euros (29,124 thousand euros). The Group's net liabilities were 17,607 thousand euros (25,803 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 (27.1%).

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 +2,349 thousand euros (-23,297 thousand euros). 936 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 Ltd. 260 thousand euros of the gross investments of the reference period are replacement investments and 23,037 thousand euros were investments related to the business acquisition completed in the reference period.

### 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 432 (514). In the end of the review period the number of personnel could be divided as follows: Digital Solutions segment: 194 people, Customer Solutions segment: 180 people and 58 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:

	1-9/16	1-9/15	1-9/14
Average number of the personnel during the review period*	469	509	280
Employee benefit expenses (1,000 €)	18,206	13,229	11,164

\*rolling 12 months

## 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 interim report.

## SHARES, SHAREHOLDERS AND TREASURY SHARES

Solteq Plc's equity on 30 September 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.

### **Stock option scheme and share-based incentive scheme of the management**

During the review period Solteq's Board of Directors decided to adopt a new stock option scheme and share-based incentive scheme for the key employees of the company. The purpose of both schemes is to encourage the key employees to work for the growth of the shareholder value and to commit the key employees to the employer. Terms and conditions of the stock option scheme and the share-based incentive scheme are presented in more detail in the stock exchange bulletin published on July 15th 2016.

The theoretical market value of the incentive scheme is about 0.6 million euro, which will be recognized as an expense in accordance with IFRS 2 in the years 2016–2018. The expense will not be recognized on a cash flow basis, except for the share of the share-based arrangement paid in cash.

The expense of 123 thousand euros is allocated to the financial result of the review period and it is recognized in accordance to IFRS 2. 93 thousand euros of the expense is not recognized on a cash flow basis and it is presented as an adjustment item in the calculation of the adjusted operating profit.

### **Exchange and rate**

During the review period, the exchange of Solteq's shares in the Helsinki Stock Exchange was 1.4 million shares (4.1 million shares) and 2.4 million euros (9.9 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 1.72 euros and end rate 1.70 euros. The market value of the company's

shares in the end of the review period totalled 30.3 million euros (30.3 million euros).

### **Ownership**

In the end of the financial year, Solteq had a total of 1,977 shareholders (1,723 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 September 2016.

Solteq's Board of Directors has decided to look at the possibility to arrange the share issue to all employees.

### **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 discharge 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 sekä Olli Väättäin.

KPMG Oy Ab, Authorized Public Accountants, was re-elected as Solteq's auditors. Lott 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

### The newest step in Nordic expansion – Solteq acquires Swedish Aponsa AB

Solteq has acquired the entire share capital of Swedish Aponsa AB. The acquisition executes the strategy focusing on digital commerce and international growth that Solteq announced earlier this year. Taken the acquired Aponsa into account, there is now about 30 digital commerce experts in Solteq in Sweden, and even stronger expertise of retail business and LS Retail technology than before.

The purchase price (Enterprise Value, EV) is approximately EUR 1.13 million. The sellers were paid 60% by directed share issue and 40% by cash upon closing. Approximately 0.63 million euro (369,884 shares) was paid by company's own shares upon the authorization that the General Meeting has given to the Board of Directors on March 16th, 2016, and the remaining 0.50 million euro by cash. The subscription price is 1.70 eur / share and it has been determined by using the weighted average exchange rate of 1.–30.9.2016.

A separate stock exchange bulletin on the acquisition has been published on 25 October 2016.

## 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 September 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. 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. 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 Jul– 30 Sep 2016	1 Jul– 30 Sep 2015	1 Jan– 30 Sep 2016	1 Jan– 30 Sep 2015	1 Jan– 31 Dec 2015
REVENUE	13,570	14,900	45,345	33,858	54,215
Other income	17	16	4,179	16	125
Materials and services	–4,179	–4,549	–11,890	–9,023	–15,153
Employee benefit expenses	–6,289	–6,817	–22,868	–16,337	–26,374
Depreciation	–469	–561	–1,419	–1,222	–1,782
Other expenses	–2,643	–3,050	–7,605	–6,234	–9,744
<b>OPERATING RESULT</b>	<b>7</b>	<b>–61</b>	<b>5,742</b>	<b>1,058</b>	<b>1,288</b>
Financial income and expenses	–444	–486	–1,284	–531	–984
<b>RESULT BEFORE TAXES</b>	<b>–437</b>	<b>–546</b>	<b>4,458</b>	<b>528</b>	<b>305</b>
Income tax expenses	–48	105	–64	–88	–203
<b>RESULT FOR THE FINANCIAL PERIOD</b>	<b>–485</b>	<b>–442</b>	<b>4,394</b>	<b>439</b>	<b>102</b>
OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS:					
Cash flow hedges	0	20	0	29	29
Other comprehensive income, net of tax	0	16	0	23	23
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>–485</b>	<b>–426</b>	<b>4,394</b>	<b>462</b>	<b>125</b>
Total profit for the period attributable to owners of the parent	–485	–442	4,394	439	102
Total comprehensive income attributable to owners of the parent	–485	–426	4,394	462	125
Earnings/share, e (undiluted)	–0.03	–0.03	0.26	0.03	0.01
Earnings/share, e (diluted)	–0.03	–0.03	0.26	0.03	0.01

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

## CONSOLIDATED BALANCE SHEET

(TEUR)	30 Sep 2016	30 Sep 2015	31 Dec 2015
<b>ASSETS</b>			
NON-CURRENT ASSETS			
Tangible assets	1,889	2,292	2,032
Intangible assets			
Goodwill	34,259	35,236	35,235
Other intangible assets	1,786	5,299	4,958
Available-for-sale financial assets	570	561	987
Trade and other receivables	152	208	207
Total non-current assets	38,656	43,596	43,419
CURRENT ASSETS			
Inventories	23	19	23
Trade and other receivables	13,602	11,463	18,190
Cash and cash equivalents	10,094	3,321	2,619
Total current assets	23,719	14,803	20,832
<b>TOTAL ASSETS</b>	<b>62,375</b>	<b>58,399</b>	<b>64,251</b>

(TEUR)	30 Sep 2016	30 Sep 2015	31 Dec 2015
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>			
Share capital	1,009	1,009	1,009
Share premium reserve	75	74	75
Hedging reserve	0	0	0
Reserve for own shares	-1,109	-1,109	-1,109
Distributable equity reserve	10,449	10,307	10,449
Retained earnings	9,423	5,321	4,983
<b>Total equity</b>	<b>19,847</b>	<b>15,602</b>	<b>15,407</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	784	816	1,019
Financial liabilities	27,650	27,472	27,385
<b>Current liabilities</b>	<b>14,094</b>	<b>14,509</b>	<b>20,440</b>
<b>Total liabilities</b>	<b>42,528</b>	<b>42,797</b>	<b>48,844</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>62,375</b>	<b>58,399</b>	<b>64,251</b>

## CASH FLOW STATEMENT

(MEUR)	1–9/2016	1–9/2015	1–12/2015
Cash flow from business operations	3.77	1.66	0.40
Cash flow from capital expenditure	6.47	–18.18	–16.50
Cash flow from financing activities			
Own shares	0.00	–0.04	–0.43
Dividend distribution	0.00	–0.45	–0.45
Loan agreements and interest payments	–2.76	17.80	17.07
<b>Cash flow from financing activities</b>	<b>–2.76</b>	<b>17.31</b>	<b>16.19</b>
Change in cash and cash equivalents	7.47	0.79	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	Own shares	Share premium account	Hedging reserve	Distributable equity reserve	Earnings	Total
<b>EQUITY 1 JAN 2015</b>	<b>1,009</b>	<b>-1,069</b>	<b>75</b>	<b>-23</b>	<b>6,392</b>	<b>5,328</b>	<b>11,712</b>
<b>Total comprehensive income</b>				<b>23</b>		<b>439</b>	<b>462</b>
<b>Transactions with owners</b>							
Own shares acquired		-40					-40
Directed issue					4,242		4,242
Fees for the board members in the form of treasury shares					61		61
Dividend distribution						-447	-447
Remuneration of the management					-389		-389
<b>Transactions with owners</b>		<b>-40</b>			<b>3,914</b>	<b>-447</b>	<b>3,427</b>
<b>EQUITY 30 SEP 2015</b>	<b>1,009</b>	<b>-1,109</b>	<b>75</b>	<b>0</b>	<b>10,306</b>	<b>5,321</b>	<b>15,602</b>
<b>EQUITY 1 JAN 2016</b>	<b>1,009</b>	<b>-1,109</b>	<b>75</b>	<b>0</b>	<b>10,449</b>	<b>4,983</b>	<b>15,407</b>
Total comprehensive income						4,394	4,394
Translation difference						-46	-46
<b>Transactions with owners</b>							
Stock option scheme of the management						93	93
<b>Transactions with owners total</b>						<b>93</b>	<b>93</b>
<b>EQUITY 30 SEP 2016</b>	<b>1,009</b>	<b>-1,109</b>	<b>75</b>	<b>0</b>	<b>10,449</b>	<b>9,424</b>	<b>19,847</b>

## SEGMENT INFORMATION

Turnover by segment:

<b>Me</b>	<b>1-9/16</b>	<b>1-9/15</b>	<b>Change</b>
Digital Solutions	22.9	11.0	11.9
Customer Solutions*	22.5	22.9	-0.4
<b>Total</b>	<b>45.4</b>	<b>33.9</b>	<b>11.5</b>

Operating result by segment:

<b>Me</b>	<b>1-9/16</b>	<b>1-9/15</b>	<b>Change</b>
Digital Solutions	1.7	0.8	1.0
Customer Solutions*	0.5	1.1	-0.6
<b>Total</b>	<b>2.2</b>	<b>1.8</b>	<b>0.4</b>

## QUARTERLY KEY INDICATORS

<b>(MEUR)</b>	<b>4Q/14</b>	<b>1Q/15</b>	<b>2Q/15</b>	<b>3Q/15</b>
Net turnover	12.22	9.13	9.82	14.90
Operating result	0.91	0.46	0.66	-0.06
Result before taxes	0.86	0.44	0.64	-0.55
	<b>4Q/15</b>	<b>1Q/16</b>	<b>2Q/16</b>	<b>3Q/16</b>
Net turnover	20.36	15.37	16.40	13.57
Operating result	0.23	4.92	0.82	0.01
Result before taxes	-0.22	4.50	0.40	-0.44

## TOTAL INVESTMENTS

<b>(TEUR)</b>	<b>1-9/2016</b>	<b>1-9/2015</b>	<b>1-12/2015</b>
Continuing operations, group total	-2,349	23,297	23,259
<b>LIABILITIES (MEUR)</b>	<b>30 Sep 2016</b>	<b>30 Sep 2015</b>	<b>31 Dec 2015</b>
Business mortgages	10.00	10.00	10.00
Other lease liabilities	0.10	0.32	0.25
Lease liabilities for premises	5.15	6.57	6.20
<b>RELATED PARTY TRANSACTIONS (TEUR)</b>	<b>30 Sep 2016</b>	<b>30 Sep 2015</b>	<b>31 Dec 2015</b>
Renting arrangements	0	55	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. Hence they are not presented in table form in the bulletin.

## MAJOR SHAREHOLDERS 30 SEP 2016

	Shares and votes	
	Number	%
1. Sentica Buyout III Ky	4,621,244	25.96
2. Keskinäinen Työeläkevakuutusyhtiö Elo	2,000,000	11.24
3. Profiz Business Solution Oyj	1,781,790	10.01
4. Saadetdin Ali	1,400,000	7.87
5. Keskinäinen työeläkevakuutusyhtiö Varma	1,245,597	7.00
6. Solteq Oyj	825,881	4.64
7. Aalto Seppo	671,882	3.78
8. Roininen Matti	420,000	2.36
9. Lamy Oy	225,000	1.26
10. Sentica Buyout Iii Co-Investment	180,049	1.01
10 largest shareholders total	13,371,443	75.13
Total of nominee-registered	139,892	0.78
Others	4,286,724	24.09
<b>Total</b>	<b>17,798,059</b>	<b>100.00</b>

## FINANCIAL PERFORMANCE INDICATORS (IFRS)

	1-9/2016	1-9/2015	1-12/2015
Net turnover MEUR	45.3	33.9	54.2
Change in net turnover	33.9	17.9	32.5
Operating result MEUR	5.7	1.1	1.3
% of turnover	12.7	3.1	2.4
Result before taxes MEUR	4.5	0.5	0.3
% of turnover	9.8	1.6	0.6
Equity ratio, %	32.4	27.1	24.4
Gearing, %	88.7	165.4	167.4
Gross investments in non-current assets MEUR	-2.4	23.3	23.3
Return on equity, %	22.9	4.3	0.8
Return on investment, %	13.1	4.8	4.5
Personnel at end of period	432	514	500
Personnel average for period	469	336	391

## KEY INDICATORS PER SHARE

Earnings/share, e	0.26	0.03	0.01
Earnings/share, e (diluted)	0.26	0.03	0.01
Equity/share, e	1.17	0.92	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 content correspond to the principles applied in the first interim report for 2016. The performance measures presented as rolling 12 months include the total figures of the past four quarters.

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):

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	Q3/16	Q2/16	Q1/16	Q4/15	Q3/15	Q2/15	Q1/15	2015
<b>Adjusted operating profit (EBIT)</b>	<b>603</b>	<b>874</b>	<b>732</b>	<b>1,143</b>	<b>728</b>	<b>655</b>	<b>464</b>	<b>2,990</b>
<b>Adjusted items:</b>								
Divestment of MainIoT Software Ltd	0	58	-4,187	0	0	0	0	0
Acquisition of Descom Group Ltd	0	0	0	31	789	0	0	820
Integration of Descom Group Ltd	0	0	0	882	0	0	0	882
Incentive scheme and option scheme (IFRS 2)	93	0	0	0	0	0	0	0
Discontinued company acquisition project	503	0	0	0	0	0	0	0
<b>Adjustment items, total</b>	<b>596</b>	<b>58</b>	<b>-4,187</b>	<b>913</b>	<b>789</b>	<b>0</b>	<b>0</b>	<b>1,702</b>
<b>Operating profit (EBIT)</b>	<b>7</b>	<b>816</b>	<b>4,919</b>	<b>230</b>	<b>-61</b>	<b>655</b>	<b>464</b>	<b>1,288</b>

## CALCULATION OF FINANCIAL RATIOS

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

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

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

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

$$\text{Earnings per share: } \frac{\text{pre-tax result} - \text{taxes} \text{ +/- minority interest}}{\text{average number of shares}}$$

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

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

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

# Q3 2016

## Interim Report

1 Jan–30 Sep  
2016

### FINANCIAL REPORTING

Solteq Plc estimates to publish the financial statements bulletin from the financial year 2016 February 17, 2017 at 8.00 am.

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

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