

SOLTEQ

Financial Statements Bulletin
1.1.-31.12.2018

SOLTEQ PLC FINANCIAL STATEMENTS BULLETIN

1 JAN – 31 DEC 2018 (IFRS)

- Revenue totaled 56,867 thousand euros (50,720 thousand euros).
- EBITDA was 4,766 thousand euros (2,384 thousand euros).
- The adjusted EBITDA was 5,417 thousand euros (4,177 thousand euros).
- Operating profit was 2,466 thousand euros (308 thousand euros).
- The adjusted operating profit was 3,117 thousand euros (2,101 thousand euros).
- Earnings per share was 0,02 euros (-0,08 euros).
- Solteq Group's equity ratio was 32,4 % (33,7 %).
- Net cash flow from operating activities was 8,002 thousand euros (-2,071 thousand euros).
- The comparable revenue was 12,1 percent higher than in the comparison period, the drivers for this growth were mainly the acquisitions performed as well as high demand for digital services. Continuous services accounted for approximately one third of the revenue.
- We invest strongly in future growth by focusing on the development of our own cloud-based software products and services. During the reporting period the product development investments amounted to EUR 2.3 million.

Key figures

	10-12/18	10-12/17 *	Change-%	1-12/18	1-12/17 *	Change-%
Revenue, TEUR	14 930	12 525	19,2	56 867	50 720	12,1
EBITDA, TEUR	1 146	498	130,1	4 766	2 384	99,9
Adjusted EBITDA, TEUR	1 617	900	79,6	5 417	4 177	29,7
Operating profit, TEUR	645	-27	2446,4	2 466	308	701,4
Adjusted operating profit, TEUR	1 115	375	197,4	3 117	2 101	48,4
Profit for the financial period, TEUR	109	-534	120,3	356	-1 514	123,5
Earnings/share, EUR	0,01	-0,02	127,3	0,02	-0,08	123,0
Operating profit -%	4,3	-0,2		4,3	0,6	
Adjusted operating profit -%	7,5	3,0		5,5	4,1	
Equity ratio, %	32,4	33,7		32,4	33,7	

* The company has taken the IFRS 15 standard into use on 1 January 2018 retroactively and the comparison figures for 2017 have been adjusted.

Profit guidance 2019

Solteq Group's operating profit is expected to grow clearly compared to the financial year 2018.

CEO OLLI VÄÄTÄINEN:

The company grew, profitability improved

In 2018, Solteq Group's revenue was 56.9 million euros and the adjusted operating profit was 3.1 million euros. Revenue grew by 12% year-on-year and the adjusted operating profit grew by 48%. The growth was primarily driven by the acquisitions executed in 2017 and the high demand for digital services. One fifth of the Solteq Group's revenue originated from outside Finland and continuous services accounted for approximately one third of the revenue.

During 2018, we focused particularly on strengthening our business foundation and the improvement of the prerequisites of our future operations. We continued to increase the efficiency of our business and the standardization of our operating practices. We also completed a number of challenging projects. In addition, special emphasis was placed on project management and its improvement. I am confident that these development actions will have a positive impact on our result for the current financial year.

The performance of our operations in Sweden and Denmark did not meet our expectations. Consequently, we placed a significant focus on these units in the second half of 2018 and renewed the structure and management. We expect a substantial improvement in the result of Sweden and Denmark in 2019.

Internationalization is an essential aspect of our growth strategy. In 2018, we integrated the acquisitions made in the previous financial year into the Solteq Group. Also, Solteq opened a new office in London at the end of 2018. The first local UK customer is Marks & Spencer.

We continued to invest significantly into our cloud-based software products and services. The aim of these investments is to accelerate the service-based (ARR, Annual Recurring Revenue) business based on our own software products and solutions through the selected spearhead solutions, as well as to continue our geographical expansion internationally with these products. We have focused particularly on products and services that combine artificial intelligence, machine vision, and autonomous robotics. Our product development investments amounted to 2.3 million euros during the review period.

The foundation of our operations is the strong and continuous development of the competence of our personnel. In 2018, we focused particularly on project management skills, utilizing the internationally recognized PMP Certification training programme. In addition, more than one third of our personnel participated in trainings on agile methods. We succeeded well in recruitment activities during the year, and hired 121 new professionals.

I believe that our profitability will increase clearly during the financial year 2019. Our business outlook remains the same and we expect that the investments we have made in business development and the efficiency of our operations will bear fruit. Moreover, the investments we have made in our product development have started to materialize as successful customer deliveries. We expect that our industry-specific products will continue to progress on their positive commercial development path during the current year.

OPERATING ENVIRONMENT AND BUSINESS DEVELOPMENT

We are specialized in digitalization of businesses. Our strengths lie in our long-term experience of the industries for which we develop solutions. Retail, industry, energy, and services are the key industries we are focused in.

Our operations include project-specific and continuous professional services as well as industry-specific software products. The common denominator between these services is the in-depth industry expertise we have developed during Solteq's 37 years of operations. Our technology choices are based on growing market trends, such as cloud services, SaaS, artificial intelligence, analytics and robotics.

Digitalization is emerging as a key aspect in organizations. Digital solutions are expected to generate concrete and quantifiable business benefits. Such solutions include for example digital self-service channels, market roll-outs of new electronic services, e-commerce, the productive use of a continuously growing amount of data and the automation of manual operations. Translating technical innovations into practical customer value is the foundation of future success.

Enterprises are moving to cloud services at an accelerating pace. Gartner estimates that the global cloud services market will grow by 17.3% and reach 180 billion euros in 2019. Microsoft and Amazon are the market leaders in this sector.

SaaS (Software as a Service) has become an integral aspect of today's business. According to a report published by Business Wire, the global SaaS market is expected to grow by 21.2% by 2023.

SaaS Smart Robotics plays a significant role in our product development. The industry is seeing significant growth and various studies estimate it will grow at an annual rate of approximately 30% (CAGR) to approach a milestone of 10 billion euros by 2023.

Robotics and artificial intelligence are changing the society. A good example of this is the national ROSE project in Finland, which explores how the advancement in service robotics will enable product and service innovation as well as the renewal of wellbeing services, particularly in response to the needs of the ageing population. Robotics will also create new jobs and it is predicted that the number of new jobs it creates will exceed the number of jobs it makes redundant.

Acquisitions

In January, Solteq completed the purchase of the entire share capital of TM United A/S, as announced earlier. TM United A/S's solutions are focused on digital transactions and the optimization of the online customer experience. With the acquisition, the company expanded its business operations to Denmark and Norway. TM United A/S was consolidated into Solteq Group on 1 January 2018.

In order to simplify the group structure 2018, TM United A/S, TM Care and Solteq Denmark Asp merged with Theilgaard Mortensen A/S. Theilgaard Mortensen A/S changed its name to Solteq Denmark A/S. In addition Theilgaard Mortensen Norge AS was renamed to Solteq Norway AS and Theilgaard Mortensen UK Limited was renamed to Solteq Digital UK Limited.

Growth in Denmark and other Nordic countries was boosted by a business transaction with the Danish company ProInfo A/S on 15 June 2018. Through the transaction, Solteq acquired certain competencies and customers related to retail and HoReCa IT systems. 12 IT professionals joined Solteq as part of the acquisition.

In December 2018, Solteq Plc acquired 49% of Analyteq Oy from Tuko Logistics Co-operative, after which Solteq owns the entire portfolio of Analyteq Oy. In addition, in December 2018, Solteq Finance Oy, Solorus Holding Oy and Qetlos Oy launched the merger process at Solteq Plc to simplify the group structure. The estimated date for implementation of the merger is 1 April 2019.

After the end of the financial year, Solteq Plc has initiated a merger process to merge Analyteq Oy into Solteq Plc. The estimated date for implementation of the merger is 1 July 2019. In addition, it has been arranged that Solteq Digital UK Limited is in direct ownership by Solteq Plc from 1 January 2019 onwards. Previously, Solteq Digital UK Limited was a subsidiary owned by Solteq Denmark A/S.

REVENUE AND PROFIT

REVENUE FROM CONTRACTS WITH CUSTOMERS

	Group	Group
TEUR	1-12/18	1-12/17 *
Services	48 462	40 863
Revenue from long-term contracts	2 124	3 833
Sales of software licenses	5 921	5 706
Sales of hardware	360	318
Total	56 867	50 720

* The company has taken the IFRS 15 standard into use on 1 January 2018 retroactively and the comparison figures for 2017 have been adjusted.

Revenue increased by 12.1 percent compared to the previous year and totaled 56,867 thousand euros (previous review period 50,720 thousand euros).

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

The operating profit for the review period was 2,466 thousand euros (308 thousand euros). The adjusted operating profit was 3,117 thousand euros (2,101 thousand euros).

Result before taxes was 642 thousand euros (-1,456 thousand euros) and review period result was 356 thousand euros (-1,514 thousand euros).

BALANCE SHEET AND FINANCE

The total assets amounted to 67,874 thousand euros (61,501 thousand euros). Liquid assets totaled 5,347 thousand euros (1,552 thousand euros). The company has used 2,000 thousand euros of the standby credit limit amounting to a total of 4,000 thousand euros. In addition, the company has a credit limit of 2,000 euros, which was unused at the end of the review period.

The measures taken to improve the working capital circulation during the second quarter have progressed as expected and will continue.

The Group's interest-bearing liabilities were 28,260 thousand euros (25,860 thousand euros).

Solteq Group's equity ratio was 32.4 percent (33.7 percent).

On 1 July 2015 Solteq Plc (Solteq) issued an unsecured bond of 27 million euros. The bond carries a fixed annual interest of 6 percent and its maturity is five years. To reduce the company's interest costs Solteq Plc repurchased and cancelled the share of 2.5 million euros of the above-mentioned bond during the financial year 2016.

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 percent, 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.

In the third quarter, the terms of the Bond were changed regarding the definition of the Permitted Debt. After the change, the terms will allow the company to obtain development loans provided by Business Finland, or equivalent, up to three million euros.

INVESTMENT, RESEARCH AND DEVELOPMENT

The net investments during the review period were 8,283 thousand euros (6,051 thousand euros). During the review period 4,493 thousand euros (4,335 thousand euros) of the net investments were company acquisitions, 2,252 thousand euros (333 thousand euros) were capitalized development costs relating to continued further development of the existing software products and the development of new software products, and 1,538 thousand euros (1,383 thousand euros) were replacement investments.

Capitalized development costs include 1,610 thousand euros of staff costs.

PERSONNEL

The number of permanent employees at the end of the review period was 586 (480).

KEY FIGURES FOR GROUP'S PERSONNEL

	2018	2017	2016
Average number of personnel during the financial period	567	485	454
Employee benefit expenses TEUR	29 465	26 610	24 756

RELATED PARTY TRANSACTIONS

Solteq's related parties include the Board of Directors, CEO and Executive team.

The related party actions and euro amounts are presented in the tables at the end of this Financial Statements Bulletin.

SHARES, SHAREHOLDERS AND TREASURY SHARES

Solteq Plc's equity on 31 December 2018 was 1,009,154.17 euros which was represented by 19,306,527 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.

Solteq Plc did not hold any treasury shares in the end of the review period.

In the review period Solteq Plc directed a share issue, totaling to 628,930 shares, to the shareholders of TM United A/S as a part of the company acquisition on 15 January 2018. The new shares were registered into trade register on the 21 March 2018 and were publicly traded as of 22 March 2018. After the changes, the total number of shares is 19,306,527. The issued shares represent 3.3 percent of the company's shares and votes. The subscription price was recorded in its entirety into the invested non-restricted fund of the company.

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

During the financial year 2016 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 share-based incentive scheme are presented in more detail in the Stock Exchange Bulletin published on 15 July 2016.

The theoretical market value of the incentive scheme was at the time of the implementation about 0.6 million euros which was recognized as an expense in accordance with IFRS 2 in the years 2016–2018. The expense is not recognized on a cash flow basis except for the share of the share-based.

Exchange and rate

During the review period, the exchange of Solteq's shares in the Helsinki Stock Exchange was 0.8 million shares (1.7 million shares) and 1.2 million euros (2.7 million euros). The highest rate during the review period was 1.64 euros and lowest rate 1.26 euros. The weighted average rate of the share was 1.49 euros and end rate 1.3 euros. The market value of the company's shares in the end of the financial year totaled 25.1 million euros (28.4 million euros).

Ownership

At the end of the review period, Solteq had a total of 2,152 shareholders (2,281 shareholders). Solteq's 10 largest shareholders owned 13,257 thousand shares i.e. they owned 68.7 percent of the company's shares and votes. Solteq Plc's members of the Board of Directors and CEO owned 415 thousand shares on 31 December 2018 (415 thousand shares on 31 December 2017).

ANNUAL GENERAL MEETING

Solteq's Annual General Meeting on 27 March 2018 approved the financial statement for period 1 January – 31 December 2017 and discharged the CEO and the Board of Directors from liability.

The Board of Directors' proposal of to the General Meeting that no dividend will be paid from the financial year ended on 31 December 2017 was accepted.

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 3,500,000. The authorization includes the right to give new shares and rights or convey company's own shares. The authorization includes a right to deviate from the shareholders' pre-emptive right of subscription if there is a significant financial reason in company's opinion. These reasons include, but are not limited to, improving the capital structure, financing and executing business acquisitions and other business improvement arrangements or being used as a part of remuneration of personnel. The authorization includes that the Board of Directors may decide all the other terms and other matters concerning the share issue and rights. The authorization is effective until the next Annual General Meeting, however, no longer than until 30 April 2019.

In addition, the Board of Directors proposes that the Board of Directors is authorized to decide on accepting the company's own shares as pledge as follows:

The Board of Directors is authorized to decide on accepting the company's own shares as pledge (direct) regarding business acquisitions or when executing other business arrangements. Accepting pledge may occur at once or in multiple transactions. The number of own shares to be accepted as pledge shall not exceed 2,000,000 shares. The authorization includes that the Board of Directors may decide on other terms concerning the pledge. The authorization is effective until the next Annual General Meeting, however, no longer than until April 30, 2019.

In line with the Board's proposal, The Annual General Meeting decided to register the company names Solteq Abp and Solteq Plc.

EXTRAORDINARY GENERAL MEETING

Solteq's Extraordinary General Meeting was held 25 October 2018. The general meeting discussed the choice of a new board member (see Board and Auditor below for details).

BOARD OF DIRECTORS AND AUDITORS

The Annual General Meeting on 27 March 2018 decided that The Board of Directors includes five members. Aarne Aktan, Eeva Grannenfelt, Kirsi Harra-Vauhkonen, Markku Pietilä and Mika Uotila were re-elected as Board members.

In the Board meeting, held after the Annual General Meeting, Markku Pietilä was elected as the Chairman of the Board.

In addition, Aarne Aktan, Markku Pietilä and Mika Uotila were appointed to the members of the Audit Committee. Mika Uotila acts as the Chairman of the Audit Committee.

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

A member of the Board of Solteq Plc, Kirsi Harra-Vauhkonen, resigned from the Solteq Board in 2 October 2018.

At the Extraordinary General Meeting on 25 October 2018 Lotta Kopra was elected as a new Board member.

EVENTS AFTER THE REPORTING PERIOD

The company's management is not aware of any events of material importance after the review period that might have affected the preparation of the financial statements bulletin.

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 Executive team's duties. In addition, the Company has the Audit Committee appointed by the Board of Directors.

PROPOSAL OF THE BOARD OF DIRECTORS ON THE DISPOSAL OF PROFIT FOR THE FINANCIAL YEAR

At the end of the financial year 2018, the distributable equity of the Group's parent company is 19,666,636.01 euros. Solteq Plc's Board of Directors proposes to the Annual General Meeting that for the financial year 2018, no dividend will be paid out.

The Board of Directors is of the opinion that there are no financial prerequisites for dividend pay-outs, or other kind of distribution of funds. According to the terms and conditions of the company debenture stock distribution of funds would lead to expiration of the credit.

No essential changes have taken place in the company's financial situation after the end of the financial year.

FINANCIAL REPORTING

This Financial Statements Bulletin has been prepared in accordance with the recognition and valuation principles of IFRS standards and using IAS 34 and the same accounting policies as the Financial Statements 2018. The Solteq Group has implemented IFRS 15 and IFRS 9 standards and applied the amendments to IFRS 2. The IFRS 15 standard is applied in full retroactively. The impact of the adjustments is presented in the chapter "New and amended standards applied in financial year ended 31 December 2018".

Solteq Group has one reported segment, Software Services.

The most essential product and service types of the Solteq Group are software services, licenses and hardware sales.

Financial information

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

TEUR	10-12/18	10-12/17 *	1-12/18	1-12/17 *
Revenue	14 930	12 525	56 867	50 720
Other income	477		487	52
Material and services	-1 073	-896	-6 089	-6 276
Employee benefit expenses	-8 298	-8 589	-35 602	-32 880
Depreciations and impairments	-502	-525	-2 300	-2 076
Other expenses	-4 890	-2 541	-10 897	-9 231
OPERATING PROFIT	645	-27	2 466	308
Financial income and expenses	-612	-445	-1 824	-1 764
RESULT BEFORE TAXES	32	-471	642	-1 456
Income taxes expenses	76	-63	-286	-58
RESULT FOR THE FINANCIAL PERIOD	109	-534	356	-1 514
Other comprehensive income to be reclassified to profit or loss in subsequent periods				
Translation difference	-104	-41	-14	14
Other comprehensive income of net of tax	-104	-41	-14	14
TOTAL COMPREHENSIVE INCOME	5	-575	342	-1 500
Total profit for the period attributable to owners of the parent	109	-534	356	-1 514

Total comprehensive income attributable to owners of the parent	5	-575	342	-1 500
Earnings/share, € (undiluted)	0,01	-0,02	0,02	-0,08
Earnings/share, € (diluted)	0,01	-0,02	0,02	-0,08

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

* The company has taken the IFRS 15 standard into use on 1 January 2018 retroactively and the comparison figures for 2017 have been adjusted.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

TEUR	31.12.2018	31.12.2017 *
ASSETS		
NON-CURRENT ASSETS		
Tangible assets	2 355	2 220
Intangible assets		
Goodwill	40 427	36 912
Other intangible assets	6 952	5 227
Available-for-sale financial assets	481	556
Trade and other receivables	233	184
Total non-current assets	50 448	45 099
CURRENT ASSETS		
Inventories	94	149
Trade and other receivables	11 985	14 701
Cash and cash equivalents	5 347	1 552
Total current assets	17 426	16 402
TOTAL ASSETS	67 874	61 501
EQUITY AND LIABILITIES		
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		
Share capital	1 009	1 009
Share premium reserve	75	75
Distributable equity reserve	12 910	11 960
Retained earnings	7 803	7 476
Total equity	21 797	20 520

Non-current liabilities		
Deferred tax liabilities	815	988
Financial liabilities	25 551	25 170
Current liabilities	19 712	14 823
TOTAL LIABILITIES	46 077	40 981
TOTAL EQUITY AND LIABILITIES	67 874	61 501

* The company has taken the IFRS 15 standard into use on 1 January 2018 retroactively and the comparison figures for 2017 have been adjusted.

CASH FLOW STATEMENT

TEUR	31.12.2018	31.12.2017 *
CASH FLOW FROM BUSINESS OPERATIONS		
Result for the financial period	356	-1 514
Adjustment for operating profit	3 797	2 423
Changes in working capital	5 675	-1 216
Interest paid	-2 054	-1 804
Interest received	228	40
Net cash from operating activities	8 002	-2 071
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of subsidiaries	-2 291	-2 395
Investments in tangible and intangible assets	-3 304	-1 074
Net cash used in investing activities	-5 595	-3 469
CASH FLOW IN FINANCING ACTIVITIES		
Long-term loans, decrease		-554
Short-term loans, increase	2 000	
Short-term loans, decrease	-40	
Payment of finance lease liabilities	-573	-618
Share issue to personnel		669
Dividend payment		-882
Net cash used in financing activities	1 387	-1 385
Changes in cash and cash equivalents	3 795	-6 925
Cash and cash equivalents 1 Jan 2018	1 552	8 477
Cash and cash equivalents 31 Dec 2018	5 347	1 552

* The company has taken the IFRS 15 standard into use on 1 January 2018 retroactively and the comparison figures for 2017 have been adjusted.

STATEMENT OF CHANGES IN GROUP EQUITY

TEUR

A = Share capital

B = Share issue

C = Own shares

D = Share premium account

E = Translation difference

F = Distributable equity reserve

G = Earnings

H = Total

TEUR	A	B	C	D	E	F	G	H
EQUITY 1 JAN 2017	1 009	164	-1 109	75	-56	10 449	9 781	20 313
Impact of the implementation of IFRS 15							38	38
ADJUSTED EQUITY 1 JAN 2017	1 009	164	-1 109	75	-56	10 449	9 819	20 351
Total comprehensive income					14		-1 501	-1 487
TRANSACTIONS WITH OWNERS								
Incentive scheme and option scheme							82	82
Company acquisitions with own shares						779		779
Share issue directed to personnel		-164				164		0
Directed issue to CEO						652		652
Directed issue to the owners of inPulse Works Oy						1 025		1 025
Conveyance/cancellation of own shares			1 109			-1 109		0
Dividend distribution							-882	-882
Total transactions with owners		-164	1 109			1 511	-800	1 656
EQUITY 31 DEC 2017	1 009			75	-42	11 960	7 518	20 520
EQUITY 1 JAN 2018	1 009			75	-42	11 960	7 518	20 520
Impact of the implementation of IFRS 9							-16	-16
Change of IFRS 2 standard							15	15
ADJUSTED EQUITY 1 JAN 2018	1 009			75	-42	11 960	7 517	20 519
Result for the financial period							356	356
Other comprehensive income					-14			-14
Total comprehensive income					-14		356	342
TRANSACTIONS WITH OWNERS								
Incentive scheme and option scheme							-14	-14
Directed issue to the owners of TM United A/S						950		950
Transactions with owners						950	-14	936
EQUITY 31 DEC 2018	1 009			75	-56	12 910	7 859	21 797

QUARTERLY KEY INDICATORS

TEUR	1Q/17 *	2Q/17*	3Q/17*	4Q/17*
Revenue	13 088	13 469	11 638	12 525
Operating profit	178	651	-494	-27
Result before taxes	-277	194	-902	-471

TEUR	1Q/18	2Q/18	3Q/18	4Q/18
Revenue	14 871	14 232	12 834	14 930
Operating profit	1 305	24	492	645
Result before taxes	897	-337	50	32

* The company has taken the IFRS 15 standard into use on 1 January 2018 retroactively and the comparison figures for 2017 have been adjusted.

TOTAL INVESTMENTS

TEUR	1-12/18	1-12/17
Group total	8 283	6 051

LIABILITIES

TEUR	1-12/18	1-12/17
Business mortgages	10 000	10 000
Other lease liabilities	253	250
Lease liabilities for premises	6 485	7 800

RELATED PARTY TRANSACTIONS

TEUR	1-12/18	1-12/17
Service sales	23	54
Renting arrangements		2
Purchases	105	48
Liabilities		2

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

FAIR VALUE 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.

DISTRIBUTION OF HOLDINGS BY SECTOR 31 DECEMBER 2018

Sector	Number of holdings	Shares and votes %	Shares and votes number
Private companies	64	3,0	2 510 348
Financial and insurance institutions	12	0,6	6 107 828
Public-sector organizations	2	0,1	3 245 597
Households	2 063	95,9	7 417 064
Non-profit organizations	2	0,1	231
Foreigners	9	0,4	25 459
Total	2 152	100,0	19 306 527
Total of Nominee-registered	7	0,3	1 022 594

DISTRIBUTION BY NUMBER OF SHARES 31 DECEMBER 2018

Number of shares	Number of holdings	Shares and votes %	Shares and votes number
1-100	462	21,5	28 452
101-1 000	1 157	53,8	551 844
1 001-10 000	435	20,2	1 402 167
10 001-100 000	81	3,8	2 383 040
100 001-1 000 000	12	0,6	3 628 377
1 000 001 -	5	0,2	11 312 647
Total	2 152	100,0	19 306 527
Total of Nominee-registered	7	0,3	1 022 594

MAJOR SHAREHOLDERS 31 DECEMBER 2018

Shareholder	Shares and votes number	Shares and votes %
1. Sentica Buyout III Ky	4 621 244	23,9
2. Profiz Business Solution Oy	2 042 641	10,6
3. Keskinäinen Työeläkevakuutusyhtiö Elo	2 000 000	10,4
4. Saadetdin Ali	1 403 165	7,3
5. Keskinäinen Eläkevakuutusyhtiö Varma	1 245 597	6,5
6. Aalto Seppo	695 000	3,6
7. Roininen Matti	444 700	2,3
8. Väätäinen Olli	400 000	2,1
9. Lamy Oy	225 000	1,2
10. Sentica Buyout III Co-Investment Ky	180 049	0,9
10 largest shareholders total	13 257 396	68,7
Total of nominee-registered	1 022 594	5,3
Others	5 026 537	26,0
Total	19 306 527	100,0

FINANCIAL PERFORMANCE INDICATORS (IFRS)

	2018	2017 *	2016	2015	2014
Revenue, MEUR	56,9	50,7	63,1	54,2	40,9
Change in revenue, %	12,1	-0,2	16,3	32,5	7,4
Operating profit, MEUR	2,5	0,3	6,4	1,3	2,5
% of revenue	4,3	0,6	10,2	2,4	6,1
Result before taxes, MEUR	0,6	-1,5	4,7	0,3	2,3
% of revenue	1,1	-2,9	7,5	0,6	5,7
Equity ratio, %	32,4	33,7	33,5	24,4	48,0
Gearing, %	101,9	118,5	85,0	167,4	16,3
Net investments in non-current assets, MEUR	8,3	6,1	-0,2	23,3	1,0
Return on equity, rolling 12 mos., %	1,7	-7,3	25,8	0,8	16,8
Return on investment, rolling 12 mos., %	5,2	0,8	14,6	4,5	15,5
Personnel at end of period	586	480	441	500	279
Personnel average for period	567	485	454	391	281

KEY INDICATORS PER SHARE

Earnings/share, €	0,02	-0,08	0,26	0,01	0,13
Earnings/share, € (diluted)	0,02	-0,08	0,26	0,01	0,13
Earnings/share, €	1,13	1,10	1,20	0,91	0,79

* The company has taken the IFRS 15 standard into use on 1 January 2018 retroactively and the comparison figures for 2017 have been adjusted.

Alternative performance measures to be used by Solteq Group in financial reporting

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.

Performance measures used by Solteq Group are EBITDA, equity ratio, gearing, return of equity, profit from invested equity and net debt. The calculation principles of these financial key figures are presented as part of this Financial Statements Bulletin. The performance measures presented as rolling 12 months include the total figures of the past for 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 re-organization 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):

The reconciliation of the adjusted operating profit to operating profit is presented in the table below. The same adjusting items apply when reconciling the adjusted EBITDA to EBITDA.

ADJUSTED OPERATING PROFIT

TEUR	Q4/18	Q3/18	Q2/18	Q1/18	1-12/18	Q4/17*	Q3/17*	Q2/17*	Q1/17*	1-12/17*
Adjusted operating profit (EBIT)	1 115	558	153	1 291	3 117	375	-115	830	1 011	2 101
Adjusted items:										
Incentive scheme and option scheme (IFRS2)				-14	-14	-79	39	49	29	38
Acquisition of subsidiaries			12		12	244	61	104		409
Change in fair value of conditional consideration	-460				-460					
Cost of integrating the acquired business	72				72					
Transfer of AX business								25		25
Non-recurring severance packages	59	66	117		241	237	280		504	1 021
Damages from completed customer projects	800				800				300	300
Adjusted items total	470	66	128	-14	651	402	380	178	833	1 793
Operating profit (EBIT)	645	492	24	1 305	2 466	-27	-495	652	178	308

* The company has taken the IFRS 15 standard into use on 1 January 2018 retroactively and the comparison figures for 2017 have been adjusted.

Calculation of financial ratios

Solvency ratio, in percentage:	$\frac{\text{equity}}{\text{balance sheet total} - \text{advances received}}$	x 100
Gearing:	$\frac{\text{interest bearing liabilities} - \text{cash, bank balances and securities}}{\text{equity}}$	x 100
Return on Equity (ROE) in percentage:	$\frac{\text{result for the financial period (rolling 12 mos.)}}{\text{equity (average for the period)}}$	x 100
Profit from invested equity in percentage:	$\frac{\text{result before taxes} + \text{finance expenses (rolling 12 mos.)}}{\text{equity} - \text{interest free debt (average for the period)}}$	x 100
Earnings per share:	$\frac{\text{result before taxes} +/- \text{minority interest}}{\text{adjusted average basic number of shares}}$	
Diluted earnings per share:	$\frac{\text{result for the financial period} +/- \text{minority interest}}{\text{adjusted average diluted number of shares}}$	
Equity per share:	$\frac{\text{equity}}{\text{number of shares}}$	
EBITDA:	operating profit + depreciation and impairments	

BUSINESS COMBINATIONS

Acquisitions in the review period

During the review period 1 Jan - 31 December 2018, two company acquisitions were made.

TM United A/S

Solteq Plc purchased the entire share capital of TM United A/S on 15 January 2018. TM's solutions are focused on digital transactions and the optimization of the online customer experience. TM United A/S has been consolidated to Solteq Group since 1 January 2018.

ProInfo A/S / NAV-business acquisition

Growth in Denmark and the Nordic countries was boosted with a business acquisition with ProInfo A/S on 15 June 2018. Solteq Group acquired expertise and customer relationships related to IT and HoReCa IT systems. In the acquisition 12 IT professionals were transferred to Solteq. ProInfo A/S has been consolidated to Solteq Group since 1 June 2018.

IMPACT OF THE ACQUIRED COMPANIES TO SOLTEQ GROUP

AGGREGATE FIGURES FOR THE ACQUISITION	Acquisition
TEUR	15.1. / 15.6.2018
Consideration	
Paid in cash	3 513
Directed issue	950
Total	4 463
Tangible fixed assets	17
Intangible assets **	586
Inventories	6
Trade and other receivables	1 300
Cash and cash equivalents	1 243
Total assets	3 152
Trade payables and other liabilities	-2 177
Financial liabilities	-40
Total liabilities	-2 217
The goodwill value from the acquisition	3 527
Cash flow from the acquisition	
Consideration paid in cash in 2018	3 479
Cash and cash equivalents of the acquired companies	1 241
Total cash flow from the acquisition	2 238

Goodwill consists of assets that cannot be separated like synergy benefits, competent personnel, market share and entrance to new market.

** Depreciations of the intangible rights during the reporting period are 70 thousands euro.

Expenses related to the acquisition	
Other expenses	245
Total expenses related to the acquisition	245
Impact on the Solteq Group's number of personnel	47
Impact on the Solteq Group's comprehensive income statement	1-12/2018
Revenue *	5 476
Operating profit *	15

* The amount of the revenue and the operating profit from acquisition date to the end of the reporting period. TM United is consolidated into to Solteq Group as of 1 January 2018 and NAV-business acquisition as of 1 June 2018.

The revenue and operating profit of the acquired companies is not presented as the consolidation would have happened in the beginning of the financial year because it has not a significant effect on Solteq Group's figures.

Financial year 2017

During the financial year 1 Jan – 31 Dec 2017, two company acquisitions were made.

Analyteq Oy

Solteq acquired 51 percent of the shares of Analyteq Oy from Tuko Logistics Osk on 4 April 2017. The acquisition of Analyteq Oy deepens Solteq's knowledge on the core processes in commerce and analytics. Analyteq Oy has been consolidated to Solteq Group from the moment of acquisition onwards.

InPulse Works Oy

Solteq acquired 100 percent of the shares of inPulse Works Oy on 12 June 2017. With the acquisition, Solteq strengthens the knowledge of BI and analytics independently of the line of business. InPulse Works Oy has been consolidated to Solteq Group since 1 June 2017.

IMPACT OF THE ACQUIRED COMPANIES TO SOLTEQ GROUP

AGGREGATE FIGURES FOR THE ACQUISITION

TEUR

Consideration

Paid in cash	3 794
Directed issue	1 031
Total	4 825

Provisional values of the assets and liabilities arising from the acquisition

Tangible fixed assets	12
Intangible assets, software products **	1 329
Intangible assets	92
Trade and other receivables	1 016
Cash and cash equivalents	909
Total assets	3 358

Trade payables and other liabilities	-1 558
Loan	-372
Total liabilities	-1 930

Goodwill value from the acquisition 3 397

Cash flow from the acquisition

Consideration paid in cash in 2017	3 304
Cash and cash equivalents of the acquired company in the acquisition date	909
Total cash flow from the acquisition	2 395

Goodwill consists of assets that cannot be separated like synergy benefits, competent personnel, market share and entrance to new market.

** Depreciations of the intangible rights during the reporting period are 103 thousand euros (software products).

Expenses related to the acquisition

Other expenses	92
Total expenses related to the acquisition	92

Impact on the Solteq Group's number of personnel 79

Impact on the Solteq Group's comprehensive income statement 4-12/2017

Revenue * 3 153

Operating profit * 269

* The amount of the revenue and the operating profit from acquisition date to the end of the reporting period. Analyteq Oy is consolidated into the Solteq Group as of 4 April 2017. InPulse Works Oy is consolidated into the Solteq Group as of 1 June 2017.

The revenue and operating profit of the acquired companies is not presented as the consolidation would have happened in the beginning of the financial year because it has not a significant effect on Solteq Group's figures in financial year 2017.

NEW AND AMENDED STANDARDS APPLIED IN FINANCIAL YEAR ENDED 31 DECEMBER 2018

IFRS 2 Share based payments – change of standards (applicable from January 1, 2018)

Due to the change of standards, the Group's share reward arrangements are handled in full as share based payments, whereas they used to be handled as both share based and monetary based. When the change of standards was applied from January 1, 2018, the part which earlier was handled as debt is now booked to equity. The impact of this change of standards to the Group's equity at January 1, 2018 was 15 thousand euros.

IFRS 9 Financial instruments (applicable from January 1, 2018)

The standard requires an evaluation of the risk for bad debts for all receivables. Solteq applies the simplified method (allowed by the standard) for the evaluation of the risk for bad debts related to its account receivables. The expected amount of bad debts from the whole contract period is based on materialized bad debts and applied to the outstanding receivables of the

review period. The impact to the provision for bad debts as required by the change of standards to the Group's equity as per January 1, 2018 was 16 thousand euros.

IFRS 15 Revenue from customer contracts (applicable from January 1, 2018)

The IFRS 15 – standard applicable from 1 January 2018 has had a material impact to reported revenue and materials and services in the financial statements. The pivotal concepts of IFRS 15 have been analyzed through different revenue streams. These are own licenses and their maintenance, 3rd party licenses and their maintenance, 3rd party hardware and equipment, media sales and service sales. The biggest impact to revenue is deriving from the 3rd party licenses and their maintenance, and media sales. This is because of the new principal vs agent guidance. For these, an evaluation has been made regarding what role Solteq has towards its end customer.

The impact of the change in revenue recognition principle to the revenue of the year 2017 was -10,8 million euros, when a net principle for presenting the revenue was applied and revenue will be presented as agent fee (earlier revenue was presented as gross). No material impact was seen in the Group's operating profit or equity from applying the new standard. Solteq has taken totally the standard into use retroactively. The numbers for the financial year 2017 adjusted with the new standard are presented enclosed.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

TEUR	Reported value		Adjusted value		Reported value		Adjusted value	
	10-12/17	IFRS 15	10-12/17*	1-12/17	IFRS 15	1-12/17*	1-12/17*	
Revenue	16 070	3 545	12 525	61 536	-10 816	50 720		
Other income				52		52		
Materials and services	-4 436	3 540	-896	-17 079	10 803	-6 276		
Employee benefit expenses	-8 589		-8 589	-32 880		-32 880		
Depreciations and impairments	-525		-525	-2 076		-2 076		
Other expenses	-2 541		-2 541	-9 231		-9 231		
OPERATING PROFIT	-21	-5	-27	321	-13	308		
Financial income and expenses	-445		-445	-1 764		-1 764		
RESULT BEFORE TAXES	-466	-5	-471	-1 443	-13	-1 456		
Income tax expense	-63		-63	-58		-58		
RESULT FOR THE FINANCIAL PERIOD	-529	-5	-534	-1 501	-13	-1 514		
Translation difference	-41		-41	14		14		
Other comprehensive income, net of tax	-41		-41	14		14		
TOTAL COMPREHENSIVE INCOME	-570	-5	-575	-1 487	-13	-1 500		

Total profit for the period attributable to owners of the parent	-529	-5	-534	-1 501	-13	-1 514
Total comprehensive income attributable to the owners of the parent	-570	-5	-575	-1 487	-13	-1 500
Earnings/share, € (undiluted)	-0,03		-0,03	-0,08		-0,08
Earnings/share, € (diluted)	-0,03		-0,03	-0,08		-0,08

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

TEUR	Reported value		Adjusted value
	31.12.2017	IFRS 15	31.12.2017
NON-CURRENT ASSETS			
Tangible assets	2 220		2 220
Intangible assets			
Goodwill	36 912		36 912
Other intangible assets	5 227		5 227
Available-for-sale financial assets	556		556
Trade and other receivables	184		184
Total non-current assets	45 099		45 099
CURRENT ASSETS			
Inventories	149		149
Trade and other receivables	14 663	38	14 701
Cash and cash equivalents	1 552		1 552
Total current assets	16 364	38	16 402
TOTAL ASSETS	61 463	38	61 501

EQUITY AND LIABILITIES			
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Share capital	1 009		1 009
Share premium reserve	75		75
Reserve for own shares	11 960		11 960
Retained earnings	7 439	38	7 476
Total equity	20 482	38	20 520
Non-current liabilities			
Deferred tax liabilities	987		987
Financial liabilities	25 170		25 170
Current liabilities	14 824		14 824
TOTAL LIABILITIES	40 981		40 981
TOTAL EQUITY AND LIABILITIES	61 463	38	61 501

* The company has taken the IFRS 15 standard into use on 1 January 2018 retroactively and the comparison figures for 2017 have been adjusted.

ADOPTION OF NEW AND AMENDED STANDARDS IN FUTURE FINANCIAL YEARS

IFRS 16 Lease (applicable from beginning or after January 1, 2019)

The new standard replaces the current IAS 17 –standard and related interpretations. IFRS 16 requires the lessees to recognise the lease agreements on the balance sheet as a right-of-use assets and lease liabilities. The accounting model is similar to current finance lease accounting according to IAS 17. There are two exceptions available, these relate to either short term contracts in which the lease term is 12 months or less, or to low value items i.e. assets of value about USD 5 000 or less. The lessor accounting remains mostly similar to current IAS 17 accounting.

In the deployment of the standard a simplified transitional method shall be applied, in which case the comparative data will not be corrected. Solteq rents mainly premises. The application of the new standard changes the accounting treatment of these assets. The effect of adopting IFRS 16 standard on the 1 January 2019 balance sheet is estimated at EUR 6.3 million, raising fixed assets and liabilities.

FINANCIAL REPORTING IN 2019

Solteq Plc's audited Annual Report and financial statements for 2018 will be published on the company's website by 20 March 2019. Additional information on 2018 is also available on our website from 20 March 2019. We will not publish the printed Annual Report.

Solteq Plc's financial information bulletins in 2019 have been scheduled as follows:

- Interim Report 1-3/2019 Tuesday April 30, 2019 at 8.00 am
- Half Year Report 1-6/2019 Tuesday August 13, 2019 at 8.00 am
- Interim Report 1-9/2019 Tuesday October 29, 2019 at 8.00 am

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

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