

SOLTEQ



**2017**

Financial Statements Bulletin

# Solteq Plc Financial Statements Bulletin 1 Jan–31 Dec 2017 (IFRS)

- Revenue totaled 61,5 million euros (63,0 million euros).
- Operating profit was 322 thousand euros (6,444 thousand euros).
- The adjusted operating profit was 2,115 thousand euros (3,114 thousand euros).
- Solteq Group's equity ratio was 33.7% (33.5 %).
- Earnings per share was -0.08 euros (0.26 euros).
- During the past year, we have become a Nordic industry-independent operator that specialises in digital business solutions. Our mission is to simplify the digital world to make a better tomorrow.
- The Board of Directors proposes to the Annual General Meeting that for the financial year 2017, no dividends will be paid out.

## KEY FIGURES

	10-12/17	10-12/16	Change %	1-12/17	1-12/16	Change %
Revenue, TEUR	16 070	17 704	-9,2 %	61 536	63 049	-2,4 %
Operating profit, TEUR	-21	702	-103,0 %	322	6 444	-95,0 %
Adjusted operating profit, TEUR	381	905	-57,9 %	2 115	3 114	-32,1 %
Profit for the financial year, TEUR	-529	218	-342,7 %	-1 501	4 612	-132,5 %
Earnings / share, €	-0,08	0,00	-900,0 %	-0,08	0,26	-130,8 %
Operating profit, %	-0,1 %	4,0 %		0,5 %	10,2 %	
Adjusted operating profit, %	2,4 %	5,1 %		3,4 %	4,9 %	
Equity ratio, %	33,7 %	33,5 %		33,7 %	33,5 %	

## Profit guidance 2018

Solteq Group's adjusted operating profit is expected to grow significantly compared to the financial year 2017.

## CEO's review

# Growth for the future through internationalisation

During the past year, we have grown to become a Nordic industry-independent IT provider and software house that specialises in digital business solutions. Our mission is to simplify the digital world to make a better tomorrow.

The review period was challenging. We balanced our business operations by reorganising and cost reduction. These actions will have a positive impact for the outcome of the upcoming financial years. The outcomes of the previous quarters were burdened by the maintenance of the certain large scale projects, investing in our business operations in Sweden as well as increased subcontracting. Despite the challenging year, we succeeded in expanding our operations by acquisitions. We estimate that one fifth of our revenue will come from outside Finland in 2018.

In addition to organic growth, acquisitions have played a significant role in our internationalisation. We completed the integration of our Swedish subsidiary, Aponsa AB, in an operative sense by combining our previous Swedish operations to create a single entity.

We took a significant step on our path of Nordic growth in the final quarter of 2017 by agreeing to acquire the entire share capital of TM United A/S. The acquisition saw us expand our operations into the Danish and Norwegian markets. TM's solutions are focused on digital transactions and the optimisation of the online customer experience. In addition to supporting our international growth, the acquisition complements our product offering with a new component that is an excellent fit with our strategy: the Deep Vision cloud service, which facilitates the development of online services driven by the customer experience.

We have stated trying to increase the share of revenue generated by cloud services and other continuity services in our solution offering. Revenue from cloud services is expected to see significant growth in the coming years. We are also focusing on the development of our own software products and services. The share of revenue represented by continuous services will be reported separately

starting from the beginning of the year. We estimate that this will account over one fourth of our revenue this year. We are especially active in areas that enable us to incorporate artificial intelligence and robotics into our products and services. In 2017, our product development investments amounted to 333 thousand euros, centering around the last half of the year.

Our operations are based on the expertise and competencies of Solteqians. Early in the year, we announced our aim of recruiting 100 new professionals during 2017. We achieved this target.

I am confident that we will improve our profitability significantly in 2018. Our business outlook for the early part of the year is strong and the full effect of the cost reduction measures we implemented in 2017 will be seen this year.

*Olli Väätäinen, CEO*



## Operating environment: COMPETITIVE ADVANTAGE ENSURED BY IN-DEPTH CUSTOMER AND TECHNOLOGY

As the digital transformation picks up speed, the demand for digital services is increasing across all industries and customer expectations are growing.

The significance of optimising digital customer engagement and ensuring a convenient user experience is constantly increasing across all industries. Recognising this, we decided to specify our strategy and expand our business environment during the review period. We are a Nordic industry-independent IT provider and software house that specialises in digital business solutions.

Through acquisitions made in 2017, we expanded our operations into the Utilities sector (electricity, heating and water), which is undergoing a rapid digital transformation, as well as strengthened our market position in the Nordics.

### The market is prepared to pay for a good user experience

The accelerating digital revolution has expanded not only our business area but also the markets. Solutions related to digital services are now offered by a variety of providers in addition to traditional IT companies, including agencies specialising in design, marketing and service design.

As the range of services available in the market becomes broader, customer requirements and expectations increase. Digital services are an integral element of efficiency in daily life, and their benefits are now understood better than before. The market is prepared to pay for a good user experience and innovative solutions.

For Solteq, this creates significant opportunities for leveraging our in-depth understanding of customers and technologies as well as our insight into the future. Few operators have the ability to provide the comprehensive service offering that Solteq possesses. Having further strengthened our expertise and introduced new tools last year, we now have the capacity to help our customers provide superior services.

## Business development: OPPORTUNITIES OF OUR BUSINESS IS RIDING THE WAVE OF THE DIGITAL REVOLUTION

Our business strategy is to serve those industries whose traditional operating models are being shaken by the digital revolution. Our business opportunities are expanding as a growing number of industries recognise the need for optimised digital customer engagement solutions.

In 2017, we established a strong foothold in the Utilities sector (electricity, heating and water), where the digital transformation of the industry is dramatically changing the business environment. We also developed deeper expertise in analytics and future technologies to provide even better support for our customers' business operations.

### Acquisitions and divestments

Our expansion into the Utilities sector was executed by acquiring inPulse Works Ltd. The acquisition enables us to offer services that address the changing needs of electricity, district heating and water utilities. The acquisition also helped us deepen our expertise in business intelligence and analytics. We also invested in analytics earlier in the review period by acquiring a majority stake in Analyteq Oy.

We decided to clarify our ERP offering by agreeing on the transfer of our Microsoft AX business to eCraft Oy AB. Late in the year, we announced our expansion into Denmark and Norway by acquiring the share capital of TM United A/S (Theilgaard Mortensen). The acquisition strengthened our expertise in digital commerce solutions and user experience optimisation.

Our expansion into Denmark and Norway made our business environment more broadly Nordic and doubled our international revenue to twenty per cent.

### Development of the service offering

As the digital transformation picks up speed, we want to be among the firsts to take advantage of emerging technologies. We established the Incubator business unit to develop and commercialise the opportunities presented by new technologies.

We are especially active in incorporating artificial intelligence, machine learning and robotics into our products and services.

### New strategy and acquisitions

During the past year, we have grown to become a Nordic industry-independent operator that specialises in digital business solutions. Our mission is to simplify the digital world to make a better tomorrow.

We have stated trying to increase the share of revenue generated by cloud services and other continuity services in our solution offering. Revenue from cloud services is expected to see significant growth in the coming years. We are also focusing on the development of our own software products and services.

Our growth into a Nordic industry-independent operator that specialises in digital business solutions was accelerated by corporate restructuring carried out during the financial year.

In the beginning of the year, we enhanced our expertise in core commercial processes and analytics by acquiring 51 per cent of Analyteq Oy from Tuko Logistics Osuuskunta. Analyteq Oy is specialised in producing product replenishment services based on demand forecasting and an analytics service based on supply chain management for shops. With the acquisition, the number of analytics professionals on our team grew by 19 people. The transaction was carried out on 4 April 2017. Analyteq Oy's impact on the revenue for the financial year was EUR 1.5 million, and its impact on operating profit was EUR 0.3 million.

Our industry-independent BI and analytics expertise was strengthened on 12 June 2017, when we acquired inPulse Works Oy. With the acquisition of inPulse Works Oy, we also expanded our operations into the rapidly digitalising Utilities sector. The acquisition of inPulse Works Oy increased the number of experts on our team by 60 people. inPulse Works Oy has an impact on revenue for the review period was EUR 3.1 million and on operating profit EUR 0.3 million.

We concluded a cooperation agreement with eCraft Oy Ab, in which our Microsoft AX business and its customers and personnel were transferred to eCraft Oy Ab. The agreement and transaction clarified our ERP offering.

We took a significant step on our path of Nordic growth in the final quarter of 2017 by agreeing to purchase the entire share capital of TM United A/S. The transaction was carried out on 15 January 2018.

## REVENUE AND RESULT

### Turnover by operation:

%	1-12/17	1-12/16
Software services	78	79
Licences	19	20
Hardware	3	2

Revenue decreased by 2.4 percent compared to the previous year and totaled 61,536 thousand euros (previous financial year 63,049 thousand euros).

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

The operating result for the review period was 322 thousand euros (6,444 thousand euros). The adjusted operating result was 2,115 thousand euros (3,114 thousand euros).

Result before taxes was -1,443 thousand euros (4,731 thousand euros) and result for the financial year was -1,501 thousand euros (4,612 thousand euros).

## BALANCE SHEET AND FINANCE

The total assets amounted to 61,463 thousand euros (61,232 thousand euros). Liquid assets totaled 1,552 thousand euros (8,477 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 financial year and in addition the company has an unused standby credit limit amounting to a total of 4,000 thousand euros.

During the financial year, there was more working capital tied up than a normal year. The company has initiated actions for increasing the working capital turnover. The actions taken have had a satisfactory impact and they will be continued during the financial year 2018.

The Group's interest-bearing liabilities were 25,860 thousand euros (25,752 thousand euros).

Solteq Group's equity ratio was 33.7 percent (33.5 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.

## INVESTMENTS, RESEARCH AND DEVELOPMENT

The net investments during the financial year are -6,051 thousand euros (+208 thousand euros). -1,716 thousand euros of the net investments of the financial year are replacement investments and -4,335 thousand euros related to the company acquisitions. -1,696 thousand euros of the net investments of the reference year were mainly replacement investments. -1,381 thousand euros were related to the company acquisitions and +3,285 thousand euros to the divestment of a subsidiary.

### Research and development

Solteq's research and development costs consist mainly of personnel costs. During the review period the company has started further development of the existing software products and the development of new software services.

During the financial year 333 thousand euros development costs were capitalized (none in the reference period).

## PERSONNEL

The number of permanent employees at the end of the review period was 480 (441). Personnel of the subsidiaries acquired during the review period was 79 people at the time of acquisition and personnel of the sold business was 11 at the time of transaction.

The Company MainIoT Software Oy, sold during the comparison period, had 41 people employed at the time of transaction. Personnel of the subsidiaries acquired during the financial year 2016 was 28 people at the time of acquisition.

### Key figures for Group's personnel:

	2017	2016	2015
Average number of the personnel during the financial year	485	454	391
Employee benefit expenses (1,000 €)	26 610	24 756	21 484

## 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 in the end of this Financial Statements Bulletin.

## SHARES, SHAREHOLDERS AND TREASURY SHARES

Solteq Plc's equity on 31 December 2017 was 1,009,154.00 euros which was represented by 18,677,597 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 financial year 2017.

On 5 December 2016, Solteq Plc announced a share issue directed to personnel. The shares subscribed and paid in the share issue were presented in the share issue account on the previous financial statements. The costs related to the issue were also booked to that account. The Board of Directors of Solteq Plc accepted the subscription of 205,576 new shares on 25 January 2017. The new shares were entered into the Finnish Trade Register and applied for public trading on 24 February 2017. The number of the company's shares increased to 18,003,635 shares. The new shares represent 1.14 percentage of the shares and votes of the Company. The payments of subscriptions were fully credited to the reserve for the company's invested unrestricted equity.

Directed share issues related to the acquisitions of Aponsa Ab and Pardco Group Oy and the related transfers of shares, in which a total number of 461,348 shares were subscribed, were executed in the review period on 10 March 2017. According to the terms and conditions of the directed share issues the subscription prices are fully credited to the reserve for the company's invested unrestricted equity. The number of company's shares did not increase because the share issues were carried out with the Company's own shares.

On 21 April 2017, Solteq Plc's Board of Directors directed a share issue of 400,000 shares to the company's CEO Olli Väätäinen. Väätäinen subscribed the directed share issue in full. In addition, the Board of Directors decided to cancel all treasury shares held by the company, totaling to 339,533 shares. The new shares and the cancellation of the treasury shares were registered into the Finnish Trade Register on 22 May 2017. The new shares were publicly traded as of 22 May 2017 as well. After the changes, the total number of the company's shares was 18,064,102. The payments of subscriptions were fully credited to the reserve for the company's invested unrestricted equity.

As a part of the company acquisition Solteq Plc directed a share issue, totaling to 613,495 shares, to the shareholders of inPulse Works Oy on 12 June 2017. The total number of shares subscribed was 613,495. The new shares were registered into the Finnish Trade Register on 3 July 2017 and they were publicly traded as of 3 July 2017 as well. After the changes, the total number of the company's shares is 18,677,597. The new shares represent in total 3.3 percent of the shares and votes in Solteq Plc. The payments of subscriptions

were fully credited to the reserve for the company's invested unrestricted equity.

Two flagging announcements were made during the financial year. According to the notification of major shareholding received on 16 March 2017, Profiz Business Solution Oy's holdings and proportion of voting rights of Solteq Plc decreased under the 10 percent threshold on 24 February 2017, when the new shares approved in the Solteq Plc share issue directed to the personnel were entered into the Finnish Trade Register. Profiz Business Solution Oy held 1,781,790 shares in Solteq Plc, which represented 9.90 percent of all of the company's shares and votes after entering the new shares to the Finnish Trade Register (10.01 percent before).

According to the notification of major shareholding received on 21 April 2017, Profiz Business Solution Oy's holdings and proportion of voting rights of Solteq Plc increased over the 10 percent threshold on 20 April 2017 due to acquisition of shares. Profiz Business Solution Oy holds 1,808,221 shares in Solteq Plc, which represented 10.04 percent of all of the company's shares and votes (9.90 percent before).

### 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 is about 0.6 million euros 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.

On 4 April 2017 Solteq Plc announced that a total of 25,000 shares held by the company were transferred to persons included in the share-based incentive scheme of the financial years 2016–2018 in the earning period 2016.

## Exchange and rate

During the financial year, the exchange of Solteq's shares in the Helsinki Stock Exchange was 1.7 million shares (1.7 million shares) and 2.7 million euros (2.9 million euros). The highest rate during the financial year was 1.76 euros and lowest rate 1.44 euros. The weighted average rate of the share was 1.64 euros and end rate 1.52 euros. The market value of the company's shares in the end of the financial year totaled 28.4 million euros (28.5 million euros).

## Ownership

In the end of the financial year, Solteq had a total of 2,281 shareholders (1,984 shareholders). Solteq's ten largest shareholders owned 13,119 thousand shares i.e. they owned 70.2 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 2017 (15 thousand shares on 31 December 2016).

## ANNUAL GENERAL MEETING

Solteq's Annual General Meeting on 17 March 2017 approved the financial statement for period 1 January – 31 December 2016 and discharged the CEO and the Board of Directors from liability.

The Board of Directors' proposal of to the General Meeting that a dividend of EUR 0.05 per share will be paid from the financial year ended on 31 December 2016 was accepted. Dividend was paid out on 28 March 2017 to the shareholders who at the date of the reconciliation of dividend pay-out, 21 March 2017, were in the directory of shareholders. The directory of shareholders is administered by Euroclear Finland Oy.

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 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 2018.

## BOARD OF DIRECTORS AND AUDITORS

The Annual General Meeting on 17 March 2017 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.

## EVENTS AFTER THE BALANCE SHEET DATE

The board of the company has on 15 January 2018 decided on a share emission of 628,930 shares on terms of contribution in kind to Theilgaard Mortensen Holding ApS in connection to the acquisition of the shares of TM Holding A/S.

Chief Financial Officer Antti Kärkkäinen has on 6 February 2018 announced his resignation from the company by 30 April 2018. The company has taken an action for hiring a new Chief Financial Officer.

## 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 2017, the distributable equity of the Group's parent company is 19,500,629.76 euros.

Solteq Plc's Board of Directors proposes to the Annual General Meeting that for the financial year 2017, 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 2017.

Beginning from 1 January 2017 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.

The impact of the IFRS 15 standard, which comes into force 1 January 2018, has tentatively been analysed from the revenue streams' point of view. These are sales and maintenance of own licenses, sales and maintenance of 3rd party licenses, 3rd party equipment, media sales and service sales. The biggest impact on the turnover can be seen on the sales and maintenance of 3rd party licenses and media sales due to the new principal vs agent guidance. On these, it has been evaluated what role Solteq Plc has when looking from the end customer's point of view. On the year 2017 turnover, this change of revenue recognition method has a preliminary impact of -9,8 million euros negative. This would be the impact when the earlier used gross presentation method changes to a net presentation method, which means that the turnover consists of the agent fee. To the gross profits, the taking into use of the new standard is, based on preliminary analysis, not likely to have any significant impact. Solteq Plc will take the new standard into use retrospectively. The corrections from IFRS 15 for 2017 will be reported in connection with the first quarter's interim report.

# FINANCIAL INFORMATION

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (TEUR)

	1.10.- 31.12.2017	1.10.- 31.12.2016	1.1.- 31.12.2017	1.1.- 31.12.2016
REVENUE	16 070	17 704	61 536	63 049
Other income	0	43	52	4 222
Materials and services	-4 436	-6 048	-17 079	-17 938
Employee benefit expenses	-8 589	-8 133	-32 880	-31 001
Depreciation and impairments	-525	-527	-2 076	-1 946
Other expenses	-2 541	-2 338	-9 231	-9 943
OPERATING RESULT	-21	702	322	6 444
Financial income and expenses	-445	-429	-1 765	-1 713
RESULT BEFORE TAXES	-466	273	-1 443	4 731
Income Taxes	-63	-55	-58	-119
RESULT FOR THE FINANCIAL YEAR	-529	218	-1 501	4 612
OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS				
Translation differences	-41	-56	14	-56
Other comprehensive income, net of tax	-570	162	14	4 556
TOTAL COMPREHENSIVE INCOME	-570	162	-1 487	4 556
Total profit for the period attributable to owners of the Parent	-529	218	-1 501	4 612
Total comprehensive income attributable to owners of the Parent	-570	162	-1 487	4 556
Earnings / share, € (undiluted)	-0,03	0,00	-0,08	0,26
Earnings/share, € (diluted)	-0,03	0,00	-0,08	0,26

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

## CONSOLIDATED BALANCE SHEET (TEUR)

	31.12.2017	31.12.2016
ASSETS		
NON-CURRENT ASSETS		
Tangible assets	2 220	2 342
Intangible assets		
Goodwill	36 912	33 520
Other intangible rights	5 227	3 990
Available-for-sale financial assets	556	562
Trade and other receivables	184	347
Total non-current	45 099	40 761
CURRENT ASSETS		
Inventories	149	55
Trade and other receivables	14 663	11 939
Cash and cash equivalents	1 552	8 477
Total current assets	16 364	20 471
TOTAL ASSETS	61 463	61 232
EQUITY AND LIABILITIES		
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		
Share capital	1 009	1 009
Share issue	0	164
Share premium reserve	75	75
Reserve for own shares	0	-1 109
Invested unrestricted equity reserve	11 960	10 449
Retained earnings	7 439	9 726
Total equity	20 482	20 313
Non-current liabilities		
Deferred liabilities	988	821
Financial liabilities	25 170	25 511
Current liabilities	14 823	14 587
<b>Total liabilities</b>	<b>40 981</b>	<b>40 919</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>61 463</b>	<b>61 232</b>

## CASH FLOW STATEMENT (MEUR)

	1-12/2017	1-12/2016
Cash flow from business operations		
Result for the financial period	-1 501	4 612
Adjustments for operating profit	2 410	-1 877
Changes in working capital	-1 216	2 903
Interest paid	-1 804	-1 852
Interest received	40	139
Net cash from operating activities	-2 071	3 925
Cash flows from investing activities		
Acquisition of subsidiaries	-2 395	-584
Divestment of subsidiary	0	6 700
Investments in tangible and intangible assets	-1 074	-890
Net cash used in investing activities	-3 469	5 226
Cash flow in financing activities		
Long-term loans, decrease	-554	-3 101
Payment of finance lease liabilities	-618	-356
Share issue to personnel	669	164
Dividend payment	-882	0
Net cash used in financing	-1 385	-3 293
Changes in cash and cash equivalent	-6 925	5 858
Cash and cash equivalents 1 Jan	8 477	2 619
Cash and cash equivalents 31 Dec	1 552	8 477

The net cash flow +6,700 thousand euro from the divestment of MainIoT Software Oy is presented in the cash flows from investing activities in the financial year 2016.

## STATEMENT OF CHANGES IN GROUP EQUITY (TEUR)

	Share capital	Share issue	Reserve for own shares	Share premium account	Translation differences	Invested un-restricted equity reserve	Retained earnings	Total
EQUITY 1 JAN 2016	1 009	0	-1 109	75	0	10 449	4 983	15 407
Total comprehensive income					-56		4 612	4 556
Transactions with owners								
Incentive scheme and option scheme							186	186
Share issue directed to the personnel		164						164
Transactions with owners		164					186	350
EQUITY 31 DEC 2016	1 009	164	-1 109	75	-56	10 449	9 781	20 313
EQUITY 1 JAN 2017	1 009	164	-1 109	75	-56	10 449	9 781	20 313
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
Shares 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 share			1 109			-1 109		0
Dividend distribution							-882	-882
Transactions with owners		-164	1 109	0	0	1 511	-800	1 656
EQUITY 31 DEC 2017	1 009	0	0	75	-42	11 960	7 480	20 482

## QUARTERLY KEY INDICATORS (MEUR)

	1Q/16	2Q/16	3Q/16	4Q/16
Net turnover	15,37	16,40	13,57	17,70
Operating result	4,92	0,82	0,01	0,70
Result before taxes	4,50	0,40	-0,44	0,27
	1Q/17	2Q/17	3Q/17	4Q/17
Net turnover	15,40	15,82	14,24	16,07
Operating result	0,19	0,65	-0,50	-0,02
Result before taxes	-0,27	0,19	-0,90	-0,47

**TOTAL INVESTMENTS (TEUR)**

	<b>1-12/2017</b>	<b>1-12/2016</b>
Continuing operations, group total	-6,051	-208

**LIABILITIES (MEUR)**

	<b>31 DEC 2017</b>	<b>31 DEC 2016</b>
Business mortgages	10.00	10.00
Other lease liabilities	0,25	0.12
Lease liabilities for premises	7.80	5.18

**RELATED PARTY TRANSACTIONS (TEUR)**

	<b>31 DEC 2017</b>	<b>31 DEC 2016</b>
Service sales	54	0
Renting arrangements	2	0
Purchases	48	0
Liabilities	2	0

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 a table form on the Financial Statements Bulletin.

## DISTRIBUTION OF HOLDINGS BY SECTOR 31 DECEMBER 2017

	<b>Number of holdings</b>	<b>Shares and votes %</b>	<b>Number</b>
Private companies	78	3.4	7,257,648
Financial and insurance institutions	7	0.3	698,351
Public-sector organizations	2	0.1	3,245,597
Households	2,187	95.9	7,458,758
Non-profit organizations	2	0.1	231
Foreigners	5	0.2	17,012
Total	2,281	100.0	18,677,597
Total of Nominee-registered	6	0.3	456,273

## DISTRIBUTION BY NUMBER OF SHARES 31 DECEMBER 2017

<b>Number of shares</b>	<b>Number of holdings</b>	<b>Shares and votes %</b>	<b>Number</b>
1 - 100	460	20.2	29,555
101 - 1,000	1,265	55.5	615,715
1,001 - 10,000	459	20.1	1,459,083
10,001 - 100,000	80	3.5	2,352,763
100,001 - 1,000,000	12	0.5	2,997,987
1,000,000 -	5	0.2	11,222,494
Total	2,281	100.0	18,677,597
Total of Nominee-registered	6	0.3	456,273

## MAJOR SHAREHOLDERS 31 DECEMBER 2017

	<b>Shares and votes Number</b>	<b>%</b>
1. Sentica Buyout III Ky	4,621,244	24.7
2. Keskinäinen Työeläkevakuutusyhtiö Elo	2,000,000	10.7
3. Profiz Business Solution Oy	1,955,653	10.5
4. Saadetdin Ali	1,400,000	7.5
5. Keskinäinen Työeläkevakuutusyhtiö Varma	1,245,597	6.7
6. Aalto Seppo	671,882	3.6
7. Roininen Matti	420,000	2.2
8. Väätäinen Olli	400,000	2.1
9. Lamy Oy	225,000	1.2
10. Sentica Buyout III Co-Investment	180,049	1.0
10 largest shareholders total	13,119,425	70.2
Total of nominee-registered	456,273	2.4
Others	5,101,899	27.3
Total	18,677,597	100.0

**FINANCIAL PERFORMANCE INDICATORS (IFRS)**

	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Net turnover, MEUR	61,5	63,1	54,2	40,9	38,1
Change in net turnover, %	-2,4 %	16,3 %	32,5 %	7,4 %	-2,3 %
Operating result, MEUR	0,3	6,4	1,3	2,5	2,1
% of turnover	0,5 %	10,2 %	2,4 %	6,1 %	5,6 %
Result before taxes, MEUR	-1,4	4,7	0,3	2,3	1,9
% of turnover	-2,3 %	7,5 %	0,6 %	5,7 %	5,1 %
Equity ratio, %	33,7	33,5	24,4	48,0	43,5
Gearing, %	118,7 %	85,0 %	167,4 %	16,3 %	29,4 %
Net investments in non-current assets, MEUR	6,1	-0,2	23,3	1,0	1,0
Return on equity, rolling 12 mo, %	-7,4 %	25,8 %	0,8 %	16,8 %	15,5 %
Return on investment, rolling 12 mo, %	0,8 %	14,6 %	4,5 %	15,5 %	13,2 %
Personnel at end of period	480	441	500	279	277
Personnel average for period	485	454	391	281	287
<b>KEY INDICATORS PER SHARE</b>					
Earnings / share, €	-0,08	0,26	0,01	0,13	0,11
Earnings / share, € (diluted)	-0,08	0,26	0,01	0,13	0,11
Equity / share, €	1,10	1,20	0,91	0,79	0,72

## Alternative performance measures to be used by Solteq Group 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 uses the 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.

Other alternative performance measures used by Solteq Group are 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 Financial Statements Bulletin. 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 re-organisation 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:

	Q4/17	Q3/17	Q2/17	Q1/17	1-12/17	Q4/16	Q3/16	Q2/16	Q1/16	1-12/16
Adjusted operating profit (EBIT)	381	-116	827	1 023	2 115	905	603	874	732	3 114
Adjusted items:										
Divestment of MainIoT Software Oy	0	0	0	0	0	0	0	58	-4 187	-4 129
Incentive scheme and option scheme (IFRS 2)	-79	39	49	29	38	93	93	0	0	186
Impairments	0	0	0	0	0	57	0	0	0	57
Discontinued company acquisition	0	0	0	0	0	0	503	0	0	503
Acquisition of subsidiaries	244	61	104	0	409	53	0	0	0	53
Transfer of AX business	0	0	25	0	25	0	0	0	0	0
Non-recurring severance packages	237	280	0	504	1 021	0	0	0	0	0
Reconciliation agreement	0	0	0	300	300	0	0	0	0	0
<b>Adjustment items, total</b>	<b>402</b>	<b>380</b>	<b>178</b>	<b>833</b>	<b>1 793</b>	<b>203</b>	<b>596</b>	<b>58</b>	<b>-4 187</b>	<b>-3 330</b>
<b>Operating profit (EBIT)</b>	<b>-21</b>	<b>-496</b>	<b>649</b>	<b>190</b>	<b>322</b>	<b>702</b>	<b>7</b>	<b>816</b>	<b>4 919</b>	<b>6 444</b>

## CALCULATION OF FINANCIAL RATIOS

Solvency ratio, in percentage:	equity	
	<hr/>	
	balance sheet total – advances received	x 100

Gearing:	interest bearing liabilities – cash, bank balances and securities	
	<hr/>	
	equity	X 100

Return on Equity (ROE) in percentage:	profit or loss before taxation – taxes	
	<hr/>	
	equity	x 100

Profit from invested equity in percentage:	profit or loss before taxation+ Interest expenses and financing expenses	
	<hr/>	
	equity	x 100

Earnings per share:	pre-tax result – taxes +/- minority interest	
	<hr/>	
	diluted average share issue corrected number of shares	

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

Equity per share:	equity	
	<hr/>	
	number of shares	

Sales margin = Revenue – Materials and services

## BUSINESS COMBINATIONS

### Financial year 2017

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

#### Analyteq Oy & inPulse Works 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.

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)	Acquisition
<b>Consideration</b>	
Paid in cash	3 794
Directed issue	1 031
<b>Total</b>	<b>4 825</b>
<b>Provisional values of the assets and liabilities arising from the acquisition</b>	
Tangible fixed assets	12
Intangible assets, software products **	1 329
Intangible assets	92
Deferred tax assets	0
Available-for-sale financial assets	0
Inventories	0
Trade and other receivables	1 016
Cash and cash equivalents	909
<b>Total assets</b>	<b>3 358</b>
Trade payables and other liabilities	-1 558
Loans	-372
<b>Total liabilities</b>	<b>-1 930</b>
<b>Goodwill value from the acquisition</b>	<b>3 397</b>
<b>Cash flow from the acquisition</b>	
Consideration paid in cash 2017	3 304
Cash and cash equivalents of acquired company on the acquisition date	909
<b>Total cash flow from the acquisition</b>	<b>2 395</b>

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

\*\* Depreciations of the intangible rights during the reporting period are 1 03 thousand euros (software products).

<b>Expenses related to the acquisition</b>	
Other expenses	92
<b>Total expenses relate to the acquisition</b>	<b>92</b>
<b>Impact on the Solteq Group's number of personnel</b>	<b>79</b>
<b>Impact on the Solteq Group's comprehensive income statement 4-12/2017</b>	
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.

## Financial year 2016

During the financial year 1 Jan – 31 Dec 2016, two company acquisitions were made.

### Aponsa Ab & Pardco Group Oy

Solteq acquired the entire share capital of Swedish Aponsa Ab on 25 October 2016. The acquisition executes the strategy focusing on digital commerce and international growth that Solteq announced in the financial year 2016. The company is consolidated to Solteq Group's figures from 1 November 2016.

On 20 December 2016 Solteq acquired the entire share capital of Pardco Group Oy. The acquisition is a part of the digital commerce growth strategy that Solteq published in the financial year 2016 and the related decision to invest in Nordic omni-commerce growth. The company is consolidated to Solteq Group's figures from 31 December 2016.

## IMPACT OF THE ACQUIRED COMPANIES TO SOLTEQ GROUP

<b>AGGREGATE FIGURES FOR THE ACQUISITION (TEUR)</b>	<b>Acquisition</b>
<b>Consideration</b>	
Paid in cash	602
Directed issue	779
<b>Total</b>	<b>1 381</b>
<b>Preliminary provisional values of the assets and liabilities from the acquisition</b>	
Tangible fixed assets	39
Deferred tax assets	40
Available-for-sale financial assets	31
Inventories	12
Trade and other receivables	456
Cash and cash equivalents	18
<b>Total assets</b>	<b>596</b>

Trade payables and other liabilities	-583
Loans	-125
<b>Total liabilities</b>	<b>-708</b>

**The preliminary goodwill value from the acquisition** **1 493**

**Cash flow from the acquisition**

Consideration paid in cash 2016	602
Cash and cash equivalents of acquired company on the acquisition date	18
<b>Total cash flow from the acquisition</b>	<b>584</b>

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

**Expenses related to the acquisition**

Other expenses	53
Total expenses relate to the acquisition	53

**Impact on the Solteq Group's number of personnel** **28**

**Impact on the Solteq Group's comprehensive income statement**

	<b>11-12/2016</b>
Revenue*	326
Operating profit*	-133

\* The amount of revenue and operating profit that is included in Group's operating profit from the acquisition date to the end of the financial year.  
Aponsa Ab is consolidated to Solteq Group from 1 November 2016.

As regards to Pardco Group Oy, only the balance sheet is consolidated to Solteq Group's figures on 31 December 2016 as the acquisition took place on 20 December 2016.

The revenue and operating profit of the acquired companies are not presented as the consolidation would have happened in the beginning of the financial year because it has not the significant effect on Solteq Group's figures in financial year 2016.

## FINANCIAL REPORTING

Solteq's audited financial statements for the year 2017 is published on the company's website on 16 February 2018. Additional information on 2017 is also available on Solteq website from 16 February 2018.

We will not publish printed Annual Report.

Solteq Plc's financial information bulletins in 2018 have been scheduled as follows:

Interim Report 1-3/2018 Thursday April 26, 2018 at 8.00 am

Interim Report 1-6/2018 Friday August 10, 2018 at 8.00 am

Interim Report 1-9/2018 Thursday October 25, 2018 at 8.00 am

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

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