



SOLTEQ

Q1 2017

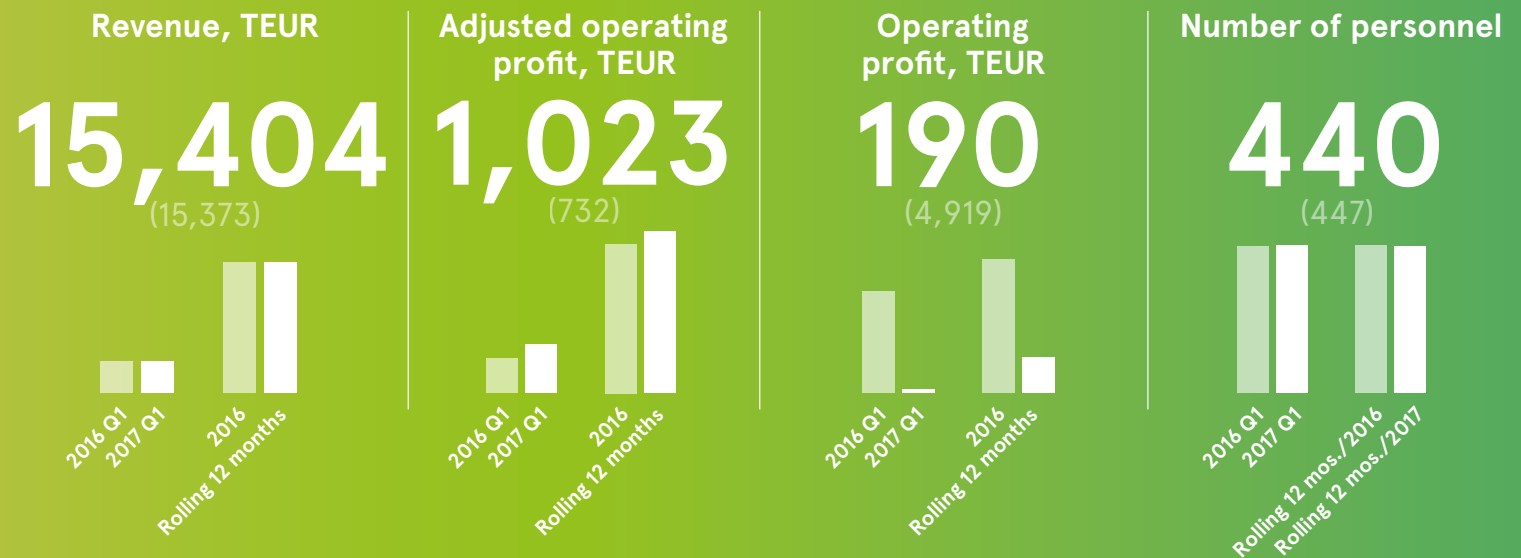
Interim report  
1 January–31 March 2017

# Solteq is a digital customer engagement expert

We are the partner to our customer, who knows what it takes to win in digital disruption, regardless of our customer's industry. We have the capabilities to provide unique comprehensive service, which covers the technological solutions, continuous services and business support. With 450 experts working in three countries we deliver solutions to Europe, North America, Asia and Australia.

## Solteq's strengths

1. We understand thoroughly the possibilities that digital disruption generates. We know how to turn them for the benefit of our customer. With the combination of wide industry expertise and technological skills, we provide our customers with the winning solutions.
2. Our customers rely on us. Typically we are highly involved in improving our customers' strategic business solutions, which are in key role when doing their current and especially future business.
3. Will to continuously improve our skills, capabilities and solution offering combined with innovative mind set, are in the core of each solteqian. This ensures that our clients can have today what they will need tomorrow.



# SOLTEQ PLC INTERIM REPORT

## 1 January–31 March 2017 (IFRS)

- Repe Harmanen's term of office as CEO ended on 17 February 2017. Olli Väätäinen was appointed as CEO of the company as of 1 April 2017.
- Strategy will be fined down during the spring – the corner stones of the strategy are growth, internationalization and digital customer engagement. We will focus on exploiting the strong industry expertise, continuous improvement of customer experience, strengthening skills and competencies, and implementing lean and agile way of work in our own operations.
- Revenue was 15.4 million euro (15.4 million euro).
- Operating profit was 190 thousand euro (4,919 thousand euro).
- Adjusted operating profit was 1,023 thousand euro (732 thousand euro).
- Group's equity ratio was 34.1% (31.8%).
- Earnings per share was –0.02 euro (0.27 euro).

### KEY FIGURES

	1-3/17	1-3/16	Change-%	1-12/2016	Rolling 12 months
Revenue, TEUR	15,404	15,373	0.2	63,049	63,080
Operating profit, TEUR	190	4,919	-96.1	6,444	1,715
Adjusted operating profit, TEUR	1,023	732	39.8	3,114	3,405
Profit for the financial period, TEUR	-280	4,393	-106.4	4,612	-60
Earnings/share, e	-0.02	0.27	-106.1	0.26	-0.02
Operating profit-%	1.2	32.0		10.2	2.7
Adjusted operating profit, %	6.6	4.8		4.9	5.4
Equity ratio, %	34.1	31.8		33.5	34.1

#### Profit guidance 2017

Solteq Group's adjusted operating profit is expected to grow compared to financial year 2016.

# Towards profitable growth



**Year 2017 started with changes. In February, Solteq announced that Repe Harmanen's term of office as CEO has ended. I started as CEO on 1 April 2017.**

In the first quarter of 2017, the business of the company was on solid basis and the operative profitability stayed on satisfactory level. Our most important short-term objective is to launch organic growth based on our existing strengths. I believe that it is possible to grow, and grow profitably, by utilising the company's existing expertise and client insight in a more effective manner.

Solteq is a digital customer engagement expert. Solteq will continue on the road of its strategy of growth and international expansion driven by digital disruption. Route choices to reach the destination

will be made during the spring. The focus will be on strong industry expertise, continuous improvement of the customer experience offered by our clients, strengthening of our expertise in terms of both quantity and quality, and the implementation of lean and agile methods throughout the company.

Our clients rely on us. Due to the nature of our solutions, we are deeply involved in our clients' strategic business operations. Our task is to be the partner that knows how digital disruption is turned into victory – regardless of the client's industry. The solution that we can offer to our clients is our expertise and services that we provide. We can also utilise our partner network in our solutions. If required by the client, we provide a full range of services from enabling technologies to continuous services and business support.

As our expertise is built on the competences and abilities of our personnel, we will increase our investments in competence development. We already have an IBM commerce technology competence centre that is the largest in the Northern Europe and third largest in the world. We will make significant investments to grow our expertise in other technology solution areas as well. In 2017, we will recruit at least 100 new experts. After the first quarter, we will be in full swing.

We will maintain our earlier profit guidance concerning the adjusted operating profit for 2017.

**Olli Väätäinen**  
CEO

# Business environment and business development

Solteq is a digital customer engagement expert. We provide you with solutions that extend from supply chain management to digital marketing and from backend processes to customer experience – online, in mobile and in brick and mortar. Our 450 experts, who work in three countries, develop solutions for Europe, North America, Asia and Australia.

During the past years, a number of structural changes have taken place in the Finnish field of retail and commerce business and players were both merged and left the field. These changes strengthen our strategic vision of growing role for small and medium sized customers and the importance of internationalization. Currently, a little less than 20% of our business comes from international customers. On the other hand, the demand for the solutions for digital commerce and customer engagement is rising as well in the field of industry as in the B2B market more widely.

Beginning from 1 January 2017 Solteq Group has one reported segment, Software Services.

## New strategy and company arrangements

On 25 May 2016, we published the new growth strategy, which focuses on international digital commerce and

improvement of the customer experience as a source of the growth.

During the new strategy period, our goal is to grow Solteq into a new size category by focusing on services that will improve the digital customer engagement. The services will help our clients increase their revenue and improve their competitive advantages in the world of globalisation and digitalization of the business environment. We will grow domestically by expanding the overall offering of solutions and services for our current and new customers and internationally by operating in the Nordic countries and with our global clients.

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%

Despite the change of the CEO in the review period, we continue on the strategic route we outlined earlier. Route choices to reach the destination will be made during the spring.

In the financial year 2016 the strategy of growth was implemented organically and by acquisitions. MainIoT Software Ltd., a subsidiary of Solteq Plc. that was focused on service and maintenance business systems, was divested. MainIoT Software Ltd was reported as a part of Solteq Group until 29<sup>th</sup> February 2016 and the effect on the revenue of the comparison period was +0.6 million euros and the effect on operating profit of the comparison period was –0.2 million euros.

In the financial year 2016 our position in the Swedish markets was strengthened by the acquisition of Aponsa AB, a ICT-service provider focusing on retail customers. The effect of Aponsa AB on the revenue of the review period is +0.3 million euros and the effect on operating profit of the review period is –0.3 million euros. In addition, a growth investment decision to omnichannel business was made in the financial year 2016 and a Magento-competence center was established. The growth of the competence center was accelerated by acquisition of Pardco Group Ltd, a company focused on eCommerce and Magento technology. Pardco Group Ltd is reported as a part of Solteq Group from December 31 2016. The effect on the revenue is 0.1 million euros and on the operating profit 0.0 million euros in the review period.

In the review period the expertise in the core processes of commerce and analytics was deepened by signing an agreement according to which Solteq will acquire 51 per cent of Analyteq Ltd from Tuko Logistics Osuuskunta if certain conditions for closing the deal are met. Analyteq Ltd is a new company that specialises in producing a stock replenishment service based on demand forecasting and an analytics service based on supply chain management to the retail sector. Along with the acquisition the number of our analytics experts grew by 19 people. The acquisition was completed after the review period on 4 April 2017 and Analyteq will be reported as a part of Solteq Group beginning from the acquisition date.

#### Changes in the Executive Team

Significant changes in the Executive Team took place during the review period and after the review period.

Repe Harmanen left his position as a CEO of the company in February and Olli Väätäinen was appointed as CEO of the company as of April 1<sup>st</sup>, 2017.

Timo A. Rantanen left his position as Vice President, Sales & Accounts to pursue new opportunities outside of the company and the responsibilities of the sales management were transferred to Ilkka Brander, Director in charge of Solteq's Customer Solutions.

After the review period, Kirsi Jalasaho was appointed as VP, People, Culture and IR and member of the Management Team of Solteq.

## REVENUE AND RESULT

### Turnover by operation

%	1-3/17	1-3/16	1-12/16
Software services	81	82	79
Licenses	17	17	20
Hardware	2	1	2

Revenue increased by 0.2 per cent compared to the previous year and totaled 15,404 thousand euros (previous review period 15,373 thousand euro).

Revenue consist of several individual customerships. At the most, one client corresponds to less than ten percentages of the revenue. The sales margin for the review period was 11,624 thousand euros (12,108 thousand euros).

The operating result for the review period was 190 thousand euros (4,919 thousand euros). The adjusted operating result was 1,023 thousand euros (732 thousand euros). The most significant adjustments to operating result are due to non-recurring severance packages (-504 thousand euro) and a non-recurring compensation related to a terminated customer project (-300 thousand euro).

Result before taxes was -266 thousand euros (4,498 thousand euros) and result for the review period was -280 thousand euros (4,393 thousand euros).

### BALANCE SHEET AND FINANCE

The total assets amounted to 58,982 thousand euros (62,984 thousand euros). Liquid assets totaled 5,731 thousand euros (11,011 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 25,579 thousand euros (27,567 thousand euros).

Solteq Group's equity ratio was 34.1 per cent (31.8 per cent).

On 1 July 2015 Solteq Plc (Solteq) issued an unsecured bond of 27 million euros. The bond carries a fixed annual interest of 6 per cent and its maturity is five years. 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.

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 period 2016.

### INVESTMENTS

The gross investments during the review period was -238 thousand euros (+3,220 thousand euros). The gross investments of the review period are mainly replacement investments. -65 thousand euros of the gross investments of the reference period are mainly replacement investments and

+3,285 thousand euros were related to the divestment of MainIoT Software Oy.

### 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 corresponding review period, either).

### PERSONNEL

The number of permanent employees at the end of the review period was 440 (477). The number of employees of the MainIoT Software Ltd, sold during the comparison period, was 41 people at the time of the transaction. Personnel of the subsidiaries acquired during the financial year 2016 was 28 people at the moment of the acquisition.

### Key figures for Group's personnel:

	1-3/17	1-3/16	1-3/15
Average number of the personnel during the financial period	445	443	278
Employee benefit expenses (1,000 €)	6,727	6,463	3,796

### RELATED PARTY TRANSACTIONS

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

Related party actions and the euro amounts are presented in the tables in the end of this financial statement bulletin.

### SHARES, SHAREHOLDERS AND TREASURY SHARES

Solteq Plc's equity on 31 March 2017 was 1,009,154.17 euros which was represented by 18,003,635 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 364,533 shares. The amount of treasury shares represented 2.0% of the total amount of shares and votes at the end of the review period. The equivalent value of acquired shares was 20,433 euros.

On 5 December 2016, Solteq Plc announced a share issue directed to personnel. The shares subscribed and paid in the share issue are presented in the share issue account in the financial statement. Also the costs related to the issue are 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 Trade Register and applied for public trading in 24 February 2017. The number of the company's shares will increase to 18,003,635 shares. The new shares represent 1.14 percentage of the shares and votes of the Company and 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 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.

One flagging announcement was made during the review period. According to the notification of major shareholding received on 16 March 2017, Profiz Business Solutions Plc's holdings and proportion of voting rights of Solteq Plc decreased under the 10% threshold on 24 February 2017, when the new shares approved in the Solteq Plc share issue directed to the personnel were entered into the Trade Register.

Profiz Business Solutions Plc held 1,781,790 shares in Solteq Plc, which represented 9.90 per cent of all of the company's shares and votes after entering the new shares to the trade register (10.01 per cent 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 optionscheme 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.

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 0.4 million shares (0.6 million shares ) and 0.6 million euros (1.0 million euros). Highest rate during the financial year was 1.76 euros and lowest rate 1.54 euros. Weighted average rate of the share was 1.65 euros and end rate 1.64 euros. The market value of the company's shares in the end of the financial year totaled 29.5 million euros (28.5 million euros).

### Ownership

In the end of the financial year, Solteq had a total of 2,178 shareholders (1,962

shareholders). Solteq's 10 largest shareholders owned 12,924 thousand shares i.e. they owned 71.8 per cent of the company's shares and votes. Solteq Plc's members of the board own 15 thousand shares on 31 March 2017 (15 thousand shares on 31 March 2016).

### ANNUAL GENERAL MEETING

Solteq's Annual General Meeting on March 17, 2017 approved the financial statement for period 1.1.–31.12.2016 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 be paid from the financial year ended on 31 December 2016 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, Section1 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 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 April 30, 2018

### BOARD OF DIRECTORS AND AUDITORS

The Annual General Meeting decided that The Board of Directors includes five members. Arne 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 the Board of Directors decided to appoint the Audit Committee. The members of the Audit Committee are Arne Aktan, Markku Pietilä and Mika Uotila. 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 acquisition of the 51% of the share capital of Analyteq Ltd was completed after the review period.

On 3 April 2017 Solteq Plc announced that Kirsi Jalasaho has been appointed VP, People, Culture and IR and member of the Management Team of Solteq Plc.

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.

## 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 has been prepared in accordance with the recognition and valuation principles of IFRS standards and using the same accounting policies as the Financial Statements 2016, but all requirements of IAS 34 standard are not fully met.

Beginning from 1<sup>st</sup> January 2017 Solteq Group has on reported segment, Software Services.

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

Solteq Plc's operative management and the audit committee of the Board have

preliminarily evaluated the impacts of the new IFRS 15 standard to the group's financial statements and in this phase conclude following:

- The new standard has a significant impact to the revenue of the group and to the relative profitability, but the impact to the absolute profitability is estimated being minor.
- The group preliminary interpretes that in relation to the retail the group acts as an agent as it will not control these products or services before they are transferred to the customer. Therefore the products or services would be recognised as revenue in the net amount of the consideration which is the amount that equals to the difference between the sales price and purchase price (previously recognized in revenue in the gross amount which equals to the sales price of the customer contract).
- For the financial year 2016 the change described above would reduce the revenue of the group according to the preliminary estimate EUR 8–10 million, with no significant impact to the result of the group.
- During the financial period Solteq Plc's operative management and the audit committee of the Board have found out whether the voluntary adoption of the standard from the beginning of 2017 would be practically possible.

- According to the analysis it was decided that the implementation of IFRS 15 is not sensible from the perspective of the company. The careful and well enforced implementation requires a significant work contribution in many areas of the company and therefore it was concluded that the implementation of the standard on 1 January 2018 will be challenging enough.

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 Jan–31 Mar 2017	1 Jan–31 Mar 2016	1 Jan–31 Dec 2016
<b>REVENUE</b>	15,404	15,373	63,049
Other income	2	4,187	4,222
Materials and services	-3,780	-3,265	-17,938
Employee benefit expenses	-8,326	-8,109	-31,001
Depreciation and impairments	-484	-493	-1,946
Other expenses	-2,627	-2,775	-9,943
<b>OPERATING RESULT</b>	190	4,919	6,444
Financial income and expenses	-456	-420	-1,713
<b>RESULT BEFORE TAXES</b>	-266	4,498	4,731
Income tax expenses	-14	-106	-119
<b>RESULT FOR THE FINANCIAL PERIOD</b>	-280	4,393	4,612
OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS:			
Translation difference	16	-28	-56
Other comprehensive income, net of tax	16	-28	-56
<b>TOTAL COMPREHENSIVE INCOME</b>	-264	4,365	4,556
Total profit for the period attributable to owners of the parent	-280	4,393	4,612
Total comprehensive income attributable to owners of the parent	-264	4,365	4,556
Earnings/share, e (undiluted)	-0.02	0.27	0.26
Earnings/share, e (diluted)	-0.02	0.27	0.26

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

## CONSOLIDATED BALANCE SHEET

### Financial information

(TEUR)	31 Mar 2017	31 Mar 2016	31 Dec 2016
<b>ASSETS</b>			
NON-CURRENT ASSETS			
Tangible assets	2,239	1,815	2,342
Intangible assets			
Goodwill	33,520	34,261	33,520
Other intangible assets	3,882	2,085	3,990
Available-for-sale financial assets	560	573	562
Trade and other receivables	311	207	347
Total non-current assets	40,512	38,941	40,761
CURRENT ASSETS			
Inventories	49	18	55
Trade and other receivables	12,690	13,014	11,939
Cash and cash equivalents	5,731	11,011	8,477
Total current assets	18,470	24,043	20,471
<b>TOTAL ASSETS</b>	<b>58,982</b>	<b>62,984</b>	<b>61,232</b>

## EQUITY AND LIABILITIES

### Financial information

(TEUR)	31 Mar 2017	31 Mar 2016	31 Dec 2016
<b>EQUITY AND LIABILITIES</b>			
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Share capital	1,009	1,009	1,009
Share issue	0	0	164
Share premium reserve	75	75	75
Translation difference	-40	-28	-56
Reserve for own shares	-1,109	-1,109	-1,109
Distributable equity reserve	11,392	10,449	10,449
Retained earnings	8,648	9,377	9,782
<b>Total equity</b>	<b>19,975</b>	<b>19,773</b>	<b>20,313</b>
Non-current liabilities			
Deferred tax liabilities	796	783	821
Financial liabilities	25,462	27,291	25,511
Current liabilities	12,749	15,137	14,587
<b>Total liabilities</b>	<b>39,007</b>	<b>43,211</b>	<b>40,919</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>58,982</b>	<b>62,984</b>	<b>61,232</b>

## CASH FLOW STATEMENT

### Financial information

(TEUR)	1-3/2017	1-3/2016	1-12/2016
Cash flow from business operations			
Result for the financial period	-280	3,576	4,612
Adjustments for operating profit	484	-3,057	-1,877
Changes in working capital	-1,646	2,461	2,903
Interest paid	-6	-4	-1,852
Interest received	12	5	139
<b>Net cash from operating activities</b>	<b>-1,436</b>	<b>2,981</b>	<b>3,925</b>
Cash flows from investing activities			
Acquisition of subsidiaries	0	0	-584
Divestment of subsidiary	0	6,293	6,700
Investments in tangible and intangible assets	-167	-62	-890
<b>Net cash used in investing activities</b>	<b>-167</b>	<b>6,231</b>	<b>5,226</b>
Cash flow in financing activities			
Long-term loans, decrease	-152	-729	-3,101
Payment of finance lease liabilities	-109	-91	-356
Share issue to personnel	0	0	164
Dividend payment	-882	0	0
<b>Net cash used in financing activities</b>	<b>-1,143</b>	<b>-820</b>	<b>-3,293</b>
Changes in cash and cash equivalent	-2,746	8,392	5,858
Cash and cash equivalents 1 Jan	8,477	2,619	2,619
Cash and cash equivalents 31 March	5,731	11,011	8,477

The net cash flow +6,293 thousand euro from the divestment of MainIoT Software Ltd is presented in the cash flows from investing activities.

## STATEMENT OF CHANGES IN GROUP EQUITY

### Financial information

	Share capital	Share issue	Own shares	Share premium account	Translation difference	Distributable equity reserve	Earnings	Total
<b>EQUITY 1 Jan 2016</b>	1,009	0	-1,109	75	0	10,449	4,983	15,407
<b>Total comprehensive income</b>					-28		4,393	4,365
<b>EQUITY 31 Mar 2016</b>	1,009	0	-1,109	75	-28	10,449	9,376	19,772
<b>EQUITY 1 Jan 2017</b>	1,009	164	-1,109	75	-56	10,449	9,781	20,313
Total comprehensive income					16		-280	-264
Transactions with owners								
Incentive scheme and option scheme							29	29
Company acquisitions with own shares						779		779
Share issue directed to the personnel		-164				164		0
Dividend distribution							-882	-882
<b>Transactions with owners, total</b>		-164	0	0	0	943	-853	-74
<b>EQUITY 31 Mar 2017</b>	1,009	0	-1,109	75	-40	11,392	8,648	19,975

## QUARTERLY KEY INDICATORS

(MEUR)	2Q/15	3Q/15	4Q/15	1Q/16
Net turnover	9.82	14.90	20.36	15.37
Operating result	0.66	-0.06	0.23	4.92
Result before taxes	0.64	-0.55	-0.22	4.50
	2Q/16	3Q/16	4Q/16	1Q/17
Net turnover	16.40	13.57	17.70	15.40
Operating result	0.82	0.01	0.70	0.19
Result before taxes	0.40	-0.44	0.27	-0.27

## TOTAL INVESTMENTS

(TEUR)	1-3/2017	1-3/2016	1-12/2016
Continuing operations, group total	238	-3,220	-208
<b>LIABILITIES (MEUR)</b>	<b>31 Mar 2017</b>	<b>31 Mar 2016</b>	<b>31 Dec 2016</b>
Business mortgages	10.00	10.00	10.00
Other lease liabilities	0.10	0.20	0.12
Lease liabilities for premises	4.81	5.82	5.18
<b>RELATED PARTY TRANSACTIONS (TEUR)</b>	<b>31 Mar 2017</b>	<b>31 Mar 2016</b>	<b>31 Dec 2016</b>
Purchases	35	0	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 THE FINANCIAL ASSETS AND 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 31 MARCH 2017

### Financial information

	Shares and votes	
	number	%
1. Sentica Buyout III Ky	4,621,244	25.7
2. Keskinäinen Työeläkevakuutusyhtiö Elo	2,000,000	11.1
3. Profiz Business Solution Oyj	1,796,006	10.0
4. Saadetdin Ali	1,400,000	7.8
5. Keskinäinen Työeläkevakuutusyhtiö Varma	1,245,597	6.9
6. Aalto Seppo	671,882	3.7
7. Roininen Matti	420,000	2.3
8. Solteq Oyj	364,533	2.0
9. Lamy Oy	225,000	1.2
10. Sentica Buyout III Co-Investment	180,049	1.0
10 largest shareholders total	12,924,311	71.8
Total of Nominee-registered	544,232	3.0
Others	4,535,092	25.2
<b>Total</b>	<b>18,003,635</b>	<b>100.0</b>



## FINANCIAL PERFORMANCE INDICATORS (IFRS)

	1-3/2017	1-3/2016	1-12/2016
Net turnover MEUR	15.4	15.4	63.1
Change in net turnover	0.2%	68.3%	16.3%
Operating result MEUR	0.2	4.9	6.4
% of turnover	1.2%	32.0%	10.2%
Result before taxes MEUR	-0.3	4.5	4.7
% of turnover	-1.7%	29.3%	7.5%
Equity ratio, %	34.1	31.8	33.5
Gearing, %	99.4%	83.7%	85.0%
Gross investments in non-current assets MEUR	0.2	-3.2	-0.2
Return on equity, %	-0.3%	19.1%	25.8%
Return on investment, %	4.0%	14.8%	14.6%
Personnel at end of period	440	477	441
Personnel average for period	445	443	454

## KEY INDICATORS PER SHARE

Earnings/share, e	-0.02	0.27	0.26
Earnings/share, e(diluted)	-0.02	0.27	0.26
Equity/share, e	1.13	1.16	1.20

### 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 financial year 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	Q1/17	Q4/16	Q3/16	Q2/16	Q1/16	2016
<b>Adjusted operating profit</b>						
<b>Adjusted operating profit (EBIT)</b>	1,023	905	603	874	732	3,114
<b>Adjusted items:</b>						
Divestment of MainIoT Software Ltd	0	0	0	58	-4,187	-4,129
Fee items that are not based on cash flow (IFRS 2)	29	93	93	0	0	186
Impairments	0	57	0	0	0	57
Discontinued company acquisition	0	0	503	0	0	503
Acquisition of subsidiaries	0	53	0	0	0	53
Non-recurring severance packages	504	0	0	0	0	0
Compensation for terminated customer project	300	0	0	0	0	0
<b>Adjustment items, total</b>	<b>833</b>	<b>203</b>	<b>596</b>	<b>58</b>	<b>-4,187</b>	<b>-3,330</b>
<b>Operating profit (EBIT)</b>	<b>190</b>	<b>702</b>	<b>7</b>	<b>816</b>	<b>4,919</b>	<b>6,444</b>

## CALCULATION OF FINANCIAL RATIOS

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

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

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

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

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

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

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

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

## BUSINESS COMBINATIONS

### Review Period

No business acquisitions were made in the review period 1 Jan–31 March 2017.

### Financial year 2016

#### Aponsa AB & Pardco Group Oy

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

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

### Aggregate figures for the acquisition

<b>Aggregate figures for the acquisition, Thousand EUR</b>	<b>Acquisition date</b>
<b>Consideration</b>	
Paid in cash	602
Directed issue	779
<b>Total</b>	<b>1,381</b>
<b>Provisional values of the assets and liabilities arising 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>

<b>Aggregate figures for the acquisition, Thousand EUR</b>	<b>Acquisition date</b>
<b>The goodwill value from the acquisition</b>	<b>1,493</b>
<b>Cash flow from the acquisition</b>	
Consideration paid in cash in 2016	602
Cash and cash equivalents of the acquired companies	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.	
<b>Expenses related to the acquisition</b>	
Other expenses	53
<b>Total expenses related to the acquisition</b>	<b>53</b>
<b>Impact on the Solteq Group's number of personnel</b>	<b>28</b>
<b>Impact on the Solteq Group's comprehensive income statement</b>	
	<b>11-12/2016</b>
Revenue*	326
Operating profit*	-133

\*The amount of the revenue and the operating profit from acquisition date to the end of the reporting period. Aponsa Ab is consolidated into the Solteq Group as of November 1 2016.  
As regards to Pardco Group Ltd, only the balance sheet is consolidated to Groups figures on December 31 2016 as the acquisition took place on December 20 2016. 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 significant effect on Solteq Goup's figures in financial year 2016.

# Q1 2017

interim report 1  
Jan–31 March 2017

## FINANCIAL REPORTING

Solteq Plc's financial information bulletins in 2017 have been scheduled as follows:

- Interim Report 1–6/2017 Friday July 14, 2017 at 8.00 am
- Interim Report 1–9/2017 Thursday October 26, 2017 at 8.00 am

More investor information available: [www.solteq.com](http://www.solteq.com).

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