



SOLTEQ

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Q2 2017

Half year financial report

1 Jan–30 Jun 2017

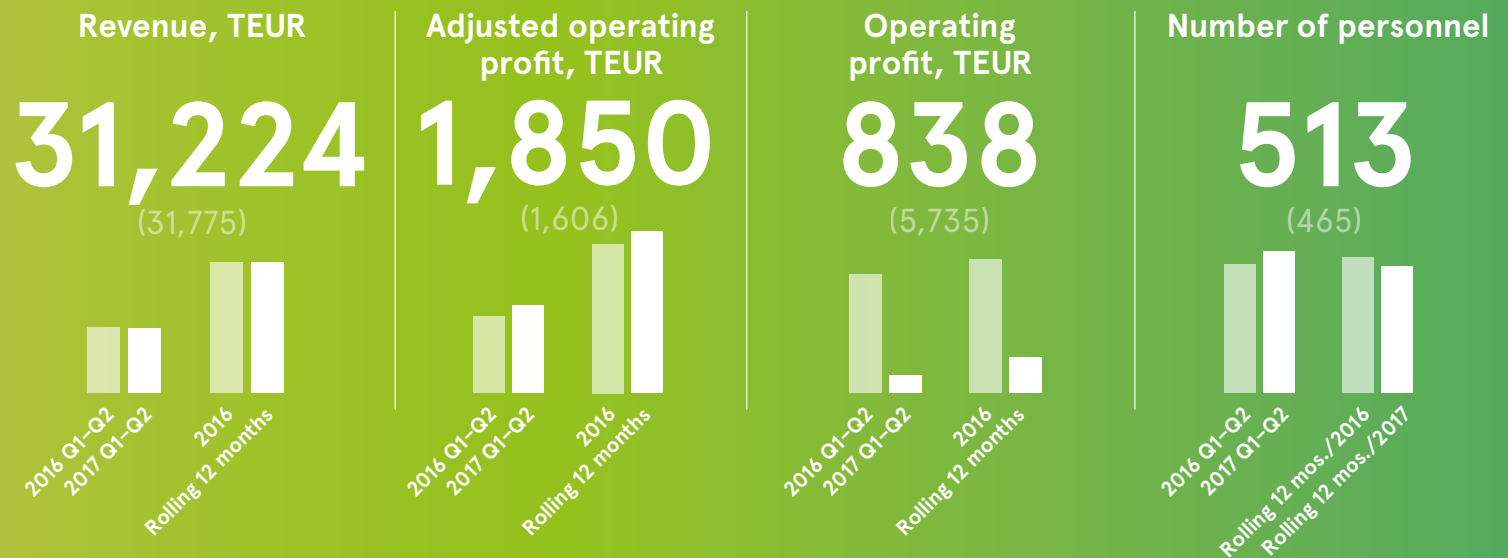


# Solteq is a digital customer engagement expert

Solteq is a Nordic IT provider and software house that specialises in digital customer engagement. We are the partner to our customer, who knows what it takes to win in digital disruption. We offer comprehensive solutions for both business enhancement by means of digitalisation and for omnicommerce: from back end processes all the way to the customer's purchasing experience and from supply chain management to digital marketing. Over 500 experts, who work in three countries, develop and implement solutions for clients in 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 HALF YEAR FINANCIAL REPORT 1 January–30 June 2017 (IFRS)

- As a strategic alignment we are continuing on the path of profitable growth and internationalisation. Nevertheless, some policies are further defined to help reach our strategic objective. Solteq is an expert in digital customer engagement. We operate in industries where the foundations are being shaken by the digital disruption.
- We expanded our operations to the rapidly digitising Utilities industry (electricity, heating and water) by acquiring inPulse Works Ltd on 12 June 2017. Company is consolidated to Solteq Group as of 1 June 2017.
- Solteq's sector-independent BI and analytics competencies were strengthened significantly by the acquisition of inPulse Works Ltd. We have already invested in the business earlier this year by buying the majority of Analyteq Ltd, who specialise in product replenishment analytics services.
- We focused our offering of ERP solutions by partnering up with eCraft Oy Ab and selling our Microsoft AX business, customers and personnel to eCraft.
- Revenue was 31.2 million euros (31.8 million euros).
- Operating profit was 838 thousand euro (5,735 thousand euro).
- Adjusted operating profit was 1,850 thousand euro (1,606 thousand euro).
- Group's equity ratio was 34.8% (32.4%).
- Earnings per share was -0.01 euros (0.29 euros).

## KEY FIGURES

	4-6/17	4-6/16	Change-%	1-6/17	1-6/16	Change-%	1-12/16	Rolling 12 months
Revenue, TEUR	15,820	16,402	-3.5%	31,224	31,775	-1.7%	63,049	62,498
Operating profit, TEUR	649	816	-20.5%	838	5,735	-85.4%	6,444	1,548
Adjusted operating profit, TEUR	827	874	-5.4%	1,850	1,606	15.2%	3,114	3,358
Profit for the financial period, TEUR	112	487	-77.0%	-169	4,879	-103.5%	4,612	-435
Earnings/share, e	0.01	0.02	-50.0%	-0.01	0.29	-103.4%	0.26	-0.03
Operating profit-%	4.1	5.0		2.7	18.0		10.2%	2.5%
Adjusted operating profit	5.2	5.3		5.9	5.1		4.9%	5.4%
Equity ratio, %	34.8	32.4		34.8	32.4		33.5%	34.8%

### Profit guidance 2017

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

# From a digital commerce house to an industry-independent expert in digital customer engagement



My journey as the CEO began on 1 April 2017. As I stated in my review of the first quarter, we are continuing on the path of profitable growth and internationalisation. We have further defined some policies that will help us reach our strategic objectives.

Solteq is an expert in digital customer engagement. We operate in industries where the foundations are being shaken by the digital disruption. Commerce and its related solutions will remain important to us, but now they will be accompanied by other strong mainstays.

One of the new mainstays will be built in the rapidly digitalising Utilities industry where efficient use of information is a fast-growing trend. We started this operation by acquiring inPulse Works Ltd on 12 June 2017. As the deal was closed, we made an agreement with Fingrid the same week to have inPulse Works Ltd provide the data conversion service and its related support service for the Finnish Datahub. The Datahub is a centralised information exchange system for the electricity retail market, containing the information of Finland's 3.5 million electricity use sites.

Our second area of growth is analytics services, which we have started building up in the past year. Our existing competence base in analytics was substantially bolstered by the acquisition of inPulse, as their offering included industry-independent business intelligence and analytics services. We have already invested in the business earlier this year by buying the majority of Analyteq Ltd,

who specialise in product replenishment analytics services.

In line with the strategy's specification, we partnered up with eCraft Oy Ab and sold our Microsoft AX business, customers and personnel to eCraft. The partnership agreement focused our offering of ERP solutions.

Our own software products are the key elements of our organic growth. We will make sure our software products stay competitive in the constantly developing markets. We have started further development of our existing software products to introduce cloud-based operation and to enable them to integrate into a digital customer and operating environment. We have also started the development of new cloud-based software services for the industries where we have strong expertise. From the second quarter onwards, the company will invest between €150,000 and €200,000 in its internal development operations each quarter. Development projects in their commercial phase will be capitalized by quarter, starting from Q3 in 2017.

We will shift the focus of our operations towards the business areas and industries where the digital revolution is having the most impact, and we will develop our own software services to support this policy. Our specified strategy will require enhanced expertise, which is why the management team underwent changes during this quarter. Matti Djateu was named the Chief Digital Officer, who will be responsible for our digital

marketing service business and Solteq's marketing. Juha Rokkanen was appointed as the Executive Vice President of the Digital Services business unit.

Solteq's offering has worked well for our customer base. I am satisfied by our sales performance in this quarter. The company netted many more new sales in the review period than we did at the same time last year.

During the review period, we have completed significant projects in the commerce sector and are happy to see satisfied customers. As large projects are completed and move to the continuous business support and maintenance phase, our role in these projects is changing which may have a temporary negative effect on the revenue of these business areas. Thanks to our excellent sales performance, I strongly believe that our strategic goal of profitable growth can be met.

Our business has a solid foundation in the skills and competencies of Solteq employees. We have already broken the news that we will be recruiting 100 new employees in 2017. We are on schedule with the hiring.

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

**Olli Väätäinen**  
CEO

# Business environment and business development

Solteq is a Nordic IT provider and software house that specialises in digital customer engagement. We are the partner to our customer, who knows what it takes to win in digital disruption. We offer comprehensive solutions for both business enhancement by means of digitalisation and for omnicommerce: from back end processes all the way to the customer's purchasing experience and from supply chain management to digital marketing. Over 500 experts, who work in three countries, develop and implement solutions for clients in 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 encounter is rising as well in the field of industry as in the B2B market more widely. Due to changes in the markets, we have further defined some policies that will help us reach our strategic objective.

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

## Strategy and M&A's

On 25 May 2016, we published growth strategy, which focuses on international digital commerce and improvement of the customer experience as a source of the growth. Nevertheless, some policies that will help us reach our strategic objective have been further defined.

During the 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 operate in industries where the foundations are being shaken by the digital disruption. 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.

According to the strategy specification, we are a Nordic industry-independent IT provider and software house that specialises in digital customer engagement. We are the partner to our

customer, who knows what it takes to win in digital disruption.

Implementation of growth strategy focused on digitalization of commerce and retail industry. In line with the strategy's specification made in the review period, we have started to build other strong mainstays in addition to digital commerce. The mainstays will be built in the industries where the foundations are being shaken by the digital revolution.

In the beginning of the review period the expertise in the core processes of commerce and analytics was deepened by acquiring 51 percent of Analyteq Ltd from Tuko Logistics Osuuskunta. Analyteq Ltd is a new company that specializes 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 on 4th April 2017 and Analyteq is reported as a part of Solteq Group beginning from the acquisition date. The effect on the revenue is 0.5 million euros with positive impact on operating profit.

Our sector-independent BI and analytics competencies were strengthened in June 12th, 2017 by the acquisition of inPulse Works Ltd. In addition, the acquisition

opened doors to Utilities sector that is going through massive changes due digitalisation. Due to inPulse acquisition, the number of our experts grew by 60 persons. InPulse Works is consolidated to Solteq Group as of June 1st. The effect on the revenue is 0.5 million euros with positive impact on operating profit.

In line with the strategy's specification, we partnered up with eCraft Oy Ab and sold our Microsoft AX business, customers and personnel to eCraft. The partnership agreement and business deal focused our offering of ERP solutions.

### Changes in the Executive Team

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

Repe Harmanen left his position as a CEO of the company in February and Olli Väättäinen was appointed as CEO of the company as of April 1st, 2017.

Timo A. Rantanen left his position as Vice President, Sales & Accounts. The responsibilities of the sales management were transferred to Ilkka Brander, Executive Vice President, Core Business Solutions in February 21st, 2017.

As of April 3rd, 2017 Kirsi Jalasaho was appointed as VP, People, Culture and IR.

Juha Rokkanen has been appointed Executive Vice President, Digital Services (former Omni-Commerce) and Executive Team member as from June 16, 2017. Harri Ilvonen, former Vice President of Omni-Commerce, will continue in a new role in Solteq.

As of June 16, 2017 the "Operations" Support Function will be transferred from

under the control of the Executive Team into other internal influence channels, which means that Kai Hinno will not participate in Executive Team work any longer.

Matti Djateu has been appointed Solteq Plc's Chief Digital Officer as from 16 June 2017. His responsibilities will include digital marketing services and Solteq Group marketing.

At the end of the review period the members of the Executive Team were: Olli Väättäinen (CEO), Ilkka Brander (EVP – Core Business Solutions), Matti Djateu (CDO), Kirsi Jalasaho (VP – People, Culture and IR), Antti Kärkkäinen (CFO) sekä Juha Rokkanen (EVP – Digital Services).

## REVENUE AND RESULT

### Turnover by operation

%	1-6/17	1-6/16	1-12/16
Software services	81	82	79
Licenses	17	17	20
Hardware	2	1	2

Revenue decreased 1.7 per cent compared to the previous year and totaled 31,224 thousand euro (previous review period 31,775 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 23,203 thousand euro (24,064 thousand euro).

The operating result for the review period was 838 thousand euro (5,735 thousand

euro). The adjusted operating result was 1,850 thousand euro (1,606 thousand euro). The most significant adjustments to operating result are due to non-recurring severance packages (-504 thousand euro), a non-recurring compensation related to a terminated customer project (-300 thousand euro) and costs related to the business arrangement (-129 thousand euro).

Result before taxes was -75 thousand euro (4,895 thousand euro) and result for the review period was -169 thousand euro (4,879 thousand euro).

## BALANCE SHEET AND FINANCE

The total assets amounted to 63,212 thousand euro (63,367 thousand euro). Liquid assets totaled 3,168 thousand euro (9,538 thousand euro). In addition to liquid assets, the company has a bank account limits amounting to a total of 2,000 thousand euro of which 932 thousand euro was used in the end of the review period. In addition the company has an unused standby credit limit amounting to a total of 4,000 thousand euro.

During the review period more working capital was employed in business operations than usually. Company has initiated actions to speed up the working capital turnover and assumes that the situation is going to be normalized by the end of the financial period.

The Group's interest-bearing liabilities were 26,746 thousand euro (27,816 thousand euro).

Solteq Group's equity ratio was 34.8 per cent (32.4 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. To reduce the company's interest costs Solteq Plc repurchased and cancelled the share of 2.5 million euros of the abovementioned bond during the financial period 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 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.

### INVESTMENTS, RESEARCH AND DEVELOPMENT

The gross investments during the review period was -4,971 thousand euro (+2,752 thousand euro). -667 thousand euro of the gross investments on the review period are replacement investments and -4,304 thousand euro were related to the company acquisitions made during the review period.

-533 thousand euro of the gross investments of the reference period are mainly replacement investments and +3,285 thousand euro were related to the divestment of MainIoT Software Ltd.

### 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. Development projects in their commercial phase will be capitalized by quarter.

During the review period product development costs were not amortized (none in the reference period, either).

### PERSONNEL

The number of permanent employees at the end of the review period was 513 (465). Personnel of the subsidiaries acquired during the review period was 79 people at the moment of the acquisition and personnel of the sold business was 11 at the moment of transaction. 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:

	1-6/17	1-6/16	1-6/15
Average number of the personnel during the financial period	457	489	276
Employee benefit expenses (1,000 €)	13,791	13,189	7,730

### 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 30 June 2017 was 1,009,154.17 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 its own shares in the end of the review period.

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.

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 are registered into 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 Ltd on 12 June 2017. The total number of shares subscribed was 613,495. The new shares are registered into trade register on 3 July 2017 and they will be 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 and the payments of subscriptions were fully credited to the reserve for the company's invested unrestricted equity.

Two flagging announcements were 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).

According to the notification of major shareholding received on 21 April 2017, Profiz Business Solutions Plc's holdings and proportion of voting rights of Solteq Plc increased over the 10% threshold on 20 April 2017 due to acquisition of shares. Profiz holds 1,808,21 shares in Solteq Plc, which represented 10.04 per cent of all of the company's shares and votes (9.90 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 sharebased 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 0.9 million shares (0.9 million shares ) and 1.5 million euros (1.6 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 1.65 euros. The market value of the company's shares in the end of the financial year totaled 29.8 million euros (30.3 million euros).

### **Ownership**

In the end of the financial year, Solteq had a total of 2,255 shareholders (1,942 shareholders). Solteq's 10 largest shareholders owned 13,034 thousand shares i.e. they owned 69.8 per cent of the company's shares and votes. Solteq Plc's members of the board own 15 thousand shares on 30 June 2017 (15 thousand shares on 30 June 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 on March 17, 2017 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 th 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

There have been no events requiring reporting after the reporting period.

## RISKS AND UNCERTAINTIES

The key uncertainties and risks in short term are related to the management of changes in financing and balance sheet structures, the timing and pricing of business deals that are the basis for revenue, changes in the level of costs, success of the development projects 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 half year financial report 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 2016.

Beginning from 1st 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 interprets 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.

This financial statement is unaudited.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(TEUR)	1 Apr–30 Jun 2017	1 Apr–30 Jun 2016	1 Jan–30 Jun 2017	1 Jan–30 Jun 2016	1 Jan–31 dec 2016
REVENUE	15,820	16,402	31,224	31,775	63,049
Other income	11	-25	13	4,162	4,222
Materials and services	-4,241	-4,446	-8,021	-7,711	-17,938
Employee benefit expenses	-8,602	-8,470	-16,928	-16,579	-31,001
Depreciation and impairments	-516	-457	-1,000	-950	-1,946
Other expenses	-1,822	-2,187	-4,449	-4,962	-9,943
<b>OPERATING RESULT</b>	<b>649</b>	<b>816</b>	<b>838</b>	<b>5,735</b>	<b>6,444</b>
Financial income and expenses	-457	-420	-913	-840	-1,713
<b>RESULT BEFORE TAXES</b>	<b>192</b>	<b>397</b>	<b>-75</b>	<b>4,895</b>	<b>4,731</b>
Income tax expenses	-80	90	-94	-16	-119
<b>RESULT FOR THE FINANCIAL PERIOD</b>	<b>112</b>	<b>487</b>	<b>-169</b>	<b>4,879</b>	<b>4,612</b>
OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS:					
Translation difference	42	-28	58	-28	-56
Other comprehensive income, net of tax	42	-28	58	-28	-56
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>154</b>	<b>469</b>	<b>-111</b>	<b>4,851</b>	<b>4,556</b>
Total profit for the period attributable to owners of the parent	112	487	-169	4,879	4,612
Total comprehensive income attributable to owners of the parent	154	469	-111	4,851	4,556
Earnings/share, e (undiluted)	0.01	0.02	-0.01	0.29	0.26
Earnings/share, e (diluted)	0.01	0.02	-0.01	0.29	0.26

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

## CONSOLIDATED BALANCE SHEET

### Financial information

(TEUR)	30 Jun 2017	30 Jun 2016	31 Dec 2016
<b>ASSETS</b>			
NON-CURRENT ASSETS			
Tangible assets	2,379	2,043	2,342
Intangible assets			
Goodwill	36,886	34,261	33,520
Other intangible assets	5,106	1,869	3,990
Available-for-sale financial assets	532	571	562
Trade and other receivables	289	260	347
Total non-current assets	45,192	39,004	40,761
CURRENT ASSETS			
Inventories	41	14	55
Trade and other receivables	14,811	14,811	11,939
Cash and cash equivalents	3,168	9,538	8,477
Total current assets	18,020	24,363	20,471
<b>TOTAL ASSETS</b>	<b>63,212</b>	<b>63,367</b>	<b>61,232</b>

## EQUITY AND LIABILITIES

### Financial information

(TEUR)	30 Jun 2017	30 Jun 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	2	-45	-56
Reserve for own shares	0	-1,109	-1,109
Distributable equity reserve	11,935	10,449	10,449
Retained earnings	8,759	9,862	9,782
<b>Total equity</b>	<b>21,780</b>	<b>20,241</b>	<b>20,314</b>
Non-current liabilities			
Deferred tax liabilities	1,092	802	821
Financial liabilities	25,151	27,816	25,511
Current liabilities	15,189	14,508	14,587
<b>Total liabilities</b>	<b>41,432</b>	<b>43,126</b>	<b>40,919</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>63,212</b>	<b>63,367</b>	<b>61,232</b>

## CASH FLOW STATEMENT

### Financial information

(TEUR)	1-6/2017	1-6/2016	1-12/2016
Cash flow from business operations			
Result for the financial period	-169	4,878	4,612
Adjustments for operating profit	1,000	-3,008	-1,877
Changes in working capital	-3,309	-536	2,903
Interest paid	-43	-7	-1,852
Interest received	18	10	139
Net cash from operating activities	-2,503	1,337	3,925
Cash flows from investing activities			
Acquisition of subsidiaries	-2,395	0	-584
Divestment of subsidiary	0	6,700	6,700
Investments in tangible and intangible assets	-267	-214	-890
Net cash used in investing activities	-2,662	6,486	5,226
Cash flow in financing activities			
Long-term loans, decrease	-555	-723	-3,101
Short-term loans, increase	932	0	0
Payment of finance lease liabilities	-308	-182	-356
Share issue to personnel	669	0	164
Dividend payment	-882	0	0
Net cash used in financing activities	-144	-905	-3,293
Changes in cash and cash equivalent	-5,309	6,918	5,858
Cash and cash equivalents 1 Jan	8,477	2,619	2,619
Cash and cash equivalents 30 June	3,168	9,537	8,477

The net cash flow +6,700 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	Trans-lation dif-ference	Distri-butable 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>					-45		4,879	4,834
<b>EQUITY 30 Jun 2016</b>	1,009	0	-1,109	75	-45	10,449	9,862	20,241
<b>EQUITY 1 Jan 2017</b>	1,009	164	-1,109	75	-56	10,449	9,781	20,313
Total comprehensive income					58		-169	-111
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
Directed issue to CEO						652		652
Directed issue to the owners of inPulse Works Ltd						1,000		1,000
Conveyance/cancellation of own shares			1,109			-1,109		0
Dividend distribution							-882	-882
<b>Transactions with owners</b>	<b>0</b>	<b>-164</b>	<b>1,109</b>	<b>0</b>	<b>0</b>	<b>1,486</b>	<b>-853</b>	<b>1,578</b>
<b>EQUITY 30 Jun 2017</b>	<b>1,009</b>	<b>0</b>	<b>0</b>	<b>75</b>	<b>2</b>	<b>11,935</b>	<b>8,759</b>	<b>21,780</b>

## QUARTERLY KEY INDICATORS

(MEUR)	3Q/15	4Q/15	1Q/16	2Q/16
Net turnover	14.90	20.36	15.37	16.40
Operating result	-0.06	0.23	4.92	0.82
Result before taxes	-0.55	-0.22	4.50	0.40
	3Q/16	4Q/16	1Q/17	2Q/17
Net turnover	13.57	17.70	15.40	15.82
Operating result	0.01	0.70	0.19	0.65
Result before taxes	-0.44	0.27	-0.27	0.19

## TOTAL INVESTMENTS

(TEUR)	1-6/2017	1-6/2016	1-12/2016
Continuing operations, group total	4 971	-2 752	-208
<b>LIABILITIES (MEUR)</b>	<b>30 Jun 2017</b>	<b>30 Jun 2016</b>	<b>31 Dec 2016</b>
Business mortgages	10.00	10.00	10.00
Other lease liabilities	0.15	0.15	0.12
Lease liabilities for premises	4.98	5.49	5.18
<b>RELATED PARTY TRANSACTIONS (TEUR)</b>	<b>30 Jun 2017</b>	<b>30 Jun 2016</b>	<b>31 Dec 2016</b>
Purchases	48	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 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The fair values of the financial assets and liabilities are mainly the same as the book values on both 30 June 2017 and 30 June 2016.

Hence they are not presented in table form in the bulletin



## MAJOR SHAREHOLDERS 30 JUN 2017

### Financial information

	Shares and votes	
	number	%
1. Sentica Buyout III Ky	4,621,244	24.7
2. Keskinäinen Työeläkevakuutusyhtiö Elo	2,000,000	10.7
3. Profiz Business Solution Plc	1,870,221	10.0
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 Ltd	225,000	1.2
10. Sentica Buyout III Co-Investment	180,049	1.0
10 largest shareholders total	13,033,993	69.8
Total of Nominee-registered	515,185	2.8
Others	5,128,419	27.5
<b>Total</b>	<b>18,677,597</b>	<b>100.0</b>

## FINANCIAL PERFORMANCE INDICATORS (IFRS)

	1-6/2017	1-6/2016	1-12/2016
Net turnover MEUR	31.2	31.8	63.1
Change in net turnover	-1.7%	67.6%	16.3%
Operating result MEUR	0.8	5.7	6.4
% of turnover	2.7%	18.0%	10.2%
Result before taxes MEUR	-0.1	4.9	4.7
% of turnover	-0.2%	15.4%	7.5%
Equity ratio, %	34.8	32.4	33.5
Gearing, %	108.3%	90.3%	85.0%
Gross investments in non-current assets MEUR	5.0	-2.8	-0.2
Return on equity, %	-2.1%	18.4%	25.8%
Return on investment, %	3.5%	15.2%	14.6%
Personnel at end of period	513	465	441
Personnel average for period	457	489	454

## KEY INDICATORS PER SHARE

Earnings/share, e	-0.01	0.29	0.26
Earnings/share, e(diluted)	-0.01	0.29	0.26
Equity/share, e	1.23	1.19	1.20

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

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 half year financial 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	Q2/17	Q1/17	1-6/2017	Q4/16	Q3/16	Q2/16	Q1/16	1-12/2016
<b>Adjusted operating profit</b>								
<b>Adjusted operating profit (EBIT)</b>	<b>827</b>	1,023	1,850	905	603	874	732	3,114
<b>Adjusted items:</b>								
Divestment of MainIoT Software Ltd	0	0	0	0	0	58	-4,187	-4,129
Incentive scheme and option scheme (IFRS 2)	49	29	78	93	93	0	0	186
Impairments	0	0	0	57	0	0	0	57
Discontinued company acquisition	0	0	0	0	503	0	0	503
Acquisition of subsidiaries	104	0	104	53	0	0	0	53
Transfer of AX-business	25	0	25	0	0	0	0	0
Non-recurring severance packages	0	504	504	0	0	0	0	0
Reconciliation agreement	0	300	300	0	0	0	0	0
<b>Adjustment items, total</b>	<b>178</b>	833	1,011	203	596	58	-4,187	-3,330
<b>Operating profit (EBIT)</b>	<b>649</b>	190	839	702	7	816	4,919	6,444

## 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

Two business acquisitions were made in the review period 1.1.–30.6.2017.

### Analyteq Ltd and inPulse Works Ltd

On 4 April 2017 Solteq acquired 51 percent of Analyteq Ltd from Tuko Logistics Osuuskunta. The acquisition of Analyteq Ltd deepens the expertise in the core processes of commerce and analytics. Based on the shareholder agreement, the company is consolidated as 100% owned subsidiary to Solteq Group's figures from the acquisition date.

On 12 June 2017 Solteq acquired the entire share capital of inPulse Works Ltd. By the acquisition Solteq strengthens its sector-independent BI- and analytics competencies. The company is consolidated to Solteq Group's figures from 1 June 2017.

The accounting of the company acquisitions made during the review period is still unfinished due to the timing of the acquisitions. For that reason the information presented below is preliminary information.

### Aggregate figures for the acquisition

<b>Aggregate figures for the acquisition Thousand EUR</b>	<b>Acquisition, date</b>
Preliminary consideration	
Paid in cash	3,794
Directed issue	1,000
<b>Total</b>	<b>4,794</b>
<b>Provisional values of the assets and liabilities arising from the acquisition</b>	
Tangible fixed assets	12
Intangible assets	1,421
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>

**The goodwill value from the acquisition** 3,366

**Cash flow from the acquisition**

Consideration paid in cash in 2017	3,304
Cash and cash equivalents of the acquired companies	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..

**Expenses related to the acquisition**

Other expenses	92
<b>Total expenses related to the acquisition</b>	<b>92</b>

**Impact on the Solteq Group's number of personnel** 79

**Impact on the Solteq Group's comprehensive income statement** 1-6/2017

Revenue*	933
Operating profit*	80

\*The amount of the revenue and the operating profit from acquisition date to the end of the reporting period. Analyteq Ltd is consolidated into the Solteq Group as of 1 April 2017. InPulse Works Ltd has 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 significant effect on Solteq Goup's figures in financial year 2017.

## Financial year 2016

### Aponsa AB & Pardco Group Ltd

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 issues	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>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>
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<b>Impact on the Solteq Group's comprehensive income statement</b>	11-12/2016
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.



# Q2 2017

## Half year financial report

1 Jan–30 Jun 2017

### FINANCIAL REPORTING

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

- 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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