

SOLTEQ



Interim report Q1 2020

JANUARY 1–MARCH 31 2020

January–March

- Revenue totaled EUR 15,674 thousand (14,930).
- EBITDA was EUR 1,875 thousand (2,455).
- Operating profit was EUR 716 thousand (1,530) and comparable operating profit EUR 880 thousand (1,206).
- Earnings per share was EUR 0.00 (0.04).
- Solteq Group’s equity ratio was 31.5 percent (31.1).
- Net cash flow from operating activities was EUR 3,414 thousand (890).
- The revenue was 5.0 percent higher than in the comparison period, while the comparable revenue grew by 11.6 percent.
- The company invested strongly in future growth by focusing on the development of our own cloud-based software products and services. During the review period the product development investments amounted to EUR 1.0 million (1.0). Product development during the entire financial year is expected to be less than EUR 3.0 million.

Key figures

	1-3/2020	1-3/2019	Change %	1-12/2019	Rolling 12mos
Revenue, TEUR	15,674	14,930	5.0	58,291	59,035
Comparable revenue, TEUR	15,674	14,049	11.6	55,293	56,918
EBITDA, TEUR	1,875	2,455	-23.6	9,714	9,134
Comparable EBITDA, TEUR	2,039	2,131	-4.3	6,582	6,490
Operating profit, TEUR	716	1,530	-53.2	5,711	4,898
Comparable operating profit, TEUR	880	1,206	-27.0	2,579	2,253
Profit for the financial period, TEUR	40	810	-95.1	2,803	2,033
Earnings per share, EUR	0.00	0.04	-95.1	0.15	0.11
Operating profit, %	4.6	10.2		9.8	8.3
Comparable operating profit, %	5.6	8.6		4.7	4.0
Equity ratio, %	31.5	31.1		32.0	32.3

Profit guidance 2020

Solteq Plc released a Stock Exchange Bulletin on April 3, 2020 and announced that for the time being, Solteq will cancel its guidance for the 2020 financial year due to the uncertainty on the markets caused by the COVID-19 pandemic. The company will provide guidance for 2020 once the conditions are more favorable for predicting market developments. The company's long-term financial goals remain unchanged.

CEO Olli Väätäinen:

The company's comparable revenue grew clearly

Solteq Group's first-quarter revenue was EUR 15.7 million, up by 5.0 percent. The increase in comparable revenue – factoring in the absence of the SAP ERP business – is 11.6 percent. Revenue growth concentrated in the Solteq Digital segment. Around a quarter of the revenue was derived from outside Finland. The revenue growth of the foreign subsidiaries continued to be significant. The company's business developed as expected during the first quarter.

The review period's comparable EBITDA was EUR 2.0 million and comparable operating profit EUR 0.9 million, down by 0.3 million year-on-year. The first-quarter operating profit was in line with the company's expectations. Comparable operating profit was reduced by higher product development depreciation at around EUR 0.2 million, and the revenue recognition of long-term projects. In addition, the company prepared for the direct and indirect business impacts of the COVID-19 pandemic, by increasing balance sheet provisions for credit losses and extra expenses by EUR 0.2 million.

On April 3, 2020, the company cancelled its guidance for 2020 due to the uncertainty on the markets caused by the COVID-19 pandemic. The pandemic did not affect customer deliveries significantly during the first quarter, but the company expects a negative impact on revenue and profits during the second quarter. The company's customers in the travel, restaurant and leisure sectors are suffering from the impact of the pandemic. However, customer deliveries have continued without interruptions in the company's key business areas (eCommerce, information management and Utilities), and the outlooks of these business areas are expected to remain unchanged. The above areas account for approximately 2/3 of the company's revenue.

The company reorganized itself according to the new business segments reported earlier. As part of the new division of segments, the company reorganized the Group's services and considerably lightened its cost structure. The company continues to streamline its operations and expects to reach savings of more than EUR 1.0 million annually. A good cash position at the end of the review period combined with the streamlining measures and healthy order status have created a strong foundation for recovery from the business uncertainty caused by the COVID-19 pandemic during the current financial year. Cash flow stood at EUR 3.4 million, and unused account facilities at EUR 5.0 million in the first quarter.

The company has taken measures in order to reduce the financial impact of the COVID-19 pandemic, secure its employees' health and safety, and ensure that projects and services for customer companies continue uninterrupted. The company's customer projects have proceeded according to plans and the infrastructure enabling remote working has functioned impeccably.

On April 21, 2020, the company initiated a written procedure concerning a change in the terms of an unsecured, senior bond with fixed interest and a nominal value of EUR 27.0 million (with maturity date July 1, 2020), requesting that the loan period be extended by 12 months. On the Q1 reporting date, the company's bond liability is EUR 24.5 million.

Markets and operating environment

The company expects the COVID-19 pandemic to impact its business both directly and indirectly in the short term. The unstable markets are expected to erode the company's performance in the second quarter. The negative impacts are expected to affect customer projects in the travel, restaurant and leisure sectors in the form of delays and decrease in contracts.

The first restrictions on business travel abroad and attending events were imposed on February 14, 2020. Travel guidelines were updated to include domestic business travel on February 27, 2020. Employees returning from overseas were also instructed to work from home as a precaution. Remote working began on March 13, 2020. The company's Coronavirus guidelines are updated on a weekly basis.

The COVID-19 pandemic accelerates the digital revolution and changes in business environments. This will speed up the demand for digital expert services and solutions, such as eCommerce solutions and software products. Solteq primarily operates with selected solutions in chosen sectors of the Nordic IT services and software market. Solteq estimates that this market will develop positively and offer a clear avenue for domestic and international growth.

Solteq offers industry-specific solutions for trade, manufacturing industry, car retail, the energy industry, the hotel and restaurant business and the public sector. Demand continues to grow in these sectors for solutions that digitalize core operations and make use of artificial intelligence, data, automation and seamless multichannel systems. Demand is being further increased by statutory obligations to renew data systems, for example in the energy sector and water resources management. The company has a significant competitive advantage based on long-term experience of sector-specific needs.

Demand for autonomous robotics and cloud services is expected to continue growing rapidly around the world. Solteq is a trailblazer in autonomous robotics and cloud-based POS solutions in Europe. The company is expecting to achieve international success over the next few years with Solteq Retail Robot and the modern, cloud-based Solteq Cloud POS solution, both launched in 2019.

Solteq has been consistently building its market position as a provider of comprehensive solutions and services. This resonates well with the market. On the other hand, the continuous development of customer needs requires investments in Solteq's own product development and new technologies, especially within cloud services and analytics. In addition, IT sector players are expected to provide more agile and scalable delivery models. Solteq meets the expectations with its organization utilizing agile methods and by focusing on providing services according to the as-a-Service (aaS) model.

The digital expert services and software products provided by the company comprehensively cover developments that are expected to emerge in the future. These include intelligent use of data in business processes, the mainstreaming of cloud technologies, and digital services based on user and customer experiences. The digital reality is affecting everyone. Keeping up with the latest developments is therefore on the current and future agenda of companies of different sizes and in various sectors.

Revenue and profit

January–March

Revenue increased by 5.0 percent compared to the previous year and totaled EUR 15,674 thousand (14,930). The increase in comparable revenue – factoring in the absence of the SAP ERP business – is 11.6 percent. The revenue increased mainly in the Solteq Digital segment. Around a quarter of revenue was derived from outside Finland. The revenue growth of foreign subsidiaries continued to be significant.

Operating profit for the review period was EUR 716 thousand (1,530). Comparable operating profit was EUR 880 thousand (1,206). The comparable operating profit was reduced by product development depreciation at around EUR 200 thousand higher, and the revenue recognition of long-term projects. In addition, the company prepared for the direct and indirect business impacts of the COVID-19 pandemic, by increasing balance sheet provisions for credit losses and extra expenses by EUR 200 thousand.

Profit before taxes was EUR 108 thousand (1,062) and the profit for the financial period was EUR 40 thousand (810).

Solteq Digital

Solteq Digital's revenue was EUR 11,336 thousand (10,697), up by 6.0 percent. When the absence of the SAP ERP business is factored in, the comparable revenue increase was 15.5 percent. The segment's comparable EBITDA was EUR 1,313 thousand (1,210) and comparable operating profit EUR 654 thousand (556). Comparable operating profit was eroded by provisions made due to COVID-19 pandemic.

The segment's business consists of three solution areas: digital business and commerce; data management and analytics; and business operations. During the first quarter, the digital business and commerce and business operations performed as expected, accounting for approximately 80 percent of the segment's revenue. Data management and analytics business area grew considerably during the first quarter.

Sales in the Solteq Digital segment were realized as expected during the first quarter. However, sales are expected to be lower in the second quarter. The negative effects of the COVID-19 pandemic will hit the travel, restaurant and leisure projects hardest as project volumes shrink or projects are postponed. The company's outlook for key business areas – such as eCommerce solutions and retailing and pharmacy sector businesses – are expected to remain healthy in the second quarter. Subcontracting has been significantly reduced in customer projects, in order to maintain profitability. This is expected to have a positive impact on business performance in the second quarter.

Solteq Digital	1-3/2020	1-3/2019	Change %	1-12/2019
Revenue, TEUR	11,336	10,697	6.0	41,195
Comparable revenue, TEUR	11,336	9,816	15.5	38,197
Comparable EBITDA, TEUR	1,313	1,210	8.5	3,871
Comparable EBITDA, %	11.6	12.3		10.1
EBITDA, TEUR	1,199	1,533	-21.8	7,072
EBITDA, %	10.6	14.3		17.2
Comparable operating profit, TEUR	654	556	17.6	1,199
Comparable operating profit, %	5.8	5.7		3.1
Operating profit, TEUR	539	879	-38.7	4,401
Operating profit, %	4.8	8.2		10.7

Solteq Software

Solteq Software's revenue was EUR 4,338 thousand (4,233), up by 2.5 percent. The segment's comparable EBITDA was EUR 726 thousand (922) and comparable operating profit EUR 227 thousand (650). Comparable EBITDA and operating profit were eroded by the revenue recognition of long-term projects in the Utilities business area, and product development depreciations that were higher than previously. Depreciations were about EUR 200 thousand higher year-on-year.

The segment's product development investments and depreciation are having a clearly negative effect on profitability in the short term. Profitability is expected to improve gradually as product development reaches commercial phase and revenue increases.

The segment's business consists of two main areas – the Utilities business focuses on the energy sector and the Point-of-Sale Platform business on the customer demand for omnichannel solutions for the service sectors. Clear growth occurred in both business areas, which performed as expected in the first quarter, accounting for around 65 percent of the segment's revenue. In addition to this, Solteq Robotics, which focuses on autonomous robotics and is included in the segment, has significant synergy potential for business, although it is not yet producing revenue.

Solteq Software succeeded well in closing new customer contracts in the first quarter. Most of the contracts were made by the Utilities business. The most significant commercial milestone was the contract with Turku Energia on the delivery of a new customer information system. The system is compliant with the national data hub and consists of customer service and invoicing functions for electricity sales and transfers, and district heating. After the review period, the company has signed a contract with another Finnish energy industry customer on a similar system delivery. These two contracts are worth around EUR 8.0 million, consisting of deliveries of the customer information system, related options (worth around EUR 2.1 million), and license service fees for 4–5 years.

A total of EUR 1,049 thousand (1,026) was invested in product development in the first quarter, of which 40 percent went into autonomous robotics. Product development during the entire financial year is expected to be less than EUR 3,000 thousand. Going forward, product development is expected to be between 10–15 percent of the segment's revenue.

Solteq Software	1-3/2020	1-3/2019	Change %	1-12/2019
Revenue, TEUR	4,338	4,233	2.5	17,095
Comparable EBITDA, TEUR	726	922	-21.2	2,711
Comparable EBITDA, %	16.7	21.8		15.9
EBITDA, TEUR	676	922	-26.6	2,642
EBITDA, %	15.6	21.8		15.5
Comparable operating profit, TEUR	227	650	-65.1	1,379
Comparable operating profit, %	5.2	15.4		8.1
Operating profit, TEUR	177	650	-72.8	1,311
Operating profit, %	4.1	15.4		7.7

Revenue from contracts with customers

Group

TEUR	1-3/2020	1-3/2019	1-12/2019
Services	13,068	11,581	45,415
Revenue from long-term projects	970	1,786	5,922
Revenue from software licenses	1,533	1,533	6,386
Hardware sales	103	31	568
Total	15,674	14,930	58,291

Solteq Digital

TEUR	1-3/2020	1-3/2019	1-12/2019
Services	10,104	8,644	33,508
Revenue from long-term projects	479	1,280	4,188
Revenue from software licenses	690	749	3,176
Hardware sales	63	23	323
Total	11,336	10,697	41,195

Solteq Software

TEUR	1-3/2020	1-3/2019	1-12/2019
Services	2,964	2,936	11,907
Revenue from long-term projects	491	506	1,734
Revenue from software licenses	843	783	3,210
Hardware sales	40	8	244
Total	4,338	4,233	17,095

Balance sheet and finance

Total assets amounted to EUR 78,709 thousand (73,497). Liquid assets totaled EUR 8,400 thousand (3,805). The company has a standby credit limit of EUR 4,000 thousand. A total of EUR 1,000 thousand of the standby credit limit was in use at the end of the review period (0). The company also has a bank account credit limit of EUR 2,000 thousand. At the end of both the review and the comparison periods, the bank account credit limit was unused. At the end of the review period, the company had a EUR 1,205 thousand Business Finland loan for product development (839).

The Group's interest-bearing liabilities were EUR 34,444 thousand (33,350).

Solteq Group's equity ratio was 31.5 percent (31.1).

On April 21, 2020, the company initiated a written procedure concerning a change in the terms of an unsecured, senior bond with fixed interest and a nominal value of EUR 27.0 million (with maturity date July 1, 2020), requesting that the loan period be extended by 12 months. On the Q1 reporting date, the company's bond liability is EUR 24.5 million. The final response time to participate in the written procedure is no later than 5:00 p.m. (EEST) on May 18, 2020. Due to prevailing conditions in the financial markets, the Company considers it appropriate to request 12 months extension to the term of the Notes, so that the Final Maturity Date is postponed to a date likely being after the uncertainties relating to the COVID-19 pandemic are cleared and the financial markets are operating normally. The management therefore expects operations to continue, with only a low risk of inadequate funding.

On July 1, 2015 Solteq Plc (Solteq) issued an unsecured bond of EUR 27.0 million. The bond carries a fixed annual interest of 6.0 percent and its maturity is five years. To reduce the company's interest costs Solteq Plc repurchased and cancelled the share of EUR 2.5 million of the above-mentioned bond during the financial year 2016. The bond will mature on July 1, 2020.

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.

Investment, research and development

The net investments during the review period were EUR 2,125 thousand (1,245). During the review period, EUR 1,049 thousand (1,026) of the net investments were capitalized development costs relating to continued further development of the existing software products and the development of new software products. Other investments were EUR 1,076 thousand (219).

Capitalized development costs include EUR 706 thousand (693) of staff costs.

Personnel

The number of permanent employees at the end of the review period was 597 (586).

Key figures for group's personnel

	1-3/2020	1-3/2019	1-12/2019
Average number of personnel during period	587	587	597
Employee benefit expenses, TEUR	8,191	7,866	30,951

Related party transactions

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

The related party actions and euro amounts are presented in the tables at the end of this Interim report.

Shares, shareholders and treasury shares

Solteq Plc's equity on March 31, 2020 was EUR 1,009,154.17 which was represented by 19,306,527 shares. The shares have no nominal value. All shares have an equal entitlement to dividends and company assets. Shares are governed by a redemption clause.

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

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 July 15, 2016.

The theoretical market value of the incentive scheme was at the time of the implementation about EUR 0.6 million which was recognized as an expense in accordance with IFRS 2 in the years 2016–2018. The expense is not recognized on a cash flow basis except for the share of the share based. The company's current and former management owned one million shares under the option scheme. The subscription period ended on December 31, 2019. No shares were subscribed during the subscription period, and the options expired.

Exchange and rate

During the review period, the exchange of Solteq's shares in the Helsinki Stock Exchange was 0.7 million shares (0.2) and EUR 0.9 million (0.3). The highest rate during the review period was EUR 1.50 and lowest rate EUR 0.99. The weighted average rate of the share was EUR 1.26 and end rate EUR 1.00.

The market value of the company's shares at the end of the review period totaled EUR 19.3 million (28.9).

Ownership

At the end of the review period, Solteq had a total of 2,220 shareholders (2,168). Solteq's 10 largest shareholders owned 13,306 thousand shares i.e. they owned 68.9 percent of the company's shares and votes. Solteq Plc's members of the Board of Directors and CEO owned 592 thousand shares on March 31, 2020 (592).

Annual General meeting

Solteq Plc released a Stock Exchange Bulletin on March 23, 2020, announcing that due to the Coronavirus (COVID-19) epidemic in Finland, the Board of Directors of Solteq Plc has decided to cancel the Annual General Meeting scheduled for April 1, 2020. The company shall convene a new meeting at a date to be confirmed later.

Solteq Plc takes the Coronavirus situation seriously and does not want to jeopardize the health of employees, shareholders and other stakeholders attending the Annual General Meeting.

The Annual General Meeting shall be held when the Coronavirus situation allows it. A new Notice of Annual General Meeting shall be issued at a later date.

The Annual General Meeting on March 27, 2019 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 to be issued under the authorization is 3,000,000. 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 April 30, 2020.

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

The Board of Directors is authorized to decide on accepting the company's own shares as pledge (direct) regarding business acquisitions or when executing other business arrangements. Accepting pledge may occur at once or in multiple transactions. The number of own shares to be accepted as pledge shall not exceed 2,000,000 shares. The authorization includes that the Board of Directors may decide on other terms concerning the pledge. The authorization is effective until the next Annual General Meeting, however, no longer than April 30, 2020.

Board of directors and auditors

The Annual General Meeting on March 27, 2019 decided that The Board of Directors includes six members. Aarne Aktan, Lotta Kopra, Markku Pietilä, and Mika Uotila will continue on the Board, and Panu Porkka and Katarina Segerståhl were elected as new 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, Lotta Kopra and Markku Pietilä were appointed to the members of the Audit Committee. Aarne Aktan acts as the Chairman of the Audit Committee.

KPMG Oy Ab, Authorized Public Accountants, was re-elected as auditors, with Lotta Nurminen, APA, acting as the chief auditor.

Other events during the review period

On March 23, Solteq announced that the Annual General Meeting scheduled for April 1, 2020 will be cancelled and moved to another date to be announced later.

Events after the review period

On April 3, Solteq Plc announced that, for the time being, the company cancels its guidance for the 2020 financial year due to the uncertainty on the markets caused by the COVID-19 pandemic.

On April 6, Solteq Plc announced that it considers requesting an amendment to the terms and conditions of its EUR 27.0 million notes in a written procedure.

On April 20, Solteq Plc released comparable data for the financial year 2019 based on its new reporting structure.

On April 21, Solteq Plc announced a written procedure to amend the terms and conditions of its EUR 27.0 million senior unsecured fixed rate notes due 2020.

On April 28, Solteq Plc announced that it has signed delivery and service agreements worth around EUR 8.0 million (including options) with the energy industry.

On April 29, Solteq Plc announced that The Board of Directors has decided to change the proposal for the distribution of dividend.

Risks and uncertainties

Material uncertainties and near-term risks consist of the direct and indirect impacts of the COVID-19 pandemic on the company's business and financial position. On April 21, 2020, the company initiated a written procedure concerning a change in the terms of an unsecured, senior bond with fixed interest and a nominal value of EUR 27.0 million (with maturity date July 1, 2020), requesting that the loan

period be extended by 12 months. On the Q1 reporting date, the company's bond liability is EUR 24.5 million. The final response time to participate in the written procedure is no later than 5.00 pm (EEST) on May 18, 2020.

Other key uncertainties and risks 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, developing company's own products and their commercialization, and the company's ability to manage extensive customer contracts 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.

Going concern principle

On April 21, 2020, the company initiated a written procedure concerning a change in the terms of an unsecured, senior bond with fixed interest and a nominal value of EUR 27.0 million (with maturity date July 1, 2020), requesting that the loan period be extended by 12 months. On the Q1 reporting date, the company's bond liability is EUR 24.5 million. The prerequisite of going concern is to rearrange financing before the original maturity date of the current bond.

The company is confident that the written procedure will have a favorable outcome. The company's operations are on a solid foundation, and according to the management's view the company has the capacity to overcome the COVID-19 pandemic's negative impacts on its business operations. On this basis, the management expects operations to continue, with only a low risk of inadequate funding.

This Interim report was drawn up under the going concern principle, taking into account the executed or pending financial restructuring.

Proposal of the Board of Directors on the disposal of profit for the financial year

At the end of the financial year 2019, the distributable equity of the Group's parent company was EUR 18,976,482.38.

On April 29, Solteq Plc announced that The Board of Directors has decided to cancel the proposal for the distribution of dividend due to the uncertainties caused by COVID-19 pandemic. The Board of Directors shall propose to the Annual General Meeting, which shall be convened at the later date, that there will be no distribution of dividend from financial year 2019.

Previously the Board of Directors proposed to the Annual General Meeting scheduled for April 1, 2020 and cancelled on March 23, 2020 that the Board of Directors would be authorized to decide, at its discretion, on the distribution of dividend of maximum total amount of 965,326.35 euros. Unless the Board of Directors would have decided otherwise, a dividend of a maximum amount of 0.05 euros per share would have been paid to the shareholders on a date decided 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 IAS 34 and the same accounting policies as the Financial Statements 2019. The new IFRS standards, taken into use on January 1, 2020, do not have a significant impact in the Group's Interim report. The information presented in the Interim report has not been audited.

Changes in segment reporting

On October 29, 2019, Solteq Plc announced that the company is changing its segment structure to create a better match with the Group's business structure and revenue sources and to promote business growth, particularly in international markets. Going forward, in 2020 Solteq Group will have two business segments: Solteq Software (software business) and Solteq Digital (consulting).

In the previous reporting structure, the Group's business was presented as a single segment. The new structure divides Solteq's business areas into distinct reportable segments, in accordance with their revenue models.

Solteq Software includes businesses based on the company's own products. The segment's revenue is mainly derived from license and maintenance fees for Solteq's own products, and the related services such as integrations and implementation projects.

The revenue of the Solteq Digital segment mainly comprises IT expert services. These services include consulting, the implementation of customer systems as projects, continuous development services and maintenance.

The comparable data for the financial year 2019 was released on April 20, 2020 in a separate Stock Exchange Bulletin.

Financial information

Consolidated statement of comprehensive income

TEUR	1-3/2020	1-3/2019	1-12/2019
Revenue	15,674	14,930	58,291
Other income	22	-34	2,594
Materials and services	-1,671	-924	-5,440
Employee benefit expenses	-9,520	-9,301	-36,757
Depreciations and impairments	-1,158	-925	-4,003
Other expenses	-2,631	-2,216	-8,974
Operating profit	716	1,530	5,711
Financial income and expenses	-608	-467	-2,032
Profit before taxes	108	1,062	3,679
Income taxes	-68	-252	-876
Profit for the financial period	40	810	2,803
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Currency translation differences	-80	-45	-44
Other comprehensive income			-29
Other comprehensive income, net of tax	-80	-45	-73
Total comprehensive income	-40	765	2,731
Total profit for the period attributable to owners of the parent	40	810	2,803
Total comprehensive income attributable to owners of the parent	-40	765	2,731
Earnings per share, EUR (undiluted)	0.00	0.04	0.15
Earnings per share, EUR (diluted)	0.00	0.04	0.15

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

Consolidated statement of financial position

TEUR	31 Mar 2020	31 Mar 2019	31 Dec 2019
Assets			
Non-current assets			
Tangible assets	596	564	654
Right-of-use assets	7,520	7,920	7,298
Intangible assets			
Goodwill	38,776	40,392	38,840
Other intangible assets	10,929	7,829	10,151
Other investments	480	481	481
Other long-term receivables	198	228	108
Non-current assets total	58,499	57,414	57,531
Current assets			
Inventories	231	158	164
Trade and other receivables	11,579	12,120	15,638
Cash and cash equivalents	8,400	3,805	3,648
Current assets total	20,210	16,083	19,449
Total assets	78,709	73,497	76,980
Equity and liabilities			
Equity attributable to equity holders of the parent company			
Share capital	1,009	1,009	1,009
Share premium reserve	75	75	75
Distributable equity reserve	12,910	12,910	12,910
Retained earnings	10,494	8,568	10,533
Total equity	24,488	22,562	24,528
Non-current liabilities			
Deferred tax liabilities	578	789	588
Financial liabilities	1,205	25,238	1,201
Lease liabilities	5,338	5,478	5,156
Non-current liabilities total	7,121	31,505	6,945
Current liabilities			
Financial liabilities	25,479	3	26,461
Trade and other payables	19,149	16,683	16,657
Provisions	51	112	41
Lease liabilities	2,422	2,631	2,349
Current liabilities total	47,100	19,430	45,508
Total equity and liabilities	78,709	73,497	76,980

Cash flow statement

TEUR	1-3/2020	1-3/2019	1-12/2019
Cash flow from operating activities			
Profit for the financial period	40	810	2,803
Adjustments for operating profit	1,582	375	3,732
Changes in working capital	1,903	-265	-595
Interests paid	-114	-101	-1,829
Interests received	4	71	16
Net cash from operating activities	3,415	890	4,128
Cash flow from investing activities			
Divested businesses	4,071		
Investments in tangible and intangible assets	-1,135	-1,092	-4,668
Net cash from investing activities	2,936	-1,092	-4,668
Cash flow from financing activities			
Long-term loans, increase	5	839	1,201
Short-term loans, increase			3,595
Short-term loans, decrease	-1,000	-2,000	-3,595
Payment of finance lease liabilities	-604	-179	-2,361
Net cash used in financing activities	-1,599	-1,341	-1,160
Changes in cash and cash equivalents	4,752	-1,542	-1,700
Cash and cash equivalents at the beginning of period	3,648	5,347	5,347
Cash and cash equivalents at the end of period	8,400	3,805	3,648

Statement of changes in group equity

TEUR	Share capital	Share premium account	Invested unrestricted equity reserve	Currency translation difference	Retained earnings	Total
Equity 1 Jan 2019	1,009	75	12,910	-56	7,859	21,796
Profit for the financial period					810	810
Other items on comprehensive income				-45		-45
Total comprehensive income	0	0	0	-45	810	765
Equity 31 Mar 2019	1,009	75	12,910	-101	8,669	22,562
Equity 1 Jan 2020	1,009	75	12,910	-100	10,633	24,528
Profit for the financial period					40	40
Other items on comprehensive income				-80		-80
Total comprehensive income	0	0	0	-80	40	-40
Equity 31 Mar 2020	1,009	75	12,910	-180	10,673	24,488

Total investments

TEUR	1-3/2020	1-3/2019	1-12/2019
Group total	2,125	1,245	4,632

Liabilities

TEUR	31 Mar 2020	31 Mar 2019	31 Dec 2019
Business mortgages	10,000	10,000	10,000
Off-balance sheet lease liabilities	1,135	135	1,027

Related party transactions

TEUR	1-3/2020	1-3/2019	1-12/2019
Service sales			6
Purchases	2	2	8
Total	2	2	14

Transactions with the related parties have been done at the market price and are part of the company's normal business.

Fair value of 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 Interim report.

Major shareholders March 31, 2020

	Shares and votes	
	number	%
1. Sentica Buyout III Ky	4,621,244	23.94
2. Profiz Business Solution Oy	2,060,519	10.67
3. Keskinäinen Työeläkevakuutusyhtiö Elo	2,000,000	10.36
4. Saadetdin Ali Urhan	1,403,165	7.27
5. Keskinäinen Työeläkevakuutusyhtiö Varma	1,245,597	6.45
6. Aalto Seppo Tapio	720,000	3.73
7. Roininen Matti Juhani	450,400	2.33
8. Väättäinen Olli Pekka	400,000	2.07
9. Lamy Oy	225,000	1.17
10. Sentica Buyout III Co-Investment Ky	180,049	0.93
10 largest shareholders total	13,305,974	68.92
Total of nominee-registered	982,818	5.09
Others	5,017,735	25.99
Total	19,306,527	100.00

Financial performance indicators

	1-3/2020	1-3/2019	1-12/2019
Revenue, MEUR	15.7	14.9	58.3
Change in revenue, %	5.0	0.4	2.5
Operating profit, MEUR	0.7	1.5	5.7
% of revenue	4.6	10.2	9.8
Profit before taxes, MEUR	0.1	1.1	3.7
% of revenue	0.7	7.1	6.3
Net investments in non-current assets, MEUR	2.1	1.2	4.6
Equity ratio, %	31.5	31.1	32.0
Net debt, MEUR	26.0	29.5	31.5
Gearing, %	106.4	131.0	128.5
Return on equity, rolling 12 months, %	8.8	2.3	12.1
Return on investment, rolling 12 months, %	8.6	5.2	10.4
Personnel at end of period	597	586	598
Personnel average for period	587	587	597

Key indicators per share

	1-3/2020	1-3/2019	1-12/2019
Earnings per share, EUR (undiluted)	0.00	0.04	0.15
Earnings per share, EUR (diluted)	0.00	0.04	0.15
Equity per share, EUR	1.27	1.17	1.27

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

Solteq uses alternative performance measures to describe the company's underlying financial performance and to improve the comparability between review periods. The alternative performance measures should not be regarded as indicators that replace the financial key figures as defined in IFRS standards.

Performance measures used by Solteq Group are EBITDA, equity ratio, gearing, return on equity, return on investment and net debt. The calculation principles of these financial key figures are presented as part of this Interim report. The performance measures presented as rolling 12 months include the total figures of the past four quarters.

Items affecting comparability and alternative performance measures

Items affecting comparability:

Transactions that are unrelated 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 affecting comparability. These non-recurring items may include the following:

- Significant restructuring arrangements and related financial items
- Impairments
- Items related to the sale or discontinuation of significant business operations
- Costs incurred by the re-organization of operations
- Costs incurred by the integration of acquired business operations
- Non-recurring severance packages
- Fee items that are not based on cash flow
- Costs incurred by changes in legislation
- Fines and similar indemnities, damages and legal costs

Comparable revenue

The reconciliation of the comparable revenue to revenue is presented in the table below.

TEUR	1-3/2020	1-3/2019	1-12/2019
Revenue	15,674	14,930	58,291
Adjustments			
SAP ERP business transfer agreement		-881	-2,998
Total adjustments	0	-881	-2,998
Comparable revenue	15,674	14,049	55,293

Comparable operating profit (EBIT)

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

TEUR	1-3/2020	1-3/2019	1-12/2019
Operating profit (EBIT)	716	1,530	5,711
Adjustments			
SAP ERP business transfer agreement		-334	-3,479
Cost of integrating the acquired business		10	72
Non-recurring severance packages	164		39
Damages from completed customer projects			98
Costs incurred by the re-organization of operations			138
Total adjustments	164	-324	-3,132
Comparable operating profit (EBIT)	880	1,206	2,579

Calculation of financial ratios

Solvency ratio, %: $\text{equity} / (\text{balance sheet total} - \text{advances received}) \times 100$

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

Return on Equity (ROE), %: $\text{profit for the financial period (rolling 12 months)} / \text{equity (average for the period)} \times 100$

Return on investment (ROI), %: $(\text{profit before taxes} + \text{finance expenses (rolling 12 months)}) / (\text{balance sheet total} - \text{interest free debt (average for the period)}) \times 100$

Earnings per share: $(\text{profit before taxes} -/+ \text{minority interest}) / \text{adjusted average basic number of shares}$

Diluted earnings per share: $(\text{profit before taxes} -/+ \text{minority interest}) / \text{adjusted average diluted number of shares}$

EBITDA: $\text{operating profit} + \text{depreciation and impairments}$

Net debt: $\text{interest bearing liabilities} - \text{cash and cash equivalents}$

Business combinations

There were no acquisitions during the review or comparison period.

Financial reporting in 2020

Solteq Plc's financial information bulletins in 2020 have been scheduled as follows:

- Half-Year Report 1-6/2020 Thursday August 13, 2020 at 8.00 am (EEST)
- Interim report 1-9/2020 Thursday October 29, 2020 at 8.00 am (EEST)

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

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NASDAQ OMX Helsinki

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