# REPORT OF THE BOARD OF DIRECTORS AND FINANCIAL STATEMENTS 2010

SOLTEQ

# Contents

# Report of the Board of Directors

## BUSINESS ENVIRONMENT AND BUSINESS DEVELOPMENT

Solteq offers operational and financial control services developed according to plan to commercial, logistics, industrial and public administration actors. We complement our core offering with solutions for specialized retail management, maintenance and servicing management, as well as solutions for quality improvement and the management of systems in which master data is contained. With the help of our solutions developed using technology from the world's leading companies, our clients guide their businesses more efficiently and improve their profitability.

Starting from 1.1.2010 Solteq's operations was divided into four business areas and the result of the company is monitored through these areas. Business areas are: ERP (enterprise resource planning), EAM (enterprise asset management), Data (data management, optimization and integration) and Store (retail solutions and technology).

Solteq's turnover totalled 26.998 thousand euros in which contains decrease of 5,4 per cent compared to corresponding period in 2009.

Solteq's operating result for the fourth quarter decreased to -4.315 thousand euros from 1.464 thousand euros that was the operating result in the corresponding period 2009. Company's operating profit percentage was -16,0% (5,1% in 2009).

During the first half of the year 2010 the result was strongly negative. In the second half of the fiscal year, the company's operating income excluding non-recurring goodwill impairment charges were stabilized at zero.

## REVENUE AND RESULT

Revenue decreased by 5,4 % compared to the previous year and totalled 26.998 thousand euros (previous financial year 28.550 thousand euros).

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

The operating result for the financial year was -4.315 thousand euros (1.464 thousand euros), result before taxes was -4.487 thousand euros (1.329 thousand euros) and result for the financial year -3.707 thousand euros (935 thousand euros).

Operating result is burdened by termination benefits in the amount of 430 thousand euros.

For the fiscal year, expenses for onerous contracts were booked in accordance with IFRS regulations at 797 thousand euros. These bookings result from uncertainty regarding the receipt of payments on previously recognised revenues.

After the end of the fiscal period, Solteq's Board decided to make a 2,087 thousand euro goodwill write-down in fiscal year 2010 as a result of its impairment testing. The write-downs were targeted by segment as follows: DATA 816 thousand euros, EAM 541 thousand euros and ERP 730 thousand euros.

Impairment loss for fixed assets of 287 thousand euros was booked during the fiscal period. Impairment loss is related to capitalized development costs of ERP business area. The estimate of possible recoverable amount has decreased due to changed financial expectations.

## BALANCE SHEET AND FINANCING

The total assets amounted to 17.211 thousand euros (21.130 thousand euros). Liquid assets totalled 131 thousand euros (258 thousand euros).

The Group's interest-bearing liabilities were 7.117 thousand euros (6.909 thousand euros).

The Group's equity ratio was 30,6 percent (47,2 %).

The statistics tables and the calculation of key ratios are presented in the balance sheet notes.

## INVESTMENTS, RESEARCH AND DEVELOPMENT

Gross investments during the financial year were 153 thousand euros (651 thousand euros).

### 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 SAP 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 fiscal year, product development costs were not amortized. The product development project depreciation ended at the end of the previous fiscal year has started. In the previous fiscal year, amortized product development costs were 424 thousand euros.

## PERSONNEL

The number of permanent employees at the end of the review period was 220 persons (235 persons). Average number of personnel during the financial year was 233 persons (240 persons). In the end of the financial year the number of personnel could be divided by 1.1.2010 reformed business segments as follows ERP 104 persons, EAM 38 persons, DATA 27 persons, STORE 24 persons and shared functions 27 persons.

## RELATED PARTY TRANSACTIONS

Solteq's related parties include board of directors, managing director and the management team. There have been no significant changes in the company's related party transactions since the financial statements 2009.

## SHARES, SHAREHOLDERS AND TREASURY SHARES

Solteq Plc's equity on 31.12.2010 was 1.009.154,17 euros which was represented by 12.148.429 shares. The shares have no nominal value.

In the end of the financial year the amount of treasury shares in Solteq Plc's possession was 500.669 shares. The amount of treasury shares represented 4,12 % from the total amount of shares and votes in the end of the review period. The equivalent value of acquired shares was 41.590 euros. The treasury shares were acquired through the company's unrestricted shareholder equity at the prevailing market price at the Helsinki Stock Exchange.

### Exchange and rate

During the financial year, the exchange of Solteq's shares in the Helsinki Stock Exchange was 1,3 million shares (0,5 million shares ) and 1,5 million euros (0,7 million euros). Highest rate during the financial year was 1,56 euros and lowest rate 1,01 euros. Weighted average rate of the share was 1,20 euros and end rate 1,04 euros. The market value of the company's shares in the end of the financial year totalled 12,6 million euros (16,2 million euros).

### Corporate Governance Statement

Solteq has issued its Corporate Governance Statement as a separate report. The auditor of Solteq Plc has audited that the Corporate Governance Statement has been issued and that the systems of internal control and risk management relating to the reporting of financial results that are described in the report are consistent with Solteq Plc's financial statements. Solteq Plc's Corporate Governance Statement is available on company's website at www.solteq.com/investors

### Ownership

In the end of the financial year, Solteq had a total of 1.945 shareholders (1.985 shareholders). Solteq's 10 largest shareholders owned 8.487 thousand shares i.e. they owned 69,9 per cent of the company's shares and votes. Solteq Plc's members of the board owned a total of 5.179 thousand shares which equals 42,6 per cent of the company's shares and votes.

## ANNUAL GENERAL MEETING

Solteq Plc's annual general meeting on 26.3.2010 adopted the financial statements for 2009 and the members of the board and the managing director were discharged from liability for the financial year 2009. The annual general meeting decided in accordance with the board's proposal to distribute a dividend in the amount of 0,06 euros per share. The reconciliation date for the dividend was 31.3.2010 and payment date 9.4.2010.

The annual general meeting decided to authorize the board of directors to decide on acquiring the company's own shares so that the amount in the possession of the company does not exceed 10 percent of the company's total shares at that moment. The shares can be acquired in order to develop the company's capital structure, finance and execute acquisitions or similar arrangements or used as part of the incentive scheme of the personnel or convey otherwise or be invalidated. The shares can be acquired in other proportion than the shareholders' holdings. The shares are to be acquired through public trading. The authorization is valid until the next annual general meeting.

General Meeting approved the proposal by the Board Section that 11 of the Articles of Association be amended so that notice to the General Meeting shall be issued no later than three weeks before the date of the General Meeting, however at least nine days before the record date of the General Meeting. Furthermore, the Articles of Association was amended so that the notice to the General Meeting can alternatively be delivered, in addition to the current manners, by publishing the notice on the Company's website.

## BOARD OF DIRECTORS AND AUDITORS

Six members were elected to the board of directors. Seppo Aalto, Veli-Pekka Jokiniva, Ali Saadetdin, Jukka Sonninen and Markku Pietilä continued as members of the board. Sirpa Sara-aho began as a new member of the board. The board elected Ali Saadetdin to act as the chairman of the board.

KPMG Oy Ab, Authorized Public Accountants, were re-elected as Solteq's auditors. Frans Kärki, APA, acts as the lead partner.

## EVENTS AFTER THE REVIEW PERIOD

On 20 January 2011, Solteq published a stock exchange bulletin concerning a 2,087 thousand euro goodwill write-down based on the Board's impairment testing.

On 4 February 2011, Solteq published a stock exchange bulletin where Solteq refined its strategy to the years 2011-2014.

## RISKS AND UNCERTAINITIES

The key uncertainties and risks in short term are related to the timing and pricing of the business deals that are the basis for the revenue, changes in the level of costs and the company's ability to manage extensive contract agreements and deliveries. An addition, as a result of the weak financial performance at the end of the fiscal period, risk concerning the company's access to capital is greater than before.

The key business risks and uncertainties of the company are monitored constantly as a part of the board of directors' and management team's work. The company has not organized a separate internal audit organization or committee.

## PROSPECTS

Relating to year 2011 Solteq believes that the annual revenue will be at the same level as in 2010. The operating result instead is believed to clearly improve and to end up some 5 per cent.

## PROPOSAL OF THE BOARD FOR DISTRIBUTION OF DIVIDEND

At the end of the financial period 2010 , the distributable equity of the Group's parent company is 3.800.639,68 euros. The board proposes that no dividend will be paid from the financial period 2010.

# Consolidated statement of comprehensive income

| **thousand EUR** | **Note** | **1.1.-31.12. 2010** | **1.1.-31.12. 2009** |
|---|---|---|---|
| Revenue | 1,3 | 26 998 | 28 550 |
| Other income | 4 | 52 | 94 |
| Materials and services | | -7 394 | -7 524 |
| Employee benefit expenses | 7 | -15 688 | -14 868 |
| Depreciation and asset write-downs | 6 | -3 223 | -710 |
| Other expenses | 5,8 | -5 060 | -4 078 |
| **Operating result** | | **-4 315** | **1 464** |
| Financial income | 9 | 27 | 29 |
| Financial expenses | 10 | -199 | -164 |
| **Result before taxes** | | **-4 487** | **1 329** |
| Income tax expense | 11 | 780 | -394 |
| **Result for the financial period** | | **-3 707** | **935** |
| Other comprehensive income: | | | |
| Cash flow hedges | | -18 | -9 |
| Taxes related to cash flow hedge | | 5 | 2 |
| Other comprehensice income, net of tax | | -13 | -7 |
| **Total comprehensive income** | | **-3 720** | **928** |
| Earnings per share attributable to equity holders of the parent: | | | |
| Earnings per share, undiluted, (EUR) | 12 | -0,32 | 0,08 |

Diluted result does not differ from the undiluted result for the financial year or the previous year.

Result for the financial period and total comprehensive income belong exclusively to the owners of the parent company.

# Consolidated balance sheet

| thousand EUR | Note | 1.1.-31.12. 2010 | 1.1.-31.12. 2009 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 13 | 2 660 | 2 645 |
| Goodwill | 14 | 6 199 | 8 286 |
| Other intanglible assets | 14 | 2 093 | 2 755 |
| Available-for-sales financial assets | 15 | 93 | 93 |
| Deferred tax assets | 16 | 654 | 0 |
| Trade receivables | 17 | 87 | 0 |
| | | **11 786** | **13 779** |
| **Current assets** | | | |
| Trade and other receivables | 17 | 5 294 | 7 093 |
| Cash and cash equivalents | 18 | 131 | 258 |
| | | **5 425** | **7 351** |
| **Total assets** | | **17 211** | **21 130** |

| thousand EUR | Note | 1.1.-31.12.2010 | 1.1.-31.12.2009 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Equity attributable to equity holders of the parent** | | | |
| Share capital | 19 | 1 009 | 1 009 |
| Share premium reserve | 19 | 75 | 75 |
| Hedging reserve | 19 | -20 | -7 |
| Reserve for own shares | 19 | -618 | -337 |
| Distributable equity reserve | 19 | 7 213 | 7 213 |
| Retained earnings | 19 | -2 400 | 2 019 |
| **Total equity** | | **5 259** | **9 973** |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | 16 | 0 | 125 |
| Interest-bearing liabilities | 20 | 3 016 | 4 337 |
| | | **3 016** | **4 462** |
| **Current liabilities** | | | |
| Trade and other payables | 21 | 4 835 | 4 123 |
| Short-term interest-bearing liabilities | 20 | 4 101 | 2 572 |
| | | **8 936** | **6 695** |
| **Total liabilities** | | **11 952** | **11 157** |
| **Total equity and liabilities** | | **17 211** | **21 130** |

# Consolidated statement of cash flows

| thousand EUR | Note | 1.1.-31.12.2010 | 1.1.-31.12.2009 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Operating profit | | -4 315 | 1 644 |
| Adjustments for operating profit | 23 | 3 223 | 710 |
| Changes in working capital | | 2 088 | -2 035 |
| Interest paid | | -199 | -164 |
| Interest received | | 27 | 29 |
| **Net cash from operating activities** | | **824** | **184** |
| **Cash flows from investing activities** | | | |
| Investments in tangible and intangible assets | | -153 | -650 |
| **Net cash used in investing activities** | | **-153** | **-650** |
| **Cash flow in financing activities** | | | |
| Withdrawal of non-current loans | | 0 | 2 000 |
| Repayment of non-current loans | | -1 267 | -1 000 |
| Withdrawal of current loans | | 1 462 | 0 |
| Repayment of current loans | | 0 | -413 |
| Acquisition of treasury shares | | -281 | -82 |
| Dividend distribution | | -712 | -476 |
| **Net cash used in financing activities** | | **-798** | **29** |
| **Changes in cash and cash equivalents** | | **-127** | **-437** |
| Cash and cash equivalents 1.1. | | 258 | 695 |
| **Cash and cash equivalents 31.12.** | **18** | **131** | **258** |

Cash and cash equivalents presented in the cash flow statement consist of the following items:

| thousand EUR | 2010 | 2009 |
|---|---|---|
| Cash and bank accounts | 131 | 258 |
| **Total** | **131** | **258** |

# Consolidated statement of changes in equity

| thousand EUR | Share capital | Reserve for own shares | Share premium reserve | Hedging reserve | Distributable equity reserve | Retained earnings | Total equity |
|---|---|---|---|---|---|---|---|
| **Equity** | | | | | | | |
| **1.1.2009** | **1 009** | **-255** | **75** | **0** | **7 213** | **1 560** | **9 602** |
| Profit for the financial period | | | | | | 935 | 935 |
| Other comprehensive income | | | | -7 | | | -7 |
| **Total comprehensive income for the financial period** | | | | **-7** | | **935** | **928** |
| Own shares acquired | | -82 | | | | | -82 |
| Dividend distribution | | | | | | -475 | -475 |
| **Equity** | | | | | | | |
| **31.12.2009** | **1 009** | **-337** | **75** | **-7** | **7 213** | **2 020** | **9 973** |
| Profit for the financial period | | | | | | -3 707 | -3 707 |
| Other comprehensive income | | | | -13 | | | -13 |
| **Total comprehensive income for the financial period** | | | | **-13** | | **-3 707** | **-3 720** |
| Own shares acquired | | -281 | | | | | -281 |
| Dividend distribution | | | | | | -712 | -712 |
| **Equity** | | | | | | | |
| **31.12.2010** | **1 009** | **-618** | **75** | **-20** | **7 213** | **-2 400** | **5 259** |

# Notes to consolidated financial statements

## Group information

Solteq group is an IT solutions and service provider to domestic companies in the trade and industry sectors. It has specialist know-how in the fields of chained trade, retail and wholesale trade, car trade and selected industry segments' IT systems and related services. The Group operates mainly in Finland. In Russia operates a fully-owned subsidiary OOO Solteq Russia, (no activity at the moment), which has its domicile in St. Petersburg.

The Group's parent company is Solteq Plc. The parent company is a Finnish publicly limited company, domiciled in Tampere and its registered address is Eteläpuisto 2 C, FI-33200 TAMPERE, Finland. A copy of the consolidated financial statements is available from the aforementioned address as well as the company's website at www.solteq.com/annual-reports.

In its meeting 15.2.2011, the Board of Directors of Solteq Plc has approved these financial statements to be published. According to the Finnish Companies act, the shareholders may adopt or reject the financial statements in the annual general meeting held after the publication. The annual general meeting also has an option to make changes in the financial statements.

## Accounting policies

### Basis of preparation

Solteq Group's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) complying with the IAS and IFRS standards as well as the SIC and IFRIC interpretations valid as at 31.12.2010. International Financial Reporting Standards mean the standards and their interpretations that have been approved for adoption in the EU in accordance with the procedure No. 1606/2002 enacted in the Finnish Accounting Act and EU (EC) regulations laid down by the Act. The notes to the consolidated financial statements are also in accordance with the requirements of the Finnish Accounting and Companies Acts.

The consolidated financial statements have been prepared on historical cost convention basis, with the exception of available-for-sale financial assets which are measured at fair value. Financial statement information is presented in thousands of euros.

The Group has adopted following new and revised standards, amendments and interpretations effective from 1.1.2010:

- Revised IFRS 3 Business Combinations (effective from 1/7/2009 or annual periods beginning thereafter). The revised standard includes several significant changes. The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with IFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice of an acquisition-by-acquisition basis to measure the non-controlling interest in the acquired company either at fair value or at the non-controlling interest's proportionate share of the acquired company's net assets. All acquisition-related costs are expensed. The standard amendments affect, therefore, the goodwill amounts written for purchases and the business sales income. The standard changes also have an impact through profit or loss on the recorded period as well as on the acquisition period and on those periods in which an additional purchase price is paid or additional purchases realized. According to the transitional provisions, business combinations in which the acquisition date is before the use of the standard is mandatory and does not need to be restated.
- Revised IAS 27 Consolidated and separate financial statements (effective from 1/7/2009 or annual periods beginning thereafter). The amended standard requires the recording of the effects arising from ownership changes in a subsidiary company directly into shareholder equity when the parent retains control. If control in the subsidiary company is lost, any remaining investment is valued at its fair value through profit or loss. The amended standard requires changes in ownership arising from the impact of recording directly to shareholders' equity when the parent retains control. If control is lost, any remaining investment is valued at fair value through profit or loss. A similar accounting treatment will also be applied to investments in associate companies (IAS 28) and joint venture shares (IAS 31). As a result of the standard amendment, subsidiary losses may be allocated to non-controlling interests even if they exceed the non-controlling investment amount.
- Amendment to IAS 39 Financial instruments: recognition and measurement Items eligible as hedges (effective from 1/7/2009 or annual periods beginning thereafter). The changes concern hedge accounting. These are specified in the IAS 39 guidance concerning hedging one-way risk protection and inflation risk protection in the case of items concerning financial assets or liabilities.
- IFRIC 17 Distribution of non-cash assets to owners (effective from 1/7/2009 or annual periods beginning thereafter). The interpretation provides guidance on how an entity

should account in its accounting books for a dividend distributed its owners when assets other than cash are distributed, or dividends regarding which the owners have the option to receive as non-cash assets, or, alternatively, cash.

- IFRIC 18 Transfers of assets from customers (effective from 1/7/2009 or annual periods beginning thereafter). This interpretation clarifies the IFRS requirements as regards agreements by which the company receives an item of property or money from a customer to invest into a particular asset and the company must use the asset so that the client is connected to the distribution system or given the continuous right to obtain goods or services or both of these purposes.
- Improvements to IFRSs -amendments, April 2009 (primarily effective from 1/1/2010 or annual periods beginning thereafter). Annual Improvements procedure through which small and less urgent changes done to the standards are gathered together and implemented annually. The amendments relating to the project consist of a total of 12 standards. The effects of changes vary from standard to standard.
- Amendments to IFRS 2 Group cash-settled share-based payment transactions (effective from 1/1/2010 or annual periods beginning thereafter). Changes are intended to clarify that the company responsible for the goods or services of the supply or service providers needs to apply IFRS 2, even if it does not have an obligation to pay the required share-based cash payments.

The preparation of the financial statement in accordance with the IFRS standards requires the group management to make certain estimates and assumptions that affect the application of accounting policies. Information of these considerations that the management has used in applying accounting policies and which have the most effect in the figures shown in the financial statement, have been presented in the section "Accounting policies requiring management judgement and significant uncertainties relating to accounting estimates".

## Accounting policies for the consolidated financial statement

### Subsidiaries

The consolidated financial statements include Solteq Plc and its subsidiaries.

The aforementioned subsidiaries are companies where the group holds the right of control. Right of control is assumed when the group owns more than half of the votes or it otherwise has the right of control. Right of control is defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The group's mutual shareholdings have been eliminated using the acquisition method. Companies acquired are included in the consolidated financial statements from the date when the group has acquired right of control and subsidiaries sold until the date when the right of control seizes. All intra-group business transactions, receivables, debts and unrealised profits as well as internal distribution of profit are eliminated in the preparation of the consolidated financial statements. Unrealised losses are not eliminated in the event that they are caused by impairment.

### Foreign currency items

Figures on the result and the financial position of the Group's entities are measured in the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in euros, which is the parent company's functional and presentation currency.

Transactions in foreign currencies are translated to the presentation currency at the monthly average rate close to the date of the transaction. At the time of closing the annual accounts, receivables and debts in foreign currencies have been converted to functional currency at the exchange rate of that date. Any exchange rate gain or loss from transactions in foreign currencies has been recognised in the financial statements under financial income and expense.

### Property, plant and equipment

Property, plant and equipment consist mainly of buildings, machines and equipment. They are measured at historical cost less accumulated depreciation and possible impairment losses. Shares in real estate companies have been presented in the balance sheet as buildings and land. Costs from building maintenance have been expensed over the financial period, which is why no depreciation has been recognised for buildings and land.

Depreciation is calculated on a straight-line basis over their estimated useful life. The estimated useful lives are as follows:

| | |
|---|---|
| Machinery and equipment | 3-5 years |
| Other tangible assets | consists of works of art which are not depreciated |

The residual values and useful lives are reviewed at each reporting date and, when necessary, are corrected to reflect any possible changes in expected future economic benefit.

Gains and losses from disposal and divestment of tangible assets are recognised under other income or expenses.

### Intangible assets

An intangible asset is recognised in the balance sheet only if the asset's acquisition cost can be reliably measured and if it is probable that future economic benefits will flow to the entity. Intangible assets with a finite useful life are recognised in the balance sheet at historical cost and are amortised on a straight-line basis during their useful life. Estimated amortisation periods are as follows:

| | |
|---|---|
| Development costs | 5-10 years |
| Intangible rights | 3-5 years |
| Other intangible assets | 3-10 years |

### Goodwill

The goodwill arising from business consolidations that occurred after 1/1/2010 is recorded to an amount whereby the sum of the released consideration, controlling interest in the acquiree and previously owned share exceed the group's share of the acquired net asset value.

Company acquisitions occurring from 1/1/2004 until 31/12/2009 are recorded in accordance with the the previous IFRS norm (IFRS 3 (2004)). Goodwill is the part of the acquisition cost that exceeds the group's share in the acquired company's net assets' fair value at the time of acquisition which has taken place before 1.1.2004. The classification of these acquisitions or their accounting treatment has not been adjusted in the group's opening IFRS balance sheet.

Goodwill is not amortised but is tested annually for impairment. For this purpose the goodwill is allocated to cash-generating units. The goodwill is valued at the original acquisition cost less impairment losses.

### Research and development costs

Research costs are recorded as expenses in the income statement. Development cost for new or substantially improved product or service processes are capitalised in the balance sheet as intangible assets from the date when the product is technically and commercially feasible and it is expected to bring financial benefit. Development costs previously expensed will not be capitalised at a later date. Assets are amortised from the date when they are ready for use. Assets that are not yet ready for use are tested annually for impairment. Development expenses that have been capitalised have a useful life of 5 to 10 years, during which capitalised assets are expensed on a straight-line basis.

## Government grants

Government grants, such as grants from public institutions for acquisition of intangible assets, are deducted from the carrying amount of the asset when it is reasonably certain that they will be received and the group fulfils the requirements to receive such grants. Grants are recognized in the form of lower depreciation expense during the useful life of the asset. Grants that compensate for expenses incurred are recognized in the income statement when the expenses are recognized. These grants are presented in other income.

## Leases

### Group as a lessee

Lease contracts for tangible assets for which the group have a significant part of the risks and rewards incidental to ownership, are classed as financial leases. At the inception of the lease term, a finance lease is recognised on the balance sheet at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payment. Assets acquired by a finance lease are depreciated during the asset's useful life or, if shorter, the lease term. Lease payments are apportioned between financial expenses and loan repayments during the rental period so that the remaining debt at the end of a financial period has a constant periodic interest rate. Lease commitments are included in interest-bearing liabilities.

Lease agreements where the risks and rewards incidental to ownership remain with the lessor, are classified as other lease agreements. Lease payments under other lease agreements are recognised as expense in the income statement in equal amounts throughout the lease term.

## Impairment of tangible and intangible assets

The group estimates at the end of each financial period whether or not there is any indication of impairment on any asset. In the event of any such indication, the recoverable amount of the asset is estimated. Recoverable amounts are also estimated annually on the following asset groups regardless of whether or not there is any indication of impairment: goodwill and intangible assets not yet available for use. Need for impairment is monitored at the cash-generating unit level, that is, at the level of units that are independent from other units and whose cash flows can be separated from other cash flows.

Recoverable amount is the greater of the asset's fair value less selling costs or its value in use. Value in use is defined as the present value of the future cash flows expected to be derived from an asset or a cash generating unit. In the calculation of present value, discounting percentage is pretax rate which reflects the market's view of time value of money and asset-specific risks.

Impairment loss is recognised when the asset's carrying amount is higher than its recoverable amount. Impairment loss is immediately recognised in the income statement. If the impairment loss is allocated to a cash-generating unit, it is first allocated to decrease the carrying amount of any goodwill allocated to the cash-generating unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Impairment loss is reversed, if circumstances change and the asset's recoverable value has changed from the time of the recognition of the impairment loss. Reversal amount cannot, however, be higher than the asset's book value would be without the recognition of the impairment loss. Impairment loss on goodwill is not reversed under any circumstances.

## Employee benefits

### Pension liabilities

Pension arrangements are classed as defined benefit plans and defined contribution plans. The group has only defined contribution plans. Payments under the Finnish pension system and other contribution based pension schemes are recognised as expenses as incurred.

## Provisions and contingent liabilities

Provision is recognised when the group has a present legal or constructive obligation as a result of a past event, realisation of the payment obligation is probable and the amount of the obligation can be reliably estimated. Provisions are valued at the present value required to cover the obligation. Present values are determined by discounting the expected future cash flows at a pre-tax rate that reflects the market's view of that moment's time value and risks associated with the obligation. If part of the obligation is possible to be covered by a third party, the obligation is recognised as a separate asset, but only once this coverage is virtually certain.

Provisions are recognised for loss-making contracts, when the expenses necessary for fulfilling the obligations exceed the benefits receivable from that contract.

Contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the group. Also present obligation that is not probable to cause liability to pay or the amount of obligation cannot be measured with sufficient reliability are considered contingent liabilities. Contingent liabilities are disclosed as notes to the financial statements.

## Income taxes

Tax expenses for the financial period comprise current tax based on the taxable income of the financial period and deferred taxes. Tax calculated from the taxable income of the financial period is based on the tax rate prevailing in each country. Taxes are adjusted with possible taxes relating to previous financial periods.

Deferred taxes are calculated from temporary differences between book value and taxable value. Most significant temporary differences are due to carryforward of unused tax losses and goodwill tax amortisation. Deferred taxes are not recognised on temporary differences arising from goodwill impairment losses that are not tax deductible. Deferred taxes are neither recognised on undistributed profit from subsidiaries when the differences are unlikely to reverse in the foreseeable future.

Deferred taxes are calculated using the tax rates enacted at the end of the financial period. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available, against which the temporary differences can be utilised.

## Revenue recognition

Income from the sale of goods, software licences and hardware is recognised at fair value excluding indirect taxes, discounts and exchange rate differences from sales in currencies.

### Services rendered and sale of software licences and hardware

Income from services is recognised when the service has been rendered. Maintenance income is recognized over the agreement period.

In order to recognise revenue from sales of software licences and hardware, there must be a binding agreement, delivery of product or equipment has taken place, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the group has transferred to the buyer the significant risks and rewards of ownership of the software licence or hardware. Software licences with right of return or conditions relating to start-up project are recognized when the right of return has expired or conditions have been fulfilled.

### Long-term projects

When the outcome of the project can be estimated reliably, income and expenses for long-term projects are recognised as income and expenses based on the stage of completion. Stage of completion is defined by comparing the costs incurred for work performed at the reporting date to the estimated total cost of the project. When it is likely that a project's completion costs are going to exceed the income from the project, the expected loss is immediately recognised in income statement.

When the final result of a long-term project cannot be reliably estimated, costs incurred are recognised as expense during the period when incurred. Revenue from the project is recognised only to the extent of contract costs incurred and when it is probable that it will be recoverable. Losses from the project will immediately be recognised as cost in income statement.

### Other income

Other income comprises gains from assets and income not relating to actual sales, such as rental income and government grants. Government grants are recognised in the income statement at the same time with those expenses that the government grants were intended to cover.

### Interest income and dividends

Interest income is recognised using the effective interest method and dividends at the time the right for the dividend has been earned.

### Operating profit

IAS 1 Presentation of financial statements standard does not define operating profit. The group has defined it as follows: operating profit is the net sum that is calculated by adding other income to the revenue, deduct material and services, employee benefit expense, depreciation and amortisation expense, possible impairment losses and other expenses. Everything else, except the aforementioned items, is presented below the operating profit.

## Financial assets and liabilities

### Financial assets

The group has classified its financial assets to the following classes: loans and receivables and available-for-sale financial assets. The classification is based on the purpose of purchasing financial assets and the classification is made at the time of the initial purchase.

Transaction costs are included in the financial asset value at initial measurement. All purchases and sales of financial assets are recognised on the trade date.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or the group has transferred substantially all the risks and rewards of ownership outside the group.

*Loans and receivables* are financial assets with fixed or determinable payments that are not quoted in an active market and the group is not holding them for trading. They are valued at amortised cost. They are classified in the balance sheet under current assets due to their nature.

*Available-for-sale financial assets* are assets that are not designated to other categories. They are classified in non-current assets. Available-for-sale financial assets consist of shares. They are recognised at fair value or, if fair value can not be measured reliably, at cost.

### Cash and cash equivalents

Cash and cash equivalents consist of cash and bank deposits that can be withdrawn on demand. Account with overdraft facility is included in current financial liabilities. Unused overdraft facility in the amount of 0,6 M€, has not been recognised in the balance sheet.

### Impairment of financial assets

The group assesses at the end of the financial period whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the loss is recognised in the income statement.

Based on a risk estimate, an impairment loss for non-recoverable trade receivables is recognised in the income statement.

### Financial liabilities

Financial liabilities are initially recognised at fair value. Transaction costs are included in the financial liability value at the initial measurement. Later all financial liabilities are valued at amortised cost using the effective interest method. Financial liabilities are classified under non-current and current liabilities which can be either interest-bearing or interest-free.

### Cash flow hedges

For cash flow hedges, the effective portion of the change in fair value of the derivative that is determined to be an effective hedge shall be recognized in other comprehensive income and shall be disclosed in the hedging reserve in that case the hedging relationship qualifies the requirements for hedge accounting as set in IAS 39. The ineffective portion of the change in fair value of the derivative shall be recognised in profit or loss. Cumulative gain or loss of the effective portion of derivatives deferred to other comprehensive income is transferred to the profit and loss and classified as revenue or expense for the accounting period or periods when the hedged item is recognized in the profit and loss, e.g. when the interest expenses of a loan are accrued in the profit and loss. The group applies hedge accounting on an interest rate swap that is hedging cash flows. Interest rate swaps are used to hedge against interest rate risks arising from fluctuating rate loans.

## Borrowing costs

Borrowing costs are recognised as an expense in the period in which they incur. If there is certain known criteria concerning qualifying asset, the borrowing costs are capitalized. Transaction costs directly attributable to acquisition of loans which clearly relate to a certain loan are included in the original amortised cost of the loan and are expensed using effective interest method.

## Equity

Costs relating to the acquisition of own shares are deducted from the equity. If Solteq Plc acquires its own shares, the acquisition costs are deducted from the equity.

## Accounting policies requiring management judgement and significant uncertainties relating to accounting estimates

In preparation of the consolidated financial statements, estimates and assumptions regarding the future must be made. The end results may deviate from these assumptions and estimates. In addition, some judgement must be exercised in the application of the policies of the financial statements.

### Management judgement regarding selection and application of accounting policies

The group management uses judgement regarding selection and application of accounting policies. This applies especially to those cases where the IFRS standards and interpretations in effect have recognition, measurement and presentation alternatives.

### Uncertainties relating to accounting estimates

Accounting estimates in preparation of the financial statements are based on management's best estimate at the end of the financial period. These estimates and assumptions are based on experience and other reasonable assumptions, which are believed to be appropriate in the circumstances that form the basis on which the consolidated financial statements are prepared. Uncertainties are related to, inter alia, existing uncertainty in the assessment of project outcomes, valuation of accounts receivable, the measuring and recognition of deferred tax assets and the development of the overall financial environment. Possible changes in estimates and assumptions are recognised in accounting during the financial year when the estimate or assumption is revised, and all the periods after that.

### Impairment test

The group carries out annual tests for the possible impairment of goodwill and intangible assets not yet available for use, and indications of impairment are evaluated in accordance with the principles described earlier in these financial statement. Recoverable amount of cash-generating units is defined with calculations based on value in use. These calculations require the use of estimates. Additional information about sensitivity analyses regarding changes in assumptions relating to recoverable amount are disclosed under note 14 Intangible assets.

## Adoption of new and amended standards and interpretations

The IASB has published the following new or revised standards and interpretations, which the group has not yet applied. The group will take each standard and interpretation into use on their effective date, or if the effective date is other than the first day of the financial period, the effective date that follows the start of the fiscal period, including:

- Change to IAS 32 -- Financial Instruments: Presentation method: Classification of called up rights (effective from 1/2/2010 or annual periods beginning thereafter). The amendment relates to the accounting treatment (classification) for the issuance of shares, options or subscription rights in other than the working currency of the issuer.
- IFRIC 19 -- Extinguishing financial liabilities with equity instruments (effective from 1/7/2010 or annual periods beginning thereafter). Clarifies the accounting treatment when a company renegotiates the terms of a financial liability and as a result of review and consultations the company issues its own equity instruments to settle the financial liability either in full or in part.
- Changes in the interpretation of IFRIC 14 Pre-payments made based on a minimum funding requirement (effective from 1/1/2011 or annual periods beginning thereafter). This change corrects the unintended consequences that have arisen from IFRIC 14 IAS 19-- The limit on defined benefit assets, minimum funding requirements and their interaction. As a result of the changes, companies can report as assets on the balance sheet some voluntary prepayments made based on a minimum funding requirement.
- Revised IAS 24 -- Related party disclosures in the financial statements (effective from 1/1/2011 or annual periods beginning thereafter). The definition of a related party is modified, and changes certain related party disclosure requirements for government-related entities.
- IFRS 9 -- Financial instruments (effective from 1/1/2013 or annual periods beginning thereafter). IFRS 9 is the first standard issued as part of a wider project to replace IAS 39. Different valuation methods are retained, but simplified. Financial assets are divided into two primary measurement categories: amortized cost and fair value. The basis of classification depends on the company's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS39 on impairment of financial assets and hedge accounting continues to apply. Previous period figures need not be corrected if the standard is adopted before 1/1/2012 at the start of the fiscal period. The standard change has not yet been approved by the EU.
- Improvements to IFRSs -- amendments, May 2010) (primarily effective from 1/7/2010 or annual periods beginning thereafter). Annual Improvements procedure through which small and less urgent changes done to the standards are gathered together into one entity and implemented annually. The effects of changes vary from standard to standard, but the changes are not significant for future consolidated financial statements. The standard change has not yet been approved by the EU.
- Standard change - Amendments to IFRS 7 Financial Instruments: (effective from 1/7/2010 or annual periods beginning thereafter) These changes will require the note disclosures that help users of financial statements to comprehensively understand derecognized transferred financial assets, and the related debt ratio, and to assess the nature of the interest of the retained by the general financial assets and their associated risks. The change is not expected to significantly affect the notes to the consolidated financial statements. The standard change has not yet been approved by the EU.
- Standard change - Amendments to IAS 12 Deferred Tax: Recovery of Underlying Asset (effective from 1/1/2012 or annual periods beginning thereafter). This change adds an exemption to the standard, which accords with the IAS 40 Investment Property standard, that the registration of a deferred tax liability or asset related to real estate investment measured at

a fair value is based on the rebuttable presumption that the book value of the property will be fully recovered through sales. This change will not have an effect on the group accounting. The standard change has not yet been approved by the EU.

## 1 Operating Segment Information

The group has changed its internal organization such that starting from 1/1/2010 results are reported in four operating segments. ERP includes financial and ERP systems. EAM includes asset optimization, materials management and system maintenance. Data includes tools for data collection, data quality and confirming its accuracy, and data integration between different systems. Store includes cashier and shop systems. The company's key product and service types are software services, licenses and hardware sales.

The operating segments are the group's strategic business units that offer different products and services and are managed as separate units, as their business requires the use of different marketing strategies.

Operating segment information is not presented geographically since the Group's main business is carried out domestically, namely, in one geographical segment. The operating segments are based on the main principles of the group's internal organizational structure and internal financial reporting.

Operating segments consist of asset groups and businesses, whose risks and profitability related to products or services differ from other segments.

Operating segment information has also been changed for the reference year.

### Operating segments

The operating segments of the group are:

- ERP business: financial and ERP systems
- EAM Business: asset optimization, material management and maintenance systems
- Data business: tools for data collection, data quality and to ensure the accuracy of data integration between different systems
- Store business: cashier and shop systems

**2010, thousand EUR**

| Operating segments | ERP | EAM | DATA | STORE | Total |
|---|---|---|---|---|---|
| Revenue | 16 567 | 3 532 | 2 839 | 4 060 | 26 998 |
| Operating result | -1 503 | -981 | -1 394 | -437 | -4 315 |
| Interest and taxes | 166 | 155 | 234 | 53 | 608 |
| Result for the financial period | -1 337 | -826 | -1 160 | -384 | -3 707 |
| Segments assets | 8 902 | 4 668 | 1 842 | 1 799 | 17 211 |
| Segments liabilities | 7 290 | 1 554 | 1 315 | 1 793 | 11 952 |
| Investments | 93 | 20 | 17 | 23 | 153 |
| Depreciation and asset write-downs | -1 535 | -651 | -909 | -127 | -3 223 |

**2009, thousand EUR**

| Operating segments | ERP | EAM | DATA | STORE | Total |
|---|---|---|---|---|---|
| Revenue | 20 166 | 4 049 | 1 352 | 2 983 | 28 550 |
| Operating result | 1 603 | 3 | -793 | 651 | 1 464 |
| Interest and taxes | -527 | -20 | 207 | -189 | -529 |
| Result for the financial period | 1 076 | -17 | -586 | 462 | 935 |
| Segments assets | 11 836 | 5 600 | 2 158 | 1 536 | 21 130 |
| Segments liabilities | 7 921 | 1 562 | 558 | 1 116 | 11 157 |
| Investments | 160 | 457 | 11 | 23 | 651 |
| Depreciation | -504 | -99 | -36 | -71 | -710 |

Income from no one customer exceeds 10% of the group's total revenue.

## 2 Business combinations

There were no new business acquisitions in fiscal year 2010.

## 3 Revenue and long-term projects

### Revenue

| thousand EUR | 2010 | 2009 |
|---|---|---|
| Services | 17 542 | 18 416 |
| Sales of software licences | 7 234 | 7 500 |
| Sales of hardware | 2 222 | 2 634 |
| **Total** | **26 998** | **28 550** |

Revenue from long-term projects totalled 1.129 thousand euros in 2010 (2.182 thousand euros in 2009).

The consolidated income statement includes income from long-term projects in process in total 1.030 thousand euros as at 31.12.2010 (1.974 thousand euros as at 31.12.2009). Receivable from long-term projects in process were included in prepayments and accrued income in the amount of 491 thousand euros as at 31.12.2010 (1.100 thousand euros as at 31.12.2009).

## 4 Other income

| thousand EUR | 2010 | 2009 |
|---|---|---|
| Other income | 52 | 94 |
| **Total** | **52** | **94** |

## 5 Other expenses

| thousand EUR | 2010 | 2009 |
|---|---|---|
| Telephone and telecommunications costs | 365 | 389 |
| Rental expenses | 1 112 | 1 120 |
| Car and travel expenses | 1 191 | 1 242 |
| External services | 313 | 481 |
| Loss-making projects | 797 | 0 |
| Impairment losses | 121 | 27 |
| Other expenses | 1 161 | 819 |
| **Total** | **5 060** | **4 078** |

External services include audit fees 41 thousand euros (44 thousand euros 2009) and other services 13 thousand euros (8 thousand euros 2009).

In accordance with IFRS provisions, expenses recognized for onerous contracts and management estimate changes were 797 thousand euros in the fiscal year.

## 6 Depreciation, amortisation and impairment

| thousand EUR | 2010 | 2009 |
|---|---|---|
| Depreciation by asset group | | |
| Intangible assets | | |
| Development costs | 252 | 120 |
| Intangible rights | 108 | 125 |
| Other intangible assets | 61 | 35 |
| Asset write-downs by group | | |
| Intangible assets | | |
| Development costs | 287 | 0 |
| Goodwill | 2 087 | 0 |
| **Total** | **2 795** | **280** |
| | | |
| Tangible assets | | |
| Machinery and equipment | 428 | 430 |
| **Total** | **428** | **430** |

## 7 Employee benefit expenses

| thousand EUR | 2010 | 2009 |
|---|---|---|
| Salaries and wages | 12 575 | 12 039 |
| Pension expenses - defined contribution plan | 2 385 | 2 187 |
| Other personnel expenses | 728 | 642 |
| **Total** | **15 688** | **14 868** |

| Average number of employees in group during financial period | 2010 | 2009 |
|---|---|---|
| ERP | 114 | 116 |
| EAM | 40 | 41 |
| DATA | 28 | 29 |
| STORE | 27 | 28 |
| Shared functions | 25 | 26 |
| **Total** | **234** | **240** |
| | | |
| Employees as at 31.12. | 220 | 235 |

Information on management's employee benefits is presented in note 26 Related party transactions.

## 8 Research and development costs

Income statement for 2010 includes research and development costs in the amount of 1.603 thousand euros (798 thousand euros in 2000, this in addition to balance sheet capitalization).

## 9 Financial income

| thousand EUR | 2010 | 2009 |
|---|---|---|
| Interest income from loans and receivable | 26 | 28 |
| Dividend income from held-for-sale financial assets | 1 | 1 |
| **Total** | **27** | **29** |

## 10 Financial expenses

| thousand EUR | 2010 | 2009 |
|---|---|---|
| Interest expenses from financial expenses at amortized costs | 180 | 116 |
| Other financial expenses | 19 | 48 |
| **Total** | **199** | **164** |

Other financial expenses include 1 thousand euros of variable rents relating to financial leasing contracts (1 thousand euros in 2009).

## 11 Income taxes

| thousand EUR | 2010 | 2009 |
|---|---|---|
| Deferred taxes | -780 | 394 |
| **Total** | **-780** | **394** |

Reconciliation between income statement's tax expense and taxes based on the group's domestic income tax rate (26 %):

| thousand EUR | 2010 | 2009 |
|---|---|---|
| Result before tax | -4 487 | 1 329 |
| Taxes based on domestix tax rate | -1 167 | 346 |
| Non-deductible goodwill amortisation | 353 | 0 |
| Non-deductible expenses | 21 | 24 |
| Unrecognised losses in taxation relating to subsidiaries | 16 | 32 |
| Other differences | -3 | -8 |
| **Taxes in the income statement** | **-780** | **394** |

## 12 Earnings per share

Undiluted EPS is calculated by dividing the profit attributable to equity holders of the parent by the weighted average number of shares outstanding.

When calculating the diluted earnings per share, the weighted average number of stocks takes into account the dilutive effect of the reserve own shares held by the company. The Group had not ongoing share option programs or convertible bonds that would have had a diluting effect. The share's fair value is based on the average price of the shares over the financial period.

| | 2010 | 2009 |
|---|---|---|
| Profit for the financial period attributable to equity holders of the parent (thousand EUR) | -3 707 | 935 |
| Weighted average of the number of shares during the financial period (1 000) | 11 767 | 11 925 |
| Undiluted EPS (EUR/share) | -0,32 | 0,08 |
| Dilutive effect has no influence on earnings per share (EPS) | | |

## 13 Property, plant and equipment

| thousand EUR | Land | Buildings | Machinery and equipment | Other tangible assets | Total |
|---|---|---|---|---|---|
| Acquisition cost 1.1.2010 | 160 | 1 836 | 3 275 | 21 | 5 292 |
| Additions | 0 | 0 | 443 | 0 | 443 |
| **Acquisition cost 31.12.2010** | **160** | **1 836** | **3 718** | **21** | **5 735** |
| Accumulated depreciation and impairment 1.1.2010 | 0 | 0 | 2 647 | 0 | 2 647 |
| Depreciation | 0 | 0 | 428 | 0 | 428 |
| **Accumulated depreciation and impairment 31.12.2010** | **0** | **0** | **3 075** | **0** | **3 075** |
| Book value 1.1.2010 | 160 | 1 836 | 628 | 21 | 2 645 |
| Book value 31.12.2010 | 160 | 1 836 | 643 | 21 | 2 660 |
| Acquisition cost 1.1.2009 | 160 | 1 836 | 2 907 | 21 | 4 924 |
| Additions | 0 | 0 | 368 | 0 | 368 |
| **Acquisition cost 31.12.2009** | **160** | **1 836** | **3 275** | **21** | **5 292** |
| Accumulated depreciation and impairment 1.1.2009 | 0 | 0 | 2 217 | 0 | 2 217 |
| Depreciation | 0 | 0 | 430 | 0 | 430 |
| **Accumulated depreciation and impairment 31.12.2009** | **0** | **0** | **2 647** | **0** | **2 647** |
| Book value 1.1.2009 | 160 | 1 836 | 690 | 21 | 2 707 |
| Book value 31.12.2009 | 160 | 1 836 | 628 | 21 | 2 645 |

EUR 595 thousand remained to be depreciated of the group's machinery and equipment on 31.12.2010 (523 thousand euros 31.12.2009).

### Financial leases

Property, plant and equipment include property acquired by financial leases as follows:

| thousand EUR | Machinery and equipment | Total |
|---|---|---|
| 31.12.2010 | | |
| Acquisition cost | 2 499 | 2 499 |
| Accumulated depreciation | 2 010 | 2 010 |
| Book value | 489 | 489 |
| 31.12.2009 | | |
| Acquisition cost | 2 164 | 2 164 |
| Accumulated depreciation | 1 675 | 1 675 |
| Book value | 489 | 489 |

EUR 335 thousand worth of assets under financial leases is included in the additions (335 thousand euros 2009).

## 14 Intangible assets

| thousand EUR | Goodwill | Development costs | Intangible rights | Other intangible assets | Total |
|---|---|---|---|---|---|
| Acquisition cost 1.1.2010 | 8 396 | 2 618 | 2 300 | 307 | 13 621 |
| Additions | 0 | 0 | 11 | 35 | 46 |
| **Acquisition cost 31.12.2010** | **8 396** | **2 618** | **2 311** | **342** | **13 667** |
| Accumulated amortisation and impairment 1.1.2010 | 110 | 474 | 1 803 | 193 | 2 580 |
| Depreciation | 0 | 252 | 108 | 61 | 421 |
| Impairment | 2 087 | 287 | 0 | 0 | 2 374 |
| **Accumulated amortisation and impairment 31.12.2010** | **2 197** | **1 013** | **1 911** | **254** | **5 375** |
| Book value 1.1.2010 | 8 286 | 2 144 | 497 | 114 | 11 041 |
| Book value 31.12.2010 | 6 199 | 1 605 | 400 | 88 | 8 292 |
| Acquisition cost 1.1.2009 | 8 396 | 2 194 | 2 189 | 224 | 13 003 |
| Capitalised development costs | 0 | 424 | 0 | 0 | 424 |
| Additions | 0 | 0 | 111 | 83 | 194 |
| **Acquisition cost 31.12.2009** | **8 396** | **2 618** | **2 300** | **307** | **13 621** |
| Accumulated amortisation and impairment 1.1.2009 | 110 | 354 | 1 678 | 158 | 2 300 |
| Amortisation | 0 | 120 | 125 | 35 | 280 |
| **Accumulated amortisation and impairment 31.12.2009** | **110** | **474** | **1 803** | **193** | **2 580** |
| Book value 1.1.2009 | 8 286 | 1 840 | 511 | 66 | 10 703 |
| Book value 31.12.2009 | 8 286 | 2 144 | 497 | 114 | 11 041 |

No development projects were operating during the review period. During the comparison year, the company had one new value added development project in its EAM segment, the costs of which were amortised in the comparison year at 424 euros.

The impairment recorded for development costs during the period, 287 thousand euros, is related to the activated development costs of the ERP segment. The estimate for the recoverable financial amount has declined because of the changes in the economic conditions.

### Impairment

Goodwill originating from business combinations and intangible assets relating to development projects not yet available for use are allocated to cash-generating units which are based, starting from 1.1.2010, on the Group's budgeting and reporting structure used in monitoring business operations. These cash generating units according to the reporting structure are SAP, Microsoft Dynamics, Solteq Solutions, EAM, Store and Data.

As at 31.12.2010 the book value of goodwill totalled 6.199 thousand euros (8.286 thousand euros 31.12.2009). The financial statement doesn´t include intangible assets at 31.12.2010 (1.162 thousand euros 31.12.2009).

Goodwill is allocated as follows (thousand euros):

| | 2010 | 2009 |
|---|---|---|
| SAP | 1 493 | 2 223 |
| Microsoft Dynamics | 1 168 | 1 168 |
| Solteq Solutions | 334 | 334 |
| EAM | 2 398 | 2 939 |
| Store | 0 | 0 |
| Data | 806 | 1 622 |
| Total | 6 199 | 8 286 |

Intangible assets not yet available for use are allocated as follows (thousand euros):

| | 2010 | 2009 |
|---|---|---|
| EAM | 0 | 1 162 |
| Total | 0 | 1 162 |

Impairment tests have been carried out at cash-generating unit level. Recoverable amount has been determined by using value in use. Defined estimated cash flows are based on the operating result budget for 2011 and operating result estimates for the following four years.

After the forecast period, the impact of the cash flow has been considered in the testing only in parts where the cash flow seems probable and even then with special caution.

The increase of forecasted cash flows is estimated as follows: the cash flows relating to SAP, Solteq Solutions and STORE will not increase. Cash flows relating to EAM and DATA will increase approximately 10 per cent per annum. Cash flows relating to Microsoft Dynamics will increase approximately 20 per cent per annum.

After the forecast period, cash flow is not supposed to grow.

The discount rate used in the calculations 9 per cent (9 per cent in 2009) is the weighted average cost of capital before taxes. Impairment tests showed a need for a 2,087 thousand euro goodwill impairment. Recorded write-downs were targeted by segment as follows: DATA 816 thousand euros, EAM 541 thousand euros and ERP 730 thousand euros.

Goodwill is an especially sensitive in the financial statements to written down segments. One percentage point increase in discount rate used would cause a 113 thousand euro impairment. Similarly, one percentage point reduction in all of the recoverable amounts of cash would cause a 43 thousand euro impairment. As regards the NAV segment, a rise of the discount rate to a 12% level would cause impairment, as would an over 9% reduction in the recoverable amount of cash. For the other segments, a 10% unit rise in the discount rate or a 20% reduction in the recoverable amount of cash would not cause impairment.

## 15 Available-for-sale financial assets

| thousand EUR | 2010 | 2009 |
|---|---|---|
| Beginning of financial period | 93 | 93 |
| End of financial period | 93 | 93 |

The fair value of financial assets available for sale is not materially different from the book values.

## 16 Deferred tax assets and liabilities

Changes in deferred taxes during 2010:

| thousand Eur | 31.12.2009 | Recognized in the income statement | 31.12.2010 |
|---|---|---|---|
| **Deferred tax assets:** | | | |
| Carryforward of unused tax losses | 520 | 540 | 1 060 |
| Booked depreciation in excess of tax depreciation | 40 | 4 | 44 |
| Other items | 0 | 64 | 64 |
| **Total** | **560** | **608** | **1 168** |
| **Deferred tax liabilities:** | | | |
| Amortisation of goodwill | 612 | -99 | 513 |
| Other items | 73 | -73 | 0 |
| **Total** | **685** | **-172** | **513** |

Deferred taxes are recorded in full with the exception of the losses of the Russian subsidiary. Deferred tax assets from losses were not recognized because the company is not likely to accumulate aging taxable income before losses, against which losses could be applied.

## 17 Trade and other receivables

| thousand EUR | 2010 | 2009 |
|---|---|---|
| Loans and other receivables | | |
| Trade receivables | 3 924 | 4 347 |
| Receivables from clients concerning long-term acquisitions | 491 | 1 100 |
| Prepayment and accrued income | 567 | 1 237 |
| Other receivables | 399 | 409 |
| **Total** | **5 381** | **7 093** |

Receivables from clients concerning long-term acquisitions are related to credited ongoing projects in accordance with the readiness degree. Significant items included in prepayments and accrued income relate to normal business accruals. The interest rate for loan receivable has been Euribor + 1,0 %.

The aging of accounts receivable and items recorded as impairment losses:

| thousand EUR | 2010 | Impairment losses | Net 2010 | 2009 | Impairment losses | Net 2009 |
|---|---|---|---|---|---|---|
| Not due | 2 994 | -70 | 2 924 | 3 235 | - | 3 235 |
| Due | 1 000 | - | 1 000 | 1 112 | - | 1 112 |
| Under 30 days | 746 | - | 746 | 644 | - | 644 |
| 31-60 days | 186 | - | 186 | 185 | - | 185 |
| 61-90 days | 36 | - | 36 | 50 | - | 50 |
| Over 90 days | 32 | - | 32 | 233 | - | 233 |
| **Total** | **3 994** | **-70** | **3 924** | **4 347** | **-** | **4 347** |

All current receivables are denominated in euros. There are no significant concentrations of risk related to receivables. Because the receivables are current their fair value is equivalent to carrying value.

## 18 Cash and cash equivalents

| thousand EUR | 2010 | 2009 |
|---|---|---|
| Cash and bankaccounts | 131 | 258 |
| **Total** | **131** | **258** |

An amount of 19 thousand euros has been pledged as guarantee period collaterals (19 thousand euros 2009).

## 19 Notes to equity

Below is the reconciliation of the number of shares and the statement of changes in equity:

| thousand EUR | Number of shares (1 000) | Share capital | Reserve for own shares | Share premium reserve | Hedging reserve | Distributable equity reserve | Total |
|---|---|---|---|---|---|---|---|
| 1.1.2009 | 12 148 | 1 009 | -255 | 75 | 0 | 7 213 | 8 042 |
| Acquisitions of own shares | 0 | 0 | -82 | 0 | 0 | 0 | -82 |
| Valuation of hedging instruments | 0 | 0 | 0 | 0 | -7 | 0 | -7 |
| 31.12.2009 | 12 148 | 1 009 | -337 | 75 | -7 | 7 213 | 7 954 |
| | | | | | | | |
| Acquisitions of own shares | 0 | 0 | -281 | 0 | 0 | 0 | -281 |
| Valuation of hedging instruments | 0 | 0 | 0 | 0 | -13 | 0 | -13 |
| 31.12.2010 | 12 148 | 1 009 | -618 | 75 | -20 | 7 213 | 7 660 |

The maximum number of shares is 28.539.504 (28.539.504 in 2009). The shares have no nominal value. The Group's maximum share capital according to the articles of association is 2.4 million euros (2.4 million euros in 2009).

The reserves included in equity are as follows:

### Share premium reserve

A reserve to be used in accordance with the old Companies Act § 12:3a.

### Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

### Distributable equity reserve

In accordance with the Companies Act 8:2 §, the proportion of payments received from shares that is not recognised as share capital is recognised in this reserve.

### Reserve for own shares

Reserve for own shares consists of acquisition cost of own shares acquired by the group. The acquisition cost of the shares was 617.514,64 euros which is deducted from equity. At the end of the financial year Solteq Plc had 500.669 own shares in its possession (2009: 258.436 shares). The amount of acquired shares corresponded to 4,12 percent of the shares and votes at the end of the financial year. The equivalent value of acquired shares was 41.590 euros.

### Dividends

After the balance sheet date the Board of Directors has proposed to the Annual General Meeting that no dividend will be paid from the financial period 2010.

## 20 Interest-bearing liabilities

| thousand EUR | 2010 Book value | 2010 Fair value | 2009 Book value | 2009 Fair value |
|---|---|---|---|---|
| **Financial liabilities at amortized cost** | | | | |
| **Non-current** | | | | |
| Loans from financial institutions | 2 853 | 2 853 | 4 174 | 4 174 |
| Finance lease obligations | 163 | 163 | 163 | 163 |
| | **3 016** | **3 016** | **4 337** | **4 337** |
| **Current** | | | | |
| Loans from financial institutions | 3 775 | 3 775 | 2 246 | 2 246 |
| Finance lease obligations | 326 | 326 | 326 | 326 |
| | **4 101** | **4 101** | **2 572** | **2 572** |

The fair value of interest-bearing liabilities is mainly equivalent to their carrying value because the interests are based on short-term reference rates of interest. The effect of interest rate swap has been recognized as an increase of interest-bearing liabilities.

**Due dates for interest-bearing liabilities:**

| 2010 | 2011 | 2012 | 2013 | 2014–2016 |
|---|---|---|---|---|
| **thousand EUR** | | | | |
| Loans from financial institutions | 3 775 | 1 353 | 833 | 667 |
| Finance lease obligations | 326 | 163 | 0 | 0 |
| **Long-term debt total** | **4 101** | **1 516** | **833** | **667** |

| 2009 | 2010 | 2011 | 2012 | 2013–2015 |
|---|---|---|---|---|
| **thousand EUR** | | | | |
| Loans from financial institutions | 2 246 | 1 340 | 1 333 | 1 500 |
| Finance lease obligations | 326 | 163 | 0 | 0 |
| **Long-term debt total** | **2 572** | **1 503** | **1 333** | **1 500** |

The limit on the credit account that is in use is presented as an item maturing in the following year on a yearly basis. The average rate of interest of loans was 2,5 percentages in 2010. (1,8 % in 2009). Interest-bearing liabilities are denominated in euros. The amounts of Group's interest-bearing liabilities with a fluctuating rate of interest and re-pricing periods according to contracts are as follows:

| thousand EUR | 2010 | 2009 |
|---|---|---|
| under 6 kk | 2 461 | 4 419 |
| under 3 years | 2 500 | 0 |
| over 5 years | 1 667 | 2 000 |
| **Total** | **6 628** | **6 419** |

Due dates for financial lease obligations:

| thousand EUR | 2010 | 2009 |
|---|---|---|
| Financial lease obligations - total amount of future minimum lease payments | | |
| Within 12 months | 326 | 326 |
| Between 1 and 5 years | 163 | 163 |
| | 489 | 489 |
| Finance lease obligations - present value of minimum lease payments | | |
| Within 12 months | 322 | 322 |
| Between 1 and 5 years | 161 | 161 |
| | 483 | 483 |
| Future financing expenses | 6 | 6 |
| **Total financial lease obligations** | **489** | **489** |

## 21 Trade and other payables

| thousand EUR | 2010 | 2009 |
|---|---|---|
| Financial liabilities at amortized cost | | |
| Current | | |
| Trade payable | 927 | 830 |
| Accruals and deferred income | 2 901 | 2 333 |
| Other debts | 1 007 | 960 |
| **Total** | **4 835** | **4 123** |

Current liabilities are denominated in euros and their fair values equal their book values. Significant items included in accruals and deferred income relate to usual accruals for business operations.

## 22 Financial risk management and capital management

The Group is subject to a number of financial risks in its business operations. The Group's risk management aims to minimise the adverse effects of the finance markets to the Group's result. The general principles of the Group's risk management are approved by the board and their implementation is the responsibility of the accounting department together with the operating segment units.

### Credit risk

The Group's operating style defines the customers' and investment transactions' credit-worthiness demands and investment principles. The Group does not have any significant credit risk concentrations in its receivables, because it has a wide customer-base and it gives credit only to companies who have an unblemished credit rating. During the financial period, the effect of credit losses has not been significant. The Group's credit risk's maximum amount is the carrying value of financial assets as at 31.12.2010.

### Liquidity risk

The Group monitors and estimates continuously the amount of funds needed to run the business operations, so that the group will, at all times, retain enough liquid assets to fund the operation and repay debts that fall due. The availability of funding and its flexibility is ensured by unused credit limits and by using a number of different banks and financing methods in the procurement of funding. The amount of unused credit limits as at 31.12.2010 totalled 559 thousand euros.

### Interest rate risk

Group's income and operative cash flows are mainly free from market rate fluctuation effects. Group is able to take out either fixed-rate or fluctuating rate loans and to use interest rate swaps to achieve its objective relating to the financial principles.

The group is partly exposed to cash flow interest rate risk. The Group is partially subject to fair value interest rate risk relating to the portion of the loan portfolio that is not subject to hedging. A one percentage change in the interest rate of loans with floating interest has an effect on the company's interest expenses in the amount of approximately +/- 50 thousand euros.

In the end of the reporting period the Group had one interest rate swap denominated in euros. Based on the interest swap contract the Group receives approximately Euribor 1 month variable interest rate and pays approximately 1,97 % fixed interest rate. The Group has entered in to an interest rate swap to hedge the cash flows a fluctuating rate loan with a nominal contract amount of 2.500 thousand euros. The interest rate swap has been classified as an effective cash flow hedge and the correlation to interest cash flows is 100 % for both the value and timing.

The fair value of interest rate swap is verified quarterly by means of a confirmation from 3rd party.

### Capital management

The objective for the Group's capital management is to secure the continuance of activities (going concern) and increase in shareholder value. The capital structure can be managed among other things through decisions regarding dividend distribution and return of equity, purchase of own shares as well as share issues.

Annually reviewed covenants relating to Group's loans from financial institutions (2,5 million euros as at 31.12.2010) and to the account with overdraft facility (the limit is 3,0 million euros as at 31.12.2010 of which 2,4 million was in use) are usual requirements. The financier has right to call in loan contracts if company's equity ratio decreases below 25 per cent or the interest-bearing liabilities / operating margin –ratio exceeds 8 during two consecutive financial periods. The financing margin can vary between 0,30 and 1,50 per cent depending on the changes in equity ratio and interest-bearing liabilities / gross margin –ratio. The Group's interest rate margin has been 0,5 % during financial years 2010 and 2009. The marginal rate is expected to rise to the 1.5% level in 2011 but implementation risks do not appear regarding termination conditions. Management monitors the loan covenant term compliance on a regular basis. The impact of the marginal rate rise on the company's interest expenses will be at an annual maximum of -55 thousand euros.

Equity ratio and net gearing -% are characteristic key figures for capital structure. Equity ratio in 2010 was 30,6 % (47,2 % in 2009). Net gearing percentage in 2010 was 132,8 % (66,7 % in 2009). Interest-bearing debt/operating profit ratio for 2010 was -6.5 (3.2 in 2009).

## 23 Adjustments to cash flow from business operations

Significant events are listed in the cash flow statement. Significant adjustments to cash flow from business operations are due to scheduled depreciation and asset write-downs.

## 24 Other lease agreements

### Group as a lessee

Non-cancellable other lease agreements carry the following minimum lease amounts to be paid:

| **thousand EUR** | **2010** | **2009** |
|---|---|---|
| Within a year | 637 | 778 |
| One to five years | 1 574 | 1 714 |
| More than five years | 0 | 414 |
| **Total** | **2 211** | **2 906** |

The group has leased most of the cars and copiers in its use. The lease agreements include the possibility to continue the agreement after the expiration of the original. The agreements differ in terms of index, renewal and other conditions. Lease liability for premises in Helsinki has been presented for the set lease period. The move to these premises took place in March 2006.

The income statement for 2010 includes lease expenses based on other lease agreement 1.112 thousand euros (1.120 thousand euros in 2009).

## 25 Contingent liabilities and collateral

| thousand EUR | 2010 | 2009 |
|---|---|---|
| **Collateral given on our own behalf** | | |
| Deposits for performance guarantees | 19 | 19 |
| Business mortgages | 2 614 | 2 614 |
| Carrying amount of pledged shares | 1 590 | 1 590 |
| **Total** | **4 223** | **4 223** |

The business mortgages as well as the pledged shares are given as collateral by the parent company for credit limits and long-term loans.

## 26 Related party transactions

Group's related parties consist of the parent company and its subsidiaries. Also members of the Board of Directors and management group including the managing director as well as close members of their families are considered as related parties.

Group's parent and subsidiary relations are as follows:

| Company | Domicile | Share of ownership (%) | Share of votes (%) |
|---|---|---|---|
| Solteq Oyj | | | |
| Solteq Finance Oy | Finland | 100 % | 100 % |
| Qetlos Oy | Finland | 100 % | 100 % |
| Solorus Holding Oy | Finland | 100 % | 100 % |
| OOO Solteq Russia | Russia | 100 % | 100 % |

Operating group companies have been included in the consolidated financial statements.

The following related party transactions took place:

| thousand EUR | 2010 | 2009 |
|---|---|---|
| Renting expenses | 76 | 76 |
| Outsourcing expenses | 25 | 0 |
| **Key management personnel total** | **101** | **76** |

Subcontracting from companies with insider influence has happened at market prices and is related to the company's normal software service activities. The closing date balance sheet does not have any significant insider debt or liabilities.

Management employee benefits:

| thousand EUR | 2010 | 2009 |
|---|---|---|
| Salaries and other short-term employment benefits | 686 | 1 226 |
| | **686** | **1 226** |

Wages and salaries

| thousand EUR | 2010 | 2009 |
|---|---|---|
| Managing Director Hannu Ahola (until 8.4.2010) | 144 | 179 |
| Managing Director Repe Harmanen (starting 20.9.2010) | 49 | 0 |
| | | |
| Members of the board | | |
| Saadetdin Ali U., Chairman of the board | 44 | 46 |
| Aalto Seppo | 15 | 12 |
| Jokiniva Veli-Pekka | 15 | 12 |
| Heiniö Ari (until 26.3.2010) | 0 | 12 |
| Pietilä Markku | 15 | 12 |
| Sonninen Jukka | 15 | 12 |
| Sara-aho Sirpa (starting 26.3.2010) | 15 | 0 |

The members of the Board and the Managing Director owned 5.178.589 shares at the end of 2010 (2009: 5.188.589 shares).

The Managing Director's notice period is three months. If terminated, nine months salaries are to be paid as termination compensation.

## 27 Events after the balance sheet date

On 20 January 2011, Solteq published a stock exchange press release concerning the 2,087 thousand euro goodwill write-down based on the Board's impairment tests.

On 4 February 2011, Solteq published a stock exchange bulletin where Solteq refined its strategy to the years 2011-2014.

## 28 Five year figures

| Financial period 1.1.-31.12. | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| **Key figures outlining the group's financial development (million EUR)** | **IFRS** | **IFRS** | **IFRS** | **IFRS** | **IFRS** |
| Revenue | 27,0 | 28,6 | 30,4 | 27,9 | 23,2 |
| Increase in revenue | -5,4 % | -6,0 % | 8,8 % | 20,6 % | 7,4 % |
| Operating profit/loss | -4,3 | 1,5 | 1,5 | 1,3 | -0,5 |
| % of revenue | -16,0 % | 5,1 % | 4,8 % | 4,7 % | -2,2 % |
| Profit/loss before taxes | -4,5 | 1,3 | 1,1 | 1,1 | -0,5 |
| % of revenue | -16,6 % | 4,7 % | 3,7 % | 3,9 % | -2,1 % |
| Return on equity, % | -48,7 % | 9,6 % | 9,0 % | 11,5 % | 1,2 % |
| Return on investment, % | -29,3 % | 9,1 % | 9,0 % | 8,7 % | -2,4 % |
| Equity ratio % | 30,6 % | 47,2 % | 43,6 % | 44,1 % | 47,7 % |
| Gross investments in non-current assets | 0,2 | 0,7 | 0,9 | 1,8 | 7,7 |
| % of revenue | 0,6 % | 2,3 % | 3,0 % | 6,6 % | 33,1 % |
| Research and development costs | 1,6 | 1,6 | 0,6 | 0,1 | 0,5 |
| % of revenue | 5,9 % | 5,7 % | 1,9 % | 0,5 % | 1,3 % |
| Net Gearing | 132,8 % | 66,7 % | 58,5 % | 69,0 % | 15,8 % |
| Average number of employees over the financial period | 233 | 240 | 266 | 252 | 240 |

| Financial period 1.1.-31.12. | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| **Group's key figures per share** | **IFRS** | **IFRS** | **IFRS** | **IFRS** | **IFRS** |
| Earnings per share, EUR | -0,32 | 0,08 | 0,07 | 0,09 | 0,01 |
| Equity attributable to the equity holders of the parent, EUR | 0,45 | 0,84 | 0,80 | 0,81 | 0,81 |
| Dividends per share, EUR | 0,00 | 0,06 | 0,04 | 0,06 | 0,00 |
| Dividend from result, % | 0,0 % | 76,5 % | 55,4 % | 64,7 % | 0,0 % |
| Effective dividend yield, % | 0,0 % | 4,5 % | 3,5 % | 3,4 % | 0,0 % |
| Price/earnings (P/E) | negative result | 17,0 | 16,1 | 18,9 | 122,2 |
| Highest share price, EUR | 1,56 | 1,39 | 1,77 | 1,86 | 2,24 |
| Lowest share price, EUR | 1,01 | 1,02 | 1,16 | 1,28 | 1,28 |
| Average share price, EUR | 1,20 | 1,25 | 1,44 | 1,59 | 1,79 |
| Market value of the shares, 1000 EUR | 12 634 | 16 157 | 14 092 | 20 632 | 15 890 |
| Shares trade volume, 1000 pcs | 1 270 | 532 | 1 017 | 2 694 | 3 930 |
| Shares trade volume, % | 10,8 % | 4,5 % | 8,5 % | 22,4 % | 34,4 % |
| Weighted average of the share issue orrected number of shares during the financial period, 1000 pcs | 11 766 | 11 925 | 12 013 | 12 052 | 11 420 |
| Number of shares corrected by share issue at the end of the financial period, 1000 pcs | 11 644 | 11 890 | 11 960 | 12 065 | 12 038 |

When calculating the number of shares, the number of own shares retained by the company has been deducted from the number of shares.

The board proposes that no dividend will be paid from the financial period 2010.

## Calculation on financial ratios

Return on Equity (ROE) %

$$\frac{\text{net result}}{\text{average result}} \times 100$$

Return on investment %

$$\frac{\text{result after the financial items + financial expenses}}{\text{total assets - interest-free liabilities (average)}} \times 100$$

Equity ratio

$$\frac{\text{equity}}{\text{total assets - advances received}} \times 100$$

Net gearing:

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

Diluted earnings per share

$$\frac{\text{net result -/+ ownership share of the non-controlling interest}}{\text{average number of shares added with number of shares at the end of the period}}$$

## Calculation on financial ratios

Earnings per share:

$$\frac{\text{net result -/+ ownership share of the non-controlling interest}}{\text{average number of shares}}$$

Equity per share:

$$\frac{\text{equity}}{\text{number of shares}}$$

Dividend per share

$$\frac{\text{dividend for the period}}{\text{number of shares at the time of payment}}$$

Dividend from result %

$$\frac{\text{dividend per share x 100}}{\text{earnings per share}} \times 100$$

Effective dividend yield:

$$\frac{\text{dividend per share}}{\text{share price at the year-end}} \times 100$$

Price/earnings

$$\frac{\text{share price at the year-end}}{\text{earnings per share}}$$

**DISTRIBUTION OF OWNERSHIP BY SECTOR 31.12.2010**

| | Number of owners | Shares and votes % | pcs |
|---|---|---|---|
| Companies | 84 | 21,6 % | 2 618 010 |
| Financier and insurance institutions | 5 | 0,2 % | 23 052 |
| Public organisations | 1 | 0,1 % | 11 300 |
| Households | 1 843 | 78,1 % | 9 484 696 |
| Not for profit organisations | 6 | 0,0 % | 5 981 |
| Ouside Finland | 6 | 0,0 % | 5 390 |
| Total | 1 945 | 100,0 % | 12 148 429 |
| of which nominee registered | 4 | 0,2 % | 20 646 |

**DISTRIBUTION OF OWNERSHIP BY SIZE 31.12.2010**

| Number of shares | Number of owners | Shares and votes % | pcs |
|---|---|---|---|
| 1 - 100 | 329 | 0,2 % | 26 480 |
| 101 - 1 000 | 1 075 | 4,3 % | 524 480 |
| 1 001 - 10 000 | 468 | 12,4 % | 1 509 950 |
| 10 001 - 100 000 | 63 | 13,2 % | 1 600 548 |
| 100 001 - 1 000 000 | 7 | 16,1 % | 1 958 559 |
| 1 000 000 - | 3 | 53,7 % | 6 528 412 |
| Total | 1 945 | 100,0 % | 12 148 429 |
| of which nominee registered | 4 | 0,2 % | 20 646 |

**MAJOR SHAREHOLDERS 31.12.2010**

| | Shares and notes pcs | % |
|---|---|---|
| 1. Saadetdin Ali | 3 481 383 | 28,7% |
| 2. Aalto Seppo | 1 662 206 | 13,7 % |
| 3. Profiz Business Solution Oyj | 1 384 823 | 11,4 % |
| 4. TP-Yhtiöt Oy | 513 380 | 4,2 % |
| 5. Solteq Oyj | 500 669 | 4,1 % |
| 6. Roininen Matti | 350 000 | 2,9 % |
| 7. Hakamäki Jorma | 228 430 | 1,9 % |
| 8. Saadetdin Katiye | 156 600 | 1,3 % |
| 9. Halmet Jarmo | 106 250 | 0,9 % |
| 10. Aukia Timo | 103 230 | 0,8 % |
| 10 largest total | 8 486 971 | 69,9 % |
| Nominee registered total | 20 646 | 0,2 % |
| Others | 3 640 812 | 30,0 % |
| Total | 12 148 429 | 100,0 % |

# Parent company's financial statements 2010

## Parent company's income statement

| | 1.1.-31.12.2010 | 1.1.-31.12.2009 |
|---|---|---|
| Net turnover | 26 989 725,68 | 28 574 487,58 |
| Other operating income | 52,544,60 | 93 526,31 |
| Raw materials and services | -7 394 302,76 | -7 578 472,84 |
| Personnel expenses | -15 718 736,08 | -15 302 016,13 |
| Depreciation, amortisation and reduction in value | -2 613 534,34 | -1 545 087,90 |
| Other operating expenses | -5 041 914,01 | -3 860 872,29 |
| **Operating result** | **-3 726 216,91** | **381 564,73** |
| Financial income and expenses | -464 958,13 | -122 442,99 |
| **Result before appropriations and taxes** | **-4 191 175,04** | **259 121,74** |
| Deferred taxes | 539 605,68 | -304 577,97 |
| **Result for the period** | **-3 651 569,36** | **-45 456,23** |

## Parent company's balance sheet

| | 31.12.2010 | 31.12.2009 |
|---|---|---|
| **NON-CURRENT ASSETS** | | |
| Intangible assets | 7 508 119,42 | 9 982 163,24 |
| Tangible assets | 149 890, 31 | 135 928,83 |
| Investements | | |
| Shares in group companies | 7 225,86 | 109 725,86 |
| Other investments | 2 136 127,03 | 2 136 127,03 |
| **TOTAL NON-CURRENT ASSETS** | **9 801 362,62** | **12 363 944,96** |
| **CURRENT ASSETS** | | |
| Short-term receivables | 6 436 783,39 | 7 506 033,09 |
| Cash in hand and at banks | 114 785,20 | 250 113,88 |
| **TOTAL CURRENT ASSETS** | **6 551 568,59** | **7 756 146,97** |
| **TOTAL ASSETS** | **16 352 931,21** | **20 120 091,93** |

| | 31.12.2010 | 31.12.2009 |
|---|---|---|
| **EQUITY** | | |
| Share capital | 1 009 154,17 | 1 009 154,17 |
| Share premium account | 74 490,83 | 74 490,83 |
| Distributable equity reserve | 7 213 547,90 | 7 213 547,90 |
| Retained earnings | 238 661,14 | 1 276 594,89 |
| Result for the financial year | -3 651 569,36 | -45 456,23 |
| **TOTAL EQUITY** | **4 884 284,68** | **9 528 331,56** |
| **LIABILITIES** | | |
| Long-term liabilities | 2 833 336,00 | 4 166 668,00 |
| Short-term liabilities | 8 635 310,53 | 6 425 092,37 |
| **TOTAL LIABILITIES** | **11 468 646,53** | **10 591 760,37** |
| **TOTAL EQUITY AND LIABILITIES** | **16 352 931,21** | **20 120 091,93** |

# Parent company's cash flow statement

| | 2010 | 2009 |
|---|---|---|
| **CASH FLOW FROM BUSINESS OPERATIONS** | | |
| Operating result | -3 726 217 | 381 565 |
| Adjustments to operating result | 2 613 534 | 1 545 088 |
| Change in net working capital | 2 090 729 | -1 582 601 |
| Paid interests and payments | -188 997 | -151 802 |
| Received interest | 25 535 | 28 075 |
| **CASH FLOW FROM BUSINESS OPERATIONS** | **814 584** | **220 325** |
| **CASH FLOW FROM CAPITAL EXPENDITURE** | | |
| Capital expenditure in tangible and intangible assets | -153 452 | -691 051 |
| Received dividends from investments | 1 470 | 1 284 |
| **CASH FLOW FROM CAPITAL EXPENDITURE** | **- 151 982** | **-689 767** |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | |
| Increase in long-term loans | 0 | 2 000 000 |
| Repayments in long-term loans | -1 266 666 | -1 000 000 |
| Increase in short-term loans | 1 461 212 | 0 |
| Repayments in short-term loans | 0 | -413 892 |
| Purchase of own shares | -280 542 | -81 918 |
| Dividend distribution | -711 936 | -475 600 |
| **CASH FLOW FROM FINANCING ACTIVITIES** | **-797 932** | **28 590** |
| **CHANGE IN CASH AND CASH EQUIVALENTS** | **-135 329** | **-440 852** |
| Cash and cash equivalents 1.1. | 250 114 | 690 966 |
| Cash and cash equivalents 31.12. | 114 785 | 250 114 |

# Notes to the parent company's financial statements

## Notes concerning company belonging to a group

The company is a part of the Solteq Group.
Solteq Group's parent company is Solteq Plc, domiciled in Tampere.

## Accounting principles

Solteq Oyj's financial statements have been prepared in accordance with the Finnish Accounting Act and other rules and regulations concerning the preparation of financial statements and activity report.

### CURRENCY USED IN FINANCIAL STATEMENTS

Financial statements have been prepared in euro.

### DEPRECIATION PERIODS

| | |
|---|---|
| Machinery and equipment | 3-5 years |
| Software | 3-5 years |
| Goodwill | 10 years |
| Other intangible assets | 3-10 years |
| Development costs | 5-10 years |

### RESEARCH AND DEVELOPMENT

Research costs are expensed as incurred. Development costs for new or further developed products are capitalised as intangible assets starting from the date that product is considered to be technically possible to produce, it can be commercially utilised and the product is expected to yield financial gain. Development costs expensed earlier can not be capitalised. Depreciation is started when the item is ready for use. Items not yet available for use are tested annually for impairment. The economic life of capitalised development costs is 10 years, during which capitalised assets are depreciated using straight-line method.

### PENSIONS

Pension arrangements are classified as benefit based and contribution based arrangements. Solteq Plc carries only contribution based pension arrangements. Payments under Finnish pension system and other contribution based pension plans are expensed during the financial year to which the payments correspond to.

## REVENUE RECOGNITION

Income from sale of assets is recorded when the significant rewards and plans have been transferred to the buyer.

Income from services is recorded when the service has been carried out. Revenue is recognised to the amount that can be reliably estimated to be the outcome. Income and expenses for long-term projects are recognised and expensed based on the degree of completion. The degree of completion is defined by comparing the costs incurred at the time of the reporting date to the estimated total cost of the project. When it is likely that the total costs will exceed total proceeds from the project, the estimated loss is recorded immediately. When the final outcome of a long-term project can not be estimated reliably, costs incurred from the project are expensed and any income from the project is only recorded up to the amount that equals the expenses incurred. Losses from a project will be expensed immediately.

## DEFERRED TAXES

For temporal differences between the taxation and the fiscal periods, deferred tax assets or liabilities are calculated using the tax rate for the following years set at the fiscal period closing date. The balance sheet contains the deferred tax liabilities in their entirety and the deferred tax assets estimated in the probable amount of receipt.

## Notes to income statement

| **Turnover** | **2010** | **2009** |
|---|---|---|
| ERP | 16 559 000,00 | 20 191 000,00 |
| EAM | 3 532 000,00 | 4 049 000,00 |
| DATA | 2 839 000,00 | 1 352 000,00 |
| STORE | 4 060 000,00 | 2 983 000,00 |
| Unallocated | -274,32 | -512,42 |
| **Total** | **26 989 725,68** | **28 574 487,58** |

Revenue mainly consist of domestics sales.

The portion of recorded revenue recorded as income in accordance with the degree of completion is 4% of the total fiscal year revenue (8% as a reference year). The long term product income that is unalienable to customers but recognised as income in accordance with the degree of completion is 1,030 thousand euros. (1,974 thousand euros).

| **Materials and services** | **2010** | **2009** |
|---|---|---|
| Materials and comsumables | | |
| Purchases during the financial year | 4 275 026,08 | 4 526 439,02 |
| External services | 3 119 276,68 | 3 052 033,82 |
| **Total** | **7 394 302,76** | **7 578 472,84** |

| **Personnel** | **2010** | **2009** |
|---|---|---|
| **Average number of personnel** | | |
| ERP | 114 | 117 |
| EAM | 40 | 41 |
| DATA | 28 | 29 |
| STORE | 27 | 28 |
| Shared functions | 25 | 26 |
| **Total** | **234** | **240** |
| Number of employees as at 31.12. | 220 | 235 |
| **Personnel expenses** | | |
| Wagies and salaries | 12 610 912,79 | 12 478 764,07 |
| Pension expenses | 2 379 698,53 | 2 181 407,69 |
| Other social security expenses | 728 124,76 | 641 844,37 |
| **Total** | **15 718 736,08** | **15 302 016,13** |

| **Depreciation, amortisation and reduction in value** | **2010** | **2009** |
|---|---|---|
| Depreciation and amortisation | | |
| Machinery and equipment | 93 437,52 | 95 461,15 |
| Intangible rights | 1 590 605,28 | 1 449 626,75 |
| **Total** | **1 684 042,80** | **1 545 087,90** |

| **Impairment** | | |
|---|---|---|
| Intangible rights | 642 000,00 | 0,00 |
| Development costs | 287 491,54 | 0,00 |
| **Total** | 929 491,54 | 0,00 |
| | | |
| **Total** | **2 613 534,34** | **1 545 087,90** |

| **Other operating expenses** | **2010** | **2009** |
|---|---|---|
| Telephone and telecommunications expenses | 364 204,31 | 389 383,35 |
| Rental expenses | 1 112 748,34 | 1 120 108,42 |
| Car and travel expenses | 850 017,01 | 958 318,58 |
| External services | 514 167,88 | 543 404,56 |
| Loss-making projects | 797 000,00 | 0,00 |
| Credit losses | 121 000,00 | 27 000,00 |
| Other charges | 1 282 776,47 | 822 657,38 |
| **Total** | **5 041 914,01** | **3 860 872,29** |

| **Financial income and expenses** | | |
|---|---|---|
| Dividend income, external | 1 470,46 | 1 284,00 |
| Interest income and other financial income, external | 25 535,41 | 28 074,92 |
| Interest expenses and other financial expenses, external | -188 997,34 | -151 801,91 |
| Impairment losses on fixed assets | | |
| investments in group companies | -102 500,00 | 0,00 |
| Value adjustments of | | |
| financial securities of group companies | -200 466,66 | 0,00 |
| **Total financial income and expenses** | **-464 958,13** | **-122 442,99** |

## Notes to balance sheet

| **NON-CURRENT ASSETS** | **2010** | **2009** |
|---|---|---|
| **Intangible assets** | | |
| **Development costs** | | |
| Acquisition cost 1.1. | 2 614 503,94 | 2 151 430,94 |
| Acquisition during the financial period | 0,00 | 463 073,00 |
| Acquisition cost 31.12. | 2 614 503,94 | 2 614 503,94 |
| | | |
| Accumulated depreciation 1.1. | 470 220,01 | 350 167,04 |
| Depreciation for the period | 251 787,78 | 120 052,97 |
| Impairment | 287 491,54 | 0,00 |
| Accumulated depreciation 31.12. | 1 009 499,33 | 470 220,01 |
| | | |
| **Book value 31.12.** | **1 605 004,61** | **2 144 283,93** |
| | | |
| **Intangible rights** | | |
| Acquisition cost 1.1. | 1 892 330,28 | 1 781 748,43 |
| Acquisition during the financial period | 35 353,00 | 110 581,85 |
| Acquisition cost 31.12. | 1 927 683,28 | 1 892 330,28 |
| | | |
| Accumulated depreciation 1.1. | 1 768 904,74 | 1 706 692,61 |
| Depreciation for the period | 61 256,67 | 62 212,13 |
| Accumulated depreciation 31.12. | 1 830 161,41 | 1 768 904,74 |
| | | |
| **Book value 31.12.** | **97 521,87** | **123 425,54** |

| Goodwill | 2010 | 2009 |
|---|---|---|
| Acquisition cost 1.1. | 3 073 003,38 | 3 073 003,38 |
| Acquisition cost 31.12. | 3 073 003,38 | 3 073 003,38 |
| Accumulated depreciation 1.1. | 1 947 616,06 | 1 537 609,72 |
| Depreciation for the period | 410 006,34 | 410 006,34 |
| Accumulated depreciation 31.12. | 2 357 622,40 | 1 947 616,06 |
| **Book value 31.12.** | **715 380,98** | **1 125 387,32** |
| **Other long-term expenditure** | | |
| Acquisition cost 1.1. | 8 503 950,88 | 8 420 920,25 |
| Acquisition during the financial period | 10 700,00 | 83 030,63 |
| Acquisition cost 31.12. | 8 514 650,88 | 8 503 950,88 |
| Accumulated depreciation 1.1. | 1 914 884,43 | 1 057 529,12 |
| Depreciation for the period | 867 554,49 | 857 355,31 |
| Impairment | 642 000,00 | 0,00 |
| Accumulated depreciation 31.12. | 3 424 438,92 | 1 914 884,43 |
| **Book value 31.12.** | **5 090 211,96** | **6 589 066,45** |
| **Intangible assets total book value 31.12.** | **7 508 119,42** | **9 982 163,24** |

| Tangible assets | 2010 | 2009 |
|---|---|---|
| Acquisition cost 1.1. | 724 482,28 | 691 401,00 |
| Acquisition during the financial period | 107 399,00 | 33 081,28 |
| Acquisition cost 31.12. | 831 881,28 | 724 482,28 |
| Accumulated depreciation 1.1. | 588 553,44 | 493 092,29 |
| Depreciation for the period | 93 437,52 | 95 461,15 |
| Accumulated depreciation 31.12. | 681 990,96 | 588 553,44 |
| **Tangible assets total book value 31.12.** | **149 890,32** | **135 928,84** |

Investments

| Group companies | Company's share of ownership % |
|---|---|
| Solteq Finance Oy, Savonlinna | 100 % |
| Solorus Holding Oy, Tampere | 100 % |
| OOO Solteq Russia, St. Petersburg, Russia | |
| (Parent company: Solorus Holding Oy, share of ownership 100 %) | |

Group company Qetlos Oy has not been consolidated. The company is dormant and thus would have no material effect on Solteq Group's result or distributable reserves.

| Other shares and holdings | Shares | Book value |
|---|---|---|
| Kiinteistö Oy Villakarstaaja | 888 | 769 924,80 |
| Kiinteistö Oy Nukanleikkaaja | 844 | 708 878,54 |
| Vierumäen Kuntokylä Oy, K-sarja | 2 640 | 261 620,00 |
| Asunto Oy Ylläsnäkyy | 150 | 144 983,88 |
| Klingendahlin Pysäköinti Oy | 105 | 111 190,68 |
| Qetlos Oy | 150 | 57 189,30 |
| Kiinteistö Oy Levihovi | | 40 538,40 |
| Other shares | | 41 801,43 |
| **Total** | | **2 136 127,03** |

| CURRENT ASSETS | 2010 | 2009 |
|---|---|---|
| **Receivables** | | |
| Trade receivables | 3 921 034,29 | 4 344 531,16 |
| Group receivables | | |
| Other receivables | 65,00 | 150 466,66 |
| **Total** | **65,00** | **150 466,66** |
| Other receivables | 63 881,95 | 56 544,03 |
| Prepayments and accrued income | 1 960 802,15 | 1 854 491,24 |
| Receivables from clients concerning long-term acquisitions | 491 000,00 | 1 100 000,00 |
| **Total** | **2 515 684,10** | **3 011 035,27** |
| **Total receivables** | **6 436 783,39** | **7 506 033,09** |
| **Significant items included in prepayments and accrued income** | | |
| Deferred tax | 1 060 048,17 | 520 442,49 |
| Other items | 900 753,98 | 1 334 048,75 |
| **Total** | **1 960 802,15** | **1 854 491,24** |
| **EQUITY AND LIABILITIES** | | |
| **Equity** | | |
| Share capital | 1 009 154,17 | 1 009 154,17 |
| Share premium reserve | 74 490,83 | 74 490,83 |
| Distributable equity reserve | 7 213 547,90 | 7 213 547,90 |
| Retained earnings | 238 661,14 | 1 276 594,89 |
| Result for the period | -3 651 569,36 | -45 456,23 |
| **Total equity** | **4 884 284,68** | **9 528 331,56** |

| | 2010 | 2009 |
|---|---|---|
| **Distributable reserves** | | |
| Retained earnings | 1 231 138,66 | 1 834 112,44 |
| Dividend distribution | -711 935,95 | -475 599,72 |
| Purchase of own shares | -280 541,57 | -81 917,83 |
| Result for the period | -3 651 569,36 | -45 456,23 |
| Distributable equity reserve | 7 213 547,90 | 7 213 547,90 |
| **Total** | **3 800 639,68** | **8 444 686,56** |
| | | |
| **Long-term liabilities** | | |
| Loans from financial institutions | 2 833 336,00 | 4 166 668,00 |
| | | |
| **Short-term liabilities** | | |
| Loans from financial institutions | 3 774 349,43 | 2 246 471,14 |
| Intra-group debts | 14 333,59 | 14 333,59 |
| Trade payable | 926 669,75 | 830 239,09 |
| Other debts | 971 411,06 | 923 775,84 |
| Accruals and deferred income | 2 948 546,70 | 2 410 272,71 |
| **Total** | **8 635 310,53** | **6 425 092,37** |
| | | |
| **Significant items included in accruals and deferred income** | | |
| Holiday pays | 1 838 881,98 | 1 969 881,98 |
| Other items | 1 109 664,72 | 440 390,73 |
| **Total** | **2 948 546,70** | **2 410 272,71** |

| **OTHER NOTES** | 2010 | 2009 |
|---|---|---|
| **Contingent liabilities** | | |
| **Payments for leasing contracts** | | |
| To be paid during the next financial period | 443 415,23 | 595 363,35 |
| To be paid later | 275 882,32 | 454 117,91 |
| **Total** | **719 297,55** | **1 049 481,26** |

Leasing contracts vary in length and do not include any specific redemption clauses.

| **Other collateral and contingent liabilities** | 2010 | 2009 |
|---|---|---|
| Business mortgage for credit limits | 2 613 700,00 | 2 613 700,00 |
| Debts with collateral | 7 166 668,00 | 8 500 000,00 |
| Collaterals | | |
| Business mortages | 2 613 700,00 | 2 613 700,00 |
| Deposits for performance guarantees | 18 570,85 | 18 570,85 |
| Carrying amount of pledged shares | 1 589 994,12 | 1 589 994,12 |
| **Total guarantees** | **4 222 264,97** | **4 222 264,97** |

Leasing liabilities for the company's premises total 1.796.197 euros at 31.12.2010.

## Proposal for distribution of profits and signatures

The distributable equity of the parent company Solteq Plc as at 31.12.2010 is:

| | |
|---|---|
| Distributable equity reserve | 7.213.547,90 euros |
| Profit for previous financial periods | 238.661,14 euros |
| Loss for the financial period | -3.651.569,36 euros |
| Total | 3.800.639,68 euros |

Of this amount 3.800.639,68 euros are distributable funds.

The board proposes that no dividend will be paid from the financial period 2010.

No significant changes have taken place in the company's financial situation after the balance sheet date.

## Signatures of the financial statements and the report of the Board of Directors

Helsinki 15 February 2011

Ali U. Saadetdin
Chairman of the Board

Seppo Aalto
Member of the Board

Veli-Pekka Jokiniva
Member of the Board

Markku Pietilä
Member of the Board

Sirpa Sara-aho
Member of the Board

Jukka Sonninen
Member of the Board

Repe Harmanen
Managing Director

## The Auditor's Note

Our auditors' report has been issued today.

Tampere 15 February 2011

KPMG Oy Ab

Frans Kärki
Authorised Public Accountant

**List of accounting records and document types**

| **Accounting records** | **Method of filing** |
|---|---|
| Journal and general ledger | IT lists on paper print-outs |
| Financial statements and related material | Book printed on paper and bound |
| **Document types** | |
| Purchase ledger vouchers | As paper documents and CDs |
| Sales ledger vouchers | As paper documents and CDs |
| Salary vouchers | On paper |
| Memorial vouchers | On paper |

# Auditor's Report

## To the Annual General Meeting of Solteq Plc

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Solteq Plc for the year ended on 31 December, 2010. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, cash flow statement and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

### The Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the financial statements and the report of the Board of Directors and for the fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the fair presentation of the parent company's financial statements and the report of the Board of Directors in accordance with laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

### Auditor's Responsibility

Our responsibility is to express an opinion on financial statements, consolidated financial statements and annual report based on our completed audit of the financial statements. The Auditing Act requires that we comply with ethical principles. We conducted our audit in accordance with good auditing practices. Good accounting practices require that we plan and perform the audit to gain reasonable assurance about whether there are material errors in the financial statements or annual report, and whether any members of the Board or the CEO are guilty of any act or omission which may result in liability for damages towards the company or is in breach of the Companies Act or the Articles of Association.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including fraud or misconduct and substantial risk assessment error. In making those risk assessments, the auditor considers the internal control in the company relevant to the preparation of consolidated financial statements and activity report that give accurate and sufficient information. The auditor evaluates internal controls in order to devise the audit steps appropriate in the circumstances, but not with the intention of giving an opinion on the company's internal control effectiveness. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and activity report.

We believe that we have acquired as the basis for our opinion a sufficient amount of audit evidence appropriate for this purpose.

### Opinion on the Consolidated Financial Statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

### Opinion on the Company's Financial Statements and the Report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Tampere 15 February 2011

KPMG Oy Ab

Frans Kärki
Authorised Public Accountant

Eteläpuisto 2 C
33200 Tampere
FINLAND

Atomitie 2b
00370 Helsinki
FINLAND

Vesijärvenkatu 21
15140 Lahti
FINLAND

Raatihuoneenkatu 2
13100 Hämeenlinna
FINLAND

Switchboard +358 20 14444
www.solteq.com